



# **General Insurance Corporation of India**

## **Enterprise Risk Management Policy**

**Version 5.1**

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## **POLICY STATEMENT:**

GIC Re is committed to implement Enterprise Risk Management (“ERM”) to achieve the embedding of risk management into all activities of the Corporation and to exercise controls to keep risks within risk tolerance limits through ERM framework and structure.

## **OBJECTIVES OF ERM:**

The objectives of ERM at GIC Re are to:

- Develop a robust and dynamic risk governance structure including roles and responsibilities at various levels which can adapt to GIC Re’s environment.
- Understand GIC Re’s risk profile, define the risk appetite and tolerance while achieving its strategic and business objectives.
- Enable GIC Re to apportion risk appetite to business units to monitor and control risk.
- Enable GIC Re to monitor returns at corporate and business unit level against risk being maintained thereby embedding ERM in decision making.
- Describe requirements for ERM including the components of GIC Re’s risk management process
- Assist in anticipating risk to take proactive actions instead of depending on reactive risk management actions through continuous activities such as risk assessment, mitigation, monitoring and reporting
- Embed risk management in processes and decision making such that the Senior Management is in a position to make informed business decisions based on risk assessment
- Provide the necessary inputs to the top management through effective reporting for decision making, analysis or to support GIC Re’s various controls functions, including risk management functions
- Improve compliance with corporate governance guidelines, practices and laws & regulations
- Develop a process that is capable of providing and disseminating up-to-date information to the ERM Committees of the management and the Board.
- ERM will seek to address at the minimum the following risk categories:
  - i. Insurance Risk (Pricing)
  - ii. Operational Risk
  - iii. Concentration Risk (exposure)
  - iv. Credit Risk
  - v. Market Risk (interest rate, equity holdings and other market risks)
  - vi. Liquidity Risk (ALM, Asset Concentration Risk)

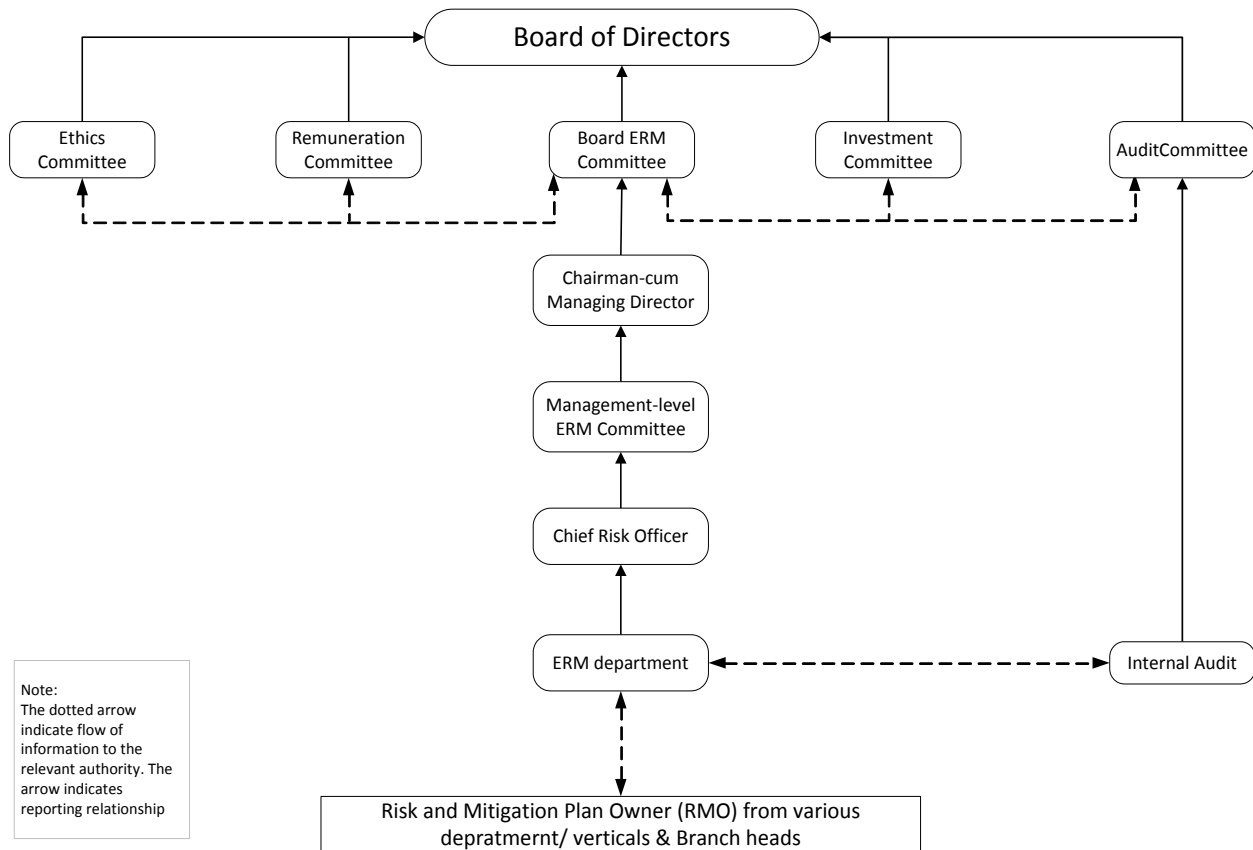
- vii. Currency Risk (foreign currency)
- viii. Reserving Risk (loss and premium)
- ix. Strategic Risk
- x. Compliance Risk

- Over and above the activities undertaken to achieve the objectives mentioned above, ERM department will undertake the activity to stress test the corporation’s balance sheet on an annual basis.

**GIC Re ERM FRAMEWORK:**

ERM is at the core of a company’s strategic and operational objectives. It is a structured process that enables the enterprise to address risks emanating from its various activities and functions in the context of business environment. The framework consists of risk identification, risk assessment, risk prioritization, risk mitigation, risk monitoring and reporting and communication of risks spanning the breadth of the Company through the following risk management structure and ERM Tool:

**RISK MANAGEMENT STRUCTURE:**



### **Board Enterprise Risk Management Committee (BERMC):**

Will review ERM policy, implementation and provide strategic guidance to ERM function through Management-level Enterprise Risk Management Committee and CRO. The CRO will be the convener and will coordinate all BERMC meetings.

### **Chairman-cum-Managing Director (CMD):**

The CMD will perform as the co-ordinating body reporting to the Board based on guidance from the BERMC.

### **Management-level Enterprise Risk Management Committee (MERMC):**

Will be a committee comprising of nominated General Managers. This is a senior management arm overseeing the ERM function. MERMC will, inter alia, approve the threshold values for key performance indicators.

### **Chief Risk Officer (CRO):**

The responsibility for implementation of ERM is vested in CRO who will play the main role in operationalizing the ERM implementation and will co-ordinate the ERM function.

### **ERM Department (ERMD):**

The ERM Department consists of officials who will assist the CRO to carry out the ERM function. It is the coordinating body under the CRO. ERMD will liaise with Risk and Mitigation Plan Owners and assist them in implementing the ERM processes. Necessary systems would be devised by ERMD to liaise with internal audit function to ensure complementarity.

### **Risk and Mitigation Plan Owners (RMO):**

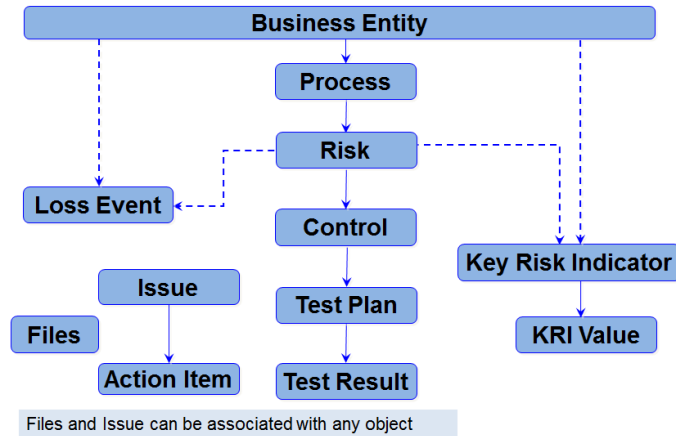
Principal role of implementation of the mitigation plans is entrusted to the RMO at Assistant General Manager level. If AGM position is vacant or does not exist, RMO will be upgraded to Deputy General Manager level. The RMO is responsible for risk identification, risk rating and risk controls. In case of business units/branches, the unit/branch head will be the RMO.

### **Internal Audit (IA):**

IA department will share information and coordinate activities so as to minimize potential overlap of activities.

**ERM TOOL:**

Data with respect to ERM is to be essentially maintained in *GICRiskPro*, the ERM Software customized to facilitate ERM activities at GIC Re. The software object model in GIC Re is as follows:



A Key Risk Indicator, also known as a KRI, is a metric to indicate how risky an activity is or to denote threshold values for risk assessment. ERMD with support from ITMG to gradually attempt to automate the manual KRIs.

Loss events including near misses to be captured and maintained in *GICRiskPro* for future references.

**APPLICABILITY AND REVIEW OF THE POLICY:**

This Policy will be applicable to all entities including overseas locations (“Businesses”) that operate within the company. A unit or an entity would abide by location-specific mandated risk governance framework apart from this ERM policy framework in consultation with GIC Re head office.

ERM Policy will be reviewed annually and placed before the Board for approval.

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