



The RIMS Strategic and Enterprise Risk Center presents:

Grace Crickette

Chief Risk and Compliance Officer

AAA of Northern California, Nevada, and Utah Insurance Exchange

One ERM for All at AAA

By Russ Banham



RIMS

AAA Northern California, Nevada and Utah offers automotive, home and personal lines insurance products to the members of The American Automobile Association (AAA). Formerly known as California State Automobile Association Inter-Insurance Bureau, the company was founded in 1907 with a mission of “Good roads and just legislation.”

In May 2013, Grace Crickette joined AAA NCNU as Senior Vice President and Chief Risk and Compliance Officer. The veteran risk manager is charged with implementing the company’s Enterprise Risk Management strategy, and in this quest has assembled a team of legal, compliance, risk management, and internal audit experts within the organization to assist her.

Crickette is well equipped to attend to the task, serving previously as the Chief Risk Officer at the University of California, where she was responsible for implementing the school’s ERM strategy. This was not a job for the faint-hearted, given the boggling array of human, financial, property and reputational risks confronting the vast institution, which comprises ten campuses in California, two others in Washington DC and Mexico, five medical centers nationwide, the Lawrence Berkeley Laboratory, numerous international research facilities, the Lick and Keck observatories in California and Hawaii, and the world’s largest fleet of maritime research vessels.

Added to these were the university system’s 180,000 employees and 50,000 students within the state; 2,500 students, faculty and staff working outside California; and the hundreds of thousands of patients served each year at its medical facilities. Her well-worn path in risk management promises “good roads” ahead for her new employer’s ERM objectives, given the company’s 4.3 million members and more than 100 locations across three states. RIMS sat down recently with Crickette to explore her journey.

RIMS: We understand that AAA NCNU’s desire to implement an ERM program was a key reason for them to reach out to you, as well as a motivating factor for you joining the organization.

Crickette: That’s correct. Roughly three years ago, AAA NCNU became new entity within the AAA federation, and Chief Risk and Compliance Officer was a new position they were looking to create. The organization had bought into the promise of ERM and wanted to be very careful in its implementation. So it was very important that they have someone here who’d been through it before and could bring best practices to the organization. This certainly intrigued me.

RIMS: But, having been through one massive ERM implementation, wouldn’t another be off-putting?

Crickette: Well, you make a good point—these implementations are far from easy. But, when I sat down with the board, I was relieved to learn they had already invested in a solid technology solution to implement the program, as well as provide the means to manage it going forward, from a governance and risk control standpoint. The tool had yet to be fully utilized, however. But, it was certainly reassuring to know we had it.

RIMS: How did you learn about the open position at the company?

Crickette: I was at our Golden Gate RIMS chapter Christmas party, when the risk manager from AAA NCNU approached me about the job. He said he loved working for the company and was just so enthused about its plans to incorporate ERM that I thought “wow”—even though I loved working at the university and had been there for nine years, this would be a fantastic challenge and opportunity for me. Then, I met the leadership and they impressed me further with their ERM plans.

RIMS: I understand you also met with both the incoming and outgoing chairs of the internal audit committee, and this meeting played an important role in your decision to take the job.

Crickette: Yes, each of them was a big supporter of ERM. In fact, they had ERM in their charter—not just ‘risk management.’ That impressed me quite a bit. They were a very experienced group.

RIMS: So you arrive at the company and then what? What were some of your first actions and decisions?

Crickette: The first thing I did was form the ERM team with my peer experts in legal, internal audit, risk management, and so on. We then undertook our first ERM assessment, then endeavored to integrate this assessment into the company's PMO (project management organization) and other departments. Obviously, the goal is to integrate ERM across the organization very quickly. It's a big word with not many letters, which requires a fair amount of education. Fortunately, everyone here has a very strong appreciation for managing risk and understanding it in an enterprise context—looking at how risks aggregate and interrelate. We're in the risk transfer and risk management business, and our focus is to serve and protect our members every day, so this was a plus. The right culture was already in place here to ease the implementation.

RIMS: Was the ERM implementation a step-by-step process?

Crickette: Not really, it sort of all happened at once—an implementation on multiple fronts. This was the way we did it at UC, deploying the different ERM components simultaneously, and I wanted to pursue the same successful process here. We did have one group or task force that was focused on integrating the technology tool and moving its deployment forward, assisted by the PMO. Another group we involved was the Innovation Team. Their focus was an enterprise assessment of specific projects that were already in play. My initial job though was really to form the ERM Panel. I've got about a dozen key leaders from the various departments on it, including people out in the field. I also am tasked to converse on a regular basis with the board and senior management about our progress meeting the ERM implementation goals.

RIMS: You had mentioned the ERM assessment as another immediate responsibility. Tell us a bit about the findings.

Crickette: Bear in mind we are just getting the ball rolling. But, the assessment helped us identify areas of improvement, while serving as the foundation for our 2014 internal audit plan. We now have in place a sustainable, ongoing and repeatable ERM processes. We've identified not just the high-impact, high frequency risks but also the adequacies of the controls around these risks. We've also shed light on ways to improve these controls, and identified who in the organization is in place to take on these improvements. This helps us preserve our resources with regards to our internal audit ERM, in that we are determining what we specifically need to audit on a regular if not everyday basis, and the processes we can rely on to test these assessments. This has been a huge time-saver and cost-saver for us.

RIMS: Is this a self-assessment ERM model?

Crickette: Yes, exactly. All our locations, and there a little more than 100 of them, self-assess the ERM strategy using the technology tool, looking at our portfolio of risks. We just did our first test of this and the business managers thought it was a great tool.

RIMS: Given your experience working on two ERM implementations now, are there any lessons you would like to share with the readers?

Crickette: The most important thing is to have buy-in for what you are hoping to do, not just from the top of the organization but throughout it. People then naturally want to join in the shared purpose. It makes everything so much easier and satisfying. ■

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author.