

# CA FINAL

## RISK MANAGEMENT

### IN-HOUSE

## CASE STUDY SERIES

**-By Sanjay Saraf Sir**

**Case Study 20 Questions**

**Powered By -**



## Case Study

The world suffered a terrible, some have said “unimaginable” loss on September 11: thousands of lives lost in a span of minutes; thousands of families devastated by death and injury; monumental icons of the public and private sectors severely damaged or destroyed; entire enterprises in multiple sectors crippled or felled. There are virtually no natural or man-made catastrophes in peacetime or in war to which we can compare these events. And the waves of uncertainty and anxiety propagated by these tragedies continue to roll through our personal and public lives, and through the economy.

Those waves broke immediately over the insurance industry. In the face of such loss and destruction, individuals and businesses turned to their insurers in the hope and expectation of some recovery, some compensation for the loss. Even before insurers calculated the full extent of the losses, it was clear that they were so extensive so sweeping, so all encompassing that this industry, too was among those critically stricken by the terror, its foundations shaken.

It also became clear, to those not already aware, how dependent worldwide commerce is on a financially stable insurance industry. While this industry will survive the current calamity, some individual insurers will not, and the industry as whole has come face-to-face with the reality that it, like the airlines – though in a much different way – will need support from the public sector in order to ensure its ongoing viability.

Over the past several weeks since that terrible day, more than one of our insurance industry clients has wondered aloud if the industry couldn’t have been better prepared against this “unimaginable” act. More pointedly and poignantly, some have wanted to know if it would have helped at all before the event to have fully implemented the kind of enterprise-wide approach to risk management that many companies have espoused and begun to develop. Or would Enterprise Risk Management (ERM), too, have been unequal to the task of dealing with something so unthinkable as this?

What we’ve said to them is that no system on its own will assure that human beings think of everything. And certainly no system can predict a particular kind of event – whether a “perfect storm” or terrorists hijacking and flying jet airliners into three

buildings on a suicide mission with such destructive force and consequences. Nonetheless, the systematic, disciplined, and integrated way of thinking about risk that is at the heart of ERM would, quite likely, have enabled insurers to be better prepared to manage the unthinkable when it did occur.

## Multiple Choice Questions

**(2 × 5 = 10 Marks)**

1. By applying.....in conjunction with other operational elements in the current business environment, companies can also accomplish many of their governance-related tasks.
  - A. BIA
  - B. VAR
  - C. ERM
  - D. None of the above.
  
2. Risk register is a record of..... prepared by the responsible parties that help to support overall ERM
  - A. risk assessments
  - B. risk mitigation
  - C. action plans
  - D. All of the above
  
3. At which, risk maturity level no formal approach developed for risk management.
  - A. Risk Aware
  - B. Risk Naive
  - C. Risk Defined
  - D. Risk Managed
  
4. The corporate risk function establishes the policies and procedures, and the assurance phase is accomplished by.....
  - A. External audit
  - B. Internal audit
  - C. Risk Management
  - D. None of the above.

5. Which of the following aspects in the organisation indicate its risk maturity.
- A. Control environment is strong including the tone from the top.
  - B. Business objectives are defined and communicated.
  - C. Risk appetite is defined and communicated across the organisation.
  - D. All of the above.

## Descriptive Questions

6. What is Enterprise Risk Management (ERM)?

**(3 Marks)**

7. Examine the importance of ERM in the insurance industry. Do you think that the insurers would have been better off if they had implemented ERM prior to the attacks of September 11?

**(8 Marks)**

8. What may be the reasons for companies being slow to implement ERM?

**(4 Marks)**