LLOYD'S

Principles Board Attestations

Examples of appropriate outcomes-focused commentary

Underwriting Profitability

LLOYD'S

Underwriting Profitability (1 of 3)

Principle	Examples of OUTCOMES based response
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:	[syndicate] has been profitable on each of the last three years of account, with an average net combined ratio of 95.6% which, after stripping out COVID-19 losses, equates to 93.6% versus an SBF planned net combined ratio of 92.8%. Looking forward and based on the rationalisation process that [syndicate] has undergone in the past 24 months, the historical performance of the insurance lines would be better compared to that of [syndicate2] which has returned an NCR of less than 92% in each of the past three years. After stripping out COVID-19 losses, this equates to an average NCR of 89.9%. The [syndicate2] Reinsurance lines have been profitable in each of the past three years, with an average NCR of 96.5% which, after stripping out COVID-19 losses, equates to 93.8%. Remediation on any line of business is constantly reviewed for both Insurance and Reinsurance when identified as necessary by underwriting management. Following detailed discussions with the Class of Business Head, actuarial, claims, and syndicate management, an appropriate remediation plan is implemented. The framework also facilitates regular monitoring and interrogation of underwriting performance, allowing decisions to be taken proactively to keep performance on track. Over the past 3-4 years, a number of underperforming lines have been through remediation processes, with the aim of demonstrating a turnaround in results. Classes unable to demonstrate sufficient progress were placed into run-off. As a consequence, there is much more stability in underwriting performance and hence results, with less reliance on individual business units.
	The planned level of profit is often achieved or exceeded. Whilst our focus is not top line our actual premiums and rate movements have been consistent with historic plans reflecting the robust planning process that occurs.
• Have a clear and robust medium to long term business strategy with clearly defined and understood underwriting risk appetite	[managing agent] has a clear and long-term business strategy and has executed a number of actions to improve profits, evidenced by an improvement of 12% on the normalised NCOR over the 2017 to 2022 period. Three key bold actions support the improvement and our long-term strategy: - acquired [….] in 2019 to complement the existing book with classes such as Casualty and Cyber and strengthen our leadership position in classes such as A&H and Political Risks with the aim to improve and deliver consistent profitability. - discontinued USD 1.9bn of gross written premium between 2017 and 2022 running at a normalised NCOR of 130.6%, demonstrating a strong and proactive portfolio management culture. - reduced the syndicate 1 in 100 net AEP by USD 100m from January 2017 to January 2022 even if the NWP over the same period for the syndicate has increased by USD323m.
	[managing agent's] underwriting strategy is to manage risk by employing consistent, disciplined pricing and risk selection and to maintain a profitable book of business throughout market cycles. [managing agent] has achieved this strategy as can be seen by the fact that [syndicate] has outperformed the market for 9 out of the last 10 years and has achieved a 5-year average COR of 90.9% vs a combined market performance of 104.6%.
• Develop and execute annual business plans which align with their business strategy	We have a real time analytics platform that allows for real time monitoring all key KPIs against plan (GWP, RARC, Acquisition costs). Impact of business mix and RARC on expected Loss ratios and NCR is reviewed on a quarterly basis. Previous early intervention on certain classes A&H, Contractors, Casualty Treaty etc is evidence of this process being used to intervene at first sign of issues.

LLOYD'S

Underwriting Profitability (2 of 3)

Principle	Examples of OUTCOMES based response
• Have underwriting controls, monitoring and reporting in place which are appropriate to their risk profile in order to deliver the agreed business plan	Our approach has been successful in graduating our Marine Cargo, Global Property, International Property Facilities and Renewable Energy classes from PIP/Decile 10. Where we can see no sustainable performance improvement from the class or the wider market environment that the class of business operates in, [managing agent] has demonstrated on a number of occasions on our ability to either materially change strategy and downsize a portfolio or exit the class and manage an orderly run-off
	The success of this approach can be measured in the small number of underwriting breaches or compliance and regulatory issues flagged up, either internally or by external auditors. [syndicate] writes approximately 3,000 risks a year and the number of breaches reported is ~ 1% of risk count.
• Manage and control expenses in order to ensure they are appropriate for the business written	We have delivered our SBF admin expense ratio in each of the last 3 underwriting years. Following the integration of [managing agent] into the [….] group, we delivered, on a group basis, a run-rate cost saving in excess of $60m per year within a 3-year period following the acquisition, which was in excess of our original planned target of $50m. Since 2019 UWY, we have delivered various tactical savings to hold offset cost inflation and to create capacity to invest in other areas of the business whilst reducing our Total Admin & Acquisition ratio by 6pts.
	The Syndicate's administration expense ratio is below Lloyd's average even though the Syndicate does not write treaty reinsurance as is the case with a large proportion of Lloyd's syndicates. Actual operating costs have consistently remained below the budget for each of the past 3 years. Net Operating expenses (exc Legal Indemnities) have been managed down from 47.8% in 2018 to a projected 42.4% in 2022.
• Have robust portfolio management in place in order to deliver the agreed business plan	Robust application of portfolio management embedded in underwriting management processes. Exemplified in recent years by withdrawal from Property D&F and Aviation, as well as remediation of Cyber, Hull and FI accounts, the first of these in 2020, a year ahead of the wider market. Outcome is a significant improvement in expected results for the syndicate beyond the level that would have been achieved through rate increases. In line with the SBF process, action plans are in place for all classes requiring remediation activity. [syndicate] has historically worked, and continues to work, very effectively with Lloyd's in remediating any PIP classes. All of [syndicate's] PIP classes have either been successfully graduated, or are currently working towards graduation, following the creation and agreement of appropriate remediation plans.
• Have an effective pricing framework in place in order to evaluate sustainable technical price, rate adequacy and deliver sustainable profit	The pricing framework is consistent with the limited appetite [managing agent] has for pricing below benchmark at a CoB level and is a key means by which it meets its target loss ratios. [syndicate's] pricing loss ratio has been better than planned for the past 3 underwriting years of account.
	Our assessment is based on the following identified gaps: - Actions already underway to improve data capture and flow to pricing models - Increased peer review and governance/challenge processes (they exist today but can be widened to make them more granular) - Granularity of non-claims loadings applicable to specific types of risk Our Plan for the remainder of 2022 is to establish the level of sophistication and enhancement required to each of our UW teams pricing models, develop an action plan and make the necessary improvements ahead of the new underwriting year

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Underwriting Profitability (3 of 3)

Principle	Examples of OUTCOMES based response
• 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	Underwriting guides in place for all products with Underwriting authorities in place for all underwriters, which are all signed annually by each underwriter. This is reported to the RMC. In 2021 there were a small number of discrepancies between the written authority level and the system authority levels. This was identified in an internal audit and the recommendations to align was completed within the agreed timescale. Since 2019, all independent reviews, audits and monthly testing of controls have confirmed effective design and operation of underwriting controls, and underwriting results have materially improved during this period.
• Have processes in place to support decision making in relation to ESG integration into underwriting	The Institutional Shareholder Service scores [managing agent] on 250+ ESG factors, rolling up its performance into an individual composite score of 1-10 for each of E, S & G, with 1 being the best possible score. Following the publication of [group's] 2020 reports in April 2021 [managing agent] scores improved as follows: • Its E score improved 2 deciles from a 7 to a 5, against a proxy peer average of 6. • Its S score improved 2 deciles from a 5 to a 3, against a proxy peer average of 5. • Its G score remained at 1 (the best score ISS offers), against a proxy peer average of 5. At a local level [syndicates] implemented specific underwriting policies for Coal in 2021, and these will soon be followed by further policies for Arctic Exploration and Canadian Oil Sands in H2 2022. CoB-specific Underwriting Guidelines have already been amended to address and reflect [managing agent's] ESG considerations with its insureds and a process for all ESG referrals was introduced in early 2021. Every risk with potential ESG implications must be referred to the CUO responsible for that respective CoB for approval, which in turn needs to be ratified by another CUO. All referrals are recorded centrally and reported to the Board.

Catastrophe Exposure

Catastrophe Exposure

Principle	Examples of OUTCOMES based response
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:	
• Manage catastrophe exposure in line with their agreed risk appetites	
• Employ data standards, risk quantification tools, controls, expertise, and reporting frameworks which are appropriate to their risk profile	
• Adequately justify and validate methodology and assumptions, including expert judgements	
• 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	
• Have robust governance and oversight of risk aggregations	Risk aggregations metrics are monitored by the Board quarterly - to date, there have been no breaches.
	The last Internal Audit report (3rd line) had a positive outcome, with minor areas for improvement addressed promptly.
	There is regular Board training on related topics (recent 2021/2022 Nat Cat examples include a general training session on Cat Modelling & Exposure Management as well as a session on TigerEye RI modelling, analytics and portfolio management software).

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Outwards Reinsurance

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Outwards Reinsurance

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should ensure their syndicates:	Overall we have robust processes and controls over reinsurance purchasing. Our bad debt provisions are modest and we have not had a major security failure for many years. Generally RI programmes respond to losses in a timely and appropriate fashion.
• Outwards reinsurance strategies and purchasing plans are robust and reflect the underwriting, exposure and capital management / appetites of each individual syndicate, and the best interests of the members of the syndicate	RI plan forms part of annual business plan, regular reports to UW committee. Capital providers understand our overall RI strategy - not to overbuy. Historic profitability of Syndicate proof that this works.
• Have appropriate systems, controls, procedures and expertise to enable the effective management of outwards reinsurance purchasing and recoveries	There are no RI recovery debts greater than 6 months. RI Recoveries over 12m old very modest (circa $1m).
• Live and potential financial, operational, counterparty, contract and liquidity risks arising from outwards reinsurance arrangements are identified, monitored, evaluated and mitigated	Credit Ratings – [syndicate] has increased its AM Best rating of A and above for the reinsurers on its Reinsurance Programme, such that its reinsurance receivables from such rated entities increased from 80.7% at 31.12.20 to 99% at 31.12.21.
	Bad debt provisions remain modest and not material (generally 2-3% of total RI accruals). No significant bad debt write-offs in recent years.
• Have robust and effective monitoring, reporting and governance frameworks employed over their outwards reinsurance arrangements	

Claims Management

LLOYD'S

Claims Management (1 of 2)

Principle	Examples of OUTCOMES based response
Claims Management Managing agents should ensure that they have a claims commitment in place 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. To support this, managing agents should ensure their syndicates:	
• Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management	Strategic objectives are set out within this document and we have further developed "Objectives and Key Results" (OKR's) which provide more granular detail with timelines associated to each result. OKR progress will be tracked through the monthly claims meeting and we are currently on track to achieve the plan.
• The claims environment and infrastructure enables effective servicing at an appropriate level of sophistication, through the retention of adequately and suitably skilled resource, underpinned by a strong claims culture and continuous education	Headcount requirements are reviewed against both budget and plan on an ongoing basis taking into account actual claims frequency. A lower than expected personal injury claims frequency in Q1 resulted in resource being redeployed to meet the increase in demand in First Party claims. Analysis of the 'whiplash reforms' led to our L&D function creating bespoke materials to enhance knowledge and understanding of low value injury process.
• Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement	We use KPIs to provide monthly oversight of claims portfolio, covering response times, claim lifecycle, reserve adequacy, denials, static claims and diaries. The claims KPIs are assessed annually to ensure that their RAG rating are appropriate and are stretch targets, as the KPIs are an assessment of how effectively the claims terms are delivering on the claim philosophy. Looking at our average response times for lead/agreement party claims for example, we reduced our KPIs at the beginning of 2021, against which we have trended green for the past 5 months (Oct 21 to Feb 22).By contrast, we are constantly reviewing our position regarding statics, where based on our KPI metrics, we still have work to do to meet our ambitious goals. Further work to create more targeted lifecyle KPIs by class of business and claim complexity is in scope for 2023.
	Ongoing analysis has identified opportunities to streamline our FNOL process, including the automation of dependent tasks and allocation of claims and we are working with our change team and IT suppliers to improve our system capability. By way of example of oversight of measures examining speed of process, key lifecycle metrics through 2021 (e.g. key to key cycle time, average repair duration) were tracked and found to be overwhelmingly favourable to target outcomes. These metrics are reported to Lloyds on a quarterly basis.

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Claims Management (2 of 2)

Principle	Examples of OUTCOMES based response
• Delivery of accurate and timely case reserving through robust reserving processes and practices	A recent Internal Audit found that management have clearly set out their claims management and reserving philosophy, there is good oversight and controls over the setting of claims reserves and the application of associated claims authorities. Claims peer review is outsourced to an independent provider, who have reported no material exceptions and good adherence to Lloyd's standards.
	By way of evidence, one of our monthly KPIs measures accuracy of 1st reserve v Reserve at 1st closure (exc blocks and RI) for first party claims. This KPI has been fully met for the past 12 months.
• Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance	Quarterly service meetings that review all DCAs are conducted with senior claims management to ensure that poor performance is addressed. This would include failure to meet regulatory requirements and/or continued under performance or failure to meet required service levels. This process has led to agreements being terminated due to breaches of contract in respect to performance.
	A recent internal audit reviewed the management of outsourced claims and delegated claims authorities and noted effective and proportional controls with external audits being performed by independent providers, which aligns to the practices of market peers.
• Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment	Claims was been reviewed by Internal Audit at the beginning of 2022 with one medium recommendation and two low recommendations. Overall the Internal Audit review noted good average response times, low percentage of static claims, by value, and good reserve accuracy. All of which are key performance attributes as to the efficiency of our claims handling.

Customer Outcomes

LLOYD'S

Customer Outcomes (1 of 3)

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should ensure their syndicates:	There was an Internal Audit of [managing agent's] DA Management framework performed in 2021 (by a third party) which did not identify any material issues and was positive in terms of our framework and the culture of collaboration between the UW, Claims and Compliance/Operations staff involved. Lloyd's performed a deep dive "product lifecycle review" into the [ ] A&H products in 2022 under its fair value work. The review did not identify any concerns and a couple of follow up actions were agreed. Key enhancements for 2022 include: 1. Perform the Fair Value reviews and the associated data capture; 2. Progress implementation of the DA digital reforms; 3. Understand and implement changes to address the introduction of the FCA Consumer Duty; 4. Develop formalized capture and reporting of positive customer outcomes and examples of positive client feedback.
• 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	Products offered by syndicates are demonstrably of good value and the services provided have been proven to offer good customer outcomes, with low levels of complaints (less than 50 complaints in 2021 for managed syndicates). The Board and Conduct Committee receive quarterly conduct related MI to enable them to understand conduct related issues both at a product level and with respect to the embedding of the framework / conduct culture across the business. In terms of outcomes there have been no material conduct risk related issues reported over 2021/22 and numbers of complaints remain very low with no concerning trends identified. Broker remuneration exception reports have not identified concerns re excessive remuneration This MI is typically focussed on reporting exception and issues. Reporting of positive examples of the Conduct Culture being exhibited by [managing agent] staff is more ad-hoc. Recent material examples include: Response to Covid across the binder accounts (consumer & SME) to ensure appropriate support for customers; Use of satellite imagery, pro-active claims handling and Vittesse system to pay Wildfire Claims Enhancements for 2022/23 include: 1. Publication of the Consumer Duty – [managing agent] will address any changes within its framework, which will further strengthen the Board's articulation of its Conduct Culture and its oversight of that; 2. Implementation of Fair Value reviews for relevant business (further strengthening assurance that products are providing fair value to customers); 3. For ESG we have identified it might be helpful to create a process for more structured capture and reporting of positive examples of conduct culture across the business. Currently the structured MI is more focussed on issues and exceptions and reporting of positive points is more ad-hoc.
	Quarterly risk reviews and assurance work to date has not identified any breaches of appetite, nor instances of poor customer outcomes.
	Volume of reported 'incidents' in relation to Conduct Risk is low, no breaches in the control environment to suggest there were any systemic issues that needed addressing. Compliance monitoring, Risk, Internal Audit or external reviews neither found nor reported any significant concerns to the Board or its committees, including with regards to the governance structure around Conduct Risk

LLOYD'S

Customer Outcomes (2 of 3)

Principle	Examples of OUTCOMES based response
• Design and oversee products through suitable governance structures that meet the expectations of the target market	Evidence from Internal Audits and Lloyd's reviews over the years suggest the governance structure and framework are appropriate for [managing agent's] conduct risk profile and business model and are being operated as intended. Outcomes would be measured through conduct issues or negative Conduct Risk MI and complaints data reported through the Board. There are no 2021 / current material conduct issues to report. The annual risk assessment process ensures no new products have slipped through the net and ensures appropriate scrutiny of non HPR products with higher risk features. The annual risk assessment for 2021 did not identify any higher risk products not already captured within the assessment. Enhancements in this area for 2022 will come from the performance of the Fair Value reviews and data capture and analysis required by the FCA under its new product governance rules. This will further strengthen the existing framework of controls.
	The latest Compliance control framework audit (which included conduct risk and product oversight) took place in H1 2021 and was rated 'good'.
• Ensure there are no barriers to easily accessing clear and fair sales and post sales services	Through 2021 the output of these measures has shown no concerns. Complaint overturns on indemnity decisions recorded a performance finishing on 1.6% against a tolerance of <3% for the year and justified cancellation complaints at 0.05% of total complaints (2/4168). Claims correspondence was dealt within timeline for 2021 and less than 5% was outside of timeline all year and TCF MI showed vulnerable customer were dealt with in line with the policy guidelines.
• Deliver fair and prompt claims and complaints handling services in line with a clear servicing commitment	Complaints MI is closely monitored and confirms very low complaints levels. No complaints have been referred to the FOS in the past 12 months. Complaints referred to Lloyd's stage 2 have not been upheld. Again the covid crisis provided documented examples of proactive claims handling measures taken to ensure positive customer outcomes, and coverholders also provided positive feedback on [managing agent's] approach. Complaints levels, whilst higher due to the number of claims (particularly on the [ ] Travel account]) remained low in relative terms. We can point to historical examples on HPR accounts where we have moved claims handling services to a new DCA due to persisting performance concerns around the incumbent (e.g on the old [ ] travel account). There were some complaints handling processing issues during the covid crisis. [managing agent] received a warning letter from Lloyd's as it breached several of the Lloyd's complaints reporting benchmarks but this did not result in a fine. This principally related to the increased number of complaints under the [ ] travel program. This was actively managed and remedied by the relevant UW, Claims and Compliance staff and reported through the Conduct Committee and the Board. It was noted that [managing agent's] adherence to the benchmarks is volatile due to the low number of complaints and that the breaches had not resulted in negative outcomes for customers – they were more around failure to meet timeframes for onward reporting to Lloyd's.
	[managing agent] has received three complaints since August 2021. Complaints have been dealt with in accordance with internal procedures, relevant response timeframes, and Lloyd's reporting requirements. Any non-compliance would be reported within our KRI/ KPI reviews and reported to the Underwriting Committee. [managing agent's] process is working successfully based on complaints received since the business started. There was one incident of a complaint being delayed by two days due to the coverholder not responding Lloyd's communications. This has been raised to the coverholder which they have acknowledged and confirmed that they will take steps to ensure this does not happen in future. This area will be looked at in their next audit review to ensure that all staff are aware of how to identify complaints and what processes are to be following to notify us as the lead managing agent.

LLOYD'S

Customer Outcomes (3 of 3)

Principle	Examples of OUTCOMES based response
• Engage, manage and oversee third party service providers in accordance with the outsourcing strategy and the standard of service set by the managing agent	Quarterly reviews of all DCAs are conducted with senior management to ensure that poor performance is addressed and has led to agreements being terminated due to breaches of contract in respect to performance. Contract certainty measures are tested both on audit and at renewal with confirmation of any policy issuance delays to be reported. DUA key risk indicators, such as DUA breaches and late receipt of DUA bordereaux, are reported quarterly and monitored by [managing agent] Risk Management. Breaches and exceptions are escalated to the Board. There are very low levels of breaches, demonstrating a strong control environment.
	In terms of independent challenge we have a robust Coverholder and DCA external audit framework in place ensuring third parties are subject to regular and relevant audits. [managing agent's] last Internal Audit of DA was in 2021/22 and was a positive audit not identifying any material findings and commenting positively on the culture of the business in this area and the relationship between Compliance and UWs. The audit of the DCA Framework is taking place in 2022. Lloyd's has reviewed both the coverholder and DCA framework over the years and findings have generally always been favourable. Negative outcomes would manifest in material and / or a high volume of issues with coverholders, DCAs or binding authorities, either in terms of underwriting performance, operational, regulatory, claims handling or conduct related matters. We have not had material issues on the DA book over 2021/22 and our relationship with Lloyd's in this area remains strong. Key enhancements for 2022 and beyond include addressing the medium rated internal audit findings and continuing to digitize our DA systems and data – both through our internal initiatives as well as the market reform activity (DDM, DCOM, Contract Creator, Continuous contracts, Computable contracts etc).
	There have been no material underperformance or concerns over treating customers fairly identified during oversight activities of third parties.
• Ensure regular and robust oversight of customer outcomes is achieved, using data and qualitative assessment	Coverholder audits on both the [ ] and [ ] HPR products included some material operational findings through 2021 and there is a strong audit trail of how these issues have been discussed and escalated via the relevant governance structures. By way of example the Conduct Committee concluded that the [ ] could not be renewed until all material audit findings had been addressed and overdue bordereaux and premium received. It should be noted that the material findings from these audits did not relate to conduct risk or customer outcomes. For 2022/23 enhancements to this aspect of the framework will include roll out of refresher conduct risk and complaints handling training to relevant staff, new MI generated from the Fair Value reviews and enhanced data capture on acquisition costs along the distribution chain; and enhanced BA level MI capability as the binder data initiatives progress.

Reserving

LLOYD'S

Reserving (1 of 2)

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should ensure their syndicates:	It is noted that no capital loadings have been imposed by Lloyd's as a result of material uncertainties around reserving tests. The 2019 and 2020 years of account QMB net combined ratios are approximately 5% and 3% above SBF respectively. However, on a cat-normalised basis they are broadly in line with SBF. The 2019 year of account has increased by 1% during the calendar year 2021 while 2020 has not materially changed in the period. Despite a strong reserving position, [syndicate] is a top performing syndicate. The Reserving loss ratios on open years account are consistent with the SBF as of 2021 year end. 2017 is consistent on a Normalised Cat basis. [syndicate] has consistently had favourable PYD demonstrating its reserve strength and consistent reserving approach.
• Have clear governance and ownership of the reserves	We have seen clear evidence of the syndicate board taking action to ensure our reserves are robust. As examples we have seen acceptance of cautious stances on credit for re-engineering and credit for rate change within the existing selections. We have also seen extensive prioritisation of pricing model development and improved data sourcing to actuarial as a means of enabling the actuarial team to spend more time focused on reserving analysis with as much MI as possibly obtainable to help navigate forecasting at this stage in the market cycle. During years where we had extensive levels of re-engineering and partial credit for this within our best estimates reserves the board accepted a higher selected difference to the recommended reserves for financial reporting.
	The board is proactive in requesting additional information or exhibits to help their understanding. This is most clearly evidenced by the evolution in our reserving committee papers over the past 18 months which have changed significantly as the Reserving Committee asks for less detail in some areas and more in others.
	Where there are specific areas of uncertainty within the reserves (in the past these have included Liability and Construction), the Board has requested cross-departmental deep dives into these portfolios.
• Make appropriate allowance for uncertainties when setting reserves	Detailed analysis is performed to understand a wide range of uncertainties and where material, distribution analysis is used to give context around this. Recent examples include the range of possible gross and outwards outcomes around Covid-19, our UK Motor Casualty reserves and the possible impacts of a range of assumed levels of claims trend. We have put a lot of focus on the limitations of our data and team as operational uncertainties within the reserving process. We have also discussed and documented the potential lag in claims reporting from the pandemic and the need for caution in how we react to our loss experience with this in mind. We took measures to deteriorate our claims trend assumptions last year during our annual business planning exercise. We did this with concerns around economic downturn, inflationary pressures and our ability to grow our top line and maintain profit margins all being considered.
	A recent example of an uncertainty margin which was utilised to include a margin set up in respect of a Chile riots potential loss which subsequently moved into the best estimate as the claim crystalised over a year after the margin was set up.

LLOYD'S

Reserving (2 of 2)

Principle	Examples of OUTCOMES based response
• Use assumptions to set reserves which are realistic, transparent and consider historical experience	Cross functional working parties are set up to better understand material emerging risks and also viewpoints when selecting assumptions. Recent examples here are our Covid-19 reserving working group and the corporate wide working party on claims inflation. In respect of our PFR division and Casualty Treaty business units the actuarial team has completed cross functional deep dives with claims and underwriting. We have completed two annual exercises on the 2017 and prior Casualty Treaty underwriting years during 2020 and 2021, during 2021 we completed a sub-class review of our Financial Institutions class of business with input from claims and underwriting, in 2021 we completed an ad-hoc review of precautionary circumstances in Management Liability (D&O) with the claims team and at the start of 2022 we have completed a sub-class analysis of Professions PI with focus on the Accountants and UK excess Solicitors sub-classes.
• Identify, understand and justify any differences in assumptions between reserving and other functions	Currently there are not any known differences of opinion across the business at [managing agent] because we strive for a consistent view from all areas (other than examples like held vs best estimate, GAAP vs Ultimate; which are differences in basis rather than differences of opinion). If this changes in the future we will aim to make this widely communicated and clear in our internal documentation.
• Periodically and objectively challenge the reserving processes and assumptions	Each year reserves are assessed independently by [ ] who produce an SAO for the syndicate. These reserves have to date been lower than those set internally. There are risk appetites, KRIs and controls in place for reserving which are assessed each quarter. There have been no breach of risk appetite or risk events. Related controls are operational and rated as effective. All KRIs are within tolerances. The new reserving process has been independently validated, at the request of the board, including a detailed view of SQL code as well as review of design, calculations and execution. The independent validators concluded the new reserving process was fit for purpose. The Internal Audit team last reviewed the traditional Reserving process in 2021 with a rating of "Effective", and reviews the SII technical Provisions process at least annually as part of the Internal Model Validation. Discussions of key findings and uncertainties are shared with the Risk Function.
• Set best estimate reserves in line with Solvency II principles, with any allowance for UK GAAP margins set explicitly in addition	Independent SAO actuaries calculate reserves and the held reserves are at least as high as this independent projection.

Capital

Capital (1 of 2)

Principle	Examples of OUTCOMES based response
Capital Managing agents should ensure syndicates Solvency Capital Requirement (SCR) appropriately reflects their risk profile and is calculated using a SII compliant internal model. To support this, managing agents should ensure their syndicates:	There are currently no capital loadings imposed by Lloyd's and no concerns around solvency levels from Lloyd's quarterly corridor tests and metrics presented to the BRC.
	No capital loadings in recent years
	Improvements in the credibility and validation of parameters/model output, modelling techniques, model run-time and wider stakeholder involvement have led to greater model use and capital becoming an integral part of business decisions. Recent examples of model use are as follows: • Supported the decision to purchase the LPT of the discontinued lines of business at the end of 2021. • Assessed the capital impact of strategic growth plans in a timely manner with external management consultants during Q4 2021. • Evaluated a range of alternative options across multiple brokers during the RFP of the global property reinsurance programme, which renewed on 1st January 2022.
	SCRs were accepted by Lloyd's as submitted, with no external loadings, for the September 2021 submission and December 2021 MMC application, with no material feedback concerns.
• Maintain an internal model which captures all material risks that the syndicate is exposed to	We ensure that the model captures all material risks by mapping the risks within [managing agent's] risk register to the relevant component of the model. The results of the P&L attribution exercise are also fed back annually to the risk team to support their regular re-assessment of the risk register. These analyses were set out in the 2022 SCR model validation report with no material issues identified.
	There are no material limitations of the Internal Model, with all material risks modelled. When material risks have emerged we have showed agility and have not needed to self load e.g. Covid-19, Cyber catastrophe modelling etc.
• Use modelling assumptions which are realistic and justifiable, methodology which is adequate and all material limitations are understood	Material limitations have been highlighted to the Board and committees to be understood and monitored where needed, for example the modelling fully in USD which we believe is demonstrated to be proportionate due to the underlying currency mix.
	The results of the validation and parameterisation of the internal model were reviewed by our external validators and our Risk team. There are no material validation points open and these are more observational.

Capital (2 of 2)

Principle	Examples of OUTCOMES based response
• Have strong feedback loops joining the business and the model	All model inputs, expert judgements and uses are recorded in logs maintained by the capital team and, where appropriate, signed off by the relevant risk owners. Key solvency metrics are shared with the Board Risk Committee each quarter, with more granular MI shared at the Model Steering Group, Executive Risk Committee and other governing bodies, including the Reserving and Investment Committees and Model Steering Group. The capital team meet regularly with the risk owners to ensure that the information presented to the various committees continues to be relevant and useful. Most recently, this process has led to further scenario tests being introduced for the 2022 Q2 Reserving and Investment committees and new reinsurance exhibits being shared with the Executive Risk Committee to support reinsurance strategy and to enable additional challenge of the capital model.
	There is strong collaboration and links between the actuarial team and underwriting both to understand changing underwriting conditions and work on adapting to new environments - e.g. the Active Underwriter was instrumental in setting the parameters post COVID for any additional uncertainties. There are also strong links and feedbacks across the business, for example with planning assumptions feeding reserving and capital. Use of the model in areas such as changes in investment strategy and RI purchase also cement these links.
	There are risk appetites, KRIs and controls in place which are assessed each quarter. There has been no breach of risk appetite or risk events. Controls are operational and rated as effective. KRIs are within tolerances. Internal Model and Capital Management is on the Internal Audit Plan for 2022.
• Implement changes to the model which are reasonable and justified and their impact on the SCR adequately explained	
• Conduct objective challenge of the internal model through independent validation	The model has been validated by external consultants and the capital figures reviewed by Lloyd's. There are no material validation points.
	Within the 2022 SCR assessed in September 2021, a material limitation was found as part of the independent validation in regards to the modelling of [ ] . The limitation was quantified and considered to be within simulation error. This was clearly detailed to the Risk Management Committee and to the Board in order to allow for questions and challenges. This limitation was accepted with an action to address it by the 2023 submission. This action can be seen in the 2022 development plan which will be presented to the Board in July 2022.

Investments

LLOYD'S

Investments

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should ensure their syndicates:	Enterprise Based Asset Allocation Stress Testing of the portfolio showed that at 99.5 T-VAR < 10% of ECA was eroded.
• Have a clear articulation of investment objectives and risk appetites, with rationale having regard to high level business or solvency strategy	Applying an outcomes based approach we can demonstrate that the criteria has been met through annual review of investment objectives and risk appetites at the Investment Committee with remedial actions being documented in Investment Committee minutes. Specifically, for the potential selection of alternative assets we can demonstrate that the Investment Committee considered whether such an allocation is appropriate when an SAA is performed, as evidenced by the exercise conducted by [ ] for the Investment Committee in May 2021.The outcome is that the PTF (premium trust funds) portfolios, in line with the size of the portfolio and the investment risk appetite, has no allocation to alternative asset classes.
• Have clear investment parameters and guidelines with robust processes to monitor and report positioning against limits	We can demonstrate that the criteria has been met through quarterly review of portfolio risk exposures presented by the Investment Managers in Compliance/Credit Reports at the Investment Committee with remedial actions being documented in Investment Committee minutes. There aren't currently any existing material exceptions/breaches. Specifically, we can evidence at the Investment Committee that the SAA is conducted for PTF portfolios in reference to the Syndicate's business plan and within the confines of the overarching portfolio constraints. The Investment manager has some flexibility to apply TAA (relative to benchmark), though historically the extent of this has been modest and certainly well within the overarching portfolio constraints.
• Integrate investment stress testing into investment management	[syndicate's] investment stress testing exercise was completed in early 2021 along with strategic asset allocation project in conjunction with the investment manager to diversify the portfolio and spread the risk. The portfolio was realigned to meet the goals of the strategic asset allocation and has been managed effectively since. As part of the exercise, [syndicate] implemented a minimum cash balance threshold to ensure any available surplus funds is efficiently invested in line with the strategic asset allocation model.
• Ensure investment performance and risk, including that of outsourced arrangements, are effectively overseen through monitoring and reporting	
• Develop and embed a Responsible Investment Policy	
• Have Asset-Liability Modelling (ALM) capabilities consistent with Use Test Principles	Applying an outcomes based approach we can demonstrate that the criteria has been met through Market risk output from the Internal Model being provided to the Investment Committee twice a year to highlight material economic risks and to support investment decisions. There aren't currently any existing material exceptions/breaches.
• Have robust investment governance	

Liquidity

Liquidity

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should ensure their syndicates:	The investment strategy requires matching of readily realisable assets to the duration of claims while ensuring sufficient liquidity in the investment portfolio (i.e. short term deposits and cash equivalents). There is also a group quota share reinsurance agreement in place and, in certain circumstances (i.e. if a cash deficit arose), access to Group capital. The syndicate currently has sufficient Capital so no committed/uncommitted facilities are currently required. There are KRIs and controls in place for liquidity which are assessed each quarter. Related controls are operational, rated as effective with one partially effective. All KRIs are within tolerances.
• Identify and assess their key sources of liquidity risk and have appropriate monitoring and reporting in place	KRIs are monitored quarterly and results are presented to the risk committee and board. To date, no issues have been identified that indicate a weakness in monitoring liquidity risk.
• Conduct and consider the outcomes of stress tests, including Lloyd's defined stress test and syndicates' own 1:200 stress test	[managing agent] concludes that the syndicate maintains a more than adequate level of liquidity based upon its risk appetite. Holding additional liquidity significantly above this level (i.e. up to a 1:200 event) is not commercial or realistic and our approach to including FAL within contingent liquidity is reasonable due to this being one of the key purposes of FAL.
• Have clearly defined liquidity risk appetites	Liquidity Risk appetites defined, reviewed and approved at Board level at least annually. Performance against appetites is reported on a monthly basis and distributed quarterly to the Investment Committees and Risk & Investment Committees. There has been no breach of agreed appetites.
• Conduct regular assessment of liquidity buffers above expected cashflow projections	Cash balances are monitored on a daily basis with banking access and cash transactions are posted monthly in the ledger system to ensure all accounts are reconciled at any given time. Cashflow projections are reviewed on a quarterly basis based on which potential liquidity buffers are identified. As part of an internal review, a minimum cash balance requirement was identified and set at £5m to ensure [syndicate] can handle unfavourable variances from projections and can meet its commitment to policyholders and other creditors as and when they fall due. The £5m minimum cash balance threshold was approved by the Board after taking into account historic variance, between actual and forecast cash flows, daily net cash flows, weekly disbursements, stress tests and scenarios which included monthly broker premiums collected a week late, claims at 90th, 95th and 99.5th percentile.
• Have thorough liquidity contingency plans in place including articulation of what management actions and steps are open to alleviate liquidity strain	A potential breach in Liquidity risk appetite was identified triggering the steps detailed within the Syndicate Liquidity Contingency Plan. Assessment of additional funding was undertaken and implemented following a proposal put to the board for approval in June 2020. This was subsequently approved and the liquidity risk appetite was kept within tolerances following implementation of the facility. Despite national lockdowns, monitoring, oversight and governance was not adversely impacted.
• Have robust governance over liquidity risk	Liquidity risk appetites are initially proposed and discussed at Investment Committee and Risk & Investment Committee with ultimate approval set at Board-level. Liquidity Risk appetites are reviewed at least annually. Reporting versus appetites is distributed monthly to the CRO, CFO and Head of Finance with quarterly reporting sent to the Investment Committee and Risk and Investment Committees; any breaches would be escalated via the Risk team's reporting protocols and would ultimately be noted at Board level. There have been no breaches of liquidity appetites to date. The Liquidity Risk Framework is reviewed annually, with a Liquidity Contingency Policy currently in draft form with a target completion over 2022. In Feb 2022 it was approved that liquidity risk should be re-classified from a tier 2 to a tier 1 risk, a change that was proposed and approved by the Board. The work supporting this movement will be completed over 2022.

Governance, Risk Management and Reporting

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Governance, Risk Management and Reporting (1 of 2)

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should ensure their syndicates:	
• Manage a suitable Board and committee structure which enables well informed, timely and accountable decision making	In addition to recently concluded review and updating of the Terms of Reference for the Board and its governing and functional committees (all of which received Board approval in April 2022), we conducted a review of the Matters Reserved for the Board which, among other changes, will ensure that the business strategy includes environmental, social and governance factors. As a result of the feedback arising from the latest board effectiveness review, the [managing agent] board • appointed an independent non-executive director with expert commercial underwriting experience to the board. The new appointee engaged closely with clients during the 2022 SBF planning process and provided the Board with enhanced oversight and input into the plans submitted to Lloyd's; • further developed its medium to longer-term business strategy, including the Syndicate-in-a-Box platform governance; and • focussed on the governance structure needed to deliver [managing agent's] planned growth whilst ensuring scalability and maintaining robust governance and oversight of clients.
• Operate a strong risk and control environment which allows for appropriate challenge	The [managing agent] risk management team undertake quarterly risk and control assessments and meet with business owners on an ongoing basis providing review and challenge. A risk summary of all risk categories is also discussed on a quarterly basis at the risk and capital committee. As at April 2022 No risks are scored outside tolerance, and over 90% of controls are scored green. Controls exist against all key sub-risks. Of the 185 identified key controls, 4 are currently scored Amber. 53 of the identified key controls have at least one control indicator attached to support objective assessment of control score. Of 136 identified control indicators, 126 are scored green. Risk management is visible and influential across the business at all levels. Teams pro-actively report incidents to risk management indicating a healthy risk culture. Risk management is involved in all strategic and change decisions. This was highlighted in the Lloyd's Culture Survey where only 1% of responds disagreed that risk and compliance were respected functions and 75% strongly agreed. There have been no reported risk events and all controls are operation apart from risk management training which will be delivered to all group staff by end of H1 2022 An internal audit was performed in H2 2021 on Risk Management and the Risk Management Framework was assessed as appropriate for the size of the business, with the key controls considered largely effective in operation with robust documentation in place, and clearly defined roles and responsibilities.

Governance, Risk Management and Reporting (2 of 2)

Principle	Examples of OUTCOMES based response
• Maintain appropriate oversight of operational processes for effective management of the business	Quarterly reviews of controls and KRIs do not identify any issues with the oversight of operational processes. Such controls and KRIs cover committee and board ToR, minutes and actions, resourcing at senior management level, outsourcing risk, IT risk, and project and change management risk.
• Employ and develop people with appropriate skillsets and ensure the business is appropriately resourced	In addition, a budgeting process is undertaken annually, to discuss and agree the level of resources required for the coming 12 months to support the client base. For 2022, skills gaps and key persons dependencies were identified for the Exposure Management and Claims Management functions. New roles were approved and included in the budget.
	Resourcing is appropriately considered and tested. Survey had indicated in 2020 that there was resourcing pressure on managers and work continues on making sure this is monitored.
	There has been low voluntarily turnover at [managing agent] (6% for 2020 and 2021) and the Executive directors have all been at [managing agent] for >15 years which help ensure the Board has the experience and skills to perform its role.
• Ensure decision making is supported by appropriate data and qualitative assessment	The suite of management information (MI) reported to the Board of Directors and the Board Committees, along with the Management Committee and its sub-committees, is being examined as a part of a regular and comprehensive review of all Board and Management Terms of Reference (ToRs). A recent review of the ToRs, which follows the updated governance structure conducted in Q4 2021, has been concluded and a complete set of enhanced and updated ToRs were approved by the Board on 26th April 2022. Positive outcomes to arise from this wholesale review of the ToRs include further clarity on the scope of authority of each governing body as well as the "chain of command", which will enhance the MI that is reported to each governing body. The MI suite will be tailored to reflect the relative seniority of the governing body and to facilitate more robust decision-making to support delivery of the business strategy.
	The Board evaluation carried out in 2021 confirmed that the quality and focus of meeting materials was rated a very good standard. More than half of the board members gave an excellent rating.
• 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	Reports are in the main submitted on time. There have been some missed deadlines, these have been examined and processes put in place to mitigate against future issues.
	All reporting to Lloyd's was submitted on time and with high accuracy. This statement is supported by there being only a small number of questions from Lloyd's on each return and the absence of return resubmissions. This is also supported by the quarterly scorecard received from Lloyd's which reports on the quality and timeliness of the key submissions. The last scorecard showed we were 'green' and first quartile for all returns in scope for the first three quarters of 2021.
	In some instances, [managing agent] had to re-submit regulatory returns, due to immaterial items required to be updated. The rationale for these re-submissions is recorded and used for lessons learnt exercises. [managing agent] has never been fined for late or incorrect submissions to the regulators.
	Financial reporting is on time and accurate as can be seen via Lloyd's benchmarking.

LLOYD'S

Regulatory and Financial Crime

LLOYD'S

Regulatory and Financial Crime (1 of 2)

Principle	Examples of OUTCOMES based response
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. To support this, managing agents should:	The Compliance control framework (which includes financial crime) forms part of the regular internal audit schedule. The most recent audit took place in H1 2021 and was rated 'good' Overall. The Compliance Framework was assessed as appropriate and proportionate for the size of [managing agent] with the key controls considered effective in operation.
	The regulatory and/or financial crime monitoring framework which supports the ongoing assessment of regulatory risk has reported no instances of regulatory/financial crime breach in the last 12 months.
	We had only one regulatory compliance breach and nil material breaches of our compliance best practices in 2021. The one breach related to payment of a small number of claims in Eire incorrectly in the (then) new post-Brexit arrangements, which was reported to Lloyd's and addressed satisfactorily and which we understand was an issue that a number of syndicates also encountered. The syndicate missed nil regulatory reporting deadlines in 2021.
• Embed a culture of transparency, regulatory and financial crime compliance, and an understanding of the benefits of this across their managed businesses	[managing agent] has a strong compliance culture embedded throughout the business. This is demonstrated through the lack of regulatory breaches and an open and transparent relationship with regulators. [managing agent] has not had to make any reports relating to financial crime to Lloyd's, the FCA, PRA (or Office of Financial Sanctions Implementation [OFSI], Office of Foreign Assets Control [OFAC] and the European Commission in respect of sanctions).
	[managing agent] has a good historic track record of regulatory compliance and of being proactive and transparent in our dealings with regulators. This is evidenced by feedback over time from the PRA and Lloyd's supervisors. Negative outcomes would be regulatory enforcement and / or oversight action. From the PRA, FCA and Lloyd's perspective we believe [managing agent] has a track record and reputation for strong regulatory compliance and transparency.
	To date [managing agent] has identified no regulatory breaches or instances of financial crime and, therefore, there are no risk events relating to this area. To date, [managing agent] has remained within its financial crime risk appetite, and quarterly control and KRI reviews have identified no issues that indicate a weakness in our financial crime framework
	The culture of compliance is demonstrated by the high levels of training completion and well as referrals to the Compliance team, from across the business, in line with internal policy.

LLOYD'S

Regulatory and Financial Crime (2 of 2)

Principle	Examples of OUTCOMES based response
• Have a robust understanding of their regulatory and financial crime risk exposure and appetite, which is subject to appropriate challenge	There is constant ongoing interaction between the business and Compliance on a range of financial crime matters but especially sanctions. The Q1 2022 sanctions against Russia were well handled suggesting that everyone understands and have bought into [managing agent's] sanctions regime.
	[managing agent] has not had any material regulatory breaches or instances non-compliance with its framework/policies and procedures demonstrating it is suitably robust and appropriate for the business written. There have also been no breaches of appetite statement reported.
	There was a FC Internal Audit performed by third party in 2021 which did not identify any material issues. There were a number of relevant Lloyd's thematic reviews in 2020/21 which provided best practice suggestions. These findings will be addressed in the 2022 FC work plan, being covered in the 21/22 annual FC report being presented to Q1 Risk Committee in June. Key enhancements for 2022 include the actions that will be proposed under the FC annual report and the working being performed on formalising the training schedule with the HR Team. This will ensure that there is clarity over the attestation and training requirements for staff and new joiners around all of [managing agent's] policies and that this can be centrally monitored via automated reports. There will be formal escalation processes set out for staff highlighting the steps that will follow if individuals don't complete the mandatory training within required timeframes.
	Russia and Ukraine serves as a good example of [managing agent's] proactive approach in terms of evidenced outcomes. There has been a collective approach to Russian sanctions by UW Teams, Compliance, Claims, and the Active UW and CO have kept the Board and Exec well briefed. Compliance seek to support the UW Teams through understanding areas of exposure in the book, establishing clear and practical guidance to enable consistent messages to brokers and third parties, understanding what is required to comply with the rapidly changing rules and provide the Board with briefings and assurance. We have worked hard to obtain market level clarity on some key issues – [managing agent's] early identification of the issue around treatment of marine vessels / aircraft under Reg 28&29 and lobbying of Lloyd's and LMA ultimately led to this being addressed by the General License.
• Have appropriate systems and controls, including training, in place to manage regulatory responsibilities and financial crime risk	Positive outcomes are compliance with regulatory requirements and with [managing agent] risk appetite. [managing agent] has not experienced material breaches in recent times and there is clear reporting of issues directly to the Board. There is a mature Internal Audit framework that regularly tests the policies and procedure for FC and other areas of regulatory risk. A positive sign is that issues and referrals are proactively brought to the attention of the Compliance Team so they can be considered and addressed in a timely manner. The FC training was completed by all staff in 2021 but did require a reasonable amount of reminders and chasing for a small group of staff.
	Enhancements for 2022 include further formalisation of the training framework, incliuding conjunction with HR to ensure there is a company level policy and training schedule identifying which policies require attestation by staff, how training of each policy is managed, with automated monitoring of training completion for all staff and for new joiners. This will be accompanied by clear escalation procedures in the event that staff do not complete mandatory training within the required timeframes. The Annual FC report will also set out key FC control enhancements for 2022 which will address the 2021 FC IA findings as well as a number of other responses to best practice guidance from Lloyd's and other regulators.
	[managing agent's] post bind validations include Underwriter Peer Review, Contract Certainty/ Licensing Checks and the Independent Review Process. The output from these controls form reports to the Underwriting Committee and to the Board by material exception. Reporting on these controls has identified no issues with [managing agent's] financial crime framework. In addition, the latest Compliance Internal Audit (which included financial crime) took place in H1 2021 and was rated 'good'.
	[managing agent's] controls have proved effective. By way of example, in response to the Ukraine crisis, and the sanctions imposed on Russia, [managing agent] has been able to respond effectively in identifying/analysing new sanctions legislation/guidance, whilst also being able to rely on its controls to identify risks/claims with sanctions exposure in order for appropriate actions to be taken.

Operational Resilience

LLOYD'S

Operational Resilience

Principle	Examples of OUTCOMES based response
Operational Resilience Managing agents should maintain robust and resilient operations, embedding cyber resilience and effective third-party risk management. To support this, managing agents should:	[managing agent] has not had any material regulatory breaches or instances non-compliance with its framework/policies and procedures demonstrating it is suitably robust and appropriate for the business written. There have also been no breaches of appetite statement reported. There are a suite of risk appetites, controls and KRIs which can be mapped to this Principle and are assessed quarterly. There have been no breaches of relevant risk appetites. Related controls are operational and rated as either effective or partially effective and related KRIs not identifying any material concerns. There have been no data losses or cyber incidents in the last 12 months or any material system failures. A follow up Cyber Resilience audit in January 2022 confirmed that previous recommendations had been successfully closed. An Internal Audit on Outsourcing in February 2022 identified that further work was required to embed the outsourcing framework resulting in one medium rated finding which is on track to be remediated and closed by 30 April 2022.
• 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	
• 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	A dedicated resource is actively being recruited within the Group to lead on BAU Business Continuity and Operational Resilience activities that will support [syndicate] in the delivery of effective operational resilience tasks as highlighted in Sub-Principle 1. A central repository has been developed housing all operational resilience materials produced for [syndicate]. A timetable of activities is being developed to ensure the ongoing management and oversight of the control environments across [syndicate]
	Lessons have been learned during the c19 pandemic and the [ ] incident. Whilst the Syndicate operations were not disrupted by either incident, specific vulnerabilities for the IBSs have been identified as part of operational resilience development, particularly around cyber resilience. The Syndicate will benefit from a comprehensive three year multi-million euro Group program to complement and optimise the existing information and IT security framework, with an emphasis on cyber resilience. Information and IT security roles and responsibilities, processes and controls are being enhanced. Program completion is expected by end of 2024.
• 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	[managing agent] deploys a defence in layers approach to Cyber security with multiple security controls and technologies to protect information systems, processes, people and data. This approach has been effective to date as [managing agent], its managed clients and their customers have not yet suffered harm from a cyber event.
	Recommendations from the 2021 Cyber Internal Audit report have been addressed, and included the following relevant actions subsequently implemented: • Data Classification Policy, including reference to the Data Leakage Protection (DLP) rules • Third Party Data and Security Policy • Business Impact Analysis (BIA), facilitated with external consultant. • Privileged Access Management • Penetration testing • Secure Configuration (e.g. MFA,) • NCSC 10 Steps and Grey Box Testing • Cyber Essentials (2022 renewal process underway). In addition to the above, a follow-up audit was completed in Q1 2022 which concluded the above actions had been completed and implemented, with sign-off received by Grant Thornton.

Culture

LLOYD'S

Culture (1 of 3)

Principle	Examples of OUTCOMES based response
Culture Managing agents should be inclusive, creating a diverse high-performance culture. To support this, managing agents should:	
• Demonstrate leadership focus on fostering an inclusive, high-performance culture	In our Employee Engagement survey of 2021, 95% of respondents agreed with the statement "The leaders at [managing agent] have communicated a vision that I understand and motivates me" and 100% of respondents agreed with the statement "I know what I need to do to be successful in my role".
• Ensure behaviour expectations are clear and there is zero tolerance for inappropriate behaviour	In our 2021 Employee Engagement Survey 100% of respondents agreed with the statement "I am encouraged to speak up and contribute ideas and suggestions" and 82% agreed with the statement "I feel comfortable speaking up if I see something wrong up at work".
	[managing agent] have established a Culture Committee, which ran a staff culture survey, including questions about inappropriate behaviours, at the end of 2021. The results confirmed that the majority of respondents (86%) feel comfortable raising concerns of inappropriate behaviour, which reflects a slight improvement on the equivalent question in Lloyd's survey (85%). Staff also believe that those concerns would be treated seriously (53% agree and 35% strongly agree).
	On the 2020 Lloyd's Culture Survey 96% of people agreed that they understood the behaviours expected of them.
• Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top	In June 2021, over 75% of employees responded to our global engagement survey. Our highest scoring dimensions were Leadership Trust (87%), Diversity and Inclusion (85%) and Psychological Safety/Wellbeing (84%). 4 executive sponsors, including the CEO, led the follow up projects to address the lowest rated dimensions - work life balance, innovation, compensation and benefits and CSR. Employee feedback was sought through focus groups and open surveys. A plan of actions and initiatives will be developed based on the feedback received.
	[managing agent] monitor the confidence of employees to speak up through our internal Staff Culture Survey and the Lloyd's Culture Survey. Both surveys results showed that employees are comfortable speaking up and raise issues with confidence internally (86%), and they trust that it will be treated seriously (88%).
	From the 2020 Lloyd's Culture Survey [managing agent] employees are more comfortable raising issues about behaviours at [managing agent] compared to the market response. However one slight concern from the survey was that more people at [managing agent] did think nothing would be done. In addition employees were less concerned about the negative consequences of raising concerns versus the rest of the market. The one area we do need to improve on is training to i) indicate what situations may warrant speaking up and ii) equipping employees with the tools to raise issues early before they become bigger issues. This will be taking place in 2022.

Culture (2 of 3)

Principle	Examples of OUTCOMES based response
• 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	Our 2021 recruitment activity shows positive gender balance trends. 5% more females were hired than males and 45% of the top 35 roles, by job level/salary, were filled by females.
	For April 2021, snapshot of our gender and ethnicity pay gap figures are as follows (2022 figures will be assessed in Q2 and reported to the board in Q3): **Gender Pay Gap:** Hourly pay gap: Mean 20.5% / Median 24.3% Bonus pay gap: Mean 45.5% / Median 45% **Ethnicity Pay Gap:** Hourly pay gap: Mean 40.8% / Median 34.7% Bonus pay gap: Mean 77.1% / Median 42.3%
	[managing agent] currently have 39% women in leadership, which is top quartile for Lloyd's. Increasing this figure and also our ethnic minority representation, remains a focus this year, whilst [managing agent] aim to reduce bias from the recruitment process.
	We are 4th quartile for women in leadership roles. This remains a focus and we have a target of increasing female Board representation to 20% by 2023 and for equal gender representation by 2030. There is a particular focus on career talent framework including developing female leadership in our 2022 objectives. In 2021 the gender pay gap was voluntarily shared with all employees via a presentation to all staff as well as the actions we are taking to reduce this indicating a top-down commitment to improvement in this area. Our representation of ethnic diversity is already close to our target in 2023 of 20%. In 2021, 37% of our new hires were from an ethnic minority background which helps show that our hiring practices are becoming more inclusive but more work does need to be performed on the underwriting side. We have created a work experience programme in partnership with SEO which has led to over 40 people from non-traditional sources getting exposure to our market. In addition our external communication success metrics are heavily focussed on attracting new talent.
	[managing agent] launched our own diversity targets in 2020 and this covered Gender, Senior Gender and Ethnicity. These targets were approved by the Board and included as a personal objective linked to the annual bonus, for each Board member and all employees with hiring responsibility. These targets will be expanded to multi- year targets that cover Gender, Senior Gender, Ethnicity and Senior Ethnicity. Good progress has been made in particular on Senior Gender as we have seen the profile change from 18% at the end of 2019 to 34% in January 2022 (almost double). During 2021 52% of hires were female, 100% of senior UK hires were female and more than 1 in 3 hires were minority ethnic.

Culture (3 of 3)

Principle	Examples of OUTCOMES based response
• Understand their employee population, collect appropriate data and take action to create an inclusive employee experience	Our 2021 Diversity Data survey was run on anonymous basis and, for the first time, included questions on social mobility, neurodiversity and working parent/carer status. This was in addition to questions on gender, sexual orientation, religion/belief, and disability. We had an overall response rate of 91% which included an 91% disclosure rate for gender, 90% for sexual orientation and 88% for ethnicity. The survey also showed us that 13% of our employees identify as neurodiverse. As a result of this response, which included comments/questions on what neurodiversity is, we ran an internal communications campaign on what neurodiversity is and, after a successful pilot, we are rolling out a programme of neurodiversity manager workshops for all line managers. We are also planning to implement the Clear Talents workplace assessment tool for job applicants as well as existing employees, to ensure that everyone at [the managing agent] has the working environment that they need. The planned implementation of a new HRIS and ATS system will allow us to collect diversity data tied directly to each employee as well as tracking the diversity across our recruitment stages.
	Our 2021 Employee Engagement survey, ran across December 2021 and January 2022, had an overall response rate of 77%, with just over 82% of respondents agreed with the statement “I believe there is an inclusive workplace culture at [managing agent]”, whilst 90% would recommend [managing agent] as a great place to work. A set of actions has been created as a result of the survey findings which cover career development, focus groups and communications.
	[managing agent] recently increased the demographic data we collect on a voluntary basis adding sexual orientation. [managing agent] have collected data from 100% of our staff with very few unwilling to disclose their sensitive information (i.e. answering "prefer not to say"). [managing agent’s] Culture Committee supports a diverse and inclusive culture and created a resource hub for staff. The results from the staff culture survey run at the end of 2021 were positive overall, with 97% of respondents confirming they believe that we have a good culture and 89% would recommend working for [managing agent]. There are few areas that require further investigation, and in response to the survey the following actions have been agreed: 1. Board to review and discuss the survey results and consider if any formal action plan is needed and how progress should be monitored and reported; 2. Executive Team to take into consideration the feedback from the survey and incorporate specific actions as required into the 2022 company-wide culture objective; and 3. Culture Committee to review how the Committee operates and communicates so as to improve awareness of its purpose, as well historical and future initiatives.
	We collect gender and ethnicity data using our HRIS, with very high levels of completion demonstrating our open culture. We review the data regularly and share it with the Board and Senior Management, where it is openly discussed, challenged and used to inform decisions. Our employees consistently report (through our Pulse Surveys) that they feel they can be themselves at work (82% - September 2021) and that [managing agent] is a Great Place to Work (69% - Sept 2021).