

Duration: 0:37:29

Presenters

- Richard Ward
- Luke Savage
- Rolf Tolle

Richard Ward: Ladies and gentlemen, thank you for joining us this morning for the presentation of our first half results. As usual I'm joined here by my colleagues, Luke Savage, Finance Director, and Rolf Tolle, Franchise Performance Director. Bit of housekeeping; I'm sure you're aware we're webcasting this, so if you keep your mobiles off, that would be most appreciated, you do get some interference with microphones.

I'm going to cover just very briefly an overview of the market, a few achievements in the first six months and a highlight in the financials, and then pass over to Luke who'll go through far more detail of the financials, and then we'll open it up to a general Q&A and I'm sure you'll have questions for Rolf on market conditions and impacts of hurricanes and the suchlike.

Just to give you an overview - and probably no one in this room needs reminding; this has been quite a tough first half for everyone in the marketplace. We've been faced with softening rates in the insurance market; we've been faced with increased frequency of claims, we've been faced with increased cost of claims as a result of commodity price inflation. And in addition to that of course, we've had the financial turmoil that really has reared its head in the past three weeks. So for us, the focus absolutely throughout 2008, as it was before, has been on managing the cycle, focusing on underwriting discipline, focus on promoting market discipline in the Lloyd's marketplace. And whilst ensuring that the underwriters focus on writing the right business at the right price, we have continued to build our financial positions, so we have a strong central fund, it's the strongest ever, close to £2 billion, and that positions us well going forward.

Looking at those two things; managing the cycle, financial position, and also the progress we've made on business process reform, it's always pleasing to see the rating agencies reaffirm our rating of A+ stable, from S&P and Fitch, and A from A.M. Best, so a strong rating position.

We haven't been idle in the six months. We've continued to look at our marketplace and see how we can present greater opportunities to our underwriters and so we have been expanding our global reach. I'm sure you're aware we've been the first reinsurer to get admitted reinsurance status in Brazil. We continue to build on other platforms, repositioning China, building on Singapore and we're also seeking further licences in Europe, to build on our cover holder business. So, establishment licences in Poland, Portugal, Czech Republic and Austria are in the pipeline. So good progress on continuing to expand our market reach, whilst also just improving the overall efficiency of the Lloyd's marketplace.

Business process reform has been a theme for the past two years. We've continued to make excellent progress in that area. Now over 90% of premium related documentation is processed electronically, the white vans to Chatham no longer run with such frequency, and also 90% plus of new claims are now processed electronically. Those two things are very important steps in our drive towards greater market efficiency, and also in our drive to change the culture of the Lloyd's marketplace to encourage people to look how they do business, how they place business, and improve the overall efficiency. So we're pleased with progress there.

And finally, I'm also sure you're aware you've heard about our governance reforms. The LRO that's currently passing through, or will pass through Parliament when it gets back from its summer recess. We actually had an EGM in, it must have been about April/May of this year, where we had our membership vote on the LRO and we had 99% support of our membership for the changes being proposed in the LRO. Just to summarise those changes, there are two aspects to it: one is around governance, to bring our governance into line with best practise where possible, and the other is actually around market access and removing barriers to entry to allow a more open market access to the Lloyd's marketplace. So removing the requirement that only Lloyd's brokers can access Lloyd's, but also removing the divestment provisions whereby brokers are prohibited from owning underwriters and visa versa. So it's

about opening the market access and putting us onto an equal footing with the companies market.

So good progress. What do the financials look like? Gross written premiums - before I go into the actual numbers, just to remind you. I'm comparing here the first six months of June 2008, versus the first six months of June 2007. June 2007, or 2007 in its entirety – was a record year for Lloyd's. £3.8 billion profit for the Lloyd's market, on the back of obviously of quite a benign claim season, and on the back of strong rating environment coming out of 2006. So we are comparing our results for the first half against the best we've ever had in the Lloyd's marketplace.

Gross written premiums, broadly flat with last year - Luke will go into greater detail around that if you would like and/or Rolf. Combined ratio, 89% playing 83% from the first half of last year. Again, no surprises there. Market rates have been deteriorating, the market is softening, and we are seeing an increase in frequency and cost of claims. So no surprises in the combined ratio, moving up to 89%, but it's still a pretty strong performance. Investment return, £346 million - that's 59% down on the last year. Again, no surprises there and actually more importantly from our perspective, we're pleased with that performance to show a positive return, 0.9% positive return in our investment portfolio is actually a good result. We have adopted a very conservative investment strategy that's been in place for the past couple of years. Luke will go into greater detail around that, but that conservative approach to assets, and actually also to liabilities has held us in good stead for the first six months of this year. So that has led to a profit before tax of £949 million, 47% down on last year. Return on capital, an annualised return on capital here, 14.7%, so it is still a healthy return on capital – not as healthy as last year, 28%, but still 14% is a good result.

The message I want to leave you around these results is, it is a strong performance particularly given the market conditions that we have faced in the first six months. I mentioned combined ratio, we always look at our combined ratio versus our peers. Here I am plotting out the usual graph that you have seen for the past probably six years, looking at our combined ratio of Lloyd's versus the US P&C industry, US reinsurers, European insurers and reinsurers in Bermuda. We have continued to outperform the bulk of our peers. On this occasion the Bermudans have been put in a slightly better performance of 86% playing our 89%.

However, if you strip out from the Lloyd's market just the reinsurance portfolio and you compare that to the Bermudans which is probably a more appropriate comparison, we have outperformed the Bermudans and have a lower combined ratio than the Bermudians. But the general message is that 89% is a strong performance. US P&C is at 99%; US reinsurers at 98%; Europeans at 96%. And it is only the Bermudians who are at 86% have done slightly better and that is because they are focused on the reinsurance portfolio and we have got a broader spread. So that is the highlights that I would like to go through. I would now ask Luke to cover the financial results. I will then come back and summarise very briefly before opening for Q&A.

Luke Savage: Thank you Richard and good morning ladies and gentlemen. Let's first take a look at the P&L. As Richard said gross written premiums are flat period-on-period, but what that actually masks is that underneath that a significant number of our established businesses have actually been cutting back their premiums this year; so on average down 4 or 5%. So that has then been countered by new business being brought into the Lloyd's market from new syndicates setting up and revenue books typically, for example, the London market.

Incurring claims - up - as Richard said. This is largely around our attritional losses and it comes as a result of both an increasing frequency and to a lesser extent and increasing magnitude. We have for the past couple of years seen a very benign claims environment, so seeing the frequency pick up a bit is not surprising. But what we are also seeing is that with the global increase in commodity prices, that is feeding through into the cost of settling some of our claims given the kind of book of business we write.

Operating expenses - I will come back to in a moment and a subsequent slide as with investment return.

The only other thing I will touch on here is the other income and expenses, where you can see year-on-year other expenses are down quite significantly. And two things that are compensating one another there; one is that last year's number included the £90 million premium that we paid to Equitas as part of the Berkshire Hathaway deal. So that has dropped out of the figures, but that has been offset by higher funding costs coming in on the subordinated debt that we issued in June last year, so it

wasn't in the first half year figures for last year, but is in the first half of this year.

Let's just look at how that combined ratio of 89% was made up. You can see from the blue bars on the left that the attritional losses have drifted out from 85.6 to 92.9%, and that is the increase frequency and claims inflation that I have just mentioned. To that we add just 2.5% for major losses in the first half of the year. There have, around the world, been a number of major insured losses hitting the headlines, but we have largely avoided those, and I think for us the biggest single loss was on a steel plant owned by Severstal.

Moving across, you can see prior year reserve movements, still acting very favourably, 6.4% which is a tad over £400 million of prior year reserve release, and what we have seen is that those reserve releases are coming from materially all syndicates from all the years, and moreover the work that we do around reviewing reserves across the markets and across the syndicates leads us to believe that we still have a very comfortably reserve balance sheet at this point. So, overall put that together, and we end up with 89% out from the 82.9% last year.

On operating expenses, you can see that operating expenses have drifted out 6.9%. By far the biggest item within this, is acquisition cost where you can see, up 4.4% year-on-year. That equates to our average acquisition cost increasing from a touch under 21% to about 21.5%. That is not surprising given that a number of the major brokers in the market have been quite open in saying that as markets soften, they are looking to increase their commission rates in order to cover their own ongoing cost basis, and so we can see that starting to get some traction in the numbers we are reporting here.

Moving down, admin expenses up quite significantly; two or three drivers behind this. One is the general inflationary pressures that any business operates in, particularly in London, is subjected to. But secondly, we have quite a strain on expenses for our new syndicates. When a new syndicate sets up at Lloyd's or a new managing agent, there are quite a lot of upfront costs that hit the P&L before they actually start to earn premium through into the P&L. So, those start ups have added quite significantly to the ratio. The third element, is that there are a couple of managing agents where they change the basis on which they recoup their cost – so they

have stopped charging managing agent profit commissions, and instead they're recouping cost directly through the admin expense line. So that has pushed that line up, but in turn it means the managing agent profit commission line is lower than it otherwise would have been.

That line itself managing agent profit commission up 27% period-on-period, reflects the fact that 2006 and 2007 were both very, very good years for the market has Richard referenced, and off the back of that we are paying profit commissions away to the managing agents. If you are trying to compare the Lloyd's market versus the Company market, you really have to add this number back into the results to make that comparison, because in the company market they make a profit and that is it, that is the number. Whereas in the Lloyd's market we make a profit and then we abstract some of that through this managing agent profit commission and this is separated from the return that is being achieved by the capital providers. As I say, for a like-for-like comparison you put that number back in.

Let's turn to the investment performance – You can see on this slide across the top, we have our different major buckets of assets, syndicate level assets, funds at Lloyd's, which is the equivalent of the members' capital, and then central assets. And down the side, the asset classes and at the bottom on the left hand side the returns that have been generated on those. If we start with the bottom left hand corner, you can see that the syndicate level assets which constitute most of our balance sheet returned at a positive 1.2% in the period, and moving across the funds at Lloyd's return 0.7%; and then the central assets from an accounting perspective at least, showed a small loss of £20 million or 0.9%. But it is worth pointing out that a large proportion of the central assets around £1 billion of that, is invested to hedge our subordinated debt liabilities. Now the debt sits in the balance sheet at the cost of £1 billion and the assets that's hedging that from an accounting perspective will be mark-to-market. So what we have seen over the period is with rising yields the asset value has fallen, the debt has remained unchanged, and it throws off an accounting loss. On an economic basis, if we were to mark both sides to market, we'd actually see a swing in that number from minus £20 million to something closer to plus £70 million; so, economically, a very robust performance.

Overall, to return 0.9% in the period, is actually a very good performance. If you were to look at Government benchmark yields over the same period, Government benchmark yields are something like 1.2 or 1.3%; so to come close to the risk free yield given the volatility that we have been seeing, is actually a testament to the conservative approach we have to our asset investment.

You can see that reflected here on the slide, where we have got two of the three asset pots broken down - on the left hand side is syndicate assets, and on the right hand side the central fund assets. In the two blue bars you can see that on syndicate assets some 87% of our assets are in cash, Government, AAA and AA bonds. So, very, very high credit quality within the balance sheet.

On the right hand side, the number is slightly lower; it is 81%, but still a very conservative asset mix. It is worth pointing out here that as a market as a whole, we have a very low exposure to equities - on the previous slide the average equity content across the balance sheet was some 6% - that compares to 10%, 12%, maybe 15% amongst a lot of our peers. And very importantly, as a market we have no exposure to the kind of derivative activity, things like credit default swaps and so on, that has put a number of other players in the insurance industry under considerable strain recently.

I think it is fair to say in the past, a number of analysts have passed comment and not necessarily positively on our conservative approach to asset investment. I think it is now coming home to roost quite why it is that we are so comfortable with that approach.

That said, we cannot invest £35 billion worth of assets across the market without being exposed to the current volatility, unless we put it all into Governments, so it is fair to say that within our asset mix we do have limited equity exposure, we do have limited corporate bond exposure and so on, and therefore we have to recognise that there is a chance that we could be subject to things like credit losses in the event of actions like Lehman's taking place.

We don't normally use this slide, but we thought under the extreme circumstances it was worth including it, and what it shows is for the past five quarters, the overall asset return for the market. So, if you look at the

second and third bars, Q3 and Q4 2007, you can see how the Lloyd's market benefited from the flight to quality as the credit crunch and subprime started to bite, contributing towards the 2 billion of investment income that we made last year. But in the first half of this year, as inflationary pressures cause yields to rise and stock markets to fall, our investment income has suffered. But importantly if you look at Q2 2008, you can see that even in the troubled times in Q2 2008, as a market we more or less broke even. I think that is very important that even in these times we are talking about a loss of earnings, we are not talking about capital erosion, our capital remains intact, which is why as I say we are so comfortable with the position that we have got.

Worth also commenting is that if we extended this graph out into Q3 as those inflationary fears have given way to recessionary fears and yields have started to fall again, we've actually seen a strong investment performance so far in Quarter 3, despite the turmoil of last week and indeed the ongoing turmoil of this week.

That capital preservation amongst our assets ripples through into the balance sheet, where you can see in the top line we remain very liquid; £36 billion of cash and investments, up from £35 billion last year. I have to say the rest of the balance sheet is pretty dull, there is very little change anywhere else, but it is worth commenting that our net resources at £13.4 billion unchanged from last year, is after us releasing in the order of £2 billion of profit and syndicate loans between last June and this June.

Our central assets at the bottom, £1.9 billion; on paper look as though they are down slightly year-on-year, but you have to remember that as at June 2007 we had just been to the debt markets and we'd made a commitment to repay £330 million of syndicate loans. That hadn't actually come out of the balance sheet at June month end, but it means effectively our free assets were £1.8 billion rather than £2.1 that was in the accounts.

So where we are now, sees us with our strongest ever central assets for solvency purposes. This shows you the past four year ends and the breakdown of what contributes to our central assets and you can see at £2,488 million up marginally from the year end. Against that you can see the green lines sloping from top left to bottom right, the solvency deficit, the amount that we would expect to be paying out of the central fund in future to meet the shortfalls of insolvent members, and the important

figure is the net of those two, the solvency surplus which at £2.3 billion is a record high.

And we are so comfortable with the strength of that central fund that for 2008 we went out and cut the contribution rates that members pay to participate at Lloyd's to 0.5%; that is the lowest cost of mutuality that the market has benefited from in over a decade.

So, I guess in summary, I would say, a very strong set of results in very turbulent conditions. A very strong balance sheet, a lowest cost to mutuality for over a decade, but nonetheless recognising that we've got tough times ahead. On that note, I'll hand you back to Richard.

Richard Ward: Thank you Luke. Just to summarise – as Luke said, things are not going to get any easier for us, they're actually getting tougher as we move into the latter part of this year. We've seen softening across all, or nearly all lines of business; and clearly the excess capacity that we have in the market is putting downward pressure on rates. Two hurricanes have come through this year, Gustav - estimates between \$4-\$6 billion, market estimates that is. And hurricane Ike - estimates between \$8 - \$12 billion in terms of losses. Too early to say what the impact of those will be on our market and what our losses will be. And also whether there will be any impact on rates. So we'll just have to wait and see until we get to the 1-1 renewals as to whether Gustav and Ike combined with AIG actually have any impact on the rates.

And finally, very difficult to predict, where these financial markets are going, I know that's your job. From where we're sitting, we're pleased that we've got our conservative investment strategy in place, it has served us well throughout this year, pleased we have got a conservative approach to liabilities as well, that also has served us well through this year.

So we are in a strong position, strong finances, strong underwriting discipline, but challenges ahead. Our usual disclaimer, and now we'll happily take questions.

Any questions, we also can take questions from the web cast as well:

Barrie Cornes: Morning. Barrie Cornes from Panmure Gordon couple of questions if I may. First of all, Rolf when you arrived, shortly after you

arrived, you took some quite severe action in terms of some of the underwriting companies within Lloyd's. That was in a hard market. Now we're in a soft market and getting softer, we don't see so many visible signs of you taking action, I'm sure you are behind the scenes, but we're not really seeing it. Could you comment on what's going on in your area please?

Rolf Tolle: Well I think that I don't have to take action, just shows that people are learning. And I think after five years of bringing discipline, I think today we don't have the problems which we had in the past, when I came in. So I think that's the reason why you have seen it. But we have done a lot of work of course behind the scenes and upfront over those years and the result of that, we are a strong market, we have better players and people are much more disciplined than they've ever been before.

Barrie Cornes: So the rising combined ratio would have been higher, is what you're sort of suggesting?

Rolf Tolle: Yes, definitely. That definitely would be the case.

Barrie Cornes: Okay. And the other question I had was, concerning AIG. I know Richard you mentioned we'll have to wait and see what the impact will be, but I'll be keen to hear your thoughts, certainly some commentators, I find it hard to believe that they're suggesting that it's a market turning event, rates will stop slowing down, all this sort of thing. I wondered what your view would be please?

Richard Ward: Well I mean, as I said, I think it is just too early to call, whether the impact of AIG and the hurricanes will be a market turning event. We are still getting details of the AIG bail-out and we're still waiting to see what the UCA is planning to do with the insurance side of the business. I mean, suffice to say, the problems that AIG have had, have not been on the insurance side and they're robust on the insurance side, it's in the financial products division that they've had their problems. I think it's in everyone's interest that AIG continues to trade forward, it's a strong and healthy competitor to Lloyd's and other markets and I think we all benefit from that competition.

Barrie Cornes: Thank you.

Nick Johnson: Good morning - Nick Johnson from Numis Securities. Two questions. Firstly, on price adequacy; I mean you talk about claims cost inflation. Obviously the numbers you've just reported do reflect business written in a harder market. How do you judge price adequacy currently?

Rolf Tolle: I think it's fair to say that in 2008 in most of the lines, there is still a margin. There are only very few lines which may be getting near the breakeven or exceeding that. I think one of the lines we have looked at and where people say, now the market has turned, is UK Motor, but it's a very small line for us. But everything else is under pressure, but it still has a margin. And I think looking at where we stand today, looking at the plans going forward and making the assumption that neither Ike, Gustav or AIG together has been the market change, when we expect further slippage in the rates, which would then potentially in 2009, bring some of those lines very near to the breakeven point.

Nick Johnson: And slightly leading on from that second question is, what are you expecting from market participants next year, in terms of regulatory capital and also business plan?

Rolf Tolle: What we expect from them is to continue to have a very disciplined approach if these assumptions holding true, that they cut back further, prune the book; if necessary make changes in the book and it will also I think result in a softening market that the overall capital would go up and I think, Luke do you want to comment on that?

Luke Savage: I mean we are now approaching an environment where everyone's cap is based off of the ICA - the regulatory capital number. And that is far more sensitive to cycle movements, than the way we used to set capital a number of years back. So, in a softening market you would naturally expect capital to be going up. The flip side is, if they're cutting back, because they're writing less business, that would tend to counter that. So, you can't make a general statement, other than say, a softening market would drive capital up, you have to take the cutbacks and softening in combination, to see where that would actually ripple through. I think bottom line is, we're very comfortable with the way we're setting capital now and I think that's reflected in, for example, the performance after the storms in 2005. So, we don't have any worries about people being inadequately capitalised.

Chris Hitchings: Chris Hitchings, KBW. Two issues. One, is that you've talked about the overall credit quality of the funds. But that of course is an amalgam of lots of the individual members' decisions. There's been the odd mutter, that the funds that Lloyd's itself invests, have been perhaps taken rather more credit risk than those which are invested themselves. Do you see any justification for that; and if so, have you done anything about it?

Luke Savage: Certainly in terms of the central fund; we showed the figure of 81% in cash, government, AAA and AA. I think it's 52% I think of that figure is in Governments. It's a much higher proportion now than we had 12 or 15 months ago. So we have been consciously underweight corporates since these problems erupted 15 months ago. We also at any point in time, have a large amount of cash to invest and that cash has to be placed with banks, which inherently provides us with credit risk. So again over that period, we've been taking money out of cash and putting it into Government and spreading the money around more thinly amongst the banks that we are using. We're actually in a difficult position, where the further you try and spread it across more-and-more banks, the further down that credit quality you go. So, we've been taking a number of steps to reduce the credit risk. That said, it is the long term investment portfolio of the market. The premium trust funds, our working capital, members funds at Lloyd's have a slightly longer duration and the central fund is that long term core, so you would expect it to have a longer investment duration and potentially a higher risk appetite. But we're very comfortable with that, we have an internal investment committee that oversees that process, which met as recently as this week and we're comfortable with where we are.

Chris Hitchings: And the second question is: have you done a ring around over the recent weeks, of everyone to see what kind of counterparty risks you may have, both on investment and on the liability side of Lehman, AIG and other issues – and what are the results?

Luke Savage: Yes, we have done and we're comfortable with the results. We're comfortable that we do not have undue concentrations.

Chris Hitchings: And is Lehman really the issue, or is AIG the issue?

Luke Savage: In terms of which way we have the bigger exposure – Rolf?

Rolf Tolle: AIG is far bigger. It's AIG Group particular, because Transatlantic is part of...it's much, much bigger. Lehman really is not the issue at all.

Richard Ward: But AIG is not the issue either.

Luke Savage: Transatlantic Re, where we have most of our reinsurance receivable out of those two, has retained its AA rating, it's not downgraded, it's a good business, so we don't have concerns there.

Chris Hitchings: And finally, I know Mr Ward is relatively new to the insurance industry, but those of us like Luke and Rolf and myself who have seen it are probably well aware that the problems in previous cyclical downturns was sensible underwriters retrenched, but new entrants came in with whacky business plans to do silly things. So I'm slightly perplexed at the tone of Luke's comment that premium income is flat, because a lot of sensible underwriters were retrenched, but we encouraged new entrants in. Can you assure us that things are different now?

Richard Ward: Yes, we can assure you. Luke is going to put a slide up, Rolf will comment in a second. Just let's be very clear, the existing businesses have been cutting back, the new businesses that have been coming in are subject to an extraordinarily rigorous process that Rolf and his team run. That did not happen before.

Rolf Tolle: As you know, really the criteria to get through the door into Lloyd's, is not only capital and quality of capital and plan and have the people, but also what do you bring to the party. And we've always insisted that you have to bring business into Lloyd's, which we either don't have or don't have enough in our opinion. So that as a result is, that the premium these new people are showing, is new premium to Lloyd's and is not premium they have taken off the desk of people who have been in existence here. I think we should never forget that. I think the other thing, which I think for me is quite important is: if you don't get people who make Lloyd's, who get people in who make Lloyd's a better, stronger place going forward and I think over time we will wither away.

Richard Ward: We are a market place. Luke, you've got a slide to show:

Luke Savage: We did anticipate a question like this. So hopefully in the appendix, here we go, that this chart here just shows what happens to capacity, over a five year period last time round, in the left hand bars, in a five year period this time round in the right hand bars. So you can see that in '96 to 2001 the capacity of the market grew by in excess of 60% over that period, as rates were falling. If you look at the right hand bars, you can see that capacity over the five years, most recently, has actually been pretty much unchanged. So, given that there is still margin in the business, you wouldn't necessarily expect the aggregate to be cutting or to be falling away at this point, because people are still writing profitable business. But I think that chart to me is very telling in terms of the difference between now and prior to the creation of franchise performance directorate.

Chris Hitchings: So no more nodding donkeys?

Rolf Tolle: They get killed before they start nodding *[laughing]*

Richard Ward: Right, okay, woe betides anyone who steps out of line with Rolf, I can tell you.

Derek Campbell: Derek Campbell, Legal & General, representing bond investors...or a bond investor. First of all, congratulations on starting the meeting on time, very few companies seem to be able to do that these days, so thanks for that. A question on D&O and E&O experience. What's the up to date position and what do you expect for the future? I'm sure the newspapers are going to be full of it over the next few months.

Rolf Tolle: Yes, I think when we look at the D&O exposure, I don't know if you're driving at sub prime with one area, which we haven't seen any further development on what we have announced earlier. We are still talking at an amount of less than £100 million. We have around 200 advices; so the advices may creep up, but the quantum hasn't changed very much. So we're very comfortable with that. We have also, after the turmoil over the last couple of months, have looked at our exposure, D&O and E&O exposure, particularly for the banks involved; and again, where either have very small involvement or no involvement and that is still a result of our withdrawal from a lot of the investment bank protections really after the last cycle, when it cost us an absolute fortune. I have to say, it

may be that we are now in a time where, when things are changing dramatically, I saw Warren Buffet invest in Goldman Sachs, maybe it's time for Lloyd's to look at D&O again.

Derek Campbell: And one for Luke. On the alternative investments, the hedge funds etc. You went into them on the basis they were uncorrelated to other assets; would that still be the case and has it been your experience?

Luke Savage: Yes, absolutely. If we were to have shown a slide showing the breakdown of the central fund performance; our equity portfolios along with everyone else's equity portfolios have shown some significant losses this year. By contrast, as at the half year, our hedge funds were showing a positive return year-to-date. So we went into things like hedge funds and property and high yields and emerging markets, to give ourselves more diversity on the asset side of the balance sheet; and that's proved to be successful. The central fund performance would have been worse, had we not gone through those changes.

Richard Ward: Any questions from the web cast at all?

Christina Nallaiah: Yes, we have one question from Manish Bakhda from Barclays Capital regarding: I appreciate that you have not determined exposure to Gustav and Ike, but what level of claims costs – net and gross – would you be expecting from your models; and what level of claims would trigger further action to improve on your RDS scenarios?

Rolf Tolle: First of all, neither Gustav nor Ike are even near to our RDS scenarios we're running for those territories. As you know, for Texas our RDS scenario is in excess of a hundred billion; and if we say Gustav is a loss of 8 – 12 billion, maybe 12 billion even if we take the onshore part in, then you see that we have no reason at all to look at our RDS because I'm not inclined to reduce the RDS amounts. That's the first. The other part is the question: what is our involvement. It is honestly too early; we know that people are flying out to see what has happened on the offshore site; we have got the first adjustors in. We have asked the market to give us, by 10th of October, a large loss return for Gustav and Ike and that would give us a little bit more of a handle of what we have. I see both losses really as business as usual losses, which should be covered in the catalogue people put into their books.

Richard Ward: Any other questions from the floor here, any questions?
Right, well if there are no further questions; thank you very much indeed
all of you for your time.

Thank you.