

# WHAT ARE THE ODDS?

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RISK

An everyday guide to  
worrying efficiently.

# RISING RISK AWARENESS

- Market manipulation
- Risk aversion paradox
  - No bottom limit
  - Pendotheism imperative
- Political issues - liability mining
- Statistical sea



# THE MATH PROBLEM

- Innumeracy - life is a story problem
- Large-number overload
- Significance junkies
  - correlation vs. cause
  - communication increases coincidence
- What is said  $\neq$  what is heard

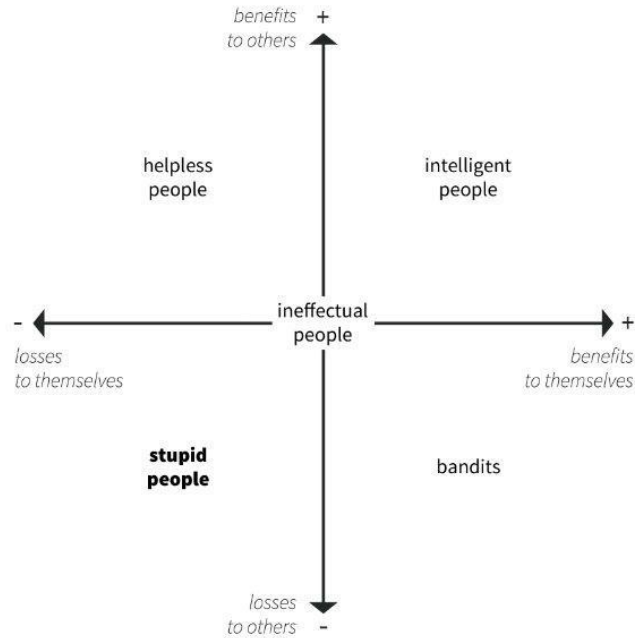
# UNIVERSAL RISK RULES

- Everything is risky (now)
- Comparisons only
  - current risk comfort level
  - personal risk table
  - expect tradeoffs
- Baseline requirement
- Lifetime risk
- Ignorance beats science

# STUPIDITY RISK

## Cipolla's Laws (1976)

1. We underestimate the number of stupid people
2. Stupidity is independent of other characteristics
3. Stupid people cause harm to others w/o benefit to themselves
4. Association with stupid people always causes harm to the non-stupid.
5. Stupid people are dangerous and worse than bandits.



# RELATIVE DEATH RISK TABLE

- Heart Attack → 1 in 3
- Car Accident → 1 in 42
- Fall → 1 in 380
- Plane Crash → 1 in 4000
- Lightning → 1 in 35,000
- Dog → 1 in 700,000
- Rabies → 1 in 2,000,000

# HEALTH RISKS



- Life Insurance Test
- Blood Donor Test
- Family Reunion Rule
- Longevity Curse
- The C-word
- Mental illness

# WHAT IS REALLY KILLING US

- Heart disease
- Smoking
- Accidents
- Poverty
- Loneliness
- Fear

## Premature death (90%)

- Cigarettes
- Obesity
- Alcohol abuse
- High blood pressure
- Lack of exercise
- Seat belt non-use

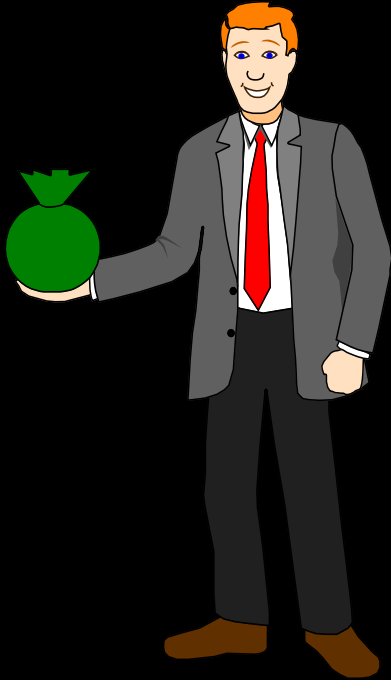


# WHAT IS NOT DEVASTATING US

- Environment; food
  - Tenth Percent Rule
- Cancer - especially breast/prostate
- Crime

- |                  |                  |
|------------------|------------------|
| 1. Cancer        | 1. Cancer        |
| 2. Heart         | 2. Heart         |
| 3. Stroke        | 3. Stroke        |
| 4. Respiratory   | 4. Accidents     |
| 5. Accidents     | 5. Respiratory   |
| 6. Alzheimer's   | 6. Diabetes      |
| 7. Flu/pneumonia | 7. Alzheimer's   |
| 8. Diabetes      | 8. Flu/pneumonia |
| 9. Kidney        | 9. Suicide       |
| 10. Liver        | 10. Liver        |

# WEALTH RISKS



- Unavoidable wealth
- Insurance overload
- Randomness
- Self-fulfilling prophecies
- Low returns
- Stupidity taxes

# SOCIAL RISKS



- Risklock
- Moral hazard of insurance
- Unemployment
- Loneliness
- Cynicism
- Social media

# PERSONAL RISKS



- Communication filtering
  - rare over common
  - no control over control
  - unknown over familiar
  - man-made over natural
  - dramatic over boring
- Loss-prevention behavior
- Habit
- Risk decision outsourcing

# GURU RISK

“Indeed, one of the more disconcerting results of this project has been the discovery of an **inverse relationship** between how well experts do on our scientific indicators of good judgment and how attractive these experts are to the media and other consumers of expertise.”

-Philip Tetlock, *Expert Political Judgment*

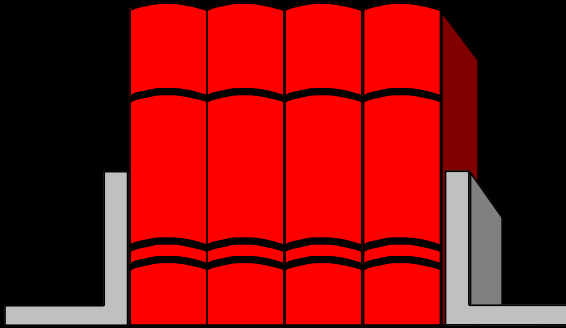
# WHAT TO TAKE HOME

- Risk communication is getting harder
- Good news!
- Establish your own risk tolerance level
- Understand the risk attraction
- Tackle big risks first

## RISKS

Can't live with 'em,  
Can't live without 'em

# DON'T TAKE MY WORD FOR IT



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- *Danger Ahead* by Larry Laudan
- *True Odds* by James Walsh
- *Beating Murphy's Law* by Bob Berger
- *Are We Scaring Ourselves to Death* by H. Aaron Cohl