

News Release

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Guy Carpenter Publishes Annual Review of Global Catastrophe Reinsurance Market Rates Continue to Decline, Led by North America; Subprime Crisis Puts Further Pressure on Reinsurer Profitability

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Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist, today announced the publication of *World Catastrophe Reinsurance Market in 2008*, its annual study of the global property catastrophe reinsurance market. The report finds catastrophe reinsurance rates declining for a second consecutive year, with price competition intensifying as a result of abundant capital, relatively low catastrophe losses, and strong profitability. Globally, rates dropped by ten percent on average in 2008, compared with six percent in 2007.

“The big story of 2008 is not catastrophe losses, which have been moderate, but rather the meltdown of the subprime mortgage market and the subsequent credit crunch,” said Peter Zaffino, President and CEO, Guy Carpenter. “While insurers and reinsurers suffered few ‘direct hits’ from the mortgage crisis, investment losses have put pressure on insurers and reinsurers to maintain solid underwriting results. The subprime crisis also has begun to penetrate the regulatory environment, which may spill into the insurance and reinsurance sector and lead to further changes in capital adequacy requirements.”

“We continue to see a convergence of capital markets and reinsurance,” added Mr. Zaffino. “With instruments such as catastrophe bonds and sidecars playing an increasingly prominent role, we would expect to see a rapid and substantial inflow of capital following the next mega-catastrophe. This added market elasticity should eventually help temper cyclical swings and tame the peaks we have seen in the past in hard markets.”

According to the report, North America experienced the most substantial drop in catastrophe reinsurance rates, declining by 16 percent in 2008. The Asia/Pacific and European regions have declined at a slower pace – six percent and five percent, respectively. Worldwide, insured/reinsured catastrophe losses in 2007 totaled USD27.6 billion, higher than the relatively modest losses of USD16.8 billion in 2006 but still well below the average loss of USD37 billion over the past ten years.

“The decline in rates, coupled with investment losses, has resulted in some strain on reinsurer profitability,” said Chris Klein, Global Head of Business Intelligence, Guy Carpenter. “After peaking in 2006 and declining slightly in 2007, profitability dropped substantially in the first half

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of 2008. Continued volatility in the investment markets may help to underpin the necessity for sound underwriting and steady the decline in pricing as we head towards the January 1, 2009 renewals. Overall, despite a number of pressures, the industry remains in a strong profit position.”

The report identifies climate change as a development that could present substantial opportunities for primary carriers and reinsurers, as they seek to expand cover for “green” exposures on both the property and liability fronts. In addition, the development of more advanced flood models may lead to an expansion of cover for this category of natural peril risks.

The *World Catastrophe* report now focuses closely on global issues that have the most substantial impact or potential impact for insurers and reinsurers. A copy of the full report, *World Catastrophe Reinsurance Market in 2008*, is available for download at www.guycarp.com.

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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