

# Market Operational Resilience Framework

August 2023

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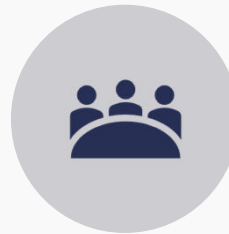


# Market Operational Resilience Framework

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In order to meet the PRA and FCA's Operational Resilience requirements, market participants are required to collaborate in multiple areas to find reasonable and workable solutions.



The LMA Operational Resilience Committee, LIMOSS, LIIBA and Lloyd's have collaborated to develop this Market Operational Resilience Framework document. Its purpose is to provide high level guidance on how to address the areas identified as needing collaboration or central coordination.



The document covers a range of topics and should not be regarded as requirements, but rather guidance, designed with the intention of making it easier to address some of the Operational Resilience regulatory requirements.



The document is not intended to be static and will be updated as needed in order to keep it current and useful, primarily through the LMA Operational Resilience Committee.

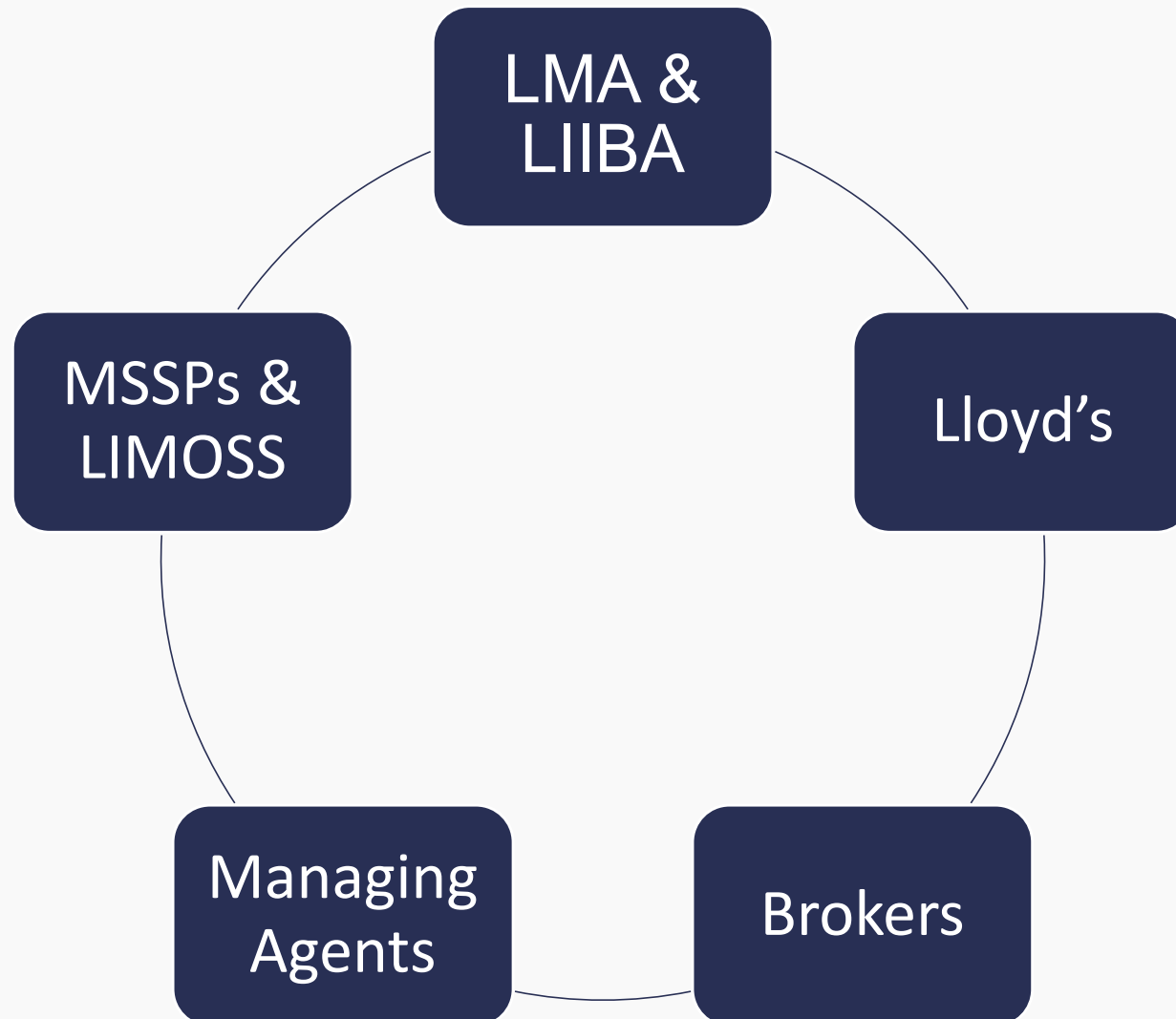


Should you have any questions or suggestions relating to this framework, please contact: [craig.james@lloyds.com](mailto:craig.james@lloyds.com) or [OpRiskMailbox@lloyds.com](mailto:OpRiskMailbox@lloyds.com)

# Stakeholders

The framework includes and relies upon the collaboration and interaction of all the stakeholders identified below.

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# Framework Elements

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Element	Owned By
MSSP Assurance	Lloyd's, LMA and Managing Agents
Lead/Follow	Lloyd's and Brokers
Urgent Settlement	Lloyd's
Claims Workaround	Lloyd's and Managing Agents
Complaints (Caresmart) Workaround	Lloyd's and Managing Agents
DCA/Coverholder Assurance	Lloyd's and Managing Agents
Market Wide Scenario Testing	Lloyd's
Crisis Response and Incident Communications	All
Breach reporting	Managing Agents and Lloyd's
Concentration risk analysis	Lloyd's
Oversight and Reg Engagement	Lloyd's



# MSSP Assurance

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# MSSP Assurance

Work to gain assurance over the resilience of MSSPs (Market Shared Service Providers) is being led by Lloyd's with the Corporation's own Operational Resilience function putting in place a framework for monitoring and engaging with MSSPs.

Lloyd's will make use of the Market Associations to facilitate interaction with MSSPs and seek assurance over the level of resilience which can be provided to the market in relation to Important Business Services (IBS).

Lloyd's will continue to monitor MSSPs through its own Risk Assessment and Service Governance Groups. Quarterly monitoring and review meetings will be held to assess any increase or decrease in the level of risk associated with the activities currently being undertaken by any MSSP.

Lloyd's will liaise with the LMA on any significant changes to the level of concern associated with any of the MSSPs.

Urgency of service recovery	Med	High	High
	Low	Med	High
	Low	Low	Med
Volume of use of Service			

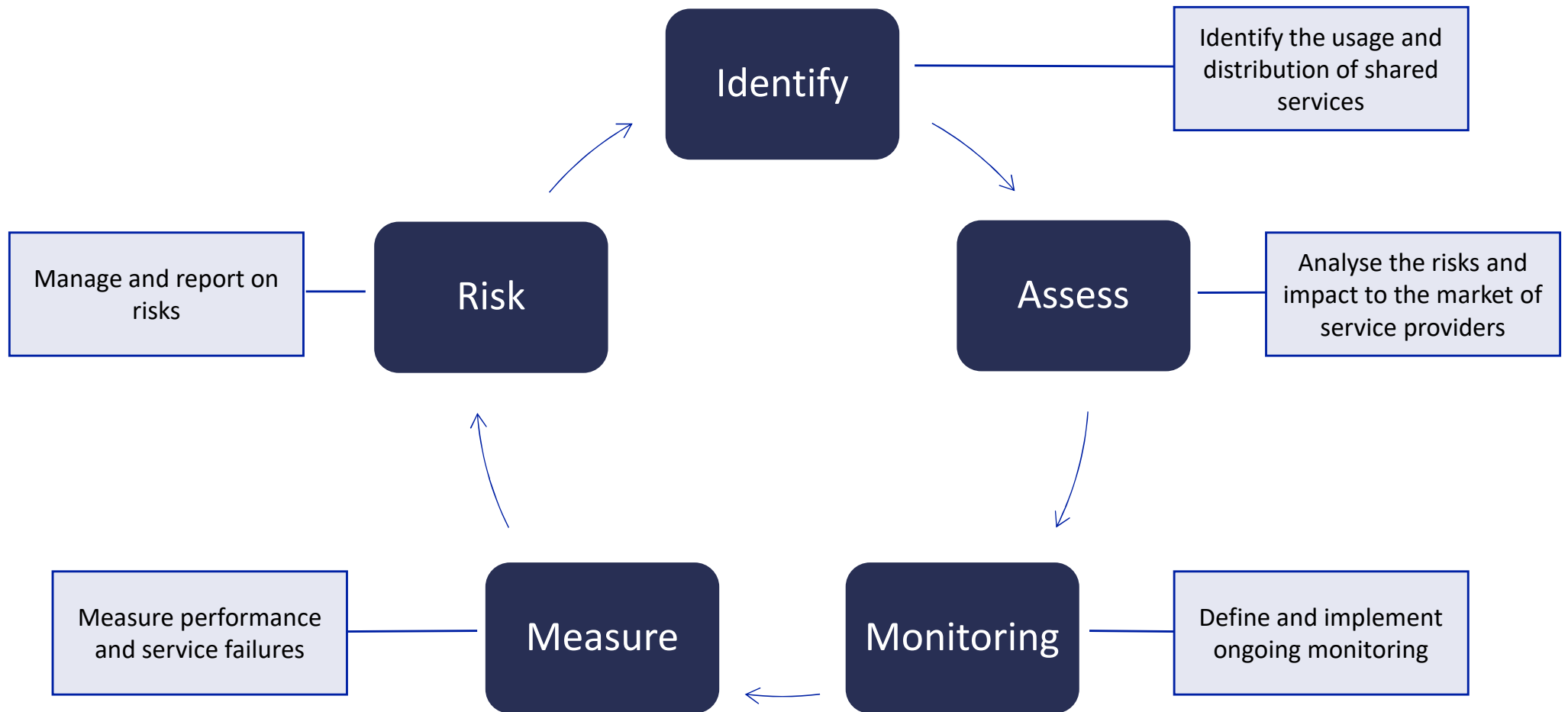
A matrix of concern is applied to the services provided to the market which support IBS. This is based on the maximum time that the service can be unavailable for without causing harm, and the volume of use of the service.

The Urgency of Recovery considers the degree to which any service is substitutable. If any service is identified as a single point of failure for the market, then it must be considered as urgent.

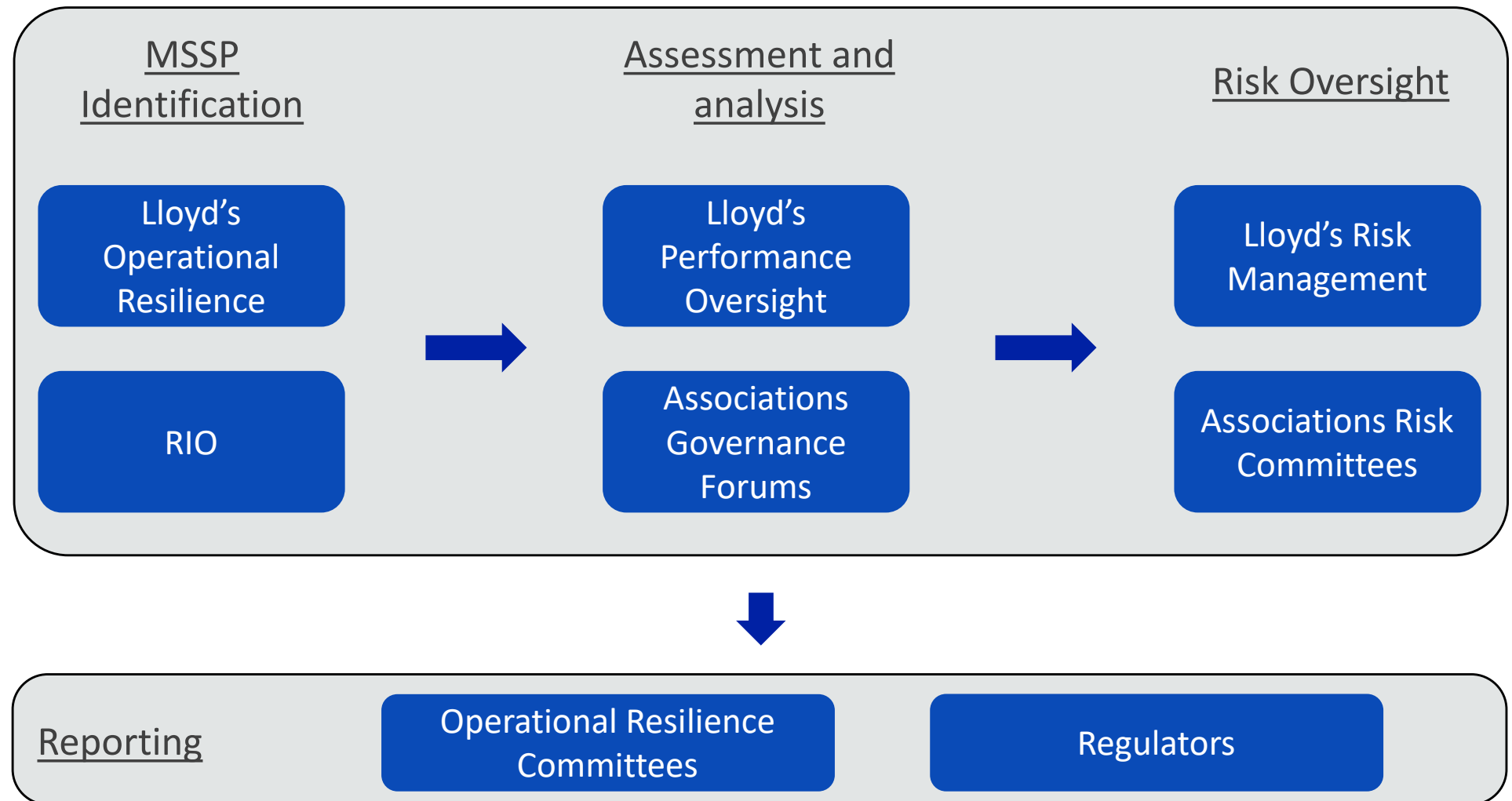
Volume of use of the service can refer either to the number of Managing Agents using it, or the number of transactions processed, and will be applied as needed depending on the service.

# MSSP Assessment Lifecycle

Lloyd's uses the following lifecycle when monitoring MSSP Risks



# MSSP Risk Management





# MSSP Assurance DXC

DXC Services underpinning IBS:

Service	IBS	Potential MA Impact	Potential Broker Impact	Potential Lloyd's Impact
IMR	Claims FNOL, Claims Handling	High	Medium	Medium
ECF2	Claims FNOL, Claims Handling	High	Medium	Medium
Policy Processing	U/W New Business, MTAs, Renewals	Low	Medium	Medium
Premium Processing	U/W New Business, MTAs, Renewals	Low	High	Low
Settlement data to STFO	All U/W and Claims Settlement	High	High	High
LORS	Claims Settlement	Low	High	Low
Business Information	All U/W and Claims Settlement	Medium	Medium	Medium
Claims Processing	Claims FNOL, Claims Handling	High	Medium	High
Enhanced Technical Processing	Claims Handling	High	Medium	Medium
Delegated Lead	Claims Handling	Medium	Medium	Medium
Expert Fees Service	Claims Settlement	Low	Low	Low

Service status and 90 day performance data can be found here: [DXC LM - Systems Status \(statuspage.io\)](https://statuspage.io)

# MSSP Assurance LIMOSS

Limoss Services underpinning IBS:

Service	IBS	Potential MA Impact	Potential Broker Impact	Potential Lloyd's Impact
LIMOSS Single Sign On	All U/W and Claims Settlement	High	High	High
LIMOSS API Gateway	All U/W and Claims Settlement	High	High	High
Gemini	Claims Settlement	Low	Medium	Low
SDC	IBSS Only	Low	Low	Low
DDM	Premium Processing and Credit Control	Medium	High	Medium
FCP	Claims Settlement	Low/Medium	Medium	Low/Medium
Market Oversight	Various	Low	Low	Medium/High

Service status and maintenance calendar for LIMOSS can be found here: [LIMOSS | Status of Market Services](#)

# MSSP Assurance Lloyd's

Lloyd's has published a Service Catalogue and status page (displaying current status/availability), which can be found here:

[Service status - Lloyd's \(lloyds.com\)](https://lloyds.com/service-status)

Work continues to determine how Lloyd's will provide assurance to the Market on it's resilience as a service provider.

Lloyd's Services underpinning IBS:

Service	IBS/Impact	Potential MA Impact	Potential Broker Impact	Potential Lloyd's Impact
STFO	All U/W and Claims Settlement	High	High	High
Auctions	Capital availability	High	Low	High
Stage two Complaints	Complaints	Medium	Low	High
Provision of the U/W Room	All U/W	Medium	Medium	Medium
DCOM		Medium	Low	Medium

# Lead/Follow

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## Lead/Follow

In the event of disruption in the market the following slides summarise the suggested actions in relation to Lead/Follow

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The Leader and 2<sup>nd</sup> Leader (for complex claims) for claims agreement roles for Lloyd's subscription business should be identified at placement. Information on the operation and guidance for the Lloyd's Claims Lead Arrangements (CLA) can be found [here](#).

During a disruption, there would need to be an agreement between the broker and both the Lead and 2<sup>nd</sup> Lead Claims Agreement Parties "CAP(s)" to amend this depending on which party is experiencing the disruption within the claims agreement process.

In regard to expert or similar third party services, for example the use of specific adjusters that may require it, the Lead CAP will need to ensure that all the appropriate details are provided to the 2<sup>nd</sup> Lead CAP when they assume the responsibility to act as an agreement party during the disruption.

During any disruption, and before the claim is presented for processing and/or settlement either via DXC, by the use of the Urgent Settlement Guidance (once invoked) or by any other form of communication including reserves and reserving information, the evidence of the Lead/2<sup>nd</sup> Lead CAs agreement to the claim binding the followers must be provided.

Instructions on the processing of claims through Lloyd's Europe without DXC can be found here: [Market bulletin \(lloyds.com\)](#)

# Lead/Follow

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## 2.Underwriting

### **New Business**

A less common IBS, no workaround required as part of the Market Operational Resilience Framework.

### **Mid Term Adjustments**

When the Lead is unavailable, it may be necessary for Brokers to communicate details of any MTAs directly to followers. This will require agreement between the Lead and the Broker to which the Lead may cause intolerable harm to if they do not underwrite the change. This should also be the process for MTAs which are not Lead agreed only.

Premium rebates should be calculated and processed by the nominated 2<sup>nd</sup> agreement party when not doing so may cause intolerable harm.



# Lead/Follow

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## 2.Underwriting

### Renewals

When complex renewals are due and leads are unavailable, then it may be possible to extend cover in the short term, but the decision to extend remains in the hands of the Lead. However, in cases where this is appropriate, it may be necessary for a nominated 2<sup>nd</sup> to agree terms for renewal, though only with agreement of the Lead and Broker.

Additionally, where disruption to a leader occurs, agreement will need to be reached to enable Brokers to share information with all parties on the risk in the event of the leader suffering operational disruption that is likely to result in a breach of impact tolerance (e.g. survey results, information relating to outstanding payments, mid-term changes incl. exposures etc.)

As per Market Bulletin Y4861, Lloyd's expects that all Leaders will screen claims against UK, EU and US sanctions lists and will conduct appropriate checks for trade and other sanctions requiring manual checking. Where a positive sanctions hit is identified, and in order to allow followers to perform further checks on claims, the Lead shall promptly provide followers with such information as they require to perform those checks in sufficient time before the claim is agreed/paid (and shall refrain from agreeing claims on behalf of those followers until they have indicated to the Lead that they are in a position for the Lead to do so). As such, when a Leader is unable to act as Lead due to disruption, and a nominated 2<sup>nd</sup> is acting in a Lead capacity, then they will be required to fulfil the same obligations.

Future Developments in this area:

- the requirements for placing platforms to enable the sharing and distribution of information between brokers, leaders and followers;
- a more standardised approach to data;
- clarity about how to manage potential risks of misalignment between the tolerances of leaders and followers.

# Lead/Follow

## Responsibility Matrix

In the situations identified it should be the Claims and Underwriting experts who decide when to change nominated parties.

		Activity									
		Change Carrier acting as Lead agreement party	Share data on required experts adjusters with other agreement parties	Nominate follower to act as agreement party when no nominated 2nd	Nominate 2nd agreement party when required and Lead is disrupted	Nominate 2nd agreement party when required and current 2nd is disrupted	Communicate details of MTAs directly to followers	Agree pricing for return premium MTAs	Extend cover in the event of short term disruption	Allow nominated 2nd to agree renewal terms in the event of severe disruption and high likelihood of intolerable harm	Allow Brokers to share relevant information with followers; survey results, outstanding payments, exposure changes etc
Responsibility	Lead		X - When unable to act as Lead	X		X			X	X	X
	2 <sup>nd</sup> agreement party				X			X - Only when not returning premium may cause intolerable harm			
	Other Follower										
	Broker	X - Only with agreement from Lead and 2nd					X				

# **Urgent Settlement Guidance**

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# Urgent Settlement

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## Urgent Settlement Guidance

In circumstances when Urgent Settlement is required, please refer to the Urgent Settlement Guidance for suggested process and procedures.

The Urgent Settlement Guidance can be found [here](#).

The guidance is to be used for market disruption impacting settlement for up to 10 working days.

Further guidance for outages lasting beyond 10 working days will be developed by the key stakeholders involved in the creation of the Urgent Settlement Guidance.

For Lloyd's subscription policies, the Lloyd's Claims Lead Arrangements will continue to apply during any disruption or outage.

# **Claims, Complaints, Delegated**

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# Non Settlement Claims Activity

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The Lloyd's Claims Lead Arrangements "CLA" will continue to apply during any disruption or outage. In the event of CLASS (ECF and Writeback) and/or DXC not being able to process reserves for the market, Managing Agents should utilise:

- Direct communication methods between the broker and Lead Claims Agreement Party "Lead CAP"
- For time sensitive reserves increases or decreases during any outage, direct communication between the Lead CAP, and for complex claims, the 2<sup>nd</sup> Lead CAP and the followers will need to be used. The Lead CAP can issue a Material Development Communication "MDC" - full details can be found in the members area of the LMA Website [Claims Scheme Documents](#). This should include recommendation for reserves to be held where appropriate by all Managing Agents and is the responsibility of the Lead CAP to circulate for the followers.
- A market meeting arranged by the Lead CAP.
- Whilst all managing agents have the capability to reserve claims in their own systems, they should consider the resources required and the likely volumes able to be handled. It remains the Lead CAP's responsibility to circulate the information for time sensitive specific claims to followers for them to use as they see appropriate.
- Other claims services, such as the appointment of appropriate experts in the event of disruption, will need to be considered by the Lead and 2<sup>nd</sup> Lead CAPs and communicated to the followers.
- When ECF2 or Writeback services resume, the broker would then load a transaction to be agreed by the Lead (and 2<sup>nd</sup> Lead CAPs for complex claims) to allow DXC to process the relevant bureau messaging and for the documents to be uploaded to the claim file which will include any MDCs, expert appointments or other relevant information.



# Complaints Workaround

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## 1. Complaints (Caresmart) Workaround

### 1. Caresmart

In the event that Caresmart is unavailable for more than one day, then Lloyd's would call an ad hoc meeting of the Complaints Working Group to provide instructions to Managing Agents.

Stage 2 Complaints would need to be sent to Lloyd's via email and then Lloyd's would re-key manually onto Caresmart once the system is restored. This data would then be messaged back to the originating Managing Agent, by Lloyd's via Caresmart and the Managing Agent would need to input any missing information into their own system.

Following resumption of service, Lloyd's will instigate a conference call with the Complaints Working Group to ensure systems are realigned for Managing Agents whose Stage 2 complaints were impacted by the outage, together with other messages that were not sent to ensure records realigned (emergency/extraordinary meeting of WG unless timings allowed to wait for next monthly session).

### 1. Market Wide Disruption for Stage One

In the event of market wide disruption, for Stage One Complaints it may be possible for Lloyd's to extend the requirement of managing agents to respond to complaints within 14 days without compromising the 8 week regulatory deadline currently in place.

Should Lloyd's complaints team be unavailable for an extended period, then Lloyd's will provide instruction that Stage Two complaints may be passed directly to the Financial Ombudsman.

# DCA/Coverholder Assurance

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## 1. Summary

The LMA, Lloyd's and Managing Agents determined a list of high risk, the risk in this case being risk of harm to customers, DCAs and Coverholders using the criteria below. Managing Agents were also given the opportunity to propose additional Delegated Claims Administrators and Coverholders be added as high risk and in scope for enhanced oversight.

A comprehensive engagement plan was been developed to ensure all Managing Agents and Brokers are kept well informed of progress and that Delegated Claims Administrators and Coverholders receive training and support.

All Delegated Claims Administrators and Coverholders named on the high risk list were contacted (centrally by Lloyd's), offered training (to be provided by the LMA) and required to complete a single questionnaire, which was then be shared with all Managing Agents with whom the Delegated Claims Administrators and Coverholders have a relationship.

The centrally stored data should enable Managing Agents to undertake further assessments and necessary follow-ups based on their own Operational Resilience requirements.

Onboarding questionnaires are being amended to include questions relating to resilience and IBS.

# DCA/Coverholder Assurance

The criteria used to determine whether a DCA or Coverholder should be considered high risk is as follows (details in appendix) :

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## DCA's

- The number of binding authorities to which each Delegated Claims Administrator is assigned - "DCA by UMR"
- The number of Delegated Claims Administrator firms in any given territory - "DCA by Country"
- The number of Managing Agents that are identified on a DAM co-ordinated audit – "DCA by Audit Plan 2022"

## Coverholders

- The Number of binding authorities a Coverholder has "Distinct Count of UMR"
- The amount of premium written for the 2020 Year of Account "Premium Weighting"
- Whether a Coverholder entity handles Claims "Claims Handling"
- Whether a Coverholder entity handle complaints "Complaints Handling"
- Whether a Coverholder entity deals with consumers "Consumer product exposure"

DCA questionnaires are uploaded to Secureshare by Lloyds and Coverholder questionnaire has been uploaded to ATLAS.

# DCA/Coverholder Assurance

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## 1. Proposed oversight

Enhanced oversight will be put in place by Managing Agents across the next 3 years to ensure compliance with Operational Resilience requirements. This is to better understand progress being made with compliance to the regulation and will start off as a continuation of fact finding following the answers provided on the questionnaire, and also as a support tool in order to provide constructive feedback on any improvements that may be required.

There will be additional oversight requirements for Managing Agents of Coverholders and DCAs to ensure that any identified IBSs are being appropriately managed, with all key risks identified, and a process in place for escalating to Managing Agents any disruptions occurring to those IBSs which may cause intolerable harm to a customer.

The level of oversight required has not yet been determined, but CHs and DCAS will be given adequate notice if there are any additional requirements with which they will need to comply. Managing Agents and Lloyd's are committed to continuing with a centralised approach for the oversight of Operational Resilience.

When Coverholders and DCAs are audited, there may be enhancements to the current scope in order to test the Operational Resilience process

# Market Wide Scenario Exercise

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# Market Wide Scenario Exercise

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It is proposed that every two years, starting in H2 2022, Lloyd's will run a fully facilitated market wide scenario test with a workshop exercise taking place in the intervening years. It should be stated that the detail below serves as an illustration and the test in 2024, and in future years, will need to recognise the increasing maturity of the market in their sophistication and complexity.

## **What Lloyd's will deliver every 24 months:**

- Facilitated interactive 'simulation', designed to rehearse and validate the Market's response to an incident/market wide outage
- Scenario representing a sustained and widespread operational market disruption, e.g. triggered by a prolonged cyber-attack targeting XIS/XCS
- Scenarios to be used will be developed with help from the managing agents, brokers and the LMA.

## **Audience / Scope**

- All Managing Agents are invited and strongly encouraged to participate
- Brokers are encouraged to participate/observe
- Participants to join remotely from own offices/locations
- Lloyd's, will not be participating directly, but act as facilitator and issue scenario injects to aide with the playing out of response actions



# **Crisis Response and Incident Communication**

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# Crisis response: market stakeholder communication

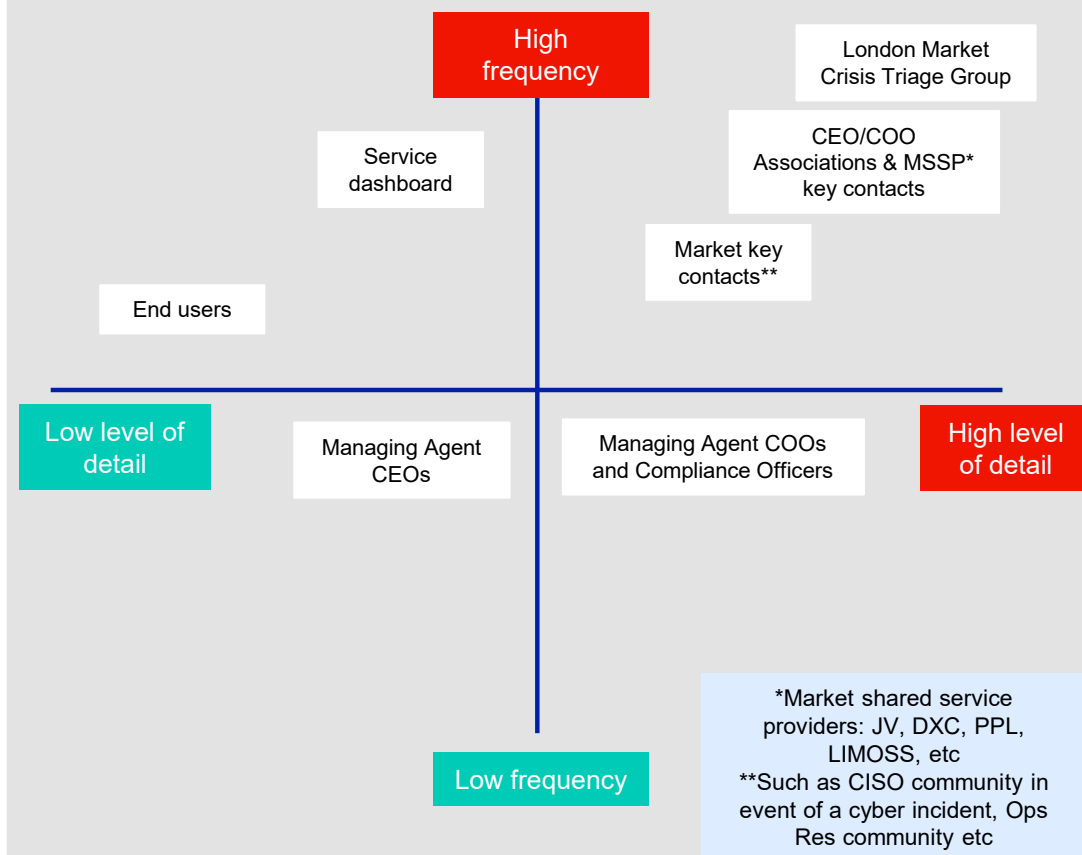
As part of Lloyd's crisis response model, market stakeholder communication pathways have been identified. Audiences, channels, cadence and communication templates are defined within scenario runbooks, with the communication model tiered dependent on the audience (see diagram on the right).

## Communication pathways from Lloyd's to Managing Agents include:

- Email (via our existing CRM platform)
- Lloyd's crisis management technology platform via email: [Corporation of Lloyd's Alerts - noreply@everbridge.net](mailto:noreply@everbridge.net)
  - Used in the event Lloyd's CRM platform is unavailable
  - Notifications sent to existing distribution lists for CEO, COO, Compliance Officers and other market key contacts
- Account Managers
- Market forums (Lloyd's to host relevant market meetings during an incident)
- [Market service catalogue/dashboard](#)
- Market support portal

## Rules of engagement:

- No forwarding of event/meeting invites
- Traffic light protocols for communications to certain audiences
- Keeping contact information for key roles up to date via Lloyd's Account Managers



# London Market Crisis Triage Group

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## Comprised of representatives from:

- Lloyd's
- LMA
- LIIBA
- IUA
- LIMOSS
- PPL
- DXC & JV

## Purpose:

- To conduct triage during a crisis event impacting the delivery of services to the London market
- To understand the impacts that an incident originating in one organisation may have on the provision of core services to the London market
- To understand whether there are any contagion risks or second order effects
- To agree a unified approach to communication

## Core Services:

Those services provided by the membership to the London market, the failure of which may:

- cause market participants to breach a defined impact tolerance, resulting in harm to their customers;
- cause financial harm to market participants; or
- pose a risk to the orderly operation of the London market
- cause reputational damage to market participants or the London market

# Incident Communication, Managing Agents

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Using their Account Managers, Managing Agents should notify Lloyd's of any Operational Incident that may lead to a breach of impact tolerance(s) or may impact the broader market.

The initial notification can be informal and does not require full details, however, once the incident has progressed and the root cause and mitigating actions are identified and underway, it is expected that Lloyd's should be provided with a more complete understanding of the incident.

Depending on the nature of the incident, Lloyd's may then use Account Managers or more formal channels (as outlined in the market stakeholder communication slide above) to communicate to other Managing Agents that disruption is occurring.

# Breach Reporting

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# Breach Reporting

Managing Agents are required to report any breach of impact tolerances to Lloyd's formally through the Breach reporting template (see below). Any breaches of impact tolerances across the market are considered as part of Lloyd's risk appetite, and Lloyd's will need this information to accurately report to regulators in its performance relative to appetite.

This form is available on Lloyds.com for managing agents to complete here: [Impact Tolerance Breach Form](#)

## Impact Tolerance Breach Reporting Form

Managing Agent Name	
Date of Breach	
IBS Impacted	
PRA or FCA Impact Tolerance Breached	
Have the relevant regulators been notified and who are they?	
How much was the Tolerance Breached by?	
Was intolerable harm caused as a result of this breach?	
Estimated customers impacted by Breach	
Is the IBS now operating as normal?	
Are there any remedial actions being taken to further support IBS?	

To be completed at the point of reporting

To be completed when tolerance is no longer in breach

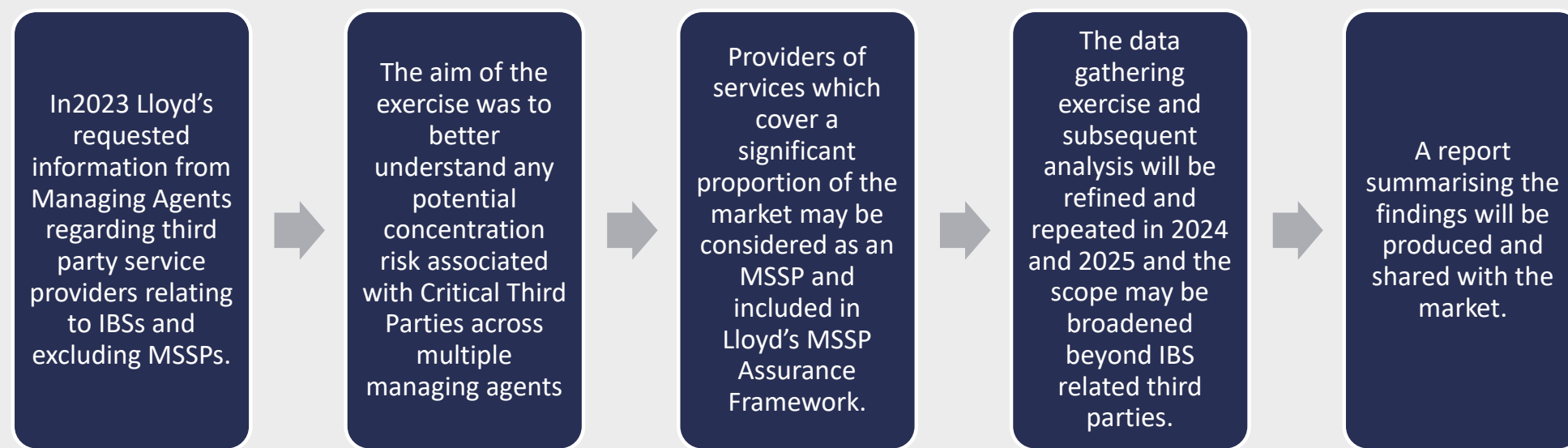


# Concentration Risk

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# Concentration Risk Analysis

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# **Oversight and Regulatory Engagement**

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# Ongoing Market Oversight

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Oversight of the Market will be the responsibility of the Market Oversight and Delivery function of the Markets Directorate at Lloyd's and will be undertaken by the Market Governance, Risk and Resilience team.

Oversight will be undertaken throughout the year and whilst some ad hoc additional oversight may occur, planned oversight will be communicated through each Managing Agent's annual Oversight Letter and the Market Oversight Plan.

Lloyd's will use a variety of methods to determine oversight activities ranging from market wide surveys to analysis of returns such as the Self Assessments/Attestations for the Principles for Doing Business at Lloyd's or any issues or events which arise.

# Engaging with Regulators on evolving Maturity

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Lloyd's will be engaging with the PRA on a regular basis to discuss Operational Resilience across the market, particularly in relation to RIO Principle 12 and oversight of the market relating to that Principle.

# Glossary

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# Glossary

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CISO – Chief Information Security Officer

CTP – Critical Third Party

DCA – Delegated Claims Authority

FCP – Faster Claims Payment

JV – Joint Venture

IBS – Important Business Service

ITOLs – Impact Tolerances

MSO – Maximum Service Outage

MSSP – Market Shared Service Provider

A more general market oversight glossary can be found here: [Principles Glossary](#)