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Lloyd's Survey Shows Taxes, Cyber Threat as Top Risks of 2013

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Corporations consider cybercrime and taxes to be nearly equal threats to the survival of their business, according to a new Lloyd's of London report ranking risk perception internationally.

The top three risks of 2013 according to a survey of nearly 600 C-Suite and board-level executives, are high taxes, customer loss, and cyber threat, respectively.

"The public scrutiny given to corporate taxation has become increasingly intense over the last two years, with governments and the taxpayer alike demanding greater transparency and changes to legislation," says Lloyd's chief executive Richard Ward, in the study's foreword.

High taxation, while not even a top-40 risk in Lloyd's first "Risk Index" study conducted in 2009, jumped to 13 in 2011 before claiming the top spot among companies worldwide. Overall, corporate preparedness was ranked 5.3 out of 10 points.

The fear is not necessarily reflective of reality, however. KPMG tax rate tables show that corporate income taxes have actually trended downward in recent years: the global average rate having fallen from 24.5 percent in 2011 to 24.1 percent in 2013.

"The reality for businesses appears to be that government ambiguity about business taxes, whether about extending jurisdictions, amending legislation or changing rates, may actually be more damaging for business confidence than the reality," states the report.

Cyber risk has been on international risk index since the study's inception, climbing seven points from number 20 between 2009 and 2011, and settling as the top-third threat of 2013.

Businesses have a real reason to worry over the dangers of malicious code, denial-of-service and web-based attacks on corporate and customer data. In 2012, the Ponemon study found that cyber crime wreaks \$8.9 million of damage a year, with a range of \$1.4 million to \$46 million annually per company.

"It appears that businesses across the world have encountered a partial reality check about the degree of cyber risk. Their sense of preparedness to deal with the level of risk, however, still appears remarkably complacent," the study says. Overall, preparedness for cyber risks ranked at 5.9 out of 10 in 2013.

The top three risks of 2009 were credit cost and availability, currency fluctuation and insolvency; these were replaced by customer loss, loss of a talented or skilled staff, and reputational risk in 2011.

According to the survey, risk management preparation has decreased overall—in 2011, 70 percent of respondents said they were better able to manage business and operational risks compared to 2009. Only 46 percent felt better-prepared than they were in 2011.

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