Project Rio Technical Briefing Sessions
Operational Resilience

28 January 2022

Lyndsay Deeves, Angela Dees and Craig James

Agenda

Agenda Item		Timings
1.	Oversight framework overview – *what is it and how will it work?*	
	- Overview of the broader framework	25 mins
	- How will it work for Operational Resilience?	15mins
2.	Case studies – bringing the framework to life	20 mins
3.	Self-Assessments	5 mins
4.	Next steps	10 mins
5.	Q&A	15 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

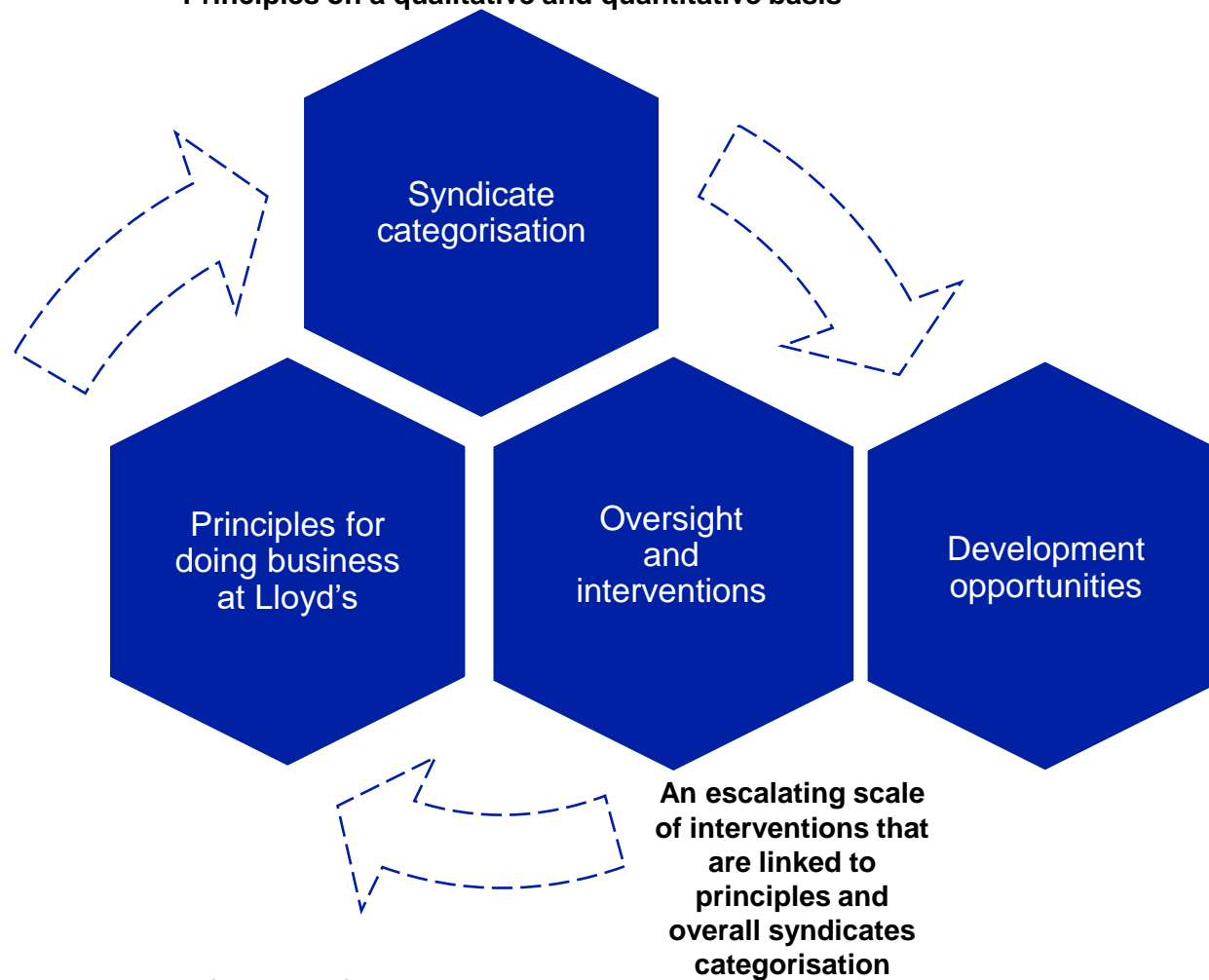| Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business 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
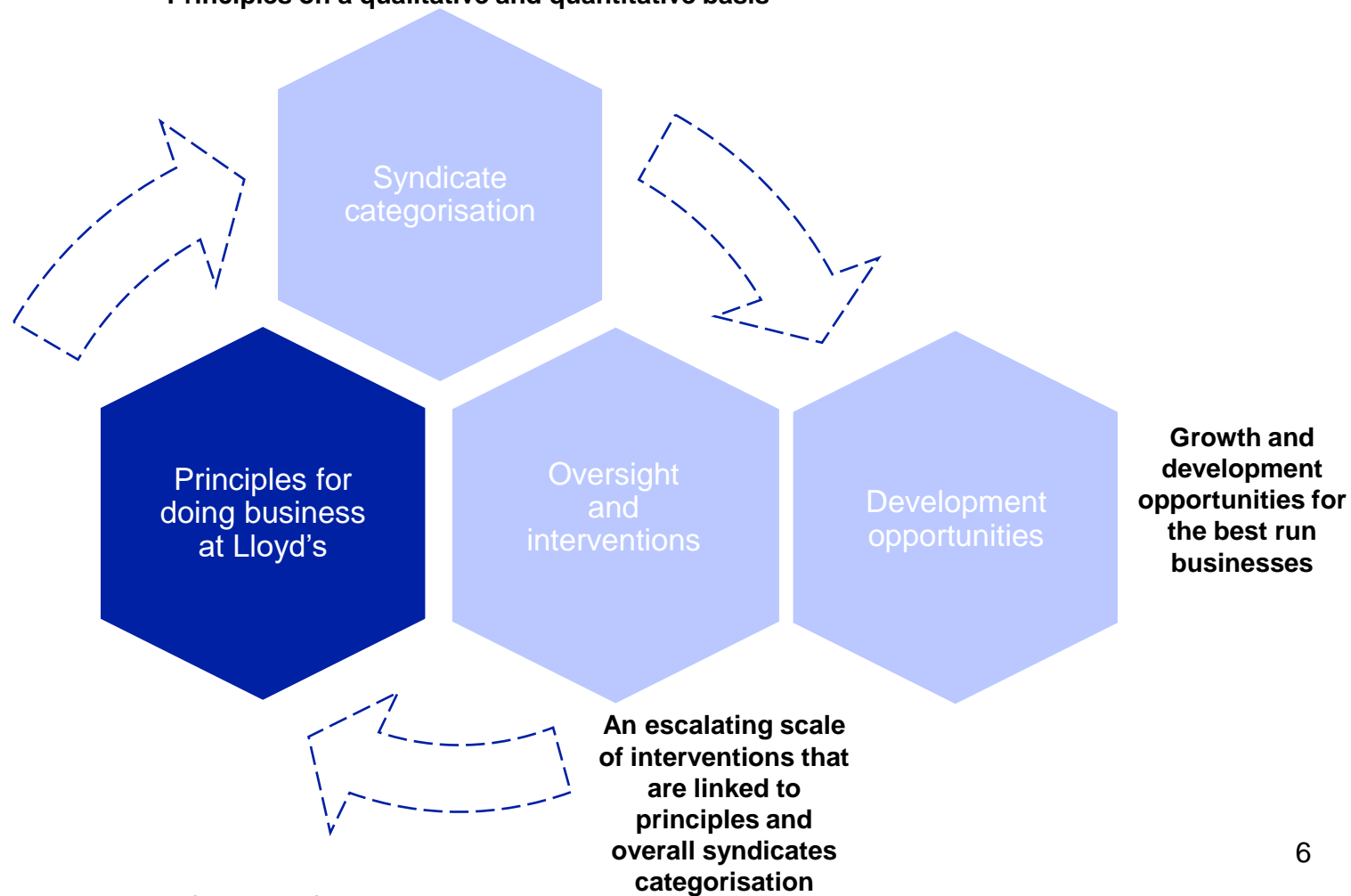
Syndicate categorisation

Principles for doing business at Lloyd's

Oversight and interventions

Development opportunities

Growth and development opportunities for the best run businesses

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

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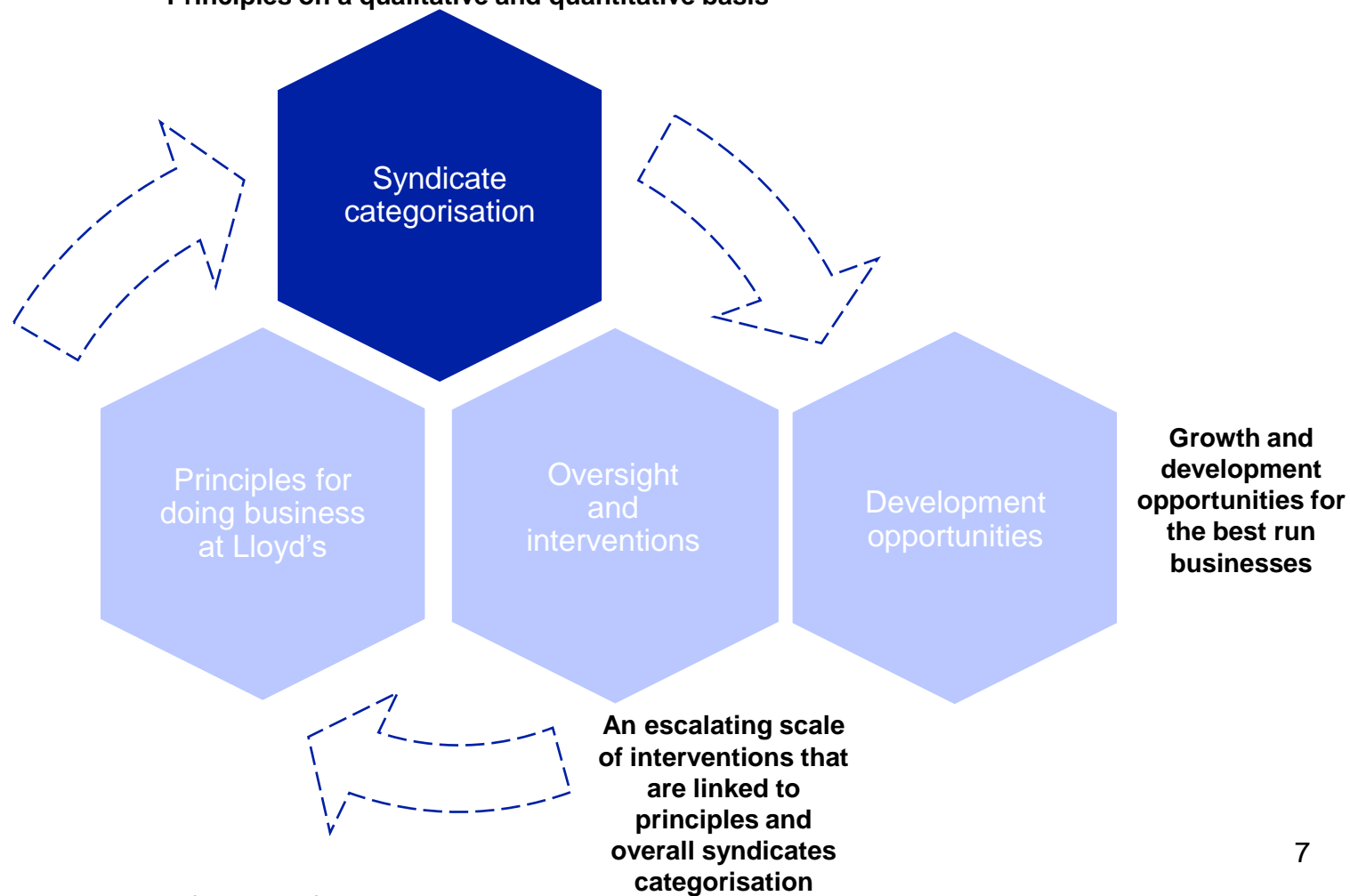
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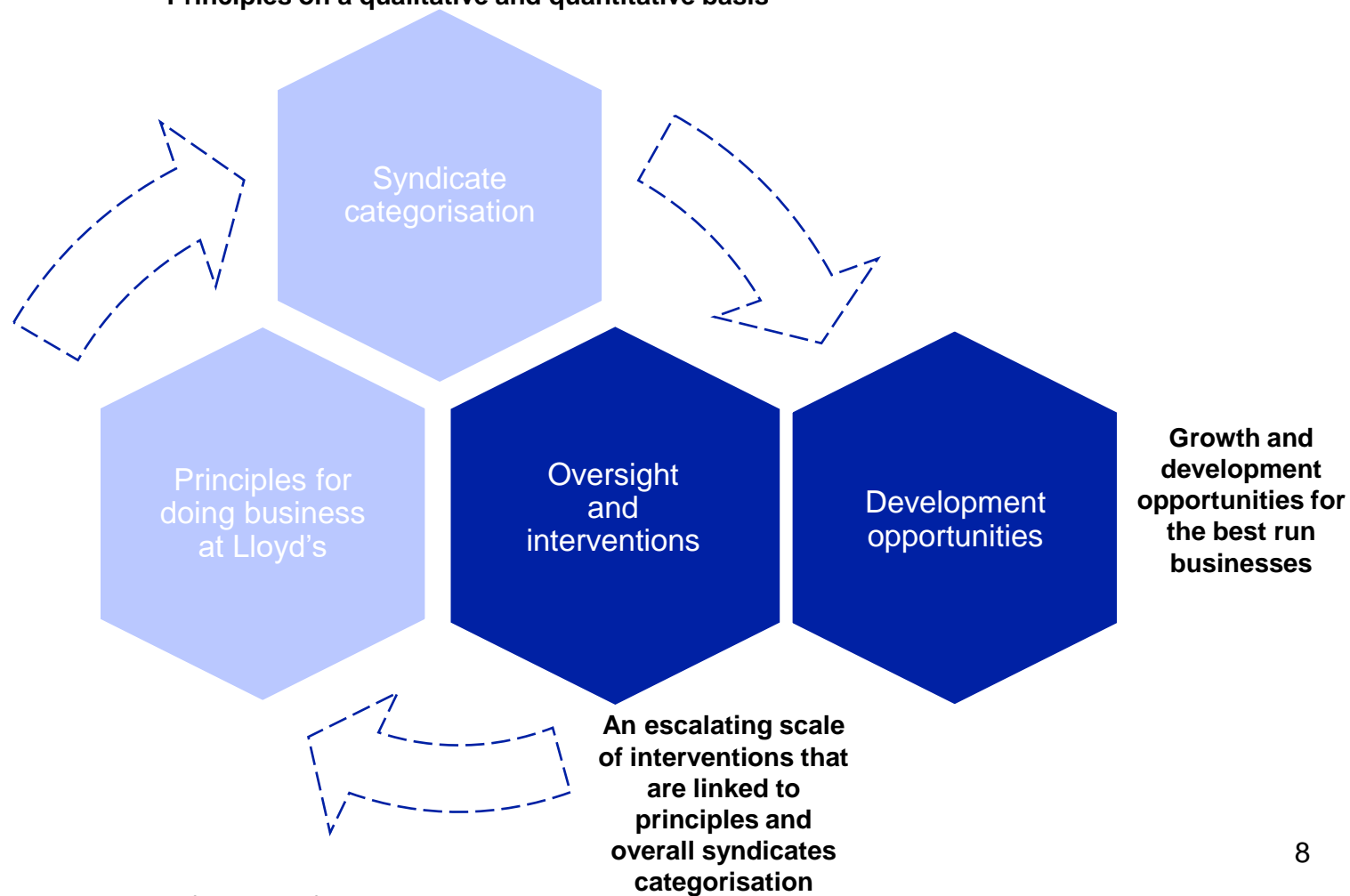

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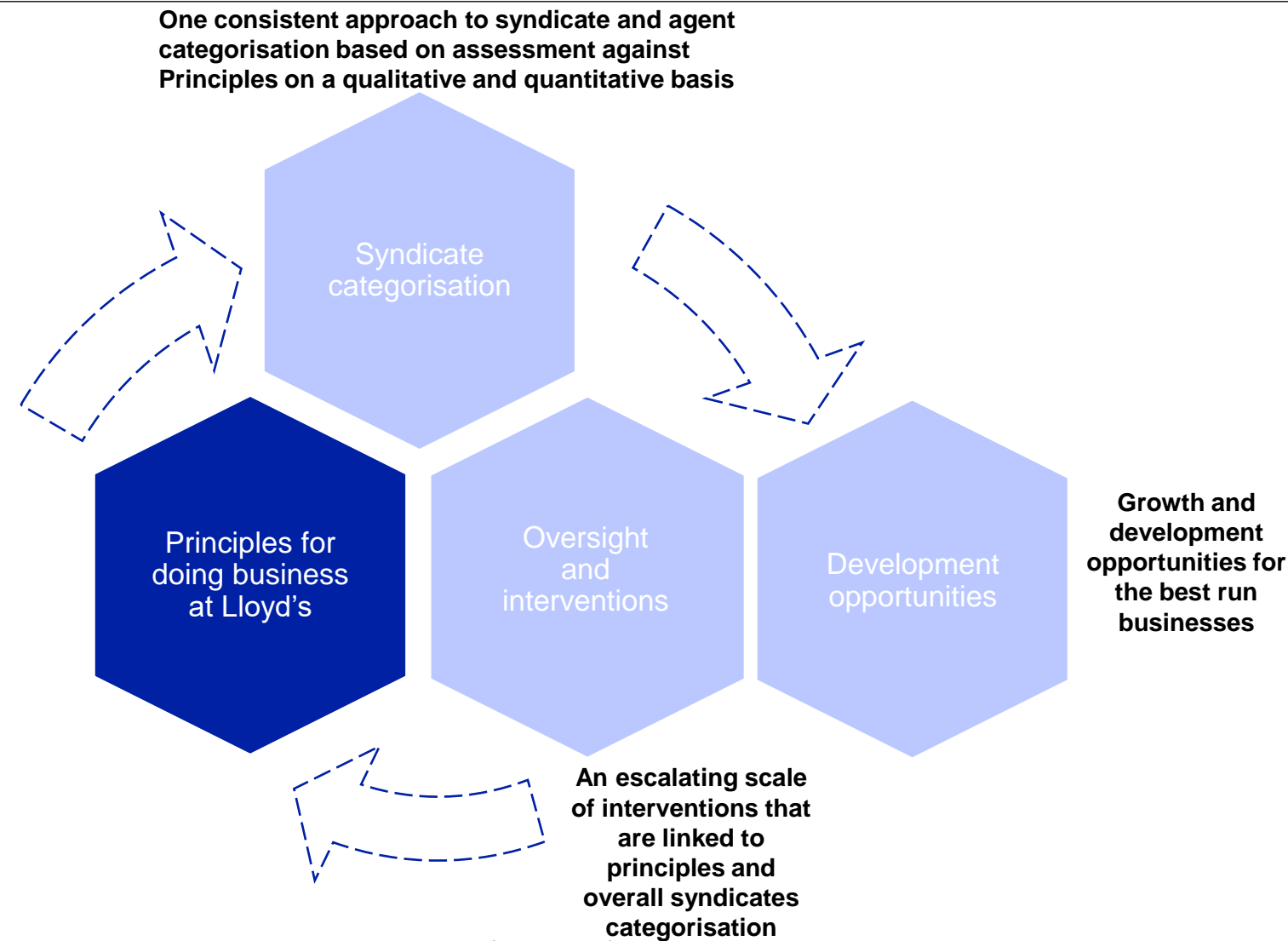- 12. Operational resilience
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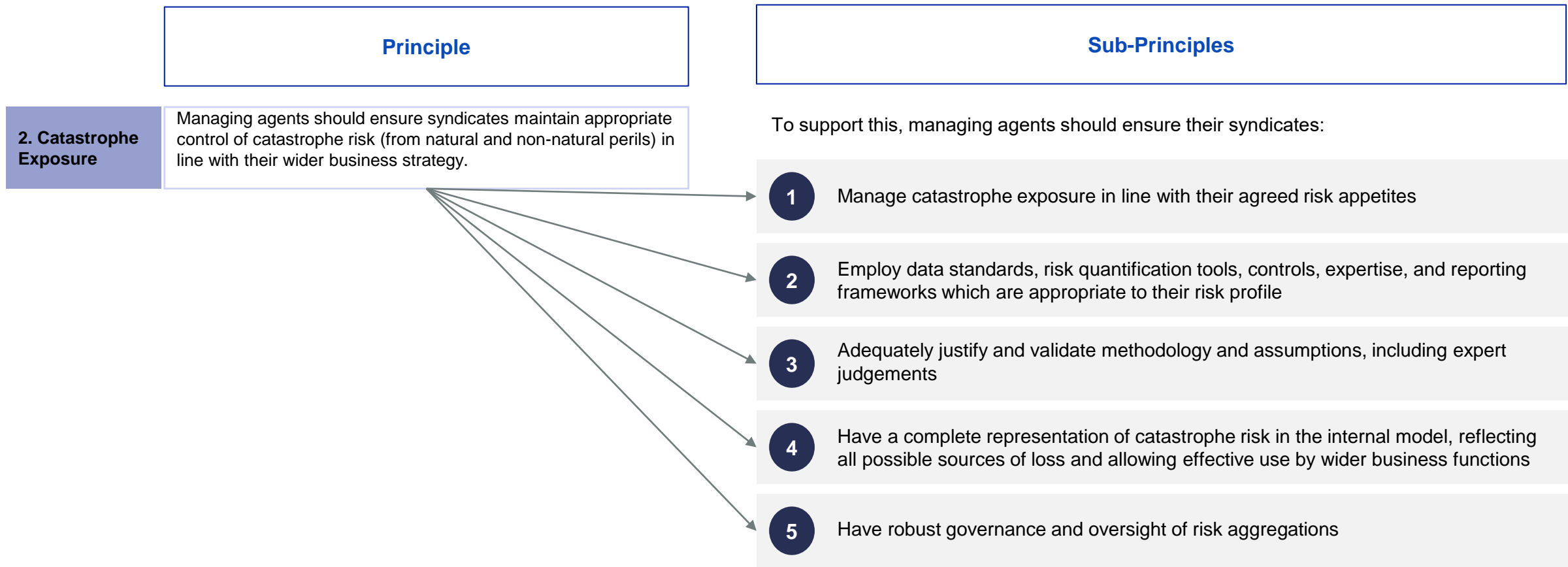
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The Lloyd's Principles

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 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.
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.
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.
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.
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.
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.

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.
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.
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.

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.
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.
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

Principle	
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.

Sub-Principles

To support this, managing agents should ensure their syndicates:

1 Manage catastrophe exposure in line with their agreed risk appetites

2 Employ data standards, risk quantification tools, controls, expertise, and reporting frameworks which are appropriate to their risk profile

3 Adequately justify and validate methodology and assumptions, including expert judgements

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

5 Have robust governance and oversight of risk aggregations

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.**

Risk Appetites

Foundational	Intermediate	Established	Advanced
• 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	• 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.	• 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.	• 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.

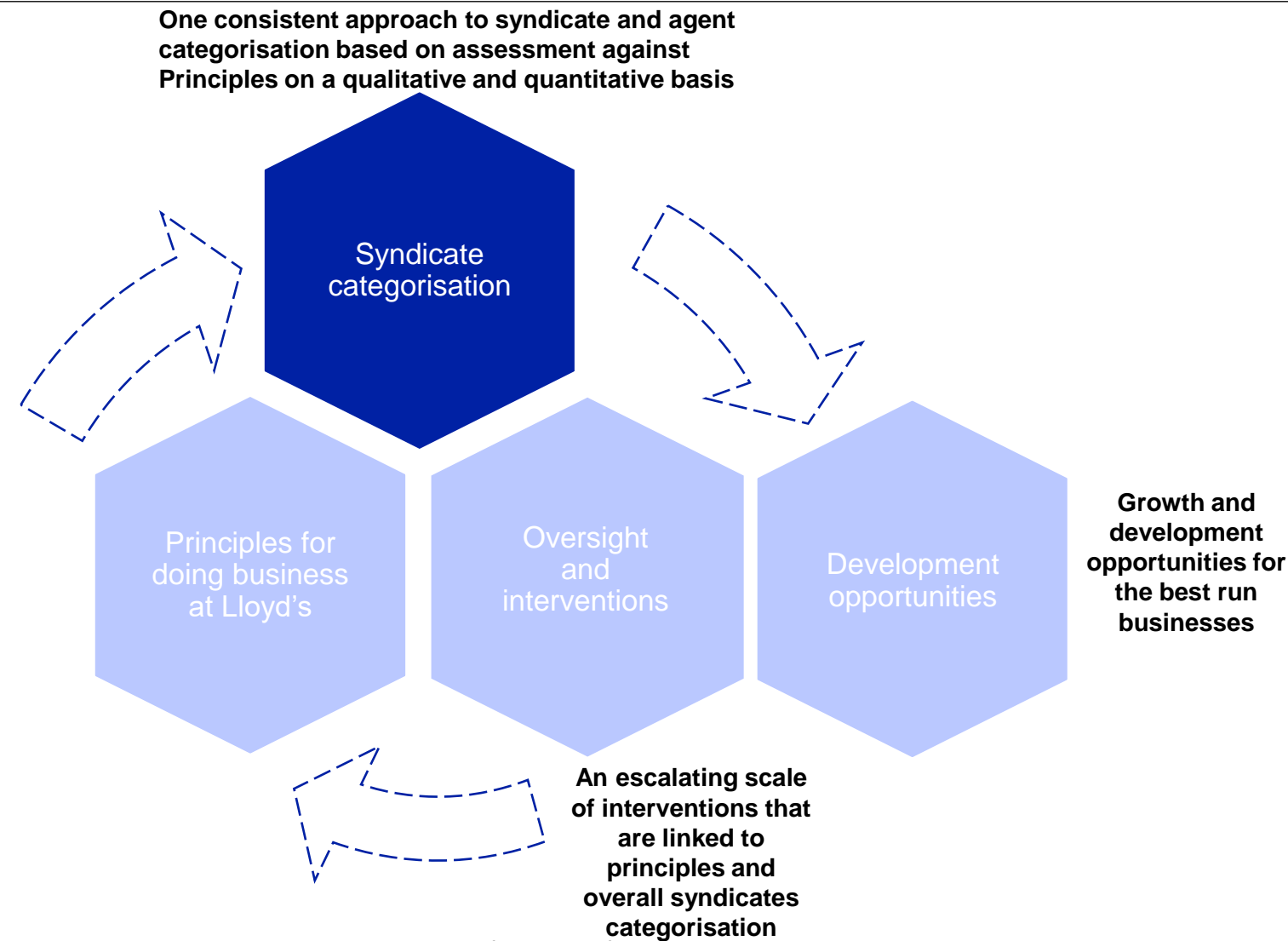| Low materiality | Moderate materiality | High materiality | Highest materiality |

Oversight Framework

Levels of maturity – generic definitions

FOUNDATIONAL (Low materiality)	INTERMEDIATE (Moderate materiality)	ESTABLISHED (High materiality)	ADVANCED (Highest materiality)
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

Syndicate categorisation

Principles for doing business at Lloyd's

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Growth and development opportunities for the best run businesses

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

Classification: Confidential

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	Syndicate Category
Performance	Underwriting Profitability	Advanced	Intermediate	Below expectations	UNDERPERFORMING
	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

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Oversight Framework

Interventions Playbook

Robust intervention for underperformers ← → *Development encouraged for the best*

Overall syndicate categorisation	Unacceptable	Underperforming	Moderate	Good	Outperforming
	Capability and performance well below expectations with all avenues to remediate exhausted • *Immediate action required* • *Full range of Interventions used*	*Capability and performance below expectations* • *Robust intervention taken* • *Rapid remediation with close monitoring and escalation*	*Capability and performance marginally below expectations* • *Targeted oversight into higher risk areas* • *Moderate Interventions in place*	*Capability and performance in line with expectations* • *Targeted monitoring / oversight* • *Minimal intervention*	*Capability in line with expectations and supported by Best in class performance* • *Highly targeted / reduced oversight* • *Interventions by exception*
Overall Interventions	• Execute approved run off plan • Appoint new Managing Agent	• 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	• 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	• 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	• 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 Operational Resilience?

Angela Dees and Craig James

Oversight Framework – Operational Resilience

What is the Operational Resilience 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
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What risk are we managing?

As of 31 March 2022, the new UK Operational Resilience Requirements will come into effect, designed to reduce operational disruptions that can cause **wide-reaching harm to consumers** and **pose a risk to market integrity** of the UK's financial services industry.

How does it impact Lloyd's vs. the Market?

The Corporation of Lloyd's is responsible for a Society wide view for operational resilience and the integrity of the Lloyd's market. Therefore, the new Principles have been aligned to the new regulatory requirements to reduce:

1. **Causing intolerable harm to policyholders arising from either unauthorised access, modification and exfiltration of data or service outage**
2. **Loss of Lloyd's reputation**
3. **Loss of financial resilience**

What are the expectations of Managing Agents?

Principle

Managing agents should maintain robust and resilient operations, embedding cyber resilience and effective third-party risk management.

To support this, managing agents should:

1. Prioritise resilience of the most important services; embedding appropriate governance for operational resilience into their businesses and prioritising recovery of Important Business Services within identified and tested impact tolerances

2. Invest in their operational resilience, including their control environments, so that the risk of a future event causing harm to customers or threatening the business' viability is mitigated

3. Embed cyber resilience into operations; protecting their information systems, processes, people and data from external or internal compromise to prevent harm to customers, loss of data, contagion and/or reputational damage to the wider Lloyd's market

Oversight Framework

Maturity considerations

Two or three maturity levels are expressed, with "No incremental guidance" appropriate for my maturity level

→ If you are meeting all guidance up to your maturity level, you are meeting your expected maturity

All managing agents will be expected to meet "Foundational" for Operational Resilience in 2022.

→ Established and Advanced indicators are included to provide clarity on how expectations will mature.

OPERATIONAL RESILIENCE

1 Prioritise resilience of the most important services; embedding appropriate governance for operational resilience into their businesses and prioritising recovery of Important Business Services within identified and tested impact tolerances.

Foundational	Established	Advanced
• Managing agents can evidence a roadmap for embedding operational resilience into the business within regulatory timelines • A system of governance and reporting to the board is in place to monitor managing agents' operational resilience. • Self-assessment documented for all Important Business Services of the business, and approved by board by 31 Mar 2022 and annually thereafter or when there is a material change to an Important Business Service. • Severe but plausible scenarios identified, recovery plans and workarounds are in place • Managing agents can evidence an approach for mapping that gives the business a reasonable level of confidence that all critical resources are identified • Managing agents have developed policy and processes for managing risks associated with key suppliers and outsource providers, and consider substitution	• Identified Important Business Services and tested that they can recover within impact tolerances • Scenario libraries consider contagion in testing the impact on multiple Important Business Services • Managing agents can evidence an approach for mapping that gives the business a granular level of detail that all critical resources are identified	• No incremental guidance

Principles

3 Embed cyber resilience into operations: Managing agents must protect their information systems, processes, people and data from external or internal compromise to prevent harm to customers, loss of data, contagion and/or reputational damage to the wider Lloyd's market.

Cyber Information Systems & Reporting

Foundational	Established	Advanced
• Establish and implement an approach to safeguarding the availability, integrity and confidentiality of information which considers the nature of the information in question • Notwithstanding any requirement to report a Cyber Incident to comply with any law or regulation, Material Cyber incidents must be reported to Lloyd's via their designated Account Manager as soon as they become aware of the same • Following reporting, managing agents shall engage in constructive discussions with their designated Account Manager and take such steps as are reasonable both to mitigate the effects of the Cyber Incident and to reduce the chances of its reoccurrence.	• No incremental guidance	• Information systems should be fully documented and set out which information is to be shared, by whom, and when. Documentation allows for information to flow up and down hierarchy levels as well as horizontally between different business units where appropriate. • Demonstrate there is clear understanding of how all information systems are linked, with controls addressing data integrity issues. • There is clarity and transparency over staff access to information systems for providing input from and to their areas of responsibility. In addition, there is clarity on who the relevant personnel are that need to have passive access to the system as to retrieve data for the proper discharge of their duties.

Oversight Framework – Operational Resilience

How is performance assessed against the Principles?

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Assessment against Principles will be through combination of qualitative and quantitative

1) Qualitative assessment

- **Self-assessments – will be using these to highlight where there are differences and follow-up.**

- **On-going questionnaires (e.g. similar to 2021 Operational Resilience Market Survey, which also informed the Oversight Letters)**

- **Review of documents on the back of Oversight engagements (e.g. project delivery plans; gap analysis & MI)**

- **Qualitative assessment imperative for Operational Resilience (leading indicator over quantitative metrics)**

2) Quantitative assessment

- **Report breaches of impact tolerance to Lloyd's**

Oversight Framework

Interventions specific to Operational Resilience

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Robust intervention for underperformers → *Development encouraged for the best*

Dimension		Well below expectations	Below expectations	Marginally below expectations	Meeting expectations
OPERATIONAL	Operational Resilience	• Third party support mandated • Change in senior management	• Limits to retail business, including business with eligible complainants • Managing agent required to engage a third party to review the firm's operational or cyber resilience • Testing of scenarios mandated • Capital load for Operational Risk • Review of senior management appropriateness • 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)	• Targeted oversight into the managing agent's resilience practices • Firm evidences a clear remediation plan for any identified non-compliance • Expect role appropriate training for senior management • Active monitoring of firm's remediation plans	• Involvement in Market-wide / multiple firm thematic reviews

Case studies:
Bringing the Framework to life

Craig James and Harry Johnson

Case Study

Principle 12 – Operational Resilience. Managing Agent X

OPERATIONAL RESILIENCE

1 **Prioritise resilience of the most important services; embedding appropriate governance for operational resilience into their businesses and prioritising recovery of Important Business Services within identified and tested impact tolerances.**

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Expected Maturity: Foundational
Actual Maturity: Foundational

As part of the Operational Resilience Survey in October 2021 there were trigger questions that related to Managing Agents readiness to meet the PRA and FCAs Operational Resilience requirements by 31 March 2022. We received a large number of responses that suggested that agents would be ready to meet the requirements. As this sub principle is quite closely linked to the requirements, meeting them would also equate to meeting the foundation expectations for this sub principle.

In addition to these survey responses, we have also engaged with managing agents across the market and have seen examples of agents who would meet the foundation level for this sub principle as they have:

- Identified and mapped all IBS, incl. approval and sign-off from IBS owners
- Established governance processes and on-going KPI monitoring and reporting mechanisms
- Identified Impact Tolerance levels for each IBS
- Commenced testing of IBS against Impact Tolerances (incl. understanding of outage times/impact)
- Started pulling together a scenario library for testing
- Identified all critical third-parties/suppliers
- Self-assessments already signed-off/prepared for sign-off by the Board ahead of 31 March 2022

Case Study

Principle 12 – Operational Resilience. Managing Agent X

2 Invest in their operational resilience, including their control environments, so that the risk of a future event causing harm to customers or threatening the managing agent's viability is mitigated.

Foundational	Established	Advanced
• Managing agents learn lessons from incidents and tests. • Managing agents prioritise lessons learned in their investment plans.	• Managing agents can evidence prioritisation of their change programmes to embed operational resilience by design within their Important Business Services • Participate in market wide scenario exercises and invest in vulnerabilities • Managing agents evidence a wider range of testing approaches embedded into their businesses to identify vulnerabilities	• No incremental guidance

Expected Maturity: Foundational

Actual Maturity: Below Foundational

In some cases, following our engagement with managing agents in the market we have seen examples that would not meet the foundation requirements for this sub principle

The key driver for not meeting this sub principle is a lack of progress on developing the operational and control environment to ensure future resilience.

This is sometimes evidenced through a lack of progress in assessing lessons learned from the resilience testing or a lack of development in including resilience requirements in change programmes.

There have been examples of managing agents who have made excellent progress in meeting the 'day one' requirements but have not yet had the opportunity or the resource to further develop their broader resilience response. In almost all such cases, the need to do so has been identified it simply has not yet been acted upon.

Case Study

Principle 12 – Operational Resilience. Managing Agent X

Principles

3 Embed cyber resilience into operations: Managing agents must protect their information systems, processes, people and data from external or internal compromise to prevent harm to customers, loss of data, contagion and/or reputational damage to the wider Lloyd's market.

	Foundational	Established	Advanced
Cyber response and recovery	• Response and communication plans for use in the event of a Cyber Incident, with these plans subject to review and improvement as appropriate • Plans and procedures in place to recover from a Cyber Incident, with such recovery arrangements designed to enable that operations are safely resumed with a minimum of disruptions to policyholders and business operations • Test and exercise response and recovery plans and procedures at appropriate intervals.	• No incremental guidance	• No incremental guidance
Cyber information sharing	• Engage in the timely sharing of reliable, actionable cybersecurity information (which could include threats, vulnerabilities, incident response, recovery and lessons learnt) with internal and external stakeholders • Attacks and threat intelligence are used to broaden understanding of the cyber threat within the business.	• No incremental guidance	• Active members of the LMA CISO Community and potentially have a seat at the CISO committee. • Intelligence from threats, incidents and breaches is actively shared with Lloyd's and across the population of other managing agents (in a secure way) potentially via the LMA CISO Community.

The managing agent has met the criteria at a foundational level:

- Has external threat intelligence monitoring via a SOC managed service
- Performs regular vulnerability scanning leading to internal remediation activity
- Has performed internal discussion and sign off to share timely basic incident information with market partners and service providers (in addition to the standard regulatory obligations)

The managing agent can additionally meet advanced criteria by:

- Their CISO is an active member of the CISO committee
- Signing up for CiSP (Cyber Security Information Sharing Partnership) from the NCSC
- Joining the Lloyds Market group on CiSP
- Performing internal sign off to share advanced incident information (e.g. IOC, incident response status) with market partners and service providers in real-time

By achieving the advanced criteria the managing agent would be able to achieve tangible benefits, such as an increased likelihood of remaining connected to market services during a cyber incident.

Expected Maturity: Foundational
Actual Maturity: Foundational

Case Study

Principle 12 – Operational Resilience

Principle	Expected Maturity	Assessed Maturity
Managing agents should maintain robust and resilient operations, embedding cyber resilience and effective third-party risk management. To support this, managing agents should:	FOUNDATIONAL	BELOW FOUNDATIONAL
1 — Prioritise resilience of the most important services; embedding appropriate governance for operational resilience into their businesses and prioritising recovery of Important Business Services within identified and tested impact tolerances.	Foundational	Foundational
2 — Invest in their operational resilience, including their control environments, so that the risk of a future event causing harm to customers or threatening the managing agent's viability is mitigated.	Foundational	Below Foundational
3 — Embed cyber resilience into operations: Managing agents must protect their information systems, processes, people and data from external or internal compromise to prevent harm to customers, loss of data, contagion and/or reputational damage to the wider Lloyd's market.	Foundational	Foundational

Principle level assessment

There has been strong initial progress on putting in place all the requirements for Operational Resilience and as such the managing agent can clearly demonstrate they are meeting expectations for sub principle one.

In addition, they have a strong cyber resilience platform that has good business engagement and is developing well.

However, there is still significant work to be done ensure the future resilience of their overall operational framework and to make use of the outputs of their resilience testing. This process has begun but is not well developed.

These principles are given equal consideration and as such the overall assessment is considered as not meeting.

Self-assessment submissions

Lyndsay Deeves

Principles self-assessments

Moving from prescription to outcomes focussed

Rules based approach "Bottom up"	Outcomes based approach "Top down"
▪ Have we checked all the requirements?	▪ How successful have we been in achieving the outcome?
▪ Do we have the required processes/ policies/ procedures in place?	▪ Are there times when we have not been successful? What should/ could we have done differently?
▪ Have we checked the performance of our controls through a control assessment?	▪ How are we satisfied that we are achieving the outcome in a way that's appropriate to our business?
▪ Have we done an audit of our controls?	▪ Do we know what our peers are doing?
▪ Do we have the required documentation?	▪ 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

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
			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

| 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

Lyndsay Deeves

Next Steps and Timeline

Pre-populated self assessment templates uploaded
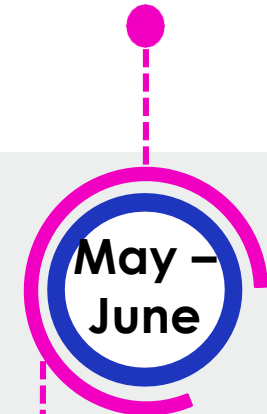*(14 January)*

Board and NED briefings held

Technical briefings held

Jan
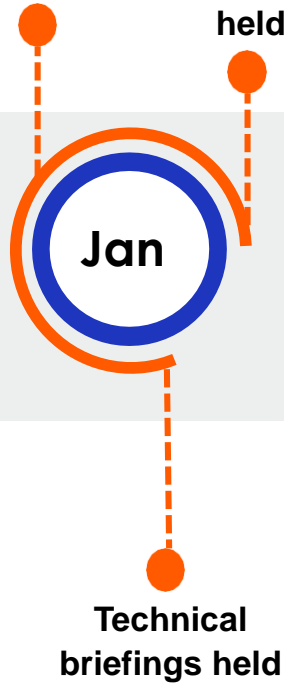
Syndicates complete and submit self assessments
(29 April)

Jan - April
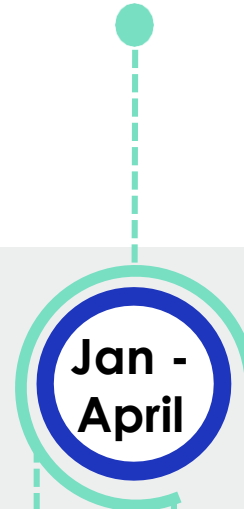
Ongoing support and engagement via Account Managers

Lloyd's complete assessments of syndicates

Syndicate categorisation confirmed ahead of 2023 CPG
(June)

May – June

Follow-up discussions with syndicates re differences in view

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 on SecureShare
  - Oversight Framework team available to answer any questions

- **Consider what actions can be taken to close 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!

LLOYD'S

Q&A