



SOCIETY OF ACTUARIES

Actuaries
Risk is Opportunity.™

ERM Case Study: COUNTRY Life Insurance Company

What you don't know can hurt you. Were past mitigation efforts truly making a dent in the ever-growing number of risks, was the company prepared for risks looming on the horizon and how was stakeholder value being protected?

COUNTRY Life Insurance Company, a privately held company, was well aware of its insurance risks, but it needed a clearer picture of the potential impact of major risks on its overall value. COUNTRY Life Insurance wanted to build an enterprise risk management (ERM) framework to enhance rating agency discussions on ERM, validate recent risk mitigation decisions and apply this framework to its other business units.

COUNTRY Life Insurance's actuaries, working with their chief financial officer, life operations senior management, corporate management and disaster recovery team, established a framework to quantify the worst-case scenarios involving insurance, operational and reputational risks that could decrease its stakeholder value. Through their risk analysis, the team determined that a worst-case scenario involving a pandemic event would cause the largest decrease in the company's enterprise value. In addition, other major events including an attack on the computer network and issues with non-guaranteed insurance elements combined could affect the company dramatically as well.

The ERM framework provided a quantitative means to calculate the company's enterprise risk value and better understand the impact that severe risks could have on stakeholder value. As a result, the company developed new processes on managing pandemics and it is performing exercises to gauge its preparedness. The immediate results in implementing the ERM framework also allowed COUNTRY Life to calculate and reaffirm the effectiveness of its recent ERM mitigation efforts.

COUNTRY Life Insurance's team is now expanding the established ERM framework to its property and casualty branch and potentially the overall corporation. The framework helped determine the risk tolerance level for the company's senior leadership in making strategic decisions to navigate tomorrow's risks. Because, what you do know can help you.

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