

**DFA Capital Management Vice President Says Little Progress Being Made in ERM**  
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LAS VEGAS (BestWire) - When John Knott asked his audience at the Life Insurance Conference in Las Vegas if anyone thought enterprise risk management was not important, no one raised a hand. That was the result he expected, but he said it was "quite surprising" how little progress American insurance companies had made in implementing ERM programs.

Most insurers have adequately addressed basic capital management, ratio-based ratings and regulatory management, and reinsurance buying, although in siloed operations, said Knott, vice president of DFA Capital Management, an ERM consulting and software firm. They are also good on matching assets to liabilities. But only sophisticated insurers have made any progress in the more challenging elements of ERM, such as integrated enterprise risk and financial management at the operational level, he said. Many companies may be waiting for authorities to force their hand, he added.

European companies are further along the ERM path due to the Solvency II regulatory scheme in that part of the world, Knott said. American companies tend to fall short on key risk-management challenges, including interest rate/macro-economic exposures, equity market risk management particularly in variable annuity hedging, policyholder behavior, and emerging market exposure. The latter can include foreign currency exchange, investing in other markets and profits coming from or going to parent companies outside the United States, he said.

While smaller companies may be better able to go without ERM, it can provide a competitive advantage for companies of any size, said Knott.

[To hear the interview with Knott in its entirety, go to  
<http://www.dfa.com/us/media/files/In-The-News/Best-Day-Audio-2008-04-10.>]  
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