

Risk Management Publications

Eamonn Phelan, FSAI, CERA

Gavin Maher, BAFS



Risk management is a space with increased focus and activity in recent times for (re)insurers. In this note, we explore various perspectives published globally since mid-2019, which we believe can provide important considerations for risk managers in the ever-changing environment of the (re)insurance industry.

Introduction

In this paper we look at a number of recent risk management publications published by industry and regulatory bodies, with a particular focus on current hot topics.

For each item, we quote the source, date published, and number of pages of content. We suggest a key theme to help readers prioritise their review of this paper. We then give a brief overview of the content as well as calling out some useful risk management insights to be taken from each publication.

1. EIOPA Risk Dashboard – July 2020

Source: European Insurance and Occupational Pensions Authority (“EIOPA”) ([Link](#))

Date of publication: August 2020

Length of publication: 20 pages

Key theme: Risk trends

In brief: This is the most recent edition of EIOPA’s quarterly risk assessments of the European Union insurance industry. The publication focuses on risk levels and trends under the following headings:

- Macro risks
- Credit risks
- Market risks
- Liquidity and funding risks
- Profitability and solvency
- Interlinkages and imbalances
- Insurance (underwriting) risks
- Market perceptions

Earlier versions of this risk dashboard are also available on EIOPA’s website ([Link](#)).

Insights: As EIOPA produces this report on a quarterly basis, it can be useful to compare against previous periods

and see how internal reporting aligns with and differs from this high-level industry view.

Key observations and graphical results may give risk managers ideas for possible applications to their own specific (re)insurance business. For example, the credit risk section states findings based on investment trends including government and corporate bonds.

2. Top risks and megatrends 2020

Source: Airmic¹ ([Link](#))

Date of publication: July 2020

Length of publication: 52 Pages

Key theme: Risk trends

In brief: This paper discusses trends seen in risk management for 2020 with specific focus and impacts from COVID-19. Other major risks and megatrends are detailed in section 4, under the following 5 categories:

- Cyber & technology
- Climate & environment
- Trust & reputation
- Geopolitics & populism
- Governance, laws & regulation

This paper can be analysed both in isolation and in comparison, to other similar discussion in this note. (For example, item #4 from CRO Forum and item #5 from FERMA).

Insights: The executive summary describes how the COVID-19 pandemic has created a chance for risk managers to have additional contact with senior leadership and demonstrate practically the value they can add to an organisation. Airmic states that risk professionals have become “more firmly embedded in what their organisation are doing”.

There are insightful statistics and discussions related to survey results. It may help risk management internally to compare their operations to broader concerns discussed and then also highlight their specific risk that may be of a higher priority than the general survey results.

¹ Airmic is the association for everyone who has a responsibility for risk management and insurance for their organisation. Members include company secretaries, finance directors, internal auditors as well as risk and insurance managers (<https://www.airmic.com/about-us>)

3. The Unconventional Skills Chief Risk Officers are Now Seeking

Source: Global Association of Risk Professionals (“**GARP**”) ([Link](#))

Date of publication: July 2020

Length of publication: 4 pages

Key theme: Risk management practices

In brief: The webpage post details the adaptive nature of risk management and how risk professionals and CROs are now striving to widen their skill set and increase knowledge in non-traditional areas. The discussion outlines how skills from other fields can help risk managers improve their problem-solving capabilities and assist their organisation in dealing with uncertainties.

The publication explores the different skills of a “support team” that can be formed around a CRO. Expansion of knowledge and non-traditional collaboration with colleagues seems to suggest a wider view of a company’s risk. These support roles include:

- The collaborator (improves processes)
- The creative analytics problem solver (uses non-standard techniques)
- The change manager (leads transformation)
- The former P&L owner (conveys urgency and priorities)
- The innovator (thinks disruptively)
- The systems thinker (integrates across disciplines)
- The data scientist (understands system integration)
- The technologist (recognises potential of emerging technologies)
- The naysayer (challenges the status quo and the degree of change)

Insights: This discussion may help risk managers identify skills they could work to recruit externally, or internally develop and highlight colleagues already within their organisation that they could reach out to for support.

As seen in topic #13 from Airmic, there is a reference to collaboration with human resources which can lead to effective management of an organisation’s risks. More generally, this post provides a view of the broadening landscape of risk management and how CROs can collaborate with colleagues across their organisation with the skills listed above. An insight proposes an opportunity to be found from suggested “bottom-up listening sessions” where risk managers can learn through direct feedback.

4. Major Trends and Emerging Risk Radar – 2020 Update

Source: CRO Forum’s Emerging Risk Initiative ([Link](#))

Date of publication: June 2020

Length of publication: 14 pages

Key theme: Risk trends

In brief: This document considers possible emerging risks that could impact on insurance claims over the next 10-years. This is an update from the 2019 equivalent with new risks included.

There is an informative Emerging Risk Radar diagram which provides an effective overview of the key emerging risks that could affect the insurance sector in the coming years. Risk are visually classified by their expected impact and the time horizon of that impact. An overview of the following trends is also discussed:

- Ageing and health
- Consumer behaviour and digitisation
- Economic instability
- Environment and climate
- Shifting geopolitical landscape
- Technological developments
- Urbanisation and social change

The aim of the document is that the radar will be “useful and insightful for readers when considering and framing their emerging risks”.

Insights: The Emerging Risk Radar provides a resource for insurers to consider their own emerging risk framework and possible impacts to insurance claims. The commentary around major trends and specific risks can give insurers additional insight when evaluating their own risk profile.

There are up-to-date and thoughtful considerations for the potential impacts of COVID-19, as well as other recent developments like cyber risk and extreme weather.

The paper is also a useful source of further information as it references other publications from the CRO Forum’s Emerging Risk Initiative. In this way, the radar can act as a broad view and a stepping-stone for insurers to dig deeper into the most relevant emerging risks for their business.

5. The European Risk Manager Report 2020: key findings

Source: Federation of European Risk Management Associations (“**FERMA**”) ([Link](#))

Date of publication: June 2020

Length of publication: 23 pages

Key theme: Risk trends

In brief: The report itself purports to bring together the “widest available information from professional risk managers across Europe”. The contents of the report call out key findings of the annual European Risk Managers Survey and the top ranked threats over specific short/medium/long term future periods.

After discussion of the broad results, the report also considers the following topics in more depth, noting their materiality from the survey results:

- Part I – The risk manager’s growing role in the digital transformation
- Part II – The risk manager’s contribution to sustainability
- Part III – The risk manager’s facing hardening insurance market conditions
- Part IV – The risk manager’s education and the increasing importance of certification
- Part V – The risk manager’s presence and interaction within the organisation

Insights: The publication provides the collective response of risk managers and can provide insight into for how these align with the priorities specific for insurance risk functions. Risk managers may learn that some of their concerns are shared with others, whereas, other may perhaps be unique to their own operations. The foreword calls out cyber risks, natural catastrophes, climate changes and geopolitical disruption as the dominant themes from responses.

The survey responses were taken before the impacts of COVID-19 had materialised. However, the foreword also admits that, in the opinion of the report’s authors, if the survey had been carried out at a later date, the economic damage resulting from the pandemic would be likely the main concern for organisations in the short to medium-term timeframe. Additionally, there is reference to increased digital reliances also creating more of a focus on cyber risks.

6. Consultation Paper (CP131) - Regulations for pre-emptive recovery planning for (re)insurers

Source: Central Bank of Ireland (“CBI”) ([Link](#))

Date of publication: June 2020

Length of publication: 43 pages

Key theme: Risk management regulation

In brief: The CBI consultation proposes draft regulation (and accompanying guidance to introduce formal recovery planning requirements for (re)insurers. The paper describes the use of recovery planning to achieve policyholder

protection and financial stability by reducing the probability and impact of insurers failing.

The draft regulation gives detail on applicability, establishment, and maintenance of the recovery planning requirements. (Re)insurers’ recovery plans would need to comply with the ten-part proposed schedule under the following headings:

- Summary
- Changes since last recovery plan
- Approval of recovery plan
- Governance
- Strategic analysis
- Recovery indicators
- Recovery options
- Scenario analysis
- Communication plan
- Information on preparatory measures

Further detail is then outlined in the draft guidelines to help readers understand the requirements set out in the draft regulation.

Insights: This publication sheds light on regulatory expectations and gives companies a sense for the resource requirements associated with recovery planning.

The publication can act as an important checklist for (re)insurers to evaluate their current ability to prepare recovery plans. It may give an indication of possible gaps the proposed regulation would create, and what additional arrangements may be needed to comply with the requirements.

This paper should help assess the need for additional resources to carry out associated tasks. The guidance should also help (re)insurers identify the individuals within their organisations who are best positioned to work on recovery planning. It may also prompt insurers to consider whether they have the necessary internal capacity and/or expertise to complete the required planning exercise.

7. Climate Financial Risk Forum Guide 2020 - Risk Management Chapter

Source: Climate Financial Risk Forum (“CFRF”) ([Link](#))

Date of publication: June 2020

Length of publication: 54 pages

Key theme: Risk trends

In brief: The CFRF is co-chaired by the Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”) with members from banking, insurance and asset management sectors. This chapter on risk management is from a 2020 guide that aims to help relevant

financial service providers understand risks and opportunities created by climate change. It is the first of four topics, with other chapters covering, scenario analysis, disclosures, and innovation.

The risk management chapter specifically considers the following:

- Section 2 - Risk governance
- Section 3 - Risk management frameworks
- Section 4 - Risk appetite
- Section 5 - Risk assessment
- Section 6 - Data and tools
- Section 7 - Training and culture
- Section 8 - Challenges, barriers and gaps

Insights: The risk managers reviewing this publication can obtain an overview of considerations associated with climate change and re-evaluate their own systems given the guidance.

There are practical approaches and suggested guidelines for risk management outlined throughout each section. The description of good practices can help improve risk management processes for climate risk. Overall, the publication can also act as a starting point for risk practitioners who are only beginning to assess the potential impacts of climate change on their operations.

Section 5 specifically discussed insurance underwriting risk, credit risk, financial market risk and operational risk which will be particularly relevant for risk managers in insurance companies.

Further chapters are available on scenario analysis, disclosures and innovation which may be relevant to both risk functions and their colleagues.

8. Risk Management implications of Coronavirus (COVID-19) – for Management

Source: The Institute of Actuaries of Australia ([Link](#))²

Date of publication: May 2020

Length of publication: 8

Key theme: Risk trends

In brief: This note aims to assist actuaries in advising clients and their employers on the risk management impacts of COVID-19. The publication considers changes to business objectives because of COVID-19 and the treatment of risk management as a result. Some useful practical steps are highlighted under the following headings:

- Governance
- Business continuity
- Supply chain
- Workforce and community safety
- Financial stability
- New/increased risks
- Financial projections and stress and scenario testing
- Frequency of application of Risk Management Framework activities
- Communication
- Potential knock on impact

Insights: This briefing gives the perspective of actuaries in the face of recent challenges caused by COVID-19. It is important for risk professionals to review these practical steps to see if they have considered the content and whether they align with their own beliefs and approaches. Collaboration between actuarial and risk management colleagues can help organisations deal with current uncertainties as their skillsets and goals can be aligned.

9. Discussion paper on the (re)insurance value chain and new business models arising from digitalisation

Source: EIOPA ([Link](#))

Date of publication: April 2020

Length of publication: 42 pages

Key theme: Risk trends

In brief: The discussion paper focuses on the impact of technology on the business model of (re)insurers, with emphasis on:

- Changes in value-chain and group structures
- Increased outsourcing of multiple functions and processes
- Enhanced use of third-party services
- Insurance platforms and ecosystems.

Risk management professionals will likely be most interested in section 4 on “Risks and benefits for consumers and for the industry”. This section lists possible risks for the industry, including:

² Free registration to The Institute of Actuaries Australia is needed to access the full publication at this link.

- Reduction of market power e.g. InsurTechs'³ brand-recognition benefits from customer-facing relationship in place of insurers.
- Uncertainty associated with new technology/business models
- Possibility of losing “internal know-how” in the long run
- Conduct risk
- Outsourcing/oversight issues
- Threats to sustainability of business models
- Information oligopolies e.g. limited competition within health wearables data collection
- Increased competition
- Reputational risk/ cyber risk/ legal risk
- Systemic errors from “robo-advisors”
- New types of fraud
- Risk of InsurTechs depending on partners or business model
- Possible regulatory risks for InsurTechs

Insights: This discussion paper gives an overview of the developments of EU (re)insurers associated with digitalisation and Insurtech. The risks listed above from Section 4 will be useful for risk managers to reassess their own framework. Some technological aspects discussed can be related to current risks to the (re)insurer and some may suggest the possibility of emerging risks.

The case studies and examples can help risk practitioners consider the market they operate in and perhaps realise some industry developments they had not heard of previously. Specific examples are given by country with developments in some of the following areas:

- On demand insurance
- Instant/push insurance
- Product design and development
- Pricing and underwriting
- Sales and distribution
- Post-sales services
- Claims management

As an example of these specific references, under the sales and distribution examples, an Irish company is “offering geolocation activated travel insurance that uses a standard per day travel insurance product offered by an Irish underwriter.”

10. Approach and lessons learned from EIOPA's first crisis walkthrough exercise

Source: EIOPA ([Link](#))

Date of publication: February 2020

Length of publication: 8 pages

Key theme: Risk management practices

In brief: EIOPA and one National Supervisory Authority carried out a sample walkthrough exercise and, in this document, EIOPA describes the process and learning points. EIOPA suggests inclusion of a similar exercise as a key element of a crisis management frameworks. EIOPA highlights the added value in carrying out such exercises to generate plans in advance of crises in contrast to making pressurised decisions in the midst of a crisis.

The walkthrough approach described is said to be less challenging and complex than a simulation. The walkthrough aims to simulate timelines of events over maximum of half a day in a centralised single location. This is in contrast to a full simulation exercise likely run over more than a full working day in a decentralised location, across respective headquarters.

The exercise breaks down suggested steps and approaches under the following headings:

- Preparation
- Design
- Execution
- Assessment

Insights: This publication is particularly relevant for risk functions considering the current crisis caused by the COVID-19 virus and associated impacts. EIOPA's discussion of risk mitigation in serious events could be applied to real-life crisis examples.

The walkthrough also provides a template for companies to carry out similar exercises and adapt for their own business model as they see fit.

Section 4 details lessons learned from EIOPA's walkthrough. These lessons can be standalone pieces of advice to consider for companies in their risk management activities. If a company were to carry out a similar walkthrough using the EIOPA framework, the risk function would likely benefit by taking away important topics and unique lessons specific to their operations.

³ EIOPA paper on Insurtech Roundtable (April 2017) defines InsurTech as “technology-enabled innovation in insurance, regardless of the nature or size of the provider of the services.” https://register.eiopa.europa.eu/Publications/Reports/08.0_EIOPA-BoS17-165_EIOPA_InsurTech_Roundtable_summary.pdf

11. Principles-based guidance for board risk committees and risk functions in the UK financial services sector

Source: The Risk Coalition ([Link](#))⁴

Date of publication: December 2019

Length of publication: 36 pages

Key theme: Risk management practices

In brief: This paper presents engaging principles and guidance to be considered for stakeholders of financial services companies.

The guidance for board risk committees considers eight principles, including board accountability (for principal risks and overall effectiveness of risk management arrangements) and risk information and reporting (advising the board on quality and appropriateness).

The guidance for risk functions considers nine principles, including risk governance (CRO providing challenge at executive and board level) and innovation and change (adapting effectively to developments in the internal or external environment).

Insights: This guidance gives a detailed collection of considerations for risk practitioners and risk committee members. The document provides two separate breakdowns intended as stand-alone guidance to inform the relevant parties of their responsibilities when carrying out their role. The publication should prompt consideration of the principles discussed and can act as a guide towards a more thorough approach to risk management.

The appendices also provide additional detail which could be useful for familiarisation of formal risk terminology such as the description of the three lines of defence (Appendix 1) and important definitions associated with risk management (Appendix 2).

There are several positive quotes from established individuals who reviewed the guidance and promote its use. In particular, the paper can act as a tool for reviewing current risk committee and risk management practices. The principles detailed can highlight gaps in current approaches and perhaps provide food for thought on possible improvements to be made in the approach to risk from the top level.

12. Institute of Risk Management Risk Predictions 2020

Source: Institute of Risk Management ("IRM") ([Link](#))

Date of publication: 2020

Length of publication: 6 pages

Key theme: Risk trends

In brief: This is a webpage posting on the IRM website where senior members of the institute are questioned on their predictions for the year 2020. The discussions are grouped under the following focus categories:

- Charities and the Third Sector
- Climate change
- Construction
- Cyber risk
- Energy
- Financial services
- Health
- Nuclear industry
- Supply Chain
- Technology (including cryptocurrency)

Insights: It is notable that a global pandemic is not considered under any of the categories. The publication was prepared before the COVID-19 virus but did not predict the possibility of a pandemic or allude to something similar in the risks discussed.

The predictions provide a refocused reflection on those risks that perhaps have become less of a priority to risk managers in recent times because of COVID-19 impacts being the main concern.

For (re)insurers, the predictions provide an insight into the considerations of their potential customers as well considering risks that may also impact their own operations. The breakdown can allow help insurers address the certain risk areas that their products can help mitigate. The narrative from senior risk leaders gives some insight about the role of insurance and may also imply some gaps where insurance could mitigate risks. CROs of insurers assessing their own risk profile may have interest in the commentary for climate change, cyber risk, financial services, and technology. Outside of already identified risks, the other discussion topics and predictions from senior risk professionals may initiate consideration for CROs of insurers around some potential risks they have not yet assessed.

⁴ To access the guidance, a form with personal details must be completed at this link.

13. Managing risk: the human factor

Source: Airmic ([Link](#))⁵

Date of publication: December 2019

Key theme: Risk management practices

In brief: This guide explores an organisation's responsibilities towards their employees as a factor of risk management. This includes implementing processes to protect the organisation and individuals through insurance management and direct risks such as poor safety practices.

The paper contrasts risk managers and human resource managers views of "people risk" while also discussing some of the overlapping goals. Management of reputational risk, business risk and staffing risk are all named as concerns from the Airmic study discussed above (Item #2 in this note).

Insights: This guide could give risk managers a reference to consider collaboration with their human resource colleagues. The publication suggests both functions could achieve synergies and improve performance where they see their objectives converge. This alignment seems even more relevant given the autonomy of staff working remotely under social distancing restrictions.

14. Outsourcing and third-party risk management (CP30/19)

Source: PRA ([Link](#))

Date of publication: December 2019

Length of publication: 57 pages

Key theme: Risk management regulation

In brief: The consultation paper discusses modernising the regulatory structures on outsourcing and third-party risk management. The publication proposes a draft supervisory statement covering the following topics:

- Definitions and scope
- Proportionality
- Governance and record-keeping
- Pre-outsourcing phase
- Outsourcing agreements
- Data security
- Access, audit and information rights
- Sub-outsourcing
- Business continuity and exit plans

Insights: This document provides an insight for risk and compliance professionals to consider their outsourcing

arrangements and the possible gaps that the proposed frameworks would expose.

Stakeholders outside of the UK would still benefit from reviewing the PRA consultation as it sets out good risk management processes for dealing with outsourced arrangements.

The paper also quotes relevant documentation from EIOPA and other sources, acting as a reference point for further considerations. Unlike the EIOPA guidelines for cloud outsourcing⁶, the PRA has outlined a single set of expectations for both banks and insurers relating to all forms of outsourcing – not just cloud outsourcing.

The appendix also gives guidance for completing an Outsourcing Register which will be useful for those creating such a register or reviewing their existing internal approach.

15. Operational resilience: Impact tolerances for important business services (CP29/19)

Source: PRA ([Link](#))

Date of publication: December 2019

Length of publication: 68 pages

Key theme: Risk management regulation

In brief: This consultation paper invites conversation from stakeholders on proposed regulatory frameworks regarding operational resilience. The publication outlines an aim to improve firms' ability to deal with operational disruption and ultimately protect the wider financial sector and UK economy.

The document contains separate chapters outlining specific proposals under the following topics:

- Identification of important business services (Chapter 2)
- Impact tolerances for important business services (Chapter 3)
- Actions the PRA considers firms should take to ensure that firms' important business services are able to remain within impact tolerances in severe but plausible scenarios (Chapter 4)
- Groups (Chapter 5)

The appendix to this paper includes the formal draft proposals through the following items:

- PRA rule: Operational resilience parts
- PRA rule: Operational resilience parts in the event of a no-deal Brexit

⁵ Membership login is needed to access the full publication at the given link.

⁶ EIOPA https://www.eiopa.europa.eu/content/guidelines-outsourcing-cloud-service-providers_en

- Supervisory Statement: Operational resilience: Impact tolerances for important business services
- Statement of Policy: Operational Resilience

Insights: Although published in December 2019, before the COVID-19 virus was declared a global pandemic, the ideas proposed in the PRA rules and statements set out some practical considerations for firms to deal with such a crisis or unplanned events.

Even if readers are operating outside of the UK, the compliance and risk management approaches proposed set out good practices and important considerations for self-assessment. In particular, the mapping and scenario testing proposals in the supervisory statement outline exercises that can be applied by risk functions within organisations.

16. Holistic Framework for Systemic Risk in the Insurance Sector

Source: International Association of Insurance Supervision (“IAIS”) ([Link](#))

Date of publication: November 2019

Length of publication: 64 pages (across four documents)

Key theme: Risk management regulation

In brief: The documents present supervisory policy measures from the IAIS aimed at “assessing and mitigating the potential build-up of systemic risk in the global insurance sector”. There are three key components of the framework:

Element	Description
Supervisory material	The material is designed for macroprudential purposes to increase the overall resilience of the insurance sector and help prevent insurance sector vulnerabilities and exposures from developing into systemic risk.
Global monitoring exercise	The exercise is designed to assess global insurance market trends and developments and detect the possible build-up of systemic risk in the global insurance sector
Implementation assessment	Assessing the consistency in implementation of enhanced supervisory policy measures and powers of intervention.

Sections of interest for risk and compliance professionals include the following sections of the supervisory material:

- Section 2.3 – Requirements on insurers
 - Enterprise Risk Management requirements related to:
 - Liquidity risk
 - Counterparty exposure

- Macroeconomic exposure

- Public disclosure requirement for liquidity risk

- Section 2.4 – Crisis management and planning

- Coordination of crisis management preparations
- Including the establishment of crisis management groups
- Requirements on recovery planning
- Resolution framework including resolution powers
- Requirements on resolution planning

Insights: It is important for (re)insurers to note how these policies may create additional requirements for their risk management processes. Some of the requirements and planning proposed in this framework have already been addressed by local supervisors in other publications referenced in this note. (For example, item #6 CP131 from the CBI and item #15, CP29/19 from the PRA.)

This framework is therefore a useful insight into the guidance that local regulators will follow. Review of this document can give (re)insurers an insight into possible future regulation and the logic supporting these changes for greater global insurance sector stability.

17. Managing liquidity risk: Industry practices and recommendations for CROs

Source: CRO Forum ([Link](#))

Date of publication: September 2019

Length of publication: 28 pages

Key theme: Risk management practices

In brief: Chapter 2 begins the paper with a reflection on changes to financial sector since the global financial crisis in 2008 and then highlights specific differences in the liquidity risk for the insurance industry.

Other topics discussed in detail give an overview of liquidity management considerations. Namely:

- Chapter 3 – Drivers and the implications for (re)insurers
- Chapter 4 – Survey of current industry practices
- Chapter 5 - Recommendations for CROs
- Chapter 6 – Insurance specific regulation

Other publications discussed in this note are referenced. (Item #16 from the IAIS and item #18, SS5/19 from the PRA)

Insights: This publication gives an effective overview of liquidity risk management for insurers. Risk professionals

can align their liquidity risk concerns with the different topics in this document depending on their specific needs. The recommendations for CROs give an important checklist to consider for specific companies while linking back to observations from the survey results in chapter 4.

The regulatory discussions also provide a clear overview of requirements from various bodies in different locations related to liquidity risk management.

18. Liquidity management for insurers (SS5/19)

Source: PRA ([Link](#))

Date of publication: September 2019

Length of publication: 23 pages

Key theme: Risk management regulation

In brief: This Supervisory Statement from the PRA outlines requirements for insurers' liquidity risk management. The publication is broken down into chapters addressing separate topics as follows:

- Chapter 2 - the development and maintenance of proper policies, systems, controls and processes
- Chapter 3 - the identification of material liquidity risk drivers
- Chapter 4 - the design and undertaking of forward-looking scenario analysis and stress testing programmes
- Chapter 5 - considerations for the inclusion of highly liquid assets in the liquidity buffer
- Chapter 6 - the use of quantitative metrics and tools for measuring and monitoring liquidity risk drivers
- Chapter 7 - effective contingency planning

Insights: For (re)insurers in the UK it is important to understand these regulatory expectations of the PRA. Risk management functions must focus on the separate topics addressed and put in place operations to address the requirements.

For those outside the UK, the PRA regulations still highlight valid issues to consider regarding liquidity risk management. Risk managers can review the issues discussed and apply to their understanding of their own unique liquidity position. For example, review of Chapter 6 may inform readers of additional quantitative metrics to include in their reporting.

19. Climate Change Risk – Emerging Themes from Regulators

Source: Society of Actuaries in Ireland (“SAI”) ERM Committee ([Link](#))

Date of publication: July 2019

Length of publication: 8 pages

Key theme: Risk management regulation

In brief: This blog post highlights some specific examples of regulators and other bodies addressing climate change risk in recent years. The blog details sources from the following bodies:

- The Institute and Faculty of Actuaries
- the CBI
- EIOPA
- FCA
- the PRA
- Financial Stability Board Task Force on Climate-related Financial Disclosures

Insights: Regulatory topics related to risk management were discussed in detail earlier in this note in relation to some publications from EIOPA, CBI, PRA and IAIS. Several other topics in this note highlight climate change as a topical risk and a high priority for risk managers. The SAI blog post equips managers with a reference point for further exploration into the overlap between climate risk management and the associated expectations of regulators.

There are likely more associated requirements to come from regulators on this topic and this SAI blog can help risk practitioners begin to consider how efforts towards sustainability may be put in place in their operational management.

20. State of enterprise risk management 2020

Source: Information Systems Audit and Control Association (“ISACA”) ([Link](#))

Date of publication: 2019

Length of publication: 27 pages

Key theme: Risk trends

In brief: This paper analyses results from a cross-industry survey on risk management. The key findings of the survey are discussed in separate sections and stated as follows:

- Risk areas are generally well understood by businesses, but execution of risk management can be improved significantly
- Cybersecurity risk is an emerging and key challenge areas
- Cloud-related risk concerns forecast similar concerns for new and emerging technologies
- Although technology risk is high, traditional risk remains a concern. Specific areas of concern about traditional risk vary by geography and industry.

The document echoes common hot topics seen in similar publications we have discussed earlier in this note, for

example, operational and cyber risks. What distinguishes this report from others is the section named "Road Map for a Risk-optimized Enterprise". This section outlines possible idea generation for:

- Improving risk management performance
- Encouraging risk understanding with junior resources
- Addressing current pain points and preparing for future problems

This paper can be analysed both in isolation and in comparison, to other similar discussion in this note, for example, item #4 from CRO Forum, item #5 from FERMA and #2 from Airmic.

Insights: As mentioned for the other publications looking at risk management hot topics, the paper can be used as a reference point for the broader view common concerns and practices across various industries. There are insightful statistics and discussions related to survey results.

It is worth noting this survey was carried out in July 2019 so gives a view of risk management priorities in isolation to COVID-19 restrictions and impacts.

How can Milliman help?

Milliman can assist you with all aspects of your risk management projects including advice on:

- Financial risk management
- Analytics
- CRO and outsourced risk support
- Cyber risk
- Enterprise risk management
- Insurance linked securities
- Operational risk management
- ORSA
- Recovery and resolution
- Reinsurance
- Risk equalisation

For further information, please contact your usual Milliman consultant or those below.

Further Reading

Milliman regularly produces thought leadership on risk management related topics. Some recent publications are listed below:

- [Emerging risk management frameworks: Reflecting on lessons learned from COVID-19 to aid emerging risk management](#)
- [CBI Consultation Paper on the Regulations for Pre-emptive Recovery Planning for Re\(insurers\)](#)
- [Climate Financial Risk Forum: A guide to help the financial industry address climate-related financial risks](#)
- [COVID-19 and enterprise risk management](#)
- [Risk management answers the call](#)
- [Critical Point Episode 22: COVID-19 and life insurance risk management](#)
- [Adapting risk strategies to cope with COVID-19](#)
- [COVID-19 ORSA guide: Understanding risk within the 'new normal'](#)
- [Emerging risks in insurance: Climate change](#)
- [EIOPA report on cyber risk for insurers: Challenges and opportunities](#)
- [Translating cyber threats: How to communicate cyber risk in the boardroom](#)
- [Emerging risks in insurance: Antibiotic resistance](#)
- [Liquidity risk management: An area of increased focus for insurers](#)
- [Critical Point Episode 14: Climate change, immigration, and opioids: The effect of global events on mortality](#)
- [Emerging risks and opportunities in insurance: Technology and innovation](#)
- [Operational resilience in an ever-changing landscape](#)
- [Insurers, spreadsheets and model risk](#)
- [Recommendations for developing a Stress and Scenario Testing framework](#)



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

milliman.com

CONTACT

Eamonn Phelan
eamonn.phelan@milliman.com

Gavin Maher
gavin.maher@milliman.com