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Diversity is the Spice of Life!

Ronald J. Harasym

A fabulous thing about enterprise risk management (ERM) is the diversity of issues that one can become involved in. Timing is everything! There is no question that the operating environment keeps increasing in complexity over time. Add to this a few emerging risks in concert with some systemic risks and you have the ideal setting for the call to action of ERM professionals.

It is the diversity of ERM issues that as actuaries, we have the opportunity to apply our training, skills, and knowledge to many different types of issues well beyond what we could have imagined just a few years ago. The basic training to become an actuary provides a great foundation and solid grounding for an ERM role, but it is important to recognize that our training not only prepares us with the specific issues that are part of our education, but also to apply those principles to new, non-traditional areas.

As is true for anyone who wants to do well in any role, a critical element of success is to stay current and educated on the latest thinking, trends, practices, and experiences. From an ERM perspective, an easy way to do this is to volunteer and get involved in the Joint Risk Management Section's activities. Over the past several years, the section has been actively involved in education, meetings, webcasts, networking sessions, and research. The Joint Risk Management Section has been reaching further out into the international risk management arena with the translation of the section's newsletter into French, Spanish, and Chinese. There are areas for all interests and opportunities for everyone to actively participate, contribute, and share experiences.

Looking at some of the articles in this issue of the newsletter, there is a wide and exciting range of topics. Wayne Fisher discusses what it takes to successfully embed ERM in a firm, the development of models and setting parameters, and the importance of research. As discussed in the article by Stephen Hiemstra, supervisory ERM differs from firm ERM because loss exposures and consequences differ. However, in order to be effective and efficient, the two need to work and evolve in harmony with each other. ERM provides a company's management the opportunity to inform and communicate with supervisors. Without this window, supervisors must make risk assessments at a distance and with a lag—clearly not a good situation.

Jean-Pierre Berliet's article discusses how the application and integration of ERM into the decision making process has faced many challenges and how ERM will be more effective in companies that identify and correct design weaknesses in their approach. Sim Segal's article highlights that even common practice in risk identification is suboptimal in several aspects and how companies can better execute the risk identification phase of the ERM process cycle. As the results from a survey of emergings risks for financial services by Max Rudolph show, any given group will have differing views and bias based on their knowledge, location and experience.

All in all, there is still much we can learn with respect to ERM. We have a strong foothold on ERM positions in the insurance industry and we have a basis for competing for ERM positions outside of the insurance industry. The Section Council has acknowledged that acquiring and improving our skills is a critical part of the equation. Together, we can succeed. So get involved in the section. Volunteer! ✦

Ronald J. Harasym, FSA, CERA, FCIA, MAAA, is vice president and actuary at New York Life Insurance Co in New York, NY. He can be reached at *ronald_j_harasym@newyorklife.com*