

News Release

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Guy Carpenter Publishes *Casualty Specialty Update* Report Covers Class Action Litigation, Indexation Clauses, and Effect of Subprime Crisis on European Casualty Portfolios

London, September 9, 2008

Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist, today announced the publication of *Casualty Specialty Update*, which focuses on major developments across the international casualty insurance landscape. The report examines the latest developments in three areas of interest to casualty insurers: the rise of American-style class-action litigation in Europe, inflationary pressures on indexation clauses in liability reinsurance treaties, and the effect of the subprime crisis on European casualty portfolios.

“The changing claims environment in Europe and the movement toward American-style class-action litigation are trends that merit particularly close attention,” said George Carrington, Managing Director, Guy Carpenter. “Although the extent to which the industry will have to deal with frivolous claims in Europe is still uncertain, it is safe to say that insurers increasingly will be obliged to defend claims, which will likely result in higher legal defense costs.”

In response to the climate of uncertainty surrounding class-action litigation in Europe, the briefing concludes that both insureds and reinsureds should ensure that they are comfortable with the treatment of loss adjustment expenses within reinsurance agreements.

“On the other hand,” added Mr. Carrington, “the commercialization of litigation funding will provide the insurance and reinsurance industry with a mechanism for hedging litigation risk, which should result in a vibrant funding market and competitive legal fees. This could directly benefit the insurance industry.”

The update also addresses the influence of inflationary pressures on the indexation clause for complex third-party bodily injury claims, which currently are not reflected in a number of European territories. It concludes that a robust analytical approach and strong technical understanding are required to accurately assess inflationary pressures on the indexation clause.

Finally, the report examines the potential exposure of European casualty insurers to the subprime crisis and ensuing credit crunch. With the range of related lawsuits continuing to expand beyond financial institutions to other business segments, insurance and reinsurance companies, the report concludes that it is vital that insurers and reinsurers gain a better understanding of the systemic exposures within their portfolios.

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“Companies are seeking risk management tools that can help them evaluate their exposures in a more systematic way,” added David Lewin, Managing Director, Guy Carpenter. “Our Casualty Catastrophe Model allows them to assess various liability scenarios and effectively identify aspects of their portfolios that may be impacted by the subprime crisis.”

A copy of the full report 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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