

To David Brandy  
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## DEMOGRAPHICS, MEGATRENDS AND RISK MANAGEMENT

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I recently took an informal poll among some of my largest clients and ask them what concerns or worries they had in their job.

The summary of the list is as follows →

## FUTURE RISK MANAGERS WILL BE

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- Strong Communicators at various levels
- Legally Minded
- Insurance Experts (or know where to get it)
- Good Administrators
- Financially Orientated
- Amateur "Futurists" - I couldn't resist this one
- Creative Thinkers → who can solve problems

AND probably make a lot more money if they  
HAVE all the above.  
Ladies and Gentlemen - Thank you for your attention.

# TYPICAL CONCERNS OF RISK AND INSURANCE MANAGERS

- Growing Catastrophic Exposures → BIG ONES NOT AN ACCUMULATED MFLS Property Exposures (inc. BI) > \$1
- Non-Performance of Insurers/Brokers
  - Providing capacity need
  - ~~paying~~ claims Insolvency
  - Providing stability i
  - \* price
  - Service Problems - Inc
- Increasing Litigation AND Resulting claims
- Tightening Regulations Osha, Fines → FAS 87- Retiree Medical →
- Budget Instability → wondering when soft market is going to end AND how you are going to explain to your boss w premiums have doubled or
  - asked to cut costs in your dept by 20% →
- Organisational Support
  - trying to get senior level commitment to R
  - keeping operating company mges / subsidiary RM line when your increasingly moving toward more decentralised basis
- Lack of Information
  - what new risks does my company face
  - How Big are they - Are controls Adeq

Pause

Pause

No wonder <sup>some</sup> RM's get ulcers when you look at this list....

And Now, people like DAVID say you should be worried about the implications of weather AND demographics - - -

Pause

WHY?

Because they are two of the big changes facing individuals and organisations.

Changes create opportunities but they also create uncertainties and risks. Besides monitoring internal development Challenges AND risks. PAUSE I believe risk manager are need to be aware of external ~~internal~~ developments or their organisations AND assess the potential problems or downside risk associated with these developments. just as marketing people also identified upside or positive opportunities.

once identified the message needs to be conveyed to senior mgmt. They may not like it - They may ignore it - At least they CAN make an informed decision.

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This point is highlighted in a paper by Felix Kloman entitled "Rethinking Risk Mgmt" where he suggests risk management CAN inspire confidence by reducing the uncertainties AND created by Risk.

# RISK MANAGEMENT

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"Perhaps the real objective of Risk Management is to reduce fear of the unknown and the unexpected, and to create confidence in the future. It is certainly not simply the technical understanding of risk nor making financial provisions for alleviating the pain of loss".

*So - what are other uncertainties or major developments should risk mgrs be aware of beside climatic and demographic change*

# OTHER MEGATRENDS AFFECTING ORGANISATIONS

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- Political Upheaval
- Globalisation
- Technological Advancement
- Environmental Awareness
- Instability of Financial Institutions

While these topics are for discussion another day - they can not be ignored. The effect these megatrends are having on organisations and the resulting risk issues are ~~significant too big~~ to need add to be addressed.

we are here to talk about the risk implications of demographic change. It will vary depending ON → what industry or business - location(s) - by company - every company's

A few possibilities could be

# THE RISK MANAGEMENT IMPLICATIONS OF DEMOGRAPHIC CHANGES WILL BE SIGNIFICANT

- Labour strikes may increase → Facts say: when labor is in de or in short supply - strikes will be more frequent + last longer
- "Security" exposures will escalate
  - Malicious Product Tamp
  - K+R
- Property risks will be diverse → Business Int. + Cont. P.I. Property in Transit more
- Political/Financial risks will need to be addressed
  - Expropriation
  - currency Risks
- Workers' Compensation and Employers liability cost are going to be more significant < Permanent Total Disabilities will cost more people
- Product Liability suits - soliciter joke - UK #1 E

Some of the Industries most likely to be affected include:

## INDUSTRIES LIKELY TO BE MORE AFFECTED BY RISKS RESULTING FROM DEMOGRAPHIC CHANGES

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- Chemical/Pharmaceutical
- Financial Services
- High-Tech Manufacturing
- Healthcare
- Food & Beverages

You may disagree with this list. That's o.k. → But  
don't think you will disagree that:



## DEMOGRAPHIC CHANGES IN COMBINATION WITH OTHER MEGATRENDS WILL RESULT IN

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- More reliance and importance being placed on risk managers who can "add value". refer to next page
- Insurance Managers or so called "Risk Managers" who only address risk financing issues, becoming outdated and outplaced.

In summary, dynamic organisations facing demographic and other fundamental changes as well as the "normal" insurance concerns - need professional risk managers.

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## TO "ADD VALUE" RISK MANAGERS MUST

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- Provide input on strategic risk issues
- Administer internal/external resources effectively
- Maintain an efficient and stable risk financing program
- Be risk control "architects" - like an architect
  - Understand what the client wants
  - Develop the Design & use of materials Specify the
  - Monitor the construction Team.