



International Association for the
Study of Insurance Economics

Études et Dossiers

Etudes et Dossiers No. 313

**The 22nd PROGRES International Seminar
“The Changing World of Insurance Regulation
and Supervision”**

Geneva, 30 - 31 March 2006

May 2006

Working Paper Series of The Geneva Association

© Association Internationale pour l'Etude de l'Economie de l'Assurance

The Geneva Association Working Paper Series “Études et Dossiers” appear at irregular intervals about 10 - 12 times per year. Distribution is limited.

The “Études et Dossiers” are the working paper series of The Geneva Association. These documents present intermediary or final results of conference proceedings, special reports and research done by The Geneva Association. As they contain work in progress or summaries of conference presentations, the material must not be cited without the express consent of the author in question.

Layout & Distribution: Valéria Kozakova

The Activities of the CRO Network of the Geneva Association

Bruno Porro

4 CRO Networks

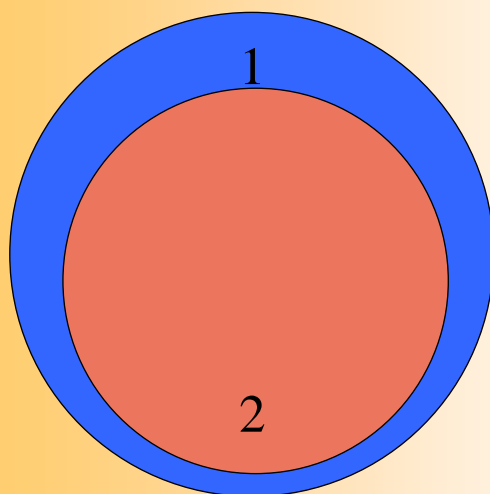
1: all CROs of GA
member companies.
Electronic info
exchange

1

Group 1: CROs of GA member companies

- 70 out of 80 members have now nominated a CRO
- In many companies, the CRO function is not yet exclusively assigned to one individual
- Those individuals with additional functions are difficult to capture (time/priorities/commitment).
- Trend is probably similar to the development of the CRO function in banks, and regulatory developments accelerate the assignment of the function to one individual
- Walter Stahel of the Geneva Association keeps this group informed about RM issues and activities

4 CRO Networks



1: all CROs of GA member companies. Electronic info exchange

2: Member companies participating in ART of CROs meetings and workshops

**Group 2/1:
Member companies participating in ART
of CROs meetings and workshops**

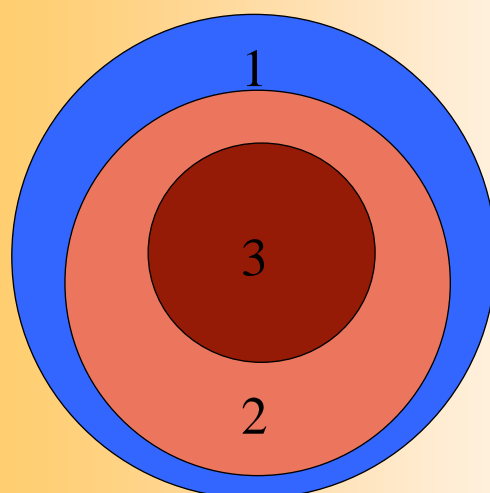
- Number of participants is increasing. To date, about 25 companies regularly attend meetings.
- This is the focus group for GA's RM initiative. Individuals are in regular contact with the chairman of the CRO network.
- Feed back from and input to the work of the CRO Forum
- RM Issues are collected from all interested parties and discussed within the established framework

**Group 2/2:
Member companies participating in ART of
CROs meetings and workshops**

- Questionnaire about role of CROs:
 - role not yet defined and still evolving, interpretation and status vary widely
 - CRO is a cross organisational function
 - At least two prerequisites for successful work: support and empowerment by Board and CEO, and a lived risk culture
 - Overlaps with Corporate Governance, internal and external audit, security and finance functions are important, but allocation of accountability decisive.

Group 2/3:**Member companies participating in ART of CROs meetings and workshops**

- Primer on RM for Insurance Companies, motivation and goals:
 - Use the skills of individual CROs involved in CRO Forum and other specialists to capture the status quo of best practice
 - provide an introduction to RM for other stakeholders (regulators, financial analysts, rating agencies) and a facilitate discussions by using commonly defined terms (glossary)
 - Focus of the content is not on quantitative analysis, but on understanding of interrelationships
- About 15 authors will contribute
- Expected to have first draft ready by June/July

4 CRO Networks

1: all CROs of GA member companies. Electronic info exchange

2: Member companies participating in ART of CROs meetings and workshops

3: CRO Forum; independent group of 13 GA member companies

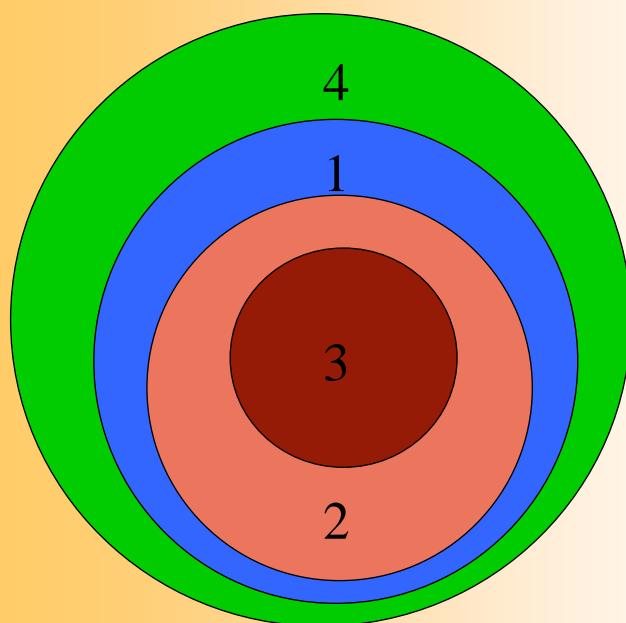
Group 3: CRO Forum

See presentation by Charlie Shamieh

Some personal perceptions:

- Excellent work by all subgroups. Very visible and appreciated impact on Solvency II discussion
- Important to align all efforts under enormous time pressure (CEA, Group consultatif, IAA, Country Regulators,...) to better convince CEIOPS on single industry view

4 CRO Networks



1: all CROs of GA member companies. Electronic info exchange

2: Member companies participating in ART of CROs meetings and workshops


3: CRO Forum; independent group of 13 GA member companies

4: CRO Assembly. Open to very wide group interested in RM issues

Group 4: CRO Assembly

- First CRO Assembly in Nov. 2005 in Zürich received many positive comments from participants
- Give insurance carriers that are not members of GA the possibility to meet, learn and network
- Audience included non-GA insurance companies, national insurance associations, regulators, academia
- Content similar to that discussed in ART meetings and CRO Forum activities, but emphasis is more on communication and discussion, so far not on elaboration of technical matters
- Organisation by GA; alternative hosts and sponsors SR and MR
- Next meeting Nov. 06 in Munich

Risk Management: Framework for Discussion of CRO Function and Tasks

Risk detection/ Risk analysis	Risk Measurement/ Quantification	Risk & Capital	Risk Management Organisation/HR
<ul style="list-style-type: none"> •Emerging Risks •Risk Landscape 	<ul style="list-style-type: none"> •Frequency/Severity •Exposure •EML, MPL, Limits •Loss Distributions •Scenarios •Vulnerability 	<ul style="list-style-type: none"> •Going concern/one year horizon •Shortfall/VaR •Confidence level •Risk mitigation 	<ul style="list-style-type: none"> •Processes/Procedures •Tools •Corporate Governance/Compliance •Risk culture (awareness) •Performance measurement
			
<ul style="list-style-type: none"> •Risk and Time •Interdependencies 	<ul style="list-style-type: none"> •Modelling "fat tail" •Insurance risks •Market risks •Liquidity risks •Credit risks •Operational risks •Risk integration 	<ul style="list-style-type: none"> •Regulatory view •Rating agencies' view •Financial Analysts' view •Economic (internal) view •Accounting views 	<ul style="list-style-type: none"> •Internal Audit •External Audit •Finance/Treasury •Committees