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Press Release

Milliman study: Risk management evolving from a control function to a strategic business partner among insurers in Asia

HONG KONG – April 5, 2018 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the release of its latest report, “Enterprise risk management: Global best practices and key challenges in Asia.” The study examines the evolution of the risk function and risk management best practices among leading life insurers in the region. It also assesses the position of Asian life insurers on the journey toward global best practices of risk management capabilities, from viewing risk management as a control function to becoming a provider of value-added insights to the business, to ultimately assuming a leadership role as a business partner advising on key decision-making. Key challenges and areas of focus for the development of risk management in Asia are also discussed. The study includes an analysis of observations from interviews with leading life insurers representing 12 of the largest markets in Asia, results of a pulse survey, and Milliman global and regional insights in this area.

“Risk management is a fundamental responsibility of boards and senior management of insurance companies,” said Milliman Principal and Consulting Actuary Paul Sinnott. “In addition to providing assurance to shareholders, holistic risk management improves the overall health of a life insurer and its ability to deliver on policyholders’ claims, giving them a stronger value proposition for future business.”

A few highlights and insights of the study include:

- Participants in the study have operations in the 12 largest insurance markets in Asia, with a combined market share of more than 50% in six of those markets.
- Senior management and board sponsorship is critical to building a holistic risk culture within the organisation. Integrating strategic risk with KPIs and senior management remuneration will help risk functions evolve.
- Even where senior sponsorship is observed, implementation challenges have resulted in a few risk management processes needing improvement to deliver a more compelling value-added proposition. Only a third of participants’ risk functions had evolved into a strategic role.
- Risk authority and responsibilities need to be clearly defined, with risk measurement and management independent from risk-taking functions.
- There is a known shortage of talent with the required technical and actuarial skillsets. Recruitment and training of staff with balanced technical and non-technical “softer” skills was identified as a key challenge. Nearly 90% of the survey participants viewed talent as more critical than technology for investment at their current stage. Two-thirds of the participants have increased risk function budgets over the past year, with most of the investments focused on recruitment and training of staff to fill key skill gaps.
- Greater focus is required in assessing and managing qualitative risks, including reputational and regulatory risks, operational risk, and emerging risks, such as cyber risk.



- There is a widespread need to develop and implement a stress-testing framework beyond regulatory requirements.

A copy of the report is available for download on <http://www.milliman.com/insight/2018/Enterprise-risk-management-Global-best-practices-and-key-challenges-in-Asia/>.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe including multiple offices in Asia & the Middle East. For further information, visit milliman.com

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