



# Introduction

**Welcome to the first edition of the ARM quarterly newsletter! We hope to make this publication valuable to you with several brief articles that provide unique insights, some ideas about how to address specific problems and introduce potential risks that may not yet be on your radar.**

The primary authors will be Dave Ingram and Max Rudolph, along with a number of additional ARM consultants. We have been active participants in the risk management, actuarial, investment and insurance spaces for many years. We plan to share our experience and knowledge to assist executives from insurers of all sizes and specialties to make better decisions. We expect to present multiple perspectives on issues, but we will always tell you our opinion of the most compelling approach.

Those who become subscribers can suggest topics for articles and ask questions of the authors during our follow-up webinars and discussion sessions. We expect to conduct some surveys, as you see in this issue, as well as walk the reader through methods to think about issues and build out their capabilities to resolve those issues in the future. Ever cognizant of regulatory requirements, leveraging them in ways that add value to your company in practical ways will be our focus.

Published by Actuarial Risk Management (ARM), the Strategic and Risk Solutions for Executives (SRSE) subscription will consist of two paid tiers. The newsletter is free to all who are interested.

A webcast is available at either the company or individual level, and an offering that extends the general webcast to include a follow-up one-on-one discussion with the newsletter authors is also available.

For more details  
Visit [actrisk.com](http://actrisk.com)

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on our journey!**

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- 3 to 6 articles quarterly
- Written by Dave Ingram, Max Rudolph and other ARM consultants focusing on risks faced by insurers and risk management strategies
- Available for no charge on the ARM website

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While insurers have been challenging by low interest rates and the pandemic, the next few years will see a radically changing environment for insurers. We will be using this provocative platform to identify emerging risks and delve into what we see as the drivers of future success.

DAVID INGRAM | SENIOR ERM CONSULTING ACTUARY

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# ORSA Rides the Elevator

Quite a large amount of work goes into performing an Own Risk and Solvency Assessment (ORSA). Which leads to the tendency to make the ORSA story very long to reflect all of that effort appropriately. But a lengthy story is really not effective or necessary, at least not unless you are the person who is officially reviewing the work. If you are a member of the executive team, or of the board or a Rating Agency analyst, you really only need a brief summary of the findings, something like an Elevator pitch, in fact.

So, what might an ORSA elevator pitch sound like? I would start with two sentences:

1. We looked at each of our most dangerous risks in the eye and found that we would survive any realistic disasters that they might cause.
2. We have a lively risk management system that will keep things that way and will keep us informed as the risks change and as our risk-taking evolves.

And if your audience gets off at the very next floor, you have made your most important points. Everything else in the ORSA Report is details that support those two points.

If your listener is going further, then you should be ready with just three or four more sentences giving more details on each of those points.

3. For testing your resilience to realistic disasters, the best thing to say would be to describe the disaster that you found was the most troubling.
4. Tell what you had left after the losses from the disaster and why that is enough for the company to continue. (This would be a discussion of your risk appetite.)

5. Explain how risk management helped to reduce losses under that scenario.

6. Explain which risk management activity is actually the most significant to the achievement of company goals.

Each one of those points can be covered in a paragraph if written out, making this elevator speech about the ORSA less than two pages long. This could be expanded to cover the top several risks.

For many audiences, that might well seem be enough detail about the ORSA. Regulators require that the ORSA report be focused on Solvency, but very few insurer boards or executive teams are otherwise highly concerned about the risk of insolvency.

But reporting on the ORSA can also be an opportunity to communicate how the ERM program is working to support the objectives and strategies of the company.

Unfortunately, too much of risk management communications falls under a compliance approach.



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With the ORSA, it is felt that the Summary Report **MUST** be fifty pages or more long and if the regulator is going to get a fifty-page report, then the executive team and the board **MUST** sit through a long presentation that covers all of that.

But in my years of assisting insurer management teams with developing new ERM programs, the most common request was that it would also have some practical value to the company management processes.

The practical value of ERM and of the ORSA comes from the degree to which the purpose of the ERM program can be seen to fit with the company's strategic objectives - the Alignment of Risk Management with Strategy. The ORSA is a communications opportunity.

Management teams find ERM to be an uncomfortable fit whenever ERM starts to conflict with objectives and strategy. This frequently happens when an ERM program is installed that is targeted to align with some version of outside "best practices" rather than with the fit to the company.

We use the word "fit" here. You have to realize that while you can see if clothing "fits" in a moment by simply trying it on. Assessing fit of a core management process like ERM also may require trying it on. And living with the ERM program for several quarters at the very least if not a full year.

So, a final thought about what to say in an ORSA elevator speech: a statement about the fit of the ERM program to the rest of the company operations would be a very valuable addition. No matter how good the findings of the current ORSA stress tests, if the ERM program doesn't fit the company, it will sooner or later be abandoned and higher risk taking could result.

