

Resilience in the new age of risk



Chedid Capital executive director - governance, risk & compliance **Mohamed Khalifeh** offers his perspective on adjusting risk management and mitigation tactics to address the ever-changing risk landscape.

By Cynthia Ang

Lebanon-based financial holding company Chedid Capital has come a long way since its beginning in 1998, building leadership as a global investment group in the insurance and reinsurance fields with offices and operations in 45 countries across Europe, the Middle East and Africa.

Chedid Capital has been continuously growing through major acquisition and expansion opportunities across different service lines and geographical areas, said Mr Khalifeh. The group's subsidiary, Chedid Re, is among the 20 largest reinsurance brokers in the world. In September 2020, Chedid Capital acquired 80% of Ascoma, a major broker in Africa with a network of 23 subsidiaries in 21 countries. Following the acquisition, Chedid Insurance Brokers and Ascoma are now considered the leading network in Africa and the Middle East. Furthermore, the group has also recently launched E-DARAT a digital HR solution serving SMEs based in the UAE.

Despite the growing size and diversity of the business, the group remains focused on its organisational resilience in this ever-expanding risk universe, he said. "The group's diversification and growth pace is accompanied with continuous evolution of its risk universe and risk culture which represent a major challenge for adequate and resilient risk management. This is also accompanied with continuous change in regulatory environments which are becoming more stringent than ever in terms of divergent regulations, data protection and governance, capital and liquidity requirements, financial crime, sanctions and others."

Key to building a risk appetite framework

Prior to joining Chedid Capital in 2017, Mr Khalifeh spent 14 years in the consultancy side of the insurance and reinsurance business. When asked to list

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the biggest change in the risk management and insurance industry he's seen since joining, he cited the shift to more digitalised and integrated solutions and business models as most prominent.

Within the industry, he pointed out change management is an issue that is often overlooked especially in the case of a major overhaul in one or more of the business environment pillars and in the case of major incidents requiring immediate and drastic changes.

Mr Khalifeh said the main objective of the risk management function is to ensure that the risk level the organisation is exposed to while pursuing its mission and goals is adequately monitored and contained within the pre-defined risk appetite. Accordingly, risk management has a pivotal role in supporting the achievement of the organisation's goals and strategic objectives.

He added, "To ensure proper alignment of the group's risk appetite framework with the enterprise mission and goals, the risk management function develops the framework in partnership with Chedid Capital's management and board of directors. The process is quite dynamic and entails a lot of collaboration and continuous revalidation to ensure that the risk indicators and thresholds properly mirror the set strategic goals and objectives, and that the risk measurement tools and mechanisms are pre-approved by all concerned parties."

Barrier to effective risk management

Mr Khalifeh cited the declaration of COVID-19 as a pandemic which resulted in global economic slowdown, spotty recovery and socio-political instability has been the most significant barrier to effective risk management at Chedid Capital.

To mitigate the major health risks imposed by the pandemic, most market players including Chedid Capital were pushed into remote working setups for the past and coming year, he said. "This new and dramatic change represents a significant barrier to risk management as certain risks may slip under the radar. Nevertheless, this challenge was also foreseen by the management as an opportunity to drive change through expediting the group's digitalisation strategy which in turn has allowed for the adoption of more dynamic and effective risk management tools and approaches."

Furthermore, "the most significant and constant

barrier to effective risk management revolves mainly around the risk culture across the organisation which may lead to risks not even acknowledged let alone assessed or managed.

"To overcome such barrier, Chedid Capital's management has put in place adequate control assessment mechanisms reinforced by training to spread awareness and push forward a proactive direction towards the fundamental risks that should be managed. The visionary leadership of the management has helped in overcoming the barriers for effective risk management through setting the tone at the top," he said.

Tackling challenges ahead

With economic prospects and business conditions remaining challenging due to the COVID-19 pandemic, Mr Khalifeh shares his perspective on what the risk management community can expect for the rest of the year. He said, "The emerging risk management challenges for 2021 will revolve around the impact externally driven trends may have on traditional risks such as credit, market, operational, capital and liquidity. These trends include adverse geopolitical and macroeconomic risks as well as the new major C-suite risks, ie, cyber, conduct, change, and COVID-19.

"One of the most notable challenges to consider is the possibility of a global cyber pandemic that shuts down the internet or significantly disables bandwidth (for example the Google global outage a few months ago). With more people working remotely due to COVID-19 as well as a world increasingly connected to IoT devices, technology is more critical than ever. Our reliance on data and communication only continues to grow."

To overcome such challenges, it is essential that risk management tools and processes are properly integrated across organisations' systems and operations to allow for dynamic and pro-active risk management approach. In doing so, he said, "Risk management leaders have a huge responsibility to build and maintain strategic partnerships with all key stakeholders within the organisation and to invest in the best tools and resources available to support an intelligent and resilient risk management culture. This is fundamental to have a significant impact at the level of the organisation's overall risk management strategy in order to address and overcome emerging challenges."



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