

The 2008 GIRO Convention
23 – 26 September 2008
Hilton Sorrento Palace

UK Asbestos Working Party

Brian Gravelsons

Robert Brooks

Andy Whiting

Gregory Overton

Peter Taylor

Working Party Members

Andy Whiting

Graham Sandhouse

Anita Morton

Gregory Overton

Brian Gravelsons

Matthew Ball

Charlie Kefford

Patrick Nolan

Dan Beard

Peter Taylor

Dan Sykes

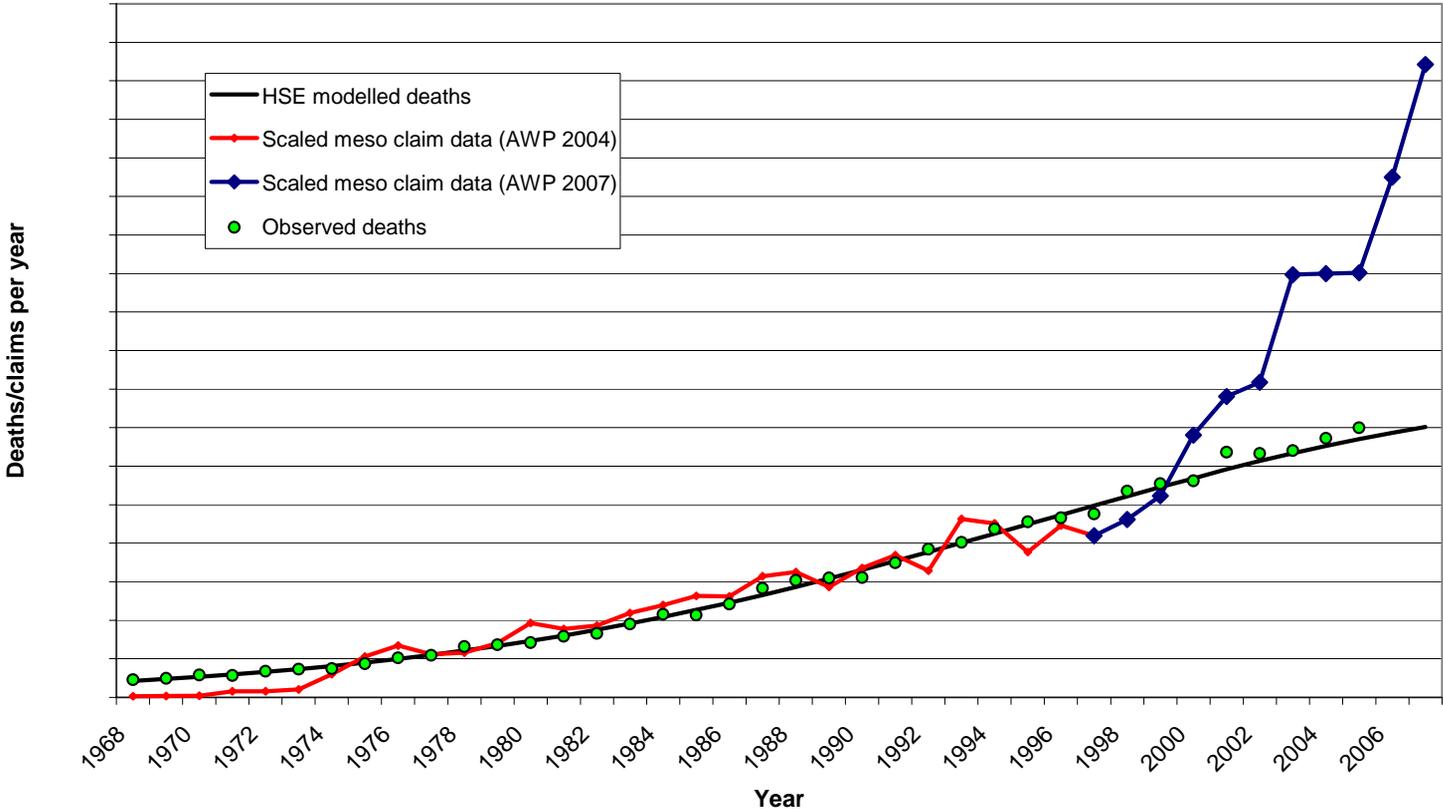
Robert Brooks

Darren Michaels

Stephen Robertson-Dunn

Introduction – Recap of 2007 Workshop

Modelled male mesothelioma deaths and claims



Introduction - Terms of Reference for 2007/8

- Review the previous working party industry projections and update where appropriate in light of the current trends identified.
- Facilitate a more detailed per claim data collection exercise
- Develop relationships with HSE.
- Develop relationship with all relevant parties in respect of the compensation process for asbestos-related claims.
- Review of other interesting asbestos related developments
- Summary paper of developments and implications, aiming for GIRO 2008.

Introduction – Progress Update – Bad News

Problem with achieving primary objective



- Update of insurance industry projections has not been completed
- Professor Peto presentation to University of Melbourne April 2008
- HSE currently revising their methodology and projections
- Greater than normal uncertainty in future population deaths due to mesothelioma
- Revised projections should be available next year

Introduction – Progress Update – Good News

Made good progress with secondary objectives



- Measured the proportion of mesothelioma deaths that become claims
- Proved the proportion has been increasing over the last few years and how this varies with age band
- Identified potential drivers of the increase in this ratio
- Understand the mesothelioma process better
- Developed relationship with the HSE

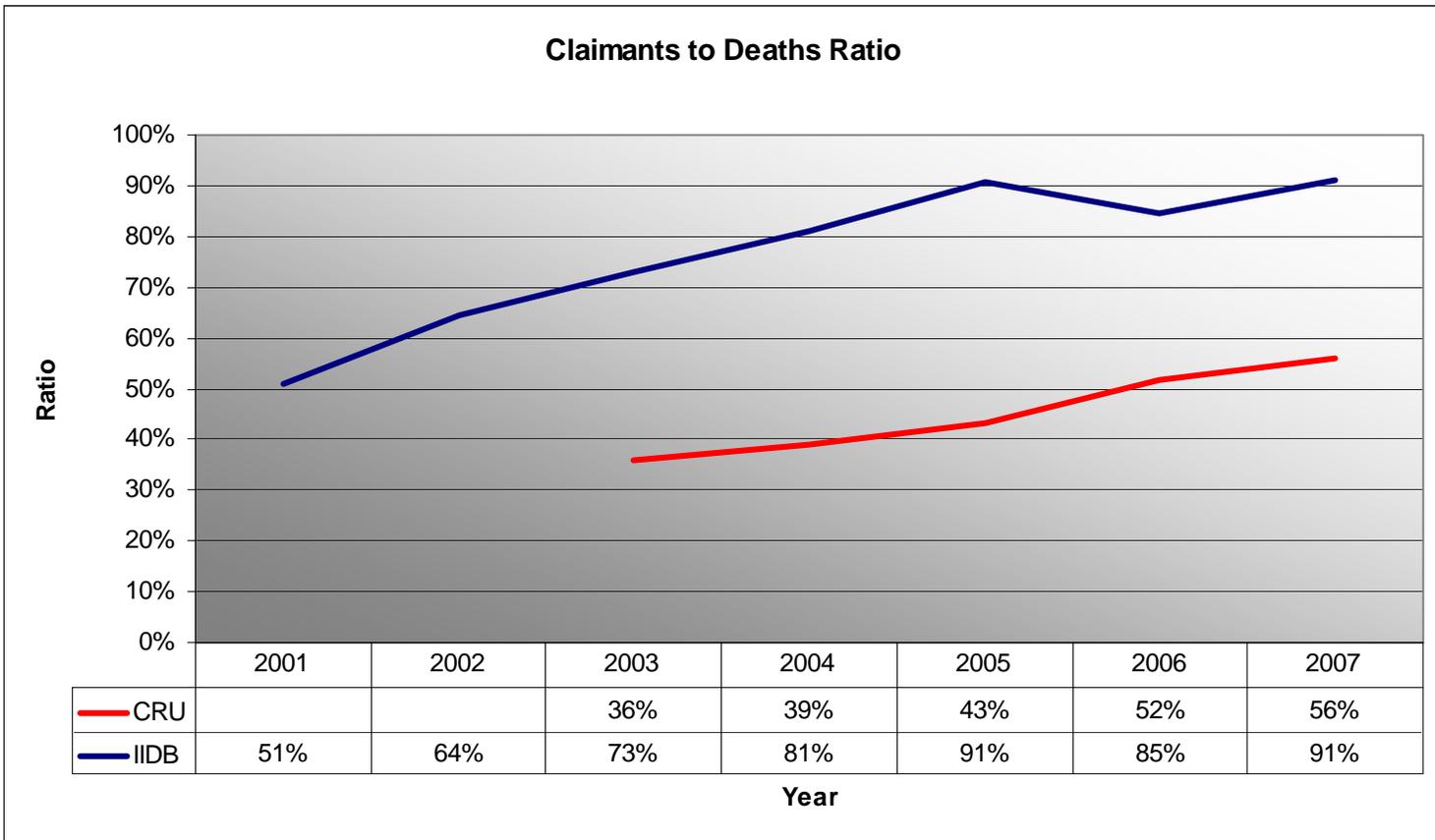
What are the HSE and Professor Peto doing?

- HSE are updating projections for Great Britain
- Reconstruction of the current model
- Looking into exposure
- Better insights and understanding
- Scheduled to complete May 2009

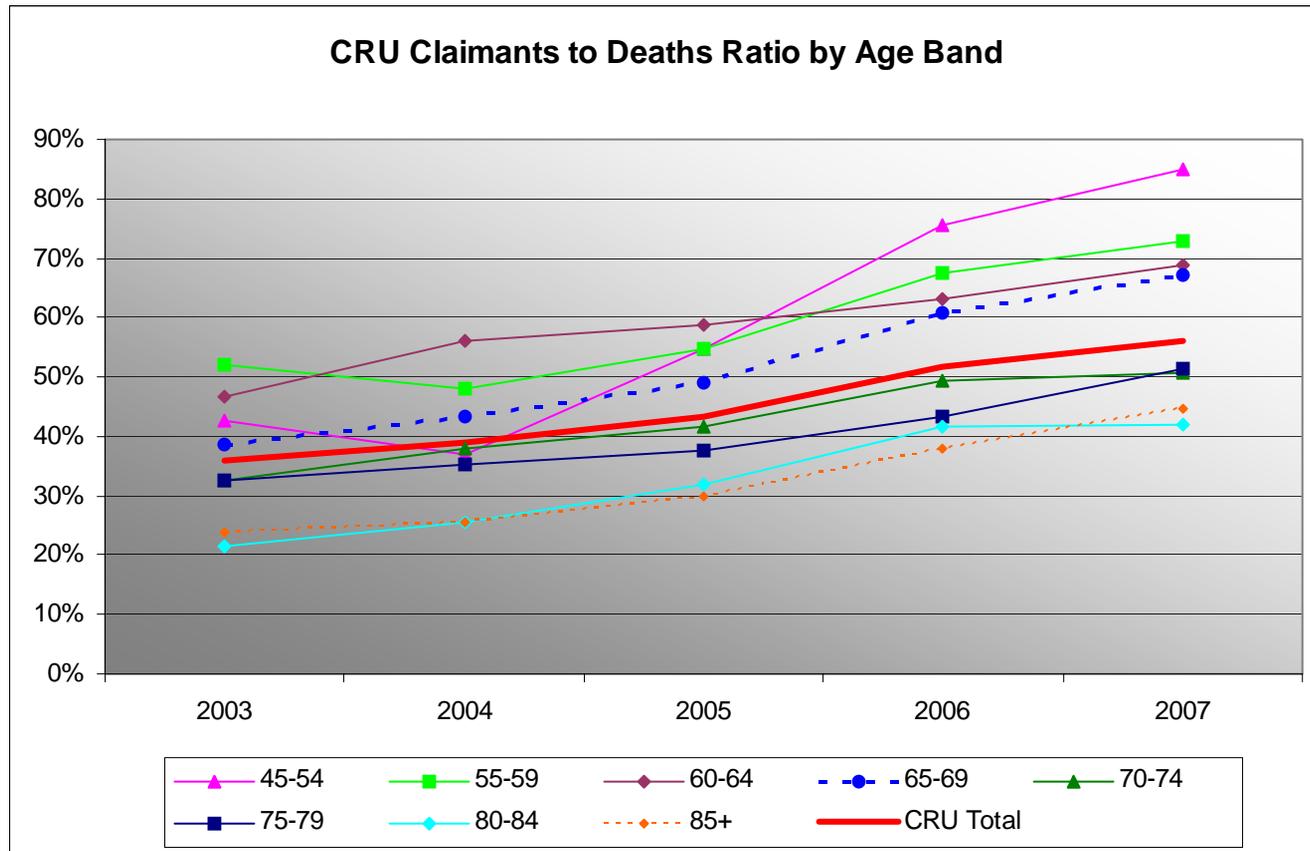
Theories for increase?

- A. Increase in propensity to sue
- B. More claims per death
 - Claims being shared more between insurers
- C. Insurers exposure different from UK exposure
 - Take up of EL cover by companies (compulsory 1972)
 - Moving from nationalised industries to private firms
- D. Speed-up and backlog of claims
 - Claims being identified faster
 - Catch-up from claims on hold due to legal cases
- E. HSE curve is under-estimating recent deaths

Claimants to Deaths Ratio



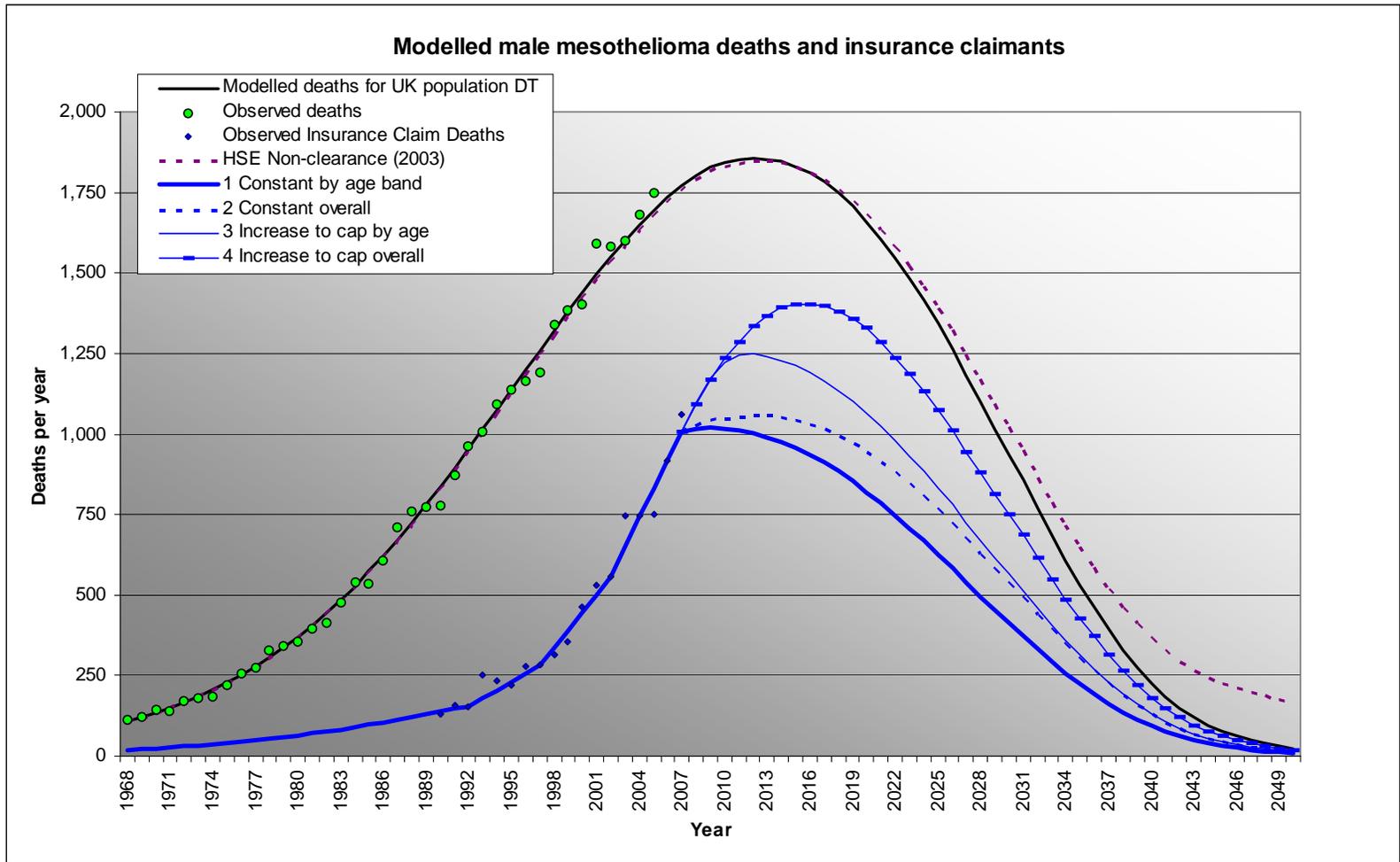
Claimants to Deaths Ratio



Claimants to Deaths Ratio Scenarios

- 1: stay constant by age band in the future (and therefore reduce as the exposed population ages)
- 2: increase by age band but stay constant overall
- 3: increase and then level off by age band which could imply an increase and then reduction at the total level
- 4: continue to increase towards the maximum and therefore increase overall

Claimants to Deaths Ratio Scenarios



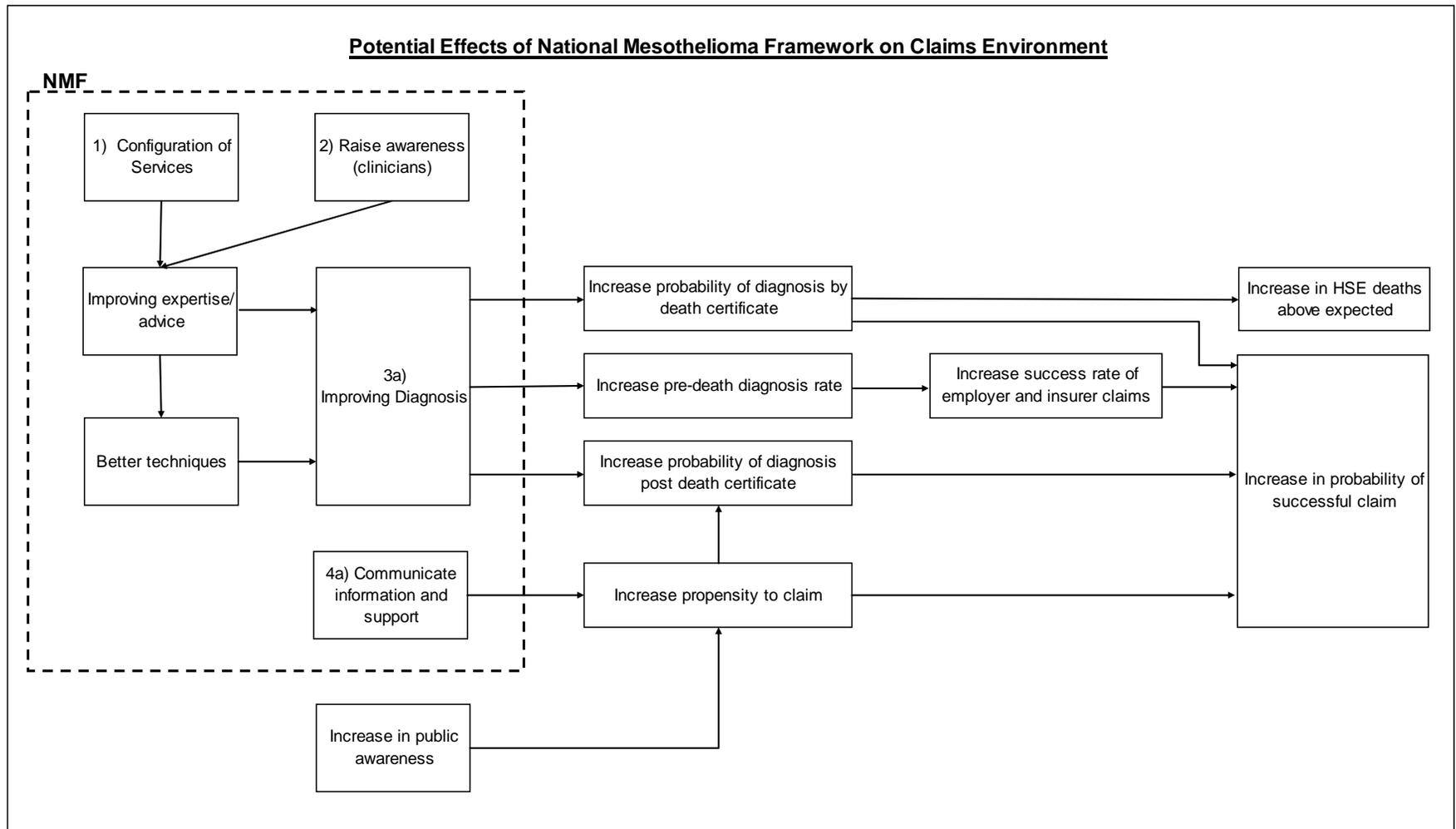
Claimants to Deaths Ratio Assumptions

- Continued increase in claimants to deaths ratio?
- Is it easier to claim?
- Impact of publicity?
- Is there a maximum level for insurance claimants to death ratio? Consider Government and Environmental share of claims.
- Does the maximum level for claimants to deaths vary by age band?

What factors have an influence?

- Awareness
- Access to information
- ABI enquiries
- Insurance coverage
- Earlier diagnosis

NHS National Mesothelioma Framework



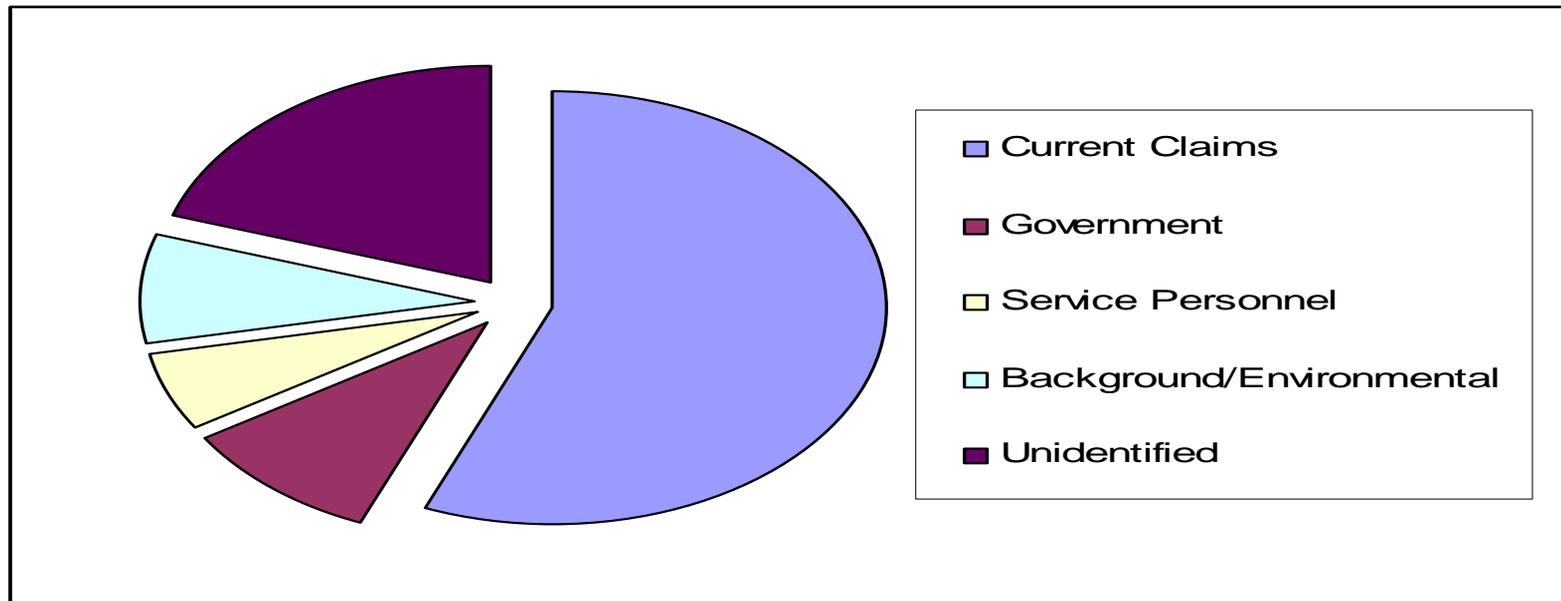
Things to Consider

- We are not presenting any new projections this year.
- But that doesn't mean the AWP 2004 models should be used blindly.
- The following slides discuss issues that should be carefully considered and highlighted when projecting asbestos-related liabilities.

Population Deaths

- We have highlighted some of the potential issues with the existing HSE model for meso deaths.
- As well as the underlying epidemiology, there is uncertainty in
 - Population Projections
 - Historical exposure pattern

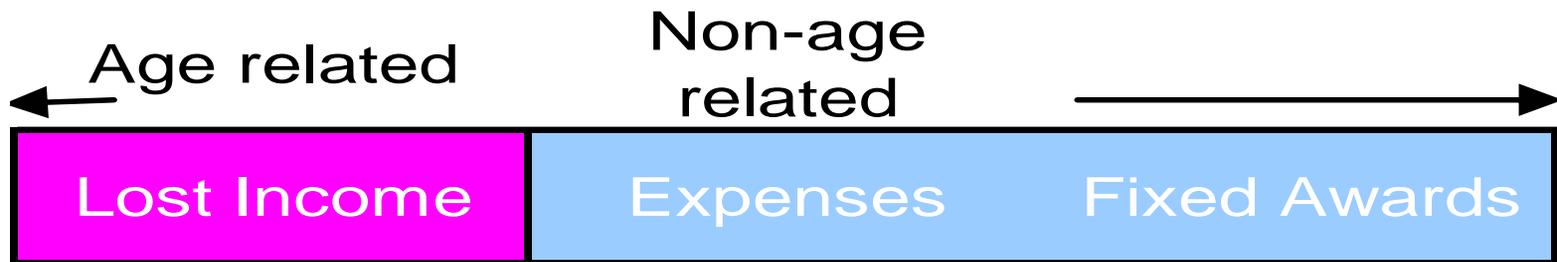
Claimants to Deaths Ratio



- The recent changes in the proportion of claims to deaths is key.
- Still significant potential for the proportion that become claims to increase.

Average Cost

- 2004 AWP model split average cost between age related and non-age related components.



- Age related component assumed to inflate more slowly
- Both underlying rate and impact of ageing claimants.

Average Cost

- Data suggests more of the claim cost (in particular expenses) may be age-related.



- This may impact future inflation to a certain extent.
- Also highlighted significant difference in cost for living and deceased claimants.

Working Party Plans for 2008/9

- Understand revised future population projection of deaths due to mesothelioma by the HSE / Peto and update working party model if appropriate.
- Further explore key drivers of claims to deaths ratio.
- Develop average cost per claim model.
- Update UK insurance industry estimates for asbestos-related claims.

Legal Update Appendix - Pleural Plaques

- Oct 2007: House of Lords (HOL) unanimously upheld Court of Appeal decision, dismissing all claims for asymptomatic pleural plaques.
- November 2007: Scottish Government announced that it intended to introduce legislation to reverse the HOL decision.
- Spring 2008: Scottish Government publish consultation paper regarding the proposed legislation.
- June 2008: Draft legislation published.
- July 2008: Ministry of Justice issued consultation paper on pleural plaques.
- Sep 2008: Asbestos Working Party will be producing a response to the consultation paper.

Legal Update Appendix - Mesothelioma

- Test litigation on employers' liability (EL) trigger wording commenced June 2008.
- Declaration sought on how to interpret sustained policy wording.
- Mesothelioma claims against EL coverage traditionally applied on a causation basis.
- Bolton MBC decision in 2006 reinforced established market practice and interpretation of the public liability trigger.
- Should sustained wording be interpreted as causation wording for EL?
- If not, and sustained = occurred then this would give rise to ramification for insurers, re-insurers and policyholders in the handling of mesothelioma claims.

The 2008 GIRO Convention
23 – 26 September 2008
Hilton Sorrento Palace

UK Asbestos Working Party

Brian Gravelsons

Robert Brooks

Andy Whiting

Gregory Overton

Peter Taylor