

## Risk Management and Internal Controls

The Company is committed to the identification, monitoring and management of risks associated with its business activities. Management is ultimately responsible to the Board for the Company's system of internal controls and risk management. The Company's risk management policies and procedures cover regulatory, legal, property, treasury, financial reporting and internal controls. A clear organizational structure exists detailing lines of authority and control responsibilities. Each business unit is responsible and accountable for implementing procedures and controls to manage risks within its business. Company management has established within its management and reporting systems a number of risk management controls. These include:

- Formal operating and strategic planning processes for all businesses within the Company;
- Annual budgeting and periodic reporting systems for all businesses which enable the monitoring of progress against financial and operational performance targets and metrics and evaluation of trends;
- Guidelines and limits for approval of capital expenditures and investments;
- Policies and procedures for the management of financial risk and treasury operations; and
- Standards of Business Conduct which are applicable to all employees.

Certain risks cannot be mitigated to an acceptable level by internal controls. Such risks are transferred to third parties in the international insurance markets to the extent considered appropriate.

An internal audit function operates under a charter which defines the purpose, authority and responsibility of the Corporate Audit Department. The Corporate Audit Department's mission is to provide an independent, objective assessment of risk and evaluation of the effectiveness of internal operating and financial controls within the Company's various operating businesses.

The areas of emphasis for the conduct of the assessment include the:

- appropriateness, efficiency, and effectiveness of the internal control environment and the susceptibility of that environment, on a sample basis, to frauds, failures in internal controls, or breaches in authority;
- reliability and integrity of financial and other operating controls;
- extent of compliance with Company policies and procedures;
- accuracy and integrity of and security over data and information;
- accountability for the Company's assets to safeguard against loss;
- adequacy of reviews made by the operating companies to ensure an effective internal controls environment is fostered; and
- economy and efficiency with which resources are employed.

The results of each audit and agreed-upon management action plan are reported on a timely basis to the management responsible for implementing changes.

The Corporate Audit Department reports to the Company's Audit Committee and meets with them at least four times a year to review the annual Corporate Audit Plan and the results of its activities.

The activities of the Corporate Audit Department are separate and distinct from those of the Company's independent registered public accounting firm. However, active coordination between the two groups is recognized as essential in order to maximize the Company's return on investment for audit services.

The full text of the Charter of the Corporate Audit Department is available on the Company's website.