



Robust scenario development

How can it help in your insurance buying strategy?

Many risk teams develop risk scenarios for their business to identify where potential risks reside within and around the business. This type of scenario planning helps organisations broadly evaluate risk and determine potential outcomes. These are usually depicted in red/amber/green models together with associated recommendations for changes in procedures and protocols to minimise risk.

However, what if the scenario hasn't provided a deep enough dive of the potential different outcomes and impacts, including frequency and severity?

Without identifying how often an event could occur and how severe it could be, scenarios can lack significance. The more developed the scenario, the more understood the risk is and the potential mitigation strategies (including insurance) can be assessed. It is therefore entirely possible that an opportunity has been missed to spot sources of risk which then go undetected and generate a gap (or gaps) in your risk profile. Ultimately, the opportunity to minimise your risk exposure is reduced.

Challenging assumptions is key to ensuring that all scenarios and potential outcomes are considered and workshops that bring together expertise from across the business, and include external experts, can provide the necessary diversity of thought and differing opinions to challenge assumptions and enable you to better understand your risk landscape.

How does that help with your insurance buying strategy?

A greater understanding of your risk landscape will ensure that when considering insurance purchase you are able to provide a detailed picture to your provider and work together to link your insurance buying strategy to your risk profile, taking into account the insurability of your risk, risk appetite and cost of insurance.

This can be achieved by:

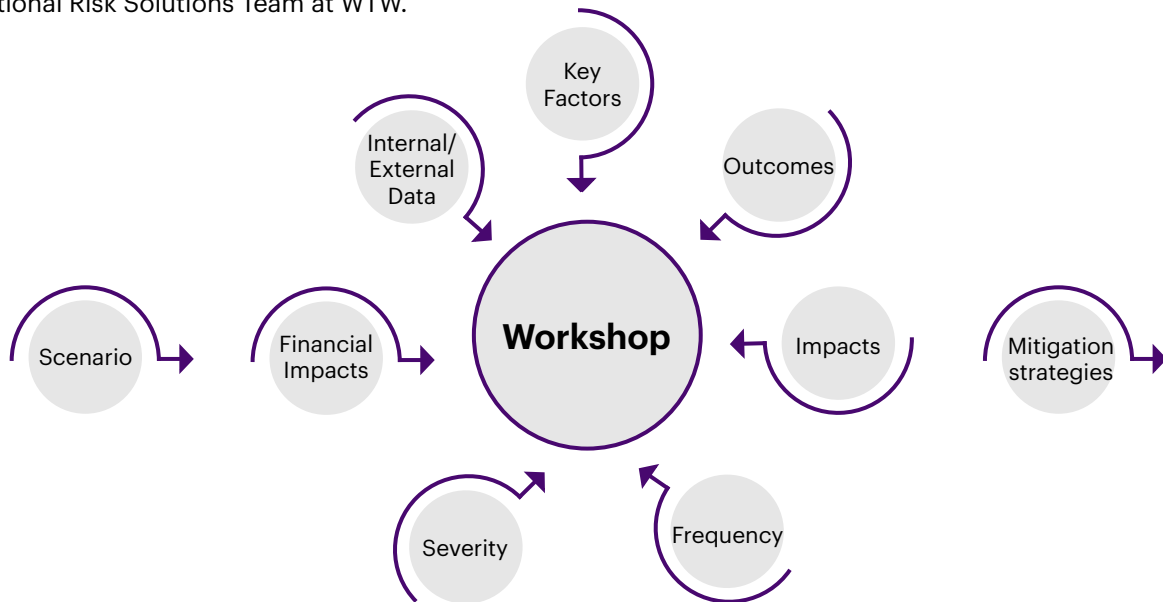



Qualitative analysis – what is currently insured? Mapping key risks to current insurance wordings, enables the ability to clearly review how insurance would be expected to respond, or would not respond, to the risk event and consequently where changes to wordings or new policies would increase coverage.

Quantitative analysis – how much is insured? Each risk may have insurable elements (e.g. compensation to third parties) and uninsurable elements (e.g. fines). By calculating the percentage of each risk that is insurable you can set optimal insurance limits based upon your own risk exposure.

Comprehensive audit trail – why did we come to this decision? This level of in depth analysis enables you to demonstrate clear rationale and justification of recommended insurance structure to key stakeholders.

For further information on scenario development workshops and/or risk and insurance optimisation, please contact the Operational Risk Solutions Team at WTW.



 Find out more: <https://www.wtwco.com/en-GB/solutions/services/operational-risk-solutions>

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