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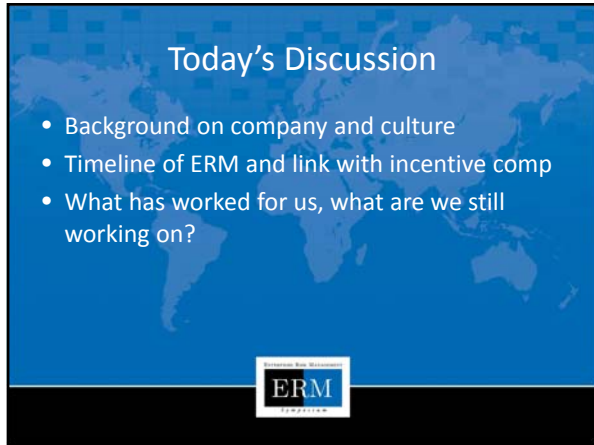
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### Securian's ERM Timeline

- 2005 – Initiated project to ramp up ERM practices
  - Focus on economic measures and enterprise view
- 2008 – first draft of Risk Appetite statement
- 2009 – integrated first ERM enhancements to incentive compensation plans
- 2010
  - Risk Appetite statement formally approved by Board of Directors
  - Statements included in incentive plans across the company
- 2011 – plan for first new measures, for senior management
- 2012 and beyond – incorporate economic measures



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### Understanding Our Culture

- Culture is one of collaboration and partnering
- Change happens via soft-touch, over time
- Build buy-in, implement in stages, link with how management is already operating
- Learn from past experiences
- As a mutual, we have more flexibility and less disclosure, but may also have a difficult time competing for talent with stock companies



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### Drivers For Change

- More formal ERM practices demand more formal compensation link
- Global financial crisis and resulting economics prompting review of all programs
- Other corporate initiatives provided opportunity to start process



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### Starting Small

- Began with enhancing statements around risk in our management incentive goals
  - Year 1 – associates in financial management positions
  - Year 2 – associates in all management positions
- Statement:  
*The following goals will be achieved in accordance with financial reporting standards, the Company Code of Ethics, along with Securian's enterprise risk management policies, risk appetite and risk tolerances. These goals are intended to incent actions that reflect both an enterprise and SBU view, as well as incent innovation without excessive risk taking.*



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### Additional Qualitative Steps

- Within existing programs, clarifying that ERM decisions are one of several situations where discretionary judgments may be considered in determining incentive comp awards
- Document how incentive plan designs and governance support our risk appetite objectives



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### Measures – Where to Start?

- Our culture compels us to phase-in changes to our compensation plans
- We're beginning with:
  - Long-term incentives for senior management
  - Using familiar measures that are currently used in other management decisions



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### Measures – Considerations

- Current incentive plan measures focus on sales and earnings
  - Considering addition of balance sheet component
- Reviewing what behavior we want to incent that is not part of current measures
  - Look at past risk management decisions – what measures would have helped us to incent desired behavior



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### Measures – Considerations

- Practical considerations
  - Mutual company has fewer long-term options than stock company
  - Still, need measures that incent decisions that play out over longer than one year
- Lessons learned from economic environment
  - Measures must be dynamic enough to function under varying conditions



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### Measures – Looking Ahead

- Goal is to incorporate economic measures in next few years
- Challenges
  - Education of management and Board on measures and their behavior
  - Choosing a measure that will best incent desired behavior, work under various scenarios, and link to how we actually manage our business
  - Communication and building buy-in



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### Measures – Looking Ahead

- Continue to monitor what is emerging as best practices in the industry
- Incorporate new requirements into any changes made



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### What Has Worked for Us

- Understand company culture
- Partnerships with HR, Internal Audit, ERM Steering Committee
- Stage the implementation of changes
- Use familiar measures to start
- Don't let measures get ahead of how company is managed



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### Questions?



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