

News Release

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Influx of New Capital Continues to Reshape the Reinsurance Market, Guy Carpenter Says in Report

New York, September 16, 2014 – Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), today published a new report focusing on the growth in the insurance-linked securities (ILS) market during the past year and some of the recent developments in catastrophe bond structure and risk transfer.

According to Guy Carpenter, over the past 24 months, approximately USD\$20 billion of new capital has entered the market through investments in insurance-linked securities, funds and sidecars as well as the formation of hedge fund-related reinsurance companies and collateralized reinsurance vehicles.

The report also explores how the use of capital markets-based capacity provides cost savings for public entities by helping them build surplus, reduce public debt and limit the risk that natural perils can pose to the state's balance sheet.

“Guy Carpenter and GC Securities* have pioneered these innovative forms of risk transfer, and we are committed to finding the optimal form of risk mitigation for our clients from the vast array of potential solutions across all markets,” said David Priebe, Vice Chairman, Guy Carpenter & Company LLC.

A notable major innovation that occurred in the past year is the transfer of risk directly from the risk-bearing entity to the capital markets, without an intervening traditional insurance company. The MetroCat Re Ltd. bond, whose cedent is the captive insurer of the Metropolitan Transportation Authority, transferred the risk associated with storm surge and flooding directly to capital markets investors without a traditional insurance company acting as an intermediary. As the quality of catastrophe modeling continues to increase and as capital markets investors become more comfortable with innovative terms and conditions, more types of risk may directly access the capital markets in ILS form.

The amount of limit placed utilizing ILS and collateralized products continues to grow, and some markets are broadening the line of business and product focus. Utilization of capital markets capacity in the first six months of 2014 saw a continuation of the growth trends seen in 2013.

As collateralized markets continue to increase in importance as an alternative to both traditional reinsurance and ILS, Guy Carpenter has taken an active role in analyzing counterparty risk and developing specific structures and strategies to manage this risk. The report provides an overview of

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the manner in which Guy Carpenter assists its clients in managing counterparty risk and limiting credit exposure.

The full report, *Reinsurance: The Capital Markets Evolution Continues*, is available for download at www.GCCapitalideas.com.

TAGS/KEYWORDS

Guy Carpenter, reinsurance, capital markets, MetroCat, ILS, catastrophe bond, collateralized reinsurance vehicle, sidecars, GC Securities, David Priebe

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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; cyber solutions; excess and umbrella; excess and surplus lines; healthcare & life; marine and energy; 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 and follow Guy Carpenter on Twitter @GuyCarpenter.

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