FUTURE TRENDS IN RM2

Alex Sidorenko

RISK
AWARENESS
WEEK 2022

What prompted this session

Alex Sidorenko • You
Head of operational, investment risk and insurance
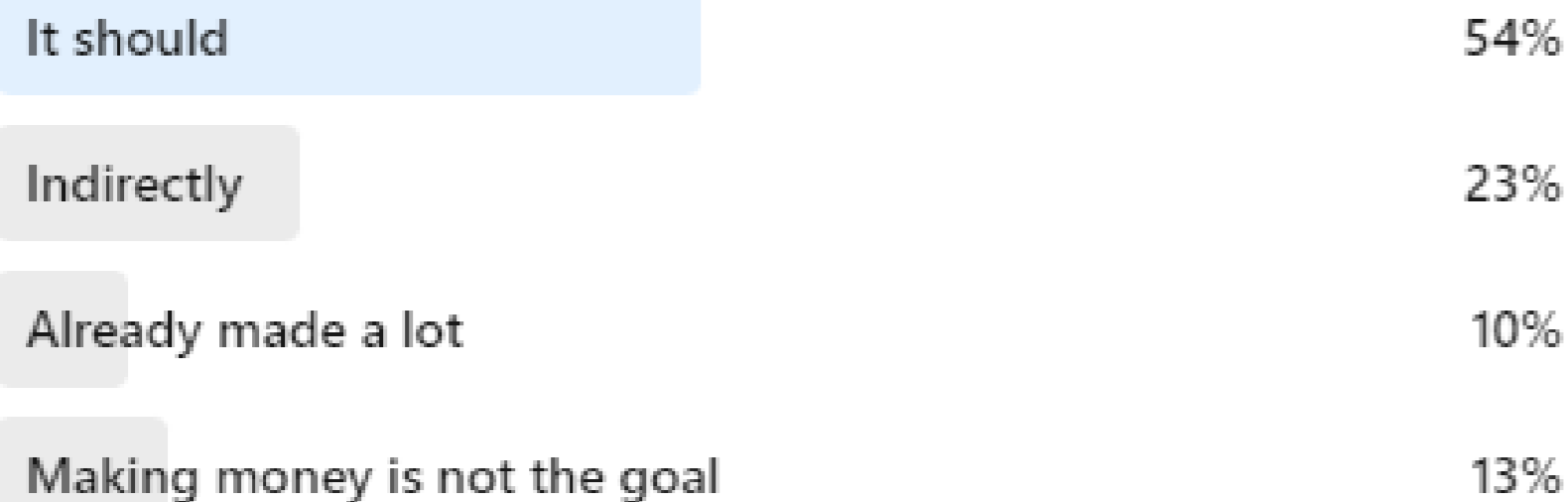1w • 🌐

Can risk quantification save and make money for the company?
#riskmanagement #riskanalysis

Can risk quantification save and make money for the company?

You can see how people vote. Learn more

It should	54%
Indirectly	23%
Already made a lot	10%
Making money is not the goal	13%

212 votes • Poll closed

Alex Sidorenko • You
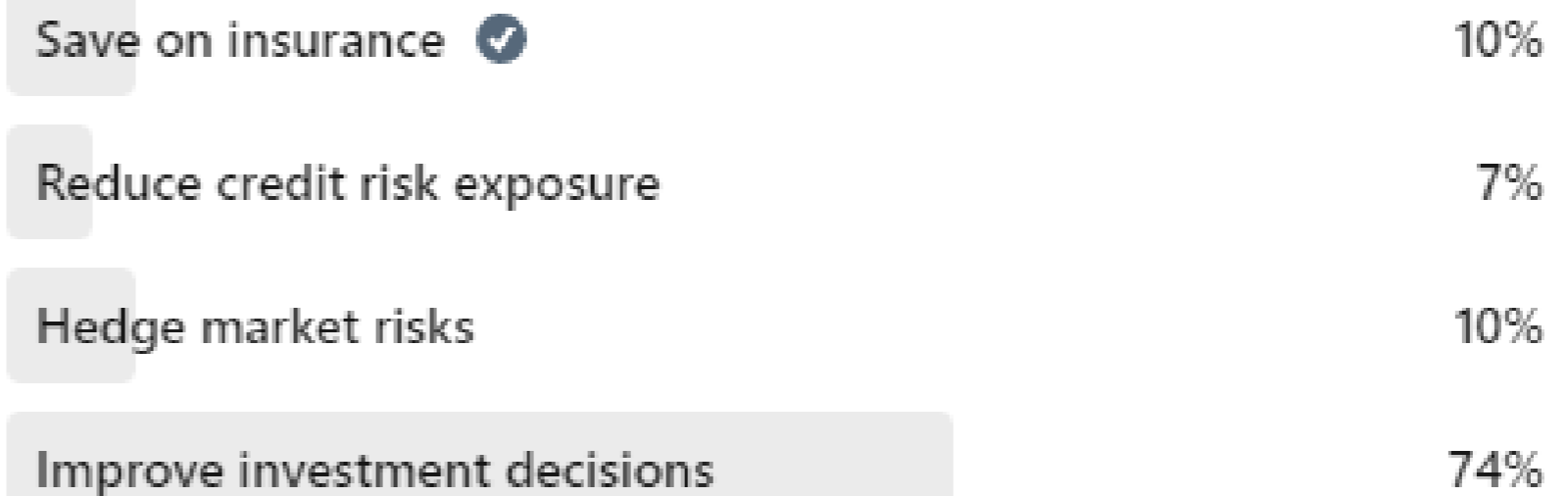Head of operational, investment risk and insurance
23h • 🌐

If you could, how would you make your company money from risk management? #riskmanagement

If you could, how would you make your company money from risk management?

You can see how people vote. Learn more

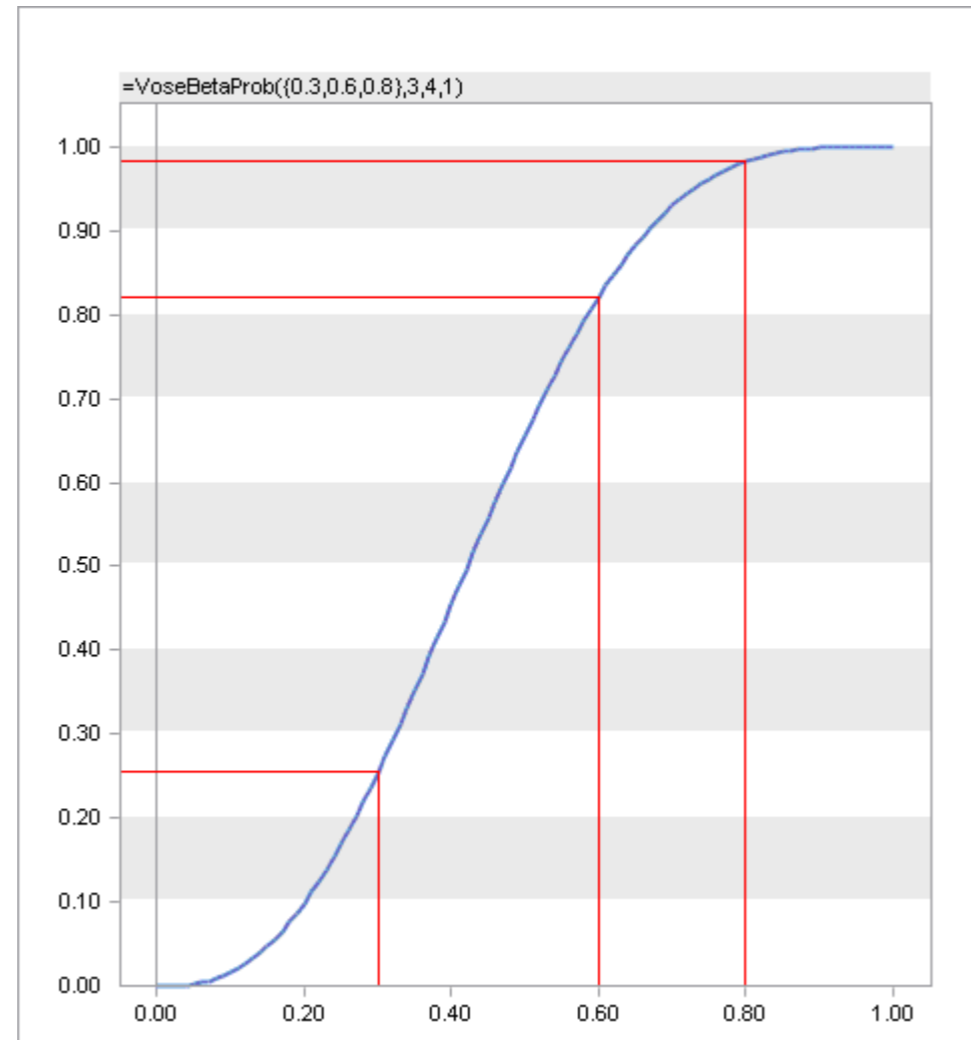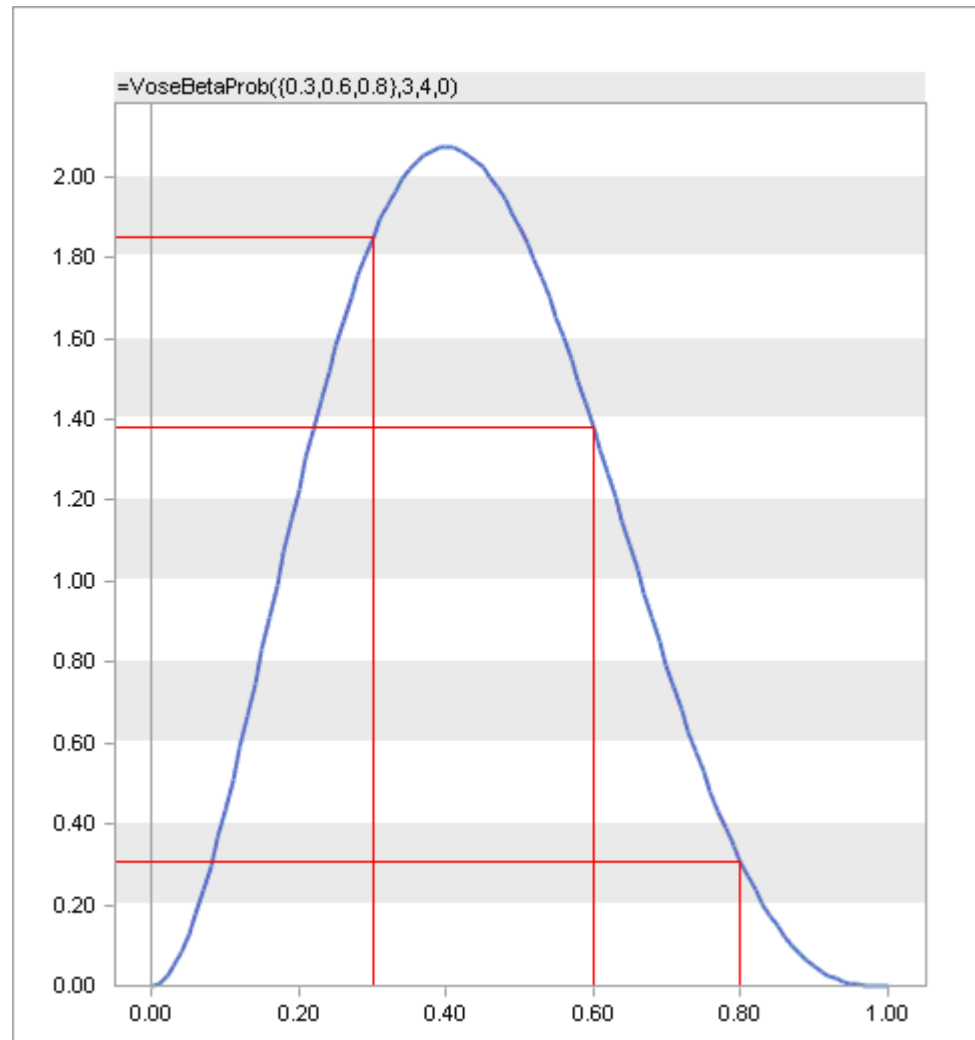|	
Save on insurance ✓	10%
Reduce credit risk exposure	7%
Hedge market risks	10%
Improve investment decisions	74%

136 votes • 6d left • Undo

Make the most of RAW2022

Alex Sidorenko

- **Ask questions and comment below the video**, need to login separately using social media or email

- **Upvote workshops** that you liked, so that other participants can replay them first

- Screenshot and **post to social media, use #RAW2022**

- **Contact speakers** directly if you need

- Some speakers made **slides and models available**

- **Forward replay links** to your coworkers

- **Replays** are available forever

- **CPD certificates** will be sent to paid participants next week

RISK AWARENESS WEEK 2022
Join The Global Initiative To Promote Risk Based Decision Making

What is risk?

- Events that have frequency and impact

- Set of discrete scenarios

- Volatility of assumptions

- It is very important to describe the risk as specifically as possible, the causes and the consequence scenarios, who is affected

Separating wishful thinking from value

- Risk reporting is necessary, but **not the end game.** *Remember, risk reporting is not even compliant with regulatory requirements, because the intent behind the regulations is decision making, not just reporting*

- **Unless risk information leads to decisions**, value is not evident

- End game is using outputs from **risk analysis to make decisions**:

  - Disclosure

  - Budgeting

  - Investment

  - Saving money

  - Making money

Future trends in risk analysis

A. **BASIC** – stochastic risk registers, loss exceedance curves (EL, UL, tail), prioritization

B. **STANDARDISED** – stochastic bow-ties, mitigation decision, cost optimization

C. **ADVANCED** – tailor made models for specific more complex decisions (investment, insurance, procurement, maintenance, etc.), **big performance enhancements starts here**

BASIC: EL, UL and tails
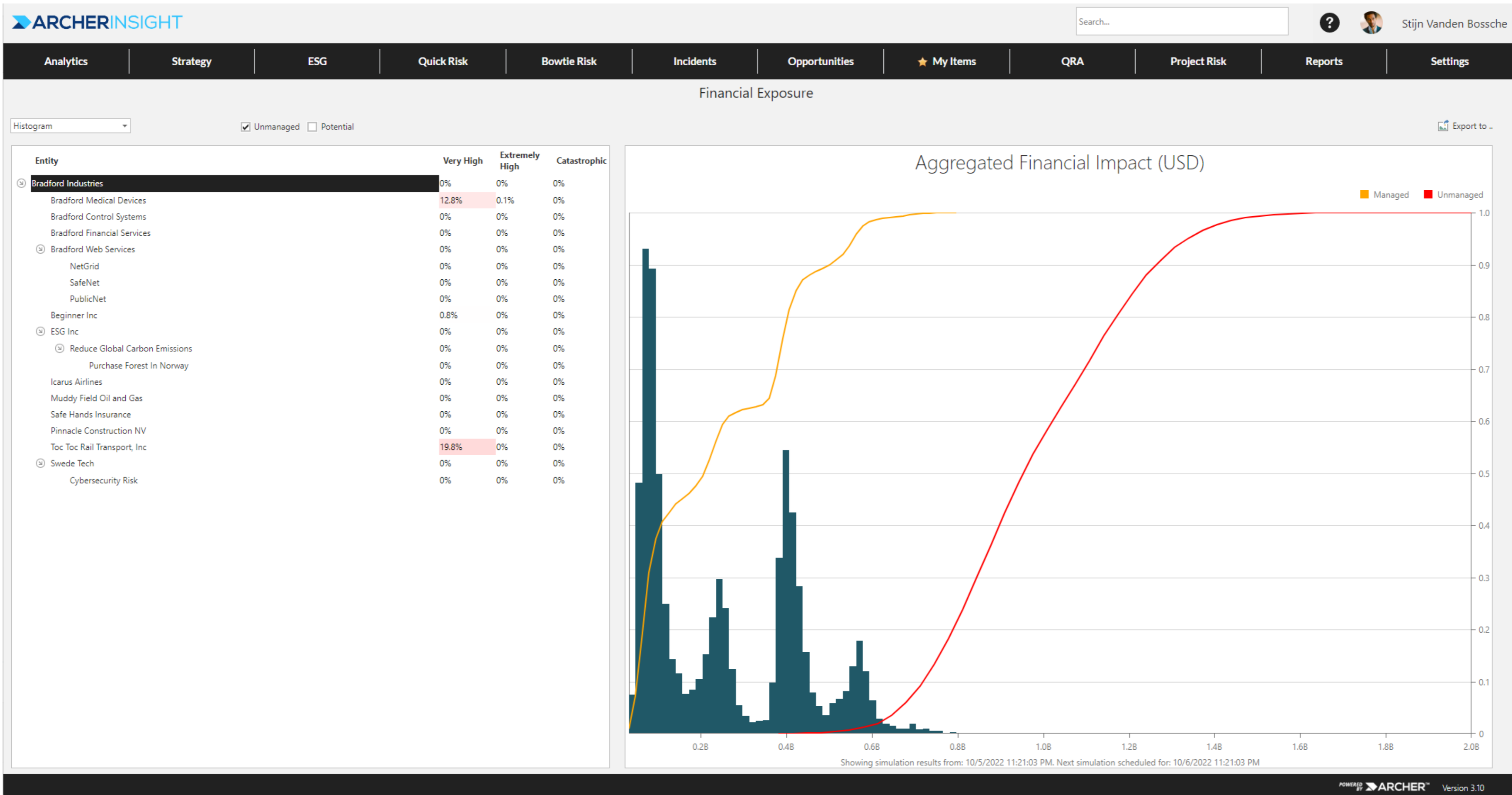
BASIC: prioritizing risks the better way
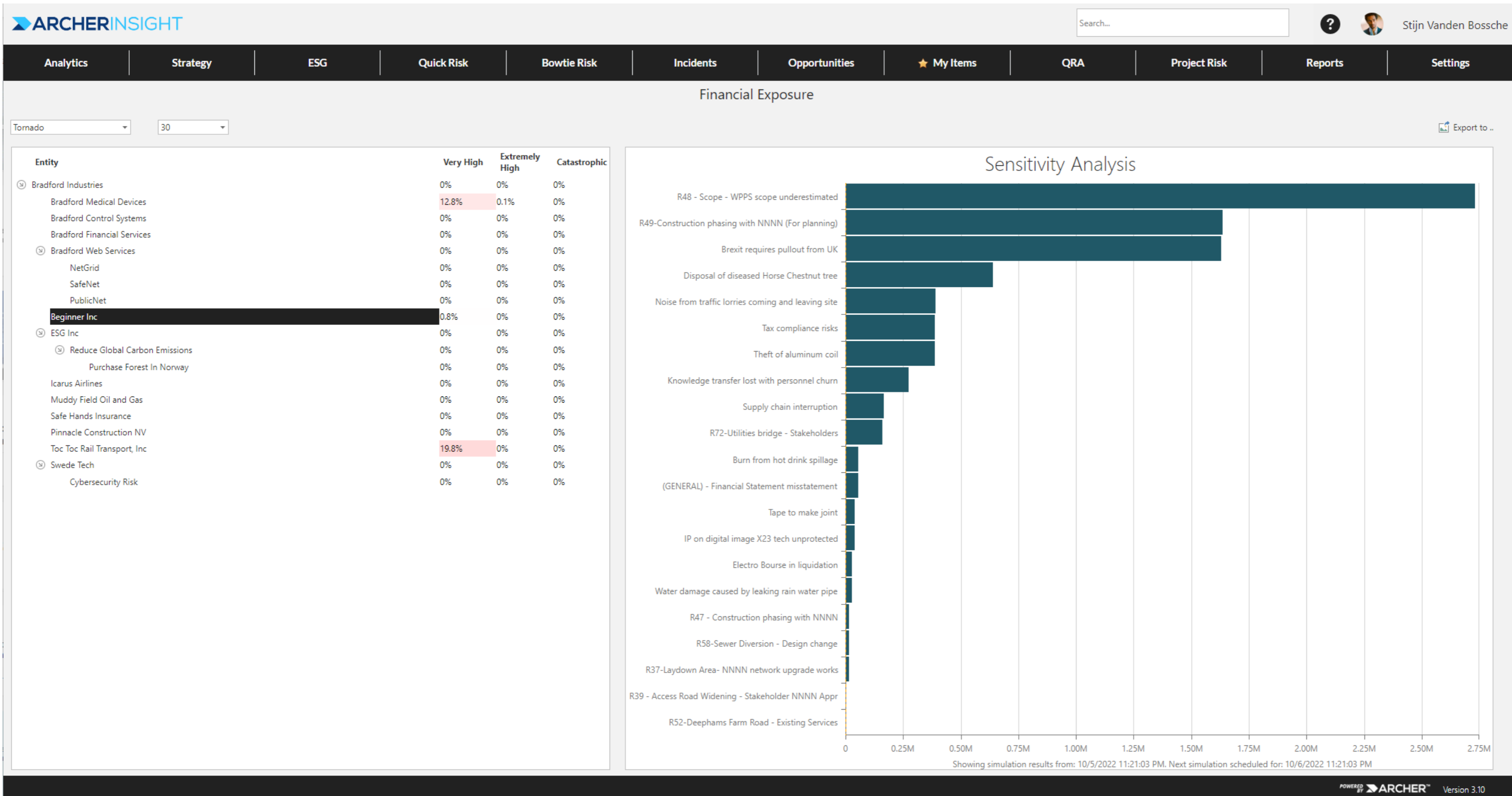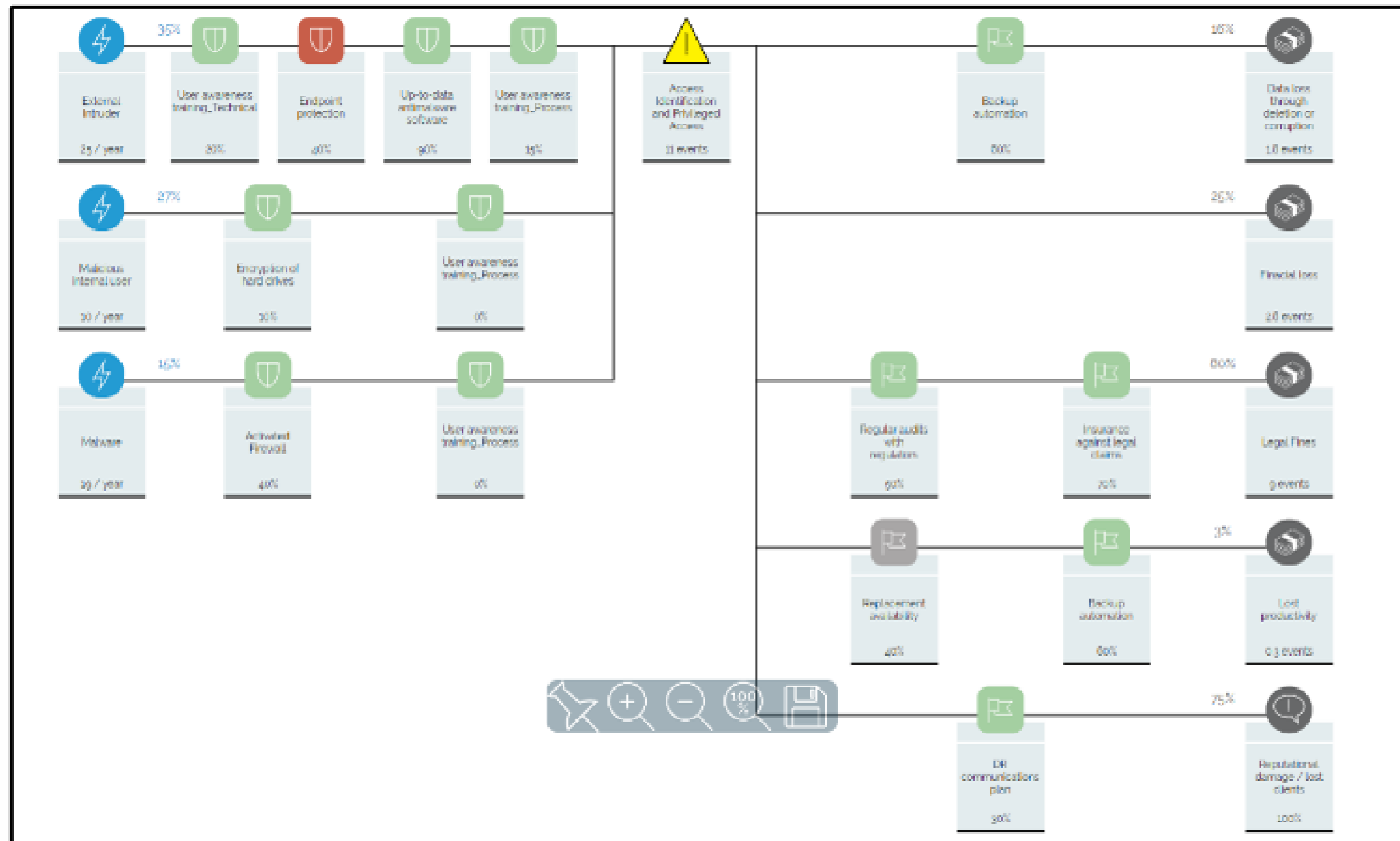
B. STANDARDISED

- Get better clarity on most significant risks, engage risk owners and stakeholders

- Improve risk estimates

- Test control effectiveness

- Optimize mitigation decisions

- Further prioritize nonfinancial risks and generate a more accurate heatmap that makes sense

- Generate targeted risk mitigation actions

STANDARDISED: Which entities are really impacted

C. ADVANCED

Uninsured loss exceedance curve

Company vs Industry
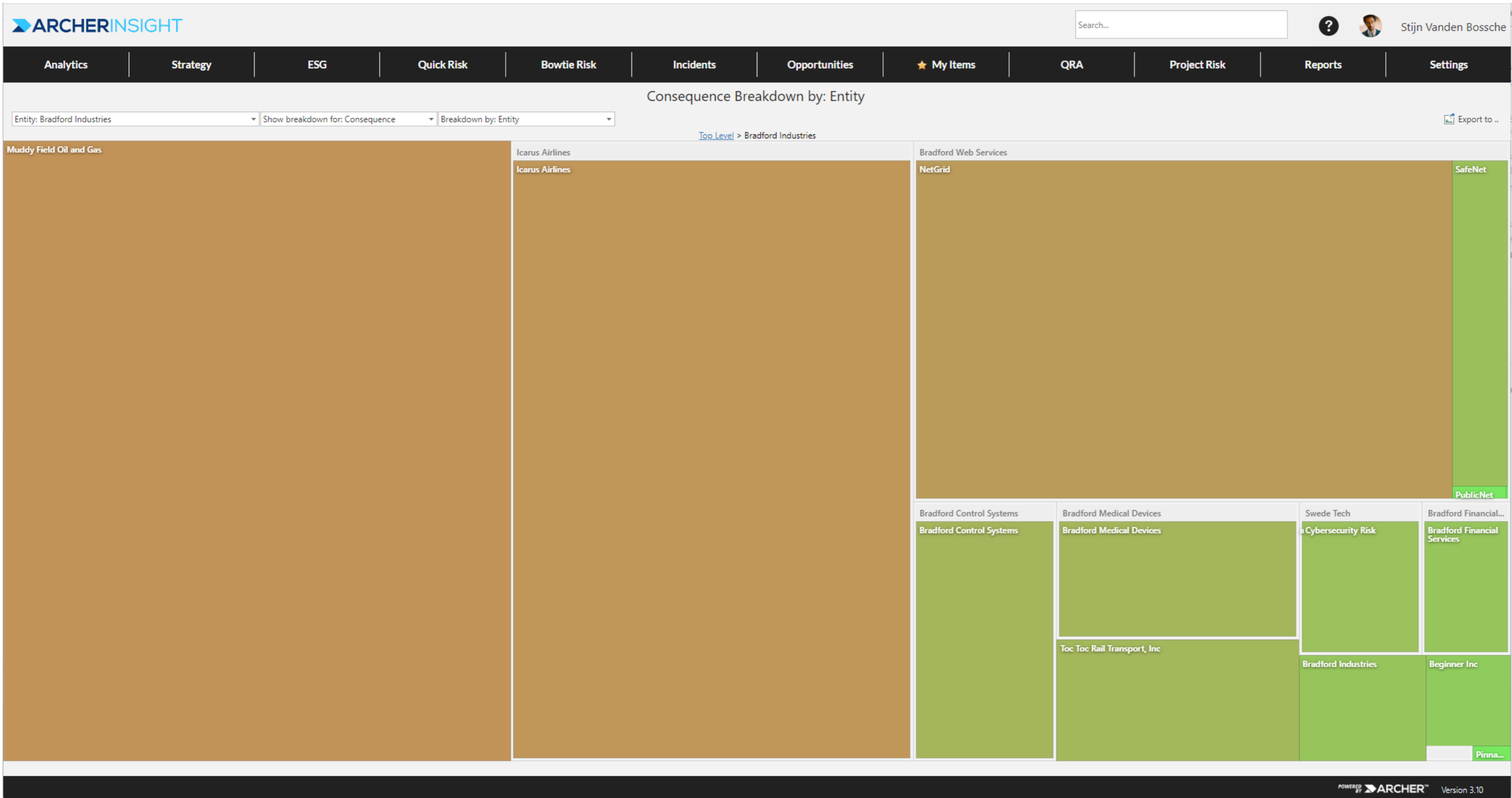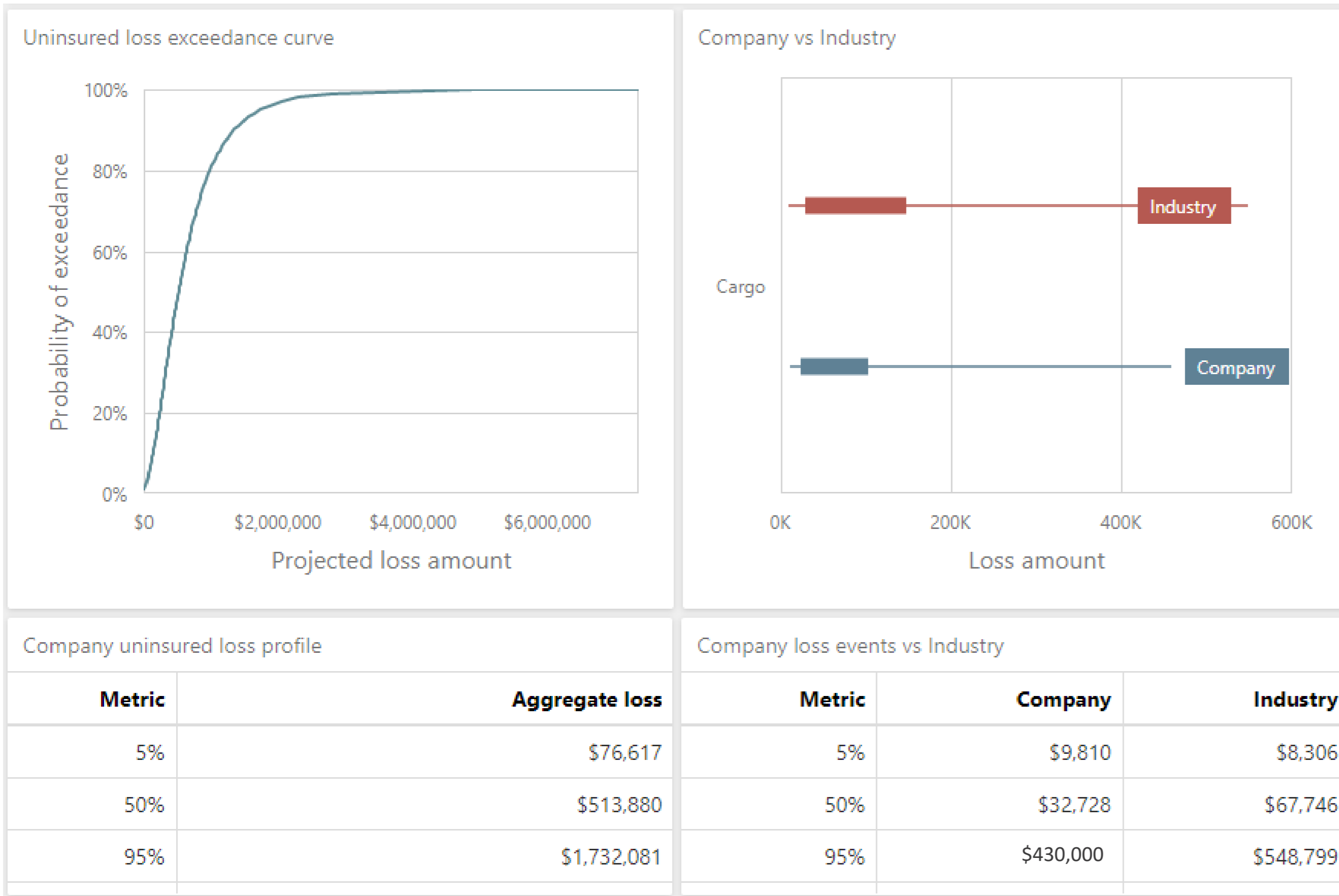
- Improving risk estimates
- Testing control effectiveness
- Optimizing mitigation decisions
- Suitable for more complex decisions

Company uninsured loss profile

Metric	Aggregate loss
5%	$76,617
50%	$513,880
95%	$1,732,081

Company loss events vs Industry

Metric	Company	Industry
5%	$9,810	$8,306
50%	$32,728	$67,746
95%	$430,000	$548,799

Determine fair price, shortlist brokers, prepare submission

Fair cost of insurance	Policy offer loss comparisson	Policy offer statistical comparisson

Fair cost of insurance vs. Deductible

Fair cost of Insurance

Deductible	Fair cost of insurance
$0	$729,804
$10,000	$646,817
$50,000	$318,254
$100,000	$148,598

Compare policies

| Policy offer loss comparisson | Policy offer statistical comparisson

Detailed comparisson

	5%	25%	50%	75%	95%	P(Total claimed > Premium)	P(A loss > Deductible)
Raw losses	$75,020	$279,720	$519,260	$873,371	$1,732,183		
Policy A	$75,020	$199,625	$300,000	$413,341	$599,867	1%	38%
Policy B	$30,000	$90,000	$120,000	$169,017	$239,524	1%	77%
Policy C	$75,020	$279,720	$517,422	$796,605	$1,290,345	3%	5%
Policy D	$75,020	$199,625	$300,000	$413,341	$599,867	1%	38%

ARCHERINSIGHT

Search...

Alexey Sidorenko

Analytics | Strategy | ESG | Quick Risk | Bowtie Risk | Incidents | Opportunities | ★ My Items | QRA | Project Risk | Reports | Settings
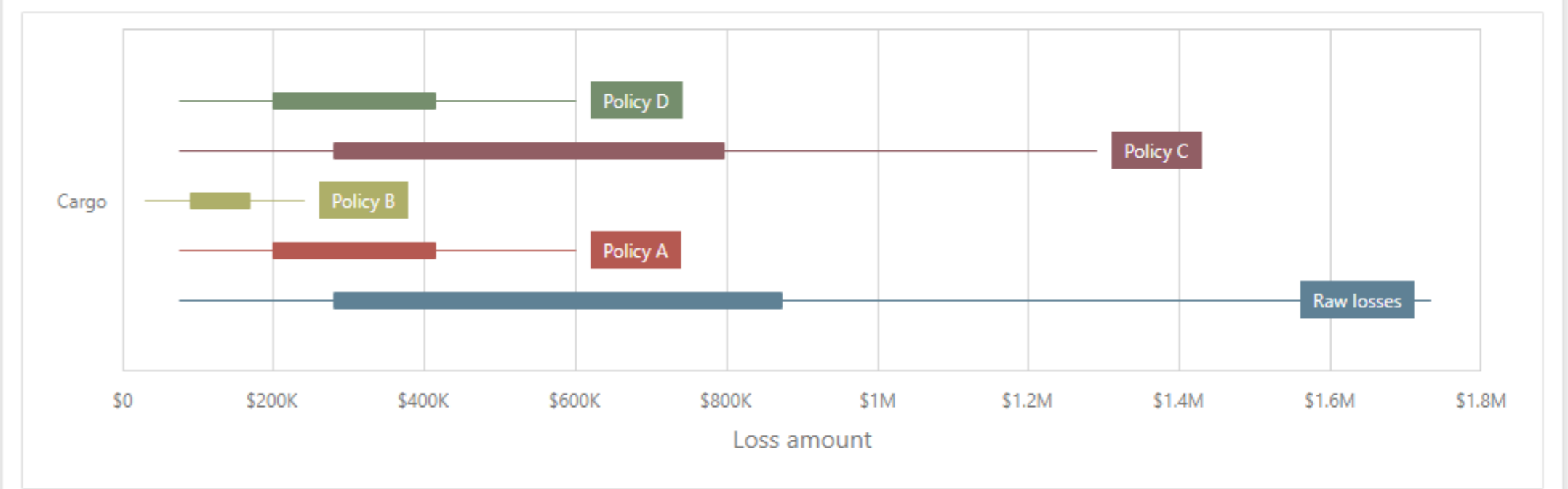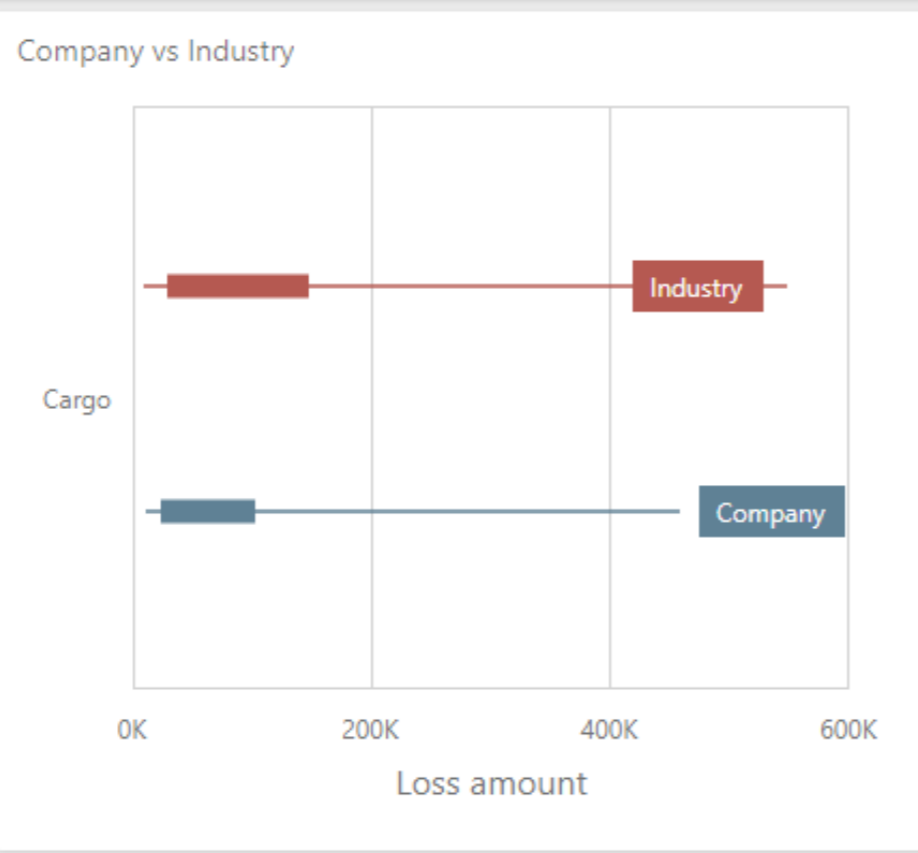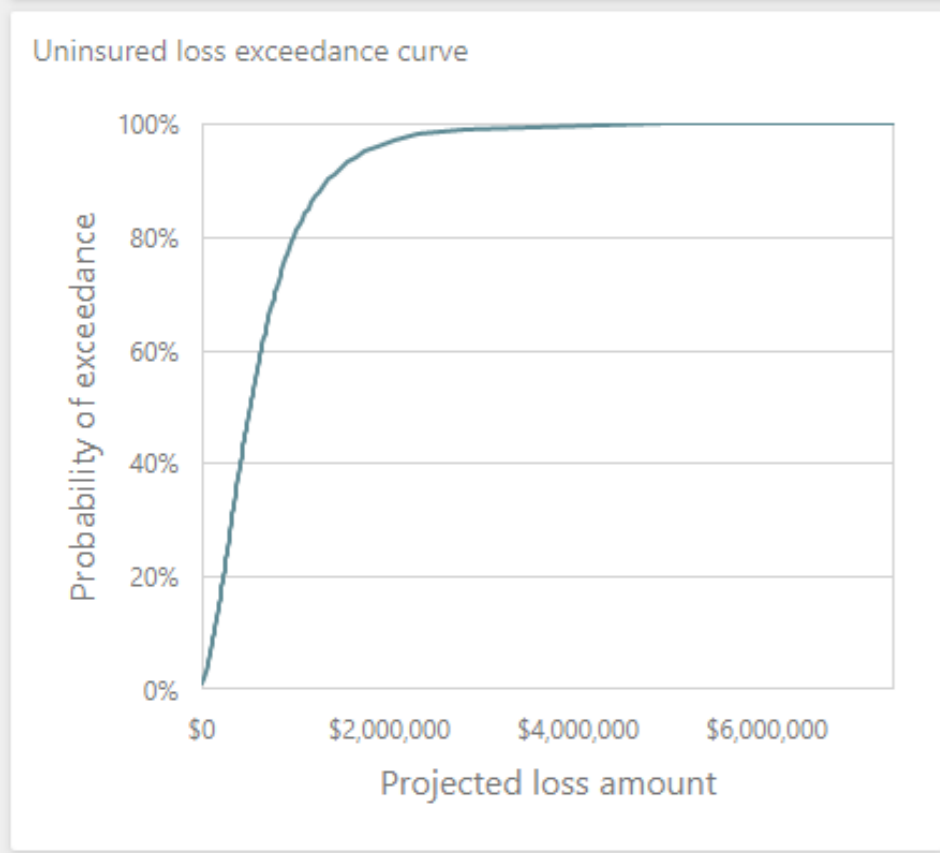
Entity: Bradford Industries   Cargo

Loss category

Cargo

Fair cost of insurance | Policy offer loss comparisson | Policy offer statistical comparisson

Uninsured loss exceedance curve

Company vs Industry

Detailed comparisson

	5%	25%	50%	75%	95%	P(Total claimed > Premium)	P(A loss > Deductible)
Raw losses	$75,020	$279,720	$519,260	$873,371	$1,732,183		
Policy A	$75,020	$199,625	$300,000	$413,341	$599,867	1%	38%
Policy B	$30,000	$90,000	$120,000	$169,017	$239,524	1%	77%
Policy C	$75,020	$279,720	$517,422	$796,605	$1,290,345	3%	5%
Policy D	$75,020	$199,625	$300,000	$413,341	$599,867	1%	38%

Company uninsured loss profile

Metric	Aggregate loss
5%	$76,617
50%	$513,880
95%	$1,732,081

Company loss events vs Industry

Metric	Company	Industry
5%	$9,810	$8,306
50%	$32,728	$67,746
95%	$817,421	$548,799