

RISK MANAGEMENT – PARIMA 2015

THE NEED FOR MORE STRATEGIC AND INNOVATIVE RISK MANAGEMENT

The changing role of risk managers was discussed during the Pan-Asia Risk and Insurance Management Association (PARIMA) 2015 Conference, with technology and innovation as key drivers for this change. We bring you highlights of the event.

By Chia Wan Fen



The opening of the PARIMA 2015 Conference, with the theme of "Bridge. Connect. Lead."

Risk managers in Asia need to adapt to continuous changes while being more strategic in their initiatives, in order to "elevate" their expertise, or they would be left behind and out of key decisions, said Mr David Fried, QBE's CEO of Emerging Markets, who delivered the opening presentation for the conference.

"Every business will need to rely on risk management experts to be successful or sustainable. Asia's risk managers need to move beyond focusing on operational risks to the strategic," he said.

He also emphasised that the insurance industry had a duty to risk managers in this ever-evolving risk landscape. "Companies like QBE have an obligation to step up and do what they can as insurers to support the development of its risk assessment experts, to have the right people, with the right skill sets and the right expertise. Our survival as insurers depends on our ability to assess, manage and mitigate risks for clients. Collectively as an industry, we need to both attract and retain new talent," he said.

Getting ahead of technology

Keynote speakers – award-winning author Abha Dawesar and Mr Rudi H Spaan, President and CEO Hong Kong & Head of Client and Broker Engagement, Asia Pacific, AIG – spoke about the onslaught of the "digital now", disruptive technologies and the Internet of Things (IoT).

Ms Dawesar noted that technology has affected our behaviour and perception of time. The speeding up of things has made us more impatient with a shrinking attention span, while increasing our capability in breaking



Ms Abha Dawesar



Mr Rudi H Spaan

Five tips for risk managers

- 1 Advocate the right risk culture within your organisations. Risk managers must become adept at functioning within unfamiliar risk domains, as well as be skilled at gaining cooperation and consensus among stakeholders who may have divergent perspectives and conflicting agendas. Building the right risk culture means working across internal business lines and functions and ensuring the right attitudes and behaviours each and every day. It is critical to put in place a framework to measure this success.
- 2 Apply analytical skills to use data more strategically. The industry needs to be smarter about how it uses data and the knowledge that it has, to manage and select risks and identify trends. Sharing this data with brokers and agents will help insurers determine the right solutions for clients.
- 3 Adopt a more forward looking approach. As all things are possible in the current times, risk managers need to anticipate the outrageous before it happens.
- 4 Adapt to being in an environment of continuous change.
- 5 Aspire to even higher standards. Risk management needs to position itself not just as a function, but as a profession. The establishment of organisations such as PARIMA was a very good step forward to make risk management a recognised and respected profession in this region.



Mr David Fried

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Mr Stephen Cross



Mr Marc Breuil



Mr Franck Baron

barriers and records. The growth of interconnectivity has speeded up change even further, while harnessing data has enabled us to understand ourselves better. Activities such as algorithmic trading have already surrendered much of decision-making to technology, where information comes in microseconds.

“Risk management is really the business of hope – of measured men and women, who really dare, who recognise danger and uncertainty and dare to tame it. In the digital now, tomorrow no longer exists, the way it once did,” she said.

The Internet of Things brings new liability issues

Noting that we are in the era of the Internet of Things (IoT), where a growing number of objects get connected to the Internet, Mr Spaan said that companies need to harness IoT to improve safety, efficiency and productivity. “You have to run this race, otherwise someone else is going to do it for you,” he said.

Mr Spaan said that it was no longer start-ups which disrupt, but also large companies, and it was not only companies which had to harness IoT, but governments as well. He highlighted Singapore as a positive example with its government’s Smart Nation vision.

He shared that risk managers need to keep on top of new and important developments in technology, which included the advancement of sensors, drones, driverless vehicles, and growth of data, as these would have an impact on liability issues. The use of such new technology like sensors is increasing in tandem with their capabilities, while their cost is decreasing. “Today just about everything can be measured as long as the information is available. Where it comes to liability, risk managers need to realise that not measuring things will have an impact on a dispute,” he warned.

He also highlighted the new ethics coming into play from the rise of automation and “smart” decision-making

could provoke. For example, he questioned which algorithm would be responsible for “decisions” made in the case of a driverless car faced with a situation of having to choose the “best” of three potential accident scenarios on the road.

Mr Spaan advised risk managers that they need to engage with their R&D departments, as the latter would take the organisation into a certain direction with technology. “The more lead time you give your brokers and insurers, the better we can help you out on your exposures,” he said.

Key risks to be prepared for

Mr Stephen Cross, Chief Innovation Officer of Aon Risk Solutions, issued a wake-up call in his presentation on innovation and key risks, noting that the insurance industry is “clunky”, not having changed significantly in the way it operates “since Lloyds was formed”, and needs to innovate, otherwise it would be forced to change by others, or even be made irrelevant.

Highlighting key trends of ageing, urbanisation, population growth, data expansion and the emergence of the “Zero Marginal Cost” society, he warned that the digitalised age had led to the world facing a global threat environment, which meant that the industry also needs to look out for systemic risks, in addition to specific ones.

For example, urbanisation trends meant that the 29 megacities to date would increase to 41 by 2030, with several of these located in coastal areas, fault lines, facing the risks of tsunamis and earthquakes. Should any of these cities be hit by a pandemic, the global financial system might shut down.

Citing the massive amount of growth potentially coming from Africa, whose population could double by 2050, he challenged the audience to prepare for it, and asked whether they have considered the possibility that the

jobs they did could migrate to the low cost delivery areas like Africa.

Risk aggregation

In a panel on the changes to risks and risk aggregation in this threatening environment, Mr Marc Breuil, Regional Director, Berkshire Hathaway Specialty Insurance, said cyber aggregation was a key concern as it could not be modelled.

“At BH, we believe in the possibility of super disasters which may wipe out a huge chunk of the capital and leave a few men standing – and we need to be prepared to be among the last men,” he said.

Mr Keith Thomas, CEO of Zurich Global Corporate, said that it was necessary to know the extent of one’s exposure and aggregation in a city – the losses in the Tianjin incident had been a big education process for the industry on this.

Insurers should take into account clients’ risk management strategies

Mr Franck Baron, Group General Manager for Risk Management and Insurance, International SOS, expressed his disappointment at the lack of understanding shown by insurers in Asia about the magnitude and qualitative aspects of risk management in his organisation.

He said there is room for organisations which are very strong at managing risks and loss prevention to be rewarded via more favourable premiums. This is one key area where insurers should change their approach towards their clients’ risk management strategies, he said.

The PARIMA Conference 2015 is a two-day annual conference which allows risk and insurance professionals to share insights of the industry via keynote speeches, educational sessions and exhibition booths. This 2nd edition took place from 16-17 November in Singapore. ▀

