Integrated Risk Management Solutions, LLC

James E. Blair, President

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Dear Colleague;

Risk Is a Certainty!

The three things you can count on in life are death, taxes and a cyber-breach of your private information. The probability of your personal or business information being hacked and/or stolen is nearing 100% during any 3 year period of time. All the technology, systems and talent cannot protect against human error, lost digital devices, internal or external theft, insufficient passwords and out-of-date software. The cost of a data breach ranges from $200 to $15,000 per account impacted. Large when litigation and civil penalties are imposed.

If the citizens of western states ever thought that risk happened somewhere else, the events of 2013 change that perspective. The wild fires of spring and summer impacted most western states and they were followed by torrential rain storms that swept water 8-10 feet deep from wild fire burn scares through small Colorado towns. And now, the severe rain storms throughout northern Colorado have delivered a 500 year flood of major rivers, stranding towns, destroying 20,000 homes and businesses, costing upwards of $2 billion, and leading to unfortunate loss of life.

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Risk Is Manageable

Our Quarterly Advisories serve as reminders that risks come from the most unexpected sources. Businesses that have not developed operating scenarios accompanied by Business Continuity Plans are likely to fail with these devastating events. The impacts of the western weather and fire events have closed many businesses that were thriving enterprises whose operations were disrupted in a matter of hours. Businesses were forced to close due to evacuation orders or bodily threats from fire and water. Their revenues stopped and they encountered increased costs, interrupted supply chains, lost utilities and communication systems – and lost key employees.

For these risk situations you can prepare and respond quickly when needed. The following key actions can save your business and improve your recovery when the bad day happens:

1. Cyber-breaches are most effectively thwarted by your employees. With “all eyes on” the unacceptable activities that occur on company computer terminals, the miss-use of digital systems, the use of inadequate passwords and the insecure handling of equipment can be readily identified.

P.O. Box 334 Littleton, CO 80160-0034 jeblair@integratedrisksolutions.com
303-795-9754 (O) 303-734-1814 (F) 303-886-8450 (C)
www.integratedrisksolutions.com

Employees should be expected to be on the look-out and report suspect situations to management. Training on the suspicious activities that might appear on the computer screen will elevate employee awareness – train your team to be watchful for these evolving circumstances and expect participation.

2. Scenario planning will return payoff every day. The time spent anticipating future events including disasters, market changes, financial swings, supply chain disruptions and operating mishaps pays great dividends. Gathering your leaders for a few hours quarterly to anticipate future scenarios plants the seeds of preparedness and alternative planning. Business Continuity Plans grow from these discussions and provide the basis for longer term preparation and operating stability.

3. Three "R's" (Rapid – Response – Recovery) launch from Scenario planning. When the unexpected risk threat arises your team can respond quickly and effectively based upon anticipation and preparedness. The culture of proactively managing risk carries through challenging operational conditions and optimizes performance that serves your customers.

These practical risk management actions cost very little and begin protecting your business immediately. All-eyes-on applies to physical and digital security and safety. When employees and venders are watching for the unexpected and then initiating action your organization will be well protected. Engagement of your employees at all levels in risk anticipation and planning cascades the culture of a:

Well Risk Managed Organization!

Employee engagement supported by top-level risk management leadership and governance reduces your operating costs and increases earnings through found revenue.

Integrated Risk Management Solutions will work with you to anticipate and plan.

I look forward to your thoughts and questions – please contact us.

Sincerely yours,

Attachment

Manage Your Risks Well!

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Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a "risk awareness" culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk related costs, including:

- Safety	- Security	- Information Security	- Health & Wellness
- Absence*	- Theft	- Fraud Prevention	- Revenue Inefficiency
- Audit	- Compliance	- Investigations	- Settlements
- Claims	- Insurance	- Crisis Management	- Emergency Response

  * Incidental absence can increase the costs of employee health and wellness programs by 2X.

- Risk costs are incurred in multiple corporate silos hiding the "Total Cost of Risk."
- 70% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, recently estimated that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- In 2013, companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong risk management culture helps a company respond well to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility is at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley and compliance audits only test transactional controls – operational controls are "the source" of risk.
- Regular operational reviews can improve revenue efficiency by up to 20% of revenue.
- Bottom Line: Synergy from a holistic focus on risk reduction, cost/revenue efficiency, operational loss reduction, underperforming 3rd party vendors and fraud often produce one of the most impactful cash flow opportunities available.

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