



**Minutes of the Twelfth Management Board Meeting
from 1:30 p.m. to 4:00 p.m. on Tuesday, 21 September 1999
at British Antarctic Survey, High Cross, Madingley Road, Cambridge**

Attendees	:	Simon Jennings	-	Benfield Greig
		David Simmons	-	Benfield Greig
		Dougal Goodman	-	British Antarctic Survey (Chair)
		Paul Martin	-	Catlin
		Mike Cooper	-	CGU Group
		Peter Taylor	-	DP Mann
		Jonathan Norman	-	Guy Carpenter
		David Whiting	-	Guy Carpenter
		Nick Golden	-	Royal & SunAlliance
		Julia Graham	-	Royal & SunAlliance
		Lance Garrard	-	TSUNAMI
		James Orr	-	TSUNAMI (Secretary)
		Lynn Dimmock	-	Wren
		Simon Groves	-	Wren

Apologies: Paul Brand - Catlin

Actions:

- Benfield Greig, DP Mann, Royal & SunAlliance and Wren to form an action group to develop the Business Plan for the future form of TSUNAMI.
- Lance Garrard to provide a confidential briefing on 1 October 1999, to consortium company representatives, of the US Land-falling Hurricane Forecast.
- The consortium companies to confirm, by 15 October 1999, whether the US Land-falling Hurricane Forecast can be released.

Minutes:

1. Confirmation of Minutes of the Eleventh Management Board Meeting

The minutes of the previous Board Meeting were accepted, with a single amendment from CGU that had been dealt with in earlier correspondence.

2. Staff Support for TSUNAMI

Not minuted.



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3. Presentation of Strategy Paper

Dougal Goodman presented his paper setting out the possible future forms of the TSUNAMI initiative. Comments relating to particular sections of the paper are given below.

Consortium Needs

Benfield Greig said they valued the opportunity to exchange ideas on research, to find funding parties and in having access to a broad range of potential researchers. However, internal facilitation and project management was not a priority need.

Catlin was keen to outsource all of its research needs and would value all of the facilities (i. to v.) described in the note.

CGU saw a need for help in developing projects and in project management. However, this requirement was only expected to persist until the changes resulting from the merger of Commercial Union and General Accident had been completed.

Guy Carpenter saw value in option i. to respond to immediate questions (particularly in relation to media issues), and option iii. to quickly develop research projects.

Royal & SunAlliance saw value in all of the options described, but felt that issues affecting the industry as a whole or requiring broad collaboration might best be managed by the Association of British Insurers, Loss Prevention Council or Lloyd's.

Wren saw particular value in options ii, iv and v, with a focus on business applications.

Financing

Dougal Goodman described the projected cash-flow profiles for the initiative. These assumed that projects initiated in the future would receive a reducing proportion of funding from the DTI, as the "Sector Challenge" budget was used up. The Board accepted this basis of funding.

Future Form of TSUNAMI

Dougal Goodman described two possible extreme forms of a new company that could be established to continue the work of TSUNAMI.

The simplest form, "NewCo A", would use a Web-based facility to support the provision of invitations (to industry) to participate in a research project and (to scientists) to bid for the resulting research funding. TSUNAMI staff would be responsible for managing the project, including financial and quality control.



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“NewCo B” would have a staff numbering around ten and would provide a complete R&D service, funded on a fee basis.

Benfield Greig confirmed that they valued the facilitation role of TSUNAMI, but saw the need to overcome the rigidity of the present funding structure (i.e. the requirement for a minimum number of sponsors and the exclusion of external parties) and high fixed overhead costs.

Catlin confirmed that they would require help in supporting R&D within their organisation. As management time was restricted, they would look to be a selective end-user of the new facility and did not expect to commit any equity to its formation.

CGU felt that TSUNAMI might best be put into “run-off”, with existing activities merged into industry bodies (such as the Loss Prevention Council) to increase the profile of scientific research in the industry.

DP Mann saw that the current research was too remote from underwriting operations, although there were signs of this shortfall being addressed. The simpler option of “NewCo A” appeared under-resourced, particularly as a high level of service would be required to deliver effective research. Also, a commercial incentive would be required to attract and retain quality intermediaries.

“NewCo B”, if established on a profit-making basis, could be developed as an industry technology broker with a world-wide client base and a prospectus could be taken to venture capitalists for evaluation.

Guy Carpenter saw that the case for involving UK science in the insurance industry was proven and that there was a need for facilitation to deliver recognisable, relevant research. However, the broader issue of UK science policy, with particular regard to the availability of data, could not be ignored.

With regard to TSUNAMI, the competitive aims of the projects needed to be clearer. Guy Carpenter was supportive of any initiative that released the potential of the UK scientific community, but would like to reserve judgement on TSUNAMI’s future form until the available options had been developed further.

Royal & SunAlliance saw that the case was proven that significant value could be gained from insurance industry exploitation of R&D. However, the need remained for an efficient doorway to the scientific community. “NewCo A” was an attractive basis for such an operation and the menu option approach of the Risk Prediction Initiative provided a useful example of what was possible.



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Wren favoured "NewCo B" as providing an attractive service in aiding the discussion of research, but saw a difficulty in managing its operation once the discipline of the DTI/HMT involvement was removed. Personal contact with facilitators and researchers was seen as crucial, with a focus on core research activities.

TSUNAMI (Lance Garrard) suggested that the existing divergence of interests and needs of the three groups represented in the sponsoring consortium (i.e. Lloyd's managing agents, composite insurers and reinsurance brokers) could not be ignored. It was therefore critical that sufficient representation within each group should be achieved, in order to realise synergies within each interest group.

TSUNAMI (James Orr) confirmed his support for a commercial basis of operation, but warned that the resulting conflicts of interest would have to be carefully managed, particularly in relation to dealings with the scientific community. He also expressed the hope that NERC might provide more definite backing for the future form of the initiative, either financially or in kind (as at present).

When asked to give their commitment to the future development of the initiative, the responses fell into three categories:

- (a) Participate in the development of a Business Plan for the new operation.

Benfield Greig, DP Mann, Royal & SunAlliance and Wren

- (b) Plan to be a customer of the new operation, if the terms of the Business Plan are acceptable.

Catlin

- (c) Will not participate in the development of the Business Plan, but would like to consider it upon completion.

CGU and Guy Carpenter

4. Briefing on the "Climate Change Centre"

Dougal Goodman distributed papers describing the recent launch of the Climate Change Centre, by the Natural Environment Research Council, the Economic and Social Sciences Research Council, and the Engineering and Physical Sciences Research Council.

£10m would be made available, spread over a five-year period, to look at the impacts of climate change, and to develop mitigation and adaptation strategies. This core funding would be augmented by contributions from industry, either as part of bids submitted with higher education establishments or through direct co-operation with the research councils.



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Dougal Goodman asked that anyone interested in the Climate Change Centre should contact him directly.

5. Information Paper

Tropical Cyclones Forecasting Project – Lance Garrard asked that the forthcoming US Land-falling Hurricane forecast be made available to the public on 1 October 1999. It was agreed that an initial, confidential briefing should be made available to the consortium companies only, on 1 October. The consortium companies would then be given two weeks to consider whether the forecasts could then be released to the public.

Lance Garrard also asked that the release of the North West Pacific forecast, due on 1 January 2000, be deferred by two weeks. The Board accepted this request.

Tsunami Risks – Julia Graham confirmed that Phil Bell of Royal & SunAlliance would not be available to help with the work on this project, but should be asked for nominations for a replacement.

No other queries were raised on the information paper that was included with the Board papers.

6. Y2K Reporting Project

James Orr distributed a paper (TSU/99/28) describing a proposal from Dr Bill Fitzgerald of the Engineering Department of the University of Cambridge, to analyse claims data, and develop a monitoring and forecasting system in preparation for claims arising from the “Millennium Bug”.

The funding requested was for £12,000, to support three months of research beginning on 1 October 1999, with an option to continue research beyond 1 January 2000 for a further £12,000.

At the meeting, DP Mann, Guy Carpenter and Royal & SunAlliance confirmed their support for the research. A decision by Benfield Greig and Wren was deferred.

[Subsequently, Wren also confirmed that they would participate in the project.]

7. Any Other Business.

There being no other business, the meeting was closed.

8. Date of Next Meeting.



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Benfield Greig agreed to host the next meeting of the Board, at a date to be arranged, in November.