

News Release

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Baden-Baden Reinsurance Symposium Turns Spotlight on Recent Market Consolidation

London, October 19, 2015 – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), once again hosted the Reinsurance Symposium in Baden-Baden on October 18. Focusing on the theme of “Consolidation: Who Wins in the Race for Scale?”, leading industry figures shared their views on the recent merger & acquisition activity in the insurance and reinsurance arena, commenting on its impact on market dynamics, the key drivers for consolidation and what factors will contribute to success in the push for scale.

Nick Frankland, CEO of EMEA operations at Guy Carpenter, provided the Symposium’s opening remarks and the event was moderated by Chris Klein, Head of EMEA Strategy Management at Guy Carpenter. The keynote speakers were: Stephen Catlin, Executive Deputy Chairman of XL Catlin; John Doucette, Chief Underwriting Officer of Everest Re; and Eduardo Pérez de Lema, Managing Director of Mapfre Re. Margret Mergen, Lord Mayoress of the City of Baden-Baden, welcomed attendees to the city.

In his opening comments, Mr. Frankland assessed the implications of market consolidation on the forthcoming renewals. He said: “Capacity remains bountiful and buyers will continue to enjoy choice. This will weigh on the discussions that take place during the coming week and we expect some interesting manoeuvres as reinsurers seek to hold or grow their share of signings. Indeed, the early signs are that there may be greater savings available to buyers than were perhaps being envisaged at Monte Carlo, and the trend towards combining coverages and multi-year placements will undoubtedly continue.” He added: “There are also encouraging signs that buyers are recognizing the capital benefits achievable in such a responsive market and are beginning to investigate alternative structures and additional limits. Consequently, we don’t anticipate an early end to the latest wave of M&A activity, nor the current pricing environment.”

Exploring the drivers behind M&A activity, Mr. Catlin highlighted the fact that it was not a case of “one-size-fits-all” and that there were many different criteria influencing the recent market consolidation, adding that not all deals were designed to create global super-players. For those companies which viewed consolidation as inevitable, he called upon them to take the initiative in the process. “If you believe consolidation is going to happen,” he said, “why wouldn’t you get on the front foot, be proactive and choose your partner?”

Mr. Doucette believed it was important to point out that consolidation was not the only response to changing market dynamics. He stated: “As the reinsurance world restructures with new capital vehicles and higher velocity of capital, M&A is just one strategic mechanism for evolving in the new

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October 19, 2015

market reality. Despite the promised benefits, the costs and risks of M&A indicate that it is not the panacea.” He continued: ““Global reinsurers are well-positioned to build off their internal strengths with scale, diversification, and expense and capital efficiencies. Supplemented with innovative products and capital structures, relevance to clients and brokers can be maintained and enhanced for the winners in the new world order.”

Mr. Pérez de Lema outlined the factors that he believed would deliver success in today’s challenging market environment. He said: “Consolidation is certainly not new. The late 90s saw dozens of M&A transactions with very different outcomes. Motives underlying consolidation are varied and surely differ for each transaction, including the continued softening market, lack of critical mass or diversification and unsustainable business models. The winners will be those reinsurers that provide client-oriented, sustainable, consistent and professional services and capacities, combined with well-designed business models. Some will be consolidators, but often they will be companies that have already built a strong franchise, skills, platforms and client relationships who will benefit from this trend, without having to enter into challenging and costly M&A processes.”

Bringing the discussion to a close, Mr. Klein stated that the success of consolidation activity would depend on the quality of the execution. He concluded: “We have heard that growth is not simply about swallowing up each other. Amid all of the excitement of the announcements, the proof is in the execution and success ultimately depends on continuing to provide customers what they need and want at a value-for-money price within a stable relationship.”

TAGS/KEYWORDS

Guy Carpenter, Baden-Baden, reinsurance, Frankland, Klein, Catlin, XL Catlin, Doucette, Everest Re, Pérez de Lema, Mapfre Re

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