

Background—Building the UK Insurance Sector’s Operational Resilience

Operational Resilience has received increased regulatory scrutiny with the release of the joint discussion paper by the Bank of England, Financial Conduct Authority and the Prudential Regulatory Authority in July 2018. A clear statement from the regulators that the continued failure of organisations through neglect or oversight to implement strong Operational Resilience controls was no longer acceptable in light of the evident harm caused to consumers and markets.

The regulators are now close to releasing a final Policy Statement which, once delivered, we expect to set the clock running for firms. Inaction will no longer be an option and we anticipate firms will need to be substantively ‘complete’ by the end of this year.

Firms must look at their Operational Resilience and ensure that they take action to minimise the risk of harm to customers arising through interruptions to Important Business Services. The approach will need to consider:

- Governance framework and controls
- Identification of ‘Important Business Services’
- Mapping of business services and vulnerabilities
- Identification of scenarios and scenario testing
- Impact tolerance setting and statements
- Assessment of third-party service providers

It is important that firms recognise the distinction between the regulator’s approach to Operational Risks and other elements of business management. Specifically, the process of building Operational Resilience is not covered by existing plans for:

- Business continuity planning;
- Disaster recovery plans;
- Operational risk frameworks.

Now is the time to begin taking action on your own firm’s Operational Resilience planning, if you have not already started the process.



Operational Resilience—The ICSR Approach

Operational Resilience will be a living and breathing process requiring continual oversight and change. It will require firms to undertake a considerable project to create and embed the necessary processes. We do not anticipate significant change to current policy guidance and our experience suggests that fully completing a programme of work and embedding Operational Resilience into your operating model will take 6-12 months depending on scope and resources.

There are two resourcing approaches to the work, which can be carried out in stages to assist with client planning:

- An advice only approach;
- An advice, support and validation model with design, test and implementation phases for the operational resilience framework, along with the training necessary for the client's own staff to take responsibility for the ongoing management of the framework.

Our approach will be based on your business models and the outcome of proof of concept testing.

ICSR can provide the resources necessary to support either model, including SMEs, Business Analysts, Programme Managers and IT expertise.

Our Experience

ICSR has already helped a number of firms formulate their approach and undertake the necessary work. We have been able to build a team with unrivalled experience and expertise in Operational Resilience, the methodologies which can be adopted, and the documentation and governance structures required to complete an operating framework. You can meet the team on the next page.



Kenneth Underhill
Managing Director

Kenneth_Underhill@artexrisk.com
[+44 7301 248420](tel:+447301248420)

If you would like to know more about the way ICSR can help you deliver your Operational Resilience project, or simply have an informal discussion to understand more about the requirements, please contact me or your usual ICSR contact.



There are a number of additional Operational Resilience resources, tools and information available on our website. If you have any questions arising from these, please do speak with any member of our team.

Webinars

The team have delivered a number of webinars on the subject of Operational Resilience. These are all available on our YouTube channel.



[Click here to see all available webinars](#)

Operational Resilience — Regulatory timeline

This provides a history of regulatory announcements with links to the relevant papers. [Click here to see the full timeline.](#)

Operational Resilience — Articles

Over the last few years the team have produced a range of articles and opinions on the subject of Operational Resilience. [You can read all of these here.](#)

