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CLRS

Emerging Risks 2020

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Speaking with You Today

Speakers

- Roxsann Wilson, Vice President, Risk Management – Cardinal Health, Inc.
- Aaron Simpson, Director, Life Science Brokerage - Aon Risk Solutions
- Mike Meadows, Senior Product Manager and Vice President of Casualty Underwriting - Swiss Re

Moderators

- Susan Pino, ACAS, MAAA, ARM – Deloitte Consulting LLP
- Dick Messick, CPCU, PMP – Deloitte Consulting LLP

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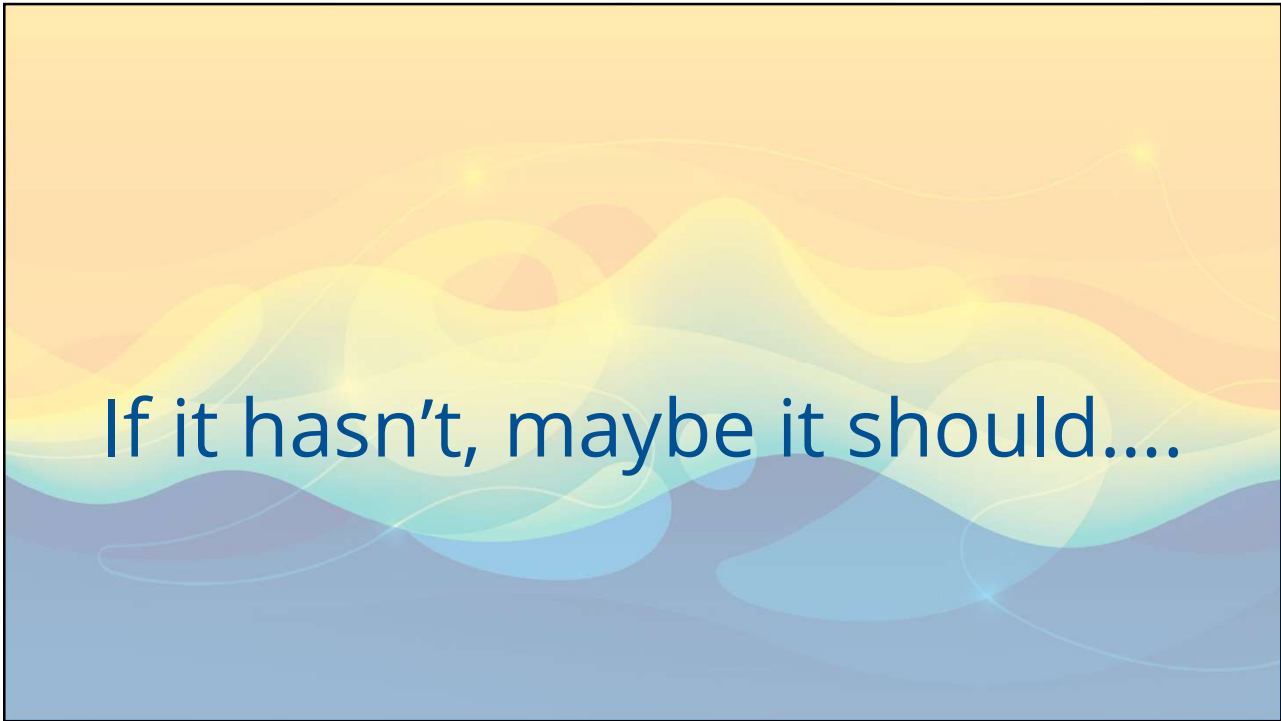
COVID-19 Related Risks

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Has your modeling been impacted by the COVID 19 pandemic?

- Significantly
- Somewhat
- A Little
- Not at all

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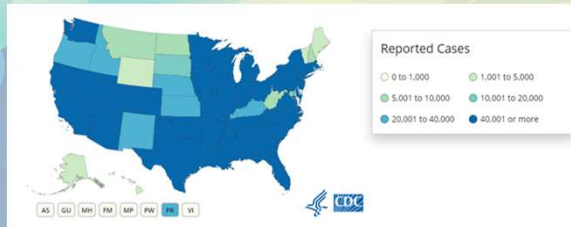
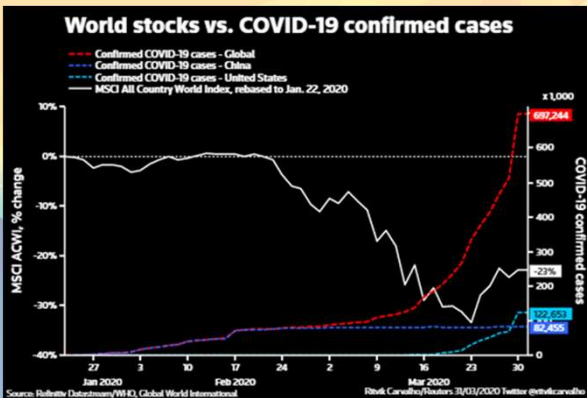


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COVID -19 Global Pandemic: 100-year event

Unemployment rose higher in three months of COVID-19 than it did in two years of the Great Recession*

Worker's compensation benefits may be available for those who contract coronavirus on the job..... breaking with precedent



<https://www.pewresearch.org/fact-tank/2020/06/11/unemployment-rose-higher-in-three-months-of-covid-19-than-it-did-in-two-years-of-the-great-recession/#:~:text=Unemployment%20rose%20higher%20in%20three,years%20of%20the%20Great%20Recession&text=The%20COVID%2019%20outbreak%20and%20.5%20million%20in%20 May%202020.>

<https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/cases-in-us.html>

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Impacts of COVID – 19 are widespread

- Healthcare
- Worker's Compensation
- General liability
- Cyber
- Supply Chain
- Property & business interruption coverage

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People and Places

- 3rd party exposure to owned premises
- Are we exposing employees and the public to cleaning and disinfecting products which will lead to greater exposures.?
- Testing of employees by 3rd parties
 - Who determines access to employee locations
 - Collection and storage of personal information
- If courts determine communicable diseases are compensable under WC does it open the door for existing/future diseases to be compensable under WC laws

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Social Inflation

- Employee vs Employer Inflation as a result of the pandemic lead economic downturn
- 3rd party claims

- Employers rushing employees back to work
- Employers not sufficiently protecting employees
- Delay of courts “forcing” affected plaintiffs to prematurely settle

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Has your company changed your Workers' Compensation modeling to contemplate potential/pending changes to state laws?

- Significantly
- Somewhat
- A Little
- Not at all



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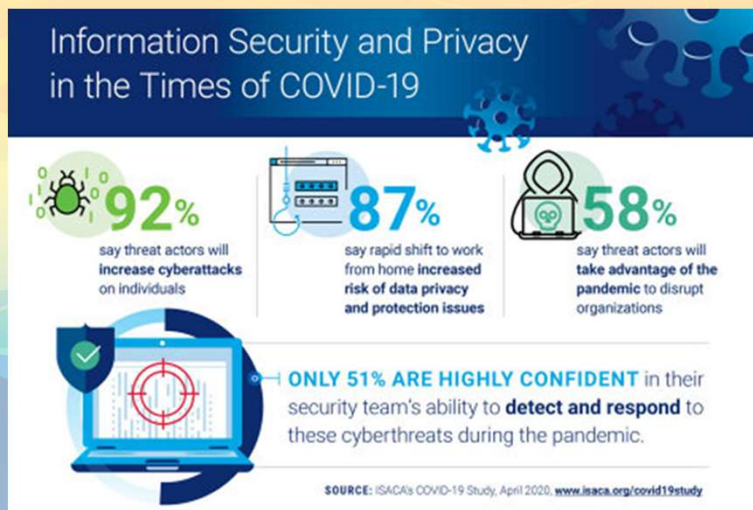
Cyber Risk

- VPN usage and general security measures around remote computer system access for all employees including those normally not accustomed to working remotely (Phishing, Denial of Service, Spam, etc)
- Increased exposure to Social Engineering for employees in business critical departments, i.e. Treasury functions, including fund transfers, securities movements/processing etc.
- Existing internal control procedures being followed or new procedures being implemented due to alternative working arrangements

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Has the significant transition of employees working from home vs an office setting changed how your companies have priced Cyber liability?

- Significantly
- Somewhat
- A Little
- Not at all



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Physical Location Risk

- Increasing amount of Vacancies and “Abandoned” properties
 - Security, safety and maintenance procedures need to be revisited for vacant properties.
 - Machinery/equipment losses are more frequent during startup after being mothballed
- Changing operations to fight the pandemic leading to unintentional risks.
- Slowing or cessation of Construction Projects
- Engineering/Loss Control Initiatives
 - Many companies have been forced to reconsider their priorities. Planned improvements may no longer be feasible.
- Business Interruption (loss of profit and continuing expenses)
 - Changes to business operations and workplace access due to employee safety initiatives are necessary in many cases

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Climate Change and Pandemics Collide

- Are /government prepared to make the necessary precautions to protect property prior to a named storm during a pandemic?
- Are companies prepared to make the necessary precautions to protect property during a wildfire event during a pandemic?
- Is recovery time extended during post a named storm/wildfire event?
- Impact on both ends of the Supply Chain (Raw Materials and Finished Products/Services)

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How has COVID 19 impacted how you model supply chain disruptions?

- Significantly
- Somewhat
- A Little
- Not at all

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COVID Impact & Natural Catastrophes and US global trade relations

- Effective business continuity plans and supply chain resiliency, especially for bottlenecks. Mitigation plans such as safety stock and back up suppliers are being tested
- Key customers may not experience the demand they anticipated and/or may have financial difficulties
- Domestic Supply Chain capabilities vs. global trade



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What are you most concerned about in the next 12 months?

- Climate Change
- COVID
- Cyber
- Financial Instability
- Trade relations
- Legislative changes

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Other Emerging Risks

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Emerging Risk in Liability

Characteristics of Emerging Risk

Tracking Emerging Risk

Common Industry Themes

Life Before Covid-19

Michael Meadows, Sr. Product Manager, Swiss Re

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Characteristics of Emerging Risk

Various Industry Definitions Exist:

"..A condition, situation or trend that could significantly impact the Company's financial strength, competitive position or reputation within the next 5 years..."

"..a risk (or a set of risks) that involve a high degree of uncertainty....."

"..An issue that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms and conditions, pricing or reserving...."

"..Consequences or large scale events beyond one's capacity to control that impact in ways difficult to imagine today..."



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The SONAR Report



SONAR = Systemic Observations of Notions Associated with Risk

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With Swiss Re Institute's SONAR report, we share emerging risk information with our clients and partners

- Swiss Re Institute flagship publication
- Published annually since 2013 (Swiss Re internal format since 2007)
- High-level review of emerging risk themes as collected through the SONAR system over the course of a year
- Widely shared within Swiss Re and beyond (clients, regulators, media, public)
- The 2020 edition was launched on 4 June



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SONAR Themes

2018/2019

- Combustible Cladding
- Asbestos
- Cyber Risk
- Plastic Consumption/EDC's
- Concussions
- 5G

2020

- Vaping & E-cigarettes
- Lithium-Ion Batteries
- Green Buildings
- Anti-microbial Resistance
- Mental Health of our youth

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Tracking Emerging Risk with Clients

Top 5 in 2018:

- Marijuana
- Opioids
- Cyber
- Talc
- Wildfire(s)

Top 5 in 2019:

- Glyphosate
- PFAS
- 5G
- LCR's
- CBD

The Bottom Five:

SAM/Reviver Statutes; Premises Security (i.e. MGM); Climate Change (NaTech); Wildfire(s); Social Inflation

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Common Industry Themes – Last 3 Years

Exposures:

Cyber (Silent Cyber)
Chemicals
Auto Development
Wildfire
Opioids
Cannabis (Marijuana & Hemp)

Issues:

Frequency of Severity
Loss of Industry Talent
Accumulation Management
Limits Management
Analytics
Risk Selection

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Life Before The Virus

- Social Inflation
- “Forever” Chemicals
- Marijuana Legislation
- Drones
- Autonomous Mobility

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What's Next?

- Vaccination Litigation?
- Aging Infrastructure losses?
- A new pandemic?
- Autonomous Catastrophe?
- Silent Cyber Bodily Injury?
- Higher Verdicts?

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Questions?

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