



CFO Private vs. Public Experience

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Things That Are Different

(or are they?)

Time



Sundial



Automatic



Digital

Money



British Pound Note



U.S. Dollar Note



Canadian Dollar Note

Occupations



Office Workers



Construction Workers



Agricultural Workers

Be Careful with Comparisons

- Are they really different?
 - Absolutely Yes
 - And Absolutely No

It depends on your perspective.

Standard Definitions

(Text book view)

Text Book Definitions

| Private | Public |
|--|---|
| <ol style="list-style-type: none">1. Ownership – connected, Family, Friends2. Primary Financing – Bank / Private Debt3. Regulatory Environment – Tax authorities, Insurance Regulators4. Internal control – SOX/COSO; voluntary5. Mgt Incentives – Performance Awards6. F/S – Long term enterprise value growth7. Tax focus – Minimize owners tax8. Responsibility for Problems - CFO | <ol style="list-style-type: none">1. Ownership – shareholders, distant ownership2. Primary Financing – Public Equity/Debt3. Regulatory Environment – Security Commis., Tax authorities, Insurance Regulators4. Internal control – SOX/COSC; mandatory5. Mgt Incentives – Performance/Stocks6. F/S – Qtrly income (relative to expectations)7. Tax focus – Minimize corporate tax8. Responsibility for Problems - CFO |

Even when it is different it is largely the same!!

Personal Experience

(Differences do not always mean different)

Personal Experience

- Employed at Liberty Mutual in Canada and the US
 - A non-Public company vs. Private
 - Roles include Divisional, State and Country CFO
- Now Employed at Northbridge which was a public company
 - Was a Public Company itself - majority held by Public Company (as at Feb 20/09, a Private Company 100% owned by a Public company)
 - Roles - Public Company CFO and Group/Country CFO

My Definitions

| <h2>Non-Public / Private</h2> | <h2>Public</h2> |
|--|--|
| <ol style="list-style-type: none"> 1. <u>Ownership</u> – <u>Mutual participation</u> / distant ownership / <u>Single Shareholder</u> 2. Primary Financing – <u>Policyholders, Inst. Public Debt</u> / <u>Equity from one Shareholder</u> 3. Regulatory Environment – Tax authorities, Insurance Regulators 4. Internal control – voluntary / <u>group purposes</u> 5. Mgt Incentives – Performance Awards 6. F/S – <u>annual Income relative to plan</u>, long term enterprise value growth 7. Tax focus – Minimize company tax | <ol style="list-style-type: none"> 1. Shareholders – <u>one significant share holder</u> plus distant ownership 2. Primary Financing – Public Equity 3. Regulatory Environment – OSC, Tax authorities, Insurance Regulators 4. Internal control – SOX/ COSO mandatory 5. Mgt Incentives – Performance/Stocks 6. F/S – Qtrly income (relative to expectations) 7. Tax focus – Minimize corporate tax |

Personal Experiences

Real Differences

- Non-Public
 - No questions asked by external ownership group (mutual policy holders).
 - Significant detailed operational, transactional and strategic questions by Corporate management group (an operational corporate group).
 - Level of expertise is very deep in respects of technical insurance operational matters (cycle management, operational design, product development, etc).

Personal Experiences

Real Differences

- Public
 - Many questions asked by/for ownership group – generally via various industry analysts – S-T Focus.
 - Higher level questions with a developing understanding of the financial and operational interrelationships.
 - Impact of reinsurance on “net” balances (income, commissions, losses).
 - Impact of proportional vs. excess of loss contracts
 - CAT protection, Exiting Lines of Business, etc.
 - Level of expertise very deep in respects of investment impact on operations and key risk measures.

The Real Answer

(The Private and Public space is largely the same)

The Real Answer

Role of the CFO

Head of Interpretation and translation Services

- The language of numbers is one of the only “True” global languages.
- The CFO (along with the Finance team) identifies the “what”, attaches the “why” and connects the business results to business plans, capital impacts feeding back into future strategic decision making.

The Real Answer

Role of the CFO

Head of Corporate Protection and Security

- The Stewardship function is central to a CFO's role.
- The steward role is to protect and preserve the company's assets and to comply with financial reporting and control requirements. This role may not be glamorous, but if it's not handled correctly, nothing else really matters.

The Real Answer

Role of the CFO

Contributing Organizational Strategist

- Helping set the future direction of the company to enhance business performance and shareholder value.
- Effective strategists don't just understand the numbers, they understand the business. And, they don't just follow the rules; they help develop new approaches and work to redefine the rules.

The Real Answer

Main Similarity

A CFO must Live in the Future & Evolve
(Whether Public or Private)



The Real Answer

The CFO Must be Corporate Super Hero



The Real Answer

The CFO is an Organizing Force

Finance

Executive

*Strategic
Direction*

Underwriting

*Operating
Environment/
Market Trends*

Components of
Operational
& Financial
Management

Claims

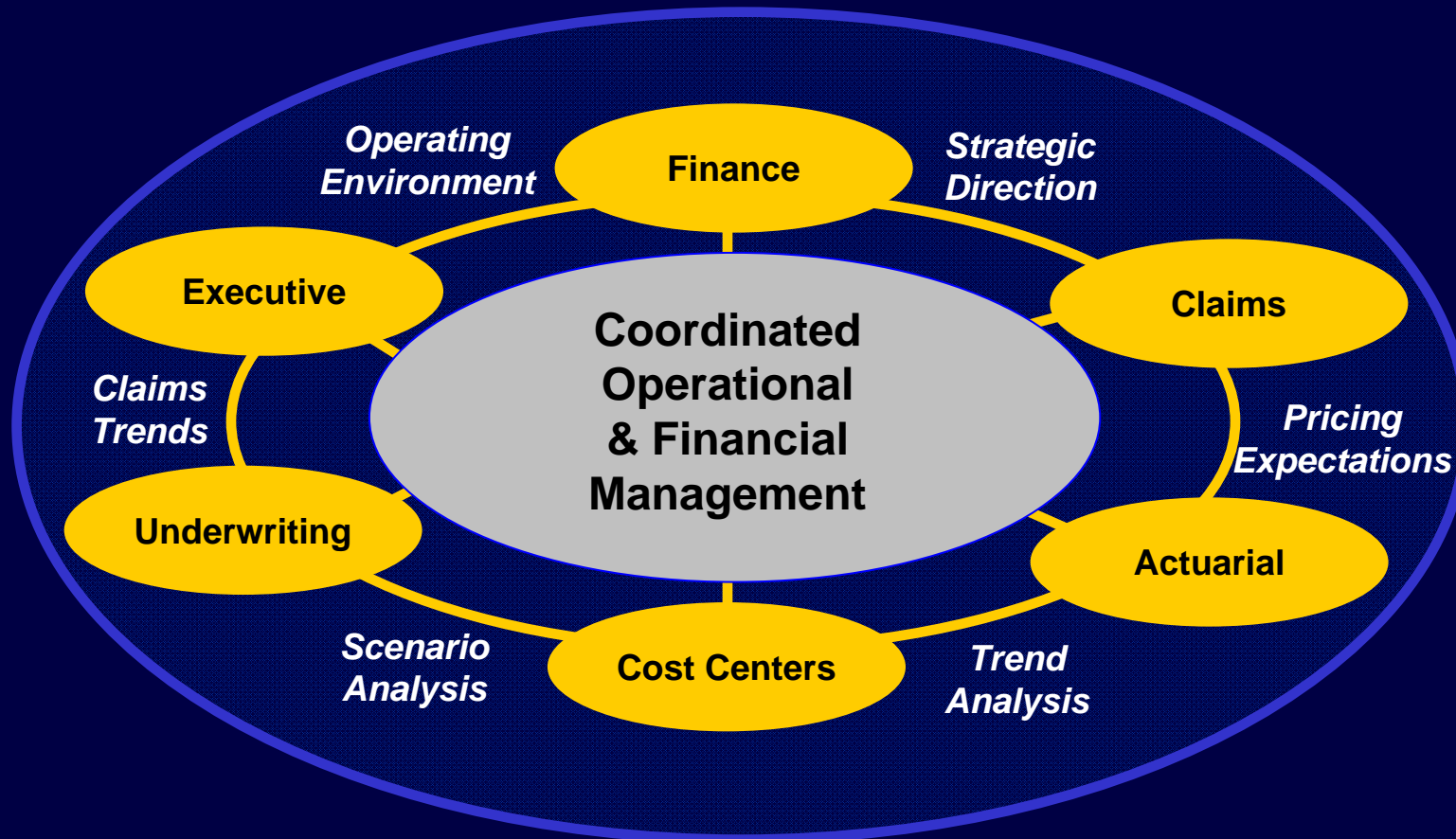
Cost Centers

*Expense
Estimates*

Actuarial

The Real Answer

The CFO is an Organizing Force



In Closing

(The Wrap-up)

In Closing

1. Very similar skill sets are required whether you are in the Public, Non-public or Private space but with greater focus on the Price/Earnings analytics for a Public CFO.
2. Primary difference is driven by the investor constituencies.
 - “Word math” is heightened in a public environment. Slight changes in the words use can be significant.
 - Personal liability for statements.
3. The Core CFO Roles are the same across all spectrums.



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