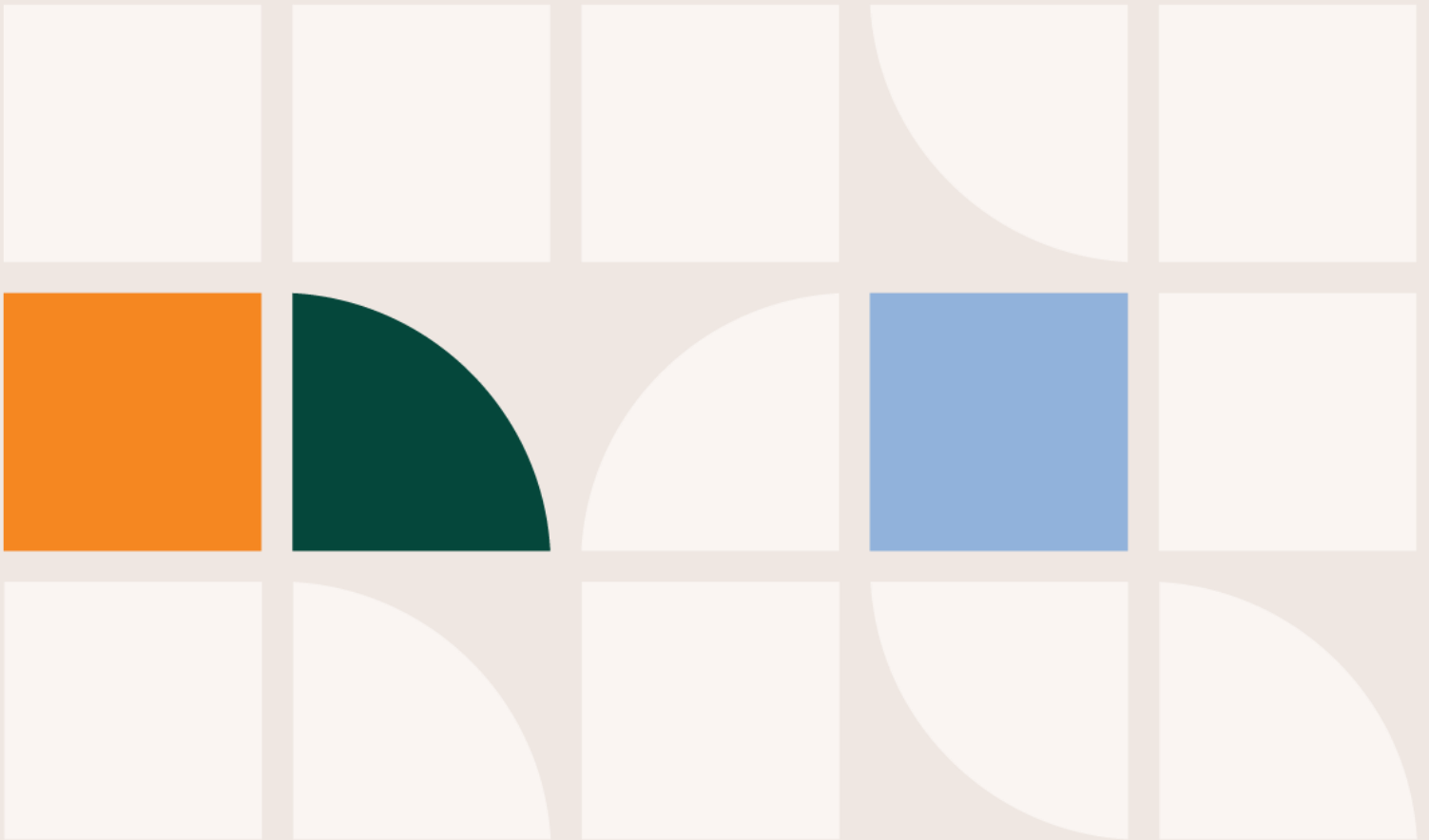


# Woodville Risk Strategy Document





## OVERVIEW

### **Background**

Woodville assumes underwriting risk to generate an adequate return on capital and the success of its business model depends materially on its ability to manage underwriting risk.

Woodville considers the implementation of a suitable and effective business risk management system, including underwriting risk management, as a strategic imperative not only to meet increasingly changing business environment but also to gain a competitive edge by improving its understanding of its own risks and overall solvency needs.

Woodville's Board of Directors (the Board) approves in connection with an annual Business Plan starting from 2022 the Underwriting Strategy as well as the Risk Tolerances and Risk Appetite for Woodville. "Risk" is defined as the degree of uncertainty with respect to achieving planned goals and targets and encompasses the probability of loss and gain equally. The risk strategy, Risk Tolerance and Risk Appetite are de-fined through targets, operational plans, guidelines, instructions, mandates, and budgets.

This Underwriting Policy documents Woodville's internal underwriting management guidelines that staff members are required to observe when exercising their day-to-day responsibilities.

### **Purpose**

The purpose of this policy is to establish an underwriting management framework that enables Woodville to achieve an accurate and timely understanding of (1) the nature, materiality and sensitivity of the risks to which it is exposed, (2) its ability to mitigate or avoid them, and (3) to deal with them should they fall out-side the stipulated Risk Tolerance or Risk Appetite level.

### **Scope**

This Underwriting Policy covers all components of the underwriting management system required to identify, measure, monitor, manage and report on a continuous basis all risk exposures at individual and aggregated levels to which Woodville is exposed as well as their interdependencies.

### **Ownership**

The Board owns this Underwriting Policy. As such, the Board is responsible for the approval of any periodic changes and revisions introduced to this document. The Board delegates to the Senior Management the responsibility of communicating the Underwriting Policy to Woodville's staff and implementing its various components to ensure it is embedded within the operation, and receives recommendations from the Senior Management in respect of appropriate changes to the Underwriting Strategy and Underwriting Policy.

## Definition and Categorisation of Risks

The Company risk management system covers all existing as well as evolving risks that have the potential to materially impact the adequacy of its financial resources, the volatility of its results and expected share-holder returns or its ability to meet its commercial, legal, investor, and regulatory obligations.

### On-Boarding Solicitors Risk

This refers to the risk of loss, or adverse change in a solicitors operating practices, the liabilities of the practice, due to inadequate management of cases. These risks may be caused by the fluctuations in timing, frequency and severity of events within the insurance or litigation finance market and settlements of cases impacting their ability to repay loans to Woodville.

## INTERACTION WITH OTHER RISK CATEGORIES

**The Company also monitors business risk by the following, wider, categorisation:**

- Market Risk
- Credit Risk
- Operational Risk
- Liquidity Risk
- Company Risk
- Strategic Risk
- Repetitional Risk
- Emerging Risk
- Concentration Risk

As for risk types within the wider categorisation above. The Company remain aware of this, as the senior management team is specifically responsible for i) Underwriting Risks including concentration risk, ii) un-derwriting related Operational Risks (such as Inappropriate Operations within Law Firms) and iii) Emerging Risks.

### Underwriting Governance

The Company's Board of Directors has adopted the Three Lines of Defense as its underwriting management framework based on the following principles:

- **First Line:** embedding responsibility for Woodville's underwriting management into the activities of each Business team, being the primary risk owner, as an integral part of their business processes
- **Second Line:** implementing Woodville's Underwriting Management and Risk Management Systems that provides for continuous risk identification, assessment, monitoring and reporting as well as overall enterprise wide risk assessment
- **Third Line:** practicing comprehensive internal controls and assurance processes linked to key business risks and processes coupled with an appropriate oversight by the Board of Director' and Audit.

The implementation of this framework is the foundation for embedding risk management into business practices and ensuring that behaviour patterns across the organisation are consistent with Woodville's policies and procedures. The tone at the top, training, transparency and communication, in addition to regular discussion on the Underwriting Policy and Strategy, are considered essential components in setting the right underwriting culture at The Company.

### **The Board of Directors**

The Board of Directors retains the ultimate responsibility for defining the company's Risk Tolerance and Risk Appetite by setting the overall levels of business risk that are acceptable and approving its Underwriting Strategy having regard to generally accepted principles of prudence as well as prevailing legal and regulatory requirements. Accordingly, the Board of Directors is responsible for:

- Approving and communicating the Underwriting Policy
- Issuing a clearly defined and well documented Underwriting Strategy, consistent with the overall business strategy and business plan, that sets the company's Risk Tolerance and Risk Appetite.
- Ensuring that the tone from the top is in line with the Underwriting Policy and Strategy
- Verifying that the implemented Underwriting Management System (comprising of strategies, processes and procedures) is suitable, effective and proportionate to the nature, scale and complexity of the risks inherent in The Company's business
- At least annually, reviewing The Company's Underwriting Policy and Underwriting Strategy as well as the effectiveness of the Underwriting Management System

### **The Underwriting / Risk Committee**

The Underwriting / Risk Committee is a Sub-Committee of the Board, membership of which comprises of Executive Directors and Heads of Function (Senior Management), and which provides oversight to the appropriateness and communication of, as well as recommendations to the Board in respect of:

- The Company Underwriting Strategy
- Business Plans and Forecasts and the internal control system
- New business opportunities which involve underwriting or potential changes to the policy or controls
- The Underwriting / Risk Committee also develops, issues and review at least annually:
  - All Protocols, Authorities and Controls in respect of Underwriting Policy
  - Authority levels for solicitors per line of business
  - All documentation for new solicitors
  - All aged credit reports

The Underwriting/ Risk Committee also monitors Performance Against Business Plans and Marketing Strategies for onboarding new law firms, in addition to the monthly monitoring and management which is performed and recorded operationally.

The Underwriting/Risk Committee also assumes responsibility for specified underwriting-related risks within the Company Risk Matrix. (This is yet to be developed)

The Board delegates day-to-day responsibility for the implementation and maintenance of this policy to the Senior Management, who reports to the Board via both the Underwriting / Risk Committee and the Executive Committee as per the Underwriting/ Risk Committee Terms of Reference.

The Board may appoint an individual to be responsible for aspects of Underwriting/ Risk Policy as he or she deems appropriate from time-to-time.

### **Committies and Working Groups**

Relevant committees and working groups are established and have delegated authority from the Board or Executive Committee to provide oversight and decision making on matters relating to the running of the business including specific risks in accordance with their respective Terms of Reference.

### **Line Managers and Employees**

It is the duty of all The Company Line Managers and Employees to:

- Promote and maintain awareness of the policy and its standards to all employees
- Ensure employees are aware of policies, procedures and guidelines
- Report immediately any breaches of the policy
- Provide timely and accurate information in accordance with documented procedures
- Refer requests for advice to Senior Management

## **REQUIRED FUNCTIONS**

### **Business Planning Function**

The Business Planning team will work with the Underwriting team to build and sense-test business plans and in particular:

- Plans which can be aggregated into Woodville's annual planning and procedures

The Business Planning also provides input into Capital Investor reporting, consideration of which is an integral part of the business planning process at Woodville.

## **Underwriting / Risk**

The Underwriting /Risk supports maintaining and implementing the Underwriting Policy within day-to-day business of Woodville Plans which can be aggregated into Woodville's annual planning and procedures

The running of the business including specific risks in accordance with their respective Terms of Reference.

## **Aggregates Management**

The Aggregates Management is a key component of risk mitigation and provides reports to the Underwriting Committee, Reinsurance Working Group, Business Planning Function and Underwriting and Claims Management Functions in respect of underwriting risk aggregations.

Risk aggregations include but are not limited to per-risk, per-event, and multi-event aggregations.

## **Underwriting Data Entry Function**

The Underwriting Data Entry Function enters most underwriting data on behalf of underwriters at Woodville. Exceptions to this include aggregates data, which is entered by the Aggregates Management Function

## **Independent Review Function**

The Independent Review Function conducts a review of the classes of business written for Woodville

Law Firms are specifically assigned to the reviewer such that an independent opinion can be expressed to the Underwriting Director and, periodically, to the Board or appropriate Committee as to the quality of the Woodville's loans underwritten, the appropriateness of pricing in the context of the Woodville's business plan, consistency with the Company's underwriting strategies and adherence to underwriting authorities.

## **Underwriting / Risk Management Function**

The Underwriting/ Risk Management Function maintains an enterprise-wide aggregated view on Woodville's risk profile and operates, monitors and reports on actual risk exposures in comparison to Risk Appetite, Risk Tolerance and solvency requirements as set by the Board of Directors. The Risk Management Function, objectively, is responsible for:

- Developing appropriate methodologies and procedures to assess Woodville's risks and solvency position ensuring their assessment is consistent with prevailing professional standards and regulatory requirements
- Reporting details of material risk exposures and advising the administrative and management team with regard to risk management matters including the development of risk policies and strategies, Risk Appetite, limits and thresholds
- Safeguards risk aggregation monitoring across functions and risk categories
- Developing appropriate methodologies and procedures to assess the

adequacy of the technical provisions and solvency requirements and ensuring there is adequate solvency as defined in the accounting standards

- Documenting, assessing the objectivity, reasonability and verifiability of expert judgements and management actions included in the calculation of the technical provisions and solvency requirements.
- Reviewing the overall mitigation (e.g. insurances) in place and expressing an opinion on the adequacy of arrangements, expected cover under stress scenarios and the adequacy of the capital within the company to meet its commitments.
- Reporting, at least annually, to the Board with identified recommendations or remediation needed

## **OTHER FUNCTIONS**

All business functions are required to support the required functions in facilitating the implementation and ongoing compliance with this Policy, the Underwriting / Risk Strategy and Underwriting Management Processes. This includes functions responsible for Strategy, Reserving, Claims, Accounting (technical and investment), In-vestments, Treasury, Information Technology, Human Resources, Legal and Regulatory, and Financial Re-ported.

## **ASSIGNMENT OF RISK OWNERSHIP TO EXECUTIVE COMMITTEE MEMBERS**

In defining risk responsibilities across the organisation, the Board of Directors delegates to the CEO, with the support of the Senior Management the responsibility of implementing adequate policies, procedures and resources required to carry-out these responsibilities and that persons assigned are fit and proper to discharge of their duties.

### **CHIEF EXECUTIVE OFFICER**

The Board delegates to the CEO the responsibility of enforcing the Underwriting/Risk Policy and ensuring the business operates within the Risk Appetite defined in the Risk Strategy. The CEO will utilise the Executive Committee to provide oversight on the following specific risks:

- Strategic Risks
- Concentration Risks (across all risk exposures)
- Reputational Risk
- Aggregated Risk
- Legal and Regulatory Risks

### **COO responsible for the Underwriting / Risk**

- Underwriting Risks including concentration risks
- Underwriting related Operational Risks (such as Inappropriate Underwriting Activities)
- Emerging Risks

- Relevant Operational Risks (such as financial crime and money laundering)
- Operational Risks (such as Physical Damage and Business Interruption, Process Failures, etc)

#### **Chief Finance Officer**

- Reserving Risk
- Market Risk
- Credit Risk
- Asset and Liability Management
- Liquidity Risk
- Finance related Operational Risks (such as misstated financial reports)
- Aged Debt Loan Risk

#### **Risk and Underwriting Management Systems**

Woodville will not implement a Risk Management System (RMS) however they understand risk management and believe they will operate in a manner consistent with generally recognised best practices. This will involve five key steps as detailed below. It also includes a continuous feedback loop encompassing (1) communication and consultation with key stakeholders and (2) reporting to the board and senior management. Woodville continues to manage existing as well as evolving risks that have the potential to materially impact the adequacy of its financial resources, the volatility of its results and expected shareholder returns or its ability to meet its commercial, legal and regulatory obligations.

#### **Review of Underwriting / Risk Policy**

Woodville's Board of Directors will review all policies at least annually. The review will be based on input provided by an independent and/or competent parties who is not involved in carrying out the responsibilities detailed in this policy. More regular reviews may be undertaken when required or when there is a material change in the business or risk profile of the company or where a risk issue which raises doubts about the effectiveness of the Underwriting/Risk System has been identified.

This

### **2.7 Policy Review**

The Company shall review this Policy every 12 months in order to ensure that it remains up-to-date and fit for purpose.

This policy has been approved and authorised on behalf of Woodville Consultants Limited by:

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Signature: Ann Marie Bell

Date: 24th November 2023



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