

## ERM VIDEO INSIGHTS

### Transcript of Dan Ortiz and Bruce Branson *Building Cross-Functional Risk Expertise*

**Bruce:** Hi, I'm Bruce Branson, I'm the Associate Director of the Enterprise Risk Management Initiative at the Poole College of Management at NC State. We are joined today by Dan Ortiz. Dan is the Director of Risk Management at Genworth Mortgage Insurance and we are going to talk today about some of the benefits that Dan's found in building cross functional teams at his company. Dan, thanks for being here today.

**Dan:** No, thank you for having me.

**Bruce:** Dan, I know that you spend a lot of time at Genworth building cross functional expertise and a cross functional mindset across your business units, can you talk a little bit about some of the benefits you see in doing that?

**Dan:** Yeah, so, it is really important to build risk management expertise across the company and across different functions. There is a lot of risks that are all very different. And they manifest themselves in very different ways and it's important to leverage the employee base, which all have varying skillsets and varying backgrounds and experience. So they are really in the best position to identify, to assess, and to manage those risks. So I think if a company doesn't do that well, as far as spreading that out to the employee base, then they may actually miss some risks and have some increased likelihood of unexpected losses or missed opportunities.

**Bruce:** Great. Can you maybe help us understand some of the approaches you've taken to making that happen, to building out that mindset?

**Dan:** Yeah, sure. I mean it certainly helps to start with the tone at the top. So our CEO, as an insurance company obviously we take risks. And as part of our overall company strategy, smart risk taking is one component of that. And so that gets communicated from the CEO to our Senior leaders and what's important is that both our CRO and our risk department, we actually explain and show what appropriate risk taking looks like so the general population can understand it. And we do a lot of different things, we've done things such as do an employee survey, an anonymous employee survey, to get their feedback, to say if whether or not they think that we are taking appropriate risks. And then there's also the basic blocking and tackling where you have workshops, we have information weeks, training sessions, everything that we can do to get the word out.

**Bruce:** So that's really a way you're trying to help build that conversation and get people a little more trained on this. Can you talk a little bit more deeply about some of the things you've done to kind of get that conversation started and maybe move people a little bit closer to information sharing?

**Dan:** Sure. Well first it starts with a common taxonomy. So, you really can't talk about risks unless you're using the same risk language. That really helps first start to facilitate the discussions. Also, we have purposeful cross functional meetings. A good example is, we have a midlevel meeting, that I'm a part of, it's the governance risk and compliance counsel. In that meeting we've got risk, myself, we've got the chief compliance officer, the chief information's security officer, financial controller, IT controller, I might be leaving someone out. But in general, it's good to have that cross functional look because by seeing risks from different viewpoints you get a holistic view of the risk. So that's one particular type and the same thing happens at a higher level at our USMI Risk committee because each of the functional leaders talk about the risks that they own. And then of course we leverage an ERM system to help with reporting, etcetera, and all that helps with sharing of information.

**Bruce:** That sounds great. You're an insurance company, I think everyone understands those risks, under right risks and we pick claims, but how do you get to thinking more broadly about other risks in the organization?

**Dan:** Right, so surely from a claims-based perspective we're a highly regulated company, being an insurance company, and we make sure we look at our capital at all times, both in base or stress scenarios. But really what's important is that we are able to onboard the right risk upfront. That coupled with a strong capital position, helps us to meet our customer needs at that moment of truth. All of that is kind of the normal risk process but there is a lot of other things we do too, we keep abreast of what's going on in the news, both in our industry and in adjacent industries. There could be other risks in those industries that just have not yet manifested themselves in ours. And we use that as a basis, so that when there are workshops, we can ask those types of challenging questions, so that folks think out of the box.

**Bruce:** That's great. One final thing on my mind, I know Genworth has implemented a three lines of defense, a way to think about risk management, could you talk a little bit about how that looks at Genworth Mortgage Insurance?

**Dan:** Yeah, sure. The three lines of defense is a common classic model for prudent risk governance. You know, each of the lines are independent of each other. Of course, we got the first line of defense, which are really the process owners and they have the day-to-day interaction with our customers, with our vendors, etcetera, and they own the risk that they identify with those processes. The second line of defense, which is risk, what I am a part of, is we establish the standards, we write the policies, etcetera, so that the first line of defense knows as far as what they should be doing. And then finally you've got the third line of defense which is the audit. And so they insure, they give insurance that the first and second lines of defenses are doing what they should be doing so that we are managing the company appropriately.

Bruce: Well that sounds great. Dan, really appreciate you spending some time with us today, thank you.

**Dan:** Thank you.