

AGERS - MADRID

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Robert Stevenson
Head of Underwriting and Business Plan Review
Franchise Performance

Agenda

- Overview of Lloyd's
- Impact of 2005 US hurricanes
 - Losses
 - Underwriting Changes
- Rating environment for 2007 – Lloyd's view

Overview of Lloyd's

- 65 syndicates
- 2005 gross written premium of £14,982m
- Society resources of £11,565m
- Gross written premium for first half of 2006 of £9,966m
- Major lines of business – Property, Casualty, Marine, Energy, Aviation & Reinsurance
- Combined ratio of 86.0% as at June 2006
- Profit before tax of £1,351m for first half of 2006

High quality stable ratings



A 'Excellent'
Affirmed July 31 2006
Stable Outlook



A 'Strong'
Affirmed August 17 2006
Stable Outlook



A 'Strong'
Affirmed December 12 2005
Stable Outlook

The Lloyd's Market Ratings apply to all business
underwritten by all syndicates

Source: Lloyd's

Impact of 2005 US Hurricanes

- 2005 was the most costly US Hurricane season with more than \$60billion of insured losses.
- Lloyd's current loss estimate is £3,517m from Hurricanes Katrina, Rita & Wilma as of 30 June 2006.
- Because of portfolio diversification and generally strong rate levels, Lloyd's 2005 year result was a modest loss of £103m.
- However, the post loss impact was not global event as it was with 9/11.
- Important lessons to be learned in underwriting catastrophe exposures.

After the Hurricanes

- The industry has had to re-evaluate its approach to exposure management and its use of catastrophe models.
- Lloyd's has increased the value of its US Hurricane Realistic Disaster Scenarios (RDS) to \$100billion.
- Changes to terms and conditions – restructuring of catastrophe exposed policies
- Significant impact on Offshore Energy, US Property direct and reinsurance
- Demand for traditional reinsurance for catastrophe risk outpaces supply
- Alternatives to supplement traditional reinsurance are now viable -- Catastrophe Bonds, Reinsurance “Sidecars”.

Market environment for 2007 – Lloyd's initial view

- A tale of 2 markets – US catastrophe exposed classes and all others.
- In the US continued limited availability and firm pricing for:
 - Windstorm exposed Property Insurance & Reinsurance
 - Energy – Onshore and Offshore
- Main drivers are catastrophe models, rating agencies and reinsurance availability.
- But an increasing gap between the 2 markets means it is more difficult to manage a balanced portfolio.

Market environment for 2007 – Lloyd's initial view

- Important to retain underwriting discipline for non-US Catastrophe classes.
- Many classes are already flat or softening.
- Some classes/territories under extreme pressure
 - Airline
 - UK/International Liability
 - UK/Australasia
- 2007 is a very important year whether the wind blows in the US or not!



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LLOYD'S