

Solvency II Survey Findings

Using operational risk models

May 2011 SIG






(28 Participants)

Summary

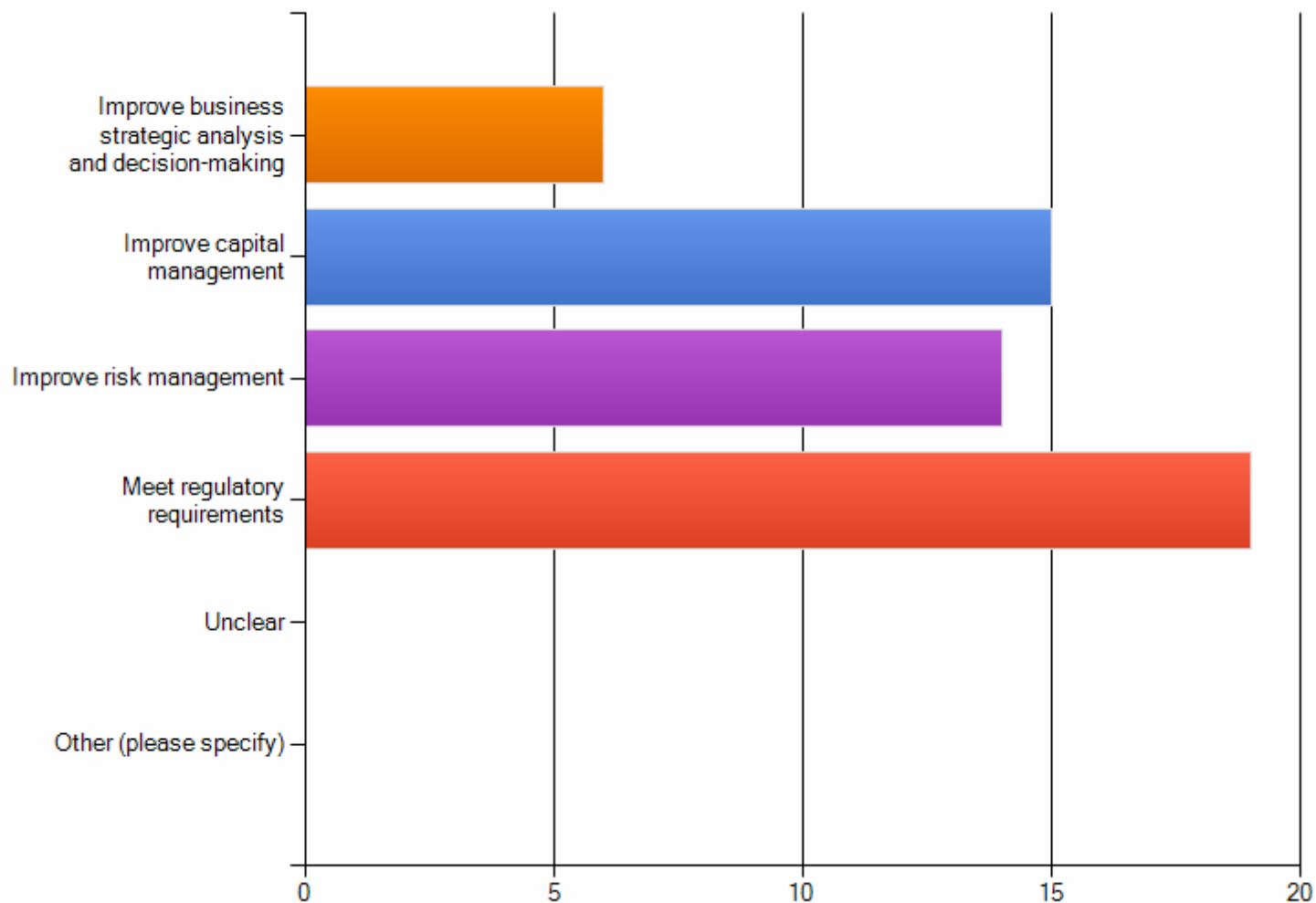
- IRM Solvency II SIG completed an online survey on how organisations currently use and plan to use operational risk models under a Solvency II environment
- Key aspects considered included
 - Model development and sophistication
 - Model ownership and use
 - Level of embedding of model within business
 - Confidence in the operational risk model output
 - Focus on improving data quality
 - Use of external databases
 - Capital modelling approaches

How well does your organisation model operational risk? (tick the most appropriate answer)

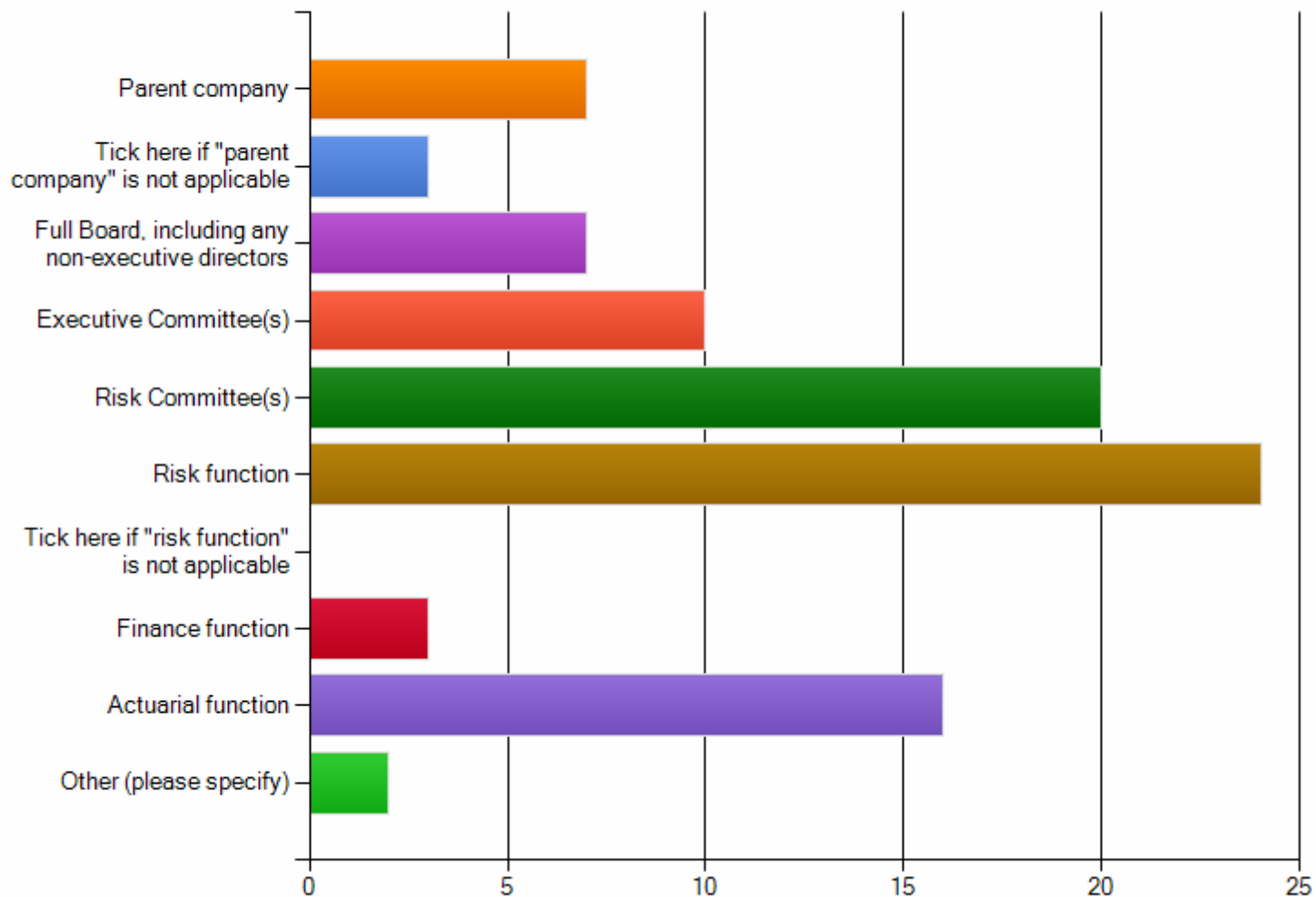


-  The methods and processes are generally well established and suffice...
-  The methods and processes have been recently introduced and being tes...
-  No well at present but the intention is to undertake significant deve...
-  Not well and no intention to develop beyond the basic requirements of...
-  Do not know

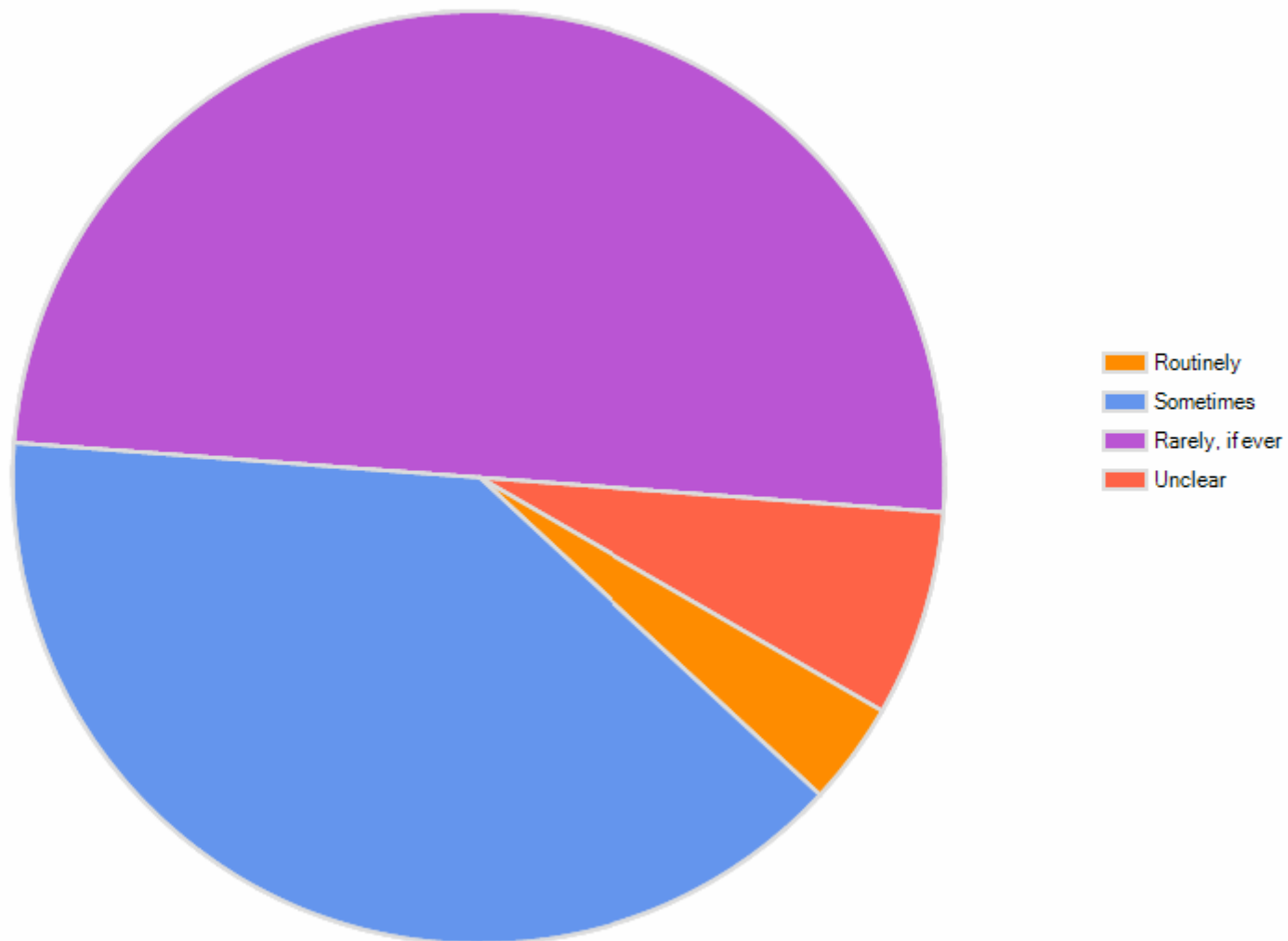
What is the primary motivation for modelling operational risk in your organisation? (tick all that apply)



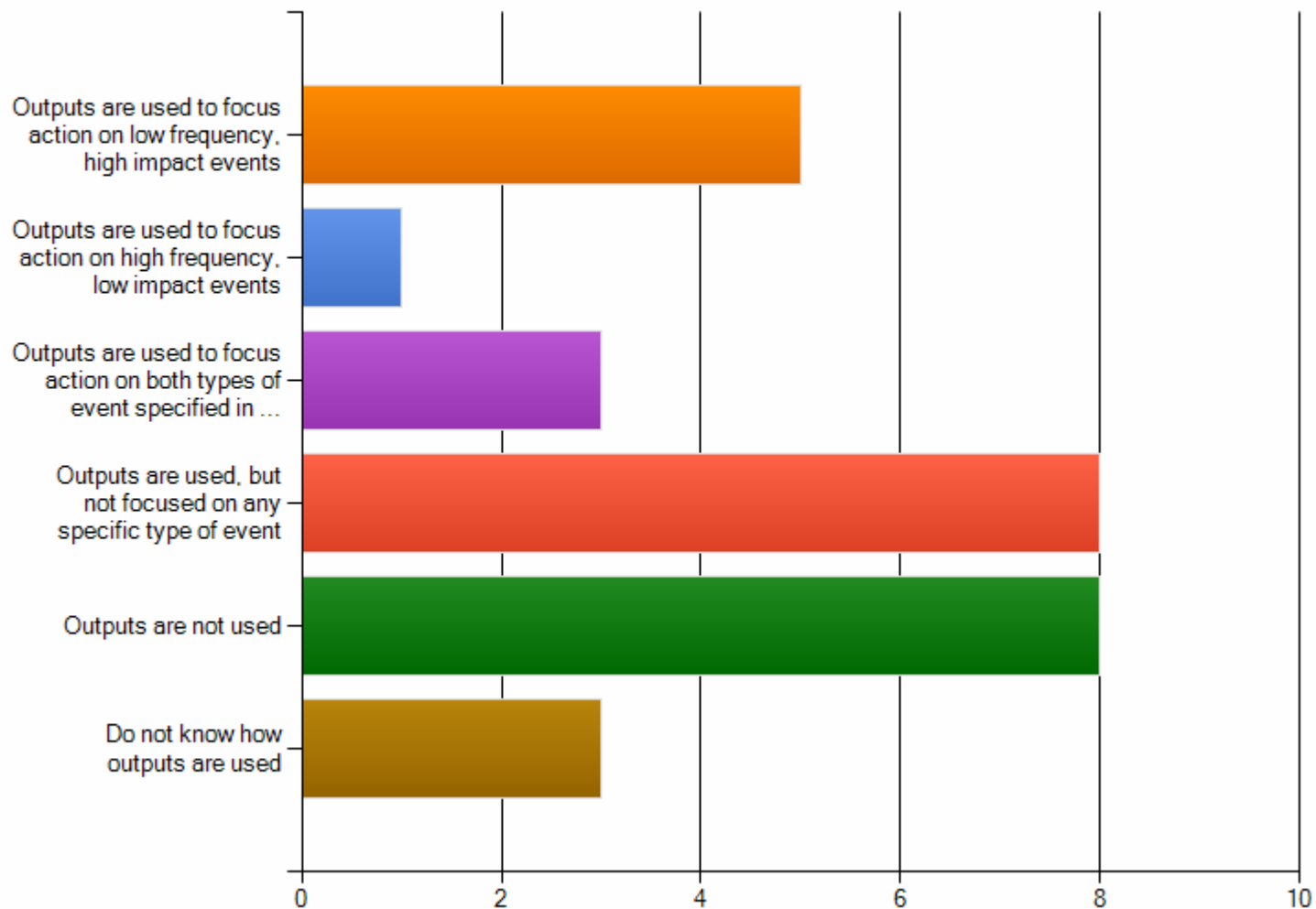
Who in your organisation considers the outputs of the operational risk model? (tick all that apply)



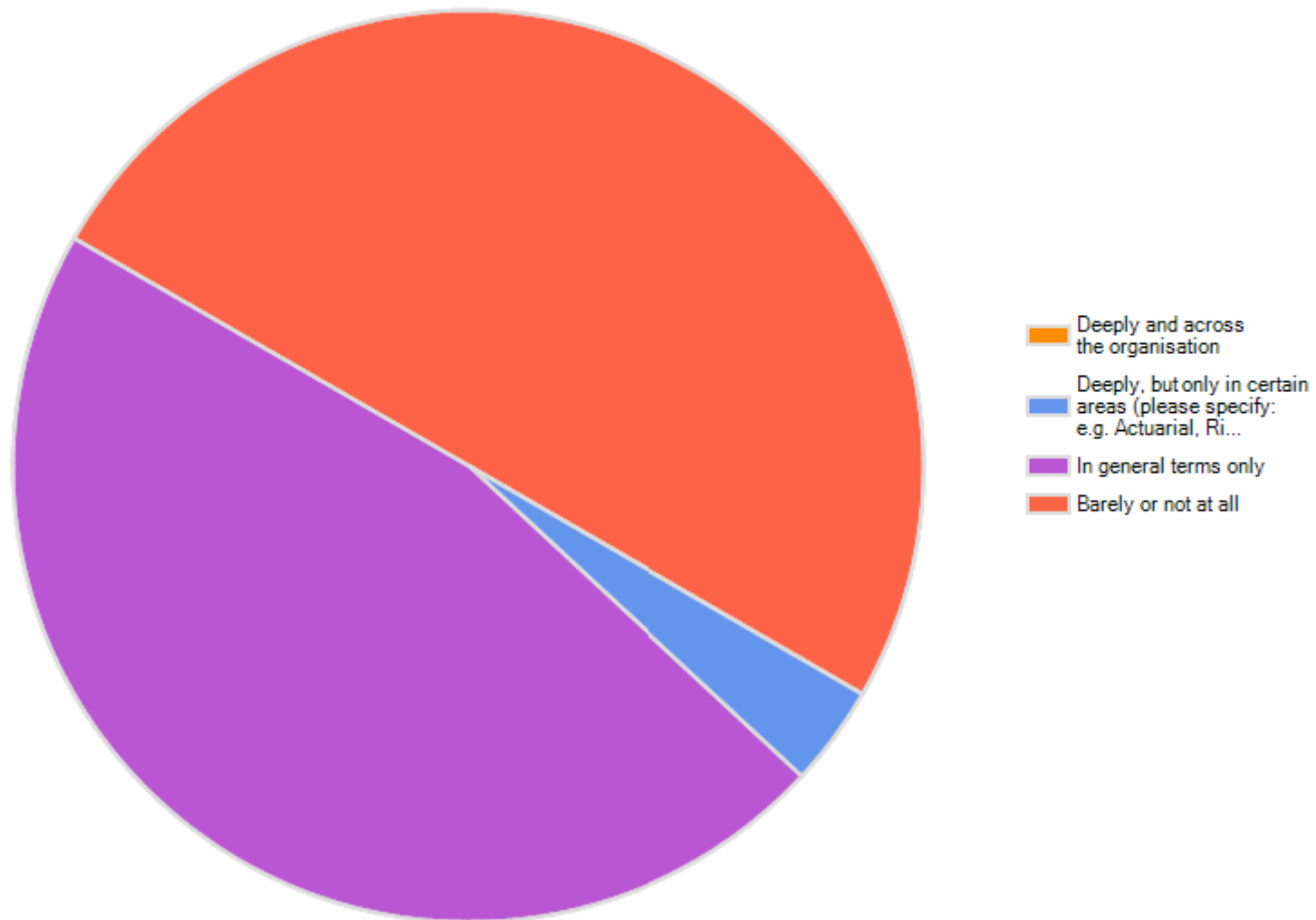
To what extent is your organisation's operational risk model used to inform decision-making? (tick the most appropriate answer)



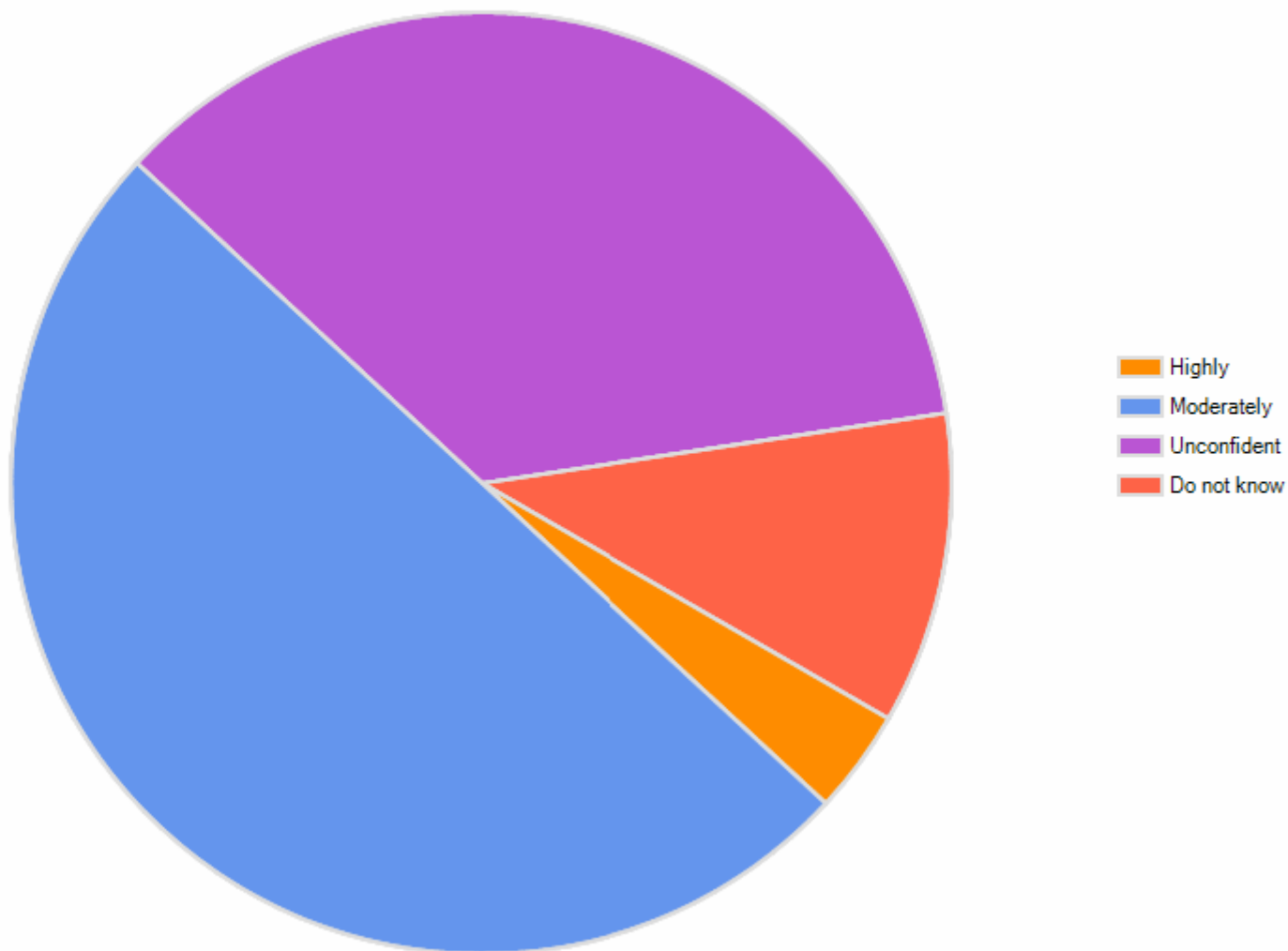
Is the output of the operational risk model used to initiate management action? If so, where is it focused? (tick the most appropriate answer)



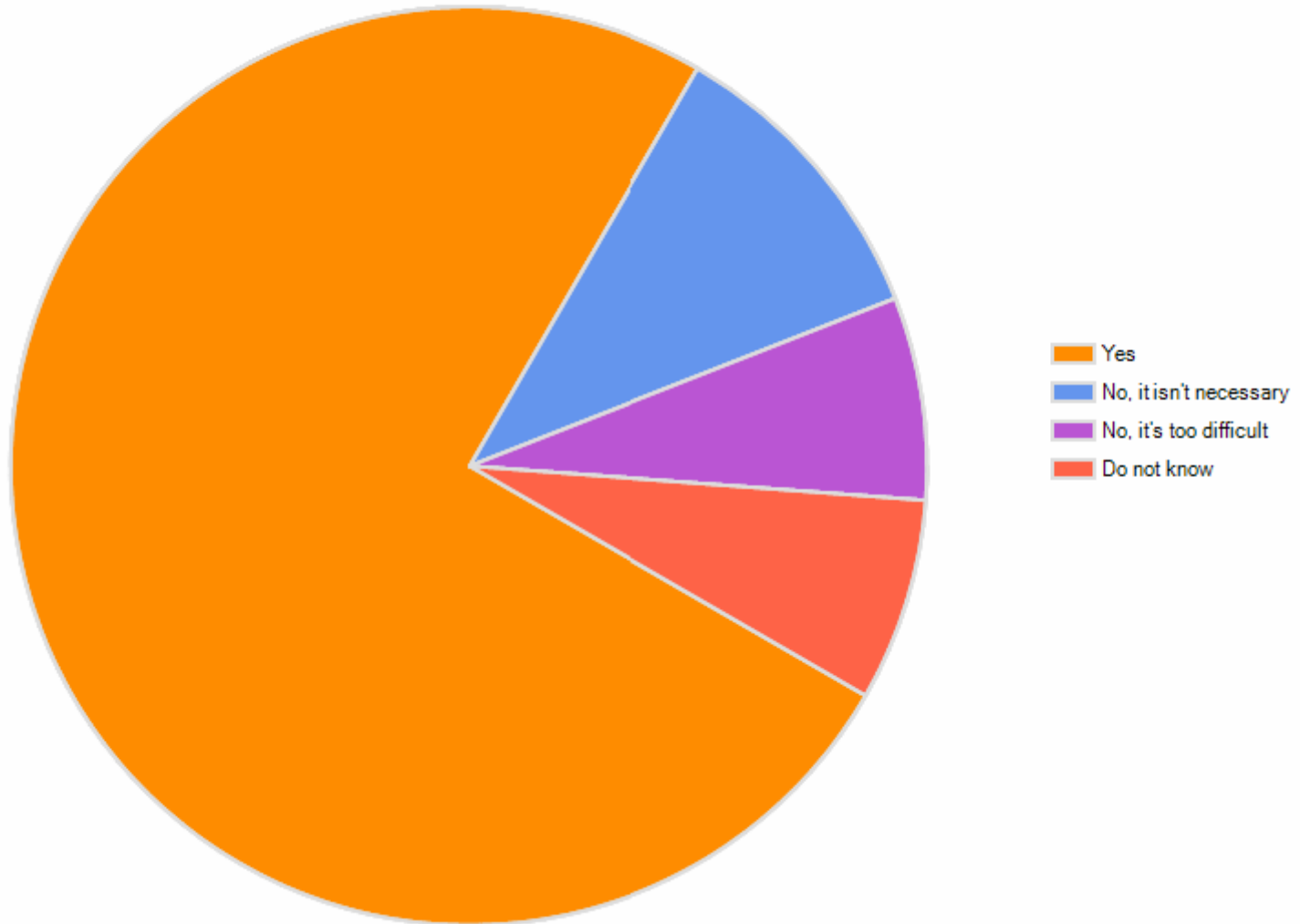
To what extent is your operational risk model used to set objectives in the business? (tick the most appropriate answer)



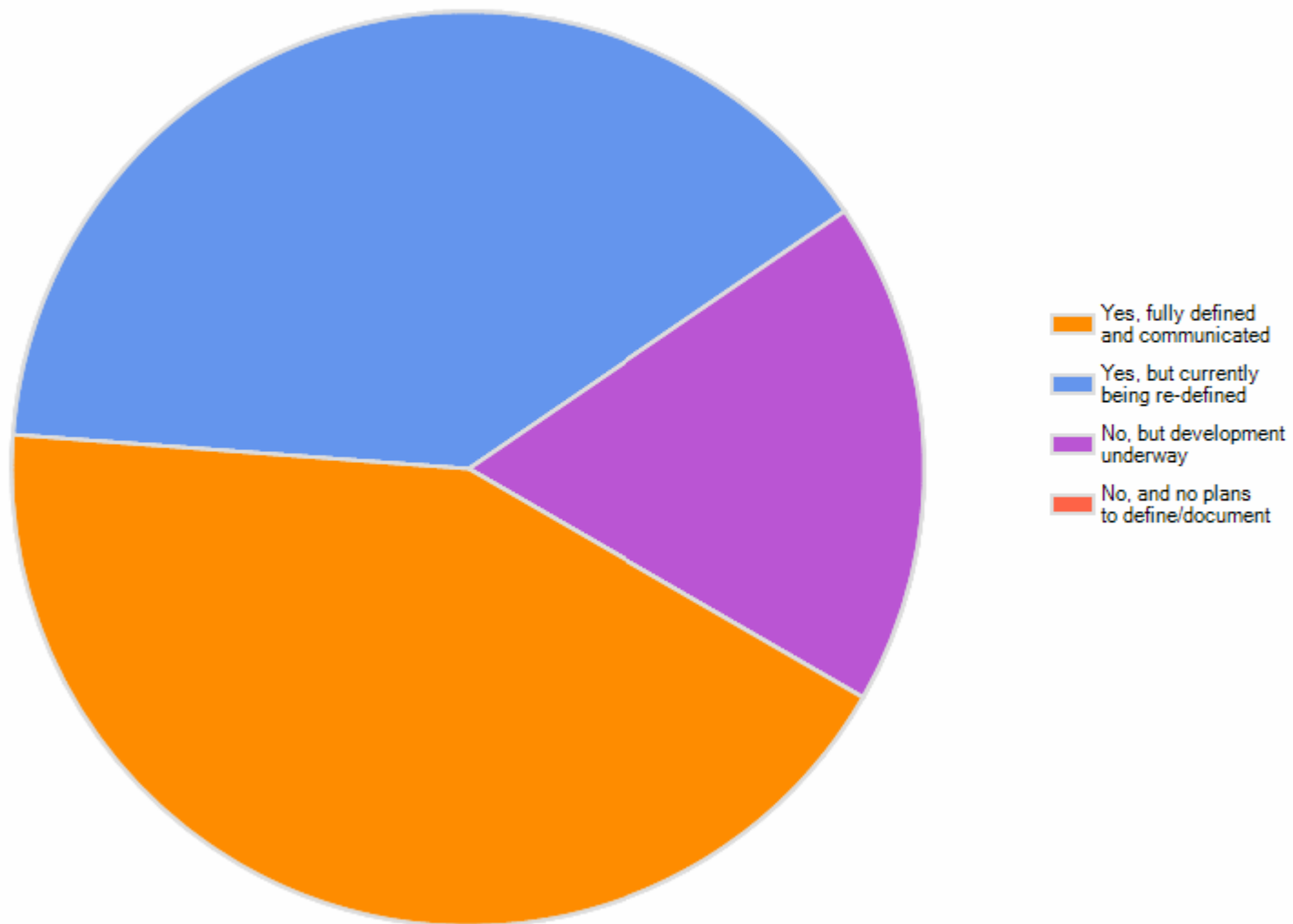
How confident are you about the quality of the data used to input or calibrate the model? (tick the most appropriate answer)



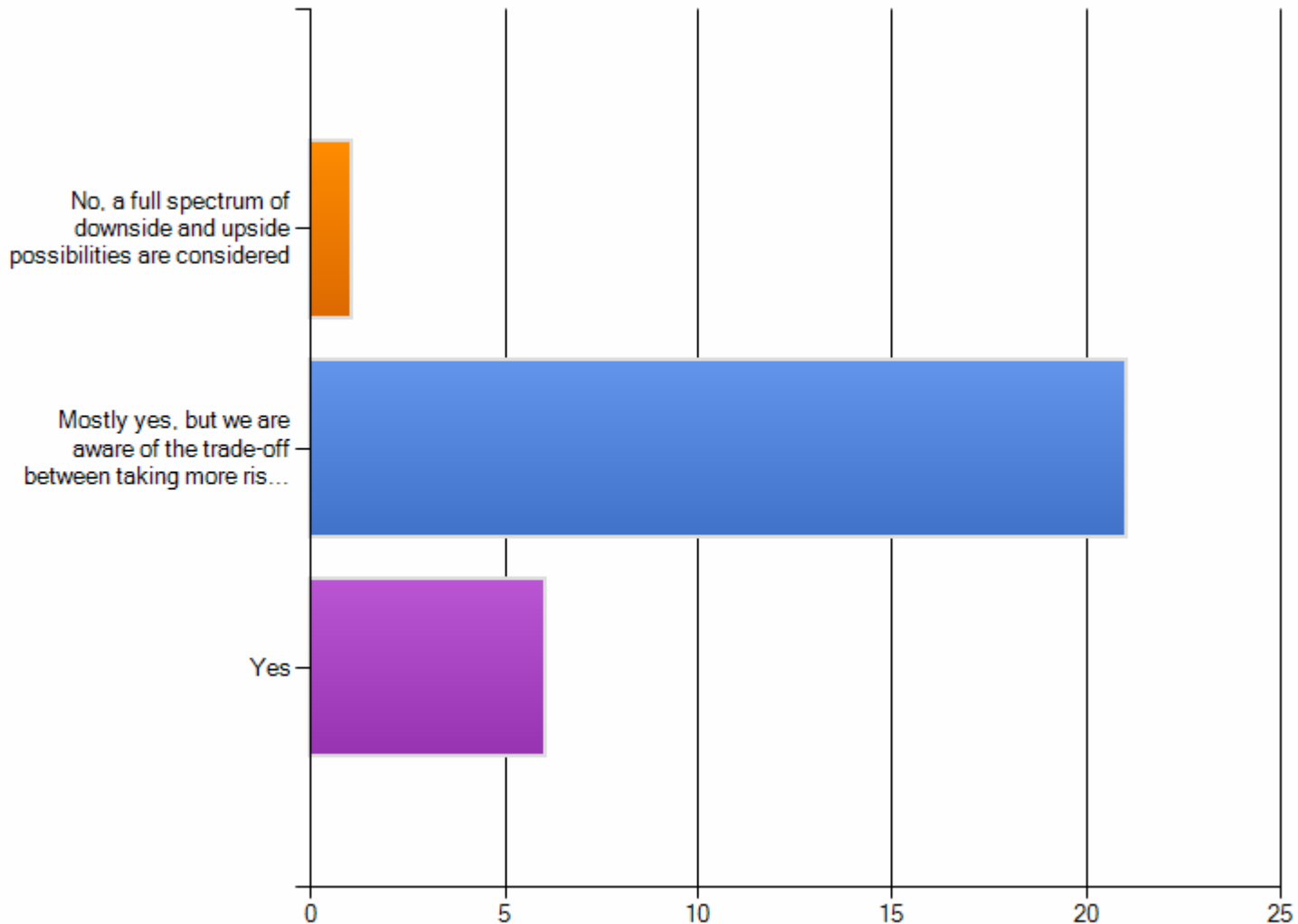
Does your organisation have plans to improve the amount or quality of the data in the operational risk model? (tick the most appropriate answer)



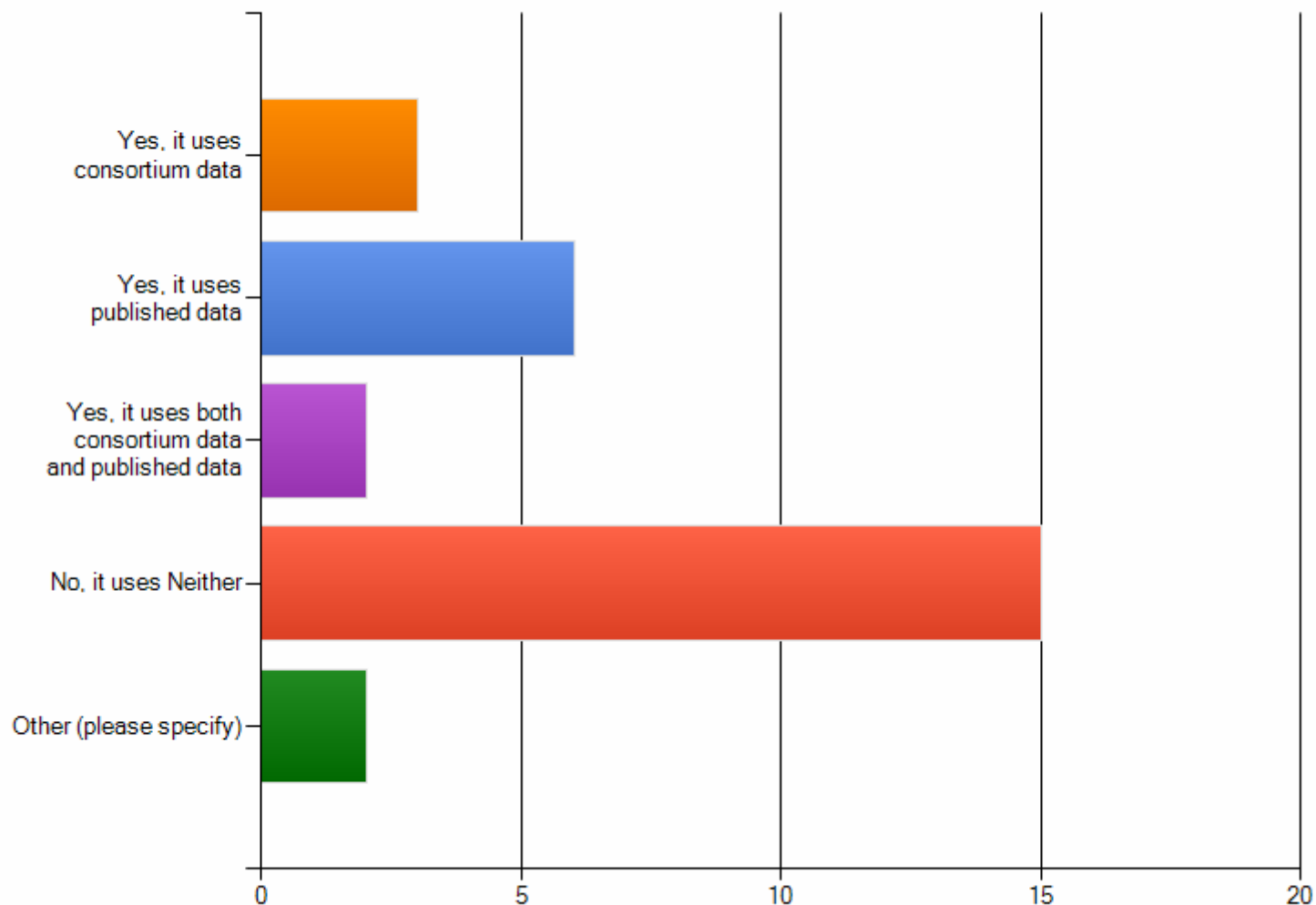
Does your organisation classify and clearly define the types of operational risk it could face? (tick the most appropriate answer)



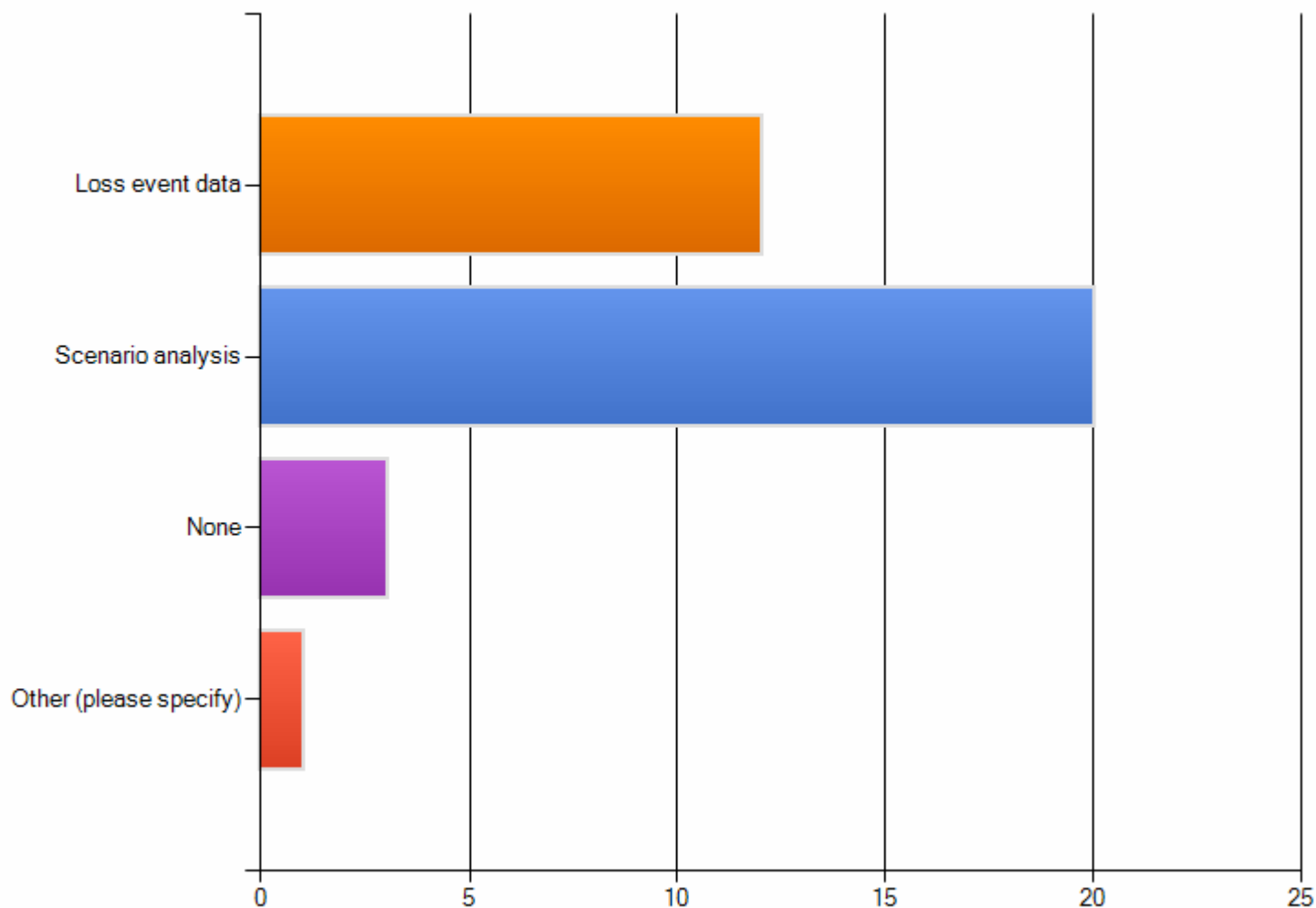
Does your organisation look only at the downside of operational risk?



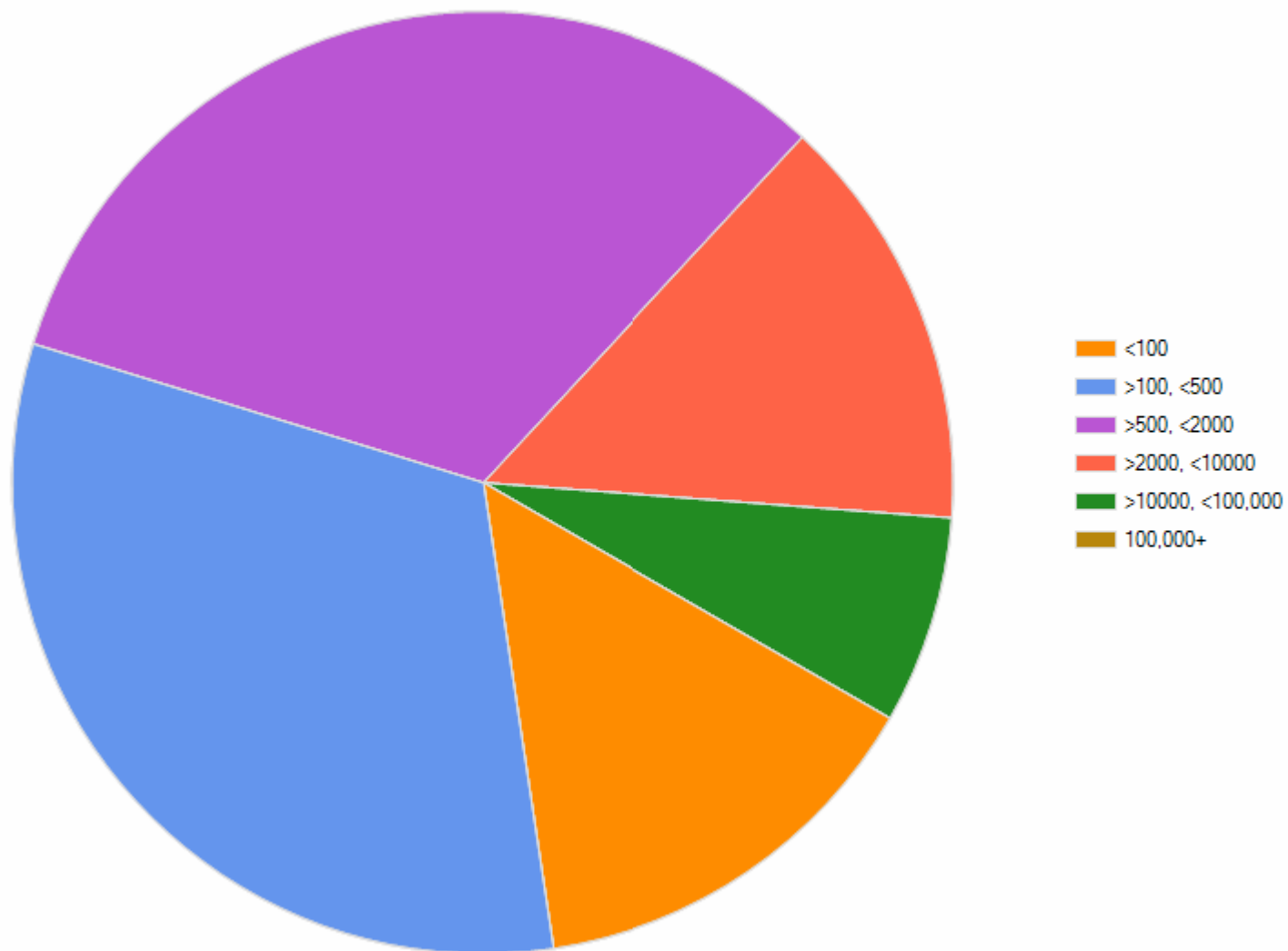
**Does your organisation use external data as inputs or to calibrate the operational risk model?
(tick the most appropriate answer)**



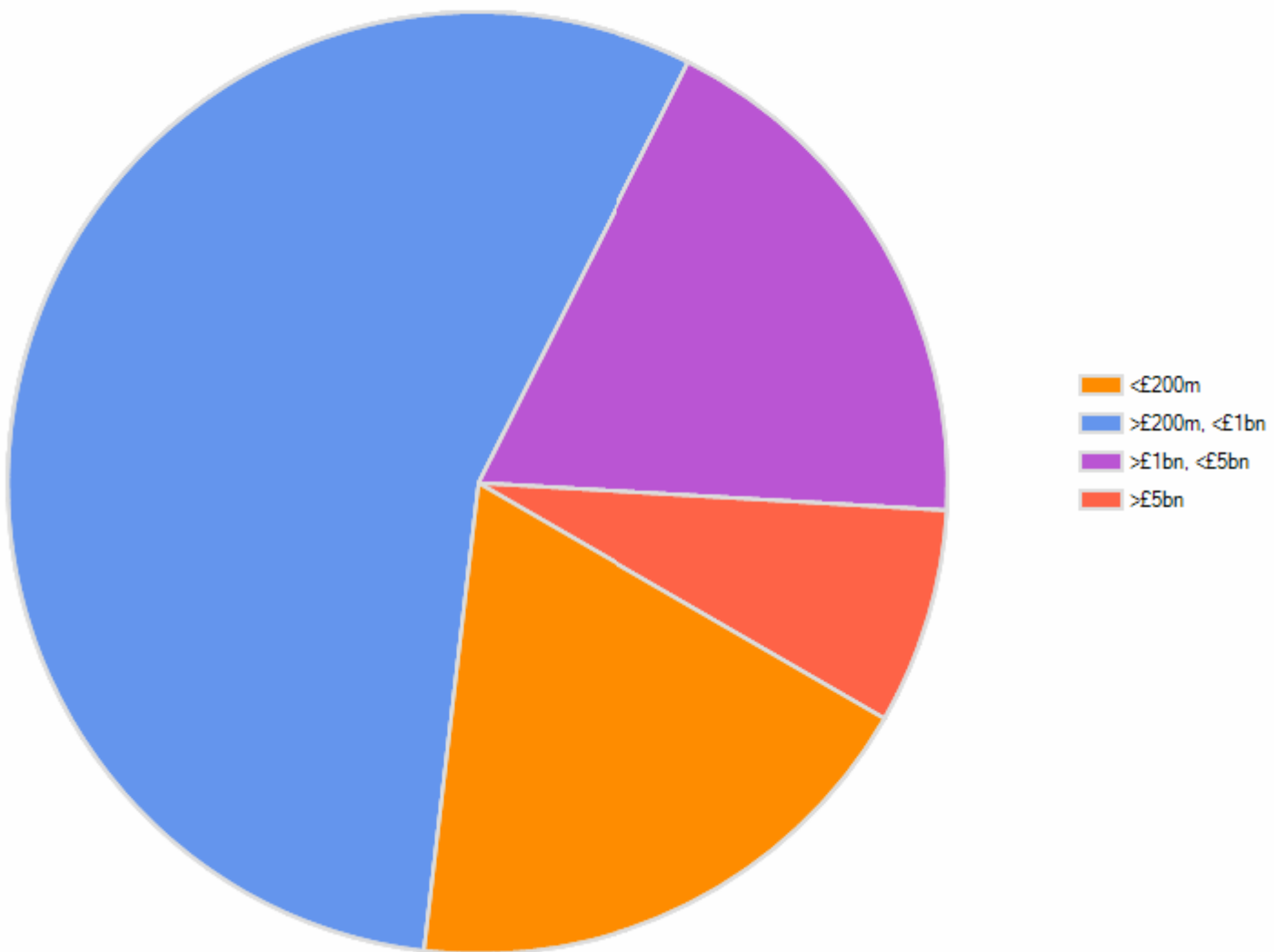
What approaches are used in your organisation to calculate economic capital for operational risk? (tick all that apply)



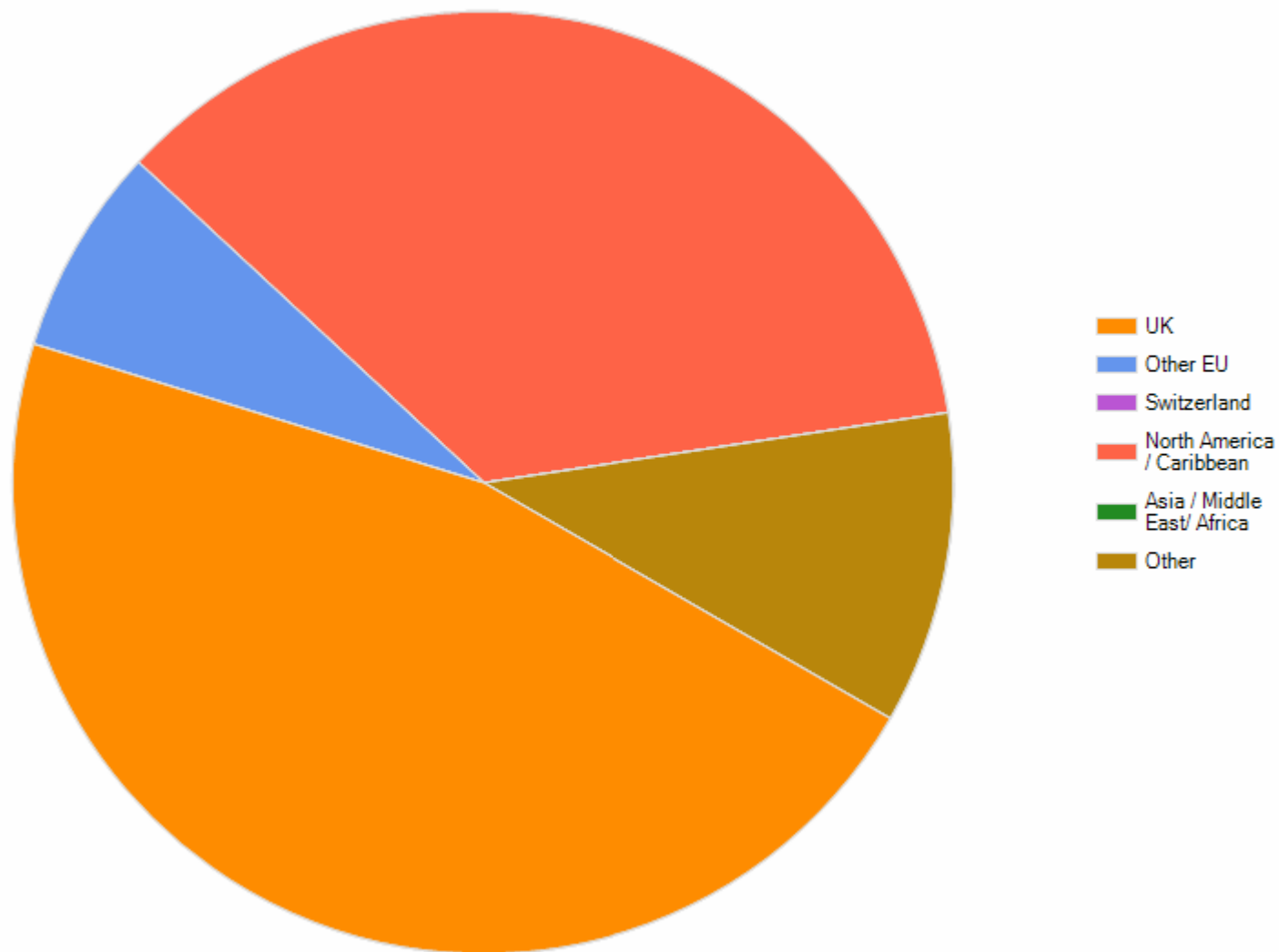
Organisation headcount



Organisation turnover



Domicile of organisation's overall Headquarters



Conclusions

- 40% of organisations 'dissatisfied' with their current approach to operational risk modelling
- 2/3rd report the main motivation for operational risk modelling is regulatory
- The main focus on operational risk comes from the risk function (86%) and the Risk Committee
- Only 4% actively use their operational risk model to support decision making
- Possibly the same 4% are confident in the output of their model, with 36% not confident at all
- 75% of organisations want to improve data quality, similarly 75% use scenario analysis as the basis of their modelling
- But only 28% used published external data, and 17% use consortium data
- This raises significant questions with respect to the 'Use Test' and securing full model approval