

June 2009

ERM for Health

By Max J. Rudolph, FSA CERA CFA MAAA

I am currently working on a research project for the SOA's Health Section Council about current best practices for Enterprise Risk Management at health insurance companies. I have found that there is not much material available that puts ERM in a health context, so hopefully my research will aid in that effort. An NPR report earlier this year focused on the multiple risks health insurers were juggling, including a drop in their stock price, lower asset values, and reduced membership. All are due to the economic conditions and are a great example of contagion.

There are a few health companies that are doing an excellent job of ERM for their unique set of risks, and I am following up with them so we can report out best practices in addition to the current state of the industry. I am looking forward to completing this research. Watch for more here in future newsletters!

ERM Symposium

As chair of this year's ERM Symposium I was very pleased with the sessions offered and topics covered. The influenza epidemic was at a challenging point right then, and some companies reacted strongly and did not allow their risk managers and actuaries to travel at that time. The program committee responded by setting up a session on pandemics where I presented and then, along with Larry Moews, provided a discussion forum where attendees asked questions and we engaged in a dialogue. I also did a session highlighting the research surveys last year covering Emerging Risks. Both sessions were well received. Our lunch speakers, who I was heavily involved with choosing, were very well received. Dave Ingram shared differences in how people think about life, and Moshe Milevsky described "Are you a stock or a bond?" I'll likely review his book, which covers personal ERM, in a later newsletter. I believe the concept he describes is correct and useful for individuals to consider their savings options. I don't agree that someone who is a tenured professor, for example, should use margin to add risk to their portfolio. Slow and steady wins the race.

Pandemic Follow-Up

Over the past month, although the pandemic in the northern hemisphere is slowing down it is not completely gone and it has become active in the southern hemisphere. The virus is mild unless combined with another ailment, and asthma and lung problems have been prevalent. The "novel" H1N1 could mutate at any time, and a recombination with portions of the H5N1 or H9N2 could become lethal. We just don't know if that could happen, or if it will happen. What I do know is that we are making it easier for the virus to mutate around anti-virals by using them so prevalently today with a mild virus.



Warning: The information provided in this newsletter is the opinion of Max Rudolph and is provided for general information only. It should not be considered investment advice. Information from a variety of sources should be reviewed and considered before decisions are made by the individual investor. My opinions may have already changed, so you don't want to rely on them. Good luck!