



# Alexander Hamilton Best Practices Summit

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## USAA Enterprise Risk Management

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# USAA Group

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- Private, diversified financial institution
- Member owned: 5+ million members
- Insurance, Banking and Investments Industries
- Fortune 180; \$113B assets; \$13.5B revenue
- 22,000 employees
- Voted #1 in Customer Satisfaction

# Enterprise Risk Management (ERM)

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**Mission:** Institutionalization of a continuous, integrated process for managing risks and controls

**Objective I:** Ensure the effective identification, assessment and management of the top risks to USAA

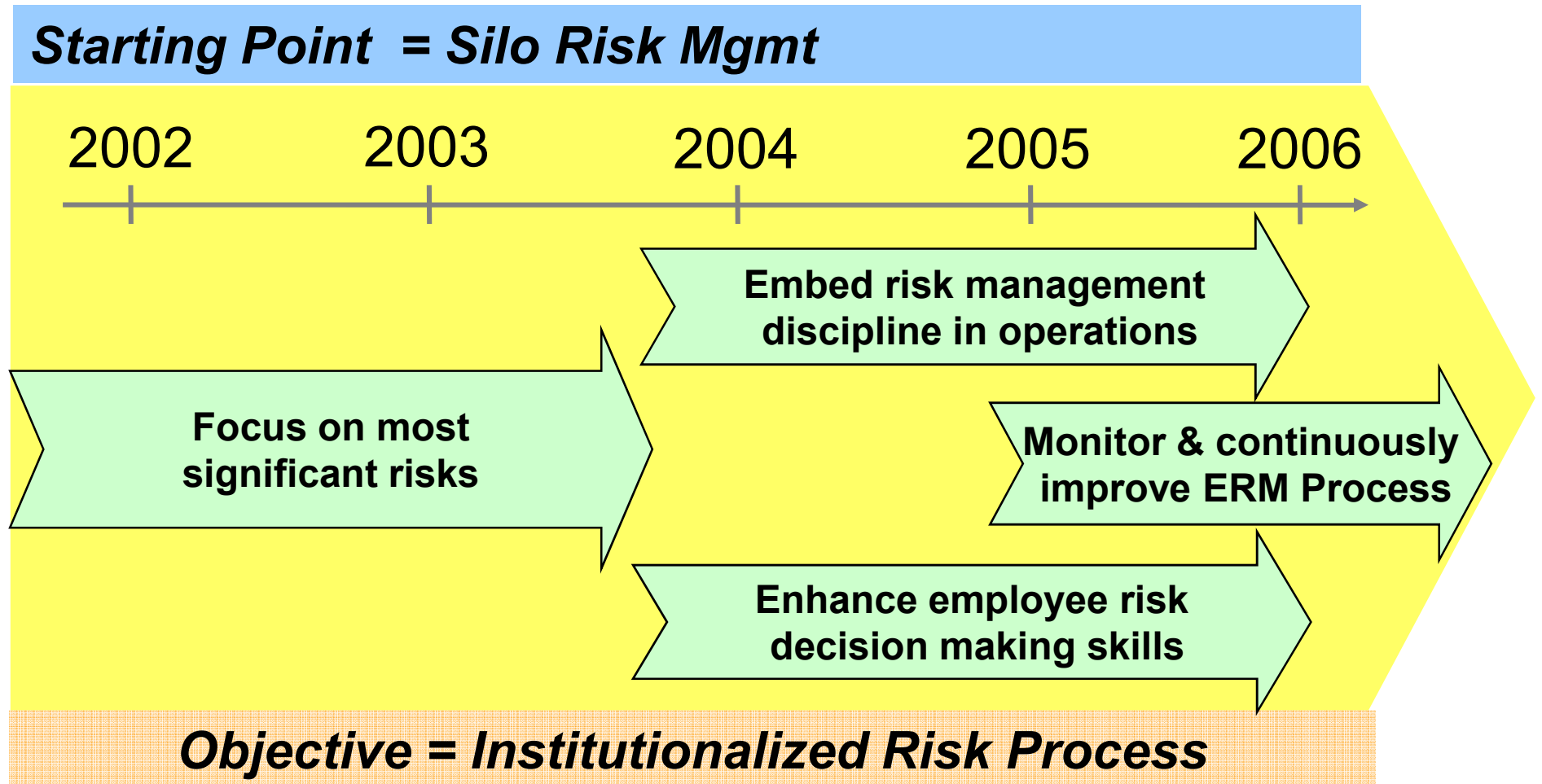
**Objective II:** Design and implement a process for ensuring comprehensive risk discipline & accountability

**Objective III:** Lead the execution of a continuous process for risk identification, assessment and management

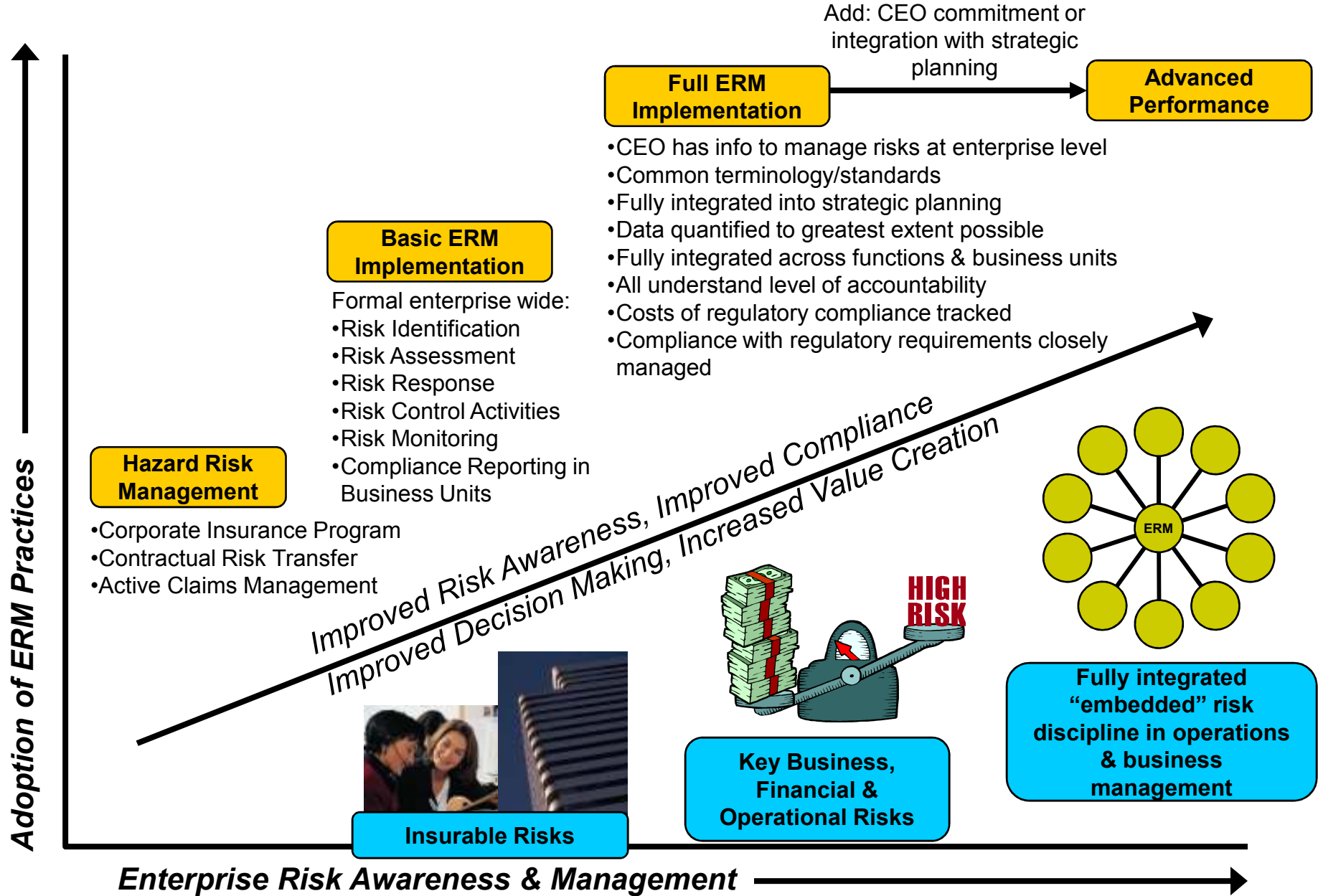
**Objective IV:** Influence the culture towards greater risk awareness & prudent risk taking

**Objective V:** Improve risk quantification capability

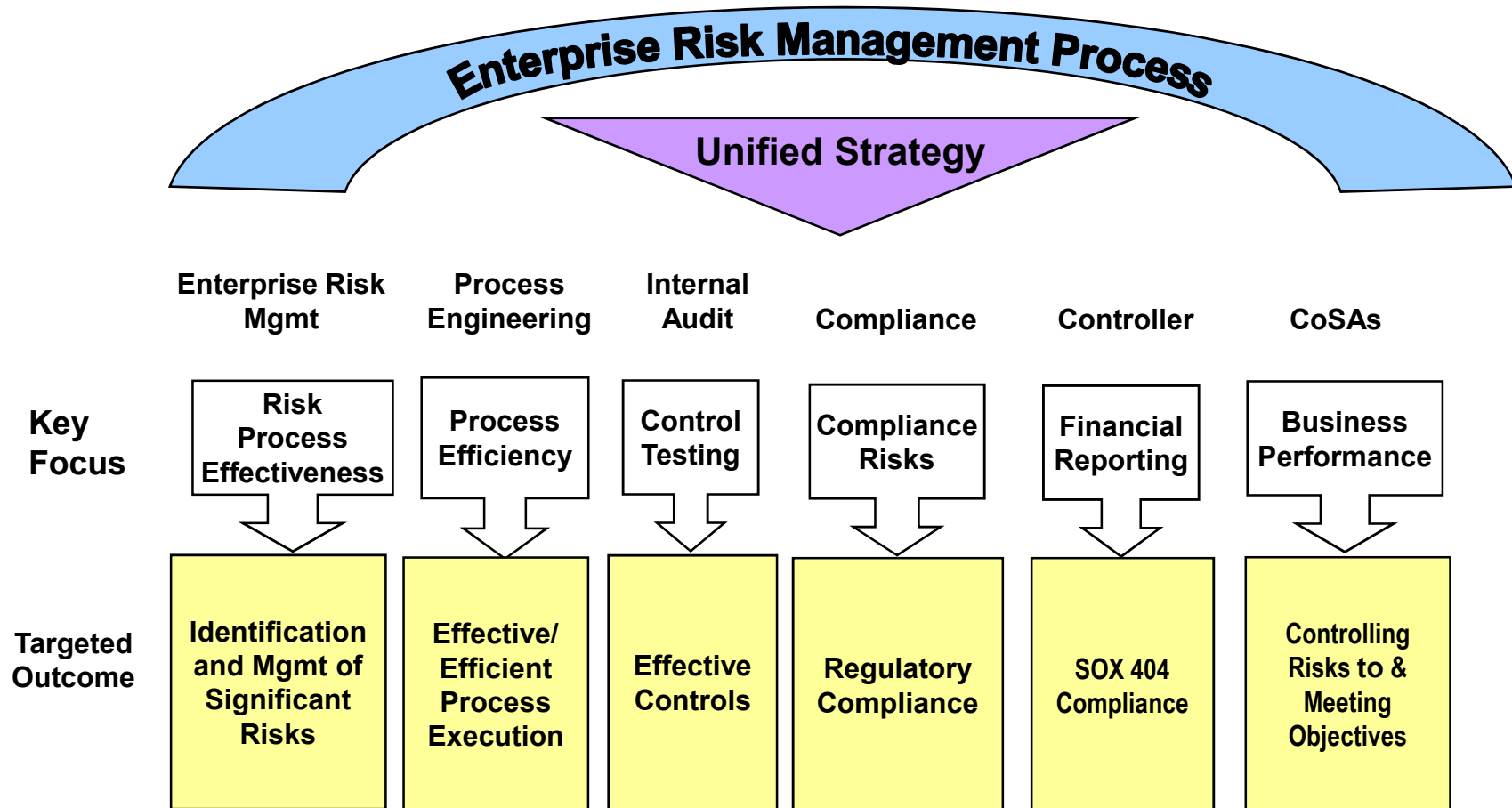
# ERM Strategy – Initial High Level Timeline



# Enterprise Risk Management Evolution

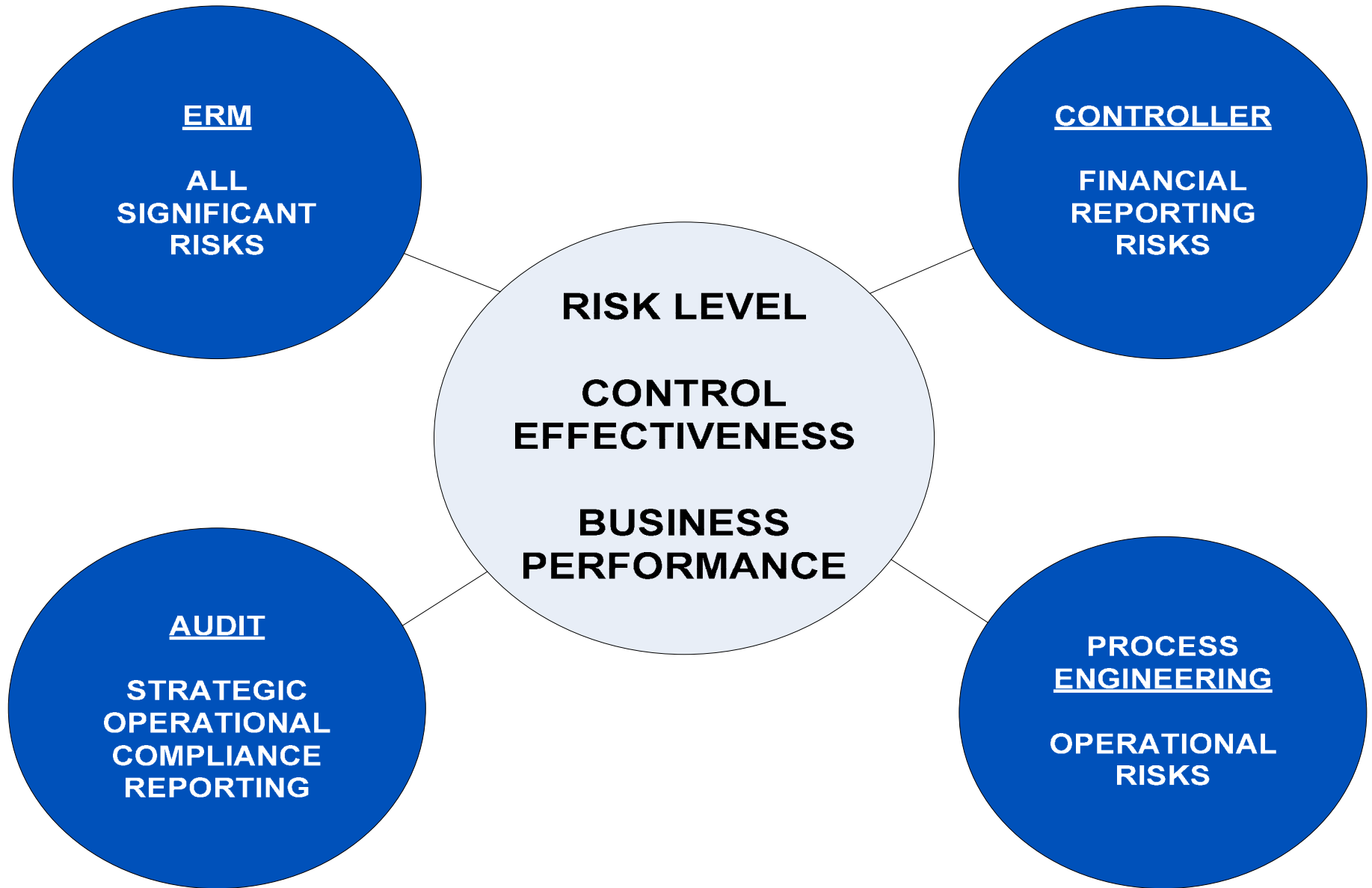


# Risk & Control Stakeholder Interests



# STAKEHOLDER ALIGNMENT

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# Risk Assessment Process Summary

## PLANNING

Determine CCRA Schedule

Document Processes

Document Objectives, Risks, & Controls

Assess Risks & Controls

WHAT COULD KEEP US FROM MEETING OUR OBJECTIVES?

RISK AND CONTROL IDENTIFICATION AND ASSESSMENT STEPS

## VALIDATION AND REMEDIATION

Implement Solutions for Gaps

Design Solutions for Gaps

Control Validation

## REPORTING

Monitor & Report

# Building Best-in-Class Risk Management

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***Excellent***

Well established capabilities to identify, measure & manage all risk exposures & losses within tolerances. Consistently optimize risk adjusted returns. Risk and risk mgmt always important considerations.

**Strong**

Capabilities to identify, measure and manage all risk exposures & losses within tolerances. Not fully developed process to optimize risk adjusted returns. Risk and risk mgmt usually important considerations.

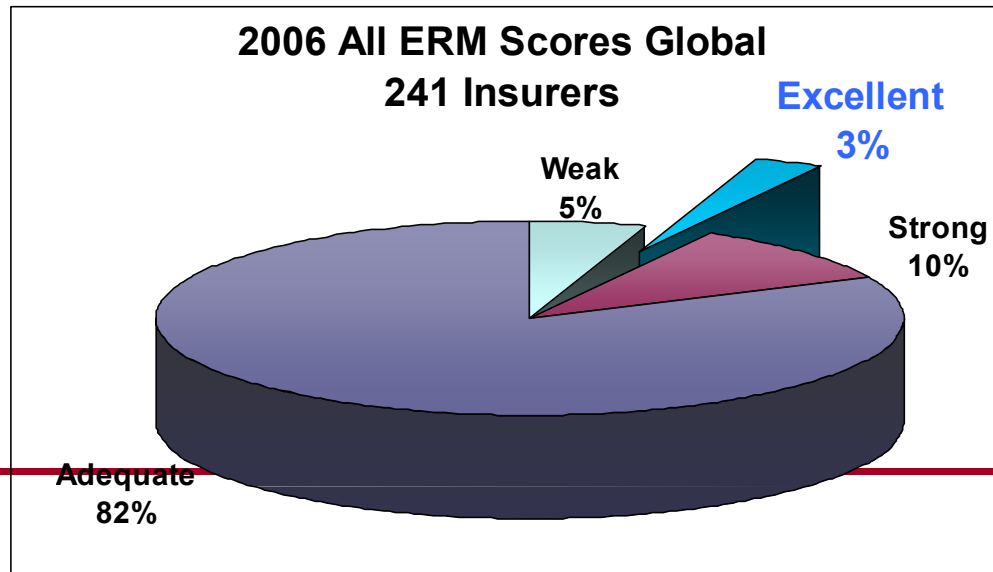
**Adequate**

Capabilities to identify, measure and manage all risk exposures & losses within tolerances. Not fully developed process to optimize risk adjusted returns. Risk and risk mgmt usually important considerations. Unexpected losses more likely.

**Weak**

Limited capabilities to identify, measure and manage all risk exposures & losses within tolerances. Losses not expected to be limited. Risk Mgmt Program non-existent or totally compliance.

## S&P ERM Rating of “Excellent” USAA ERM Recognized as an “Industry Leader”



### Key Observations:

- Excellent ERM framework, fully embedded in processes/culture.
- Maintains excellent risk mgmt culture, risk & operational controls.
- Greatly reduced credit & investment risk.
- Strong risk management practices, tools.
- Various committees integrated into USAA to monitor exposures.
- No noted concerns or deficiencies.

# Rating Agency Future Expectations & Focus

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- Well defined and understood risk profile
- Consistent view across all risks
- Capability to assess trade-offs between different risk types
- Assessment of risk adjusted returns
- Strategic investment allocation
- Setting goals tied to risk adjusted returns
- Risk view in product pricing
- Comprehensive ERM program
- Board & top mgmt commitment to ERM
- Establishment of emerging risk criteria



# Achieved Benefits of ERM – Partial Listing

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- \$130M reduction in required risk based reserves
- Elimination of siloed risk mgmt – integrated and embedded in the business
- Elimination of redundancies in risk mgmt efforts
- Single integrated risk and control technology platform
- Better, more informed risk based decision making, especially in planning, capital mgmt and governance

# Summary ERM: A Center of Excellence

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