

News Release

Contacts:

Alexis Levenson

Guy Carpenter
1.917.937.3264

alexis.levenson@guycarp.com

Barbara Yeung

Guy Carpenter
852.2582.3537

barbara.yeung@guycarp.com

Karen DeMartine

DeMartine Group
1.203.221.2790

kdemartine@demartinegroup.com

China's Costly Floods in 2010 Likely to Have Limited Impact On Insurance Industry, Finds Guy Carpenter Report Impact Reflects Relatively Low Insurance Penetration Levels in China

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China experienced one of its worst seasons of flooding in 2010 since the Yangtze River floods of 1998. Although the economic losses from its flood-related disasters are significant, the impact on the insurance industry is likely to be limited due to low insurance penetration levels in China, finds Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a member of Marsh & McLennan Companies (NYSE: MMC). This assessment and other findings are presented in *China Floods Report 2010*, a new report released today.

Triggered by an unusually severe monsoon season, China experienced record-high water levels at 25 rivers in the summer of 2010, resulting in massive floodings that caused an aggregate estimated economic loss amount of approximately 350 billion yuan, or USD52 billion.

The report's executive summary can be found at www.gccapitalideas.com. The full report, available by request, provides a summary of China's 2010 flood season, a discussion of how the re/insurance markets responded to flood losses in China and a special report prepared by the Guy Carpenter Asia-Pacific Climate Impact Center (GCACIC) on the correlation between El Niño and China's rainfall.

KEY FINDINGS

- While the estimate for total insured losses is still being developed, the insured loss will likely only amount to 1 percent to 2 percent of the total economic losses stemming from the floods, due to low insurance penetration levels.
- While varying from treaty to treaty, the impact on the majority of non-marine proportional reinsurance treaties is expected to be limited.
- Only a limited number of catastrophe excess of loss reinsurance treaties are expected to be affected, with 2010 flood losses impacting only the bottom layer.
- The decaying phase of the warm ENSO event (El Niño) in 2010 likely contributed to the above-normal rainfall in many parts of China.

QUOTES

Lawrence Liao, CEO of Mainland China and Hong Kong, Guy Carpenter & Company

"At Guy Carpenter, one of our chief priorities is to address the risk and reinsurance needs of China's fast-growing insurance marketplace. With our newly granted license to operate as a full-service

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provider in China, we can continue our focus on helping clients analyze increasingly complex risk exposures and develop creative solutions for managing them.”

David Lightfoot, Managing Director, Head of GC Analytics - Asia Pacific, Guy Carpenter & Company

“While China is exposed to virtually every type of natural disaster, earthquake, typhoon and flood have had the most devastating impact, with flood being the most frequently occurring peril. Our report seeks to provide a clearer understanding of the 2010 flood season, possible contributing factors and the growing role of re/insurance to mitigate the financial impact of catastrophes.”

TAGS/KEYWORDS

Guy Carpenter, Guy Carpenter Asia Pacific Climate Impact Center, GCACIC, China, reinsurance, insurance, flood, El Nino, Liao, Lightfoot

About Guy Carpenter

Guy Carpenter & Company, LLC is the world's leading risk and reinsurance specialist and a member of Marsh & McLennan Companies. With over 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 and Energy; Medical Professional Liability; 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, GC Analytics™ 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.

Guy Carpenter's intellectual capital website, www.GCCapitalIdeas.com, leverages blog technology, including Real Simple Syndication (RSS) feeds and searchable category tags, to deliver Guy Carpenter's latest research as soon as it is posted. In addition, articles can be delivered directly to BlackBerrys and other handheld devices.

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