



North American Actuarial Societies Engage Stamford Risk Analytics and Towers Watson to Develop Comprehensive Risk Language/Taxonomy

STAMFORD, CT., December 1, 2010 – The Joint Risk Management Section of the Canadian Institute of Actuaries, Casualty Actuarial Society and Society of Actuaries (SOA) has sponsored a research project to develop the first comprehensive Enterprise Risk Management (ERM) language and taxonomy. The final report, which is scheduled to be released in March 2011, will include a multi-dimensional risk architecture diagram, a multi-tiered event-based classification matrix and a risk categorization decision tree.

Leading research/consulting firms Stamford Risk Analytics (SRA) and Towers Watson (TW) have been engaged to conduct this research. A distinguished group of risk professionals with broad based experience, representing multiple industries and geographic regions, have agreed to serve on the Project Oversight Group. SRA and TW will present the results at the ERM Symposium in Chicago, Illinois (March 11-14, 2011).

Bob Wolf, SOA Risk Management Staff Fellow said, “We are delighted to sponsor this ground breaking research initiative. Developing a common risk language and a viable taxonomy are critically important and sorely needed. In fact, as of today, we don’t even have a universally accepted definition of risk.”

Some practitioners think of risk as *a metric* – a measure of adverse deviation from an expectation. Others view risk as *a type of unpleasant incident or event*. Still others see risk as *the possibility of a loss*. And lastly, another group believes risk is *the possibility that an event will occur and adversely affect the achievement of objectives*. This ambiguity is the root cause of much of the confusion in risk management today. To a

large extent, confusion about the meaning of risk and related concepts has also complicated communication between the risk management function and senior management in most organizations.

Ali Samad-Khan, President of SRA, and one of the leaders of the research team, added, “Developing a logical and consistent risk language is a prerequisite to effective risk management. Most previous efforts have had limited success because they have generally overlooked the fact that risks can be represented as causes, events and/or consequences, which naturally overlap. Also, some very important risks, such as *principal-agent risk*, have never been incorporated into the risk lexicon. Only by developing a mutually exclusive and comprehensively exhaustive risk taxonomy can we build the foundation for a truly holistic risk management framework.”

About Stamford Risk Analytics

Stamford Risk Analytics (SRA), formerly OpRisk Advisory, is a leading research, consulting and software firm. To date SRA has advised more than 100 of the world’s leading banks; insurance, energy and transportation companies; and national and international regulators on a full range of risk management issues. Key elements of SRA’s Modern ERM framework and methodology have been adopted by institutions around the world. SRA has recently released a unique set of four software products designed to make implementing Modern ERM a practical reality. More information about SRA is available at www.stamfordrisk.com.

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