

**RELIANCE**

**NIPPON LIFE  
INSURANCE**

A RELIANCE CAPITAL COMPANY

# **ENTERPRISE RISK MANAGEMENT FRAMEWORK & OPPORTUNITIES FOR CHARTERED ACCOUNTANTS**

**APRIL 2023**

# Agenda

- **RNLIC – Corporate Governance**
  - **ERM Overview**
  - **Best Practices**
  - **Awards and Certifications**
  - **Governance Risks**
  - **Fraud Risks Management**
  - **Compliance Risks**
  - **ERM Implementation risks**
  - **Embedding Risk Culture**

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# RNLIC – ERM Overview

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# Enterprise wide Risk Management – The Building Blocks

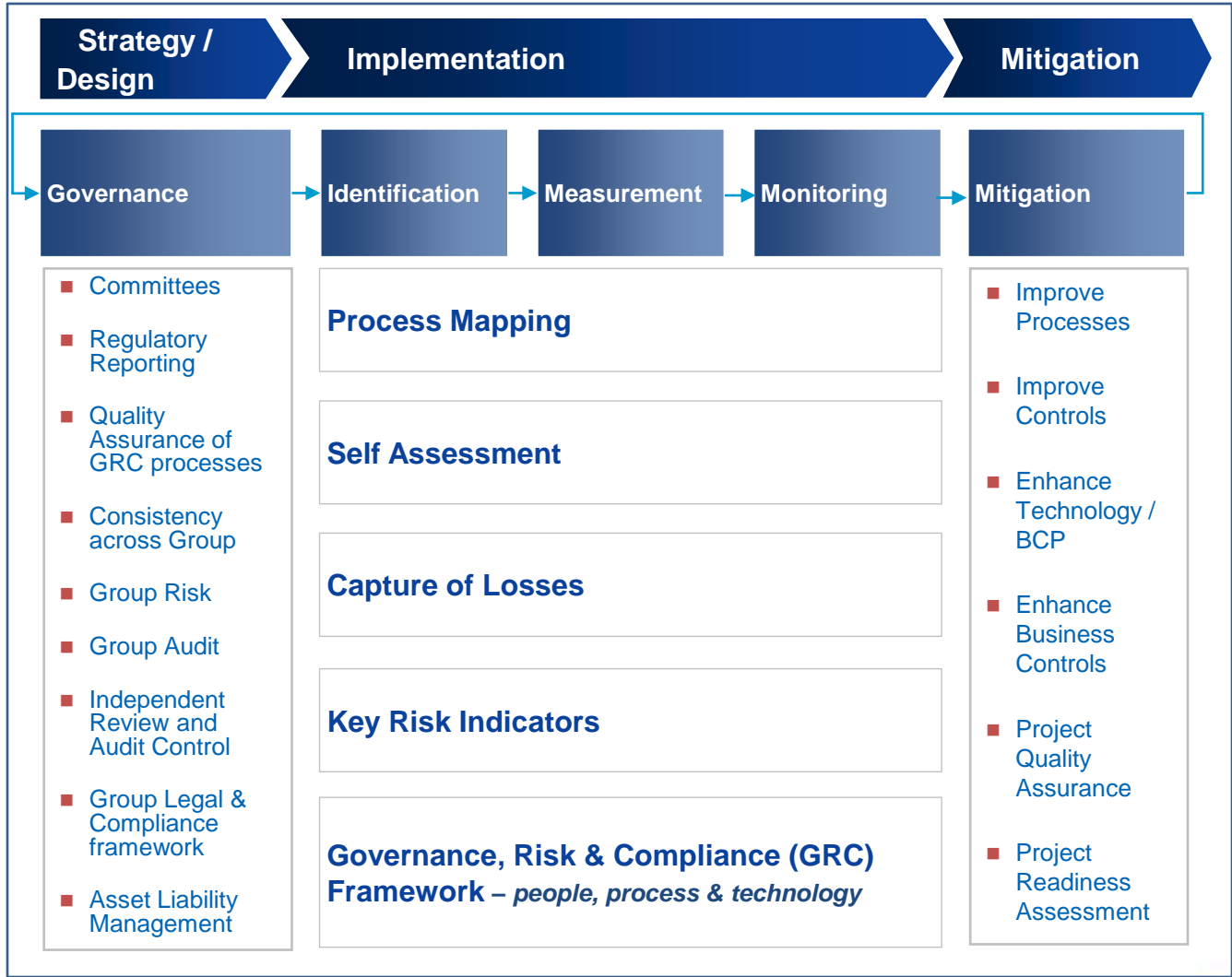
**Governance:** Establishment of policies and the definition of the framework to implement these policies

**Identification:** Stipulation and documentation of risk exposure along process and project lines

**Measurement:** Qualification and quantification of risk and loss in financial value and quality

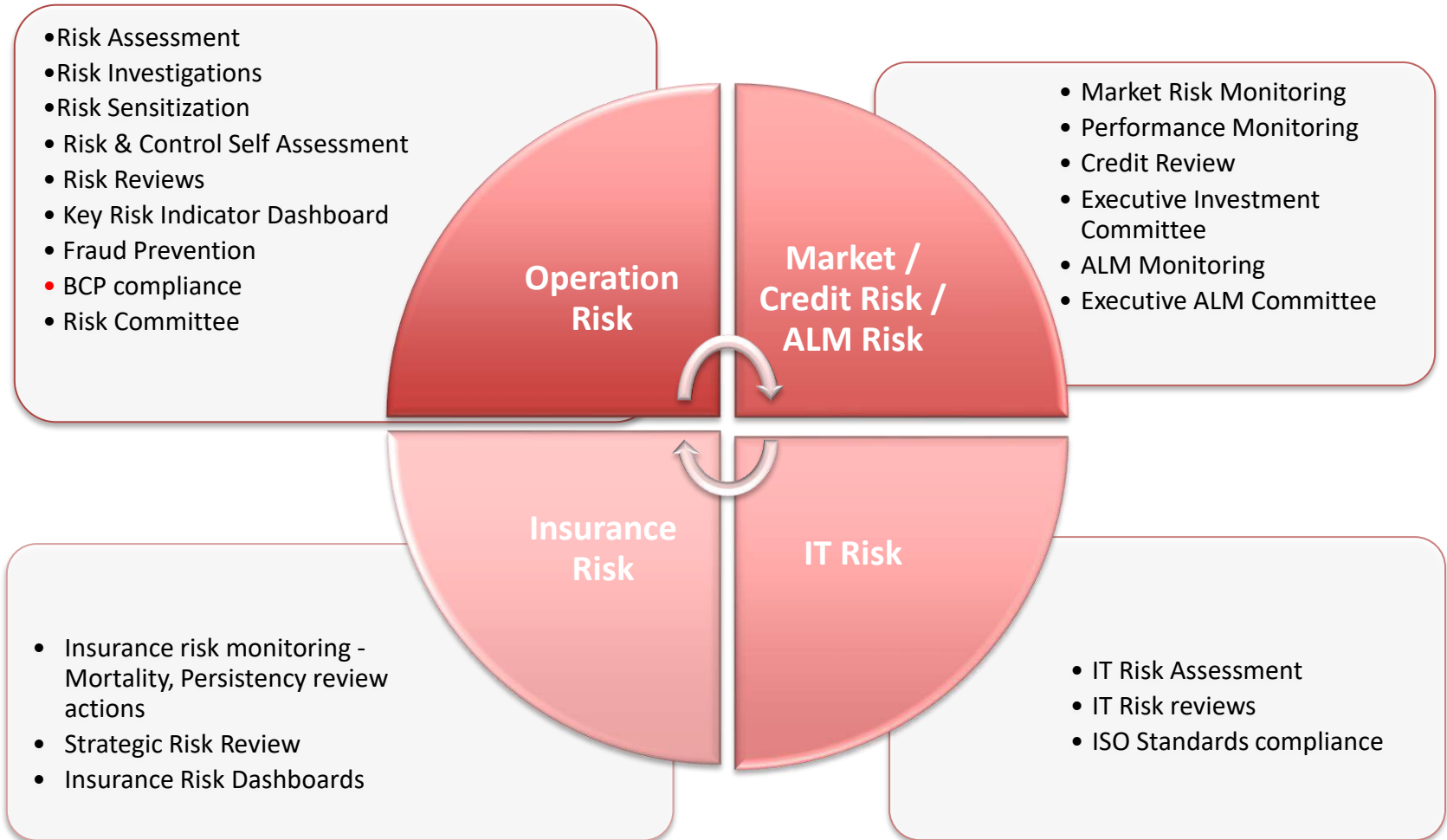
**Monitoring:** Identification, tracking and control of risk events and resolution thereof

**Mitigation:** Proactive management of risk exposure



Source: Reliance Nippon Life

# Enterprise Wide Risk Management Structure at RNLIC



**Reputation risk impact from each of the above risk - Needs Risk Mitigation**

## Enterprise Risk Management Activities

### Operations Risk

- Investigations
  - Pre / Post issuance
  - Whistleblower
  - Doctors / Pathlabs
  - CDA Background
- Disciplinary Actions & CEDC
- Zonal Risk -
  - ZCC, ZEDC, Risk Sensitization and L & C Liaising
- IT Risk
- Risk Sensitization
- Vendor Management
- Payout Verification
- Fraud Analytics

### ERM co-ordination & BCP

- KRI dashboard
- Risk Analytics
- Risk & Control Self Assessment
- Control committee
- BCP Implementation, Audit and Certification
- Board Risk Management
- Product Set-up review / Insurance Risk

### Internal Audit

- Risk Assessments for all functions
- Internal Audit
- Branch Audits
- Corporate Agent Audits
- Management Request
- Regulatory audit
- Risk Reviews
- Board – Internal Audit presentation

### Market Risk

- Mid-office
  - Daily Limit Check
  - Deal room controls check
  - Voice call check
  - PTD declaration
- Market Risk Monitoring
- Credit Risk Monitoring
- Concurrent Audit
- ALM – monitoring
- ECI
- ALM committee

# Corporate Governance practices in RNLIC



# Board Committees

## Mandatory

Board & its Committee	Members	Frequency
Board	5 – Independent and 4 – Non-executive Directors	Quarterly
Board Audit & Compliance	5 – Independent and 3 – Non-executive Directors	Quarterly
Board Risk & Asset Liability Management (ALM)	5 – Independent and 4 – Non -Executive Directors	Quarterly
Board Investment	5 – Independent and 4 – Non -Executive Directors	Quarterly
Board – Policyholders Protection	5 – Independent and 4 – Non -Executive Directors	Quarterly

## Non Mandatory

Board & its Committee	Members	Frequency
Board – Share Transfer and Allotment	4 – Independent and 4 – Non -Executive Directors	Need Based
Board Remuneration committee	3 – Independent and 3 – Non -Executive Directors	Need Based



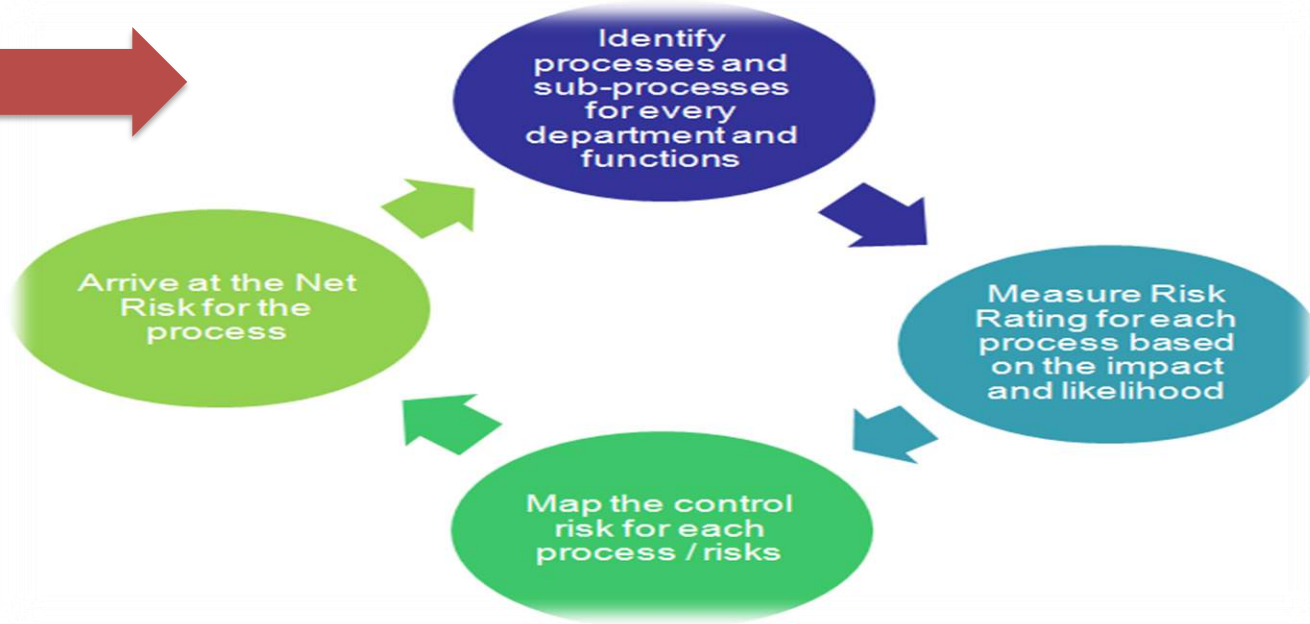
## Key Internal Committees

Internal Committees	Members	Frequency
Executive Council (EC)	CEO (chairperson), COO, CRO, CFO, CSO, CDO, CMO, CIO, CHRO, AA , Head – Nippon Representative	Weekly
Control Committee (Risk, Audit, Compliance, AML, infosec and legal)	CEO (chairperson), COO, CRO, CFO, CSO, CDO, CMO, CIO, CHRO, AA, Head – Nippon Representative and various functional heads	Monthly
Dashboard Committee	CEO (chairperson), COO, CRO, CFO, CSO, CDO, CMO, CIO, CHRO, AA and various functional heads	Monthly
Investment Committee	CEO, CRO, CFO, CIO, AA and investment equity and debt head	Monthly
Claims Review Committee	COO, CRO, CFO, CDO, Head – claims, Head – Legal & Compliance, AA, Head - underwriting	Monthly
Ethics & Disciplinary Committee	CRO, CHRO, COO, CDO, Head- Legal & Compliance, Head – Operations Risk, Head – Fraud Prevention and HR	Weekly / Fortnightly
Anti Sexual Harassment Committee	Members defined (4 Women, 2 Men and 1 External Legal Representative)	As & when needed

# Operations Risk Framework



Risk & Control Self Assessment



Impact and Likelihood

		Likelihood				
		Almost Certain	Likely	Possible	Rare	Unlikely
I M P A C T	Very High	25	20	15	10	5
	High	20	20	12	8	4
	Medium	15	12	9	6	3
	Low	10	8	6	4	2
	Negligible	5	4	3	2	1

		Controls				
		Very High	High	Medium	Low	Negligible
R I S K	Catastrophe	2	3	4	4	5
	Very High	2	3	3	4	4
	High	2	2	3	3	4
	Medium	1	2	2	2	3
	Low	1	1	1	1	2

Net Risk Scorecard

**Fraud Prevention & Investigation**



- Key functions prone to fraud**
- 1-Branch operations
  - 2-NB & UW
  - 3-HR- Payroll & Recruitment
  - 4-Claims
  - 5- Licensing, Contests & Incentives
  - 6- IT access
  - 7-Investments
  - 8-Admin & facilities
  - 9- Procurement & Payout ( Finance)

Establish an independent fraud monitoring cell.

Improve controls to prevent future occurrence

Review and refine processes

Fraud risk management

Response and corrective action

- 1-Comprehensive investigation of fraud incidents.
- 2-Recovery of loss if any
- 3-Invoking disciplinary action
- 4- Reporting to law enforcing agencies if necessary

monitoring and detection of fraud

- Major detective controls**
- 1-Proactive data analysis
  - 2-Whistle blower
  - 3-Audit-internal/external
  - 4-Customer complaints
  - 5-Periodic evaluation of vendor processes

Identifying potential fraud areas within the organisation

Quantitative and qualitative analysis

Risk Rating basis financial impact, viability and reputation

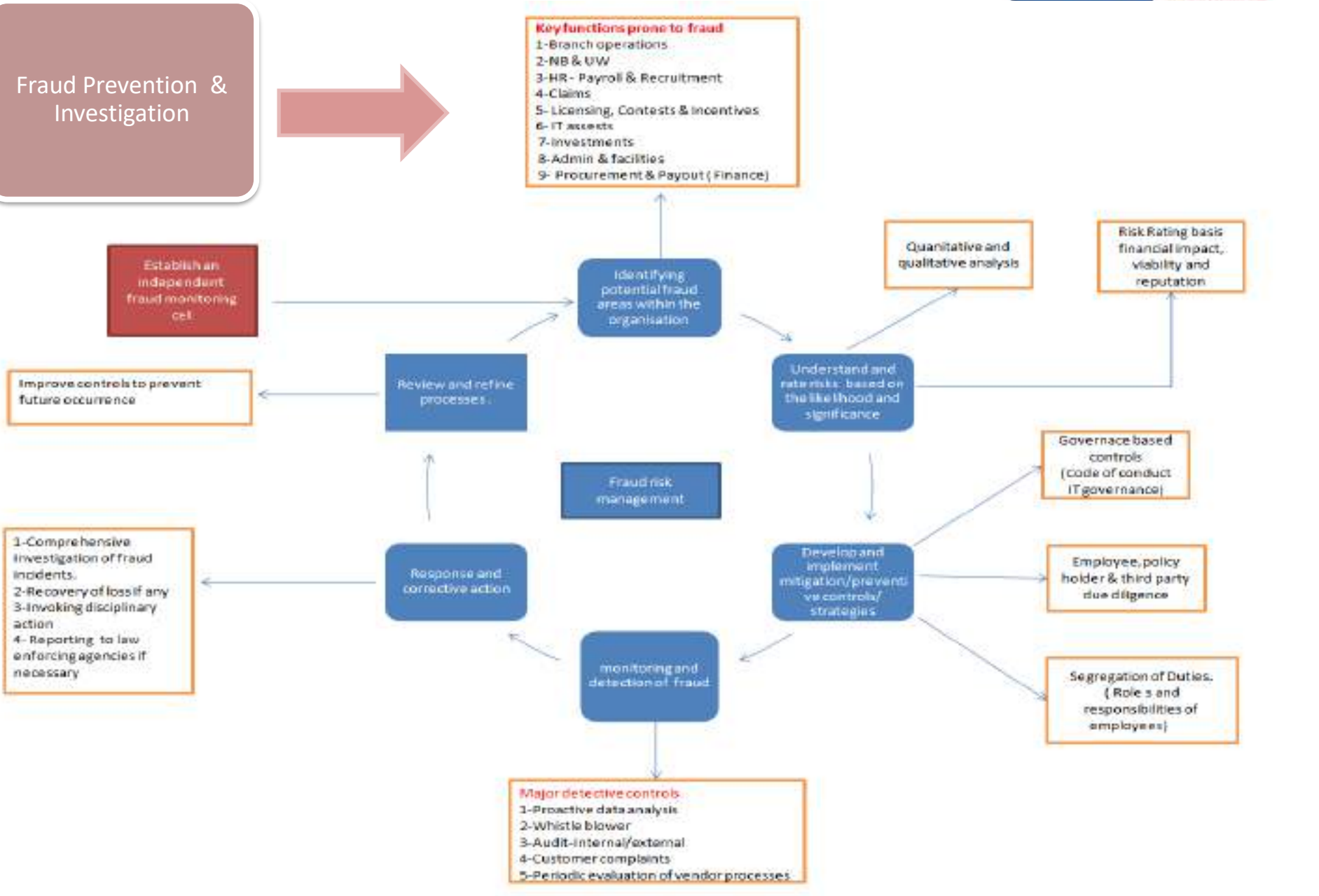
Understand and rate risks based on the likelihood and significance

Governance based controls (code of conduct IT governance)

Employee, policy holder & third party due diligence

Develop and implement mitigation/preventive controls/strategies

Segregation of Duties. ( Roles and responsibilities of employees)



# Market Risk Framework

Issuer/Industry/  
Group based  
exposure limit  
monitoring.

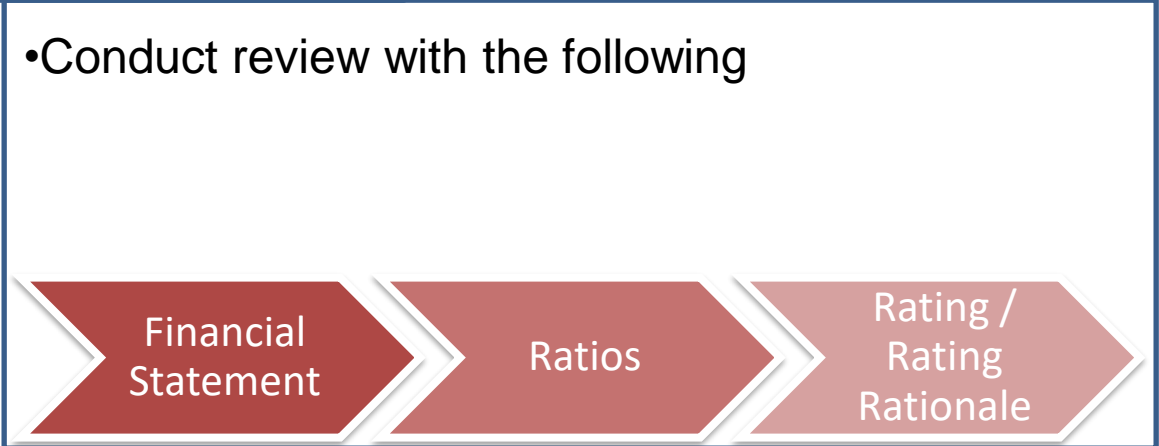
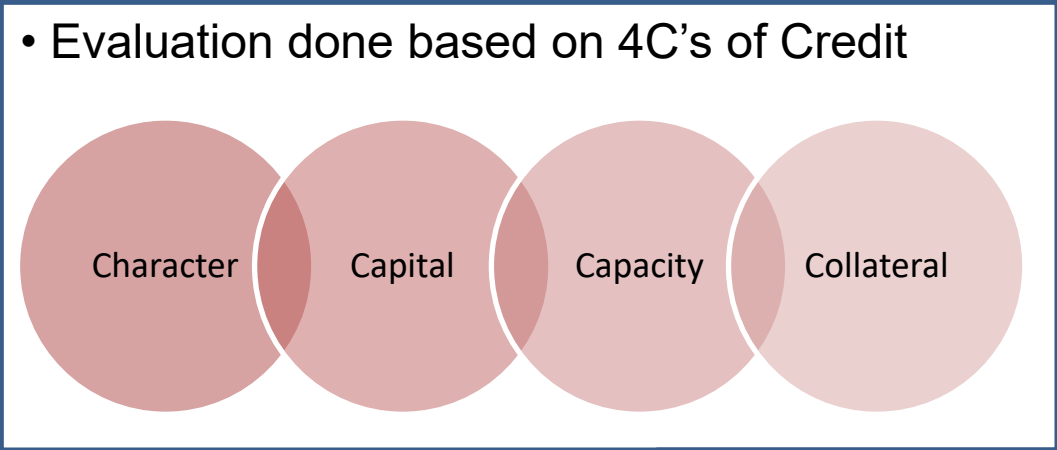
Exposure based  
monitoring  
based on  
Maturity, Rating  
and Asset Class

VaR monitoring  
of the portfolios  
compared to  
benchmark VaR.

Firm base VaR  
monitoring

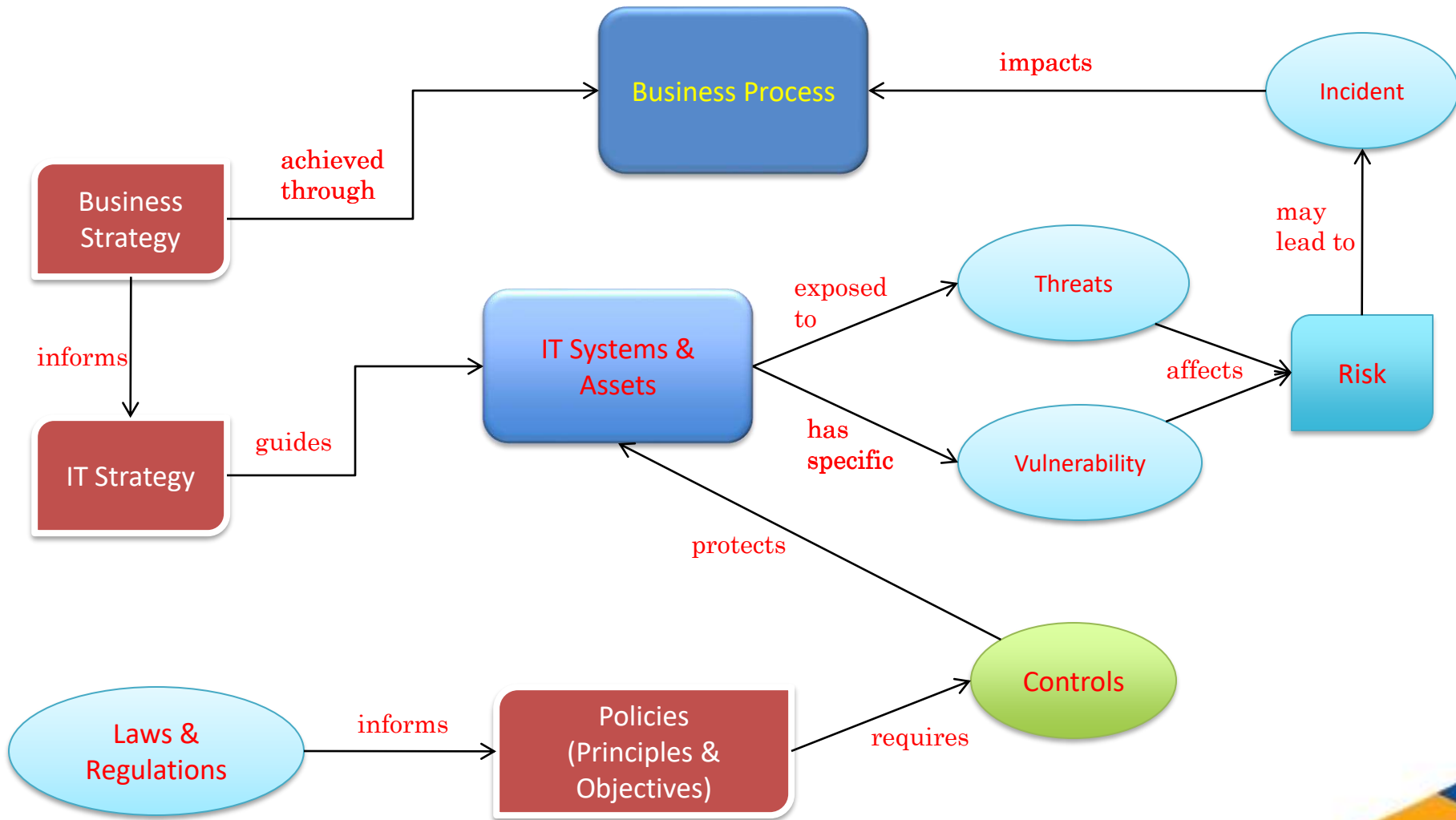
Performance  
related risk  
measure  
monitoring for  
portfolio. Eg  
Alpha, Beta,  
Sharpe ratio,  
Treyner ratio,  
Information  
ratio.

# Credit Risk Framework

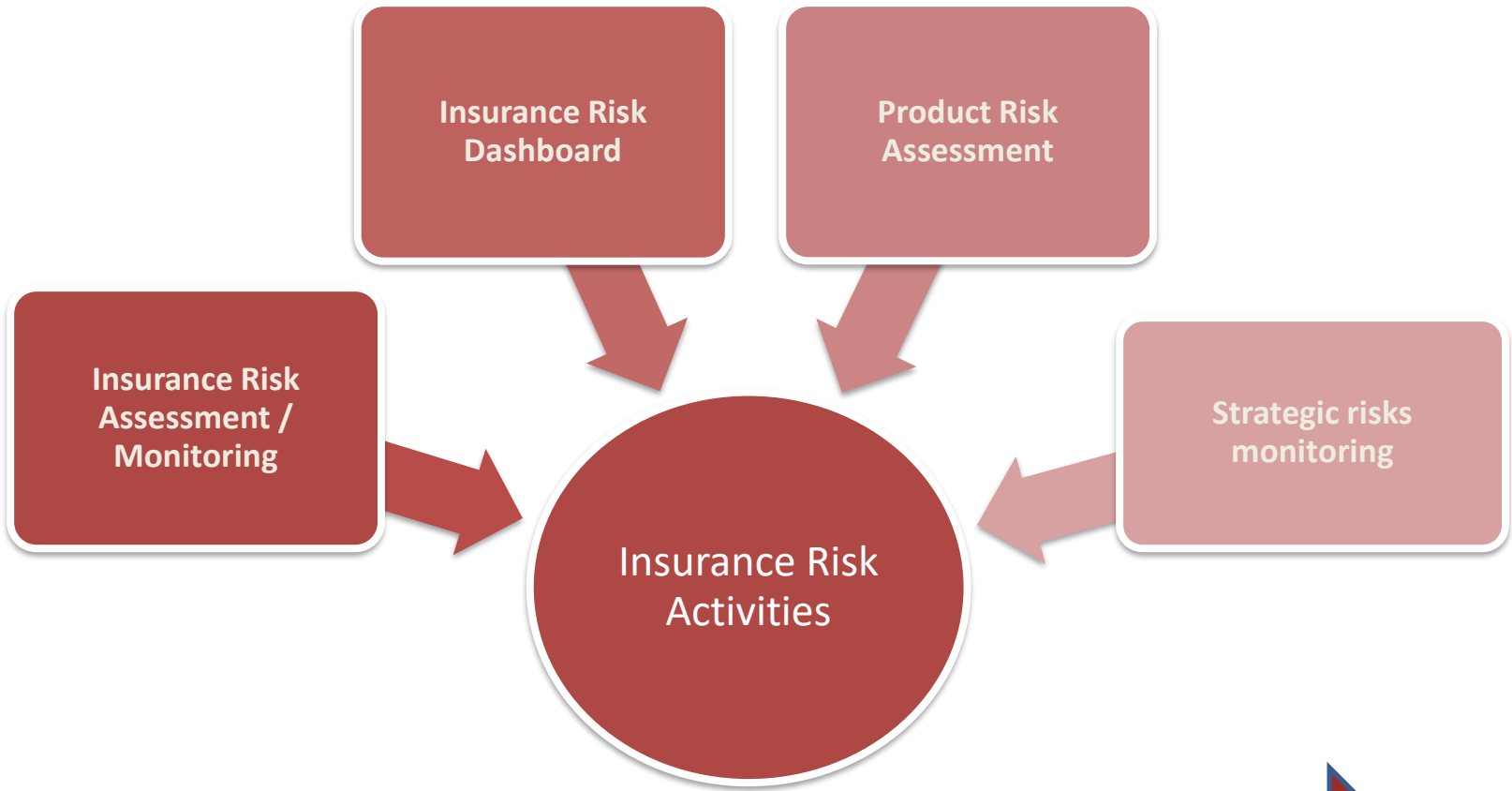


Issue reports with key action points to the Executive Investment committee

# Information Security Risk Management (ISRM)



# Insurance Risk Framework

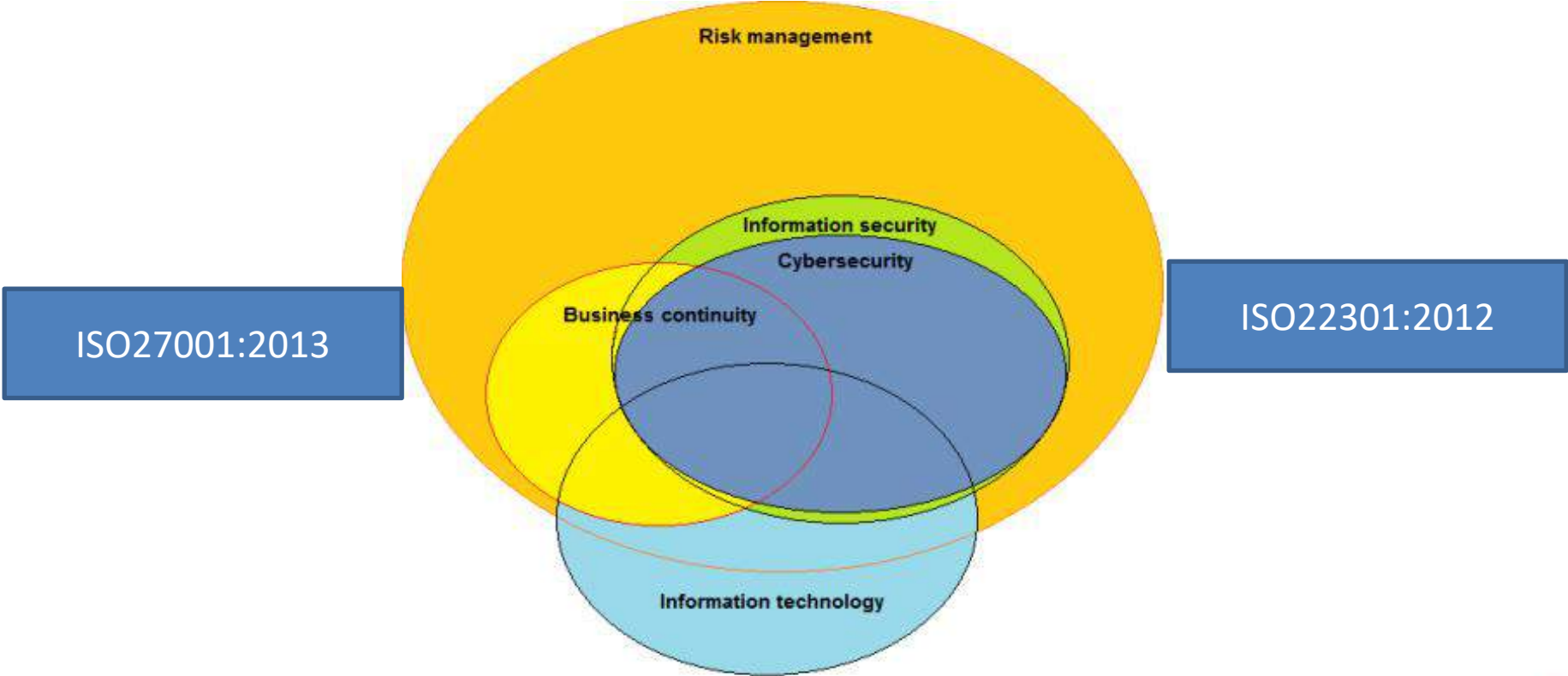


**Reporting to the Executive Risk Committee**



# Business Continuity Management System (BCMS) & Information Security Management System (ISMS) – An integrated approach

Reliance Nippon Life Insurance is the first life insurance company to integrate both the standards (ISO 22301:2012 and ISO 27001:2013).



# Automations for Risk Management

## Automation

- Implemented scientific modeling sampling in SAS for Post Issuance Verification (PIRV)
- Implemented automated triggers to sales for PIRV negative cases.
- Moved to new systems Investment systems MPOWER (parallel running)
- Automation of Annual Risk Assessment for Branches in SAS
- Automation of Monthly Branch Risk Scorecard – RED / AMBER / GREEN (RAG) Scoring
- Automation of Investigation and Disciplinary Process in Savvion
- AML systems Infrasoftware strengthened for monitoring STRs
- Initiated project for building Fraud Monitoring triggers in SAS
- Initiated the GRC automation of Risk, Audit and Compliance modules – GRACe.

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# **PIRV – Post issuance risk Verification Best Practice Sharing**

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# PIRV - Based Practice Sharing

<p><b>Background</b></p>	<p>In order to identify high risk cases resulting in early claims, PIRV process was implemented which involves selection of sample cases based on a scoring model which are subsequently verified through field investigation.</p> <p>The PIRV Process is first of its kind in the industry and has been recognised as a key innovation and has already won the prestigious CIO Awards 2016 and Finnoviti award 2016 for innovation in Banking and Financial Services</p>
<p><b>Earlier Risk Based Model for Selection of Policies</b></p>	<p>Up to FY16H1, sampling based on 7 parameters such as Age of Life Assured, Age Proof submitted, TSAR, High Risk Products, Occupation, High risk locations and Education was being using to identify high risk policies to conduct investigation.</p> <p>Though the model was proving to be effective, however it needed a further sharpening due to weights, number of parameters and learnings</p>
<p><b>Switch to Analytical Modeling</b></p>	<p>Risk &amp; BIU team jointly worked on building a scientific model to identify high risk cases based on claims and underwriting experience.</p> <p>Multiple Variables (100+) related to policy, customer, agent/SM, claims trend and CFR were considered for modelling. 35 variables were finalised post discussion with risk, underwriting and claims team. Variables are Age, Premium Term, Education, age-proof as critical, followed by early claims, channel, occupation, gender, marital status, product, base sum assured; base SA to premium ratio, local claims trend, medical CFRs and last three months underwriting initiated cancellations.</p>

# PIRV - Based Practice Sharing

## Investigation Process

In this process, we select top 4% - 5% policies from the entire range of policies issued in the previous month and these policies are then sent for physical verification to the investigator

The reports are obtained from the investigator and the findings are segregated into

- Very High - Dead man, Person suffering for critical illness & Overage
- High - No such person / Occupation, Education Mismatch from high risk areas
- Medium - Contactibility Issues
- Low – Non-disclosure of non-critical illness
- No Risk – No abnormality identified.

### Actions Taken:-

Policies with 'Very high risk' findings are immediately cancelled

The high risk cases are sent to sales and are also re-underwritten.

Actions are also initiated against the persons involved.

## Achievement

- Frauds Prevented - 97 Deadman, 203 Overage, 221 critical illness
- Savings – Overall 1000 high risk policies cancelled with 1.5 cr. premium
- Received the Best Innovation award for PIRV from Banking Frontier
- Received the Best Innovation Award for **Post Issuance Risk Verification (PIRV)** Process by the Business Excellence team of Reliance Capital (Group Company)

## Awards and Certifications

Received Best Innovation Award for PIRV by CIO award 2016 and Banking Frontiers 2016

Integrated Re-certification for ISO 27001 and ISO 22301 for ISMS and BCMS received.

Awarded as the BCP Professional in 2015 and BCP “Team of the year” 2014 by BCI – UK.

AAA<sup>efs</sup> rating by Brickworks for ERM & Financial strength

Best Innovation Award for Post Issuance Risk Verification (PIRV) Process by the RCAP Business Excellence team



# Governance Risks

## Governance

- Board Constitution
  - Adequacy, Representation, Women director, number of meetings
  - Independent Directors – Selection, Quality, Education,
  - Section 164 of the Companies Act
- Meetings – Agenda, quality, coverage, evidence, minutes
- De-conflicted, Policy Making, Shareholder Representatives
  - Joint Venture Agreement – SHA and SPA Compliance
  - Articles of Association Compliance
  - IRDAI Corporate Governance Regulations
  - Processes monitoring by Executive Management
  - Committees and their monitoring
  - Approvals and Noting
  - Outsourcing Regulations
  - Monitoring of Regulatory Compliances

# Fraud Risks Management

## FRAMEWORK

- Implemented the IRDAI Fraud Risk Management Framework
- Implemented automated triggers, Analytics, System Customizations
- Training to Staff
- Automation of Fraud Risk Modules by various functions
- Industry based database sharing to ensure Frauds being detected in new business, Underwriting and Claims
- Use of Artificial Intelligence and Machine Learning systems explored
- Video based Underwriting
- Fraud Risk Monitoring
- Internal reviews, audits and forensics



# Compliance Risks Management

## FRAMEWORK

- Implemented the IRDAI required Compliance Monitoring Systems
- Training to Staff
- Automation of Compliance Risk Modules by various functions
- Compliance Risk Assessment – Enterprise Wide, Functions, Products
- Compliance checks, Reviews and Cortication by each function
- Use of Artificial Intelligence and Machine Learning systems explored
- Video based Underwriting to cover compliances
- Welcome calling and Verification Calling of Policy Holders
- Board Audit & Compliance, ALM, Risk Management, Policy Holders
- IRDAI reviews, meetings, monitoring and Inspection
- Compliance Risk Monitoring
- Internal reviews, audits and forensics

## ERM Implementation risks

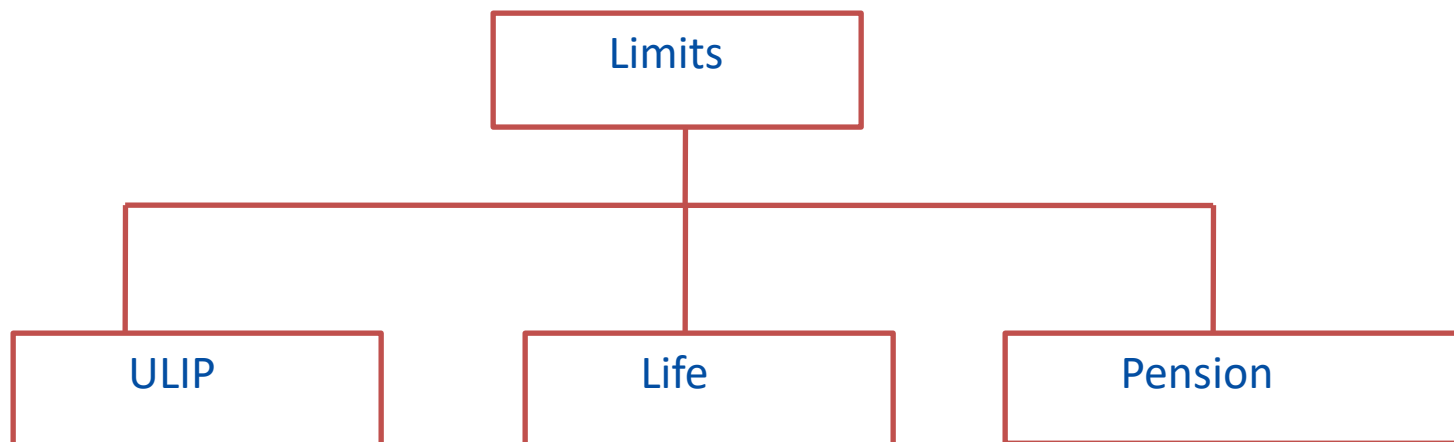
### RISK GOVERNANCE & OPERATIONAL ISSUES

- Reach of Risk Management Function – not ordained well
- Inadequate Policies, Processes and Technologies
- Deficient Product Management
- Short cuts & ill strategized businesses & operations
- Limited use of technologies, analytics and automated techniques
- Data management – discovery, storage, archives .... Not effective
- Disparate technologies, operations, businesses, processes ....
- Ill-automation of ERM – processes, operations and governance
- Inadequate training of the “People factor”
- Processes not adequate, integrated and cohesive
- Branches / Zones / Geographies – disparate
- Poor Participation of people, processes and technologies in ERM

# RISK CULTURE

## HOW DO YOU EMBED RISK CULTURE ?

- Reach of Risk Culture – how does the people factor behave ?
- Process Discipline – Customer Gradation versus Compliance
- Effective Product Management – technology, process, training
- Well strategized businesses & operations – automated
- Effective use of technologies, analytics and automated techniques
- Effective Data management – discovery, storage, archives ...available
- Integrated technologies, operations, businesses, processes ....
- Automation of ERM – processes, operations and governance
- Adequate training of the “People factor”
- Processes integrated, effective and cohesive
- Branches / Zones / Geographies – harmony in compliance
- Participation of people, processes and technologies in ERM



- Assets under the following ratings are tagged under Debt instruments excluding Govt & Other Approved Securities:
  - AAA
  - F1+
  - LAAA
  - P1+
  - PR1+
  - A1+
  - FAAA

- Investee Company at Total AUM  $\leq 10\%$
- Investee Company at Fund Level  $\leq 10\%$
- Investee Company not exceeding 10% of the Investees Share Capital

Every insurer carrying on the business of Life Insurance, shall invest and at all times keep invested its Investment Assets as defined in Regulation 4 (a) (other than funds relating to Pension & General Annuity and Group Business and unit reserves of all categories of Unit Linked Business) in the following manner:

No	Type of Investment	Percentage to funds as under Regulation 4(a)
(i)	Central Government Securities - <b>Central</b>	Not less than 25% (General 20)
(ii)	Central Government Securities, State Government Securities or Other Approved Securities <b>Central + State + Other</b> = other approved (example Oil bonds)	Not less than 50%(including (i) above) (General 30)
(iii)	Approved Investments as specified in Regulation 3 (a), (b) and Other Investments as specified in Section 27A (2) and Schedule I to these Regulations, (all taken together) subject to Exposure / Prudential Norms as specified in Regulation 9 ( <b>equity + AAA bonds + A1+ AT1 bonds</b> )	Not exceeding 50%  (General 70)
(iv)	Other Investments as specified in Section 27A (2), subject to Exposure / Prudential Norms as specified in Regulation 9 --- <b>Miscellaneous</b>	Not exceeding 15% (same for General)

No	Type of Investment	Percentage to funds as under Regulation 4(a)
(v)	<p>Investment in housing and infrastructure by way of subscription or purchase of:</p> <p><b>A. Investment in Housing</b></p> <p>a. Bonds / debentures of HUDCO and National Housing Bank</p> <p>b. Bonds / debentures of Housing Finance Companies either duly accredited by National Housing Banks, for house building activities, or duly guaranteed by Government or carrying current rating of not less than 'AA' by a credit rating agency registered under SEBI (Credit Rating Agencies) Regulations, 1999</p> <p>c. Asset Backed Securities with underlying housing loans, satisfying the norms specified in the guidelines issued under these regulations from time to time.</p> <p><b>B. Investment in Infrastructure</b></p> <p>(Explanation: Subscription or purchase of Bonds / Debentures, Equity and Asset Backed Securities with underlying infrastructure assets would qualify for the purpose of this requirement.</p> <p>'Infrastructure facility' shall have the meaning as given in Regulation 2 (h) as amended from time to time</p> <p><b>A + B = 15% thus total of regulatory limits = 100 = 50 (central + state) + 15 (max Misc) + Infra (Min 15 – they also fall in approved category) + Approved (Max 50)</b></p>	<p>Total Investment in housing and infrastructure (i.e.,) investment in categories (i), (ii), (iii) and (iv) above taken together shall not be less than 15% of the fund under Regulation 4(a) (General = housing + infra also 15%)</p>



No	Type of Investment	Percentage to funds under Regulation 4(b)
(i)	Central Government Securities	Not less than 20%
(ii)	Central Government Securities, State Government Securities or Other Approved Securities	Not less than 40% (incl (i) above)
(iii)	Balance to be invested in Approved Investments, as specified in Schedule I, subject to Exposure / Prudential norms as specified in Regulation 9.	Not exceeding 60%

Without prejudice to Sections 10 (2AA), 27 or 27A of the Act and any provisions of these Regulations every insurer shall invest and **at all times keep invested its segregated fund(s)** under Regulation 4(c) (with underlying securities at custodian level) of Unit linked business as per pattern of investment offered to and subscribed to by the policyholders where the units are linked to categories of assets which are both marketable and readily realizable within the approved pattern as per the product regulations. However, **the investment in Approved Investments shall not be less than 75% of such fund(s)** in each such segregated fund”

All prudential and exposure norms under Regulation 9, shall be applicable at the level of **individual segregated fund at SFIN level.**

Insurer shall, as per circular / guidelines issued, from time to time, disclose on their website, the minimum information required for the benefit of policyholders

## Regulation 9 - Prudential Limits

Type of Investment	Limit for 'Investee' Company	Limit for the entire Group of the Investee Company	Limit for Industry Sector to which Investee Company Belongs
<p><b>a.</b> Investment in 'Equity', Preference Shares, Convertible Debentures</p>	<p>10% * of Outstanding Equity Shares (Face Value) – <b>INVESTEES LIMIT</b>  <b>or</b>            10% of the amount under Life funds, or Pension, Annuity and Group funds or ULIP funds [segregated fund] above considered separately <b>FUND LIMIT - INVESTOR</b>  <b>whichever is lower</b></p>	<p>Not more than 15% of the amount under Life funds, or Pension, Annuity and Group funds or ULIP funds [segregated fund] above considered separately</p>	<p>Investment by the insurer in any industrial sector should not exceed 15% of the amount under Life funds, or Pension, Annuity and Group funds or ULIP funds [segregated fund] above considered separately (15% limit not applicable for INFRA and for BFSI – 25%)</p>
<p><b>b.</b> Investment in Debt (incl. CPs) / Loans and any other permitted Investments as per Act / Regulation other than item 'a' above</p>	<p>10% * of the Paid-up Share capital, Free reserves (excluding revaluation reserve) and Debentures / Bonds (incl. CPs) of <b>the 'Investee' company</b>  <b>or</b>            10% of the amount under Life funds, or Pension, Annuity and Group funds or ULIP funds [segregated fund] above considered separately <b>FUND LIMIT - INVESTOR</b>  <b>whichever is lower</b></p>	<p><b>ALL EGGS CANNOT BE IN ONE BASKET</b></p>	

### Within the debt portfolio

Not less than 75% of investment in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case life insurer – shall be in sovereign debt, AAA or equivalent rating for long term and sovereign debt, A1+ or equivalent for short term instruments. This shall apply at segregated fund(s) in case of Unit linked business

Not more than 5% of funds (**extreme Misc – below A**) under Life and Pension, Annuity and Group in debt instruments (including Central Government Securities, State Government Securities or Other Approved Securities) in the case of life insurer shall have a rating of A or below or equivalent rating for long term

Corporate bonds or debentures rated not less than AA or its equivalent and A1 or equivalent ratings for short term bonds, debentures, certificate of deposit and commercial paper, by a credit rating agency, registered under SEBI (Credit Rating Agencies) Regulations, 1999 would be considered as ‘Approved Investments’ (**max 50%**)

Investments in debt instruments rated AA - (AA minus) or below for long term and below A1 or equivalent for short term debt instruments shall form part of Other Investments (ULIP 25% Max and Life Funds 15%)

No investment can be made in other investments out of Pension, Annuity and Group funds (**No Misc**)

Investment in securitized assets [Mortgaged Backed Securities (MBS) / Asset Backed Securities (ABS) / Security Receipts (SR)] **both** under approved and other investment category **shall not exceed 10% of Investment Assets** in case of Life companies (**5% for General Insurance Companies**)

Investment Property within the meaning of Accounting Standards, shall not exceed, at the time of investment, 5% of Investment Assets of life funds in the case of life insurer. Immovable property, held as ‘investment property’ shall not be for ‘self use’. Immovable property, for self-use, shall be purchased only out of shareholders funds, and shall comply with circular / guidelines issued. (**5% of controls funds or 100% from SHF if for self-use- HDFC L**)

## General Guidelines (Prudential Limits 2/2)

The exposure limit for financial and insurance activities (as per Section K of NIC classification – 2008, as amended from time to time) shall stand at 25% of investment assets for all insurers. Investment in Housing Financing Companies and Infrastructure Financing Companies (except investment in Bonds / debentures of HUDCO, NHB and only bonds issued by Housing Finance Companies having a rating of not less than AAA, and investment in Debt, Equity in dedicated infrastructure financing entities forming part of Infrastructure sector) shall form part of exposure to financial and insurance activities (as per Section K of NIC classification – 2008)

Investment in fixed deposit and certificate of deposit of a Scheduled Bank, in case of life insurers, would be deemed as exposure to financial and insurance activities (as per Section K of NIC classification - 2008). Investment in FDs shall not exceed either 3% of controlled fund or not more than 5% of respective fund size [Pension & General Annuity Fund and Unit linked fund(s) at SFIN level], whichever is lower, in the case of Life Insurers.

The investment in Gilt / G Sec / Liquid /Debt/ Income Mutual Funds (all taken together) at any point of time, shall be as under:

"Investment Assets" as per Regulation 2(i) of IRDAI (Investment) Regulations, 2016	Life Insures
Less than Rs.50,000 Cr	10%
More than Rs. 50000 Crores and Less than Rs.250000 Crores	7%
More than Rs. 250000 Crores	3%

The above limits in the case of Life Insures, will apply to the overall level and at SFIN Level – ULIP (mf), the maximum exposure shall not exceed 15% (Fund Limit) but overall ten percent

## Investment in Units/Debt of “Real Estate Investment Trusts (REIT) & Infrastructure Investment Trusts (InvIT) / Investments in AIF and Venture funds”

The REIT /InvIT rated not less than “AA” shall form part of Approved Investments. REIT / InvIT rated less than AA shall form part of Other Investments. **(PART OF APPROVED INVESTMENTS – 50% + INFRA – 15%)**

For Units & Debt of REIT/InvIT- An Insurer can invest not more than 3% of respective fund size of the Insurer **FUND LIMIT** (or) not more than 5% **(INVESTEE LIMIT)** of the Units/10% of Outstanding Debt issued by a single REIT / InvIT, whichever is lower.

No investment shall be made in REIT /InvIT where the Sponsor is under the Promoter Group of the Insurer

Investment in Units of InvIT will form part of “Infrastructure Investments”, for the purpose of Pattern of Investments under IRDAI (Investment) Regulations.

Overall Exposure to VFs & AIFs (all taken together)	Exposure to single AIF/Venture Fund
3% of respective Fund <b>(Fund Limit)</b>	10% of AIF /VF size <b>(Investee Limit)</b>

- The following assets are tagged under Other Investments:
  - Bonds - PSU - Taxable
  - Bonds - PSU - Tax Free
  - Equity Shares (incl Co-op Societies)
  - Equity Shares (PSUs & Unlisted)
  - Equity Shares (incl. Equity related Instruments) - Promoter Group
  - Debentures
  - Debentures / Bonds/ CPs / Loans etc. - (Promoter Group)
  - Commercial Papers
  - Preference Shares
  - Venture Fund
  - Short term Loans (Unsecured Deposits)
  - Term Loans (without Charge)
  - Mutual Funds - Debt / Income / Serial Plans / Liquid Schemes
  - Mutual Funds - (under Insurer's Promoter Group)
  - Derivative Instruments
  - Securitised Assets
  - Investment properties - Immovable

- Risk Management framework with independent reporting line to CEO / CRO / Group – matrix reporting to Audit committee and Board
  - **Governance** - Policies and processes
  - **Identification** - Risk Assessment, Stipulation of risks along processes and projects
  - **Measurement** – Quantification and Qualification of risks and losses / impact – Financial and Reputation – risks not measurable should be qualified
  - **Monitoring** – Identification, tracking and control of risk events and resolution thereof
  - **Mitigation** – Proactive management of risks
- Quarterly review of the framework – efficiency and effectiveness
- Appointed Actuary a part of the Risk Committee / Framework
  - Can also be merged with CIO committee – which monitors ALM risk amongst other aspects
- Risk Management operational framework – few key areas:
  - Operational risks, Product / Pricing risks, Risk Transfer to Reinsurance, Underwriting policies....Insurance Risk Management
  - Fraud prevention framework, Mis-selling, Investigations,
  - Risk Control and monitoring
  - ALM risk or a separate ALM / ALCO with AA as a member
  - Insider Trading Policy
  - Information Systems Risk
- Risk Management processes – key processes: Control Self Assessments, Root Cause Analysis, Risk Assessments and Risk Reviews
- A fraud prevention framework needs to be instituted
- Audits should cover the working of this framework both from the design perspective and operational compliance



- Functional independence of compliance
  - Compliance not to perform operational tasks
  - Reporting line to CEO / CRO/ Group with matrix to Board and Audit committee
- Professionally competent and experienced Compliance Officer
- Role of Company Secretary – well defined role and matrix reporting line to Board
  - Compliance with secretarial standards issued by ICSI
  - Ensure good information flow to Board and **write complete minutes recording dissensions**
- Representation of compliance in the Audit Committee and Board
- Compliance Risk review and monitoring
- Grievance Redress Mechanism – Head of Compliance to monitor progress
- Disclosure norms – **the CFO Committee could debate this**
- Quarterly review of compliance framework and operations
- Conflict of Interests Policy and monitoring
  - **Code of conduct test for employees**
  - **Code of conduct for Corporate Agents and monitoring of the same**
  - **An Agreement framework for employees and Corporate Agents**
- Detailed Code of Conduct for employees
- **Minimum Compliance & Ethical standards needs to be instituted**

- Functionally independent
  - Reporting to CEO / CRO / Group Functionary to afford independence to the function
  - Matrix reporting to Board and Audit Committee
  - Quarterly review of the framework and operations by Audit committee and Board
- Audit Committee should consist of non-executive management with at least two third of the committee consisting of independent directors
- Assessment of outsourced functions
- Have status to ensure that senior management reacts to risk mitigation plans or audit recommendations
- Have sufficient resources and staff suitably trained
- Employs a risk based audit approach that identifies key risks run by the organisation and allocates resources accordingly

- **Involvement in the business plan development**
  - Business Planning – budgets and forecasts
  - CFO
  - Actuary
- **Participation in Systems development**
  - Sponsorship
  - Lead role
  - Project Management
- **Evaluation of IT business processes – audit, QA, Quality, Risk review**
- **Facilitation - training, controls, best practices**
- **Partnering SBU, HR, Legal, Risk management**
- **Inventory of Corporate IT assets**
- **NPR**
- **Business Opportunities for Chartered Accountants in Practice**

- Systems audit once in three years
- Internal audit continuous
- Concurrent Audit – daily basis
- Risk Reviews
- Compliance Reviews
- Statutory Audits – Joint Audits by two auditors
- Spot checks
- Branch audits
- Investments Governance Framework – Consultancy
- Risk Management Consultancy
- Asset Liability Management – Consultancy

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INSURANCE

A RELIANCE CAPITAL COMPANY

Thank you for  
your time.