

Project Rio Technical Briefing Sessions

Claims Management

24 January 2022

Lyndsay Deeves and Lloyd's Claims Team

Agenda

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

Oversight Framework:

Overview of broader framework

Lyndsay Deeves

Pre-recorded

Oversight Framework

Focussing on what matters

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

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

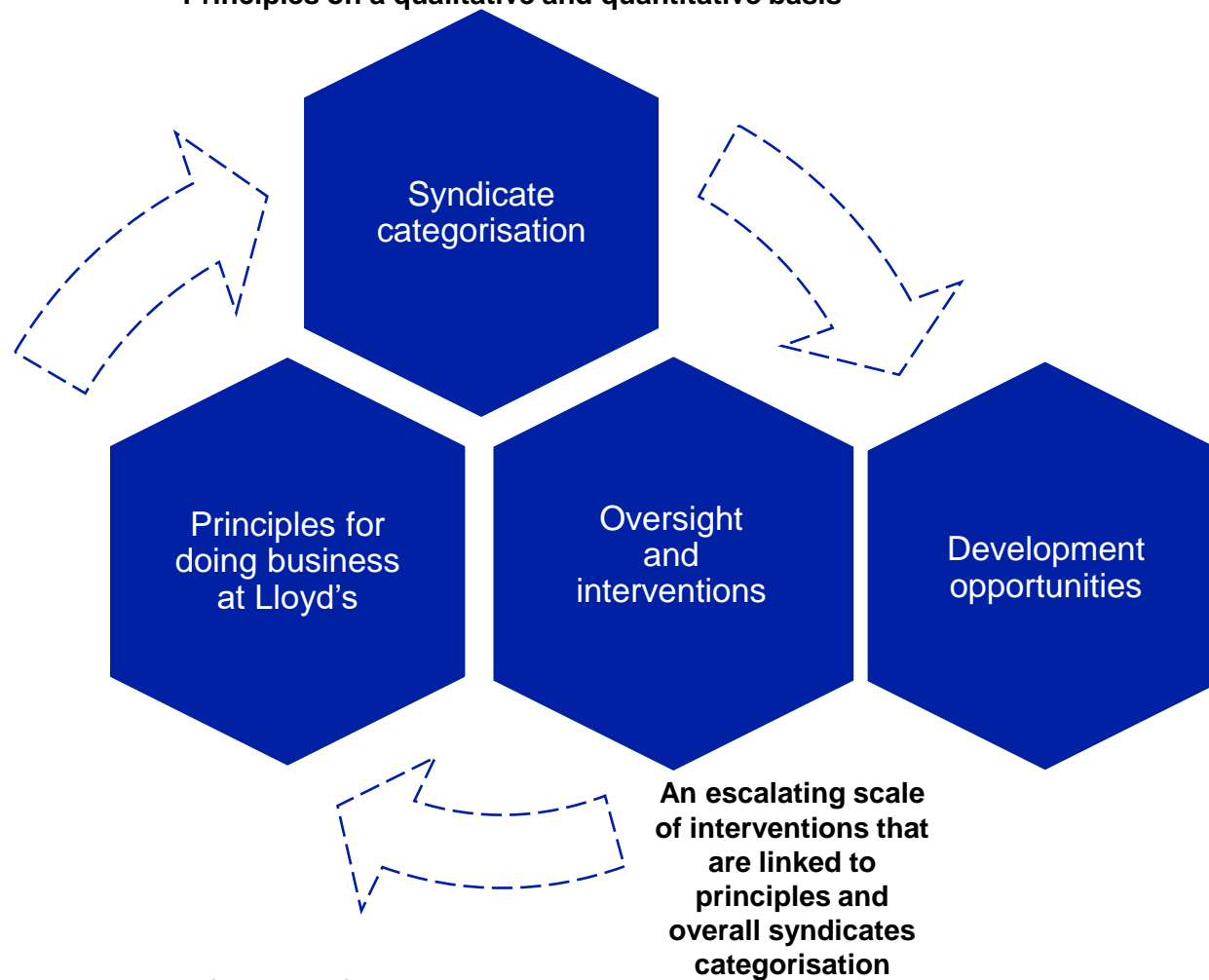
Oversight Framework

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

Principles defined across all oversight areas

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

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



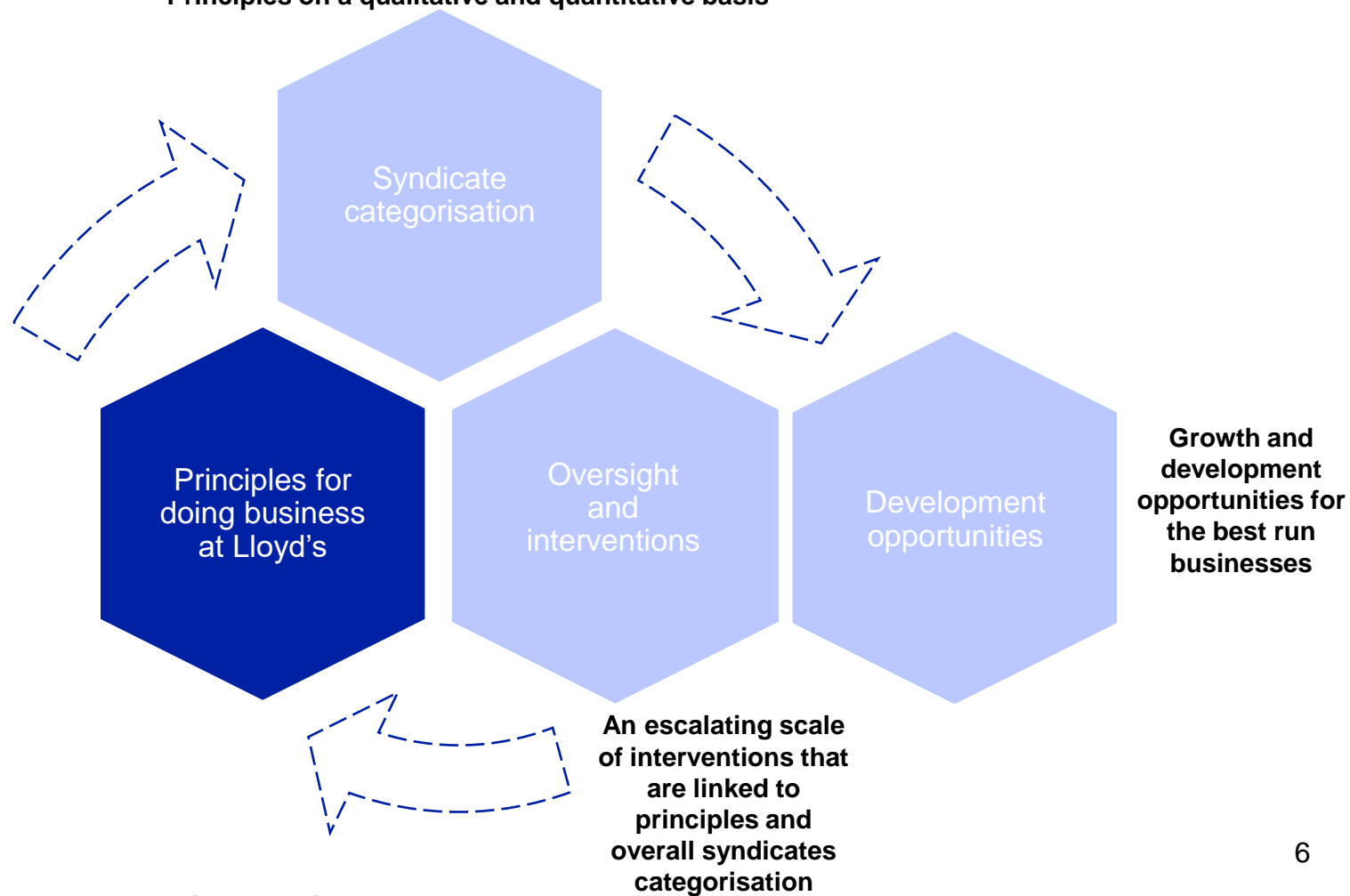
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One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



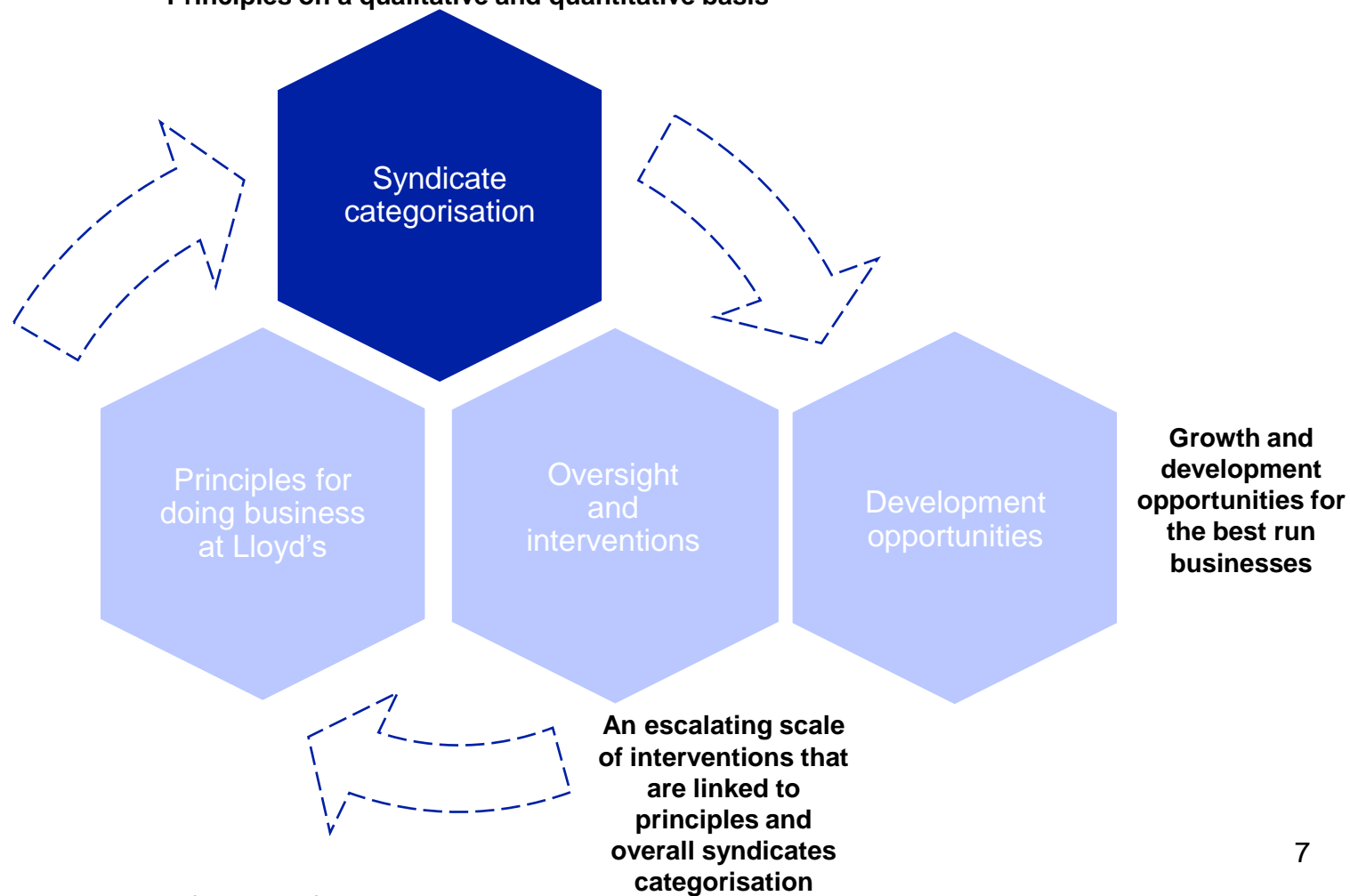
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One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



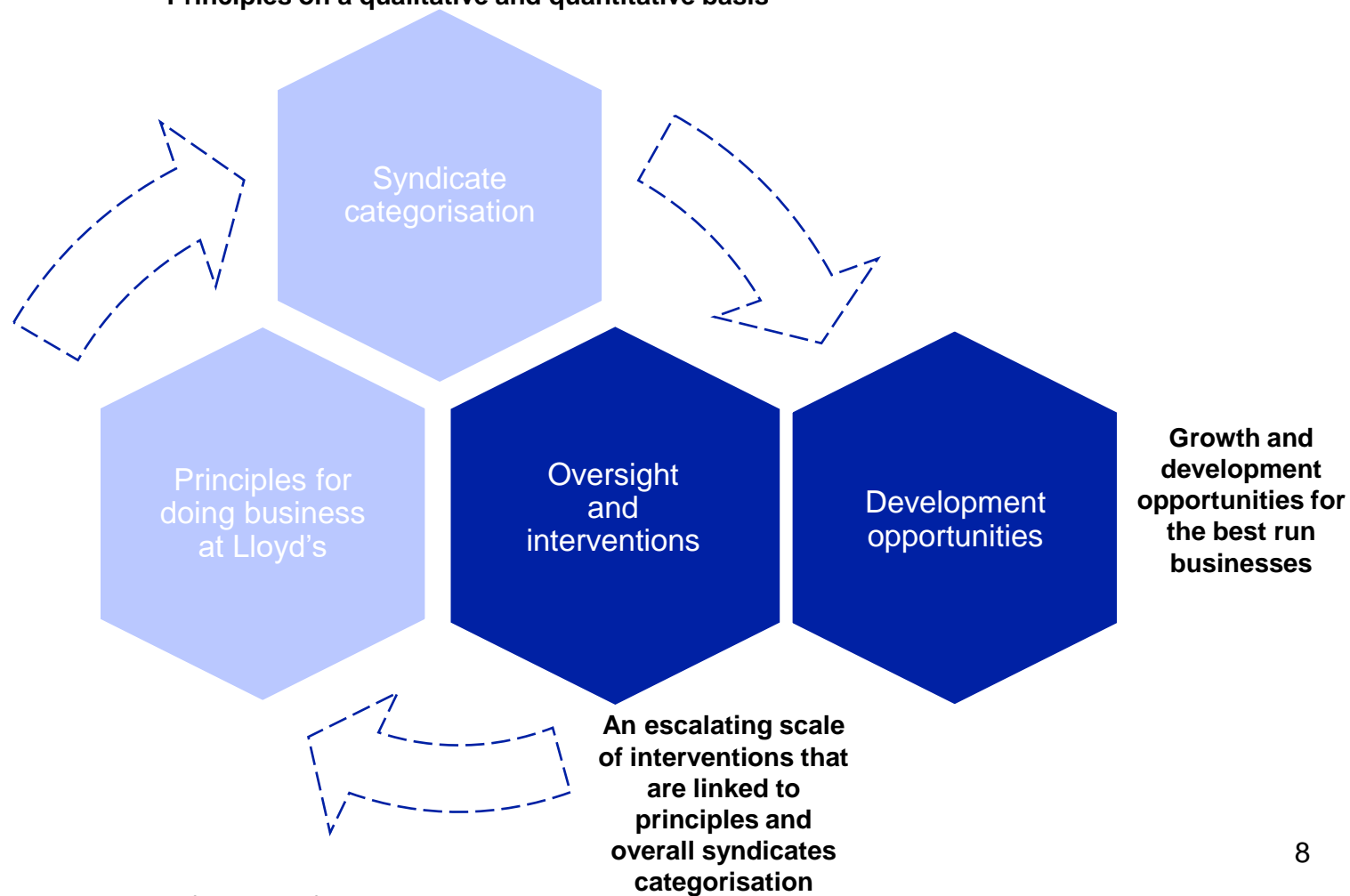
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Three interlinking elements that work together to support more differentiated and impactful oversight

Principles defined across all oversight areas

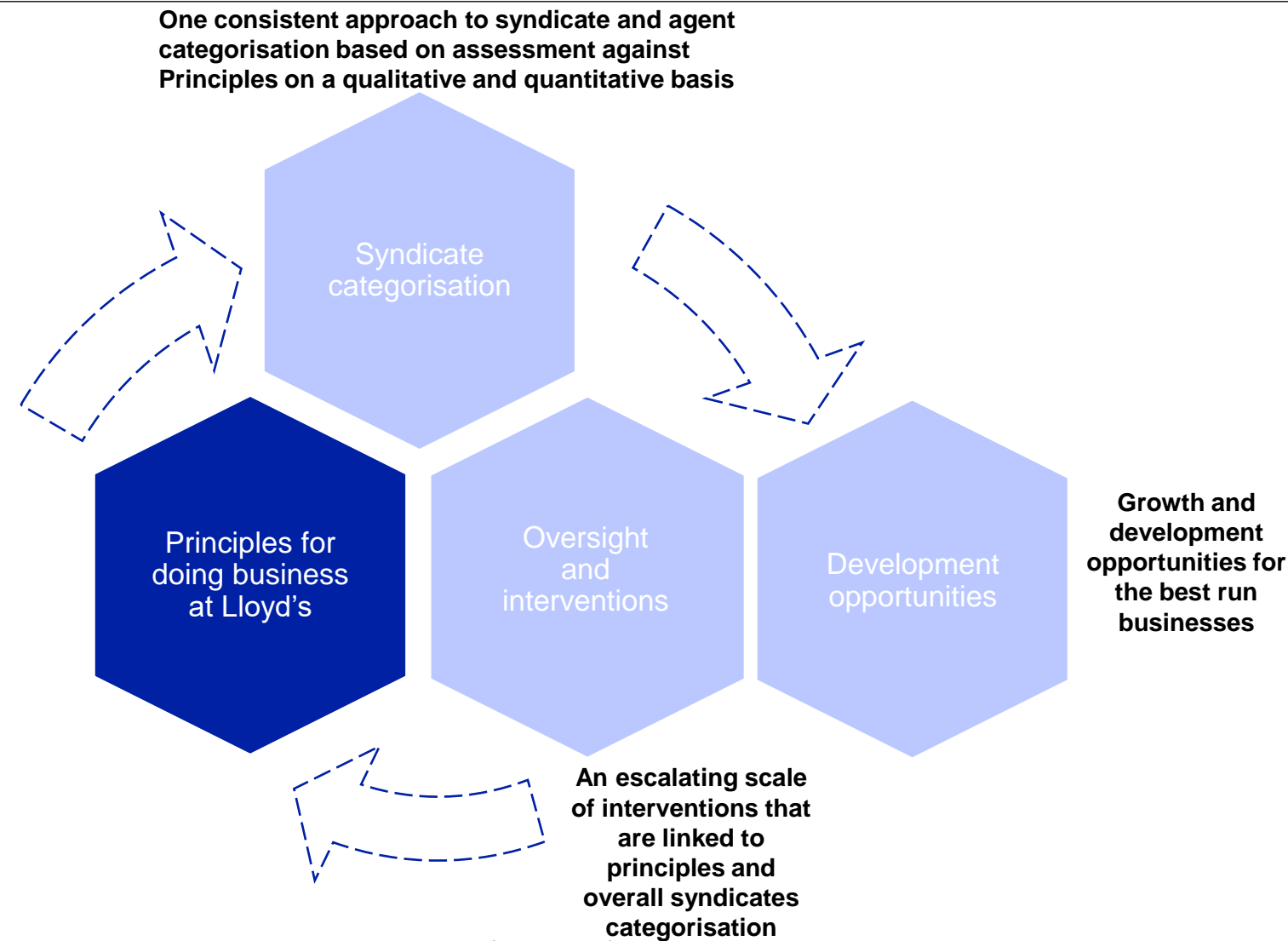
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|-------------|---|
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One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Oversight Framework

The Lloyd's Principles



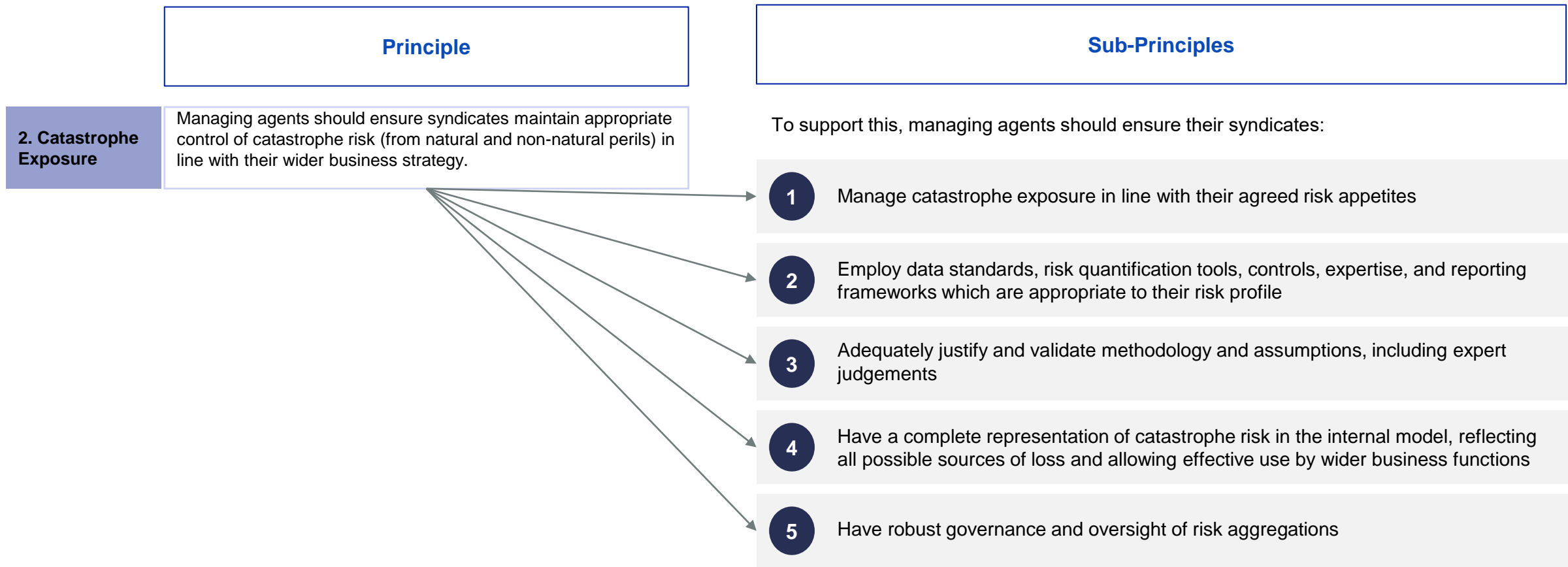
Oversight Framework

The 13 Lloyd's Principles

| | | | | | |
|-------------|-------------------------------|--|-------------|---|--|
| PERFORMANCE | 1. Underwriting Profitability | Managing agents should produce and execute syndicate business plans which are logical, realistic and achievable, and ensure the delivery of a sustainable profit including expense management. | SOLVENCY | 7. Capital | Managing agents should ensure syndicates' Solvency Capital Requirement (SCR) appropriately reflects their risk profile and is calculated using a Solvency II compliant internal model. |
| | 2. Catastrophe Exposure | Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from natural and non-natural perils) in line with their wider business strategy. | | 8. Investment | Managing agents should ensure syndicate investment risk is effectively controlled, informed by wider business strategy and adheres to the Prudent Person Principle (PPP) requirements. |
| | 3. Outwards Reinsurance | Managing agents should define and execute syndicate outwards reinsurance strategy and purchasing plans which effectively support the wider syndicate business strategy and objectives. | | 9. Liquidity | Managing agents should ensure syndicates have contractual access to sufficient liquidity in order to withstand a severe liquidity event (defined by Lloyd's), underpinned by a robust liquidity risk management framework. |
| | 4. Claims Management | Managing agents should ensure that they have a claims commitment in place which is designed to deliver a high-quality claims service which includes a prompt and fair customer service, efficient and effective claims handling, and compliance with legal and regulatory obligations. | OPERATIONAL | 10. Governance, Risk Management and Reporting | Managing agents should have governance structures and internal risk management and control frameworks in place which align to Solvency II requirements, enable sound and prudent management of the business and support delivery of the business strategy. |
| | 5. Customer Outcomes | Managing agents should embed a culture and associated behaviours throughout their business to ensure that they consistently focus on good customer outcomes and that products provide fair value. | | 11. Regulatory and Financial Crime | Managing agents should have robust frameworks in place to assess and address regulatory and financial crime risks arising from their UK and international businesses. Frameworks should support compliance with law, regulation and guidance, and allow for well informed, transparent relationships with Lloyd's and applicable regulators. |
| | 6. Reserving | Managing agents should ensure syndicates set reserves which are underpinned by a robust reserving process. All Actuarial Function requirements should be met in line with Solvency II. | | 12. Operational resilience | Managing agents should maintain robust and resilient operations, embedding cyber resilience and effective third-party risk management. |
| | | | | 13. Culture | Managing agents should be diverse, creating an inclusive and high-performance culture. |

Oversight Framework

Principles and Sub-Principles



Oversight Framework

The Maturity Matrices

Materiality to the Principles
informs expected sophistication

Indicators & suggestions –
not requirements

Foundational broadly aligns
with the expectations from the
previous minimum standards

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

Sub Principle

Guidance

Maturity Matrix

CATASTROPHE EXPOSURE

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

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

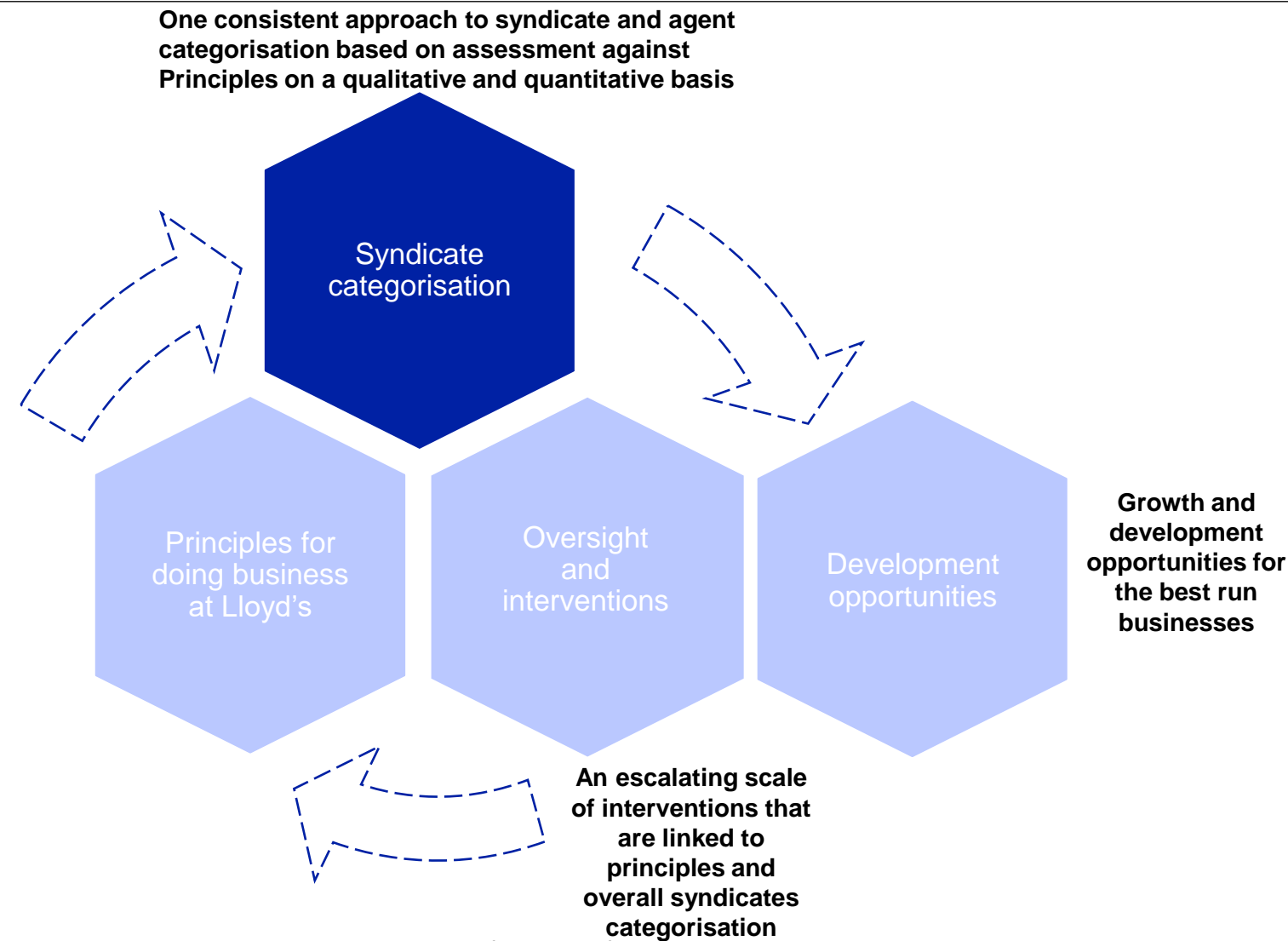
Oversight Framework

Levels of maturity – generic definitions

| FOUNDATIONAL (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



Oversight Framework

Syndicate categorisation

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

Oversight Framework

Syndicate categorisation

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

Oversight Framework

Syndicate categorisation

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

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

Oversight Framework

Syndicate categorisation

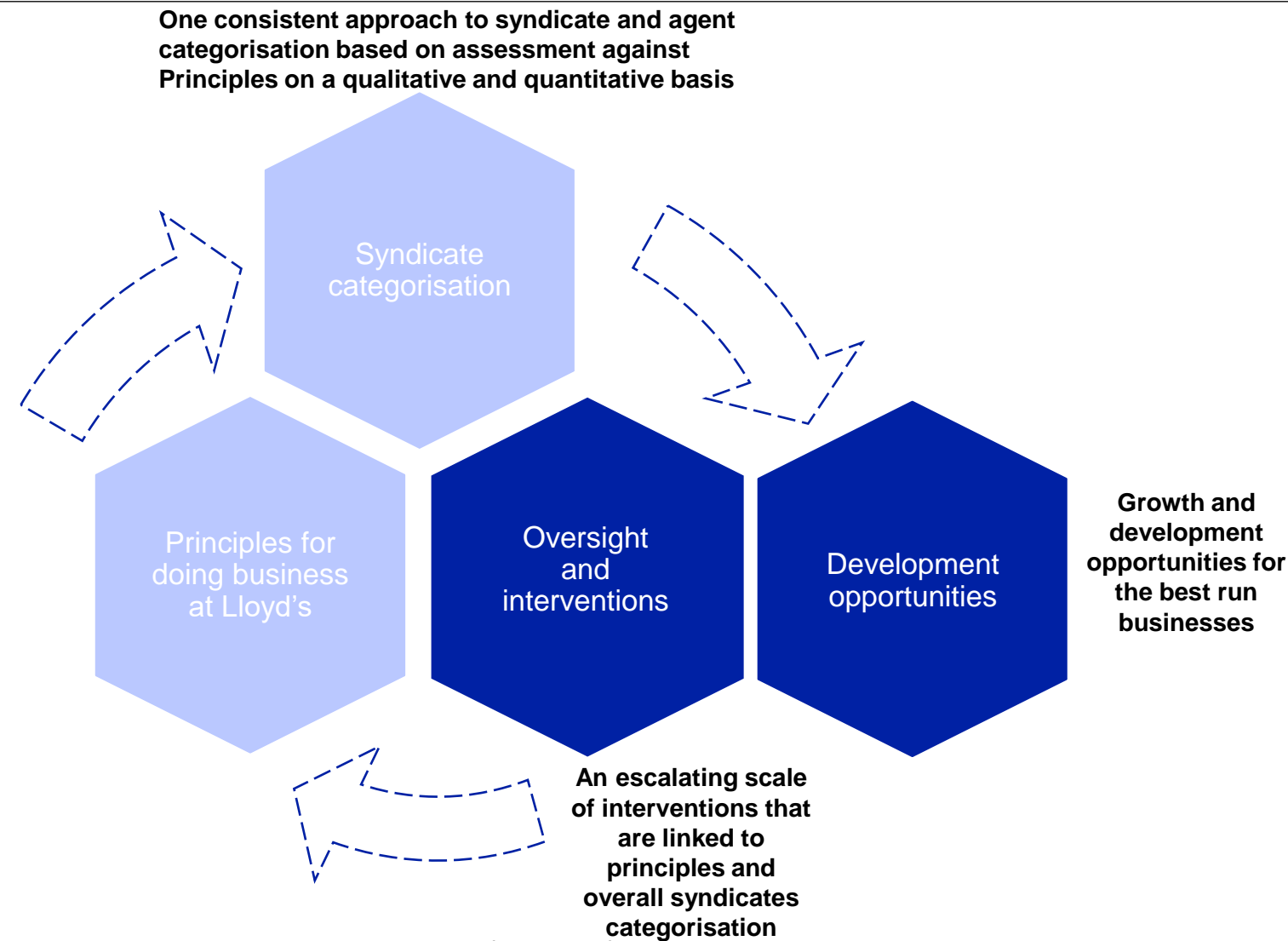
| Dimension Rating |
|------------------------------|
| Meets expectation |
| Marginally below expectation |
| Below expectation |
| Well below expectation |

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

| |
|-----------------|
| OUTPERFORMING |
| GOOD |
| MODERATE |
| UNDERPERFORMING |
| UNACCEPTABLE |

Oversight Framework

Oversight / Interventions and Development Opportunities



Oversight Framework

Interventions Playbook

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

Oversight Framework:

How will it work for Claims?

Phil Godwin – Head of Claims

Steph Weller – Senior Claims Performance Manager

Suzanne Smith - Claims Performance Manager

Neil Evans - Claims Performance Manager

Oversight Framework – Claims Management

Supporting Overall Market Performance

Through the Claims Principle, fundamental responsibilities being managed include:



Customer Experience
(Lifecycle Management)



Credibility
(Brand & Reputation)



Prudential & Regulatory
(Reserving & Compliance)



Financial
(Expense Management
Pricing Accuracy)

Principle

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:

- 1 Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management
- 2 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
- 3 Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement
- 4 Delivery of accurate and timely case reserving through robust reserving processes and practices
- 5 Claims management through third-party service providers and third-party experts delivers the claims commitment and supports syndicate performance
- 6 Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment

Oversight Framework – Claims Management

Materiality measures drive the Expected Maturity Rating of a Managing Agent

| Dimension | Materiality measure | Expected Maturity | | | |
|--------------------------------|---|-------------------|-----------------------|------------------|------------------|
| | | Low Foundation | Moderate Intermediate | High Established | Highest Advanced |
| Principle 4: Claims Management | <i>Aggregated, to form an average. 'Volume of open claims – lead' is double weighted:</i> | | | | |
| | 1. Volume of open claims – lead (Absolute number) | <4k | >4k | >9k | >24k |
| | 2. Proportion of delegated lead claim entries (binders) (%) | <31% | >=31% | >=45% | >60% |
| | 3. Proportion of lead vs follow claims (%) | <20% | >=20% | >=30% | >40% |

- **Materiality measures drive the Expected Maturity Rating of a Managing Agent.** For example, a high volume of open Lead claims, with a high proportion of lead binder claims entries, may attract an Advanced rating.
- **These measures may evolve as available data insights grow;** they are grounded in a risk based approach
- **For a small number of Managing Agents, Sub-Principle 5 (Delegated Authority) will be allocated a higher Sub-Principle Expected Maturity rating** due to high binder exposure or high eligible complainants. This has already been communicated to those Agents in their Oversight Letters.

Oversight Framework – Claims Management

The Expected Maturity Rating will then be assessed against actual performance & outcomes

Drawing widely from across available Lloyd's intelligence, our rounded assessment will be informed by a combination of insights from:

Quantitative intelligence

- Operational performance metrics, such as ECF Lead response times and Incompletes
- Operational indicators in relation to customer service, resource and lifecycle management
- Supplemental background data such as Lead query rates

Qualitative intelligence

- Documentary insights (Managing Agent management reporting)
- Results of thematic review work
- Managing Agent quality assurance outputs
- Self-assessments (as a basis for discussion in relation to any potential differences identified)

Available Lloyd's insights will grow as enhanced data sources and intelligence are developed, for example under the F@L programme

Oversight Framework – Claims Management

Sample interventions specific to Claims Management

| | | <div> <div>Robust intervention for underperformers</div> <div>Development encouraged for the best</div> </div> | | | |
|-------------|-------------------|--|--|---|---|
| Dimension | | Well below expectations | Below expectations | Marginally below expectations | Meeting expectations |
| PERFORMANCE | Claims Management | <ul style="list-style-type: none"> Third party management (or Lloyd's) inserted by Lloyd's in to the MA | <ul style="list-style-type: none"> Managing Agent to produce remediation plan (with Board sign-off) to be approved by Lloyd's with suitable deadlines/outcomes Increased frequency of performance reporting to Lloyd's using Lloyd's mandated agenda Activation of MA BCP/surge plan required MA to identify and address training needs to improve operational performance and requirement to undertake detailed process improvement review (either internally, e.g. Internal Audit, or externally) CPG applies penalties commensurate with claims performance risks identified i.e. possible capital load/underwriting restriction Removed as lead under the Claim Scheme Remove delegated entity claims handling authority and direct DCA is replaced Requirement for additional claims resource to be employed by MA mandated Requirement to hold section 166 type review at MAs costs | <ul style="list-style-type: none"> Targeted remediation plan requested and claims operational performance data analysis to be completed, evidenced and appropriate actions agreed with Lloyd's | <ul style="list-style-type: none"> Claims input at CPG commensurate with claims performance (e.g. supportive) Reduce frequency of Lloyd's engagement meetings |
| | | | | | |

Case Studies

Bringing the Framework to life

Case Studies

The following slides set out:

- Three example Case Studies
- Focusing on Sub-Principles 1 (Business Planning), 4 (Case Reserving) and 6 (Use & Availability of Claims Information)
- The examples include a spectrum of Managing Agent scenarios each with different features which result in various Maturity Level Expectations
- The examples are not intended to be exhaustive but to provide an illustration only of the types of indicators that may be considered when determining Actual Maturity Level

Case Study 1 – Sub-Principle 1 – Business planning

Managing Agent A: Expected Maturity Rating - Intermediate

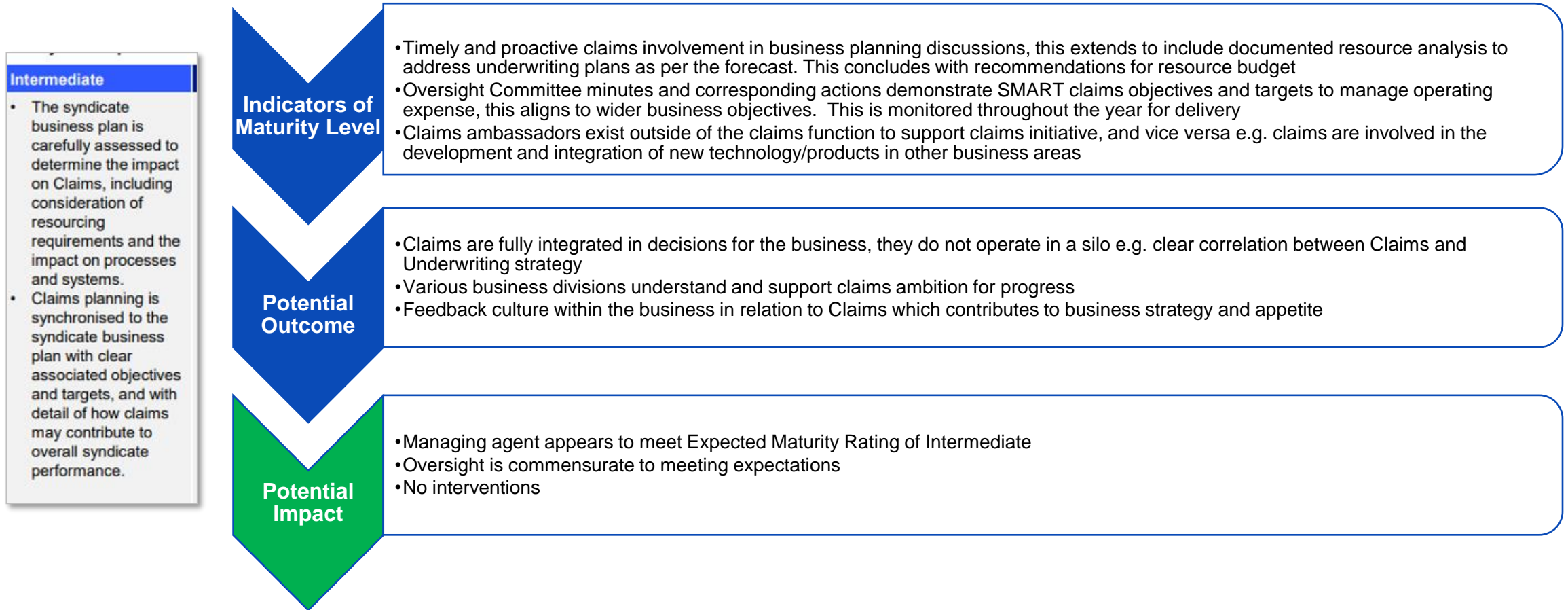
CLAIMS MANAGEMENT

- 1** Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management.

| Foundational | Intermediate | Established | Advanced |
|---|---|---|--|
| <ul style="list-style-type: none"> Managing agents can demonstrate how the claims function ("Claims") supports syndicate performance/ preparation and delivery of the syndicate business plan. | <ul style="list-style-type: none"> The syndicate business plan is carefully assessed to determine the impact on Claims, including consideration of resourcing requirements and the impact on processes and systems. Claims planning is synchronised to the syndicate business plan with clear associated objectives and targets, and with detail of how claims may contribute to overall syndicate performance. | <ul style="list-style-type: none"> Claims management is fully embedded within all layers of management activity and the involvement of the claims function in the business planning process and syndicate performance is proactively sought, formalised and appropriately governed. Regular review of progress against business plan(s) is conducted with the claims function and suitable claims related remedial actions are taken swiftly where necessary. | <ul style="list-style-type: none"> <i>No incremental guidance</i> |

Case Study 1 – Sub-Principle 1 – Business planning

Managing Agent A: Expected Maturity Rating - Intermediate



Principles Rating

Case Study 1 – Sub-Principle 1 – Business Planning

| | Principle | Expected Maturity | Assessment of Maturity |
|---|---|-------------------|------------------------|
| 4. 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: | | | |
| Sub Principle 1 | Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management | Intermediate | Intermediate |
| Sub Principle 2 | 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 | Intermediate | Intermediate |
| Sub Principle 3 | Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement | Intermediate | Intermediate |
| Sub Principle 4 | Delivery of accurate and timely case reserving through robust reserving processes and practices | Intermediate | Intermediate |
| Sub Principle 5 | Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance | Intermediate | Intermediate |
| Sub Principle 6 | Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment | Intermediate | Intermediate |

Expected Maturity: Intermediate

Actual Maturity: Intermediate

Case Study 2 - Sub-Principle 4 – Case Reserving

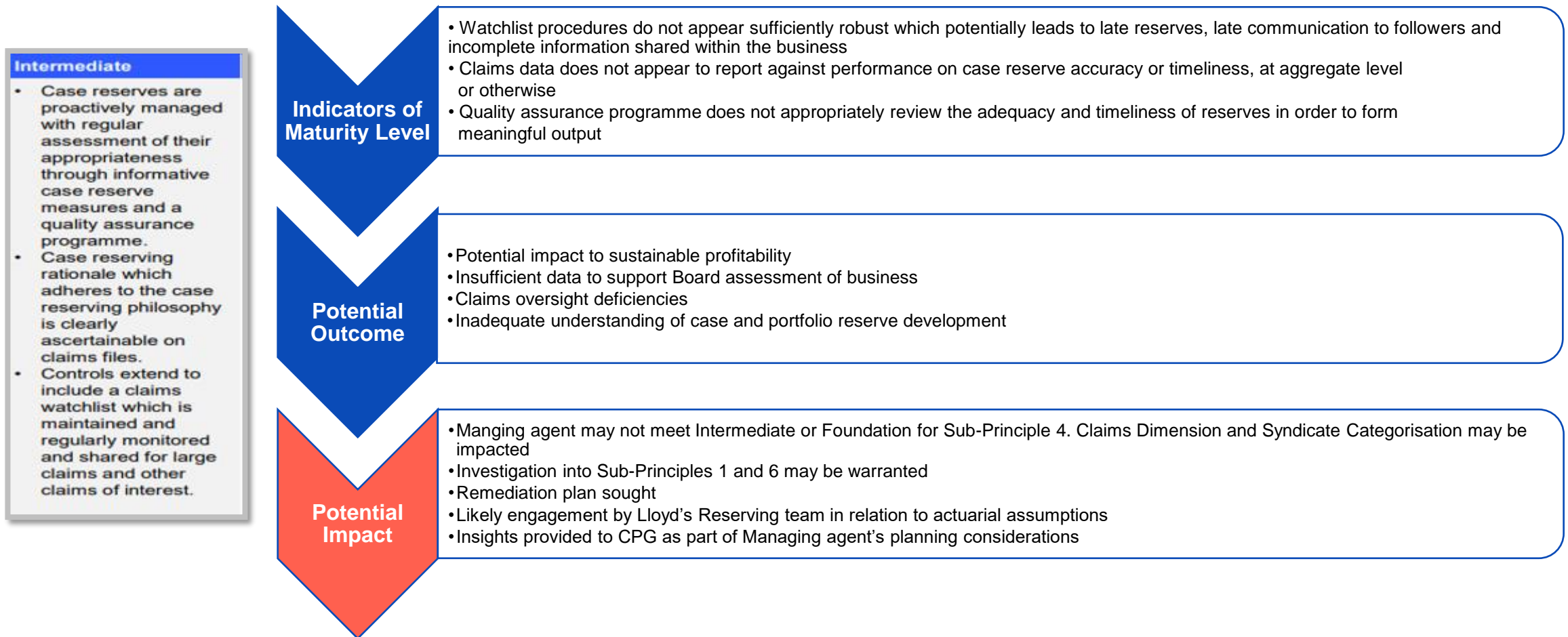
Managing Agent B: Expected Maturity Rating - Intermediate

4 Delivery of accurate and timely case reserving through robust reserving processes and practices.

| Foundational | Intermediate | Established | Advanced |
|--|---|---|--|
| <ul style="list-style-type: none"> A case reserving philosophy and supporting case reserving procedures are in place, outlining broad expectations around reserve timeliness and accuracy. Case reserving data provides insights into the accuracy and timeliness of reserves at an aggregate level. Systems and controls in place to monitor large losses, use of additional case level reserves (i.e. IBNR and IBNER) and adherence to authority levels. On lead claims, followers are advised of relevant reserve information on a timely basis. Regular communication between underwriters, actuaries and claims occurs to identify case reserving risks, with mitigating actions implemented effectively. | <ul style="list-style-type: none"> Case reserves are proactively managed with regular assessment of their appropriateness through informative case reserve measures and a quality assurance programme. Case reserving rationale which adheres to the case reserving philosophy is clearly ascertainable on claims files. Controls extend to include a claims watchlist which is maintained and regularly monitored and shared for large claims and other claims of interest. | <ul style="list-style-type: none"> Detailed case reserving measures are utilised and monitored including accuracy, timeliness and consistency (supported by a comprehensive qualitative programme) and are overseen by relevant committees. These allow for targeted insights into trends, themes, benchmarking and systemic issues which are shared within the business on a cross functional basis with appropriate action taken. | <ul style="list-style-type: none"> A relevant global view of reserving trends and themes is sought and utilised, through available external and relevant industry data. |

Case Study 2 - Sub-Principle 4 – Case Reserving

Managing Agent B: Expected Maturity Rating - Intermediate



Principles Rating

Case Study 2 – Sub-Principle 4 – Case Reserving

| Principle | | Expected Maturity | Assessment of Maturity |
|---|---|-------------------|------------------------|
| 4. 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: | | | |
| Sub Principle 1 | Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management | Intermediate | Foundation |
| Sub Principle 2 | 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 | Intermediate | Intermediate |
| Sub Principle 3 | Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement | Intermediate | Foundation |
| Sub Principle 4 | Delivery of accurate and timely case reserving through robust reserving processes and practices | Intermediate | Not meeting |
| Sub Principle 5 | Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance | Intermediate | Foundation |
| Sub Principle 6 | Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment | Intermediate | Foundation |

Expected Maturity: Intermediate

Actual Maturity: Not Meeting

Case Study 3 – Sub-Principle 6 – Availability & Use of Claims Information

Managing Agent C: Expected Maturity - Established

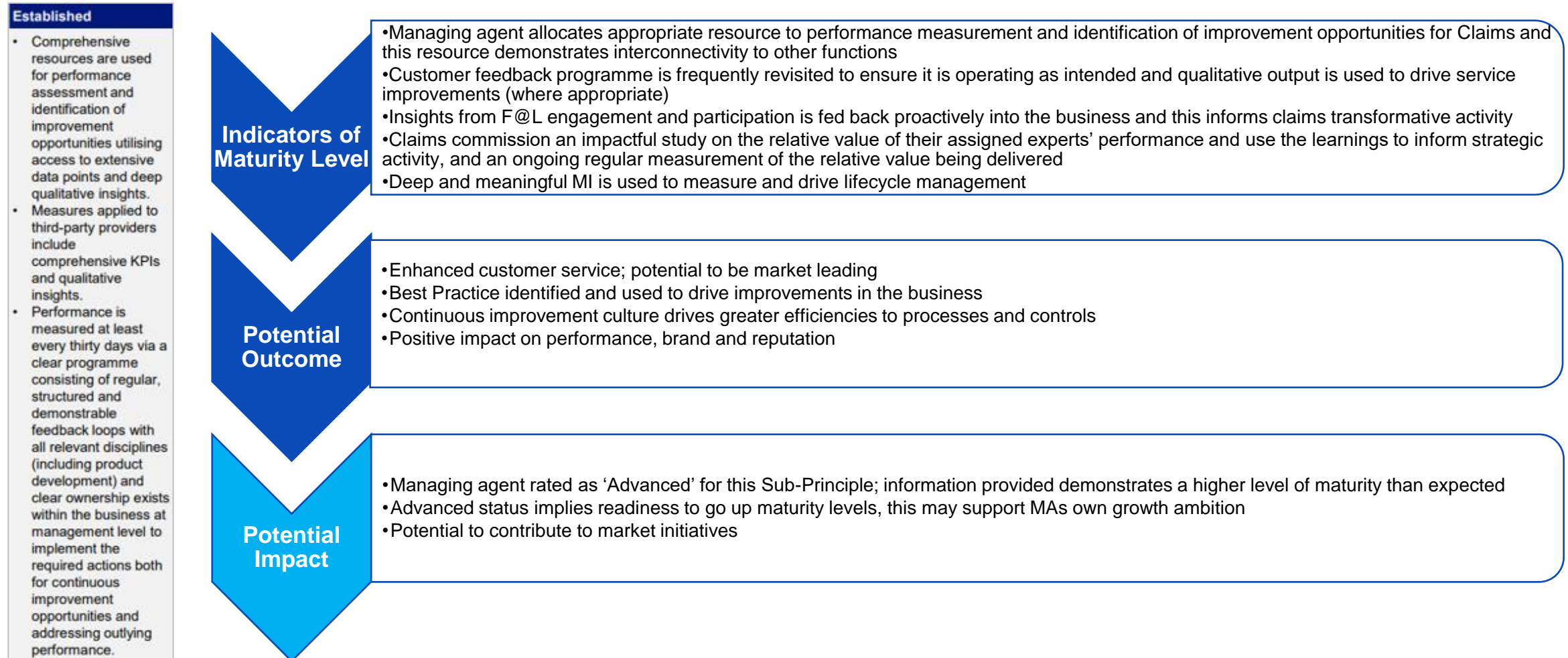
CLAIMS MANAGEMENT

6 Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment.

| Foundational | Intermediate | Established | Advanced |
|---|--|--|---|
| <ul style="list-style-type: none"> Performance assessment and identification of improvement opportunities is based on high-level data points and qualitative insights. High-level monitoring measures applied to third-party service providers typically focus on volumes and values of claims and incurred development. Performance assessment and outcomes are measured quarterly with resulting actions taken within the Claims function. | <ul style="list-style-type: none"> Wider data points and more detailed qualitative insights are used for performance assessment and identification of improvement opportunities. Third-party measures extend to include a base line set of performance oriented metrics and qualitative insights linked to clear and agreed service levels. Outcomes from performance assessment are distributed via feedback loops that exist within the business with appropriate action taken. | <ul style="list-style-type: none"> Comprehensive resources are used for performance assessment and identification of improvement opportunities utilising access to extensive data points and deep qualitative insights. Measures applied to third-party providers include comprehensive KPIs and qualitative insights. Performance is measured at least every thirty days via a clear programme consisting of regular, structured and demonstrable feedback loops with all relevant disciplines (including product development) and clear ownership exists within the business at management level to implement the required actions both for continuous improvement opportunities and addressing outlying performance. | <ul style="list-style-type: none"> External sources of feedback and insights are used to inform targeted and measured improvement strategies. A direct connection exists between the claims commitment of the business and the KPIs and qualitative insights utilised to measure performance both within the business and assigned third-party service providers. Evidence of a clear culture that supports and drives continuous improvement from assessment and outcomes with a frequent review and application of learnings by executive leadership to help drive business decisions. |

Case Study 3 – Sub-Principle 6 – Availability & Use of Claims Information

Managing Agent C: Expected Maturity - Established



Principles Rating

Case Study 3 – Sub-Principle 4 – Availability & Use of Claims Information

| Principle | | Expected Maturity | Assessment of Maturity |
|---|---|-------------------|------------------------|
| 4. 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: | | | |
| Sub Principle 1 | Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management | Established | Established |
| Sub Principle 2 | 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 | Established | Established |
| Sub Principle 3 | Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement | Established | Established |
| Sub Principle 4 | Delivery of accurate and timely case reserving through robust reserving processes and practices | Established | Established |
| Sub Principle 5 | Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance | Established | Established |
| Sub Principle 6 | Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment | Established | Advanced |

Expected Maturity: Established

Actual Maturity: Established

Self-assessment submissions

Lyndsay Deeves

Principles self-assessments

Moving from prescription to outcomes focussed

Rules based approach “Bottom up”

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

Outcomes based approach “Top down”

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

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

Self-assessment, not Attestation

Submitting on a “best efforts” basis.

Formal Board sign off not required.

However, we would expect discussion at the Board

Working level

We understand Principles will not be fully embedded.

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

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

Best efforts basis

Will highlight any gaps in understanding the Principles.

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

Lloyd's Principles for Doing Business - Self-Assessment

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

| | |
|------------------------|--|
| Managing Agent | |
| Syndicate Number | |
| Date shared with Board | |

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

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

Self-assessment Principles rating

Principle 13: Culture

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

Self-assessment Principles rating

Principle 10: Governance, Risk Management and Reporting

Expected Maturity: Advanced
Actual Maturity: Advanced

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

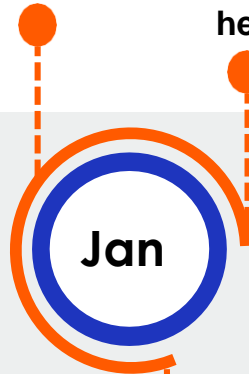
Next Steps

Lyndsay Deeves

Next Steps and Timeline

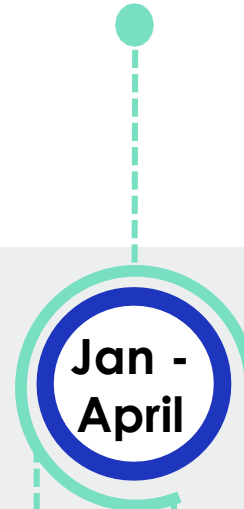
Pre-populated
self assessment
templates
uploaded
(14 January)

Board
and NED
briefings held



Technical
briefings held

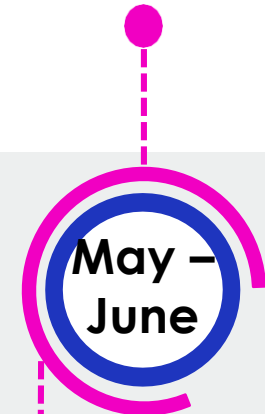
Syndicates complete and
submit self assessments
(29 April)



Ongoing support
and engagement
via Account
Managers

Lloyd's complete
assessments of
syndicates

Syndicate categorisation confirmed
ahead of 2023 CPG
(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 online
 - 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!

Q&A
