Minutes of Enterprise and Financial Risk Committee Meeting
Zagreb, Croatia – September 30, 2011

Members present
David Ingram, Chairperson
Seamus Creedon, Co-Vice-Chairperson
Artyom Ambartsumyan
Marc Arias Bellot
Paul Braithwaite
Malcolm Campbell
Xiao-Lei Chi
David Goodsall
Garth Griffin
Zdenka Idzotic
Malcolm Kemp
Christoph Krischanitz
Bruce Langstroth
Charles Levi
Sanchit Maini
Hillevi Mannonen
Lars Pralle
Frank Sabatini
David Sandberg
Masaaki Yoshimura

Apologies
John Maroney, Co-Vice-Chairperson

Observers Present
Al Beer, Member, IASSC
Réjean Besner, Canadian Institute of Actuaries
Ralph Blanchard, Casualty Actuarial Society
Petr Bohumský, Česká Společnost Aktuářů
Themba Gamedze, Actuarial Society of South Africa
David Hartman, Past President
Tom Herget, American Academy of Actuaries
Alan Joynes, Institute and Faculty of Actuaries
Toshihiro Kawano, Chair, Insurance Regulation Committee
Mazia Kamenarola, Slovakia
Dieter Kohnlein, Deutsche Aktuarvereinigung
Régis de Laroulière, Institut des Actuaires
Jim McGinnitie, Past President
Mike McLaughlin, Society of Actuaries
Vladimir Novikov, Russian Guild of Actuaries
Paul O’Faherty, Society of Actuaries in Ireland
Godfrey Perrott, Society of Actuaries
Eric Thorlacius, Chair, AFIR/ERM Section
Yoshihiko Tsuji, Institute of Actuaries of Japan
1. Approval of IAA ERFC Sydney meeting minutes

The Sydney meeting minutes were approved without amendment.

2. External Affairs
   a. IMF Paper on Solvency II vs Basel III – Malcolm Kemp & Padraic O’Malley

      Malcolm Kemp reported on the successful collaboration resulting in the publication of this joint paper. It would be a matter for the IMF participants whether to update the paper as further progress is made with Solvency II.

   b. IMF Stress Testing Workshop – Dave Sandberg

      The Chair reported on this workshop involving 25 persons from a variety of regulatory/academic/industry backgrounds, convened in Washington, DC, in early September. The aim was to explain to the IMF some stress-testing approaches in use in insurance. The raw proceedings would be edited and then published on the committee website.

   c. IAIS Macro Prudential Policy & Surveillance Working Group – Dave Ingram

      The Chair reported on progress of this working group and invited Toshihiro Kawano to update the committee. Toshihiro reported that in addition to its initial task of identifying factors impacting the insurance sector, the IAIS MPSWG was now assessing the potential systemic implications arising from insurer’s reliance on credit rating agencies and issues related to sovereign risk.

3. EFRC Interest Survey – Dave Ingram

   The Chair thanked the 21 persons who had responded to his survey of committee member interests which had shown a broad range of interest covering substantially all of the committee’s medium-term agenda. He would circulate the survey again so that others would have the chance to add their interests.

   The Chair also noted that several committee members had joined the LinkedIn Enterprise and Financial Risks Committee subgroup (of the LinkedIn IAA group). He would re-circulate this link also.

4. Discussion of new Working Groups
   a. ORSA – Lars Pralle

      Lars Pralle reported that following a number of teleconferences and an initial meeting earlier in the day in Zagreb, the joint working group (with the Solvency Subcommittee of the Insurance Regulation Committee) was considering priorities. A list serve had been established which he encouraged those interested to join. It was clear that there was considerable demand for both educational material and standards in relation to ORSA, including material which could be used to educate supervisors.

      Members of the committee were encouraged to make actuaries with a specific interest in ORSA aware of the existence and work of the working group and to join if at all practicable.
b. Research – Padraic O’Malley

In the absence of Padraic, Malcolm Kemp reported that the group had held a single teleconference, which suggested there was some need to clarify the objectives of the working group. In discussion it was suggested that the principal focus should be on dissemination of material, including perhaps follow-up to subjects discussed on the INARM list serve.

Eric Thorlacius explained that AFIR/ERM was exploring the feasibility of a library element to its website.

c. Education – Malcolm Kemp

Malcolm invited the committee to offer thoughts on the prioritization of objectives in relation to education in enterprise and financial risk. In discussion, two principal objectives suggested were sharing of materials from the more mature contexts (broadly existing CERA awarders) with other less mature associations (which might aspire to award CERA) and also sharing of CPD materials aimed at practitioners.

d. Promotion – Garth Griffin

Garth explained that in view of the numbers of parties at various levels involved in promoting the relevance of actuaries to ERM, his thinking was that this working group might best play a facilitating role. Discussion favoured this working group being a resource supporting member associations which could include sharing ideas and experience of promotional initiatives, building a roster of national ERM contacts, developing lists of useful ERM speakers, etc.

It was noted that the latter three groups were informal creations of the EFRC and were open to all with an interest. It was not expected that they would themselves be engaging in any public communication.

5. IAA ERM Standards subcommittee – Dave Ingram

The Chair reminded the committee that standards development work continued in North America with the sponsorship of the Actuarial Standards Board. Feedback to two initial drafts of standards on elements of ERM had been diverse but generally encouraging.

So far as this committee was concerned, a subgroup had been formed, the initial task of which would be to develop a Statement of Intent setting out the reasons for and purpose of a standard (or standards). He expected that this would be done over the remainder of calendar 2011.

A lively discussion ensued, one conclusion from which was that the need for material in relation to ORSA in both a European and a North American context should be borne in mind. Dave Sandberg contrasted the usual process whereby standards are distilled from codification of recognized sound practitioner practice with the reality that ERM was an immature area of practice (for both organisations and professional practitioners).
6. **Global ERM Webinar – Hideyuki Yoshida**

Hideyuki reported that preparation for this webinar, to be held on 7-9 December 2011 (successive days in each geographical region) were well advanced. Content for Europe was substantially complete, with Asia and North America close behind.

Discussion concentrated on how to attract the greatest numbers possible to attend the webinar. It was acknowledged that promotion by national associations and others was of critical importance.

7. **Other Projects**

   a. Conduct a survey of ERM practices (John Maroney, Frank Sabatini)
      Nothing to report.

   b. Construct a library of case studies (Dave Ingram)
      Nothing to report.

   c. Continue supporting ongoing transformation / development of AFIR to becoming the ERM Section of the IAA (Eric Thorlacius)

      Eric reported that AFIR was doing all it could to promote ERM activities to its own traditional audience, including sponsorship of the webinar. It wanted to build national and regional links with those active in organizing ERM events, etc. The section welcomed input from the committee on ideas it might pursue to build ERM awareness/education. The committee noted these developments with approval and support.

8. **Other ERM developments**

   a. Japan

      Masaaki Yoshimura reported on a new promotional initiative by the Institute.

   b. India

      Sanchit Maini reported on promotional and educational initiatives in the ERM space.

   c. Canada

      Bruce Langstroth reported that the Canadian Institute of Actuaries was working actively on development of ERM practice infrastructure, identification of practitioners, and development of materials.

   d. South Africa

      Garth Griffin reported on progress in relation to CERA and noted the establishment of ERM as a recognized practice area, although the proportion of the membership occupied in this area was small. Apart from awareness-raising both internally and externally, an objective was to promote actuaries as potential reviewers of ERM frameworks and practices.
e. **UK**

Malcolm Kemp noted that ERM had been established as a practice area for some time and also that the Institute and Faculty had commissioned a major study on how to promote actuarial capability in this space. He did not underestimate the challenge involved in promoting internal and external awareness and suggested that this was best thought of as a project of several years.

f. **Australia**

David Goodsall reported that regulatory recognition of actuarial capability was relatively well advanced, including a unique requirement for actuaries to opine on frameworks in general insurance and life insurance. The profession was reconsidering its effectiveness in attracting suitable persons with the potential to become chief risk officers.

g. **North America**

Dave Sandberg reported on thinking around the development of ORSA in the NAIC context. He linked this to governance effectiveness and suggested the challenge for practitioners was to move from having the right answers to being able to pose the right questions.

h. **Solvency II**

Seamus Creedon reported on various issues, including regulatory concerns about the effectiveness of risk management in relation to variable annuities and also to concerns about contagion as between banks and insurers. Specifically in relation to Solvency II, he identified the liquidity dimension of ALM and sovereign risk as unforeseen challenges. He also noted work being done by regulators and actuaries to extend Solvency II concepts to pensions, which he likened to playing chess in three dimensions.

The Chair noted that a list serve for ERM relevant to pensions was being established.

i. **ComFrame**

Dave Sandberg noted that acknowledging the difficulties in global harmonization of Pillar 1 quantitative requirements, this initiative was focused on a common approach to Pillar 2 (broadly ORSA). Documents including case studies were in preparation with a view to being shared with IAIS committees in late 2011.

In closing the meeting, the Chair invited feedback and committed the committee to an increased level of ongoing communication making more use of the list serve.

There being no other business, the meeting closed at 16:45.