

Lloyd's Supplementary Solvency Data Instructions

Version 1.0

Table of Contents

1	Reporting Requirements	3
1.1	Overview of the return	3
1.2	Preparation guidance	3
2	Template instructions	3
2.1	Cover	3
2.2	Solvency balance sheet reconciliation and reinsurance contract boundary	3
2.3	Solvency Balance Sheet Reconciliation	4
2.4	Unearned incepted ultimate premiums and claims	8
2.5	Impact of reinsurance contract boundary change	8
2.6	Other adjustments	9
2.7	Comments	9
2.8	Members providing capital (Funds in Syndicate (FIS))	10
3	Submission	10
3.1	Submission portal	10
3.2	Validations	11
3.3	Resubmission	11
4	Managing Agent Report	11
4.1	Managing Agent Report format	11
4.2	Managing Agent Report submission	11
5	Audit	11
5.1	Audit requirements	11
6	Additional Information	12
6.1	Open year profit release	12
6.2	Timetable	12
6.3	Late submissions	12
6.4	Key contacts	12
6.5	FAQs	13
	Appendix – Additional Guidance	13
	Impact of reinsurance contract boundary change	13
	Third party reinsurance to close	14
	Lloyd's prudential restrictions	15
	Distribution timetable	15

1 Reporting Requirements

1.1 Overview of the return

- 1.1.1 In addition to standard Solvency UK reporting requirements for syndicates, Lloyd's requires supplementary solvency data at syndicate and reporting year of account level, to support reserving oversight, international licensing, capital modelling, coming into line and reporting in the Lloyd's published Solvency and Financial Condition Report (SFCR).
- 1.1.2 The supplementary solvency data templates to be submitted by managing agents in respect of each syndicate should be downloaded from the Lloyd's [Solvency UK](#) website.
- 1.1.3 The templates listed below are required to be completed for each quarterly submission and for the annual submission:
- Cover page
 - Solvency balance sheet reconciliation and reinsurance contract boundary
 - Other Adjustments
 - Members providing capital (Funds in Syndicate)
 - Comments

1.2 Preparation guidance

- 1.2.1 Templates must be completed at syndicate level and, where required, by reporting year of account. Amounts or details relating to assets, letters of credit and/or bank guarantees provided as Funds at Lloyd's (FAL) must not be reported on any template.
- 1.2.2 The reporting currency is GBP for all templates.

2 Template instructions

2.1 Cover

- 2.1.1 This template collects basic information regarding the syndicate, including the syndicate number, the reporting year, reporting period, years of account and their status (open or closed) and type of return (annual or quarterly). The year of account status and the type of return information are used to generate the fields that must be populated in the return.
- 2.1.2 The years of account follow the traditional Lloyd's method, referring to each open or closing year of account in which members had a participation at the period end. For annual and Q4 reporting, if the syndicate is to continue into the following year of account, that following year of account must also be reported as 'open' to capture solvency adjustments applicable to it.
- 2.1.3 For 2025 annual and Q4 returns the reporting years of account will be the 2023, 2024 or 2025 open years of account (plus 2026 if the syndicate is continuing) as well as any 2022 or previous run-off years of account which have not been reinsured to close, or are closing as at 31 December 2025.

2.2 Solvency balance sheet reconciliation and reinsurance contract boundary

- 2.2.1 This template includes the following:
- Solvency balance sheet reconciliation (lines 1 to 18)
 - Unearned incepted ultimate premiums and claims (lines 19 and 20)
 - Impact of reinsurance contract boundary treatment (line 21)

- 2.2.2 The open reporting years of account to be reported on this template are generated based on the information provided in the cover sheet.
- 2.2.3 The figures reported on this template must be entered undiscounted (discounting is reported on line 12). Positive amounts represent an increase in member balances. The expected signage for certain fields is identified per the template specification and instructions below.

2.3 Solvency Balance Sheet Reconciliation

- 2.3.1 Lines 1 to 18 provide a reconciliation of the members' balance by reporting year of account from UK GAAP to Solvency II.
- 2.3.2 Funds in Syndicate (FIS) should not be included on this template.
- 2.3.3 The "Comments" column should be populated for those lines where further explanation is considered necessary by managing agents, for example, where the signage of the adjustment is different from what would normally be expected, or to explain large period on period movements, such as those arising from changes in discount rates.

Line number	Line description	Instruction
Line 1a	UK GAAP – Excess of assets over liabilities (excluding FIS)	This is the Statutory accounts value reported in the annual IR.02.01.01 R1000/C0020 or equivalent for quarterly submissions (excluding FIS).
Line 1b	Amounts due (to)/from members	Amounts due to or from members are reported here to arrive at members' balance by YoA for the purpose of quarterly member solvency tests. If amounts due to or from members are already included in the line above for the open years of account, no further adjustment is required here.
Line 1c	UK GAAP members' balance (excluding FIS)	The amount for each open year of account must agree to members' balances in the UK GAAP balance sheet. Only balances attributable to the members of each open YOA are expected to be reported here. Therefore, in respect of Q1 reporting, the amounts reported in this line should not include undistributed/uncollected balances for closed years of account that are not attributable to the members of the open years of account.
Line 2	Elimination of 100% unearned premium reserve (UPR) requirement (net of RI UPR)	The UPR provision (net of reinsurers' share) is a UK GAAP item and is not relevant for Solvency II and is therefore eliminated. The total amount for all the years of account must agree to the net of reinsurance amount of the provision for unearned premiums shown on the UK GAAP balance sheet. The elimination would usually be expected to be a positive amount (and hence have a favourable impact on the members' balance).
Line 3	Elimination of deferred acquisition cost (DAC) (net of RI DAC)	There is no DAC under Solvency II, thus the net DAC amount needs to be eliminated on this line. The total amount for all the years of account must agree to the net of reinsurance amount of DAC shown on the UK GAAP balance sheet. The elimination would usually be expected to be a negative amount (and hence have an adverse impact on the members' balance).

Line number	Line description	Instruction
Line 4	Elimination of margin for prudence within earned claims provisions and RI bad debt	UK GAAP earned technical provisions may contain an element of prudence in the future anticipated insurance losses whereas the Solvency II amount is determined using a probability weighted average of all possible outcomes which takes account of all uncertainties in its best estimate cash flow. Thus, any element of prudence which exceeds the probability weighted best estimate within the UK GAAP basis technical provisions must be eliminated in this line. In the annual submissions, the adjustment to remove prudence must be limited to that identified by the signing actuary in the SAO template and report (or separate formal letter). Lloyd's will review compliance with this requirement. Non-compliance will not result in a capital loading; instead Lloyd's will require resubmission of this form. The requirement above must then be met, either via Line 4 or as an adjustment to Line 16. The elimination would normally be expected to be a positive amount, favourably impacting the members' balance.
Line 5	Future premiums included in technical provisions - incepted contracts (net of acquisition costs)	This represents the cash flows on contracts incepted as at the balance date which are recognised under Solvency II once the syndicate becomes party to the contract (subject to contract boundaries) and which are yet to be received. This will normally be a positive adjustment (and hence a favourable impact on the members' balance) but may be negative where the gross future premium is less than future RI premium.
Line 6	Future premiums included in technical provisions - unincepted contracts (net of acquisition costs)	Under Solvency II, insurance contracts are recognised if the insurer is bound to the contract as at the balance sheet date, even if the coverage has not incepted. This will normally be a positive adjustment, favourably impacting the members' balance. However, it may be negative where future reinsurance premium is greater than future gross premium.
Line 7	(Re)insurance receivables/payables transferred to technical provisions	Under Solvency II, (re)insurance receivables/payables shown within the respective lines on the UK GAAP balance sheet are reallocated and shown as part of Solvency II technical provisions, where these amounts are not overdue. The net adjustment, which can be positive or negative, must be reported on this line. This amount must agree to the adjustments made on the Solvency II balance sheet within the (re)insurance receivables/payables lines in respect of future premiums (net of acquisition costs).
Line 8	Net premium provision - net future claims cost incepted (including ALAE and ULAE)	The future claims cost in respect of existing and contractually bound written business at the balance sheet date where the future premiums have been recognised in line 5 above, should be reported on this line. This will normally be a negative adjustment, resulting in a negative impact on the members' balance. This line should not include ENID amounts as those should be reported in line 11 but should include ALAE and ULAE relating to these future claims.
Line 9	Net premium provision - net future claims cost unincepted (including ALAE and ULAE)	The future claims cost in respect of existing and contractually bound written business at the balance sheet date where the future premiums have been recognised in line 6 above. The same approach should be followed as described for incepted business in line 8. This will normally be a negative adjustment.

Line number	Line description	Instruction
Line 10	Additional expenses not included under UK GAAP	This should be assessed on the basis that the syndicate continues writing new business. Since expense provisions are expected to be higher under Solvency II, a negative adjustment would normally be expected, resulting in a negative impact on the members' balance. Acquisition costs are excluded as they are reported within future premium. ULAE on premium provision should be excluded from this line as they are included in line 8 for incepted business and line 9 for unincepted business.
Line 11	Events not in data	Technical provisions under UK GAAP only make allowance for items that are implicitly included within the data or are 'reasonably foreseeable'. Added to this would be a margin for prudence where an additional loading is required. This is eliminated on line 4 (see above). Under Solvency II, technical provisions consist of a probability weighted average of all possible outcomes which takes account of all uncertainties. This will include latent claims or very extreme high severity, low probability claims which are similarly considered as being over and above the parameters of the best estimate cash flow as an additional loading. Such items are known as ENIDs, and adjustment will need to be made to identify their inclusion in Solvency II technical provisions. This will lead to an increase in technical provisions and must be reported on this line as a negative adjustment, resulting in a negative impact on the members' balance.
Line 12	Discounting	This line reports the net discounting applied to the Solvency II best estimate. This will normally be a positive adjustment, resulting in a positive impact on the members' balance. The discount rates applied should be as provided by the PRA as at the balance sheet date.
Line 13	Risk margin	The explicit risk margin which is calculated for Solvency II technical provisions must be reported here as a negative adjustment. The total risk margin for all years of account must agree to IR.02.01, C0010/R0552 - risk margin total.

Line number	Line description	Instruction
Line 14	Change in profit commission provision	This line reports the difference between the UK GAAP profit commission and the 'notional' Solvency II profit commission. This will be a negative item if the profit commission increases, otherwise a positive adjustment. The 'notional' Solvency II profit commission is only calculated for a reporting year of account which is naturally open or in run-off at the reporting date. Profit commission for a closing year is based on the UK GAAP data. However, the 'notional' Solvency II profit commission in respect of the syndicate year of account accepting the RITC should reflect the impact of the Solvency II valuation differences in respect of the RITC being assumed. Where Solvency II adjustments are negative (i.e. reduces members' balance), negative notional profit commission may be determined but only to the extent of the already booked positive UK GAAP profit commission. Therefore, cumulative notional Solvency II profit commission reflected for a reporting year of account in the Solvency II balance sheet (IR.02.01) should not be negative.
Line 15	Transfer of Solvency II valuation difference to reinsuring syndicate year	Where a reporting year of account is closing as at the reporting date, then the UK GAAP balance per the financial statements must be used for distribution purposes, and the impact of any underlying Solvency II valuation differences on the liabilities being transferred by RITC should be assumed by the reinsuring syndicate year. Therefore, for the closing year, the net impact of any valuation differences for Solvency II reported in lines 2 to 13 (as above there will be no entry on line 14 for the closing year) and Line 16 must be reversed out as a single net adjustment on line 15. In such a case, line 17 must be zero and line 18 must equal line 1. For the reinsuring year of the same syndicate, the reverse of the entry made in line 15 for the closing year must be made, which will reflect the Solvency II valuation adjustments in respect of the reinsured year. Hence line 15, 'total' column will be nil. Where the syndicate year has closed into another syndicate, whether managed by the same or another managing agent, the reverse of the entry made in line 15 for the closing syndicate year shall be reported in this template by the reinsuring syndicate year. In this case only, the IR.02.01.01 of the closing and reinsuring syndicates must also each include a corresponding entry at C0010/R0420 or R0880 (other assets or liabilities, not elsewhere shown). Note: This adjustment is required as at 31 December only.
Line 16	Other adjustments	The sum of any other adjustments must be reported here. This line will be auto-populated from the 'Other Adjustments' template. Where a loading is being included due to the earned margin test or the profit in unearned premium test these should be communicated in the analysis table. Where a loading has been applied for the restriction of line 4 (Elimination of margin for prudence within earned claims provisions and RI bad debt) or restriction of profit in unearned premium based on lines 19/20 the adjustment can be included as part of line 16. The preferred format is for an adjustment to be made to line 4 or line 8, rather than line 16.

Line number	Line description	Instruction
Line 17	Total adjustments	This is the sum of lines 2 to 16. Where the year is closing at the reporting date, the entry in line 17 must be zero.
Line 18	Solvency II members' balance	The total amount for all years of account plus FIS where applicable must agree to IR.02.01,01 / IR.02.01.02 C0010/R1000 (Solvency II value – excess of assets over liabilities).

2.4 Unearned incepted ultimate premiums and claims

2.4.1 Lines 19 to 20 must be completed in accordance with the instructions below.

Line number	Line description	Instruction
Line 19	Unearned Incepted Ultimate Premium	This line is required for all quarterly/annual submissions. The total unearned incepted premium must be reported here. It should be net of RI and should be considered as the ultimate equivalent to the component entry for line 5 that only contains the portion related to future unearned premiums. This should be a positive entry. The unearned incepted loss ratio that will be derived in conjunction with Line 20 (Line 20 divided by Line 19) must not be less than that corresponding to the value identified by the Signing Actuary in the SAO template and report (or formal letter). Lloyd's expects a consistent premium basis (i.e. Net-Gross or Net-Net with consistent assessment of DAC) as reported by the Signing Actuary although it is not necessarily the case that the ultimate premium identified would be the same.
Line 20	Unearned Incepted Ultimate Claims	This line is required for all quarterly/annual submissions. The total unearned incepted claims must be reported here. This includes ALAE, ULAE and bad debt provision and should be considered as exclusively the claims portion of line 8, which reports all future costs. This should be a negative entry. This entry will be used in conjunction with line 19 to produce the unearned loss ratio to compare with the SAO template as described in the guidance for line 19. This is expected to be estimated on a consistent basis to the Signing Actuary but does not have to be the same amount. The amount is expected to be negative.

2.5 Impact of reinsurance contract boundary change

Line 21 must be completed in accordance with the instructions below for quarterly and annual submissions.

Line number	Line description	Instruction
Line 21	Impact of Reinsurance Contract Boundary Treatment	Information on the impact of the change to the treatment of reinsurance contract boundaries is required by reporting year of account and in total on line 21. This information will be used centrally by Lloyd's to neutralise the effect of the change to reinsurance contract boundaries in November 2019. This must be provided by reporting year of account and shown as a positive figure (i.e. the value of the increase to the technical provisions resulting from the change). This impact should be the figure that would be calculated in the relevant YOA row of LCR Form 571 Question 1 column D if the syndicate were to submit an LCR prepared as at the same year-end as the annual / quarterly submission. Further guidance on the calculation is included in the Appendix to these instructions.

2.6 Other adjustments

- 2.6.1 This template provides an analysis of any other adjustments in arriving at the Solvency II members' balance at line 18 of the Solvency Balance Sheet Reconciliation. Line 16 of that template will be auto populated from the amounts input here.
- 2.6.2 This template must itemise any adjustments being made that do not fall into any other analysis line of the Solvency Balance Sheet Reconciliation and that exceed a threshold of £100,000 for any reporting year of account. The amount of each adjustment must be entered in the column for the reporting year of account to which it relates, with a brief narrative description provided in the 'Description' column.
- 2.6.3 Adjustments arising due to alignment to the SAO (e.g restrictions on elimination of prudence within earned claims provisions and RI bad debt or from restrictions of profit in unearned premium) must always be itemised regardless of the threshold above.
- 2.6.4 The narrative description should, in each case, be sufficient to explain the nature of the adjustment.
- 2.6.5 Adjustments of the same nature for more than one reporting period may be entered on the same line provided the narrative description is sufficient.
- 2.6.6 Any balance of adjustments not itemised must be presented in a separate line, by reporting year of account, with the narrative 'Other'.

2.7 Comments

- 2.7.1 This template is for the provision of other information necessary to assist Lloyd's in processing the information provided, where the managing agent considers that additional information is necessary for understanding or to minimise the need for Lloyd's to raise subsequent queries. The template is for free form narrative input.
- 2.7.2 All templates should be completed in accordance with the instructions and use of this template is not a substitute for compliance with the instructions for other templates.
- 2.7.3 Without limiting the information that managing agents may provide on this template, the following information must be provided where relevant and not immaterial:
- Explanation of third party RITC where present, identifying the syndicate number and year of account of the syndicate that is receiving the RITC, or from which the RITC is being received.

- Explanation of any loadings applied to restrict the elimination of margin of prudence within earned claims provisions and RI bad debt or to restrict profit in unearned premium, with supporting commentary from the signing actuary if appropriate.
- Description of amounts recognised as other assets or liabilities in response to instructions dealing with Lloyd's-specific concepts (for example, undistributed results and inter-year transfer of Solvency II valuation adjustments).
- Identification of amounts and counterparties for any inter-syndicate loans shown as assets or liabilities on the solvency balance sheet.
- Information on solvency adjustments made to balances such as deposits to cedants or from reinsurers, or provisions other than technical provisions, for which solvency adjustments would not normally be expected.
- Explanation of absence of solvency adjustments where such adjustments would normally be expected (e.g. ENID and discounting).
- Explanation if an item is reported (on any template) in a row or column where, according to the instructions, Lloyd's is not expecting an item to be reported.

2.8 Members providing capital (Funds in Syndicate (FIS))

- 2.8.1 This template provides data for the facilitation of the Solvency II quarterly members' solvency test including the calculation of the member level reporting point for Lloyd's reporting to the PRA.
- 2.8.2 This template is only required if FIS is reported on the balance sheet.
- 2.8.3 This template must be completed in respect of FIS only - not funds at Lloyd's (FAL).
- 2.8.4 If the syndicate has one corporate member, then the code for that member should be entered in column 'Member code' and the total of the FIS assets included within IR.02.01 C0010 (Solvency II value) entered in column 'capital', as a positive entry.
- 2.8.5 If the syndicate has more than one corporate member then the code for each member should be entered in column 'member code' and each member's share of the total FIS assets included within IR.02.01 C0010 (Solvency II value) entered in column 'capital.' as a positive entry.
- 2.8.6 The total of column 'capital' must, taken together with member balances on all reporting years of account, equal IR.02.01, C0010/R1000 (Solvency II value – excess of assets over liabilities).

3 Submission

3.1 Submission portal

- 3.1.1 The supplementary solvency data template can be downloaded from the Lloyd's [Solvency UK](#) site and should be submitted to Lloyd's, in Excel format, using SecureShare. The site name on SecureShare is "**Solvency UK**".
- 3.1.2 Files are to be loaded directly into the folder, no sub-folders are to be created, as files contained in sub-folders will not be processed.
- 3.1.3 The files uploaded to SecureShare must use the following naming convention:
- Quarterly:** solvency_XXXX_YYYYQQ where XXXX refers to 4-digit syndicate number and YYYY to the reporting year e.g. solvency_1996_2025Q4
- Annual:** solvency_XXXX_YYYYA where XXXX refers to 4-digit syndicate number and YYYY to the reporting year e.g. solvency_1996_2025A

3.1.4 Guidance on how to access SecureShare can be found here: <https://www.lloyds.com/market-resources/tools/secureshare>.

3.2 Validations

3.2.1 The validations built into the template are as follows:

Template	Validation
Solvency balance sheet reconciliation and Reinsurance Contract Boundary	There is a Control table at the bottom of the template validating UK GAAP and Solvency II validations: Excess of assets over liabilities (IR.02.01 R1000) minus FIS (Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings – IR.23.01.01 R0040) Minus Members' balance (excluding FIS and amounts due to/from members) must equal zero
FIS	There is a validation in the FIS template validating capital input in the template to IR.23.01.

3.3 Resubmission

- 3.3.1 Resubmissions are not expected to happen in the ordinary course of business and will be treated as exceptional and dealt with on a case-by-case basis. It is the responsibility of the managing agent to ensure the completeness and accuracy of the supplementary solvency data.
- 3.3.2 If a managing agent becomes aware of an event that may result in resubmission, they should contact Central Finance immediately at Lloyds-SolvencyReturns@lloyds.com.

4 Managing Agent Report

4.1 Managing Agent Report format

- 4.1.1 A Managing Agent Report is required for all quarterly and annual submissions. A Managing Agent Report template is published on the Lloyd's [Solvency UK](#) website. The managing agent report sign-off covers the XBRL submission into CoreFiling and the Supplementary Solvency Data.

4.2 Managing Agent Report submission

- 4.2.1 The completed Managing Agent Report is to be submitted to Lloyd's via SecureShare on the same date as the data submission. The site name on SecureShare is "Solvency UK". Instructions on accessing SecureShare are included in section 3.1.4.
- 4.2.2 The naming convention for the Managing Agent Report must be:

Annual Submission: Syndicate number_SolvencyUKAnnual_YYYY_MA_Report
example: 9999_SolvencyUKAnnual_2025_MA_Report

Quarterly Submission: Syndicate number_SolvencyUK_YYYYQQ_MA_Report
example: 9999_SolvencyUK_2025Q4_MA_Report

5 Audit

5.1 Audit requirements

- 5.1.1 There are no audit requirements for the supplementary solvency data templates.

6 Additional Information

6.1 Open year profit release

- 6.1.1 Where a syndicate is proposing to undertake an open year profit transfer, a separate template is required to be submitted. This template, along with instructions, is published on the Lloyd's [Solvency UK](#) website. The template is submitted to Lloyd's via the Solvency UK SecureShare site on the quarterly/annual submission dates, as required.

6.2 Timetable

- 6.2.1 Submissions and the accompanying Managing Agent Reports, must be received by Lloyd's by 5pm on the submission date.

Reporting year	Report	Submission date
Q4 2025	Supplementary Solvency Data – Quarterly	29/01/2026
Annual 2025	Supplementary Solvency Data – Annual	12/03/2026
Q1 2026	Supplementary Solvency Data – Quarterly	30/04/2026
Q2 2026	Supplementary Solvency Data – Quarterly	28/07/2026
Q3 2026	Supplementary Solvency Data – Quarterly	28/10/2026

6.3 Late submissions

- 6.3.1 Failure to submit supplementary solvency data by the due deadline will be considered a breach of the Underwriting Byelaw (No. 2 of 2003) and may therefore result in a fine being imposed. The policy for imposing fines is outlined in market bulletin Y5265.
- 6.3.2 Further, the timeliness and quality of supplementary solvency data will be considered as part of the assessment of the Managing Agent's capability and performance under Principle 10 (Governance, Risk Management and Reporting) of the principles for doing business at Lloyd's.
- 6.3.3 Where a managing agent has reason to believe that they may be unable to submit on time, they are expected to contact Central Finance at Lloyds-SolvencyReturns@lloyds.com at the earliest opportunity in advance of the deadline to discuss the matter.

6.4 Key contacts

- 6.4.1 Any queries about the process and submission of the supplementary solvency data should be directed by e-mail to Central Finance at Lloyds-SolvencyReturns@lloyds.com. All queries will be responded to in a timely manner.
- 6.4.2 The key contacts in the Central Finance team are:

Name	Position	Email address
Vince Santiago	Regulatory Reporting Manager	Vince.Santiago@lloyds.com
Sachin Patel	Reporting Accountant	Sachin.Patel@lloyds.com
Kate Maloney	Accounts Assistant	Kate.Maloney@lloyds.com
Rizwan Kermali	Head of External Reporting	Rizwan.Kermali@lloyds.com

6.5 FAQs

- 6.5.1 Answers to frequently asked questions not covered in the contents of these instructions can be found on the Lloyd's website <https://www.lloyds.com/faq-solvency-uk> and will be updated as necessary.
- 6.5.2 The FAQs are considered to be a formal amendment to these instructions and must be complied with.

Appendix – Additional Guidance

Impact of reinsurance contract boundary change

Information on the impact of the November 2019 change to the treatment of reinsurance contract boundaries is required by reporting year of account and in total on line 21 of the Solvency balance sheet reconciliation and contract boundary change template.

This information will be used centrally by Lloyd's to neutralise the effect of the November 2019 change to reinsurance contract boundaries.

Guidance is included below on the calculation of the figures to be reported.

Reinsurance premiums should be included as described in the 2024 Lloyd's guidance on Technical Provisions.

The Lloyd's rules regarding reinsurance contract boundaries were updated in November 2019 and require the premium for all existing and legally obliged reinsurance contracts to be included to the contractual minimum. This is expected to increase the level of technical provisions. Premiums for contracts that are not yet written or legally obliged, but would apply to existing inwards business, can be treated on a principle of correspondence basis.

Example (in £m):

(a) Total RI UPR; £40m (all contractually obliged)

(b) The above £40m includes a contractual minimum of RI premium of £10m relating to direct inward policies not written at the balance sheet date.

JOURNAL ENTRIES TO REFLECT RI ON UPR: UK GAAP vs SOLVENCY (BEFORE AND AFTER REVISED SOLVENCY TREATMENT OF CONTRACT BOUNDARIES)	<u>DR</u> <u>£m</u>	<u>CR</u> <u>£m</u>
UK GAAP LEDGER ENTRIES (Same treatment before and after November 2019 Solvency II TP update)		
(1a) RI UPR (Balance Sheet)	40	
(1b) Change of gross provisions for unearned premiums, reinsurers' share Being recognition of RI unearned premium on the balance sheet		40
SOLVENCY ENTRIES – BEFORE UPDATE (AND THUS SUPERCEDED)		
(2a) Excess of assets over liabilities (members' balances) – Solvency Balance Sheet Reconciliation line 18	30	
(2b) RI UPR (Balance Sheet) Being the elimination of the UK GAAP RI that is not recognised under Solvency reporting		30
(3a) Any Other Assets -	10	
(3b) RI UPR (Balance Sheet)		10

Being the RI UPR element not supported by correspondence business transferred to Other Assets (correspondence principle valid)		
SOLVENCY ENTRIES – AFTER UPDATE (AND THUS BASIS NOW TO BE USED)		
(4a) Excess of assets over liabilities (members' balances) – Solvency Balance Sheet Reconciliation line 18	40	
(4b) RI UPR (Balance Sheet) Being the elimination of the UK GAAP RI that is not recognised under Solvency (corresponding principle no longer valid)		40

Assuming that the RI UPR has also not been paid, hence in the UK GAAP balance there is RI payable amount of £40m, the following additional entries would be expected:

SOLVENCY ENTRIES – BEFORE UPDATE (AND THUS SUPERCEDED)		
(5a) Reinsurance payables	30	
(5b) Reinsurance recoverables (Reinsurers' share of technical provisions) - Being transfer of reinsurance payables to technical provisions (correspondence principle applies)		30
SOLVENCY ENTRIES – AFTER UPDATE (AND THUS BASIS NOW TO BE USED)		
(6a) Reinsurance payables	40	
(6b) Reinsurance recoverables (Reinsurers' share of technical provisions) - Being transfer of reinsurance payables to technical provisions (correspondence principle does not apply)		40

In the above example, after applying the 2024 technical provisions guidance on reinsurance contract boundaries, there is an additional £10m included in the best estimate cash flow as the full level of contractual premium (the contractual obligation is to all of the RI costs), resulting in an adverse impact on members' balance of £10m.

Third party reinsurance to close

The concept of RITC is specific to Lloyd's and is not accommodated by the PRA Solvency UK templates. Furthermore, by convention RITC is not accounted for as at balance date, such that the balance sheet is shown as immediately before the RITC transaction. Where (as in most cases) RITC occurs between one syndicate year of account and the next following year of account of the same syndicate, the RITC, including any associated solvency valuation differences, nets off in reporting at syndicate level. The distributable result of the closing year of account is based on GAAP, so any valuation differences on the assets and liabilities passing by RITC have to be taken into account in the forward-looking solvency calculations of the receiving year of account. Lloyd's specific templates achieve this outcome by transferring the valuation differences on the closing year to the receiving year of account.

Where however the RITC is to a different syndicate, the two sides of the transfer of valuation differences (from closing to receiving year of account) are in different syndicates. Accordingly, an asset and liability are recognised in the solvency balance sheets of the two syndicates, to ensure that member solvency in the receiving year is assessed on a solvency balance sheet that reflects the valuation differences relating to the assets and liabilities to be assumed by RITC immediately after the year end. The asset and liability recognised for this purpose in the solvency balance sheet are equal and opposite and are recognised only at year end.

Lloyd's prudential restrictions

Lloyd's limits the credit that may be taken in unearned margin and profit in unearned premiums. These cannot exceed amounts determined by the Signing Actuary in the Statement of Actuarial Opinion. This is a constraint unique to Lloyd's not contemplated by the Solvency UK templates. Where the SAO limits the figures that may be recognised for solvency purposes, it is necessary to make a corresponding adjustment in the solvency balance sheet. This is recorded as a liability in the solvency balance sheet preserving the integrity of technical provisions figures under solvency valuation requirements while also recognising the fact of Lloyd's prudential provisions in the member solvency calculations.

Distribution timetable

The PRA templates do not accommodate the Lloyd's model under which results are declared for discrete cohorts of underwriting activity representing successive annual ventures, each usually closing after three years, with the result released to members if a profit or called from members if a loss. Declared profits and losses of syndicate years of account, and any open year profit transfers, are distributed according to a set timetable, with the actual transfer of assets taking place in Q2. Consequently, the syndicate assets from 1 January each calendar year still reflect the profit or loss of the most recent closing year, until distribution is effected in Q2, notwithstanding that this profit or loss is not attributable to the years of account then making up the syndicate. Reporting at Q1 therefore requires adjustment to avoid the undistributed profit or loss distorting the solvency position of the open years of account. The actual distribution in Q2 resolves the position so far as Q2 reporting is concerned.

Wholly aligned syndicates may prefer to hold member capital as FIS. Even where an undistributed profit or loss is to be added to (or funded by) FIS, Lloyd's requires the Q1 position to reflect the undistributed result as a liability or asset for distribution or collection. Addition to, or offset against, FIS, must be assumed to follow the distribution timetable.

An undistributed profit already recognised in the solvency balance sheet as a liability is not treated as a foreseeable distribution on the IR.23 template at Q1.