



James E. Blair, President

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Dear Colleague:

World Leaders Speak!

Business and government leaders from across the world gathered again in Davos, Switzerland in January to discuss the major risks facing the globe in the upcoming 1-3 years (please see table on page 3). An evolution from previous years placed Social Media risks as the top for leaders to chew on. Rather than cyber-risk to digital systems, this year's priority leans into content and its misuse for manipulation to impact societal norms and human behavior. The number 1 risk is titled Misinformation and Disinformation – the intentional misuse of content to shape societal beliefs and behaviors. The year 2024 is one of political struggles and elections, this risk is timely and can disrupt emotions and real business operations (polarization). Since humans can cause these risks, humans can perhaps mitigate with intentional attention and response.

The second global risk identified in Davos is not so easily managed. Extreme weather events are difficult to forecast and prevent. Pollution (#10) is all around us impacting air and water supplies, and eventually human health. Mitigation is long-range and the impacts are staggering. In 2023 the world experienced a record-setting 25 major weather events, each costing in excess of \$1 billion. This week's surprise wildfires in Texas and Oklahoma are consuming more than 1 MM acres of farmable land and will surely impact food production and cost. The total cost of natural disasters in 2023 exceeded \$500 billion (only \$100 billion insurable). The human response plan relies on planning and preparedness, and then timely response when the event occurs.

The 3rd major area of risk is Interstate Armed Conflict and involuntary migration (#8). While many countries around the globe are facing armed conflict, our attention is drawn to the middle east and Europe. The Ukraine war and Israeli response to the Hamas attack of October 7 are spreading unrest across the globe and disrupting trade flow and the supply chain. The disruptions to human safety and confidence in travel, supply chains and economic stability are risks not easily anticipated. Business and government leaders are struggling to comprehend the magnitude of damage caused from these conflicts. Risk mitigation depends on solid governance that can produce creative alternatives to maintaining business as usual. The unanticipated impact of involuntary migration has stressed border control, and overloaded demands for humanitarianism across many countries beyond the USA. Was anyone prepared? - Does insurance provide cover? – heck no! Recognition, Response, and Recovery are the mitigation strategies.

The fourth major category of risk identified by world leaders is Economic and includes the concerns about limits to opportunity, inflation, growing debt and downturn in business and industrial performance (#6,7,9). These risks are human-controlled and strong risk management governance should provide mitigation strategies and success. Identifying the risks at a global level is a recognition of the vulnerability of our human condition. The antidote is solid strategic planning, risk governance, operational oversight, and nimble adjustments along the way. When operations are disrupted, timely Recognition, Response and Recovery rule the day.



Page 2

Cyber and Artificial Intelligence

The year 2024 arrives with very strong disruptive elements presented by the cyber-community (#4). Data breaches, ransomware, network disruptions, data theft and Artificial Intelligence (AI). Data breaches were up 15% and averaged a cost of \$4.45MM a piece. Ransomware netted \$1.1 billion in costs and attacks were up 29,000% from 2018 with an average cost to the business of \$1.5 MM. Over 100,000 cyber-incidents were perpetrated by 10 threat actor groups across the globe. So, mainline cyber incidents cost dearly. The costs of business disruption and reputation damage are often unlimited. All justify investment in cyber-risk preparedness and prevention. The risk governance principles offered by [Integrated Risk Management Solutions, LLC](#) apply here.

Artificial Intelligence (AI) speeds up all cyber-related activities. AI can support the risk governance principles mentioned above, but also delivers mass risk functionality in the form of creative disruptions, theft, and ransomware. AI can create new approaches to risk category number 1, Misinformation and Disinformation. As if business and government weren't swamped by regular risks like storms, thefts, fraud and inefficient systems, AI is introduced at a most challenging time. The regulators are scrambling to find solutions that help tag AI messages that may be misleading or untruthful in all forms of communications (writing, video, and voice). Attention is focused on protections against child abuse and neglect, compromises to Intellectual Property and copyrights, plagiarism, and manipulation of data. AI-driven systems can navigate anywhere and disrupt your normal operations. The MOVEit hack has now disrupted 3,000 businesses, nearly 100 million accounts, and stolen \$75 billion.

Every employee should receive training on the recognition of AI use and abuse. The technology is early, but every AI provider is offering training on "how to use". A priority for our readers is to establish a "use policy" that defines acceptable use and the risks associated with the technology. Then establish operating procedures for your IT organization who will ultimately manage. Third party providers should be included in this process. Business Interruption and Response Planning remains imperative to your business success. Risk Management governance is key, and we are here to help.

These are the Risk Management principles foundational to the work of [Integrated Risk Management Solutions, LLC](#). We help you prepare and deliver trusted and responsive products/services. I look forward to your thoughts and questions – please contact us.

Manage Your Risks Well,

Attachment

Risk Management is Every Team Member's Business



Managing Risk = Cash Flow

Typical returns are 4:1 ROI and significant cash flow improvement!

Risk is anything that impacts cash flow! Successful companies manage risk more effectively than competitors. By practicing a “Risk Awareness” culture that engages every level of the business in prevention-centric behavior, cash flow is improved.

Key Risk Management Facts:

- Companies spend between 7 - 10% of revenue on risk-related costs, including:
 - Safety - Security - Information Security - Health & Wellness
 - Absence* - Theft - Fraud Prevention - Revenue Inefficiency
 - Audit - Compliance - Investigations - Settlements
 - Claims - Insurance - Crisis Management - Emergency Response
- * Incidental absence can increase the costs of employee health and wellness programs by 2X.
- Risk costs are in multiple silos hiding the “Total Cost of Risk” and measurable ROI.
- 80% of company information system risks come from employees and trusted vendors.
- FM Global, a world-wide property insurance and engineering firm, estimates that company earnings volatility can be reduced by 50% through effective Risk Management prevention and preparedness programs.
- Companies that manage risks effectively will receive the best insurance prices and maximize the option to *self-insure*.
- Enterprise-wide Risk Management is a complete vision of company risk. A strong Risk Management culture helps a company respond more nimbly to unforeseeable events.
- Documented and tested Business Interruption/Scenario Plans sustain key operations during an emergency and improve company survival by 70%.
- Uncertainty and financial pressure renew the need to manage risk. These pressures have always been present, but the magnitude and visibility are at an all-time high.
- Third party vendor transactions often result in 10% or greater errors and inaccurate billing.
- Sarbanes-Oxley, Dodd-Frank and compliance audits only test transactional controls – operational controls are “the source” of risk – **Operations Assurance is the key!**
- Regular Operations Assurance reviews can improve revenue efficiency by up to 20%.
- Synergy from a holistic focus on risk, cost/revenue efficiency, loss reduction, underperforming vendors and fraud produces impactful cash flow improvement.

2024 Global Risks Defined by:

World Economic Forum

- Misinformation & Disinformation
- Extreme weather events
- Societal Polarization
- Cyber Insecurity
- Interstate armed conflict
- Lack of economic opportunity
- Inflation
- Involuntary migration
- Economic downturn
- Pollution

The Conference Board

- Economic downturn/recession
- Inflation
- Global political instability
- Higher borrowing costs
- Labor shortages
- Rapidly advancing AI technology
- Higher labor costs
- ESG backlash
- National debt
- AI Risk Governance

Manage Your Risks Well!

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