News Release

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Guy Carpenter Sees Improvements in Credit Insurance Market, Growth Potential in Surety Sector

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The global markets for credit insurance and surety bonds are showing positive developments, although challenges still persist, finds a newly released market update from Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a part of the Marsh & McLennan Companies (NYSE: MMC).

A summary of the fourth annual Insight from Guy Carpenter’s Credit, Bond and Political Risk Team: 2010 Market Update is available at www.gccapitalideas.com.

MARKET OVERVIEW – CREDIT
• Mid-year 2010 results for the leading credit insurers show strong improvements, as all key insurers in the class enacted core underwriting plans to turn around previous results.
• The general success in avoiding severity losses underscored the sector’s primary challenge in a downturn – reducing and avoiding attritional losses.
• There is concern that subsequent easing of underwriting parameters could continue without adequate regard for the prevailing downside risk.
• Profit fell during the peak of the downturn for the key mono-line credit insurers, but bottom line results were not catastrophic.

MARKET OVERVIEW – SURETY
• Overall, the sector continues to show significant growth potential, although reinsurers are concerned that the market has yet to experience the true extent of losses resulting from the economic downturn.
• Growth potential exists in specific areas, as infrastructure projects remain a priority in many countries. Power facilities continue to be a major source of activity, and mining projects are slowly returning to market. Governments may also provide further short-term, limited impetus by creating work for the private sector.
• However, the sector’s growth potential is balanced by challenges in the non-construction bond segment. Customs and other legal bonds continue to face the threat of reduced trade activity, potentially harming the financial status of importers and logistics companies.
• The reinsurance community is generally concerned that bond insurers have not yet experienced a downturn due to the longer tenors of the underlying exposures. If reinsurers are correct, meaningful losses will continue in the sector, with pricing/structures likely to reflect this development into 2011.
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QUOTES
John Orchard, Global Head of Credit, Bond & Political Risk Specialty, Guy Carpenter & Company
“The global reinsurance sector is still highly important to the behavior of the credit, bond and political risk sector. While there may be localized deterioration, the broader market likely will continue to perform well because of the remedial steps taken during the period of poor economic performance. We believe we are at the mid-point of a typical cycle and are entering a profitable period, and our outlook remains quietly optimistic.”

TAGS/KEYWORDS
Guy Carpenter, credit insurers, credit insurance, surety, Orchard

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 & Energy; 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, GC Analytics 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.

Guy Carpenter’s intellectual capital website, www.GCCapitalIdeas.com, leverages blog technology, including Real Simple Syndication (RSS) feeds and 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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