

Control Framework Breakfast Group

29th August Agenda

- 09:15 Arrival – Breakfast served
- 09:30 Asta – Chris Wilcox
- 10:00 Project Update
- 10:15 Networking & Close

CONTROL FRAMEWORK

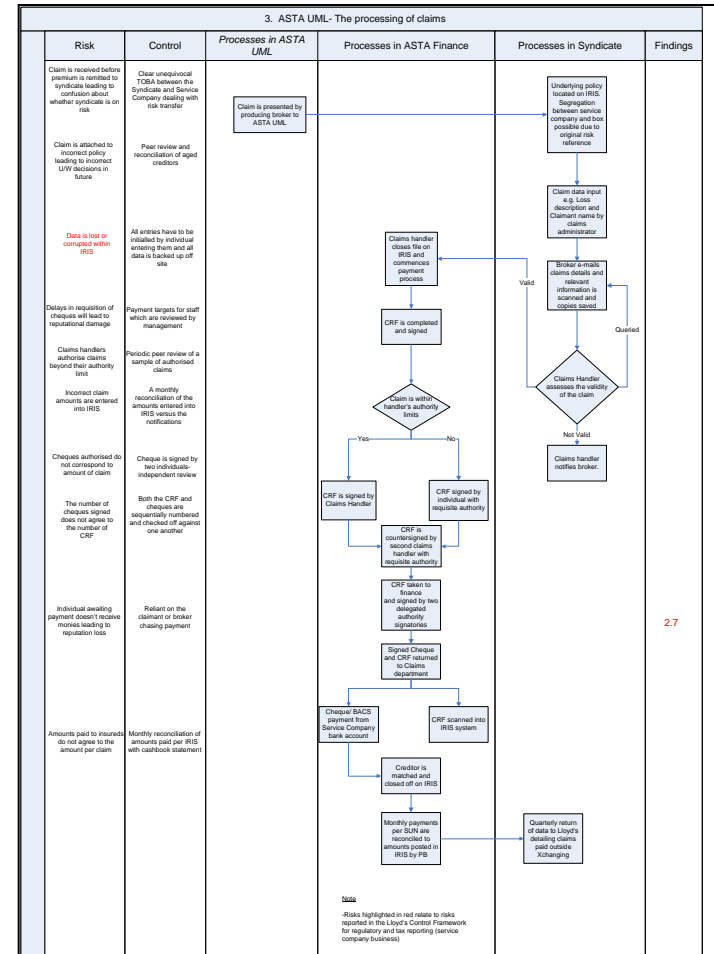
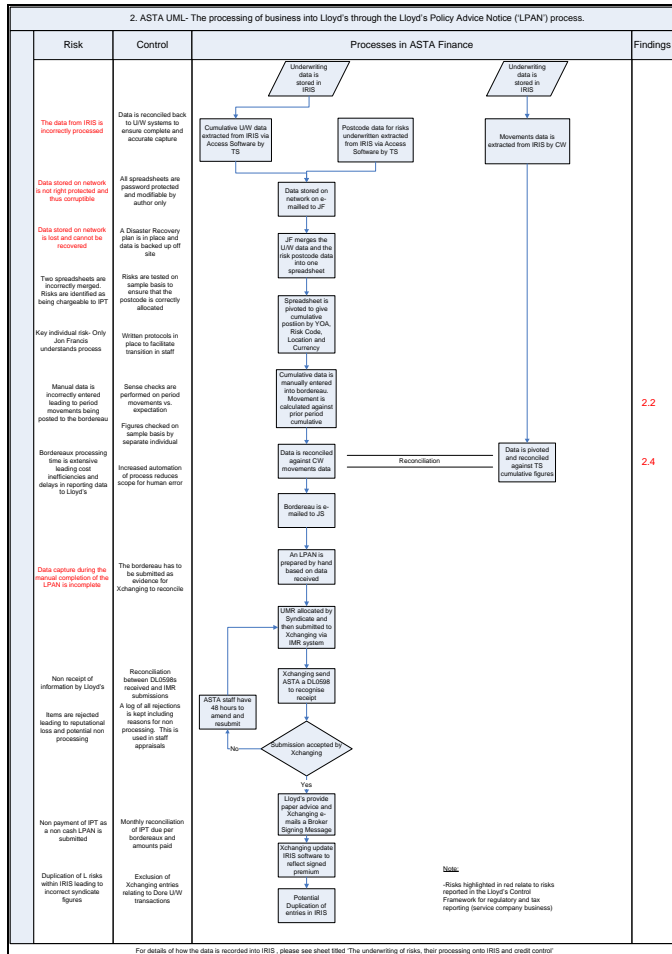
FOR REGULATORY AND TAX REPORTING (SERVICE COMPANY BUSINESS)

An approach – but not the only one!

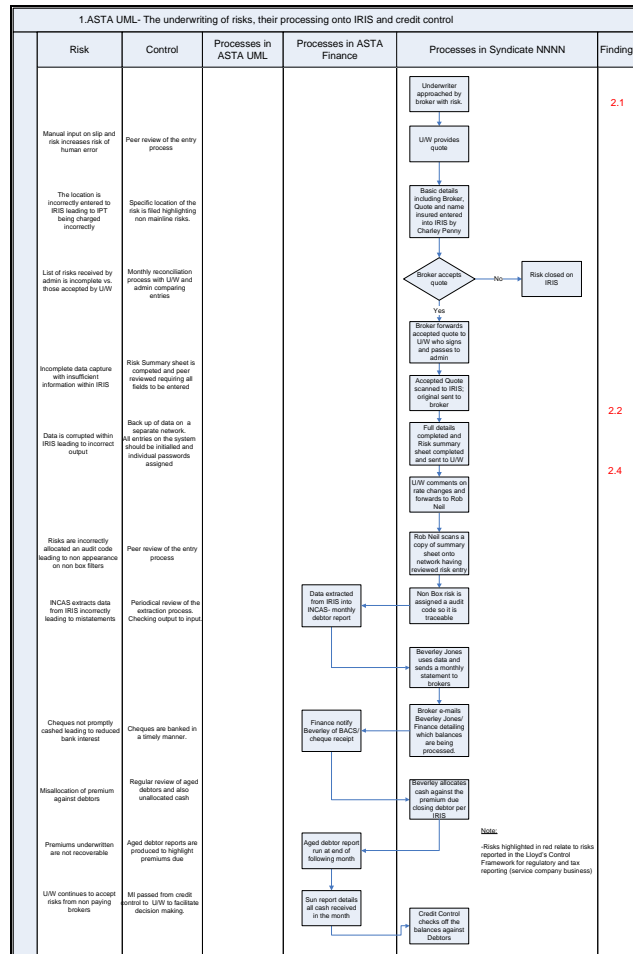
Internal Audit system assessment

- Enquire and investigate the system
- Flowchart
- Assess and identify control weaknesses
- RAG report and recommended remediation including timeline
- Agency Board approves remediation plan
- Remediation action
- Board Sign-off

Investigate and Flowchart – Claims and Finance



Investigate and Flowchart – Premiums



Assessment of Control weaknesses

Asta Managing Agency Limited
Review of Asta Underwriting Services Limited
Report
Date: December 2011

Distribution List: **Audit Sign-Off:**

Internal: Audit Committee (UK)
CFO
FD
Finance Manager
Underwriting Director

External: Active Underwriter,
Syndicate NNNN
Claims Manager,
Syndicate NNNN

Auditor(s): Internal Audit Manager
External Audit Director
External Audit Manager Head of Internal Audit

| Significance | Basis of Assessment | Total in Audit |
|-----------------|--|----------------|
| Critical | A significant control failure that places the business at an immediate threat of loss, fraud, operational failure or regulatory sanction. Urgent action is necessary to protect business interests. | 0 |
| High | A weakness in control that results in an increased risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Remedial action should normally be taken or planned as a matter of priority. | 5 |
| Medium | A weakness in control that results in an increased risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Remedial action should normally be taken or planned as a matter of priority. | 3 |
| Low | Control matters that individually have no major impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. | 0 |

Recommended remediation and timeline

| 2 Recommendations arising out of the review | |
|---|---|
| 2.1 Risk Definitions and Risk Management | |
| Observation | Recommendation |
| <p>The Syndicate's risk register includes one generic risk in respect of its service company. This concerns the 'Risk of failure in operations of internal "service company" services to managed syndicates.'</p> | <p>It is recommended that the operations of the Syndicate and ASTA USL are critically reviewed to identify how the entities interact and the implications that this has on the risk environment.</p> |
| <p>Lloyd's best practice, as set out within its publication 'Control Framework for regulatory and tax reporting (Service Company Business)', issued in April 2011, requires that risks should be more tightly defined and reflect the specific risks presented by a service company's operations. The particular risks set out within this paper include:</p> <ul style="list-style-type: none"> • Insured's requirements not fully understood; • Data capture is inadequate; • Data is processed incorrectly; • Data is corrupted; and • Data is lost and cannot be recovered. <p>There is therefore a need to revisit the risk register and to consider whether this is adequate in light of the ASTA USL's operations.</p> <p>In considering the Risk Register it is noted that the operations of ASTA USL are fully integrated with those of the Syndicate. To the extent that Service Company data is captured and recorded via the IRIS underwriting system, reference can be made to the Syndicate Risk Register.</p> <p>However, where new processes or systems have been established to facilitate the processing of data (for example, the bordereaux generating spreadsheets – please see action point 1.3), then there will be a need to introduce specific risks into the Register.</p> | <p>On completion of this exercise, the specific risks should be identified and introduced in relation to ASTA USL's operations and a Service Company Risk Register should be developed. In order to comply with Lloyd's Guidance as to best practice, when defining these risks, management should refer to the specific risks identified in the framework document</p> |
| <p>Priority: High</p> | |
| <p>Management response:</p> <p>A full review in accordance with "The Control Framework" is already under way and although the document is currently only a discussion paper, it is recognised that it represents best practice. <i>[Finance]</i></p> <p>Risk management will meet with Internal Audit in January 2012 to discuss and agree the most appropriate means of representing the Service Company risks, and the risk register amended accordingly. Target completion: Mid-February. <i>[Risk Management]</i></p> | |
| <p>Owner: David Thorne-Large</p> | |
| <p>Due date: 29th February 2012</p> | |

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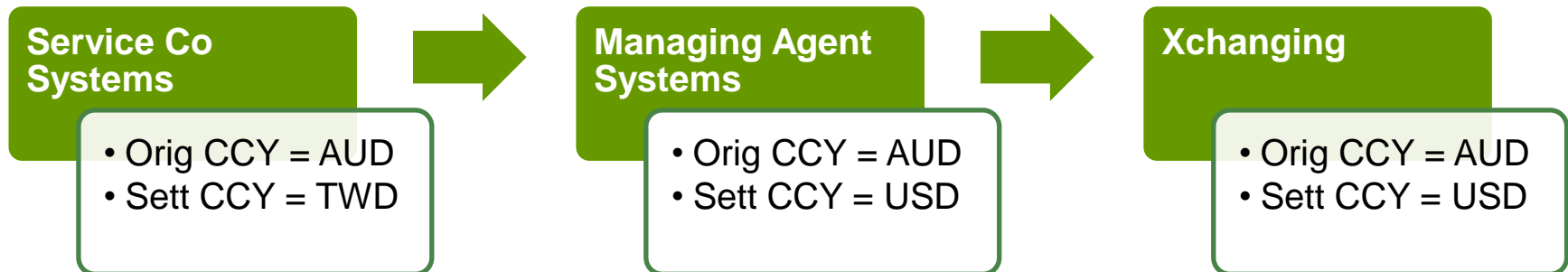
Project Update



Information on the transactions: **Gross Pm in Settlement currency**

Definition: “The premium paid in this transaction before any deductions and before IPT is applied, expressed in settlement currency. If the transaction is a premium instalment, this should be the gross amount of the instalment”

- Differences between service company and managing agent systems?
- Is the settlement ccy is subject to any re-conversion and/or manipulation?



Information on tax : **Tax Settlement Currency**

Definition: “The currency in which the specific tax is payable”

Factors to consider:

- Any paid tax needs to be reported in the tax settlement currency. i.e the currency used to pay over the tax to the authorities. Otherwise there may be FX issues.

Territorial Additional Information: Greece

Large/Mass

Definition:

“Required to differentiate between Large and Mass risks for Greek Regulatory reporting under the EU’s 2nd Non-Life Insurance Directive (88/357)

Update:

- This field is **no longer required** for Greek regulatory reporting. It will therefore be removed from the requirements of the Control Framework going forward.

Next session:
26th September

