

Specification of Competency Standards of the Insurance Industry

Unit of Competency

Functional Area: Legal & Compliance

Title	Evaluate effectiveness of enterprise risk management framework
Code	105620L6
Range	This unit of competency is applicable to those who are responsible for evaluating effectiveness of enterprise risk management framework. It involves identifying the types of risks to be covered in the evaluation tests, defining the test objectives, adopting appropriate risk metrics, carrying out the tests, and identifying areas of improvement in current risk management practices.
Level	6
Credit	5 (for reference only)
Competency	<p>Performance Requirements</p> <ol style="list-style-type: none"> 1. Possess knowledge in risk management <ul style="list-style-type: none"> • Master risk management principles and practices • Well versed with regulatory requirements in respect of the insurance industry, including all of the relevant ordinances and statutory regulations; guidance notes and circulars issued by the regulators; industry standards, guidelines and codes of practice issued by industry bodies • Classify risks associated with insurance business, e.g. equity, credit, liquidity, interest rate, regulatory, etc. • Comprehend different stress testing models, e.g. deterministic, stochastic, etc. 2. Plan and carry out evaluation test of the risk management framework <ul style="list-style-type: none"> • Define the scope of risks to be covered in the test • Define objectives of evaluation testing, e.g. fulfilling regulatory requirements, enhancing internal risk management • Define time horizon for evaluation test • Determine risk metrics to use, e.g. statutory solvency ratio & capital, IFRS profit, embedded value, etc. • Apply appropriate testing model to carry out the test • Identify areas of improvement in current risk management practices based on test results • Improve risk management strategy as needed 3. Conduct evaluation test to ensure effectiveness of enterprise risk management framework <ul style="list-style-type: none"> • Develop test scenarios that simulate potential crisis situations to test the risk management framework and governance structure • Produce test report and explain the results in operation contexts • Improve risk management strategy based on evaluation results
Assessment Criteria	<p>The integral outcome requirements of this unit of competency are:</p> <ul style="list-style-type: none"> • Able to recognize the needs of conducting evaluation test, define the objectives and scope of the test accordingly • Able to adopt appropriate risk metrics and testing model to carry out an evaluation test • Able to explain test results in operation contexts • Able to identify areas of improvement in risk management practices based on test results, and improve as required.
Remark	This unit of competency is also applicable to general insurers, life insurers and broker.