



SOCIETY OF ACTUARIES

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What's in a (Nick) Name?

by David N. Ingram

The name just isn't working. Originally we were called the Risk Management Section of the Society of Actuaries. Quite a mouthful, but you could say it with only one breath. Then we expanded and became the Risk Management Section jointly sponsored by the Casualty Actuarial Society and the Society of Actuaries. Picture yourself talking to someone who is from outside of the insurance industry and they ask you the name of your organization. And what is a section anyway—are we a part of a fruit or what?

So the section council tried on several shorter labels and came up with ERMAP—which stands for the Enterprise Risk Management Actuarial Professionals. Nothing official, just a nickname. So we are trying on the ERMAP nickname. Let us know what you think.

What a rush. Just two days before I write this I was attending the 2006 ERM Symposium. With over 500 attendees, three workshops, 27 concurrent sessions and five general sessions. This year seemed different to me. In prior years there was an excitement in the air because many of the attendees were feeling so relieved to be amongst others who were fighting to establish ERM in their companies. It was a shared struggle. This year, there was more of a feeling of self-assured confidence in the air. Risk management is more of an established discipline in many companies now. The sessions were different as well. In past years, many of the presentations were about the reasons why companies *should* be doing risk management. This year, they were more about the different ways that companies were actually doing their risk management. Valentina, the program committee and John Riley did a great job with this. I'd also like to wish John a fond farewell. John, best of luck in your new endeavors. Don't forget that I promised you free lifetime ERM training!

At our annual face-to-face section council meeting, we started by re-affirming our core objectives:

1. Integration with new CAS members
2. Member services
3. Continuing education
4. Basic education

5. Research
6. Support of CAS and SOA initiatives

Last issue, I wrote about our committees for Continuing Education, Newsletter, Research and the ERM Symposium. We affirmed the roles of each of those committees in supporting those objectives.

In addition, we looked at a number of other projects underway in which our section was the lead sponsor or a major participant. In the research area, there are seven projects:

1. ERM practice across industries
2. Linking of capital management, financial management & risk management
3. Theoretical foundation for property casualty company ERM
4. Pandemic risk
5. Policyholder behavior in the tail
6. Extreme value modeling
7. RBC covariance

Of those projects, two were brought to us by people who wanted to do research; three are continuing efforts from the Risk Management Task Force committees, and one was directly initiated by the Research Committee based on discussion at a prior Section Council meeting. As you can see, some of these projects relate to P&C companies, some to life insurance companies and some to general risk management. We are looking for volunteers to be members of the project oversight group for two of the research projects. Also, we are looking for ideas for next year's research projects. If you would like to do some research or if you can think of a risk management research project that you would like to see started, please let any council member know. We will be starting to talk about next year's projects soon.

In addition, there are 11 special risk management projects that the section is either leading or is a significant participant in:

1. Macro risk
2. Operational risk
3. Risk terms



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4. Risk preference (completed)
5. ERM practice guide (completed)
6. Extreme value modeling
7. Policyholder behavior
8. Actuarial value proposition
9. ERM online guide
10. Best practices
11. Local networking

The CAS research committee initiated some of these projects, some are continuing from the Risk Management Task Force, and several were initiated by the section. People have been really great in volunteering to help. A recent call for volunteers for the operational risk project drew over 30 responses. There will be more such calls. Two of these projects are just getting started and still need volunteers. The risk terms project will work to identify a set of risk management terms that can become the common language of actuarial risk managers. It is an important step to allow us to talk to each other and could become a part of forming a new language for all risk managers. The ERM online guide is a project to organize the rich material that the section and the SOA and the CAS have collected over the years, with a topical index that could be the basis for an online ERM education platform. That material includes papers and PowerPoint shows and audio files of ERM Symposium sessions. This project may become a worldwide effort with participation from the United Kingdom and Australia. I have talked to leaders of actuarial risk management efforts in those two countries and they were both interested in joining with us in some effort to build up the risk management practice support. A web-based project seems like the perfect way to overcome the time differences that might otherwise make a joint effort unmanageable.

Many people are helping with these efforts and more help is needed. We all need to do our part. Imagine that the actuarial profession is a giant highway. You entered that highway when you completed your certification as an actuary. You have been traveling down that highway all of your career, making excellent progress most of the way. But this is not an interstate highway. There is no massive federal funding coming. It is not a private highway funded by a Rockefeller or a Gates. The travelers do all the maintenance on this highway. And it is voluntary. You decide if you want to do maintenance. The highway is probably in good enough shape to take you to the end of your journey, so you may not feel that you

have to do the maintenance, but, you didn't build the highway. The last generation of actuaries built it. If you want the next generation of actuaries to have a smooth ride, then you will have to pitch in. Risk management is going to be one part of the future of the actuarial profession. The Section is planning some maintenance. We are building a new entrance ramp and we are extending the road for many miles. Work crews are forming and individuals are staking their own personal sections of new road to build. Join in as soon as you can. Finally, I end the chairperson's corner by reporting our budget for year 2006:

The SOA is in the process of developing a new ERM credential at the ASA level with a supporting syllabus and qualifying exams. For people who already have an actuarial credential and who want to learn the new ERM material, we need a process to facilitate that learning. The section is forming a committee to develop a proposal for this ERM education process. The committee proposal might include steps for the development of segments to teach the information at stand-alone events or as part of other events such as the ERM Symposium or actuarial meetings and a process for the recruitment of instructors for segments.

The actual implementation of those steps may be a second stage of that committee work or may be done by a different group.

If you are interested in volunteering for this ERM Continuing Education Committee, please contact Hubert Mueller (hubert.mueller@towersperrin.com) or David Ingram (david_ingram@standardandpoors.com).

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Risk Management Section Budget 2006

Sources of Funds		Uses of Funds	
Dues	44,000	Research	115,000
Seminars	63,000	Newsletter	15,000
SOA Research (2 years)	75,000	Continuing Ed	42,000
Prior Year Surplus	66,000	Operating Expenses	30,000
Other	4,000	Regional Meetings	20,000
		Other	30,000
Total	252,000	Total	252,000