



SOCIETY OF ACTUARIES

Actuaries  
Risk is Opportunity.™

**The Hartford Financial Services Group, Inc.**

In an increasingly digital world fraught with risk, a company's silos and walls between business units still pose a major challenge in understanding and managing its risks enterprise-wide. What are the risks that could push the company into the red? What kind of impact could simultaneous worst-case scenarios play on the bottom line? What risks was senior management willing to make in staying ahead of the competition?

In 2004, The Hartford Financial Services Group, Inc. (The Hartford) decided that it was time to break down these silos and walls within its business units. However, the true challenge would be if its corporate culture would embrace enterprise risk management and how positive results could be proven to show direct value for this decision.

As one of its first steps, The Hartford formally created a new position, *chief risk officer*, both for the overall enterprise and its business units including insurance and investing areas. Reporting to the enterprise chief risk officer are area chief risk officers, several of whom are actuaries, assigned to work with senior management and the business units in developing an enterprise-wide framework to managing risks and maximizing opportunities. Through actuarial modeling of risks and a deep understanding of the interconnectivity of risks, The Hartford's team was able to translate complex data into meaningful and actionable information for senior management.

The team identified the highest threats and key risks that could impact the company's value and worked through potential solutions. This included an enterprise-wide Economic Capital model for the attribution of capital, an improved capital management process, integration of risk management processes across different business lines, and consistent measurement of adjusted returns and enhanced management reporting. Business units actively discussed aggregated risk profiles and have worked through issues related to enterprise wide risks, such as natural catastrophes and established agreement on enterprise-wide limits crossing over various lines of business. Senior level discussions have improved understanding of the level of risks currently on the books, identified where the risks were coming from, proposed strategy to mitigate these risks and supported the creation of timely reports on these risks and related limits.

Through the analysis from its chief risk officers, actuaries and other leading team members, The Hartford developed a risk appetite level, which would serve as a quantitative tool for senior management to determine how much of a particular risk The Hartford could take on as an enterprise. After three years from the creation of the enterprise risk framework, The Hartford's senior management, business units and overall employees have embraced enterprise risk management and its embedded value within the corporate culture.

*Spokesperson:*

*Craig Raymond, SVP & Chief Risk Officer, The Hartford Financial Services Group, Inc.*

**For more information contact Michael Nowak at 312-729-4346, [mnowak@golinharris.com](mailto:mnowak@golinharris.com) (on behalf of the Society of Actuaries).**

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