

ERM: Practical Issues at Small Insurers

Session WS, Chicago 2011 ERM Symposium

March XX, 2011

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Thoughts to generate discussion – no specific order

- This does not apply to me because I focus on life/health/pension/casualty/asset management/other
- How do I find the resources to implement ERM? Resources in the form of people, time, and budget?
- How do I justify the cost of implementing ERM?
 - How do I most effectively show/demonstrate ERM value/return?
- Should I create a Chief Risk Officer? How is it different from CFO/Chief Actuary/Auditor? Should I create a risk management team? To spread responsibility and effort?
- Where should this position/responsibility reside?
- How do I engage my CEO/board?
- Should I identify ALL risks or just the material ones?
 - What are the appropriate risks I should be concerned with?
 - Are there risks that I am not accounting for?
 - How do emerging risks fit in?
- Some say that I can't manage what I can't measure? What does this mean to me?
- What does risk appetite mean?
- Are the rating agencies really interested in ERM?
- Is Risk Based Capital related to ERM?
- What does Risk is Opportunity mean?
- What is the number one issue in engaging on a defined ERM initiative?

Practitioner Solutions

- Embed risk culture – is everyone on the same page?
- Pricing discipline – does M&A use the same tools as internal pricing?
 - IRR/GAAP/hurdle rate/overhead expenses/capital requirements
- Leverage current models to do PBR and ERM – jointly develop project
- What are ORSA (Own Risk Self Assessment) and RFE (Risk Focused Examination)
- Iterative/incremental solutions
- Qualitative and quantitative analysis
- Leading indicators/key risk indicators

- Communications to stakeholders – internal/external (especially rating agencies to sell value)
- Build strong relationships
 - Getting and maintaining buy-in from senior management, audit, etc.
- Communications
 - Show-off and present early wins
- What are the “tasks” in your ERM process? For example -
 - Research period
 - Risk identification and assessment
 - Internal or external resourcing decisions
 - Focus and decision of top risks/priorities
 - Development of a basic model first
 - Expansion to more advanced model
 - Results analysis and reporting