

[COMPANY NAME]

Risk & Control Matrix (RCM)

Control Function: [Insurance Underwriting Risk]

Risk Ref / Sub Risk Ref	Risk Summary	Risk Description	Sub Risk Description
INSURANCE RISK (I) Underwriting risk. (ii) Reserving risk.	INSURANCE RISK - Strategic Risks and Operational Risks	INSURANCE RISK (I) Underwriting risk that insurance premiums will not be sufficient to cover future insurance losses and associated expenses. Underwriting risk also encompasses people, process and system risks directly related to underwriting. (ii) Reserving risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses.	

RISK MANAGEMENT SELF-ASSESSMENT

RISK SCORING - before Controls			RISK SCORING - after Controls			
Risk Probability	Risk Impact	Total Score	Risk Probability	Risk Impact	Total Score = Residual Risk	Organisational Risk Tolerance/Risk Appetite
2	4	8	1	2	2	2. Within Risk Tolerance/Risk Appetite

CONTROL FRAMEWORK

Underwriting Topic	Sub-risk	Control Ref	Control Summary	Control activity	Control objective	Control owner	Control performer	Control frequency	Control type: Prevent, Detect	Lloyd's Minimum Standard reference
Governance & Oversight	There is insufficient governance oversight of a nominated director responsible for underwriting systems and controls.	Nominated director or Active Underwriter responsible for underwriting systems and controls.	Nominated responsible person	Chief Underwriter position. Underwriting Strategy. Business Plan.	To mitigate the risk of a lack of sufficient governance over underwriting activities.	Chief Underwriter	Class Underwriters and teams	Daily/Monthly/Quarterly/Annually	Prevent / Detect	MS2 - Underwriting and Controls'. 'MS4 - Governance.
Governance & Monitoring	Controls and procedures are not followed and monitored in the absence of a written Underwriting Policy and/or Underwriting Procedures which is reviewed annually.	Written Underwriting Policy and/or Underwriting Procedures which is reviewed annually.	Underwriting Policy. Post bind controls including M/Exception reporting (KRs / KPIs)	Underwriting Policy and procedures which are regularly reviewed and monitored for adherence to risk and control appetites as defined in the policies and procedures.	To mitigate the risk of a lack of sufficient governance over underwriting activities.	Chief Underwriter	Class Underwriters and teams	Monthly/Quarterly/Annually	Prevent	MS2 - Underwriting and Controls'. 'MS4 - Governance.
Governance & Monitoring	Underwriting practice is not aligned to the strategy, approved Business Plan and Underwriting Policy/Procedures and does not take account of pricing levels, updated aggregate exposures and reinsurance arrangements leading to unbudgeted financial losses to the business.	Underwriting practice is aligned to the strategy, approved Business Plan and Underwriting Policy/Procedures and takes account of pricing levels, updated aggregate exposures and reinsurance arrangements.	Underwriting Strategy & Business Plan. Written Underwriting Philosophy. Conflicts of Interest (COI) screening and management. Pricing Tool. Aggregate Exposure Monitoring.	Underwriting Strategy. Business Plan. Use of Pricing Tools, Benchmark Pricing & adequate documentation of pricing assumptions. AEM processes and procedures. Aggregates monitoring (where applicable).	To mitigate the risk of a lack of sufficient governance over underwriting activities.	Chief Underwriter	Class Underwriters and teams	Annually	Prevent	MS2 - Underwriting and Controls'. 'MS4 - Governance'. 'MS6 - Exposure Management'.
Operational Underwriting & Good Customer Outcomes	Underwriters do not have the appropriate experience and capabilities to write and manage policies profitably in line the approved Business Plan, and to provide a good service to customers across the lifecycle.	Underwriters have the appropriate experience and capabilities to write and manage policies profitably in line the approved Business Plan, and to provide a good service to customers across the lifecycle.	Training & Competence. Product Governance	Training & Competence (T&C) regimen for underwriters. Product Governance reviews	To ensure that underwriters have and retain appropriate skills levels and have customer focus.	Chief Underwriter	Class Underwriters and teams	Monthly/Quarterly/Annually	Prevent	MS2 - Underwriting and Controls'. 'MS4 - Governance. 'MS9 - Customer.
Operational Underwriting	Underwriters' terms of reference / authorities are not in writing, properly authorised, signed and reviewed annually, and are not aligned to the Business Plan.	Underwriters' terms of reference / authorities are in writing, properly authorised, signed and reviewed annually, and are aligned to the Business Plan.	Underwriting Authorities. Monitoring activities	Delegation of individual underwriting authority and monitoring thereon.	To prevent underwriting outside of risk appetite.	Chief Underwriter	Class Underwriters and teams	Annually / ongoing	Prevent / Detect	MS2 - Underwriting and Controls'.
Operational Underwriting	Risks that are outside of an underwriter's agreed level of authority are not referred to an appropriate individual leading to the potential for underwriting outside of risk appetite.	Risks that are outside of an underwriter's agreed level of authority are referred to an appropriate individual, and the process is monitored.	Referral outside of underwriting authority. Monitoring activities	Segregation of duties, use of authorisations matrix, dual sign-off, peer review.	To prevent underwriting outside of risk appetite.	Chief Underwriter	Class Underwriters and teams	Annually / ongoing	Prevent / Detect	MS2 - Underwriting and Controls'.
Regulatory risks	Pre-bind contract reviews (including checks on contract certainty, sanctions and regulatory rules) are not undertaken before risks are written.	Pre-bind contract reviews (including checks on contract certainty, sanctions and regulatory rules) on all risks.	Pre-bind controls	Contract Certainty checks, sanctions screening policy & procedures, regulatory checks (e.g. taxation).	To prevent contract uncertainty, underwriting of sanctioned risks, regulatory risks realisation from rules non-compliance.	Chief Underwriter	Class Underwriters and teams	Daily/Monthly/Quarterly/Annually	Prevent / Detect	MS2 - Underwriting and Controls'.
Operational Underwriting	Inappropriate, or non-existent, procedures and resources for review and agreement of contract wordings leading to contract uncertainty and claims outside of risk appetite.	Procedures and resources for review and agreement of contract wordings.	Contract wordings / Market Reform Contract	Standard contract wordings. Contract wording specialists.	To prevent contract uncertainty and claims outside of risk appetite.	Chief Underwriter	Contract wording specialist	Annually and ad hoc	Prevent	MS2 - Underwriting and Controls'.
Operational Underwriting	Underwriting data incorrectly recorded in underwriting and accounting systems leading to skewed financial reporting and internal management reporting.	Data Governance Framework (Data Accuracy pre and post bind controls)	Data Governance Framework (Data Accuracy pre and post bind controls)	Data Governance Framework (Data Accuracy pre and post bind controls)	To achieve a degree of data accuracy in line with risk appetite.	Data Governance Officer	Underwriting assistants	Daily/Monthly/Quarterly/Annually	Prevent / Detect	N/A
Managed Underwriting	Insufficient controls over the delegation of authority externally leading to financial losses, regulatory censure and reputational risk realisation.	Delegated Authority Binding Authority Agreements (BAAs) and monitoring thereon. Alignment to insurance company underwriting strategy.	BAA, Audit Inspection, M, bordereaux validation	Audit Inspection, insurers validation of the coverholders risks written and paid (borderaux) through an automated validation program which scans against a number of agreed variables such as risk location, premium, sum insured, coverholders commission, submission of Management Information (MI) to insurers.	To manage and mitigate risk associated with delegation of authority to third party MGAs, Coverholders, Agents.	Chief Delegated Authority Underwriter	DA team.	Daily/Monthly/Quarterly/Annually	Prevent / Detect	MS2 - Underwriting and Controls'.

INTERNAL AUDIT

INTERNAL AUDIT TESTING		INTERNAL AUDIT RATING				
Control Design audit test	Control Performance audit test	Audit Evidence	Control Design	Control Performance	Alignment with Self Assessment	Alignment with Self Assessment
Review of Chief Underwriter job spec. Review of Underwriting Strategy & Business Plan.	Assess for contemporaneous nature, effective change control and appropriate level of authority. Assess the effectiveness of the monitoring of adherence to documented controls.	Job spec. Underwriting Strategy. Business Plan. Evidence of board approval and regular review. Board & Committee minutes.	Medium	Medium	YES	YES
Review of Underwriting Policy and/or Underwriting Procedures	Assess for contemporaneous nature, effective change control and appropriate level of authority. Assess the effectiveness of the monitoring of adherence to documented controls.	Underwriting Policy and/or Underwriting Procedures. Evidence of board approval and regular review. Board & Committee minutes.	Medium	Medium	YES	YES
Review of Underwriting Philosophy. Review of relevant COI management. Review of	Substantive testing of Premium Pricing and aggregate exposures.	Underwriting Philosophy. COI Policy & Log. Pricing Policy. AEM.	Medium	Medium	YES	YES
Review T&C regimen applicable to the Underwriting teams. Assess underwriting products for Product	Substantive testing of a sample of underwriters training records. Review product reviews undertaken in the audit period under review set against documented processes.	Training records sample testing results. Product Review outputs.	Medium	Medium	YES	YES
Review control design effectiveness of internal authority delegation, peer review and referral.	Substantive testing of a selective sample of risks written for correct authority levels and referral, where applicable. Perform analytical review of risks written over the audit period under review set against Limits vs Authority.	Internal Authority letters. Internal procedures. Sample and analytical review testing results.	Medium	Medium	YES	YES
Review control design effectiveness of internal authority delegation, peer review and referral.	Substantive testing of a selective sample of risks written for correct authority levels and referral, where applicable. Perform analytical review of risks written over the audit period under review set against Limits vs Authority.	Internal Authority letters. Internal procedures. Sample and analytical review testing results.	Medium	Medium	YES	YES
Review of Contract Certainty, Sanctions screening policies for control design effectiveness. Perform a walk-through of a sample risk for validation of the operation of controls. Use Lloyd's Crystal Tool to establish compliance rules. Perform	Substantive testing.	Policies and sample and analytical review of testing results.	Medium	Medium	YES	YES