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

10 December 2010

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
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”

*UK Actuarial Profession*

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
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

Common Model for ERM

*Three lines of defence*

- Shareholders
- The Board
- First Line Management
- Second Line Oversight & Challenge
- Third Line Independent Assurance
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

- 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…
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

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
Some business and personal skills

Developing ‘business savvy’

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

Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.
The views expressed in this presentation are those of the presenter.