

News Release

Contacts:

Alexis Levenson

Guy Carpenter

917.937.3264

alexis.levenson@guycarp.com

Matt Conroy

DeMartine Group

203.221.2790

mconroy@demartinegroup.com

Capital Returning to Reinsurance Market, According to Guy Carpenter Update Premium Growth, Underwriting Gains and Balance Sheet Improvements Bring Stability in First Half of 2009

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A briefing published today by Guy Carpenter & Company, LLC finds that gains in underwriting and a return of calm to the global financial markets have helped some reinsurers regain half or more of the capital they lost as a result of the 2008 financial crisis and windstorms.

According to *1H2009 Reinsurer Financial Update: Capital Returns*, available at www.gccapitalideas.com, the Guy Carpenter Global Reinsurance Composite posted an aggregate increase of USD4.6 billion for the first half of 2009, contrasting sharply with an aggregate loss of USD3.5 billion for the first half of 2008.

UNREALIZED LOSSES LOWER

- Unrealized investment losses for the first half of 2009 declined by 87 percent year over year, from USD11.7 billion to USD1.5 billion.
- Realized investment losses also dropped by 43 percent to USD1.2 billion.

PREMIUM GROWTH

- Gross and net written premium both posted modest 6 percent year-over-year increases, to USD71 billion and USD65 billion, respectively.
- European multi-line carriers reported significant premium increases, while some Bermuda-based reinsurers reported declines of 2 percent to 13 percent, citing insufficient pricing as the primary cause.

UNDERWRITING GAINS

- Underwriting earnings rose 9.6 percent for Global Reinsurance Composite companies relative to the first half of 2008, reaching USD2.2 billion for the group as a whole.
- Combined ratios declined from 85.6 percent to 84.9 percent year over year.
- European companies reported a combined ratio of 94.7 percent, while Bermuda companies achieved a combined ratio of 77.1 percent, reflecting a relatively benign loss year for catastrophe-heavy portfolios.

BALANCE SHEET IMPROVEMENTS

- Positive earnings and recovering asset values combined to restore substantial capital to reinsurers' balance sheets, as aggregate shareholders' equity for the Global Reinsurance Composite climbed 8.2 percent during the first half of 2009.

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- Unrealized losses improved during the first half of 2009 as well, representing only 3.2 percent of shareholders' equity – an improvement from more than 10 percent a year earlier.
- Dividend and shareholder buyback outflows declined, from 8.2 percent in the middle of 2008 to 2.9 percent in 2009.

QUOTE

Christopher Klein, Global Head of Business Intelligence, Guy Carpenter

“With a sense of relative calm returning to the global financial markets, we have seen a substantial improvement in reinsurers' capital positions. Though it will take time to redress fully the fall in shareholder equity we saw in 2008, stability in the markets has given reinsurers greater flexibility and opened up a number of options that were unthinkable only nine months ago, such as share buybacks, dividends and even maintaining extra capital.”

TAGS/KEYWORDS

Guy Carpenter, reinsurance, underwriting, premiums, earnings, capital, reinsurer

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