

# SOLVENCY II FINAL APPLICATION PACK GUIDANCE NOTES

**AUGUST 2011**





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## INTRODUCTION

As previously advised, all syndicates are expected to have an internal model which meets Solvency II standards. The internal model under Solvency II is significantly broader than the capital calculation kernel alone and it will not be sufficient just to have a sophisticated capital model.

All agents will need to confirm to Lloyd's that they have met the requirements set out above and this will require formal board approval. Lloyd's has agreed with the FSA that each agent must submit a "Final Application Pack" (FAP) to Lloyd's in order for that agent's internal model to be authorised for use for calculating regulatory and member level capital. The submission of the FAP is therefore a key end deliverable of the 2011 process for all agents.

Syndicate internal models will form a key part of Lloyd's own application for internal model approval from the FSA. Lloyd's review of syndicate models will therefore need to demonstrate that the three core requirements for internal models are being met by each agent:

- Article 101 – the model must be able to calculate a Solvency Capital Requirement (SCR)
- Article 112(5) – there are adequate systems in place for identifying, measuring, managing and reporting risk
- Articles 120-126 – the model meets the tests and standards on use, statistical quality, profit & loss attribution, calibration, validation, documentation and external models & data

In order to support these requirements, Lloyd's has identified the following key objectives which were set out in the 2011 Guidance Notes on the dry run review process:

- All syndicates deliver a robust SCR by 31 October 2011
- All agents deliver adequate evidence and explanation to support final application packs confirming status of Solvency II compliance by 16 December 2011
- Lloyd's completes sufficient review and assessment to enable the Lloyd's Internal Model (LIM) to place reliance on each syndicate's SCR by 16 December 2011
- Lloyd's delivers sufficient evidence of review and assessment of syndicate models to support the LIM application by 30 April 2012

### Scope

This guidance document sets out the requirements for the FAP which must be submitted to Lloyd's on 16 December 2011 by all agents, covering all active syndicates. Where agents have multiple syndicates, the FAP can be submitted at managing agent level provided that any differences between syndicates are clearly highlighted. Agents should note however that some accompanying documents will be required at syndicate level as detailed in this guidance.

Following submission, Lloyd's will review and evaluate all agent FAPs. This document does not cover Lloyd's process for review of the packs and further details on this will be shared with agents as soon as possible.

Agents should note that this document provides an overview of the final application requirements and does not seek to set out any detailed guidance on Solvency II requirements. Lloyd's "Detailed Guidance Notes for Dry Run Process" issued in March 2010 continues to be valid and agents should continue to refer to this together with any subsequent guidance issued on specific workstreams when assessing compliance against Solvency II requirements.

[Link to 2010 guidance](#)

Agents should note that this document has not yet been subject to a full and detailed review by the FSA. This guidance and any further material issued is subject to ongoing discussion and change as the European Commission (EC), European Insurance and Occupational Pensions Authority (EIOPA) and FSA requirements evolve over time.

Lloyd's is aware that full implementation of Solvency II may be postponed to 1 January 2014. However, this is currently a proposal only and is not likely to be finalised until early 2012 and therefore the current Solvency II timetable continues to apply. Lloyd's will keep timetable developments under constant review and communicate any changes as soon as possible.

## **FINAL APPLICATION PACK (FAP)**

Initial discussions with the FSA have confirmed that they will not require submission of all documentation which agents have prepared and nor will they require re-submission of all documentation that Lloyd's has received from agents as part of their review process. They do, however, expect Lloyd's to have reviewed sufficient evidence to give assurance that agents have met or are able to meet Solvency II requirements by a credible and timely date.

The FAP should be a stand alone pack that demonstrates agent compliance with the required standards. It should support a formal process of application to ensure the quality and integrity of the overall LIM application. Agents will not be required to submit all available evidence to Lloyd's for review but will be expected to explain why the evidence is appropriate and sufficient, and be prepared to produce any evidence upon request.

A full index and mapping of supporting evidence will be required and this information should be included within the evidence templates prepared by agents for each workstream and reviewed by Lloyd's on a regular basis. Accordingly, agents should ensure that all relevant processes, systems, people and documentation are covered within the evidence templates and are therefore included in the FAP and none are excluded or separately referenced.

The FAP itself will be completed by agents but will be supported by a summary of Lloyd's review work when presented to the FSA.

In turn, this will enable Lloyd's to demonstrate adequate review and oversight to support its confirmation to the FSA that syndicates have met the tests and standards for Solvency II compliance.

### **Contents of the FAP**

Lloyd's considers that the FAP will be a set of documents which taken together will support their application rather than one stand alone document. The final pack will require full managing agent board approval, which must also confirm that the internal model is adequate for the purpose of calculating the SCR under Solvency II. The documents required are listed below and further detail on each element is provided in the following pages:

- Application document
- Current set of self assessment scores
- Evidence templates
- Validation Report
- ORSA
- Lloyd's Capital Return (LCR)

Whilst all of the individual FAP documents do not need to be produced as at the same date, agents should ensure that they are consistent across all elements and that they all accurately reflect the current status of compliance with Solvency II requirements.

### **Application document**

The FAP should contain a formal application request to Lloyd's to use the model for calculation of regulatory and member level capital requirements and it is expected to be a relatively short summary document which requires full managing agent board approval.

Lloyd's has set out in the **Appendix** a template which all agents are required to use for the application document. This will ensure that all submissions contain an appropriate level of detail and will allow greater consistency in Lloyd's review process and also better enable prompt feedback to be provided to agents.

The summary covers each of the Lloyd's workstreams for 2011 and should confirm compliance with the requirements, highlighting any exceptions and plans for further development as appropriate. More detailed supporting evidence is required to be maintained (and will have been sampled and discussed in some cases as part of Lloyd's review), but will not be required as part of the FAP submission on 16 December 2011.

The application document will require full managing agent board approval and must confirm that:

- the internal model is adequate for the purpose of calculating the SCR under Solvency II
- the internal model meets the tests and standards for model approval
- the agency has in place adequate systems for identifying, measuring, managing and reporting risks in line with Solvency II standards
- the board is comfortable that a robust independent assurance process has been implemented
- the board is aware of the circumstances under which it considers that the internal model will not work effectively and its limitations
- the board is aware of the further work required to close gaps within the internal model and has a clear timeline and adequate resource to address this

For agents managing multiple syndicates, the application document may be submitted at managing agent level but any differences between individual syndicates must be clearly highlighted and explained.

### **Section 1 - Statement of Board responsibilities**

The application document template is split into sub sections and the first contains a statement of board responsibilities and makes clear the areas where we are asking for board sign off. A template for this statement is included within the Appendix and all agents will be required to include these points as a minimum within the application although they may add other statements if appropriate. It is similar to the statement included within audited financial statements and could also form the basis for the formal board resolution approving the FAP.

The pack is also expected to contain a summary of the process that agency boards have used to achieve comfort in assessing the reported status of compliance.

### **Section 2 – Application for internal model authorisation**

Each agent is required to submit an application for internal model authorisation and overall confirmation that the relevant supporting documents are included within the FAP. The overall confirmation is also intended to provide:

- a high level summary of any areas where an agent has gaps remaining against full Solvency II compliance
- the timelines and workplan to close these gaps
- details of any areas of material weaknesses or areas of planned development
- the current status of all supporting evidence templates



### **Section 3 - Workstream sub sections**

The application document also contains a sub section for each of the Lloyd's 2011 workstreams. Each individual workstream template sets out the key requirements applying to that area together with a list of any required documents which are specifically referred to in the relevant Articles and level 2 requirements or in Lloyd's 2011 plan. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.

These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.

### **Self Assessment Scores**

The FAP should include an up to date set of self assessment scores which accurately represent the progress made at the point of application and the status being confirmed within the application document. The scoring assessment should be completed at syndicate level as for the regular quarterly updates being provided to Lloyd's during 2011 and Lloyd's will provide updated templates to all agents for this purpose.

### **Evidence Templates**

As part of LIM application for approval, Lloyd's is required to demonstrate to the FSA that each agent has in place adequate evidence of compliance with Solvency II standards. The evidence templates, as part of the FAP, will enable Lloyd's to do this without the need for agents to submit all Solvency II documentation. Completed evidence templates in respect of each workstream will form a key element of the final application pack and should list the detailed documentation which is available to support all areas.

Evidence templates are being completed and submitted for all workstreams as part of the 2011 dry run process. Following Lloyd's review and feedback, the majority of these would be expected to be rated "green" and broadly complete by the time of final application. As previously advised, the evidence templates should summarise the supporting documentation, processes, systems and people to evidence Solvency II compliance. They should also be able to demonstrate reasonable understanding of the Solvency II requirements and provide rationale as to why the underlying evidence is appropriate to demonstrate compliance.

Individual evidence templates do not require board approval but in completing the summary above, board members should ensure they are aware of the contents and have confidence that they properly represent the status of the agent's compliance with Solvency II requirements and the evidence available.

The evidence templates may be submitted at managing agent level but any differences between individual syndicates must be clearly highlighted and explained. Agents should refer to Lloyd's review and rating of evidence templates notes.

[link to evidence template notes](#)

## **Supporting evidence**

As previously advised, agents will not be required to submit their supporting evidence as part of the FAP. However they must be able to demonstrate that sufficient evidence exists to show that they meet the status of compliance as set out in the FAP.

A full index and mapping of supporting evidence is required and this information should be included within the individual evidence templates as above. Agents should therefore ensure that all relevant processes, systems, people and documentation for each workstream are explicitly covered within the relevant evidence template.

Agents should note however that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.

## **Validation Report**

The primary purpose of the validation report is to demonstrate that agents have completed sufficient work to gain confidence that the model is capturing all the risks to which syndicates are exposed, that these risks are appropriately modelled, and that key stakeholders have a thorough understanding of the materiality and sensitivities around each element of risk. Agents should refer to the "Solvency II Validation Report Guidance" (latest version issued June 2011) for further details of the requirements. The validation report may be submitted at managing agent level but any differences between individual syndicates must be clearly highlighted and explained.

[link to Validation Report Guidance](#)

## **ORSA**

The ORSA requires management to consider their own assessment of risks and economic capital needs. The ORSA process is the entirety of the processes employed to manage material risks and ensure solvency requirements are met at all times. Agents should refer to the "Solvency II ORSA guidance notes" issued by Lloyd's for further details of the requirements. The ORSA may be submitted at managing agent level but any differences between individual syndicates must be clearly highlighted and explained.

[link to ORSA Guidance](#)

## **Lloyd's Capital Return (LCR)**

The LCR contains numerical output from agents' internal models and the FAP should include a copy of the latest version submitted to Lloyd's when confirming that the internal model can calculate an appropriate SCR. The latest version of the LCR return is available on lloyds.com in excel format. The LCR must be provided at syndicate level.

[link to LCR](#)

## **Status of compliance**

The FAP should confirm the current status of compliance with Solvency II requirements and this is what the board should be approving. The board approval should provide positive affirmation on the current status of compliance and confirmation that all relevant documents are in place and have been approved. Agents should also confirm that no material facts and/or details relevant to the application have been excluded.

Agents should also ensure that they reflect the current status of self assessed progress together with any feedback on status provided by Lloyd's.

As per Lloyd's published scoring sheets and expectations, not everything is expected to be 100% complete by 16 December as the current implementation date is 1 January 2013. It is therefore expected that agents will have some gaps against requirements at the point of submitting the FAP and these should be clearly identified and listed on each of the workstream templates included within section 3 of the board application.

### Definition of gaps and material gaps

A gap for the purpose of the FAP is determined as any element within the dry run which is not at a self assessed score of 10 at the point of FAP submission. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's scoring does not expect a 10 at Q4 2011 (eg GRMU workstream – Use Test) as the analysis should be completed against final requirements.

Agents should also identify and include as a gap within the relevant workstream template, any evidence template which is not close to a green rating and still needs considerable work to be completed.

Whilst Lloyd's does not expect all areas to be fully completed at the point of application, we would not expect agents to have material gaps remaining. As a guideline, Lloyd's would consider a material gap to be where there is a difference of 3 or more between an agent's self assessed score and the Lloyd's expected score as at Q4 2011.

The application must make clear the further work required to close any gaps identified and the proposed timescales to address these. Lloyd's will require any remaining material gaps to be closed by 31 March 2012 and expect all gaps to be closed by 31 July 2012. Full explanation within the FAP of the work and timescales associated with any gaps will negate the need for a separate gap analysis to be submitted by agents in 2012.

Although the application asks agents to set out the number of gaps and material gaps for each workstream, Lloyd's review will not consist solely of a quantitative count of gaps but will include an assessment on a qualitative basis of the nature and scale of any gaps. As set out earlier in this document, further details on Lloyd's process for review of the FAPs will be communicated to agents as soon as possible.

### Submission instructions

The FAP contains numerous separate documents which will vary in format and will require input and completion across the business. Lloyd's does not require agents to consolidate these into one single document for submission but would ask agents to supply one zip file which contains the following individual documents:

Document(s)	Format
<b>Application document</b> – one file which should contain sections 1-3 fully completed	PDF or Word (signatures must be scanned)
<b>Self Assessment Scores</b> – as per Lloyd's template (to be issued)	Excel
<b>Evidence Templates</b> – seven individual files as per existing Lloyd's templates	<b>Excel</b>

<b>Document(s)</b>	<b>Format</b>
<b>Validation Report</b> – one file	PDF or Word (signatures must be scanned)
<b>ORSA</b> – one file	PDF or Word (signatures must be scanned)
<b>LCR</b> – one file as per existing Lloyd’s template for Core Market Returns	PDF of latest LCR submitted via CMR

## **APPENDIX**

# **APPLICATION DOCUMENT TEMPLATES**



## **SECTION 1 - STATEMENT OF MANAGING AGENT BOARD RESPONSIBILITIES IN RELATION TO THE SOLVENCY II APPLICATION FOR INTERNAL MODEL AUTHORISATION**

***All managing agents will be required to include a statement of Board Responsibilities within their Final Application Pack. At a minimum, this should include a statement in respect of each of the following:***

1. The Board is responsible for preparing the Solvency II Application for Internal Model Authorisation in accordance with the requirements of the Solvency II Directive and the current EIOPA level 2 and level 3 guidance (including all updates at the point of submitting the application). This includes, but is not limited to, the following high-level requirements from the Solvency II Directive:
  - Article 101 – the model must be able to calculate a Solvency Capital Requirement (SCR)
  - Article 112(5) – there are adequate systems in place for identifying, measuring, managing and reporting risk
  - Articles 120-126 – the model meets the tests and standards on use, statistical quality, profit & loss attribution, calibration, validation, documentation and external models & data
2. The Board is responsible for submitting this application to Lloyd's and thereby requesting authorisation for the use of its internal model for the purpose of regulatory and member level capital with effect from 1 January 2013.
3. The Board is required to confirm that the material contained within the Final Application Pack properly represents the current status of its Solvency II compliance and all material facts or details relevant to the application have been disclosed.
4. The Board is required to prepare an SCR for each financial year which fairly presents the financial position of the syndicate at the required 99.5% Value at Risk confidence level over both a twelve month time horizon (in line with the Solvency II Calibration Standards) and for one year of new business to ultimate (in line with Lloyd's requirements). In preparing the SCR, the Board is required to:
  - Select appropriate assumptions and mathematical and empirical bases underlying the internal model
  - Operate a robust system of governance and control over the internal model to ensure quality and reliability of the model (including, but not limited to validation policies and independent assurance)
  - Provide additional disclosures when compliance with the Directive and EIOPA guidance is insufficient to enable users to understand the limitations of the internal model
  - Attest that the agency has complied with the Solvency II Directive and EIOPA guidance requirements, subject to any material departures being disclosed and explained in the FAP
  - Maintain comprehensive evidence of this compliance (both at the time of application and subsequently) in a manner that is relevant, reliable, comparable and understandable
5. The Board is responsible for implementing and maintaining an appropriate assurance process over its internal model and associated risk management processes to assist it in discharging the responsibilities listed here. The Board is further responsible for ensuring that evidence of this process is available for review if requested.

6. The Board is responsible for keeping appropriate documentation and records to disclose with reasonable accuracy at any time the status of compliance with the requirements
7. The Board is also responsible for ensuring that this compliance is demonstrably maintained on an ongoing basis following the application, and for notifying Lloyd's as soon as possible if any of the conditions for compliance cease to be met. This would include, but is not limited to:
  - That the calculated SCR and one-year to ultimate numbers remain appropriate in light of changes to the agent's business and risk profile, and are therefore not at risk of material misstatement
  - That the agent's policies, systems, processes, procedures, and documentation continue to represent compliance in an appropriate manner
  - In particular, the Board is required to notify Lloyd's as soon as reasonably possible if such circumstances arise that would have had a material impact on the application.
8. The Board hereby confirms that this application has been subject to full Board approval and is signed on its behalf by the CEO and Finance Director or Senior Nominated Person (provided they are a board member)



## SECTION 2 – APPLICATION FOR INTERNAL MODEL AUTHORISATION & OVERALL CONFIRMATION

<b>Agent</b>	
<b>Syndicate No(s)</b>	
<b>Date of application</b>	

### Confirmations

We hereby submit an application to Lloyd's on behalf of (*agent*) and request authorisation for the use of our internal model for the purpose of regulatory and member level capital with effect from 1 January 2013.

We confirm that we have discharged our responsibilities in line with Section 1, Statement of Board Responsibilities (other than any exceptions noted below).

We confirm that the material contained within this final application pack properly represents the current status of Solvency II compliance for (*agent*) and all material facts or details relevant to the application have been disclosed.

We can confirm that this application has been subject to full board approval and the relevant documents are included within this pack (other than any exceptions noted below).

### Exceptions

Please list below any exceptions to the statements above (*please insert rows as appropriate in the table below*)

<b>Details</b>	<b>Development plan</b>	<b>Timetable</b>

### Required Documentation

The following documents are required as part of this application pack – please complete the table below to indicate which are enclosed with this application and the date when they were last updated:

<b>Document</b>	<b>Included</b>	<b>Date of latest version</b>
Fully completed Application Document		
Current self assessment scoring update		
Evidence template – Internal Model SCR		
Evidence template – Valuation & Balance Sheet		
Evidence template – Technical Provisions & Standard Formula SCR		
Evidence template – Model Validation		
Evidence template – Governance, Risk Management & Use		

Document	Included	Date of latest version
Evidence template – Reporting & Disclosure		
Evidence template – Documentation & Final Application		
Validation Report		
ORSA		
LCR <i>(please attach a copy of latest submitted version)</i>		

### Summary of governance and assurance

Please provide a summary of the assurance process that you have used to ensure that your compliance with these standards is robust

*(insert summary of assurance process for this application)*

Please provide a summary of the process that you will use going forward to ensure that your internal model continues to meet these standards on an ongoing basis

*(insert summary of assurance process going forward)*

### Summary of workstream status

Please provide a numerical summary below of any identified gaps and/or material gaps within the application

Workstream	Number of gaps identified	Number of material gaps
Internal Model SCR		
Valuation & Balance Sheet		
Technical Provisions & Standard Formula SCR		
Model Validation		
Governance, Risk Management & Use		
Reporting & Disclosure		
Documentation		

### Signatures:

#### CEO

<i>Name</i>	<i>Signature</i>	<i>Date</i>

#### Finance Director or Senior Nominated Person *(delete as appropriate and state title if relevant)*

<i>Name</i>	<i>Signature</i>	<i>Date</i>

## SECTION 3 – WORKSTREAM TEMPLATES

Internal Model SCR	
Agent contact for this section	

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That the internal model can calculate and output a regulatory SCR number (Article 101)	
That the internal model can calculate and output a one year to ultimate SCR as required by Lloyd's for member capital setting purposes	
That the SCR covers all material risks (Article 121(4)) and as a minimum the risks set out in Article 101	
That we have maintained evidence of compliance with these standards and requirements in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met these requirements. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (**note that these should not be submitted with FAP unless indicated otherwise**)

Document	To be submitted with FAP	Complete (Yes/No/ Partial)	Date of latest version
Latest completed Evidence Template	YES		
Lloyd's Capital Return (LCR)	YES		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### Gaps and/or areas for future development

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's

scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

Details of Gap	Is Gap Material (Yes/No)	Development plan	Timetable

## Valuation & Balance Sheet

### Agent contact for this section

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That we meet the requirements regarding the valuation of assets and liabilities (excluding technical provisions) (Articles 74 and 87-92)	
That we are able to produce a Solvency II balance sheet on the required basis	
That we are able to produce detailed asset data as required by the LIM	
That we have maintained evidence of compliance with these standards and requirements in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met these requirements. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (***note that these should not be submitted with FAP unless indicated otherwise***)

Document	To be submitted with FAP	Complete (Yes/No/Partial)	Date of latest version
Latest completed Evidence Template	YES		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### Gaps and/or areas for future development

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

Details of Gap	Is Gap Material (Yes/No)	Development plan	Timetable

## Technical Provisions & Standard Formula SCR

Agent contact for this section

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That we have a data quality management and review process for technical provisions (Articles 48 and 82)	
That we meet the requirements regarding the valuation of technical provisions (Articles 48, 76 to 85)	
That we have a process for validating our technical provisions (CEIOPS Advice 33/09 3.343-3.355)	
That we are able to produce detailed technical provisions data for the GQD and TPD returns to an acceptable standard as required by Lloyd's	
That we have a robust process for calculating the standard formula SCR and a process for documenting the methodology and assumptions used for calculation (Articles 103-111)	
That we have maintained evidence of compliance with these standards and requirements in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met the requirements set out below. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (***note that these should not be submitted with FAP unless indicated otherwise***)

Document	To be submitted with FAP	Complete (Yes/No/Partial)	Date of latest version
Latest completed Evidence Template	YES		
Data Policy	NO		
Data Directory	NO		
GQD Return	NO		
TPD Return	NO		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with*

*Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### **Gaps and/or areas for future development**

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

Details of Gap	Is Gap Material (Yes/No)	Development plan	Timetable



## Model Validation

### Agent contact for this section

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That we meet the Statistical Quality Standards (Article 121)	
That we meet the Validation Standards (Article 122)	
That we meet the Calibration Standards (Article 123)	
That we meet the Profit & Loss Attribution Standards (Article 124)	
That we meet the External Models and Data standards (Article 126)	
That the model has been subjected to an appropriate level of validation including independent review and objective challenge and this is set out in our Validation Report	
That we have maintained evidence of compliance with these standards and requirements in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met the requirements set out below. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (**note that these should not be submitted with FAP unless indicated otherwise**)

Document	To be submitted with FAP	Complete (Yes/No/Partial)	Date of latest version
Latest completed evidence template	YES		
Validation Report	YES		
Validation Policy	NO		
Data Policy	NO		
Data Directory	NO		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### Gaps and/or areas for future development

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

Details of Gap	Is Gap Material (Yes/No)	Development plan	Timetable

## Governance, Risk Management & Use

### Agent contact for this section

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That we meet the Use Test (Article 120)	
That we have adequate systems in place for identifying, measuring, managing and reporting risk (Article 112(5))	
That we can prepare an ORSA supported by the appropriate processes (Article 45)	
That we have maintained evidence of compliance with these standards in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met the requirements set out below. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (**note that these should not be submitted with FAP unless indicated otherwise**)

Document	To be submitted with FAP	Complete (Yes/No/Partial)	Date of latest version
Latest completed Evidence Template	YES		
Risk Management Policy This should cover policies relating to the following (either as part of one document, or in separate documents) (a) underwriting and reserving; (b) asset-liability management; (c) investment risk management; (d) liquidity risk management; (e) concentration risk management; (f) operational risk management; (g) reinsurance and other risk-mitigation techniques.	NO		
Internal Audit Policy	NO		
Internal Control Policy	NO		
Outsourcing Policy	NO		
Fit and Proper policies and procedures	NO		
Compliance Policy	NO		
Remuneration Policy	NO		
Model change Policy	NO		
Own Risk & Solvency Assessment (ORSA)	YES		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### **Gaps and/or areas for future development**

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

<b>Details of Gap</b>	<b>Is Gap Material (Yes/No)</b>	<b>Development plan</b>	<b>Timetable</b>

## Reporting & Disclosure

Agent contact for this section

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That we have a reporting framework in place for Solvency II and have made sufficient plans and progress to be able to meet the Supervisory Reporting and Disclosure Requirements as currently known wef Q1 2013	
That we have maintained evidence of compliance with these standards in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met the requirements set out below. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (***note that these should not be submitted with FAP unless indicated otherwise***)

Document	To be submitted with FAP	Complete (Yes/No/Partial)	Date of latest version
Latest completed Evidence Template	YES		
Reporting Gap Analysis	NO		
Reporting Implementation Plan	NO		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### Gaps and/or areas for future development

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's

scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

Details of Gap	Is Gap Material (Yes/No)	Development plan	Timetable

## Documentation & Final Application

Agent contact for this section

### Confirmations

Subject to any gaps noted below, the Board confirms the following in respect of this application for internal model authorisation:

	Yes/No
That we meet the Documentation Standards (Article 125)	
That we have maintained evidence of compliance with these standards in our Evidence Templates and the associated underlying evidence	
That we have documentation available as per the required list below	

*Managing agents should ensure that they refer to relevant directive Articles, level 2 requirements and Lloyd's guidance when considering whether they have met the requirements set out below. Where any requirements are not fully met an explanation should be provided in the gaps section below.*

### Required Documentation

Please complete the table below to indicate which of these documents are available in support of this application (**note that these should not be submitted with FAP unless indicated otherwise**)

Document	To be submitted with FAP	Complete (Yes/No/Partial)	Date of latest version
Latest completed Evidence Template	YES		
Full documentation index/inventory	NO		

*Note that this is a list of the specific documents referred to in the relevant Articles and level 2 requirements and/or Lloyd's guidance. Whilst agents are required to produce and maintain these documents, this is not intended to be an exhaustive list and further documentary evidence will also be required to demonstrate full compliance with Solvency II. Agents should continue to refer to the relevant Articles, level 2 requirements and Lloyd's detailed guidance to determine any additional documentation needed.*

*These documents may be reviewed by Lloyd's during our review process but are not required to be submitted as part of the FAP although agents should note that they may be required to produce any item of evidence for Lloyd's or the FSA's review at any time during or after the application process.*

### Gaps and/or areas for future development

Please list any gaps or areas in which you believe that there are material weaknesses, limitations or areas of planned development in your approach to the requirements above. This should cover all sub elements listed within the self assessed scoring template and should also include those where Lloyd's scoring does not expect a 10 at Q4 2011. It should also highlight where the evidence template for this workstream is not close to a green rating and still needs considerable work to be completed.

Please also provide a summary of the actions you have planned to remediate these and your proposed timetable for action. *(Please insert rows as appropriate in the table below)*

Details of Gap	Is Gap Material (Yes/No)	Development plan	Timetable