

Delegated Authority & Strategic Oversight For Boards:
Understanding the Business Without Crossing the Line

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LEARNING OBJECTIVES

1

Delegation vs. Accountability

2

Board Responsibilities

Describe the Board's responsibilities in relation to delegated underwriting, claims handling, and outsourced functions.

3

Regulatory Standards

Regulatory expectations, risk requirements, and standards.

4

Governance Safeguards

Identify and assess the adequacy of governance safeguards.



ASPECTS OF DELEGATION

Core Principle

Delegation is not abdication

Powerful strategic tool — but only where the Board clearly understands *why* and how it fits within the wider strategy

Key Question

What is the DA strategy for the firm?

It shouldn't simply be... *"it's a feature of the market."*

Portfolio Considerations

Aggregation of Risk

Understanding cumulative exposure across delegated portfolios.

Alignment of Interests

Ensuring coverholder objectives mirror Board risk appetite.

Remuneration Structures

Consistent compensation models that reinforce desired conduct and outcomes.

APPROVALS & REMOVALS

Corporate Governance – Approval Framework

Onboarding and oversight

What should require Board approval vs. Product Committee vs. Executive?

Ensuring the right decisions are made at the right level.

A data 1st Approach

Is MI sufficient – does it discharge regulatory duty

Boards must assess whether the information received is genuinely adequate

Data and MI it is not just about volume.

Triggers for Escalation

What are the triggers for escalation?

Proactive identification of thresholds – speed and detail

What matters require Board attention.

The Failure Risk

Failure is often where Board information looked reassuring but lacked depth.

Surface-level comfort can mask significant underlying deterioration.





GOVERNANCE FRAMEWORK & BOARD BOUNDARIES

Outsourcing vs. Delegation

Understanding the Regulatory Distinction.

Delegated Authority overlaps with regulatory outsourcing requirements

Board must understand where each regime applies.

Regulatory Context

FCA expectations

Outsourcing and oversight

PRA focus

Operational resilience and critical services

Delegation vs. Outsourcing

Similarities and differences

Board Accountability

Operational Resilience

Considerations:

Continuity

Failure scenarios

Accountability Outcomes

Board implications

Accountability

Regulatory compliance

Boards Role & Remit

Defining the boundary between governance and operational management

RISK CONTROL AND MONITORING



Scale, Structure & Dependencies

Often treated as a single risk category

Yet it can represent a substantial proportion of income / exposure.

Is it recognised as a principal risk, or is it fragmented across UW/Claims/Ops?



Single Aggregate Line

With just one aggregate line how can the Board fully understand the underlying components and exposures?

Granularity matters for genuine oversight.



Warning Signs

Avoid "**False Comfort**" — using past indicators to predict the future.

Be alert to time lags in reporting and lapses during busy renewal periods.

What are the trends in the data?



CULTURE, CONDUCT & SCENARIO PLANNING

Arm's length customer arrangements require heightened vigilance

Boards benefit most when they focus on observable behaviour

Data and MI should provide forward-looking indicators, and contingency readiness.

Customer Outcomes & Conduct

Effective oversight requires monitoring MI not direct control.

Customer experience and regulatory expectations are meaningful measures of risk.

Exit Strategy

Termination is complex and time-sensitive.

Escalation, cancellation, and run-off planning.

Consider reputation management alongside operational or financial triggers

Scenario Planning

Fraud or mis-selling can arise even in well-managed delegated portfolios. Claims reserving weaknesses often emerge before underwriting deterioration. Third-party failures have direct implications for continuity and customer trust.

CURRENT TRENDS & THE FUTURE

Regulatory

- Horizon scanning —oversight is not static
- Oversight models are under increasing scrutiny
- Boards must demonstrate active and effective governance
- Operational resilience expectations are evolving
- Conduct and fair value considerations are linked to regulatory and reputational risk.

Market Dynamics

- Market cycles shape delegated growth and risk appetite.
- Divergence between EU and UK regulatory approaches may impact cross-border delegated arrangements.

Data & Technology

- AI-driven underwriting accelerates risk-taking but can amplify errors or bias if not monitored.
- Claims automation introduces efficiency and operational/conduct risk.
- Bordereaux digitisation improves visibility yet requires strong validation and controls.
- Cyber exposures can aggregate across coverholders and TPAs, creating systemic vulnerabilities.

Link to Oversight

- Boards that stay aware of trends can stress-test delegated authority frameworks.
- Trend awareness supports the proximity without micromanagement principle.
- Firms must enable NEDs to understand emerging risks without operational involvement.

TAKEAWAYS



Strategically Close, Operationally Distant

Effective oversight balances insight with delegation.
Due diligence, onboarding monitoring, and timely escalation are essential
Beware lags for metrics create blind spots.



Accountability Cannot Be Delegated

Delegation does not transfer accountability.
Board responsible for outcomes.
Understand risks without becoming operational managers.
Being too remote risks blind spots.
Being too detailed risks micromanagement.



Regulatory & SMF Awareness

Know your Senior Management Function responsibilities.
Accountable for governance and risk oversight.
Ensure reporting lines and MI support regulatory expectations and Board decision-making.



Forward-Looking Mindset

Horizon scan for regulatory, technological, and market developments that could stress delegated models. Scenario testing and contingency planning remain key to maintaining robust oversight frameworks.



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