



# Take action on emerging risks.

## Executive Summary

Praedicat’s Emerging Risk Framework breaks emerging risk into three phases: emerging Interest, emerging damage and emerging litigation. Depending on the phase of emergence, our methodology recommends specific business actions to take and who should take them. Because our framework is embedded in Praedicat software, understanding the information is intuitive and taking action is easy.

## The Three Phases of Emerging Risk

The Emerging Risk Framework methodology is founded in science. Algorithms search and read the text of newly published science looking for articles investigating whether business activities or products cause harm. Once identified, new risks are connected to exposed industries and over one hundred thousand specific companies. After identification, we track the science as the early articles become rich literatures and later may become scientific evidence in litigation.

Each phase of emerging risk has its own set of recommendations to guide action across the timeline of risk emergence. Let’s take a closer look at each phase in more detail.

### Emerging Interest – The time to measure

Emerging interest is the earliest phase where scientists first flag the potential for the risk to harm humans or the environment and publish their findings. It is during this phase that we help our clients begin to track the exposures most relevant to their businesses.

We call this phase the time to measure, and Praedicat does most of the work of measurement, including:

- Horizon scanning
- Risk identification
- Exposure tracking

Out of the hundreds of risks being investigated by scientists, most are likely to be safe and few will ever see litigation. However, corporations that are linked to these fledgling risks should certainly be prepared for later action and insurers should start measuring their exposure with the knowledge that there is potential for the literature to evolve into something more concerning.

### Emerging Damage – The time to act

A risk enters the “emerging damage” phase once it has a greater than 1% chance of litigation. In emerging damage, initial studies seed larger scientific literatures that investigate the harms in depth and examine the pathways of exposure. During this phase, the literature is richer and more mature, investigating specific issues about who might be harmed, how they might be harmed, and what products might be causing harm.

Perhaps more importantly, while scientists and regulators are beginning to investigate where and whether damage may have occurred, carriers have an opportunity to take actions to manage and price the risk while still writing it.

The actions you can take during emerging damage include:

- |                                 |                          |                         |
|---------------------------------|--------------------------|-------------------------|
| • Exclusion write-back          | • Pricing                | • Risk transfer         |
| • Develop underwriting strategy | • Aggregation monitoring | • Regulatory compliance |
| • Account underwriting          | • Capital modeling       | • Reserving – IBNR      |

We call the emerging damage phase the Goldilocks phase because this phase is “just right” for taking underwriting actions and performing proactive emerging risk management.

Emerging Litigation – The time to defend

Today there are a growing number of risks that enter emerging litigation, largely due to social inflation. While we currently find most underwriting activity happening during the emerging litigation phase, we think this is too late to be truly impactful. The Emerging Risk Framework moves much of the underwriting activity upstream to the emerging damage phase to better prepare our clients should a risk in their portfolio mature into the emerging litigation phase.

There are still many actions you can take during emerging litigation including:

- Litigation tracking
- Exclusion
- Claims defense
- Reserving – known claims
- Underwriting strategy
- Account underwriting
- Risk transfer
- Reserving – IBNR

During emerging litigation, we continue to track the science to help inform litigation defense strategy including the selection of defense experts, development of defense arguments, proof of good intent and overall cost efficiency. We also track the litigation to identify novel causes of action, and build additional scenarios around these causes of action to anticipate where the litigation may go next and to stress-test portfolios.



Transform the way you manage and price emerging risk.

Summary

Praedicat’s Emerging Risk Framework addresses the entire risk life cycle, identifying risks as they first materialize in emerging interest, driving proactive risk management as risks evolve into harms in emerging damage, and providing claims support should risks result in litigation in emerging litigation.

Whether you are an insurer, risk manager, product steward lead or global industrial, the framework makes emerging risk actionable, enabling you to make smarter business decisions informed by science and industry-leading technology.



The timeline of risk emergence, delivered to your dashboard.

