

MARSH UK & IRELAND TRANSPORTATION SEMINAR

28 JANUARY 2015



Tower Place, London

MARK WEIL
CEO, MARSH UK & IRELAND

Today's Agenda

	TOPIC
10:30	Introduction to Marsh and the Transportation Practice.
10:45	Public investment, strategy, and considerations on the future of the transportation sector.
11:30	An analyst's perspective on the outlook for the sector with specific insight to rail and bus.
12:00	How “big data” and analytics can optimise risk financing within the transportation sector.
12:30	Closing remarks.
12:35	Lunch.

Marsh – Our Expertise

26,000
EMPLOYEES
SERVING
CLIENTS IN
MORE THAN
130 COUNTRIES

1,100
DEDICATED
MULTINATIONAL
SPECIALISTS

GBP12 billion
CLAIMS PAID
ANNUALLY

US\$49 billion
GLOBAL ANNUAL
PREMIUM VOLUME

WHAT DOES THIS MEAN FOR OUR CLIENTS

- SERVICE EXCELLENCE
- SUPERIOR PLACEMENT
- GLOBAL EXPERTISE
- PARTNERSHIP

Transportation Sector – Importance of the Sector

Transportation Sector in the UK – 2014



1.4 million people employed in the UK's transportation and storage sector representing 5% UK employment.



19.3 million domestic air flights.



London accounted for over half of bus passenger journeys in England.



Rail passenger journeys have more than doubled since privatisation 1994/95.



Road
68%



Rail
9%



Water
19%



Pipeline
5%

222 billion tonnes of domestic freight moved.

UK government publicly funded pipeline of specific projects – GBP70 billion investment in transport. This includes GBP15 billion investment to increase the capacity and condition of roads in the UK.

MORWENNA HOWELL

MANAGING DIRECTOR, MARSH'S TRANSPORTATION
PRACTICE LEADER UK & IRELAND

What Comprises Transportation at Marsh?



Aviation and Aerospace

Airports, airlines, tour operators, original equipment manufacturers, and support services.



Automotive

Auto manufacturers, suppliers, and service providers (dealers, rental firms).



Rail and Bus

Operators and associated infrastructure providers.



Logistics and Major Fleet

Haulage operators, port authorities, cruise-lines, and warehouse operators.

OUR CREDENTIALS

3 of the top **5** largest insured airline fleets.

3 of the top **5** car manufacturers in the UK.

4 of the **7** rail freight operators in the UK are clients.

3 of the top **5** UK logistics providers are clients.

LEADERS

Ian Hayhoe

Matthew Griggs

Duncan Read

Anthony Monaghan

Our Transportation Credentials

US\$4 billion
PLACED GLOBALLY ON
BEHALF OF
TRANSPORTATION CLIENTS

600+
TRANSPORTATION
COLLEAGUES ACROSS
MARSH UK

15,000
TRANSPORTATION CLIENTS
GLOBALLY

US\$1 billion
PLACED ON BEHALF OF
TRANSPORTATION CLIENTS
IN UK & IRELAND

Source: Marsh Analysis according to internal data systems, September 2014

Marsh Transportation: Client Benefits

Sector Knowledge

- Sharing best practice.
- Legislative changes.
- Roundtables and client events.

Specialist Products

- Dedicated insurer wordings and specialist industry extensions.
- Combined liability placement for aviation/airports.
- European pan-auto product.

Thought Leadership

- Insight into future industry issues
 - new technology (driverless cars, drones), cyber, claims trends.

STEPHEN HAMMOND MP

FORMER PARLIAMENTARY UNDER SECRETARY OF
STATE FOR TRANSPORT
(SEPTEMBER 2012 TO JULY 2014)

JOHN DAVIES

MANAGING DIRECTOR, MARSH'S RISK FINANCE
TEAM

Agenda

-
- 1 What is big data and what can it do for you?
 - 2 How companies are using data and analytics.
 - 3 Financial resilience in a crisis.
 - 4 Questions.
-

What is “big data” and
what can it do for you?



Big Data Defined

Definition

All data too large and/or complex to be handled by traditional databases, but for which there are emerging software tools that can actually tame these information store beasts and extract value.

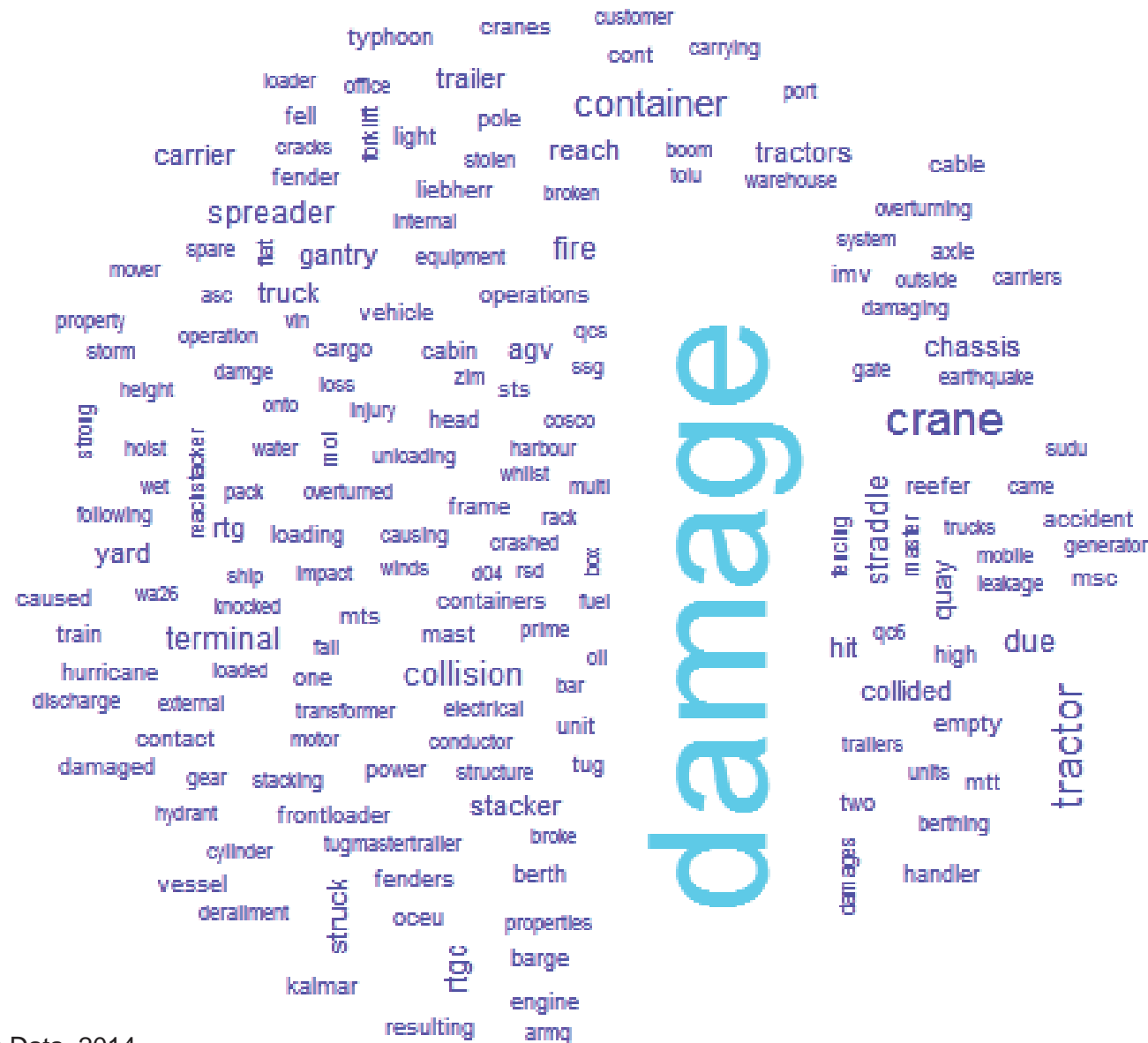
Marsh Big Data

15 million claims.

US\$50 billion in placed premiums per year.

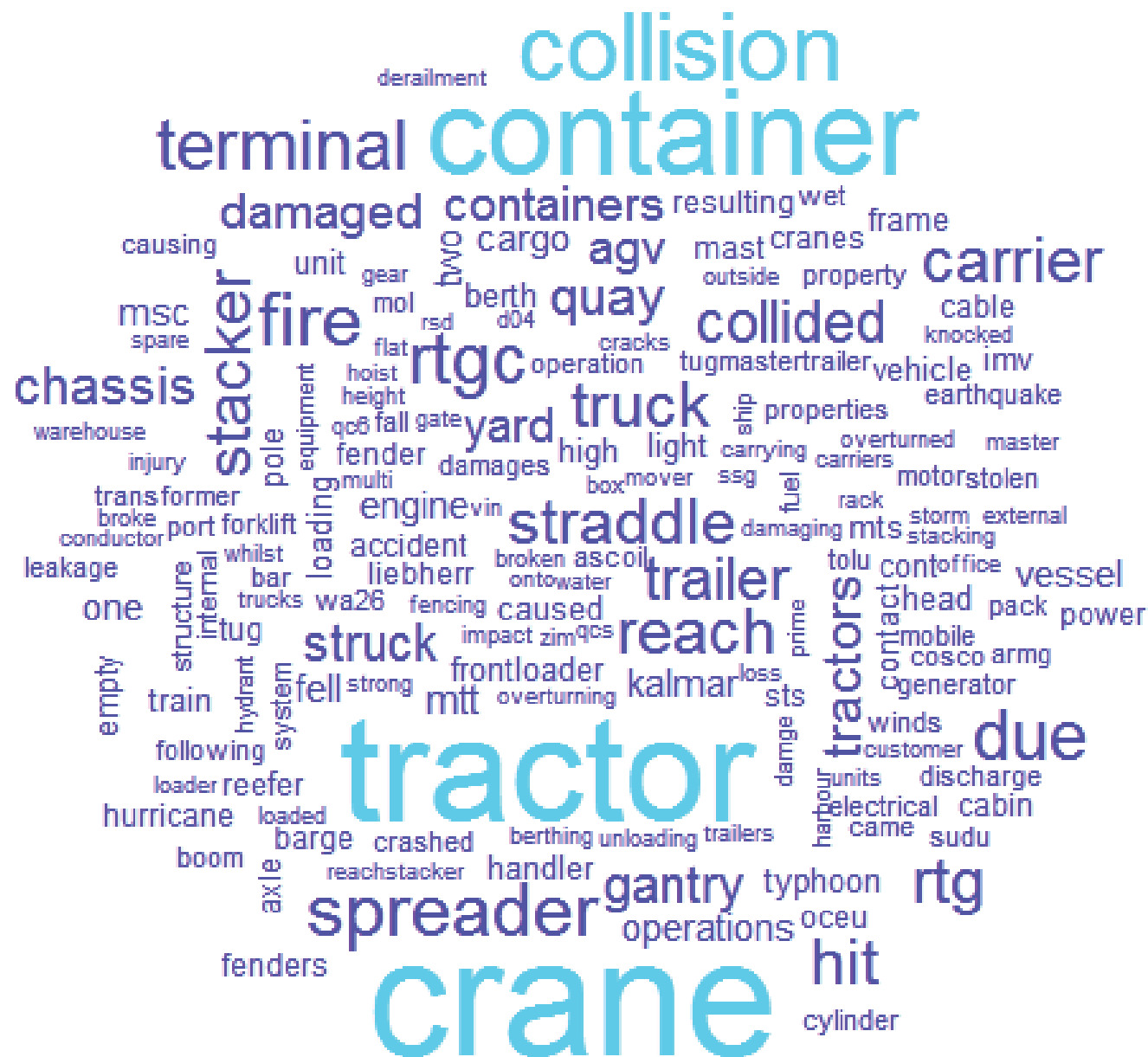
10 billion simulated loss events.

Sample: Ports and Terminals Cause of Loss



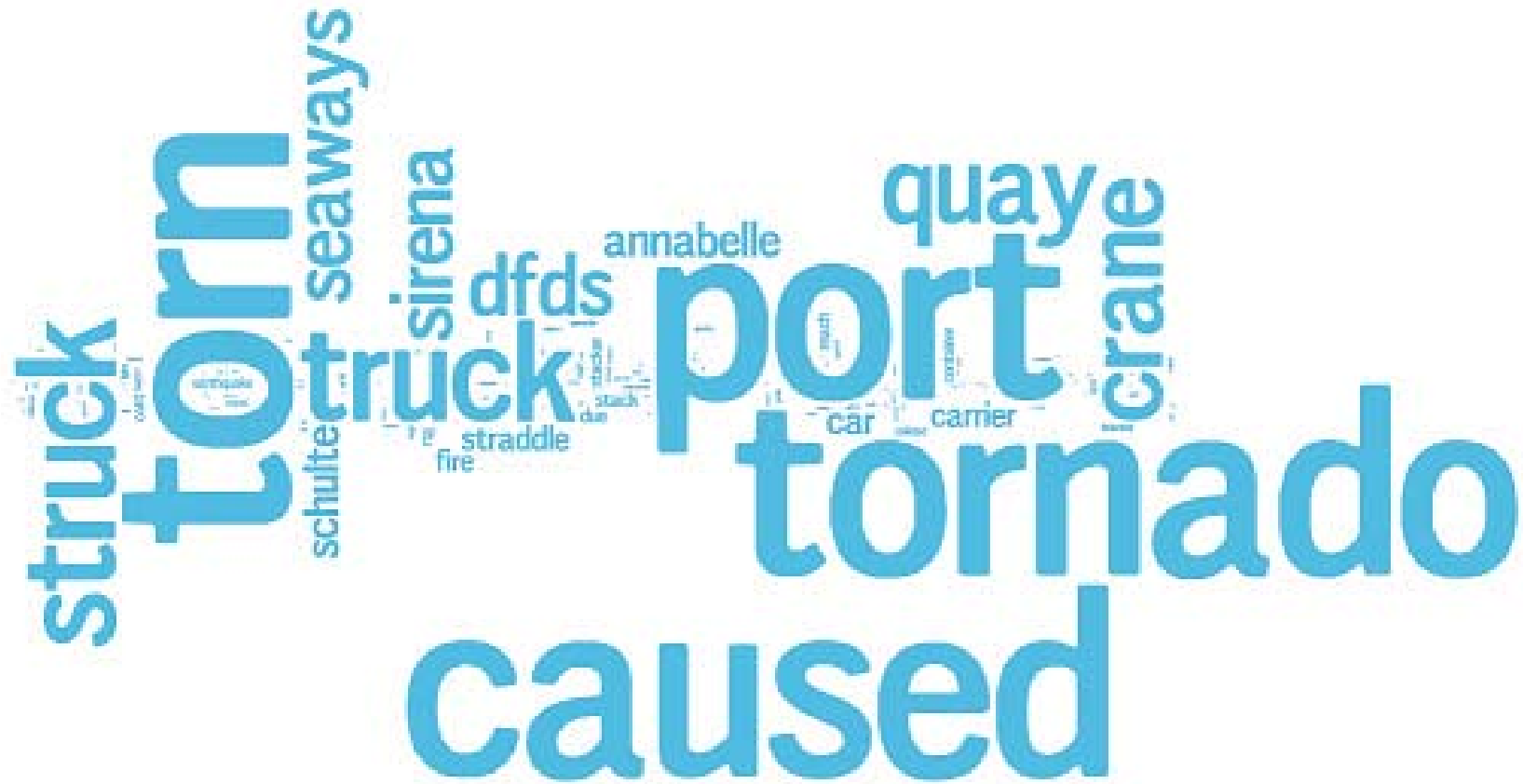
Source: Marsh Analytics Data, 2014

Sample: Ports and Terminals Frequency of Loss



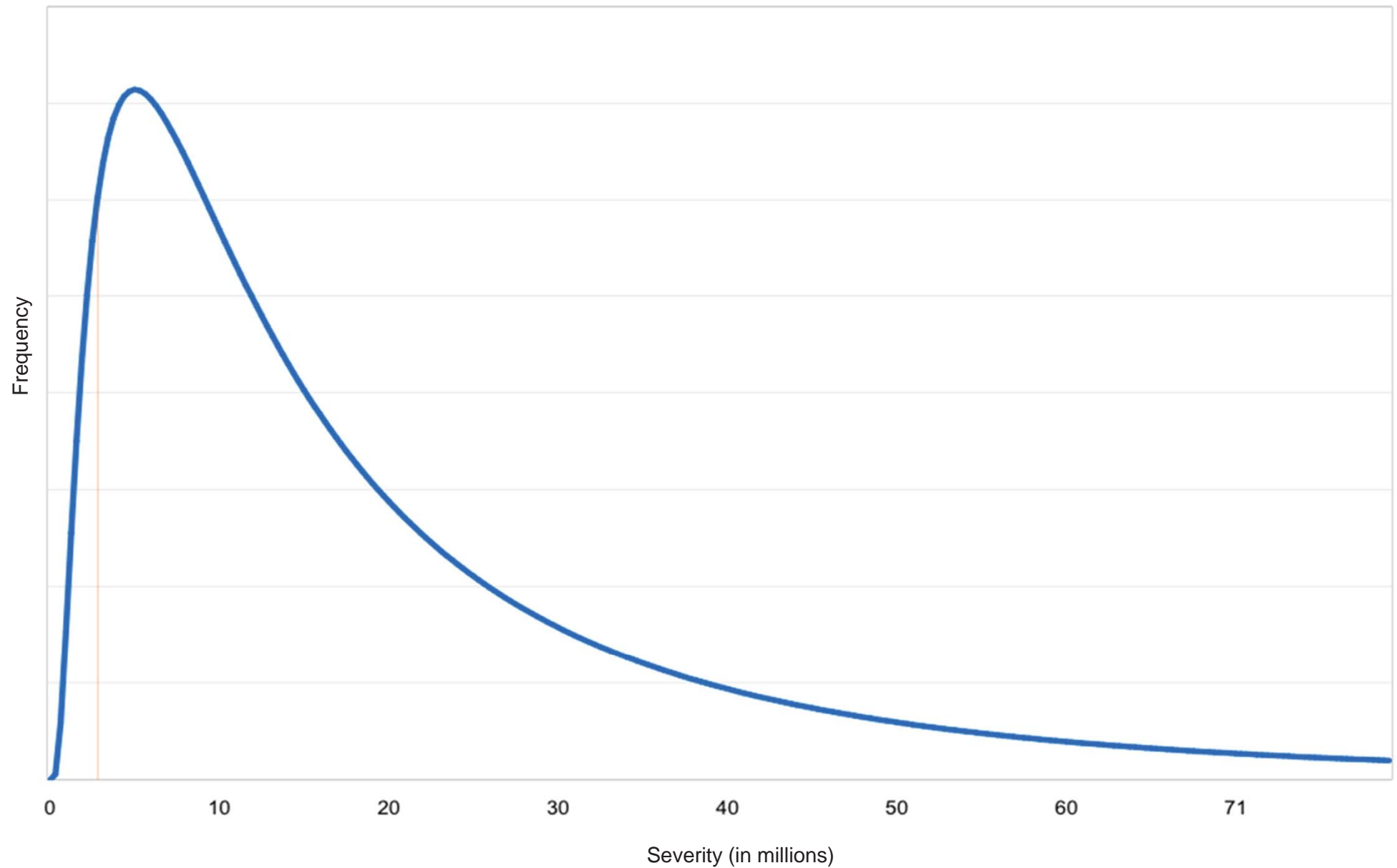
Source: Marsh Analytics Data, 2014

Sample: Ports and Terminals Severity of Loss

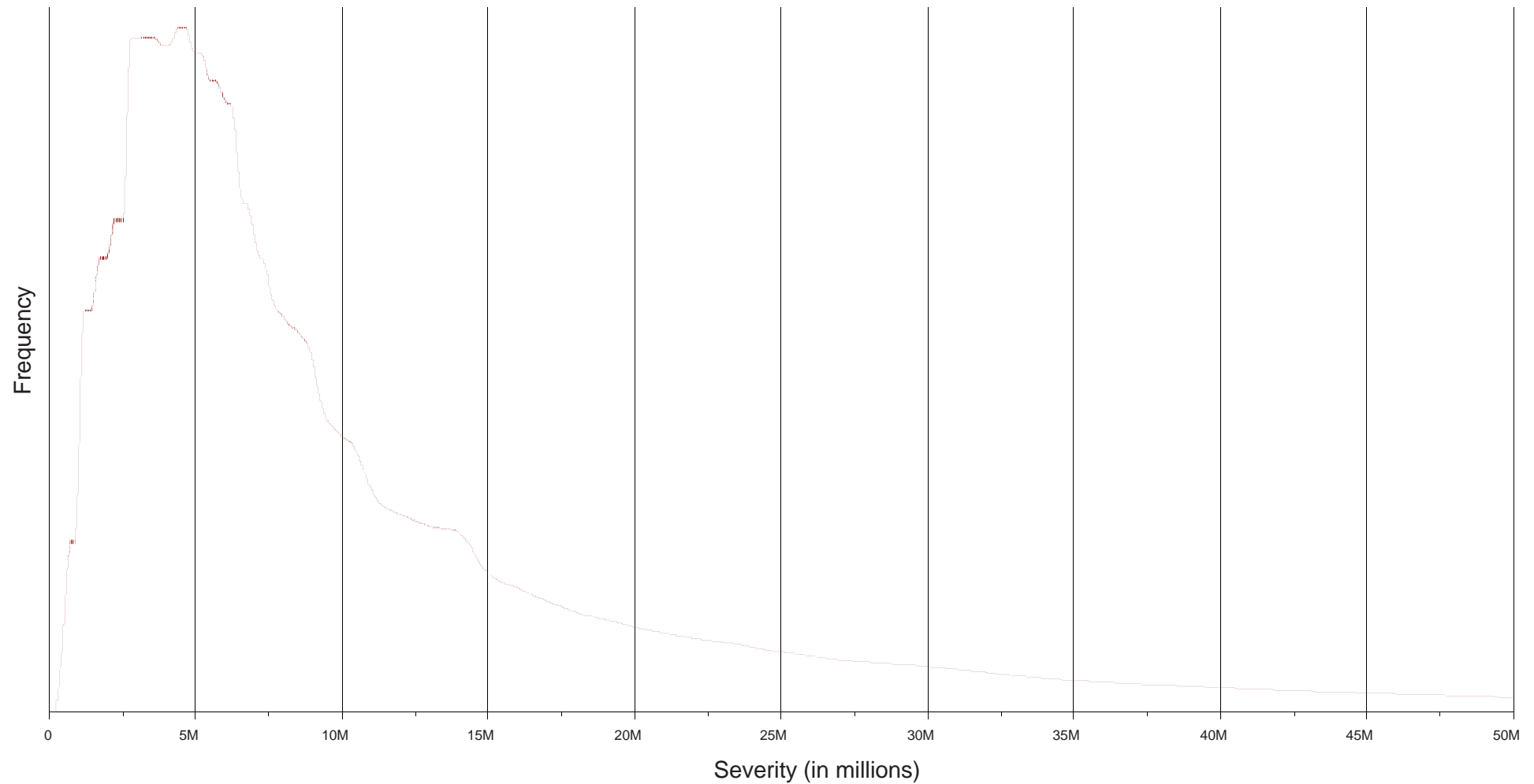


Source: Marsh Analytics Data, 2014

We Have Built Industry Loss Distributions From This Data

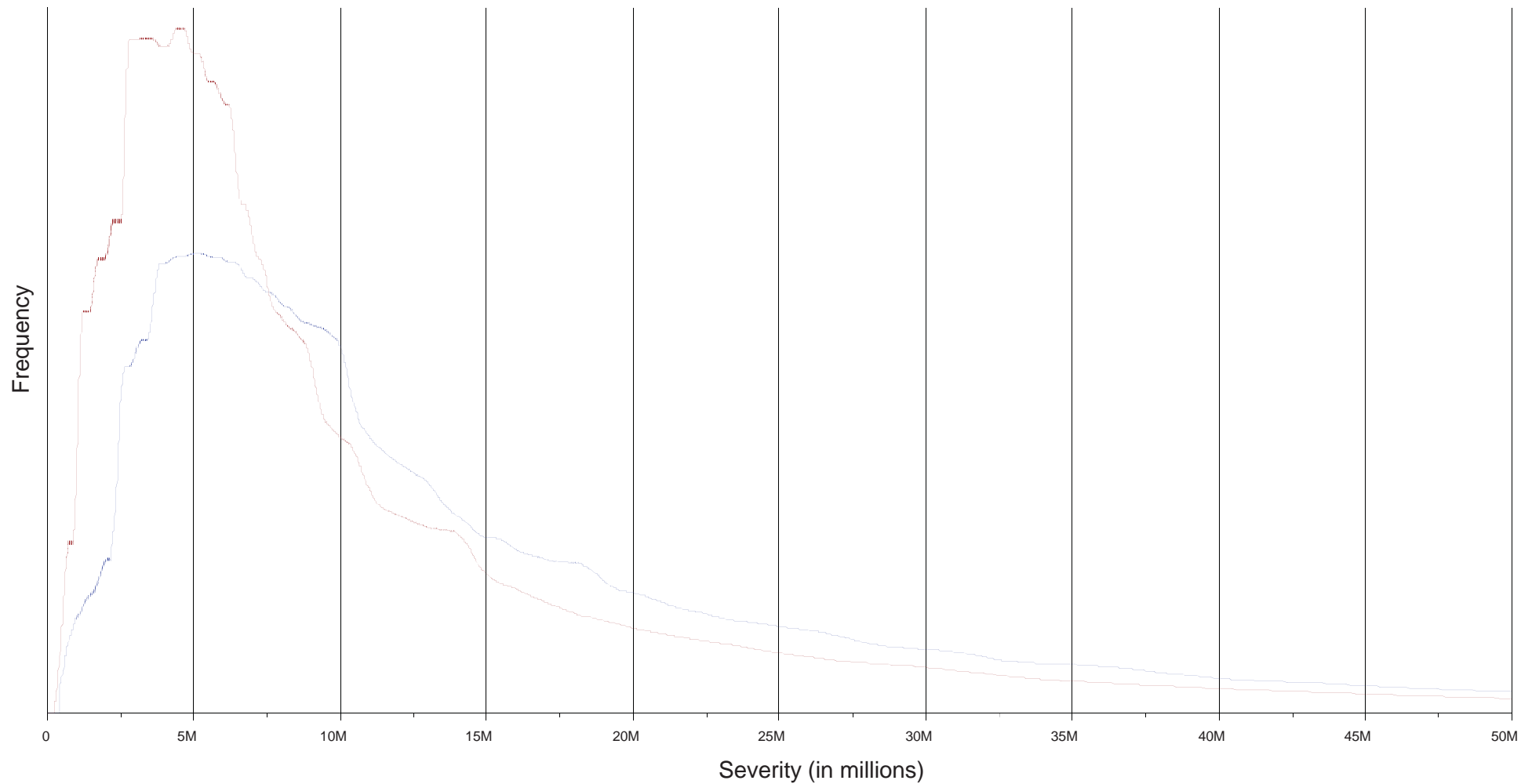


Transportation Sample: Ports and Terminals – Mild Distribution



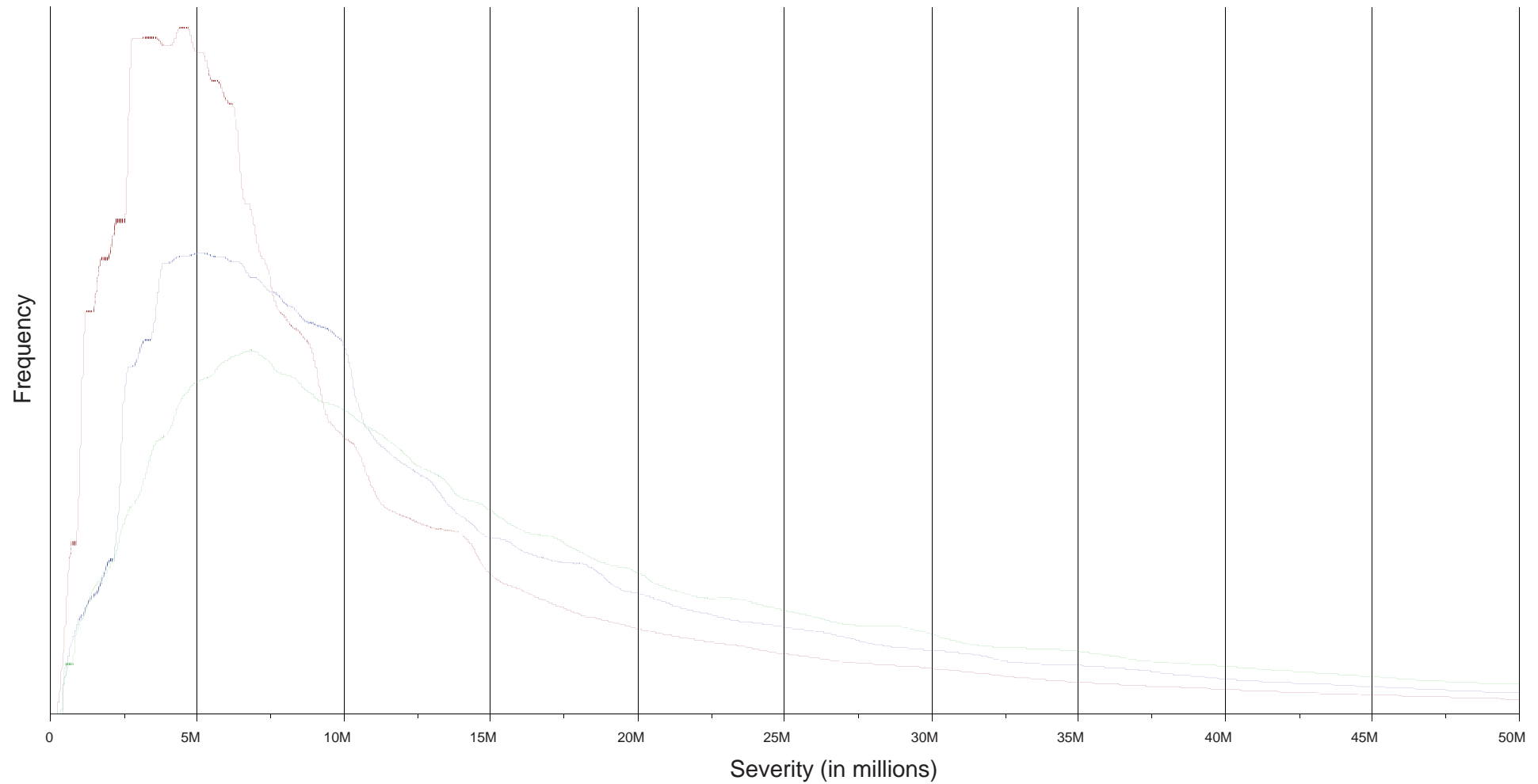
Key:
Red – mild

Transportation Sample: Ports and Terminals – Medium Distribution



Key:
Red – mild
Blue – medium

Transportation Sample: Ports and Terminals – Severe Distribution



Key:

Red – mild

Blue – medium

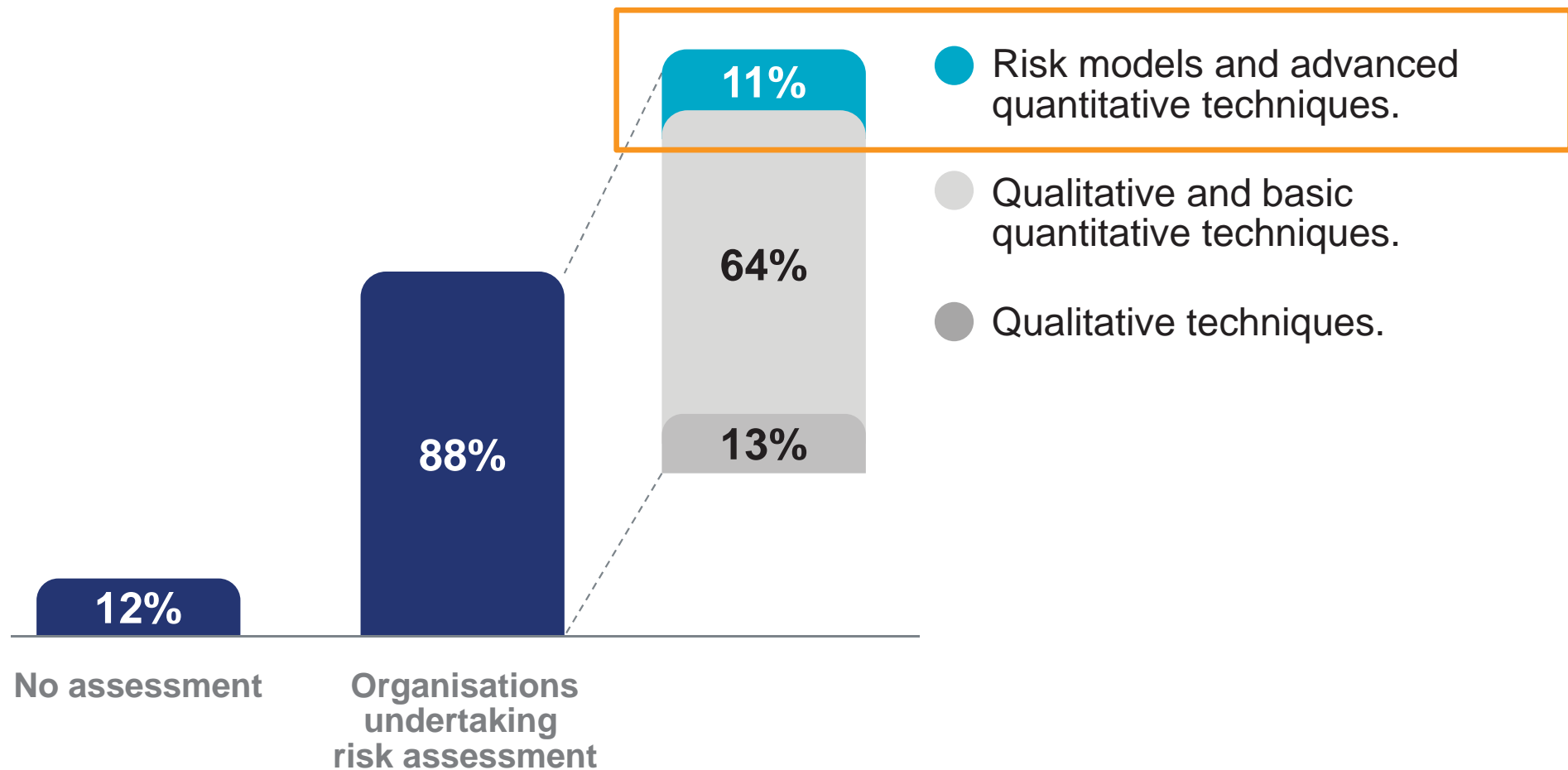
Green - severe

How Companies are Using Data and Analytics



How Companies are Using Data and Analytics

Organisations using qualitative and quantitative techniques



Source: PwC Risk Management Survey – 2013

The Difference Between Risk Tolerance and Risk Appetite

Risk Tolerance

ABILITY to take risk.

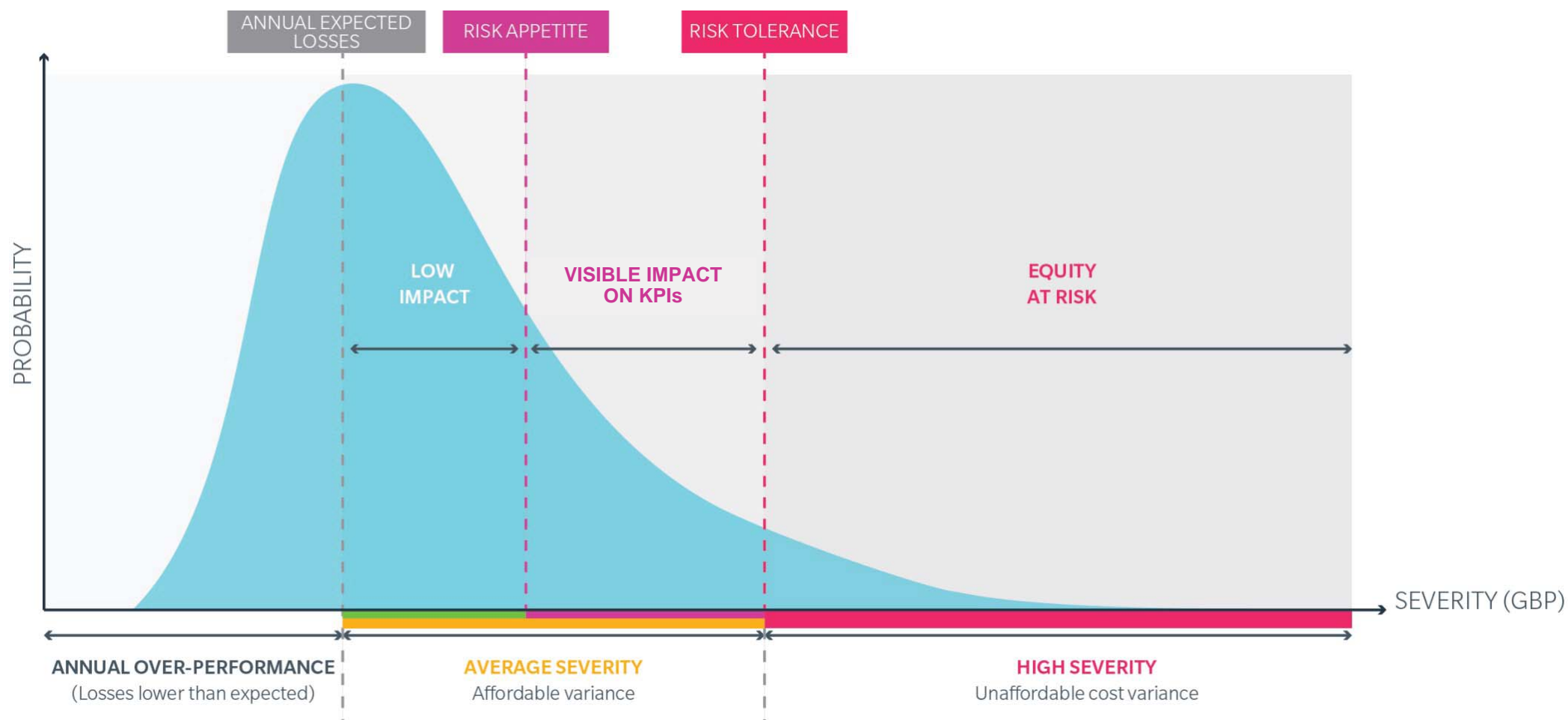
-
- *What can the balance sheet withstand before the corporation is mortally wounded?*
-

Risk Appetite

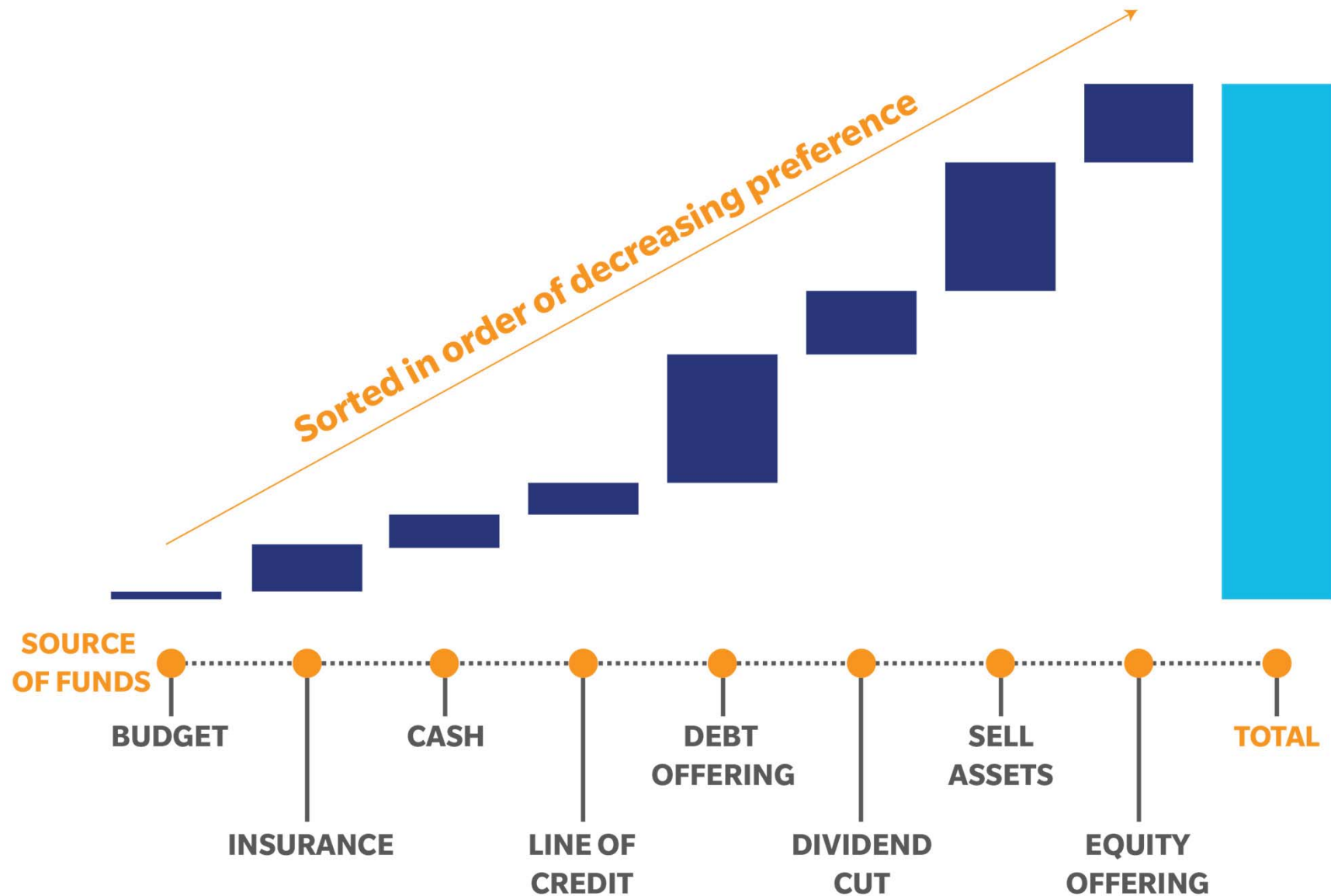
WILLINGNESS to take risk.

-
- *What sort of risks are we in business to take?*
 - *How much of each risk type are we prepared to take?*
-

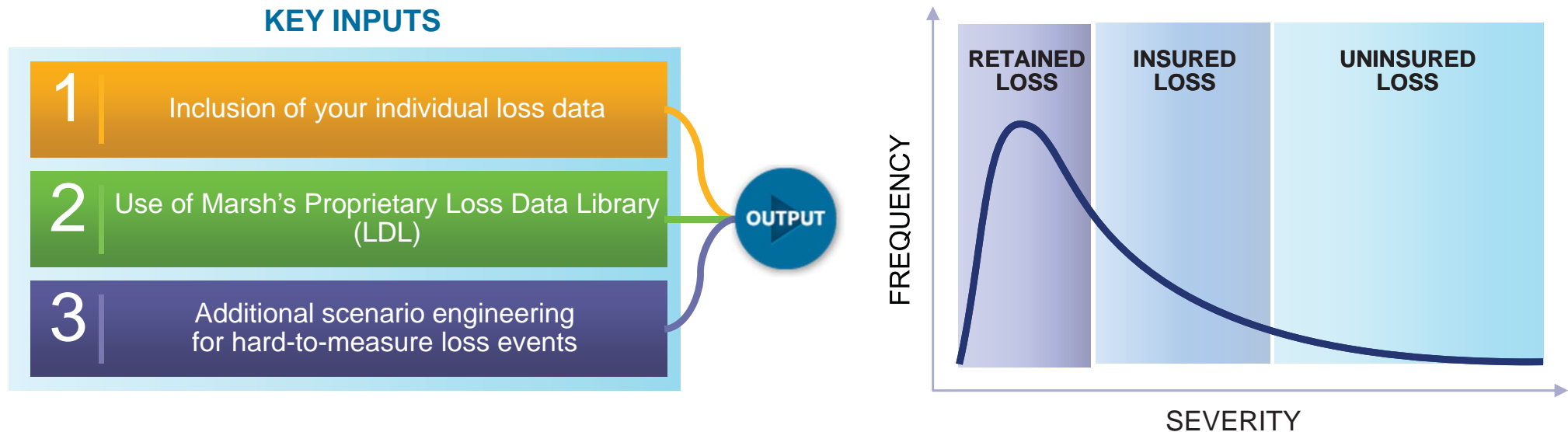
An Understanding of Risk Volatility Puts Risk Appetite in Context



What Financial Resources are Available to Deal With Risk?

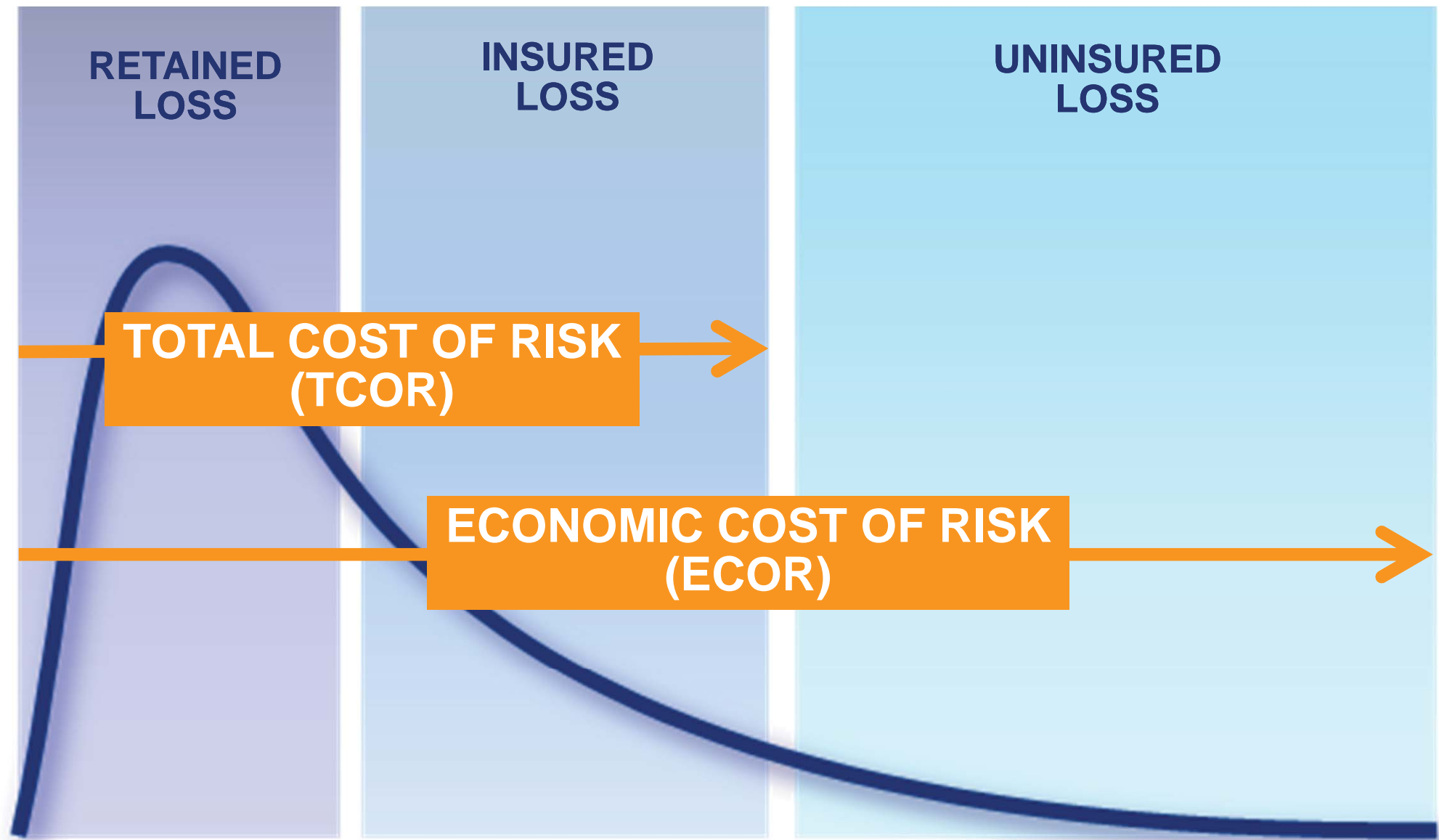


Exploring Loss Potential

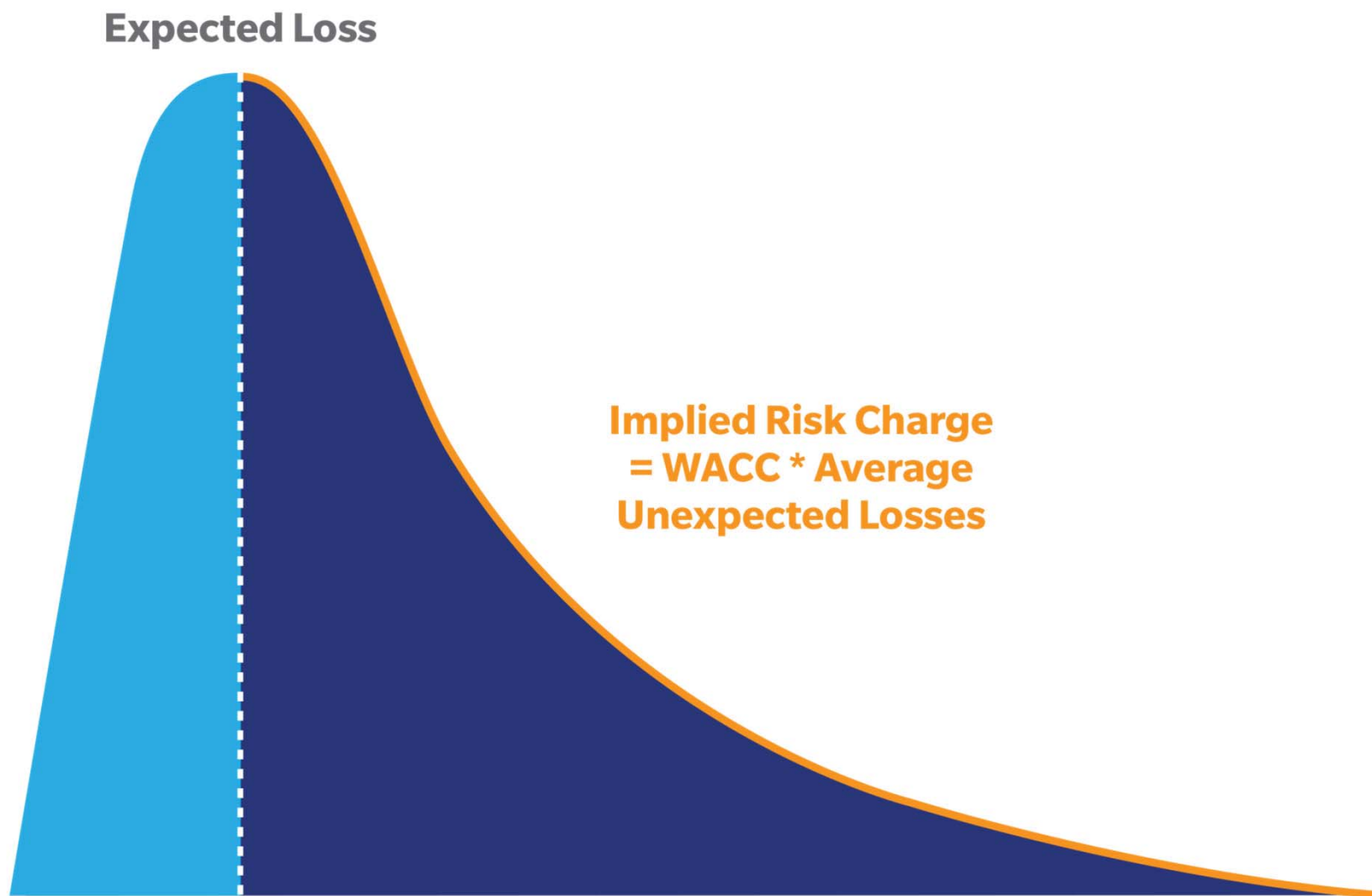


How does this amount of risk compare to your risk tolerance and risk appetite?

From Total Cost of Risk to Economic Cost of Risk



How to Calculate Implied Risk Charge



*WACC: Weighted Average Cost of Capital

Property Peer Comparison Analysis

[Return to Benchmarking](#)

Peer Group Programs

Pricing Trends

Cover Basis

All

Renewal Rate Changes

Premium Paid & Property Rate (Premium...

Purchasing Trends

Primary Industry

Life Sciences

Manufacturing

Power and Utilities

Public Entity and No...

Real Estate

Retail/ Wholesale

Services

Sports, Entertainme...

Transportation

Secondary Industry

Miscellaneous

Non Profit Organizat...

Oil And Gas Extracti...

Paper and Allied Pro...

Personal Services

Pharmaceuticals

Sector specific
premium data

☒ (All) ☒ Average Premium Paid ☒ Median Premium Paid ☒ Average Property Rate (Premium divided by TSI) ☒ Median Property Rate (Premium Divided by TSI)



Choose a Quarter Range



Home



Risk
Identification



Loss Data
Library



Risk
Tolerance



Risk
Financing



IDEAL
Model



Geospatial



Casualty



Cyber Model



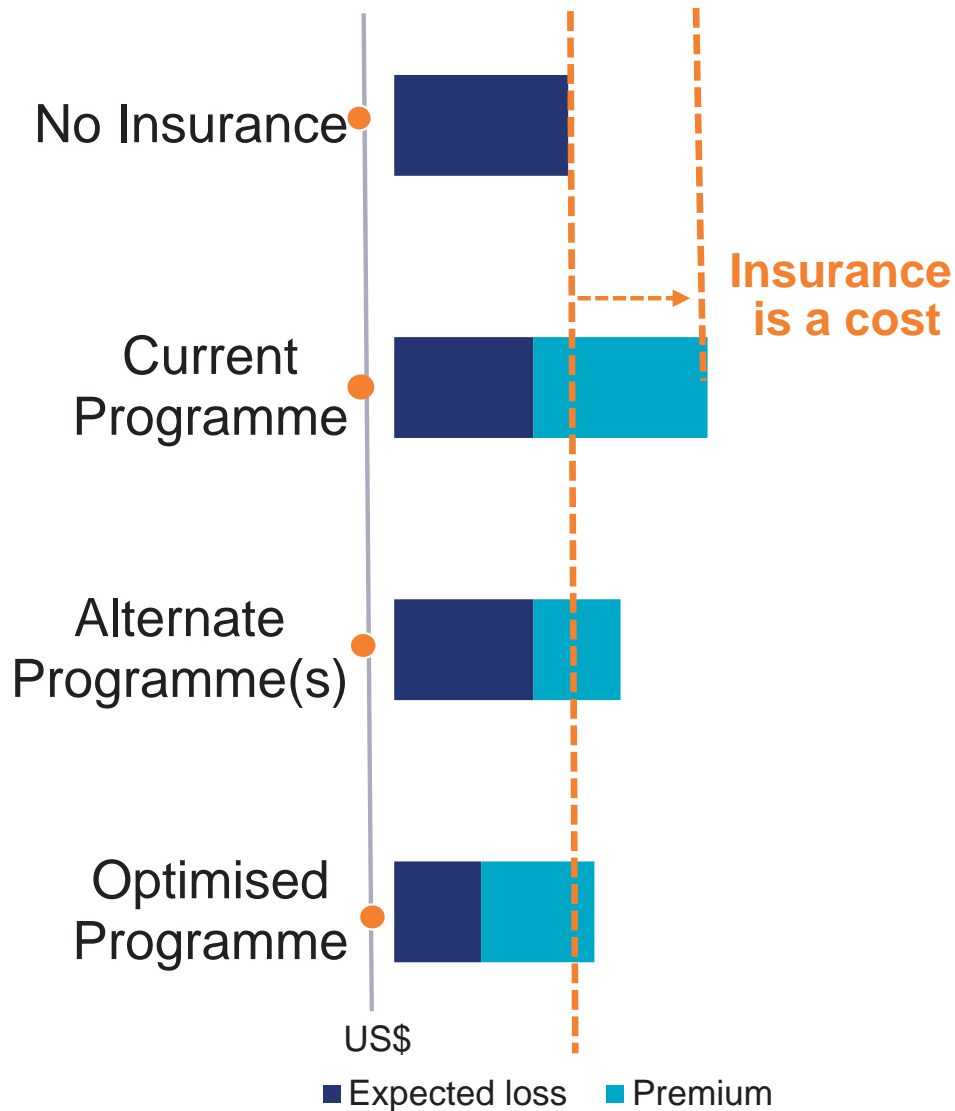
Bench-
marking



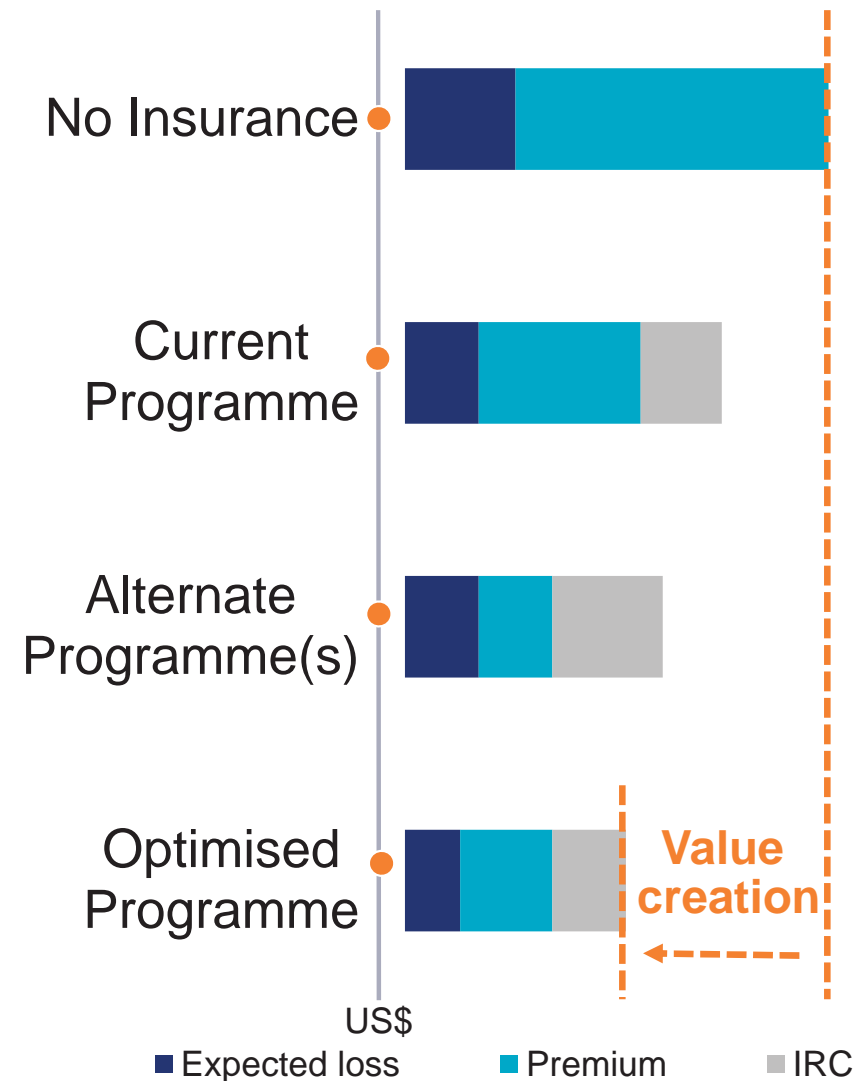
More

ECOR Puts Various Risk Treatment Options on a Level Playing Field

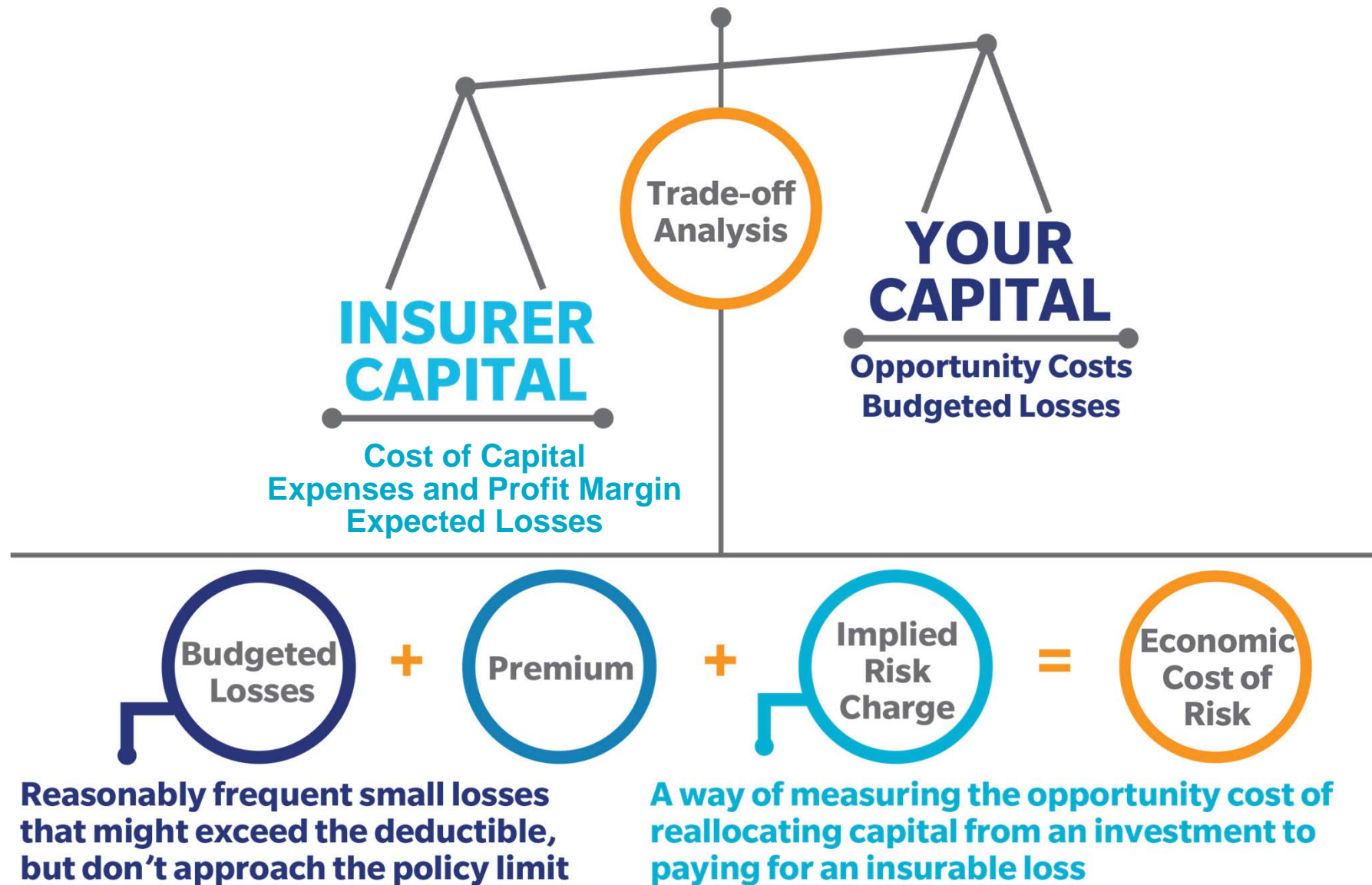
TCOR



ECOR



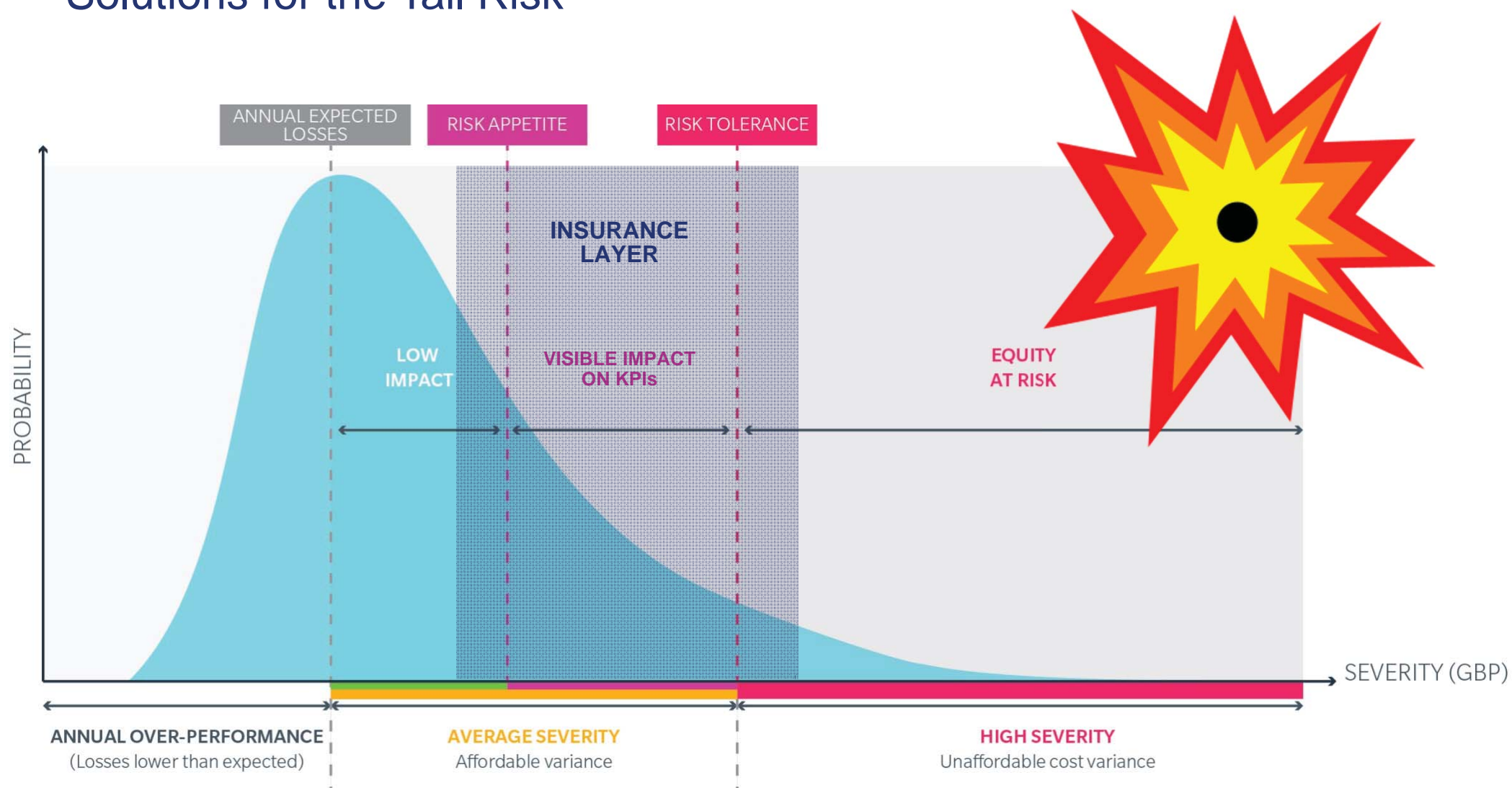
Use ECOR to Quantify Hedging of Largest Insurance and Hazard Risks



Financial Resilience in a Crisis



Solutions for the Tail Risk

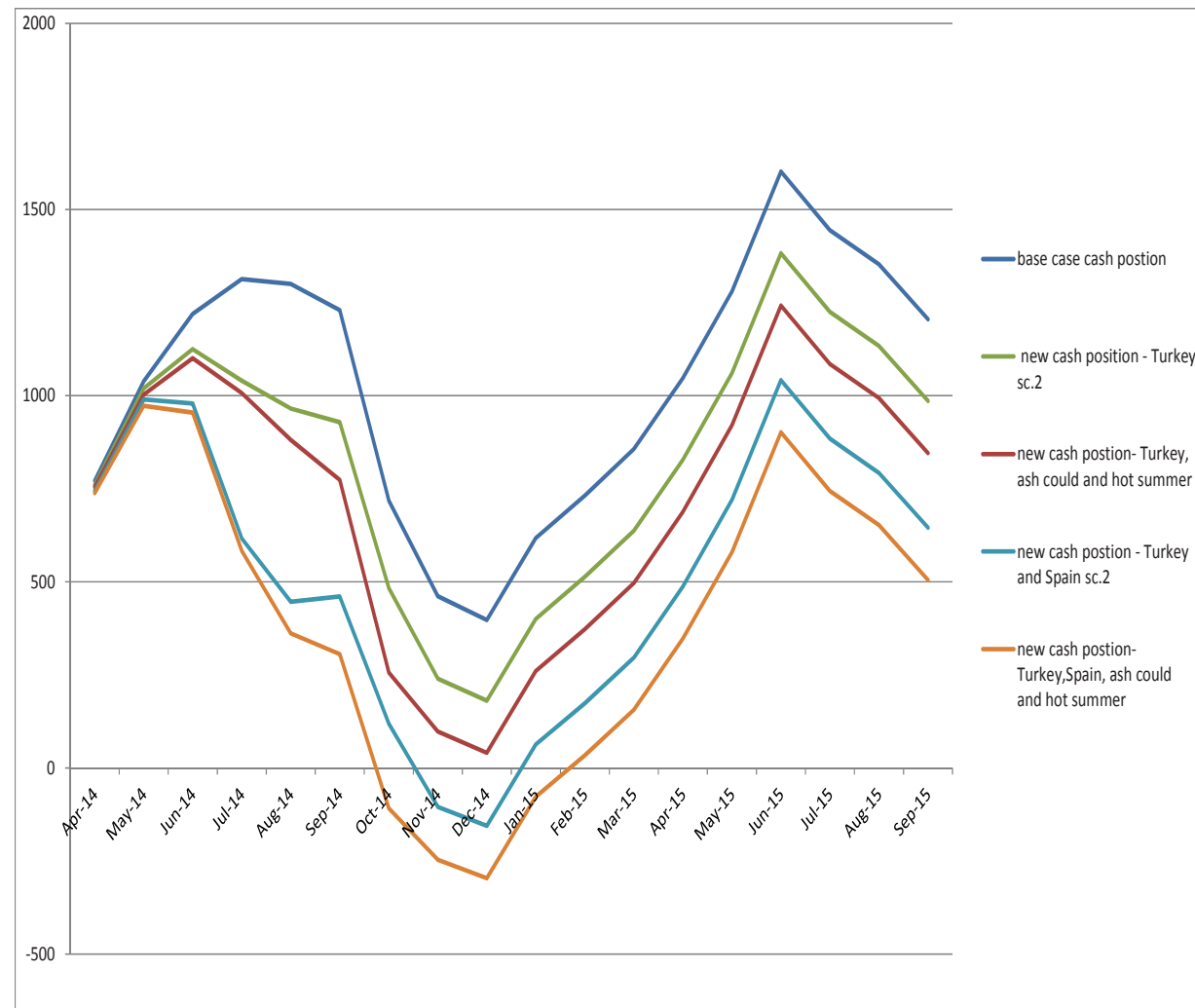


Tail Risk Case Study

- Travel sector client.
- Volatile cash flow.
- Bank-like characteristics.
- Time critical.
- New lens to risk and resilience.
- New approach to insurance.

Cash-flow stress-testing

Client liquidity position (GBP million) under stress scenarios



Questions and Answers



CLOSING REMARKS



LUNCH

The image features a minimalist design with three distinct horizontal color bands. The top band is a dark, muted blue and contains the word 'LUNCH' in a clean, white, sans-serif font. The middle band is a medium blue, and the bottom band is a light, vibrant blue. The transition between the bands is smooth and diagonal, creating a sense of movement and depth.



This PowerPoint™ presentation is based on sources we believe reliable and should be understood to be general risk management and insurance information only.

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only.
The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

Statements concerning legal, tax or accounting matters should be understood to be general observations based solely on our experience as insurance brokers and risk consultants and should not be relied upon as legal, tax or accounting advice, which we are not authorised to provide.

Registered in England and Wales Number: 1507274, Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU.

Marsh Ltd is authorised and regulated by the Financial Conduct Authority.

Copyright © 2015 Marsh Ltd All rights reserved