

## **Group Secretariat**

### **Board Risk Committee Terms of Reference**

*Issued:*

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RSA Insurance Group plc  
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## RSA Insurance Group plc

### BOARD RISK COMMITTEE – TERMS OF REFERENCE

#### 1. Definitions

<b>Board</b>	The board of directors of the Company
<b>Committee</b>	The Board Risk Committee of the Company
<b>Company</b>	RSA Insurance Group plc
<b>Group</b>	The RSA Insurance Group plc group of companies

#### 2. Principal Function

The Committee is authorised by the Board to advise the Board on risk management issues, recommend the Group framework of risk limits and risk appetite to the Board for approval and oversee the risk management arrangements of the Company and the Group generally. The Committee ensures that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

#### 3. Membership and Attendance

- 3.1 The Committee shall be appointed by the Board. The Committee shall comprise the Group Chief Executive Officer, the Group Chief Financial Officer and two independent Non-Executive Directors including at least one member of the Group Audit Committee.
- 3.2 The Chairman of the Committee shall be an independent Non-Executive Director.
- 3.3 In the absence of the Chairman of the Committee, the remaining members present shall elect another member to chair the meeting.
- 3.4 If a member is unable to act due to absence, illness or any other cause, the members may appoint another member of the Board to act as his alternate.
- 3.5 The Group Director, Corporate Finance; General Counsel & Group Company Secretary; Group Director, Underwriting & Claims; Group Operations & Risk Director; Group Risk Director, Group Chief Auditor, Regional Risk Directors and Regional Underwriting Directors normally attend meetings at the Committee's invitation.
- 3.6 The Chairman may invite other employees or advisors to attend all or part of any meeting.
- 3.7 The Company's external auditor may request to attend Committee meetings and the Chairman may authorise this.
- 3.8 At least once a year, the Committee shall meet separately with the Group Operations & Risk Director and/or the Group Risk Director, in the absence of other members of management and the Group Operations & Risk Director shall be offered direct access to the Chairman of the Committee and, where necessary, the Chairman of the Board.

#### **4. Secretary**

The General Counsel and Group Company Secretary or his duly appointed nominee shall act as the Secretary of the Committee.

#### **5. Quorum**

5.1 The quorum necessary for the transaction of business shall be two members including one independent Non-Executive Director and one Executive Director.

5.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **6. Frequency of Meetings**

6.1 Meetings will be held not less than four times each year, and at such other times as the Chairman of the Committee may require.

#### **7. Notice of Meetings**

7.1 Meetings of the Committee shall be called by the Secretary to the Committee at the request of any of its members or the Group Operations & Risk Director or Group Risk Director if they consider it necessary.

7.2 Unless otherwise determined by the Committee Chairman, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, and other attendees as appropriate, not less than two days prior to the date of the meeting.

#### **8. Minutes of Meetings**

8.1 The Secretary shall minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance.

8.2 Draft minutes of Committee meetings shall be circulated promptly to the Committee Chairman and once agreed to all members of Committee. Once approved minutes shall be circulated to other members of the Board unless this would be inappropriate.

#### **9. Responsibilities**

Risk Management

9.1 Recommend the Group framework of risk limits and risk appetite to the Board for approval;

9.2 Approve the following on recommendation of the Group Reinsurance Credit Committee (GRCC):

- a. Aggregate exposure limits assigned to reinsurance groups, annually;
- b. Annual target Group Reinsurance Credit Risk Profile; and
- c. Changes to the Group Reinsurance Credit Risk Framework.

9.3 Review the quantum of ICA and ECA capital model as recommended by the ICA Steering Committee at least annually including the review of the overall

assumptions, results and key changes and if satisfied, make recommendations to the Board;

- 9.4 Review the proposed strategic direction and guidance for Solvency II compliance as recommended by the Solvency II Steering Committee and make recommendations to the Board as the Committee may deem appropriate;
- 9.5 With the benefit of input from the Regional Risk Directors ensure that the material risks facing the Group have been identified and that appropriate arrangements are in place to manage and mitigate those risks effectively;
- 9.6 Review reports on any material breaches of risk limits and the adequacy of proposed actions;
- 9.7 Regularly review and monitor emerging risks;
- 9.8 Regularly review Stress and Scenario Testing results;
- 9.9 Ensure the risk profile adequately represents any issues relating to the Group's control environment and that mitigating actions are in place;
- 9.10 Present a profile of the Group's key risks and associated mitigants to the Board at least annually;
- 9.11 Approve the Enterprise Risk Management Plan at least annually;
- 9.12 Regularly review the Group's risk management systems and controls;
- 9.13 Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### Governance

- 9.14 Review and approve the following on the recommendation of Control and Governance Advisory Committee (CGAC):
  - a. The adoption of new Group Policy Statements and the annual re-adoption of all existing Group Policy Statements or their termination or change of status; and
  - b. The Group's Governance Structure and Control Framework and recommend to the Board for annual approval.

#### Risk Team

- 9.15 Consider and approve the remit of the Group's Risk team and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the team has adequate independence;

#### Group Risk Director

- 9.16 Review any recommendation of the Executive to remove the Group Operations & Risk Director and make appropriate recommendations to the Board;
- 9.17 Review promptly material reports on the Group from the Group Operations & Risk Director or the Group Risk Director;
- 9.18 Review and monitor management's responsiveness to the findings and recommendations of the Group Operations & Risk Director/Group Risk Director;

## Other

- 9.19 Review the draft of the Remuneration Report to be included in the Company's Annual Report and Accounts (to the extent not reviewed by the Board as a whole) and report any views on any implications of the Group's remuneration policies for risk and risk management to the Board;
- 9.20 Investigate any matters within its terms of reference and make any recommendations which it deems appropriate on any area within its remit where action or improvement is needed;
- 9.21 Receive minutes from the regional Risk Committees and the CGAC.

## **10. Authority**

The Board authorises the Committee to:

- 10.1 Obtain, at the Company's expense, external professional advice and to secure the attendance of appropriate individuals with relevant experience and expertise at Committee meetings if it considers this necessary; and
- 10.2 Seek any information that it requires from any director or employee of the Group.

## **11. Reporting Responsibilities**

- 11.1 The Committee Chairman shall formally report to the Board on its proceedings after each meeting.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall review its Terms of Reference on an annual basis and recommend any changes it considers necessary to the Board and shall also review the effectiveness of its own performance on an annual basis.
- 11.4 The Committee Chairman should attend the Company's Annual General Meeting to answer questions on matters falling within the Committee's remit.

**Approved by the Board on 29 March 2011**