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
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.
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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2001</th>
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<tbody>
<tr>
<td>Net Estimated Claims</td>
<td>£bn</td>
<td>£bn</td>
</tr>
<tr>
<td>2005 Hurricanes</td>
<td>-4.0</td>
<td>-4.0</td>
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<tr>
<td>9/11</td>
<td>-2.0</td>
<td>-2.0</td>
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<tr>
<td>Market Loss</td>
<td>-0.0</td>
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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

Source: Lloyd’s
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

Source: Lloyd’s
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
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

<table>
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<th>Year</th>
<th>Prediction</th>
<th>Name</th>
<th>Value</th>
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<tr>
<td>1950-2000 average</td>
<td>5.9</td>
<td></td>
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<tr>
<td>2004</td>
<td>8</td>
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<tr>
<td>2005</td>
<td>14</td>
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<td>Klotzbach</td>
<td>9</td>
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<td>Saunders</td>
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</table>
Summary

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