



JARDINE LLOYD THOMPSON
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JLT LAUNCHES WORLD RISK RATINGS TOOL FOR BUSINESSES

Wider “perils spectrum” highlights need for more objective understanding of risk in today’s volatile trading environment

Following a twelve month consultation process, Jardine Lloyd Thompson Limited (JLT) has launched a groundbreaking world risk ratings tool (World Risk Review) that will enable companies to quickly survey the global risk landscape with greater granularity, rigour and sophistication than ever before.

The model rates countries from one to ten for each of nine key “perils” making it the most comprehensive country risk ratings tool available to businesses today. Most existing ratings tools tend only to focus on credit risk or political violence. World Risk Review takes in nine distinct perils and uses fifty-three distinct data sources gathered from think tanks, governments, academics, and economists. Each peril rating incorporates at least six data sources and all ratings will be regularly reviewed and updated online.

The model has been launched against a backdrop of unprecedented foreign direct investment (FDI) and trade volumes in a very unpredictable geopolitical environment.

Net FDI flowing to emerging economies has in three years doubled from \$160bn in 2003 to \$320bn in 2006¹. Consequently, this is where JLT believe the model will add most value as a solid and comprehensive starting point for country risk analysis and management.

As deposits of natural resources have been depleted in stable environments, demand for raw materials and energy sources has rapidly intensified, prompting a new wave of investment in the extractive industries (gas, oil, metallic minerals)². This has led many companies to go further afield entering new territories which necessarily present greater risk.

Indeed, research just published by the Economist Intelligence Unit reveals that whilst political risk is expected to pose an increasing threat to business over the next five years, few currently have adequate mechanisms to measure and manage it³. Chief among these threats are worldwide instances of what JLT refer to as “Resource Nationalism” – the use of natural resources as a political weapon e.g Venezuela, Uzbekistan and DRC. The result of this is an increased risk of expropriatory acts and forced renegotiation of contracts.

The model analyses a broad spectrum of perils, including the level of threat posed by:

- Strikes, Riots & Civil Commotions
- Terrorism
- War & Civil War
- Country Economic risk
- Currency Incontrovertability & Transfer risk
- Sovereign Credit risk
- Expropriation
- Repudiation of Contractual Agreement
- Legal & Regulatory risk



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Commenting on the model, Nick Robson partner at JLT says: "While macro economic and geopolitical risk is today a growing and inescapable part of global business, the greatest risk of all is ignorance. Clearly, we can never eliminate risk altogether -- indeed without risk there would be no return -- however, we can deepen our current understanding in a bid to manage the consequences of risk more effectively. The mistake that companies shouldn't make is to view themselves purely as a victim of country risk but rather as an active participant."

Dr Elizabeth Stephens, architect of the model, added: "The risk profile of an investment is determined not just by the destination of the investment but also by its country of origin. Western capital is increasingly at risk in emerging markets because of the rise of anti western sentiment or "Occidentalism" and the growth of alternative "easier" sources of 'non-western' finance. Much like speed dating, countries seeking investment can be confident that if the chemistry isn't there, someone else will be along in a minute. Moreover, in some territories, the reality is that many Western companies enter the relationship with 'colonial baggage'. By contrast Chinese capital, for example, comes with fewer strings attached and in most cases less historical inference."

JLT are providing free access to the model

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Notes to Editors

¹ 'New Challenges and Opportunities for Political Risk Insurance', MIGA, 3.10.7

² 'World Investment Prospects Report 2007-2009', UNCTAD, 4.10.7

³ 'World investment prospects to 2011 Foreign direct investment and the challenge of political risk', Economist Intelligence Unit, 5.9.7

Jardine Lloyd Thompson Group plc

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Jardine Lloyd Thompson Limited

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Clients include many of the world's leading names and they are market leaders in a number of areas, including Construction, Communications and Technology, Life Sciences, Onshore and Offshore Natural Resources, Marine and Credit and Political Risk. www.jltgroup.com/jtli.shtml

Credit, Political & Terrorism Division

With a comprehensive range of insurance and risk management services to mitigate the risks associated with global commerce and trade, Our insurance and consulting services help many of the world's leading corporations to quantify, prioritise and mitigate their exposure to emerging market and credit risk.

¹ 'New Challenges and Opportunities for Political Risk Insurance', MIGA, 3.10.7

² 'World Investment Prospects Report 2007-2009', UNCTAD, 4.10.7

³ 'World investment prospects to 2011 Foreign direct investment and the challenge of political risk', Economist Intelligence Unit, 5.9.10