



Society of Actuaries in Ireland

Risk Management
A journey into the unknown?

Billy Galavan

Introduction Slide

Billy Galavan BAFS (1998), FSAI (2004).
CRO, Zurich Life Assurance plc (2012).

Today's agenda:

1. An actuary in Risk Management
 - Key Risks
 - Framework
 - What they don't teach you!
2. Hot Topics in Risk Management 2017



An actuary in Risk Management

- How many actuaries work in risk management?
 - First line of defence
 - Second line of defence
- How did I get into Risk Management?
- What makes a good insurance Risk Manager?
 - An intimate understanding of the risks, or
 - An intuitive understanding of the frameworks



Life Insurance key risks

- Asset Liability Management ✓
- Insurance risks ✓ ✓
- Business Risks ✓
- Credit Risk X
- Operational Risk X



Risk Management Framework

Basle Committee on Banking Supervision: Principles for the management of Interest rate risk, September 1997.

Generalised principles:

- Clear lines of responsibility: separate risk takers and risk managers **X**
- Quantitative risk limits and systems for promptly reacting to positions that exceed limits **✓**
- Need to assess all material risks: Focus on both earnings & economic value fluctuations **✓**
- Stress testing to evaluate extreme events and develop contingency plans **✓ ✓**
- Regular internal and independent review **?**



What they don't teach you!

- Effective communication:
 - Range of stakeholders
- Regulatory challenge:
 - sustainable pace of change?
- Culture – CRO now seen as key to this
 - Uniquely positioned to join the dots from Board, through Senior Management to Front Line staff



Fundamental challenges

- Understanding the business:
 - Seat at table
- Pro-business:
 - Operating within a ‘safe’ risk appetite
- Performance:
 - Upside vs downside



Hot Topics for Risk Managers in Life Insurance

Implementation of Solvency II and regulatory expectations driving a higher standard across all facets of Risk Management

- Risk Appetite reviews
- ORSA process
- SFCR & RSR
- Operational Risk:
 - Information / Cyber security & General Data Protection Regulation (GDPR)
 - Outsourcing frameworks
- Risk and Capital optimisation