Enterprise Risk Management Report

By the ERM Committee of the New Zealand Society of Actuaries

December 2025

Introduction

This report is written by the Enterprise Risk Management (ERM) committee and published by the New Zealand Society of Actuaries (NZSA). NZSA is the professional body for actuaries practising in New Zealand. Actuaries find insights by analysing past trends, estimating future outcomes and managing future risks. Actuaries provide advice in sectors including superannuation and KiwiSaver, insurance, healthcare, banking and investments. NZSA publishes Thought Leadership reports in the public interest.

The ERM committee undertook an inaugural risk management survey of the insurance industry in 2022 (report published in 2023). This current survey has been undertaken with the intention of understanding how the risk landscape of insurers has changed since 2022 and what progress has been made in risk management practices. This survey includes additional subject areas from the 2022 survey, in particular regarding the role of actuaries in enterprise risk management.

The survey involved interviewing Chief Risk Officers (CROs) and Appointed Actuaries (AAs) from nine insurance companies, spanning life, general and health insurance. These nine companies represent the majority market share in these insurance sectors. The survey responses therefore represent those of the larger insurers and may not represent the overall industry positions.

Current members of the ERM committee are Herwig Raubal (convenor), Roshane Samarasekera, Alex Kuhnast, Benjamin Lovelock, Heting Yang and Evan Cooper. All are members of NZSA. Where views are expressed in this paper, they are the personal views of the authors. This paper does not necessarily reflect the positions of our employers or other members of NZSA. Any errors are our own.

Executive Summary

Risk Management is the systematic process of identifying, assessing and managing risks to the achievement of an organisation's strategic objectives. For the insurance industry, which is in the business of taking on risks that others wish to insure, risk management has received greater attention from Boards, management and regulators, both in New Zealand and internationally, in recent decades. This has at least in part been due to cases of insurer failure where a contributing cause was seen to be inadequate risk management processes, but also more recently as a source of strategic value through improved decision making and resource allocation.

It is due to its importance to the insurance industry that the ERM committee undertook the inaugural 2022 survey, and that this has now been followed up in 2025. The committee's expectation is to undertake similar surveys in future to provide a time series of ERM practice development.

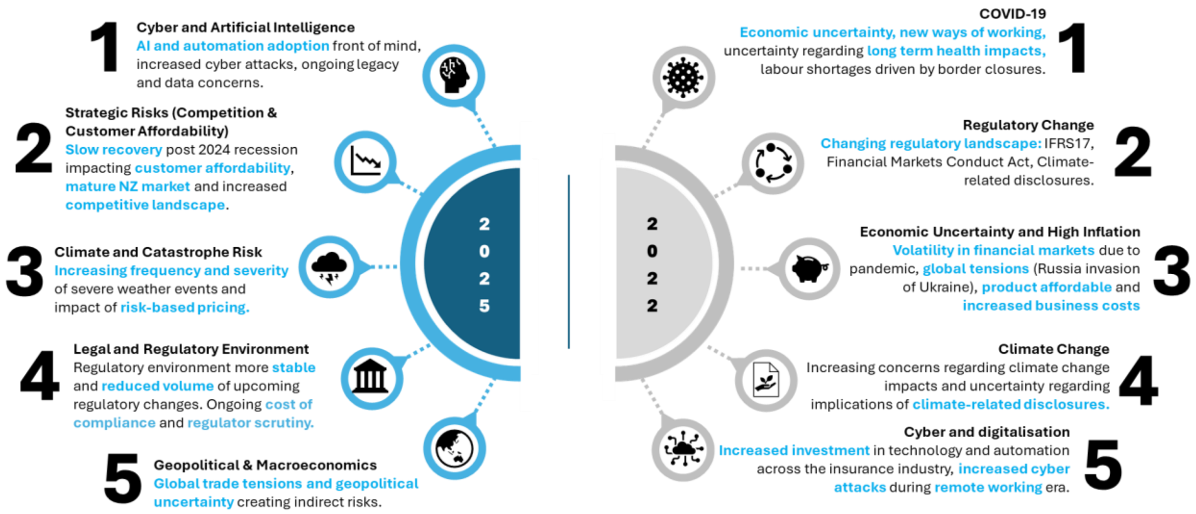
The highlights from the 2025 survey are:

- Top five risks identified in 2025 have changed in order and nature since 2022 with COVID-19 previously dominating concerns and now being replaced by AI and affordability issues as primary risks.
- Progress in risk maturity across practices, embedding of frameworks and culture. Many reported that Board and senior leadership ownership had been important contributors to this progress.
- Countering this, most considered that the use of data analytics needed improvement.
- Other areas for improvement noted were:
    - Development and integration of forward-looking Key Risk Indicators (KRIs)
    - Embedding ERM into daily operations to counteract "box-ticking" mentality
    - Scaling ERM processes to align with evolving risk profiles
    - Expanding management capacity and refining organisational structures
- The complementary roles of actuaries and CROs continue to evolve, underscoring the need for broader skillsets of actuaries and collaboration between the AAs and the CROs.

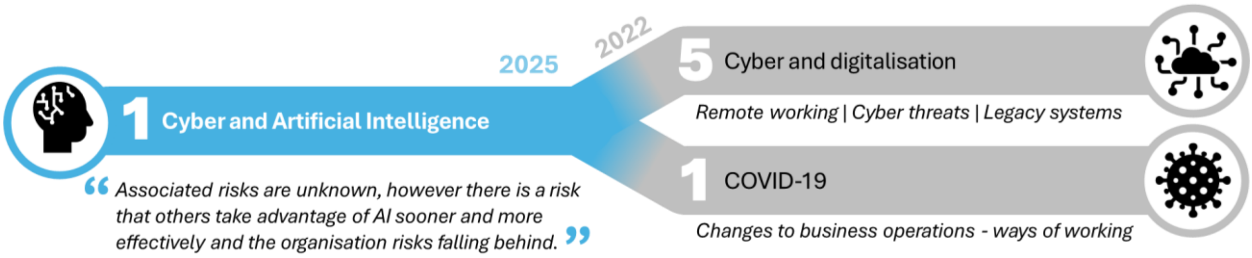
Key Risk Themes

Evolution of Top 5 Risks

Top five risks identified in 2025 have changed in order and nature since 2022 with COVID-19 previously dominating concerns and now being replaced by AI and affordability issues as primary risks.



Cyber and Artificial Intelligence



Cyber risk and artificial intelligence are top of mind and were called out as a common theme across all responders. Seen as an area for opportunity (to gain a competitive advantage) as well as risk.

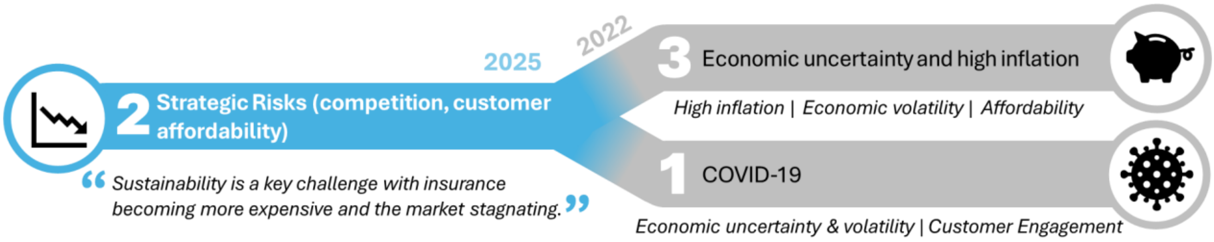
The focus of this risk has shifted away from the risks associated with the new ways of working and reliance on remote arrangements following Covid-19 to strategic consideration inspired by the use of more advanced technology.

Cyber risk has also matured from general digitalisation concerns to specific threats like AI-enabled attacks and crisis simulations.

Main highlights include:

- Pace of change of technology, in particular, artificial intelligence. This risk is still developing, and organisations are still working out what the risk impacts are and how to manage them.
- Ongoing concerns relating to complexity and legacy systems and the impact on operational efficiency.
- Need for improvements in data quality and governance to support technological developments.

Strategic Risks



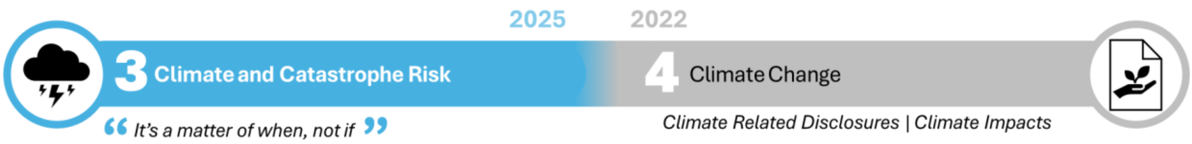
At the time of the prior survey, concerns were focused on potential impacts of economic uncertainty following COVID-19 and high inflation.

The concerns identified in the previous survey have materialised and are reflected in the current survey responses which highlight customer affordability and increased competition as significant risks across the industry.

Main highlights include:

- Limited growth opportunities due to the mature New Zealand market.
- Customer affordability concerns due to the slow recovery of the New Zealand economy.
- Long term sustainability of products due to increasing expenses e.g. claims inflation, acquisition/transformation costs, distribution costs etc.
- Concerns regarding the impact of risk-based pricing on accessibility to insurance.
- Increased competitive landscape with recent acquisitions could lead to unsustainable practices.

Climate and Catastrophe Risk



This risk has risen in prominence following a number of severe weather events such as the Auckland Anniversary Weekend floods and Ex-Cyclone Gabrielle in 2023.

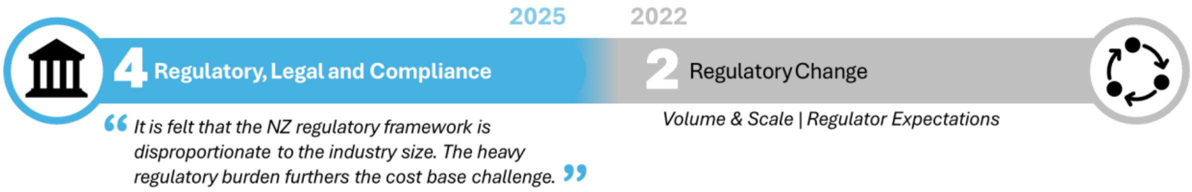
This issue is especially pertinent for general insurers due to its influence on rate increases. In contrast, within other sectors such as Health and Life Insurance, it is not identified as a major concern.

This is a shift from the prior survey where many insurers across the various sectors were concerned about the introduction of the new climate-related disclosures.

Main highlights include:

- Concerns regarding risk-based pricing and the impact this may have on affordability or accessibility to insurance (in relation to general insurance), particularly for customers who live in high-risk areas e.g. flood zones.

Regulatory, Legal and Compliance



Whilst there are still several forthcoming regulatory changes such as the Contracts of Insurance Bill, the volume and magnitude relative to prior years have reduced.

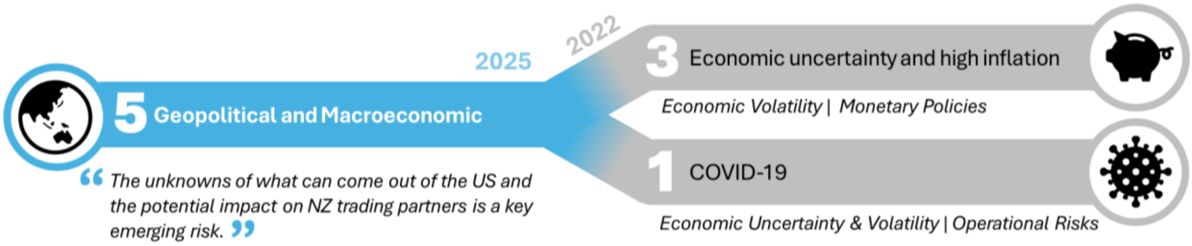
The regulatory environment has stabilised with key regulatory changes highlighted in the previous report relating to Conduct and Culture Review findings, ongoing revision of Solvency Standards and IFRS 17 reporting related changes now in force. This is reflected in the decreased ranking of regulatory and compliance as an area of concern.

Responses regarding upcoming regulatory change were less dominant compared with the prior survey, with comments relating to ongoing compliance, the level of regulatory scrutiny, and the cost of compliance.

Main highlights include:

- Ongoing implementation requirements of recent regulation such as COFI, climate reporting, forthcoming regulatory changes relating to solvency standards and changes to tax regulation.
- Cost of compliance, the impact on an already strained cost base and the impacts on business operations, especially with legacy systems.
- Increased level of regulatory scrutiny and complexity.
- Ongoing remediation efforts.
- Conflicting requirements between stakeholder priorities, including between the different regulators.

Geopolitical & Macroeconomic



Concerns are emerging in relation to global trade tensions and the rise of "protectionism" with countries such as the US increasingly using tariffs, subsidies and industrial policies to protect domestic industries. There are also uncertainties driven by ongoing geopolitical tensions such as the Russia-Ukraine conflict, middle east instability and the US-China strategic rivalry.

The above drivers have replaced COVID-19 as a key emerging risk. The impacts of these events on the NZ market, as well as the insurance industry specifically, are not yet clear

Main highlights include:

- Economic resilience of NZ e.g. increased inflation impacting customer affordability and compounding challenges in accessing under-penetrated segments
- Impact of global tensions on supply chains
- Market volatility affecting capital markets

Sector-Specific Risk Differences

While the principal risk themes identified by respondents were broadly consistent, certain concerns were unique to individual insurance segments.

General Insurance

Climate risk and the impact of **risk-based pricing** on affordability and accessibility to insurance.

Health Insurance

Claims inflation and the impact on product sustainability and deterioration of customer value proposition.
Interaction between private health insurance and the public health system.
Potential impacts of **medical advancements** such as genetic testing.

Life Insurance

Customer affordability and the impact on persistency. In contrast to general insurance, life insurance policies are more susceptible to discretionary lapsation.
Unsustainable practices including significant discounts being offered to increase market share in a stagnant market.

Emerging Risks

The key emerging risks identified (illustrated in the word cloud below) largely align with the current risks and challenges highlighted by the survey participants. The key distinction between current and emerging risks is that the latter are characterised by their rapid evolution, such as those associated with artificial intelligence, or by uncertainty regarding their potential impacts, including geopolitical risks.

The top 5 emerging risks that respondents raised were:

- AI – companies are engaging with AI quite differently, ranging from cautious to ambitious adoption. Regardless, all companies had this on their emerging risk radar.
- Climate Change – particularly for general insurers, with its potential impacts on profitability and insurability.
- Growth – CROs were concerned about growth, and in particular the lack of overall market growth.
- Transition/Change – companies were concerned about transition and change in a broad sense, with a range of technological, climactic and societal factors impacting the insurance landscape. This is raising questions of how insurers and customers transition to a future sustainable insurance model.
- Derisking – in particular how companies de-risk their portfolio and what this means for both access to insurance and the customer value proposition.

Establishment and Evolution of Risk Functions

The survey reveals a landscape where every participating insurer operates under the three-lines-of-defence model, yet the degree of sophistication and maturity within this structure varies significantly. The majority have now cemented an independent second line of defence, ensuring that risk oversight functions are insulated from operational pressures.

Recent investments are especially apparent in companies at an advanced level of maturity, which have dedicated substantial resources to expanding their risk teams and fostering a culture of engagement between the first and second lines. These initiatives have not only facilitated a more consistent application of ERM frameworks but also encouraged a philosophy of shared responsibility throughout the organisation. Notably, ERM practices that were previously siloed are now interwoven into day-to-day decision-making, a marked leap from the ad hoc approaches seen in prior years.

ERM Attribute	2022 Status	2025 Status	Indicative Example
Line 2 Independence	Emerging	Mostly Achieved	Separate reporting lines to Board risk committees
Framework Consistency	Developing	Consistent Application	Uniform risk controls adopted across market, credit, and operational risks
Line 1 & 2 Engagement	Limited	Active in Advanced Firms	Regular joint workshops and cross-functional projects
Embedding ERM	Ad Hoc	Growing Integration	Routine risk assessments during product development
Risk Team Investment	Low	Significant in Some Firms	Formation of dedicated risk analytics teams

It is worth noting that:

- Maturity of risk management is not always correlated with how well risks are managed in practice. Some participants cited examples where risks are managed well, but insurers may not have a mature risk management practice. The defining feature identified was that the accountable executive took personal ownership of risk management, in the absence of well-established risk management practices.
- The “end-state” for how Risk Functions are structured in a company can vary depending on the Board’s strategic priority where some are comfortable with a “good-enough” state.

Proactive and Reactive Risk Management Approaches

Insurers in New Zealand display an evolving blend of proactive and reactive strategies in managing enterprise risks. Proactive management is characterised by forward-facing activities such as regular engagement sessions, tailored training initiatives led by the risk function, and comprehensive scenario analyses to pre-empt emerging threats. For instance, insurers at an advanced level of maturity reported implementing risk culture improvement programs and upskilling workshops for operational teams, moving risk management beyond mere compliance.

Conversely, reactive approaches are still prevalent, particularly where risk metrics and decisions are heavily informed by historical data and incident-driven responses. This duality is reflected in the survey by the divergence in perspectives between AAs and CROs, with nearly half of respondents highlighting differences in how risk is viewed and managed within their organisations.

Proactive Measures:

- Continuous staff training and risk awareness programmes
- Scenario planning and stress testing
- Embedding risk assessment in strategic initiatives
- Regular cross-functional risk forums

Reactive Measures:

- Incident analysis and reporting
- Reliance on historical KRIs
- Corrective actions post-event

Proactive vs Reactive Approaches

Approach	Primary Activities	Impact
Proactive	Training, scenario analysis, risk culture programs	Prevents incidents, fosters resilience
Reactive	Incident reporting, root cause analysis	Mitigates after-effects, addresses immediate threats

AI and Data Analytics in Risk Functions

While the potential for artificial intelligence in ERM is widely recognised, actual deployment remains limited. Most respondents expressed a cautious stance, noting that the introduction of AI brings with it concerns such as new cyber risks and increased scrutiny from IT compliance teams. Data quality emerges as the primary bottleneck, with several insurers highlighting the challenge of integrating disparate data sources and ensuring accuracy, which in turn hampers the progress of analytics-driven risk management.

- Low adoption of AI tools due to perceived risks
- Emphasis on improving data governance and integration
- Opportunities for future advancements in predictive risk analytics

Governance, Ownership, and Board Oversight

Strong governance structures underpin the risk management processes of New Zealand insurers. Boards take an active role, with clear ownership of Risk Appetite Statements and oversight responsibilities cascaded through senior leadership to business unit managers. However, the survey identified areas for improvement in the clarity and consistency with which risk ownership is distributed, especially across larger and more complex organisations.

- Board-level commitment to ERM and risk culture
- Regular review and update of Risk Appetite Statements
- Enhanced reporting protocols for risk events
- Division-specific ownership models tailored to organisational structure

Board & Risk Ownership Model

Governance Layer	Role	Key Responsibilities
Board	Ultimate oversight	Sets appetite, reviews ERM progress
Senior Leadership	Strategic direction	Implements appetite, manages enterprise risks
Business Units	Operational risk ownership	Identifies and manages local risks

Key Areas for Improvement

The survey surfaced several themes requiring ongoing attention:

- Development and integration of forward-looking KRIs
- Embedding ERM into daily operations to counteract “box-ticking” mentality
- Scaling ERM processes to align with evolving risk profiles
- Expanding management capacity and refining organisational structures

Respondents also suggested greater collaboration between risk and operational teams, potentially through joint task forces or committees focused on specific risk domains.

Risk Culture Maturity and Measurement

Risk culture remains at the heart of effective ERM, with maturity scores typically ranging between 2 and 4 out of 5. Organisations report measurable improvements, underpinned by strong leadership and targeted culture programmes. However, embedding risk culture uniformly across all layers of the business is an ongoing challenge, particularly at the frontline and operational levels. The survey highlighted the importance of regular assessments, including annual culture surveys, pulse checks, and targeted focus groups. Key themes were:

- Senior leadership’s example is critical to culture development
- Notable inconsistencies in culture across business units
- Challenges in engaging frontline staff in risk programs
- Measurement through quantitative and qualitative methods
- Concerns over compliance-driven behaviour and decision-making speed

Theme	Observation	Representative Quote
Leadership Ownership	Universal driver of risk culture	"Tone from the top fundamentally shapes outcomes."
Consistency	Variation across functions	"Risk culture is strong in some teams, less so in others."
Frontline Engagement	Requires ongoing effort	"Embedding at the coalface is the hardest part."
Measurement	Annual surveys and focus groups	"We rely on pulse checks and regular feedback."
Compliance Concerns	Risk of slowing innovation	"Sometimes compliance slows us down."

The Roles of Appointed Actuaries and CROs

The survey respondents considered that Appointed Actuaries (AAs) possess the technical and analytical skills to help quantify, understand and manage insurance and financial risks, while most CROs come from outside the actuarial profession. This duality was reported as an asset: actuaries contribute in-depth expertise in quantifying and modelling financial risk, while CROs bring broad oversight and process optimisation. Respondents considered that the most effective organisations encourage ongoing learning and cross-pollination between these domains, supporting actuaries to expand their knowledge in operational risk and develop advanced communication and influencing skills. The main themes were"

- Actuaries and CROs viewed as complementary risk leaders
- Opportunities for upskilling in non-financial risk areas
- Emphasis on soft skills and collaboration for future ERM success

Role	Core Skills	Key Contribution
Appointed Actuary	Technical modelling, analytics	Financial risk assessment, solvency calculations
Chief Risk Officer	Process management, leadership	Holistic ERM oversight, culture stewardship

Final Note

We would like to take the opportunity to thank the CROs and the AAs who took part in the survey for their time and valuable insights. In alphabetical order, below is the list of companies that took part in our ERM survey:

ACC	Fidelity Life	Southern Cross
AIA	FMG	Suncorp
Chubb Life	IAG	Tower