

2020

Scenario benchmarks – Annual data cycle

Vol. 6 No. 9 – September 2020



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Scenario Submission Guide Release and Cycle Opening Soon!

Introducing the complete guide to the 2020 scenario submission cycle – now available for ORIC Members!

Interested in taking part? Get your hands on our complete guide for this year's scenario submission cycle. This comprehensive document has been developed and updated to guide members through each step of submission process for this year.

The document features:

- Scope of the scenario submission cycle
- Benefits from taking part in the submission cycle
- Full data standards for ORIC submission
- ORIC reference taxonomies
- Key steps for submission

Members: If you haven't already done so, please confirm your firm's participation and get your copy of the 2020 guide by contacting Shahine by Wednesday 7th October. If you don't participate you will not be able to access the scenario benchmarking data, so we strongly encourage you to participate in this year's cycle.

Non-members: For more information on the 2020 scenario assessment cycle, please contact enquiries@oricinternational.com.



US/Canada Forum Launch



To better support our members, and to increase ORIC's profile, we will be holding our first forums dedicated to US and Canadian firms on Tuesday 13 October and Thursday 15 October respectively. Both forums will run from 1500-1600 (UK time) and will be open to members and selected non-member firms. Invitations will shortly be coming out and we would be pleased to see as many member participants take part as possible.

While we are still confirming the topic for the Canadian forum, the US forum will be hearing from Argo and Talcott on their approaches to emerging risk. Future topics will be decided by participants and we welcome your suggestions for subjects and speakers. If you have any questions or would like to sign up, please contact Paul.

Capital Benchmarking Survey Launch

ORIC International are delighted to announce that the annual capital benchmarking survey will run for the third time this October. Last year, more than 20 insurance and investment management firms from around the globe completed the survey, which has been labelled one of the most comprehensive operational risk modelling surveys in the market and lauded by both the consortium members and the UK regulator.

Participants who complete the survey will:

- Receive a soft and hard copy of the full results which provide detailed analysis and commentary on the consolidated responses
- Receive a benchmarking report that allows firms to compare selected results against their peers
- Receive an invitation to the official launch event in January 2021 which will include a number of key speakers from the industry, strategic partners and the regulator.
- Have the opportunity to dig further into the key findings by proposing discussion topics at our Internal Model Working group sessions held throughout the year

In addition, this year's survey will also provide participants with an opportunity to participate in a COVID-19 deep dive paper that looks at the impact of the pandemic on the business, operational and capital frameworks and this will be supported by a global consulting firm.



Both members and, for the first time, non-members, can participate in this survey and a request to participate must be made by Monday 5th October. Further details of the submission window will be made in due course and if you have any further questions, please contact Ciaran Hosty.

Data Attribute Collections

On 24 September, we sent members a request for their company attributes as part of our annual data attribute collection. The annual collection, which consists of 11 questions, is mandatory for all ORIC International consortium members and is vital in ensuring the ongoing enhancement of ORIC's risk event data benchmarking capabilities, scaling methodology, scenario assessment dataset and capacity matrices.

Firms will have until Close of business on Friday 16 October to complete their survey which has been conducted through an online portal for the first time. If you have any questions on the attribute collection or how the information captured will be used to benefit the wider consortium, then please contact Ciaran or Chris.

Internal Model Working Group & NEW Correlations Subgroup

The Internal Model Working Group met on 10 September to discuss insights around the evolution of internal model validation and best practice approaches to incorporating fines (including GDPR) into capital considerations. Ahraz Sheik from Marsh kindly shared the common pitfalls and consequences of ineffective model validation whilst Jennifer Sullivan (Lloyds Banking Group) described how her firm had altered their approach to allowing for fines within scenario assessments in order to avoid excessive fine estimates at higher percentiles. If you'd like further details on what was discussed or if you'd like to be included on the distribution list for future meetings, please contact Ciaran.

We will be hosting a Correlations subgroup on 8 October following considerable interest from the membership. The group's first task will be to define a Terms of Reference for the group as well as a forward agenda for 2020 and 2021. If you'd like to be included in these conversations, please contact Ciaran.



Following the emergence of COVID-19, ORIC International convened weekly catch up calls for our member firms to share 'live' lessons and information on their responses to this major risk event. However, we have now repurposed these industry calls to discuss the wider operational resilience agenda. By sharing experiences and best practices, participants have a unique opportunity to compare their firm's approach with their peers.

WEEKLY OPERATIONAL RESILIENCE INDUSTRY CALLS

Wednesday 7 October 15:00BST

There have been two operational resilience calls this month and we have summarised these as follows:

Wednesday 9 September

Speakers: Isaac Alfon (Crescendo Advisors Ltd), Sandro Cadosch (AXA XL)

Topic: The lessons learnt from COVID-19: Enhancing resilience in the insurance industry

- **What are some of the major lessons from COVID-19 for operational resilience?**
 - **Notice period** – Many firms had a notice period of 6-8 weeks to prepare for a potential lockdown scenario. Firms will not necessarily have such a considerable notice period for future events. How is this addressed in firms' BCP plans?
 - **Crisis Management** – How equipped was your firm to deal with the unknown unknowns?
 - **Working from Home** – If working from home has become the new business as usual, what will be your firm's backup for the next major operational resilience event?
 - **Stress Testing** – With the size and scale of the pandemic underestimated by many firms, how will firms address their future stress testing to accurately assess the combined operational and financial stresses?
 - **Outsourcing** – The pandemic revealed the shortcomings in many firm's oversight of third-party suppliers and outsourcers. How are firms looking to address this moving forward?
- **What are some of the major challenges for firms returning to the office?**
 - From a value standpoint, how does the increase in office occupancy stack up against the risk associated with it? E.g. in-office infections, super spreader event, whole teams infected, cleaning/sanitation costs etc.
 - How much time/investment will be required to implement and update policies for the new way of working?
 - For firms with multiple global sites, how will differing seasons (northern vs southern hemisphere) affect infection rates and therefore staff health and business efficiency?
 - How will firms manage a "successful" vaccination programme? It cannot be assumed that everybody will be willing to get a vaccination.

Wednesday 23 September

Speakers: Martin Creasey (Bupa Insurance), Duncan Ward (Pension Protection Fund)

Topic: Best practice approaches to operational resilience

- **What are some of the key elements for a good operational resilience approach? Does your operational resilience plan consider:**
 - **Board engagement** – Are there clear links to risk appetite?
 - **Business services** – Is there a focus on business services and continuity?
 - **End to end service mapping** – How are third- and fourth-party suppliers considered?
 - **Impacts and tolerance** – How are impact tolerances set by the board?
 - **Recovery and testing** – Do your testing programmes challenge the ability to stay within tolerances?
 - **Decision making & communication** – Does your firm have an organisation wide multi-channel communication strategy?

Should you like further information on the sessions we have held previously or if you are a senior manager, CRO, COO or Head of Risk in charge of your firm's operational resilience response, then please contact Chris Watson or Shahine Sivakumar.

The next operational resilience industry call will take place on Wednesday 7 October at 3pm BST and the next topics will be confirmed by email to the distribution list over the next couple of days.

Investment Management Forum

Following the successful launch of the operational risk forum for investment firms in August, the next meeting is being held on Tuesday 6 October from 1500-1600. We will hear from Aviva Investors and FNZ on their approaches to operational risk scenarios, and participants will have the opportunity to ask questions and discuss the topic in detail.



Top 5 public newsflashes September 2020

This month we've analysed some of the top losses in September from our public newsflash service. The largest potential loss of £1.2bn is one of 33 insurance and investment management losses to have occurred this month, with a combined loss value of over £1.2bn.

No.	Risk Event Summary	Amount (GBP)	Business Line	L1 Risk Category
1	<p>UK small companies win victory in COVID-19 insurance test case</p> <p>Hundreds of thousands of small companies will receive pay-outs on insurance claims after being forced to close during the COVID-19 pandemic, following a high court judgement in the test case brought by the City regulator.</p> <p>About 370,000 firms are affected by the judgement and should hear from their insurer within the next week, according to the Financial Conduct Authority (FCA). The anticipated value of the policies affected stands at about £1.2bn GBP.</p>	1.2bn	General Insurance Assurance	Clients, Products and Business Practices
2	<p>Omega imaging agree to pay \$5m to resolve allegations they violated the False Claims Act (FCA) by knowingly submitting claims to Medicare</p> <p>The settlement resolves allegations that the defendants submitted claims for CT scans and MRIs involving contrasts injections that were not properly supervised by a physician.</p>	4m	Life Insurance	External Fraud
3	<p>FSC fines Shin Kong Life for reckless investment</p> <p>The Financial Supervisory Commission (FSC) yesterday fined Shin Jong Life Insurance Co for a reckless investment that endangered its solvency and suspended its chairman for poor supervision. The commission found that the insurance company had given too much power to an asset and liability management committee on investment decision and without any checks.</p>	0.7m	Investment Management	Clients, Products and Business Practices
4	<p>California self-storage firm fined \$250k for selling insurance without a licence</p> <p>The California Department of Insurance fined a self-storage company \$250k for offering and selling more than \$2.1m in insurance products to its renters without an insurance license.</p>	0.2m	Insurance Broking	Clients, Products and Business Practices
5	<p>QFC Regulation Authority imposes QR 728,000 fine on Takaful International Company</p> <p>QFC today announced that it has imposed a financial penalty on Takaful International Company following the conclusion of an investigation into the company's affairs, whereby the firm was alleged to have provided the regulation authority with misleading information and failed to treat its customers fairly.</p>	0.15m	Corporate Services	Clients, Products & Business Practices

Q3 2020 Data Cycle Opening!

The Q3 2020 data cycle submission window opened on Wednesday 30 September and as always firms will have two weeks to submit their risk events covering the period between 1 July and 29 September.

In addition to this, firms are reminded to review the COVID-19 submission guidance released in Q2 and ensure they are appropriately capturing all relevant COVID-19 related events. ORIC International will continue to monitor all COVID-19 related events submitted and monitor how the pandemic is influencing the wider industry risk profile.



JP Morgan Corporate Challenge

We are delighted to announce that once again ORIC International will be entering a team for this year's JPM run.

This year's race will be taking place virtually between Oct 8th–22nd. The race will take place over the usual distance of 3.5m/5.6km so start mapping out that route now!

Participant registration is now open, and you can register via the JP Morgan Corporate Challenge website!

1. Find your company's team– ORIC International
2. Complete the registration form
3. Start Training
4. Complete your virtual race using the J.P. Morgan Corp. Challenge app.



ORIC International

RUNNING

#RemixTheRun

Last, but not least – Thank you Veronica

We are sad to say goodbye to Veronica Lancaster, who left ORIC on 30 September. In addition to providing finance and governance support to Caroline and the team, Veronica was instrumental in making the office move a great success in 2019. We wish her all the best for the future.

Important Upcoming Dates

External Events

8-22 October – JP Morgan Corporate Virtual Challenge

Data Cycle

- 14 October – Q3 2020 data submission deadline
- 28 October – Deadline for ORIC International to return queried events

Forums/Working Groups

- 6 October – Investment Management forum
- 8 October – Correlations Subgroup Initial Meeting
- 13 October – US Forum
- 15 October – Canadian Forum
- TBC October – Q3 2020 Loss Reporting Focus Group
- TBC October – Operational resilience working group

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