

Actuarial Leadership in Risk Management: From Regulation to Best Practice

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- Purpose
- Risk Management and Solvency II
- Risk Management and IORP II
- Emerging Risks
- Actuarial Leadership

=> Speaking in own name

- Regulation introduced Risk Management in Insurance and Pensions
- Great opportunity for actuaries to extend the activity
- Where are we after nearly 10 years ?
- What can be done ?

Regulation since 2009

- Directive 2009/138/EC of **25 November 2009**, so called SII Directive (Art 44)
- Insurance and reinsurance undertakings shall have in place an effective risk-management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies
- Insurance and reinsurance undertakings shall provide for a risk-management function which shall be structured in such away as to facilitate the implementation of the risk-management system.

- Directive EU 2016/2341 of **14 December 2016**, so called IORPII Directive (Art 25)
 - Member States shall require IORPs, in a manner that is proportionate to their size and internal organisation, as well as to the size, nature, scale and complexity of their activities, to have in place an effective risk-management function. That function shall be structured in such a way as to facilitate the functioning of a risk-management system for which the IORPs shall adopt strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report to the administrative, management or supervisory body of the IORP regularly the risks, at an individual and at an aggregated level, to which the IORPs and the pension schemes operated by them are or could be exposed, and their interdependencies.
That risk-management system shall be effective and well-integrated into the organisational structure and in the decision making processes of the IORP

- SII Directive (**Art 44**) defines the competency requirements for the actuarial function in insurance (not for IORP) but risk management function does not require specific requirements :
- The actuarial function shall be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business of the insurance or reinsurance undertaking, and who are able to demonstrate their relevant experience with applicable professional and other standards.

Similarities

- Sound RM system
 - Policies
 - Key functions
 - Governance
- Proportionality concept
- Integration strategy

=> ERM

Differences

- Business context
 - Nature of contracts
 - Corporate structure
 - Impact of activity
 - Pillar 1
 - Risk tolerance reference
- => Quantitative risk management and scope

- Risk Management and the ORSA process have reached a degree of maturity in SII
 - Monthly or quarterly reporting of solvency position
 - Annual implementation of ORSA
 - Intensive solvency modelling
 - RM integration in operations and governance
 - Competences and experience of supervisors
- Risk Management and ORA process are still new in IORP II
 - Reporting on a yearly basis
 - Only two ORA cycle
 - Differences between institutions and markets are huge
 - Supervisors are discovering together with the IORPS

RM and Pensions

(32) IORPs are pension institutions with **a social purpose** that provide financial services. They are responsible for the provision of occupational retirement benefits and should therefore meet certain minimum prudential standards with respect to their activities and conditions of operation, taking into account national rules and traditions.

However, such institutions should not be treated as purely financial service providers. **Their social function and the triangular relationship between the employee, the employer and the IORP should be adequately acknowledged and supported as guiding principles of this Directive.**

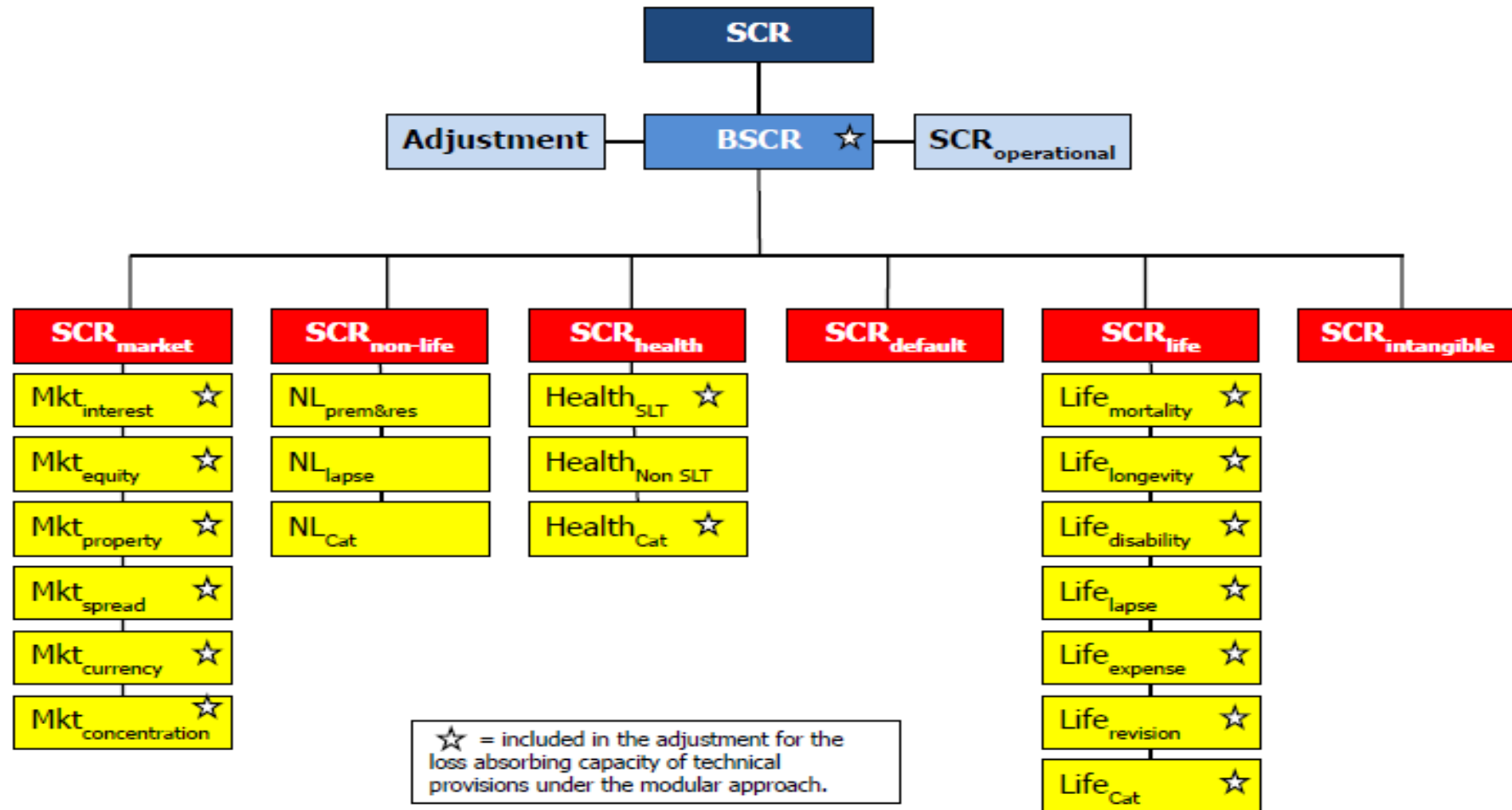
- EIOPA propose to introduce into the Directive a “duty of care” principle:
 - ***IORPs shall follow a principle of duty of care towards their members and beneficiaries.*** *The principle shall aim to ensure that every IORP acts fairly and in accordance with the best interests of members and beneficiaries, and supports prospective members, members and beneficiaries to properly assess the choices or options provided by the IORP.*
 - *The application of the principle of duty of care shall take into account the **nature of the pension scheme, including the extent to which members and beneficiaries bear risks, the scope of the IORPs’ responsibilities and acknowledge the primary responsibilities of social partners and sponsors, where relevant.***

- 20 November 2025
Communication from Commission about “Enhancing the capacity of EU supplementary pension sector to improve retirement income and supply long term capital in EU economy
- Referring to prudent man principle :
 - ***This requires two things: providers must accept clear fiduciary (duty of care) obligations, and their risk-taking and profit generation must be monitored effectively, so that households can be confident that their retirement savings are being managed properly.***

- **Framework for RM in pensions reflects multiple dimensions**
- **Risk Identification:** Clearly defining risks relevant to pension schemes.
- **Risk Categories:** Addressing financial, demographic, operational, and ESG risks.
- **Nature of Risk:** Differentiating between guaranteed benefits and other funded promises.
- **Risk Takers:** Understanding the perspectives of IORPs, sponsors, and members.
- **Risk Indicators & Risk Appetite:** Defining risk appetite and tolerance levels, including consideration of key metrics such as solvency ratios, replacement ratios, and value at risk.

Emerging Risks

SCR & Standard Formula



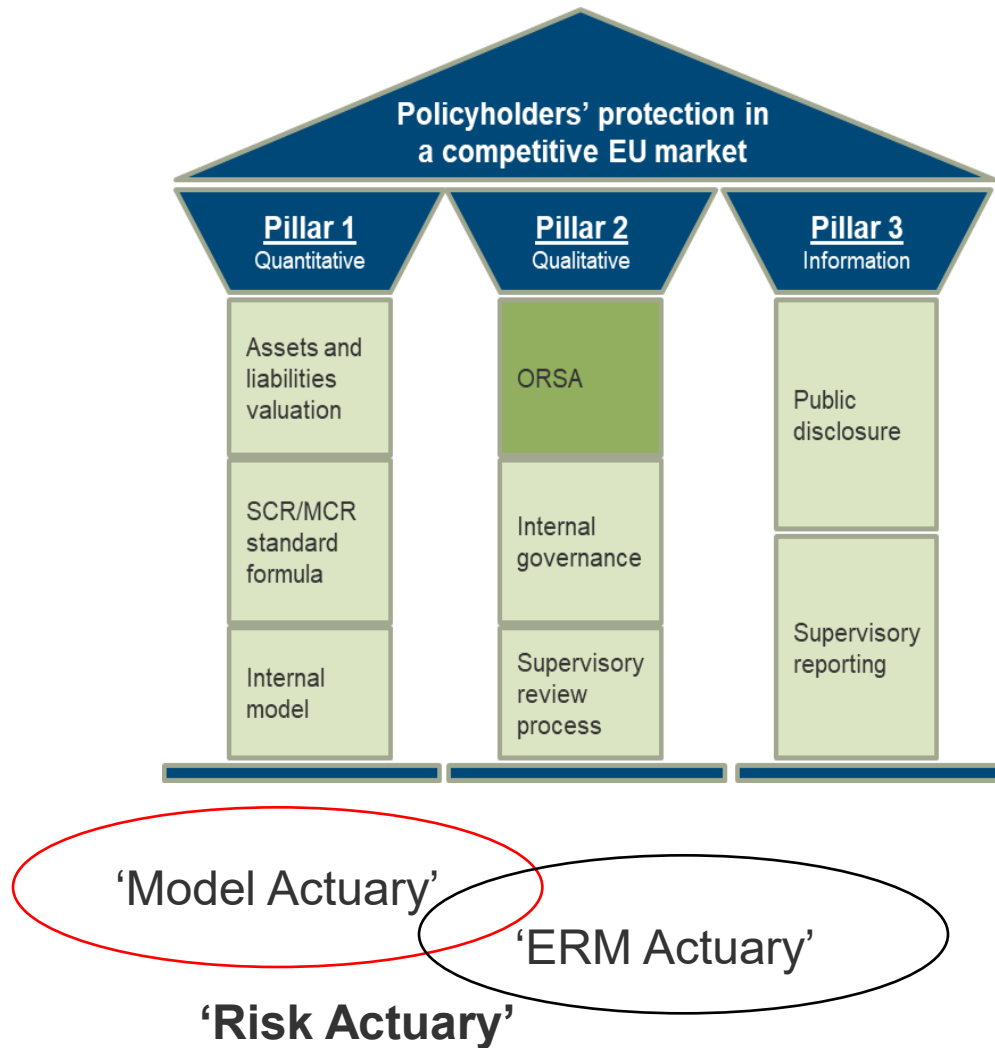
Emerging Risk Radar 2025

Trends

-  Ageing and Health
-  Economic Development
-  Environment and Climate
-  Shifting Geopolitical Landscape
-  Technological Development
-  Demographic and Social Change



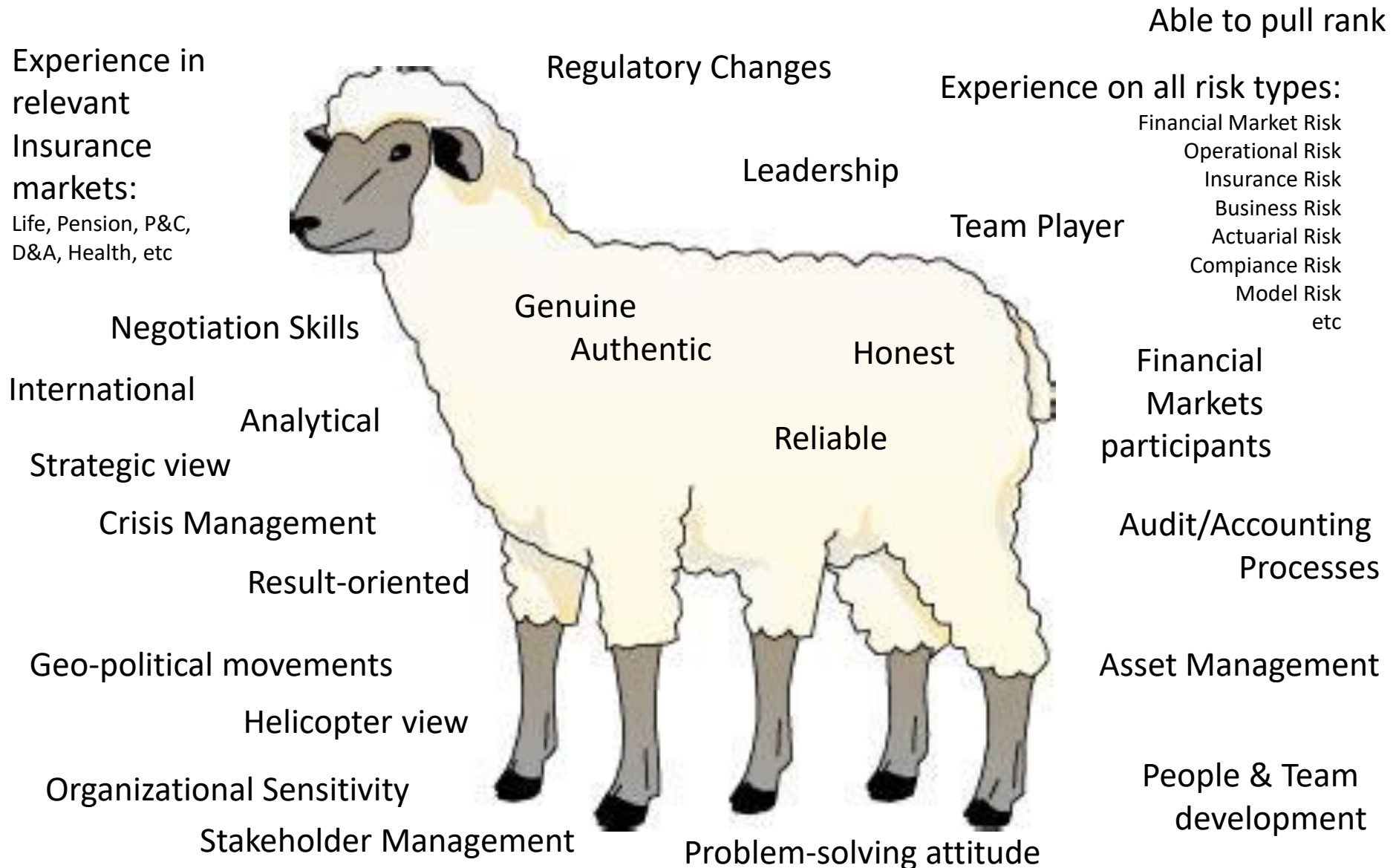
Leadership and Best Practice



- 'Risk Actuary' has emerged giving shape to the actuary of the 4th kind
- Two roles can be distinguished:
 - Model(ing) Actuary
 - ERM Actuary
- Combination in Risk Management Function / CRO

- Observation post introduction of SII
 - **1 in 4 actuaries working in insurance** (estimate about 6,000 actuaries in Europe) are active in the field of risk management
 - **1 in 2 CRO** of substantial insurance companies in Europe is actuary
 - Challenge for the profession to organize the appropriate framework
 - The main question nevertheless is still to be answered : are risk managers actuaries or are actuaries risk managers ?

- CRO Forum organized by AAE in 2018
 - The challenge for the actuarial profession to prepare for the role of CRO/Actuary is to find out how we can bring the actuary as close as possible to the “sheep with the five legs” knowing that **the necessary conditions (technical know-how) have been met but not the sufficient ones (business context, communication, understanding and open mind).**
 - 2025 : challenge still exists



- Core Syllabus AAE section 8 is about Actuarial Risk Management including
 - The Risk Environment
 - Risk Identification
 - Risk Measurement and Modelling
 - Risk Mitigation and Management
 - Risk Monitoring and Communication
 - About 5.000 new members comply since 2019
- Syllabus of Certified Enterprise Risk Actuary (CERA) includes
 - ERM Foundations
 - Risk Analysis and Evaluation
 - Embedding ERM in Decision Making
 - End 2024 : 7.300 CERA certified actuaries worldwide of which 1.550 in Europe

- Are conditions fulfilled for the actuarial profession to take leadership about Risk Management for Insurance (and Pensions) ?
 - The number of educated actuaries is substantial
 - Qualified Actuaries have basic education
 - Certified Enterprise Risk Management Actuaries have an advanced education
 - 1 on 4 actuaries involved in risk management in daily activities
 - The professional environment is under construction
 - Dedicated committee on international level, organisation of RM not homogeneous on local level
 - CPD opportunities exist
 - No specific actuarial standard

- Is the actuarial profession leading the debate in risk management ?
 - Actuaries in insurance RM tend to organise best practice in the context of business connections such as CRO Forum
 - The CRO Forum's Core Aims
 - Championing best practice in risk management to advance business;
 - Alignment of regulatory requirements with best practice in risk management; and
 - Providing insights on emerging and long-term risks.
 - Actuaries in pensions RM are in different roles and not coordinated
 - Pension landscape in Europe and governance is very different

- What are the sufficient conditions that can be improved ?
 - To create the necessary conditions to grow as actuary in the risk management role we have to find the connection with the business to increase the strategic impact
 - Risk Management is not only about identification and measurement but also about monitoring
 - Risk Management starts with in depth understanding of the business, the environment, the stakeholders
 - Risk Management is not only about problem finding but also about solution and added value
 - Risk Management can help to understand the risk appetite and risk tolerance limits of the organisation



Thank you!

Please rate the training via the survey-link you will receive per email.

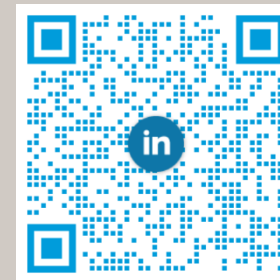
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