

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: GENERAL GOVERNANCE REQUIREMENTS (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Governance Framework	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Review of the current governance framework completed and identified changes needed to meet Solvency II requirements, including risk management, compliance, internal audit and actuarial functions. No action yet taken based on the review undertaken. No governance structure changes planned or implemented. Historic governance framework still in place and operational. 	<ul style="list-style-type: none"> Draft terms of reference in place for all committees. Terms of reference include, at a minimum: <ul style="list-style-type: none"> Responsibilities Reporting Membership Frequency of meetings Agreement of when revised terms of reference come into effect/ when any new committees will be operational. 	<ul style="list-style-type: none"> Final governance framework documented and approved (by the board). Final approved terms of reference in place for all committees. Initial meetings of all committees have been undertaken but detailed MI is still being developed (especially in relation to Internal Model). 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Final governance framework in operation. All committees in operation, with minutes and reporting packs to demonstrate that they are working effectively and discharging responsibilities detailed in their terms of reference. A clear allocation of responsibilities with regard to risk management is evident across the committee structure. Overall approach is fully validated as part of the assurance process, review of the system of governance completed (see Review system of governance section below).
<p><i>Difference between scores in each band should reflect the number of key areas addressed and quality</i></p>					

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: GENERAL GOVERNANCE REQUIREMENTS (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Organisation structure and lines of responsibility	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Review of organisational structure responsibilities against Solvency II requirements has been completed. Results of review are yet to be converted into: <ul style="list-style-type: none"> Draft organisational structure. Plan for population of resource gaps. Draft departmental structures. 	<ul style="list-style-type: none"> Draft personnel/functional organisation structure documented. Clear identification of any gaps in structure. Plan in place to populate resource gaps. Documented and approved plan in place for any changes in departmental structures. 	<ul style="list-style-type: none"> Organisational structure approved and partially implemented. Design of structure being implemented includes: <ul style="list-style-type: none"> Appropriate spans of control. Independent reporting lines. Clear allocation of risk management responsibilities. Draft policies in place for risk management, internal control, internal audit and outsourcing that set out relevant responsibilities, processes and reporting procedures to be applied. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Final organisation structure agreed and operating in practice. Appropriate spans of control in place across the organisation. Independent reporting lines in operation for all control functions as follows: <ol style="list-style-type: none"> Risk Compliance Internal Audit Actuarial Clear allocation of responsibilities with regard to risk management is evident across the organisational structure. Overall approach is fully validated as part of the assurance process.

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LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
<p>Progress: Adequacy of skills and experience of board and staff</p>	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Review of existing procedures completed but not translated into a clear action plan for implementation. All required approved person statuses are allocated across the business with appropriately skilled function holders. 	<ul style="list-style-type: none"> Review of existing procedures completed and agreed what will need to be revised and amended to meet SII requirements. Review of Recruitment and Retention policy (or other appropriate policy document) completed with a clear plan for the implementation of identified changes. 	<ul style="list-style-type: none"> Revised Recruitment and Retention Policy approved. Clear documentation of checks in place to ensure appropriate skills and experience of Board and staff. Implementation of revised policy statements to be completed. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) All committees are appropriately resourced with a mix of skills to enable them to discharge their responsibilities. There are clearly documented procedures to ensure the ongoing adequacy of skills and experience on the Board and across the organisation. Overall approach is fully validated as part of the assurance process.

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LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Procedures for activities	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> A detailed list of all impacted procedures across the business has been documented. No clear plan for the review of these procedures or the changes required. 	<ul style="list-style-type: none"> All detailed procedures are identified in the business and fully documented. Review of existing procedures complete and agreed what will need to be revised and amended to meet SII requirements. 	<ul style="list-style-type: none"> Documented final procedures in place for key operational and business processes. Full implementation of revised procedures not yet completed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change). Revised processes fully implemented and embedded within the business. Allocated owners for documentation and controls to ensure that documents are subject to regular review and update. Overall approach is fully validated as part of the assurance process.

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LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Procedures for decision making	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Current procedures for decision making reviewed and changes needed to meet Solvency II requirements identified. Historic governance framework still in place and operational. 	<ul style="list-style-type: none"> Review of existing procedures complete and agreed what will need to be revised and amended to meet SII requirements. Clear plan in place for the revision of appropriate procedures. Draft terms of reference in place for all committees. Agreement of when revised terms of reference come into effect/ when any new committees will be operational and reflect revised approach for decision making. 	<ul style="list-style-type: none"> Updated procedures fully documented but not yet approved. Final approved terms of reference in place for all committees, clearly documenting decision making responsibilities. Initial meetings of all committees have been undertaken but detailed MI is still being developed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Documented final procedures in place. All governance committees are operational and have clearly documented responsibilities for decision making. Delegated authorities are appropriately implemented across the business and fully embedded. Overall approach is fully validated as part of the assurance process.

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LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Adequacy of information systems	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Review of current systems against Solvency II requirements planned or in progress. No clear implementation plan in place to support the changes required. Limited controls documentation supports the adequacy of the information system. 	<ul style="list-style-type: none"> Review of current systems against Solvency II requirements complete. Clear implementation plan in place to support the detailed system changes required to demonstrate Solvency II compliance. Clear implementation plan in place to support the controls required on the adequacy of the information system. 	<ul style="list-style-type: none"> Implementation plan partially completed. Additional/enhanced system selection completed. MI definition for each committee underway. Able to demonstrate that systems have Solvency II capabilities including to produce the MI required within the governance framework, including for the internal model, and that there are adequate controls around those systems, particularly in relation to data accuracy and quality. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) All system implementations complete. MI fully defined and implemented for each committee within the governance framework. Clear line of sight through committee structure for relevant MI i.e. appropriate filtering is in place from business MI to Board reporting. Overall approach is fully validated as part of the assurance process.

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Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Adequacy of records and security of information	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> There is no single documented Information and data security policy in place within the business. Information and data security is undertaken on a system by system basis. 	<ul style="list-style-type: none"> Review of information and data security policy against Solvency II requirements has been completed. Clear implementation plan exists to support the revised process. 	<ul style="list-style-type: none"> Documented information and data security policy exists to ensure that: <ul style="list-style-type: none"> Adequate and orderly records are kept. Information is kept secure and confidential where appropriate. Policy is only partially implemented across the business. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Information and data security policy is fully approved and implemented across the business in relation to new and existing systems. Overall approach is fully validated as part of the assurance process.

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Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Conflicts of interest	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Review of the Conflicts of Interest policy has been undertaken against Solvency II requirements. There is no clear implementation plan for the amendment of the Conflicts of Interest policy required. 	<ul style="list-style-type: none"> Clear implementation plan exists to support the updates required to Policy and Procedures. The regulatory requirements with regard to Conflicts of Interest are identified and reflected within the policy and procedures. 	<ul style="list-style-type: none"> Updated Conflicts of interest policy addresses the following: <ul style="list-style-type: none"> internal (directors' interests) corporate (related parties) capital (third party capital) group conflicts any other areas identified reporting required. The updated policy is not fully embedded across the business. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Updated Conflict of Interest Policy is fully approved and implemented across the business. Clear reporting lines for any conflict of interest are documented and there is awareness of the requirements across the business. Ongoing training on Conflicts of Interest is in place. Overall approach is fully validated as part of the assurance process.

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Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Contingency plans	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Business Continuity plan is implemented across the business but this has not been revisited in light of the business changes being implemented as part of Solvency II. No risk mitigation plans for other risk categories exist within the business. 	<ul style="list-style-type: none"> A review of the business continuity plan has been undertaken considering the business changes being undertaken as part of Solvency II. Risk mitigation plans exist for key risk elements e.g. liquidity risk, capital etc. 	<ul style="list-style-type: none"> Updated Business Continuity plan is in place covering all aspects of Solvency II. Draft risk mitigation plans are in place for other key risk categories together with a clear rationale for those risk categories included in such plans. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Fully approved Business continuity plans in place to address operational business continuity. Plans are fully documented and communicated to relevant parties and regularly tested. Fully approved risk mitigation plans for other risks, such as capital and solvency risk and planning, liquidity arrangements, reinsurance and outsourcing are also documented and approved across the business. Overall approach is fully validated as part of the assurance process.

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Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Review systems of governance	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Review of system of governance in place is solely in relation to a Board effectiveness review which is undertaken on an annual basis. 	<ul style="list-style-type: none"> Policy document details the constituent elements of a review of the system of governance. No further detail exists on the roles and responsibilities in relation to the constituent parts of the system of governance. 	<ul style="list-style-type: none"> Detailed procedure documentation exists setting out the roles and responsibilities with regard to the review of the system of governance. This includes: <ul style="list-style-type: none"> Business as usual review activity. Annual Activity. Other review activity e.g. Internal audit. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) A regular internal review of the system of governance is undertaken consisting but not limited to: <ul style="list-style-type: none"> board effectiveness review review of operation of sub-committees internal audit reviews of the system of governance. Overall approach is fully validated as part of the assurance process.

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LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Remuneration policy	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Remuneration policy exists but it has not been revisited to take account of the requirements of Solvency II. 	<ul style="list-style-type: none"> Review of the current remuneration policy has been undertaken considering the changes being implemented to meet the requirements of Solvency II. There is a clear set of tasks within the implementation plan to update the remuneration policy and governance framework. 	<ul style="list-style-type: none"> Draft revised remuneration policy is in place clearly aligned to risk strategy, risk profile, objectives, values, risk management practices and long term entity wide interests Review of governance surrounding remuneration has been undertaken and an ownership committee allocated. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Formal Board approved remuneration policy exists. Clear documented governance structure exists around remuneration which includes a remuneration or other clearly allocated committee. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: FIT & PROPER (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Fit and proper policies and procedures for directors and staff	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> The Fit and proper documentation existing is based on pre Solvency II requirements and no assessment has been made of its ongoing appropriateness. 	<ul style="list-style-type: none"> Review of existing fit and proper policy and procedure documentation has been undertaken against requirements of Solvency II. Clear implementation plan exists to support the changes to the process necessary in light of Solvency II requirements. 	<ul style="list-style-type: none"> Draft updated Fit and Proper policy exists aligned to the requirements of Solvency II where required. There is an approved procedure in place to ensure that the correct levels of fit and proper checks are performed for each function holder Training programme is planned to roll out any new requirements across the business. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) There is an approved Fit and Proper Policy statement fully implemented and embedded across the organisation. Overall approach is fully validated as part of the assurance process.

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: FIT & PROPER (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Identification of business managers and key function holders	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> The function holders identified across the business are incomplete. The fit and proper checks undertaken are not aligned to the existing policy. 	<ul style="list-style-type: none"> A process has been undertaken to identify key function holders across the business and ensure the ongoing appropriateness of this given the requirements of Solvency II. A review of the existing policy and procedure documentation in light of Solvency II has been undertaken. 	<ul style="list-style-type: none"> All key function holders have been identified and appropriately assessed. Draft procedure documentation exists to ensure the appropriate level of fit and proper checks at all levels. Fit and proper awareness training is planned to be rolled out. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) All key function holders have been identified and appropriately assessed. Role and responsibilities with regard to fit and proper assessment are well defined and implemented. Overall approach is fully validated as part of the assurance process.

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Risk Management Policy	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Risk Strategy document exists which includes the following: <ul style="list-style-type: none"> Overall risk management principles How risk management aligns to business objectives – this may include the following: <ul style="list-style-type: none"> A High level overview of the business planning process Highlight key areas where risk management are central to this planning process and provide insight and challenge Detail the links between the business planning process. ICA, risk appetite and management information and how an integrated approach to all of these is adopted. The process for the update of risk appetite measures aligned to the business plan whether annually or on ad hoc basis The process/MI for the ongoing monitoring of the business plan and the risks inherent within it Consideration of emerging risks within the business planning process and any particular unexpected issues from preceding years. A summary of key risks to the business. Process for the management of risks within a defined risk appetite Overall responsibilities with regard to risk management. Review has been undertaken to assess the risk management framework against the requirements of Solvency II. <p>[Note that risk strategy, risk policy etc do not necessarily need to be in separate documents, provided all key points are covered and documentation is clear]</p>	<ul style="list-style-type: none"> Risk Strategy document has been updated to include enhanced approach adopted as part of Solvency II development. This may include: <ul style="list-style-type: none"> Links to the ORSA process and reporting. Roles of risk, actuarial and audit functions. Role of the Internal Model. Clear process exists to at least annually update the risk strategy in light of business planning and objectives. 	<ul style="list-style-type: none"> All Risk Strategy documentation is Board approved and implemented across the business. Training programme for the roll out of the revised risk management framework is defined and in the process of being implemented. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Risk Strategy document is fully approved and embedded within the organisation. Overall approach is fully validated as part of the assurance process.

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

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Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Risk Management Policy	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Risk Management Policy statement exists which: <ul style="list-style-type: none"> Covers all risks types. Provides definitions for all risk types. Provides a summary of the approach to risk appetite. Documents and explains the risk governance framework. Review has been undertaken to assess the Risk Management Policy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Risk Management Policy has been updated to include enhanced approach adopted as part of Solvency II development. This may include:: <ul style="list-style-type: none"> Links to the ORSA process and reporting. Roles of risk, actuarial and audit functions. Role of the Internal Model. Clear process exists to at least annually update the risk management policy in light of business planning and objectives and any developments in the overall approach to risk management. 	<ul style="list-style-type: none"> Risk Management Policy is Board approved and implemented across the business. Training programme for the roll out of the revised risk management framework is defined and in the process of being implemented. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Risk Management policy is fully approved and embedded within the organisation. Overall approach is fully validated as part of the assurance process.

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Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Risk Appetite	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Clearly defined risk appetite framework has been developed which includes: <ul style="list-style-type: none"> A Framework for risk appetite documentation. Covers all risk categories. Ownership defined for the overall statement and individual areas. Aligns to current or planned committee structure and reporting. Provides an overview of the constituent elements of the framework and how they all fit together e.g. risk register. 	<ul style="list-style-type: none"> Risk appetite framework documentation and approach is approved by the Board. Progress is being made in the development and implementation of: <ul style="list-style-type: none"> Overall risk appetite statement. Defined risk metrics for the measurement of key risks. RAG indicators for all risk metrics. Management information to support committee reporting aligned to the revised governance structure. 	<ul style="list-style-type: none"> Draft Management Information aligned to risk appetite is being reported throughout the governance structure including RAG statuses. Initial risk appetite statement approved by the Board and subject to continuous improvement. Evidence exists of challenge and improvement of the risk appetite statement. Training plan developed for education of the enhanced risk appetite framework throughout the organisation as appropriate. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change). Risk appetite statements and associated metrics are embedded into the organisation. Committee reporting at all levels are aligned to risk appetite measures. There is awareness throughout the organisation of the firm's risk appetite statement and framework. Business decisions are made based on the impact of a decision on the overall risk appetite. Overall approach is fully validated as part of the assurance process.

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Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Risk Management processes and procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Risk Management Policy statement sets out the following at an overall level (as opposed to risk category specific): <ul style="list-style-type: none"> Identification Assessment Management Monitoring Reporting Review has been undertaken to assess the Risk Management Policy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Risk Management Policy has been updated to include enhanced approach adopted as part of Solvency II development. Clear process exists to at least annually update the risk management policy in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Risk Management Policy is Board approved and implemented across the business. Training programme for the roll out of the revised risk management framework is defined and in the process of being implemented. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Risk Management policy is fully approved and embedded within the organisation. Overall approach is fully validated as part of the assurance process.

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Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Risk Management Reporting	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Risk Management Policy sets out reporting requirements across the business including throughout the governance structure. All committee terms of reference clearly document the reporting into and out of the committee. A Board document sets out reporting to the Board on both a routine and escalation basis. 	<ul style="list-style-type: none"> Specific reviews in relation to the requirement of Solvency II have been undertaken with regard to: <ul style="list-style-type: none"> Committee reporting Business function level reporting IT system capability Clear detailed plan exists for the augmentation of current MI and systems to support the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft reporting is being produced and reported across the business which reflects the Solvency II enhancements. Committee reporting is clearly aligned to related terms of reference responsibilities. All IT systems supporting enhanced risk reporting are implemented. There is a clear understanding across the organisation of the elements of the risk management framework which require Board reporting, approval and noting. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Risk reporting is fully enhanced and embedded across the organisation. There is an ongoing process for the continuous improvement of all MI. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Underwriting procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> A detailed list of all impacted underwriting procedures across the business has been documented. No clear plan for the review of these procedures or the changes required. 	<ul style="list-style-type: none"> All detailed procedures are identified in the business and fully documented. Review of existing underwriting procedures has been undertaken and actions agreed to meet SII requirements. 	<ul style="list-style-type: none"> Documented final procedures in place for key operational and business processes. Full implementation of revised procedures not yet completed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Documented final procedures in place for key processes. Revised processes fully implemented and embedded within the business. Allocated owners for documentation and controls to ensure that documents are subject to regular review and update. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Reserving procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> A detailed list of all impacted reserving procedures across the business has been documented. No clear plan for the review of these procedures or the changes required. 	<ul style="list-style-type: none"> All detailed procedures are identified in the business and fully documented. Review of existing reserving procedures has been undertaken and actions agreed to meet SII requirements. 	<ul style="list-style-type: none"> Documented final procedures in place for key operational and business processes. Full implementation of revised procedures not yet completed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Documented final procedures in place for key processes. Revised processes fully implemented and embedded within the business. Allocated owners for documentation and controls to ensure that documents are subject to regular review and update. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Claims management procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> A detailed list of all impacted claims management procedures across the business has been documented. No clear plan for the review of these procedures or the changes required. 	<ul style="list-style-type: none"> All detailed procedures are identified in the business and fully documented. Review of existing claims management procedures has been undertaken and actions agreed to meet SII requirements. 	<ul style="list-style-type: none"> Documented final procedures in place for key operational and business processes. Full implementation of revised procedures not yet completed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Documented final procedures in place for key processes. Revised processes fully implemented and embedded within the business. Allocated owners for documentation and controls to ensure that documents are subject to regular review and update. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: ALM policies	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing ALM policy sets out the overall approach and process followed for the identification, assessment, management, monitoring and reporting. Review has been undertaken to assess the ALM policy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft ALM policy exists which addresses improvements identified to meet the requirements for Solvency II. Clear process exists to at least annually update the ALM policy in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> ALM policy approved which reflects changes undertaken to meet the requirements of Solvency II. Evidence supports the use of ALM policy within the business and appropriate training exists to support these. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Investment policy	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Investment policy sets out the overall approach and process followed for the assessment, management, monitoring and reporting of ongoing investments. Review has been undertaken to assess the Investment policy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft Investment Policy exists which addresses improvements identified to meet the requirements of Solvency II. Clear process exists to at least annually update the Investment policy in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Investment policy approved which reflects changes undertaken to meet the requirements of Solvency II. Evidence supports the use of Investment policy within the business and appropriate training exists to support these. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Investment procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> A detailed list of all impacted investment procedures across the business has been documented. No clear plan for the review of these procedures or the changes required. 	<ul style="list-style-type: none"> All detailed Investment procedures are identified in the business and fully documented. Review of existing investment procedures has been undertaken and actions agreed to meet SII requirements. 	<ul style="list-style-type: none"> Documented final procedures in place for key operational and business processes. Full implementation of revised procedures not yet completed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Documented final procedures in place for key processes. Revised processes fully implemented and embedded within the business. Allocated owners for documentation and controls to ensure that documents are subject to regular review and update. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Liquidity contingency plan	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Liquidity contingency plan exists which sets out clear actions, timelines and responsibilities to be undertaken should a liquidity issue arise. Review has been undertaken to assess the Liquidity contingency plan against the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft Liquidity Contingency plan exists which addresses improvements identified to meet the requirements of Solvency II. Clear process exists to at least annually update the Liquidity Contingency Plan in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Liquidity Contingency Plan approved which reflects changes undertaken to meet the requirements of Solvency II. Evidence shows the roll out and, where appropriate, use of the Liquidity Contingency Plan within the business and appropriate training exists to support these. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Concentration risk procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Concentration Risk procedures sets out the following: <ul style="list-style-type: none"> Identification Assessment Management Monitoring Reporting Review has been undertaken to assess the Concentration Risk procedures against the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft Concentration Risk procedures exist which address improvements identified to meet the requirements of Solvency II. Clear process exists to at least annually update the Concentration Risk procedures in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Concentration Risk procedures approved which reflects changes undertaken to meet the requirements of Solvency II. Evidence supports the use of concentration risk procedures within the business and appropriate training exists to support these. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Operational risk procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Operational Risk Management Policy statement sets out the following: <ul style="list-style-type: none"> Identification Assessment Management Monitoring Reporting Information on operational losses and near misses. Review has been undertaken to assess the Operational Risk Management Policy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Operational Risk Management Policy has been updated to include enhanced approach adopted as part of Solvency II development. Draft Operational procedures exist where appropriate and have been updated to reflect the Solvency II requirements, where appropriate. Clear process exists to at least annually update the Operational risk management policy in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Operational Risk Management Policy is Board approved and implemented across the business. Operational Risk procedures have been approved at appropriate committee, in line with the overall governance structure and terms of reference. Training programme for the roll out of the revised risk management framework is defined and in the process of being implemented. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Operational Risk Management policy and procedures are fully approved and embedded within the organisation. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Reinsurance strategy	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Reinsurance Strategy documentation exists detailing the overall approach and objectives of the reinsurance programme. Review has been undertaken to assess the Reinsurance strategy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft Reinsurance Strategy exists which addresses improvements identified to meet the requirements of Solvency II. Clear process exists to at least annually update the Reinsurance Strategy in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Reinsurance strategy approved which reflects changes undertaken to meet the requirements of Solvency II. Evidence shows the use of the Reinsurance Strategy within the business and appropriate training exists to support these. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Reinsurance procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> A detailed list of all impacted reinsurance procedures across the business has been documented. No clear plan for the review of these procedures or the changes required. 	<ul style="list-style-type: none"> All detailed procedures are identified in the business and fully documented. Review of existing reinsurance procedures has been undertaken and actions agreed to meet the SII requirements. 	<ul style="list-style-type: none"> Documented final procedures in place for key operational and business processes. Full implementation of revised procedures not yet completed. Approach to ongoing process for validation of procedures not yet defined. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Documented final procedures in place for key processes. Revised processes fully implemented and embedded within the business. Allocated owners for documentation and controls to ensure that documents are subject to regular review and update. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Financial risk mitigation	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Existing Financial Risk Mitigation procedures sets out the overall approach and process followed for the identification, assessment, management, monitoring and reporting of appropriate financial risk mitigation. Review has been undertaken to assess the Financial Risk Mitigation procedures against the requirements of Solvency II. 	<ul style="list-style-type: none"> Draft Financial Mitigation procedures exist which address improvements identified to meet the requirements of Solvency II. Clear process exists to at least annually update the Financial Risk Mitigation procedures in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Financial Risk Mitigation procedures approved which reflect changes undertaken to meet the requirements of Solvency II. Evidence shows the use of Financial Risk Mitigation procedures within the business and appropriate training exists to support these. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Credit risk procedures	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Credit Risk Management Policy statement sets out the following: <ul style="list-style-type: none"> Identification Assessment Management Monitoring Reporting Review has been undertaken to assess the Credit Risk Management Policy against the requirements of Solvency II. 	<ul style="list-style-type: none"> Credit Risk Management Policy has been updated to include enhanced approach adopted as part of Solvency II development. Clear process exists to at least annually update the Credit risk management policy in light of business planning and objectives and any changes to the main risks posed to the organisation. 	<ul style="list-style-type: none"> Credit Risk Management Policy is Board approved and implemented across the business. Training programme for the roll out of the revised credit risk management framework is defined and in the process of being implemented. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Credit Risk Management policy is fully approved and embedded within the organisation. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK MANAGEMENT (SOG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Risk Management function	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Draft Terms of reference for the risk management function are clearly defined in terms of: <ul style="list-style-type: none"> Overall roles and responsibilities Role in relation to specialist analysis Documenting and monitoring the risk profile of the organisation. Identifying and assessing emerging risks. Monitoring the risk management system. Review has been undertaken to determine how the terms of reference will need to change to meet Solvency II requirements. 	<ul style="list-style-type: none"> Updated terms of reference have been developed to meet the requirements of Solvency II. Responsibilities in relation to the internal model are well documented and defined. Clear plan exists to ensure appropriate resources are in place to discharge the risk management function terms of reference on a business as usual basis. 	<ul style="list-style-type: none"> Terms of reference of the Risk Management Function are approved by the Board. All elements of the terms of reference are being undertaken by the risk management function. Resources are in place within the function but further training needs to be undertaken to make it fully operational. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Risk management function is fully resourced with well defined and recognised terms of reference. Monitoring of the risk management system is undertaken on a continuous basis. Risk management reporting is fully embedded. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: INTERNAL CONTROL (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Internal Control Policy	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Robust internal control framework exists but this is not documented into a summary policy. No review has been undertaken to assess the appropriateness of the Control Framework for compliance with Solvency II requirements. 	<ul style="list-style-type: none"> Internal control policy or other summary document exists which clearly provides: <ul style="list-style-type: none"> Overview of the control framework. Constituent elements of the framework. How it links to the risk management framework. Roles and responsibilities Process for the ongoing review of its appropriateness. Internal Control Procedures exist to support the overall policy. A review has been undertaken to assess the above in light of the changes being undertaken as part of Solvency II compliance. 	<ul style="list-style-type: none"> Draft Internal Control policy exists which addresses the changes being undertaken to meet the Solvency II requirements. Draft Internal Control procedures exist which address the changes being undertaken to meet the Solvency II requirements. Clear plan is in place to ensure the internal control framework is appropriately recognised across the business. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Approved internal control policy and procedures are fully implemented and embedded within the organisation. There is awareness of the overall control framework across the business. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: INTERNAL CONTROL (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Compliance Plan	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Annual compliance plan exists but has not considered new requirements in relation to Solvency II. 	<ul style="list-style-type: none"> Review of annual compliance plan has been undertaken to consider: <ul style="list-style-type: none"> Completeness and appropriateness of elements included. Applicable laws and regulations. Resources required to execute the plan. A skills review has been undertaken to review the extent of the ability of the compliance function to meet Solvency II requirements. 	<ul style="list-style-type: none"> Revised annual compliance plan has been developed which meets the requirements of Solvency II. Resource plan is in place to enable compliance function to execute plan. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Annual Compliance plan has been approved and partially completed against the requirements of Solvency II. Compliance function is appropriately resourced to execute plan. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: INTERNAL AUDIT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Internal Audit Report	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Internal Audit function has a clear audit plan. Limited work completed against this plan. No clear resource plan to meet the needs of the internal audit plan. Review of internal audit approach scheduled in Solvency II plan but not yet completed. Fully functioning Audit Committee with appropriate membership. 	<ul style="list-style-type: none"> Review of existing internal audit function completed against requirements of Solvency II. Implementation of agreed actions plan documented and partially completed. Internal Audit Policy reviewed and areas for update identified for areas impacted by Solvency II requirements. Fully functioning Audit Committee with appropriate membership. Clear independent reporting lines for the Internal Audit function. 	<ul style="list-style-type: none"> Updated draft Internal Audit Policy completed and awaiting approval. Resource plan completed to meet the internal audit requirements of Solvency II. Internal Audit plan, incorporating the requirements of Solvency II within the audits undertaken, drafted and awaiting approval. Fully functioning Audit Committee with appropriate membership. Clear independent reporting lines for the Internal Audit function 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Fully approved and implemented Internal Audit Policy. Fully resourced Internal Audit function aligned to requirements of plan. Internal Audit plan which clearly meets all the requirements of Solvency II. Fully functioning Audit Committee with appropriate membership. Internal Audit undertakes self assessment against policy and present findings to Audit Committee on an annual basis.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: INTERNAL AUDIT (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Internal Audit Report	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Audit Committee reporting is of an ad hoc nature. Clear reporting is undertaken at the end of each Internal Audit review but only certain elements are consistently completed. IA report actions follow up is not undertaken on a consistent basis and there is limited documentation evidencing completion. 	<ul style="list-style-type: none"> Audit Committee reporting is well defined and includes elements of routine and ad hoc reporting on particular issues. Board Internal Audit Reporting is only undertaken on an ad hoc nature. Internal Audit reporting template or sufficient guidelines for reporting exists with clear grading of actions and associated definitions. There is a well defined and embedded process for the completion of internal audit actions with appropriate evidence and escalation procedures. 	<ul style="list-style-type: none"> Audit Committee reporting has been reviewed in light of Solvency II requirements and changes identified. Documentation supports the escalation of audit actions and reporting to the Board. Internal audit reporting template and its outputs are communicated and understood across the business. There is a clearly documented escalation process for actions resulting from internal audit reports where agreement with the business cannot be achieved. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Audit Committee plan for the receipt and review of Internal Audit function reporting. Board regularly receives both routine and escalated audit issues. Well defined template for Internal Audit Reports which is fully embedded. Clearly implemented process to monitor Internal Audit Actions to implementation. Internal Audit undertake self assessment against policy and present findings to Audit Committee on an annual basis. A summary of this report is also provided to the Board.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: ACTUARIAL FUNCTION (SOG)

LLOYD'S

Timing		Q2 2010	Q1 2011	Q3 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Actuarial Function	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>3 key areas identified:</p> <ol style="list-style-type: none"> Agent has identified how the requirements for an actuarial function will be met including where it is planned to outsource the function Drafted high level terms of reference for the actuarial function including at least: <ul style="list-style-type: none"> data management and data quality (particularly problems arising from insufficient data quality) underwriting policy reinsurance strategy technical provisions risk management internal model Designed an internal reporting framework to ensure the formal requirements in relation to the actuarial function are met 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements Actuarial function at least partially resourced. Drafted detailed terms of reference for the actuarial function Draft procedures documentation for the actuarial function completed. Able to demonstrate consistency between the actuarial function processes and internal model development. Clear documentation exists setting out how the actuarial function integrates with other key functions, e.g. Risk Function. 	<ul style="list-style-type: none"> Evidence that personnel involved have the skills, knowledge and experience required and are aware of procedures. Actuarial function fully resourced. Terms of reference for the actuarial function approved. Detailed procedures approved for the actuarial function. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change). Actuarial function fully operational and in use as part of BAU. Overall approach is fully validated as part of the assurance process,

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: OUTSOURCING (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Outsourcing Agreements	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Robust outsourcing framework exists but this is not documented into a summary policy. No review has been undertaken to assess the appropriateness of the Outsourcing Framework for compliance with Solvency II requirements. 	<ul style="list-style-type: none"> Outsourcing policy or other summary document exists which clearly provides: <ol style="list-style-type: none"> Definition of an outsource arrangement. Overview of the process for establishment and nature of potential outsource agreements. Development and approval of outsource contracts including the stages and internal governance of the approval process. Approach to the review of the system of governance and internal control framework of the service provider. Outsourcing Procedures exist to support the overall policy. A review has been undertaken to assess the above in light of the changes being undertaken as part of Solvency II compliance. 	<ul style="list-style-type: none"> Draft Outsourcing policy exists which addresses the changes being undertaken to meet the Solvency II requirements. Draft Outsourcing procedures exist which address the changes being undertaken to meet the Solvency II requirements. A master list of agreements exists which details all existing outsource arrangements. Clear plan is in place for the roll out of training to support the revised Outsourcing Policy to the appropriate audience. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Approved Outsourcing policy and procedures are fully implemented and embedded within the organisation. There is awareness of the overall approach to Outsourcing across the business and this approach is consistently applied. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: OUTSOURCING (SOG)

LLOYD'S

Timing			Q2 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress: Outsourcing Agreements	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Template for Outsourcing agreements is in place. No review has been undertaken to assess the appropriateness of the Outsourcing contract template for compliance with Solvency II requirements. 	<ul style="list-style-type: none"> Template for the development of outsource contracts exists which includes: <ol style="list-style-type: none"> Minimum requirements for outsource agreements. Guidelines for the completion of outsource arrangements. Guidelines to ensure consistency in outsource agreements. A review has been undertaken to assess the above in light of the changes being undertaken as part of Solvency II compliance. 	<ul style="list-style-type: none"> Template for Outsourcing contracts includes the following: <ol style="list-style-type: none"> Responsibilities of both parties. Commitment to comply with all applicable regulations. Rules for disclosure of the service provider's ability to perform. Rules for the termination and cancellation of the contract. Information received on the performance of the outsourcer. Rights of information from the outsource provider. Clear plan is in place for the roll out of the revised contract template. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Approved Outsourcing contract template is fully embedded within the organisation. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: RISK COVERAGE (MSG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q3 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>3 key areas identified:</p> <ol style="list-style-type: none"> A draft internal model definition, consisting of a diagram, list or otherwise exists, details and defines the legal entities, business units and risk types covered. Explanation and rationale of design exists, giving an understanding of what is inside or outside the model and rationale for this. May include principles for inclusion or exclusion. Must demonstrate understanding of the implications, including: <ol style="list-style-type: none"> Adequate risk coverage Being able to pass the use test Documentation requirements Model Change procedures Validation requirements For demonstration that Internal Model definition allows coverage of material risks in risk profile, should include: <ol style="list-style-type: none"> details of risks within risk profile of business (e.g. a draft SII-compliant risk register) mapping of these risks to coverage in Internal Model how risks not covered by Internal Model will be captured 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements Internal Model definition finalised, reviewed versus Solvency II criteria and being passed through model/board committees for sign-off Full details of how risks not covered by the internal model are dealt with Full Solvency II-compliant risk register created. May result from a review/update of existing register versus any new requirements under Solvency II. Risk register should be approved. Documentation includes explanation of process behind risk register review and demonstration of how this captures all material (or otherwise) risks in risk profile Process exists to demonstrate how the Internal Model will continue to cover all material risks within scope after approval. This includes links to <ul style="list-style-type: none"> how the Internal Model design can be updated via the model change policy. how the risk register is updated. Quantitative and qualitative materiality indicators given, along with process used for monitoring. 	<ul style="list-style-type: none"> Definition tested with Internal Model that is (substantially) built and fully approved as adequate for meeting requirements of Solvency II. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Internal model definition fully built into model design and in use as business as usual. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

- Model definition and way in which agent plans to pass the Use Test must be compatible

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: USE TEST (MSG)

LLOYD'S

Timing		Q2 2010	Q2 2011	Q4 2011	By Q1 2012
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>3 key areas identified:</p> <ol style="list-style-type: none"> Planned uses of the model listed and summarised, which includes: <ol style="list-style-type: none"> Where the model will sit in decision making process What outputs/MI will be used and by whom How often and when will it be used How will evidence of the decision being made and the consideration of the model output/MI in the process be recorded Process for recording all model runs – who, when and why, run number and model version number reconciling with other documentation Schedule of planned training recognising the different levels of knowledge required for each individual, especially board versus senior management Summary of the model's role within systems of governance and risk management system 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements More detailed descriptions of each chosen use including: <ul style="list-style-type: none"> Consideration of the limitations of the model and impact of changes to key drivers of the model MI/outputs designed Process in place for feedback from the decision to model change Evidence of ongoing training materials to demonstrate how understanding of the internal model is being achieved. Evidence demonstrates that the model is integral to the key risk identification, assessment and control processes Documentation details of how the agent will demonstrate compliance with the use test with specific reference to the foundation principle and the nine underlying general principles 	<ul style="list-style-type: none"> Evidence of consideration of internal model output in the decision making process as defined by the uses chosen. Board and senior management are able to discuss model limitations in respect of the uses as well as the other aspects of internal model. Examples of model outputs demonstrate use in key business decisions. Evidence of improvements to risk management system driven by model use. 	<ul style="list-style-type: none"> Nothing further required to be done except continue to collate evidence every time model is used and show model use is driving future model development Use of the model fully embedded within the business Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: MODEL GOVERNANCE (MSG)

LLOYD'S

Timing		Q2 2010	Q4 2010	Q2 2011	By Q4 2011
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>3 key areas identified:</p> <ol style="list-style-type: none"> Clear model governance framework defined, including groups/functions involved and reporting structure between each. Framework covers <u>all</u> aspects of model operation, not just model change, including: <ol style="list-style-type: none"> admin/management body(-ies) for <u>high level</u> internal model governance the risk management function for <u>detailed</u> internal model governance feedback loop between these. Identified key responsibilities, skills and knowledge required and drafted revisions required of Committee Terms of Reference. High level details of governance process given, including triggers (e.g., model run, review, change or resource change), steps followed and escalation paths. 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements Sufficient detail to demonstrate how model governance will operate. Circumstances may include a model run, a model change, a model review etc. Outputs and MI needed for model governance are drafted. I.T. solutions (e.g. model version control) required are understood and in build phase Internal review procedures designed Revised Committee Terms of Reference drafted. 	<ul style="list-style-type: none"> Model governance framework fully approved Committee Terms of Reference approved. Evidence that personnel involved have the skills, knowledge and experience required and are aware of procedures. Feedback loop between admin/management body and risk management function operational. Model governance system being tested. Use of system can be evidenced during operation of Internal Model (which should be substantially finished). 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Model governance system fully operational and in use as part of BAU Overall approach is fully validated as part of the assurance process.

- Model change policy should be being developed alongside model governance framework
- Agents must consider link between model governance and risk management function

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: MODEL CHANGE POLICY (MSG)

LLOYD'S

Timing		Q2 2010	Q1 2011	Q3 2011	By Q1 2012
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>3 key areas identified:</p> <p>Model change policy drafted to cover:</p> <ol style="list-style-type: none"> Governance process around model change, including details of: <ol style="list-style-type: none"> Triggers for model changes Groups/committees involved, escalation paths and approval processes Differences in process for major/minor changes (and for different trigger types) Intermediate operation of model Model change documentation Validation process Initial details of major/minor change classification process, recognising: <ol style="list-style-type: none"> More than simply effect on SCR (e.g. qualitative as well as quantitative) Some changes (e.g. to model change policy) must always be major Aggregation of minor may be major change Process for reporting changes both internally and externally 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements Major/minor classification finalised Triggers for model change agreed Full details of validation and analysis of change processes agreed. Full details of model change documentation process agreed Process sufficiently detailed to ensure compliance with Solvency II Model change policy forms a clear part of overall Internal Model governance 	<ul style="list-style-type: none"> Model governance framework fully approved Model change policy being tested as part of overall Internal Model governance. Use of system can be evidenced under operation of Internal Model (which should be substantially finished) Evidence of the process to ensure model still Solvency II compliant following model change 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change) Model change system fully operational and in use as part of BAU Overall approach is fully validated as part of the assurance process.

- Model governance framework should be being developed alongside model change policy
- Further information on model change is expected in Level 3 guidance. Requirements may need to change following issue of this guidance.

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: ORSA PROCESS (ORSA)

LLOYD'S

Timing		Q4 2010	Q2 2011	Q4 2011	By Q1 2012
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements. Little or no progress made in design. Evidence available is insufficient to address any of key areas. 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements. At least some of key areas addressed and evidenced. Draft ORSA policy or other summary document exists which clearly provides: <ol style="list-style-type: none"> Explanation of the difference between the ORSA process and ORSA report while defining the aim and benefits of both. Ownership and governance around both the ORSA process and ORSA report. Clear description of the ORSA scope and details how the key elements fit together (risk management, calculation kernel and internal model). Detail of the reporting processes. Explanation of the key ORSA processes. Initial focus on governance, role of the internal model and independent review. Agent should be able to demonstrate an outline process/plan for the development of the ORSA. 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. Draft ORSA policy or other summary document addresses all areas. Process for ORSA development includes all following aspects: <ol style="list-style-type: none"> Governance Role of internal model Model re-runs Assessment of the capital and solvency position Forward looking assessment Stress and scenario tests Capital and liquidity planning. Integration of the ORSA and Business planning processes Independent review 	<ul style="list-style-type: none"> ORSA process development fully completed. Detailed procedures approved for ORSA. Elements of ORSA process and procedures completed including incorporation of model outputs and committee approval of certain elements. Complete draft ORSA ready to submit to Lloyd's on 16 December 2011. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change). Board approved version of ORSA. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: ORSA DOCUMENTATION (ORSA)

LLOYD'S

Timing		Q4 2010	Q2 2011	Q4 2011	By Q1 2012
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>Key areas identified:</p> <ol style="list-style-type: none"> Draft ORSA document has been developed which considers the following elements and where the sources of information will come from: <ul style="list-style-type: none"> Executive summary confirmation statement Summary of ORSA process for the period Capital and Solvency Position and stress testing Forecast Capital and Solvency Position Risk Management Information e.g. risk profile Appendices Gap analysis of ORSA document has been undertaken against existing risk management documentation. Clear plan has been developed for development and population of the ORSA document to completion. 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements Governance process for ORSA document is defined and approved. Draft version of ORSA document is completed with most qualitative elements. Qualitative elements of ORSA document have been approved by appropriate committee. 	<ul style="list-style-type: none"> ORSA document is completed with all qualitative and quantitative elements. Qualitative and quantitative elements of ORSA document have been approved by appropriate committee. Completed draft ORSA ready to submit to Lloyd's on 16 December 2011. 	<ul style="list-style-type: none"> Nothing further required to be done except follow process established for regular reviews (unless requirements change). Board approved version of ORSA. Overall approach is fully validated as part of the assurance process.

Difference between scores in each band should reflect the number of key areas addressed and quality

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SOLVENCY II SCORING - GOVERNANCE, RISK MANAGEMENT AND USE: ORSA OUTCOMES (ORSA)

LLOYD'S

Timing		Q4 2010	Q2 2011	Q4 2011	By Q1 2012
Score	1	2-4 (design/evidence)	5-7 (evidence/build)	8-9 (testing/sign off)	10 (fully in use/BAU)
Progress	<ul style="list-style-type: none"> Agent demonstrates little understanding of requirements Little or no progress made in design Evidence available is insufficient to address any of key areas 	<ul style="list-style-type: none"> Agent demonstrates a reasonable understanding of requirements At least some of key areas addressed and evidenced <p>Key areas identified:</p> <ol style="list-style-type: none"> Clear objectives defined for the ORSA including the benefits of such outcomes. ORSA process considers the following as potential outcomes and how they might be achieved: <ul style="list-style-type: none"> Own assessment of capital to satisfy business objectives. High level strategy Stress and scenario tests Capital plan including contingencies Range of outcomes Actions and decisions Plan is in place to develop an internal reporting framework to ensure the formal requirements and outcomes are met. Agent demonstrates initial thoughts on feedback and decision-making activity. 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements Agent has designed a process for debate and challenge to evidence outcomes required from ORSA. Designed an internal reporting framework to ensure the formal requirements and outcomes are met. Internal reporting framework of ORSA outcomes has been draft populated and approved through appropriate committee structure as fit for purpose. 	<ul style="list-style-type: none"> Committee structure receives actual management information aligned to ORSA outcomes. Committee minutes demonstrate debate, challenge and re-modelling of numbers from ORSA. Clear linkages between ORSA outcomes and business planning and forecasting process. Completed draft ORSA ready to submit to Lloyd's on 16 December 2011. 	<ul style="list-style-type: none"> Agent can demonstrate link to the management process and decision-taking framework. Nothing further required to be done except follow process established for regular reviews (unless requirements change). Board approved version of ORSA. Overall approach is fully validated as part of the assurance process.
<p><i>Difference between scores in each band should reflect the number of key areas addressed and quality</i></p>					