

A world map is centered in the background, rendered in a light blue color against a darker blue grid pattern. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia.

ERM Implementation at Professional Risk Organizations

ERM Symposium 2012
Washington, D.C.
April 19, 2012



How do you structure risk governance?

- Board
 - Risk governance will remain the full responsibility of the Board
- Risk Committee (volunteers and staff)
 - Establish and maintain risk management framework
 - Identify and quantify key risk exposures by impact to Plan
 - Define risk information to support strategic decisions
 - Assist Board in defining risk tolerance and proposing mitigation
 - ERM “Alerts” to Leadership Team and Board
- Staff and other volunteers
 - Day-to-day implementation of ERM activities
 - Emerging risk identification



Describe your qualitative risk assessment

Conducted scripted risk identification interviews in each of last 3 years:

2008/2009

With
management
and Board



2009/2010

With
management,
augmented by
survey of
Membership
Advisory Panel



2010/2011

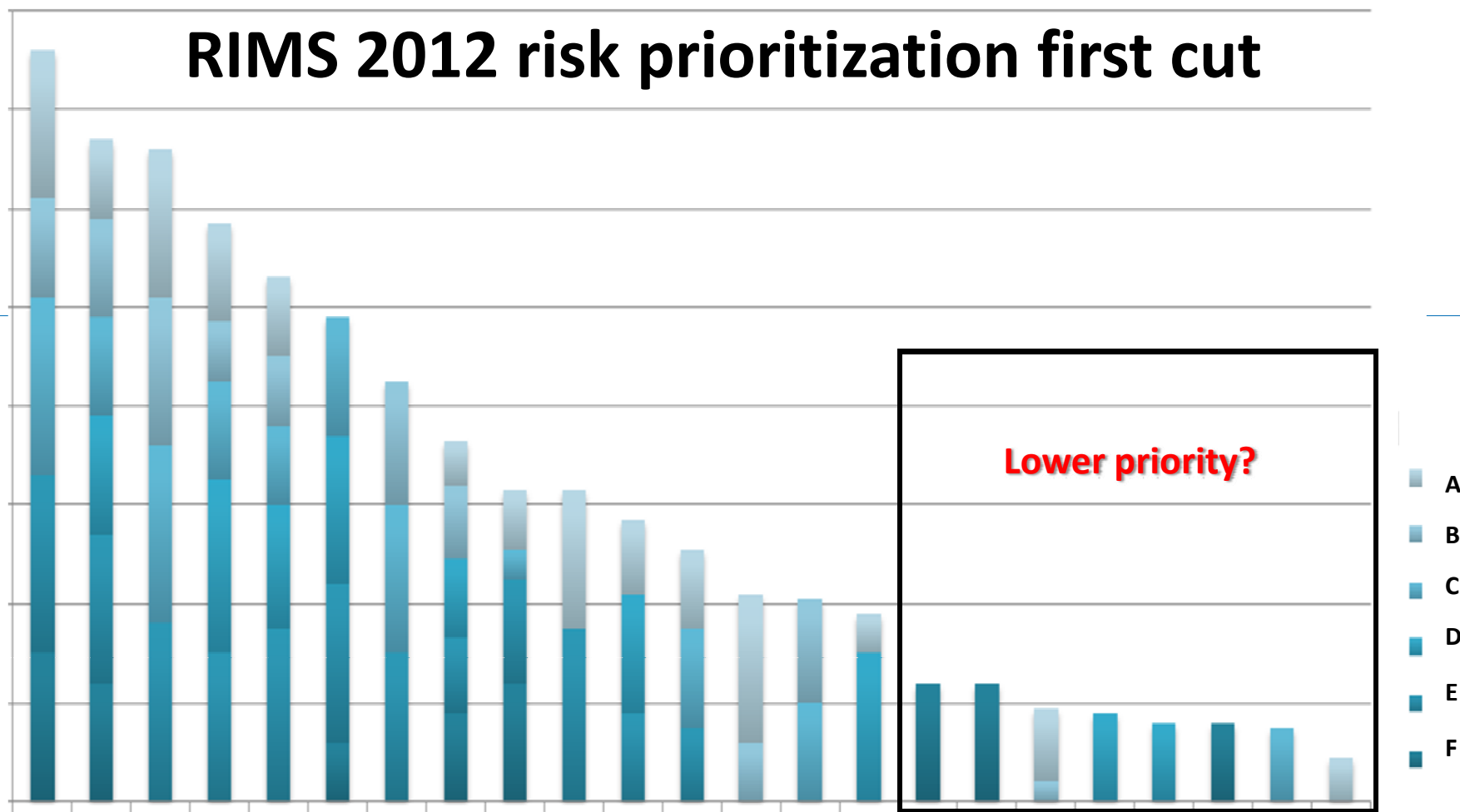
With broad
cross-section
of
membership

Annually, the CAS Risk Management Committee (RMC) distilled the information gathered, and prioritized identified risks for the Board



How do you assess and prioritize risks?

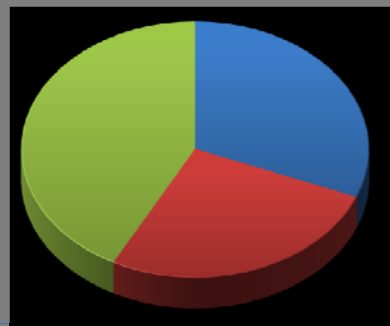
RIMS 2012 risk prioritization first cut



How do you assess and prioritize risks?

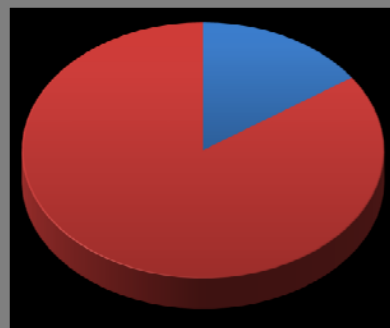
Analysis cuts

- Is the risk internal, external, or both?



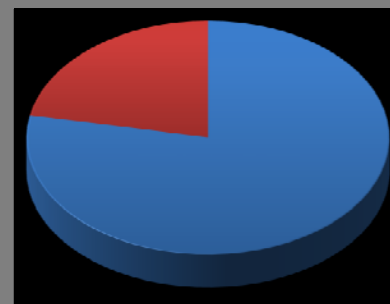
- Internal
- External
- Both

- Does the risk affect revenue goals?



- Non-revenue producing
- Revenue producing

- Is the risk transferrable or not?



- Not transferrable
- Transferrable

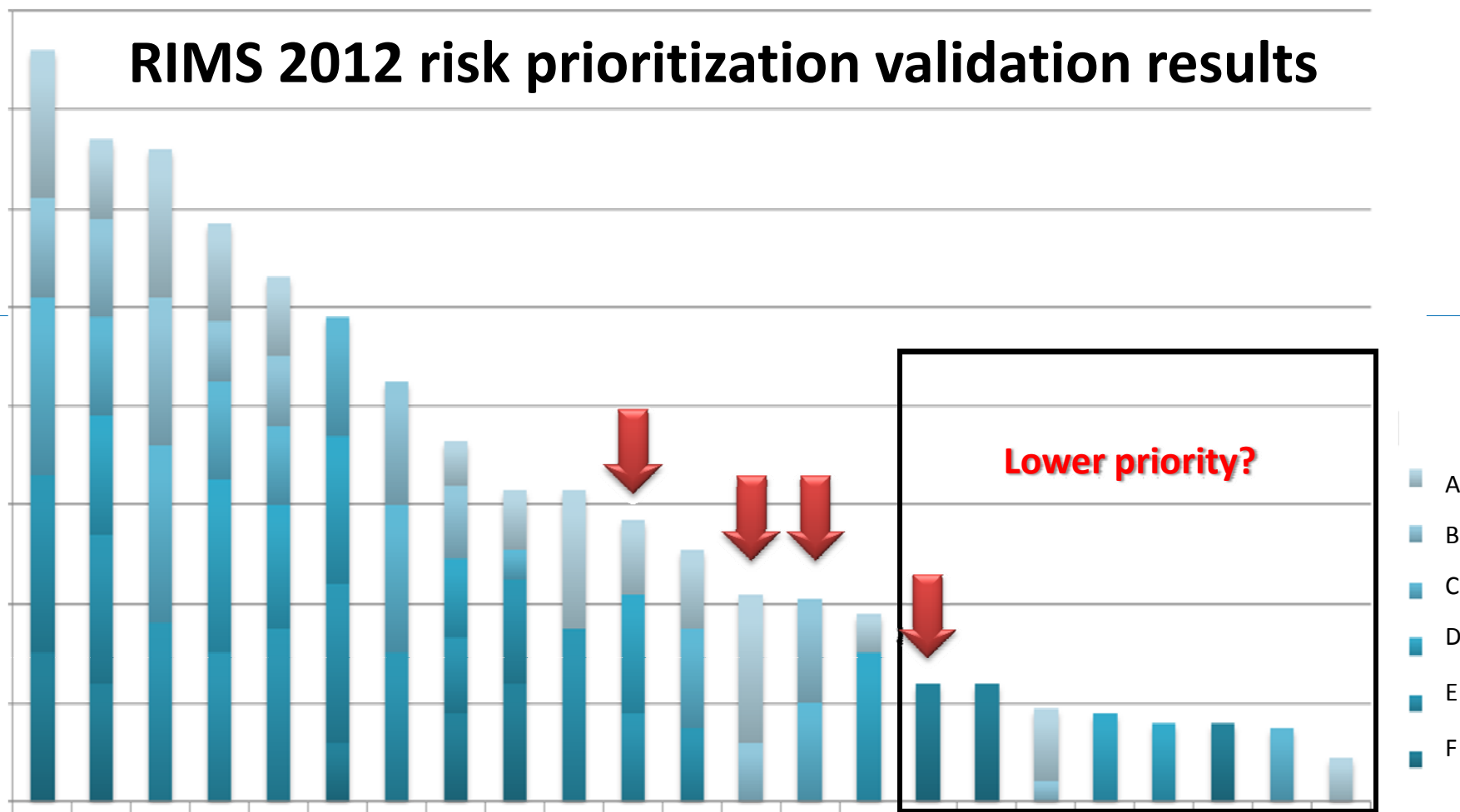
How do you assess and prioritize risks?

Priority validation cut

RISKS	PROBABILITY	DEVELOPMENT	SEVERITY	REPUTATION IMPACT	RISK CATEGOF	Goals primarily affected	Priority
Customer	Likely	No advanced warning	Medium	High	Operational	1,3,5	First Priority
Business disruption	Unlikely	No advanced warning	High	Medium	Operational	3,4,5	Second Priority
Continuity	Highly Likely	Longer advanced warning	Medium	High	Strategic	1,3,4,5	Second Priority
Technology investments	Highly Likely	No advanced warning	Medium	Low	Operational	3,4,5	Second Priority
Customer value through	Highly Likely	Longer advanced warning	Medium	Medium	Strategic	1,3,4	Second Priority
Productivity and development	Likely	Longer advanced warning	Medium	High	Strategic	1,4,5	Second Priority
Support	Highly Likely	Longer advanced warning	High	Medium	Strategic	1,3	Second Priority
Legal	Highly Likely	Longer advanced warning	Medium	Medium	Operational	3,5	Second Priority
Retention	Unlikely	Longer advanced warning	High	Medium	Operational	3	Third Priority
Brand value	Likely	No advanced warning	Medium	High	Strategic	1,3,4,5	First Priority

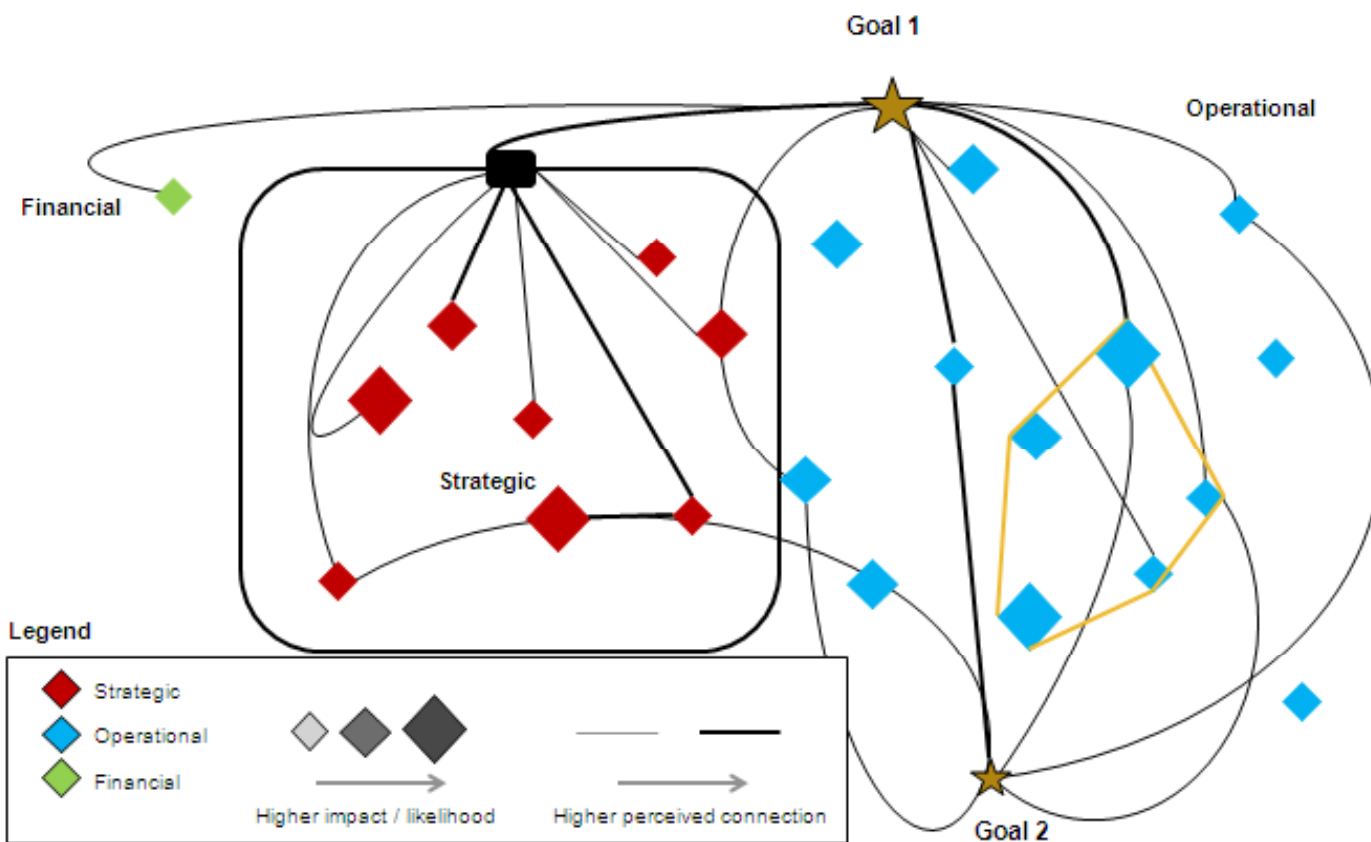
How do you assess and prioritize risks?

RIMS 2012 risk prioritization validation results



How do you assess and prioritize risks?

RIMS 2012 Goals Interconnections Map



What is your approach to risk quantification?

- Part of overall objectives-based ERM approach
 1. Develop ERM model
 2. Develop multiple risk scenarios for key risks
 3. Quantify key risk scenarios by impact on baseline strategic plan goals
 4. Quantitative ranking replaces qualitative assessment



What is your emerging risk identification process?

- Recently established subcommittee on this
- Subcommittee reviews general trends in the economy, demographics, and social trends, studying how trends may pose risks to actuarial profession and insurance industry
 - Example: Initial trend studied was aging of US workforce
- Using blogs to gather information



What is your approach to defining risk appetite/tolerance?

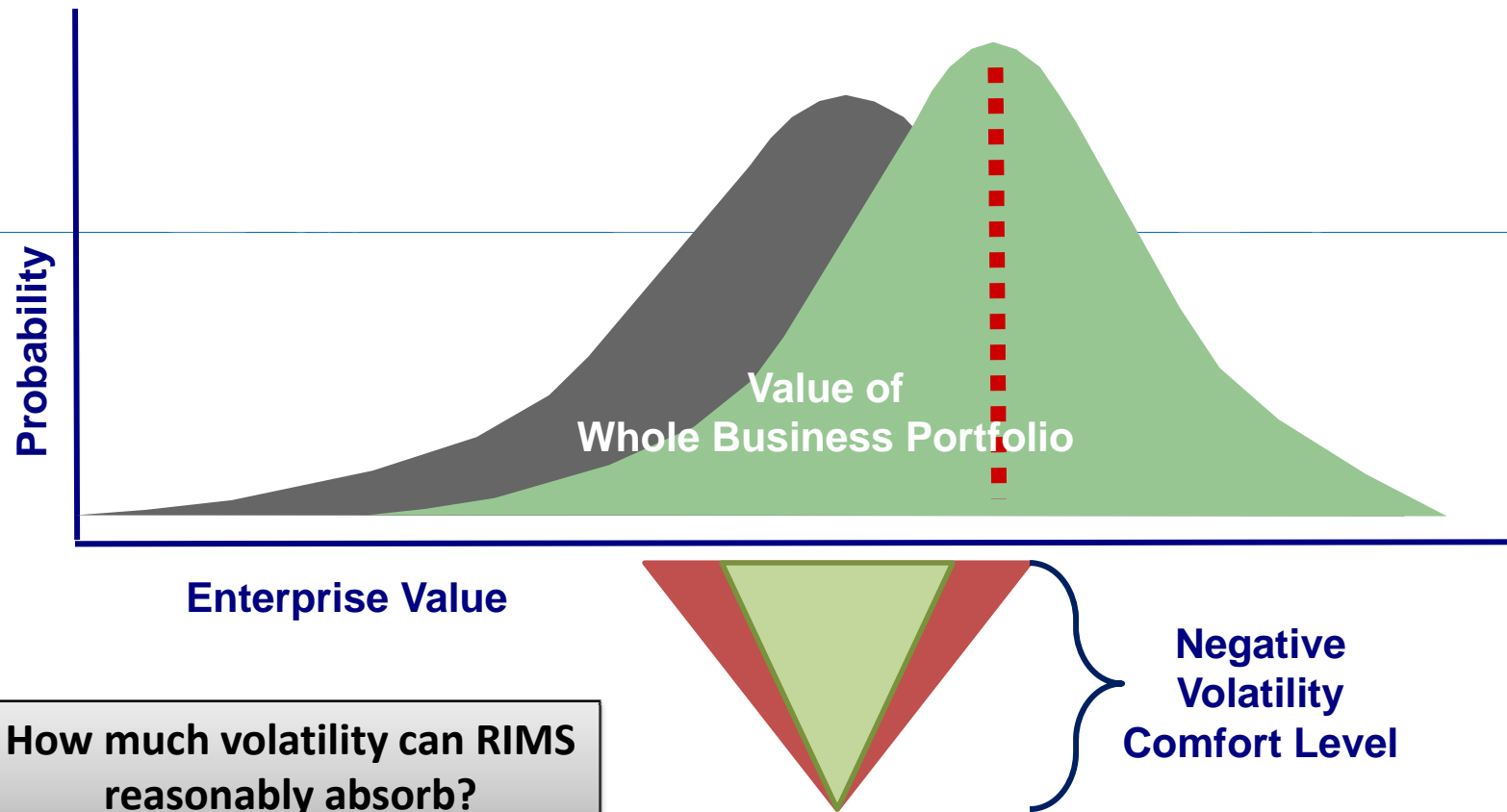
RIMS on Exploring Risk Appetite



- Understand the concepts
- Balance risk and reward
- Use for more than financial measures
- Leverage positive aspects for taking risk
- Evolve risk position over time
- Communicate risk appetite and tolerance

What is your approach to risk appetite/tolerance?

RIMS Use of Risk Appetite Exploration



Graph adapted from SDG Enterprise Value Model.

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What types of decisions are you making differently with ERM?

- Decision-making framework: Go/no-go project decisions supported by ERM information:
 - Impact to baseline SOA strategic plan key metrics
 - New risk scenarios resulting from the project
 - Impact on existing key risk scenarios



How do you handle risk mitigation?

- CAS Board assigns responsibility to various groups and task forces
- Currently, RMC evaluates effectiveness of risk mitigation activities



What was the most surprising benefit of implementing ERM?

- Engages participants as “stake” holders
- Greater understanding of how risks impact goals
- Encourages strategic thinking
- Deeper understanding of processes and tools used by our members



Are you addressing all sources of risk, including strategic, operational, and financial?

- The short answer is “Yes”
- CAS Board focuses mostly on strategic risk
- CAS Staff and Executive Council prepare a self assessment of management of operational and financial risk
- RMC and Board review this self assessment





**What special challenges do you face in applying
ERM to an organization such as yours?**

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