

## News Release

Contacts:

**Alexis Levenson**

Guy Carpenter

917.937.3264

[alexis.levenson@guycarp.com](mailto:alexis.levenson@guycarp.com)

**Matt Conroy**

DeMartine Group

203.221.2790

[mconroy@demartinegroup.com](mailto:mconroy@demartinegroup.com)

### **Bermuda Carriers Remain Strong Despite Capital Depletion, According to Guy Carpenter**

**New York, April 16, 2009**

According to a briefing published today by Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist, Bermuda insurance and reinsurance companies remain in a financially strong position relative to the banking sector, though they have been significantly impacted by 2008 investment losses and capital depletion.

The briefing, *Bermuda Capital Constrained but Sufficient*, available for download at [www.GCCapitalIdeas.com](http://www.GCCapitalIdeas.com), indicates that the Guy Carpenter Bermuda Composite has changed drastically from a year ago, when share buybacks and dividend payments were commonplace. Excess capital is sufficient but constrained, with the Bermuda Composite's five-year rolling average ROE falling to 8.7 percent.

#### **PREMIUM**

- Gross and net written premiums declined 1 percent from 2007 to 2008. With a five-year compound annual growth rate (CAGR) of 2.6 percent for gross written premium (GWP) and 2.2 percent for net written premium (NWP), 2008 represented only a slight deviation from the norm. Overall, GWP fell to USD41.1 billion.
- The majority of GWP growth occurred in the primary insurance sector of the Bermuda Composite, with GPW up 8.8 percent from 2007 to 2008. Conversely, reinsurance GWP declined by 6.7 percent year-over-year.

#### **EARNINGS**

- The Guy Carpenter Bermuda Composite posted an aggregate comprehensive net loss of \$7.8 billion for 2008, driven primarily by investment losses of \$10 billion.
- Fifteen of the 19 companies in the Guy Carpenter Bermuda Composite posted underwriting profits.

#### **INVESTMENTS**

- Asset allocation did not change substantially from 2007 to 2008, remaining largely conservative. Fixed income securities stayed at 75 percent from 2007 to 2008. Equity allocations dropped from 4 percent of the aggregate portfolio in 2007 to 2 percent in 2008. Allocations to cash and short-term investments increased from 14 percent to 17 percent.

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### **CAPITAL LEVERAGE**

- Realized and unrealized investment losses included in net income and other comprehensive income were 13 times greater than the combined realized and unrealized gains reported in the preceding four years.
- Despite losses, companies in the Bermuda Composite grew capital and surplus by approximately \$17.4 billion since 2004, with much of it coming from retained earnings from the low catastrophe years of 2006 and 2007.

### **QUOTES**

#### **Cliff Rich, Head of Market Information, Guy Carpenter**

“Despite deterioration from 2006 and 2007 levels – and considering the challenging conditions in the broader financial markets – the Bermuda carriers had a strong performance in 2008. Though the Composite declined substantially, disciplined risk management and strong underwriting performance has created a platform for future profitability.”

#### **Chris Klein, Managing Director Global Head of Business Intelligence, Guy Carpenter**

“Though capital levels declined for the first time in half a decade, Bermuda companies still entered 2009 sufficiently capitalized, largely as a result of their robust performance in preceding years and their traditionally cautious underwriting stance. At the same time, the depletion of capital comes at a time when it is hard to replace, and this warrants attention as we move further into 2009.”

### **TAGS/KEYWORDS**

Guy Carpenter, reinsurance, Bermuda, premium, earnings, capital

### **LINKS/URLs**

#### ***Bermuda Capital Constrained but Sufficient:***

<http://www.gccapitalideas.com/2009/04/16/bermuda-capital-constrained-but-sufficient/>

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

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

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### **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

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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](http://www.guycarp.com).

Guy Carpenter's new intellectual capital website, [www.GCCapitalIdeas.com](http://www.GCCapitalIdeas.com), leverages blog technology, including Real Simple Syndication (RSS) feeds as well as 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.

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