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Pricing Global Risks

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Agenda


- All risks are local
- Data / Lack of data
- Analytical Methods
- Risk – Whose point of view
- Underwriting Intuition
- Consult your broker
- Conclusion

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All risks are local

"All politics is local"

Tip O'Neil



All risks are local

- *Local law, rules, customs, coverage, language*
- *Local presence / trusted broker*
- *Local underwriting knowledge, experience, judgment*




All Risks are local

- *Local claims handling / legal climate*
- *Local politics / political risks
(civil war / civil unrest / uprising / ...)*



Data / Lack of Data

- *Availability*
- *Accuracy (verify – anecdotal evidence)*
- *Relevance (change in local conditions, law, practices)*



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Data / Lack of Data

- *Trust / Duty to provide data*
- *Look for similar data (other countries)*
- *Adjustments to US data (frequency / severity)*



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Data / Lack of Data


- *Other indexes (ex. infant mortality vs. political risk)*



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Analytical Methods


- Ask questions (local conditions, data)
 - client / broker
- Robotic Application of Analytical Methods
- Run mathematical models with adjustments
 - (run actuarial models but connect the results to local realities)
 - Surety – Japan vs. Italy
 - D&O – US / UK / France / Spain
 - EPL / Privacy / Cyber Liability



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Analytical Methods


- Using structure as a way to manage risk (collateral, off shore accounts, ..)
- Start collecting your own data (loss, commission, tax, other fees, ...)
- Look for patterns / indexes



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Analytical Methods

- Predictive modeling
- Economic Capital Modeling
- Scenario Testing
- Stress Testing



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Risk – Whose Perspective


- **Right perspective**
 - *Political Risk in Iran (France vs. US)*
 - *Trade Credit (Govt. trade agreements, Loan payments)*
- **Ownership**
 - *Private / Semi Govt. / Govt. / world bank*
- **Law / Regulations**
 - *Local interpretation / Perspective/Practices*



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Risk – Whose Perspective


- **Motivation for buying**
 - ✓ *Risk transfer*
 - ✓ *Capacity/Capital Relief*
 - ✓ *Immunization*
 - ✓ *Other business motives (D&O – better BoD, E&O – protecting future, Credit – to complete a deal or to facilitate other revenue streams, ...)*



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Underwriting Intuition


- **Knowledge, experience, judgment**
- **Test concepts behind modeling techniques**
- **Discuss output /scenario testing / stress testing**
 - ✓ *Does your indication make UW sense?*



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Underwriting Intuition


- Putting "fences around the risk"
- Technical pricing vs. underwriting "gut instinct" pricing



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Consult your broker


- Broker as a guide
- Facts, facts, facts
- Ask for help with data, local customs, rules



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Consult your broker


- Long term capacity
- Relationships



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Conclusion

All risks are local



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Questions



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