



The Actuarial Profession

making financial sense of the future

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Risk Management- Relying on Others

The Consultants' Perspective

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Risk Management

At last.....

Recognition for the humble Actuary, Accountant and Risk Officer



The Risk Management Centric Business - questions

- If we have embraced risk management why is implementation so onerous for many companies?
- Solvency II is a legal framework that encapsulates the very tasks that should already underpin how we do business.
 - Why is it run by actuaries, accountants and CROs?

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The Risk Management Centric Business - answers

- Still not high enough on the strategic agenda
- Too many people either box ticking or seeing risk management as a discrete responsibility alongside their 'real job'
- Too many consultants and contractors and they are operating in a disjointed way

Forget Solvency II look to ERM

Risk Management needs a change in emphasis

- Companies are beginning to embrace the fact that managing risk effectively may actually benefit them
- No longer a backroom function that is 'let out' only when the regulator is on his way
- Consulting is benefiting greatly from the in-vogue demand but are companies benefiting?
- What will risk management look like post SII implementation?

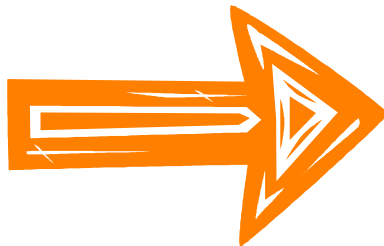
Are companies taking it seriously?

.....un-attributable quotes from Board members:

- *Solvency II will result in Boards comprising of nothing other than a host of Actuaries, Risk Officers and Accountants . The amount of capital held will be in excess of the regulatory requirements because these inward looking individuals will not be able to generate enough strategic collateral to result in any risk business being sold.*
- *The biggest risk posed to the insurance sector in Europe is Solvency II. By the time we have implemented it and paid for it we will not have enough capital to meet our obligations*

Insurance co board quiz

- What are your 'top ten' risks?
- What controls have you in place to manage each of them?
- How effective are these controls?
- How well did the business manage these risks last year?
- Did these reports pick up the major losses experienced by the business in the last year?



Increased recognition of Risk Management is good

- Whether by desire or fear risk management is moving up the importance scale
- Companies are recognising that the necessity for effective risk management will not go away and are exerting lots of effort
- Actuaries and Accountants, in particular, are finally considering risk from a commercial perspective
- Holistic view of risk

The use of consultants

- Happy Days – Y2K in distant past
 - *Solvency II was created by Consultants for Consultants. They thought that we would have forgotten about Y2K by now and it was time to hit us with something else.*
- Typical motivations for use
 - Not enough internal staff
 - Not enough expertise
 - Require outside/independent input
- Pitfalls
 - Operating in isolation of the business
 - Operating in substitution for the business
 - Not enough knowledge transfer



Optimise your use of consultants

- Use consultants to supplement your team
- Make them accountable as part of your team
- Choose the ones who have previously supplied the type of support you require
 - you should not be their training ground
- Clearly define what you want from them and the timescale
- Look to recruit (for the long term)
- Ensure that the in-house team is learning (quickly)

Risk Management in the future

What's next?

- Solvency III, IV, V
- Six Pillars
- Intergalactic GAAP
- Risk thought police



Risk Management in the future

Risk Orientated Professional Businesses

- Risk is an integral part of business, but doesn't dominate
- It is part of day-to-day decision making, not a forced discipline
- Risk culture is no longer something to be done by others
- Risk regulation becomes less prescriptive and recognises that one size does not fit all
- And finally....

Never forget

.....the world is run by Consultants!!!!

THANK YOU