

**Risk Categories**

**Technical risk**

risk associated with the technical/actuarial bases of calculation for premiums and technical provisions as well as risks associated with operating expenses and excessive or uncoordinated growth

**Examples**

- Mispricing risk** - risk that miscalculations have led to premiums that are too low to cover the insurer's expenses related to claims, claims handling and administration
- Deviation risk** - risk emerging when the actual development of claims frequencies, mortality, interest rates, inflation etc. does not correspond to the bases of premium calculations
- Reinsurance risk** - risk of insufficient reinsurance covers or a failure of reinsurers to pay their part of the overall liabilities
- Operating expenses risk** - risk of actual or future expenses exceeding – to a considerable degree – the corresponding amount as estimated by using the bases of calculation

**Credit risk**

risk of financial loss resulting from default or movements in the credit rating assignment of issuers of securities, debtors, or counterparties and intermediaries, to whom the company has an exposure

**Examples**

- Default risk** - risk that an insurer will not receive the cash flows or assets to which it is entitled because a party with which the insurer has a bilateral contract defaults on one or more obligations
- Settlement risk** - risk that the completion or settlement of a financial transaction will fail to take place as expected

**Market risk**

risk to an insurer's financial condition arising from movements in the level or volatility of market prices

**Examples**

- Interest rate risk** - risk of exposure to losses resulting from movements in interest rates
- Currency risk** - risk that arises from movements in foreign currency exchange rates

**Investment risk**

risk associated with the insurers' investment management

**Examples**

- Liquidity risk** - risk emerging when the insurer fails to make investments (assets) liquid in a proper manner as its financial obligations fall due
- Matching risk** - risk emerging when the future cash flows generated by assets do not coincide with (or do not cover) the cash flow demands of the corresponding liabilities in a suitable manner

**Operational risk**

risk arising from failure of systems, internal procedures and controls leading to financial loss

**Examples**

- Management risk** - risk associated with an incompetent management or a management with criminal intentions
- General business risk** - unexpected changes to the legal conditions to which insurers are subject, changes in the economic and social environment, as well as changes in business profile and the general business cycle

**Conglomerate risk**

insurers that are part of financial groups can be exposed to some additional sources of risk for e.g. through intragroup exposures, contagion and risk concentration