

1. INTERNAL MODEL SCR

Workstream overview

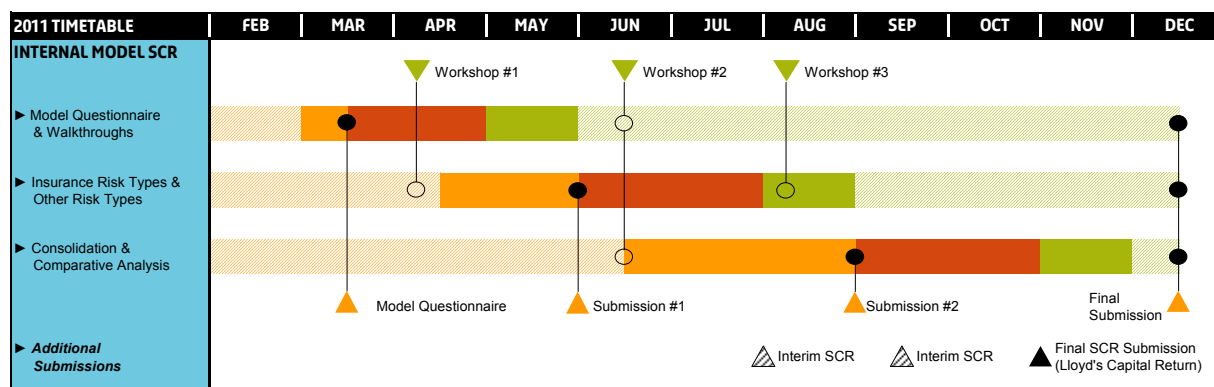
The Internal Model & SCR workstream is being introduced in 2011 as a dedicated quantitative review of syndicate models and outputs as a key input to the Lloyd's Internal Model (LIM). The main objective of this workstream is to ensure submission of robust SCR numbers supported by adequate processes, together with sufficient information to calibrate the LIM, and there will be a strong link to Model Validation.

The key workstream deliverable for syndicates will be a full SCR submission by 31 October 2011 in the form of a data return (Lloyd's Capital Return), together with interim submissions. The final SCR submission will require board sign off.

Primary Audience: Risk Management Function / Actuarial Function / Capital modelling actuaries

Objectives	2010 Dry Run:	Directive Article(s):
<ul style="list-style-type: none"> Demonstrate that agents have built operational, robust and methodologically sound models capable of producing SCRs in advance of the submission deadline. 	Not covered	101
<ul style="list-style-type: none"> Ensure that all syndicates deliver a full and robust SCR by the submission deadline of 31 October 2011, including delivery of interim submissions. 		
<ul style="list-style-type: none"> Undertake sufficient review and assessment to enable the Lloyd's Internal Model to place reliance on each syndicate's SCR by 16 December 2011. 		
Core modules & indicative topics		Review techniques:
Model Questionnaire & Walkthroughs <ul style="list-style-type: none"> Model implementation plans; progress; milestones Model platforms; systems; architecture 	Model walkthroughs, interviews	
Insurance Risk Types <ul style="list-style-type: none"> Underwriting risk Reserving risk Catastrophe risk 	Interview, agent presentations, quantitative analysis	
Other Risk Types <ul style="list-style-type: none"> Market risk Credit risk Liquidity risk Operational risk Group risk 		
Consolidation <ul style="list-style-type: none"> Dependencies Correlations 	Benchmarking, quantitative analysis	
Comparative Analysis <ul style="list-style-type: none"> Comparison of SCR with Standard Formula Comparison of SCR with ICA 		

Workstream timetable



Workshops	Dates:
Workshop #1	4 & 6 April 2011
Workshop #2	13 & 17 June 2011
Workshop #3	8 & 9 August 2011
Evidence template submissions	Dates:
Model Questionnaire (high level)	18 March 2011
Submission #1	27 May 2011
Submission #2	26 August 2011
Final Submission	16 December 2011

Additional submissions	Description:	Dates:
Interim SCR Submissions	Lloyd's will be asking for interim SCR submissions on 31 July and 16 September. These are not full returns but do include an overall SCR at the mean and 99.5 th percentile on a best efforts basis. Interim SCRs can be run as at 31.12.10 or 31.12.11 and Lloyd's will not mandate SBF to be used.	29 July 2011 16 September 2011
Final SCR Submission (Lloyd's Capital Return)	The provision of a robust SCR by 31 October must be supported by sufficient information to calibrate the LIM appropriately. The final SCR should be as at 31.12.11 and be based on the SBF submitted to Lloyd's on 9 September 2011. This data is set out in the Lloyd's Capital Return (LCR), which has been provided in a separate document.	31 October 2011