

Risk Identification and Prioritization Project

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- The CAS has adopted ERM principles and desires to use the organization to establish best practices for a thorough and thoughtful ERM approach. This project was delegated to the Risk Management Committee, which assigned this to a Task Force that convened in mid-May 2009. The purposes of the Task Force, as presented to the Executive Council in June 2009, included:
 - Identification of risks from operations of the CAS from perspective of both the EC and key committee leadership
 - Prioritization of identified risks
 - Development of gap analysis to target threats and opportunities
 - Creation of mitigation strategies
- Initially surveyed previously identified strategic risks and opportunities which were mapped into three broad categories for organizational purposes

Education	Practice	Management
Admissions	International Role	Volunteers
CE	Professional Standards	Interface with other organizations
Competencies	Credibility	Administration
Research	Regulatory Issues	
	Competition from Others	
	Perception of Actuaries	

Identification of Risk “Owners”

- These categories were mapped onto the EC VP structure to establish risk “ownership” and identify potentially “non-owned” or unclearly owned risks.

President, President Elect, Executive Director	VP Admissions	VP Research & Development	VP International	VP Administration	VP Marketing & Communication	VP Professional Education
Interaction with Other Organizations	Admissions	Research	International Role	Administration	Credibility	CE
Competition from Others	Associate Members	Competencies			Competition from Others	Competencies
	Volunteers				Perception of Actuaries	

- Professional Standards and Regulatory Issues without obvious “home”; may fall within President, President Elect and/or Executive Director roles.

Understanding the Scope of Risk Ownership

- The Task Force developed customized interview scripts for each member of the EC, the CAS President, and the President Elect. The interview process, including follow-up, took roughly six weeks. Among the issues addressed in the surveys were:
 - How their activities address risks and opportunities facing the CAS
 - Control process around EC member's activities
 - Committee relationships
 - Involvement of committees in new initiatives
 - Significant risks and opportunities facing CAS both-short term and long term from the EC member's area of responsibility and more broadly
 - Organizational communication
 - Perceived importance of risk management to the organization
- Aimed to understand the degree to which identified risks are currently subject to risk mitigation, whether there are clear owners of each risk and risk mitigation execution

Risk Identification – Early Observations

- Results of interviews were summarized by major risks or issue categories
 - Relevance of Actuaries
 - Trends in Volunteerism
 - Organizational/Structural Issues
 - Interaction with Other Organizations
 - Actuarial Reputational Risk
 - International “Expansion”
 - Changing Admissions Process
 - Role in ERM
- Most risks identified had limited or no current mitigation strategy in place
- For some risks, a prospective mitigation strategy had been tentatively identified
- Many risks are owned by more than one EC member with a lack of clarity as to respective roles and responsibilities of each to develop mitigation plans
- Even when current mitigation is underway, there is often no clear relationship to EC member goals and objectives

Risk Identification – Drilling Down

- Results of the survey were presented to the RMC in September 2009. Committee feedback included an expanded articulation of the identified risks. As such additional CAS Committee Chairs were identified to further identify/clarify specific risks and current risk mitigation activities. The identified categories of risk were then detailed and prioritized.
- Risk Categories included
 - Organizational
 - Actuarial Reputational Issues
 - Actuarial Relevance Issues
 - International Issues
 - Risks to Expanding roles in Non-Standard Practice Areas
 - Volunteerism
 - Admissions

Articulation of Risks – Organizational

- Speed of Board Action – exposes the CAS to the risk that it falls behind other organizations in taking leadership roles on behalf of profession
- Duplication of Activities – impacts CAS leadership and other committees
- Removal of Ineffective Leaders – no clearly defined process
- Reliance on Other Organizations – effects items that are vital to the success of CAS and its members
- Loss of Key Leadership and/or Staff

Articulation of Risks – Actuarial Reputational Issues

- Slow Implementation of Task Force Recommendations
- Concerns Regarding Current Discipline Process
- AAA Credibility – reduction impacts whole profession

Articulation of Risks – Actuarial Relevance Issues

- Losing Ground in Core Competencies – Relevance could be at risk
- Balance Technical and Communication Skills – can limit success as business people
- Vulnerability of Continuing Education

Articulation of Risks – International Issues

- Reach too Narrow – CAS may not achieve its desired international influence
- Insufficient Member Support on Issues
- Negative Impact on Educational Goals - CAS educational goals unduly influenced by accommodations to other organizations' educational/credentialing requirements

Articulation of Risks – Risks to Expanding Roles in Non-Standard Practice Areas

- Other Paths to ERM Credentials – Not clear that the CAS will continue to play a pivotal role in driving ERM agenda
- Divert Resources away from Core Activities – significant resources required to fully realize opportunities in this and other non-standard practice areas

Articulation of Risks – Volunteerism

- Supply/Demand Imbalance
- Time Demands of Leadership Roles – Current organization of roles makes them less attractive to wider pool of qualified candidates
- Generational “Conflicts” on Volunteering
- Reliance on Volunteers for Continuing Education – An expanding need

Articulation of Risks – Admissions

- Transition to FEM – potential to create disruption to actuarial students and be a threat to current members
- Conflict Between Committee Demands and Volunteer Priorities
- Balancing Joint Education Demands – efficiencies associated with joint education may conflict with CAS specific goals and educational standards
- Identifying New Areas for Actuarial Expertise – employers and clients continue to value CAS membership

Prioritization of Articulated Risks – Board Input

- Results presented to CAS Board in November 2009
- Board asked RMC to survey current and immediate past Board members to prioritize identified risks
- Prioritization developed on two scales
 - Most important
 - Most urgent
- Ratings developed on a 5 point scale

The Board's highest risk priorities

- Importance
 - The current discipline process is not always perceived to be meaningful.
 - A reduction in the credibility of the AAA impacts the whole profession.
 - The CAS could be significantly impacted by the loss of key leaders or staff.
- Urgency
 - The CAS has no clearly defined process for removing ineffective leaders.
 - The current discipline process is not always perceived to be meaningful.
 - The current CAS leadership (President, President-Elect, Board, EC and Committee Chair) roles are not organized in a manner that makes these roles attractive to a wider pool of qualified candidates.
- Top “important” and the second “urgent” are the same.

RMC Follow-up to the Board's Prioritization

- The survey process was conducted to determine risks to the CAS and once identified to develop an approach to either eliminate these risks or create a strategy to mitigate the consequences of these risks. As an initial step, the RMC, in consultation with appropriate CAS officers and Committees, was tasked to develop specific risk mitigation recommendations to the CAS Board for the highest priority risks identified by the Board. In addition, as a second phase to this process, the RMC was asked to address the second highest rated tier of risk factors identified in the survey

Primary Risk: Operational

- The CAS has no Clearly Defined Process for Removing Ineffective Leaders

Risk Mitigation Plan:	Timing of RMC Review:
Presented at 3/22 CAS Board Meeting	Late 2010

Primary Risk: Operational

- Various CAS Leadership Roles are not Organized in a Manner that makes them Attractive to a Wider Pool of Qualified Candidates

Risk Mitigation Plan:	Timing of RMC Review:
Currently being developed by a task force	Late 2010

Primary Risk: Reputational

- The Current Discipline Process not Always Perceived to be Meaningful

Risk Mitigation Plan:	Timing of RMC Review:
Greater transparency needed, and frequency of disciplinary actions taken needs to be reviewed	TBD – ongoing efforts on part of CAS and CUSP

Primary Risk: Reputational

- A Reduction in the Credibility of the AAA Impacts Profession as a Whole – P&C Non Reserving Actuarial Services may be a Source of Reputational Risk

Risk Mitigation Plan:	Timing of RMC Review:
Draft plans discussed at March CAS Board Meeting – EC to develop detailed plans	September, 2010

Secondary Risk: Reputational

- CAS Needs to Continue to Identify New Areas that Benefit from Actuaries' Expertise so that Employers and Clients Value CAS Membership

Risk Mitigation Plan:	Timing of RMC Review:
CAS Board assigned to the Strategic Planning Committee, with particular emphasis on defining the actuary's role in ERM	Late 2010

Secondary Risk: Reputational

- ERM Practitioners have Several other Avenues to Pursue their Professional Designation, and it is not Clear that CAS will Continue to Play a Pivotal Role in Driving ERM Agenda

Risk Mitigation Plan:	Timing of RMC Review:
CAS Board assigned to the Strategic Planning Committee, with particular emphasis on defining the actuary's role in ERM	Late 2010

Next Steps

- The CAS Board has recommended that this effort be undertaken on a regular basis, and that a broader audience be surveyed.

Project Plan:	Timing of RMC Presentation:
The RMC will lead this effort, and identify additional stakeholders to survey, including the MAP, and CAS Leaders	Status Reports in late 2010, and full report in May, 2011

- Develop plans for prospectively integrating risk management activities into EC member goals and objectives
- Develop process for risk identification on an ongoing basis
- Suggest a process to address emerging issues