

# Enterprise Risk Management Seminar

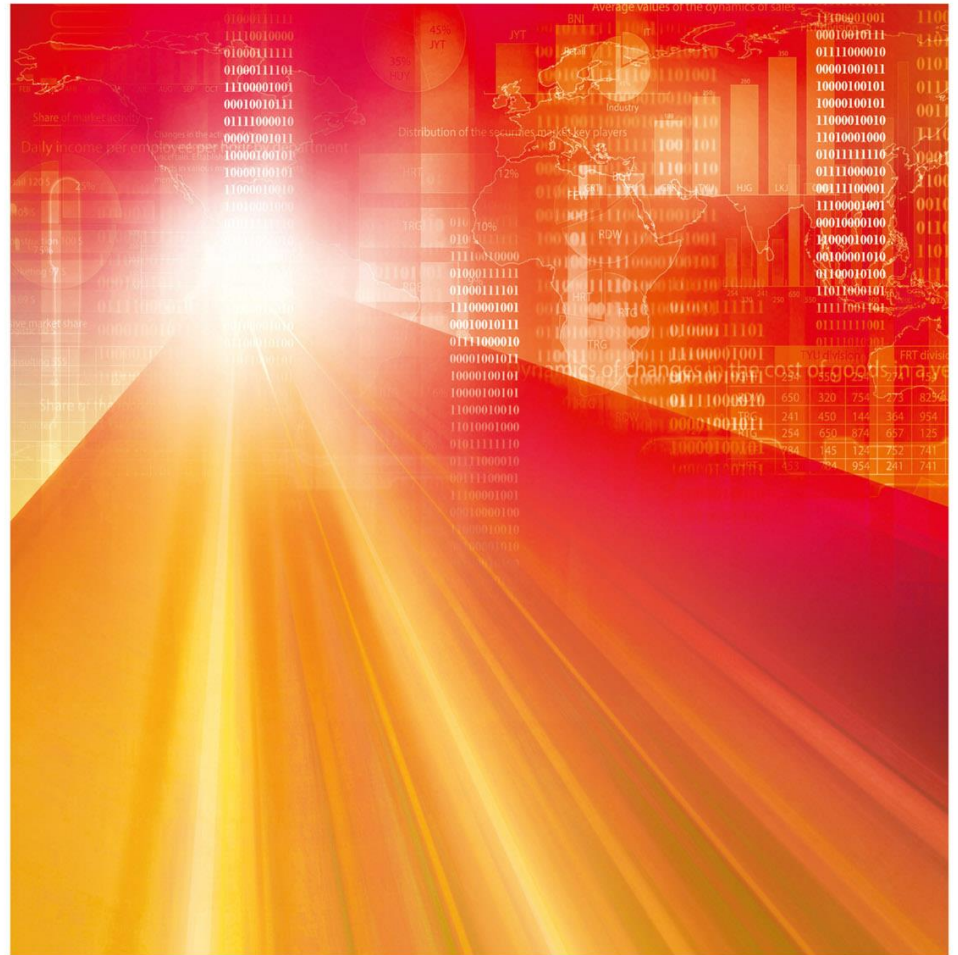
**Practical Risk Management**

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**Actuaries  
Institute**

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# Integrating Risk, Culture, Performance and Strategy

**David Hall – September 2016**

*This presentation has been prepared for the Actuaries Institute 2016 ERM Seminar.  
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# The risk journey

1. Regulatory compliance
2. Articulation of risk appetite
3. Risk governance and decision making
4. Risk Culture, performance and strategy.



# The risk journey

- *“A best-practice risk function fosters a highly integrated, enterprise-wide risk culture across the organization, managing the risk profile to serve the business strategy. The path to ERM excellence involves a transformative journey, and most insurers are at its beginning stages. For the majority of companies, the risk focus is on compliance, a necessary starting point. They monitor risk, gauge risk levels against new regulations, and react appropriately to risk incidents. The ERM function at this stage is mainly backward looking, developing controls and aligning existing risks with current and forthcoming regulation. The risk function first establishes and then operates within risk-review guidelines and may have (and at times may exercise) formal veto power over business decisions.”*

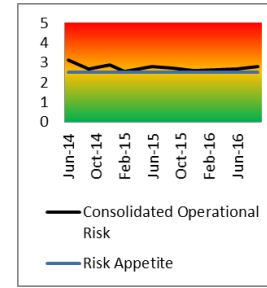
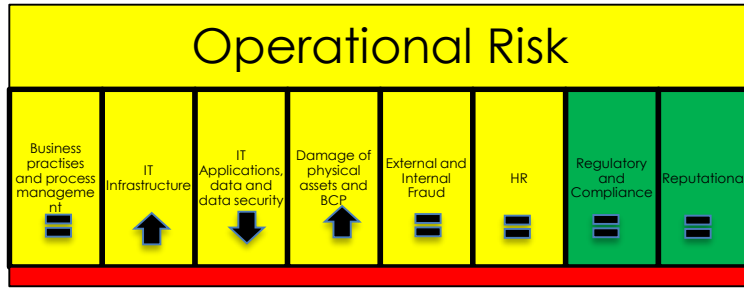
Source: <http://www.mckinsey.com/business-functions/risk/our-insights/transforming-enterprise-risk-management-for-value-in-the-insurance-industry?cid=other-eml-alt-mip-mck-oth-1608>



# High level framework

1. How does the CRO/risk function interact with the Board and Board Risk Committee? How often? Does the CRO have a standing invitation or the right to appear as needed? Does the CRO meet one on one with the chair of the Board and/or BRC?
2. How is risk reported to management, the Board and the group?
3. How do you measure, monitor and manage risk culture?

# Example Report page: Operational Risk



**Business Practises and Process Management:** Insert high level commentary here.

**IT Infrastructure:** Insert high level commentary here

**IT Applications, Data and data security:** Insert high level commentary here

**Damage to physical assets and BCP:** Insert high level commentary here

**Internal and External fraud:** Insert high level commentary here

**HR Risks:** Insert high level commentary here

**Regulatory and compliance:** Insert high level commentary here

**Reputational:** Insert high level commentary here



# Risk culture

1. All staff survey – 25 questions with follow up commentary invited. Questions related to:
  1. Operational effectiveness and adequacy of resources
  2. Control vulnerabilities and weaknesses
  3. Role clarity and competence relating to risk
  4. Undermined transparency
  5. Fair and consistent outcomes
2. Stratify answers from positive to negative
3. Present in total and by: department, seniority, tenure, etc.
4. Use answers to identify any cultural areas for improvement and drive change in those areas.



# Changing the risk conversation

- What could go wrong?
  - All the risks... in a list ... put them on your risk register!
- What has to go right?
  - What is critical – how do we manage these elements to drive a successful outcome.
  - Serves to focus the mind.





# Integration of risk and strategy

- The challenger – the contrarian voice
- Reputation risk management
- Creating Vs Protecting value
- Disruption



Fin,  
Merci!