

# Glossary of Terms

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**all-channel network** – a combination of other patterns within the flow of an organization's communication network; communication flows in all directions and among members of all groups.

**Business Judgment Rule** – the single most powerful defense available to a director or officer that provides some immunity from liability for violating the duty of care to the corporation; it recognizes that not all decisions of the directors or officers will benefit the organization or its stakeholders. For this defense to be available, the following five elements must be satisfied by directors and officers: they acted on an informed business-decision basis with disinterestedness, took due care, progressed in good faith, and performed with no abuse of discretion.

**chain network** – a communication network that is simple, linear, and sequential

**collateral** – transfers the use of assets as collateral to mitigate risk

**credit derivative** – a financial contract that allows parties to minimize their exposure to credit risk. These allow the creditor to effectively transfer the risk of a debtor defaulting to a third party.

**data mapping** – the tracking of the data cycle, from the point of entry, or input, through storage to output

**data risk assessment (DRA)** – a systematic process for evaluating the potential risks associated with an organization's data assets

**diplomacy** – the art of negotiation and conflict management

**disinterestedness** – As it relates to the Business Judgment Rule, a decision must be made independently and disinterestedly without expecting personal financial benefit unless it benefits the organization and all of its stakeholders.

**due care** – As it relates to the Business Judgment Rule, an informed decision must be made based on reasonable and relevant information.

**due diligence** – Actions are taken to investigate documents and records of a business and/or person prior to examination of a proposed action before it is undertaken, executing a contract or entering into a business transaction; to assess the health and viability of a business or entity; and/or to perform an investigation of a business, situation, activity, or person to assist with effective decision-making.

**emotional intelligence** – the capability of individuals to recognize and understand their own and others' emotions, navigate social complexities through adjusting behaviors, and make informed decisions

**experience allocation method** – distributes the TCOR costs based on loss experience of the individual departments or operating units

**exposure allocation method** – allocates TCOR costs based on exposure units, such as the number of vehicles or employees in each department

**external benchmarking** – the comparison of an organization's performance to that of the "best in industry" (competitors) or "best in class" (those recognized in performing certain functions)

**fiduciary duty** – 1) under common law, liability imposed upon a party who stands in a special relationship of trust with another party for a breach of that trust; 2) under the Employee Retirement Income Security Act of 1974 (ERISA), liability imposed upon any person who exercises any discretionary authority or control with respect to the management or administration of an employee benefit plan or its assets

**intellectual property** – property that has value but lacks a physical existence, such as industrial property consisting of inventions, designs; or trademarks and copyrights, such as artistic works

**internal benchmarking** – the comparison of the organization's own performance from one time period to another, or between departments, locations, divisions, etc.

**international company** – an extension of the domestic parent company. It conducts operations from the home country only. This typically involves importing and exporting goods to and from other countries

**Master Controlled Program** – (also known as a Controlled Master Program) pairs a master policy issued in the United States with local (admitted) policies issued worldwide

**multifactor authentication (MFA)** – a security layer that requires the user to provide two or more pieces of evidence to be authenticated

**multinational company** – a company that owns and controls the production of goods or services in at least one country other than its home country. It has investments in other countries, and it focuses its products and services on the local (foreign) markets.

**no abuse of discretion** – A director or officer is protected against honest errors in judgment that can be justified by a rationale or that are not egregious on their face.

**noise** – anything that distorts a message by interfering with the communication process

**party in interest transaction** – any transaction involving any fiduciary, counsel, or employee of a plan, plan service provider, or anyone with a stated interest in or relationship with a party in interest

**permanent establishment** – refers to a fixed place of business from which the operations of the organization are conducted

**retention** – that portion of a claim for which the organization uses internal funds to pay losses

**risk administration** – the implementation of risk management policies and procedures and the monitoring of their effectiveness

**risk management information system (RMIS)** – a relational database that supports the risk manager in identifying, measuring, and managing risk

**risk management stewardship report** – a formal summary of the objectives, accomplishments, and challenges of the risk management efforts that are shared with appropriate management, the board of directors, and stakeholders

**risk mapping** – a visual tool used to understand the landscape of potential risks. A risk map consists of a graph divided into four quadrants, each reflecting a different blending of frequency and severity characteristics for each risk.

**risk register** – a document that contains details of all identified risks, including their nature, likelihood, impact, and mitigation strategies

**scenario planning** – a strategic method to make flexible long-term plans by envisioning possible futures and how they could affect an organization

**self-dealing transaction** – any transaction using plan assets for personal gain, transactions on behalf of persons whose interests are averse to the plan, and personal in nature

**total cost of risk (TCOR)** – the sum of all costs and expenses associated with risk and the management of risk within an organization;  $TCOR = \text{insurance costs} + \text{retained losses} + \text{risk management departmental costs} + \text{outside services fees} + \text{indirect costs}$

**transactional or linear communication** – a direct transfer of information used in one-on-one and group presentations

**transformational communication** – an open exchange of ideas, beliefs, and values with appropriate management, the board of directors, and stakeholders

**wheel network** – a circular communication network; information flows between a single person or a single position to and from all others in the network

**y network** – communication flows from the risk manager to two or more risk management department staff members