



## Top Risks to Consider for 2020

As 2019 approaches an end, there is continued business preparation for 2020, part of which is setting your organization's strategic goals and objective.

Unlike ostriches, if your business is looking to be successful in 2020, sticking your head in the sand when there is a sense of danger is not an option.

Instead, taking a proactive approach will be vital to the success of your strategic plan and, ultimately, the company. The New Year comes with a lot of uncertainties as new technology will be developed, new regulations enacted and climate change will be in full effect. These factors increase the risks to your company, hence preparing for them is essential.

To help companies plan for the New Year, we thought it was best to highlight some of the more significant risks to watch out for. If planned properly not only can the following risks be mitigated but they can also enhance your company's ability to withstand them. The risks listed below were compiled based on several surveys conducted in 2019 by Protiviti, Allianz Global Corporate & Specialty and World Economic, however, do not feel limited by this list.

### Ok! Let us dive into it!

- **Cyber-Attacks** – Imagine having your servers hijacked and hackers demanding \$14 million to restore access. A company's worst nightmare, right? Such event occurred in November 2019. A technology service provider that catered to 100 nursing homes across the United States was a victim of such a ransomware attack. The big question to you is, are your affairs in order? Do you have the essential mechanisms in place to withstand such a cyberattack on your company? What is your crisis management or crisis communication plan?
- **Regulatory Risk** – With the New Year come several new regulations to be enacted. One currently on the radar to be in effect starting January 2020 is the California Consumer Privacy Act ("CCPA"). The CCPA is being described as close to the General Data Protection Regulation ("GDPR") enacted in the European Union. CCPA will give more power to consumers regarding their private data. Therefore, now would be a great time to start thinking about how such an act may affect your business. It is also important to look at other regulations in 2020 which have the potential to disrupt your business.
- **Data Fraud and Theft** – Within the first six (6) months of 2019 there were 3,813 breaches. This number jumped to 5,183 in September. We are, currently, in December and based on the trend, this number has surely increased. According to the Q3 "Data Breach Quick View" published by Risk Based security (Cyber Risk Analytics (CRA), 2019), human nature coupled with weak controls have contributed the most to data breaches for 2019. Realistically speaking, for 2020 it seems that companies must abandon hope that there will never be a breach, but instead plan for when that breach will occur and how they will mitigate the costs associated. If a breach occurs on January 1, 2020, will your company be prepared?
- **Natural Disasters** – Compared to 2018 the number of wildfires has decreased; it is still at a high of 46,706 from January 1-November 22, 2019. Approximately 4.6 million acres were burned (Insurance Information Institute, Inc., 2019). Many companies are now realizing the threat these natural disasters pose to their operations. This has led to a significant increase in the number of Standard & Poor's (S&P) 500 companies that have added wildfire as a potential risk factor in their 10-k filings (Reed, 2019). Along with wildfires, there has also been plenty of flooding in 2019 affecting nearly 14 million

people across the Midwest and the South. I say all this to emphasize that climate change is upon us, and it is not going anywhere in 2020 (Almukhtar, Migliozi, Schwartz, & Williams, 2019).

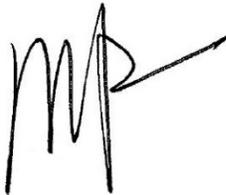
- **Third-Party Risk** – Have you ever considered that your third party might have their own third parties (fourth and fifth parties)? I will let that sink in for a bit. This not only increases your risk of a data breach, but it can lead to financial losses and potential reputational damage. The breach might not be your fault, but it is your duty to ensure you properly vet all third parties involved with the operation of your company. If this is missing from your plan for 2020, I would add it right now! Know the risks associated with all your third parties.
- **Market Risk** - With the US-China trade and currency war, Europe's current economic crisis, the 2020 US campaign, just to list a few of the reasons why an article by Forbes mentions 2020 will be the most volatile year in history (Mauldin, 2019). Who can forget the financial crisis of 2008 and the adverse effect it had on businesses? Experts are saying there is an unprecedented crisis on the way, will you go under if this is true? Or will your current risk management plan hold you strong through the storm? There is no hurt in preparing, there will be hurt if you fail to prepare.



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What is the next step? You must plan. No, I am not talking about just getting insurance. You should approach 2020 strategically and Enterprise Risk Management is a great tool to help you do so. While insurance is a part of it, I am referring to formulating a business strategy that will help you identify any dangers, hazards or potential disasters that can prevent you from achieving your 2020 objectives. Don't be like the ostrich! Do not hide your head in the sand and leave your body exposed to the dangers that 2020 brings.

Wishing everyone a magnificent 2020! If we can offer any assistance to your company, feel free to contact me. A special thanks to Shaddae Findley who helped co-author this paper – we both hope it allows you to think about risks more effectively.



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