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Research Team Issues New Requests For Proposals

Subject: Linking Risk Management, Capital Management and Financial Management

by Steven Siegel, SOA Research Actuary

Recently, the Risk Management Section formed the Joint CAS/SOA Risk Management Research Team. The team's mission is to develop and produce innovative research in risk management and to showcase actuaries as leading experts in this area. With this in mind, the team set to work this summer on developing and refining several research ideas. In addition, as part of its recognition of the critical importance of risk management for actuaries, the SOA earlier this year decided to dedicate a significant portion of its annual research project budget towards supporting risk management efforts. Undoubtedly, the formation of a dedicated research team backed by significant funding resources will lead to an even greater level of visibility and recognition for actuaries in risk management.

The research team, chaired by Fred Tavan, engaged in several brainstorming sessions this summer to distill and formalize a number of ideas that had been proposed by the Risk Management Section Council. As a result of these sessions, two formal Request for Proposals (RFP's) were drafted and finalized. The two RFP's were posted on the SOA web site at the end of September and have been publicized in several different venues.

The first request for proposals starts with the premise that in order to be premier risk management professionals, actuaries need to understand how to speak the language. Risk

management terminology can vary significantly both across industries and worldwide. At the same time, the benefits of enhanced communication can directly lead to more competitive companies and improved financial results. Consequently, this RFP seeks researchers to create a guide that would detail the differences in risk management terminology among insurance and other major industries. The ultimate deliverable would be a report that defines commonly used concepts and terms noting commonality and distinctions by industry. The goal of the project would be to have the end user of the report be able to confidently communicate with Risk Management peers from other industries.

In a similar vein, the RFP is also interested in proposals that would summarize, at a high-level, existing risk models expected to have cross-industry interest. Information would be collected on the major model characteristics, data used, methodologies, etc. and summarized in a report. Expected future model developments would also be noted. This RFP could be found on the SOA web site at:

<http://www.soa.org/ccm/content/areas-of-practice/finance/research/rfp-risk-man-term-and-models/>



Steven C. Siegel, ASA, MAAA, is a staff research actuary with the Society of Actuaries in Schaumburg, Ill. He can be reached at ssiegel@soa.org.

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The second request for proposals explores the linkage between Risk Management, Capital Management and Financial Management. Clearly, these three activities are vital responsibilities for insurance companies. But, how do these activities connect with one another? Furthermore, what processes or infrastructure should be put into place to ensure proper coordination of these activities and that they are efficiently leveraged and utilized by companies? An examination of these questions with specific focus on (1) Measurement/Metrics (2) Common Definitions between the Activities and (3) Global Regulatory Action/Rating Agencies interests is the objective of this RFP. Existing literature that has explored these questions would be reviewed and analyzed leading to a guideline for how to optimize this linkage. The complete RFP can be found on the SOA website at:

<http://www.soa.org/ccm/content/areas-of-practice/finance/research/linking-risk-man-cap-man-and-fin-man/>

Both RFPs are intended to result in short term projects with expected timeframes of six to nine months. So stay tuned!

In the meantime, if you have any questions on these RFPs or other ideas for research, feel free to contact me at ssiegel@soa.org. ♦