

“Strategic Management of uncertainty in the Insurance Industry”

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Executive Summary:

Strategic management in the insurance industry is a key factor for organizations and governments. The objective of this paper is to determine the importance of incorporating uncertainty into the development of risk models. The timely detection and treatment of the effects of climate change will be critical in redesigning contingency policies that insurers must assume under uncertainty. The results will promote more effective and efficient management and decision-making.

Key Words: Strategy, risk, management, uncertainty, climate change, insurance industry.

1. INTRODUCTION

Global climate changes and instability which are present in all economic, environmental, social and political spheres are conditioning the way we live. The footprint that humans are leaving in the world is playing a major role in the triggering of all these events. Climate change is responsible for the increase in the frequency and severity of extreme environmental events in all aspects of nature. Consequently, economic losses caused by natural disasters could significantly increase in the coming years. This will have significant adverse effects on the various socio-economic actors worldwide. On the one hand, an increased risk of extreme weather events requires a reassessment of the changes expected in damage and an inclusion of a suitable projection of climate change in risk management. On the other hand, the establishment and quantification of the added value that may be generated in the formulation of globalized strategies of economic and social solutions should require a reassessment, too.

Disaster-related losses have been significant in the last decade, posing considerable challenges in the insurance industry worldwide. For example, natural

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