



POINT
Dan Reynolds

Risk Managers Need to Think Outside of the Box

Think inside-the-box thinking is relevant? Think again, because the brutal truth is that there is no box.

Just try to draw a box around an industrial sector, a technology, or the limits of human stupidity, greed or arrogance. You know what? You can't do it.

The inside-the-box thinking was that no deepwater oil well could ever suffer a catastrophic blowout because the prevention technology was too good. We knew what we were doing. Check, wrong.

The inside-the-box thinking was that the speculation and lack of financial regulation that spawned the Great Depression would never again be repeated. Check, wrong.

The inside-the-box thinking was that the damage or terror of a Chernobyl or a Three Mile Island was behind us, that we could march forward in confidence and expand our dependence on nuclear power. Now, just look at what's unfolding in Northeast Japan. Check, wrong.

It may seem like an awful burden, but somebody's got to take it on, and that Dear Reader, and I don't mean that facetiously, is you.

It's not "mission creep" to posit that a to-the-nub analysis of everything that can go wrong or could go wrong in the furthest reaches of an organization be undertaken and that the human mind, that means your human mind, is capable of that task.

If we can build rockets to take ourselves and our attendant technology beyond the gravitational pull of our planet to our moon and beyond then we are fully capable of risk managing that adventure.

If we can manipulate molecules to create better drugs, sunscreens and wind-turbine surfaces through nanotechnology, then we have the ability to follow the trail of that technology, test for where it goes and where it has the potential to go awry.

There is only one thing that limits our ability to properly calculate or manage any risk that may be out there and that one thing is time. The risk manager needs time to assess risk and that means slowing down the salesman, the chief financial officer and everyone else in an organization or a country for that matter that puts profit before human safety, peace and health. Give the human mind time and it can account for any danger, but it must be given time.

The very phrases "inside-the-box" or "outside-the-box" are utter nonsense because there is no box. There is only the boundless human capacity to create and to manage the byproducts of that creation.

DAN REYNOLDS is senior editor of Risk & Insurance®. He can be reached at dreynolds@lrp.com.



COUNTERPOINT
Cyril Tuohy

Risk Managers Need to Stay Inside the Box

There's no better way to slay 'mission creep' than to hunker down inside your box.

Risk managers are blessed and cursed. They're blessed because their role takes them into different parts of their organizations. Risk managers belong to one of the few managerial categories with the privilege of seeing a holistic view of the exposures facing their employer.

Risk managers, however, are also vulnerable to what the military often refers to as "mission creep," and in this context risk managers are cursed.

There is no term more vague and amorphous than the word "risk." What kind of risk? Where does the risk begin or end? Who's in charge of the risk? How large is the risk?

Car managers manage cars. It's a simple, clear, decisive mandate. The finance manager manages a company's finances. That, too, is clear and straightforward.

But risk, that's a different story. "Risk" is an umbrella term, one in which plenty of variables come and go. As such, the term 'risk' is ripe for abuse and exploitation.

Is GE's risk manager responsible for mundane nuisances like slip and falls on the factory floor of the company's aircraft engine subsidiary? Or, is GE's risk manager responsible for malfunctioning turbine blades with the potential to send an aircraft crashing to the ground?

Is the risk manager responsible for securing enough capital for his or her company? Or is he or she responsible for making sure a company's risks are adequately reinsured?

Do risk managers buy insurance to make sure corporate risks are adequately covered? Or do they dabble with 'alternative risk' strategies better left to captive management experts. Do risk managers delve into catastrophe bonds or leave that to Wall Street and the capital markets?

So, what exactly does it mean to stay focused on the basics when you're a risk manager? It means thinking inside the box.

Thinking inside the box means risk managers need their employers to stay focused on the risk in question, and to make sure an insurance product or service is available in the marketplace at a reasonable price to protect against that risk.

If the chief executive suite wants more out of its risk manager, it can expand the sides of the box, and pay its risk manager commensurately, thank you very much.

CYRIL TUOHY is managing editor of Risk & Insurance®. He can be reached at ctuohy@lrp.com.

Zurich HelpPoint Perspective



Paul Horgan
Chief Underwriting Officer
Zurich Global Corporate
in North America

Risk managers juggle the day-to-day, detailed processes of managing risk at a time when corporate budgets and resources have been reduced. Then there are the increasingly frequent crises that can disrupt operations without warning. That's when effective risk management is critical. At the same time, risk managers are challenged to be creative and strategic – think out-of-the box – especially if enterprise risk management issues continue to emerge. How many risk managers anticipated the repercussions from a 9.0 Japanese earthquake, an accompanying tsunami and a nuclear catastrophe? Risk managers – and executives responsible for risk at companies without a risk manager – rely on outside resources to handle many day-to-day tasks giving them the opportunity to be strategic and creative. Brokers provide essential risk management services to clients, including strategic

advice and ongoing insurance purchasing and risk management services. Carriers also bring valuable resources and services to help clients, well beyond the traditional loss control, claims and underwriting skills. At Zurich, for example, we have a department entirely devoted to developing insights into risk – a kind of risk think-tank that identifies unforeseen and emerging risks for risk managers and brokers. It's one of the ways we help our clients think "out-of-the box," giving them insights to be better risk managers. All of our recent risk insights are available for downloading from the Zurich Virtual Literature Rack (www.zurichvlr.com). Risk managers don't have a choice. Today, the art of risk management requires out-of-the box thinking. But to succeed, risk managers need all the help they can get.

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"This is our first tunnel project in the US. Zurich had both the local and global insurance expertise we needed to win the bid."

**Henri Lebossé, Bouygues Construction,
Head of Risk and Insurance Department**

Zurich HelpPoint

Global insurance solutions for wherever you expand next.

For the construction of Miami's first underwater tunnel, Zurich helped Bouygues Construction obtain the project, by pulling together a global team of specialists already familiar with Bouygues Construction. Zurich solved the complex, local insurance requirements of the lenders, the State of Florida and the company's management. It's an example of how Zurich HelpPoint delivers the help businesses need when it matters most. To learn more about this case, visit www.zurichna.com/ipz



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