Scenario Assessment Service

Scenario assessment and analysis is a mechanism which allows an organisation to tap into the wealth of knowledge which resides within their senior management, in support of a holistic approach to enterprise-wide risk identification, risk assessment and risk management. across all risk disciplines. Scenario workshops are invaluable in building risk awareness, including a greater understanding of the interplay between risks. They are also a potential source of data to enhance risk quantification models, by compensating for a lack of loss data, or by incorporating a more 'forward-looking' element to loss history. Additionally, they can be a tool to enhance emergency preparedness, including the identification of the need for new controls, reporting or KRI monitoring.

Despite the clear benefits, many organisations have struggled to get value from scenario assessment, or have delayed initiating a program for fear of failure. There are a number of potential 'banana peels' associated with the implementation of any scenario assessment programme:

- *Unclear objectives* make it difficult to achieve anything, as different programme goals drive different participants, scenarios and workshop activities.

- *Insufficiently robust governance, sponsorship, processes and documentation* undermine the credibility of the program both internally and with regulators.

- *Scenario data which is ultimately not relevant for capital estimation purposes (where this is a goal)*, means everyone's time is wasted. This may occur when scenarios are inappropriate, management biases negatively impact data quality, or workshops have been developed in isolation from the quantification model.

To address these challenges, Risk*Business'* philosophy is to establish clear *programme goals and priorities*, recognising that resource limitations (most importantly, *management time*) generally prohibit achieving all potential goals at once. We therefore believe that a highly structured, carefully planned scenario program increases the likelihood of achieving these goals, and avoiding pitfalls.

When workshop output objectives are clear, scenarios are thoughtfully assembled, well-defined and supported by data, and when facilitation is strong and includes appropriate participant education, participants are properly engaged, and the quality of the outputs increases and is free from biases. Particularly when outputs are to be used for risk quantification, we believe in defining all scenarios primarily on a centralised basis, relying on a review of internal and external loss data, risk and control self-assessment results, and inputs from business and risk managers, as well as our own library of standardised scenarios. This approach ensures program standardisation and consistent quality, while taking pressure off risk management's in-business partners.

Risk*Business* also believes in developing scenario programmes in tandem with the risk quantification model, where this is the goal, to ensure that data generated will be usable in the risk capital model. Scenario workshops should include mechanisms to identify causal drivers for each scenario, which are invaluable for identifying cross-risk impacts (correlations) and ensure consistency in risk estimates over time. In addition, our formal methods to evaluate the quality and success of the workshops ensure an appropriate review of the outputs, and documentation of the approval of the results provides comfort both to the organisation and to regulators.

Risk*Business* can support your Scenario Assessment programme in a number of ways:
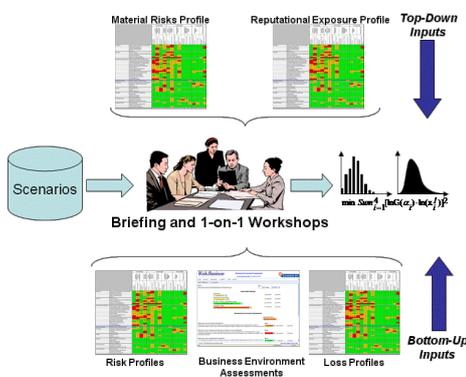
- *Scenario Assessment Service.* This service provides an ASP web-based tool for the iterative collection of scenario analysis participant's individual views on each parameter of the scenario under consideration, using mathematical quantification to establish an unbiased mean for each parameter. The output can then be used as inputs into capital estimation activity, as well as for actual business management of the risks assessed in the scenario.

- *Advisory Services.* Risk*Business* can work with you to develop a robust, state-of-the-art methodology for developing, assessing and measuring scenarios which is appropriate for your needs. We also provide facilitation services which ensure a high standard for the quality of the workshops and the outputs derived.

- *Standardised library of fully described scenarios.* Our complementary Scenario Library service contains a detailed reference library of well-defined and highly structured (with over 30 fields of information) scenarios, making it easier for workshop participants to efficiently generate good quality results which are consistent over time. Most organisations develop 10 – 25 scenarios for risk quantification purposes. Scenarios selected from the Scenario Library can save a lot of work and help ensure that you are covering all the bases, while still allowing flexibility in customisation and the possibility to benchmark scenario outputs against peers.

- *Benchmarking of scenario parameters.* Where there are a group of interested organisations, Risk*Business* can facilitate anonymous benchmarking of standardised scenario parameters for common scenarios. This feedback can help organisations test the validity of scenario outputs with a pre-defined set of peers.

For more information on the Scenario Assessment Service, please contact Risk*Business* Services Limited through our website or email us at info@Risk*Business*.com.

Risk Tools