

FROM: Director, Worldwide Markets
LOCATION: 86 / G12
EXTENSION: 5998
DATE: 7th July 2003
REFERENCE: Y3093
SUBJECT: TERRORISM REINSURANCE IN THE NETHERLANDS
SUBJECT AREA(S): To seek market feedback on the basis that Lloyd's will not participate in the new terrorism reinsurance pool
ATTACHMENTS: None
ACTION POINTS: **Managing Agents and Underwriters to consider and provide written feedback to Lloyd's Worldwide Markets**
DEADLINE: **Feedback required by 25th July 2003**

Market Bulletin Y2996 dated 21st February 2003 provided information on the developments in the Netherlands regarding the establishment of a pool, ultimately backed by the Dutch Government, to handle terrorism risks. As envisaged in our earlier Bulletin, the 'NHT' (Dutch Terrorism Risk Reinsurance Company) commenced its activities on 1st July 2003. Bulletin Y2996 contained a summary of the proposals then in the public domain. Two possible key barriers to Lloyd's participation were identified at that time.

Firstly, although membership of the pool would be voluntary, the issue of whether Lloyd's could participate at market level or at individual syndicate level remained unresolved. The Dutch Insurers' Association (the VVV), who administer the pool, have recently confirmed their original position that, as Lloyd's is the licensed insurer (and not individual syndicates), Lloyd's as a whole may elect to participate in the pool or not, with no opt-in or opt-out at syndicate level. Thus Lloyd's membership of the pool would require the cession of all eligible Dutch business to the pool irrespective of an individual syndicates' wishes.

Secondly, a basic premise of the pool was that it would provide a single reinsurance solution collectively for all lines of insurance. One of the main disaster scenarios considered by the Dutch authorities prior to setting up the pool was a terrorist event involving an aircraft

crashing into a sports stadium filled to capacity. It was identified that a major proportion of likely claims which would be recoverable from the pool in respect of any one incident would be life claims. Participation in the pool would require reinsurer members to pick up both life and non-life claims.

Bearing in mind the level of the Lloyd's market's current (almost exclusively non-life) involvement in the Netherlands, it seems that the VVV's requirements make it unattractive for Lloyd's underwriters to participate in the pool. Feedback from the market is sought on this view which should be addressed to Alex Faris at Lloyd's Worldwide Markets, by 25th July 2003.

Further information on this subject can be obtained from

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