

How an actuary might assess ERM under IPSA

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DISCLAIMER

The views expressed in this presentation are my own and do not necessarily reflect those of my employer

AGENDA

- IPSA Requirements
- NZ and Global Guidance
- Practical Examples
- Influencing and Driving Improvements

IPSA REQUIREMENTS



IPSA, sections 73-75

<http://www.legislation.govt.nz/act/public/2010/0111/latest/DLM2478115.html>



Solvency Standards

http://www.rbnz.govt.nz/regulation_and_supervision/insurers/regulation/4482245.pdf



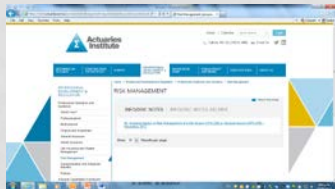
http://www.rbnz.govt.nz/regulation_and_supervision/insurers/regulation/4551596.pdf

NZ AND GLOBAL GUIDANCE



RBNZ Guidance on Risk Management Programme

http://www.rbnz.govt.nz/regulation_and_supervision/insurers/licensing/4266093.pdf



Actuaries Institute Information Note

<http://www.actuaries.asn.au/professional-development-regulation/professional-guidance/risk-management>



IAA Guidance on Risk Management

www.actuaries.org.uk/system/files/documents/pdf/iaapracticenote.pdf

PRACTICAL EXAMPLES

- Warning signs versus better practice
- Cultural indicators
- How can we measure these?

RISK ATTITUDES AND BEHAVIOURS

Not so good – Warning Signs....

Cultural Indicator	Measure
“Committees, policies and the risk team slow down real decision making”	Unclear/no committee structure
	No clear delegations for decision making
	No room for challenging risk taking
	Incidents/issues not escalated quickly
“The RMP is an annual compliance exercise”	Minimum statutory RMP requirements
	No real meaning in the business

Better practice - Good Signs.....

Cultural Indicator	Measure
“Governance provides corporate memory - and we embrace bad news because it helps us learn”	Committee structure with clear delegations , control testing and regular reporting
	Constructive dissent is encouraged
	Bad news travels fast and is dealt with positively
“The RMP is a go-to document on how risk is managed”	Regularly referred to for business and risk information
	A tool to help assess the effectiveness of risk management

CAPITAL MANAGEMENT

Not so good – Warning Signs....

Cultural Indicator	Measure
"We only do what the regulator tells us to do"	Only calculate minimum regulatory solvency requirements
	No regular business monitoring or questions about capital usage
	ROC metrics ignored or ridiculed

Better practice - Good Signs.....

Cultural Indicator	Measure
"We consider capital and risk appetite in our key business decisions"	Board approved target surplus framework
	ROC embedded in pricing/business case decisions
	Dividends/capital form a regular part of executive discussions/reporting

BUSINESS PRACTICES

Not so good – Warning Signs....

Cultural Indicator	Measure
“We price and underwrite mainly to grow sales”	No clear pricing, claims or underwriting philosophy other than to be competitive
	Marginal profit pricing focus
	Alternative views for higher pricing or more conservative acceptance criteria not embraced
“Business continuity and disaster recovery are for events that simply won’t happen”	No Business Continuity or DR plan
	No regular testing
	Meeting only when crisis occurs

Better practice - Good Signs.....

Cultural Indicator	Measure
“Our pricing, claims and underwriting strategies align to our overall insurance risk appetite approved by the Board”	Annual review of pricing, claims and underwriting philosophy, including quality assurance
	Pricing managed relative to a fully costed ROC target
	Constant positive tension between actuarial, pricing, underwriting, claims, product and distribution
“We are confident the business can continue to operate for a range of scenarios”	Business continuity plan in place
	Annually tested by executive with simulated crisis

INFLUENCING AND DRIVING IMPROVEMENTS

- Personally assess risk behaviours, capital management and business practices – be skeptical and consider what is not being said
- Engage with key stakeholders on key concerns and opportunities for improvement
- Articulate areas of improvement in FCR and recommend improvements/owners
- Regular follow up on agreed actions and build constructive relationships