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Benelux Risk Forum 2022

Managing risks in a fast-changing world





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Managing risks in a fast-changing world

Chubb Benelux Risk Forum, 15 September 2022



Ron Verhulsdonck,
Country President Benelux at Chubb

The world is changing at a faster rate than people my age have ever seen before.

Geopolitical struggles threaten stability; there's economic volatility, heightened climate risk, energy transition imperatives and digital disruption. It means that the risk landscape is more complex, with new threats emerging constantly and existing ones intensifying.

As organisations and as individuals we face pressing, sometimes seemingly unsurmountable challenges. If we are going to resolve the diverse issues confronting us now and stay ahead of change on the horizon, we need to take a step back every now and then.

We need to pause to gain new insights, to be inspired, to reflect on what's happening and exchange ideas.

This is why we organise our annual Benelux Risk Forum, exclusive to risk and insurance professionals. Our aim is to give you the insights and foresight you need to show leadership, develop greater business continuity and become more resilient.

Under the banner headline, Managing risks in a fast-changing world, we put together a topical programme that encompassed developing risks in the physical and financial worlds: the causes and effects of inflation, for example. We also discussed the challenges and changing risk exposures that businesses face as a result of energy transition.

As usual, the Risk Forum was preceded by our Young Insurance Masterclass, a forum for the new generation of risk and insurance professionals. In one of the sessions, we looked into the dangerous interconnectivity of developing risks, especially around manmade and natural catastrophes.

At Chubb, we place a lot of importance on what matters to the younger generation. It's why we wrapped up at Mechelen with a Gen Z Talkshow, for some frank exchanges on the challenges ahead.

I learned a lot in what was an intensely enjoyable day's networking, reflection and exchanging of ideas. I hope this necessarily abbreviated account gives you a taste of what we heard and discussed.

And I hope you will join us for this year's Risk Forum, on 21 September in Amsterdam! Would you like to receive the invite? Please send an e-mail to benelux.events@chubb.com.

Ron Verhulsdonck
Country President Benelux at Chubb



YOUNG INSURANCE MASTERCLASS 2022



The interconnectivity of risk

The interconnectivity of developed and emerging risks was under the spotlight at the Young Insurance Masterclass 2022, with Chubb's Matt Hardy taking stock.



Matt Hardy, Executive Vice President at Chubb and a member of the insurer's climate advisory group

The COVID-19 pandemic, more frequent and severe natural catastrophes, supply chain interruptions, heightened cyber attacks and the war in Ukraine: the need to understand the interconnectedness of risks has never been so stark, according to Matt Hardy, Executive Vice President at Chubb and a member of the insurer's climate advisory group.

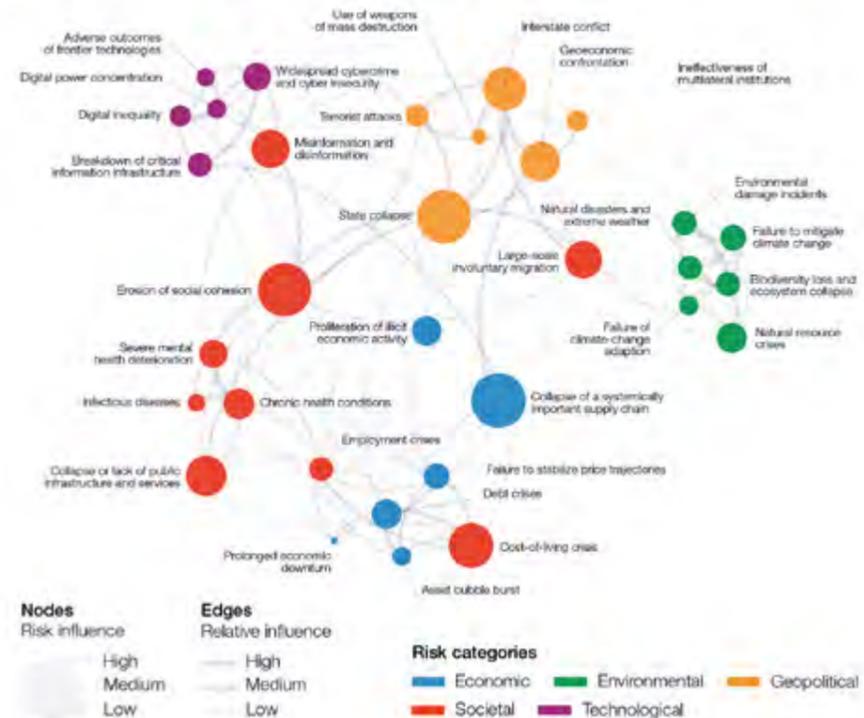
"When lockdowns started in 2020, I told my children that we were entering a new chapter in history; I didn't realise then that we would see so many more new chapters unfold," Hardy said in a masterclass session on managing interconnected risks.

"It is hard to think of another time when we have seen threats like those that are currently manifesting themselves, in terms of size, scale and the very real potential for systemic risk."

Hardy, an industry veteran with more than 25 years of experience, explained that the thinking around interconnected risk had changed in recent years: "Developing risks were generally limited to a business line level. Companies had an emerging risk team at a corporate level, but at a business line level we were more focused on our own industry trends. Developing risks in other areas were rarely factored into our views." ▶

Global Risks Report 2023

Global risks landscape: an interconnections map



Source: World Economic Forum, Global Risks Perception Survey 2022-2023

Nowadays the threat vectors never stop moving, Hardy said, alluding to the war in Ukraine: "Uncertainty is our only certainty. Energy and food shortages and supply chain disruptions, plus political and social unrest - the global ramifications of the war will persist for years."

Supply chain disruptions which began with the pandemic in 2020 persist and have been accentuated because of the war, he said: "Disruptions also are playing out in other sectors of the economy, such as the nickel market. Nickel from Ukraine is used in batteries and electric vehicles. And the well publicised chip shortage is resulting in slower vehicle sales."

The war in Ukraine produced unforeseen supply problems, Hardy pointed out. An early victim was Ukraine's unique Antonov AN-225 cargo carrying plane, destroyed by invading Russian forces at its base in Hostomel airfield. At 84-meters long and 175 metric tons without fuel and cargo, the aircraft was the longest and heaviest operational cargo plane in the world. With a maximum take-off weight of 640 tons, the aircraft played a vital role in

big infrastructure projects around the world, Hardy explained: "It wasn't just a big aviation problem."

Longer term view

In this new, unpredictable risk environment, underwriters have to take a longer term view of the policies they write: "We can't think of risk in terms of 12 months. The last three years have shown us how so many different factors will shape the outcome of an insurance policy."

A forward-thinking approach to risk assessment means checking that policy wordings are clear in the event of a claim. Underwriters should review risks in light of potential regulatory, social and economic changes, evolving client business profiles and supply chains.

Risk carriers should consider where they want to grow, shrink, adapt coverage, focus on new products, and their emerging skill set requirements. "Successful businesses do not make major changes based on today's environment," Hardy warned. "If you do, then you are too late."

Energy transition, against a background of CO2 reduction and shortages, has widening scope across commercial property insurance policies, Hardy said: "New building codes being released by governments focused on reducing CO2 will impact how buildings can be rebuilt in the event of a loss, due to new regulations for items such as insulation and the requirement for electric vehicle charging points."

It's good to talk

Hardy shared some advice for underwriters and brokers on tackling uncertainty in a developing risk environment:

- Step away from your own line of business: don't have a siloed approach, consider how other lines will be affected.
- Encourage think tanks: after a big loss event alert, gather a team of underwriters, engineers and actuarial experts to talk through what's happening. Consider all possible outcomes and implications of the unfolding event.
- Re-evaluate your business approach and planning: is there a different way

to assess the risk, could new underwriting guidelines be put in place; are new products/coverages needed to provide certainty?

- Don't shy away from asking even simple questions - the basic ones are sometimes the most probing.

The speed of information exchange has helped immensely with understanding the potential implications of big shock events, Hardy said, and corporate risk professionals should meet with colleagues regularly to discuss them.

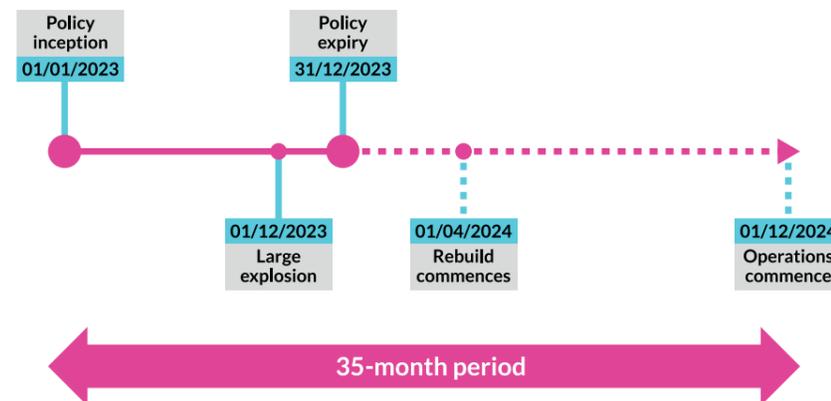
"Encourage interactions across multiple disciplines in your company. As a group regularly think through the knock on effects of emerging trends. And listen to everyone. Everyone's voice is important. It's easy to miss stuff," he said.

Asked by a young masterclass participant what he would do differently if he were at the start of his career, with the benefit of hindsight, Hardy was quick to respond: "Often when I was young I was too embarrassed to ask the simple question. I kick myself now because actually, simple questions often generate debate. Don't be afraid." ■

In January 2023, Matt Hardy was announced as Leader of Chubb Climate + for Chubb Overseas General.

"It's hard to predict what the next Black Swan might be because they are flying in flocks these days."

Property loss scenario





Paul D'Hoore
Financial journalist and commentator

The wide-ranging impacts of inflation

Financial journalist and commentator Paul D'Hoore looked at the cause and effect of inflation in a dynamic Q&A at the Chubb Benelux Risk Forum.

Interest rates are rising after years of stagnation: what's happening?

In 2010 we were still at a low point in the cycle following the financial crisis. Everyone was scared. Central banks thought they had to do something, so they offered lots of cheap money. It's continued up to today - and it is strange that it has taken so many years for something to change.

The European Central Bank was meant to have one job: to reduce inflation when necessary. But it said inflation is too low now - so it decided to boost inflation and it didn't happen for years. Then came COVID-19 and economies came to a halt and inventories were sold out. When the economy picked up there was reduced availability of products, so all of a sudden the companies that were prepared to pay most got what they wanted and prices started to rise dramatically. The war in Ukraine meant more disruption.

What do we need to do to tackle the situation?

There is no script for this. No-one making monetary policy today has experienced it before. The old rules do apply, but people are afraid to use them. Remember, in the Eighties, inflation was solved by raising interest rates as high as 20%!

In Europe, the ECB has been hesitant to take action on inflation. The elephant in the room (and the real reason that rates in Europe are so low) is that after the financial crisis in Europe countries had to rescue their banks. The governments' finances were wrecked. Quantitative Easing (QE) was brought in to distribute cheap money. The central banks have been funding governments by buying government bonds. And governments still need this cheap money because they are still in trouble. Yet, central banks need to raise interest rates to tame inflation. That's the dilemma. ►

The wide-ranging impacts of inflation

How come inflation is higher in some countries more than others?

The difference is not that big. It depends on energy and its affordability in individual countries. Belgium has no natural resources, for example, so it has to import energy and that's why prices are going up more in Belgium than in other countries. But inflation is a general phenomenon, even in the US. The US is self-reliant for energy, but inflation is happening there anyway.

Are governments successful at managing inflation? What should they do?

There is no single solution or button to push. And if you push one button, several things happen. That is why central banks have been reluctant to raise interest rates to end cheap money: if they do, governments budgets will be in danger. Deficits are so huge they will have to be financed at higher rates and that will create disruption for governments. That's the dilemma they are in.¹

The ECB was created in order to maintain inflation below 2%. In the US the central bank has two duties: they have to attack inflation if it occurs and they have to stimulate the economy if necessary. They have raised interest rates, but they have the ability to reduce rates again if necessary to get the economy going in 2023 or 2024. Europe won't have that option.

Why is inflation happening so fast?

Why is it rising faster than in the past? Because companies have learned how to pass on inflation in their prices. Here in Belgium, the government has a wage inflation index. Well, companies are doing a similar thing today with their services and products.

Ten years or more ago, businesses accepted that there were good times when money was coming in and, during a recession, there would be one or two years when they made a loss. But nowadays, those same companies have clauses in their contracts with customers where they say, 'if this or that happens' we will have to adjust our prices.

So now companies theoretically won't lose money; they will have less activity, but they keep their margins intact. This way, recession is stimulated. It is not caused solely by wage inflation, for example. We are all participating in it, we are all passing it on.

When will inflation reach its peak and when will we get 'normal' inflation of less than 2%?

Recession will start to bite in the first quarter of 2023, after which inflation will start to come down. The logic of central banks is to ensure that 0% inflation will never come back. They will always stick to the 2% target in future, maybe reaching it by 2024.

What are the main triggers that will bring down inflation?

There are two key triggers. One is interest rates going up, to end cheap money availability. The second is companies oversupplying because demand is there. However, demand will reduce and then there will be an oversupply in some sectors, such as electrical components. Cheaper prices will follow and that will bring inflation down. ■

The views in this article are those of an external speaker and not of Chubb.

¹ Shortly after the Benelux Risk Forum, global central banks raised interest rates. See www.reuters.com/markets/europe/central-banks-raise-rates-again-fed-drives-global-inflation-fight-2022-09-22/







Matt Hardy
Executive Vice President at Chubb
and a member of the insurer's
climate advisory group

Transitioning risk

More companies are striving to make their organisation sustainable. During the Benelux Risk Forum, Chubb's Matt Hardy showed how this also changes their risk exposure.

Making the transition to sustainable energy and green business practices is one of the biggest challenges the global economy has ever faced. It's a journey that will require a paradigm shift in approaches to risk transfer by insurers and insureds alike, according to Matt Hardy, Executive Vice President at Chubb and a member of the insurer's climate advisory group.

"An International Energy Agency report says that by 2050 global energy demand will be 8% smaller than today, but it will serve an economy almost twice as large and a population with two billion more people," Hardy told his Mechelen audience.

"According to McKinsey, capital spending on physical assets for energy and land-use systems in the net-zero transition between 2021 and 2050 would amount to about \$275 trillion, or \$9.2 trillion per year on average, an annual increase of as much as \$3.5 trillion from today."¹

"We are here to support our clients, by offering insights and coverage solutions, but we need open dialogue to understand your needs. We can find solutions, but we need to understand the issues you are facing."

Looking at managing the energy transition over the next 10-15 years, Hardy described how future policy coverage must reflect changing exposures related to new technology, diversified revenue streams, regulatory and reputation risk. There are many questions to consider around potential claims, he said:

"We need to ask how asset replacement values will change. If you have to use more sustainable building materials, how is that reflected in your policies? Assets won't necessarily be replaced like for like," Hardy pointed out.

New building regulations are appearing all over the world: "In the UK, for example, construction rules now require new technologies, to do with renewable energy sources, insulation, less window space. How will property values be affected; how will policies react in the event of a loss?"

The requirements placed on businesses to reduce their CO2 footprint will see huge growth in the use of solar panels, battery storage and hydrogen. Again, risk profiles will alter: "Changing vehicle fleets to electric, for example, presents a big new [fire] risk for businesses. We can provide new insights into the risks associated with these technologies." ►

"If you have to use more sustainable building materials, how is that reflected in your policies?"

¹ Source: McKinsey, The net-zero transition: What it would cost, what it could bring.

Changing risk exposure from energy transition

Replacement of current assets following a loss	New technologies being incorporated	Regulatory and reputational risk
<ul style="list-style-type: none"> • Dissimilar property • Alternative building materials • Regulatory change • Resulting loss of revenue 	<ul style="list-style-type: none"> • Solar panels • Battery storage • Electric vehicles • Hydrogen 	<ul style="list-style-type: none"> • Failure to meet targets • Perception of multiple stakeholders

Reducing uncertainties

In a fast-moving risk environment any view on certainty of coverage has to extend beyond the 12 month policy period. In the context of the lead time for settling a claim, realistically across 36 months, the potential for new factors to come into play is huge.

Acknowledging that many insurance policies in place today don't reflect the uncertainties businesses face, Hardy said carriers should work together to design coverage for the future that reduces such uncertainty – for both parties.

“Let’s face issues together, amend coverage, limits and sub-limits, and work together.”

“We can’t have a reactive approach. Having a reactive approach means uncertainty in cover and that brings longer claims processes,” he said. “Let’s face issues together, amend coverage, limits and sub-limits, and work together.”

Improving certainty will strengthen relationships, Hardy stressed: “We all want to know from the day coverage starts that there is certainty of coverage and intent. It makes the claims process, if there is one, a lot smoother. It won’t be easy but if we work together and share information we are stepping in the right direction.”

Certainty of coverage is crucial, but so is premium consideration: “Are we charging the correct premium for the correct coverage is a question for clients, brokers and underwriters. It works both ways: are valuations too high? Are you paying too much in cases where you would not replace certain assets, and following a loss would you only require actual cash value indemnification?”

Hardy said full and frank dialogue between all parties was crucial to developing the best outcomes: “We can find solutions by working together in a clear and constructive way and we are open to having those discussions.” ■

In January 2023, Matt Hardy was announced as Leader of Chubb Climate + for Chubb Overseas General.



A good ancestor: the future is now

We are living in a turbulent world and are facing great challenges - as a society, as individuals and as organisations. What does this mean for the leadership of organisations and individuals?

Young Spirits Social Club,
A group of extraordinary young thinkers
from Amsterdam-based consultancy
twenty-fifty



A good ancestor: the future is now

We looked for the answers to this question with the Young Spirits Social Club, a group of extraordinary young thinkers from Amsterdam-based consultancy twenty-fifty, as well as with the attendees of the Benelux Risk Forum - linking experience to new perspectives in an energetic, surprising and sometimes confrontational 'Gen Z talk show'.

The Gen Z - also known as post-millennials or digital natives - fear that they are staring into a chaotic future that will be dominated by a legacy of environmental breakdown and socio-political unrest. Yet, judging from the lively exchanges at the talk show, moderated by Gijs Vente and his team, Gen Z is up for the challenge.

Vente is senior creative with twenty-fifty, that advises organisations on the 'next gen' issues that could impact their businesses. In Vente's words, twenty-fifty is a group of young people trying to make the world a little better: "Young, enthusiastic and with positivism trying to give a new perspective. Together with other generations."

Vente proclaimed that although we are all assailed by dark predictions about the future, there is still hope - and, importantly, it's hope without naivety: "Naïve hope is just wishful thinking, while hope inherently takes a bad outcome into consideration. It is important to have hope because it shows that you are not apathetic about the future. Seeing hope as something that also is realistic equips you with an active attitude towards the future," he explained.

Post millennials hope for a clean world that's more equal and fairer, he said. They're anxious, but this generation tries to use its anxiety for the better: "They use it as a factor to be active, not just to passively sit by and watch the world burn. Not only for themselves, but also for the generations to come that don't have a voice yet."

In a lively and wide-ranging discussion, the twenty-fifty team (Vente with Zoe Lodewijks, Joes Bos and Natasja Smit) exchanged views with the audience. The power of hope ("There are plenty of reasons to be positive. Why carry on

"We want to know what you are contributing as a company, your backstory, if your product or service is sustainable."



living if not?") and the need for a fast response to environmental breakdown ("Big companies are often viewed as a bad thing, but actually they have the power and resources to make change happen.") were prominent topics.

Smit pointed to the encouraging news that the billionaire founder of the outdoor fashion brand Patagonia, Yvon Chouinard, has given away his company to a charitable trust: "Retiring CEOs now make different decisions about what to do with their (substantial) legacy. Patagonia's founder took a very long 'next gen' view," she said.

But can the employees of a big company contribute to securing the future of those to come? "We can speak our mind! We should aim to motivate leaders and future leaders," one participant said. Another added that young people's choices can influence corporate behaviour before they are hired: "As a potential employee, it's in our power to decide what sort of CEO we want to work for. For example, one with a clear sustainability or diversity plan."

As a customer or consumer, are young people really more conscientious about green credentials - and conscious of greenwashing? "Gen Z is much more future thinking in this respect. We want to know what you are contributing [as a company], your backstory, if your product or service is sustainable."

But it was pointed out that post-millennials do not always practice what they preach, for example by frequently jumping on airplanes, or eating meat when it is clearly bad for the environment.

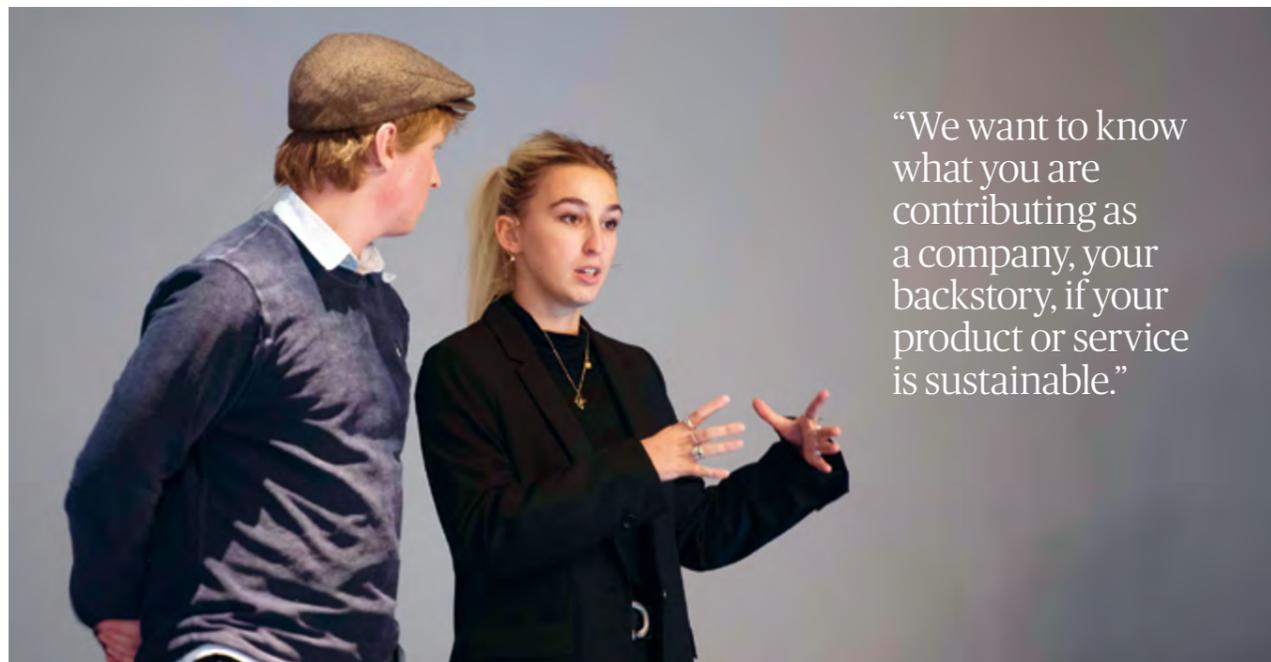
In response, Vente suggested that exercising choice and always doing the right thing is difficult to achieve. He urged participants to be pragmatic: "Do the best you can with critical thinking - and accept that you might not always make the right choice."

It's sound advice - and one that people across all generations might heed as well. ■

"Big companies are often viewed as a bad thing, but actually they have the power and resources to make change happen."

The views in this article are those of external speakers and not of Chubb.

"It is important to have hope because it shows that you are not apathetic about the future."



How to tell a good story

Storytelling is one of the oldest skills we humans can learn. Now the business world is starting to appreciate its value, according to storytelling supremo Philip Walkate.

Telling a compelling story when making a presentation creates a bond between you and the audience, as well as making the experience enjoyable, according to Philip Walkate, writer and moderator of Mechelen's masterclass on storytelling.

A presentation might have to be about insurance, but it does not mean you can't embed your presentation in a story, or use stories in your presentation, Walkate told his audience: "Jean-Paul Sartre wrote that we understand life through stories; The writer Kurt Vonnegut said, 'Don't give me the facts, give me stories'."

A detailed story will keep people's attention and they will remember the story as well as the insurance point you're making, Walkate said.

Walkate pointed out that stories are often to do with overcoming obstacles, citing Hollywood screenplays where the plotline can invariably be broken down to obstacle/solution: "Hormone levels rise when you are listening to a story: oxytocin for empathy; dopamine for focus and endorphins from humour or comedy."

Walkate suggested that incorporating an anecdote from your own personal experience will engage the audience: "Examples, relevant anecdotes embed-

ded in your presentation are important. Use suspense, images and details. Make the presentation come to life, embed the tale and then end with it. That way you can inspire people and not simply give them information."

It pays to prepare your presentation well in advance and practice it, he added: "And also try it out on a couple of colleagues first. They can coach you if necessary."

Take a stance

How you look and sound when presenting is almost as important as the content of the talk itself, according to Walkate.

Sometimes people lean when they present, or cross their legs, making themselves seem unstable. "People obviously won't push you over when you are presenting, but you do look vulnerable. So, stand with your feet under your shoulders, as you might learn in drama school. It's good for breathing and you will look and sound more professional," he advises.

"If you are stable, your message will be stable and you appear prepared. Taking one or two steps that have a function is OK, but walking around while talking can be irritating," he added. ▶

"A detailed story will keep people's attention and they will remember the story as well as the insurance point you're making."

Philip Walkate,
Writer, comedian and presenter



Think about where you leave your hands as well, Walkate advised: "Don't be stiff, you will look like a state portrait or worse, Mr Bean. People need to see the hands, it's a sign of honesty. Don't keep them too low or too high. Belly button height is perfect."

Martial artists close their body up to protect themselves, Walkate said: "Don't do that in a presentation - you are giving your audience a gift with the hands, from the belly button!"

It helps to use symmetric hand gestures, because asymmetric movement conveys the impression you don't know what you are talking about, he warned. "You can also point with your hands but it can be too aggressive. So use soft hand gestures if you want to, it brings the volume down. Ideally, always show your fingers, somewhat open."

Music in the message

The voice is obviously a very important instrument when presenting, Walkate, who is also a successful comedian, said

advising deep breathing, using the diaphragm, to soothe nerves.

But don't soothe the audience too much with your speaking voice, he warned: "Intonation, up and down, louder and softer - you need to hit certain words with emphasis or accent. Make music and rhythm with your message, hit the syllables. Otherwise you risk putting your audience to sleep."

On interpretation, make people feel something about your message; to be reassured for example or be cautious.

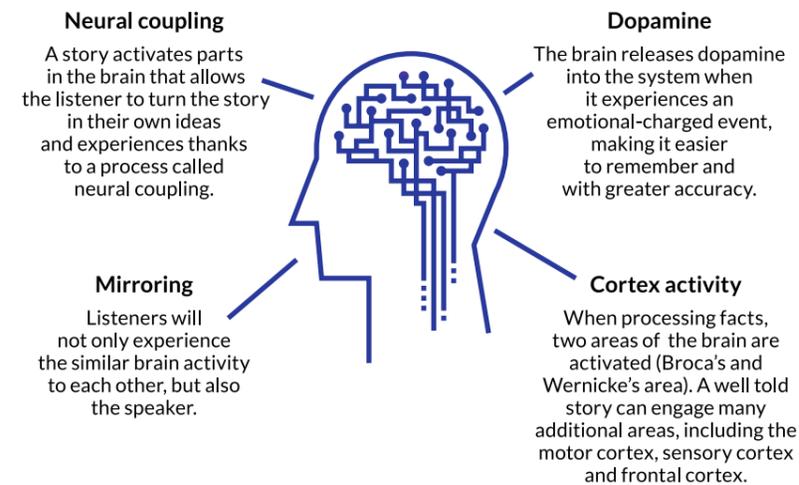
It's important to make eye contact while speaking: "Don't focus on the front row; the people in the back will feel ignored. It's better if you focus on the back, and maybe make diagonal glances down to the front. Also focus on any allies you see, the person paying attention or smiling. Make contact."

Finally, learn from the world of music and theatre and comedy, Walkate urged: "You will have more fun and your presentations will be better." ■

"Make music and rhythm with your message, hit the syllables."

"It's important to make eye contact while speaking: "Don't focus on the front row; the people in the back will feel ignored."

How storytelling affects the brain



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