"Risk Management: The Known and Unknown"

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GLOSSARY

Benchmarking - The comparison of an organization or project to similar internal or external organizations or projects.

Committee of Sponsoring Organizations of the Treadway Commission (COSO) – A committee that provides guidance on critical aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting.

Enterprise Risk Management (ERM) - A structured, consistent, and continuous process across the whole organization for identifying, assessing, deciding on responses to, and reporting on opportunities and threats that affect the achievement of its objectives.

Flowchart - A graphical representation of the actual or ideal path of a service or product; provides a visual sequence of the steps in a process, illustrates the relationship between parts, and identifies what the process does or should do.

Frequency – The number of losses that occur within a specified period. Also referred to as "probability".

Hedging – A derivative transaction designed to attempt to reduce an underlying business risk.

Indemnification – To compensate for loss or damage.

Lessons Learned – Documentation of experiences acquired in the execution of programs and projects; used in the planning and execution of future initiatives.

Likelihood – see Frequency, Probability.

Mitigation -The application of systems, processes or controls to reduce the amount of loss from the potential future occurrence of an event or to reduce residual risk.

Outlier - A data point that falls far from most other points; a score extremely divergent from the other measures of a set.

Probability – Measurement of the likelihood that an event will occur. Probabilities are expressed as numbers between 0 and 1. The probability of an impossible event is 0, while an event that is certain to occur has a probability of 1.

Realized Risks – Experience of an event resulting in consequences to the organization (usually refers to negative consequences). Important to capture in "Lessons Learned".

Risk – The combination of the likelihood (frequency) and the consequence (severity) of a specified event being realized.

Risk Acceptance – To retain the risk at its current level; to take no action. Risks that are not avoided or transferred are retained by default. Retained risk can be reduced (controlled or responded to). If no effort is taken to reduce the risk, the risk is accepted.

Risk Analysis - The identification, measurement, and process of prioritizing risk or selecting alternatives based on risk.

Risk Appetite - The amount of risk an organization is willing to accept in pursuit of value.

Risk Assessment - The identification of risk, the measurement of risk, and the process of prioritizing risk or selecting alternatives based on risk.

Risk Avoidance - Prohibit, stop or eliminate the activity that results in possible risk.

Risk Control (Reduction) – Actions taken to manage risk and increase the likelihood that established objectives and goals will be achieved. Risk control reduces the likelihood of the undesirable event occurring. This is a proactive measure.

Risk Culture - A set of shared values and beliefs that govern attitudes toward risk-taking, care, and integrity. The risk culture determines how openly risks and losses are reported and discussed.

Risk Identification – The method of recognizing possible threats and opportunities.

Risk Impact – The combination of frequency and severity; the measure of loss (harm) or gain associated with an activity.

Risk Management - A continual process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of an organization's objectives.

Risk Reduction – Processes to reduce the frequency or severity of an experienced risk event. Can be achieved by controlling (proactive) or responding (reactive).

Risk: Respond (Reduction) – Actions taken to reduce the severity of the impact if the risk scenario occurs. This is a reactive measure.

Risk Response - The actions taken to manage risk.

Risk Tolerance - The acceptable levels of variation relative to the achievement of objectives.

Risk Transfer – The method used to shift risk from one party to another; examples include insurance, reinsurance, hedging, indemnification and outsourcing.

Severity – The value assigned to the consequences or outcome of failing to achieve objectives; in traditional risk management, this is often the dollar value assigned to a loss.

Traditional Risk Management – Primarily deals with the uncertainty about potential accidental losses that may or may not occur, but if they did occur would have only negative consequences.