The IFoA's FRC and risk reporting working party
(ACA workstream)
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New Risk Guidelines for Companies – how actuaries can help you to comply

New risk guidelines for listed companies will come into operation for financial periods starting after October 2014, so will typically apply for the first time from year-end 2015, first reported on in early 2016.

The guidelines will require complying companies to report more details of their risks and (where appropriate) to carry out risk modelling, scenario analysis and stress testing. In order for directors of companies to comply with the guidance, they will need to::

- Identify any material uncertainties to the company's ability to consider it appropriate to adopt the going concern basis of accounting;
- Carry out a robust risk assessment of the principal risks facing the company – describe those risks and explain how they are being managed or mitigated;
- State they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due; and
- Monitor the company's risk management and internal control systems and review their effectiveness.

Many companies will already comply with the requirements, and actuaries are able to help directors report on the processes already in place in a language consistent with the new guidance.

However, for those that don't, actuaries have the modelling and analysis skills to help company directors comply, taking a proportionate approach. Risk Management and Communication are both fundamental to the training of actuaries. Risk management concepts are embedded throughout the practice specific examination subjects and educational material, including an examination specifically in Actuarial Risk Management (CA1). Furthermore, a dedicated examination (ST9) is available for actuaries wanting to specialise in enterprise risk and, in addition to the fellowship, the globally recognized Chartered Enterprise Risk Actuary (CERA) qualification. Actuaries also benefit from Continuing Professional Development, an active programme of member-led research and ethical and technical standards.

It is for each board to ensure that its framework is robust and effective, and actuaries can adapt to use their skills to add value within the board's desired framework. For many companies, the pension scheme is of significant size relative to the market cap of the company, and as such the risks associated with the scheme are likely to be among the principal risks which may impact the continued going concern basis of the company. Pensions actuaries are best placed to help companies understand and mitigate those risks, and can use similar techniques and scenario analysis for other company risks ensuring consistency.

Over the last 30 years actuaries have increased their influence in general insurance as the combination of statistical knowledge, practical abilities and professionalism that actuaries provide is increasingly recognised. This has given actuaries the opportunity to develop techniques for a wider range of risks than just pensions, ranging from low frequency/high impact catastrophe risks to mass market risks like motor insurance and household.
