

News Release

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Reinsurance Rates Decline at June 1, 2010 Florida Renewal, According to Guy Carpenter Briefing

New York, June 1, 2010

A briefing issued today by Guy Carpenter & Company, LLC found reinsurance pricing at the June 1, 2010 Florida renewal declining by 10 percent to 12 percent on average, on a year-over-year risk adjusted basis. The decline, which reflects a return of significant reinsurer capital into the marketplace, brings pricing approximately back in line with 2008 levels.

PRICING

- While average quotes at the June 1, 2010 renewal dropped by 5 percent to 7 percent from 2009 quotes, quotes were almost flat when compared to 2009 firm order terms – surprising, given the general expectation of decreasing pricing.
- 2010 firm order terms averaged a decrease of 5 percent to 7 percent in the lower layers, where capacity was less abundant, and 13 percent to 15 percent in the upper layers.
- Overall, pricing has shifted closely back to levels prevalent in 2008. Despite the global economic turmoil of 2009, pricing has remained within a consistent, narrow band since 2007.

RENEWAL CHALLENGES

- The structure of the Florida Hurricane Catastrophe Fund (FHCF) remains a critical factor for Florida contracts renewing at June 1, 2010 renewals.
- Questions persist regarding the viability of the TICL layer and rating agencies' treatment of it within the reinsurance structure. Of the USD10 billion offered in 2009, only USD5.56 billion was taken up. This year, the TICL layer was further reduced to USD8 billion, with a take-up of USD2.72 billion expected.
- Both the Florida Office of Insurance Regulation (OIR) and Demotech contributed commentary on appropriate risk transfer approaches, which had an impact on some companies' purchasing decisions.
- Economic issues continued to weigh heavily on Florida insurers. It will take time before the effects of any approved rate increases and other corrective actions can substantially impact the erosion of capital.

QUOTE

Lara Mowery, Global Head of Property Specialty, Guy Carpenter & Company

"Florida always presents a set of unique challenges for companies designing and placing their reinsurance programs, and this year was no exception. However, the continued downward trend

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in pricing that resulted from a return of capital to the marketplace, balancing the scarcity of capital we witnessed last year, is certainly viewed as a positive development.”

TAGS/KEYWORDS

Guy Carpenter, Florida, reinsurance, renewal, June, pricing, capacity, FHCF

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.

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