

Solvency II Survey Findings

Measuring the effectiveness and performance of the risk function and framework

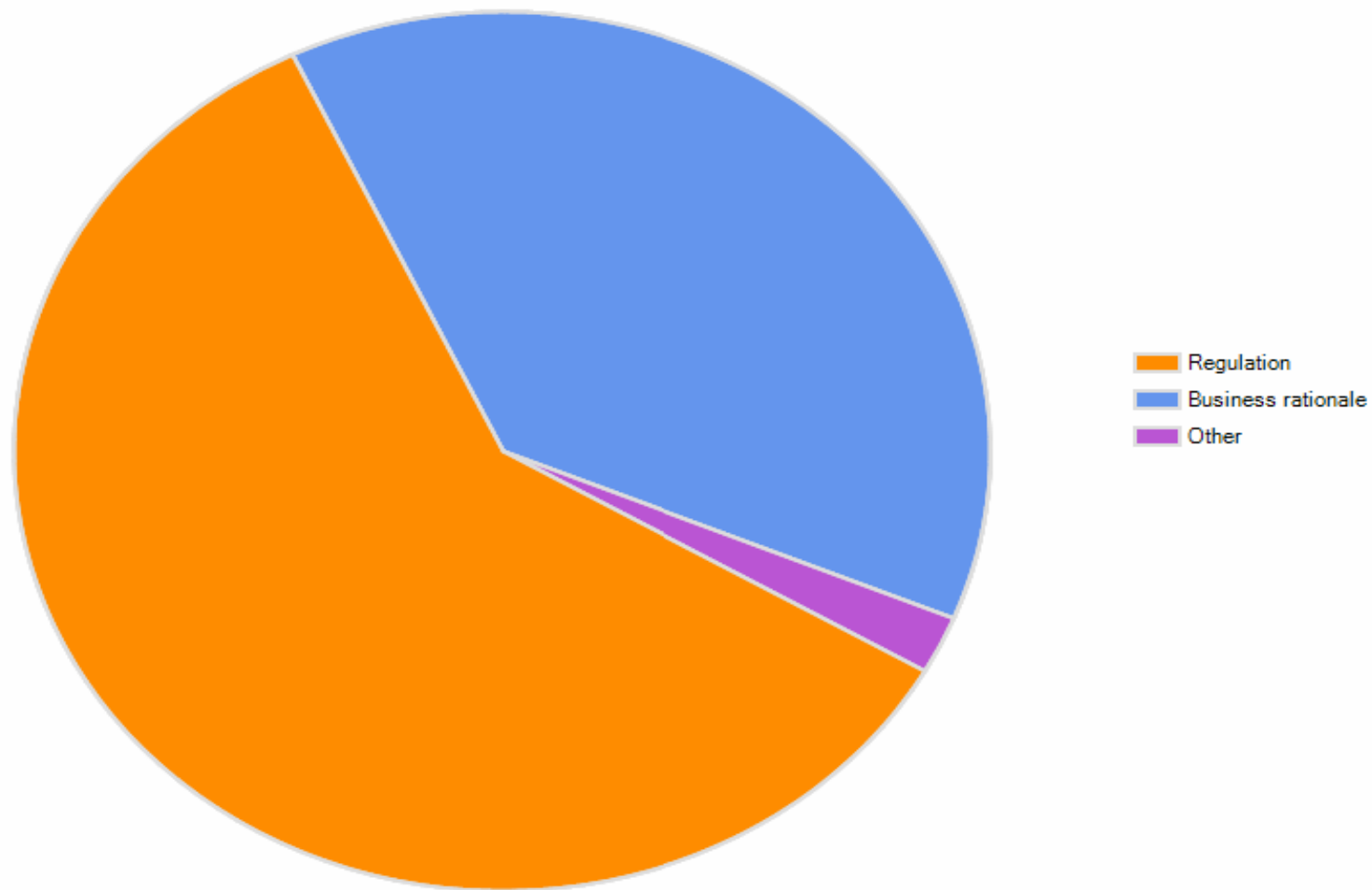
November 2011 SIG

(48 Participants)

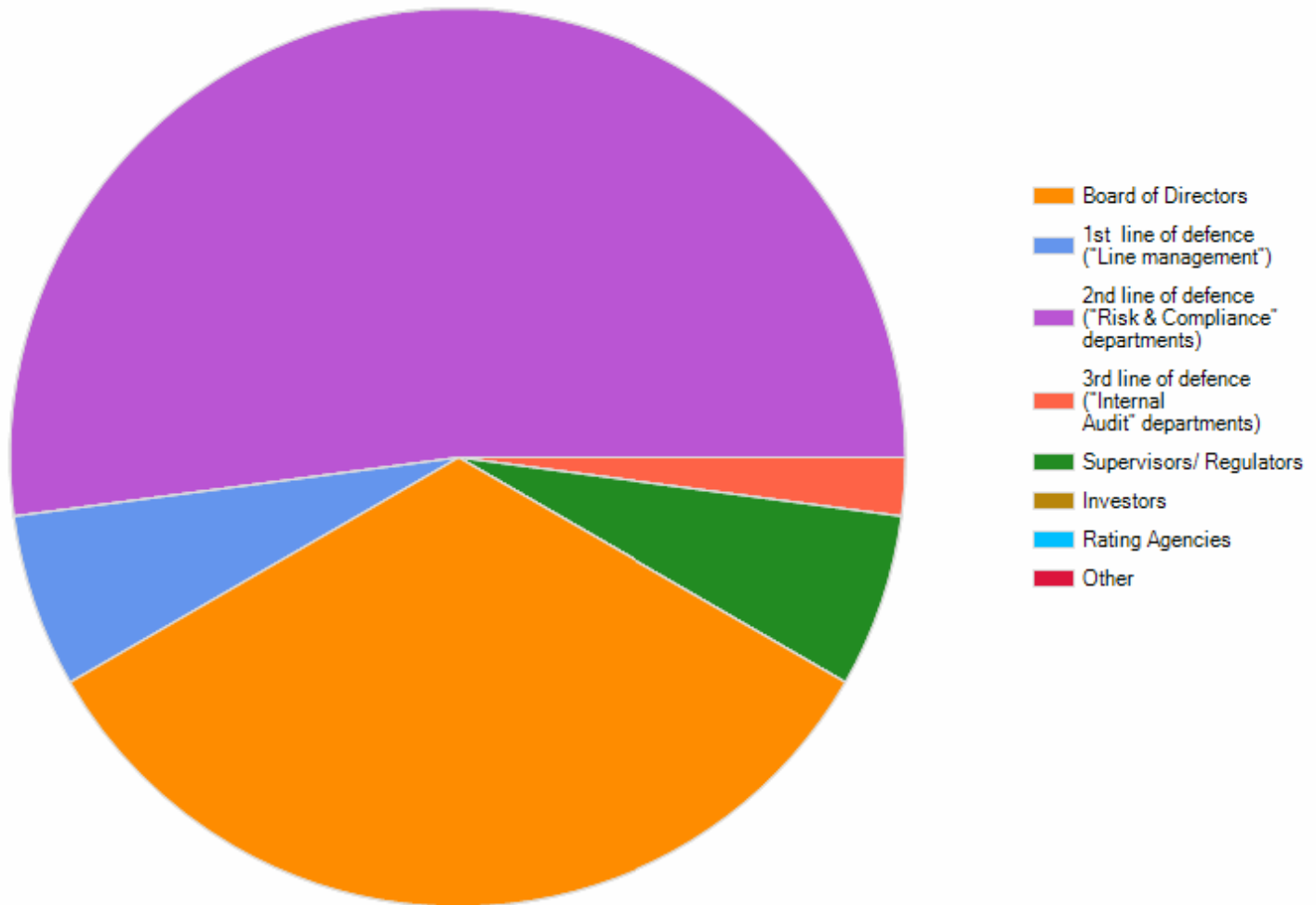
Summary

- IRM Solvency II SIG completed an online survey on the measuring the effectiveness and performance of the risk function and framework
- Key aspects considered included
 - What are drivers for risk management adoption?
 - Who are most influential in driving risk management?
 - Which parts of the organisation have embraced or resisted risk management implementation?
 - Which categories of risk are currently most effectively managed?
 - How should the CEO behave to support effective risk management?
 - Who is ultimately responsible for risk management framework?
 - What is the role of the risk function (2nd line) in risk management implementation?

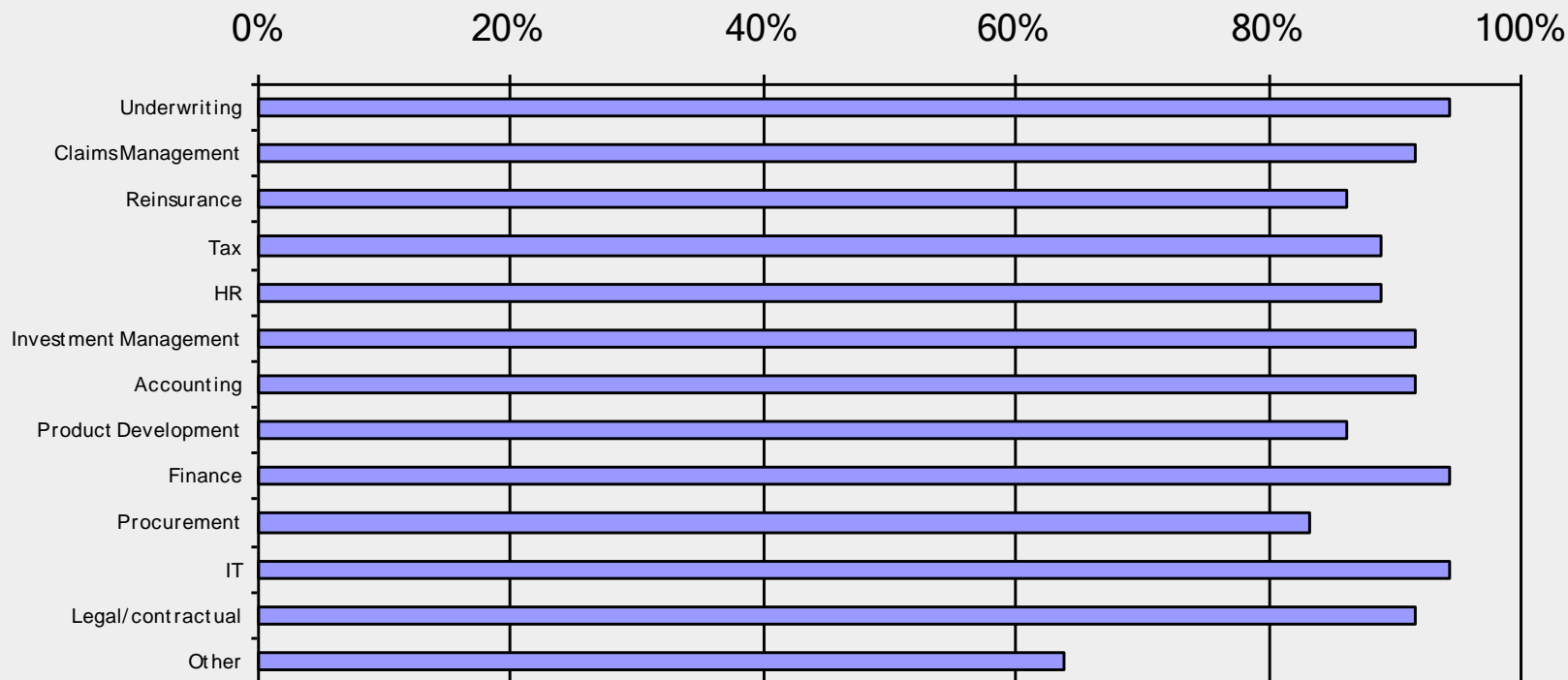
Which of the following is the biggest driver in improving risk management effectiveness in your organisation: (pick one)



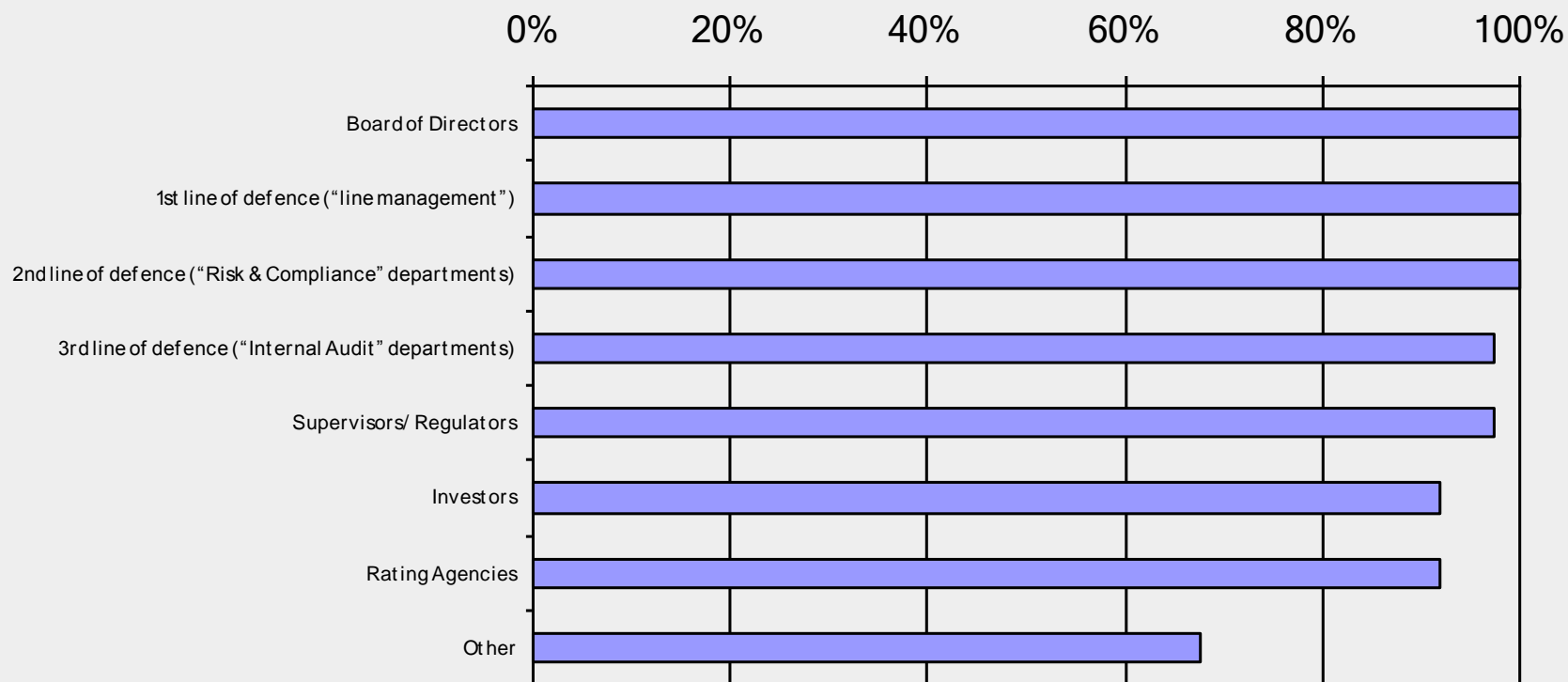
Which of the following groups of people have had the greatest positive influence on improving risk management effectiveness in your organisation? (pick one)



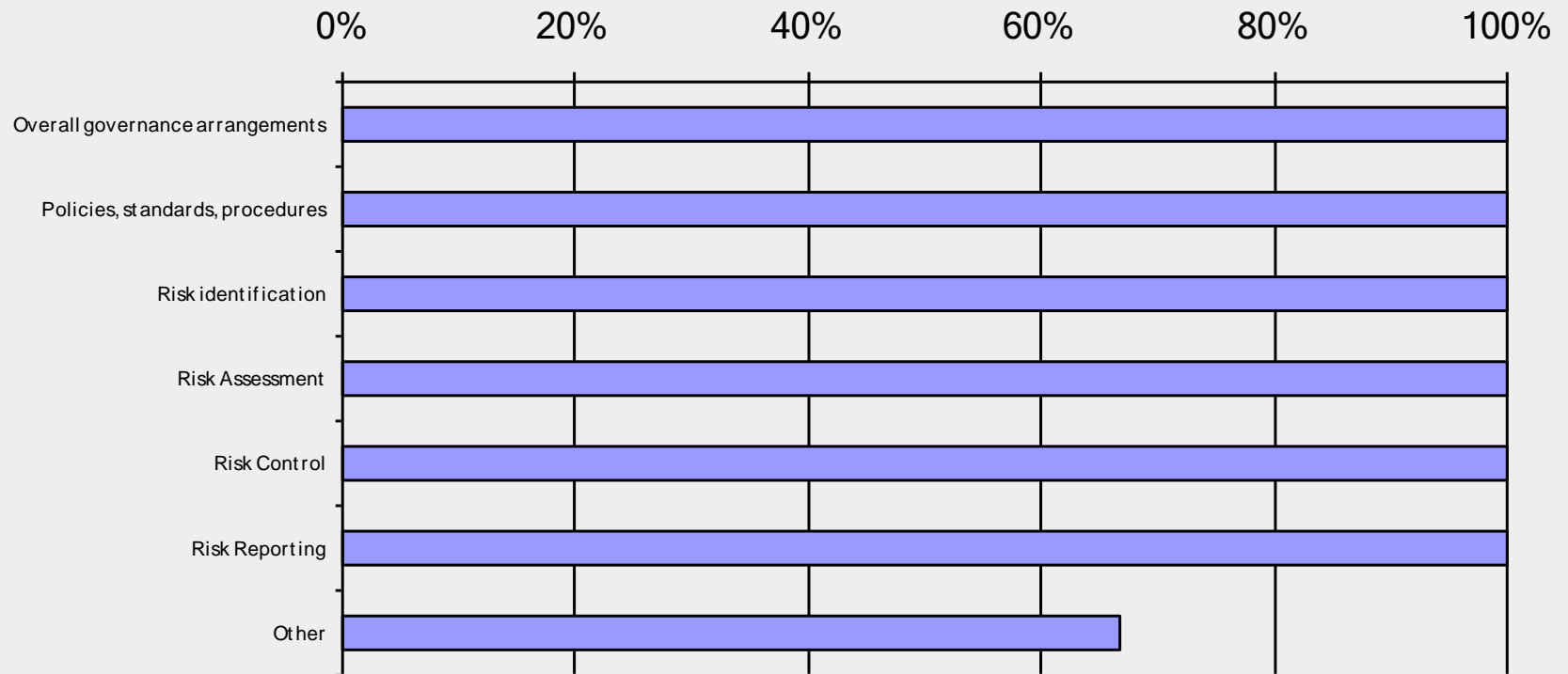
In which processes/departments is risk management applied most/ least effectively in your organisation? (rank them in order 1 = most effective, 13 = least effective)



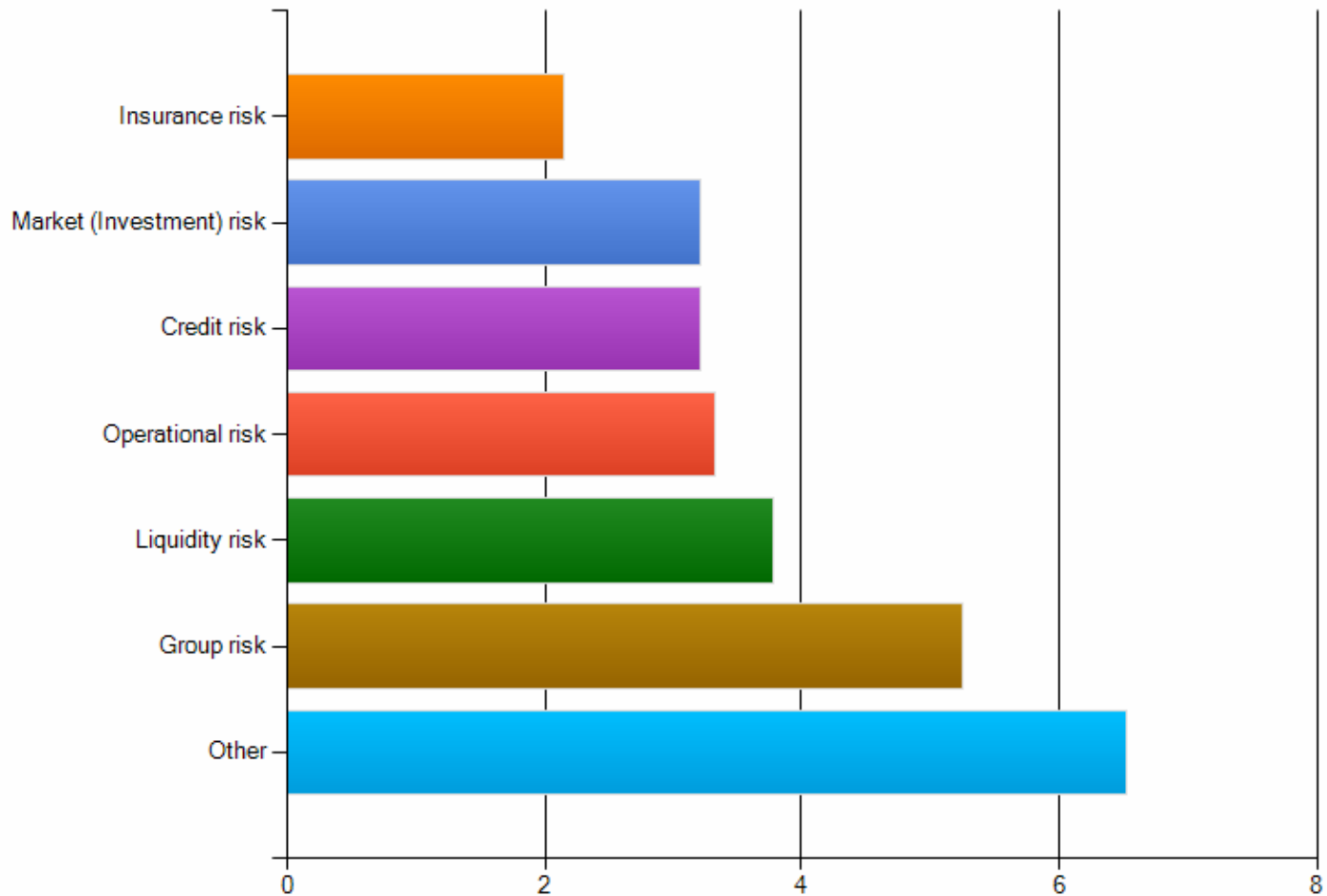
Which groups of people do you believe are most/ least effective in managing the risks of your organisation: (rank them in order 1 = most effective, 8 = least effective)



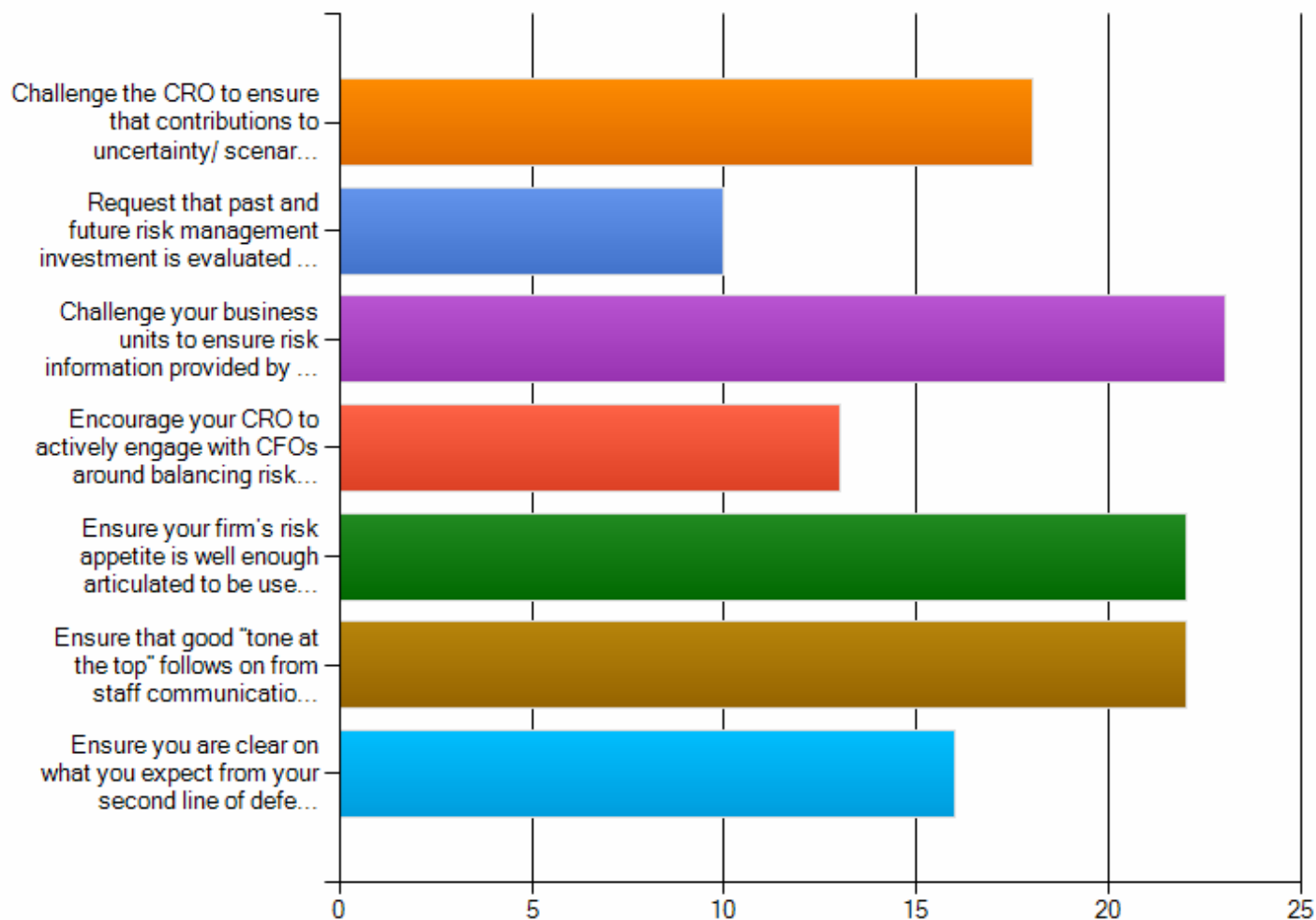
Which framework components are most effective in your organisation: (rank them in order 1 = most effective 7 = least effective)



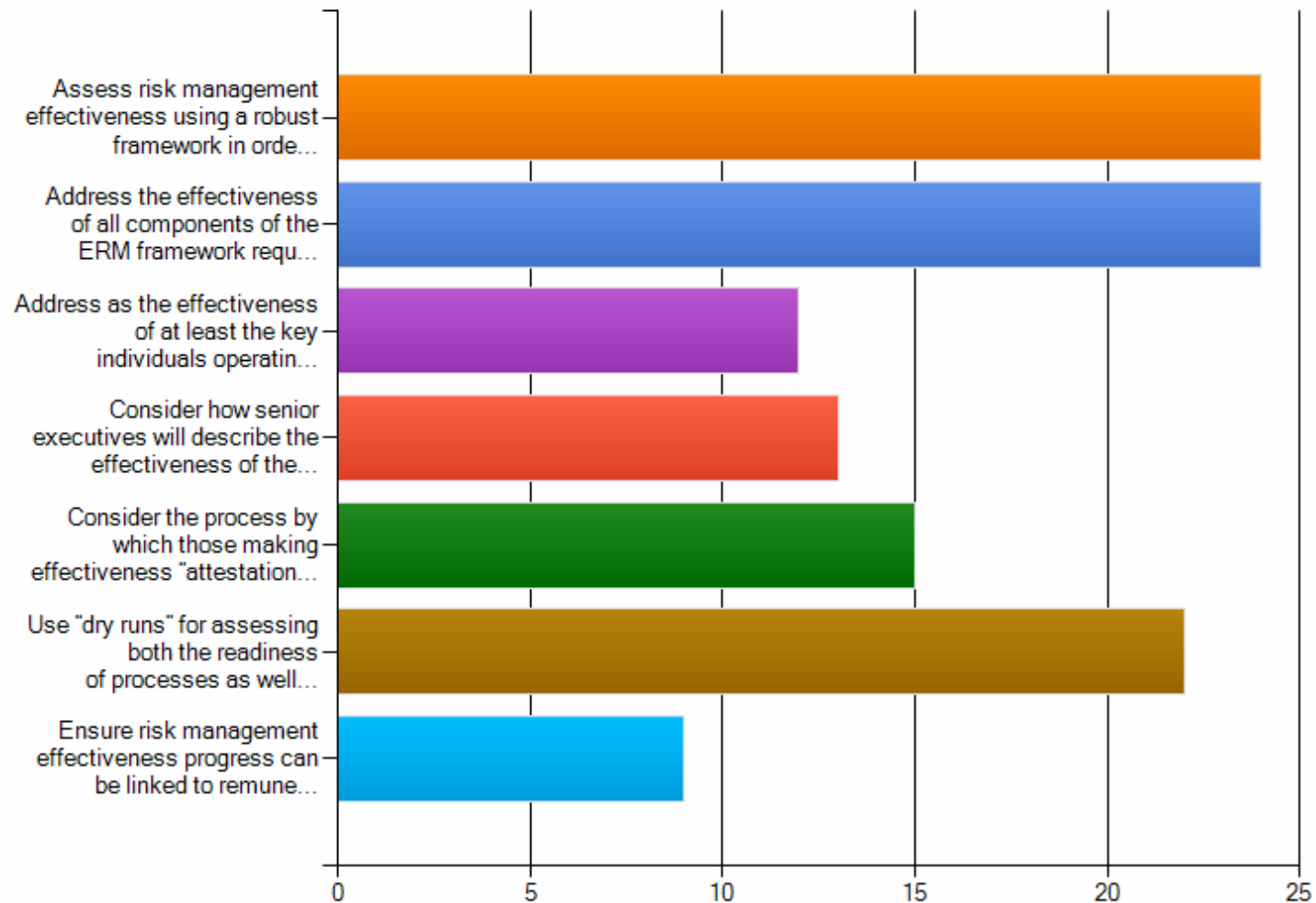
For which categories of risk is risk management most/ least effective in your organisation? (rank them in order)



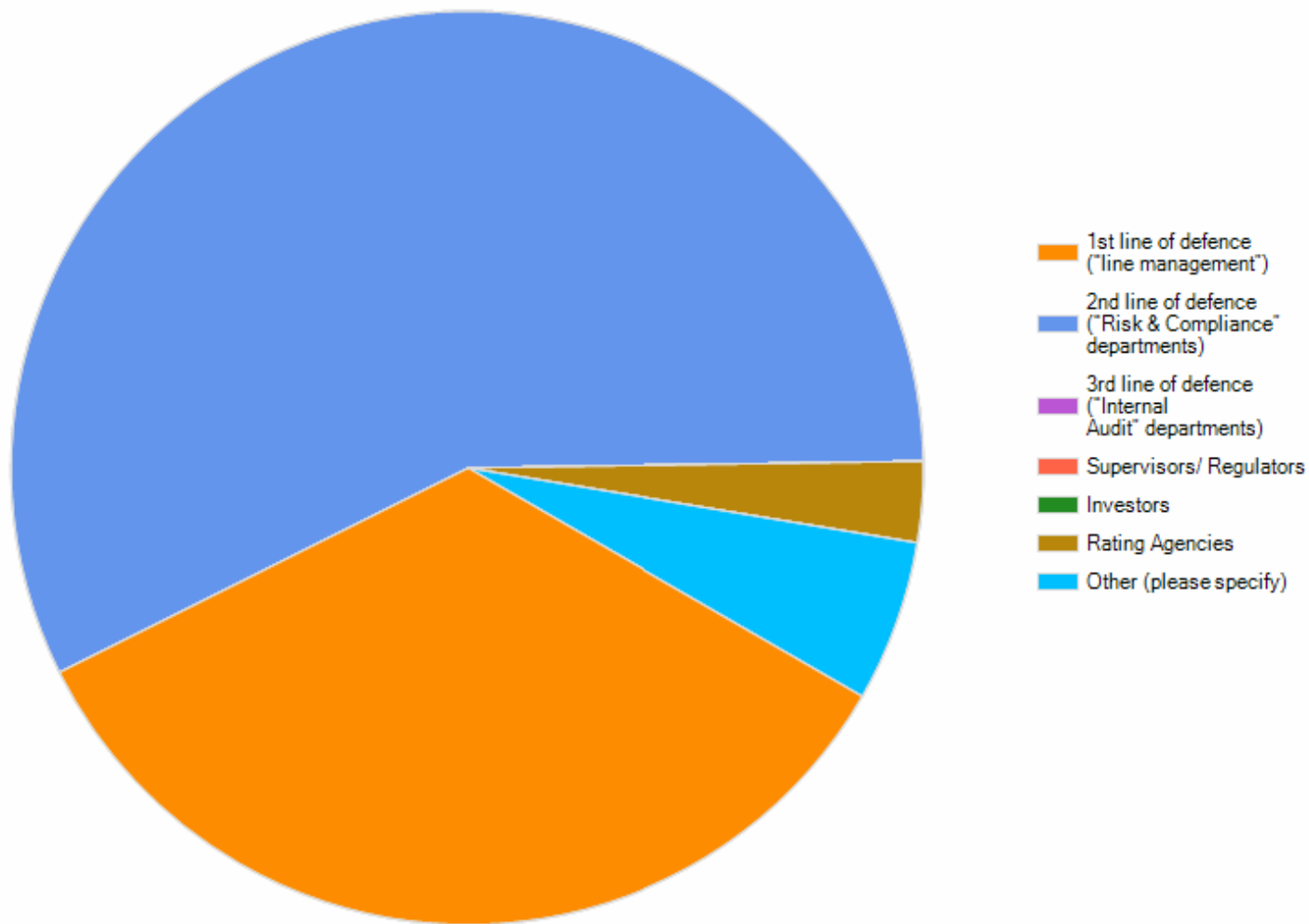
Which of the following suggested behaviours for CEOs would your organisation benefit from most? (pick as many as relevant)



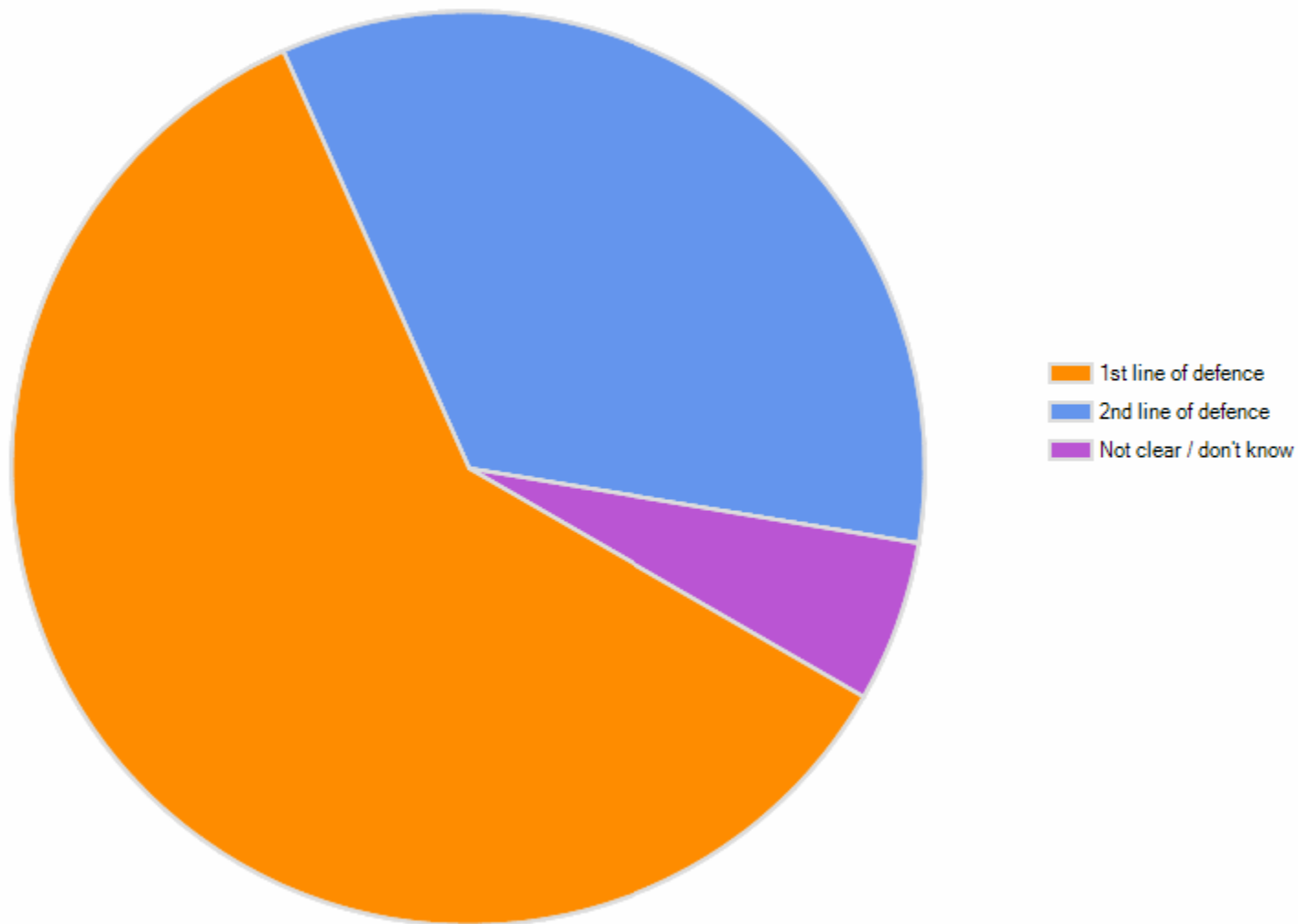
Does your organisation's SII readiness project include the following recommendations for ensuring compliance with the effectiveness requirements of SII?: (pick as many as relevant)



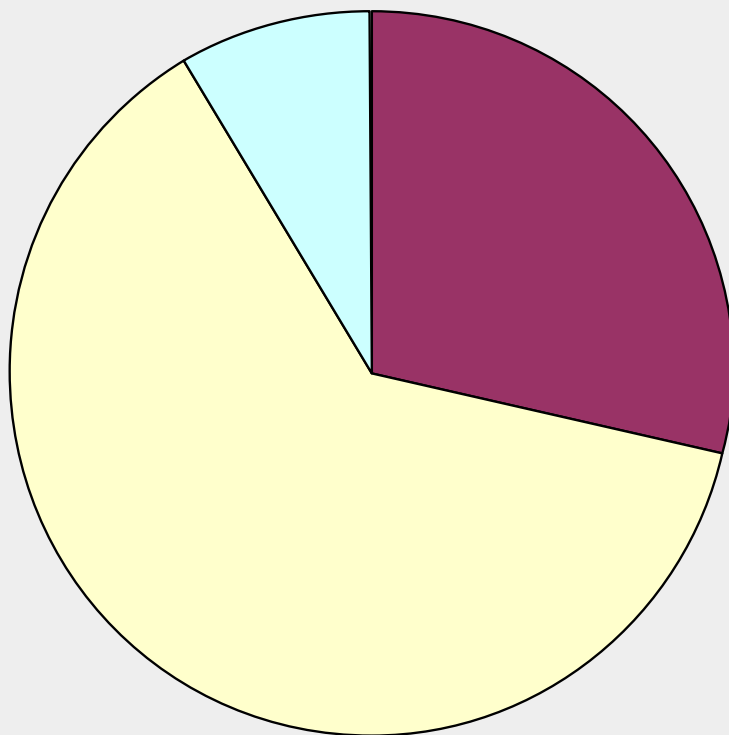
Who has most responsibility for overall risk management effectiveness in your organisation (pick one)



Which of the following has most responsibility for the effectiveness of risk management in the 1st line (pick one)

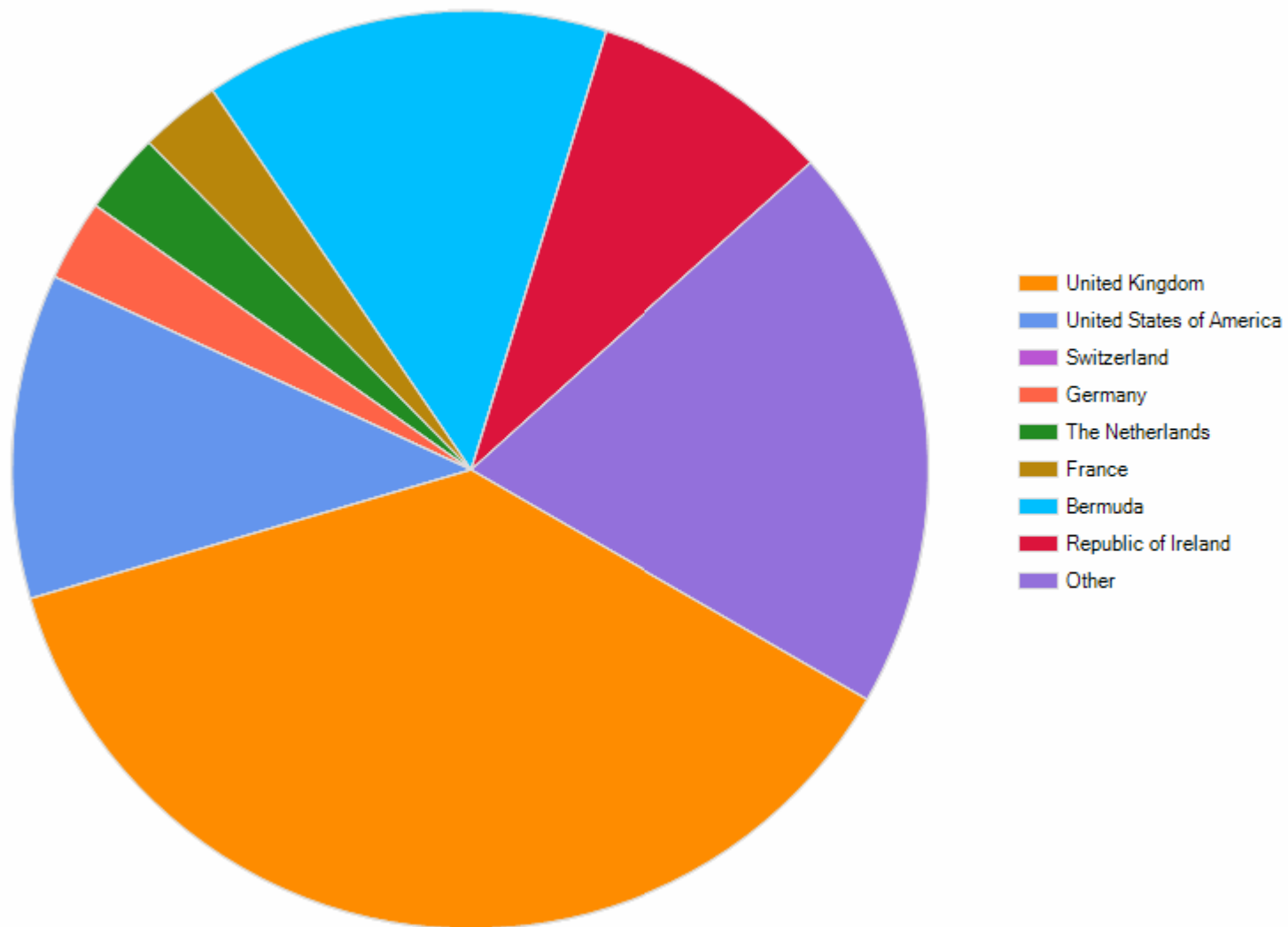


Which of the following do you think should best define the role of the risk function (2nd line of defence) in effective risk-based decision making (pick one)

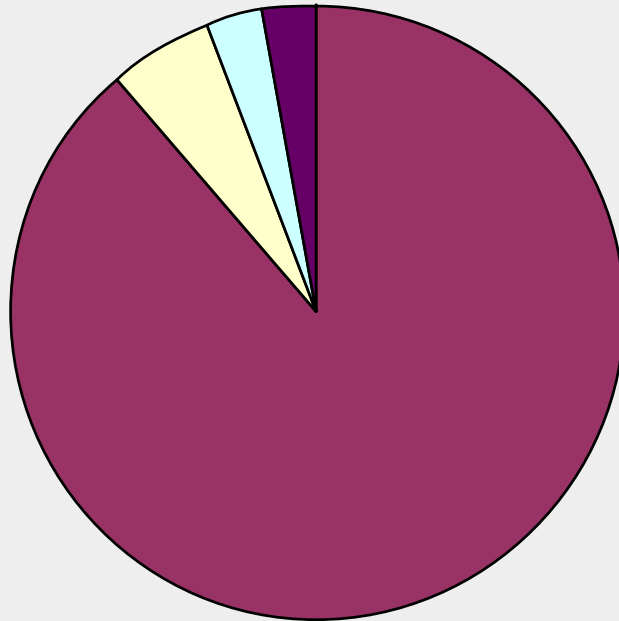


- Actively involved but challenge is not independent
- Sign-off / endorsement required on risk aspects of all major decisions
- Actively involved and providing independent challenge but no sign-off required
- Not actively involved in decision making but does undertake oversight of the extent to which risk information is being properly used in decision making

In which country is your parent organisation headquartered:



Please select the industry role that best describes your organisation:



- Buyer of insurance
- Seller of Insurance
- Insurance Intermediary
- Advisor to insurance clients
- Other

Conclusions

- The primary driver (60%+) for risk management implementation is regulatory
- The Board has the greatest influence over risk management effectiveness but largely through a strong risk function
- Adoption of risk management is broadly comparable across all corporate functional areas
- There is most confidence in the management of insurance and market risks. The weakest areas are liquidity and 'group' risks as well as 'other'. This might be a reflection on the focus being on 'regulatory prescribed categories' of risk
- The CEO is being looked to clear express risk appetite, set the right tone and behaviours and challenge business units to clearly articulate their risk issues
- Most organisations are evaluating the effectiveness of risk processes as part of their SII preparation. Less are reviewing the effectiveness of key people and functions.
- Risk professionals clearly think the 2nd line is left with the primary responsibility for risk framework implementation and the task of 'bringing the 1st line with them'
- Most 'risk operating models' require the risk function to challenge management without having to sign off. Some organisations require the risk function to sign-off major decisions.