Understanding the Change in Capital Allocation Practices Driven by ERM Implementation in Insurance Companies

Abstract

Enterprise risk management (ERM) has recently become a widespread practice in financial institutions, more specifically in insurance companies. The broad contribution of this research is providing a better understanding of the change in risk management practices associated with ERM implementation. Another contribution is made by focusing on Burns and Scapens' (2000) model and extending it to incorporate ERM and risk management practices. A field study in ten large and medium-sized insurance companies has been undertaken to investigate the way in which various rationales for adoption affect the ERM implementation and usage within organizations. Moreover, this study presents field-based evidence from one large non-life insurance company suggesting that changes in capital allocation practices exist in response to having mature ERM in place.