

News Release

Contacts:

Alexis Levenson

Guy Carpenter

917.937.3264

alexis.levenson@guycarp.com

Matt Conroy

DeMartine Group

203.221.2790

mconroy@demartinegroup.com

Rate Increases Steady at July 1, 2009 Reinsurance Renewal as Capacity Remains Adequate, According to Guy Carpenter

Rates Up 15 Percent Year Over Year, Amid Signs of Stabilization in Financial Markets

New York, July 1, 2009

Upward pressure on property-catastrophe reinsurance rates in the United States eased at the July 1, 2009 renewal, as capacity in the market remained sufficient without being abundant, according to a briefing published today by Guy Carpenter & Company, LLC. Consistent with the general trend seen in the U.S. from January through June – and in line with prior renewals in 2009 – U.S. national program rates rose 15 percent year-over-year at the July 1, 2009 renewal, with pricing in the Northeast up 8 percent.

The briefing, available at www.GCCapitalIdeas.com, finds that stabilization in the global financial markets has contributed to the steadying of reinsurance rates, with capital deterioration slowing markedly from the rapid pace witnessed in 2008. As a result, reinsurance supply remains generally adequate to meet demand.

In addition to addressing developments in the U.S. at the July 1, 2009 renewal, the briefing examines Latin American and marine mid-year renewals.

UNITED STATES

- Firm order terms (FOTs) for higher layers grew between 11 percent and 14 percent relative to July 1, 2008 FOTs, while slightly larger increases – 14 percent to 16 percent – were realized at lower layers.
- Average quotes ranged from -25 percent to 15 percent, based on program-specific factors. FOTs were 89 percent of the maximum quote and 117 percent of the minimum. Despite the considerable gap between maximum and minimum quotes, FOTs came in at 96 percent of the average quote.
- In the Northeast, FOTs for both higher and lower layers were up between 5 percent and 10 percent year-over-year.

LATIN AMERICA

- Though preliminary data varied by country, upward pressure on pricing was offset by supply and local market competition, which keep reinsurance rate increases contained.
- Mexico sustained price increases of between 2.5 percent to 10 percent, on average, for earthquake and windstorm catastrophe excess of loss (XOL) programs. Central American earthquake and windstorm pricing was in roughly the same range.

Rate Increases Steady at July 1, 2009 Reinsurance Renewal as Capacity Remains Adequate, According to Guy Carpenter

July 1, 2009

Reinsurance renewal rates in Chile and the Caribbean (and some multi-territory programs) stretched higher.

- Widespread price hikes were prevented by a competitive primary market, reinsurance broker competitive forces, and the fact that capacity was broadly unchanged from July 1, 2008.
- Price increases for risk XOL programs in Mexico and Central America were relatively modest – 2.5 percent to 5 percent, on average.

MARINE

- The July 1, 2009 marine reinsurance renewal remained consistent with the January 1, 2009 renewal, with rates increasing by 5 percent to 10 percent for XOL programs, based on loss history and catastrophe exposure.
- Capacity has remained adequate, despite the loss of capital sustained from late 2008 through the first two quarters of 2009.
- Capacity was limited for offshore energy programs, for Gulf of Mexico windstorm in particular. As pricing and attachment levels increased, terms and conditions also tightened. Moreover, a number of insureds chose to self-insure Gulf of Mexico assets, leading to a dramatic drop in aggregate risk limits.

QUOTES

Lara Mowery, Global Head of Property Specialty Practice, Guy Carpenter

“Though the replenishing of balance sheets remains slow, the industry has, for the most part, stemmed its capital losses. It is fair to say that the property-catastrophe reinsurance market remains finely balanced, with capacity across most lines remaining adequate to meet demand. Price increases have been steadily in the 10 percent to 15 percent range.”

Chris Klein, Global Head of Business Intelligence, Guy Carpenter

“With four major renewal periods having been completed in this calendar year, there is a general sense of calm in the reinsurance markets, aided by stabilization in the global financial markets. A few notable hotspots remain, however, based on region- or program-specific factors.”

TAGS/KEYWORDS

Guy Carpenter, reinsurance, renewal, property, catastrophe, capacity, rates, pricing, United States, Latin America, marine, Chris Klein, Lara Mowery

LINKS/URLs

Prop-Cat Reinsurance Rate Increases Steady at July 1 Renewal:

<http://www.gccapitalideas.com/2009/07/01/prop-cat-reinsurance-rate-increases-steady-at-july-1-renewal/>

Charts Available for Download: <http://www.gccapitalideas.com/category/chart-room>

GCCapitalIdeas.com Registration: <http://feeds2.feedburner.com/gccapitalideas>

RSS FEED SUBSCRIPTION

<http://feeds2.feedburner.com/gccapitalideas>

Rate Increases Steady at July 1, 2009 Reinsurance Renewal as Capacity Remains Adequate, According to Guy Carpenter

July 1, 2009

About Guy Carpenter

Guy Carpenter & Company, LLC is the world's leading risk and reinsurance specialist and a part of the Marsh & McLennan Companies. With over 50 offices worldwide, Guy Carpenter creates and executes reinsurance solutions and delivers capital market solutions* for clients across the globe. The firm's full breadth of services includes line of business expertise in Agriculture; Aviation; Casualty Clash; Construction and Engineering; Excess and Umbrella; Life, Accident and Health; Marine; Medical Professional Liability; Political Risk and Trade Credit; Professional Liability; Property; Retrocessional Reinsurance; Surety; Terrorism and Workers Compensation. GCFac® is Guy Carpenter's dedicated global facultative reinsurance unit that provides placement strategies, timely market access and centralized management of facultative reinsurance solutions. In addition, Guy Carpenter's InStrat® unit utilizes industry-leading quantitative skills and modeling tools that optimize the reinsurance decision-making process and help make the firm's clients more successful. Guy Carpenter's website address is www.guycarp.com.

Guy Carpenter's new intellectual capital website, www.GCCapitalIdeas.com, leverages blog technology, including Real Simple Syndication (RSS) feeds and searchable category tags, to deliver Guy Carpenter's latest research as soon as it is posted. In addition, articles can be delivered directly to BlackBerrys and other handheld devices.

* Securities or investments, as applicable, are offered in the United States through GC Securities, a division of MMC Securities Corp., a US registered broker-dealer and member FINRA/SIPC. Main Office: 1166 Avenue of the Americas, New York, NY 10036. Phone: (212) 345-5000. Securities or investments, as applicable, are offered in the European Union by GC Securities, a division of MMC Securities (Europe) Ltd., which is authorized and regulated by the Financial Services Authority. Reinsurance products are placed through qualified affiliates of Guy Carpenter & Company, LLC. MMC Securities Corp., MMC Securities (Europe) Ltd. and Guy Carpenter & Company, LLC are affiliates owned by Marsh & McLennan Companies. This communication is not intended as an offer to sell or a solicitation of any offer to buy any security, financial instrument, reinsurance or insurance product.

###