

The Actuarial Profession
making financial sense of the future

How ERM can make you a savvy Actuary
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Why is ERM good for Actuaries?

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Objectives

- In this session I plan to cover:
 - ERM concepts and frameworks
 - Why ERM is good for actuaries
 - The new global CERA qualification
 - How to develop “savvy actuary” skills

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What is ERM?

“ERM is the **holistic management** of all risks a company faces. At its best, it cuts across the whole organisation, touching on each business unit and developing an **integrated** approach to risk management. The key objective of any company is to maximise and protect shareholder value – ERM achieves this through **balancing** limitation of downside risks with exploitation of the upside potential”

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Why is ERM important?

- Since early 2000 much greater focus on risks
- Acceptance that risk is taken for a reason
 - Therefore questions about are we taking the right risks?
- Greater focus on diversified big business
- Better understanding of risks (Economic Capital)
- Big focus of rating agencies
- Solvency II



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What are some of the key components of ERM

There are a number of key elements of an ERM framework

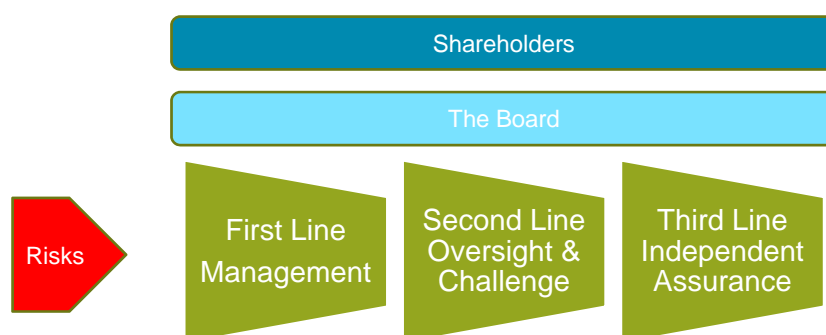
- Understanding of the risks
 - Likelihood of outcomes
 - Benefits and costs of outcomes
 - Concentrations, aggregations and diversification
- A clear articulation of the risk appetite
- Modelling tools
- Timely MI

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Common Model for ERM

Three lines of defence



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Actuaries and the CRO role

- Actuaries have a wide range of relevant skills
 - Management of financial risks
 - Understanding the products and the business
 - Technical understanding of risk modelling techniques
 - Judgement and independence



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Actuaries and the CRO role

- Actuaries have a wide range of relevant skills but...
 - Wider set of risks to consider
 - Wide range of business relationships
 - Working in multi-disciplinary teams
 - Process are important
 - Stakeholder management
- More to learn
 - Business savvy...

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What is CERA?

- Chartered Enterprise Risk Actuary 
 - A new internationally recognised qualification
 - Designed to provide the skills to become CRO
 - Covers a lot of the core areas required
 - Risk Modelling
 - Risk management tools and techniques
 - Economic Capital models
- But...
 - Mostly focuses on technical skills

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What is business savvy?

- What are some of the 'broader skills' a CRO needs:
 - Stakeholder empathy
 - Leadership skills
 - Communication
 - Relationship builder
 - Facilitator
- Broader than technical skills
 - How does the business work

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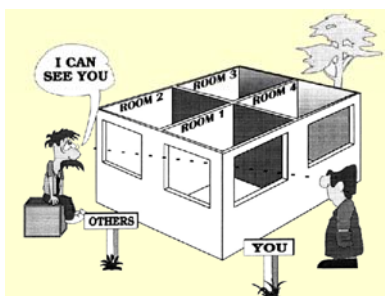


"Things still look good, but I'm recommending caution."

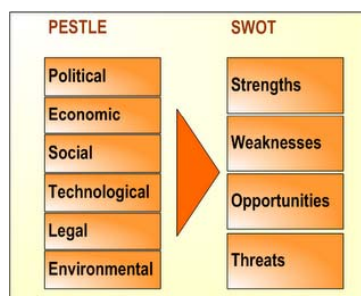
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Some business and personal skills



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Developing 'business savvy'

- Rotations through your firms
 - Business Development
 - Strategy and Planning
 - Risk Management
- Conferences
 - Soft-skills workshops
 - Networking evenings
- Business courses
 - Marketing
 - Strategy

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Some useful resources etc...

<http://www.actuaries.org.uk/practice-areas/pages/enterprise-risk-management>

<https://www.actuaries.org.uk/communities/erm>

- Get involved with our committees:
 - Communications and marketing
 - Education & CPD
 - Research and Thought Leadership

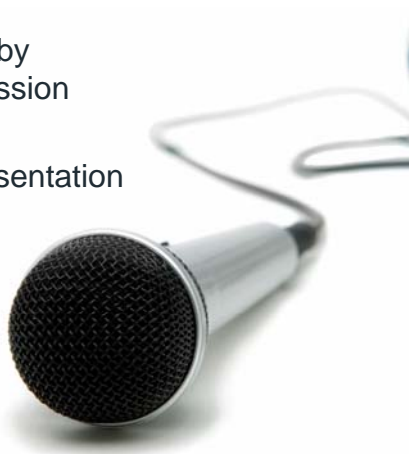
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Questions or comments?

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