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Standard for  
Risk  
Professionals*

## Bio of Dr. Robert M. Mark

**Dr. Robert M. Mark is the Chief Executive Officer of Black Diamond which provides corporate governance, risk management consulting, software tools, and transaction services. He serves on several Boards as well as on Checkpoint's Investment Committee. He was awarded the Financial Risk Manager of the Year by the Global Association of Risk Professionals (GARP). He is on the board and is the Vice Chairperson of The Professional Risk Managers' International Association (PRMIA)**

**Prior to his current position, he was the Senior Executive Vice-President and Chief Risk Officer (CRO) at the Canadian Imperial Bank of Commerce (CIBC). Dr. Mark was a member of the Management Committee. Dr. Mark's global responsibility covered all credit, market and operating risks for all of CIBC as well as for its subsidiaries.**

**Prior to his CRO position, he was the Corporate Treasurer at CIBC. Prior to CIBC, he was the partner in charge of the Financial Risk Management Consulting practice at Coopers & Lybrand (C&L). The Risk Management Practice and C&L advised clients on risk management issues and was directed toward financial institutions and multi-national corporations. This specialty area also coordinated the delivery of the firm's accounting, tax, control, and litigation services to provide clients with integrated and comprehensive risk management solutions and opportunities.**

**Prior to his position at C&L, he was a managing director in the Asia, Europe, and Capital Markets Group (AECM) at Chemical Bank. His responsibilities within AECM encompassed risk management, asset/liability management, research (quantitative analysis), strategic planning and analytical systems. He served on the Senior Credit Committee of the Bank. Before he joined Chemical Bank, he was a senior officer at Marine Midland Bank/Hong Kong Shanghai Bank (HKSB) where he headed the technical analysis trading group within the Capital Markets Sector.**

**He earned his Ph.D., with a dissertation in options pricing, from New York University's Graduate School of Engineering and Science, graduating first in his class. Subsequently, he received an Advanced Professional Certificate (APC) in accounting from NYU's Stern Graduate School of Business, and is a graduate of the Harvard Business School Advanced Management Program. He is an Adjunct Professor and co-author of "Risk Management" (McGraw-Hill), published in October 2000 and the "Essentials of Risk Management" in December 2005 (McGraw-Hill). He also served on the board of ISDA as well as the Chairperson of the National Asset/Liability Management Association (NALMA).**



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# **Risk Management Perspectives: Insurance and the Actuarial Profession**

Doug Brooks  
March 30, 2007

# What has Risk Management Been?

1. Management of Risks as part of Business
  - ◆ Actuaries (and others) have been managing specific risks as part of business as long as there have been businesses
  - ◆ Risks have often been managed risk-by-risk, in silos
2. Approach Varies by Profession or Occupation
  - ◆ Professions tend to have their own terminology and measures for managing risks
  - ◆ Different businesses, or even departments within an organization may have their own terminology and measures
3. Focus of risk management:
  - ◆ Controlling or mitigating vs. managing risks
  - ◆ Focus on “best estimate” of risk vs. full distribution

# How Does ERM Differ?

1. Comprehensive Management of Risks
  - ◆ Reflect all risks of an organization, whether financial or operational
  - ◆ Reflects organization-wide approach, rather than management by silos
2. Consistent Management of Risks
  - ◆ Manage risks in a common framework
  - ◆ Common language and classification for risk
  - ◆ Consistent measurement of risks
3. Optimize Returns on a Risk-adjusted Basis
  - ◆ Requires consistent measurement framework
  - ◆ Focus on adding value rather than simply mitigating

## CAS Definition of ERM

*“ERM is the **discipline** by which an organization in any industry **assesses, controls, exploits, finances and monitors risks** **from all sources** for the purpose of increasing the organization’s short- and long-term **value** to its stakeholders”*

# Key Elements of Risk Management

1. Cohesive and Integrated Framework
2. Common Language (terminology)
3. Common Currency/measurement framework
4. Target Risk Profile supported by Policies and Limits
5. Risk sharing and risk transfer mechanisms
6. Comprehensive Risk Reporting
7. Culture and Aligned Incentives

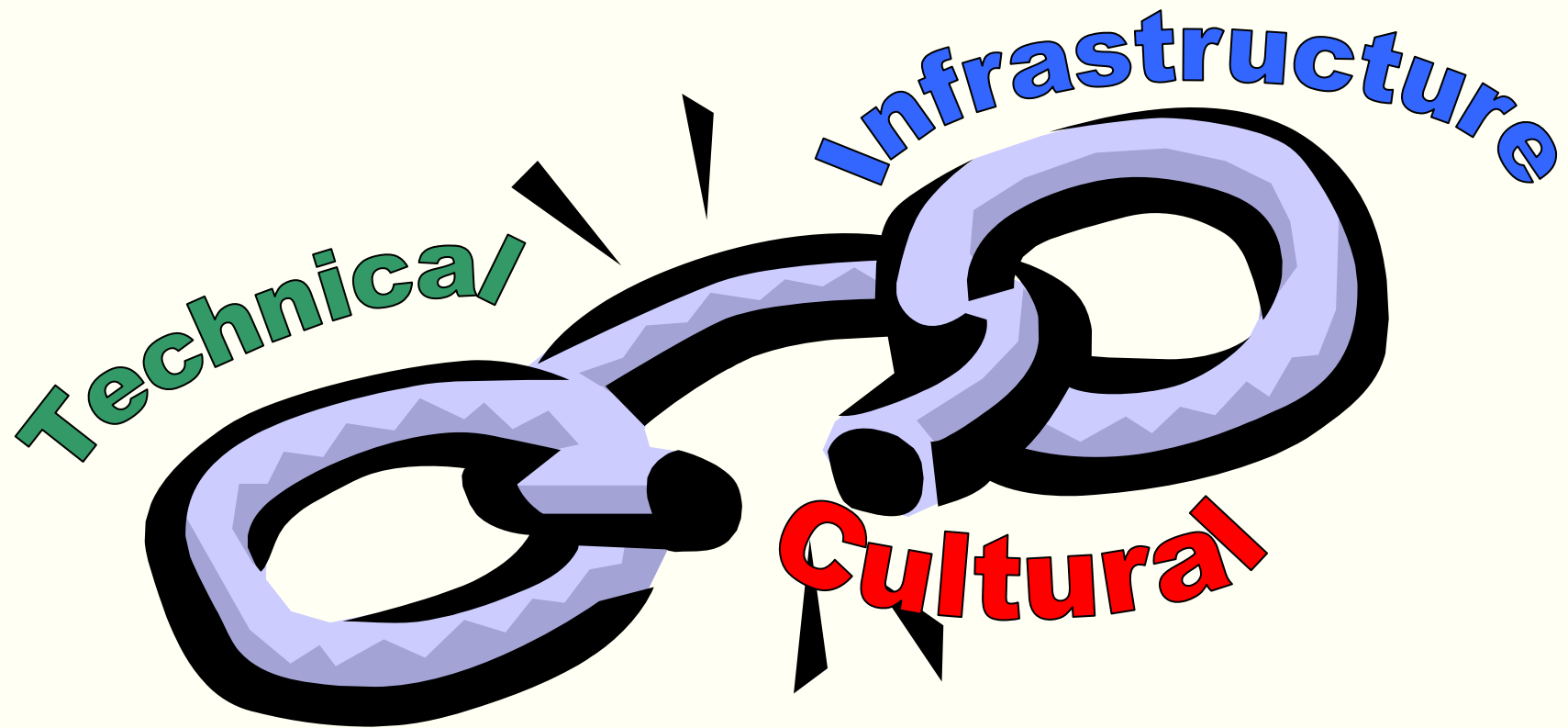
# Risk Categorization and Expertise

1. Counterparty Risks (Credit Risk)
2. Market Risks
3. Insurance Risks
4. Operational Risks (broad definition)
5. Strategic Risks

No one group or profession has expertise in all of these areas. We must share insights, methods and techniques for identifying, evaluating, measuring, monitoring and dealing with different risks in order to have a comprehensive framework.

# The Risk Management Chain

Only as Strong as its Weakest Link!



# Operational Risk

Most failures have operational roots. No one group has a monopoly on understanding operational risk, and operational risk is not unique to any one industry. To understand operational risks we must look to other experiences and other areas of expertise for perspectives.

1. Failures of systems are not unique to any one industry – learn from other experiences
2. Important to learn from principles, not specifics of what went wrong
3. Avoid the “it can’t happen here” syndrome

# Reputation

Reputation has always been viewed as an important asset of an organization, particularly where public trust is at stake. Today it is even more important – the bar has been raised, media attention and publicity is instantaneous and broad, and issues are often assessed with hindsight. A framework for managing reputation is essential:

1. Reputation is not a risk in and of itself
2. Reputation is analagous to capital – it is an asset that must be protected, and different risks may threaten it
3. Therefore, the potential reputational consequences of all risks, whether financial or operation, should be considered

# Managing Risks to Reputation

Managing risks to reputations requires:

1. Strong risk culture
2. Appropriate governance
3. Risk management processes (identification, assessment)
4. Stakeholder relations

How to Avoid Problems:

1. Customer viewpoint and alignment of interests
2. Discipline:
  - Fully understand a risk before taking it - don't shortcut for market convenience
  - Understand the weaknesses of measures that are being relied on
  - Don't rely on "standard industry practice" – look at principles from different perspectives
3. Governance:
  - Encourage questions, deal with them and bring in variety of expertise/perspectives
  - Don't allow "black boxes"
  - Align incentives

# Why is ERM Important to Actuaries

1. Rapidly evolving field of practice
  - ◆ Many groups are trying to take leadership in the areas of risk management
2. Actuaries are experts at risk management
  - ◆ Risk management is at the core of actuarial practice
3. Many of the new practitioners are overlapping with areas of traditional actuarial practice
  - ◆ Actuaries must be oriented toward risk and value
4. Risk management is a tremendous opportunity for the actuarial profession
  - ◆ Must be proactive

# What do Actuaries Offer?

1. Actuarial training includes many elements of risk management
  - ◆ Mathematical and statistical models of risk
  - ◆ Probability and statistics
2. Actuaries are professionals
  - ◆ Education and qualification standards
  - ◆ Standards of practice
  - ◆ Continuing education requirements
  - ◆ Discipline processes
3. Need to enhance general business skills to gain credibility

# Joint Section Purpose

The Society of Actuaries (SOA), Casualty Actuarial Society (CAS) and Canadian Institute of Actuaries (CIA) jointly sponsor the Risk Management Section. The purpose of the Risk Management Section is to further the **education** and **research** in the area of risk management and establish **leading risk management techniques**. These efforts should help to **increase the profile of the actuarial profession** as being leaders in this field and should be rigorous and based on sound principles such that the resulting techniques are broadly **transportable across disciplines and industries**.

# Current Core Objectives

The section's core objectives are:

1. Integration and expansion of membership
2. Member services
3. Continuing education
4. Basic education
5. Research
6. Support of CAS, SOA and CIA initiatives

# Priorities for 2006-7

Some key objectives for the Section for the current year are:

1. International cooperation and collaboration
2. Research
3. Continuing education
4. Communication

Other SOA objectives include:

1. Accreditation and Credentialing
2. Publicity

# Importance of Internationalization

- ◆ Size of actuarial profession – must combine efforts
- ◆ More efficient approach
- ◆ Learn from different experiences
- ◆ Learn from different perspectives

# Research Projects

- ◆ Linking Risk Management, Capital Management and Financial Management
- ◆ Risk Management Terminology and Models
- ◆ An Application of Structural Equation Modeling to Linking Risk, Capital and Financial Management
- ◆ ERM: Analysis and Tools to Quantify Financial and Operational Risks Including their Interaction – Call for Papers
- ◆ Risk Based Capital Covariance
- ◆ Use of Correlation Matrices in the Financial Industry
- ◆ Enterprise Risk Management for Property-Casualty Insurers

# Continuing Education

- ◆ Sessions at Spring and Annual Meetings of SOA, CAS and CIA
- ◆ ERM Symposium
- ◆ GARP Convention
- ◆ Seminars and Webcasts (in conjunction with other sections)
- ◆ ERM Online Guide
- ◆ Local/Regional Meetings

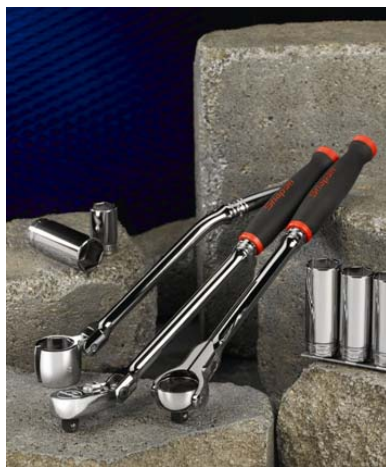
# ***Snap-on*** ***Incorporated***

***Dan Kugler***

**Snap-on Incorporated**

**Assistant Treasurer Risk Management**

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**Founded in 1950 as a not-for-profit organization dedicated to advancing the practice of risk management.**

**10,000 members and 4,000 organizations worldwide**

[www.rims.org](http://www.rims.org)



- **ERM Vision**
- The Risk and Insurance Management Society will become the premiere resource and support organization for ERM.
- The Society will be cognizant of other disciplines, standards and associations' approach and views towards Enterprise Risk Management.
- To become an organization, actually and virtually, that attracts other disciplines in search of information and resources. It will be considered the "Center of Excellence" for ERM resources, information and support.



- ERM Center of Excellence “COE”
- RIMS Maturity Model Released
- ERM Annual Summit
- Educational Courses in support of ERM
- Annual Conference Sessions on ERM
- ERM E-Group
- Coordination with ERM stakeholders

# Getting the Job Done

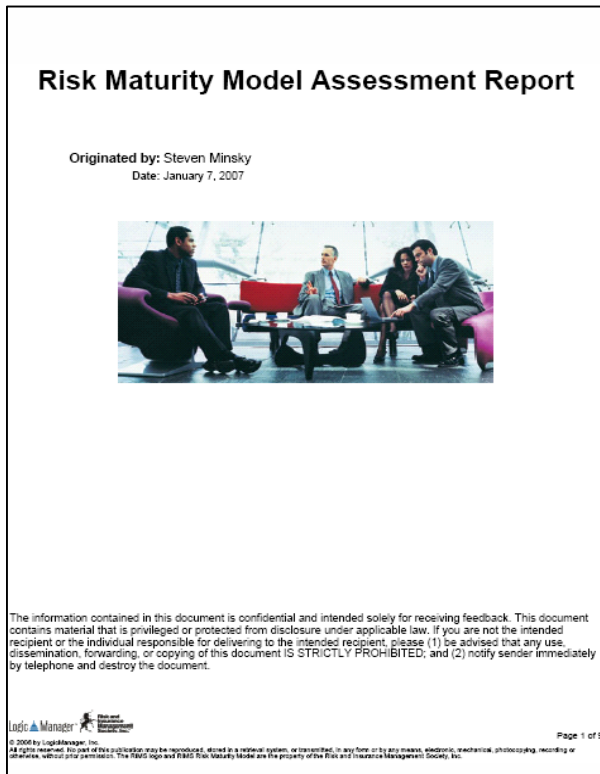
Use the RIMS Risk Maturity Model for Enterprise Risk Management ...

RIMS Benchmarking Exercise

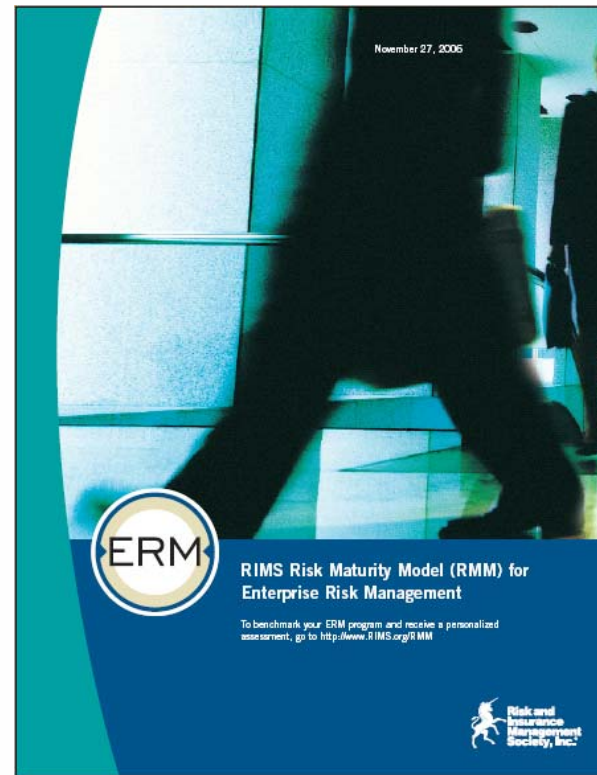
[www.rims.org/ERM](http://www.rims.org/ERM)

RIMS Professional

Development Workshop



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1. Assess
2. ERM Charter
3. Action Plan



- **The RIMS ERM Center of Excellence is your source for news, tools and peer-to-peer networking on all topics connected to enterprise risk management.**
- Whether you are initiating an ERM program within your organization, in the implementation phase or streamlining processes, here, you will gain access to information and touch base with risk management colleagues that will help you gain perspective on your ERM program. Stay updated on ERM content at [www.RIMS.org/ERM](http://www.RIMS.org/ERM).

# Snap-on Incorporated

- › **A leading global innovator, manufacturer and marketer of tool, diagnostics and equipment solutions**
- › **Dedicated to providing the most valued productivity solutions in the world**
- › **Quality, innovation, market knowledge and customer relationships are the competencies that support Snap-on's leading global position . . .**



# ERM the Snappy Way

- Team approach with an established ERM committee.
- Key block in the foundation of ERM is the “upside of risk”
- Built creditability with Entrepreneurial Risk Management
- Examples of an ERM approach through Snap-on’s process

# Snap-on ERM Defined

- Risk begins with strategy
- Risk does not represent a single point estimate it represents a range of possible outcomes
- Risk encompasses both opportunities and threats “failure to exploit an opportunity or competitive advantage can be considered a significant risk”