

SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: STANDARD FORMULA SCR (SFSCR)

LLOYD'S

Timing		Q4 2010	Q3 2011	Q4 2011	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 Agent has completed submission of QIS5 spreadsheet and qualitative questionnaire on a Solvency II basis 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. Agent has process for documenting methodology and assumptions used to calculate standard formula SCR Agent has completed QIS6 (if required by EIOPA) or re-run of QIS5 exercise as at 31.12.10 	<ul style="list-style-type: none"> Agents are close to finalising their requirements subject to testing / sign off approvals. Robust process for calculating standard formula SCR is established and documented Any feedback issues on SCR submission addressed. Comparison of standard formula SCR to internal model SCR 	<ul style="list-style-type: none"> Agents have completed the design, build and test of the element above. Nothing further required to be done except follow process established for regular reviews (unless requirements change). Robust process for calculating standard formula SCR is in use
<p><i>Difference between scores in each band should reflect the number of key areas addressed and quality</i></p>					

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SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP VALUATION PROCESS (TP)

LLOYD'S

Timing		Q4 2010	Q2 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 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. All of the key areas addressed and most evidenced. 	<ul style="list-style-type: none"> Agents are close to finalising their requirements subject to testing / sign off approvals. 	<ul style="list-style-type: none"> Agents have completed the design, build and test of the element above. Nothing further required to be done except follow process established for regular reviews (unless requirements change). All Solvency II implementation requirements met and regular reviews and maintenance started. Valuation process has been adequately applied to TPD and GQD returns submitted Any feedback from TP submissions has been adequately addressed
		<ul style="list-style-type: none"> Complete submission of QIS5 spreadsheet and qualitative questionnaire on a Solvency II realistic basis. <p>Process for valuing TP</p> <p>Documented process including the following:</p> <ul style="list-style-type: none"> Collection and analysis of data Assumptions Model, parameters and quantification Expert review Controls (e.g. audit process) Documentation <p>Robustness, appropriateness, relevance and adequacy</p> <ul style="list-style-type: none"> Established a process to assess robustness of techniques and assumptions, appropriateness of level of TPs, relevance of methods applied and adequacy of underlying data used. 	<p>Justification of selected valuation methods</p> <ul style="list-style-type: none"> Description of backtesting controls and the criteria for which the methodology is appropriate on an ongoing basis. Rationale for the choice of one technique over another, taking into consideration proportionality, the nature, scale and complexity of the risks and model error. Categorisation of methods into 'simplified' and 'non-simplified'. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Valuation process has been adequately applied to submission of TPs as at 31.12.10 	<p>Feedback loop</p> <ul style="list-style-type: none"> Evidence that analysis is shared with other areas of the business where appropriate and their views are captured and used within the feedback loop process where necessary. Evidence of tests to ensure processes and methodologies can be applied using documentation and data alone. Detailed documentation of all steps in the valuation process and Board sign off. <p>Application to submission of TPs</p> <p>Valuation process has been adequately applied to submission of mid year TPs @ 30.6.11 and projected TPs @ 30.12.11</p>	

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

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SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP VALUATION METHODOLOGY (TP)

LLOYD'S

Timing		Q4 2010	Q2 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 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. All of the key areas addressed and most evidenced. 	<ul style="list-style-type: none"> Agents are close to finalising their requirements subject to testing / sign off approvals. 	<ul style="list-style-type: none"> Agents have completed the design, build and test of the element above. Nothing further required to be done except follow process established for regular reviews (unless requirements change). All Solvency II implementation requirements met and regular reviews and maintenance started. Valuation methodology has been adequately applied to TPD and GQD returns submitted Any feedback from TP submissions has been adequately addressed
		<ul style="list-style-type: none"> Complete submission of QIS5 spreadsheet and qualitative questionnaire on a Solvency II realistic basis. <p>Segmentation basis</p> <ul style="list-style-type: none"> Documented mapping process for lines of business to at least the minimum level of granularity as required under Solvency II. Description of the process for segmenting into homogenous groups for premiums, claims and expenses. Where applicable, a clear interpretation of the treatment of segmentation by currency. <p>Underwriting cash-flows</p> <ul style="list-style-type: none"> Description of methodologies used and policies included for premium and claims provisions. Identified and documented potential causes of uncertainty within future cash-flows. <p>Reinsurance and counterpart default exposures</p> <ul style="list-style-type: none"> Description of methodologies used and explicit assessment of reinsurance recoveries and timings, including application of the principle of correspondence. Description of the adjustment for counterparty default exposure. 	<ul style="list-style-type: none"> Submitted year-end / mid-year TP calculation based on latest standards and information. <p>Actuarial and statistical methodologies</p> <ul style="list-style-type: none"> Assessment of capabilities and expertise to ensure commensurate with techniques used. Detailed explanation of how binary events have been allowed for (whether explicit or implicit). <p>Use of simplified methods</p> <ul style="list-style-type: none"> Description of any simplifications made and the rationale behind them. Detailed explanation of the limitations identified in using simplified methods and how these are addressed. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Valuation methodology has been adequately applied to submission of TPs as at 31.12.10 	<ul style="list-style-type: none"> Full documentation of methodologies, processes, justification and any associated short-comings. Sign off on segmentation, methods and assumptions. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Valuation methodology has been adequately applied to submission of mid year TPs @ 30.6.11 and projected TPs @ 30.12.11 	

SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP VALUATION METHODOLOGY (TP)

LLOYD'S

Timing		Q4 2010	Q2 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)
		<p>Expense cash-flows</p> <ul style="list-style-type: none"> • Description of methodologies that include all expenses, allocated and unallocated, incurred in running-off existing business. • Explanation of the allocation process of expenses. <p>Guarantees and options</p> <ul style="list-style-type: none"> • Identification of options and guarantees, and description of methodologies used to assess the inherent uncertainty in the calculation of TPs. <p>Risk margin</p> <ul style="list-style-type: none"> • Description of the approach to calculating risk margins, where the SCR used should consist of at least underwriting, counterparty default, operational and unavoidable market risk. 			
<p><i>Difference between scores in each band should reflect the number of key areas addressed and quality</i></p>					

SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP DATA (TP)

LLOYD'S

Timing		Q4 2010	Q2 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 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. All of the key areas addressed and most evidenced. 	<ul style="list-style-type: none"> Agents are close to finalising their requirements subject to testing / sign off approvals. 	<ul style="list-style-type: none"> Agents have completed the design, build and test of the element above. Nothing further required to be done except follow process established for regular reviews (unless requirements change). All Solvency II implementation requirements met and regular reviews and maintenance started. Data process has been adequately applied to TPD and GQD returns submitted Any feedback from TP submissions has been adequately addressed
		<ul style="list-style-type: none"> Complete submission of QIS5 spreadsheet and qualitative questionnaire on a Solvency II realistic basis. <p>Data quality criteria and thresholds</p> <ul style="list-style-type: none"> Criteria for data quality for it to be used within the TP calculation. Documentation to demonstrate that the grouping of data creates homogeneous risk groups. Evidence of the assessment of suitability of data sources. Description of any reliance on external data and the justification behind its use. <p>Data quality management and review process</p> <p>Description of the data quality management process including:</p> <ul style="list-style-type: none"> definition assessment resolution of problems monitoring <p>for provisioning, and any checks/tests carried out.</p> <ul style="list-style-type: none"> Outlined frequency of data quality assessment and review. 	<p>Data quality management and review process</p> <ul style="list-style-type: none"> Detailed description of data monitoring, including details of internal and external audit on data. Documentation of the application of expert judgement to data quality management. <p>Process for dealing with data deficiencies</p> <ul style="list-style-type: none"> Detailed description of any deficiencies in the data, and how this has been addressed in order to increase quality and quantity of the data. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Data process has been adequately applied to submission of TPs as at 31.12.10 	<ul style="list-style-type: none"> Sign off of data quality criteria and processes. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Data process has been adequately applied to submission of mid year TPs @ 30.6.11 and projected TPs @ 30.12.11 	

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

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SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP ASSUMPTIONS (TP)

LLOYD'S

Timing		Q4 2010	Q2 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 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. All of the key areas addressed and most evidenced. 	<ul style="list-style-type: none"> Agents are close to finalising their requirements subject to testing / sign off approvals. 	<ul style="list-style-type: none"> Agents have completed the design, build and test of the element above. Nothing further required to be done except follow process established for regular reviews (unless requirements change). All Solvency II implementation requirements met and regular reviews and maintenance started. Assumptions process has been adequately applied to TPD and GQD returns submitted Any feedback from TP submissions has been adequately addressed
		<ul style="list-style-type: none"> Complete submission of QIS5 spreadsheet and qualitative questionnaire on a Solvency II realistic basis. <p>Process for assumptions</p> <ul style="list-style-type: none"> Process outlined covering documentation, justification, consistency and validation of assumptions. <p>Identification of assumptions</p> <ul style="list-style-type: none"> Identified both explicit and implicit assumptions across data, analysis, modelling and validation stages, including cash-flow assumptions and changes in environment (legal, demographic, medical, technological, economic etc.) Description of the treatment of inflation. <p>Consistency with financial markets</p> <ul style="list-style-type: none"> Evidence to demonstrate that assumptions, implicit and explicit, are calibrated appropriately relative to financial market information. <p>Consistency with (re)insurance data</p> <ul style="list-style-type: none"> Consideration of consistency with both internal and external (re)insurance data across risk groups and lines of business. 	<p>Assumptions</p> <ul style="list-style-type: none"> Process for ensuring assumptions are consistent over time, and that any changes made are explained, quantified and documented. Ensure level of documentation reflects materiality of assumptions. <p>Justification of assumptions vs. alternatives</p> <ul style="list-style-type: none"> Evidence to demonstrate that assumptions are realistic and reflect nature of cash-flows. Identified any limitations in assumptions and detailed description for how they should be addressed. <p>Future management actions</p> <ul style="list-style-type: none"> Identification of any future management actions considered, when each would be taken and the rationale behind them. Evidence of a process by which the actions will be carried out and reported, including the order in which they will be carried out where this will influence the outcome. Assigned responsibilities to those carrying out the actions. 	<p>Backtesting</p> <ul style="list-style-type: none"> Detailed documentation of backtesting and sensitivity controls. Sign off from the Board. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Assumptions process has been adequately applied to submission of mid year TPs @ 30.6.11 and projected TPs @ 30.12.11 	

SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP ASSUMPTIONS (TP)

LLOYD'S

Timing		Q4 2010	Q2 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)
		Use of expert judgment <ul style="list-style-type: none"> Identify where expert judgment has been used (in relation to calculations, assumptions, methods etc.), the degree of judgment used and verification (including limitations). 	Application to submission of TPs <ul style="list-style-type: none"> Assumptions process has been adequately applied to submission of TPs as at 31.12.10 		
<i>Difference between scores in each band should reflect the number of key areas addressed and quality</i>					

SOLVENCY II SCORING - TECHNICAL PROVISIONS AND STANDARD FORMULA: TP VALIDATION (TP)

LLOYD'S

Timing		Q4 2010	Q3 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 	<ul style="list-style-type: none"> Agent demonstrates clear and detailed understanding of requirements. All of the key areas addressed and most evidenced. 	<ul style="list-style-type: none"> Agents are close to finalising their requirements subject to testing / sign off approvals. 	<ul style="list-style-type: none"> Agents have completed the design, build and test of the element above. Nothing further required to be done except follow process established for regular reviews (unless requirements change). All Solvency II implementation requirements met and regular reviews and maintenance started. Validation process has been adequately applied to TPD and GQD returns submitted Any feedback from TP submissions has been adequately addressed
		<p>Complete submission of QIS5 spreadsheet and qualitative questionnaire on a Solvency II basis.</p> <p>Validation process</p> <ul style="list-style-type: none"> Outline of tools and processes used to ensure methods, assumptions and results are appropriate and relevant. Governance process for review (and independent review) and verification by someone with adequate knowledge, skills and independence. Responsibilities outlined for the actuarial function. 	<p>Detailed description of tools used and explanation of how address any limitations identified.</p> <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Validation process has been adequately applied to submission of TPs as at 31.12.10 	<ul style="list-style-type: none"> Sign off from the Board of the validation process. <p>Application to submission of TPs</p> <ul style="list-style-type: none"> Validation process has been adequately applied to submission of mid year TPs @ 30.6.11 and projected TPs @ 30.12.11 	

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

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