



The Peril We Know

At 2.46pm on the 11th March 2011 a subtle rumble grew in the earth, suddenly bursting into a crescendo as sea birds hovered overhead. Meanwhile 50 miles away farmers ploughed their rice fields in the midday sun and fishermen mended their nets. All had been quiet and at peace. And with this, the Earth shuddered and a tsunami began racing at speeds of up to 800km per hour towards its inevitable destiny, the destruction and devastation of north eastern Japan. Waves some 10 metres in height crashed against the shore moments later travelling as far as 6 miles in land. In the wake of this earthquake 125,000 buildings lay damaged or destroyed and more than 20,000 people dead. This of course was but a beginning. This natural disaster has also brought with it the threat of nuclear meltdown at the Fukushima nuclear power plant with our thoughts turning back to Three Mile Island and Chernobyl.

The Tohoku earthquake in Japan is likely to be the world's most costly natural disaster with current estimates putting the repair cost at up to \$309 billion, dwarfing the likes of hurricane Katrina in 2005, which cost the insurance industry some \$62 billion. Amidst this devastation, there is untold tragedy, lives that clearly cannot be replaced and families torn apart. Japan however will rebuild itself not only with heroism but turmoil and endeavour.

Volcanic eruptions, earthquakes, tsunamis, meteors, hurricanes, storms, floods and changing sea levels are a part of the history and life cycle of the Earth and our existence. Often we forget though the lessons of history. Only last century parts of London lay under water. Today of course we have the Thames barrier. Will this be enough?

Natural and manmade disasters are often only a breath away. For many of us, flood, fire, accident and theft might seem closer to home. We all know stories of personal tragedies. Are you prepared? Are you protected? The insurance industry of course grew up to spread the cost, the risk and burden of such perils.

Chaos Theory tells us that chaotic events will occur, that the flap of a butterfly's wings on one side of the ocean may have an effect on the other.

Often we forget the cost of accidents and disasters in our personal and business lives. The Tohoku region of northern Japan, which bore the brunt of the recent tsunami accounted for 26% of Japan's rice production. Japan also accounts for 65% of the world's semi conductor production. If you are an IPAD or laptop lover you may want to reflect on this. Even Toyota and Honda factories have been closed down.

There are often many ripples beyond the initial disaster, which we do not foresee. Some parts of Chilli even 11,000 miles from the disaster zone experienced waves measuring 2 metres in height. Some 20,000 visitors were also stranded inside Tokyo Disneyland. A delight some might say, not though if you are in freezing temperatures and with a young bewildered child in your arms. Many in Japan have gone without electricity or food. Closer to home even a simple accident can cost as much as £10 million. On a grander horizon, the Tohoku earthquake shifted the Earth's axis by 9.8 inches and also increased the Earth's rotation, shortening the day by 1.8 microseconds. What will the effect be across the universe?

Whilst insurance is not a panacea, it provides us with an opportunity both in the home, our personal lives and our businesses to protect ourselves against risk and spread the burden when accidents and tragedies occur.

Japan thought that it was prepared. Are we? Certainly the calm efficiency and stoicism of the Japanese people deserve our admiration. There are clearly though lessons to be learnt by us all.

Russell Evans, LLB, MCI Arb
CEDR Solve Mediator
ResolveUK