

Biennial Convention 2007

# Adventures in Risk

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Institute of Actuaries of Australia



# Risk Management and the Actuary

## Some Observations from General Insurance

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## The FCR in General Insurance

- Responsibility of the Approved Actuary
- First required for year ending 30 June 2006
- “an impartial assessment of the overall financial condition”, including
- “(i) assessment of the suitability & adequacy of the risk management framework”
- Actuaries were concerned about competence and expectations



## The Finity Experience

- Our first 20 FCRs (by page count):

	Avg	Min	Max
Executive Summary	6.0	1.7	12.8
Report Body	74	46	97
Risk Mgt Section	3.7	1.5	6.1

- Used internal non-actuarial consultants to help on RM



## The Template Content on Risk Management

- Our review process
- The insurer's approach to risk management
- Responsibility for risk management
- Adequacy of documentation
- Integration with the business
- Detection of emerging risk
- Scope for enhancement
- Factors impacting risk
- Recommendations



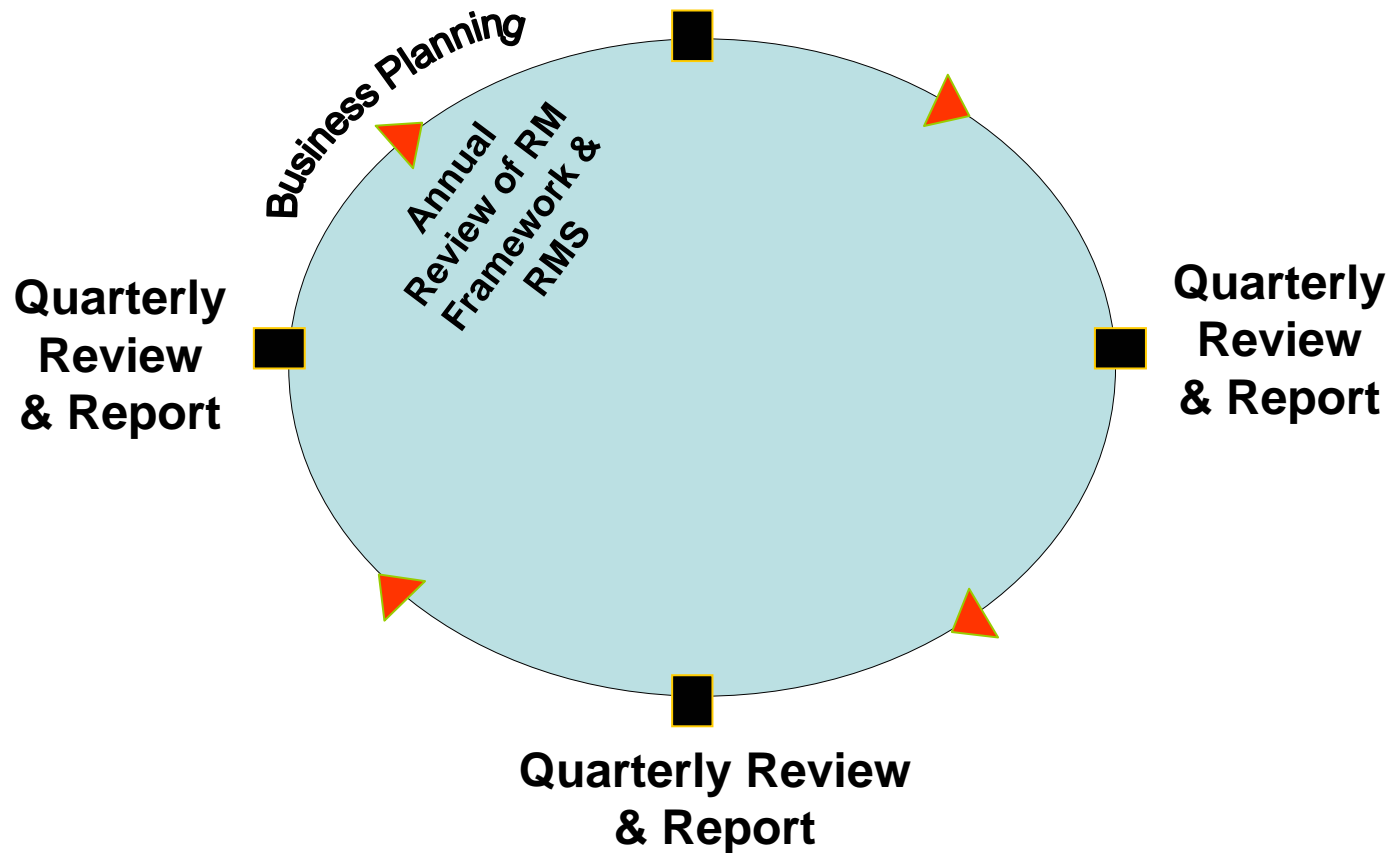
## A Journey, Not a Destination

- Unlike most actuarial endeavours, RM does not have an ‘answer’
- It is a journey or (in management jargon) a ‘process’
- ‘Success’ is to finish each lap of the circuit, preferably in better shape than the end of the previous lap



## Timing the Laps

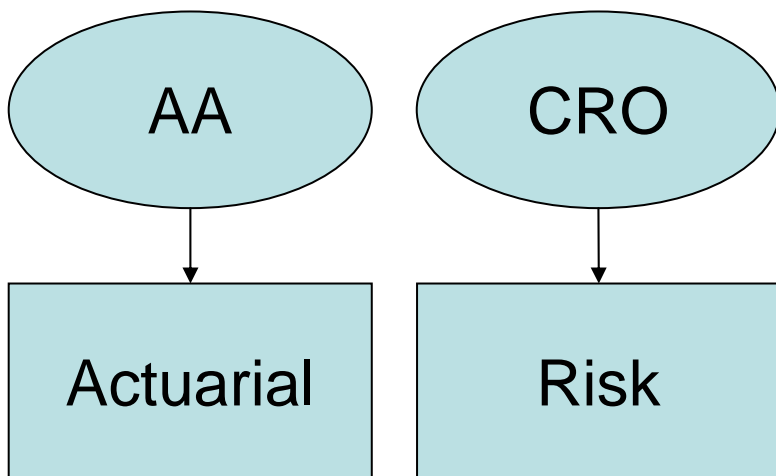
Approve Business  
Plan & RMS



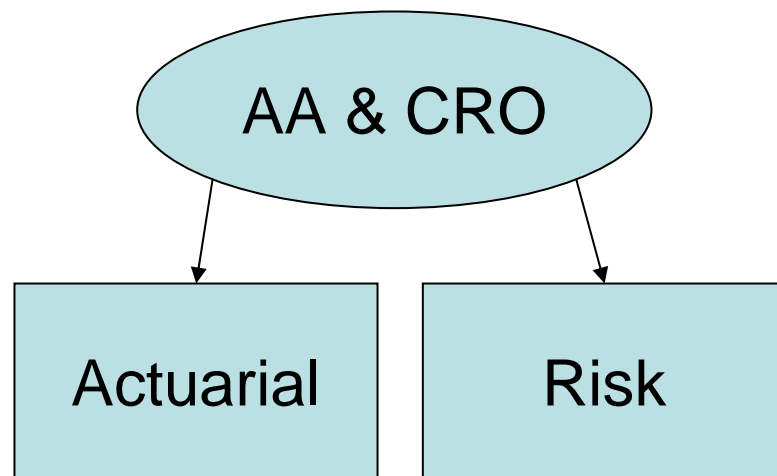


## Two Role (and Career) Models

### Complementary



### Combined





## The Actuary as AA

- A participant in the RM process
- Is part of Risk Assessment workshops
- Is responsible for some items on the Risk Register (e.g. reserve adequacy):
  - Controls, treatments
  - Reporting
- Reviews the quarterly & annual RM reports
- Comments in the FCR





## The Actuary as CRO

- Know the Australian Standard AS4360
- Manage the RM function
- Develop measurement – ERM –
  - ‘economic capital is the Currency of ERM’
  - Make the enterprise more ‘risk efficient’
- Learn how to deal with the ‘boring bits’
- Challenge to achieve participation and discipline
- Challenge to influence decisions and culture



## Concluding Remarks

- Most Australian insurers are following AS4360 quite well
- Early stages in integrating RM and business planning
- Struggle to articulate risk appetite
- As an actuary, no need to be afraid