

# MARKET BULLETIN

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<b>From</b>	Director, Franchise Performance (extn 6743)
<b>Date</b>	29 December 2005
<b>Reference</b>	Y3717
<b>Subject</b>	<b>2006 RDS – Advanced notice of changes to Scenarios and Events</b>
<b>Subject areas</b>	All active syndicates and run-off syndicates with live exposures

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## Purpose of bulletin

The purpose of this bulletin is to notify managing agents of impending changes to the 2006 Realistic Disaster Scenarios Guidance and Instructions for the April return.

## Windstorm events

The Florida Windstorm RDS, Gulf of Mexico Windstorm RDS and USA Windstorm RDS will all be specified as USD 100bn industry insurable losses reflecting a consistent benchmark for all US windstorms.

The Gulf of Mexico scenario track will remain per 2005; however an exercise to calibrate the offshore damage factors with actual damages sustained in the 2005 hurricanes is to take place in the first quarter of 2006. As a consequence, the offshore damage factors will be reviewed for the April 2006 return.

## Second Event

This RDS will now be called "Two Events". Syndicates will be asked to return losses to two windstorms with a combined total of approximately USD 100bn, making landfall in the US in quick succession. The footprints for these windstorms will be finalised in the first quarter of 2006.

## Terrorism

This scenario will be modified to reflect the recent Terrorism Risk Insurance Extension Act ("TRIEA") and revised to test losses to different attack modes and locations. The nature and location of these scenarios will be decided in the first quarter of 2006

## **California & New Madrid Earthquake RDSs**

These events will remain unaltered although the nominal value of the industry loss will be updated to reflect changes in underlying exposure.

## **Loss of Major Complex RDS**

This restrictive specification of a “North Sea” complex will be removed for 2006 otherwise will remain unchanged.

## **Other RDSs**

Although changes to other RDSs cannot be ruled out at this stage, Lloyd’s is not expecting to make major changes to other RDSs and no extra scenarios are planned for 2006.

## **Further information**

If you have any queries about this market bulletin, please contact a member of the Loss Modelling team within the Franchise Performance Directorate: Paul Nunn on 020 7327 6402, Trevor Maynard on 020 7327 6141, James Boyce on 020 7327 6534 and Junsang Choi on 020 7327 6496

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