

News Release

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Cyber, Climate Change and Space Highlighted as Critical Emerging Risks in Guy Carpenter Report

New York, September 9, 2013 – Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC), today published a new report highlighting emerging risks facing the (re)insurance sector, including cyber risk, climate change and space risk. The report seeks to identify pressing emerging risks confronting the sector, as well as analyze their implications on businesses and (re)insurers.

"It is critical that (re)insurers are prepared to anticipate and react to a rapidly-changing and uncertain risk landscape," said David Flandro, Global Head of Business Intelligence for Guy Carpenter. "We are observing the rise of many new risks as technological, economic and scientific advancements are made, meaning there is often precious little historical data available for modelers and underwriters to utilize. Only by analyzing and seeking to better understand these risks can we mitigate the element of surprise posed by emerging risks and identify potential growth opportunities."

Cyber Risk

Rapidly-developing computer technology and the unrelenting evolution of cyber risks presents one of the biggest challenges to the (re)insurance sector today. Liabilities from cyber attacks and threats to the data security of cloud computing and social media have become significant emerging risks for carriers. Instances of cyber attacks are indeed on the rise and have reached alarming levels. Moreover, cyber risks are not isolated and are usually connected to other seemingly less obvious risks. For example, the immediate risks associated with a cyber attack can range from legal liability and computer security breaches, to privacy breaches of confidential information. Reputational damage is another concern.

A company may also be vulnerable to risks to their supply chain as a result of cyber threats, as technology has become a critical enabler of a supply chain's operations. According to the report, technology failure and cyber attacks represent a greater threat to most organizations than adverse weather, fire and social unrest combined. Given the growing loss potential from supply-chain risks, companies need to ensure they understand their supply chains and offer all data to their insurers.

Every company that utilizes technology and collects or handles data should therefore consider cyber insurance cover. The (re)insurance sector has reacted quickly to cyber developments and now offers coverage that addresses nearly all aspects of technology-based risk faced by modern companies.

Climate Change Risk

Climate change, global warming and the resulting landscape shift for meteorological perils is a growing area of concern for the (re)insurance sector. Based on consistent and scientifically defensible evidence, the Intergovernmental Panel on Climate Change (IPCC), a United Nations body

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for the assessment of climate change, has concluded that global warming over the last 50 years cannot be explained without "external radiative forcing."

The most pervasive hazard of global warming is coastal flooding. According to the IPCC, a sea-level rise of at least 25 to 50 centimeters is expected by the end of the century. This is obviously of great significance for coastal cities. In addition, many inland areas of the world prone to flood face an increasing threat due to global warming. Global warming is also impacting drought and wildfire patterns around the world, according to the IPCC. Areas that see diminished precipitation will face water shortages, while other areas that are supplied from glacial sources will face the same problem to an even greater severity. Wildfires are another hazard imposed by drought conditions. In fact, the IPCC has noted that the wildfire season in western regions of the United States has increased by about 78 days in the last three decades.

Global warming potentially poses a serious threat to (re)insurers, with implications on catastrophe risk perception, pricing and modeling assumptions. Investing in solutions that help predict the likely effects of global warming on the location, intensity and cost of weather-related catastrophes will be critical to acquiring a better understanding of climate change risk.

Space Risk

There are two primary and significant risks that emanate from space – space debris and solar storm activity. Both have the potential to cause significant disruption to communities and businesses around the world and can trigger significant losses for (re)insurers.

The most serious threat to high-value satellites and space infrastructures in the Earth's orbit today is the risk of collision with other satellites or space debris. As more satellites are sent into the Earth's orbit to provide vital services and technology, such as global communications, air traffic control, weather forecasting and disaster management, the area is becoming increasingly cluttered. While the cost of insuring a satellite during launch has traditionally been higher than the cost to cover its life in orbit, this is likely to change as underwriters become increasingly aware of increased collision risk.

Solar weather is another space-related risk that has the potential to cause huge disruption to infrastructure and businesses around the world. Technological advancements and an increasingly interconnected global economy have resulted in vulnerability in this regard. Major solar disturbances have the potential to cause significant losses as they can severely disrupt electricity supply, cause satellite damage and trigger GPS signal disturbance. The cascading impact of this would cripple critical infrastructure, including transportation and fuel supplies, and global supply chains would likely fail. The effect on the (re)insurance sector would also likely be profound, affecting several lines of business.

Other Risks

Emerging risks are of course not only confined to the threats emanating from cyber, climate change and space. "The emerging risk landscape is vast, with threats ranging from pandemics to nanotechnology," said Flandro. "Others are yet to surface. Companies are consequently seeking advice and guidance in attempting to identify and measure future risks. Guy Carpenter and Marsh are assisting risk carriers in meeting these challenges".

The full report, *Tomorrow Never Knows*, is available for download at www.GCCapitalideas.com.

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TAGS/KEYWORDS

Guy Carpenter, David Flandro, climate change, global warming, cyber risk, cyber attack, space risk

About Guy Carpenter

Guy Carpenter & Company, LLC is a global leader in providing risk and reinsurance intermediary services. 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. GC Fac® 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. For more information, visit www.guycarp.com.

Reactions magazine named Guy Carpenter Best Global Reinsurance Broking Company Overall and Best Reinsurance Broking CEO of the year in 2012. At the *Reactions* London Market Awards, Guy Carpenter was also named Reinsurance Broker of the Year and took home Reinsurance Broking Team of the Year honors for both Property and Aviation. In the past year, Guy Carpenter has also won: Global Best ILS Advisor (GC Securities*), US Best ILS Advisor (GC Securities*) and US Best Broker for Casualty Reinsurance from *Intelligent Insurer*, *Insurance Day's* 2012 ILS Transaction of the Year (GC Securities*), and Reinsurance Broker of the Year for the Asia-Pacific region at the 16th Annual Asia Insurance Industry Awards.

Guy Carpenter is a wholly owned subsidiary of [Marsh & McLennan Companies](#) (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy and human capital. With 54,000 employees worldwide and annual revenue of \$12 billion, Marsh & McLennan Companies is also the parent company of [Marsh](#), a global leader in insurance broking and risk management; [Mercer](#), a global leader in talent, health, retirement, and investment consulting; and [Oliver Wyman](#), a global leader in management consulting. Follow Guy Carpenter on Twitter [@GuyCarpenter](#).

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