

IN CONVERSATION...

The risk connection

Marcus Bowser, Kirsty Leece and Keith Jennings discuss the work of the IFoA's Risk Management Board with Stephen Hyams and Gemma Gregson

The IFoA's Risk Management Board, chaired by Marcus Bowser, is a cross-practice board supported by five sub-committees. Risk management is an area that is evolving rapidly and so *The Actuary* met with three members of the 15-strong board to discuss how actuaries are getting involved in risk management and to find out what work is being done to promote and support them.

What are the objectives of the Risk Management Board?

Marcus Bowser: We provide support to members working in risk management within the traditional fields of life and general insurance as well as members using risk management techniques in wider fields such as commodities or banking.

Kirsty Leece: Our objectives build on the IFoA's overall strategy. We want to push forward thought leadership and have a sustainable delivery of CPD events to make sure that our members are keeping up to date with practices and principles. We are also involved in updating the education syllabus and we work with other risk management bodies.

How does the role of an actuary fit into risk management?

MB: I've always thought about the three lines of defence model as being risk management in the first line, integrated oversight in the second line, and an independent level of oversight in the third line. Our work primarily supports those in second line roles such as chief risk officers (CROs), or those supporting the CRO.

Keith Jennings: I think the risk role really sits between two groups. You have the first line of defence group who may have an area they would like to improve and they will have thought in quite a lot of detail about the issue. Then you have the risk committee or the board on the other side who are looking for improvements to be made and you're sitting in the middle to bring all of this together. It all comes down to communication and underlying all of this is the technical skills and the ability to picture what is required.

What skills does a successful risk actuary need?

MB: Risk really should be in everything we're doing but I think there's a certain skill set that is required for those people who are going to successfully have roles in the second line. It's

crucial to be a good communicator and to approach things in a second line role with an open mind. So be a good listener, build a good relationship, understand the other person's point of view and then talk about what it is that you want to achieve. Off the back of that, work together to come up with a solution as to how you take something forward. Often it is about communicating very complex topics, so it is critical to be able to take those topics and translate them into something simple that people from a wide range of backgrounds can understand.

What are boards looking for in CROs and how, as actuaries, can we cultivate those skills?

MB: I think increasingly boards are looking for somebody who can challenge across the broad spectrum of activities that an insurer is engaged in. A lot of those tend to be quite technical in nature, so having someone who is an actuary who can very quickly take on board that information, form a view and feed that back in a value-added way is critical. Actuaries aren't the only people who can do that but I think they're very well placed to do so. I think it's fair to say that, while actuaries should be able to handle the technical aspects of the role, not all actuaries are well placed to build the relationships and communicate the view in a way that is well received, but I think that's critical for people who want to get into that second line role.

We are bound by professional standards and they encompass all the sort of behaviours that I would expect of somebody who is on the board of a FTSE100 insurance company, or even a small mutual. As a profession, we've taken a lot of actions to make sure that we're supporting our actuarial CROs to hopefully give them a competitive advantage, and that's part of the remit of the Actuarial CRO Group, which Keith is responsible for.

Can you tell us more about the Actuarial CRO Group?

KJ: The group is a sub-committee of the Risk Management Board and is an important group to allow CROs to come together to have discussions, to understand points of view across different companies and also for general learning and insight. We meet several times a year and, particularly for newly appointed CROs, it's a great opportunity to meet peers and build connections across the industry. At the moment, the membership is just for actuaries, but we're always open to having non-actuaries as presenters or holding joint events with non-actuarial communities.

How are you promoting the work that actuaries do in risk, especially to those outside the actuarial community?

MB: We have recently set up a sub-committee of the Risk Management Board that is focused on bringing together different people who are taking actuarial risk management techniques and applying them in wider fields. In doing so, members of the group can learn from each other and be at the forefront of pushing the actuarial profession into those wider areas.

We are promoting our work partly through some very simple initiatives such as showcasing some of the things that actuaries are doing. For example, we have recently produced a set of actuarial risk principles that articulate what the actuarial skill set is, the tool kit that we have

and the techniques that we apply in insurance companies. The principles are generic and not industry specific and it's very clear how those techniques could be applied elsewhere.

We are sharing these risk principles with senior people in government and other bodies that we want to influence as a profession. It's really about trying to raise the profile of how an actuary can add value in a wider context.

The risk principles can also be used by actuaries as a checklist. Some of the people who might find it useful are those who are working in wider fields or who have been working in insurance in a well-defined, narrow role, and move to a new role that has a much wider scope.

KJ: The risk principles are the actuarial way of thinking applied in a risk management context, to give that uniqueness of what an actuary brings to the scenario as well as something that can be used across a wide range of contexts.

How do risk techniques compare across different industries and how transferable are actuarial skills?

KL: We have our high-level skills from working in insurance companies that are definitely transferable to other industries.

MB: In terms of how risk management is executed at companies in different industries, I think a lot of the basics are very similar. The maturity of what different organisations might be doing varies quite substantially and so I would hope that insurers are very much at the forefront of that, along with banks and other industries where people's life savings potentially are on the line. Likewise, with other industries such as aviation and other commodity based industries, where potentially there is a risk of pollution and so on, you'd expect a very high bar in terms of the maturity of their risk management frameworks. But, by and large, the techniques used are very similar, although the language used might differ a little from one type of organisation to another.

The bulk of people who align themselves to risk are working within an insurance company or something very similar. Some are in wider fields such as banking or the oil industry, but there are far fewer in those roles. There are fewer actuaries applying risk management techniques than non-actuaries, so it's new ground for us and represents a growth area.

What are you doing to support actuaries who would like to work in risk?

KL: The risk conferences and other CPD events are a great way to see if you are interested, to find out if your skills are aligned and to learn a bit more about it. They are also good for networking and to meet people who could potentially work with you in the future. This year we are holding a joint Risk, Investment and Pension Conference in June at the Celtic Manor Resort.

MB: We also produce a regular risk management newsletter that you can sign up to.

How does the exam syllabus equip actuaries to work in risk and how is that changing with the introduction of the new curriculum in 2019?

KL: One of our aims is to ensure that the IFoA can continue to award the Chartered Enterprise Risk Actuary (CERA) qualification to those meeting the relevant criteria. The CERA qualification, currently through ST9, brings out how you would practically use all of the risk management techniques and skills. The CERA accreditation means that we cannot

change the syllabus for ST9, but the earlier subjects will be changing to cover off more aspects of risk management such as copulas and correlations, and the later exams will be more about how to apply those principles. Whatever subjects you study, you will be covering risk management to quite a high level.

MB: Education has been a key area of work for the Risk Management Board. One of the areas that I have concerns about is that people come out having done their exams and feel they are life or general insurance actuaries. I think the changes to the exam syllabus will be quite supportive of us applying our skills more widely.

Can we learn from other professional risk bodies?

KL: From the point of view of actuaries developing their risk skills, the more bodies there are presenting and educating people, the better, and if we can support that and work with them then that's great. So we are trying to connect as far as possible and have connections with other bodies such as the Institute of Risk Management. We can give a lot to the risk management profession but similarly there are other skills that they can teach us.

MB: Absolutely. We can learn a lot from people with different backgrounds and a diversity of ideas makes for a more powerful outcome.

You can read more about the risk principles at: [XXX](#)

Read more about risk management practice in *The Mystery of Risk Management* (p xx), the first of a mini-series of articles in conjunction with the Risk Management Board.