



ERM Sample Flash Cards

You have downloaded a sample of our ERM flash cards. The flash cards are designed to help you memorize key material for the spring 2016 ERM exam.

The ERM flash cards are in a “Q&A” format that is well-suited for reviewing the material at a high level after you complete section of the online seminar. The cards are sequenced in exactly the same order as the rest of the online seminar. Practicing your ability to recall the material in the form of an answer to a question is a great way to get ready for the actual exam.

We provide the flash cards in two formats:

1. **“Singles”**. This version contains alternating front/back sides of each card in sequence. This format is well suited for PDF viewers on your computer, tablet, or phone. Simply flip through the pages.
2. **“FrontBack”**. This version has 3 cards per page. If you print this PDF double-sided on U.S. Letter (8.5” x 11”) paper, the front and back of each card will be aligned. This format also works well on Avery 5388 3x5” index cards, which can be [purchased on Amazon](#). Additional printing instructions are included in the online seminar.

Samples of the “singles” format are included in this PDF.

If you have any questions, email me anytime.

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Identify the Four modes of scanning

1. Formal search
2. Conditional viewing
3. Informal search
4. Undirected viewing

State what PESTEL stands for.

- **P**olitical events
- **E**conomic developments
- **S**ocial trends
- **T**echnological innovations
- **E**nvironmental issues
- **L**egal issues

Describe Porter's five forces model

- The model makes assessments about the industry's attractiveness based on the effect of five key forces:
 1. The threat of new entrants
 2. The bargaining power of buyers
 3. The bargaining power of suppliers
 4. The threat of substitute products or services
 5. The intensity of competition in the industry

Identify typical company risks

- Operational disruption
- Technological breakdown
- Mis-reporting
- Legal mistakes
- Fraudulent behaviors
- Inability to observe and react to market changes

Recommend why a company should establish a common risk vocabulary

- Stresses an emphasis on risk management
- Facilitates internal communication in the risk-handling activities
- You can base it on the four broad categories: strategic, hazards, financial and operational risks
- You can construct the common language in many ways
- You can tailor it to the company's specific circumstances and needs
- Develop it through interviews and workshops at various levels of the organization
- It ensures a more consistent way of looking upon and analyzing risks across the organization

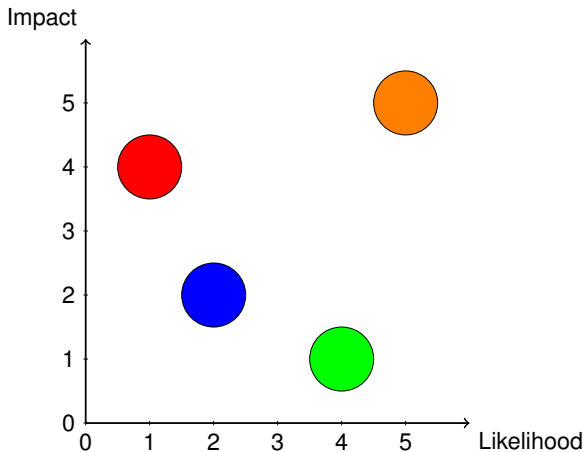
Describe SWOT analysis

- A way to summarize strategic analysis
- Stands for Strengths, Weaknesses, Opportunities, and Threats
- Identify strengths and weaknesses in the internal corporate environment
- Identify opportunities and threats in the external market environment
- Compare SWOT elements against each other and prioritize

Describe and draw a risk map

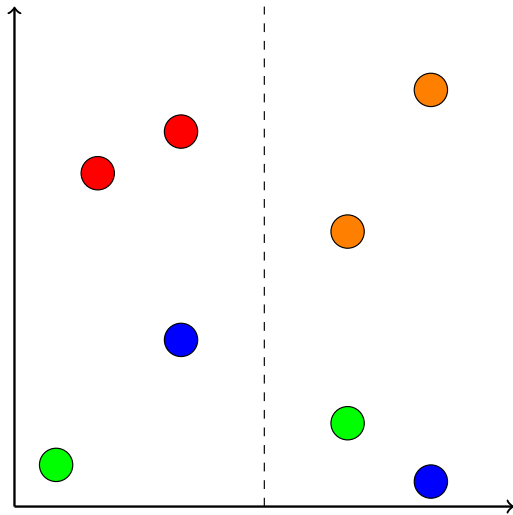
Source: ERM-107-12: Strategic Risk Management Practice, Ch 7

- A more formal approach to rank the various risk issues
- Considered the SWOT equivalent within the risk management field



Draw an example of a Risk Timing diagram

Impact (low to high)



Timing (Immediate to Longer Term)

Create an example of an Influence Matrix

		1	2	3	Total
1	E-insurance		2	1	3
2	Distinct positioning in the market	0		1	1
3	Insurance customers' loyalty	0	0		0
	Total	0	2	2	4

List the cons of scenario planning

Cons of scenario planning

- It's difficult to estimate many of the strategic risks due to insufficient data
- The statistic models backing the quantification of scenarios are built on rather restrictive assumptions
- There is a strong tendency for people to focus on numbers at the expense of more important qualitative aspects
- Can lull corporate executives and regulators alike into a false sense of security

List the pros of scenario planning

Pros of scenario planning

- Scenarios encourage managers and other employees to think through the diverse pieces of the puzzle
- Allows them to organize these fragments into a cohesive pattern in the future business environment
- Allows them to discuss the implications on the effectiveness of current strategies while evaluating alternative strategic options.
- It can help to make blind spots visible and uncover areas where further knowledge and insight are needed

Identify the Five major steps to arrange scenario planning

1. Identify the key environmental risk factors
2. Elaborate some of the major themes since they may characterize alternative developments in future competitive market conditions
3. Elaborate on the major themes outlined previously and describe a few environmental scenarios that arise as the consequence of different assumptions about the risk factors and the underpinning themes that are relevant for the corporate strategy
4. Evaluate the consequences of the key strategic risk factors within the themes that shape the alternative scenarios in view of essential strategic concerns and assess the capacity for corporate responsiveness.
5. Formulate new strategic alternatives, if required, and evaluate them given the different scenarios

Explain the reasons why it is difficult to design a foolproof set of contingency plans

- The environment is outside the view of corporate management and therefore can't be planned for
- Management can be lulled by the illusion of having robust contingency plans in place
- Contingency plans may lead to ignorance of anything that is considered irrelevant to the existing plans
- Contingency planning can make things worse
- The corporation becomes unable to sense discrepancies, learn about changing conditions and consequently to take responsive actions to handle unexpected events

Identify the Four stages of Plan-Do-Check-Act (PDCA) in the cycle

1. Recognize failures as sources of the learning opportunity.
2. Carry out experiments early to gain new information that can inform actions as soon as possible
3. Organize your firm so that frequent, rapid and multiple experiments are carried out and newly uncovered information is shared across teams
4. Adopt multiple ways of experimenting and integrate those ways to create variation and enhance opportunities for learning.

Recommend how to get your organization ready for proper strategic management

- Your organization should try to install operational flexibilities.
- It should also have a portfolio of alternative business opportunities.
- It should stay alert to environmental changes.
- All organizational members should be risk aware and mindful to create a sense of urgency, observance and reaction to environmental changes.
- Have a strong corporate risk culture with supportive values, behavioral guidelines and ingrained practices of responsiveness
- Practices can include:
 - Systematic trails to test alternative solutions
 - Exploratory initiatives at the operational levels to test out what may work as the corporation moves into the unknown terrain of the future business environment.