

Emerging Risks

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Agenda

SOLID FOUNDATION A CLEAR DIRECTION A LIMITLESS FUTURE A SOLID FOUNDATION A CLEAR DIRECTION A LIMITLESS FUTURE

- Governance Structure
- Members
- Meetings
- Risk Assessments
- Resulting Actions
- Considerations



Governance Structure

SOLID FOUNDATION A CLEAR DIRECTION A LIMITLESS FUTURE A SOLID FOUNDATION A CLEAR DIRECTION A LIMITLESS FUTURE

Board of Directors

↳ Board Risk Committee

↳ Enterprise Risk Management Committee

↳ Emerging Risk Committee



Members

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- Hand-chosen by ERM
 - Understand ERM and its value
 - Strategic thinkers
 - Willing to discuss uncommon ideas without introducing (much) personal bias
 - Have influence in business areas
 - Wide array of experience and knowledge
- Several members assigned STEEP responsibilities
 - Recommend risk tolerances, limits, and/or company actions as necessary





Members

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- Chief Risk Officer (Chair)
- VP – Human Resources (Societal)
- VP – IT (Technological)
- VP – Investments (Economic)
- VP – Corporate Support (Environmental)
- VP – Government Affairs (Political)
- SVP – Individual Insurance
- VP – Group Insurance
- SVP – Corporate Strategy
- CRO – Bank



Meetings

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- Quarterly, or as needed
- Materials sent out a week in advance
 - Usually planned topics chosen by CRO, using news articles or other emerging risk prompts
 - World Economic Forum's Global Risk Report
 - Cambridge Centre for Risk Studies
- STEEP Owners expected to introduce own material
- Group discusses topics, impact to industry/company, generates questions to follow-up



Definitions and Sample Topics

SOLID FOUNDATION A CLEAR DIRECTION A LIMITLESS FUTURE A SOLID FOUNDATION A CLEAR DIRECTION A LIMITLESS FUTURE

- Societal
 - Definition: Risk due to changing employee, customer, and society's demographics, behaviors, and expectations
 - Example: Changing workplace expectations, e.g. <40 hour work week



Definitions and Sample Topics

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- Technological
 - Definition: Risk due to failures or unanticipated changes in IT systems and information security
 - Example: Cybersecurity



Definitions and Sample Topics

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- Economic
 - Definition: Risk due to unanticipated financial market behavior
 - Examples: Persistent Low Rates, High Inflation



Definitions and Sample Topics

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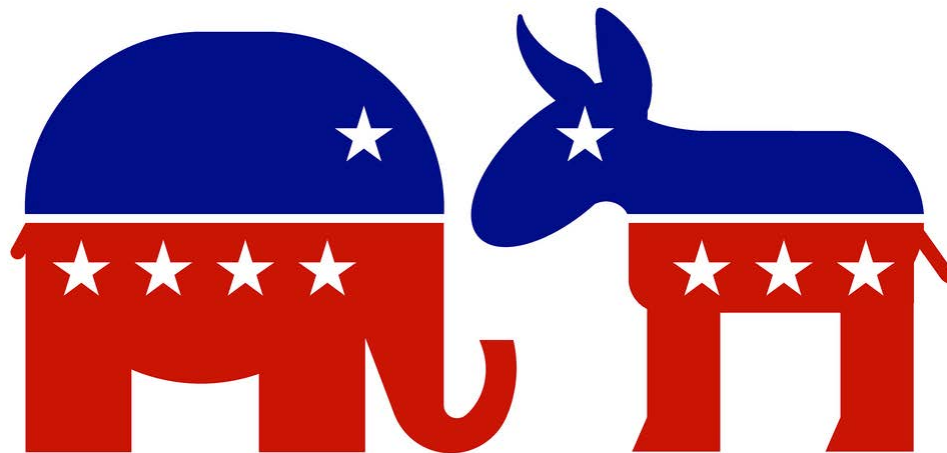
- Environmental
 - Definition: Risk due to uncertain ecological aspects, including natural disasters, weather, climate change
 - Example: California Drought



Definitions and Sample Topics

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- Political
 - Definition: Risk due to changes enacted by political/legislative body (that have not been proposed)
 - Example: Medicare Supplement regulation changes





Risk Assessments

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- Formal Risk Assessment
 - Chosen from committee's input
 - Primarily focused on impact; likelihoods too difficult to estimate
 - Consider all risks in taxonomy (Operational, Credit, Market, etc.)
 - Utilizes historical data, expert opinion, external sources
- After assessment, committee decides what actions, if any, to take
 - Hedges, operational controls, further discussion



Resulting Actions

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- Contingency planning
 - Updated Business Continuity Plans
 - Defined actions
- Table-top Exercises
 - Test management responses
- Financial Hedges
 - Consider systemic risk
- Opportunities
 - Some emerging risks may pose an opportunity to profit or capitalize.



Considerations

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- No need for formal group, though may help to drive action
- Hand-pick members
- Formalize risk assessments to ensure full coverage
- Work the normal channels to get things done
- Consider opportunities



Questions



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