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# Risk Management

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# Turning Our Challenges Into Opportunities

By Matthew Clark

## I AM LOOKING FORWARD TO SERVING THE JOINT RISK MANAGEMENT

Section Council as the chair over the next year. We all have to thank the prior chair Don Mango and the prior editor of the newsletter Sim Segal for an incredible year. The evolution of the newsletter and the evolution of the section have positioned us to meet the needs of the members for years to come.

The past 12 months have presented many challenges. While the world has changed, the insurance industry has been tested and survived. Now, will we emerge stronger? Will we learn from the past and apply that knowledge to the future? When we look back at the recent economic events, what footprint will risk management leave?



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For those of you not yet a member of the INARM list serve, you are missing out on discussions about issues facing the industry and the world. I truly believe that venues like the list serve are

key to the evolution of risk management.

The recent economic challenges have increased the attention on risk management in the insurance industry. This is where we have the opportunity to become stronger. It is time to bridge the gap between designing and integrating a risk management function into the strategic decisions made by management. The recent events have elevated the need for insurers to understand and prepare for the risks they face. On a positive note, risk *is* opportunity. While many of the practical uses of risk quantification center around current and evolving regulatory needs, risk management does provide a competitive advantage to those who understand and integrate into strategic decisions. As risk practitioners, we are well positioned to fill this need.

The regulatory front is evolving as well. Globally, the reserve (IFRS, FAS 157 and VACARVM) and capital (Solvency II, C3P2 and C3P3) changes are leveraging stochastic modeling techniques. These changes validate the techniques risk practitioners have employed in risk quantification.

These changes have increased the need for practitioners with the skill sets needed to implement and manage stochastic valuation and risk platforms. The success of the Chartered Enterprise Risk Analyst (CERA) credential has been exciting. History was made in November 2009 when 14 actuarial organizations from around the world signed a global treaty establishing the CERA credential as the globally recognized Enterprise Risk Management (ERM) credential. This is the first time in any profession that multiple organizations have banded together to offer their members and candidates a specialized credential.

I am excited to serve the section as the chair over the next year. We have survived and are getting stronger! ♦