

Enterprise Risk Management



Kallie Kotzé
19 May 2009

AGENDA

- Introduction
- 5 Practical Tips
- Conclusion



Introduction

- PWC Survey in June 2008

- Does ERM matter?

Enterprise Risk Management in the Insurance Industry

ERM: the past

In 2004, PricewaterhouseCoopers asked insurers about their ERM functions*. At that time, ERM was a new discipline recognised as the key to managing uncertainty, top-line results were telling:

18%

strongly agreed that ERM was an important part of their interaction with regulators, rating agencies and investor constituents

19%

strongly agreed that their organisation had clearly defined standards for risk taking activities

10%

had a risk function in place for at least three years

* PricewaterhouseCoopers Global ERM Survey 2004

ERM: the present

How far we have come:

58%

strongly agreed that ERM was an important part of their interaction with regulators, rating agencies and investor constituents

35%

strongly agreed that their organisation had clearly defined standards for risk taking activities

50%

had a risk function in place for at least three years

Difficulties in Entrenching ERM

- Not understanding key elements of ERM
 - ERM Strategy
 - ERM Objectives
 - Roles and Responsibilities
 - ERM Process
 - Tools and Technology
 - Terminology and Common Language

5 Practical Tips – Key Questions

- 1** What is ERM?
- 2** What are our objectives for ERM?
- 3** What is the scope of ERM?
- 4** What kind of structure will work for us?
- 5** What resources will we need to implement ERM?

5 Practical Tips – Key Questions

- 1** What is ERM?
- 2** What are our objectives for ERM?
- 3** What is the scope of ERM?
- 4** What kind of structure will work for us?
- 5** What resources will we need to implement ERM?

Question 1: ERM Definition

Process effected by the Board of Directors, Management and other personnel,

applied in strategy setting across the enterprise,

to identify potential events that may affect the entity,

to manage risk to be within its risk appetite, and

to provide reasonable assurance regarding the achievement of entity objectives.

5 Practical Tips – Key Questions

- 1** What is ERM?
- 2** What are our objectives for ERM?
- 3** What is the scope of ERM?
- 4** What kind of structure will work for us?
- 5** What resources will we need to implement ERM?

Question 2: ERM Objectives

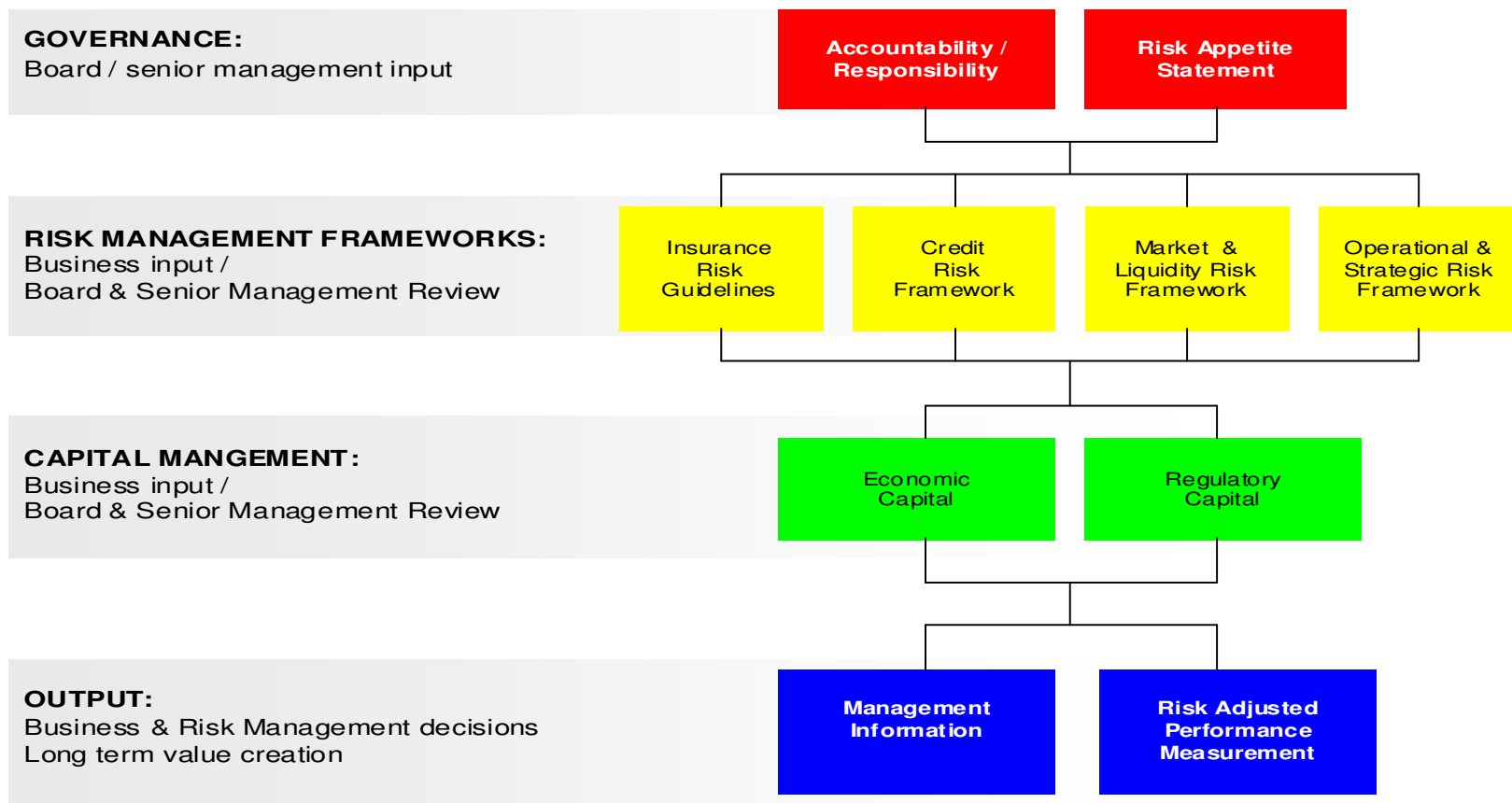
- Aligning risk appetite and strategy
- Enhancing risk response decisions
- Reducing operational surprises and losses
- Identifying and managing multiple and cross-enterprise risks
- Seizing opportunities
- Improving deployment of capital

5 Practical Tips – Key Questions

- 1** What is ERM?
- 2** What are our objectives for ERM?
- 3** What is the scope of ERM?
- 4** What kind of structure will work for us?
- 5** What resources will we need to implement ERM?

Question 3: ERM Scope

ENTERPRISE RISK MANAGEMENT FRAMEWORK

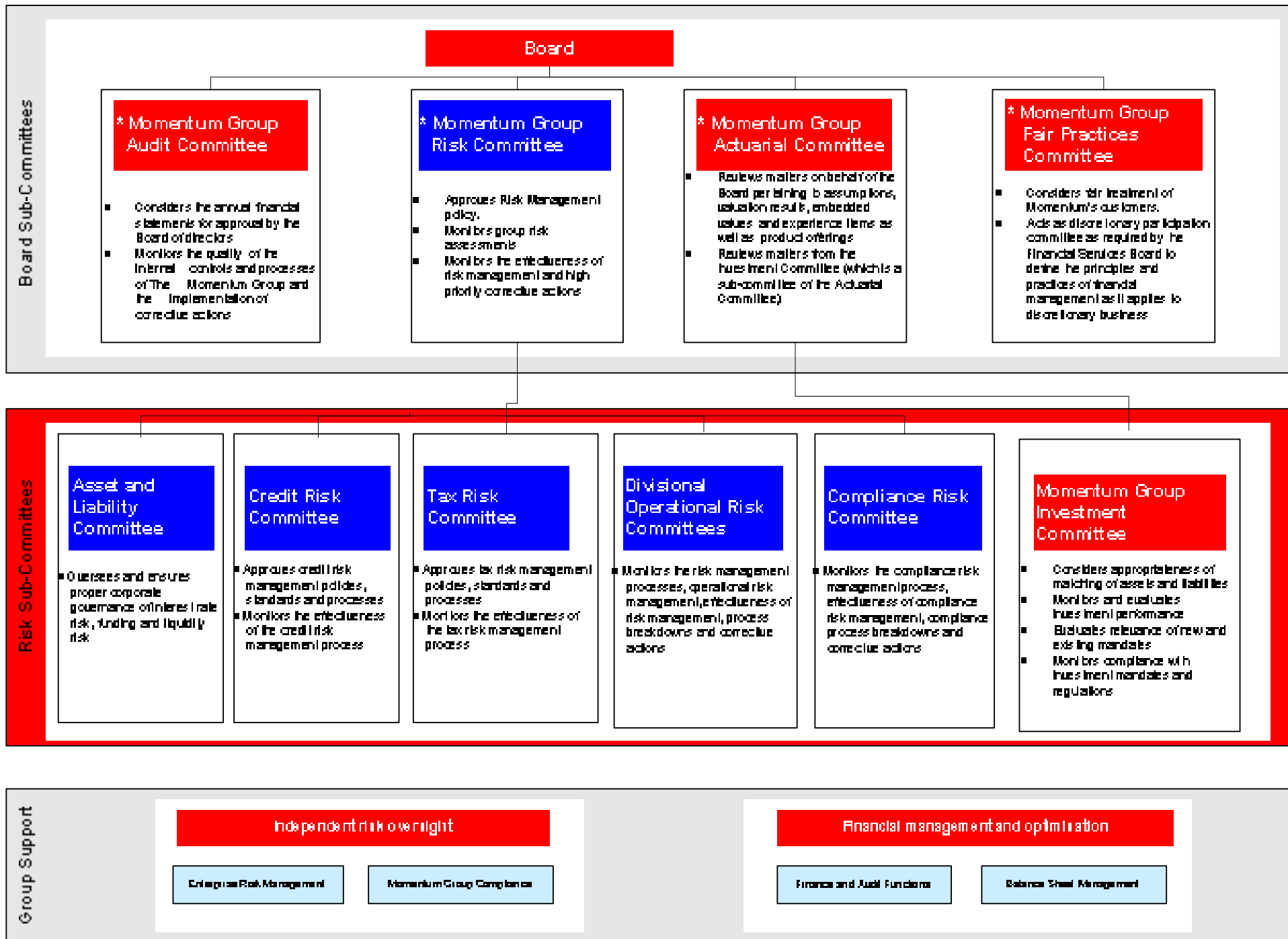


5 Practical Tips – Key Questions

- 1** What is ERM?
- 2** What are our objectives for ERM?
- 3** What is the scope of ERM?
- 4** What kind of structure will work for us?
- 5** What resources will we need to implement ERM?

Question 4: ERM Structure



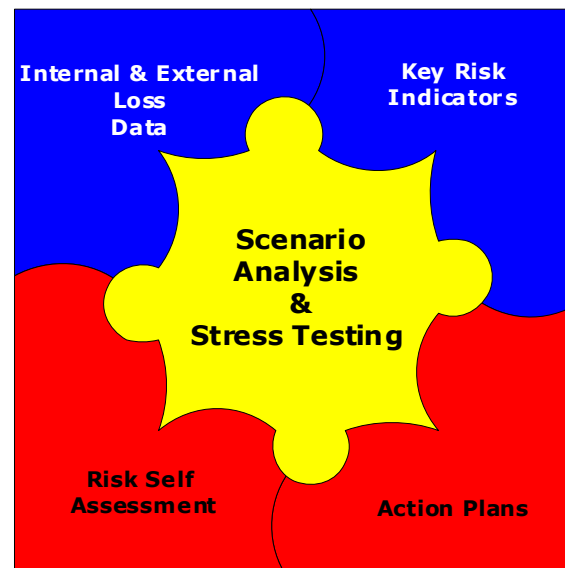


5 Practical Tips – Key Questions

- 1** What is ERM?
- 2** What are our objectives for ERM?
- 3** What is the scope of ERM?
- 4** What kind of structure will work for us?
- 5** What resources will we need to implement ERM?

Question 5: ERM Resources

- Business Knowledge and Experience
- Appropriate Methodologies and Tools



Conclusion

ERM Implementation as a sustainable and effective management discipline can only succeed if it is:

- sufficiently relevant to,
- consistently embedded within, and
- fully embraced by

all the risk takers and decision makers,

rather than just risk professionals operating at a group level.

QUESTIONS?
