Center for Excellence in ERM
Fall 2023 Pre-ERM Summit Survey

Dr Paul L. Walker
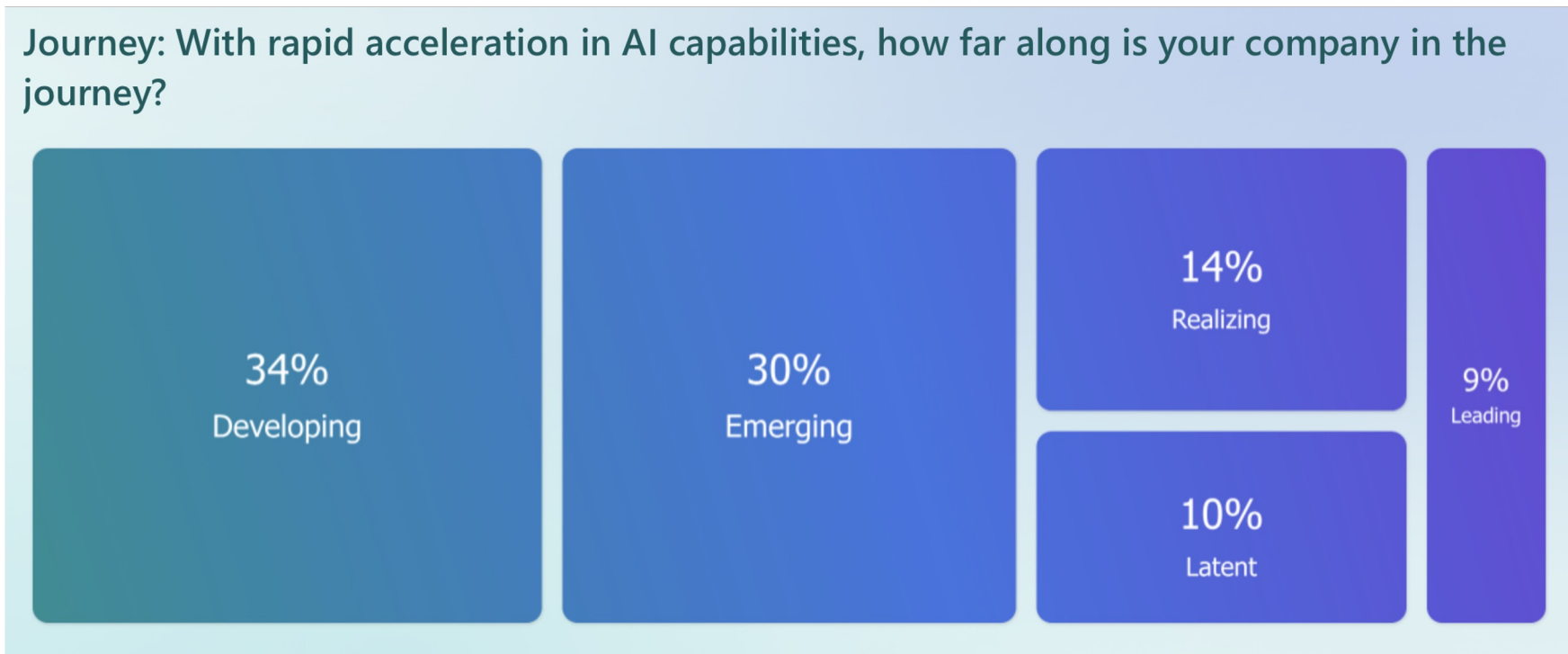Schiro/Zurich Chair in Enterprise Risk Management

ST. JOHN'S
UNIVERSITY

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Insurance, and Actuarial Science

Starting the AI Journey

- More than 60% believe that their company's journey regarding AI capabilities is either developing or emerging. This is in stark comparison to 9% of those who believe their company is leading.[1]

Journey: With rapid acceleration in AI capabilities, how far along is your company in the journey?

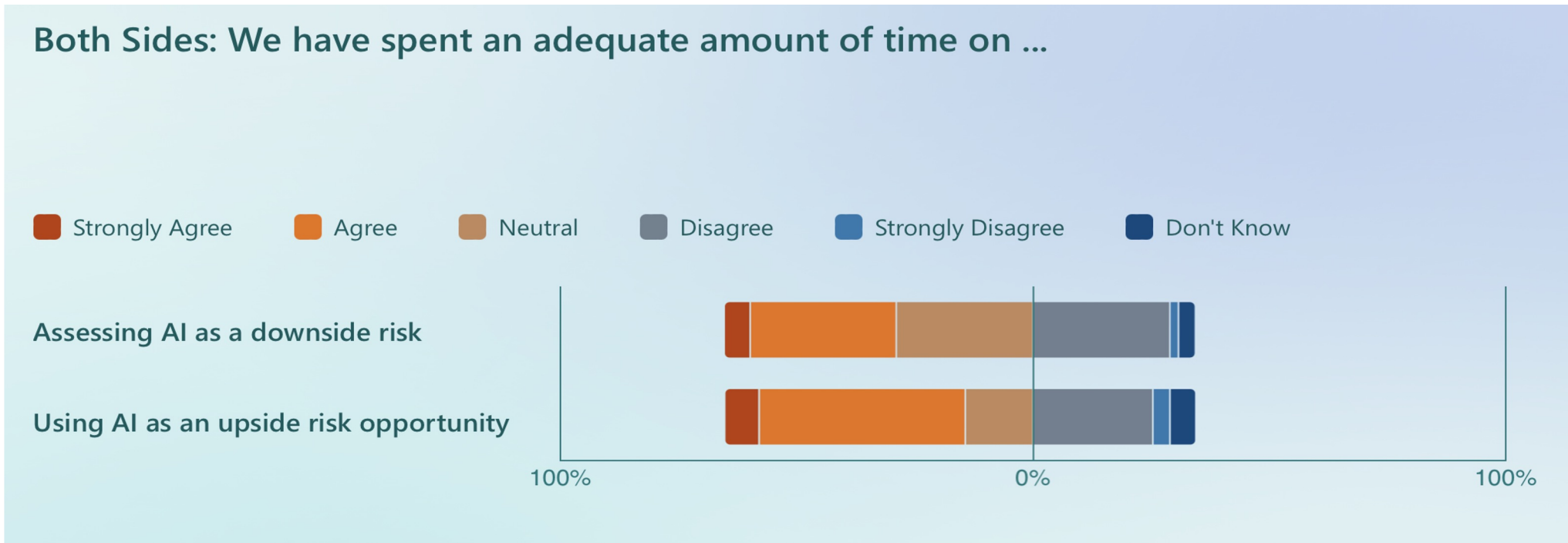|			
34% Developing	30% Emerging	14% Realizing	9% Leading
		10% Latent	

Behind the Competition

- Very few believe they are ahead of the competition in assessing the downside and the upside of AI.
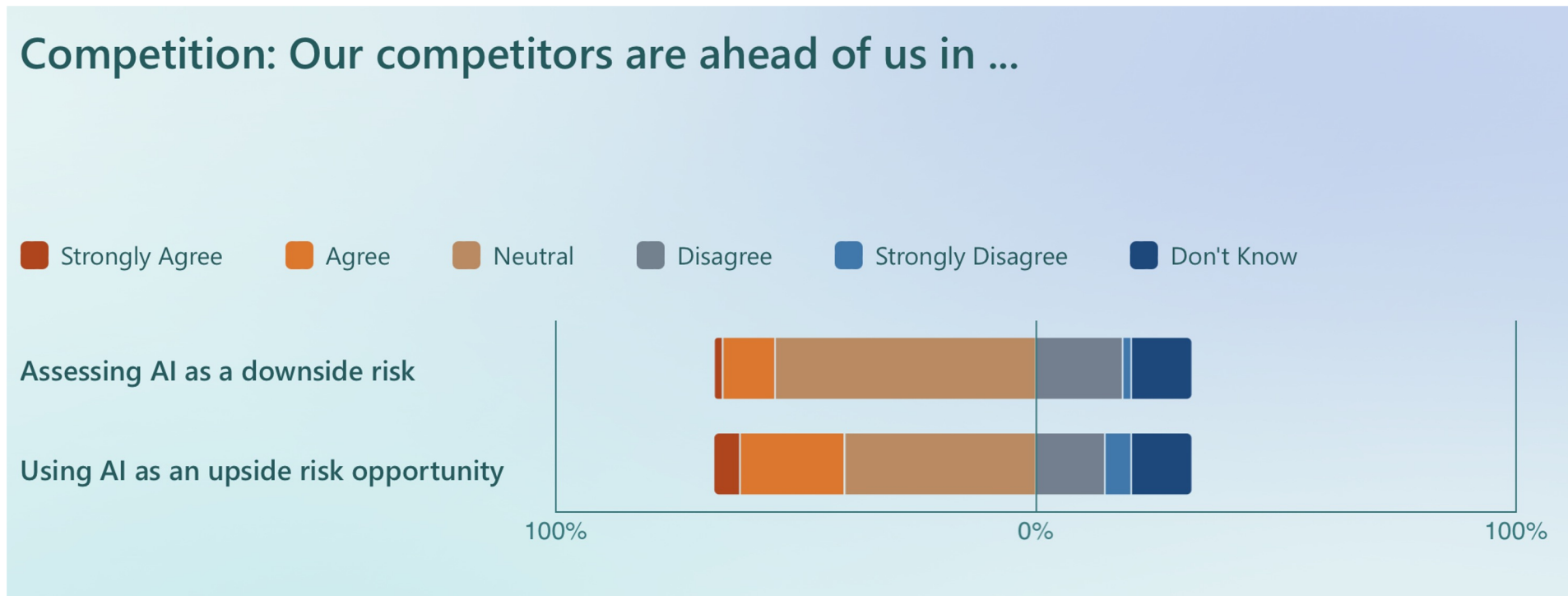
A Need for More Risk Assessment

- 36% believe they have spent enough time assessing the downside.

- 51% believe they have spent enough time assessing the upside.

Both Sides: We have spent an adequate amount of time on …

■ Strongly Agree   ■ Agree   ■ Neutral   ■ Disagree   ■ Strongly Disagree   ■ Don't Know

Assessing AI as a downside risk

Using AI as an upside risk opportunity
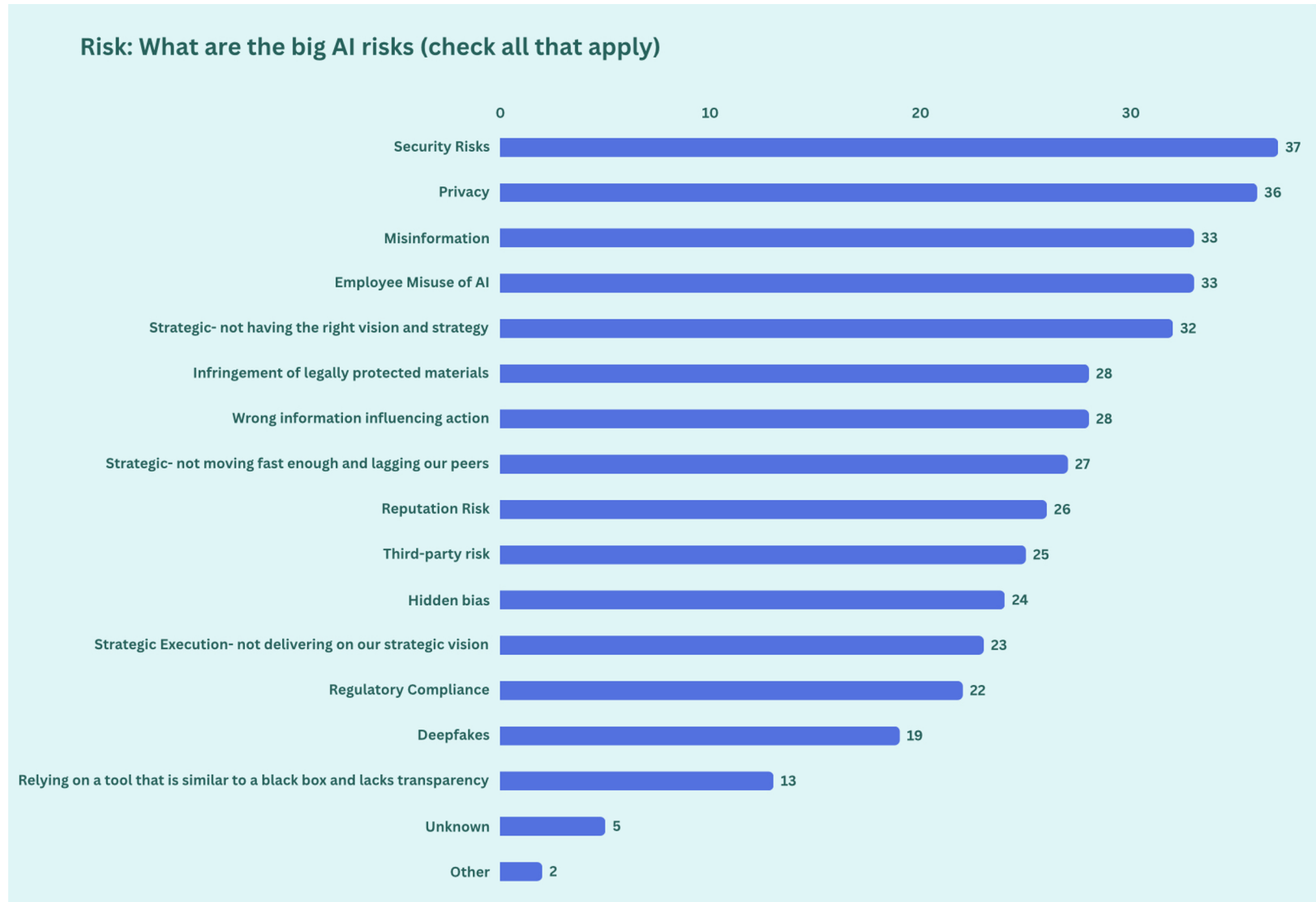
100%   0%   100%

Capabilities are Lacking

- 47% have developed the strategic vision for AI.
- 42% have built or bought the AI and technical core capabilities.
- Only 27% have changed the talent and culture.
- Only 24% have integrated risk management capabilities.
- 45% have adopted a responsible AI framework.

Capabilities: We have …

■ Strongly Agree   ■ Agree   ■ Neutral   ■ Disagree   ■ Strongly Disagree

Developed the strategic vision for AI

Built or bought the AI and technical core capabilities

Changed the talent and culture to embrace

Integrated related risk management capabilities

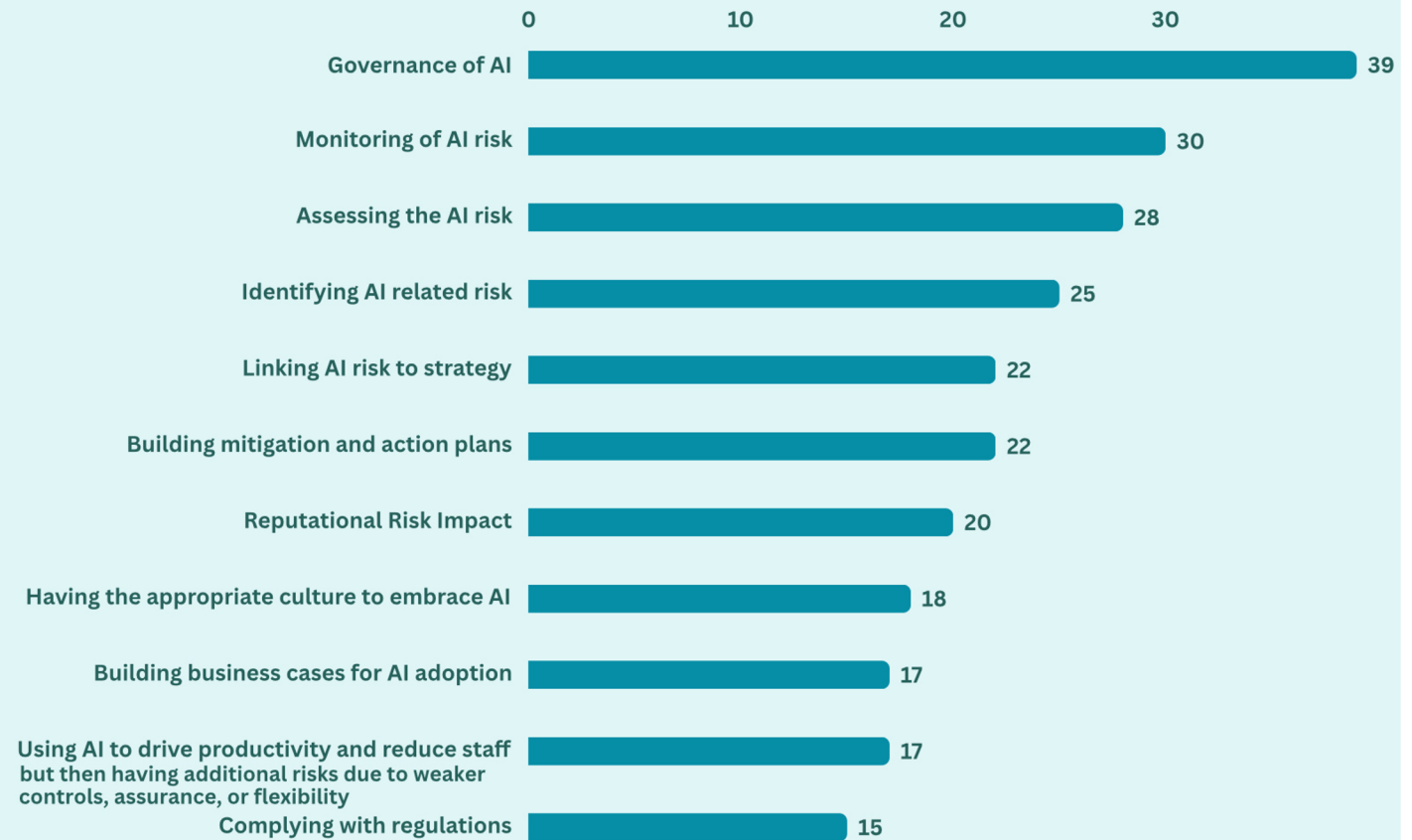Adopted a responsible AI framework and approach
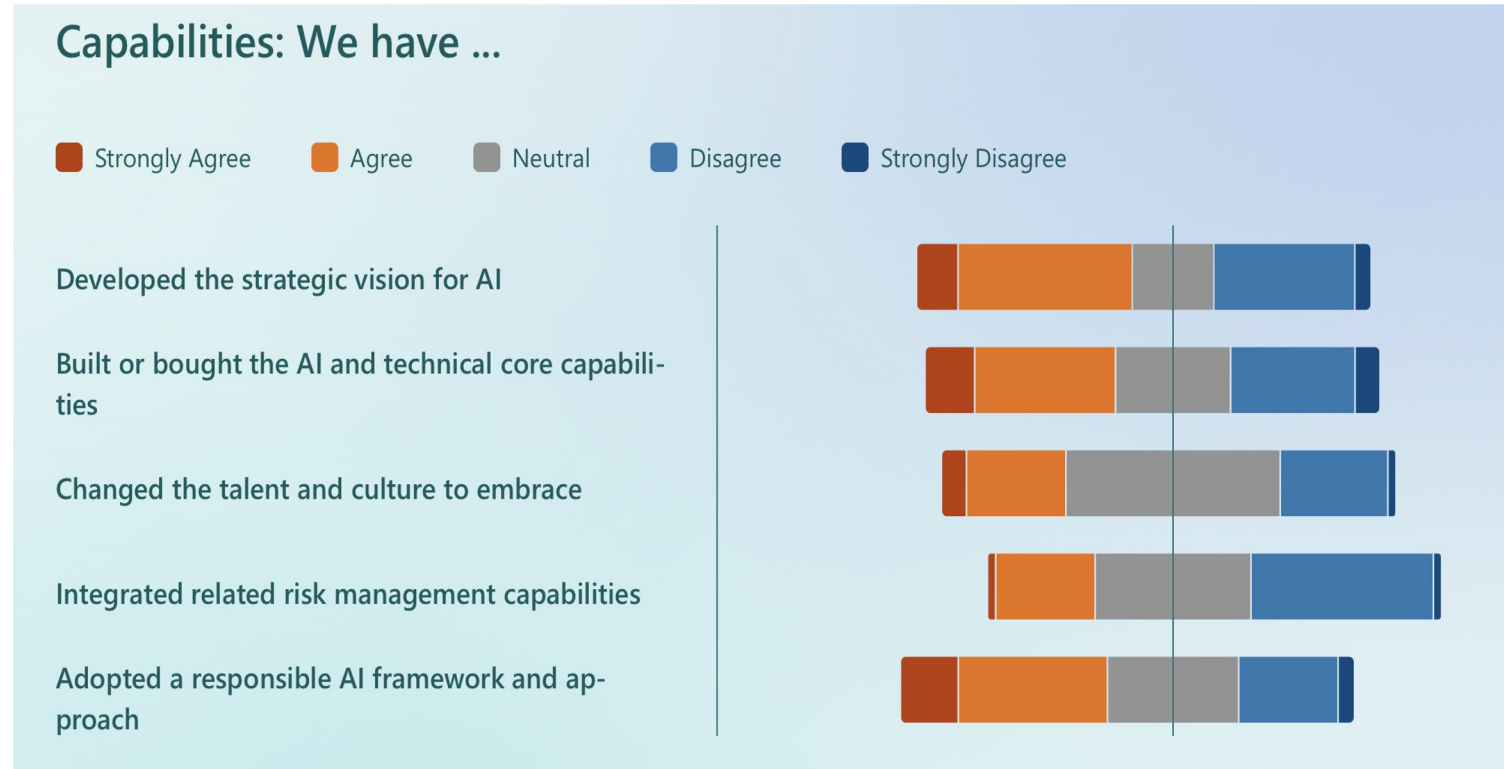
Top AI Risks

- The top 5 are:
  - Security
  - Privacy
  - Misinformation
  - Employee misuse of AI
  - Strategic - not having the right vision and strategy

Risk: What are the big AI risks (check all that apply)

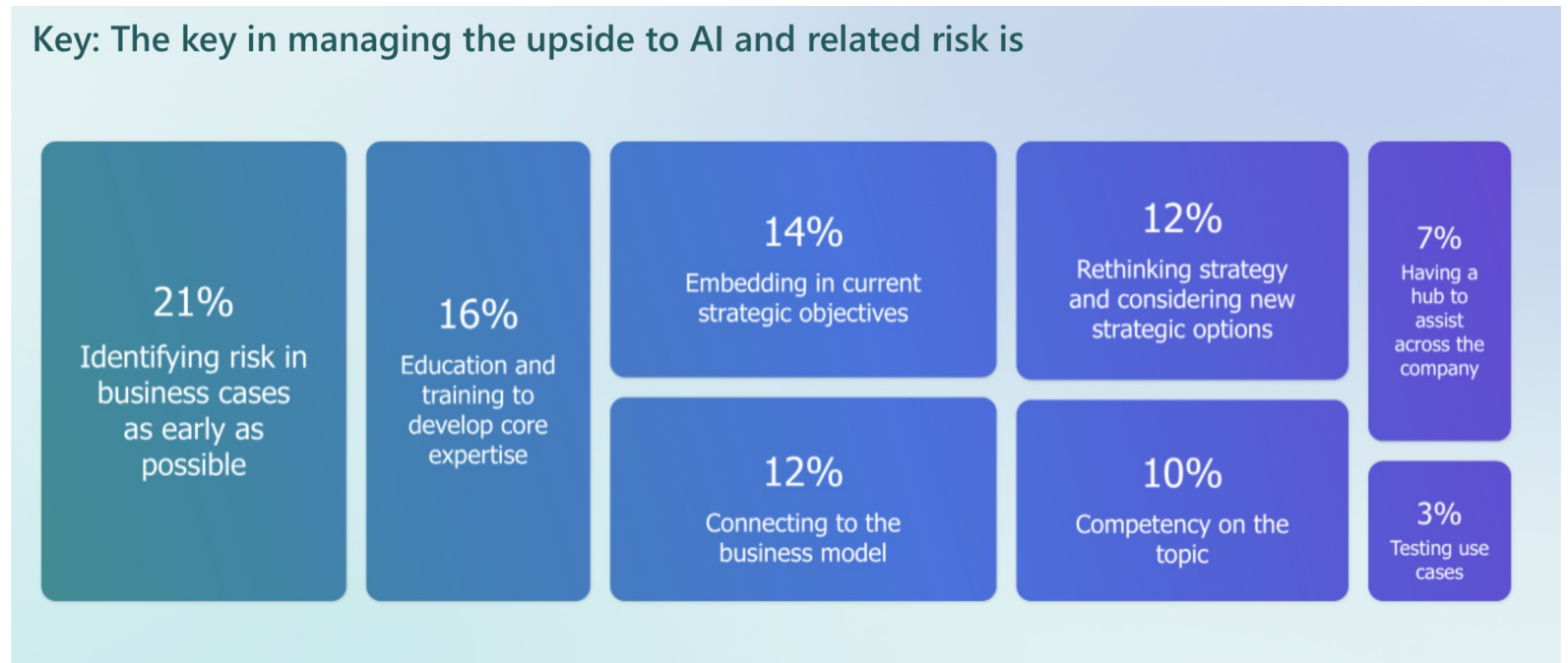| Risk	Value
Security Risks	37
Privacy	36
Misinformation	33
Employee Misuse of AI	33
Strategic- not having the right vision and strategy	32
Infringement of legally protected materials	28
Wrong information influencing action	28
Strategic- not moving fast enough and lagging our peers	27
Reputation Risk	26
Third-party risk	25
Hidden bias	24
Strategic Execution- not delivering on our strategic vision	23
Regulatory Compliance	22
Deepfakes	19
Relying on a tool that is similar to a black box and lacks transparency	13
Unknown	5
Other	2

Top ERM Concern

- The Top 5 ERM concerns with AI:
  - Governance of AI
  - Monitoring of AI risk
  - Assessing the AI risk
  - Identifying AI related risk
  - Linking AI risk to strategy

ERM: The top ERM concern with AI is (check all that apply)

Concern	Value
Governance of AI	39
Monitoring of AI risk	30
Assessing the AI risk	28
Identifying AI related risk	25
Linking AI risk to strategy	22
Building mitigation and action plans	22
Reputational Risk Impact	20
Having the appropriate culture to embrace AI	18
Building business cases for AI adoption	17
Using AI to drive productivity and reduce staff but then having additional risks due to weaker controls, assurance, or flexibility	17
Complying with regulations	15

Key to Managing the Upside to AI

- 21% believe the key in managing the upside is identifying risk in business cases as early as possible.

- 16% believe the key is education and training to develop core expertise.

Key: The key in managing the upside to AI and related risk is

21%
Identifying risk in business cases as early as possible

16%
Education and training to develop core expertise

14%
Embedding in current strategic objectives

12%
Connecting to the business model

12%
Rethinking strategy and considering new strategic options

10%
Competency on the topic

7%
Having a hub to assist across the company

3%
Testing use cases

Risk Reduction

- Almost 60% believe that the proper deployment of AI can actually assist in the reduction of some risks.

Risk Reduction: Properly deployed, AI will help us reduce some risks

58% Agree	**21%** Neutral	**20%** Strongly Agree

Considering Risk

- Only 36% agree that risk is being properly considered as AI is being developed, tested, and deployed.

- In order to better understand the potential risks associated with AI, we should increase risk awareness and assessments.

Risk Considerations: Risk is being properly considered as AI is being developed, tested, and deployed

| 36% Agree | 25% Neutral | 23% Disagree | 14% Strongly Agree |
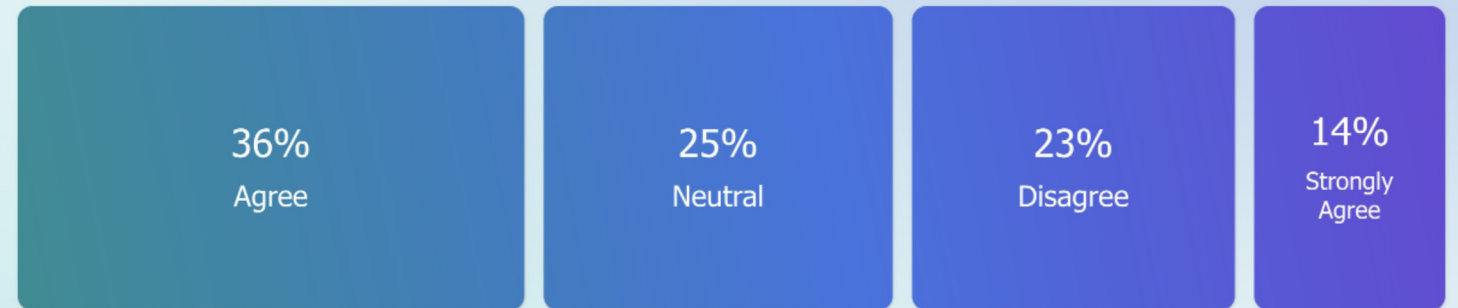
Getting ERM Involved

- 53% agree that ERM is appropriately involved in the downside of risk.
- 33% agree that ERM is appropriately involved in the upside of risk.
- 36% agree that ERM is appropriately involved in the risk associated with the adoption & exploration of AI business cases.

ERM Involvement: ERM is appropriately involved in …

■ Strongly Agree ■ Agree ■ Neutral ■ Disagree ■ Strongly Disagree

The downside risk

The upside risk and opportunities

The risk associated with the adoption & exploration of AI business cases

100% 0% 100%
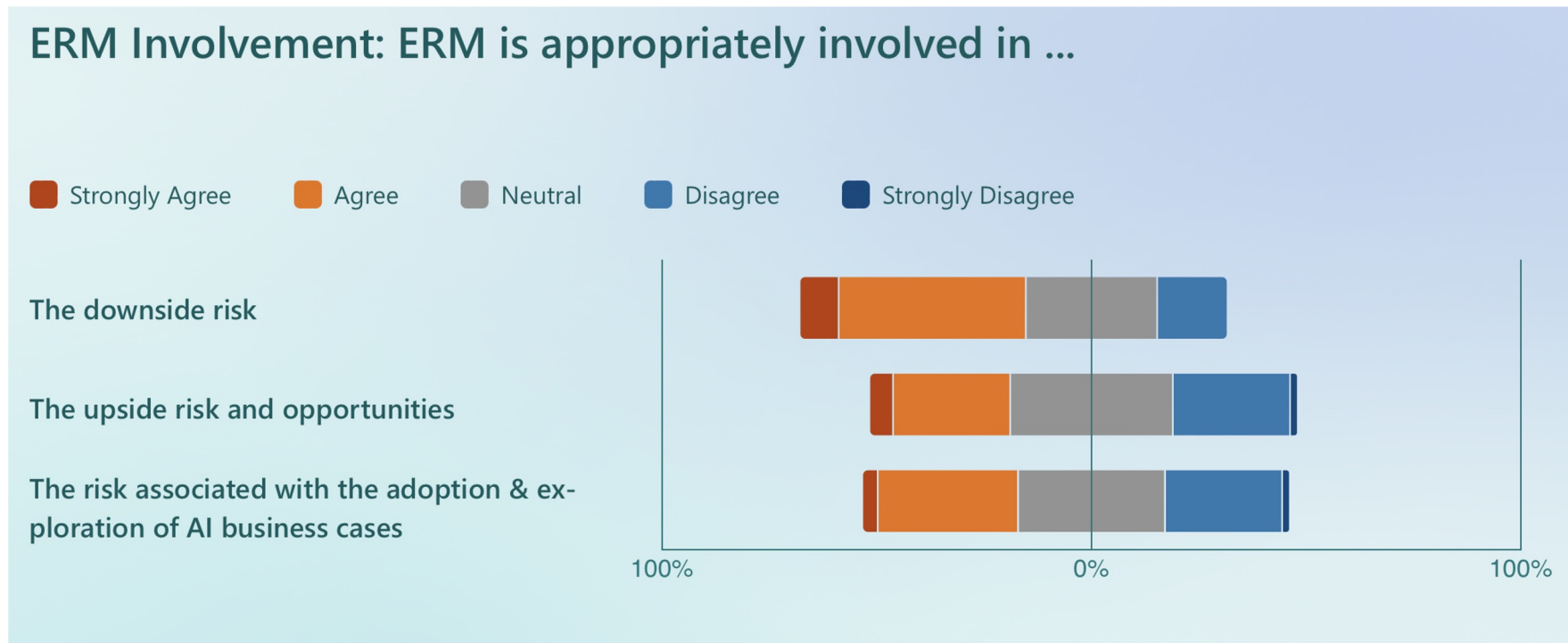
Organizational Approach to AI

- 25% see AI as a stand-alone risk
- 25% see AI as an amplifier of other risks
- 14% use AI as a dimension when they assess the impact of other risks

Approach: My organization approaches AI (check all that apply)

Similar to other technology risks	34%
As a stand-alone risk	25%
As an amplifier of other risks	25%
As a dimension when we assess the impact of other risks	14%
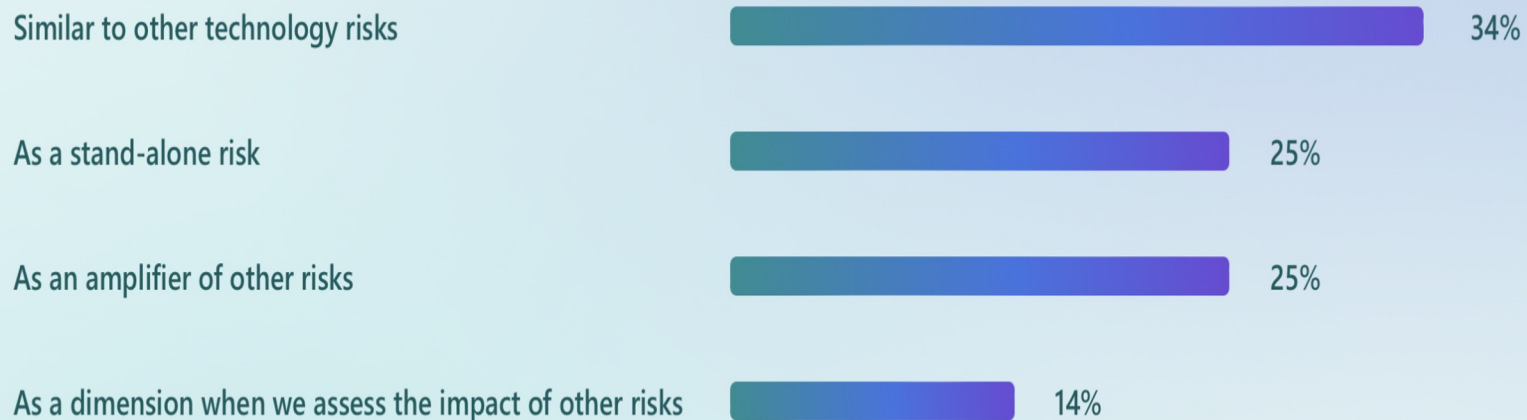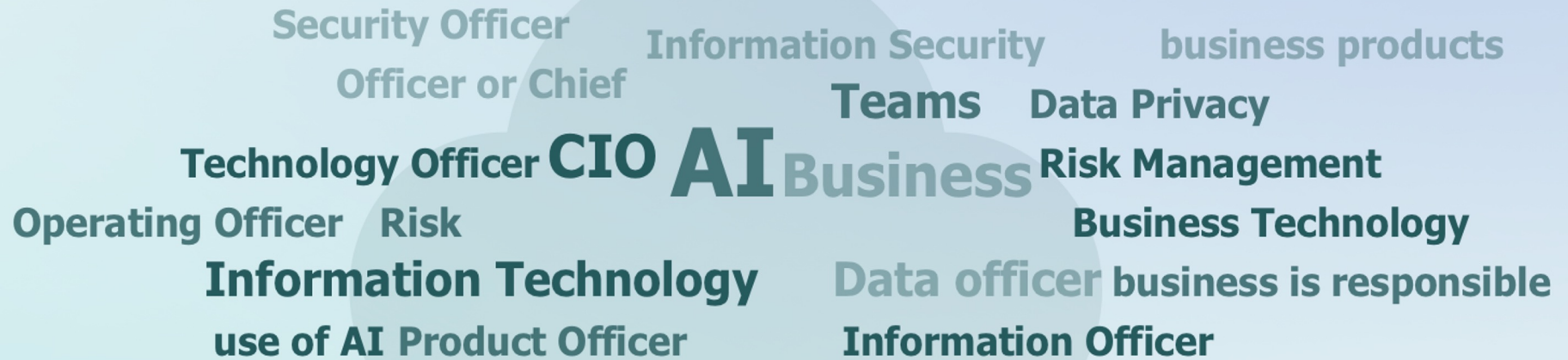
Governance Preparedness is Lacking

- Only 34% of respondents agree that the current board risk oversight and governance process is adequately prepared to oversee AI risk.

- Board risk oversight and governance must increase their preparedness to oversee AI risk as current AI capabilities, usage, and opportunities are set to expand in the current business environment.

Governance: The current board risk oversight and governance process is adequately prepared to oversee AI risk

| 34% Agree | 30% Disagree | 25% Neutral | 5% Strongly Disagree |
| | | | 3% Strongly Agree |
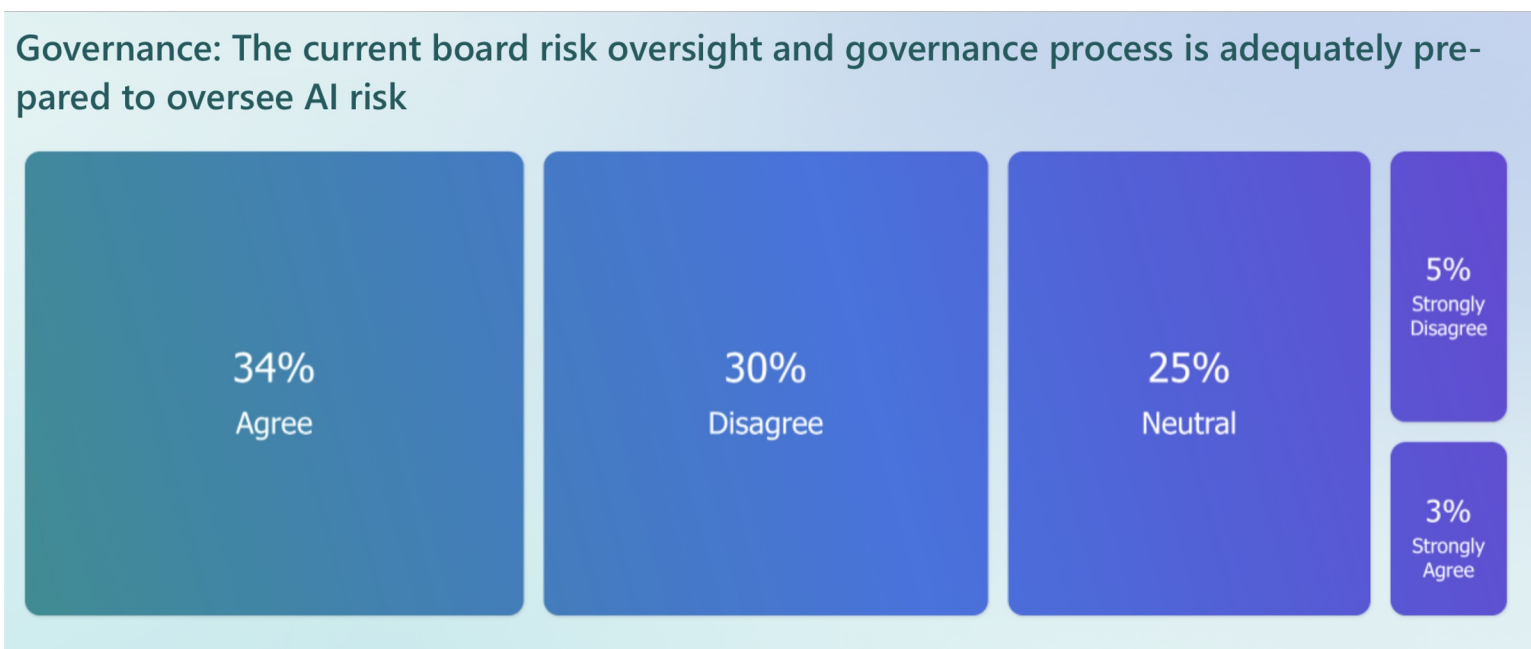
Who: Who in the organization do you anticipate will own AI risks?
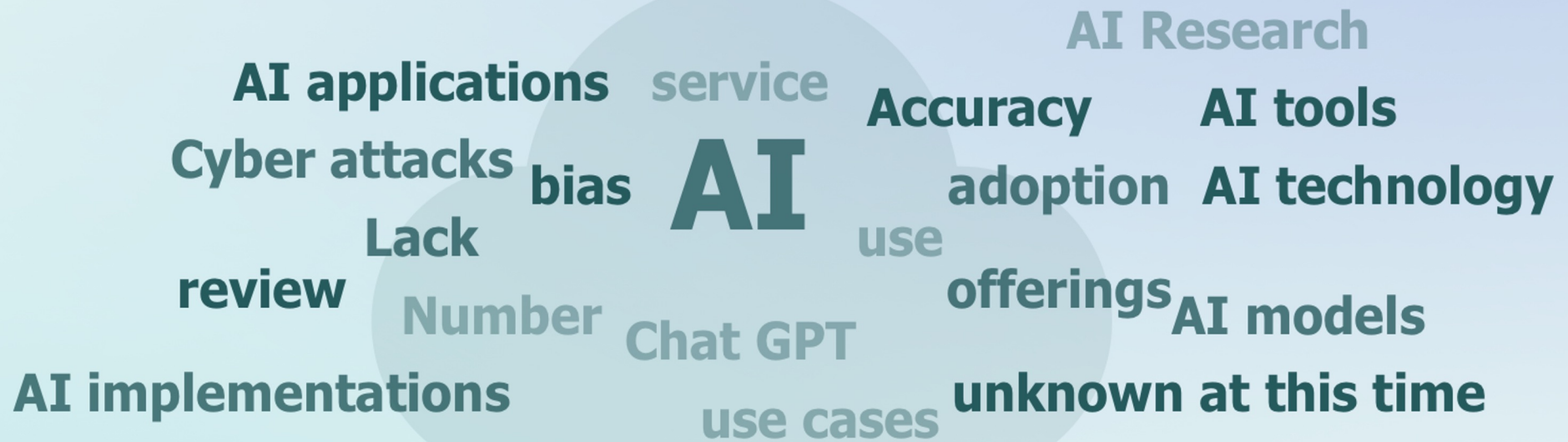
Tool: The best tool or technique for assessing AI risk is ...

Risk workshop
ERM and TPRM
risk frameworks
department
Risk governance
cases
review of experts earlier
AI Risk experts
AI ERM
Subject matter
unknown at this time
Frameworks
process
ERM Committee ERM tool
AI within the organization

KRI: A key risk indicator of AI risk is ...

AI applications · service · Accuracy · AI Research · AI tools · Cyber attacks · bias · AI · adoption · AI technology · Lack · use · review · offerings · AI models · Number · Chat GPT · AI implementations · use cases · unknown at this time

The board seems most concerned about …
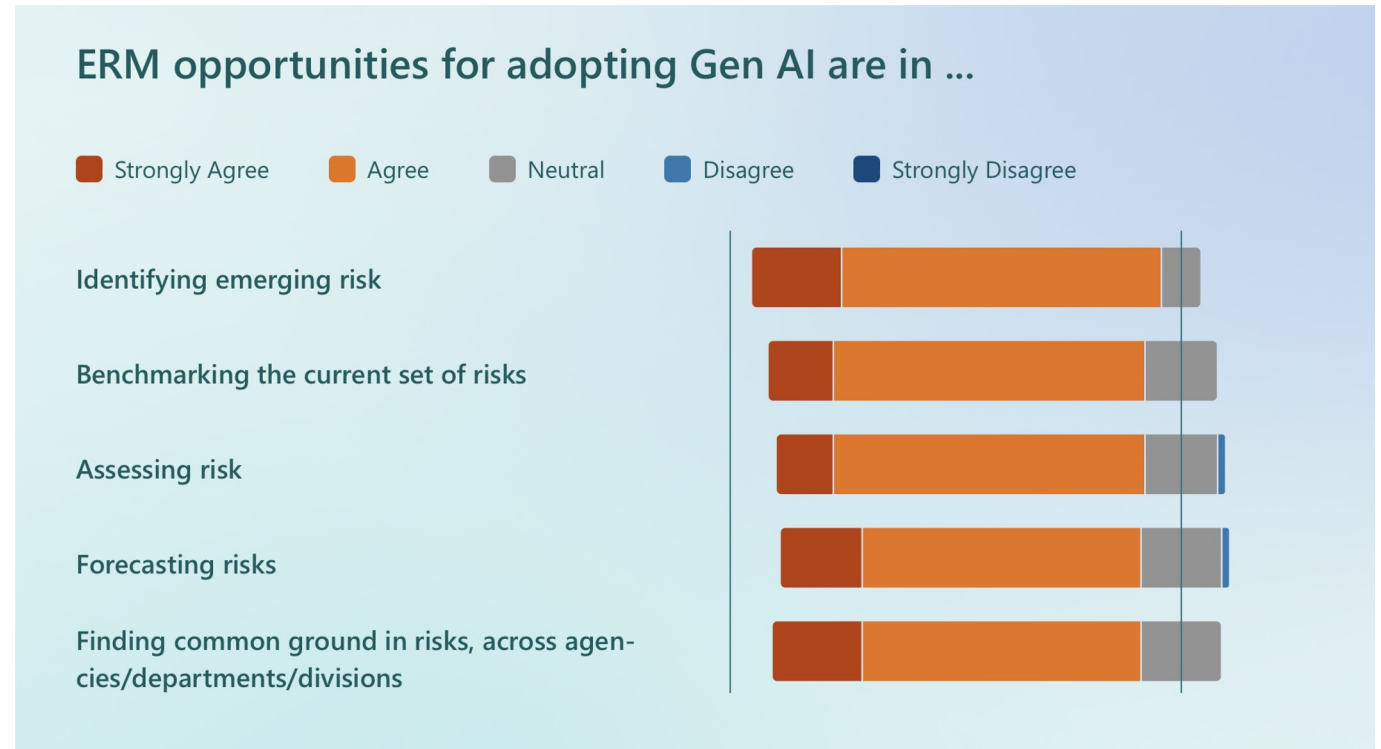
What AI risk mitigation actions have you already implemented/do you anticipate implementing?

ERM Opportunities with Gen AI

- Gen AI is largely agreed as being a beneficial ERM opportunity as it relates to:
  - Identifying risk
  - Benchmarking risk
  - Assessing risk
  - Forecasting risk
  - Finding common ground in risks

ERM opportunities for adopting Gen AI are in …

■ Strongly Agree ■ Agree ■ Neutral ■ Disagree ■ Strongly Disagree

Identifying emerging risk

Benchmarking the current set of risks

Assessing risk

Forecasting risks

Finding common ground in risks, across agencies/departments/divisions

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