

New Avenues for a Veteran Insurance Company

By Russ Banham



RIMS

Westfield has come a long way since a small group of Ohio farmers joined together to form a mutual insurance company founded on knowledge, trust and stewardship in 1848. Today, the multi-line provider of business property and liability insurance, agribusiness insurance, and surety bonds employs over 1,700 people and distributes its insurance products through more than 1,000 independent agents nationwide.

independent agents nationwide.

Kyle Van Hoeven, Westfield's enterprise risk management leader, joined the company in 2011, and was tapped two years afterwards to create and lead its inaugural ERM program. Van Hoeven remains in charge of all ERM activities today, including the program's ongoing improvements, innovations and governance. Prior to hiring on at Westfield, she was a vice president at KeyCorp, leading the centralization and development of the bank's Sarbanes-Oxley testing protocols. Before that she served as manager of internal audit services at PwC, guiding the firm's facilitation of enterprise-wide risk assessments.

Van Hoeven sat down with RIMS to discuss her approach to building the ERM program at Westfield.

RIMS: Rarely do we get the opportunity to speak to someone who launched an organization's ERM program from scratch. How did you begin the journey and steer the course forward?

Van Hoeven: I began with a blank sheet of paper. Initially, I was tasked with building the governance structure for the information flow related to ERM—all the supporting policies, documents and the charter. I took what I'd learned at PwC, insofar as what we had done with our clients to determine what would make the most sense at Westfield. Once the governance structure was in place, I led the development of a separate board committee for ERM and modified the existing Leadership Committee to include risk management in their discussions.

RIMS: Do you have a group that works with you in ERM?

Van Hoeven: I do, although we're relatively small—there are just four of us here focused on ERM and corporate risk management. We rely on two other teams to receive information on risk from across the enterprise. One is our ERM Team and the other is the Emerging Risk Panel. The first team focuses on our existing risks and the other team on the emerging stuff. Both involve mid-level management roles and higher across various departments, who help us identify the specific risks their area of the business is facing. Since my group is small and we don't yet have a lot of technology behind us, we have to learn from others what is going on. However, we've established a consistently reliable reporting flow for this information.

RIMS: As an insurance company, is Westfield in a better position to identify and assess risk than a non-insurance company?

Van Hoeven: I would say that the people closest to the action are always most aware of the risks in their various areas, no matter the type of company. This is why a bottom-up approach to identifying risk makes sense. Although we launched the ERM program here with a top-down management structure, we're now more of a bottom-up/top-down combination. We aggregate the risk information up the chain, but at the same time the CEO (Ed Largent) has specific risk concerns that he sees as detrimental to the business, so the structure allows for us to flesh out these issues from the top as well.

RIMS: What might be some of the new risks on the radar identified by the Emerging Risk Panel?

Van Hoeven: Since we do quite a bit of agricultural insurance, we're looking at the risks presented by drones, particularly some of the regulatory compliance issues. Distribution risks are another key focus area, as is loss reserving to ensure we are financially prepared to absorb property catastrophe risks. Information security is another big risk, given the recent spate of uncommon cyber attacks. The board's ERM committee is especially concerned about insurance-focused strategic risks, hence our focus on insurtech startups and other possible competitors. To preserve and expand our market position, we have to leverage technology and innovation as good or better than existing and future competitors. We've got a number of ongoing projects in this regard.

RIMS: Can you share some of the projects with the reader?

Van Hoveen: We've developed an innovation group here called 1848, referencing the year we were founded. One thing we're trying to do is really build a focus on the customer, instead of just our independent agents. Within this project is a goal to improve work streams involving policyholders. For example, we've redesigned our website to make it easier for policyholders and prospective customers to find information, reducing the burden this places on agents.

RIMS: Is there a process in place for prioritizing risks in the ERM program—rating different exposures for potential frequency and severity, and then plotting them on a matrix to choose the most important ones to focus on?

Van Hoveen: From an ERM standpoint, we do go through an actual scoring exercise on all the risks that rise up the chain as the most important ones. These risks get the most attention from my team, as they require more oversight, analysis, metrics and controls. We're held accountable to manage these risks, but we assign ownership for them to the department or function where they reside. The remaining risks fall back to the business units to manage, although we provide them support.

RIMS: Would you provide an example of a function entrusted to own a key risk?

Van Hoveen: Well, if it's a human capital risk, then HR would be the owner. If the risk is information security, that would fall to our CRO or information security leader. Judicial risks are the province of the general counsel. We assign subject matter experts to assist each of the functions, as needed. For example, someone who is an expert in data analytics might be assigned to help a function better assess and measure a risk.

RIMS: Is there a specific example showing how the ERM program has made a difference for Westfield? In other words, had the program not been in place, a less desirable alternative would have resulted.

Van Hoveen: One thing that comes to mind, although it's a bit generic, is when we have a major change afoot—such as a change in loss reserv-

ing practices or our investment strategy. My team does a lot of work to support the change, providing information that helps the decision-making. For example, we can help assess the risks inherent in shifting our investment philosophy—maybe investing in more equities for a period of time or not. Insurance companies generally have big investment arms, so this is a big deal.

RIMS: You've been leading the ERM program at Westfield now for five years. Any recent changes in your approach?

Van Hoveen: We've recently started capturing risk responses at a lower department level. For example, very recently I typed something to the IT department related to the testing elements of the software development lifecycle. Basically, the more rigor that's put into the testing, the better the opportunity to move forward in the software development process with less overall risk. We worked with their leadership team in developing the risk assessment, which will now go to the head of IT for approval.

RIMS: What do you like most about your job?

Van Hoveen: It's funny you ask. Many people, when I tell them I work for an insurance company, automatically assume it must be a pretty boring job. But the truth is otherwise. Every day here is different. I'm somebody who has lived all over the place in my career, and I absolutely love change. I'm not one of those people who like to do the same thing each day. I like when people come to me with a unique or unusual risk. My mind becomes absorbed with how to help them solve the problem, or figure out the opportunity cost.

RIMS: So it's fair to say you have found your calling?

Van Hoveen: Come to think of it, I have. ■

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