

Emerging Risks: Insurance Considerations  
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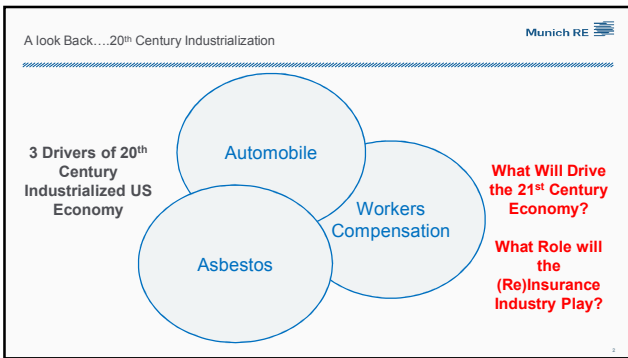
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A look Back...20<sup>th</sup> Century Industrialization

3 Drivers of 20<sup>th</sup> Century Industrialized US Economy

Automobile  
 Asbestos  
 Workers Compensation

What Will Drive the 21<sup>st</sup> Century Economy?  
 What Role will the (Re)Insurance Industry Play?

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21<sup>st</sup> Century Emerging Risk Drivers

GLOBALIZATION

Natural / Environmental  
 Climate Change, Storm Frequency or Severity, Pollution, Hydrofracking, EMF, Drones, Autonomous Vehicles, E-Cigarettes, Internet of Things, 3D Printing, Nanotechnology

Social / Political / Regulatory  
 Employment Practices, Sugar, Obesity, Construction Defects, Aging Demographics, Marijuana, Terrorism

Science / Technological  
 Alternative Energy, Financial Reform, Innovation, Harassment, Health Care Costs, Runaway Inflation

Economic  
 Growing Income Disparity

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Technology  
Life Span of Emerging Risks

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**Gartner Hype Cycle- 5 key Phases of a Technologies Life Cycle**

**Technology Trigger:** Potential technology breakthrough kicks things off. Early proof-of-concept stories and media interest trigger significant publicity. Often no usable products exist & commercial viability is unproven.

**Peak of Inflated Expectations:** Early publicity produces a number of success stories — often accompanied by scores of failures. Some companies take action; many do not.

**Trough of Disillusionment:** Interest wanes as experiments and implementations fail to deliver. Producers of the technology shake out or fail. Investments continue only if the surviving providers improve their products to the satisfaction of early adopters.

**Slope of Enlightenment:** More instances of how the technology can benefit the enterprise start to crystallize and become more widely understood. Second- and third-generation products appear from technology providers. More enterprises fund pilots; conservative companies remain cautious.

**Plateau of Productivity:** Mainstream adoption starts to take off. Criteria for assessing provider viability are more clearly defined. The technology's broad market applicability and relevance are clearly paying off. Separate hype from the real drivers of a technology's commercial promise.

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Defining Emerging Risk  
Life Span of Emerging Risks

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**Insurance Perspective**

Time Frame can be Months or Decades

Stage 1 today may be Stage 3 Tomorrow

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Emerging Risks...  
.....CRO View

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Emerging Risk + Drivers + Time Horizon + Impact = Resource Allocation

**The CRO Forum:**

Who they Are:

- International group of professional risk managers from large multi-national insurance companies.
- The Forum consists of Chief Risk Officers from Multi-national Organizations

Focus:

- Developing and promoting industry best practices in risk management.

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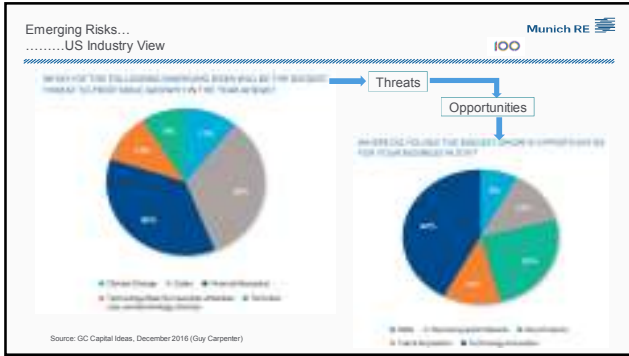
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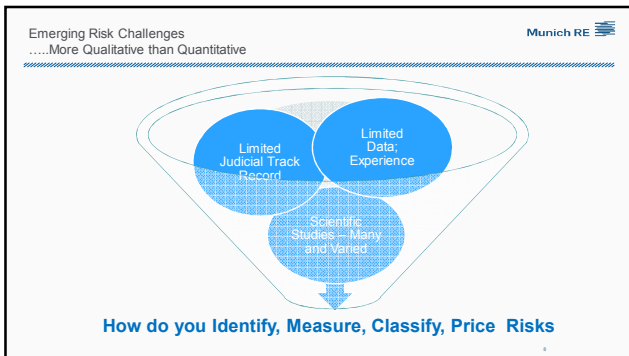
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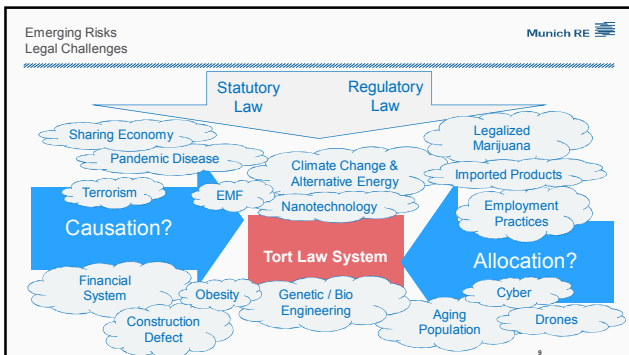
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Managing Emerging Risks  
.....Regulations

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**Greater vs. Fewer Government Regulations...  
.....Which is better in Terms Of**

- Emerging Risks (Character, Impact of Society, the Economy, etc.?)
- Insurance of Emerging Risks (Easier/Harder; better/Worse; None???)



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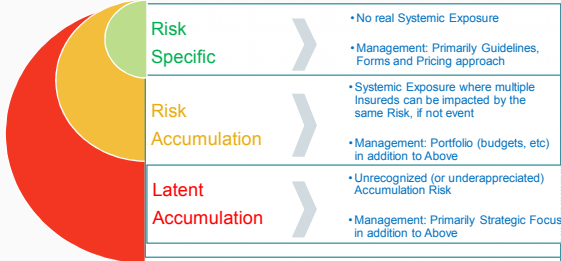
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Emerging Risk Management  
Scope of Impact

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<b>Risk Specific</b>	• No real Systemic Exposure • Management: Primarily Guidelines, Forms and Pricing approach
<b>Risk Accumulation</b>	• Systemic Exposure where multiple Insureds can be impacted by the same Risk, if not event • Management: Portfolio (budgets, etc) in addition to Above
<b>Latent Accumulation</b>	• Unrecognized (or underappreciated) Accumulation Risk • Management: Primarily Strategic Focus in addition to Above

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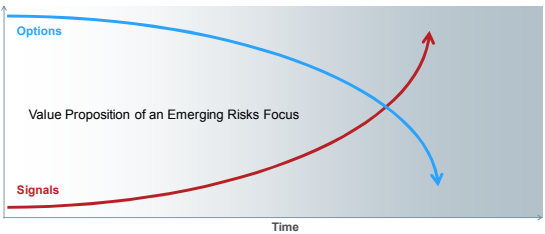
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Managing Emerging Risks  
.....Uncertainty and action

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**Early detection, evaluation and understanding are crucial**



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Emerging Risks  
..... Why is it important to understand ?

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- ❑ Insureds Expect Coverage ..... for what's around the corner
- ❑ Our business is Assuming and Financing Risk ...Support Economic Growth
- ❑ Emerging Risks Impact All Insurers and Social and Economic Sectors
- ❑ We need to be experts in both known & emerging risks.
- ❑ Goal: Assume Risks, Manage Impact, Grow Profits

Key: Emerging Exposures = Systemic Reserve Risk...What's Around the Corner

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Emerging Risks  
.....The Alternatives

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Knowledgeable

Survival (at best)

Thrive

Risk Avoidance

Risk Taking

Creeping Death

Sudden Death

Uninformed

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Emerging Risks Opportunities

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Time Horizon/Impact  
(Short Term / Long Term  
Smaller/Larger)

Nature of Support  
(Financing, Risk Management,  
Product Development, etc)

Innovative Solutions  
Non-traditional; Imperfect  
Information; Taking Measured Risk

Nature of the Risk  
(Main Drivers, Nature/Scope  
of Impact, etc)

Emerging Risk  
Opportunity  
Evaluation

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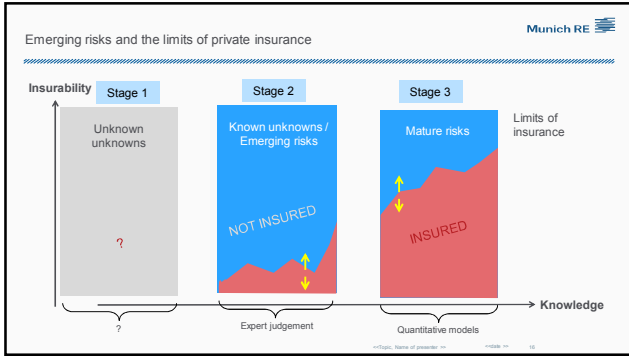
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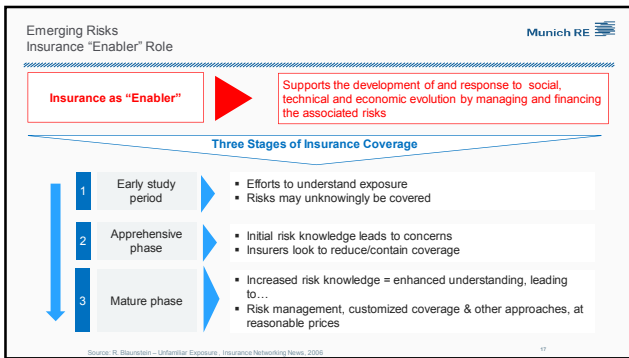
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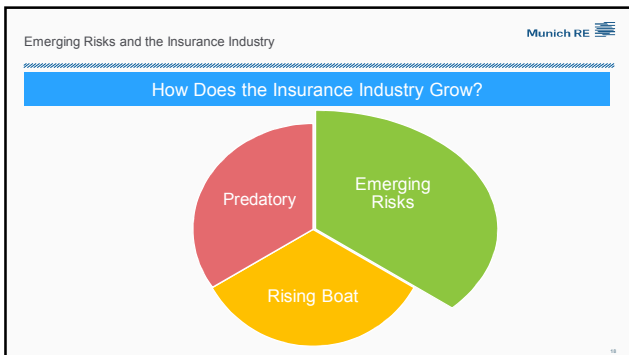
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The Bottom Line  
 .....Emerging Risks and (Re)Insurance

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**Think Broadly.....Enable Innovation**

**Analytics**  
Product Development

- Rapidly growing & major manufacturing component
- Potential benefits are enormous – Innovation leading to:
  - Jobs
  - Economic Growth
  - Enhanced social impact

**Understand the Risks**

**Look For New Risks**

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**Risk Management / Loss Mitigation Services**

**Not If... ..But How**

**Be an Informed Enabler.....(Re)Insurance and More**

**Risk Financing / Coverage**

- Risks are uncertain in many respects
- Insurance Industry has a major role to play; Risk Management and Financing ...
- Need to fully Understand Risks

**Develop Solutions**

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**Thank You**

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