ENTERPRISE RISK MANAGEMENT
ERM
Symposium
Where Cutting Edge Theory Meets State of the Art Practice

2011 ERM Symposium
March 14-16, 2011

Swissôtel Chicago
Chicago, IL

ERM: Practical Issues for the Small Company
Session Workshop
Tuesday March 15, 2011 – 2:15 p .m. – 3:30 p.m.
Facilitators: Max Rudolph, Phil Ferrari, and Mary Bahna-Nolan

Initial Thoughts to Generate Discussion

- This does not apply to me because I focus on life/health/pension/casualty/asset management/other
- How do I find the resources to implement ERM? Resources in the form of people, time, and budget?
- How do I justify the cost of implementing ERM?
  - How do I most effectively show/demonstrate ERM value/return?
- Should I create a Chief Risk Officer? How is it different from CFO/Chief Actuary/Auditor? Should I create a risk management team?
  - Should I spread responsibility and effort?
- Where should this position/responsibility reside?
- How do I engage my CEO/board?

Initial Thoughts to Generate Discussion

- Should I identify ALL risks or just the material ones?
  - What are the appropriate risks I should be concerned with?
  - Are there risks that I am not accounting for?
  - How do emerging risks fit in?
- Some say that I can't manage what I can't measure? What does this mean to me?
- What does *risk appetite* mean?
- Are the rating agencies really interested in ERM?
- Is Risk-Based Capital related to ERM?
- What does *Risk is Opportunity* mean?
- What is the number one issue in engaging on a defined ERM initiative?

Practitioner Solutions

- Embed risk culture – is everyone on the same page?
- Pricing discipline – does M&A use the same tools as internal pricing?
  - IRR/GAAP/hurdle rate/overhead expenses/capital requirements
- Leverage current models to do PBR and ERM – jointly develop project
- What are ORSA (Own Risk Self Assessment) and RFE (Risk Focused Examination)
- Iterative/incremental solutions
- Qualitative and quantitative analysis
- Leading indicators/key risk indicators
- Communications to stakeholders
  - Internal - show-off and present early wins
  - External - especially to rating agencies to sell value

Practitioner Solutions

- Build strong relationships
  - Getting and maintaining buy-in from senior management, audit, etc.
- What are the "tasks" in your ERM process? For example:
  - Research period
  - Risk identification and assessment
  - Internal or external resourcing decisions
  - Focus and decision of top risks/priorities
  - Development of a basic model first
  - Expansion to more advanced model
  - Results analysis and reporting