

Institute of Risk Management

Solvency II Special Interest Group – Workshop 2

9th December 2009 9.30am-12pm, IRM Conference Room

Item	Details discussed and agreed
1	<p>The meeting was opened by Steve Fowler, CEO of the IRM who welcomed members and non-members to the IRM and encouraged all to join the IRM. He explained recent developments at the IRM and the importance of SIGs within the role of the IRM to risk the profession in terms of personal and professional development.</p> <p>Philip Whittingham took the chair. There were 35 people in attendance. The speakers were introduced. He made some introductory remarks about the topic of the role of the risk function, and the skill set of the CRO and relevance to IRM's mission to delivery high quality ERM education.</p>
2	<p>Alex Hindson presented back the findings of the first SIG survey. 19 SIG members responded. The key messages are presented on the website</p> <p>Thanks to Ian Fraser at the IRM for managing the online survey process.</p>
3.	<p>Gina Butterworth, Risk Officer and Director at Chaucer spoke at length on the role of the CRO.</p> <p>She outlined her role and function at Chaucer, covering ERM, underwriting risk review, Compliance with Audit being separated. A CRO is a different role to a risk manager, key aspects include:</p> <ul style="list-style-type: none"> - More strategic, with Board access - Close working relationship with CEO, but access to Chairman if it all starts to go wrong - Leader and facilitator, challenging management from within - Needs gravitas, credibility - Called on to monitor and coach other CXOs - Needs broad business knowledge and experience, not necessarily deep technical experience - enough technical and analytical skills to challenge and lead stress testing of models - Good network and communication - influence on strategy, decision and policy making - challenge the balance between risk and reward - A measure of success is that the business seeks the advice of the CRO on difficult issues. <p>Reflecting on the Walker report, she highlighted the following issues:</p> <ul style="list-style-type: none"> - CRO given independent authority and a notional power of veto

	<ul style="list-style-type: none"> - But individual accountability of CROs due to rise - NEDS may well rely more heavily on CRO for challenge and sign off <p>- should not have other operational responsibilities in conflict with oversight role</p> <p>Her Risk team is made up of qualified risk professions working on ERM framework implementation and to be strengthened with actuarial capabilities.</p>
4.	<p>James Illingworth CRO at Amlin explained the evaluation of the risk function at Amlin – now called Risk, Assessment and Monitoring, it was born from bringing Risk & Compliance together with Actuarial and Monitoring once the Audit function was moved to report to the CEO 3 years ago.</p> <p>The risk function has a broad skills set</p> <ul style="list-style-type: none"> - Actuaries, market risk experts, credit risk experts, cat risk modelling, with ERM and compliance specialists - It is important to sustain this multi-disciplinary approach, don't just want pure ERM specialists. - There is a strong visible structure for the risk function, although this continues to develop. -CRO role is strategic and at top table advising on transactions and strategy development. - CRO needs to have excellent relationships with senior managers across the business. - Really understanding the business and having grown up through it is a real strength. Parachuting a CRO into an organisation is very risky - CRO needs to propose tolerances, and then report and challenge management to work within them - CRO is not just about managing threats, it is equally work on the opportunity side of risk, supporting management to take more risk. To support the business in taking opportunities but ensuring appropriate strategies are in place to manage the issues that may arise.
5.	<p>There were a range of questions and debating points including:</p> <ul style="list-style-type: none"> - Learning from banking sector and how insurers have much to learn from retail banks on the evolution of risk functions (see next meeting 14/1/10) - Benefits of having a CRO and a robust risk function – how to measure benefits, including capital benefits and impact of rating agency oversight - If a rating agency credit rating or ERM rating could be influenced at the margin by ERM performance this could be very significant in gaining competitive advantage. - Business cases for proactive Solvency 2 programmes were also discussed.
6.	<p>Phil Whittingham thanked all the speakers for their input.</p>
7.	<p>Phil Whittingham reiterated that non-members of the SIG who had attended 2 meetings would be actively approached to join and we encouraged them to do so.</p>

8.	Details of workshops at IRM forum on 21-22 April and 21 st May 2010 were also discussed. All details on the website.
9..	Next meeting – 14 th December, 9.30am to 12noon at IRM Offices. A dial in facility will be provided. Book early to attend as spaces are limited to 45.

Minutes taken by Alex Hindson
December 2009