Specimen coursework assignment and answer

993 Advances in strategic risk management in insurance

The specimen coursework assignment and answer provides a guide as to the style and format of coursework questions. These examples indicate the depth and breadth of answers sought by CII markers.

The answer given is not intended to be the definitive answer. Well-reasoned alternative answers can also gain marks.

Before commencing work on your coursework assignment, you need to familiarise yourself with the information in the *Coursework Support Centre* available on the unit webpage.

993 Specimen coursework assignment

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Coursework submission rules and important notes

Before you start your assignment, it is essential that you familiarise yourself with the information in the *Coursework Support Centre*.

Please note the following information:

- This assignment must not be provided to, or discussed with, any other person regardless of whether they are another candidate or not. If you are found to have breached this rule, disciplinary action may be taken against you.
- Important rules relating to referencing all sources including the study text, regulations and citing statute and case law.
- Penalties for contravention of the rules relating to plagiarism and collaboration.
- Coursework marking criteria applied by markers to submitted answers.
- Deadlines for submission of coursework answers.
- You must not include your name or CII PIN anywhere in your answer.
- There are 80 marks available per assignment. You must obtain a minimum of 40 marks (50%) per assignment to obtain a pass.
- Your answer must be submitted on the correct answer template in Arial font, size 11.
- Each assignment submission should be a maximum of 4,200 words. The word count does not include labels and headings however, it does include text and numbers contained within any tables or diagrams you choose to use. The word count does not include referencing or supplementary material in appendices. **Please be aware that at the point an assignment answer exceeds the word count by more than 10% the examiner will stop marking.**

Top tips for answering coursework assignments

- Read the *993 Specimen coursework assignment and answer,* available on the unit webpage
- Read the assignments carefully and ensure you answer all parts of the assignments.
- For assignments relating to regulation and law, knowledge of the UK regulatory framework is appropriate.
- There is no minimum word requirement, but an answer with fewer than 3,800 words may be insufficiently comprehensive.

Assignment

The roles of boards and senior executives, and the interactions between them, has attracted a high level of scrutiny in recent years. The undernoted case provides an insurance industry example of the potential risks arising from a seeming disconnect between the extent of the awareness of risks and the strategic management of those risks amongst those at senior levels of insurance organisations leadership.

On the 8 July 2021 the Financial Conduct Authority published its Final Notice regarding Lloyds Bank General Insurance Limited, St Andrew's Insurance Plc, Lloyds Bank Insurance Services Limited and Halifax General Insurance Services Limited. The following extracts are taken from the Final Notice:

'For the reasons given in this Final Notice, the Authority hereby imposes on Lloyds Bank General Insurance Limited, St Andrew's Insurance Plc, Lloyds Bank Insurance Services Limited and Halifax General Insurance Services Limited (together "LBGI") a financial penalty of £90,688,400 pursuant to section 206 of the Act.'

'Between 1 January 2009 and 19 November 2017 (the "Relevant Period"), LBGI breached Principle 3 (Management and control) and Principle 7 (Communications with clients) of the Authority's Principles for Businesses (the "Principles") in relation to the way it communicated with home insurance customers at renewal.'

'However, during the Relevant Period, LBGI sent millions of renewal communications to home insurance customers that contained language which was not clear, fair and not misleading.'

Available at: https://www.fca.org.uk/publication/final-notices/lloyds-bank-gi-st-andrews-insurance-lloyds-bank-insurance-services-halifax-gi-services-2021.pdf [Accessed 12 February 2025]

Question:

Evaluate, in light of the above, the extent to which insurance organisations must recognise the importance of risk in the decisions of boards and/or senior executives and ensure that their responses to these risks are appropriate.

To be completed before submission:

Word count:	4,325

Start typing your answer here:

Introduction

The Final Notice issued by the Financial Services Authority and the extracts quoted in the assignment raise issues about the quality of decision making by directors and executives, the effectiveness of internal and external controls, and the potential absence of sufficient effective challenge in the boardroom regarding the extent of compliance with relevant regulations.

This answer will start with an analysis of decision making. It will then examine the influences and pressures faced by directors and executives in their decision making and identify key types of risks which may threaten insurance organisations. Finally, it will consider how director and executive decision making can be better informed and improved.

The Financial Reporting Council's (FRC) UK Corporate Code of Governance 2024 holds directors responsible for their decisions and risk management plays a key part in ensuring the decisions they make are not negligent and don't cause lasting damage to organisations.

'The board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls.' (UK Corporate Governance Code 2024, Provision 29)

1. Decision making

An understanding of the complex influences on, and drivers of, decision making must surely inform the design of better, risk aware, decision-making capabilities.

Rational humans

Daniel Bernoulli proposed in 1738 an explanation of how individuals make decisions under conditions of uncertainty: expected utility theory (EUT).

In the 20th Century, von Neumann and Morgenstern (2007) proposed that certain basic axioms had to be present to permit EUT to function as a theory for predicting rational decisions under conditions of uncertainty. The von Neumann-Morgenstern theory says that whenever a rational individual takes a decision, they will always choose the option that maximizes their utility as long as the following four axioms are satisfied:

Completeness assumes that an individual has well-defined preferences and can always decide between any two alternatives. In choosing between option A or option B, the individual either prefers A to B, or is indifferent between A and B, or prefers B to A.

Transitivity assumes that an individual also decides consistently. If there are three options and A is preferred to B as well as B to C, then A is preferred to C.

Independence also refers to well-defined preferences. The starting point is to assume that option A is preferred to option B. Options A and B are then mixed with a further option C. The independence axiom assumes that A is still preferred to B even after the involvement of C.

Continuity assumes that there are three options (A, B and C) and the individual prefers A to B and B to C. It further assumes that there should be a possible combination of options A and C that is equal to option B. Putting this another way, we could say that the individual is indifferent to choosing either the option A + C combination or choosing the 'equal' option B.

Completely rational individuals are, of course, impossible to find in a real-world setting. Most decision takers are either 'risk averse' or 'risk preferring', so for real world cases EUT has limited applicability. Although EUT is highly theoretical and therefore limited in its practical use in explaining decisions at a corporate level, it is nonetheless an important reference point in the understanding of decision making.

Behavioural humans

Increasingly, people are regarded by economists and policy makers as far from being the rational model described above. Daniel Kahneman, who won the Nobel Economics laureate for psychological research into human judgement and decision making under uncertainty, expressed the view that: '*Whenever we can replace human judgment by a formula, we should at least consider it*.' (Kahneman, 2011). Kahneman's research identifies that humans, seemingly reflecting their evolutionary background as that of hunter gatherers, are prone to and use biases, shortcuts and cognitive illusions in decision making. This approach to decision making may be fine in a simple 'fight or flight' decision, when facing a predator. However, it is less certain an approach for decision-making involving detailed, potentially incomplete, information and complex interdependencies. Nassim Nicholas Taleb built on behavioural economics to argue that man-made complex systems, such as a financial services industry, are full of hard-to-detect interdependencies and nonlinear responses; '*In such environment, simple causal associations are misplaced; it is hard to see how things work by looking at single parts*'. (Taleb, 2012, page 7).

Daniel Kahneman, Oliver Sibony and Cass R. Sunstein expanded the consideration of decision making to recognise the challenges created by individuals and their beliefs: *'In the case of professional judgements, the belief that others see the world much as we do is reinforced every day in multiple ways.' 'We have little opportunity to notice that our agreed-on rules are vague, sufficient to eliminate some possibilities but not to specify a shared positive response to a particular case.'* (Kahneman, Sibony and Sunstein, 2021, page 31)

Cultural factors
Another factor that affects decisions is 'culture'. There is no common standard definition for culture, but for this answer the following is used: 'Company culture is about the shared norms, values, attitudes and practices that form the collective identity of your company. At its best, it's the invisible glue that binds your team and sets the stage for the narratives your employees play out daily, contributing to your overall organizational story.' (Forbes, 2024)

The UK Financial Conduct Authority (FCA) identifies the need for a healthy culture:

'As a conduct regulator, the FCA's objectives are to protect consumers, ensure market integrity, and support the UK's economic growth and competitiveness.

But time and again, when we investigate failures of consumer protection or market conduct, what do we find?

The same root cause: failings in culture and governance.

That is no coincidence. Because it is culture that drives conduct. Culture that shapes decisions and actions at every level.

And those decisions, whether they're made on the trading floor or in the boardroom, directly impact outcomes for consumers, markets and our economy.'

(Emily Shepherd, Chief Operating Officer, at 10th Annual Culture and Conduct in Financial Services Summit, FCA. 2025).

Douglas (2007) explains cultural differences with two scales, represented in the simple grid below. The *horizontal scale* measures how much the culture/group controls the individuals. The *vertical scale* measures how much control by the group the individuals accept.

Isolate	Positional
Individualist	Enclave

Figure 1: Group and Grid Cultures (Douglas, 2007, p.2)

Isolate represents individuals who are not (or very weakly) influenced to act by a specific group. The acceptance of control is relatively strong. People in this quadrant are usually prisoners, very poor people or even strictly supervised servants; all characterised by a vast structures or constraints (Douglas, 2007: p. 6).

Positional explains cultures in which people belong to a group and are heavily influenced by it. All roles within it are allocated and behaviour is determined by rules. Larger groups consist of several smaller groups, implementing a hierarchical state. An example is the traditional Japanese family where family life is arranged by gender, age and timing (Douglas, 2007: p.4).

Individualistic culture has a relatively weak form of 'group and grid' control. In such an environment every individual is just concerned with his or her own wellbeing. In the absence of wealth and power, this culture could be defined as egalitarian. But as soon as the community drifts to wealth and power, the culture fails to realise the egalitarian aims. (Douglas, 2007: p.6).

Enclave culture is characterised by a relatively high group control. Moreover, there are almost no hierarchical structures between members. This group of people differentiates itself from other groups – an example being sects. Sect leaders' aims are often focused on preventing their members from leaving the group. Hence, they malign all other groups outside the sect (Douglas, 2007: p.5).

Groupthink
Several other models exist. For example, Janis' (1972) ideas on the psychological phenomenon of 'groupthink' that can occur within groups, where the desire for harmony and or conformity in the group can result in potentially very irrational and destructive decision-making outcomes. Groupthink was identified as a problem in many organisational failures, including within some of the banks that were badly affected by the financial crisis of 2008, e.g. HBOS and RBS.

More recently, the Bank of England (BoE), in its July 2023 Prudential Regulation Authority's approach to insurance supervision, noted:

'*Diversity and inclusion plays an important role in promoting good governance. It does so by bringing different perspectives and experiences together, which promote constructive challenge and debate, and thereby helping to guard against groupthink. There is a risk that groupthink undermines good governance in firms, leading to decisions that weaken their safety and soundness. Insurers should consider diversity when recruiting members to the management body, and more broadly in their employment practices. They should also cultivate an inclusive firm culture that allows concerns to be raised and decisions to be challenged effectively*.' (BoE, paragraph 56, 2023).

Hofstede introduced five dimensions to characterise cultures. (Soares, Farhangmehr and Shoham, 2007, pp.280-281).

- **Individualism – collectivism**. The first dimension uses a similar approach to that of Douglas. In individualistic cultures, individuals only care for themselves or their closest family. This is contrary to that in societies characterised by collectivism where everybody belongs to a group that looks after their members and their families.

- **Uncertainty avoidance**. Hofstede, like Douglas, uses uncertainty avoidance (risk aversion) to describe and distinguish cultural groups.

- **Power distance**. The equality/inequality of cultures.

- **Masculinity/femininity**. The values in more masculine countries are achievement and success, whereas the values in more feminine countries are caring for each other and life quality.

- **Long-term orientation**. This represents the orientation towards future benefits and situations. On the other hand, there are short-term oriented cultures, in which individuals only care about rewards in the near future.

In the literature, Hofstede's dimensions are discussed as a 'simple, practical, and usable' solution to describe cultural differences (Soares, Farhangmehr & Shoham, 2007: p.238). The possibility of applying cross-country comparisons is one of the major advantages of Hofstede's dimensions. On the other hand, Hofstede's fifth dimension, long-term orientation, is not widely accepted (Fang, 2003: p.354).

Heuristics and risk perceptions
Another influence on the decision making by managers is the usage and application of heuristics and risk perceptions (Ashby, 2017). Heuristics are defined as: 'simplified rules of thumb that make things simple and easy to implement' (Taleb, 2012). The principal characteristic of a heuristic is that it is not perfect, so the user should be aware of its limitations in applying it to less than complete information. One critical factor in decision making is the gathering and assessment of relevant data. However, individuals may tend to apply their own decision-taking shortcuts. Individuals, reflecting behavioural economics, may recall relevant memories. These memories are not likely to be 100% complete. Instead of assessing the risk situation in a statistically correct way, the individuals apply certain best practice methods that worked out in the past. For example, using heuristics to calculate insurance premiums could cause prediction errors and therefore produce incorrect premiums.

Managerial incentives and risk taking
A further factor that drives management decisions is the remuneration of personnel who are in charge of risk-taking decisions. Chorafas (2009) points out that the bonus system, which was first implemented in the 1990s, became a pay-for-poor-performance system over the years. Mangers were paid a vast amount of money for no apparent improvement. Therefore, preposterous bonus payments created a vicious risk-taking attitude (Chorafas, 2009: p.195).

There are more aspects to the issue of poor compensation structures than greed and corruption. This is especially the case for financial institutions which interact in an increasingly complex environment. Ashby (2017, p.9) showed that it is rather the structure of the compensation than the bonus' volume that matters in terms of risk taking. Hence, the interviewees in the Ashby study described the following flaws in remuneration systems:
- The incentives led to a short-term and sales driven attitude in the financial industry.
- The risk decisions had no downside risk for the mangers, as there were no negative consequences regarding their salary.
- Therefore, managers could choose amongst risky and less risky alternatives without any fear of losses.
- The regulatory framework had severe flaws.
- There were simply no incentives for the managers to implement an effective risk management system.

Another contribution links the risk-taking decisions back to the state of the economy. Raviv and Sisli-Ciamarra, (2013, p.66) wrote: '*Understanding how similar pay packages may yield different risk levels under different economic conditions is crucial to designing compensation packages*...'. It appears that executives in stock exchange listed insurers chose more

effectively between investment alternatives than did privately owned insurers. An explanation for this condition is that large shareholders monitor executives' decisions closely in order to adjust the remuneration to an accounting based measure like the ROE (Ke, Petroni and Safieddine, 1999: pp.206-207).***Learning from corporate crises***
Major corporate crises have been the focus of many academic and practitioner studies searching for root causes and for future preventive actions. A useful starting point on root causes is the report Roads to Ruin (Parsons et al., 2011) which examined over 20 major corporate crises and distilled its findings to seven key risk areas:

- Board skills, including Non-Executive Directors' ability to monitor and control the executives.
- Board risk blindness; board failure to engage with important risks.
- Poor leadership on ethos and culture.
- Defective communication• Risks arising from excessive complexity.
- Risks arising from inappropriate incentives.
- Risk 'glass ceilings' the inability of risk management and internal audit teams to report on.
- risks arising from higher levels in the organisation.

Taken together, these seven key risks plus all of the decision-making influences examined above, will inform the extent to which insurance organisations recognise risk in the decisions made by boards and senior executives.

2. The influence of regulation on corporate behaviours – contrasting the approach in the USA with that of the UK

Whilst historically there was contrast between the US mandatory regime in the Sarbanes-Oxley Act (SOX) and the apparently lighter touch of the 'comply or explain' regime in the EU and the UK, the difference is narrowing appreciably.

The following describes the change coming to the UK, as set out by albinoyeti Group:
*'The year 2024 marked a watershed moment for UK corporate governance. Spurred by high-profile corporate collapses and calls for stricter accountability, the **UK Corporate Governance Code** is slated for a series of changes that closely mirror the United States' Sarbanes-Oxley Act (often abbreviated as "SOX"). While the UK has long maintained a principles-based approach to governance, recent reforms—colloquially referred to as "**UK SOX**"—signal a **firmer, more prescriptive** stance on how boards and management must vouch for the reliability of internal controls.'* (Internal Audit Guide, 2025)

Furthermore, recognising that improvements can be made, the UK Government announced in 2024 its intention to strengthen audit and corporate governance legislation. (King's Speech, 2024)

The contribution of non-executive directors
The FRC makes it clear that an effective board, which is collectively responsible for the long-term success of the company, will include non-executive directors who constructively challenge and help develop proposals on strategy. Additionally, to fulfil its role, all board members should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. Whilst the board will want non-executive directors with a wide range of skills and experience, to draw in views and best practice from other industries, this needs to be tempered by ensuring that they have the capability to ask the right questions of their executive colleagues. This ability to appropriately question executives appears to be an imperative for any successful non-executive director.

Information overload
Peter Fellows has observed: '*In an age where information reigns supreme, leaders and managers often find themselves bombarded by data.' 'We are nearing a peak of data overload, where the sheer quantity of information available compromises the quality it aims to enhance, overwhelming management instead of enabling more informed decision-making.'* (Fellows, 2024)

This cascade of information places considerable reliance on the ability of directors and executives to have the skills to allow them to filter what they are presented with to focus on the decisions that need to be made.

Supporting whistleblowers
The final element to be considered is whistleblowing. Whistleblowing provides a potentially powerful source of information which, if organisational structure allows, can draw directors and executives attention to deficiencies in the organisation's performance.

The UK approach to whistleblowing is based on the employment protection for the whistleblower - in effect an anti-discrimination stance based on the right of the employee to take a claim for alleged discrimination, by their employer, to an industrial tribunal. This conflicts with the USA approach which has more extensive legislative protection and the opportunity for the whistleblower to be financially rewarded in the event of a successful prosecution of the organisation under investigation.

As Ian Foxley has pointed out there are potential downsides for those who blow the whistle: *'Unfortunately, no exploration of the whistleblowing experience could be complete without an examination of the retaliation meted out to many whistleblowers.'* (Foxley, 2023)

3. Enterprise Risk Management – a modern approach to organisational structures and controls

Enterprise Risk Management (ERM) has become a widely used framework for managing risks in business corporations and for strategic decisions in the face of risk. Prior to ERM, the development of risk management tended to be negative, almost exclusively focussing on eliminating, reducing and transferring risk.

The ERM philosophy is that business is all about risk taking and that business should see risk management in the same way. Carroll (2010, p12) sums it up as: '*Now is the time to see the management of risk as a holistic business process that is inherent in every decision. As opposed to being seen to hold back enterprise, the consideration and evaluation of risk, should be seen as enriching the quality of business decisions. It is, however sensible to capture the risk evaluation alongside the decision. You make the decision including the risk consequences, rather than despite them*'.

The broad concept of the holistic approach that Carroll refers to above, has been refined into various formal ERM frameworks that have been widely adopted across developed nations and in international corporations (COSO, 2004; AIRMIC, Alarm, IRM, 2010).

An article by Jurgi and AlGhnaimat (2021) provided positive evidence regarding the effects of ERM adoption on European insurance firms (Journal of Risk and Financial Management).

In some insurance organisations it is embedded in 'the formal planning and resource allocation process and also influences key strategic decisions'. In others, they identified an ERM focus on compliance and internal controls or merely as independent facilitators.

Recent evidence, from the Annual Reports of insurance organisations, is that they adopt a holistic approach to risk management. An example is Aviva: *'Our risk management framework (RMF) sets out our all-encompassing approach to risk management throughout Aviva, designed to identify, measure, manage, monitor and report the principal risks to the achievement of the Group's business objectives.'* (Aviva, 2024)

Additionally, comfort about the successfully deployment of ERM can be taken from the insurance industry's ability to absorb the losses of catastrophe events, such as the 2025 California wildfires, with expected continued focus on managing future exposures. (Knowledge at Wharton, 2025).

4. Oversight of high-level decision making – areas for improvement

Culture is key
In recent years, several publications have contributed to an improvement of decision-taking processes in boards. The consensus is that an effective working risk is crucial, as identified by the Institute of Risk Management (IRM): '*An effective risk culture is one that enables and rewards individuals and groups for taking the right risks in an informed manner.'* (IRM, 2025)

Information flow
A risk culture has been defined as a culture '*That enables and rewards individuals and groups for taking the right risks in an informed manner*.' (The Institute of Risk Management, 2012: p6). There are many features that characterise an effective risk culture, but for the purpose of this answer, information flow is probably the most important. Effective risk cultures encourage a constant information flow up and down the hierarchical layers of the corporation – including negative news (Institute of Risk Management, 2012: p.6). In other words, the Board and all other employees should aspire to a state of shared responsibility for risks (Kirkpatrick, 2008: p.12).

No uniquely good risk culture
Whilst a bad or failed risk culture may be easily recognised post-disaster, there is now a view that a unique 'good risk culture' does not exist (Power, Ashby and Palermo, 2013). Implementing a risk culture requires a board to understand its present state of risk culture first before it can ask the question: How to achieve an effective risk culture?

Where to start?
Walker (2009) concluded that the attitudes of executives are often entrenched. Therefore, the first step to understanding the risk cultural setting is probably the most challenging. How can an executive change something if they live with an attitude that they are already doing everything the right way? This question may best be answered by substituting the heuristical behaviour of the board with significant risk monitoring through an internal control system.

Further, Eisenberg (1997, p.264) links the internal control to the Board in order to make the decision-making function meaningful. In order to understand the present risk culture, generating a snapshot of the risk situation of a company is essential. Simons (1999, pp.85-94) introduced a scoring model, also known as the 'risk exposure calculator' (see figure 2).

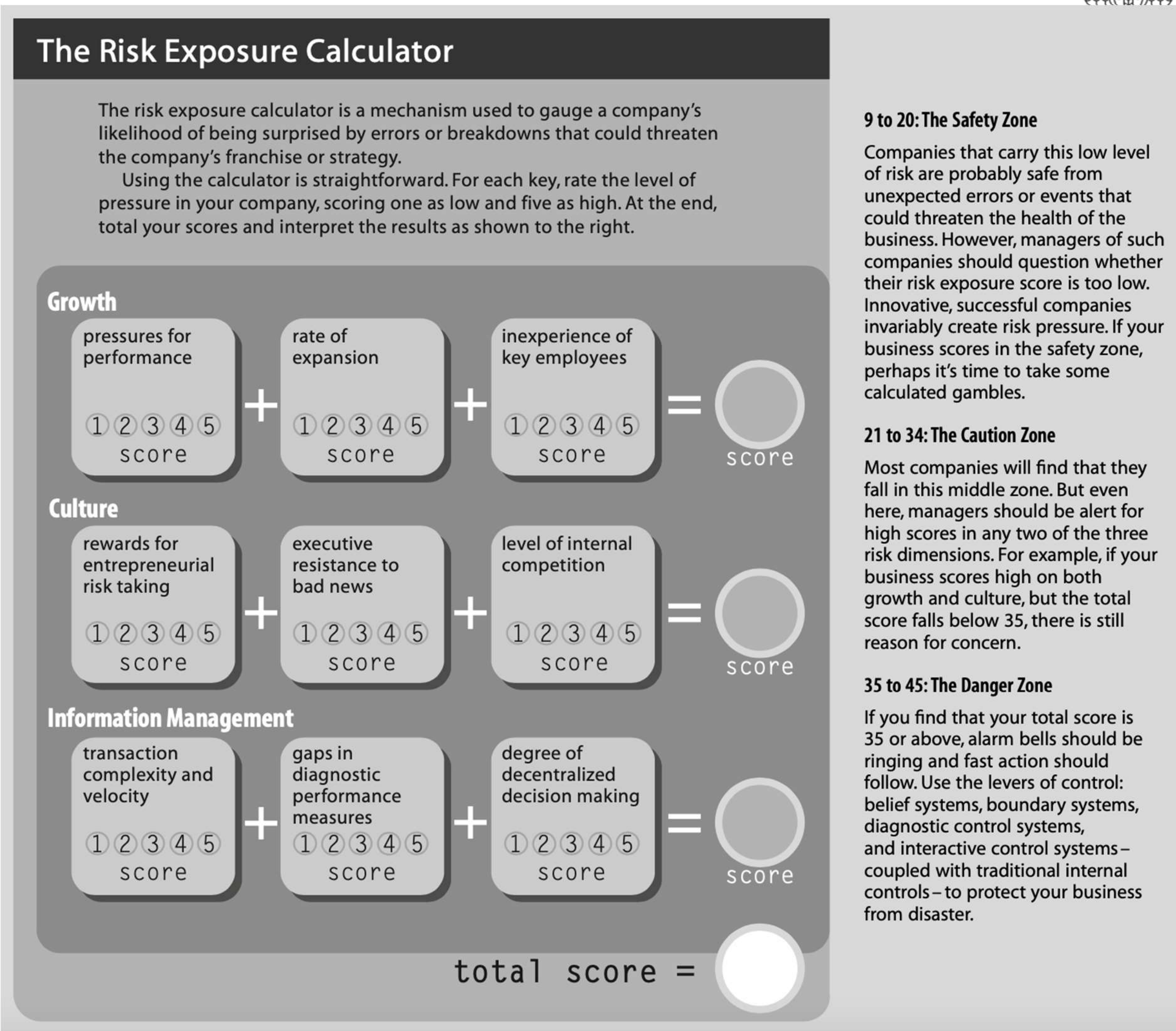

Figure 2: The risk exposure calculator (Simons, 1999)

In this model framework, three kinds of risks are considered: growth, culture and information management. These categories consist of three risks each, forming nine relevant exposures overall. After the assessment of risks, the scores are added together to generate an overall score. This score gives significant information on the state of a company's risk culture. By the means of a scale, three major states can be distinguished: 'safety', 'caution' and 'danger' zones. This calculator is meaningful because 'executive resistance to bad news' is included. An insurance company board executive with a resistance to advice would therefore score a rather high value.

The culture scoring aims of Simons have appeal but are possibly difficult to apply in practice. Other ideas for aligning risk culture with good decision making continue to emerge. For example, an understanding of the trade-offs organisations face when attempting to 'manage' their risk cultures (e.g. balancing risk support for disciplined business decisions against the risks of imposing excessive controls, or balancing ethics and incentives as levers over behavioural change) could enable the '*formulation of prescriptions, in the form of simple questions for practicing managers and staff, which may be more useful and targeted*' (Power, Ashby and Palermo, 2013: p.34).

Board composition and rules

There are other ways of improving the decision-taking processes of boards of insurance companies. As most of the Board members vote in line with the Chief Executive Officer

(CEO), independent non-executive members should be more able to vote against the CEO (Schwartz-Ziv and Weisbach, 2013: p.363). Also, good practice has the number of non-executives outnumbering the executives on Boards, to reinforce their influence on the organisation.

Training
A further improvement to decision-making would be training (delivered by independent professionals) for the Board. Walker (2009, p.46) strongly recommends business awareness sessions, especially for non-executive directors, and this is now reinforced by the FRC Code. This can ensure sufficient understanding of the business, so leading to a more meaningful contribution to decisions.

Remuneration
As mentioned earlier, remuneration also plays a critical role in improving the decision-taking processes. Risk-taking behaviours should be rewarded in an appropriate way, while excessive risk taking/ risk aversion should be avoided (Institution of Risk Management, 2012: p.15).

Key risk exposures, the risk appetite and tolerance
Walker (2009, p.105) points out that the risk disclosure is a critical topic. Regulatory frameworks such as Solvency II oblige institutions to disclose information on risk management. The extent to which this happens depends on the legal framework of the relevant country (Hull, 2012: pp. 278-279). Walker, however, proposes the disclosure of information regarding key risk exposures, the risk appetite and tolerance as well as the dynamic assessment of the risk appetite.

Risk appetite has been defined as: '*The amount of risk, on a broad level, an entity is willing to accept in pursuit of value. It reflects the entity's risk management philosophy, and in turn influences the entity's culture and operating style. ...Risk appetite guides resource allocation. Risk appetite [assists the organization] in aligning the organisation, people, and processes in [designing the] infrastructure necessary to effectively respond to and monitor risks.*' (Rittenberg and Martens, 2012: p.3). This definition shows the multidimensional characteristic of risk management (Haimes, 2009: pp. 1647 and 1651).

Risk appetite plays a critical role in risk management since it determines major parts of a company's strategy. For that reason, risk appetite requires clear definitions, communication and a monitoring process (Rittenberg and Martens, 2012: p.1).

Monitoring ensures the required match between the company's strategy and risk appetite. If there are deviations, the risk appetite needs to be readjusted (KPMG, 2008, p.7).

In addition to many others, one aspect of risk appetite is risk tolerance - the setting of tolerance ranges for risk exposures. This approach is often used to monitor and compare the actual risk exposure with the defined risk appetite (KPMG, 2008: p.8). As Walker (2009, p.105) implied, boards should focus on the definition of risk appetite and tolerance in order to ensure meaningful and flawless decisions.

Respond to changing circumstances
Boards should adopt a 'mature risk strategy' which responds nimbly and effectively to the changing external and internal environments, drawing on a fully integrated and holistic approach to risk management. (The Institute of Risk Management, 2017).

Finally, boards should recognise that when all else fails, a robust and confidential reporting line for whistleblowers, possibly using the services of an independent agent working with the non-executive directors, should be put in place.

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