

## News Release

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### Guy Carpenter Report Finds Reinsurers Eager to Place More Terrorism Business, Though Demand Continues to Lag As Terrorism Remains a Real and Constant Risk, Proposed Cuts in Federal Assistance For TRIA/TRIPRA Could Result in Shift to Tighter Market

**New York, June 2, 2010**

*Terrorism: Reinsurers Standing By*, a report published today by Guy Carpenter & Company, LLC, finds that insurers and reinsurers have become increasingly sophisticated in their use of expert advice to monitor the political climate and dynamic nature of the terrorism threat, even as reinsurance supply continues to outpace demand.

The report, available at [www.guycarp.com](http://www.guycarp.com), examines the evolving nature of terrorist threats around the world since the September 11, 2001 attacks. The update also summarizes recent events and addresses major developments and trends in the terror reinsurance marketplace. Among the report's key findings:

#### **REINSURANCE SUPPLY AND DEMAND**

- According to a recent Guy Carpenter survey, more than 80 percent of reinsurers are actively seeking new or expanded terror insurance business, though most prefer geographically discrete opportunities.
- Two-thirds of global markets now offer cover for nuclear, biological, chemical or radiological events – a substantial shift in underwriting appetite from the period immediately following the September 11, 2001 attacks.
- Despite heightened interest from reinsurers and an expanded range of underwriting options, purchases of standalone terror coverages have decreased, underscoring an imbalance between supply and demand in the marketplace.
- A number of factors could result in a substantially tighter market for terrorism cover. These include a major terrorist attack, as well as the Obama Administration's proposed cut in federal backstop support for the Terrorism Risk Insurance Act of 2002 (TRIA)/Terrorism Risk Insurance Reauthorization and Extension Act of 2007 (TRIPRA), which has the potential to shift the global landscape towards a tighter market.

#### **EVOLVING TERRORIST THREAT**

- Though global terrorist activity following military operations in Afghanistan, Iraq and neighboring Pakistan soared from 2004-2007, developed countries have suffered only a handful of major terrorist attacks since the events of September 11, 2001, as counter-

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terrorism measures implemented across the world have affected the ability of international groups, such as al-Qaeda, to orchestrate large-scale attacks.

- Overall, the terrorist threat has become far more localized, with attacks focusing on softer targets (e.g., transport networks and hotels), as seen in Mumbai, Madrid and London. Though terrorism insurance pools paid some of the claims in all three of those locations, the events highlighted the potential risk to (re)insurers, especially if larger assets had been targeted or if weapons of mass destruction (WMDs) had been used.
- Despite this shift in focus to softer targets, the threat of large-scale attacks remains. Approximately 60 major plots have been foiled in the United States and Western Europe since the attacks of September 11, 2001.

## QUOTES

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

“Terrorism remains a real and constant threat. A number of important measures have been taken to weaken organizations such as al-Qaeda, but terror incidents still remain at a high level, even as the focus has shifted from large-scale attacks to smaller targets. Insurers and reinsurers have been vigilant in responding to the threat, with the industry and federal programs playing a central role in ensuring that the market could sustain a major attack.”

“Though demand for terror cover remains soft, the market has become much more sophisticated than it was in 2001, with tools such as Guy Carpenter’s i-aXs® allowing insurers to better quantify their exposure to potential incidents and highlight concentrated areas in their portfolios. A major new event or substantial changes in TRIA (TRIPRA) could lead to a tightening, but the terror reinsurance market is well placed to respond and adapt to changes.”

## TAGS/KEYWORDS

Guy Carpenter, terrorism, insurance, reinsurance, TRIA, TRIPRA, Klein

### **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.quycarp.com](http://www.quycarp.com).

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