



**Actuaries  
Institute**

# Actuaries as CRO's -perspectives

Andy White  
Greg Martin  
Verne Baker  
Matthew Wilson

# Introduction

The role of the CRO became mandatory for insurers from 1 Jan 2015. This session aims to explore the impact of this development from both the perspective of the actuarial profession and the insurance industry.

- the role of the CRO and the challenges the role faces
- what makes a good CRO
- how actuaries can contribute to this role, which skills they can bring to it and which skills they need to further develop
- how the role of the Chief Actuary and Appointed Actuary operates with the role of the CRO.

# Greg Martin

Chief Actuary and Chief Risk Officer  
ClearView

# A bit about ClearView

|                                | APRA | ASIC |              |
|--------------------------------|------|------|--------------|
| ClearView Wealth (Parent)      | ✓    |      | Life NOHC    |
| ClearView Life                 | ✓    | ✓    | Life Company |
| ClearView Life Nominees        | ✓    | ✓    | RSE          |
| ClearView Financial Management |      | ✓    | RE           |
| ClearView Financial Advice     |      | ✓    | Dealer Group |
| Matrix Planning Solutions      |      | ✓    | Dealer Group |

|                              |                             |                          |
|------------------------------|-----------------------------|--------------------------|
| Premium (risk)               | \$115m                      | Growing 30%+ pa          |
| Funds Under Management/Admin | \$1.9b                      | Growing 15% pa           |
| Advice                       | 221 advisers, 130 practices | FUA \$7.9b    PUA \$187m |

300  
Employees

State &  
Regional  
Offices

Mkt Cap  
\$600m +/-

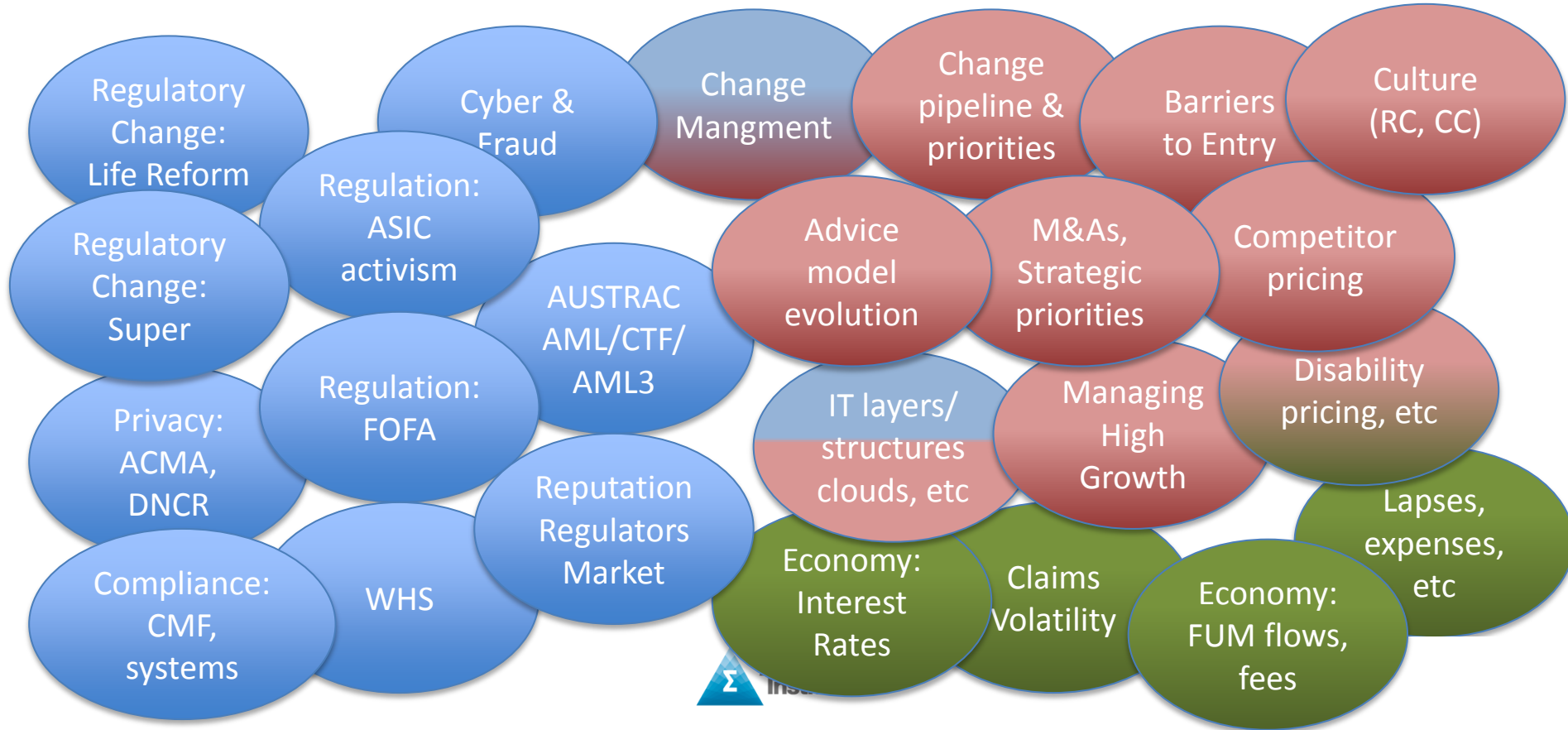
# A bit about GM's role

- ClearView is “small” – a pure CRO role difficult
- Role includes (reports include):
  - Risk management
  - Actuarial (life appointed actuary)
  - Group Compliance
  - Product teams (technical)
  - Various key committees and Boards
- Advice, direct marketing, “manufactures”

# CRO role and challenges

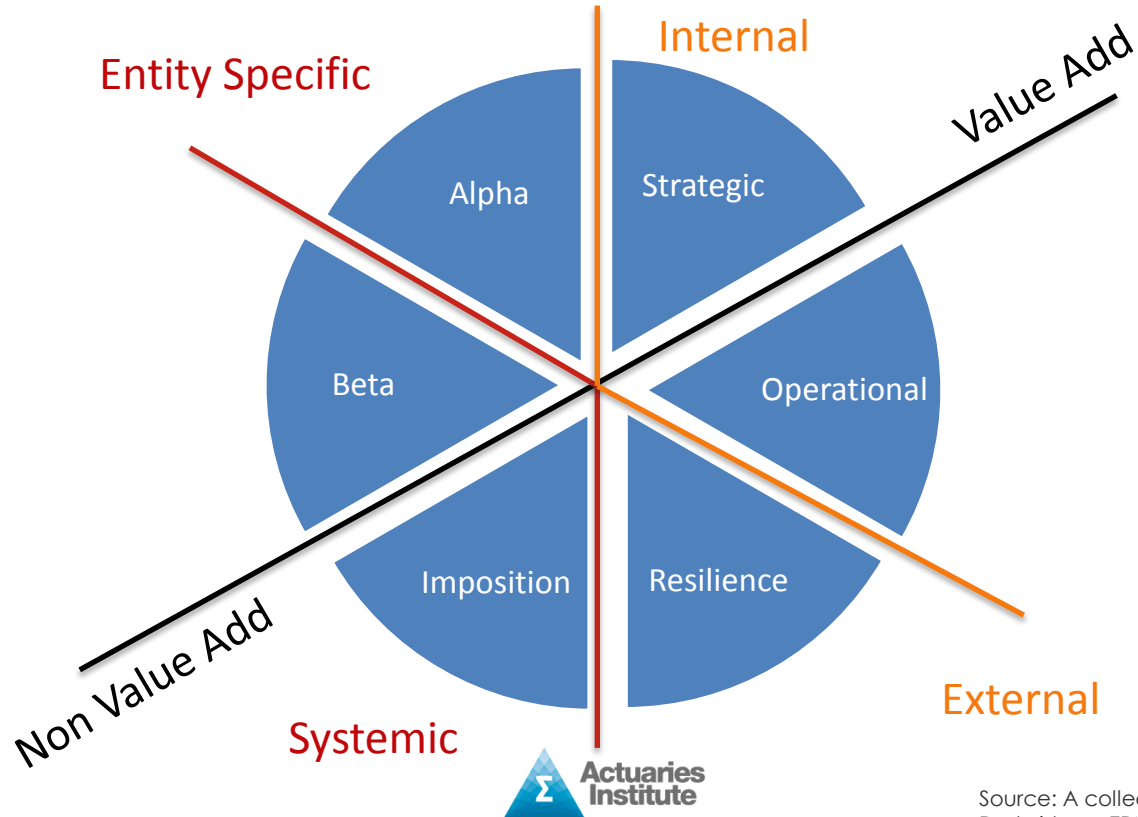
- The classic “actuarial” aspects are not “hard”
  - ALM, reinsurance, pricing, capital
  - Financial stress and scenario testing
  - In the comfort zone (notwithstanding evolution)
  
- The challenges are:
  - All the “op risk” and “strategic risk” stuff
    - Just getting across it and understanding it all, let alone....
    - measurement, appetite, risk responsive measurement
  - Culture (and not limited to “risk culture”)
  - Engagement and realities of 3LOD
    - silos, towers, engagement, bureaucracy, effective outcomes

# Mix of my current focus areas...real world



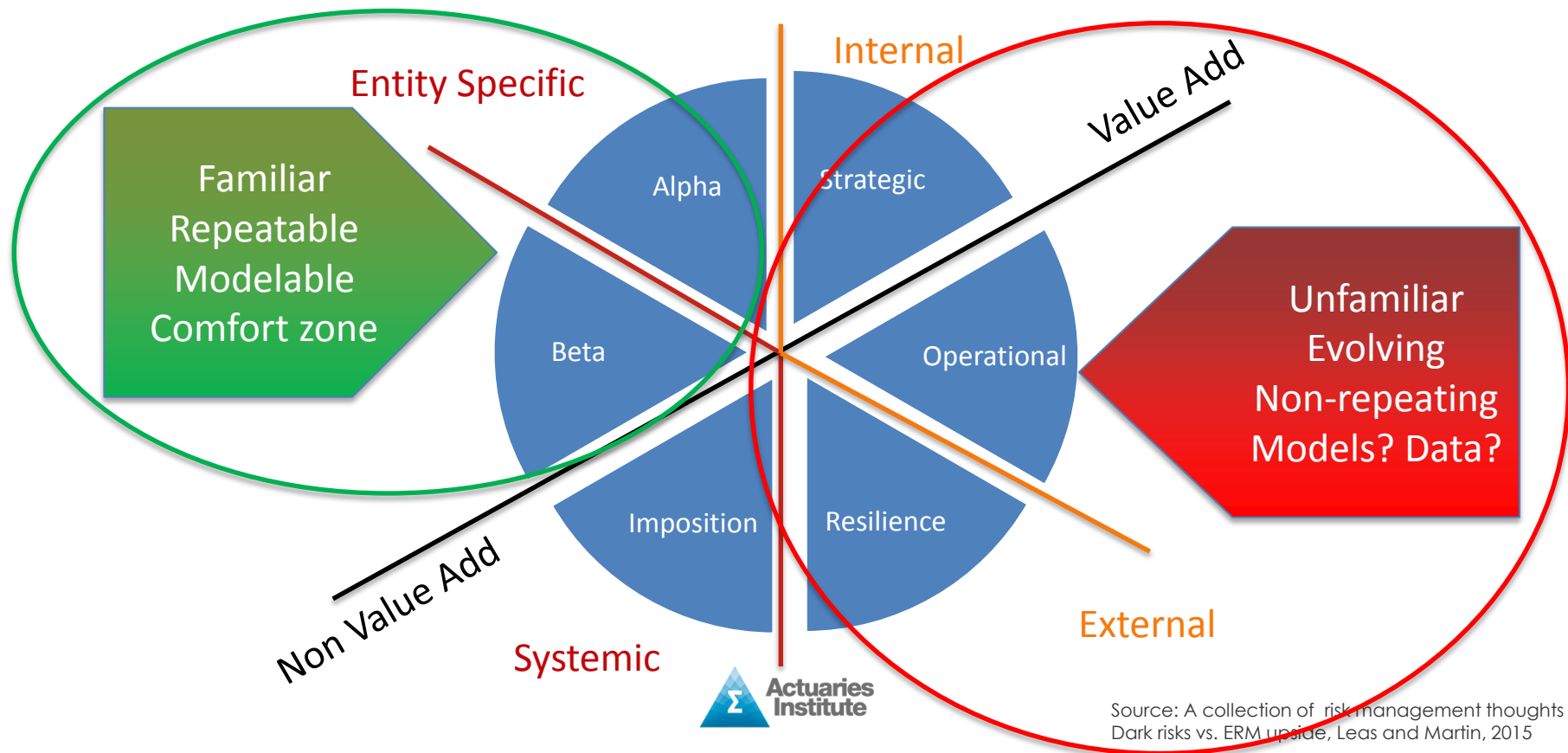


# Comfort zone v's "unmodelable"



Source: A collection of risk management thoughts  
Dark risks vs. ERM upside, Leas and Martin, 2015

# Comfort zone v's "unmodelable"



Source: A collection of risk management thoughts  
Dark risks vs. ERM upside, Leas and Martin, 2015

# What does this mean?

- Impact: A lot more serious RM than even a few years ago!
  - Coherent RMF across the whole business
  - Risk culture ...and indeed culture
- Challenges for (actuary) CRO:
  - All the non-actuarial stuff! The breadth of the brief.
  - The 3 LOD: Leadership v's challenge. Decision v's challenge. Skills v's "independence". Engagement v's ivory tower. etc
- Good CRO?: Understands the business. Logical. Leader.
- How actuaries can contribute:
  - Understand the business. Understand the financials.
  - Understand "risk" concepts
- Chief Actuary v AA v CRO:
  - If done properly, no conflict, too much to do!

# Verne Baker

Director KPMG  
Chief Risk Officer  
Lawcover Insurance Pty Ltd

# Lawcover Insurance Pty Limited

- Mono-line, APRA licensed insurance company providing professional indemnity (PI) insurance to legal practitioners in NSW and ACT;
- Aside from the complexity of PI, the business is relatively straightforward (eg one insurance renewal date, small management team and staff located in one location)
- Very strong Board with representatives having excelled in senior insurance, legal and asset management roles.
- Culture of strong risk management throughout the organisation.
- A lot of emphasis placed operationally on:
  - helping clients improve their own risk management practices and hence prevent claims from happening in the first place; and
  - Providing high quality advice and support to those who are facing potential claims.
- The above initiatives have significantly improved Lawcover's claims experience.
- With GWP of around \$74m and Net Assets of \$100m+, Lawcover decided to adopt an Out-Sourced CRO role model.



# Requirements/ desirable features for the CRO role

- Understand the organisation:
  - Key financial drivers
  - What is the strategy and what are the key barriers/ challenges
- Focus on the big picture:
  - What are the key factors that could cause financial stresses;
  - How are these controlled and what are the key limitations around these controls;
  - What risks are on the horizon?
- Risk enabler is an important part of the role
- Engage with the management and Board;
- Be responsive committed and up to speed at all times
- Good if you have the ability to bring an external perspective to the organisation.



# My observation of key challenges

- Firstly working out what the role means in practical terms given that is relatively new for most companies;
- Balancing eagerness to make input v 2<sup>nd</sup> line review;
  - Need to avoid self review
- Meeting Board Expectations relating to the boundaries of the role:
  - Reviewing scope for internal audit and other professional advisors?
  - Responsibility for Internal Company policy documents?
  - Requirement for a line of sight on internal policies and procedures?



# Suggestions for new persons in the role

- Get an overview of the organisation (FCR a good start);
- Set a plan to align deep dives of the key Company processes with the regular business of the Company (eg focus on the reinsurance structures at the time of the renewal);
- Use actuarial skills to demonstrate judgment and common sense (rather than mathematical brilliance and technical prowess)
- Understand the role and the needs of the other professional advisers in the organisation and support these people
- Listen and learn.
  - Real benefits can accrue from understanding the perspectives of the management team, the Board and the Company's advisers;
  - Likely that many Board members have experienced many insurance cycles and economic events.
- Build up engagement with the staff, management and Board.





# My views on the rewards from this role

- Opportunity to see the organisation in the big picture – Risk affects everything;
- Exciting - Will be placed on the spot for views on matters you may not be expecting
- Opportunity to learn a lot about many things.
- Get to see the detail of reinsurance placements, investment manager reviews etc.
- Opportunity to get to know some very impressive people and learn from their experiences
- Become a member of the executive management team.





Employers Mutual  
Since 1910

# Professionals as CROs

Matt Wilson

Chief Risk Officer & General Counsel

9 October 2015



*we help people get their lives back*

# We help people get their lives back

For over 100 years, Employers Mutual has been providing specialist workers compensation solutions, and are committed to improving work health and safety for the benefit of workers, employers and the broader community.

**“Our mission at Employers Mutual is to have a positive impact on those that we support and help people get their lives back.”**

**Mark Coyne**  
Chief Executive, Employers Mutual



- Mutual insurance company established 1910
- Specialist claims manager – personal injury and disability
- 2 x APRA regulated insurance companies
- Our vision is to help people get their lives back
- People to People business
- “Honeybee” organisation
- 1500 people across Australia and Asia and likely to increase 50% next 24/12
- Strong employee engagement and risk culture (measured)
- Highly regarded in our markets

# What makes a good CRO?

# Useful skillset for a CRO

- Financial acumen – understand financial and capital drivers/levers (**money**)
- Mindfulness & self awareness (**you**)
- Understanding of human behaviour and its drivers (**engagement**)
- Stakeholders and their part in the business strategy (**relationships**)
- Two eyes, two ears and one mouth (**your style**)
- Tolerance for coaching and mentoring (**building capability**)
- Objectivity during situational events (**temperament**)
- Accepting of the CRO duty statement (**trusted adviser**)
- Community, collegiate and collaborative (**risk culture**)
- Maintaining your professional responsibilities (**always**)

**Actuaries and other professionals make great CROs**

# Why?

## ❖ Actuaries

- are thinkers & get over detail (mind based)
- Good at getting to the bottom of things – root cause analysis
- Scenarios and predictive thinking
- Good at working with other professionals

## ❖ Lawyers

- Tend to be good with words
- Understand legal risk
- Generally like to chat (heart based)

## ❖ Psychologists

- Understand people and their drivers (spirit)
- Advise on human behaviour
- Help maximise org performance
- Great personal coaches for CRO's



***powerful collective professional skillset***



# Multiple hats

# Understand each function, its walls and conflicts

- Reality for small companies
- CRO, GC and GPO
- Identify the conflict risks – document protocols
- Varies by organisational context
- Never compromise professional responsibility
- Take advice, engage third parties
- Declare and disclose
- If it does not feel right... priority to professional responsibility
- Discuss with CEO and Chairman
- Institute is just a call away



# Multiple lenses but one prescription...

## Remember always your Code of Professional Conduct as an Actuary

- ✓ A Member must act with integrity, honesty and due care, and in a manner that seeks to uphold the reputation of the profession
- ✓ Your work must be performed in a way which is not knowingly false, misleading or deceptive

## Think about the potential tensions to your professional responsibility and a management role as the CRO

- ✓ Phone a friend - seek guidance from a fellow IAA member and take legal or professional (actuarial) advice
- ✓ Priority to your professional responsibility (my view always)  
// to a solicitors duty to uphold the law and to the court.

## Consider the potential range of tensions and put in place agreed management plan

- ✓ Document up front – update it as experience unfolds. CRO s a prudentially mandated function and professional standards may eventually develop.
- ✓ Remuneration retainer arrangements tend to work well.

# Actuary as a CRO is powerful

## The upside

- ✓ Bring together the skills and acumen of an actuary
- ✓ Add excellent communication and engagement skills
- ✓ CRO function allows you to advise on the risk taking and to make judgement calls on risk tolerance and to oversee it implemented – very rewarding and satisfying

## Watch List

- You are always an actuary so adhere to your **professional responsibility** - always
- **Intellect** – style, tolerance and approach – your line 1 clients come from all walks of life
- A CRO's style can enable a healthy risk culture or disable it
- Organisational values aligns to the values inherent in your Code of Professional Conduct
- Judgement calls on risk tolerance – you are still an actuary...manage through peer review arrangements – even on a CRO judgement call.



Employers Mutual  
Since 1910

Thank you



*we help people get their lives back*

# Q&A

Facilitated by Andy White