



# ERM Survey Results for Insurers and Reinsurers

CAS Seminar on Reinsurance

**Bruce D. Fell – Towers Watson**

**Henry Jupe – PwC**

**Matthew Ball – Towers Watson**

June 6, 2013

TOWERS WATSON 

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## Speakers and Agenda

- High-level overview and comparison of the findings from the two surveys
  - Bruce D. Fell, FCAS, CERA, MAAA, CFA  
Towers Watson - Philadelphia
- Discussion of Towers Watson key findings
  - Matthew Ball, FIA, FCAS, MAAA  
Towers Watson – Bermuda
- Discussion of PricewaterhouseCoopers key findings
  - Henry M. Jupe  
PwC – New York

## Background on the Surveys

- Towers Watson
  - Conducted during the summer of 2012 via web survey
  - 529 senior insurance executives from around the world
  - 48% under \$1 billion in revenue and 52% over \$1 billion in revenue
  - North America = 37%, Europe = 25%, Asia/Pacific = 31%
  - P&C = 25%, Reinsurers = 11%, Multi-line = 18%, Life = 41%, Health = 5%
  - Focused = Global ERM trends and comparison to 2008 and 2010 surveys
- PricewaterhouseCoopers
  - Conducted during the summer of 2012 with face-to-face interviews
  - 65 survey participants representing 30% U.S. market share (by premium)
  - US domestics = 60%, US Int'l groups = 20%, and US subs of foreign = 20%
  - Life = 30%, P&C = 45%, Health = 25%
  - Focus = US ERM & Own Risk Solvency Assessment (ORSA) Practices

# Common Themes #1

## ORSA/ERM is a beneficial process that adds value to companies

- *TW – Participants felt ORSA/ICAAP were beneficial*
  - *Almost 50%...rated key aspects of ORSA/ICAAP as generating significant benefit*
  - *40% expected moderate level of benefit*
- *PwC – There is a greater perceived future benefit for those carriers in the early stages of development.*
  - *40% think their organizations will achieve additional benefits...nearly half consider that incremental benefits were “only possible”.*

## Common Themes #2

### Gaps exist between current capabilities and those necessary to meet ORSA requirements

- PwC – *35% of companies indicated they do not have a fully implemented risk appetite with tolerances linked to business strategy*
- TW – *Each key aspect of ORSA has been completed by only approximately one-quarter of participants*

## Common Themes #3

### Risk culture is paramount to success: Defining risk appetite must be linked to strategy

- TW – *Survey found that 80% of insurers rate risk culture as a highly important component of their end-state vision for ERM.*
  - *Use of risk appetite has increased since 2010 survey in areas such as investment strategy and strategic planning*
- PwC – *65% of companies indicate they have a risk appetite statement that reflects strategy, financial goals and tolerances, suggesting there may not be sufficient focus on linkages to top down strategic objectives and metrics across the industry*

## Common Themes #4

### Quantification of Economic Capital is gaining traction and starting to bring value to firms that embrace modeling

- PwC – *63% of respondents report using economic capital measures in addition to more traditional capital metrics (i.e., GAAP or rating agency capital)*
- TW – *...those that calculate economic capital are significantly more likely to be satisfied with the performance of their ERM capabilities*
  - *61% are satisfied when where economic capital is calculated compared with 39% among companies that do not calculate economic capital*



## Common Themes #5

### Embedding risk activities and reporting on them is increasing

- *TW – Risk monitoring and reporting along with risk appetite definition are focus of short-term priorities for development over any other aspects of ERM*
- *PwC – Three-quarters of companies indicate that they have a risk dashboard or risk management information pack most frequently including statutory capital, liquidity, operational metrics and earnings sensitivity/variance from plan*