LLOYD'S

2021 Market Oversight Plan

Contents

Foreword

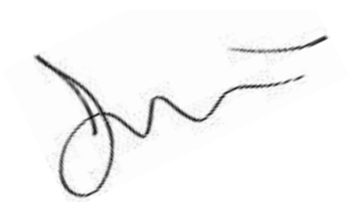
The purpose of the Corporation of Lloyd’s is to manage and maintain a competitive and secure marketplace where insurance and reinsurance business can be transacted. The Lloyd’s Market Oversight Plan is a key component to achieving just that and enables us to share our priorities for the coming year and how we will work with you to deliver our oversight.

At the end of a year where the COVID-19 pandemic has presented all of us with new and unique challenges, it will come as no surprise that much of our market oversight during 2021 is in response to the current uncertain environment and will form part of our core oversight activities across a number of areas including underwriting, outwards reinsurance, capital, reserving, investments and conduct.

Despite the current challenges, we will continue our focus on underwriting performance to achieve an improved underlying combined ratio. Our differentiated approach to oversight will continue to play a key role in enabling the best performing syndicates the space to grow, while at the same time rooting out unsustainable business across the poorest performing classes and syndicates.

However, it is also important that we don’t lose sight of the areas of non-financial risk that as a Corporation we need to oversee. This is a priority area for both local and international regulators and our work with you as a market in 2021 will focus on a number of key non-financial areas, including financial crime, cyber resilience, conduct, Environmental, Social and Corporate Governance (ESG), and culture.

I look forward to working with you and your businesses throughout 2021 as we collectively ensure the ongoing stability and sustainability of our market.



Peter Montanaro
Head of Market Oversight and Delivery

Please send any feedback or questions to oversight.framework@lloyds.com
The 2021 Market Oversight Plan is also available online at www.lloyds.com

Introduction

2021 Market Oversight Plan

Introduction

Lloyd’s approach to risk-based oversight

Lloyd's provides efficient and effective oversight of the market through a risk-based approach that is proportionate as well as transparent to all stakeholders. Lloyd’s oversight is dynamic and driven by the Corporation’s risk appetites, adapting to the changing environment and market conditions in which we operate. This market oversight plan provides stakeholders with Lloyd’s view of the key risks and issues currently facing the market and gives transparency over the Corporation’s planned oversight activity to manage those risks. Individual managing agent risk profiles are taken into account in determining the level at which each managing agent is exposed to the key risks and issues and individual managing agent oversight is planned and conducted accordingly.

The Lloyd’s Risk Appetite Framework is determined annually by the Board and reviewed at regular intervals. It is an expression of both the types of risk and the aggregate level of risk that Lloyd’s is prepared to accept in order to achieve its strategic objectives.

The Risk Appetite Framework consists of three risk objectives which must be continuously met:

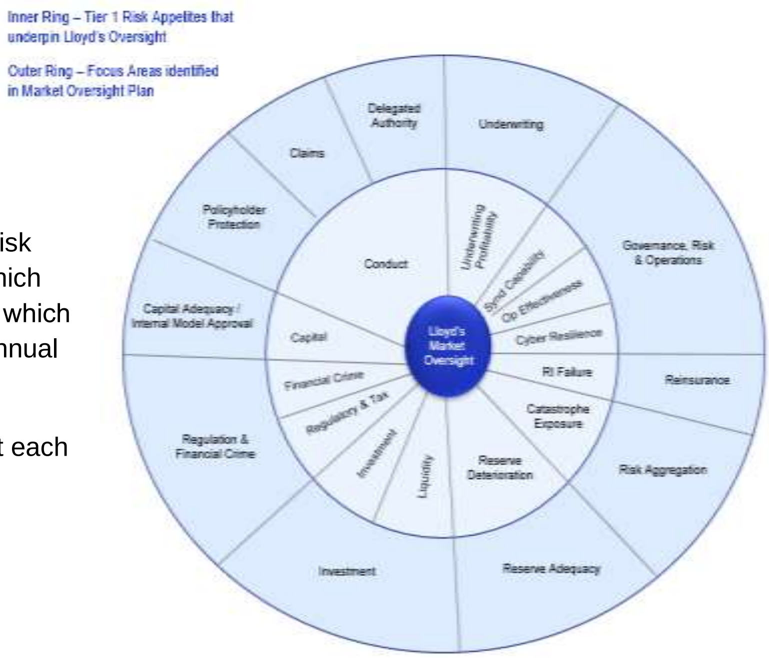
1. Sustainability: Lloyd’s strategy must deliver a sustainable business model over the medium term
2. Solvency: Management of financial risks ensures that Lloyd’s is able to withstand an extreme event and trade forward
3. Operational: The risk of operational and other events is managed to ensure Lloyd’s maintains its strong reputation

These risk objectives reflect the Board’s view of the acceptable risk faced by Lloyd’s and provide the three pillars of the risk appetite framework:

Sustainability, Solvency and Operational.

Within each of the three pillars are a number of Tier 1 risk appetites (as shown in the inner ring in the diagram) which set the strategic direction for Lloyd’s Market Oversight, which are developed further into the activities set out in the annual Market Oversight Plan.

Details of these activities are set out in the plan against each Risk Appetite area and are summarised in **Appendix 1**



.

Types of Lloyd’s market oversight activities fall into four main categories as shown in the table opposite. Managing agent oversight, as set out in the individual managing agent letters, describes the oversight over and above the core oversight activity that applies to all agents and is underpinned by the regular returns made to Lloyd’s. These core oversight activities are set out in **Appendix 2**

Market Oversight

Oversight Underpinned by Lloyd’s Returns	Thematic Oversight	Minimum Standards Reviews	Additional Oversight
Continuous oversight processes and monitoring of the data in the returns submitted by the managing agent, as per the Business Timetable.	Oversight of the market regarding a particular topic or risk, with a sample of managing agents. The work will result in market wide feedback.	A Minimum Standards review, which will include a scope, fieldwork and report.	Oversight triggered by a particular Minimum Standard concern, Lloyd’s return, or unexpected market event. The work is focused and risk-based and could, but does not have to, include fieldwork.

Regulatory environment

The Corporation seeks to maintain access in all Lloyd’s markets and to minimise the additional regulatory, prudential or compliance burden placed on the market by managing processes and interfaces wherever possible.

Much of the regulatory focus during 2020 has unsurprisingly been on the impacts of, and response to, the COVID-19 pandemic across both prudential and conduct regulation. Local and international regulators alike have flexed their priorities to ensure the market remains sustainable and solvent, and that policyholders are adequately protected as the direct losses and exposures emerge, and the indirect and secondary impacts of the pandemic become apparent.

Alongside the focus on COVID-19, regulators are also now returning to their pre-pandemic agendas, with a renewed focus on the management of non-financial risks, specifically around culture, Environment Social and Corporate Governance (ESG), conduct, financial crime and cyber resilience.

Lloyd’s expects the market to be compliant with UK and international regulatory requirements and has processes in place to assist the market with these obligations. Through its monitoring of regulatory change and its close engagement with local and international regulators, Lloyd’s seeks to provide regulators with a clear view of all that Lloyd's is doing globally - and thereby have confidence in our security, our culture, and our standards.

Impact of COVID-19 on 2021 oversight

For 2021, the market faces material uncertainty as COVID-19 losses and exposures emerge alongside the potential secondary impacts including inflation, economic downturn, falling interest rates and recession. Much of our market oversight during 2021 is in response to the current COVID-19 environment and will form part of the core oversight activities conducted across underwriting, outwards reinsurance, capital, reserving, investments and conduct. This is set out in greater detail in this plan, and individual managing agent oversight letters also highlight where there may be specific oversight activity planned as a result of COVID-19. Throughout 2021, the analysis of the regular market returns received across all areas will enable Lloyd’s to identify indicators of negative COVID-19 impacts on particular managing agents and to flex or adjust our oversight accordingly.

Furthermore, as the current pandemic environment develops and evolves, new risks and issues may arise which will require our market oversight to be adjusted and refocussed, with the possibility of a re-publication of this plan if necessary.

2021 Market Oversight

2021 Market Oversight Plan

Underwriting Profitability

Continued focus on underwriting performance

Market performance remains a key priority in 2021, with continued focus on sound business planning, underwriting discipline and strong portfolio management to enable a return to a profitable and sustainable market. During 2021, underwriting oversight will need to be flexible to respond to the emerging COVID-19 environment, and data received through regular performance returns will identify trends and areas for increased or additional oversight.

Q1 review of syndicate business plans

Before the 2021 Year of Account syndicate business plans were submitted, managing agents were required to stress test their plans to account for COVID-19 exposure and the high levels of uncertainty surrounding the emerging COVID-19 environment. As we communicated during the market update presentations, Lloyd’s will be reviewing all plans in Q1 2021 to assess whether they remain logical, realistic and achievable. Lloyd’s will communicate more details on the review process and additional data requirements shortly. The normal ‘Coming into Line’ exercise in March will also ensure that capital adequately reflects any material changes to syndicate business plans.

Performance Improvement Programme

In 2021, the Performance Improvement Programme (PIP) process will remain one of Lloyd’s key underwriting oversight activities, with continued robust challenge on all identified underperforming classes during 2021. Managing agents are expected to take all necessary remediation actions to return all underperforming classes to sustainable profitability or to consider whether the class remains viable in their portfolio.

Best Practice Pricing Framework

During 2020, Lloyd’s, in collaboration with the LMA, has developed the Best Practice Pricing Framework to reflect the varying levels of sophistication in pricing capability across different classes of business. The framework defines best practice, with the aim of raising market standards across technical pricing and portfolio management. The framework will be published early in 2021 with the launch of a pilot to run throughout the year using a sample of syndicates and classes of business. Ultimately, the finalised framework will provide greater transparency around Lloyd’s reviews of pricing.

Cyber underwriting exposures

Lloyd’s continues to expect the market to provide clarity for Lloyd’s customers on coverage for cyber exposures. In our update communication in November entitled ‘Providing clarity for Lloyd’s customers on coverage for cyber exposures’ we confirmed the next phase of Cyber Attestations will be required by the 15 January 2021. These returns will allow Lloyd's to determine that progress is being made to implement the required change in how syndicates identify, quantify and evaluate/price cyber exposures within all lines of business. Lloyd's will be considering the level of compliance with the bulletins post submission of the return in January and may look to constrain syndicate's underwriting non-compliant classes until we have the necessary assurance that business is being written as per Lloyd's requirements. In cases of serious failure to take action to comply with our requirements, syndicates may be required to cease writing in the class.

Casualty - Social Inflation

Inflation is an evolving risk area resulting in unexpected rising insurance claim costs and in particular social inflation can cause increases due to societal trends and views toward litigation. The impact of this cuts across underwriting, reserving and capital setting. As a result, a thematic review will be undertaken covering these areas as three distinct workstreams which will be combined into one overarching report once completed. The Underwriting workstream will focus on the classes of business most exposed to claims inflation as a result of social inflation: General Liability (GL) and Director and Officer (D&O), with one of the primary drivers potentially being significant increases in legal costs. This workstream will focus on claims compositions in these classes to establish and isolate inflationary trends in these costs. Findings will inform the overall report and the impact on GL and D&O. (Please refer to page 14 for further detail on the Reserving workstream and page 19 for detail on the Capital workstream)

Property Treaty - Risk XL

For the past few years, the performance of the Risk XL account at market level has consistently been poor and has resulted in the class being unprofitable with all elements of GULR ratios consistently missing plan. Themes and trends driving this poor performance need to be identified to ensure that the market can take appropriate remedial action to address the underperformance. A thematic review will be undertaken to assess managing agents' approach to risk selection, pricing, line size deployment, aggregate management and trends in claims. The findings will be used to identify key aspects in the underwriting of this class that drive underperformance and those that are considered best practice.

Most Favoured Nation clauses

Most Favoured Nation (MFN) clauses are clauses that provide that one or other of the parties to a transaction will not offer better terms to others. MFN clauses can arise where the (re)insurer stipulates in the contract that if better terms are offered by the cedant to other (re)insurers then equivalent terms must be given to the (re)insurer. MFN clauses can also arise where insurers or reinsurers agree with a client that they will not offer better terms to others, ensuring that the client will always be offered the insurer's best terms. MFN clauses may also be known by other names, including Best Nations Clauses and Best Terms and Conditions Clauses.

MFN clauses can raise significant issues with regard to compliance with competition law and Lloyd's is aware that the use of MFN clauses in insurance has been a recent area of focus for a number of regulators and competition authorities. Managing agents must not request or agree to the inclusion of MFN clauses in (re)insurance arrangements. In 2021, Lloyd's will be engaging with managing agents to ensure that they have procedures in place to check for the use of MFN clauses in their policies.

Lloyd's overseas platforms

Lloyd's will continue to oversee the performance of business written on the global platforms through the existing core oversight processes of syndicate business monitoring and reporting. Throughout 2021, Lloyd's will ensure that controls and oversight activity for all overseas offices are consistent with requirements and activity in London offices. Any additional oversight that we conduct of business written in the overseas offices will be carried out in a risk-based way, to align our approach with the way we conduct our oversight in London.

Catastrophe Exposure

A focus on man-made cat risk in 2021

Lloyd's will maintain tight understanding and control of catastrophe risk. Managing agents should be mindful of both their own catastrophe risk appetite in relation to nat cat and that of the aggregation of catastrophe risk across the whole market, and Lloyd's will continue to monitor in-force and planned levels of catastrophe-exposed business to ensure that syndicates remain within their agreed forecasts.

Man-made ("non nat cat") risk

As well as oversight of natural catastrophe risk, the Exposure Management team oversees exposure management for man-made risks, including exposure data standards, deterministic scenarios, risk appetites and use of exposure-based models. In 2020, Lloyd's undertook a thematic review of Cyber and Liability Exposure Management, publishing the final report of the review findings in December 2020 setting out recommendations and requirements for future development. As follow up to this review, a number of specific managing agent Minimum Standard reviews will be conducted during 2021 with the aim of developing the market's approach to the data and techniques associated with managing the accumulation of man-made risk. This work is being undertaken to ensure the market understands the risk and keeps pace with emerging best practice on accumulation risks. The reviews will focus on those syndicates with material Cyber and Liability exposures, although those that participated in the 2020 thematic review will not be re-reviewed in 2021.

Catastrophe Risk Operational Framework (CROF)

During 2020, the CROF has been further embedded into Lloyd's approach to risk-based oversight by informing business plan decision and approvals around catastrophe exposure. During 2021, those syndicates whose CROF maturity rating (relative to their materiality) is not currently deemed appropriate (whether fully so, or only marginally), will receive additional oversight to support an improvement in their CROF rating. In addition, syndicates whose future growth aspirations imply a need for significant maturity improvements will also receive additional oversight to support this development.

Climate change

Lloyd's requires syndicates' Views of Risk in respect of natural catastrophe perils to be appropriate to climate conditions over the period covered by policies underwritten. A thematic review will be conducted to understand the methodologies employed by managing agents to ensure that any changes in climate that have already occurred, or are expected to occur over the relevant period, are taken into account when catastrophe models are validated. Agents have been selected for the review to include a range of levels of materiality and expected levels of sophistication. The findings of the review aim to raise the quality of Views of Risk through best practice and agent-specific follow-up.

Model completeness

During 2021, Lloyd's will continue to focus on syndicate model completeness, building on the learnings from the 2020 thematic reviews on US Flood and US Wildfire modelling and using the Model Completeness Questionnaires. Lloyd's will continue to undertake an evaluation of syndicates' model completeness, noting where there are limitations and also identifying best practice.

Reinsurance Failure

Increased risk arising from COVID-19

During 2021, Lloyd's oversight of Outwards Reinsurance will be heavily informed by the potential risks arising from asset and liability stress in the reinsurance market arising from COVID-19. In the current environment, with the volume of reinsurer ratings on negative outlook and therefore the increased potential for financial strain and ratings downgrades to increase, Lloyd's oversight of managing agents counterparty management and credit control processes will be a key focus area in 2021.

Oversight will be targeted at those syndicates whose outwards reinsurance arrangements are more materially exposed to reinsurers vulnerable to, or experiencing financial strain, and/or where material increases of aged debts and disputes are identified. A targeted but flexible approach to oversight will be taken to respond as and when potential or live risks are identified. Managing agents will be expected to demonstrate how affected syndicates are responding to and mitigating the increased potential or actual bad debt and credit risk of delayed and/or reduced recoveries, arising from either reinsurer(s) inability or unwillingness to settle recoveries. Managing agents will also be expected to demonstrate how any resultant liquidity risk and reinsurance asset devaluation is being managed and catered for in syndicates balance sheet and capital assessments. Regular QMA reporting requirements will be revisited and amended to gather relevant data from syndicates as the reinsurance environment develops.

The uncertain and evolving COVID-19 environment also exposes syndicate reinsurance programmes to increased potential for contract uncertainty, leading to delays in payment due to protracted loss substantiation and settlement, and reductions in expected recoveries due to negotiated settlements or disputes. Targeted investigative oversight will be undertaken with selected syndicates where either a material reliance on outwards reinsurance to reduce gross COVID-19 losses exists, and/or if material unexpected variances in COVID-19 associated reinsurance recoveries are identified as part of each QMA submission. A material deterioration in net loss estimates will also inform Lloyd's reserving oversight, and affected syndicates can expect additional increased oversight of their reserves as a result.

The costs and availability of reinsurance coverage and capacity are also expected to harden further during 2021, which may present both negative and positive impacts on syndicates profitability and net loss risk appetites. Targeted investigate oversight of syndicates with material variances in outwards reinsurance compared to approved plans will also be undertaken.

The overall reliance on outwards reinsurance and its associated financial strength, debt and dispute positions at both syndicate and market aggregate level are monitored through syndicate returns and will inform the level of managing agent oversight as the impact of the above develops throughout 2021.

Reserve Deterioration

Increased reserve uncertainty

Impact of COVID-19 on reserves

Lloyd's reserving oversight aims to ensure that syndicates maintain adequate reserving processes and that syndicate reserves are appropriate. The COVID-19 pandemic brings about increased uncertainty in reserves as a result of the direct, indirect and secondary impacts of the pandemic. Whilst the direct impacts are now better understood, contingency classes continue to face increased reserve uncertainty during ongoing lockdown conditions and in light of the findings of the FCA test case on Business Interruption policies, particularly where syndicates remain on cover for events scheduled several years away.

Secondary impacts of the pandemic, including economic downturn and inflationary impacts are expected to have a negative impact on casualty classes, specifically on D&O, financial lines and Political Risks, Credit and Financial Guarantees. In addition, syndicates should consider whether alternative reserving methodologies such as benchmarking and exposure-based analysis may be more appropriate for estimating future COVID-19 losses. For non-COVID-19 losses, caution should be applied when setting assumptions to consider whether claims trends emerging during 2020 will be reflective of future claims experience and how much credit should be given to the 2020 calendar year.

These key risk areas will inform Lloyd's reserving oversight throughout 2021, both through core oversight activity and the 2022YOA capital setting process. Levels of managing agent oversight and interaction will be determined by materiality and exposure to concerning classes. The Lloyd's Reserving team will continue to conduct annual reserving meetings with key reserving staff in each managing agent. These meetings enable Lloyd's to identify and discuss key risks and uncertainties within the reserves and to gain a clearer understanding of the portfolio and reserving process (including feedback loops with capital, planning and pricing).

Inflation (including social inflation)

Inflation is an evolving risk area resulting in unexpected rising insurance claim costs and in particular social inflation can cause increases due to societal trends and views toward litigation. The impact of this cuts across underwriting, reserving and capital setting. As a result, a thematic review will be undertaken covering these areas as three distinct workstreams which will be combined into one overarching report once completed.

The Reserving workstream will focus on the inflation assumptions made in syndicate best estimate reserves as a result of the changing claims environment, to ensure they remain appropriate. In particular, the review will focus on whether historic inflation is representative of future inflation, (especially with regard to the risk of social inflation) and whether reserving processes, methodologies and feedback loops with pricing and capital need to change.

(Please refer to page 10 for further detail on the Underwriting workstream and page 19 for detail on the Capital workstream).

Other reserve oversight

Based on the 2019 year-end reserving exercise, Lloyd's has identified focus classes due to trends identified at market level:

- Accident & Health (direct) US
- Pecuniary, Financial Institutions (non-US)
- Professional Indemnity (US and non-US)
- NM Casualty Treaty (US and non-US)

During annual reserve meetings with managing agents Lloyd's intends to understand whether the findings at the market level are relevant to syndicate reserves. Additionally, these meetings will also enable discussions around how the findings of the Casualty Market Study undertaken in 2020 have been incorporated into each managing agent's reserving process.

Attractiveness of the Lloyd’s Market

Lloyd’s as a responsible business leader

Environmental, social and corporate governance

In December 2020, Lloyd’s published its first overarching Environmental, Social and Governance (ESG) report setting out its plan to support the market’s transition towards a more sustainable market, and a pathway of how it will be achieved. Lloyd’s ambition is to fully integrate sustainability into all of Lloyd’s business activities; from supporting the global transition to net zero through the risks it shares and the investments it makes, to the way in which it looks after its people and the communities in which it operates. The strategy sets out Lloyd’s commitments as a marketplace around sustainable underwriting, responsible investments and ambitions relating to its customers, community, operational environment, and people and culture.

During 2021, Lloyd’s will develop a framework to help managing agents integrate ESG within their own organisations, including underwriting and risk management procedures, and investment decision-making processes. This will include guidance to support managing agents in the delivery against our sustainable insurance targets and development of their responsible investment strategies. The Corporation will also work with the wider Lloyd’s market in 2021 to support their own implementation of net zero carbon emission plans including the potential development of a Lloyd’s market wide carbon offset project.

Corporate culture

The success of the Lloyd’s market depends as much on creating the best environment for all the individuals to work within an inclusive culture as it does on executing our performance and strategic priorities. A high-performing culture maximises human potential and business performance and this is what the Corporation and the Future at Lloyd's strives to deliver for our market, our colleagues and our clients.

Since 2019, Lloyd’s has been spearheading a major initiative to eradicate inequality in all its forms by driving radical culture change across our market and the industry – that includes setting publicly accountable gender and ethnicity targets, as well as committing to meaningful and measurable actions to build a more inclusive environment for the many thousands of talented people working in our marketplace.

As part of this work, Lloyd’s has developed a culture toolkit that seeks to provide managing agents with an understanding of what a high performing culture looks like, how managing agents can reflect on their own organisational culture and some guidance on what can be done to drive improvement. It is based around five foundational themes and the corresponding indicators that will help to assess an organisation’s maturity together with the opportunities to make progress. In 2021, Lloyd’s will be working alongside managing agents to understand levels of engagement with the toolkit and any future actions that managing agents have identified to drive a high performing culture. This will be achieved through a brief questionnaire which will be followed up as part of our regular engagement with each managing agent.

Climate change

For 2021, Lloyd's expects there to be significant and ongoing focus on the market's response to climate change. The PRA set out that it expects boards to understand and assess the financial risks from climate change which affect the firm, and to be able to address and oversee these risks within the firm's business strategy and risk appetite. Lloyd's would expect managing agents to be progressing against the action plans as required by the PRA Policy Statement. Managing agents should demonstrate an understanding of the distinctive elements of the financial risks from climate change and a sufficiently long-term view of the financial risks which can arise beyond standard business planning horizons.

During 2020, the Climate Financial Risk Forum (CFRF) co-chaired by the FCA and PRA, brought together companies from across the financial services sector to develop practical industry guidance on the response to climate change. This Forum and the LMA Climate Change Working Group expects climate change to impact multiple teams, including underwriting, claims, exposure management, investments and reputation and to consider the impact on:

- Disclosures in financial statements
- Understanding of risks faced
- Scenario analysis
- Governance and board discussions
- Risks vs impacts - modelling

Additionally, Lloyd's is working closely with the PRA to provide a market wide submission for their Climate Biennial Exploratory Scenario (CBES), with a small number of managing agents having been selected to input directly by providing data for this submission. These outputs will be scaled to provide a proxy/representative Lloyd's market view, rather than us requesting the entire market to complete the scenario work.

Lloyd's Agency Network

The Lloyd's Agency network provides 24-hour, year round, independent marine surveying and claims adjusting services to the Lloyd's market together with the global insurance industry and its customers.

Lloyd's will continue to follow a risk-based approach to the approval and oversight of Lloyd's Agents. For 2021, this will include:

- Continuing to periodically audit all Lloyd's Agents (within a three-year cycle)
- Piloting a new 'light touch' remote audit process for Lloyd's Agents that are rated 'low' or 'medium' risk
- Introducing a new annual Attestation process in which Lloyd's Agents self-attest against pre-agreed service standards (KPIs)
- Continuing to adhere to the approval framework for any new Lloyd's Agency appointment
- Ongoing compliance oversight for Lloyd's Agents

Investments and Liquidity

Flexing our oversight to respond to the current investment environment

The increased risk to investments brought about by a predicted global recession highlights the importance of syndicates having a resilient investment portfolio and robust risk management process. For 2021, the type of investment strategy adopted by each agent will be a key factor in determining the level of oversight Lloyd's undertakes. Core oversight activity throughout 2021 will be flexed to ensure that risks are identified through:

- Closer monitoring of agents with higher than average investment risk appetites
- Analysis of trends emerging at the aggregate level for investments
- Monitoring of investment risk through the collection and review of Quarterly Asset Data
- Additional focus on any losses and gains that appear to be out of the ordinary
- Additional focus on insufficient liquidity

Some deep-dive activity is expected where concerns are identified, triggered by:

- Complexities in investment portfolios
- Insufficient governance processes
- Repeated breaches of the risk-based criterion
- Any other factor, or combination of factors, that are a cause for concern

In addition, managing agent implementation of the PRA's Supervisory Statement SS5/19 for liquidity risk management will be overseen in 2021.

Capital

Ensuring capital adequacy in an uncertain climate

Oversight activity during 2021 will be informed by COVID-19 impacts in relation to the increased risk around how capital models account for COVID-19 uncertainty. Capital model reviews undertaken in 2020 for annual capital setting found that, generally CO,VID-19 impacts are well incorporated into capital models, although going forwards, the secondary impacts of COVID-19, including inflation, financial downturn and recession will also need to be tested to ensure they are sufficiently reflected in capital models.

The capital model reviews undertaken during 2020 found that across the market there is a high number of management adjustments that have been applied to models. During 2021, this will be a focus area to ensure that syndicate models are improved so that capital is fundamentally driven from models, and not from adjustments.

Capital also forms one of the three workstreams as part of the social inflation review being conducted alongside Underwriting and Reserving. Inflation is an evolving risk resulting in unexpected rising insurance claim costs and in particular, social inflation can cause increases due to societal trends and views toward litigation. The impact of this cuts across underwriting, reserving and capital setting. Capital models will need to reflect any additional exposures and reserves, but also any additional volatility resulting from social inflation. This workstream will focus on an assessment of approaches to claims inflation modelling across syndicates in order to publish insights into best practice claims inflation modelling and drive further oversight.

(Please refer to page 10 for further detail on the Underwriting workstream and page 14 for detail on the Reserving workstream)

Conduct

Protecting our policyholders

The protection of Lloyd's customers is at the core of Policyholder and Third Party Oversight (PTPO). The nature and frequency of Lloyd's risk-based oversight of managing agents is influenced by a combination of inherent features and adjustable risk factors, across customer consents, claims, conduct and complaints. Lloyd's will continue to oversee managing agents' compliance with Lloyd's Customer Minimum Standards and look for evidence of the effectiveness of these frameworks through our interactions with managing agents and coverholders.

It is the intention of the Policyholder and Third Party Oversight team to issue further guidance to the market, building on the various guidance published in 2020, in relation to the management of claims and complaints which remain on-hold pending the judgement from the FCA BI test case appeal (expected in January 2021). Managing agents are expected to be prepared to respond swiftly, supportive of the Market Principles set out by Lloyd's in its communication of September 2020 – the Lloyd's Customer Standards team will be monitoring the servicing of these claims. Similar legal challenges are underway in other regulatory jurisdictions and Lloyd's plans to take a similar approach to supporting the market and overseeing the market's response to policyholder claims.

Fair value in consumer products

Lloyd's will continue to explore further workstreams under this established project – which looks to ensure that the products and services delivered by managing agents and appointed service providers offer fair value to policyholders. The referral pilot introduced in Q2 2020 will be expanded to include additional products and or features; for example, the introduction of a low loss ratio indicator. We will continue to draw on the insights we are gathering to help in the establishment of risk metrics, these will be introduced alongside our already published risk appetite statements.

The objectives of this project will have regard to the Lloyd's research and publication into 'Building simpler insurance products to better protect customers' which seeks to reassess how the insurance industry can better serve and support its customers by simplifying insurance product design and delivery.

Insurance distribution directive (IDD)

In August 2019, Lloyd's PTPO team published a thematic report covering the key requirements of the FCAs Insurance Distribution Directive (IDD), and in particular, how the intentions of IDD could be interpreted to fit the Lloyd's market distribution models. To ensure that managing agents adapted their processes and procedures the requirements the Customer minimum standards MS9 were revised (from 1st January 2020) to support the IDD requirements. In Q1 2021, Lloyd's will follow-up with select managing agents to review how adoption of the requirements has been achieved, and to identify examples of best practice in doing so. As well as examining compliance and effectiveness of managing agent internal procedures the review will also include sample testing of UK coverholder business.

Additionally, syndicates operating on the Lloyd's Europe platform will be contacted during 2021 to follow-up on regulatory priorities as they become clearer as a result of Brexit, which will likely require engagement surrounding compliance with the EU Insurance Distribution Directive (IDD).

Service companies

Since the Lloyd's Service Company Code of Practice (SCCOP) was last updated in 2008, the establishment and use of Service Companies has expanded materially. How managing agents use service companies varies from agent to agent and by territory, as does the nature and execution of oversight programmes. Managing agents must ensure that they maintain adequate oversight and control frameworks for the business managed by their service companies, and this includes ensuring compliance with Lloyd's Customer Minimum Standards (MS9). Lloyd's PTPO team will conduct a thematic review which will look to establish how the relevant requirements of MS9 (such as policyholder servicing - pre and post sales, claims handling and the management of Coverholder relationship) are met across service company business, and assess which areas of SCCOP remain valid and those that require updating.

Portfolio closure management

It is essential that managing agents adequately protect policyholders, from continuity in the servicing of policies to expiry, to the management of claims when syndicates transition business from live to run-off. Lloyd's will conduct a specialist focused review on how policyholders' services are protected and obligations met. Starting with the considerations at the planning stage, the review will explore the steps taken to delivery and oversight of these. The review will primarily focus on the dedicated Lloyd's run-off managing agents but, will also include a non-run-off managing agent led closure plans.

Claims experience

Policyholder experience is greatly influenced by the servicing of claims and speed of claims payments. Historically, Lloyd's oversight of claims has focused on broad operational aspects of claims services and claim life cycles. Utilising available data, Lloyd's is aiming to introduce 'Decile 10' style reporting for claims by class of business. KPIs will be developed to help flag the best and worst claims performance by class of business, providing insights that allow for views on comparisons with peers to be drawn. Where managing agent claims performance and claims lifecycle, management does not meet Lloyd's expectations, Lloyd's will take necessary and appropriate intervention steps.

Delegated claims administrators

There are approximately 500 Delegated Claims Administrators (DCAs) engaged by managing agents to provide claims handling services predominately on business bound by coverholders. With effect from 30 November 2020, DCAs must now be approved by Lloyd's before they can be appointed to manage claims on Lloyd's policies. Registered DCAs were 'grandfathered' and will be subject to a post appointment assessment over the next year to two years. New DCA approvals are currently being managed through an interim process whilst a permanent solution is under development. In 2021 Lloyd's will consult with and work collaboratively with the market to develop the framework for grandfathering coverholders with claims authority and the approval process for new CHs with claims handling responsibilities – with roll-out planned for the second half of the year. Lloyd's will utilise the post approval assessments of DCAs and coverholders to developing Lloyd's ongoing compliance checks which will be integrated into the Lloyd's ongoing compliance oversight programme of third parties.

Financial Crime and International Sanctions

Continued focus on financial crime controls in 2021

Non-financial risk continues to be a priority area for Lloyd's and a key focus area for local and international regulators. Oversight work during 2021 will follow on from the work carried out in 2020 that covered a number of aspects of financial crime: fraud, sanctions, anti-bribery and corruption, and anti-money laundering/counter terrorist financing. Oversight of managing agents' sanctions controls will continue into 2021, along with other aspects of financial crime: anti-tax evasion facilitation, market abuse, and controls around coverholder exposure to financial crime.

Sanctions screening

The work conducted during 2020 found that whilst sanctions screening tools are commonly used across the market, these tools are often not used to their full potential, giving rise to the risk that syndicates may be unknowingly exposed to sanctioned individuals or activities. Further work will continue into 2021 to raise the capability of the way in which managing agents use and interrogate available sanctions tools.

Anti-tax evasion facilitation

In certain territories (tax havens) there is a risk that policyholders could use certain insurance products to enable tax evasion. To date, this risk area has not been explored by Lloyd's, therefore a thematic review will be conducted in 2021 to assess the controls that managing agents currently have in place to prevent the facilitation of tax evasion.

Market abuse controls

Managing agents that are part of larger, publicly traded groups are more likely to be exposed to insider dealing, unlawful disclosure of inside information and market manipulation. A thematic review will be conducted in 2021, selecting a sample of relevant managing agents, to assess the controls currently in place to prevent market abuse.

Coverholder oversight – financial crime risk

The large proportion of business underwritten in the market through coverholders and other delegated authority arrangements may expose syndicates to increased financial crime risk. Lloyd's will be undertaking a thematic review to better understand the level of oversight that managing agents have over the financial crime controls that their coverholders and other third parties have in place to ensure this risk is properly managed. This work will also take into account what additional controls Lloyd's should put in place as part of the coverholder application process to ensure that coverholders have the necessary controls around financial crime in place.

Whistleblowing

The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) require firms to establish arrangements to facilitate the disclosure of reportable concerns by whistleblowers and to ensure reportable concerns are effectively assessed and escalated. Negative media reports regarding examples of inappropriate conduct within the Lloyd's marketplace has led to a renewed focus on culture and ensuring conduct is in line with industry standards and regulator expectations. Assessing the currency and regulatory alignment of a sample of managing agents whistleblowing processes will assist Lloyd's in understanding the effectiveness of the markets' response to this requirement.

Operational Effectiveness

Building the market's operational resilience in 2021 for future implementation

Operational resilience continues to be focus area for the Lloyd's market in 2021, as firms across the market strengthen their operational resilience capability in line with regulatory expectations. Following the publication of consultation papers in 2020, it is expected that final requirements will be published during the first half of 2021, and although the final implementation date has not yet been confirmed, regulators have indicated that final requirements are not expected to be substantially different from those set out in the consultation.

During 2020, Lloyd's worked alongside the LMA, developing materials and guidance to support managing agents to meet operational resilience requirements, and also to recognise the role that Lloyd's plays in its provision of central services to the market and how this supports marketwide operational resilience. This collaboration will continue into 2021. One of the areas of focus will be on managing agent resilience to Market Shared Service Providers to understand the business continuity arrangements in place for managing agents in the event of prolonged outage to allow for continuity of the important business services provided. This will enable Lloyd's to assess the current level of resilience in the market and identify remediating activities to ensure continuity of service.

Cyber Resilience and Data Loss Protection

Maintaining cyber and data security

Cyber resilience and security

Cyber security remains a key focus area for 2021 oversight. It continues to be a priority area for local and international regulators alike, and the current working environment brought about by lockdown conditions further increases the risk of cyber incidents occurring.

Following on from the managing agent cyber reviews undertaken in 2020, a number of further targeted managing agent reviews will be undertaken during 2021. Managing agent selection for reviews will be based on maturity (as reported in the cyber security self-assessment survey undertaken in 2019) and materiality. Lloyd's recognises that a number of managing agents have conducted their own reviews of cyber security capability, usually carried out by an external third party or by a managing agent's own internal audit function. Where this is the case, Lloyd's will seek to place reliance on this work to minimise the impact of conducting a full review.

A Cyber Resilience Survey will be conducted with all managing agents in 2021, to follow on from the survey held in 2019. This will enable Lloyd's to understand the state of the market's cyber resilience. Following the increased awareness around market maturity and the progress that has been made by market participants in this area, the survey will cover the same topics as in 2019 in greater depth which will then inform future reviews to be conducted in 2022 and beyond.

Lloyd's Europe

Since the establishment of Lloyds Europe in 2019 there have been data inconsistencies between the various reporting systems that are used by the platform (Lloyd's Europe PAS system, PMDr, QMB, and SBF). During 2021 Lloyd's Europe will work with a number of managing agents to identify potential data limitations and test the systems currently in place that may be inadvertently causing differences in data results. The request will involve digging deeper into the reported figures since 2019 to understand what is driving the inconsistencies and how they can be corrected for future returns

Appendices

2021 Market Oversight Plan

Appendix 1: Summary of Lloyd's 2021 Oversight

Risk Appetite area	2021 Oversight	Thematic Start Date
Underwriting profitability	Review of all business plans in Q1 2021 to assess whether they remain logical, realistic and achievable. Continued robust challenge on all identified underperforming classes during 2021. Rollout of the Best Practice Pricing Framework to raise market standards across technical pricing and portfolio management. Next phase of Cyber Attestations to provide clarity for Lloyd's customers on coverage for cyber exposures. Lloyd's will ensure that controls and oversight activity for all overseas offices are risk based and consistent with requirements and activity in London offices. In 2021, Lloyd's will be engaging with managing agents to ensure that they have procedures in place to check for the use of Most Favoured Nation (MFN) clauses in their policies. Inflation (including social inflation) - **Thematic Review** Review of classes most exposed to claims inflation as a result of social inflation: General Liability (GL) and Director and Officer (D&O). Risk XL Class performance review – **Thematic Review** Review of the Risk XL class which has consistently performed worse than plan (attritional, large and cat loss ratios) and has been unprofitable.	March 2021 May 2021

Catastrophe exposure	Man made (Non nat cat) risk - reviews of those syndicates with material Cyber and Liability exposures will be conducted with the aim of developing the market's approach to the data and techniques associated with managing the accumulation of man-made risk. Additional oversight for those syndicates whose CROF maturity rating is not currently deemed appropriate and those syndicates whose future growth aspirations imply a need for improvements. Lloyd's will continue to undertake an evaluation of syndicates' model completeness, building on 2020 thematic reviews on US Flood and US Wildfire modelling and using questionnaires. Catastrophe modelling and climate change - **Thematic Review** Thematic review to assess a selection of methodologies employed by managing agents to ensure that any changes in climate that have already occurred, or are expected to occur over the relevant period, are taken into account when Views of Risk are developed and validated.	April 2021
Reinsurance failure	Lloyd's oversight will be heavily informed by the potential risks arising from asset and liability stress in the reinsurance market arising from COVID-19. Oversight of managing agents counterparty management and credit control processes will be a key focus area. Financial strength, debt and dispute positions at both syndicate and market aggregate level are monitored through syndicate returns and will inform the level of managing agent oversight as the impact develops throughout 2021. Targeted investigative oversight will focus on syndicates whose outwards reinsurance arrangements are more materially exposed to reinsurers vulnerable to, or experiencing financial strain, and/or where material increases of aged debts and disputes are identified. Targeted investigative oversight will be undertaken with selected syndicates where either a material reliance on outwards reinsurance to reduce gross COVID-19 losses exists, and/or if material unexpected variances in COVID-19 associated reinsurance recoveries are identified as part of each QMA submission. Oversight of syndicates with material variances in outwards reinsurance compared to approved plans will be undertaken.	
Reserve deterioration	Increased uncertainty in reserves as a result of the direct, indirect and secondary impacts of the pandemic, particularly in contingency and casualty classes. During annual reserve meetings with managing agents, Lloyd's will look to understand whether trends identified at market level for a number of focus classes are relevant to syndicate reserves. • Accident & Health (direct) US • Pecuniary, Financial Institutions (non-US) • Professional Indemnity (US and non-US) • NM Casualty Treaty (US and non-US)	

	Inflation (including social inflation) - **Thematic Review** Review will focus on an assessment of the process and assumptions for estimating inflation and the feedback loops with pricing and capital to provide further insight into best practice across the market	March 2021
Attractiveness of the Lloyd's market	Environmental, Social and Corporate governance - develop a framework to help managing agents integrate ESG within their own organisations, including guidance to support managing agents in the delivery against our sustainable insurance targets and development of their responsible investment strategies, will also work with the wider Lloyd's market to support their own implementation of net zero carbon. Culture - Lloyd's has developed a culture toolkit that seeks to provide managing agents with an understanding of what a high performing culture looks like, and will work alongside managing agents to understand future actions that managing agents have identified to drive a high performing culture. This work will include a brief questionnaire and be followed up as part of regular engagement with managing agents. Climate change - significant and ongoing focus on the market's response to climate change. Lloyd's expects managing agents to be progressing against the action plans as required by the PRA Policy Statement. Managing agents should demonstrate an understanding of the distinctive elements of the financial risks from climate change and a sufficiently long-term view of the financial risks which can arise beyond standard business planning horizons. Lloyd's Agency will continue to follow a risk-based approach to the approval and oversight of Lloyd's Agents.	
Investments and liquidity	The type of investment strategy adopted by each agent will be a key factor in determining the level of oversight Lloyd's undertakes. Core oversight activity throughout 2021 will be flexed to ensure that risks are identified through: • Closer monitoring of agents with higher than average investment risk appetites • Analysis of trends emerging at the aggregate level for investments • Monitoring of investment risk through the collection and review of Quarterly Asset Data • Additional focus on any losses and gains that appear to be out of the ordinary • Additional focus on insufficient liquidity Oversight of managing agent implementation of the PRA's Supervisory Statement SS5/19 for liquidity risk management.	
Capital	Oversight will be informed by COVID-19 impacts in light of the increased risk around how capital models account for COVID-19 uncertainty, also the secondary impacts of COVID-19, including inflation, financial downturn and recession will also need to be tested to ensure they are sufficiently reflected in capital models. Focus area will be to ensure that syndicate models are improved so that capital is fundamentally driven from models, and not from adjustments.	

	Inflation (including social inflation) - **Thematic Review** This review will focus on an assessment of approaches to claims inflation modelling across syndicates in order to ensure that capital models reflect any additional exposures and reserves, but also any additional volatility resulting from social inflation.	March 2021
Conduct	The nature and frequency of Lloyd's risk-based oversight of managing agents is influenced by a combination of inherent features and adjustable risk factors, across customer consents, claims, conduct and complaints. Fair value in consumer products – Lloyd's will continue to draw on the insights being gathered to help in the establishment of risk metrics, these will be introduced alongside our already published risk appetite statements. The objectives of this project will have regard to the Lloyd's research and publication into 'Building simpler insurance products'. Insurance distribution directive (IDD) - In August 2019 PTPO published a thematic report covering the key requirements of the FCA's IDD, and revised the Customer minimum standards to support this. Lloyd's will follow-up with select managing agents to review how adoption of the requirements has been achieved, and to identify examples of best practice in doing so. The review will also include sample testing of UK coverholder business. Portfolio closure management - Lloyd's will conduct a specialist focused review on how policyholders' services are protected and obligations met. The review will primarily focus on the dedicated Lloyd's run-off managing agents but, will also include a non-run-off managing agent led closure plans. Claims experience - Lloyd's is aiming to introduce 'Decile 10' style reporting for claims by class of business. KPIs will be developed and where managing agent claims performance and claims lifecycle management does not meet Lloyd's expectations, Lloyd's will take necessary and appropriate intervention steps. Delegated claims administrators - Lloyd's will consult with and work collaboratively with the market to develop the framework for grandfathering coverholders with claims authority and the approval process for new coverholders with claims handling responsibilities. Service company oversight - **Thematic Review** Review exploring to what extent managing agents' oversight of service companies is sufficient to meet the expectations of MS9 Customer (and relevant codes of practice) and if policyholders are being treated fairly, and support taking corrective action where necessary.	April 2021
Financial crime and international sanctions	Sanctions Screening - **Thematic Review** Follow up to work conducted during 2020 that found that whilst sanctions screening tools are commonly used across the market, these tools are often not used to their full potential, giving rise to the risk that syndicates may be unknowingly exposed to sanctioned individuals or activities. Work will continue into 2021 to raise the capability of the way in which managing agents use and interrogate available sanctions tools.	January 2021

	Coverholder oversight (financial crime risk) - **Thematic Review** Business written through coverholders and other delegated authority arrangements may expose syndicates to increased financial crime risk. The review aims to better understand the level of oversight that managing agents have over the financial crime controls that their coverholders and other third parties have in place to ensure this risk is properly managed. Market abuse controls - **Thematic Review** Review to assess the controls currently in place to prevent market abuse, focussed on managing agents that are part of larger, publicly traded groups. Anti-tax evasion facilitation - **Thematic Review** Review to assess the controls that managing agents currently have in place to prevent the facilitation of tax evasion. Whistleblowing - **Thematic Review** Review to understand the effectiveness of the markets' whistleblowing processes to ensure reportable concerns are effectively assessed and escalated.	February 2021 July 2021 September 2021 October 2021
Operational effectiveness	Focus area for the Lloyd's market, as firms across the market strengthen their operational resilience capability in line with regulatory expectations. Regulators have indicated that final requirements are not expected to be substantially different from those set out in the 2020 consultation. A particular area of focus will be on managing agent resilience to Market Shared Service Providers to understand the business continuity arrangements in place for managing agents in the event of prolonged outage.	
Cyber resilience and data loss protection	Targeted managing agent reviews will be undertaken, based on maturity and materiality. Lloyd's will seek to place reliance on work performed by managing agents with this work to minimise the impact of conducting a full review. A Cyber Resilience Survey will be conducted with all managing agents. This will cover the same topics as in 2019 in greater depth which will then inform future reviews to be conducted in 2022 and beyond. Lloyd's Europe will work with a number of managing agents to identify potential data limitations and test the systems currently in place following a number of data inconsistencies between the various reporting systems that are used by the platform (Lloyd's Europe PAS system, PMDr, QMB, and SBF).	

Appendix 2: Lloyd’s Returns & Core Oversight Processes

Oversight Focus	Minimum Standard	Continuous Oversight Processes	Reporting from Market
Underwriting To ensure that managing agents’ underwriting strategy, planning and controls are appropriate and adequate	• MS1 Business Planning and Portfolio Management • MS2 Underwriting and Controls • MS3 Pricing and Rate Monitoring • MS11 Cyber Resilience and Data Management	• Syndicate Business Plan (SBP) evaluation as input to the Capital and Planning Group (CPG) process • Quarterly Monitoring Return B (QMB) analysis • Performance Information packs • Monthly Performance Management Data Return (PMDr) analysis • Broker Remuneration analysis	• Syndicate Business Plan (SBP) • Quarterly Monitoring Return B (QMB) • Monthly Performance Management Data Return (PMDr)
Governance, Risk and Operations To ensure that effective operational and governance processes exist across the market	• MS4 Governance • MS5 Risk Management • MS11 Cyber Resilience and Data Management	• Board appointments and departures - may result in exit interviews, or appointment interviews • Change of control • ORSA Report and Board management information evaluation • Annual Board Minimum Standards Attestation analysis	• Notification of Appointments/Departures • Notification of Change of Control • ORSA submission • Annual Board Minimum Standards Attestation • Broker Remuneration Return
Catastrophe Exposure To understand and manage Lloyd's catastrophe risk, at the level of individual syndicates and Lloyd's as a whole	• MS6 Exposure Management • MS11 Cyber Resilience and Data Management	• Syndicate Business Forecast (SBF) and Lloyd's Capital Return (LCR) analysis • Lloyd's Catastrophe Model (LCM) process • Realistic Disaster Scenarios framework and reporting • Cyber aggregation evaluation • Evaluation against CROF categories • Validation of syndicates’ approach to, and view of, catastrophe risk • Emerging Risks monitoring	• Syndicate Business Forecast (SBF) • Lloyd's Catastrophe Model (LCM) • Realistic Disaster Scenarios (RDS) • Realistic Disaster Scenarios “Light” (RDL) • Ad hoc Major/Rapid Claims Return • Cyber Risk Reporting • Lloyd’s Capital Return (LCR) • Model Completeness Questionnaire

Oversight Focus	Minimum Standard	Continuous Oversight Processes	Reporting from Market
Reinsurance To understand and manage Lloyd's reinsurance risk, at the level of individual syndicates and Lloyd's as a whole.	• MS7 Reinsurance Management and Control • MS11 Cyber Resilience and Data Management	• Syndicate Business Plan (SBP) evaluation • Lloyd’s Capital Return (LCR) evaluation • Lloyd's Catastrophe Model (LCM) analysis • Syndicate Reinsurance Structure (SRS) analysis • Quarterly Monitoring Returns analysis • Reinsurance Recoverables Playback Pack analysis • ORSA evaluation • Realistic Disaster Scenario (RDS) analysis • Realistic Disaster Scenario “Light” (RDL) analysis • Related Party Declaration and Disclosure Return evaluation	• Syndicate Business Plan (SBP) • Lloyd’s Capital Return (LCR) • Lloyd's Catastrophe Model (LCM) • Syndicate Reinsurance Structure (SRS) • Quarterly Monitoring Return A (QMA) • Quarterly Monitoring Return B (QMB) • ORSA submission • Realistic Disaster Scenario (RDS) • Realistic Disaster Scenario “Light” (RDL) • Related Party Declaration and Disclosure Return • Ad hoc Major/Rapid Claims Return
Reserve Adequacy To ensure adequate reserving processes and limit significant reserving deficits	• MS8 Reserving • MS11 Cyber Resilience and Data Management	• Central Reserving Analysis and IBNR allocation to syndicate • Lloyd’s Reserving Framework • Incurred But Not Reported (IBNR) Burn Analysis • Reserve Early Warning Exercise • Statement of Actuarial Opinion (SAO) analysis • Quarterly Monitoring Return analysis	• Quarterly Monitoring Return A (QMA) • Technical Provisions Data return (TPD) • Gross Quarterly Data return (GQD) • Statement of Actuarial Opinion (SAO) • Actuarial Function Report (AFR) • Syndicate Business Plan (SBP) • Lloyd’s Capital Return (LCR) • Thematic loading templates
Policyholder Protection and Third Party Oversight To ensure managing agents maintain adequate governance frameworks, oversight and controls to support fair customer outcomes, manage claims handling and engage with and delegate only to capable third parties	• MS9 Customer • MS11 Cyber Resilience and Data Management	• Eligible Complainant volumes and analysis of Complaints Handling Performance against Complaint Performance Metrics • Claims Reporting Suite analysis • Claims Lifecycle analysis via Insights Hub • Coverholder and TPA approvals and ongoing compliance oversight • Investigating and determining subsequent activities involving issues with coverholders and other third parties • Reacting to any alert of potential mis-selling or failure to ensure good customer outcomes. • Research into topical and thematic areas of focus, leading to the issuance of best practice and guidance	• Eligible Complainant returns • Quarterly attestation for UK complaints • Progress reports against core customer KPIs • Major Claims Returns • Pre-bind Consumer Product Questionnaires (where required) • Value assessment of acquisition costs on consumer business where these exceed 50%

Oversight Focus	Minimum Standard	Continuous Oversight Processes	Reporting from Market
Regulation & Financial Crime To ensure effective market wide systems or processes that enable the transaction of business To ensure managing agents comply with relevant laws and regulations	• MS10 Regulatory • MS11 Cyber Resilience and Data Management	• Issue resolution and post-event assurance • Monitoring the financial crime control environment	• Annual Board Minimum Standards Attestation
Capital Adequacy/Internal Model Approval To ensure Central Fund exposures are managed within risk appetite	• MS12 Scope, Change and Use • MS13 Modelling, Design and Implementation • MS14 Validation Standards	• Capital Approval • Solvency II model sign off • ORSA evaluation • Use Test Interviews (for Solvency II model sign off of new syndicates)	• Validation Report • Actuarial Function Report • Model Change Report • ORSA submission • Lloyd's Capital Return (LCR)
Investment To ensure syndicates do not take excessive investment risk To ensure members do not take excessive investment risk	• MS15 Investment Management Standards • MS11 Cyber Resilience and Data Management	• Market Risk element of LCR • Quarterly investment risk monitoring	• Quarterly Monitoring Return (QMR) • Investment Risk (Quarterly Asset Data - QAD) • ORSA submission • Annual Board Minimum Standards Attestation