



Emerging Risks:

A proactive view from insurance industry

by

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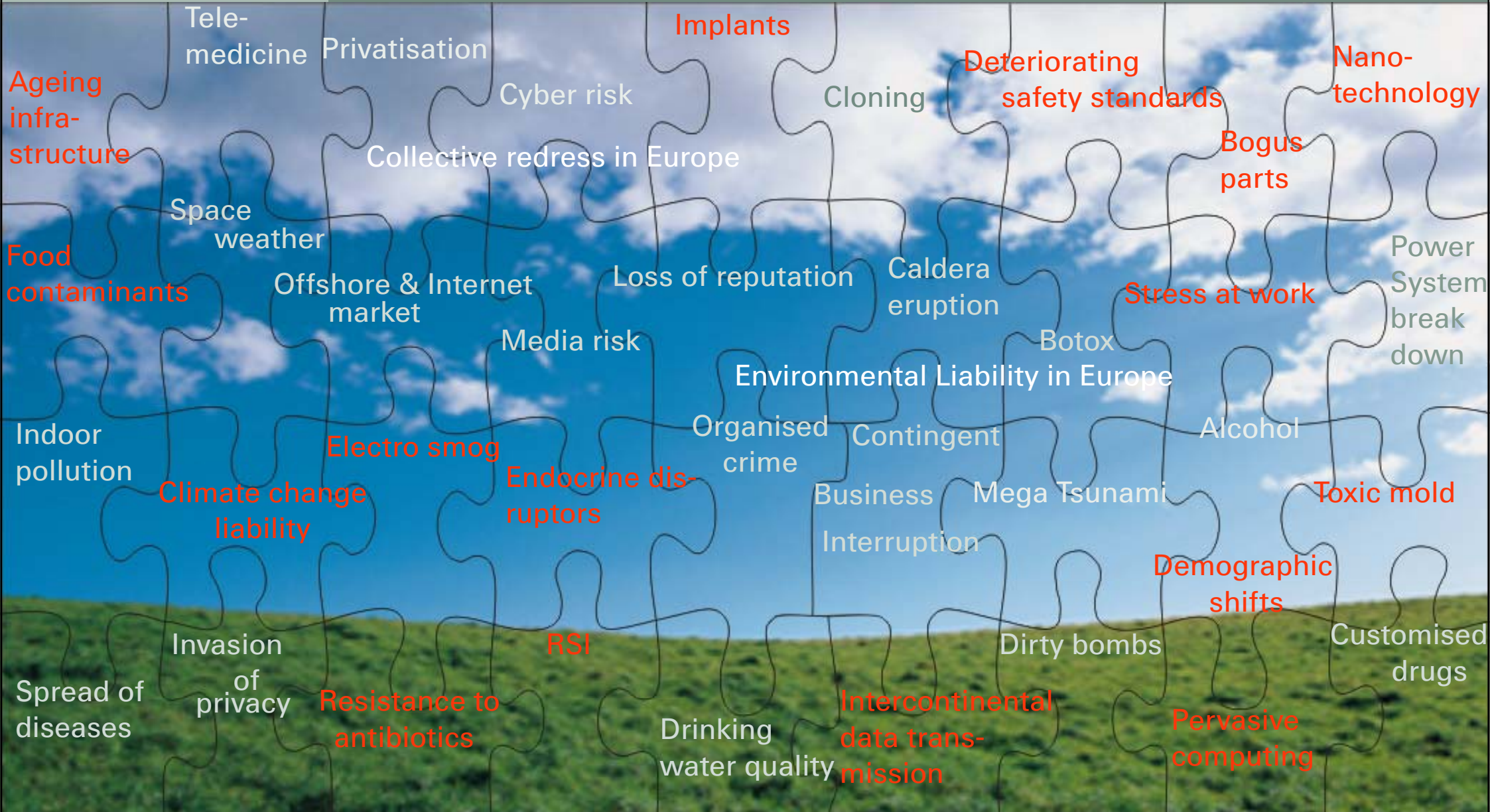
Swiss Reinsurance Company

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Emerging Risk Landscape (extract)





“Emerging risks are newly developing or changing risks (old risks in a new context) which are difficult to quantify and may have a major impact on Swiss Re’s current or future P&L and balance sheet.”



High uncertainty

Identification/prioritisation and quantification difficult

→ Risk transfer difficult

Risk perception differs among stakeholders

Mitigation activities vary

→ Pricing difficult

Often already in insurers’ books

- unintentional
- not quantified
- no additional premium earned

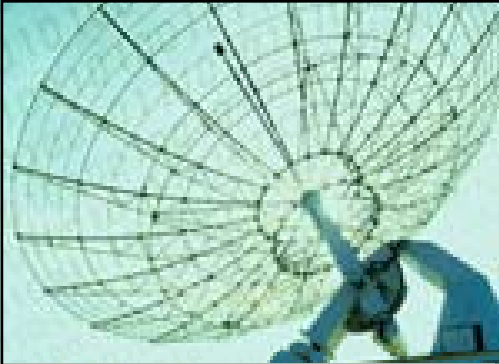
Regulatory/industry involvement often needed

Lack of regulatory framework
Lack of industry’s best practice

→ “First mover disadvantage”

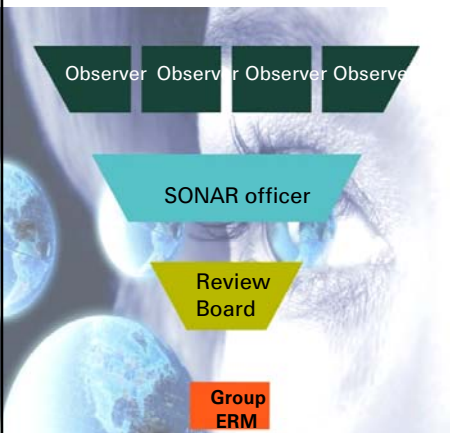
Importance of risk communication

Reducing the risk of developing a phantom risk



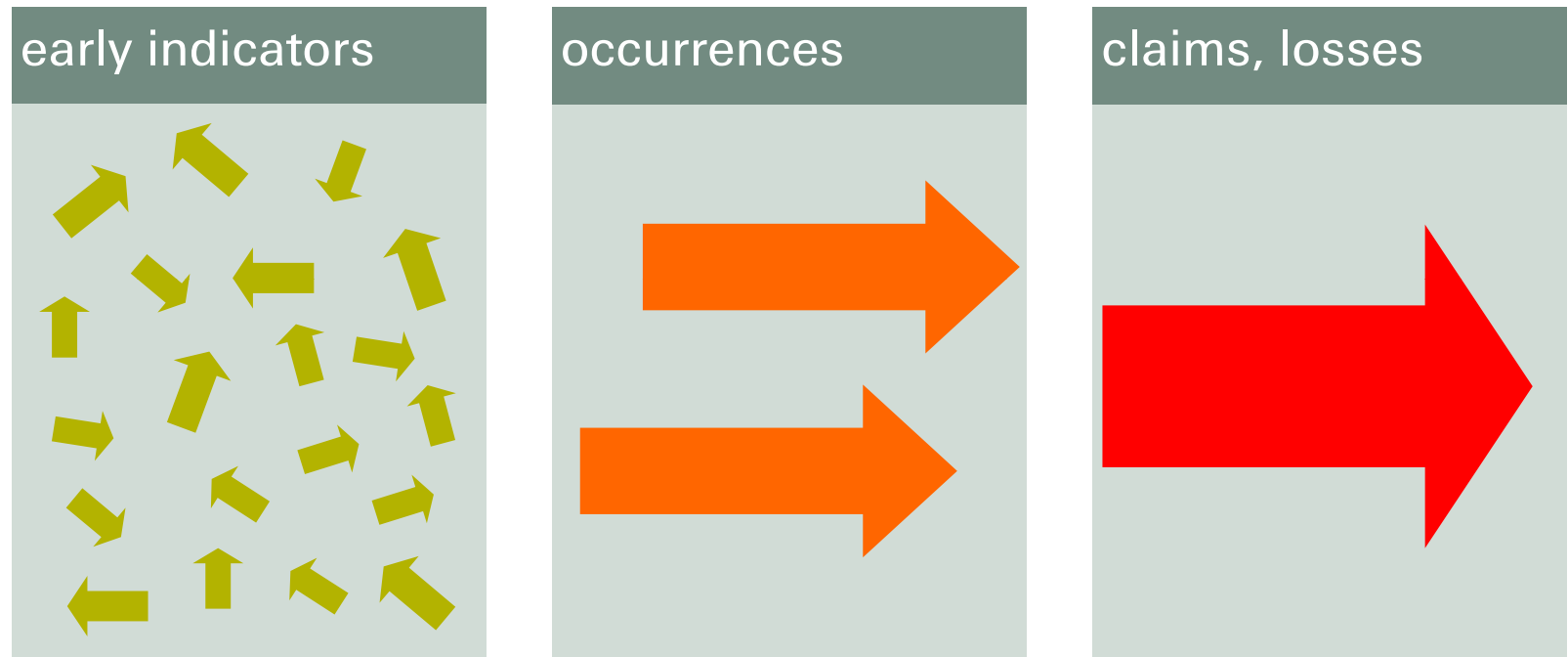
Detection of weak signals Swiss Re's SONAR

Systematic Observations of Notions Associated with Risk



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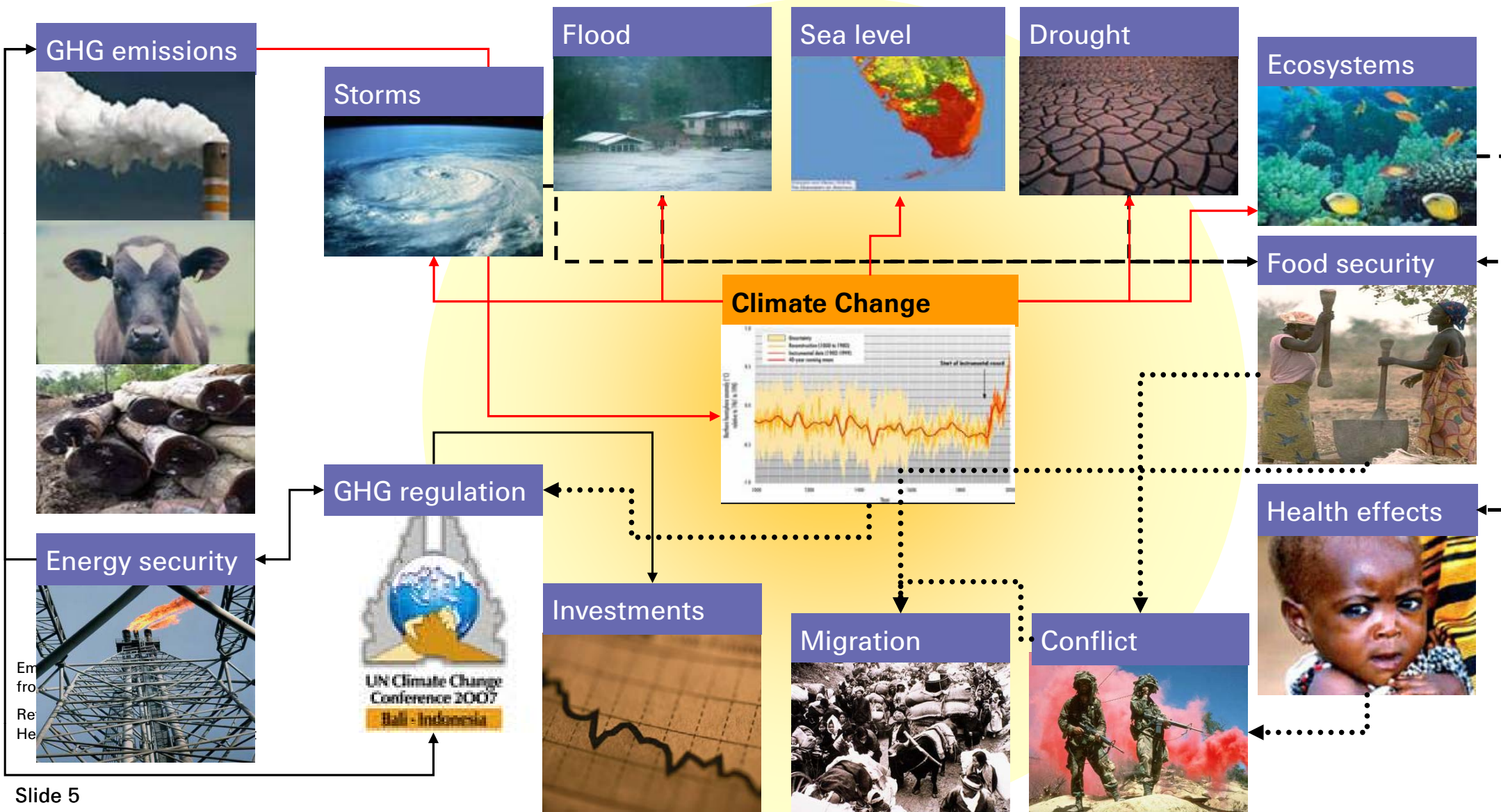


freedom to act

risk assessment was predominantly retro-focussed
fast change requires a more proactive approach

time for adaptation

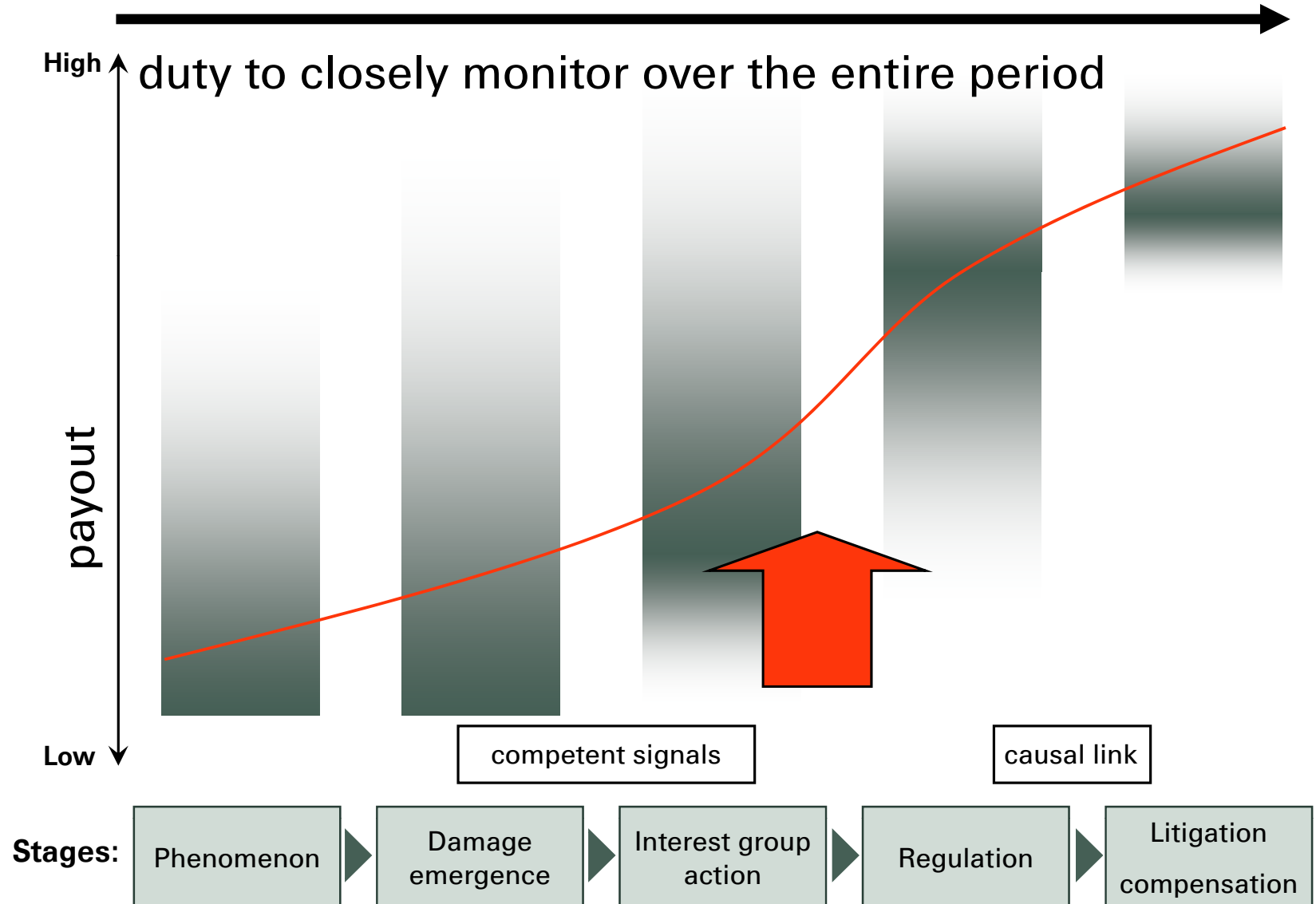
Risks have become increasingly inter-dependent and complex!



“Emerging loss” hypothetical path

- Most likely
- Least likely
- Costs

Asbestos
 MTBE
 Lead
 Silicon Implants
 CCA



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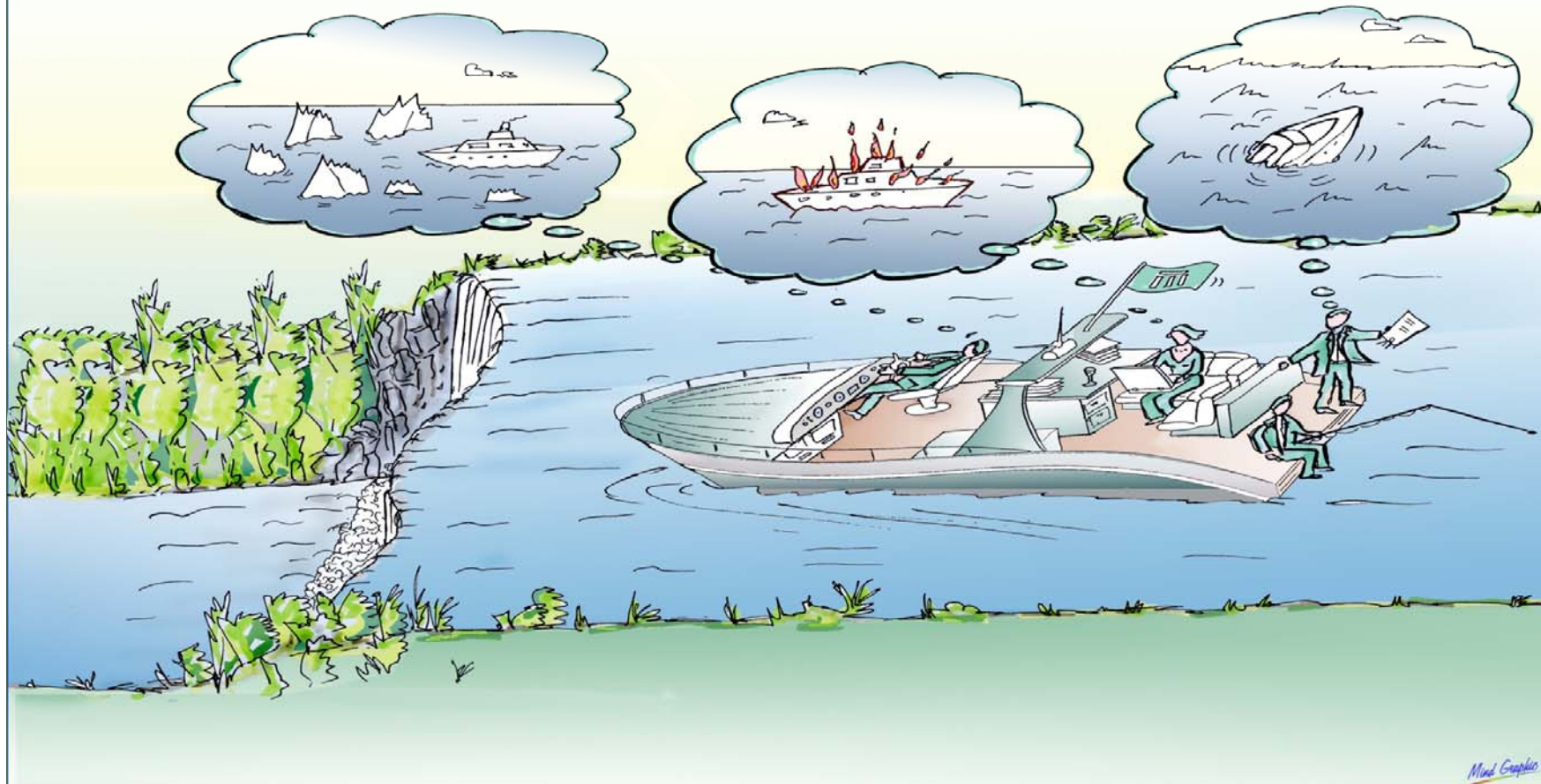


Climate litigation – An outlandish risk?

	First reports	First regulation	First lawsuits	Successful Litigation
Asbestos	1908 French factory, report of 50 deaths of asbestos textile workers	1931 UK Asbestos Regulation, specific compensation for asbestosis	1950's First lawsuits filed requesting compensation for asbestosis	1966 Beaumont, Texas 2001 Estimated total cost of mass torts: USD 200–265bn
Climate change	1950's Observations of increasing CO ₂ concentration in the atmosphere	2005 Kyoto protocol enters into force	2004 First lawsuits filed challenging regulatory inaction, relief against emitters, recovery of damages	2007 Successful lawsuit against public entity Lawsuits against companies?

- There was a time when asbestos claims were perceived implausible
- How will climate change litigation develop further?

Think the unthinkable
as the unthinkable may not be so far!



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Challenge ourselves to consider the unthinkable! What is new,
changing or atypical? Think in scenarios and detect the risks of
tomorrow!



What do we need to do from an insurance perspective

- **Anticipate issues that may create problems in the future/may be difficult to manage (long lasting, chronic effects, low probability, high severity)**
- **See the big picture and the technical details**
- **Capture issues that are relevant to different sectors (economy, technology, socio-politics, environmental)**
- **Capture issues that impact the industry in different countries/markets, even globally (accumulation potential)**
- **Horizontal integration / Emerging Risk Landscape follow the RM process: identify>assess>mitigate>evaluate**

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