

17th General Insurance Seminar

Risk and Reward



Institute of Actuaries of Australia

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What does Enterprise Risk Management mean in a General Insurance Space?

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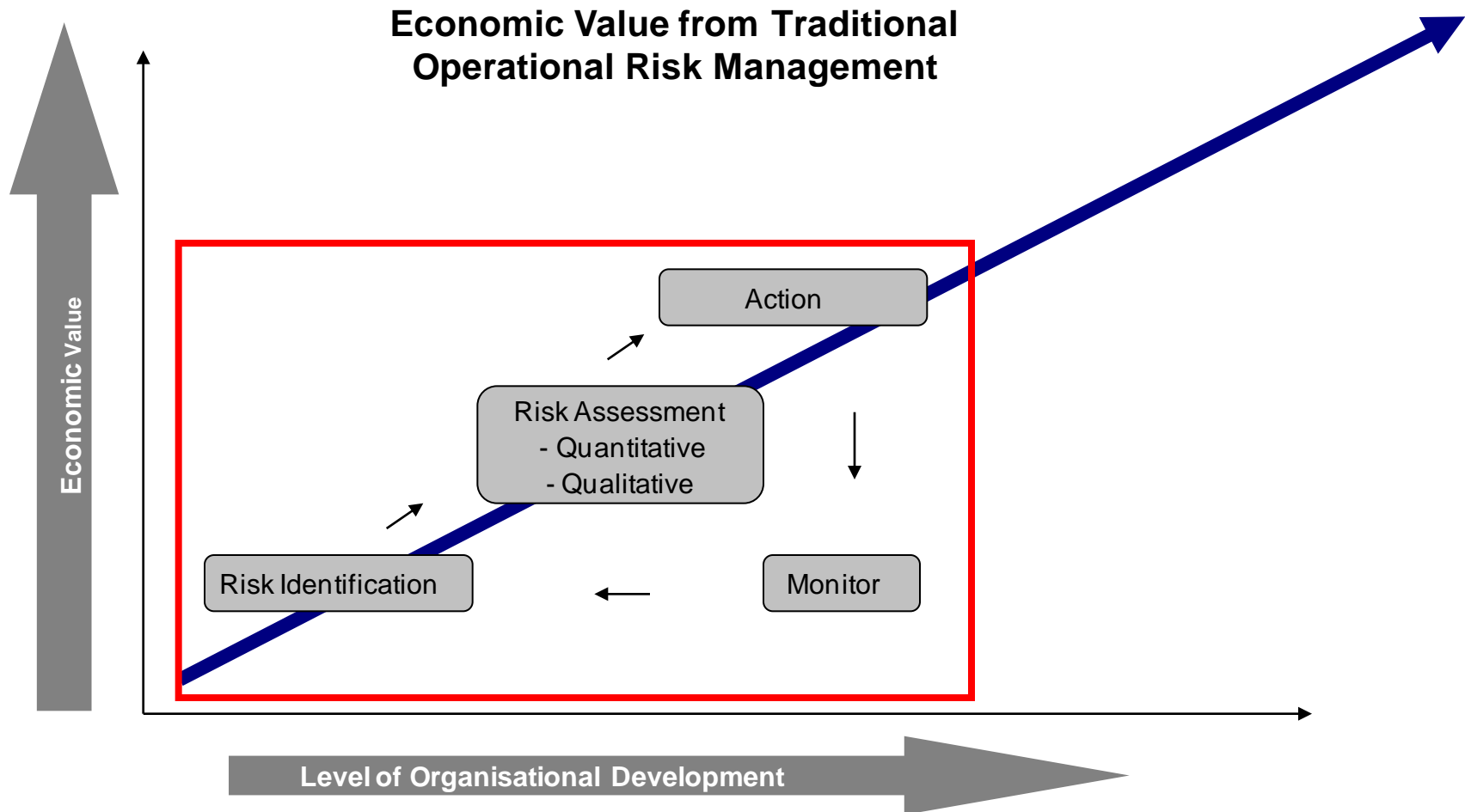
Overview

- ▶ **Traditional (Operational) Risk Management and its limitations**
- ▶ **Putting the Enterprise into Risk Management**
- ▶ **The Roadmap to a Contemporary Enterprise Risk Landscape**

NB: Taking an industry wide view...

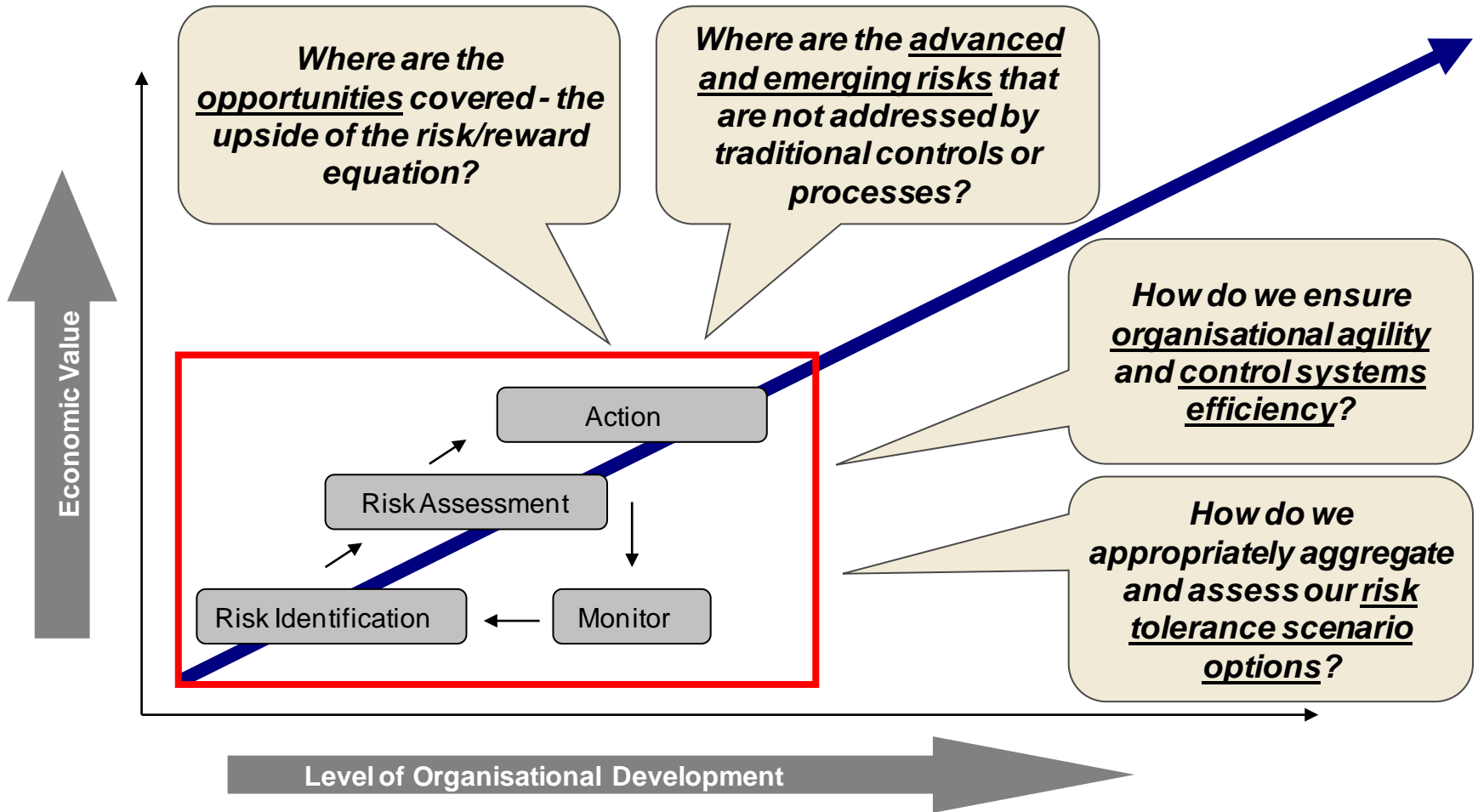


What we have all become comfortable with,...however





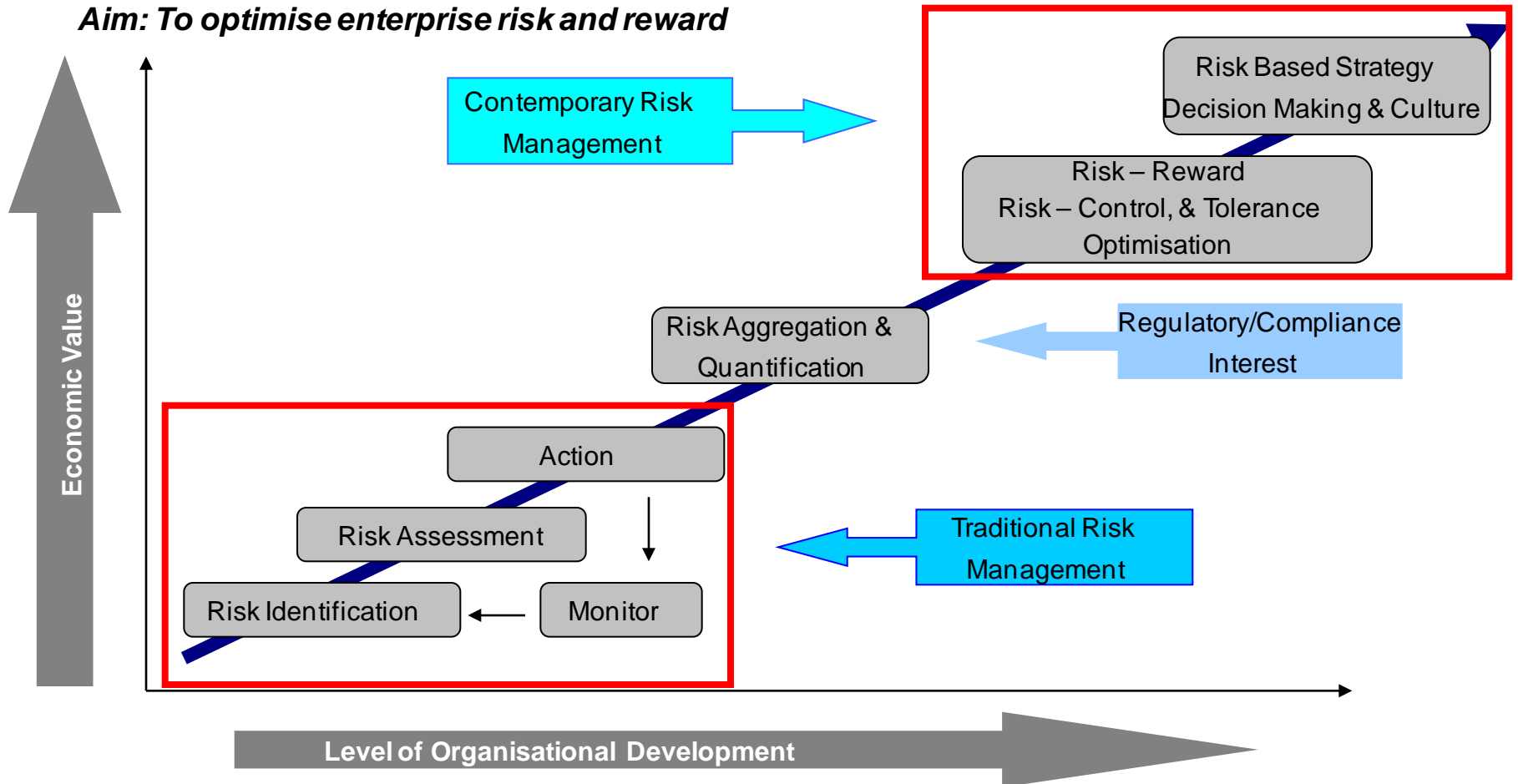
...there are many things missing





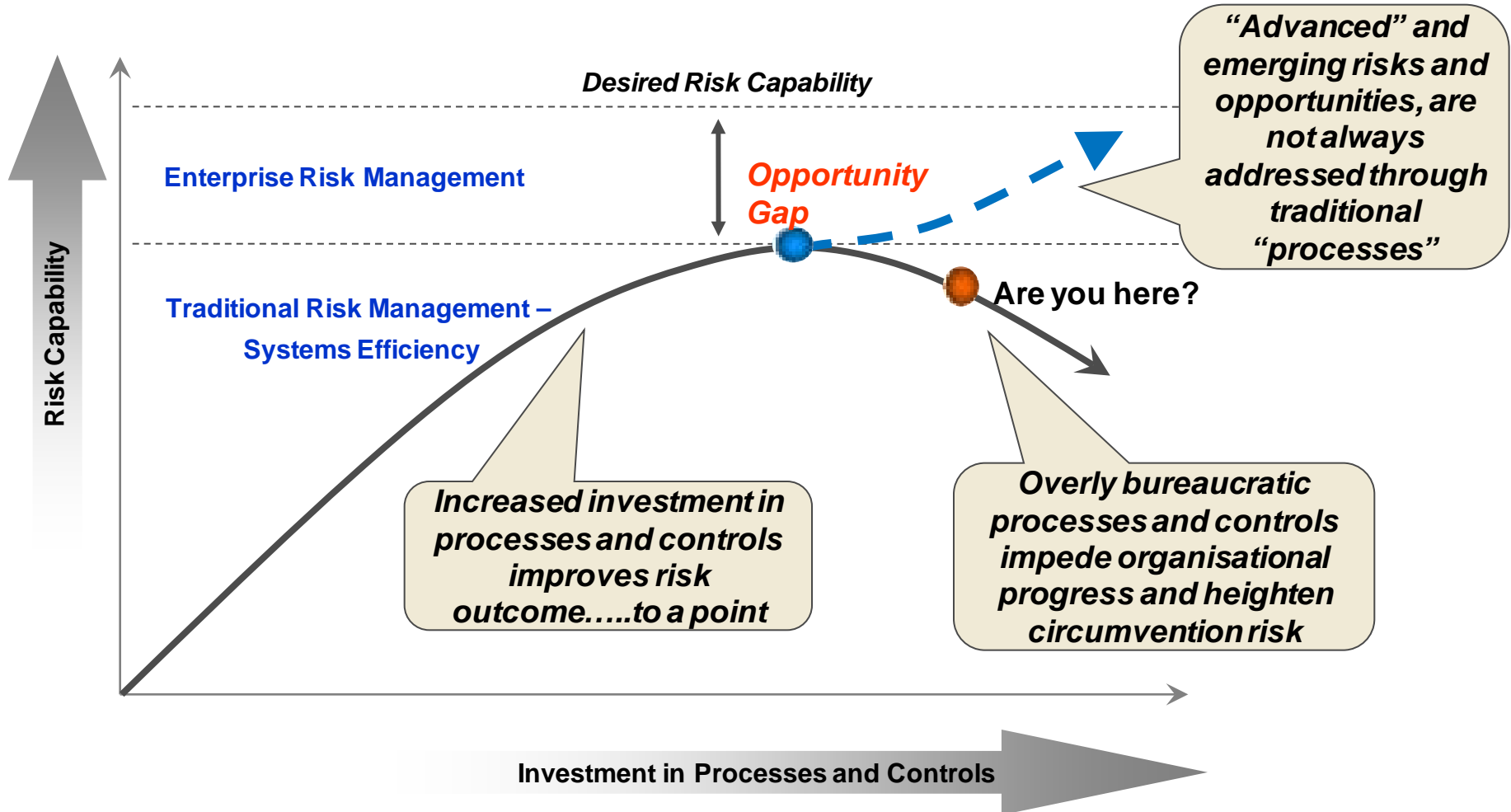
What would the Enterprise RM framework include?

Aim: To optimise enterprise risk and reward





How do we get there (and not get there)?





What will it take... more or less?

The more

- Focus on advanced & emerging risks
- Behavioural sciences (advanced RM)
- Actuarial science (tolerance optimisation)
- Active business involvement with objective challenge
- Opportunity mindset

The less

- Focus on systems, controls & processes as the be all and end all
- “What could go wrong” as a guiding principle
- Organisational structure “isolation” (independence gone too far)



In Summary

- ▶ ***Enterprise Risk Management is not Operational Risk Management***
 - ▶ ***Advanced Risk, Emerging Risk, ERM Efficiency (agility) and Opportunity Optimisation – all must be included***
 - ▶ ***Actuaries should be involved in all aspects of ERM, especially by including Quantitative Aggregation and Risk Tolerance Optimisation aspects into the process***
- ▶ ***ERM is about objectively reviewing opportunities, corporate strategic direction, and key decision protocols (governance) and thought patterns***
- ▶ ***Requires a different mindset, and a new breed of CROs / Risk Professionals***