Active Loss Prevention initiative

Ian Lloyd
Director of the Active Loss Prevention initiative
Situation

- New technologies bring new opportunities
- They also bring new risks from old threats
  - Accidents
  - Crime
  - War / terrorism
- The difference is often the speed with which things happen
Learning from history

- Just like all new technology waves
  - Mercantile shipping
  - Telegraph / telephone
  - Automobile (safety)
  - Aviation
  - Petrochemicals
  - Buildings

- In all these, the gains far outweighed the losses, until .....

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Losses happen

- Losses begin to happen
- Lives are lost
- Social pressure for change
- Financial risk becomes too great
- Fortunes wrecked
- Reputations ruined (Anderson!)
Problem

- Disparate technologies
  - Missing links – sensors, design, code, tests etc.
- No commercial frameworks
  - Legal, insurance, risk, audit, regulation etc.
- Governance gaps
  - Prevention and risk management is not institutionalised at any level
  - Boardroom → staff
- What happened next …
What happened next?

- Shipping
  - Lloyd’s coffee house
    - Technical change and standards
    - Legislation
    - Insurance
  - Drew in the ship owners and entrepreneurs
- There was unsustainable loss – both financial and reputation
What happened next?

- Buildings
  - Woolworths
  - Discos
  - Structural collapses
  - Earthquakes!
- Change was reactive to socially, politically or financially unacceptable losses
- Occurred over time
  - Development of new technology, standards, laws and commercial instruments
- Spurred on by the opportunity to make money
- Innovators and early adopters get involved
IT and the Internet

- History is repeating itself
- Dependencies and risks are huge
- Impact can be national or international
- Speed of adoption is increasing
- Need to act before the disaster
  - Digital Pearl Harbour
  - Continent wide Brown out
  - Collapse of a currency
  - Destruction of an IT enabled business
Technology driven
Bad publicity

- Free Kevin!
- DDOS
- War Games
- Viruses and Worms
- Corporate Data Collection
- Spam
- Carnivore
- Web Defacements
Perceived Inaction

- Media
- Surveys
- Increased Public Fear and Concern
- Experience within government
Here Come the Governments (and the Lawyers!)

- Data Protection Laws
- Legal Barriers to Enforcing Rights
- Liability for Negligence
Why legislation?

- Problems of form
  - Electronic “signature”
  - Electronic “writing”
  - Introduction as evidence
- Liability apportionment
  - Particularly CA (third party) liability
Self regulation

- Agree standards to work to
- Certification to those standards
- Global acceptance and usage
Don’t forget the old stuff

“Electronic Commerce will modify some of the traditional models for the conduct of business.

However, it is important that many of the long-standing elements of commerce be replicated in the electronic world”

“trust is essential to business - security just gets in the way”
Vision

Technology
Certified components processes and construction

Governance
Business driven (not just eBusiness)

Commercial
Involves all parties (solving the business issues)

Certified components processes and construction

Trust services
Risk terms

Active Loss Prevention initiative

Governance
Regulations Law
Insurance Audit
Legal Risks
Technology Business

Technology

Commercial

eBusiness

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## Roadmap

### Active Loss Prevention Initiative

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Involves all parties (solving the business issues)

Enable the transition from where we are now to where we need to be
“It is good to trust…
…it is better not to”

- Sholom Bryski, quoting one of his mentors

Acting as if you don’t trust the other party forces you to find ways to trust the transaction.
Delivering the traffic light

Operating system
- ID
- Role
- Authent
- Policy
- Patches

Application
- ID
- Role
- Authent
- Policy
- Rules

Trust services
- ID management
- Storage
- Authentication
- Notary

Security
- IDS
- Virus
- F/W
- Policy
- Profiles
- Patches

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Services that may be needed

- Notary
- Restoration Services
- Access Control
- Evidential Analysis
- Storage
  - contracts
  - keys
  - evidential documents
- Monitoring
  - real time
- Reliable Messaging
- Policy
- Underwriter
- Identity tracking
- Credential Management

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Customer requirements

‘Commercial’
- Vocabulary of risk terms
- Liability
- Actuarial data
- Steering group
- Digital Chain of Trust
- Risk mitigation
- Risk management methods
- Insurance response to business needs
- Propagation of liability
- Education and promotion
- Standards of due care

‘Technical’
- Trust services
- Technology liaison group
- Standards of due care
- Risk management tools
How topics fit together
Policy Guidance

- Risk Vocabulary
- Actuarial Data
- Insurance ‘packaged products’
- Liability (standards, contract terms, model laws, model regulations)
- Risk Management Methods
- Mitigation Effectiveness
- Standards of Due Care

Mitigation improvement
Trust Services

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Trusted Storage Service

- Recommendation
- Notary
- Storage Technology
- Identity

Archiving
- Identity Tracking
- Secret Keeping
- Notary

Authorisation
- Responsibilities
- Roles
- Credentials

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To regulate or not

- Some regulation is needed
- Industry self regulation can do the rest
- Governments must make sure self regulation works well
- Industry must behave responsibly
Customer top 4

- Vocabulary of risk terms
  - A set of terms that can be used to accurately communicate risk information
  - Initial support from legal, audit and insurance

- Liability
  - Scope requirements for a set of projects for this area
  - Examples: Standard contract terms, model law, model regulation, standard terms of business etc

- Actuarial Data
  - Enable the insurance industry to assess risk, cost, frequency of events, severity etc
  - Initial interest from insurance institutions

- Trust Services
  - Technical services that will be needed to deliver the requirements of other groups
  - Initial support from technology providers

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Active Loss Prevention Initiative

Governance & Policy

Risk Management

Infrastructures

Operations

Business Process Audit Finance Insurance Legal

People Technology

Plan Track

Priorities Organisation Strategy

Assessment

Executive VP & Specialists

ALP VP & Specialists

Board & Advisors

Risk Management

Active Loss Prevention Core values

- Strategic, Enterprise-wide
- Proactive, live risk management
- Involves professions & services
- Standards, verification, legislation

Management & Information

Education & Training

Parts & Pieces

‘AIC’ ‘Identifier’ ‘Interrogator’ ‘Watchdog’ ‘Verifier’

Open Group Core

CIO & Operations Procurement Suppliers

Management & Information

Education & Training

Parts & Pieces

‘AIC’ ‘Identifier’ ‘Interrogator’ ‘Watchdog’ ‘Verifier’
How topics fit together
Risk Quantification

- Risk Vocabulary
- Actuarial Data

- Liability
  (Third parties, propagation, jurisdiction)

- Mitigation Effectiveness
How topics fit together
Due Care Guidance

Risk Vocabulary → Actuarial Data

Liability
(Third parties, propagation, jurisdiction)

Risk Management Methods

Mitigation Effectiveness → Standards of Due Care

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How topics fit together
Due Care and Liability

Risk Vocabulary → Actuarial Data

Liability
(Third parties, propagation, jurisdiction)

Risk Management Methods

Mitigation Effectiveness

Standards of Due Care
How topics fit together
Policy Guidance

Risk Vocabulary → Actuarial Data → Insurance ‘packaged products’

Certified components or services → Mitigation improvement

Risk Management Methods

Mitigation Effectiveness → Standards of Due Care

Liability (standards, contract terms, model laws, model regulations)