For Julia Chu, managing risk is closely aligned with good governance

Learn why Julia Chu, Markel's Chief Risk Officer, believes managing risk is closely aligned with good governance.

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Julia Chu, Markel's Chief Risk Officer, is responsible for Markel's enterprise risk management, capital planning, and ceded reinsurance placements. Combining these functions under Chu's leadership supports Markel's strategy of efficiently utilizing capital to create value for customers and shareholders. More than that, it underscores the company's commitment to good governance practices.

Chu shared her perspective about the implications of her role for Markel and its stakeholders.

Q: YOU'VE BEEN IN THE JOB SINCE AUGUST 2020. WHAT HAVE YOUR TOP PRIORITIES BEEN?

Julia: The top priority is creating transparency on how we are generating returns and managing risk across our businesses, so we can provide a consistent return in the future. This enables insurance division management to more fully understand which business lines are generating returns, versus which ones are consuming capital and are exposed to greater volatility. If we are able to generate better returns on capital in a given segment, we'll grow that line and vice versa.

Q: WHY DID MARKEL DECIDE TO CREATE THE CHIEF RISK OFFICER ROLE?

Julia: Over the years, Markel has become much more complex. In the last decade, we grew fourfold from a revenue standpoint. More than a quarter of our operations didn't exist four years ago, so we don't have our eyes on just one product. We have offices and operations all over the globe across many business segments. Gathering and distilling information for leadership now requires a dedicated function, since each individual business by itself can have only a partial understanding of the bigger picture around both opportunity and systemic risk. What's required is the ability to take information from all over the world and aggregate it, distill it, and analyze it in order to enable the best executive decision making.

Q: HOW DOES RISK MANAGEMENT CONNECT TO GOVERNANCE?

Julia: Let me contrast it with my prior job at Markel. That was all about hedging, which is concerned with reducing volatility. But governance provides the framework for where we can deploy capital and grow, so that we can be accretive to our shareholders while ensuring we are a resilient institution. Because at the end of the day, only playing defense is not going to win the game. So strong governance creates a speedway allowing our product line leaders to excel at what they do best–which in turn will have an accretive impact on the organization by creating new opportunities for revenue generation and shareholder return.

An optimal governance model creates the best, most suitable roadway, based on aggregating the latest information that is provided by our frontline leaders. This approach allows our senior executives to make the best decisions about growth opportunities and sending those signals back out to the front line.

Q: WHEN YOU THINK ABOUT YOUR TEAM'S MISSION, WHAT'S IN IT FOR OUR SHAREHOLDERS? OUR TRADING PARTNERS? OUR INSUREDS?



Julia: Let's start with our customers and trading partners. For them, a big part of governance is about creating trust, thus minimizing reputational risk, in order to make sure

they feel comfortable doing business with us. Do they believe we are financially sound or that we offer the best service? Good governance basically makes sure we will continue to have an elevated place in the customer's mind.

Good governance also supports shareholder value creation. With our investors, we need to continue to create transparency around financial returns so they see what direction we are going and how we're delivering on what we say we're going to do.

Q: WHAT PREPARED YOU TO TAKE ON A ROLE LIKE THIS?

Julia: My previous job at Markel was as Chief Global Ceded Reinsurance Officer. That role was primarily focused on protecting against downside risks and reducing volatility. This was an extremely valuable experience. I got to know the Markel organization, including all the underwriters, product line leaders, and segment leaders. I learned about the Markel culture and the Markel Style, and the intricacies of how the company and its people are moving forward with each other. I believe effective governance is based on people, so getting to know Markel's people in this way prepared me to take on this broader role.

My current role is focused on identifying opportunities as well as risks. There's a strong governance aspect and a strong educational aspect. I've always been passionate about understanding both risk and return, and I've always believed risk is not just a defensive play.

Q: SO IT SOUNDS LIKE EDUCATION IS ONE OF YOUR TOP PRIORITIES IN THIS ROLE.

Julia: Believing as I do that education is one of the pillars of good financial performance, education about risk is an important priority for me. I want to simplify the concept of risk and capital return for the whole company, I truly believe when people are aware of how we make money and how we consume capital, they will be more sensitive to it. It's a question of ownership and accountability, so that strong governance continues to be a key part of the culture.

As a practical example, we're about to pilot an internal educational concept we call "Fantasy Capital League," which teaches employees about insurance and capital.

I believe there's a very relatable educational concept in fantasy football–or fantasy golf, which is really my game. In a fantasy sport, every player is like a product line here they offer the opportunity to generate return, but there's also no guarantee. If a player costs more to acquire at the beginning of the season, it's because they

offer the opportunity to generate a higher return.

People will start out with X amount in simulated capital and are invited to invest it in whatever product line they believe will generate the best return. Would it be casualty, excess casualty, commercial property, or something else? So at the end of the timeframe, we'll show the simulated return.

Next time, we'll look at a new set of products. This is a new concept, which is more complicated. How would you reinvest your capital then?

This is going to be a year-long process. People can participate, form teams, and learn about insurance and capital and generating return. But at the same time, they can have fun with it, too.