The Application of Strategic Theories to Non-Life Insurance Markets
Illustrated with reference to UK Motor Insurance

ERM in General Insurance
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Presenters
Sejal Haria
Michael Tripp
Brian Foley
Don Mango

Agenda

- What is ERM?
- Why ERM (initial discussion)
- Opportunity for self assessment and feedback:
  - where are our Companies at?
- Panel input
- Concluding thoughts / Next steps

What is ERM? Our stab at definitions...

- A strategic attempt to manage all the risks affecting an enterprise...
- The management (control and direction) of all risks (things likely to cause loss of an unexpected or unplanned nature) affecting an enterprise (a business concern)

Notes:
- Enterprise = An undertaking: A business concern (also readiness, initiative and daring in undertaking it)
- Risk = Hazard: Danger: Chance of loss/injury: Degree of probability of loss: Something likely to cause loss or danger
- Management = The art of conducting, controlling, administering: Manner of directing or of using anything: Skillful treatment
- Strategy = a plan, method, or series of manoeuvres for obtaining a specific goal or result
What is ERM? A Risk Management Cycle

- Review & Scope
- Monitor
- Identify
- Manage
- Understand

Why ERM?

- Is our definition acceptable?
- Is ERM just another management fad?
- Is ERM too scientific (in a world of incomplete information)?
- To what extent is ERM different from ICAS – what can we learn from the Basel/FSA approach?
- How come we’ve survived so far without ERM?
- There is no magic behind ERM!

Self Assessment and Feedback
Views from the Panel 1:
Risk, strategy and controls are integrated concepts...

Determining what risks will remain on Balance Sheet & the optimum approach to deal with each risk

Views from the Panel 2:
ERM may be ‘bigger’ than ICAS

Categorisation is there to help, not define ERM

Views from the Panel 3:
2 control cycles – how well do we understand systems & controls?

Worse than weather forecasting or economic modelling

Optimising cost of control vs benefit – reducing risks reduces opportunities
Views from the Panel 4: Actuaries have a key role to play...

But we’re not alone
- Risk management
- Business Continuity
- Internal Audit
- Compliance
- Quality
- Treasury
- Assurance
- Corporate Governance
- External Audit
- Process Management
- Pricing
- Strategic Risk

And don’t monopolise tools
- Risk Register
- Process maps and documentation
- Process controls
- Refresh process
- Risk and audit committee
- Ownership
- Monitoring and KRI
- Plans and embedding
- Fores of mitigation and controls
- Risk appetite _ heat maps

But have special skills
- Numbers
- Modelling
- Qualitative?
- Logic
- Intuition, imagine?
- Extra training and development
- Communication to explode black boxes

We need to decide what it is ...

The Working Party: where we got to

- Aimed to produce complete but succinct guide to ERM
- Anticipated an actuary audience, but ideally wider dissemination
- Completed 7 essays — useful inputs
- Still need to tackle more subject matter and put into consistent style/format
- Interested to hear of practical experiences!!

Concluding Thoughts
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- Generally viewed in a positive light; however still room for improvement ...
- ERM is wider than purely a Risk Management concept
- Does lead to a deeper understanding of risks faced by an organisation and where a Company's expertise lies
- ERM is here to stay!!
- Actuarial influence on Board level decisions will be significant

Next steps - discussion

- Further Training
- Links to other industries
- Communication of Actuarial Role and ultimately,...
- Influencing the way our companies are run