

delta lloyd

Delta Lloyd Group

Building an enterprise risk management strategy and preparing for Solvency II

Overview

The need

How can you understand, monitor and mitigate all the risks that could affect your business? You need an enterprise risk management strategy that enables you to make risk-aware decisions while achieving regulatory compliance.

The solution

Delta Lloyd defined a “risk universe”, complete with all the policies and controls necessary to manage individual risks. IBM® OpenPages® software enables the company to manage risk and compliance initiatives across the enterprise to reduce loss, improve decision-making about resource allocation, and optimize business performance.

The benefit

Enhances oversight of risks and issues. Improves flexibility, enabling faster response to new requirements. Supports Solvency II, Pillar II requirements for Own Risk and Solvency Assessments (ORSA).

When the scope of risk and compliance management continues to expand across every area of the business, how can insurance companies be sure that their risk strategy is both comprehensive and flexible enough to handle both current and future requirements?

Delta Lloyd Group knew that it needed to support the business with a sound risk management system – especially with the introduction of the European Solvency II Directive on the horizon.

The company decided to create a single, central enterprise risk management strategy that would provide a standard methodology for capturing, monitoring and mitigating risk. To support the new strategy, Delta Lloyd selected IBM OpenPages Operational Risk Management software.

Setting the scene

Delta Lloyd Group is a financial services provider based in the Netherlands. It offers insurance, pensions, investing and banking services to its private and corporate clients through three strong brands: Delta Lloyd, OHRA and ABN AMRO Insurance. Since its founding in 1807, the company has grown in the Netherlands, Germany and Belgium, and now employs around 5,000 permanent staff. Its 2012 full-year financial reports show €4.7 billion in gross written premiums, with shareholders’ funds amounting to €2.3 billion and investments under management worth nearly €80 billion.

When Delta Lloyd Group split from the Aviva Group in 2009, it had already begun designing a new enterprise risk management strategy, as Jan Jaap Schuitert, Senior Risk Advisor, explains:

“When we were part of Aviva, we had a legacy solution for risk management that was quite inflexible and not user-friendly. We also had a number of risk management processes that were based on spreadsheets and other documents – and managing all these separate sources of data was complex, time-consuming and error-prone.



Solution components

Software

- IBM® OpenPages® Operational Risk Management

Services

- IBM Business Analytics Software Services
-

“We realised that a single enterprise-wide strategy would require a single solution to support robust, standardised processes, so we began evaluating software. Once we became independent from Aviva, we continued with the process and selected IBM OpenPages.”

Impact of Solvency II

Adding impetus to the project, the announcement of the European Solvency II Directive made the new strategy an even higher priority. In particular, the second pillar of Solvency II requires insurers to perform Own Risk and Solvency Assessments (ORSA) that encompass all material risks that may have an impact on their business.

“We saw the Solvency II requirements as an opportunity to gain greater momentum for our existing project,” comments Schuiter. “We realised that our existing design would also cover most of the ORSA requirements, so we were confident that we were moving in the right direction.”

A phased implementation

Delta Lloyd Group worked closely with IBM Business Analytics Software Services to deliver the first phase of the project – implementing the policy framework and the risk and control framework, and defining the appropriate risk assessments.

“The development of the framework is a huge task, so it was important to do it in phases,” explains Schuiter. “We started by defining the ‘risk universe’ – a catalogue of all the risk policies, all the individual risks, and all the controls that relate to each risk, as well as the owners of those risks and controls.

“A risk management solution is only as valuable as the data it contains, so the first step is to get as much information into the system as possible. We’re starting with a project to test all of our controls. For example, a certain type of operational risk might be controlled by having a ‘four eyes’ review process. We define a test, such as checking documents to make sure they have been signed by at least two people, and then assess each department on whether they are implementing the control effectively. The results are fed back into the system, and the status of each risk is then updated.”

Greater visibility

The risks are assessed for their probability (from “extremely remote” through to “likely to happen”) and impact to each business unit (from “important” through to “catastrophic”). They are also classified using a standardised colour coding system, where a green indicator means that sufficient controls are in place and the risk is within acceptable tolerance levels, while red means that the risk has become unacceptable, either because the mitigating action plans are insufficient, or because they are not reducing the risk quickly enough.

“The IBM OpenPages solution gives us the ability to manage risk in a more standardised and comprehensive way than ever before – but it also gives us the potential for more flexibility.”

— Jan Jaap Schuitert, Senior Risk Advisor, Delta Lloyd Group

“We have much greater oversight of the entire risk universe, because all the data is now held in a single system,” comments Schuitert. “Instead of entering data into spreadsheets and then consolidating them manually, we can simply go into the system and view any aspect of our risk universe, from a group-level overview down to the individual risks and controls themselves. Eliminating the spreadsheets and manual processing will save us a large amount of time, reduce the chance of human error entering into the process, and accelerate risk reporting for the business.”

Consistent risk assessments

The next projects will be to work with the group audit team to populate the system with risk-related issues discovered during the audit process, and then to perform risk assessments of all the material risks across the business.

“Previously, our risk assessments were carried out in different ways by different departments, so the data we have isn’t completely standardised across the business,” says Schuitert. “Without standardised data, it’s difficult to compare different areas of the business and understand where the greatest risks lie.”

“By the end of this summer, when we’ve decided about the way we will perform risk assessments, we will start working with a completely uniform set of risk assessments for the first time – which will put us in a much stronger position to assess our true exposure in different parts of the business.”

Greater flexibility and efficiency

He concludes: “The IBM OpenPages solution gives us the ability to manage risk in a more standardised and comprehensive way than ever before – but it also gives us the potential for more flexibility. To achieve that, you have to be quite well versed in the architecture of the OpenPages system and Cognos. As the requirements for risk management continue to evolve and expand, especially with new requirements such as Solvency II coming into force in the near future, it’s vital to have a solution in place that can adapt to changing circumstances.

“Greater transparency also enables more efficient risk management: if you can see where the biggest problems are, you can address them more quickly and effectively with fewer resources. It’s hard to quantify at the moment, but on the longer term, we expect to be able to save considerable time and effort on managing risk across the enterprise.”

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organisations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualise trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organisations can align tactical and strategic decision-making to achieve business goals.

For more information

For further information please visit ibm.com/business-analytics



© Copyright IBM Corporation 2013

IBM Nederland hoofdkantoor
Johan Huizingalaan 765
1066 VH Amsterdam

Produced in the Netherlands
May 2013

IBM, the IBM logo, ibm.com, Cognos and OpenPages are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the web at: www.ibm.com/legal/copytrade.shtml.

This document is current as of the initial date of publication and may be changed by IBM at any time. Not all offerings are available in every country in which IBM operates.

The client examples cited are presented for illustrative purposes only. Actual performance results may vary depending on specific configurations and operating conditions.

THE INFORMATION IN THIS DOCUMENT IS PROVIDED "AS IS" WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND ANY WARRANTY OR CONDITION OF NON-INFRINGEMENT. IBM products are warranted according to the terms and conditions of the agreements under which they are provided.

The client is responsible for ensuring compliance with laws and regulations applicable to it. IBM does not provide legal advice or represent or warrant that its services or products will ensure that the client is in compliance with any law or regulation.



Please Recycle