



Disasters

Katrina Rita & Wilma

The Result

The London Insurance Market

Steve Rudduck

Hugh Wood Group





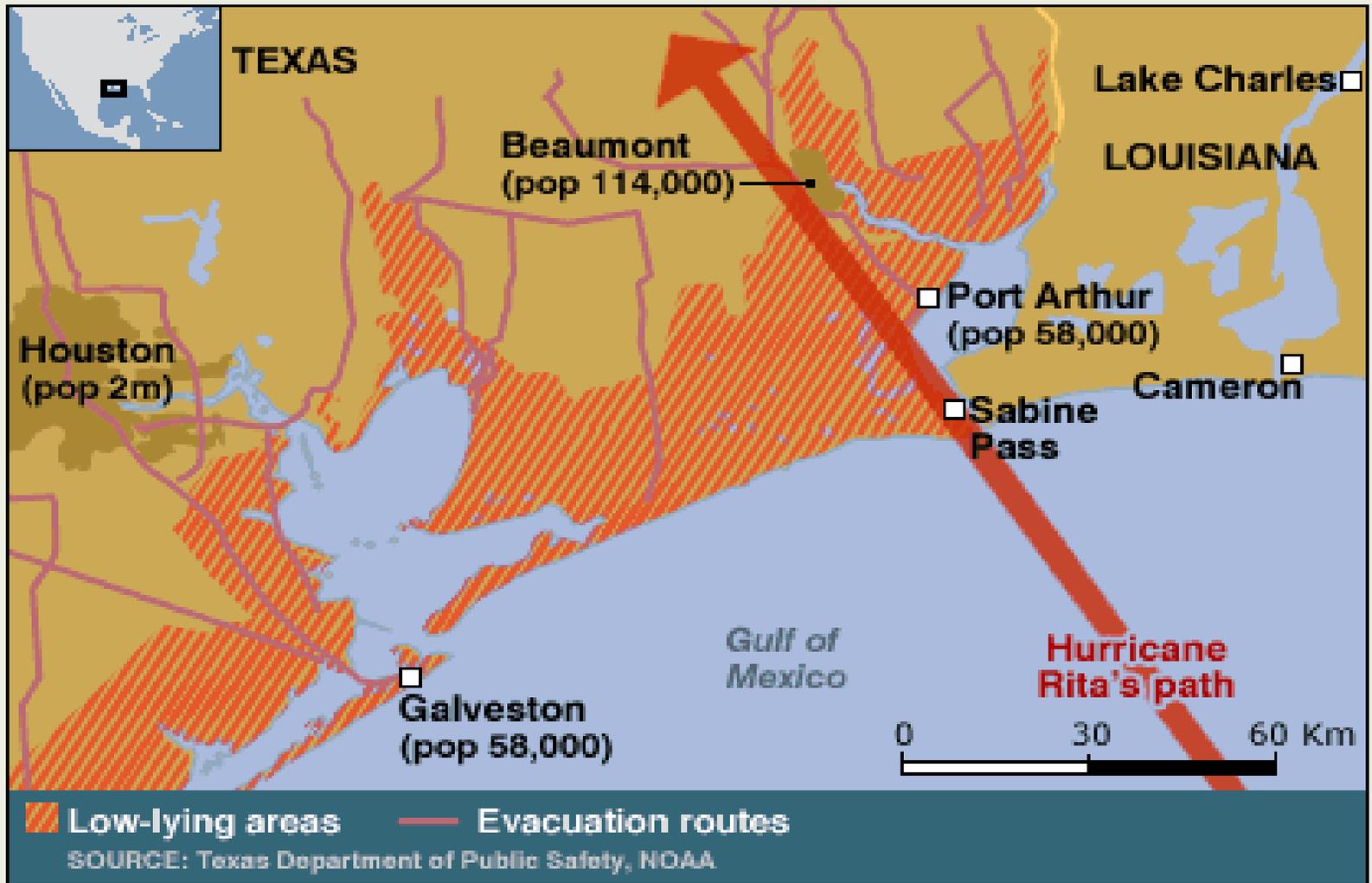
Katrina made landfall at Grand Isle, at 10am local time on 29 August.



Hurricane Katrina likely will be the largest insured loss from a single event since the terrorist attacks of Sept. 11, 2001 and the largest U.S. hurricane loss since Hurricane Andrew in 1992



Hurricane Rita hit the Texas and Louisiana coast on 26th September 2005





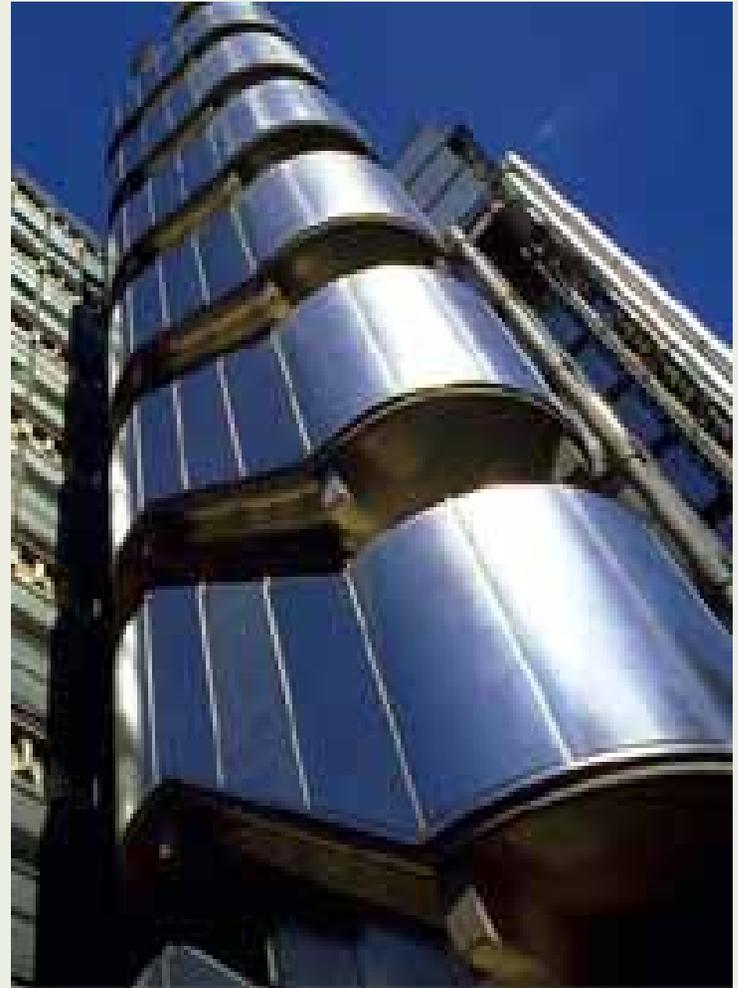
Not Again

Wilma was the 12th Hurricane of the season, along with 1969 being the most since records began in 1851



So Where Are We Today?

**Lloyd's
and the
London
Market**





US Hurricane Update

- **Lloyd's gross loss estimate is \$15,342m and net loss estimate is \$5,790m, split as follows**
 - **Katrina** **\$3,865m net**
 - **Rita** **\$1,053m net**
 - **Wilma** **\$871m net**
- **Reinsurance recoverable totals \$9,551m. The quality of this asset is very high with 93% rated 'A-' or above**



US Hurricane Update

- **Franchise guidelines mitigate against severe individual syndicate impact – loss is well spread**
- **Impact on Central Fund negligible and all syndicates are trading forward into 2006**
- **Recent impressive financial performance has strengthened market's resilience to major losses**

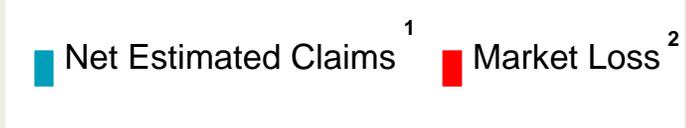
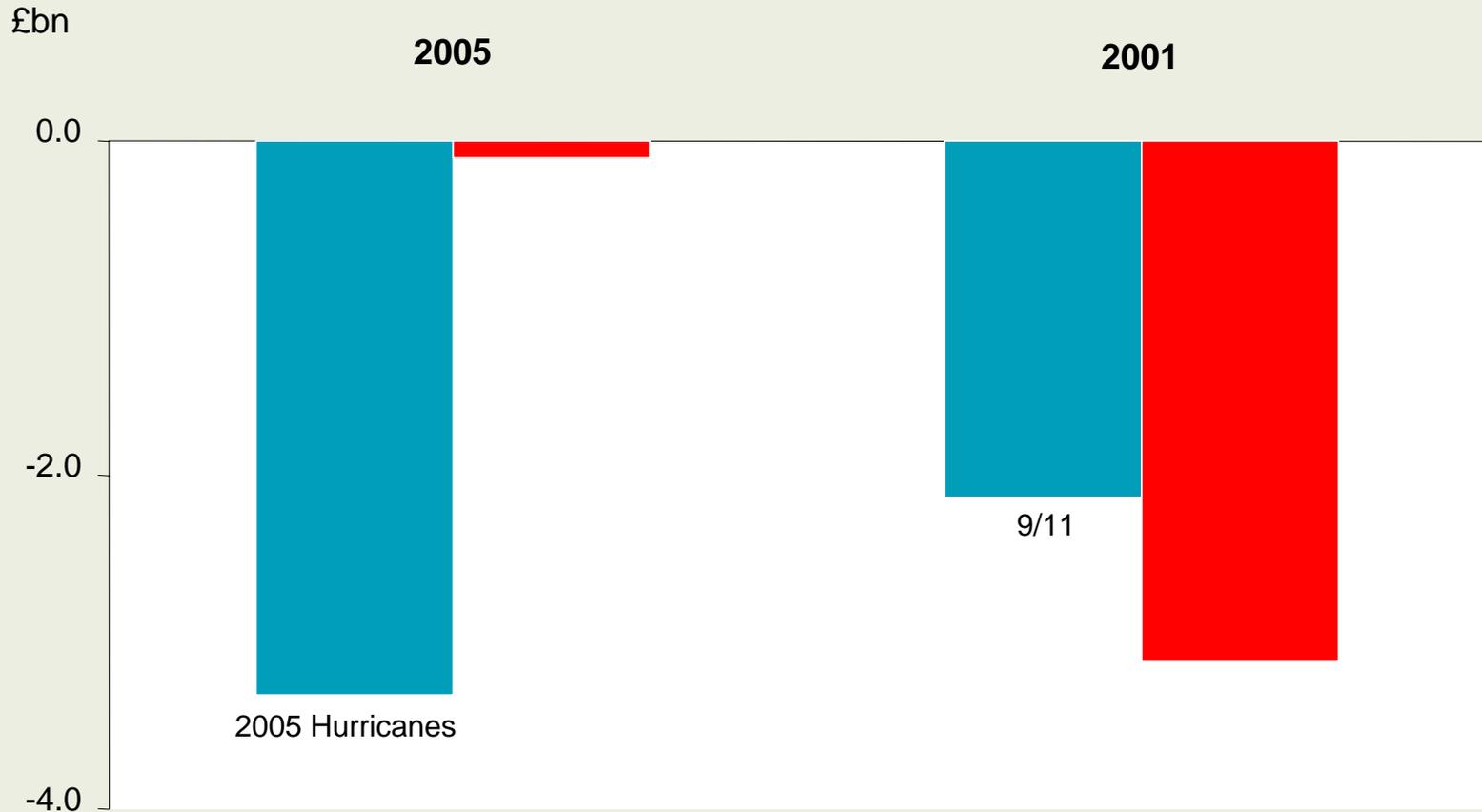


The Bermudan Market

- **Following losses of \$11.3 billion from Hurricanes Katrina, Rita and Wilma, Bermuda's Reinsurers registered a total net loss of \$2.8 billion in 2005**
- **Eleven Bermuda Reinsurers reported losses in 2005**
- **Since Hurricane Katrina five Bermudan companies have either ceased underwriting or re-orientated their business.**



Impact On Lloyd's Profitability Compared With 2001



1) Unaudited Quarterly Market Returns data. 2) Lloyd's pro forma financial statements.



Lloyd's Realistic Disaster Scenario (RDS) Portfolio

Generic Scenarios

(primarily utilised to monitor syndicate-level exposures)

Marine Event

North Sea – Loss of Major Complex

Aviation Collision

Major Risk Loss

Satellite Risks

Liability Risks

Political Risks



Lloyd's Realistic Disaster Scenario (RDS) Portfolio

Specific Event Based Scenarios (primarily utilised to monitor market-level exposures)

Two Events

Florida Windstorm

California Earthquake

New Madrid Earthquake

European Windstorm

Japanese Earthquake

Terrorism

Gulf of Mexico Windstorm

Japanese Typhoon



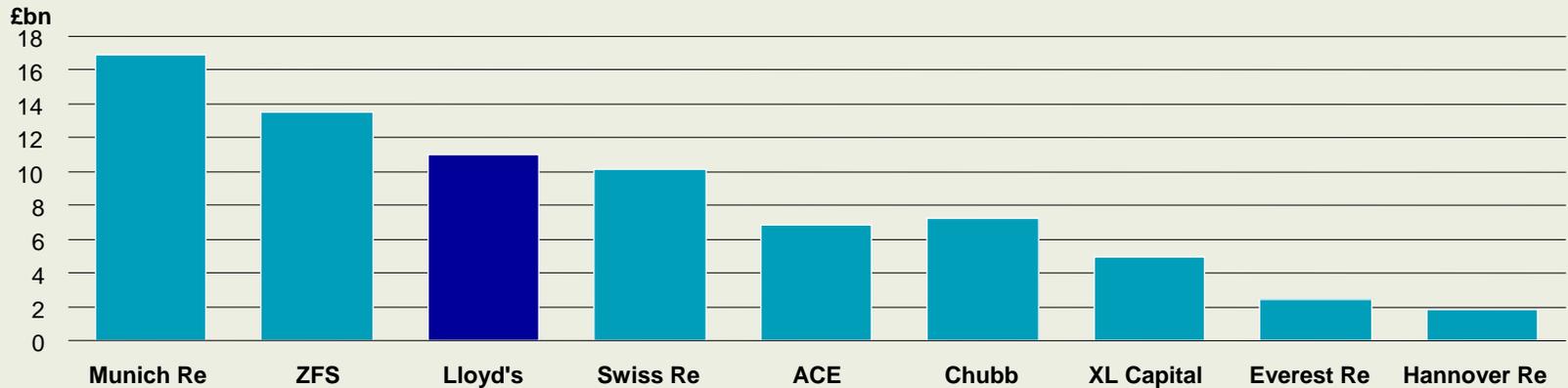
Key Revisions To 2006 RDS Portfolio

- **Two Event Scenario - this will now comprise of a North East US Windstorm with a total industry loss of \$65bn followed in quick succession by a Carolinas Windstorm generating a total industry loss of \$30bn.**
- **Florida Windstorm - increased to \$100bn from \$70bn**
- **Gulf of Mexico Windstorm - increased to \$100bn from \$65bn**

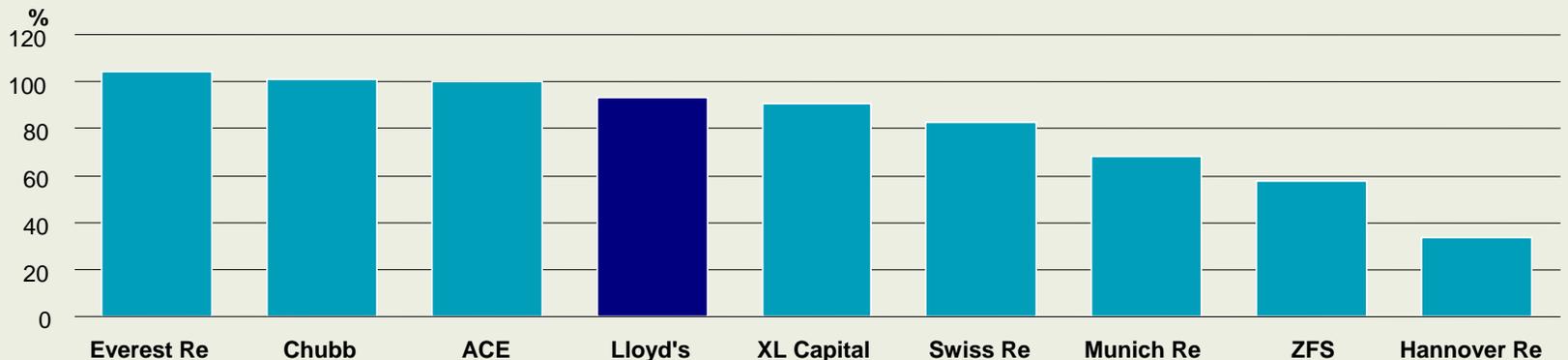


Shareholders Equity / Capital Ratio vs. Peers

2005 'Shareholders Equity'



Capital Ratio ('Shareholders' Equity' / NWP)



Source: Lloyd's / Company 2005 year-end announcements / Lloyd's 'shareholders' equity' (i.e. total assets – total liabilities) = £10.5bn. Lloyd's capital structure includes both severally and mutually held assets



Predictions for 2006

1950-2000 average ***5.9***

2004 ***8***

2005 ***14***

Klotzbach ***9***

Saunders ***8.5***



Summary

- **Insurance Markets remain strong despite size of losses**
- **Windstorm cover comes at a price, if available at all**
- **Out look overall is stable but Reinsurance markets need to recover if we are to see Capacity return for Windstorm**



Thank you

