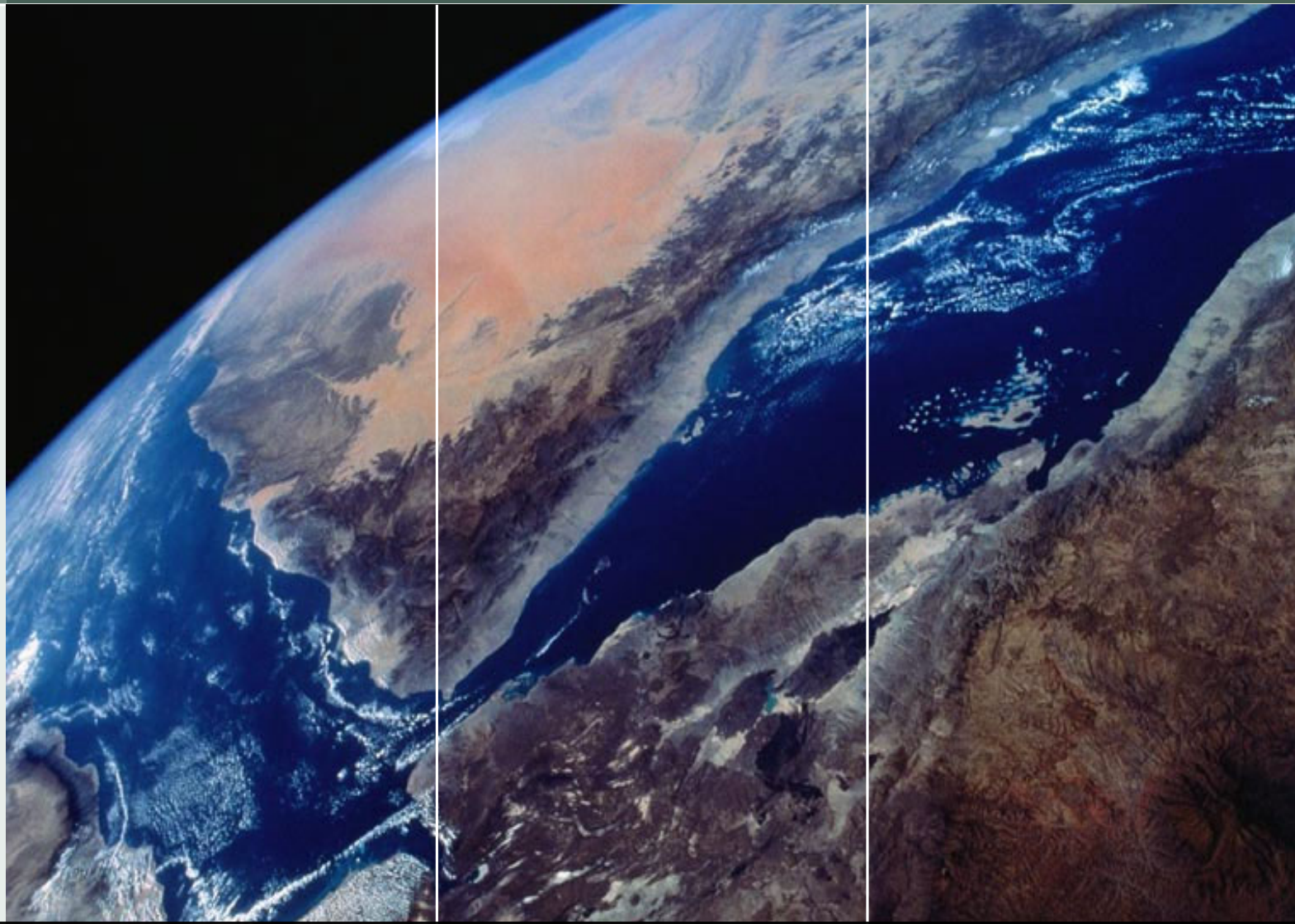


Swiss Re



Environmental Liability



Seminar on Reinsurance
New York, NY
June 1, 2006



Session Agenda

- Why Discuss?
- Underwriting Overview
- Actuarial Overview
- Reinsurance Actuary's Perspective
- Q & A



Why Discuss?

- Market is growing in size and importance
 - Stand-alone market began in 1980's
 - By 2005, total premium approximately \$1.6B
 - Coverage may be required: by regulators, in financial transactions, in government bids, etc.
- Coverages & pricing differences relative to standard lines
- More reinsurers, and therefore reinsurance actuaries, are getting involved. Naïve capacity?



Reinsurance Actuary's Perspective - Issues

- Limited and volatile data, particularly for PLL
- Commonly used pricing parameters (ILFs, term factors, etc.) all seem to share a common “ancestry”. They are generally not actuarially derived.
- Development factors/lags particularly difficult to determine due to thin data and multi-year policy terms
- Rate changes more market-driven than actuarially-driven
- Engineering & Risk Management costs imply a lower permissible loss ratio?



Reinsurance Actuary's Perspective – Pricing Models

- Pricing variables of particular interest:
 - Deductible & SIR credits: are they consistent with the ILF curves?
 - Multiple location discount (PLL): typically, all locations share a single aggregate limit
 - Policy Term Factor (PLL)
 - Percentage Subcontracted Discount (CPL): contractor's exposure to loss may not be proportional to % subcontracted

- With or without pricing models, there is considerable underwriter judgment in setting prices. Is this monitored or measured?