CASE STUDY

Regional Financial Institution Communicates Disaster Exposure with Risk Quantification

Challenges

With the executive management concerned about the concentration of processing centers along the eastern seaboard; operations management struggled to effectively communicate potential exposure related to natural disasters on processing centers.

Solution

Using RiskLens' platform, operations management analyzed exposure to natural disasters in financial terms to the organization.

Results

For the first time operations management could effectively discuss and communicated operational exposure in business terms. This lead to executive management to halt plans around establishing an additional midwest processing center.

The Challenge

A regional financial services institution with $5B in total assets regularly conducts a Business Impact Analysis (BIA) of their three processing centers using data from the Federal Emergency Management Agency and internally collected incident data over the lifetime of the locations. However, operations management is often challenged by the business when justifying the results of BIAs using current risk ratings based on a qualitative scale of High, Medium, Low.

Executive management was considering establishing another data center away from the eastern seaboard; a significant undertaking representing several million in capital expenditures. The existing methods used to communicate risk within BIAs could not support nor discourage the initiative. The underlying limitation of traditional BIA risk measurements was the lack of business context - **what does it mean when the Florida processing center is rated High and the Virginia processing center is also rated High?** Analysts needed to start communicating risk using a method consumable by business stakeholders (i.e. dollars and cents).

The Solution

RiskLens' platform combines an intuitive workflow process for scoping and data collection with a sophisticated analytics engine based on Factor Analysis of Information Risk (FAIR), an industry standard for the quantification of information security risk.

The analysts used the simple scoping capability within the platform to rapidly determine what data points were necessary for the analysis; effectively reducing their work load by removing research into data that did not ultimately support quantifying risk. The analysts then collected data through the platform's structured workshops on key risk factors

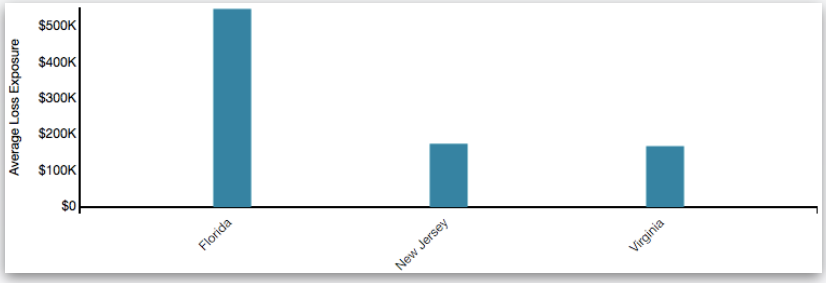

fig. 1 - Average exposure by location (FL $546K, NJ $172K, VA $166K)

including the historical number of confirmed and threatening disasters, estimated recovery times, capital outlay estimates, and resources required to resolve outages. The analysis also considered the effect outages would have on customers and liability due to missing operational goals and SLA obligations. The institution was able to efficiently produce both high level reporting and detailed results that quantified the individual and combined level of loss exposure (risk) associated with the processing centers. Inevitably the estimates used to calculate risk have a degree of uncertainty associated with them. However, like all data input into the analysis, distributions allow the organization to account for uncertainty. With less time invested with RiskLens than previous methods the institution produced a report describing, in financial terms, the effect of declared disasters that occur around the three east coast processing centers.

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The platform provided powerful detailed reporting that allowed the analysts to describe the ways in which loss materializes during outages. The report clearly illustrated exposure was spread among several categories that incorporate lost revenue, capital expenditures, and disaster response. The tabular data communicates the varying range of probable outcomes.

Name	Aggregate		
	Minimum	Average	Maximum
Productivity	$0	$249K	$2.8M
Replacement	$0	$282K	$1.7M
Primary Response	$0	$214K	$1.5M
Fines and Judgements	$0	$0	$0
Reputation	$0	$122K	$1.9M
Secondary Response	$0	$16K	$132K

fig. 2 - Exposure by FAIR form of loss

Key Benefits

RiskLens' platform allowed the BIA team to rapidly quantify the loss exposure of existing processing centers in financial terms; a more meaningful measurement for business decision-making. Once the first processing center was complete the other two processing centers were easily analyzed using a consistent process, while also reducing the subjectivity of results. The institution also discovered they could leverage the platform to aggregate the exposure associated with each processing center, gaining a total risk perspective.

The combined current state loss exposure (average) was $884K annualized. Establishing a new processing center located in a midwestern state was initially projected to cost between $2M and $5M. With a quantified understanding of the impact of natural disasters to current processing centers executive management tabled all discussions about establishing a new processing center in lieu of increasing failover capabilities between existing processing centers.

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About RiskLens

RiskLens is the premier provider of cyber risk management software. RiskLens empowers large enterprises and government organizations to manage cyber risk from the business perspective by quantifying it in dollars and cents.
Our customers leverage RiskLens to understand their cyber risk exposure in financial terms, prioritize their risk mitigation, measure the ROI of their security investments, and optimize their cyber insurance coverage.

RiskLens is the only cyber risk management software purpose-built on FAIR, the only international standard Value at Risk (VaR) model for cyber security and operational risk.