

# LMAG – 2006 YEAR END REVIEW

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5 Jan 2007

# Agenda

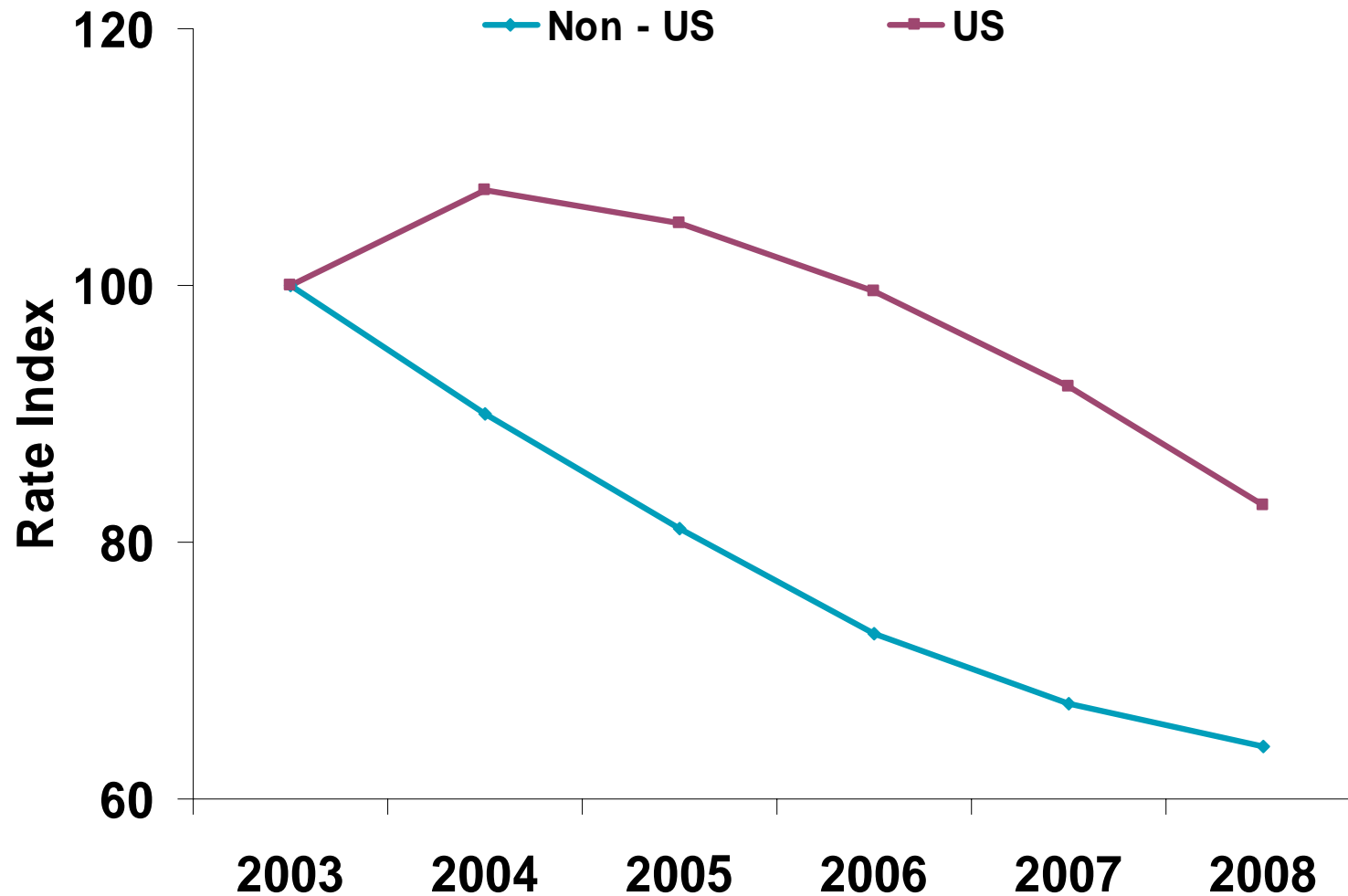
Not much to say?

- Year end issues
- Signoff
- Capital
- Solvency 2
- Tax

# Year End Issues

- 2005 Hurricanes
  - Running off pretty flat – dogs have not barked though still some scope for surprises
  - No major 2006 cats
- Reinsurance of Equitas by Berkshire Hathaway
  - Not going to discuss
- Thomstone v Tameside and Glossop Acute Services NHS Trust
- Soft market?
  - Concerns in some areas eg Liability, Aviation but not major problems yet
- Reserve Steering Group and Agent visits

# Casualty Rating Environment US / non US



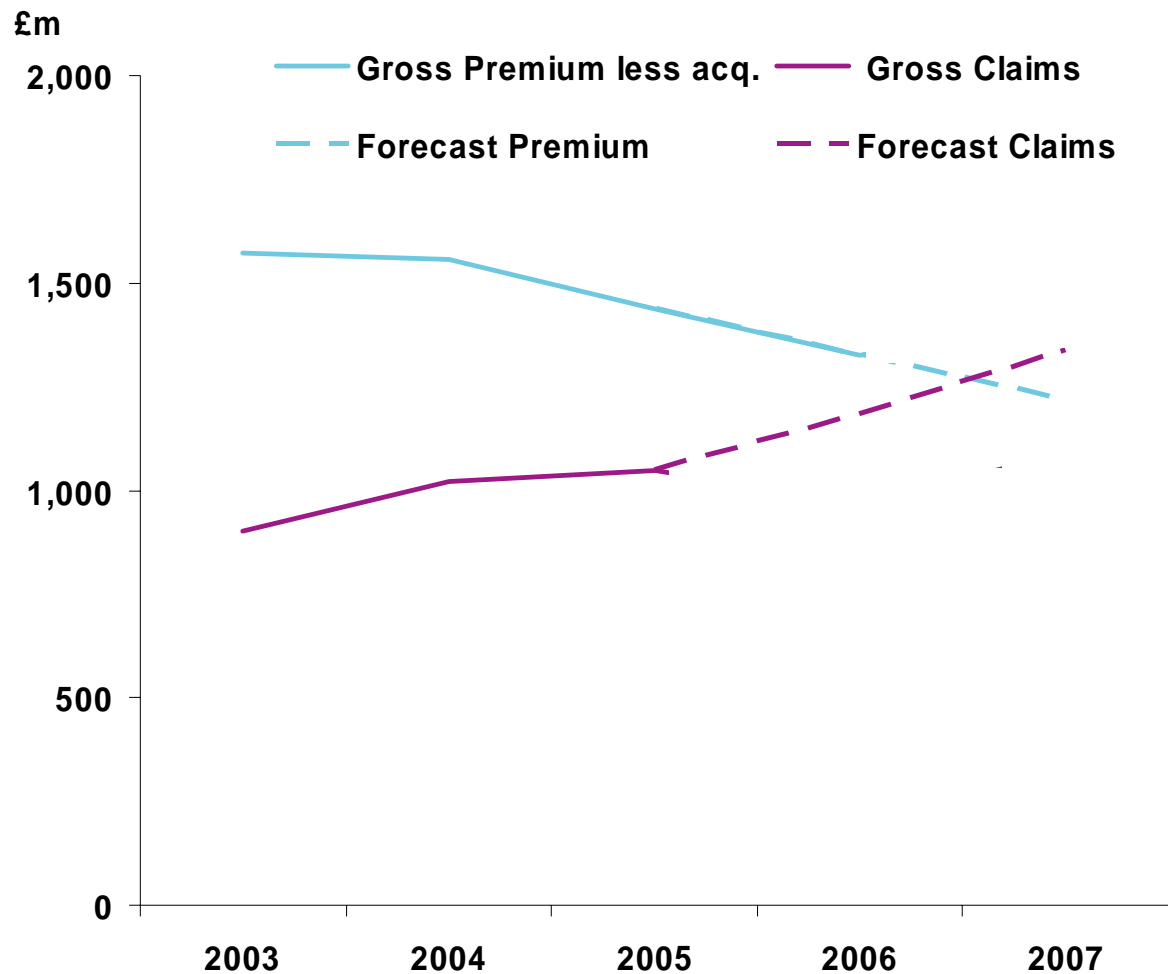
Source: PIM/PRI/Underwriter Interviews

Base 2003 = 100

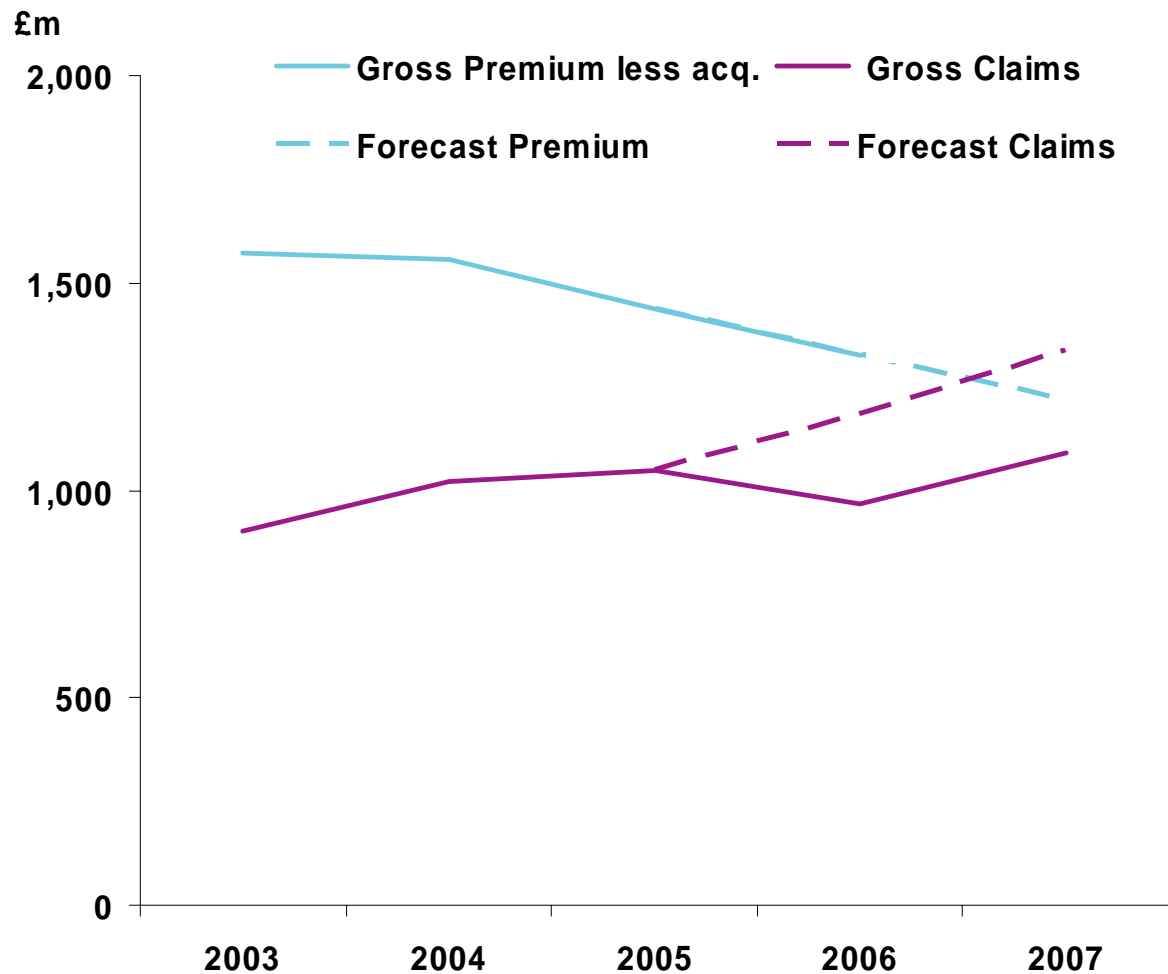
# Softening market anecdotes

- SME renewals below burning cost and well below expiring
  - “At least with competition like this they might not be competition in the future”
  - Given the tail this might be a long way off
- Solicitors’ renewal with increased limit not charged for
- Costs exclusive deductibles / costs inclusive layers
- Extensions (thrown in)
- Brokers saying market hardening
  - “UK D&O premiums decline slowing” – ID 27 Nov
- Pressure on Property Cat leaving capacity looking for work?
- Hedge Funds

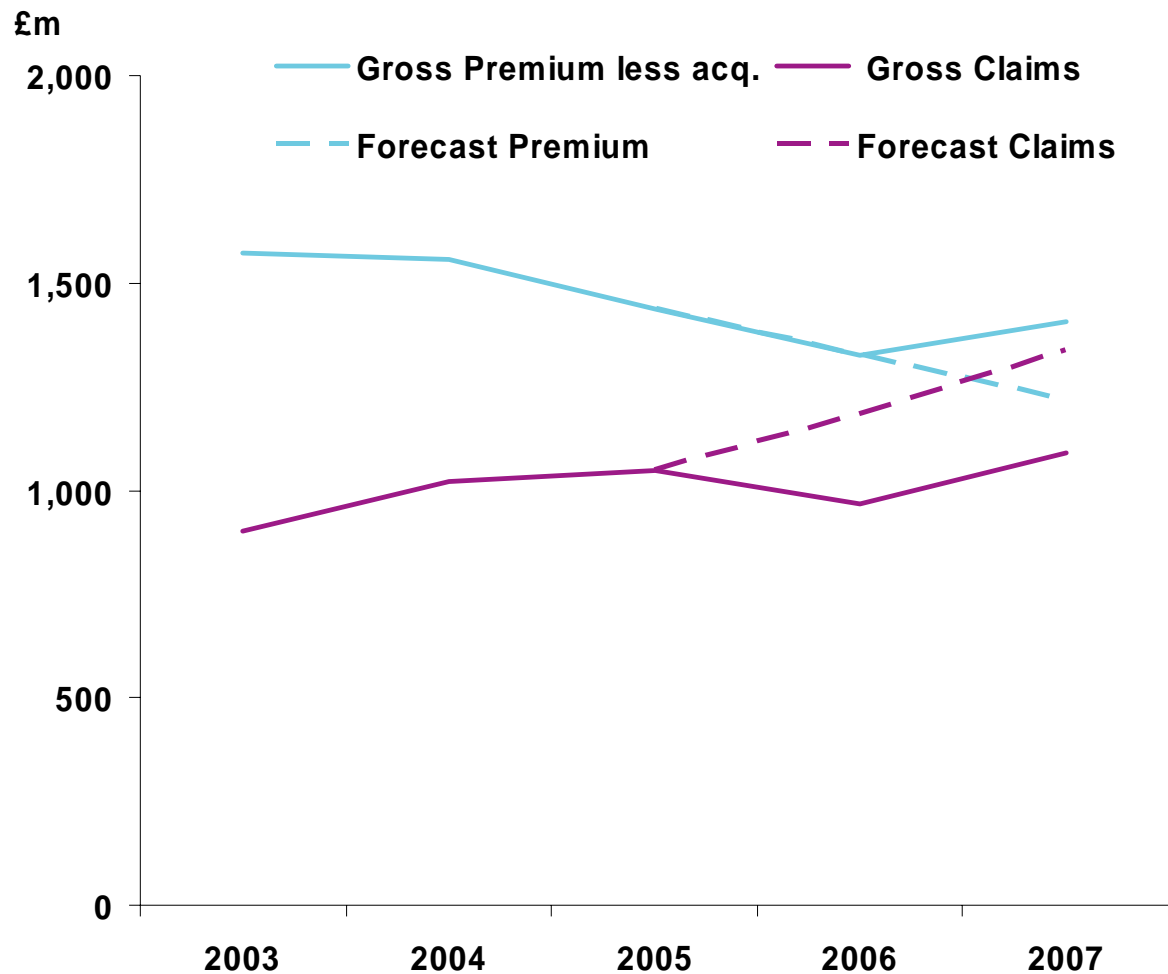
# Non US Casualty - Impact of trends continuing



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# Year end sign-off

- No change from last year
- Considered dropping Gross but decided to keep it
  - Note AR223 does not contain Gross Provision for Solvency...
  - ...So if there are solvency adjustments at gross level, actuaries need to report the figure in SAO but not on AR223
- FAQs from last year
  - Eg treatment of inwards reinstatement premiums

# Year end

- SRD to be used to populate FSA return
  - Saves agents time
  - Means SRD must be on time and meet high standard (as now but this required significant cleaning effort last year which delayed final version)
- GN12:
  - Not prescribing how uncertainty is to be communicated (eg not stipulating ranges)
  - Review and feedback (as last year)

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# Capital setting

- No major changes from last year
  - But some continuing developments
- Market meeting 25 January

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- **Solvency 2**
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# Solvency 2

- Consultation closes 19 Jan on CP20
  - Still very much welcome input if you have any
- QIS3 April - July 2007
  - THIS MATTERS!
- Draft Commission Directive due soon
  - Expect to be finalised and put before EU parliament in July
  - Will set high level framework
- We will be working on what SAOs need to cover under Solvency 2

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# Tax

- Pre-budget statement included announcement that current S107 system to be repealed
  - Discount and re-evaluate years as they run off
  - Disclaiming reserves
- New system will replace
  - Revenue wish to protect themselves against over reserving/delaying tax
  - May include actuarial signoff in contentious cases
  - Consulting with GAD
  - Details not yet clear
- Institute looking at this

# Discussion

- Claims issues?
- Questions?
- Views on market and capital going forward?

