
*Beyond regulation
Making an impact with risk and compliance*

In recent years, the increasingly regulated Australian insurance industry has seen many companies refine their approach to risk and compliance. But complying with regulations and reporting requirements is just one part of the process. Taking a holistic approach to risk and compliance and embedding a sound risk management framework is the key to achieving success.

Vero Insurance Limited (Vero) knows what it takes to create a risk aware culture. Many processes and controls have been implemented across Vero's 14 specialist business units to ensure that all risk and compliance issues are regularly reviewed, both to meet regulatory requirements and to ensure that the appropriate level of risk and the control of that risk is consistently taken.

Vero has been recognised previously for its approach to risk mitigation and management, by winning 2004 Australian Risk Management Award for the Best Risk Management Training and Education Program.

These processes and controls include the implementation of business licenses, claims payment authorisation levels, standards for self audits, a business unit review process and adoption of voluntary codes such as the new General Insurance Code of Practice. Vero complied with the new Code well ahead of other insurers and the 18 July 2006 deadline set by the Insurance Ombudsman Service.

Various statutes within Corporations and Insurance law and regulators such as APRA and ASIC set the minimum industry standards for insurers. APRA and ASIC licenses require insurers to have robust risk management practices in place, in addition to compliance with various regulatory and reporting requirements.

Head of Portfolio and Risk Management at Vero, Mr Paul Muir said for a diversified and specialist insurance company such as Vero, Risk Management must extend beyond a combination of processes and procedures.

“Risk Management must be embedded as culture. It cannot be seen by staff as a task to do in addition to their day jobs but considered as 'business as usual'. This is the central feature behind Vero's enterprise wide risk management culture. Our work practices embrace risk management - it is the Vero Way,” he said.

Two key principles guiding the Vero risk management framework are communication and transparency. Having open lines of communication and regular reporting of any issues or breaches are ways to having an active risk management culture.

Every one of Vero's 24 business units at Vero is required to prepare quarterly reports on both risk management and compliance. The risk management report asks business units to provide a snapshot of any significant risks being faced and what controls have been implemented to manage those risks. The compliance report focuses on any issues or breaches. In this report business units provide a description of the matter, a person responsible, a timeframe for resolution and an action plan to resolve any issues.

In addition to these quarterly reports, monthly updates are also prepared by business units to ensure that matters are being actively managed. Senior managers and the Board can view all risk and compliance matters through a centralised system at any time, providing transparency in the process.

“Management and staff need to understand and be actively involved in the risk and compliance process. We do this by having a risk and compliance

representative from every business unit and corporate service area as part of our risk management structure. This coupled with communication and transparency ensures that Vero views the insurance regulatory environment not as a hindrance to business efficiency but as a positive contributor to our continuous improvement process," Mr Muir said.

Editor's note

Vero Insurance Limited ("Vero") is a subsidiary of the Promina Group Limited, which is one of the top 50 companies listed on the Australian Stock Exchange. Vero, formerly Royal & Sun Alliance Insurance Australia Limited, has for many years been offering highly specialised solutions to its large range of customers.

Vero is one of Australia's largest intermediated general insurance companies and has 19 branches across Australia, providing a suite of quality specialised risk management products and services through brokers, corporate partners and risk managers.

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