

ERM in General Insurance

33rd ANNUAL GIRO CONVENTION

Hilton Vienna Hotel, Am Stadtpark

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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

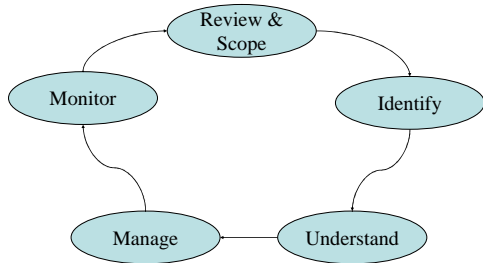
What is ERM? Our stab at definitions...

- 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!!!)
- Risk = Hazard: Danger: Chance of loss/injury: Degree of probability of loss: Something likely to cause loss or danger.
- Management = The act 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



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Why ERM?

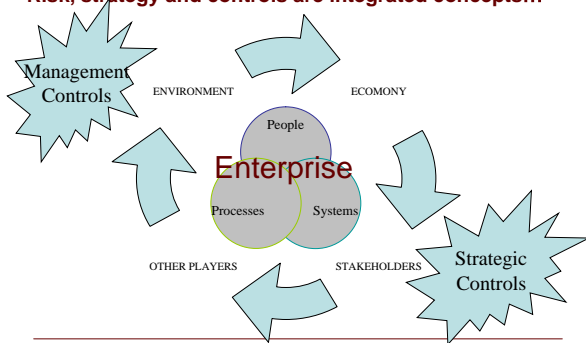
- Is our definition acceptable?
- Is ERM just another management fad?
- Is ERM too scientific (in a world of incomplete information)?
- To what extent is ERM different from ICAS – what can we learn from the Basel/FSA approach?
- How come we've survived so far without ERM?
- There is no magic behind ERM!

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Self Assessment and Feedback

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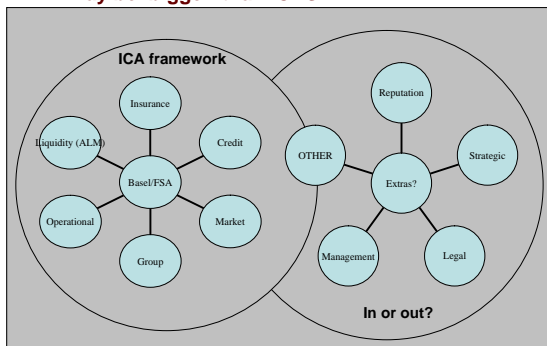
**Views from the Panel 1:
Risk, strategy and controls are integrated concepts...**



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

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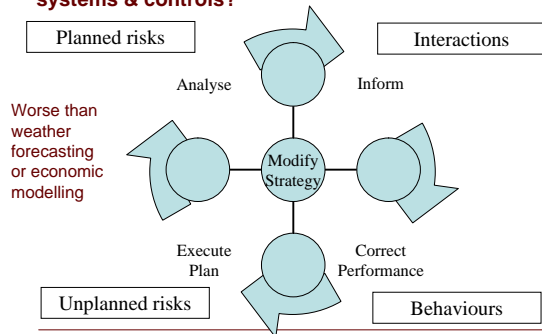
**Views from the Panel 2:
ERM may be 'bigger' than ICAS**



Categorisation is there to help, not define ERM

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



Optimising cost of control vs benefit – reducing risks reduces opportunities

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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
- Planning
- Strategic Risk

And don't monopolise tools

- Risk Register
- Process maps and documentation
- Process controls
- Refresh process
- Risk and audit committee
- Ownership
- Monitoring and KRIs
- Plans and embedding
- Forms of mitigation and controls
- Risk appetite – heat maps

But have special skills

- Numbers
- Modelling
- Qualitative?
- Logic
- Intuition, imagination?
- 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



Concluding Thoughts

- 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

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Next steps - discussion

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

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