

Institute of Risk Management

Solvency II Special Interest Group – Workshop 6

21st April 2010 11am-12pm, IRM Forum, Keele

Actuaries and Risk Professionals – can they learn to love each other?

- Should actuaries be risk professionals or should risk professionals be actuaries?
- What is the role of the risk function in overseeing the internal model?
 - Is there a new hybrid role emerging?

Item	Details discussed and agreed
1	<p>Philip Whittingham took the chair. There were about 15 people in attendance. The speakers were introduced. Martin Massey (Chartis) and David Wong (PwC) presented together. There were apologies from Keith Bevan.</p>
2	<p>Presentation and discussion:</p> <p>The actuarial profession has embraced the concept of ERM at different paces, with UK actually behind developments in US and Australia. There are now actuaries with ERM qualifications and the trend is growing.</p> <p>Solvency 2 is pushing risk management professionals (RMP) and actuaries together. Actuaries start from a traditionally narrow view of pricing and reserving but this is changing.</p> <p>RMPs are traditionally focused on qualitative factors and operational-type risks and demonstrating a return on investment and tangible value is difficult. This is however changing also as issues such as evaluating / valuing reinsurance programmes using scenarios develops.</p> <p>Many RMPs lack confidence or skills with quantification and modelling.</p> <p>Many actuaries lack the softer skills associated with governance, change control and facilitation. Solvency 2 is a huge change management exercise and many of the things actuaries are being asked to lead are outside their comfort zone.</p> <p>A rounded hybrid ‘CRO’ type quant risk professional would have all the skills, much like a scout with the ‘badges’. However this does not happen easily or without commitment to training and development, which original background this new hybrid come from.</p> <p>The new CRO may actually not be an RMP or actuary. Many CROs are</p>

	<p>primarily senior executives with broad business acumen and an understanding of strategy and influencing skills. It is possible both actuaries and RMP get left behind if they don't seek to develop these skills.</p> <p>Areas where actuaries and RMPs can positively cooperate include:</p> <ul style="list-style-type: none"> - Use test - Embedding their thinking into business planning processes - Risk appetite development and implementation - Mapping 'risk universe' to model scope and managing gaps and issues - Developing a common risk language - Software reconciliation and management (actuarial models such as Remetrica and Igloo) do not talk to typical risk assessment software but they need to interact.
3.	<p>Conclusions</p> <p>Personal development: Much of the discussion centred on the two professions understanding each other better and cooperating rather than seeing unnecessary conflict. Awareness of skills and value added is a starting point. However there are some key areas where some skill transfer may be valuable to individuals in their careers and also to make them more effective in their current roles.</p> <p>Professional interactions: Institutes should work more closely. Institute of Actuaries have developed ERM guides and so CERA and other qualifications covering ERM for actuaries.</p> <p>IRM is developing a Financial Services risk management module within the Diploma and also as a stand alone Specialist module. IRM has sought input from Institute of Operational Risk but what about actuarial input?</p> <p>Mutual accreditation of qualifications and provision of modular courses is worth exploring. Actuaries need to better understand governance and frameworks as well as change management. RMPs need to be more confident and capable with numbers and models.</p>
4.	<p>Phil Whittingham thanked the speakers for their contribution and the audience for their participation in a very instructive discussion.</p>
5..	<p>Next meeting – 21st May 2010 in IRM offices Talent and Solvency 2 9.30am to 12 noon To attend please email Alex Hindson</p>

6.	<p>June meeting – Risk appetite.</p> <p>Please note that the ERM SIG will be leading a piece of work to define a best practice framework for managing risk appetite ahead of the new UK Corporate Governance code coming into effect and the consultation of Turnbull Guidance review.</p> <p>If you want to be involved please contact Bill Aujla at bill.aujla@bt.com</p>
----	--

Minutes taken by Alex Hindson
April 2010