

«We are pleased with Avanon OpRisk as a solution. Avanon has kept all their promises and continues to support AXA Group by meeting their commitments»

*Fabien Chabanon, Head of Group Operational Risk
AXA Group*



AXA Group has a successful Solvency II and ERM program, supported by extensive, intelligent use of technology for OpRisk Management

The Avanon System offered AXA Group an excellent fit to address the strategic requirements of their group OpRisk framework and the need to be well-aligned to the Governance, ERM and Solvency II Internal Model roadmap. Avanon staff worked closely with AXA's corporate team to deliver and deploy a firm-wide solution that reaches 15 countries and is safely managed from a single, central source.

AXA Group is the world's largest insurance group, with consolidated gross revenues of €91.2 billion. It is also one of the world's largest asset managers, with total assets under management of €981.5 billion. AXA operates primarily in Europe, North America, Asia-Pacific and other regions: Middle East, Africa, Latin America. AXA has five operating business segments: Life & Savings, Property & Casualty, International Insurance, Asset Management, and Banking. This diversification by geography and business allows mutualisation and hedging of the different types of risks to which the group is exposed.

Geographic diversification also helps reduce the concentration of risk and volatility of claims experience, which, in turn, helps limit the cost of economic capital needed to support the group's solvency position.

Management Attention

Inspired by the principles set down by the Basel Committee on banking supervision and forthcoming Solvency II regulatory insurance framework, AXA Group has a welldefined approach to operational risk management and measurement, which includes legal risk and also considers reputation risk as an impact.

Responsibility for managing day-to-day OpRisk lies with operating subsidiaries, who are best positioned to take the appropriate measures to mitigate risks they face. A single group framework identifies, quantifies and monitors primary risks, together with dedicated OpRisk teams located at major group entities. A common OpRisk typology of approximately 100 risks is classified into seven top-level risk categories.

Case Study



At group level both quantitative and qualitative requirements for identifying and assessing the most critical risks for each entity are based on a forward-looking and expert opinion approach. These risks are aggregated using actuarial methods to estimate the capital allocation needed to cover OpRisks, based on models inspired by the Basel Committee. A risk profile is embedded into local governance through senior management validation to ensure adequate corrective and pre-emptive action of the main risks. Loss data collection takes place in most group companies, tracking and mitigating actual operational losses. This process is also used as a valuable source of information to back-test the assumptions taken in local risk assessments.

Selection

The group framework was developed and approved by AXA's senior management. Vendor selection began with the top fifty providers and quickly narrowed to a shortlist, to whom an extremely challenging proof-of-concept was issued.

The choice for Avanon reflected the rapid delivery and clear evidence of all functional and technical test

cases. AXA and Avanon quickly came to contractual terms, with a strong understanding of strategic partnership.

Specific Requirements

Aside from the business requirement to support AXA Group's extensive risk framework, the technical requirements demanded a highly structured and well-designed data model and multi-lingual features to support the diversity of AXA Group companies.

Given AXA's growth strategy, the solution also needed to have proven capability to seamlessly add, re-assign, re-structure existing and new legal entities, with little or no manual intervention, while retaining all data history.

Global Delivery

Deployment began in early 2007 with focus on qualitative data collection and strict processes to determine a consistent operational risk charge at both the entity level and at group level.

In 2008, treatment of bordering events, fine tuning of modeling methodology, mitigation, local processes to followup on top risks, typology, indicators, reporting,



INDUSTRY

- Insurance and Banking

LOCATIONS

- Headquarters in Paris
- All legal entities
- 25 countries on all continents

PROJECT SCOPE

- Group-wide, integrated management of oprisk
- Meet Solvency II and Basel II requirements

IMPLEMENTATION HIGHLIGHTS

- Covers local AXA Group companies
- Production-ready in 18 weeks
- Rollout to 15 countries in 12 months
- Multi-lingual: English, Japanese, French, German
- Complete coverage on a single platform

BENEFITS

- Control of all AXA Group key oprisks
- Lower total cost of ownership
- Positive impact on S&P credit ratings
- Consistent and well-structured
- Forward compatible ('future-proof')

adjustments to processes and increased awareness efforts took place. 2009 saw an upgrade to the latest Avanon OpRisk release which further extends capability for economic capital calculation and introduces new features for any key indicator type.

Results

AXA Group is now strongly positioned to comply with its stated Solvency II objectives and the company has won strong recognition from rating agencies. The many regional entities can independently meet their own needs, while retaining complete consistency and alignment with AXA Group directives.



Avanon AG has developed and successfully delivered a solution for a wide spectrum of risk management disciplines since 1999. For many years the Avanon System has been widely recognized as a leading vendor by international market research firms. Avanon Solutions are deployed globally by financial services firms and industry.

The modular application supports consistent capture, monitoring and control of potential risks before the actual losses occur. The Avanon System is recognized as a leading application because of its well-designed integration of all functionality. A high degree of flexibility provides extended support for individual client requirements. The Avanon System can be deployed module-by-module or as a complete package, so allowing for incremental activation of functionality whenever it is needed.

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