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News Release

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June 1, 2011, Florida Reinsurance Renewals Highlight an Unsettled Market
Significant Loss Activity Takes a Toll, But Reinsurance Industry Enters 2011 Hurricane Season with Excess Capital

New York, June 2, 2011
The Florida reinsurance renewals on June 1, 2011, experienced a wide range of outcomes, as substantial catastrophe losses combined with two major catastrophe model revisions over the past 16 months led to a volatile renewal season, according to Guy Carpenter & Company, LLC.

In a new report released today, Guy Carpenter estimates that 2011 reinsurance sector losses are already more than double 2011 reinsurer natural catastrophe budgets. Nonetheless, the industry remains adequately capitalized at the start of the 2011 hurricane season, due partly to strong capital growth in 2010. The firm estimates that there is approximately USD165 billion to USD175 billion in dedicated reinsurance sector capital, with roughly USD10 billion in excess reinsurance capital.

Wide Range of Outcomes Seen in June 1, 2011, Florida Reinsurance Renewals, available at www.gccapitalideas.com, provides an analysis of the latest renewal season in Florida as well as an update on the property retrocession and industry loss warranty (ILW) markets. Report highlights include:

U.S. PROPERTY CATASTROPHE

- Heavy international natural catastrophe-related losses during the first quarter of 2011 and multi-billion dollar losses from tornadoes in the second quarter of 2011 have added to significant loss activity over the past 16 months, culminating in insured losses of close to USD100 billion.
- The release of version 11 of Risk Management Solutions' (RMS) U.S. hurricane model, on the heels of last year's release of version 12 of AIR Worldwide's model, contributed to market volatility.
- With the number of changes in the marketplace since last renewal, measuring the change in pricing is not straightforward. Depending on the method used, the price change could be reported anywhere from down 15 percent to up 10 percent.
- Using RMS version 9 as a stable baseline to calculate the amount of risk in both this year's and last year's programs, and measuring the price change by unit of exposure to mitigate the impact of exposure changes, pricing shifted on average up 5 percent to up 10 percent, with a wide range of outcomes for individual programs.

PROPERTY RETROCESSION MARKET

- The early "loss free" pricing reductions during the January 1 renewals were replaced by rate increases at April 1, with losses from the recent international catastrophe events and uncertainty over RMS version 11 impacting retro rating decisions.
- Programs already in the process of placement at the time of the Japan earthquake saw average increases of 10 percent over January pricing, with pricing becoming loss-sensitive for subsequent placements.
- Prices are expected to rise to varying degrees on a year-on-year basis during the mid-year renewals, depending on the territories covered and the loss experience of the program.
- Capacity overall remains robust, partly driven by an increase in investor funds.

INDUSTRY LOSS WARRANTY MARKET

- The ILW market has hardened in the wake of the heavy catastrophe losses and the RMS model change.
- New capacity may enter the market, which could stabilize prices. Both U.S. and worldwide structures would benefit from this potential increase in capacity.

QUOTES
David Flandro, Global Head of Business Intelligence, Guy Carpenter & Company
"Significant loss activity and major cat model changes since last year's renewals have impacted each reinsurer's capital position and view of adequate pricing differently. The good news is that the reinsurance sector remains fully solvent, fully liquid and comfortably able to pay claims."

Lara Mowery, Head of Global Property Specialty, Guy Carpenter & Company
"To the extent that reinsurers have been incorporating some measure of risk generated by the new AIR and RMS model versions, it is more difficult to determine the definitive direction of 2011 pricing, although the market perception is that pricing has increased."

TAGS/KEYWORDS
Guy Carpenter, RMS, AIR, Florida, reinsurance, renewals, catastrophe, retrocession, industry loss warranty, Flandro, Mowery

About Guy Carpenter
Guy Carpenter & Company, LLC is the world's leading risk and reinsurance specialist and a member of 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 and 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.

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