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Risky Business: Unravelling the Mystery of the Risk Function

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What do you think Risk do?



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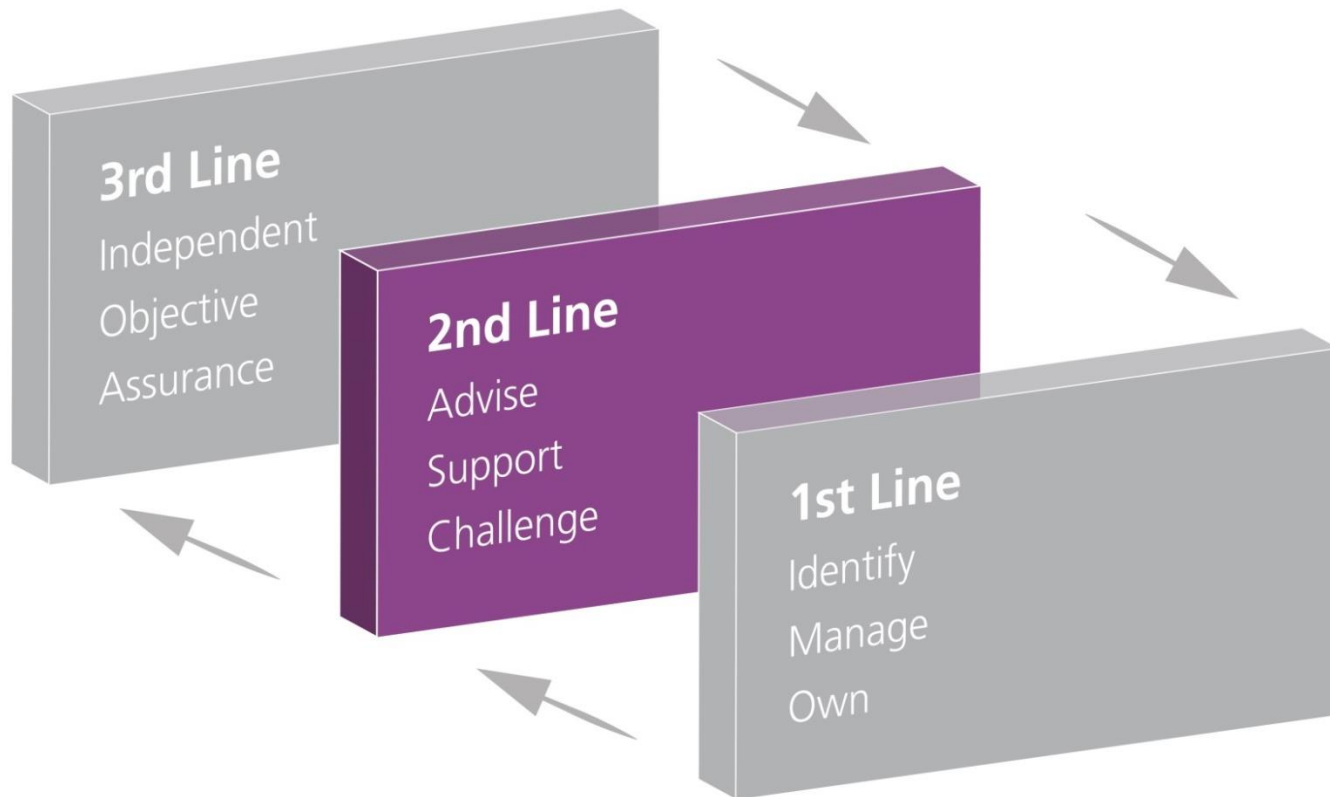
Agenda

- Three Lines of Defence
- What is the role of Risk?
- Aviva's Risk Framework
- What value do Risk add?
- Risk Functions
- Who is responsible for Risk Management?
- Risk skills and strengths
- Case studies
- How can “the business” and Risk work together in harmony?



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Three Lines of Defence



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What is the Role of Risk?

- Forward looking perspective
- Encouraging participation in the right opportunities
- Ensuring that all risks have been given due consideration
- Sharing knowledge across the business
- Strong risk culture with clear accountability
- Providing and enforcing a robust system of governance
- Providing assurances to the Board
- Influencing Regulators' thinking
- Ensuring the business is informed and responds to regulatory developments
- Protect customers and the business



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Aviva's Risk Framework



.....Does this look familiar?



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What value do Risk add?



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Risk Functions

Auditors

Actuarial

Data Analytics

Financial Crime

IT

Accounting

Legal

Risk Managers

Operations

Compliance

Pricing

Project Managers

Traders



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Who is responsible for risk management?



Pricing

Reporting

Asset Liability Management

Experience Analysis

With Profits

MI Team

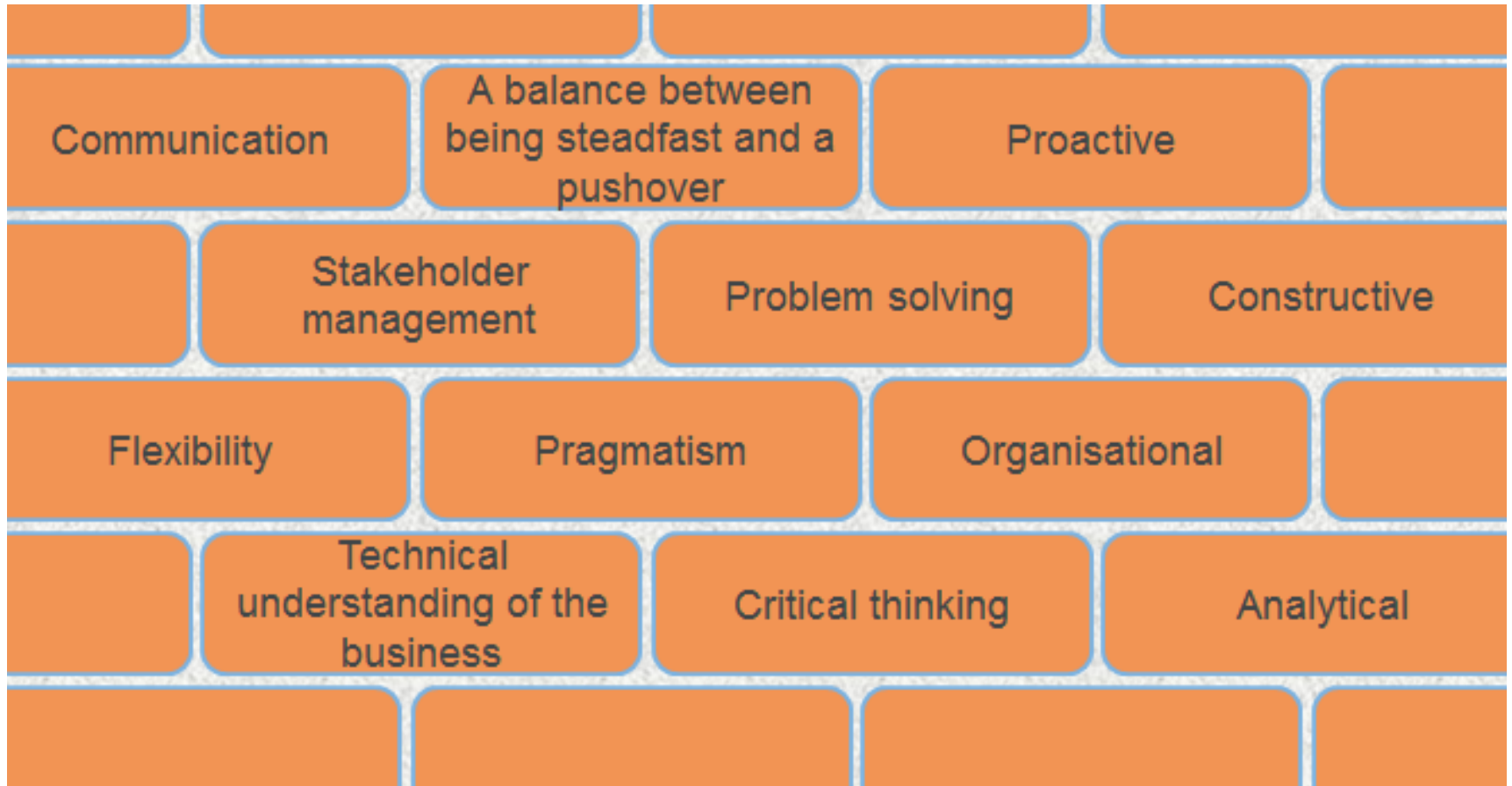
Capital Management

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Risk skills and strengths



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How can “the business” and Risk work together in harmony?

- Engage with each other right from the start
- Try to understand each other and their focus
- Ensure there are regular communications in both directions
- Working together proactively
- Be prepared to meet halfway
- Appreciate governance is there for a reason – to protect, not to be awkward

Questions?



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Appendices



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Chief Risk Officer (CRO)

According to the FCA Handbook, a Chief Risk Officer should:

- a) be accountable to the *firm's governing body* for oversight of *firm-wide* risk management;
- b) be fully independent of a *firm's* individual business units;
- c) have sufficient authority, stature and resources for the effective execution of his responsibilities;
- d) have unfettered access to any parts of the *firm's* business capable of having an impact on the *firm's* risk profile;
- e) ensure that the data used by the *firm* to assess its risks are fit for purpose in terms of quality, quantity and breadth;
- f) provide oversight and challenge of the *firm's* systems and controls in respect of risk management;
- g) provide oversight and validation of the *firm's* external reporting of risk;
- h) ensure the adequacy of risk information, risk analysis and risk training provided to members of the *firm's governing body*;
- i) report to the *firm's governing body* on the *firm's* risk exposures relative to its risk appetite and tolerance, and the extent to which the risks inherent in any proposed business strategy and plans are consistent with the *governing body's* risk appetite and tolerance. The Chief Risk Officer should also alert the *firm's governing body* to and provide challenge on, any business strategy or plans that exceed the *firm's* risk appetite and tolerance;
- j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration* policy



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