

# Actuaries Summit

**Think Differently**



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Institute**

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# **Risk Culture – Board and Trustee Perspectives**

***Learnings from a (different) personal journey***

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# Spot the difference

- Picture of me at 17!



Picture of me at 57



# Two of my study inspirational posters



A ship in a harbour is safe, but that is not what ships are built for.

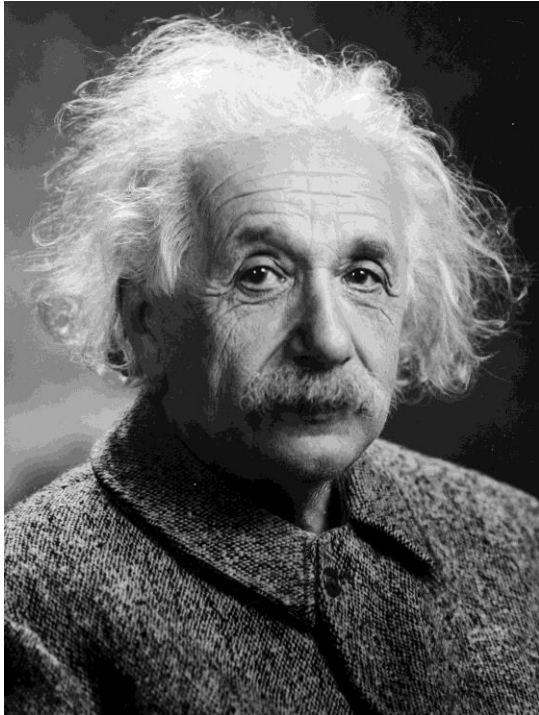
- John Shedd



Two roads diverged in a yellow wood, and I, I took the one less travelled by, and that has made all the difference.

- Robert Frost

# Think differently ... Act differently - Do it!



The definition of insanity is doing the same thing over and over again, but expecting different results.

- Albert Einstein

# Thinking differently – my personal journey

| Year | Organisation                 | Organisation type                   | Key "different" decision /action   |
|------|------------------------------|-------------------------------------|--|
| 1976 | New Ireland                  | Trad'l Life Insurer                 | Learn to program   |
| 1978 | Shield Life                  | Startup Life Co                     | User co-ordinator  |
| 1985 |                              |                                     | Move to Australia (Melbourne)  |
| 1985 | Australian Eagle             | Unit Linked & Cap Gntd Life         | People management.   |
| 1987 | McMullan Kilvington / Capsco | Actuarial Computing Consultants     | Consultant. Administration systems. Sydney.  |
| 1990 | Trowbridge Consulting        | Consulting                          | Software - sell & support. M&A. Utilities.   |
| 1998 | Eagle Star Ireland           | Modern Life Co.                     | Work as a Contractor.  |
| 1999 | Askit Consulting             | "Operational" Actuarial Consultancy | Entrepreneur / founder. Operate as a Team. Risk and risk mgt in processes. People. |
| 2008 | Ernst & Young                | Big 4 Consultancy                   | Values - culture. Multi disciplinary teams.  |
| 2010 | McGing Advisory & Actuarial  | Boutique consultancy                | Apply Actuarial skills beyond fincl services. ERM.                                 |
| 2008 | + Siena College              | Not for Profit - School             | Finance Cttee --> Board --> Risk Mgt Cttee   |

# Think differently ... but also need to ...

To achieve better outcomes, we need also to:

- Act differently – it starts with you/me
- Influence others to act differently
- Take risks – considered and calculated
- Learn from our mistakes. Improve. Become resilient
- Recognise opportunities and take them.



# Risk culture learnings from my personal journey

1. Board Director and Risk Management Committee Chair at Siena College Ltd
  - (Enterprise Risk Management and Not For Profit)
2. Investment adviser to the Board of a not for profit long service leave fund
  - (Asset Consultant / Investment adviser, Not For Profit)
3. Actuary and business advisor to Trustees of Super Funds
  - (Adviser on multiple issues)



# Risk Culture within an organisation...definitions

- Organisational culture
  - *A system of shared values and norms that define appropriate attitudes and behaviours for organisational members. (APRA, O'Reilly & Chapman)*
- Risk culture
  - *An organisation's risk culture describes the degree to which its culture encourages or limits the taking of risks and the opportunities that arise from those risks. (Brown & McGing)*

# 1. Siena College - Risk Culture improving outcomes

- **Secondary school. Not For Profit. Catholic - Dominican**
- **Mission – young women ..education.. use gifts .. love of learning**
- **750 students. 100 staff. \$16m pa revenue.**
- **Campus to maintain and enhance**
- **150+ External learning activities pa excl. sport.**

## ***Sean's role***

- **On Board and Chair of Risk Management Committee**

# Siena College

## Risk insights – Digital disruption

- Risks
  - Social media
  - Wasted resources
- Opportunities
  - Improved learning
  - Improved teaching
  - Happier students
- Risk culture
  - Attitude & Action

# Siena College

## Risk success insights #1

- Good governance
  - Board with Chair leading
  - Team / Partnering
  - Challenge
  - Trust b/w Board and CEO(Principal)
  - Value of good risk management
- Risk a consideration in every decision
  - Risk and opportunity
- Risk appetite is key base

# Siena College

## Risk success insights #2

- Internal responsibility
  - 1<sup>st</sup> line of defence.
  - College internal Risk Committee
  - Increased risk awareness
- Target a mature risk environment
- Prioritise use of resources
- Open minds



## 2. National Long Service Leave Fund (NLF) Risk Culture improving outcomes

- Board membership
  - Range of backgrounds
- Benefits per Rules document
- Focus
  - pay members benefits
  - keep contributions increases within CPI
- Sean's roles
  - (1) Asset Consultant 2) Risk Management advisor

# National Long Service Leave Fund

## Risk success insights # 1

- Being open
  - Sharing philosophy on investing
  - Board member left field investment suggestions
  - Ethical investment
  - Additional investigations



# National Long Service Leave Fund

## Risk success insights # 2

- Building a common understanding of risk appetite; risk/return
  - Range of investment risks – matching liabilities, long term
  - Investment choices available
  - Risks and opportunities across each choice
  - Balancing risk vs return
    - Expected returns and volatility
    - Liability risks
  - Affirming or amending the Investment Policy Statement

# Superannuation Funds

## Risk success insights # 1

- *Sean's role* - Trustee advisor and reviewer on risk, member equity, policy and process, product, costs, fees, scale etc
- Super Funds lagging behind banks, insurers on risk culture
  - Appointing Chief Risk Officers helping
  - APRA looking for improvement
- Super Funds should bring their investment risk level of analysis to rest of business



# Superannuation Funds Risk success insights # 2

- Focus on compliance driven projects
  - costly
  - distracts from opportunity and other risk
- Unit pricing practice risks understood
- Expectations of behaviour rising
- Fintech - improvements but ripe for disruption
- True partnering in outsourcing strengthening

# Conclusions – what drives a sound risk culture?

1. Great leadership
  1. Leading by example
  2. Leading people
  3. Leading strategy in line with risk appetite
2. Working environment
  1. Open, inclusive, adaptable
  2. Freedom with responsibility and accountability

## *Actuary advantage*

Wider actuarial skill set - business acumen, understanding complexity and ERM skills - can assist many different organisations.



# Recommendations #1

## *Thinking & acting differently in a Risk Culture context*

- Act differently
  - Confidence and courage
  - Safe environment
- Influence others to act differently
  - Communicate
  - Lead
  - Demonstrate benefits

## Recommendations # 2

### *Thinking & acting differently in a Risk Culture context*

- Take opportunities and mitigate risks
  - Risk appetite
  - Every decision
  - Look to innovate
- Learn from our mistakes
  - Understand
  - Bounce back
- Use your vehicle's accelerator and brakes

# Related Risk Culture insight sources #1

(in reverse date order)

1. Brown, A, and Cameron, A, 2017, White Paper - *Developing Adaptive Organisations through Leadership & Culture – Adaptive Cultures*  
<http://www.adaptivecultures.co/download-free-whitepaper/>
2. APRA, Oct 2016, *Information Paper – Risk culture*  
<http://www.apra.gov.au/CrossIndustry/Documents/161018-Information-Paper-Risk-Culture.pdf>
3. McGing, S. and Brown, A. 2015, *Establishing effective risk cultures – leading through influencing* - Actuaries Institute  
<http://www.mcging.com.au/downloads/EffectiveRiskCulturesActuariesSummitPresnMay2015McGing&Brown.pdf>
4. McGing, S. and Brown, A, 2014, *Risk Culture Leadership, Measurement & Management – A Comparison across Industries* – Actuaries Institute  
<http://www.actuaries.asn.au/Library/Events/FSF/2014/BrownMcGing.pdf>



# Related Risk Culture insight sources #2

(in reverse date order)

4. Financial Stability Board, 2014, *Guidance on Supervisory Interaction with Financial Institutions on Risk Culture: A Framework for Assessing Risk Culture*  
<http://www.fsb.org/wp-content/uploads/140407.pdf>
4. McGing, S. and Brown, A, 2013, *Board leadership in a complex world – optimising value from risk and opportunity* – Actuaries Institute  
<http://www.actuaries.asn.au/Library/Events/SUM/2013/Sum2013PaperAndrew%20Brown%20Sean%20McGing.pdf>
5. McGing, S. 2012, *Developing Risk Management Governance at a Not for Profit – A Case Study* – Actuaries Institute  
[http://www.mcging.com.au/downloads/RiskMgt\\_CaseStudy\\_McGing\\_2012\\_04\\_27\\_with\\_Appces.pdf](http://www.mcging.com.au/downloads/RiskMgt_CaseStudy_McGing_2012_04_27_with_Appces.pdf)

# Questions, Comments

# Discussion

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