

News Release

Contacts:

Alexis Levenson

Guy Carpenter
917.937.3264

alexis.levenson@guycarp.com

Joanne Lessner

DeMartine Group
203.221.2790

jlessner@demartinegroup.com

Guy Carpenter Publishes Review of Global Reinsurance Market Conditions

Briefing Finds Sustained Softening, with Global Property Rates Down 9 Percent And Expected to Decrease through 2008; Insured Catastrophe Losses Remain Low

New York, January 2, 2008

Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist, today announced the publication of *Near Misses, Plentiful Reminders: Global Reinsurance Review January 2008*, a briefing on the major trends driving pricing and market conditions across the global reinsurance industry into 2008 and beyond. The briefing reports that property catastrophe reinsurance rates were down an average of 9 percent across all markets at January 1, 2008 renewals.

According to the briefing, cedents continued to take advantage of a buyer's market, with many 2008 renewals closing late as buyers held out for lower rates in the soft market. As a result, reinsurers experienced lower rates and smaller lines. The absence of large catastrophe losses remained the primary factor in the overall softening of reinsurance markets. Headline price was the key driver for reinsurance buyers, followed by terms and conditions.

"Barring large catastrophe losses in 2008, we expect to see the downward drift in rates that we have seen recently to continue through 2008 and into 2009," said Chris Klein, Guy Carpenter's Global Head of Business Intelligence. "Having said that, market conditions can be deceptive. The potential for severe earthquakes, floods and storms should remind us that the world remains a perilous place for risk bearers."

Among the briefing's major findings:

- **Global Property Rates Continue Downward:** Headline rates on line were down 9 percent on average for all markets at January 1, 2008 renewals. Prices were off on average by 10 percent for US national programs and 12 percent for US regional programs. Average decreases in the UK and Continental Europe were 7.5 percent and 7 percent respectively.
- **Relatively Low Catastrophe Losses:** Although there were few large reinsured losses in 2007, at least four earthquakes exceeding 7 on the Richter scale struck during the year, and two Category 5 hurricanes made landfall. Other significant catastrophe events in 2007 included Windstorm Kyrill in Northern Europe, record floods in the United Kingdom, storms in Australia and wildfires in California and Greece. Overall, however, the relatively low level of insured catastrophe losses led to balance sheet strength for reinsurers.

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- **Impact of the Subprime Market Collapse:** The collapse of the subprime mortgage market did not impact reinsurers as deeply as anticipated. Conservative investment behavior insulated most reinsurers from the crisis.
- **Management Trends:** There are reasons to anticipate less of a boom-bust cycle in reinsurance markets. Principal among these are changes at the management level, with reinsurance executives more closely attuned to the demands of their owners and more focused more on generating above-average returns to shareholders, as opposed to more traditional goals such as increasing top-line and market share.

“There certainly was no shortage of events in 2007, but the fact that frequency trumped severity led to balance sheet strength,” added Sean Mooney, Guy Carpenter’s Chief Economist. “Excluding a major shock, we anticipate soft market conditions to prevail in most reinsurance markets for a number of years. The soft market following Hurricane Andrew in 1992 persisted for six years, and a protracted period without large losses will put further pressure on prices and increase the temptation to chase market share.”

The firm’s annual renewals report – a more comprehensive review of pricing, retentions and limits, capacity and terms and conditions across the non-life reinsurance sector– will be released shortly.

About Guy Carpenter

Guy Carpenter & Company, LLC is the world’s leading risk and reinsurance specialist and a part of the Marsh & McLennan Companies. Guy Carpenter creates and executes reinsurance solutions and makes available capital market solutions* for clients worldwide through 2,600 professionals across the globe. The firm’s full breadth of services includes 16 centers of excellence in Accident & Health, Agriculture, Alternative Risk Transfer, Environmental, General Casualty, Investment Banking*, Life & Annuity, Marine & Energy, Professional Liability, Program Manager Solutions, Property, Retrocessional, Structured Risk, Surety, Terror Risk, and Workers Compensation. GCFac®, Guy Carpenter’s dedicated global facultative reinsurance unit, provides the placement strategies, information and timely market access that are critical to obtaining strategic facultative reinsurance. In addition, Guy Carpenter’s Instrat® unit utilizes industry-leading quantitative skills and modeling tools that optimize the reinsurance decision-making process and help make the firm’s clients more successful. Guy Carpenter’s website address is www.guycarp.com.

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