

News Release

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Earthquakes Triggered Highest Insured Losses in 2010, According to Guy Carpenter's Assessment of Global Catastrophes Eight Catastrophic Events Surpassed USD1 Billion in Insured Losses

New York, December 21, 2010

The earthquakes that devastated parts of Chile and New Zealand were the largest source of losses in 2010, costing the re/insurance industry USD8 billion and USD4 billion respectively, according to a new report by Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a member of Marsh & McLennan Companies (NYSE: MMC).

Of the eight catastrophes that individually caused insured losses of more than USD1 billion, five were related to severe weather and storms in the United States, Australia and Europe, for a total loss of USD7.9 billion. The only man-made event to incur losses in excess of USD1 billion in 2010 was the Deepwater Horizon oil rig explosion in the Gulf of Mexico, with the expectation that BP and its captive will cover most of the expenses, capping insured losses at approximately USD3.5 billion.

A description of the world's most significant catastrophic events of 2010 can be found in the *2010 Catastrophe Update*, which will be serialized this week at www.gccapitalideas.com.

KEY FINDINGS

- Despite one of the most active Atlantic hurricane seasons on record, producing 19 named storms, no hurricane made U.S. landfall during the 2010 season. Consequently, insured losses in the United States generally matched those of 2009, adding up to USD11.2 billion in the first nine months of 2010. By comparison, U.S. claims in 2008 cost the re/insurance industry USD25.2 billion, due mostly to losses from Hurricanes Gustav and Ike.
- For the second consecutive year, tropical cyclones did not incur significant insured losses. Typhoon development in the West Pacific was at a record low in 2010, in part driven by the development of a moderate La Niña event and very warm tropical Atlantic seas surface temperatures.
- On the other hand, floods accounted for significant insured losses of USD955 million in France and Central and Eastern Europe. Pakistan and China also endured devastating monsoonal flooding, but the impact on the re/insurance industry was limited by low insurance penetration levels in both countries.
- Historically, La Niña has led to extreme weather conditions, with above-average precipitation in certain parts of the world and below-average precipitation in other areas. As a result, it likely will continue to have an impact on global catastrophes in 2011.

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QUOTES

David Flandro, Head of Global Business Intelligence, Guy Carpenter & Company, LLC

"Large losses in the first half of the year, coupled with low interest rates and depressed valuations, created a challenging environment for carriers in 2010. Moreover, the active nature of this year's hurricane season reinforces the fact that catastrophe risk remains elevated as the reinsurance sector prepares for 2011 renewals."

TAGS/KEYWORDS

Guy Carpenter, reinsurance, insurance, renewals, catastrophe, insured loss, earthquake, hurricane, typhoon, flood, Deepwater Horizon, La Niña, Flandro

About Guy Carpenter

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