



LIZ TAYLOR RISK CONSULTING

# **The Role of Risk Managers in the Mid Field – the second line of play**

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Author of  
Practical Enterprise Risk Management  
ISBN 9780749470531

**Liz Taylor Risk Consulting**

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# About Liz Taylor

- Over three decades of working in enterprise risk management at various levels including Board level
  - Vast training and consulting experience
  - Institute of Risk Management Approved Trainer
  - Chartered Insurance Institute SII Lead Trainer
  - Fellow of Institute of Risk Management (FIRM)
  - Fellow of Business Continuity Institute (FBCI)
  - Chartered Insurance Practitioner (ACII)
  - Author of Practical Enterprise Risk Management ISBN 9780749470531
  - Previously:
    - Managing Director, Public Risk Management Ltd
    - European Public Practice Leader, Marsh Europe
    - Executive Vice President, Marsh Europe
    - Chief Executive ALARM
    - Director of Risk and Operations, Equifax plc
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# What has successful entrepreneurialism to do with risk taking?

- Business cannot succeed without taking risk
  - But if it takes too much threat it fails
  - So how can risk management and audit help the organisation in taking managing risk?
  - The secret is in the word “risk”
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# Risk – bad?

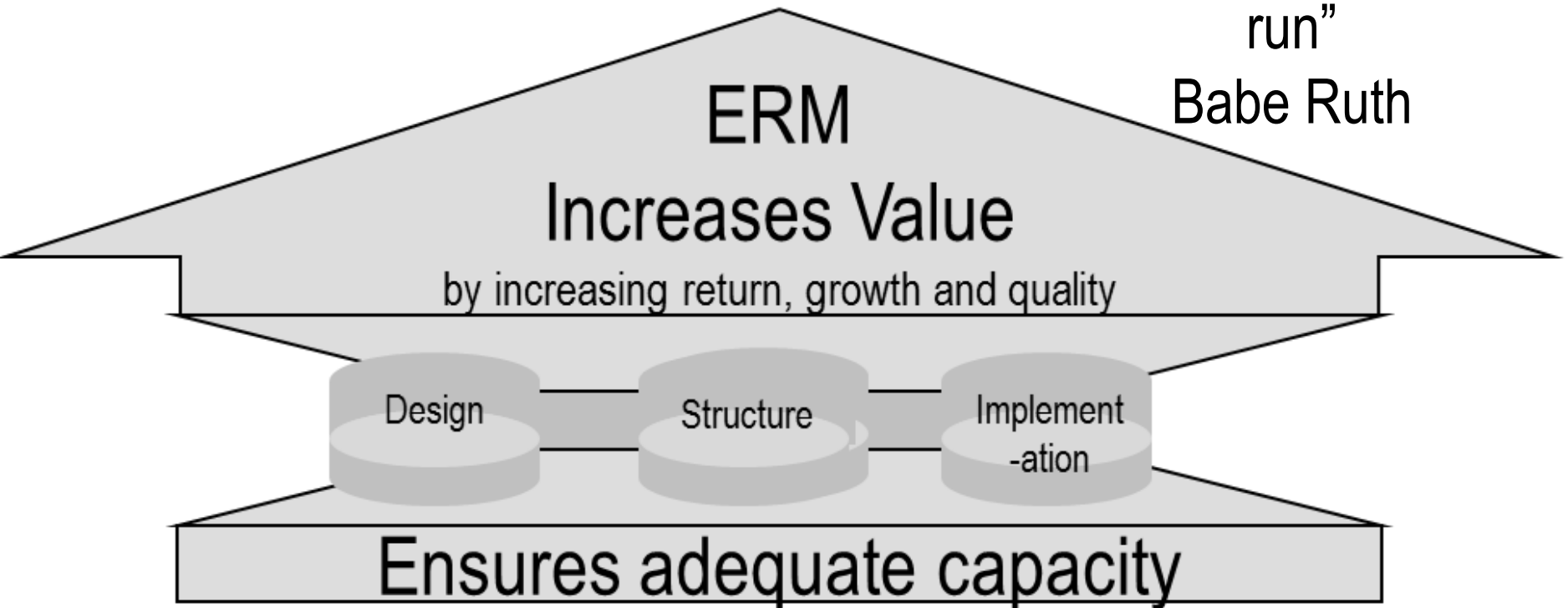
- Arabic – the word means threat / danger
  - The Chinese word “wai chi” danger / opportunity
  - Italian riscare meaning to take an opportunity
  - French – the word means danger or threat
  - English is more like the Chinese, in that Risk can mean opportunity or threat
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# Business is about taking managed risks

“Every strike brings  
me closer to a home  
run”

Babe Ruth





# Top risks from 2013 KPMG survey

Risk	% vote	+ve and -ve?
Regulatory pressure/ changes in regulatory environment	49%	
Reputational risks	41%	
Credit / liquidity risks	34%	
Geopolitical risks (EG Eurozone crisis)	32%	
Supply chain disruption	28%	
Information security / fraud	17%	
Disruption of technology	17%	
Data governance and quality	13%	
Legal	12%	
IT infrastructure	11%	
Social Media	9%	
Natural disasters	9%	
Climate change	7%	



# Exercise 1

- Form groups of no more than six people
- Take a copy of the previous slide (being handed out)
- On discussion, mark a yes or a no against the risks if:
  - No = Negative only
  - Yes = Negative and positive
  - ? = not sure
- Count the number of “yes’s”





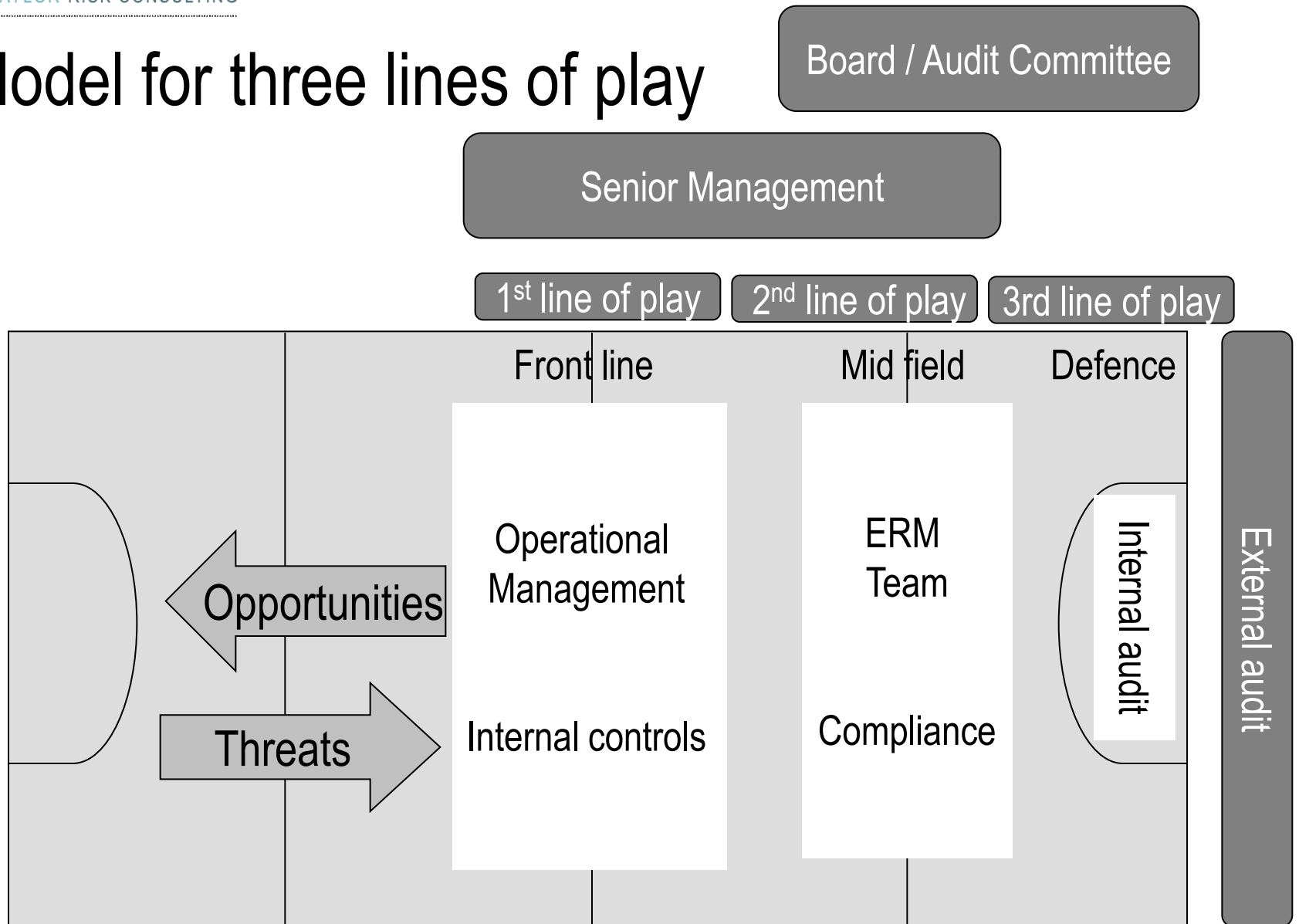
# Some risks have both +ve and –ve impact;

Risk	% vote	+ve and -ve
Regulatory pressure/ changes in regulatory environment	49%	No?
Reputational risks	41%	Yes
Credit / liquidity risks	34%	Yes
Geopolitical risks (EG Eurozone crisis)	32%	Yes
Supply chain disruption	28%	No
Information security / fraud	17%	No
Disruption of technology	17%	No
Data governance and quality	13%	Yes
Legal	12%	Yes
IT infrastructure	11%	Yes
Social Media	9%	Yes
Natural disasters	9%	No
Climate change	7%	No



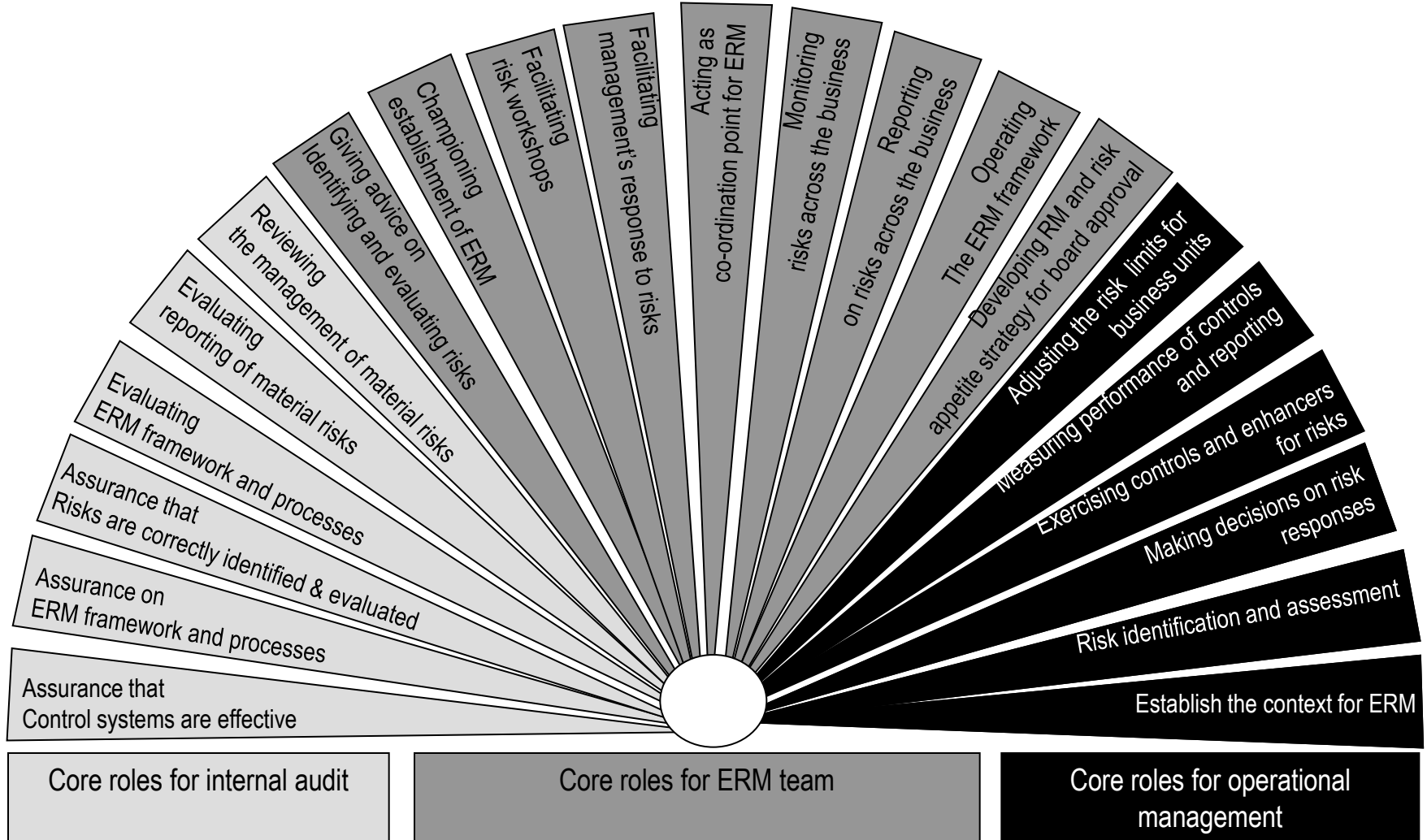


# Model for three lines of play





## Core roles in the “Three Lines of Play”



Activity	1, 2 or 3 <sup>rd</sup> line of play
Providing assurance on controls and enhancers for risks	
Adjusting the risk limits for business units	
Championing risk management	
Developing ERM process and risk appetite for board approval	
Establish the context for the risk	
Evaluating ERM framework and processes	
Exercising controls for threats and enhancers for opportunities	
Facilitating risk management	
Giving advice on risk management	
Identify, analyse and assess risk	
Make decisions on risk responses	
Measuring performance and reporting	
Monitoring risks across the business	
Operating and adjusting the ERM framework	
Providing assurance that ERM framework and processes are being applied	
Reporting on risks across the business	
Reviewing the management of risk	
Co-ordinating risk management	
Evaluating the reporting of material risks	



## Exercise 2

- Go back into your groups
- Take a copy of the second hand-out
- Discuss the roles described in the hand-out and decide whether they are:
  - 1<sup>st</sup> line of play
  - 2<sup>nd</sup> line of play
  - 3<sup>rd</sup> line of play



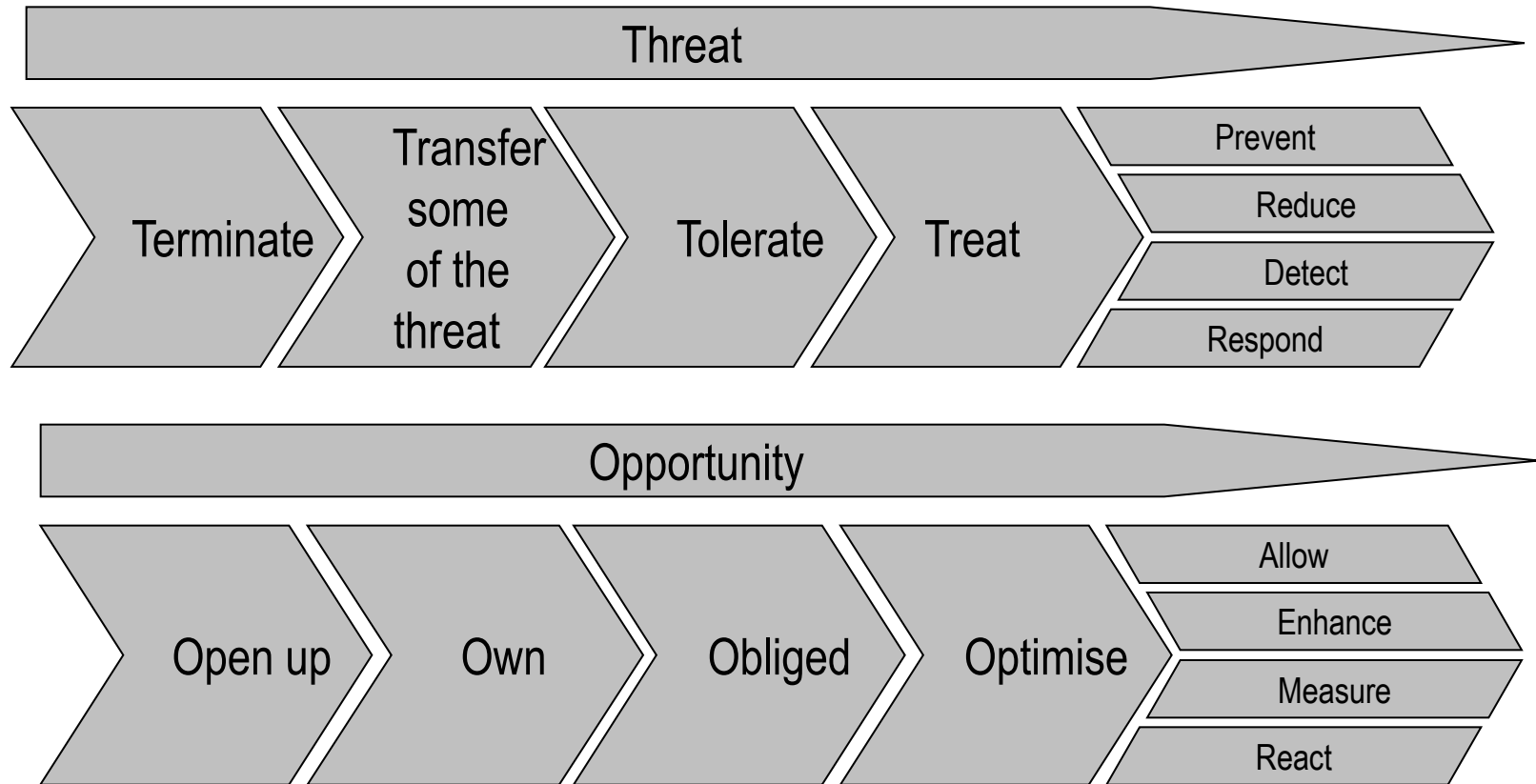


# Core roles in three lines of play

First line of Play	Second line of Play	Third line of Play
<ul style="list-style-type: none"><li>• Establish the context for the risk</li><li>• Identify, analyse and assess risk</li><li>• Make decisions on risk responses</li><li>• Exercising controls for threats and enhancers for opportunities</li><li>• Measuring performance and reporting</li><li>• Adjusting the risk limits for business units</li></ul>	<ul style="list-style-type: none"><li>• Developing ERM process and risk appetite for board approval</li><li>• Operating and adjusting the ERM framework</li><li>• Monitoring risks across the business</li><li>• Reporting on risks across the business</li><li>• Co-ordinating</li><li>• Facilitating</li><li>• Championing</li><li>• Giving advice</li></ul>	<ul style="list-style-type: none"><li>• Reviewing the management of risk</li><li>• Evaluating the reporting of material risks</li><li>• Evaluating ERM framework and processes</li><li>• Providing assurance that ERM framework and processes are being applied</li><li>• Providing assurance on control and enhancer systems</li></ul>



# Responses to threats and opportunities





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