

Board-level interest in enterprise risk management: PolRisk

By Richard Miller

[WARSAW, Poland]—Changes to corporate governance guidelines for publicly-listed companies have helped to raise the profile of risk management in Poland, said members of the country's risk management association.

Governance

Corporate governance best practices rules issued by the Warsaw Stock Exchange stipulate that company supervisory boards should monitor the implementation of risk management, which has increased board level interest in enterprise risk management, said risk managers at last week's conference of the Polish Risk Management Association.

"The whole market is talking about risk management and enterprise risk management as the most

integrated way of managing risks," said Tomasz Miazek, head of group enterprise risk management and the insurance department at Telekomunikacja Polska S.A., the largest Polish telecommunications company.

In fact, several major Polish companies are in various stages of implementing enterprise-wide risk management.

Shift

Besides Telekomunikacja—which is in its first year of implementing enterprise risk management—PKN Orlen S.A. in Plock, Poland, one of the largest oil refineries in Central Europe, is beginning to move from its traditional silo-approach to risk management, to enterprise-wide risk management.

While the new stock exchange

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rules are an external motivation, Piotr Szpakowski, director of Orlan's department of regulatory risk management, said there are internal reasons as well.

"It is a way to improve the management within the company," said Mr. Szpakowski, who prefers the term "integrated" risk management.

"Enterprise or integrated risk management should also be the platform for the exchange of information between managers, because in many cases—especially in complex companies—managers do not speak to each other," he added.

The topic of enterprise risk management dominated the agenda of last week's second-annual PolRisk conference in Warsaw.

While the previous year's conference was meant to "wake up people to the term 'risk management,'" this year's event was meant to show risk, audit and control managers how to implement enterprise risk management, according to PolRisk Board

President Rafal Rudnicki.

"We wanted to show them that they can already think about risk management at a strategic level—not only insurance, not only engineering, technical and security [risks]. But all of that combined together and elevated one step further can bring much more value," said Mr. Rudnicki, who serves as risk and insurance manager at Raben Group, a logistics company in Poznan, Poland.

Measurement

One topic of discussion at the conference was the proposal by Standard & Poor's Corp. to "score" the quality of a company's enterprise risk management as part of its corporate credit rating process. S&P, like other rating agencies, already considers enterprise risk management when rating banks and insurers, but decided last year to extend the concept to nonfinancial companies (*BIE*, March 24, page 1).

Polish risk managers were gener-

ally keen on the development of ways to measure the benefits of enterprise risk management.

"From a risk manager's point of view, it is critical," said Mr. Rudnicki. "As long as you do what we call traditional risk management ... it is quite easy to demonstrate that the ideas you have bring some effect, but as soon as you go a level higher, to a strategic level, it is very difficult to prove that risk management decisions bring added value.

At the PolRisk conference, Paul Hopkin, technical director at the London-based Association of Insurance and Risk Managers, presented preliminary research by AIRMIC that showed how enterprise risk management reduces risk exposure at companies. Mr. Hopkin said it would be a "much broader approach to quantify the benefits" of ERM than what S&P has undertaken.

But he said the next step for the industry would be to devise a means to measure the financial benefits of enterprise risk management.