MARSH | RIMS the risk management society

EXCELLENCE IN RISK MANAGEMENT | DECEMBER 2020 THIRD EDITION

Spotlight on Resilience: Risk Management During COVID-19



MARSH & McLENNAN COMPANIES

Spotlight on Resilience: Risk Management During COVID-19

CONTENTS

1 Foreword

2 Introduction

3 Pandemic, Cyber Threats Considered Top Risks

4 Pandemic Brings Shifts in Critical Risk Priorities

8 Cyber Resilience Requires Shift in Focus

11 Future Strategies and Performance Gaps

12 Recommendations

13 Survey Demographics

Foreword

The last year has presented countless challenges for organisations to navigate.

As you will find in the *Excellence in Risk Management India 2020 third edition* of the report, there is great optimism about the ability of organisations to rebound and address future pandemic-related challenges. At the same time, cyber-attacks and data fraud remain paramount concerns for risk professionals in India, and strategies to mitigate them continue to evolve.

A variety of industries felt the effects of COVID-19. While the first major pandemic in a century, this risk — and many others of top concern — are not unusual. Thus, organisations need to learn from this experience, rethink their business resilience strategies, and become better prepared for future risks.

This year's events emphasized the need to be proactive. The importance of risk management has come to the fore, with an emphasis on the value of robust business continuity plans that quickly and effectively respond to challenges. As the risk management community becomes more informed, it should become better prepared to support strategic decision-making.

However, to be proactive, organisations need to develop processes and channels to collect and review critical information. Building risk-aware, collaborative organisational cultures will allow organisations to plan for interconnected risks and to leverage previously unrealised opportunities.

Proactivity and adaptability enable many risk professionals and senior business leaders to address dynamic and emerging risks with confidence. But that would not be possible without knowledge.

The power of the global risk management community has always been its willingness to share experiences, ideas, challenges, and best practices. RIMS and Marsh offer this collaborative report as a resource for risk professionals and their insurance partners as they work to deliver value to their organisations. Together, we are focused on advancing risk management programmes and empowering the professional community to innovate, support growth, and achieve greater organisational outcomes for years to come.

We would like to thank those who contributed to the report and are excited to continue to work together to discover new ways to elevate the practice of risk management.

Sincerely,



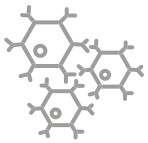
SANJAY KEDIA
Country Head & CEO
Marsh India



LAURA LANGONE
President
RIMS, *the* risk management society®



Organisations need to learn from the pandemic, rethink their business resilience strategies, and become better prepared for future risks.



The pandemic underlined potential exposures from other catastrophic events.

Introduction

In 2020, the world experienced a global public health crisis that killed more than one million people, infected many millions more, and changed daily life as we know it. In March, just weeks after COVID-19 was identified, India entered a national shutdown — offices emptied and bustling streets were deserted. Then the economy shrank by nearly 24% between April and June — the worst contraction on record.

Despite the blows to individuals and the economy, by November, businesses were slowly getting back on their feet — especially within the hard-hit manufacturing sector. However, as 2020 comes to a close, many businesses face difficulties as they grapple with a cash crunch and the persevering pandemic.

Against this backdrop, results from the *Excellence in Risk Management India 2020* survey show that while the continued effects of the COVID-19 pandemic, or a new public health crisis, are the highest concerns for organisations in India, other risks are also top of mind, especially cyber-attacks and data fraud.

The COVID-19 crisis brought to the fore the fragility of health systems and interconnected business chains. But it also underlines potential exposures from other catastrophic events, many of which have not been considered immediate risks, with preparation thus lacking.

As businesses recover from COVID-19, many senior leaders are shifting attention to questions of resilience. But, as our survey shows, the use of advanced risk management techniques in India remains limited — for example, more than one-fifth of respondents do not assess or model emerging risks.

Indian companies are at an important juncture. Their preparations for the next crisis will help determine their ability to survive and thrive.

Marsh and RIMS, *the* risk management society®, hope that this year's *Excellence in Risk Management — Spotlight on Resilience: Risk Management During COVID-19* report will help you understand the current landscape and promote discussion of risk management within your organisation.

We encourage you to reach out to us with any questions or comments.

Pandemic, Cyber Threats Considered Top Risks

Indian companies also worried about economic impacts

Only one-third of survey respondents saw the continued impact of COVID-19 — or fallout from a new epidemic/pandemic — as the area from which their organisation's next critical risk would arise (see Figure 1). This could be due to some optimism that the worst is over, or a belief that their response at the beginning of the year helped them build sufficient resilience to the risk. Note that daily new COVID-19 cases and deaths were climbing during the monsoon season, as survey responses were being collected.

However, companies should exercise caution as even those businesses that have remained fully or partially operational could be affected in the long term from measures intended to stem the virus' spread before a vaccine is widely available and effective at controlling the pandemic.

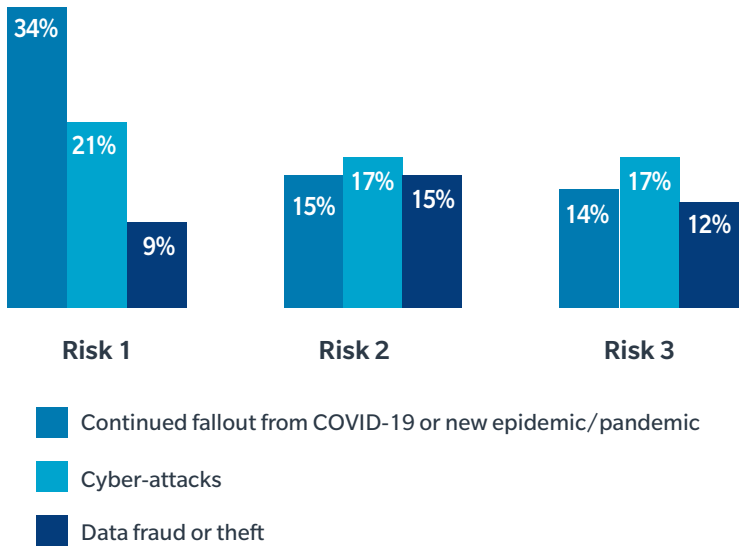
Indeed, economic concerns weigh heavily on Indian companies. Many cash-strapped companies have cut salaries, and are reviewing budgets. They are also concerned about changes in and reductions to customer demand, which could hinder recovery.

Agile organisations were able to pivot to cater to such new needs. One high-end clothing manufacturer, for example, shifted production to facemasks early in the pandemic, and now manufactures face coverings that match its clothing line.

FIGURE 1

Public health crises top the risk priority list for Indian companies.

Q: Where will the next critical risks for your organisations emerge from?







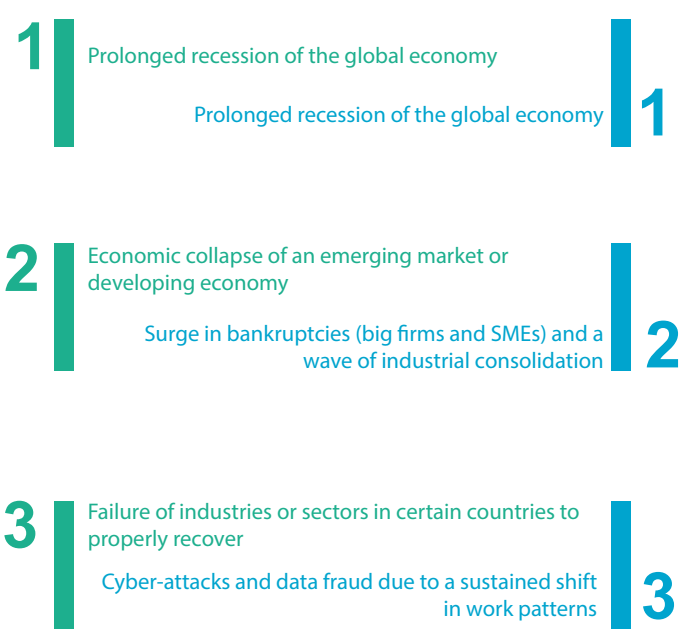
There is concern among Indian companies about their ability to withstand prolonged upheaval.

Still, uncertainty remains regarding the pandemic's long-term effects. Indian companies are concerned about their ability to withstand a long period of upheaval, even if they withstood the initial shock. In June, Barclays estimated that the lockdown would cost the Indian economy $US306 billion (Rs 2,300 billion), or 11.5% of GDP, while Moody's expects the economy to contract by double digits during the current fiscal year. Both our survey and the World Economic Forum's *COVID-19 Risks Outlook* (see Figure 2) suggest that Indian companies worry about a pandemic-induced global recession.

FIGURE 2

Pandemic underlines economic concerns.

Q: Which risks related to the pandemic are most worrisome for your organisation?



This summer, the measure of economic policy uncertainty rose to its highest level in more than six years. Several top Indian companies said they could not reliably estimate the economic effects of the ongoing health crisis and suspended revenue guidance typically issued to investors. This will likely add pressure to organisations struggling to regain momentum following the months-long shutdown.

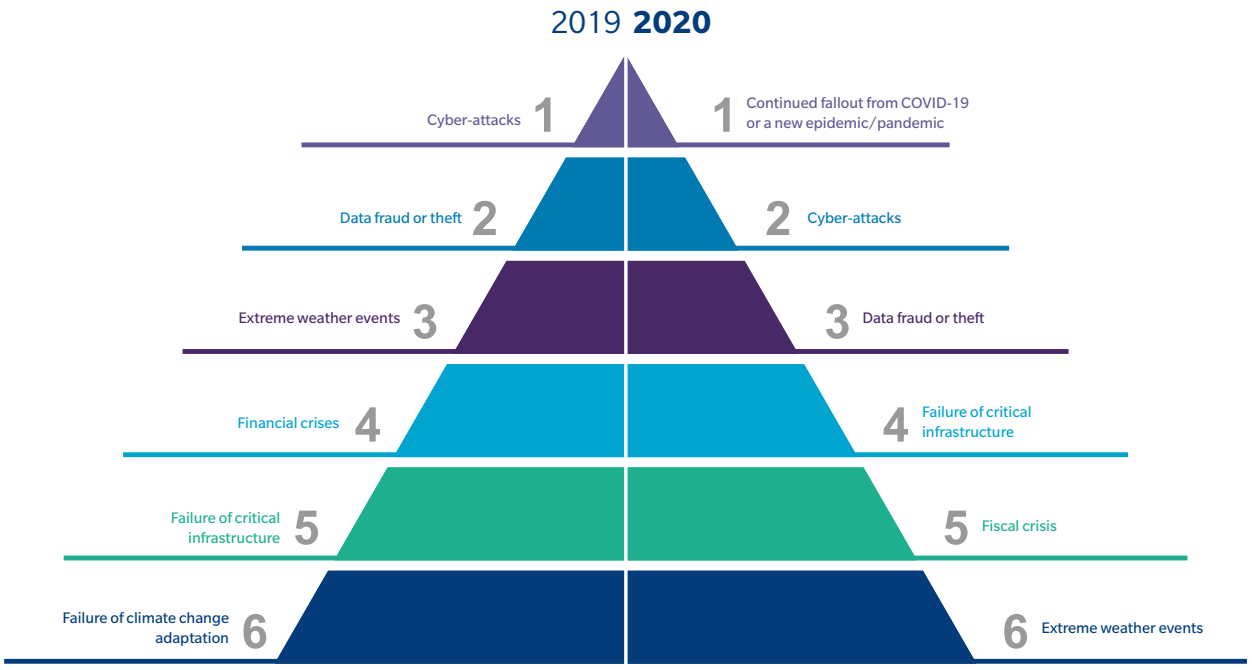
Pandemic Brings Shifts in Critical Risk Priorities

Cyber risks remain top of mind

FIGURE 3

Extreme weather events drop in priority.

Q: Where will the next critical risks for your organisation emerge from?



For the third consecutive year, cyber-attacks and data fraud remained among the top three risks cited by survey respondents (see Figure 3).

Failure of critical infrastructure climbed the ranks as the pandemic highlighted areas of weakness. One of the biggest hurdles was the immature IT infrastructure identified when India "shut down". Many companies whose employees generally could work effectively remotely realized that some did not have company devices and others did not have reliable internet connectivity. Still, some firms were able to move quickly and secure the necessary IT equipment and services.

Organisations need to balance their focus between longstanding and emerging risks, with risk managers tasked with keeping all perils on their radar.

Extreme Weather Risks Slide Down

Extreme weather was seen as the most likely global risk in *The Global Risks Report 2020*, published in January by the World Economic Forum with the support of Marsh & McLennan and other partners, following a year that saw the heaviest monsoons in 25 years, an active cyclone season, and several significant forest fires in India.

But, extreme weather dropped from third in the 2019 Excellence India survey to sixth in 2020 as the pandemic dominated many organisations' perceptions of risk. Organisations need to balance their focus between longstanding and emerging risks. While there has long been awareness of weather-related challenges, risks that occur less frequently generally receive less attention. The pandemic has underlined the need for risk managers to keep all perils on their radar. Doing so means continuously reviewing preparedness plans and risk mitigation and transfer strategies.

What Lies Ahead for Indian Businesses

History validates the need for organisations to keep their focus on a wide variety of risks. In our 2018 survey, less than a third of respondents selected a rapid and massive spread of infectious diseases as a significant risk within one to three years; the COVID-19 pandemic is happening within that timeframe.

As the risk landscape continues expanding and perils present themselves with greater velocity, business leaders need to broaden their concept of emerging risks and take into account a full range of challenges that can affect their organisation. It is essential to develop quantitative metrics that estimate the potential impact of these risks, allowing companies to prioritise investments and make changes to their risk mitigation strategies.

Organisations will also need to focus on building resiliency to a variety of risks. The lessons learned through 2020 should be leveraged when reviewing and tweaking business continuity plans intended to help companies withstand the effects of the next big challenge.



Cyber Resilience Requires Shift in Focus

Pandemic triggers increase in ransomware attacks

Cyber criminals continue to find ways to penetrate even the best defences, making cyber-attacks inevitable. To protect themselves and minimise downtime, organisations need to identify attacks quickly and respond in an agile way.

The pandemic accentuated persistent and escalating cyber threats. Indian companies were forced to take quick steps to tackle the sharp escalation in cyber risk brought by the rapid and considerable shift to online business. Reports indicate that ransomware attacks and ransom requests increased as the pandemic unfolded, with New Delhi among the top 10 most often attacked cities in 2020. Attackers used pandemic-related topics to launch phishing attacks, with more than a third of Indian respondents to a Microsoft survey saying they had fallen victim to such attacks.

While senior leaders see cyber risk as a central challenge, companies generally require more work to become cyber resilient. There is a tendency, even among advanced organisations, to invest in shoring up security systems to prevent an attack rather than in enterprise-wide approaches that allow for agile responses and swift recovery.

As with a pandemic, given the interconnected nature of economies and societies, a major cyber event could have a widespread effect on organisations. Many understand the challenge and are actively trying to address it, spending heavily on mitigation strategies and investing in standalone cyber policies. While seeking the same, others are hindered by a lack of alignment between their risk management and cyber teams.



The pandemic spotlighted cyber threats, underlining the need for companies to invest in enterprise-wide approaches that allow for agile responses and swift recovery.

New Work Practices Increase Vulnerability

The majority of survey respondents (85%) said the pandemic necessitated a shift to remote work, a move that in and of itself extends an organisation's cyber-attack perimeter. However, few selected cyber-attack or data fraud due to a shift in working patterns among their top three pandemic-related risks (see Figure 4).

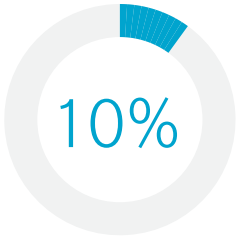
FIGURE 4

Few companies fear cyber-attacks due to pandemic-related remote working.

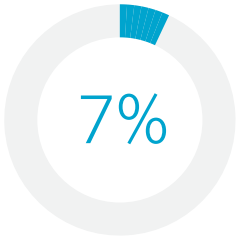
Q: Which risks related to the COVID-19 pandemic are most worrisome to your organisation?

PERCENTAGE OF RESPONDENTS WHO SELECTED THE FOLLOWING RISK:

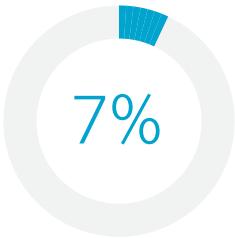
Cyber-attacks and data fraud due to a sustained shift in working patterns.



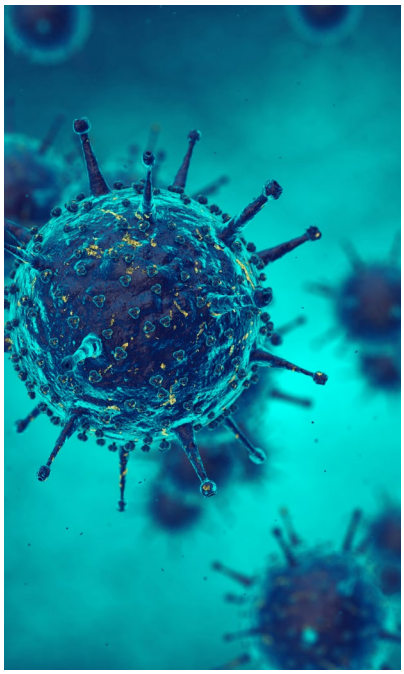
Number 1 Risk



Number 2 Risk



Number 3 Risk



Why didn't cyber-related risks feature more prominently? A possible explanation is that some organisations already had in place remote workers and the systems to support them. Others took action early this year upon recognising the pandemic's extent, purchasing cyber policies and increasing security.

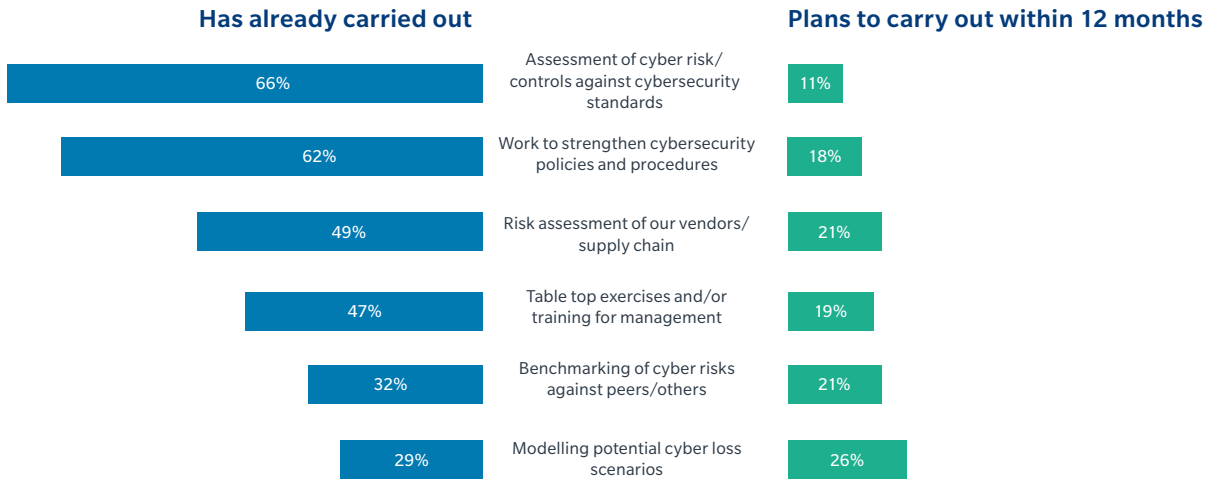
This was the case for a Maharashtra-based engineering, procurement, and construction firm. During the pandemic's early weeks, the firm's senior leaders devised plans for different scenarios and levels of lockdown. They revisited them regularly, and remained agile and able to pivot according to circumstances. "Our review process has become far more robust. [Revisiting our plans] has become a ritual," the company's CFO stressed.

Despite the pervasive nature of cyber risk, modelling of this threat remains a weak spot among Indian organisations, with less than one-third of survey respondents reporting they model potential cyber loss scenarios. Only 26% said they plan to do so within the next 12 months (see Figure 5). This is only a slight improvement from last year's results, when 28% said they are already engaging in such modelling and 21% planned to do so.

FIGURE 5

Cyber loss modelling remains a weak spot.

Q: For each of the following cyber risk related measures, indicate if your organisation:



Future Strategies and Performance Gaps

Organisations Need Plans for Different Scenarios

COVID-19 should be a wakeup call for Indian companies: This year's events tested organisations and spotlighted the need for regularly revised plans that address emerging challenges and support resilience.

The majority of survey respondents said their business continuity plan responded well to the pandemic (see Figure 6). It is not clear whether such plans focused on a shift to remote work or considered other challenges. All organisations should review their plans and design responses for different scenarios; for example, organisations should address how a widespread internet outage could affect operations in a situation where remote workers depend on technology to communicate and engage in sales with customers. And it is important for risk managers to devise business continuity plans that can effectively respond to multiple perils.

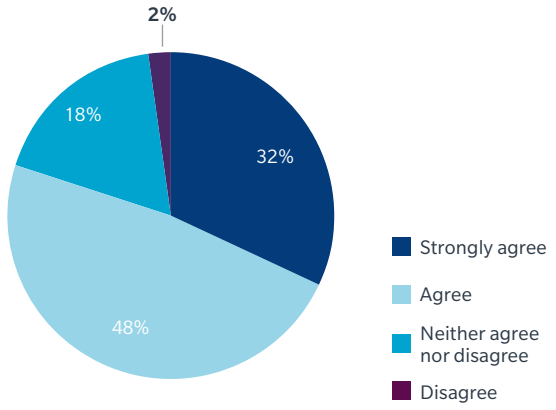
Concern about major crises has increased internal discussions about measures needed to limit the effect of these threats. It is now up to business leaders, even as they address the pandemic, to persevere and plan for the next potential crisis.

Effective leaders not only identify weak spots, they take action to rectify them and leverage insights from lessons learned to create better business continuity plans that are able to respond to different risks.

FIGURE 6

Companies satisfied with business continuity plans.

Q: Our business continuity plan responded well to the COVID-19 pandemic.



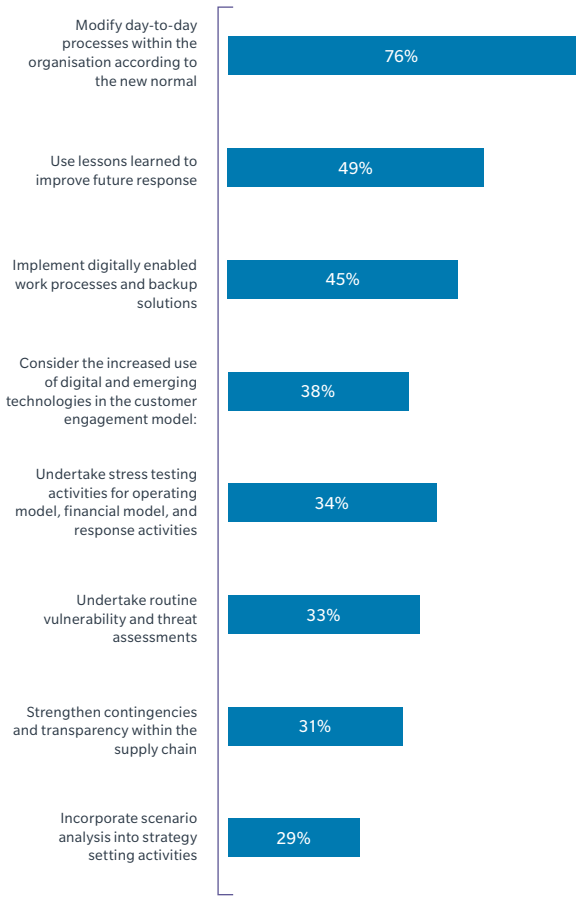
Adapting to a New Reality

More than three quarters of Excellence India survey respondents said they will modify their organisation's day-to-day processes according to the new normal (see Figure 7). However, forward-looking strategies like scenario analysis and stress testing activities seem to be lacking.

FIGURE 7

Despite pandemic effects, less than one-third of Indian organisations are incorporating scenario analysis into strategy-setting activities.

Q: In light of COVID-19, which of the following is your company using or planning to use to enhance its agility and strategic positioning?



This indicates that Indian organisations need to evolve the risk management structure and be better prepared for emerging risks. For example, they can be more tactical regarding insurance purchasing, focusing on reviewing limits and deductibles to ensure adequate coverage.

Strategy is, however, starting to change. Several Indian companies are turning to the insurance sector after finding they lacked coverage that would respond to the severe business interruption losses triggered by the pandemic, and recognising that other emerging risks could have widespread effects. The challenging insurance market is pushing cost-conscious leaders to ask for increased efforts in determining priorities and to shift purchasing decisions accordingly. There is, for example, increased interest in coverage for future pandemics. And some companies plan to increase retentions to prepare for future events.

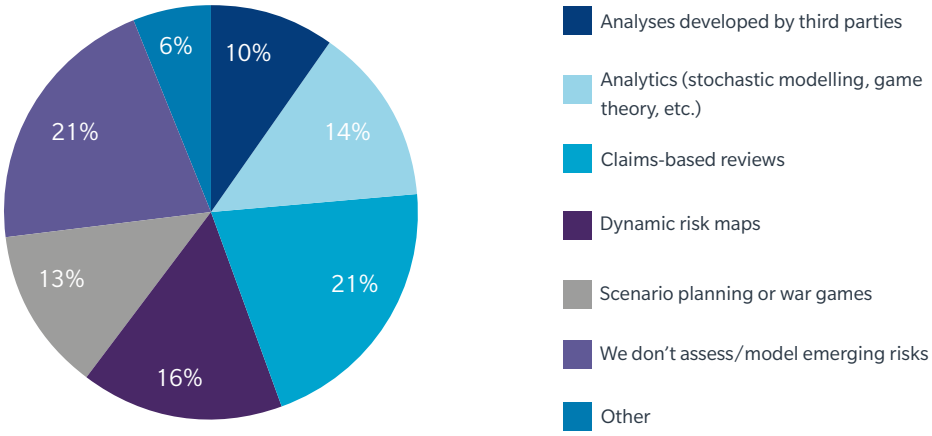
Many organisations rely on less advanced techniques to assess or model risk (see Figure 8). For example, the most popular risk modelling technique among survey respondents was claims-based reviews, a reactive approach common in countries with developing risk management cultures. Limited use of more sophisticated methods could hinder the ability to estimate the impact of emerging risks. However, a shift in priorities is underway as many companies appoint a chief risk officer, providing an opportunity for Indian firms to advance their risk management journey.

There seems to be increased maturity when it comes to cyber risk. In fact, as noted earlier, close to one-third of respondents said they model potential cyber loss scenarios, and another quarter said they plan to do so in the next 12 months. This increased awareness about the importance of modelling should not solely be restricted to cyber.

FIGURE 8

Advanced modelling techniques still not widely used.

Q: Which risk management techniques does your organisation use to assess/model future risks?



The appointment of a chief risk officer can help Indian companies advance their risk management journey.

More Risk Education Needed

One-third of survey respondents identified educating non-risk employees on key risk management practices as their biggest performance gap (see Figure 9). The perceived lack of awareness is concerning as the effectiveness of risk management policies depends, at least in part, on cross-organisation communication. When employees do not have a solid understanding of risks, adherence to policies is often low.

For many companies, risk management awareness is restricted to the head office, with other employees uncertain how to react to a challenge. This can lead to either delayed response or, worse, more damaging actions. The potential repercussions underline the need for continuous training about risk mitigation measures, helping non-risk employees to understand their role in strengthening their company's resilience.

Increasing risk maturity among non-risk employees improves the organisation's ability to respond to risk. When employees have the tools and techniques to identify risk, firms effectively gain extra eyes and ears that can raise the alarm when something seems awry. Risk awareness training cannot be one-and-done, but should consist of continuous education that allows employees to learn new techniques.

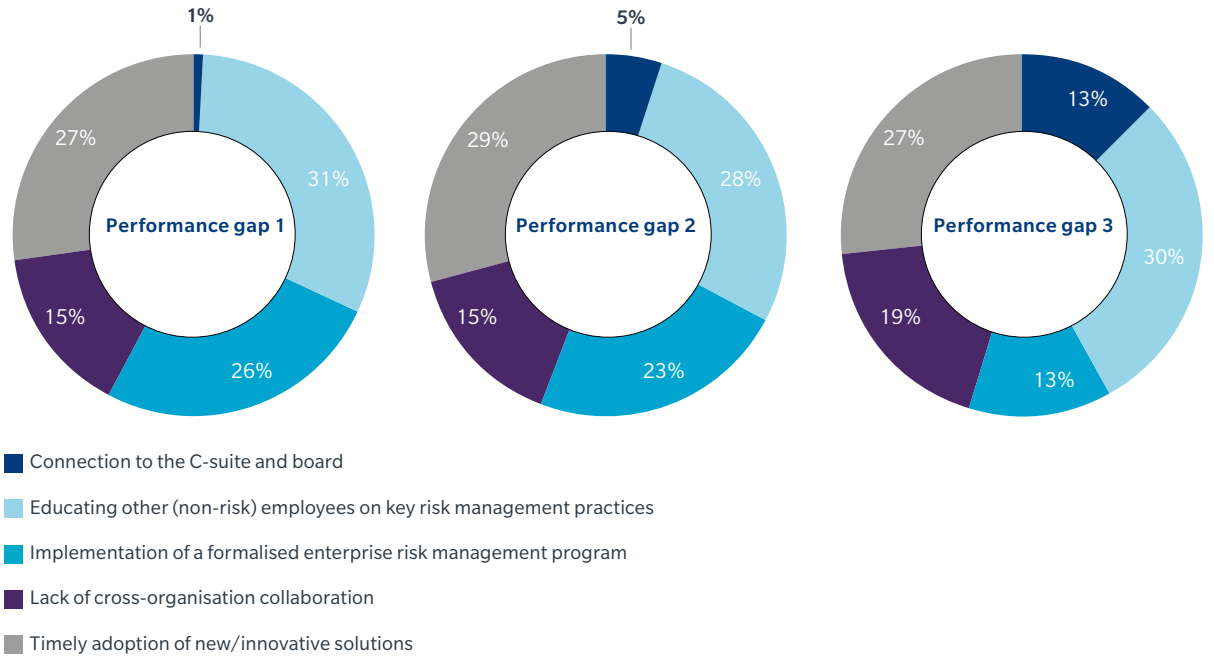
The number two risk management performance gap, according to respondents, is the timely adoption of innovative solutions. For some organisations, this is due to protracted decision-making processes within their firm. Others struggle due to a lack of involvement from the risk management team.

Still, our survey indicated improvement in the implementation of a formalised enterprise risk management (ERM) program: While this topped the list of performance gaps in last year's survey, it was lower down this year. More organisations are inviting risk managers to be part of strategy meetings, elevating the role of risk management within the organisation.

FIGURE 9

Educating other (non-risk) employees on key risk management practices identified as biggest performance gap.

Q: The biggest performance gaps in my organisation's risk management function involve:



Investment Priorities

FIGURE 10

Risk management integration is a top priority.

Q: Which of the following risk management areas will be your top investment priorities in 2021?





Only a small portion of respondents (9%) said their organisations plan to decrease their risk management investment in the coming year, while half said they plan to increase such investments.

The top investment priority is the integration of risk management into strategic planning (see Figure 10). Respondents to the 2019 survey also considered this stronger connection between risk management and strategic planning a top priority, although more than two-thirds of respondents in 2019 selected it as their first priority, compared to only 27% this year.

The unprecedented nature of COVID-19 shone a light on many companies' risk management gaps – this is likely a key factor in the greater spread of 2021 investment priorities selected by our survey respondents.

Even if a global public health crisis with similar repercussions does not happen for decades, savvy businesses will leverage the lessons learned from COVID-19 and apply them to their overall risk management strategy.

Recommendations



Regularly review existing business continuity plans

Companies should carefully review and refine their business continuity plans. They should ensure their plans enable them to respond effectively to threats that bring short-term pain and long-term and widespread challenges, as is the case with COVID-19.



Focus on becoming cyber resilient

The next major event could very well be a cyber-attack. Organisations should shift their focus from solely trying to prevent an attack to accepting the inevitability of a cyber event and taking action to mitigate its effect.



Embrace the changing working environment

Lockdowns intended to stem the spread of COVID-19 required many companies to quickly move to remote working, change their business models, and implement new safety measures upon return to the workplace. Other perils, like a natural disaster, could necessitate and precipitate such shifts, even if shorter in duration. Businesses should invest in structures that allow employees to work remotely effectively, efficiently, and safely and should educate employees on new ways of working under changing circumstances.



Remap and remodel your supply chain

The COVID-19 pandemic emphasises the need to re-examine supply chains regularly, with special focus on understanding the resilience and reliance of vendors. Companies would benefit from understanding their vendors' ecosystems; both to provide a clearer view of how they could be affected by different risks and to review contracts to better understand liabilities.

Survey Demographics

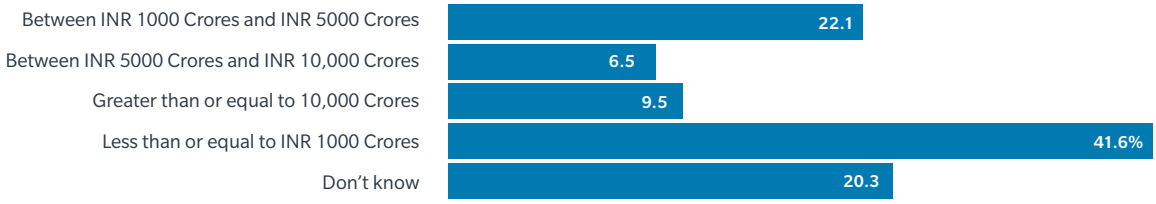
This survey gathered 231 responses from executives belonging to various Indian organisations.

FIGURE 11 Profile of Respondents

Respondent roles



Organisation size, by revenue



Respondent industries (Top 5)

1	Financial Institutions/Services/Banking/Insurance
2	Chemical/Chemical Manufacturing
3	General Manufacturing
4	Engineering
5	Professional Services

ABOUT MARSH

A global leader in insurance broking and innovative risk management solutions, Marsh's 35,000 colleagues advise individual and commercial clients of all sizes in over 130 countries. Marsh is a whollyowned subsidiary of Marsh & McLennan Companies (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy, and people. With annual revenue of over US$15 billion and nearly 75,000 colleagues worldwide, MMC helps clients navigate an increasingly dynamic and complex environment through four market leading firms. In addition to Marsh, MMC is the parent company of Guy Carpenter, Mercer, and Oliver Wyman.

Follow Marsh on Twitter @MarshGlobal; LinkedIn; Facebook; and YouTube; or subscribe to our free news service BRINK.

ABOUT MARSH INDIA

Marsh India Insurance Brokers Pvt Ltd is a joint venture between Marsh International Holdings Inc. and its Indian partners. It started its operations in 2003 and is the first foreign broker to be granted a composite broking license by the IRDAI. Currently, with presence in 17 branches across the country, with over 670 employees, and local market understanding backed by international expertise and global networks, it provides risk and insurance advisory to more than 4,900 clients in India. Follow Marsh India on LinkedIn.

ABOUT RIMS

RIMS, the risk management society®, is a global community of risk management professionals who are committed to advancing the profession through the exchange of ideas and best practices.

As the preeminent organisation dedicated to promoting the profession of risk management, RIMS, is a global not-for-profit organisation representing more than 3,500 industrial, service, nonprofit, charitable, and government entities throughout the world. Founded in 1950, RIMS is committed to advancing risk management capabilities for organisational success, bringing networking, professional development, and education opportunities to its membership of more than 10,000 risk management professionals who are located in more than 60 countries.

This report is a great example of the Society's thought-leading resources and content that empowers risk management professionals to become invaluable assets to their organisations.

RIMS Risk Knowledge Library and Strategic and Enterprise Risk Center feature insights, articles, resources, and tools that explore the latest trends and risk management strategies. To learn more about RIMS, visit www.RIMS.org.

ABOUT THIS REPORT

RIMS and Marsh have teamed up to help risk professionals understand the growing concerns of senior business leaders in India, to identify gaps in expectations and performance, and share opportunities to build stronger, more resilient risk management capabilities and organisations.

This report is based on 231 responses to an online survey with C-suite executives and risk professionals from leading firms across 23 industries conducted by Marsh and RIMS in August 2020, along with expert input from Marsh and RIMS.

The information contained in this publication provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation, and should not be reliedupon as such. Insured should consult their insurance, legal and other advisors regarding specific coverage issues. All insurance coverage is subject to the terms, conditions, and exclusions of the applicable individual policies. Statements concerning financial, regulatory or legal matters should be understood to be general observations based solely on our experience as risk consultants and may not be relied upon as financial, regulatory or legal advice, which we are not authorized to provide. All such matters should be reviewed with appropriately qualified advisors in these areas. Marsh cannot provide any assurance that insurance can be obtained for any particular client or for any particular risk.

Marsh India Insurance Brokers Pvt Ltd is JV Company of Marsh Inc a global leader in risk management, risk consulting and insurance broking and the Indian partners. Marsh India Insurance Brokers Pvt. Ltd. having corporate and the registered office at 1201-02, Tower 2, One Indiabulls Centre, Jupiter Mills Compound, Senapati Bapat Marg, Elphinstone Road (W), Mumbai 400 013 is registered as composite broker with Insurance and Regulatory Development Authority of India (IRDAI). Its license no. is 120 and is valid from 03/03/2018 to 02/03/2021. CIN: U66010MH2002PTC138276.

Copyright 2020 Marsh India Insurance Brokers Pvt Ltd. All rights reserved. IND-20201123A GRAPHIC NO 20-589354564