



News Release

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Willis 'Resilience' Magazine Identifies Growing Risk Challenges from Natural Catastrophe Exposures

London, UK, April 22, 2013 – The growing threat of natural catastrophes is raising serious challenges for corporate risk managers and the insurance industry, according to the second issue of *Resilience* magazine, the risk management publication from Willis Group Holdings (NYSE: WSH). “The breadth and impact of natural disasters in recent years, coupled with growing concern about the emerging effects of climate change on assets and business operations, have driven resilience to natural hazards high up the corporate risk agenda,” claimed Rowan Douglas, Chairman of the Willis Research Network (WRN).

California, the US state which this week hosts the Risk and Insurance Management Society (RIMS) annual conference, for example, sits on the San Andreas fault, where the earth’s Pacific and North American plates meet. The Working Group on California Earthquake Probabilities currently puts the state’s chance of a magnitude 6.7 or larger earthquake during the next 30 years at 99.7%.

Charles Scawthorn, author of the Earthquake Engineering Handbook and a member of the WRN, estimates that a repeat of the horrific 1906 San Francisco earthquake today could lead to total direct losses worth \$69 billion. “That is the best estimate,” he said. “Under adverse meteorological and other conditions, the loss could be much higher due to fire following the earthquake, as it was in 1906.”

Elsewhere in *Resilience*, James Daniell, founder of the CATDAT Damaging Earthquake Database and research fellow at the WRN, claimed the number of “damaging earthquakes” is rising in countries with very high levels of life expectancy, education and income. The last three years saw the greatest number of damaging earthquakes in countries with a very high human development index (HDI). Yet, insurance for related losses remains low, with insurance only covering about 7.5% of all earthquake losses in 2012.

“A changing climate, an imperfect understanding of seismic hazards, new vulnerabilities and shifting patterns of exposure provide plenty of challenges for those trying to manage and underwrite extreme events,” explained Douglas. “Uncertainties persist but the science and tools we build upon them are providing a fundamental platform for our understanding. The final lesson remains the same: be prepared, flexible and adaptable for the unexpected.”

Also writing in *Resilience*, Phil Ellis, Chief Executive Officer of Willis Global Solutions Consulting Group, said: “Major catastrophes – so called ‘black swans’ – are not the

rare risks they once seemed. Population density, urbanisation, globalisation and climate change make the world increasingly interconnected. A catastrophe in a far-off locale is no longer a remote risk; it could have an immediate impact on a company's operations. Risk modelling can help companies understand, quantify and articulate threats to the bottom line, which in turn helps them plan and prepare for these scenarios."

Resilience, which is published twice a year, is available online [here](#). Each issue will explore how different risks affect multinational organisations and suggest strategies to overcome these issues. As well as insights from Willis' leading thinkers, the magazine includes perspectives from professional risk managers and other third party sources.

A sample of articles from this issue of *Resilience* includes:

- 1. Risk management renaissance:** Corporate scandals have raised the profile of risk management in the boardroom, according to an interview with John Phelps, President of the Risk and Insurance Management Society (RIMS). Economic uncertainty, increased regulation, political unrest and technological risks are some of the biggest challenges facing corporate risk managers at this time, he said.
- 2. Executive risks:** Insider trading is at the top of the US Securities and Exchange Commission's (SEC) enforcement priorities list. "With stepped up enforcement and new rules of play, organisations must review policies," says Ann Longmore, Executive Vice President in Willis' Financial and Executive Risks Practice (FINEX).
- 3. An unhealthy obsession:** Healthcare costs are rising around the world because of sedentary, unhealthy lifestyles, longevity and the challenge of sustaining aging populations. "Self-insurance is gaining traction as one way for organisations to get a firmer grip on healthcare costs," said Holger Hjortlund, CEO of Willis International's Human Capital Practice.
- 4. Hitting the wall:** The current tough economic climate is hitting construction companies hard. "Mothballed sites and slowed construction present risk management challenges," said Mark Theriault, Senior Vice President and Practice Leader for New York Construction at Willis. "The ability to adapt to this ever changing building environment is critical."

About Willis

Willis Group Holdings plc is a leading global risk advisor, insurance and reinsurance broker. With roots dating to 1828, Willis operates today on every continent with more than 17,000 employees in over 400 offices. Willis offers its clients superior expertise, teamwork, innovation and market-leading products and professional services in risk management and transfer. Our experts rank among the world's leading authorities on analytics, modelling and mitigation strategies at the intersection of global commerce and extreme events. Find more information at our website, www.willis.com, our leadership journal, [Resilience](#), or our up-to-the-minute blog on breaking news, [WillisWire](#). Across geographies, industries and specialisms, Willis provides its local and multinational clients with resilience for a risky world.

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