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## **Stock Growth as the ERM Linchpin**

By Damon Levine

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# Stock Growth as the ERM Linchpin

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## Abstract

Nothing sends executives and frontline managers running faster than selling your ERM program as the brakes or guardrails in some metaphorical car race. To truly influence strategic decision making at the highest levels of the company and embed a risk management mentality in all business lines, risk managers must fundamentally change both their approach and their messaging. We must move away from the “defensive” angle so often emphasized in ERM and convey that in addition to downside protection we can visibly create value and exploit risk-intelligent opportunity.

The paper unveils a methodology that weaves the goal of share price growth into the “DNA” of an ERM framework. With applications to any public company, including the insurance sector, the following concepts are discussed:

- A robust and practical approach to risk identification and quantification that builds buy-in from the “ground floor” and ties into analyst and investor perceptions
- A methodology that quantifies all risk types with the same set of key metrics: those most important to the company’s internal and external stakeholder
- A constrained optimization which links strategic decision making with stock growth and analyst perception while meeting the expectations of policy holders, regulators, and rating agencies
- Weaving risk management into the Plan/Budget process
- The risk-value driver mapping
- Injecting a “quantum” aspect into model output and linking it to strategic decisions

The reader will be equipped with a path toward implementation of a robust ERM program that reflects key stakeholder constraints while striving for growth of stock price. The approach allows a company to avoid black box models without sacrificing the breadth and quality of the framework’s output.

Category: Theoretical/Applied

*Damon Levine is Vice President of Enterprise Risk Management at Assurant Inc. His original framework for Strategic Risk Management, GPS, is a session topic at the RIMS 2014 ERM Conference. He has spoken at the 2013 Enterprise Risk Management Symposium, ISO’s ERM Forum, the Actuarial Society of New York and Marcus Evans seminars. He has been quoted in BusinessInsurance.com on Strategic Risk Management and has been a guest speaker on Simergy’s Risk Radio and guest lecturer at Columbia University. He is published in The Actuary, the SOA’s Risk Management journal and his financial application of Extreme Value Theory is part of the SOA exam syllabus. Mr. Levine holds the Chartered Financial Analyst (CFA) designation and is a Certified Risk and Compliance Management Professional (CRCMP). He can be reached at Damon.Levine@Assurant.com.*