

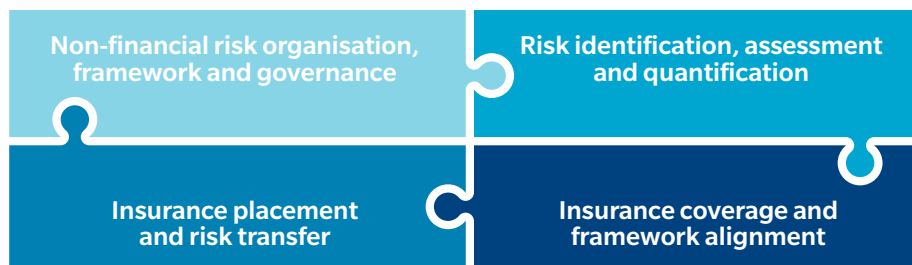
OPERATIONAL RISK AND INSURANCE OFFERING

Financial services firms operate in a challenging environment of emerging and evolving risk and must demonstrate ever higher standards of risk measurement and management. At the same time, we observe an increasing number of significant regulatory fines associated with conduct or fraud, and dramatic losses arising from operational risks such as cyber. Against this background, regulators around the world are implementing ever more onerous capital standards – including for operational risk. Insurance provides a meaningful mitigation of the financial and capital volatility arising from operational risk, and the insurance assessment process can serve to validate firms’ internal view of their risk.

Oliver Wyman and Marsh’s Operational Risk and Insurance offering has been created to bring together deep expertise from across Marsh & McLennan Companies to deliver end-to-end advisory, insurance and capital solutions for clients.

What we deliver

By combining the analytical rigour of Oliver Wyman with the insurance expertise of Marsh, we have been able to create a powerful offering of end-to-end services that allow our financial institution clients to optimize the linkage between risk and insurance. Service delivery is tailored to the size and complexity of client needs, delivering advice and solutions across the spectrum:



Non-financial risk organisation, framework and governance

Non-financial risk organization, framework and governance are central to successful risk management. We support our clients in defining the roles and responsibilities for risk management across and within the three lines of defence, and articulate the tools, systems and processes required to govern risk within the organization. In recent years, we have observed two particular challenges in this area:

- The interaction between an ever-larger number of second line risk and control functions; and
- The consistent application and embedding of risk management frameworks, which needs to be underpinned by relevant data and metrics.

We support firms in enhancing the clarity of their set-ups and achieving consistent implementation and embedding across their organizations.

Risk identification, assessment and quantification

Risk identification, assessment and quantification are the foundation for understanding a firm's risk exposure. This in turn informs risk management actions, insurance transfer decisions and capital requirements.

Risk identification and assessment focus on the processes for identifying top risks and assessing risk exposures, including bottom-up risk assessment and top-down scenario analysis. Quantification focuses on modelling a firm's risk profile, computation of its capital requirement and the impact of stress tests.

We support firms in developing and validating processes and models to robustly identify, assess and quantify risk exposures. We are at the leading edge of operational risk modelling including latest driver and exposure based methods.

Insurance coverage and framework alignment

The alignment of risk exposure and insurance coverage requires a consistent and interdisciplinary view of both. Conventional insurance policies need to be mapped to the definitions used in the risk framework, while innovative insurance products need to be tailored to the framework. The process for incorporating insurance into risk models needs to be robust and repeatable, informed by historic loss and claims data. Elements of the risk framework itself – such as risk appetite and metrics – should be incorporated into decisions on type and amount of insurance purchased.

In supporting our clients, we conduct structured and transparent insurance assessments to evaluate current and potential coverage of risk categories, and support firms in aligning risk and insurance frameworks.

Insurance placement and risk transfer

We support firms in their operational risk-related insurance needs, from the placement of conventional policies to the design of bespoke operational risk policies and the structuring of innovative capitalmarket risk transfer solutions.

We also support firms in using captives for group capital optimization.

Who we are and how we do it

We are an experienced and global team, with backgrounds from across Marsh and Oliver Wyman. Together, we have deep industry knowledge and expertise working with leading financial institutions, covering risk management, risk quantification and risk transfer.

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across nearly 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 4,500 professionals around the world who help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit www.oliverwyman.com. Follow Oliver Wyman on Twitter @OliverWyman.

ABOUT MARSH

Marsh is a global leader in insurance broking and risk management. In more than 130 countries, our experts help clients to anticipate, quantify, and more fully understand the range of risks they face. In today's increasingly uncertain global business environment, Marsh helps clients to thrive and survive. We work with clients of all sizes to define, design, and deliver innovative solutions to better quantify and manage risk. To every client interaction we bring a powerful combination of deep intellectual capital, industry-specific expertise, global experience, and collaboration. We offer risk management, risk consulting, insurance broking, alternative risk financing, and insurance programme management services. For more information, visit <https://www.marsh.com/uk/home.html> and follow Marsh on LinkedIn, Twitter, Facebook, and YouTube.

CONTACTS

EVAN SEKERIS
+1 390 990 8035
Evan.sekeris@oliverwyman.com

TOM JAEGGI
+44 20 7852 7330
Thomas.jaeggi@oliverwyman.com

EUGENE (TRIPP) SHEEHAN
+1 617 385 0329
Eugene.sheehan@marsh.com

ANNE CLOHESSY
+44 20 7357 3310
Anne.clohessy@marsh.com

TOM IVELL
+41 44 553 35 18
Tom.ivell@oliverwyman.com

SIOBHAN O'BRIEN
+44 20 7357 5593
Siobhan.obrien@marsh.com

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