LLOYD'S

Guidance for 2019 Board Attestation - Minimum Standards

December 2018

Contents

Introduction 3

Minimum Standards Self-Assessments 3

Annual Review of Minimum Standards 3

Purpose of Submission 3

Basis of Submission 4

- Key changes 4
- Submission process 4
- Submission letter – Declaration of status against Lloyd's Minimum Standards 4
- Minimum Standards Attestation schedule 5

Lloyd's Review of Submissions 6

Contact 6

Appendices – Submission Templates 6

Introduction

The Lloyd's Minimum Standards cover the minimum requirements for managing a business at Lloyd's including requirements to ensure Solvency II compliance.

To assess the continuing appropriateness of managing agents' internal models, Lloyd's requires the Board of each managing agent to attest to their level of compliance against the Minimum Standards annually.

In December 2015, Lloyd's received PRA Solvency II internal model approval, ahead of the 1 January 2016 implementation of the new Solvency II directives. Managing agents' internal models were included as part of the overall application to the PRA. The link between managing agents' internal models and the Lloyd's internal model is maintained on an ongoing basis in order for Lloyd's to maintain its internal model approval.

Minimum Standards Self-Assessments

Since re-launching the Minimum Standards in July 2014, incorporating Solvency II requirements, Lloyd's reviewed self-assessments from all managing agents against the full suite of Minimum Standards over a 3-year period.

Lloyd's previously notified the Market that there would be no specific rolling self-assessment submissions from 2017 onwards. However, Lloyd's expects managing agents to maintain a process to support the statements made in the Board attestation against the level of compliance with the Minimum Standards.

Self-assessment templates are available on the Minimum Standards webpage:

Go to the Minimum Standards page on lloyds.com

Annual Review of Minimum Standards

Lloyd's undertakes an annual review of the content of the Minimum Standards to ensure their ongoing appropriateness. The 2018 annual review included consultation on all material changes through the Lloyd's Market Association (LMA). The changes, which become effective on 1 January 2019, were communicated to managing agents on 29 October 2018.

These updates, which included a re-numbering of the Minimum Standards, will need to be considered as part of the Board attestation.

Purpose of Submission

The purpose of the Minimum Standards Board attestation is for each managing agent to formally affirm their current position against all Minimum Standards. This will ensure that Lloyd's has an agreed position with each managing agent, which clearly states any outstanding work required to meet the Minimum Standards.

This is a vital element of Lloyd's risk-based approach to overseeing managing agents. It contributes to our baseline view against which oversight activity is proportionately applied to the subject matter areas and syndicates which present the highest risk to Lloyd's.

Basis of Submission

Key changes

The process for the 2019 submission has been amended since 2018, with the key changes being:

1. **RAG rating criteria have been amended**
   We have implemented a new set of RAG (Red, Amber, Green) criteria for rating the current status of each Minimum Standard. Where a requirement of a Minimum Standards is not met, this now requires managing agents to make a judgment of the materiality of the compliance gap to differentiate between Amber and Red ratings. Previously the distinction was based on whether a plan was in place to address the gap.

2. **Summary of the internal process to complete the submission is not required**
   Last year we required managing agents to summarise the process undertaken internally to develop and sign-off the attestation. We gained valuable insight from this activity and do not require this to be repeated by all managing agents. You will be notified individually if we require further information on your process.

3. **Cyber underwriting attestation is not required**
   Last year we required managing agents to submit an attestation on compliance with PRA Supervisory Statement SS4/17 on Cyber Insurance Underwriting Risk. This is not required for 2019.

4. **Overseas platforms**
   This year the Submission letter has been amended slightly to ensure that in signing the attestation, managing agents have also taken into account their operations on the various Lloyd's Overseas platforms.

Submission process

All managing agents are required to submit the formal Board attestation and supporting documents, as detailed below, by close of business on **Friday 29 March 2019**, confirming their current position against the requirements of all Minimum Standards.

The attached templates should be used including the “as at” date of each assessment. The templates should be emailed to oversight.framework@lloyds.com.

Submission letter – Declaration of status against Lloyd’s Minimum Standards

Managing agents are required to use the template letter in Appendix 1 for the Board declaration of status against the Minimum Standards; the wordings of which shall not be altered or changed.

Managing agents should submit a single letter **in PDF format** to cover all syndicates managed.

Lloyd’s expects the Board to have sufficient review of the managing agent’s compliance with the Minimum Standards to provide a satisfactory attestation.

Appendix 1 shall be signed by the CEO or the Lloyd's Senior Nominated Person (provided they are a Director) on behalf of the Board of the managing agent. Lloyd's retains the right to request a copy of the Board minutes to evidence review and challenge during the attestation process.

Lloyd's wishes to see a true and realistic assessment at the point in time of the Board review rather than an optimistic assessment of where the managing agent will be at a particular point in the future. Lloyd's recognises that managing agents which have been established for less than two years may be less progressed in their compliance with the Minimum Standards.

Minimum Standards Attestation schedule

Managing agents are required to use the template schedule in Appendix 2 to indicate their view of compliance against each Minimum Standard. A separate schedule is required for each syndicate managed. The submission should be **in Excel format** to facilitate Lloyd's analysis.

The current position against the Minimum Standards should be set out using the following criteria, **which have changed since the previous attestation submission.** The new criteria are aligned to how Lloyd's assesses Minimum Standards compliance internally.

RAG	Criteria
Red	The managing agent is not meeting at least one requirement from the Minimum Standard. The gap presents a material financial, reputational or operational risk to the syndicate, managing agent, Lloyd's or its policyholders and requires urgent remediation.
Amber	The managing agent is not meeting at least one requirement from the Minimum Standard. The gap requires remediation within a reasonable timeframe.
Green	The managing agent is meeting all requirements of the Minimum Standard.

Where managing agents set their current position to **Red** or **Amber**, information on their plan to move the position to **Green** should be provided in the comments, including reference to specific requirements. Additional comments may be provided where necessary, for example where a RAG rating has changed recently or where it is known that the rating differs from Lloyd's current view.

Lloyd's Review of Submissions

Lloyd's Oversight Managers and oversight teams will review submissions. This may lead to additional follow-up, for example to clarify any changes to RAG ratings.

Feedback following this review will be provided to managing agents by the end of Q2 2019 where necessary, for example to confirm that an improvement in RAG ratings has been accepted internally by Lloyd's.

Contact

All submissions should be sent to: oversight.framework@lloyds.com

Contact your Oversight Manager or the above email address should you have any queries.

Appendices – Submission Templates

The following pages show samples of the submission documents. Templates for these documents are provided separately.

Appendix 1

Letter – Declaration of Status against Lloyd's Minimum Standards

[Full Name}

Oversight Manager

Lloyd's

Via email: oversight.framework@lloyds.com

[Date]

Board Attestation in Respect of [Managing Agent Name – Syndicate no(s)] Current Compliance with Lloyd's Minimum Standards

The Board of [Managing Agent] confirms that:

- the assessment made by the Board of [Managing Agent] is a true and fair view of the compliance with the Lloyd's Minimum Standards as at [insert date] and applies to all syndicate operations, in the UK and overseas.
- the information contained in this letter and the attached "Status of Minimum Standards compliance" schedule is accurate and complete as at [insert date] to the best of our knowledge and we have taken all reasonable steps to ensure that this is the case. All material facts or details relevant to the confirmation have been disclosed.
- these statements have been subject to full Board approval and that we have discharged our responsibilities in line with Lloyd's Governance Minimum Standards.

The Board of [Managing Agent] is aware that firms are required to deal with the PRA, FCA and Lloyd's in an open and cooperative way, including with respect to the provision of information. The Board will notify Lloyd's immediately if there is a significant change to the information given to support the submission.

Yours sincerely

[Signature]

[Full Name]

[CEO/SNP]

On Behalf of the Board of [Managing Agent]

SAMPLE

Appendix 2

Status of Minimum Standards compliance

Managing Agent	
Syndicate Number	
Date	

Minimum Standard		Minimum Standard rating*	Comments Must be completed if rating is not Green. Refer to specific requirements.
1	Underwriting Strategy and Planning	Red	
2	Underwriting Controls	Amber	
3	Price and Rate Monitoring	Green	
4	Governance	Red	
5	Risk Management	Amber	
6	Exposure Management	Green	
7	Reinsurance	Red	
8	Reserving	Amber	
9	Customer Standards	Green	
10	Regulatory	Red	
11	Cyber Security and Data Management	Amber	
12	Scope, Change and Use	Green	
13	Modelling, Design and Implementation	Red	
14	Validation	Amber	
15	Investment Management	Green	

***Minimum Standard rating criteria**

Red	The managing agent is not meeting at least one requirement from the Minimum Standard. The gap presents a material financial, reputational or operational risk to the syndicate, managing agent, Lloyd's or its policyholders and requires urgent remediation.
Amber	The managing agent is not meeting at least one requirement from the Minimum Standard. The gap requires remediation within a reasonable timeframe.
Green	The managing agent is meeting all requirements of the Minimum Standard.

SAMPLE