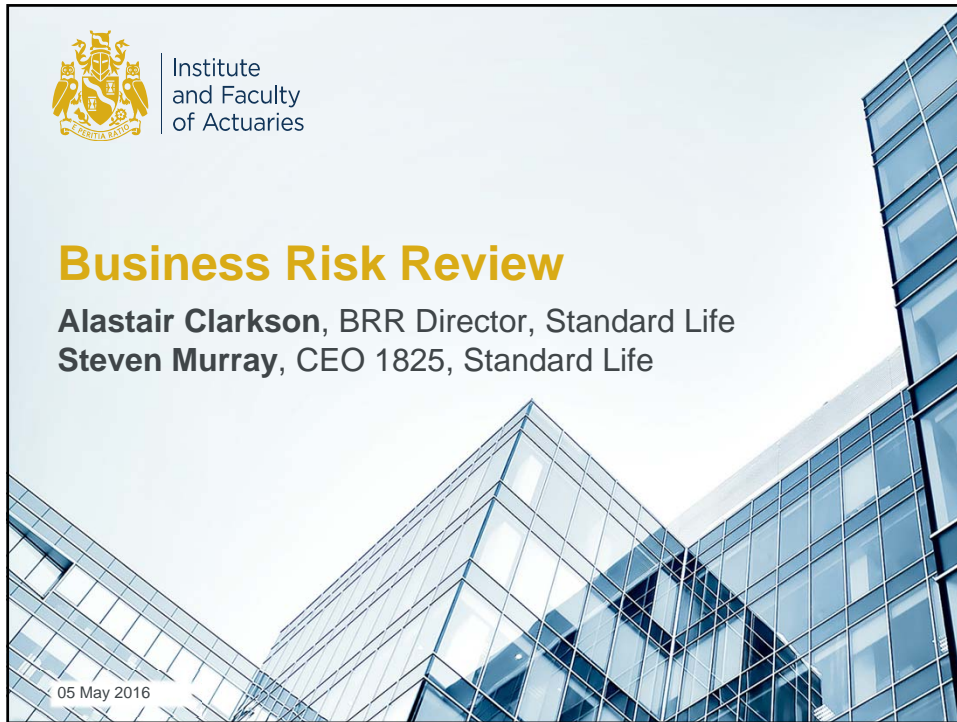


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## Business Risk Review


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Steven Murray, CEO 1825, Standard Life

05 May 2016



## Overview of the session

<p><b>Role of BRR</b></p> <ul style="list-style-type: none"><li>• What is our aim?</li><li>• Approach to reviews.</li></ul>	<p><b>Experience to date</b></p> <ul style="list-style-type: none"><li>• 1825 example.</li><li>• Reflections and feedback.</li></ul>	<p><b>Future focus</b></p> <ul style="list-style-type: none"><li>• How can we improve?</li><li>• Questions and comments.</li></ul>
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## Group Think

**“The tendency to conformity in our society is so strong that reasonably intelligent and well-meaning young people are willing to call white black.”**

Solomon Asch

<https://www.youtube.com/watch?v=BgRoiTWkBHU>



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3

## Business Risk Review: Our Aim

**“The greatest deception men suffer is from their own opinions”**

**Leonardo da Vinci**

**Key BRR objectives are to provide:**

- Independent review and challenge.
- Influencing mechanism when there is a potential need to change direction of travel.



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4

## Business Risk Review: Our Approach

**“For successful risk management reality must take precedence over public relations, for Nature cannot be controlled.”**

Richard Feynman

### Approach to BRRs should be:

- Evidence based
- Prepared to challenge perceived wisdom
- Objective



## Business Risk Review: Our Approach

**“Look deep into nature and you will understand everything better.”**

Albert Einstein

### Approach to BRRs should involve:

- Deep and detailed dives
- Asking challenging questions in areas where there are no maps
- Keeping an open-mind
- Focusing on areas where new insight could be valuable



## BRR: What does that mean in practice?

### Forward looking reviews with commercial/strategic focus.

Look across the business, not down divisions.

Reviews that cross boundaries between different risk types.

Assess adequacy of risk mitigation rather than control effectiveness.

**Preventative medicine rather than a cure**



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7

## BRR Approach: Key Reminders

### Empowerment is key.

“BRR Team should use reviews to raise risks and make recommendations, not to run the business and make the strategic decisions themselves.”

BRRs should not directly result in a decision to change strategy, but might lead the business to decide to change its strategy.

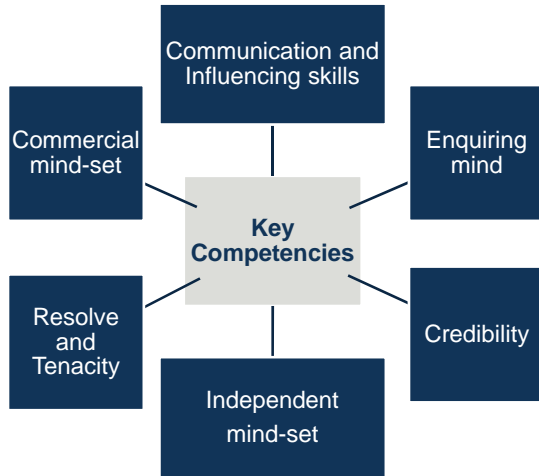
**Important that 1<sup>st</sup> line still feel responsible and empowered to run the business**



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8

## Building an Effective BRR Team



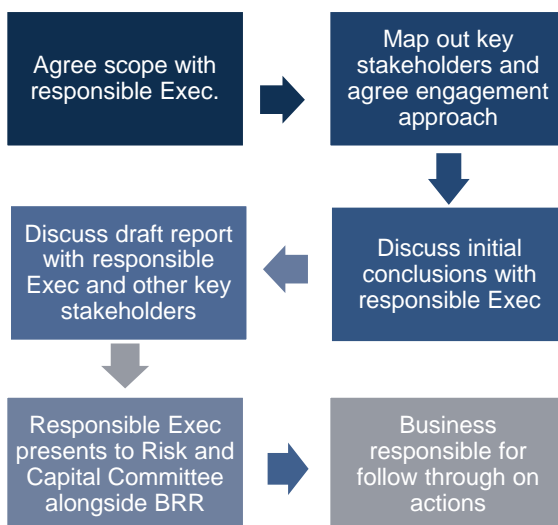
- Current team of 4 people.
- Diversity of thought important.
- Competencies and skills are more important than knowledge.
- Role in BRR team should be seen as a career progression step.



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9

## Stakeholder Engagement



- Timely and ongoing stakeholder engagement is critical.
- BRR must be clear on intent of review and any recommendations.
- External perspective enhances credibility



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10

## Real life example: 1825 Review

How did 1825 feel when the BRR Team turned up?

- A Delighted** – We weren't that busy and welcomed the distraction from the boredom. We recognised the high amount of value any risk review brings.
- B Neutral** - Team were so busy they didn't really have time to think about it. Given the quality of work underway no one was worried.
- C Worried** – Review took place when a lot of things weren't built yet. Team were worried that the review would be a big distraction.
- D Very Negative** - Saw the review as totally pointless, didn't really understand what a BRR was and had had bad experiences of risk reviews previously.



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11

## Real life example: 1825 Review

What were the key challenges from the review for 1825?

- A Preparation** – An extensive list of information requests was passed to the team requiring weeks of work.
- B During review** – The BRR team wanted to ensure they were thorough so met with members across the team several times creating resource pressure
- C Agreeing initial observations** – There was a lot of discussion about BRR's view vs 1825's.
- D Final report** – There were challenges given the format of the report e.g. lack of context given.



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12

## Experience to date: BRR Team Perspective

Crucial that area reviewed can see **potential benefits** from recommendations

**Limit** number of recommendations to have most impact

Reviews **take longer** than anticipated

Recommendations should be **broad** enough to allow business to shape implementation

**Timing** of reviews is important - want to influence direction of travel but need something concrete to review



## Experience to date: Stakeholder Reflections

“Good provocation to look at things earlier or in a different way”

“Opportunity for a valuable conversation with someone who asks a slightly different question”

“Creates debate and raises issues”

“If scoped and pitched correctly then forces appropriate pace of change”

“BRR have commanded attention and generated management focus. Has ensured business has sufficient focus on core issues”

**Risk and Capital Committee feedback very positive.**



## Focus for the future

**BRR team well established and respected but can further increase the impact of BRRs on the future success of the business**

Broaden coverage of reviews across the Group.

Enhance structure of reports for maximum impact.

Use of guest reviewers to complement existing expertise.



**Questions**

**Comments**

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