

News Release

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Guy Carpenter Establishes Project Team Dedicated to Cargo Accumulation Modeling New Report Addresses Issue of Unknown Cargo Accumulation

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Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a part of the Marsh & McLennan Companies (NYSE: MMC), today announced the formation of a specialized project team to identify a more scientific, practical approach to cargo accumulation modeling. The new team's efforts have resulted in the creation of the Guy Carpenter International Trade Database (ITD), which stores a vast number of historical trade patterns.

The new team, which comprises experienced analysts from the firm's Instrat® unit as well as brokers from its Marine and Energy Specialty department, also announced its publication of *Cargo Accumulation Modeling: The Guy Carpenter Approach*, a report documenting Guy Carpenter's approach to achieving a better understanding of these complicated exposures.

"The accumulation of exposure in cargo insurance is an issue of critical importance for the marine insurance and reinsurance industries," said Dickie Whitaker, Managing Director of Guy Carpenter's Instrat® unit. "With increasing pressure on insurers to identify their accumulations and potential vulnerabilities more accurately, having a better grasp of potential accumulations within their portfolio of risks can be vital to a company's success. This means being able to understand, on a policy-by-policy basis, what types of cargo risk are being shipped, where and when quantities of cargo being shipped, and to and from where they are traveling."

The report divides port accumulation modeling into two distinct elements – the analysis of exposure accumulation and the analysis of cargo vulnerability in the context of natural perils. Each of these elements is analyzed using Guy Carpenter's exposure analysis methodology, which is designed to identify the magnitude and seasonality of international trade volumes at global port locations, as well as the total value of cargo stored at specified ports at any time of the year and the likely cargo types involved. The methodology is illustrated using practical case study examples.

"Cargo accumulations have previously been little understood and rarely quantified, so they presented our team with an ideal opportunity for scientific analysis and modeling," added

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Mr. Whitaker. “What we have provided is a practical methodology for understanding cargo accumulation exposures that can be integrated easily with a host of other tools.”

Guy Carpenter’s new approach to cargo accumulation modeling enables clients to:

- Assess the seasonality of their exposure at ports over time
- More accurately assess Probable Maximum Loss (PML) for various perils, cargo types and port locations.
- Improve capital modeling and Realistic Disaster Scenario (RDS) calculations.
- Provide improved information to reinsurers to achieve more reflective pricing.
- Assess the correct level of cargo catastrophe reinsurance cover more precisely.
- Aggregate exposure accumulation estimates with other lines of business.

The report also examines how this new cargo modeling approach can be enhanced by other Guy Carpenter tools such as i-aXs™, its web-enabled data management platform. Integrating Guy Carpenter’s cargo modeling methodology with i-aXs™ offers the capability to visualize port exposures, calculate accumulations, assess the impact of covering specific product types and determine aggregate exposure to natural disasters in real time. By leveraging the new cargo accumulation modeling approach in tandem with i-aXs™, clients will be able, for the first time, to view and assess marine exposures alongside property exposures.

A copy of the full report is available for download at www.guycarp.com. Printed copies can be obtained by contacting Guy Carpenter at marketing@guycarp.com.

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 and risk management 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. 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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