



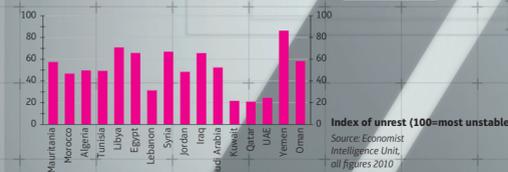
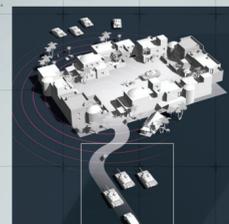
A YEAR TO REMEMBER

- Support
- Natural catastrophes
- Corruption and bribery
- Credit risk
- Civil unrest
- Terrorism
- Conflict
- Sanctions
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- Terrorism
- Conflict

KEY RISK EVENTS

THE ARAB SPRING

Just like the murder of Archduke Franz Ferdinand, which precipitated the start of World War I, the public act of self-immolation by a young Tunisian man will go down in history as the spark that fired up a regional revolution across the Middle East. Beginning in Tunisia, popular uprisings against despotic regimes also took place in Egypt, Syria, Yemen, Bahrain and Libya, which was the most critical to the world economy because of its immense oil wealth. As this paper went to press, the curtain was closing on more than 40 years of rule in Libya by the tyrant Muammar Gaddafi.

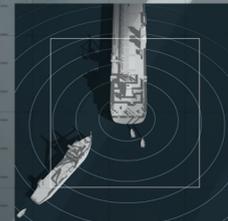


Source: Economist Intelligence Unit, all figures 2010

KEY RISK EVENTS

SOMALI PIRACY

Attacks at sea hit an all-time high in the first three months of this year. There were 142 attacks worldwide, with 97 of these off the coast of Somalia where, with no central government, pirates are free to operate at will. The country, which fronts onto some of the most valuable shipping lanes in the world, is rapidly becoming the world centre for piracy with at least 18 commercial vessels and around 355 hostages currently held by Somali pirates, according to the International Maritime Bureau.



Piracy fact sheet

Source: International Maritime Bureau

Global Incidents	Incidents reported for Somalia	Current vessels held by Somali pirates
Total attacks: 314 Total hijackings: 31	Total incidents: 178 Total hijackings: 22 Total hostages: 362 Total killed: 7	Vessels: 18 Hostages: 355

SANCTIONS

Scotland, May 2011
The Royal Bank of Scotland was fined £3.3m for mishandled complaints relating to retail investment products. The bank received 2,592 complaints about its sales of personal investment plans. RBS allegedly wrongly rejected a significant number of these complaints, and was found guilty of mistreating customers, many of whom were older with little or no experience of investment products.

TERRORISM

Northern Ireland, April 2011
A car bomb killed a police officer outside his home in Omagh and dislodged a republican who was blamed for the attack. The amount of terrorist attacks in Northern Ireland has increased over the past two years, and the region continues to be one of the most deprived areas of the UK.

CREDIT RISK

Ireland, April 2011
Moody's, the rating agency, downgraded Ireland's credit rating to junk status in spite of the European Central Bank's bailout in November 2010. Ireland had to be bailed out after its property bubble burst, sending house prices plummeting and bringing the Irish banking sector to its knees. Junk bond status indicates that there is still a very high degree of risk involved in Irish sovereign debt.

CORRUPTION AND BRIBERY

Canada, May 2011
The French financial market authority (AMF) fined seven individuals €2.8m (£2.1m). At the heart of the affair were Serge Ollu and Guy Douin of Ressources minières Andréane. The fines were particularly complex, with several individuals and three companies being charged.

NATURAL CATASTROPHES

Iceland, May 2011
The Grimsvötn volcano erupted, causing widespread disruption to national and international flights. The ash cloud spread around north-west Europe, causing the closure of certain key areas of air space. Approximately 200 flights were cancelled in Europe, leading to disruption and significant economic cost. But it was nowhere near as costly as the previous year's ash cloud.

CYBER CRIME

United Kingdom, June 2011
The hacker group Anonymous posted fake stories on the websites of British newspapers The Sun and The Times. The hacking group planted an article recounting the death of media mogul Rupert Murdoch. Anonymous announced the news of the article by posting a link to its Twitter feed.

CORRUPTION AND BRIBERY

United Kingdom, July 2011
Wills was fined almost £1m by the Financial Services Authority for failing to prevent bribery when making payments to overseas third parties. New bribery regulations require companies to actively avoid corruption.

NATURAL CATASTROPHES

East Africa, July 2011
Severe droughts affecting 12m people caused a food crisis in countries such as Somalia, Kenya and Ethiopia. Tens of thousands of people died in Somalia alone, demonstrating the dangers inherent in water-stressed regions. Water stress could also lead to higher prices in southern Europe and the Middle East.

CONFLICT

Afghanistan, October 2001
US and European governments came under increasing pressure to end the military campaign in Afghanistan, which was launched in response to the 9/11 attacks in the USA. Around 24,000 people have been killed in the conflict so far. As the economic climate hardens, it is more difficult for governments to justify expensive wars overseas.

CIVIL UNREST

Spain, May 2011
Tens of thousands of people protested across Spain against unemployment and austerity measures. Unemployment is particularly high among young adults making the Spanish society quite volatile. International markets have also showed doubts over Spain's sovereign debt, the administration may have to increase austerity measures to stabilise the country's finances.

CREDIT RISK

Portugal, May 2011
Eurozone leaders officially approved a €750n bailout for Portugal following speculation over a possible default. A combination of a stagnant economy, jittery markets and problems in Ireland led to Portugal's bail-out in May.

CIVIL UNREST

Italy, August 2011
Police raided the offices of Moody's and Standard & Poor's as part of an investigation into suspected "irregularities". It came as speculation over credit ratings and the health of Italy's finances reached fever pitch.

SANCTIONS

Libya, February 2011
Libya was targeted for international sanctions in an attempt to bring the Gaddafi regime and allow a democratic revolution to take place. The international community implemented a visa ban and asset freezes, including trade bans and bans on dealing with the country's sovereign wealth fund and its central bank.

CONFLICT

Libya, February 2011
Around 20,000 people killed in an ongoing civil war fought by rebels against the four-decade-old rule of Colonel Muammar Gaddafi. In August, TV networks showed pictures of the rebels seizing Gaddafi's compound in Tripoli. Sporadic fighting continues as loyalists try to stop the rebels' advance.

SANCTIONS

Iran, August 2011
The USA issued various economic, trade, scientific and military sanctions against Iran, the result of Iran's violent repression of major protests following elections in 2009 when president Ahmadinejad was re-elected. The sanctions also relate to Iran's supposed aspirations to build nuclear weapons.

SANCTIONS

Syria, August 2011
Sanctions were imposed on Syrian state-owned companies and banks due to the violent repression of protests by the ruling regime. President al-Assad showed himself to be uncompromising in his approach to the protests to the point where events have escalated into a civil war.

CONFLICT

Syria, June 2011
Under increasing pressure to cease the violent repression of dissidents, president Bashar al-Assad used tanks and snipers to force people off the streets as well as cutting off electricity and limiting food supplies. Around 2,400 people have been killed so far.

CYBER CRIME

United States, August 2011
The US Federal government's credit rating was downgraded from AAA to AA-. This move came after a political deadlock made a US default on debt technically possible. The downgrade increased volatility in markets and the US government was criticised, notably by China (the largest owner of US public debt), over how it handled the crisis.

TERRORISM

United States, January 2011
Jared Lee Loughner killed six people in a firearm attack in Tucson, Arizona, including chief US district court judge John Roll. Gabrielle Giffords, a Democratic member of the US House of Representatives, was severely injured. The attack took place at a political meeting outside a supermarket. Giffords recently made a first appearance in the US Senate since the attack.

CORRUPTION AND BRIBERY

United States, July 2011
Dorogon Zeevan was fined \$220m by the Securities and Exchange Commission (SEC) to settle charges of fraud related to subprime mortgage-backed securities. Thirty thousand investors are estimated to have lost around \$1.5bn in the process.

TERRORISM

Norway, July 2011
Seventy-seven people were killed in Oslo and Utøya by a far-right extremist, Anders Behring Breivik. Breivik wrote extensively on the dangers of immigration and the influence of Islam in Europe. The attacks in Norway have caused many people to question the effectiveness of European anti-terrorist intelligence and security measures. With the death of Osama Bin Laden and the Arab Spring, the dynamics of terrorism have changed.

CYBER CRIME

China, June 2011
Experts discovered an unprecedented series of cyber attacks on 12 organisations including the United Nations, governments and corporations. Security company McAfee discovered the attacks and said it believed there was one "state actor" behind the campaign but declined to name it. However several other security experts said the evidence points to China.

CYBER CRIME

Korea, April 2011
Banking operations at Nonghyup were disabled by a cyber attack, leaving customers unable to access their money. Victims blamed North Korea for the attack. Experts said the software used matched that used in earlier attacks by Pyongyang. According to reports, one of the IP addresses used to break into Nonghyup's system was the same as one used in a hack for a denial-of-service attack that came from North Korea.

NATURAL CATASTROPHES

Malaysia, May 2011
In a hilly area, Hulu Langat, known to have unstable soil, a landslide killed 16 people. As economic development continues in places like Malaysia and Brazil, more and more dangerous land is being used for development. This increases the risk of landslides in certain key areas such as Rio de Janeiro.

CREDIT RISK

Eurozone country credit risk map
Map Source: Cofoce
NB: Economic risk refers to the average credit risk of companies in a given country. Based on economic and political data.

CREDIT RISK

Japan, April 2011
Personal details of up to 77 million PlayStation subscribers were compromised. Sony Computer Entertainment was attacked reportedly in retaliation for legal action against a hacker. Sony blamed the hacker group Anonymous. The company shut down the PlayStation Network "indefinitely" following the attack although it returned on 14 May, following a 26-day interruption.

NATURAL CATASTROPHES

Japan, May 2011
The triple catastrophe of earthquake, tsunami and nuclear accident proved to be one of the most expensive of all time. Business interruption in Japan's hi-tech manufacturing affected companies around the world, demonstrating how vulnerable some business supply chains can be.

CIVIL UNREST

Egypt, January 2011
Protests in Egypt led to the ousting of Hosni Mubarak's regime on February 11 after 18 days of protests. Following the revolution in Tunisia in January, the Arab Spring quickly spread to Egypt, leading to the end of the 30-year rule of Mubarak. Uncertainty continues over how the country will govern itself as different factions vie for power.

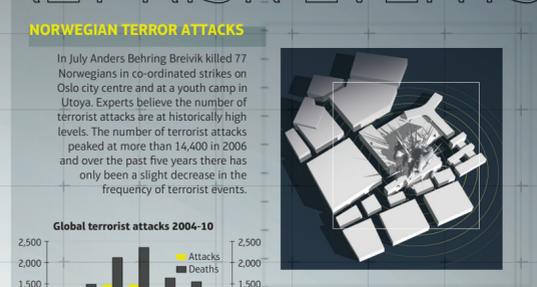
CIVIL UNREST

Israel, August 2011
Two-hundred-and-fifty thousand people protested against rising living costs in cities across Israel. The cost of electricity has risen by 9.3% in the country, caused by disruptions at the Egyptian gas company Gasco. Later that month five Israeli soldiers were shot dead on a bus. Israeli authorities say the bullets were fired from the Egyptian side of the border in Sinai.

KEY RISK EVENTS



KEY RISK EVENTS



Five costliest terrorist attacks

Date	Country	Event	Insured loss (€m)	Fatalities
September 11, 2001	USA	Attacks on the Twin Towers	1,600	2,982
April 24, 1993	UK	IRA bomb blast in London	775	1
June 15, 1996	UK	IRA bomb blast in Manchester	636	0
April 10, 1992	UK	IRA bomb blast in London	573	3
February 26, 1993	USA	World Trade Center bomb attack	534	6



Source: StrategicRisk Report. Represents the views of 30 leading European risk managers surveyed in March/April 2011.

TOP TEN RISKS

- Economic recession
- Political turmoil
- Climate change
- Data theft and leakage
- Regulation
- Security of IT systems
- Energy and commodity prices
- Crime and corruption
- Exchange rates
- Civil unrest

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