

# **Project Rio Technical Briefing Sessions**

## **Culture**

**28 January 2022**

**Lyndsay Deeves and Kasey Brown**

# Agenda

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

# Oversight Framework:

## *Overview of broader framework*

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Lyndsay Deeves

*Pre-recorded*

# Oversight Framework

Focussing on what matters

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

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

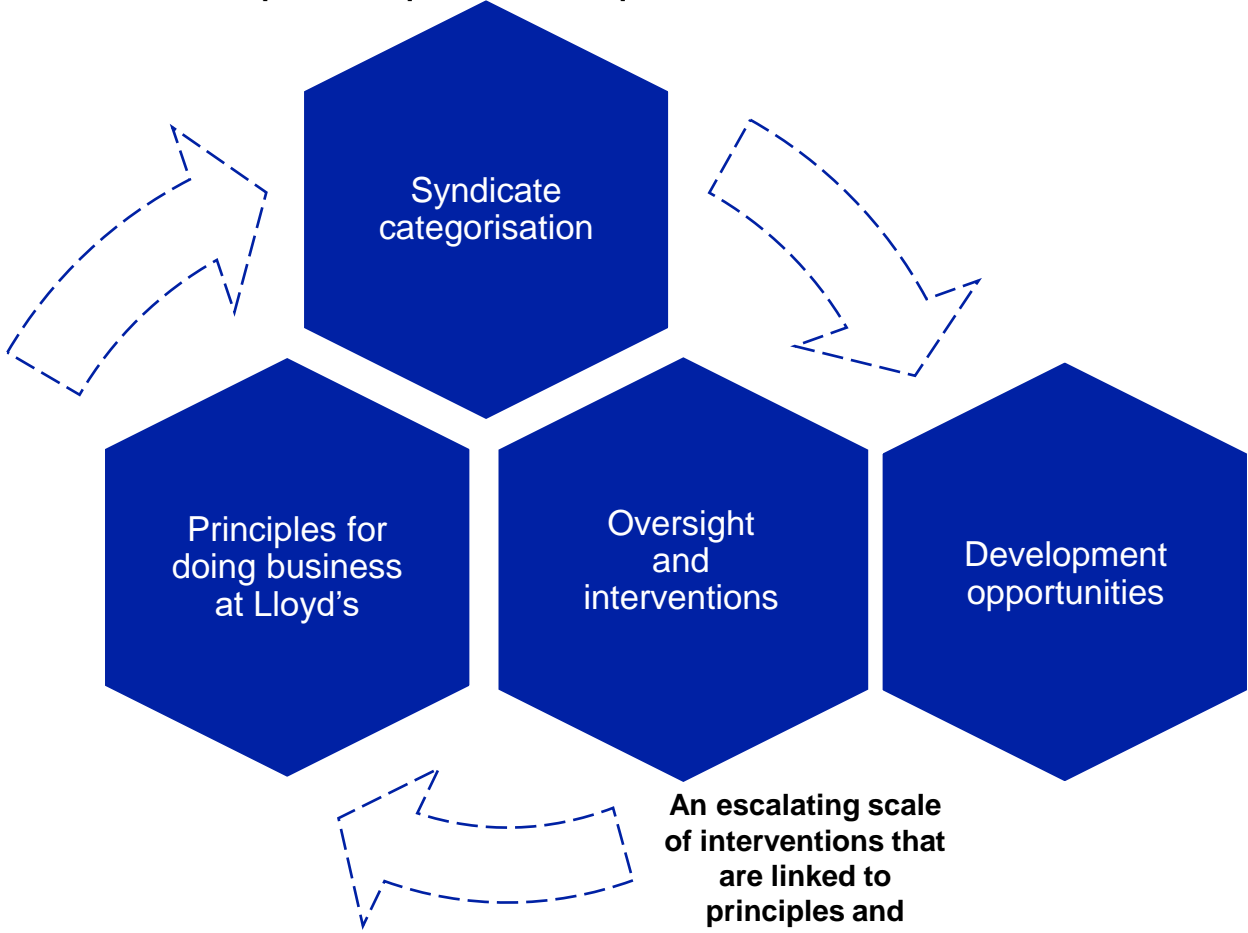
# Oversight Framework

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

Principles defined across all oversight areas

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

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



Growth and development opportunities for the best run businesses

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

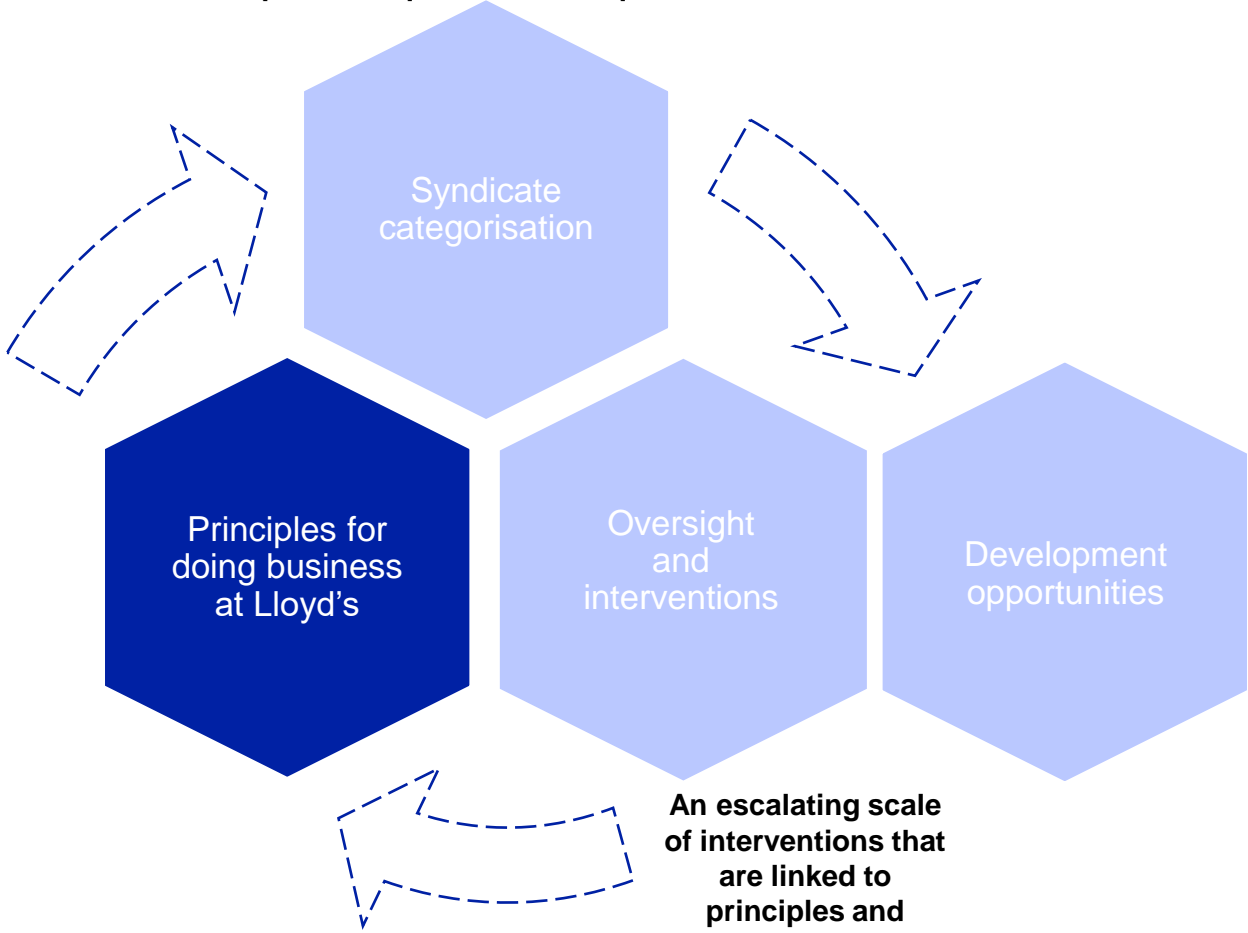
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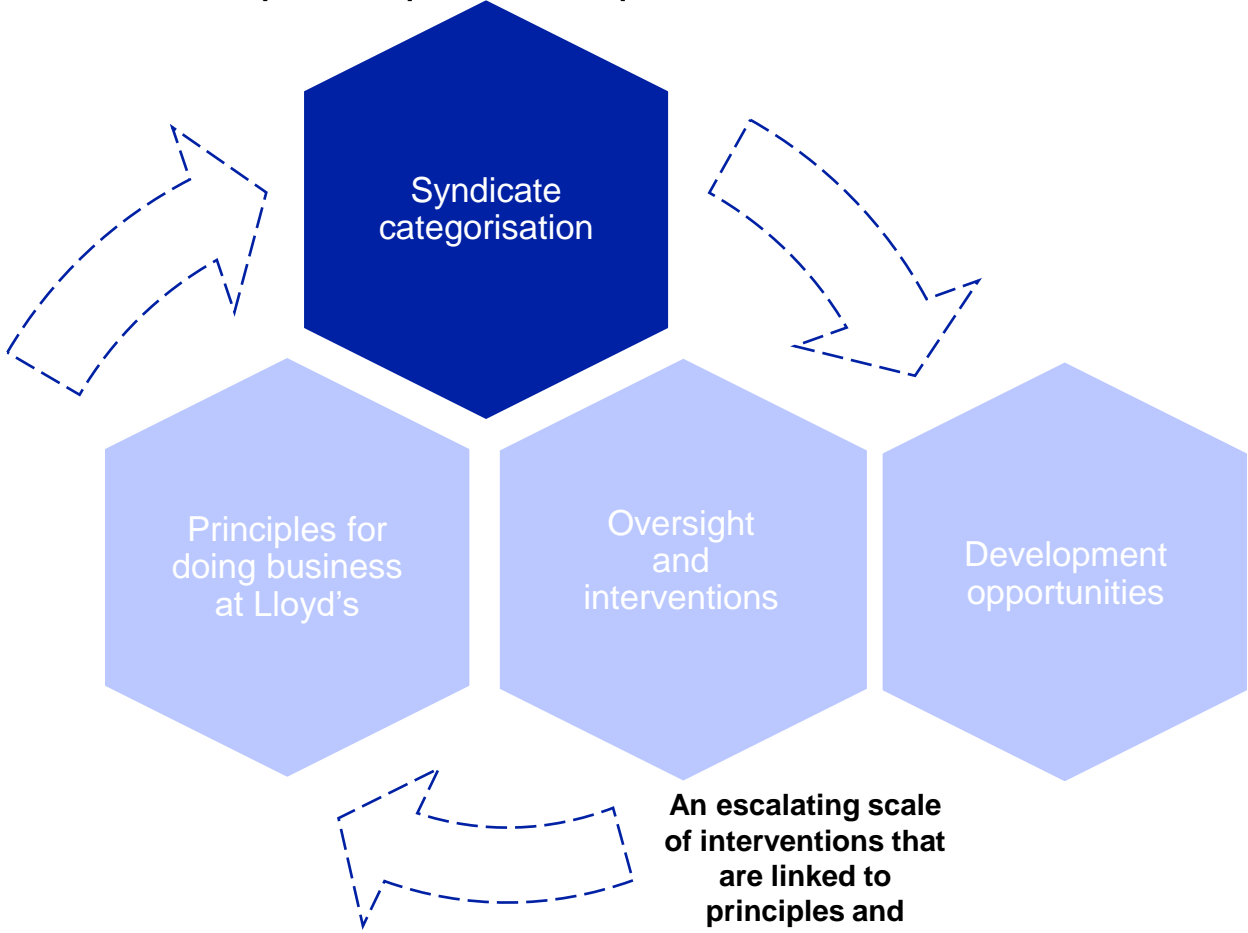
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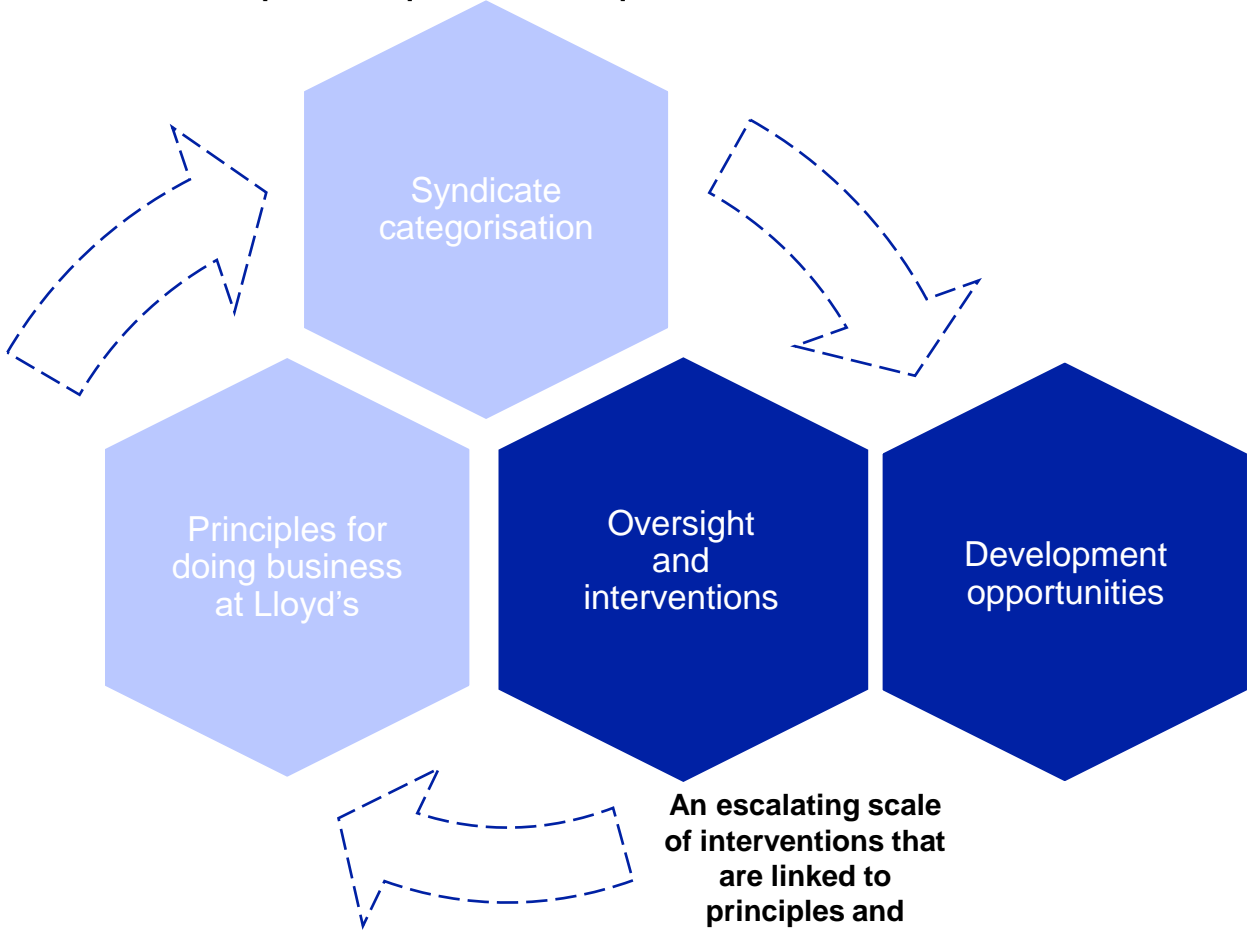
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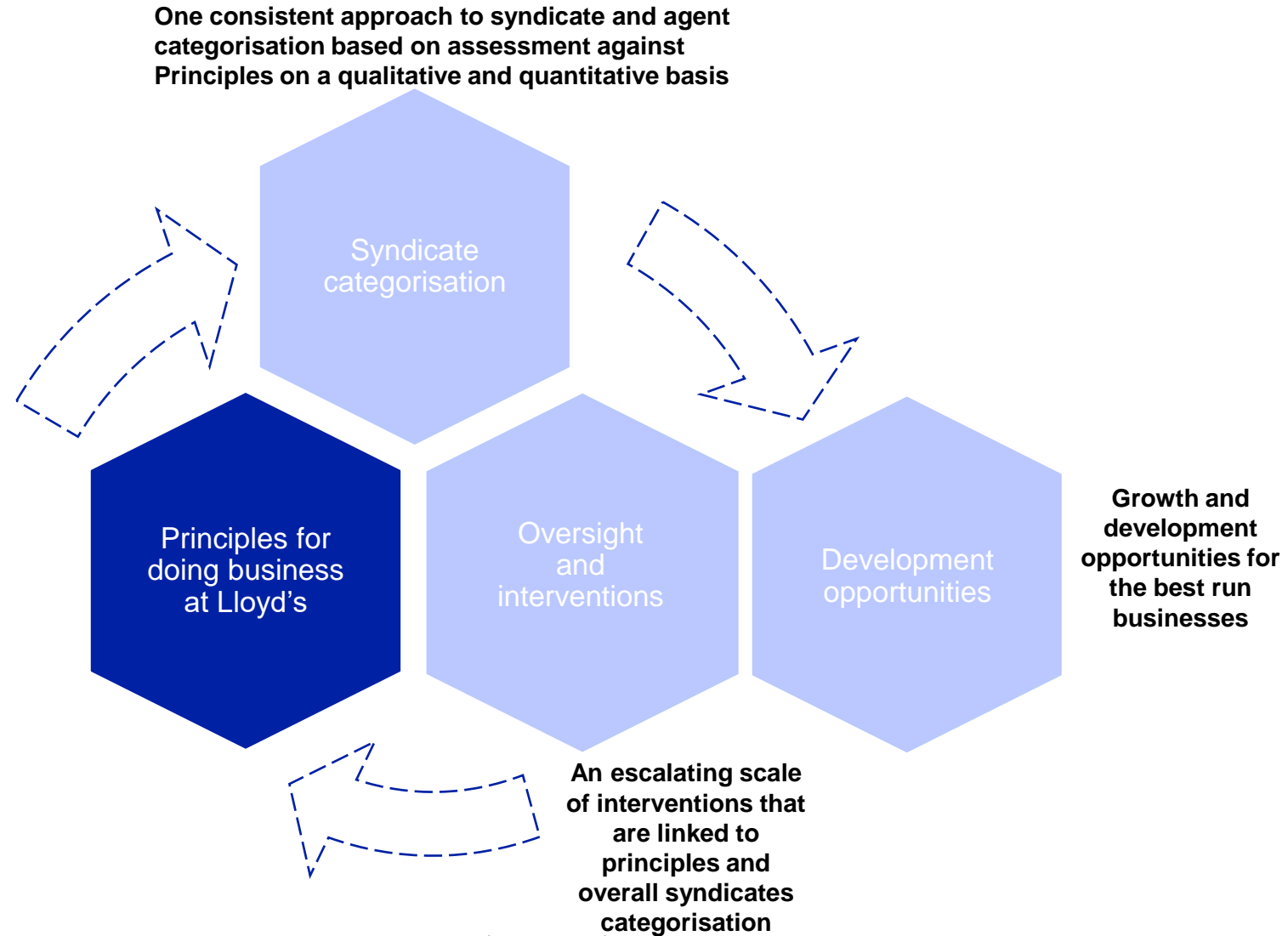
Growth and development opportunities for the best run businesses

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



# Oversight Framework

## The Lloyd's Principles



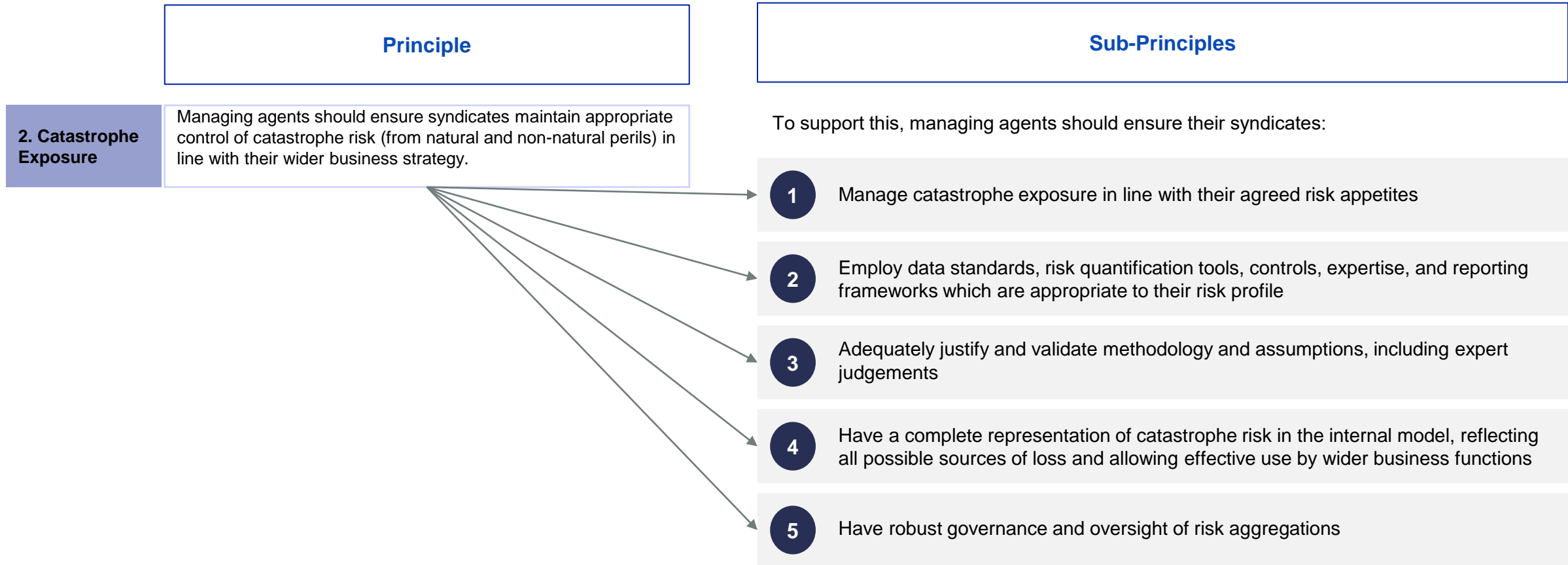
# Oversight Framework

## The 13 Lloyd's Principles

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

# Oversight Framework

## Principles and Sub-Principles



# Oversight Framework

## The Maturity Matrices

**Materiality to the Principles** informs expected sophistication

**Indicators & suggestions** – *not* requirements

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

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

Sub Principle →

Guidance →

### Maturity Matrix

#### CATASTROPHE EXPOSURE

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

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

Low materiality → Moderate materiality → High materiality → Highest materiality

# Oversight Framework

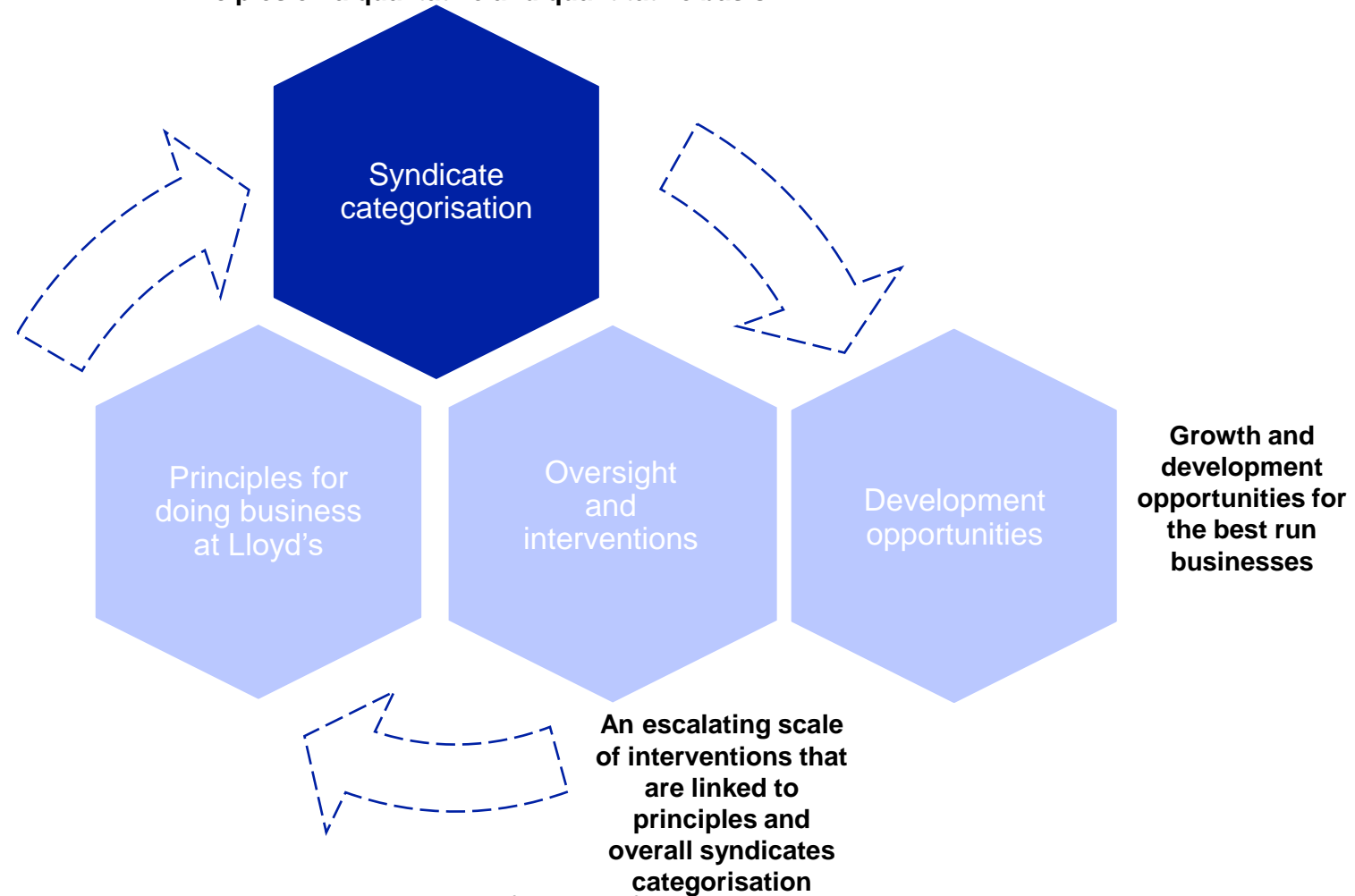
## Levels of maturity – generic definitions

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

# Oversight Framework

## Syndicate categorisation

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



# Oversight Framework

## Syndicate categorisation

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

# Oversight Framework

## Syndicate categorisation

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



# Oversight Framework

## Syndicate categorisation

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

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

# Oversight Framework

## Syndicate categorisation

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

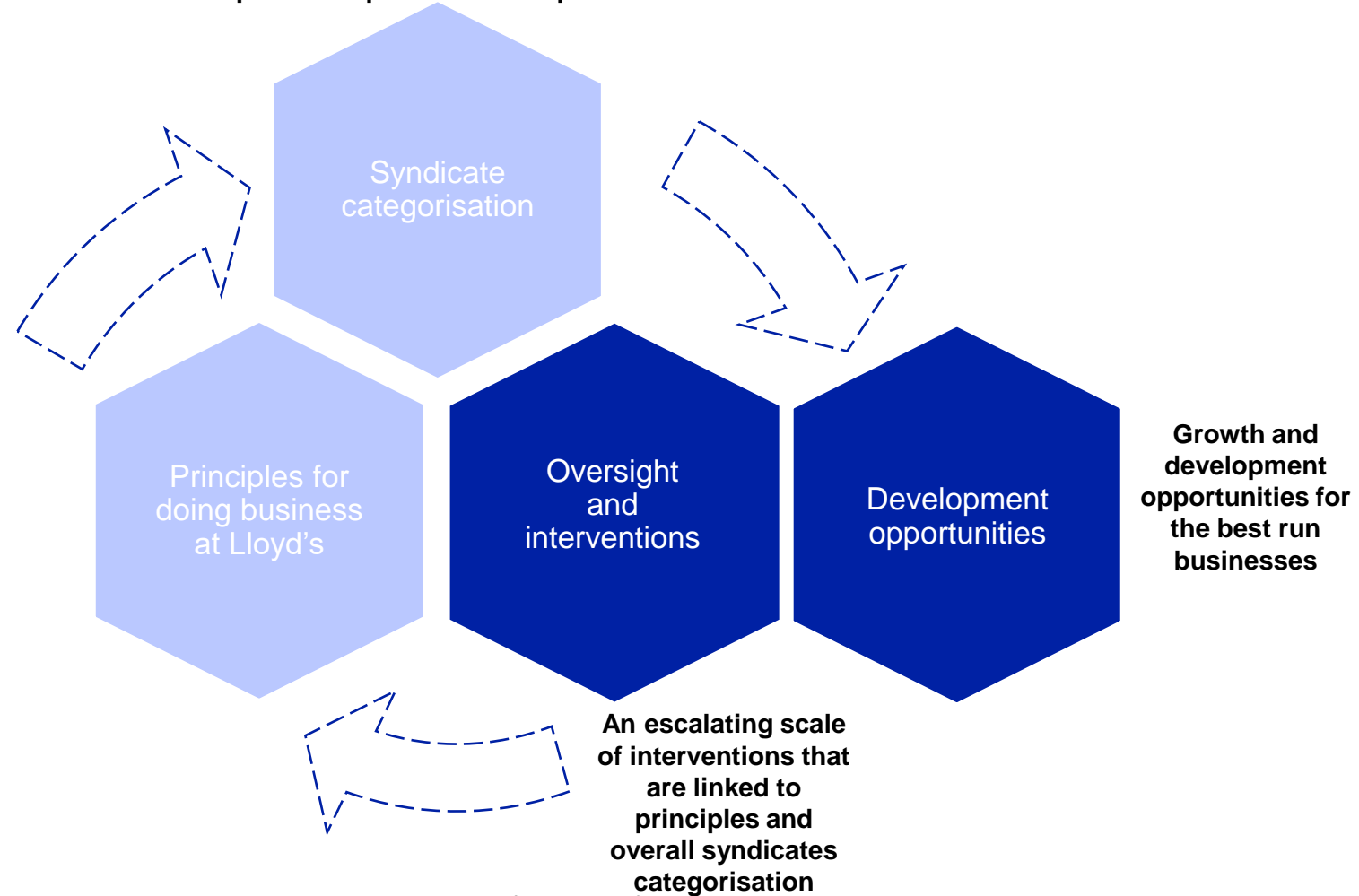
Oversight Dimensions		Expected Maturity	Actual Maturity	Dimension Rating	UNDERPERFORMING
Performance	Underwriting Profitability	Advanced	Intermediate	Below expectations	
	Catastrophe Exposure	Established	Established	Meets expectations	
	Outwards Reinsurance	Foundational	Foundational	Meets expectations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

OUTPERFORMING
GOOD
MODERATE
UNDERPERFORMING
UNACCEPTABLE

# Oversight Framework

## Oversight / Interventions and Development Opportunities

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



# Oversight Framework

## Interventions Playbook

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

# Oversight Framework:

*How will it work for Culture?*

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Kasey Brown

# Oversight Framework - Culture

What risk are we managing (for Culture)?

Oversight Objectives		
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## Principle

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

In order to support this, managing agents should:

- 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

# Oversight Framework – Culture

## Defining expected maturity

Oversight Objectives		
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Dimension	Materiality measure	Low Foundation	Moderate Intermediate	High Established	Highest Advanced
Principle 13: Culture	<i>Either / Or:</i> <ul style="list-style-type: none"> <li>Gross Written Premium (current year SBF)</li> <li>Total workforce</li> </ul>	N/A for launch – Foundation level applies for all. Expectations to be refined as Lloyd's gains greater understanding			

# Oversight Framework – Culture

## How to assess performance against the Principles?

Oversight Objectives		
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Assessment against Principles will be through a combination of qualitative and quantitative

### 1. Qualitative

- Self-assessments: we will use these to highlight where there are differences and follow-up
- Insights from ongoing engagement
- Qualitative judgement imperative for Culture, with managing agent direction of travel telling
- Leading/forward looking

### 2. Quantitative

Data inputs / indicators:

- Market Policies and Practices (MP&P) return
  - Workforce and leadership diversity – gender, ethnicity
  - Diversity data collection / disclosure progress
  - Baseline of hiring rate
  - Policies
  - Practices
  - Grievance and misconduct
- Culture Survey
  - Overall results and comparison to the market, eg speaking up, inclusion,
  - Progress / direction of travel compared to previous



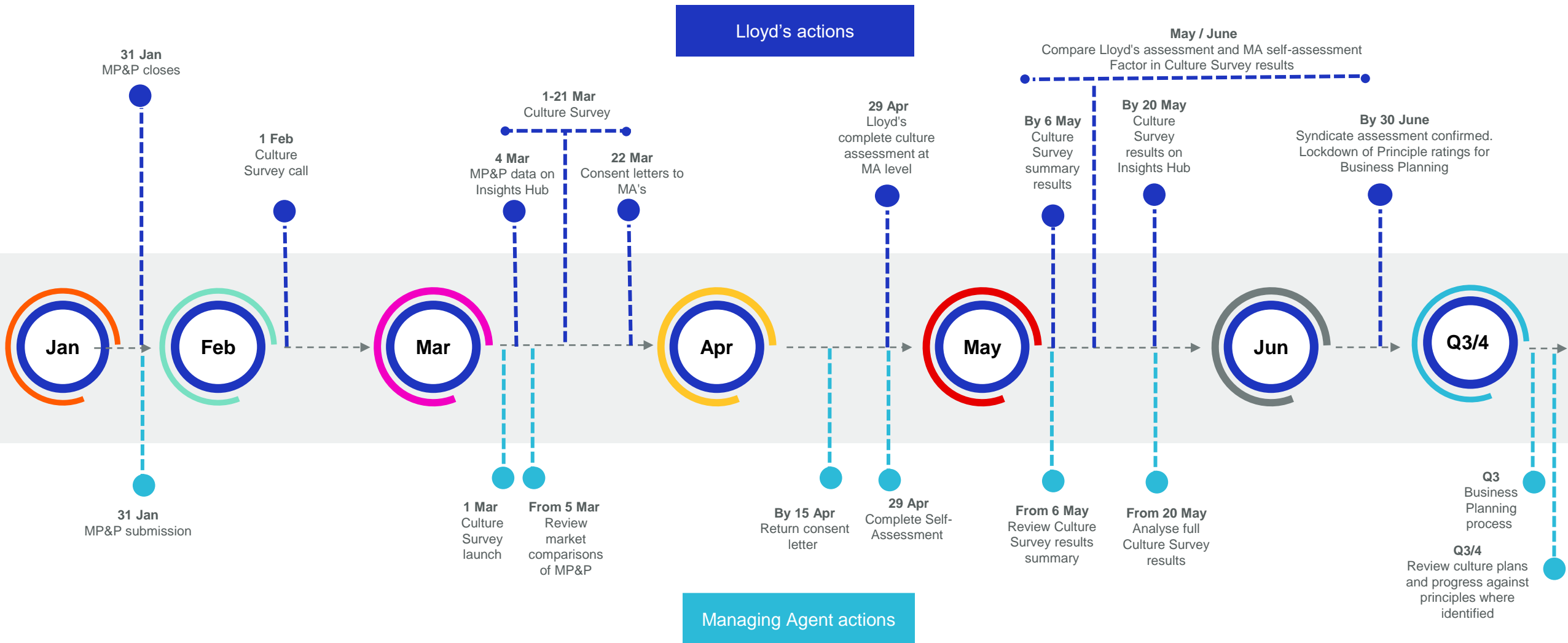
# Oversight Framework - Culture

## Interventions specific to Culture

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		← Robust intervention for underperformers			Development encouraged for the best →	
Dimension	Well below expectations	Below expectations	Marginally below expectations	Meeting expectations		
Culture	<ul style="list-style-type: none"> <li>Remove permission to underwrite</li> <li>Mandated change in senior management</li> </ul>	<ul style="list-style-type: none"> <li>Veto of a new Board member</li> <li>An instruction to address the constitution of the Board within a set time period</li> <li>Mandatory remediation programme to recover within specific timeline with senior sponsorship</li> <li>Instruct the managing agent to pay for a third party Culture review (selected by Lloyd's, scope of review written by Lloyd's) of their business and commit them to implement all recommendation made in that review</li> <li>Restriction on growth of business plan</li> <li>Instruct the managing agent to pay for training for all staff (including Board and management), in matters relating to culture</li> <li>Exclude from Emerging Talent programmes</li> <li>Restrict from Brand alignment / sponsorship opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Third party review recommended</li> <li>Role appropriate mandatory training for leadership to address performance gaps</li> </ul>	<ul style="list-style-type: none"> <li>Include &amp; support in market masterclass for further improvement</li> <li>Training made available to Leadership and encouraged for development</li> <li>Prioritisation of Emerging Talent and Development opportunities</li> <li>Leverage learning for whole market</li> <li>Actively assist in promoting at employer showcase with Lloyd's</li> </ul>		

# An annual cycle for oversight – culture timeline for 2022



There will be continuous assessment of sub-principles through the year based on Lloyd's interactions with Managing Agents, syndicate returns and data collection.

# Case studies:

*Bringing the Framework to life*

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Kasey Brown

# Case Study

## Principle 13: Culture



### Principle

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

In order to support this, managing agents should:

- 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

# Case Study - Culture

## Sub-principle 1

### Sub-principle 1

People and culture is a pillar of our strategy, which includes diversity and inclusion metrics. Progress is reviewed quarterly by ExCo and the Board.

Our focus for culture in the next year is accountability and inclusive leadership in day-to-day behaviour, with all members of our SMT attending the first phase of a leadership programme.

A Culture and Inclusion Advisory Group is being set up, led by Member of ExCo, who will undertake a culture review in 2022 and develop a culture plan, involving employees. The Advisory Group will report to the Board on progress

### 1 Demonstrate leadership focus on fostering an inclusive, high-performance culture.

#### Foundational

- Culture is considered a priority for the Board and senior management and is proactively communicated across the business.
- The desired organisational culture is identified and incorporates the themes of leadership, ethics, trust, respect and motivation.
- The Board and senior management understand the priorities to focus on to achieve their desired culture.
- A leadership behavioural framework or expectations are in place, measured and referred to in decision making
- There is visible support for an inclusive culture from the Board and senior management with policies, processes and practices in place.

# Case Study - Culture

## Sub-principle 2

### Sub-principle 2

We have clear company values that describe behavioural expectations, which are communicated and reinforced by the CEO regularly. Each of our 5 values has an executive sponsor, and we recognise role models of the values regularly, as well as through an annual awards process.

We have a new employee handbook, which covers our policies and expectations, in clear, engaging language, and have refreshed our employee induction and onboarding to bring this to life for new joiners, involving our values role models. This has been important with many people joining remotely.

Performance and compensation considers the what and the how, with ratings and bonus outcomes reflecting both.

### 2 Ensure behaviour expectations are clear and there is zero tolerance for inappropriate behaviour.

#### Foundational

- Appropriate policies are evidenced and enforced, with training provided to employees (e.g. Grievance, Bullying and Harassment, Drugs and Alcohol)
- Behavioural expectations are clearly communicated to employees (e.g. code of conduct / employee handbook)
- Leaders demonstrate a 'zero tolerance' approach to inappropriate behaviour and role model the behavioural expectations.
- Employees have confidence that leaders will address inappropriate behaviour in their business, no matter how small
- Compensation is linked to performance against behaviours and business results
- Syndicates can demonstrate methodology for supporting employees, taking seriously all concerns raised in appropriate manner.
- Appropriate due diligence is carried out on new hires.
- Diversity and inclusion training opportunities are on offer for all employees

# Case Study - Culture

## Sub-principle 3

### Sub-principle 3

We monitor the clarity and confidence of employees to speak up through our employee surveys and reinforce this through mandatory training. The results of our employee engagement survey and Lloyd's Culture survey show that 90% of our employees feel comfortable speaking up and have confidence that issues will be dealt with robustly and appropriately.

Regular town halls and focus groups held by ExCo to openly discuss any questions, concerns and suggestions with employees across functions

In 2021 a grievance related to sexual harassment was not handled well, resulting in the victim leaving the organisation and reputational impact. An independent review of how we manage grievances was undertaken, who have provided recommendations that we started to implement in Q3 2021 that is ongoing. The case with the individual has been settled, with the perpetrator dismissed. We have run training for all employees and managers on how to raise concerns and how to respond when these matters are raised.

We expect employee feedback on confidence to speak up and that management take concerns seriously to have improved in upcoming employee surveys.

### 3 Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top.

#### Foundational

- Policies and processes for speaking up are in place at the business (e.g. Grievance, Whistleblowing) and employees are trained where appropriate.
- Whether informal or formal, there is a culture of action to address concerns and feedback raised by employees. Managing agents take concerns seriously.
- Appropriate tools are available to employees to report issues
- Multiple channels are available for employees to communicate any concerns.
- Speaking up is positioned as foundation of a healthy culture, where employees are comfortable to put forward ideas, suggestions, ask questions and challenge, not just report inappropriate behaviour.

# Case Study - Culture

## Sub-principle 4

### Sub-principle 4

We have 32% women in leadership, which is quartile 3 for Lloyd's. This remains a focus to build on this year, as we aim for gender parity long term. We are building our pipeline of female talent at the level below ExCo Direct Report, through hiring and accelerated development programmes for high potentials identified in succession planning. We expect to see female representation in leadership positions increase this year as a result.

We have 22% women in leadership, which is quartile 2 for Lloyd's. Ethnic diversity of our workforce is unknown, as we just started to collect this data, but indications are it is low. Our actions start with a data collection campaign in H1 2022, which will be reviewed by the Culture and Inclusion Advisory Group to develop an action plan to improve diversity and inclusion.

We have a graduate and apprentice programme and have partnered with SEO London last year, to attract a more ethnically and socially diverse talent pool.. Our challenge is to attract and develop a more diverse talent pool in technical areas at mid career level.

There are two active employee networks – one on cultural awareness, the other for women, who support this activity and are sponsored by ExCo members. The networks have also input to refreshing our policies on leave and flexible working.

4

**Ensure diverse representation within their workforce and their leadership population. Be inclusive in how they hire and retain talent and ensure they reflect society and their customers.**

#### Foundational

- Managing agents can demonstrate how they will support Lloyd's Gender and Ethnicity targets
- Policies, processes and practices are in place which support inclusive hiring for all roles
- Steps are taken to attract diverse and under-represented talent
- Proactive talent management of diverse talent through the business, e.g. development roles and programmes, mentoring
- Succession planning is carried out to identify future leaders, based on behaviours and skills, with diversity of the workforce considered
- Employee Network Groups are encouraged and promoted either within the managing agent or wider industry, with senior managers take a leading role.



# Case Study - Culture

## Sub-principle 5

### Sub-principle 5

We collect diversity data on gender, ethnicity, disability, sexual orientation and family / caring responsibilities. And we are considering social mobility in the net 12 months.

Disclosure levels vary, so this is an ongoing focus, with employees prompted to update their data as part of an annual process.

The Board and ExCo have discussed diversity and achieving gender balance at leadership levels, identifying the levers in place to make progress, and internal targets set.

To support that they are sponsoring women in the DR to ExCo and feeder pool, and have created opportunities to increase visibility of female talent through involvement in cross-company initiatives, that are development opportunities. Flexible working policies and equal parent leave policies are in place, and men are actively encouraged to make use of this benefit.

### 5 Understand their employee population, collect appropriate data and take action to create an inclusive employee experience.

#### Foundational

- Diversity demographic data is collected by each syndicate (including Gender, Ethnicity at a minimum, where local requirements allow)
- The business has a culture where employees feel comfortable disclosing diversity data
- Disclosure of diversity data is increasing or high (gender c. 90%, ethnicity 60%+)
- Analysis of the data considers trends and there is evidence of discussion and interest at board and ExCo driving action
- The employee experience is reviewed through an inclusion lens, and action is taken to remove bias eg from performance, promotion, development, reward

# Self-assessment submissions

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# Principles self-assessments

Moving from prescription to outcomes focussed

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## Rules based approach “Bottom up”

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

## Outcomes based approach “Top down”

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

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

## Self-assessment, not Attestation

Submitting on a “best efforts” basis.

Formal Board sign off not required.

However, we would expect discussion at the Board

## Working level

We understand Principles will not be fully embedded.

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

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

## Best efforts basis

Will highlight any gaps in understanding the Principles.

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

## Lloyd's Principles for Doing Business - Self-Assessment

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

<b>Managing Agent</b>	
<b>Syndicate Number</b>	
<b>Date shared with Board</b>	

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

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

# Self-assessment Principles rating

## Principle 13: Culture

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

# Self-assessment Principles rating

## Principle 13: Culture

Principle		Expected Maturity	Managing Agent Assessment of Maturity	Commentary
				To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance.
<b>13. Culture</b> Managing agents should be inclusive, creating a diverse and high-performance culture.		<b>FOUNDATIONAL</b>	<b>FOUNDATIONAL</b>	Overall Culture is meeting the expected level.
Sub Principle 1	Demonstrate leadership focus on fostering an inclusive, high-performance culture	<b>Foundational</b>	<b>Foundational</b>	People and culture is a pillar of our strategy, which includes diversity and inclusion metrics. Progress is reviewed quarterly by ExCo and the Board. Our focus for culture in the next year is accountability and inclusive leadership in day-to-day behaviour, with all members of our SMT attending the first phase of a leadership programme.
Sub Principle 2	Ensure behaviour expectations are clear and there is zero tolerance for inappropriate behaviour	<b>Foundational</b>	<b>Foundational</b>	We have clear company values that describe behavioural expectations, which are communicated and reinforced by the CEO regularly. Each of our 5 values has an executive sponsor, and we recognise role models of the values regularly, as well as through an annual awards process. Performance and compensation considers the what and the how, with ratings and bonus outcomes reflecting both. We have a new employee handbook, which covers our policies and expectations, in clear, engaging language, and have refreshed our employee induction and onboarding to bring this to life for new joiners, involving our values role models. This has been important with many people joining remotely.
Sub Principle 3	Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top	<b>Foundational</b>	<b>Foundational</b>	Whistleblowing and grievance policies are in place, and communicated via annual mandatory training No whistleblowing cases received. Small number of grievances received are reviewed by HR / Legal Regular town halls and focus groups held by ExCo to openly any questions and concerns from employees We monitor clarity and confidence of employees to speak up through our employee surveys, and reinforce this through mandatory training. The results of our employee engagement survey and Lloyd's Culture survey show that our employees feel comfortable speaking up with the confidence that issues will be dealt with robustly and appropriately.
Sub Principle 4	Ensure diverse representation within their workforce and their leadership population. Be inclusive in how they hire and retain talent and ensure they reflect society and their customers	<b>Foundational</b>	<b>Foundational</b>	We have 32% women in leadership, which is quartile 3 for Lloyd's. This remains a focus to build on this year, as we aim for gender parity long term. We collect diversity data on gender, ethnicity, disability, sexual orientation and family / caring responsibilities. We regularly ask employees to share their experience with colleagues, to raise awareness of the different challenges and experiences they have, and how they can support one another. There are two active employee networks – one on cultural awareness, the other for women, who support this activity and are sponsored by ExCo members. The networks have also input to refreshing our policies on leave and flexible working. We have a graduate and apprentice programme and have partnered with SEO London last year, to attract a more diverse talent pool.. Our challenge is to attract and develop a more diverse talent pool in technical areas at mid career level.
Sub Principle 5	Understand their employee population, collect appropriate data and take action to create an inclusive employee experience	<b>Foundational</b>	<b>Foundational</b>	Diversity data is collected across protected characteristics. Disclosure levels vary, so this is an ongoing focus, with employees prompted to update their data as part of an annual process. The Board and ExCo have discussed diversity and getting to gender balance in leadership, identifying the levers in place to make progress. To support that they are sponsoring women in the DR to ExCo and feeder pool, and have created opportunities to increase visibility of female talent through involvement in cross-company initiatives, that are development opportunities. Flexible working policies and equal parent leave policies are in place, and men are actively encouraged to make use of this benefit.

# Self-assessment Principles rating

## Principle 10: Governance, Risk Management and Reporting

Expected Maturity: Advanced  
Actual Maturity: Advanced

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



# Next Steps

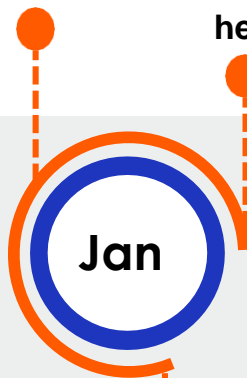
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# Next Steps and Timeline

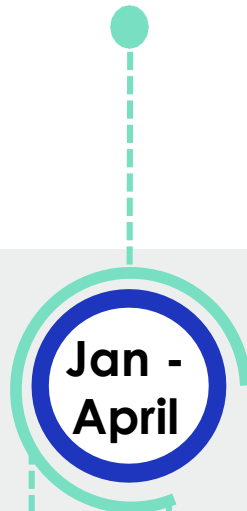
Pre-populated self assessment templates uploaded  
*(14 January)*

Board and NED briefings held



Technical briefings held

Syndicates complete and submit self assessments  
*(29 April)*



Ongoing support and engagement via Account Managers

Lloyd's complete assessments of syndicates

Syndicate categorisation confirmed ahead of 2023 CPG  
*(June)*



Follow-up discussions with syndicates re differences in view

# What should you be doing?

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

**Do use the support available from Lloyd's!**

# Q&A

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