Essays on Enterprise Risk Management

John (Jack) Hampton

Reprints from
***Risk and Insurance Magazine* (2019-2020)**

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RISK&INSURANCE

Essays on
Enterprise Risk Management

A Collection Published in
Risk and Insurance **Magazine**
2019-Present

RISK&INSURANCE

Risk Insider: Jack Hampton

By: Jack Hampton, September 11, 2020

Maybe, Just Maybe, COVID-19 Will Produce a New Breed of Risk Manager

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

I just had the opportunity to talk to a recent high school graduate who has performed an impressive risk management analysis.

She, with the support of her parents, decided to take a gap year before attending, full-time, a respected U.S. university.

She knows risk management. Her lessons probably began in kindergarten or earlier, followed her through high school, and will continue in the various stages of her adult life.

In our discussion, she showed she knows how to identify a risk, learn about it, find ways to deal with it, and choose a promising response. Good things all, but she won't be starting college.

I wonder what she will do in her gap year. What will she learn?

Will she think about a "hypothetical" influenza pandemic? Will she know the importance of segregating infected individuals as the key to reduce spreading the disease?

Will she be angered by the disruption to her plans caused by COVID-19? Will she look back and see that many people denied it, avoided the pain of social distancing, and allowed a patchwork of behaviors that accelerated the spread of the disease?

From this perspective, will she have questions about other risk management failures that became visible in 2020?

- Hurricanes ravaged the northeastern United States and the Gulf coast while historic fires burned California. Is the U.S. dealing effectively with its infrastructure, electricity grid, and disaster preparation, to protect citizens from natural disasters such as hurricanes, tornados, earthquakes, fires, and floods?
- Drug companies are negotiating the payment of 18 billion dollars to settle 3,000 lawsuits alleging reckless distribution of opioids that killed 430,000 people in the last 20 years. Why did states allow this abusive behavior, waiting to act until opioids killed 50,000 people in 2018 alone? Why were legal remedies delayed by disputes among lawyers on how to divide their $1.2 billion share of the payment?
- In Beirut, 2,800 tons of ammonium nitrate exploded killing 200 people, injuring 6,500 others, and leaving 300,000 people homeless. It was confiscated from a sinking vessel six years ago and stored in the port in the center of the city. Is poor risk management a global phenomenon?

Or will she ask why COVID-19 disrupted her senior year in high school and the subsequent start of college? Why did we not use persuasion and enforcement so the general public, and more specifically college students, refrained from bars, fraternity parties, and other large social events until an infectious respiratory virus had been brought under control?

In a few years, we will know her answers to these questions.

Watch out world. This student was a successful debater at the national level in high school. She worked with communities and politicians on voter registration, youth engagement, gender equality, and equal rights for all citizens. She interned with government officials and promoted efforts to change state laws.

I doubt the possibility that she, and many others like her, will be idle in their gap or otherwise disrupted first year of college.

A note of optimism in the midst of a pandemic?

Maybe a new generation of risk managers is emerging to deal with a new set of risks.

RISK&INSURANCE

By: John (Jack) Hampton, August 5, 2020

How Cyber Security Raters and Other Vendors May Help You Diffuse Third-Party Cyber Risk

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

Ah, just give me the facts.

"Personal computers will never replace large scale mainframe computers."

Of course they won't. Companies will not trust employees to download sensitive corporate data to local PC harddrives. Spreadsheets without passwords will never leave the window-less rooms of the data processing department.

The year was 1983.

"Cyber security will never be outsourced to third-party service providers."
No need to do it. Organizations will build their own information technology units to deny access to outsiders who attempt to breach their cyber walls.
Of course they will. When troublemakers try to sneak through their system doorways, they will raise the drawbridge that crosses the cyber moat.

The year was 2008.

"To be truly secure, we need the world's best cyber security team." Each organization

will build its own to handle attempted misbehavior.

The year is 2020.

These attitudes reflect an understanding of the past. Today, cyber security needs a fresh perspective.

The walls are tall at 30 feet. Only governments, criminal associations, and ultra-skilled individuals have 31-foot ladders.

When walls reach 33 feet, these players will develop the newly-improved 35-footer.

Protecting the walls is likely to be a forever project.

The doors in the cyber walls are something else. We open them today. We will always open them. That's one of the nice things about a doorway. Only Santa Claus has to go down the chimney.

As we continue to open doors, true cyber security has to answer a simple question. "Who do authorized parties bring with them when we open the cyber door?"

Answering this question requires the CEO and board of trustees to ask, "How much will it cost for sufficient resources to identify and restrict potentially-compromised visitors?"

This would have been a daunting question in 1983 or 2008. The answer for many entities was, "Too much."

Today, the answer may be, "Not so much." Two parallel developments are occurring.

- **Cyber Security Raters.** A growing cyber risk market is forming around companies that help you understand the exposure represented by suppliers, distributors, customers, and strangers who knock on the door. They rate the level of cyber risk posed by each party and alert you to parties that should be denied entry, or at least be frisked for a hidden weapon.
- **Microservice Architects**. These companies help divide a single integrated computer system into discrete self-contained modules separated by their own secure internal doorways. When an organization restricts individuals who unleash a cyber loss, the whole system is not affected.

Think about what it means if an organization converts to a microservice architecture monitored by a cyber security rater. A person knocks on the cyber wall door triggering risk management responses:

- **Risk Identification.** Who is it? What do they want?
- **Risk prevention.** What is the visitor's cyber score separately from our own

knowledge? Do we open the door for people in this category? If yes, where do we allow them to go.

- **Risk mitigation**. Even if they get in, visits are restricted to a single area.

- **Risk avoidance**. If visitation is restricted, no harm is done in other areas.

Many organizations are likely to be evaluating cyber security ratings and microservice architecture in the near future.

Maybe not all. You can hear it now.

- “We can’t afford to hire someone to give us cyber risk scores on our visitors.”

- “We have to trust our suppliers and partners to stay in their authorized area.”

- “Even though our system has legacy features that make us vulnerable, we can live with the exposures.”

These statements encourage a time check. Is it still 1983? Is it 2008? Is it 2020?

Or, if we don’t make changes, will it soon be too late?

RISK&INSURANCE

By: John (Jack) Hampton, June 30, 2020

According to This Professor, Teach Like Your Tech Won't Work During COVID-19

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

In the midst of a pandemic, I remember an incident from my own years in college.

I was one of 30 or so students in a mathematics class. The instructor took attendance and then solved the homework problems on a blackboard. It was a waste of time for most students.

After a few sessions, some students waited until he turned away and then sneaked out the open door in the back of the room. After a few weeks, 12 to 15 of the students would be gone in the first five minutes. He never seemed to notice.

Then, it happened. The ugly specter of uncertainty.

As he began to write, the professor abruptly turned back to face the class. He was surprised to see eight or so students jammed in the doorway scrambling to escape. They got out. He stood looking at the half-empty class
.
These were the old days. Professors talked. Students took notes. End of story.

This cozy method of instruction was turned on its head with the COVID-19 pandemic. At Saint Peter's University, like everywhere else, we had a week or so to convert every course to a distance-learning format. The execution and the results were a little bumpy.

Now we must answer a big question: What are we going to do to reopen for the 2020-2021 academic year?

Like the task of building the Six Million Dollar Man, “we have the technology … We can make learning better than it was before. Better … stronger … faster.”

Specifically, that technology includes:
- BlackBoard, a high-tech learning management system
- Zoom, a software platform that facilitates holding meetings with dozens of our closest friends and students

In the move to distance learning, we struggled to master the subtleties of BlackBoard and Zoom. We discovered that technology is not learning, and learning is not technology. The devil may be in the details. For online courses, excessive detail can be the devil itself.

Now, we are working on solid risk management strategies.

First, professors within universities must assume the technology will not work properly when they take to the front of the room. To minimize damage control:
- Distribute a syllabus with all assignments at the start of the course.
- Eliminate weekly quizzes and frequent minor tasks and interaction that are easily disrupted.
- Post videos and lectures online for 24 hour-a-day access.
- Schedule small Zoom discussion sessions so you get to know your students and help them.

Second, reduce the unnecessary complexity. We are not alone in this area. My recent search of three traditional liberal arts colleges:
- **College A**. Offers 38 degree programs and 594 distinct courses (yes, I actually counted them) to meet the needs of 1,300 students.
- **College B**. Estimates $52,000 annual cost of tuition, room and board, reduced to an out-of-pocket cost of $21,000 after complicated admission processing, financial aid, and discounts.
- **College C**. Displays 171 courses, 44 of them with prerequisites, for its 494 students.

You can only imagine the amount of time and expense it takes to administer these programs, not to mention in a time of financial and emotional stress.

Third, learn from your mistakes. Two COVID-19 lessons with the best intentions but unforeseen risk:
- Many colleges offered a pass/fail option to avoid hurting the grade point average of students overwhelmed by the Covid-19 disruption. In some cases the option

was excessively complex. As an example, the paperwork might require the signature of an advisor, department chair, and dean – all of whom were in self quarantine.
- On other campuses, spring classes started out with specific times to meet. These became Zoom sessions. The summer online courses did not specify a time for meetings. Many students had conflicts and could not participate.

Colleges will be using these and other lessons that encourage revised behavior and flexibility as they prepare to reopen. We know there's a penalty for getting it wrong.

Which reminds me. I wonder what happened to those students after they were jammed in the doorway.

I remember the professor took attendance a second time.

I wonder if he gave the missing students a pass/fail option.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, June 5, 2020

Universities Face Dire Financial Risks During COVID-19. So Do Parents and College-Aged Students Who Make the Wrong Choices

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

"Every year, many, many stupid people graduate from college. And if they can do it, so can you." (John Green, author and YouTube activist).

The quote reminds me of my college days when I worked for two summers as a busboy at the Hotel Fremont in Las Vegas. I met a man who had a winning strategy when playing craps. His advice at the dice table.

"Just watch and see what's happening. The dice will either run hot, cold, or mixed. The secret is to bet with a player when he's hot, against him when he's cold, and avoid betting completely when the dice run mixed." Even as a kid I knew this was no strategy at all.

The hot, cold, or mixed possibility is facing parents and students planning for September 2020. The *Chronicle of Higher Education* publishes a weekly list of college intentions for opening in the Fall. As this is being written, the list contains just over 700 institutions. The list is supposed to help parents, students, and professors make decisions.

Don't waste your time checking the list. Colleges are not facing a risk. It's an uncertainty. A college will either open on campus, open online, or do something else.

One hundred percent. I guarantee it. I'm a professional.

To make plans for the next academic year, parents and students should check out how colleges responded to the Covid-19 viral infection. Most abruptly converted courses from in-person to online in the middle of the 2020 spring term. How did they do it?

Deal with specifics. Let's say you or your child has been accepted at three colleges. The question to ask each college is, "Did you give students the option to change to a pass/fail grade if they were afraid the virus would harm their grade point average?"

How did each college respond? In the sense of the dice running hot, cold, or mixed, the answer will be yes, no, or something else.

- **School #1.** "No. We don't lower our standards and we won't lower them in the future."
- **School #2.** "Yes. All students could choose pass/fail for a course up to the day before the final exam by submitting a request form approved by an advisor, department chair, and college dean. After requesting pass/fail, the decision cannot be reversed."
- **School #3.** "Yes. A student could finish a course. After receiving a low grade, we would change it to pass/fail at the student's request."

Now, you have useful information. This is what you have learned:

- **School #1.** Has high academic standards or "rules are rules." Which is it? Further investigation needed.
- **School #2.** Attempts to be helpful within limits. Does not care about a nervous student whose fear of a low grade would deprive him/her of a deserved "A." Not to mention, how do you find an advisor, department chair, and dean to approve your form on the last day before a final exam in the midst of a crisis?
- **School #3.** Gives a student a choice to earn a grade but avoid harm to a grade point average during a turbulent period. How thoughtful.

From these answers, you would have useful information. Now the elephant in the room.

Should the student take a gap year, go to a low-cost community college for a while and transfer to a 4-year program, or forget about college entirely for the moment?

This nightmare scenario for private nonprofit colleges is a straight-forward risk management decision for parents and students.

- **Acknowledge simple realities.** A college degree gives most adults an advantage in life. Colleges will reopen or not in the Fall. Finances may be an issue for your family.
- **Recognize the value of a degree**. Will the student improve critical thinking and refine a value system? Will the student check off 120 credits and get a degree? Will the student do both?

- **Get the right information**. The pass/fail answers tell you more than the recruiting brochure. Ask the right questions.

Remember the gambler who knew the dice ran “hot, cold, or mixed?” Useless information for deciding how to bet. Don’t bet at all in Las Vegas. The odds were stacked in favor of the casino. He couldn’t win. He was flat broke when he died.

This does not have to be the fate of today’s students. John Green is right about stupid people graduating from college. Don’t be stupid. College is not a gamble. It’s an investment. It just requires good risk management to make the right college choice.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, June 1, 2020

A Risk Manager Converses with a Robo-Caller. The Ending Isn't What You'd Think

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

"Hello Jack. This is your grandson."

Thus was the start of the telephone call from someone who apparently knew a few things about my extended family.

"I'm in jail," the "17-year-old caller" continued — vocal cords apparently damaged by many years of heavy smoking. The story unfolded slowly in response to my questions.

He did not describe a serious offense. He was riding as a passenger in a stolen car driven by a distant acquaintance. Cops found an illegal gun under his seat. A lawyer needs $2,000 to get him out of jail. All in a carefully packaged narrative.

I listened and engaged enthusiastically — as enthusiastic as possible when conducting research on risk management.

By way of explanation, I was in the middle of a project to better understand the risk of spam calls. Our two cell phones and one landline would ring regularly at 11:15 am, 3:45 pm and 5:10 pm. I set out to chat with spam callers and keep a log on my findings.

After all, to understand risk, we must confront it.

I divided the calls into categories. I got the most interesting action from people calling to reduce the cost of my credit card debt to zero percent interest.

Repeatedly, I gave partial information about my credit card. Then, after a few minutes on hold, the caller would tell me the current balance due on the account and my last transaction — both down to the penny.

What's that about?

Risk Lesson Number One: Our Personal Data Isn't All That Private

Next, I asked each credit card caller:

- Why would you do this for me? Response: Because of your good credit card rating.
- How much does it cost? Response: Nothing. It's free.
- How do you make money on doing this? Response: A varied assortment of nonsensical reasoning.

On the sixth call, after being transferred three times, I learned about the definition of "free."

I would pay nothing, but the balance on my new card would be $1,500 higher than the balance on my old card. I would pay it off without paying interest.

Risk Lesson Number Two: If It Sounds Too Good to Be True, It Is

The credit card calls were handled by a few tough cookies. Bullies, actually, who apparently did not like my always-courteous questions and responses.

The longest such call lasted for 47 minutes. A few of them did not end well.

Some of the exact quotes were shockingly crass. Judge for yourself:

- "You're wasting my time Motherf***er."
- "Are you a f***ing idiot?"
- "You're a senseless piece of sh*t."
- "You're f***ing stupid. Don't make babies."
- "I have your credit card number a**hole. I'm going to charge $2,000 on it."

Risk Lesson Number Three: A Lot of Time Is Wasted with Spam Calls. Sometimes Even the Spammers Get Spammed

Another frequent call category was people who wanted me to take out an extended warranty for major repairs on my eight-year-old Lexus.

For a car with 100,000 miles on it, the cost would be $3,600. When I hesitated, they offered a special deal. For me, $2,600. If I still seemed uncertain, I would be switched. On one call, I talked to six different people. None were nasty.

The topic of social security actually had the most calls.

Divided equally between fraud on my account and qualifying for disability, I made new friends. I talked to Tracey twice, many others one time, but Ashley was my favorite.

Risk Lesson Number Four: Even Though I'm in Good Shape, I Might Apply for Disability Just to Visit My New Friends

Other calls dealt with problems and opportunities associated with organizational accounts (Apple, Microsoft, Comcast fraud) and financial opportunities (lower costs of electricity, home heating oil, insurance premiums).

If I used Roundup in my garden, I could participate in a lawsuit to be compensated for my imaginary health problems.

Have I missed my chance to make an "emergency contribution" to support the Trump re-election 10 months before the election?

Halfway through the project, I knew the drill. A computerized voice would say, "Hello. How are you?" When I said "fine," I got transferred. When I gave a detailed response such as I'm going through a tragic divorce, I lost my job or I was recently blinded in an automobile accident, the computer abruptly hung up on me.

As we took steps to deal with the COVID-19 virus, these calls significantly dropped. They will probably start up again soon. Who knows what new risks they will bring with them?

Final risk lesson? With the exception of the call from my "grandson" in jail, I did not see a great deal of creativity in the calls.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, April 27 2020

The Biggest COVID-19 Risk Lesson? Don't Ignore Uncertainty

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

Some 250 years ago, Benjamin Franklin warned us that, "In this world, nothing is certain except death, taxes, and the seasonal flu."

Or, at least, that's what I think he said.

We can't verify the quote. None of his contemporaries are alive today. They paid their taxes and then died.

Scientists know a great deal about contagious viruses. The World Health Organization tells us about contagious viruses that cause mild to severe acute respiratory illness.

Every year the world experiences, in the language of the U.S. Centers for Disease Control and Prevention (CDC), influenza-like illness.

The CDC pays attention to a fever 100 degrees Fahrenheit (38 degrees Celsius) or higher, accompanied by a cough and/or sore throat. This standard is used for viral infection surveillance worldwide.

Viral infections can attack animals as well as humans. They mutate constantly. People, particularly those with underlying health conditions, can die from them. They tend to shut down seasonally, but don't count on them doing so.

Whatever the strain, we shouldn't fool around with viral infections.

- 2009-2010: **61 million Americans** had the swine flu. More than 12,000 died.
- 2017-2018: A very bad season in which **45 million Americans** suffered from a viral infection and 60,000 died.
- In a more "normal" 2018-2019, viral infections attacked **35 million Americans** and contributed to the death of 35,000 of them.

In spite of the regularity of viral infections, we just don't seem to get the real risk picture. In relatively quiet years, they conduct their inevitable killing with little notice. Occasionally, an outbreak makes the news for a few weeks in the winter. Then, we forget about them until the annual September reminders to get flu shots.

In this context, the 2019-2020 COVID-19 virus may be doing us an unwelcome and painful favor. It reminds us of a fundamental weakness in our psyche. We manage risk. We ignore uncertainty.

The common cold is a risk. We can identify it and rely upon it. A person will get two or three colds a year, bringing a runny nose, sneezing, headache and fever. With minimal care, symptoms will last a few days to a few weeks. Life resumes.

Viral infections are an uncertainty. We don't know what they will do in their most-nasty mutations.

Consider an unexpectedly bad outbreak in the middle of nowhere. Wuhan, China, just to pick a random place. We sit back and ignore distant danger.

Even worse. We mishandle a cruise ship the size of a small city. It becomes a floating "petri dish" that fosters incubation and transfer of a virus.

The term "viral event" comes from virus, as in spreading the flu.

A viral event can be good or bad. Internet postings can uplift us, bully us, or deceive us. We're pleased when some things go viral. In other cases, we're disappointed.

Good risk management demands flexible responses to viral events. One positive outcome from the COVID-19 trauma would be to remember this lesson in other risky areas of our lives.

I lied. Ben Franklin did not warn us about the flu.

The guy went out and flew a kite in a thunderstorm. Maybe he didn't really know that much about risk management or uncertainty.

RISK & INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, April 14, 2020

20% of Private Nonprofit Colleges Got a 'D' in Financial Health. How Quickly Can They Upgrade to a 'C'?

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

The April 14-15 anniversary of the 1912 sinking of the Royal Mail Ship RMS Titanic is a time to reflect upon today's current risks in these very choppy higher education waters.

We have one set of maritime rules in calm weather and another when crossing the North Atlantic, with its ferocious winter storms or spring thawing of the Arctic ice shelf.

Before departing Southampton, we ensure we have enough, food, spare parts and lifeboats. As we approach a field of icebergs, we slow down the vessel to minimize the possibility of collision.

If the unthinkable happens — incurring a direct hit on an iceberg — we encourage orderly processes, get the passengers into lifeboats, and alert nearby ships to rescue as many people as possible.

The grade of F can be awarded on each activity to the Titanic:

- The ship had 20 lifeboats with a capacity of 1,100 individuals. The ship carried 2,200 passengers and crew.
- Captain Edward J. Smith was urged to ignore danger and steam full speed ahead through a field of icebergs.
- Mitigation Afterwards. The lifeboats, with a capacity in calm waters of 1,400 people, carried only 700 to safety.

From here, we morph to private, nonprofit colleges and universities. Declining college-age students, excessive student debt and changing social and economic conditions are the tips of icebergs. Too many colleges observe only the 10% of each iceberg above the water line and try to forget about the other hidden 90%.

Then from out of nowhere, we hit COVID-19, the granddaddy of all icebergs.

Higher education does not have enough lifeboats to save everyone. Who is likely to get a seat?

Twenty percent of U.S. private nonprofit colleges got a “D” on Forbes’ 2019 financial health rating. The study identified 177 institutions that were in trouble — twice the number from two years earlier.

Many private nonprofit schools are in trouble but not necessarily doomed. Like the Titanic, they made some mistakes. Unlike the Titanic, many can still take swift action to save the vessel, even as they put some people in lifeboats.

The process starts with a sustainable business model. Three questions:

- What do our clients (parents and students not always in that order) want from us?
- How can we develop it?
- How can we deliver it on a sustainable financial foundation?

If we have no answers to these questions, all is not lost. We can still do some risk management things:

- **The Band**. Anecdotal evidence and James Cameron's 1997 movie Titanic tell us "the band played on" after the collision. It helps everybody feel good when live music is playing on a sinking ship.
- **Past Behaviors**. We can engage in the familiar activities that worked so well for us in the past. This is analogous to a comfortable post-collision activity of "rearranging the deck chairs on the Titanic."
- **The Bar**. Keep the bar open for God's sake. Whatever else we do after hitting an iceberg that will destroy the vessel, do not close the bar.

Thus, our risk management strategy is for everyone to sit quietly in deck chairs, with our favorite drink and music playing in the background, on a cool, moon-lit spring evening.

This is a totally viable strategy for the next two hours and 40 minutes.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, February 23, 2020

The Best Risk Management Story from the 2020 Oscars

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

What are the odds of a Korean-language movie winning best picture at the Academy Awards?

Don't even ask. If you think about it, the odds are not great.

Similarly, what is the chance that Patrick Mahomes, a young Kansas City quarterback would replace legendary Tom Brady as football's superstar? That Tiger Woods would return to golf to win his first Masters tournament at age 44? That parents would go to jail for helping their kids win scholarships with fake SAT scores and athletic abilities?

The death of Clayton Christensen a few weeks ago links these questions. He was the creator of the concept of "disruptive innovation," a real-world "explosion" that displaces established beliefs, markets and relationships.

We live in a world where people and organizations take calculated risks. Doctors, politicians, movie producers, athletes and parents rely upon past experiences to achieve future goals. Everything's great until something goes wrong. And something always goes wrong.

That's why we have risk managers.

The best risk management story from the 2020 Oscars is found in a nominated movie

that was largely overlooked. *Ford vs. Ferrari* was a David and Goliath tale that starts with two Goliaths.

Henry Ford II ("Hank the Deuce") was the hard-hitting grandson of the founder of Ford Motor. He ran Ford like a personal fiefdom for some 35 years.

Enzo Ferrari ("il Commendatore") rose from a modest Italian family to build the awesome Italian luxury sports car manufacturer that, among other things, won the prestigious 24 Hours of Le Mans sports car race nine times.

The two men visibly hated each other (think Trump and Bloomberg).

Ford had more money. Ferrari had more respect.

The movie describes the showdown. Henry Ford wanted to win Le Mans and pledged all the resources of Ford Motor to do it.

The reality: A Goliath can't easily win a battle with another of the same ilk. Lumbering as they do within heavy defensive armor, Goliaths lack the flexible movement to create disruptive innovation. They need a David with a slingshot and deadly stones. Stay out of the way of the opposing beast. Strike swiftly and with malice.

Ford hired Carroll Shelby, a fast-talking Texan, to lead a team to build a car and win Le Mans. Shelby was failing as a result of interference by the massive bureaucracy of Ford Motor. He was ordered to go to the Ford headquarters and explain what was happening to Henry Ford.

In a dramatic confrontation with Henry Ford, the movie depicts a conversation (edited somewhat to its essence):

Ford: Tell me, Mr. Shelby, one reason why I should not fire you and your whole team?

Shelby: All due respect, sir, while I was waiting for you, I saw that red folder in your hand go through four individuals. Probably 22 or so others handled it previously. You can't win a race by committee. You need one man in charge.

Ford then learned that Shelby had built the fastest car in the world. He already knew Ken Miles was the finest driver in world. Now he needed to turn them loose to find the risk management strategy that would work with the combination of a best driver and best car.

The conversation continued:

Ford: There is one man running this company. You report to him. Go to war.

Shelby: Yes, sir.

The result, through some ups and downs, and after Ferrari won six Le Mans races in a row (1960-1965), it was dethroned by a Ford GT40 that won the next four years in a row (1966-1969).

Is the story of Ford vs. Ferrari a one-off? How could an obscure subtitled Korean film destroy “1917,” “Once Upon a Time in Hollywood” and “Joker?” How did Kansas City, whether it be in Kansas or Missouri, win the Super Bowl? Would you put a $2 bet on Tiger Woods winning the Masters?

Clayton Christensen is gone, God rest his soul. His books on disruptive innovation have some answers and are probably still available for purchase. I bought mine at Borders. Not sure where you can find them today.

RISK&INSURANCE

By: John (Jack) Hampton, January 10, 2020

Game of Thrones May Have Something to Teach Us About Risk Management

Two ambitious self-proclaimed queens in Game of Thrones both met violent ends. The same might be true of entities that think they are doing a good job at risk management.

John (Jack) Hampton is a Professor of Business at St. Peter’s University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 All Star. He was Executive Director of the Risk and Insurance Management Society (RIMS), dean of the schools of business at Seton Hall and Connecticut State universities, and provost of the College of Insurance and SUNY Maritime College in New York City.

Start of Article

Each episode of HBO’s “Game of Thrones” opens with warnings of graphic adult material, violence, sexual content and nudity. If these items are not sufficient encouragement to view the full eight seasons, the 73 episodes also offer lessons about risk.

Two risk managers are particularly worth mentioning.

Cersei, self-crowned Queen of the Seven Kingdoms, survives one potential disaster after another as she manipulates, tortures, poisons or beheads those who threaten her. Daenerys, Khaleesi (i.e., queen) of the Dothraki, displays equal skill as she competes with Cersei and a host of others to sit on the Iron Throne.

In episode 72, Cersei and Daenerys finally confront each other.

Cersei has an army behind the strong walls of King’s Landing. She resides inside the

Red Keep, an impregnable fortress that rises above the city.

She has a defensive risk management strategy.

Daenerys positions her army of warrior misfits outside the gate to the city. On her side are the Unsullied, highly-trained and heavily-armored eunuchs; the Dothraki, nomadic horse-mounted warriors; and an assortment of other armed fighters. Not to mention a fire-breathing dragon.

She has an offensive strategy.

Cersei's strategy reminds us of modern oligarchs hiding behind reinforced walls. Such behavior fits three specific areas of risk management.

Enterprise Risk. In 2006, the American International Group was a stable insurance company. However, hidden in a London subsidiary were dragon's eggs — obligations from speculating in non-insurance derivatives. When they hatched during the 2008 global financial crisis, they almost destroyed the entire company.

Cyber Risk. Sony had been warned of dragons but did not fear them. In 2006, its top security officer said Sony would not invest "$10 million to avoid a possible $1 million loss."

In 2011, a hacker cracked Sony's PlayStation and the company counter-attacked. Sitting in the wings was a dragon — the Anonymous hacktivists group. When the dragon blasted its fiery breath, Sony's loss exceeded $2 billion.

Did Sony learn to watch out for dragons? Three years later, the company announced plans to release a comedy movie depicting the assassination of Kim Jong-un. North Korea, yet another dragon with extensive capability to hack sophisticated computer systems, objected. Hundreds of millions of dollars were incinerated as North Korea wiped out Sony's computer infrastructure, released the movie free to the Internet, and compromised personal records.

Higher Education Risk. A thousand or so colleges and universities are on government and bank watch lists for financial instability. Are they facing dragons? What else could they be?

Has anybody noticed that schools such as Southern New Hampshire (SNHU), Western Governors (WGU), the University of Phoenix and Arizona State are scorching the landscape of higher education?

Student debt is doing the same thing to college students and their parents.

Is higher education doing enough to respond to the dragons of declining demographics, free tuition in community colleges and citizen anger on the cost and value of a college degree?

All of these risks encourage us to ask, “Are dragons just a make-believe threat from a fantasy TV series?”

Maybe we should ask this question to survivors of the demise of Enron, Lehman Brothers, Blockbuster or the many colleges that closed or merged in recent years.

Or maybe we should notice a Chinese trade war, Turks fighting Kurds, Brexit or the planet’s highest carbon dioxide level in the past 800,000 years.

Closer to home, fire-breathing creatures include a massive national debt, a non-working Congress and the de facto bankruptcy of the Social Security system.

Dragons are real. Some have hatched and are growing. Some still incubating in cozy facilities created by technology, ignorance, inertia or whatever.

It will not be good news if these dragons get much larger.

So what happened in the confrontation between Cersei and Daenerys? Spoiler alert — when confronted by a dragon, it’s dangerous to ignore it. The dragon destroyed Cersei’s army, her city and Cersei herself in a cataclysmic episode of unmitigated violence.

Daenerys did not fare any better. As the Mother of Dragons, she had no fear whatsoever. Then, her lover stabbed and killed her as they were embracing.

Her death shows us that living in a world of dragons is never easy, even if a dragon is not the one who actually kills you.

RISK&INSURANCE

By: John (Jack) Hampton, December 6, 2019

Meghan Markle, Prince Harry and the U.S. Education System: A Lesson in Risk Management

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Say what you will about distractions in the news, the British royal family still stands tall.

On the day of the marriage of Prince Harry and Meghan Markle, my wife and nine lady friends joined together at 5 am for a "royal wedding breakfast."

Perfect timing to watch two hours of pre-wedding festivities and the ceremony itself. Made more perfect by scones, crumpets, fresh fruit, lemon curd, coddled cream, and, of course, British breakfast tea. No bangers and mash, thank you.

In the 18 months since the wedding, we learned about stresses impacting the Prince and his bride. They're being forced to develop risk management strategies to deal with their new lives.

According to a piece in Vanity Fair, Prince Harry refuses to be a victim to hostile press coverage and is implementing a strategy to outflank and outsmart "traditional" reporters and photographers.

Let us not forget that his mother, Princess Diana, was hounded mercilessly by the media before her death at the age of 36.

In many ways, Harry and Meghan's situation is parallel to what's happening in U.S.

higher education.

Let me start by explaining a royal family quiz I gave to my students a few months after the wedding. Sample questions:

What was the site of the wedding of Prince Harry and Meghan Markle? Was it Windsor Castle, Buckingham Palace, St. Paul's Cathedral, or Westminster Abbey?
Which is not one of the given names of Prince Harry? Is it Albert, Charles, Harry, or David?
Which is the last name of Prince Harry? Is it Mountbatten, Windsor, Mountbatten-Windsor, or any or all of them?
Which did LeBron James do as a breach of royal etiquette? Did he hug Kate Middleton, fail to courtesy to the Queen, wear a jacket without a tie, or continue to eat after the Queen stopped her own eating?

In the context of some countries that still have kings and queens, I urge parents, students, professors and deans to consider what it means to be an educated citizen of the world.

We know instinctively that students are better prepared to succeed in life when they have a broad curiosity about history, politics, culture and society. Maybe even the British royal family.

Many professors claim they already encourage such curiosity. I have not seen enough of it.

Private liberal arts colleges claim to provide a breadth of knowledge with degrees in history, philosophy, political science, psychology and more. This message is often accompanied by scorn for business and teacher-education degrees, derisively identified as the product of "trade schools."

This viewpoint shows us a risk management challenge.

In the 1960s, business school professors discussed business plans, the management of large corporations, the growth of shopping malls and the leadership magic of Jack Welch.

Today, we're dealing with the convergence of technologies, the collapse of Lehman Brothers, global warming, Russian hackers and Bernie Madoff.

The imperative for change in college curricula is real. We need interdisciplinary programs. Merge the best features of the liberal arts with the career preparation of business and teacher education.

The likely risk managers are the deans of arts and sciences, business and education, along with their most flexible professors.

Sit down. Reduce the number of required core courses. Mandate required senior-level liberal arts courses in the business and education curricula. Create space for interdisciplinary business or education electives in liberal arts degrees.

What would a broader and more flexible curriculum produce?

A marketing major who understands the politics of India?
A political sciences major who can explain Bernie Madoff from a financial perspective?
A finance major who is aware of corruption in the culture of Argentina?
A psychology major who understands interpersonal aspects of management or teaching?

Or perhaps we would create students who recognize the impacts, in their own lives, of tariffs on Chinese goods, disputes with Mexican drug cartels, or the complex issues surrounding whether the Brits should withdraw from the European Union.

The common risk management challenge of the British royal family and U.S. colleges is to create a pathway to a happy and prosperous future for themselves and the people who love them.

We can help our students by making sorely needed changes in our colleges. We can encourage our British friends to do the same for Harry and Meghan.

So how did you do with British royal protocol?

The wedding took place in Saint George's Chapel at Windsor Castle. Fifth in line for the British throne, but they chose a more intimate setting than Westminster Abbey.
His given names are Henry, Albert, Charles, and David. Forget about Harry.
His last name is any or all of them. Take your choice or simply identify him as Henry Charles Albert David Mountbatten-Windsor.
LeBron James breached etiquette by hugging Kate Middleton. Keep your hands off the royals.

Don't you just love the royal family?

RISK&INSURANCE

By: John (Jack) Hampton, October 28, 2019

FedEx Delivers on Life-Altering Risk Management

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

In 1966, Fred Smith wrote a college essay outlining overnight delivery service in a computer information age. The paper was given a C grade. His professor at Yale University advised him that he couldn't hope to compete with the U.S. Post Office.

Smith brushed off that scholarly critique. After graduating with a degree in economics, he founded Federal Express. Now FedEx has worldwide operations with more than 425,000 employees, 625 aircraft and 80,000 ground vehicles serving more than 350 locations worldwide.

I'm reminded of Mr. Smith and competing with the post office by a recent online purchase.

Last week, Nordstrom sent my wife an email that said, "We're happy to let you know that your item has shipped."

This was good news. The shoes were needed for a party seven days later. No need for expensive overnight delivery.

The U.S. Post Office allows us to track the whereabouts of the parcel. After it left Salt Lake City, it went to Commerce City, CO; Kansas City, KS; Lenexa, KS; Parsippany, NJ; Warwick, RI; Shrewsbury, MA; Chelmsford, MA; and Hartford, CT.

We knew exactly where it was as we left for the party. It was located in Watertown, CT, 11.2 miles from our house.

Tracking the package was a lesson in geography. It’s also a lesson in risk management.

Ask someone, “What does the post office do?” The person is likely to say, “It delivers letters and packages.”

Ask the same question to Rob Carter, the chief information officer of FedEx, and you get a different answer.

“FedEx engineers time.”

The failure to distinguish between “engineering time” and “delivering packages” is risky indeed. Time does matter in the delivery business and failing to understand it can be painful.

As improbable as it may seem to some people, Cleveland holds one of the top three places in the world to go to for a heart transplant. Can you imagine what would happen if The Cleveland Clinic Heart and Vascular Institute used an unreliable delivery service to deliver hearts? Would they go through nine stops that include places like Lenexa, KS and Parsippany, NJ?

Assume a donor in Sacramento, Calif. dies at 4 p.m. on a Friday. It’s impossible to get a package from Sacramento to Cleveland in 15 hours.

Or is it?

FedEx and the medical professionals manage risk. The heart is removed immediately and packaged for shipping to arrive in Cleveland for insertion the next day.

FedEx manages every aspect of the delivery. The Cleveland Clinic springs into action, hospitalizing and prepping the patient and alerting the transplant team for next day surgery.

FedEx is at war. It offers solutions to allow customers to make things happen on timetables that otherwise would be impossible.

Like the post office, it gives customers the ability to see every inbound package even if they did not know it was coming. Different from its large competitor, it manages the risk of delay even when a premium price is not charged for something as trivial as a pair of shoes for a party.

Fred Smith showed that he could successfully compete with the post office. Partly thanks to FedEx, we have modern medical miracles taking place on a daily basis. In 2018, the U.S. had 3,400 heart transplants with an 87% one-year survival rate.

So now, a big question. The Yale professor was wrong. Did he ever change Fred Smith's grade of C on the paper?

I'm hoping someone at FedEx reads this article and asks Fred. If you're that person, please send me his answer. I just hope you don't mail it.

RISK&INSURANCE

Risk Insider: Jack Hampton
By: John (Jack) Hampton, October 4, 2019

Malcolm Gladwell's New Book Shows Why People Fail to Identify Risk

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

In 1938, British Prime Minister Neville Chamberlain returned from Germany after meeting with Adolf Hitler. He told his fellow Englishmen he signed an agreement that guaranteed "peace in our times." One year later, Germany invaded Poland, starting World War II.

In 1960, Bernie Madoff started a Wall Street investment banking firm. The business grew as investors consistently received annual returns of 10% on their money. Until 2008, that is, when Madoff was arrested and charged with fraud in the largest Ponzi scheme in investment history. Some 5,000 clients suffered losses of $65 billion.

In 2009, Amanda Knox, a 22-year old writer and student, was convicted of a murder in Perugia, Italy. After she spent six years in prison, the Italian Supreme Court definitively acquitted her and ordered prosecutors to pay her $20,000 compensation for mishandling her case.

Diverse as the details may be, Malcolm Gladwell links them in a new book about the risk of *Talking to Strangers: What We Should Know about the People We Don't Know*. He points out people's inability to identify risk when they're dealing with a confident liar (Hitler or Madoff) or a nervous truth teller (Knox).

Everybody knew Hitler was doing horrible things. Madoff had been investigated for years by the U.S. Securities and Exchange Commission and Financial Industry Regulatory Authority. Prosecutors had indisputable evidence that Knox was not a party to the murder.

What happened?

Gladwell makes a keen point: We lock down on first impressions if they're followed by consistent similar behavior. We change beliefs only when we finally encounter massive contradictory evidence. This is the situation for much of our risk management.

Consider the three areas where I'm currently writing.

- **Enterprise Risk**. We ignore risk as long as it only involves strangers. Opioids, used regularly by 2.5 million Americans, kill 70,000 of them every year. Families build houses in areas that flood regularly or are prone to massive wildfires. Unstable people walk into stores and purchase assault rifles.

- **Higher Education Risk**. Professors, administrators, parents, students and politicians hold conflicting views about risk and markedly-different proposed solutions. Each group is firm in its beliefs and highly resistant to changing them.

- **Cyber Risk**. People are exposed in their daily lives and organizations are threatened financially tens of thousands of times each day. Facebook, Instagram, Twitter and hackers produce exposures where individuals are bullied, shamed or scammed, and hospitals, private businesses and government agencies are subject to ransom demands, data loss and unfair competition.

The individuals charged with risk management are strangers to each other.

- Doctors don't talk enough to patients about addiction. Mortgage bankers don't warn of unreimbursed losses when building homes in dangerous areas. Politicians and vendors ignore reasonable restrictions on the availability of firearms.

- Professors decline to make sensible changes in classroom practices. College administrators are slow to respond to weakening financial conditions. Politicians, parents and students advocate narrow agendas that mitigate some risks while accelerating the chance of loss from others

- Social media sites don't do enough to warn individuals of Internet dangers. Managers don't train their people to identify suspicious activity on their computer systems. Organizations are slow to redesign their processes and systems to thwart misbehavior by employees and outsiders.

Enterprise, higher education and cyber risk management efforts often take place at a distance. Shareholders want profits while employees want decent salaries. Professors want to advance ideas while parents and students want debt relief. Teenagers want to engage electronically with 600 of their closest friends while Amazon wants to sell them everything they need to live.

Strangers are engaging with other strangers without learning much about them.

This kind of reminds us of Gladwell's overarching encouragement, "If I can convince you of one thing in this book, let it be this: Strangers are not easy."

My own encouragement is stronger.

"Stranger danger is real. Be cordial with strangers but be alert for inconsistencies. No matter how friendly, do not accept a stranger's offer to walk your child home from school."

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, September 3, 2019

This Is What Happens When a Risk Manager Goes on Vacation

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

While on assignment in Paris in 2018, I made an appointment at Lloyd's of London and decided to take the Eurostar train through the "Chunnel" to London.

At the train station in Paris, I exchanged money. After boarding the train, I found that I gave $100 (U.S.) for the equivalent of $65 in pounds sterling.

The currency desk did not exchange dollars directly into sterling. It exchanged dollars for Euros and Euros for pounds sterling — an 18% commission on each conversion.

I would pay more attention when we planned a recent trip. I would ignore the advice everyone gave us. "You're driving thousands of miles on a vacation celebrating many (too many?) years of marriage. Forget about risk management. Enjoy yourselves."

Doreen and I started in Connecticut and drove across Canada. We covered 7,200 miles (11,500 kilometers) in 27 days.

Risk management started with crossing the border. Once upon a time, a driver's license was the only identification a U.S. citizen needed. That's still the case, according to our travel brochure.

The story is actually a little scarier. An American can leave easily enough. To get back into the U.S., you need an "enhanced" driver's license or proof of birth. Do you even know whether your license is "enhanced?"

A related risk. If your car breaks down or a family emergency forces you to decide to fly home, forget about it. By air, you need a passport to re-enter the U.S.

I had my passport. Doreen had only a passport card. If an emergency arose that would force us to fly back, I would have to leave her in Canada. We did not know about that possibility in advance.

The next risk involved our original goal: We would drive to Alaska, a round-trip journey of some 9,000 miles. It requires crossing the Yukon, a territory of 35,000 residents encompassing 200,000 square miles.

Somewhere on the trans-Canadian highway between entering Manitoba and leaving Saskatchewan — two provinces with a total population of 2.5 million — we passed a sign that said something like “last gas for 150 kilometers.” That’s about 90 miles.

With our gauge reading one-quarter tank of gasoline, we made a U-turn, filled the tank, and took off for a two-hour drive, in which we saw no gas stations and few buildings, people or other vehicles on the road.

Change of plans. We’re not going to drive across the empty Yukon.

As we drove to our new destination of Vancouver, we found ourselves in a continuous process of risk management. Remembering my experience at the Paris train station, I would do some research.

Using a Visa or American Express credit card, we charged all purchases in Canadian dollars and compared the prices with the U.S. dollar conversion rates.

Expecting to expose wrongdoing, it was nonexistent on almost all transactions for hotels, food and gasoline. In a few cases, a fee was charged for a room or ferry, but otherwise no hidden charges as the Canadian dollar converted at 76 cents U.S.

A different risk was an unexpected surprise; most reservations were made by direct contact with each hotel — by Internet or by telephone call. Three reservations were made in Canadian dollars through a third party.

Subsequently, a check of credit card charges showed $343.69 by Orbitz and $378.52 by Marriott for the same room on the same night. The difference in amounts billed occurred because the hotel added parking.

The charges were shown as Orbitz and Marriott but no other identification on the Chase bank statement. The duplicate bill was further masked, because the hotel receipts were in Canadian dollars while the bank displayed the transactions only in U.S. dollars.

It took more than an hour to figure out what happened. Risk management paid off. After a telephone call, Marriott reversed its charge and all is well.

Things could be better. We can only wonder why the U.S. and Canada do not follow the model of the European Union and adopt a single “dollar” currency. A dollar bill could have George Washington on one side and Queen Elizabeth on the other.

The common currency would present one minor problem: The Canadians do not have a dollar bill. Instead, they use $1 and $2 coins, colloquially “loonies” and “toonies,” respectively. This would have to be resolved.

It may not be easy. Americans might resist describing money as “looney,” with a dictionary definition of being “insane or senselessly foolish.”

I’m not sure what they would make of a $2 coin called a toonie.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, July 25, 2019

Christmas in July: Risk Dwells Even at a Christmas Collectibles Convention

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

Whoever heard of Christmas in July? Well, it happens every year for hundreds of members of the Golden Glow of Christmas Past (GGCP). And the week-long meeting is fraught with perils and hazards that would challenge any professional risk manager.

"The Golden Glow" consists of dealers and collectors who gather together to buy, sell and celebrate Christmas artifacts and remembrances. The organization contains about 2,000 members.

The 2019 annual convention took place in Lancaster, the heart of Pennsylvania Dutch country and former site of the National Christmas Center. The volunteer committee planned for 600 or so attendees to convene in a hotel with 300 rooms. Eight hundred people showed up.

The hotel was running behind schedule on renovations, so three floors could not be occupied. People who were promised rooms had to be outplaced to neighboring venues.

This may not seem like a big deal until you realize that these people are collectors who sell their wares day and night from their hotel rooms. When some arrived to discover that they were not in the convention hotel, their chances for successful sales were minimal.

For the lucky ones who got rooms on what were designated "selling floors," the risks continued throughout the week.

Hotel rooms were converted into merchandise showrooms. Shelving and portable card tables occupied every inch of spare floor space. A single room had hundreds of antique Christmas lights, tree ornaments and nativity figures — not to mention Santa Clauses and Rudolphs in every size, shape and costume.

My wife and I have different definitions of the items for sale. Not being a collector, I consider them to be "paraphernalia," as per the definition of "superfluous trappings associated with a particular activity." She calls them "treasures" and therein lies another risk.

Before the Pennsylvania Dutch knew about Santa Claus, they had the Belsnickel. According to Wikipedia, he was "a crotchety, fur-clad Christmas gift-bringer figure in southwestern Germany." Somehow he migrated to the Pennsylvania Dutch communities. In 2019, these small and not-so-small figurines trade like gold among Christmas collectors.

How do you know a 19th century Belsnickel is not counterfeit? If it appears to be in perfect condition, how do you know it has not been repaired by a clever artisan? Why do you care?

Well, a perfect and rare Belsnickel can be worth thousands of dollars. A counterfeit or repaired item might be worth $50. It's every collector's nightmare to pay $6,000 for an item only to subsequently discover it's an almost-worthless fake.

What do you do when this happens? Do you pretend you don't know about the fraud? Do you try to sell it in your room at a discounted price of $2,500? A bargain no collector could pass up? Do you hire a bounty hunter to find and beat up the person who sold it to you?

Illustration of the Belsnickel "a crotchety, fur-clad Christmas gift-bringer figure in southwestern Germany

These are all risk management decisions, but they are not the whole story of risk in the convention.

How about the people whose reservations were not honored because of the hotel renovations? One little old lady and her son had to walk five blocks back and forth from a neighboring hotel where she could not sell out of her room. One night, we had thunderstorms. Not total bad news. At least they got exercise in the rain.

After each event or dinner, hundreds of people lined up to wait for an elevator to take the lucky ones back to their rooms. Beware of elevator number 3 where the door intermittently closed and, filled with collectors, went nowhere until help arrived.

Risk management? Use the stairs? Don't tell that to the "lucky" ones on the 18th floor.

Then there's social media risk. Golden Glow members are all over Facebook. If anything goes wrong — cold food, crowded rooms, weak air-conditioning — anger can be immediately expressed and shared.

In spite of all the risks of collecting, the attendees settled down, traded and went home with new "treasures." Or at least they hoped that's what they were.

We often identify risk management membership organizations using anacronyms. RIMS for the Risk and Insurance Management Society is the best known. We also have GARP, PRIMA, URMIA, and IFRIMA. I would like to add GGCP, the Golden Glow of Christmas Past, to the list.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, July 8, 2019

Will Facebook's New Cryptocurrency 'Libra' Upend the International Payments System?

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As my grandmother used to say when she saw me quietly thinking about something, "A penny for your thoughts."

When Sir Thomas More first used the phrase circa 1535 with the old English spelling, a "peny" had more value than it does today. Now or soon, a grandmother might say, "A bitcoin for your thoughts." Or maybe a "Libra" if Facebook has its way.

Mark Zuckerberg's recent announcement that Facebook is working with a consortium to create a single global currency, Libra by name, may be worth a dollar or two for us to share our thoughts about risk management. Where should we start?

Before we had Zuckerberg and Bezos, we had Gates. In 1994, he announced an effort by Microsoft to take over the banking system. The effort was propelled by his quote in July 1994: "Banks are dinosaurs … we can bypass them." He even had a strategy, and he put Microsoft's money where his mouth was.

Microsoft would acquire the Intuit corporation, a provider of personal financial software that ran largely using the MS Windows operating system. Intuit owned QuickBooks and TurboTax, highly-popular accounting and tax preparation software. Together, Microsoft and Intuit had 91% of the personal finance market.

Quicken also owned the National Payment Clearinghouse (NPC), whose facilities provided communication between users and their banks. It also allowed users to send payments to merchants.

In October 1994, Microsoft offered to buy Intuit. At the time, Intuit's stock was valued at $800 million. Gates offered $1.5 billion, an 87 percent premium over market price.

Was this a wise risk management decision? Not based on Intuit's income statement. The company had $500 million in annual revenues, relatively low profits, and slow growth. What was Gate's thinking?

The answer is "synergy." From the Oxford dictionary, "the interaction or cooperation of two or more organizations … to produce a combined effect greater than the sum of their separate effects." Gates saw a game changer in a merger.

To understand the risk, just do the analysis. Gates started with the fact that 90 percent of the world's personal computers ran MS Windows. The company could link Intuit's accounting and software. Microsoft could own an electronic payments system that eliminated paper checks.

What would be the expenses? On an existing network, minimal costs arise from each additional transaction. For sake of argument, let's say the additional cost reached a billion dollars a year.

With a few assumptions on pricing and volume, Table 1 shows a 33,000% annual return on the initial $1.5 billion investment.

Now for the risk. How likely is the venture to fail because of a flawed execution? Not very. When all the pieces are in place, great strategies produce great results. Consider Apple, Google, Amazon, and Netflix.

The real risk was the United States Department of Justice. They did not see the conservative 10 percent. They saw a takeover of the banking system by Microsoft. This was untenable. They blocked the merger. Gates did not take the news well.

Table 1. **Annual Rate of Return**	
1994 daily paper checks	10 billion
Annual paper checks (250 days)	2500 billion
Conservative forecast share of market	10%
Annual checks processed by Microsoft	250 billion
Charge to customer to clear each check	$0.20
Annual revenues	$50 billion
Additional expenses	$ 1 billion
Annual profit	$49 billion
Dividend by initial investment	$1.5 billion
Annual rate of return	33,000%

This brings us to the penny for our thoughts on Facebook and risks of cryptocurrencies. Led by Bitcoin, they comprise a valuation of $600 billion on the day this is being written. The day before, the entire market reached $710 billion before taking a 14 percent day-to-day fall.

Facebook is entering this volatile market in a new way. It will tie the Libra to an underlying basket of hard currencies. This should give it stability. Maybe not, if the dollar or Euro or whatever experiences a meltdown.

The biggest risk may lie in the parties that are in and out in the venture.

The Libra Association has some 30 firms committed to participation in managing the currency, including Visa, MasterCard, and PayPal, and maybe Uber, Lyft, Spotify, and others who make extensive use of credit-card like transactions.

Not likely to join are JPMorgan Chase, Bank of America, Citigroup, and other banks with extensive payments systems of their own.

Somewhere in the corridors of the U.S. Treasury, Homeland Security, the FBI, and other agencies are watchdogs concerned about money laundering, financing of terrorism, and criminal activity who may enter the discussion on easier and harder-to-trace mechanisms for transferring cash.

What is the risk assessment for Mr. Zuckerberg and his partners?

A penny for your thoughts.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, June 3, 2019

Will Cyber Risk Be 9/11 All Over Again?

John (Jack) Hampton is a Professor of Business at St. Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

Hundreds of New York City firefighters were climbing the stairs in the World Trade Center when it collapsed, taking the lives of 2,700 people in September 2001. Many parts of the story are well known.

One part haunts us today with respect to cyber risk.

In an April *Risk & Insurance®* story, editor Dan Reynolds reminded us of the difficulty of helping people understand cyber risk, particularly when mass media simplifies issues and social media spreads unfounded opinions and assumptions.

Reynolds points out that the motivation of underwriters is to pay legitimate claims. Many of the electronic communication platforms create the opposite impression.

Forgotten in the complaining by policyholders, which often occurs at dinner parties and while watching Little League games, is the need for insurers to deny claims for losses they did not accept in a policy.

Insurers assess risks and accept those that cause serious financial harm. Money to cover the losses of the unfortunate few comes from small insurance payments by unharmed many.

In this respect, risk managers live every day in a conundrum: The company wants to be insured in the event of a mishap. If one doesn't occur, many people complain about the high cost of coverage. Numerous risk managers have been accosted with statements like, "We don't have many losses. Why are our insurance premiums so high?" Or, "I'm

paying you to manage risk. Why do I have to also pay a broker?”

These internal discussions combined with mass communications distortions have spawned into the world of cyber insurance. This has two components.

The first deals with foreseeable exposures. Cyber policies on computers, terminals and tangible system components can be written using standard assessments of risk. Coverage is available.

It’s a different story with electronic liability. Everybody’s connected. A minor error in a line of computer code can facilitate hacking that compromises millions of personal records, sets off catastrophic transfers of cyber currency, cause airplanes to fall out of the skies, and maybe even launches nuclear missiles.

This reality sets up the negotiation between risk manager and underwriter. The insured must retain sufficient exposure to encourage safe handling of electronic networks and equipment. The underwriter must, with the assistance of a highly-trained specialty broker, assess uncertainty — on top of identifiable risks. After detailed discussion, a policy can be issued that does not fully satisfy all parties.

Then a loss occurs as it did at the World Trade Center. Larry Silverstein, the WTC owner, did not foresee the exposure. He insured the twin towers for $3.6 billion — half of the replacement cost of both towers. Partly because of the underinsurance, it took 13 years to rebuild the complex.

An outgrowth of the tragedy was a recognition of how insurance is tied to a complex web of risk. The $7.2 billion property damage was dwarfed by another $25 billion in life insurance, health costs, airline shutdowns and business disruption claims, not to mention lawsuits seeking insurance payments for a wide variety of other losses.

The mass media did not help. Playing on the sensitivities of the general public, some platforms created fear and expensive problems as the country sought normalcy after 9/11.

The mass media was not joined by social media in 2001. Myspace had not yet begun its rise and fall; Mark Zuckerberg was in high school; and YouTube, Snapchat, GroupMe, Tumblr or the ever-popular Twitter were not yet launched.

The danger of unseen cyber uncertainty, along with highly-active media, keeps risk managers and underwriters awake at night.

What’s the biggest hidden danger? We don’t know yet. Nor did we know in 2001.

The loss of life during 9/11 was multiplied by an otherwise sound engineering decision.

The building was designed to collapse down floor-by-floor to avoid falling to one side. Normally a good idea, the design did not allow warnings as different parts of the buildings failed. It probably increased the loss of life as everyone still in the building was doomed seconds after the weakest point failed.

In 2001, mass media was not so aggressive to discover factors that could inflame the public about construction design. Times have changed. Today, we await the massive hidden cyber event magnified by the mass and social medias.

Until we know more, risk managers, brokers and underwriters can only heed the recommendation of Dan Reynolds to strive for a “better understanding of how insurance can respond to cyber events.”

But that’s not all folks. Reynolds alerts us we must also be prepared to “manage a public relations challenge.”

RISK&INSURANCE

Risk Insider: **Jack Hampton**
By: John (Jack) Hampton, May 6, 2019

Why Jeopardy Contestant James Holzhauer Is a Prime Example of Best Risk Management Practices

John (Jack) Hampton is a Professor of Business at Saint Peter's University, a core faculty member at the International School of Management (Paris), and a Risk Insider at Risk and Insurance magazine where he was named a 2018 Risk All Star.

Between 5 and 10% of Americans have a mild form of color blindness. Men are much more likely than women to be colorblind, because the gene is inherited on the X chromosome.

About 7% of Americans have aviophobia, an intense fear of flying. As many as 30% are either afraid to fly or anxious about boarding an airplane.

From a risk management perspective, fear of flying is nonsense. In the United States, 700 million people annually fly on 33,000 daily flights. We lose about 100 people a year in airplane crashes, virtually all on non-commercial aircraft.

This compares to 1,000 deaths annually in bicycle accidents, 1,500 in accidents involving guns, 3,000 in complications from medical procedures, 5,000 in accidental drownings and 70,000 from opioid overdoses.

When this information is given to a fearful flyer, it can't be seen. This is evidence that we deal with a form of color blindness when people view the spectrum of risk.

Medical research tells us that being colorblind does not mean people can't distinguish colors. Some just don't see as many colors as the rest of us. They typically can't tell the difference between the colors red and green or blue and yellow. In rare cases, they see in only black and white.

Risk management research, not to mention daily interactions with others, similarly informs us that many people can't distinguish colors when making decisions about risk.

In not-so-rare cases, they deal only in black and white.

In the medical realm, there was no treatment for color blindness until ophthalmologists understood the condition and developed colorblind glasses. They don't cure the malady, but they help colorblind people better navigate their world.

Outside the medical world, risk managers seek new techniques to help people and organizations see through new lenses the realities of an increasingly complex world.

To support this effort, I nominate James Holzhauer for a risk management ophthalmology award for his work on Jeopardy. The show was first seen on television in 1964 and has run continuously since 1984. Contestants pursued a variety of risk management strategies. We applauded some and were perplexed by others.

Using a time-worn but still effective SWOT analysis, Holzhauer a unique vision:

- He had a superior grasp of knowledge compared to other likely contestants. He could press the button faster.
- He had no weaknesses in this environment. He's a professional sports gambler who deals with risk every day. Other contestants may be smart, but they're less likely to respond quickly in tense situations.
- He could maximize his strengths and the weaknesses of others with an aggressive, attacking style of play.
- He could minimize danger using a steady course where he did not get carried away by success or overestimating the weaknesses of others.
- His ability to see the colors in the full picture of risk produced a successful outcome that will benefit him for years after he leaves Jeopardy.

Holzhauer gives us a recent risk ophthalmology lesson. Bill Gates, Steve Jobs and Reed Hastings — Microsoft, Apple and Netflix respectively — previously saw vibrant colors of risk and opportunity. Even if we're not the superior contestant in terms of basic ability, we can look for the true color as we deal with the risks we face.

A personal note to finish: My wife thinks I'm colorblind even though I passed an ophthalmology test showing I can distinguish a full spectrum of color. She asks, "If you're not colorblind, how could you think that tie matches your pants?"

I decline to accept the risk of clothing that does not match. Whatever my personal infirmity with vision, my wife picks out my work outfits.

This is an encouragement for people and organizations to get help to see all the colors in their risk environment.

RISK&INSURANCE

Risk Insider: **Jack Hampton**
By: John (Jack) Hampton, March 21, 2019

5 Ways Higher Education Can Redeem Itself After the Admissions Bribery Scandal

In the 1987 movie Baby Boom, J.C. Wiatt (Diane Keaton), a high-flying New York executive, “inherits” two-year-old Elizabeth from a distant cousin who recently died. Months later, she’s in Central Park chatting with other mothers as their little ones have a playdate. One mother reports her daughter’s status.

“We heard from Dalton. Crosby didn’t get in. I’m so upset. Without the right preschool she can’t get the right kindergarten. Without the right kindergarten, I can forget any hope of an Ivy League college!”

One of the mothers sympathizes, “Honey, that is so devastating.”

The first mother continues, “I just don’t understand it. Her resume was perfect. Her references were impeccable. Dennis is gonna kill me.”

That’s when J.C. Wiatt joins in with, “Are the good schools hard to get into?”

Perhaps we should ask that question to former “Desperate Housewives” star Felicity Huffman and “Full House” actress Lori Loughlin. They, along with 48 other wealthy Americans were indicted in a college admissions cheating scheme. Raising her

daughter's SAT score 400 points cost Huffman $15,000. Loughlin sprung for $500,000 to get her daughter into USC.

The news that people of privilege engage in criminal behavior to get their kids into the right schools is not all that shocking. For years, we knew that admission to Harvard was the educational equivalent of the Willy Wonka golden ticket. The same was somewhat true for universities such as Yale, Stanford, Oxford, Cambridge and Tokyo.

Getting in was the hurdle. Once admitted, Ted Kennedy, George W. Bush, Donald Trump and many others graduated from Ivy League universities even if they might not have been academically qualified for original admission.

The situation of privilege, in a nutshell, is both a reality and a risk in higher education.

From a risk management perspective, we can hardly fault parents who begin to plan their child's education prior to conception. In a society that admires privilege, it matters what schools you went to, even if you didn't learn a great deal during four years on a campus.

At the same time, what the parents did was wrong. They'll be punished, likely with jail time since their actions involved fraud, racketeering, conspiracy, money laundering and obstruction of justice.

A potential upside to the story comes from the possibility of a jolt to our understanding of the need for major reforms in our colleges and universities. Here are 5 things I think need to happen, and quickly:

1. **Academic programs and course offerings need to change to reflect new realities.**
2. **Professors and administrators need to make reforms to address precarious financial conditions.**
3. **Foundations and nonprofit organizations need to shift resources from the already-well-endowed institutions to struggling private and public colleges.**
4. **Politicians need to address the student debt crisis.**

5. **Institutions need to acknowledge scholarly research but not at the price of ignoring undergraduates.**

These changes may be painful without an attitude change. We can start with a current conversation.

“We heard from Georgetown. Crosby didn’t get in. I’m so upset. Without the right college, she can’t get the right job. Without the right job, I can forget any hope that she’ll move out of the house before she’s 30.”

A friend with her own boomerang kids sympathizes, “Honey, that is so devastating.”

It only takes a spark to light a fire that can change a landscape. If the troubles of Ms. Huffman, Ms. Loughlin and others encourage better behavior, they may inadvertently accelerate overdue reforms in higher education.

RISK&INSURANCE

Risk Insider: **Jack Hampton**

By: John (Jack) Hampton, March 6, 2019

Here's the Biggest Risk Management Lesson From the Failed Amazon-New York Deal

A parable from ancient India tells the story of a group of blind men who never previously came across an elephant. Each blind man feels a different part of the body and then describes the elephant based on his limited experience. Because their descriptions are different, they suspect the others are dishonest and they come to blows.

We may have just witnessed a similar situation. In 2017, Amazon's national headquarters was in Seattle. For some reason, the company felt it needed a second headquarters. It solicited bids from governments and economic development organizations hoping to bring some 50,000 jobs to their areas.

Amazon's request had mandatory requirements. These included: the location must be in an area with a large population, and it must have interstate highway access, extensive mass transit, major universities, and an international airport with direct flights to Seattle, New York City, San Francisco, and Washington, D.C.

Governments in 42 states, Canada and Mexico submitted 238 bids. Based on specifications, it's likely that submitters like Anchorage, Alaska; Brunswick, Maine; Edmonton, Canada; Santa Teresa, New Mexico; and Hidalgo, Mexico were eliminated early.

Bidding grew intense.

Georgia held out the opportunity to create a new city named Amazon. Tucson sent Amazon the compelling gift of a 21-foot saguaro cactus. New York offered to light up its major landmarks in orange. Primanti's, a chain of sandwich shops in Pittsburgh, offered

free sandwiches to Amazon employees.

After receiving the initial bids, Amazon narrowed the field to 20 finalists that offered incentives such as tax breaks, infrastructure improvements, speeding up of construction approvals and elimination of red tape.

After intense negotiations, the company decided that three national headquarters would be better than two. They awarded a second headquarters to metropolitan Washington, D.C., and a third to an area of Queens, a borough of New York City.

Then, it really got interesting.

Local activists objected to the project and began a fight against it. Politicians objected to the generous tax packages that might deprive New York City of funds needed for other projects. Unions objected to Amazon's reluctance to allow its workers to unionize. Citizen's groups disliked the "gentrification" of the areas that might accompany the headquarters.

Three months after announcing the selection, Amazon abruptly cancelled its plans to set up in New York City.

Now that the deal has been killed (or at least paralyzed, as Barron's points out), a discussion about the importance of at least trying to assess opportunity costs in making any decision is in order.

Both supporters and opponents of the Amazon project had viewpoints that deserved consideration during the process of selection:

- **Tax Impact.** Loss to the city of some $3 billion in property taxes, while the gain from other tax benefits could be as high as $30 billion in the first 10 years.
- **Unionizing Impact.** 30,000 Amazon employees who might not unionize with an offset of new union jobs for thousands of others in construction and support of the new facilities.
- **Gentrification Impact.** The section of Queens selected is not exactly "blighted," as was claimed by New York state as a reason to exclude the New York City Council from oversight. It is not exactly Manhattan either. The facility, to be located on land being discussed as suitable for 1,500 affordable housing units, had pluses and minuses to be considered.

Who was right? Was it the supporters or the opponents? An ancillary question.

Who was wrong? Does it really matter?

From a risk management perspective, a different question arises. How do we resolve

differing viewpoints if all parties are blind to the big picture? The question takes on additional impact in the framework of social media and a national atmosphere of confrontation.

New York's Governor Andrew Cuomo wants to reopen the discussion. He should remember the limited vision of blind men describing an elephant as he encourages feuding parties to talk to each other.

What did you feel? This is what I felt.

What is the big picture?

These are questions that need to be on the table if opportunity costs are going to be analyzed adequately.

If the adversaries realize that the elephant is bigger than a tusk or tail, the beneficiary may be a slightly blighted section of New York City.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, February 1, 2019

This is Why Most Universities get an "F" in Risk Management

On the first day of September in 1939, Germany invaded Poland without provocation. Two weeks later, the Soviet Union did the same from the other side. How did the Poles respond?

The answer is they fought valiantly. More than one million Polish soldiers counterattacked, led by cavalry on horseback. Their efforts were a total disaster against tanks and airplanes.

An outmoded strategy and antiquated army structure were no match for modern, mechanized German forces. The war lasted a month, ending when Germany and Russia divided Poland between them.

Poland's predicament is not unlike what's happening today to college professors.

An attack by an overwhelming force has targeted higher education. On one side are critics that say a college degree is no longer needed. On another side are parents and students who say a college education has become an expensive waste of time and money.

Like the Polish army, professors are caught in the middle.

External forces allege that much of a college education does not prepare students for the lives they'll lead and the careers they'll pursue. College and university professors point out the humanistic and decision-making value of the content of their courses.

Who’s right? It doesn’t matter. Students caught in the cross-fire are suffering.

Even a cursory look shows the problems for colleges and universities, particularly those not supported by large endowments:

Many are on government and accreditor financial deficiency watch-lists.

Part-time instructors are replacing full-time professors and tenure is disappearing.

Students are graduating, or failing to graduate, after being burdened by excessive levels of debt.

Legislators are turning away from financially supporting 4-year college programs.

This crisis in higher education has unfolded and is moving forward without enough participation of tenured and tenure-track faculty. The criticism is they are hired and rewarded for research and oftentimes not held accountable for helping students learn.

Whether true or not, college presidents and boards of trustees are taking aggressive steps. More than half of all college classes are now taught by part-time instructors. This is partly a financial decision and partly a belief that full-time professors are using obsolete strategies and technology.

The Poles had horses and swords. The Germans had tanks and planes. College professors have lectures and multiple-choice exams. Students need interaction with mentors and collaboration with fellow students.

What Can Higher Ed Do?

On this note, the professoriate should take heed of two universities that follow a different model: Southern New Hampshire and Governors Western universities show the future.

At SNHU, traditional and distance-learning programs co-exist to the benefit of individuals with varied educational and other needs. The institution has 150 full-time faculty and 5,100 part-timers. Tenure does not exist. Instructors are not encouraged to “publish or perish.” All are subject to dismissal if they fail to provide frequent and helpful support for their students.

WGU uses a competency-based learning model. Offering distance-learning programs, the university was founded by 19 U.S. governors in 1997, as a viable alternative to traditional, classroom-based learning. The University has 80 percent full-timers among its 3,800 instructors (mentors). Once again, tenure does not exist.

SNHU has few full-time instructors. WGU has many. That’s not the important difference.

Both universities reject the notion of a faculty primarily built upon research and longevity. Helping students learn is the goal. The standard is enforced rigorously.

The success of these schools should worry traditional colleges. As many private, nonprofit schools struggle financially, SNHU and WGU each have grown to approximately 100,000 students scattered across the United States.

The situation encourages professors at struggling schools to reflect on changes in higher education. Maybe they could get into the game. It’s dangerous to sit quietly refusing to modernize in the middle of angry and opposing forces.

RISK&INSURANCE

Risk Insider: Jack Hampton

By: John (Jack) Hampton, January 24, 2019

Why Brexit Is Turning Out to Be a Risk Management Nightmare

In times of stress, the Brits could always count on Winston Churchill. In 1939, he famously said, “I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma; but perhaps there is a key. That key is Russian national interest.”

If Churchill were alive today, he might modify the quote. The statement precisely defines the current status of risk management with respect to Great Britain’s vote to leave the European Union. Is Brexit really a riddle? Is it aligned with British national interest?

Does anybody think the British voters had a clue about the consequences of departure, not to mention the horror of a no-deal Brexit?

Consider something as simple as the size of markets for British products. The population of the United Kingdom (England, Scotland, Wales and Northern Ireland) is 66 million. The rest of the European Union, 27 countries with 446 million people, is seven times larger. Withdrawal removes unfettered access to 85 percent of the UK’s economically “domestic” market.

How about the impact on supply lines and exports? In a global economic system, goods and services cross borders with impunity. Consider automobiles made in Great Britain. For some models, more than half the components come from continental Europe, which is also the market for half of the vehicles manufactured in the UK.

A sobering message comes from the recent words of Airbus CEO Tom Enders: “The UK’s aerospace sector now stands at the precipice … If there is a no-deal Brexit, we … will have to make potentially very harmful decisions for the UK … Make no mistake, there are plenty of countries out there who would love to build the wings for Airbus aircraft.”

The withdrawal will have an equal impact on the world of finance. In 2017, the district known as the “City of London” ranked first among the world’s financial markets. Given aggressive EU competitors, including Frankfort, Zurich, Geneva and Luxembourg, Great Britain can expect serious negative consequences from massive dislocation of financial transactions.

On another front, the UK has a “tail wagging the dog” problem. Tiny Northern Ireland, with two million residents, shares a “guaranteed” open border with the European Union’s Republic of Ireland. The history of sectarian violence in Northern Ireland foreshadows a catastrophic situation here if the dividing line between the regions becomes a political hot spot.

These are the risks. Where are the risk managers? It appears they are drowned out in the din of modern technology.

Accusations and battle cries dominate discussions of risk as they pour out in a torrent of unreliable and often dishonest communications. Brexit is not so hard to understand in terms of emotional fears of refugees overwhelming resident populations, a declining standard of living arising from changing patterns of work and consumption, and “scare” factors that are often the first strategy of divisive politics.

Brexit is the British version of two angry “mobs.” One group is shouting citizens who have assets and privileges and want to protect them. The other seeks upward mobility and is discovering they are blocked from achieving it by factors outside their control. What does the risk manager do? A simple – perhaps too simple – answer is to remember part of Churchill’s quote. Is Brexit or a no-deal Brexit an action consistent with the British national interest?

A no-deal Brexit is not totally a riddle wrapped in a mystery inside an enigma. It's a harmful decision that reflects anger, frustration and difficulties of managing risk in a complex world. It does not solve the emotional problems of immigration and job loss. It is likely to make things worse in terms of economics and politics.

The risk management solution may be to change the discussion. Where is Winston Churchill when we really need him?