



disaster

Enterprise Risk Management And Beyond

ERM And Beyond

- Today's goals are:
 1. What is ERM and why it's important to your organization
 2. What is the process and how to implement and manage ERM
 3. What are the pitfalls, how to overcome them and where to go to get help

ERM And Beyond

- Today's goals are:

Goal #1

What is ERM and why it's important to your organization

Risk And ERM Defined

- Risk
 - A situation involving exposure to danger, possibility of loss or injury or peril
- ERM
 - Is a holistic horizontal process of planning, organizing, leading and controlling the activities of an organization

The History Of Risk Management

- Timeline

- 2000BC-1686AD Group pool first written contracts
- 1686 Lloyd's Coffeehouse first insurance contracts
- 1752 Ben Franklin organized insurance in the U.S.
- 1914 Commercial Airlines take off
- 1931 H W Heinrich behavior based safety

The History Of Risk Management

- Timeline

- 1941 Military Reliability/Safety engineering (Traditional Risk Management)
- 1950-1960 The science/art begins
- 1956 Gallagher introduces RM to insurance
- 5-26-1958 First Commercial Nuclear Plant
- 1966 The roots of ASRS
- 12-29-70 OSHA signed into law

The History Of Risk Management

- Timeline

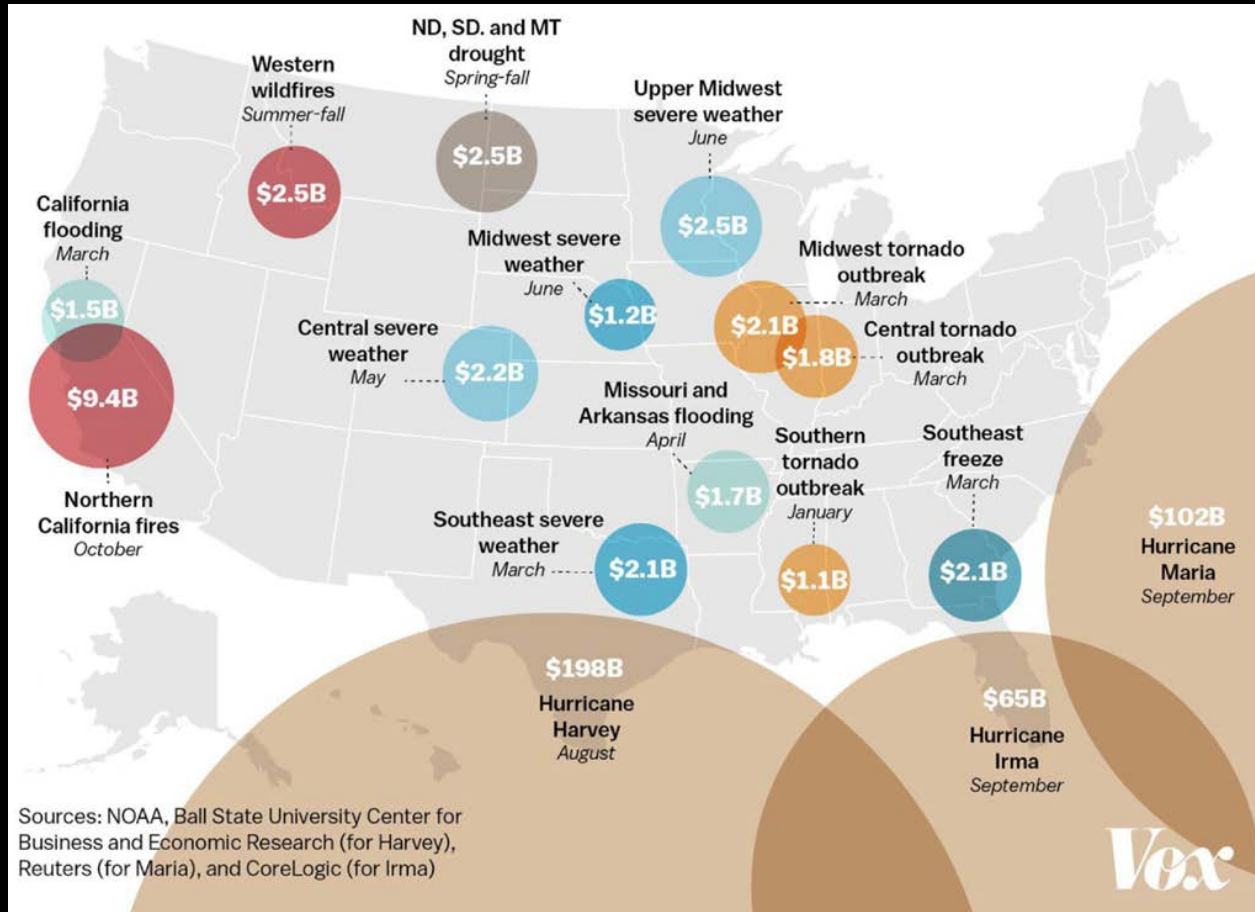
- 4-1-79 FEMA “Reorganization Plan”
- 1982 Risk Retention Act permits risk retention groups
- 1986 Six Sigma is introduced
- 1987- Present The start of a higher level of world disaster
- 1987 HRO formalized
- 1987 ISO 9000 Quality Management

The History of Risk Management

- Timeline

- 1988 RMS Cat Risk Modeling
- 2001 Sidney Dekker began publishing
- 2004 COSO ERM Framework established
- 2009 ISO 31000 ERM Framework established
- 2016 SMS formalized

2017 FEMA Disasters Over \$1B



Why ERM

Hierarchy Of Defense

- Legal
- The standard
- The best practice

The Future

- Government grants
- Banking requirements
- OSHA



Why ERM

Benefits of ERM

1. Increase likelihood of achieving objectives
2. Comply with legal standards and requirements
3. Improves controls
4. Improves effectiveness and efficiency
5. Improves loss prevention and loss control
6. Improves sustainability



Why ERM

Benefits of ERM

7. Improves resiliency
8. Improves organization learning
9. Reduces loss soft dollars (4 to 1 ratio)
10. Improves governance
11. Improves reliability

ERM Redefines Risk

- ERM's Definition of Risk
 - An unexpected development that could threaten or pose an opportunity both insurable or uninsurable

ERM Success And Challenges

- ERM's
 - Success For Today's "Best Practice"
 - Process
 - Holistic
 - Horizontal
 - Non-insurance risk
 - Addresses culture

ERM Success And Challenges

- ERM's
 - Challenges
 - Work load and time
 - Employees' concern of accountability
 - Drift
 - Competing values
 - Decision making
 - Hyper-Complexity and complex communication
 - Moving toward a “Just Culture”



ERM

- COSO vs ISO 31000

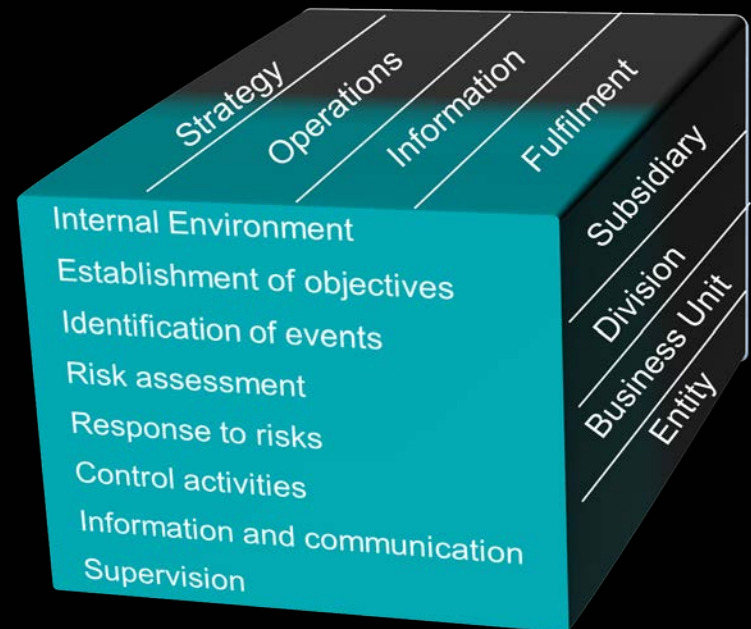
- COSO Committee Of Sponsoring Organization (of the Treadway commission)
- ISO 31000 Standard of Risk Management Principles and Guidelines

ISO And ANSI

- ISO (International Organization of Standardization) works in 162 countries and has developed over 20,000 standards.
- This ISO shouldn't be confused with Insurance Services Office
- ANSI (American National Standards Institute) is the U.S. member body to ISO

Why ERM – ISO 31000

- Future of Risk Management
- International Standard of Risk Management
- Risk Management Education Using ERM
- Benefits
 - Better Decisions
 - Greater Accountability
 - Reduce Losses
 - Improve Outcome



ISO 31000

- Tools to implement

<u>ISO</u>	<u>Standard name</u>	<u>Pages</u>
• ISO 31000-2018	Risk Management (ERM)	37
• ISO 31004-2013	Guide to implementation	16
• ISO 31010-2009	RM Risk assessment tech	176
• ISO 9000- 2015	QM systems fundamentals	51
• ISO 9001-2015	QM Requirements	29
• ISO 19011-2011	Auditing management sys	44
• ISO Guide73.209	Vocabulary	

Why The Framework

1. Generic approach
2. Consistent processes
3. Effective risk management
4. Efficiency
5. Coherence
6. Provides principles and guidelines

ERM And Beyond

- Today's goals are:

Goal #2 What is the process, and how to implement and manage ERM



What Is ERM

- The five clauses in ISO 31000
 1. Scope of ISO 31000
 2. Terms and Definitions
 3. Principles
 4. Framework
 5. Process



What Is ERM

1. Scope of ISO 31000

- Provides principles and generic guidelines on risk management
- Can be used by any organization
- Can be applied to any risk
- Creates a risk management standard process

What Is ERM

2. Terms and Definitions (31)

1. Risk
2. Risk management
3. RM Framework
4. RM Policy
5. Risk attitude
6. Risk appetite *
7. Risk aversion
8. RM plan
9. Risk owner
10. RM process
11. Establishing context
12. External context
13. Internal context
14. Communication and consultation
15. Stakeholder

What Is ERM

2. Terms and Definitions

16. Risk assessment

17. Risk identification

18. Risk source

19. Event *

20. Consequence

21. Likelihood

22. Risk profile

23. Risk analysis

24. Risk criteria

25. Level of risk

26. Risk evaluation

27. Risk treatment

28. Control

29. Residual risk

30. Monitoring

31. Review



What Is ERM

2. Not Defined

1. Responsible
2. Accountable
3. Error
4. Willful wanton misconduct
5. Tolerance



What Is ERM

3. Principles

Risk Management

1. Creates and protects value
2. Is an integral part of all organizational processes
3. Is part of decision making *
4. Explicitly addresses uncertainty
5. Is systematic, structured and timely
6. Is based on the best available information *
7. Is tailored



What Is ERM

3. Principles

Risk Management

- 8. Takes human and cultural factors into account *
- 9. Is transparent and inclusive
- 10. Is dynamic, iterative and responsive to change
- 11. Facilitates continual improvement of the organization



What Is ERM

4. Framework

The Risk Management Framework Defined

The set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout an organization.



What Is ERM

4. Framework

The foundations include the policy, objectives, mandate and commitment to manage risk

The organizational arrangements include plans, relationships, accountabilities, resources, processes and activities



What Is ERM

4. Framework

The risk management framework is embedded within the organizations overall strategic and operational policies and practices

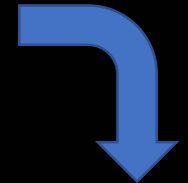
What Is ERM

Risk Management Framework Components

Mandate and Commitment



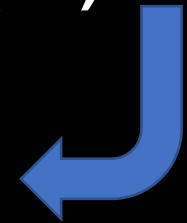
Design a Framework for Managing Risk (plan)



Implementing Risk

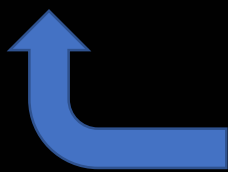
Management Framework

Process (do)

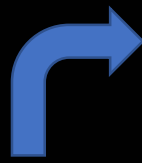


Monitoring and Review of the

Framework (check)



**Continual Improvement
of the Framework (act)**



What Is ERM

Decision Making Framework

1. Determine if decision furthers organizations strategic objectives
2. Identify internal stakeholders
3. Determine external stakeholders
4. Identify strengths and weaknesses
5. Identify threats and opportunities
6. Rank and prioritize



What Is ERM

5. Process

The process should be:

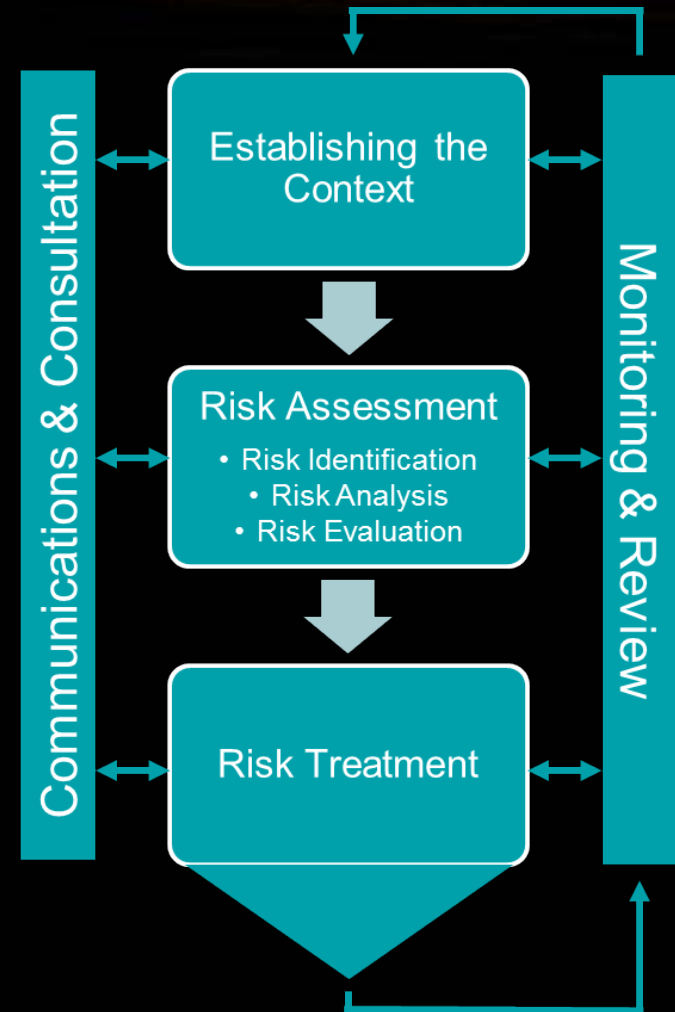
An integral part of management

Embedded in the culture and practices

Tailored to the business processes of the organization

ERM Process

1. Establish internal and external context
2. Risk assessment
3. Risk treatment
4. Monitor results
5. Communicate and consult with internal and external stakeholders





What Is ERM

5. Process

Identify
Prioritize
Mitigate
Report
Measure

The Process

Enterprise
Risk
Management

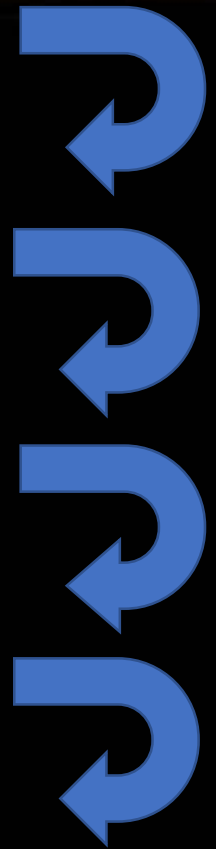
Risk Identification

Risk Evaluation

Risk Mitigation

Risk Monitoring

Risk Review

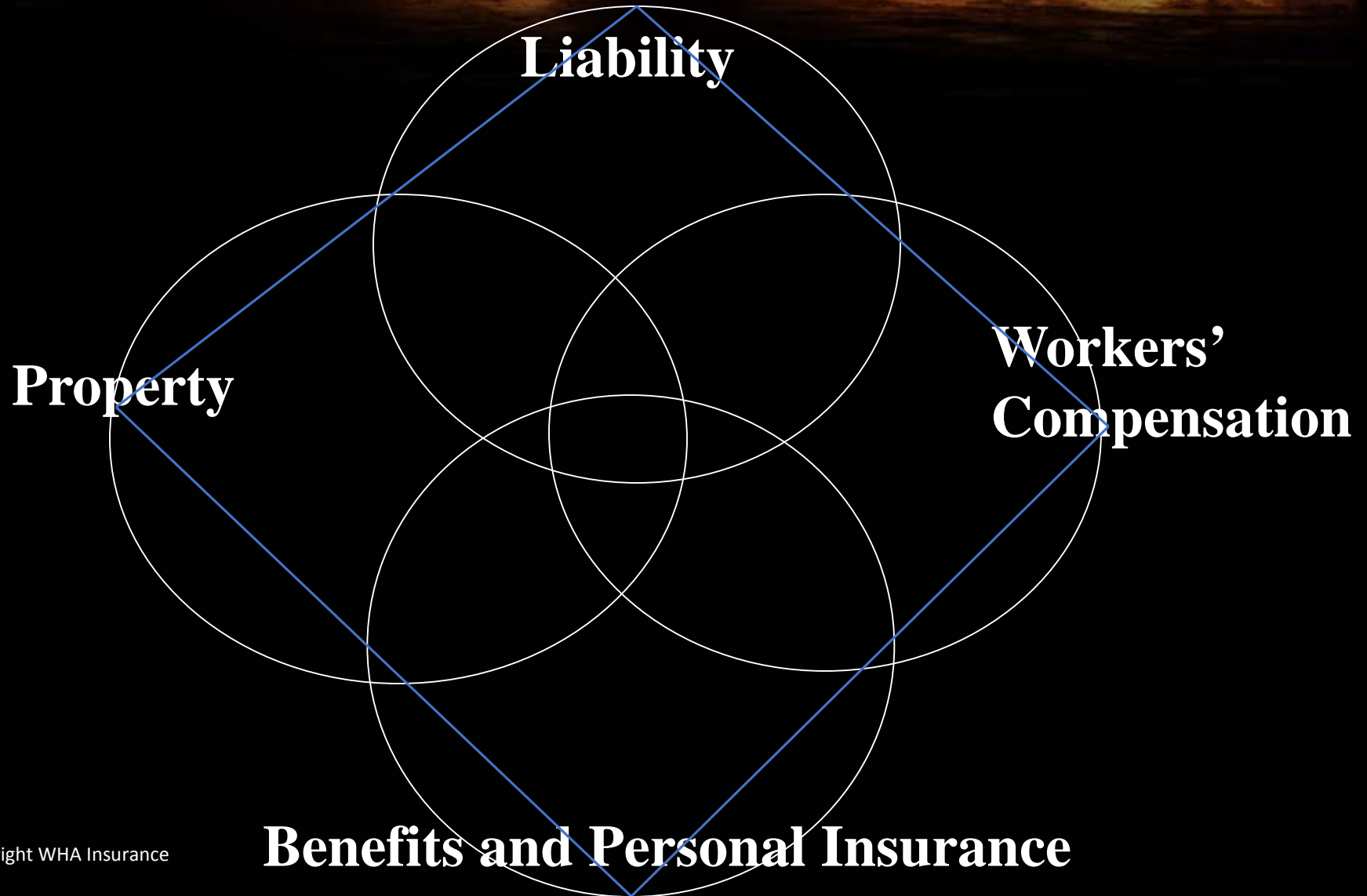




What Is ERM

- Organization Functions (Internal)
 - Op's
 - Service
 - HR
 - Marketing
 - Tech
 - Finance

Fundamentals Of Risk Management






What Is ERM

- Organization Functions (External Functions)
 - Banking
 - Legal
 - Accounting
 - Insurance
 - Vendors
 - Contracts

Contract Risk Guide

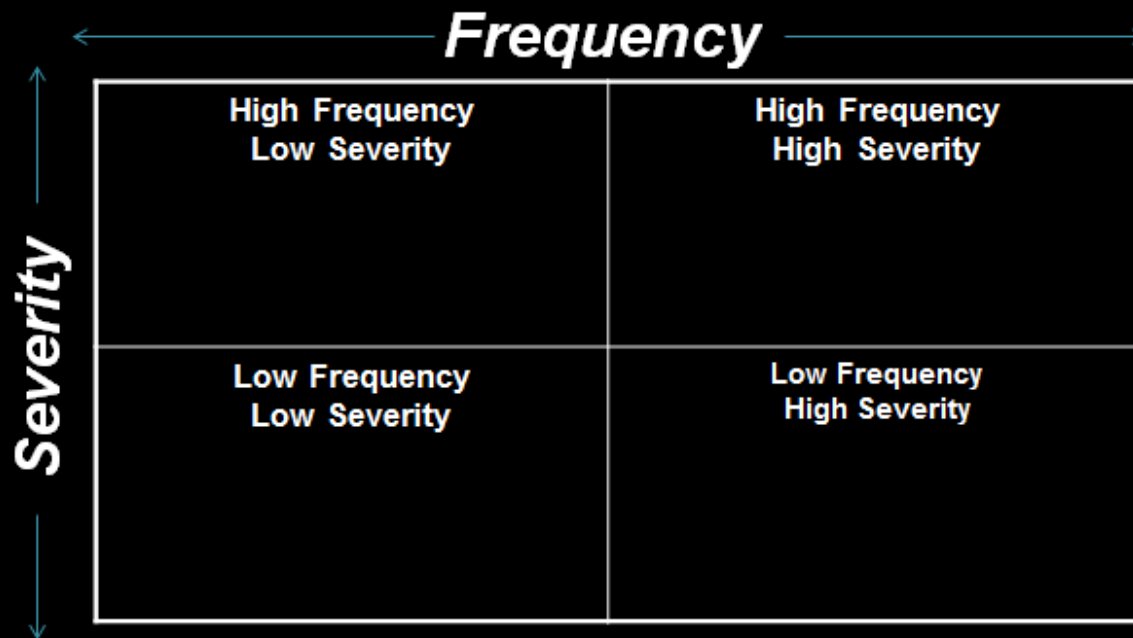


SIC	Description of Contract work	Risk Rating	Notes for Consideration
8721	Accounting / Bookkeeping Offices	Yellow	Bond Professional
7312	Advertising Sign Companies	Green	
1711	Air Conditioning Systems, Distributors, Installation or Repair	Yellow	
1731	Alarms and Alarm Systems, Installation, Service and Repair	Green	
7389	Answering Services Office	Yellow	If After Hours And Emergency
2951	Asphalt Works	Yellow	
5731	Audio Visual Equipment	Green	Base Risk Factor On The Extent Of Work To Be completed
5013	Automobile Accessories	Yellow	
7549	Automobile Repair Shops - Self Service	Green	
1622	Bridge, Elevated Highway, Dam, Etc. Construction Concrete	Red	
1622	Bridge, Elevated Highway, Dam, Etc. - Iron or Steel	Red	
5031	Building Material	Yellow	
5031	Building Materials Equipment and Supplies	Yellow	

LIKELIHOOD (Probability)How likely is the event to occur at some time in the future (linear Scale time specific matrix)	Consequences What is the Severity of injuries / potential damages/financial impacts (if the risk event actually occurs)? (Logarithmic Scale, property industry specific matrix)				
	 Draft - looking for any comments * Copyright 2014 - WHA Insurance - 800-852-6140				
	Insignificant	Minor	Moderate	Major	Catastrophic
	No injuries First Aid No Envir Damage <<\$1,000 Damage	Some First Aid Required Low Envir Damage <<\$10,000 Damages	External Medical Medium Envir Damage <<\$100,000	Extensive injuries High Envir Damage <<1,000,000	Death or Major Injuries Toxic Envir Damage >>\$1,000,000
Almost Certain - expected in normal circumstances (100%)					
Likely - probably occur in most circumstances (10%)					
Possible - might occur at some time (1%)					
Unlikely - could occur at some future time (0.1%)					
Rare - Only in exceptional circumstances 0.01%)					

Green = Low Risk
 Yellow = Moderate Risk
 Red = Critical Risk

Frequency/Severity Matrix



What Is ERM

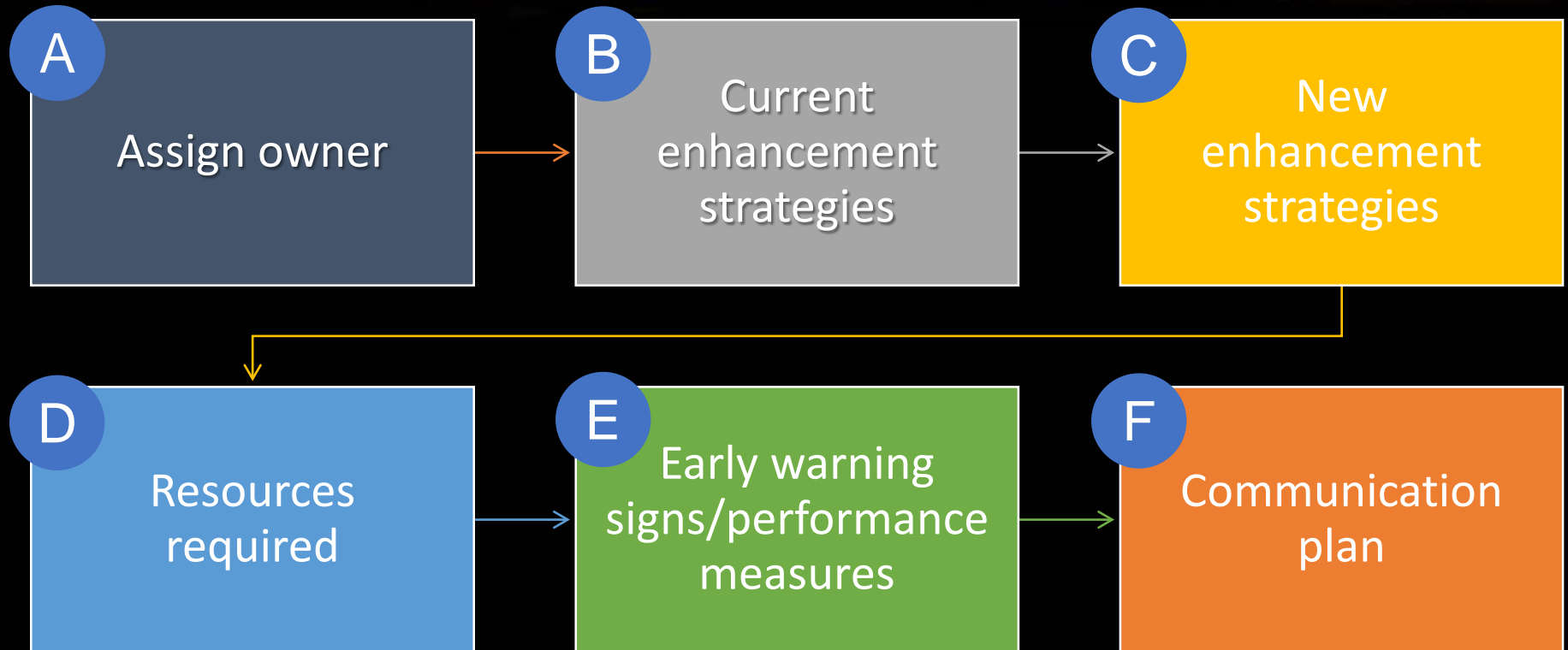
5. Process

Focus on

Risk Register

Risk Context

Develop Treatment Plan



ERM And Beyond

- Today's goals are:

Goal #3 What are the pitfalls, how to overcome them and where to go to get help



ERM

- Organizational Challenges
 - Time
 - Fear ERM will distract or disrupt productivity
 - Cost
 - Fear of loss of control
 - Fear of employees “gaming the system”



ERM

- Employee Challenges
 - Time
 - Fear of punitive reaction
 - Fear it is a management system to get more control
 - Fear it may impact their job



ERM

- Start slow with small steps
- Openly revisit the organizations Strategic plan with a focus on Mission, Vision, and Values
- Involve all employees in the SWOT
- Establish a “Just Culture”

Risk Management

- The Four Keys To Success:
 1. Enterprise Risk Management (ERM)
 2. Safety Management Systems (SMS)
 3. High Reliability Organization (HRO)
 4. Just Culture (JC)

ERM Implementation

- Challenges
 1. True management buy-in
 2. Preparing and setting the culture
 3. Developing a “continuous improvement process”
 4. Building manageable capacity
 5. Establishing the foundation of ERM
 6. Implementing ERM
 7. Pre-planning for the challenges

ERM Long-Term Management

- Developing the processes for continued success
 1. Addressing risk identification
 2. Managing cultural drift
 3. Overcoming conflict
 4. Monitoring the process
 5. Monitoring the results
 6. Continuing to pair your strategic plan with ERM
 7. The importance of an annual report



Thank You

- CIS
- Engineers Ireland
- RIMS
- PRIMA
- SG Collaborative Solutions LLC



Do the Right Thing...Always!

Our Greatest Asset Is Our People:

- **Doing The Right Thing**
- **At The Right Time**
- **In The Right Way**
- **With The Right Attitude**
- **For The Right Reasons**