



Institute of Actuaries of Australia

Enterprise Risk Management – Towards a Global Designation for Actuaries

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Topics for Today

- **What is ERM? What's a CRO?**
- **Who might want it?**
- **What are the implications for the competitive position of actuaries?**
- **Who should get it?**
- **Do we need a new global designation?**
- **How will it happen?**



What is ERM?

- **CAS definition:**

“ERM is the discipline by which an organisation in any industry assesses, controls, exploits, finances, and monitors risks from all sources for the purpose of increasing the organisation's short-term and long-term value to its stakeholders. ”



What does ERM consist of?

- **Comprehensive risk measurement using a consistent modern framework and techniques**
- **Not just financial and insured risks, but operational and strategic risks**
- **Integrated approach – not silo risk management**
- **Not focused on constraints or compliance – primarily driven by maximising business value**

- **Output: enterprise risk exposure to all risks**
- **Input: risk appetite and tolerances**
- **Output: risk-informed decision-making**



What's a CRO?

- **Many European and American Insurance groups now have CRO – and Australian**
- **Role is influential and expanding**
- **“measuring and managing all the risks of the enterprise to maximise its value”**
- **Optimises return on capital**
- **Optimises cost of capital**
- **Leads the organisation's approach to risk**



Who wants an actuarial ERM designation?

- **Some insurance Actuaries are already required to know about ERM, by law**
- **IAIS draft paper (ERM) will be adopted by regulators in many jurisdictions**
- **Solvency II will require a much fuller understanding of ERM techniques in EU**
- **Any actuary who wants to be a CRO!**



Competitive Implications

- **Actuaries will be better equipped to compete if they have the skills to be CRO (“pathway to CRO”)**
- **Actuaries must comply with regulatory requirements, driven by IAIS/ Solvency II, if they wish to keep trusted positions**
- **Risk: Other “professions” in ERM may outgrow the Actuarial profession**



Who should get an actuarial ERM designation?

- Most actuaries in most financial companies or groups should want to know more about ERM
- Level of advice may be at Fellowship or Associateship level
- Actuaries will need to study ERM methodology, mathematics, business background, and techniques



Do we need a Global designation?

- **Yes!**
- – but why?
- **Standardisation of ‘ERM toolkit’**
- **Standardisation of education**
- **International mobility**
- **Globalisation of the profession**
- **International recognition**



How could it happen?

- **IAA – Financial Risks Committee**
- **IAA – Presidents' Forum**
- **MoU**
- **Syllabus**
- **Treaty**



What's in the MoU?

- **Agreement to work together**
 - make an **Announcement**
 - draft a **Syllabus & Standards**
 - draft, execute and administer a **Treaty**
 - educate & examine members
 - issue designations
 - administer **Treaty**



What is in the Syllabus?

- **We don't know yet!**
- **But we know it must ...**
 - be commercially relevant
 - be compatible with Solvency II & IAIS
 - take account of CERA (USA)
 - support measurable education standards
 - facilitate international growth



What could be in the Treaty?

- Agreement to recognise designation
- One global designation (only!) “XXX”
- Syllabus and Standards
- Process to recognise issuers
- Powers to delegate (teaching/exams)
- Processes for monitoring compliance
- Process to de-recognise issuers



What could come next?

- **Publicity**
- **Growth in interest**
- **More signatories**
- **More university collaborations**
- **Systematic delegation of Treaty process**
- **“Global designation leads the way”**





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