

## News Release

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### Guy Carpenter's 2009 World Catastrophe Report Finds Rates Rising As Industry Rides Out Financial Crisis

Model Diversification and Innovation Critical to Protecting Capital, Managing Risk

#### New York, September 7, 2009

Guy Carpenter & Company, LLC's annual survey of the global property catastrophe reinsurance market, *World Catastrophe Reinsurance Market 2009*, finds reinsurance rates increasing by an average eight percent through the 2009 reinsurance renewals. The report states that the increase was largely a result of the financial crisis and its negative impact on reinsurers' balance sheets, and was exacerbated by Hurricanes Ike and Gustav. The study also concludes that little movement in reinsurance rates should be expected at the January 1, 2010 reinsurance renewal, barring a major property catastrophe or financial setback.

The report, available at [www.gccapitalideas.com](http://www.gccapitalideas.com), provides an overview of 2009 reinsurance rates and examines key trends such as catastrophe bond issuances, developments in catastrophe modeling, and the broader evolution of the property-catastrophe reinsurance market.

#### 2009 REINSURANCE RATES

- Reinsurance rates increased by eight percent on average through the 2009 renewal season, according to the Guy Carpenter World ROL Index, following declines of six percent in 2008 and 10 percent in 2007.
- U.S. increases were between 10 percent and 15 percent, depending on region, exposures, and loss history.
- The upward trend in rates was less pronounced in Europe and Asia, where rates were up by seven percent and two percent, respectively.
- Combined insured losses of USD13.9 billion from Hurricanes Gustav and Ike, along with the global financial crisis, significantly impacted reinsurer balance sheets. According to the Guy Carpenter Global Reinsurance Composite, shareholder equity fell 18 percent, with the effects continuing well into 2009.

#### CATASTROPHE BONDS

- Though the total number of number of catastrophe bonds issued is down from 2008 levels, nine cat bonds were issued in the first half of 2009, generating risk capital of USD1.38 billion.
- A total of USD1.59 billion in cat bonds matured in the second quarter of 2009. To date, matured risk principal for 2009 cat bonds is just over USD2.24 billion, with an additional USD960 million scheduled to mature in the second half of the year.

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- Two quarters into 2009, catastrophe bond risk capital outstanding is at mid-year 2007 levels, having fallen by USD779 million (6.5 percent) from the first quarter of 2009 to the second quarter of 2009, from USD12.0 billion to USD11.2 billion, with maturities outnumbering new issuances.

## CATASTROPHE MODELS

- Hurricane Ike led a number of reinsurers to question the quality of their exposure data, as gaps and flaws in models became more apparent and risk managers struggled to keep pace with damage to their balance sheets.
- Reinsurers may need to broaden their scopes to consider a wider range of factors that could potentially contribute to outsized insured losses, with models just one tool in the broader risk and capital management arsenal.
- Model enhancements, such as GC LiveCat™ and GC ForeCat™, available through Guy Carpenter's i-aXs® platform, can help facilitate risk identification and capital management, augmenting the capabilities of the major catastrophe modeling firms.

## QUOTES

### **Peter Zaffino, President and CEO, Guy Carpenter**

"The financial crisis profoundly affected the reinsurance industry, though we are seeing some improvement in earnings as the financial markets stabilize. In this challenging environment, organizations that take a disciplined approach to risk and capital management will be well positioned to thrive."

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

"It has been an especially turbulent year across the reinsurance landscape, but the industry has weathered the deepest financial crisis since the Great Depression remarkably well. Balance sheets have begun to improve this year, and despite substantial capital losses, the industry was able to absorb the insured and investment asset losses of 2008. The rebound in alternative sources of capital, such as catastrophe bonds, is another factor that points to continued stabilization."

## TAGS/KEYWORDS

Guy Carpenter, rates, property, catastrophe model, cat model, catastrophe bond, cat bond, world cat

## 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

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process and help make the firm's clients more successful. Guy Carpenter's website address is [www.guycarp.com](http://www.guycarp.com).

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