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### **ERM Reaches 'Critical Mass' Territory**

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The implementation of enterprise risk management has reached critical mass, shows a new Risk and Insurance Management Society study of more than 1,000 risk professionals.

In RIMS' last ERM survey, conducted in 2011, ERM had already passed the "tipping point" phenomena, in which a previously rare activity becomes exponentially more common. The tipping point occurs after 15 to 18 percent of a population has caught on to an idea that was once known to only a few forward thinkers.

By 2013, 63 percent of RIMS' respondents have either a full (21 percent) or partially (42 percent) integrated risk management program—an increase of four points and five points from 2011, respectively. Twenty percent of those who do not currently have an ERM system are looking into designing one by next year.

Having hit critical mass (an adoption threshold of 60 percent, as defined by sociologist Everett Rogers), the proliferation of ERM will be continued and self-sustaining.

The impetus to create and maintain an enterprise risk management program is coming from within organizations—from board directives (25 percent) and risk managers (17 percent)—rather than the regulatory environment (14 percent), shows the study.

Furthermore, 23 percent of respondents claim their CFO and 20 percent identify their CEO as the primary reviewer of the company's ERM output, outpacing the 19 percent who said that the management risk committee is solely responsible for drawing conclusions from risk data.

"These results may reflect an increased interest in ERM activities by exec management, including board of directors, to obtain a more holistic view of their organizational risk," says RIMS.

Some of the main goals of ERM implementation in 2013 included meeting operational goals (16 percent), eliminating risk silos (13 percent) and increasing company coordination (13 percent).

While ERM is becoming more widely-adopted, many organizations still have a long road towards refining the practice, and according to RIMS, this is "relatively consistent" with data gathered two years ago.

Eighty-nine percent of the RIMS survey respondents say they want their risk appetite management practice to mature followed by an almost equal amount who says the same about how their organization uses ERM to uncover risks and opportunities.

Only fourteen percent believe their ERM-based business approach is at the "leadership" level, but as with the adoption curve, after an initial steep learning curve, expertise comes more naturally over time.

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