



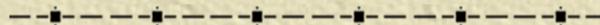
Reviewing the Role of the Risk Manager

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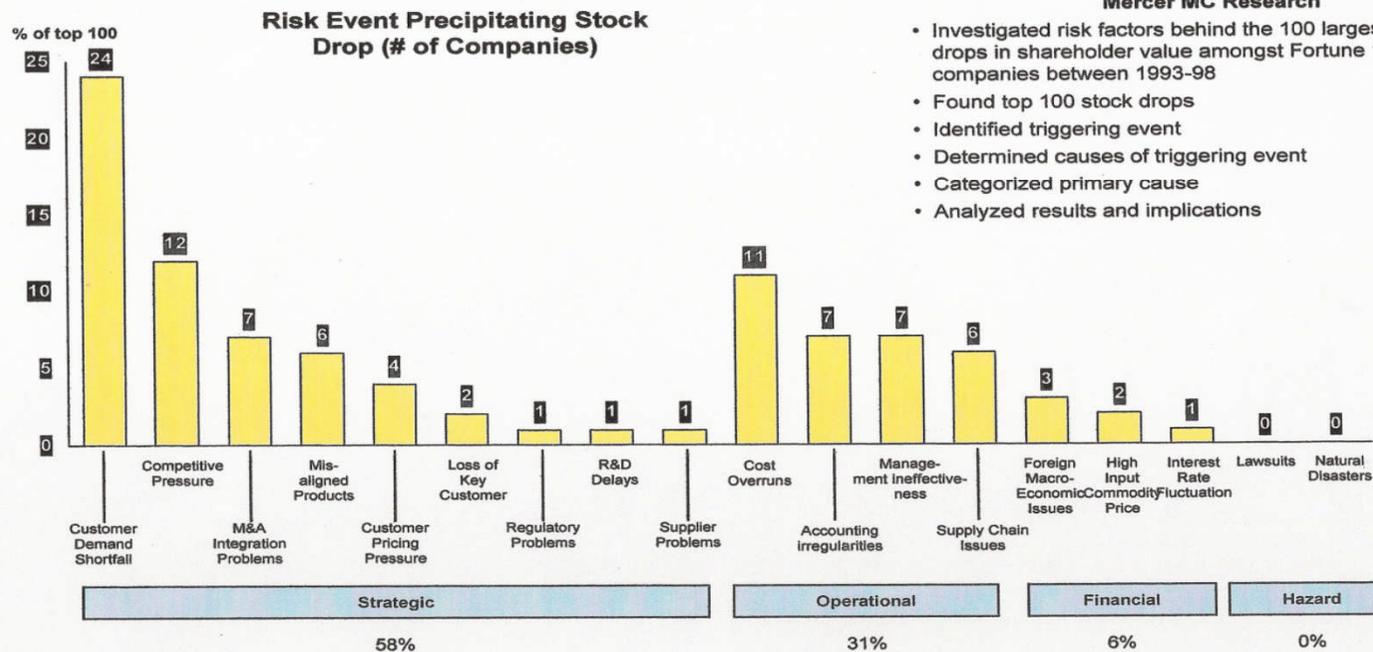


Back to Basics

- ✦ RM is celebrating its 60th birthday this decade
- ✦ These original pioneers dealt with fundamental risks such as how to:
 - fight fires (hydrants)
 - contain fires (non-combustible construction)
 - avoid explosions (inspect for hazardous conditions)
 - manage natural hazards (flood plain management)
 - manage simple liability issues
- ✦ Did they do a good job?

Back to Basics

Mercer Study on Causes of Stock Price Drops (1993-1998)



Back to Basics?

- ✦ They did such a good job managing the known operational and hazard risks that most of these exposures are “under control”
- ✦ If we didn’t, legislation steps in!
 - Building codes, OHS, Environmental Act, Tort law, WC, Corporate Governance
- ✦ Emergence of best practices standards within industries and other organizations providing guidance (e.g., CSA, COSO, insurers)

*Is there even a need
for a Risk Manager?*

YES!



The RM's "performance should be based on how well the risk manager planned for a well-grounded, cost effective program to address and handle the company's risks and liabilities. A risk manager should recognize that the field has become an **amalgamation of disciplines** – engineering, finance, economics, law, social work, psychology and management. While a risk manager certainly **cannot be an expert** in all of these fields, the ingredient for success is a **basic understanding** of many disciplines and perspectives.

from Measuring the Risk Manager's Performance in
Essentials of Risk Management 2001, 1st Edition (CRM 54 book)

The Role of Risk Management

No matter which words you prefer, it all boils down to:

*Maximizing firm value through
minimizing the costs associated with
managing risks*

So how does today's risk manager add to firm value?

Enhancing our Value Added

✦ Risk Communication

✦ Risk Identification

✦ Better Informed Decision Making

Communication is the KEY!!!

- ✦ If you are not connected to the organization, you cannot start the risk management process since there is no initial identification.
- ✦ Basic need is to be connected - tied into the organization

Internal Communication

- ✦ Are you open? Can you listen? Do people come to you when there is a risk they do not fully understand? They should!
 - Careful with risk or insurance jargon!!!
- ✦ Are you the solver of problems that allow the business to operate – or are you perceived as the **NO** Police!



Developing Internal Networks

Develop strong relationships with senior management.

Develop strong networks with middle management.

Develop strong communications lines with front line staff.

External Communication

- ✦ How well do you network?
 - Who do you know? What do they know?
 - How can you help them? How can they help you?
- ✦ Need to have external contacts in your industry (oil, real estate, schools) plus good vendor contacts that service your industry that can address the technical questions.
 - These people make you look like a star!

What skills do you need?

- ✦ Ability to listen (corporate antenna)
- ✦ Jack of All Trades, Master of None
- ✦ An understanding of the corporate culture
- ✦ Adaptability

Step 2: Risk Identification

✦ But which really comes first?

- There's a chicken/egg issue when speaking about risk communication and risk identification





Identifying Risks to the Organization

- Today's world includes natural disasters, pandemics, fraud, social media, environmental impacts, supply chain changes in other countries, impacts of world scale recessions, terrorism.
- The perception of risk often drives more people, C suite included, than the actual risk profile itself.

Back to Basics

✦ Out of this came the 5 step risk model
(among many others):

- Identify the risk
- Analyze
- Develop Options
- Drive Change
- Monitor

Risk Identification

- ✦ Understanding your industry and how “unrelated” issues affect it, e.g.:
 - Natural Disasters
 - Incident Management (near-miss management) as opposed to just claims management
- ✦ Insurance can be an important tool, but it is only one of many tools available (and should not affect the **RM** process)

Consider your toolbox...

Risk Control

Exposure Avoidance

Loss Prevention

Loss Reduction

Segregation

Duplication

Contractual Risk Control Transfer

Risk Financing

Current Expensing

Unfunded Reserve

Funded Reserve

Borrowing

Captive Insurers

Contractual Risk Financing Transfer

Commercial Insurance

Better Informed Decision Making

✦ What is meant by better?

- Did you think of things holistically?
- Is this the best decision or are we just following the traditional methodology?
 - Are you thinking about things only from an insurance background?

How to make a better informed decision

✦ Knowledge is power!

- Know what the rest of the company does
 - How does a drilling rig work, what burns down a building, who slips and fall at your property.
- Expand your broader risk knowledge to appreciate the “amalgamation of disciplines” mentioned earlier
 - Does an appreciation of how people may react to or perceive risk matter? How much of this is risk? sociology? psychology?

But remember this is #3 on our list

✦ Because without good risk communication leading to enlightened risk identification, better decision making won't occur

– How else would you know:

- What your company (C-suite) wants you to do
- What new things are on the horizon
- What the technical speak that various units use actually means

Retooling the RM Toolbox

✦ Risk Communication & Identification

- Familiarize yourself with the people you work with
 - Increase random crossing of paths
- Worm your way into the corners of your organization
 - Become a well-known commodity in the firm
- Run a lunch and learn for the company
- Toastmasters???

Retooling the RM Toolbox

✦ Better Informed Decision Making

- Expand horizons on what is your continuing education
 - reading non-risk related books
 - Wisdom of Crowds
 - How we Decide
 - Growing up Digital
 - Nudge
 - Predictably Irrational
 - anything by Malcolm Gladwell

Don't be afraid to...

- ✦ Blaze the path in identifying and managing risks
- ✦ Lead by example
- ✦ Let your peers know what you do
- ✦ Work with the community you are in!



*Thanks for your time and
attention. Any Questions?*

