

Champion for ERM

Society of Actuaries board member pioneers new credential in his spare time.

Ever meet an individual who finds he can't be completely satisfied with breaking new ground at his day job? He's got to take on a trade association and move mountains there too? Maybe even create a brand new insurance designation, the association's first in 60 years?

Look no further. S. Michael McLaughlin fits the description to a tee. A principal in the Actuarial & Insurance Solutions division at Deloitte who's taken on enterprise risk management (ERM) as his pet project with his clients is also known for being an active volunteer at the Society of Actuaries who pioneered the first new credential since the organization's founding, the Chartered Enterprise Risk Analyst.

Let's start with the day job. Dale Hall, vice president and chief actuary



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for the life and health operations at COUNTRY Financial, was a client of McLaughlin's consulting team who needed help.

Hall said he began realizing over time that the company had a siloed approach to risk management. Business as usual with the company's siloed programs may not have been that dire of a situation, but Hall said he knew they were probably creating exposures or making business decisions that weren't particularly savvy.

"Had we not engaged Mike and his team at Deloitte we would have a very stagnant risk management program," Hall said. "Because of the discussions with Mike our company stands much better prepared and educated and diligently mitigates and monitors the corporate risks that we face. He's really given us the education and tools and in turn COUNTRY is a much smoother operation because of the concepts that he's brought to the table."

According to Hall, McLaughlin's

consulting work helped put into perspective for its senior management and board of directors the importance of the company's workforce.

"Put yourself in our CEO's shoes," said Hall. "Clearly, they know how important our employees are, but until we had this process we tended to be a little too focused on financial assets and financial liabilities. We started to really take into account the intangible assets we don't see listed as stocks and bonds on the balance sheet."

For another client, McLaughlin was instrumental in the creation of a spreadsheet-based quantification

process for a Midwestern multiline insurer which harnessed techniques from outside the insurance industry to improve the assessment and quantification of key risks. The project spanned across both the life insurance and property and casualty operations of the company, which had not been considered before. In this way, the company was quickly able to quantify their risks across the entire enterprise.

But when McLaughlin leaves the doors of Deloitte, the gears are always moving in his brain, trying to conceive of new ideas that he can share with his peers. In 2007, he played an integral role in developing the CERA credential, which in a year's time has been earned by 200 actuaries and others outside the actuarial profession.

"He's just a champion of education

all around, whether to actuaries or the business world in general," said Hall, a fellow SOA member who has attained the CERA credential. "He, more than anyone, is the vocal champion of that cause, committed to it 100 percent, not willing to let it just fall by the wayside."

This friend and colleague praised McLaughlin's ability to take an idea and apply it to everything from a financial institution to a hospital, airline or government authority. He's innovative and forward-thinking, Hall said, and that helps any entity apply ERM concepts.

"I'm sure over time there's been stumbling blocks, challenges, but Mike is a doer. He persists and pushes things along and among his peers he clearly stands out as the best."

—By Erin Gazica

SPRINKLER RESEARCHER IS ON FIRE

FM Global engineer has been an integral part of the company's widely respected fire research.

When commercial and industrial property insurer FM Global comes to mind, so does its world-renowned fire research. Since the company's beginnings 173 years ago, the sprinkler has been a loss-control product at the center of its research efforts to help mitigate property risks.

Enter Weston Baker, a senior engineering technical specialist who has been with FM Global for more than 22 years and lately has spearheaded much of FM Global's sprinkler research.

In the last year Baker has toiled away to reinvent the way automatic sprinkler systems are both installed and designed. Many of the guidelines he is modifying or replacing have been in place for more than 40 years. He updates today's automatic sprinkler technology and combines it with recent full-scale fire testing conducted at FM Global's Research Campus.

The result? Engineering solutions that are much less complicated and cheaper than today's requirements.

Baker and FM Global's research has had several components. First, they have taken the automatic sprinklers that are currently available on the market and have started the process of reinventing the way they will be categorized for use. Secondly, they are reinventing and simplifying the design methods for automatic sprinkler systems.

Thirdly, Baker and FM Global are working toward a simplified approach for the installation requirements of automatic sprinklers. Lastly, they are planning on embarking on a project that will determine new, less costly ways to protect storage racks that cannot be protected by ceiling-level sprinklers only.

Other research that Baker is working on involves re-examining the protection methods used for storage racks. He said storage arrangements and commodity hazards that require the use of in-rack sprinklers are typically very expensive and expose insured clients to potential water damage from in-rack sprinklers that accidentally are hit by loading product. "These design guidelines have remained mostly unchanged for roughly the past 40 years," Baker said.

FM Global is working to change these guidelines and also look at how sprinklers currently on the market can be used to increase the storage height permissible above the top level of in-rack sprinklers, which will help further reduce the number of in-rack sprinkler levels needed. The end result will be installation guidelines that are simpler to understand and easier to implement, and design guidelines that are both simpler to use as well as less costly to install.

George Capko, vice president and engineering standards

manager at FM Global, said, "Many people would describe Wes as having a great ability to translate the scientific research and product testing FM Global conducts and turn it into practical and economical engineering solutions for FM Global clients and commercial property owners."

Mark Gryc, vice president and chief engineer at FM Global, said Baker was deserving of the Risk Innovator honor.

"Wes is forward thinking about risk, he is intelligent, practical and communicates well," said Gryc. "You put those four qualities together and that's a powerful package for risk innovation."

Capko and Gryc added that Baker's leadership in developing more effective and economical sprinkler protection will translate to one thing clients love: savings.

Fire continues to be the leading cause of commercial and industrial property damage worldwide.

In many locations around the world that have public water supplies with low water pressure, property owners often need to purchase fire pumps to boost that pressure in order to protect their facilities in the event of a fire.

So how does Baker's research affect that bottom line? Capko and Gryc said property owners will no longer need to purchase a fire pump, which can cost as much as a half-million dollars. Plus, long-term, property owners would also avoid the ongoing time and expense of maintaining the fire pump.

His superiors note that Baker's job doesn't end at FM Global. Baker serves as a member for both the Installation and Discharge committees of NFPA 13, the National Fire Protection Association's Standard for the Installation of Sprinkler Systems. "On this committee, he is continually introducing FM Global developments to NFPA and has had much success gaining acceptance from the fire protection community," said Gryc.

—By Erin Gazica



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