

# Align Your ERM Program to Your Strategic Objectives

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**T**he environment of risk for insurance companies is growing in complexity. NAIC risk-focused examinations, Model Audit Rule requirements, and the rating agencies' viewpoint of how a company should manage risk dramatically impact the way in which insurance companies operate. With the continued soft market, challenges to brand reputation and emerging risks, executives must be creative and innovative to simply survive, let alone show a profit. With these interrelated risks and opportunities, many companies are utilizing Enterprise Risk Management (ERM) as an avenue to categorize, sort, and manage risk responses to actively support their strategic objectives.

ERM is a must for large insurance companies, and rating agencies such as Standard and Poors' and AM Best have voiced the benefits of such programs. However, recent examples of major companies with large ERM programs that did not meet expectations have caused others to wonder if an ERM program brings true value. Upon further review of these situations, it was not the ERM programs that failed. Instead, it was the decisions executives made despite the available risk information. The looming sub-prime mortgage problems were ignored or minimized by executives, causing their ERM programs to misalign with the company's overall goals and objectives. Incentives had been tied to short term gains, rather than long term objectives. Employees and executives were making decisions based upon these incentives, paying little attention to the long term strategy.

Creating or improving an ERM program for your company can be

a tough commitment when budgets are strained from all directions. A focus on innovative thinking is needed to turn the insurance industry and individual organizations in a sustainable, profitable direction. By utilizing a dynamic process aligning ERM with your company's strategic objectives, you will begin to effect positive change. Establishing a strong foundation and communicating ERM goals and objectives will empower improved risk management throughout the company.

Utilizing a simplified process that starts with building a supported foundation and identifying the enterprise risks will lay the groundwork for a strong ERM program. Identifying risks across the enterprise in a proactive and cross functional manner can then take place. An illustration of their internal and external risks helps management to see risks from a 'top down' perspective. Once your ERM team begins to assess and evaluate the current risk responses the organization has, 'Ah Ha' moments begin to occur. Through several options of ranking risks and discussing lessons learned, managers and executives can improve their responses to risks across the organization. These risks and risk response plans are then tied to the strategy of the organization. Through leadership support, regular reporting, and monitoring ERM, strategic initiatives and decisions can be made to protect company assets and accelerate growth.

*For more information on how ERM could benefit your company, Mary will be speaking at the IASA Annual Conference and can be reached at 866-585-9059 or [mpeter@eidebailly.com](mailto:mpeter@eidebailly.com).*

