



# **REALISTIC DISASTER SCENARIOS**

## **SCENARIO SPECIFICATION**

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# 1 INTRODUCTION

The purpose of this document is to describe the loss assumptions for each of the Lloyd's Realistic Disaster Scenarios [RDS].

For information about the 2013 RDS reporting requirements, return deadline, changes to the Scenarios, changes to Franchise Guidelines and changes to the Supplementary Information requirement for 2013 please see the RDS Guidance & Instructions 2013 document.

## 1.1 SPECIFICATION OF THE RDS EVENTS

For each compulsory scenario (see section 1.2.1), this document contains:-

- a definition of the physical event, with a map showing the footprint or storm-track;
- the assumed industry insured loss for property, split by primary class of business;
- additional lines of business that managing agents are recommended to consider;
- where applicable, a map of Lloyd's assumed distribution of property values in affected areas;
- where applicable, a catalogue of major infrastructure (i.e. ports) that may be affected by the event;
- where applicable, supplementary information that managing agents are required to provide (i.e. offshore energy).

For each *de minimis* scenario (see section 1.2.2), this document contains:-

- a description of the event, or type of event;
- additional information to the loss-return which managing agents should provide;
- where applicable, examples of scenarios - or types of scenarios - which managing agents may choose;
- where applicable, assumptions about reinsurance protections.

For details of the Political Risks scenarios, please see the separate RDS Political Risks Scenario Specification 2013 document which is available on request from Lloyd's Exposure-Management team or the LMA Political Risks panel.

## 1.2 SCENARIOS

### 1.2.1 COMPULSORY SCENARIOS

There are fourteen compulsory scenarios which managing agents must complete for all syndicates. No *de minimis* reporting threshold exists for the compulsory scenarios. Where a syndicate has no exposure to a compulsory event, managing agents should submit a 'nil' return.

Lloyd's does not prescribe how managing agents should calculate losses from these scenarios. The Calculation Principles in the RDS Guidance & Instructions 2013 document describe some possible methodologies, and the reporting-conditions applying to each.

Managing agents who use the Lloyd's damage-factors and/or Lloyd's suggested property-distributions will find them in the RDS Damage Factors spreadsheet. Table 1 shows the scenarios for which this data is available.

RDS		Industry Loss	Lloyd's damage-factors provided?	Lloyd's property distribution tables provided?	Scenario ID
Two events – North-East windstorm		USD 78bn	Yes	No	41
Two events – South Carolina windstorm		USD 36bn	Yes	No	42
Florida Windstorm – Miami-Dade		USD 125bn	Yes	No	2
Florida Windstorm – Pinellas		USD 125bn	Yes	No	3
Gulf of Mexico Windstorm	Onshore	USD 107bn	Yes	No	12
	Offshore	USD 4.5bn	No	n/a	
European Windstorm		€ 23bn	Yes	Yes	8
Japanese Typhoon		¥ 1.5trn	Yes	Yes	13
California Earthquake – Los Angeles		USD 78bn	Yes	Yes	4
California Earthquake – San Francisco		USD 78bn	Yes	Yes	5
New Madrid Earthquake		USD 47bn	Yes	Yes	6
Japanese Earthquake		¥ 5trn	Yes	Yes	9
UK Flood		GBP 6.2bn	No	No	51
Terrorism – Rockefeller Center		n/a	No	No	43
Terrorism – Exchange Place		n/a	No	No	44

Table 1

## 1.2.2 ALTERNATIVE SCENARIOS A & B

Managing agents should report two further realistic events that represent potential material impact to the syndicate, but are not listed in either the compulsory or *de minimis* scenarios.

## 1.2.3 DE MINIMIS SCENARIOS

The following scenarios are subject to *de minimis* reporting. Please see RDS Guidance & Instructions 2013 for definition of *de minimis* thresholds.

RDS		Scenario i/d
1	Marine (two scenarios)	15,16
2	Loss of Major Complex	17
3	Aviation Collision	18
4	Satellite risks (two scenarios)	20,21
5	Liability risks (four scenarios)	27,28,53,54
6	Political risks ( <i>see RDS Political Risks Scenario Specification 2013 document</i> )	

Table 2

# **COMPULSORY SCENARIOS**

## 2 TWO WINDSTORM EVENTS

A North-East US hurricane, immediately followed by a South Carolina hurricane.

Managing agents should return separate losses for each event.

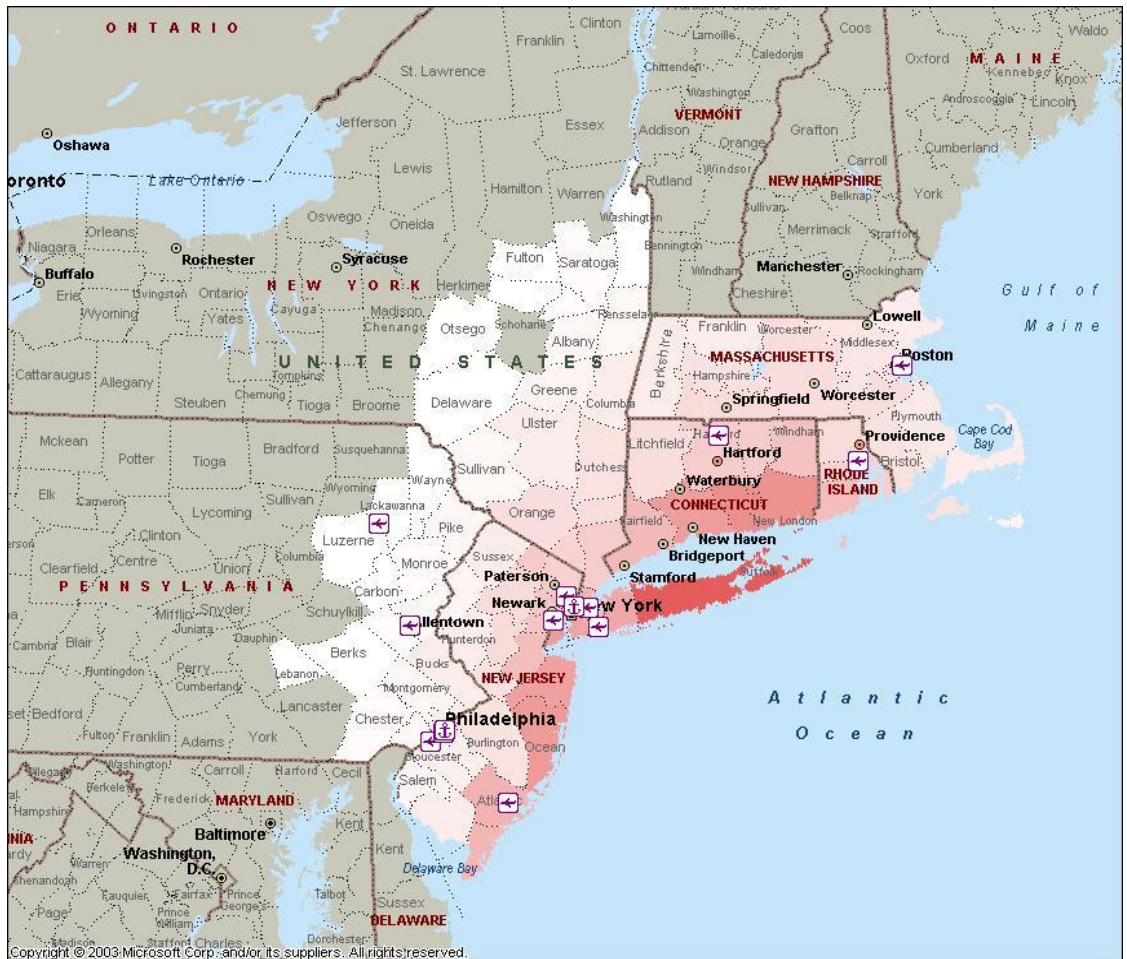
Managing agents should assume that these events fall in the same reinsurance year, and that there has not been sufficient time between events to purchase additional reinsurance protection.

### 2.1 EVENT DEFINITION 1 - NORTH EAST HURRICANE

A North-East hurricane making landfall in New York State, including consideration of demand surge and storm surge. The hurricane also generates significant loss in the States of New Jersey, Connecticut, Massachusetts, Rhode Island and Pennsylvania.

#### 2.1.1 EVENT FOOTPRINT 1 - NORTH EAST HURRICANE

Map 1 illustrates the footprint and damage levels for the North-East Hurricane Event:



Map 1

#### 2.1.2 INDUSTRY LOSS LEVELS – NORTH EAST HURRICANE

This event results in an estimated Industry Property Loss of USD78bn with the following components:

Residential Property	\$47.50bn
Commercial Property	\$30.50bn



Auto	\$1.75bn
Marine	\$0.75bn

Table 3

Managing agents should consider all other lines of business that would be affected, including:

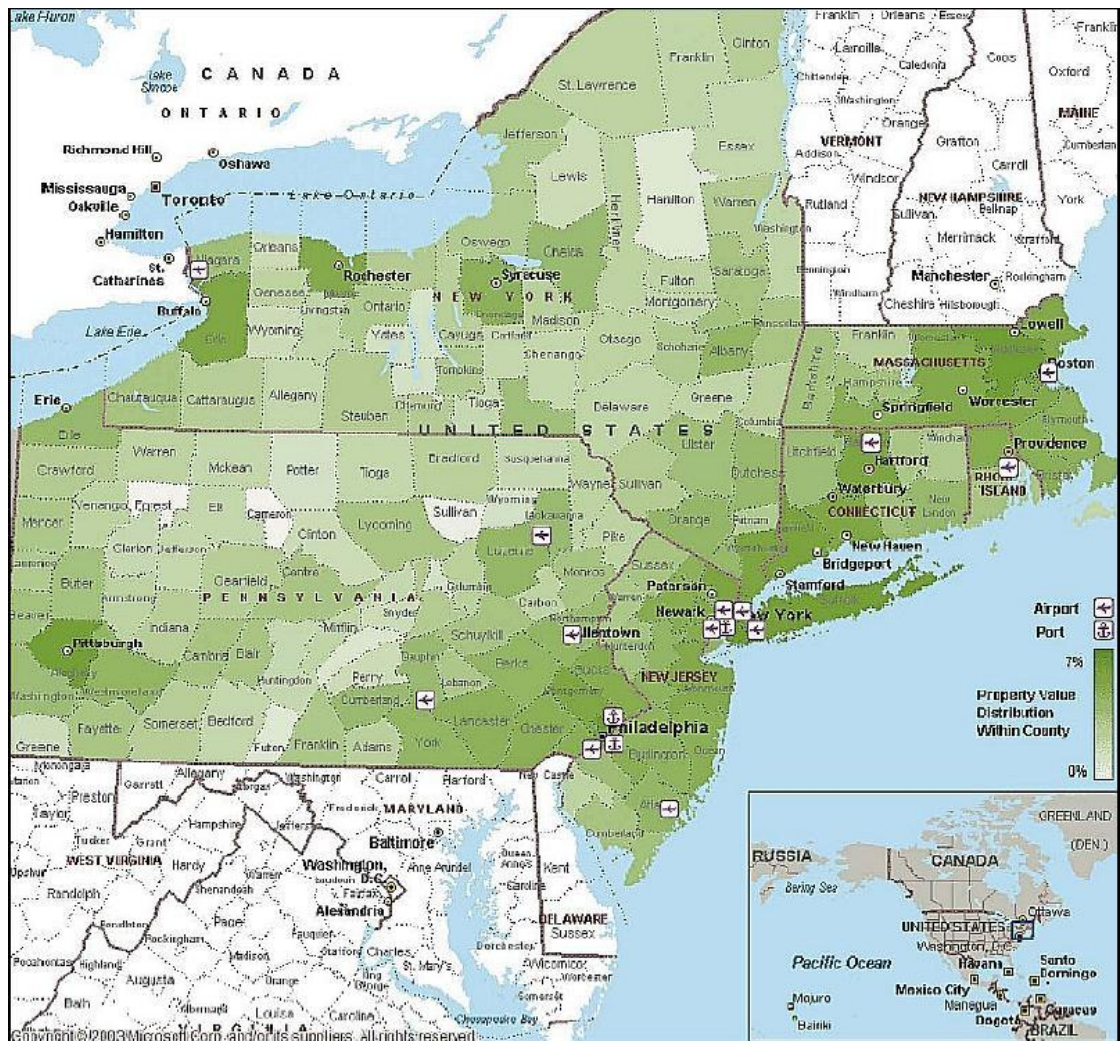
- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability
- 5) Cancellation

### 2.1.3 EXCLUSION OF CONTINGENT BUSINESS INTERRUPTION LOSSES

Lloyd's recognizes the difficulties involved in modelling losses from Contingent Business Interruption (CBI) covers. Managing agents should therefore exclude CBI losses from this event.

## 2.2 EXPOSURE INFORMATION FOR NORTH-EAST HURRICANE

Map 2 illustrates Lloyd's assumptions for the distribution of property values within the affected states:



Map 2



## 2.2.1 MAJOR PORTS

Table 4 lists the main ports that would be affected by the windstorm that managing agents should consider in assessing their potential exposures. They should also give regard to exposures in smaller ports that fall within the footprint of the event.

Port	County	State
Camden	Camden	New Jersey
New York/New Jersey		
Philadelphia	Delaware	Pennsylvania

Table 4

## 2.2.2 MAJOR AIRPORTS

Table 5 lists the main international airports in the affected areas. Managing agents should also have regard to exposures in smaller airports that fall within the footprint of the event.

Airport	County	State
Atlantic City International Airport (ACY)	Atlantic	New Jersey
Bradley International Airport (BDL)	Hartford	Connecticut
Edward Lawrence Logan International Airport (BOS)	Suffolk	Massachusetts
John F. Kennedy International Airport (JFK)	Queens	New York
La Guardia Airport (LGA)	Queens	New York
Lehigh Valley International Airport (ABE)	Lehigh	Connecticut
Newark International Airport (EWR)	Essex	New Jersey
Philadelphia International Airport (PHL)	Delaware	Pennsylvania
Providence - T.F. Green Airport (PVD)	Kent	Rhode Island
Teterboro Airport (TEB)	Bergen	New Jersey
Wilkes-Barre/Scranton International Airport (AVP)	Luzerne	Pennsylvania

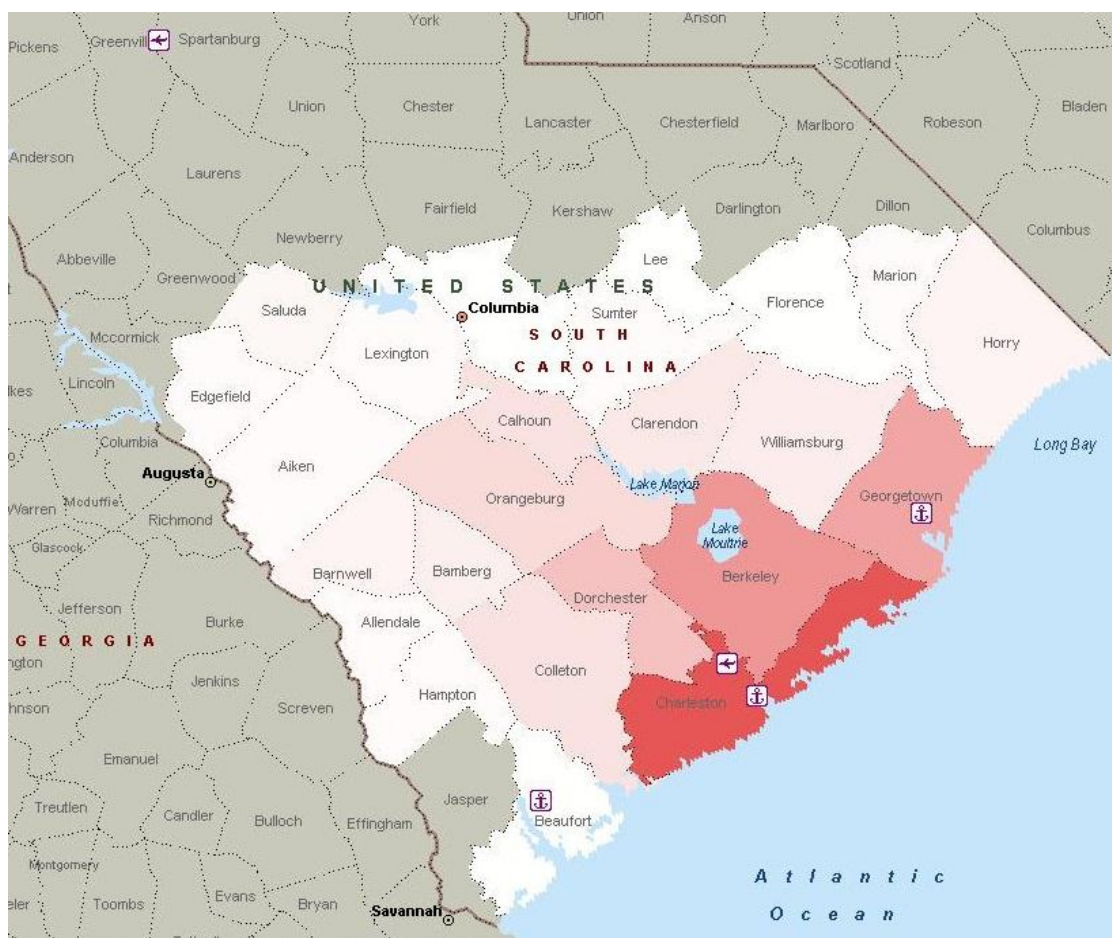
Table 5

## 2.3 EVENT DEFINITION 2 – SOUTH CAROLINA HURRICANE

A hurricane making landfall in South Carolina, including consideration of demand surge and storm surge.

### 2.3.1 EVENT FOOTPRINT 2 – SOUTH CAROLINA HURRICANE

Map 3 illustrates the footprint and damage levels for the South Carolina Windstorm Event.



Map 3

## 2.3.2 INDUSTRY LOSS LEVELS – SOUTH CAROLINA HURRICANE

This event results in an estimated Industry Property Loss of USD 36bn including consideration of storm surge and demand surge. Managing agents should assume the following components of the loss.

Residential Property	\$24.00bn
Commercial Property	\$12.00bn
Auto	\$0.53bn
Marine	\$0.27bn

Table 6

Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

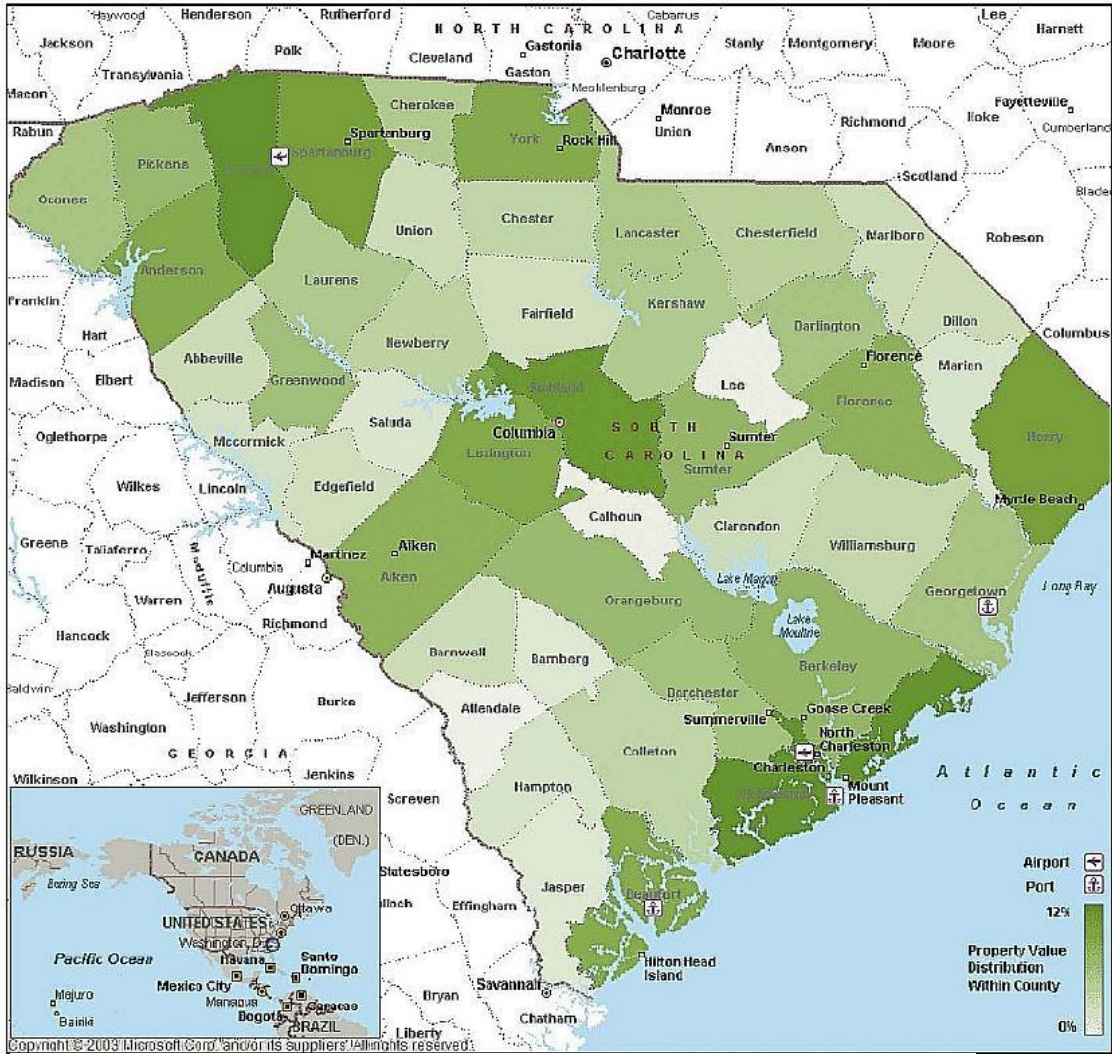
- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability
- 5) Cancellation

### 2.3.3 REINSURANCE

For reinsurance purposes, managing agents should assume that the South Carolina hurricane falls in the same reinsurance year as the North-East hurricane, and that there has not been sufficient time between events to purchase additional reinsurance protection.

## 2.4 EXPOSURE INFORMATION FOR SOUTH CAROLINA HURRICANE

Map 4 illustrates Lloyd’s assumptions for the distribution of property values within South Carolina:



Map 4

### 2.4.1 MAJOR PORTS

Table 7 lists the main ports in South Carolina that would be affected by the windstorm that managing agents should consider in assessing their potential exposures. They should also have regard to exposures in smaller ports that fall within the footprint of the event.

Port	County
Charleston	Charleston
Georgetown	Georgetown
Port Royal	Beaufort

Table 7

2.4.2 MAJOR AIRPORTS

Table 8 lists the main international airports in the affected areas, which managing agents should consider in assessing their potential exposures. They should also have regard to exposures in smaller airports that fall within the footprint of the event.

Airport	County
Charleston International Airport (CHS)	Charleston
Greenville - Spartanburg International Airport (GSP)	Greenville

Table 8

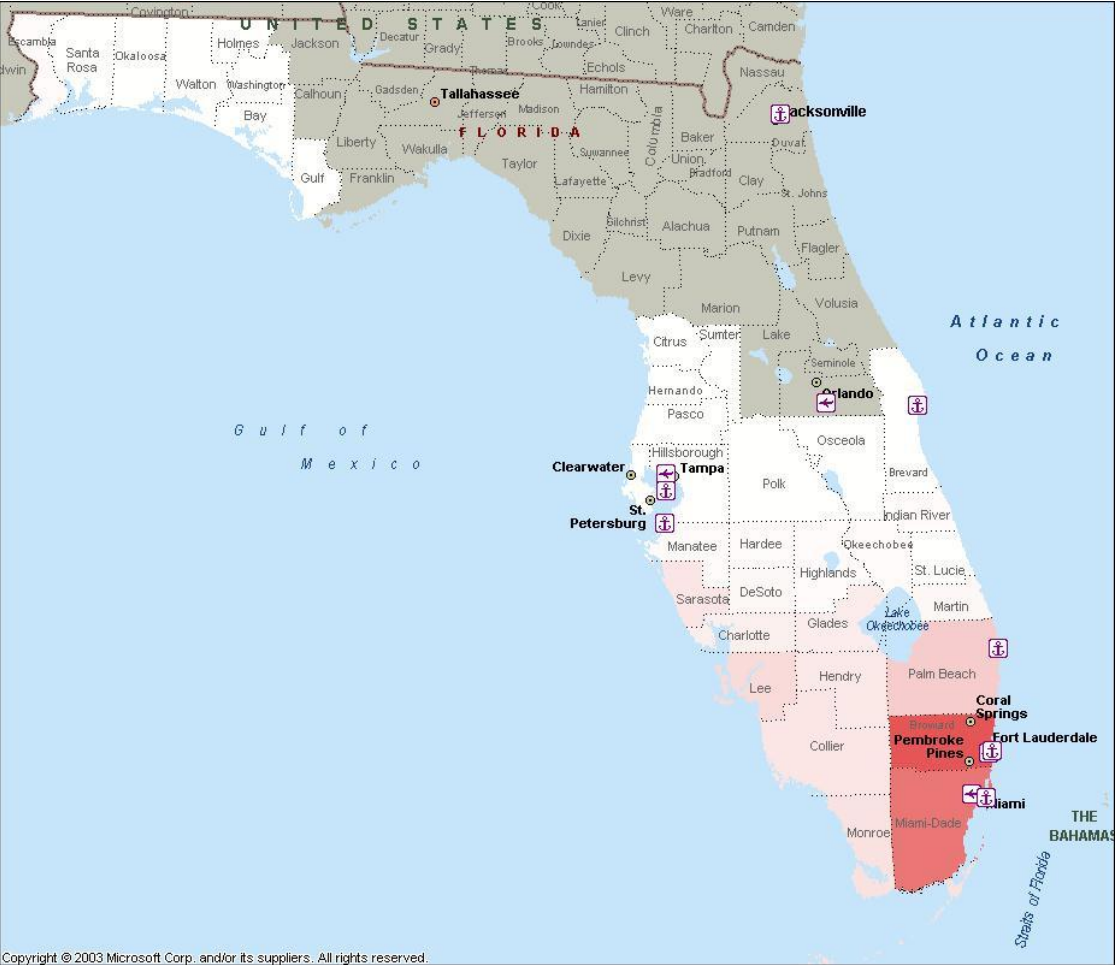
### 3 FLORIDA WINDSTORM: MIAMI DADE

#### 3.1 EVENT DEFINITION

A Florida Windstorm landing in Miami-Dade County, including storm surge and demand surge.

##### 3.1.1 EVENT FOOTPRINT

Map 5 illustrates the event footprint and damage levels for the Miami-Dade Windstorm Event, which are detailed in the 2013 RDS Damage Factors available from Lloyd's.



Map 5

##### 3.1.2 INDUSTRY LOSS LEVELS

This event results in an estimated Industry Property Loss of USD 125bn including consideration for storm surge and demand surge. Managing agents should assume the following components of the loss:-

Residential Property	\$63.00bn
Commercial Property	\$62.00bn
Auto	\$2.25bn
Marine	\$1.00bn

Table 9



Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability
- 5) Cancellation

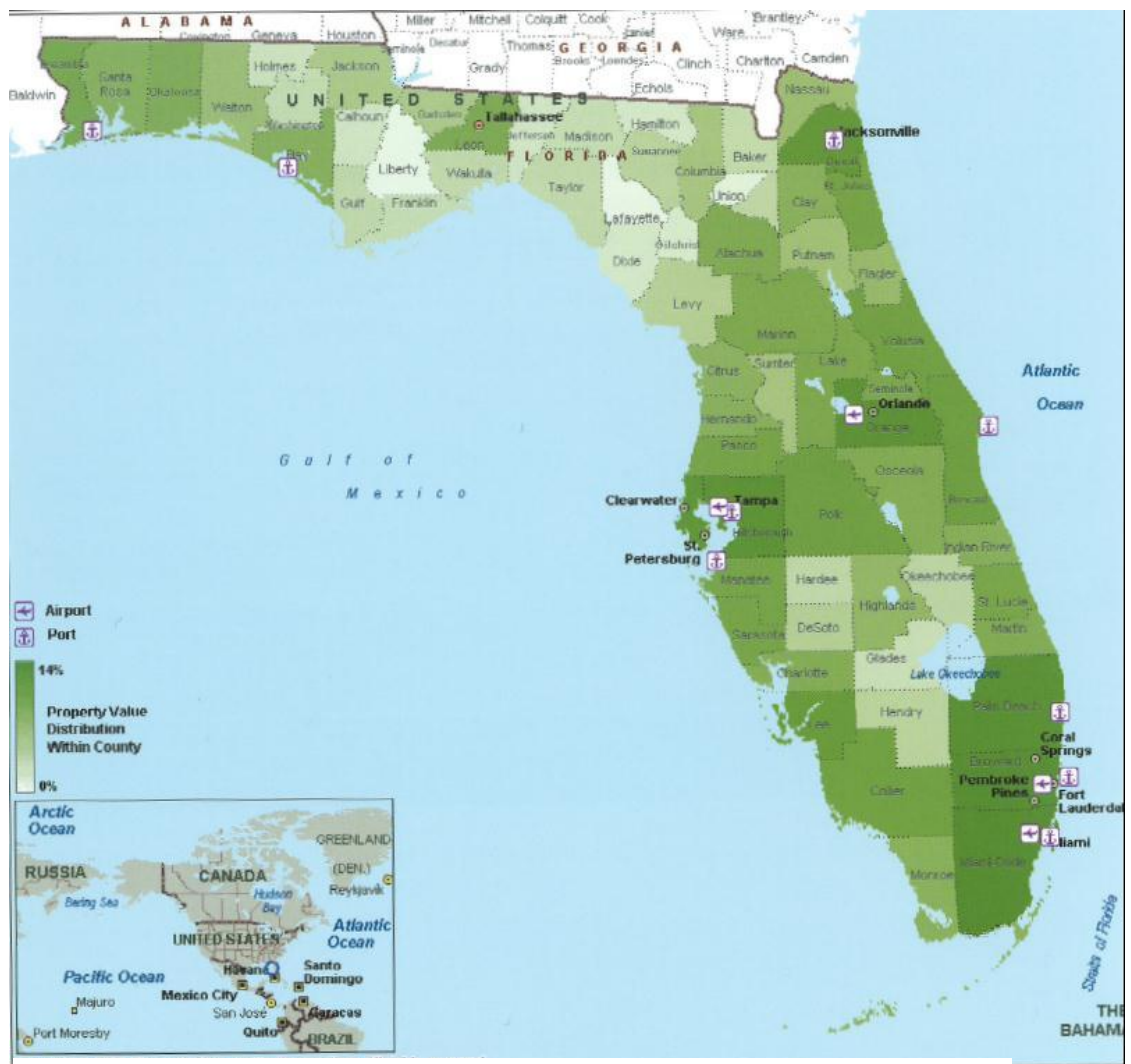
### 3.1.3 EXCLUSION OF CONTINGENT BUSINESS INTERRUPTION LOSSES

Lloyd's recognises the difficulties involved in modelling losses from Contingent Business Interruption (CBI) covers. Managing agents should therefore exclude CBI losses from this event.

## 3.2 EXPOSURE INFORMATION

### 3.2.1 DISTRIBUTION OF PROPERTY VALUES

Map 6 below illustrates Lloyd's assumptions for the distribution of property values within Florida.



Map 6

### 3.2.2 MAJOR PORTS

Table 10 lists the main ports in Florida, which managing agents should consider in assessing their potential exposures.

They should also have regard to exposures in smaller ports that fall within the footprint of the events.

Port	County
Jacksonville	Duval
Miami	Miami-Dade
Palm Beach	Palm Beach
Port Canaveral	Brevard
Port Everglades	Broward
Port Manatee	Manatee
Tampa	Hillsborough

Table 10

### 3.2.3 MAJOR AIRPORTS

Table 11 lists the main international airports in Florida, which managing agents should consider in assessing their potential exposures.

They should also have regard to exposures in smaller airports that fall within the footprint of the events.

Airport	County
Fort Lauderdale/Hollywood	Broward
Miami	Miami-Dade
Orlando	Orange
Tampa	Hillsborough

Table 11

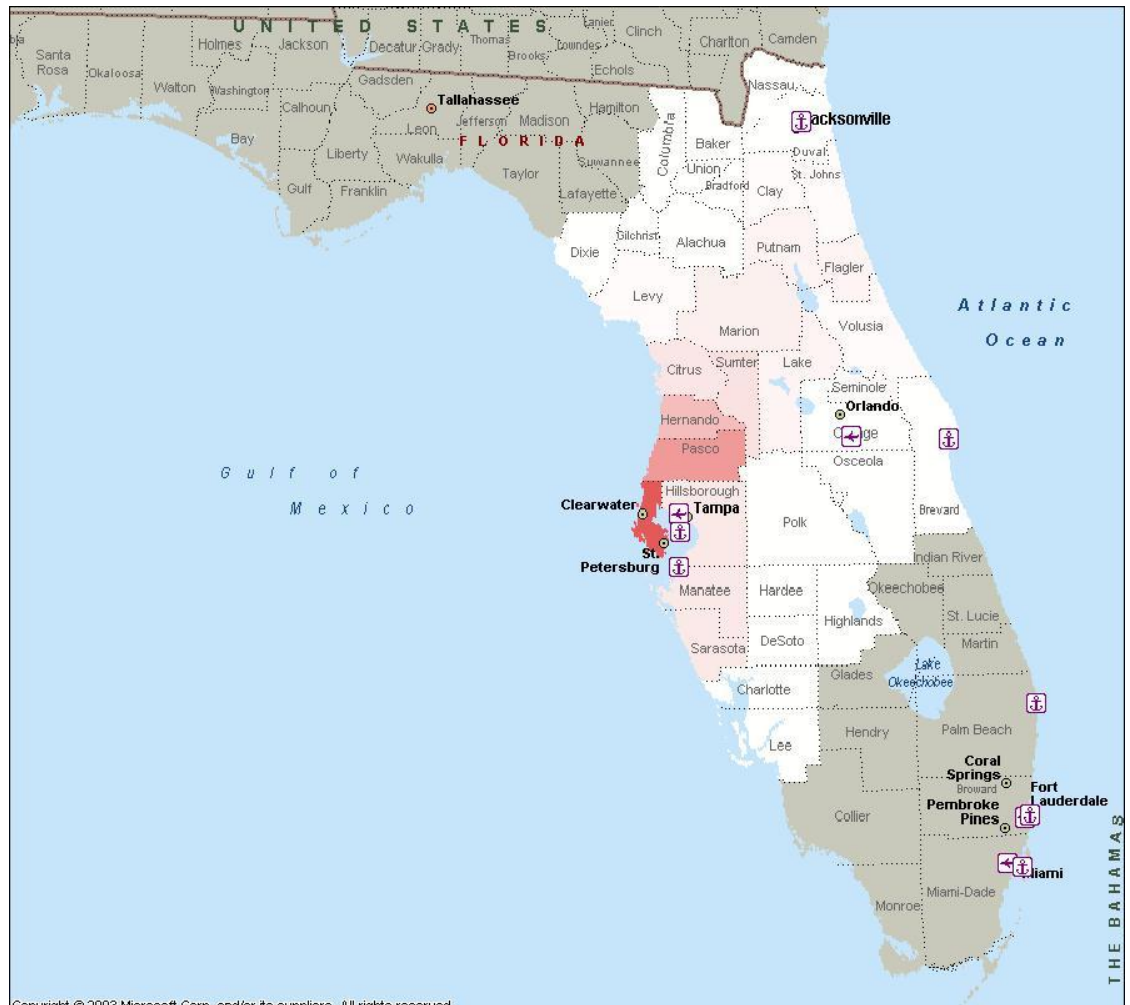
## 4 FLORIDA WINDSTORM: PINELLAS

### 4.1 EVENT DEFINITION

A Florida Windstorm landing in Pinellas County, including storm surge and demand surge.

#### 4.1.1 EVENT FOOTPRINT

Map 7 illustrates the footprint and damage levels for the Pinellas Windstorm Event, which are detailed in the 2013 RDS Damage Factors that are available from Lloyd's.



Map 7

#### 4.1.2 INDUSTRY LOSS LEVELS

This event results in an estimated Industry Property Loss of USD 125bn, including consideration for storm surge and demand surge. Managing agents should assume the following components of the loss:-

Residential Property	\$88.00bn
Commercial Property	\$37.00bn
Auto	\$2.00bn
Marine	\$1.00bn

Table 12

Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability
- 5) Cancellation

#### **4.1.3 EXCLUSION OF CONTINGENT BUSINESS INTERRUPTION LOSSES**

Lloyd's recognises the difficulties involved in modelling losses from Contingent Business Interruption (CBI) covers. Managing agents should therefore exclude CBI losses from this event.

## **4.2 EXPOSURE INFORMATION**

Please see section 3.2 above.

# 5 GULF OF MEXICO WINDSTORM

## 5.1 EVENT DEFINITION

A Gulf of Mexico hurricane resulting in:-

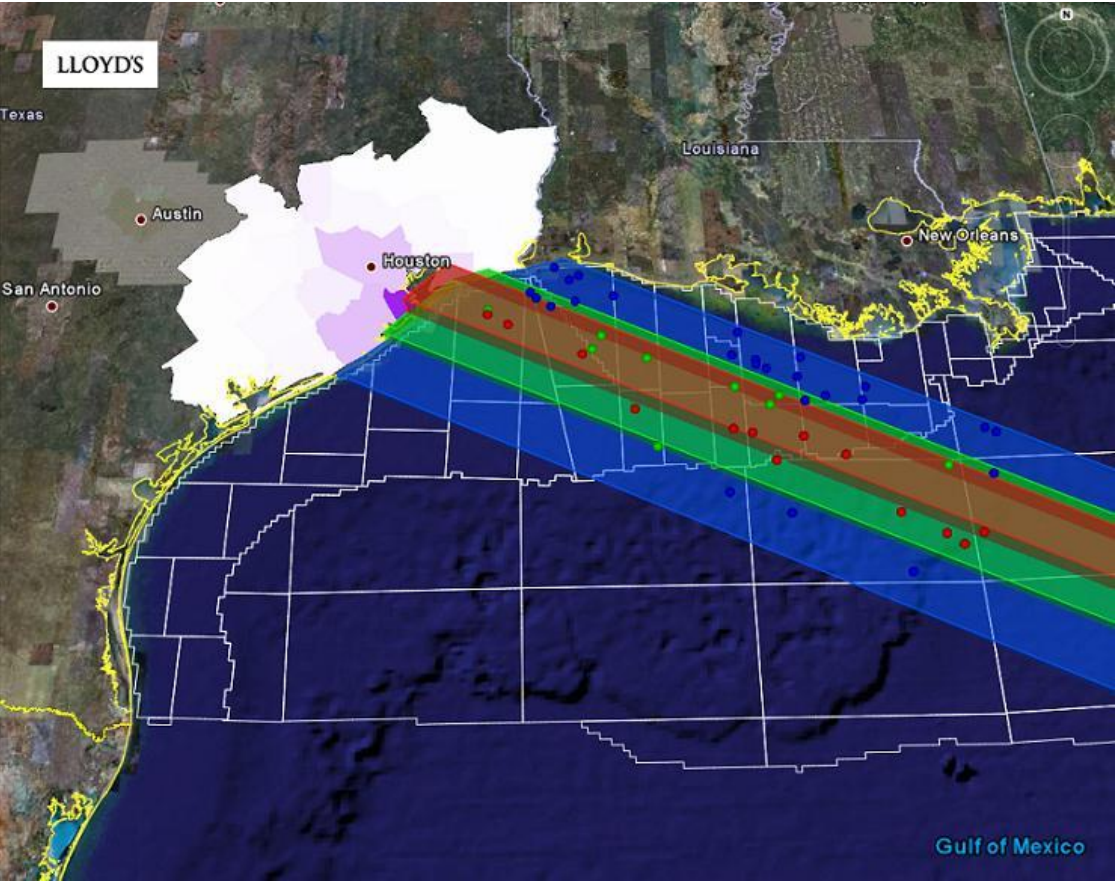
- mainland property losses including the consideration of demand surge and storm surge; and
- offshore energy insured losses.

Managing agents should return a single combined loss (onshore and offshore) for this scenario.

## 5.2 OFFSHORE COMPONENT

### 5.2.1 STORM TRACK - OFFSHORE

Map 8 below illustrates the damage track of the windstorm in the Gulf of Mexico prior to making landfall.



Map 8

■	Less than 10 miles from the centre of the damage track
■	10 to 25 miles from the centre of the damage track
■	25 to 50 miles from the centre of the damage track

Position of centre of damage track:-

Start	Latitude 25° 50' 30.8401" North	Longitude 86° 00' 50.0400" West
End	Latitude 30° 52' 53.7600" North	Longitude 98° 43' 16.3200" West

Table 13



## 5.2.2 INDUSTRY LOSS LEVELS - OFFSHORE

This event results in offshore energy insured loss of USD4.5bn (estimated USD11bn insurable loss).

## 5.2.3 SUPPLEMENTARY INFORMATION FOR OFFSHORE LOSSES

Managing agents are required to provide the following additional information on the Supplementary Information template submitted through CMR form 990:-

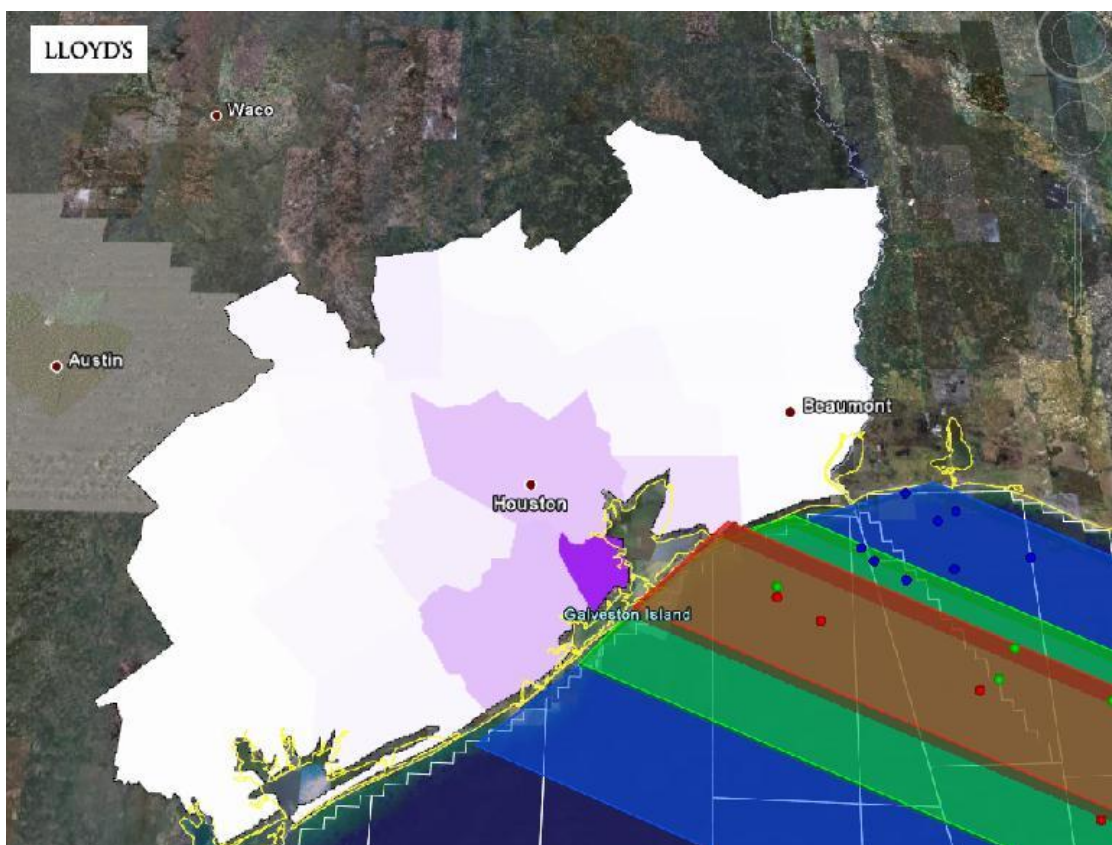
- total Gulf of Mexico wind exposed aggregate for fixed and mobile assets, as at 1st January 2013.
- 'As-if' Katrina Gross and Final Net losses.
- 'As-if' Ike Gross and Final Net losses.

Managing agents should include exposure to Certificate of Financial Responsibility (COFR) to the limits specified under the Oil Pollution Act of 1990.

## 5.3 ONSHORE COMPONENT

### 5.3.1 STORM TRACK - ONSHORE

Map 9 below highlights the footprint and damage levels for the onshore component of the affected counties. These damage levels are detailed in the Event Damage Factor Tables that are available from Lloyd's.



Map 9

### 5.3.2 INDUSTRY LOSS LEVELS - ONSHORE

This event results in onshore insured loss of USD107bn including consideration of storm surge and demand surge. Managing agents should assume the following components of the loss:-

Residential Property	\$65.00bn
Commercial Property	\$42.00bn
Auto	\$1.00bn
Marine	\$1.00bn

Table 14

Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability
- 5) Cancellation

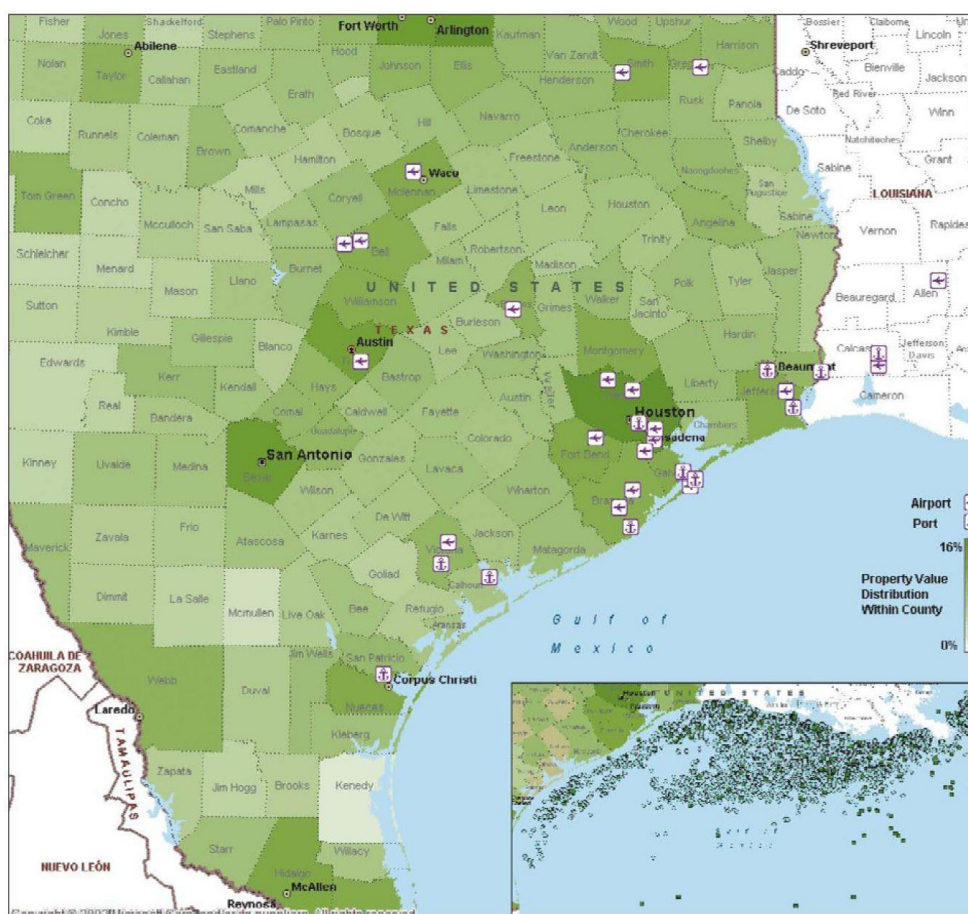
### 5.3.3 EXCLUSION OF CONTINGENT BUSINESS INTERRUPTION LOSSES

Lloyd's recognises the difficulties involved in modelling losses from Contingent Business Interruption (CBI) covers. Managing agents should therefore exclude CBI losses from this event.

## 5.4 EXPOSURE INFORMATION

### 5.4.1 DISTRIBUTION OF PROPERTY VALUES

Map 10 illustrates Lloyd's assumptions for the distribution of property values within the affected mainland areas. Inset is an indicative distribution of offshore energy platforms in the Gulf of Mexico.



Map 10

### 5.4.2 MAJOR PORTS

Table 15 lists the main ports in Texas that would be affected by the windstorm, which managing agents should consider in assessing syndicate potential exposures. They should also have regard to exposures in smaller ports that fall within the footprint of the event.

Port	County
Beaumont	Jefferson
Freeport	Brazoria
Galveston	Galveston
Houston	Harris
Matagorda Ship Channel	Calhoun
Orange	Orange
Port Arthur	Jefferson
Texas City	Galveston
Victoria	Victoria

Table 15

### 5.4.3 MAJOR AIRPORTS

Table 16 lists the main airports in Texas that would be affected by the windstorm, which managing agents should consider in assessing their potential exposures. They should also have regard to exposures in smaller airports that fall within the footprint of the event.

Airport	County
Brazoria County	Brazoria
Clover Field	Brazoria
David Wayne Hooks Memorial	Harris
Easterwood Field	Brazos
Ellington Field	Harris
George Bush Intercontinental	Harris
Killeen Municipal	Bell
Robert Gray Army Air Field	Bell
Salaika Aviation	Brazoria
Scholes International	Galveston
Southeast Texas Regional	Jefferson
Sugar Land Municipal	Fort Bend
Victoria Regional	Victoria
Waco Regional	Mclennan
William P. Hobby	Harris

Table 16

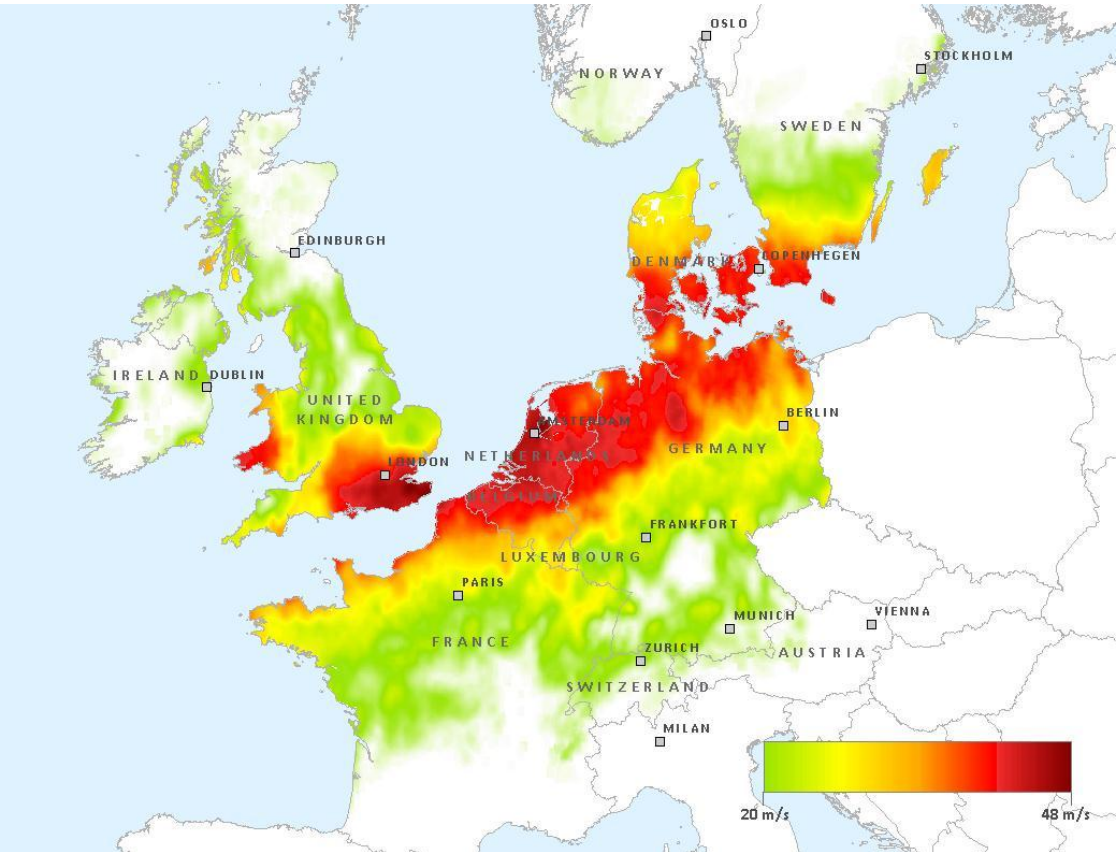
# 6 EUROPEAN WINDSTORM

## 6.1 EVENT DEFINITION

This event is based upon a low pressure track originating in the North Atlantic basin resulting in an intense windstorm with maximum/peak gust wind speeds in excess of 20 metres per second (45 mph or 39 knots). The strongest winds occur to the south of the storm track, resulting in a broad swath of damage across southern England, northern France, Belgium, Netherlands, Germany and Denmark.

### 6.1.1 STORM TRACK

Map 11 illustrates the windstorm track and affected regions (image courtesy of AIR Worldwide).



Map 11

### 6.1.2 INDUSTRY LOSS LEVELS

This event results in an estimated Industry Property Loss of €23bn. Managing agents should assume the following components of the loss:-

Residential Property	€15.50bn
Commercial Property	€6.00bn
Agricultural	€1.50bn
Auto	€0.75bn
Marine	€0.40bn

Table 17

Managing agents should consider all other lines of business that would be affected by the event, including:-

- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability

## **6.2 PROPERTY DISTRIBUTION & DAMAGE FACTORS**

Tables outlining Lloyd's assumptions for the distribution of property values and the damage factors for this event are listed in the 2013 RDS Damage Factors that are available from Lloyd's.



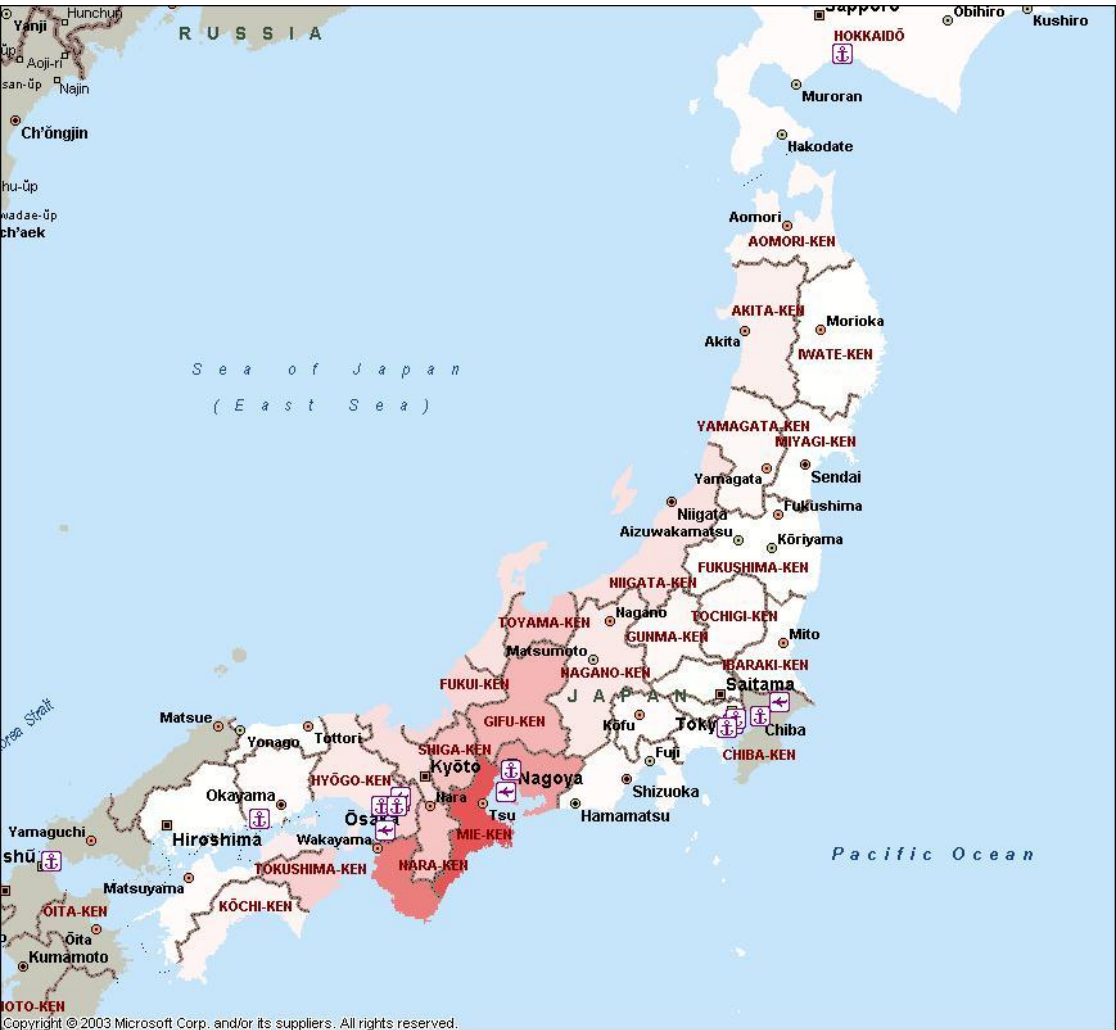
# 7 JAPANESE TYPHOON

## 7.1 EVENT DEFINITION

This event is based on the Isewan ('Vera') typhoon event of 1959.

### 7.1.1 STORM TRACK

Map 12 illustrates the windstorm track and affected regions.



Map 12

### 7.1.2 INDUSTRY LOSS LEVELS

This event results in a present-day Industry Property Loss estimate of ¥1.5trn. Managing agents should assume the following components of the loss:-

Residential Property	¥650bn
Commercial Property	¥850bn
Marine	¥50bn

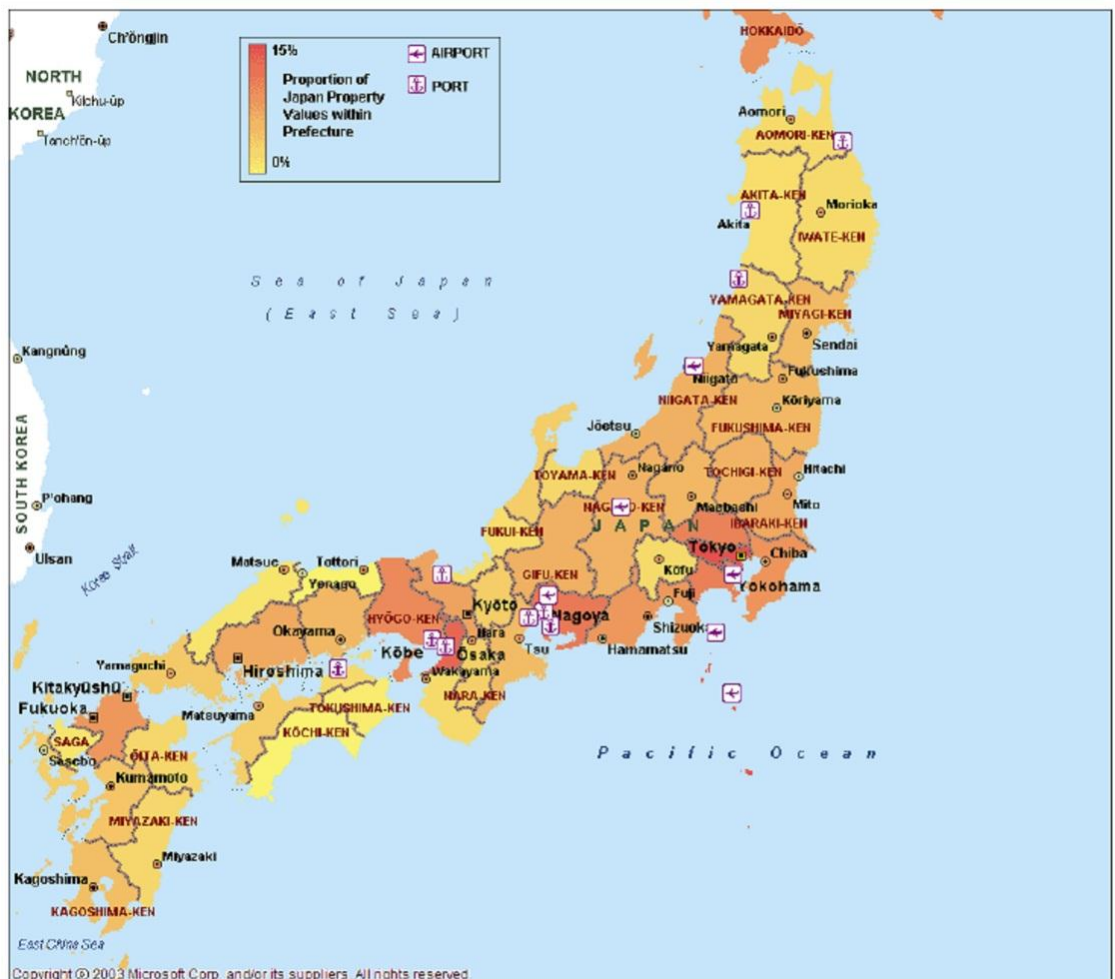
Table 18

Managing agents should consider all other lines of business that would be affected by the event, including particularly:-

- 1) Specie/Fine Art
- 2) Personal Accident
- 3) Aviation
- 4) Liability
- 5) Marine

## 7.2 PROPERTY DISTRIBUTION & DAMAGE FACTORS

Map 13 illustrates Lloyd's assumptions for the distribution of property values at prefecture level, which are also detailed in the 2013 RDS Damage Factors that are available from Lloyd's.



Map 13

### 7.2.1 MAJOR PORTS

Table 19 below lists the main Japanese ports in the Typhoon Isewan (Vera) footprint, which managing agents should consider in assessing syndicate potential exposures. They should also have regard to exposures in smaller ports that fall within the footprint of the event.

Port
Chiba Port
Nagoya Port
Yokohama Port
Kawasaki Port
Mitzushima Port
Kitakyushu Port
Tokyo Port
Osaka Port
Tomakomai Port
Kobe Port

Table 19

### 7.2.2 MAJOR AIRPORTS

Table 20 lists the main international and domestic airports potentially impacted by the Typhoon, which managing agents should consider in assessing syndicate potential exposures.

Airport
Narita International Airport
Central Japan International Airport
Kansai International Airport
Tokyo International Airport
Osaka International Airport

Table 20

# 8 CALIFORNIA EARTHQUAKE : LOS ANGELES

## 8.1 EVENT DEFINITION

An earthquake causing major damage to Los Angeles from shake and fire-following, gross of take-up rates and including consideration of demand surge.

### 8.1.1 EVENT FOOTPRINT

Map 14 illustrates the footprint and damage levels for the Los Angeles earthquake event:



Map 14

### 8.1.2 INDUSTRY LOSS LEVELS

This event results in an estimated USD78bn Industry Property Loss (shake and fire following), gross of take-up rates and including consideration of demand surge. Managing agents should assume the following components of the loss:

Residential Property	\$36.00bn
Commercial Property	\$42.00bn
Workers Compensation	\$5.50bn
Marine	\$2.25bn
Personal Accident	\$1.00bn
Auto	\$1.00bn

Table 21

Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Specie/Fine Art
- 2) Liability

- 3) Cancellation
- 4) PA and WCA losses - it should be assumed that there will be 2,000 deaths and 20,000 injuries as a result of the earthquake. Managing agents should assume that 50% of those injured will have PA cover.
- 5) Estimation of Aviation Hull Losses - Lloyd's has commissioned research that indicates that minimal Aviation Hull losses would be expected to arise from an earthquake. Managing agents should take account of these findings in calculating syndicate loss estimates.

### 8.1.3 EXCLUSION OF CONTINGENT BUSINESS INTERRUPTION LOSSES

Lloyd's recognises the difficulties involved in modelling losses from Contingent Business Interruption (CBI) covers. Managing agents should therefore exclude CBI losses from this event.

## 8.2 PROPERTY DISTRIBUTION & DAMAGE FACTORS

Map 15 illustrates Lloyd's assumptions for the distribution of property values, which are also detailed in the 2013 RDS Damage Factors spreadsheet available from Lloyd's:



Map 15



### 8.2.1 MAJOR PORTS

Table 22 lists the main ports in California, which managing agents should consider in assessing their potential exposures. They should also give regard to exposures in smaller ports that fall within the footprint of the events.

Port	County
Long Beach	Orange
Los Angeles	Los Angeles
Oakland	Alameda
Port Hueneme	Ventura
Richmond	Contra Costa
San Diego	San Diego
San Francisco	San Francisco
Stockton	San Joaquin

Table 22

### 8.2.2 MAJOR AIRPORTS

Table 23 lists the main international airports in California, which managing agents should consider in assessing their potential exposures. They should also have regards to exposures in smaller airports that fall within the footprint of the events.

Airport	County
Los Angeles (LAX)	Los Angeles
San Diego-Linderbergh (SAN)	San Diego
San Francisco (SFO)	San Francisco
San Jose (SJC)	San Jose

Table 23

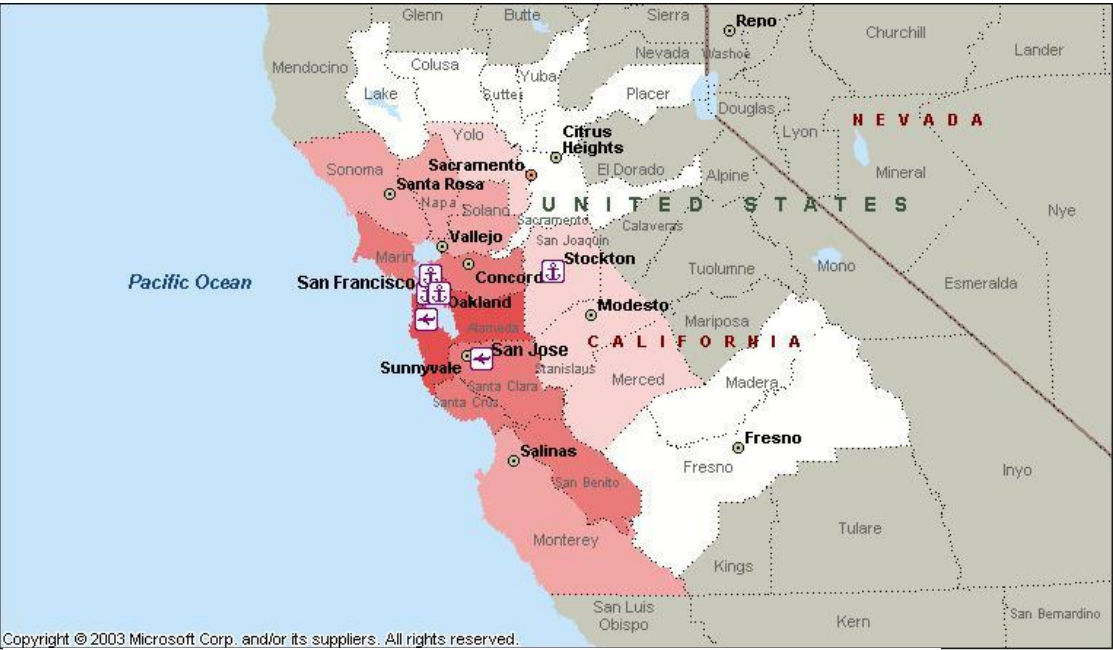
# 9 CALIFORNIA EARTHQUAKE : SAN FRANCISCO

## 9.1 EVENT DEFINITION

An earthquake causing major damage to San Francisco, from shake and fire-following, gross of take-up rates and including consideration of demand surge.

### 9.1.1 EVENT FOOTPRINT

Map 16 illustrates the footprint and damage levels for the San Francisco earthquake event:



Map 16

### 9.1.2 INDUSTRY LOSS LEVELS

This event results in an estimated USD78bn Industry Property Loss (shake and fire following), gross of take-up rates and including consideration of demand surge. Managing agents should assume the following components of the loss:

Residential Property	\$39.00bn
Commercial Property	\$39.00bn
Workers Compensation	\$5.50bn
Marine	\$2.25bn
Personal Accident	\$1.00bn
Auto	\$1.00bn

Table 24

Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Specie/Fine Art
- 2) Liability
- 3) Cancellation

- 4) PA and WCA losses - it should be assumed that there will be 2,000 deaths and 20,000 injuries as a result of the earthquake. Managing agents should assume that 50% of those injured will have PA cover.
- 5) Estimation of Aviation Hull Losses - Lloyd's has commissioned research that indicates that minimal Aviation Hull losses would be expected to arise from an earthquake. Managing agents should take account of these findings in calculating syndicate loss estimates.

### **9.1.3 EXCLUSION OF CONTINGENT BUSINESS INTERRUPTION LOSSES**

Lloyd's recognises the difficulties involved in modelling losses from Contingent Business Interruption (CBI) covers. Managing agents should therefore exclude CBI losses from this event.

## **9.2 PROPERTY DISTRIBUTION & DAMAGE FACTORS**

See section 8.2.

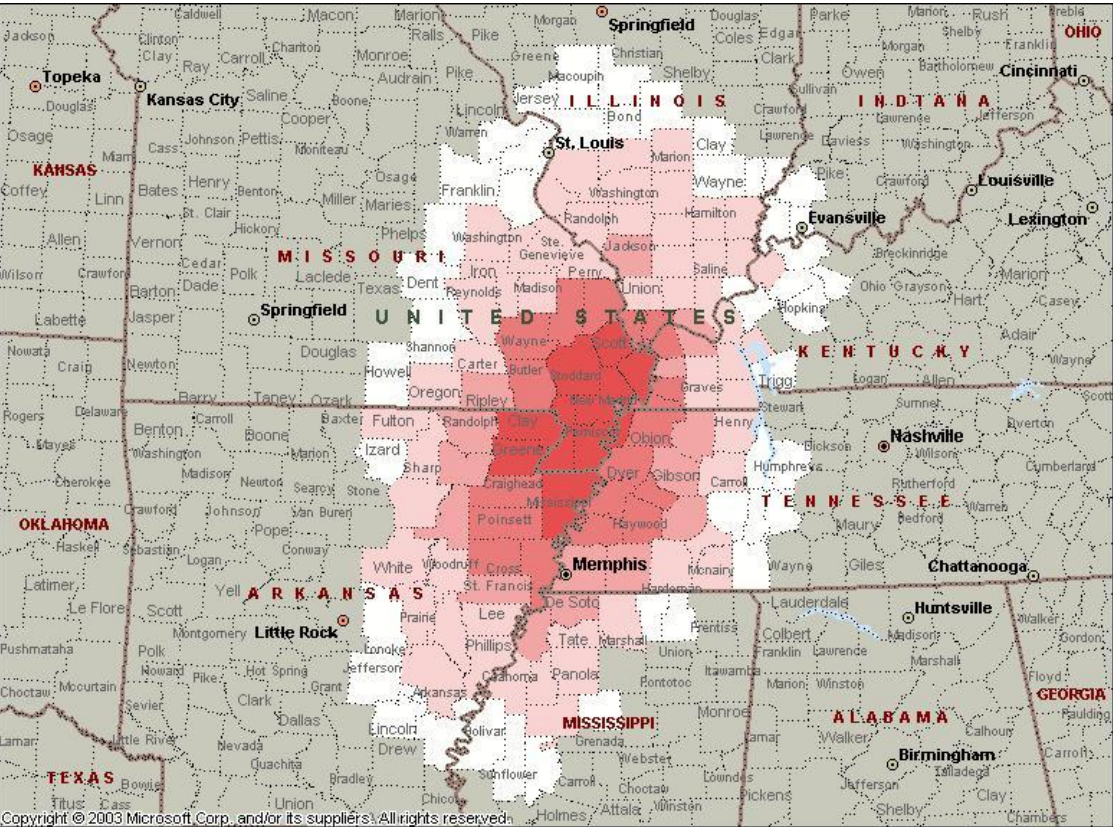
# 10 NEW MADRID EARTHQUAKE

## 10.1 EVENT DEFINITION

An earthquake causing major damage within the New Madrid Seismic Zone ('NMSZ'), from shake and fire-following, gross of take-up rates and including consideration of demand surge.

### 10.1.1 EVENT FOOTPRINT

Map 17 illustrates the footprint and damage levels for the New Madrid earthquake event:



Map 17

### 10.1.2 INDUSTRY LOSS LEVELS

This event results in an estimated USD47bn Industry Property Loss (shake and fire following), gross of take-up rates and including consideration of demand surge. Managing agents should assume the following components of the loss:

Residential Property	\$32.50bn
Commercial Property	\$14.50bn
Workers Compensation	\$2.50bn
Marine	\$1.50bn
Personal Accident	\$0.50bn
Auto	\$0.50bn

Table 25

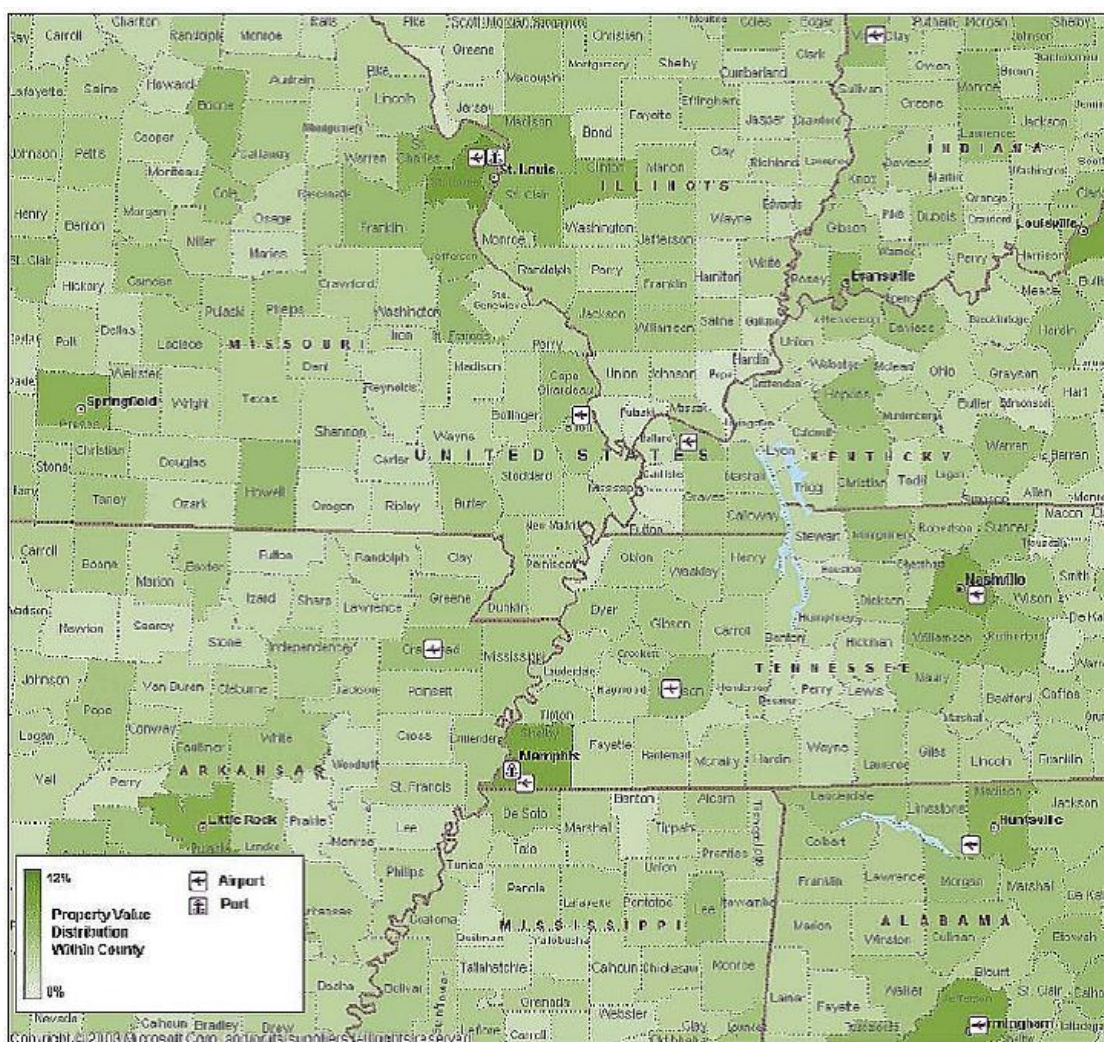


Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Specie/Fine Art
- 2) Liability
- 3) Cancellation
- 4) PA and WCA - it should be assumed that there will be 1,000 deaths and 10,000 injuries as a result of this earthquake. Managing agents should assume that 50% of those injured will have PA cover.
- 5) Aviation - Lloyd's has commissioned research that indicates that minimal Aviation Hull losses would be expected to arise from an earthquake. Managing agents should take account of these findings in calculating syndicate loss estimates.
- 6) Business Interruption - overland transport systems are severely damaged and businesses impacted, leading to significant business interruption exposure for a period of 30 days. This is restricted to the inner zone of maximum earthquake intensities (highlighted on the event footprint).

## 10.2 PROPERTY DISTRIBUTION & DAMAGE FACTORS

Map 18 illustrates Lloyd's assumptions for the distribution of property values, which are also detailed in the 2013 RDS Damage Factors spreadsheet available from Lloyd's:



Map 18



### 10.2.1 MAJOR PORTS

Table 26 lists the main ports in the NMSZ, which managing agents should consider in assessing syndicate potential exposures. They should also have regard to exposures in smaller ports that fall within the footprint of the events.

Port	County	State
Pascagoula	Jackson	Mississippi
Gulfport	Harrison	Mississippi
South Louisiana	St John the Baptist	Mississippi
Baton Rouge	West Baton Rouge	Louisiana
Mobile	Mobile	Alabama
Memphis	Shelby	Tennessee
St. Louis	St Louis	Missouri

Table 26

### 10.2.2 MAJOR AIRPORTS

Table 27 lists the main domestic and international airports in the NMSZ, which managing agents should consider in assessing syndicate potential exposures. They should also have regard to exposures in smaller ports that fall within the footprint of the events.

Airport	County	State
Jonesboro Municipal	Craighead	Arkansas
Cape Girardeau Regional	Scott	Missouri
Barkley Regional	McCracken	Kentucky
McKellar-Sipes Regional	Madison	Tennessee
Memphis International	Shelby	Tennessee
Lambert-St Louis International	Saint Louis	Missouri

Table 27

# 11 JAPANESE EARTHQUAKE

## 11.1 EVENT DEFINITION

This event is based on the Great Kanto earthquake of 1923.

### 11.1.1 EVENT FOOTPRINT

Map 19 illustrates the footprint and damage levels for Japan, which are detailed in the Event Damage Factor Tables that are available from Lloyd's.



Map 19

### 11.1.2 INDUSTRY LOSS LEVELS

This event results in a present-day Industry Property Loss estimate of ¥5trn. Managing agents should assume the following components of the loss:-

Residential Property	¥1.5trn
Commercial Property	¥3.5trn
Marine	¥150bn
Personal Accident	¥50bn

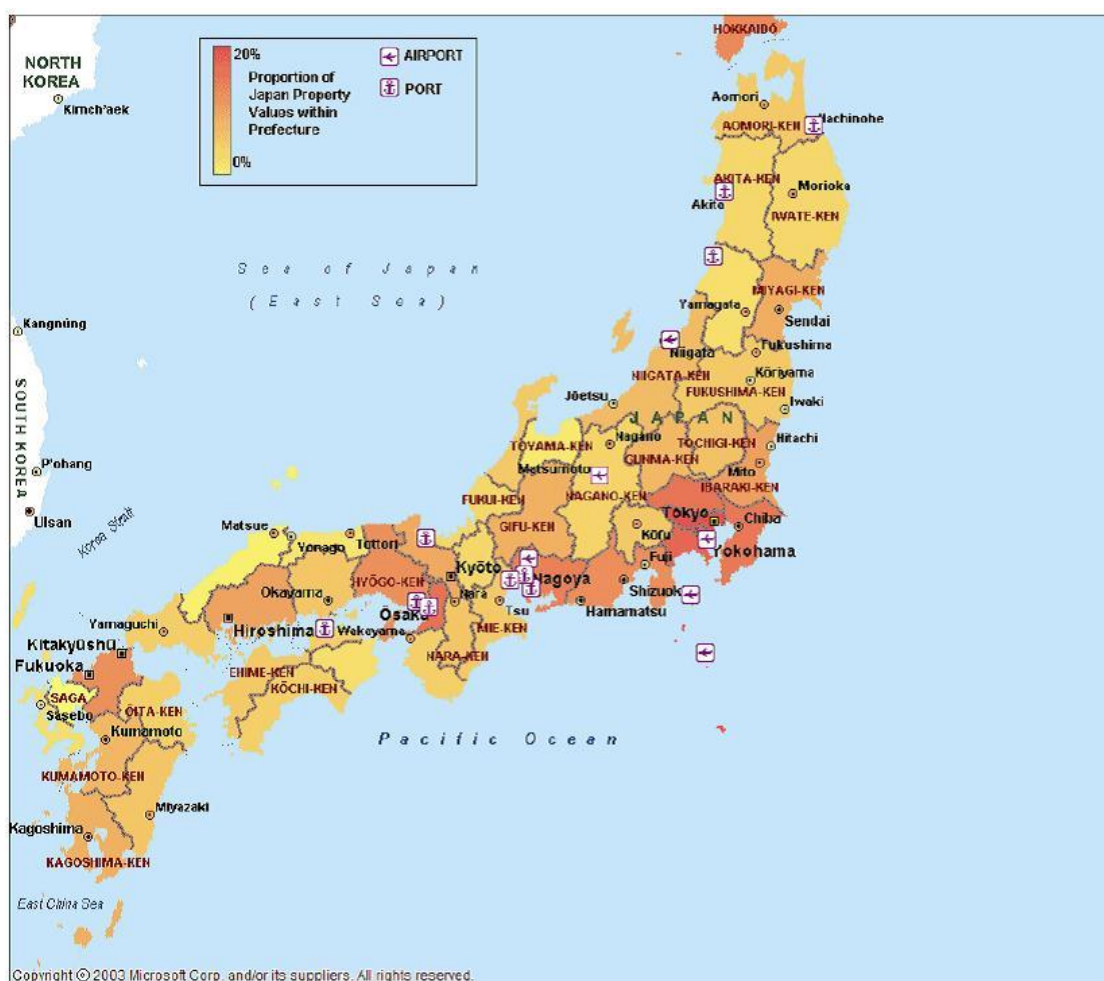
Table 28

Managing agents should consider all other lines of business that would be affected by the event. Particular consideration should be given to losses arising from:

- 1) Personal Accident - it should be assumed that 2,000 deaths and 20,000 injuries will arise as a result of this major earthquake. Assume that 50% of those injured will have PA cover.
- 2) Liability Business
- 3) Aviation - following research undertaken by Lloyd's, managing agents should assume that minimal Aviation Hull losses will arise from an earthquake of this magnitude.
- 4) Business Interruption - overland transport systems are severely damaged and businesses impacted, leading to significant business interruption exposure for a period of 60 days. This is restricted to the inner zone of maximum earthquake intensities (highlighted on Event footprint).

## 11.2 PROPERTY DISTRIBUTION & DAMAGE FACTORS

Map 20 illustrates Lloyd's assumptions for the distribution of property values at prefecture level, which are also detailed in the 2013 RDS Damage Factors that are available from Lloyd's.



Map 20

### 11.2.1 MAJOR PORTS

Table 29 lists the main ports in the Great Kanto footprint, which managing agents should consider in assessing syndicate potential exposures. They should also have regard to exposures in smaller ports that fall within the footprint of the event.

Port
Chiba Port
Nagoya Port
Yokohama Port
Kawasaki Port
Mizushima Port
Kitakyushu Port
Tokyo Port
Osaka Port
Tomakomai Port
Kobe Port

Table 29

### 11.2.2 MAJOR AIRPORTS

Table 30 below lists the main international and domestic airports potentially impacted by the Great Kanto earthquake event, which managing agents should consider in assessing syndicate potential exposures. They should also have regard to exposures in smaller airports that fall within the footprint of the event.

Airport
Narita International Airport
Central Japan International Airport
Kansai International Airport
Tokyo International Airport
Osaka International Airport

Table 30



## 12 UK FLOOD

### 12.1 EVENT DEFINITION

This scenario is based on a heavy rainfall event moving from west to east across south-east England resulting in extensive flooding of the River Thames from Oxford to Teddington with secondary flooding on the River Colne from Ruislip south and surface flooding on the western and southern edges of Heathrow. The total flood extent covers 194 km<sup>2</sup> and would cause significant impact on the major populated areas of Oxford, Reading, Slough, and the Henley areas of western London.

#### 12.1.1 EVENT FOOTPRINT

Map 21 illustrates the flood footprint:-



Map 21

#### 12.1.2 INDUSTRY LOSS LEVELS

This event results in an Industry Property Loss of £6.2bn. Managing agents should assume the following components of the loss:

Residential	£4.50bn
Commercial/Industrial	£1.60bn
Agriculture	£0.05bn
Motor	£0.05bn

Table 31

Managing agents should also consider other lines of business that may be affected by the event. Particular consideration should be given to the potential for losses arising from:



- 1) Cargo
- 2) Specie/Fine Art
- 3) Cancellation (Event \ Travel)

### 12.1.3 EVENT DURATION

Managing agents should assume that the flood event will not exceed 168 hours.

## 12.2 OTHER LOSS CHARACTERISTICS

### 12.2.1 MAJOR ROADS

Map 21 lists the major roads within the flood footprint which managing agents should consider in assessing business interruption:

Major Roads
M25
M3
M4
A40
A34
A404
A437
A4180

Table 32

### 12.2.2 MAJOR RAIL

Rail disruption will occur between London (Waterloo) and western services towards Oxford, Bristol, and Cardiff. There will be little disruption to the London Underground system except for flooding of Pinner station on the Metropolitan line.

### 12.2.3 HEATHROW AIRPORT

Surface flooding will cause disruption to Heathrow Airport with flooding from the west encroaching into Terminal 5 and the end of both runways. Further flooding from the south will affect cargo transit and handling facilities.

### 12.2.4 TREATMENT OF POLLUTION

Managing agents are advised that pollution may follow the flood event. Although no specific details are provided here, managing agents should consider the impact and operation of Seepage and Pollution exclusions, and consider the impact of pollution as an aggravating factor in residential losses. Managing agents may wish to refer to historical analogues, including the Carlisle floods of 2005. The impact of pollutants should also be considered for indirect losses at London Heathrow airport. Liability associated with potential pollution episodes will be difficult to calculate and as such should not be included in managing agents' assumptions.

### 12.2.5 CONTINGENT BUSINESS INTERRUPTION LOSSES

Wherever possible, managing agents should consider the potential for additional losses from Named Customer/Supplier extensions in respect of policies identified as sustaining direct losses. For the purpose of the RDS, the potential for CBI losses from policies not directly affected by the flood event can be discounted.

# 13 TERRORISM: ROCKEFELLER CENTER

## 13.1 EVENT DEFINITION

The Midtown Manhattan area, New York, at 11:00am on 1 January 2013 suffers a 2-tonne bomb blast attack causing:

Zone	Impact Description	Damage Zones	Property Damage	Fire Loss
1	Collapse and fire following	Inner zone, radius 200m	100%	10%
2	Massive debris damage to surrounding properties	400m radius	25%	2.5%
3	Light debris damage to surrounding properties	500m radius	10%	1%

Radii measurements are taken from the Rockefeller Center as a reference point.

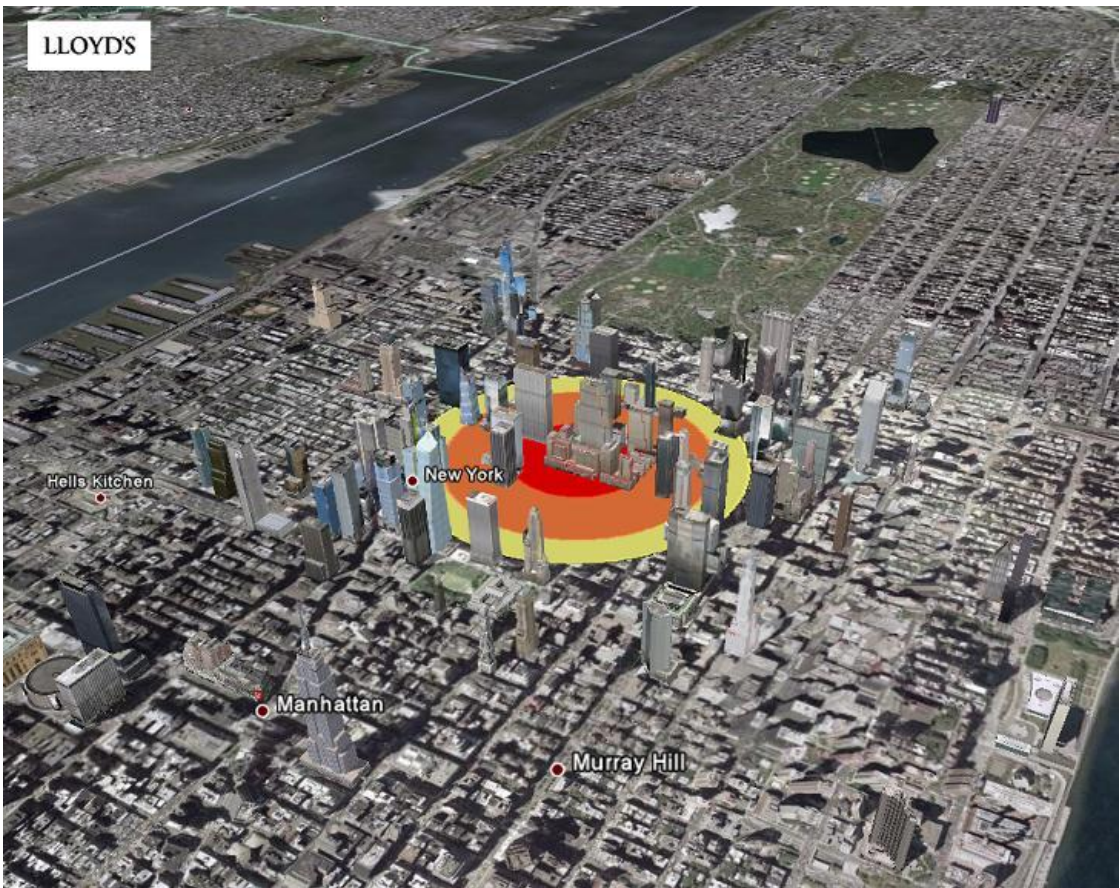


Figure 1

## 13.2 LOSS CHARACTERISTICS

### 13.2.1 NUMBER OF DEATHS AND INJURIES

1,000 blue/white-collar worker deaths in total and 2,500 injuries in total. Managing agents to determine a worst case split across lines of business (WCA, PA, Group PA, etc.) and document assumptions using

the commentary facility in CMR form 990. The following percentage split should be used for non-fatal injuries:

- 14% life threatening
- 35% moderate
- 51% minor

### **13.2.2 BUSINESS INTERRUPTION**

Overland/underground transport systems are partially damaged, leading to significant business interruption exposure for a period of three months.

### **13.2.3 AFFECTED CLASSES OF BUSINESS**

All possible affected business classes should be included in the calculations, such as Contingent Business Interruption and Specie/Fine Art.

### **13.2.4 FIRE FOLLOWING**

Taking 'Fire Following' into consideration, managing agents should assume the same damage zones with the appropriate Fire Loss percentage applied. Managing agents should assume that all property policies are impacted, given the New York state ruling that property policies cannot exclude fire. Any assumptions concerning Fire-Following Terrorism are to be documented using CMR form 990.

### **13.2.5 'CBRN' STATUS**

It should be assumed that there are no Chemical, Biological, Radiological or Nuclear hazard exposures arising from these events.

### **13.2.6 GRANULARITY OF TREATY EXPOSURES**

Syndicates with low-resolution treaty exposure data should use a damage factor based upon claims experience from the World Trade Center attacks of 2001.

# 14 TERRORISM: EXCHANGE PLACE

## 14.1 EVENT DEFINITION

The lower Manhattan area, New York, at 11:00am on 1 January 2013 suffers a 2-tonne bomb blast attack causing:

Zone	Impact Description	Damage Zones	Property Damage	Fire Loss
1	Collapse and fire following	Inner zone, radius 200m	100%	10%
2	Massive debris damage to surrounding properties	400m radius	25%	2.50%
3	Light debris damage to surrounding properties	500m radius	10%	1%

Radii measurements are taken from the 20 Exchange Place as a reference point.



Figure 2

## 14.2 LOSS CHARACTERISTICS

The loss characteristics for this event are the same as for Terrorism: Rockefeller Plaza. Please see section 13.2 above for details.



# **ALTERNATIVE SCENARIOS A & B**



## 15 ALTERNATIVE SCENARIOS A & B

Managing agents should report two further realistic events that represent a potential material impact to the syndicate, but are not listed in the prescribed compulsory scenarios or those that are subject to the *de minimis* rules.

Please note that alternative scenarios are not subject to Franchise Guidelines.

Examples include:

- 1) Earthquakes outside of California, New Madrid, and Japan;
- 2) A major flood incident e.g. the Seine, 1953 type North Sea coastal flood;
- 3) Caribbean /US hurricane clash;
- 4) Pandemic risk;
- 5) Terrorism accumulations (ex-Manhattan);
- 6) A 'Selby-type' liability loss;
- 7) An accumulation of sports team members

# **SCENARIOS SUBJECT TO DE MINIMIS REPORTING**

## 16 MARINE SCENARIOS

Managing agents should return a marine loss scenario for both of the following incidents. In both scenarios, excess layers of liability, hull and cargo should be included, based on maximum Aggregate exposures.

### 16.1 SCENARIO 1 - MARINE COLLISION IN PRINCE WILLIAM SOUND

A fully laden tanker calling at Prince William Sound is involved in a collision with a cruise vessel carrying 500 passengers and 200 staff and crew. The incident involves the tanker spilling its cargo and loss of lives aboard both vessels.

Assume 70% tanker owner/30% cruise vessel apportionment of negligence and that the collision occurs in US waters.

Assume that the cost to the tanker and cruise vessel owners of the oil pollution is USD2bn. This would lead to oil pollution recoveries on the International Group of P&I Associations' General Excess of Loss Reinsurance Programme (IG Reinsurance Programme) of USD1bn from the tanker owner and USD0.55bn from the cruise owner.

Assume 125 fatalities, 125 persons with serious injuries and 250 persons with minor injuries: with average compensation of USD1.5m for each fatality, USD2.5m for each person with serious injuries and USD0.5m for each person with minor injuries.

Figure 3 and Figure 4 illustrate the structure of losses to the tanker and cruise vessel owners on the IG Reinsurance Programme as per February 2012.

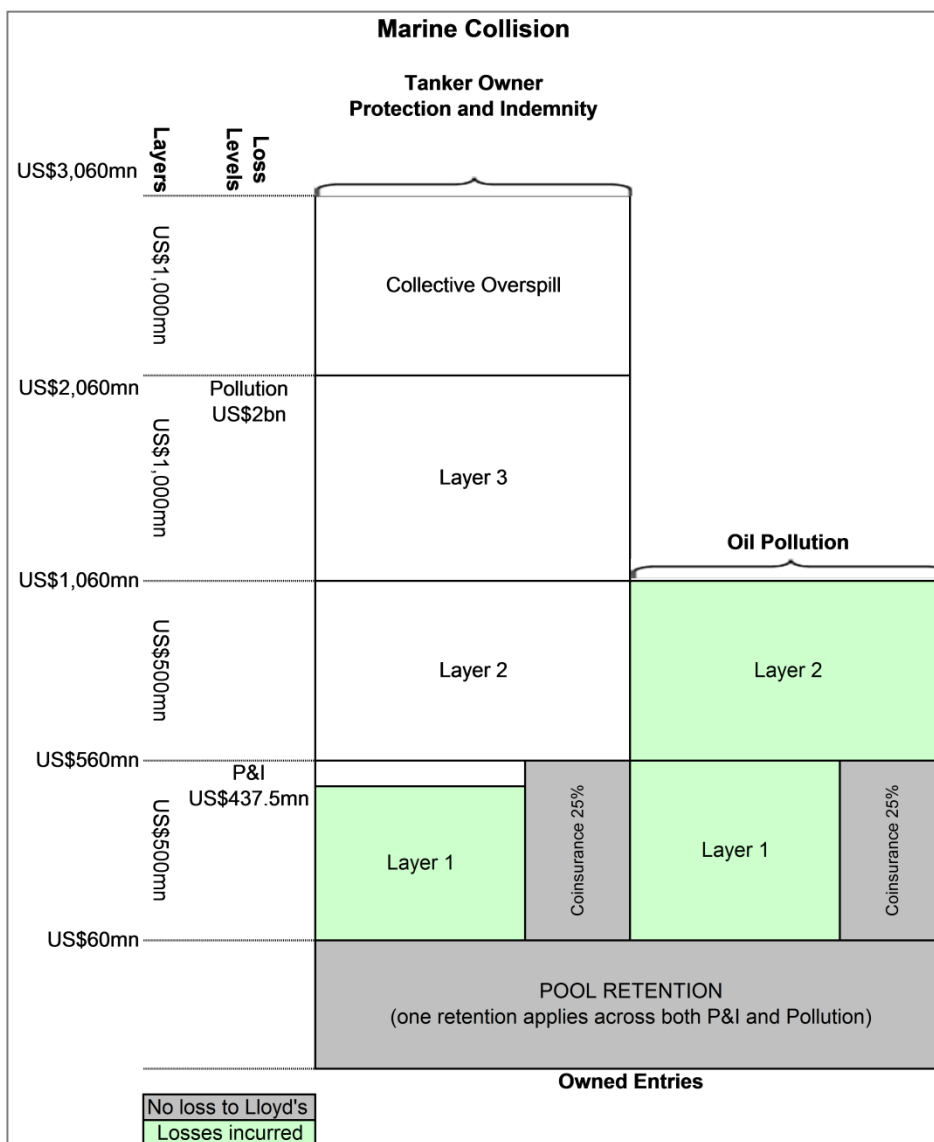


Figure 3

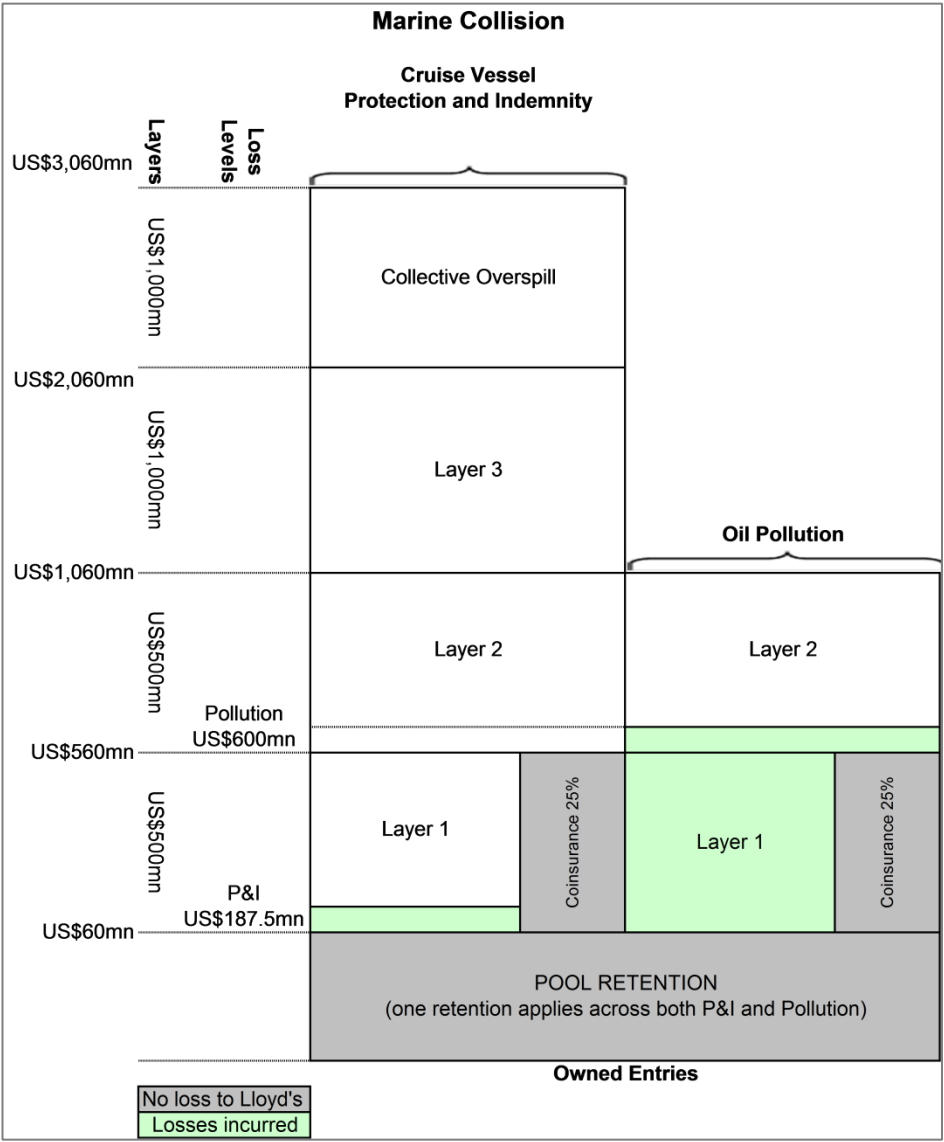


Figure 4

## 16.2 SCENARIO 2 - MAJOR CRUISE VESSEL INCIDENT

A US-owned cruise vessel is sunk or severely damaged with attendant loss of life, bodily injury, trauma and loss of possessions. Claims to be heard in a Florida court.

Assume 500 passenger fatalities and 1,500 injured persons with average compensation of USD2m for each fatality and USD1m for each injured person. In addition, assume an additional Protection and Indemnity loss of USD500m to cover costs such as removal of wreck, and loss of life and injury to the crew.

Figure 5 illustrates the structure of losses on the IG Reinsurance Programme.

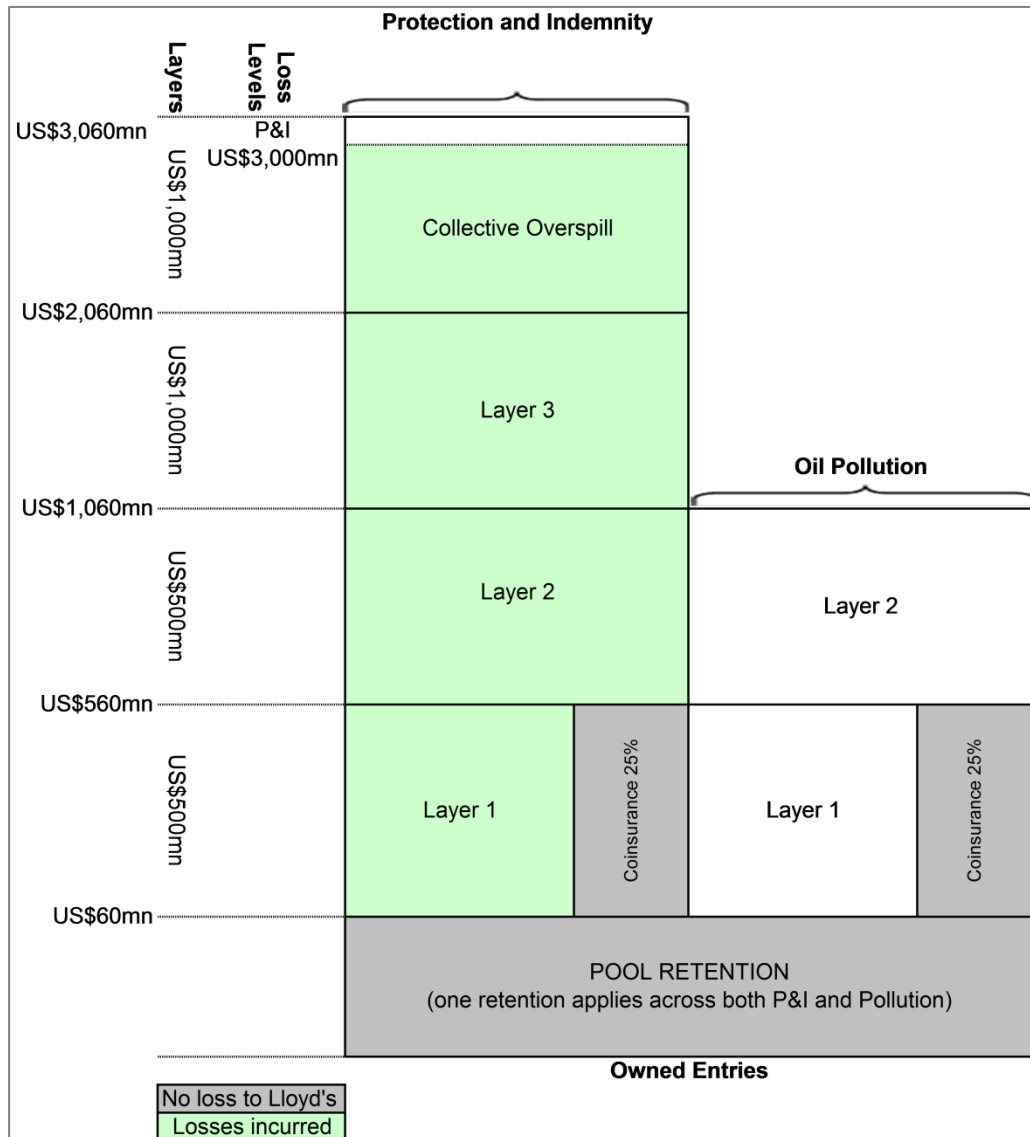


Figure 5



## **17 LOSS OF MAJOR COMPLEX**

Assume a total loss to all platforms and bridge links of a major complex.

Include property damage, removal of wreckage, liabilities, loss of production income and capping of well.

Managing agents should use the commentary facility in form 990 (supplementary scenario information) to name the complex and to provide details of modelling assumptions. Should a mobile drilling-rig present potential material exposure to a syndicate, managing agents may wish to report this under the Alternative A or B scenario.

## 18 AVIATION COLLISION

Assume a collision between two aircraft over a major city, anywhere in the world, using the syndicate's two highest airline exposures. Assume a total liability loss of up to USD4bn: comprising up to USD2bn per airline and any balance up to USD1bn from a major product manufacturer's product liability policy(ies) and/or an air traffic control liability policy(ies), where applicable.

Consideration should be given to other exposures on the ground.

Assumptions should be stated clearly using the event commentary facility in form 990.

Managing agents should include the following information in their return;

- 1) the city over which the collision occurs;
- 2) the airlines involved in the collision;
- 3) the airline policy limits and syndicate's line and exposure per policy;
- 4) maximum hull value per aircraft involved;
- 5) maximum liability per aircraft involved;
- 6) name of each product manufacturer and the applicable policy limits; and
- 7) name of the air traffic control authority and the applicable policy limit.

## 19 SATELLITE RISKS

Managing agents should return satellite loss information relating to both of the following events if either one of these events produces a loss in excess of the *de minimis* reporting level.

### 19.1 PROTON FLARE

A proton flare is a vast outpouring of protons from the sun, which can result in permanent damage to semiconductor devices, particularly solar array cells. A large proton flare could result in a significant number of satellites losing some of their power-generating capability.

Satellite orientation, age and make will also determine how a proton flare will affect a satellite. However, a single large proton flare (or a number of smaller flares in close succession) has the potential to affect all synchronous satellites and could result in a loss of power by all satellites.

For the purposes of this RDS, it should be assumed that either a single anomalous large proton flare or a number of flares in quick succession results in a loss to all satellites in synchronous orbit. All live exposures in this orbit will be affected by the proton flare. Managing agents should assume a 5% insurance loss to all affected policies.

The loss under this RDS will therefore be:

(Insured Satellites Value) x (Loss to Policy)

Therefore, if a syndicate's share of an insured satellite is USD10m, the loss to the syndicate would be calculated as:

USD10,000,000 x 5% = USD500,000

Managing agents should note that under this RDS, "Total Loss Only" policies, component-specific policies and policies not covering power losses will not be triggered.

### 19.2 GENERIC DEFECT

An undetected generic defect in a number of operational satellites has the potential to cause significant losses to the space insurance market.

During the time it takes for a generic defect to emerge, many more satellites of the same model/variant may have been launched. For the 2013 RDS return, managing agents should report against those satellites that are in the following model/variant groups:

- 1) A2100 all variants, including A2100, A2100A, A2100AX, A2100AX2
- 2) Boeing-376 all variants, including BS-376HP, BS-376W
- 3) Boeing-601 all variants, including BS-601, BS-601HP
- 4) Boeing-702 all variants, including BS-702-M, BS-GEM
- 5) Eurostar-2000 all variants, including E2000, E2000+
- 6) Eurostar-3000 all variants, including E3000
- 7) Express all variants, including Express-A, Express-AM
- 8) Insat all variants, including Insat-2, Insat-3, Insat-4
- 9) LS-1300 all variants, including LS-1300, LS-1300 extended, LS-1300-GOES
- 10) Spacebus-3000 all variants, including Spacebus-3000B2, Spacebus-3000B3
- 11) Spacebus-4000 all variants, including Spacebus-4000, Spacebus-4100
- 12) Starbus all variants, including Star-1, Star-2

For the purpose of this RDS, managing agents should assume the damage levels in Table 33 when calculating their gross and net exposures for each model/variant group for launches that have occurred in the last five years:

<b>Period Remaining on Policy</b>	<b>Percentage of Satellites that Suffer a Total Loss</b>
Greater than 24 Months	100%
18 Months - 24 Months	80%
12 Months - 18 Months	60%
6 Months - 12 Months	40%
Less than 6 Months	20%

Table 33

The results should be calculated by taking the sum of the model/variant group exposures within each time period and multiplying them by the respective percentage (e.g. 20% of the total exposure for the Eurostar-2000 model/variant group that have less than 6 months left on their policy).

Managing agents should report full details of their largest potential Net Loss due to a generic defect in a single model/variant, as listed above. Managing agents should also prepare details of the Aggregate Exposure, Gross Loss, Net Loss and the number of satellites for all three model/variant groups that have the highest exposure in order that Lloyd's can review these within the syndicate, as required.

Managing agents should assume that all satellites affected are considered to suffer a constructive total loss.

## 20 LIABILITY RISKS

Managing agents should report two internally modelled liability loss scenarios for each syndicate, subject to the *de minimis* criteria. Where exposed to both professional and non-professional lines liability scenarios, one of each type should be reported.

Back-year deterioration

These scenarios focus on losses arising from events occurring in 2013, and therefore do not attempt to quantify potential exposures from back year deterioration. The issue of reserving adequacy is subject to monitoring and review by colleagues within the Lloyd's Corporation.

### 20.1 PROFESSIONAL LINES

The following example scenarios are provided to help guide managing agents in considering the type, scale and impact of their internally modelled scenarios.

#### 20.1.1 MIS-SELLING OF A FINANCIAL PRODUCT

Any systemic loss arising from the mis-selling of a financial product including the distribution of said financial product through the appropriate channels. This could comprise two distinct sources of liability attributable to: 1) product and 2) distribution channel. Regulatory investigation might be a trigger to this type of systemic loss but would not of itself be the systemic loss.

#### 20.1.2 FAILURE/COLLAPSE OF A MAJOR CORPORATION

The failure or collapse of a major corporation listed on one or more Global Stock Exchanges.

#### 20.1.3 FAILURE OF A MERGER

The failure or collapse of a merger involving one or major corporations listed on any Global Stock Exchange.

#### 20.1.4 FAILURE OF A CONSTRUCTION PROJECT

The failure of a construction project involving all of the syndicate's casualty risk codes (for example, non-marine liability, architects, surveyors and engineers, etc.).

As an example from the immediate past, the London 2012 Olympics represented a major exposure in terms of potential failure of a large construction project. Problems had affected construction for the Greek Olympics; during 2008 – 2011 it would have been reasonable to assume that a similar scenario could arise for the London Games.

#### 20.1.5 RECESSION-RELATED LOSSES

A managing agent may identify that its syndicate is exposed to a dramatic fall in the housing market, associated with high negative equity, mortgage shortfalls and defaults. It could model syndicate exposures by utilising casualty risk codes, including: Independent Financial Advisors (IFAs), Solicitors, Surveyors, Lenders, Accountants.

Modelled exposures should also consider a rising unemployment rate thus potentially increasing the exposures to Employment Practices Liability underwritten as a stand-alone product or as part of Directors & Officers Liability policies.

### 20.2 NON-PROFESSIONAL LINES

The following example scenarios are provided to help guide managing agents in considering the type, scale and impact of their internally modelled scenarios:



### **20.2.1 INDUSTRIAL/TRANSPORT INCIDENT**

A managing agent may identify that it has a high potential syndicate exposure to an extreme loss arising from a release of chlorine at an industrial site or from a train travelling through a major city.

The managing agent would develop a physical model of the incident, with assumptions for the area and populations affected, and the effects of the chlorine gas itself. The model should identify the various organisations that would be held liable, including joint ventures and professional advisors that the syndicate covers.

### **20.2.2 MULTIPLE PUBLIC/PRODUCTS LOSSES**

An agent managing a syndicate with multiple peak exposures may determine that it would be severely impacted by catastrophe losses affecting a multiple number of contracts. Such a scenario would capture the cumulative effect of a number of vertical spikes and the impact on the syndicate's reinsurance programme.

An example of a loss scenario involving multiple products losses arising out of a common cause would be defective hip replacements which could generate a high frequency of relatively large individual payments via a series of class actions.

## 21 POLITICAL RISKS

Managing agents should return Political Risks scenarios that generate losses above the *de minimis* reporting level for the events in the RDS Political Risk Scenario Specification 2013 document.

Lloyd's in conjunction with the LMA Political Risks Panel have carried out a review of the Lloyd's Political risk scenarios. Starting with the RDS 2013 return, it has been agreed by the panel that Political Violence (PV) damage factors should only be considered when written in conjunction with exposures under risk codes PR, CF or CR.

Country aggregates must be reported in the Supplementary Information template submitted through CMR Form 990, as agreed with the LMA Political Risks Panel.



Since merchants first met to insure their ships at Edward Lloyd's coffee shop over 300 years ago, nearly every aspect of the way we do business has changed. But one constant is the bold confidence proclaimed by our motto, reflected in both our unique appetite for risk and our worldwide reputation for settling valid claims.