

Solvency II Survey Findings

Operational Risk Capital

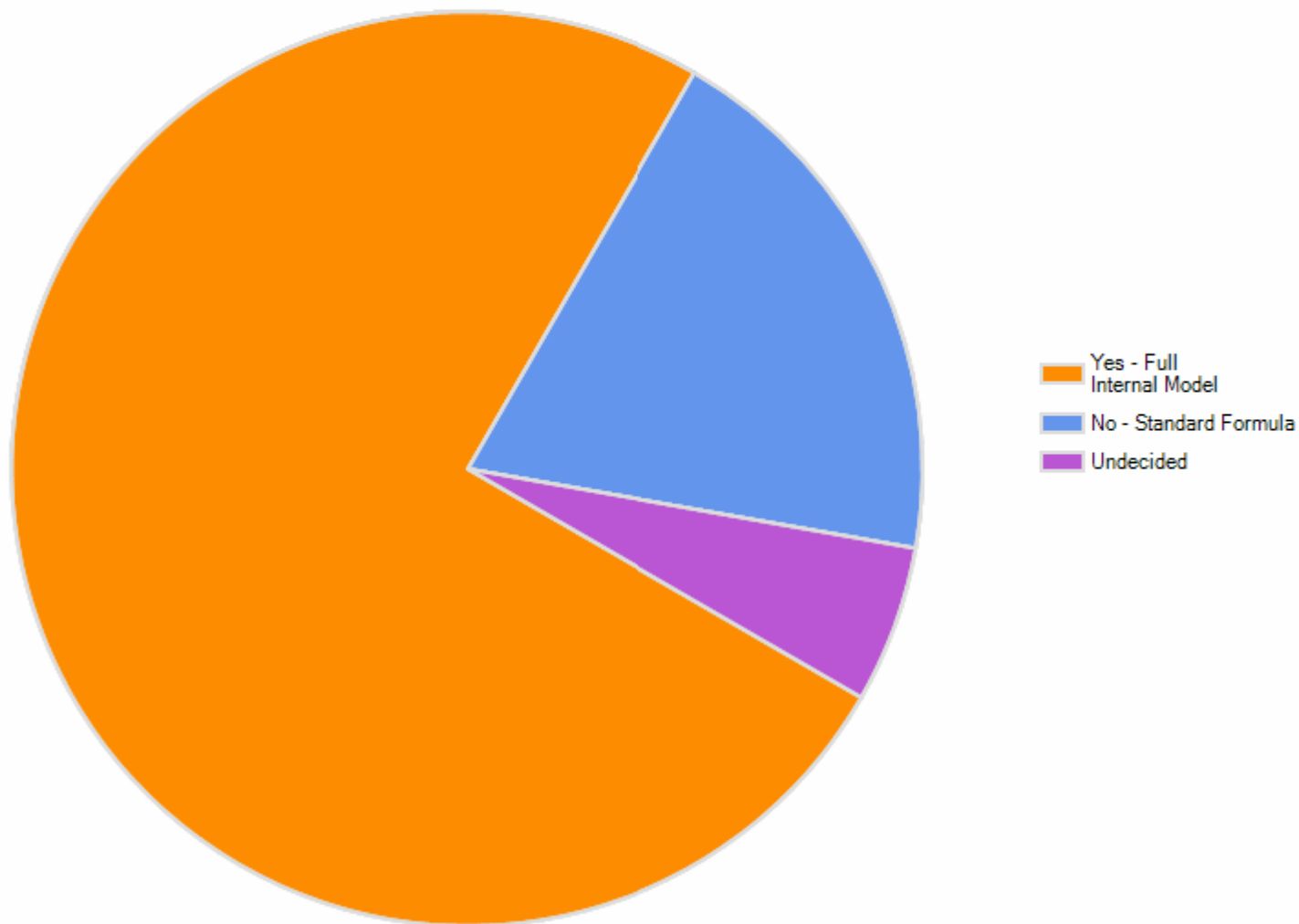
December 2010 SIG

(36 Participants)

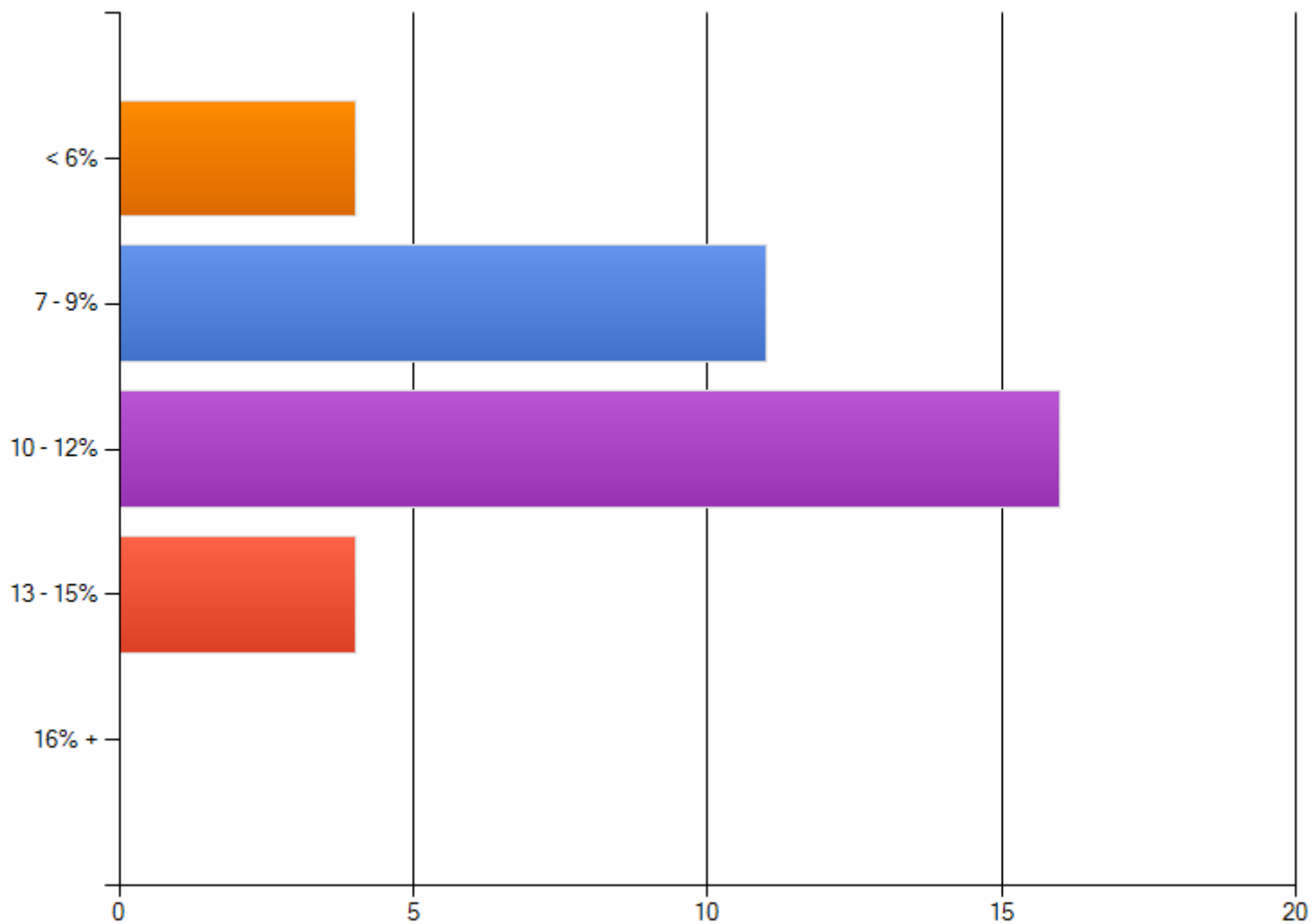
Summary

- IRM Solvency II SIG completed an online survey on the level of operational risk capital being held by members in the context of Solvency II and other market changes
- This exercise was done in conjunction with members of the ORIC database
- Key aspects considered included
 - Intention to adopt an Internal Model
 - Level of operational risk capital as a proportion of total capital
 - Trends in level of capital
 - Approaches to quantifying operational risk
 - Membership of available operational risk event databases

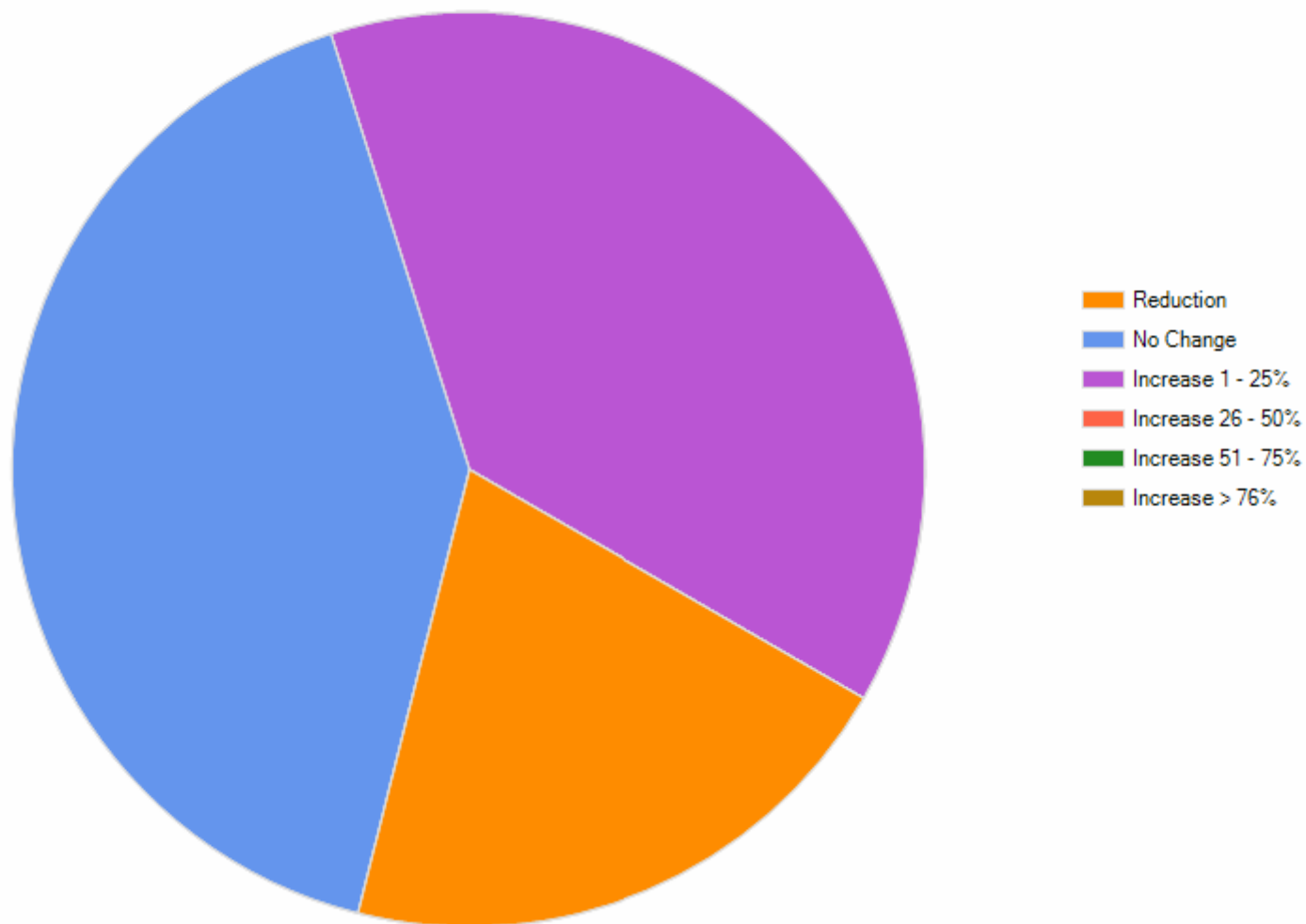
Are you planning to adopt an Internal Model for Operational Risk under Solvency 2?



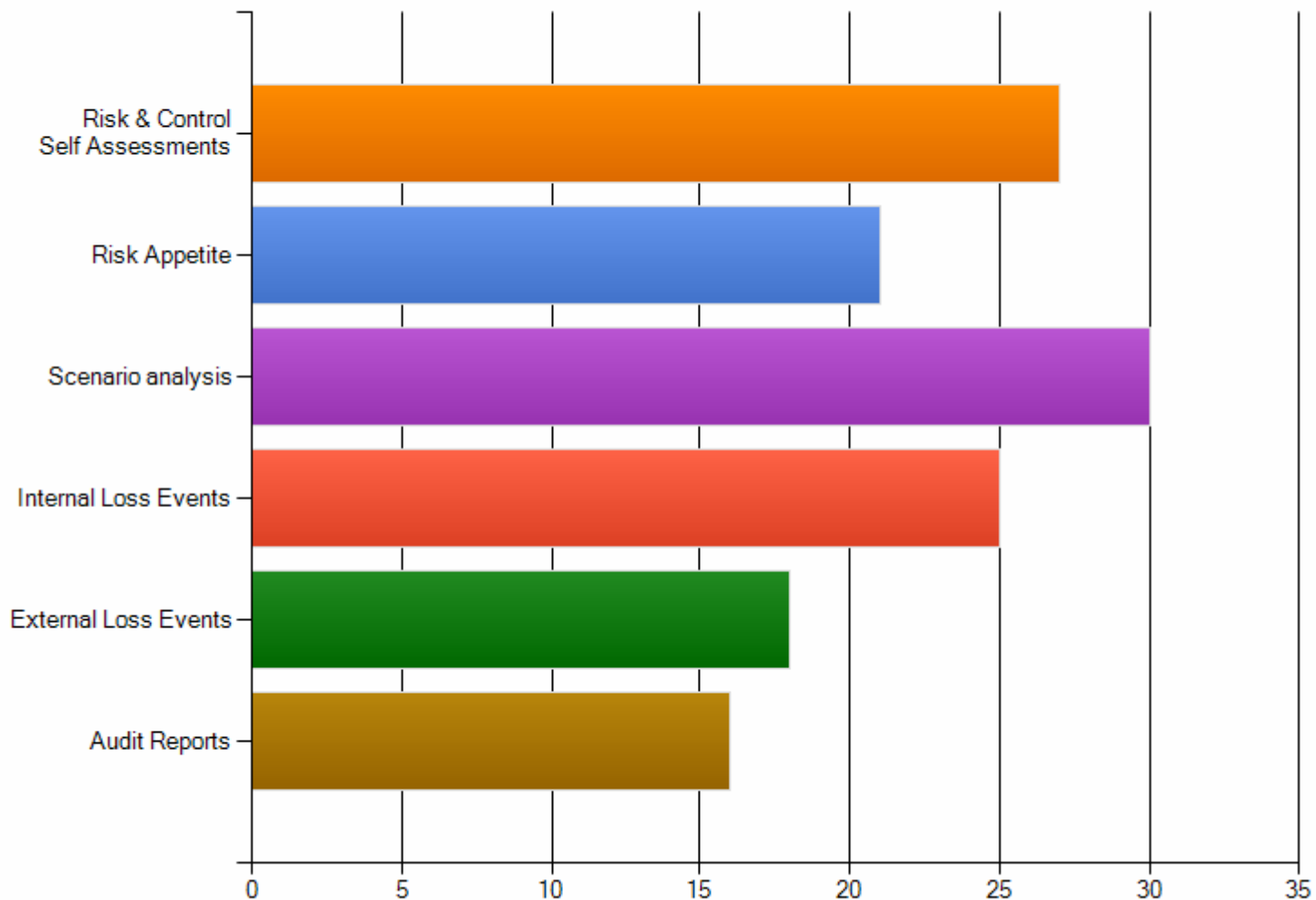
What is your current Operational Risk Capital Charge as a % of the total ICAS?



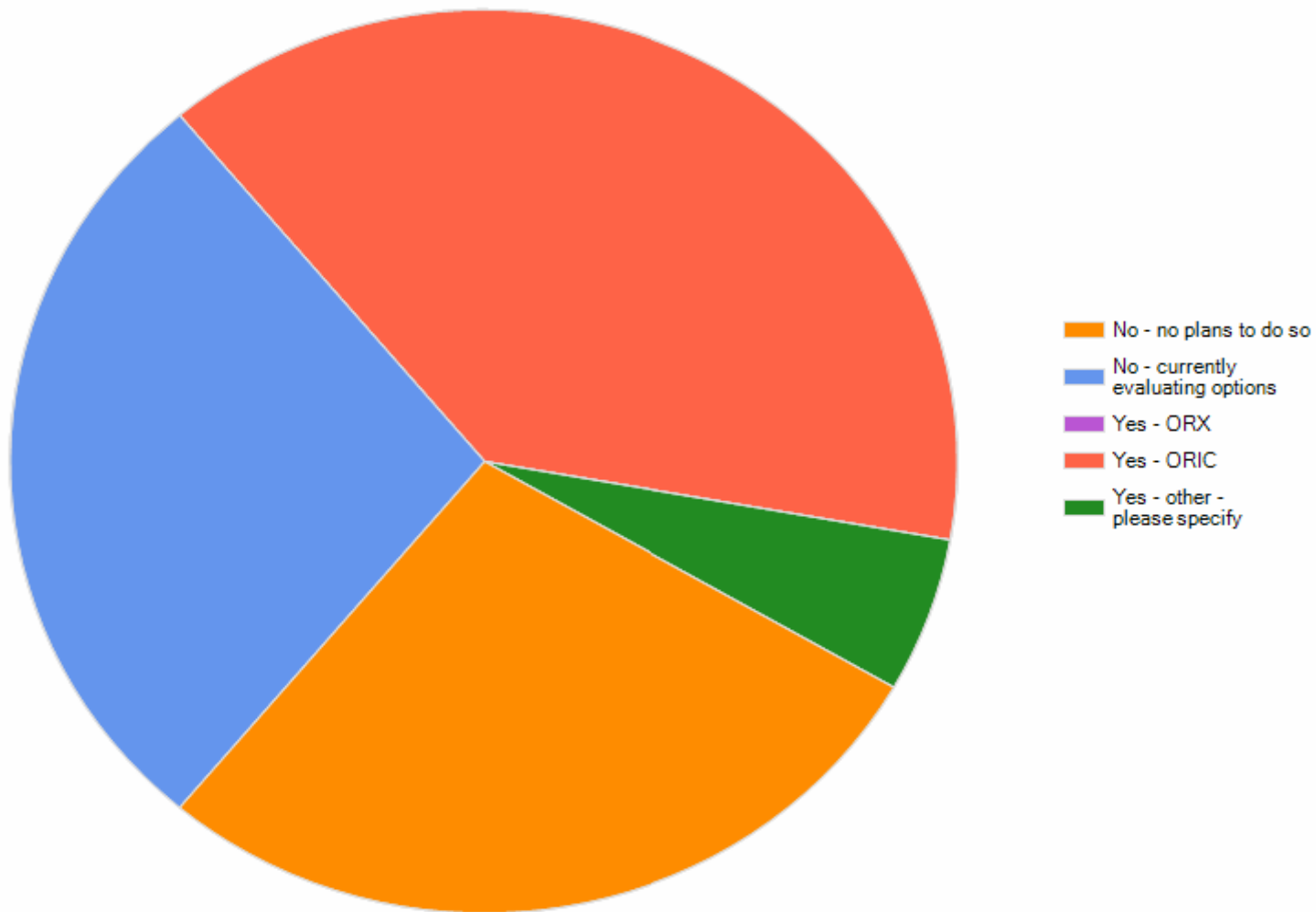
By what % do you expect your ICAS Operational Risk Capital Charge to change under Solvency 2 calibrations (either standard formula or internal model)?



Are you planning to incorporate the following qualitative risk management tools into your Solvency 2 Internal Model operational risk module? (Tick as many as relevant)

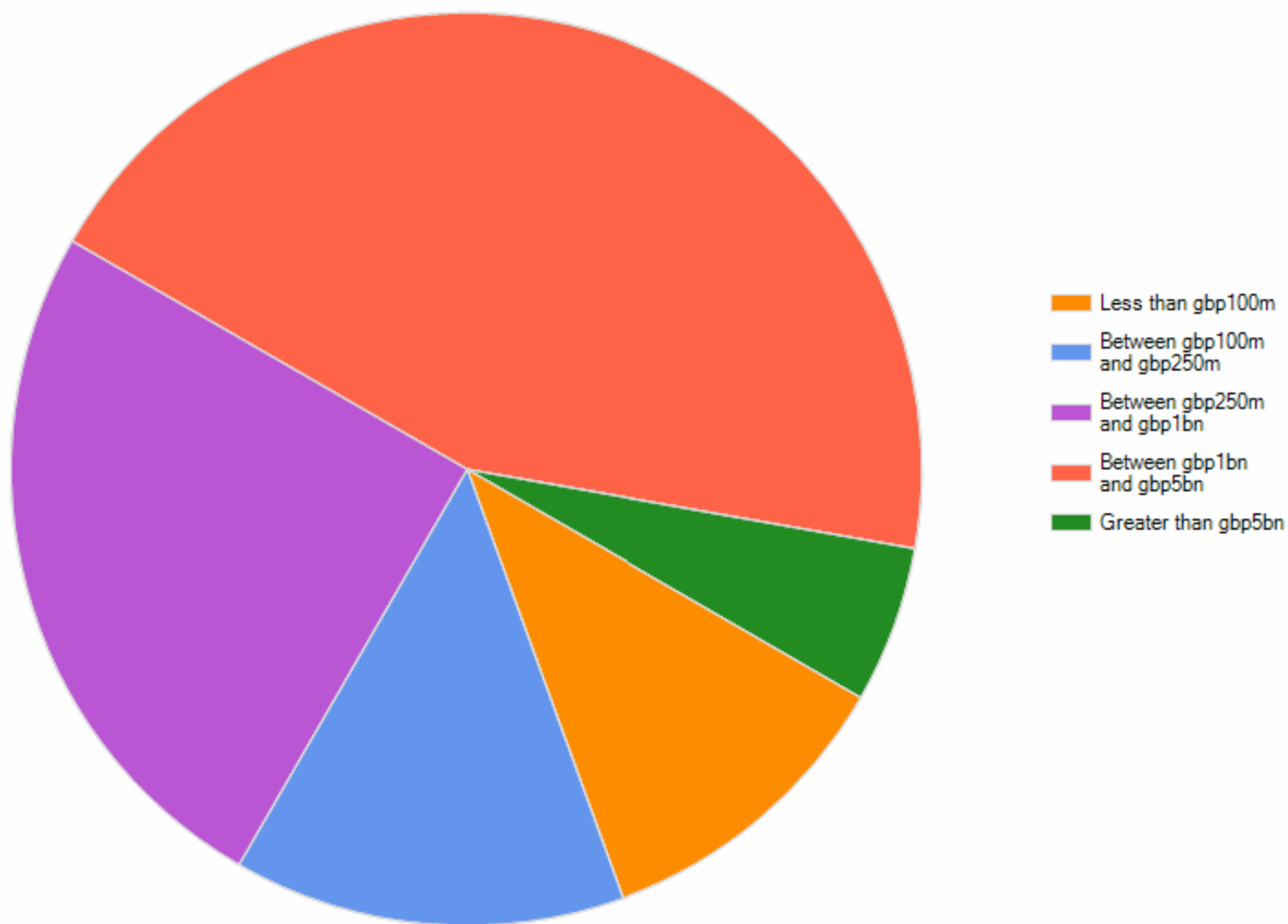


Are you a member of an operational loss database?



Others include: Algo(1), SAS (1)

Please provide approximate gross written premium for 2009 to provide an indication of your organisation's scale.



Conclusions

- 75% of the respondents intend to adopt an internal model under Solvency II
 - This may be a self-selecting 'sophisticated' group
- The market average level of operational risk capital is 10-12%
 - This may hide some complexity in terms of the nature of the threats organisations face and the sophistication of their controls
- Views on changes in operational risk capital levels are mixed
 - Clearly there is uncertainty. 41% anticipate no change, 38% an increase.
- Quantification is done using a variety of techniques
 - Internal and external loss data popular
 - Scenario analysis and Control Self-Assessment also popular
- Market sample
 - The survey sample was quite large (36 organisations) for this type of survey
 - 44% of respondents fell between £1bn and £5bn gross written premium