

MARKET BULLETIN

From	Director, Franchise Performance (extn 6743)
Date	11 October 2006
Reference	Y3886
Subject	Interim Realistic Disaster Scenario: Aviation Terrorism
Subject areas	This RDS applies to managing agents of all active syndicates
Action points	Managing Agents to complete interim RDS using Microsoft Excel template
Deadlines	Completed returns to be submitted by noon 1 February 2007

Purpose of bulletin

The purpose of this bulletin is to notify Managing Agents of an ad hoc Realistic Disaster Scenario (RDS) return to assess the potential impact of several air-travel related terrorism scenarios impacting Aviation Hull War and other related interests. The scenarios have been agreed in consultation with the market.

Rationale

Recent events highlight the continuing interest in aviation interests as targets for terrorism. This interim RDS exercise is designed to give Lloyd's insight into the likely loss implications for individual syndicates and the market as a whole, to a number of specified terrorist attacks. The scenarios will test syndicates' vertical and horizontal reinsurance protections.

How to complete the return

The return is compulsory for all active syndicates, although managing agents may apply the standard RDS *de minimis* criteria to determine whether a Nil Return is applicable.

Managing agents should make their return using the Microsoft Excel template which will be available for download from the Market Returns website by 13 October 2006. Completed

returns should be posted to the Market Returns website by noon on 1 February 2007. Loss estimates are to be based on syndicates' in-force portfolio as at midnight 1 December 2006.

A frequently-asked-questions (FAQ) document will be available from the Market Returns web-site containing our responses to any questions asked, this will be updated periodically.

Scenarios

Managing agents should make a return for three scenarios. In summary, these are:

1. Attacks over sea on 5 large non-US flag aircraft resulting in 100% destruction and loss of life; deemed to be "multiple events" for reinsurance purposes
2. Bomb attacks at a single airport on 5 aircraft affecting passengers and crew. Each bomb causes total destruction of the targeted aircraft and partial destruction of two neighbouring aircraft (15 affected aircraft in all). All aircraft are non-US flag. Airport property is also significantly damaged and there is loss of life to airport staff. Business interruption covers at the airport should be considered. The attacks are deemed to be one event for the purposes of reinsurance.
3. As scenario 2, but the attacks are assumed to occur at 5 different airports. The attacks are deemed to be multiple events for the purposes of reinsurance.

More detailed guidance notes relating to scenario assumptions will accompany the return spreadsheet.

Further information

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

Please address queries on completing and uploading the spreadsheet to 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