

ERM Practice Area and Risk Management Interest Group (RMIG)

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We now send you our third monthly e-mail notifying you of events and briefly updating you on progress in relation to the ERM Practice Area and Risk Management Interest Group (RMIG).

ERM Practice Area (Vision and Strategic Objectives)

We received a number of very helpful comments and suggestions in relation to the Vision and Strategic Objectives that we circulated last month. We will update these and circulate to members in a future monthly update. We also received a very positive response to our call for volunteers. Each of the sub-committees is now starting to consider how to take forward their respective agendas.

2008 FIERM Conference papers

Papers presented in Manchester this June for which we have authors' permission can now be accessed at: <http://www.actuaries.org.uk/conf/firm2008>

2009 Conference (to be renamed, “FIERM” alternative yet to be decided)

Sunday 21 – Tuesday 23 June 2009, Brighton

Would you like to present a paper or to be involved in research for a paper at the annual conference in Brighton? The Finance & Investment and ERM Practice Area Executive Committees are looking for papers, ideas for papers and for working party volunteers on a variety of research projects.

In 2009 the conference theme will be loosely based around looking to re-write the rules – what went wrong and how we might make a new start as we seek to emerge from the Credit Crunch?

We should like to know:

- Your ideas for papers that you would like to present or hear a presentation on and/or:
- Your interest in becoming involved in a research working party.

A list of proposed Conference working parties is given in a Postscript to this e-mail and can also be accessed at:

http://www.actuaries.org.uk/practice_areas/finance_invest/topics/firm_conference_2009

ERM Networking evening

Wednesday 17 September 2008, Staple Inn, London

The next ERM networking evening will be looking at the subject of financial fraud. We hope to welcome Expert practitioners from other fields, including Forensic investigators, talking about some of the cases they have seen, the kinds of weaknesses they see in financial services, and how we can help our firms and clients to be more robust. Do come along to what should be an eye-opening and thought-provoking discussion.

Details will be e-mailed to members with an interest in the ERM Practice Area and/or in the Risk Management Interest Group when the programme has been finalised.

The Role of the CRO in ERM (Glasgow) networking evening

Wednesday 24 September 2008, Glasgow

The rerun of the May networking evening will now take place at Hymans Robertson, Glasgow, at 6.00 pm on Wednesday 24 September. Two Chief Risk Officers from very different backgrounds – Tom Burns, Head of Risk Management, National Australia Group (Europe) and Colin Ledlie, CRO, Standard Life – will give their view of the:

- Respective CRO challenges confronting them
- CRO role – what it Involves and
- Skills and Career Paths that might lead to the Role and possible entry routes.

If you are interested in attending, please click on:

http://www.actuaries.org.uk/media_centre/news_stories/2008/july/F_and_I_networking_evening

Transitioning from ICA to ERM: half day seminar

“UK insurers have invested significant amounts of time and money in developing their individual capital assessments, but all too often are failing to translate this investment into better risk management and corporate decision-making. This half-day seminar will offer practical insights into how insurers can move beyond ICAs and towards Enterprise Risk Management.

The event will be of interest to Life insurance actuaries working the risk management area, in the production of ICAs or on Solvency II and those with a more general interest in Enterprise Risk Management.”

Details will go on the website shortly for the seminar on the morning of Friday 10 October.

Global ERM Webinar

The sequel to the successful 16 January event will again have two tracks. These are likely to be entitled "The Building Blocks of ERM" (basic) and "Challenges to ERM " (advanced) to provide content relevant to a range of participants with varying levels of experience: from those who have less than three years experience to those with more than 10 years experience in the field.

Although hitherto billed as happening on 10 December, it is now proposed to have several sessions, over a span of several weeks of no more than 3 hours at one time. Each session would be broadcast according to the theme in the appropriate time zone, i.e. European focus issues

broadcast at GMT +1. This would be done over several weeks. The webcast would be offered as a package, allowing participants access to all sessions and their recordings.

We are still looking for four volunteers to assist us in developing the European component of the webinar. We will require input on programme topics, the selection of suitable speakers and promotion of the webinar to our members. Please click on the button to reply and help us to make this webinar even more successful than the first.

Items worth accessing

Here is a selection of research or information that we have found useful during the past month:

- **Investigating the development of ERM in the insurance industry**
Dr. Madhu Acharyya, Lecturer (Risk Management), Finance & Accounting Group, The Business School, Bournemouth University has let us have his empirical study of ERM in four major European insurers which was awarded the Geneva Association and International Insurance Society best research prize in 2006. It can be found at:
http://www.actuaries.org.uk/_data/assets/pdf_file/0004/134950/Acharyya.pdf
- **PRMIA Case Studies “Lessons from the past”**
<http://prmia.org/index.php?page=training&option=trainingWebBasedResources>
- **Life Insurance Costing and Risk Analysis**
The June 2008 paper of the CIA Taskforce on Life and Health Insurance Costing Products can be found at: <http://www.actuaries.ca/members/publications/2008/208047e.pdf>

We’ll be taking a month off during August and expect to issue the next monthly e-mail in September. [NB scroll down to look through the 2009 Conference working parties]

Colin Ledlie, Chairman, ERM Practice Area Committee

Jules Constantinou, Chairman, RMIG Committee

2009 Conference working parties

If you could be interested in presenting a paper or be involved in research for a paper at next year’s conference in Brighton, you might like to look through the following, often quite general, suggested topics, which include ideas for how working parties may seek to focus their research are given.

The online “Call for Workshops” gives boxes to tick for those subjects you are interested in contributing to and a space to indicate additional topics.

You may volunteer for more than one working party, since not all may attract sufficient volunteers to be viable, but we do not recommend that you participate in more than two working parties in practice. We may look to invite speakers for keynote addresses where no working party is formed.

You can notify your interest either by replying to this e-mail or as instructed on line at http://www.actuaries.org.uk/practice_areas/finance_invest/topics/firm_conference_2009

- 1) Financial risk and insurer capital assessment
 - a. what is financial risk, what are the different categories and how are they measured for the ICA for various types of business (WP, NP, UL etc, perhaps inc p/c)?
 - b. what strategies are there for mitigating this risk (e.g. vanilla hedging, hybrid hedging etc)?
 - c. what credit can you get within the ICA for these different strategies - is there scope to arbitrage capital markets versus insurance ICA? i.e. optimising the ICA financial risk charge
- 2) Modelling correlations and dependencies in economic capital models
- 3) Stress tests for investment risks – credit
- 4) Lessons from the 07/08 credit & liquidity crunch, inc. Central bank Policy
- 5) Modelling property values (both residential and commercial)
- 6) How valuable is liquidity?
 - a. Optimising investment strategy across risk and return including liquidity risk and return
- 7) Credit ratings eg
 - a. Are ratings a good measure of risk actuarial purposes?
 - b. Do they adequately allow for pensions risks?
 - c. Other aspects?
- 8) Conflicts between accounting bases and economic bases
 - a. Are firms incentivised to sub-optimal behaviour by non-economic accounting bases?
- 9) Developments in pensions buyout market
 - a. Impact of IORP
 - b. Managing buyout risk
 - c. etc
- 10) Update on longevity hedging
- 11) Update on LDI strategies
- 12) Impact of possible re-emergence of inflation risk
- 13) Governance
 - a. Impact of risk governance
 - b. Is investment performance impacted by governance arrangements eg is opportunity set constrained by speed of decision-making?
 - c. Has trend for investment consultants to take on fiduciary role had any impact?
- 14) Variable annuities
 - a. Further analysis of residual (non-hedgeable) risks
 - b. What riders offer perceived value-for-money?
 - c. etc
- 15) Use of risk profiling / asset allocation for retail customers
- 16) Yield curves
 - a. Implications of divergence between gilt and swap curves
- 17) Update on alternative assets, Commodities, the carbon market etc