

Finding time becoming a risk in itself

With so much on the to-do pile, it would be no surprise if risk managers were struggling to find time to contemplate future risks and their consequences, warned HDI Global executive board members **Claire McDonald** and **Dr Mukadder Erdönmez**, as they spoke to **Liz Booth** for the *Risk Frontiers Europe 2022* survey

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With full diaries and busy workloads, risk managers may face a challenge in finding time to sit back and consider the unimaginable in terms of potential ‘black swan’ events.

That was the warning from both Claire McDonald, member of the HDI Global SE executive board, responsible for property insurance, engineering insurance, marine insurance and HDI Risk Consulting, and Dr Mukadder Erdönmez, member of the HDI Global SE executive board, responsible for third-party liability, cyber insurance and motor.

Talking as part of the *Risk Frontiers Europe 2022* survey, the pair agreed that risk managers have never been busier, nor their services in such demand. However, this in itself poses a risk as few risk managers report having sufficient time to simply consider the very worst.

“I would be surprised if there are too many out there who have time to get the crystal ball out to predict future risks,” said McDonald, adding that most are facing a deluge of decisions to be made in the light of current events.

Erdönmez echoed those words, suggesting: “If you look at the pandemic, it was not really a black swan because we had all seen the warnings. The problem lay in its severity and the struggle of governments in handling it.

“But we tend to look at first things first, so there was no surprise that few people had truly prepared for what happened.”



He also believes the past eight months have caused enormous amounts of upheaval for European firms, since the invasion of Ukraine and subsequent energy crisis.

“The world has changed,” he said, “and risk managers need to get their heads around that. We would never suggest they are not considering future risks but right now there are probably other priorities.”

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Dr Mukadder Erdönmez said the pandemic was not really a black swan event because the warnings had been there

POTENTIAL RISKS

Both of the HDI Global executives put a systemic cyberattack at the top of their risk lists going into 2023. As McDonald said: “I was considering the prospect the other day. It could impact everything – how would we get our cash out of the bank, for example? How could we support our clients and the economy to function normally?”

They also agreed that Europeans might struggle with such things such as energy blackouts this winter. “We may have to get used to only having power for so many hours of the day. We have to think about how it will affect our lives, our business and our employees.”

Driven by geopolitical events, the threat to energy supplies is the latest in a series of risks that have

risen to the fore in 2022, not only because of the war in Ukraine but also due to growing tensions around China and Taiwan.

“Think of supply chains,” warned McDonald, “if something happened involving China.”

As it is, we are already seeing wait times for parts and repairs lengthen – something that is impacting smaller losses as well as the larger ones.

McDonald is also worried about the growing risk of underinsurance – that the sums insured simply won’t match up to a potential claim, possibly leaving businesses with a difficult shortfall and damaging the relationship between insurer and insured.

“We have to consider the potential impact in terms of our customers’ financial health, but also for us if there was to be a claim. From a client’s perspective, it’s around a singular event; for insurers it’s the accumulated impact of underinsurance meaning that insurers are not receiving a sustainable premium level.”

From an overall perspective, Erdönmez is most worried by nat cat events and the prospect of continued global warming. “It is a long-term challenge and we have to ask how that might result in losses. It is not just an issue for insurers and their insureds but for the whole of society.”

Added to that, he said, social inflation is already a factor in liability claims – something he fears will further increase in the coming year.

“From my point of view, we have both economic inflation and social inflation that will give us a tough time in 2023,” he said.

There is a concern that water shortages or food scarcity caused by climate change might lead to unrest in the longer term but for the short term, the pair brought the conversation back to energy and fears of blackouts this winter which might, in turn, fuel social unrest and strikes.

WORKING TOGETHER

“At the same time,” McDonald added, “we should approach

“All the upheaval this year means there are still challenges ahead for both ourselves and our customers”

the current worrying circumstances with the aplomb and professionalism that is in the genes of our industry. Risk managers, brokers and our underwriters are used to dealing with crises and risks. Together we will be able to take good precautions and find good insurance solutions for many of the operational risks that are threatening European companies now and in the coming year.”

All of which, both HDI board members agree, points to the importance for insureds to maintain strong and adequate

Claire McDonald said risk managers, brokers and underwriters are used to dealing with crises

insurance coverage in the coming year. They recognise that the past couple of years have been tough on insureds, with prices rising to ensure insurer sustainability.

For the year ahead, they both see a continued need for transparency and for insurers to be able to properly assess risks and price accordingly. “We need to know how organisations are adapting to these uncertain times,” said McDonald.

Erdönmez agreed, adding: “We would have liked to think that the 2023 renewals would have been calmer and at the beginning of 2022 we might have been saying that. But all the upheaval this year means there are still challenges ahead for both ourselves and our customers – and that is likely to be reflected at renewals.”

He noted that with inflation running at 9% or 10% across parts of Europe, there are likely to be increases.

