

ERM on a Budget

How one mid-sized company is implementing ERM with limited resources (time, talent, treasure)

Key Words

- **Budget (NOT “cheap”)**
- **IS implementing (not “has implemented”)**
- **Limited (not zero, but less than ideal)**
- **Resources (mostly people... and time)**



Core Advice

- **Get Off The Couch!**
- **Steal Shamelessly**
- **“We Are The Champions”**
- **Buddy Up**
- **Pick Your Spots**



Get Off The Couch!

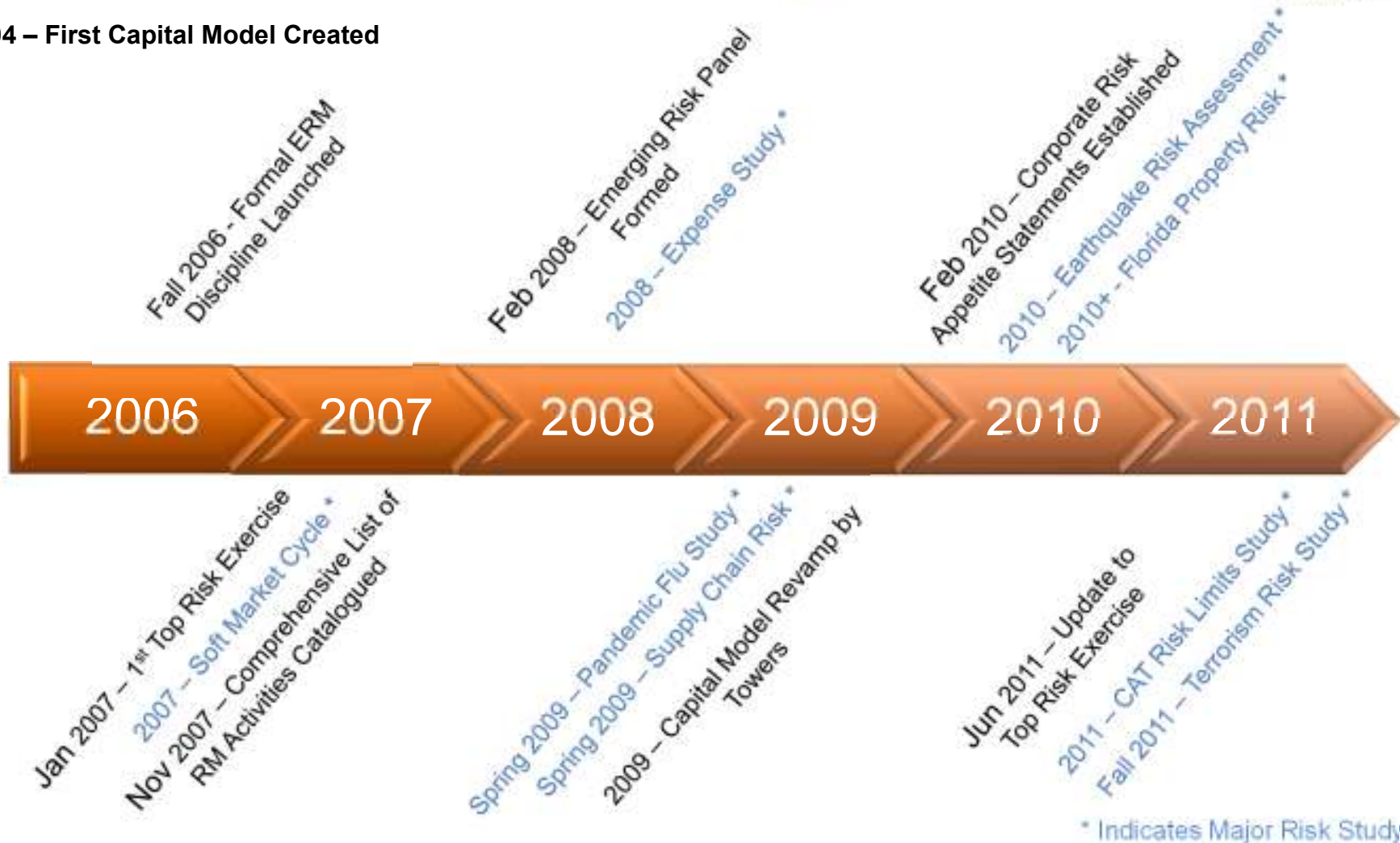
- **“Every Journey Begins w/ a Single Step”**
- **Don’t be Intimidated. Incremental Progress Counts! Small Steps Add Up.**



Brief History Review of ERM @ GuideOne



2004 – First Capital Model Created



* Indicates Major Risk Study

Brief History Review of ERM @ GuideOne



Feb 2012 – Developed Initial Linkage Between Risk Limits and Risk Tolerance (for CAT Risk)
May 2012 – Florida Risk Study*
Sep 2012 – Completed First ORSA Dry Run
Dec 2012 – Created “CAT-Safe” Growth Plan (implemented May 2013)

Feb 2014 – Develop Framework For Risk Budgeting
2014 – Convert to new ECM platform; create Multi-Year Capability
2014 – Reserve Risk Study*
2014 – Define Risk KPIs; Develop Ongoing Monitoring

2012

2013

2014

2015

May 2013 – Refresh Top Risk Exercise incl. Heat Map & Executive Owners
Sep 2013 – Conduct First Weather Summit
Nov 2013 – Refresh Risk Appetite / Tolerance w. Board
2013 – Inflation Risk Study*

2015 – Refresh Supply Chain Risk Study
2015 – Finish Risk Budget by Major Risk Category and Line/Niche
2015 – File ORSA with Iowa Insurance Department

* Indicates Major Risk Study

Get Off The Couch!

- **“Every Journey Begins w/ a Single Step”**
- **Don’t be Intimidated. Incremental Progress Counts! Small Steps Add Up.**
- **Review the Literature. You even get CE credit for it. 😊**
- **ORSA is a Great Guide for a Roadmap**
 - ✓ Risk Management Framework
 - ✓ Assessment of Risk Exposures
 - ✓ Risk Capital and Prospective Solvency
- **Do a Dry Run; Assess Gaps; Build Work Plan Accordingly; Execute the Plan**

Steal Shamelessly

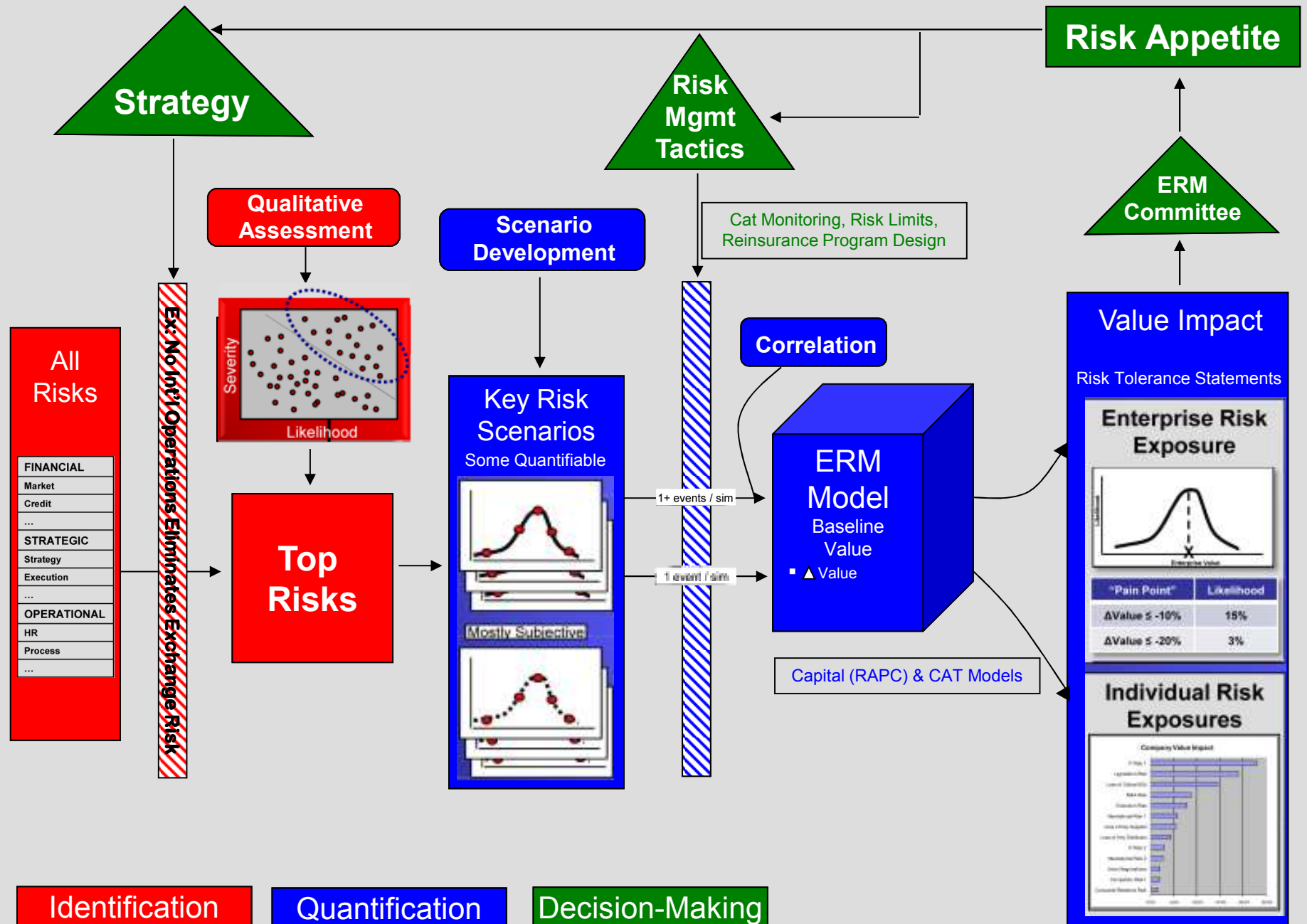
➤ **We've stolen, er... used with attribution... ideas from the best:**

- ✓ **Sim Segal**
- ✓ **James Lam**
- ✓ **Dave Ingram**
- ✓ **Bill Panning**
- ✓ **Don Mango**
- ✓ **Price Waterhouse Coopers**
- ✓ **Towers Watson Consultancy**

(actually, we did pay for that last one...)



ERM Framework @ GuideOne



“We Are The Champions”

➤ ERM needs one (or more)

- ✓ Board of Directors
- ✓ C-Suite (Steering Committee)
- ✓ Department Head(s)
- ✓ “acting” CRO if not full-time

➤ Reasons:

- It costs money (consulting, opportunity cost)
- You can’t build a Risk Culture without it

➤ Definition of Culture:

“The culture of any organization is simply the collective behavior of its leaders. If you want to change your culture, change the collective behavior of your leaders.” --- Ram Charan

Buddy Up

- **This isn't your day job; don't go it alone**
- **Harness others to help, part-time**

Staff	(like me!)
2nd Tier Leaders	(like me!)
Consultants	(like Steve!)

- **Use part-timers for standing committees, special projects, regular reporting**
- **“Many hands make light work”**



Pick Your Spots

- **You can't get it all done simultaneously**
- **Choose Where to Invest in Deep Dives**
 - ✓ Risk Appetite/Tolerance
 - ✓ Largest Risk to Insolvency
 - ✓ Be Opportunistic (crisis of the moment)
- **Outside Experts Can Lend Credibility when you need it (as well as create cost)**
- **GuideOne is a property-heavy carrier exposed to CAT risk. This was our first deep dive (and we are still diving deep...)**

Steve Lowe will discuss how Towers Watson helped us create a CAT framework to connect local Risk Limits to countrywide Risk Tolerance

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You will get there!

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Questions?



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