



SOCIETY OF ACTUARIES

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# Risk Management Newsletter

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# Risk Management Sessions at the 2004 SOA Spring Meetings

By Hubert Mueller

**T**he 2004 SOA Spring Meetings will be held May 18–21 in Anaheim, Calif. (Health and Pensions), and June 14 to 15 in San Antonio, Texas (Life). The following sessions will be sponsored by the Risk Management Section:

## I. Anaheim Health/Pensions Meeting (May 18 – 21, 2004)

### Risk Management For Health Insurance

**Date:** May 19, 2004, 2:00 – 3:30 PM

**Moderator:** Tom Corcoran

**Panel:** To be determined

Compared to life insurers, health insurers appear to have had less external focus and scrutiny on the appropriateness of their risk management practices and procedures.

Industry panelists will discuss:

- Best practices for risk management of health insurance business
- Challenges companies face in implementing these programs
- Rating agencies' perspective of the health industry's proficiency regarding risk management

The attendees will gain a practical understanding of the current risk-management approaches used, and best practices for risk management of health insurance business.

This session will be co-sponsored with the Health Section.

## II. San Antonio Life Meeting (June 14 – 15, 2004)

### Chief Risk Officer (CRO) Forum

**Date:** June 14, 2004, 2:00 – 3:30 PM

**Moderator:** David Ingram

**Panel:** To be determined

A panel of CROs discusses their roles, responsibilities and challenges in implementing and managing risk within an insurance enterprise. Topics related to the measurement and management of risk to be covered are:

- Organization of the risk management function
- Key CRO responsibilities
- Measurement infrastructure
- Process of measuring and managing risk
- Risk culture and assimilation of risk into the organization
- Management buy in and support
- Operational risk
- Credit risk
- Risk aggregation
- The role of risk (economic) capital
- Committee of Sponsoring Organizations (COSO) enterprise risk management framework

The attendees will receive a practical understanding of the role of chief risk officers and the effectiveness of companies' risk management programs.



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### Hedging Variable Annuity Guarantees: A Practical Discussion

**Date:** June 14, 2004, 4:00 – 5:30 PM

**Moderator:** Frank Sabatini

**Panel:** To be determined

A number of insurance companies have recently implemented or are in the process of implementing variable annuity (VA) hedging programs for guaranteed death and living benefits. The panelists will discuss the benefits of hedging these guarantees, the challenges they face and how they keep score. Challenges addressed include:

- Setting actuarial assumptions such as mortality and lapses
- Anticipating policyholder behavior
- Measuring basis risk
- Determining the methodology and frequency of valuation
- Modeling issues
- Measuring the hedge effectiveness

The attendees will gain insights into the approaches used by companies for hedging the risk from VA guarantees, and the challenges they face in executing these programs.

### Making The Case For Economic (Risk) Capital And Risk Adjusted Performance Measurement Frameworks

**Date:** June 15, 2004, 8:30 – 10:00 AM

**Moderator:** Hubert Mueller

**Panel:** Hubert Mueller, Kevin Reimer,  
Jose Siberon

A number of insurance companies have recently implemented, or are in the process of implementing, economic (risk) capital. These programs are being implemented because of concerns with the existing regulatory and accounting frameworks and/or companies' desire to have a capital framework consistent with their risk profile. The panelists:

- Discuss implementing economic capital frameworks
- Illustrate through case studies how using an economic (risk) capital framework provides better information for making important decisions on the proper levels of risk exposure and capital allocation
- Show the use of risk adjusted return on capital (RAROC) and other performance measures

Attendee benefits include learning how other companies are using economic capital and risk adjusted performance measurement frameworks and their utility.

### Measuring And Pricing For Tail Risk

**Date:** June 15, 2004, 10:30 AM – 12:00 Noon

**Moderator:** Hank McMillan

**Panel:** Hank McMillan, Doug Robbins

Tail risk, long recognized as important to insurance organizations, is being evaluated in a new light, with new approaches. Panelists review various approaches for measuring tail risk, and how to price for tail risk using capital-market consistent techniques.

Attendees gain a practical understanding of the current risk management approaches for measuring and managing tail risk.

In addition, the Risk Management Section will sponsor a hot breakfast, which will be held on June 15, from 7:30 – 8:30 AM. ♦

## Conference Update

### CAS and SOA to Hold 2nd Joint ERM Symposium in Chicago in April 2004

Building on the success of last year's event, the Casualty Actuarial Society and Society of Actuaries have agreed to again jointly sponsor a professional event focused on enterprise risk management issues.

The 2004 ERM Symposium is scheduled for April 26-27 and will be held at the Renaissance Chicago Hotel in downtown Chicago. This time, Georgia State University's Thomas P. Bowles, Jr. Symposium is a co-sponsor of the symposium and is involved in the program development. In addition, the Professional Risk Management International Association (PRMIA) is participating in the event as a co-sponsor and co-organizer to provide extra content on the nontraditional topics relating to the broader economy ERM issues.

The organizing committee of the first ERM Symposium (July of 2003) has received tremendously enthusiastic support from the participants of that event with requests to continue this joint groundbreaking initiative going forward. Understanding the risk management issues in a broader enterprise context is among the top core skills required for success in the business environment. These skills demand integration of many aspects of business and risk management knowledge and are currently among the most sought after skills in the marketplace.

To explore this broader context further, the second ERM Symposium will build on the success of the first event through the participation of the strategically focused Bowles Symposium and the involvement of PRMIA in the program development.

The symposium is an ideal learning opportunity for those interested in information about emerging risk management trends and practices both within the financial services industries and beyond. In addition, the event will provide a unique networking opportunity to meet individuals practicing in this emerging field in various industries. General and concurrent sessions will provide property/casualty, life and health, as well as broader financial services industry perspectives on various topics.

A complete program is available on the SOA and CAS Web sites.