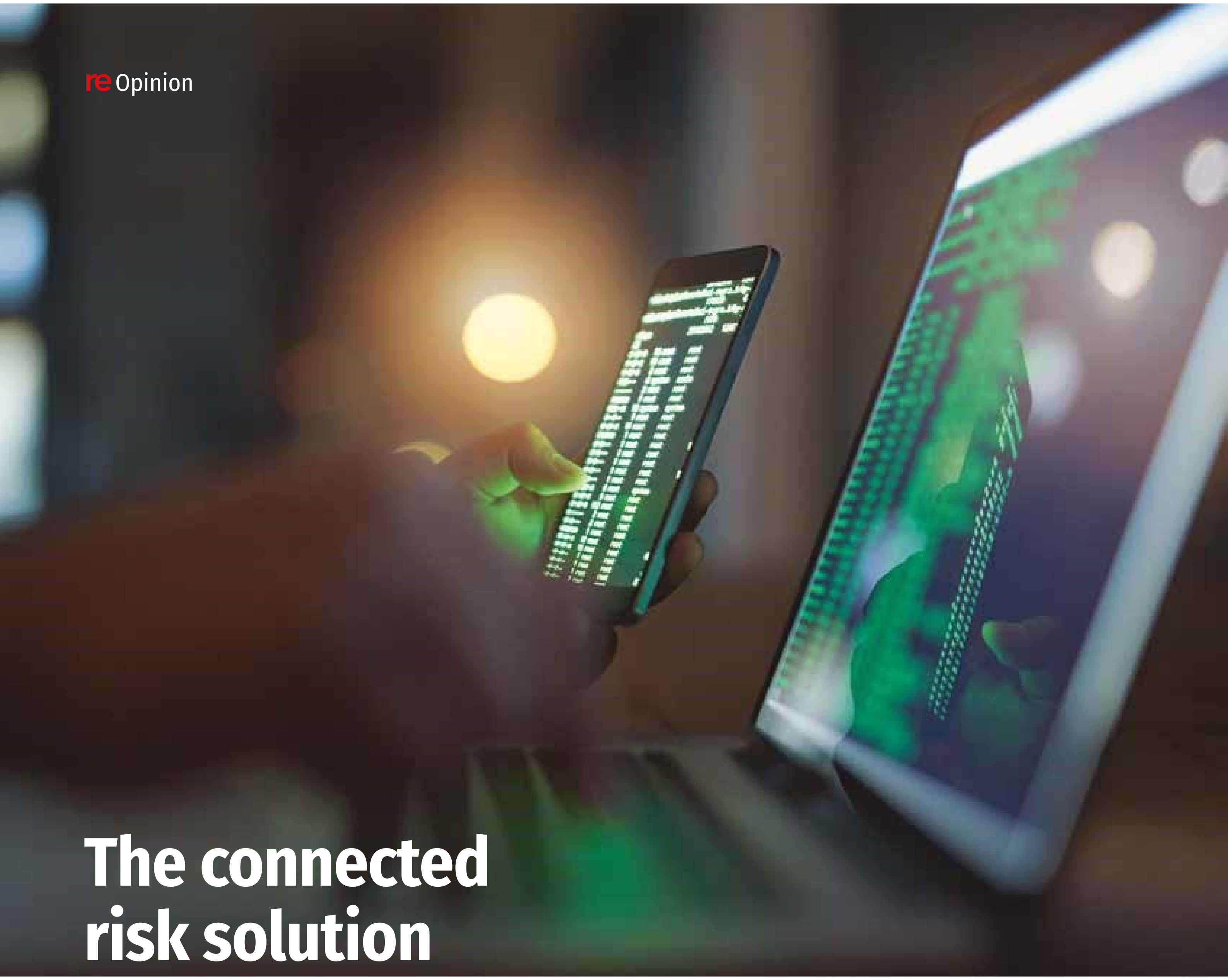

# The connected risk solution

Russell Group founder Suki Basi provides the solution to the connected risk dilema

Yesterday, in *Re-Insurance*'s Monte Carlo issue, I explained that underwriters need to understand the concept of connected risk and better comprehend the connection between opportunity and exposure, to deliver value to the end-client and superior return on equity. Grasping the concept of connected risk offers a pathway to not only understanding known and unknown exposure better but also to getting combined ratios down and managing peak exposures.

As I explained previously, the global economy is more interconnected. Business risk profiles are more connected. This exposes businesses to increasing network risk or "connected risk" and requires better quantification of opportunity and risk exposure throughout the business network to fully understand the impact of business strategy.

That means that to fully understand the impact of connected risk on business strategy, a company needs to understand the way in which its network operates with the global economy. This is in truth a market-level analysis, in which the company collects information about its marketplace, suppliers, partners and competitors so that it can really appreciate the size of the market, and the inherent opportunities and risks.

My company, Russell Group have constructed such a database containing 1.7 million unique companies with a combined revenue of $90tn, which represents 42 percent of all global company revenue. It has done this to illustrate its connected risk vision and thinking, see right.

As an example, Russell has used this database to isolate the major companies operating in the transport layer for the flow of goods and services. This has enabled Russell, for instance in shipping, to calculate global trade flows between ports, (see 2017 daily economic flow through Shanghai), in terms of export, imports and in-country trade.

We can now quantify both known and unknown exposure at a location and between locations at a given time or time-period. This connected risk thinking can be used by both corporates and (re)insurers. From a (re)insurer perspective, this level of knowledge enables better understanding of exposure and premiums needed to derive value to the end-client and deliver superior return on equity.

This connected risk thinking can be used in every (re)insurance product class and in so doing enables underwriters to understand both known and unknown risk exposure and the interconnectivity of risk within each (re)insurance product class. Consequently, each

> We can now quantify both known and unknown exposure at a location and between locations

(re)insurance product class performs better and the (re) insurance company delivers superior return on equity. At the same time, (re)insurers can offer more value to suit the emerging risk need of the end-client.

We welcome the opportunity to discuss this further with you at a time that suits and wish you a successful Monte Carlo *Rendez-Vous*.

# Data and Analytics