

# Risk Officer's Forum

March 2018

**The year  
in review**

2017

The Risk Officer's Forum continues to encourage the development of Enterprise Risk Management (ERM) best practices among Canadian licensed P&C insurers and reinsurers.

Dear industry stakeholders:

As Chair of PACICC's Risk Management Advisory Committee, it is my pleasure to update you on the work of the Risk Officer's Forum, and to reflect back on activities over the past year – the Forum's fourth full year of operation.

PACICC continues to play an important role in raising industry awareness about Enterprise Risk Management best practices through the work of its Risk Officer's Forum. Forum operations are overseen by an Advisory Committee that provides PACICC's Board with technical expertise and opinion regarding current and emerging risk management issues. The Advisory Committee comprises senior industry risk officers and is supported by a PACICC Administrator.

Over the past year, the Advisory Committee sought to identify emerging and priority risk issues, foster dialogue with regulators and industry risk professionals, create information sharing opportunities regarding industry best practices and monitor major risk areas. Program activities included a series of Risk Officer's Forum meetings and Emerging Risks webinars, a fifth (and now annual) Benchmark Survey on ERM Practices and ongoing liaison with industry stakeholders on topical risk issues.

I extend thanks to my Advisory Committee colleagues for their counsel and involvement over the past year, and to Ian Campbell and support staff at PACICC for their high-quality work. I am confident that the Forum is well positioned for continuing success, with a full program of activities to involve the industry throughout 2018.

Susan Meltzer

*Chair, PACICC Risk Management Advisory Committee*

# Forum activities and events in 2017

## Forum meetings

Forum meetings are half-day, in-person sessions held in Toronto. The meetings include a guest speaker discussing a topical industry issue, followed by an industry panel of risk experts discussing current ERM issues. The meetings seek to engage attendees in interactive, frank discussion. Regulators may attend as guest speakers only. Media are not permitted to attend.

### April 20

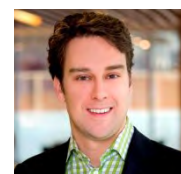
Guest Speaker: **Penny Lee**, *Senior Director, Property and Casualty Insurance Group, OSFI*  
Topics: Update on Current Industry Issues (Reinsurance Risk Management; Own Risk and Solvency Assessment (ORSA); and Emerging Risks)  
Panel Topics: Operational Risk; and Reputation Risk for P&C Insurance



Penny Lee

### September 27

Guest Speaker: **Alex Watson** *Insurance Blockchain Leader & Senior Manager, Consulting, Deloitte Canada*  
Topic: Blockchain Technology: Implications for P&C Insurance  
Panel Topics: Review of PACICC ERM Member Survey Results; ORSA; and Economic Capital Modelling



Alex Watson

### November 15

Guest Speaker: **Philipp Wassenberg**, *President & CEO, Munich Re Canada and Temple Insurance Company*  
Topic: Global Risk Trends and Effects: Implications for P&C Insurance  
Panel Topics: Systemic Risk; and Review of OSFI Annual Risk Management Seminar Discussion Topics (OSFI Overview & FRFIs' Risk Assessment Process; Governance & Board Effectiveness; Cyber Security and InsurTech; ORSA Observations; IFRS Update; and Regulatory Updates)



Philipp Wassenberg

## Emerging risks webinars

Emerging Risks webinars focus in-depth discussion on technical aspects of one ERM issue. All webinars are recorded and posted on the PACICC website for future on-demand rebroadcast.



Jeff Berezny

### February 22

Speaker: **Jeff Berezny**, *Vice President, Marketing and Communications, Tröv*  
Topic: On-Demand Insurance



Luke Watts

### May 17

Speaker: **Luke Watts**, *Head, ERM, RSA Group (CRO Forum ERI Working Group Delegate)*  
Topic: "The Smart Factory" (Innovative new technologies in the P&C insurance industry)

### October 25

Speaker: **David Coletto**, *CEO and Founding Partner, Abacus Data*  
Topic: Generational and Demographic Change – Implications for P&C Insurance



David Coletto

# PACICC 2017 Benchmark Survey on ERM Practices

## Survey goals

- Encourage dialogue among industry stakeholders regarding ERM best practices
- Highlight practical elements that underpin a robust ERM program
- Identify areas where further progress may be needed

## Response Rate

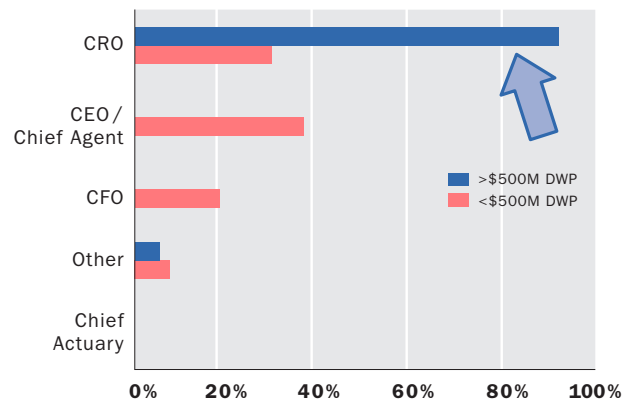
- 110 firms represented in the Survey (50 direct responses; 60 related firms)
- Respondents accounted for 87.7% of 2016 private industry DWP
- 73.6% of respondents are regulated by OSFI (account for 74.0% of 2016 private DWP)

**Note** – \$500 million in DWP was used as the breakpoint between larger and smaller firms.

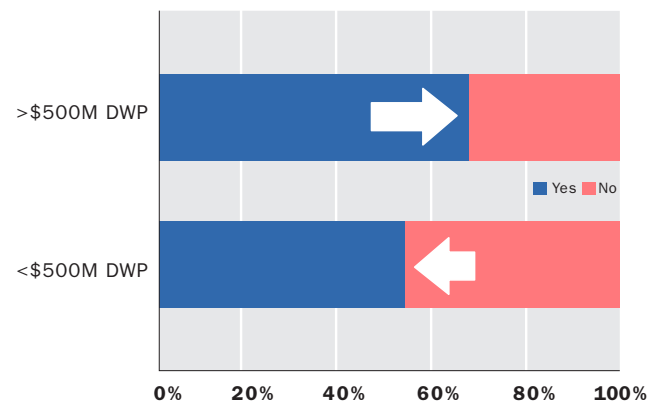
## Key Findings

### 1. Distinct differences in governance between larger and smaller firms

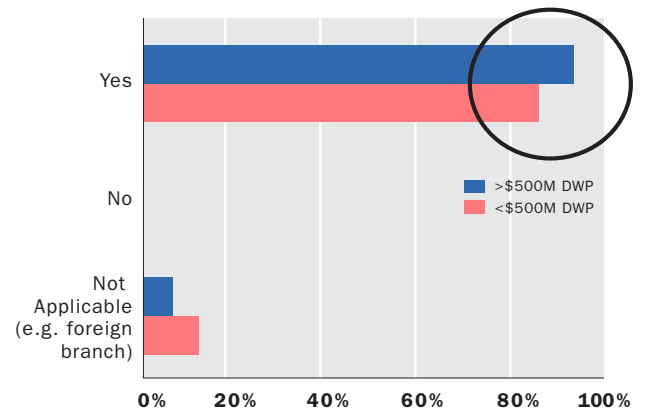
**a) Responsibility for ERM management** – Larger firms no longer give primary ERM oversight responsibilities to their CFOs. That responsibility has largely been transferred over to the CRO. There was no reliance on Chief Actuaries in either large or small firms.



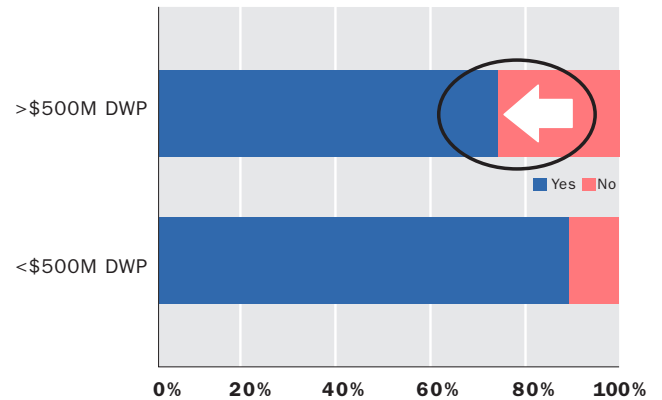
**b) Direction from Head Office** – Firms seem to be going in opposite directions with respect to autonomy and size. The percentage of larger firms taking direction from a Head Office increased (from 55% to 68%) while the percentage of smaller firms taking direction from a Head Office decreased (from 65% to 56%).



**c) Access to Board or Board Committee** – There was virtually no change over last year’s results. A majority of persons with ERM responsibilities have access to the Board of Directors or a Board Committee overseeing ERM – this is more prevalent in larger companies.

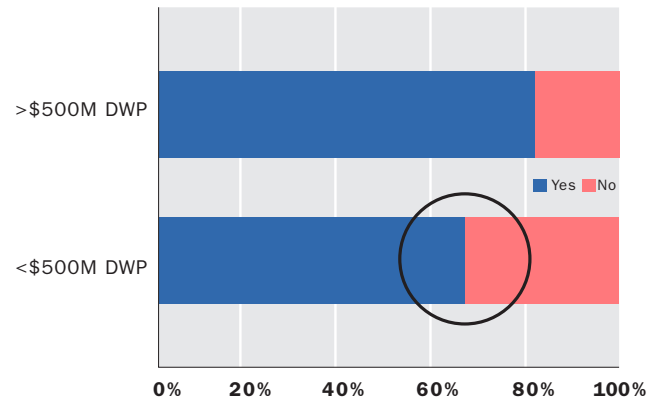


**d) Part of Executive Management Team (EMT)** – There was a similar trend in responses for firm sizes. Persons with ERM responsibilities were part of the Executive Management Team in larger firms in 83% of responses received for the 2016 Survey – but only 75% of responses in 2017. For smaller firms, persons with ERM responsibilities were part of the EMT in 91% of responses received in 2016 – and 89% of responses in 2017. With task specialization and a larger number of staff in larger firms, there may be less likelihood for the person with ERM responsibilities to be part of the firm’s EMT.

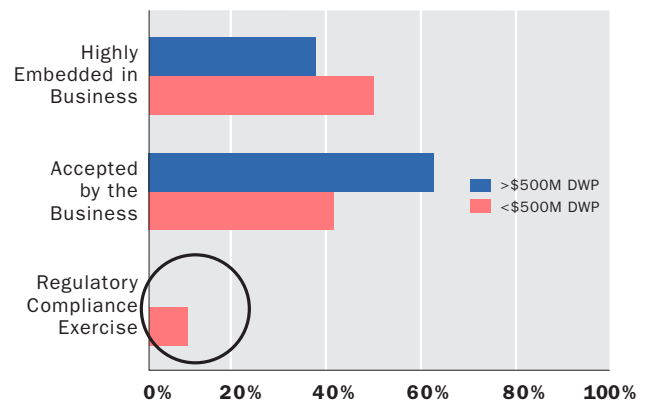


## 2. Approaches to Risk Management

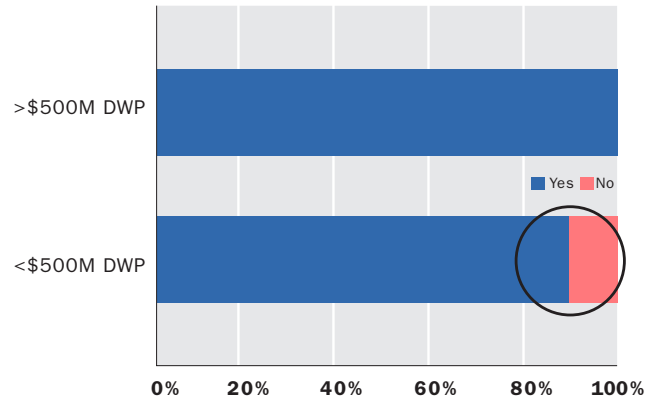
**a) New/Emerging Risk Identification** – The percentage of larger firms reporting that they had a formal process in place to identify new/emerging risks decreased slightly (from 83% to 81%) while the percentage of smaller firms reporting in the affirmative increased (from 60% to 68%).



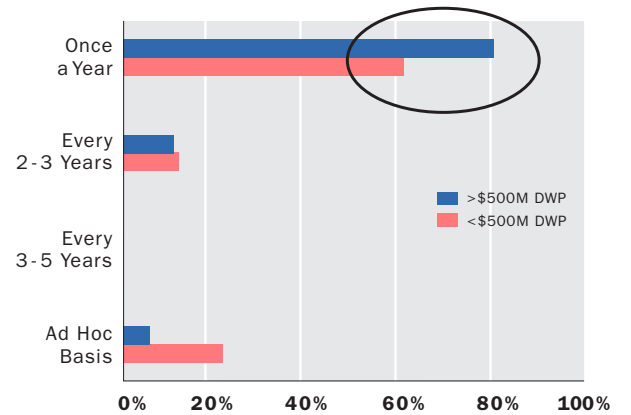
**b) Outlook on ERM** – The one change in 2017 vs. 2016 results is that no larger firm views ERM as a regulatory compliance exercise.



**c) Risk Profile of All Material Risks** – There was no change in 2017 for larger firms – all maintain a risk profile of all material risks identified. The percentage of smaller firms that said they maintain a risk profile of all material risks increased slightly, from 88% to 89%.

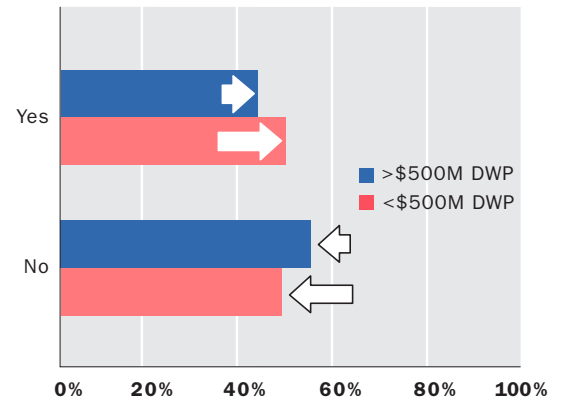


**d) Business Continuity Plan (BCP) and Cyber Protection Plan (CPP)** – A bigger percentage of large firms test their BCP in the short term (81% for larger firms vs. 62% for smaller firms). A bigger percentage of small firms (42%) test their CPP only on an ad hoc basis, compared to larger firms (37%).

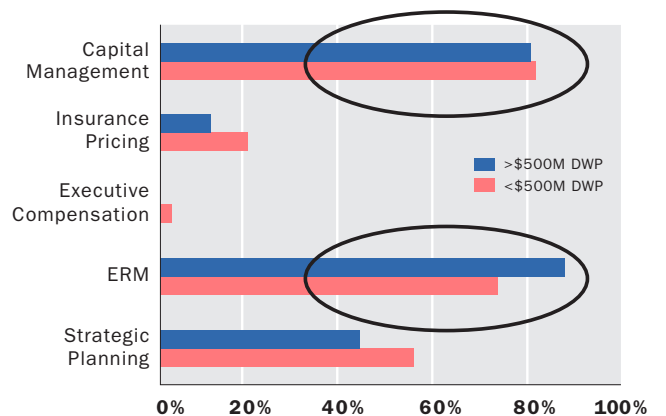


### 3. Importance of ORSA and Economic Capital Model (ECM)

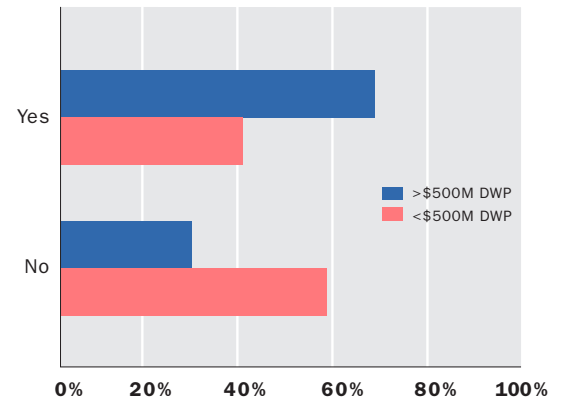
**a) Resources to Complete ORSA** – A larger percentage of both large and small firms engaged external resources to complete and/or review their ORSAs in 2017 – larger firms (44%, up from 35% in 2016) and smaller firms (50%, up from 34% in 2016).



**b) Use of ORSA Results** – In 2017, double the percentage of both large and small companies were using ORSA results for capital management, ERM and strategic planning – far more than for insurance pricing and executive compensation.



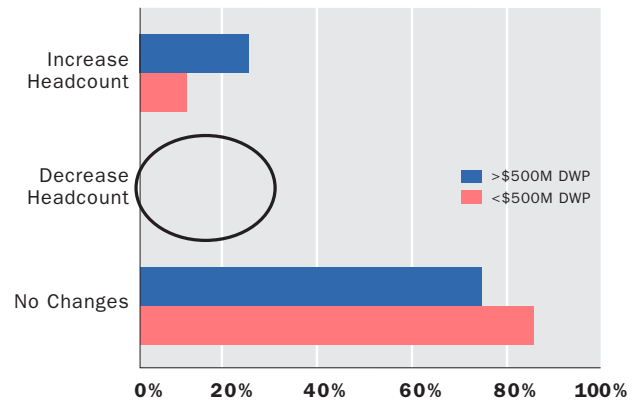
**c) Regular Use of ECM** – A growing number of both large and small companies were using an ECM on a regular basis in 2017 – large firms (69%, up from 56% in 2016) and small firms (41%, up from 32% in 2016).



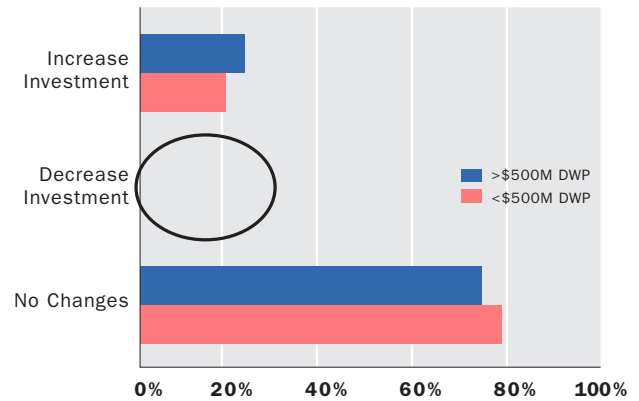
#### 4. Tools and Resources

**a) Full-Time Equivalent Employees** – Companies with >\$500M DWP reported an average of 7.5 staff assigned to ERM. Companies with <\$500M DWP reported an average of 1.5 staff assigned to ERM.

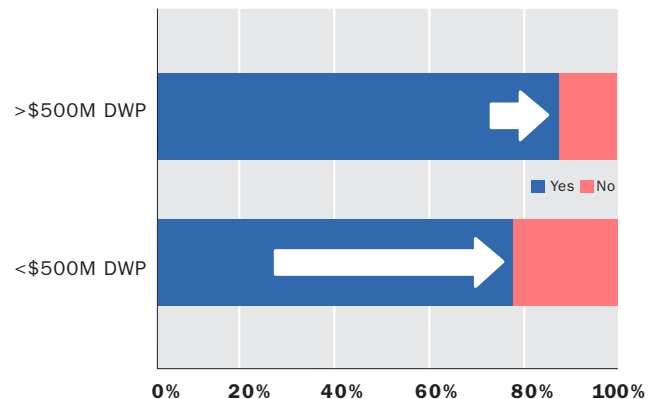
**b) Plans for ERM Staff** – Fewer firms reported plans for increasing headcount in 2017 – larger firms (25%, down from 39% in 2016) and smaller firms (11%, down from 17% in 2016). No firms planned to decrease headcount. Most reported no changes.



**c) Plans for ERM Tools** – There was virtually no change for investments in tools for both large and small companies in 2017 – large companies increasing investment (25%, down from 27% in 2016) and small companies unchanged (20%).



**d) Risk Officer's Forum Participation** – Participation among larger firms has increased from 68% to 89% over the past two years. Participation among smaller firms has increased from 25% to 77% over the same period.



# 2018 Risk Management Advisory Committee



**Susan Meltzer**  
(Committee Chair)  
*Vice President, Risk*  
Aviva Insurance Company of Canada

**Risk Management Advisory Committee members oversee the operations of the Risk Officer's Forum.**

The Forum seeks to enhance risk management within the P&C insurance industry by:

- Discussing and sharing risk management best practices within industry;
- Reviewing and communicating topical risk management information;
- Serving as a risk management resource for PACICC and for insurance regulators;
- Discussing major existing risks and significant emerging risks within the industry; and
- Providing resources, references and information to facilitate research of risk management and related governance topics



**Sanjeev Agarwal**  
*Chief Risk Officer, Canada*  
ALG Insurance Company of Canada



**Randy Besse**  
*Director, Risk Management*  
SGI Canada



**Brandon Blant**  
*Vice President,  
Risk Management*  
Intact Financial Corporation



**Manon Débigaré**  
*Deputy Chief Risk Officer,  
P&C Insurance*  
Desjardins General Insurance Group



**Dinesh Garbharran**  
*Vice President,  
Risk Management*  
TD General Insurance Company



**Randy Musselman**  
*Chief Risk Officer*  
The Guarantee Company  
of North America



Advisory Committee Administrator  
**Ian Campbell**  
*Vice President, Operations, PACICC*  
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## Risk Officer's Forum Membership

Membership in PACICC's Risk Officer's Forum is open to staff of any Canadian licensed insurer or reinsurer (Federal, Provincial and Territorial) with management responsibility for ERM in their respective organization. This includes PACICC member insurers and risk officers with insurers and reinsurers that are not PACICC members.

If you are not being contacted directly regarding upcoming Risk Officer's Forum events, please notify Ian Campbell to have your name added to PACICC's Forum database.