

News Release

Contacts:

Alexis Levenson

Guy Carpenter
1.917.937.3264

alexis.levenson@guycarp.com

Jennifer Ainslie

Guy Carpenter
44.207.357.2058

jennifer.ainslie@guycarp.com

Karen DeMartine

DeMartine Group
1.203.221.2790

kdemartine@demartinegroup.com

Reinsurance Rates Rise at April 1, 2012 Renewals, Finds Guy Carpenter

New York, April 5, 2012

Reinsurance rates rose as the market continues to work through the impact of the events of 2011, according to Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and a member of Marsh & McLennan Companies (NYSE: MMC). In a briefing released today, Guy Carpenter reports that this year's April 1 renewals are continuing the general trends observed at January 1, 2012.

A significant renewal date for the Asia Pacific region, April 1 provided the first real indication of how the heavy catastrophe losses of 2011 – two-thirds of which occurred in Asia – have affected reinsurance rates in Japan and the rest of the region.

Key highlights from the renewals report include:

Japan

- Careful planning by Japanese insurers and their brokers ensured that capacity was secured albeit at increased prices for excess of loss covers and with tightened terms and conditions in many lines.
- Rates were up in all property catastrophe and per risk lines. Casualty lines indicated mixed results, but the general trend was for modest increases.
- Reinsurer capacity was available but tight. Following the trend of recent years, there was limited or no signing down in most programs, and placements were not completed until the last reinsurers replied.

U.S. Property Catastrophe

- Risk adjusted price change was in line with January 1 renewals on overall property-catastrophe placement activity. There was a wide range of results, depending on individual company characteristics.
- Rate increases were more pronounced for some programs that had renewed very early at this time last year, as they received quotes and firm order terms before the Tohoku earthquake and RMS v11 release. Rate increases also were impacted for insurers seeking capacity in excess of expiring.
- There continues to be sufficient capacity, with reinsurers willing to provide substantial support for programs where pricing meets expectations.

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Australia/New Zealand

- Reinsurers indicated their interest in moving pricing levels upwards, consistent with their approach to the January 1 renewals.
- Loss-impacted programs experienced double-digit rate increases, as cedents sought to maintain expiring deductible levels and horizontal coverage ahead of the Australian Prudential Regulation Authority's planned introduction of revised capital requirements in 2013-2014.
- Reinsurers also sought to limit contingent business interruption coverage for programs renewing at April 1, mostly in response to the floods in Thailand.

Republic of Korea

- Reinsurance rates for property catastrophe excess of loss treaties were generally up 5 percent to 25 percent year over year on a risk-adjusted basis. Even though Korean catastrophe treaties were generally clean over the past 12 months, rates increased because of a general market hardening following a large number of insured losses across Asia, as well as due to heightened scrutiny of interests abroad.
- Loss-free property per risk treaty reinsurance rates in Korea were largely stable year over year. Pricing did increase by approximately 20 percent to 30 percent, however, for programs experiencing significant losses in 2011.

The full briefing, *April 1 Reinsurance Renewals*, is available for download at www.gccapitalideas.com.

QUOTES

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

"Despite the losses of 2011, the reinsurance sector continues to function normally, with sufficient capital to support the Asia-Pacific region and the global property/casualty insurance industry overall. Japanese insurers were hit hard by catastrophic flooding in Thailand, which itself came less than six months after the Tohoku earthquake. Nevertheless, we were pleased to see that reinsurers remained supportive of the Japanese market."

"Upwards revisions to original loss estimates for some of the major 2011 catastrophe events continue to impact the industry. Fortunately, loss activity during the first three months of 2012 has been relatively light, with insured losses expected to be under USD5 billion. This is significantly down from the first quarter of 2011, when insured losses exceeded USD50 billion."

TAGS/KEYWORDS

Guy Carpenter, reinsurance, renewal, catastrophe, property, United States, Asia, Australia, Japan, Korea, New Zealand, Flandro

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industry-leading quantitative skills and modeling tools that optimize the reinsurance decision-making process and help make the firm's clients more successful. For more information, visit www.guycarp.com.

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