

Risk & the Resilient Governance Leader

LIVE
WEBINAR



Leading Through an Effective Risk Management Strategy



with Ellen Shew Holland
moderator Mark A. Pfister

 Webinar Start Countdown



M. A. Pfister
Strategy Group



WEBINAR REMINDERS

a few points to mention

- **Purpose:** Share knowledge and benefits of **how an effective Director should approach risk.**
- **Questions:** Write your questions in the Q&A section. Our goal is to answer all questions at the close of the presentation. Otherwise, we will follow-up with you via email afterwards.
- **Materials:** Yes, this entire webinar is being recorded and you will receive a link via email shortly. This link will also include the ability to view & download the presentation deck in its own separate file.
- **International Board Director Competency Designation:** IBDC.D certification holders will receive 1 CPE credit by attending (be sure to follow proper CPE credit submission guidelines).



YOUR SPEAKER



Ellen Shew Holland

President

Strategic Risk Frameworks

- President of Strategic Risk Frameworks, an independent risk advisory firm focused on Strategic Enterprise Risk (SRM) programs and assessments in resilience and crisis management, cybersecurity risk assessment, and education.
- Has served in multiple Chief Risk Officer (CRO) roles as well as Director of Risk Management.
- Holds an Associate of Risk Management (ARM) designation.

YOUR HOST



Mark A. Pfister

Non-Executive Director, CEO,
& Chief Board Consultant

M. A. Pfister Strategy Group

- Governance & Strategy expert, Non-Executive Director, & Chief Board Consultant having consulted & advised hundreds of public, private, and nonprofit Boards.
- His book, 'Across The Board: The Modern Architecture Behind an Effective Board of Directors,' is a bestseller with circulation in over 70 countries.
- He is the creator of the International Board Director Competency Designation (IBDC.D), a globally-recognized Board Director education & certification program.



GOALS

what to walk away with from today's webinar...



— WHY FOCUS ON RISK? —

the importance

1. Facing “risk” BEFORE an incident or opportunity means that you’ll be more prepared to manage it when, not if, it occurs
2. Think about how you can be more comfortable with the term “Risk” in order to be “proactive” to better:
 - protect the interests of your stakeholders and shareholders...
 - protect your reputation risk - which leads to...
 - Protecting your bottom line

Note: By focusing on the product and services that are your mission, and protecting the life safety, reputation, finances, operations and assets, your entity has a greater opportunity to mitigate uncertainty and leverage opportunity



WHAT IS RISK?

the definition

1. Managing uncertainty in uncertain times
 - The difference between “certainty” and “uncertainty”
2. Risk can be described as “circumstances” that may prohibit you from reaching your goals or may inhibit you from achieving greater opportunity
3. Risk vs. Audit:
 - Audit identifies operational gaps that need to be addressed
 - Risk is tasked with prioritizing and fixing the gaps or exposures that may cause a loss. (This can be done in a “strategic enterprise risk” program - a facilitated approach)
4. Risk can be better identified and managed through a basic risk process of:
 - Risk identification – surveys, inspections, claims data that highlights ongoing issues
 - Risk assessment – assessing the risk issue, deciding how to “treat” the risk, and embedding procedures or process improvements to better manage the risk
 - Implement the treatment or improvement method
 - Monitor the outcome
 - Assess, revise if needed, and continue to monitor on an ongoing basis



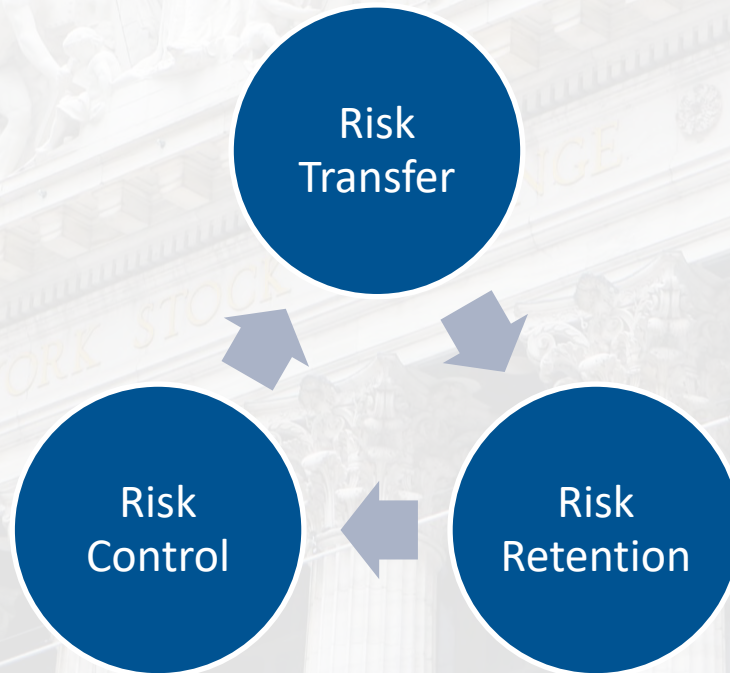
WHAT IS RISK?

governance & risk functions

Risk Priority	Governance
Strategic Enterprise Risk Program-Identify and Manage Prioritized Risks or Exposures	Support prioritization efforts to resolve key risks –ie: focus on the needs vs. wants of the entity such as a “need” of Digital Transformation needs the next 5-10 years.
Loss Trend Analysis by line of coverage	Have the CRO provide a regular report of loss trending analysis over 3-5 years to highlight the risk culture effectiveness. Audit ID’s, Risk fixes.
Conduct Risk Assessments for various types of activities such as new assets, programs, or activities	The CRO report should include a high-level overview of the assessments that are being conducted including the anticipated results, and the impact.
Conduct training to build a risk-aware culture	Require an annual report of risk-related training or key processes to reduce risk.
Communication	Support Executive Leadership in listening to your stakeholders who are closest to the risks, to avoid hidden agendas. Ask the CRO “What is not in this report but important?”
Collaborate with risk “owners” to resolve risks by embedding risk mitigation within processes	Encourage a “nimble” entity that can thwart emerging risks or take opportunities. Think outside the box. Trust your team to make decisions appropriately.
Help manage a strong and resilient culture with table-top training, correcting gaps in crisis management. Train to lead, make decisions and manage.	Support resiliency. Hold people accountable –listen to all sides. Do not create a “fear” of making decisions, thus eroding confidence leading to poor or no decisions.

the 3 areas

A successful operational risk program addresses 3 key areas:



Risk Transfer

- Providing a “Schedule of Insurance” to the board showing the coverage types, financial ability to pay (AM Best Rating), and limits and retentions, plus premiums to insure your entity.
- Identifying emerging risks on a regular basis.
- Embedding risk mitigation into existing processes to avoid adverse incidents
- Identifying a “Risk Appetite” or level of risk you’re willing to take in alignment with your entity’s ability to pay for the risk should it occur.
- Remember that insurance is tied to financial markets and premiums ebb and flow depending upon 1) your loss experience; 2) the global market loss experience; & 3) financial market interest rates and cpi.



KEY FUNCTIONS FOR OPERATIONAL RISK

risk transfer

Schedule of Insurance Template

Ellen Shew Holland, ARM; President for Strategic Risk Frameworks, LLC

Line of Coverage	Insurer (Hypothetical Names)	AM Best Rating	Effective Date From	Effective Date To	Limit of Liability (\$US)	Retention	Premium Prior Year	Premium Current Year	
Property Insurance (TIV)	Property Carrier NW	A++VIII	7/1/23	7/1/24	2,000,000,000	250,000	1,800,000	2,000,000	
Workers' Compensation	State WC	A+Vi	7/1/23	7/1/24	3,000,000	300,000	250,000	230,000	
Directors & Officers w/Side A	D&O Specialties	A++VIII	7/1/23	7/1/24	10,000,000	10,000	200,000	225,000	
General Liability	GL Experts	A++VII	7/1/23	7/1/24	2,000,000 / 4,000,000	100,000	185,000	210,000	
Automobile Liability (Bodily Injury)	AutoLines	A+V	7/1/23	7/1/24	\$2,000,000 **CSL	100,000	225,000	220,000	
Umbrella	Over Various Lines	A++VIII	7/1/23	7/1/24	5,000,000	GL, Auto, D&O, WC, Int'l, K&R)	100,000	100,000	
Excess	Over Excess	A++VII	7/1/23	7/1/24	5,000,000 xs 5,000,000	5,000,000	80,000	80,000	
Excess	Over Excess	A+V	7/1/23	7/1/24	10,000,000 xs 10,000,000	10,000,000	60,000	60,000	
Excess	Over Excess	A++VIII	7/1/23	7/1/24	20,000,000 xs 20,000,000	20,000,000	60,000	50,000	
Crime	Locked	A++VII	7/1/23	7/1/24	5,000,000	10,000	100,000	100,000	
Fiduciary	Here for You	A+V	7/1/23	7/1/24	10,000,000	10,000	25,000	25,000	
Cybersecurity	KnowOneCanGetIn	A++VIII	7/1/23	7/1/24	20,000,000	100,000	300,000	375,000	
Kidnap/Ransom (K&R)	NotNow	A++VII	7/1/23	7/1/24	10,000,000	25,000	30,000	25,000	
International Travel	BonVoyage	A+V	7/1/23	7/1/24	1,000,000	5,000	10,000	10,000	
Inland Marine	Hull Insurance	A++VIII	10/1/23	10/1/24	1,000,000	-	10,000	10,000	
Fine Art	Palatte	A++VII	10/1/23	10/1/24	1,000,000	25,000	60,000	60,000	
							3,495,000	3,780,000	
							Broker Fee	125,000	135,000
							Total Cost	3,915,000	

*Total Insurable Values or TIV = Property Assets Plus Contents

**CSL = Combined Single Limit



Risk Retention

- The level of risk retained by the insured. Deductibles are managed by the insurer whereas retentions are managed by the insured
- The stronger the “risk control” program and risk aware culture, the better the ability to manage risk underneath the insurance layer
- Zero deductibles are not necessary for well run programs – so take advantage of higher retention with good risk control
- The Board should understand the “ultimate loss” triangular report strategy and “confidence level” or % likelihood of the losses occurring over the 36-60 months it takes to pay out and close claims on average

Triangular Report for Ultimate Losses

Paid Losses	Months									
	12	24	36	48	60	72	84	96	108	120
2011	509,076	1,160,413	1,587,467	1,871,141	2,042,971	2,253,248	2,362,762	2,409,968	2,447,669	2,469,451
2012	322,837	808,656	1,106,348	1,341,174	1,485,984	1,586,475	1,660,102	1,715,677	1,747,967	
2013	318,006	894,752	1,235,375	1,423,003	1,566,717	1,673,449	1,743,201	1,775,416		
2014	387,196	1,016,313	1,394,974	1,579,053	1,724,617	1,850,542	1,905,761			
2015	343,063	911,526	1,292,853	1,535,246	1,698,970	1,827,353				
2016	428,153	1,102,677	1,525,072	1,767,770	1,922,101					
2017	703,796	1,845,145	2,356,033	2,730,513						
2018	724,200	1,777,968	2,317,146							
2019	599,011	1,495,133								
2020	614,157									

Case Incurred Losses	Months									
	12	24	36	48	60	72	84	96	108	120
2011	1,513,333	2,007,406	2,224,931	2,340,123	2,421,799	2,479,164	2,539,689	2,577,776	2,602,880	2,611,232
2012	909,916	1,402,171	1,559,390	1,699,960	1,771,478	1,817,927	1,877,440	1,908,067	1,919,687	
2013	845,318	1,356,934	1,560,856	1,687,195	1,771,597	1,851,956	1,878,349	1,908,545		
2014	877,908	1,487,915	1,758,256	1,890,416	2,025,556	2,098,803	2,122,868			
2015	851,211	1,411,100	1,696,685	1,871,879	1,991,131	2,083,024				
2016	971,453	1,631,186	1,937,574	2,120,869	2,258,696					
2017	1,618,377	2,666,032	3,072,656	3,292,280						
2018	1,491,092	2,543,123	2,915,974							
2019	1,105,459	2,123,242								
2020	1,177,171									

IBNR	Months									
	12	24	36	48	60	72	84	96	108	120
2011	1,419,182	897,217	682,253	527,466	429,657	328,411	238,322	164,427	112,413	86,529
2012	1,430,953	936,244	728,472	536,488	412,358	324,246	235,058	145,707	111,190	
2013	1,508,312	1,021,187	729,753	522,535	408,453	312,556	192,372	145,795		
2014	1,567,758	1,016,979	733,971	524,226	364,831	259,725	193,298			
2015	1,568,037	984,347	692,014	505,558	342,258	245,701				
2016	1,525,121	941,418	630,629	418,388	282,130					
2017	2,222,484	1,134,668	779,819	573,199						
2018	1,898,874	1,036,008	727,699							
2019	2,018,263	1,028,979								
2020	2,119,989									

Ultimate Losses	Months									
	12	24	36	48	60	72	84	96	108	120
2011	2,932,515	2,904,622	2,907,185	2,867,589	2,851,457	2,807,575	2,778,012	2,742,204	2,715,293	2,697,761
2012	2,340,869	2,338,415	2,287,862	2,236,448	2,183,836	2,142,173	2,112,498	2,053,774	2,030,877	
2013	2,353,631	2,378,120	2,290,609	2,209,730	2,180,050	2,164,512	2,070,721	2,054,341		
2014	2,445,666	2,504,894	2,492,226	2,414,642	2,380,387	2,358,528	2,316,165			
2015	2,419,247	2,395,446	2,388,699	2,377,436	2,333,369	2,328,725				
2016	2,496,574	2,572,604	2,568,203	2,539,258	2,540,826					
2017	3,840,861	3,800,700	3,852,475	3,865,479						
2018	3,389,966	3,579,131	3,643,673							
2019	3,123,722	3,152,220								
2020	3,297,151									



Select Governance & Risk Reports - Example 1

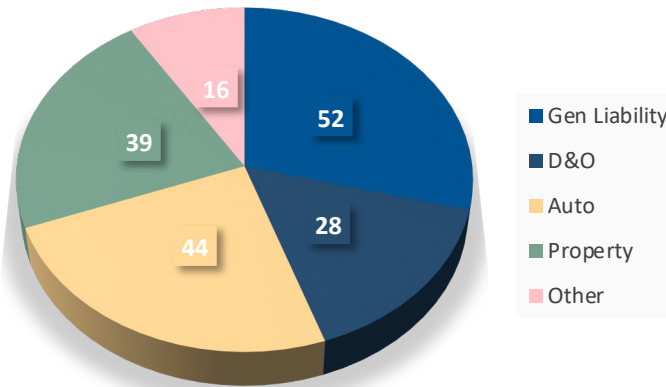
Quarterly Report Update

RESERVES VS. PAID CLAIMS AS OF 6/1/23 FOR FY23

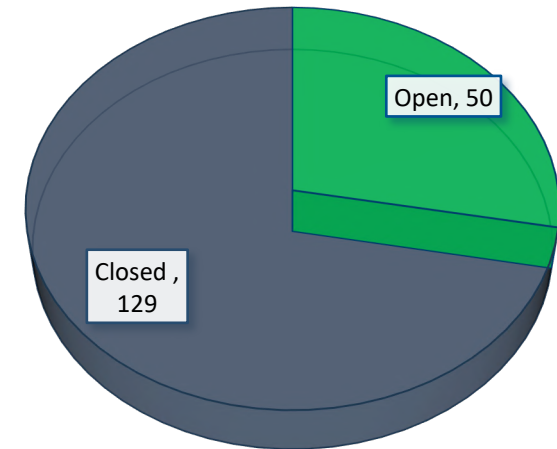


■ Reserves ■ Paid

P&C CLAIMS FREQUENCY BY CLAIM TYPE AS OF 6/1/2023 FOR FY23

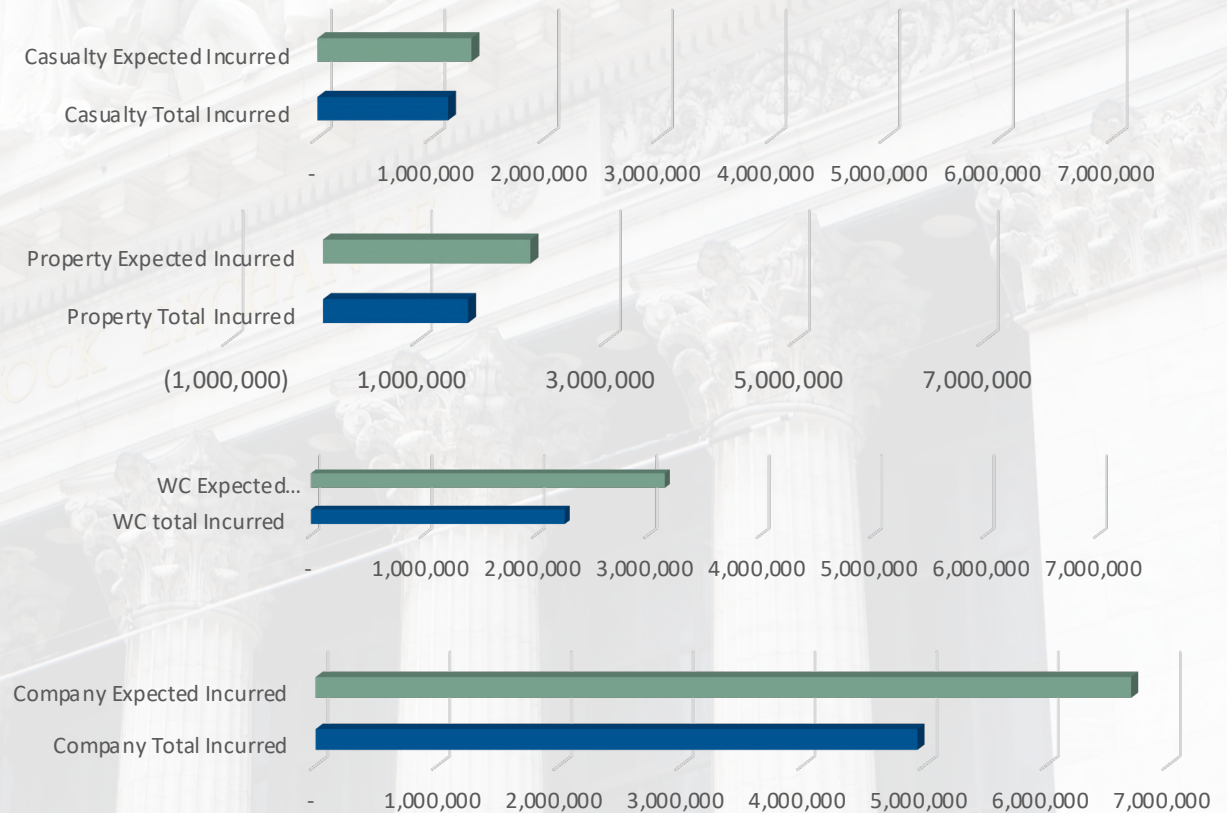


% CLAIMS OPENED VS. CLOSED AS OF 6/1/2023 FOR FY23



Select Governance & Risk Reports - Example 2

Total Expected Losses-Actuarially Derived



Risk Control

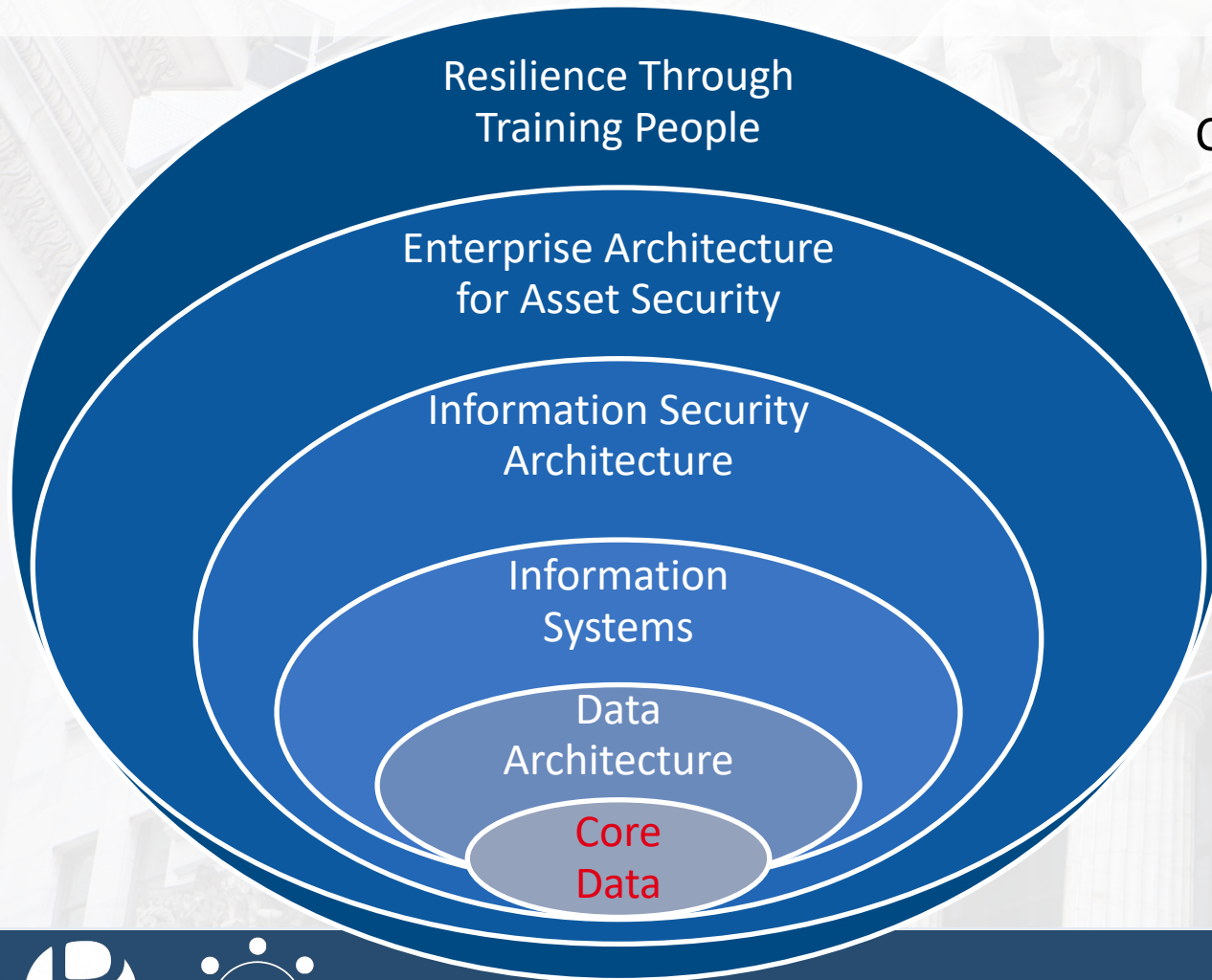
- This is referred to as the type of risk mitigation training, or programs you have in place.
- Examples are:
 - General: HR-DEI, Sexual Assault/Molestation, Harassment, Wrongful acts prevention training (for board too), Defensive Driving, Contracts authorization
 - Cybersecurity / Social Media
 - Safety programs in all areas (facilities, driving, HR, etc.) and metrics supporting ongoing inspections, training, and monitoring. Includes: OSHA safety, Defensive Driving,
 - Transparency in reporting claims within insurance policy requirements:
 - Occurrence-based: Reported as they occur-such as a fire, or flood in a building
 - Claims-Made: Directors and Officers Policy must have claims reported within the year the entity is notified-such as for wrongful termination, sexual harassment, and other wrongful acts noted in your policy
 - Property Insurance Checklists



Training Checklists (general)

- HR manual, signed within 30 days
- Social media protocol for cyber and reputation risk
- Legal/contracts manual, approved signatories
- Insurance & indemnification language for contracts
- Driving-MVR: (Zero “Major Violations” such as suspension, DUI, speeding in excess of 20mph over limit)
- Background checks – no criminal violation, varies with job duties
- Treatment of colleagues – no harassment/discrimination
- Sustainability, anti-bribery, modern slavery, and DEI considerations





Cybersecurity Framework & Digital Transformation

1. Establish the context
 - “Cyber” = “0’s & 1’s”
 - Meta, AI = Human algorithms
2. Conduct Risk Analysis
 - Risk Identification
 - Risk Analysis
 - Risk Evaluation
 - Apply Risk Treatment
3. Monitor & Review
4. Communicate Across Domains

25.14 Checklists for Safety

- Safety Checklists
- Safety Manuals
- Training requirements appropriate to the job
- Background checks
- Fit for Duty pending job requirements
- Specific OSHA training for confined space, respirators, electrical, Ladders, etc.



Checklist for Property - COPE Considerations

- Construction - Type of construction wood, steel, etc.
- Occupancy - Use of building
- People - Number of people
- Environment
- Sq. Footage and Price/Sq Foot and total
- Contents values should be included per building and any “specialized equipment”
- Flooding/Water Flow reports plus Hail/Windstorm reports
- Business Impact Analysis shows how much it costs for your entity to be shut down for a period of time, say 30-180 days
- Loss Runs showing repeated major incidents - requires correction possibly at Board-level approval

— I M P A C T O F R I S K - A W A R E C U L T U R E —

why it matters

1. Greater engagement among the staff to support the “everyone is a risk manager” within the organization
2. Protects the life safety, reputation, finance, operations, and asset protection of our organization
3. Maintains a “nimble” culture that can address emerging risks
4. Keeps your name out of the headlines for the wrong reasons
5. May support a stronger bottom line
6. Manage emerging risks better: AI, IoT, Meta, Digital Transformation, (note from Paola Saiebene’s webinar)



GOVERNANCE QUESTIONS REGARDING RISK

keeping a pulse

- What type of a maturity level would you rate our “risk-awareness” based on a 1-3 with 3 being the most mature?
- What are the 3 top risks that you perceive within this organization. Top 6?
- Is there anything that you’ve become aware of that you’d like to share with the group?
- What are the top 3 emerging risks that you think we will face in the next 3-5 years?
- What risks have been recurring that need additional resources to resolve?
- What market trends that we should be aware of and how can we help support you with those? (planning ahead financially – reserve funds, etc.)

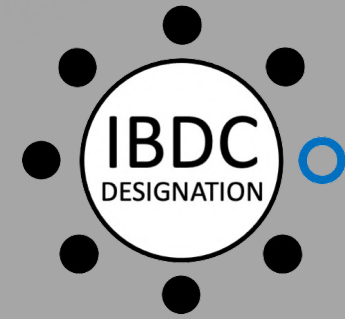


S U M M A R Y

keeping a pulse

- ✓ In governing with a risk “lens,” understand the high-level basics of long-term insurance trends to help support ongoing needs and resources for your entity’s staff
- ✓ Encourage a transparent organization built on trust vs. top-down in order to “listen” more to the needs or actions taken by staff and leadership
- ✓ Make decisions with consideration for risk-whether the decision will have a negative impact or positive impact on your organization
- ✓ Be nimble-it’s a fast-changing world out there and the emerging risks are not going to wait for you to catch up – AI for example
- ✓ Include risk assessments as part of new program review and an annual high-level risk assessment to track and monitor ongoing risks





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1:1

Group

On-Demand

<https://www.pfisterstrategy.com/exceptionalboarddirector>



are you prepared?

Ensure a successful operational risk program

Know the impactful questions to ask for proper risk governance

Know your risk level!

Q&A



Contact Mark at mark@pfisterstrategy.com

Contact Ellen at ellensholland@strategicriskframeworks.com

Board Director Education + Certification Details <https://www.pfisterstrategy.com/exceptionalboarddirector>



President



Ellen Shew Holland, ARM, is the President of Strategic Risk Frameworks, a Strategic Risk Advisory firm based in Dallas, Texas, USA. She focuses on Strategic Risk Management, Supply Chain, and Resilience and Crisis Management. She currently consults in International Mining, Construction/Real Estate, Education, Software for SRM, and entrepreneurial ventures. Her work includes Supply Chain assessments, Risk program assessments and risk management for clients.

She has over two decades of risk management experience in higher education across the US and is a former President of the University Risk Management and Insurance Association (URMIA) where she embedded strategic planning within the organization. She chaired the RIMS 2017 Annual Conference Programming Committee and authored the 2019 International Risk Management Institute's (IRMI) Risk Report titled "Seven Top Strategic Risk Management Priorities for Higher Education." Ellen led the development and implementation of a Strategic Risk Management program while AVP/Chief Risk Officer at Southern Methodist University - a program that continues today. Previously she also designed and implemented the first self-insured program for the Oregon University System - outside of the State fund where she and her team also created their NCCI rating in order to provide better premium rates for their workers' compensation program. She has also implemented and recast several business continuity programs for complex environments.

Ellen earned her MS Finance from the University of Denver, her BS from Purdue University and her Associate in Risk Management (ARM) from The Institutes. Since 2019, she has been an advisor to the Purdue student – led Boilermaker Consulting Group, BCG, and is President of the Purdue Rowing Association alumni group of over 3,000 alumni.



MARK A. PFISTER

Non-Executive Director, CEO, and Chief Board Consultant

Biography

mark@pfisterstrategy.com



With a strong focus in Strategy, Governance, and Technology / Cybersecurity, Mark A. Pfister is CEO & Chief Board Consultant of M. A. Pfister Strategy Group, an executive advisory firm that serves as a strategic advisory council for executives and Boards in the public, private, nonprofit, and private equity (PE) sectors. He is also Chairman & CEO of Integral Board Group, a specialized Board services and consulting company, as well as Founder & CEO of the International Board Director Competency Designation (IBDC.D) education and certification program, a Board Director certification course recognized globally. Mr. Pfister is a *'Board Macro-Influencer'* and his success has been repeated across a wide range of business situations and environments. He prides himself on being a coach and mentor to senior executives and Directors. In Board Director circles, Mr. Pfister has earned the nickname *'The Board Architect.'*

The overarching theme throughout his career has been his aptitude in leadership positions, passionate focus on people, unique governance models, and ability to create value for shareholders and stakeholders through innovative business strategies and operational excellence. Michael Lorelli, Executive Chairman of Rita's Franchise Company, has said, *"Mark's unusual combination of excelling at a macro and micro grasp of business, genuine interest in Governance, and ability to coach and mentor a Management Team make him a terrific Independent Director."*

Mr. Pfister is a certified project management professional and frequently serves as an expert Project Executive, consulting on global programs/projects in their initiation and operational phases, as well as programs requiring remedial focus to bring them back on track. He has deep knowledge and experience in Board design & operations, strategic planning, business transformation, technology implementations, decisioning processes, certification & continuing education programs, executive coaching, and governance models.

Mr. Pfister was CEO of Pro4ia, Inc., an international consulting and professional services company specializing in a wide range of technology solutions utilizing formal Project Management as a proven and repeatable delivery method. With a Fortune 50 client list, Pro4ia was Citibank's Nominee for Crain's *Magazine 'Entrepreneurship of the Year'* Award in 2005. He simultaneously served as CEO of Onit, Inc., a national sourcing company specializing in placements for all levels of technology skill sets. Mr. Pfister was also the Regional Program Office Leader for American Express leading some of the largest technology transformation initiatives in the company's history. He served as a Licensed Engineering Officer in the U.S. Merchant Marine, holds a B.S. from the State University of New York Maritime College in Facilities Engineering, and completed Harvard Business School's Executive Education Program for Board Directors.

Mr. Pfister is the creator of the *'Board as a Service'* (BaaS) engagement model, an industry he is credited with inventing. He is a Master Speaker and conducts international speaking tours, lectures, and seminars focused on effective leadership, strategy, Board architecture, becoming an exceptional Board Director candidate, professional project/program management, and entrepreneurship.

His popular book, *'Across The Board: The Modern Architecture Behind an Effective Board of Directors,'* an Amazon best-seller with circulation in over 70 countries, has influenced an entire new generation of Board Directors.

Mr. Pfister is a proficient Board Director and CEO with experience across multiple industry verticals. He is typically the Chair, or a member of the Strategic Planning Committee, Governance Committee, Technology & Cybersecurity Committee, and has deep Nominating Committee experience. Mr. Pfister's experience as an internationally renowned Board Consultant, having guided and coached hundreds of Boards, Board Committees, and Board Members across public, private, nonprofit, and private equity (PE) verticals, additionally offers up unique and informed viewpoints to the companies he serves.

He holds an *International Board Director Competency Designation* (IBDC.D) through M. A. Pfister Strategy Group, is a certified *Project Management Professional* (PMP) through the Project Management Institute, earned a *Global ESG Board Certification* (GCB.D) through Competent Boards, holds a *Certified Cyber Intelligence Professional* Board Certification (CCIP) through the McAfee Institute, and previously held an *Executive Masters Professional Board Certification* through the American College of Corporate Directors (ACCD).



M. A. Pfister
Strategy Group

