



A RISK MANAGEMENT DIALOGUE by Dragonfly LLC
RESPONDING TO A RISKIER ENVIRONMENT:

INSIGHTS ON RISK MANAGEMENT PRACTICES

22 JAN '10

Midway through the Risk Management Dialogue held by Dragonfly LLC on 22 Jan '10, its Co-founder and MD, Ms Judy Lee unbalanced the 60-strong audience. She strode off the stage onto the floor of the FTSE Room of Capital Tower, picked bemused participants and probed them with posers about risks that their companies encountered. "Everything worries us," conceded Mr Navneet Doola, Manager, Finance of India International Insurance, condensing what the general insurance business has to encounter in today's environment.

In tandem with Co-founder and CEO Mr Wee Lieng-Seng, Ms Lee covered the scope that took in risk management frameworks, issues and trends impacting risk-taking, measuring and managing different types of risks, risk-based Capital Framework set up by Monetary Authority of Singapore (MAS) and the principles of risk governance in insurance companies.

Their approach to strategy development incorporated comprehensive risk identification and quantification. All this was made against a backdrop of world conditions changing so dramatically as to present businesses with an increasingly riskier environment. The Dragonfly presenters showed the insurance audience the need for a proactive approach to managing risks. There would be a need to develop a risk culture that supported the leadership in risk government oversight and risk management



Ms Judy Lee presenting her insights on Risk Management Practices.

roles. Organisations must decide the explicitness of their Risk Appetite. This requires them to have a common language to quantify, communicate and decide on their risks. Both the CEO and the CRO are to set the tone but indeed Risk is the CEO's job.

Companies, through their leaders, must know their bets – as Mr Wee termed risks. Capital must be quantified and provided for adequately, as it comes with different standards and degrees of granularity. Risk management can be used strategically for innovation and competitive advantage.

In the risk mitigation process it is acknowledged that risk may be transformed but seldom eradicated. The practice of testing and evaluating the impact of extreme events cannot be underestimated. Risk debacles are not unleashed overnight. They result from bets sustained over time.

The deliverables of effective risk management will include timely,



At the Risk Management Dialogue, pre-occupied with the handouts.

comprehensive data and analysis; ongoing dialogue and decision-making; and dynamic value management under uncertain conditions.

Dragonfly concluded that effective risk management required good information, disciplined decision-making and risk-return culture. Risk Management is both science and art.