MANUEL PADILLA

INTERVIEWED BY JACQUELINE LEGRAND, COO AT MDS HOLDING.

A RISK MANAGEMENT EXECUTIVE TALKS ABOUT HIS BIGGEST CHALLENGES AND WHAT'S AHEAD.

Tell us a little bit about your background.
I was born in Brooklyn, New York, and was raised primarily by my grandparents who migrated to the United States from Puerto Rico in the 1950s. I graduated from East New York Vocational High School in 1982 with a concentration in Engineering Mechanical Design and Construction. I enlisted in the United States Navy and served between 1982 and 1988. My primary professional duties were shipboard engineering, and I served for a brief time as an Assistant Master at Arms on a military airbase in California. I attended the College of Insurance (now St. John's School of Risk Management) and graduated in 1992 with a Bachelor's Degree in Business (Cum Laude) and a Certificate in Multi-Lines Underwriting. I was a student involvement program participant at the Risk and Insurance Management Society Conference (RIMS) in 1991. As a result of this experience I focused my career towards the risk management discipline. In early 1992 I accepted a position as an Insurance Analyst with my current employer and have now been on their team for over 20 years.

What is your role at MAFCO?
I serve as the Director of Risk Management. My primary responsibilities include all facets of the risk management process and any ancillary activities related to this function. I am actively engaged in risk analysis, claims administration, engineering loss control and health and safety initiatives on a global basis.

What are the key challenges that keep you up at night?
That is an intriguing question. Challenges present themselves every day. An important point is to recognize that there is a challenge that needs to be dealt with in the first place. Challenges can be created through internal change of risk appetite or change in our physical risk profile. Other challenges can be created through external means and are beyond our immediate control. For instance, a change in the legal or regulatory landscape may force us to reconsider how we manage risk entirely. That same change may negate the need for risk transfer entirely or force us to completely re-evaluate our risk appetite. For me, the primary key is in the identification of the challenge before it becomes one. I confront this on a daily basis.

What are the benefits you expect while using a network such as Brokerslink?
I expect broad expertise and quality service. I am a big believer in local market knowledge and in developing personal relationships with the markets and intermediaries. The Brokerslink business model suits the way we operate our businesses. It allows us the ability to identify key issues quickly. I have had the pleasure of dealing with a number of your members and have always been impressed with their professionalism and knowledge of the industry. The management team is very proactive and very keen on providing good customer service. Some of the alternatives to the Brokerslink model try very hard to standardize processes in an attempt to make things simple to handle from an administrative perspective. I am of the opinion that standardization is not a key value benefit. I recognize that the organization of a process is critical, but it should not discard the important differences in how insurance issues are handled throughout the world. In contrast, the single broker entity model, in my opinion, stifles critical thinking and the development of new ideas.

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Could you share with us your view on supply chain management?
This is a very important topic and has always been practiced to some degree in business. The issue is so critical that there are professional certifications and recognized standards that have been developed in the discipline. My view on supply chain management is that it needs focus by the procurement, distribution, operations, and risk management departments in a group setting. Each member of this group should add value to the risk analysis portion of the process. As risk managers we tend to respond to the direct financial impact of an interruption in the supply chain. The other groups react to everyday issues which may have nothing to do with physical damage. Everyone in the group is at a disadvantage if there is no clear understanding of the direct and indirect impact of a supply chain problem to the organization. There are a number of risk transfer products that address an interruption in the supply chain. For me, the key is to first identify the supply chain exposure and then properly design a risk transfer mechanism or loss control approach to address that exposure. For some, the analysis may identify that there are alternative sources or even a replacement process that can

effectively deal with the exposure. In my opinion a company cannot put together a program to deal with the supply chain issue without first identifying the supply chain exposures.

What is your perspective on cyber security?

This is one of the most challenging topics I face. We engage a lot of financial and physical resources on this topic. We hold fairly detailed conversations with our underwriters on the security issues we have implemented or those that we manage. It is the type of function where you try to stay one step ahead of the people or groups trying to do you harm. The level of sophistication by third parties is increasing and the impact is significant. For some organizations, cyber security issues are a part of the supply chain topic. In addition to our internal risk analysis, we are subject to audits by customers and industry group representatives. This is a topic that will continue to develop and change just as quickly as technology changes.

How do you see the future of risk management and risks managers in the next few years?

The practice of risk management has become more of a standard operating requirement and in some cases is required under statutes. In the past, only mature organizations maintained formal risk management programs. There was no clear standard as to how broad a program needed to be. The Sarbanes-Oxley Act now requires an internal control framework which includes risk assessment. The Securities and Exchange Commission requires that a company address fraud risk assessments. The New York Stock Exchange governance rules require an audit committee to assess and manage the company's exposure to risk. Standard & Poor's has initiated a requirement for companies to discuss their risk management plans in their rating evaluation process. ISO 3100 and ISO 31010 identify international standards for risk management programs and processes. These are a few of many requirements – there are more internationally that are similar. I expect that these requirements will continue to be refined over the next few years.

I see that the future is bright for the risk manager. There is the current pressure of the economy and how it affects career momentum, however there will be a need for a professional to continue to perform the function at major organizations. The challenge I see for risk managers is in demonstrating their direct and indirect value to the organization. The job description is also becoming more defined and there is a movement to mature into the next role which is an Enterprise Risk Manager (ERM). I think most risk managers are engaged in the activities required by ERM. Those who are not need to expand their horizons and become more involved in their organizations. A key note is to be visual to management and to make yourself a recognized resource within the organization. This is best done through personal interaction.

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