

Risk Management Implementation Process

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**Shailendra Kothavale, Chief Risk and Compliance Officer,
Aditya Birla Sun Life Insurance Co. Ltd.**

Risk Management Implementation Process

- **ERM as per COSO Framework**
- **Risk Governance Framework - GRC**
- **Implementation of Risk Management Process**
- **ORM Implementation**
- **Interlinkage of Risk and Compliance**
- **Some thoughts on Way Forward**

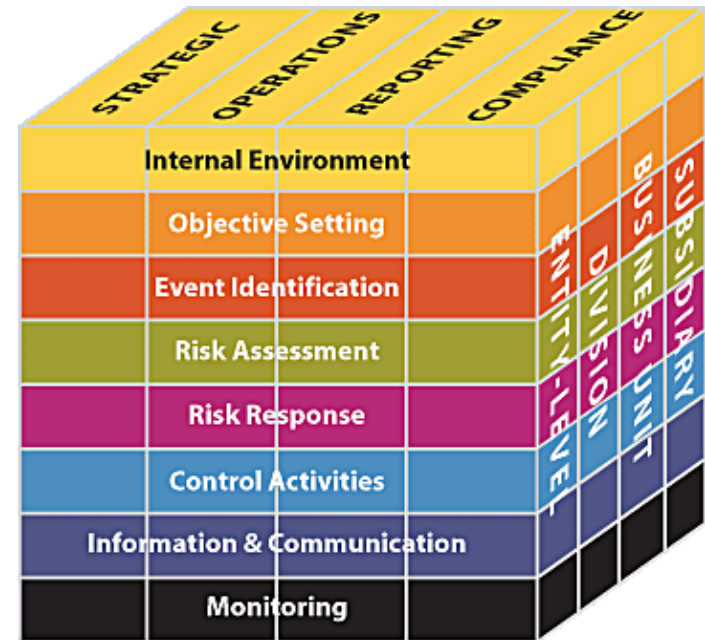
ERM Defined

“... a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

Entity objectives can be viewed in context of four categories of – Strategic, Operations, Reporting , Compliance

ERM considers activities at all levels of organization - Enterprise level, Division level, Process level

Requires entity to take portfolio view of risk



Enterprise Risk Management Framework (as per COSO framework)



➤ **Governance and Culture:** Governance sets the organization's tone, reinforcing the importance of, and establishing oversight responsibilities for, enterprise risk management. Culture pertains to ethical values, desired behaviors, and understanding of risk in the entity

➤ **Strategy and Objective-Setting:** Enterprise risk management, strategy, and objective-setting work together in the strategic-planning process. A risk appetite is established and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk

➤ **Performance:** Risks that may impact the achievement of strategy and business objectives need to be identified and assessed. Risks are prioritized by severity in the context of risk appetite

➤ **Review and Revision:** By reviewing entity performance, an organization can consider how well the enterprise risk management components are functioning over time and in light of substantial changes, and what revisions are needed.

➤ **Information, Communication, and Reporting:** Enterprise risk management requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organization.

Key Benefits -

Integrating ERM with Business Practices results in “ Better information that supports improved decision making and leads to enhance performance”



Anticipate risks earlier or more explicitly, opening up more options for managing the risks

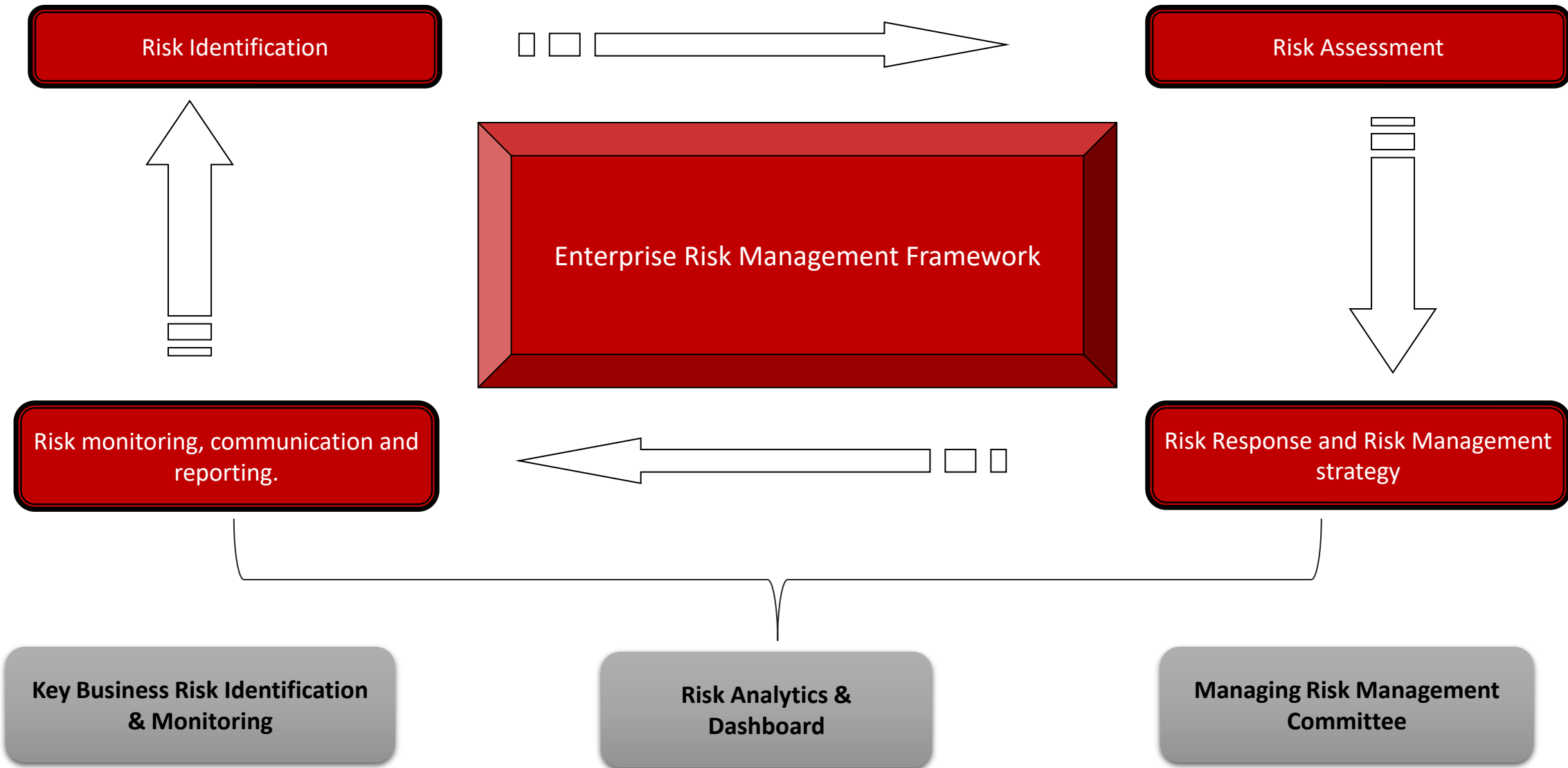
Identify and pursue existing and new opportunities

Respond to deviations in performance more quickly and consistently

Develop and report a more comprehensive and consistent portfolio view of risk

Improve collaboration, trust and information sharing

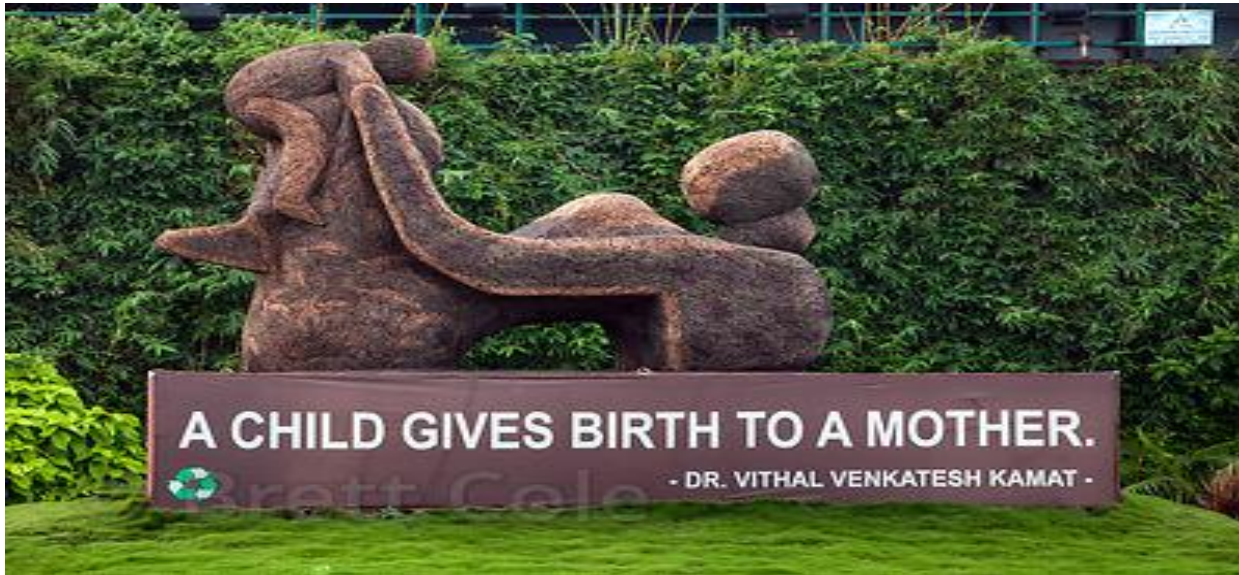
ERM Framework



Key Risks Management

- **Operational Risk**
- **Regulatory Risk**
- **Business Continuity**
- **Information Security & Cyber Security**
- **Investment Risk**
- **Legal Risk**
- **Fraud Risk**

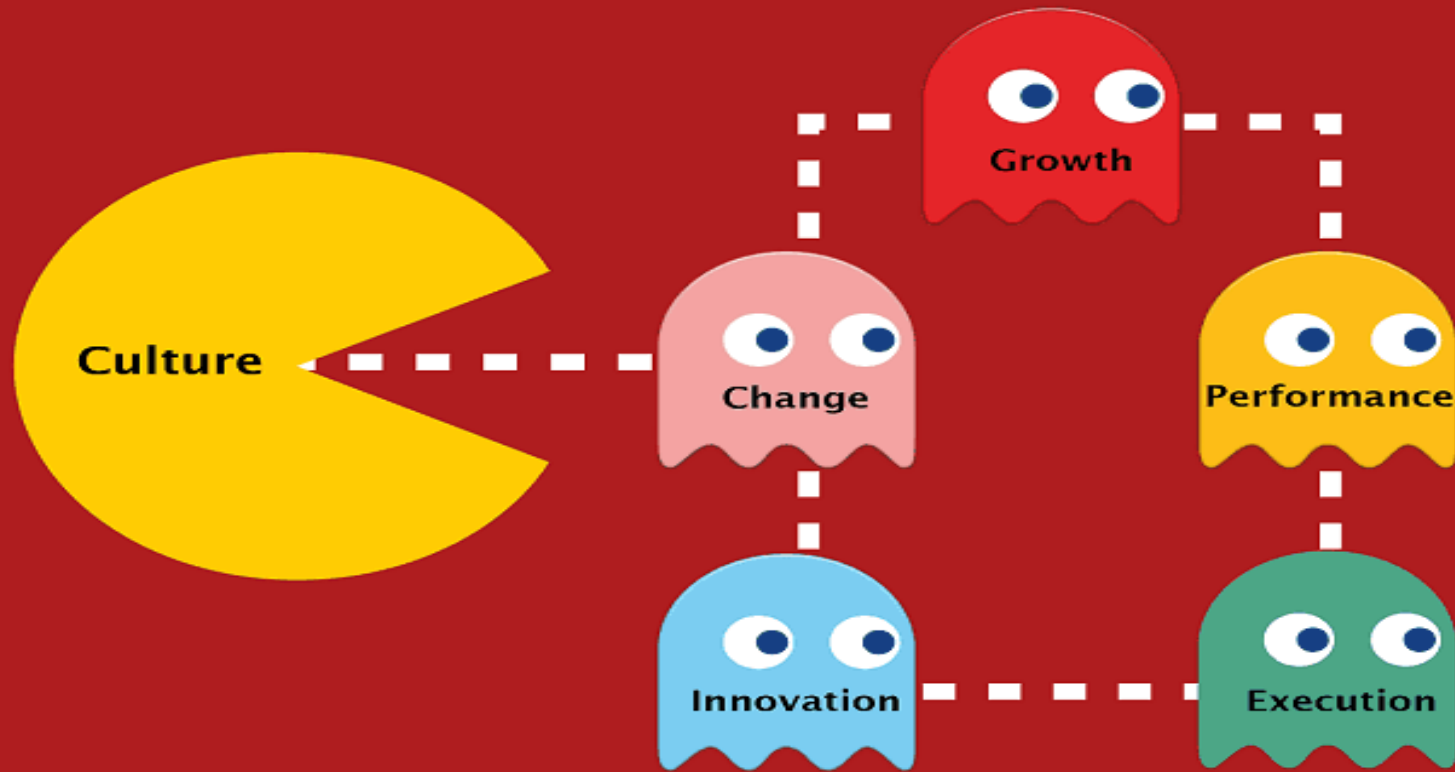
Compliance and Risk – Intertwined & Same DNA



A mother might give birth to a child but before that a child gives birth to a mother

- Unknown

Organizational culture eats strategy for breakfast, lunch and dinner



Risk Culture Eats Risk Management for Lunch

Some thoughts

- ERM– Is it driven as a structured exercise/ initiative but siloed or is it embedded in the organisation
- Ownership of Risks
- Does ERM Manager understand Business, its products/ services, culture
- Role of Risk in furthering business
- Board Oversight and involvement
- How does organisation actually behave in a crisis
- Business Disruption – Kodak Example; Open Architecture; Broking Industry; Digital eco-system; RPA
- Actuaries and Risk Professionals need to play a collaborative role

Role in Proactive Risk Management

Can you identify the sleeping crocodiles?

Ability to predict black swan events



Can you identify the elephant in the room – Discuss the undiscussables

Can you tame the elephant



The end.....

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