Emerging Pick Panel	
Emerging Risk Panel 11:30 – 12:30	
Jim Merz (Moderator) Chief Actuarial & Analytics Officer, Westfield	
Kevin Madigan	
Director - Actuarial Services, PwC	
James Kaufmann Senior Manager - Casualty Analytics, AIR Worldwide	
Prateek Chhabra Chief Insurance Risk Officer, The Hartford	
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Kevin Madigan	
Director - Actuarial Services, PwC	
How do front-line managers	
identify emerging risks?	
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What Are "Emerging Risks"?	
Unanticipated or hard to evaluate changes in underlying risk exposure	
 New types of loss that weren't there (or noticed) before Cyber 	
☐ Privacy☐ Mass Tort☐ Certain types of catastrophes	
ctc.Changes in risk attributes of portfolio	
 Macroeconomic shocks Changes in insureds' activities / demand for insurance coverages 	
 External pressures (regulation, other government action) Accumulation challenges etc. 	

One Approach to Address This

- Refine underwriting appetites for more targeted risk selection
- · Leverage claims information in a more timely manner
- Integrate Product Management







- Risk accumulations that could lead to over-concentrated/ out-sized losses
 Surprise frequency/ severity developments

Executive Leadership

- Balanced underwriting focus on business unit needs and enterprise product discipline Proactive identification of potential risk accumulations

- Strategic tactics to mitigate risk within and across product lines

Real Life Case Study

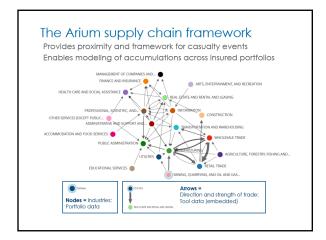
Two insurers making different strategic moves in the same commercial lines segment. One insurer was exiting while another was growing. The exiting insurer had the management information, underlying data, and operating governance to recognize and react to the emerging trends. The growing insurer did not. In this case, insureds within the segment were offering a new service, one that sometimes resulted in personal injuries that could lead to death if not properly treated.

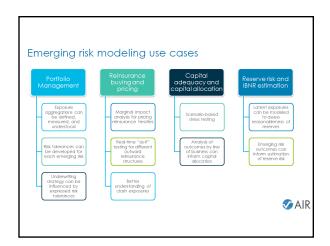
Carrier Exiting the Segment	Carrier Entering the Segment
Identified significantly higher productivity metrics along with higher claims activity and could not readily identify the drivers. The insurer decided to pause writings while evaluating the market (eventually deciding to exit)	Insurer witnessed <i>significantly higher productivity metrics</i> than expected and decided to "double down"
Tightly integrated data structure, which enabled timely and accurate product management with cross-functional communication that informed the moratorium and exit decisions	Loosely integrated <i>data structure</i> , which led to quarters of adverse experience occurring before the underwriting issue was addressed, leading to significant losses

James Kaufmann

Senior Manager - Casualty Analytics, AIR Worldwide

How can we model/quantify these risks and how can we use the results?





Prateek Chhabra

Chief Insurance Risk Officer, The Hartford

How to ensure a forward looking and actionable emerging risk management process?

Emerging Risk Framework Should Cultivate Good Risk Management Behavior

Key framework elements

- > Oversight and governance structure:
 - Necessitates and facilitates identification, reporting, tracking, progress and overall management
- Clear roles and responsibilities
 - Ensures each aspect of the emerging risk life cycle is managed
- ➤ Functional/Business Representation
 - Ensures no material issues are missed, right issues are being prioritized, hand-off for management and operationalization is smooth
- > Structured risk identification process
 - Minimizes gaps in identifying esoteric risks
- > Formal risk assessment process
 - Helps calibrate focus/efforts and streamlines transition to risk management



Risk Identification

- Business Segment & Functional Risk Assessments
 Key Business Changes
 External Factors (Analysis of Societal & Economic Mana-Transf. Industry Studies External Events
- Risk Assessment & Prioritization

 Quantitative Assessment
 (e.g. stress testing)
- (e.g. stress testing)
 Qualitative Assessment
 (e.g. metrics, analysis & research)

Governance and Control with Clearly Defined Roles Ensures Adherence and Value-adds



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Business Representation Helps With Prioritization, Level Setting and Management/Operationalization

Value of business representatives at each level of the risk framework

Risk Monitoring & Reporting

For higher priority/materiality risks, it is important to keep the businesses closely connected to the monitoring and reporting of the risks in case management actions are necessary

Risk Identification

- Field and corporate underwriters are usually aware of the emerging risks in the industry even if they lack resources or capabilities to evaluate them
- Subject Matter Experts within the business e.g. actuarial, claims, loss control are also a good source

Risk Management & Controls

- Connectivity with the businesses ensures emerging risk activities are leveraged to mitigate, manage or control the risks through management actions
 Management and control plans are
- Management and control plans are easier to put together with active partnership from the businesses

Risk Assessment & Prioritization

- Business representatives are usually in a better position to help build and validate assessments especially for the esoteric risks
- Materiality of risk and prioritization is difficult to do without business representation

Emerging Risk Identification Framework for Insurance Risk

Structured risk identification process helps reduce risk gaps and blind spots

EXAMPLE 1

Key areas of risk



Each Line of Business/Product

EXAMPLE 2

Develop a list of key emerging themes and track emerging risks within each across all areas of risk. Themes could include broad categories like Technology Advancements, Cyber, Climate Change, Changing Demographics, Competition from Startup/New Entrants, etc.

Risk Assessment Methods

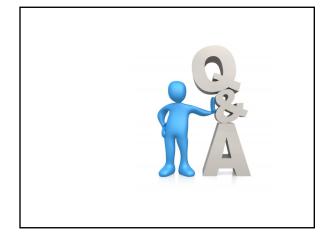
Risk assessment methods can vary but it is helpful to follow a consistent way to report the assessment across parameters such as:

- Possible amount of loss
- Probability associated with that loss
- Possible timeframe of impact

Assessment methods could include (in increasing order of complexity)

- Qualitative assessment
- Stress tests
- Scenario based approach
- Simulation
- Other parametric or factor based models

Choice of the assessment method as well as management, governance and control mechanisms should be a factor of materiality of risk $\,$



Thank you!

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