



# DSPN

Disaster  
Survival  
Planning  
Network

## Continuity IQ

### Fast Facts for our Valued Friends and Clients

July 2008

Here are some bullets and brain teasers about current events from your friends at Disaster Survival Planning Network (DSPN). In this issue, we provide information about enterprise risk management. If you'd like to forward this message to your colleagues, just click the "Forward Email" link at the bottom of this page.

### Fast Facts about ERM

#### Did you know...

- A recent survey we conducted with Continuity Insights Magazine revealed a trend with business continuity programs. A growing number of them are now part of a macro-organization known as enterprise risk management (ERM).
- According to Wikipedia, ERM includes the methods and processes used by organizations to manage risks (or seize opportunities) related to the achievement of their objectives. ERM provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, business enterprises protect and create value for their stakeholders, including owners, employees, customers, regulators, and society overall.
- ERM can also be described as a risk-based approach to managing an enterprise, integrating concepts of strategic planning, operations management, and internal control. ERM is evolving to address the needs of various stakeholders, who want to understand the broad spectrum of risks facing complex organizations to ensure they are appropriately managed.
- The COSO "Enterprise Risk Management-Integrated Framework" published in 2004 defines ERM as: "A process, effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."
- According to the Risk and Insurance Management Society (RIMS), ERM is the "culture, processes and tools to identify strategic opportunities and reduce uncertainty." They see ERM as a comprehensive view of risk from both operational and strategic perspectives and also as a process that supports the reduction of uncertainty and promotes the exploitation of opportunities.

- Today enterprises face risks of many types--financial risks, reputational risks, operational risks, information security risks, etc. ERM makes sense from a strategic perspective because it allows management to rank order risks regardless of type. This enterprise-wide perspective makes budgeting for risk reduction much more realistic because risks can be compared to each other, regardless of type.
- Regulatory agencies have become increasingly involved in ERM, including the U.S. Congress. Section 404 of the Sarbanes-Oxley Act of 2002 required U.S. publicly-traded corporations to utilize a control framework in their internal control assessments.
- Standard & Poor's (S&P), the debt rating agency, began including an ERM assessment in its ratings for financial companies in 2007, Then on May 7 of this year, S&P announced that it was extending this practice to the ratings of non-financial companies in 2009, with initial comments in its reports during Q4 2008.

## Brain Teasers

### True or False

1. Despite all of the technology available to help you do a risk assessment, two simple questions are central to the process.
2. COSO is an acronym for Committee of Sponsoring Organizations.
3. Title IX of Public Law 110-53 calls for the creation of a new program targeted at "all-hazards" business emergency preparedness and continuity.
4. The largest professional association for risk managers is called RIMS.
5. Following a series of natural disasters, most notably Hurricane Andrew in 1992, the practice of catastrophe modeling arose and has now become a standard in the insurance industry.

## Check your answers here...

### Answers to the above questions:

1. *True.* Here they are: For each risk, ask: "How likely is this risk to occur?" Then ask, "What is the impact if it does occur?" Using these two questions, all of your risks can be rank ordered, regardless of type.
2. *True.* Committee of Sponsoring Organizations of the Treadway Commission (COSO), is a U.S. private-sector initiative, formed in 1985. COSO has established a common definition of internal controls, standards, and criteria against which companies and organizations can assess their control systems. COSO is sponsored and funded by 5 professional accounting associations and institutes: American Institute of Certified Public Accountants, American Accounting Association, Financial Executives Institute, The Institute of Internal Auditors, and The Institute of Management Accountants.
3. *True.* The legislation, which was signed into law on August 3, 2007, requires the U.S. Department of Homeland Security to provide for the development of a private sector voluntary certification program for all-hazards business emergency preparedness.
4. *True.* The Risk and Insurance Management Society, Inc. (RIMS) is a not-for-profit organization dedicated to advancing the practice of risk management. Founded in 1950, RIMS represents nearly 4,000 industrial, service, nonprofit, charitable and governmental entities. The Society serves more than 10,700 risk management professionals around the world.
5. *True.* Catastrophe modeling is a combination of meteorological science, structural engineering, and other technical expertise which produces probabilistic models which deliver huge advantages over previous quantification approaches.

## Readiness Check

### Hard-to-remember details:

1. Do you regularly communicate with all of the people in your organization who are responsible for aspects of risk management?
2. Have you reviewed Title IX of Public Law 110-53?
3. Do you regularly update your hazards analysis as well as your business impact analysis (BIA)?
4. Does your BIA include risks that are typically difficult to quantify, such as losses to competition or legal fees?
5. Has your organization considered the advantages of consolidating all risk management functions in the same reporting structure?

## New Workshops from DSPN

### **Workshop #501: Implementing Enterprise Risk Management**

This workshop provides an opportunity for your Enterprise Leadership Team to learn about their roles and responsibilities when implementing Enterprise Risk Management (ERM). Content for your workshop will be customized for your session, based on a pre-session telephone discussion about your situation and priorities. To begin the session, attendees will receive an overview of ERM, including foundation concepts for expanding traditional risk management into an ERM structure. Overview topics include ERM objectives, risk identification and measurement, risk types that must be managed, ERM benefits, obstacles, and best practices. Then the session will focus on the elements identified as priorities during the pre-session telephone discussion. Each session is delivered by two senior executives who have been chosen to match your situation and priorities. Two hours. \$3,000 per session.

### **Workshop #202P: How to Build a Pandemic Contingency Plan...*That Works!***

This session examines best practices for building and maintaining a pandemic contingency plan that is fully compliant with standards published by the Federal Financial Institutions Examination Council (FFIEC). Using recommendations from the March 2008 edition of the FFIEC BCP handbook and best practices collected by DSPN, attendees examine proven techniques for developing programs that are fully compliant with FFIEC requirements. Each participant will receive a specialized planning template that has been created by DSPN to simplify the planning process. DRII-certified professionals who attend this session can receive 16 continuing education points for re-certification. Two days. \$995 per seat. Quantity discounts available.

### **Workshop #302P: How to Stage a Pandemic Test...*That Works!***

Whether you already have a pandemic plan or are about to build one, this workshop will show you how to design and execute exercises that will speed the development of your plan while improving its effectiveness. Using recommendations from the March 2008 edition of the FFIEC BCP handbook and best practices collected by DSPN, attendees examine proven techniques developing robust testing programs. As a culminating activity, you will participate in pandemic tabletop exercise to experience first hand the challenges that organizations face in responding to this type of emergency. One day. DRII-certified professionals who attend this session can receive 8 continuing education points for re-certification. One day. \$445 per seat. Quantity discounts available.

### **Workshop #401P: Pandemic Experience for Executives**

Pandemic Experience for Executives is a half-day tabletop exercise to help your leadership team define and practice their roles in reducing the impact of a pandemic emergency. The event is customized for your organization's circumstances and experience level and is facilitated at your site. Price varies depending on your requirements.

To find a session near you or to discuss options for staging a session at your site, email [Paul Klier](mailto:Paul.Klier).

## Comments and Contributions

### Tell us what you think...



Thanks to all of you have sent us comments about this mailing.

In responding to recent incidents, did you discover an interesting detail that you would like to share with our readers? If so, send it along and we'll consider it for a future issue. If you want us to print a comment or submission about your company, be sure to give us permission when you write.

[Paul Klier](#)

### Popular Services from DSPN

- [Benchmark Your Program Using NFPA 1600](#) is a one-day workshop we are staging in Irvine, California on October 22, 2008. Sign up now!
- [How to Create Drills and Exercises... That Work!](#) is a one-day workshop we are staging in Irvine, California on October 23, 2008. Sign up now!
- In addition to our public workshops, DSPN offers [on-site workshops](#) that are customized for your priorities.