

Project Rio Technical Briefing Sessions

Customer Outcomes

28 January 2022

Lyndsay Deeves and Janine Powell

Agenda

Agenda Item	Timings
1. Oversight framework overview – <i>what is it and how will it work?</i> - Overview of the broader framework - How will it work for Customer Outcomes?	20 mins 15 mins
2. Case studies – bringing the framework to life	25 mins
3. Self-Assessments	5 mins
4. Next steps	5 mins
5. Q&A	20 mins

Oversight Framework:

Overview of broader framework

Lyndsay Deeves

Pre-recorded

Oversight Framework

Focussing on what matters

Providing the best run syndicates the space to grow, whilst ensuring appropriate and proportionate oversight across businesses performing poorly against Lloyd's financial and non-financial expectations

Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business to thrive	5. Lloyd's oversight is decisive and impactful for substandard managing agents	6. Lloyd's places primary responsibility for oversight on managing agents' boards and management
7. Lloyd's oversight is risk-based and proportionate	8. Lloyd's oversight is holistic and joined up	9. Lloyd's oversight is objective and data driven

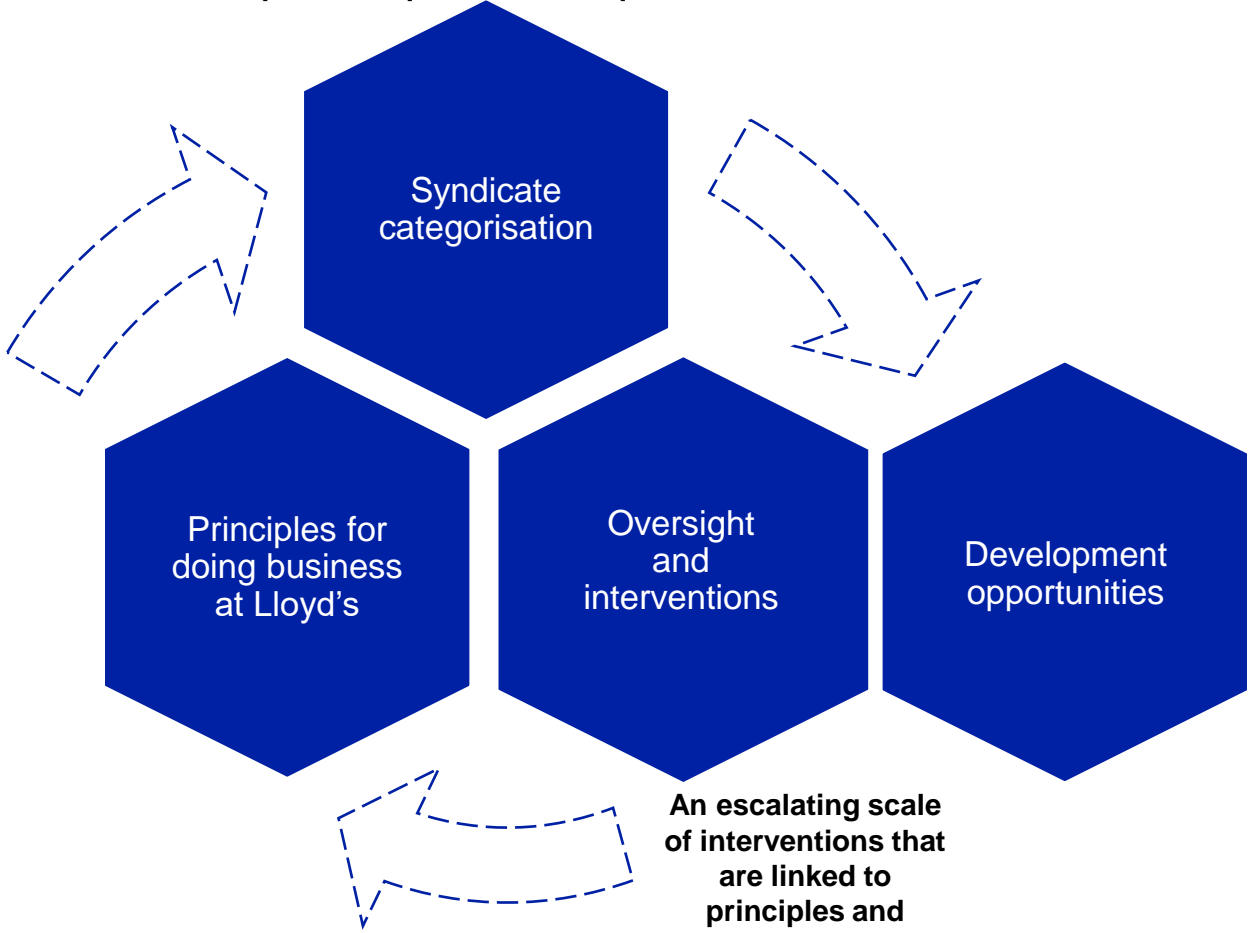
Oversight Framework

Three interlinking elements that work together to support more differentiated and impactful oversight

Principles defined across all oversight areas

PERFORMANCE	1. Underwriting Profitability
	2. Catastrophe Exposure
	3. Outwards Reinsurance
	4. Claims Management
	5. Customer Outcomes
	6. Reserving
SOLVENCY	7. Capital
	8. Investment
	9. Liquidity
OPERATIONAL	10. Governance, Risk Management and Reporting
	11. Regulatory and Financial Crime
	12. Operational resilience
	13. Culture

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Growth and development opportunities for the best run businesses

An escalating scale of interventions that are linked to principles and overall syndicates categorisation

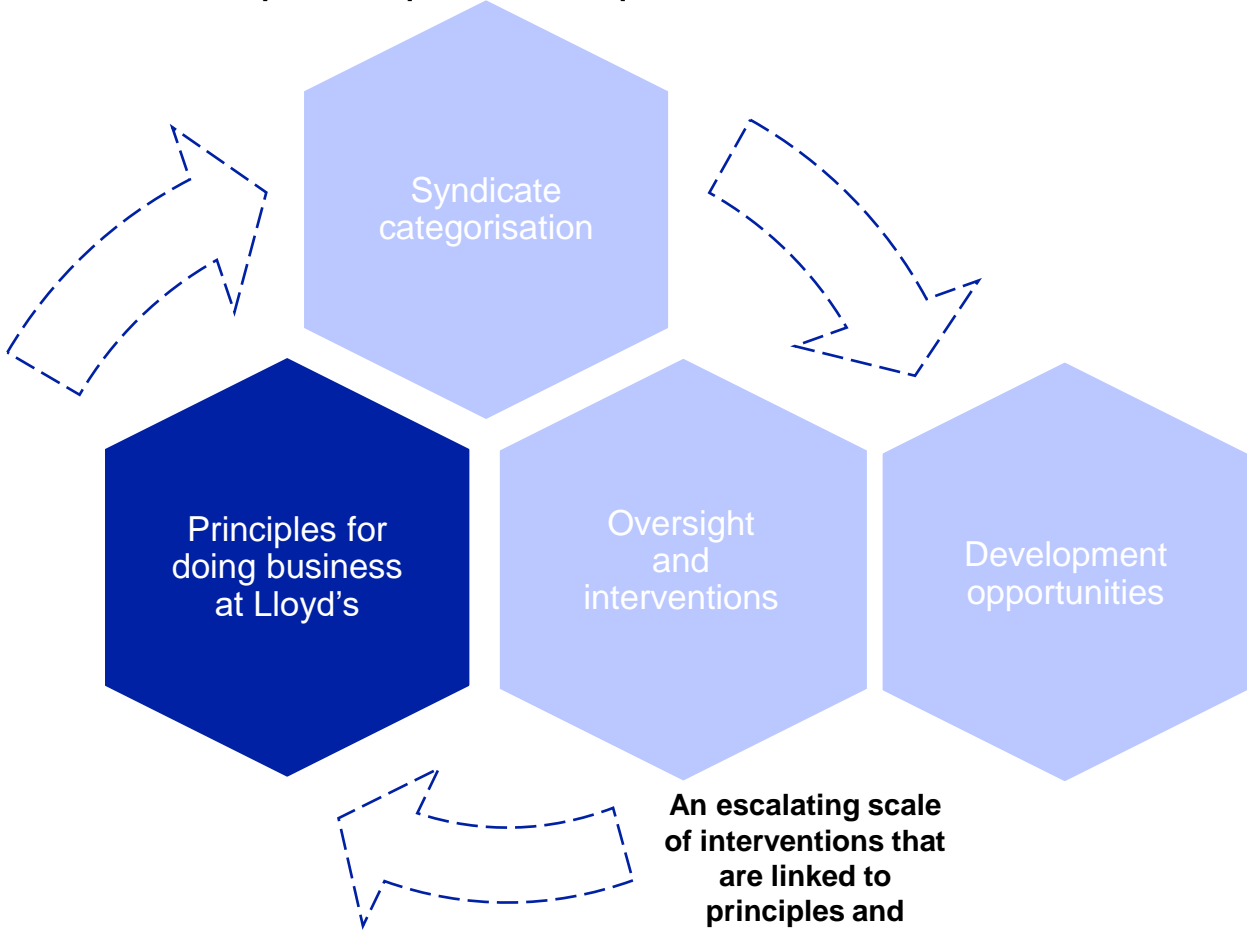
Oversight Framework

Three interlinking elements that work together to support more differentiated and impactful oversight

Principles defined across all oversight areas

PERFORMANCE	1. Underwriting Profitability
	2. Catastrophe Exposure
	3. Outwards Reinsurance
	4. Claims Management
	5. Customer Outcomes
	6. Reserving
SOLVENCY	7. Capital
	8. Investment
	9. Liquidity
OPERATIONAL	10. Governance, Risk Management and Reporting
	11. Regulatory and Financial Crime
	12. Operational resilience
	13. Culture

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Growth and development opportunities for the best run businesses

An escalating scale of interventions that are linked to principles and overall syndicates categorisation

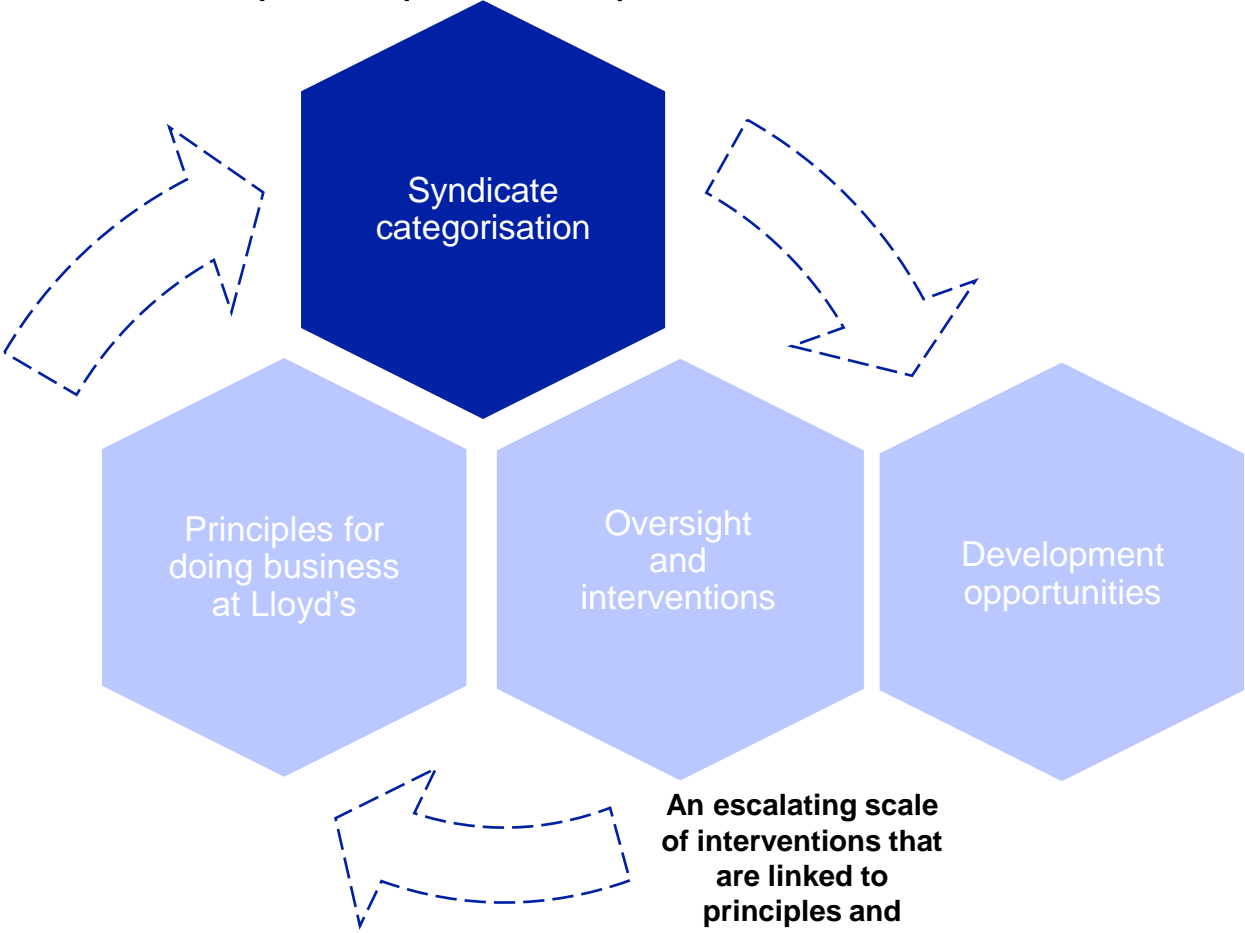
Oversight Framework

Three interlinking elements that work together to support more differentiated and impactful oversight

Principles defined across all oversight areas

PERFORMANCE	1. Underwriting Profitability
	2. Catastrophe Exposure
	3. Outwards Reinsurance
	4. Claims Management
	5. Customer Outcomes
	6. Reserving
SOLVENCY	7. Capital
	8. Investment
	9. Liquidity
OPERATIONAL	10. Governance, Risk Management and Reporting
	11. Regulatory and Financial Crime
	12. Operational resilience
	13. Culture

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Growth and development opportunities for the best run businesses

An escalating scale of interventions that are linked to principles and overall syndicates categorisation

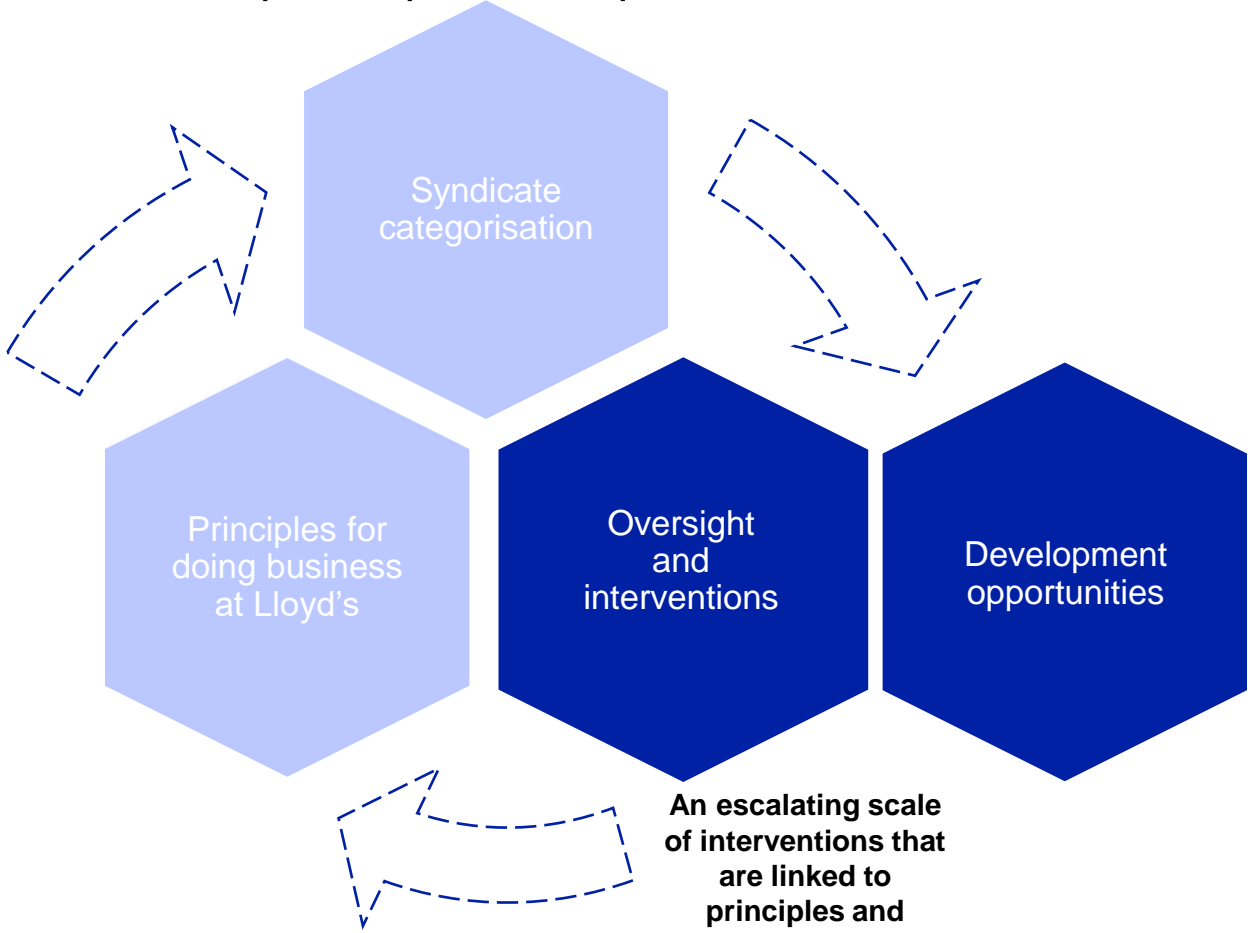
Oversight Framework

Three interlinking elements that work together to support more differentiated and impactful oversight

Principles defined across all oversight areas

PERFORMANCE	1. Underwriting Profitability
	2. Catastrophe Exposure
	3. Outwards Reinsurance
	4. Claims Management
	5. Customer Outcomes
	6. Reserving
SOLVENCY	7. Capital
	8. Investment
	9. Liquidity
OPERATIONAL	10. Governance, Risk Management and Reporting
	11. Regulatory and Financial Crime
	12. Operational resilience
	13. Culture

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis

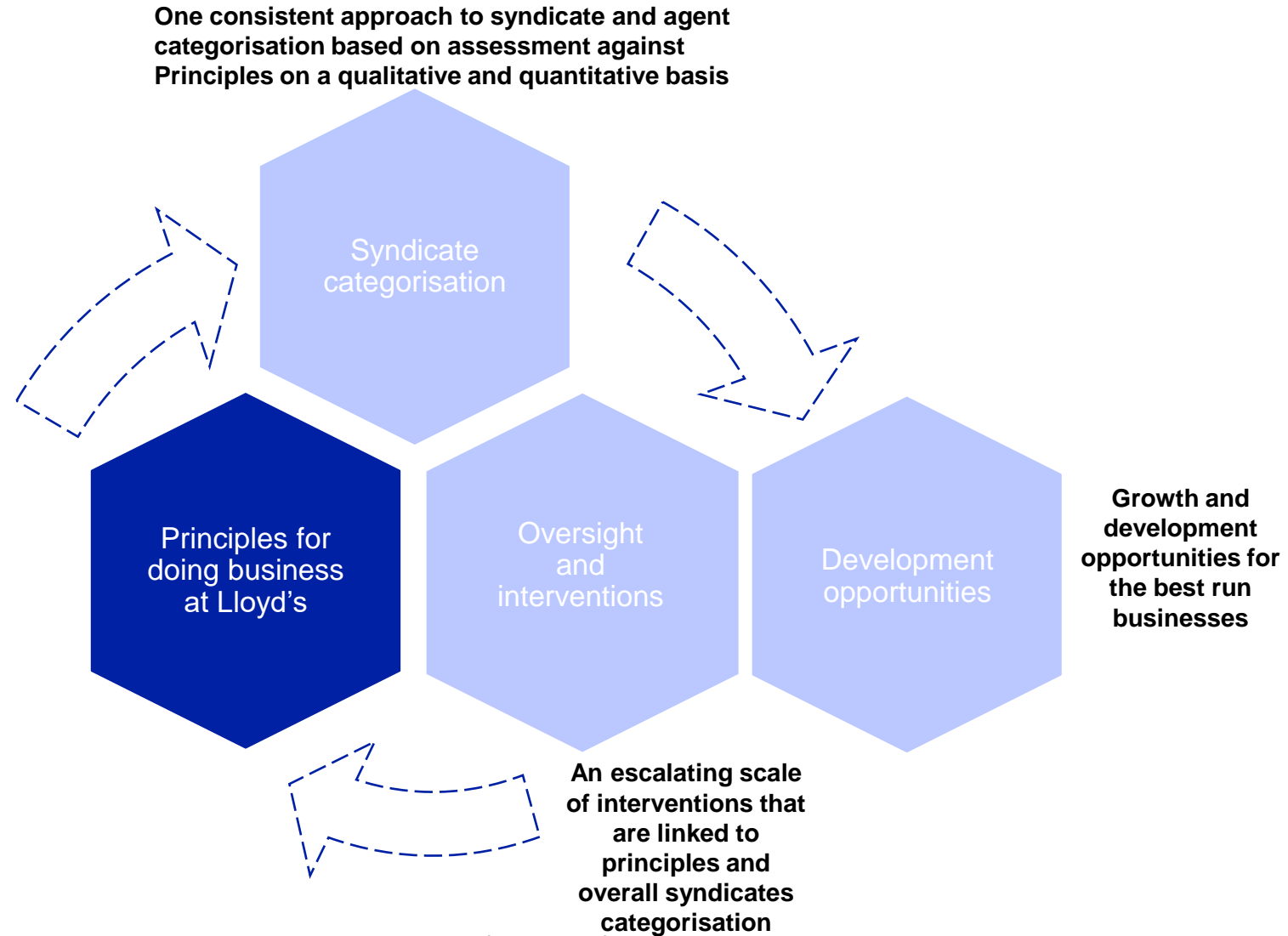


Growth and development opportunities for the best run businesses

An escalating scale of interventions that are linked to principles and overall syndicates categorisation

Oversight Framework

The Lloyd's Principles



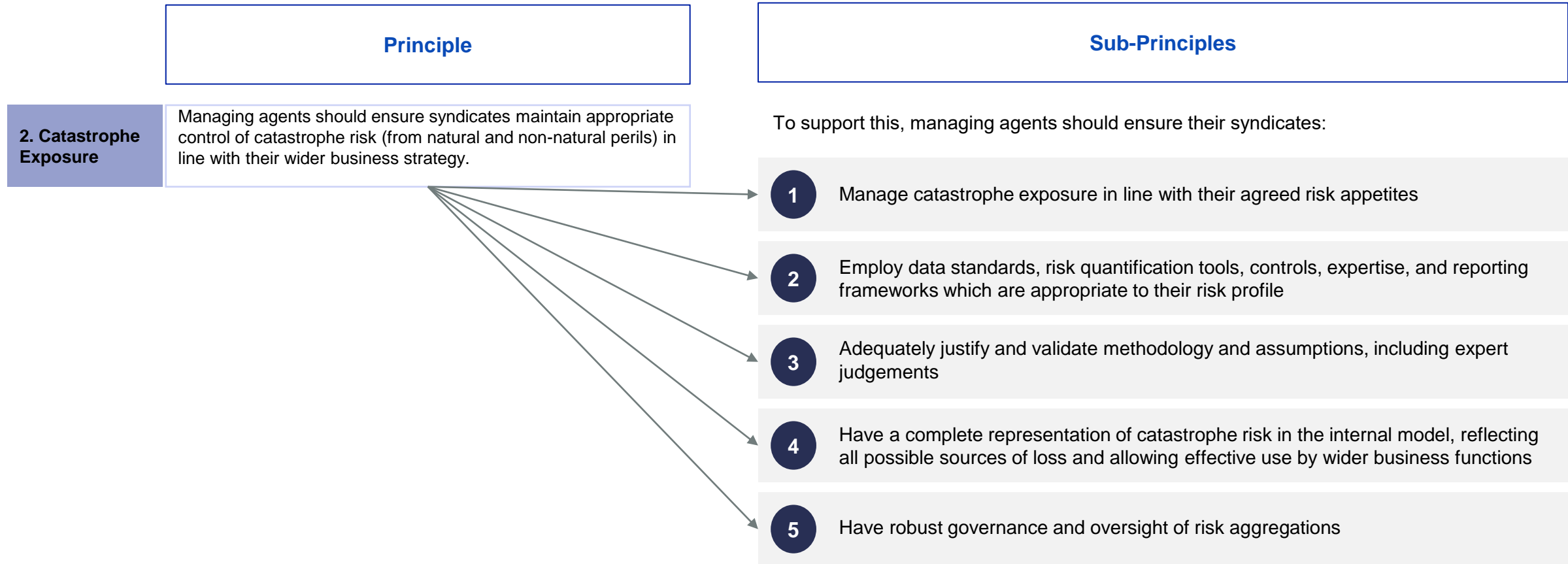
Oversight Framework

The 13 Lloyd's Principles

PERFORMANCE	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.	SOLVENCY	7. Capital	Managing agents should ensure syndicates' Solvency Capital Requirement (SCR) appropriately reflects their risk profile and is calculated using a Solvency II compliant internal model.
	2. Catastrophe Exposure	Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from natural and non-natural perils) in line with their wider business strategy.		8. Investment	Managing agents should ensure syndicate investment risk is effectively controlled, informed by wider business strategy and adheres to the Prudent Person Principle (PPP) requirements.
	3. Outwards Reinsurance	Managing agents should define and execute syndicate outwards reinsurance strategy and purchasing plans which effectively support the wider syndicate business strategy and objectives.		9. Liquidity	Managing agents should ensure syndicates have contractual access to sufficient liquidity in order to withstand a severe liquidity event (defined by Lloyd's), underpinned by a robust liquidity risk management framework.
	4. Claims Management	Managing agents should ensure that they have a claims commitment in place which is designed to deliver a high-quality claims service which includes a prompt and fair customer service, efficient and effective claims handling, and compliance with legal and regulatory obligations.	OPERATIONAL	10. Governance, Risk Management and Reporting	Managing agents should have governance structures and internal risk management and control frameworks in place which align to Solvency II requirements, enable sound and prudent management of the business and support delivery of the business strategy.
	5. Customer Outcomes	Managing agents should embed a culture and associated behaviours throughout their business to ensure that they consistently focus on good customer outcomes and that products provide fair value.		11. Regulatory and Financial Crime	Managing agents should have robust frameworks in place to assess and address regulatory and financial crime risks arising from their UK and international businesses. Frameworks should support compliance with law, regulation and guidance, and allow for well informed, transparent relationships with Lloyd's and applicable regulators.
	6. Reserving	Managing agents should ensure syndicates set reserves which are underpinned by a robust reserving process. All Actuarial Function requirements should be met in line with Solvency II.		12. Operational resilience	Managing agents should maintain robust and resilient operations, embedding cyber resilience and effective third-party risk management.
		13. Culture		Managing agents should be diverse, creating an inclusive and high-performance culture.	

Oversight Framework

Principles and Sub-Principles



Oversight Framework

The Maturity Matrices

Materiality to the Principles informs expected sophistication

Indicators & suggestions – *not* requirements

Foundational broadly aligns with the expectations from the **previous minimum standards**

Read from left to right, as the guidance at one level can be understood as the starting point for the next.

Sub Principle →

Guidance →

Maturity Matrix

CATASTROPHE EXPOSURE

1 Manage catastrophe exposure in line with their agreed risk appetites.

	Foundational	Intermediate	Established	Advanced
Risk Appetites	<ul style="list-style-type: none"> Catastrophe risk appetite statements are in place; exposures are monitored against appetite and reported to senior management and the board. Business plans reflect catastrophe risk appetites 	<ul style="list-style-type: none"> Catastrophe risk appetites are derived with consideration of View of Risk. There is a clear link between risk appetite and business strategy and decision-making. 	<ul style="list-style-type: none"> Catastrophe risk appetites are cascaded to relevant business functions and are supported by tolerances, limits, and breach management processes. Risk appetites inform decision-making at each level, within the exposure management teams and other functions. 	<ul style="list-style-type: none"> Catastrophe risk appetites are clearly embedded at every level, with changes communicated and used efficiently. Statements may be forward-looking, and themselves reactive to external events, business plan changes, and feedback loops.

Low materiality → Moderate materiality → High materiality → Highest materiality

Oversight Framework

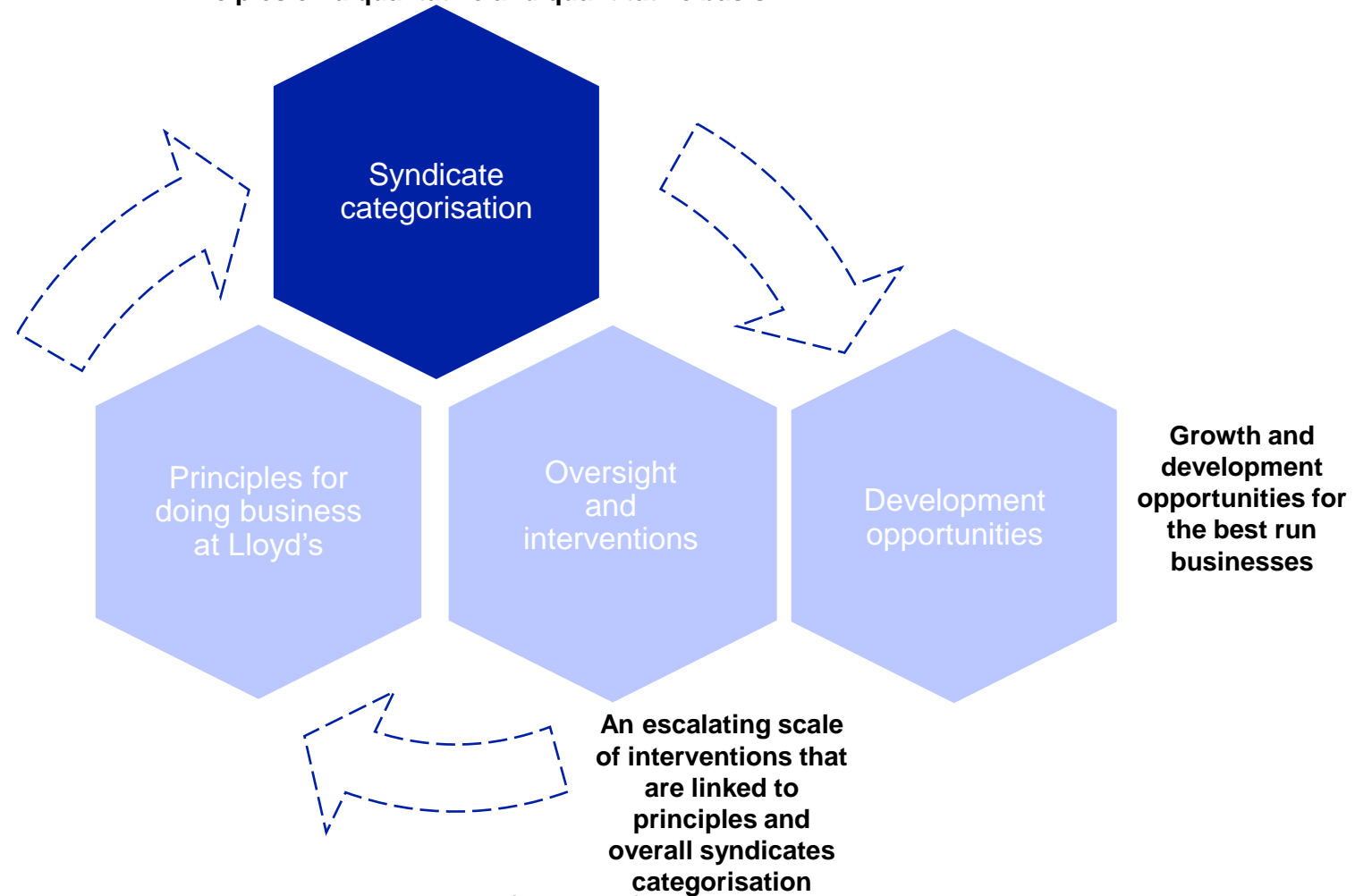
Levels of maturity – generic definitions

FOUNDATIONAL <i>(Low materiality)</i>	INTERMEDIATE <i>(Moderate materiality)</i>	ESTABLISHED <i>(High materiality)</i>	ADVANCED <i>(Highest materiality)</i>
Syndicate with foundational capabilities.	Syndicate with intermediate capabilities.	Syndicate with established capabilities.	Syndicate with advanced capabilities.
Core competencies and processes in place to effectively manage lower materiality risk exposure	Consistent with good market practice observed at Lloyd's, demonstrating comprehensive, well embedded processes to effectively manage moderate materiality risk exposure	Consistent with strong practice observed at Lloyd's and globally, demonstrating sophisticated processes and strong capabilities to effectively manage high materiality risk exposure	Consistent with Lloyd's and global best practice, showing leadership on emerging techniques, and proactively supporting Lloyd's in improving standards across the market

Oversight Framework

Syndicate categorisation

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Oversight Framework

Syndicate categorisation

Oversight Dimensions		Expected Maturity
Performance	Underwriting Profitability	Advanced
	Catastrophe Exposure	Established
	Outwards Reinsurance	Foundational
	Claims Management	Intermediate
	Customer Outcomes	Intermediate
	Reserving	Advanced
Solvency	Capital	Established
	Investments	Established
	Liquidity	Foundational
Operational	Governance, Risk Management and Reporting	Established
	Regulatory and Financial Crime	Intermediate
	Operational Resilience	Foundational
	Culture	Foundational

Oversight Framework

Syndicate categorisation

Oversight Dimensions		Expected Maturity	Actual Maturity
Performance	Underwriting Profitability	Advanced	Intermediate
	Catastrophe Exposure	Established	Established
	Outwards Reinsurance	Foundational	Foundational
	Claims Management	Intermediate	Foundational
	Customer Outcomes	Intermediate	Foundational
	Reserving	Advanced	Advanced
Solvency	Capital	Established	Foundational
	Investments	Established	Established
	Liquidity	Foundational	Foundational
Operational	Governance, Risk Management and Reporting	Established	Foundational
	Regulatory and Financial Crime	Intermediate	Intermediate
	Operational Resilience	Foundational	Foundational
	Culture	Foundational	Foundational

Oversight Framework

Syndicate categorisation

Dimension Rating
Meets expectation
Marginally below expectation
Below expectation
Well below expectation

Oversight Dimensions		Expected Maturity	Actual Maturity	Dimension Rating
Performance	Underwriting Profitability	Advanced	Intermediate	Below expectations
	Catastrophe Exposure	Established	Established	Meets expectations
	Outwards Reinsurance	Foundational	Foundational	Meets expectations
	Claims Management	Intermediate	Foundational	Marginally below expectations
	Customer Outcomes	Intermediate	Foundational	Marginally below expectations
	Reserving	Advanced	Advanced	Meets expectations
Solvency	Capital	Established	Foundational	Below expectations
	Investments	Established	Established	Meets expectations
	Liquidity	Foundational	Foundational	Meets expectations
Operational	Governance, Risk Management and Reporting	Established	Foundational	Below expectations
	Regulatory and Financial Crime	Intermediate	Intermediate	Meets expectations
	Operational Resilience	Foundational	Foundational	Meets expectations
	Culture	Foundational	Foundational	Meets expectations

Oversight Framework

Syndicate categorisation

Dimension Rating
Meets expectation
Marginally below expectation
Below expectation
Well below expectation

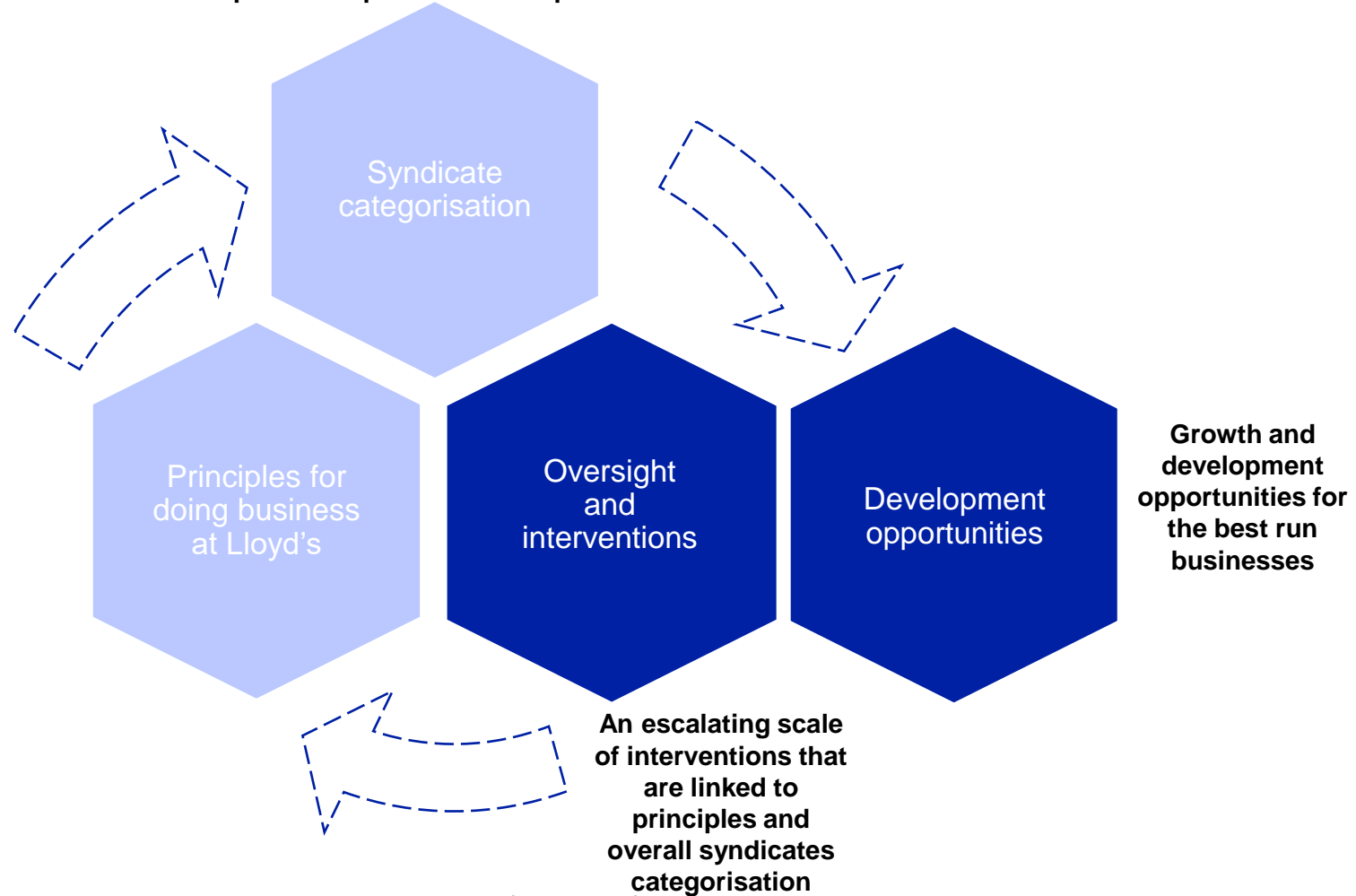
Oversight Dimensions		Expected Maturity	Actual Maturity	Dimension Rating	UNDERPERFORMING
Performance	Underwriting Profitability	Advanced	Intermediate	Below expectations	
	Catastrophe Exposure	Established	Established	Meets expectations	
	Outwards Reinsurance	Foundational	Foundational	Meets expectations	
	Claims Management	Intermediate	Foundational	Marginally below expectations	
	Customer Outcomes	Intermediate	Foundational	Marginally below expectations	
	Reserving	Advanced	Advanced	Meets expectations	
Solvency	Capital	Established	Foundational	Below expectations	
	Investments	Established	Established	Meets expectations	
	Liquidity	Foundational	Foundational	Meets expectations	
Operational	Governance, Risk Management and Reporting	Established	Foundational	Below expectations	
	Regulatory and Financial Crime	Intermediate	Intermediate	Meets expectations	
	Operational Resilience	Foundational	Foundational	Meets expectations	
	Culture	Foundational	Foundational	Meets expectations	

OUTPERFORMING
GOOD
MODERATE
UNDERPERFORMING
UNACCEPTABLE

Oversight Framework

Oversight / Interventions and Development Opportunities

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Oversight Framework

Interventions Playbook

		<i>Robust intervention for underperformers</i>			<i>Development encouraged for the best</i>	
Overall syndicate categorisation	Unacceptable	Underperforming	Moderate	Good	Outperforming	
	<p><i>Capability and performance well below expectations with all avenues to remediate exhausted</i></p> <ul style="list-style-type: none"> • Immediate action required • Full range of Interventions used 	<p><i>Capability and performance below expectations</i></p> <ul style="list-style-type: none"> • Robust intervention taken • Rapid remediation with close monitoring and escalation 	<p><i>Capability and performance marginally below expectations</i></p> <ul style="list-style-type: none"> • Targeted oversight into higher risk areas • Moderate Interventions in place 	<p><i>Capability and performance in line with expectations</i></p> <ul style="list-style-type: none"> • Targeted monitoring / oversight • Minimal intervention 	<p><i>Capability in line with expectations and supported by Best in class performance</i></p> <ul style="list-style-type: none"> • Highly targeted / reduced oversight • Interventions by exception 	
Overall Interventions	<ul style="list-style-type: none"> • Execute approved run off plan • Appoint new Managing Agent 	<ul style="list-style-type: none"> • Instruct independent reviews • Remediation plan in place, with senior management • Quarterly check-in with Board on progress against remediation plan • Regulators notified • Restrict development, subject to completion of remedial actions • Increased frequency of Principles attestations • Increased reporting and escalation to governance Committees • Contingent run-off plan in place 	<ul style="list-style-type: none"> • Increased Account Manager and ELG engagement to ensure higher risk areas being remediated • Development only supported in areas where justified • New syndicates not supported until higher risk areas remediated 	<ul style="list-style-type: none"> • Option for file and use plan if demonstrated to be Logical, Realistic and Achievable • Proactive Development support and Account Management, including supporting establishing new syndicates/SPA/SIAB • Engagement more weighted towards development than oversight 	<ul style="list-style-type: none"> • File and Use business plans (subject to safeguards) • Light capital reviews (subject to safeguards) • No New Syndicate Load applied • Proactive Development support and Account Management, including supporting establishing new syndicates/SPA/SIAB • Cat Risk Appetite "Flex" permitted – more generous capitalisation rates in terms of any LCM5 CRA year-on-year growth • Reduced involvement in thematic review except where best practice view is desired • Inclusion of managing agents in key working groups which shape the market • Promote in external campaigns 	

Oversight Framework

How will it work for Customer Outcomes?

Oversight Framework – Customer Outcomes

What is the Customer Outcomes Principle seeking to achieve?

Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business to thrive	5. Lloyd's oversight is decisive and impactful for substandard managing agents	6. Lloyd's places primary responsibility for oversight on managing agents' boards and management
7. Lloyd's oversight is risk-based and proportionate	8. Lloyd's oversight is holistic and joined up	9. Lloyd's oversight is objective and data driven



Customer outcomes



Culture



Fair value



Product lifecycle



Brand & reputation



Third parties

Principle

Managing agents should embed a culture and associated behaviours throughout their business to ensure that they consistently focus on good customer outcomes and that products provide fair value.

To support this, managing agents should:

1. Ensure the conduct culture set by the board promotes good customer outcomes throughout the product lifecycle and supports the protection of Lloyd's brand, reputation and regulatory standing worldwide
2. Design and oversee products through suitable governance structures that meet the expectations of the target market
3. Ensure there are no barriers to easily accessing clear and fair sales and post sales services
4. Deliver fair and prompt claims and complaints handling services in line with a clear servicing commitment
5. Engage, manage and oversee third-party service providers in accordance with the outsourcing strategy and the standard of service set by the managing agent
6. Ensure regular and robust oversight of customer outcomes is achieved, using data and qualitative assessment

Oversight Framework – Customer Outcomes

Defining expected maturity

Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business to thrive	5. Lloyd's oversight is decisive and impactful for substandard managing agents	6. Lloyd's places primary responsibility for oversight on managing agents' boards and management
7. Lloyd's oversight is risk-based and proportionate	8. Lloyd's oversight is holistic and joined up	9. Lloyd's oversight is objective and data driven

Dimension	Materiality measure	Low Foundational	Moderate Intermediate	Highest Advanced
Principle 5: Customer Outcomes	<i>Eligible Complainants drives overall materiality:</i> • Eligible complainants (Absolute number)	0	1 - 250k	>250k
	<i>Informs materiality of sub-principle 5 only (relating to DA business).</i> • Active Lead Binders (Absolute number)			>100

- Applies at managing agent level
- Three levels of materiality defined – Foundational, Intermediate & Advanced
- Materiality designed to align with the type of business written
 - Foundational level applies to larger commercial and reinsurance business.
 - Intermediate and Advanced apply to writers of business for individual, micro enterprise or SME policyholders
- Management of delegated business (sub-principle 5) – the materiality of this sub-principle may be elevated to Advanced due to higher volumes of binder business. This has already been communicated to relevant managing agents in their Oversight Letters.

Oversight Framework – Customer Outcomes

How to assess performance against the Principles?

Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business to thrive	5. Lloyd's oversight is decisive and impactful for substandard managing agents	6. Lloyd's places primary responsibility for oversight on managing agents' boards and management
7. Lloyd's oversight is risk-based and proportionate	8. Lloyd's oversight is holistic and joined up	9. Lloyd's oversight is objective and data driven

Qualitative assessment

- Routine engagement with managing agents
- Review of managing agent committee packs
- Managing agent self-assessments
- Deep dive reviews
- Thematic reviews
- Insights from other relevant Lloyd's teams
 - Claims Performance
 - Complaints
 - Audit
 - Delegated Authority
- Product Lifecycle Reviews – product approval and review - *NEW*

Quantitative assessment

- Claims Performance
- Complaints Performance
- Complaints MI – development of complaints MI to analyse complaints trends and root cause analysis of particular products and arrangements - *NEW*
- Delegated authority MI – implementation of DDM - *NEW*

Assessment supported by quarterly discussions across relevant teams

Oversight Framework – Customer Outcomes

Interventions specific to Customer Outcomes

Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business to thrive	5. Lloyd's oversight is decisive and impactful for substandard managing agents	6. Lloyd's places primary responsibility for oversight on managing agents' boards and management
7. Lloyd's oversight is risk-based and proportionate	8. Lloyd's oversight is holistic and joined up	9. Lloyd's oversight is objective and data driven



Dimension	Well below expectations	Below expectations	Marginally below expectations	Meeting expectations
Customer Outcomes	<ul style="list-style-type: none"> Remove permission to write retail business 	<ul style="list-style-type: none"> Third party supports strongly recommended Enforce dedicated resources or contact points Quarterly review Product remediation Limit retail business until remediated De-register a coverholder Refuse new coverholder binder Managing Agent to produce remediation plan (with Board sign-off) to be approved by Lloyd's Requirement to undertake detailed Principles review (either internally, e.g. Internal Audit, or externally) Third party support mandated 	<ul style="list-style-type: none"> Half yearly review Product Review 	<ul style="list-style-type: none"> Support growth of retail Reduced frequency of oversight monitoring

Case studies

Bringing the Framework to life for Customer Outcomes

Case Study

Customer Outcomes – sub-principle 1

CUSTOMER OUTCOMES

1 Ensure the conduct culture set by the board promotes good customer outcomes throughout the product lifecycle and supports the protection of Lloyd's brand, reputation and regulatory standing worldwide.

Foundational	Intermediate	Advanced
<ul style="list-style-type: none"> Members of the board demonstrate their commitment to the defined conduct culture through their decision taking, and this is also promoted in appropriate presentations and communications both internally and with third parties. There is strong customer challenge in connection with business planning and strategy. Suitable information is made available to the board to enable them to assess whether the conduct culture is embedded throughout the business. 	<ul style="list-style-type: none"> No incremental guidance 	<ul style="list-style-type: none"> No incremental guidance

Expected Maturity: Intermediate
Actual Maturity: Intermediate



Assessment / Indicators

- Board / Exec regularly emphasise the importance of good customer outcomes in communications with staff – e.g. intranet and town halls
- Board is presented with Conduct MI demonstrating whether good customer outcomes are being achieved
- Business planning and strategy discussions at Board level evidence consideration of conduct related matters
- Board is involved in decision making on key conduct related matters
- A Board member sits on the Conduct Committee
- CEO award for employees demonstrating exemplary customer service

Outcomes

- Strong conduct culture
- MI appropriate for decision-making
- Good customer outcomes

Interventions / incentives

- Support growth of retail
- Reduced frequency of oversight monitoring

Case study

Customer Outcomes

Principle	Expected Maturity	Assessed Maturity
<p>Managing agents should embed a culture and associated behaviours throughout their business to ensure that they consistently focus on good customer outcomes and that products provide fair value.</p> <p>To support this, managing agents should:</p>	INTERMEDIATE	INTERMEDIATE
<p>1 Ensure the conduct culture set by the board promotes good customer outcomes throughout the product lifecycle and supports the protection of Lloyd's brand, reputation and regulatory standing worldwide</p>	Intermediate	Intermediate
<p>2 Design and oversee products through suitable governance structures that meet the expectations of the target market</p>	Intermediate	Intermediate
<p>3 Ensure there are no barriers to easily accessing clear and fair sales and post sales services</p>	Intermediate	Intermediate
<p>4 Deliver fair and prompt claims and complaints handling services in line with a clear servicing commitment</p>	Intermediate	Intermediate
<p>5 Engage, manage and oversee third-party service providers in accordance with the outsourcing strategy and the standard of service set by the managing agent</p>	Intermediate	Intermediate
<p>6 Ensure regular and robust oversight of customer outcomes is achieved, using data and qualitative assessment</p>	Intermediate	Intermediate

Principle level assessment

The overall rating meets expectations of Intermediate as a result of all sub-principles meeting expected levels and the overall view that the culture and behaviours are appropriate to promote good customer outcomes and fair value.

We have seen clear evidence of a strong conduct culture resulting in good customer outcomes.

The managing agent is able to demonstrate an established and thorough process for approving products and appointing third-party providers. Through the use of Conduct MI the managing agent regularly monitors the performance of its products and third-party providers and takes remedial action as necessary.

Case Study

Customer Outcomes – sub-principle 5

CUSTOMER OUTCOMES

5 Engage, manage and oversee third-party service providers in accordance with the outsourcing strategy and the standard of service set by the managing agent

Foundational	Intermediate	Advanced
<ul style="list-style-type: none"> Processes are in place to ensure that appropriate due diligence is completed and performance is suitably monitored. Terms of delegation and applicable service standards, reporting and audit obligations and termination provisions are established and clearly communicated to third-party service providers. 	<ul style="list-style-type: none"> Pre-engagement assessments used to establish that third-party service providers have the capabilities to sell and service the specific products to the identified target market and to meet the service standards expected both in relation to operational performance and customer outcomes. Suitable quality control programmes are in place to ensure that product and service specific goals and performance targets for operational and qualitative outcomes are met. 	<ul style="list-style-type: none"> Frequent engagement with third-party service providers to, for example, share information and provide training to improve services and ensure more consistent decision making.



Expected Maturity: Intermediate
Actual Maturity: Below Foundational

Likely impact to overall Dimension Rating

Assessment / Indicators

- Managing agent does not have a process in place for reviewing bordereaux or otherwise obtaining conduct MI
- Managing agent monitors bordereaux production but does not take steps to chase missing bordereaux
- Service standards for third party service providers are not documented and/or monitored to ensure good customer outcomes

Outcomes

- Failure and inability to monitor whether good customer outcomes are being achieved

Interventions / incentives

- Managing agent restricted from writing any new coverholder business until remediation completed
- Targeted review of delegated authority management and controls
- Monthly meetings to monitor progress in remediating framework

Case study

Customer Outcomes

Principle	Expected Maturity	Assessed Maturity
<p>Managing agents should embed a culture and associated behaviours throughout their business to ensure that they consistently focus on good customer outcomes and that products provide fair value.</p> <p>To support this, managing agents should:</p>	INTERMEDIATE	BELOW FOUNDATIONAL
<p>1 Ensure the conduct culture set by the board promotes good customer outcomes throughout the product lifecycle and supports the protection of Lloyd's brand, reputation and regulatory standing worldwide</p>	Intermediate	Intermediate
<p>2 Design and oversee products through suitable governance structures that meet the expectations of the target market</p>	Intermediate	Intermediate
<p>3 Ensure there are no barriers to easily accessing clear and fair sales and post sales services</p>	Intermediate	Intermediate
<p>4 Deliver fair and prompt claims and complaints handling services in line with a clear servicing commitment</p>	Intermediate	Intermediate
<p>5 Engage, manage and oversee third-party service providers in accordance with the outsourcing strategy and the standard of service set by the managing agent</p>	Intermediate	Below Foundational
<p>6 Ensure regular and robust oversight of customer outcomes is achieved, using data and qualitative assessment</p>	Intermediate	Below Foundational

Principle level assessment

The impact of the two sub-principles rated below their expected maturity level are considered sufficiently material to result in a Principle rating below the expected level.

The managing agent's lack of adequate oversight of the performance of its third parties and products represents an obvious risk of poor customer outcomes which is reflected in an assessment of Below Foundational for the delegated authority and MI sub principles.

Arguably this failing affects each of the sub-principles because the managing agent is unable to monitor whether good customer outcomes are being achieved. But the managing has demonstrated a suitable framework for the approval and oversight of its third-party service providers and products, albeit that it does not have access to suitable MI.

Self-assessment submissions

Lyndsay Deeves

Principles self-assessments

Moving from prescription to outcomes focussed

Rules based approach “Bottom up”

- Have we checked all the requirements?
- Do we have the required processes/ policies/ procedures in place?
- Have we checked the performance of our controls through a control assessment?
- Have we done an audit of our controls?
- Do we have the required documentation?

Outcomes based approach “Top down”

- How successful have we been in achieving the outcome?
- Are there times when we have not been successful? What should/ could we have done differently?
- How are we satisfied that we are achieving the outcome in a way that's appropriate to our business?
- Do we know what our peers are doing?
- What can we conclude about the results of second and third line independent reviews?
- What performance data do we have to support our assessment?
- Based on our assessment what actions do we need to take?

What are the key differences between the “Attestation” and “self-assessment”?

Self-assessment, not Attestation

Submitting on a “best efforts” basis.

Formal Board sign off not required.

However, we would expect discussion at the Board

Working level

We understand Principles will not be fully embedded.

Self-assessments will be an initial tool for your teams.

Boards should step back to consider if your teams have embraced the move away from “tickboxes” to an outcomes based approach

Best efforts basis

Will highlight any gaps in understanding the Principles.

Will provide a basis for discussion with Lloyd's to “compare and contrast” managing agent vs Lloyd's views against the Principles

Lloyd's Principles for Doing Business - Self-Assessment

Full guidance on the Principles and the Self-Assessment process is available on the [Lloyds.com Market Oversight webpage via this link](#)

Managing Agent	
Syndicate Number	
Date shared with Board	

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).

Principle	Expected Maturity	Managing Agent Assessment of Maturity	Commentary
			To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance
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		
2. Catastrophe Exposure Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from natural and non-natural perils) in line with business strategy. To support this, managing agents should ensure their syndicates:	Established		
Sub Principle 1 Manage catastrophe exposure in line with their agreed risk appetites	Established		
Sub Principle 2 Employ data standards, risk quantification tools, controls, expertise, and reporting frameworks which are appropriate to their risk profile	Established		
Sub Principle 3 Adequately justify and validate methodology and assumptions, including expert judgements	Established		
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	Established		

Self-assessment Principles rating

Principle 13: Culture

Principle		Expected Maturity	Managing Agent Assessment of Maturity	Commentary
				To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance.
13. Culture Managing agents should be inclusive, creating a diverse and high-performance culture.		FOUNDATIONAL	BELOW FOUNDATIONAL	Overall Culture is currently Below Foundational. Plans are in place to address the gaps, starting with data, and strengthening how speaking up is managed. The Culture and Inclusion Advisory Group will take a lead role in reviewing firm culture and developing a culture plan, as a pillar of our strategy.
Sub Principle 1	Demonstrate leadership focus on fostering an inclusive, high-performance culture	Foundational	Foundational	A Culture and Inclusion Advisory Group is being set up, led by Member of ExCo, who will undertake a culture review in 2022 and develop a culture plan, involving employees. The Advisory Group will report to the Board on progress
Sub Principle 2	Ensure behaviour expectations are clear and there is zero tolerance for inappropriate behaviour	Foundational	Foundational	In Q4 2021 the code of conduct, which outlines behavioural expectations was communicated to all employees. It is also included in employee induction and forms part of annual mandatory training, along with mandatory diversity and inclusion training for all employees.
Sub Principle 3	Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top	Foundational	Below Foundational	In 2021 a grievance related to sexual harassment was not handled well, resulting in the victim leaving the organisation. A review of how we manage grievances was undertaken by a law firm, who have provided recommendations that we started to implement in Q3 2021 which is ongoing. The case with the individual has been settled, with the perpetrator dismissed. We have run training for all employees and managers on how to raise concerns and how to respond when these matters are raised. We expect employee feedback on confidence to speak up and that management take concerns seriously to have improved in upcoming employee surveys
Sub Principle 4	Ensure diverse representation within their workforce and their leadership population. Be inclusive in how they hire and retain talent and ensure they reflect society and their customers	Foundational	Foundational	% women in leadership is 22%, and we are quartile 2 against Lloyd's market. Representation of ethnic minorities is unknown as we do not yet collect this data, but indications are it is also low. Our actions start with collecting data in H1 2022, which will be reviewed by the Culture and Inclusion Advisory Group to develop an action plan to improve diversity and inclusion.
Sub Principle 5	Understand their employee population, collect appropriate data and take action to create an inclusive employee experience	Foundational	Foundational	Currently only gender data is collected. No other diversity data. HR system being upgraded and diversity data campaign to be run in H1 to collect broad diversity data including ethnicity, disability, sexual orientation, age .

Self-assessment Principles rating

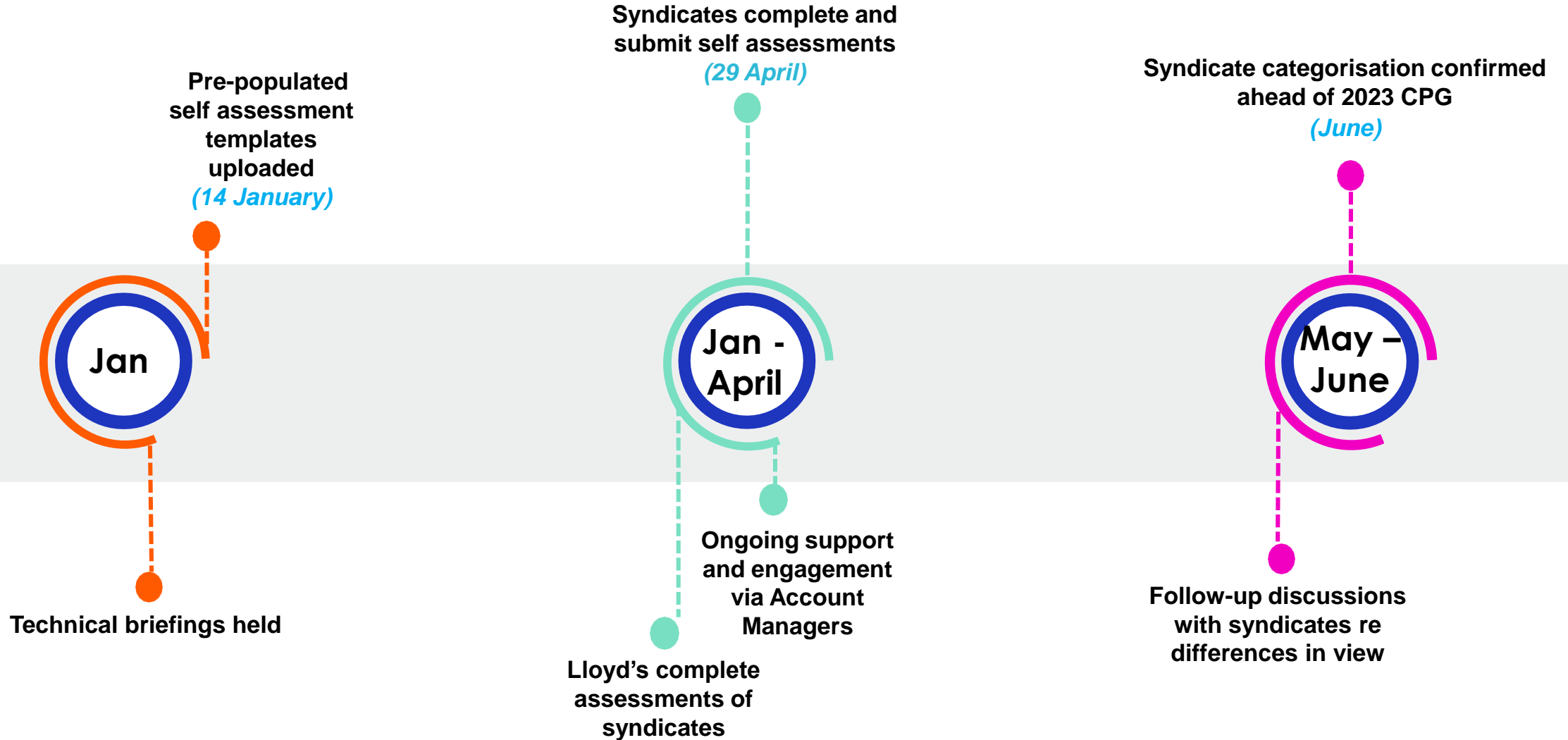
Principle 10: Governance, Risk Management and Reporting

Expected Maturity: Advanced
Actual Maturity: Advanced

Principle		Expected Maturity	Agent assessment of Maturity	Commentary
				To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance.
10. Governance, Risk Management and Reporting Managing agents should have governance structures and internal risk management and control frameworks in place which align to Solvency II requirements, enable sound and prudent management of the business and support delivery of the business strategy		ADVANCED	ADVANCED	As evidenced below, we have an appropriate and effective governance structure in place to ensure sound management of the business and compliance with all relevant requirements. A strong culture of good governance, effective risk management and independent challenge permeates throughout the business. The strategy and view from the top flows through all functions to enable their aims to align to the overall objectives of the business. Data, qualitative assessment and reporting is of high-quality, meaning decisions are built on strong foundations.
Sub Principle 1	Manage a suitable board and committee structure which enables well informed, timely and accountable decision making	Advanced	Advanced	We have a well established and effective Board and committee structure, with track record of acting on independent advice and challenge. Strategy is routinely discussed and updated with input and ownership across the business. The effectiveness of Board and committees is regularly reviewed including periodic use of independent third parties. Our committee structure ensures that all business functions have appropriate Board or executive level committees with suitable reporting lines into the Board.
Sub Principle 2	Operate a strong risk and control environment which allows for appropriate challenge	Advanced	Advanced	Risk culture is well embedded and demonstrated throughout the business. Risk Management views are clearly sought and help to drive decision making. All functions take active ownership for risk management activities and contribute to a continuous improvement process. This is lead top-down. Risk appetite is set by the Board and cascades throughout all risk metrics and monitoring activities, ensuring a link between functional level risk strategy/activities and the agreed appetites of the Board. A forward looking view of risk is considered highly important for how we assess, manage and discuss risk.
Sub Principle 3	Maintain appropriate oversight of operational processes for effective management of the business	Advanced	Advanced	The Board has regular sight of KPI reporting on key operational processes and resourcing. This is routinely challenged and the KPIs and SLAs are reviewed and changed where necessary. We are confident in the overall operational infrastructure and efficacy, through the assurance as evidenced by the ongoing cycle of internal audits with timely follow-up of findings.
Sub Principle 4	Employ and develop people with appropriate skillsets and ensure the business is appropriately resourced	Advanced	Advanced	We take development seriously with regular review of succession planning. Training, coaching and mentoring is actively provided to those identified as future leaders or key function holders. Staff engagement survey has consistently high scores for employee training and development. We promote an open and inclusive culture with a track record of acting on employee ideas.
Sub Principle 5	Ensure decision making is supported by appropriate data and qualitative assessment	Advanced	Advanced	Information presented to the Board is consistent, accessible and highly informative. The manner in which information is presented is under a constant cycle of review and development. Complex data supports analyses and is presented in a format which supports effective decision making.
Sub Principle 6	Maintain reporting, including all financial reporting, of a high quality and submit all reports in a timely, accurate and complete manner to Lloyd's and to applicable regulators.	Advanced	Advanced	All reporting was submitted to Lloyd's on time with a high accuracy. This has been verified by an internal monitoring process.

Next steps

Next Steps and Timeline



What should you be doing?

- **Familiarise yourself with the Principles and guidance**
- **Consider any upskilling required to successfully adopt the new Principles based regime**
- **Review expected maturity as communicated in Oversight Letters**
 - Speak to your Account Manager if you have any questions
- **Conduct the self-assessment – be open, transparent and thorough**
 - Guidance and templates are now on SecureShare
 - Oversight Framework team available to answer any questions
- **Consider what actions can be taken to close any gaps before mid-year**
- **Questions on the new framework should be directed to your Account Manager or oversight.framework@lloyds.com in the first instance**

Do use the support available from Lloyd's!

Q&A
