



Lloyd's City Risk Index 2015-2025

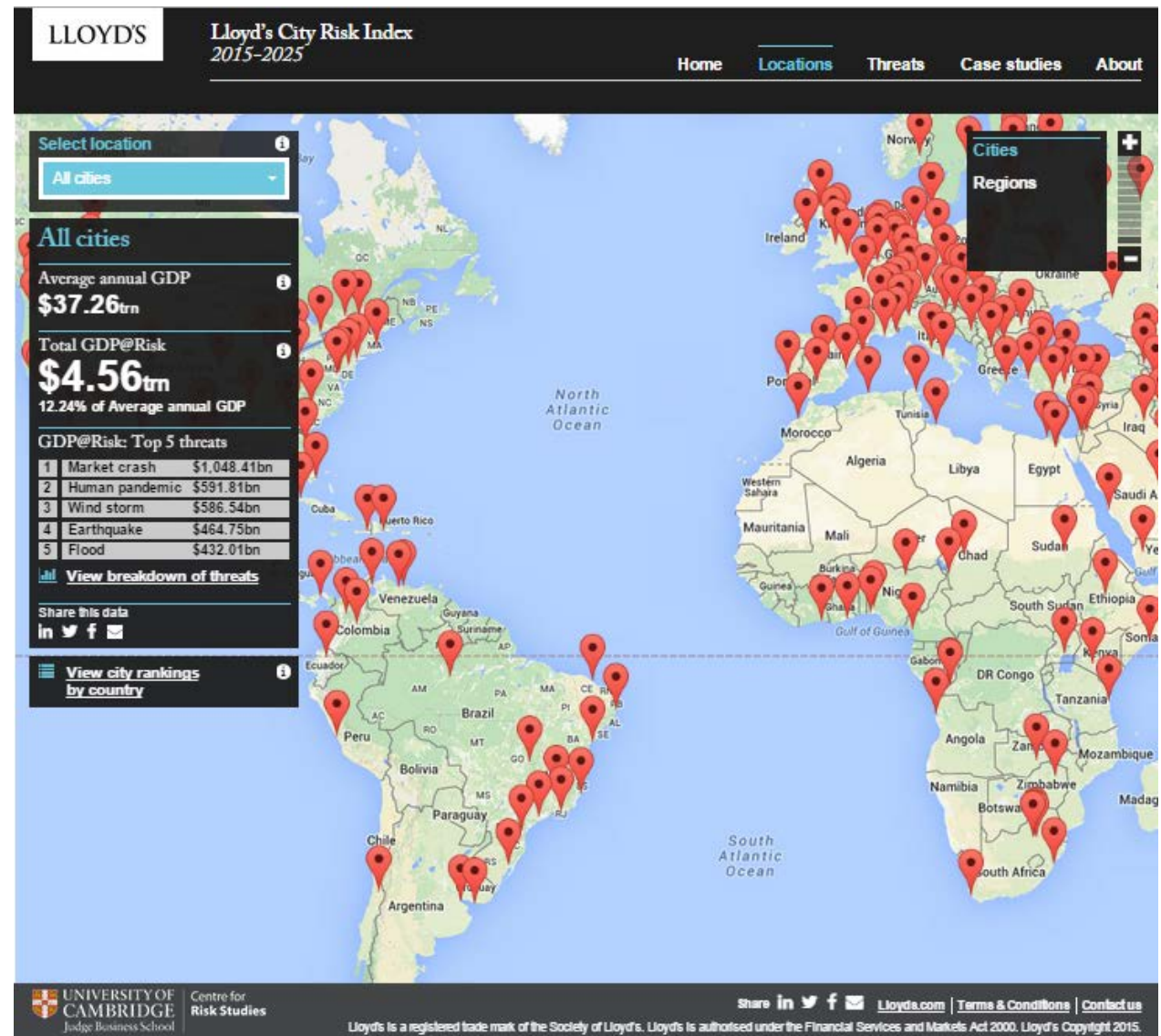
Lloyds.com/cityriskindex

Understand the risks

3 September 2015

Geographical spread

- ▶ 301 cities
- ▶ 50 cities analysed in greater depth
- ▶ Downloadable city factsheets



A range of threats

Three threat types:

- ▶ Manmade
- ▶ Natural
- ▶ Emerging

Beyond natural
catastrophes

See

www.lloyds.com/emergingrisks



What is GDP@Risk?

It is:

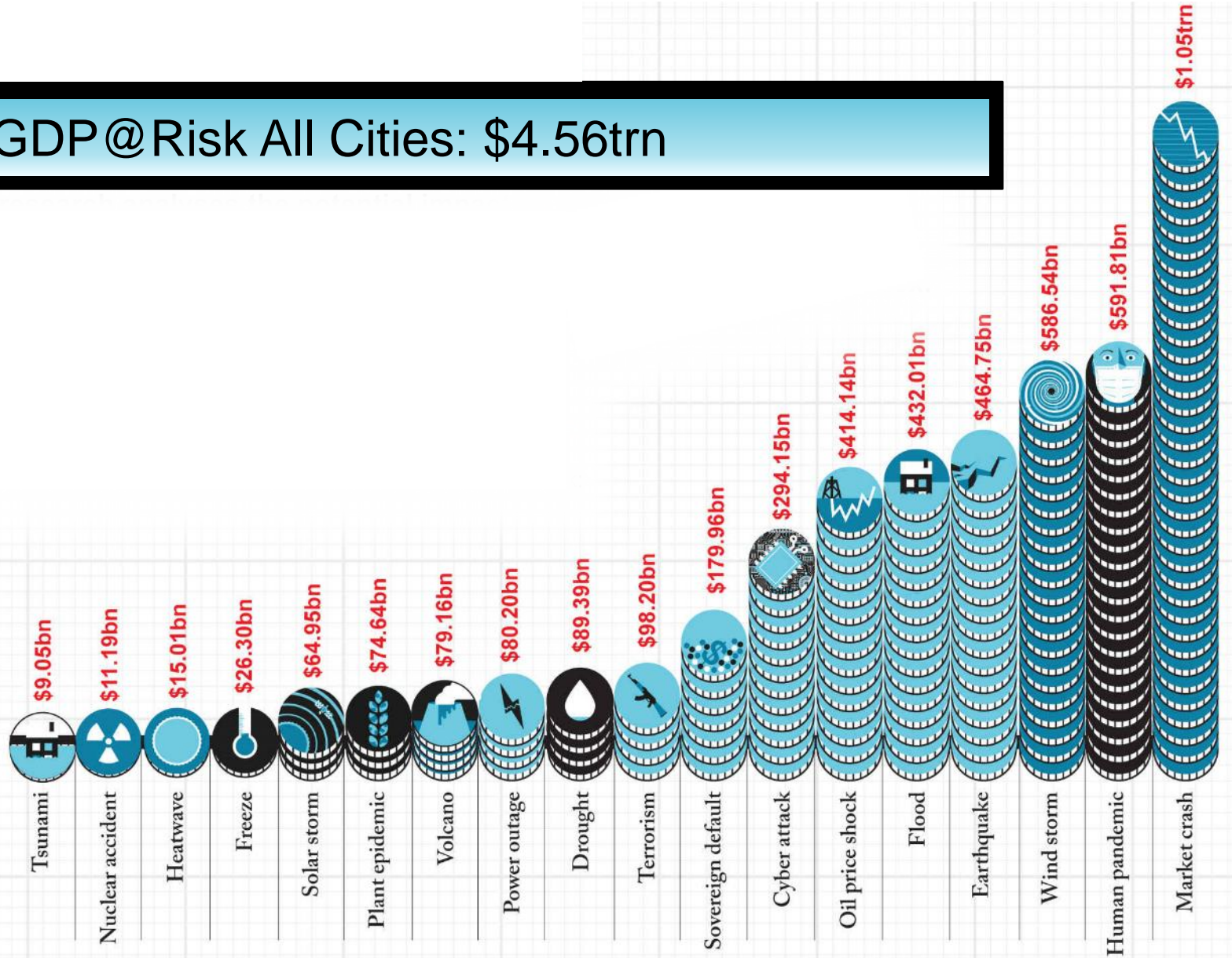
- ▶ Risk = Probability x Threat
- ▶ An “expectation” (statistical usage, not common usage)
- ▶ The long run value of the (10 year) average
- ▶ Similar to a “technical premium” (ex capital charge)

It is NOT:

- ▶ Loss given the event has occurred
- ▶ A disaster scenario
- ▶ The worst that can happen

Sum over threats for total GDP@Risk

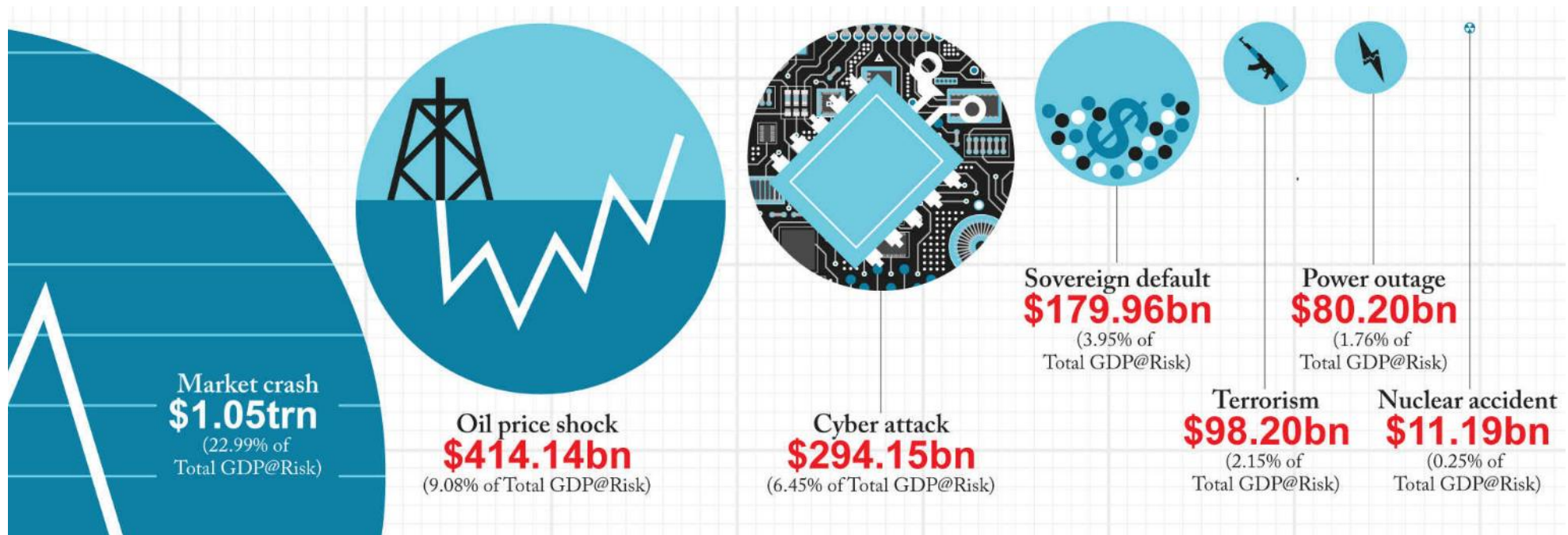
Total GDP@Risk All Cities: \$4.56trn



Key trends

Manmade threats are becoming increasingly significant

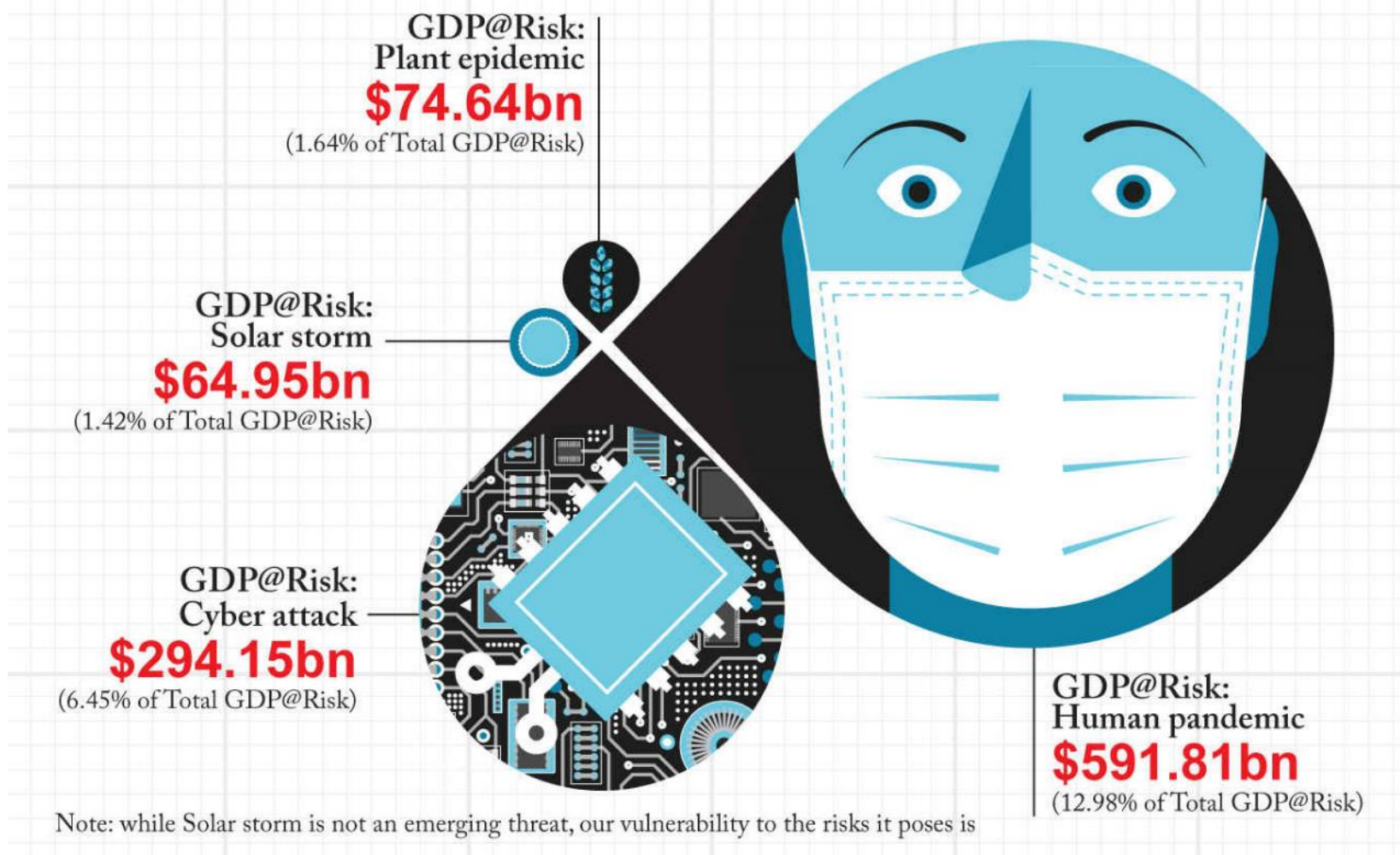
Total GDP @Risk: \$2.13trn



Key trends

New or emerging threats are having a growing impact

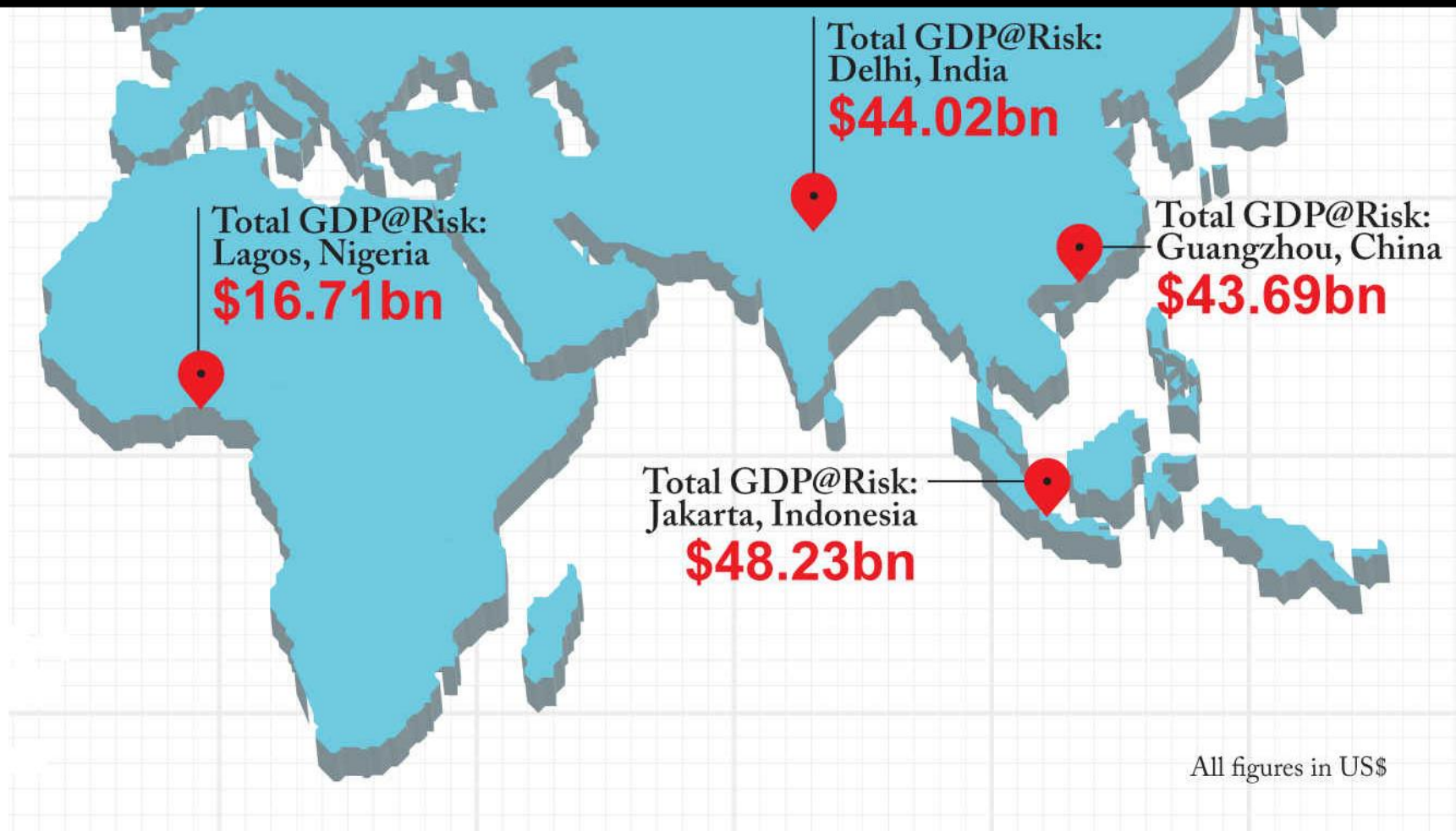
Total GDP @Risk: \$1.03trn



Key trends

Emerging economies have the most to lose

Total GDP @Risk: \$3.26trn



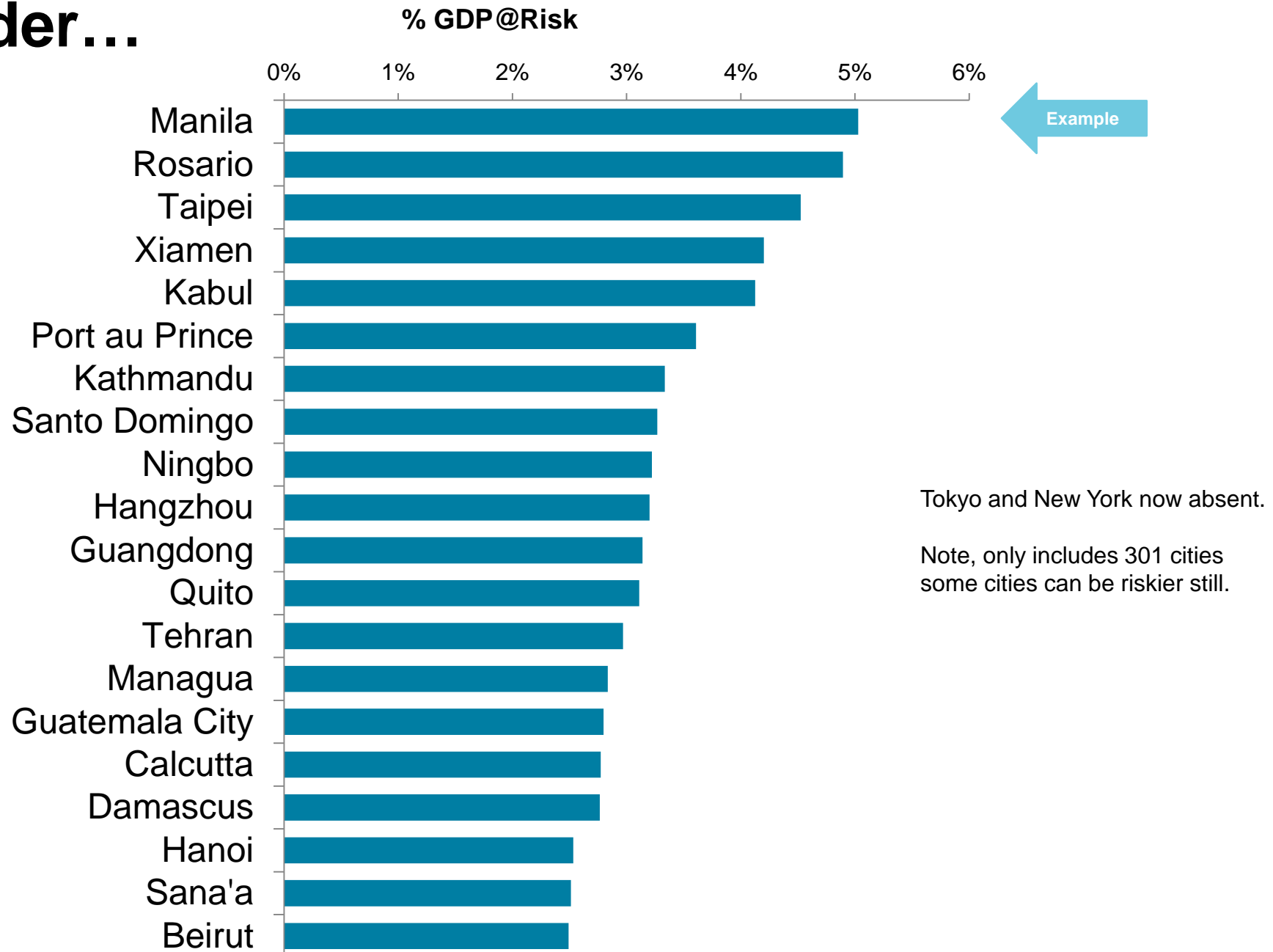
GDP @ Risk – Nominal values gives one order....

GDP@Risk: Top 20 cities
All threats

1	Taipei	\$181.20bn
2	Tokyo	\$153.28bn
3	Seoul	\$103.50bn
4	Manila	\$101.09bn
5	New York	\$90.36bn
6	Los Angeles	\$90.32bn
7	Istanbul	\$82.50bn
8	Osaka	\$79.32bn
9	Shanghai	\$78.21bn
10	Hong Kong	\$74.51bn
11	Lima	\$69.36bn
12	Tehran	\$64.14bn
13	Sao Paulo	\$62.95bn
14	Mexico City	\$60.74bn
15	Moscow	\$55.77bn
16	Paris	\$54.94bn
17	London	\$53.43bn
18	Singapore	\$51.11bn
19	Buenos Aires	\$50.31bn
20	Jakarta	\$48.23bn

Colombia Suriname

GDP @ risk as % of GDP gives a different order...

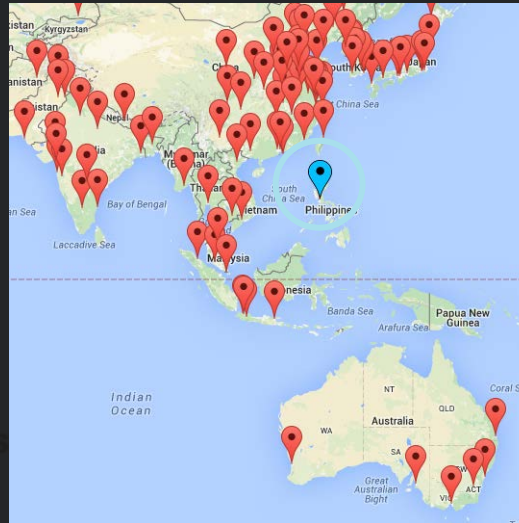


Underlying analysis suggests Manila has “weak resilience”

Manila

GDP@Risk: All threats

\$101.09bn



Manila, Philippines
categorized as
'4: Weak Resilience'

Recovery of the economy
after a disaster depends on

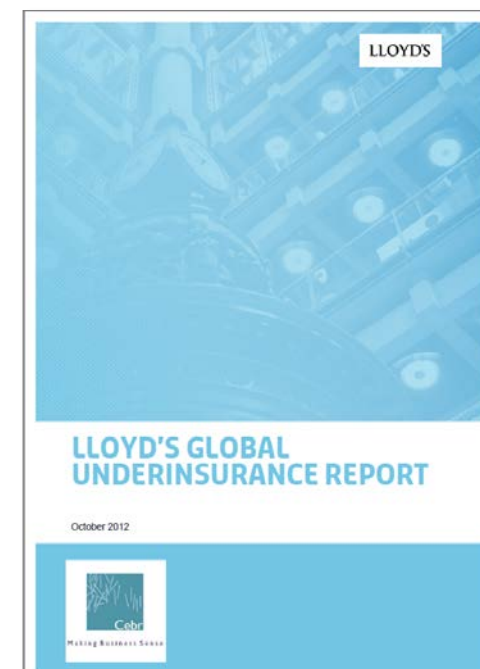
- Access to recovery finance
- Economic spare capacity
- Capital infrastructure
- Social cohesion
- Governance capability

Insurance plays a key role in
providing recovery finance

Our previous research highlights considerable underinsurance

Table 3 – Benchmarked insurance coverage (2011)

Rank	Country	Benchmarked insurance coverage	Underinsurance (US\$ bn)	Rank	Country	Benchmarked insurance coverage	Underinsurance (US\$ bn)
1	Netherlands	8.01	-	22	Norway	0.25	-
2	New Zealand	3.05	-	23	Malaysia	0.15	-
3	South Korea	2.55	-	24	United Arab Emirates	0.08	-
4	United States	2.53	-	25	Singapore	0.08	-
5	Canada	2.47	-	26	Hong Kong	-0.03	\$0.08
6	Germany	2.11	-	27	Poland	-0.15	\$0.78
7	Austria	1.67	-	28	Colombia	-0.17	\$0.57
8	United Kingdom	1.60	-	29	Thailand	-0.41	\$1.41
9	Australia	1.39	-	30	Brazil	-0.51	\$12.68
10	Denmark	1.36	-	31	Mexico	-0.67	\$7.78
11	Spain	1.05	-	32	Saudi Arabia	-0.93	\$5.35
12	South Africa	1.02	-	33	Chile	-0.97	\$2.40
13	Taiwan	0.97	-	34	China	-1.09	\$79.57
14	Ireland	0.75	-	35	Nigeria	-1.11	\$2.64
15	Italy	0.62	-	36	India	-1.18	\$19.72
16	Argentina	0.44	-	37	Turkey	-1.31	\$10.23
17	Israel	0.44	-	38	Egypt	-1.36	\$3.20
18	Sweden	0.44	-	39	Philippines	-1.36	\$2.90
19	Japan	0.43	-	40	Vietnam	-1.38	\$1.69
20	France	0.39	-	41	Indonesia	-1.67	\$14.12
21	Russia	0.34	-	42	Bangladesh	-2.64	\$2.99
Total underinsurance			-	Total underinsurance			\$168.11



October 2012

Benchmarked insurance coverage = Insurance penetration less expected nat cats less benchmark minimal insurance spend

If Manila improved its 'resilience' it's GDP@Risk would fall dramatically

	Total \$GDP@Risk (Bn)	World Ranking by \$GDP@Risk	as % of total GDP 2015-2025	World Ranking by % of GDP
Resilience 'Weak'	\$101.09	4	5.03%	1
Resilience Improved from 'Weak' to 'Moderate'	\$88.53	6	4.40%	2
Resilience Improved from 'Weak' to 'Very Strong'	\$70.41	10	3.50%	5

Improving resilience by one grade: saves **\$12 Bn** of expected economic loss over the next decade

'Moderate resilience' countries include: Thailand, Malaysia, and Colombia

If Manila improved both its 'resilience' and 'economic vulnerability'

	Total \$GDP@Risk (Bn)	World Ranking by \$GDP@Risk	as % of total GDP 2015-2025	World Ranking by % of GDP
Today	\$101.09	4	5.03%	1
Improves resilience and economic vulnerability by one grade	\$58.07	13	2.89%	13
Develops the resilience and economic vulnerability of Los Angeles	\$27.47	42	1.37%	101

Building resilience

Contribution of insurance:

- ▶ Improves the sustainability of an economy
- ▶ Leads to greater rates of growth
- ▶ De-risks governments and business
- ▶ Takes the financial burden of recovery off the taxpayer

How does the Index help businesses?

- ▶ Identifies the key catastrophe threats in locations where they do business worldwide
- ▶ Shows the threat to the economy in each location
- ▶ Informs contingency planning of operations

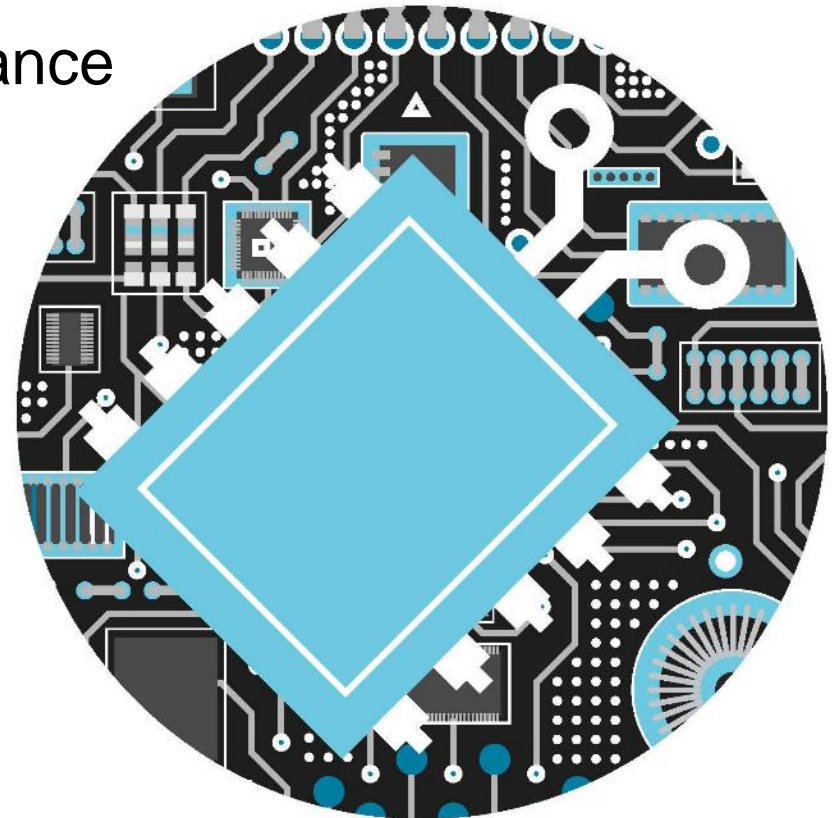
How does the Index help city officials?

- ▶ Identifies the key threats to a city's projected economic output
- ▶ Highlights value of Risk mitigation
- ▶ Efficient Resource deployment

Lloyd's insurance cover

Examples include:

- ▶ Cyber attack – business interruption
- ▶ Drought – crop and agriculture insurance
- ▶ Flood and earthquake – commercial and residential property insurance
- ▶ Oil price shock – trade credit insurance



Assumes the final slides are the “fall back” slides that I sent over before – these will only be used if the live link fails

