

News Release

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Guy Carpenter Briefing Highlights Uncertainty Surrounding the 2014 Atlantic Hurricane Season

While Seasonal Outlook Providers Expect Below Average Activity for the 2014 Atlantic Hurricane Season, Landfalling Hurricanes Still a Real Possibility, Guy Carpenter Emphasizes the Need for Preparation

New York, June 25, 2014 – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC), today released its briefing on the 2014 Atlantic hurricane season. The report examines the factors that influence the severity of any given hurricane season and emphasizes that while predictive and historical models can provide guidance, landfalls are always a real possibility and preparation is key for property owners and the (re)insurance industry alike.

According to the briefing, hurricane activity in the Atlantic basin is projected by seasonal outlook providers to be near or below average for the 2014 season. At the same time, these providers all stress the uncertainty of their estimates.

"The risk of a landfalling hurricane is a serious threat for any tropical season, regardless of seasonal outlooks for the Atlantic Basin at large," said James Waller, PhD, Research Meteorologist for GC Analytics. "While there is indeed a weak correlation between hurricane counts in the Atlantic Basin and the number of U.S. landfalls, statistical significance is the subject of some debate in the scientific community. Warmer waters in the West Atlantic and Caribbean coupled with the uncertainty surrounding the strength and placement of the impending El Niño, warrant a moment of pause for the 2014 season."

2014 Hurricane Season Outlook

For the Atlantic Basin, seasonal outlook providers are expecting tropical activity to fall below the long-term average of 1954-2013. The forecasts also fall clearly below the short-term mean during this timeframe. The two key factors that have the greatest influence on the hurricane season include the expected onset of an El Niño and cooler than normal sea-surface temperatures (SSTs) in the Atlantic Main Development Region (MDR), both of which serve to suppress hurricane formation and severity.

El Niño Phenomenon

The El Niño phenomenon is signaled by warmer than normal SSTs in the tropical East Pacific. The large-scale circulations associated with El Niño enhance wind shear in the tropical Atlantic, a phenomenon that disrupts tropical cyclone formation and is generally associated with fewer tropical cyclones in the Atlantic Basin. According to the NOAA Climate Prediction Center, conditions in the tropical Pacific indicate that an El Niño is indeed forming.

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Other factors that influence to what extent the El Niño can suppress hurricanes, include how strong the El Niño is and where it is located. These details may in fact influence basin activity this year, particularly for those storms in the deep tropics and the East Atlantic. As such, the existence of an El Niño during a hurricane season does not preclude the potential for a damaging hurricane season. The 2004 season, for example, was a weak El Niño year, with the warm waters located closer to the Central Pacific. However, this season produced nine hurricanes and five U.S. landfalls. Another example includes the 1969 season, also a weak El Niño season, which saw twelve hurricanes and two landfalls, including the second strongest landfall in recorded U.S. history, Hurricane Camille.

Tropical Atlantic SSTs

Seasonal providers point to cooler than average SSTs in the tropical Atlantic as a second rationale for their prediction of a quiet season. SSTs in the Atlantic MDR indicate moderately cool SSTs over a sizeable area. However, upon closer inspection, above normal SSTs are found in an area adjacent to the U.S. East Coast and Florida.

This implies that while tropical cyclone development may be suppressed for much of the Atlantic, disturbances adjacent to the U.S. mainland and northern Caribbean could find conditions that enable development into hurricanes. This, coupled with weaker suppression effects of the El Niño and its location away from the southern U.S. and northern Caribbean, indicates an environment that could still allow storm production and U.S. landfalls.

Implications

In light of the expected El Niño and cooler than average SSTs over the Atlantic MDR, a few important factors warrant consideration. As the strength and placement of the El Niño remain uncertain, the effects of the disruptive, hurricane suppressing wind shear may be displaced. At the same time, SSTs are not cooler than average in the waters adjacent to the eastern U.S. and the northern Caribbean, presenting an environment that could enable hurricane development and landfall.

Preparation is Key

Any hurricane can produce wind, storm surge and inland flood ramifications. The severity and scope of these impacts are often unpredictable, as evident with Hurricanes Katrina (2005) and Sandy (2012).

"As history has shown more than once, proper preparation is necessary regardless of basin activity," said Waller. "Preparation for hurricane impacts and the resulting disruption to infrastructure should be an ongoing and essential process for homeowners, businesses, government agencies and the (re)insurance industry. We continuously emphasize that hurricane landfalls are influenced by large-scale weather circulation at the time of the event, which can surprise even the world's best forecasters. The landfall of one or two hurricanes cannot be ruled out for any season, regardless of predictive models."

TAGS/KEYWORDS

Guy Carpenter, GC Analytics, James Waller, Hurricane, Hurricane Season, Atlantic Basin, El Niño, Atlantic Main Development Region

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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

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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; cyber solutions; excess and umbrella; excess and surplus lines; life, accident and health; marine and energy; medical professional liability; mutual insurance companies; 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.

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