

News Release

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New Guy Carpenter Briefing Addresses Regulatory Concerns in Global Casualty Re/Insurance

New York, September 14, 2011

In a briefing issued today, Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a member of Marsh & McLennan Companies (NYSE: MMC), examines liability catastrophe exposure management in the context of Solvency II.

Available for download at www.GCCapitalIdeas.com, the update addresses regulators' concerns regarding two key aspects of catastrophe exposure in casualty insurance – reserving risk and man-made catastrophe risk.

QUOTES

David Lewin, Managing Director, Guy Carpenter & Company

“The uncertainty regarding the ultimate loss cost of long-tail liability exposures has led insurance regulators to insist on a very high capital allocation requirement for liability classes within the Solvency II guidelines. Right now, the gap between claims inflation and investment return is a serious factor for the Eurozone. If asset performance does not keep pace with this inflation, the concern is that we may see a real depletion in the value of loss reserves. Insurers need to demonstrate – not only to Solvency II regulators, but also to rating agencies and analysts – that they have a suitable mitigation strategy in place.”

“Over the past few years, several incidents, seemingly isolated, have ballooned into cross-border, cross-industry and cross-business line catastrophes. Chain reactions of liability, such as the Deepwater Horizon oil spill and the Chinese drywall product recall, have led insurers to question how they can assess the impact of a major legal liability catastrophe on their portfolio.”

TAGS/KEYWORDS

Guy Carpenter, casualty insurance, loss reserve, man-made catastrophe, Solvency II, long-tail liability, Lewin

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;

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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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