Risk and Insurance Management Society, Inc.®

MARSH

Excellence in Risk Management II

A Qualitative Survey of Enterprise Risk Management Programs

September 2005

Foreword

Awareness of risk—in many different forms—has grown dramatically over the last 10 years at many North American companies. It has become a central, ongoing organizational concern. Companies are more often viewing risk as an opportunity—something to manage and optimize, not just something to eliminate or neutralize by avoiding certain activities or lines of business and by purchasing insurance for others. Companies are increasingly adopting enterprise risk management (ERM)—creating cross-functional committees to provide risk advice to senior management and the board, mapping risk throughout the organization, adopting risk guidelines, and embedding the responsibility for managing and optimizing risk deeper into their business units and functional areas.

ERM can be defined as comprehensive risk management that allows corporations to identify, prioritize, and effectively manage all of their risks. An ERM approach is intended to integrate risk solutions into all aspects of the business-practice and decision-making processes. It gives the company a uniform approach aligned with its strategies and objectives, allowing the company to evaluate risk continuously to ensure that it is effectively identifying and optimizing its risks.

Sponsored by the Risk and Insurance Management Society (RIMS) and Marsh Inc., this study examines the benefits and near-term urgency of ERM, along with what's needed to obtain the support of senior management for an ERM program, to put formal ERM processes in place, and to make ERM an ingrained part of the corporate culture going forward.

For this report, we surveyed and interviewed executives in charge of risk management, audit, and related areas at five large North American companies that are implementing ERM programs. We asked them about their own roles in the process, the key driving forces behind ERM implementation, the key objectives of their ERM programs, and the most critical factors for success. We also asked how their programs are structured and monitored organizationally, how the results are measured, and what incentives are in place to embed ERM into the corporate culture. The interviews were conducted by Greenwich Associates, a premier strategic-consulting and research firm for providers and users of financial services worldwide.

The results of this study were presented as part of the "Excellence in Risk Management II" session at the RIMS 2005 Annual Conference & Exhibition in Philadelphia. The session included a panel discussion with risk managers whose companies have adopted ERM.

We offer our sincere thanks to the study participants and the panelists for their time and effort. Without their support, this report would not have been possible.

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Summary of Key Findings

Our survey and interviews on enterprise risk management yielded the following key findings:

1. Both risk managers and other executives with important involvement in enterprise risk management (ERM) said their companies view risk management as a key strategic function and that the role of risk manager has become more central to corporate strategy.

2. Risk managers saw much greater opportunities to gain significant benefits from ERM implementation in nontraditional areas of risk—operational and strategic—than from the more traditional areas of hazard and financial risk, although other executives found important opportunities in financial risk. One explanation for the difference may be that the companies already had robust processes in place for managing hazard and financial risk.

3. Study participants agreed that ERM programs offer tremendous future advantages which their companies have not yet realized.

4. Senior management—especially the CEO and the CFO—plays a critical role in maintaining commitment to ERM and making sure it's seen throughout the organization as creating a competitive advantage.

5. "Selling" ERM to senior management requires a direct line of communication from the ERM team to top management and the board.

6. The company must have a clear chain of responsibility for risk-related matters, ensuring that appropriate reporting and decision making always take place. This includes establishing a cross-silo working committee that ensures consistency of ERM practices across the entire company and creating a corporate-wide common language on risk.

7. ERM can begin with just a few brief meetings to discuss risks and how different units of the company manage them—the logic should catch hold quickly. Even smaller companies can implement ERM by communicating, building awareness, and getting every person in a position to affect the level of risk to think about risk.

8. Nearly all study participants said the continuing effort to implement an effective ERM strategy was worth the effort. What they lacked was a statistically robust way to measure the results—although they regarded this as critical if they are to make business leaders understand the benefits of ERM and create compensation-related incentives for better enterprise risk management.

What Is ERM?

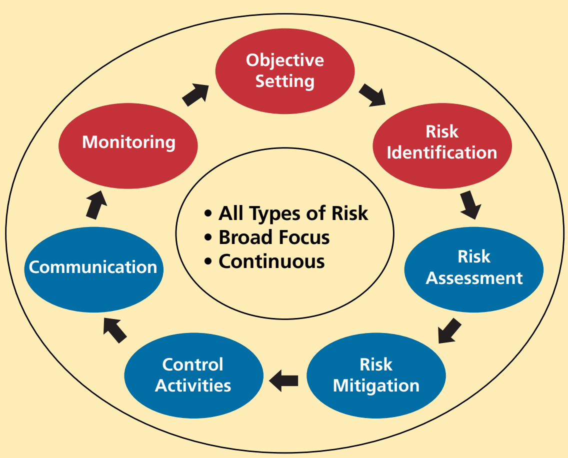
Enterprise risk management (ERM) is, in its simplest terms, a process for ensuring the effective identification, assessment, and management of all significant risks to an entity. This includes not only the traditional areas of hazard risk and financial risk, but also operational risk and strategic risk.

Our respondents all had slightly different definitions of ERM, variously describing it as:

- "assessing and addressing risk from all sources";
- "a process to manage all risks of the enterprise";
- "managing your business with a more deliberate and systematic focus on risk"; and
- "implementing the infrastructure and culture within the organization to make good decisions on risk."

The common thread through the ERM definitions is that the traditional discipline of hazard risk management is broadened to encompass the full spectrum of risks faced by the enterprise.

Enterprise Risk Management—Applying Risk Management Discipline More Broadly



Source: The Committee of Sponsoring Organizations of the Treadway Commission

ERM typically results in a process flow that begins with setting corporate objectives and proceeds through risk identification and assessment to activities to optimize risk. It includes communication and monitoring—which, then, influence periodic assessment and revision of the corporate objectives. This is a continuous process, with each step leading to the next in a continuous circle of risk management.

The Committee of Sponsoring Organizations of the Treadway Commission—COSO—defines enterprise risk management as follows:

> *Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.*

To determine the current status of ERM, we conducted in-depth interviews with 25 individuals in a range of positions at five different companies. The positions and numbers of interviewees are:

- risk management—7;
- operations—8;
- audit—5;
- compliance and legal—3
- business-unit head—1; and
- safety—1.

What Is ERM?

The 25 individuals interviewed were employed in the following three industry sectors:

- information services—two companies;
- financial services—two companies; and
- commodity services—one company.

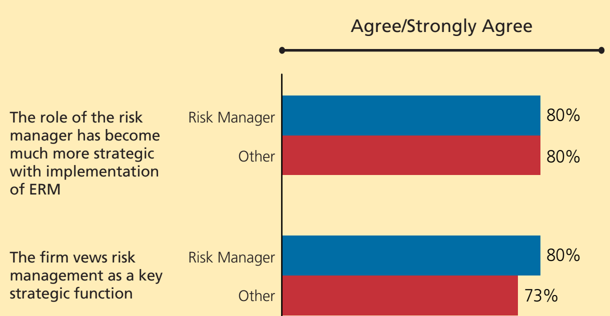
ERM is a relatively new business process. By using qualitative interviews instead of a quantitative survey, we hoped to delve more deeply into the mechanisms and processes of implementing and maintaining an enterprise-wide approach to risk, We hope this qualitative methodology will provide guideposts to others interested in pursuing a similar course of action.

Why ERM?

Our study found that just a few years after many large North American companies began implementing ERM programs, ERM is commanding greater attention from top management and boards. Both risk managers and other executives with important involvement in ERM said their companies view risk management as a key strategic function. They also agreed that the role of risk manager has become more central to corporate strategy since ERM implementation, but that implementation of ERM requires cultural change within the organization.

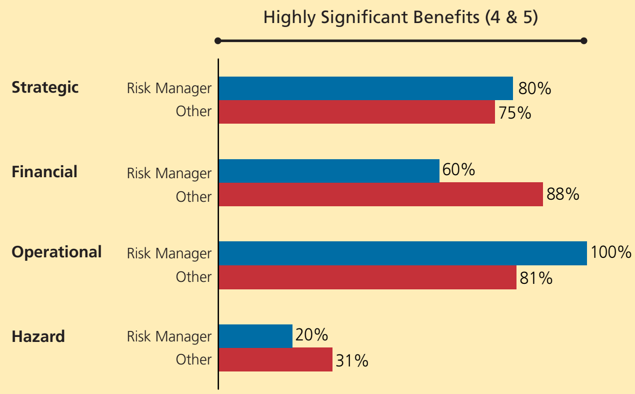
Companies are acquiring a clearer picture of which major risk areas experience most of the benefits from ERM. Risk managers and other executives agreed that strategic and operational risks both enjoyed highly significant benefits. Risk managers saw significantly fewer benefits from applying ERM to the more traditional categories of financial and hazard risk, although other executives saw more benefits in the financial risk area. This may be because these companies already had processes in place for managing hazard and financial risk; thus, there were fewer new efficiencies to be gained in these areas.

The Role of Risk Management in the Firm



Risk Manager: N=5; Other: N=15

Benefits of ERM Implementation in Major Risk Areas



With the implementation of an integrated approach to risk management across the firm in all of the risk areas (ERM), how would you rate the benefits accruing—or expected to accrue—in each of the major types of risk? Please rate on a scale of 1 to 5, where 1 is "None" and 5 is "Highly Significant." *Risk Manager: N=5; Other: N=15*

How much progress companies have made thus far was not as clear. Risk managers were more inclined than other executives to believe that ERM is already yielding substantial benefits and that it is becoming well-integrated into companies' business practices. Yet risk managers were less convinced than other executives that a general consensus exists within their companies on the benefits of ERM, perhaps reflecting the challenge of "selling" the benefits to both top management and business-unit leaders.

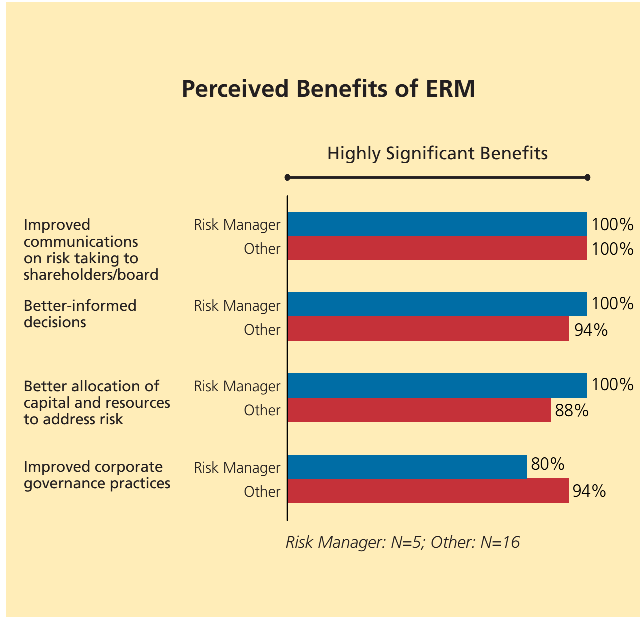
But both groups agree that ERM programs offer tremendous future advantages that their companies have not yet realized. These include:

- better communication on risk taking with shareholders and the board;
- better-informed strategic decision making;
- improved corporate governance practices; and
- better allocation of capital and resources to address risk.

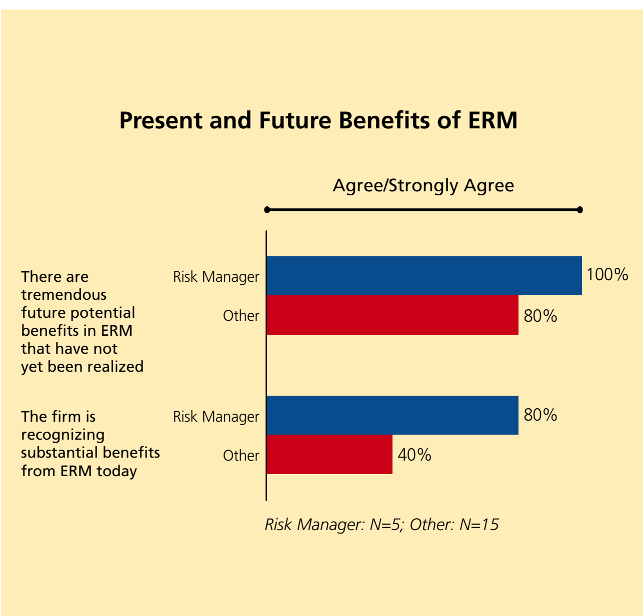
Why ERM?

Respondents agreed that the basic purpose of ERM is to support efforts toward fully achieving company objectives for value creation and earnings growth. A successful ERM program helps the company make better decisions at all levels. Based on interviews, this includes:

- identifying opportunities for new product development and ways to improve financial and business processes—in particular, by capturing risk as an opportunity;
- protecting earnings and cash flow from erosion and reducing the chances of big, unexpected impacts on earnings making themselves felt;
- meeting company objectives without being waylaid by unforeseen crises—for example, completing a merger or acquisition or launching a new venture smoothly;
- anticipating and identifying oncoming problems and calibrating responses to them;
- validating company priorities by determining the level of risk attached to each one;



- extending the company's planning horizon to cover long-term risks that may be built into its business model and concentration of businesses—for instance, managing growth; and
- successfully incorporating new products or services into the company's mix.



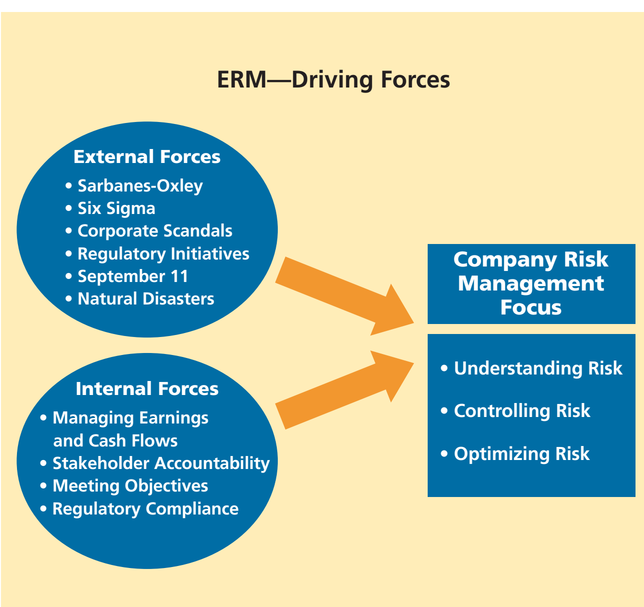
Understanding the Urgency

Some respondents said that as recently as three or four years ago, senior management at many companies was still not ready to deal with the issues of operational and strategic risk. Every expenditure had to have a revenue payback, and auditors and other executives in charge of risk had a difficult time convincing senior management that a cultural change was needed. But concern about the potential impact of unforeseen events has changed the landscape.

Y2K and September 11: While the Y2K threat of computer meltdowns did not materialize into a significant business problem, many risk managers acknowledge that it was the initial impetus for many companies to pay attention to enterprise-wide risk management issues. At the very least, it made management aware that taking an ad hoc approach to certain risks was insufficient. The September 11, 2001, terrorist attacks awakened companies to another new set of vulnerabilities, such as the possibility of catastrophic attacks on their facilities or corporate headquarters.

Globalization: A globalizing economy is also a factor. As companies continue to operate more heavily overseas, either by acquiring a physical presence there or simply by increasing their volume of sales outside North America, they are being exposed to a whole new range of risks. These could be as basic as the danger of traveling abroad or as complex as the legal and regulatory regimes in new markets.

Legislation/regulation: Recent legislative/regulatory initiatives, meanwhile, have raised companies' sensitivity to compliance risk. The need to achieve compliance with the Sarbanes-Oxley Act (SOX) has induced many companies to push ahead with more sweeping changes, including ERM implementation, in hopes of anticipating and forestalling further major expenditures.



SOX requirements highlight risks stemming from financial reporting, making it imperative for companies to minimize operational and compliance risks. Even for nonprofit organizations, many, if not all of SOX requirements are becoming best practices, as some of the new rules are showing signs of seeping into state-level rule-making for nonprofits. One respondent said that ERM and SOX fit together naturally because SOX is about governance—in other words, decision-making oversight—while ERM is about making more informed decisions and plans.

Corporate governance: Recent investigation into corporate wrongdoing are making top management more sensitive to legal risks, as well as to the answerability of the company and senior management to stakeholders, including the board, shareholders, employees, lenders, regulators, and outside contractors. One respondent said his board has become much more focused on risk since the WorldCom scandal broke and today is asking more questions about risk. Another said she thinks companies—especially in financial services—are going to have to tighten their scrutiny of operational risk as a result of the investigations—for example, by establishing better management and disclosure of sales practices.

Natural disasters: Yet another area of risk-related focus is natural disasters, such as the recent Florida hurricanes and the Indian Ocean tsunami. These are becoming increasingly serious concerns, especially for insurers and agricultural products companies.

Creating Proactive Management

ERM helps companies address all of these risks more successfully—above all, by enabling better decisions that help them anticipate, rather than simply react once problems arise. For example, a successful ERM program provides business units with a feeling of empowerment that leads to

Why ERM?

more direct involvement and understanding of their operations by top management.

ERM has the potential to improve the corporate governance process by better defining who has responsibility for making what decisions. The process of implementing ERM can reveal redundancies in the oversight of certain risk areas, one respondent said. Having an ERM program in place raises the likelihood that the internal-audit process will turn up areas of concern that the auditors might otherwise not have detected—and that may be potentially much costlier than concerns that management has long recognized. On the other hand, in some cases, the ERM team was able to show that what management had thought were major risks were actually not that significant.

ERM should make a company more sensitive to project spending and duration. One respondent said a recent merger and acquisition (M&A) transaction was used to test the added value of the new ERM program. The exercise revealed so many previously hidden risks that the company revised its procedures for executing M&A transactions in the future. Other respondents also mentioned the utility of ERM in M&A analysis.

Helping the Risk Manager

The risk manager's job itself is evolving from its traditional role as, essentially, an insurance and claims adjuster, to a more progressive profile that includes some internal risk-control measures requiring organizational buy-in, to a strategic role that actually affects the organization's bottom line and culture. Implementing ERM can boost the career of the executive who shepherds it through, since a successful ERM program creates an ongoing network of responsibilities within the company. The risk management person responsible for implementation has wide access and visibility with all parts of the organization, including senior management and operating executives. As a result, there is a definite increase in influence over the strategy and direction of the company.

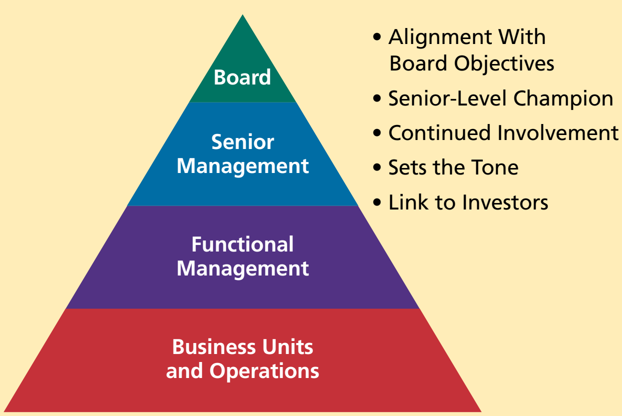
Getting Senior-Management Support

Senior management—especially the CEO and the CFO—plays a critical role in maintaining commitment to ERM and making sure that it's seen throughout the organization as creating a competitive advantage for companies that "get it right." Respondents said that top management must understand the real risks involved and must be confident that the ERM team has practices in place to address them.

The board of directors must always be informed of major decisions related to risk and remain keenly interested in the ERM team's activities. Functional and business-unit managers must understand board objectives and be able to tie ERM outcomes into those objectives. Senior management, as well as the board, also serves as the ERM process's link to investors and the financial community, communicating to them how ERM benefits the company's earnings stability and long-term growth.

Senior-management support is also essential if the team directly responsible for ERM is to have sufficient resources to achieve its objectives. One respondent noted that with the creation of an ERM group at her company, many of what were considered business-unit responsibilities have been pushed off onto the ERM group. With the backing of senior management, the necessary resources were obtained despite their scarcity in the company.

Consensus That Board and Senior-Management Buy-In of ERM Is Essential to Acceptance by the Organization



"Selling" ERM to senior management requires a direct line of communication from the ERM team to top management and the board in order for them to grasp fully the importance of risk management issues and ensure that ERM is given a separate reporting structure, rather than being commingled with audit/financial issues on the audit committee.

Most companies that have made a commitment to ERM have set up a formal risk management oversight and reporting structure that includes either a separate risk committee of the board or a subcommittee of the audit committee that focuses on ERM. While there are many variations, senior management generally has a risk committee as well, with both meeting either quarterly or monthly. Some respondents whose companies did not have such a structure expressed a desire to have one. At some companies, the audit committee of the board is pivotal, receiving the ultimate report from the ERM team.

Some companies are working to push these structures down to the business-unit level. One respondent described a hybrid structure: a risk-process council that includes the company's executive committee plus the heads of the business units and the general counsel. Another respondent said the company holds monthly operational-review meetings where each business unit includes in its reports a summary of its risk-related strengths, weaknesses, threats, and opportunities.

Getting Senior-Management Support

But to make the program work, respondents warned against allowing a "shoot-the-messenger" attitude to reign over communication between the ERM team and top management. Bad news must be allowed to travel up. Recommendations for accomplishing this included having very clear lines of communications "up and down," as well as ensuring that you have an executive management team that "wants to know" before launching an ERM program.

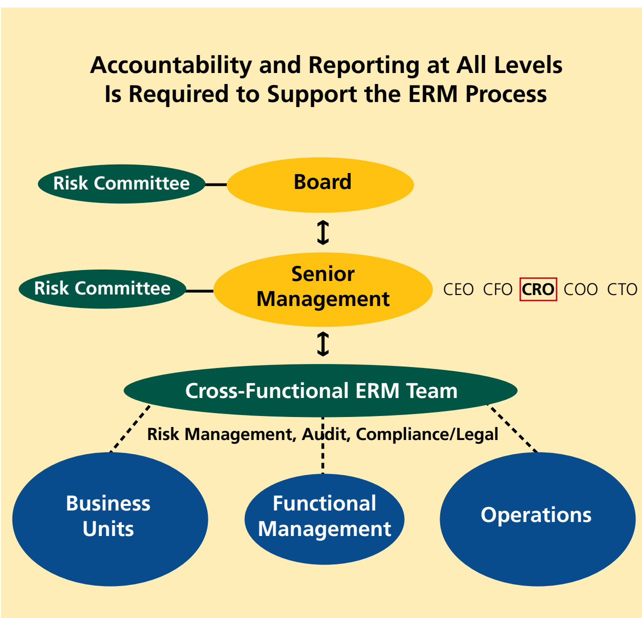
ERM can help to rationalize relations with insurance brokers and insurers by creating ground rules for what areas of risk should be transferred outside the organization instead of being managed internally. One respondent noted that when his company communicated its ERM goals to its insurer, it was able to obtain a premium reduction.

The insurance broker must be a trusted business advisor—even, effectively, an extension of the internal risk management team—for ERM to work. One respondent stressed that the relationship must be transparent as well, with full disclosure of all details about how the insurance broker is paid and by whom.

Respondents said they used consultants only selectively, some commenting that most of these providers have not yet figured out how to deliver a value-added product related to ERM. However, some companies are bringing in outside consultants to help organize Sarbanes-Oxley compliance; and in some cases, they have extended the assignment to include setting up an ERM structure, building systems to support it, and working with the business units when they request more risk assessments than the ERM team itself can tackle. Some respondents found that the consultant also helped to cut through the company's internal politics. Still, one respondent stressed that the individual consultant makes the difference in these situations, not the organization.

Creating a Process to Support ERM

The ultimate goal for most ERM teams, according to respondents, is for ERM to become accepted as integral to the company's strategic planning so that top management and the board award risk tolerance more weight in key decisions. For that to be the case, the company must have a clear chain of responsibility for risk-related matters, assuring that the appropriate reporting and decision making always take place. For instance, if the company is a financial institution that offers equity-return guarantees on some of its investment or insurance products, how does it decide when to hedge a certain position?



The first step in creating this ongoing process is to establish a formal organizational flow chart of responsibilities that incorporates ERM responsibilities and sensitivity points. The job of analyzing and quantifying cost of risk must be driven down to the business-unit level. The data that emerge must then be brought to the attention of top management for evaluation and incorporation into its strategic thinking.

Most respondents agreed that the leader of the corporate-level ERM team—the company's ERM "champion"—should not be the head of risk management, since ERM embraces more than the traditional risk management function, but rather an experienced generalist of sufficient standing to speak freely with top management and the board. This person could be either an executive with some seniority or an outside consultant brought in to execute the initiation and implementation of the ERM process.

Each process identified as a "risk hub" should also have an owner—ideally, the business leader or individual in charge of the most closely related process or product because he or she will be situated closest to the point where risks become visible. Part of the purpose of ERM should be to give these owners a formal process for prioritizing and ensuring that they have a way to handle risks. This formal process should be incorporated into organizational lines of responsibility that include both accountability and reporting at four levels: board, senior management, functional management, and operations.

To support this formal organization and process, companies need to create a cross-silo working committee that ensures consistency of ERM practices across the entire company. This committee generally includes representatives from the risk management, internal-audit, legal, and compliance groups and begins as an implementation team. But because most companies surveyed have experienced ERM implementation as a continuing process rather than a one-time project, the committee in each case has evolved into a more permanent working body.

Among the committee's duties is helping to facilitate one of the most difficult tasks of building an ERM program: establishing a common language about risk. This common terminology to refer to ERM processes and the areas they affect should be as simple as possible and should conform as much as possible to the existing corporate culture. This can make a big difference in assuring that all business decisions take risk into account.

Some respondents said their companies are making great strides in this direction. One said his company has been able to establish some common terminologies through regular workshops, another through the risk-mapping process itself. Some said they hoped to do more, and most agreed that communication is key to success.

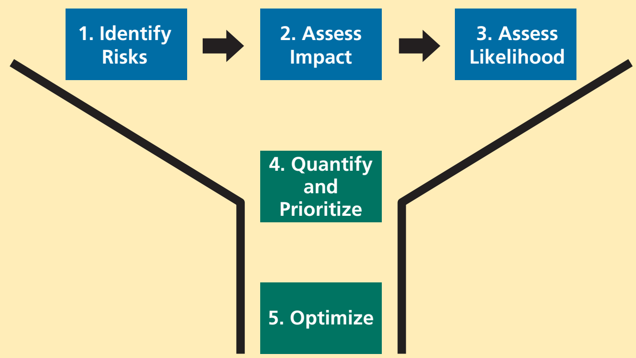
But most downplayed the usefulness of compelling every key person in every business unit to use the same terminology about risk. Instead, they said, the audit and risk management staffs bear the responsibility of "translating" the terminology to fit the standard practice of each business unit and each functional area.

Companies also need to set up a review process for ERM, in five steps:

1. **Identify points of risk development**: Many respondents said their companies use a prioritization process that begins at the level of each business unit to create a company-wide ranking of major risk challenges. For example, one company creates "top 10" lists at the business-unit level, melds these at the business-group level, and then winnows them into a list of the company-wide top 10 risks at the senior-management level. Another respondent has monthly business reviews that include a review of business risk. The internal-audit staff does an overall assessment of rules and regulatory changes, system changes, and anything else that might introduce more risk.

2. **Conduct impact assessment**: One respondent runs a discounted cash-flow analysis model on any kind of major transaction, as well as on all new customers, including a section on risk. The key question is: "What would jeopardize the goal of achieving the results outlined for the transaction?"

ERM Risk Analysis Involves Five Fundamental Steps—Applied to All Areas of Risk



3. **Assess event likelihood**: Software programs can help the company drive this function down to the business-unit level—for example, by creating a simple, color-coded system for indicating if the inputs create a low, medium, or high level of risk.

4. **Prioritize the risks**: Most companies have at least an ad hoc process for ranking their lists of risks; however, prioritization can change over time. One respondent said his primary goal is to make sure top management has ongoing awareness of the major risks he regards as "showstoppers" at any given time.

5. **Optimize the risks**: For each area of risk, the first question that must be answered is whether the company should attempt to avoid the risk, to manage it, or—in some cases—to take more risk. One respondent said her

Creating a Process to Support ERM

> company has developed a risk-optimization mapping process, creating a risk index based on its priorities and who the issue owners should be. Tolerance for risk within this framework will be one of the ingredients in the company's 2006 strategic planning.

But the review process is most effective, respondents said, when the company has a formalized process for sharing information about risks. Many now hold regular risk workshops to make each manager understand his or her role in the larger ERM process. One respondent said his company has used its Six Sigma program to train people in identifying different categories of risk, then sent them around the company to disseminate this knowledge further. Another key step is to train the audit staff to include risk assessments in its work.

Technology tools are also important to any ERM program, but most respondents recommend keeping them as simple as possible. Most respondents felt they could satisfy their needs with commonly available desktop programs, along with a customized database program simple enough for people in the business units to use easily.

Most respondents also agreed that the basic technology and data needed to do at least rudimentary risk detection and assessment must be easily available to any key risk owner in the company. One effective way they found to build awareness and wider use was to put tools for analyzing the risk content of business decisions on their intranets.

All of these steps should ensure that risk monitoring and management are incorporated into the regular activities of the company's business units and functional areas. But respondents also indicated that establishing regular reporting cycles for evaluation of key risk areas is essential. Some risks must be monitored only monthly or quarterly, but others need live monitoring practically minute-by-minute—for example, weather risks and other natural disasters for insurers and for commodity companies.

Most respondents said they found a close alignment between ERM, SOX compliance, and audit activities, and they believed there were opportunities for these to complement and support each other. Most said that along with efforts to integrate risk management at the corporate level, they are also establishing discreet, division- and department-level tolerances.

"Normalizing" risk monitoring and management at the business-unit and functional levels should ensure that all of the company's objective setting, planning and budget development, and decisions about policy and procedures are influenced by ERM considerations, including mergers, acquisitions, divestitures, and introduction of new products. However, several respondents warned that you cannot figure out all the possible outcomes beforehand for all possible projects and incorporate them in your ERM structure—so don't try.

The payoff is when attention to ERM allows management to make risk-adjusted decisions it was not able to make before. For example, one company was able to take a multimillion-dollar project off hold once an ERM analysis made the risk profile of the project clearer, while another cancelled an offshore outsourcing program after ERM revealed a high level of risk. A respondent from an insurer said that a new investment policy instituted for its universal life product was influenced by concerns raised by its ERM program. And another said that ERM made her company aware that it did not have to spend money on an expensive hedge program when it discovered that two of its business lines had offsetting exposures that, together, functioned as a natural hedge.

Building ERM Into the Corporate Culture

Respondents said that implementing an effective ERM program is a cultural as well as an operational matter. ERM does not work unless all key people at all levels of the business take ownership—that is, take responsibility for monitoring risks and not only developing ways to prevent them from interfering with the company's objectives, but also incorporating them into achieving those objectives. All must be aware of risks, as much as possible, before they take them. Respondents said that if it's successful, ERM becomes a process, not a project. It is an embodied set of ongoing responsibilities and tasks—not a one-time initiative with finite goals.

One respondent, who heads his company's risk-control and audit function, said that the ERM team's primary task should be to build a risk matrix that rates the level of impact from different types of risk and to act as a consultant to the individual lines of business, facilitating integration of this analysis into their operations. His group has conducted "train-the-trainers" sessions to create a cadre of experts who can then train key individuals at the business-unit level on ERM practices.

At some companies, pushing ownership of risk down to the business units means that the ERM team must reinvent itself as well—from a group that analyzes problems and executes solutions to one that performs the analyses and then trains the owners to execute the solutions themselves. Because both can be difficult to achieve at the same time, one respondent said his company started its ERM effort without a lot of fanfare and kept its initial set of expectations low.

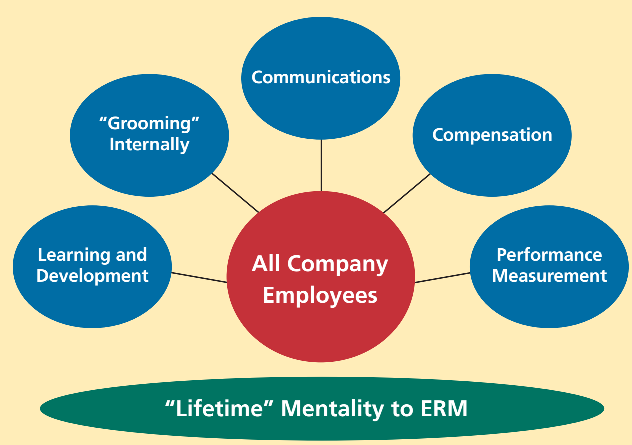
ERM can begin with just a few brief meetings to discuss risks and how different units of the company manage them—the logic should catch hold quickly. Even smaller companies that don't have the resources for in-depth measurements and don't have the sophisticated monitoring systems that larger firms do can add significant value—by communicating, building awareness, and getting every person in a position to affect the level of risk to think about risk. The philosophy should be that every manager is a risk manager.

Influencing Thoughts

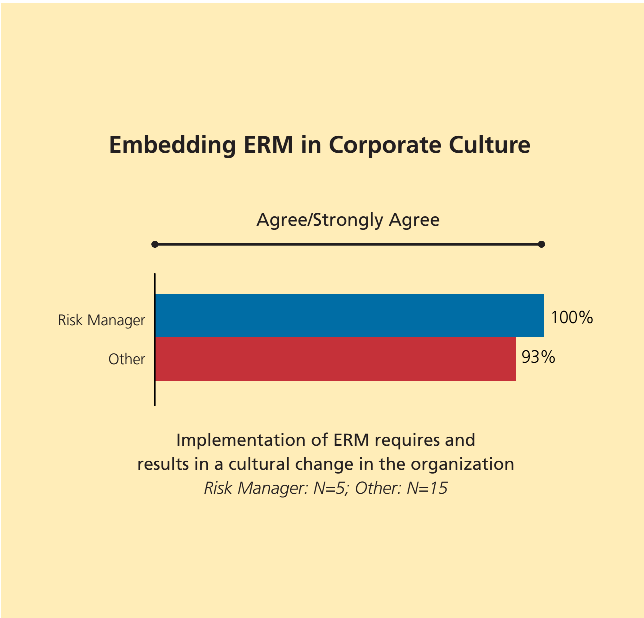
ERM champions, with the help of top management, need to raise awareness organization-wide of ERM benefits—for example, by broadcasting success stories. One respondent this year set up a regular routine of meeting with senior management to identify what were thought to be the company's most serious risks, then checking to see whether middle management was addressing these concerns. But influencing thinking to include ERM extends to all company employees and should encompass all aspects of their progress within the organization, including learning and development, grooming for more responsible roles, communication, compensation, and performance measurement.

Another respondent said that risk assessments themselves are an important tool for achieving business-unit-level buy-in. At his company, the

How to Influence Thinking to Include ERM



Building ERM Into the Corporate Culture



ERM team has adopted the practice of supplementing the overall risk assessment with a "deep-dive" examination of one product per line of business to gain further insight. These exercises generally elicit requests for more specific assessments.

Respondents said that communication, both internal and external, is all-important. Section 404 of SOX, the highly involved documentation section of the Act, has helped make internal communication crucial because the language of the Act itself stresses the need to communicate the rules to every relevant person in the organization.

Even with all of these efforts, however, the company isn't going to reap the benefits of putting a robust ERM program in place unless it makes information about the program a part of its communications with investors and Wall Street. Senior management has the responsibility to do so, and several respondents said they are now including sections on compliance and risk in their annual reports and that management is talking about the subject on road shows, although not always under that name.

Building ERM In-House

Respondents said that to succeed, ERM expertise must be developed internally, rather than obtained by hiring from other organizations. The same goes for software, database tools, and analytics, most agreed, because the ERM program must be designed specifically around the individual company's corporate culture, not around an ideal conceived elsewhere. One respondent noted that his company outsourced only some analysis that required a great deal of quantitative work, helping to keep the programs that it needed to develop and maintain in-house simple.

While all of this takes resources, nearly all respondents said the continuing effort to implement an effective ERM strategy was worth the effort. What they lacked was a statistically robust way to measure the results—although they also regarded this as critical if they are to make business leaders understand the point of ERM. Otherwise, comparing the cost of risk versus corporate-wide tolerances and incorporating this into setting objectives at either the corporate level or the business-unit level would be impossible. Investors in a profit-driven company are most comfortable with these quantitative comparisons. And one respondent said that finding some way to show a quantifiable benefit from the program, early on in the process, can be highly useful in building senior-management support.

Most felt a measurement tool would be difficult to develop because, by definition, the success of ERM is determined by an event's not taking place, unlike with revenues, earnings, and other traditional measures of corporate prosperity. One respondent said it would be too expensive to collect all the data needed.

Some have had success, however. One company created a numeric index to score the severity and frequency of occurrence of different types of risk. A 25-person internal group conducts the bottom-up

Building ERM Into the Corporate Culture

process annually and then hands the results to top management for final review and decision about what will remain on the list for the following year.

Linking ERM Performance to Compensation
Success at risk assessment and optimization is hard to quantify in familiar, profit-driven terms for top management, and several respondents said that determining how to tie a risk reduction measure of some kind to compensation is something their companies will have to figure out down the road. But some companies are already attempting to make it a component of their incentive plans. One respondent said that while risk management is not in the job description for top business-unit leaders, it is now considered, at least implicitly, when the company determines options and other incentive awards.

Another respondent said her company factors its return-on-equity requirements on risk-based capital into its incentive plan. And another said her company ties incentives directly to a balanced scorecard that measures how well—and how quickly—key individuals have implemented the company's ERM strategy. A certain number of points are assigned to each level of performance, which goes into determining incentives. Key factors range from health and safety and workers compensation premiums to loss-control expenses, risk-transfer costs, risk-retention costs, and consulting fees.

However, few companies—even those that regard themselves as following a very conservative management approach—have forged tight quantitative links between ERM and their compensation models. One respondent worried that at his company, although the formal processes for ERM were all in place, there was not a strong set of incentives to get all the key players to give the program their best efforts.

Observations From Risk Managers

The process and problems of embedding ERM into corporate culture are perhaps best understood by those who have "been there, done that." The bulk of this report is based on interviews with individuals at companies that have embraced ERM. This section is based on a panel discussion at the RIMS 2005 Annual Conference & Exhibition in Philadelphia with three risk managers involved in ERM programs at their companies.

Pamela Rogers, a senior vice president with Marsh's Risk Consulting Practice, acted as the moderator for this panel discussion. The panelists are:

- **Niver Rubenyan**, director of operational risk for Sun Life Financial;
- **John Phelps**, director of risk management for Blue Cross and Blue Shield of Florida; and
- **Michael Maida**, corporate risk manager for Agricore United.

Pamela Rogers (PR): I would like each of you to talk about your company's ERM program, including when you started it and one of the biggest challenges you're facing in the next 12 months and beyond. Let's start with Niver Rubenyan.

Niver Rubenyan (NR): I work at Sun Life Financial, where my position has recently developed into a very specific, full-time role of looking at and managing operational risks. I don't think this happens too often, but it shows that the trend in risk management is moving toward including operational risks.

We started ERM as a process back in 1998. It was something the board of directors had requested, so senior management supported it. Our CEO was our champion, and that helped us get the ERM process started. I don't think that we're "there" yet. I think ERM is a continuous process, affected by changes in our internal and external environment, so we're still developing. We're still moving forward. And no matter how far we've come, there's always something new that we're trying to accomplish.

Right now, one of the biggest challenges I have is incorporating operational risk management into the ERM process and allowing our organization to view and manage operational risks in the same way that it has been able to manage financial risks.

PR: Let's hear next from John Phelps.

John Phelps (JP): I've been working on enterprise risk management for Blue Cross and Blue Shield of Florida for a number of years. I recently cleaned out some files and pulled out an old memo that I had written on the subject in 1998. That's the earliest time that I can verify we started talking about ERM. The idea has been around in our company for a while, but it really took three to four years before the company was in a position to try what I had been advocating.

My other responsibilities include a large portfolio of insurance and retained coverages, plus our business-continuity program. As for ERM, my responsibility is being the thought leader in developing programs and processes that the organization is ultimately responsible for implementing.

PR: Now, let's hear from our third panelist, Michael Maida.

Michael Maida (MM): Agricore United is somewhat smaller than some of the other organizations represented here. We have about 3,000 employees. We started ERM about four or five years ago in response to some governance guidelines in Canada; so early on, we had the board of directors "on our side." We have a great reporting structure: an executive-level risk management committee and a subcommittee of the board, the risk-review committee. They fully support the process.

We started with a top-down approach, getting a lot of cross-functional input. We discovered a number of risks, which we scaled down to the top

Observations From Risk Managers

10. The big challenge we had was that some of the categories were very broad. It was difficult to try to understand what some of these risks meant to the different business units. So the next logical step was to drill down; and we did this by conducting workshops, which we ran.

Now, we meet with business units, and we find out what will prevent them from achieving their strategic goals and objectives. We've developed a model for scoring or ranking risk. We look at risk scenarios and identify some of the "show stoppers." We go through the risk management process that we all learned—identifying, evaluating, managing, and monitoring risk.

One of the challenges we face is to determine what to do next and how to keep the momentum going. We've established a steering committee that reviews the reports and results, decides what further resources need to be put in place to respond to some of these risks, and determines what needs to be done next. The committee also looks at how we can lever off this process to integrate ERM in other company processes.

PR: Niver, are you finding that ERM is now becoming much more organized and more consistent? And if so, how are you making that happen?

NR: Although most business people are aware of risks while performing their daily jobs, they don't necessarily have the tools and resources they need to adequately identify and assess these risks. They are also lacking the aggregate view of how these risks interact with one another to affect the entire organization. An organized, consistent, and enterprise-wide practice of risk management helps organizations overcome these challenges.

You don't really see the value of ERM until you start practicing it. And you can't really start practicing it until you demonstrate that value, so it is a difficult place to be. It does help when you have a champion and the board of directors says this is something you need to do. If you are a highly regulated organization, the regulatory environment allows you the opportunity to get started.

PR: And how have you been able to organize your ERM effort?

NR: We have built strong relationships cross-functionally, and that has gone a long way in helping us develop ERM within our organization. We've developed strong communications with all the other functional areas within the organization at a corporate level. When I talk about Sun Life, one thing I have to highlight is the organizational structure. You need to understand the organizational structure that you're in and the specific challenges that you face within your organization because every company is different.

We're highly decentralized. We're global. We have operations in Canada, the United States, Asia, and the United Kingdom. We have a highly decentralized company with fairly challenging communication channels. We did have to work harder at the beginning to build those communication channels—to build committees and forums within which internal audit, compliance, risk management, legal, and all the different functional areas can get at the table. Then, we could start talking and discovering where our objectives overlap, how we can assist one another, and how we can make sure that we're sending out a consistent message.

The next step was to work down through the organization and reach out to the various business units and business groups within the company. Because we're decentralized, we had to put risk officers in the different functional areas, the different business groups, and the different business-unit areas. I'm not saying this is necessarily the approach that would work for everybody, but it worked for us because of the need for strong communication and the need to address the decentralized nature of our organization.

Observations From Risk Managers

We have risk officers across the business groups in all parts of the global operations. And we have strong communications within the functional areas. That has helped us over the years to develop the objectives that we have for risk management and, specifically, for enterprise risk management.

PR: Terrific. Mike, I'm also going to ask you to respond to this question.

MM: Unlike Sun Life, Agricore United's management team is more centralized, so we've taken more control over the process. As I mentioned before, we conduct the workshops. What we've done to organize things is to categorize risk. We've established eight categories of risk and many subcategories within them, and we've developed a scoring model.

When looking at risk, you need to look at the potential impact and likelihood of the risk occurring. And when we conduct workshops, we ask people to identify the risks that they face that might prevent them from achieving strategic goals and objectives. Once they do that, we look at how they are mitigating and managing the risks. We also ask if the risks present opportunities and if the risks can be turned into a strategic advantage for the company. We also rank risk on a residual-risk basis.

So we look at gross risk, we look at how we're mitigating and managing it, and we rank risk on a residual- or net-risk basis. That's how we score it; and then we're able to roll results up and review them at our ERM steering committee meetings, where people take a cross-functional look and determine if further resources need to be allocated to quantify and monitor the risks going forward.

PR: Now, we'll take some questions from the audience. Our first question is: "How are you aggregating the risk across your different organizations, particularly where there may be similar risks in different operations?" John, you've been at this for a while. Would you like to start?

JP: I take a little bit different approach. We have what I would consider a very mature top-down program right now; and I'm in the process of developing a bottom-up approach, which is infinitely more difficult. What we've been able to do over the past four and one-half years—where we've really dug in on enterprise risk management—is to have this top-down view. We have the list of the top 12 risks that the office of the CEO develops and publishes for the organization.

We're using that model in the operational areas for those individuals to map the risks that they're managing. We'll go in and ask them what risks they have, get a list, cull it down, and then map them to the enterprise risk. We get that same mapping in every operational area we approach. This method has people in all areas talking about the most important risks in the entire organization. I haven't really said to any of the operational units, "This piece is yours, and that piece is someone else's." We feel that an active dialogue on any of those risks in that context is healthy.

PR: And how about you, Niver? How would you respond?

NR: It's a good question because aggregation of risk is such an important aspect of risk management. But I think it's also important to distinguish between *aggregating* risk and having an *aggregate view* of risk. Aggregating risk implies having numbers and being able to quantify every risk that you uncover, but I don't believe you need to quantify a risk in order to be able to manage it.

At Sun Life, we have categorized risk into four categories:

- market risks;
- credit risks;
- what we call "insurance risks" because we develop insurance products; and
- operational risks.

Observations From Risk Managers

Market and credit risks are easier to quantify and aggregate. However, we do recognize that we will have to provide an *aggregate view* of all our risks, including operational and business risks, because there is great value in that as well. It's important to be able to go to your senior management and your board of directors and say, "Within all of your categories of risk, here are the key risks and exposures we face, here is an assessment of those risks, and here is the direction those risks are headed."

I'm not sure that I have all the answers on how to do that; but the truth is, we do have to get some form of quantification of operational risks. Again, I don't think you need to quantify operational risks in order to manage them. However, given the way our organization is regulated and the way we're moving, we will eventually have to get to the point where we quantify operational risks. That's what we're working on right now: finding a way to quantify operational risks—a method that makes us confident and comfortable with what we've developed—because there is no right answer. There is no one number.

PR: We have another question from the audience: "To what extent have internal audit and the general auditors played a role in your companies' development of ERM?" Would you like to take this one, John?

JP: That's an excellent question because, as those of you starting on ERM are probably aware, there is friction between the worlds of internal audit and risk management. And the friction has, to some extent, heated up with the issuance of COSO's *Enterprise Risk Management—Integrated Framework* back in September 2004. And I'll tell you up front that I'm not a COSO fan. I think it is very limiting.

But I can also tell you that one of the keys to whatever success we've enjoyed with enterprise risk management in our organization has been the teaming of the audit, risk management, compliance, and, to some extent, legal departments. That teaming has added great strength to our overall program. That, combined with embedding the process into those areas, has been an important success factor. And the roles are starting to come clear between audit, risk management, compliance, and legal. It has been a very satisfying part of our program.

PR: Mike, is this an issue for you?

MM: This is not really an issue for us. We're fortunate in that our audit group really feels that in order to maintain independence, they can't really take hold of this thing and run it. As a result, we work very closely with our audit group. They're part of our steering committee, so they're involved in the process. They are also represented on our risk management committee; they know what we're doing; and they actually, from time to time, will use our reports to review and to determine some areas where they need to take a little closer look with respect to compliance audit. We have a great partnership with our audit group, so it isn't really a problem for us.

PR: Here's another question: "Is there some standard for measuring that you're on that path to ERM and that you're getting there?" How about you, John?

JP: There really isn't a single measurement that says that you're there. One thing I would add is that anyone who came to this session looking for something that would tell you how to "finish" an ERM process in your company is in the wrong place. Enterprise risk management is not about the destination; it's all about the journey. When I started this in earnest four and one-half years ago, I was wondering, "What should I be doing? What's the next step?" I'm still wondering that. That's why I'm here and why I agreed to accept the portfolio responsibility for RIMS for enterprise risk management. I want to learn. There's so much more that can be done.

But this question triggers a couple of thoughts:

- One is the tremendous number of requests that I now receive from different areas in my company to be brought into operational areas, to help them with whatever they're doing—a project, a product, or whatever. I literally can't keep up with the requests.
- The other is that I am an army of one when it comes to enterprise risk management. It's something I'm struggling with right now as we turn the corner and try to do a bottom-up approach.

The acceptance from the organization for this is one indicator—the most satisfying one for me. I'm sure that my colleagues here on the panel would share this feeling about what I refer to as the "pushback factor." That's when you're in one of these meetings and you're talking about enterprise risk management. You might not even know what they're talking about—some product, some kind of financial risk, or something else. But as you're helping them through the ERM process, the senior person in the team for this one thing sits back and says, "I had no idea of the risk that we were involved with until we started this process with you." When this happens to you, you'll know you're on the right track.

PR: We have a series of questions: "Do you have an ERM budget? From a logistical point of view, how often do you meet? Do you report to your board; and if so, how often? Could you give us a few of the highlights, perhaps, of your day-to-day functions?" Niver, could you take this one?

NR: At Sun Life, we have a chief risk office that consists of 14 people, including our chief risk officer. We report to the CFO. We also have a huge compliance area and an internal-audit area. We meet with all our functional areas every two months—internal audit, compliance, actuarial, and so on. We also meet every two months with the risk officers in each of our operations. And then we meet quarterly with the business-group risk officers and functional areas together in order to discuss initiatives. We also meet quarterly with our executive risk committee. And we have a risk committee of the board to which we report as well.

PR: What about at Blue Cross and Blue Shield of Florida, John?

JP: First, I have no separate budget. It's the same budget I've had for risk management for the past five years because our guidance on personnel has been to be flat—no new employees. When we reorganized and the audit, risk management, and compliance areas were brought together into a single division, our boss required everyone in the division to be ERM-aligned. That got some attention. And I'm fortunate to work with some very visionary people in the audit department who really latched onto this and see this as the future. The same thing is true in compliance, so they don't have any budget for it either. We're just working on it as best we can throughout the organization.

My challenge is the bottom-up approach—going out to the various operational areas. We have key processes in our company; and as we start to work on those processes and with people in various teams, how are we going to man the bottom-up approach? That's the challenge I have in front of me now.

PR: And what about at Agricore United, Mike?

MM: In terms of budget, we have probably one and one-half people allocated to ERM. We bought some anonymous-keypad software so that in all of our workshops, we can get instantaneous and anonymous feedback. We have some money set aside for looking at the correlation of the principal risks of the company. And in those areas where we need to quantify risk, we rely on some service providers for help. We report quarterly to an executive risk management committee, we report quarterly to the board risk-review committee, and we also report quarterly to our ERM steering committee.

PR: We have one more question: "How much time do you spend reconciling the losses that actually occur? You come up with this framework; and now, how do you compare actual losses to what you thought would happen?" Niver?

NR: We approach risk ranking in the same way that most organizations would, I'm sure: by looking at probability and severity. When we're doing our risk identification and risk management, we pay a lot of attention to the low-probability, but catastrophic losses that could bring the organization down. Obviously, you don't have loss history or a lot of loss data to compare with what you're projecting. That's the nature of that type of risk. For higher-probability, but lower-severity risks, we have a different management process: They're managed at the business-unit level. If the business units have loss data, they would work with that.

Sun Life is a bit unique. We're not like banks; we're not transaction-based. We have a unique risk in that the risks you create today really don't come to realization until 20 years from now because of the type of products we sell.

PR: And how about you, John?

JP: For us, I think it depends on the risk. One of the most significant risks in our company that could spell catastrophe is managed care—the alleged withholding of benefits and similar issues. It's analogous to medical malpractice. Because I'm so closely linked, physically and organizationally, with the legal department, we're analyzing the losses coming through on a regular basis. When there's a shift within the tort law—which we have seen in the past year—we can pick that up, and we can adjust programs accordingly.

PR: Mike?

MM: I concur with a lot of the comments made, especially by Niver. We really look at this from a macro level—from 40,000 feet looking down. We're not concentrating on low-impact, low-probability risk. We're looking at the red-zone-type risks. Weather is a huge issue for us and one that has come up in the past. We have quantified it—looked at the losses and made some adjustments in our tactics in terms of how we go forward and how to improve our risk transfer. But it's very much on a macro level.

PR: I want to thank our panel. These are the people who are implementing ERM. And as you've heard, the process is different in each company.

I don't think anyone's there yet. People are trying to get there, and you're seeing the trials and tribulations. But when you tie ERM to traditional risk management, it's still all about building relationships. And risk managers have been building relationships for a long time. If we're doing our traditional role right, this should be a natural progression for us.

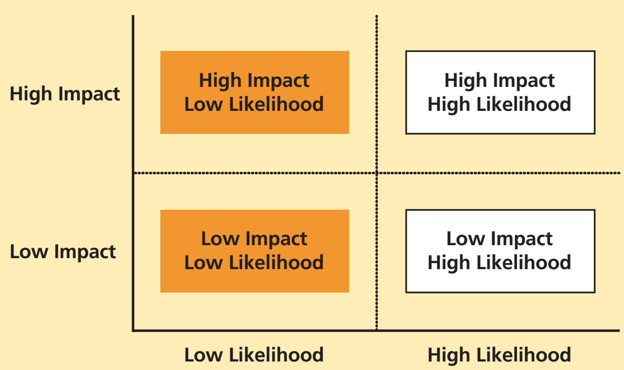
Key Takeaways

Most of the companies that have advanced farthest with ERM programs are larger ones, often in financially sophisticated industries such as financial services. But respondents said smaller companies should be able to implement an ERM strategy with little more trouble—perhaps less since lines of sight in small companies tend to be clearer and there's less opportunity for executives to make decisions in isolation.

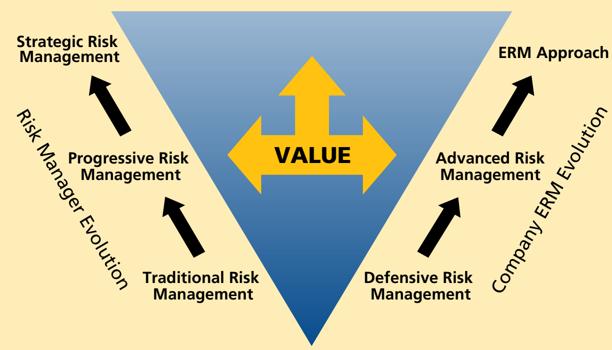
Some Cautions

- Don't try to do too much too soon. For instance, companies just getting started with ERM implementation tend not to include human resources among the areas initially participating in the project, even though HR embraces such risks as exposure to pension and health care costs.
- ERM creates an audit trail—which top management may not want. However, one respondent pointed out that this can also be helpful. The U.S. Sentencing Commission guidelines state that having an audit trail can reduce any criminal sentencing or civil fines should these arise.

For Low-Frequency Risks, ERM Can Reveal Hidden Risks Requiring Action and Help in Prioritizing Resources



ERM Demands a Strategic Role for Risk Managers



- Beware of overkill. It can provoke an internal backlash against ERM measures.
- Implementing an effective ERM program takes time and can be slowed by events—such as a merger or an acquisition. ERM team leaders should be prepared to make a case for incorporating ERM into planning for such events.
- Get results. Failing to record tangible accomplishment to show management fairly soon after embarking on an ERM program can make it difficult to maintain top-level support.

Some Recommendations

- Get started. Just do it!
- Identify a champion.
- Get senior-management buy-in.
- Risk is everyone's job. Apply a team approach to the task of implementing ERM.
- Hold regular risk workshops and evaluation meetings with business-unit and functional leaders.

Key Takeaways

- To prioritize risks, create lists of the top 10 risks at all levels, then roll them up to arrive at a corporate top 10. Review regularly. Apply the top-10 methodology when strategizing a merger or an acquisition as well.
- Perform a business practice review—break down processes to look for risk.
- Embed ERM in processes that are already part of the company's decision making. Don't create it as another thing to do.
- Leverage existing initiatives—for example, Sarbanes-Oxley compliance, Six Sigma, other new compliance and internal-audit initiatives, and current strategic planning.
- Formalize it. Take a very structured approach to organizing processes and lines of reporting.
- Keep technology simple and understandable. If more sophisticated quantitative work is required, it can be outsourced.
- Maintain sensitivity to seismic events within the company.
- Treat ERM as a process, not a one-time project.

Notes

Notes

About the Risk and Insurance Management Society

Founded in 1950, the Risk and Insurance Management Society, Inc. (RIMS) is a proactive voice on behalf of risk managers, dedicated to supporting their function and enhancing their profile as vital elements in organizational success. RIMS also monitors and develops positions on proposed regulation and legislation relating to insurance and business issues. RIMS is a not-for-profit organization dedicated to advancing the theory of risk management, a professional discipline vital to the protection and preservation of physical, financial, and human resources. RIMS represents nearly 4,800 industrial, service, nonprofit, charitable, and governmental entities. The Society serves over 8,900 risk management professionals around the world.

RIMS membership is the cornerstone of the Society. In regular meetings, risk managers exchange ideas and engage in networking with other local companies and industry counterparts. RIMS chapters are the setting for educational, social, and civic activities. Chapters also team up to sponsor Regional RIMS Conferences, which further extend networking and educational opportunities. RIMS membership facilitates contact with a broad array of service providers in the insurance industry, as well as academicians, regulators, elected officials, industry specialists, and technicians.

The RIMS Annual Conference & Exhibition, the industry's leading risk management and insurance event, is the largest gathering of risk managers and insurance professionals worldwide. Annually, about 10,000 participants, including over 400 exhibitors, tackle the issues facing the industry. Future conferences will be held in Honolulu, April 23-27, 2006, in New Orleans, April 29-May 3, 2007, and in San Diego, April 27-May 1, 2008.

The Society publishes a monthly Risk Management magazine, the bimonthly RIMSCOPE online newsletter, the quarterly RIMSCAN online newsletter for RIMS Canadian members (in both English and French), the bimonthly RIMSAlert e-mail filled with industry and Society news, and a wide range of industry publications. RIMS supports its members with daily risk management function by providing access to an annual Benchmark Survey, an annual Risk Management Compensation Survey, and Quality Improvement Process (QIP) tools designed to help risk professionals make better risk management decisions.

The RIMS.org Web site at http://www.RIMS.org includes innovative tools such as E-groups—an online risk management networking forum, RiskWire—a customized risk management daily news service, a Job Bank Service where members can post an available position or find a new job, an online Risk Management Buyer's Guide, and a searchable Risk Professionals Directory.

RIMS holds the legislative interests of its membership as a key priority. RIMS serves risk managers by acting as a powerful voice concerning legislative issues and advocating the interests of corporate risk management at federal, state, and provincial levels. RIMS On the Hill is a strategic vehicle for RIMS members who want to make a difference by getting actively involved in advocacy and lobbying.

RIMS offers its members the opportunity for career enhancement through highly competitive professional development courses, interactive workshops, and public seminars throughout the United States and Canada. RIMS helps its membership stay competitive by providing innovative in-company training and quality on-site seminars and courses that earn attendees credit towards ARM, CRM, and RIMS Fellow designations. RIMS also supports The Spencer Educational Foundation, Inc., which awards annual scholarships to full-time risk management students and educational grants to others.

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About Marsh & McLennan Companies

Marsh & McLennan Companies (MMC) is a global professional services firm with annual revenues exceeding $11 billion. It is the parent company of Marsh Inc., the world's leading risk and insurance services firm; Putnam Investments, one of the largest investment management companies in the United States; and Mercer Inc., a major global provider of consulting services. More than 60,000 employees provide analysis, advice, and transactional capabilities to clients in more than 100 countries. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, Pacific, and London stock exchanges. MMC's Web-site address is http://www.mmc.com.

Marsh

Marsh meets the global needs of its clients through a wholly owned network of more than 400 offices in more than 100 countries. In every country, Marsh combines a deep knowledge of local risk issues with the ability to tap global insurance and capital markets for solutions tailored to client needs. Since its founding more than 130 years ago, Marsh has steadily built its business beyond insurance broking to encompass a full range of services to identify, value, control, transfer, and finance risk.

Kroll

Kroll provides corporate advisory and restructuring, forensic accounting, valuation and litigation consulting, electronic evidence and data recovery, business intelligence and investigations, background screening, and security services. It serves a global clientele of law firms, financial institutions, corporations, nonprofit institutions, government agencies, and individuals.

Guy Carpenter

Guy Carpenter provides reinsurance broking, financial modeling services, and related advisory functions worldwide for insurers and reinsurers.

Mercer

Mercer provides clients with solutions linking the three most enduring dimensions of business success—business design, organizational design, and people strategy. It does this through a unique array of consulting expertise:

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- Mercer Management Consulting helps clients achieve sustained shareholder value through innovative business design.
- Mercer Oliver Wyman is a leader in financial-services strategy and risk management consulting.
- Mercer Delta Consulting works with CEOs and senior teams of major companies on the design and leadership of large-scale transformation.
- NERA Economic Consulting, the leading firm of consulting economists, devises solutions to problems involving competition, regulation, finance, public policy, and business strategy.
- Lippincott Mercer, the premier corporate-identity firm, helps clients create, develop, and manage their brands throughout the world.

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Putnam Investments plays a key role in the financial-planning decisions of millions of individuals and thousands of institutions. With more than 60 years of investment experience, Putnam provides investment-management services to more than 2,700 institutional and 401(k) clients and manages more than 14 million individual-shareholder accounts.

Collaborative Solutions

The companies of MMC work together to offer multifaceted client solutions. In so doing, they bring to bear a unique range of perspectives on the toughest issues confronting clients, industry by industry. Risk management is the focus for many of these collaborative services. Through the expertise of Marsh, Kroll, Guy Carpenter, Mercer, and Putnam, the companies of MMC are uniquely positioned to offer clients risk solutions and advice across the full range of their strategic, financial, operating, and hazard risks.

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