



Emerging Risks

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NOVEMBER 2022



Introduction / housekeeping

Welcome and thank you!

Webinar format – muted and video off. Interactive features – polls, Q&A

60 minutes including short period of Q&A

Diane Jenkins

- Background in Insurance Broking Sector – technical programme design, M&A due diligence, BI reviews
- Former chair and education secretary of London Business Interruption Association

Nick Thomas & Associates

- Specialist training, coaching and consulting to the UK Insurance Sector
- Technical insurance; sales, communication and soft skills; customer service; management and leadership; performance, resilience and wellbeing training



Objectives

- Have a general understanding of emerging risk
- Be aware of issues created and their impact on insurance
- Begin to identify potential insurance solutions

What is an 'emerging' risk?

Unknown unknowns

“There are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns – there are things we do not know we don't know.”

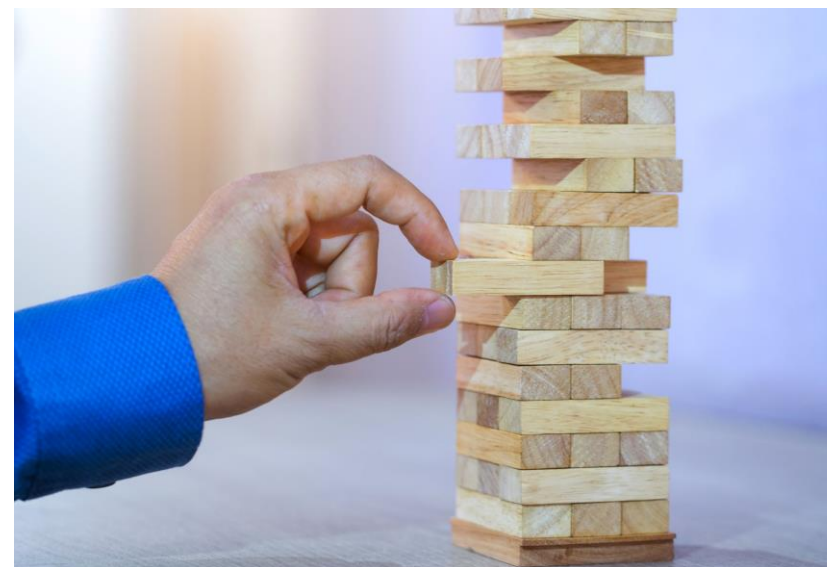
Donald Rumsfeld - Former United States Secretary of Defence



What is an 'emerging' risk?

Newly developing or changing risks that are generally characterised by major uncertainty

- High loss potential
- Long tail
- Implications difficult to assess
- Information to adequately assess the frequency and severity of the risk is lacking



What is an 'emerging' risk?

Artificial intelligence

Autonomous vehicles

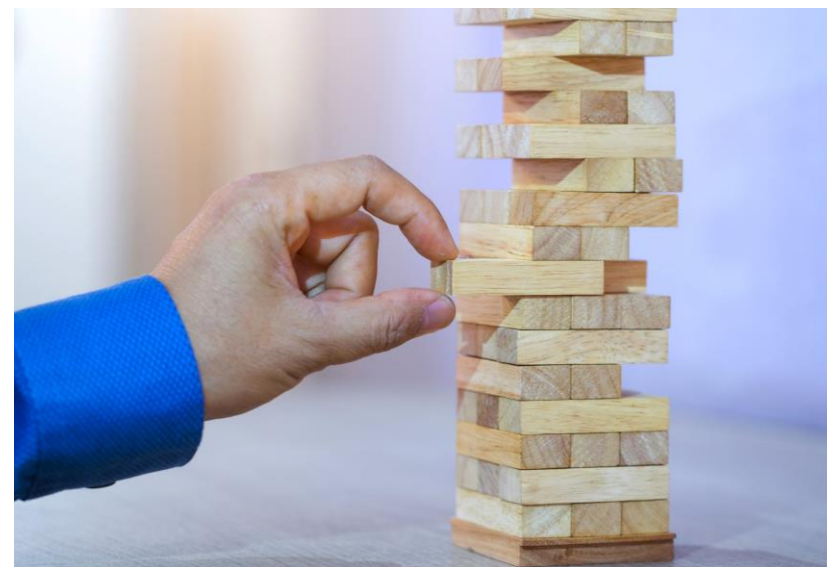
Climate Change

Well-being

Social responsibility

Geo-political issues

NB: January 2022 - PRA listed financial and operational risk resilience, climate change, and diversity / inclusion among its 2022 supervision priorities

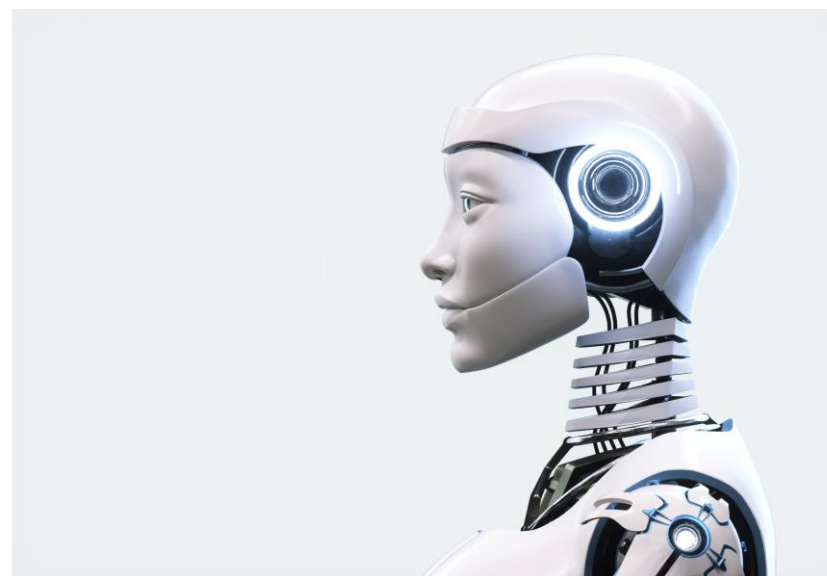


Artificial Intelligence

Artificial intelligence (AI) = computer systems that can sense their environment, then think, learn and take action in response (machine learning)

Use in insurance

- Help insurers assess risk – more accurate pricing
- Customised products
- Fraud detection
- Enhance customer experience – chatbots, claims processing



Artificial Intelligence

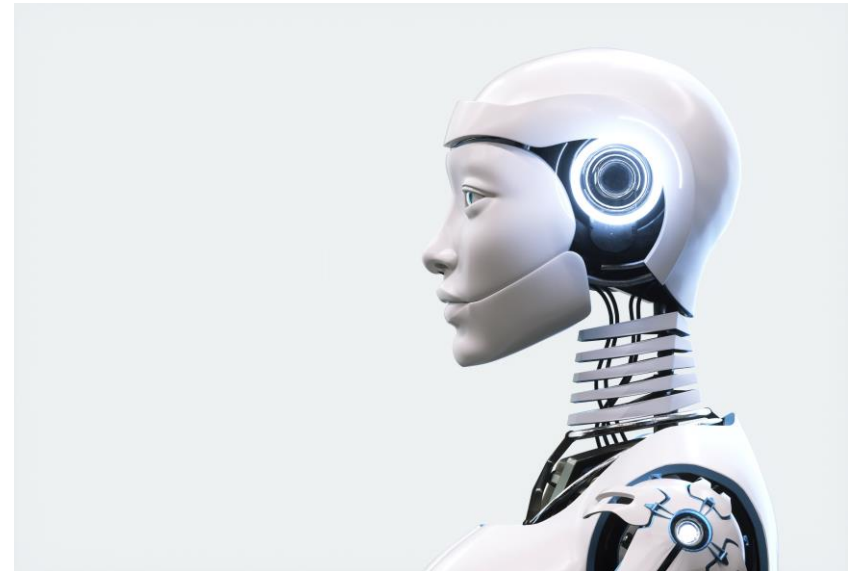
Use of AI – similar issues for business and insurance

Data - collecting the right data, clean, standardised

Skills gap - lack of the specialised skills needed to understand and model potential impacts (and management do not understand AI)

Regulation – need for human involvement for regulatory purposes (GDPR)

Cyber security – increasing dependence on data



Autonomous vehicles

Deloitte forecasts autonomous vehicles will account for more than 80% of new vehicles sales in urban areas by 2040

The Automated and Electric Vehicles Act 2018

- Insurers are required to deal with all claims even when the vehicle is operating in automated technology mode
- Insurers will have a right of recovery against manufacturers and the right to exclude liability where the relevant individual fails to keep the software up to date

Will motor insurance become a products liability issue?



Autonomous vehicles - issues for insurers

Safety

- Use of advanced driver-assistance systems estimated to reduce claims frequency by almost 30% - if used correctly

Cybersecurity

- Additional risk created – is system up-dated and secure

Repair costs

- More technology – higher repair costs, skilled repairers needed

Change

- How will insurers quantify risk and model pricing?
- More usage-based insurance – AP for manual driving?
- Reducing need for motor insurers/brokers/repairers



Climate change

Climate change leading to

- Rising sea levels
- Weather becoming more extreme
- Longer droughts
- Floods
- Heat waves

Risks

- Increased property damage
- Power shortages
- Reduced food production – food insecurity
- Increase in disease
- Population movements



Climate change

Impact on property, business interruption, liability, life and health insurance

Geopolitical impacts need to be considered

- Supply chain failure, conflicts, population movements

Insurance solutions

- Modelling – changing assumptions
- Insuring the ‘uninsurable’ – supply chains
- Parametric/micro business solutions



Climate change

Parametric climate change solutions

- Drought – soil moisture
- Windstorms – wind speed
- Rainfall – weather station measurement
- Flood – sensor measure water height

New solution being developed

Government/aid agency backing



Social responsibility

Environmental, social, and governance (ESG) criteria are a set of standards for a company's operations - includes

- Diversity
- Climate/environmental
- Community engagement

Growing in importance within insurance - FCA created a Director of ESG

Mandatory reporting on ESG for companies in future???

Reputational implications

Potential area for D&O claims



Well-being

ONS estimate 50% of UK workforce will work remotely for all or part of working time

- Mental health – isolation, loneliness
- Physical health – ergonomics, back pain, inactivity

Implications for EL and life insurance

Benefits for employers (including insurers)

- Can help control costs
- Increase productivity
- Reduce workplace accidents and so EL costs
- Staff turnover reduced – helps with recruitment
- Decrease absenteeism / raise employee morale



Geo-political issues

Global supply chain

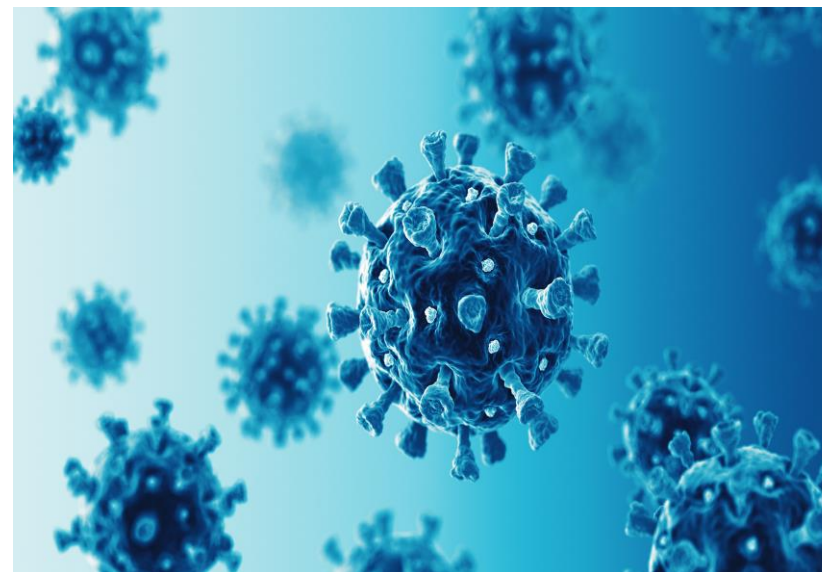
- Protectionism – ‘hard’ borders, tariffs, Covid, trade wars
- Credit insurance/political risks cover

Economy

- Inflation
- Unstable currencies - hedging

Conflict

- Ukraine/Russia – tensions in Europe
- Commodity/food shortages
- Cyber attacks – new cyber war exclusions
- Civil unrest – riots, unstable governments



Objectives Revisited

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Thank you! Questions?

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