



SOCIETY OF ACTUARIES

Article from:

# Risk Management

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# Spread of Risk...Articles

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To do this, we need your help, for which we are offering a reward. While we usually have an abundance of articles for the “General” and “Risk Quantification” categories, we are always in need of articles in the categories “Risk Identification,” “Risk Response,” and “Risk Culture & Disclosures.” To generate more articles in these categories, we will award \$500 to the author of the best article in one of these three topic categories every issue. In addition, we will award \$2,500 to the author of the best article in any category every two years.

We hope that the broader spread of risk articles will keep you even more informed on all things ERM. If there is something we can do to improve, or if there’s something you particularly like, please email me at [sim.segal@watsonwyatt.com](mailto:sim.segal@watsonwyatt.com). To generate comments, we will award \$50 to the two contributors with the best suggestions or comments every issue; we plan to publish all comments and suggestions (with attribution, if permission is received) in a “Reader Feedback” section starting with the March 2009 issue.

I want to thank the SOA staff liaison to *Risk Management*, Kathryn Wiener, our assistant editors, Steve Craighead and Valentina Isakina, and Dave Ingram, who continues to be an engine of support in procuring quality authors. ♦

**I**n this issue, you will notice a change in our format and content. We have separated articles into five categories—a general category and four others corresponding to different steps in the ERM process cycle. The categories are:

- 1) General
- 2) Risk Identification
- 3) Risk Quantification
- 4) Risk Response
- 5) Risk Culture & Disclosures

See Table A for examples of topics by category.

We pledge to (try to) publish at least one article in each topic category every issue, and we have succeeded in doing so in this issue. This new format, along with this pledge, should help us provide you with a broader and more balanced range of ERM content.



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**Table A****1) General**

- a) ERM trends
- b) Deep dive on a single risk type
- c) Topics that cross multiple categories
- d) Other

**2) Risk Identification**

- a) Environmental scanning, benchmarking and techniques to identify emerging risks
- b) Risk categorization and definition
- c) Internal qualitative assessment and prioritization

**3) Risk Quantification**

- a) Developing risk scenarios
- b) Quantifying individual risks: Financial risks (market, credit, liquidity, etc.); insurance risks; strategic risks; operational risks
- c) Quantifying enterprise risk exposure (based on all risks interacting)
- d) Metrics/key risk indicators (value, capital, etc.)
- e) Models (economic capital, value-based models, etc.)
- f) Modeling methods (real-world vs. market-consistent, etc.)
- g) Economic capital and its integration into ERM
- h) ALM and its integration into ERM

**4) Risk Response**

- a) Defining risk appetite and risk thresholds
- b) Managing exposures to within risk appetite: Exposures include all risks: Financial risks (market, credit, liquidity, etc.); insurance risks; strategic risks; operational risks
- c) Making decisions with ERM information, including strategic planning, tactical decision-making, pricing, M&A, etc.
- d) Managing within rating agency requirements and regulatory constraints

**5) Risk Culture & Disclosures**

- a) Risk Culture
  - i) Risk Framework
    - (1) How ERM is organized functionally (process cycle, scope, decisions, etc.)
    - (2) Defining ERM
  - ii) Risk governance
    - (1) How ERM is organized hierarchically
    - (2) Roles and responsibilities (Board, ERM committee, internal audit, etc.)
    - (3) Policies and procedures
    - (4) Rating agency requirements
    - (5) Regulatory requirements
  - iii) Integration into performance measurement (internal reporting) and performance management (incentive compensation)
- b) Risk disclosures (integration into external communications)
  - i) Communications to rating agencies
  - ii) Communications to regulators
  - iii) Communications to stock analysts
  - iv) Public disclosures (e.g., published quarterly or annual reports or filings)