

News Release

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Guy Carpenter Addresses Market Impact of New Capacity at Monte Carlo Rendez-Vous 2013

September 07, 2013 – In its sixth annual press briefing held at the Reinsurance Rendez-Vous 2013 in Monte Carlo, Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC), considered the impact of new capacity on current market conditions and explored where the opportunities exist for profitable growth in such an environment.

The briefing, entitled *Capacity Creates Choice and Challenge*, was led by Alex Moczarski, President and Chief Executive Officer, Guy Carpenter & Company, and Chairman, Marsh & McLennan Companies International. He was joined by Guy Carpenter's David Priebe, Vice Chairman; Victoria Carter, Vice Chairman of International Operations; and Richard Booth, Vice Chairman.

Mr. Moczarski began by addressing one of the key developments currently influencing reinsurance market dynamics. He said: "The biggest issue this year by far has been the continuing influx of new capital into the reinsurance market. A record amount has entered and it has had a clear and direct effect on market conditions."

Delving deeper into the direct impact of this new capital on reinsurance pricing, Mr. Priebe said: "The impact of the new capital has been most dramatic in the US during 2013. For the first time, the ILS market offered prices comparable to or lower than those of the established reinsurers, ending the general stability and consensus of post-Katrina catastrophe pricing, especially in Florida. Strong appetite tightened spreads for US hurricane catastrophe bonds forcing the traditional reinsurers to react by cutting Florida risk-adjusted renewal prices by around 15 percent at the June 1 renewal. It was a tipping point for the reinsurance industry."

Turning to how current market conditions are influencing reinsurance buying strategies, Ms. Carter said: "The reinsurance buying decision is moving higher up the chain of command, often to the C-Suite floor. Here the reinsurance debate is as much about capital optimization as it is about protection. Indeed, reinsurance is seeing an enhanced and more sophisticated role as a form of substitute capital and this is providing opportunities to soak up some of the recent flood of new capacity."

Considering where opportunities for growth might lie in today's market, Mr. Booth believed that emerging and mature risks offered such opportunities. "Take catastrophe risk," he said. "A common view is that this is a saturated commodity market, yet between 1980 and 2012, 74 per cent of total global economic losses from natural catastrophes were not insured. The gap between economic and insured catastrophe losses continues to widen." He added, "Elsewhere, new and expanding risks such as cyber, renewable energy, food and water security and longevity to name but a few present opportunities and gaps that can be filled by insurers and reinsurers."

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Bringing the briefing to a close, Mr. Moczarski said: "Market conditions for the remainder of the year and the January 1 2014 renewal will be influenced by loss activity. The influx of new capacity will also continue to exert pressure on market conditions, especially in the USA. Consequently, in the absence of further significant catastrophe losses the market trends observed in recent months will continue or accelerate."

A replay of the full press briefing will be made available at 8.00am CEST on Sunday September 08 at www.GCCapitalIdeas.com.

TAGS/KEYWORDS

Guy Carpenter, Monte Carlo, Rendez-Vous, insurance, reinsurance, convergence, Moczarski, Priebe, Carter, Booth

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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.

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