



NAIC announces COLLATERAL RULING

Change welcomed after a decade of debate over US reinsurance rules

LLOYD'S NEWS

Lloyd's has welcomed a decision by US insurance commissioners to modernise reinsurance regulation, calling it a "major step forward". Lloyd's has been at the forefront of lobbying for change on the issue for about a decade.

The change means that reinsurers based outside of the US, including those at Lloyd's, could benefit from less

stringent requirements about the amount of collateral they must provide when they write business there.

Current rules require that non-US reinsurers must provide collateral equivalent to 100% of their potential US liabilities.

In December, the National Association of Insurance Commissioners – which represents American insurance regulators – adopted a framework that would set

the amount of collateral needed on a sliding scale, according to the reinsurer's financial strength.

The International Underwriting Association had estimated that the old rule resulted in at least US\$50bn being tied up to provide the necessary collateral.

This created a significant extra cost to doing business in the US.

European insurers had argued that the old system discriminated on the grounds of geography rather than financial strength.

The new Reinsurance Regulatory Modernisation Framework Proposal could take years to implement but would allow foreign reinsurers with the highest financial strength rating, such as Lloyd's, to post collateral equivalent to 10% of gross liabilities.

The next steps are expected to require federal legislation in order to help achieve consistent implementation across all states.

Sean McGovern, Director and General Counsel, said: "Although we are pleased with this change, we are still pushing for the complete abolition of collateral requirements to have parity with US reinsurers."

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NEW POLICY covers all technology risks

NEW PRODUCT

Lloyd's underwriting agent CFC Underwriting has launched the first policy that tailors all elements of cover for technology companies. The policy closes a number of gaps created by a rapidly developing industry with diverse risk profiles.

CFC's Business Development Director Graeme Newman said: "Technology companies are a different breed from traditional professions. The legal landscape is constantly evolving and these companies are delivering products and services not even envisaged when most insurance policies were written."

Innovative features of the policy include clear cover for breach of client contract, while PI insurance has been tailored to avoid gaps by considering software both a product and a service. Furthermore, unlike standard policies,

business interruption cover provided by Esurance™ TECH takes into account issues relating to project delivery failure, delayed milestone payments and disruption to research and development activities.

"Consider the risk profiles of Accenture, Facebook and William Hill," Newman said. "One supplies services in relation to large-scale software implementation, another allows users across the world to share pictures and stories, and the third allows people to place bets online. All fall under the technology banner, but all operate very differently and have recently been faced with markedly different high-profile legal challenges."

"Most policies tend to lump technology companies together as a group, failing to recognise the differences. We don't. We've used our experience of providing

insurance to thousands of technology companies around the globe to provide worldwide cover for the risks they face, not to exclude them."

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NEWS IN BRIEF

GITTINGS APPOINTED AS NON-EXEC AT JMD

Lloyd's Market Association Chief Executive David Gittings has been appointed as a Non-Executive Director of JMD Specialist Insurance Services. Gittings has been the LMA Chief Executive since December 2006, having previously worked as Group Head of Risk at Wellington Underwriting plc and Director of Regulation at Lloyd's. JMD Specialist Insurance Service Limited is an insurance services and outsource provider to Lloyd's managing agents and the London market. Gittings said: "JMD has supported the London market for a considerable number of years, and I am looking forward to joining the board to contribute to the future development of their business as they continue to provide services to support the market in the future."



MARTIN PARKER JOINS R.L. DAVISON

Specialist Lloyd's wholesale broker R.L. Davison has appointed Martin Parker as Commercial Underwriting Manager. Parker, formerly an underwriter for Kay International and Towergate, will be responsible for setting up a new Schemes Division in the Company's Commercial Department.

LLOYD'S INSURES youngest circumnavigator



Michael Perham

UNUSUAL RISKS

True to its tradition of supporting seafaring ventures, Lloyd's is insuring the youngest person to attempt to sail single-handed and non-stop around the world.

Underwriting Risk Services Ltd (URSL), a subsidiary of Talbot, is providing 16-year-old Michael Perham with cover for all physical and liability risks to his Open 50 racing yacht TotallyMoney.com. He is also covered for personal accident, medical and death cover.

Paul Miller, Underwriting Director at URSL, said: "We are delighted to be involved in Michael's latest sailing challenge, which will no doubt prove to be another British achievement to inspire the world. This is an exciting opportunity for us to support the youngest sailing talent of our time in the true spirit of the great British maritime tradition."

The perils associated with the voyage are numerous and wide-ranging, from the average bout of seasickness to encounters with whales and stray containers. However, Perham has had solid

training to deal with some of the most likely risks. For example, he has learned how to maintain and repair diesel engines, as well as the electronic components on board.

URSL has provided coverage of Perham using its Racecover insurance product. The coverage is designed specifically for high-risk yachts and events and aimed at the 'difficult to place' racing vessels that participate in particularly challenging racing campaigns, regattas, transatlantic or round-the-world events.

Perham's voyage was expected to take about five months, but he suffered a setback early on in his venture due to a faulty auto-pilot mechanism, which has now been fully repaired.

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Climate Change and Security

NEW 360 REPORT

Climate change has risen rapidly on the world agenda as a critical global issue that has the potential to have a substantial impact on how our planet functions. However, understanding exactly how climate change will hit resources and what the security implications for business might be has not been understood in any great depth. That is why Lloyd's is working with the International Institute for Strategic Studies (IISS) to produce a concise 360 report to provide business leaders with a rapid and

comprehensive overview of the problem.

A key aim of the report is to help industry leaders focus on what they should be considering when factoring climate change and security into their future planning. Due to be published in April 2009, the report will be structured around four issues which will be affected by climate change: water; food; energy and natural resources; and demographics. The report will contain case studies, highlighting the potential security implications in specific regions from each of these issues.