

Reinventing Risk Management

Modern ERM -The New Risk Management Paradigm

An exclusive one-day event led by
two renowned experts in risk management

Ali Samad-Khan, President, Stamford Risk Analytics
Barry Franklin, Principal, Towers Perrin
Washington, D.C., December 8, 2009

Partners & Sponsors



OUR PERSPECTIVE

WHY DOES RISK MANAGEMENT NEED TO BE REINVENTED?

The 2008 global financial crisis has revealed the need for a paradigm shift in risk management practices.

IN THE FINANCIAL SERVICES INDUSTRY

- Traditional economic capital models systematically underestimate risk because they do not adequately incorporate the impact of rare (tail) events – evidenced by the fact that “one in a hundred year” events seem to occur every 10-15 years.
- Most risk models cannot combine hard data, soft data and expert opinion in an objective, transparent and theoretically valid manner.
- Biased models create “risk-reward arbitrage” opportunities, allowing unethical managers to deliberately engage in high-risk activities while appearing to operate within stakeholder risk tolerances.
- Because performance is generally benchmarked against peers, irresponsible behavior at one organization can lead to a “follow the herd mentality” and cause an industry trend (i.e., systemic risk).
- Many senior officers and corporate board members do not have a strong knowledge of risk management and often just assume that risk is being managed appropriately.

IN THE BROADER CORPORATE UNIVERSE

- Traditional Enterprise Risk Management (ERM) and Governance Risk and Compliance (GRC) frameworks view risk as the probability of a loss. Under this view, risk management is synonymous with risk control.
- Risk management actually means factoring risk into strategic and tactical business decisions, but this is not feasible under a traditional ERM or GRC approach.
- Traditional ERM and GRC approaches do not provide risk metrics that facilitate risk-reward or risk-control optimization.
- Many traditional ERM and GRC efforts fail to establish a viable risk taxonomy. As a result they do not distinguish between and among causes, events and effects. This not only creates confusion, it also obscures the root causes of the most significant losses.

THIS SEMINAR IS A MUST FOR EVERYONE WHO WORKS IN RISK MANAGEMENT OR A RELATED FIELD OR WHO USES RISK INFORMATION IN DECISION MAKING

ADOPTING A MODERN ERM FRAMEWORK WILL ALLOW ORGANIZATIONS TO ACCOMPLISH THE FOLLOWING

- Facilitate the holistic management of all risks across the enterprise, based on a consistent definition of risk and a comprehensive risk architecture/ taxonomy.
- Accurately incorporate the impact of rare (tail) events into risk measures and risk-based profitability metrics.
- Embed a risk culture that reflects and harmonizes the goals of key decision makers and external stakeholders.
- Create a structured and transparent process for factoring risk into the business decision-making process — at both a tactical and strategic level. Specifically, provide managers, senior managers and C-level executives the tools and information they need to optimize risk-reward, risk-control and risk-transfer in the context of cost-benefit analysis.
- Reduce information asymmetries between managers and stakeholders to help confirm that managers are pursuing strategies that conform to the risk tolerance standards of the stakeholders.

Who Should Attend?

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| <ul style="list-style-type: none"> ■ Members of Corporate Boards ■ Chief Executive Officers ■ Chief Financial Officers ■ Chief Risk Officers | <ul style="list-style-type: none"> ■ Line of Business Heads & Managers ■ Strategy Department Heads ■ Risk Officers & Analysts ■ Regulators & Congressional Staff | <ul style="list-style-type: none"> ■ Rating Agency & Industry Analysts ■ Insurance Mangers & Brokers ■ Accountants & Auditors ■ Attorneys & Compliance Officers |
|--|--|---|

AGENDA

8:00 am

Registration and Buffet Breakfast

8:30 am

Welcome and Introductions

9:00 am

Why Modern ERM – the Business Case

A viable ERM framework must be based on a consistent definition of risk and a comprehensive risk architecture/taxonomy. Surprisingly, most commonly used risk management frameworks do not adhere to these requirements. So how are major organizations practicing risk management today? In this introductory session, we will discuss the specific weakness of existing risk management frameworks. We will also describe the broad elements of a Modern ERM framework and explain how implementing such a framework is feasible, practical and cost-effective and, furthermore, is fast becoming a strategic imperative for every major corporation and its stakeholders.

9:45 am

Key Risk Management Concepts

Is risk a qualitative concept, a metric or both? What do probability, likelihood and frequency mean? What is risk and control self-assessment and how is it different from risk-control optimization? What are hard data and soft data and how can they be used to assess/measure risk? What is risk tolerance and how can it be determined or inferred? What is risk-based profitability and how can it be used in decision analysis? What is risk-reward arbitrage? In this session we will define the key risk management concepts and explain how they can be applied in day-to-day risk management activities across all industries.

10:45 am

Morning Break

11:00 am

A Comprehensive Risk Architecture and Taxonomy

Developing a comprehensive, multi-dimensional risk architecture and taxonomy is a necessary prerequisite to holistic risk management. However, this is a significant challenge because the risk universe spans exogenous risk factors (changes in interest rates), controllable factors (flawed performance metrics), risk events (market, credit, operational) and effects/impacts (lawsuits, reputation damage). How can one incorporate all these elements into an exhaustive, non-overlapping framework and how will doing so facilitate better managerial decision making? In this session, we will explain how to establish a comprehensive, mutually exclusive risk taxonomy and a set of practical guidelines for consistent risk classification and categorization. We will also cover the evolution of thinking in this field over the past decade and the pros and cons of the different approaches.

12:30 pm

Lunch

1:30 pm

Risk Classification Exercise

A hands-on exercise designed to illustrate the importance of establishing a viable multi-dimensional risk architecture and the challenges associated with risk classification.

2:00 pm

Models, Metrics and the 2008 Financial Crisis

What are the goals of risk modeling? Why do so many models systematically underestimate risk and how can this problem be remedied? Which models/metrics are appropriate for addressing the various business problems? Which risk management failures caused the 2008 global financial crisis? How can the

use of a flawed model at just one company lead to similar behavior at other organizations and ultimately cause an industry trend (i.e., systemic risk)? What steps must be taken to prevent another financial crisis?

2:45 pm

Afternoon Break

3:00 pm

Risk-Reward, Risk-Control and Risk-Transfer Optimization

How can one use hard data, soft data and other information to factor risk into business decision analysis? Specifically, how can one assess or measure the feasibility of “greenfield projects” on a risk-adjusted basis. How one can justify investments in controls and/or insurance at the risk tolerance level of the stakeholders and in the context of cost-benefit analysis. How can one conduct stress testing and scenario analysis, where both frequency and severity assumptions can be simultaneously stressed through an objective, transparent and theoretically valid process?

3:45 pm

Risk-Based Business Decision Analysis Exercises

Two hands-on exercises designed to demonstrate how one can factor risk information into business decision analysis.

4:30 pm

Daily Summary and Conclusions; Questions and Answers

5:00 pm

Closing Comments and Adjourn

5:15-6:45 pm

Networking Cocktail Reception Sponsored by MEGA



Ali Samad-Khan

Ali Samad-Khan is President of Stamford Risk Analytics. He has over thirteen years experience in risk management and more than twenty-five years experience in financial services and consulting. Ali has advised more than one hundred of the world's leading banks, insurance companies, energy companies, technology companies, transportation companies, multi-lateral organizations and bank regulators on a full range of risk measurement and management issues. Key elements of his Modern ORM/ERM framework/methodology have been adopted by leading institutions around the world.

Recognized globally as a thought leader in the risk management space, Ali's provocative articles and white papers have served as a catalyst for change in the way organizations manage risk. For his pioneering work in this field, Ali was named "one of the 100 most influential people in finance" by Treasury & Risk Management magazine. Ali is also a charter member of Who's Who in Risk Management.

Prior to founding Stamford Risk Analytics, Ali served as a Principal in the ERM Practice at Towers Perrin, where he was also Global Head of Operational Risk Management Consulting. Previously, Ali was President of OpRisk Analytics LLC, a software and data provider, which was acquired by SAS in 2003. Before that Ali worked at PricewaterhouseCoopers in New York, where he headed the Operational Risk Group within the Financial Risk Management Practice. Previously, he led the Strategic Risk Initiatives Group in the Corporate Risk Management Department at Bankers Trust. He has also worked at the Federal Reserve Bank of New York and the World Bank.

In addition to his role at Stamford Risk Analytics, Ali is president of OpRisk Advisory, which has been offering consulting services in association with Towers Perrin since early 2007.

Ali holds a B.A. in Quantitative Economics from Stanford University and an M.B.A. in Finance from Yale University.



Barry Franklin

Barry Franklin is a Principal in the ERM Practice at Towers Perrin. He has significant experience in risk management and has assisted numerous organizations in implementing various aspects of their ERM programs. Barry works with clients to identify and assess their risk exposures and develop responsive approaches, including risk mitigation, financing and transfer solutions. In addition to advising companies on ERM implementation issues at a senior level, he has helped companies develop and implement models to analyze a wide variety of risks – insurable risks as well as operational and strategic. His experience spans multiple industries including insurance, manufacturing, biotechnology and energy.

Prior to joining Towers Perrin in 2008, Barry led the Americas risk consulting operations of a global insurance broker and consulting firm, and had P&L

responsibility for the following businesses during his tenure: ERM consulting, actuarial & analytics, captive consulting, risk management consulting, and risk control/engineering. He was previously a partner and regional practice leader in the actuarial, risk management and claims practice of a big four audit and consulting firm. His prior industry experience spanned ten years at two major insurance companies, during which time he did both pricing and reserving work and managed the corporate actuarial function.

Barry holds a bachelors degree in Probability and Statistics, with a minor in Economics, from Northern Illinois University. He is a Fellow of the Casualty Actuarial Society, an Associate of the Society of Actuaries, a member of the American Academy of Actuaries and a Chartered Enterprise Risk Analyst.



REGISTRATION FORM

Location and Date

Washington, D.C., December 8, 2009

Washington Marriott

1221 22nd Street NW, Washington, D.C. 20037
 Phone: 202-872-1500 Fax: 202-872-1424
www.marriott.com

Please complete this form and send it to:

Stamford Risk Analytics Attn: Mayraj Fahim One Stamford Plaza 263 Tresser Blvd, 9th Floor Stamford, CT 06901	Phone: 203.559.0883 Fax: 203.978.0856 mayraj.fahim@stamfordrisk.com
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- BANK CHECK (Payable to Stamford Risk Analytics)
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Note: Space is limited. Please RSVP by November 13.

Seminar Fees – Special Introductory Prices

Register now for the early bird discount price of \$600. After November 13 the registration fee will be \$750. An additional discount of \$100 is provided to members of PRMIA, SOA, CAS, CIA and to federal, state and local government employees [subject to verification].

This fee includes a full set of seminar materials, buffet breakfast, lunch, morning and afternoon refreshments and a cocktail party at the end of the day. The fee does not include hotel accommodations. To register for this seminar, please complete the registration form on this page and send to Mayraj Fahim or complete the online registration process at www.stamfordrisk.com.

Special Group Rates

We offer special discounts for groups of three or more persons. For more information, please contact Mayraj Fahim at mayraj.fahim@stamfordrisk.com or 203.559.0883.

Cancellations

A refund (less \$200 administration fee) will be made if formal notice of cancellation is received two weeks prior to the date of the event. We regret that no refunds will be made after that date. Substitutions can be made at no extra charge.

Hotel Accommodations

Stamford Risk Analytics has reserved a block of rooms at the Washington Marriott for seminar attendees. Please call the Marriott's toll-free reservation line at 800-228-9290 and request the "Stamford Risk Analytics Seminar" room block in order to secure the group preferred rate. Reservations must be made on or before Friday, November 13, 2009 to receive the group rate of \$229 + tax, per night, per guest room. Stamford Risk Analytics is not responsible for making hotel reservations for individual seminar participants.

Disclaimer

The program may change due to unforeseen circumstances.

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Organizers



Stamford Risk Analytics is a leading provider of ERM products and services. The firm provides public and private educational seminars, advisory and consulting services and a unique set of four software products designed to make implementing Modern ERM a practical reality. These products and services are offered in collaboration with MEGA International. More information about Stamford Risk Analytics is available at www.stamfordrisk.com.

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