

Solvency II Survey Findings

Use Test and Embedding

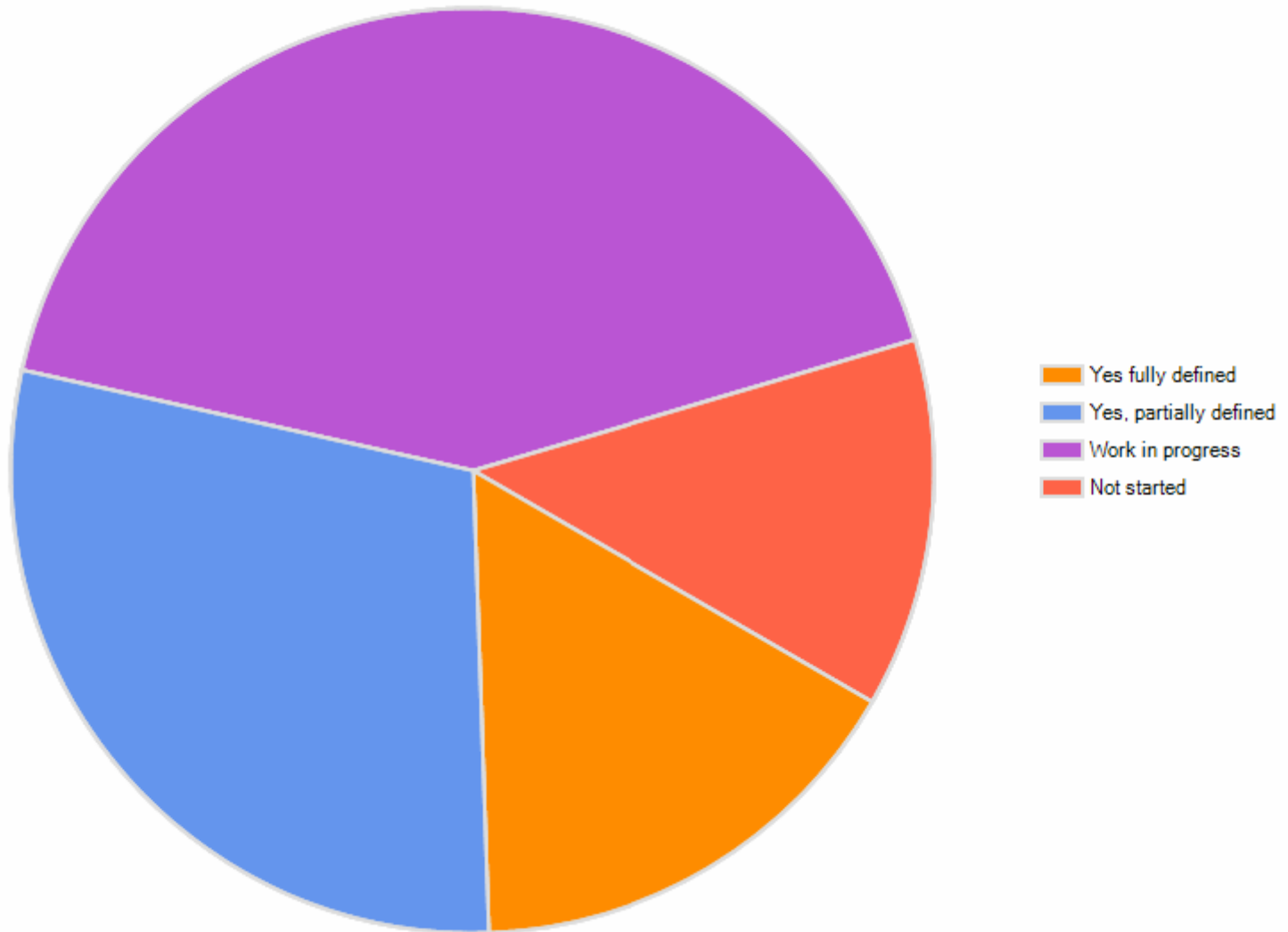
January 2011 SIG

(31 Participants)

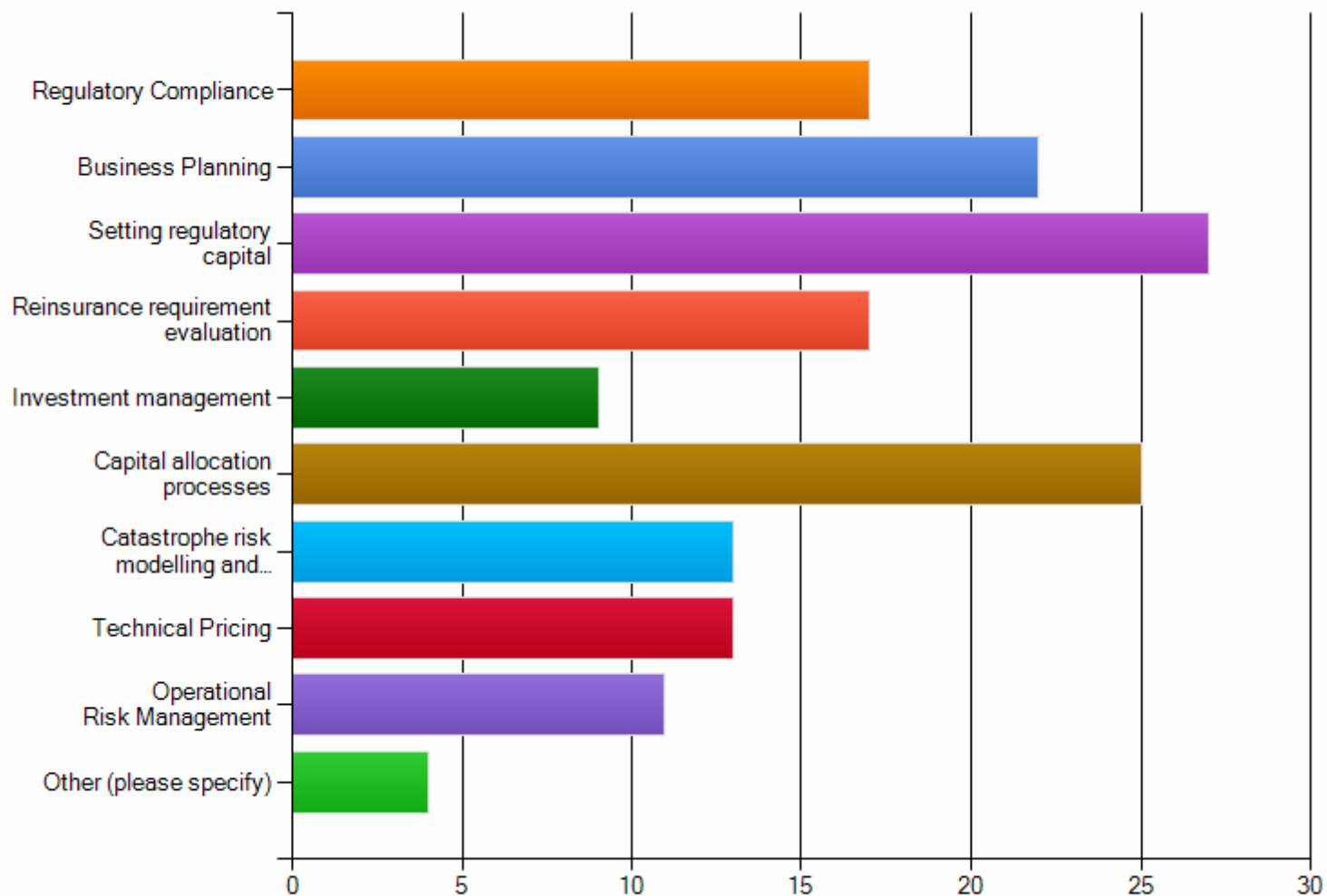
Summary

- IRM Solvency II SIG completed an online survey on how organisations are approaching the challenges of the ‘Use Test’ for the Internal Model and embedding risk management
- Key aspects considered included
 - Scope and types of ‘Uses’
 - Definitions of embedding and criteria for evaluating it
 - Approaches to embedding
 - Ways of measuring or evidencing ‘use’ and embedding
 - Level of ‘Use’ of operational risk model modules

Has your organisation defined the scope of the 'Use Test'?

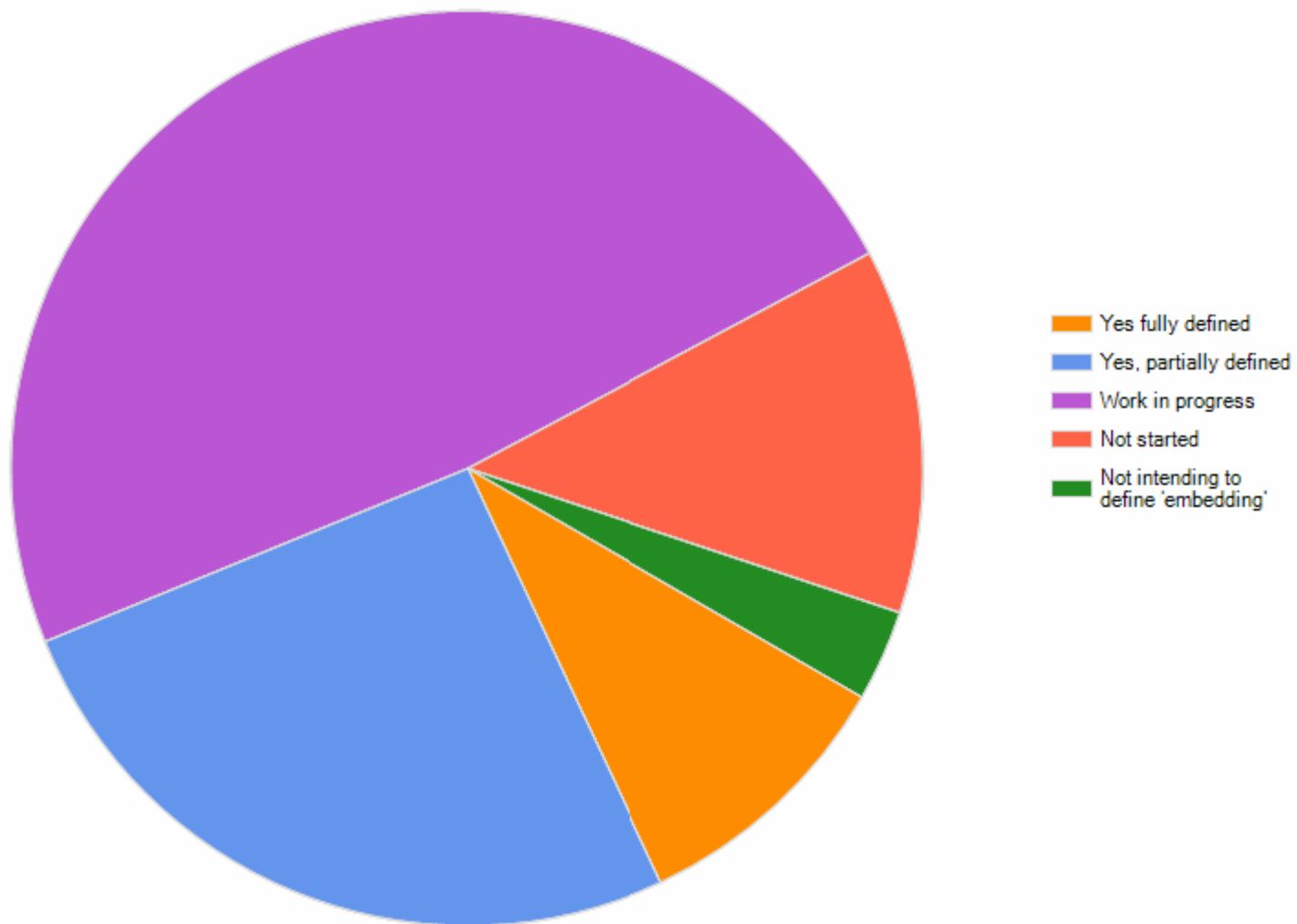


What 'Uses' of the Internal Model has your organisation chosen? PICK AS MANY AS RELEVANT

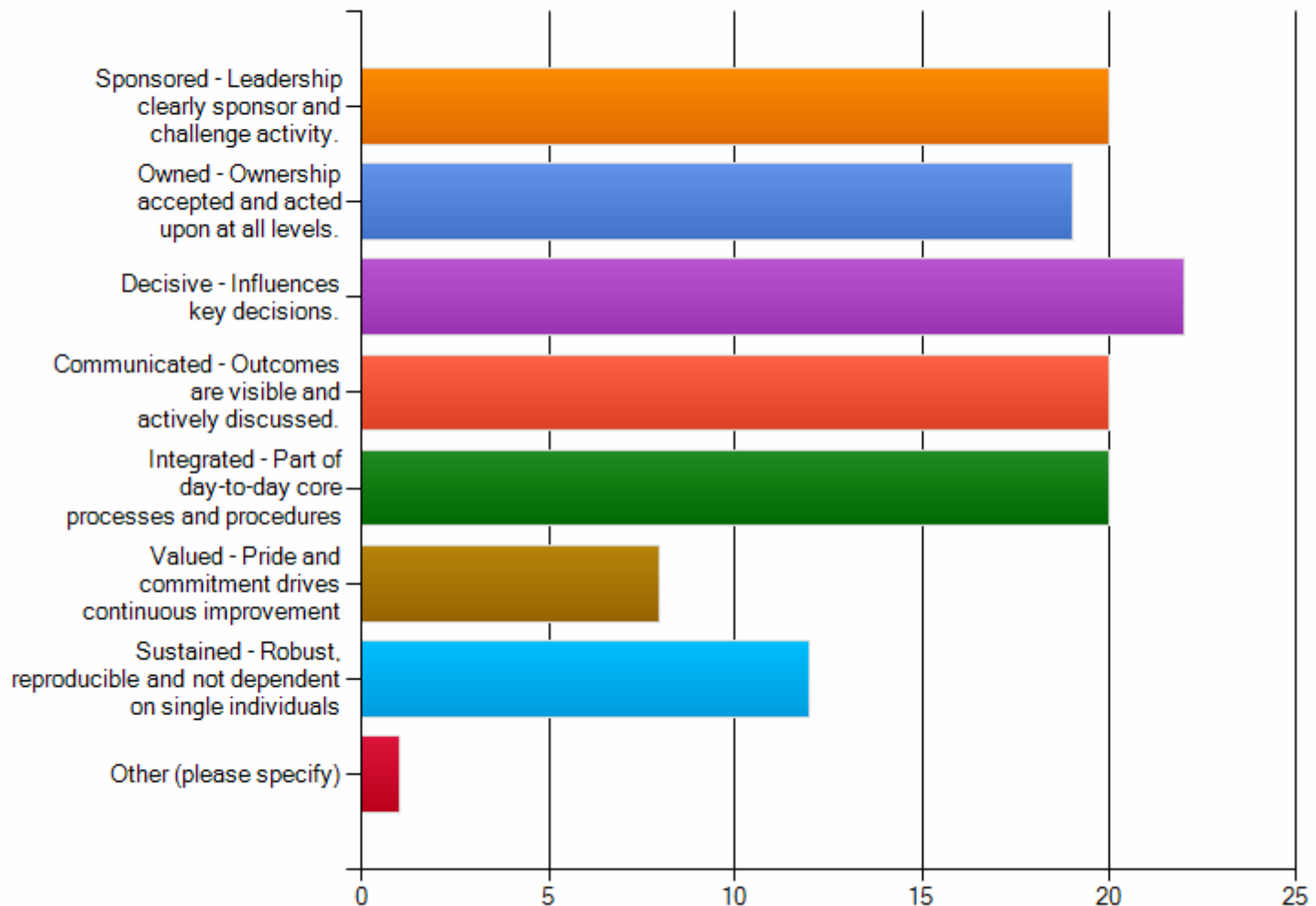


Other includes risk appetite and economic capital

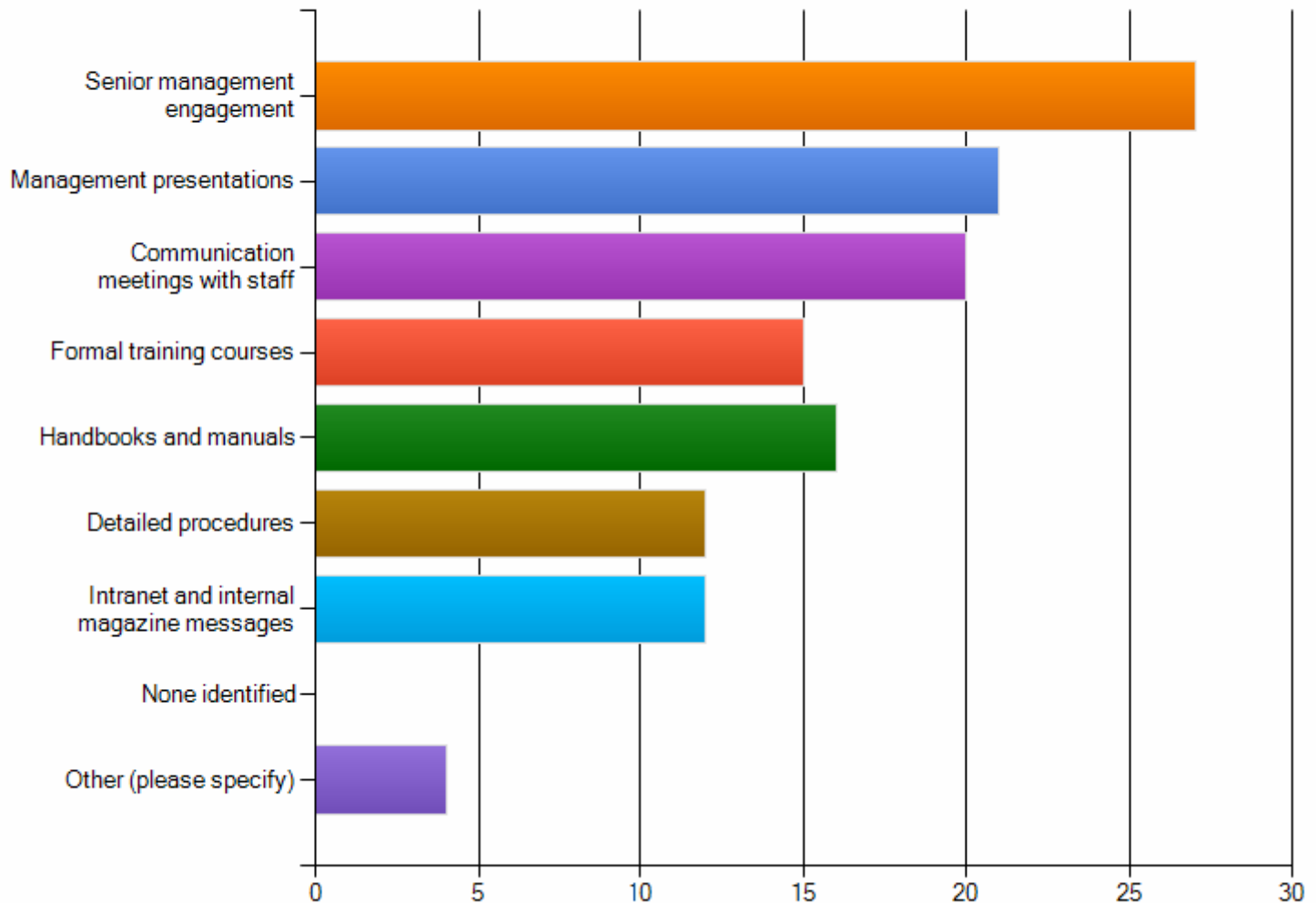
Has your organisation defined what 'embedding' looks and feels like in terms of enterprise risk management?



If your organisation has defined 'embedding' what criteria or aspects of 'embedding' are you looking for ultimately? PICK AS MANY AS RELEVANT

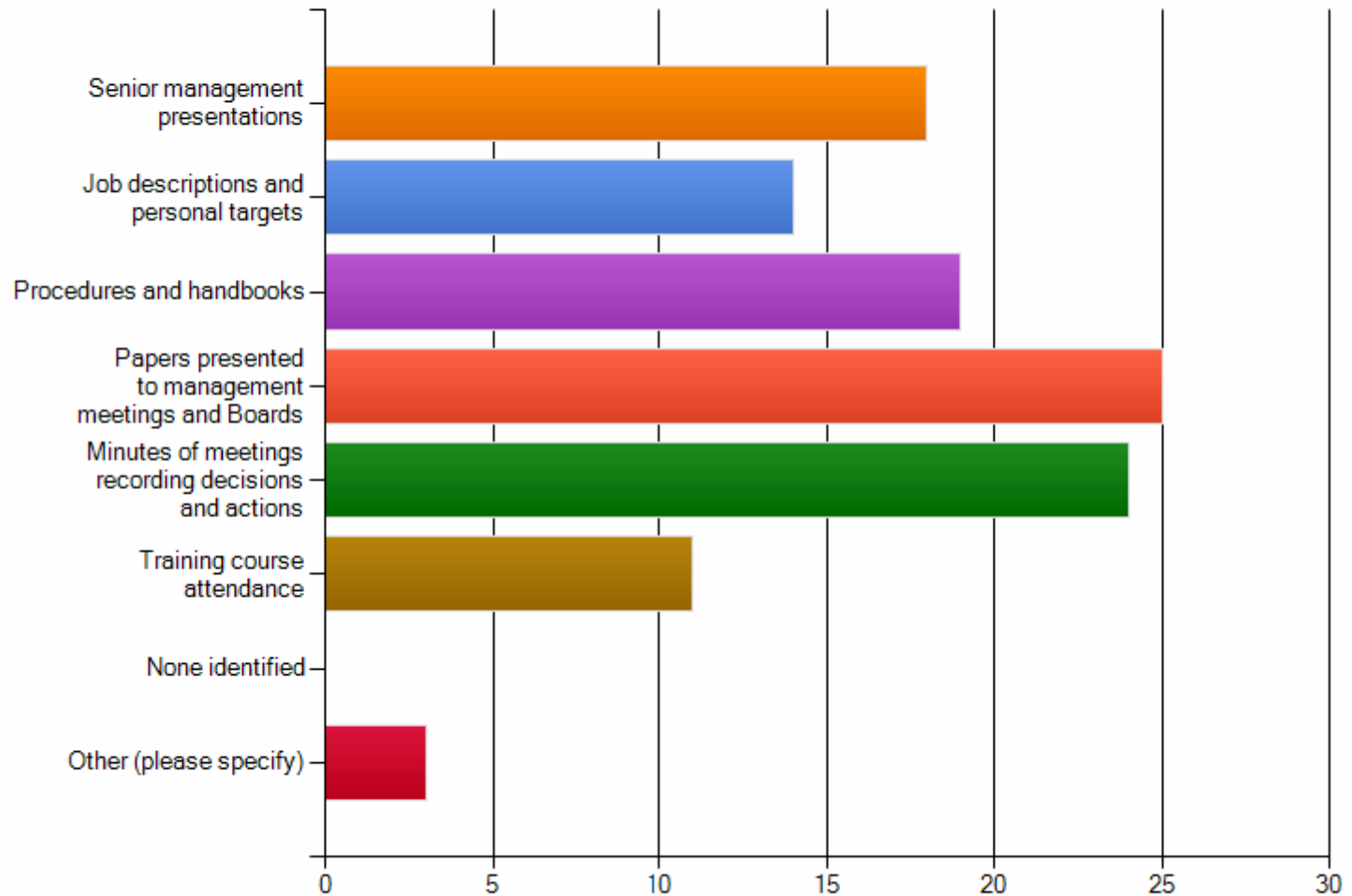


How is your organisation going about embedding the risk management framework across your organisation and in all subsidiaries? PICK AS MANY AS RELEVANT



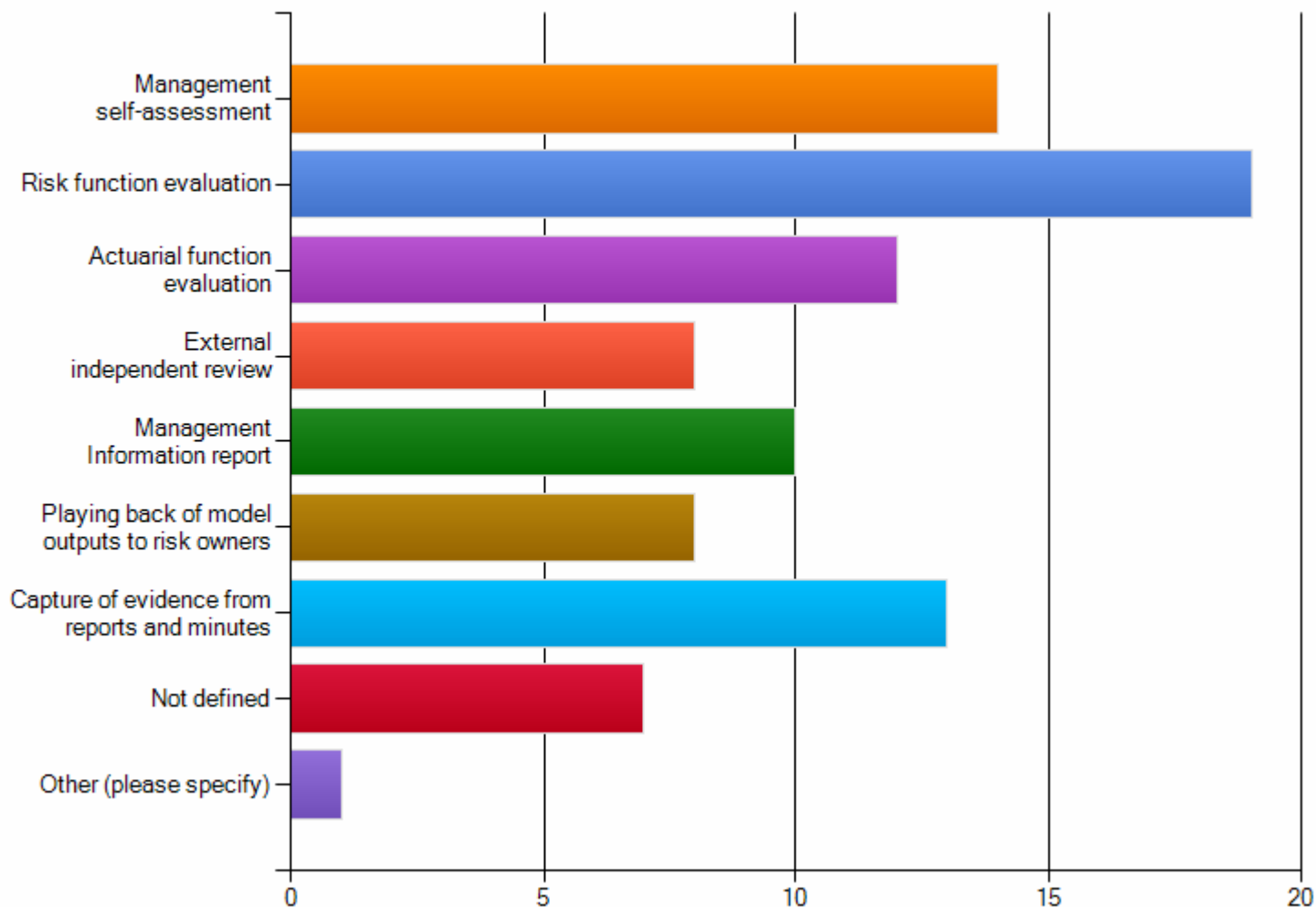
Other includes committee papers, risk workshops

How is your organisation planning to capture evidence of 'embedding' risk management to prove that this is occurring across your organisation and in all subsidiaries? PICK AS MANY AS RELEVANT

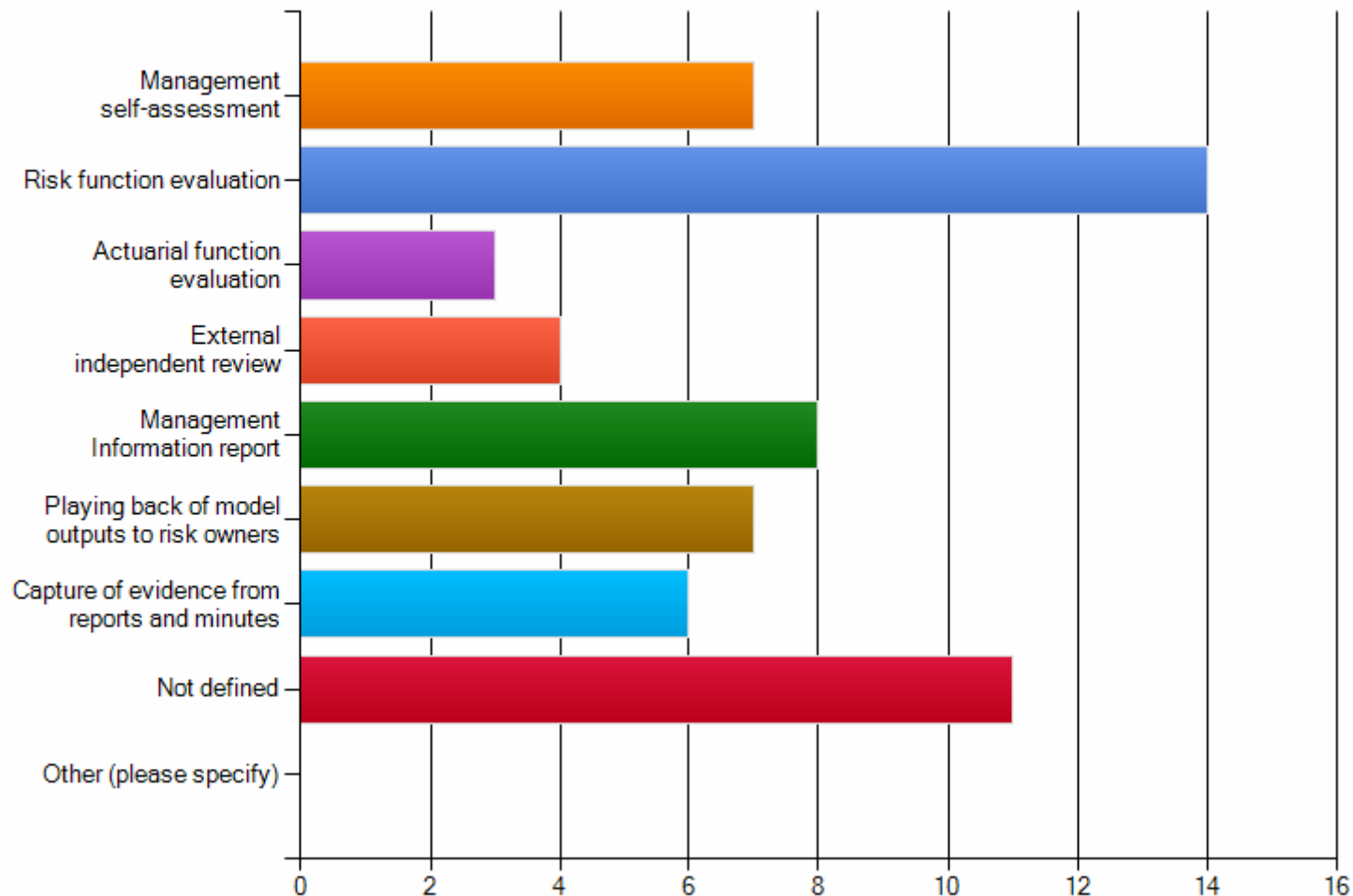


Other includes risk reports and papers

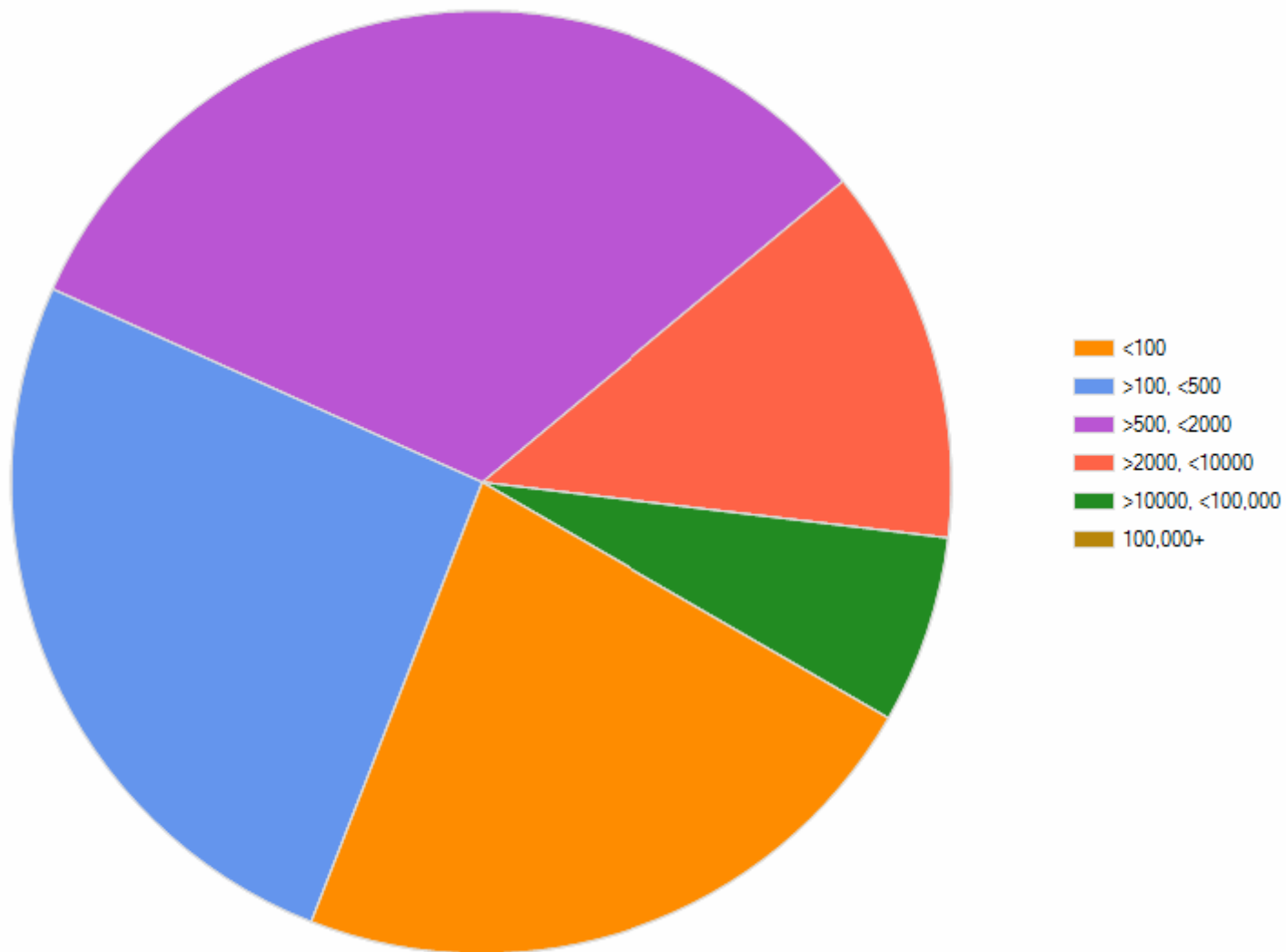
How is your organisation planning to measure the level of 'Use' of the Internal Model across your organisation and in all subsidiaries? PICK AS MANY AS RELEVANT



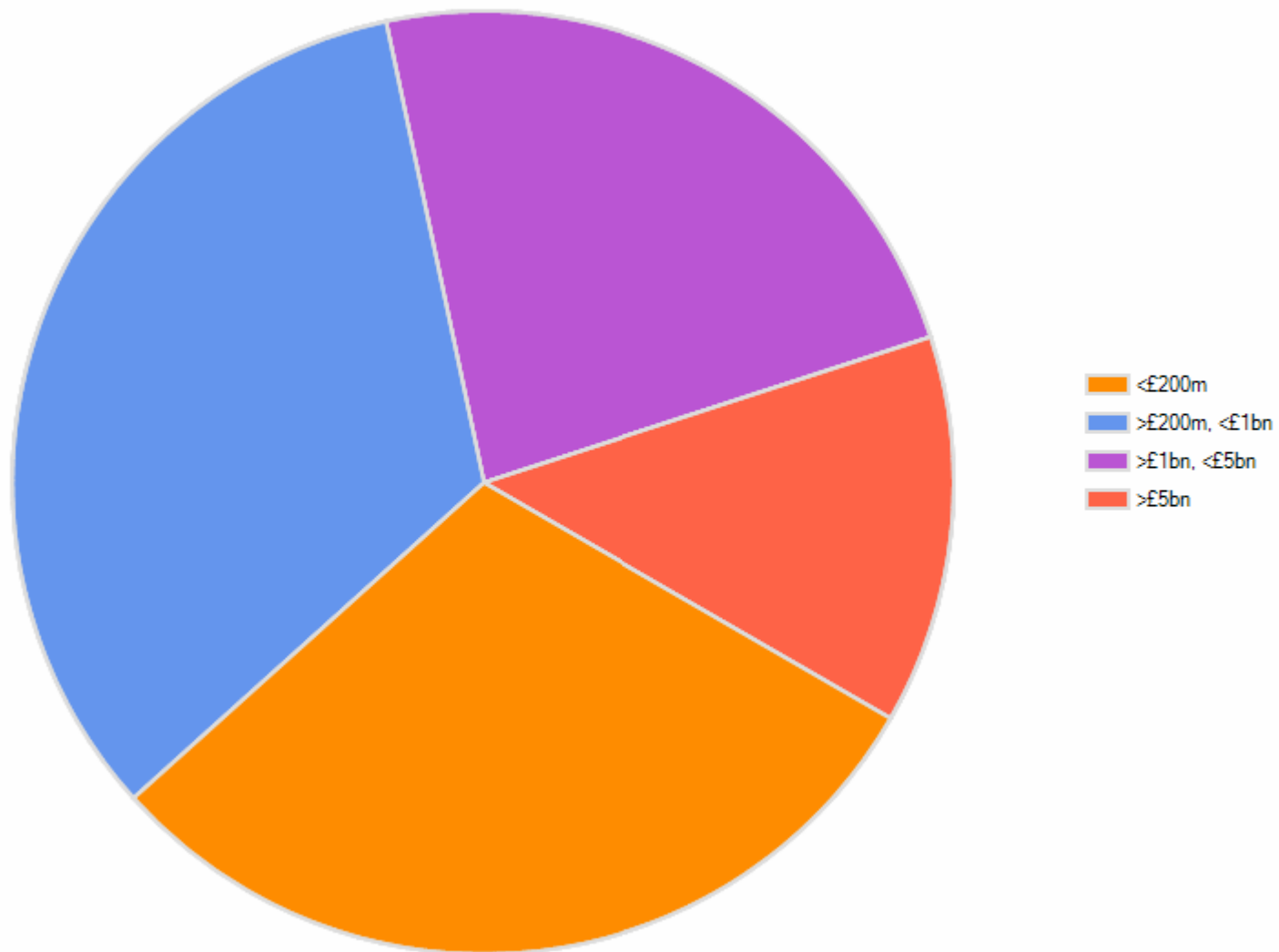
How is your organisation planning to measure the level of 'Use' of the operational risk module of the Internal Model across your organisation and in all subsidiaries? PICK AS MANY AS RELEVANT



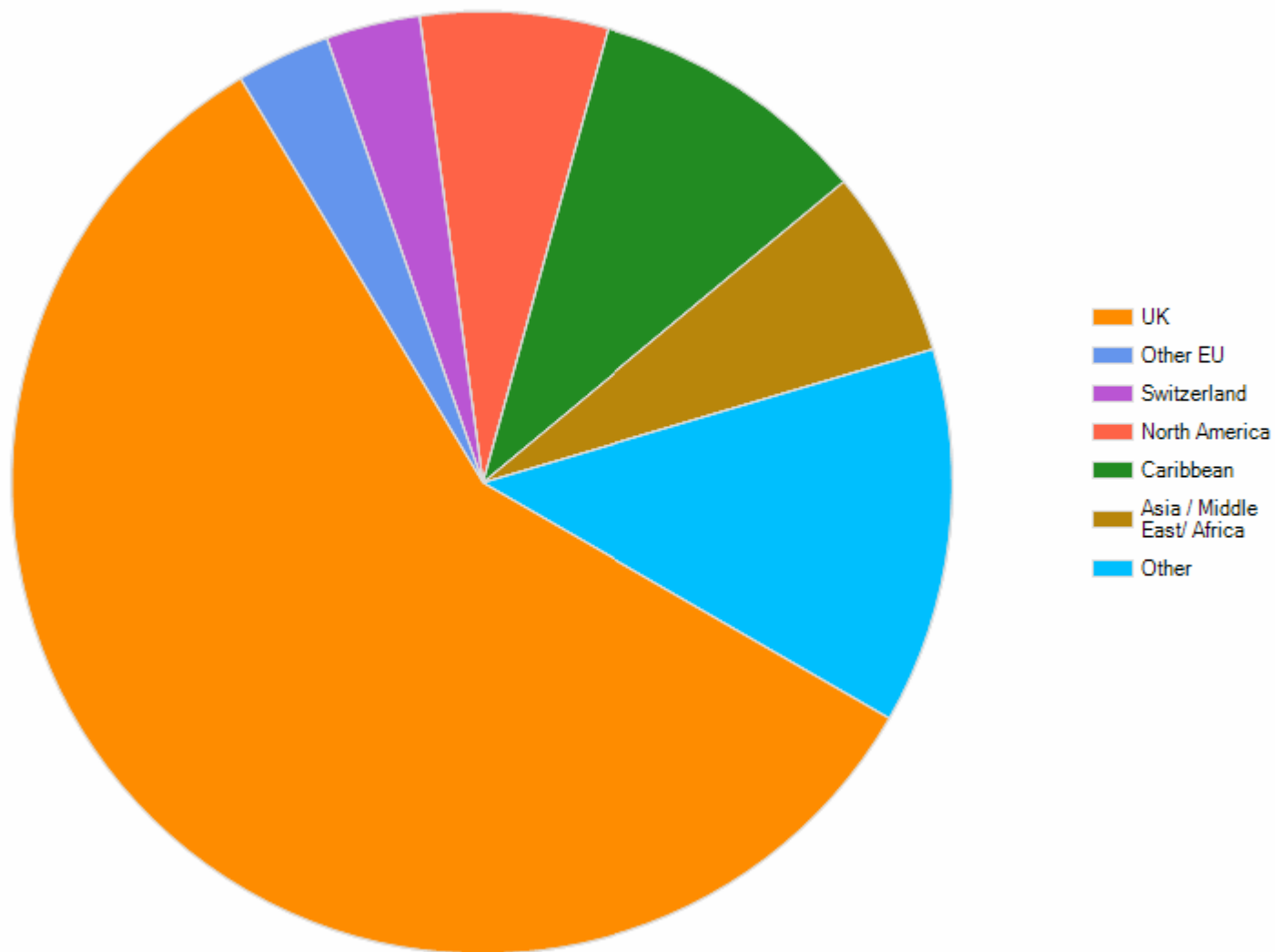
Organisation headcount



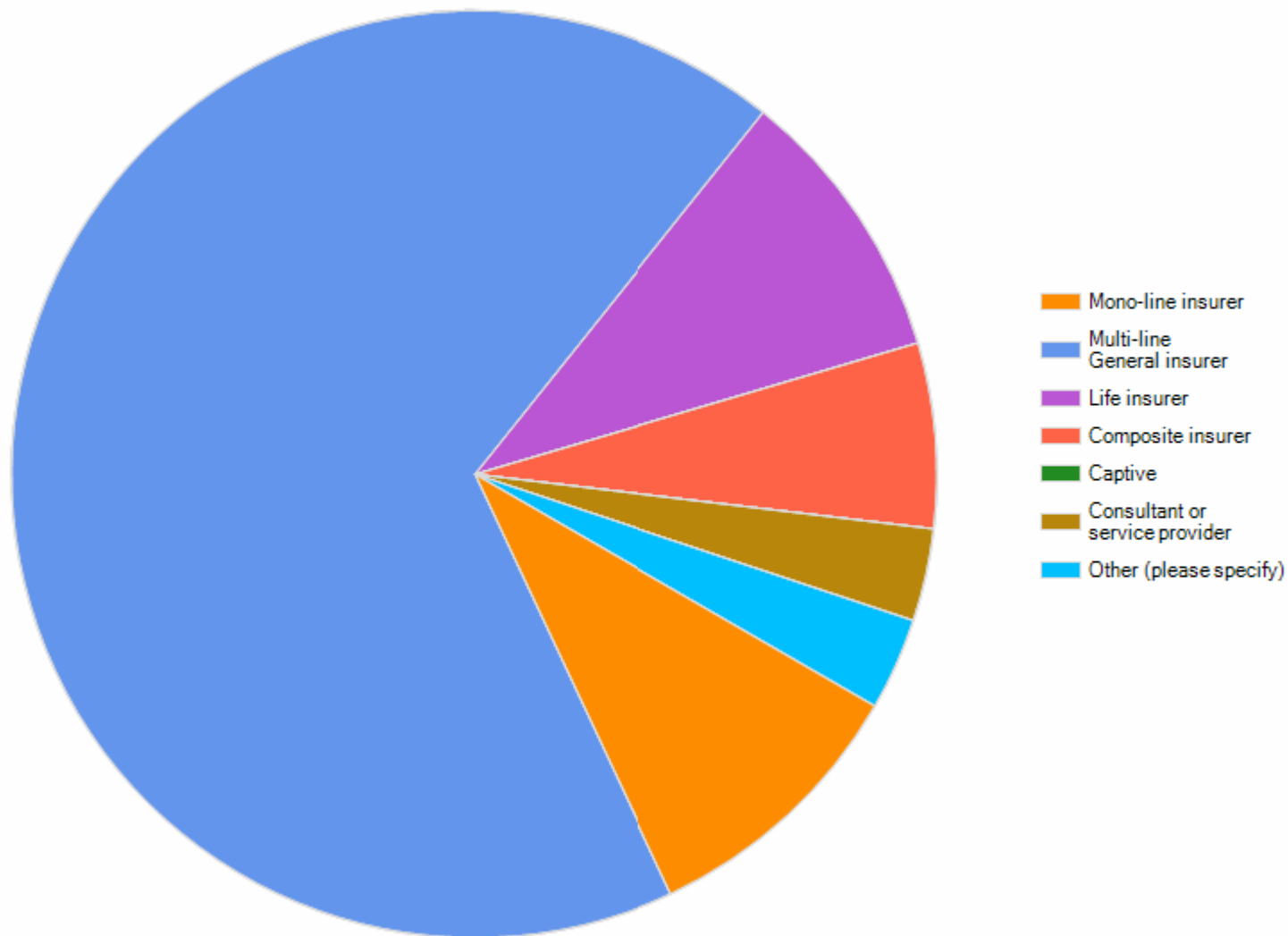
Organisation turnover



Domicile of organisation's overall Headquarters



Primary type of business



Conclusions

- Much remains to do to define the scope of the task, particular with 'embedding'
- Use test is very much 'work in progress' – 16% have finished defining their uses where 13% have not started
- 'Top 3' uses are capital allocation, setting regulatory capital and business planning
- 75% of organisations are working on what 'embedding' looks like, only 10% have a clear definition
- Most common definition of embedding is it is used in decision making, followed by integration into process, communication and actively sponsored
- The route to embedding starts with senior management engagement and communication exercises with management
- The main means of evidencing embedding appear to be records of presentations (80%) and minutes of meetings (83%)
- The main means of evidencing 'use' is by risk function evaluation (64%) with management self-assessment also widely considered
- 35% of organisations have not defined how they will use their operational risk module. For that have, risk function evaluation (45%) is the most popular