

Risk Management Framework

The image displays two screenshots of spreadsheets titled "ORSA Requirements Mapping". The top screenshot shows a table with several columns and a vertical bar on the right side with yellow, red, and green segments. The bottom screenshot shows a more detailed table with multiple columns and rows, likely representing a mapping of requirements to specific risk categories or products.

Client Situation

- Client: Medium size insurance company located in Benelux
- Client is life insurer with strong market position
- Client applies internal model across its insurance activities along with SII
- Client applies for model pre-application and requires a stable Risk Management Framework

Issues

- Clients needs to restructure product offering given burden of in-force portfolio's
- Difficult comparison of products risk-adjusted profitability (e.g. bank-insurance differences)
- No existing model to anticipate client demand

Reacfin's Contribution

- Development of client ORSA Framework (based on a 'prospect theory' approach for the modeling of risk aversion)
- Mapping of product offering for client preferences metrics
- Development of a common risk-adjusted IRR framework to compare products of the different activities (incl. Bank, Insurance, AM, etc.)
- Reporting dashboard and support of decision support

Results

- Reporting dashboard used at least monthly by the senior management team and became tool for reporting to group (international financial conglomerate) on quarterly basis
- Objectified & formalized assessment of products and activities to be prioritized by management
- Improvement of internal profitability assessment metrics