

Our Approach

Our approach to Enterprise Risk Management is configured and developed for corporations that desire:

1. Strategic and tactical capability to prevent, detect, respond to and manage all key risks currently known to the company that stem from current known sources or stakeholders
2. To distinguish between insurable risks and risks that need to be managed without insurance
3. A systemic and dynamic approach to risk management that allows for continuous customization and upgrading as change occurs through time, i.e. and “evergreen” approach and set of tools

Our approach and tools are unique, as far as we can tell, compared to all competing vendors. We have extended the control theory for risk as outlined in what has become a standard for risk management in the corporate world. Called COSO (Council of Sponsoring Organizations) this framework has been adopted by nearly all vendors offering risk management services since the passing of the Sarbanes-Oxley act in July of 2002.

COSO was established in 1985 to help manage risks given the fraud in the Savings and Loan industry at that time. The COSO theory for risk management states that to control an entity and manage its risk, one needs to start with understanding an organization's objectives. While useful in 1985, we feel this control theory is too static for today's world. While objectives change frequently, our breakthrough was a view that states that an organization's processes, not objectives, are key in the underlying control and management of risk. And while processes can be added to serve stakeholders, world class process metrics never change. Four process metrics are key for approach and we feel, will almost never change:

1. Process cycle time
2. The amount of rework in each process
3. The cost of running the process
4. Customer (stakeholder) satisfaction from the outputs of the process

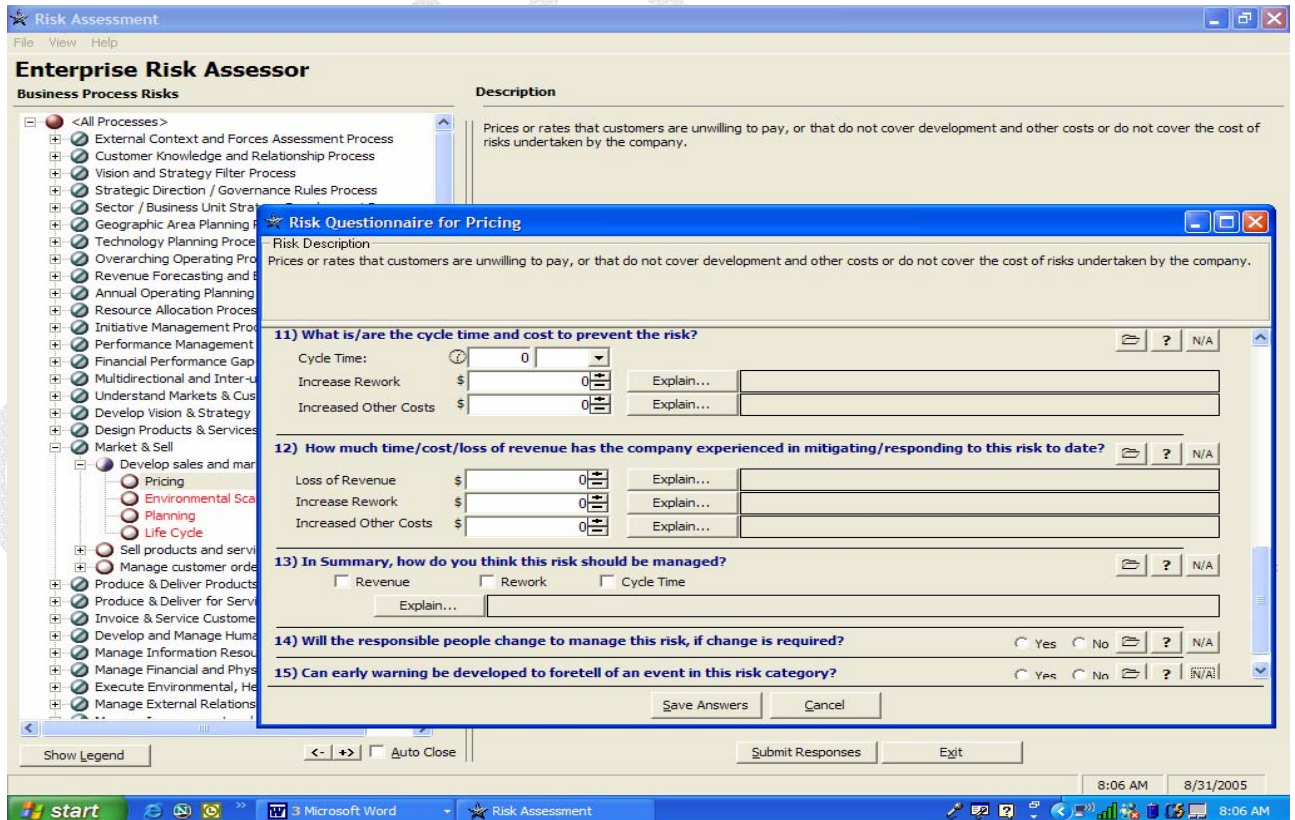
As such, the architecture for our approach to ERM contains two major aspects:

1. A Process Universe - some 504 processes provide what we feel is a complete view of the processes that are existent or could be installed in all organizations
2. A Risk Universe – some 170 risk areas provide what we feel is a complete view of the insurable and non-insurable risks that currently affect or could affect all organizations

In our view, the Process Universe and the Risk Universe are mirror images of each other. This high level architecture is operationalized in a software tool that allows for the relatively quick assessment of risk exposure and process performance. To illustrate the mirror image reality, if a process area is experiencing very long cycle times, too much re-work, high cost and low customer (stakeholder) satisfaction, we can almost guarantee some amount of risk there. Alternatively, a risk area known to be problematic can be assessed independently through our tool and the corresponding process(es) can be assessed for proper design and management.

Our process is thus:

1. Key opinion leaders throughout an organization are identified to be part of the on-going assessment and management of risk
2. They are identified as to which areas of the process and risk universes apply to them
3. They are surveyed using the state of the art software tool which has them work on appropriate process and risk surveys
4. They can attach any current documents pertaining to their assigned areas
5. The tool automatically reads scoring data as to the likelihood of a risk area happening and its likely impact if it does
6. Flash reports are automatically generated as the surveys are submitted
7. Red flags are issued for risk areas that have a high likelihood and high impact
8. Management can assess current policy and plans for detection, prevention and management and corrective action can be taken
9. A database and repository store all surveys and documents for continual yearly management and updating
10. The tool is very modular and customizable: elements of the risk and process universe can be changed through time as conditions change



Enterprise Risk Assessment Software

Business Features

- Unique approach to Enterprise Risk Management linking Business Processes to Risks
- 504 Predefined Business Processes in multi-level hierarchical format
- 170 Predefined Risk Categories in multi-level hierarchical format
- Unlimited additional Administrator-defined Business Processes or Risk Categories
- Un-tethered operation allows executives or road warriors to work on their responses in any setting they wish
- Qualitative AND Quantitative Risk Assessment methods
- Historical Risk Assessment trending

**ENTERPRISE
RISK
ASSESSOR**

Implementation Features

Client

- Administrator defined Policy screen assures users are aware of purpose of initiative
- Tree view of Business Process/Risk Universe simplifies navigation
- Visual indicators on tree view provide “at a glance” status
- Administrator can Reorganize/Resequence Business Processes or Risks
- Full featured text editor, similar to WordPad, built into the application for editing free form text
- Supports broad range of text formatting features on any Administrator or User entered free form text
- Administrator managed descriptions of all Business Processes or Risks
- “Profiles” allow Administrators to define subsets of the Universe for users to view and respond to
- Profile configuration strings can be sent to users via email and then imported into the application
- Profiles can be created for individual users or for any larger group of users
- Support for Anonymous submissions from users
- Support for multiple methods of fully automated response submission: FTP, Email, or File Export
- Administrator has the ability to Protect and/or Hide user configuration options by specifying their settings in the Profile string
- Administration functionality built into client software – no separate Administration software required
- Response files and Configuration strings are compressed and encrypted
- Unlimited attachment support – users can attach an unlimited number of supporting files, in any format, as part of their response to any number of questions
- Built-in editor supports importing of existing text or RTF files
- Built-in editor exports responses in text, RTF, or HTML format
- Visual progress indicator on main screen informs user how many Questionnaires have been completed and how many are remaining
- Supports progressive (or corrective) submissions – users can submit/resubmit their responses at any time until the Assessment is closed

Enterprise Risk Assessment Software

Implementation Features (continued)

Server

- Support for SQLserver or MSDE database engines allows proper database scalability and investment
- Integrated Crystal Reports reporting engine
- Multiple report output formats including Word, RTF, and HTML formats
- Reports that present the text of the users responses retain the entire text formatting applied by the user
- Report 'hyperlinks' link reports to supporting documents that were attached to the users responses
- Qualitative and Quantitative reports available
- Supports manual or automated gathering response files via FTP, Email, or File transfer.
- Automated processing of response files eliminates continual administrator interaction
- Multiple Assessments can be defined in a common database for historical trending purposes
- Drag-and-Drop Support for processing files – Response files can simply be dropped onto the Server software to be processed
- Submission Explorer allows administrator to peer into response files for validation and support purposes
- Response Explorer provides drag-and-drop Pivot Table functionality for viewing current status of received submissions
- Provides auto-logging of Scanning and Processing activities as well as auto-archiving of logs

Reports

- Assessment Status
- Assessment Universe
- Risk Profile
- Exposure Factor
- Ranked Risk Severity (Averaged)
- Ranked Risk Exposure (Averaged)
- Ranked Transferred Risk (Averaged)
- Risk Prioritization

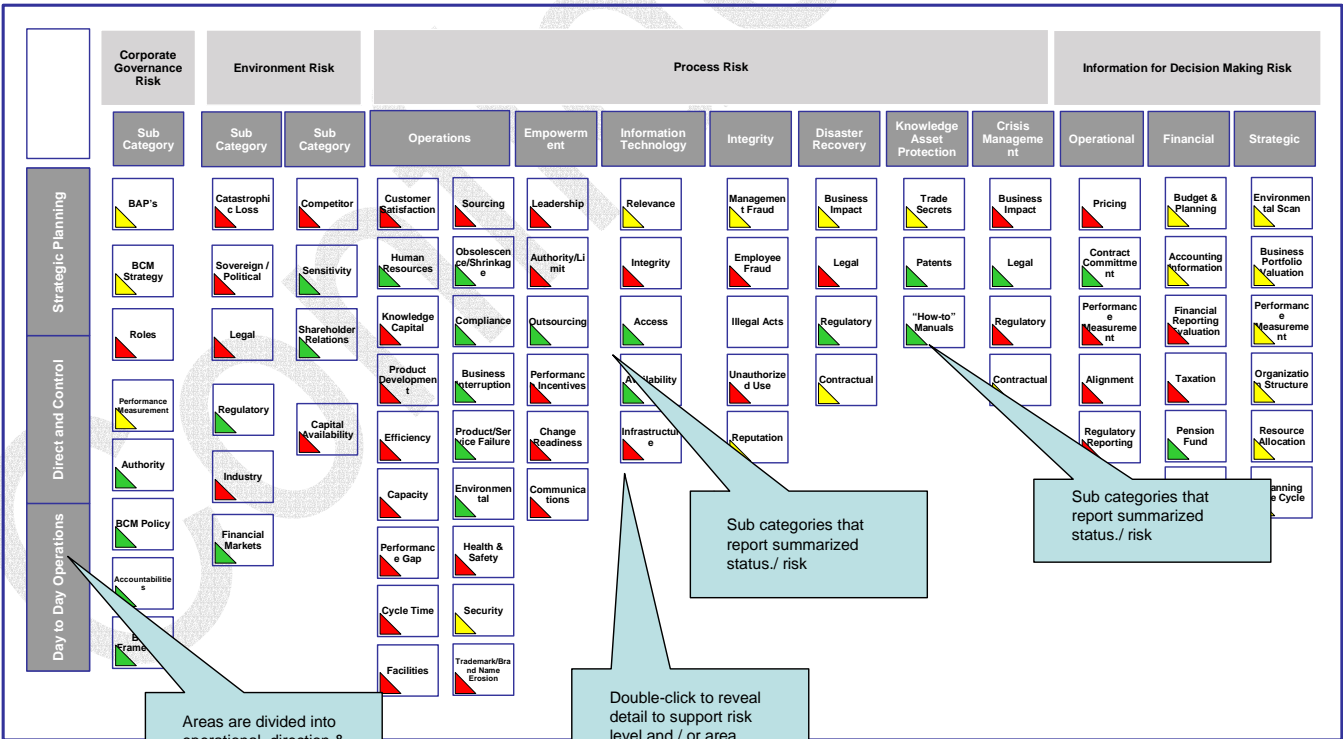
Enterprise Risk Assessment Software

Embedded Technologies

- XML (storage and export)
- ZLIB Compression
- DES Encryption
- BlowFish Encryption (License Mgmt - via CypherX)
- Text Normalization (Profile Strings – via CypherX)
- Embedded Full FTP Client capabilities
- Embedded SMTP Mailer
- Embedded POP3 Client
- SQLserver or MSDE Database support (server)
- MS Access Database support (client)
- ActiveX Extensible Editor
- DOC, RTF, and HTML output
- Crystal Reports Engine (server)
- ChartFX Graphing (server)
- InstallShield (Installation Procedures)

Risk tool summarization that reports findings at enterprise level, variations for departments (e.g. IT) and various managing levels

Risk Assessment Dashboard



Enterprise Risk Assessment Software

Futures

- Customizable Questionnaires – Administrators will be able to add questions to a library of questions and then choose which questions from the Question Library appear on the Business Process and Risk Questionnaires
- Dynamic Questionnaires – Questionnaires can contain different subsets of questions based on their relationship within the Business Process/Risk Universe
- Weighting for participants by Location or by Process/Risk
- Annualized Rate of Occurrence (ARO) gathering
- Integrated “Delphi” method for Risk Assessment (Group Think on Risk Threats)
- Delayed Loss calculations
- Electronic Sign-Off (Digital Signatures) of Assessments Non-Repudiation
- Qualitative Scenario Management – functionality to individually or collectively assess Threat of various scenarios which are difficult to quantify
- Audit Integration – Integration of Audit practices with Risk Management practices using common Business Process/Risk Universe and formalizing Audit actions related to identified Threats
- BIA Integration – Integration of Risk/Audit with framework for Business Impact Analysis and Cost/Benefit Analyses
- DRP/BC Integration – Integration of Risk/Audit/BIA with Disaster Recovery Planning and Business Continuity with feedback loop to Risk Assessment and Audit activities
- Policy Management – Suite of functionality marrying Policies / Standards / Guidelines / Procedures to originating Risk, Risk Countermeasure, Audit, Audit Recommendation, BIA, DRP, BCP, Methodology, Corporate Policy, or Federal Regulation/Standard.
- Monte Carlo Simulation for Risk projections (via SIMIC)
- Document Management system Integration (i.e. Documentum, OpenText)
- ASP Business model for implementing some or all of the suite of services – potentially attractive to mid-market companies with limited resources, to conglomerates with limited centralized resources, or to security/confidentiality conscious organizations concerned with potential internal information leakage
- Due Diligence/Audit support – Export consolidated document for use by external auditors or Due Diligence assessments. Value Proposition: Reduce cost of annual Audits by eliminating a portion of the time-consuming investigation phase

Enterprise Risk Assessment Software

Futures (continued)

Future Reports (Partial List - Risk Management Only)

- Annualized Loss Expectancy
- Ranked Risk Severity (Weighted)
- Ranked Risk Exposure (Weighted)
- Ranked Transferred Risk (Weighted)
- Residual Risk

Support

- Group Dialogs (Newsgroups)
- Risk Management Links
- Sample Responses
- Expanded / Updated Help Documentation
- Profile Auto-Update (via Webservice)
- Software/Database Auto-Update (via Webservice)
- Personalized Dashboard and Content
- Policy Library