

The Golden Age of Casualty

Robert Reville, President and CEO, Praedicat

11th Annual Liability Regimes Conference

Keeping the Floodgates Shut? Mastering Accumulation
and Bodily Injury Exposures in a Rapidly Changing Environment

4–5 November 2015, Rüschtikon



THE GOLDEN AGE OF CASUALTY

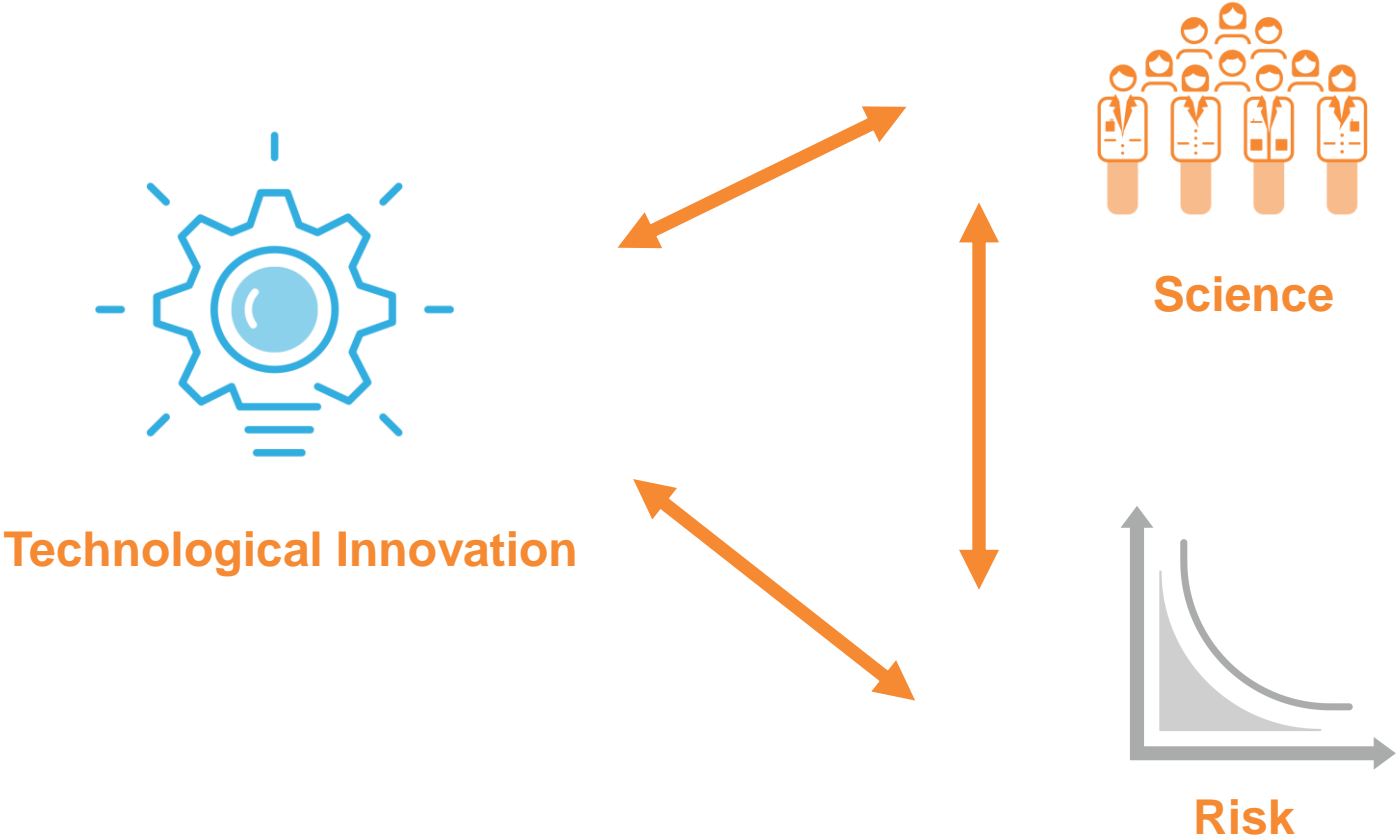
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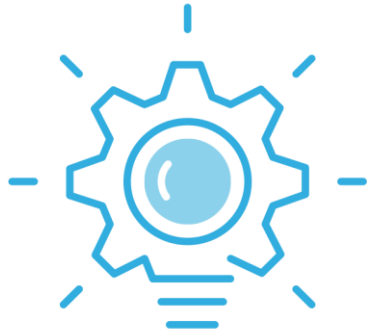
Three critical questions

- Is liability insurance relevant today?
- Is avoidance the only response to emerging risk?
- Can liability insurance be sustainably profitable?

The risks of major technological innovation are not known in advance



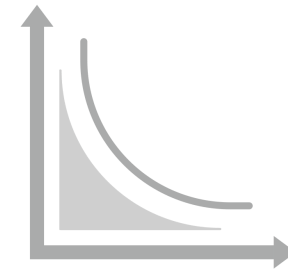
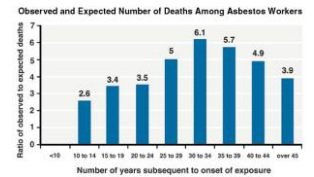
If the risks emerge unmonitored and unmanaged, it can be catastrophic



Technological Innovation



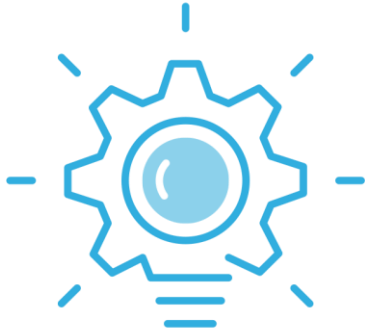
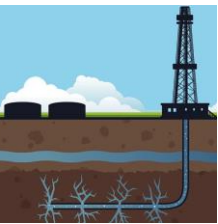
Science



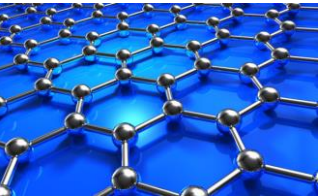
Risk

\$85B

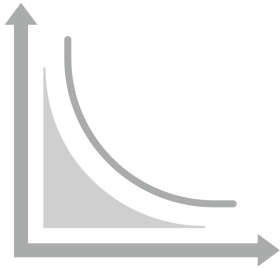
New “disruptive” technologies appear to be emerging with increasing frequency



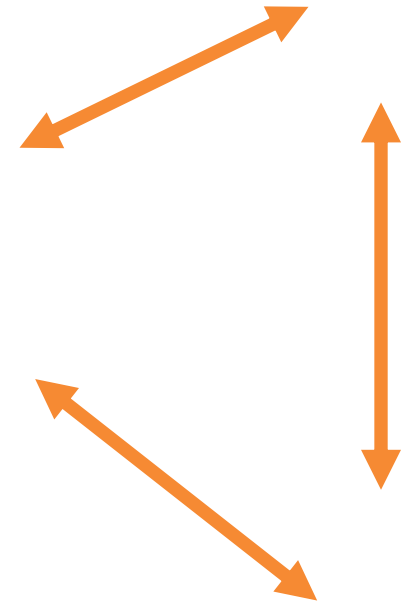
Technological Innovation



Science



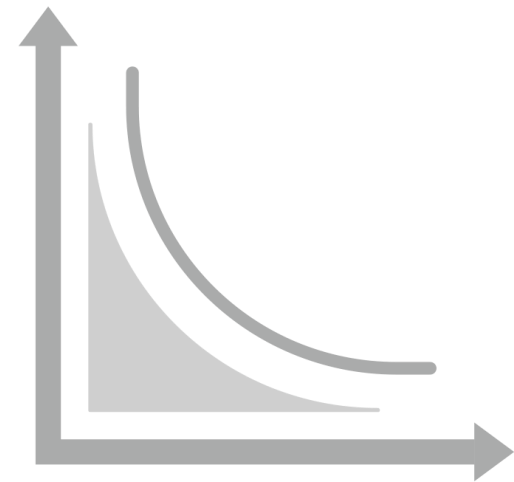
Risk



But exclusions are not the answer

Liability accumulation management using forward-looking models is the answer

- Forward-looking models are the next generation of “emerging risk”
- Forward-looking models can solve the four problems of emerging risk
 - Identification
 - Contextualization
 - Projection
 - Quantification



Liability accumulation management using forward-looking models is the answer

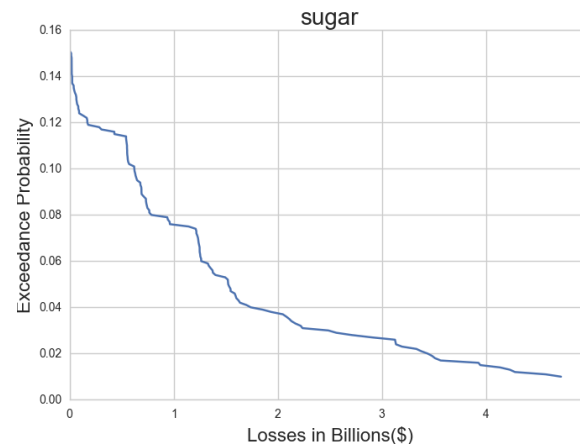
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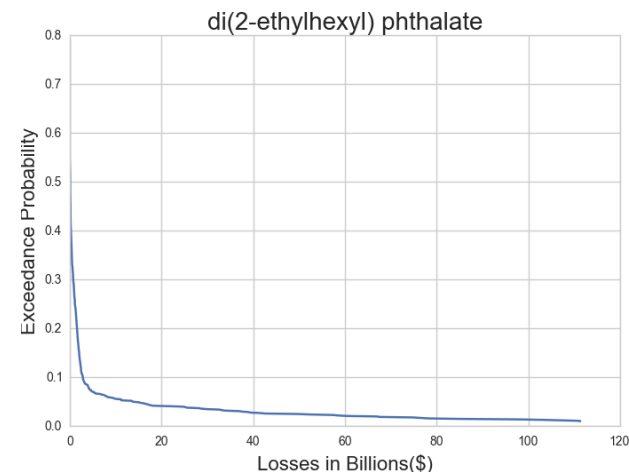
The world's scientific community is our emerging risk group

Our (beta) liability cat model highlights 24 “litigation agents” with significant risk

- Contemporary issues
 - Endocrine disruption
 - Childhood and in-utero exposures
 - Food-related risks
- Equally important is what didn't project litigation risk:
 - EMF
 - Carbon nanotubes



Beta. Subject to Change



Property and Liability: The last 30 years

Property

- Exposure-based property catastrophe models are part of the fabric
- Significantly higher premium growth over last 30 years
- Hurricane Katrina spread the loss without significant dislocation

Liability

- No liability catastrophe models
- Lower premium growth until recent years
- Reserve inadequacy the largest driver of insolvencies (AM Best)

The next 30 years: It is casualty's turn

Our answers to the three critical questions

- Is liability insurance relevant today?
 - Liability insurers have a critical role to play in facilitating technological innovation and progress
- Is avoidance the only response to emerging risk?
 - Liability underwriting and accumulation management technologies turn emerging risk into opportunity
 - The end of exclusions?
- Can liability insurance be sustainably profitable?
 - Like never before...

Praedicat