

# Special Interest Group Solvency II

Findings of Survey 2

Role of Risk Function, skill set of CRO and  
resourcing of programme

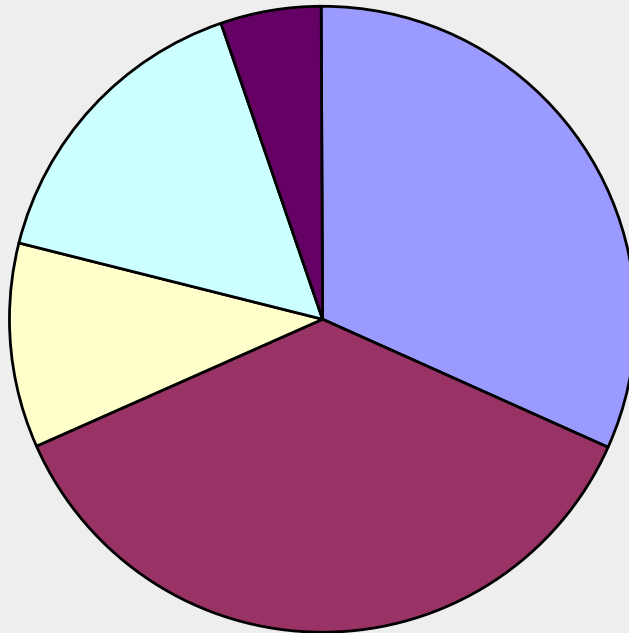
December 2009

# Conclusions – Risk Function

- ❑ 31% of functions had an up to date formal remit covering all its activities
- ❑ 33% of risk functions have professionally qualified risk teams, the remainder have audit, actuarial, finance and insurance qualifications.
- ❑ 72% of organisations have a centralised risk function.
- ❑ The majority of respondents have 6-10 years risk experience.
- ❑ 68% have seen a growth in the resources of the risk function.
- ❑ 63% of organisations have no formal succession plan in place for their risk function.

# Risk function formal remit

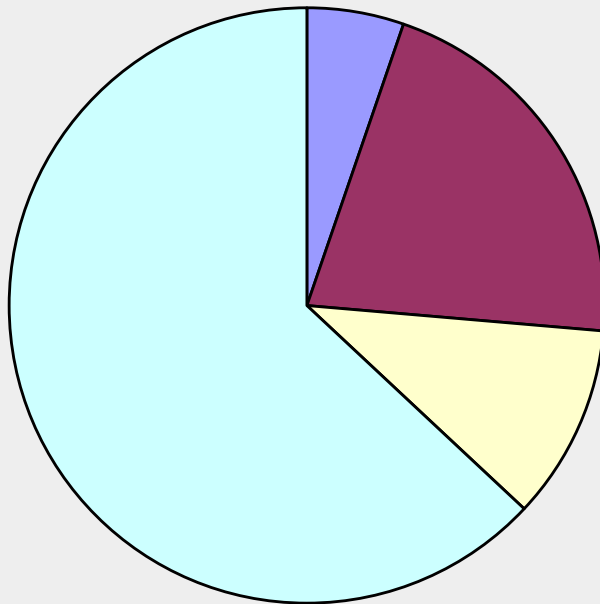
Does the risk function have a formal remit and terms of reference?



- The risk function has a formal remit that covers all the activities it is responsible for
- The risk function has a formal remit but it does not cover all the activities undertaken
- A formal remit is being prepared or drafted currently
- The risk function has no formal remit but its responsibilities are well understood through the organisation
- The risk function has no formal remit and its responsibilities are not widely understood

# Succession Planning?

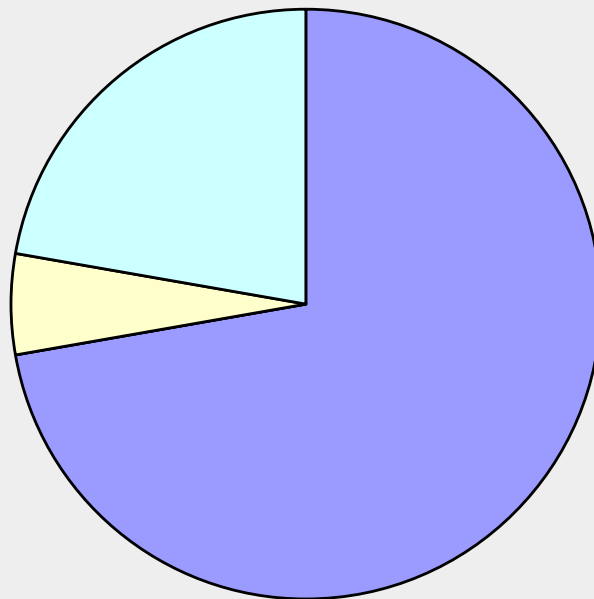
Does the risk function have a formalised succession plan in place for all key roles?



- A formal succession plan is in place and is up to date
- A partial succession plan is in place or is not up to date
- A succession plan is being prepared or planned
- No succession plan exists and there are no immediate plans to create one

# Centralisation of resources

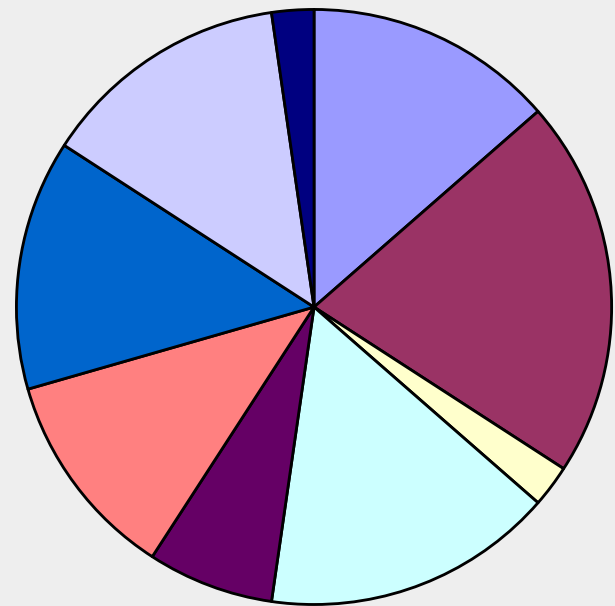
How is the risk function or capability structured in your organisation?



- Centralised in one team
- Decentralised into business units or regional structures
- Decentralised by functional expertise
- A hybrid of a small centralised team and localised co-ordinators

# Risk function qualifications

What are the original qualifications of the members of the risk function?



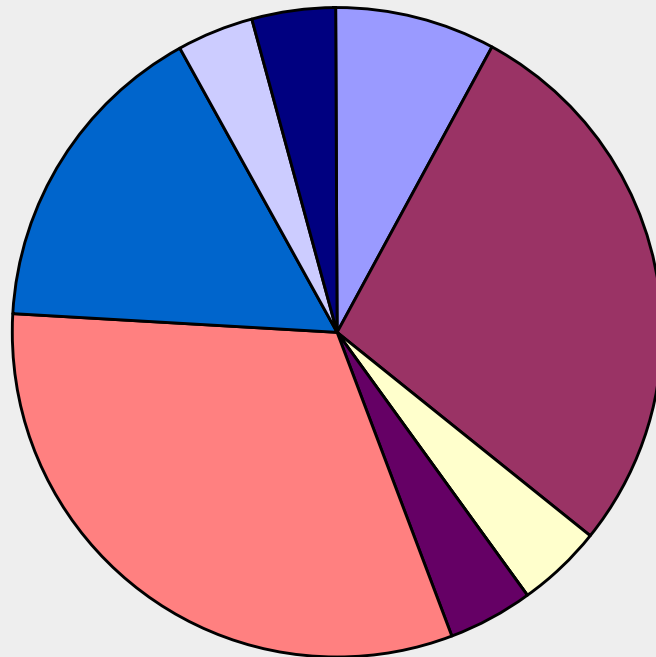
- Risk (MSc/Diploma)
- Finance/ Accountancy
- Legal
- Audit
- Compliance
- Actuarial/ Mathematics
- Insurance
- MBA/ Business degree
- Science/ Engineering

# Conclusions – CRO

- ❑ 47% of risk functions reported to a CRO, 33% to a CEO
- ❑ 47% had a CRO and 47% had no plans to have one
- ❑ Most CROs promoted from Chief Actuary or Head of Risk
- ❑ 66% of organisations with a CRO had had one for 2 years or less
- ❑ 11% of CRO are qualified risk professionals
  - 39% Finance, 44% Actuarial, 22% Insurance
- ❑ CRO's in addition to ERM also cover
  - Compliance – 47%
  - Audit – 30%
  - Legal & Co Sec – 17%
  - Actuarial – 30%

# CRO Qualifications

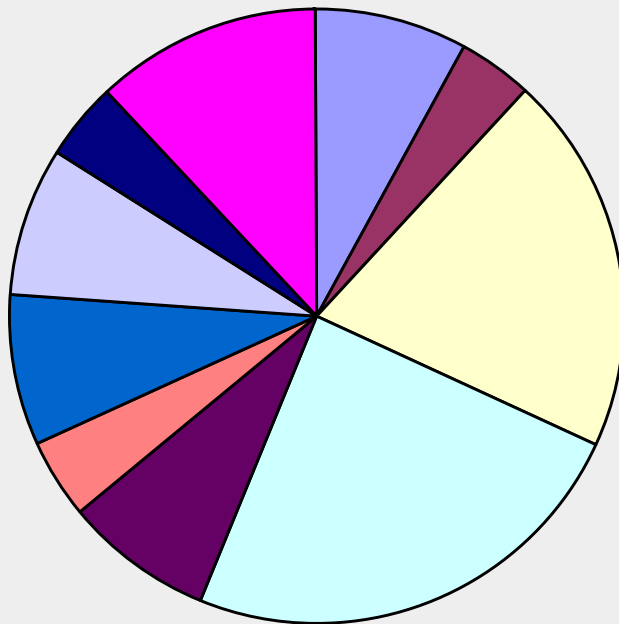
What was the original qualification(s) of the CRO (or Head of Risk)?



- Risk (MSc/Diploma)
- Finance/ Accountancy
- Legal
- Audit
- Compliance
- Actuarial/ Mathematics
- Insurance
- MBA/ Business degree
- Science/ Engineering

# CRO experience

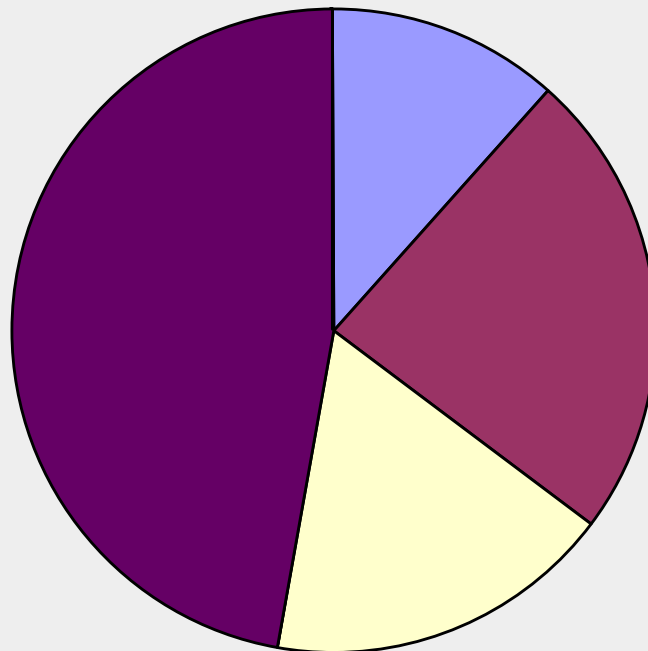
what was the CRO (or Head of Risk) previous roles(s)?



- CRO in another organisation
- Operations Director/ COO
- Head of Risk/ Risk Manager
- Chief Actuary
- Risk or Management Consultant
- Underwriter
- Broker
- Head of Compliance
- Lawyer/ General Counsel/ Company Secretary
- Auditor (internal or external)

# CRO tenure

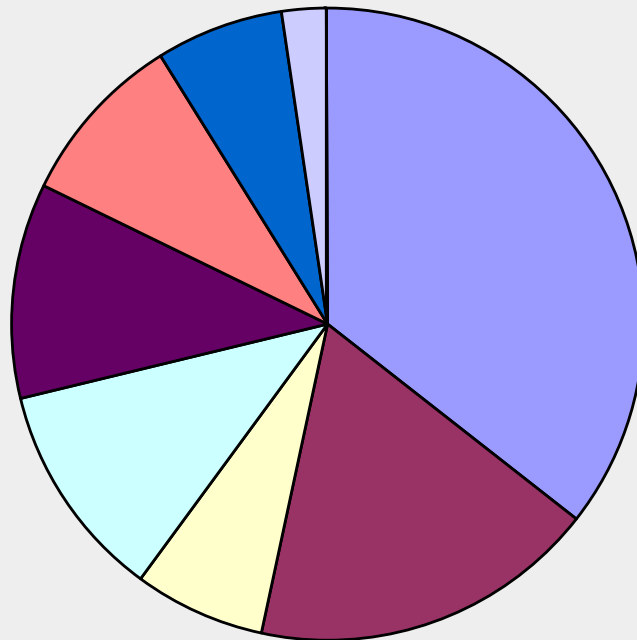
If your organisation has a CRO, how long has this role existed?



- Less than 1 year
- 1 to 2 years
- 3 to 5 years
- More than 5 years
- Not applicable
- Don't know

# CRO remit

What functions report to the CRO (or Head of Risk)?



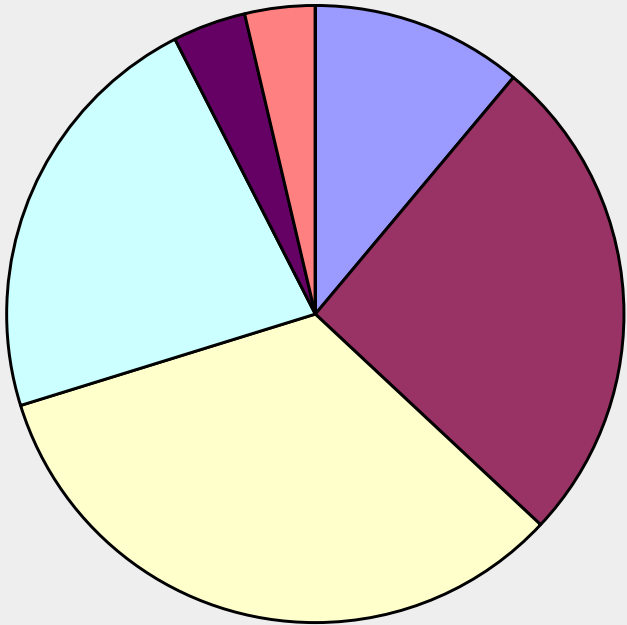
- ERM (Risk Management)
- Compliance
- Legal
- Audit
- Actuarial
- Business Continuity
- Company Secretary
- Human Resources
- IS/ IT

# Conclusions – Programme Resourcing

- Project workstreams are focusing on:
  - Internal Model, ORSA, Risk Governance
- Less than half have workstreams for
  - Capital allocation, systems, reserving, aggregates, use test
- Average resource levels
  - Risk = 1.5
  - Actuarial = 1.9
  - Project Managers = 1.8
- Resource constraints are primarily
  - Actuarial, then Risk, then MI/Data Mgmts
- Biggest challenges are:
  - Releasing people from BAU roles
  - Finding staff with relevant insurance sector experience

# Resource challenges

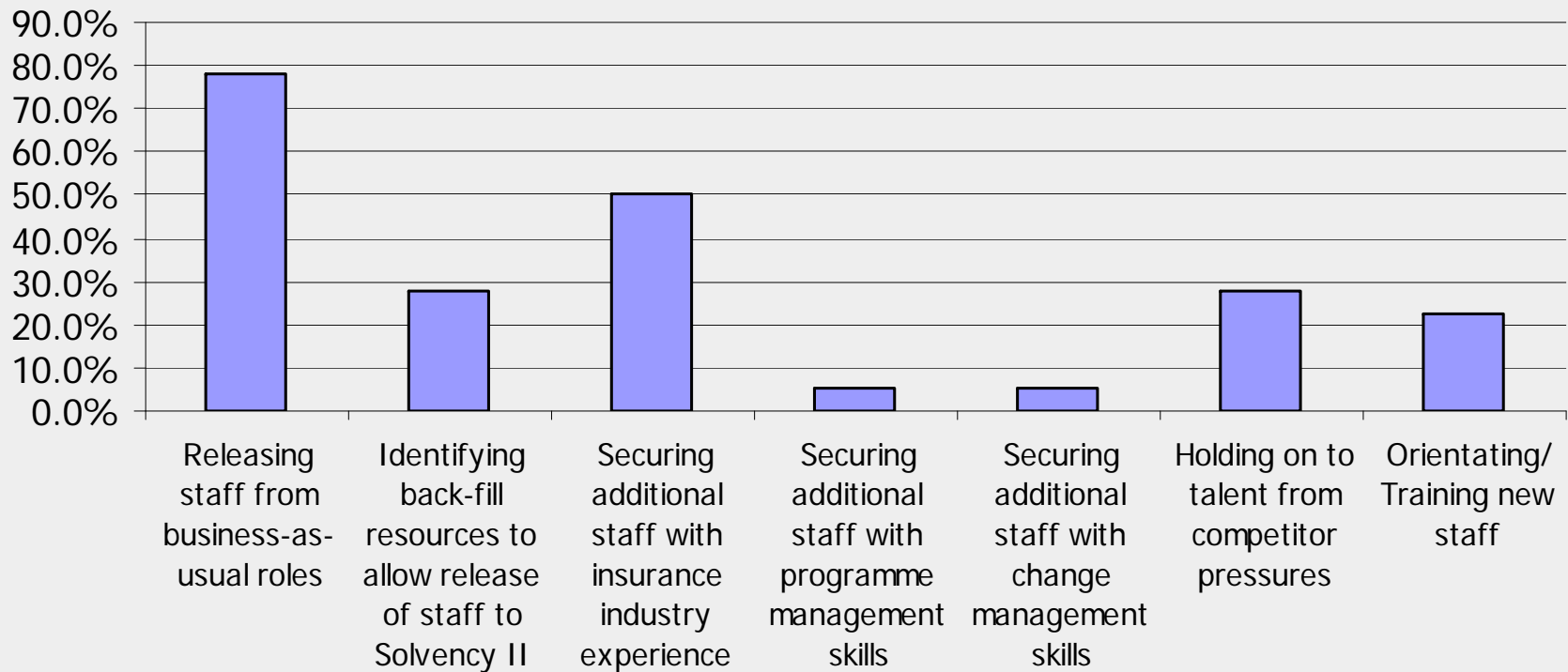
What are the most difficult resources to secure in terms of quality and quantity of staff?



- Project Management
- Risk Management
- Actuarial
- MI/ Data specialists
- Finance
- Compliance/ Legal
- Human Resources
- Communications

# Resourcing challenges

What are the primary challenges in resourcing the Solvency II programme? (Tick as many as relevant)



# Survey demographics

- ❑ 19 responses from SIG members, risk professionals in the insurance industry
- ❑ Representing small to mid-size insurers (mainly staff levels 500-5000) and at the smaller end of the spectrum >£1bn premium turnover
- ❑ Vast majority of organisations are UK and to a less extent with Caribbean/US headquartered
- ❑ The demographics are more slanted to UK and smaller companies than Survey 1
- ❑ Majority had core ERM teams of 2-5 professional
- ❑ We have 101 SIG members – should we continue to contact this type of survey?

# Special Interest Group Solvency II

For questions contact

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