

# Lloyd's Capital Return 2022

## FAQs

**Last updated:** 13/09/2021

**By:** MRC Capital MI Team / MRC Syndicate Capital

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### Key Contacts

- If you have specific questions regarding the focus areas return, the supporting documentation for the LCR submission, capital guidance or the review process, please contact your MRC Point of Contact copying [SCRreturns@lloyds.com](mailto:SCRreturns@lloyds.com).
  - Any issues related to the MDC portal should be directed to:
  - [mdcsupport@lloyds.com](mailto:mdcsupport@lloyds.com), copying [kevin.barnes@lloyds.com](mailto:kevin.barnes@lloyds.com)
  - Any issues related to legacy RI deals should be directed to [kevin.barnes@lloyds.com](mailto:kevin.barnes@lloyds.com)
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### SecureStore / SecureShare

- The new file upload system **SecureShare** is currently being prepared for release and is not expected to be available to market users until the end of September 2021. Until it is confirmed as ready to use, the current **SecureStore** system should be used to upload any documents pertaining to LCR submissions. For assistance with SecureStore, please follow [this link](#).
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### LCR SUBMISSION QUESTIONS:

#### NEW

**Q. As a ceding syndicate to a legacy RI deal when can a formal LCR be submitted to account for the deal?**

**A.** The legacy RI deal can be incorporated into the first LCR submission providing that the MMC is supplied at the same time and only triggers a risk profile change. The next opportunity to submit will be 20<sup>th</sup> January (previously 3<sup>rd</sup> February) for inclusion in the Q1 Quarterly Corridor Test (QCT).

#### NEW

**Q. If a syndicate had a Major Model Change (MMC) application since the last LCR submission, then should the analysis of change (form 600) cover the whole year or be from the MMC?**

**A.** The analysis of change (form 600) should cover the whole year, but a supplementary excel workbook can be provided to bridge from the MMC, as prior movements have already been approved. The 2022 process will be amended so that an approved MMC must then trigger a formal resubmission of that LCR (i.e. removing the hypothetical flag).

**Q. What are the criteria for a syndicate to be on Fast Track?**

**A.** The fast track criteria have been laid out in the [Fast Track Pilot review process](#) document. Syndicates can determine themselves if they are part of Fast Track by applying the criteria before the submission. Lloyd's will communicate with each syndicate within 10 days of the LCR submission and inform them whether they will be part of the Fast Track approach or otherwise.

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### FOCUS AREA RETURN QUESTIONS:

**Q. When I try to edit links to link the return to the LCR then the option is greyed out. Why is that?**

**A.** Due to the protections in the file it is only possible to edit links from the Control tab. So please go onto the control tab first and then edit the links.

**Q. The focus area return is a significant amount of extra work. Do I need to complete the full return?**

**A.** This has been a challenge from the market working group and we have since tried to reduce the workload. Please read the instructions carefully – some sections of the return are only due on the 1/11, some sections only need to be filled in if they flag (e.g. minimum tests only need to be commented on if they fail) and some sections are not required for run-off syndicates.

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## **QUARTERLY CORRIDOR TEST (QCT) QUESTIONS:**

### **NEW**

**Q. Why do the final agreed SCRs in the CPG letter differ from those used in the QCT?**

**A.** As part of the new capital setting process the final agreed SCRs notified to syndicates in the CPG letter will exclude the QCT results (i.e. the conversion to the latest quarter foreign exchange rates and the latest Quarterly Solvency Return (QSR) submission data which includes the Reinsurance Contract Boundary (RICB) & risk margin adjustments). Further details of the QCT process will be contained in further market bulletins.

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## **MARKET DATA COLLECTION (MDC):**

### **Notes**

- Please note that any reference to “202X” relates to the proposed year of account.

### **Changes since the previous LCR template**

- Please refer to the document on the Lloyds.com page labelled Summary of Changes to see the list in isolation.

### **Foreign Exchange (FX) Rate**

- The LCR must be reported in converted sterling.
- Submissions made prior to year-end must use the published prior 30 June rates, set out in Market Bulletin Y5342. Submissions made post year-end must use the 31 December rates.

### **General**

- Any GBP fields in the LCR are displayed in units and rounded to zero decimal places (a maximum of 5 decimal places (dcp) is permitted as an input for these fields in MDC).
- A tolerance interval of £100,000 exists on all tests which compare/reconcile between two inputs/calculations. This is designed to mitigate the risk of tests failing due to decimal places. We advise agents that, while the MDC system will accept 5 dcp, inserting units with zero dcp will avoid complications.
- The dcp present in MDC can be checked by pressing F2 or double-clicking while on a cell. The decimals will then be displayed in the status bar.

### **Uploading Documents**

- If many attachments are being uploaded, please do this via SecureStore (soon to be SecureShare). See the Document Uploads section below (page 15) for full details.
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## **GENERAL QUESTIONS:**

**Q. When will I be using MDC?**

**A.** All LCR submissions must be made into the MDC platform.

**Q. Why is my MDC account inactive?**

**A.** The MDC platform makes user accounts inactive if there has been inactivity for 90 days. If this has occurred and access to MDC is required, please email [mdcsupport@lloyds.com](mailto:mdcsupport@lloyds.com) to reinstate the account.

**Q. My colleague is having trouble logging into MDC and/or cannot see the MDC return, what should I do?**

**A.** Please speak to the administrator at your syndicate, they can grant access to the LCR return. If you cannot access the MDC system, please contact MDC support: [mdcsupport@lloyds.com](mailto:mdcsupport@lloyds.com)

**Q. How do I add in business classes that are not in the SBF?**

**A.** The LCR will be linked to the relevant SBF and the business classes will be available for selection to populate the supplementary questionnaire whilst creating the LCR in MDC. Should you need to add further capital related classes of business that are not in the SBF, then this must be administered by your devolved MDC administrator prior to creating the LCR. The capital classes will then be available for selection upon set-up.

**Q. How do I add in capital classes of business to the LCR reference table?**

**A.** Please find below process of adding a new class of business via the data management section.

1. To perform this task, your devolved administrator must assign you the roles of:
  - o reference data submitter
  - o reference data approver
2. Navigate to the syndicate class of business reference table click on Data Management > Data Maintenance > Market Reference Data > Syndicate Class of Business.
3. Click on the edit option on the right top corner.
4. Right click on any row and click the option add a new row.
5. Enter syndicate number under entity, class of business code under class of business and class of business description under class of business name. The start and end date determine the validity of a class of business, so pick a long end date and it will remain available in MDC for future returns, pick a start date prior to the current date in order to see it in the system. For the start and end dates, please do not select the date from the calendar (known bug) but input on the line manually.
6. Right click on any row and click the option add another new row, follow the same process.
7. Click on Validate.
8. Click on Save.

Please note class mappings should be representative of your modelling and planning approaches. You can select your own coding, if it is clear what the class is to the reviewers.

**Q. How are the classes of business selection, at the start of the return, mapped to the return datasets?**

**A.** Below is the current mapping:

Selection at start of return (pre setup)	Which lists in MDC it populates
500A	500, 501, 502, 503, 561
510A	510, 511
562 col A	562 col A
562 col B	562 col B

**Q. How do I upload data via the MDC excel template?**

**A.** Please find below the process for uploading data into MDC via the MDC Download to Edit function:

1. Create a new 'Manual' return in MDC.  
Note: the classes of business selected at the start of the return will not be able to be changed once data in excel has been uploaded.
2. Navigate the Download option. Action > Download > Download to Edit.
3. Populate the template with the datasets from your internal systems.  
Note: if copying and pasting from another excel workbook, please ensure values are unformatted (any formatting or decimals are likely to lead to an upload fail (this is a known platform wide issue which is currently under review). If the upload fails, please ensure F2 is clicked and then Enter pressed on all affected cells. If the upload fail persists, then try entering data manually (for affected forms) or revert to a CSV upload.
4. Select the Return in MDC.
5. Navigate the Upload option. Action > Upload

Note: Once an excel template has been uploaded into MDC it is no longer available for editing and reuploading into MDC. You must either edit within MDC directly or 'download to Excel for Edit' a second time and then edit that second version.

Troubleshooting a failed attempt at uploading data via the MDC excel template:

- Links have been inserted into the file (these must be removed).
- The file has been unlocked (will be void and template will need to be downloaded again).
- Decimal places in the data greater than 4 dcp (the template will display no dcp, but if you pasted the data or linked it from a source that had more than 4 dcp, then they persist, despite the template not showing them – paste, unformatted, to a blank workbook to check / amend / paste back in).
- Make sure no Text fields are greater than 1000 characters (including spaces).
- If any data has been edited in MDC after the original download of the MDC excel template, then a new MDC excel template will need to be downloaded, and the process restarted.

**Q. How do I upload data via the CSV template?**

**A.** Please find below the process for uploading data into MDC via the CSV upload function:

1. Download the proposed year CSV template from the MDC Help section: [Returns -> LCR -> 202X Underwriting Year -> Help -> LCR Specification and Form Template -> LCR csv 202X Template](#)
2. Insert the syndicate number into the top row (cell D1).
3. Input data into column B and reference data into columns C and D and save file.
  - There are specific entries required to certain fields of the template, for example, the "Yes/No" dropdowns in MDC must be entered as "TRUE/FALSE" in the csv template. For all the specific instructions on how to fill in the csv template, please refer to the csv instructions document in the MDC Help section: [Returns -> LCR -> 202X Underwriting Year -> Help -> LCR Specification and Form Template -> LCR csv 202X Template Instructions.](#)
4. Create a new return in MDC:
  - i. Click on the 'Returns' button.
  - ii. Select 202X Underwriting Year.
  - iii. Click the 'UPLOAD CSV' box.
  - iv. Enter a Version Name, then Browse for the CSV file in a directory.
  - v. Click Upload.
  - vi. Address errors (if any) via the Error Report download, then re-upload CSV file.

**Q. Why is my CSV upload failing?**

**A.** Please ensure that the file is saved in the format: '**CSV (Comma delimited) (\*.csv)**'. Other formats, such as 'CSV **UTF-8** (Comma delimited) (\*.csv)', will fail upon upload.

- Q. Can I upload macro enabled documents to the MDC platform?**  
**A.** This function is not available in the MDC platform. Please ensure all excel documents are macro-free.
- Q. Why is some information not visible when I scroll in the internet browser?**  
**A.** This can be mitigated by only using specific internet browser applications, such as Internet Explorer application. Please avoid using MS Edge.
- Q. Why do I get an error when I copy and paste cells within the MDC platform?**  
**A.** This can be mitigated by copying and pasting cells of the same shape. For example, one cell cannot be pasted over several cells, like in other applications.
- Q. Why can I not see some text that has been inputted in the MDC platform?**  
**A.** Some of the free text cell inputs in MDC do not have a wrapped format. Therefore, to see all text, it is useful to 'hard return' (press Alt + Enter) to make the text visible. Alternatively, you can edit your text in another application (such as Notepad), then paste into MDC.
- Q. Why am I seeing an error on a text field?**  
**A.** Text fields have a limit of 1000 characters. Please ensure all text fields do not exceed this limit.
- Q. What exchange rate should I use?**  
**A.** Please calculate the SCRs on the same exchange rate that was used in the linked SBF return (except for March resubmissions where the year-end FX rates must be used for the LCR which will diverge from the SBF at this stage only).
- Q. Does Lloyd's mandate that a movement in foreign rates of exchange represents a model change, i.e. between September (30<sup>th</sup> June rate) and March (31<sup>st</sup> Dec rate)?**  
**A.** Syndicates should classify this as a data change, which means it's excluded from any accumulation of minor changes as per model change guidance.
- Q. Do syndicates still need to submit the ECR calculation?**  
**A.** No requirement to submit.
- Q. Why are negative figures not being accepted in MDC?**  
**A.** Ensure the format is -XXX. The (XXX) format is not accepted in MDC.
- Q. Why is some text not visible or legible in MDC?**  
**A.** This is a known issue in MDC. An upgrade to the MDC version to 4.4.1 is due in late August 2020, and it is expected to resolve this issue. If a return has been started before this update, then a copy of the return will need to be made after the update, to ensure the issue is resolved.
- Q. Are there fields missing from the Comparison Reports?**  
**A.** The form 312 proposed year entries are not included in the comparison reports, as they are incomparable to the previous period. The form 600 entries (except the four Loadings inputs) are also not included, as form 600 is already an analysis of change.
- Q. When can I resubmit to take account of a Reinsurance to Close Contract?**  
**A.** Ceding syndicates wishing to recognise a reduction in capital from any confirmed contracts must submit their updated LCRs by the timetabled date at the beginning of February (see business timetable on Lloyd's.com for further details). If required, resubmissions will be permissible up to the 15th February, at which point the foreign exchange will be updated for the March LCR submission process and no further ceding syndicate submissions will be accepted. Receiving syndicates do have the option to either resubmit in the March process, but only if the relevant materiality

thresholds have been triggered and all relevant validation has been completed. The alternative is to maintain the Lloyd's adjustment.

**Q. If I want to resubmit or start a new task, do I have to start again from scratch?**


**A.** No, you can copy data from a previous return (including the warning comments). Edits can then be completed for the resubmission. These steps should allow copy of the data and comments:

1. Click on the 'Returns' button.
2. Select 202X Underwriting Year.
3. Select version to copy by pressing the 'Copy' button.
4. Insert new version name.
5. Class of Business selections should be replicated, move through stages by clicking 'Next' & 'Generate'.
6. Question – do you want to copy data from previous version = click 'Yes'.
7. For warnings comments you have the function to download warnings to excel, update the comments and upload into the return to populate the same comments in the new version.
8. The process suggestion is to download the warnings file –



a. Click on Validation  ;



- b. click on the Action Button within the Validation bar  and
- c. Then 'Download Warnings' from the original submission (blue arrow above),
- d. Copy and paste the comments from the original to the new template (warnings should be in same order if there were no changes between downloads)
- e. Then upload via the 'Upload Comments' function in the Validations bar (red arrow above).

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## LCR FORM SPECIFIC QUESTIONS:

### Form 012

**Q. What is the hypothetical return option?**

**A.** This enables the user of the return to prepare an LCR for consideration by Lloyd's without it being a formal return signed-off by the Board at the syndicate. Examples of such returns include RITC submissions, or pre-stop loss capital submissions.

**Q. Which returns can be selected for the comparison metrics in Form 600?**

**A.** Please refer to the Form 600 Question: **"Which returns are being compared?"**

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### Form 309

**Q. In the uSCR calculation, is there any allowance for ENIDs?**

**A.** Syndicates must ensure that the 1:200 is taken from the full distribution, which includes allowing for ENIDs. Please note the FAQ further on in the form 520 section regarding ENIDs.

**Q. Should insurance risk values include or exclude diversification between premium and reserve risk?**

**A.** Agents are advised to submit premium and reserve risk pre-diversification values (columns A and E) prior to any diversification with each other and prior to any diversification within the risk category. Please see example below, which applies to both one year and ultimate splits:

- On a one-year basis, the Premium risk stand-alone value is £15m; Reserve risk is £10m. After diversification between the two, premium risk value is assessed at £12m and reserve risk at £8m. After diversification with other risk categories the value for insurance risk is £18m.
- Please submit £15m in pre-diversification column A line 2 and £10m in column A line 3
- Please submit £20m in pre-diversification Insurance risk total column A line 1.
- Please submit £18m in post diversification Insurance risk total column C line 1.

**Q. Should RI and Other Credit risk values include or exclude diversification within the risk type?**

**A.** Reinsurance and Other Credit risk pre-diversification values should be submitted prior to diversification within the risk category and line 4 should be after diversification between Reinsurance and Other Credit risk. The post diversification Credit risk total should be post diversification with other risk categories (please review Insurance risk point above).

**Q. Our syndicate is in Run-Off and we have not entered a value in Premium risk, should I tick the checkbox at the bottom of the page?**

**A.** No, only Run-Off agents that submit a value in the premium risk category should tick the checkbox and then provide justification for the value entered using the comments section within the MDC system before submission.

**Q. How do I report the expected underwriting profit in premium risk?**

**A.** This should be included within premium risk and not as an offset in the diversification credit (line 10).

**Q. What is meant by the phrase 'net of the expected return more than the risk-free rate'?**

**A.** Investment returns in excess of the risk-free rate, and the risk arising from changes to the risk-free rate, should be included within market risk not insurance risk.

**Q. The guidance suggests we must assume investment profit is released realistically and not rolled up in shareholders' funds through to ultimate. What about other sources of profit?**

**A.** For the one-year SCR, the model needs to release investment profit as recognised annually – for the ultimate basis we require this no later than 3 years, to reflect the reality of full distribution of profits at Lloyd's. The timing of distribution of profits from other sources is less of a concern, since the focus of capital is at the 1:200, when the syndicate is in deficit, and will not be distributing other profits.

**Q. Should I be providing discounted values in form 309?**

**A.** The 1:200 outcomes on premium and reserve risk should be consistent with the stress on an undiscounted basis.

**Q. How should the reinsurance contract boundary adjustment figure be derived?**

**A.** This figure is derived in the form 571 based on inputs in form 570 relating to the technical provisions and model output. Further detail on the derivation of the adjustment based on these figures is included in the SCR Guidance and LCR Notes.

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## Form 310

**Q. If the Mean value (column A) is deemed to be a loss by the syndicate (i.e. a positive value), what do I do?**

- A. The return can accept a positive value, so please complete as necessary. The warning (to allow positive values) will prevent submission of the LCR, until a comment has been provided within the business validations section of the MDC System.
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## Form 311

**Q. Should I complete form 312 before I finalise form 311?**

- A. Yes, column H of form 312 will be used to pre-populate column H of form 311.

**Q. Should we include underwriting and reserve risk losses?**

- A. Yes. We are looking for the sum of claims (including ALAE) being paid during the modelled (= proposed) year plus those reserved for at the end of the model year. The claims can emerge from new business or previously written business.

Since the provisions at the start of the model year are on a best estimate basis, the assumption is that on average there will be neither a reserve release nor a reserve increase at the end of the model year. So, for previously written business, the mean claims paid during the modelled year plus the mean reserves at the end of the modelled year are the same as the starting reserves on an undiscounted basis.

Therefore, an equivalent calculation for the total modelled losses would be to take the reserves at the start of the modelled year plus the claims arising on new business (earned and unearned) during the modelled year.

Table 1 is the aggregate result for all years (1991 to proposed year plus closing unaccepted legal obligations for the one-year basis, 1991 to proposed year for the ultimate basis). Table 2 splits the mean into underlying pure year and closing unaccepted legal obligations. Closing unaccepted legal obligations means the unaccepted legal obligations in the net Technical Provisions set up at the close of the modelled year.

**Q. Does “underlying pure year” refer to the Calendar Year or the Year of Account?**

- A. Year of Account.

**Q. Should syndicates account for the profit in the UPR?**

- A. Form 311 is concerned with claims (including ALAE) only, so there will be no profit as such. The claims (including ALAE) to include in Section 2 are on a best estimate basis, so will be based on expected profitability.

**Q. Should we include any investment income in the figure provided?**

- A. No. The claims should be undiscounted.

**Q. Should we include expenses in the figure we provide?**

- A. ALAE only.

**Q. Do you want us to provide you with the underwriting result (i.e. premiums less losses) or just the loss amount?**

- A. The loss amounts only (claims plus ALAE).

**Q. Should the 99.5<sup>th</sup> and other percentiles include the risk of exchange rate movements?**

- A. No. Form 311 is for insurance risk only.

**Q. When it says “one-year view” does that relate only to expected undiscounted claims arising from premiums earned in or before the modelled year, or including reserves at the end of the year that relate to all future earned premium?”**



- A.** It should include claims arising from premiums earned in or before the modelled year plus claims from unearned premiums and the Unincepted Legal Obligations in the Technical Provisions set up at the end of the modelled year.
- Q.** **Should the mean net of reinsurance values in Table 1 be the same for both one-year basis (A1) and ultimate basis (A3)?**
- A.** No, they are expected to differ. This is because the one-year figure should include Unincepted Legal Obligations in the closing technical provisions and the ultimate figure should not.
- Q.** **I have inputted adjustments to the total mean modelled insurance claims that have a material impact to the final values, what should I do?**
- A.** Any material adjustments require an explanation to be included within the documentation to be attached.
- Q.** **I have inputted new business values adjustments to the total mean modelled insurance claims that have a material impact to the final values, what should I do?**
- A.** Any material adjustments require an explanation to be included within the documentation attached. Any values entered in years of account outside of the last three open years also require an explanation.
- Q.** **Should values in this form be undiscounted?**
- A.** Yes.
- Q.** **Should the total modelled claims for the proposed year of account in Form 311 be equal to the total modelled claims used to calculate the modelled loss ratios in Form 561?**
- A.** Yes.
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## Form 312

- Q.** **I have a negative allocation on a year of account split, what should I do?**
- A.** Negative values are now acceptable for the insurance losses in columns A, B, C, H, I, J. As negative insurance losses can now be excluded within the Lloyd's model manual edits are no longer required.
- Q.** **I need to submit negative values on this form, is that okay?**
- A.** Agents are requested to justify any negative values in columns D, E, F, G, K, L, M, N, O with a brief explanation as an attached document. Lloyd's may have to manually amend them back out, so please only submit them if necessary.
- Q.** **Should the TPs in form 312 be for the opening or closing of the year?**
- A.** Closing as at December.
- Q.** **I have a larger Net value than I do for the Gross equivalent, is that okay?**
- A.** Lloyd's cannot accommodate net values larger than gross and will need to make manual edits prior to loading the data to the benchmark model. Therefore, where possible please avoid this data entry and should you submit larger net than gross data please provide an explanation within the comments section in MDC System.
- Q.** **Am I correct in interpreting the guidance to mean that binder business should not be included in modelled unincepted business? Is this intended to be consistent with the calculation of technical provisions and the guidance issued for that work-stream?**

**A.** That is our recommendation, but agents may include them if that is how they define contract boundaries. Either way, the calculation of technical provisions and the SCR should be consistent in the treatment of binder business.

**Q. Do you require the SCR to be adjusted for the risk margin held in the TPs? Does that mean we need to reduce the SCR we report in the LCR accordingly?**

**A.** The risk margin in the ultimate SCR is considered in the TPs (as a “cost of capital”) and is run-off to zero. Any gain made by the difference between the ultimate 1:200 losses and the time zero balance sheet, can be set off against reserve risk. So, if the deterioration to ultimate from existing TPs (stated at best estimate pre-risk margin) is 20 and overall SCR ignoring the risk margin movement is 100 then:

SCR is 95, reserve risk is 95. On the excel s/sheet, show mean of -5, stress of 20, reserve risk 15. The risk margin in the one-year SCR will have a held value at twelve months’ time and therefore will be considered as part of the reserving risk (charge for incepted business) and in the premium risk calculations (new business bound from 1st January in the proposed year).

**Q. How should Managing Agents treat accrued managing agent profit commission in their projected December balance sheets and SCR calculations in the Lloyd’s Capital Returns (LCR)?**

**A.** The best estimate profit commission (PC) should be established on a basis consistent with the presentation of the Solvency II balance sheet and balances due to members. The adjustments required from the actual syndicate balances on a UK GAAP basis to prepare modelled assets equal to net technical provisions on a Solvency II balance sheet should consider the open year PC accrual on a Solvency II basis.

We would expect agents to assume that the 4<sup>th</sup> year of account closes (if there are any doubts about the 4<sup>th</sup> year of account closing please inform Kevin Barnes), and profit commission is paid away with the closing profits on a GAAP basis.

Where the Solvency II balance sheet reports different net balances because of the change in the calculation of technical provisions, the PC accrual in the balance sheet should reflect this. i.e. if the Solvency II net balance is higher than under UK GAAP, this would trigger a higher PC payable and this amount should be the basis of the accrual in the December balance sheet (T0).

The PC accrual reverses when assessing the 1:200 capital requirements, provided agents can demonstrate through the model that the relevant year of account is loss making at the 1:200 overall for the syndicate. In those instances, yes, the PC is “loss absorbing”.

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## Form 313

**Q. Should the SBF data link to my latest SBF or current year SBF?**

**A.** The final LCR should be based on the most up to date SBF possible. Data within the LCR and SBF returns are directly inputted into the syndicate and member capital setting processes and therefore must be the most up to date information for the modelling year. A resubmission of the LCR should report the SBF version that the LCR is based on.

**Q. Why is the ‘Return Information’ required?**

**A.** This data assists the relevant Lloyd’s teams with their review.

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## Form 314

- Q. Why is there a warning on the interest rate risk – liabilities, that mean should equal the 1:200 on an ultimate basis?**
- A.** This field should only capture the unwinding of time 0 discount credits to ultimate, which is deterministic at time 0. There is no risk associated with this. Any risk associated with changing interest rates affecting the value of held securities and return on investment should be captured within the interest rate risk – assets line. On a 1-year basis, the interest rate risk – liabilities line should capture the change in discount credit from t0 to t1 provisions (which could include the impact of changes in risk free rates, run-off of business, and discounting credits related to new business liabilities at t1), and thus the mean will not ordinarily equal the 1:200.
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## Forms 500, 502, 510

- Q. Why are the Net Claims Percentiles Totals not equal to the aggregate of the Class of Business entries?**
- A.** This is intentional, as the sum of the classes and Totals are all manually inputted. They also constitute the components for analysing various Fully Dependent versus Modelled metrics. The “Total” percentile figures are the diversified totals and not the sum of the class results.
- Q. Is the validation correct on the mean net claims?**
- A.** The validation screen suggests that the validation is pointing to the ‘All Other’ cell, rather than the sum of the mean net claims. Please note the logic in the validation is correctly validating against the sum of the column not just the ‘All Other’ line as the validation highlighting suggests. If you are still failing the validation, please check the rounding of the values in the column and then ensure the column total match the form 313 cells as per the specification.
- Q. What is the validation error relating to in the Post-diversified claims total cell?**
- A.** A new auto-calculated Total cell has been added for the new Post-diversified claims column in the Question 1 table of each of these forms (500 & 502 column I(i) Total, 510 column F(i)). This will enable syndicates to check any potential Validation error more easily in the Net Claims Percentiles 99.5th column. Syndicates do not now need to manually input into these cells.
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## Form 520

- Q. On what basis should I complete question 6?**
- A.** A risk basis to be consistent with form 314.1.
- Q. Do I have to complete the ENID columns in Q5 and Q6?**
- A.** No. These columns are due to be removed from MDC in time for the 2023 LCR specification later in 2022, therefore, managing agents are advised to leave this information blank for this LCR submission.
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## Form 530

- Q. For Question 2, what is the basis of modelling required for this question?**
- A.** This question requires managing agents to remove the modelled outwards reinsurance benefit to the SCR: firstly, non-proportional reinsurance, and then all reinsurance. Lloyd’s intends to use this data to monitor, at a high level, the overall capital benefit of reinsurance to syndicates. This is an important

part of the difference between syndicate and central modelling and also understanding the high-level risk profile evolution of the market.

Lloyd's appreciates that the exclusion in the model may not be straightforward. Syndicates are requested to take a proportionate approach which best represents the impact to capital if reinsurance was not applied. For non-proportional cover managing agents should only remove the benefit of reinsurance, not premiums or commissions, whether they relate to reinstatements or otherwise. Lloyd's will compare this impact submitted in 2019 to that submitted in 2020 and ask questions if the movement in reinsurance benefit is not intuitive based on changes in cover. For quota share cover the syndicate should take an approach that appropriately represents the capital benefit, ideally this would not overstate the impact by comparing a model gross position to opening net reserves if quota share cover is material. For one-year capital, managing agents are only required to remove the benefit of reinsurance during the one-year period. Please comment on the approach taken in the appropriate place, including any limitations and the materiality of cover that could not be removed for practical reasons.

---

## Form 560

### Q. Should I be inputting certain unnaturally open back years in to the YOA inputs?

A. The way MDC is set up, only incremental years can be inputted. If you need to declare any unnaturally open back years, then please input them into the table as per the yellow cells below. Please refer to the csv instructions in the MDC Help section on how to exclude or include these in the csv template.

*This example is illustrative of the 2021 return only:*

YOA
2021
2020
2019
2018
2017
2016
2015

---

## Form 562

### Q. Which classes of business are available for selection in the SBF Class column?

A. Classes of business are available for selection in the LCR once they have been manually inputted into the Syndicate Classes of Business reference table within the Data Maintenance section on MDC. These can be monitored and edited by devolved administrator at your syndicate.

### Q. Why can I not see the classes on 562 despite following the above advice?

A. The classes are available just click in the blank rows, then press return, they then appear for selection.

---

## Form 570

### Q. Do the reinsurance premiums on this form relate to total or unpaid reinsurance premium?

A. The reinsurance contract boundary adjustment is necessary to prevent a decrease in overall level of funds available because of the requirement that reinsurance premium for contracts that are existing or legally obliged at the valuation date are included in technical provisions to the full level at which

they are contractually obliged. Only unpaid reinsurance premiums are included in technical provisions and therefore only unpaid reinsurance premiums should be included on this form.

---

## Form 600

### Q. Which returns are being compared?

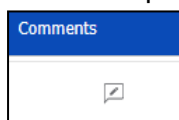
A. The first column (the “This Return” column) is the LCR return currently being completed. The second column (the “Selected Return” column) is the comparative LCR, which can be selected on form 012. Note: returns from either the same modelling year as the current LCR return being completed, or the previous modelling year can be selected. For the current LCR modelling year, any return with a status in MDC of Submitted, Under Review, Accepted or Approved and with an Edition Number less than the current LCR can be selected. For the previous modelling year option, only returns with an Approved status can be selected.

---

## MDC PROCESSES:

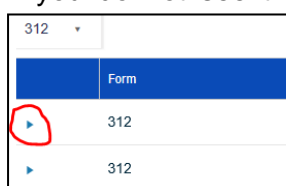
### Warnings & Comments

- When uploading the comments for warnings, do not do this while within the workflow as this can be problematic. Please try to upload the warnings comments from Excel whilst in the return view.
- The process for copying comments is described towards the end of the general FAQs.
- Maintain the same shape of the data file too, so don't add any columns / rows or change the order of the warnings from the version that you download from MDC to complete.
- Every warning requires a comment before the LCR can be submitted.
- When completing loading comments on MDC there is the following symbol on warnings



click this to enter comments.

- The cursor does not change when hovering over the comment box but press it anyway and the warning box will appear. This summarises the test and allows comments to be entered at the bottom of the section and then save the comments.
- If you do not see the comment symbol (above), look to the left of the screen for this symbol:



which will expand to show all the warnings for comment. Forms with multiple lines (i.e. 311/312) may have the arrow on the left-hand side of the screen (non-completion will prevent submission, so if you see a warning while trying to sign off check for this symbol and expand to complete.

---

## Document Uploads


- The file size limit for uploading to MDC is 15 MB. Files supported are:
  - zip, ppt, ppts, pdf, doc, docx, docm, wml, dot, dotm, xls, xlsx, xlsb, xlt, jpg, png, xml, csv, tsv, json, txt, bpmn, app and form.
- You can create a zip folder and then link once rather than multiple times, which is quicker.

- Please note that documents should be added to the Task. If you add documents into the 'Supplementary Documents Upload' section of the workflow then only one file will be visible to Lloyd's. This section is really for any commentary you want to add on top of what you attach as standard and as mentioned only displays the last uploaded document to us.
- Should you encounter issues uploading or have many attachments, then please load any required documents to the SecureStore system using the following path:  
[\(Lloyds.com>ToolsandSystems>SecureStore>MRC - Syndicate Capital Setting\)](#)
- SecureStore does offer a faster upload and download process, so any more than 2-3 attachments are advised to be sent via SecureStore.
- SecureStore will be replaced by SecureShare in due course. Please refer to the details on page 1, further details to follow.





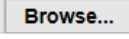

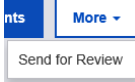
## Workflow Completion and Submit to Lloyd's Process

- Once all the errors have been removed and all warnings have a comment attached, including the expanded 311/312 and 500/502/510/561/562 comments, then complete a final validation (press **VALIDATE** button).
- The next step is to link to a workflow (if you already linked the return skip down to step 'x'). If an incorrect return has been linked, then please restart the process.
  - Press **Home** in the main function bar.
  - Select the relevant LCR Submission Date in the 'Business Calendar' list.
  - Press **Start**.
  - Press **Yes** to navigate to the task (if **No** is selected, to see the task you just created, select **Tasks** then **Available**).
  - Select any of the **Prepare & Validate LCR Return** workflows available for the syndicate being worked on.
  - Press **Claim** to take ownership of the **Prepare & Validate LCR Return** task.
  - Note: if being redirected here from a later 'Task', then the return being worked on should already be linked. If this is the case, then please skip to step 'xi'.


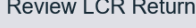



Press **Link Return** to select the LCR return you have been working on and just validated


- View**
- Press the view symbol  on the return you wish to link.
  - Press **LINK TO WORKFLOW** in the top right corner
    - 'Errors' in the data will prevent linking – open Return and fix.
    - Missing comments can also prevent linking, so complete these too.
    - Remember to press **VALIDATE** again after any changes are made.
  - Press **YES** and **OK** to the prompts that appear in the ribbons at the top of the screen.
  - Navigate to **Assigned** if not redirected automatically. Select the **Prepare & Validate LCR Return** workflow that now shows the version number and name being submitted.

Note: if being redirected here from a later 'Task', then the return being worked on may not need an updated submission document uploaded. Alternatively, a document may not be required to be uploaded at this stage. If this is the case, then please skip to step 'xvi'.



- If required, press  and follow steps to upload one submission document.
- xii. Navigate to . Select the  workflow that now shows the version number and name being submitted.
  - xiii. Press  to take ownership of the task.
  - xiv. Upload one document to accompany your submission by clicking  to navigate a directory. Comments for this document must be entered below this section. Task Comments can also be left on the left-hand side.
  - xv. Press  to complete the upload process.
  - xvi. Press 'More' then 'Send for Review':  to move to the next task.

Steps: 'xvii'-'xxi' are all performed by the assigned sign-off manager:


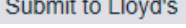


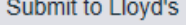
- xvii. Navigate to . Select the  workflow that now shows the version number and name being submitted.
- xviii. Press  to take ownership of the task.
- xix. Navigate to  if not redirected automatically. Select the  workflow that now shows the version number and name being submitted.
- xx. The return can now either be:

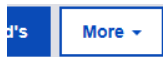
- viewed , so the data can be viewed, and the validity of the return can be assessed.

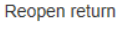




- Rejected: press 'More' then 'Reject': . If rejected, then the system will take the user back to step 'v' for re-review of the return.
- signed off as approved ready for submission . If Approved, then carry on from step 'xxii'.

- xxi. After each of the options above, click  to proceed, or  to reconsider any of the options.

- xxii. Navigate to . Select the  workflow that now shows the version number and name being submitted.
- xxiii. Press  to take ownership of the task.
- xxiv. Navigate to  if not redirected automatically. Select the  workflow that now shows the version number and name being submitted.
- xxv. Add any final comments or conduct any required reviews (i.e. if your internal process has different sign-off to submitter roles assigned).
- xxvi. The return can now either be:



- Reopen return . If re-opened, then the system will take the user back to step 'v' for re-review of the return.
- viewed 
- submitted 

- xxvii. After each of the options above, click **Confirm** to proceed, or **Cancel** to reconsider any of the options.
- xxviii. Navigate to **Completed**. Select the **Submit to Lloyd's** workflow that now shows the version number and name that has just been submitted, where the Return can be viewed again **View Return**. This confirms successful submission.