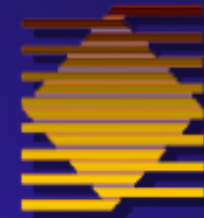




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U.S. Excess Liability

Russ Buckley, FCAS, MAAA

Chief Actuarial Officer – Direct Facultative

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U.S. Excess Liability

- **Definition**
- **Coverage Characteristics**
 - **Underlying attachment points**
 - **Policy limits**
 - **Coverage forms**
 - **Pricing**



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U.S. Excess Liability

- **A single market or multiple markets?**
 - **Target markets vary by insurance company**
 - **How to track the results of this marketplace, in general or in further detail**



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U.S. Excess Liability

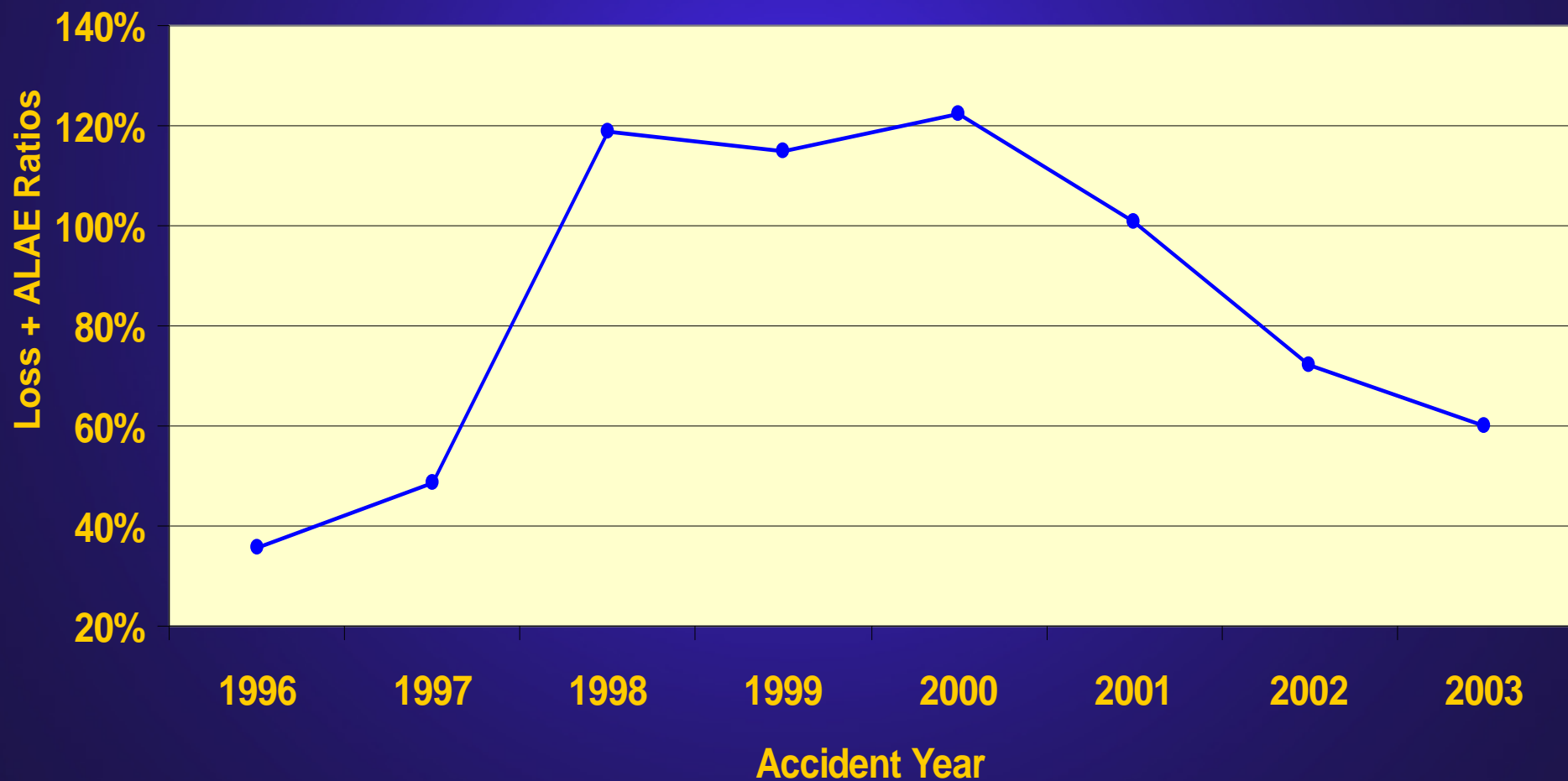
- **Potential Segments**
 - **Admitted vs. non-admitted carriers**
 - **Size of average risk – small vs. large**
 - **Supported vs. unsupported policies**
 - **Net vs. Gross – reinsurance support**



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Unsupported Umbrella Business Historical Loss+ALAE Ratios

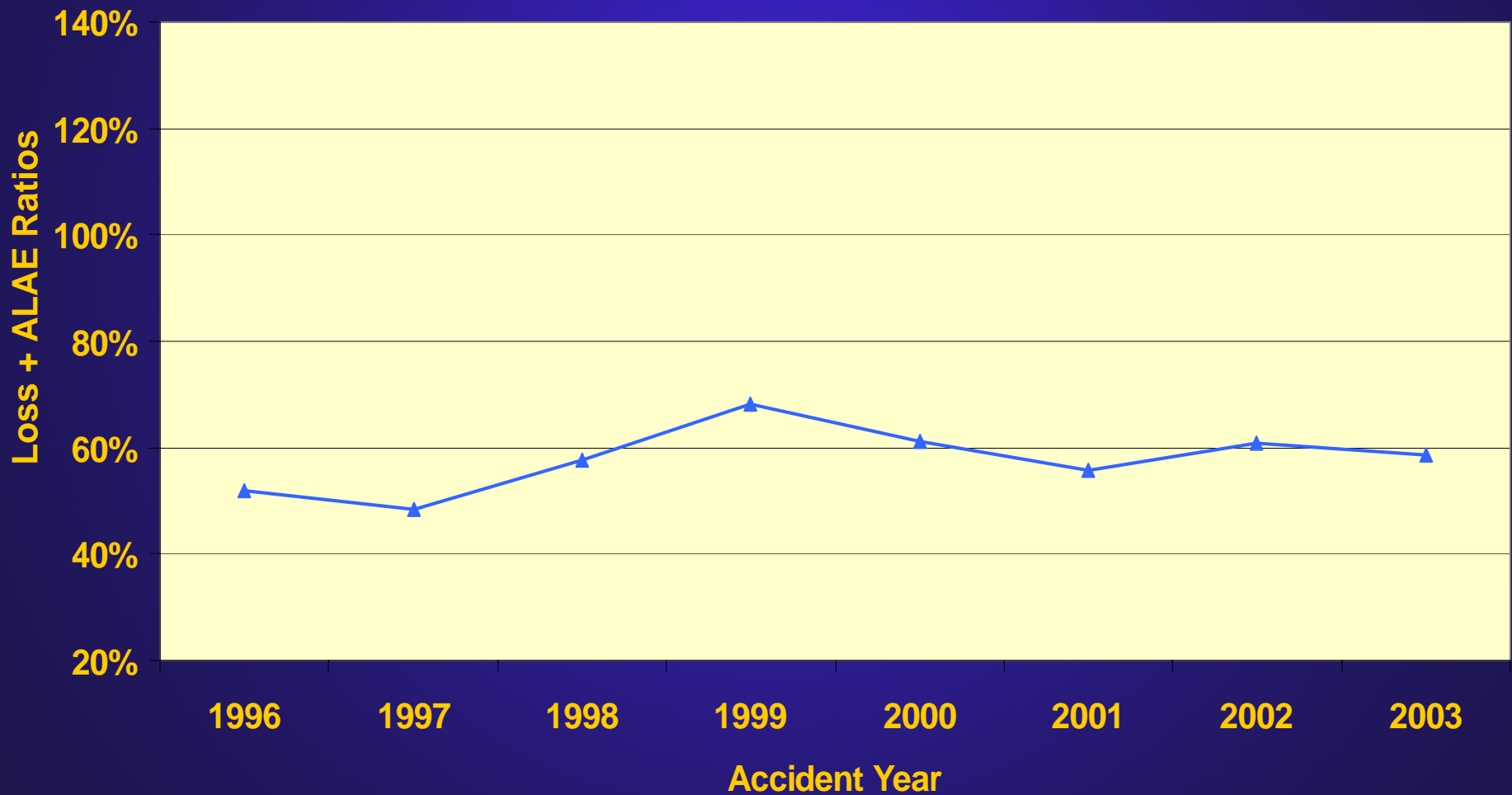




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Supported Umbrella Business Historical Loss+ALAE Ratios

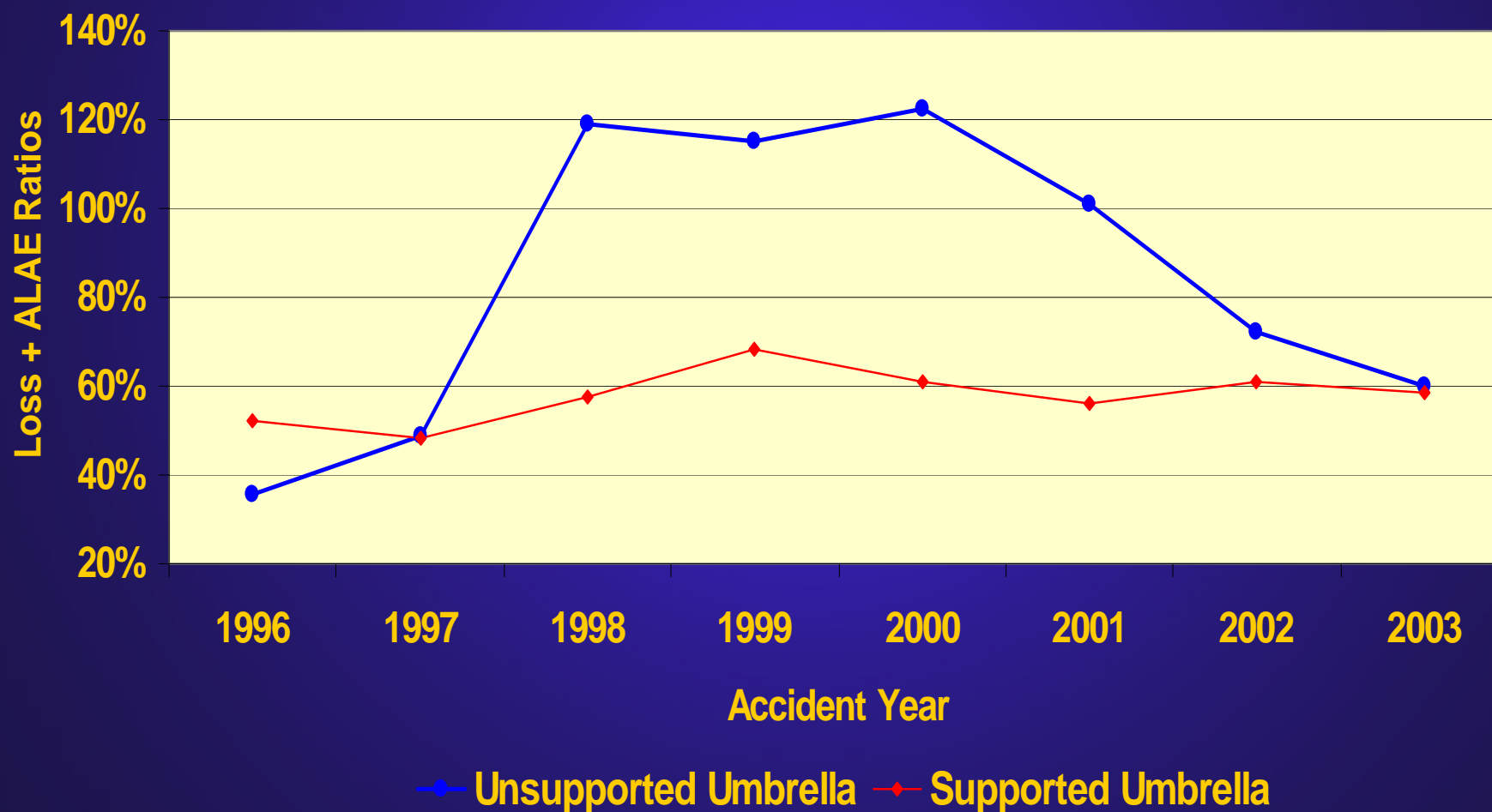




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Umbrella Business Historical Loss + ALAE Ratios





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Newsflash – Part 1

June 14, 1999 – Business Insurance

Commercial rate cuts slowing, predict that buyers will see rates leveling off rather than increasing, according to a Conning & Co. study.

Source: "Commercial Rate Cuts Slowing: Study," Business Insurance, June 14, 1999



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Newsflash – Part 2

July 5, 1999 – Business Insurance

Reinsurance rate-cutting less prevalent, reinsurers are pushing for modest increases, while retrocessional reinsurance rates are rising sharply.

“There is a bottoming, and I think we have gotten there” says one reinsurance executive.

Source: “Reinsurance Rate-Cutting Less Prevalent, Execs Say” Business Insurance, July 5, 1999



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Newsflash – Part 3

November, 2001 – Berkshire Hathaway 3rd quarter report on General Re

“Underreserving occurred principally in the casualty treaty, commercial umbrella and casualty individual risk reinsurance lines, and primarily for accident years from 1998 through 2000.”



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Commander Richard Behn, NOAA Corps



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Reinsurer Reported Results

Prior year adverse development is the real story, with the following details:

- **2002 Calendar Year = \$6.4 billion**
- **2003 Calendar Year = \$3.6 billion**
- **2004 Calendar Year = \$3.9 billion**

Source: IBNR Weekly, based on publicly available data



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Reinsurer Reported Results

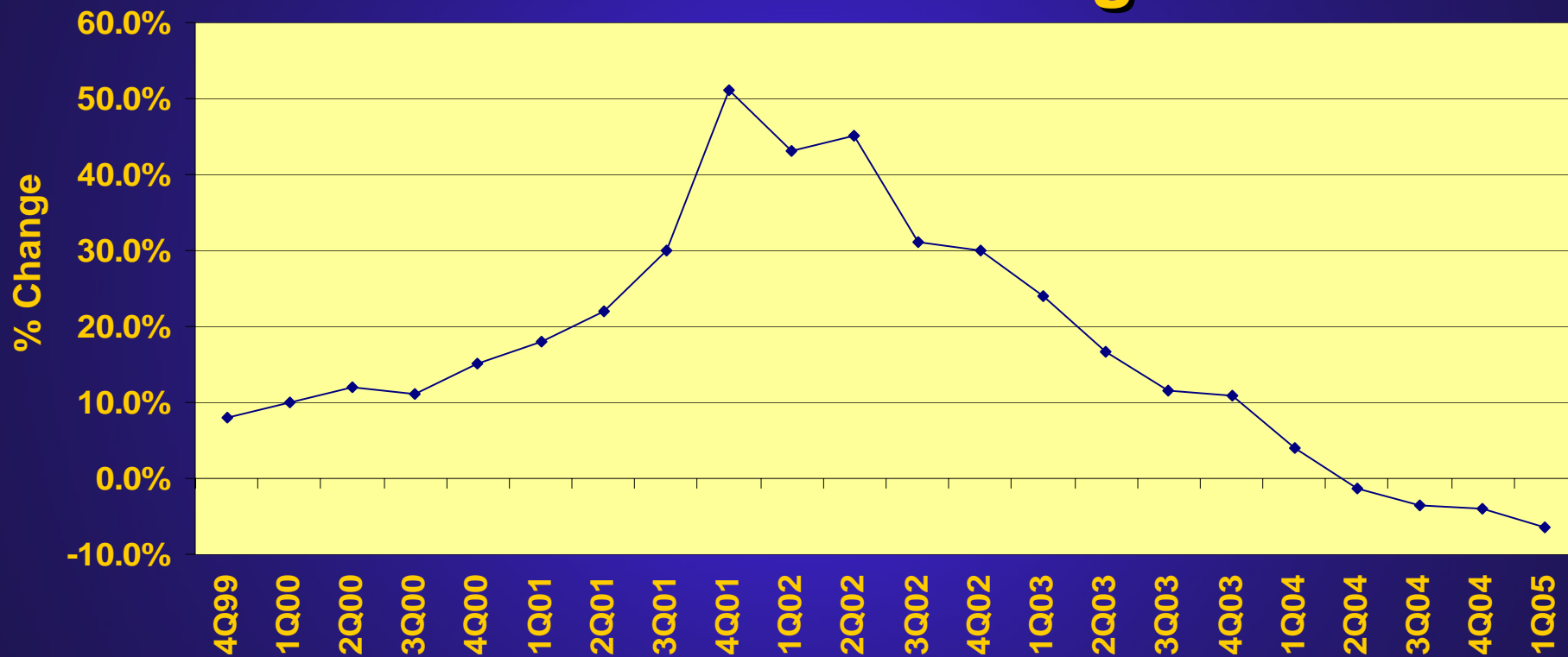
What accident years are driving these results:

- **2002 CY = \$5.3 billion of \$6.4 billion is for accident years 1997-2001**
- **2003 CY = \$4.2 billion of \$3.6 billion is for accident years 1997-2001**
- **2004 CY = \$4.1 billion of \$3.9 billion is for accident years 1997-2001**

Source: IBNR Weekly, based on publicly available data



CIAB Commercial Umbrella Premium Rate Changes



*Data Source: "Commercial Property/Casualty Premium Rates Continue to Soften In First Quarter 2005,"
Council of Insurance Agents and Brokers, April 20, 2005*



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What else is happening in the marketplace?

- **Terms and conditions**
- **Limits and attachment points**
- **Loss trends**
- **Reinsurance market**



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Where is the US market going from here?