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How would the industry change if insurers understood the risks of tomorrow?

Praedicat, the world's first science-based casualty catastrophe platform, started working on this value proposition in 2012 after three years of research and development. The idea came about 10 years ago when Robert Reville (now Praedicat's President and CEO) was at the RAND Corporation working on terrorism risk with RMS founder Hemant Shah, RMS catastrophist Gordon Woo, and RMS Chief Risk Officer Robert Muir-Wood. At the same time, RAND was writing reports on asbestos, which resulted in almost $100B in losses to casualty insurance.

"We started thinking about how that asbestos looked a lot like a slow-moving product catastrophe," said Reville. "And we knew that the liability market needed something like an RMS model to improve the way we understood that risk."

Rethinking how a model is made

The science upon which RMS was born, and we still use today, boils down to using existing seismological and meteorological data to develop models simulating events that haven't happened yet. How could Praedicat replicate this idea for the casualty market? They started tracking science journals, unearthing hypotheses, and transforming scientists' insights into scenarios that drove their modeling effort.

The largest set of risks in the casualty market currently center around chemicals, often in the form of endocrine disruptors like BPA. "It has a massive industrial footprint – the science is continuing to show the effects growing worse and the impact growing bigger," said Reville.

Other risks they're modeling? The effects of pesticides, herbicides, talc, phthalates, glyphosate (such as in Roundup and GMOs), fracking and waste-water injection, wifi towers, and cell phone radiation.

Making a market impact

Praedicat's client roster ranges from primary insurers to chemical companies, who use the platform to estimate forward-looking litigation potential. Using Praedicat models, insurers can understand more types of risks so they can price policies accurately, target industries in a new way, write new products, and increase premiums profitably.

Praedicat profiles what consumers are buying as part of their everyday activities, track research against those products, and convert the science into meaningful data for insurers. But insurers, much like consumers, can't eliminate every risk. Said Reville: "You have to pick and choose what you're willing to take on – and that's what we're helping underwriters think about."

The RMS connection

RMS recently invested in Praedicat, with the intent to accelerate growth by funding the development of its latency casualty catastrophe models for a wider set of emerging risks and business activities.

"The areas of property and casualty are becoming more connected, with the risk of events hitting both sides – just look at wildfire," said Reville. "We've become very good at modeling the liability side, and RMS is the best at modeling nat cats. With our partnership, there's a much broader set of risks we could cover, and this is what we'll be exploring in coming years."

Learn more at praedicat.com.

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