



## Emerging Risks management at Lloyd's - an end user perspective

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This presentation will illustrate the definition of emerging risk and the process insurance industry uses to identify, communicate and manage these risks from an end user perspective, drawing on particular examples from Lloyd's of London. It will conclude with some thoughts on how the scientific community can engage even more successfully with industry in future.

Emerging risk management is important to Lloyd's. Despite 300 years of profitable insurance business the 1980s and 1990s produced a string of losses in, for example: Piper Alpha, Asbestosis, Hurricane's Hugo and Andrew, Exxon Valdez, Europeans storms and the Northridge Earthquake. These losses threatened Lloyd's future. By 1996 "Reconstruction and Renewal" was completed with a strong desire to avoid the mistakes of the past. An annual set of Realistic Disaster Scenarios were introduced which now include natural hazards, terrorism, liability risks, space weather, marine and aviation disasters. Recently, the focus has broadened yet again to include emerging risks such as Pandemics, Synthetic Biology, Nanotechnology, Climate Change and Behavioural Risks.

From the adoption of catastrophe modelling techniques in the early 1990s to the impending introduction of new EU regulations with their far reaching requirements on model sophistication, the use of scientific methods within global insurance industry has increased significantly in recent years. With this increased awareness, the industry is in process of better engagement with academia through partnerships such as Lighthill Risk Network (LRN) and Willis Research Network (WRN). In recognition of this type of engagement, in 2009 the UK Government's Technology Strategy Board launched a Financial Services Knowledge Transfer Network assisted by LRN. In all cases the message is the same: good quality science based research is essential to understand the increasingly complex risks of the modern world. But in order to achieve far reaching communication of this work the right stakeholders have to come together to share their ideas, to understand each others' jargon and to observe the challenges and opportunities their world's present.