PRIMA 2020 WEBINAR

Emerging Risk and Insurance

Marilyn L Rivers, CPCU ARM AIC
Director Risk and Safety
City Saratoga Springs, NY

Webinar Takeaways

- Identify global economic trends that may impact your insurance programming
- Understand how community pressures impact emerging risk
- Capitalize on the relationship with your agent/broker to assist with managing emerging risk
- Differentiate between perceived reality and the paranoia of risk

Global Economic Risk Factors

- Economy with Cascading Risks
- Biological Events
- Self Regulatory Organizations
- Political Climate
- Forces of Nature
- Humans
- Cybersphere and Social Media
- Constituency Advocacy
- Government Programming and Mandates

Biological Events:
COVID-19 Pandemic Key Risk Drivers

- Isolation of society
- Disruption of supply chain economics models
- Economic distress and financial pressures
- Strain on community resources
- Dispersed and displaced workforces
- Psychological balance of trust and expectation



Political Risk Drivers

- Science versus politics
- Shrinking tax revenue and economic opportunities
- Politicized rainbow government funding
- Discontent of socioeconomic groups
- Reduction in the ability to provide community services
- Disenfranchised constituency
- Civil unrest and uncertainty

Manifestations of Human Discontent

- Changing economy
- Displaced workers
- Unemployment
- Conspiracy theories
- Diminishing safety nets
- Doom and gloom
- Consumer Activism
- Changing Life Priorities
- Re-establishment of Society's Norms
- Civil Disobedience
- Domestic Terrorism
- Right Sizing

Constituency Advocacy

- American with Disabilities Act and cyber virtual community visits
- Stereotyping community members
- Discrimination, equity and inclusion
- Changing labor markets and values
- Police reform
- Techno-Nationalism and Diplomacy
- Uncertainty of the “Known Normal”



Civil Disobedience

"Civil disobedience is the active, professed refusal of a citizen to obey certain laws, demands, orders or commands of a government. By some definitions, civil disobedience has to be nonviolent to be called 'civil'. Hence, civil disobedience is sometimes equated with peaceful protests or nonviolent resistance." Wikipedia



Armed Extreme Groups as Civil Disobedience

Southern Poverty Law Center Intelligence Project identified 576 extreme antigovernment groups active in 2019. Examples include:

- The Constitutional Sheriffs
- Oath Keepers
- Three Percenters
- Proud Boys
- Not F_____ Around Coalition (NFAC)

https://www.splcenter.org/fighting-hate/extremist-files/ideology/antigovernmen

https://en.wikipedia.org/wiki/List_of_militia_organizations_in_the_United_States

Freedom of Speech

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

US Constitution First Amendment

Forces of Nature

Seven Laws of the Universe:

1. Vibration
2. Relativity
3. Cause and Effect
4. Polarity
5. Rhythm
6. Gestation
7. Transmutation



- *Earth*
- *Air*
- *Water*
- *Fire*
- *Aether (Space)*

Climate Change as a Risk Driver

- Changing attributes of the totality of the global environment
- Ice sheet instability and the impact on coastal communities
- Increasing temperatures affecting global economies
- Naturally induced disasters
- Air quality
- Collapsing ecosystems
- Annual Rainfall
  - Water scarcity
  - Food insecurity



Milliman Climate Risk Channels

- *Physical Risk:* "Encompassing the risks associated with changes in the environment over a prolonged period. This includes event-based and trend changes such as severe weather single events, deaths at extreme temperatures and the operational risks of supply chain interruption."
- *Transition Risk:* "Risks associated with a changing economic environment and moving to a low carbon economy. Drivers include changing regulations, advancements in technology, incentives around various asset classes, changing consumer demands and reputational risks."

"Emerging risks in insurance: Climate change;" Kyle Audley, Dana-Marie Dick and Natasha Singhal; uk.Milliman.com

Impacts of Climate Change

- Risk to Public Health
- Extreme Weather
- Changes in coastal flood levels
- Business Interruption
- Food Shortages
- Real Estate Fluctuations (Tax Revenue)
- Municipal Hardships
- Rising Litigation

ClimateChangePrint-Ready-PDF-Liberty-Mutual-09_03_19Final.pdfng and ecosystem shifts

Global Climate Initiatives

- UNFCCC: United Nations Framework Convention on Climate Change
- Kyoto Protocol: United Nations Framework Convention on Climate Change
- 17 Sustainable Development Goals
- Paris Agreement-national determined contributions
- ESG: Environmental, Social and Corporate Governance – indicators that measure the sustainability and societal impact of businesses

Cybersphere and Social Media Threats

- Artificial Intelligence
- Nation State Attacks: Election Manipulation
- Ransomware Attacks
- Data and fraud theft
- Deepfake Audio and Video: Reputation Risk
- Social Media Disinformation
- Insider Threats
- Generational Shift Without a Human Component

"8 Emerging Threats in 2021 and How Your Organization Should Prepare Now," 07182020; digitalinformationworld.com

Infrastructure Cyber Risk Vulnerabilities

- Water Treatment System Technologies
- Sewer System Management Technologies
- Power Generation Grid Delivery
- Traffic Control Device Grids
- Vendor Websites:
  - Employee:
    - Benefits
    - Healthcare Providers
    - Workers Compensation TPA's
    - Employee Banking Systems
    - Human Resource Payroll Enterprises
  - Online Constituent Payment Sites
  - Municipal Accounting Software



Individual Cyber Vulnerabilities

- Social Media Identification Theft:
  - Instagram
  - Twitter
  - Facebook
- Fraud:
  - Unemployment
  - Social Security Disability
  - Small Business Administration PPP Loans
  - Pension Allocations and Transfers
  - Credit Cards

Cyber Opportunities for Improvement

- Build Redundancy
- Create universal accessibility that cannot be interrupted or corrupted
- Control your organization's privacy and authenticity of information exchanged
- Invest in cyber protection:
  - Anti-virus Systems
  - Security Updates
  - Intrusion Detection Systems (IDS)
  - Encryption Key Software
  - Internet Controlled Malware

“To optimize recovery, organizations will need to build greater preparedness into their business models in order to be more resilient in the face of future disruptions.” John Doyle, CEO Marsh

“Unemployment and infectious disease worry global execs most, but climate risks are on the rise,” Advisen, 10082020



Government Programming and Mandates

- Involve the deliverance of lawful order
- Govern reputation risk of the entity and its citizens
- Sometime have unintended consequences
- Precipitate behavioral economics and sometimes require intervention
- Fluctuate depending upon the political environment and the community's understanding of what they perceive is real

Emerging Risk Opportunities

- Workplace re-imaging and redesign
- Holistic health and safety programming encompassing mental, physical and social health
- Childcare restructuring with staggered work days and work weeks
- Redesign of personal protective equipment in dynamic work environments
- Investment in enhanced cleaning and hygiene education and protocols

McKinsey's "Next Normal" Key Indicators:

- Create opportunities for supply chain resiliency
- Reinvention of business and personnel travel
- Invest in clean, green and renewable community energy resources
- Repurpose waste commercial and human waste
- Reimagine the delivery of education



McKinsey's Four Forces Molding the Next Normal:

1. Metamorphosis of demand
2. Rapid changes in the workforce
3. Shifts in regulations
4. Increasing information about protocols for workplace and homeplace safety

The Importance of Agent/Broker Relationships

- Perspective
- Market trends and capacity
- Problem solving resources
- Understanding of political relationships
- Responsiveness and communication
- Understanding of your totality of risk
- A loyal champion of risk when needed

Perceived Reality and the Paranoia of Risk

Perception has its own reality in risk. It's measured by our:



- Emotions
- Socioeconomic circumstances
- Perceived level of threat
- Reliance on our individual tolerance
- Heightened senses
- Dependency on our definitions of fact versus fiction

“We must accept finite disappointment, but never loose infinite hope.”

Martin Luther King Jr.



Emerging Risk White Paper Resources

- “The Top 20 Cyberattacks on Industrial Control Systems,” Andrew Ginter, VP Industrial Security, Waterfall Security Solutions, Version 1.1, May 2018
- “The future of risk: New game, new rules,” Deloitte.com, 2016
- “McKinsey on Risk: Special Edition: The COVID-19 Crisis,” August 2020; www.mckinsey.com
- “Risk Maps 2020: AON’s Guide to Political Risk, Terrorism and Political Violence,” www.aon.com

Web Resources in Addition to PRIMA

- www.climateanalytics.org
- www.riskandinsurance.com
- www.advisen.com
- www.homelandsecuritynewswire.com
- www.digitalinformationworld.com

Questions?



Thank you!