

The Benefits of Implementing Enterprise Risk Management:
Evidence from the U.S. Non-Life Insurance Industry

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Abstract

This paper examines the argument whether enterprise risk management (ERM) adds value to the entire firm. Using the A.M. Best property/casualty insurance business database from 2000 to 2009 for 794 US insurance companies we found evidence to support this argument. Our experiment analysed three key value drivers i.e. return on capital and surplus; combined ratio; and operational ratio of these insurance companies. The quality of value creation amongst these insurers was distinguished by the level of integration in the way they manage their underwriting, investment and treasury risks. We conclude that managers of insurance companies will be better off implementing ERM than adopting a silo type risk management initiative.