

MARKET BULLETIN

From	Director, Franchise Performance (extn 6743)
Date	1 November 2005
Reference	Y3657
Subject	Major Loss Return in respect of Hurricanes Katrina, Rita and Wilma
Subject areas	The Major Loss Return applies to all agents managing syndicates with expected losses from the above named Hurricanes
Attachments	Appendix 1: Guidelines for completing Return
Action points	Managing Agents to complete Major Loss Return
Deadlines	24th November 2005

Purpose of bulletin

The purpose of this bulletin is to notify Managing Agents of a further Major Loss Return to monitor the overall impact to syndicates and the market arising from Hurricanes Katrina, Rita and Wilma.

Which Syndicates are to Complete Return

The return is compulsory for all syndicates with losses to any or all of Katrina, Rita and Wilma. **Please visit the Market Reporting website to check the status of syndicates you expect to make a return for.**

To facilitate data collection in a familiar format, reporting software consistent with Realistic Disaster Scenario reporting software has been developed. The MLR Reporting Software will be available for download from the Market Reporting web-site on 1st November, and completed returns should be returned to the Market Reporting web-site by noon on Thursday, 24th November.

The return deadline is timed to coincide with 3rd quarter QMR. Syndicate reported losses to Hurricanes must be consistent across both returns.

Treaty Reinsurance Utilisation

Managing agents are asked to provide syndicate specific details, in a prescribed format, of syndicate outwards treaty reinsurance protections, in force as of 1 November 2005 (i.e. post-Wilma), detailing the extent to which cover has been used by any or all of the three events.

The template format, including example programmes, can be downloaded from the Market Reporting Website and should also be returned by noon on Thursday, 24th November.

Further information

If you have any queries about this market bulletin, please contact a member of the Loss Modelling team within the Franchise Performance Directorate: Paul Nunn on 020 7327 6402, Trevor Maynard on 020 7327 6141, James Boyce on 020 7327 6534 and Junsang Choi on 020 7327 6496

This market bulletin has been sent to active underwriters and to the compliance officers of managing agents.

Rolf Tolle
Director,
Franchise Performance

Guidelines for Completion of Return

1. Reporting of Best Estimate Loss Figures

Managing agents are asked to provide point estimates, representing their best estimates, subject to the following proviso: where there is significant uncertainty relating to a particular contract, managing agents should provide a conservative (pessimistic) assessment of their losses and highlight this in the commentary section. The approach taken by agents should be consistent with that applied in completing the April 2005 RDS.

2. Use of Commentary

Managing agents are requested to use the commentary facility to provide details of any assumptions made, and to provide any information which may be useful to help our understanding of loss calculations. Please include in the commentary the impact to the bottom line from each event, namely Final Net Loss less any unused provision for catastrophe loss in P&L.

3. Modelling Type

Managing agents that have calculated their losses using catastrophe modelling software are asked to specify which model they have used as a basis for their return in the modelling type section. Where the loss calculation is based on claims information then managing agents are requested to select "Internally modelled" as the appropriate modelling type. Managing agents that have calculated all or part of their losses on a market share basis must specify the industry loss level for each respective line of business that they have based their loss calculations on in the commentary facility.

4. Return file naming convention

Having completed compilation of the data in the MLR software, a data file can be extracted with a filename in the format "2005_xxxx.rds" (where xxxx represents the syndicate number) will be generated for uploading to the Market Reporting website.

5. Completion of Reinsurance Utilisation template

- a) Agents will need to download the sample template "2005_MLR_RI_xxxx.xls" from the Market Reporting website. The sample programme is for illustrative purposes only.
- b) This template should be edited to reflect the syndicate in-force position as at 1st November 2005 for ALL treaties providing protection in respect of US catastrophe perils.
- c) Treaties that cannot be represented graphically should be separately identified in the "Explanatory Notes" section.

6. Guidance on calculation of Aggregate

Agents needing assistance to calculate the aggregate associated with each events loss can download file: "Hurricane affected counties.xls" from the Market Reporting website detailing the principle counties affected with an accompanying map.