

ESG Risks and Captives

How the risk manager can foster the culture that can mitigate ESG-linked risks.



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ESG Risks and Captives

Nir Kossovsky



EUROPE

ASIA PACIFIC

Legal claims against insurers surge by nearly 280%

28 October 2022

DOJ



Social Issues



SEC



Politicization



WINTER
SCHOOL
SUPER
SUNDAY

Management



1 – Management *or* Board

2 – Management *and* Board

3 – Management, Board, and Intelligence



Intelligence



Board

4 – Management, Board, Intelligence, and Strategic Protection

5 – None

6 - Don't Know



Protection

How to: Leveraging Culture and Your Skills

***Effective
insurance-authenticated
thoughtful enterprise risk
management and
dutiful governance
over all that is
mission-critical***



Agenda

1. **Risk:** What is ESG-linked reputation risk?
2. **Authentication:** Insurance
3. **Thoughtful Risk Management:** Intelligence, team, OODA, and 6σ
4. **Dutiful Governance:** Oversight metrics
5. **Mission Critical:** Source of enterprise value

What is ESG-linked reputation risk?

Risk



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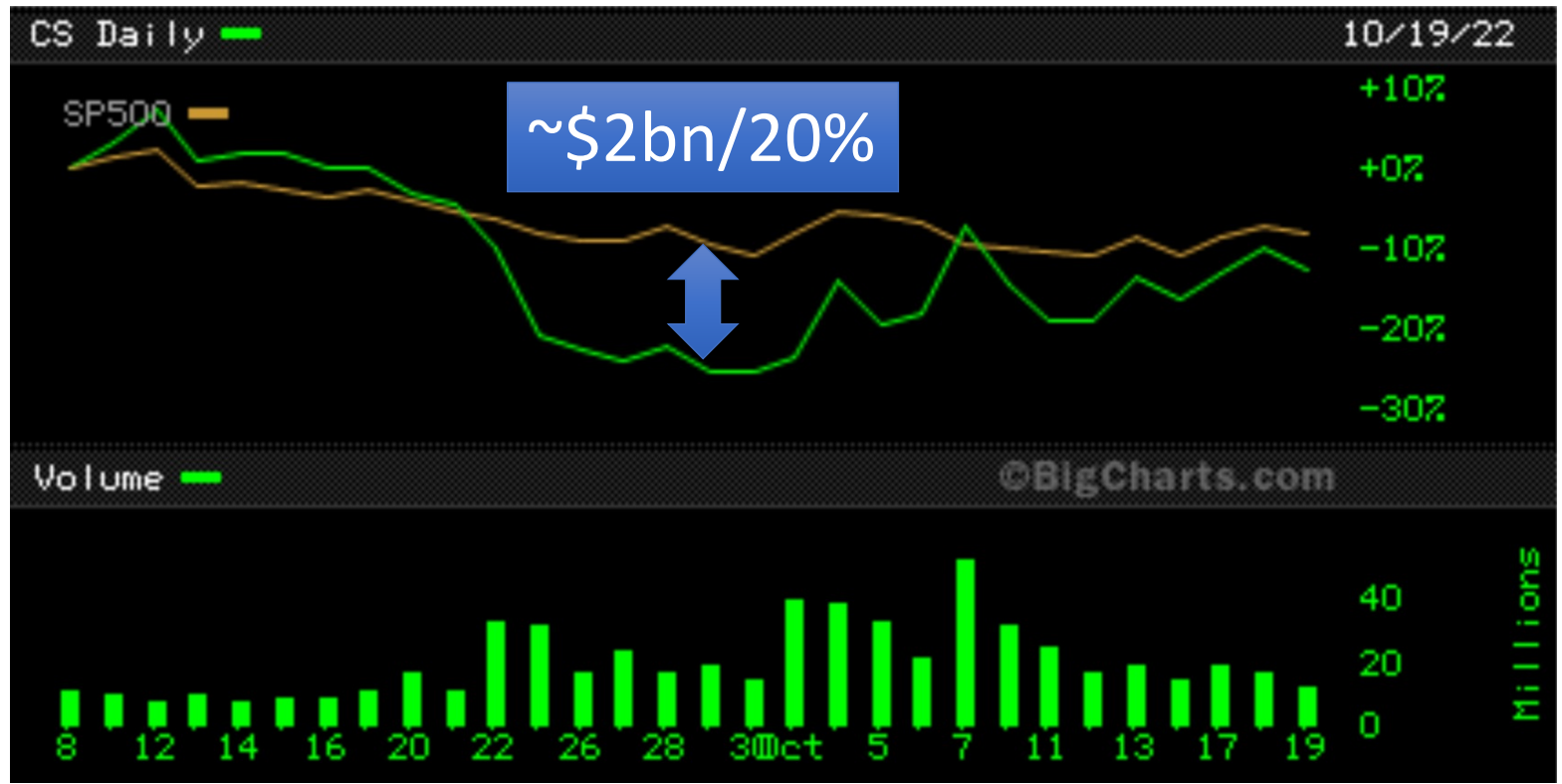


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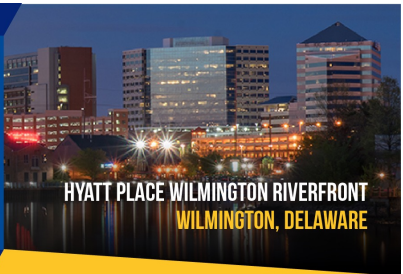


Expectation

Dread at CS: Change in Expectation by Rumor



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Disappointment
with Agitation



Insurance

Authentication:



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Effective Management | Dutiful Governance

Effective Process: Authentication

- Trial by Fire
- Authentication
 - by Insurance
 - by Opinion



Fire

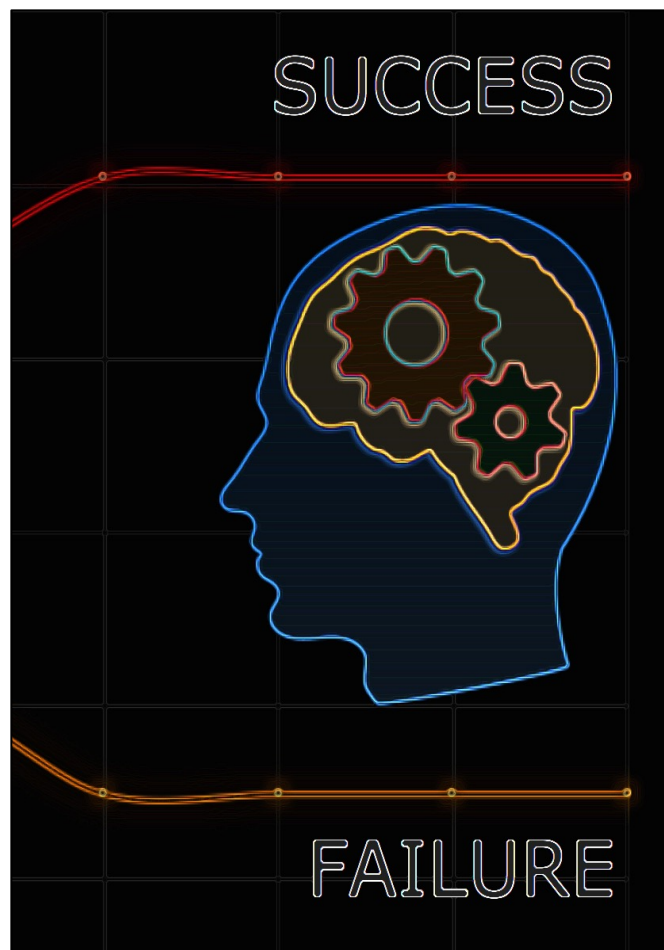


Insurance



Opinion

Dual Nature: Tactical & Strategic | Shift in Expectation**



- Fear of explosion



- Fear of illiquidity

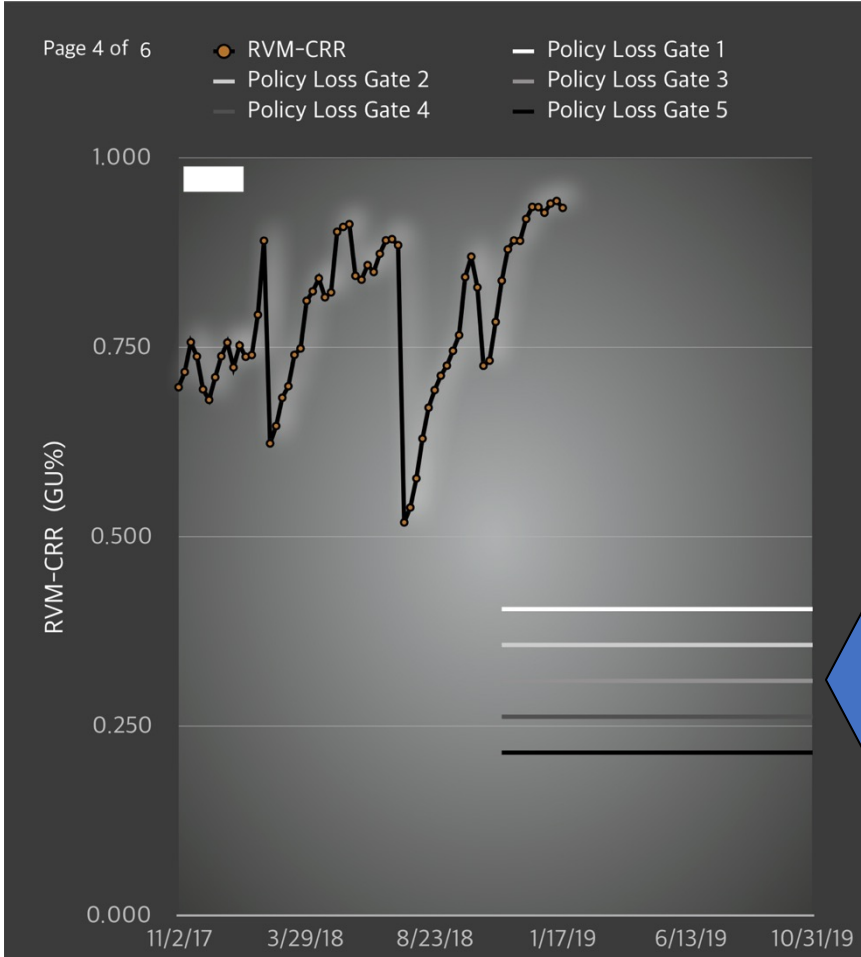
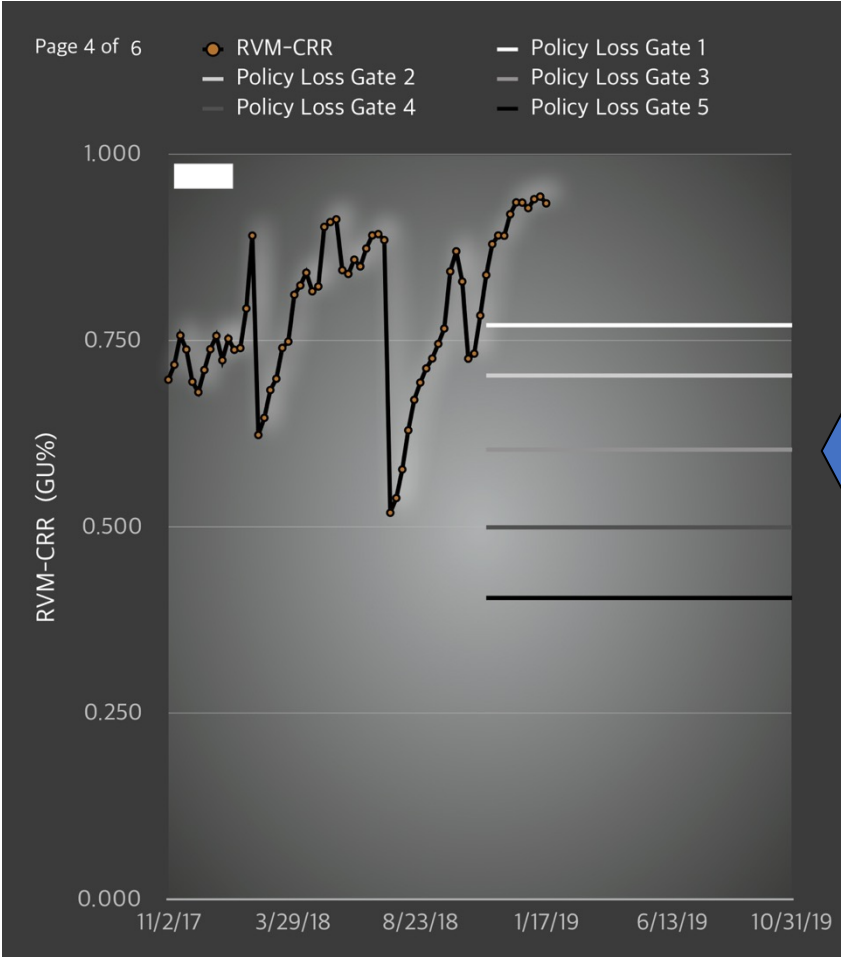


**See The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2022, Ben S. Bernanke, Douglas W. Diamond and Philip H. Dybvig “for research on banks and financial crises.”

Value to Model: Ray Dalio & Chicken McNuggets



Parametric: Insure to Model



**Parametric
Cover**

*Click **Here**
for Policy*

*Click **Here**
for Fact
Sheet*

Intelligence, team, OODA, and 6 σ

Thoughtful Risk Management



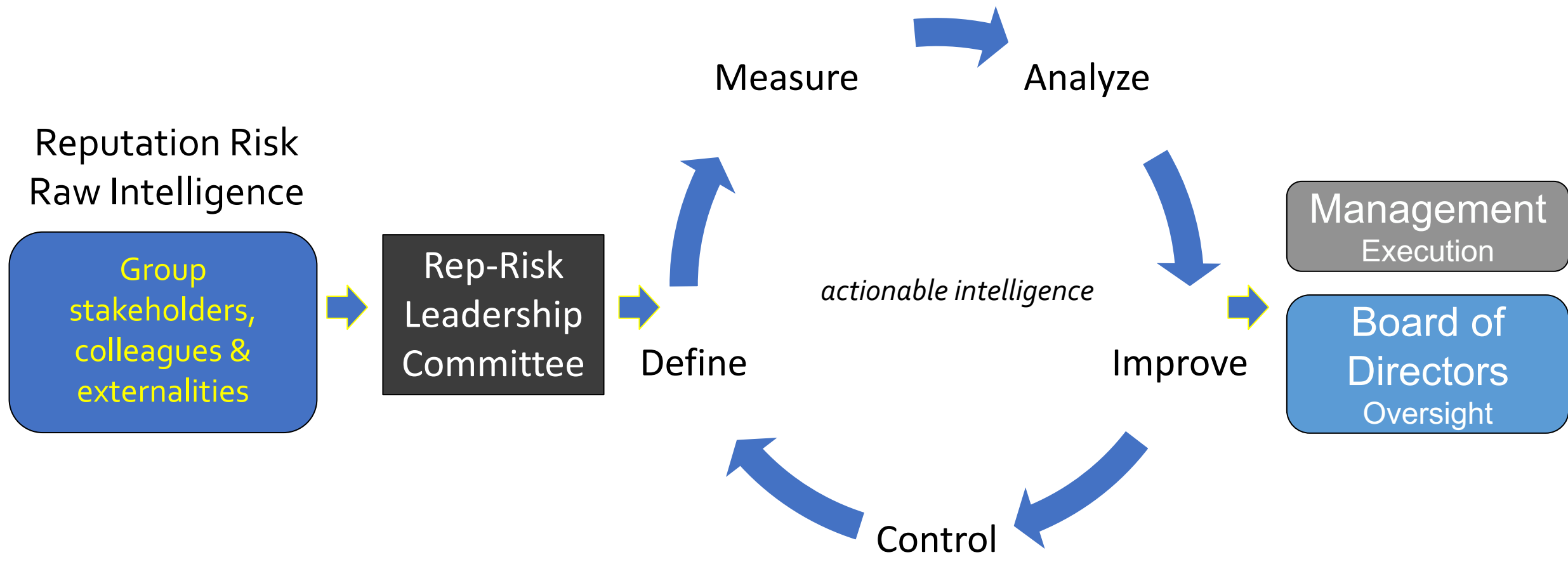
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Intelligence-Driven Thoughtful Risk Management



Oversight metrics

Dutiful Governance



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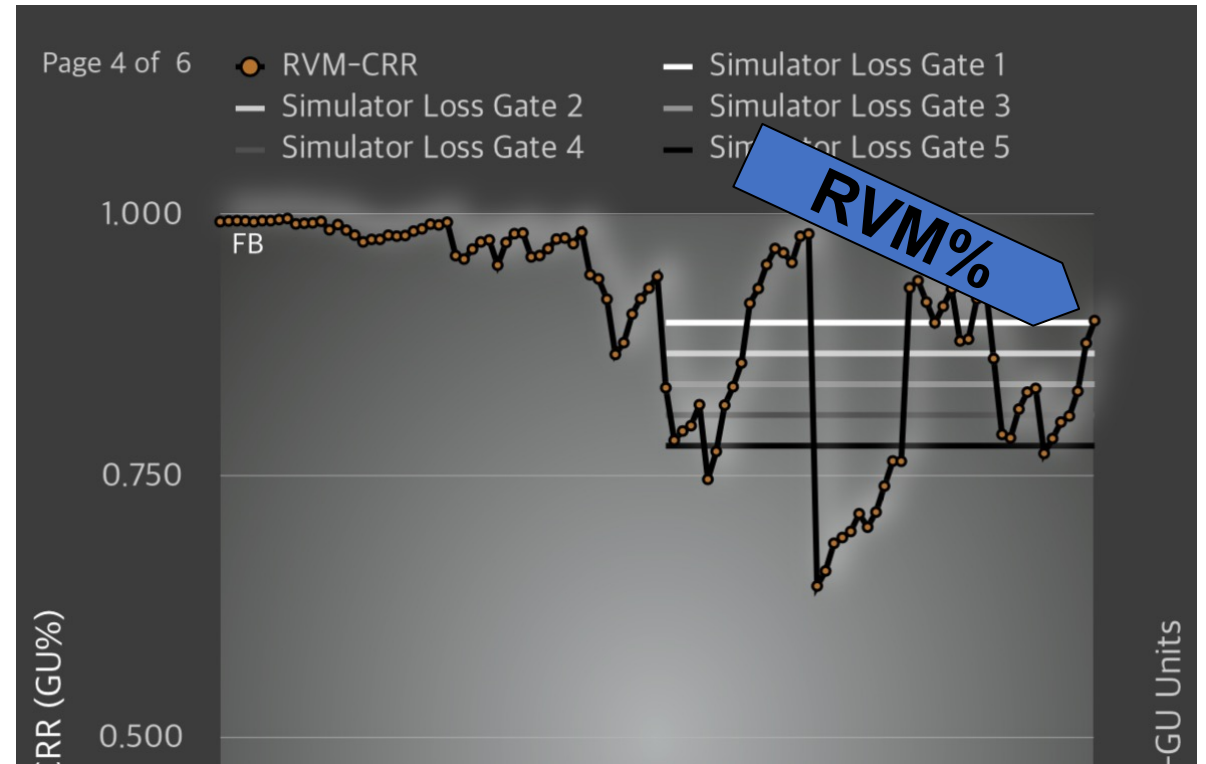
Metrics: value, volatility, trends (vectors) & benchmarking

MEASURES OF STAKEHOLDER BEHAVIOR

Vital Signs and Key Metrics

Simulation Start Date	March 22, 2018	
Simulation End Date	March 14, 2019	
Simulation Binding RVM%	0.941	
Current RVM% & Industry Rank	0.8990	10
RVM% Sim/Current	0.8856	0.8990
RVM Sim/Current	0.8856	0.8794

RVM%
RVM



Source of enterprise value

Mission-Critical



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Mission-Critical Processes

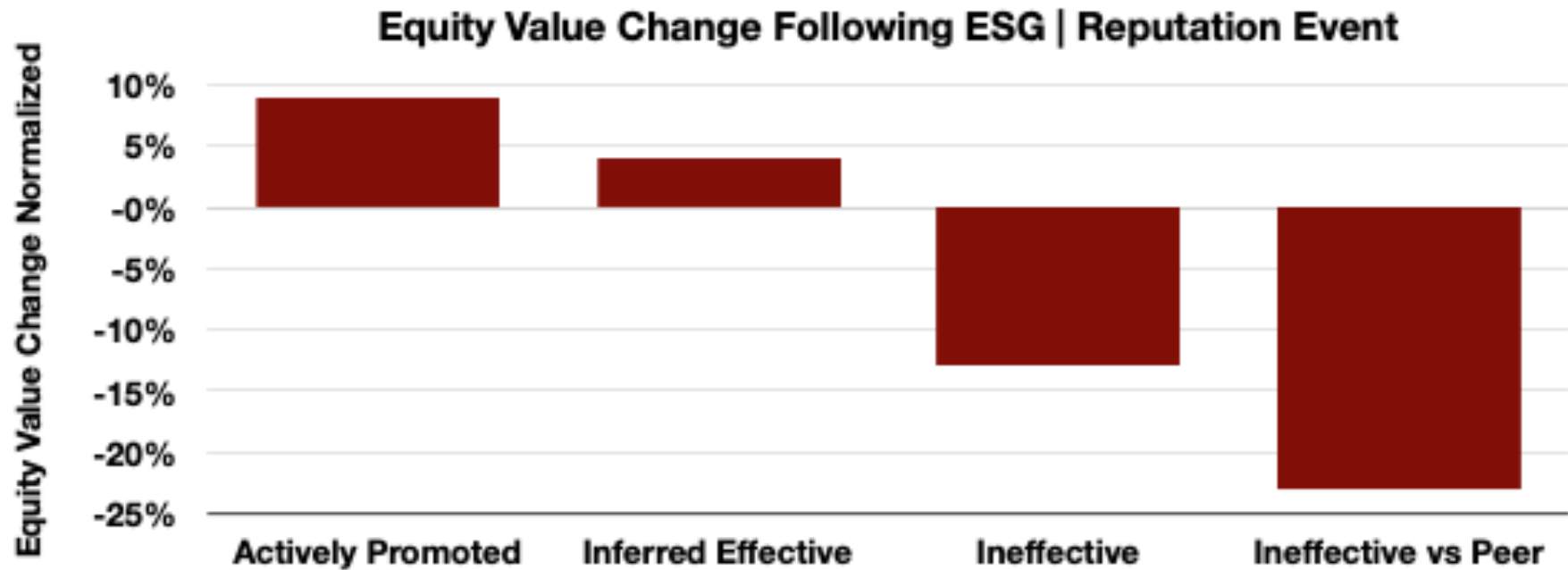
Mission Critical Assets

- ESG
 - vs
- Ethics
- Innovation
 - Safety
 - Security
- Sustainability
 - Quality

“Threats to value lurk globally”



Source of enterprise value



1982:JNJ, 1986:JNJ, 2007:SJM, 2007:CAG, 2010:CVX, 2010:RR, 2010:BP, 2011:RR, 2012:COST, 2012:TGT, 2012:WMT, 2013:COST, 2013:TGT, 2014:CVS, 2014:WBA, 2014:RDA, 2014:HAS, 2014:MAT, 2015:GM, 2015:VW, 2016:AAPL, 2016:BAC, 2016:SAMKW, 2016:WFC, 2017:EXPGY, 2017:DAL, 2017:AAL, 2017:EFX, 2017:UAL, 2018:GOOG, 2018:PNC, 2018:FB, 2018:USB, 2019:EADSY, 2019:BMJ, 2019:BA, 2019:JNJ, 2020:HLT, 2021:AAPL, 2021:FB, 2021:MS, 2021:UBS, 2021:CS.

Review

Bonus



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In this time of 'polycrisis'...



Shitstorm

n. (German), meaning,
angry stakeholders

A woman in medieval-style armor, including a grey hooded cloak and chainmail, holds a sword with a rusted blade. She has a serious expression and is looking slightly to the right. The background is dark and out of focus.

Mantra

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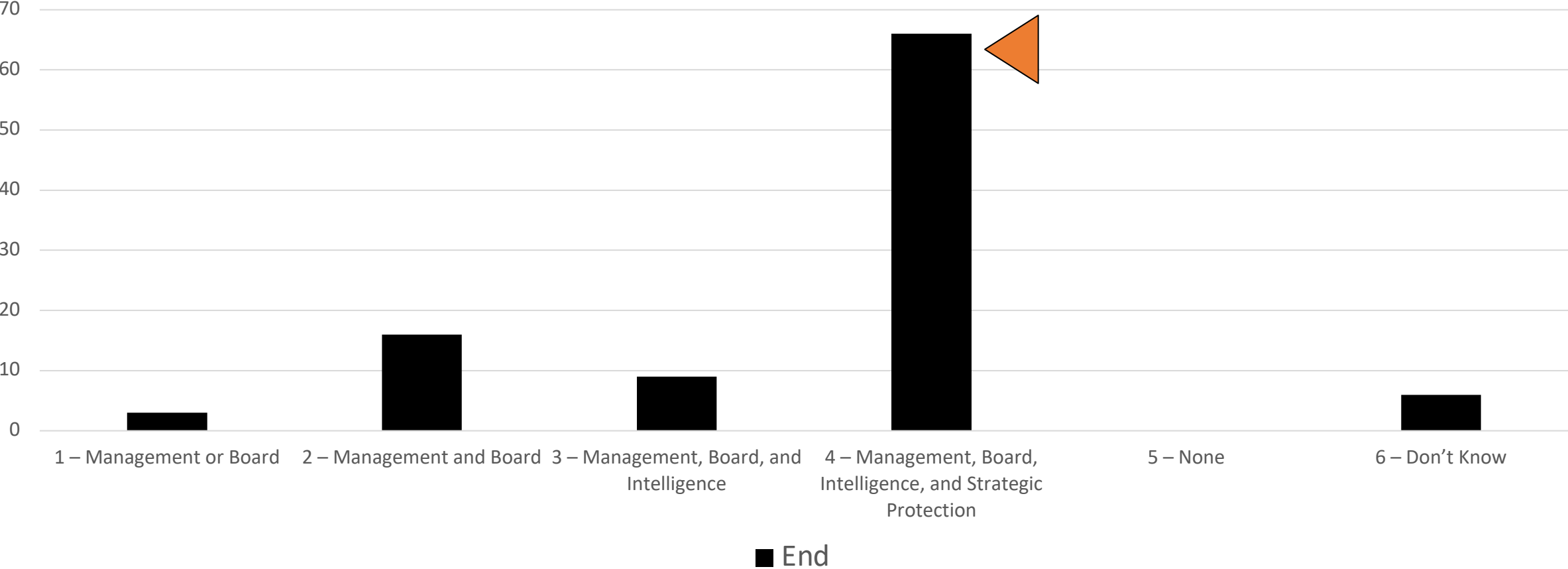


Board

Protection

Preferred by 2/3 Board Members

NACD Summit, October 2022



Communicating strategically

Appendix



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Strategic signal: Don't keep it a secret!
(Credible, simple to understand)



Your Questions?



Certain Reputation Premium Index Components

Data Description	Indication of...	Transformation
Consensus estimates of net income	Creditor and Employee behavior	Arithmetic quotient
Common shares outstanding	Disambiguation function	None
Shares repurchased or retired	Normalizing function	None
Cash and short-term investments	Normalizing function	None
Consensus estimates of sales	Customer behavior	Arithmetic quotient
Tangible book value	Normalizing function	None
Operating margin (quarterly average)	Supplier and Vendor behavior	None
Variance of the exponentially weighted moving average historic equity returns	Multi stakeholder behavior	Arithmetic quotient
Exponential weighting factor (λ) for the measure of moving average volatility	Normalizing function	None
Closing stock price	Multi stakeholder behavior	Log transform of an arithmetic quotient
Gross profit	Multi stakeholder behavior	None
Net profit margin	Multi stakeholder behavior	None

