

# Principles for doing business at Lloyd's

## Summary of revisions

November 2024

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# Contents

This document describes the following changes to the Principles for 2025:

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## **New changes published November 2024**

1. **Claims Management:** Transition to a hurdle Principle, with revision to the wording of the Principle, sub-principles and guidance within the Maturity Matrix
2. **Underwriting Profitability – Sustainability sub-principle:** Revision of maturity matrix guidance and introduction of differentiated materiality / expected maturity
3. **Customer Outcomes:** Revisions to the calculation of materiality for determining Expected Maturity
4. **Investments:** Addition of Advanced level of maturity and revised maturity matrix guidance
5. **Operational Resilience – Cyber-resilience sub-principle:** Revision of maturity matrix guidance
6. **Regulatory and Financial Crime:** Revision of materiality approach

## **Recent changes published July 2024**

1. **Culture:** Revisions to the sub-principles and new expected maturity levels (*originally communicated in a standalone communication in July 2024*)
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# Principle 4: Claims Management

Transition to a hurdle Principle, with revision to the wording of the Principle, sub-principles and guidance within the Maturity Matrix

# Principle 4: Claims Management

Transition to a hurdle Principle and revisions to the Principle, sub-principles and guidance

Throughout 2024, the Claims Management Principle has undergone a thorough review, which has included Lloyd's hosting a series of workshops to review the revisions to the Principle with a LMA sponsored market group, resulting in the following key changes:

- Elevation of the Claims Management Principle to become the fifth fundamental, or 'hurdle' Principle
- Revision of the wording of the Principle and sub-principles
- Revision of the guidance within the Maturity Matrix



## Why The Transition ?

- To elevate Claims and their value within businesses
- To equalise Claims as a business partner with other key functions
- Pathway for Claims to become a core market attribute



## Design Principles

- Respond to Heads of Claims feedback
- Clearer, increased focus on outcomes
- Provide clear Lloyd's expectations
- Incorporate learnings



## Target Benefits

- Position Claims to further promote Lloyd's as the platform of choice
- Provide a more efficient Attestation experience for managing agents
- A more transparent approach to assessed maturity ratings

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# Principle 4: Claims Management

## Approach to the transition

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- Opportunity to review and revisit the Claims Management Principle
- Engagement with LMA, LMA Claims Committee and NexGen Claims Committee
- LMA Sponsored Working Group – representing a range of businesses
- Series of 5 x 3-hour workshops
- Iterative approach to the drafting
- Meetings covered reviewing the Principle, sub-principles and Maturity Matrix guidance
- Concluded with proposed revisions to the Claims Principle, sub-principles and guidance

# Principle 4: Claims Management

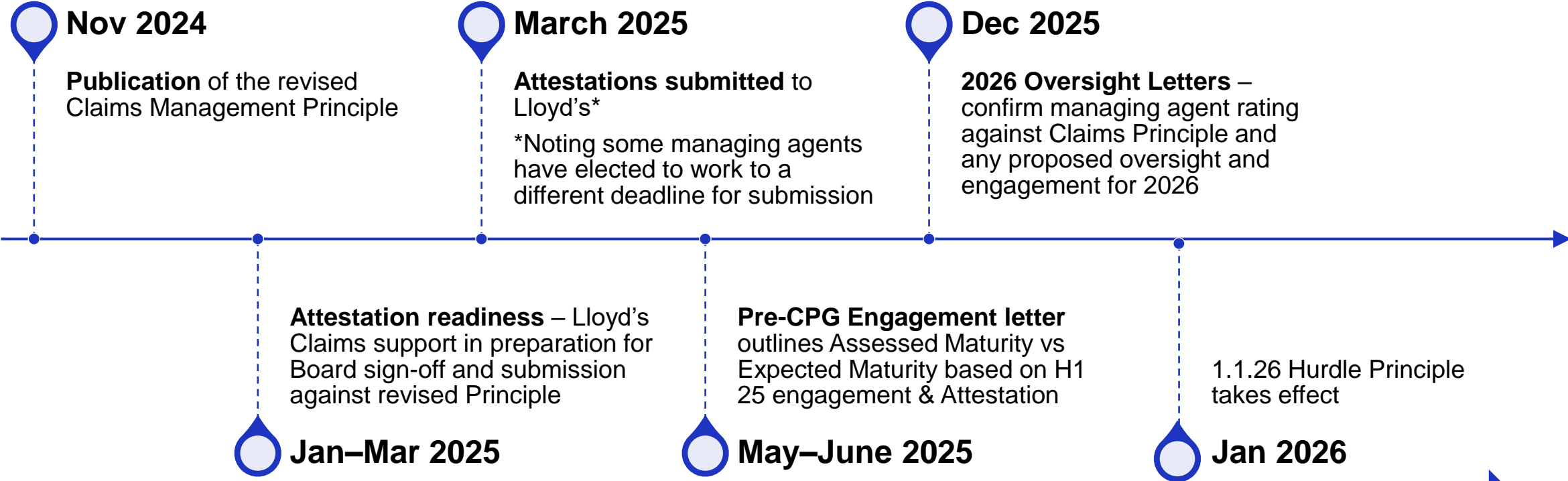
## Design principles – key revisions

- The revisions to the Principle and sub-principle wordings reflect:
  - Heads of Claims feedback, workshop feedback & discussion, our learnings
  - Increased prominence of the Claims Management Strategy within the wider business strategy
- Maturity Matrix guidance provides clearer examples of outcomes
- Sub-principles 1 and 6 move to a single Foundational level of maturity, reflecting their universal applicability
- Sub-principles 2 and 3 move from three to four levels of maturity with the addition of Advanced

There are no changes to Expected Maturity calculations

# Principle 4: Claims Management

Timeline for transition to a Hurdle Principle



Managing agents engage/undertake any transition needed to reach Expected Maturity under any new elements of the revised Principle at or before 1<sup>st</sup> Jan 2026

# Principle 4: Claims Management

## How Lloyd's hurdle Principles impact Syndicate Categories

Lloyd's Principles Based Oversight (PBO) framework, includes 13 Principles, with the combination of Lloyd's assessment against them aggregating to produce a Syndicate Category for each syndicate. Greater weighting is given to Dimension Ratings of Below Expectations and Well Below Expectations.

Until now, there have been four fundamental or 'hurdle' Principles. The Claims Management Principle has now been added as the fifth hurdle Principle.

The Syndicate Category cannot be higher than the lowest Dimension Rating for a hurdle Principle, but it can be lower if other Dimension Ratings aggregate to a lower Syndicate Category.

### Hurdle Principles

- 01. Underwriting Profitability
- **04. Claims Management**
- 06. Reserving
- 10. Governance, Risk Management and Reporting
- 13. Culture

Syndicate Category cannot be higher than the lowest hurdle Principle

Dimension rating – any hurdle Principle:	Highest Syndicate Category
Marginally Below Expectations	MODERATE
Below Expectations	UNDERPERFORMING
Well Below Expectations	UNACCEPTABLE



# Principle 4: Claims Management

## Claims Management Principle

### Revised Version

Managing agents should execute a Claims Management Strategy that is aligned to and supported by the business, delivering a high-quality claims service which includes a prompt and fair customer service, complying with legal and regulatory obligations

### Key Revisions

- Increased prominence of the Claims Management Strategy within the wider business strategy

### Existing Language

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

# Principle 4: Claims Management

## Sub-principle 1

### Revised Version

Claims management forms an integral, clearly defined and understood component of the Syndicate Business Plan and of the medium to long term business strategy

### Existing Language

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

### Key Revisions

- Claims is now explicitly required to be addressed within the Syndicate Business Plan/medium to long term business strategy
- Removal of maturity levels – single Foundational maturity level introduced as this sub-principle is fundamental to all businesses regardless of scale and complexity

# Principle 4: Claims Management

## Sub-principle 2

### Revised Version

Appropriate resource and expertise are in place to consistently deliver against the Claims Management Strategy, Syndicate Business Plan and medium to long term business strategy. This will include an appropriate method to measure, monitor and maintain resource adequacy, in line with the expected quality of service

### Existing Language

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

### Key Revisions

- Now focusses exclusively on resource/expertise (not as well as infrastructure which is now in sub-principle 3)
- Introduces a required method to measure/monitor resource
- Advanced level of maturity added

# Principle 4: Claims Management

## Sub-principle 3

### Revised Version

Proactive claims management is delivered, supported by an infrastructure appropriate to the size and complexity of the business, reflecting the Claims Management Strategy, Syndicate Business Plan, and in alignment with the medium and long term business strategy

### Existing Language

Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate improvement

### Key Revisions

- Proactivity still highlighted, with additional referencing of the infrastructure required to support this (moved from sub-principle 2)
- Third Party Experts now fall within this sub-principle (as an element of the delivery)
- Advanced level of maturity added

# Principle 4: Claims Management

## Sub-principle 4

### Revised Version

Accurate and timely case reserving is maintained in line with the reserving philosophy. Relevant insights, including development potential, are exchanged and taken into account within the overall business

### Existing Language

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

### Key Revisions

- Now includes development potential
- Reserving recommendations by third parties and the use of case reserve tolerances
- Brings in reserving obligations under the Lloyd's Claims Lead Arrangements (LCLA)

# Principle 4: Claims Management

## Sub-principle 5

### Revised Version

Delegated claims handling services are delivered consistently and effectively, aligned to the Claims Management Strategy, Syndicate Business Plan, and medium to long term business strategy

### Existing Language

Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance

### Key Revisions

- Now exclusively addresses delegated claims handling services to promote a more intensive focus
- Moves third party experts into sub-principle 3 as part of proactive claims management

# Principle 4: Claims Management

## Sub-principle 6

### Revised Version

Robust governance and oversight is in place, including at executive level, to monitor and manage delivery of outcomes against expectations whilst identifying and realising opportunities for improvement

### Existing Language

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

### Key Revisions

- Reflects the expectation delivery is monitored and measured
- Language is consistent with other Lloyd's Principles that outline governance and oversight expectations
- Added emphasis that it 'includes' executive level
- This sub-principle focusses on the delivery of sub-principles 1-5

**Sub-Principle 1:** Claims management forms an integral, clearly defined and understood component of the Syndicate Business Plan and of the medium to long term business strategy

Revised

Foundational	Intermediate	Established	Advanced
<p>The Syndicate Business Plan addresses:</p> <ul style="list-style-type: none"> <li>resources and external expertise required to deliver claims management</li> <li>claims management systems and processes (infrastructure) to support the delivery of claims management</li> <li>how any outsourcing strategy will support claims management</li> <li>the cost of delivering the claims management</li> </ul> <p>The medium to long term business strategy includes detail of how claims management will contribute to the success of business strategy, including consideration of resources, expertise, the systems and processes that will be required, as well as the role that any outsourcing will play.</p> <p>Insights from Claims are integrated into:</p> <ul style="list-style-type: none"> <li>the Syndicate Business Plan decision making</li> <li>the medium to long term business strategy planning</li> <li>continuous maintenance of both the business plan and strategy, including monitoring of progress against Lloyd's tactical priorities</li> </ul> <p>Claims are recognised as a core business attribute, fully integrated within the Syndicate Business Plan and the medium to long term business strategy, supporting sustainable and profitable business.</p>			

Single layer of maturity

Current

<p>Managing agents can demonstrate how the claims function ("Claims") supports syndicate performance/ preparation and delivery of the syndicate business plan.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<p><i>No guidance at Advanced.</i></p>
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**Sub-Principle 2:** Appropriate resource and expertise are in place to consistently deliver against the Claims Management Strategy, Syndicate Business Plan and medium to long term business strategy. This will include an appropriate method to measure, monitor and maintain resource adequacy, in line with the expected quality of service

Revised

Current

	Foundational	Intermediate	Established	Advanced
Revised	<p>Performance consistently meets claims management expectations.</p> <p>A method is in place which:</p> <ul style="list-style-type: none"> <li>ensures that the Syndicate Business Plan considers appropriate resource and expertise at the formative stages of planning</li> <li>makes provision for adequate contingency, surge and succession planning, as appropriate for the portfolio composition</li> </ul> <p>Resource is sufficiently skilled, and training is provided to allow claims professionals to understand and deliver against their assigned responsibilities.</p>	<p>Resource management discipline is in place to ensure that resource is proactively and effectively acquired, allocated, and managed to ensure the resource is agile, with the right resource available, at the right time. This will meet both forecast and real time resource needs.</p> <p>Training and development programme ensures that skills and expertise are sufficient for existing and prospective business.</p>	<p>External and internal, qualitative and quantitative, insights influence the ongoing training and development programme.</p> <p>Claims professionals take responsibility for their continued personal development with support from the managing agent.</p> <p>Senior claims leaders inform and influence wider business areas to support delivery of the medium and long-term business strategy.</p>	<p>Qualitative insights and feedback mechanisms are in place to demonstrate where claims professionals provide excellent service.</p> <p>Investment in attracting, retaining and continuously developing high quality claims professionals to support succession and talent development in the business, and wider industry.</p>
Current	<ul style="list-style-type: none"> <li>A simple resource model is established which supports delivery of the claims commitment and considers resource and skills. A review of the model is completed periodically. Provision is made for adequate contingency, surge and succession planning as appropriate for the portfolio composition.</li> <li>Adequate training to allow claims handlers to fulfil their responsibilities which will include mandatory training on relevant laws, regulations and market protocols.</li> <li>Identification and simple manual segmentation and routing of claims is in place (e.g. by complexity, class of business) and is supported by associated basic management reporting.</li> </ul>	<ul style="list-style-type: none"> <li>A developed resource model is in place and regularly measured and monitored. The model assesses actual vs planned resource and makes adequate provision for servicing all aspects of the claims function, which may include non-core claims handling activities.</li> <li>Training and development is reviewed and assessed on a regular basis which includes gap analysis to identify and address training and development needs.</li> <li>Identification and routing of claims based on a defined segmentation model, with workflow and associated management reporting.</li> </ul>	<ul style="list-style-type: none"> <li>A dynamic resource model is informed by in-depth analysis, and suitably stress-tested. The model facilitates planning using both historical information and trending analysis to forecast for anticipated resource needs – mitigating against potential volatility.</li> <li>Training and development programme is continually assessed and delivered to ensure handlers have the requisite skillsets and behaviours to deliver against the claims commitment.</li> <li>Refined workflow model facilitates the streamlined handling/management of claims and related tasks to ensure the task is being handled by the right person, in the right place at the right time.</li> </ul>	<p><i>No guidance at Advanced.</i></p>

**Sub-Principle 3:** Proactive claims management is delivered, supported by an infrastructure appropriate to the size and complexity of the business, reflecting the Claims Management Strategy, Syndicate Business Plan, and in alignment with the medium and long-term business strategy

Revised

Current

	Foundational	Intermediate	Established	Advanced
Revised	<p>An infrastructure framework exists that supports the Claims and business strategy.</p> <p>When a Lloyd's Lead, proactive claims management is evidenced and founded on appropriate claims guidelines or manuals and training with expectations clearly communicated.</p> <p>Results of relevant peer review and audit programmes confirm proactive claim management is being delivered and if not, corrective actions are taken.</p> <p>Where appropriate, service commitments that outline the target claims service experience, are published.</p> <p>Appointment and performance of experts is consistently aligned to proactive claims management expectations, and if not, corrective actions are taken.</p> <p>Lloyd's Claims Agreement Parties consistently adhere to the Lloyd's Claims Lead Arrangements (LCLA).</p>	<p>Key moments in the claim lifecycle are identified, measured and monitored.</p> <p>A range of internal and external sources show that proactive claims management is being delivered.</p> <p>Claims initiatives designed to enhance customer experience are active in the business.</p> <p>Systems effectively capture data for the benefit of claims.</p>	<p>Lifecycle experience is target driven, delivering meaningful customer impact.</p> <p>The delivery and progress of claims initiatives, designed to improve the claims service, are monitored and measured.</p> <p>Data and systems are effectively used to improve claims management and framework efficiencies.</p>	<p>The business operates a range of targeted initiatives to advance claims service delivery drawing on internal and external feedback.</p> <p>The business recognises excellence in the delivery of the claims service.</p>
Current	<ul style="list-style-type: none"> <li>• A framework covering processes, procedures and controls to support delivery of an effective and appropriately customer focused claims service.</li> <li>• Core documented processes and procedures are revisited periodically, with adherence to procedures monitored using exception reporting. A level of quality assurance programme (e.g. peer review and claims audit) is in place to provide qualitative oversight.</li> <li>• Documented processes address Lloyd's Claims Scheme, local regulatory requirements and market protocols as appropriate for the composition of the portfolio.</li> <li>• Claims processes, controls and tools are appropriate for the portfolio composition, and may be manual.</li> </ul>	<ul style="list-style-type: none"> <li>• Processes, procedures and controls support lifecycle claims management.</li> <li>• There is regular assessment of end-to-end processes, procedures and controls to help identify opportunities for improvement in claims service.</li> <li>• A wider level of quality assurance programme is in place to provide qualitative oversight including adherence to the Lloyd's Claims Scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Processes, procedures and controls advance policyholder experience, shorten claims lifecycle and/or manage operational costs.</li> <li>• Reporting output is monitored for meaningful insights into opportunities for improving the claims service.</li> <li>• Target driven claims lifecycle oversight with a clear focus on ensuring meaningful touchpoints of a claim to deliver against the claims commitment.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>No guidance at Advanced.</i></li> </ul>

**Sub-Principle 4:** Accurate and timely case reserving is maintained in line with the reserving philosophy. Relevant insights, including development potential, are exchanged and taken into account within the overall business

Revised

Current

	Foundational	Intermediate	Established	Advanced
Revised	<p>Case reserve accuracy and timeliness is maintained in line with the reserving philosophy.</p> <p>Confidence is maintained that the case reserve based on recommendations by third parties are aligned to the Managing Agent case reserve expectations.</p> <p>This is underpinned by the use and application of:</p> <ul style="list-style-type: none"> <li>• case reserve expectations that include agreed tolerances</li> <li>• case reserving insights being shared within the overall business</li> </ul> <p>Reserve responsibilities are discharged in accordance with Lloyd's Claims Lead Arrangements (LCLA).</p>	<p>Case reserving is proactively managed by the use and application of:</p> <ul style="list-style-type: none"> <li>- targeted insights from trends and themes</li> <li>- relevant benchmarking</li> <li>- findings from relevant assurance programmes</li> </ul> <p>Reserving insights are exchanged, with other areas of the business including Actuaries and Underwriting, with appropriate actions taken.</p>	<p>The range of insights that are used to help identify relevant trends and themes in the portfolio are:</p> <ul style="list-style-type: none"> <li>- drawn from-internal and external sources which results in appropriate, targeted action</li> <li>- used to appropriately challenge applied case reserve tolerances</li> </ul>	<p>In collaboration with other areas of the business including Actuaries and Underwriting, predictive analytics and global trends and themes are used to help optimise reserving and associated business outcomes, including decisions on business mix and risk appetite.</p>
Current	<ul style="list-style-type: none"> <li>• A case reserving philosophy and supporting case reserving procedures are in place, outlining broad expectations around reserve timeliness and accuracy.</li> <li>• Case reserving data provides insights into the accuracy and timeliness of reserves at an aggregate level.</li> <li>• 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.</li> <li>• Regular communication between underwriters, actuaries and claims occurs to identify case reserving risks, with mitigating actions implemented effectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Case reserves are proactively managed with regular assessment of their appropriateness through informative case reserve measures and a quality assurance programme.</li> <li>• Case reserving rationale which adheres to the case reserving philosophy is clearly ascertainable on claims files.</li> <li>• Controls extend to include a claims watchlist which is maintained and regularly monitored and shared for large claims and other claims of interest.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• A relevant global view of reserving trends and themes is sought and utilised, through available external and relevant industry data.</li> </ul>

**Sub-Principle 5:** Delegated claims handling services are delivered consistently and effectively, aligned to the Claims Management Strategy , Syndicate Business Plan, and medium to long term business strategy

Revised

Current

Foundational	Intermediate	Established	Advanced
<p>Delegated risk is managed proactively throughout the duration of the contract, including:</p> <ul style="list-style-type: none"> <li>• pre-placement considerations</li> <li>• due diligence</li> <li>• agreement of contract terms</li> <li>• the cost model</li> <li>• surge and catastrophe response capability</li> <li>• service standards</li> <li>• reporting requirements</li> </ul> <p>All parties are clear on the performance expectations. Performance and service delivery is actively monitored against agreed standards, using appropriate data and insights supported by appropriate escalation and challenge where expectations are not met.</p> <p>Regular data feeds ensure up to date reserving and loss ratio can be monitored and intervention can be made in a timely manner.</p> <p>Timely payment of funds to customers are made, ensuring delivery challenges are identified and resolved swiftly.</p> <p>Feedback loops to outsourced service providers are in place to improve data quality, with training provided as appropriate.</p>	<p>Relative value and effectiveness of all delegated arrangements remain clear and are regularly assessed to ensure delivery against the claims strategy.</p> <p>Surge and catastrophe response delivers effective and scalable claims service solutions, supporting operational and customer needs.</p>	<p>Regular review and proactive management of delegated arrangements deliver:</p> <ul style="list-style-type: none"> <li>• support for sustainable and profitable business partnerships</li> <li>• identification of operational service efficiencies</li> <li>• development of service solutions and tools</li> <li>• enhancement of the customer experience</li> </ul> <p>Processes are in place to regularly review and improve the provision and analysis of claims information, including claims level data, by delegated providers. Senior management are accountable for these processes.</p>	<p>Delegated arrangements clearly advance a managing agents claims proposition, enhancing the customer experience, supporting Lloyd's reputation and strategy.</p> <p>Contemporary claims data from delegated providers is refreshed and leveraged for a range of purposes, including managing the performance of delegated providers and sharing insights with the wider business including underwriting and actuarial functions.</p> <p>External data is used to benchmark costs and performance of delegated providers.</p>
<ul style="list-style-type: none"> <li>• Third-party service providers (e.g. third parties handling claims on behalf of the managing agent) and third-party experts are only used where this aligns to the managing agent outsourcing strategy, with documented rationale. The outsourcing strategy is informed by the wider business strategy and is kept under review.</li> <li>• Claims are involved appropriately in the due diligence (pre-placement), the agreement of contract terms and service standards, performance oversight against service expectations as well as remediation, regular audit and termination decisions.</li> <li>• Key claims expectations around the appointment and management of experts are documented and understood by impacted parties. Composition of the expert panel is aligned to the business needs and regularly reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>• Robust oversight framework monitoring of third-party service providers' performance against clear and agreed service levels, with timely actions taken.</li> <li>• Effective audit programme utilised to monitor quality of service delivered (and any actions identified quickly remediated).</li> <li>• Experts' performance against expectations and budget is actively monitored with swift action taken where expectations are not met.</li> </ul>	<ul style="list-style-type: none"> <li>• A clear and considered outsourcing appetite and strategy which sets out the quality required of any assigned third-party service providers and experts.</li> <li>• Detailed management information reporting from third-party service providers allows regular assessment of performance against agreed service levels and utilises comprehensive KPIs and qualitative insights. Evidence of swift and proactive performance intervention if required.</li> <li>• Regular reporting on third-party service provider costs and legal costs with regular assessment and reporting of relative value delivered by third-party service providers and third-party experts.</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of a clear culture where third-party service providers and experts are considered and treated as an extension of the claims function; with the providers mirroring the claims commitment of the business, with commensurate onboarding and oversight processes.</li> </ul>

**Sub-Principle 6:** Robust governance and oversight is in place, including at executive level, to monitor and manage delivery of outcomes against expectations whilst identifying and realising opportunities for improvement

Revised

Foundational	Intermediate	Established	Advanced
<ul style="list-style-type: none"> <li>Evidence of Claims contribution to the delivery of the Business Plan building towards the medium to long term Strategy.</li> <li>Evidence, through effective reporting and data capture, that delivery against the claims management expectations (aligned to sub-principles 1-5) have been met and that this has been appropriately shared and escalated.</li> <li>Appropriate evaluation and challenge exists within the business contributing to successful outcomes.</li> <li>Improvement is achieved through a framework that identifies and delivers required change.</li> <li>The value of the claims management delivered is known and leveraged across the business.</li> <li>The risk to delivery is monitored and mitigated by horizon scanning, reporting, and an effective governance and oversight framework.</li> </ul>			

Single layer of maturity

Current

<ul style="list-style-type: none"> <li>Performance assessment and identification of improvement opportunities is based on high-level data points and qualitative insights.</li> <li>High-level monitoring measures applied to third-party service providers typically focus on volumes and values of claims and incurred development.</li> <li>Performance assessment and outcomes are measured quarterly with resulting actions taken within the Claims function.</li> </ul>	<ul style="list-style-type: none"> <li>Wider data points and more detailed qualitative insights are used for performance assessment and identification of improvement opportunities.</li> <li>Third-party measures extend to include a base line set of performance oriented metrics and qualitative insights linked to clear and agreed service levels.</li> <li>Outcomes from performance assessment are distributed via feedback loops that exist within the business with appropriate action taken.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive resources are used for performance assessment and identification of improvement opportunities utilising access to extensive data points and deep qualitative insights.</li> <li>Measures applied to third-party providers include comprehensive KPIs and qualitative insights.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>External sources of feedback and insights are used to inform targeted and measured improvement strategies.</li> <li>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.</li> <li>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.</li> </ul>
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# Principle 4: Claims Management

## Implementation

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- Managing agents will attest to the revised Principle as part of the 2025 Attestation
- Where a managing agent does not meet Expected Maturity for Claims Management they will be rated accordingly at the Principle level, but the Syndicate Category will not be impacted by the hurdle Principle during 2025
- From January 2026 the Dimension Rating against the revised Claims Management Principle will take effect as a hurdle Principle
- Lloyd's Claims team will engage with you during 2025 to achieve a common understanding of the revised Principles wording and where you sit against them in readiness for 2026

# Principle 1: Underwriting Profitability

Revision to sub-principle 8, Sustainability

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# Principle 1: Underwriting Profitability

## Revisions to sub-principle 8 – Summary

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The sustainability landscape continues to evolve and mature. In response, sub-principle 8 relating to Sustainability, under the Underwriting Profitability Principle has been refreshed and will be considered again in the coming years. This sub-principle is focused on underwriting as distinct from other aspects such as emissions accounting and regulatory reporting.

The guidance within the Maturity Matrix has been refreshed, with a comparison of revised and previous content provided in the slides below. Note that the wording of the sub-principle remains unchanged: *Have processes in place to support decision making in relation to integrating sustainability into underwriting.*

Expected Maturity for this sub-principle is now separate to that for the overall Principle in support of oversight being proportionate. Due to the broad and developing nature of business in this area, the definitions are by necessity subjective, linking to strategic intent. Intermediate and Established should be viewed as a continuum rather than a cliff edge. Syndicates will be informed informally in Q4 2024 of their Expected Maturity which has been determined using a variety of indicators. We welcome discussion with syndicates should they believe their Expected Maturity does not reflect their circumstances, ideally ahead of the Oversight Letters sent in mid-December which will include reference to the new Expected Maturity.

We recognise that this is a new and developing area. Our approach at this point is to understand individual syndicate strategy and execution, taking a supportive and constructive tone with those who are on a journey. Syndicates are asked to include their indicative position on the sub-principle in their Principles Board Attestation in 2025. This will be used to aid understanding and assessment but will not factor into the Dimension Rating for Underwriting Profitability until Q1 2026.

The Transition TCX class was introduced in May 2024, designed to help the market undertake transition risk experiments without having to compete internally for capacity or impacting Lloyd's view of syndicate performance. From a quantitative performance standpoint, TCX results are excluded from Dimension Ratings in support of this being a place for syndicates to trial new things. Lloyd's is interested in what is written in TCX and will engage to understand. It is recognised that there is a good deal of business written outside TCX that syndicates view as falling under the banner of sustainability and transition which will be considered in assessment of the sub-principle alongside the syndicate's broader strategy and management of underwriting in this area. Syndicates are reminded that information about use of the TCX SCOB is available on [Lloyds.com](https://www.lloyds.com).



# Principle 1: Underwriting Profitability

## Revisions to sub-principle 8 – Differentiated Expected Maturity

Currently, the sustainability sub-principle has the same expected maturity as the overall Underwriting Profitability Principle – defined by Gross Written Premium.

We are now introducing a differentiated expected maturity for this sub-principle based on strategic intent. This will be a qualitative judgement based on Lloyd's understanding, rather than using a pure quantitative metric.

Individual syndicates are welcome to speak with their Syndicate Performance Manager if they believe their expected maturity does not reflect their circumstances.

It is expected that these measures may change as the market's approach to sustainability matures in coming years.

Materiality measure to determine expected maturity	Foundational	Intermediate	Established	Advanced
Strategic intent	<ul style="list-style-type: none"> <li>No business written relating to transition and sustainability.</li> <li>No business written that may be at risk in the future due to transition difficulties</li> <li>TCX class not within the SBF.</li> </ul>	<ul style="list-style-type: none"> <li>Some business written by the syndicate relating to transition and sustainability.</li> <li>Minor risk to the syndicate from business written that may be at risk in the future due to transition difficulties</li> <li>Unlikely to have dedicated staff.</li> </ul>	<ul style="list-style-type: none"> <li>Transition and sustainability are a material / important part of the business the syndicate writes.</li> <li>Medium to significant risk to the syndicate from business written that may be at risk in the future due to transition difficulties</li> <li>Likely to have dedicated staff.</li> </ul>	<ul style="list-style-type: none"> <li>Primary strategic intent relates to transition and sustainability.</li> </ul>

# Principle 1: Underwriting Profitability

## Revised Maturity Matrix guidance

### 8 Have processes in place to support decision making in relation to integrating sustainability into underwriting.

Foundational	Intermediate	Established	Advanced
<ul style="list-style-type: none"> <li>The underwriting of sustainability and transition risk is considered, with clarity about the degree to which they are applicable to the syndicate. This is described in a Board approved strategy and the ORSA</li> </ul>	<ul style="list-style-type: none"> <li>Engagement and action from syndicates is moving forward to a degree commensurate with the level of their strategic intent. Lloyd's recognises practices are evolving in this area and expects to see a journey.</li> <li>The extent of the appetite for underwriting sustainability and transition risk is articulated, understood and acted upon throughout the organisation. Underwriters have the skillset, systems and processes to execute in line with the appetite.</li> <li>Analysis is conducted of the existing portfolio against the appetite and a plan is in place to execute on any changes needed over time.</li> </ul>	<ul style="list-style-type: none"> <li>There is an appropriate level of thought, challenge and discussion about sustainability and transition risk in an underwriting context at senior level. This includes consideration of the impact broader economic and geopolitical aspects may have on underwriting.</li> <li>There is an understanding of the risks to underwriting profitability from supporting clients today who cannot or will not transition in the future and a strategy is developed to handle these risks.</li> <li>Analysis is undertaken of opportunities for new business across sectors and industries that may demand different products and services.</li> </ul>	<ul style="list-style-type: none"> <li>Data is appropriate for underwriting use.</li> <li>There is an ongoing improvement approach to the analysis and measurement required to keep pace as this sector evolves.</li> <li>The organisation is mindful of the prevention of any greenwashing perception or reality, and this is fully embedded within the organisation with control processes in place.</li> </ul>

# Principle 1: Underwriting Profitability

## Previous Maturity Matrix guidance

### 8 Have processes in place to support decision making in relation to integrating sustainability into underwriting.

Foundational	Intermediate	Established	Advanced
<ul style="list-style-type: none"> <li>Board approved Sustainability Strategy covers approach to sustainable underwriting.</li> <li>Sustainability Strategy focuses on the most material areas of sustainable underwriting operations and how Sustainability can be integrated into these areas.</li> <li>Underwriting Governance Framework is aligned with broader Sustainability governance.</li> <li>Data requirements needed to aid decision making have been identified and efforts are underway to gather the necessary data to understand, monitor and report on environmental and social exposures.</li> </ul>	<ul style="list-style-type: none"> <li>Board approved Sustainability Strategy and approach to sustainable underwriting is cascaded throughout the managing agent through Sustainability targets.</li> <li>Analysis of existing portfolios carried out to identify incumbent exposures/client relationships that may not be supportable going forward based on syndicates' Sustainability Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Board approved Sustainability strategy fully embedded and aligned with overall underwriting strategy, annual business plan process and risk appetites.</li> <li>Additional qualitative Sustainability considerations are included as part of business planning.</li> <li>Full awareness of which exposures in existing portfolio are not aligned with syndicates' sustainable insurances framework; either elected to non-renew or are working with the insured and supporting their transition.</li> </ul>	<ul style="list-style-type: none"> <li>Additional focus on Sustainability and product innovation through new business.</li> <li>Written guidance is provided articulating Sustainability approach alongside any delegated authority.</li> <li>Protocol for examining data through established systems.</li> <li>Granularity of data used is appropriate for the needs and business profile.</li> <li>Pricing underwriting systems in place to review whether assumptions / data are appropriate from a sustainability perspective.</li> <li>Policyholder engagement strategy established.</li> <li>Work underway to develop credible transition plans with policyholders which pose the most material environmental and social risks based on syndicates' Sustainability strategy.</li> </ul>

# Principle 5: Customer Outcomes

Revisions to the calculation of materiality for determining Expected Maturity

# Principle 5: Customer Outcomes

## Revisions to the calculation of materiality for determining Expected Maturity

Expected Maturity for the Customer Outcomes Principle is determined primarily by Eligible Complainant numbers.

In accordance with FCA advice, the basis for reporting Eligible Complainant numbers has changed to policies in force so that only the number of Master/Group policies are included in the Eligible Complainant Return not the numbers of beneficiaries under the policies.

Lloyd's Master Policy Return includes numbers of beneficiaries under Master Policies but not under Group Employer Schemes.

The materiality metric for determining Expected Maturity for the Customer Outcomes Principle is now calculated by combining the number of Eligible Complainants from the Eligible Complainant Return with the numbers of beneficiaries under the Master Policy Return. Numbers of beneficiaries under Group Employer Schemes are no longer included.

There are no changes to the thresholds for each Expected Maturity level.

Materiality measure	Foundational	Intermediate	Established	Advanced
<p><i>Metric to determine overall materiality:</i></p> <ul style="list-style-type: none"> <li>Eligible complainants (Absolute number)</li> </ul>	0	<= 250,000	N/A	>250,000
<p><i>Sub-principle 5, (relating to third-party management): Criteria to determine differentiated materiality: Expected Maturity follows Principle-level unless meeting threshold for Advanced:</i></p> <ul style="list-style-type: none"> <li>Active Lead Binders (Absolute number)</li> </ul>	N/A	N/A	N/A	>100

# Principle 8: Investments

Addition of Advanced maturity level and revision of Maturity Matrix guidance

# Principle 8: Investments

## Addition of Advanced maturity level and revision of Maturity Matrix guidance

Since the launch of the Principles Based Oversight approach, the Investments Principle has been differentiated with two levels of maturity, reflecting the core expectations for all syndicates in Foundational, with guidance at the Established level for syndicates taking additional investment risk.

We are now introducing an additional level of Advanced maturity, reflecting a strengthening of our risk-based approach and increased expectation for syndicates pursuing an investment strategy with heightened risk through greater investment in alternative assets.

Alongside the development of new guidance within the Maturity Matrix for Advanced, the guidance for Foundational and Established has also been partially revised for sub-principles 3, 5 and 6. Most notably, for sub-principle 5, Responsible Investment Policy, we have highlighted the need for standalone policies (e.g. reflective of the syndicate rather than wider Group policies).

### **Materiality metrics for calculating Expected Maturity**

The calculation of materiality to define Expected Maturity levels remains unchanged for Foundational and Established.

Materiality measure to determine expected maturity	Foundational	Intermediate	Established	Advanced
Allocation to cash and government bonds; and/or	>90%; and	N/A	<90%; or	<90%; and
Allocation to alternative assets	0%	N/A	>0% - 10%	>10%

Syndicates not meeting expectations at Advanced by the point of the 2025 Principles Board Attestation will be given a grace period until November 2025, such that the syndicate category would not be impacted until 2026 oversight letters are issued in December 2025.

# Principle 8: Investments

## Revised Maturity Matrix guidance

**1** Have a clear articulation of investment objectives and risk appetites, with rationale having regard to high level business or solvency strategy.

Blue text = new guidance

Foundational	Established	Advanced
<ul style="list-style-type: none"> <li>High level articulation of investment objective(s) consistent with syndicate business plans.</li> <li>Link between objective and strategy formally articulated and documented.</li> <li>Risk appetite statements are in place; position against appetite monitored and reported to senior management and the board.</li> </ul>	<ul style="list-style-type: none"> <li>Clear justification of investment objective(s) with regard to business and/or solvency strategy.</li> <li>Clear investment objective(s) relating to quantitative risk targets and appetites, which may be supplemented by return objectives.</li> <li>Investment risk analysis is embedded within investment strategy and allocation decisions.</li> <li>Describe clear selection criteria for the successful inclusion of alternative assets and demonstrate that assets/strategy/fund managers have met this criteria.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrable evidence of investment objectives and business strategy being integrated into how investments are managed.</li> <li>Risk appetite statements are appropriately reported on and reviewed by second and third lines of defence.</li> <li>Evidence of internal audit having reviewed and opined on the investment objectives with clear examples of challenge to both first and second lines of defence.</li> </ul>

**2** Have clear investment parameters and guidelines with robust processes to monitor and report positioning against limits.

Foundational	Established	Advanced
<ul style="list-style-type: none"> <li>Constraints and limits around portfolio concentrations allocation for broad asset categories and key risk factors (e.g. rating, issuer, sector).</li> <li>Process for identifying, correcting and escalating breaches of any specified limits.</li> <li>Outsourced arrangements fully documented.</li> <li>Periodic review of all the above.</li> </ul>	<ul style="list-style-type: none"> <li>Limits around portfolio concentrations (e.g. rating, geography, sector, single name counterparty/issuer) linked to broader syndicate risk exposures e.g. underwriting.</li> <li>Strategic Asset Allocation (SAA) and if appropriate Tactical Asset Allocation (TAA) limits and allowances defined in relation to overarching portfolio constraints.</li> <li>Limits around mismatches between assets and liabilities in respect of duration and currency.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrable evidence of ongoing review and reporting of portfolio limits by first line to management.</li> <li>Evidence of second line review and challenge of investment parameters, guidelines, resulting from risk reviews to stress test the appropriateness of said limits.</li> </ul>



# Principle 8: Investments

## Revised Maturity Matrix guidance

### 3 Integrate investment stress testing into investment management .

Blue text = new guidance

Foundational	Established	Advanced
<ul style="list-style-type: none"> <li>Stress and scenario testing carried out covering impact of 'what if' scenarios on material exposures.</li> </ul>	<ul style="list-style-type: none"> <li>Suite of stress and scenario tests (including but not limited to investment, liquidity and capital) covering range of different scenarios (e.g. interest rate shocks, credit spread movements, equity market drawdowns, climate) by severity and direction.</li> <li>Integration of testing in risk management framework with clear actions in response to results.</li> <li>Ongoing review of suite of testing with changes in the external risk.</li> <li>Quantification and monitoring of climate change risks arising from the investment portfolio, through the use of climate scenario analysis.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrable evidence of regular review and development of forward-looking stress and scenario analysis, that highlights emerging risks from the investment portfolio.</li> <li>Input from second / third lines of defence in relation to the appropriateness of scenarios used to assess the arising investment portfolio risks.</li> <li>Outputs from stress and scenario analysis used to inform investment risk appetite, particularly for risks, private and alternative asset strategies.</li> <li>Demonstrable evidence of climate stress testing being undertaken at least annually to understand risks arising from climate change risk to the investment portfolio.</li> </ul>

### 4 Ensure investment performance and risk, including that of outsourced arrangements, are effectively overseen through monitoring and reporting.

Foundational	Established	Advanced
<ul style="list-style-type: none"> <li>Monitoring of investment performance and risk indicators reported to governance committees.</li> <li>Syndicate investments are properly recorded, monitored and controlled in line with Solvency II requirements.</li> <li>Asset valuations and calculations of own funds comply with the Solvency II directive.</li> </ul>	<ul style="list-style-type: none"> <li>A range of clear and logical performance benchmarks used to assess performance.</li> <li>Robust framework for the selection, monitoring and oversight of external fund or investment managers, retaining overall responsibility.</li> <li>Monitoring of mismatches between assets and liabilities in respect of duration and currency.</li> <li>Performance and risk indicators reported to senior management and governance committees.</li> </ul>	<ul style="list-style-type: none"> <li>Periodic review of investment performance benchmarks and evidence of appropriateness of any benchmarks used to infer portfolio performance.</li> <li>Demonstrable evidence of challenge / review of incumbent portfolio managers, including demonstrable evidence of review of the appropriateness of investment management fees, performance relative to alternative arrangements / managers and suitability of said managers vs. needs / requirements of the business.</li> </ul>

# Principle 8: Investments

## Revised Maturity Matrix guidance

### 5 Develop and embed a Responsible Investment Policy.

Blue text = new guidance

Foundational	Established	Advanced
<p>Standalone Responsible Investment Policy, that can be evidenced as embedding within the business, and sets out the following:</p> <ul style="list-style-type: none"> <li>• Consideration of non-financial risk factors in some investment decision making (e.g. exclusion-based integration).</li> <li>• High level Responsible Investment strategy in place with application focussed on key areas of the portfolio.</li> <li>• Efforts are underway to gather necessary data to understand, monitor and report on ESG exposures.</li> </ul>	<p>Standalone Responsible Investment Policy, that can be evidenced as embedding within the business, and sets out the following:</p> <ul style="list-style-type: none"> <li>• Responsible Investment strategy in place with targeted application and clear integration of ESG parameters.</li> <li>• Clear integration of a wide range of non-financial risk factors (e.g. climate risk) in key investment decision making (e.g. exclusions and positive screening).</li> <li>• External fund managers' integration of ESG factors is assessed and monitored across asset classes (e.g. private market credit and equity mandates).</li> <li>• Ongoing monitoring of greenhouse gas emissions arising from the investment portfolio on a scopes 1, 2 and /or 3 basis.</li> </ul>	<p>Standalone Responsible Investment Policy, that can be evidenced as embedding within the business, with consideration to the following:</p> <ul style="list-style-type: none"> <li>• Demonstrable integration of responsible investment policy, being used by first line functions to inform portfolio management decisions i.e. setting of investment mandates and tilting of portfolios to align to overall business strategy.</li> <li>• Advanced approaches to responsible investments, including quantification of greenhouse gas emissions arising from the investment portfolio (scopes 1 and 2), being a signatory of industry initiatives such as UN PRI.</li> </ul>

# Principle 8: Investments

## Revised Maturity Matrix guidance

### 6 Syndicate or managing agent-level standalone Responsible Investment Policy, that can be evidenced as embedding within the business

Blue text = new guidance

Foundational	Established	Advanced
<ul style="list-style-type: none"> <li>• High level appreciation for interaction between assets, liabilities and liquidity risk management incorporated in investment strategy.</li> <li>• Internal model has some applications for investment related uses and complies with SII standards and Use Test Principles.</li> <li>• Assumptions used largely derived from an external model with minimal internal, syndicate-specific adjustment.</li> <li>• If the assumptions used are determined by another entity within the group, applicability to the syndicate is understood and challenged appropriately.</li> </ul>	<ul style="list-style-type: none"> <li>• Evidence of how risks arising from asset liability mismatch have been considered.</li> <li>• Internal model is fully integrated with investment governance, risk management and decision-making processes.</li> <li>• Investment strategy integrated into liquidity and solvency management.</li> <li>• Assumptions used largely driven from external model but use of alternative assumptions is regularly considered, and model choice decisions are robust.</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrable evidence of period review of and management of risks arising from asset liability mismatches. Including consideration for different approaches to hold investments to back liabilities arising from different lines of business.</li> <li>• Consideration of different asset liability matching approaches, including no matching, duration matching and / or cashflow matching.</li> <li>• Demonstrable evidence of second line input, review and challenge of ALM approach used to manage syndicate assets, including consideration rate shocks (parallel and convexity changes), appropriateness to meet liquidity needs as set out by the PRA.</li> <li>• Evidence that both matching and surplus assets have been appropriately and prudently determined.</li> <li>• Evidence that the asset mix is appropriate to meet liabilities in both amount and timing.</li> <li>• Evidence that the risks to a change in liabilities are appropriately modelled and that the asset portfolio will remain appropriate should such risks materialise.</li> </ul>

# Principle 8: Investments

## Revised Maturity Matrix guidance

### 7 Have robust investment governance

Blue text = new guidance

Foundational	Established	Advanced
<ul style="list-style-type: none"> <li>Investment strategy approved and reviewed by board including evidence of board responsibility for investment management decisions.</li> <li>Senior management and board demonstrably understand the investment strategy and risks, providing challenge when making key decisions.</li> <li>Clearly defined investment management responsibilities</li> <li>Periodic review and challenge of investment strategy.</li> <li>Processes in place to ensure compliance with Investment related policies.</li> </ul>	<ul style="list-style-type: none"> <li>Regular investment strategy reviews are supported by second or third line.</li> <li>Process and evidence of providing challenge to key investment decisions e.g. fund manager selection, changes to SAA.</li> <li>Demonstrate that their internal model is consistent with their investment governance, risk management and decision-making processes.</li> <li>Demonstrate that management and/or decision makers (e.g. committee members) have undertaken recent training specific to relevant asset classes (where this is not their area of expertise).</li> <li>Demonstrate that management and/or decision makers have sufficient knowledge/expertise and understanding of the relevant asset classes.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrable evidence of investment governance being used to continuously challenge the appropriateness of the assets for the portfolios risk profile and liquidity requirements.</li> </ul>

# Principle 11: Regulatory and Financial Crime

Revision to materiality metric methodology and differentiated metrics for RITC syndicates

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# Principle 11: Regulatory and Financial Crime

Revision to materiality metric frequency and introducing a forward-looking element

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**Materiality approach for managing agents with syndicates writing live business or in run-off:**

Since the implementation of Principles Based Oversight expected maturity has refreshed quarterly for the Regulatory and Financial Crime Principle. This has now moved to an annual snapshot view (in November) of financial crime risk to improve the stability of managing agents' expected maturity. In addition, we are introducing a forward-looking element with the addition of SBF data for the prospective Year of Account (YOA). The metrics and thresholds remain unchanged. These take into account:

- Premium written in high/sanctioned risk codes and classes of business from current YOA GWP reported at Q3 via PMDR
- Premium written in high-risk classes of business for prospective YOA GWP (full year) from SBF data
- Locations of authorised coverholders (at that point in time) reported via DCOM

In addition to the November snapshot, we will re-calculate the PMDR metrics in February, following receipt of Q4 PMDR data. This includes the Q4 cumulative Gross Written Premium (GWP) position for the prior YOA. The updated data will be reviewed to determine whether a material change has occurred and if so, consideration will be given to whether or not the previously communicated expected maturity remains appropriate.

Communication of the Expected Maturity levels will be in the annual Oversight Letters provided in December, with managing agents expected to attest to that level in the 2025 Principles Board Attestation. Should the Expected Maturity level increase following the February review, managing agents will be granted an additional grace period to meet the new level.

# Principle 11: Regulatory and Financial Crime

Introducing differentiated materiality metrics for RITC syndicates

## Materiality approach for managing agents with only RITC syndicates:

The main materiality metrics for the Regulatory and Financial Crime Principle do not work effectively for managing agents with only Reinsurance to Close (RITC) syndicates, given their focus on premium written in high risk/sanctioned territories or classes of business which pose a higher risk from a financial crime perspective. As such these managing agents have all been set to Foundational for Expected Maturity.

To reflect the complexity and difference of such managing agents, we are now introducing three levels of Expected Maturity (which aligns with the Legacy Reinsurance Underwriting Profitability Principle).

The materiality metrics are as follows:

Materiality measure to determine expected maturity	Foundational	Intermediate	Established	Advanced
<i>Either/Or (any one triggers higher Expected Maturity):</i>				
• Overall syndicate claims reserves arising from higher risk codes (COB)	<=£50m	N/A	£50m-£100m	>£100m
• Overall syndicate claims reserves arising from high-risk territories (including sanctioned)	<=£50m	N/A	£50m-£100m	>£100m

Materiality will be calculated on a bi-annual basis in April and October each year - following submission of claims data at Q1 and Q3. This aligns with key oversight milestones such as Business Planning and Oversight Letters.

# Principle 12: Operational Resilience

Revision to sub-principle 3, Cyber Resilience



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# Principle 12: Operational Resilience

Revision to sub-principle 3, Cyber Resilience

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In December 2024, the republished Principles document included an update on Operational Resilience, with the development of new levels of expected maturity, where previously this had been set as Foundational for all managing agents.

This included new guidance in the maturity matrix for sub-principles 1 (*Operate a robust operational resilience framework*) and 2 (*Maintain oversight of operational resilience through appropriate governance processes and risk and control environments*) and minor revisions to sub-principle 3 (*Maintain appropriate cyber resilience*).

The guidance for sub-principle 3 has now been further revised and is updated within this document. This was developed with support from the LMA CISO community.

# Principle 12: Operational Resilience

## Comparison – revised and previous guidance

### 3 Maintain appropriate cyber resilience.

#### Information Systems & Reporting

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>• Availability, integrity and confidentiality of information is protected.</li> <li>• The presence of unauthorised code or persons on any information technology systems for which the organisation is responsible is reported to Lloyd's within 72 hours of detection.</li> <li>• Cyber security incidents that could impact other participants on the Lloyd's Market are reported to the LMA immediately upon identification.</li> </ul>	<ul style="list-style-type: none"> <li>• Information systems which are critical to the operation of important business services are understood and documented.</li> <li>• Cyber security function(s) at the Managing Agent demonstrate ongoing, active involvement in Lloyd's Market cyber security groups such as at Limoss, DXC, LMA etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Almost all information systems are fully documented within a centralised asset register with very few exceptions such as non-critical end user developed applications</li> <li>• The Managing Agent initiates communications with Lloyd's regarding any cyber security areas of concern such as residually red risks within their organisation</li> </ul>	<ul style="list-style-type: none"> <li>• There is full understanding of all information systems within the organisation as they are documented in an Asset Register which is constantly maintained to remain current.</li> <li>• Asset and information owners control access via a clear process with entitlements periodically reviewed.</li> </ul>
Revised	<ul style="list-style-type: none"> <li>• Information systems are equipped to protect the integrity of information.</li> <li>• Within 72 hours, significant cyber incidents and data breaches are reported to Lloyd's and the LMA as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Information systems critical to important business services are documented and understood.</li> </ul>	<ul style="list-style-type: none"> <li>• A centralised asset register is used to document almost all information systems (with the exception of non-critical end user developed applications).</li> <li>• There is visibility of any cyber security areas of concern, such as residually red rated risks, at the Risk Committee and Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Use of a regularly reviewed asset inventory is understood and embedded within the organisation. Asset owners and data stewards follow a clear, regularly reviewed, process for control access.</li> </ul>

# Principle 12: Operational Resilience

## Comparison – revised and previous guidance

### 3 Maintain appropriate cyber resilience.

#### Data Protection and Governance

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>Loss or leakage of Personal Data (aka Personally Identifiable Information, or PII) for which the organisation is considered a Data Owner is reported to Lloyd's within 72 hours of detection.</li> <li>Loss or leakage of any data which could affect the Lloyd's Marketplace is reported to the LMA immediately upon identification.</li> <li>Data Subject Access Requests (DSAR) are appropriately responded to.</li> <li>Members of staff receive training on Data Protection obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Data Protection is governed by a formally documented framework of policies and standards, aligned with a cyber security strategy, owned by an accountable senior executive.</li> <li>Policies and procedures ensure that DSAR are dealt with effectively and in a timely manner appropriate to their complexity (e.g. requesting extended response time for complex DSAR).</li> <li>There is good understanding of sensitive information held by the organisation because it is documented in an Information Asset Register.</li> <li>There are policies and standards on the retention and disposal of information.</li> </ul>	<ul style="list-style-type: none"> <li>Procedures and data governance teams are sufficiently resourced to respond even to complex DSAR within initial (28 day) timeframes.</li> <li>Facilities allow data to be electronically marked with a classification based on its sensitivity and all data has been marked to at least a general tide mark for each type of data or data set.</li> <li>There are policies and standards on the retention and disposal of information, the effectiveness of which undergo periodic assurance.</li> </ul>	<ul style="list-style-type: none"> <li>All staff are aware of Data Protection obligations, with mandatory periodic refresher training backed up by pass/fail tests of understanding.</li> <li>Data is electronically marked by authors and owners to a level of maturity such that technical controls can effectively control the movement of data between internal systems as well as to external recipients.</li> <li>There is total confidence that all data held across the organisation meets with internal and regulatory policy on retention and processing.</li> </ul>
Revised	<ul style="list-style-type: none"> <li>Policies and procedures are in place and supported by mandatory training for data protection obligations including responding to DSARs.</li> <li>Data breaches, data loss or leakage of any data, including personal data, which could impact the Lloyd's market is reported to Lloyd's within statutory timescales.</li> </ul>	<ul style="list-style-type: none"> <li>There is a data protection framework in place, with appropriate senior ownership, which aligns to a cyber security strategy, provides clarity on information retention and disposal and facilitates the maintenance of an information asset register.</li> <li>A procedure is in place to ensure data is electronically classified by sensitivity.</li> </ul>	<ul style="list-style-type: none"> <li>There is appropriate data governance resource to ensure information retention and disposal policies undergo regular effectiveness reviews.</li> <li>There are appropriate processes and procedures to facilitate the response to complex DSARs within required timeframes.</li> </ul>	<ul style="list-style-type: none"> <li>Data protection obligations, data retention policies and data classification and ownership requirements are well embedded within the organisation.</li> </ul>

# Principle 12: Operational Resilience

## Comparison – revised and previous guidance

### 3 Maintain appropriate cyber resilience.

#### Cyber Governance, Protection and Identification

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>• A cyber security strategy has been defined for the organisation.</li> <li>• External and internal risks to cyber security are understood and articulated by the organisation.</li> <li>• IT systems which are critical to the operation of important business processes are identified and protected from cyber risks.</li> <li>• Vulnerabilities are identified and remediated.</li> <li>• Obsolete and end of life hardware and software is identified.</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber security risks are formally documented and rated with regular reports to leadership.</li> <li>• Vulnerabilities are identified by periodic penetration testing or vulnerability scanning either by internal teams or external partner (e.g. BitSight, SecurityScorecard).</li> <li>• An independent internal function (e.g. third line audit) provides periodic review of the implementation of controls for cyber risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Threat intelligence is used to inform the cyber security strategy, the identification and rating of risks, and control objectives.</li> <li>• The general effectiveness of cyber security controls are periodically tested, e.g. by internal or external red team.</li> <li>• An effective internal function (e.g. second line) provides constant oversight and challenge to the implementation of controls for cyber risk.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a formalised three lines of defence (3LoD) model with defined and demarked responsibilities (e.g. in a RACI).</li> <li>• The organisation has a fully joined-up cyber security strategy and framework with clear linkage between policies, standards and controls.</li> <li>• The effectiveness of individual cyber security controls is rated with assurance gained through testing and independent review.</li> <li>• The cyber security maturity of the organisation is evaluated using industry standards or benchmarking.</li> <li>• Cyber security capability is subjected to formal independent external evaluation (e.g. Red Team testing, CBEST, STAR FS, FS-ISAC).</li> </ul>
Revised	<ul style="list-style-type: none"> <li>• A cyber security strategy has been defined and documented for the organisation.</li> <li>• IT systems critical to the operation of Important Business Services are identified and protected from cyber security risks</li> <li>• Systems are hardened against cyber compromise by technical and non technical controls.</li> <li>• All staff undertake periodic security awareness training</li> <li>• Obsolete and end of life hardware and software is identified and vulnerabilities managed</li> </ul>	<ul style="list-style-type: none"> <li>• Outputs of regular penetration testing and vulnerability scanning are reported through appropriate internal governance forums, including the board</li> <li>• Cyber security considerations are incorporated into the procurement process for new services and systems gaps</li> <li>• Weaknesses in protective controls are proactively identified</li> <li>• The status of vendor security patches is regularly monitored and remediated as needed based on criticality.</li> <li>• Data is protected by encryption at rest or in transit such that physical loss, misplacement or mis-sending does not lead to a data breach.</li> </ul>	<ul style="list-style-type: none"> <li>• Assurance over the effectiveness of cyber security controls is provided through reporting on testing and the delivery of the cyber security strategy by Risk Management and/or Internal Audit</li> <li>• Threat intelligence is used to inform the activities undertaken by the function responsible for delivery of the cyber security strategy</li> <li>• Protective controls are periodically rated, tested and mapped against related cyber risk events.</li> <li>• Protection of systems and data is corroborated by obtaining industry recognised certification.</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber security capability is subjected to formal independent external evaluation such as Red Team testing, CBEST, STAR FS or FS-ISAC.</li> <li>• Individual requirements and responsibilities for cyber security are well understood and embedded across the organisation</li> <li>• Cyber protection is considered and prioritised for all systems across the organisation with control effectiveness considered and remediated swiftly following incidents or identification of weaknesses.</li> <li>• Data loss prevention systems warn or enforce based on classification markings or dynamic policy rules, such as content scanning, when users transfer data</li> </ul>

# Principle 12: Operational Resilience

Comparison – revised and previous guidance

## 3 Maintain appropriate cyber resilience.

Cyber Protection

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>Systems are hardened against cyber compromise by technical and non-technical controls.</li> <li>Staff at all levels are mindful of cyber security threats through periodical security awareness training.</li> <li>Sensitive data and documents are subject to a classification or marking system which facilitates their protection by technical controls or policies.</li> </ul>	<ul style="list-style-type: none"> <li>Obsolete and end of life hardware and software is remediated before causing any increase to the risk profile.</li> <li>Root cause analysis following incidents or near-misses is used to identify protective control gaps or weaknesses.</li> <li>New services and systems consider and incorporate cyber security throughout design and implementation.</li> <li>Vendor security patches are applied to all IT systems within one month of release and patch status metrics are reported to appropriate technical groups or committee.</li> </ul>	<ul style="list-style-type: none"> <li>The effectiveness of protective controls are rated using a consistent and objective process with results mapped against the likelihood of related cyber risk events.</li> <li>Protective controls are subjected to periodic assurance activity (e.g. internal or external testing).</li> <li>Data is protected by encryption at rest or in transit such that physical loss, misplacement or mis-sending does not lead to a data breach.</li> <li>Protection of systems is corroborated by obtaining industry recognised certification (e.g. Cyber Essentials Plus, ISO27001, NCSC CAF, NIST CSF etc).</li> </ul>	<ul style="list-style-type: none"> <li>Changes to control effectiveness ratings (e.g. following an incident or assurance activity) is immediately and automatically represented in cyber risk reporting.</li> <li>Privileged access is managed such that there is no ability for ad hoc administrative access (e.g. credentials are breakglass or linked to service or change control systems).</li> <li>Data loss prevention systems warn or enforce based on classification markings or dynamic policy rules (e.g. content scanning) when users transfer data either electronically or physically</li> </ul>
Revised	Merged with Cyber Governance and Identification			

# Principle 12: Operational Resilience

## Comparison – revised and previous guidance

### 3 Maintain appropriate cyber resilience.

#### Cyber third-party management

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>• There is a register of third-party suppliers or partners which are vital to the operation of critical business processes.</li> <li>• There is a risk assessment of thirdparty suppliers vital to the operation of critical business processes along with substitution, succession or continuity planning where appropriate.</li> <li>• Any third party that processes company data is subject to appropriate legal contract or data processing agreement.</li> </ul>	<ul style="list-style-type: none"> <li>• All third party suppliers or partners are subject to a specific cyber risk assessment on initial engagement.</li> <li>• Data processing agreements with third parties are periodically reviewed to ensure they remain fit for purpose.</li> <li>• Accounts granted to third parties in order to access internal systems are periodically reviewed to ensure JML processes involving external resources are appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• The cyber risk assessment for third party suppliers is periodically reperformed on a schedule based on the level of criticality of services they provide.</li> <li>• Accounts granted to third parties in order to access internal systems are periodically audited to ensure level of access is appropriate.</li> <li>• Any data transfer between the firm and a supplier is performed securely, utilising both technical and non-technical controls (e.g. secure data transfer systems and data transfer procedures)</li> </ul>	<ul style="list-style-type: none"> <li>• Physical or technical audits are performed on the cyber controls of third-party suppliers vital to the operation of critical business processes.</li> <li>• Data processing activities by third parties is periodically audited to ensure they adhere to data processing agreements.</li> <li>• Strong legal contracts ensure that the internal cyber controls of third parties match or are closely aligned with those of the firm</li> </ul>
Revised	<ul style="list-style-type: none"> <li>• All third-party suppliers vital to the operation of critical business processes have been identified and undergone a risk assessment</li> <li>• Any third party that processes company data is subject to appropriate legal contract or data processing agreement which is periodically reviewed</li> <li>• Any data transfer between the firm and a supplier is performed securely, utilising both technical and non-technical controls such as secure data transfer systems and data transfer procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Accounts granted to third parties in order to access internal systems are periodically subject to cyber risk assessments, JML and DPA reviews to ensure processes involving external resources are appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• The cyber risk assessment and data transfer processes for third party suppliers is periodically re-evaluated on a schedule based on the level of criticality of services they provide.</li> </ul>	<ul style="list-style-type: none"> <li>• Contracts with critical third parties ensure that cyber controls align with the managing agent's and either allow for physical and technical audits of controls to be performed (either by the managing agent or industry recognised auditor) or requires the third party to hold industry recognised certification.</li> </ul>

# Principle 12: Operational Resilience

## Comparison – revised and previous guidance

### 3 Maintain appropriate cyber resilience.

#### Cyber detection

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>• Capability to detect indicators of attack or compromise which is comprised of both endpoint and perimeter detection.</li> <li>• Alert monitoring and incident response is mainly during business hours only.</li> <li>• In addition to onaccess alerting, periodic at-rest file scanning provides a capability to detect the presence of unauthorised code</li> <li>• Alerts are tuned to reduce false-positives whilst ensuring genuine incidents are detected</li> </ul>	<ul style="list-style-type: none"> <li>• Alert monitoring is 24/7 by either internal or external capability although response out of business hours may be call tree escalation or ad hoc.</li> <li>• Abnormal activities such as bulk data exfiltration or extreme I/O (e.g. encryption) activity is detected and alerted immediately.</li> <li>• Use and escalation of privileged and service accounts is monitored and alerted.</li> <li>• Alert tuning is periodically tested by internal security team (e.g. by limited purple team detection control testing).</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced detection techniques such as user behaviour and internal/cloud network traffic analysis provide additional alerting capability.</li> <li>• Alerts are collated centrally (e.g. to SIEM tooling) to facilitate thematic analysis of interrelated events.</li> <li>• Real-time perimeter network analysis is capable of detecting unauthorised traffic (e.g. C2 or stealth data exfiltration).</li> <li>• Alert monitoring is 24/7 with capability for immediate incident response and forensics.</li> <li>• Detection is periodically tested by external partners (e.g. Red Team testing, FS-ISAC, Star-FS).</li> </ul>	<ul style="list-style-type: none"> <li>• Threat analysis includes the monitoring of communications from threat actors (e.g. Darkweb message boards) which may give warning of current targeting or compromise.</li> <li>• Advanced detection tooling such as non signature based machine learning, AI, use of geographic or chronographic data (e.g. impossible travel, abnormal logon time), unfamiliar IP/ISP honeypot/tarpits etc.</li> <li>• Proactive and thematic analysis of metrics (e.g. perimeter-detected or user-reported phishing emails, presence and volume of DDoS traffic, vishing activity) to detect potential targeted campaigns</li> </ul>
Revised	<ul style="list-style-type: none"> <li>• Endpoint and perimeter attack detection is in place supported by at rest file scanning and action taken to reduce false positive alerts through alert tuning.</li> </ul>	<ul style="list-style-type: none"> <li>• 24/7 alert monitoring is in place and regularly tested to ensure detection of activities such a bulk exfiltration alerted immediately.</li> <li>• Use and escalation of privileged and service accounts is monitored and alerted as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Alerts are collated and reviewed for thematic analysis. Capability to identify and alert abnormal user behaviour is in place</li> <li>• Detection is periodically tested by external partners (e.g. Red Team testing, FS-ISAC, Star-FS).</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of Darkweb message boards or other threat actor communications is undertaken to provide warning of potential targeting or indication of compromise.</li> <li>• Proactive and thematic analysis of metrics such as perimeter-detected or user-reported phishing emails, presence and volume of DDoS traffic, vishing activity to detect potential targeted campaigns.</li> </ul>

# Principle 12: Operational Resilience

## Comparison – revised and previous guidance

### 3 Maintain appropriate cyber resilience.

#### Cyber response and recovery

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>Incident management procedures exist for the effective response and management of cyber events.</li> <li>Business continuity plans help ensure the continued operation of business processes in the event of system disruption.</li> <li>Communication plans are available and can be both accessed and enacted via separate systems so that effective internal and external notifications can continue in the event of system disruption.</li> <li>All critical systems are protected by backup and restore technology which are subject to periodical testing to maintain confidence in their effectiveness and coverage.</li> </ul>	<ul style="list-style-type: none"> <li>Incident management procedures and business continuity plans have been tested (e.g. by tabletop or physical exercises).</li> <li>Alerts that occur out of business hours can be effectively responded to (e.g. via call escalation paths, defined decision/trigger points etc).</li> <li>There are plans/procedures for performing post-incident forensic analysis (e.g. via external partner or through cyber insurance) which would support conclusion of eradication phase of incident response</li> </ul>	<ul style="list-style-type: none"> <li>Incident management procedures and business continuity plans are regularly tested (e.g. by tabletop or physical exercises).</li> <li>Ability to perform immediate internal or external forensic analysis of log data and machine images has been tested.</li> <li>There is a 24/7 capability to respond materially following an alert (e.g. quarantining machines, disabling accounts, changing perimeter email / firewall rules).</li> <li>There are playbooks and capability to perform graduated response to suspected cyber events (e.g. shutting or locking down machines or networks based on data sensitivity or maintaining operation of individual business critical systems)</li> </ul>	<ul style="list-style-type: none"> <li>Response and recovery is periodically tested by external partners (e.g. Red Team testing, FS-ISAC, Star-FS).</li> <li>There are playbooks for the green field restoration of the entire environment from either off-site backup or source media.</li> <li>Business Continuity / Operational Resilience planning includes capability to recover operations should core systems be unavailable (e.g. through substitution or manual processes) and this capability has been tested (e.g. by tabletop or physical exercises).</li> </ul>
Revised	<ul style="list-style-type: none"> <li>Incident management procedures, including communication plans, form part of business continuity plans which are available offline and regularly tested.</li> <li>Regular testing of backup and restore capability of critical systems takes place.</li> </ul>	<ul style="list-style-type: none"> <li>Communication plans for timely response to out of hours alerts are clear and regularly reviewed and updated as needed.</li> <li>Post incident analysis and lessons learned takes place to ensure controls can be strengthened.</li> </ul>	<ul style="list-style-type: none"> <li>Ability to immediately initiate internal or external forensic analysis of log data and machine images has been tested.</li> <li>In response to alerts or suspected cyber events there are playbooks and capability to undertake actions such as quarantining/shutting or locking down machines, disabling accounts or restricting network access as appropriate based on data sensitivity or maintaining operation of individual business critical systems.</li> </ul>	<ul style="list-style-type: none"> <li>Response and recovery is periodically tested by external partners (e.g. Red Team testing, FS-ISAC, Star-FS).</li> <li>Regular testing of core system recovery plans is undertaken and playbooks exist for green field restoration of the entire environment.</li> </ul>



# Principle 12: Operational Resilience

Comparison – revised and previous guidance

## 3 Maintain appropriate cyber resilience.

Cyber information sharing

	Foundational	Intermediate	Established	Advanced
Previous	<ul style="list-style-type: none"> <li>The organisation receives and reviews information on cyber security particular to the Lloyd's Market community (e.g. from Lloyd's the LMA or DXC) and/or has dialogue with cyber security functions of other market participants</li> </ul>	<ul style="list-style-type: none"> <li>Cyber security information (e.g. threats, vulnerabilities, indicators of attack / compromise, incidents, lessons learned) is shared with internal stakeholders and external market participants (e.g. via the Lloyd's Market closed CiSP group) where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>The organisation has playbooks which have been pre-agreed with legal functions to facilitate the immediate sharing of cyber incident or breach information with Lloyd's and wider market participants (e.g. via Lloyd's market associations or CISO community)</li> </ul>	<ul style="list-style-type: none"> <li>The organisation actively participates with the Lloyd's cyber community (e.g. through membership of the LMA CISO group or participation in market cyber exercises such as Phishing or Operational Resilience)</li> </ul>
Revised	<ul style="list-style-type: none"> <li>The organisation receives and reviews information on cyber security particular to the Lloyd's Market community (e.g. from Lloyd's the LMA or DXC) and/or has dialogue with cyber security functions of other market participants.</li> </ul>	<ul style="list-style-type: none"> <li>Cyber security information (e.g. threats, vulnerabilities, indicators of attack / compromise, incidents, lessons learned) is shared with internal stakeholders and external market participants via the LMA threat intelligence sharing mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>The organisation has clear, tested and well understood external communications and information sharing plans which consider how and when to engage with LMA threat intelligence sharing mechanisms following cyber incidents or data.</li> </ul>	<ul style="list-style-type: none"> <li>The organisation actively participates with the Lloyd's cyber community for example through membership of the LMA CISO community or participation in market cyber exercises such as Phishing or Operational Resilience.</li> </ul>

# Evolving the Culture Principle

Summary of revisions to the Culture sub-principles  
and new expected maturity levels

Originally communicated July 2024

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# Evolving the Culture Principle – new maturity levels

This summary pack includes:

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**Our ambition**

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**Materiality Metric and Expected Maturity**

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**Maturity Matrix Guidance**

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**Implementation and transition**

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## Align our culture oversight with our Culture Strategy

Transform the culture in Lloyd's by embedding **inclusive practices** that **enable high performance**.

We aim to **change perceptions** of the industry so that it becomes a **destination of choice for global talent**.



# Our aims in evolving the Culture principle

Our ambition is to align our culture oversight so it is an **enabler of our culture strategy**. We aim to:

- Transform the culture in Lloyd's by **embedding inclusive practices** that enable high performance
- **Change perceptions** of the industry so that it becomes a **destination of choice for global talent**
- **Evolve expectations** as the market has improved.
- **Create more ambition** on culture for firms to aim towards – there has been pull for this
  
- We have defined expected maturity levels **beyond current Foundational level**
- We plan to **recognise leading firms** in the market, separate to oversight
- We have aligned with **FCA and PRA** Diversity and Inclusion (D&I) policy proposals where appropriate

## The approach we have taken



# Updated Culture Principle

The Culture Principle and sub-principles are evolving to:

**Managing agents should be diverse and create an inclusive and high-performance culture.**

In order to support this, managing agents should:

## Current sub-principles

- 1 Demonstrate leadership focus on fostering an inclusive, high-performance culture.
- 2 Ensure behaviour expectations are clear and there is zero tolerance for inappropriate behaviour.
- 3 Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top.
- 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.
- 5 Understand their employee population, collect appropriate data and take action to create an inclusive employee experience.

## Updated sub-principles

- ▶ Demonstrate leadership focus on fostering an inclusive and high-performance culture at all levels.
- ▶ Foster inclusive behaviour, with zero tolerance for inappropriate behaviour.
- ▶ Foster psychological safety to encourage speaking up, access diverse perspectives and focus on continuous improvement.
- ▶ Ensure diverse representation within their workforce and leadership levels, reflecting society. Be inclusive in hiring and retention and contribute to the market being a destination of choice for talent.
- ▶ Understand their employee population, use data and insights to inform action to create an inclusive employee experience.



# Materiality Metric and Expected Maturity

Workforce size will be the basis for expected culture maturity level

## Maturity Matrix

- Different levels of Culture expectation are described within the Maturity Matrix.
- The content of the Maturity Matrices should be read from left to right, as the guidance builds on and incorporates the levels below
- The Maturity Matrices for each Sub-Principle set out relevant guidelines to describe each level, however, these are not exhaustive and are not a check list

## Materiality / Expected Maturity

- **Expected maturity level for a managing agent is based on materiality.** For Culture we will use **workforce size**, using data from the annual Market Policies and Practices return (MP&P).
- Using workforce size as the basis for different expectations of Managing Agents is proportional, considers risk, resources, capacity, sophistication of data, systems and processes, and the impact that firms can have. Workforce size is the best indicator for needing more controls. If a larger organisation, have to put more into people risk.
- It is not expected that managing agents will keep progressing up the maturity levels. We will instead evolve the expectations at each level as the market improves.
- Expected maturity will be based on workforce size reported in the most recent MP&P (as at 31 December 2023)
- We can adjust the expected maturity based on the next MP&P return (workforce size as at 31 December 2024), where appropriate. If you believe your expected maturity should be different, please speak with us
- If your workforce size crosses a threshold during the year, please discuss with us. We will take a pragmatic approach on a case-by-case basis

FOUNDATIONAL (Low materiality)	INTERMEDIATE (Moderate materiality)	ESTABLISHED (High materiality)	ADVANCED (Highest materiality)
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.
Size: <b>&lt; 100</b>	Size: <b>100 - 499</b>	Size: <b>500+</b>	<b>Aspirational</b>
12 managing agents	28 managing agents	15 managing agents	No managing agents required to be Advanced at this stage
Differentiation in our assessment of managing agents is informed by a range of indicators, both quantitative (from MP&P and Culture Survey) and qualitative (Attestations, managing agent engagement and other sources).			

## Recognition

- We will recognise managing agents separately to oversight, for leading practice or specific outcomes. For example, external communication on firms meeting gender targets, or spotlight sessions on good practice in firms.

# 1: Demonstrate leadership focus on fostering an inclusive and high-performance culture at all levels

Foundational <100	Intermediate 100 - 499	Established 500+	Advanced
<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>• Culture is considered a priority for the Board and senior leadership and is proactively communicated across the business to show intent.</li> <li>• The desired organisational culture is defined (e.g. in cultural values / principles) to provide clarity of the organisation's identity and vision.</li> <li>• The Board and senior leadership understand and input into the priorities required to achieve the desired culture.</li> <li>• <b>There is minimum annual reporting on culture to the Board and senior leadership to drive responsibility and ownership.</b></li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• There is visible support for an inclusive and high-performance culture from the Board and senior leadership <b>evidenced by leading by example and role modelling behaviours.</b></li> <li>• A leadership behavioural framework or expectations are in place, measured and referred to in decision making.</li> <li>• <b>There is leadership accountability for culture, diversity and inclusion through performance metrics.</b></li> </ul> <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• There are intentional efforts towards an inclusive culture that leads to tangible impact.</li> </ul>	<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>• A Culture Strategy has been defined with an action plan to support development of the desired culture.</li> <li>• A Diversity and Inclusion (D&amp;I) Strategy has been developed to drive focused, evidence-based impact and change (can be part of a broader culture strategy).</li> <li>• Progress is reviewed annually by Board and senior leadership to assess impact.</li> <li>• Employees across levels and business areas (not just Leadership and HR) input into the organisation's culture strategy and actions, involving the organisation in developing organisational culture.</li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Leadership capability is developed that is aligned to the desired culture and includes inclusive leadership.</li> <li>• Leadership accountability for culture, diversity and inclusion is linked to compensation.</li> </ul>	<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>• There is strategic business-wide leadership and governance of culture, diversity and inclusion (e.g. culture council, D&amp;I advisory group) to increase reach and ownership across the organisation (top down, bottom up and across).</li> <li>• The D&amp;I Strategy considers intersectionality and belonging to better understand unique experiences and opportunities that enable talent to thrive.</li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Inclusive leadership development extends to anyone with people management responsibility</li> <li>• Leaders and managers proactively sponsor talent (including under-represented talent) to develop and progress e.g. create connections, advocate, provide visibility.</li> </ul>	<p><b>Strategy</b></p> <ul style="list-style-type: none"> <li>• Cultural variances between teams, functions, business areas etc. are supported, recognising there may be cultures within cultures, but there is a collective cultural direction being worked towards. Any pockets that don't align to the culture ambitions are addressed.</li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Senior leaders develop the next level of leaders to drive an inclusive, high-performance culture</li> <li>• The firm uses its scale and reach to advocate for and lead initiatives that positively change market-wide culture, diversity and inclusion, amplifying impact and results.</li> </ul> <p style="text-align: right;">Blue text = new for Foundational</p>

The content of the Maturity Matrices should be read from left to right, as the guidance at one level can be understood as the starting point for the next.



## 2: Foster inclusive behaviour, with zero tolerance for inappropriate behaviour

Foundational <100	Intermediate 100 - 499	Established 500+	Advanced
<p><b>Policies</b></p> <ul style="list-style-type: none"> <li>• Appropriate policies to set behaviour expectations are evidenced and enforced (e.g. Grievance, Bullying and Harassment, Drugs and Alcohol).</li> <li>• Behaviour expectations are clearly communicated to employees (e.g. code of conduct, employee handbook).</li> </ul> <p><b>Learning</b></p> <ul style="list-style-type: none"> <li>• D&amp;I training is mandatory for all employees to ensure fundamental understanding including discrimination and harassment.</li> <li>• Training on inclusive behaviours is available.</li> <li>• Employees feel respected, understood and supported by their colleagues and leaders.</li> </ul> <p><b>Practices</b></p> <ul style="list-style-type: none"> <li>• Disciplinary, grievance and investigation processes are adhered to at all times and operated in a way that provides timely and fair outcomes that support inclusive behaviour.</li> <li>• Appropriate due diligence is carried out on new hires, and hiring and recruitment decisions align to behavioural expectations.</li> <li>• Leaders role model the behaviour expectations and demonstrate a 'zero tolerance' approach to inappropriate behaviour.</li> <li>• Employees have confidence that leaders will address inappropriate behaviour in their organisation, no matter how small.</li> <li>• Methodology for supporting employees with behaviour related incidents can be demonstrated, taking seriously all concerns raised in an appropriate manner.</li> </ul> <p><b>Performance</b></p> <ul style="list-style-type: none"> <li>• Performance is assessed based on behaviour expectations and business results and this is linked to compensation.</li> <li>• Positive behaviour is recognised and there are consequences where behavioural breaches occur.</li> </ul>	<p><b>Policies</b></p> <ul style="list-style-type: none"> <li>• Adherence to behavioural standards (including values and D&amp;I expectations) are included in material supplier / third party contracts (e.g. vendors, partners, recruitment providers).</li> <li>• Behavioural related policies, processes, procedures and tools are reviewed and analysed to incorporate employee feedback and enhancements.</li> </ul> <p><b>Learning</b></p> <ul style="list-style-type: none"> <li>• Inclusive behaviour training is mandatory for all employees and includes broader education (e.g. lived experiences). Training is acted upon and leads to severity of behavioural incidents reducing over time.</li> <li>• Leaders and managers are required to undertake inclusive leadership and behaviour training.</li> </ul> <p><b>Practices</b></p> <ul style="list-style-type: none"> <li>• Formal or informal feedback mechanisms help to identify and analyse trends in inclusive or non-inclusive behaviour so that root causes can be understood and addressed.</li> <li>• There is proactive inclusive behaviour within and across teams rather than simply reacting retrospectively to grievances. E.g. colleagues proactively sharing learning.</li> <li>• Employees feel empowered to appropriately address and resolve behaviour that is not inclusive.</li> </ul> <p><b>Performance</b></p> <ul style="list-style-type: none"> <li>• A behavioural framework has been defined to align behaviours with values, Culture Strategy and D&amp;I Strategy.</li> <li>• There are consequences for non-inclusive behaviour as well as rewards for inclusive behaviour which is tied to culture related employee objectives / KPIs in order to drive accountability.</li> </ul>	<p><b>Learning</b></p> <ul style="list-style-type: none"> <li>• Professional and role-specific learning reinforces inclusive behaviour expectations.</li> </ul> <p><b>Practices</b></p> <ul style="list-style-type: none"> <li>• Culture is proactively reviewed across business areas, functions and teams to identify opportunities or areas of concern.</li> <li>• Employee relations are proactively used to advise and support on ways to improve behaviour and the working environment, not just in punitive situations.</li> </ul>	<p><b>Practices</b></p> <ul style="list-style-type: none"> <li>• Teachable moments are shared from relevant situations and experiences to facilitate learning and transparency.</li> <li>• Inclusive behaviour leads to challenging of the status quo and changing perceptions about behaviour across the market.</li> <li>• Teams constructively check and challenge each other to be inclusive e.g. through 360° feedback, and proactively identify instances where behaviour can improve. They also amplify positive examples for other colleagues and teams to learn from.</li> </ul> <p style="text-align: right;">Blue text = new for Foundational</p>

### 3: Foster psychological safety to encourage speaking up, access diverse perspectives and focus on continuous improvement

Foundational <100	Intermediate 100 - 499	Established 500+	Advanced
<p><b>Policies, Practices and Tools</b></p> <ul style="list-style-type: none"> <li>• Policies and processes for speaking up are in place (e.g. Grievance, Whistleblowing, Health and Safety) and employees are trained where appropriate.</li> <li>• Appropriate tools are available to employees to report issues and communicate any concerns. <b>Employees demonstrate awareness of and confidence in them.</b></li> <li>• <b>There are formal or informal channels and ways for people to share and contribute ideas and feedback e.g. via employee surveys, employee forums.</b></li> </ul> <p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>• Speaking up is positioned as a foundation of a healthy culture, where employees are comfortable to put forward ideas, learn, ask questions and challenge, not just report inappropriate behaviour.</li> <li>• Employees are encouraged and safe to express disagreement or challenge opinions without fear of negative consequences.</li> <li>• Whether informal or formal, there is a culture of action to address concerns and feedback raised by employees. Concerns are taken seriously, building trust in doing so.</li> <li>• <b>There is dialogue between leaders and employees and rigour around listening and acting on employee feedback and ideas.</b></li> </ul>	<p><b>Policies, Practices and Tools</b></p> <ul style="list-style-type: none"> <li>• Employee training related to effective communication, speaking up and fostering psychological safety supports inclusive behaviour.</li> <li>• Employees are involved in continuous improvement of processes, practices and performance.</li> </ul> <p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>• There is a healthy culture around mistakes, and employees are encouraged to use them as opportunities for learning for how to do things differently / better.</li> <li>• Leaders and managers encourage curiosity and interpersonal risk taking by modelling this behaviour (e.g. by acknowledging their own gaps, admitting mistakes, asking for help) and celebrating it in others to encourage contributions and engagement across employees.</li> </ul>	<p><b>Policies, Practices and Tools</b></p> <ul style="list-style-type: none"> <li>• Tools for employees to report issues are monitored for usage and patterns, identifying any potential adverse experiences for demographic groups.</li> </ul> <p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>• A variety of people, voices and views (broader than protected characteristics – e.g. tenures, departments, backgrounds etc.) are actively sourced and engaged in the development of products and services in order to innovate through inclusion.</li> </ul>	<p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>• Diversity of the Leadership Team (Executive and Non-Executive Directors) includes varied industry backgrounds, breadth of experience, skillsets and demographics to enrich boardroom / C-suite discussions, solutioning, decisions and execution.</li> <li>• Leaders and managers create ways (formal and informal) to bring diversity of thought into teams and business decision-making. Collaboration across teams is encouraged to mitigate the risks of group think and drive continuous improvement.</li> </ul> <p><b>Blue text = new for Foundational</b></p>

# 4: Ensure diverse representation in their workforce and leadership levels, reflecting society. Be inclusive in hiring and retention and contribute to the market being a destination of choice for talent

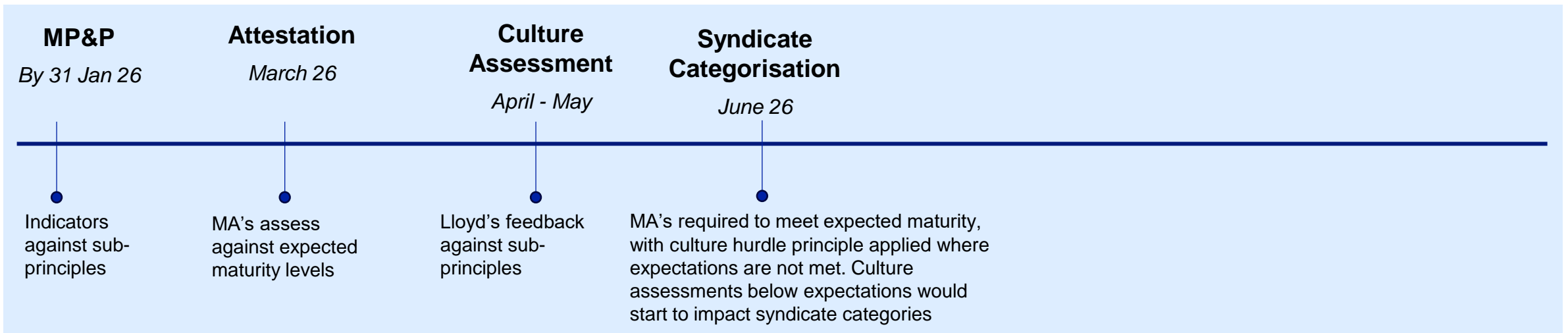
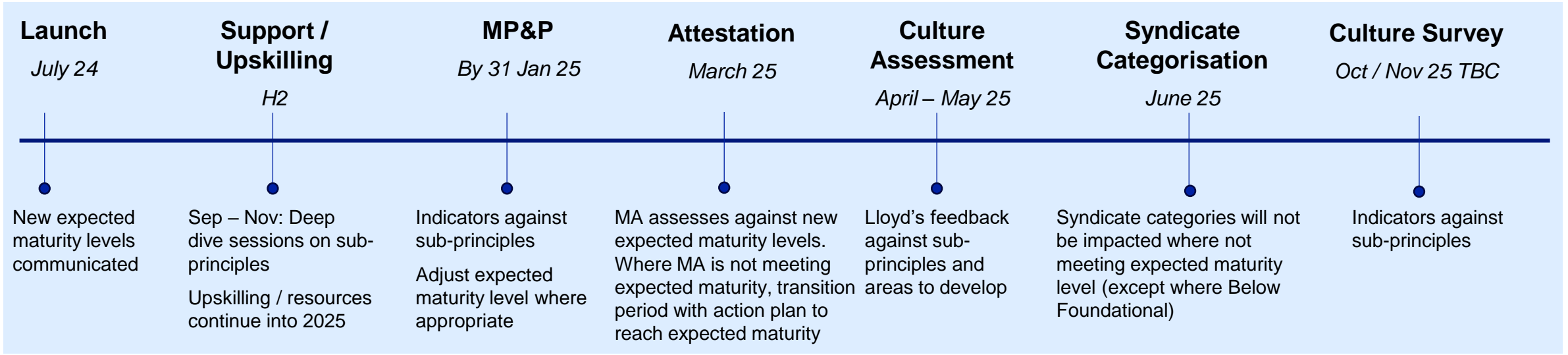
Foundational <100	Intermediate 100 - 499	Established 500+	Advanced
<p><b>Diversity</b></p> <ul style="list-style-type: none"> <li>Diversity of the workforce and in leadership is monitored, with firm-specific goals set where there is under-representation.</li> <li>The managing agent can demonstrate progress towards Lloyd's Gender and Ethnicity targets and their own goals.</li> </ul> <p><b>Recruitment</b></p> <ul style="list-style-type: none"> <li>Steps are taken to attract diverse and under-represented talent (e.g. consideration of Lloyd's talent pools).</li> <li>Policies, processes and practices are in place which support inclusive hiring for all roles (e.g. debiased selection process).</li> </ul> <p><b>Talent and Succession</b></p> <ul style="list-style-type: none"> <li>There is proactive talent management of diverse talent through the business e.g. development roles and programmes, mentoring.</li> <li>Succession planning is carried out to identify future leaders, considering behaviours, skills and diversity.</li> </ul>	<p><b>Diversity</b></p> <ul style="list-style-type: none"> <li>Firm-specific D&amp;I goals or targets are set and monitored, considering broader demographics and inclusion. Indicators show improvement towards them.</li> <li>Market-competitive policies and practices that consider diverse needs are in place, e.g. parental leave, flexible working.</li> </ul> <p><b>Recruitment</b></p> <ul style="list-style-type: none"> <li>Recruitment partners undertake diversity monitoring and apply inclusive recruitment practices (e.g. AA accessibility standard websites, reducing barriers to entry, proactive use of community engagement).</li> <li>Hiring managers are trained in inclusive hiring practices and apply this in their role.</li> <li>Action is taken to attract under-represented talent and leads to diverse hires and placements.</li> </ul> <p><b>Talent and Succession</b></p> <ul style="list-style-type: none"> <li>The employee lifecycle is reviewed through a diversity and inclusion lens and insights are built into talent management and monitored, leading to retention of talent.</li> <li>Diversity of the talent pool is understood and there is action to develop and diversify the talent pipeline (e.g. development programmes) to address under-representation and disproportionate outcomes.</li> <li>Pay gaps are measured and monitored to understand and address any challenges (250+ employees).</li> </ul> <p><b>Outreach</b></p> <ul style="list-style-type: none"> <li>There is participation in outreach programmes (own firm, with partners or market-wide) to increase access to diverse talent.</li> </ul>	<p><b>Diversity</b></p> <ul style="list-style-type: none"> <li>D&amp;I requirements are included in material supplier / third party contracts.</li> </ul> <p><b>Recruitment</b></p> <ul style="list-style-type: none"> <li>Recruiters have D&amp;I related KPIs and inclusive recruitment accreditation.</li> <li>There is a proactive employer branding strategy to broaden awareness and reach of talent pools.</li> </ul> <p><b>Talent and Succession</b></p> <ul style="list-style-type: none"> <li>Processes to de-bias outcomes throughout the employee lifecycle can be evidenced (performance, promotion, development, reward).</li> <li>Proactive talent management considers outcomes at function-level or in specific roles and leads to proportionality in development and progression.</li> <li>Leaders take accountability to progress and retain diverse talent (e.g. via sponsorship programmes).</li> <li>Lived experience of diverse talent is understood by leadership and managers and as a result, flight risks are identified.</li> </ul> <p><b>Outreach</b></p> <ul style="list-style-type: none"> <li>Leaders contribute industry thought leadership to drive awareness, education and engagement.</li> </ul>	<p><b>Diversity</b></p> <ul style="list-style-type: none"> <li>Time, effort and resources are invested into initiatives that have social impact. This is strategically aligned to sustainability goals.</li> <li>Action is taken to broaden access to suppliers to opportunities aligned to the Culture and D&amp;I Strategy.</li> </ul> <p><b>Recruitment</b></p> <ul style="list-style-type: none"> <li>There is a culture-add approach to recruitment, seeking candidates that enhance the culture rather than 'fit' the current culture to support growth.</li> <li>There is a scaled approach to talent sourcing, leveraging direct channels and engaging at volume with different schools, universities, partners / third parties etc.</li> </ul> <p><b>Talent and Succession</b></p> <ul style="list-style-type: none"> <li>At all levels there is workforce representation reflective of society with understanding of the customer base.</li> <li>Turnover of diverse talent is proactively avoided.</li> <li>Targets are set for pay parity at all levels across multiple demographics and are actively worked towards. There is transparency at Board level.</li> </ul> <p><b>Outreach</b></p> <ul style="list-style-type: none"> <li>The managing agent convenes, shapes thinking and / or leads initiatives to foster a diverse, inclusive and high-performance culture, and takes a leading role in market-wide / cross-industry outreach initiatives that change perceptions of the market and industry and make it a destination of choice for talent.</li> </ul> <p style="text-align: right;">Blue text = new for Foundational</p>

## 5: Understand their employee population, use data and insights to inform action to create an inclusive employee experience

Foundational <100	Intermediate 100 - 499	Established 500+	Advanced
<p><b>Data and Analysis</b></p> <ul style="list-style-type: none"> <li>Diversity data is collected including Gender and Ethnicity at a minimum (where local requirements allow), <b>with steps taken to collect broader diversity data.</b></li> <li>Disclosure of diversity data is increasing.</li> <li><b>Diversity data is analysed to understand trends</b></li> <li><b>A variety of qualitative and quantitative feedback sources are used to understand and improve the employee experience.</b></li> <li><b>Culture, diversity and inclusion data is discussed at Board and ExCo at least annually and action is taken to continuously improve.</b></li> </ul> <p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li><b>There is transparency on insights from the Culture Survey and other employee feedback as well as communication of resulting actions.</b></li> <li>Employee Network Groups (either within the firm or wider industry) and employee forums are encouraged and promoted to facilitate connection building.</li> </ul> <p><b>Policies, Practices and Tools</b></p> <ul style="list-style-type: none"> <li><b>Appropriate support for employee wellbeing is available and communicated to all.</b></li> <li><b>There are mechanisms to check that employees have the tools and support they need to work effectively and comfortably.</b></li> </ul>	<p><b>Data and Analysis</b></p> <ul style="list-style-type: none"> <li>A broad range of diversity data is collected (where local requirements allow) and analysed, including intersectional dimensions to inform proactive action, positively enhance experiences and reduce any negative indications.</li> </ul> <p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>The employee experience is reviewed through a D&amp;I lens, and action / adjustments are taken to address any concerns or gaps (e.g. reasonable adjustments, flexible working).</li> <li>Senior leaders play a role in Employee Network Groups, either within the firm or wider industry.</li> </ul> <p><b>Policies, Practices and Tools</b></p> <ul style="list-style-type: none"> <li>Identifying, understanding and acting on root issues and causes that undermine wellbeing occurs (e.g. workload, job design, resource levels).</li> <li>There is an understanding of the barriers employees face and action plans to address.</li> </ul>	<p><b>Data and Analysis</b></p> <ul style="list-style-type: none"> <li>Employee experience data shows minimal variance for diverse groups and across different levels of the organisation.</li> </ul> <p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>D&amp;I informs decision making and impacts design of new initiatives, products and/or services to enable and drive accessibility to all.</li> <li>Culture efforts are connected regionally / globally (as appropriate) to support cohesion, connection and collaboration.</li> </ul> <p><b>External Accreditation</b></p> <ul style="list-style-type: none"> <li>External assurance can be evidenced through D&amp;I Audits or recognised Accreditation such as Clear Assured Bronze / Silver level, Investors in Diversity or National Equality Standard.</li> </ul>	<p><b>Culture and Engagement</b></p> <ul style="list-style-type: none"> <li>There is an alumni network to foster positive relationships and sentiment in the market.</li> </ul> <p><b>External Accreditation</b></p> <ul style="list-style-type: none"> <li>At least one higher level accreditation has been achieved (e.g. Clear Assured Gold/Platinum level, Masters in Diversity or other approved accreditation).</li> </ul> <p style="text-align: right;">Blue text = new for Foundational</p>

# Phased implementation of new maturity levels

A transition period for Managing Agents to meet expectations



# Culture assessment

Considers quantitative and qualitative indicators

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**Oversight and assessment against the Culture Principle will continue to be informed by quantitative and qualitative indicators from:**

- MP&P
- The Culture Survey
- Attestations
- Managing agent engagement

We expect to add more indicators to the next MP&P return. Firms have visibility of the same indicators as Lloyd's, and reports provide market benchmarks.

**2025 self-assessment against new expected maturity levels within Principles Board Attestation**

- Openly self-assess against the expected maturity level. Identify any gaps and what would be involved to meet expectations
- We want to understand where there are common gaps across the market – and will look to provide support
- Following analysis of 2025 Attestations we will consider any areas of challenge and may seek to review or amend at that point
- Lloyd's will provide specific feedback to managing agents on gaps / areas to consider
- Managing agents can self-assess as higher than their expected maturity. We will affirm that where appropriate. There is however no advantage from an oversight or syndicate category perspective in being above the expected maturity

**We will recognise outcomes and innovative practice separate from oversight / maturity levels**

# Next steps

Support and resources for the market to continue to improve

Timing	Support
End July 2024	Culture Principle re-launched with maturity matrix published on lloyds.com
September - November 2024	Deep dive sessions into culture sub-principles <ul style="list-style-type: none"> <li>• Opportunity to clarify expectations, share approaches</li> <li>• Identify opportunities for common solutions / resources</li> </ul>
By Oct 2024	Expected maturity level <ul style="list-style-type: none"> <li>• If you believe your workforce size and therefore expected maturity level should be different to what you have previously reported via MP&amp;P, please contact us to discuss</li> </ul>
H2 2024 and into 2025	Culture Upskilling and resources <ul style="list-style-type: none"> <li>• Outreach</li> <li>• How to review your culture</li> <li>• Diversity in underwriting</li> <li>• Developing a culture strategy</li> <li>• Design and execute a DEI strategy</li> <li>• Measuring inclusion and experiences</li> <li>• Social mobility</li> <li>• Inclusive hiring and talent management toolkit</li> </ul> More managing agent sharing of good practice / what's working in relation to culture principles
Mid-December 2024 – 31 January 2025	MP&P <ul style="list-style-type: none"> <li>• Some new indicators will be collected to support assessment against maturity levels</li> </ul>

## Contacts:

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