



"Black Swan" Events - Underwriting in an uncertain world

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What is a “Black Swan” Event?

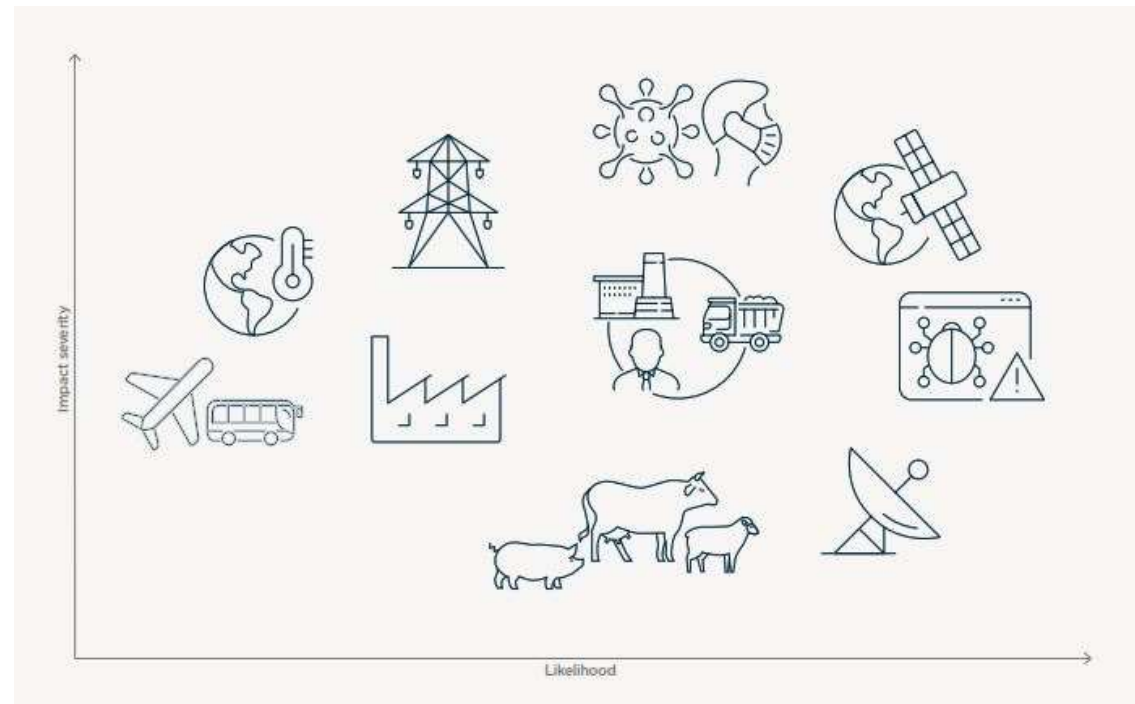
**// An extremely rare and sudden
event that has very severe
consequences //**

- Nassim Nicholas Taleb

Black Swan Events

Underwriting in an uncertain world

- Widespread transport disruption
- Impact of accelerated climate change
- Widespread industrial disruption
- Widespread electricity failure
- Animal disease
- Critical resources supply chain failure
- Pandemics
- Utilities failure (including internet)
- Space weather
- Widespread cyber attack



- Lloyd's (2020), Supporting global recovery and resilience for customers and economies

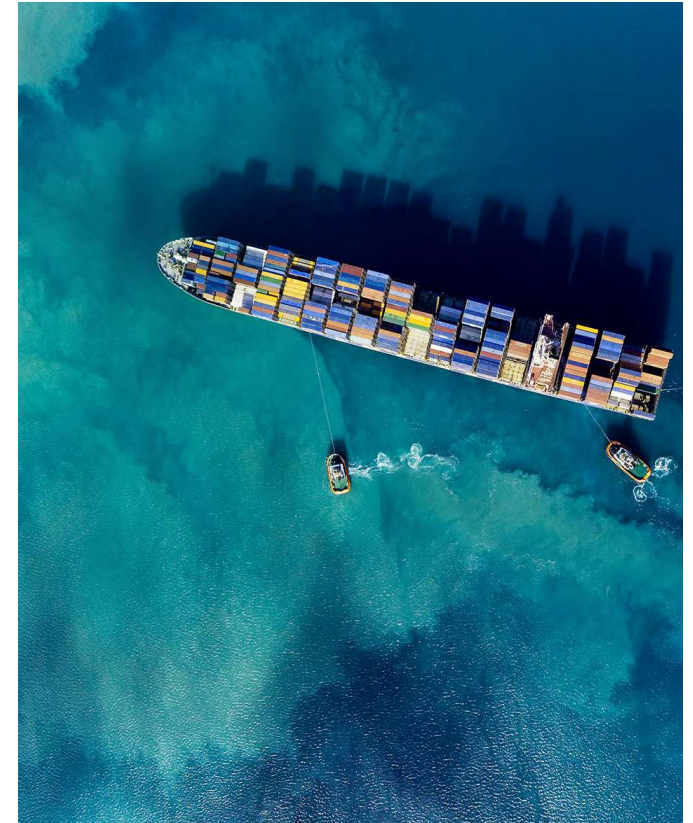


Critical resources supply chain failure

Black Swan Events

Critical resources supply chain failure

- Russia-Ukraine war has had dramatic impact on global supply chain
- Huge increase in cost of materials and availability of reliable quality substitute goods
- Disruption in supply due to shortages of raw materials/parts can affect safety of final products entering stream of commerce
- Real risk of harm to consumers arising from decrease in quality/introduction of contaminants/unreliable parts in finished goods
- Impact of energy crisis on costs of production and impact of water shortages on hydroelectric power capacity





Pandemic

Black Swan Events

Pandemic

- Inherent uncertainty in Black Swan events make it difficult to predict longer-term economic and socio-economic impact
- Although a Black Swan event may appear to have finished, its impact may be far from over
- Immediate first party losses from Covid-19
- Third party liability claims next?



A low-angle, upward-looking photograph of several modern skyscrapers. The buildings are constructed with dark, reflective glass and metal facades. The sky is a vibrant blue, filled with scattered white clouds. The perspective creates a sense of height and scale. A semi-transparent dark grey rectangular area is overlaid on the left side of the image, containing the text.

Market response

- Risk assessment
- Risk prevention
- Risk transfer

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