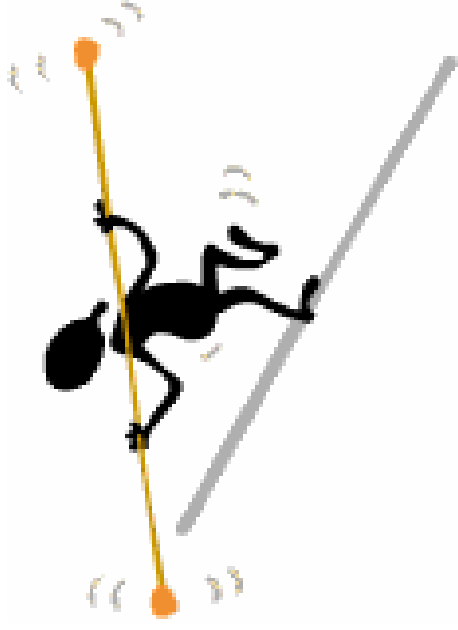


RISK MANAGEMENT - A BALANCING ACT



CHOLAMANDALAM MS RISK SERVICES LTD.,

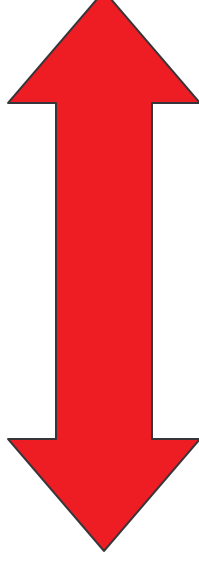
Chennai

RISK MANAGEMENT -
A COMBINATION OF SCIENCE & ART

CHOLAMANDALAM MS RISK SERVICES LTD.

RISK (Science) & Management (Art)

Investigation & understanding the broad range of risks in relation to the organization's objective



Development of the ability to communicate, articulate and manage the identified risks

*“Today’s total **Risk Manager** is the person who can combine art with science to master the challenges & opportunities of a fast-changing world”*

RISKS- A Fact File

- 🔑 The word, Risk has been derived from the Latin word, ‘Risicare’, which means ‘dare’
- 🔑 The lexicon defines Risk as threat or vulnerability
- 🔑 Risk Management (RM) emerged basically as a financial discipline
- 🔑 RM is popular analytical method for optimizing insurance coverage
- 🔑 RM is globally 50 years old

And
interestingly,

RISK is a difficult concept to
define!!!

*(Risk is generally perceived with negative effects but it also
signifies opportunity & growth)*

Types of Risks

K Financial Risks

K Operational Risks

K Physical Risks

K Strategic Risks

K Reputation Risks

K Business Risks

Ideal Risk Management

☒ Holistic

☒ Dynamic (Pro-Active)

☒ Cost-Effective (CBA)

☒ Quantifiable

RM Scenario in India

- Still in its infancy
- Mostly practiced in the **Financial & Insurance** sectors
- BCP (Business Continuity Planning) gaining importance in IT dependent industries

BCM (Business Continuity Management)- Indian Trends

- ⇒ 71% of the responders have no **BCM** plan
- ✿ 94% felt that **BCM** should address IT hardware & software Risks
- ✿ 30% are developing a **BCM** plan

- ✿ 31% have a documented & tested **BCM** plan
- ✿ 39% felt that the primary driver (PD) for **BCM** initiative is criticality to business
- ✿ 2% felt that PD for **BCM** is past experience!!

* Excerpts from a latest KPMG survey on 'BCM Preparedness in Indian Industries, 2002'

Insurance & Risk Management

- Insurance could be part of a comprehensive RM (**Risk Financing**) plan
- A **good risk** means a healthy bottomline to both the insured and the insurer
- It is logical that the insurer promote loss control programme for insured as part of their **BCP** (Business Continuity Plan)

“For every 1 rupee insurance, there is 8 rupee non-insured losses”

SEPTEMBER 11 DISASTER

Due to tested & effective
BCP in place, many
companies were able to
continue their business
operations

- 🔒 Total loss-40 BN US\$
- 🔒 Very low event probability, but very high severity
- 🔒 None of the Risk Management efforts helped

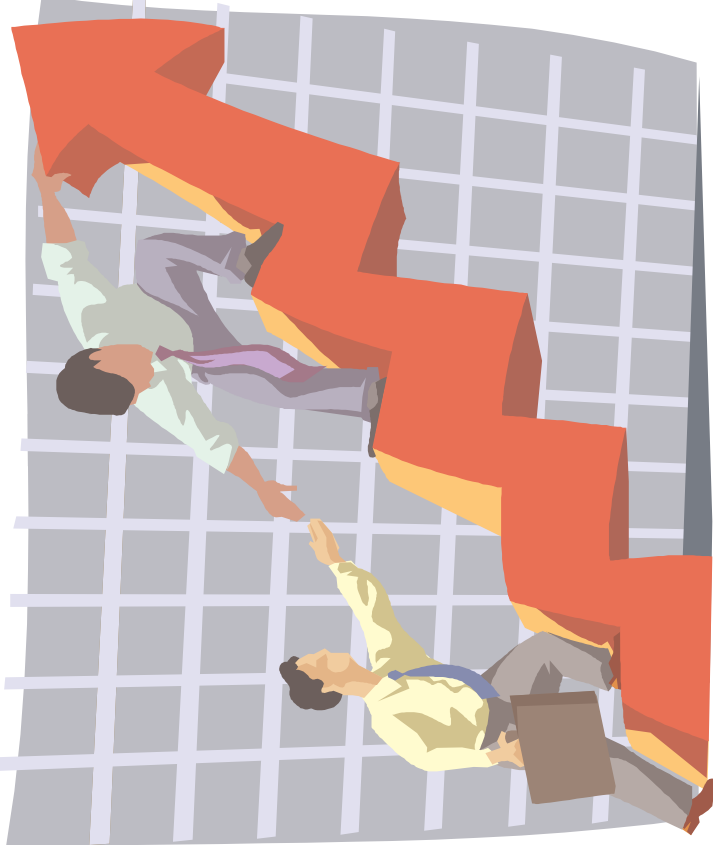
INSURABILITY PROBLEMS:

- 🌍 Catastrophic risk
- 🌍 Probability distribution of possible events could not be assessed due to absence of past experience

“Retention of Risk is Business”

**“No
business can
be run after
eliminating
all risks ”**

**RISK
RETENTION/
TRANSFER IS
FINALLY A TOP
MANAGEMENT
JUDGEMENT**



RM can be used as an effective tool
to guarantee a systematic,
transparent and future-oriented
corporate governance

RISK MANAGEMENT
is
an Attitude!

Cholamandalam MS Risk Services Ltd.

Chennai

inquiry@cholams.murugappa.com

www.cholarisk.com