



## Professional Profile

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### Robert Evans

*Divisional Manager – Aon Corporate Risk Services*

#### Risk Consulting Experience:

Robert is a Divisional Manager with Aon Risk Services Australia. He is also a senior member of Aon National Mining and Energy Practice Leaders Group in the Asia Pacific region.

Robert specialises in providing Insurance and Risk Management services to large heavy industrial clients with particular focus on Mining, Utilities and Steel industry segments. Over the past 10 years Robert has worked with a number of global companies in this sector including: Xstrata Plc, BlueScope Steel, Billiton, Anglo American, Anglovaal Limited, and a number of Queensland based utilities companies.

Robert's experience also includes working in Australia, UK and Africa.

#### Qualifications:

- Bachelor of Arts Degree in Law
- MBA –Henley Management College UK

The background of the slide is a photograph of a mining or industrial landscape at sunset. The sky is a deep orange and red, with silhouettes of power lines and towers stretching across the horizon. In the foreground, a large yellow mining truck is driving on a dirt road, kicking up dust. The overall scene is hazy and atmospheric.

# Emerging Issues in the Resource Sector

Metals and Minerals  
Industry and Insurance Market Trends

## Resource Sector at a Glance

- Boom times for the resource sector
- Profits are at record levels
- Expansion into new and untapped regions
- Growth means new risks
- Challenges for the Insurance Industry

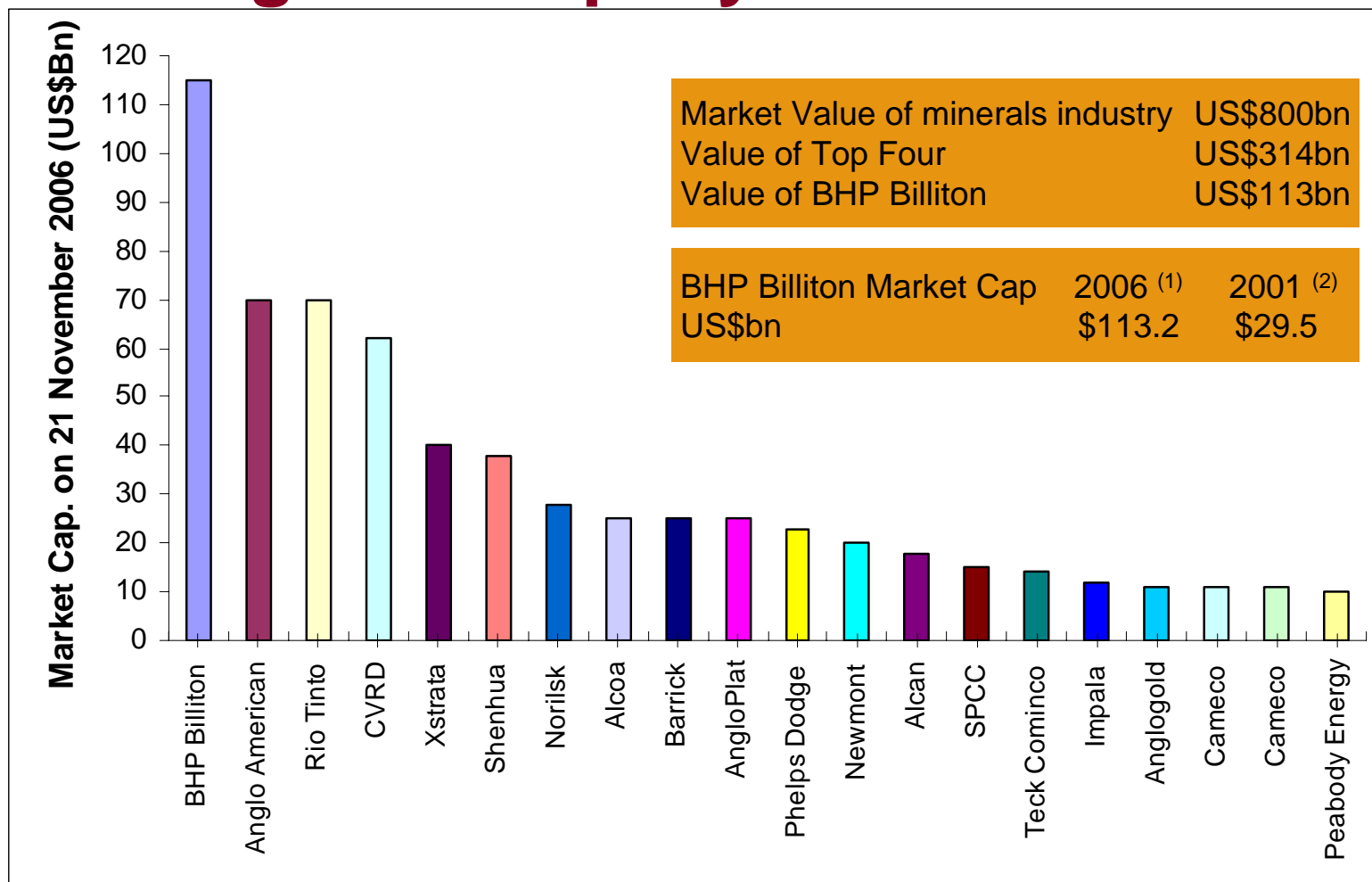


# Industry Trends

Current Forces	What does these mean for the sector?
Resource sector boom- demand from China and India	Increase in commodity prices
Record expenditure on mine development & infrastructure	Inflationary pressure on costs & available resources
Industry consolidation	Globalisation of industry
Corporate Governance	Greater responsibility for corporate impact on all stakeholders



# The largest company in the resources sector



Source: Datastream and Bloomberg data as at 21 November 2006)  
 1. Market capitalisation on 21 November 2006  
 2. Market capitalisation on 28 June 2001



# Challenges and Opportunities

- No longer a pure transactional purchase
- Requires integration of services
- Global network
- Compliance – Corporate Governance/FSRA



## Impact on Insurance Industry

- Record demand for market capacity
- Exponential growth in Property and Business interruption values
- Requirement for international and global coordinated services
- Contract Certainty



# Insurance Market Trends

- Soft market
- New capacity for mining risks
- Insurers remain cautious about writing mining risks
  - Underground
  - Coal mining risks
  - Claims



# A sample of Property International Mining losses

## 2005/06 Difficult Year for Mining Underwriters:

- **Significant number of large losses over last 15 months:**
  - SAG Mill failure +/- US\$270,000,000
  - Underground fire +/- US\$ 88,000,000
  - Shovel fire +/- US\$108,000,000
  - Earth tremor +/- US\$ 15,000,000
  - Skip winder loss +/- US\$282,000,000
  - Long wall collapse +/- US\$ 75,000,000
  - Cyclone – Mine inundation +/- US\$330,000,000
  - Roof collapse +/- US\$ 78,000,000
  - Evacuation of mine +/- US\$ 66,000,000
  - Landslide +/- US\$ 25,000,000



## Insurance Market Trends

- Combination of risk finance techniques required
  - Higher retentions
  - Access to reinsurance markets
  - Finite risk transfer
- Marketing risk to insurers
- High levels of embedded risk management required in mining operations



# Aon Total Cost of Insurable Risk Survey

	2006/2007	2003/2004
1	Corporate Governance	Reputation/ Image
2	Systems	Physical Assets
3	Human Resources	Systems
4	Reputation/ Image	Human Resources
5	Legal	Legal
6	Information Management	Corporate Governance
7	Lack of Innovation	Market Structure
8	Business Interruption	External Dependency



# Compliance

- Corporate governance and FSRA
- Contract certainty
- Admitted policies
- Global network of service providers
- Alliances



