

News Release

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Guy Carpenter Reports US Insurance Market at a Crossroads but Opportunity Exists

New York, October 16, 2017 – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), today released a study outlining a dynamic insurance industry facing a changing economy and pressure in once-stable lines, but with opportunity for those with management skill and understanding of risk.

In the 2017 edition of the annual report, *Plotting a Path in a Changing Market*, Guy Carpenter notes that while the industry is well capitalized and market sentiment mostly positive, there is still evidence of economic and market-based headwinds that will challenge profitable growth.

“On the surface, 2016 represented a record-setting year for the P&C insurance industry, with surplus reaching its highest level in history. Rate reductions continued to moderate, and there was optimism following the 2016 election given the potential for tax cuts and deregulation. Yet red flags remained, and a closer look at the individual metrics contributing to the growth in surplus revealed interesting trends,” said Tim Gardner, President of North America for Guy Carpenter.

The report, which is produced through Guy Carpenter’s ongoing Insurance Risk Benchmarks analysis of vast amounts of market data, focuses on risk and performance of U.S. property/casualty insurers. In 2016, emerging risks, catastrophe frequency and severity and shifting capital needs all contributed to a 0.4 percent industry underwriting loss, its first calendar year underwriting loss since 2012. Reduced margins and adverse development reflect a competitive environment supported by excess capital levels, direct written premium growth slowed and higher realized and unrealized capital gains were skewed by the performance of some large companies who use underwriting cash flow to fund investments.

The average large property/casualty carrier saw its accident year loss ratio increase by 2 percent from 2015. The auto segment posted losses due to both frequency and severity shifts. Only 10 and 30 of the top 100 personal auto and commercial auto writers, respectively, made an underwriting profit in 2016. The personal auto losses came to a line normally considered the cornerstone of profitability. The industry’s accident year loss ratio increased from 62 percent in 2013 to 67 percent in 2016, and its 10 year run of favorable prior period development ended.

“The personal auto losses forced smaller companies to rethink strategy and mix of business as the large writers continued to engage in the predictive modeling and marketing war,” added Julia Chu, Managing Director at Guy Carpenter.

In addition to the report, the Risk Benchmarks Statistical Supplement provides more detailed trend, state and market segment data for actuaries and capital modelers, and is available to clients upon request. Guy Carpenter’s BenchmaRQ® Advisory Services and Strategic Advisory practice can customize client-specific analyses using data and information from the Risk Benchmarks Research.

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TAGS/KEYWORDS

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About Guy Carpenter

[Guy Carpenter & Company, LLC](#) is a leading global risk and reinsurance specialist with more than 2,300 professionals in over 60 offices around the world. Guy Carpenter delivers a powerful combination of broking expertise, trusted strategic advisory services and industry-leading analytics to help clients adapt to emerging opportunities and achieve profitable growth. Guy Carpenter is a wholly owned subsidiary of [Marsh & McLennan Companies](#) (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy and people. With more than 60,000 colleagues and annual revenue over \$13 billion, through its market-leading companies including [Marsh](#), [Mercer](#) and [Oliver Wyman](#), Marsh & McLennan helps clients navigate an increasingly dynamic and complex environment. For more information, visit www.guycarp.com. Follow Guy Carpenter on Twitter [@GuyCarpenter](#).