

DOCUMENTATION & FINAL APPLICATION WORKSHOP

Agenda

- Introduction
- FAP review outcomes and next steps
- Evidence Templates

Table discussions

- Documentation reviews
- On site review work in Q2 2012

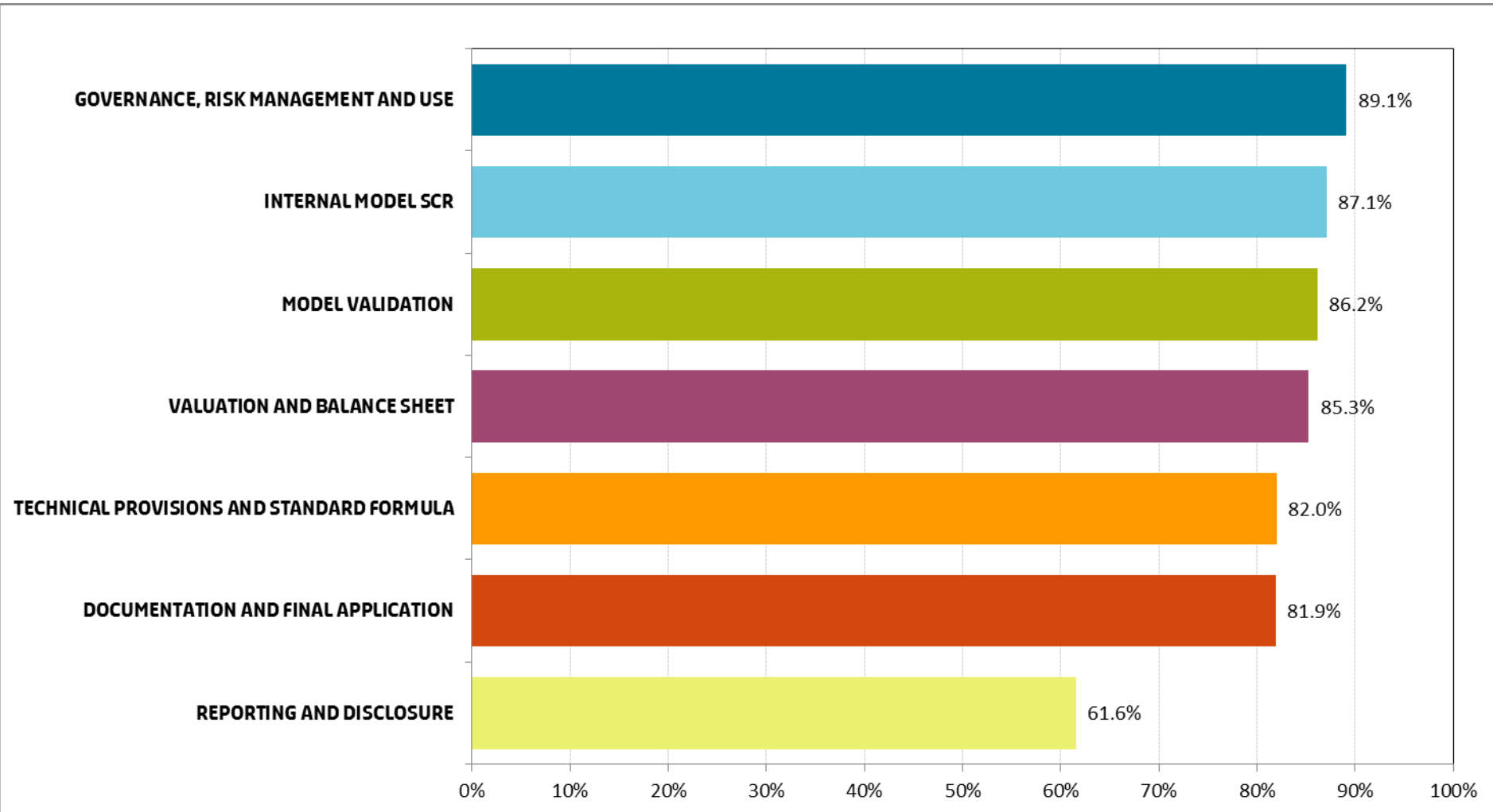
Table discussions

- Next steps & feedback

INTRODUCTION

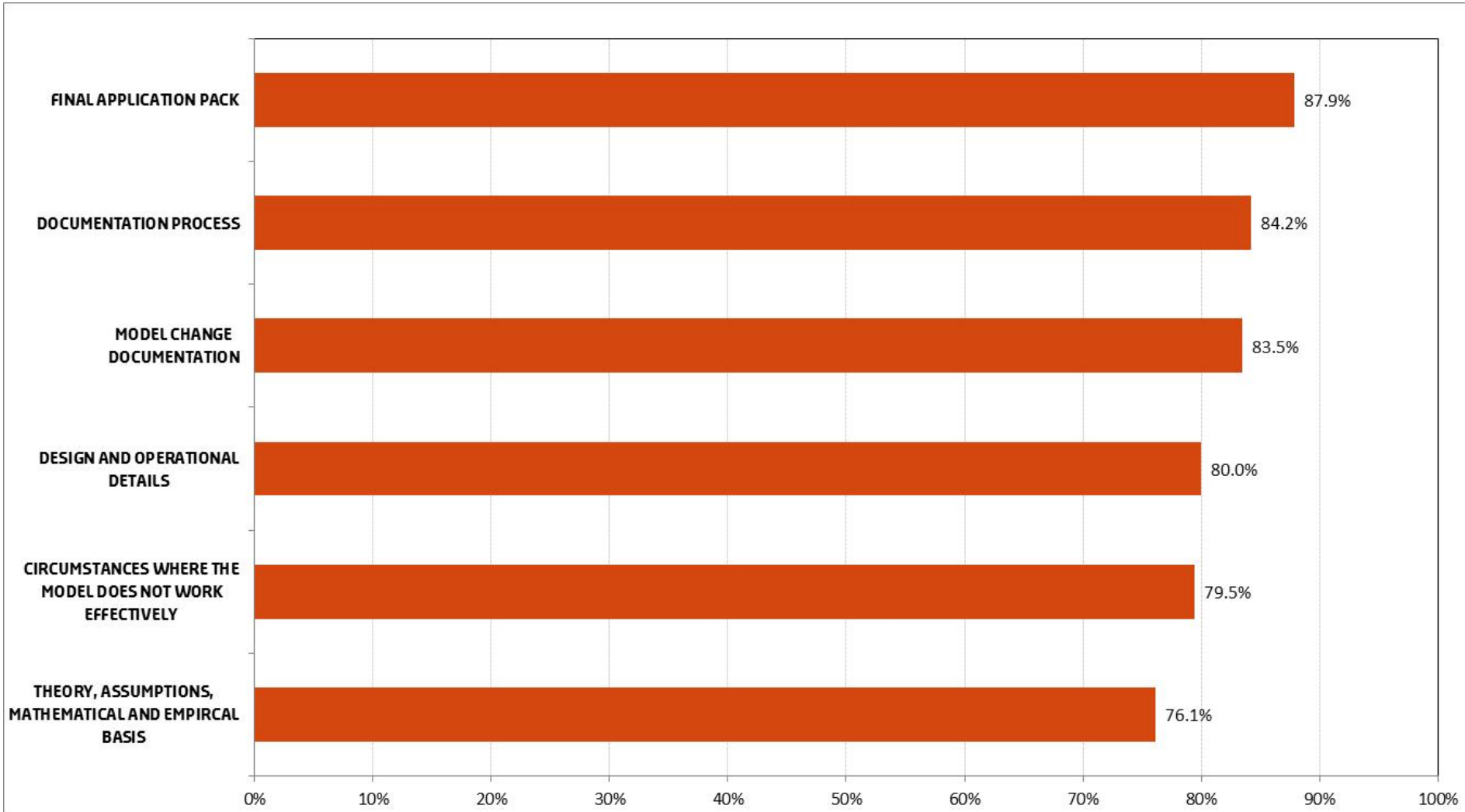
Completion stats by workstream

As reported by agents self assessed scoring submissions on 16 December

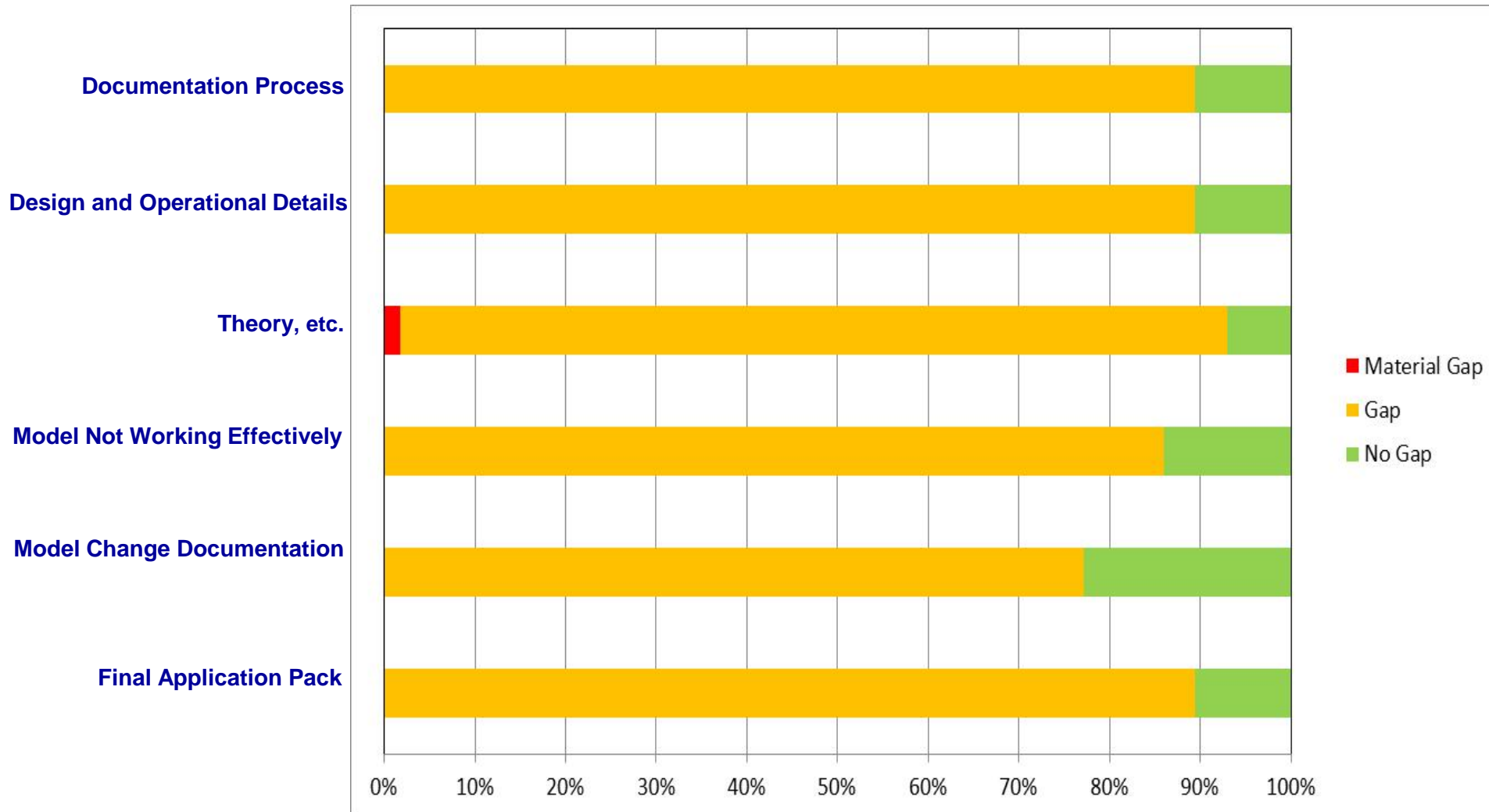


Documentation sub element scores

As reported by agents self assessed scoring submissions on 16 December



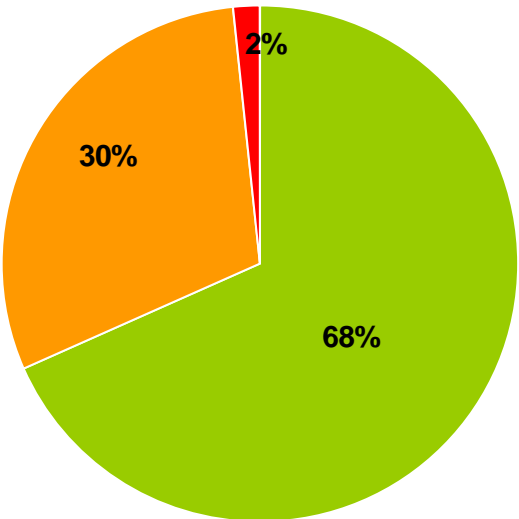
Gaps reported within FAP submissions



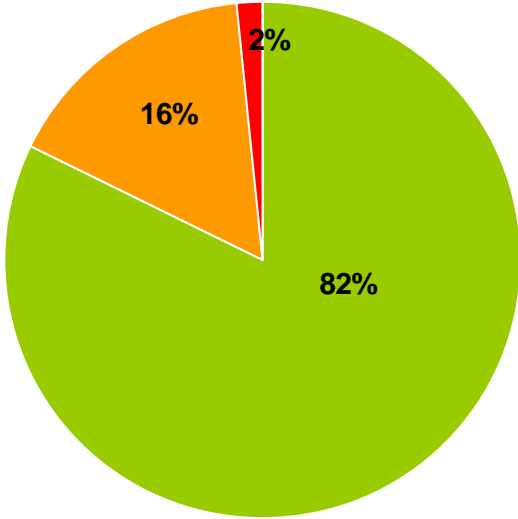
FAP REVIEW OUTCOMES & NEXT STEPS

FAP reviews are now complete and revised agent ratings issued

By agent



By Materiality
(2012 ICA)



Rating	Summary
Green	Will meet provided that
Amber	Will not meet unless
Red	Will not meet unless with material concerns/FAP rejected

What are the key drivers of DROP decision?

Agent will meet: (GREEN)

- ✓ We have confidence based on evidence presented that agent will close gaps by 30 June 2012
- ✓ Evidence reviewed is clearly addressing tests & standards even if further work is required
- ✓ Gaps identified by the agent are largely in line with review findings
- ✓ Agent can demonstrate clear plan in place with detailed dates for completion and resources allocated to tasks

Agent will not meet: (AMBER/RED)

- ✗ We do not have sufficient evidence at this time to state with comfort that agent will close gaps by 30 June 2012
- ✗ Reviews show that underlying evidence is not meeting the tests and standards in multiple areas
- ✗ Review findings show that there is significant additional work to be completed over that planned by agent
- ✗ No clear plan in place with detailed actions, timelines and/or sufficient resources allocated to complete tasks

Ratings will be kept under review and actions followed up

- All decisions now communicated to agents
- Formal letters will be issued shortly to confirm position and agreed actions
- ***This is a point in time assessment and could change either way***
- Ensure that you evidence progress and be open on any changes or slippages
- Demonstrate that you have addressed feedback given by Lloyd's
- Re-submissions of some documents will be required ahead of 30 June
 - staggered submission dates provide evidence that on track
 - support Lloyd's IMAP submission at end July

Agent Status Reports will track and report on progress

- Baseline versions at December 2011 now agreed
- Next iteration needs to include Lloyd's feedback from FAP reviews
- Needed monthly as a minimum – some agreed more frequently
 - timings can tie in with agents' internal reporting dates
- Format is mandatory to allow central MI to be produced
- Reviewed and discussed at DROP as part of rating assessment
- Changes in dates can (and should) be made if plans change

Feedback to date on ASRs

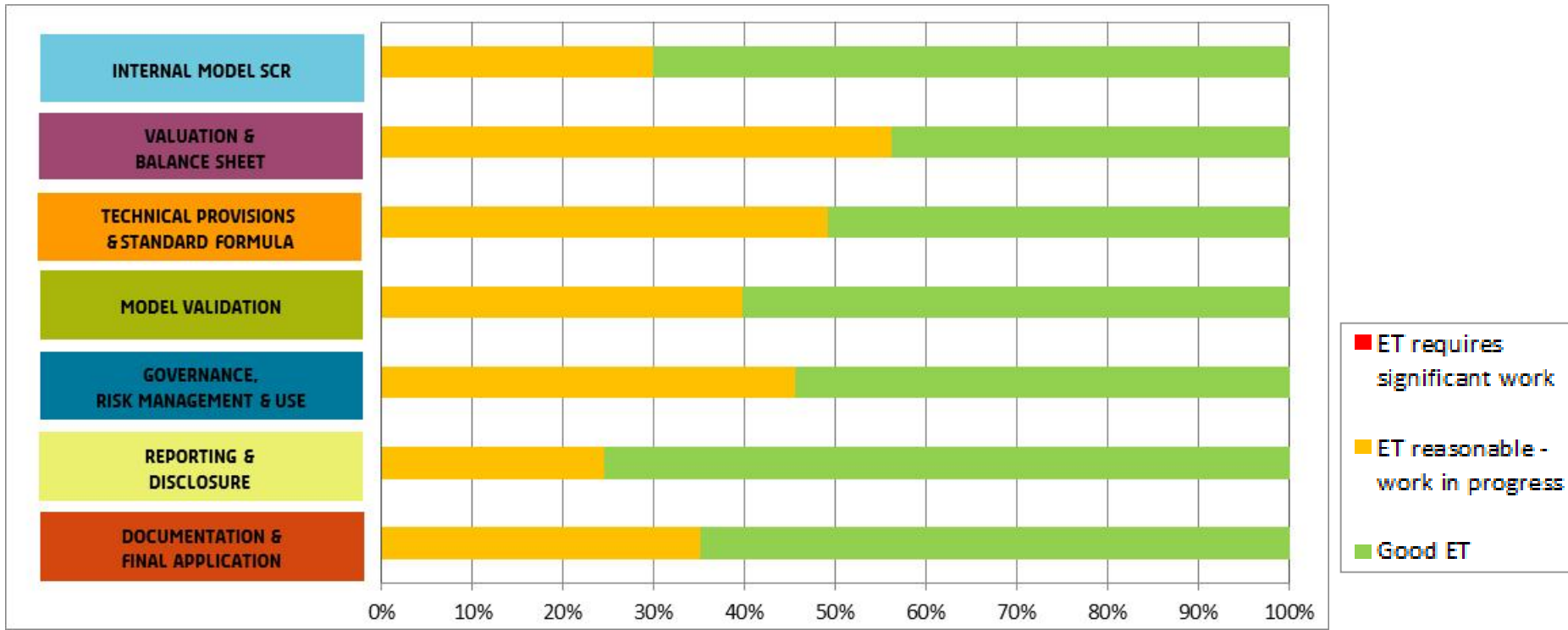
- ✓ Quick turnaround of reports
- ✓ Gaps designated at “score” level provides consistent basis of reporting
- ✓ Good level of detail provided on gaps and tasks to close – sometimes captured in supporting info
- ✓ Percentage complete status shown in narrative
- ✓ Update and change is clear
- ✗ Changing the format of the template against guidance issued
- ✗ Adding/repeating header rows impacts flow through to front sheet data and counts
- ✗ Lloyd’s feedback not fully included in gaps and tasks

Format of final sign off due in October yet to be agreed

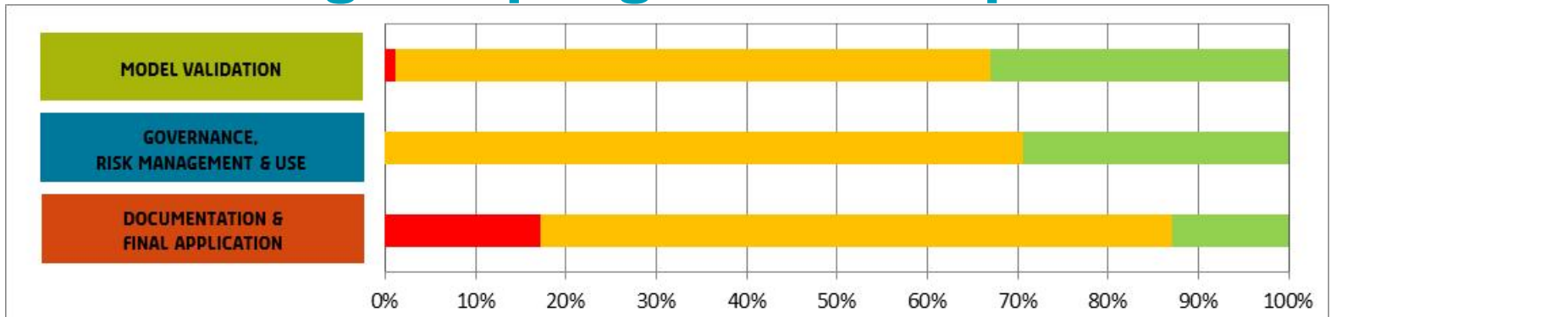
- Key aim is to get formal sign off on closure of gaps and status of compliance with test and standards
- Submission aligns with Validation Report and sign off on SCR for 2013
- Not currently expected to be a full submission of all Evidence Templates and supporting documents
 - Amber ETs will have been re-assessed in the interim
- However the Board, as for FAP, will need sufficient evidence to sign off that gaps are closed and tests & standards are met
- Submission will be expected to cover ongoing assurance process
- Further detail provided at July workshops

EVIDENCE TEMPLATES

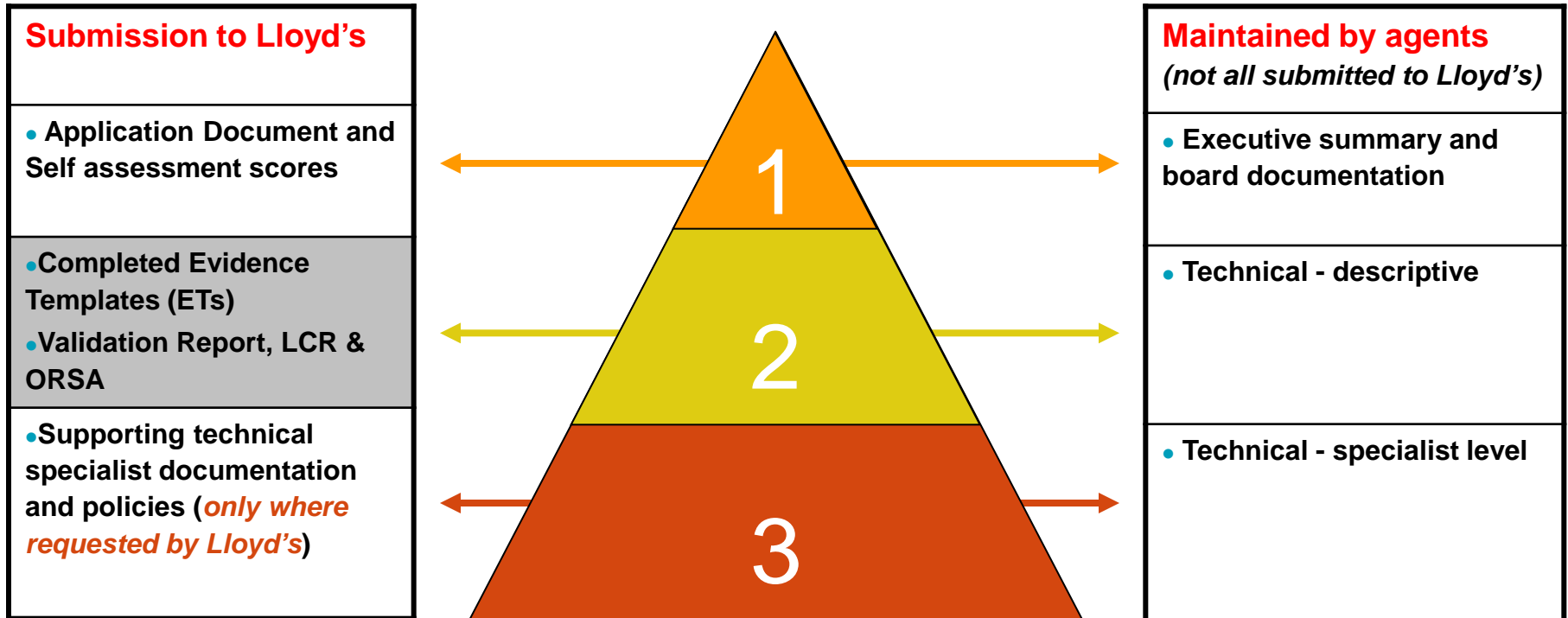
Evidence Template ratings post FAP review ...



... show good progress from previous review



Evidence Templates are a crucial element of demonstrating compliance ...



...but a Green ET does not on its own mean tests and standards have been met

- Sets out how the requirements are being met and what is available to evidence this
- Guidance published in June 2011 on ratings of ETs
- Green signifies that template is at least 90% complete
 - Amber 50% - 89%
- ALL Amber ETs will need to be re-submitted by end June 2012
 - look to agree staggered timings
- Green templates should be kept under review and updated for Lloyd's feedback and as underlying processes and documents change
 - should be available on request as should supporting evidence cited

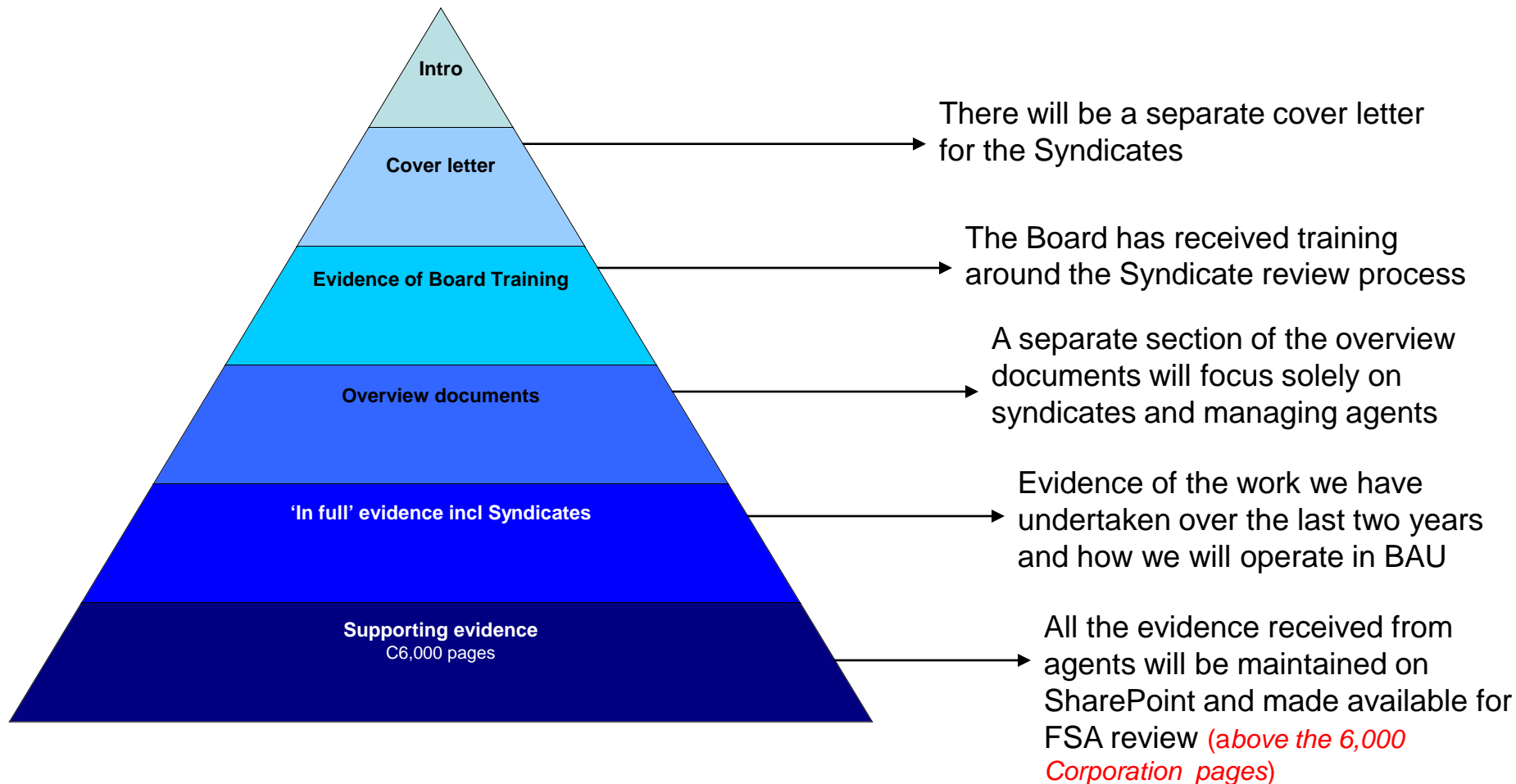
Key factors driving rating of Evidence Templates

- ✓ Reads as stand alone document
- ✓ Targeted and concise explanations which support progress indicated by score
- ✓ Evidence clearly labelled and relevant to requirement
- ✓ Next steps set out if not yet fully addressed
- ✓ Explanations have been supported by review of underlying documents and/or processes
- ✗ Lengthy explanations with no clear relevance to question
- ✗ Questions ignored or “n/a” used with no rationale given
- ✗ Previous feedback not clearly addressed
- ✗ Reference to lengthy documents without specific mapping
- ✗ Documents listed not readily available when requested

This is the structure of Lloyd's IMAP which includes documentation for syndicates

Lloyd's IMAP

Syndicate Components



DISCUSSION TIME

Should Evidence Templates survive in BAU – YES or NO?

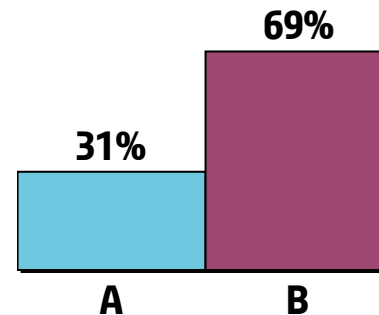
- If yes –
 - What are key reasons and what do you see as the advantages ?
 - Should current format change materially ?
 - How often should they be revisited / reviewed ?
- If no –
 - What are key reasons ?
 - What do see you as an alternative to demonstrating ongoing compliance with tests and standards:
 - Externally to Lloyd's / FSA
 - Internally to Board / Internal Audit

Do you think Evidence Templates should be used in BAU ?

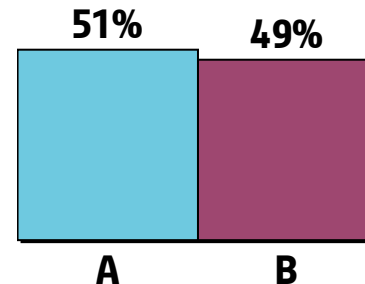
A. Yes

B. No

12 APRIL RESULTS



17 APRIL RESULTS

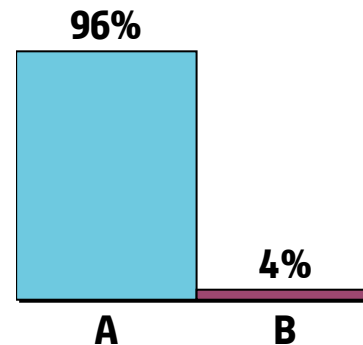


If they are used, do you think format should change materially ?

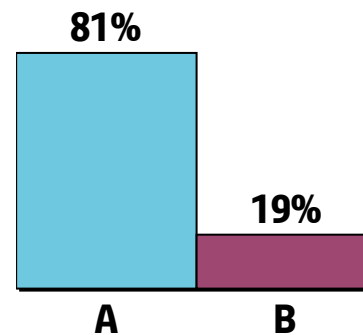
A. Yes

B. No

12 APRIL RESULTS



17 APRIL RESULTS



DOCUMENTATION REVIEWS

Sample of core documents reviewed for all agents as part of FAP

- Documentation Index/Inventory
- Validation Report
- Validation Policy
- Model Scope
- Model Change Policy
- ORSA Policy & ORSA Report
- TP Risk Margin – methodology, assumptions and validation
- Also requested
 - follow up evidence on model walkthroughs
 - cat model documentation

Documentation Index / Inventory reviews

- ✓ Clear structured index which is driving documentation and/or system
- ✓ Practical tool for usage in ongoing compliance
- ✓ Evidence that all requirements are covered – not just technical documents
- ✓ Controls evident via version numbering, review dates and responsibilities/sign off
- ✗ A list of all current project documents with no clear link to requirements
- ✗ Not clear that in use as part of documentation system
- ✗ Not evident how documentation is tiered or structured to appropriate audiences
- ✗ Not all required documents are included

First principle of FSA's SAT templates is to evidence how the tests & standards are met

- ETs start with requirements and list documents which evidence how met
 - cumbersome to track which requirements a particular document meets
- Mapping included within index will provide two way reference
- Current ETs use Level 2 text from CPs issued in 2009/2010
- Updated Level 2 text produced in 2011 by EIOPA but not publicly available
 - references included within new SAT template but not text
 - Lloyd's working to map these references to ETs and previous Level 2
 - will provide updated mapping to all agents
- Note that Level 2 text not due to be finalised until November 2012
 - ETs will need to be updated to reflect final text

... and mapping from requirements back to the documents through SAT

- Similar process to Evidence Templates
- Provides a two way mapping for all documents and requirements

Level 1			Level 2		
Article	Para	Text	Article	Para	Firm's own justification for your compliance with this requirement
L1 Art	L1 Para	L1 Text	L2 Art	L2 Para	Please provide as much detail as you deem necessary, including detailed references to additional document(s) if required
41	3	Insurance and reinsurance undertakings shall have written policies in relation to at least risk management, internal control, internal audit and, where relevant, outsourcing. They shall ensure that those policies are implemented.			<p>'J9 Overview' Internal Control explains the overall organisation around LIM and detail how various functions are involved to ensure that LIM is continually fit for purpose. Requirements on each key function are addressed and summarised as well.</p> <p>'Risk Management Function Policy' sets out the responsibilities of the risk management function, including LIM ownership and escalation of material issues, such as those relating to validation and change.</p> <p>'Internal Audit Charter' describes how the Lloyd's internal audit framework and the auditing process operates practically</p> <p>'J.10 Overview' we explain how we address the obligations per Articles 38 and 49 by using our Lloyd's Outsourcing policy.</p> <p>'Outsourcing Policy' owned and maintained by financial control. It includes details about requirements that Lloyd's need to put forward to providers and how on-going compliance is monitored.</p>

Themes arising from review of other core documents

- ✓ Generally good progress being made on documentation
- ✓ Thorough understanding of technical requirements and issues demonstrated
- ✓ Documents tie back to Evidence Templates and walk through explanations
- ✓ Clear section references
- ✗ Previous feedback not clearly addressed
- ✗ Some documentation is generic rather than agent specific and not clear how it meets business needs
- ✗ Documentation sets out requirements rather than the processes in place to meet them

ON SITE REVIEW WORK IN Q2 2012

On site documentation system reviews with all agents in May/June

- Generally conducted by your Account Manager – others may be involved for consistency
- Expect sessions to last 2 hours maximum
- We will provide questions in advance so you can have relevant attendees and information available
- Sessions will also pick up on Documentation Index feedback
 - select a few documents listed within index and look to be able to follow through the system
- Feedback provided via structured template as for other onsite work

Documentation must be maintained beyond Solvency II project

- Sessions will look for a demonstration of the documentation system to provide an understanding of:
 - Which system used and is it still in project mode or moving into BAU?
 - Structure and accessibility of documentation and tie in with index provided
 - Governance and controls in place – version control, ownership, sign off
 - Plans for BAU including scope and structure of documentation to be captured and scope of use within the business
 - Plans for ongoing maintenance in BAU – review cycles & responsibilities
- Important to demonstrate consistency with Evidence Template explanations on process

We are using SharePoint as the main document repository

URN (IMAP ref)	Evidence	WS responsible	Status	Owner / Contact	Location (insert SharePoint link where appropriate)
DOC.RISK028.F	Risk Governance - Executive Risk Committee MI packs and minutes (Document)	Pillar 2	4	XX	XXXX
DOC.RISK029.F	Risk Governance - Syndicate Committee MI packs and minutes (Document)	Pillar 2	4	XX	XXXX

- All 'In Full' documents are on SharePoint with a URN
 - allocated an owner and a review date
- Supporting evidence can be stored on SharePoint or local drives
 - catalogued so it can be located when required
- Responsibility for maintaining documentation will sit within our Risk Management Function
- Internal Audit will review our ongoing compliance
- Compliance maintain oversight

DISCUSSION TIME

How do you plan to maintain / store documentation in BAU

Storage & Use

- Will you use the same system as now or change?
- Will scope of what is stored and maintained centrally change?
- Will use by teams/departments across the business widen?

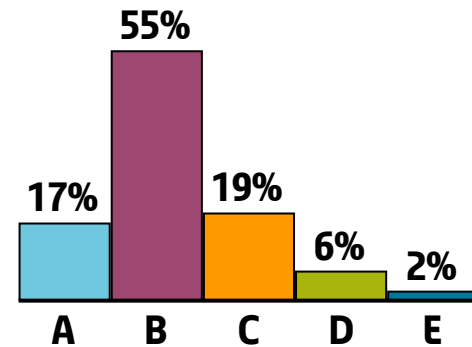
Ongoing maintenance

- Who will own documentation and have responsibility for maintaining compliance?
 - one single function or shared responsibility?
- What assurance processes do you plan to have in place ?

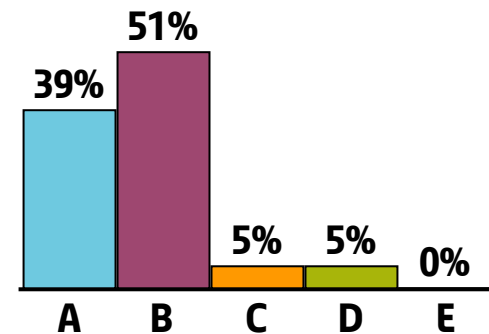
How close is your current documentation system to being in use/ready for BAU

- A. Current system is live and in use/ready for BAU
- B. Current system needs some updating but is largely ready for BAU
- C. Current system will change but work well progressed on replacement
- D. Current system will change but no alternative yet in place
- E. Undecided on what will be used

12 APRIL RESULTS

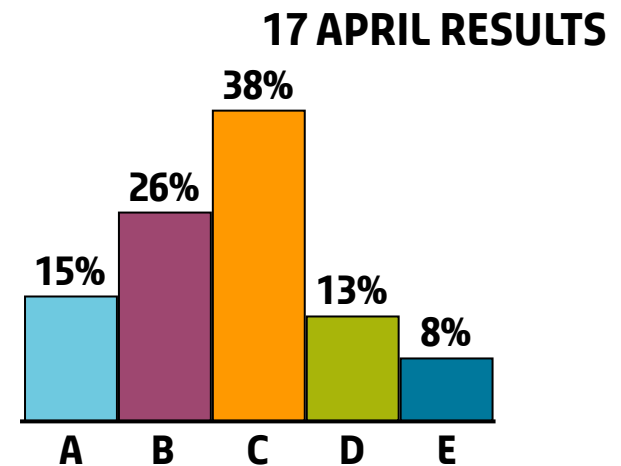
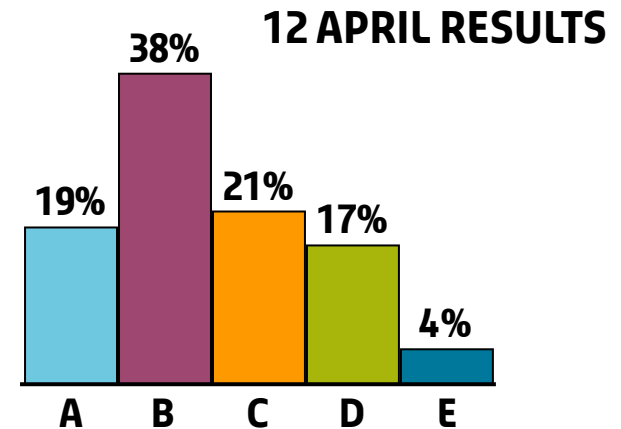


17 APRIL RESULTS



Who will have responsibility for maintaining system and ongoing compliance with tests and standards

- A. Specialist documentation team / librarian
- B. Compliance
- C. Not centralised – individual document owners
- D. Other
- E. Undecided



NEXT STEPS

What happens next?

- Slides will be made available on lloyds.com after both workshops
- Review questionnaires will be issued ahead of on site sessions
- Mapping work to draft Level 2 will progress
- July workshop to discuss final sign off requirements for 5 October
- Other upcoming sessions:
 - Data Audit reviews - 13 & 18 April
 - IMSCR – 8 & 11 May
 - Reporting and Disclosure – 14 & 15 May

