



ESTABLISHED 1797

HARRIS & DIXON INSURANCE BROKERS LIMITED

REINSURANCE



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HARRIS & DIXON INSURANCE BROKERS
LIMITED

HARRIS & DIXON INSURANCE BROKERS LIMITED

- Established 1797, oldest Lloyd's broker
- 100% owned by BMS - August 1997
- BMS - Independent Broking group income £ 25M
- H&D Income £ 7.5M
- 82 Staff: UK 4 Staff: Central Europe
- Offices in London, Prague and Bratislava
- Handle in excess of £300M premiums
- Half of income from Central & Eastern Europe
- Largest single area for company, active since 1st World War



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HARRIS & DIXON'S PHILOSOPHY

- Act as Reinsurance Broker
- Target state domestic insurer / reinsurer and identify strong private companies for the long term
- Offer complete service - Training, language, products, investment
- Open local office as volume grows e.g. Prague and Bratislava
- Cross-reference clients
- Employees from area - provide language and understanding - not just another London Broker
- Work with continental markets
- Market leader

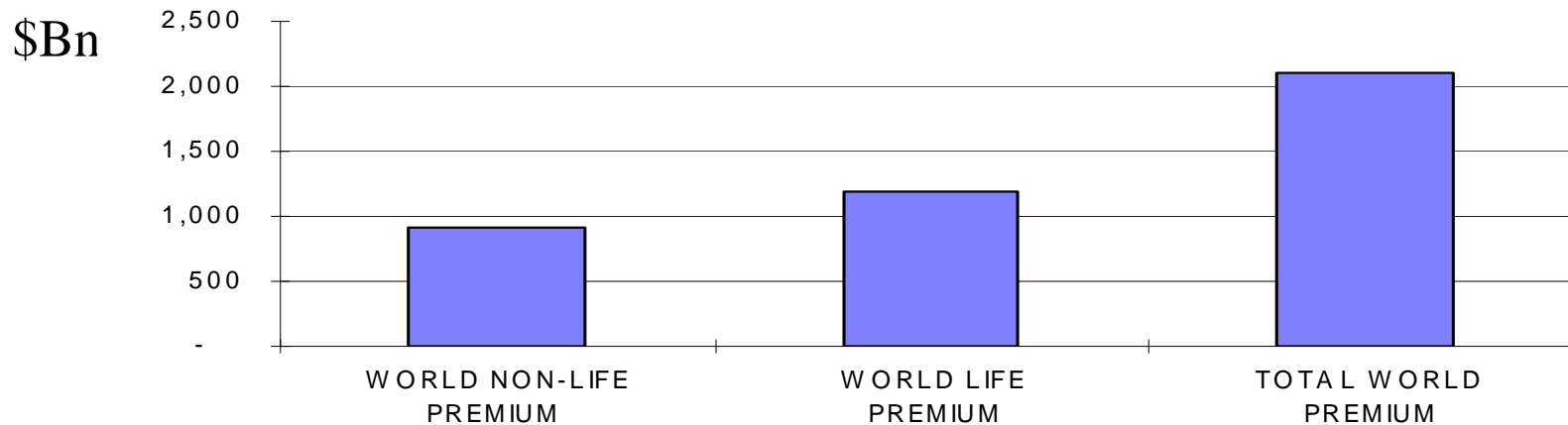


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WORLD INSURANCE PREMIUMS (1996)

World Non-Life Premium	USD	909,000,000,000 (43%)
World Life Premium	USD	1,197,000,000,000 (57%)
Total World Premium	USD	2,106,000,000,000

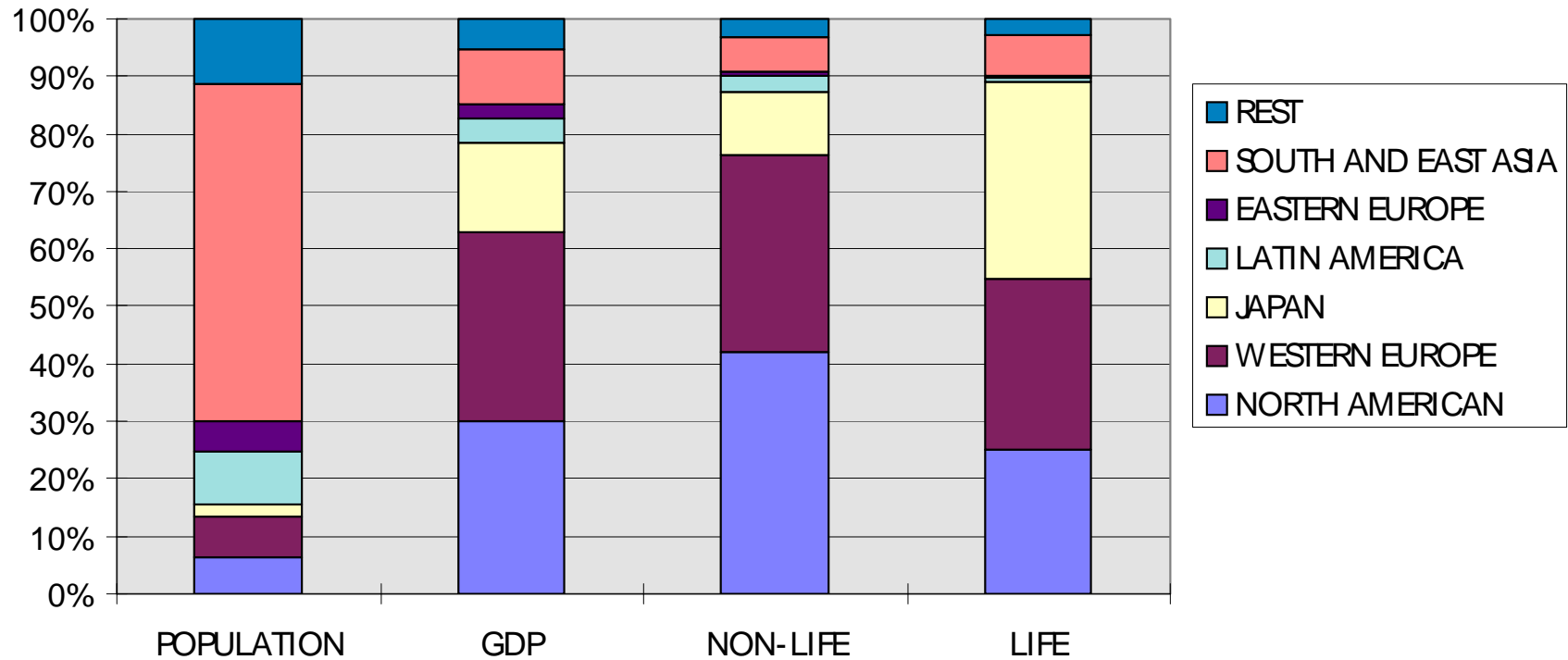




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INSURANCE PREMIUM DISTRIBUTION

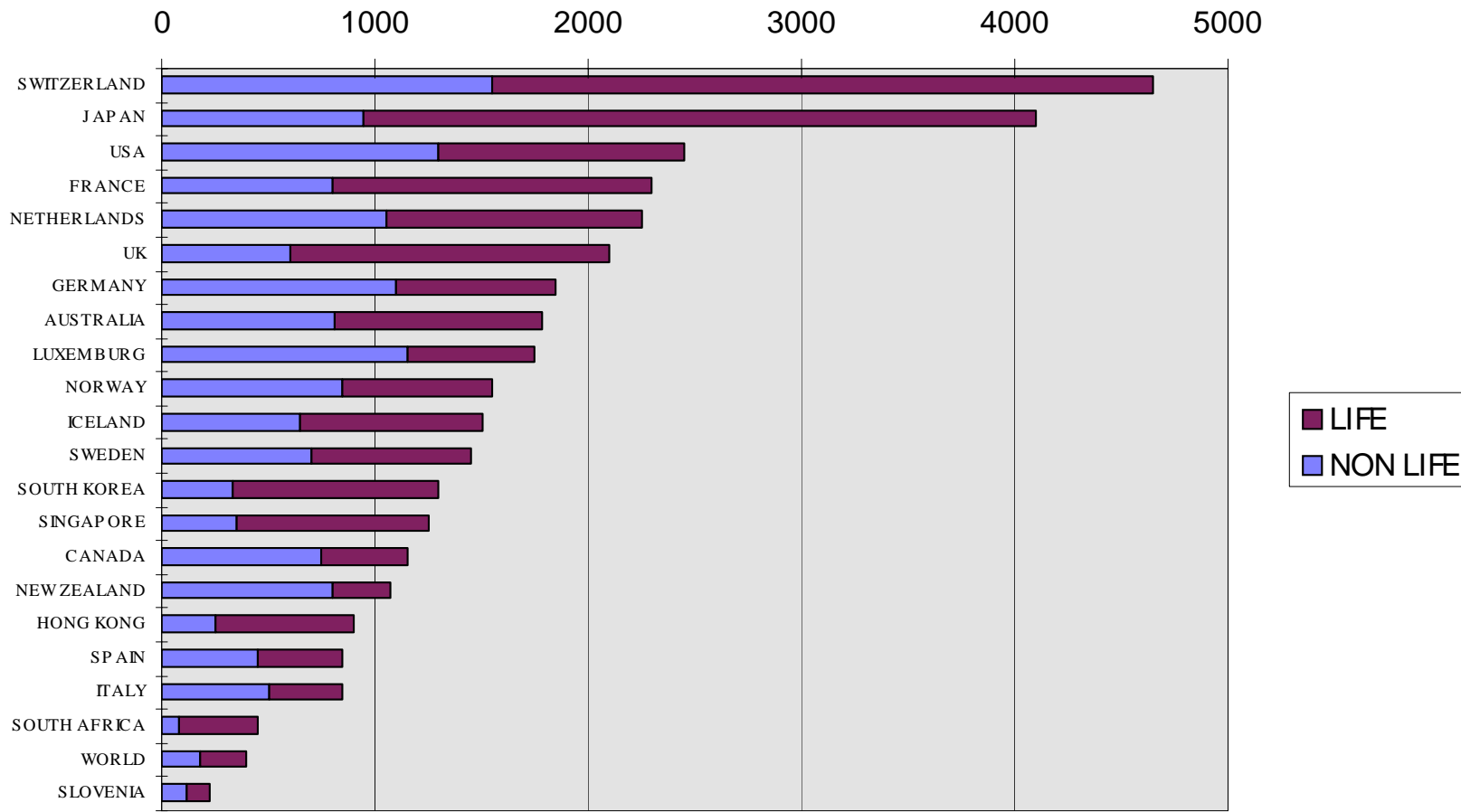




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PREMIUM PER CAPITA





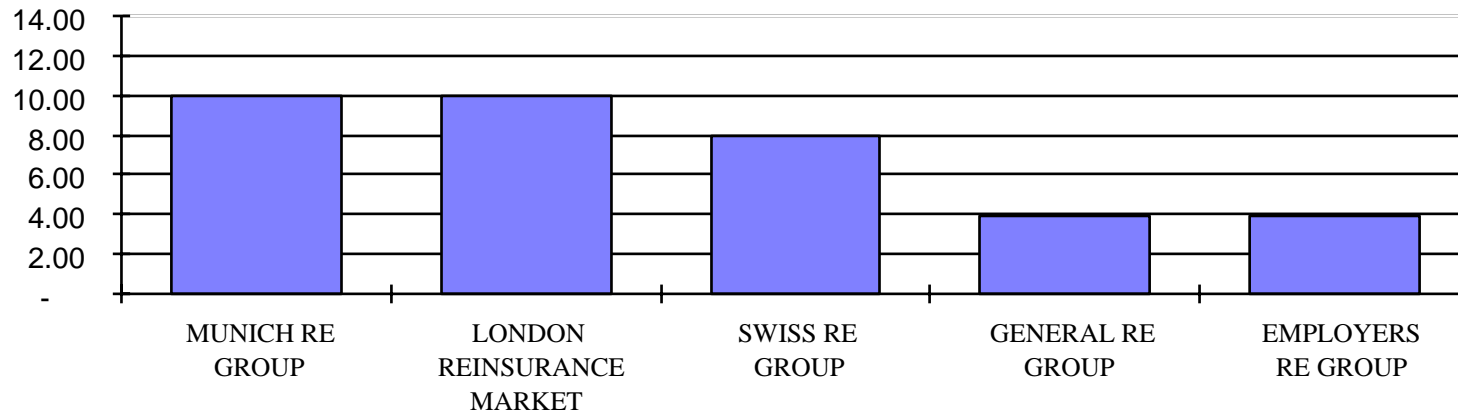
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WORLD REINSURANCE PREMIUM \$ 124 Bn

NON LIFE	USD	103,000,000,000	-	83%
LIFE	USD	21,000,000,000	-	17%

Munich Re Group	10%
London Reinsurance Market	10%
Swiss Re Group	8%
General Re Group	4%
Employers Re Group	4%



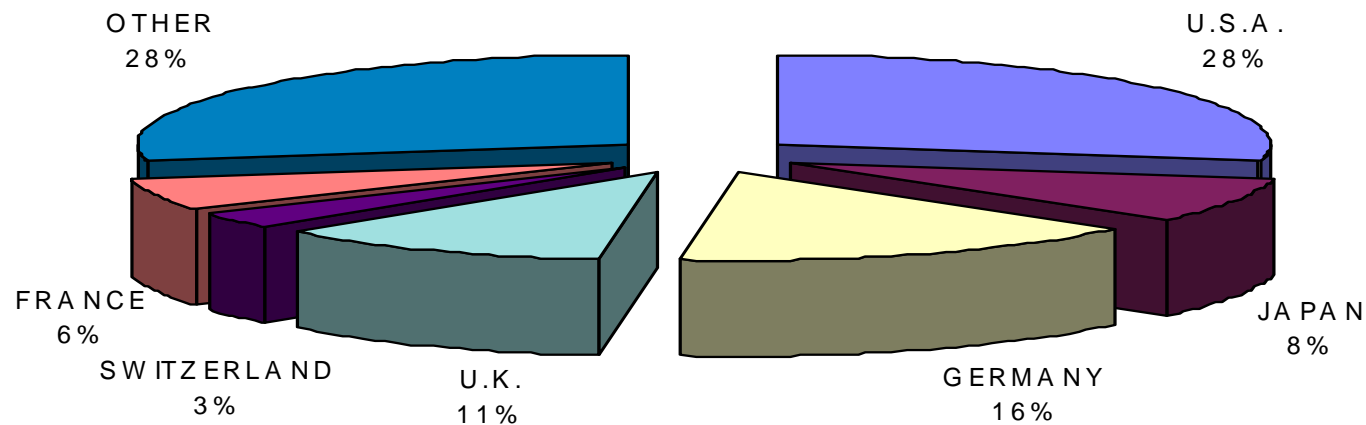


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DEMAND FOR REINSURANCE

U.S.A.	28%
JAPAN	8%
GERMANY	16%
UK	11%
SWITZERLAND	3%
FRANCE	6%
OTHER	28%



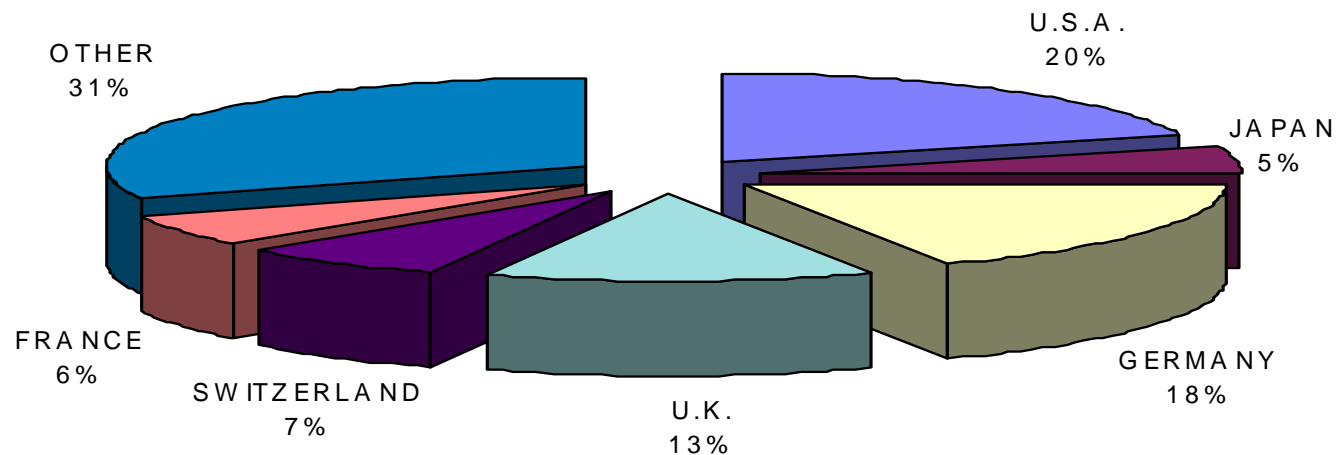


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SUPPLY OF REINSURANCE

U.S.A.	20%
JAPAN	5%
GERMANY	18%
UK	13%
SWITZERLAND	7%
FRANCE	6%
OTHER	31%

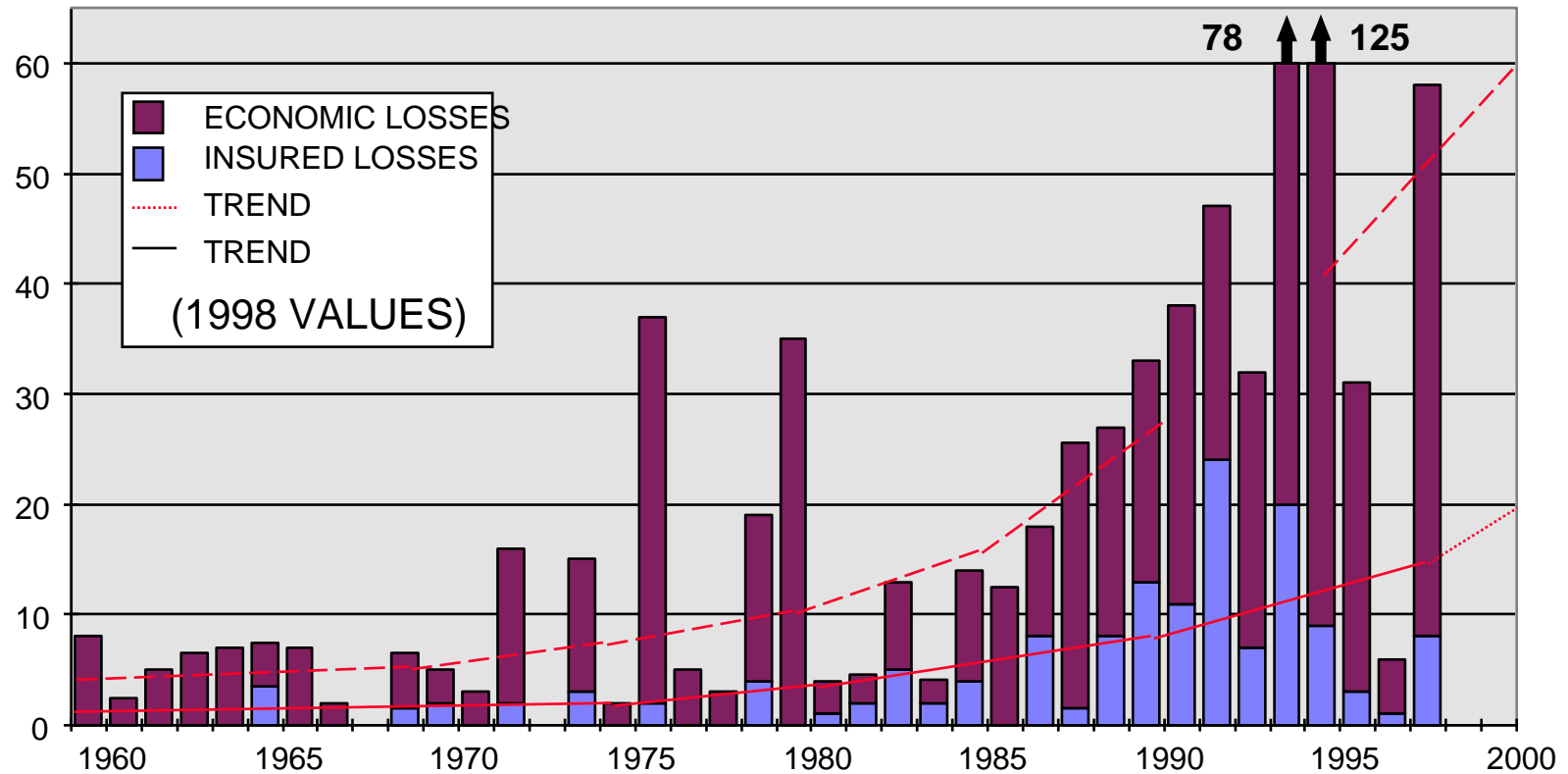




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ECONOMIC AND INSURED LOSS TRENDS 1960 - 2000



SOURCE MUNICH RE



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GREAT NATURAL CATASTROPHES 1960 - 1998

	DECADE 1960 - 1969	DECADE 1970 - 1979	DECADE 1980 - 1989	LAST 10 YEARS 1989 - 1998
NUMBER	16.0	29.0	70.0	53.0
ECONOMIC LOSSES *	52.5	100.9	160.9	479.3
INSURED LOSSES *	7.0	11.8	32.3	106.9

* All figures in US \$ bn (at 1998 prices)

SOURCE MUNICH RE



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THE 10 MOST COSTLY INSURANCE LOSSES 1970 - 1997

	INSURED LOSS IN USD m, AT 1997 PRICES ²¹	FATALITIES ²⁰	DATE / START	EVENT	COUNTRY
1	18,286	38	24.8.1992	HURRICANE "ANDREW"	USA
2	13,529	60	17.1.1994	NORTHRIDGE EARTHQUAKE IN SOUTHERN CALIFORNIA	USA
3	6,542	51	27.9.1991	HURRICANE "MIREILLE"	JAPAN
4	5,636	95	25.1.1990	WINTER STORM "DARIA" (SEVERE GALES)	EUROPE
5	5,427	61	15.9.1989	HURRICANE "HUGO"	PUERTO RICO
6	4,230	13	15.10.1987	AUTUMN STORM	EUROPE
7	3,917	64	26.2.1990	WINTER STORM "VIVIAN" (SEVERE GALES)	EUROPE
8	2,712	167	6.7.1988	EXPLOSION ON OFFSHORE PLATFORM "PIPER ALPHA"	U.K.
9	2,603	6000	17.1.1995	GREAT HANSHIN EARTHQUAKE IN KOBE	JAPAN
10	2,211	59	4.10.1995	HURRICANE "OPAL"	USA
36	940	100	4.7.1997	FLOODING; POLAND / CZECH REPUBLIC ARE MAIN AREAS AFFECTED	EASTERN EUROPE

21 EXCL. LIABILITY

20 DEAD OR MISSING

SOURCE SIGMA / SWISS RE



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THE 10 WORST CATASTROPHES IN TERMS OF FATALITIES 1970 - 1997

	FATALITIES ²⁰	INSURED LOSS IN USD M AT 1997 PRICES ²¹	DATE / START	EVENT	COUNTRY
1	300,000	-	14.11.1970	TROPICAL CYCLONE	BANGLADESH
2	250,000	-	27.7.1976	EARTHQUAKE IN TANGSHAN	CHINA
3	140,000	-	29.4.1991	TROPICAL CYCLONE "GORKY"	BANGLADESH
4	60,000	-	31.5.1970	EARTHQUAKE	PERU
5	50,000	141	21.6.1990	EARTHQUAKE	IRAN
6	25,000	-	7.12.1988	EARTHQUAKE IN ARMENIA	FORMER SOVIET UNION
7	25,000	-	16.9.1978	EARTHQUAKE	IRAN
8	23,000	-	13.11.1985	VOLCANIC ERUPTION "NEVADO DEL RUIZ"	COLOMBIA
9	22,000	211	4.2.1976	EARTHQUAKE	GUATEMALA
10	15,000	480	19.9.1985	EARTHQUAKE	MEXICO

21 EXCL. LIABILITY

20 DEAD OR MISSING

SOURCE SIGMA / SWISS RE



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REINSURANCE MERGERS & ACQUISITIONS 1994 - 1998

	BUYER	ACQUISITION	NET PREMIUMS 1996 IN USD MILLIONS
1994	GENERAL RE (US)	COLOGNE RE (D)	2,482
1995	EMPLOYERS RE (US)	AACHEN RE(D)	415
	EMPLOYERS RE (US)	FRANKONA RE (D)	1,445
	SWISS RE (CH)	ALHERMIJ (NL)	300
	AXA RE (F)	ABEILLE RE (F)	700
1996	ACE LTD. (BERMUDA)	TEMPEST RE (BERMUDA)	200
	GENERAL RE (US)	NATIONAL RE (US)	313
	SCOR (F)	ALLSTATE RE (US)	400
	MUNICH RE (D)	AMERICAN RE (US)	1,909
	TRANSATLANTIC RE (US)	GUARDIAN RE (CH)	200
	SWISS RE (CH)	M&G RE (UK)	1,230
	SWISS RE (CH)	UNIORIAS (I)	700
1997	PARTNER RE (BERMUDA)	SAFR (F)	622
1998	EXEL (BERMUDA)	MID OCEAN (BERMUDA)	526
	BERKSHIRE HATHAWAY (US)	GENERAL RE (US)	2,718
	GERLING GLOBALE (D)	CONSTITUTION RE (US)	531
	SWISS RE (CH)	LIFE RE (US)	450
	GE CAPITAL (US)	KEMPER RE (US)	535
	MUNICH RE (D)	REALE RE (I)	142

Cost \$ 40 Billion

4 Largest Reinsurers Market Share

1990 22%

1998 34%

SOURCE SIGMA / SWISS RE



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NON-PROPORTIONAL REINSURANCE

NON PROPORTIONAL OR EXCESS OF LOSS REINSURANCE'S

In return for an agreed premium the reinsurer accepts liability for losses incurred by the reinsured in excess of an agreed amount subject to an upper limit

EXCESS OF LOSS

RISK BASIS

The reinsurer pays any loss on an individual risk in excess of a predetermined amount

OCCURRENCE BASIS

The reinsurer pays when the aggregate losses from any one occurrence exceed a predetermined retention

STOP LOSS OR LOSS RATIO

Reinsurer pays if the reinsurers aggregate net losses for a year exceed a predetermined amount and/or proportion of premium income



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PROPORTIONAL REINSURANCE

PROPORTIONAL REINSURANCE

The reinsurer receives an agreed proportion of the original premium less commission and pays the same proportion of all losses

FACULTATIVE

A fixed proportion of a risk accepted by the insurer is ceded to the reinsurer

QUOTA SHARE TREATY

A fixed proportion of all risks accepted by the primary insurer are ceded to the reinsurer

SURPLUS TREATY

Only amounts accepted by the primary insurer above its own retention are ceded to the reinsurer



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EXCESS OF LOSS TREATY

Generates very big capacity.
Cedant retains most income.
Price fluctuates with Market Conditions

Can be low cost
Concentrates on peak exposures.
Low cost Administration.

Multiple Deductibles
Detailed information required.
Limited cover / Reinstatements
No commissions
Reinsurer dictates price / products:

Can be large retained loss.
Aggregates - zones
Annual contract. Can be no run off.
Less mutual interest / Continuity
Premium payment up front.
restrictive cover / wording



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PROPORTIONAL TREATY

Automatic capacity	All / most risks ceded	Confidence
Commission / Profit commission.		Helps solvency / capital
Cash loss assistance.		No reinstatement restriction.
Cash paid / balance in arrears.		Follow fortunes.

QUOTA SHARE

Simple operation. Computerise. Same % all risks
Higher commission / Profit commission
Difficult classes / New Insurance companies / Mutual interest cedant / reinsurer
Cede too much income. Limited capacity
Fails to reduce peak loss ratios

SURPLUS

Cedant retains more and keeps smaller simpler risks
Reduce peak loss ratios / Generate bigger capacity
Complicated to operate - higher administration costs
Lower commissions / Profit commissions



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WHY REINSURE ?

- Financial Stability / Capital
- Stabilise Claims Ratio
- Accumulation
- Geographical Spread of Risk
- Profit Gearing / Expense Sharing
- New Products / Volatile Business
- Knowledge / Training
- Confidence



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IN REINSURANCE LOOK FOR

- Security
- Flexibility
- Continuity
- Knowledge / Training
- Integrity



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THE END