ASSOCIATION OF ACA CONSULTING ACTUARIES

Enterprise Risk Management: actuaries can boldly go where few have gone before

17 May 2012: As the analysis of the financial crisis continues to unfold and corporate disaster stories regularly make the news, Enterprise Risk Management (ERM) has come to the forefront as a new approach to managing risk and exploiting opportunities in business. Had ERM been more firmly rooted within industry the economic problems of the past five years may have led to fewer high profile business failures, but it will undoubtedly be used to help reverse the catastrophic consequences. While CFOs have traditionally been responsible for managing the financial risks of a company, we expect the growing importance of ERM will lead to more Chief Risk Officers being ERM qualified actuaries, with the relevant understanding and ultimate responsibility in this area.

Actuaries have been involved in risk management for many years. Whilst we have only recently acted to develop close links between our skill set and ERM, we are well placed to lead the way in its evolution and implementation. We believe actuaries are ideally suited to this area with our understanding of asset-liability management, the ability to communicate concepts and to educate an audience, a foundation of prudence and, crucially, an understanding of the limitations of our assumptions and models.

The latest edition of *Placard* (attached), the discussion paper of the **Association of Consulting Actuaries (ACA)**, focuses on two case-studies which look at the role ERM can play in retail banking and pension schemes.

The first article outlines the main risks which banks face and highlights why actuaries are well suited to dealing with these issues, whilst the second looks at the benefits ERM can bring to a pension scheme.

Placard noted that the Actuarial Profession has begun preparations for this emerging field with the introduction of the *Chartered Enterprise Risk Actuary* qualification. CERA is a globally recognised qualification and UK actuaries can be awarded it provided they meet certain criteria.

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About the Association of Consulting Actuaries (ACA)

The **Association of Consulting Actuaries (ACA)** is the representative body for consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body. The ACA has 1,750 members working in around 75 firms. ACA Members are all qualified actuaries and all actuarial advice given by members is subject to the Actuaries' Code. The ACA forms the largest national grouping of consulting actuaries in the world.