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Emerging Risks For PMI – Opportunity or Threat?

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07 May 2015



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What are “Emerging Risks”?

- Potential to be a **significant** threat or opportunity
- Risk not fully understood yet
- Not factored into policy terms and pricing yet




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Why look at emerging risks?

- Anticipate possible actions to protect business
- Anticipate potential new business opportunities
- Contribute to assessment of necessary capital
- Opportunity or Threat?





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Who looks at emerging risks?





- Government (Health & Safety, Food, Driverless cars)
- Think tanks (World Economic Forum, Geneva Association)
- Actuaries (Actuarial Profession, Towers Watson)
- Insurers & Reinsurers




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What has emerged? – GI

- Latent Claims (Asbestos, Hearing Loss)
- Ogden Tables/Periodic Payment Orders
- ATE legal expense insurance
- The AIG problem
- Extreme weather

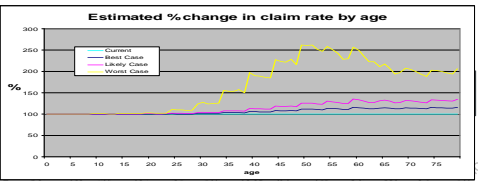







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What has emerged – health – cancer drugs

One view in 2006





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What has emerged – health – cancer drugs

Action taken by market:

AXA PPP healthcare – standard cover -12 months treatment.

Option to buy extended cover.

Most other insurers – no change

New product development: WPA

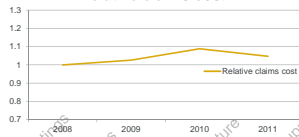
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What has emerged – health – cancer drugs

Relative claims cost



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What has emerged – health – HIV/AIDS?

- First cases in USA in 1981

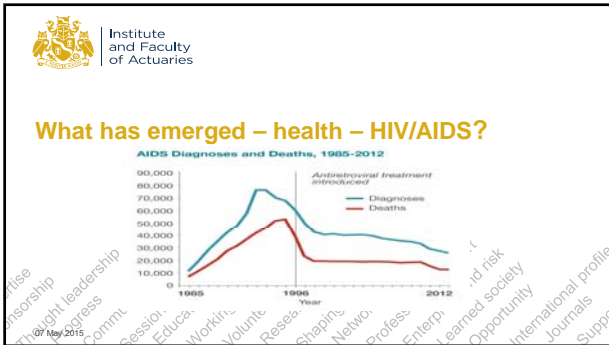
- Insurance implications:

Existing business – introduced heterogeneity into homogeneous risk groups.


New business: Exclude claims due to HIV/AIDS

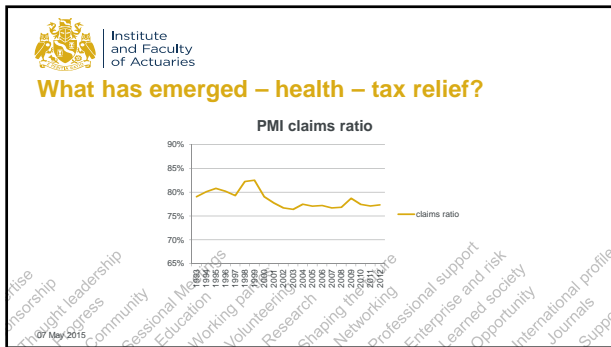
AIDS test


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- ### What has emerged – health – tax relief?
- 1997 UK Budget – removed tax relief for PMI premiums for over 60s
 - Est. 500k people affected
 - Generate £135m saving for government.
 - Impact on PMI: Increased lapse rate.
 - Increased claim rate.



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Broad Sectors of emerging risks

- Health
- Economic
- Legal & Regulation
- Social and Political
- Environmental
- Technology and IT



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Emerging Risks – good or bad?

- May adversely effect business
- May enhance business
- May create new business opportunities



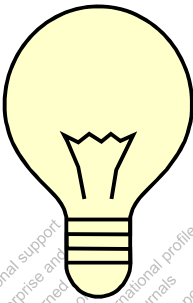
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Brainstorming emerging risks

- Process for today
- Charting the risks
- Opportunity or threat?





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Charting the Risks


	0-5 Years	5-10 Years	>10 Years
High Risk			
Medium Risk			
Low Risk			




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Brainstorming emerging risks

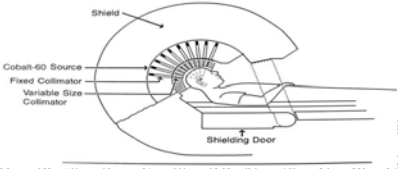
- Cyber risk




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Brainstorming emerging risks

- Medical Advances (e.g.Gamma Knife)




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Brainstorming emerging risks

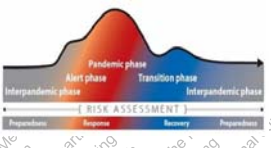
- Genetic Testing



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Brainstorming emerging risks

- Pandemic





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Brainstorming emerging risks

- 3D printing



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Sponsorship
Thought leadership
Thought process
Community
Professional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support



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Brainstorming emerging risks

- Regulation and legal



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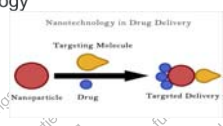
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Brainstorming emerging risks

- Nanotechnology



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Brainstorming emerging risks

- Obesity






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Brainstorming emerging risks

- Ageing Population

Global population is living longer



Region	60-80 year olds (%)	Over 80s (%)
EUROPE	2007: 20, 2050*: 30	2007: 15, 2050*: 25
NORTH AMERICA	2007: 18, 2050*: 28	2007: 12, 2050*: 22
OCEANIA	2007: 15, 2050*: 25	2007: 10, 2050*: 20
ASIA	2007: 12, 2050*: 22	2007: 8, 2050*: 18
LATIN AMERICA & CARIBBEAN	2007: 10, 2050*: 20	2007: 7, 2050*: 17
AFRICA	2007: 8, 2050*: 18	2007: 5, 2050*: 15



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Brainstorming emerging risks

- Mental Illness frequency





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Brainstorming emerging risks

- Others



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Chart of Emerging Risks

- Does it make sense?
- Opportunity or Threat?



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Next Steps

- Review within team
- Expose to wider scrutiny
- Evaluate as best you can
- Decide on further actions



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Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.



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