

# Communicating Risk

Markus Gesmann, Lloyd's of London May 2015

# Smoking kills

#### Wish me luck!

Global Casino Gaming Revenue US \$m



Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

# Insurance is sold, not bought

Figure 1: Insured losses vs uninsured losses, 1970-2013



Economic loss = insured + uninsured losses Source: Swiss Re Economic Research & Consulting

## Lloyd's return on capital 1983 - 2002



Source: Lloyd's Annual Reports, Statistics relating to Lloyd's 2001; Lloyd's data for 1983 – 1999 on three year accounting (assuming written=earned premium and 18% brokerage), and from 2000 onwards on annual accounting basis. Capital = Total Net Resources of the Society of Lloyd's and its members less subordinated debt

# Lloyd's historical results 1950 - 2002



Major losses: Hurricane Betsy (1965), 1974 Super Outbreak 148 tornados in one day, Piper Alpha (1988), Hurricane Hugo (1989), the San Francisco Earthquake (1989), Exxon Valdez (1989) North European storms (1987 and 1990), Typhoon Mireille (1991), Hurricane Andrew (1992), Northridge Earthquake (1994), WTC (2001), Hurricanes Charlie, Francis, Ivan (2004), Hurricanes Katrina, Rita, Wilma (2005), New Zealand, Chile Earthquake (2010, New Zealand, Japan Earthquake, Thailand Flood (2011)

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# The God complex: We underestimate risk<sup>1</sup>

<sup>1</sup>Particular risks we are responsible for.

# You make money until you don't



# A new start in 2002 for Lloyd's

- Published in 2002
- Set out new Lloyd's structure
- Usage of data for business planning and monitoring



Source: http://goo.gl/UJJ8g

# You can only be proven wrong



**Black Swans** 



Karl Popper

Good tests kill flawed theories; we remain alive to guess again.

# Performance data review cycle

- Market submits data to Lloyd's
- Lloyd's analyses the data
- Bespoke management information is generated
- Agent specific reports and tools are played back internally and externally
- Lloyd's and agents use the MI to review and improve their performance



<sup>‡</sup>CMR: Core Market Return \*FIMS: Franchise Information Management System

# In a nutshell



# Feedback from Lloyd's



## Benchmarks versus peers and plan

- Summarises performance benchmarks versus notional market and Business Plan
  - Top performing syndicates or classes sit in the top right quadrant
  - Bottom performers sit in the bottom left quadrant
  - Movements over time highlight changes in performance



Performance vs. peers

# Detailed benchmarks



#### The 'Whale' chart - Where to focus



mages.shinyapps.io



#### Whale Chart Example





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#### Using base R and shiny

#### Make data easily accessible and fun



www.lloyds.com/stats (using R and googleVis)

## Monitoring business through the cycle



Original diagram by David Bracewell, Deutsche Bank

# Has it made a difference?

# Lloyd's historical results 1950 - 2014



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![](_page_22_Picture_0.jpeg)

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#### R in Insurance Amsterdam, 29 june 2015

On the day after this event, June 30th, the workshop "Rob in Insurance" will be organized by the University of Amsterdam, on the occasion of the 65th birthday of professor Rob Kaas.

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# The End

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