

Responding To Risk

Enterprise Risk Management Seminar

Wednesday 13 September 2017

Actuaries Institute • Sydney





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(Fake)ⁿ News, Social Risk, and more

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Is conventional Risk Management working?



Is conventional Risk Management working?

- Social Risk
- Risk Sensing
- Culture
- Regulation



(Fake)ⁿ News



Social Risk

- Risk to a business that comes from changing social attitudes and norms ...
... underpinned by new social capabilities.

(includes the workplace)



Social Risk

- Risk that comes from changing social attitudes and norms ...
 - ... underpinned by new social capabilities.

Examples:

- Fake news
 - Social media
 - Trolling
- Mental health
- Litigiousness
- Sense of entitlement
- Generational inequity
- Cameras
- Regulation/deregulation



Social Risk

- Risk that comes from changing social attitudes and norms ...
 - ... underpinned by new social capabilities.
- Social Risk Officer

Advanced Sensor Coverage

Eight surround cameras provide 360 degrees of visibility around the car at up to 250 meters of range. Twelve updated ultrasonic sensors complement this vision, allowing for detection of both hard and soft objects at nearly twice the distance of the prior system. A forward-facing radar with enhanced processing provides additional data about the world on a redundant wavelength that is able to see through heavy rain, fog, dust and even the car ahead.

Tesla Autopilot



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Risk Sensing

- <https://nacm.org/pdfs/surveyResults/us-risk-sensing.pdf>
- <http://deloitte.wsj.com/riskandcompliance/2015/02/17/risk-sensing-a-tool-to-address-reputation-risks/>



Risk Sensing

Blackhall and Pearl:

- ... an indicator can only be leading in nature and **many of the indicators we see in organisations are typically providing lagging data**. A leading indicator is a quantitative measure of the root cause of the risk. Measuring the root cause of risks is what provides the critical early warning ... typically associated with the notion of KRIs.
- Even when organisations use genuine leading indicators, we often see a lack of coverage across the full gamut of potential risk exposure... ... Most KRIs we see tend to be associated with Process and System factors, but just as important are People and External Factors. However, they are harder to measure as **People Factors can involve behavioural drivers and External Factors can involve issues that are often outside the control of the organisation**.



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- Even when organisations use genuine leading indicators, we often see a lack of coverage across the full gamut of potential risk exposure... ... Most KRIs we see tend to be associated with Process and System factors, but just as important are People and External Factors. However, they are harder to measure as **People Factors can involve behavioural drivers and External Factors can involve issues that are often outside the control of the organisation.**

Deloitte:

- ... risk sensing capabilities ... often **miss key elements, lack technical depth and analytical sophistication, reside in narrow technical units, fail to focus broadly enough, or otherwise leave the organization open to the very risks that risk sensing should be detecting and monitoring.**
- ... sensing emerging strategic risks can position an organization not only to avoid and mitigate risks but also to generate risk-powered performance. **The latter creates value from risk by moving early to address nascent market movements and customer needs, harness benefits from emerging technologies,** and block competitors' efforts to gain first-mover advantage.



Risk Culture



Regulation



Discussion