

Underwriting the new normal Understanding the impact of poly-crisis

Canadian Outlook Breakfast
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Poly-crisis – the new normal?

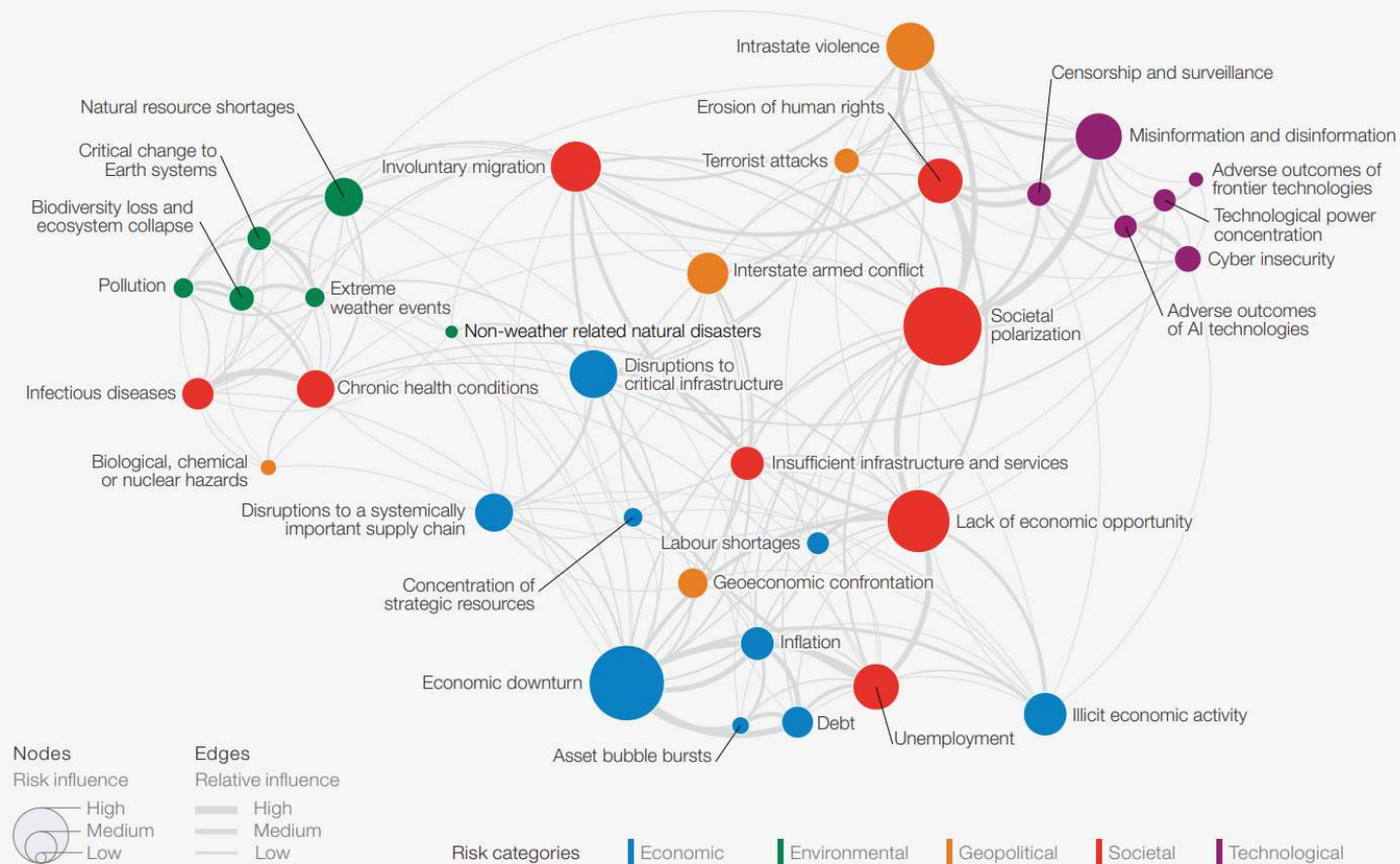
“A cluster of related global risks with compounding effects, such that the overall impact exceeds the sum of each part.”

Polling leaders,
WEF found that

80%

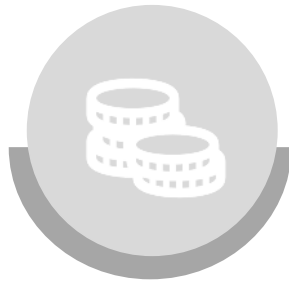
expect consistent,
compounding
ongoing crises

Geopolitical tensions will set the tone in a changing risk landscape





Political instability



Cost of living crisis

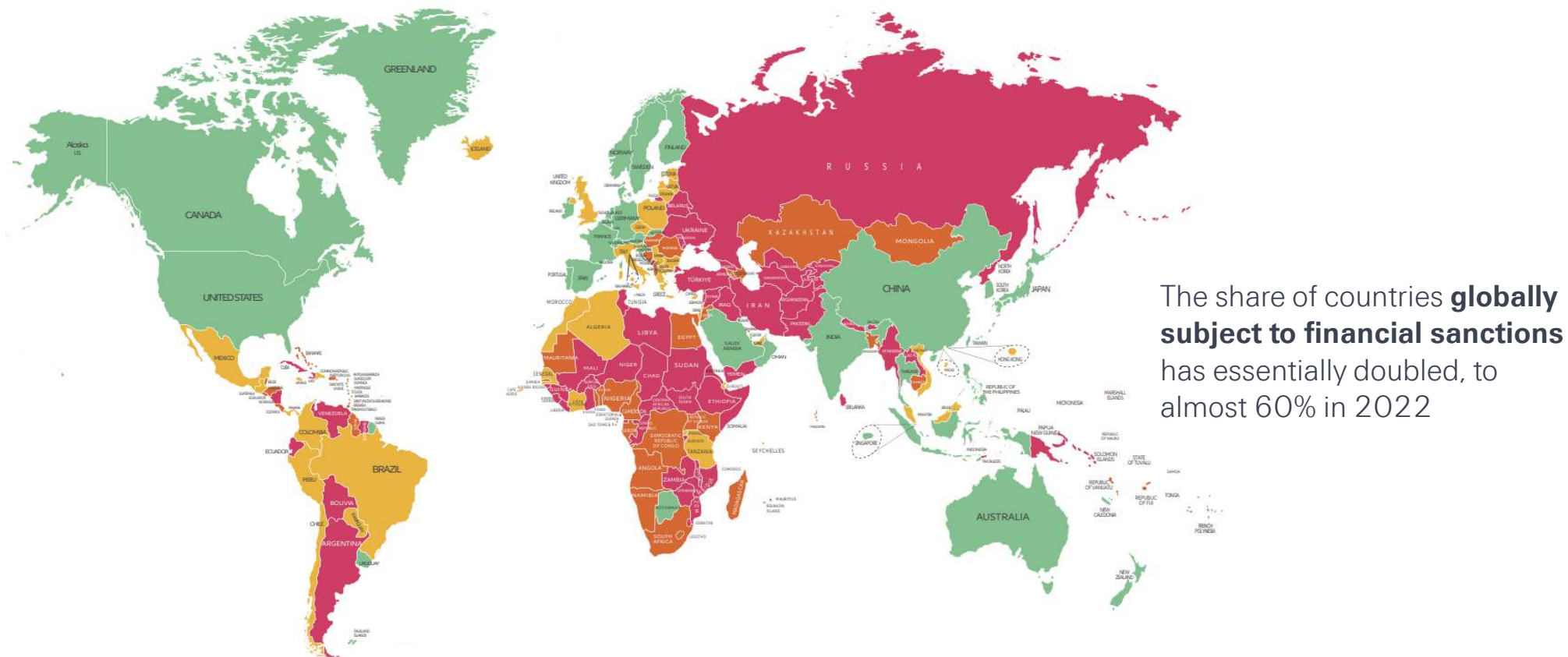


Climate change

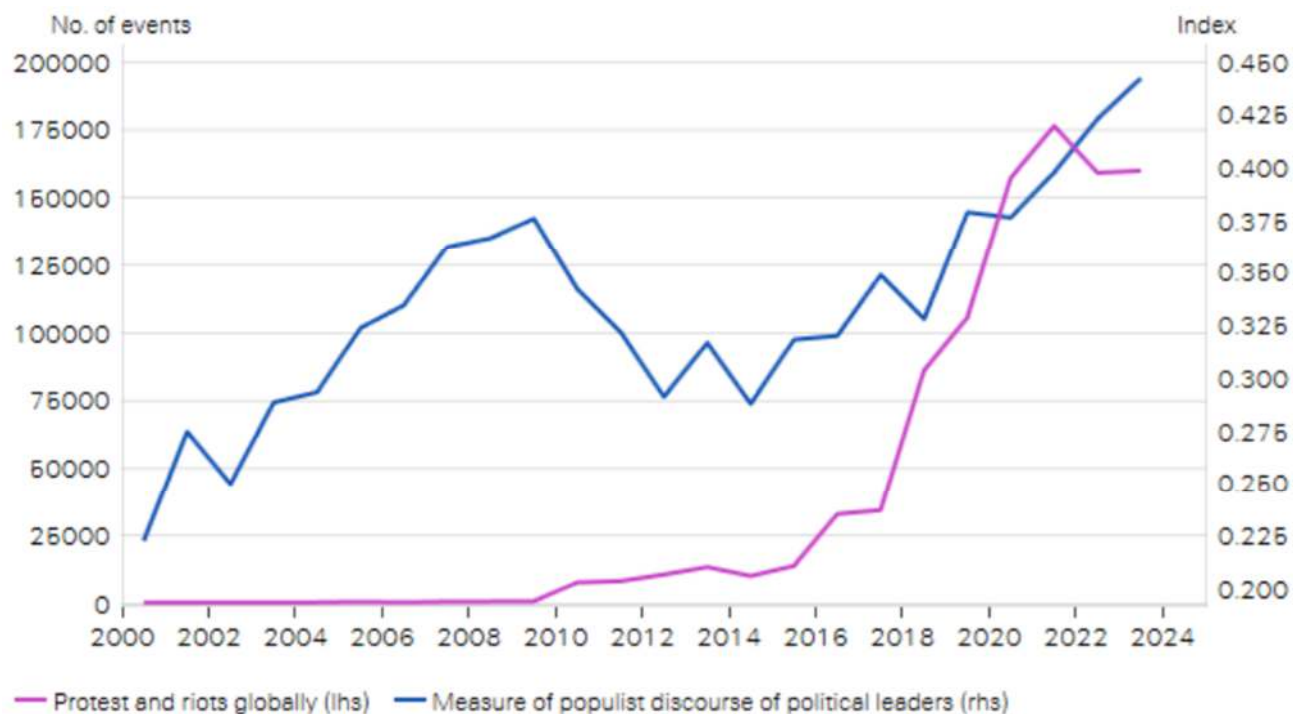


Gen AI

Geopolitical risks are on the rise and impacting the insurance industry globally



Alongside the rise in social discontent and populism we're seeing an increasing trend in political violence insured losses



The **SRCC exposure** has increased significantly, and with it the **accumulation potential**



Political instability



Cost of living crisis



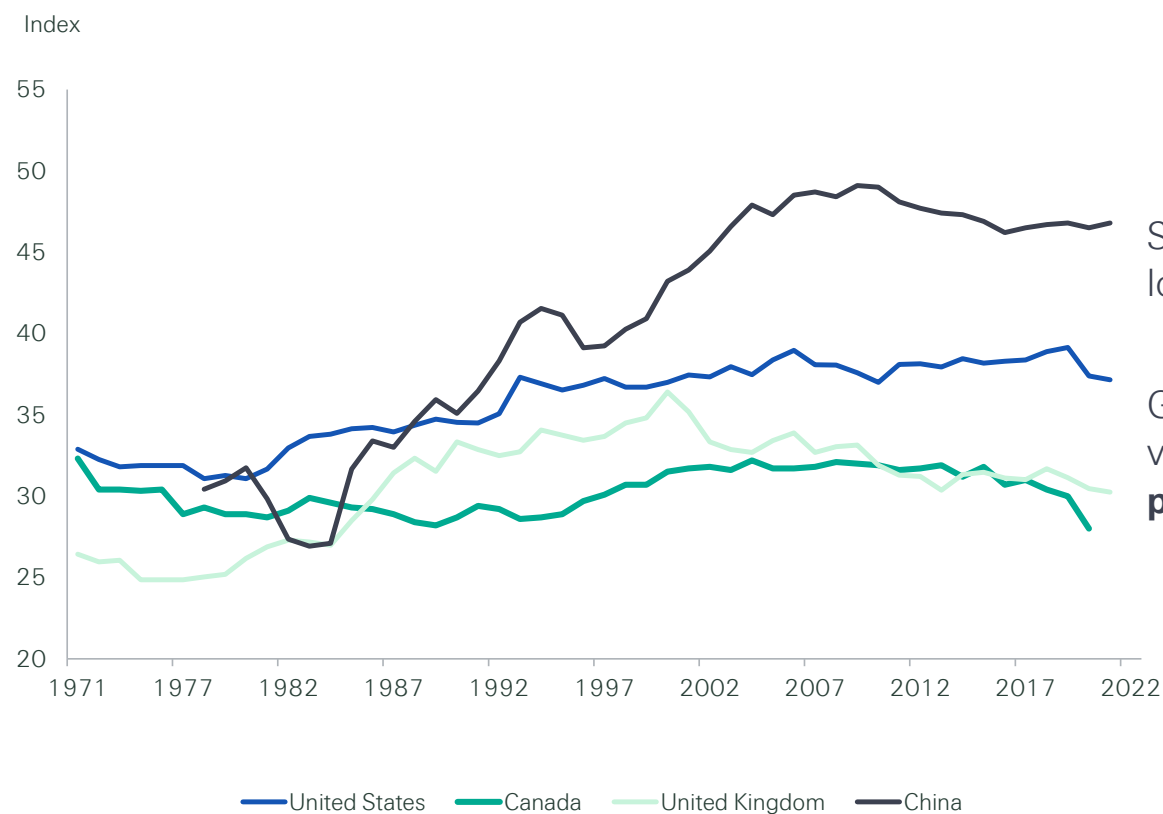
Climate change



Gen AI

Cost of living crisis are exacerbated by income inequality

Income inequality has been rising and driving social discontent

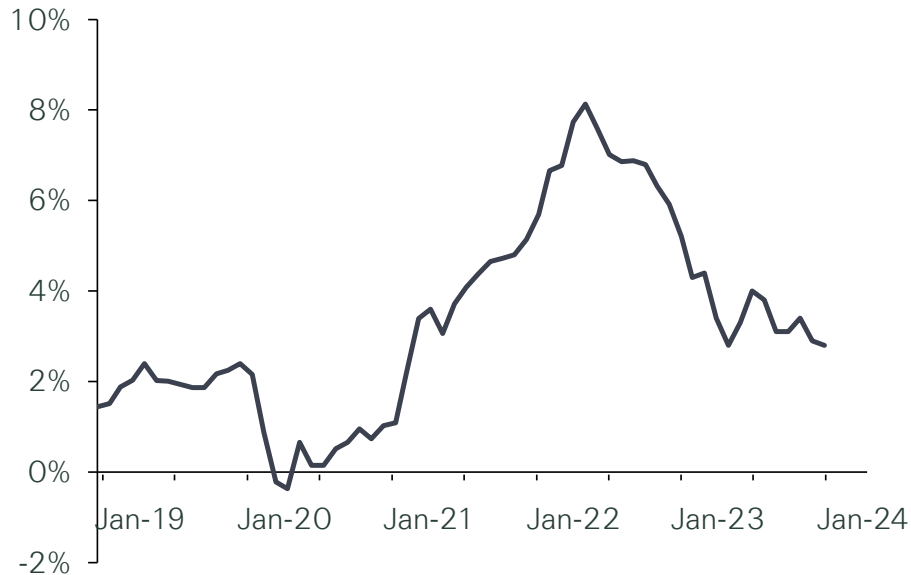


Shock events **tend to disproportionately affect** lower-income households and poverty rates

Global resilience against catastrophe events is still very low, with **76% of global exposure not protected compared to 41% in Canada.**

Inflation remains a steady driver of claims experience

Canada CPI inflation index (% change to prior year month)



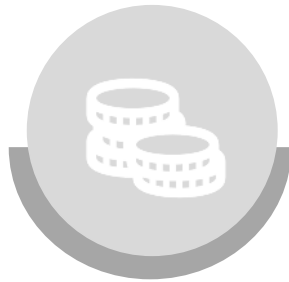
Claims inflation, and specially social inflation, are core drivers of increased settlements

PFAS litigation has begun to make its way into Canada

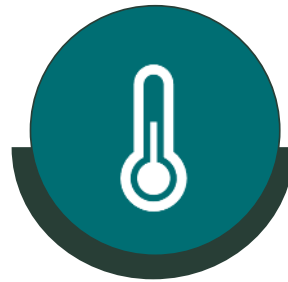
Legislative changes concerning “duty to defend” in Quebec may alleviate some pressure



Political instability



Cost of living crisis



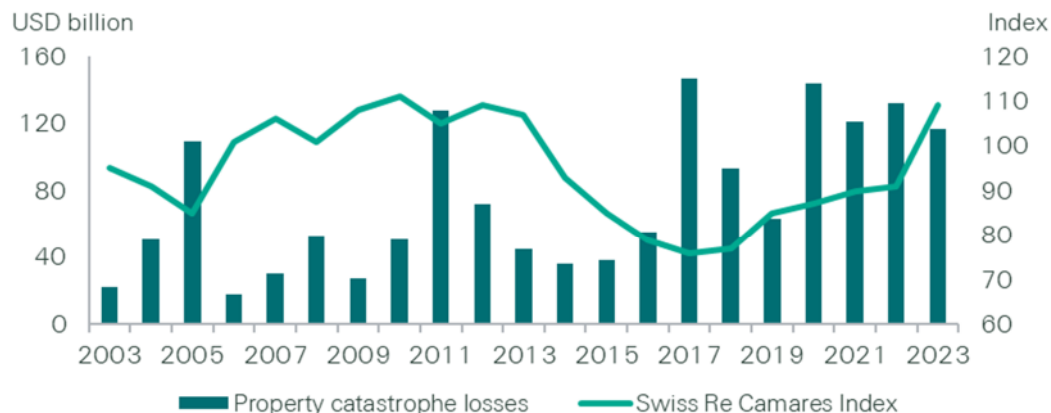
Climate change



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Is Canada already experiencing the “new normal”?

Insured natural catastrophe losses globally and reinsurance market prices

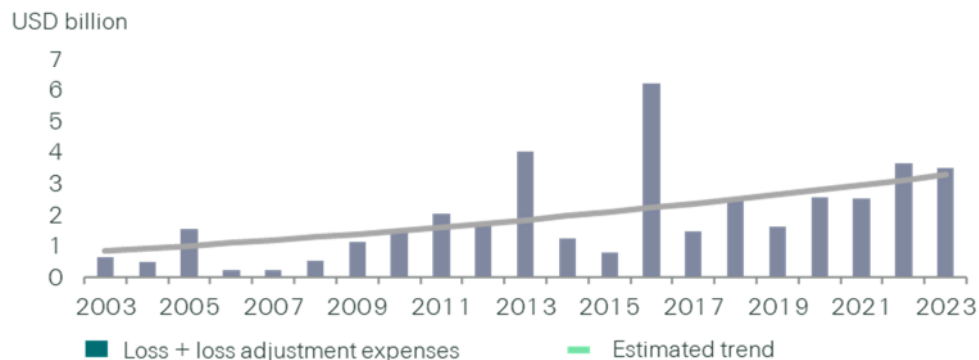


2023 was the **fourth year in row** in which insured losses breached the **USD 100bn mark**

‘**New normal**’ for Canada’s NatCat losses is **above USD 2.5bn**, a five-fold increase since 1980s

Floods, wildfires and other **secondary perils** comprise on average > 50% of total insured loss

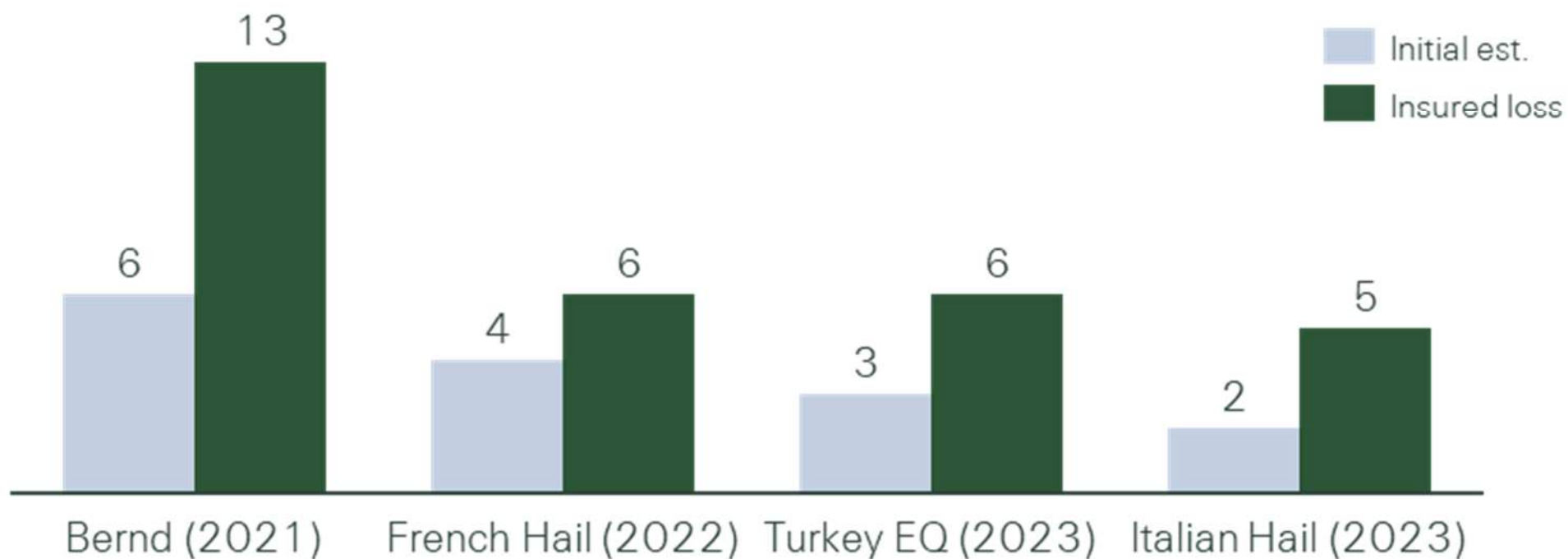
Insured natural catastrophe losses in Canada*





Loss creeps in Nat Cat events: are we underestimating the vulnerability of insured assets?

Loss creep: Initial estimates and insured losses (\$bn) for European events



Could climate change be the source of next global property crash?

Property is the world's **most important asset class**, accounting for two-thirds of global wealth

Estimates of **climate change costs** to properties could be as **high as USD 25tr**

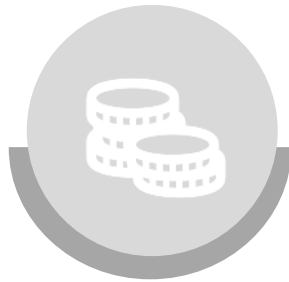
At present, the risks of climate change are **not properly reflected in house prices**

Preparedness, collaboration and awareness raising as key to mitigating the situation





Political instability



Cost of living crisis



Climate change



Gen AI

Gen AI has the potential to transform the insurance industry



1st Wave Productivity Gains

Automation and Augmenting
general knowledge tasks



2nd Wave Business Innovation

Improve insurance specific
knowledge tasks and automated
document processing



3rd Wave Industry Disruption

High probability of model change to
amplify waves 1 and 2

AI use cases at Swiss Re



Distribution

- **Discussion notes insights:** Adding AI capabilities for client interactions
- **Life Guide GPT:** Chat interface to query Life Guide data
- **RDS Conversational AI:** Testing Chat capabilities in RDS for clients
- **L&H Solution IDP:** Client solution for processing submission documents



Pricing & Underwriting

- **Accident & Health:** Automated data extraction for faster quotes
- Extract and synthesize risk information for **Directors and Officers Underwriting**
- **Fac Engineering Insights:** Auto-processing of Fac Engineering submissions
- **PARSE GPT:** Retrieving information from unstructured 3rd-party reports
- **Costing Estimation:** Extracting unstructured data
- **Semi-automation of Risk Model Validation** through automated code review



In-force & Claims

- **Contract Search:** Chat interface to Q&A contract data
- **L&H Contract Stack:** retrieval of information from contract documents
- **Claims Brain:** Flagging claims submissions with potential recovery
- **Intelligent Collateral Estimation:** Filtering contracts and retrieving trigger events
- **L&H Claims Processing:** Summarize conditions from policy documents for claims eligibility
- **Contract Portfolio Analytics:** Extract wording information from contracts portfolio
- **Binder Verify Automation:** Automated quality-review of data in in-force policies



Finance & AM

- **Investment Insights:** Extracting key information from research reports
- **IMO Due Diligence:** Support Investment oversight due diligence
- **IFRS Control Descriptions:** AI-assisted control reviews
- **Exposure Analysis:** Automated analysing of news on global events
- **Bond Assessment:** Automated extraction from documents to determine Green Bond Criteria
- Simplified data access for non-tech users through **natural language prompting of data models**

An exciting path ahead to thrive in the ever-changing landscape

**Poly-crisis
heightening
risks**

**Embracing
opportunities
from new
normal**

**Partnerships
are key to
success**

Thank you!

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Economic outlook is based on 3 scenarios, but uncertainty remains

	Severe global recession		1970s-style structural stagflation		Productivity revival			
Narrative	 Significant global financial system stress		 Commodity shocks, wage-price increases		 Tech driven productivity growth			
	 Abrupt tightening in financial conditions		 Lackluster growth and runaway inflation		 Higher capital investments			
	 Severe economic contractions		 Central banks lose credibility		 Benign financial conditions			
Key US forecast vs baseline		2024	2025		2024	2025		
	Real GDP growth	▼	▼	Real GDP growth	▼	▼		
	Inflation	▼	▼	Inflation	▲	▲		
	10y yields	▼	▼	10y yields	▲	▲		
USD IG spreads	▲	▲	USD IG spreads	▲	▲	USD IG spreads	▼	▼
Industry impacts		Life	Non-life		Life	Non-life		
	Nom. premium growth	↓	↓	Nom. premium growth	↓	↑		
	Real premium growth	↓	↓	Real premium growth	↓	↓		
	Underwriting profitability	→	↑	Underwriting profitability	→	↓		
Investment return	↓	↓	Investment return	↓	↓	Investment return	↑	↑