

<b>Q</b>	Serve   add value   innovate	
	Emerging Issues	
	What is an emerging issue:  New phenomenon: nature and effects are relatively unknown  E.g., nanotechnology  New risk: nature and effects are relatively known but involve unique characteristics  E.g., hydraulic fracturing  Potential Impact:  May go beyond existing underwriting and risk management best practices  May go beyond existing actuarial calculations	
	How Can You Manage Emerging Risk	
	• Step 1 – Identify risks through employees,	
	customer input  • Step 2 – Create multidisciplinary teams to evaluate exposures  • Step 3 – Take action  • Step 4 – Monitor results	
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	Putting Theory Into Action	
	<ul> <li>Distinctly classify risks containing new exposures <ul> <li>Risks important to each insurer may vary</li> </ul> </li> <li>Evaluate whether existing coverages and pricing sufficiently address those exposures</li> <li>Emerging issues are not just risks – they're opportunities</li> <li>Make emerging issues strategy part of corporate culture</li> </ul>	
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Emerging Issues Portal	
• Designed to lead to a more robust resource	
of information for each emerging issue	
<ul> <li>Provides links to articles and publications related to various emerging issues</li> </ul>	
• https://www5.iso.com/erm/app/EmergingHo mePage.action	
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Drones	
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What Are Drones?	
Definitions  – UAS - an unmanned aircraft and associated	
elements (including communication links and the components that control the unmanned aircraft)	
that are required for the pilot in command to operate safely and efficiently in the national airspace system	
– UA - an aircraft that is operated without a	
possibility of direct human intervention from within or on the aircraft	

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## Reported And Potential Uses

- Military
- Intelligence gathering
- Combat missions
- Law Enforcement And Security Surveillance
- Crime investigation
- Border protection
- Security of commercial properties
- Neighborhood watch



Source: http://cironline.org/sites/default/files/st ytes/infinemedium/public/customs\_and\_border\_ customics\_draws\_iss/2ide\_b/CVInFey

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## Reported And Potential Uses

- Search And Rescue Operations
  - Search and rescue
- Delivery of supplies and food to disaster areas
- Agriculture
- Monitor crops
- Locate livestock and assess available forage
- Crop spraying

Source: http://uas.noaa.gov/projects/demos/altai



Source: https://www.faa.gov/about/office\_org/ field\_offices/fsdo/ort/local\_more/medi a/fy14summit/145SafetySummit\_Nex

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## Reported And Potential Uses

- Communications
- Movie filming
- Sporting events
- Delivery
- Packaged goods and other mail
- Photography
  - Real-estate
- Weddings
- Inspection
- Insurance claims evaluation
- Infrastructure evaluation (e.g. bridges and dams)
- Underwriting inspections (e.g. roof)

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Regulatory Environment	
Federal legislation 2012     FAA to develop safe integration plan by 9/30/2015	
<ul> <li>FAA Summary of Major Provisions of proposed rules for small drones (up to 55 pounds) - February 2015:</li> <li>UAV must remain close enough for operator to see UAV unaided by any device other than corrective lenses</li> </ul>	
<ul> <li>Yield right of way to other aircrafts, manned or unmanned</li> <li>May not fly over people, except those directly</li> </ul>	
involved with the flight  Limited to 500 feet altitude  No faster than 100 mph  Use only during daylight hours	
<ul> <li>Operators may not operate in certain airspace areas for airports or other restricted airspace, and obey any FAA Temporary Flight Restrictions</li> <li>Current FAA authorization avenues</li> </ul>	
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Potential Exposures	
Bodily Injury And Property Damage Liability     Potential defect in design or manufacture     Collision with persons or property     Interruption in data-link transmission communication failure      Personal injury     Invasion of privacy	
<ul> <li>Trespass and nuisance</li> <li>Infringement and defamation</li> <li>Property</li> <li>First-party property damage</li> <li>Business interruption losses</li> </ul>	
- Hacking	
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New ISO Liability Endorsements	
Optional exclusion endorsements     Coverage A only	
<ul><li>Coverage B only</li><li>Coverage A and B</li></ul>	
<ul> <li>Optional coverage endorsements</li> <li>Coverage A only</li> <li>Coverage B only</li> </ul>	
– Coverage A and B	
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Drone Rating Considerations – Liability	
<ul> <li>Limited Data on Non-military Drone Losses</li> </ul>	
<ul> <li>Incidents</li> <li>Frequency</li> <li>New Technology</li> <li>Experience of Operator</li> <li>Type of Business</li> </ul>	
– How often will there be BI or PD – or both?	
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CERTE   ARRAMIT   ANIQUATE	
Drone Rating Considerations – Liability	
Drono Kaming Germadranens Elabimy	
<ul><li>Location</li><li>Rural vs. Urban</li><li>On Insured's Premises vs. Off Premises</li></ul>	
Drone Characteristics	
<ul> <li>Size</li> <li>Capabilities and Operations (photography, spraying, payload capabilities)</li> </ul>	
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ISO Drone Activity	
<ul> <li>Filed GL/Commercial Umbrella/Commercial Excess endorsements end of 2014</li> <li>To become effective 6/1/2015</li> </ul>	
<ul> <li>Considering the development of Rating Information for GL</li> </ul>	
<ul> <li>Reviewing topic for following Lines:</li> <li>Commercial Property</li> </ul>	
<ul><li>Businessowners</li><li>Farm</li></ul>	
- Commercial Inland Marine	
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Cyber Risk Modeling	
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Cyber Risk Modeling	
Slides Unavailable Online	
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Commercial Auto Class Plan	
Verisk Insurance Solutions	
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Project Overview	
GLMs have been used to model	
classification plan enhancements for Trucks, Tractors, and Trailers and Private	
Passenger Types for Liability and	
Physical Damage.	
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Key Results	
Updated Mostly Multiplicative Rating	
Algorithm	
•Introduction of New Variables	
<ul> <li>Further Refinement of Existing Variables</li> <li>Additional Segmentation of Variable Itself</li> </ul>	
- Varying the Factors by Coverage in More Places	
•To Be Provided as an Optional Rating Rule	
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17/1103/0000	
<ul> <li>Industry Classification</li> </ul>	
Hierarchical six-digit structure	
<ul> <li>Allows additional differentiation in rating by type of business</li> </ul>	
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Original Cost New and Vehicle Age  • Current – Reflected for Physical Damage  • Applicability to Liability?   **Trailers vs. Trucks  • Treated Similarly Today  • Are there differences?  Further Refinement of Existing Variables  • Allow the Primary and Secondary Factors to differ for Liability. Comprehensive, and Collision  • Private Passenger Types  - Trucks  • Expand Size of Fleet Buckets from current Fleet and Non-Fleet categories to include Additional Groupings  • Expand Number of OCN Ranges	SERVE   ADD VALUE   INNOVATE	
• Applicability to Liability?  • Applicability to Liability?  • Trailers vs. Trucks • Treated Similarly Today • Are there differences?  • Are there differences?  • Allow the Primary and Secondary Factors to differ for Liability, Comprehensive, and Collision • Private Passenger Types • Expand Size of Fleet Buckets from current Fleet and Non-Fleet categories to include Additional Groupings • Expand Number of OCN Ranges	Original Cost New and Vehicle Age	
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*** Story   ACOMMUNE   PROCESS**  *Treated Similarly Today  **Are there differences?  ****  ***Treated Similarly Today  **Are there differences?  ****  ***Treated Similarly Today  **Are there differences?  ****  ***Purther Refinement of Existing Variables  **Allow the Primary and Secondary Factors to differ for Liability. Comprehensive, and Collision  ***Private Passenger Types  - Trucks  ***Expand Size of Fleet Buckets from current Fleet and Non-Fleet carlegories to include Additional Groupings  **Expand Number of OCN Ranges		
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*Are there differences?    SERVE   ADD VALUE   INNOVATE	Irailers vs. Irucks	
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Fleet and Non-Fleet categories to include Additional Groupings • Expand Number of OCN Ranges	– Private Passenger Types	
Additional Groupings • Expand Number of OCN Ranges	<ul> <li>Expand Size of Fleet Buckets from current</li> </ul>	
	Additional Groupings	
	• Expand Number of Age Ranges	
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Future Timeline	
Schedule:  - Informational Circular with table specifications  - Optional Rating Rule Filed: Beginning in the third quarter of 2015	
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Questions?	
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Emerging Issues	
"When preparing for a crisis, it is instructive to recall that Noah started building the ark before it began to rain."  Norman Augustine, retired chairman and CEO of Lockheed Martin	
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