

# Enterprise Risk Management, Pilot or Design Phase

Build a sustainable, repeatable business process that delivers tangible business value



## THE CHALLENGE

Your organization either hasn't implemented a formal enterprise risk management (ERM) process, your ERM initiative is stagnant and is not providing real business value, or your organization wants to raise the maturity level of its current ERM business process. The board of directors will be asking about the effectiveness of your ERM program, and other stakeholders may want more information about the program or about what kind of formal process is in place to manage enterprise-wide risks.

Research shows us that the majority of organizations is moving quickly to design and implement a robust and effective ERM process in the next 12 months. A directors and officers (D&O) liability insurance provider gives a national financial institution a significant premium credit for having an ERM business process and program in place. Also, the Securities and Exchange Commission proxy disclosures and the Dodd-Frank Wall Street Reform and Consumer Protection Act are escalating risk discussions and requirements. Finally, boards of directors are more aware of their responsibilities for risk oversight.

Consequently, there is a new sense of urgency around installing a credible, functioning ERM program in organizations.

## THE SOLUTION

Milliman can design and implement an ERM pilot program within three to four months. We work with one of the business lines to create a short-term ERM laboratory where we can practice, test, and gain consensus on an ERM business process that fits your organization's culture, objectives, and resources.

The pilot establishes champions and builds support so that the senior executive management group understands the real value proposition for ERM. Your ERM pilot program will capture tangible business wins and reduce the learning curve for a subsequent Phase One enterprise rollout. This is where we establish practical value linkage to the existing goals and critical key performance indicators (KPIs) of the business lines. The ERM pilot also allows us to build the risk culture environment that is essential to ERM's sustaining success and integration with performance management.

## DELIVERABLES:

Milliman provides consulting project management for the requirements gathering, design, vetting, and implementation of an ERM pilot program. The ERM pilot will set the stage for a corporate-wide rollout of a national or global ERM program across the enterprise to all business lines and functional groups. A single business line or work group will be identified to partner with and spearhead this ERM pilot.

Itemized deliverables can include:

- ERM requirements document suitable for discussion and consensus building
- Design and distribution of risk assessments
- Executive workshops to identify, measure, analyze, and prioritize risks
- ERM framework that fits the culture of your organization
- Risk appetite methodology for prioritized risks
- Capture of mitigation plans for key risks and completion of root cause analysis
- Milliman GRC, a market-leading software solution, is included in the pilot as the database and communications work platform to support the business process of ERM
- Results linked into the performance management, capital management, stakeholder, and operational goals of the business lines
- ERM board charter and risk committee policy documents that would establish an initial risk governance framework
- ERM pilot results that link to custom ERM evaluation criteria, including those described in Solvency II, Model Audit Rule, and Standard and Poor's ERM evaluation rating criteria