Integrated Risk Management Solutions, LLC

James E. Blair, President

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Dear Colleague;

We are in recovery and our patience is being tested by the slowness and uncertainty of the pace! Business is challenging, access to credit is not assured and the fear of long term debt is a serious overhang. The Federal Government is supplying recovery resources beyond imagination through the American Recovery and Reinvestment Act (ARRA) and TARP funds. Sustained growth seems to be a long way off.

Recovery Related Risk signs are appearing! The first is the strain on systems to manage ARRA driven “speed of spend” which is flowing dollars toward projects at a rate 3-10X of normal. Other risks include the adequacy of controls, limited oversight capacity of spending agencies, incomplete and inadequately defined projects, questionable job creation and fraudulent use of funds.

As a result of the financial melt down, Congress is searching for solutions. Correctly they ask “where’s the risk management” and “why didn’t it work”. Legislation is on the way to eventually regulate risk management functionality in businesses. The first volley is the Fed’s control of executive compensation for TARP recipients. The second is new requirements for board oversight of risk based executive compensation in public businesses. More to come!

With this sea change, we strongly encourage you to take proactive control of your risk management capabilities. Executive leaders have the opportunity to efficiently determine and prioritize material risks, align siloed risk mitigation strategies, deploy processes that reduce risk, improve cash flow and identify emerging risks.

The time has come to move past The Five (5) “Myths of Risk Management”, which are:

1. We’re covered (insured) for that
2. We hire really smart people
3. It’s just more bureaucracy
4. We’ll take the risk and work through it
5. It won’t happen on our watch

Risks come in all forms and include all elements of the enterprise. Well risk managed businesses establish risk as a priority and get everyone aligned and on board. It starts with management’s establishment of the Risk Management Governance Council comprised of the C-Suite Executives who report to the CEO. ***Integrated Risk Management Solutions, LLC*** helps business leaders by facilitating the establishment of this critical management function. Material risks are identified and programs are aligned and prioritized to plan for, measure and mitigate these risks. The result is a well risk managed business that will most likely thrive.

We enable company leaders to understand the total cost of risk, determine efficient management alternatives and refine risk transfer options (including self-insurance).

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The tide is changing – insurers and risk management professionals are making progress in understanding Enterprise-wide Risk Management following the principles of **Integrated Risk Management.**

The ***Integrated Risk Management Solutions, LLC*** team provides services to help you deploy risk resources more effectively and with an intense focus on improved cash flow (see attached). Please visit our website at www.integratedrisksolutions.com for more information and follow our blog at blog.intergratedrisksolutions.com. We look forward to your thoughts and questions.

Sincerely yours,

Attachment

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Enterprise-wide Risk Management Stimulates Success

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".
- In 2010, companies that manage risks effectively will receive the best insurance prices and maximize the option to self-insure.
- Private companies seem to have weathered the current economic storm because of personal wealth protection – risk tolerance is lower sustaining overall quality performance.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong risk management culture helps a company respond well to unforeseeable events.
- Those companies that established awareness among top management that their job is to take risks intelligently are faring much better. Gary Geremot, Chief Risk Officer of Calpine Corp, said "They're agile and adaptable, as opposed to being on their heels trying to figure out what to do."
- Uncertainty and financial pressure renews the need to manage risk. These pressures have always been present, but the magnitude is currently greater.
- 70% of company information systems risks come from employees and trusted vendors.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley tests transactional controls – operational controls are "the source" of risk.
- Competitive performance is improved through regular operational controls reviews, which can improve revenue efficiency by up to 20% of revenue.
- Documented and tested Business Interruption/Resiliency Plans sustain key operations during an emergency and improve Company survival by 70%.
- Synergy from a common focus on risk reduction, cost/revenue efficiency, operational reductions in losses, underperforming 3rd party vendors and fraud often produce <u>one of the most impactful cash flow opportunities available</u>.

Integrated Risk Management Solutions, LLC offers consulting and coaching services enabling the deployment of cash flow-centric risk management cultures and programs. The results include:

- Establishment of an executive governance structure,
- Determination of key earnings impacting corporate risks,
- Alignment of risk program priorities, and
- Performance based measurement of risk related initiatives and programs.

These services typically produce a 4:1 ROI leading to significant cash flow contributions.

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