



SWISS QUALITY ASSESSMENT

RISK MANAGEMENT / INTERNAL CONTROL SYSTEM TOOL (RM/ICS TOOL)

DOCUMENTATION, APPLICATION IN PRACTICE, SELF- ASSESSMENT

Company

Address

Contact

Function

E-mail

Telephone (direct line)

Date

Mail hotline

SQA@bpv.admin.ch

Recipient

Bundesamt für Privatversicherungen BPV
Schwanengasse 2
3003 Bern

Berne, 20 December 2007

RM/ICS TOOL

INTRODUCTION

Directive BPV15/2006 requires insurance companies to implement an appropriate system of risk management and an effective internal control system to ensure that potential risks are detected and appraised at an early stage, and to introduce measures to prevent or contain major risks and risk accumulation. Risk management (RM) involves those methods and processes which serve to identify, appraise, monitor and report risks through the introduction of corresponding risk strategies and control measures. The Internal Control System (ICS) covers the processes, methods and measures implemented within a company aimed at providing adequate security against the risks associated with corporate governance, in particular with regard to the efficacy of business processes, the reliability of financial reporting, and adherence to laws and provisions.

The BPV (Bundesamt für Privatversicherungen – Federal Office of Private Insurance) uses the RM/ICS tool set out in this document to ascertain whether appropriate RM and ICS documentation exists, how it is applied in practice (application in practice), and how this documentation and the application of the principles therein help the company in question to meet its risk-management objectives (self-assessment).

The RM/ICS tool must be completed, i.e. filled out for every company subject to supervision in Switzerland. In the case of group insurance companies and conglomerates, the tool need only be completed by the corresponding holding company if the answers apply to the respective group companies supervised in Switzerland. In the case of deviations from the group rules, a tool must be completed for each individual subsidiary supervised in Switzerland showing only the deviations from the group rules. To cover repercussions, a tool must also be completed for insurance conglomerates in order to detail the risk management rules that apply to non-insurance corporations.

Once submitted with the relevant attachments, the RM/ICS tool is evaluated by the BPV. Depending on the result, this is followed by individual talks between BPV representatives and the chairman of the board of directors, the chief executive officer and the chief risk officer. If need be, talks will also be held with the chairman of the review board or of the risk committee should one exist, members of the executive board, the chief compliance officer (if he/she is not a member of the executive board), the head of internal auditing, the external auditing partners, the responsible actuary, the secretary of the board of directors, and the chief legal officer. The BPV may identify other parties with which it wishes to speak.

Should measures appear necessary, the BPV will conduct a risk dialogue with the company before making any recommendations or delivering instructions.

Further information on Swiss Quality Assessment (SQA), the tools and the procedure in general can be found on the BPV's website (www.bpv.admin.ch) under "Swiss Quality Assessment (SQA)".

RM/ICS TOOL

ABBREVIATIONS

BD	Board of Directors
BPV	Bundesamt für Privatversicherungen – Federal Office of Private Insurance
CEO	Chief Executive Officer
CRO	Chief Risk Officer
EB	Executive Board
GEB	Group Executive Board
HR	Human Resources
ICS	Internal Control System
ICS documentation	Documentation on the internal control system
ICS practice	Practical application of the internal control system
RA	Responsible Actuary
RM	Risk Management
RM documentation	Risk management documentation
RM practice	Practical application of risk management
SQA	Swiss Quality Assessment

RM/ICS TOOL

RM/ICS DOCUMENTATION

Please use the sheet below to maintain a record of all your RM and ICS documentation and submit relevant copies. There is no need to submit copies of your company’s articles of association and organisational regulations separately provided that this information was submitted via the corporate governance tool not more than two months ago.

Document	Date last updated	Abbreviation
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

RM/ICS TOOL

PRACTICAL APPLICATION OF RM/ICS

1 ALLGEMEINE FRAGEN

1.1 How would you characterise RM in your company?

Reference in documentation

.....

.....

1.2 How would you characterise the ICS in your company? What risks does it cover?

Reference in documentation

.....

.....

1.3 What structures and processes exist to support the incorporation of RM and the ICS into your company's strategic deliberations?

Reference in documentation

.....

.....

1.4 How do the BD and the GEB/EB address the company's risk situation and its control activities? How do they gain an overall impression of the risk situation?

Reference in documentation

.....

.....

1.5 How do you ensure that the areas of RM and ICS are adequately staffed?

Reference in documentation

.....

.....

1.6 How do you maintain a separation of functions between RM and the ICS on the one hand, and between the various operational units on the other?

Reference in documentation

.....

.....

2 QUESTIONS CONCERNING RISK IDENTIFICATION AND APPRAISAL

2.1 How does your company identify and appraise risks? How do

Reference in documentation

you ensure that risk identification is as comprehensive as possible?

.....

.....

2.2 In particular, how are operational risks identified and appraised? What instruments are used to do this?

Reference in documentation

.....

.....

2.3 How frequently are risks identified?

Reference in documentation

.....

.....

2.4 How does your company categorise risks? And how are the individual categories rated in terms of size/significance?

Reference in documentation

.....

.....

2.5 What structures and processes are in place to identify and appraise new major risks?

Reference in documentation

.....

.....

2.6 What factors can lead to a risk's appraisal being adjusted?

Reference in documentation

.....

.....

2.7 How often and by whom is the method of risk identification and appraisal reviewed?

Reference in documentation

.....

.....

2.8 Who (function) in your company is responsible for identifying and appraising risks? In particular, who is responsible for identifying and appraising operational risks?

Reference in documentation

.....

.....

2.9 How is claims data collected and formulated into operational risk?

Reference in documentation

.....

2.10 How is the Swiss Solvency Test embedded in the risk identification process?

.....

.....

Reference in documentation

.....

3 QUESTIONS CONCERNING RISK MANAGEMENT ACTIVITIES

3.1 What options and instruments does your company employ to control the scale of the various risks? Who decides how and when these instruments are to be deployed? To what extent does your company use risk mitigation systems; what systems are these? Please state general areas of use

Reference in documentation

- a) for technical underwriting risks?
 - b) for market risks?
 - c) for credit and surety risks?
 - d) for liquidity risks?
 - e) for operational risks?
-

.....

3.2 Are the relevant task and duties, including delegation, set out in writing and documented?

Reference in documentation

- a) for technical underwriting risks?
 - b) for market risks?
 - c) for credit and surety risks?
 - d) for liquidity risks?
 - e) for operational risks?
-

.....

3.3 How does your company define its risk propensity? What values were defined for the current business year?

.....

Reference in documentation

.....

3.4 Is business continuity management practised in your company? If so, what does this involve?

.....

Reference in documentation

.....

3.5 How is the Swiss Solvency Test embedded in the risk man-

Reference in documentation

agement process?

.....

.....

4 QUESTIONS CONCERNING THE ICS (CONTROL ACTIVITIES)

4.1 Who in your company is responsible for documenting the ICS? *Reference in documentation*

.....

.....

4.2 Who in your company is responsible for implementing the ICS? *Reference in documentation*

.....

.....

4.3 How often and by whom is the efficacy (quality) of the ICS evaluated? *Reference in documentation*

.....

.....

4.4 What structures and processes are deployed in your company when ICS principles are breached or existing controls are found to be ineffective? *Reference in documentation*

.....

.....

4.5 How do EB members ensure that the ICS is fully implemented in your company and that they are kept fully informed about the efficacy (quality) of the system? *Reference in documentation*

.....

.....

4.6 How does management ensure that the ICS is reconciled with the company's strategic plans? *Reference in documentation*

.....

.....

4.7 What structures and processes are in place to assess the risk arising from specific key transactions? *Reference in documentation*

.....

.....

- 4.8 How does management ensure that controls are actually being carried out and are being verifiably documented? *Reference in documentation*

.....

.....

5 QUESTIONS CONCERNING INFORMATION AND REPORTING

- 5.1 Does your company have a systematic reporting system on new and existing risks and for control activities? Does a structured reporting system exist between the individual organisational units and the next level in the company hierarchy? Does this reporting system cover both everyday business activities and special occurrences? *Reference in documentation*

.....

.....

- 5.2 Who is responsible for creating and forwarding information and reports on new and existing risks and on control activities? In particular, on operational risks too? *Reference in documentation*

.....

.....

- 5.3 How are information and escalation processes for new and existing risks defined? In particular, how are these defined for operational risks? *Reference in documentation*

.....

.....

- 5.4 How do you impart the necessary information to staff in the areas of RM and ICS? *Reference in documentation*

.....

.....

- 5.5 What information on RM and the ICS does your company disclose? *Reference in documentation*

.....

.....

- 5.6 How does the EB keep itself informed about the status and quality of those areas for which it is not directly responsible? *Reference in documentation*

- 5.7 In what form and to whom are the findings from the risk identification and appraisal processes forwarded in your company?

Reference in documentation

6 QUESTIONS CONCERNING SYSTEM MONITORING AND CORRECTIVE ACTION

- 6.1 What structures and processes are in place in your company to ensure that corrective action is taken when serious deficiencies in RM and the ICS are detected?

Reference in documentation

- 6.2 Are the RM and ICS processes in place in your company systematically recorded and subjected to quality control, and is their efficacy regularly assessed?

Reference in documentation

- 6.3 Does your corporate culture and organisation support ongoing improvements of processes and controls?

Reference in documentation

- 6.4 Who in your company is responsible for deciding on the further development of RM and the ICS?

Reference in documentation

RM/ICS TOOL

RM/ICS SELF-ASSESSMENT

1. The existing RM documentation covers methods and processes which serve to identify, appraise, monitor and report on major risks.

Applies		<input type="checkbox"/>
Could be improved	{	slightly <input type="checkbox"/>
		to some extent <input type="checkbox"/>
		greatly <input type="checkbox"/>
Does not apply		<input type="checkbox"/>

Remarks (please be specific about the potential for improvement)

.....

2. The application in practice of risk management in the company complies with the provisions set out in the RM documentation.

Applies		<input type="checkbox"/>
Could be improved	{	slightly <input type="checkbox"/>
		to some extent <input type="checkbox"/>
		greatly <input type="checkbox"/>
Does not apply		<input type="checkbox"/>

Remarks (please be specific about the potential for improvement)

.....

3. The existing ICS documentation covers those processes, methods and measures implemented within the company that are aimed at providing adequate security against the risks associated with corporate governance.

Applies		<input type="checkbox"/>
Could be improved	{	slightly <input type="checkbox"/>
		to some extent <input type="checkbox"/>
		greatly <input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

4. The application in practice of the ICS concept as set out in the ICS documentation complies with ICS objectives.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

5. The parties involved can comprehend the documentation on RM and the ICS and the corresponding reporting processes.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

6. Adequate resources are in place to implement RM and the ICS satisfactorily.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply

☐

Remarks (please be specific about the potential for improvement)

.....

7. The organisation, processes, responsibilities and duties in your company are adequately defined and implemented for RM and the ICS.

Applies

☐

Could be improved

{ slightly
to some extent
greatly

☐☐☐

Does not apply

☐

Remarks (please be specific about the potential for improvement)

.....

8. The staff involved in the RM/ICS processes in your company are adequately trained and/or instructed in writing, etc. to fully implement the RM and ICS objectives in their particular task areas.

Applies

☐

Could be improved

{ slightly
to some extent
greatly

☐☐☐

Does not apply

☐

Remarks (please be specific about the potential for improvement)

.....

9. The risk identification and appraisal processes cover all currently known significant risks.

Applies

☐

Could be improved

{ slightly
to some extent
greatly

☐☐☐

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

- 10.** The company follows a risk strategy commensurate with the size and complexity of the existing risks, taking its risk propensity and risk tolerance into account.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

- 11.** With the risk management measures currently at its disposal, the company is in a position to contain all major risks and risk accumulation and to transfer, mitigate or cover these risks at an early stage.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

- 12.** Top management and the board of directors are notified at an early stage of any extraordinary risk developments and exceptional events.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>

greatly ☐

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

13. The company has taken the necessary steps to safeguard reliable reporting of both financial and risk-related information to internal and external units.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

14. With its ICS, the company has taken the necessary steps to ensure that external and internal regulations and provisions are adhered to.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

15. Structures and processes are in place to verify the efficacy and development in quality of the RM/ICS processes.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>

greatly ☐

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

16. Control activities exist which regularly verify adherence to defined measures.

Applies ☐

Could be improved	{	slightly	<input type="checkbox"/>
		to some extent	<input type="checkbox"/>
		greatly	<input type="checkbox"/>

Does not apply ☐

Remarks (please be specific about the potential for improvement)

.....

Place and date:

Signatures

The Chairman of the Board of Directors:
Board:

The Chairman of the Executive