

5. GOVERNANCE, RISK MANAGEMENT & USE

Workstream overview

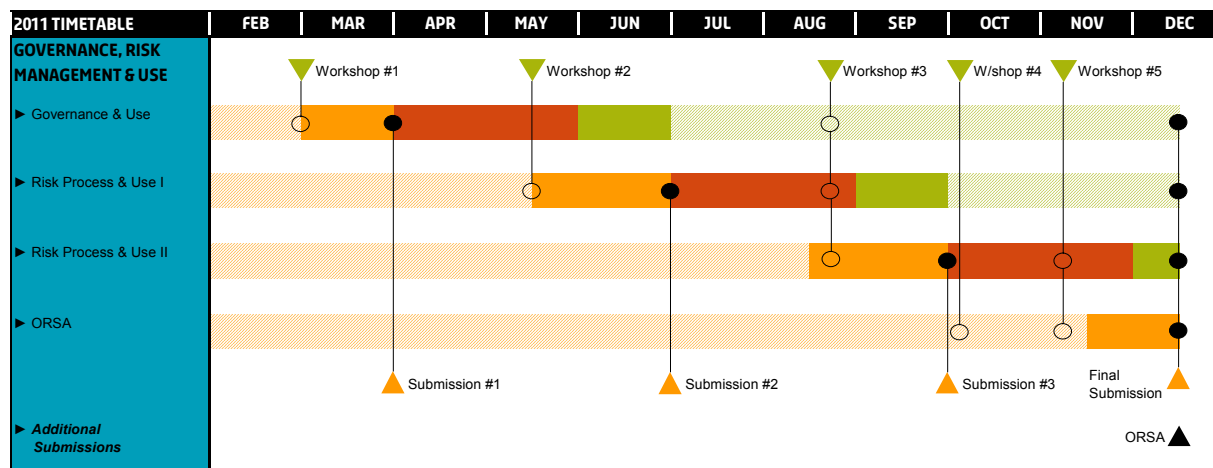
The Governance, Risk Management & Use workstream is a continuation of the Systems of Governance (SOG), Model, Scope & Governance (MSG) and Own Risk and Solvency Assessment (ORSA) elements covered in the 2010 Dry Run. The focus of the workstream is to ensure that the Internal Model is adequately controlled, and that robust processes and governance structures are in place to support ongoing and appropriate use of model outputs throughout the business.

The key workstream deliverable for agents will be an ORSA due on 16 December 2011.

Primary Audience: Risk Management Function, risk managers, compliance managers, Internal Audit

Objectives	2010 Dry Run:	Directive Article(s):
<ul style="list-style-type: none"> Demonstrate that there is appropriate governance and process surrounding each syndicate's internal model. 	MSG	115; 120; 121.4
<ul style="list-style-type: none"> Show that each agent meets the system of governance requirements. 	SOG	41; 42; 44; 46; 47; 48; 49; 50
<ul style="list-style-type: none"> Show that risk appetite is an integral part of each syndicate's business. 		
<ul style="list-style-type: none"> Demonstrate that adequate processes are in place for each syndicate to meet the Use Test requirements. 		
<ul style="list-style-type: none"> Demonstrate that agents are able to prepare the Own Risk and Solvency Assessment (ORSA), supported by appropriate processes to use the ORSA in management of the business. 	ORSA	45
Core modules & indicative topics		Review techniques:
Governance & Use <ul style="list-style-type: none"> Fit & Proper Internal Control Outsourcing Governance & Board operations Risk governance (including Model Governance) 	Interviews with key personnel Process walkthroughs Desktop review of documents. Review and feedback	
Risk Process & Use I <ul style="list-style-type: none"> Internal Audit Risk Appetite Model Change Policy Model Scope / Coverage 		
Risk Process & Use II <ul style="list-style-type: none"> Identification, assessment, control & mitigation Monitoring & reporting Actuarial Function Use Test wrap-up 		
<ul style="list-style-type: none"> ORSA Framework, process & format 		

Workstream timetable



Workshops	Dates:
Workshop #1	1 & 3 March 2011
Workshop #2	17 & 18 May 2011
Workshop #3	23 & 24 August 2011
Workshop #4	3 & 4 October 2011
Workshop #5	7 & 10 November 2011
Evidence template submissions	Dates:
Submission #1	31 March 2011
Submission #2	30 June 2011
Submission #3	30 September 2011
Final Submission	16 December 2011

Additional submissions	Description:	Dates:
Own Risk and Solvency Assessment (ORSA)	Agents will be required to submit an initial ORSA. Although the final format will not be prescribed, Lloyd's will issue an indicative template, a content checklist and further guidance by end July 2011. The ORSA will require board-level sign off.	16 December 2011