

Risk Management

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Acknowledgements

I am here to share a few thoughts on Risk Management. These thoughts are based on my experience in the non-life industry in the US, Bermuda, Europe, and India. These organizations, from where I had picked up these ideas, are **not responsible** for the content. **Also, these thoughts do not provide Actuarial Advice.**

Thank You

What is Risk

- Context is “Non-Life” insurance
- A few random thoughts
- Credit Risk?
- Market Risk?
- Interest Rate Risk?
- Sovereign Risk?
- Any Other?
- We will focus on Reputation Risk and Underwriting Risk

Actuary's Role and Reputation

- AA Audience – both current and future
- We are required to “Sign”
- We are responsible for “Due Diligence”
- One good example – 2013 Health Filing Requirements
- Insurance Companies Sell a “Promise”
- We “certify” that the company is capable of keeping that promise
- Whenever we feel that there could be problems.....?
- Use the RM Chapter in the FCR as an annual report card

Underwriting Risk - Overview

- Company Overview
- Key Risks
- Under-pricing
- Under-reserving
- Risk Concentration
- Trends in Risk Factors
- Catastrophes
- Everything Else

Exposure Accumulation

- Exposure measures by LOB
- Good to provide a time-plot
- Investment Risk -- is it really a risk?
- Quantitative measures
- Company's risk Tolerance
- Risk Acceptance mechanism
- Plan and Performance

Key Risks

- Risk Management Strategy
- Indicators and Metrics
- Emerging Risks
- Latent Risks
- Reinsurance Failure
- Operational Failure -- Bank Example
- Review and Feedback

Risk Mitigation

- What are the Measures?
- Effectiveness of Reinsurance as a tool
- Any other tool?
- Access to capital?
- Sensitivity Analysis
- Sensitivity Table