

News Release

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New Geographic Markets to Drive Profitable Growth in 2014, According to Second Annual Guy Carpenter Survey

(Re)Insurers Cite Undisciplined Underwriting as Top Threat in the Year Ahead

New York, October 31, 2013 – Expansion into new geographic markets, new products and access to new distribution channels will be the primary drivers of profitable growth in 2014, according to a new survey released today by Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist and member of Marsh & McLennan Companies (NYSE: MMC).

The second annual survey polled insurance and reinsurance executives at the 2013 Property Casualty Insurers Association of America (PCI) Annual Meeting, held in Boston, MA. Designed to identify the key drivers and threats to profitable growth in the industry, the survey reveals that one-third of respondents (33%) believe that the biggest opportunity to grow their business in 2014 will be through geographic expansion. This is followed by new products (24%), which last year was ranked as the top response, and new distribution channels (23%). As compared with 2012, respondents in this year's survey were more than twice as likely (15% vs. 7%) to cite mergers and acquisitions as the biggest growth opportunity for their business in the year ahead.

"In this evolving market, the industry is identifying new methods of deploying capital efficiently to generate returns," said Andrew Marcell, Chief Executive Officer of US Operations for Guy Carpenter. "In this environment, and as supported by the findings of our survey, we are seeing that the market is increasingly turning to strategic M&A opportunities to achieve scale, global reach and a more diversified product suite in order to realize growth objectives." According to Guy Carpenter's [Mid-Year Market Overview](#), the most effective capital deployment strategies will weigh returning capital to shareholders, organic growth, as well as the pursuit of strategic M&A.

Nearly three out of four respondents (73%) commented that they would be leveraging traditional reinsurance vehicles as a capital source in 2014. This year's respondents said they were more likely to report utilizing capital markets solutions (18% vs. 16% respectively) – a continuing demonstration of the increase in prevalence and appetite for alternative capital sources and vehicles in the market.

The findings of this year's survey once again cite undisciplined or unprofitable underwriting as the leading threat to plans for growth in the year ahead (35%). Alternatively, with signs of economic improvement and relatively low insured catastrophe losses to date, this year's respondents were less likely to identify catastrophe/non-catastrophe losses (18% vs. 22% respectively) and global economic uncertainty (12% vs. 19% respectively) as the biggest threat to their plans for growth as compared with the 2012 survey. As worry surrounding the economy lessens and the tropical storm season comes to a close, the survey's results indicate that the industry is placing an increased focus on

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internal challenges and potential threats. In fact, 15 percent of this year's 115 participants now cite operational inefficiencies as the leading threat to their business, as compared with only six percent in 2012.

Innovation and improvements to technology continue to remain a top priority for (re)insurance professionals. More than one-third (39%) of respondents said that if given a blank check to invest in their firm, they would spend the additional resources on bolstering IT, up from 35 percent in 2012. Talent and retention also remain an area of focus for the industry, with 37 percent of respondents commenting that they would allocate a blank check to this area of their business, followed by new products (7%).

"One of the most significant opportunities for insurers in a generation is the potential to aggregate and analyze large amounts of data that flow through their own and partners' networks," Marcell said. "Harnessing this information in real-time can be a decisive competitive advantage, enabling carriers to anticipate consumer needs, respond to sudden challenges, accelerate market entry, and optimize profitability over time. We continue to invest in technology-enabled analytical solutions to help our clients realize this potential."

About the Survey

The survey of 115 insurance and reinsurance professionals was conducted by Guy Carpenter at the 2013 PCI Annual Meeting held in Boston, MA on October 20-23, 2013. Last year, 110 professionals were polled.

TAGS/KEYWORDS

Guy Carpenter, Andrew Marcell, PCI, PCI Annual Meeting, ILS, catastrophe, catastrophe bond, insurance, reinsurance, capital, technology, underwriting, analytics

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