



Praedicat, a latent liability risk analytics company, is committed to helping risk managers understand their exposures, reduce claim costs and manage insurance purchase in today's changing risk environment.

## A new landscape brings new opportunities.

Today's risk manager faces the challenge of being responsible for an escalating amount of risk. Technology is rapidly advancing, a new social inflation is fueled by litigation funding and legal innovation and there is increased scrutiny by rating agencies and regulators to better understand exposure. Meanwhile, the insurance protection gap has dramatically increased since 1973, resulting in more exposures than ever.

This new landscape has encouraged more risk managers to look to cede latent risk to protect their balance sheet – transferring risk to the insurance industry has become a standard part of the risk manager's portfolio optimization tool-kit. But to truly transform your risk management strategy, you must first have a granular, quantitative knowledge of the risks in your portfolio. A foundational comprehension based on data, analytics, and science, that allows you to pull actionable business insights about your risk portfolio to answer questions like:

- How do you know where your next claim might come from?
- How do you best structure your insurance tower?
- How can you get deeper insights into the risks that are already in your portfolio?
- How can you use third party information to help with your discussions with underwriters?
- How do you mitigate claim costs and reduce expenses?

As a risk manager, if you can answer these types of questions, you are well on your way to future-proofing your business. Praedicat's powerful analytics solutions empower you to do just that.

## What is Praedicat's solution?

Praedicat's sophisticated technology employs AI to scan and summarize scientific literature at scale, synthesize the data and model the information to characterize future risk. We track thousands of risks, which gives us insights into the "next asbestos." The perils identified by scientists are translated into future mass litigation risk and assign probability and severity of loss to individual companies. These analytics allow you to proactively make measurable and quantifiable business decisions based on science and incorporate them throughout the entire product lifecycle.



We help you build sustainable profitability using analytics that:

- Identify emerging risks:** Praedicat's technology has identified thousands of perils that scientists hypothesize could cause latent disease, leading to latent liabilities from over 35 million peer-reviewed scientific articles. This is truly monitoring emerging risk at scale. The technology also estimates how scientific evidence might evolve into the future allowing you to get ahead of the curve. Perils include chemicals, pharmaceuticals, nutraceuticals and other products, substances and phenomena (EMF).
- Connect risks to commercial activities:** Praedicat's analytics link over 40,000 companies to these perils and quantify exposure to high impact, low frequency events. These profiles are utilized by insurers for risk selection decisions during the underwriting process.
- Generate actionable insights:** Praedicat's fully probabilistic models generate loss estimates, driving actionable portfolio insights that help you manage and mitigate latent liability risks. Praedicat's objective insights empower informed decisions.



## Use Cases

Here are a few ways Praedicat's software helps risk managers future-proof their risk management strategy:

- **Risk transfer and insurance purchasing:** Optimize insurance purchasing decisions through an enhanced risk exposure and risk transfer assessment tailored to your company. Demonstrate expertise in emerging risks to negotiate favorable terms and structuring of new transactions using analytics. Employ our analytics to create a common 'language' to facilitate a better understanding of risk for both parties and use science to objectively differentiate real risk from perceived risk.
- **Achieve your portfolio goals and reduce balance sheet uncertainty:** Identify sources of product portfolio exposures earlier, before claims emerge. Effectively communicate risk management strategy to senior management through customized reports and visualized data. Demonstrate a detailed understanding of liability risks to shareholders and regulatory / rating agencies. Reduce volatility of results through the integration of a forward-looking analysis. Enable benchmarking via a peer group analysis leveraging Praedicat's 40,000 company database.



- **Loss control and risk prevention:** The success of a product stewardship program hinges on your ability to mine and extrapolate data from science. Where product stewardship fails, product liability claims emerge. Work closely with your risk mitigation teams (EHS, product safety, regulatory affairs) to implement science-based analytics throughout the entire product lifecycle from initial product design to product substitution decisions. With a documented program in place that motivates action when scientific evidence accumulates around one of your products, you may have a punitive damages defense.
- **Claims management:** Reduce claims costs based on a complete understanding of the scientific evidence. Identify the best experts for testimony and develop a strategy that optimizes decisions to settle early.
- **M&A due diligence & post transaction integration:** Incorporate risk analyses in active M&A transactions or manage unexpected aggregation in past M&A activity.
- **Captive risk management:** Benchmark to a forward-looking analysis of potential litigation to inform reserves. Input risk analysis to define captive retention and compute adequate premiums. Visualize and analyze risk accumulation for large scale events to optimize reinsurance placements. Leverage forward-looking analysis to improve your loss ratio.
- **Horizon scanning:** Scale efforts to prioritize emerging risks and identify potential liabilities well before a claim hits. Track emerging risks as they develop and mature. Instead of relying on historical data, make anticipatory decisions and get ahead of the curve.



## Insurance Product Innovation

Praedicat's technology can be used to facilitate highly customizable alternative risk transfer solutions. Praedicat is proactively designing and developing new innovative named peril insurance products. By transparently structuring coverage on a named peril basis, you'll have greater confidence that insurance will respond in a time of need. Our advanced technologies, modeling capabilities and existing partnerships in the insurance industry allow us to help our insurer and broker partners bring these products to market quickly and successfully.

- **Parametric write-back: science-based index coverage for exclusions or hard to place risks**

When you face exclusions or the threat of an exclusion, structuring coverage on a named peril basis in a standalone policy might be fortuitous. This policy limits the liability of the insurer in a way that provides meaningful and highly customized coverage for you by using Praedicat's proprietary science-based index. How might it work? You would be indemnified for losses if the scientific literature accumulated to demonstrate general causation of harm (e.g. parametric trigger if Praedicat's science score > 0.5) and if liability losses are incurred.

The policy operates so that you self-insure against less substantive lawsuits that may arise which science does not support, where losses are largely expected to be defense costs. Examples of perils might include glyphosate, EMF, PFAS or classes of perils such as pesticides.

- **Cross-line liability top-up: excess liability coverage for list of standardized named perils**

Praedicat's analytics project future latent liabilities. In cases where you might have unexpected tail exposure above your current tower, you might reconsider if you have the protection your business needs. Instead of buying a typical general liability policy that may be cost prohibitive or unnecessary, this policy covers you for a defined list of perils that are fully identified and quantified by Praedicat to facilitate transparent risk-appropriate pricing. These are the perils that drive your tail exposure, and those that may add volatility to your earnings. In some cases, a more tailored program may be beneficial and purchasing cover for the higher layers on a named peril basis will reduce spend.

In many cases, the same events drive both general liability and other lines of business such as D&O. This policy would cover both under one shared aggregate limit.

- **Parametric 'Product Stewardship Insurance': first party coverage with risk mitigation incentives, linked to larger liability limits**

By working out what actions you might take if the science accumulates around one of your products (such as when to substitute a chemical), this first party cover indemnifies you for the costs associated with your actions (such as substitution costs). The parametric trigger (Praedicat's science index reaching a threshold) is designed to catch potential issues before regulators or litigators get involved. By being proactive, it ultimately lowers the risk to both you and your insurer. The implementation of this approach may lower the risk of punitive damages and may also be linked to larger liability limits as a demonstrably better risk.

With all of the above insurance coverages, you'd gain access to Praedicat's analytics for the named peril in question so that you have the ability to defend claims.

## About Praedicat

Praedicat is a latency risk data and modeling company and a spin-off of the nonprofit RAND Corporation and catastrophe modeling firm Risk Management Solutions (RMS). The risk principle at the foundation of Praedicat is that “The science is the risk.” When commercial products or business practices cause latent bodily injury in the population, for the loss to be compensable in court, the injured parties must submit published science supporting the claim to the court.

Scientific literatures that eventually become evidence in court develop one paper at a time over multiple years. As an emerging risk tool, Praedicat’s text mining technologies identify the science when the earliest papers are published. As the literature evolves, Praedicat identifies exposure settings and evaluates the state of the science. When the literatures are mature, Praedicat compares the state of the literature to the characteristics of scientific literatures in admitted litigation. With clearly specified harms and exposed populations identified from peer-reviewed journals, Praedicat is able to estimate severity of the risk and size of the claimant population.

Finally, Praedicat has developed a probabilistic model that uses empirical predictions of the future state of the science to create a science-based prospective litigation event set. Praedicat’s staff consists of several Ph.D. bio-scientists and economists, senior actuaries, data scientists and software developers. Praedicat’s models have been back-tested and validated by an external actuarial firm. The data and models are used for underwriting, risk management, and the development of new insurance products by multiple global insurers and reinsurers. Global industrial companies also use the data and models for best in class product stewardship and risk management.



## Contact Us

**How do I get access to Praedicat analytics?** Risk managers currently license our analytics via software and utilize our services. We’d love to connect and discuss how you could best leverage our analytics. Contact Jessica Schuler ([Jessica.schuler@praedicat.com](mailto:Jessica.schuler@praedicat.com)) to learn more.