

2017 in Review

Regulatory activity



Engagement Model

- Pro-active engagement
- Increased activity
- Address IMF recommendations on Observance of Standards and Codes
- Annual on-site inspections of 10% of medium-low impact firms
- For an additional 10% of firms:
 - On-site quarterly targeted reviews
 - Annual off-site reviews on a specific topic selected each year

Engagement Model



Reviews / Surveys include:

- Product Oversight and Governance
- Outsourcing
- Operational Risk
- IT and cyber risk
- BREXIT contingency planning
- Market and counterparty risk
- Motor insurance - continued focus
- Cross-border insurance sector
- Internal audit effectiveness
- HoAF assumptions

Operational Risk

- Inspections of a number of high impact companies in domestic life / non-life
- ORM the 'poor cousin' relative to financial risk
- Need to be more proactive in identifying / managing ORM
- Shift focus from risk function to front line

Operational Risk

Good Practice	Bad Practice
ORM committee	No quantitative measures in RAS
Risk champions	No distinction between short/medium/long term horizons in RAS
External loss data	No RCSA
Risk depository system	Emerging risks not discussed
	Near misses not identified
	No process for operational risk boundary events

Outsourcing

Thematic review undertaken and survey issued

- Materiality/concentration assessments

- Contractual arrangements
 - Written contracts / SLAs / sub-contractors

- Contingency Planning
 - Alternates / exit strategy

- Oversight/assurance
 - Due diligence / independent reviews / review BCP

Outsourcing – review of investment firms 2016

- Board considerations
 - Key performance indicators
 - Reporting on performance to Board
 - Initial due diligence and ongoing appraisals
 - Business continuity
 - Outsourcing policy
 - CEBS Guidelines on Outsourcing

Outsourcing – review of investment firms 2016

- Best Practice
 - Dedicated outsourcing manager / team
 - Outsourcing governance forum
 - Comprehensive log of all outsourced activities
 - Concentration risk associated with outsourcing
 - Take back testing
 - SLA / SOP / KPIs
 - Outsourced training

Product Oversight and Governance

- Targeted Risk Assessment of Italian life cross-border sector
- Structures
 - Responsibilities for POG of Board / committees
 - Oversight of outsourced partners / distributors
- Documentation
 - Product design and approval
 - On-going product monitoring
 - Material alterations
 - Appointing and managing distributors

Product Oversight and Governance

- Sample reports
 - Assessment and approval of new product
 - Assessment and approval of distributor
 - Internal audit reports on product design / distributor / POG arrangements
 - Committee / Board minutes
 - Reports ongoing product monitoring
 - Complaints log
 - Conflicts of interest register

Next year? Latest Industry Briefing

- Recovery and Resolution Planning flagged
- Cyber risk / IT innovation / Legacy systems
- Outsourcing
- Specific items include
 - Branch inspections
 - BREXIT preparedness
 - Risk management frameworks in groups
 - Business model analysis – cross border
 - Solvency II standard formula review



Thank you