



EMBARGOED PRESS RELEASE

Ground-Breaking Reports Launched Exploring Catastrophic Shock Risk Scenario Development for Insurance and Disaster Risk Reduction in Developing Countries

*Cambridge Centre for Risk Studies and The Lighthill Risk Network, Co-Funded by Lloyd's Tercentenary Research Foundation, release Duo of Reports: **Developing Scenarios for the Insurance Industry** and **Developing Scenarios for Disaster Risk Reduction** to provide best practice tools for catastrophic shock scenarios which trigger severe losses and adversely impact developing countries*

London, 10 March, 2020: Research collaboration organisation, The Lighthill Risk Network Ltd (Lighthill), is delighted to announce the launch of two major new reports, ***Developing Scenarios for the Insurance Industry*** and ***Developing Scenarios for Disaster Risk Reduction***, produced in partnership with the Cambridge Centre for Risk Studies and co-funded by the Lloyd's Tercentenary Research Foundation.

The result of linking leading academics with senior insurance professionals, the reports provide practice scenario planning tools for the insurance industry and governments, particularly of developing countries, when considering the outcomes of catastrophic shock risk scenarios.

Scenarios are increasingly being used by underwriters, analysts, risk managers, actuaries, and other stakeholders in the (re)insurance community to better understand and stress test the characteristics and consequences of unknown, uncertain, or unexpected future events.

Developing Scenarios for the Insurance Industry addresses scenario best practices in the insurance industry, with the case study example of a Cyber Blackout event, exploring the interlinked nature of such events and its global financial ramifications.

Developing Scenarios for Disaster Risk Reduction addresses the ever more complex and interconnected disaster risk landscape, with the potential for disasters - including natural catastrophes - to cascade through global systems increasing, with disproportionately negative impacts on developing countries.

Both reports benefited from the input of leading insurance experts from Lighthill, whose members include senior representatives from Guy Carpenter, Liberty Mutual, Aon, Hiscox, Lloyd's, and MS Amlin.

Professor Danny Ralph, Academic Director of the Cambridge Centre for Risk Studies, said:



"The Cambridge Centre for Risk Studies is proud to have collaborated with the insurance and disaster risk communities to provide novel insights and guidance on scenario development.

Scenarios are a critical tool to address and understand an increasingly complex landscape of systemic and emerging risks. We use scenarios to engage effectively with organisations, capturing creative thinking about plausible futures. Scenarios should be understood not as predictions but as stress tests to assess an organisation's capacity to be resilient.

In the context of disaster risk, scenario analysis is widely advocated and applied but remains a challenge to many stakeholders without experience in scenario development. We hope to support a wider application of scenarios to understand potential disaster impacts and the efficacy of decisions to address them."

Lloyd's Tercentenary Research Foundation Chairman and Global chairman of Aon's Reinsurance Solutions business Dominic Christian said:

"From climate change, which disproportionately impacts developing countries, to the rapidly evolving field of cyber risk - the potential for disasters to cascade through systems is increasing.

It is critical that the insurance sector as well as governments and disaster risk management agencies have a common framework for best practice when considering and planning for potential catastrophic shock scenarios.

Reducing disaster risk requires powerful and concerted cross-sector effort if we are to develop strategies to better understand and manage risk, and ultimately improve resilience.

I welcome the launch of this duo of reports and the laudable collaboration between the insurance community and academia that they represent, and I hope they will support scenario development best practice and further conversations between the insurance and risk management sector, governments and academia going forwards."

Lighthill Chief Executive Dickie Whitaker said:

"I'm very pleased to be announcing the launch of the ***Developing Scenarios for the Insurance Industry and Developing Scenarios for Disaster Risk Reduction*** reports in partnership with the Cambridge Centre for Risk Studies and Lloyd's today - the result of months of research and collaboration between academics and the insurance industry with a very serious and relevant purpose in mind.

As societies and economies develop and become more interconnected, major disasters have the potential to trigger severe losses across a potential range of insurance classes, and so represent acute operational risks to insurers and indeed economies and societies as a whole.



We hope these reports will provide useful scenario development best practice tools for the insurance industry and for governments, help stimulate further discussion, and prompt more insurers to connect with academic institutions and governments to continue the research.

Ultimately we intend to support societies and economies in better coping with uncertainty, especially in the case of risks that are not well understood or cannot be quantified or even identified.”

Access both reports from 10 March here: <https://lighthillrisknetwork.org/reports/>

Notes to editors

About Lighthill Risk Network

The Lighthill Risk Network is an all-encompassing and inclusive organisation with the specific aim of facilitating and enhancing knowledge transfer into business from academic, government and commercial experts at the forefront of risk-related research.

<https://lighthillrisknetwork.org/>

About the Cambridge Centre for Risk Studies

The Cambridge Centre for Risk Studies at the University of Cambridge Judge Business School provides frameworks for recognising, assessing and managing the impacts of systemic threats. To test our research outputs and guide our research agenda, the Centre engages with the business community, government policy makers, regulators and industry bodies.

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