

An important part of risk management is reducing the impact of uncertainty. To do so, one may e.g., set aside project reserves, buy spare parts, introduce redundancy etc. Since all such things cost money, the question is how much one should spend to reach an acceptable risk level. To answer this question one calculates the “contingency”.

Since contingency calculation is such a vital part of risk management, DynRisk provides built-in procedures for doing this. Moreover, you can customize the way this is done to fit your own risk management policy and methodology.

In order to explain the different options, we consider a specific example. Assume that you are analyzing the total cost of a certain project. The estimated value of this is, say X dollars. However, there is a considerable amount of uncertainty in this project, so you want to set aside an additional sum, say Y dollars, as a project reserve.

In the simulation data file, there is of course only one “data node” reflecting the total cost. Thus, the problem is to “split” this into the two parts, X and Y.

As there are many different principles that could be used to solve this problem, you need to tell DynRisk which one you want to apply.