

News Release

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Guy Carpenter Publishes Briefing on Carrier Investment Gains and Profitability

Under Pressure, Insurers and Reinsurers May
Reconsider Risk Management Strategies, Lock in Underwriting Profits

New York, August 7, 2008

Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist, today announced the publication of *Bag Profits Early: Investment Gains under Pressure*, a briefing on the relationship between insurance carrier investment gains and profitability. According to the briefing, asset-driven losses and market volatility are putting increasing pressure on carrier earnings, with profitability increasingly reliant on technical earnings rather than investment gains.

“With net income declining steeply from the first half of 2007 to the first half of 2008, asset-driven losses have been on the rise,” said Chris Klein, Global Head of Business Intelligence, Guy Carpenter. “Though there have not been any mega-catastrophes, disasters across several continents have impacted insurers’ and reinsurers’ profits. Taken together with the effects of the subprime mortgage market collapse, which has pushed equity values lower, earnings are increasingly at risk.”

According to a Guy Carpenter study of seven prominent risk-bearers, investment gains are down profoundly across the (re)insurance industry. For the first half of 2008, the group showed an aggregate investment loss of \$566.2 million, compared to an aggregate gain of \$98 million for the first half of 2007.

Even as investment gains have become less reliable, catastrophe losses have increased, particularly in the United States, where the second quarter of 2008 represented the second costliest second quarter of the past decade – offset in part by reserve releases.

The briefing concludes that in order to maximize profitability over the coming months, risk-bearers may need to reconsider their risk management strategies, as investment gains are unlikely to provide the buffer on which some have relied over the past few years.

“A large catastrophe loss this year could erode earnings and capital bases,” added Mr. Klein. “Carriers may want to consider protecting underwriting earnings booked year-to-date by seeking reinsurance cover in the form of a ‘stop-loss,’ or other instruments such as ILWs, enabling them to lock in underwriting profits against potential future catastrophe losses.

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In addition, the judicious selection of risks, which can be enhanced by increased risk transfer, can help mitigate the effects of capital market volatility.”

About Guy Carpenter

Guy Carpenter & Company, LLC is the world’s leading risk and reinsurance specialist and a part of the Marsh & McLennan Companies. With 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; Excess and Umbrella; Life, Accident and Health; Marine; Medical; Political Risk and Trade Credit; Professional Liability; Property; Retrocessional Reinsurance; Surety; Terrorism and Workers Compensation. GCFac® 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, 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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