

News Release

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Demand for Asia Pacific Catastrophe Reinsurance Remains High in 2014, According to New Guy Carpenter Report

Reinsurance premium spend declined because of a confluence of factors

New York, November 3, 2014 – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC), today published a new report highlighting the continued increase in 2014 of total Asia Pacific catastrophe limit purchased. However, a confluence of factors, including the weakening of some key zone currencies has meant that reinsurance premium spend in the region has declined significantly.

In the Asia Pacific Catastrophe Report 2014, Guy Carpenter discusses how benign loss activity, program consolidation and restructuring, increasing retentions by global carriers, pressure from increasing supply and the weakening of key zone rates of exchange has propagated the unique trading environment for reinsurance buyers in the region. The report estimates that over the past twelve months the weakening of key zone currencies against the U.S. dollar alone has extracted USD315 million of regional reinsurance premium spend from the market on a like-for-like basis.

The activity of alternative capital remains subdued when compared to other regions. However, outstanding catastrophe bond limit in the region has more than doubled over the last year to USD1.625billion. When combined with capacity from collateralized vehicles Guy Carpenter estimates that close to six percent of regional cat limit bought is now from alternative capital. This capacity is concentrated predominantly in Japan and Australia and excludes the supporting aggregate excess of loss and retrocession products where the percentage would be significantly higher.

“As evidenced in our report a variety of factors drove market dynamics during 2014. With a reduction in the cost of capital supporting the industry and enhanced innovation we see an environment where insurance companies can find ways to optimize their businesses through expanding and enhancing the reinsurance products that protect earnings and capital,” said James Nash, CEO of Asia Pacific Region.

Over the past ten years, growth rates in catastrophe limit have failed to keep pace with overall economic growth in the Asia Pacific region. In fact, this picture is more extreme in the emerging markets where insurance penetration continues to be modest. The problem of how to bridge this gap remains unsolved. The onus now is on the industry to find new and pioneering ways to deploy its capital to meet the obvious need. Guy Carpenter believes that the challenge is for the industry to find ways to support economic growth through the management of catastrophe risk and with a product suite that stimulates (re)insurance buying.

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TAGS/KEYWORDS

Guy Carpenter, Asia Pacific, James Nash, catastrophe, reinsurance, alternative capital, catastrophe bond, emerging markets

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