

## BLOG

# The Future of Risk: Thinking Differently in a Dynamic Environment

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The insurance industry is changing rapidly as the world evolves around us. It's being quickly pulled into the future by the pandemic, advancements in technology and a changing climate. The past is no longer prologue. Carriers, brokers, and business leaders alike cannot rely solely on historical data and events to predict an uncertain future.

The future of risk management requires us to respect this unusual moment and challenge ourselves to think differently. Those who insist on carrying on with business-as-usual, or who don't understand the shifting fundamentals, will find themselves left behind.

## Macro Factors Driving Change in the Insurance Industry

### *Pandemic to Endemic*

COVID-19 continues to influence how we do business. Some leaders are still hoping for a return to pre-pandemic operations, viewing the pandemic as just a temporary disruption. The reality is that COVID-19 is moving to endemic status, becoming a part of our everyday lives (ex: the flu or chickenpox). Armed with this understanding, business leaders must focus on permanently adapting to the new ways of working, investing in systems that support remote work, employee wellness, hybrid offices, and digital communications.

### *Severe Environmental Events, A Cross-Industry Crisis*

Climate change is leading to rising temperatures, wildfires, and severe storms that threaten properties and industries worldwide. Insurance carriers, struck by frequent catastrophic claims, are struggling to adjust their business model. Insurers have long relied on history and data to understand likely risks, determine rates, and make predictions. As their historical data becomes less applicable, carriers are focusing on new ways of understanding and underwriting today's risks. Premiums are rising, climate event exclusions are being written into policies, and some businesses and homeowners are being denied coverage because they are seen as too high risk.

Navigating and solving this crisis is one of the most pressing issues of our time, and a top priority for me as a CEO and an individual. I take pride in being personally involved in conservation and environmental



protection by volunteering with organizations like [Conservation Nation](#), which is committed to saving species by creating an inclusive community of conservationists. At Risk Strategies, we've implemented initiatives with positive sustainability implications. Our Ways of Working initiative, executed in 2021, enables 80% of our workforce to work remotely, significantly reducing our carbon footprint and energy consumption. In addition, we are in the process of reducing our real estate footprint, which will redirect corporate investments to sustainable initiatives. I would encourage other business leaders to invest in sustainability as well.

#### *Technology Pushing Us Forward and Increasing Risk*

The pandemic pushed us to adopt new technologies, fundamentally changing the insurance industry through remote work and advanced AI and analytics systems that support our work with clients. This will continue to be a major driver of evolution in the insurance industry and in business operations overall.

With the advancements comes dependence and added risk in the form of increased cyber-attacks. This risk continues to expand, growing in its reach and sophistication. The speed at which cyber threats are evolving is stunning businesses and insurers. Carriers are adapting and adjusting to the unsteady cyber landscape, forcing a premiums spike, stricter underwriting requirements, and more limited coverage to deal with the escalating risks.

#### *Alternative Approaches to Risk*

In this dynamic environment, the traditional insurance market is sometimes not a viable option. When premiums increase rapidly and coverage is restricted, businesses begin to view their risk differently. Unable to buy insurance or secure sufficient coverage limits, companies look at their balance sheets and consider the most cost-effective way to protect their assets. This can lead them to alternative risk options, including risk sharing, captive insurance, and other alternative risk solutions. These options are already rising in popularity and will continue to do so.

#### **Brokers Must Tell Their Clients' Story**

The ability to tell your story and differentiate risk is more important than ever. Insurance companies need to cover their risks so they need to be assured that the company they're underwriting will not become a financial liability. This is where specialist brokers come in.

In this landscape, an understanding of the client's industry and the ability to do analytics is becoming a fundamental part of the broker and associate skill set. In order to tell their client's story and secure coverage, brokers must leverage data, showing carriers the client in their best light, that they don't fit a particular vulnerability model, and that they're a better quality risk.

I recently told an associate, "You don't drive by looking in the rearview mirror." Our industry can no longer focus on past trends and old ways of engaging. Looking ahead is key to business survival and is the only way to navigate this remarkable time.

In the coming months, we will explore the rapidly evolving nature of risk, factors shifting the insurance industry, and crucial considerations for business leaders in our blog series *The Future of Risk*. Join us.

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