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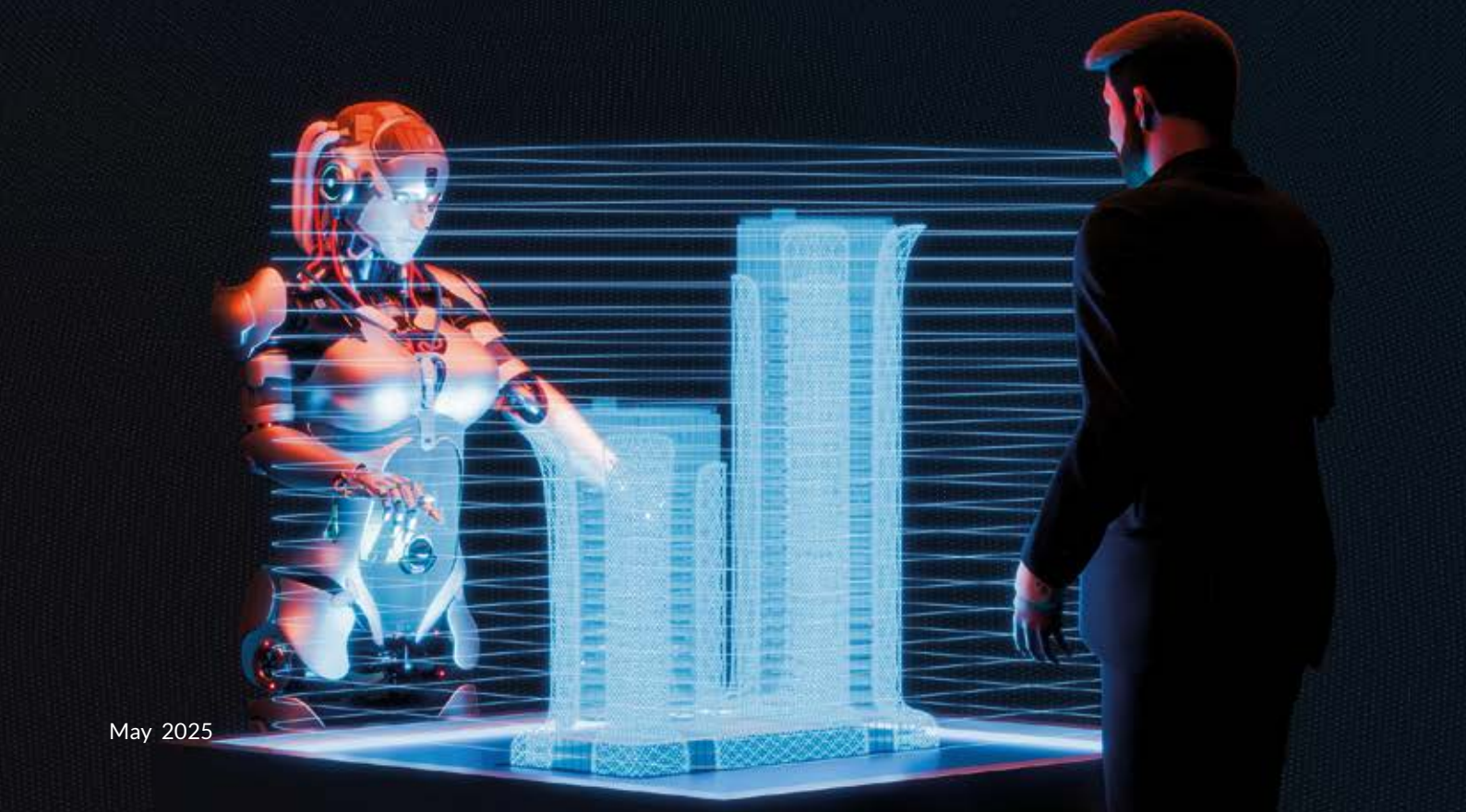
AI IN RISK MANAGEMENT
SPECIAL INTEREST GROUP

WHY RISK MANAGEMENT COULD BE THE DRIVER FOR AI ADOPTION



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AI IN RISK MANAGEMENT: SPECIAL INTEREST GROUP

As we stand on the brink of a new technological era, the transformative potential of Artificial Intelligence (AI) is rapidly reshaping our world. This is not just another incremental advancement in our digital journey; it's a groundbreaking leap that promises to redefine how we work, live, and engage with the world around us.

Imagine a future where machines do more than compute – they understand. Where algorithms go beyond processing data to making accurate predictions. Where AI doesn't merely assist, but enhances human capabilities in ways we are only beginning to grasp. This is no longer the realm of science fiction; it's the reality we are stepping into, and it's unfolding at a pace many of us may not fully appreciate.

Foreword

As the co-founder of SIRV, an artificial intelligence company, and Chair of the Institute of Strategic Risk Management's Special Interest Group for AI in Risk Management, I have gained valuable insight into both the risks and opportunities presented by technology. While the rapid pace and scale of technological change can be overwhelming, I hope this paper offers some clarity and reassurance.

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WHY RISK MANAGEMENT COULD BE THE DRIVER FOR AI ADOPTION

In May 2024, I gave a talk at the University of Warsaw on how risk management could drive AI adoption. This article builds on those thoughts, focusing on narrow, task-driven AI—distinct from the broad AI that promises human-like intelligence, which is still far from a reality.

Artificial intelligence has become the most discussed technology since the Internet. With blockchain and the Internet of Things now seeming outdated, even Mark Zuckerberg is talking more about AI than his $46 billion metaverse. The real question is: where will AI adoption have the greatest impact? I believe risk management holds the answer.

Before diving into why risk management could drive AI adoption, it's important to recognize how difficult it is to predict technology adoption. Experts have often been wildly wrong. For example, in 1830, UCL Professor Dr Dionysius Lardner famously predicted, “Rail travel at high speed is not possible because passengers will be unable to breathe and would die of asphyxia.”

However, forecasting the future of technology becomes easier if we understand the core human needs that drive technological advancement. Twitter founder Jack Dorsey fittingly stated that technology evolves as a response to human needs. Take music, for example—our need to listen to music hasn’t changed for millennia. Technology has merely evolved from instruments to vinyl, CDs, MP3 players and now streaming.

With breakthrough innovations like the ARM-based processor powering the first iPhone, technology adoption speeds up. The next phase may be AI-generated "live" music tailored to our personal tastes. So, by identifying human needs, we can forecast where technology is heading.

In 2012, I asked Stanford Professor BJ Fogg what drives human behavior. He identified six factors: three incentives and three disincentives:

- **Hope vs. Fear**
- **Society vs. Isolation**
- **Pleasure vs. Pain**

Fear, in particular, stands out. Take counter-terrorism spending in the UK, for example, which totals around £3.5 billion annually (Terrorism in Great Britain: The Statistics and UK Counter-Terrorism Review), despite the fact that only 35 people have been killed by terrorists in the last seven years. This irrational fear of terrorism overshadows more practical concerns, such as road traffic accidents, which claim around 1,500 lives annually.

While risk management is a rational process, it is shaped by these irrational fears. Therefore, if technology responds to human needs, it stands to reason that risk management could play a significant role in AI’s adoption.

THE EVOLUTION OF RISK MANAGEMENT AI

In May 2024, Daniel Miessler wrote an essay predicting the future of AI. He forecast that within the next three to five years, AI-enabled digital assistants will be ubiquitous, stored in portable devices we carry everywhere—such as wearables or smartphones. These assistants will connect with everything around us, making them indispensable.

Imagine monitoring the health of an elderly relative. With a digital assistant, you no longer need to call or visit. Instead, it will monitor their wearables and alert you if something's wrong. In terms of safety, these assistants could access public CCTV and incident records to suggest safer routes based on real-time data.

These digital assistants will enable a new level of situational awareness, and as Miessler suggests, risk management will likely drive AI's widespread adoption.

AUTONOMOUS CARS: A CASE IN POINT

A clear example of risk management driving AI adoption is the development of autonomous cars. While AI has been in vehicles for years, fully autonomous driving promises several benefits:

- **Zero labor costs (no drivers)**
- **Increased productivity (drivers can work while traveling)**
- **Reduced traffic accidents**

The primary argument for autonomous vehicles is safety, even though there are practical risks—such as cyber-attacks and data privacy concerns. However, the overwhelming benefit of safety is what will ultimately drive legislative change.

THE NEXT PANDEMIC: A ROLE FOR AI?

When COVID-19 hit, technology played a critical role in the discovery and distribution of vaccines. However, other efforts, like the flawed contact tracing app, highlighted the limitations of our current tech infrastructure.

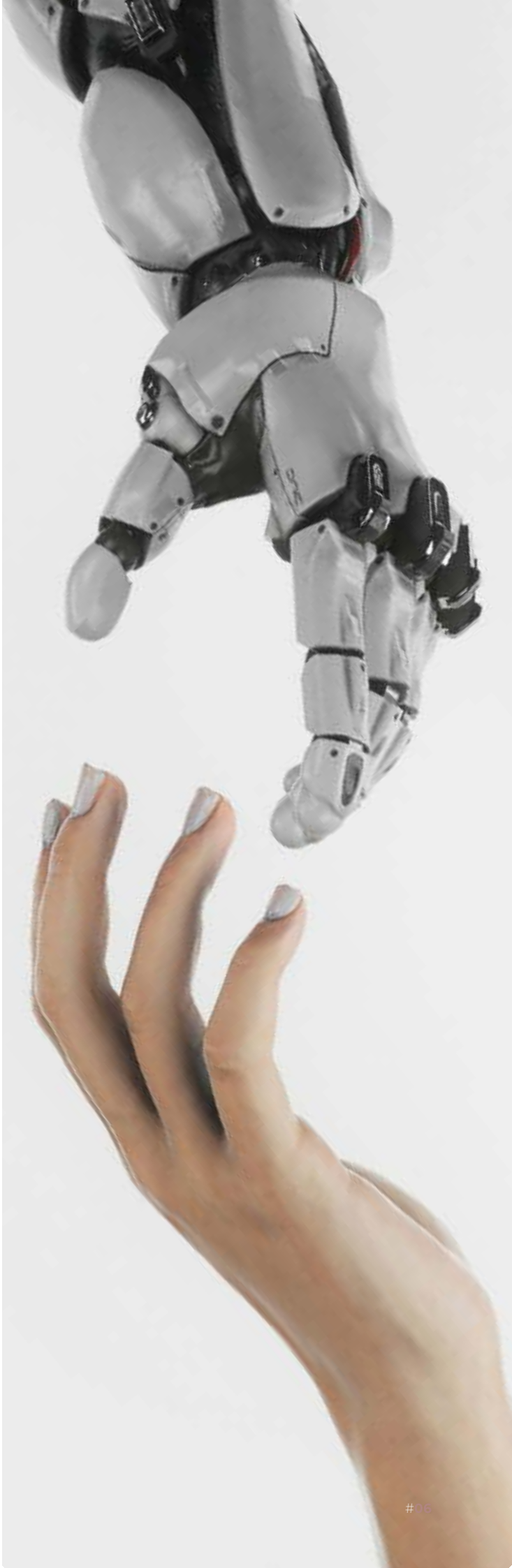
If another pandemic occurs, I'm confident AI-driven digital assistants will become essential. These assistants will coordinate our daily lives, ensuring that we stay safe and minimize exposure to risk.

HOW FAR ARE WE WILLING TO GO?

The Milgram Experiment from the 1960s revealed how far people are willing to go in obeying authority figures—even when it means causing harm. This has implications for AI adoption in risk management, especially in areas like pandemic response.

CONCLUSION

While unpredictable events like climate change or war could alter the trajectory of AI adoption, I believe that fear-driven risk management will ultimately guide AI's widespread use. However, there's a risk that too much control could diminish human agency. As we embrace AI, we must balance safety with the human desire for autonomy and the thrill that comes from uncertainty.



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