

ERM for Strategic Management—Status Report

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Abstract

Much of the push for ERM has come from regulators and rating agencies, but it is being applied in internal company decision-making as well. This paper reviews the progress made and the needs still outstanding in two key areas of application: optimal capital level for an insurer and risk-adjusted profitability of business units. The basic conclusion is that progress has been made in these areas, but more is needed. Building models is not emphasized—it will be assumed that a state-of-the-art model is available. The emphasis is on using such models in decision-making.