

## Credit Crunch Practical Implications for General Insurance Actuaries

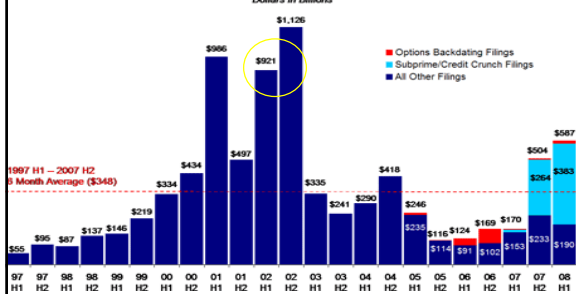
Graham Fulcher  
Watson Wyatt

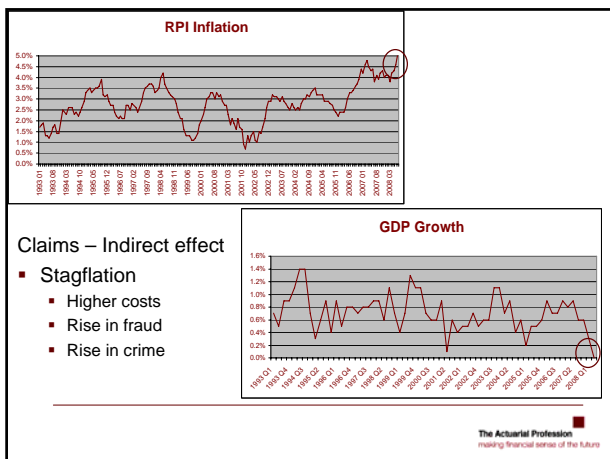
## Claims – Primary Effects

- E&O and D&O
  - Sub-prime
  - Wider credit crisis
- Potential claimants
  - Mortgage lenders
  - Investment banks
  - Hedge funds
  - Homebuilders
  - Rating agencies
  - Equity brokers
  - Investors
  - Advisors

## Securities Class Actions

Maximum Dollar Loss: 6-Month Periods (1997 – 2008 YTD)  
Dollars in Billions






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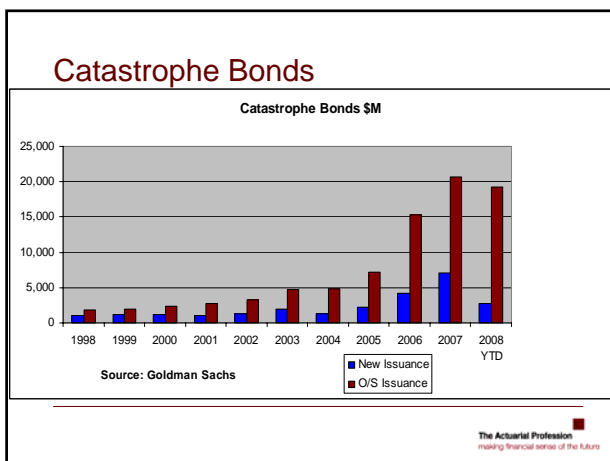
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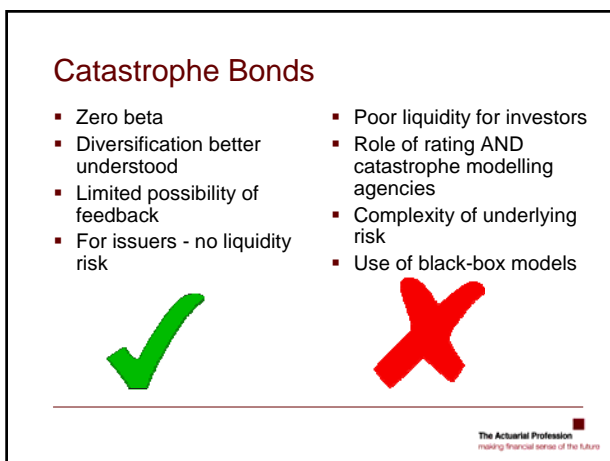
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## Lessons - Modelling

- Correlations in tail
- Black swan events
- Basis risk on reinsurance (including reinsurer default)
- Look at gross exposure not just net PMLs
- Danger of passively using third party models

The Actuarial Profession  
making financial sense of the future

## Lessons - Behavioural

- Danger of expansion or defending market leading position in a soft market
- Importance of terms and conditions
- Risk of basing pricing off a benign loss environment
- Need for rapid management information

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