

Emerging Risk Panel
11:30 – 12:30

Jim Merz (Moderator)
Chief Actuarial & Analytics Officer, Westfield

Kevin Madigan
Director - Actuarial Services, PwC

James Kaufmann
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Prateek Chhabra
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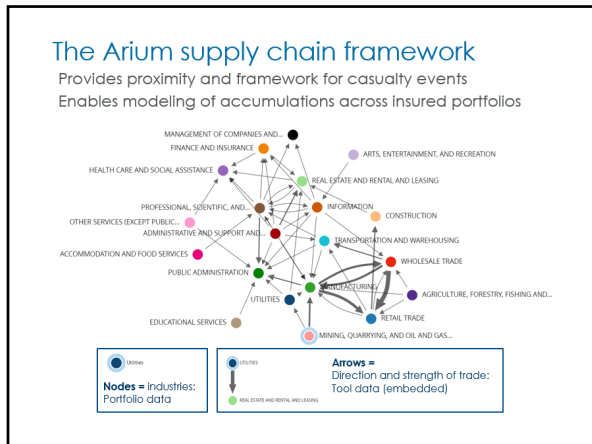
Kevin Madigan
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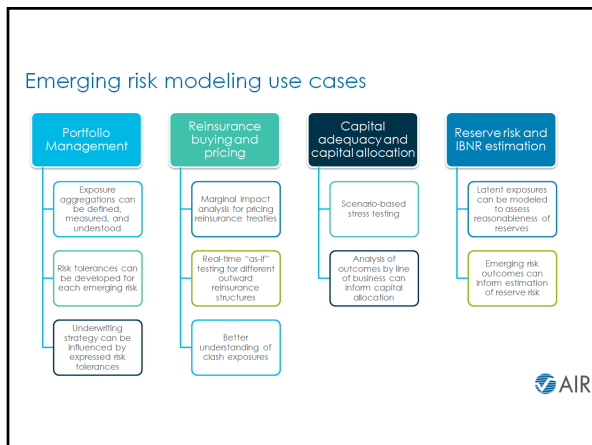
How do front-line managers
identify emerging risks?

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
 - etc.
- 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.





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

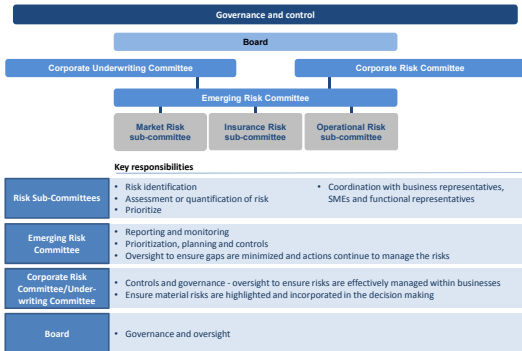
Key framework elements

- 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

Well established process continuously identifies and evaluates significant emerging risks



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



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 easier to put together with active partnership from the businesses

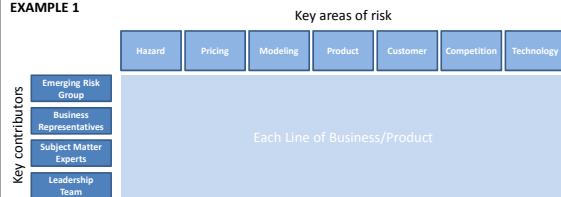
Risk Assessment & Prioritization

- 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



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
- Simulations
- 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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