Extreme weather tops global risks

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This week the World Economic Forum again published its Global Risk Report. The report is based on a survey that accesses insights across the Forum's vast network of business, government and community leaders.

For the third year running, extreme weather was listed as the top global risk in likelihood of occurrence and within the top 5 in impact. Overall, environmental risks dominated the assessment with failure of climate-change mitigation and adaptation and natural disasters also recorded amongst the top risks. These risks were rated above others that commonly occupy the minds of policy makers and the media such as asset bubbles, terrorist attacks, energy price shocks, financial crises and many more. (See Figure 1)

The report expresses rising concerns regarding climate inaction stating that: *"of all risks, it is in relation to the environment that the world is most clearly sleepwalking into catastrophe".* The report further reiterates recent messages from the IPCC about the extent of the global struggle to restrict warming and the dire warning by the recent United States National Climate Assessment that without significant reductions in emissions, average temperatures could rise by five degrees Celsius by 2100.

It is claimed that the disruption to the production and delivery of goods and services due to environmental disasters has risen by 29% since 2012, placing additional strain on the resilience of organisations and their customers.

The growing threat of sea level rise and the rising population of coastal megacities globally was featured. Some 800 million people already live in cities vulnerable to sea level rise up to 0.5 metres. According to the World Bank, 70% of the largest cities in Europe are susceptible to sea level rise. The phenomena pose significant risks to properties and infrastructure, though the economic risk globally is concentrated in low-lying coastal areas with significant asset values. The report cites research that $14.1 Billion was lost from home values in parts of the US east coast due to sea level rise between 2005 and 2017.

Cyber risk was also rated highly with both massive data fraud and theft, and cyber-attacks being among the top five risks in likelihood of occurrence. Interestingly, respondents expected that cyber risks would increase in 2019. The associated vulnerabilities of essential infrastructure were a concern given recent examples of hackers gaining access to the control rooms of some utility companies in the United States.

For solutions, the report supports the need for action to rapidly decarbonize agriculture, energy, transport and industry to limit the rise of global temperatures and to establish plans for adaptation. The challenge of promoting proactive adaptation investment is, however, highlighted by citing statistics showing that spending on flood recovery is nine times greater than investment in flood mitigation.

Interestingly the report offers advice on conceptualising the unimaginable through promoting a technique of imagining failure and then thinking why such a failure may have

occurred. Doing so is known as "prospective hindsight" and according to psychologists enables us to anticipate a broader and more vivid set of problems.

Risk Frontiers will continue to support our clients in addressing these top risks in 2019 through the continued licensing and development of our suite of natural hazard catastrophe loss models for Australia and New Zealand. Our partnership with the ARC Centre of Excellence for Climate Extremes will allow us to give our clients unique insights into how climate change may affect their business. Furthermore, we will continue our work on building a cyber loss model through the Optus Macquarie University Cyber Security Hub and in assisting Government clients to build safer and more resilient communities in partnership with organisations including the Bushfire and Natural Hazards Cooperative Research Centre.

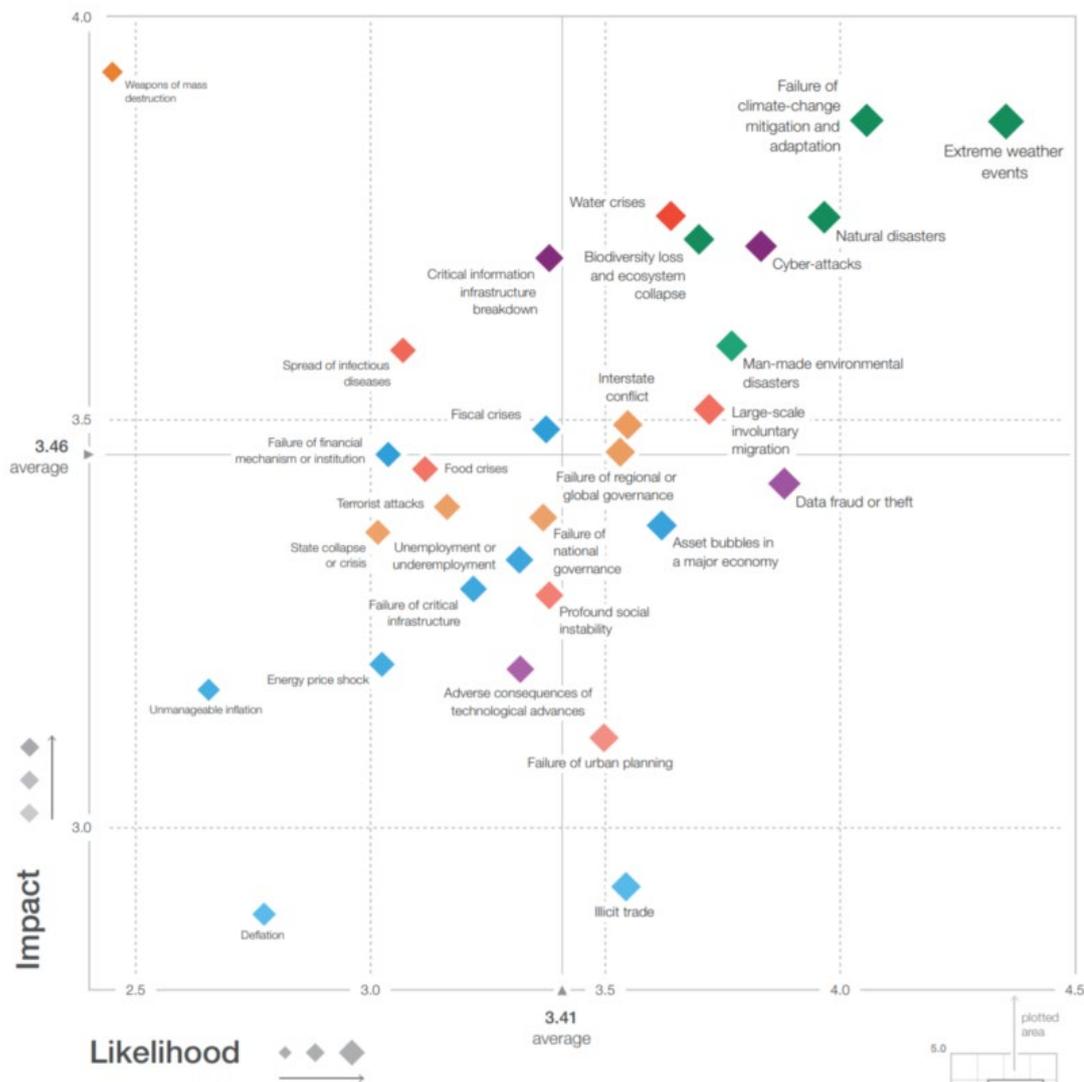For more on the report visit: www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf

Figure 1: Global Risk Landscape 2019 (The Global Risk Report 2019, pp 5)