



XL CATLIN

The Insurance Provider's Perspective

30 April 2018

Agenda



- The market for Operational Risk insurance
- What can be covered?
- Current purchasing trends
- Engaging with underwriters



The Operational Risk Insurance Market



- Large capacity available
- Number of transactions in place
- Primarily for Banks and Asset Managers
- Financial Infrastructure Providers
- Increased use for non-Financial Institutions
- Growing interest among Insurance Companies

What can be covered?



Potentially any Operational Risk is insurable:

- i. Substantial contributor to Operational Risk capital
- ii. Legal to insure
- iii. Adequate control structure

Examples

- Mis-selling (less disgorgement)
 - Processing Error
 - Conduct Risks
 - Cyber
 - Execution Error
 - Fraud
 - Breach of Investment Mandate
 - Employment Practices
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Current Purchasing Trends



- Larger capacity
- Focus on key risk drivers – usually scenario driven
- Confidence of response over multiple risk cover
- Increased demand for customised solutions
- Most significant challenge – internal silos
 - Programme design
 - Valuation and communication

Engaging with Underwriters



Underwriting Information Requirements

All Necessary Data is Currently Generated by ORM

- Risk Details



Key Risk Scenarios

- Potential Loss Magnitude



Capital Model / Key Risk Scenarios

- Control Framework

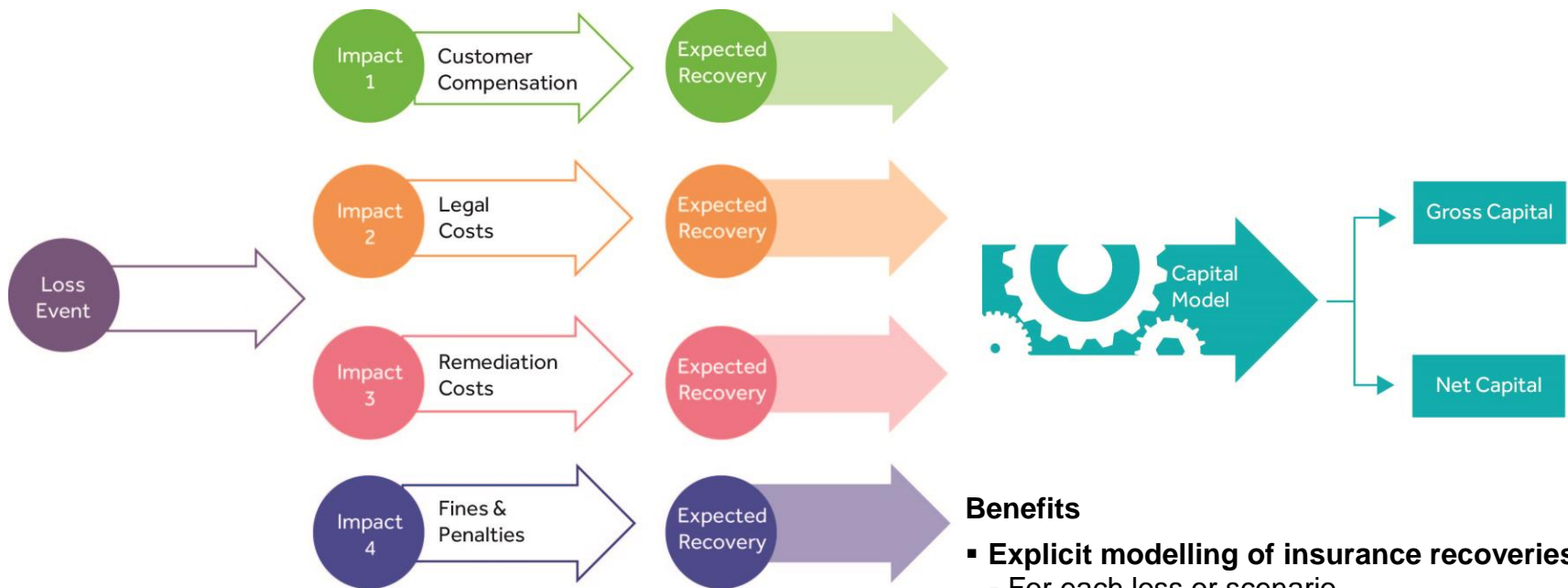


Risk & Control Self Assessment

Engaging with Underwriters

Coverage Building Blocks

Aligning Coverage With Exposure



Benefits

- **Explicit modelling of insurance recoveries**
 - For each loss or scenario
- **Application of deductibles and limits**
 - Per loss and policy
- **Confidence in performance /Timeliness of payment**
 - Eliminating coverage mismatch / uncertainty

Engaging with Underwriters

Process



I. Risk Identification

Prioritise Significant Risks:

- Capital Drivers
- Forward looking risk / scenario

II. Stakeholder Engagement

Joint Team

- Operational Risk / ERM
- Capital Modellers
- Finance
- Risk Managers / Brokers

III. Contract Development

Jointly Develop Contracts

- Based on risk scenarios & capital requirements
- Buying motivation
- Valuation metrics



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