HORUS

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I N D E X

World Catastrophes in Year 2001
Sigma Report 2/2001
Swiss Re

Catastrophes in the year 2000: 10.6 Billion Dollar Losses and over 17,400 fatalities

Survey of the 2000 reporting year

In the year 2000, insured losses from major events totaled approximately USD 10.6bn - a comparatively low figure after the record losses of the previous year. Of this amount, USD 7.Sbn was attributable to natural catastrophes and USD 3 bn to man made disasters. In the year under review, only one event, the Tokai floods in Japan, almost reached the billion-dollar mark, which explains the sharp contrast with 1999, when nine storms and earthquakes each caused losses in excess of one billion US dollars. **A list of the 20 most costly insured losses in 2000 can be found at the End**

With regard to the fluctuations in insurers annual claims burdens, it should be noted that both the accumulation of storms and earthquakes in areas with high concentrations of values in 1999 as well as their absence in 2000 were purely random. With natural disasters of this kind, however, it is precisely the billion-dollar losses which essentially determine the claims burden for insurers. Given that risk factors such as increasing population densities and higher concentrations of values still exist, particularly in zones exposed to these hazards, the trend towards higher losses is expected to continue.

Floods accounted for a high proportion of insured losses caused by natural catastrophes in the year under review, namely USD 2 bn. This makes 2000 the second most expensive year for floods in the sigma observation period, after 1993 when flood losses hit USD 2.6bn. The most expensive loss in 2000 (USD 990m) was the result of floods (the Tokai floods in Japan), as was the second most expensive (USD 747m), caused by flooding in the UK in the wake of Storm Oratia. The heavy losses from flooding should have heightened the insurance industrys awareness of this exposure.

Major man-made losses cost the insurance industry USD 3.Obn in 2000, with almost half of this amount being attributable to industrial fires. The year was also one of heavy losses for space insurance, which suffered six satellite losses totaling USD 1 bn. In aviation insurance, sigma recorded 16 crashes with 1094 fatalities, as well as four cases of damage to aircraft on the ground, with property damage totaling USD 397m. The crash of a Concorde near Paris inflicted a painful loss on the aviation industry, while shipping too suffered a setback with the sinking of the large submarine (Kursk

Over 17,400 people lost their lives in the 351 events recorded by sigma. More than 40% of these were victims of natural catastrophes, with the floods in India and Bangladesh in August and September claiming at least 1200 lives; the death toll from those in southern Africa in February was 920. The other 9700 victims died in technical disasters. It should be noted that two-thirds of these fatalities, namely 6500, resulted from transport disasters on land, at sea and in the air - a sign of increasing mobility worldwide.

The overall financial loss due to catastrophes - excluding indirect economic losses - came to almost USD 50 bn. Three-quarters of this figure was attributable to nine events, each of which led to economic damage in excess of USD 1bn. Eight of theses major

computer networks worldwide via e-mail on 4 May.

The United States accounted for almost half of all insured losses worldwide. For Europe, the figure was just under one-third, mainly due to the floods which followed Storm Oratia and those in Northern Italy and the Swiss Alps. Around one-fifth of the insurance burden fell on Asia. However, as in previous years, this was the region with the highest proportion of disaster victims,

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accounting for approximately 60% of the total.

Development since 1970:
The trend towards costly major losses continues

General trend 1970-2000

The scale of natural catastrophes and man-made disasters recorded by sigma has been on the increase since 1970,6 and reflects the growing loss potential from
- Higher population densities
- More insured values in exposed areas
- Higher concentrations of values worldwide.

The increase in insured losses is in fact being curbed by preventive measures and higher deductibles, but the sigma statistics show that these measures are still outweighed by loss-increasing factors.
Since 1989 the number of disasters has averaged the high level of 120 natural catastrophes and 191 man-made losses per year. A large proportion of these are accounted for by the approximately 57 road/rail accidents and 39 shipping accidents which occur each year, followed by 35 major fires and 30 aviation and aerospace disasters.
In 2000, the number of fatalities turned out to be somewhat lower than the average seen in sigma statistics since 1970. This was due in particular to the absence of any severe storms or earthquakes in densely populated areas. It should be noted, however, that the number of disaster victims may vary considerably from year to year. The high numbers of fatalities in 1970, 1976 and 1991 were thus mainly due to two tropical cyclones in Bangladesh and an earthquake in China.
The total amount of losses incurred in 2000 looks relatively low compared to the years with record losses since 1989. With the exception of 1997, when a pronounced El Nino phase reduced the occurrence of hurricanes along the US east coast, 2000 was the year with the fewest losses for the period 1989-2000. This period is also striking on account of the extraordinarily strong fluctuations in the claims burden: with an average annual insured loss of USD 20.2bn, the standard deviation amounts to no less than USD 82bn.

Averaging USD 11bn per year, storms have been the most important cause of loss since 1989, followed by earthquakes (USD 2.Obn) and floods (USD 1.lbn). In the year under review, however, flooding led to insured losses of USD 2.Sbn, making 2000 the second most expensive year for flooding catastrophes since 1989, after 1993, when insured flood damage was recorded at USD 26bn. That year, the Mississippi floods cost the insurance industry USD 890m. The biggest insured loss in 2000 does not make it onto the list of the 40 most costly insured losses since 1970, which, as already mentioned, may be put down to the fortuitous absence of very expensive natural catastrophes. Billion-dollar losses affect not only the loss statistics, but also the price trend in the catastrophe reinsurance markets

Prices for Catastrophe reinsurance:
Recovering but still not covering costs

US dominance in the worldwide catastrophe reinsurance market

In the 13 markets examined, CatXL covers totaling around USD 7Obn were bought for 2001, bringing in premiums of just under USD 3bn. With a 40% share of cover and a 5O% share of premium, the United States clearly dominates the world market. The windstorm-exposed European markets (the United Kingdom, France, Belgium, the Netherlands and Germany) together account for a 220/0 share of cover and a 25% share of premium, while Japan follows in third place with a share of 16% and 14%, respectively. The ratio of total premium to total cover (the mean market rate on line) varies between 1% and 6%, depending on the specific loss exposure and prevailing market forces.
Since 1994, CatXL covers have increased by 10% each year, which is roughly in line with the growth in the original portfolios covered. Measured in terms of loss potential, however, too little reinsurance had been bought in most markets. This is something that French insurers discovered through the costly storms Lothar and Martin - they subsequently increased their covers for 2001 by 40%.

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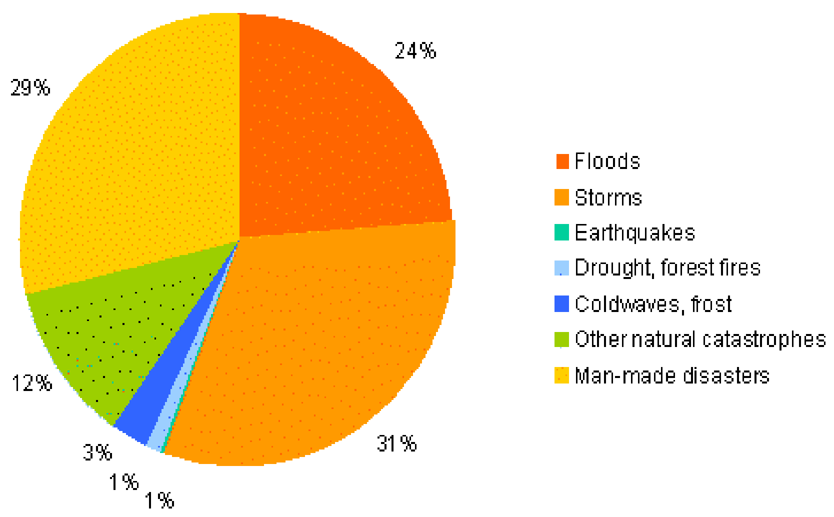
The 20 most costly insurance losses in 2000

Insured loss in $ Million	Victims	Date	Event	Country
990	18	10/09/00	Tokai floods due to heavy rain; landslides	Japan
747	16	29/10/00	Extended floods following storm Oratia	Great Britain
550	6	22/01/00	Winterstorm, freezing temperatures, ice and snow	USA
520	5	28/03/00	Two tornadoes, torrential rain and hail	USA
450	37	14/10/00	Heavy rain triggers landslides and flooding in the Alps	Italy, Switzerland
420	-	24/05/00	Hail; damage to cars at manufacturer and to agriculture	Japan
403	6	25/06/00	Explosion At Mina Al-ahmadi Oil Refinery	Kuwait
315	-	25/05/00	Storms, thunderstorms and hail	USA
275	-	02/03/00	Thunderstorms, strong wind, hail	USA
270	-	27/08/00	Loss of Mexican Solidaridad 1 satellite in orbit	Space, Mexico
265	-	21/11/00	Loss of QuickBird 1 satellite after launch	Russia, USA
240	-	17/05/00	Storms, thunderstorms, flood, hail, tornadoes	USA
240	-	24/02/00	Hail, strong winds and tornados	USA
235	-	12/03/00	ICO F1 satellite lost after sea launch failure	USA
234	22	13/05/00	Explosion of 100 tons of explosives at fireworks factory	Netherlands
175	2	12/05/00	Hail, wind, flood; airport hangar severely damaged	USA
171	-	03/07/00	Heavy hailstorm and wind	Austria
170	3	08/05/00	Wind, hail, tornadoes and flooding	USA
165	1	02/01/00	Tornadoes, wind gusts of up to 200 mph, hail	USA
155	-	02/10/00	Storm and heavy rainfall cause floods	USA
155	-	14/01/00	Freezing, ice, snow and wind	USA



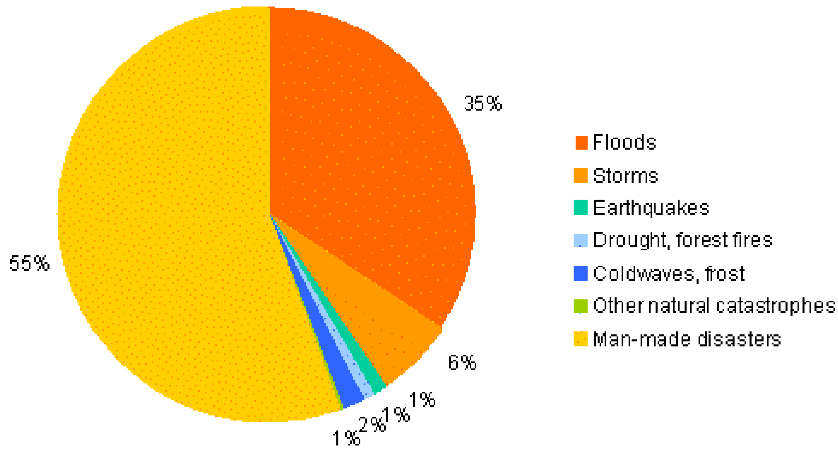
Source: Swiss Re, Economic Research & Consulting

Cat Insured Losses By Type of Risks

Continued from page 3

The 20 worst catastrophes in terms of fatalities in 2000

Victims	Insured loss in $ Million	Date	Event	Country
1,200	-	29/08/00	Monsoon rains later than average trigger huge flooding	India, Bangladesh
919	-	06/02/00	Flooding after persistent rain; ten million people affected	Mozambique et al.
880	-	04/07/00	Floods; Mekong reaches record level for 40 years	Vietnam et al.
778	-	01/01/00	Doomsday cult kills members	Uganda
621	-	15/06/00	Floods triggered by heavy monsoon rain	India, Nepal, Bhutan
481	-	29/06/00	Overloaded ferry Cahaya Bahari sinks	Indonesia
312	-	10/07/00	Explosion and fire at oil pipeline	Nigeria
309	-	25/12/00	Fire at a shopping centre where a disco party takes place	China
289	-	10/07/00	Garbage dump collapses after persistent rain	Philippines
276	-	20/11/00	Floods triggered by torrential monsoon downpoors	Malaysia et al.
195	-	27/10/00	Typhoon Xangsane, wind speeds up to 130 kmh; floods	Taiwan, Philippines
170	-	24/03/00	Boat Carrying Illegal Immigrants strucks a reef and sinks	Indian Ocean
169	40	30/01/00	Kenya Airways Airbus A310 crashes into the sea	Ivory Coast
166	-	29/12/00	Overcrowded ferry sinks after colliding with another vessel	Bangladesh
163	-	13/12/00	Two efugee boats sink during cyclone Sam	Indonesia, Australia
162	-	23/08/00	Flood of Godavari River following rainfall; 600 villages hit	India
159	-	27/09/00	Gas explosion in the Muchonggou coal mine	China
155	14	11/11/00	Fire in tunnel destroys cable train completely	Austria
153	-	10/10/00	Cold wave hits Moscow, Sibiria, Mongolia	Russia
150	-	16/07/00	Pipeline Explosion at Ijalla	Nigeria
150	-	04/11/00	Petrol tanker crashes into line of cars; explosion	Nigeria
150	100	31/07/00	Flood of Sutlej River	India, Bangladesh



No of Victims by Type of Perils

Source: Swiss Re, Economic Research & Consulting

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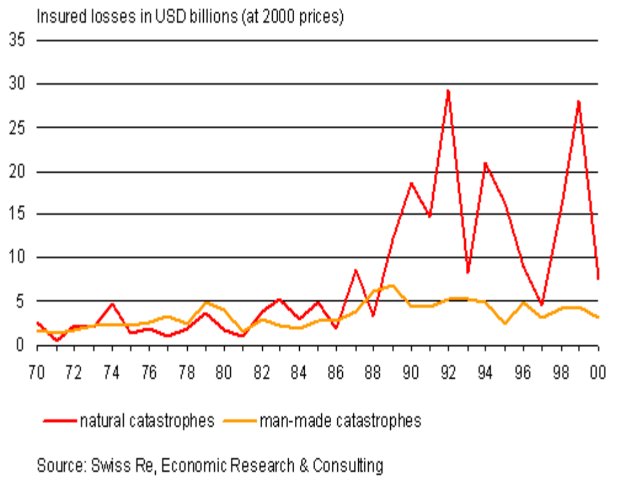
Insured losses 1970 2000

Insured losses in USD billions (at 2000 prices)

Year	natural catastrophes	man-made catastrophes
1970	2.643	1.763
71	0.588	1.316
72	2.222	1.760
73	2.089	2.303
74	4.749	2.308
75	1.444	2.267
76	1.940	2.555
77	0.994	3.288
78	1.824	2.444
79	3.557	4.929
1980	1.801	4.063
81	1.015	1.548
82	3.833	2.989
83	5.209	2.214
84	2.886	1.874
85	4.795	2.766
86	1.939	2.801
87	8.707	3.745
88	3.346	6.271
89	12.234	6.889
1990	18.611	4.247
91	14.646	4.256
92	29.230	5.189
93	8.235	5.225
94	20.960	4.805
95	16.335	2.490
96	9.006	4.785
97	4.485	3.057
98	16.002	4.226
99	28.131	4.309
2000	7.548	3.049



Number of victims 1970 2000

Year	natural catastrophes	man-made catastrophes
1970	365063	3195
71	15308	3010
72	16971	5159
73	5609	4473
74	13092	4767
75	3838	3273
76	297138	3993
77	15821	3984
78	46730	3835
79	4952	18523
1980	12145	5194
81	11982	6435
82	10538	3596
83	6867	3954
84	5151	6749
85	51012	5092
86	6594	5092
87	13026	10422
88	41410	7234
89	7932	7416
1990	60984	7031
91	156600	6570
92	13427	7222
93	20719	9340
94	9783	8430
95	20703	7622
96	13923	8231
97	14371	7641
98	34932	9747
99	98152	7182
2000	7767	9694

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International Underwriters Association of London IUA FIGURES

Yet another batch of figures have been released reflecting the state of the market with particular emphasis this time on marine. The IUA (International Underwriters Association of London) have just published their figures for 2000, which confirms the general negative state of the market. For all the sectors, hull, energy, liability, cargo and excess of loss, premiums processed by the IUA on behalf of member companies, have steadily declined over a 10-year period, together with declining claims ratios in the last 5 years.

There was Sterling Pound 406.8 million of premium processed by the IUA for 2000 underwriting year, for the above-mentioned sectors, and the claims ratio is currently running at 18.1%. Although this percentage is marginally better than the 1999 year taken at the same stage, we expect this loss ratio to decline rapidly in the next 12-month period. In fact the 1998 year, in its third year of development, is already showing a loss ratio of over 100%.

U/Y 1990

	Months										
	12	24	36	48	60	72	84	96	108	120	132
Premium	427	959	1157	1221	1249	1274	1285	1293	1296	1297	1298
Claims	142	833	1455	1902	2206	2408	2534	2569	2600	2630	2653
Ratio	33.3	86.8	125.7	155.8	176.6	188.9	197.2	198.6	200.6	202.8	204.4

U/Y 1991

	Months									
	12	24	36	48	60	72	84	96	108	120
Premium	585	1186	1318	1352	1365	1371	1375	1376	1377	1381
Claims	148	700	1129	1374	1554	1669	1749	1797	1818	1834
Ratio	25.3	59	85.7	101.6	113.8	121.7	127.1	130.5	132	132.7

U/Y 1992

	Months								
	12	24	36	48	60	72	84	96	108
Premium	861	1417	1517	1536	1542	1547	1549	1550	1552
Claims	228	704	1044	1257	1357	1417	1462	1480	1497
Ratio	26.5	49.6	68.8	81.8	88	91.6	94.3	95.5	96.4

U/Y 1993

	Months							
	12	24	36	48	60	72	84	96
Premium	991	1476	1548	1560	1565	1567	1568	1568
Claims	150	538	782	921	1004	1048	1083	1102
Ratio	15.1	36.4	50.5	59.1	64.2	66.9	69.1	70.3

U/Y 1994

	Months						
	12	24	36	48	60	72	84
Premium	920	1371	1417	1427	1428	1432	1433
Claims	118.2	433	619	729	805	845	879
Ratio	12.8	31.6	43.7	51.1	56.3	59	61.3

U/Y 1995

	Months					
	12	24	36	48	60	72
Premium	836	1210	1248	1257	1260	1262
Claims	96	400	597	732	798	842
Ratio	11.5	33	47.8	58.3	63.3	66.7

U/Y 1996

	Months				
	12	24	36	48	60
Premium	662	968	1006	1016	1020
Claims	101	383	578	715	806
Ratio	15.3	39.6	57.5	70.4	79

10 ACTION POINTS from ABS, DNV, LRS

Three leading classification societies have recently announced a series of initiatives to further improve the safety of international shipping. The three societies, American Bureau of Shipping, Det Norske Veritas and Lloyd Register hope their 10-point plan will strengthen the classification profession
and make poor quality vessels easier to identify and act upon.
Speaking on behalf of the three societies, Chairman of Lloyd Register, sought to explain the rationale behind the move. As classification societies, have an absolute duty to the public at large, to the seamen who populate the ships and to the environment in which those ships exist.
Agreement has been reached amongst the three societies to establish:

1. A common scheme for identifying, targeting and monitoring possible substandard vessels
2. Align ISM with other safety management control measures by linking future issuance of SMC Certificates to the classification of the vessel The objective here will be to phase out, over time, the split responsibility that now exists when one society classes the vessel while another judges compliance with the ISM Code. With immediate effect the three societies will for all vessels, instruct the surveyors to report at regular annual class surveys whether the conditions are such that an extraordinary ISM audit onboard is recommended.
3. Strengthen the Transfer of Class Agreement (TOCA) so that the losing society shall deal with Conditions of Class and outstanding before completion of change of class
4. Introduce an Early Warning System to exchange information on sister ships.
5. Requiring two surveyors in attendance for all special surveys for tankers and bulk carriers above 15 years of age. (Special Survey No. 3 and beyond).
6. Co-operate with respect to use of exclusive surveyors.
7. Establish common basic design criteria for ship design, including hydrodynamic loads and corrosion margins for standard ship types.
8. Harmonization of Condition Assessment Programs (CAP).
9. Introduce common standards for training and qualification of surveyors.
10. Increase transparency of information by establishing common formats for onboard and ashore information and increase the amount and quality of information available on the Internet.

The seven other members of IACS are encouraged to adopt the initiatives. However, the adoption of the proposed measures by all IACS members is not a prerequisite for timely implementation by the three societies.
The three societies were at pains to stress that they were not looking to break away from IACS but they
have taken a decision to refocus much of their considerable resources on those important quality issues facing the industry toda
Register. (the objective, then, is to speed the pace of change and enhance the quality of decisions in order to meet the expectations and demands of the industry.)
Echoing the above, ABS chairman said (what we are attempting to do is to step out and establish a leadership role with the intention of helping and encouraging IACS to move forward.)

U/Y 1997	**Months**			
	12	24	36	48
Premium	530	824	840	851
Claims	88	426	681	839
Ratio	16.7	51.6	81	98.5

U/Y 1998	**Months**		
	12	24	36
Premium	418	701	731
Claims	96	432	739
Ratio	22.9	61.6	101.1

U/Y 1999	**Months**	
	12	24
Premium	436	697
Claims	87	448
Ratio	20	64

U/Y 2000	**Months**
	12
Premium	407
Claims	73
Ratio	18

Reinsurance Market Review
First Quarter 2001
Report by: - Willis

Property

Introduction

The year 2000 did not see a large number of catastrophe losses and However, the deterioration in the extent of the catastrophe losses suffered in 1999, following the rate increases enjoyed by reinsurers at the 1 July 2000 renewals, means that 1 January 2001 saw the largest overall upward pricing movement since the early 1990, This was in order to improve reinsurers overall poor results. However, the extent of some of these increases in certain territories exceeded expectations. Ceding companies have sought to mitigate these increases by raising retention, either on a priority basis or by increasing the element of co-reinsurance incorporated into their programmes.

It has also been clear that the rapidity of the hardening of the market has taken some people by surprise and the timing of renewal negotiations has also been important. Some clients who approached the market at an early stage of the renewal process and made a decision to give a firm order quickly, were able to secure capacity at better terms than those who did not. Examples exist of ceding companies having to re-quote programmes because market had moved too quickly between quotation and firm order.

Further, more significant rate increases may have been mitigated by the fact that capacity remains available for most classes and territories. This apparent increase in the supply of capacity conflicts with the strong demand for expensive pricing increases being requested by the retrocession market.

Pro-rata

It is clear that the trend for reducing proportional cessions is continuing on an overall basis and the 1 January renewals saw increasing pressure to reduce commissions in many territories. This has been particularly true in France and Germany where the 1999 results have, in many cases, been poor.

In other territories such as Asia, there has also been more pressure on reducing cession limits and an overall tightening of conditions.

In Latin America and the Caribbean, commissions have been reduced by approximately 10%, but the pressure to purchase protections on a pro-rata basis remains strong, particularly in the catastrophe exposed areas, where pro-rata is used to reduce retentions and protect ceding companies from being affected by the volatility associated with pricing on an excess of loss basis.

Pro-rata placements are suffering since reinsurers are finding it increasingly difficult to price the different exposure components within this type of cover.

Proportional reinsurance protections may continue to come under pressure from reinsurers around the world, but they still provide a substantial income base, which cannot be ignored. Ceding companies will continue to use proportional business to control their net accounts, and in territories where rate increases and the underlying profitability become more apparent, there is no reason why reinsurers will not continue to support ceding companies in such circumstances.

Risk excess of loss

Although the number of substantial losses in the catastrophe arena has been small in 2000, the number of sizeable risk losses has continued to grow

2000	**Event**	*Estimated loss USD*
March	Phil[ps Chemical **Cc,** explosion, USA	300m
March	Philipps semi-conductor plant fire. New Mexico	500m
April	Mina al Ahmadi oil refinery explosion, Kuwait	400m

As a result of this and the low underlying rates still being experienced in a number of territories, the per risk portfolios of many reinsurers have not performed as well as had been expected ,Consequently, per risk pricing saw some dramatic increases particularly in the United Kingdom and France.

Engineering

Overview of market conditions

Reducing rates appear to have at last bottomed out during 2000 having reached unsustainable levels. The recovery was first evident in the area of operational (All Risks) covers as the market moved generally towards (unpacking) these policies. With the increase in the number of (stand-alone) machinery breakdown offers coming back to the Engineering market. The return to a more technical approach to this class of business in the Engineering market should see results and premium volume improve during the course of 2001 .This factor together with some higher profile losses in the power sector had the effect of accelerating the return to proper underwriting levels.

Proportional treaties

During the renewal season the emphasis was very much on the hardening of original rates and potential for recovery. However. Significant contractions existed in the pro-rata market. On the surface this appears as if reinsurers are out of balance with their cedants. With the departure of Tela and, on top of this, other reinsurers withdrew from proportional treaties, including Wellington, Terra Nova, CNA Re and Nac Re.

What was surprising about this renewal season was that in the previous hard market a reduction of capacity had featured strongly, but this time around more concern for terms and conditions was shown. A number of cedants found themselves with Loss Participation Clauses, restrictions on geographical scope. such as the USA, with catastrophe aggregates being capped, or even a total exclusion of US business

Excess of loss covers

As far as the excess of loss market was concerned this renewal season was (pay back) time. On loss free placements protecting direct facultative accounts, we witnessed rate increases of up to 20% whereas, on retrocessional covers, rate increases were as high as 50%.

Facultative business

The market continues to harden, mostly of its own volition, though some pressures may be treaty reinsurer driven. The underwriters are being much tougher on terms.

Rates and deductibles continued to increase as further evidence was provided that capacity in the Construction/Engineering and Energy markets is beginning to reduce.

Marine

The January 2001 renewal season is now behind us and Marine reinsurers have enjoyed the upper hand. As predicted, retentions and premiums have gone up and the extent of these increases has depended on the competitiveness of the previous year terms.

The corrective actions by the reinsurance market have reinforced the initial efforts of the 2000 renewal season. The retrocessional market has charged substantial increases again at all levels, as capacity remains tight. It has generally not been possible to complete placement of excess of loss reinsurance business at the lower levels, whether painstakingly leveraged with higher levels or not. The core programmes have been considerably more expensive for buyers and the terms, whilst remaining largely the same, have tended to concentrate on the exclusion or limitation of the impact of Political Risks losses within the Marine reinsurance market.

It is generally understood that an environment of increasing reinsurance costs against insurers subject matter premiums. which are static or decreasing, cannot last for long. There are nevertheless already some visible improvements:

Hull rates are up 25% - 30%, following the leads of the more brittle Total Loss Only and Loss of Hire markets during 2000.

Energy is moving up sharply, again following the necessary rises, which began within the primary Energy Construction business.

Cargo continues to be amenable to good accounts against a background of adverse results.

Liability underwriters are seeking substantial increases, but their efforts have been hindered since they have committed themselves to their largest single premium earner, the International Group of P&I Clubs, by providing reinsurance at terms set in late 1999 for a period of 3 years. So, P&I terms are fixed for the time being for most of the mutuals, but challenging for the fixed price providers.

Aviation

Without exception, all excess of loss programmes renewing at 1 January, 2001 have been subject to significant rate increases in the middle and catastrophe areas. Levels of increase have, of course, varied, according to key factors such as recent loss history, underwriting style and penetration, which have determined the extent of the rate increase applied to a particular programme.

It is difficult to generalize but rating levels have, on average, moved upwards by some 30-40%. Much higher increases were, however, witnessed, especially in respect of those programmes renewing for the first time since January 1999.

The majority of leading excess of loss reinsurers had long held the view that their product was fundamentally under-rated and that the direct market had been supported for long enough with cheap reinsurance coverage. Here was the opportunity to bring about change and at the same time, here was an environment where reinsurers would not be undermined in pursuit of their goals.

In anticipation of the reinsurance market reaction, improvements were seen in rating and premium levels in the region of 25%-30% during the direct market renewal period of 1 October -1 December 2000. For many direct underwriters this has still not been enough and a further round of price rises will be required before they can be encouraged back onto the business.

The imbalance between an average year losses affecting the market and the premium income available to insurers finally caught up with a number of participants towards the end of 2000. As a result, casualties were evident and a number of players finally made the decision that their involvement in the Aviation arena could no longer continue. There are others, however, who believe that a last attempt is warranted given the more favourable market climate, and that by re-evaluating the extent of their involvement and re-defining their underwriting strategy, they may be able to return to modest profitability.

Within the extreme primary area of the excess of loss market, coverage i.e. providing buyers with the traditional risk transfer. has all but completely disappeared. Few markets remain to offer the sort of risk transfer product that buyers have been able to traditionally purchase. leaving many to seek alternative, more esoteric techniques to manage the potential downside from this area of their account.

Within the excess of loss market it was, however, not all one way traffic and in the band of exposure USD50 million - USD500 million, one particular reinsurer continued to dominate in pursuit of market share. Away from this particular market, however, brokers and buyers were forced to operate and think as though in a different environment. Core programme retention levels generally rose upwards to an original loss attachment point of USD75 million - USD100 million, and pricing similarly increased to a level more in line with burning cost plus margin.

Above this, in the middle to catastrophe areas reinsurers took every opportunity to impose more realistic pricing levels on core programmes. Similarly in the catastrophe area, price rises were the order of the day as reinsurers both within Lloyds and in the Company market, sought to counter overwhelming pressure from capital providers to deliver an improved return on exposed capital.

The concept of Risk Based Capital weightings, within the Lloyds markets place in particular, placed specialist Aviation reinsurance in an untenable position. Similarly, the traditionally catastrophe-orientated continental markets cited return on capital and internal costing on capital employed as the rationale behind their efforts to move away from rates on line, generating a return of less than 2.00%.

The overall response was not wholly unexpected given the position of the retrocessional market where the market contracted considerably.

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