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Overview of the Global CRO Movement

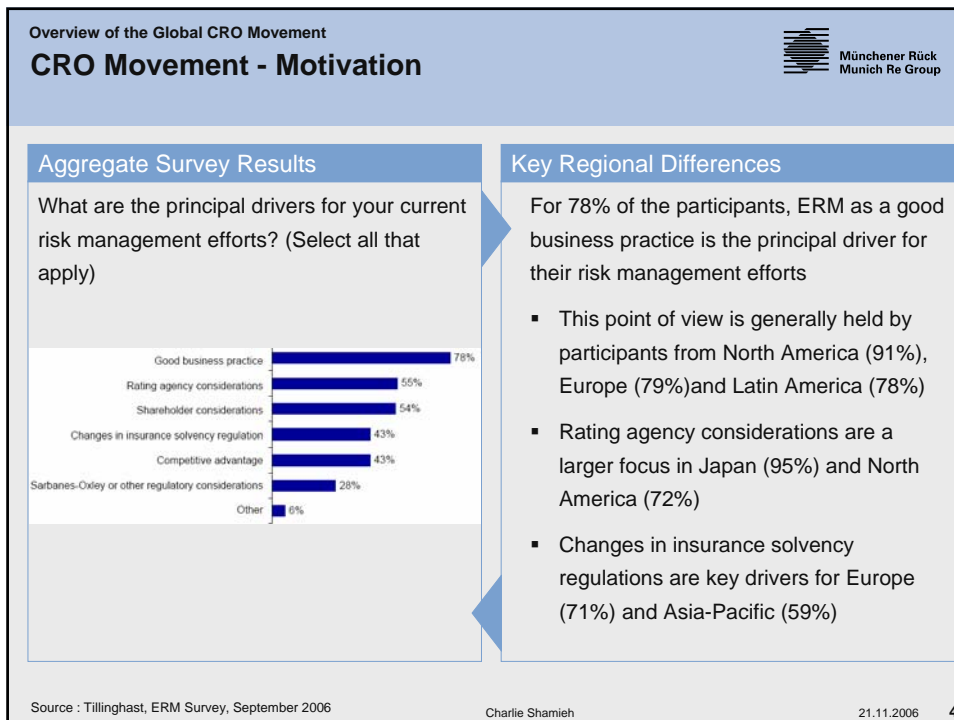
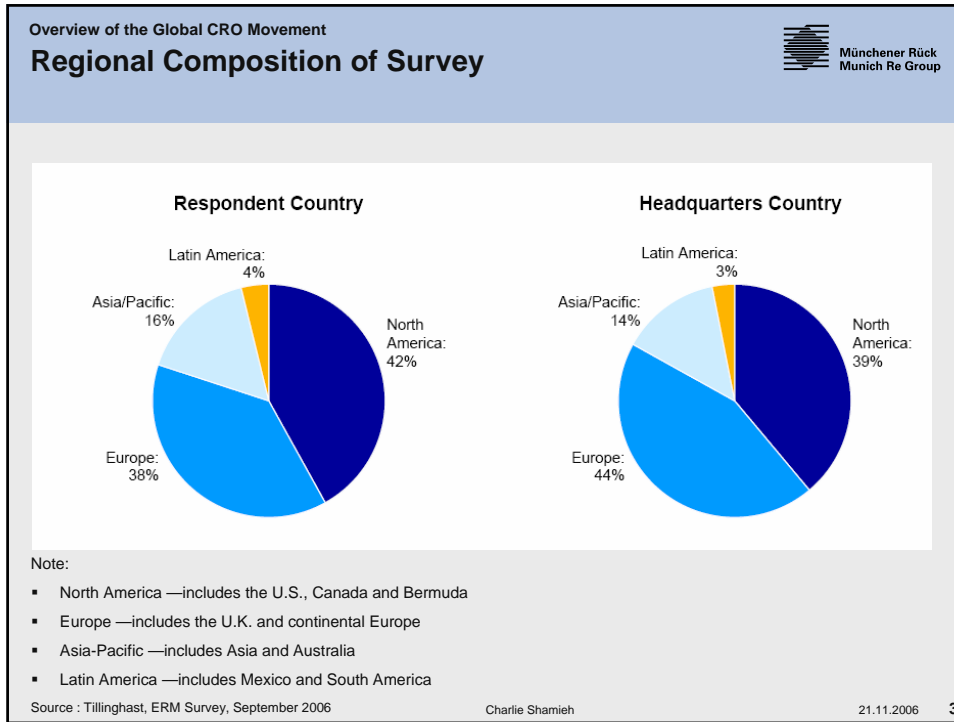
Charlie Shamieh

Overview of the Global CRO Movement

Tillinghast September 2006 ERM Survey on Risk and Capital Management – Highlights from Top 200




- Large regional differences in state of development as well as “operationalisation” of integrated risk management
- Top three motivators for CRO movement are: “good business practice” (78%), followed by rating agencies (55%) and investors (54%)..regulators come 4th (43%)
- Increasing allocation of primary risk management responsibilities to CRO (43%)
- Economic capital (EC) measures not as frequently used as regulatory risk capital measures (56% vs. 32%) with capital allocation being key motivation for EC
- Economic capital now developed by ca 2/3 of the global insurance industry - no longer the domain of the “sophisticated” –however much smaller number explicitly link performance targets to returns on risk based capital (ca only 20%)
- Risk reporting to Boards usually quarterly (53%)
- Greatest strides made in ALM with 58% being confident in ALM processes
- Preparation for Solvency II in Europe has led to an increase in the extent to which risk management is being embedded in organisations (70%)




Overview of the Global CRO Movement

CRO Movement - Organisation



Aggregate Survey Results

Who is responsible for risk management in your organization?



Role	Percentage
Chief Risk Officer or Risk Management Director	43%
Chief Financial Officer or Finance Director	18%
Risk Management Committee	16%
Chief Actuary	8%
Head of Internal Audit	1%
Other	14%

Key Regional Differences


43% of respondents indicate that the Chief Risk Officer/Risk Management Director is responsible for risk management

- In Japan and Europe, more than half the respondents indicated the CRO/RM Director has primary responsibility for risk management efforts as compared to a third in North America
- Globally, public entities (52%) and multi-line companies (51%) made greater use of a CRO or RM Director

Source : Tillinghast, ERM Survey, September 2006 Charlie Shamieh 21.11.2006 5

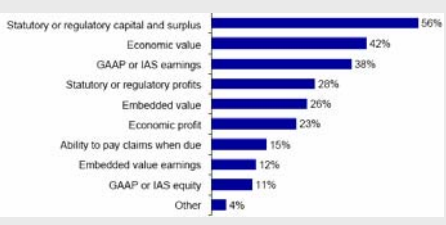
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CRO Movement – Risk Measurement



Aggregate Survey Results

When measuring risk, what are the principal financial measures on which the impact of the risk is assessed? (Select up to 3)



Measure	Percentage
Statutory or regulatory capital and surplus	56%
Economic value	42%
GAAP or IAS earnings	38%
Statutory or regulatory profits	26%
Embedded value	26%
Economic profit	23%
Ability to pay claims when due	15%
Embedded value earnings	12%
GAAP or IAS equity	11%
Other	4%

Key Regional Differences


Most frequently cited financial measures on which the impact of risk is assessed are statutory or regulatory capital and surplus (56%) and economic/embedded value

- Use of regulatory capital and surplus is most frequently cited by participants in North America (70%) and the U.K. (67%)
- Life insurers and multi-line companies in North America (75% in each case) were more likely than their European counterparts (58% and 31% respectively) to focus on statutory or regulatory capital and surplus;
- Results were approximately the same for P/C companies in North America (62%) versus Europe (60%)

Source : Tillinghast, ERM Survey, September 2006 Charlie Shamieh 21.11.2006 6

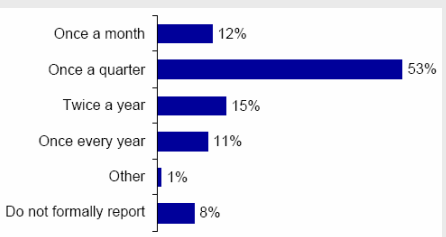
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CRO Movement – Risk Reporting



Aggregate Survey Results

How frequently do you report on risk to the following groups –Board of Directors?



Frequency	Percentage
Once a month	12%
Once a quarter	53%
Twice a year	15%
Once every year	11%
Other	1%
Do not formally report	8%

Key Regional Differences


Nearly two-thirds of respondents (65%) formally report on risk to the Board of Directors at least once a quarter

- Bermudian (89%) and Canadian (82%) companies are more likely to report on risk to the Board at this frequency;
- The U.S. and Asia-Pacific (both 53%) are less likely

Source : Tillinghast, ERM Survey, September 2006
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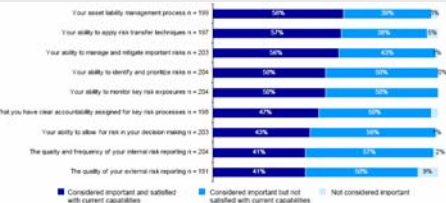
Overview of the Global CRO Movement

CRO Movement – Self Confidence



Aggregate Survey Results

How important are the following to your organization and what is your level of satisfaction with your current capabilities?



Capability	Considered important and satisfied with current capabilities	Considered important but not satisfied with current capabilities	Not considered important
Your asset liability management process (n = 199)	58%	39%	3%
Your ability to apply risk transfer techniques (n = 197)	57%	39%	4%
Your ability to manage and mitigate important risks (n = 203)	56%	43%	1%
Your ability to identify and prioritize risks (n = 204)	55%	40%	5%
Your ability to monitor key risk exposures (n = 204)	50%	50%	0%
That you have clear accountability assigned for key risk processes (n = 199)	47%	53%	0%
Your ability to allow for risk in your decision making (n = 203)	42%	58%	0%
The quality and frequency of your internal risk reporting (n = 204)	41%	57%	2%
The quality of your external risk reporting (n = 193)	41%	59%	0%

Key Regional Differences



Respondents were most satisfied with their capabilities for their asset/liability management process (58%), their ability to apply risk transfer techniques (57%) and their ability to manage and mitigate important risks (56%)

- North American insurers were more satisfied with their ALM capabilities (68%) and risk transfer techniques (69%) than the general population

Source : Tillinghast, ERM Survey, September 2006
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Overview of the Global CRO Movement


So much for the survey...



Who will be the winner of the 2006 CRO Assembly?

Medal Count at the 2004 Olympic Games – Before & After Population Adjustment

2004 Total Medal Tally	Population (MM)	Medal Tally per MM of Population
103	298.4	0.35
48	82.4	0.59
49	20.3	2.36



Let the Games Begin!

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