

AON

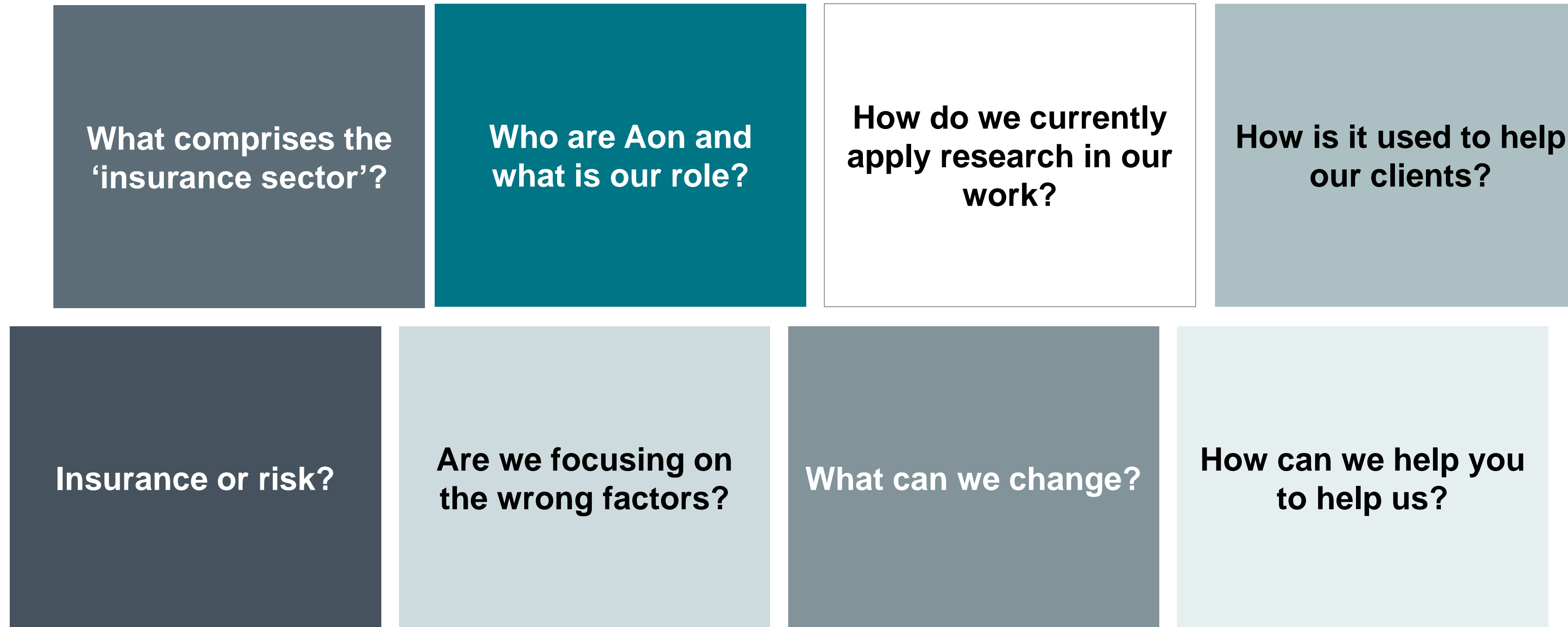
**Bridging the gap
between research
and insurance
outcomes**

November 2022



Initial qualifying questions to ask

Setting the scene



Current state:
Are we meeting our aims?



Are we meeting our aims?

Aims

1. Increase certainty
2. Informed decisions / better decisions
3. Risks understood / quantified
4. Using the 4 'T's' of Risk Management
5. Optimise risk transfer outcomes

Reality

- Are we meeting the client need? (increasing certainty, enabling better decisions around risk)
- Is our approach fit for purpose?
- Lots of focus on hazard, some on risk, some on damage, very little on turning damage to dollars
- Loss estimates \neq insurance programme
- Are we using the right factors in our approach? (are all the influencing factors being considered)



Transition state:
How can we bridge the gap?



What needs to change?

Consideration

- Do we each understand what we need, do we understand the client need?
- Are the external / contextual factors being adequately considered?
- Do we have adequate data?
- Can we identify the key factors influencing outcomes (within the models)?
 - Under valuation
 - Inflation / claims inflation
 - Demand surge
 - Likelihood for total loss vs. partial loss

Are we increasing or decreasing the certainty?

What would help?

- Time/opportunity to explore what is needed, more client led research?
- Do you know what are the external / contextual factors?
- What data information / improved data do we need, or can we get hold of?



Evolution not full revolution

Areas of immediate focus (where we would like some research / or existing research we would like to incorporate)

- Demand surge understanding
- Valuations (and the linkage to realistic reinstatement values)
 - *Build back better*
 - *What would good valuations look like?*
 - *Practicality of rebuild costs (how do they cost it?)*
 - *Realistic lead in times*
- Use alternative data sources – loss adjusters?
 - *Claims data*
 - *Loss data*
- River management asset loss modelling
- MERIT – Business interruption / economic impacts
- Tsunami inundation

We would like to know more about what is going on and be involved

Future State:
Changing the status quo

AON



What would happen if we got a little radical?

If we started again, what would we do differently?

- Are we focusing on the right aspects of risk modelling?
- Who are the end users, and do the current solutions actually meet their need? If not, what needs to change?
- If risk transfer is essential (i.e., external capital to help recover from major loss), how do we ensure disaster risk financing remains available for NZ?