

Emerging Risks in Emerging Markets

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Content

- Case Studies
- Definition of Emerging Risks/Markets
- Identification & Tools
- Key Emerging Risks in Insurance
- Monitoring, Classification & Quantification
- Conclusions

Case Studies

- Disruptive Innovation
- Examples:
 - 1. Uber
 - 2. Kodak
 - 3. HMV
- Lessons Learned:
 - 1. Consider horizon scanning of emerging risks
 - 2. Employ independent experts
 - 3. Complacency
 - 4. Past as proxy to future
 - 5. Innovation as an aid
 - 6. Selective retention

- Why should we care about emerging risks?
 - 1. Big but can often be spotted
 - 2. Competitive advantage
 - 3. Reputation
 - 4. Helping society at large
- Will it happen in our insurance industry?
- Digital Transformation

Definition of Emerging Risks

Early signals:

An underlying driver may start to change the risks facing the industry.

Early signals can be too numerous to list and analyse.

Can be used within emerging risk frameworks to understand emerging risk drivers and 'horizon scan'.

Emerging risk:

Distinct risk that may result at a later point as a loss event.

Continue to report and monitor in regular emerging risk analysis.

It is unlikely that a specific response/ action will be required at this stage, but plans can be prepared in anticipation.

Mature risk:

Mature risk that is well understood.

Some risks will be considered key risks and monitored within the key risk process whilst others will be marginalised as unimportant and/or immaterial.

At this stage mitigating actions may be appropriate.

Emerging risks may take some time to emerge and therefore stay in this holding category for some time.

Key Emerging Risks in Insurance

- Climate change
- Cyber attacks
- Terrorism
- Driverless cars
- Big data
- UK exit from EU
- Air pollution
- Longevity
- Drones

Key Emerging Risks in Insurance

- Chronic diseases
- Nanotechnology
- Pandemic risks
- Sovereign debt crisis
- Power blackouts
- Crowd-funding
- Internet of Things
- Telemedicine

Key Emerging Risks in Insurance

- 3D printing
- E-Cigarettes
- Artificial Intelligence
- Internet fragmentation
- Genetic engineering

Identification, Classification & Quantification

- Effective Identification
- Emerging risks perceived by ERM/Board
- First line involvement
- Focus on risks to the strategy over medium term
- A framework for emerging risk classification/categorization (e.g. by source/types/risk characteristics)
- Categories: Economic/Environmental/Geopolitical/Societal/Technology
- Likelihood vs impact

Conclusions

- Don't be constrained in thinking
- Consider carefully risks embedded in organization's culture
- Focus on drivers and sources of risks as well as actual ones
- Should we be adaptive or reactive?