Prevailing condition of risk management in India

Globally, one of the biggest trends we see today is that risk managers now see analytics as essential and non-optional. However, five years ago most risk managers considered analytics as a nice-to-have. At the time, even advanced risk management departments relied primarily on basic benchmarking with occasional usage of property catastrophe modelling and actuarial loss modelling for one or two types of risks.

In India too, the explosion in data and technologies represents a change in how analytics is perceived and presents broad opportunities for the insurance industry and how risk may be managed in the future. Considering that 90% of the world's data has been created in the past two years and that this volume of data is projected to grow by a factor of ten in the next two years, this trend cannot be ignored.

Identifying, Analysing and Responding

As businesses increasingly operate as networked ecosystems relying more heavily on the Internet of Things, AI and Robotics, risk management has become a critical consideration for enterprises in India. Therefore, increasingly we see that companies are taking strategic business decisions only after a thorough risk evaluation. CROs who were traditionally managing the downside of risk are now being included in boardroom decisions to help management evaluate the upside of risks.

There is also a growing acknowledgement of the inability to eliminate risks altogether, thereby driving risk managers towards assessing, evaluating and prioritising risks before determining mitigating strategies. To address these greater expectations for performance and accountability, Willis Towers Watson has developed a new generation of accessible advanced modelling and dynamic analysis capabilities to provide corporations with unprecedented insight for risk-based decision making. With traditional insurance becoming more expensive, CFOs increasingly challenge risk managers to demonstrate they have explored all risk finance angles – insurance, Alternative Risk Transfer, Captives, and higher retentions – to offset price increases, whilst managing exposures within Board and investor tolerance levels. This requires an apples-to-apples comparisons of the total cost (in financial terms) of these options including retained loss costs, volatility and management costs.

Historically, risk has been assessed qualitatively and in a siloed manner, resulting in CFOs and CROs using it as supplemental information with no linkage to the big picture. Technology can now put all these risk modelling analyses on the same platform and promote an explicit big picture risk strategy.

Technologies of Today

Like every other function and industry, risk advisory must continuously improve. Technology, cleverly applied, makes us smarter, better, and more efficient. We can learn so much more by examining the wealth of data now available to us, and only through technology can we run the advanced analytics required to extract actionable information from that data. It's impossible to properly examine all risks as a portfolio—considering correlations and dependencies--without technology. The latest developments enable us to evaluate all risk finance options, measure their financial impact, and compare them in objective terms in order to optimise our clients' risk finance portfolios.

This generation of technologies helps us make better decisions and create effective long-term strategies. For instance, the 'Extreme Risks 2019' report released by Willis Towers Watson's Thinking Ahead Institute identified global temperature change, global

trade collapse and cyber warfare as the top three extreme risks globally. Having access to the right kind of data and technology will significantly improve the capability of corporates all over the world, including in India, to adopt appropriate hedging strategies. In the last couple of years alone, India has seen some of the worst heat waves and floods resulting in huge losses. In 2018 alone, heat wave along with the worst flooding in over 100 years and a pair of cyclones lead to a total damage of nearly $38 billion.

Need for Embracing Analytics

A recent Willis Towers study highlighted that most companies across industries and regions are witnessing a greater volume of cyber-attacks and higher losses per incident. For instance, companies in India are seeing an estimated average loss of close to 10% of their revenue. Countries like India are at a heightened cyber security risk as companies embrace digital innovation, making data more accessible and its movement easier. Yet, spending on cybersecurity amongst organisations in India is not appropriate to the rising threats and vulnerabilities. It is critical for companies to focus on defences against human error, identification of cyber risks and applying an integrated approach for risk management with greater focus on analytics.

Only through advances in analytics and technology are we able to give risk managers a clear view of the Return on Investment for all their risk finance options.

Innovations in the Fourth Industrial Revolution means that we need to embrace the rapidly evolving data and technology advances. However, many organisations have yet to adapt. At the same time, the availability and storage of data, processing power and predictive modelling techniques have increased our risk quantification abilities more than 10-fold over the last few years in the property and casualty (P&C) risk sphere.

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Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas — the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.