

DAS Legal Expenses Insurance Company Limited's Section 172(1) Statement for year end 2019

The below Section 172 (1) Statement was approved by the Board of DAS Legal Expenses Insurance Company Limited ("the Company") for disclosure on the Company's website on 31 March 2020 in respect of the 2019 year end.

Section 172(1) Statement

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006, which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;*
- the interests of the company's employees;*
- the need to foster the company's business relationships with suppliers, customers and others;*
- the impact of the company's operations on the community and environment;*
- the desirability of the company maintaining a reputation for high standards of business conduct; and*
- the need to act fairly as between shareholders of the company.'*

All members of the Board are Senior Management Function ('SMF') holders, i.e. they are responsible for key functions relating to the carrying on of a regulated activity, which is specified by the Prudential Regulation Authority ('PRA') in the "Insurance – Senior Management Functions" Chapter in the PRA Rulebook pursuant to section 59 of the Financial Services and Markets Act 2000. DAS UK has a 'Fit and Proper' policy in place which is reviewed annually, whereby all SMF holders are subject to the fitness and propriety assessment. In addition, DAS UK completes criminal bureau checks on a three-year cycle for all SMF holders. All SMF holder responsibilities are outlined within role profiles and annual objectives and are subject to a rigorous governance framework.

The following paragraphs summarise how the Directors fulfil their duties:

Consequences of any decisions in the long-term

Each year, the Board undertakes a review of the Company's strategy and the business plan for the following four years. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of these decisions in the long term and its long-term reputation.

The Chief Executive Officer ('CEO') is responsible for delivering the plans and strategy agreed by the Board, with authority delegated to executive managers but subject to all decisions being made on the basis of the values and standards mandated.

The key strategic priorities of the business are noted below.

The Company undertook an Organisational restructure where one of the aims was to make its strategic focus more external. Some of the objectives were to:

- grow the business profitability;
- become more customer outcome focused; and
- become more technologically driven.

The Company developed a four-year plan ('the Plan') outlining the development of its business based on this strategy. The Plan forms the basis of forward-looking assessments of the Company's risk and solvency positions. Within the Plan period, the Company aims to:

- Continue building a platform from which to launch new sustainable propositions that target significant growth and a market-leading combined operating ratio, supported by improvements in the expense ratio.
- Reduce operating costs and remove of the strain of one-off costs which have impacted prior year results.
- Continue to broaden market penetration through wider and deeper distribution relationships focused on the intermediated channels.
- Continue focusing on the alignment of internal and external business processes to the needs of customers. The Company is managed with customer, service and profitability in mind; and is strictly geared towards the wishes and needs of customers. The products provide excellent value for consumers and small businesses, giving them better access to justice.

The Plan includes growing BTE business by continuing to:

- Invest in and build outstanding propositions
- Re-shape certain books of business, supported by enhanced customer understanding
- Grow business partners
- Re-focus some propositions to better position products in the marketplace

The Plan for ATE business includes the following:

- Re-launch and grow some books
- Introduce new policy features
- Build strong partnerships
- Prune ATE book to improve profitability

The Company aims to reduce the loss ratio and improve operational efficiency by rationalising operational expenses and by optimising claims handling expense. Claims handling expenses will be reduced by:

- Delivering process improvements across the claims value chain
- Enhancing business information and data management to drive performance
- Investing in technology to simplify the estate and embed digital capability, where appropriate

The Company sold the business of its Irish Branch in the year; and this is an example of one of the strategic decisions taken by the Directors recently which is in line with the Company's long-term value creation strategy of continuing to improve outcomes for its customers and business partners in the UK market including Northern Ireland.

As the Company is an insurer it is regulated by the Financial Conduct Authority ('FCA') and the PRA and is subject to Solvency II regulations; the Company is therefore required to gain a full understanding of all of its risks and put in place a robust risk management and governance system which continually evolves. The Directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of DAS UK, and details of this can be found in its governance framework below.

The primary objective of the Company's risk and financial management framework is to protect the Company from events which hinder the achievement of strategic objectives, including the delivery of good customer outcomes, and operational financial performance targets. Management recognises the critical importance of maintaining efficient and effective risk management systems.

The Company's Enterprise Risk Management Framework ('ERMF') has gone through significant enhancement in recent years with an increase in both resources and tools to identify, measure, manage and monitor risk across the business. The Company has a dedicated Risk Management function with clear mandate from the Board of Directors and its committees. This is supplemented with a suite of risk policies, a clear organisational structure and documented delegated authorities and responsibilities for the executive management committees and senior managers.

The Company has continued to strengthen and embed the components of the ERMF to ensure they are aligned with evolving regulatory requirements. Management efforts remain focused on even closer alignment of the risk management strategy and the strategic direction and intent of the Company. Enhanced risk appetite statements have been developed along with a consistent risk appetite framework which has been designed to prompt open, transparent discussions about risk and for it to be used as a mechanism for action to manage exposures. Capabilities for identification and management of Strategic, Business and Environmental/emerging Risks are broadened to address not only those related to the DAS UK Corporate Plan, but also from the broader ERGO and Munich Re emerging risk analyses.

There is a continued focus on embedding a robust risk culture across the organisation. Sponsored by the CEO, a programme of risk management education has been delivered which covers the three lines of defence with a focus on governance, appropriate delegated authority, risk triggers and limits. The risk management education programme is an iterative process, with a further suite of education under development, helping to further develop and embed a robust risk culture.

Interests of the Company's employees

There are no individuals employed directly by the Company; all staff within DAS UK are employed by a fellow subsidiary.

Business Relationships

The Company's strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, it needs to develop and maintain strong client relationships. It values all suppliers and has multi-year contracts with key suppliers.

DAS UK's reputation with stakeholders, employees, customers and business partners is critical to the continued success of its business. The Company uses the AIRMIC ("Association of Insurance and Risk Managers in Industry and Commerce") categorisation of reputational risk and identifies some of the key controls in place at the Company against each attribute.

Stress testing is performed to understand the risk of the loss of key business.

Community and Environment

The Company's approach is to use its position of strength to create a positive change for the people and communities with which it interacts. It wants to leverage its expertise and enable colleagues to support the communities around it.

DAS UK is committed to doing the RIGHT thing for its customers, business partners, employees, community and environment. Its RIGHT values underpin everything that it does, and are the foundation to its great company culture. These values are: **R**espect, **I**mprove, **G**o the Extra Mile, **H**onesty and **T**hink Customer.

Corporate social responsibility ('CSR') is an important part of the Company's culture, identity and business practice. DAS UK strives to play an active and beneficial role in the communities within which it operates through charitable donations and fundraising, sponsorship, community work and education partnerships. The Company supports an active CSR forum, with representation from employees at all locations, which is responsible for overseeing the approach to charitable giving and organising various fundraising events and activities. Throughout 2019, DAS UK employees successfully raised and donated over £30,500 to various charities and community projects. DAS UK supported a different employee-nominated charity every quarter, each of which received all employee charitable donations and fundraising from the previous 3 months. Throughout 2019, DAS UK was delighted to support Help Bristol's Homeless, Macmillan Cancer Support, Holly Hedge Animal Sanctuary and A Siblings Wish - the Harvey Hext Trust. Employees are also invited to apply for the company-funded 'Monthly Pot' by filling out a request form detailing the charity that they would like to support, and throughout 2019 the Company provided donations to 24 different charities and community projects.

Local communities are supported in a number of ways, the most successful long-standing scheme being the Better Reading Partnership with Glenfrome Primary School, which gives employees the opportunity to improve the reading capabilities of children who are underperforming. 2019 also marked the first year of DAS UK's Employee Volunteering Programme, entitling all DAS UK employees to an employee volunteering day to use alongside their annual leave allowance each year. The first year of the programme was a huge success, with employees across the business using their days to carry out various tasks for a large number of community projects, including:

- Supporting the Milestones Trust by decorating a house for adults with learning disabilities;
- Redecorating and restoring an old Scout and Cubs hut in Caerphilly;
- Climbing Ben Nevis to raise money for Mind, Kidney Research UK and The Brain Tumour Charity;
- Providing marketing support to a local youth homeless charity;
- Walking from Bristol to Bath to raise money for Macmillan Cancer Support.

DAS UK recognises the value of employee development, involvement and opportunity. The adoption of ‘best-practice’ policies and procedures ensure it is an employer of choice. As well as regular learning and development opportunities, internal progression is actively encouraged. The Company’s Diversity and Inclusion programme continued to go from strength to strength throughout 2019, with all people managers receiving diversity and inclusion training and a number of new employee-led networks being launched to represent minority groups. Commitment to equality of opportunity for all employees is of utmost importance, and DAS UK prides itself on becoming a Working Families Employer Member for the second year running. DAS UK champions employee health and wellbeing through the in-house WellWise programme, which will continue to evolve and grow throughout 2020. WellWise provides employees with free exercise classes, discounted gym memberships, mental wellbeing support and a range of other health tips and advice. The Employee Assistance Programme (EAP) also provides all employees with access to free counselling, and a second medical opinion service. In 2019 the Company launched its ‘Mental Wellbeing at DAS’ programme, which saw the introduction of a number of qualified Mental Wellbeing Champions across the business and full mental health training delivered to all people managers. On World Mental Health Awareness Day on 10 October, the Company was proud to sign the Time To Change Employer Pledge – demonstrating its commitment to change the way people think and feel about mental health.

The Company recognises its responsibility to the continual improvement of its environmental performance and sustainable development, and aims to achieve environmental best practice throughout its operations. This is also a focus of the CSR and the Health & Safety Forums.

The key environmental impacts have been identified as energy, waste and travel. It sets targets for continual improvement with emphasis on each of these areas, and has committed to remaining a 100% carbon neutral business. All DAS UK employees receive annual training on its environmental requirements, and the Company strives to reduce the amount of resources consumed by applying the waste hierarchy as appropriate. DAS UK promotes and encourages sustainable travel for all employees and visitors, and continues to divert 100% of waste from landfill at its two main office locations in Bristol and Bedwas. Throughout 2019, the Company delivered a number of internal campaigns to raise awareness of sustainability issues, including lunchtime litter picks and recycling ‘swap shops’. Throughout 2020 DAS UK will work to continue to reduce its energy consumption and amount of waste produced.

Business Conduct

The Company is regulated in terms of its conduct by the FCA. Hence, there is a SMF Function which has responsibility for the firm's performance of its obligations under the Conduct. Furthermore there is a Conduct and Compliance Committee that reports into the Board, its responsibilities include the implementation of DAS UK's compliance framework within the Regulatory Risk Appetite set by the Board and the establishment and oversight of Conduct risk management practices.

Acting fairly

The Company only has one shareholder, its intermediate parent undertaking, DAS UK Holdings Limited. The Company's parent company and the wider ERGO and Munich Re Groups is considered in business decisions, although all members of the Board recognise their duty to the Company.