

FutureSet Systemic Risk Masterclass Series

Masterclass 1: Beyond the Limit

The role of industry and government partnerships in protecting against systemic risk. Available on demand [here](#).

Key takeaways

The nature of systemic risks

Systemic risks are the most difficult to quantify, understand and protect against. They can be global in impact, often hitting multiple industries, countries and billions of people simultaneously, with potentially devastating consequences. Examples include:

- Space weather
- Impact of accelerated climate change
- Cyber attack
- Widespread utilities or electricity failure

The aftershocks from these events mean the human and economic impacts can take years or even decades to fully recover from.

The case for industry and government partnerships

Systemic risks, such as pandemics, that cause large economic and societal losses are unlikely to be covered in their entirety by the global insurance industry as the total economic loss would exceed its financial resources. Where cover for these risks is available, premiums can be significant and therefore unattractive for what many customers have previously regarded as remote threats.

The impact of systemic risks requires resources that can only be accessed by governments, with response and recovery requiring international and cross-industry collaboration. Lloyd's recent paper, *Open source frameworks for systemic risk* (link below), explores the design considerations of establishing a 'Black Swan Re' pooling mechanism.

The benefits of government and industry partnerships

- Transferring risk to the commercial sector reduces government's exposure to these systemic risks over time
- Access to proven global insurance expertise to assess and better manage these types of risks, as well as infrastructure to funnel government funds to affected parts of the economy
- Brokers can help customers visualise risks not immediately apparent to them and encourage greater protection
- Ensuring that incentives are aligned and prompting customers to introduce behaviours that mitigate their exposure to these risks

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By January 2021, the government support measures for the **Covid-19 economic support** had cost almost **\$14 trillion**

The global commercial **(re)insurance industry's total capital base sits at around \$2 trillion**, and the **capital markets are estimated at around \$180 trillion**

There are **over 450 government-backed pools in the world**. The most common peril covered is natural catastrophes

Thoughts from our expert panel

There has never been a more important moment for industry and governments to partner to protect society against the impacts of systemic risks.

John Neal
CEO, Lloyds

We need to look at the disaster through the customer's eyes to develop systemic risk solutions. Education must be two-way between the industry and customers.

Paula Jarzabkowski
Professor of Strategic Management, The Business School (formerly Cass), City, University of London

Even where the scale of a risk exceeds the risk-bearing capacity of the (re)insurance industry, there is still an important role that we can play in mitigating risk and finding new solutions for clients.

John Doyle
President and CEO, Marsh

Low probability doesn't mean no probability. We need to get better as an industry at horizon scanning, rather than focusing purely on past events, to ensure we are prepared for the future.

Patrick Sterling,
Vice President and Director, RIMS
Senior Director of Legendary People and Risk, Texas Roadhouse

Relevant reading

Pandemic risk and the impact of COVID-19:

- OECD: [Responding to the COVID-19 and pandemic protection gap in insurance](#)
- Geneva Association: [An Investigation into the Insurability of Pandemic Risk](#)
- IMF: [Database of fiscal responses to COVID-19](#)
- CII Professional Focus webinar: [Business Interruption and Pandemic Cover](#)
- CII Lecture: [Re-insurance and COVID-19](#) (CII members only)
- Chubb: [Pandemic Business Interruption Programme](#)
- Marsh: [Pandemic risk protection](#)
- US insurance trade associations: [Business Continuity Protection Programme](#)

Government and industry partnerships:

- Lloyd's: [Supporting global recovery and resilience for customers and economies: The insurance industry response to COVID-19](#)
- CII lecture by Julian Enoizi: [Public-private risk response models](#) (CII members only)
- Marsh & McLennan Companies: [Pandemic poses a new catastrophe paradigm](#)
- Chubb: [The Chubb Pandemic Business Interruption Programme](#)
- EIOPA issues paper: [Shared resilience solutions for pandemics](#) and [factsheet](#)
- FERMA position paper: [Building an EU resilience framework for catastrophic risks](#)
- AXA XL: [Guide to Government Pools](#)

Skills and capabilities:

- CII Assess: [Introduction to managing change](#) (sign-up required)
- RIMS: [Professional Growth Model](#) (RIMS members only)
- RIMS: [Certified Risk Management Professional](#) (sign-up required)

Futureset Systemic Risk Masterclasses

Delivered in partnership with the Chartered Insurance Institute (CII) and Lloyd's Market Association (LMA), the Lloyd's Futureset Systemic Risk Masterclass Series explore a number of elements of systemic risk, to support greater understanding and capability across the industry. Each masterclass combines technical content on a specific element of systemic risk with the knowledge and insight of business leaders and risk experts to help you build a body of knowledge and understanding of the systemic risk landscape.

To view the full schedule and register for upcoming Masterclasses, click [here](#).

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