

Numbers that Persuade: The Case for Risk Quantification

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Red Alert Is Not a Business Case

A color can signal concern. It cannot explain the trade-off.



RISK ALERT

LIKELIHOOD	HIGH
IMPACT	HIGH
RISK LEVEL	RED

What do we do next?

HOW MUCH?
What range of financial impact?

WHICH RESPONSE?
What alternatives change the outcome?

WORTH THE COST?
What benefit does the investment deliver?

A warning raises the question. Quantification informs the choice.

Start with the Decision.
Set the Coordinates.

Connect the objective, the alternatives, and the uncertainty.

THE BUSINESS DECISION

Expand into a new market.

A distributor relies on one critical fulfilment hub.

Illustrative scenario
Analysis horizon: 12 months



Before we improve the numbers, improve the question.

Build the Story Before the Model

Connect a disruption to operational, business, and financial consequences.

DISRUPTION



Fire at a critical third-party hub

OPERATIONAL EFFECT



Shipments delayed
Capacity reduced

BUSINESS CONSEQUENCE



Lost or delayed sales
Recovery commitments

FINANCIAL IMPACT



Lost contribution
Additional costs

Duration | Volume affected | Alternative capacity | Demand recovered | Response cost

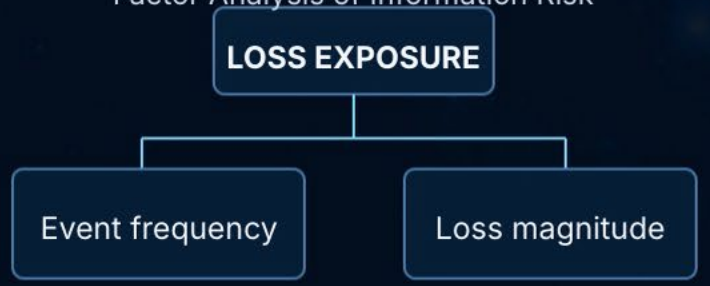
Make the causal story clear before attaching a dollar figure.

The Right Tools for the Mission

Structure the exposure. Model the business. Explore the uncertainty.

FAIR

Factor Analysis of Information Risk



STRUCTURE THE EXPOSURE

A structured framework
and analysis process.

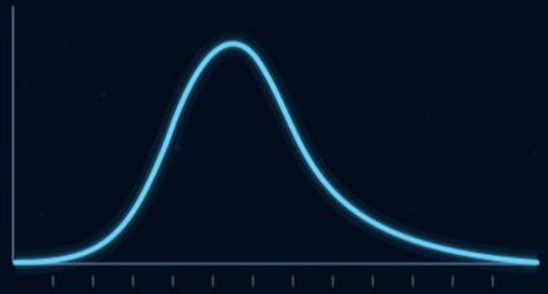
SCENARIO MODELING



MODEL THE BUSINESS

Causal relationships,
choices and financial impact.

MONTE CARLO



EXPLORE THE UNCERTAINTY

Repeated sampling reveals
a distribution of outcomes.

Complementary approaches. One decision to support.

You Have More Evidence Than You Think

Combine multiple sources. Challenge how they apply to this organization.



INTERNAL EVIDENCE

Incidents and recovery tests
Volumes, margins and claims



EXTERNAL EVIDENCE

Industry experience
Relevant external studies



EXPERT JUDGMENT

Operations and finance
Procurement and insurance

DEFENSIBLE ESTIMATE

Defensible ranges. Documented rationale. Transparent assumptions.

Monte Carlo: Rehearsing Possible Futures

Many possible outcomes. Explicit assumptions. Better-informed choices.

DEFINE

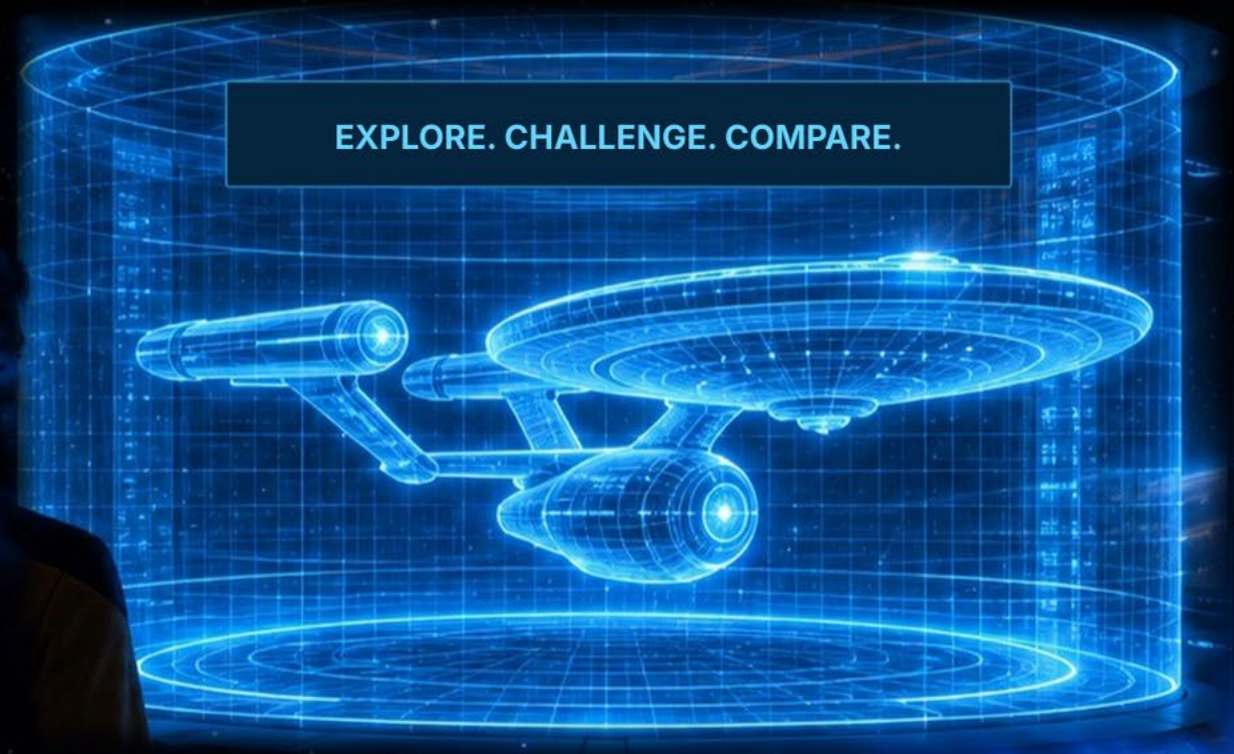
Specify the model, inputs and relationships.

SAMPLE + CALCULATE

Draw possible inputs and calculate their consequences.

REPEAT + COMPARE

Examine the range of outcomes under different choices.



ILLUSTRATIVE 12-MONTH OUTCOMES							
	80%	$0	12%	$2M	6%	$6M	2%	$12M

More trials do not repair an unsupported assumption.

Read the Tail - not Just the Average

What is expected? What could be severe? What exceeds our threshold?



$840K

Expected annual loss before insurance

80%

Probability of no loss in this teaching model

Same period.
Explicit assumptions.
Decision-relevant thresholds.

The expected loss is not a forecast invoice.

Change the Outcome, Not the Color

What changes if we spend the money?

MEASURE	CURRENT	WITH ALTERNATIVE
Expected annual loss before insurance	$840,000	$420,000
Annual probability of loss exceeding $5M	8%	2%
Additional annual capability cost	$0	$250,000
Expected annual loss plus capability cost	$840,000	$670,000

EXPECTED NET ANNUAL BENEFIT

$170K

Loss reduction: $420K
Less annual cost: $250K

Not guaranteed savings.

TEACHING ASSUMPTIONS: 50% lower event losses; unchanged probabilities; $250K fully loaded annual cost.

The investment case depends on whether the capability changes the loss.

Insurance: Finance the Loss.
Protect the Mission.

Mitigate what you can. Transfer what makes sense. Understand what remains.

OPERATING CAPABILITY

Prevent and reduce operational consequences.

INSURANCE RECOVERY

Transfer covered financial consequences.

RETAINED EXPOSURE

Plan for what remains and when cash is needed.



COMPARE THE WHOLE PROGRAM

Gross loss

minus insurance recovery

Retained loss

+ Premium + Mitigation cost

Insurance finances covered consequences. Resilience sustains the mission.

Mind the Coverage Gap

A $20M limit does not mean $20M of protection for every event.

$20M
Headline policy limit

$5M
Relevant payout sublimit

$1M
Retention applied first

$12M EVENT LOSS

$5M
Modeled recovery

$7M
Retained loss
Includes the $1M retention

WHAT ACTUALLY RESPONDS?

1. **TRIGGER**
   Does this cause of loss qualify?
2. **DEPENDENCIES**
   Are the affected suppliers in scope?
3. **TERMS**
   What limits and time conditions apply?
4. **AGGREGATION**
   Could other losses share the limit?

ILLUSTRATIVE SINGLE EVENT: all $12M otherwise eligible; $1M retention applies before a $5M payout cap.

Find the coverage gap in the model - not during the loss.

Numbers Need a Narrative

The decision. The exposure. The alternatives. The recommendation.



THE DECISION

Expand into
a new market.

Protect delivery
commitments.



THE EXPOSURE

$840K expected
annual loss.

8% chance of
exceeding $5M.



THE ALTERNATIVES

Retain current.
Build an alternative.
Change insurance.
Combine approaches.



THE RECOMMENDATION

Validate capability.
Compare investment.
Review coverage.
Explain assumptions.

Illustrative distributor scenario | Next 12 months | Before insurance

Persuasion comes from transparent reasoning, not engineered certainty.

One Decision. One Model.
One Better Choice.

Start with a decision. Finish with action. Return with evidence.

- Choose a real decision.
- Build the simplest useful model.
- Gather and challenge evidence.
- Compare the alternatives.
- Decide, act and review.



The destination is not the histogram. The destination is a better decision.

QUESTIONS

2026 Konnect

Thank You!

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Bringing GRC into Focus
grc report

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HITCHHIKER'S GUIDE TO THE GRC TECHNOLOGY GALAXY PODCAST

RISK IS OUR BUSINESS PODCAST




THANK YOU
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