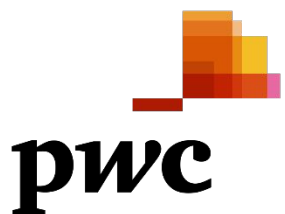


# Reporting Rationalisation Review

Lloyd's Market Association  
September 2020



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1

Executive summary

# Executive summary

## Introduction

The Lloyd's Market Association ('LMA') represents the interests of the Lloyd's community and is currently investigating opportunities to streamline and rationalise regulatory reporting to Lloyd's. The market recognises that a significant amount of time and effort is expended annually by Managing Agents ('MAs') and Lloyd's in the preparation, submission, review and validation of regulatory returns.

In response, MA representatives have been supporting us in a review of the Lloyd's regulatory reporting landscape. Through this work, we have issued a survey to collate market views and have collected 58 responses covering 63 syndicates from 34 MAs which represents **60% of the market**. From the responses and deep dive sessions, we have shortlisted a number of recommendations in discussion with the LMA setting out opportunities for Lloyd's and MAs to alleviate reporting burdens in the market. When identifying these opportunities we note that there was a general theme of support across MA representatives for facilitating **a collaborative approach with Lloyd's** to ensure recommendations can be implemented effectively.

## Scope and Approach

To identify the key issues faced by MAs and to assess opportunities to rationalise the current reporting process and alleviate reporting pressures, we have performed the following activities in a phased approach:

1. Distributed a survey to MAs to collect information relating to the effort required to complete each submission, the complexities associated with the submissions and other challenges associated with the end to end reporting process.
2. Undertook limited quality assurance on the findings collected from the survey and performed targeted deep dives with specific MAs to ensure that responses received are representative of the MAs in Lloyd's and identified outliers in our data set.
3. Assessed the list of returns in scope of our review and triaged returns into groups based on purpose; financial reporting, regulatory reporting, capital setting or performance management. We then attributed a rating to each submission to prioritise the returns that would benefit from change. (See Appendix I: List of Lloyd's returns)
4. Based on information collected in steps 1 – 3, we identified the key elements of the reporting process that drive effort and complexity with a focus on the most significant and time consuming reporting elements.
5. We then identified the key opportunities for rationalisation and rated them based on expected cost to Lloyd's to implement the change and the potential benefits to be achieved in the context of alleviating reporting pressures from MAs and other market benefits.

## Key findings and recommendations

From our conversations with the MAs and the information collected through both the survey and deep dives we've received collective support from MA's on the following themes and how MAs and Lloyd's could work on to resolve together, specifically:

1. MAs would benefit from additional transparency on how each of the submissions are used at Lloyd's and where the information within the returns is applied.
2. There are several areas where MAs believe the submission process could be streamlined or reporting pressures could be alleviated. We have set out our recommendations in respect of these in the main body of the report, but an overview of the key areas for streamlining is set out below.

By achieving additional transparency with the MAs, Lloyd's may experience less pushback from market participants as greater understanding is achieved on how their data is used. This could be accomplished by setting up a working group or forum to enable communication between key stakeholders within the MAs and representatives from Lloyd's.

In respect of streamlining the reporting process, feedback received from the MAs identified the following focus areas:

**Data** - One of the key aspects driving effort in the Lloyd's reporting process is the granularity and volume of data required in the returns, for example risk code information, which is currently not used by MAs to manage their business. We recommend that the MAs work together with Lloyd's to review the data items required within the returns, identify where efficiencies can be achieved and agree a practical solution for both parties, potentially as part of the working group or forum noted above.

**Review and validation** - MAs recognise that the Lloyd's review process is an important part of Lloyd's regulatory reporting, and generally receive valuable challenge against their submissions. However, there are instances where MAs would benefit from more transparency over the Lloyd's review process, such as timelines, review criteria and review thresholds, all of which would improve the effectiveness of reviews and allow MAs to better plan resources to be available during the review and validation process.

**Technology and Submission Platforms** - MAs noted that the MDC platform has improved since its initial release, but raised suggestions for potential improvements to usability and validation for both it and the CMR. We are not suggesting radical developments to these systems due to changes anticipated in the 'Future of Lloyd's' programme, but there may be potential short-term opportunities to improve MA submission experience.

**Timelines** - For several returns, the reporting timelines and frequency of submission (e.g. quarterly submissions) have been found to cause additional pressures on MAs. MAs and Lloyd's could work together to identify flexibility in the Lloyd's submission timetable.

# Level of granularity and amount of information required

**93%** of respondents have identified data as the key driver of effort and complexity in the submission process. Of the 58 responses received, 51 respondents identified granularity of data and allocation requirements as a primary cause for concern, with 47 respondents stating that significant effort is needed to manually adjust data to align with Lloyd's reporting format.

## Key issues

Several returns require MAs to produce allocations of information at risk-code level or derive information at a more granular level than information used by MAs to monitor their business

TPD, SBF, LCR

Aggregation of YoA level information to reduce effort required in producing detailed historical information

TPD

Lloyd's asset data submissions could be better aligned with format of investment data provided by Lloyd's and custodian

QAD, AAD

## Opportunities for rationalisation

Alleviate the effort required to produce detailed risk code level information by:

1. Removing the requirement for MAs to submit risk code level information and instead **collect information at Lloyd's class of business level**, which may be more aligned to the way MAs collect information and monitor business; or
2. **MAs forming a working group with Lloyd's to create an allocation tool that allocates information to risk codes**, so that information produced by the market is on a consistent basis and will produce more meaningful results for Lloyd's; or
3. **Lloyd's performing the allocation themselves**, removing the need for MAs to produce risk code level information during reporting periods and achieving greater consistency across the market.

Reduce effort required by MAs to produce new information during the year by **aligning information requested during forecasting (i.e. SBF) to information requested in performance and capital reporting forms (i.e. TPD and QMB)**. This is to allow information requested by Lloyd's to be collected at the beginning of the reporting period.

**Produce detailed guidance, market specifications, playbacks, bulletins and market analysis** to show how risk code level information can also be used by MAs to manage and monitor their business.

Lloyd's could consider simplifying the requirement to provide detailed historical information as some MAs find it difficult to extract historical data for every YoA. For example, Lloyd's could only request for **aggregate amounts for pure years of account exceeding 10 years old**.

Alleviate the requirement to manually allocate information for the QADs and AADs by **aligning the format of data required in QAD and AAD (e.g. investment asset, Lloyd's Overseas Deposit data) to align with information received from Lloyd's and custodian, which is in line with PRA requirements**.

# Review and resubmission process

MA's have stated that the Lloyd's review and resubmission process can cause additional pressures on team capacity as queries are received throughout the year. It is recognised that the queries raised by Lloyd's are necessary, however MA's have found that the review and resubmissions process could benefit from increased transparency to allow MA's to focus on priority questions and reduce resubmissions required.

## Key issues

MA's noted that it can be challenging to predict when queries will arise as part of the post-submission process, which introduces challenges for planning. In particular, MA's feedback indicated:

- a. The review and query process would benefit from greater transparency to enable better understanding of the rationale behind questions raised and timelines for responses.
- b. Materiality could be better incorporated into the query process to reduce time spent on smaller balances.
- c. In some cases, MA's found that similar queries were raised by different departments at Lloyd's.

## All returns

## Opportunities for rationalisation

MA's suggest that transparency and better coordination would allow them to focus on priority questions and would improve the quality of submissions:

1. Lloyd's could work with MA's to agree a clear timetable for questions and response to enable MA's to better plan resourcing ahead of peak delivery and query periods.
2. To minimise resubmissions, MA's could work with Lloyd's, potentially as part of the working group identified in the previous slide, to achieve additional transparency over key review areas and identify a list of priority questions and checks for major returns to ensure that MA's can perform these reviews before submission resulting in less errors and resubmission requirements. Alternatively, the MA's and Lloyd's could agree on a further set of reasonable validations and checks which could be incorporated into the reporting platforms so that fewer queries arise during the Lloyd's review process.
3. Lloyd's could consolidate information collected by each department together with a history of queries raised and responses into a single database, so that information flow between departments is aligned.
4. Lloyd's and MA representatives could ensure more regular discussions are held to identify areas where there are particularly high volumes of queries and consider whether this could be streamlined. This could be achieved by either filtering queries through an additional layer of reviews by experienced staff at Lloyd's, assessing queries against materiality, or by MA's ensuring responses are sufficiently detailed to meet Lloyd's requirements. This would ensure that questions are relevant, targeted and material, and that Lloyd's are receiving adequate information from responses.
5. MA's and Lloyd's could work together to identify which returns result in a highest volume of resubmissions or queries and for which more guidance would be valuable. This would enable Lloyd's to identify areas where additional guidance is needed and examples of best practice in the market would be beneficial, to ensure that information submitted is consistent across MA's and the need for resubmissions are reduced during the query and resubmissions process.

# Reporting platforms

**40 of the 58** respondents suggested the workflow within MDC could be enhanced for better usability. Furthermore, 21% of respondents who cited systems as a key driver of complexity have stated that the validation checks on the reporting platforms can sometimes be restrictive and do not always aid the review process. The reporting platforms could be enhanced to improve the submission and review process to reduce need for resubmission.

## Key issues

MDC platform could be more accessible and may benefit from enhanced functionality

All MDC returns

Validation checks on the Lloyd's reporting platforms could be enhanced and overlaid with a view of materiality

ASR, ASB, AAD, QAD, SRS, TPD

## Opportunities for rationalisation

Lloyd's could review the exceptions raised by MAs on the MDC platform, specifically with a focus on enhancing existing functionality to improve user accessibility in terms of uploading of data in CSV format, allowing users to better claim or assign workflows and tasks to appropriate personnel, reviewing validation checks, enabling production of PDFs and streamlining the submission and approval processes.

Lloyd's could improve the efficacy of validation checks and warning triggers within the Lloyd's reporting platform:

- 1. MAs could form a working group to identify which specific validation warnings are ineffective or irrelevant** and identify a set of validation checks which can improve the review process. This can include but is not limited to:
  - a. Reviewing the validation warnings in respect of the AAD and QADs to ensure that validation warnings are triggered only on valid errors.
  - b. Reviewing the need for more validation checks on the ASR, ASB and SRS returns to enhance review processes and reduce resubmissions required.
  - c. Enhancing validation warnings on TPDs and scale warnings to ensure focus is placed on more severe issues.
- 2. Lloyd's could incorporate validation checks and questions into the reporting platforms to allow questions to be resolved upfront prior to submission of forms.**

# Reporting frequency and pressure on timelines

**48 of the 58 respondents (83%)** stated that tight reporting timelines cause additional pressures on MAs, especially between pressure months of February to May and August to September where several sizeable returns are due. MAs suggested that reporting pressures could be alleviated if quarterly returns were cut back or simplified, or if reporting timelines were eased for low priority returns during pressure months

## Key issues

Quarterly submissions are usually due during peak times and often require detailed/granular levels of information

QMR, GQD, QDR, QAD, QSR

Reporting pressures peak in February to April as well as August/September, with both low priority and high priority returns (e.g. core market returns and regulatory returns) requested in the same periods.

## Opportunities for rationalisation

Lloyd's could alleviate the reporting pressures on MAs by:

1. Reducing the extent and granularity of quarterly submissions or only require exception based reporting for quarterly returns (i.e. QMR/GQD/QDR/QAD/QSR) specifically for Q1 and Q3 reporting periods.
2. Reviewing the submissions that are due in February, March, April, August and September and delay timelines for low priority returns. (see point below). MAs may be able to provide suggestions to Lloyd's by leveraging discussions from a working group on potential returns for postponement.

MAs could feedback any major pinch points to Lloyd's in the existing reporting deadlines, with Lloyd's then assessing the potential for extending or delaying submission timelines for low priority returns. Lloyd's may consider:

1. Rationalising submission deadlines for returns that are due on the same day.
2. Extending submission deadlines for low priority returns due in January, February and March such as the LDR, Non XIS, SRS, Sch F&P, BRR, LCMR, and RDS.
3. Extending the deadline for the submission of QAD, as Lloyd's Overseas Deposit data is only received from Lloyd's 7 working days before submission deadline and time is required to resolve validation warnings
4. Aligning the submission of Q4 QADs and AADs as the information submitted should be the same and reduce the amount of statutory returns due in March.
5. Rationalising the submission deadlines for SBF, capital returns and non-regulatory returns (CAD SIS, GAREAT, NAIC IID) which are all due in September.

# Other reporting issues

## Key issues

New request and changes to forms are sometimes not communicated on a timely basis, with corresponding timely and robust guidance not provided for new requests

Similar or identical data points are being collected across several different returns which requires effort to reconcile between different returns

TPD, ASR, GQD, ASB, QSR, QMB

Definitions of bases and data items can vary between returns and could be interpreted differently by different MAs

QMB vs QMA, QAD, QSR

## Opportunities for rationalisation

Any planned or upcoming changes to submissions could be communicated through a market forum with key representatives from MAs and Lloyd's to enable transparency and receive market feedback. The market would then benefit from ensuring that the following are available:

1. **Appropriate guidance and FAQs, prepared on a timely basis** in advance of the return submission deadline to allow MAs to organise resources.
2. **Robust guidance on completing each return and examples of best practices** to ensure that data submitted is consistent across the market and to reduce the need for resubmissions during the query and resubmissions process.

1. MAs to work together with appropriate representatives at Lloyd's to **review the data requirements in each return, identify areas with duplication and identify areas for consolidation to enable streamlining of returns.**
2. **LMA could set up a working group to aggregate and consolidate data produced in key forms into a database and Lloyd's would use this database to populate other forms, e.g.:**
  - Technical provisions in ASB can be used to populate TPDs,
  - QMAs to populate the balance sheet in QSRs,
  - Q4 QAD to populate AAD
  - SBF to populate LCR premium information.

**Develop a data dictionary defining all data requirements including definition of data, source of data, data dimensions, level of granularity and data frequency** to ensure that data is produced consistently across the market. (We note this is potentially being considered as part of the Future of Lloyd's).

# 2

## Summary of market views

# Results of the survey

## Background

The LMA reporting rationalisation survey was distributed via a Qualtrics survey tool to 58 MAs. The survey specifically targeted personnel involved in the preparation and submission of the Lloyd's returns within the scope of our review. This included personnel from the Finance, Actuarial, Risk and Compliance functions as well as Operational staff.

The purpose of the survey was to draw out market views on the time, effort and complexities involved in preparing the submissions to Lloyd's and potential ways to alleviate the pressures faced in the market. Within the survey we have considered the following:

- The main drivers of effort and complexities (i.e. data and granularity issues, system limitations, issues with interfacing with Lloyd's platforms, team capacity and the submission and sign-off processes);
- The months during which Lloyd's reporting pressures are highest;
- The unique layers of governance that the returns are subject to before submission; and
- Ways to alleviate the pressures faced by the market in the current reporting environment.

The survey was distributed on 9 July 2020 and closed on 31 July 2020, and therefore open for a period of just over 3 weeks with a total of 144 survey forms being distributed.

## Market coverage

We distributed 144 survey forms to 58 MAs within the market and received completed responses from 34 MAs, achieving a 60% coverage of the Lloyd's market. Of the 144 survey forms distributed, we received 58 completed responses, giving us a response rate of 40%.

Of the 58 responses received, most were received from the Finance function (29), however we also received responses from Actuarial (14), Risk and Compliance (6) and other business functions such as underwriting, reinsurance, investments and other operational departments (7) providing a diverse perspective of regulatory reporting from different business functions.

From the responses received, 47.5% are UK syndicates, 40% are syndicates owned by a Multinational company and the remaining from special purpose arrangements (6.1%), Syndicate in a Box (SIAB) (4.9%) and run off entities (2.4%).

The responses received were from MAs of ranging sizes, with the majority managing a capacity of more than £250m, therefore the population of survey responses are better represented by the medium to large syndicates. Whilst most responses were from MAs managing a single syndicate, there were several responses from MAs managing more than 1, with the highest number of syndicates managed being 13.

Please see Appendix II for the demography of respondents.

## Coverage of returns in review

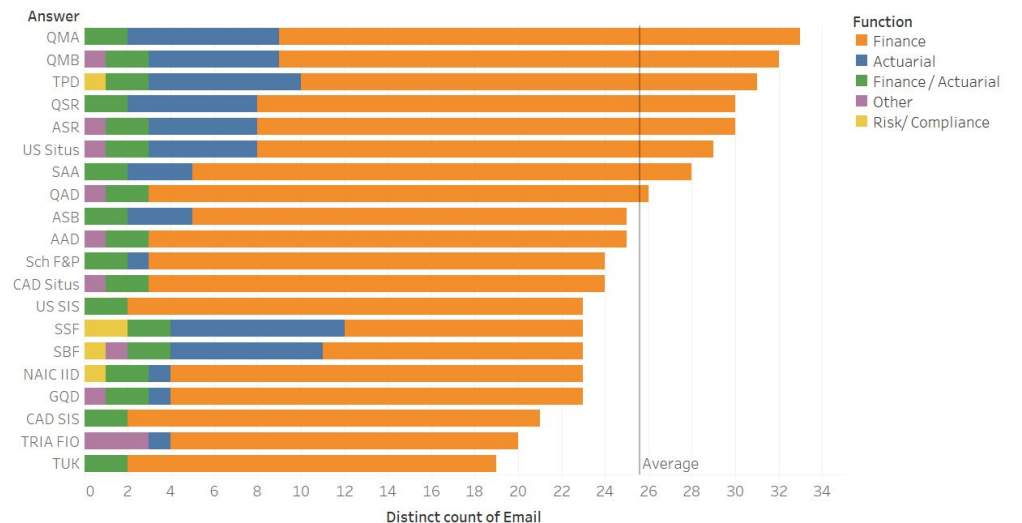
We have received responses for all of the Lloyd's returns in the scope of our review.

The top returns that were responded to in the survey were the QMA, QMB, TPD, QSR, ASR, US Situs, SAA, QAD, ASB and AAD. Therefore, our findings would most likely tend towards the issues specific to these returns.

The returns that were selected the least were LDR, MCBR, HKR HKC, France and ATIA which means our findings may not be representative of issues that are specific to these returns.

See Diagram below for top 20 returns selected

## Lloyd's return (Top 20)



# Market's view of key issues

## Market's view of key issues

### Effort to complete returns

Based on the survey results, the average effort taken (in man days) to complete a given Lloyd's return is 56.6 man days. The Lloyd's returns that require more than average effort (in terms of total man days per annum) to complete are listed in Appendix II.

The top 2 returns identified across all business functions as requiring the most effort to complete are capital returns, specifically the IMVR and the LCR. The IMVR outweighs all other returns in terms of man days taken to complete, requiring more than 350 man days per annum. Significant effort is also required to produce the LCR, due to the business planning assumption inputs required and internal processes associated with the capital model. We note that some additional complexity has arisen due to changes in the LCR submission in the last few years.

The QADs also require substantial effort to populate and validate, particularly for syndicates with large investment portfolios where the investment holdings provided by the custodian and Lloyd's are not generally aligned with the format of the QAD.

The remaining returns that require significant effort to complete are the CMRs (i.e., the SBF, QMA, QMB, PMDRs, ASR, QSR, TPD, RDS, etc.) as well as statutory returns (e.g., PRA SRI, ORSA, etc.). For example, the TPD is still considered to be one of the most complex returns to prepare and requires more than the average amount of time to complete, despite MAs investing resources and technology to simplify the process. The effort indicated here is only outweighed by the annual effort in man-days required for quarterly returns.

The actuarial respondents rated the top 5 returns requiring the most effort to complete to be the LCR, US Situs, IMVR, RDS and PRA SRI.

The finance respondents rated the IMVR, QMA, LCR, QSR and QMB to be the top 5 returns in respect of effort to complete.

The risk and compliance respondents rated the IMVR, ORSA, PRA SRI, AFR ORI and AFR TPs to be the top 5 returns in respect of effort to complete.

Other business functions such as underwriting, investments, reinsurance, data and other rated the QAD, PMDR, SBF, ASR and AADs to be the top 5 returns in respect of effort to complete.

See Appendix II for further information.

### Pressure months

Respondents identified the first half of the year, specifically January, February, March and April as the overall months where reporting pressures are at their highest.

Whilst we have identified Q1 to be the period with the highest reporting pressures, we noted that the actuarial team instead find pressures to be concentrated in the months of August and September (Q3) as these are when capital returns are due. The Finance team's reporting pressures are consistent with our expectations as this is aligned with annual and quarterly audited financial reporting requirements.

Overall, reporting pressures throughout the year were rated at least 2.5 (on a scale of 0 to 5) indicating significant peaks of activity (as stated above) interspersed with more moderate pressure in the remaining quarters.

### Key drivers of complexity

When asked what drives the complexities and effort in completing the Lloyd's returns on a timely basis, MAs responded that data issues (e.g. duplication of data requests and format of data requested) and level of granularity of data as the key drivers of complexities. This is followed by system limitations, review and resubmission process and sign-offs, team capacity and finally interfacing with Lloyd's platforms being the issue that drives effort and complexities the least.

The top returns affected by data concerns are the TPD, ASR, QMB, ASB and SSF. This is mainly due to the additional level of granularity and information being required in these forms that are not usually produced by MAs in the BAU management of their business.

The top returns affected by system issues (both internal and Lloyd's platforms) are the TPD, ASR, QMB, ASB and QSR. This is mainly due to internal MA systems not being well equipped to produce the information requested in these forms, resulting in significant manual intervention. Other potential causes are the submission platforms being too restrictive in terms of validation checks and requiring manual intervention to resolve prior to submission.

Whilst most MAs are relatively consistent in terms of the general ledger used for reporting (PeopleSoft, SAP, SUN, etc.), we have observed that the source systems used a generally more varied and driven by the parent entity's source system. When asked if MAs use other tools to allocate or manage Lloyd's data, majority have responded that they are using Excel as their main tool to perform allocations for Lloyd's returns which emphasizes the manual nature of preparing these returns.

# Market's view of key issues (cont'd)

Other key issues driving effort and complexity are related to reporting deadlines, team capacity and time spent resolving queries and completing resubmissions.

## Layers of governance

We have analysed the layers of governance that each return goes through prior to submission, as each return is subject to multiple layers of review. From survey responses, we have noted that CFOs spend the most time reviewing returns, followed by departmental heads, the internal reporting committee and Chief Actuaries. These layers of governance can introduce additional effort and cost in the preparation of returns.

From the survey results, we noted that returns requiring the most layers of governance are UK regulatory returns together with the CMRs. The returns with the fewest layers of governance are non-UK regulatory returns. This is in line with our expectation that the CMRs and regulatory returns require the most governance.

## Limitations of the survey

1. Of the 58 MAs, we have received 58 responses across 34 organisations (60% coverage across the market) covering 63 syndicates. The results of the survey have been extrapolated to the whole market.
2. Whilst responses have been received from various business functions, the responses received will be most representative of the Finance functions which made up approximately 51% of responses, followed by Actuarial with 26% coverage, other operational departments such as underwriting, data, reinsurance making up 12% of responses and Risk Management/Compliance being the least represented making up only 11% of survey responses.
3. Whilst there has been even coverage over different size of business, the smaller sized businesses with revenue of less than £250 million are not as well represented when compared to the larger scaled businesses.
4. Whilst we have received responses relating to all returns, the results and findings would tend towards the top 10 returns (highlighted in slide above).
5. We have prioritised the outliers in our deep dive sessions but have not received responses to all our requests to validate all responses.



3

Approach

# Scope and Approach

## Purpose

We were engaged by LMA to support with a review of the Lloyd's financial reporting landscape. This review is aimed at identifying the key issues driving the reporting pressures within the market and the opportunities to rationalise the current Lloyd's reporting landscape with the objective of reducing reporting pressures and effort expended by both participants as well as Lloyd's itself..

## Scope

We have included the Core Market Returns (CMR) as well as the non-CMRs, such as the local regulatory, international regulatory returns, capital returns in the scope of our review

The full list of Lloyd's returns in the scope of our review is listed in Appendix I: Lloyd's returns.

Our review included designing and distributing a survey to the MAs to collate feedback on the current Lloyd's reporting landscape with a view of identifying the key drivers of effort and complexity and the initiatives that can be undertaken by Lloyd's with the support of MAs to alleviate the pressures faced by the market..

## Approach

In meeting the objectives above, we have undertaken a phased approach:



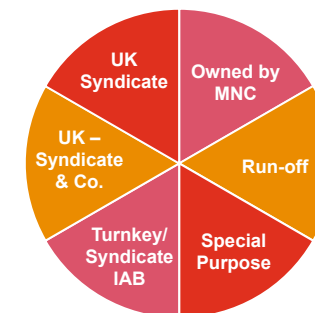
### Discovery phase

During the Discovery phase, we have worked with LMA to design a survey with the objective of obtaining the market's view on the effort taken by MAs, complexities and pain points in the current Lloyd's reporting process. The survey was distributed to the MAs and responses collated over a period of 3 weeks.

The responses were analysed and validated through deep dive interview sessions with several MAs to ensure that the responses received were representative of the market's view, considering the different types of organisations and sizes (in terms of capacity under management). Through this process, we also validated the responses from outliers to understand the rationale for their responses.

The following types of organisations have been considered in our survey and deep dive process:

We then discussed our key findings identified from the output of the survey with Lloyd's. In the process, we have understood how Lloyd's uses the returns and the data submitted in the returns to attribute an importance rating to the data aspects and the returns, determining if it is required for financial reporting, regulatory reporting, capital setting or performance management. Please refer to Appendix I for the list of returns categorised by the four categories above.



### Identify and prioritise

Using the findings from the Discovery phase, we identified the potential opportunities for rationalisation, including:

- Returns, data or other aspects of reporting that can be consolidated or simplified;
- Current reporting timetable and the time pressures;
- The review process, application of materiality and the questions and resubmissions process;
- Aspects of the reporting platform that can be improved or updated; and
- Additional information or guidance that can be developed in collaboration with Lloyd's.

We then completed a cost, benefits analysis on the opportunities identified to prioritise and rate them based on the cost to Lloyd's and benefits to the market as a whole as follows:

### Cost



### Benefit



Through this process, we have validated the viability of these recommendations through conversation with Lloyd's and included in our report recommendations that are practical and non-restrictive to rationalise the current Lloyd's reporting process and enhance future reporting.

# 4

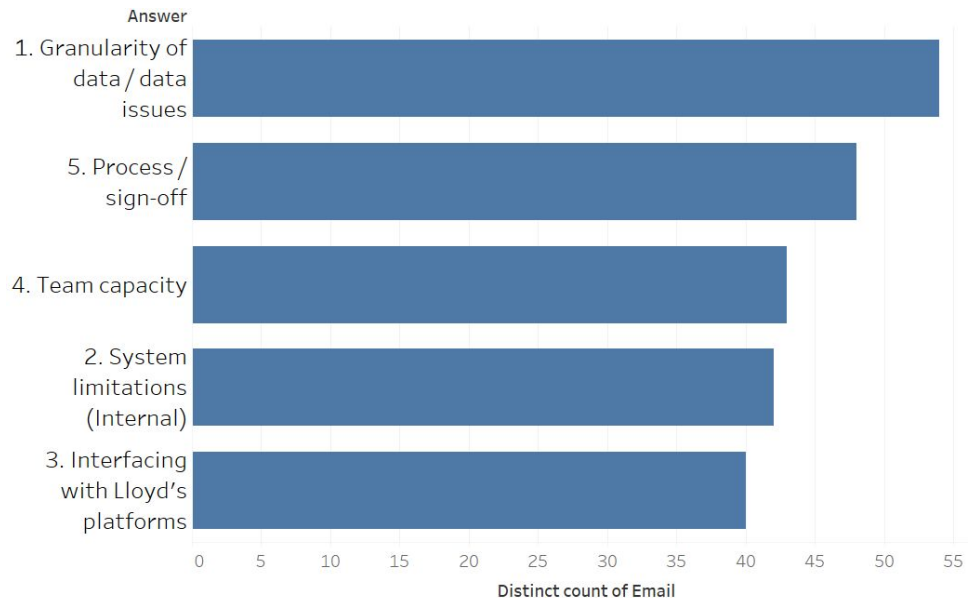
## Key findings and recommendations

# Key issues and opportunities for rationalisation

## Introduction

Through the survey results and deep dives held with MAs, we have identified the key drivers of effort and complexity in completing the Lloyd's returns to be classified into the following categories:

- a. **Data:** the level of granularity of data required as well as similar data being requested across several forms
- b. **Review and resubmissions process:** Validation checks can be quite restrictive and queries or exception warnings raised may require consideration in some instances to reflect materiality or relevance.
- c. **Systems:** Inability for internal systems to produce the appropriate level of data for Lloyd's reporting or issues with uploading, validating, reviewing and submitting requested information on the submission platform.
- d. **Reporting process:** There have been some instances where communication of new requests or changes to return templates were not communicated on a timely basis. The market has requested further guidance to be developed for forms or new requests.



We have RAG rated the issues identified below based on the diagram below which is driven by the severity of issues which drives the priority for change.

## Priority for Change



We have then identified potential opportunities for rationalisation which forms our recommendation to Lloyd's. We have analysed the recommendations in terms of potential cost to Lloyd's and expected benefits to the market in Section 5.

# Data issues

93% of MAs have quoted data as the key driver of complexity and effort. The granularity of data requested is the main cause for concern as MAs currently do not produce information at that level. Additionally, MAs find that there are instances where they are required to populate the same data types in different formats across several returns, resulting in additional effort to reconcile balances between returns. Reconciliation differences are more likely to arise because the basis that information is prepared can be inconsistent between MAs in the market. We have detailed the data specific issues below:

No.	Issue	Returns	Rating	Opportunities for rationalisation
1	<p><b>Granularity</b> – 87.9% of MAs specify the granularity of data required for Lloyd’s reporting as the key driver of effort and complexity. The key returns affected by data granularity issues are the TPD, SBF, QMB, ASB, QSB, QAD and AAD. This, together with an increasing trend in the volume of information requested over time has resulted in additional effort by MAs to complete returns on a timely basis, particularly for performance and capital reporting forms.</p> <p>Reasons for rationalisation:</p> <ul style="list-style-type: none"> <li>a) <b>Market Understanding</b> – MAs lack understanding over the rationale of increasing requests and the level of granularity requested in these returns (especially the TPD, QMB and SBF).</li> <li>b) <b>Difficulty in obtaining granular data</b> – The allocations required to produce data at risk code level, YoA level and currency level is tedious and often requires a manual exercise, as MAs currently do not manage their syndicates at this level of granularity and allocations are performed inconsistently across the market, reducing comparability of information between participants</li> <li>c) <b>Data gaps</b> – 48.3% of MAs have responded that the information produced by their system does not align with the Lloyd’s requirement to produce YoA information. Some MAs lack credible historic YoA information which results in additional effort to create YoA splits for mature years.</li> <li>d) <b>Investment data</b> – the QAD is one of the top 3 returns identified as requiring the most effort to prepare, as additional effort required to manipulate investment data received from the custodian. Data from Lloyd’s on Overseas Deposits and ASL cash position are also not received till working day 8 and due on working day 15 and significant effort is required to align data provided by Lloyd’s to manipulate data to the format requested by Lloyd’s.</li> <li>e) <b>Materiality</b> – Currency level data is requested for currencies which are considered trivial to several syndicate’s business operations, but requires additional effort to prepare.</li> <li>f) <b>Costs</b> – An increase if effort required to submit returns is inconsistent with the market goal to reduce overhead costs, as cost of compliance is increasing.</li> <li>g) <b>Reporting pressures</b> – The increasing amount of information requested and the effort required to produce risk code level information is exacerbated by multiple reporting deadlines being due within the same time window.</li> </ul>	SBF, TPD, QMA, QMB, TPD, ASR, ASB, AAD, LCR, Model Change, IMVR, QGD		<ol style="list-style-type: none"> <li>1. <b>Ease reporting burdens by:</b> <ul style="list-style-type: none"> <li>a. <b>Reviewing granularity requirements</b> – Lloyd’s could perform a review of the requirement for risk code level data in the QGD, SBF, TPD and PMDR and consider if Lloyd’s class of business segmental reporting is an appropriate alternative to reporting risk code granularity; or</li> <li>b. <b>Performing allocations centrally</b> – LMA form a working group with MAs to design an allocation tool that allocates information to risk codes on a consistent basis to produce more meaningful information. Alternatively, Lloyd’s could use data provided by MAs to perform allocations to risk code level itself.</li> </ul> </li> <li>2. <b>Align requests</b> <ul style="list-style-type: none"> <li>a. Lloyd’s could align the format of the SBF to the format requested in the TPDs and QMBs so actual amounts collected throughout the year are aligned with type of information requested by Lloyd’s.</li> <li>b. the investment data requested in QADs and AADs can be aligned to the format of information shared by the custodian, which is in line with PRA requirements.</li> <li>c. Data on overseas deposits and ASL cash position are provided in a format that aligns with QAD forms.</li> </ul> </li> <li>3. <b>Syndicate feedback and communication</b> – The market may benefit from Lloyd’s producing and publishing bulletins, playbacks or market analysis showing how the granular level of detail is being used by Lloyd’s.</li> <li>4. <b>Consider materiality</b> – Lloyd’s could consider applying a materiality threshold over the requirement to allocate amounts at currency level within the QMB.</li> <li>5. <b>Review timelines</b> – LMA to feedback pinch points in existing submission timelines for each return and Lloyd’s could consider delay submission deadlines for non-regulatory and low-priority returns to reduce pressures off MAs.</li> </ol>

# Data issues (cont'd)

No.	Issue	Returns	Rating	Potential Opportunities for rationalisation
2	<p><b>Duplication of data</b> – 33 of the 58 responses received stated that Lloyd's reporting can sometimes involve the submission of similar data across different returns.. This results in pressures on both MAs and Lloyd's where forms must be submitted separately, as effort is required to reconcile data between returns.</p> <p>Reasons for rationalisation:</p> <ol style="list-style-type: none"> <li><b>Ease reconciliation burdens</b> – Additional effort is required to reconcile data between returns which can be complex if data was allocated on different basis in separate returns. (e.g. Technical provisions are requested in different formats across the TPD, QMBs and the Annual Accounts).</li> <li><b>Ease preparation burdens</b> – Additional information requested on top of existing data types which are provided across several forms resulting in significant effort to produce each return.</li> <li><b>Reduce data overlaps</b> – Overlaps of data in several returns (e.g. TPD, ASRs, QGDs and ASBs have overlap in data; QGD, QSR, TPD, and QMBs have similar data).               <ol style="list-style-type: none"> <li>SII balance sheet populated in QSR and QMA</li> <li>Claims paid and IBNR information required in ASB, GQD, QMB and TPD</li> <li>Gross written premium information requested in ATIA, PMDR, QMB and TPD</li> <li>Net premiums populated in QMB and TPD</li> <li>Similarities in data points requested in SBF and LCR such as projected premiums, claims and risk margin</li> <li>Reinsurance data requested in QMA, QMB, SRS and TPD</li> <li>Q4 QAD and AAD essentially reports the same information</li> </ol> </li> </ol>	TPD, ASR, GQD and ASB, QMR, US SIS, QMA 120 and 109 and QMB, LCR and PRA SRI		<ol style="list-style-type: none"> <li><b>Review and consolidate</b> – LMA to collaborate with Lloyd's to consolidate or align returns with duplicate data sets and eliminate information that is no longer relevant to Lloyd's.</li> <li><b>Aggregate data centrally and populate forms from central data pool</b> – MAs could aggregate and consolidate data produced in key forms into a database and Lloyd's use this data to populate other forms. For example:               <ol style="list-style-type: none"> <li>Technical provisions in ASB can be used to populate TPDs,</li> <li>QMAs to populate the balance sheet in QSRs,</li> <li>Q4 QAD to populate AAD</li> <li>SBF to populate LCR premium information.</li> </ol> </li> </ol>
3.	<p><b>Inconsistency of data definitions</b> – definitions and bases of data items requested in several returns can result in inconsistencies in information submitted to Lloyd's (e.g. the Lloyd's loan between the QMA, QAD, QSR and market bulletins circulated to the market; QMB increasingly being set on a different basis from QMA).</p>	QMA, QAD, QSR, QMB		<ol style="list-style-type: none"> <li><b>Standardise data definitions or produce data dictionary</b> – Lloyd's could produce a data dictionary defining all data requirements including definition of data, source of data, data dimensions, level of granularity and data frequency to ensure that data is produced consistently across the market.</li> </ol>

# Lloyd's Reviews and Resubmission Process

MA's find the review process could be further enhanced to ensure that high priority queries can be identified more easily or anticipated prior to or at the submission stage of the process. We have detailed the key issues relating to the Lloyd's review and resubmissions process below:

No.	Issue	Returns	Rating	Potential Opportunities for rationalisation
1	<p><b>Transparency of Lloyd's review and resubmissions process</b> – In some instances the review process can be unpredictable, as queries can arise for prior submissions at several stages throughout the year. There have been a few instances where questions and resubmissions have been required for immaterial differences or set with short response timelines. MA's are keen to work with Lloyd's to achieve greater transparency in the review process to ensure appropriate resources can be put in place and planned for.</p>	All		<p><b>9. Transparency of review criteria</b> - MA's to work with Lloyd's to identify areas where Lloyd's can provide additional transparency over the areas of review and a list of questions and checks to ensure MA's perform these reviews before submission. Alternatively, MA and Lloyd's could agree on validations and questions that should be incorporated into the reporting platforms so that fewer queries arise during the Lloyd's review process.</p> <p><b>10. Enhance transparency of query timelines</b> – MA's to agree question and feedback timelines with Lloyd's to enable MA's to plan resourcing ahead of time.</p> <p><b>11. Further overlay materiality when identifying queries to be raised</b> – Lloyd's could apply a level of materiality to queries sent to MA's to ensure questions submitted are appropriate to the size of the entity.</p>
2	<p><b>Repetition of queries</b> – Questions raised by Lloyd's can sometimes relate to information that has been provided in other returns or already raised by other departments. Some questions sent to MA's could be further assessed for relevancy and departments within Lloyd's could be more collaborative in their approach to raising market queries.</p> <p>Reasons for rationalisation:</p> <p>Enhancing the Lloyd's review process would help Lloyd's prioritise questions that matter and allow MA's to focus efforts to analysing matters that are important to Lloyd's which will improve the overall efficiency of the Lloyd's reporting process.</p>	All		<p><b>12. Review outgoing queries</b> – Lloyd's could enhance the post submission queries by filtering questions through an additional layer of checks by experienced staff to ensure that the questions submitted are relevant and not duplicative.</p> <p><b>13. Enhance guidance documents</b> – MA's to feedback on returns with highest level of resubmission and where it would be beneficial if Lloyd's provides robust guidance for the completion of each return. Lloyd's could also share examples of market best practices to ensure that data submitted is more consistent across the market and reduce the need for resubmissions during the query and resubmissions process.</p> <p><b>14. Hold a central repository of queries and responses</b> – Lloyd's could consolidate information collected by each department along with history of queries raised and responses into one single database to align information between each department and prevent repetitive questions from being raised.</p>

# System issues

Survey results have indicated that systems related issues, specifically functionalities available within the Lloyd's reporting platforms (MDC and CMR), as a factor affecting the efficiency of the submission process. We have detailed our findings below:

No.	Issue	Returns	Rating	Potential Opportunities for rationalisation
1	<p><b>Accessibility and functionality of MDC platform - 50% of respondents found that the Lloyd's submission platforms could be enhanced for usability.</b> MDC, the new reporting platform, is currently used to submit the SBF, LCR, QMB, PMDR, Non-XIS and QMA. Lloyd's intends to migrate the collection of the TPD, GQD and SAO in future releases. Being the new reporting platform, MDC lacks the accessibilities that allows for efficiency in the Lloyd's submission and review process, resulting in additional time and effort required to submit the returns on this platform. The following areas have been identified as areas which MAs and Lloyd's could prioritise for improvement:</p> <ul style="list-style-type: none"> <li>a. <b>Uploading of data</b> – MDC lacks the ability to extract data in CSV format and therefore does not allow the automated upload of data in similar format.</li> <li>b. <b>Tasks workflow and claiming of tasks</b> – Could be more streamlined and user friendly.</li> <li>c. <b>Reviews and validation process</b> – Warnings and errors arising on the LCR form are numerous and warnings are not always valid.</li> <li>d. <b>Production of PDFs.</b></li> <li>e. <b>Onerosity of submission and approval process.</b></li> </ul>	MDC		<p><b>15. Review opportunities to enhance functionality of MDC platform</b> – MAs and Lloyd's could collaborate to review the exceptions raised on the MDC's functionality for uploading of data on CSV format, the claims of tasks, validation checks, production of PDFs, submission and approval process and identify priority areas which could be updated or adjusted on the platform..</p>
2	<p><b>50% of respondents find the validation checks on Lloyd's platforms to be too restrictive. Validation warnings can be excessive for some returns and improved or better targeted for others</b> – Validation checks on the CMR platform, specifically for the ASR, ASB, AAD, QAD and SRS can be ineffective, for example:</p> <ul style="list-style-type: none"> <li>a. <b>AAD/QAD</b> – The validation warnings in the AAD and QAD are numerous and most of the warnings are not valid. The data provided by Lloyd's on Overseas Deposits triggers more warnings/errors than syndicate asset data.</li> <li>b. <b>ASB to ASR reconciliations</b> – There is no validation function to agree total amounts in ASB to ASRs leading to resubmissions required.</li> <li>c. <b>ASB currency validation</b> – ASB validation warnings do not have currency flags.</li> <li>d. <b>Ineffective SRS validation rules</b> – The validation rules on the SRS are ineffective and do little to reduce resubmissions.</li> <li>e. <b>Excessive warnings on TPD</b> – Validation warnings on TPDs are excessive and difficult to prioritise.</li> </ul>	MDC/CMR		<p><b>16. Create working group</b> – MAs to form a working group to identify which specific validation warnings are not relevant and identify a set of validation checks which can improve the review process.</p> <p><b>17. Incorporate enhanced validation checks and questions:</b></p> <ul style="list-style-type: none"> <li>a) <b>Review AAD and QAD warnings</b> – Lloyd's could review the validation warnings on the AAD and QADs and ensure that validation warnings are triggered on valid errors.</li> <li>b) <b>Review need for additional ASR, ASB and SRS checks</b> – Lloyd's could review the need for more validation checks on the ASR, ASB and SRS to reduce resubmissions required.</li> <li>c) <b>Reduce or prioritise TPD validation checks</b> – Lloyd's could review validation warnings on TPDs and scale warnings to ensure focus is placed on more severe issues.</li> </ul>

# System issues (cont'd)

No.	Issue	Returns	Rating	Potential Opportunities for rationalisation
3	<p><b>Improve real-time platform playback or sense checking-</b> The current Lloyd's platform function does not aid with the user's review resulting in inefficiencies in review process. MAs have fed back that:</p> <p><b>a. Submission platforms could better summarise return inputs –</b> The current playback function on CMR platform is unable to list top 10 information from data provided;</p> <p><b>b. Improve automated sense checking –</b> The platform does not aid with sense checking the outputs from Schedules F&amp;P and US Situs forms when there are large CAT events.</p>	CMR		<p><b>18. Incorporate playback or further sense checking functionality –</b> Lloyd's could incorporate playback functionality on their reporting platforms to assist with reviews, with MAs collaborating to agree the priority areas for review.</p>
<p>Reasons for rationalisation:</p> <p>Significant time can be saved if Lloyd's submissions platforms are able to ease the review process in terms of sense checking outputs (especially on the and performing playbacks on the SRS, TPD, GQD and other returns for review purposes.</p>				<p><b>1. Produce central allocation tool –</b> LMA form a working group to create an allocation tool that allocates information to risk codes on a consistent basis to produce more meaningful information.</p> <p><b>19. Encourage MAs to enhance or automate processes by providing examples of best practice –</b> MAs to automate the process for allocation of contracts to risk code level.</p>
4	<p><b>Manual exercises are required to perform granular allocations of data – 41 of the 58 responses received state that</b> systems that are currently used by MAs are unable to automatically generate the granularity of data required by Lloyd's.</p> <p>Reasons for rationalisation:</p> <p>Whilst most MAs are using proprietary systems to manage their policy and claims data, allocation to risk code level is performed manually outside of the system, mainly on allocation tools like Excel. Production of information at this level requires significant effort and results in pressure on MAs. Automation of the allocation process could assist with alleviating the pressures linked to this issue.</p>	Internal systems		<p><b>1. Produce central allocation tool –</b> LMA form a working group to create an allocation tool that allocates information to risk codes on a consistent basis to produce more meaningful information.</p> <p><b>19. Encourage MAs to enhance or automate processes by providing examples of best practice –</b> MAs to automate the process for allocation of contracts to risk code level.</p>

# Reporting timelines and frequency of reporting

MAs have cited reporting timelines and quarterly reporting requirements as one of the pressures faced in the Lloyd's reporting process. We have detailed our findings on the reporting timelines and reporting frequency as below:

No.	Issue	Returns	Rating	Potential Opportunities for rationalisation
1	<p><b>Quarterly reporting strain</b> – Quarterly reporting requirements, especially submissions during Q1 and Q3 put pressure on MAs to complete Lloyd's reporting obligations as the same levels of information are requested during quarterly submissions as compared to annual submissions.</p>	<p>QMR/GQD/QDR/QAD/ATIA/CAD SIS/CAD Situs/ GAREAT/IMCR/ LCMR/Non-XIS/ SRS/US Situs/ BRR/QF1</p>		<p><b>20. Reduce granularity of quarterly submissions</b> – Lloyd's to consider the extent and granularity of quarterly submissions (i.e. QMR/GQD/QDR/QAD/QSR), especially for Q1 and Q3.</p> <p><b>21. Review submissions due in peak reporting periods</b> – MA working groups could work with Lloyd's to review the submissions that are due in February, March, April, August and September and delay timelines for low priority returns. (see point below).</p>
2	<p><b>Peak reporting timelines</b> – Reporting pressures are significant in the months of February, March, April as well as August and September, as several of the core market returns and regulatory returns are due during these periods in addition to low priority and non-regulatory returns.</p> <p>For example:</p> <ol style="list-style-type: none"> <li><b>Same-day returns</b> – Returns are due on same days, e.g. SBF and LCM – 1 Sep, RDL and QSR – 27 Aug, HKR HKC and December PMDR and GQD – 15 Jan, annual accounts and QMB and GAREAT – 12 June, FSCS and TRIA FIO – 4 May, LCM and QMA – 21 May, PMDR and AFR TP – 29 May).</li> <li><b>Overlap of capital and reg returns</b> – SBF, key capital returns (i.e. LCR, LCM, IMVR, IMCR and RDL) are due in the same month as regulatory returns CAD SIS, GAREAT, NAIC IID.</li> <li><b>Pressure on specific months</b> – The highest number of returns are due in the months of March and May, resulting in the reporting pressures in the preceding months to be significant. Refer to Appendix for the schedule of returns by month due. (Refer to Appendix for details).</li> <li><b>Overseas deposit data</b> – Lloyd's Overseas Deposit data is only received from Lloyd's 7 working days before submission deadline.</li> </ol>	All		<p><b>21. Review submission due in peak reporting periods</b> – MAs to feedback to Lloyd's the pinch points in the existing reporting deadlines and Lloyd's to consider extending or delaying submission timelines for low priority returns. For example, Lloyd's could consider:</p> <ol style="list-style-type: none"> <li>Rationalising the submission deadlines for returns that are due on the same day.</li> <li>Extending deadline for submission of QAD, as Lloyd's Overseas Deposit data is only received from Lloyd's 7 working days before submission deadline and time is required to resolve validation warnings.</li> <li>Aligning the submission of Q4 QADs and AADs as the information submitted should be the same and reduce the amount of statutory returns due in March.</li> <li>Extending submission deadlines for low priority returns due in January, February and March such as the LDR, Non XIS, SRS, Sch F&amp;P, BRR, LCMR, and RDS.</li> <li>Rationalising the submission deadlines for SBF, capital returns and non-regulatory returns (CAD SIS, GAREAT, NAIC IID) which are due all in the month of September.</li> </ol>

# Other issues

No.	Issue	Returns	Rating	Potential Opportunities for rationalisation
1	<p><b>Communication of form changes or new requests</b> – New request and changes to forms are not always communicated on a timely basis, which gives rise to additional pressures due to lack of MA time to plan for resources. Additionally, there is scope for an extension to existing guidance to ensure that errors in submission and inconsistency in preparation across the market can be reduced.</p>	All		<p><b>22. Provide detailed and timely overviews of any planned changes</b> – MA's could flag where Lloyd's could provide appropriate guidance and FAQs on a timely basis before the return submission deadline to allow time for MA to organise resources.</p> <p><b>23. Prepare detailed guidance or overviews of best practice for returns</b> – A MA working group could work with Lloyd's to identify priority returns which would benefit from additional guidance and evidence of best practice, with Lloyd's subsequently sharing enhanced guidance and best practice with the market on the prioritised returns.</p>

# 5

## Cost/benefit analysis

# Cost/benefit analysis of recommendations

## Data

The following table sets out our analysis of the relative costs and benefits of implementing the recommendations set out in the previous sections. The cost assessment considers both estimated resource costs as well as financial and operational costs associated with updating platforms or processes (although note these are estimated, and a full end to end walkthrough of Lloyd's processes has not been completed). The benefits analysis considers benefit from a market perspective, rather than the benefit achieved from implementing the recommendations at a syndicate level.

The RAG status on the left indicates the overall priority for the recommendation area.

### Cost/benefit analysis of recommendations

	Recommendation	Cost	Benefit	Description
Priority for change 	<b>1a. Granularity – Option A</b> – Request submissions at Lloyd's COB level rather than risk code.	4	1	There is likely to be a high initial cost associated with adjusting existing templates and processes to utilise a different granularity of data, such as at Lloyd's CoB level. However, this may result in significant reductions to effort/costs expended by MAs in deriving granular data and reconciling it between sources. Furthermore, it would alleviate time spent resolving allocation issues and allow for more time focusing on business insight.
	<b>1b. Granularity – Option B</b> – Perform allocations centrally using a Lloyd's tool.	3	2	Similarly to the alternative option above, there will be an initial cost associated with developing a tool to perform allocations to risk code centrally. Lloyd's may still need MA input where reconciliations are required between forms and MAs would also need to be comfortable with a central allocation process.
	<b>2a. Alignment of returns</b> – Provide greater consistency between returns which collect information, such as the SBF, TPD and QMBs.	3	3	Initial costs would be incurred to adjust any processes which ingest information from any form which is changed to achieve alignment, however this would be expected to provide relief to MAs by allowing a more streamlined and homogenous process for the production of returns.
	<b>2b. Align QAD/AAD with investment and Lloyd's Overseas Deposit information received from custodian and Lloyd's</b> – Eliminate requirement to allocate investment data.	3	1	Costs would be incurred to change processes which extracts and analyse information from QAD and AAD, however this would be expected to provide relief to MAs as the task of producing these returns would be simplified.
	<b>3. Playbacks and market feedback</b> – Provide additional syndicate playbacks and communicate how risk code data is being used at Lloyd's to MAs for market understanding.	2	4	Additional feedback reports to the market and bulletins may offer greater insight into how risk code level data is used at Lloyd's, but the benefit to the market may be limited as it is not clear how participants could use this additional information.

**Cost**

**Benefit**

# Cost/benefit analysis of recommendations

## Data (cont'd)

Cost/benefit analysis of recommendations				
	Recommendation	Cost	Benefit	Description
Priority for change	<b>4. Consider materiality when requesting QMB currency allocations</b> – Allow MAs to group currencies within the QMB which are not a material component of their business.	2	3	This is not expected to have a material cost to Lloyd's, however if currency-level data from the QMB is used to reconcile to another source then there may be second order impacts to other processes. There would be some benefit achieved in easing reporting pressures in respect of the QMB.
	<b>5. Review of timelines</b> – Review timetable for submission of returns to identify opportunities for less urgent or material returns to be delayed.	1	3	There is a relatively low-cost opportunity for Lloyd's to alleviate some of the pressures which exist when preparing several returns in the same time period. The benefit is limited as we expect that there is limited capacity to adjust the timetable for some of the most material or onerous returns.
	<b>6. Duplicative data collection – Option A</b> – Perform a review of returns submitted by the market to determine which data sets collected are redundant or duplicated across returns and adjust returns to remove such duplicative data requests.	4	2	There will be a cost associated with completing the review of returns to identify which data sets are duplicative or redundant. Furthermore, there will be a cost associated with adjusting any processes which rely on such data to instead collect from an alternative source. It is expected that this will save the market significant time, as it will reduce the need to perform internal reconciliations between forms which are submitting the same data and instead will allow MAs to focus on a single version of the truth.
	<b>7. Duplicative data collection – Option B</b> – Consolidate data which is required to be populated across several forms and use the central data bank to populate forms.	4	2	Achieves a similar benefit to option A above. The key difference with option B is that it focuses on creating a central repository for data which is used across several returns and continuing to populate returns using this central data source as needed. Therefore any downstream processes should not be significantly affected as the returns will still be populated as usual.
	<b>8. Standardise data definitions or produce data dictionary</b> – Develop a central resource which defines the data items requested within each of the returns and the basis under which they should be produced to reduce inconsistencies in how returns are prepared across the market.	2	3	There will be a cost associated with agreeing and preparing a centralised source for data definitions and requirements for each return, however this is not expected to be significant. MAs would therefore benefit from having greater clarity over how the information in returns should be submitted and prepared which may reduce time spent on subsequent queries or explaining how data has been input.

**Cost**

1 – Low    2    3    4    5 – High

**Benefit**

1 – High    2    3    4    5 – Low

# Cost/benefit analysis of recommendations

## Reviews and resubmissions

### Cost/benefit analysis of recommendations

Recommendation	Cost	Benefit	Description
<b>9. Provide transparency over review criteria -</b> Respondents have indicated that new information often have to be generated post submission to address Lloyd's review comments. Lloyd's may be able to reduce the amount of post submission requests and improve quality of returns submitted if the review criteria and validation checks are shared with MAs ahead of submission timelines.	3	2	Providing a list of review criteria is unlikely to be a costly exercise, however additional cost are expected from incorporating new validation checks onto the platform. The benefit to the market is likely to be significant as MAs are able to utilise the new checklists and validation checks to reduce review times and improve quality of submissions which will save time and costs on addressing post submission queries.
<b>10/11. Improve transparency of query and response timelines –</b> Respondents have observed that timelines for queries from Lloyd's can be unpredictable, with some queries being raised several months after returns are submitted. Lloyd's may be able to alleviate this by providing a timeline of when syndicates can expect queries for specific returns (perhaps isolated to the most material returns) and expected response windows.	2	3	Providing a timeline to the market to indicate when queries are expected to be sent is likely to be a relatively low cost exercise, but may require additional planning and cost some flexibility. However, the market would benefit from being able to clearly identify periods of time during which BAU staff will need to have capacity to respond to Lloyd's queries. The benefit to the market is likely to vary by participant in how they use the additional timelines or information provided by Lloyd's.
<b>12/14. Streamline query process –</b> Lloyd's could reduce the volume of queries to MAs and ensure questions are appropriately by targeted by ensuring queries are filtered through an appropriately experienced member of staff for the given return. Furthermore, if a central database of responses was maintained for each syndicate this would allow for greater cooperation between departments at Lloyd's and alleviate requirements to raise similar queries for the same return on subsequent submissions.	2	2	Developing a central system for storing query responses for each return is not expected to incur significant costs or development time, however some buy-in will be required from staff and training may be required to ensure that the central warehouse remains updated and is referenced before submitted queries to MAs. If implemented together with the recommendations on alleviating some of the less material validation checks, the market is likely to have more time to focus on important queries from Lloyd's, streamlining returns processes or business development.

Priority for change

#### Cost



#### Benefit



# Cost/benefit analysis of recommendations

## Systems

Priority for change

Cost/benefit analysis of recommendations				
Recommendation	Cost	Benefit	Description	
<b>15. Update MDC platform</b> – Respondents identified a number of areas where the MDC submission platform could be enhanced to allow for greater usability, such as allowing importing and exporting of CSVs, enhancement of validation warnings and checks, etc.	4	1	The initial cost of developing the submission platform further may be high, depending on the level of enhancement planned for the platform. However, given that greater dependency will be placed on the MDC going forward, with additional returns being submitted through the system, there is substantial benefit to be achieved in ensuring that MAs can do this in a streamlined and accessible way.	
<b>16. Review validation warnings</b> – Lloyd’s could set up a working group to review the validation checks being implemented in the submission systems to identify which checks could be removed or reduced to streamline the submission process without losing accuracy in the returns.	3	2	The cost associated with setting up and running such a working group would not be expected to be significant, but may require input from a range of stakeholders. On an ongoing basis the costs are expected to be limited to the staff time used to provide input to the working group, but where adjustments are needed to the submission platforms the costs incurred may be greater. It is expected that the market would achieve significant benefit from a reduced need to rationalise and comment against validation errors or checks failing.	
<b>17. Incorporate enhanced validation checks and questions</b> – On returns which are subject to frequent resubmission. These validation checks could be based on standard checks and reviews that are performed by Lloyd’s during their review process.	2	2	The expected costs associated with incorporating the additional checks into the return may not be significant as it leverages on Lloyd’s existing review criteria to build the validations. We would expect that this would save MAs cost and effort as the number of questions and resubmissions are expected to reduce.	
<b>18. Implement review and playback aids on submission platforms</b> – Current systems do not provide functionality to playback items such as ‘top 10’ material responses or allow sense checking of forms such as US Situs where material cat events have occurred.	3	3	Time spent by MAs performing high-level sense checks of the submissions could be reduced by providing functionality within the submission platforms to summarise the information provided. It has been assumed that updating the functionality of the submission systems to allow for sense checking would incur moderate costs.	
<b>19. MAs automate process for allocation to risk code level</b>	1	4	This recommendation transfers most of the costs to MAs and therefore expected cost of implementation to Lloyd’s is low. Whilst there are expected benefits to the market from automating internal process this will require substantial time and capital costs.	

**Cost**

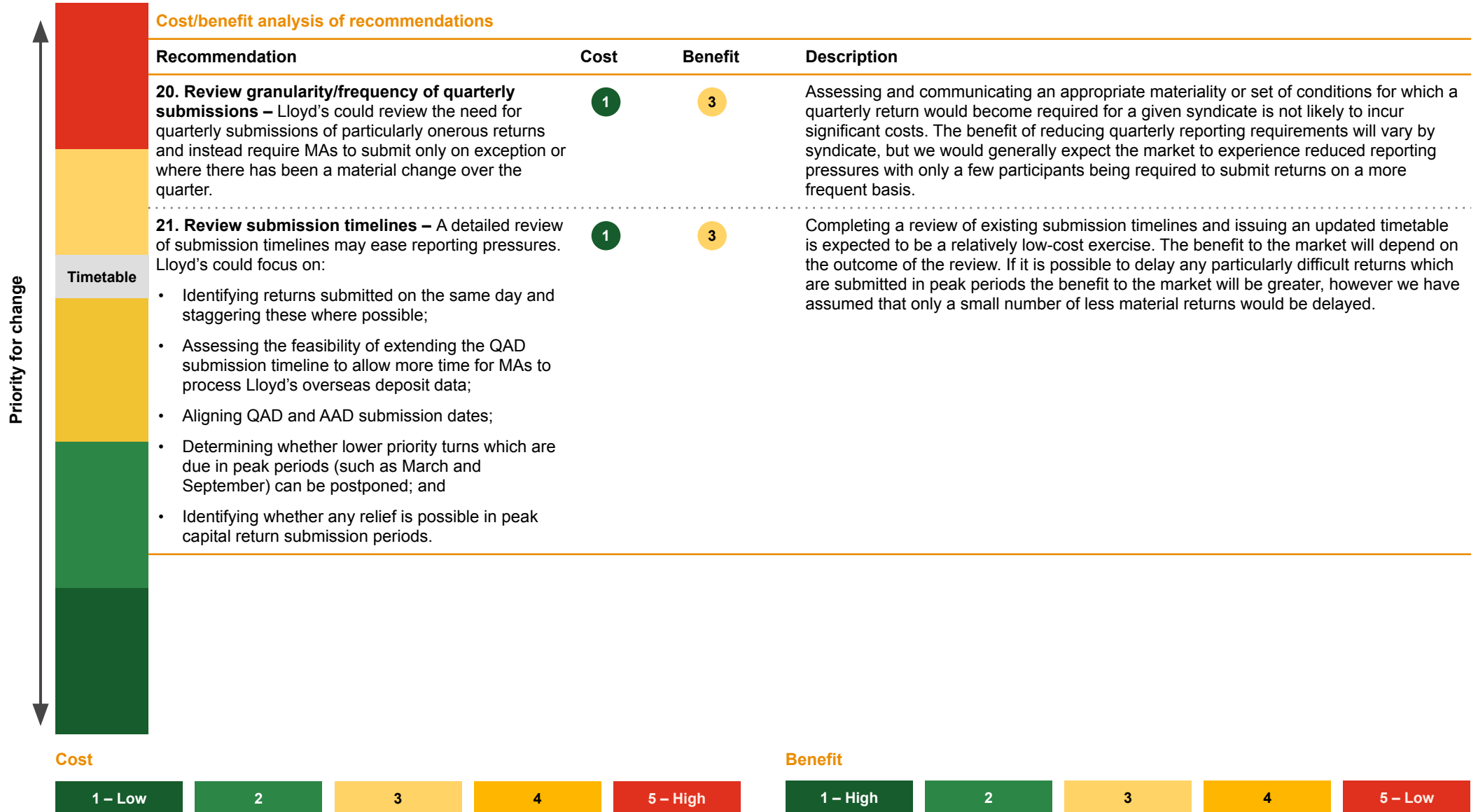
1 – Low    2    3    4    5 – High

**Benefit**

1 – High    2    3    4    5 – Low

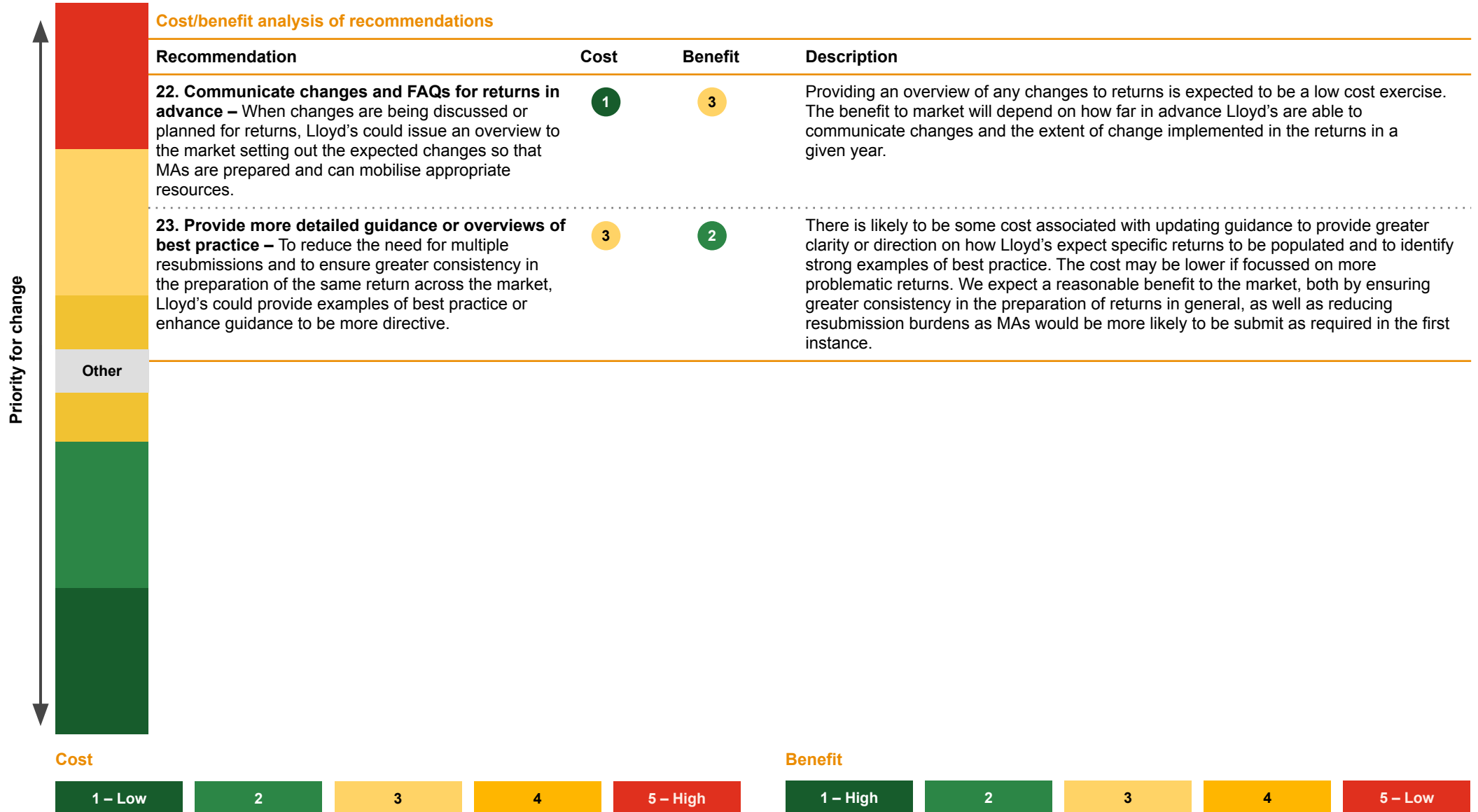
# Cost/benefit analysis of recommendations

## Timetable and Frequency



# Cost/benefit analysis of recommendations

## Other



# Recommendations - Quick wins and requiring wider consideration

Issue	Requires wider consideration	Quick wins
Production of data at level which is more granular than what is required to manage the business	<ul style="list-style-type: none"> <li>• <b>Granularity – Option A</b> – Request submissions at Lloyd’s COB level rather than risk code.</li> <li>• <b>Granularity – Option B</b> – Perform allocations centrally using a Lloyd’s tool.</li> <li>• Alignment of returns – Provide greater consistency between returns which collect information, such as the SBF, TPD and QMBs.</li> <li>• Alignment of returns – Provide greater consistency between returns which collect information, such as the SBF, TPD and QMBs.</li> </ul>	<ul style="list-style-type: none"> <li>• Playbacks and market feedback – Provide additional syndicate playbacks and communicate how risk code data is being used at Lloyd’s to MAs for market understanding.</li> <li>• Consider materiality when requesting QMB currency allocations – Allow MAs to group currencies within the QMB which are not a material component of their business.</li> <li>• MAs build tools to automate process for allocation to risk code level</li> </ul>
Challenges faced by MA in the review and query process	<p>Streamline query process – Lloyd’s could reduce the volume of queries to MAs and ensure questions are appropriately by targeted by ensuring queries are filtered through an appropriately experienced member of staff for the given return. Furthermore, if a central database of responses was maintained for each syndicate this would allow for greater cooperation between departments at Lloyd’s and alleviate requirements to raise similar queries for the same return on subsequent submissions.</p>	<ul style="list-style-type: none"> <li>• Improve transparency of query and response timelines – Respondents have observed that timelines for queries from Lloyd’s can be unpredictable, with some queries being raised several months after returns are submitted. Lloyd’s may be able to alleviate this by providing a timeline of when syndicates can expect queries for specific returns (perhaps isolated to the most material returns) and expected response windows</li> <li>• Lloyd’s can obtain feedback from MAs on returns with highest level of resubmission and where it would be beneficial if Lloyd’s provides robust guidance for the completion of each return and Lloyd’s to provide more detailed guidance or overviews of best practice via regular market communication.</li> <li>• Provide transparency over review criteria by sharing checklists with MAs or providing training sessions for MAs ahead of submission timelines .</li> </ul>

# Recommendations - Quick wins and requiring wider consideration

Issue	Requires wider consideration	Quick wins
MDC platform	<ul style="list-style-type: none"> <li>Update MDC platform – Respondents identified a number of areas where the MDC submission platform could be enhanced to allow for greater usability, such as allowing importing and exporting of CSVs, enhancement of validation warnings and checks, etc</li> </ul>	<ul style="list-style-type: none"> <li>Implement review and playback aids on submission platforms – Current systems do not provide functionality to playback items such as ‘top 10’ material responses or allow sense checking of forms such as US Situs where material cat events have occurred.</li> <li>Incorporating a set threshold for tolerance levels for validation checks within MDC</li> </ul>
Enhance validation checks on Lloyd’s platforms	<ul style="list-style-type: none"> <li>Incorporate enhanced validation checks and questions – On returns which are subject to frequent resubmission. These validation checks could be based on standard checks and reviews that are performed by Lloyd’s during their review process.</li> </ul>	<ul style="list-style-type: none"> <li>Review validation warnings – Lloyd’s could set up a working group to review the validation checks being implemented in the submission systems to identify which checks could be removed or reduced to streamline the submission process without losing accuracy in the returns.</li> </ul>
Pressures due to reporting timeline	<ul style="list-style-type: none"> <li>Review granularity/frequency of quarterly submissions – Lloyd’s could review the need for quarterly submissions of particularly onerous returns and instead require MAs to submit only on exception or where there has been a material change over the quarter.</li> </ul>	<ul style="list-style-type: none"> <li>Review of timelines – Review timetable for submission of returns to identify opportunities for less urgent or material returns to be delayed, e.g:               <ul style="list-style-type: none"> <li>- Consider rationalising the submission deadlines for returns that are due on the same day</li> <li>- Extending deadline for submission of QAD, as Lloyd’s Overseas Deposit data is only received from Lloyd’s 7 working days before submission deadline and time is required to resolve validation warnings.</li> <li>- Extending submission deadlines for low priority returns due in January, February and March such as the LDR, Non XIS, SRS, Sch F&amp;P, BRR, LCMR, and RDS.</li> <li>- Rationalising returns with submission deadlines around the months of January, February and March (i.e., LDR, Non XIS, SRS, Sch F&amp;P, BRR, LCMR, and RDS) and capital returns and non-regulatory returns due in September</li> </ul> </li> </ul>
New request and changes		<ul style="list-style-type: none"> <li>Communicate changes and FAQs for returns in advance – When changes are being discussed or planned for returns, Lloyd’s could issue an overview to the market setting out the expected changes so that MAs are prepared and can mobilise appropriate resources.</li> </ul>

# Recommendations - Quick wins and requiring wider consideration

## Issue

## Requires wider consideration

## Quick wins

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Duplicative data

**Consolidate duplicated data** – Consolidate data which is required to be populated across several forms and use the central data bank to populate forms.

**Remove duplicated data** - Perform a review of returns submitted by the market to determine which data sets collected are redundant or duplicated across returns and adjust returns to remove such duplicative data requests.

**Standardise data definitions or produce data dictionary** – Develop a central resource which defines the data items requested within each of the returns and the basis under which they should be produced to reduce inconsistencies in how returns are prepared across the market.

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Appendix

# Appendix I: List of Lloyd's returns

The following returns are within the scope of our rationalisation review. We have used our understanding of Lloyd's reporting to categorise these returns into 5 key categories and attributed an importance rating based on our understanding of the returns and results of the survey.

## a. Financial reporting

Ref	Title	Type	Effort? (High, Med, Low)	Complexity? (High, Med, Low)	RAG Rating
<b>QMA</b>	Quarterly Monitoring Return Part A	Financial Reporting	High	High	Red
<b>QMB</b>	Quarterly Monitoring Return Part B	Financial Reporting/Capital	High	High	
<b>GQD</b>	Gross Quarterly Data Return	Financial Reporting	Med	Med	Yellow
<b>NXIS/EEA</b>	Non XIS Returns	Financial Reporting	Med	Med	
<b>SAA</b>	Syndicate Annual Accounts	Financial Reporting	High	Med	
<b>Sch F&amp;P</b>	Schedule F&P	Financial Reporting	Med	Med	Green
<b>AF1</b>	Annual Financial Resources Return	Financial Reporting	Low	Low	
<b>BRR</b>	Broker Remuneration Return	Financial Reporting	Low	Low	
<b>LDR</b>	Lloyd's Direct Reporting	Financial Reporting	Low	Low	
<b>QF1</b>	Quarterly Financial Resources Return	Financial Reporting	Low	Low	
<b>RPD</b>	Related Parties Disclosure	Financial Reporting	Low	Low	

# Appendix I: List of Lloyd's returns

## b. Performance management

Ref	Title	Type	Effort? (High, Med, Low)	Complexity? (High, Med, Low)	RAG Rating
<b>QMA</b>	Quarterly Monitoring Return Part A	Performance Management/Financial Reporting	High	High	Red
<b>QMB</b>	Quarterly Monitoring Return Part B	Performance Management/Financial Reporting	High	High	
<b>TPD</b>	Technical Provisions Data Return	Performance Management	High	High	
<b>GQD</b>	Gross Quarterly Data Return	Performance Management/Financial Reporting	Med	Med	Yellow
<b>PMDR</b>	Performance Management Data	Performance Management	High	Med	
<b>RDS</b>	Realistic Disaster Scenario	Performance Management	High	Low	
<b>SBF</b>	Syndicate Business Forecast	Business Planning	High	Med	
<b>SRS</b>	Syndicate Reinsurance Structure Return	Performance Management	Med	Med	Green
<b>DAD</b>	Delegated Authority Data	Performance Management	Med	Low	
<b>NCBR</b>	NCBR Data Collection	Business Planning	Low	Low	
<b>RDL</b>	Realistic Disaster Scenario light	Performance Management	Med	Low	

# Appendix I: List of Lloyd's returns

## c. Capital returns

Ref	Title	Type	Effort? (High, Med, Low)	Complexity? (High, Med, Low)	RAG Rating
<b>LCR</b>	Lloyd's Capital Return	Capital	High	High	Red
<b>QMB</b>	Quarterly Monitoring Return Part B	Capital/Financial Reporting	High	High	
<b>IMCR</b>	Internal Model Change Report	Capital	High	Med	Yellow
<b>IMVR</b>	Internal Model Validation Report	Capital	High	Med	
<b>Model</b>	Model Completeness Questionnaire	Capital	Med	Low	Green

# Appendix I: List of Lloyd's returns

## d. Regulatory returns

Ref	Title	Type	Effort? (High, Med, Low)	Complexity? (High, Med, Low)	RAG Rating
<b>ASR</b>	Annual Solvency Return	Regulatory – SII	High	High	Red
<b>QAD</b>	Quarterly Asset Data	Regulatory – SII	High	High	
<b>QSR</b>	Quarterly Solvency Return	Regulatory – SII	High	High	
<b>AAD</b>	Annual Asset Data Return	Regulatory – SII	Med	Med	Yellow
<b>AFR ORI</b>	Actuarial Function Report for Outward RI and Underwriting	Regulatory – SII	High	Med	
<b>AFR TPs</b>	Actuarial Function Report on Technical Provisions	Regulatory – SII	High	Med	
<b>ASB</b>	Annual Solvency Return Part B	Regulatory – SII	Med	High	
<b>CAD Situs</b>	Canadian Situs Regulatory Return	Regulatory – Overseas	Med	Med	
<b>HKR, HKC</b>	Hong Kong Risk and Claims Returns	Regulatory – Overseas	Med	Med	
<b>ORSA</b>	Own Risk and Solvency Assessment	Regulatory	High	Med	
<b>TRIA FIO</b>	Terrorism Risk Insurance Act (US) for the Federal Insurance Office Return	Regulatory – Overseas	Med	High	
<b>US SIS</b>	US Syndicate Information Statement	Regulatory – Overseas	Med	Med	

# Appendix I: List of Lloyd's returns

## d. Regulatory returns (cont'd)

Ref	Title	Type	Effort? (High, Med, Low)	Complexity? (High, Med, Low)	RAG Rating
<b>US Situs</b>	US Situs Regulatory Return	Regulatory – Overseas	High	Med	
<b>ATIA</b>	Australian Terrorism Insurance Act	Regulatory – Overseas	Low	Low	
<b>CAD SIS</b>	CAD Syndicate Information Statement	Regulatory – Overseas	Low	Med	
<b>France</b>	Reporting of Medical Legal Liability Business	Regulatory – Overseas	Low	Low	
<b>FSCS</b>	Financial Services Compensation Scheme Levies	Regulatory – UK	Low	Med	
<b>GAREAT</b>	French Terrorism Return	Regulatory – Overseas	Low	Low	
<b>Ireland</b>	Audited Gross written motor premiums	Regulatory – Overseas	Low	Med	
<b>LFB</b>	London Fire Brigade Return	Regulatory – UK	Low	Low	
<b>USIC</b>	US Income Supplementary Information Form	Regulatory – Overseas	Low	Low	

# Appendix I: List of Lloyd's returns

## e. Taxation

Ref	Title	Type	Effort? (High, Med, Low)	Complexity? (High, Med, Low)	RAG Rating
<b>HKR, HKC</b>	Hong Kong Risk and Claims Returns	Regulatory – Overseas/Taxation	Med	Med	Yellow
<b>US SIS</b>	US Syndicate Information Statement	Regulatory – Overseas/Taxation	Med	Med	Yellow
<b>CAD SIS</b>	CAD Syndicate Information Statement	Regulatory – Overseas/Taxation	Low	Med	Green
<b>LDR</b>	Lloyd's Direct Reporting	Financial Reporting/Taxation	Low	Low	Green
<b>TUK</b>	UK Tax	Taxation	Low	Low	Green

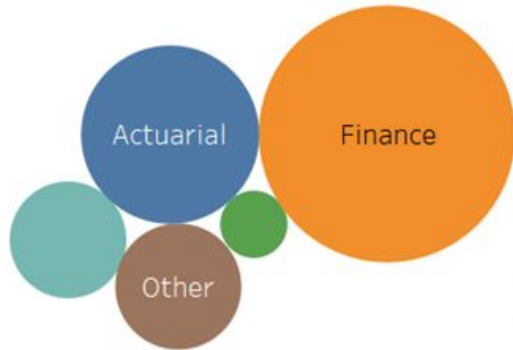
# Appendix II: Survey responses

## Demography of respondents

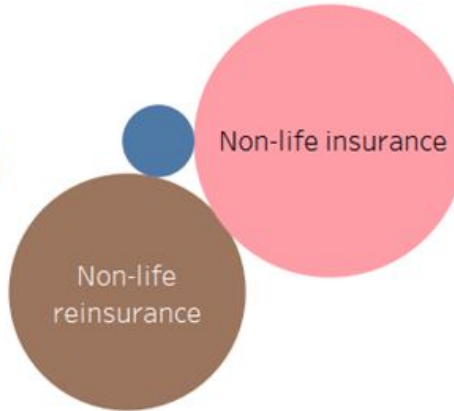
No. of re-  
spon-  
dents

58

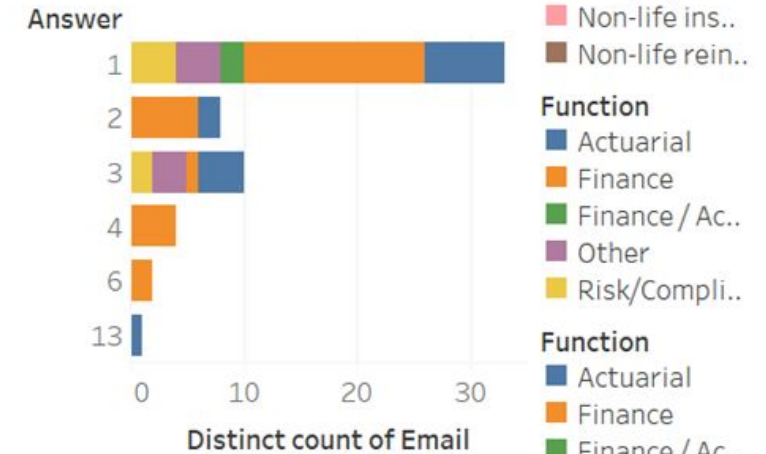
Function



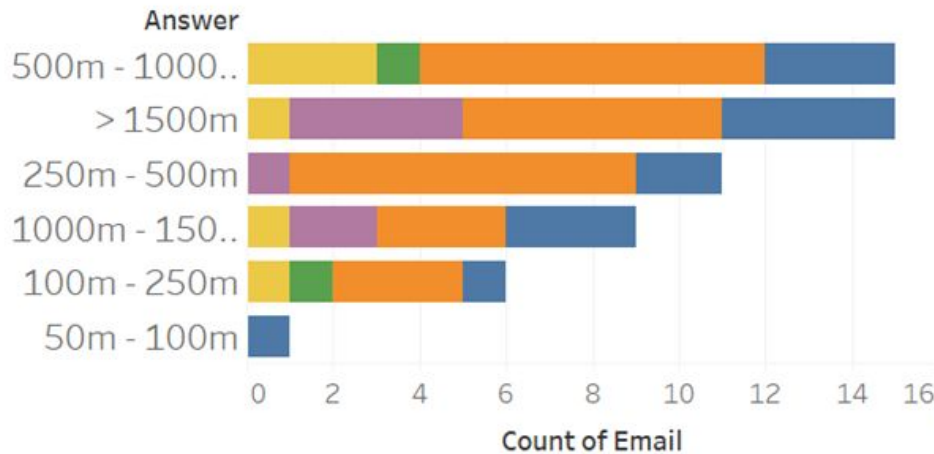
Type of Business



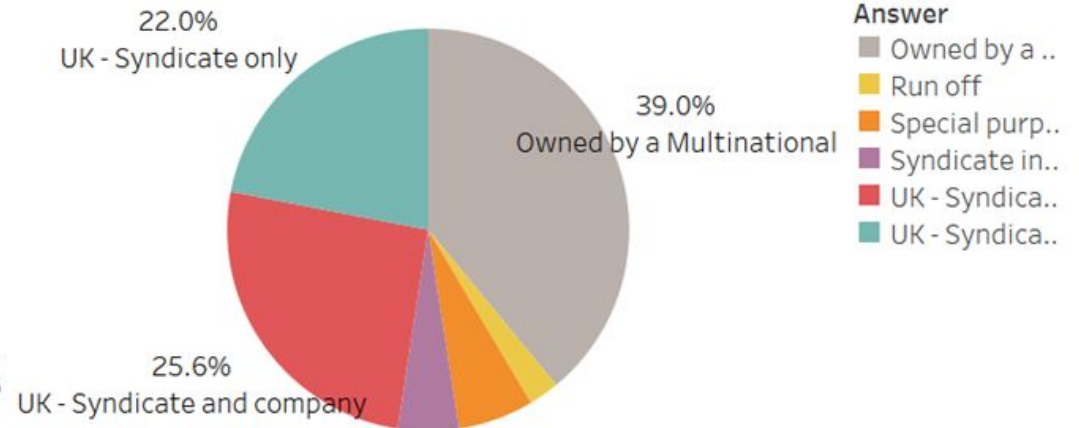
No. of Syndicates



Size of Business

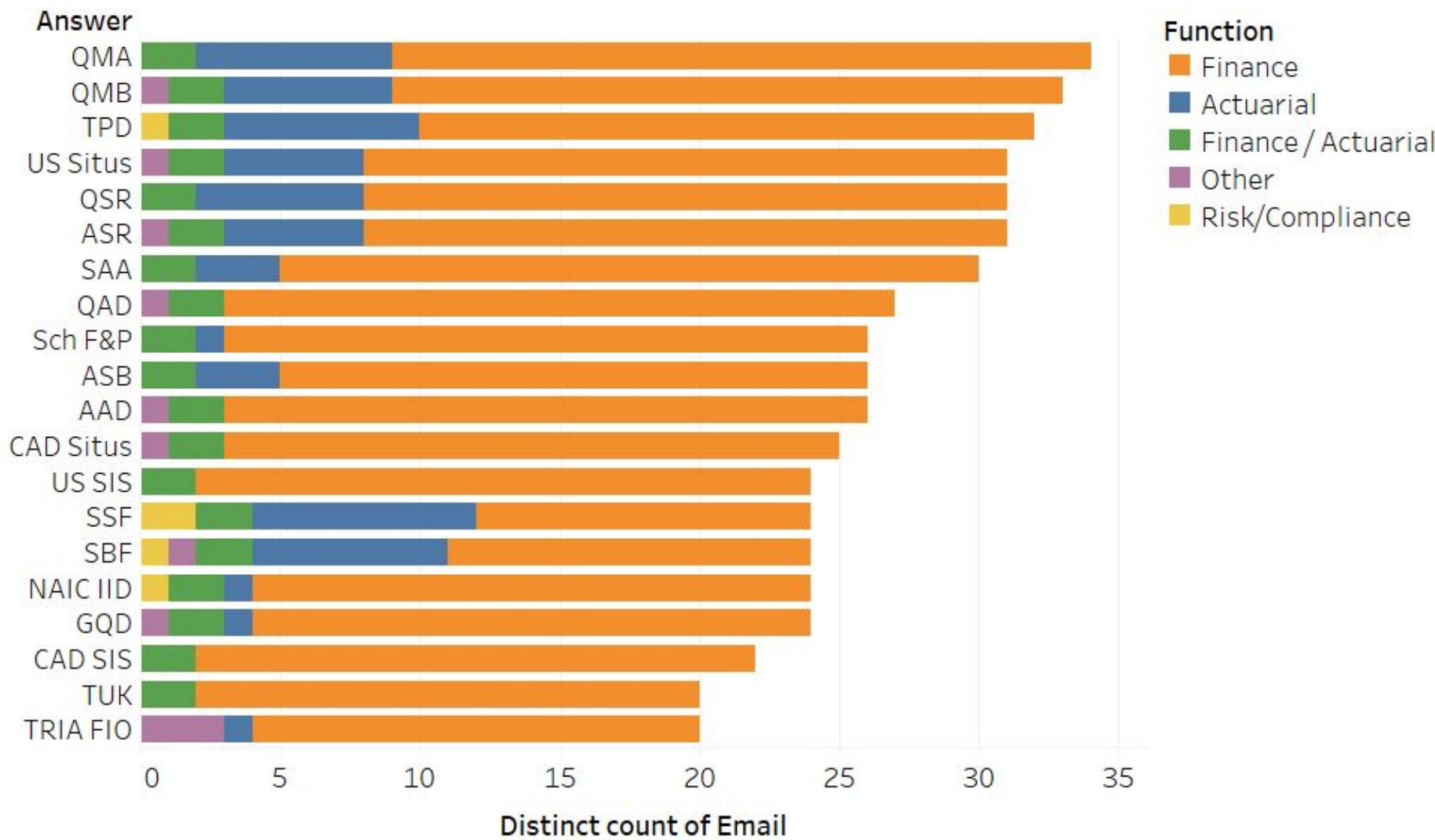


Type of organisation



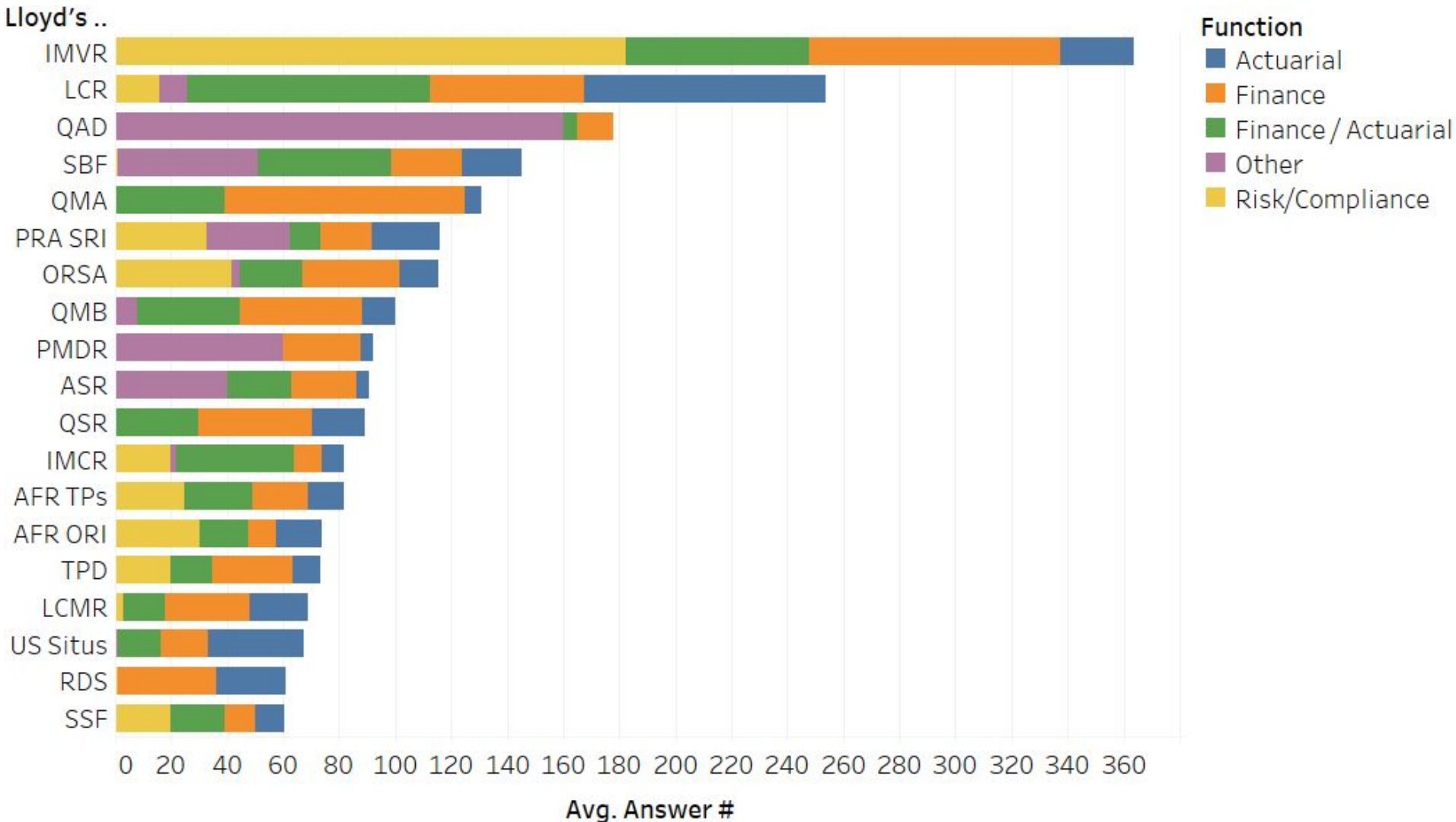
# Appendix II: Survey responses

**Top 20 returns selected**



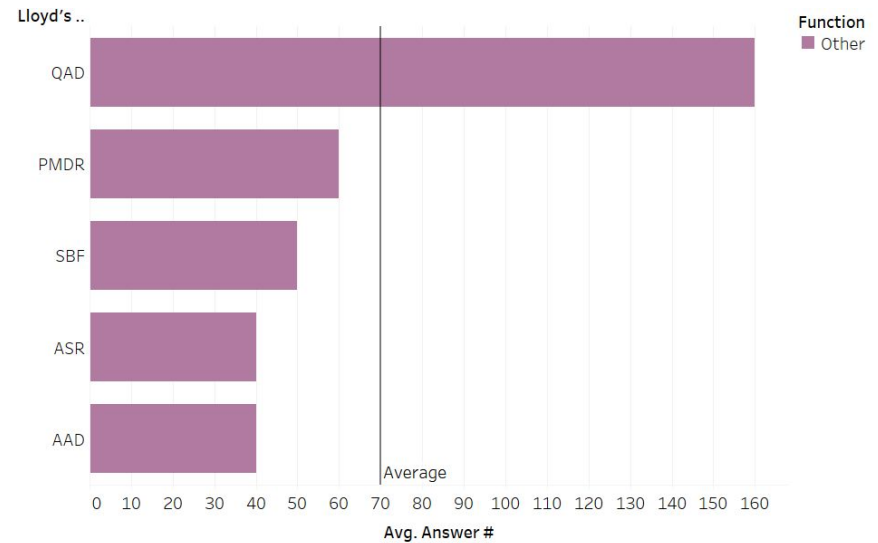
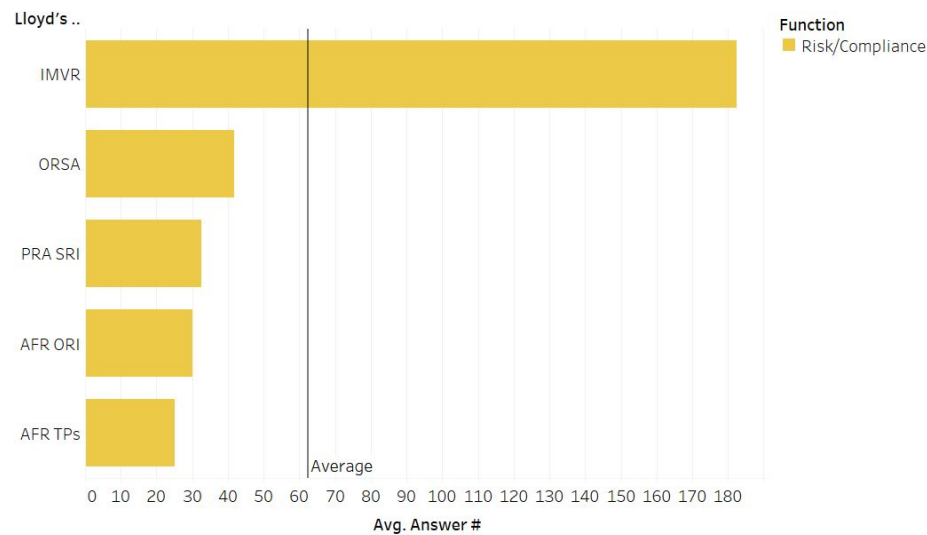
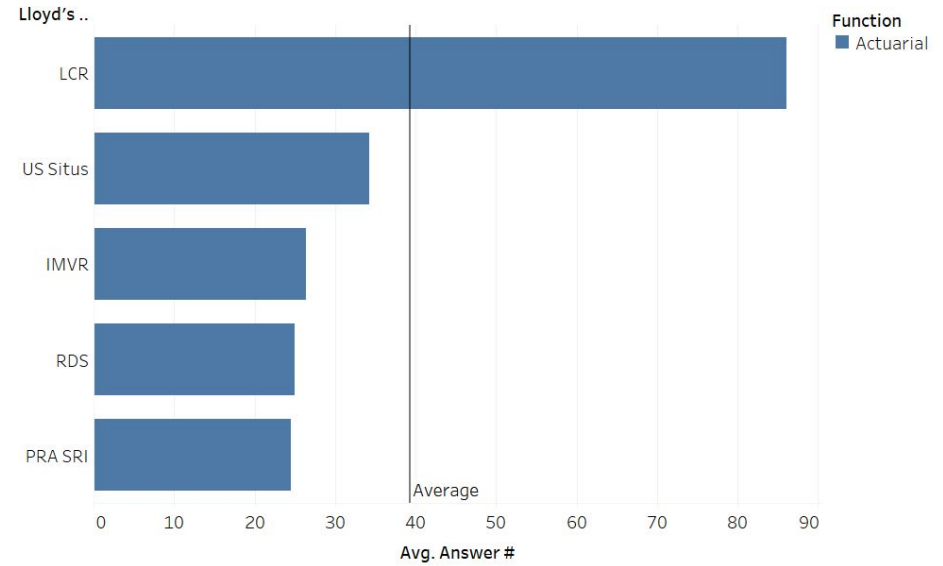
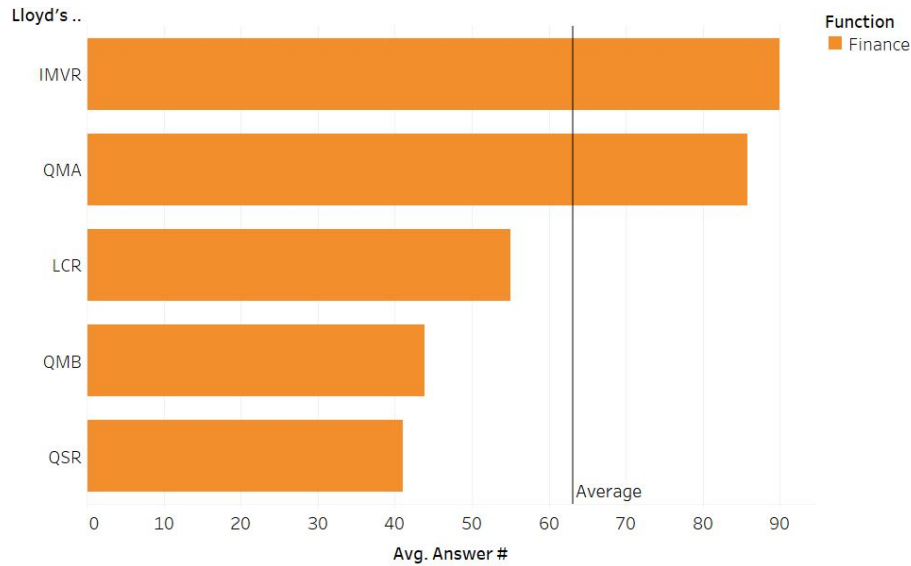
# Appendix II: Survey responses

Returns that require more than average amount of time to prepare



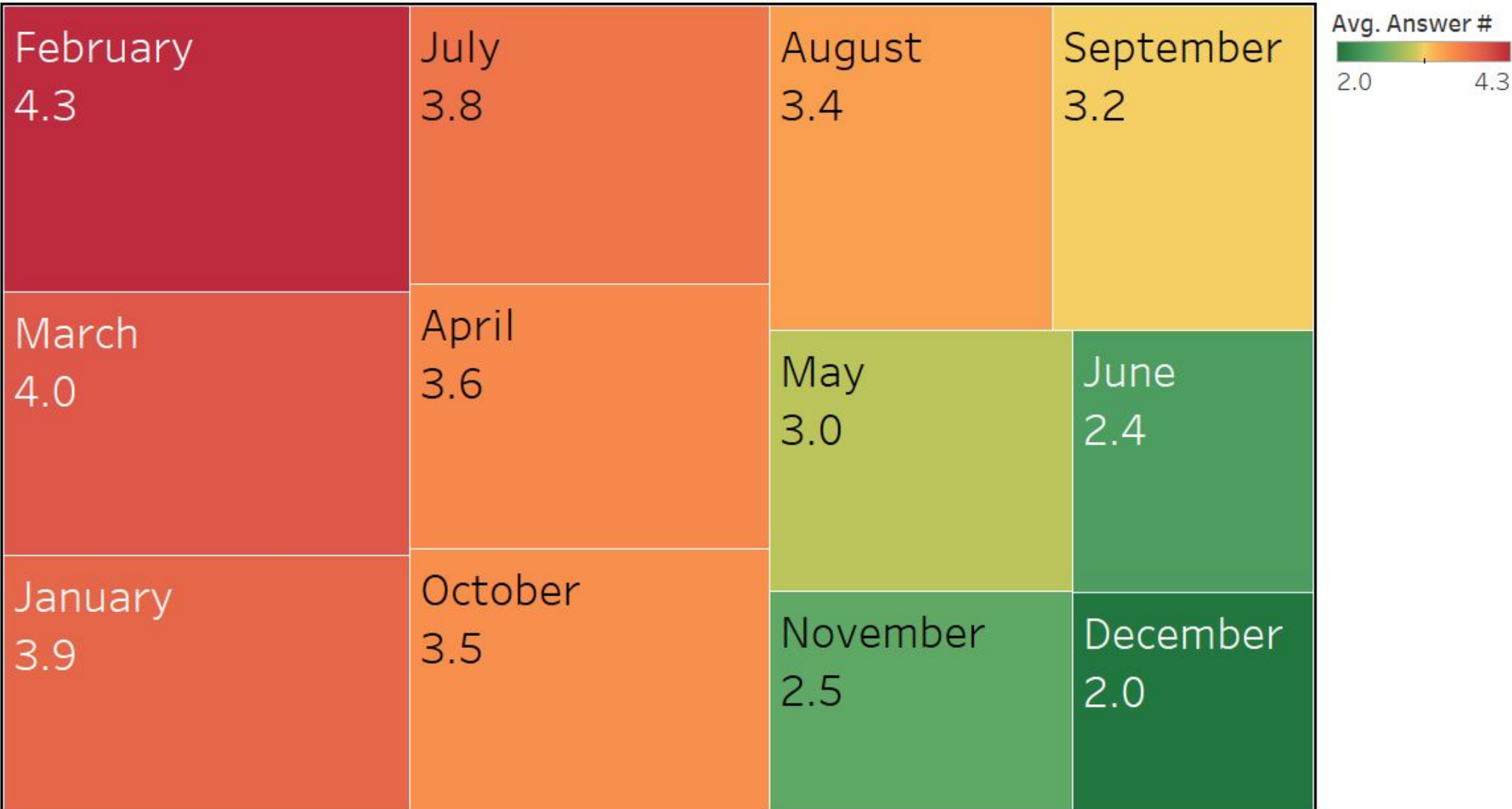
# Appendix II: Survey responses

## Top 5 returns requiring most effort by business function



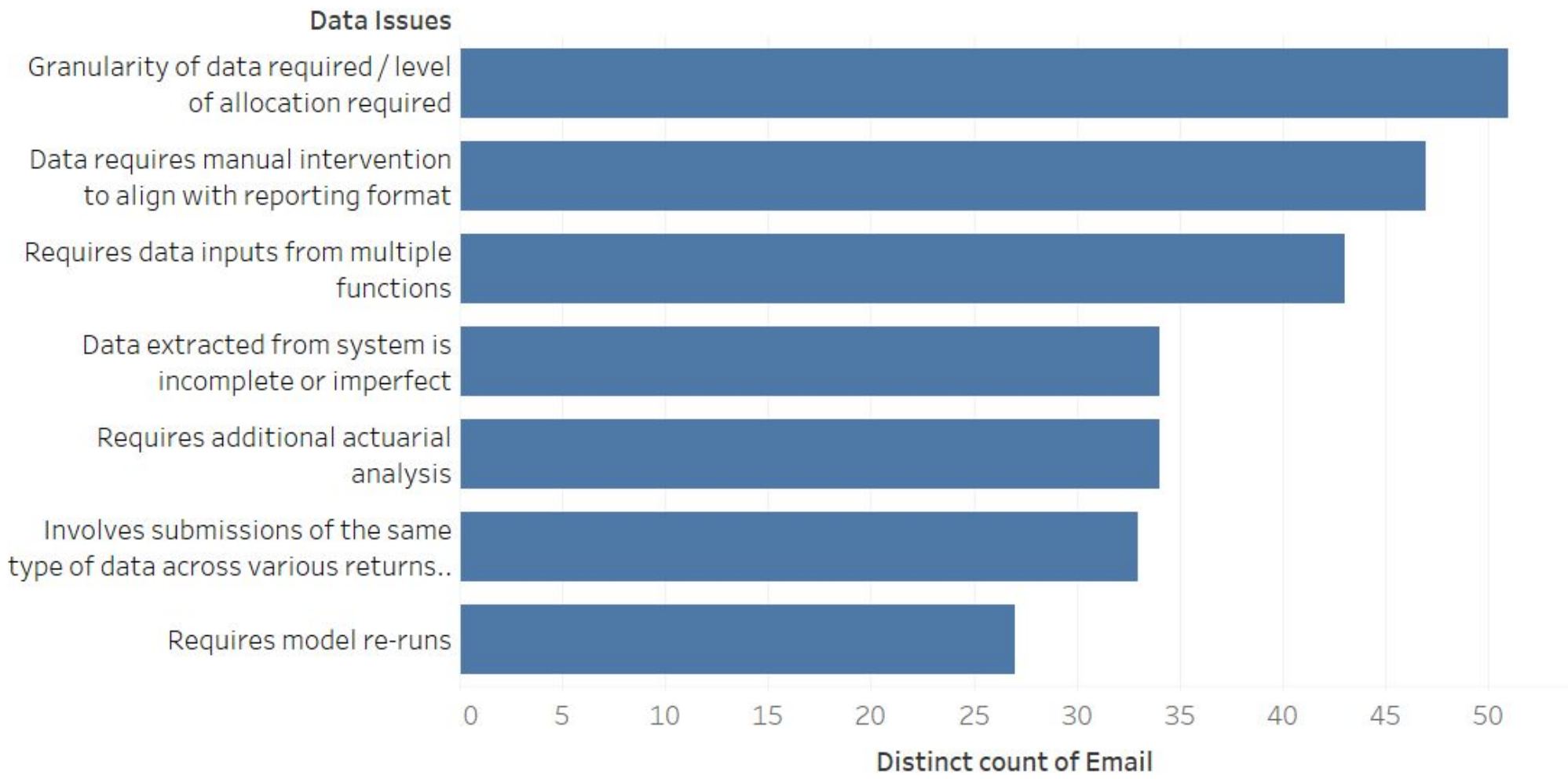
# Appendix II: Survey responses

Pressure months (Overall)



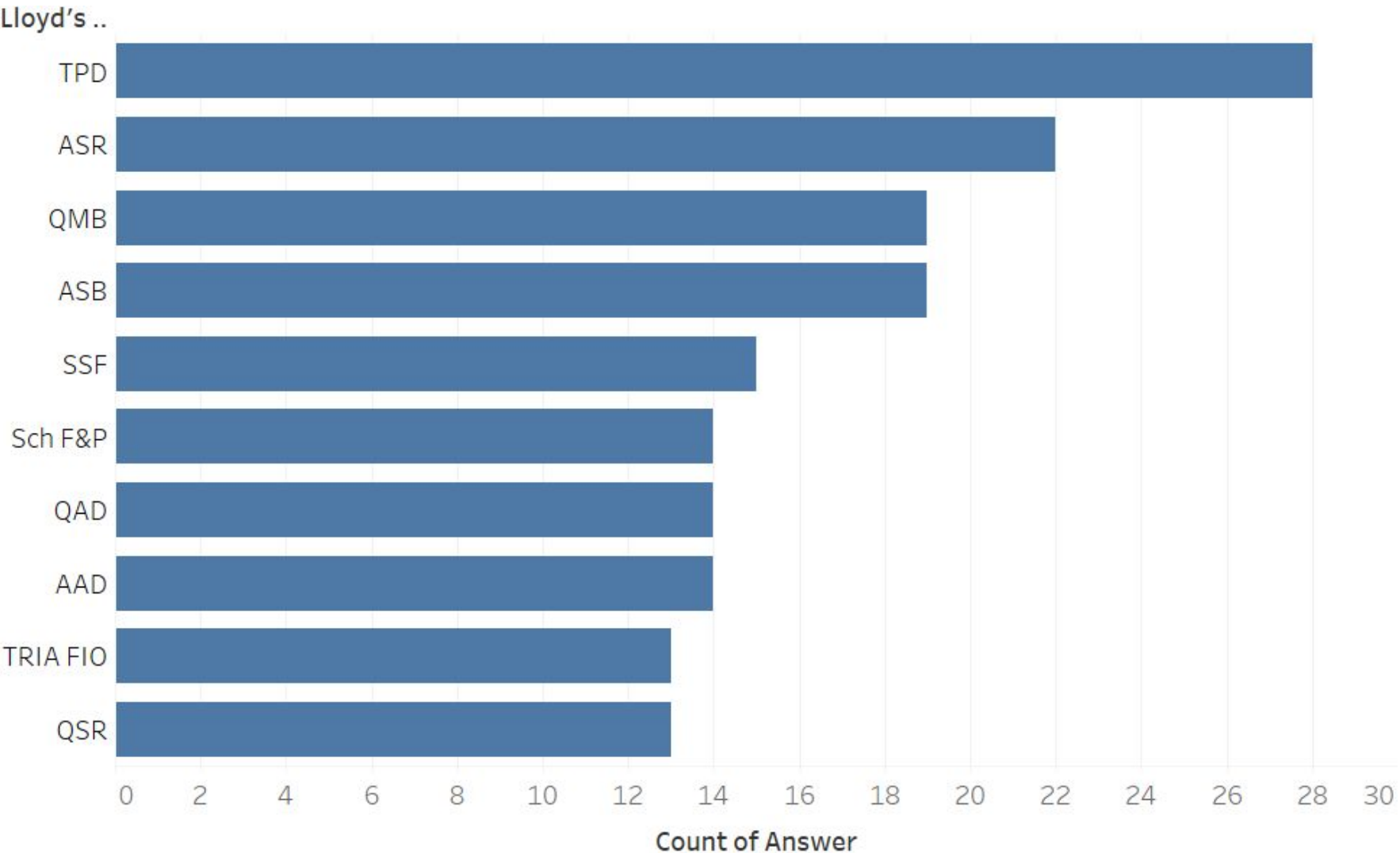
# Appendix II: Survey responses

## Breakdown of data specific issues



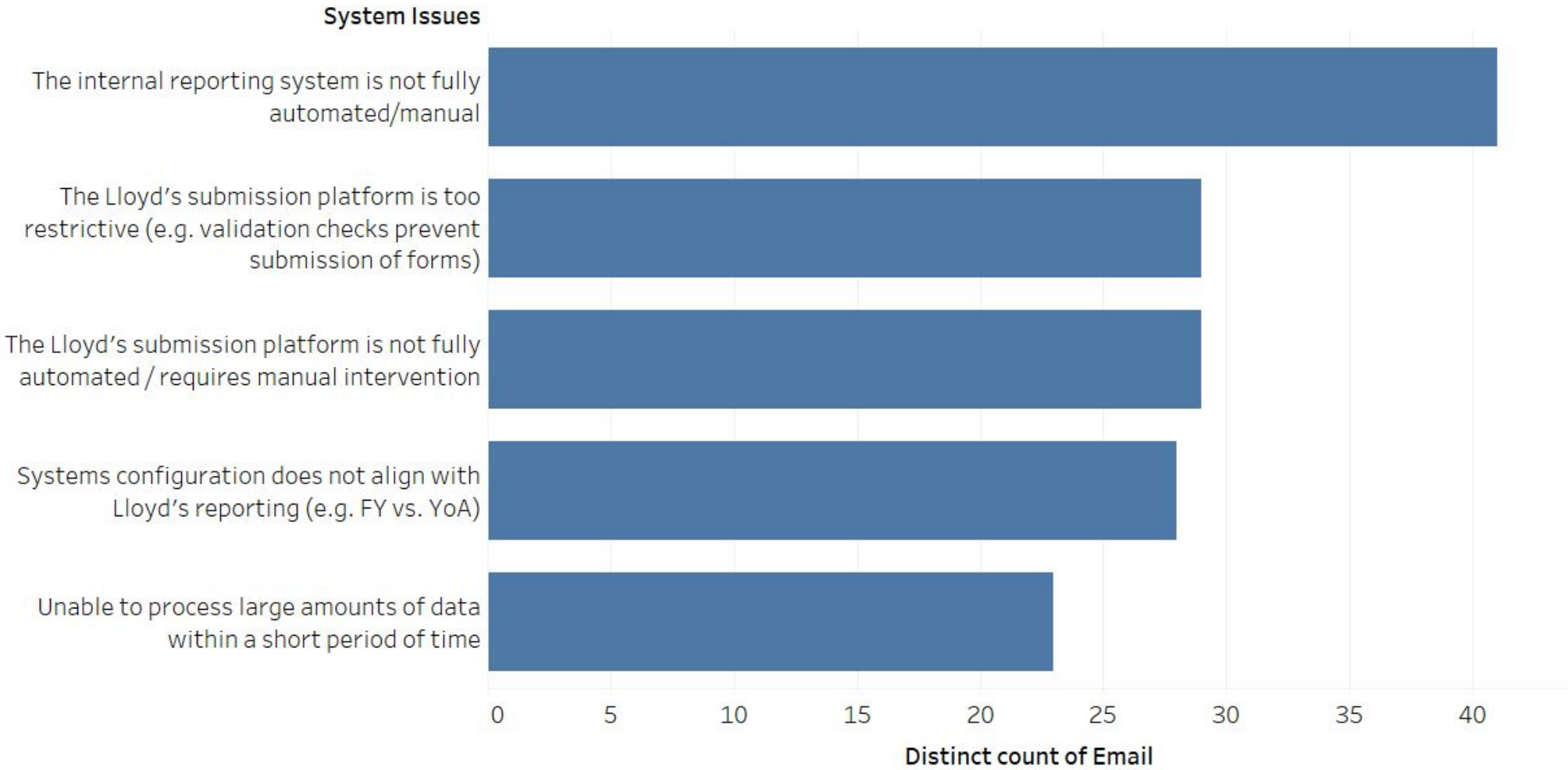
# Appendix II: Survey responses

## Top 10 returns with data issues



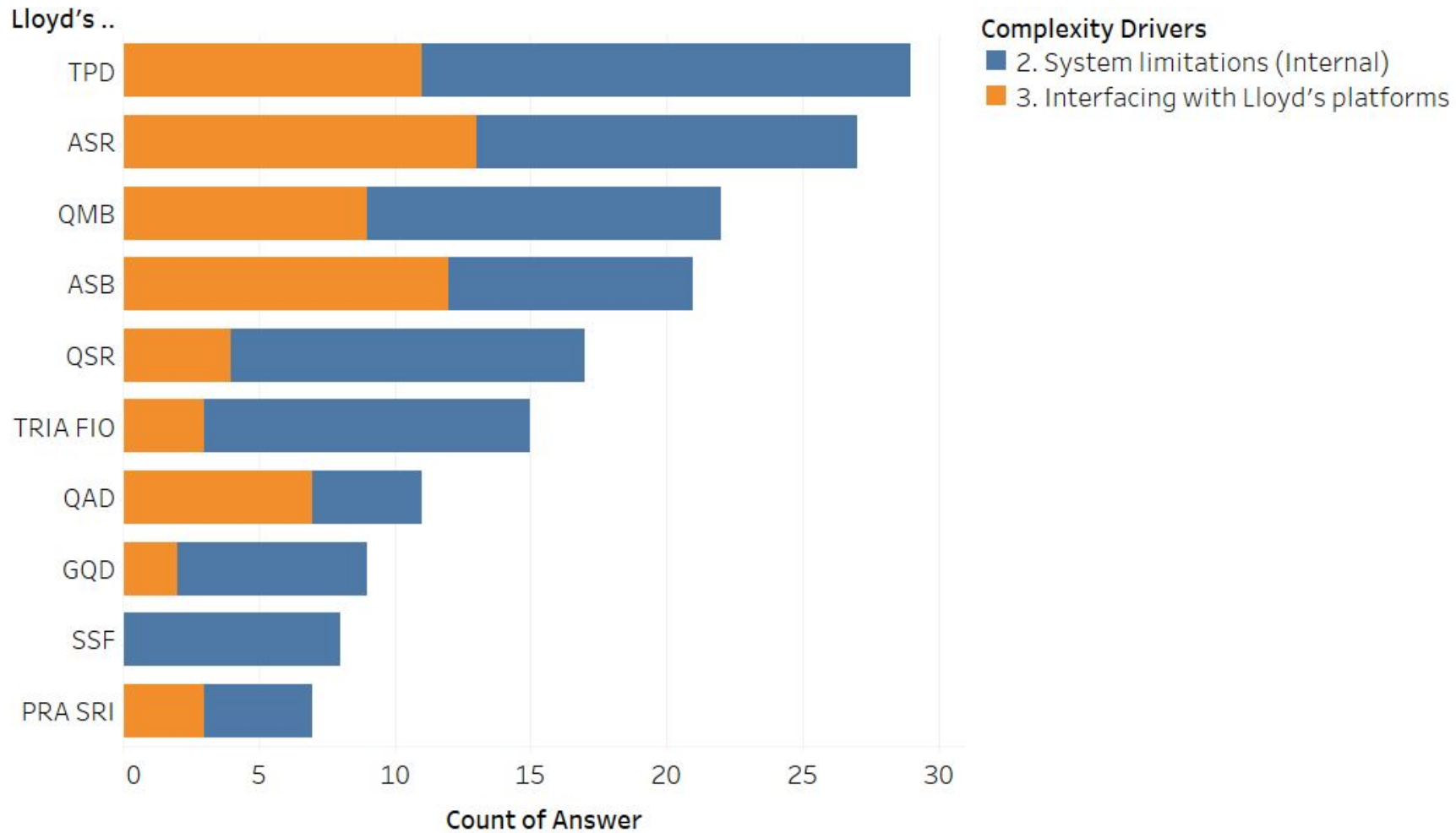
# Appendix II: Survey responses

## Breakdown of system related issues



# Appendix II: Survey responses

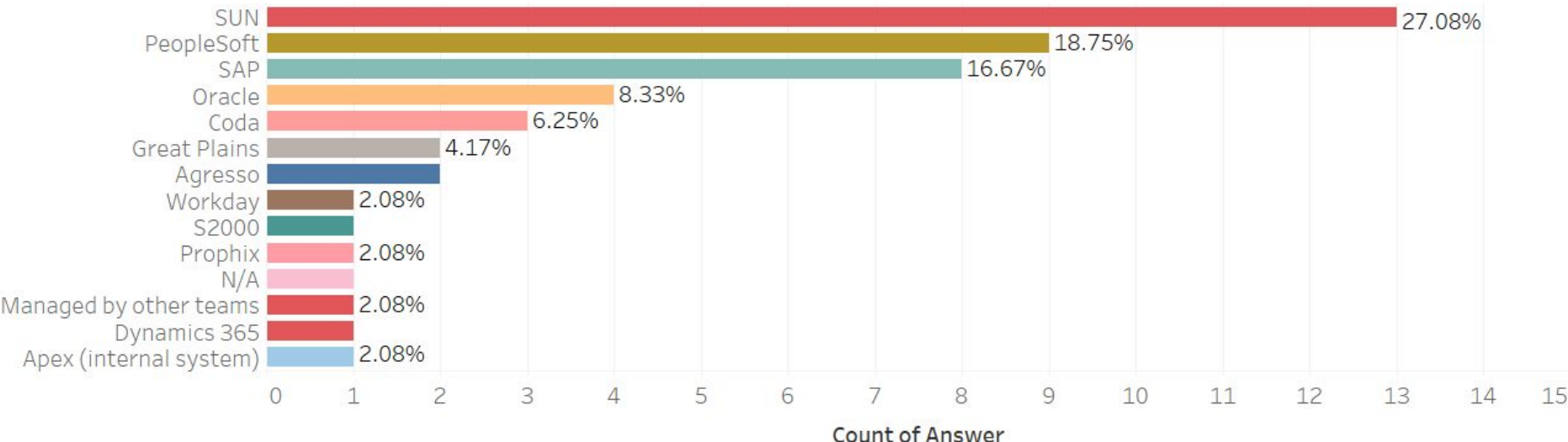
## Top 10 returns affected by system related issues



# Appendix II: Survey responses

General ledger

Workday  
 Dynamics 365  
 Great Plains N/A  
 Managed by other teams  
 Oracle  
 Coda  
 PeopleSoft  
 SAP  
 SUN  
 Apex (internal system)  
 S2000  
 Prophix  
 Agresso



# Appendix II: Survey responses

## General ledger

Psicle Rapport  
FDM Acumen Remetrica Anaplan  
Internal allocation models Syndicate Financials Spreadsheets TM1 SII Engine Word  
Internally developed tools Cubes over DWH SAP Cognos Planning IBM Analytics  
Alteryx Premium and claims Warehouse (PCW) N/A Data Warehouse  
Clearview' (in-house developed reporting database)  
Tyche Hyperion Cubes + Anaplan + various other reporting tools across business SQL  
LSM DWHSII Engine built in conjunction with Sequel/Moore Stephens  
Excel Phinsys In house built databases using the microsoft product stack AIR  
Power BI Visualisation Thorogood Curator SQL Databases ResQ  
Qlickview In house GAAP system In house warehouse Database Rulebook BDX  
Tandem Clearwater Access

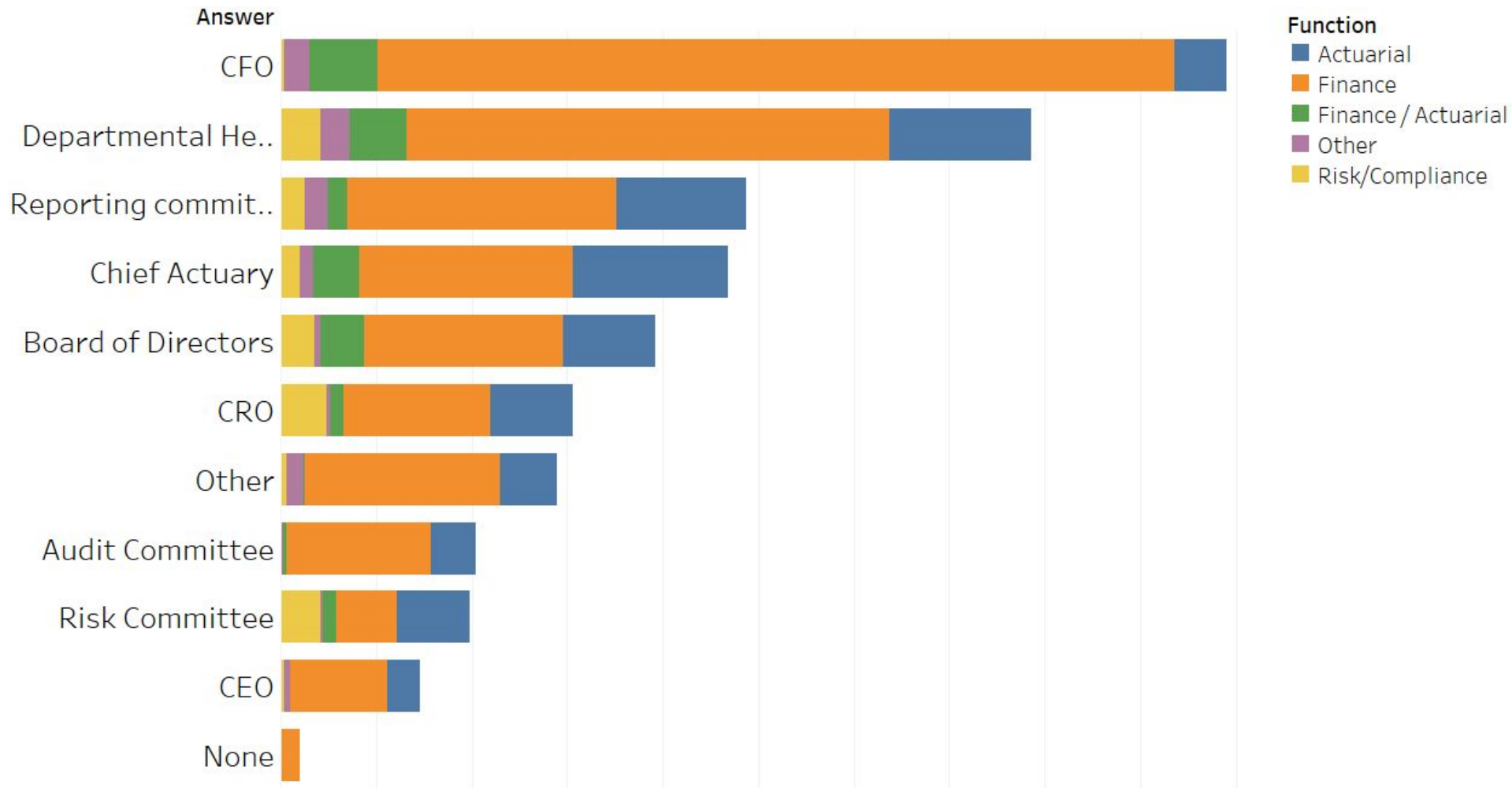
# Appendix II: Survey responses

## Source systems



# Appendix II: Survey responses

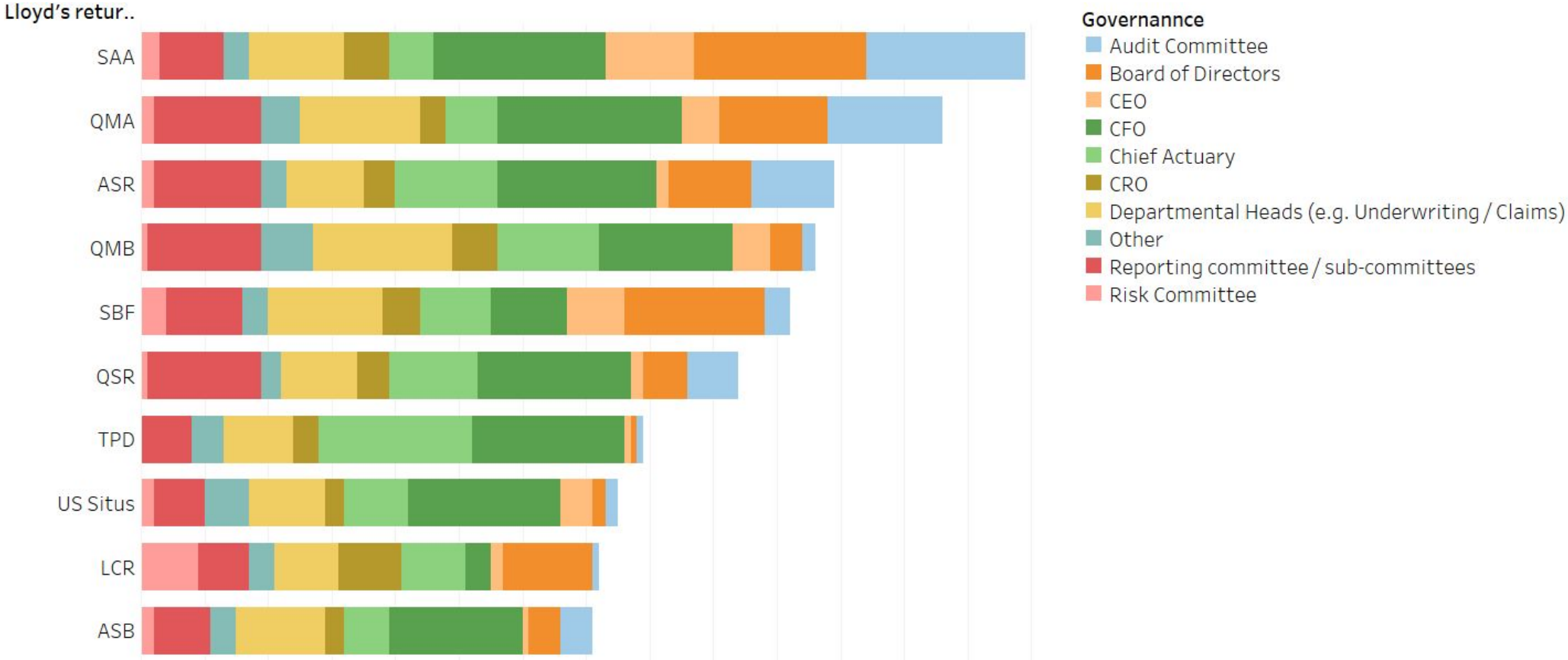
## Layers of governance



# Appendix II: Survey responses

## Layers of governance by return

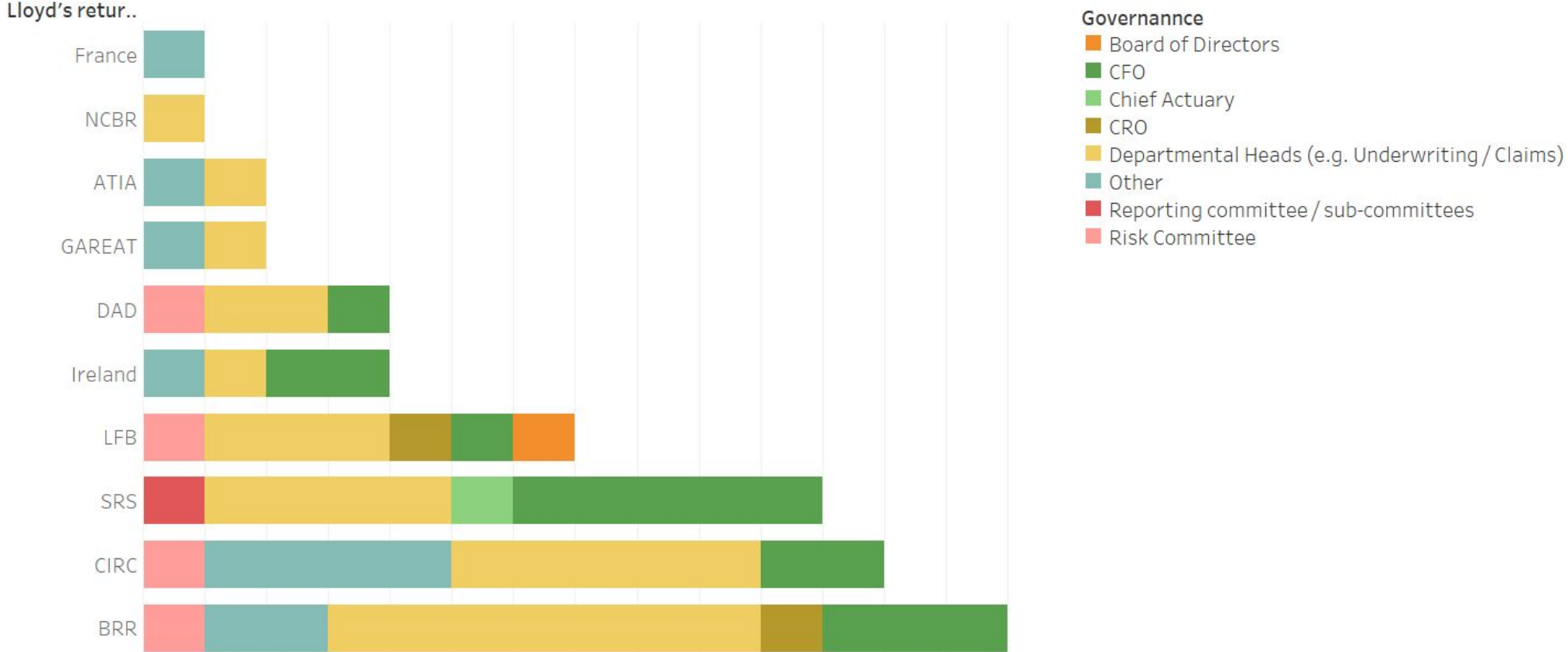
### a) Returns with the most layers of governance



# Appendix II: Survey responses

## Layers of governance by return (continued)

### b) Returns with the least layers of governance



# Thank you

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