



Hong Kong

6-9 May 2012



Enterprise Risk Management – Theory, Practice and Actuaries

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Session Number: **TBR12**



Joint IACA, IAAHS and PBSS Colloquium in Hong Kong
www.actuaries.org/HongKong2012/

Disclaimer

- These thoughts are our own and do not represent the views of our employers – i.e. TAL and Macquarie Bank.
- More importantly, we are not experts in ERM.
- We don't have all the answers, but we feel this is a discussion worth having.

Background

- **Why did we write this paper?**
 - Personal interest in the subject matter
- **Why this topic?**
 - ERM is highly topical – its Big Picture
 - Its important
- **What we hope to achieve**
 - To “spread the word”
 - To encourage actuaries to make the contribution they can make
 - To win the prize

Traditional Risk Management

- Siloed – Separate Credit, Asset/Market, Operational, Insurance
- Compliance focussed
- Downside not upside

For insurers, Risk Management departments may have had their origins from Banking.

Definition of ERM

“Enterprise risk management is the process of identifying major risks that confront and organisation, forecasting the significance of those risks in business processes, addressing the risks in a systematic and coordinated plan, implementing the plan, and holding key individuals responsible for managing critical risks within the scope of their responsibilities.”

What is ERM?



Risk Categories

**Operational
Risk**



**Credit
Risk**

**Market
Risk**



Our Research Approach

Methods

- Literature scan
- Case study interviews – TAL, QBE and MQG
- Other interviews

Given the nature of the subject, having the conversation was important.

Key Requirements for Successful ERM

- Governance structure
- Leadership
- Remuneration
- Behaviours and Culture
- Systems

“Its about embedding a risk intelligent culture into the organisation”

Some Reasons for the Growing Importance of ERM

- Interconnectedness of financial systems
- Growing complexity
- Increasing leverage
- Increasing (blistering) pace of change

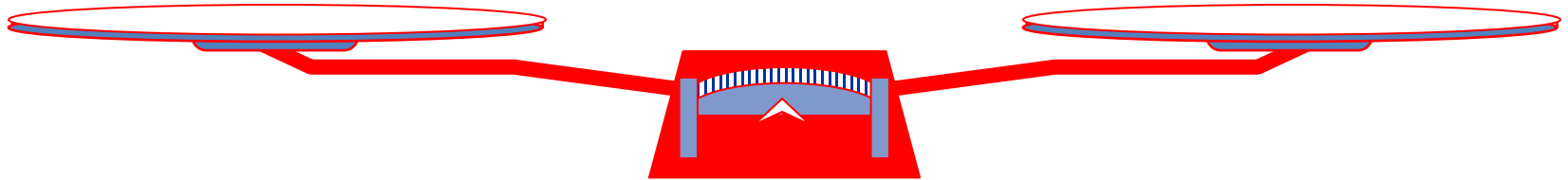
So... Why Actuaries?

Strengths

- Good Fit
- Technical Skills
- Less Competition
- Career Opportunities

Weaknesses

- Communication
- Influencing
- Management
- Narrow Focus



The Key Take Aways

- Actuarial training an excellent foundation
- Risk management could be our passport to wider opportunities
- We're not there yet!

Thank You and Discussion

- Questions/Comments?