Scenario Library

Risk Content
by RiskBusiness

Many organisations create their own scenarios, using different methods to identify them, such as expert opinion, public loss data sources and brainstorming techniques. But merely identifying a possible scenario is just the starting point.

HOW CAN WE BE SURE WE HAVE COVERED all the possible types of risks we may face? How do we classify or categorise our scenarios? How do we cross-reference our scenarios to our loss data, risk and control assessments, KRIs and to consortium or public loss data? How do we know that the parameters we are using are both realistic and in line with our industry peers?

A scenario can be defined as an outline, description or model of a sequence of unexpected or adverse events. Scenarios vary in detail according to the level of the organisation at which they are researched and focussed, but are generally made up of similar components. Scenarios are described using scenario (risk category or loss event) types and describe the typical causes and potential impacts of the event, should it actually crystallise. Generically, information from all aspects of an environmental or integrated risk framework should be included in a scenario or scenario analysis: a description of the event, an inventory of relevant risks and controls, along with their effectiveness if applicable, a summary of relevant internal and external loss data, a list of key risk indicators that are expected to describe or even predict the scenario event to some extent, as well as a costing or parameterisation of the scenario for risk capital calculation purposes. Scenario assessment will usually include a causal analysis, along with expected direct and indirect impacts, particularly those of a reputational nature. Firms usually also analyse the expected timeline over which an adverse event would play out, along with the mitigating actions that could be taken to minimise the scenario's severity.

Scenarios are usually either considered "top-down" by senior management, as is the case for scenarios used in a capital estimation process or for business continuity planning, or "bottom-up" by line management and the business, for the purposes of extreme or unusual risk or exposure assessment and vulnerability estimation. Scenarios may also consist of a single standardised scenario event or may be created by grouping a number of standardised events to create custom, multi-variant scenarios deemed possible of occurring.

The Scenario Library is a component of Risk Content by RiskBusiness and is an online subscription-based database containing over 600 individual scenarios which may impact negatively on an organisation. Subscribing firms can browse the different categories of scenario, select those they feel could apply to them and then select the scenario for their own internal use and evaluation, while adding their own scenario events or entire scenarios if they wish to. The Scenario Library is also frequently updated with new examples of newsflashes, which are publicly known loss events classified according to the same classification standards as each scenario.

As a subscriber to the Scenario Library, you can select those scenarios and scenario events which you use and flag these. In the same manner, on an anonymous basis, you can see which other scenarios and scenario events have been selected by other subscribers and how often each scenario or scenario event has been selected. You can also add your own scenarios and propose new scenarios for inclusion into the Scenario Library.

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Of equal importance to the availability of an exhaustive set of quality scenarios for evaluation is the approach to scenario assessment. Scenarios fill a very specific position within the overall suite of risk management tools and care is required to focus scenario analysis on that aspect of the exposure curve to which it applies. This requires a clear policy on scenario usage and estimation. The approach must also focus on the reduction of bias and gaming and should accept the difference in the use of scenarios for risk quantification versus risk management.

Supporting and fully integrated into the Scenario Library is the Scenario Assessment Service; an online tool to collect parameters for scenarios selected from the Scenario Library. It also processes these parameters and facilitates the eventual agreement on the overall frequency and impact to the firm. This then allows for the scenario parameters to be incorporated into a capital estimation process, or to be used for risk mitigation and management reporting purposes. The Scenario Assessment Service supports workshop style assessments, one-on-one interview style assessments and individual online assessment by selected participants, with the option to have multiple iterations of the assessment process to achieve consensus.

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For more information on the Scenarios Library, please contact RiskBusiness by visiting

www.RiskBusiness.com

or email us at info@RiskBusiness.com