

Guidance for 2023 Principles Board Attestation

January 2023

Contents

1. The Principles for doing business at Lloyd's	3
2. The Principles Board Attestation	3
3. Completing the Attestation	4
4. What does Lloyd's do with the submissions?	6
5. Contact	6
6. Appendix	7

1. The Principles for doing business at Lloyd's

The Principles for doing business at Lloyd's ("the Principles") are at the heart of our Oversight Framework and set out the fundamental responsibilities expected of all managing agents in order to support the markets' overall performance, capital strength, financial and reputational credibility. The Principles provide a clear and consistent articulation of the outcomes expected by all Lloyd's syndicates and managing agents, and also recognise that different syndicates and managing agents will deliver against the Principles in many different ways.

The Principles are supported by guidance in the form of a Maturity Matrix, which is split into the following Expected Maturity levels:

- Foundational (reflects the maturity expectations for the lowest materiality)
- Intermediate
- Established
- Advanced (reflects maturity expectations for the highest materiality)

The Principles focus on outcomes, rather than requirements, and it is against the outcomes that an assessment should be made. The guidance provided within the Maturity Matrix provides examples and suggestions of how a particular maturity level may be met, but this is not a checklist.

2. The Principles Board Attestation

The Principles Board Attestation ("the Attestation") is an annual process, providing a formal opportunity to share and agree Principle and sub-principle ratings between managing agents and Lloyd's. The Attestation is timed to allow managing agents to resolve any identified issues, prior to Business and Capital Planning.

In 2022 managing agents were asked to submit a "self-assessment". The self-assessment differed from an Attestation in that formal Board sign-off was not required (though sharing with the Board was required).

In 2023 we will return to an "Attestation" process, requiring Board sign-off. This signifies the Principles being fully embedded across the market and within the Corporation.

Lloyd's expects managing agents to maintain a robust process to support the statements made in the Attestation. Managing agents should conduct an exercise to assess themselves against the Principles, considering not only a qualitative view but also what quantitative data is available to support the assessment (indicating whether the outcomes of the Principles are being achieved).

Managing agents will need to decide what level of detail is required for them to conduct the Attestation. This will be unique to each managing agent. We would expect more consideration and discussion to be required on the areas which are most material to the syndicate or managing agent, or where changes have been implemented since the previous submission.

Boards and senior management will need to engage with the Principles and the outcomes that they set out to achieve at the highest level, and not regard them as activities that can be delegated to compliance.

3. Completing the Attestation

3.1 Scope

In 2022, two of the sub-principles for Underwriting Profitability were optional for the self-assessment. Sub-principle 6, Pricing and sub-principle 8, ESG.

These are now mandatory for the 2023 Principles Board Attestation, meaning that all Principles and sub-principles are mandatory for inclusion in the Attestation.

3.2 Assessed Maturity

Managing agents should record their assessed maturity level against each overall Principle and its sub-principles. This is done by selecting the relevant maturity level in the “Managing Agent Assessment of Maturity” column of the submission schedule.

- **Meeting expected maturity level:** Where the managing agent considers that it meets the expected level of maturity it should select the same value as the expected maturity.
- **Exceeding expected maturity level:** It is possible to select an assessed maturity above the expected level, if the managing agent believes it is meeting the higher level. However, there is no additional benefit to the managing agent by doing so, either in the Syndicate Category or any other area. Where a managing agent’s strategy aligns with a higher expected maturity (for example, if it is due to go through a merger or acquisition) this can be used to demonstrate to Lloyd’s the higher capability.
- **Below expected maturity level:** Where the managing agent considers that it does not meet the expected level of maturity it should select an appropriate maturity level below the expected maturity value. This may be one or more levels below, including Below Foundational (the lowest possible assessment).

Where we believe that there is no differentiation between different maturity levels the Maturity Matrix specifies “no incremental guidance”. Where this is the case, the managing agent should nevertheless confirm that they meet their expected maturity. For example, in the case of a managing agent with an expected maturity of Advanced a confirmed assessed maturity of Advanced should be provided on the Attestation even if the Maturity Matrix only sets out guidance up to the Established level for a particular sub-principle.

In a small number of cases a Principle may not apply to a specific syndicate. This is only likely to be relevant for certain Principles (for example, the Outwards Reinsurance Principle may not apply where a syndicate does not buy reinsurance), for RITC or run-off syndicates and other rare exceptions. Where this is the case the Attestation schedule will be pre-populated by Lloyd’s as Not Applicable. Managing agents are not required to complete any rating or commentary against Principles deemed Not Applicable by Lloyd’s.

If managing agents believe their expected maturity should be Not Applicable (rather than Advanced, Established etc) for a particular Principle, the rationale behind this should be clearly explained in the commentary box and the “Managing Agent Assessment of Maturity” column should be left blank.

3.3 Supporting Commentary

Assessments must be supported by concise, outcomes-focused rationale. Commentary should not be a long list of processes and procedures in place.

Where the managing agent's assessment is that the expected maturity has not been met, the commentary must set out the planned remediation and appropriate timescales.

Submissions with inadequate commentary may be returned to managing agents for resubmission.

To help managing agents with completion of the 2023 Attestation we have prepared some good examples of outcomes-based commentary from last year's submissions. This is available on Lloyds.com and is supported by a short video presentation.

[Go to the Principles Board Attestation Guidance page on Lloyds.com](#)

3.4 Syndicate level submissions

A separate submission is required for each syndicate, whether active, in run-off, SPA (Special Purpose Arrangement), RITC (Reinsurance to Close) or SIAB (Syndicate-in-a-box). The requirement for separate submissions will assist Lloyd's market-level analysis.

The following Principles apply at managing agent level. For these Principles, the same rating and commentary must be entered at Principle and sub-principle level for all syndicates managed.

- Claims Management
- Customer Outcomes
- Governance, Risk Management and Reporting
- Regulatory and Financial Crime
- Operational Resilience
- Culture

All other Principles apply at syndicate level and can have specific assessments and commentary for each syndicate managed.

3.5 Submission process and deadline

A template for the Attestation for each syndicate will be uploaded by Lloyd's to every managing agent's SecureShare site within the Market Oversight Documents section by Friday 20 January 2023.

The template will set out the maturity expectations against each of the Principles as determined by the level of materiality of the syndicate and managing agent. This will be consistent with what has already been communicated in 2023 Oversight Letters. If the levels of expected maturity do not align with your expectations this should be discussed with your Account Manager.

A sample of the template is included in Appendix 1.

Managing agents are required to download this template from SecureShare within 30 days of Lloyd's uploading it (after which point it will be automatically deleted in accordance with SecureShare protocols).

The file(s) should be saved and worked on within managing agent's own systems and uploaded to SecureShare once complete.

The template does not allow columns or rows to be added, as this impacts Lloyd's ability to manage the process effectively.

The main deadline for submission is 31 March 2023. However, to accommodate managing agent Board meetings, a window of submission will be available, where managing agents can submit the Attestation(s) up to two weeks before or after the deadline. Attestations should be submitted by midday on 14 April 2023 at the very latest.

Further information about SecureShare is available on [Lloyds.com](https://lloyds.com).

[Go to the SecureShare page on lloyds.com](#)

4. What does Lloyd's do with the submissions?

On receipt of the Attestations, Lloyd's Oversight Framework team will perform initial validation checks. Managing agents will be asked to resubmit if any obvious errors or omissions are found. Templates submitted to Lloyd's with any changes to the original format or structure will require resubmission. A new field has been added to the header of the Attestation schedule for managing agents to confirm a main contact for any queries.

Lloyd's oversight teams will review the maturity assessments and commentary for their relevant Principles. Any queries or feedback will be managed by Lloyd's Account Managers to minimise any potential duplication of similar queries and to ensure the Account Managers are aware of potential concerns.

Any uncertainties from either Lloyd's or managing agents will be clarified, after which an agreed position against each Principle will be confirmed ahead of the Business and Capital Planning process. Discussions will include the consideration of the adequacy of any plans provided to address identified gaps.

Feedback will be provided where necessary to managing agents by 30 June 2023.

There may be cases where Lloyd's and the managing agent do not agree on a Principle or sub-principle rating. Both views will be available to Lloyd's teams. It is always the Lloyd's view which is used in the calculation of the syndicate category and in any other oversight decisions.

5. Contact

Any questions should be sent to: oversight.framework@lloyds.com in the first instance. Account Managers and contacts within Lloyd's oversight teams may be included in any queries.

6. Appendix

6.1 Submission template sample

Lloyd's Principles for Doing Business - Board Attestation

Managing Agent	Managing Agent Limited
Syndicate Number	1234
Date shared with Board	23/03/2023
Main contact for queries	name.surname@email.com

Guidance

A separate submission is required for each syndicate managed, whether active, in run-off, SPA (Special Purpose Arrangement), RITC (Reinsurance to Close) or SIAB (Syndicate-in-a-box).

The following Principles apply at managing agent level. The same rating and commentary should be entered at Principle and sub-principle level for all syndicates managed.

- Claims Management
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All other Principles apply at syndicate level and can have specific assessments and commentary for each syndicate managed.

Principle	Expected Maturity	Managing Agent Assessment of Maturity	Commentary
			To include: - Rationale, where expected maturity level is met. This should be concise and outcomes-focused, not a list of processes in place. - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners.
1. Underwriting Profitability Managing agents should produce and execute syndicate business plans which are logical, realistic and achievable and ensure the delivery of a sustainable profit including expense management. To support this, managing agents should ensure their syndicates:	Established		
Sub Principle 1 Have a clear and robust medium to long term business strategy with clearly defined and understood underwriting risk appetite	Established		
Sub Principle 2 Develop and execute annual business plans which align with their business strategy	Established		
Sub Principle 3 Have underwriting controls, monitoring and reporting in place which are appropriate to their risk profile in order to deliver the agreed business plan	Established		
Sub Principle 4 Manage and control expenses in order to ensure they are appropriate for the business written	Established		
Sub Principle 5 Have robust portfolio management in place in order to deliver the agreed business plan	Established		
Sub Principle 6 Have an effective pricing framework in place in order to evaluate sustainable technical price, rate adequacy and deliver sustainable profit	Established		
Sub Principle 7 Have robust governance processes in place to support underwriting decision making, with underwriting assumptions clearly articulated and understood by stakeholders supported by proactive involvement and sufficient challenge by the wider functions	Established		
Sub Principle 8 Have processes in place to support underwriting decision making in relation to ESG integration into underwriting	Established		
2a. Catastrophe Exposure - Natural Catastrophe Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from natural perils) in line with business strategy. To support this, managing agents should ensure their syndicates:	Intermediate		
Sub Principle 1 Manage catastrophe exposure in line with their agreed risk appetites	Intermediate		
Sub Principle 2 Employ data standards, risk quantification tools, controls, expertise, and reporting frameworks which are appropriate to their risk profile	Intermediate		
Sub Principle 3 Adequately justify and validate methodology and assumptions, including expert judgements	Intermediate		
Sub Principle 4 Have a complete representation of catastrophe risk in the internal model, reflecting all possible sources of loss and allowing effective use by wider business functions	Intermediate		
Sub Principle 5 Have robust governance and oversight of risk aggregations	Intermediate		
2b. Catastrophe Exposure - Non-Natural Catastrophe Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from non-natural perils) in line with business strategy. To support this, managing agents should ensure their syndicates:	Advanced		
Sub Principle 1 Manage catastrophe exposure in line with their agreed risk appetites	Advanced		
Sub Principle 2 Employ data standards, risk quantification tools, controls, expertise, and reporting frameworks which are appropriate to their risk profile	Advanced		
Sub Principle 3 Adequately justify and validate methodology and assumptions, including expert judgements	Advanced		
Sub Principle 4 Have a complete representation of catastrophe risk in the internal model, reflecting all possible sources of loss and allowing effective use by wider business functions	Advanced		
Sub Principle 5 Have robust governance and oversight of risk aggregations	Advanced		

Sample