


10th Discussion Forum
April 17, 2024



Emerging Risks

A North American Perspective

David Stewart, CPCU, ARe, AAI, RPLU



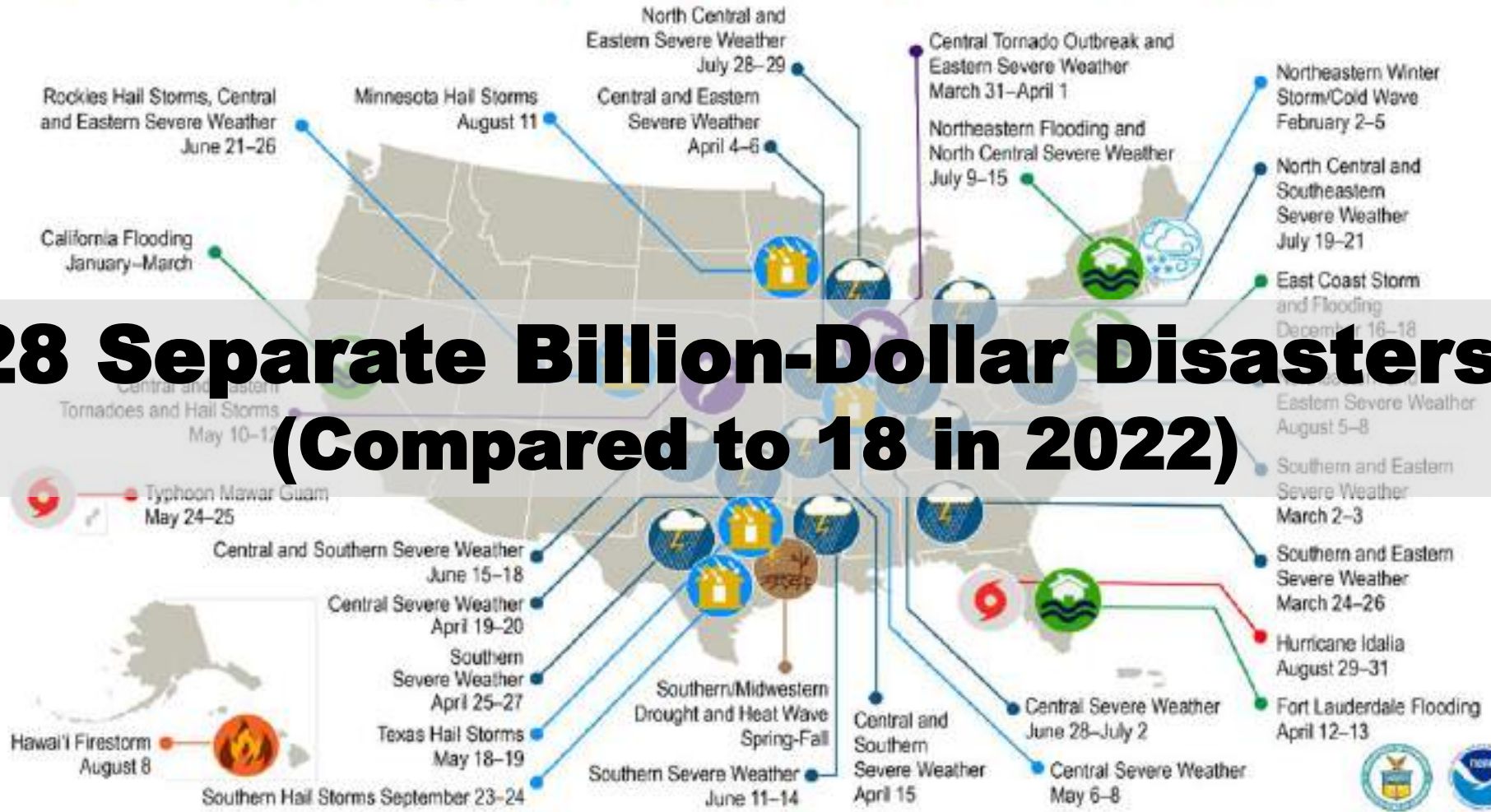
2023 **What Kind Of Year?**



2023 \$B Weather / Climate Disasters



**28 Separate Billion-Dollar Disasters*
(Compared to 18 in 2022)**



Sources: US Department of Commerce, NOAA

2023 What Kind Of Year?

INSURED LOSSES

2023	(\$80B)	US record 28 events (Global insured estimate \$118B)
2022	(\$114B)	18 US events - tied with 2011 & 2017 (Hurricane Ian \$56B)
2021	(\$106B)	Hurricane Ida - costliest storm in Florida history \$40.5B
2020	(\$97B)	Record 22 billion-dollar events (Hurricane Laura \$19B)
2019	(\$47B)	Tied 2018 with 14 billion-dollar disasters (4 th highest)

* May or may not be Insured amount, estimates vary (Amounts inflation adjusted)



PREMIUM & CAPITAL (SURPLUS) GROWTH

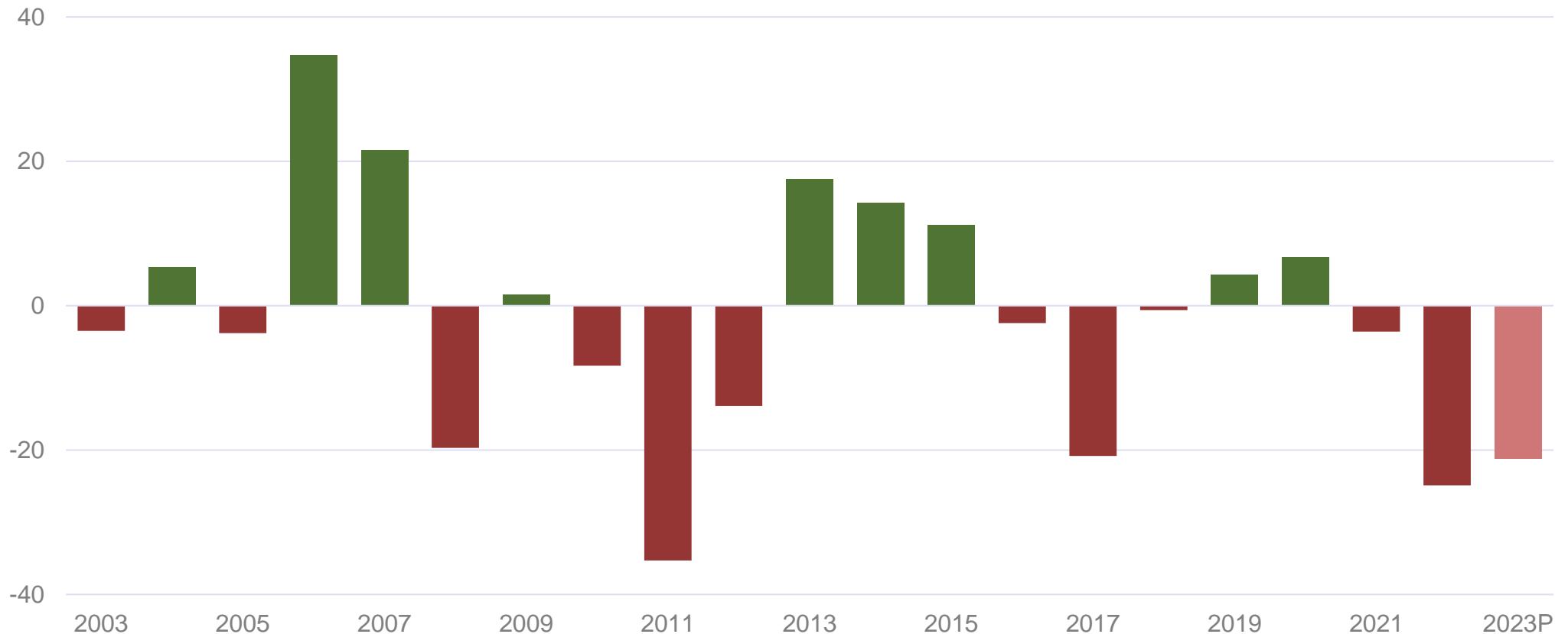
	2022	2023E	% CHANGE
Net Premiums Written	\$759B	\$838B	+10.4%
Net Premiums Earned	\$731B	\$802B	+9.9%
Policyholders' Surplus (Capital)	\$960B	\$1T	+0.1%
Combined Ratio	102.4% CAT = 7.3%	101.6% CAT = 8.7%	0.9%

2023 Underwriting Results (Preliminary)

Income (Earned Premiums) grew \$72 billion. UW losses reduced somewhat - attributed primarily to Personal lines (HO), Secondary perils and Inflation

NET UNDERWRITING GAIN/(LOSS)*

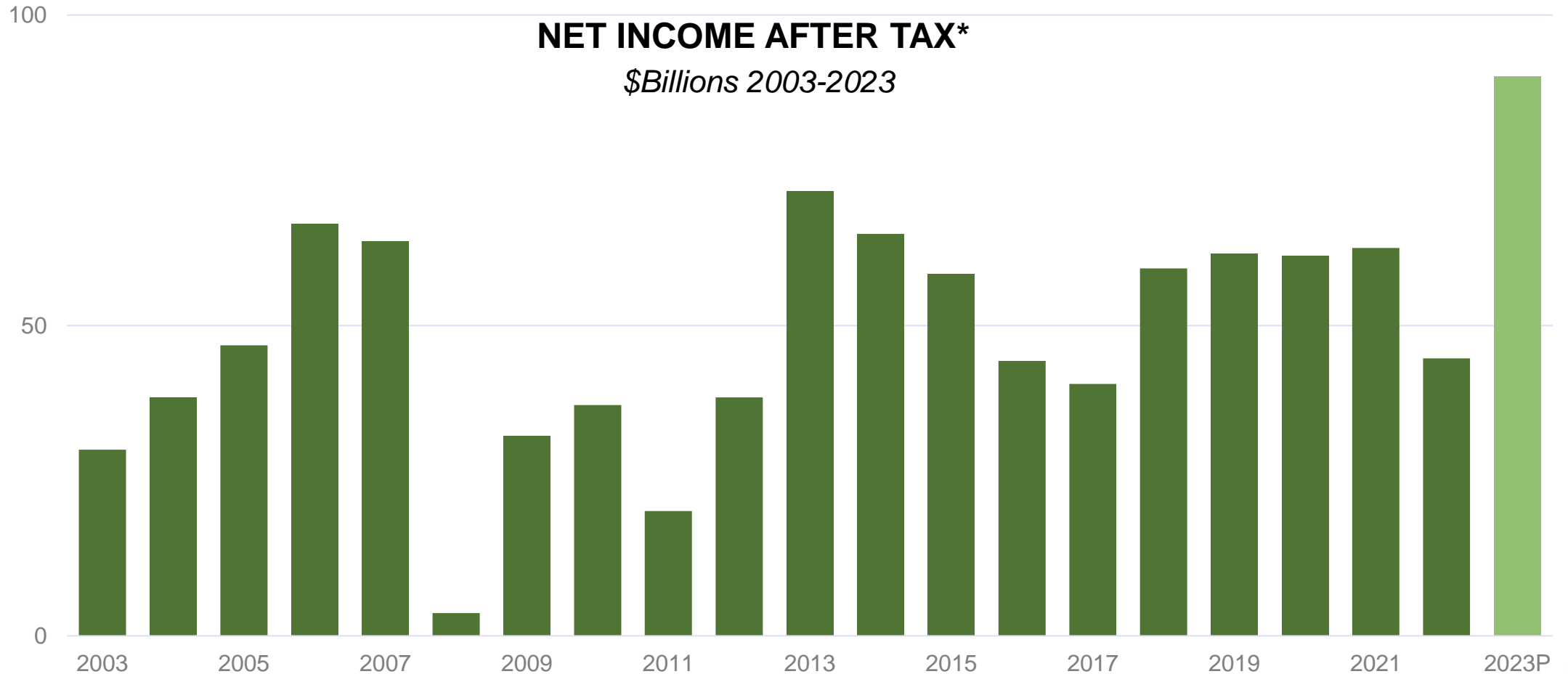
\$Billions 2003-2023



Sources: SNL Financial, A.M. Best

2023 Investment Income Drives Net Income

2022/2023 overall results impacted by one larger re/insurer earnings (2022 intercompany distribution of \$10.8B influenced investment income, 2023 earnings reflect \$50B+ in realized gains on investments)



Sources: SNL Financial, A.M. Best

* NAIC Statutory Results – early March

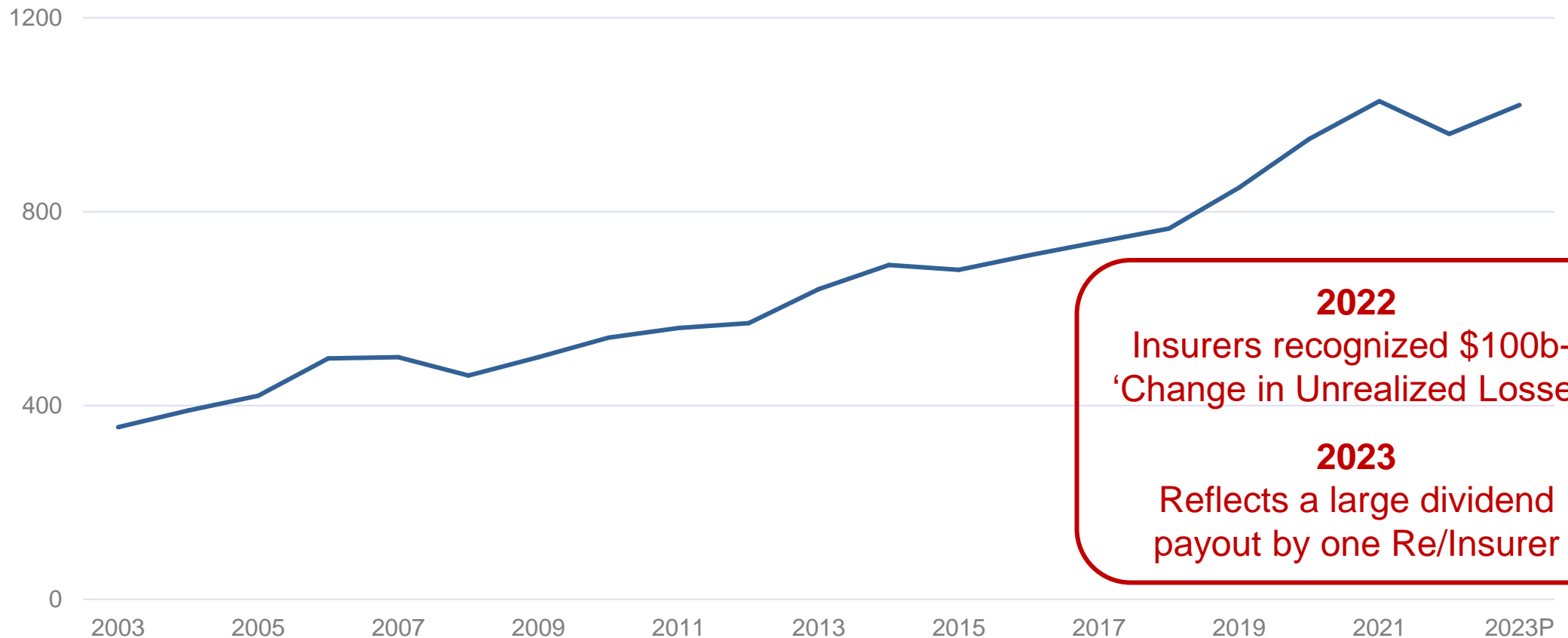


2023 Available Capital Grows Again

Capital mostly recovered from 2022 “bear market” & impact of US statutory accounting requirements

TOTAL CAPITAL & SURPLUS

\$Billions 2003-2023



2022
Insurers recognized \$100b+
‘Change in Unrealized Losses’

2023
Reflects a large dividend
payout by one Re/Insurer



2024 What's In Store?



Long-range forecasts suggest 2024 hurricane season from hell — Artemis 4-March 2024



- **El Niño** is said to be weakening rapidly and **La Niña** conditions set to emerge
 - NOAA estimates probability at 80% return
 - Typically once every four years – 2024 would represent the fourth La Niña in five years (only second time since 1900)
- Sea surface temperatures already between **1° and 3° Celsius above normal**
- One confirmed weather/climate disaster with losses \$1 billion+ (8-March)

Implications of La Niña

“...typically weakens wind shear and provides for atmospheric conditions that are more conducive to tropical storms and hurricanes forming”



ATLANTIC HURRICANE SEASON FORECAST					
2024					
Exclusive AccuWeather Forecast					
	Named Storms	Hurricanes	Major Hurricanes	Accumulated Cyclone Energy (ACE)	Direct U.S. Impacts
Forecast 2024	20-25	8-12	4-7	175-225	4-6
Previous Year 2023	19	7	3	145.6	4
30-Year Historical Average 1990-2020	14	7	3	123	4

OTHER FORECASTS

Colorado State University	23 storms, 11 hurricanes (5 major)
Tropical Storm Risk	20 storms (4 intense)
Weather Bell	25-30 storms (6-8 major hurricanes)
European Centre For Medium Range	17 tropical storms (9 hurricanes)

2024 March

Morningstar/DBRS early estimate is **\$2-4B loss** (2012 Costa Concordia loss was \$1.5B) which “may involve several lines such as property, cargo, liability, trade credit and contingent business interruption” (AM Best)



Francis Scott Key Bridge, Baltimore, Maryland, March 26

2024 April

Strongest earthquake in 25 years. Too early to estimate, but 'take-up rate' is high at 37% of households, so expect reinsurance market to feel the impact



Taiwan Earthquake, 3-April

A man in a dark suit and brown jacket stands on top of a large, textured globe. The globe has a dark blue map of the Americas on its surface. He is holding a briefcase in his right hand and has his left hand raised to his forehead, looking out over a vast blue sky. In the distance, another smaller globe with a purple top and tan bottom is visible above a layer of white clouds.

Emerging Issues A Look Back

2014 Recognizing The Concept of Mass Torts

“Mass Torts”
(or Casualty Cat)
Defined:

A class of civil actions in which multiple plaintiffs are injured in a similar fashion by a defective product, hazardous substance or disaster

Mass tort litigation is often in the form of a class-action lawsuit initiated by a large group of plaintiffs who claim to have suffered injury from a commercial product

What to Look For...



2024 Ongoing Mass Tort Challenges



1970s - today
Paid \$100 Billion
 (\$2B+ annually)



1998 \$204 Billion
 (Settlement/no cap)



1998 \$3.2 Billion
 Dow/Breast implants
2000 \$3.8 Billion
 Fen-Phen Diet drugs
2007 \$4.9+ Billion
 Vioxx Arthritis drug



1990s - today
\$8 Billion
 (Ongoing MDL)



2016 \$8.9+ Billion
 (50k+ claims)



2016 \$20 Billion
 (Total damages \$62B)



2017 \$1 Billion
 (Recall \$24B+)



2019 \$16 Billion+
 (100 of 130k settled)



2020 \$2.5 Billion
 (Emerged in 1960s)

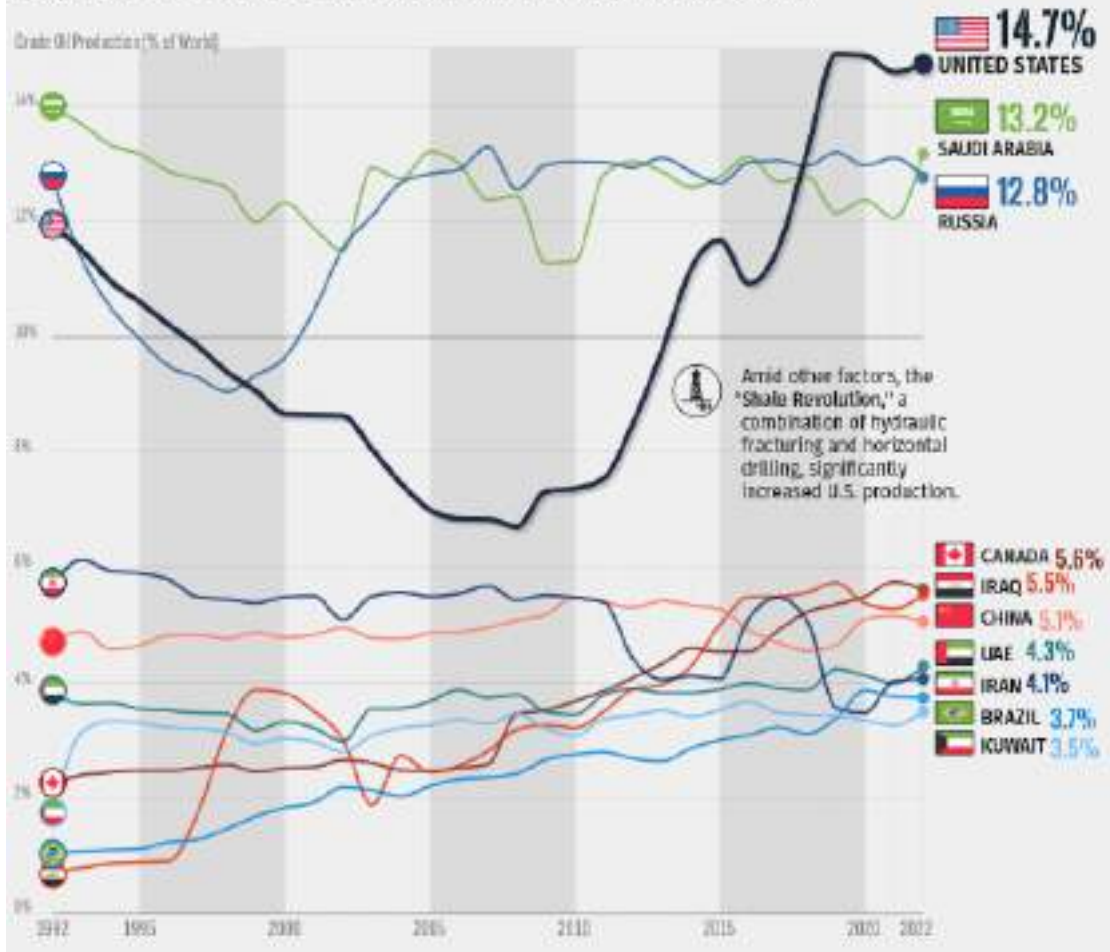


1990s - today
\$54.9 Billion
 (Settlements to date)

2015-2024 Hydro-fracking

THE U.S. AS THE TOP CRUDE OIL PRODUCER

Over the last decade, the United States has established itself as the world's biggest producer of crude oil, leaving behind Saudi Arabia and Russia.



Source: USA Today



Initial Liability Concerns

Bodily Injury/Property damage

Air pollution

Nuisance

Trespass

Well blowouts

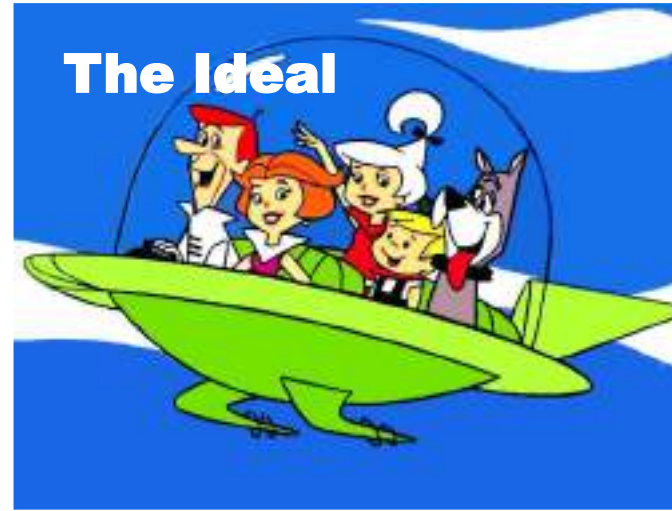
Corporate malfeasance by D&Os

EQ and even commercial auto

Today

Back seat to geopolitical & economic concerns

2016 Telematics / Drones / Autonomous Vehicles



2024 Telematics / Drones / Autonomous Vehicles



Privacy Nightmare on Wheels': Every Car Brand Reviewed Flunks Privacy Test **26-Sep 2023 (IRMI)**

Class action against GM, OnStar and LexisNexis Risk Solutions



"Man Arrested for Trying to Steal Self-driving Waymo Car" **04-Mar 2024 (NBC)**

33 year-old attempts to steal Jaguar, unable to operate controls after drop-off



"Firestorm Labs Wants to 3D Print Military Drones on Ukraine Frontline" **09-Mar 2024 (Forbes)** Raised \$12m funding

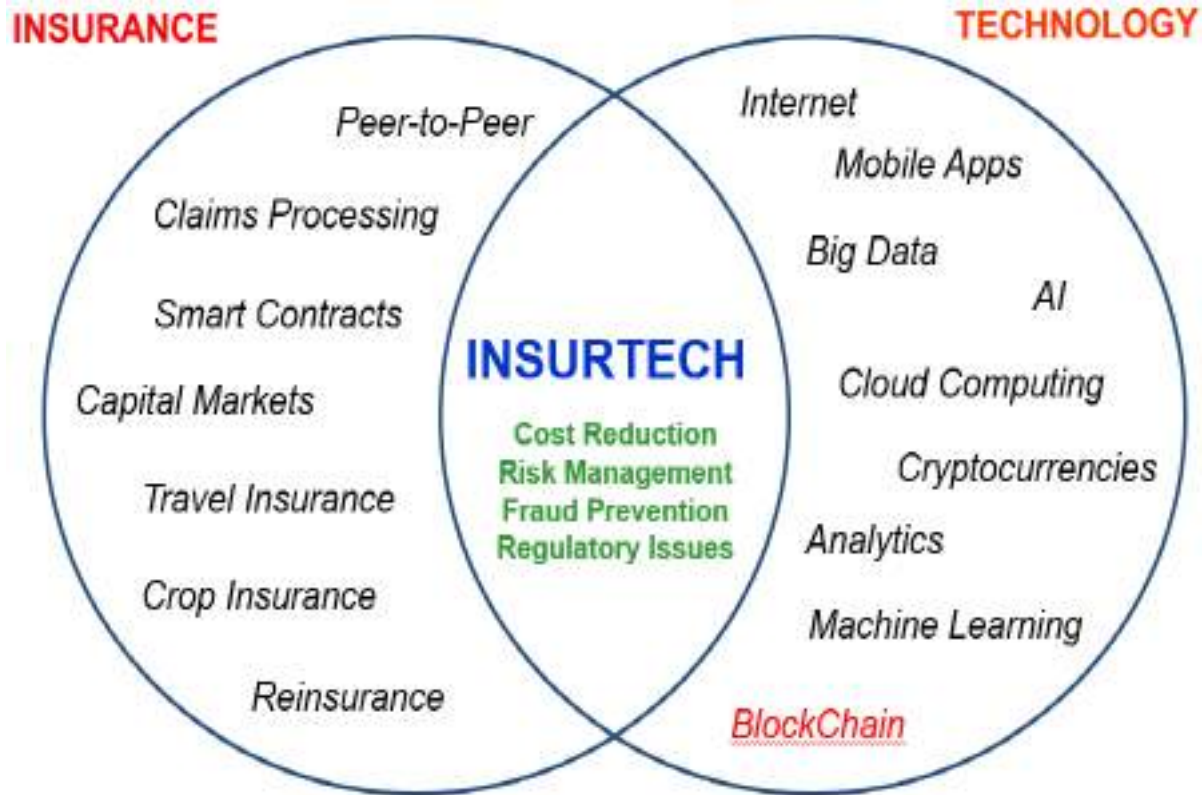


Airbus's Drone Unit Open to IPO **04-Apr 2024** Solar powered to operate above 60k feet (18+ kilometers)

2017 Fintech / Insurtech / Blockchain

Broad implications – analysis to follow later today

Blockchain: Still Lost?



2024 Fintech / Insurtech / Blockchain



Blockchain / Cryptocurrencies Today

Blockchains are being utilized by various industries (healthcare, banking, supply chain, legal) and governments (law enforcement, security)

Bitcoin rose 67% in the first quarter following US SEC approval of ETF trading

BlackRock spot bitcoin ETF launched in February attracting **\$15B in assets**, in March they launched the **US Institutional Digital Liquidity Fund** on the *Ethereum blockchain*

Two Antagonists



2018/19 Digital Disruption

Where will AI take us?

Artificial intelligence enthusiasts and sceptics debate opportunities and risks associated with the much-hyped technology

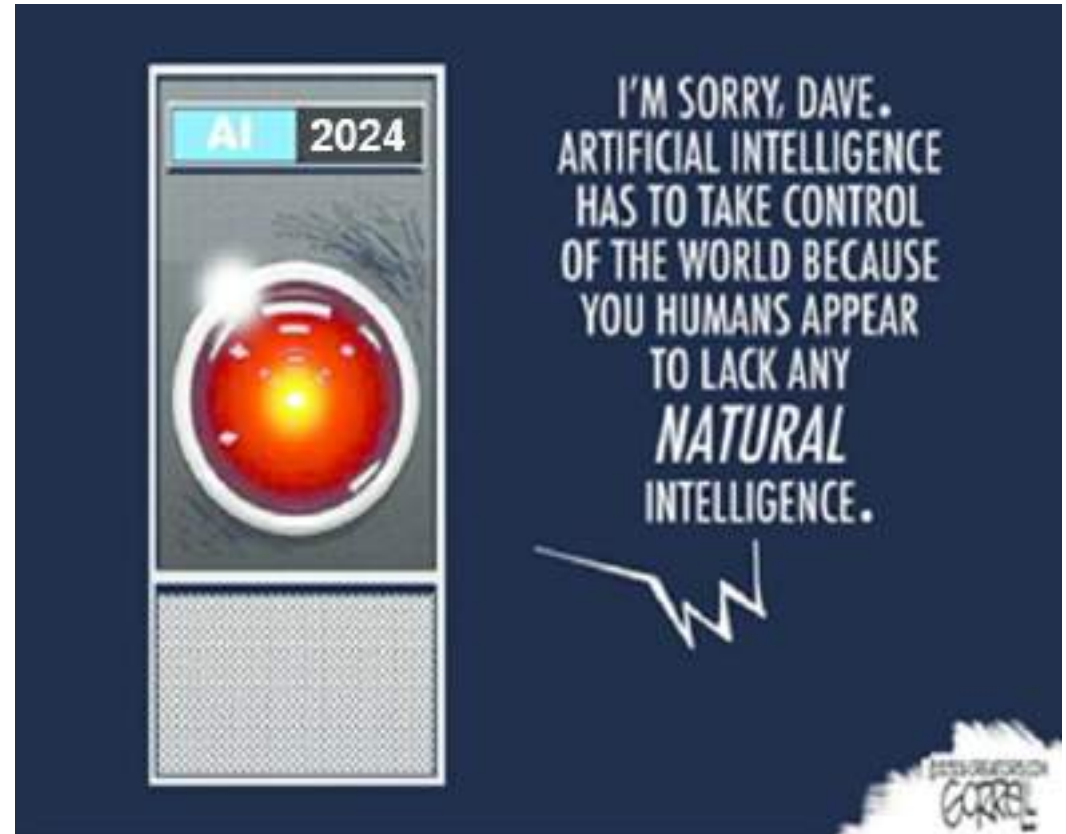


2023/24 Artificial Intelligence

2023 - The Hype Grew Louder



2024 - Maybe a Little Too Loud



2023/24 Generative AI Goes Mainstream



Exposures Expanding

2023 - SEC warns companies about “AI Washing”, comparable to ‘greenwashing’

2024 (March) 2024 two investment advisory firms fined for making false claims (AI use)

POTENTIAL POLICIES EXPOSED	TYPES OF LAWSUIT
Cyber	Defamation
Technology E&O	Copyright infringement
D&O	Inaccurate chatbots
Media Liability	Data privacy
Commercial General Liability (GTPL)	Bodily Injury
Commercial Property	Property Damage

Insurers have started to design policies integrating many of the exposures into one policy

2023/24 Environmental / Health

MICROPLASTICS FOUND IN SEDIMENT LAYERS UNTOUCHED BY MODERN HUMANS

(Latvian lakes)

THEY WERE FOUND IN LAYERS NOT
TOUCHED BY MODERN MAN.

Sediment in 3 Latvian lakes dating back to 1700

Anywhere and Everywhere

- *Everyone on earth ingests*
- *2024 study linked to premature births*
- *'Responsible Parties'*
- *Manufacturers, Distributors, Retailers, etc.*

Next Asbestos?

- *Contained in vast number of products*
- *No 'Signature Disease' or mass litigation!*
- *To Date - claims/settlements have involved governments (City, Municipality, State)*

'Forever Chemicals' (PFAS)

An aerial photograph of a winding asphalt road through rolling green hills. The sun is low on the horizon, creating a warm, golden glow across the landscape. The hills are covered in lush green grass, and the road curves through the valleys. The sky is a mix of orange and blue, with some light clouds.

202x On The Horizon

Economic / Social Inflation



“Unceasing Onslaught” of legal ads worth insurance industry’s attention

(04-Mar 2024)

\$1.2B estimated spend on TV ads

45,000 TV ads every day = **1,900** per hour = **1** every 2 seconds



**Claim bigger,
settle faster**

Powered by millions of records, EvenUp turns medical docs and case files into AI-driven demand packages for injury lawyers.

Legal AI Company raises **\$50M** at \$325M Valuation

(08-Jun 2023)

AI used to craft **demand packages** for personal injury attorneys

30% increase in value of claims asserted

Economic / Social Inflation



**CORPORATE VERDICTS
GO THERMONUCLEAR**

Colleagues will discuss jury award implications

Politics & Economics

Inflation trending down, but feeling bad after three years of significant price rises and 55% of Americans worry about inflation “a great deal”

Geopolitics 10 global conflicts, including two hot wars

Elections ~2B+ people in ~50 countries, representing ~60 of global GDP will vote this year... few are happy with the status quo...



USA



And Elsewhere



The Future

202x

Spend less time looking for 'Black Swans', focus on realistic scenarios such as Cyber, ESG/Climate, Artificial Intelligence and others

Including



We urge partners to recognize



Gray Rhino

“Highly probable event with a great deal of impact...not taken seriously...” (M.Wucker)

