Risk and Insurance Management Society, Inc.®

MARSH

Research Report

Excellence in Risk Management

A Qualitative Survey of Successful Risk Managers

May 2004

Foreword

In a single decade, the role of risk manager has undergone a serious transformation. In 1994, activities of the typical risk manager focused on purchasing hazard insurance and processing claims. Since that time, the U.S. economy has soared to and, ultimately, fallen from the stratosphere. Health care costs have soared, as well, and they continue to do so. Interest rates reached their lowest points in recent history, while insurance markets tightened significantly and are only now beginning to soften. Acts of terror once unthinkable are now a standard part of the lexicon. The Sarbanes-Oxley Act and its new demands on corporate governance contribute another layer of risks to be managed. And interwoven throughout this period is technology, both as a contributor to risk and as a tool in its mitigation.

Now, the highly proficient risk manager needs to have a finger on the pulse of the organization as a whole, maintaining a multidimensional view of risk across lines of business, operations, and geography. The risk manager not only helps to contain the cost side of the profit-and-loss equation, but also contributes to decisions about allocating capital and protecting the organization against earnings volatility. In some cases, risk managers have created additional sources of revenue generation. The role has evolved: Originally focused on protection from hazards, it now needs to provide a holistic view of the organization's total risk profile, upside and downside.

The sheer breadth of these issues begs the question: What kind of individual is able to rise to such a dizzying array of challenges? What experience or course of study prepares these risk managers to address issues that range from quantifying previously unidentified risks to creating a corporate culture that embraces risk management? What personal skills and aptitudes are shared by those professionals recognized for their leadership and innovation? This survey seeks to understand these and other attributes that contribute to outstanding performance in the field.

Sponsored by Marsh Inc. and the Risk and Insurance Management Society (RIMS), this study represents a qualitative inquiry in this area and seeks to elucidate the personal, professional, and organizational characteristics of the successful risk manager. It also attempts to shed light on some of the key factors for achievement in this profession.

The only certainty in the risk management field is change, a certainty that those who have achieved excellence in the profession appear to have embraced.

Our sincere thanks to the survey participants for their time and effort. Without their support, this report would not have been possible.

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Summary of Criteria

The “Excellence in Risk Management” survey was conducted by Greenwich Associates, a premier strategic-consulting and research firm for providers and users of financial services worldwide. Thirty risk managers were interviewed during a two-month period beginning in January 2004. The survey respondents were drawn from professionals, each recognized in years past by *Business Insurance* magazine as a “Risk Manager of the Year” or named to its “Risk Manager Honor Roll.” These individuals were judged to have met the following criteria for such designation:

1. They established and implemented effective risk management programs within their organizations.

2. They tackled and solved one or more major problems for their organizations.

3. They applied the diverse tools of risk management and insurance in innovative ways.

4. They used the insurance markets creatively and effectively in structuring insurance programs that served the needs of their organizations.

5. They established workable intelligence systems both inside and outside of their organizations, culminating in a flow of information about events and activities that affected their organizations’ risk management and insurance.

6. They skillfully performed the functions of management in the overall organization and within their own risk management/insurance departments.

7. They achieved the most effective programs at the optimum cost over the long term.

8. They developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operational aspects of the job.

9. They exhibited an attitude and performed activities in a manner that fostered the advancement of the risk management profession.

10. Each was developing his or her own career.

The study was conducted in two phases: The first phase was a background and profile questionnaire completed by the participants themselves; the second was a personal interview conducted by Greenwich Associates.

Summary of Key Findings

Our survey of excellence in risk management reveals:

- More than two-thirds of the participants held advanced degrees, including MBAs, JDs, or both. Nevertheless, almost all cited the need for greater understanding of financial, accounting, and tax issues as being of paramount concern moving forward.
- In addition to robust technical and analytical skills, study participants cited as keys to success their abilities to interact with senior management; to communicate, persuade, and motivate; and to understand the financial, accounting, and tax implications of risk management strategies and programs.
- The broker relationship is key: Selected brokers are considered either trusted advisors (43 percent) or actual extensions of the risk managers' organizations (40 percent).
- Study participants prioritize risks by assessing their impact on the income statement, developing policies and procedures to address each risk, and establishing effective loss-control programs.
- Participants in the study have developed a hierarchy of information that builds on claims and loss data as a foundation. The application of analytical tools then provides trend data, internal benchmarking, and specific cost allocations to individual operating units. At the highest level, strategic insights can be acquired through external benchmarking and the use of incentive programs to create a sort of continual feedback loop of information from the field to the risk manager.
- Slightly more than one-third of the study participants have what they consider innovative risk management technology.

Risk Manager Demographics

Risk management is clearly a field that builds on accumulated knowledge and the wisdom gained through experience. Participants had worked as risk managers for an average of 16 years; 70 percent of the study participants had worked in the field for more than 21 years (see figure 1). The career paths of these individuals reflect the profession's roots in insurance: Sixty-three percent had worked for insurance brokers, insurers, or other insurance service providers at some time prior to becoming risk managers (see figure 2).

Figure 1

Respondents were asked the number of years as a risk manager and the number of years as a risk manager for the current firm. *N = 30*

Figure 2

Respondents were asked their employment experience prior to becoming a risk manager. *N = 30*

"It's fair to say that I didn't choose the field; the field sort of chose me."

Risk Manager Demographics

The survey group displayed an uncommon stability in their employment, with well more than half having spent more than 10 years at the same firm (see figure 3). This is in contrast to a general population that changes jobs every three years on average. One possible conclusion that might be drawn from this anomaly is that once these individuals find their niche in risk management, their increasing depth of insight into their companies allows them to excel.

Figure 3

Respondents were asked the total number of years with direct experience in risk management. *N = 30*

Figure 4

Respondents were asked the number of people who report directly to them. *N = 30*

The subjects of the study overwhelmingly pursued their mandates at the parent organization, rather than within a subsidiary. In 83 percent of the participants' organizations, the risk management function was performed entirely within a single unit located at the organizations' headquarters. In addition, they managed this function with limited personnel, with more than half of the respondents identified as having fewer than six direct reports (see figure 4). More than half of the respondents reported to either the treasurers (30 percent) or the chief financial officers (23 percent) of their organizations (see figure 5).

Risk Manager Demographics

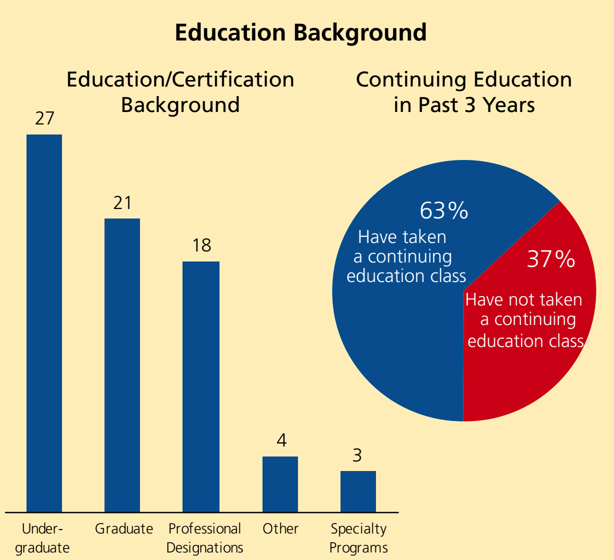
Figure 5

Respondents were asked to whom they report within the firm. *N = 30*

Educational attainment among the study participants was startlingly high: More than two-thirds of the group had earned graduate degrees, and 63 percent had taken continuing-education courses in the past three years. Of those with advanced degrees, most (two-thirds) had obtained an MBA, a JD, or both (see figures 6 and 7). Despite this, almost all of the respondents cited a need for greater financial expertise than they currently possess.

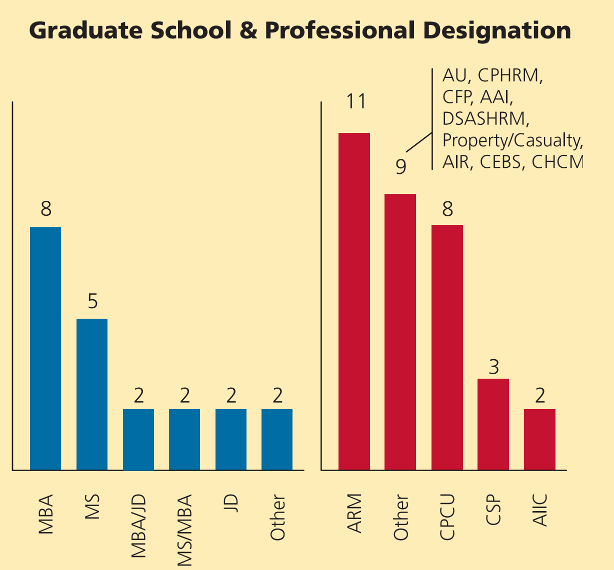
"I encourage my people to go for any and all education they can get."

Figure 6



Respondents were asked their education/certification level and if any continuing education courses were taken in the past 3 years. *N = 30*

Figure 7



N = 30

Risk Manager Demographics

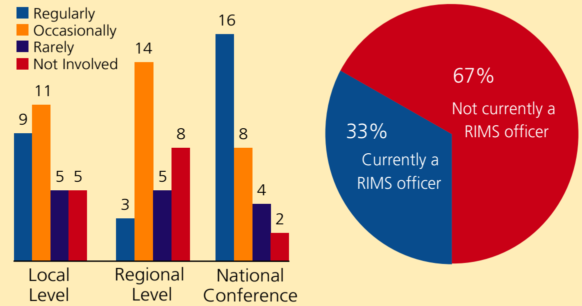
These risk managers were committed to sharing their knowledge and raising the visibility of the profession. Almost all of the respondents gave speeches at events outside of their organizations on topics that ranged from best practices in fraud control and workers compensation, to lessons learned from September 11, to building a risk management culture. Moreover, 43 percent authored papers on related subjects (see figure 8). The majority (66 percent) were active in a RIMS chapter, and more than half regularly attend the RIMS annual conference (see figure 9).

The portrait that emerges is of an individual motivated by intellectual ambition. They are innovative and resourceful in accomplishing their goals, having learned to leverage limited internal staff with outside resources to create a virtual risk management organization. Highly educated and credentialed, the study's successful risk managers are people who seem to have found an organizational niche that offers them career satisfaction and intellectual stimulation.

Figure 9

RIMS Membership/Officer Status

RIMS Activity Level | RIMS Officer Activity Level



Respondents were asked about their RIMS membership activity level at the local, regional, and national level. In addition, they were asked if they are currently (or within the last five years were) an officer of RIMS. *N = 30*

Figure 8

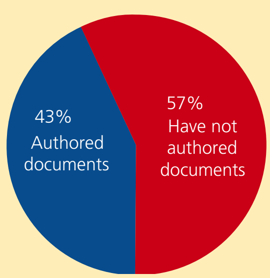
Risk Managers – Speaking and Authorship

Speakers at Events Outside Company

Risk Managers Who Have Authored Documents on Risk Management

29 out of 30 risk managers gave speeches outside of company:

- Lessons Learned from September 11
- Fraud Control—Best Practices
- Seminar on Aerospace Electronics
- Workers Compensation
- Fundamentals of Risk Management
- Building a Risk Management Culture



Respondents were asked if they have given speeches outside of the company on risk management and if they have authored documents on risk management. *N = 30*

"This is the greatest job in the world. Risk managers are lawyers; they're doctors from their workers compensation knowledge; they're finance people; they're contract managers; they're procurement people; they're human-relations people."

The Risk Manager in Context

The risk manager now functions on a variety of levels within the organization, ranging from claims administration and insurance placement; to risk identification and loss control; to litigation, safety, and security; to the creation and management of insurance captives. There is a natural progression from demonstrating technical skills through securing organizational buy-in to having a significant impact on the organization's bottom line (see figure 10).

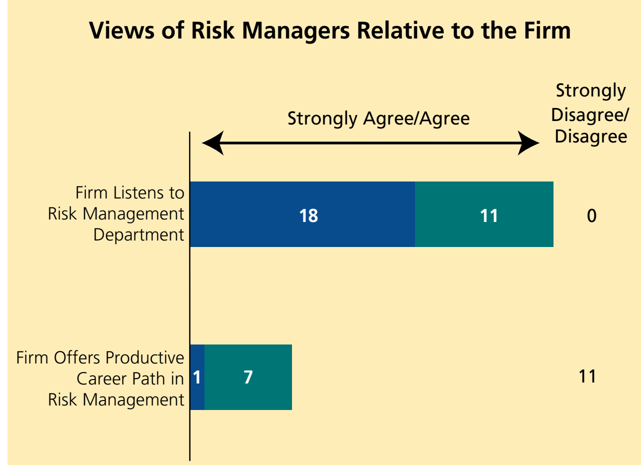
Figure 10

All participants agreed that their firms listened to the risk management department, and 62 percent strongly agreed (see figure 11). Not surprisingly, given their status as industry leaders, the survey participants are often involved at a strategic level within their firms, where they have an impact on the organizational bottom line as well as the culture. In addition to robust technical and analytical skills, study participants cited their abilities to interact with senior management; to communicate, persuade, and motivate; and to understand the financial, accounting, and tax implications of risk management strategies and programs.

At the same time, only 26 percent of those responding believed that their organizations offered a productive career path in risk management (see figure 11). The successful risk managers appear to have blazed their own trails within their organizations by demonstrating leadership qualities and innovation, managing expectations, and building day-to-day working relationships.

"[Risk managers] have to be able to establish relationships. The ability to build bridges is key. You have to be fair and ethical, and you have to have integrity…. Those elements are critical to successful risk management."

Figure 11



Respondents were asked on a 5-point scale, ranging from "5" being Strongly Agree to "1" being Strongly Disagree, several questions on the risk manager position and their views on their firms. *N = 30*

The Risk Manager in Context

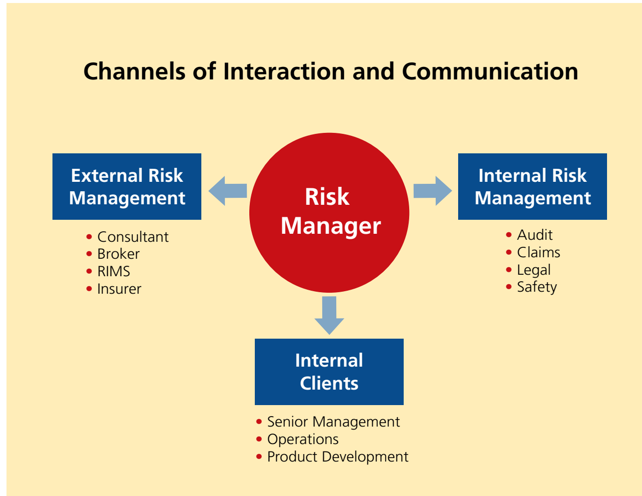
None of the 30 participants identified the risk manager position as a rotational stage within their organizations (see figure 12). Nevertheless, most participants identified the need to reach out to operating units on a regular basis in an effort to understand business risks as a critical component of their success.

More than half of the respondents had no succession plan in place for their own positions (see figure 12). It is certainly ironic that the risk manager would have no strategy in place to cover the risk of his or her own departure from the organization. These facts may serve as a reflection of the organization's view of risk management—identifying the specific individual, rather than the role, as key.

Figure 12

"I have access to board members that we didn't have a decade ago. I think it is pretty funny to look at it a decade later, and we're on a first-name basis with board members."

Figure 13



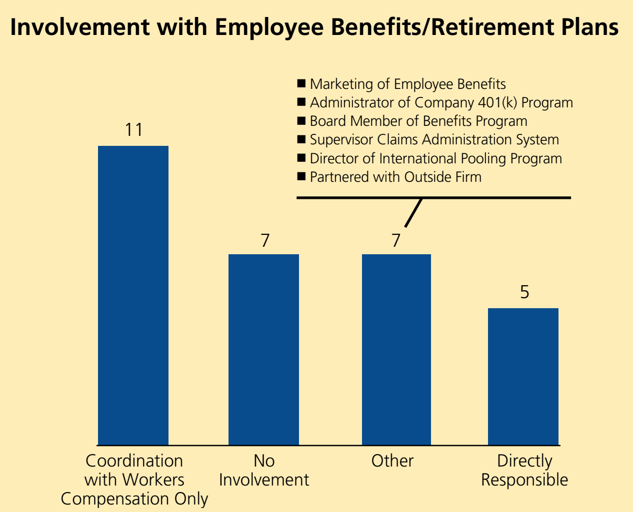
"[Loss control] has [had] an impact on the bottom line over the years. I mean, risk used to account for about 8 percent of sales, so 8 cents of every dollar was attributable [to losses]. Now, it's a fraction of a penny, so that's significant."

Study participants viewed themselves as operating within a web of interrelationships, spanning internal and external constituencies. Their "clients" included senior management, operations, and new-product development. They built external alliances with their consultants, brokers, insurers, and professional organizations and relied on a range of trade and major business media to stay current on risk management issues and practices. Internal alliances included legal, human resources, accounting, and tax departments (see figure 13).

The Risk Manager in Context

The majority of respondents (60 percent) had no involvement in employee benefits or retirement plans or dealt only with workers compensation issues (see figure 14). This may reflect the combination of risk and benefits management as being too broad in scope to administer effectively. But it is clear that these two areas must often forge effective working relationships on certain key organizational issues.

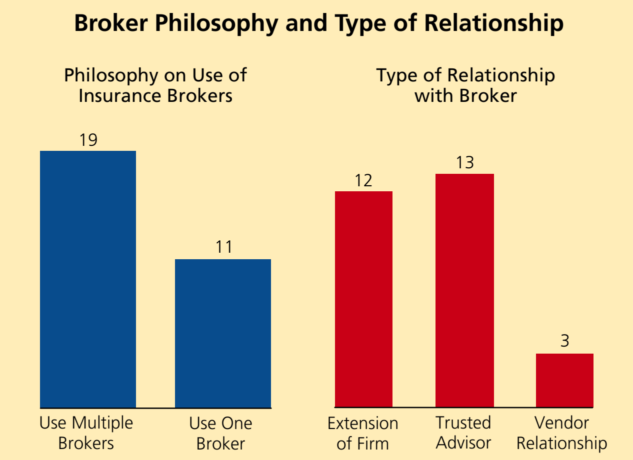
Figure 14



Respondents were asked about their involvement with employee benefits/retirement plans. *N = 30*

"I've always had a very close relationship with brokers. To me, it's a very personal business. In fact, they're really an extension of our risk team in terms of how we involve them. They become really familiar with the company's products, so they're really part of our team."

Figure 15



Respondents were asked to describe their firms' philosophy on the use of an insurance broker and to describe the type of relationship with their broker. *N = 30*

Philosophy about brokers was a point of contrast in the study. Just over one-third of the participants use a single broker for all of their insurance needs. The other 64 percent use multiple brokers, seeking out multiple perspectives on their issues and using the individuals they identify as experts for specific coverage areas, with little regard for geography or institutional affiliation. Moreover, few (10 percent) regard these as mere vendor relationships: The selected brokers are considered either trusted advisors (43 percent) or actual extensions of the risk managers' organizations (40 percent) (see figure 15). As an example, many identified the communication of their companies' risk profiles to the insurance markets as a joint effort with their brokers.

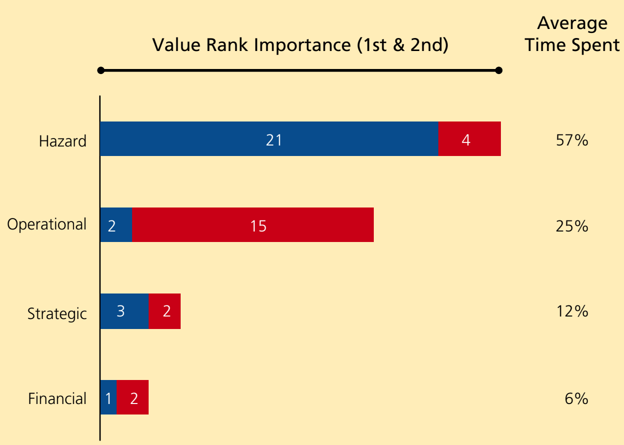
The Risk Manager in Context

Finally, participants were asked in what areas they spent their time and the relative value of their activities. They identified hazard risk as the area where they spent more than half of their time, and 83 percent of them felt it was a high-value activity. Hazard risk was followed by operational risk (25 percent of time allocation), rated as a high-value activity by 56 percent (see figure 16). This, of course, leaves very little time for focusing on strategic and financial areas. Several interpretations of this data are possible: that the agenda of the risk manager is dominated by more traditional activities; that risk managers have too few resources to be able to delegate more of their work; or that they may simply be caught up in the "doing" of what they find most interesting, rather than the managing of others. Alternatively, hazard risk may represent their "comfort zone" to which they return after a few exciting forays into the lesser-known geography of strategic and financial risk.

This information points to several conclusions: As risk management emerges within their organizations, the study participants have been particularly adept at creating an awareness of the added value it can offer. They have been able to communicate effectively on a topic that others within their organizations may initially find obscure. By force of personality and by providing results, the respondents have created allies within their organizations that allow them to succeed. They leverage the best external resources they can find to the fullest extent possible, creating a virtual risk management organization in the face of their own limited internal resources.

Figure 16

Relative Value and Time Allocation for Risk Managers and Activities

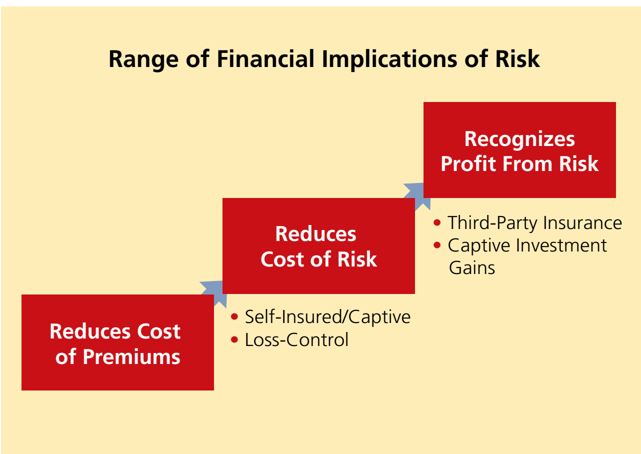


Respondents were asked about the types of risk management activities with which they are involved, the relative rank value of each type, and the proportion of time allocated to each type. *N = 30*

The Organization and Risk Management

Risk management's changing status within organizations reflects its broader range of financial impacts. Where reducing the cost of premiums was a key focus in and of itself, some risk managers now pursue such avenues as loss control and forms of risk financing and self-insurance to reduce the cost of risk. Innovative risk managers are extending their impact to creating profit from risk through providing third-party insurance and investment gains with captives (see figure 17). In this way, the concept of risk management is becoming integrated into the organizational consciousness, and the process is becoming institutionalized.

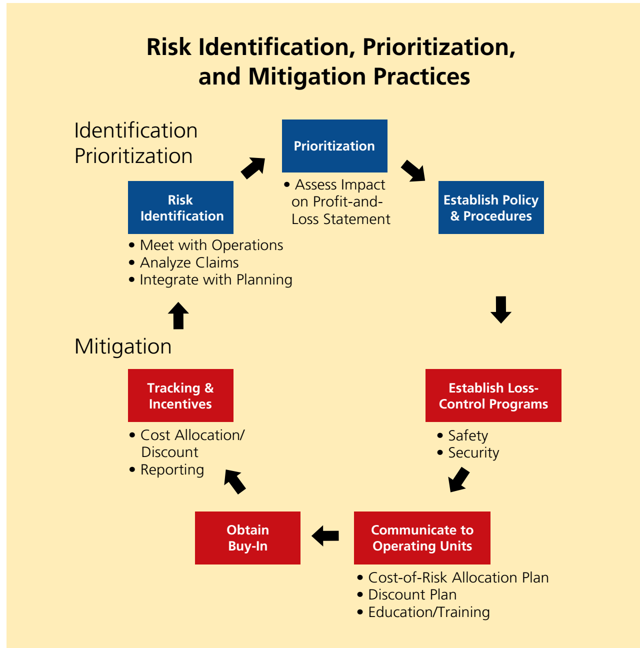
Figure 17



The risk managers who are the subject of this study have taken responsibility for and have been successful in moving this process forward within their organizations. That process begins with risk identification (see figure 18).

Respondents primarily pursued three routes to detecting risks: meetings with operating managers, analysis of claims, and integration of risk management with business-unit planning processes. Study participants prioritize risks by assessing their impact on the income statement, developing policies and procedures to address each risk, and establishing effective loss-control programs.

Figure 18

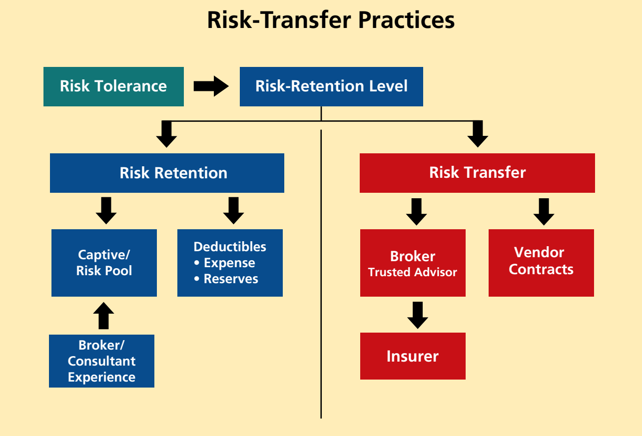


"[Successful risk managers need] a basic understanding of contracts… of how claims and litigation scenarios work. Beyond that, you need to have some understanding of how to differentiate between insurance markets and hard and soft cycles and why you would go to one group versus another in either type of insurance market… trying to recognize and create value in insurance relationships instead of just paying premium…how to go back and be an advocate for your company both to the insurance markets and, then, internally to senior management on the value of what you're trying to achieve."

The Organization and Risk Management

Risk mitigation is implemented primarily at the operating-unit level: detailing the issue, cost allocation, and incentives; driving educational and training programs; tracking and reporting results; and, crucially, obtaining buy-in. Finally, retention and transfer decisions are made by establishing a dollar value for the organization's risk-tolerance level, to which each potential loss may be compared. Based on that tolerance, certain risks may be retained through establishing reserves or by placing the risks in captives or risk pools. Others are transferred contractually or through purchasing traditional insurance (see figure 19).

Figure 19

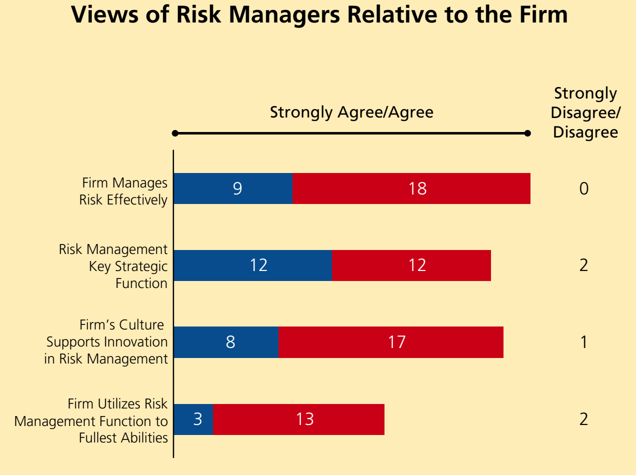


Ninety percent of the study participants believe that their firms manage risk effectively, and for 80 percent, risk management is a key strategic function in their firms. While most agree overwhelmingly that their firms' cultures support innovation in risk management, little more than half (53 percent) feel that their firms use the risk management function to its fullest capability (see figure 20). This finding may, again, be reflective of the resource constraints under which the participants operate, believing that there is far more they could do if they had the means and the clout to do it.

"I can teach the technical skills... but I think what really makes a person successful are the other things, the leadership and the ethics and the creativity—the intangibles."

Respondents identified several key areas of change within their firms with regard to risk management. They were happy to report an elevation of the risk management role. Participants also noted an increase in risk tolerance and retention. They have witnessed a reassessment of risk management strategy, with greater emphasis placed on risk identification and loss control. Finally, study participants noted the increasing adoption and integration of risk management programs across their organizations.

Figure 20



Respondents were asked on a 5-point scale, ranging from "5" being Strongly Agree to "1" being Strongly Disagree, several questions about the risk manager position and their views on the firm. *N = 30*

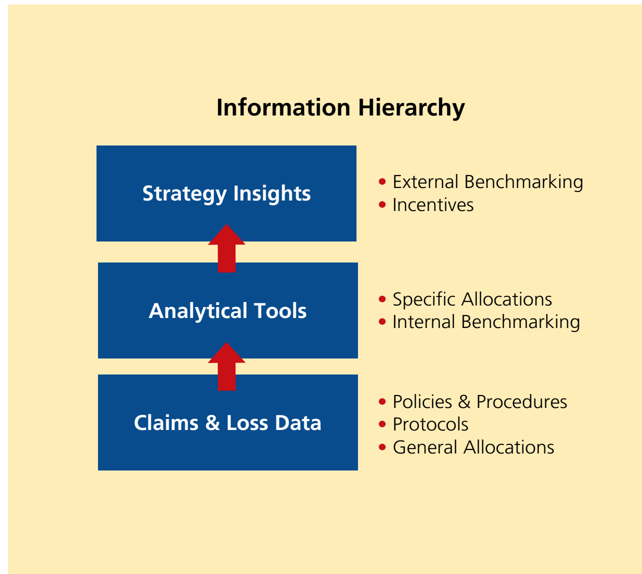
Leveraging Information for Risk Management

"If you want to do the same thing every day, then this isn't for you."

Successful risk management relies on information, so obtaining information, assessing its quality, and converting it to a usable form is the risk manager's ongoing challenge. Participants in the study have developed a hierarchy of information that builds on claims and loss data as a foundation. The application of analytical tools then provides trend data, internal benchmarking, and specific cost allocations to individual operating units. At the highest level, strategic insights can be acquired through external benchmarking and the use of incentive programs to create a sort of continual feedback loop of information from the field to the risk manager (see figure 21).

"The insurance paradigm was hard to overcome. People would…say, 'What do you mean you're not getting enough return? You're not supposed to —you should be happy when you never collect on your insurance dollars.' And I was, like, 'Why?'"

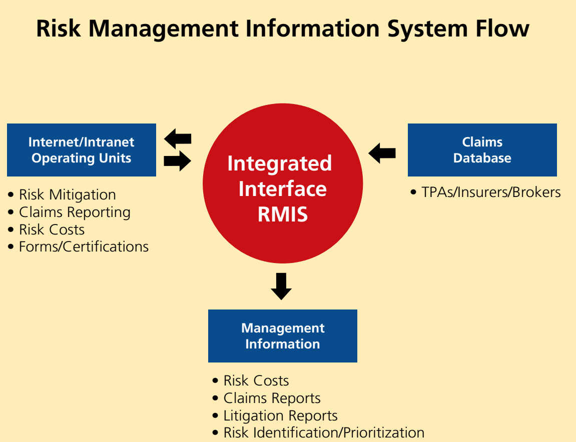
Figure 21



"There is no shortage of data—both internal and external…. The real challenge in this business is to synthesize that data into actionable insights…."

Leveraging Information for Risk Management

Figure 22



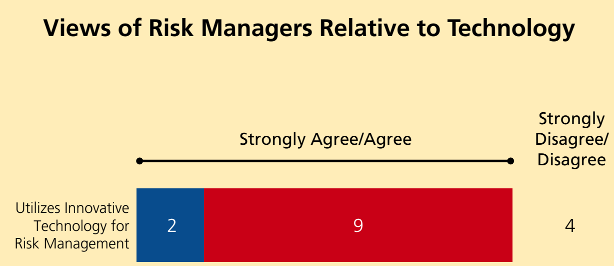
Study participants describe an ideal risk management information system that integrates three information channels: a claims database fed by brokers, insurers, and third-party administrators; operating-unit data on claims, costs, and mitigation; and staff-unit reporting on litigation, claims, risk identification, prioritization, and costs (see figure 22). The purpose is to allow the analysis at the granular level required for truly controlling losses.

The unfortunate reality is that few risk managers possess such a system. Only slightly more than one-third of the study participants have what they consider innovative risk management technology (see figure 23).

Benchmarking is not a universal practice among risk managers, with many citing the uniqueness of their organizations or the competitiveness of their industries as barriers. Those who do benchmark tend to use information provided by brokers or taken from a RIMS benchmark survey. They usually focus on limits, coverages, and costs.

> *"At one time I was a cost center... [but] I've had the opportunity to become a profit center. I'm actually a noncore business unit making money for [my company]."*

Figure 23



Respondents were asked on a 5-point scale, ranging from "5" being Strongly Agree to "1" being Strongly Disagree, several questions about the risk manager position and their views on their firms. *N = 30*

Conclusions

Successful risk managers bring all of these different elements—their personal, professional, and organizational skills—together to have the maximum impact on their organizations (see figure 24).

Figure 24

As a result of events over the past decade, the spotlight is focused squarely on risk management. It has changed the way firms think about their businesses and how they operate. It has shifted the focus from purchasing insurance to controlling losses and quantifying the costs of risk. The risk management function itself has gained increased visibility in the business world at large, in government and public utilities, and in institutions. Organizations increasingly recognize the benefits that effective risk management has to offer. As a result, the risk manager role is becoming ever more strategic to the firm's prosperity.

> *"Risk managers have got to be more proactive. They've got to be aggressive. Don't sit in your office. Be a champion; make a difference."*

Where does risk management go from here? This study points to some specific action items for the organization:

- As an area that affects the firm's bottom line, as well as its culture, it seems clear that elevating the visibility and the reporting relationships of the function will enhance the risk manager's effectiveness. Moreover, the organization's board of directors may wish to consider establishing a risk management committee that would function in a manner similar to the audit or compensation committee.

- The loss-control function is only as good as the risk-identification and risk-mitigation processes on which it is based. Organizations should identify and incorporate their industries' best practices to maximize the benefit of their risk management investments.

- Risk tolerance must be analyzed on a systematic and regular basis. This will allow the organization to consider adopting more aggressive risk-retention strategies.

- Organizations must focus on the career development of risk management professionals, providing them with depth in their specialty, their firms, and their management practices. Key people must be identified and developed to handle greater responsibility. Increased financial expertise is required in risk management decision-making in order to assess its bottom-line impact. Organizations should make these resources and educational opportunities available to their risk managers.

- As a data-reliant function, risk management cannot operate as a technological stepchild. It requires the organization's commitment of resources at a level consonant with its contribution. Installing integrated data systems and up-to-date analytical tools is a priority.

Conclusions

What are the implications for the risk management professional? The study points to three areas of focus for the ambitious individual in the field:

- **Rotation through business units**: Although our participants did not "rotate" through their firms, a deep understanding of the organization is the secret weapon of the successful risk manager. Find a way to gain that insight and credibility by pursuing a rotation through various operating units within the organization.

> *"And it's thinking bigger than you. It's not moving from renewal to renewal. It's not moving from claim to claim or fire to fire. It's: 'How do I help my organization take a competitive position as a result of what I do?'"*

- **Convergence with financial management**: As the risk manager role expands, the separation from such activities as interest-rate, commodity-price, and currency-rate hedging will seem increasingly artificial. Develop a foundation in finance, tax, and accounting through coursework and through practical application with a stint in the treasury department of the firm.

- **Leveraging of technology**: Understand the technology available to the risk management function, and find ways to use it more efficiently. Pursue a "straight-through-processing" approach to reduce the time spent on repetitive tasks, and maximize opportunities to capture data at its source.

In the final analysis, this survey suggests opportunities exist for risk management professionals and their organizations to realize substantial benefits through continuous interaction with senior management, understanding of field operations and the financial implications of risk, leveraging of information technology, and use of external expertise to create a virtual risk management organization. All of these elements, mixed with a forceful personality and the willingness to *take* risks, appear to create the right combination to lead to success in the risk management profession.

Notes

About the Risk and Insurance Management Society

The Risk and Insurance Management Society, Inc. (RIMS) is a proactive voice on behalf of risk management professionals, dedicated to supporting their function and enhancing their profile as vital elements in organizational success. Founded in 1950, RIMS represents nearly 4,800 industrial, service, nonprofit, charitable, and governmental entities. The Society serves 8,800 risk management professionals around the world.

RIMS membership is the cornerstone of the Society. In regular meetings, risk managers exchange ideas and engage in networking with other local companies and industry counterparts. RIMS chapters are the setting for educational, social, and civic activities. Chapters also team up to sponsor Regional RIMS Conferences, which further extend networking and educational opportunities. RIMS membership facilitates contact with a broad array of service providers in the risk management and insurance industry, as well as academicians, regulators, elected officials, industry specialists, and technicians.

The RIMS Annual Conference & Exhibition, widely recognized as the definitive risk management and insurance event, is the largest gathering of risk managers and insurance professionals in the world. Annually, about 10,000 participants, including more than 400 exhibitors, tackle the issues facing the industry. RIMS members receive a substantial discount. Future conferences will be held in Philadelphia, April 17-21, 2005, and in Honolulu, April 23-27, 2006.

RIMS conducts interactive workshops and public seminars on critical aspects of risk management and insurance for risk professionals and others involved in managing risk. These educational sessions are held throughout the United States and Canada. On-site programs are also implemented upon request for the training of staff of a specific company. RIMS also conducts workshops that earn attendees credit towards the RIMS Fellow designation, the premier designation for risk professionals. The Spencer Educational Foundation, Inc., awards annual scholarships to full-time risk management students and educational grants to others.

The Society publishes the monthly *Risk Management* magazine; the bimonthly *RIMSCOPE* online newsletter; an online Risk Management *Buyers Guide*; the online *RIMS Benchmark Survey*; and a variety of books and monographs including, *Certificates of Insurance, Selecting & Working With a Broker, The RIMS Risk Management Glossary*, and *Risk Management Best Practices*.

RIMS Quality Improvement Process (QIP) is a comprehensive program designed to guide and facilitate quality improvement. One component of the process is the QIP Guidelines for Performance Expectations. Risk managers and their industry partners can use these guidelines to improve communications, develop performance-expectations agreements, and evaluate the performance under those agreements. The Broker and Risk Manager Partnership Tool has also been implemented to facilitate the creation of a performance-expectation agreement.

RIMS monitors federal, state, and provincial regulation and legislation affecting risk management and employee benefits. RIMS also maintains contacts with legislators and regulatory agencies to make sure the voice of the RIMS membership is heard. The Society actively led support for the Terrorism Risk Insurance Act (TRIA) and continues an alliance established in 2002 with the Occupational Safety and Health Administration.

Visit http://www.RIMS.org for more information.

About Marsh & McLennan Companies

Marsh & McLennan Companies (MMC) is a global professional services firm with annual revenues exceeding $11 billion. It is the parent company of Marsh Inc., the world's leading risk and insurance services firm; Putnam Investments, one of the largest investment management companies in the United States; and Mercer Inc., a major global provider of consulting services. Approximately 60,000 employees provide analysis, advice, and transactional capabilities to clients in more than 100 countries. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, Pacific, and London stock exchanges. MMC's Web-site address is http://www.mmc.com.

Marsh

Marsh meets the global needs of its clients through a wholly owned network of more than 400 offices in more than 100 countries. In every country, Marsh combines a deep knowledge of local risk issues with the ability to tap global insurance and capital markets for solutions tailored to client needs. Since its founding more than 130 years ago, Marsh has steadily built its business beyond insurance broking to encompass a full range of services to identify, value, control, transfer, and finance risk.

Mercer

Mercer provides clients with solutions linking the three most enduring dimensions of business success—business design, organizational design, and people strategy. It does this through a unique array of consulting expertise:

- Mercer Human Resource Consulting is the global leader in human resource, employee benefit, and compensation consulting.
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- Mercer Delta Consulting works with CEOs and senior teams of major companies on the design and leadership of large-scale transformation.
- National Economic Research Associates (NERA), the leading firm of consulting economists, devises solutions to problems involving competition, regulation, finance, public policy, and business strategy.
- Lippincott Mercer, the premier corporate-identity firm, helps clients create, develop, and manage their brands throughout the world.

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Putnam Investments plays a key role in the financial-planning decisions of millions of individuals and thousands of institutions. With more than 60 years of investment experience, Putnam provides investment-management services to more than 2,700 institutional and 401(k) clients and manages more than 14 million individual-shareholder accounts.

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The companies of MMC work together to offer multifaceted client solutions. In so doing, they bring to bear a unique range of perspectives on the toughest issues confronting clients, industry by industry. Risk management is the focus for many of these collaborative services. Through the expertise of Marsh, Mercer, and Putnam, the companies of MMC are uniquely positioned to offer clients risk solutions and advice across the full range of their strategic, financial, operating, and hazard risks.

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Item #: 000000 5/04
Compliance #: MA4-10479

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