

GUY CARPENTER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

10th May 2010

Under Pressure The Reinsurance Market in 2010

Chris Klein, London

Global Head of Business Intelligence

One day in April

“Kill one, frighten ten thousand.”

Sun Tzu 549-496BC, “The Art of War”



The Financial Crisis A Greek Tragedy

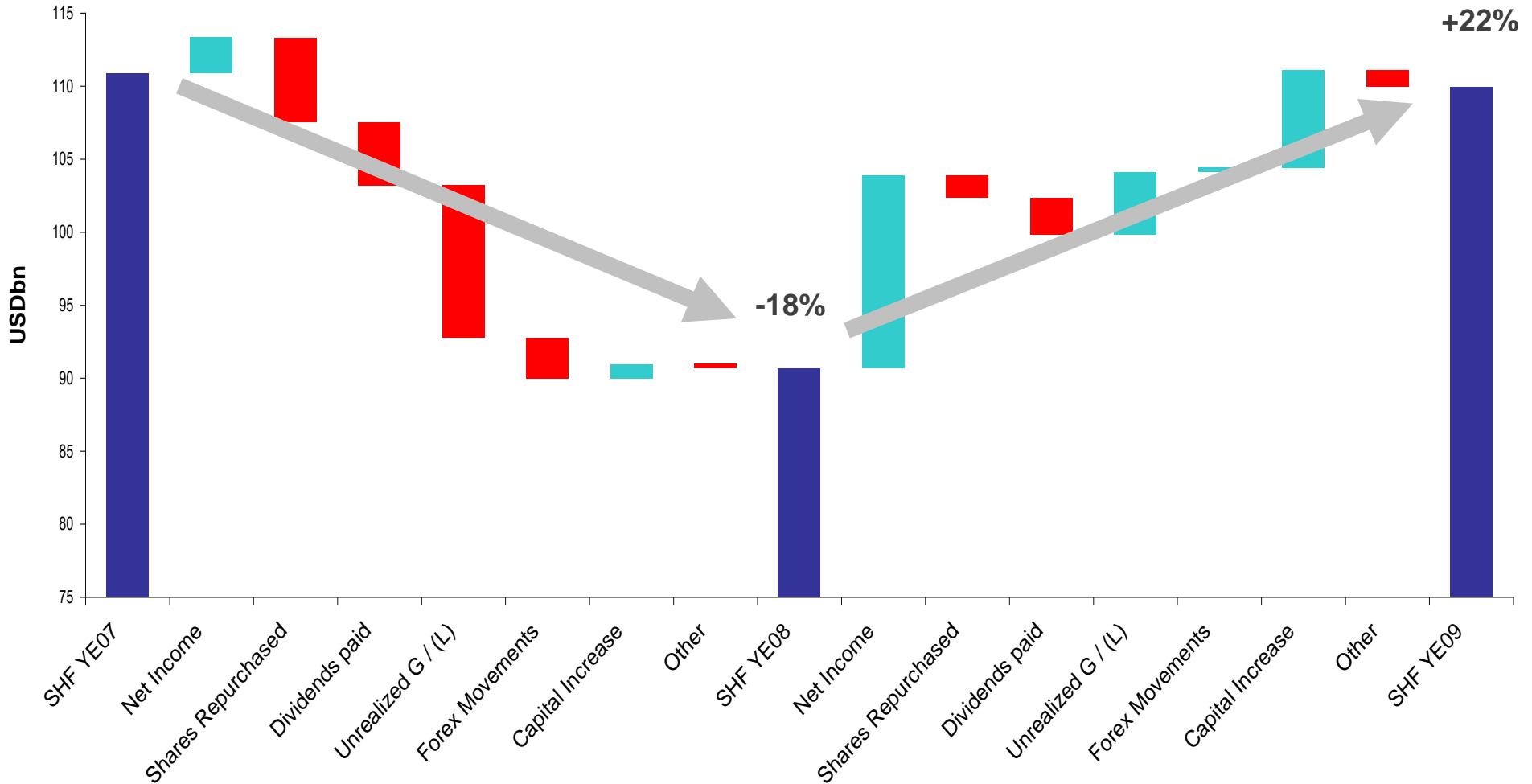
- Hubris: The Bubble
- Nemesis: Collapse and Insolvency
- Catharsis: Purge and Recovery



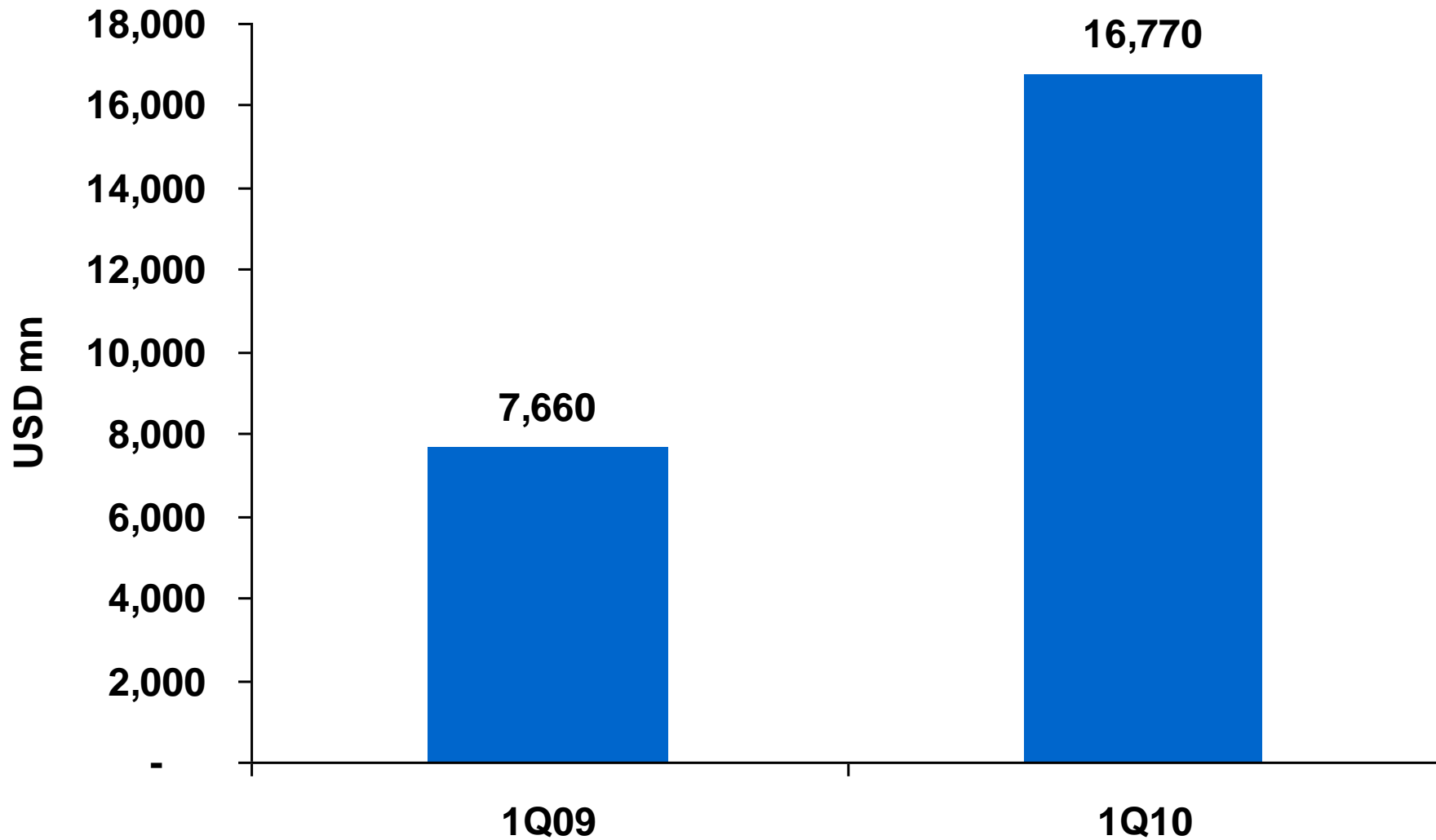
Change in Shareholder Funds

(USD Billions)

GC Global Reinsurance Composite - Change in Reported Shareholders' Funds



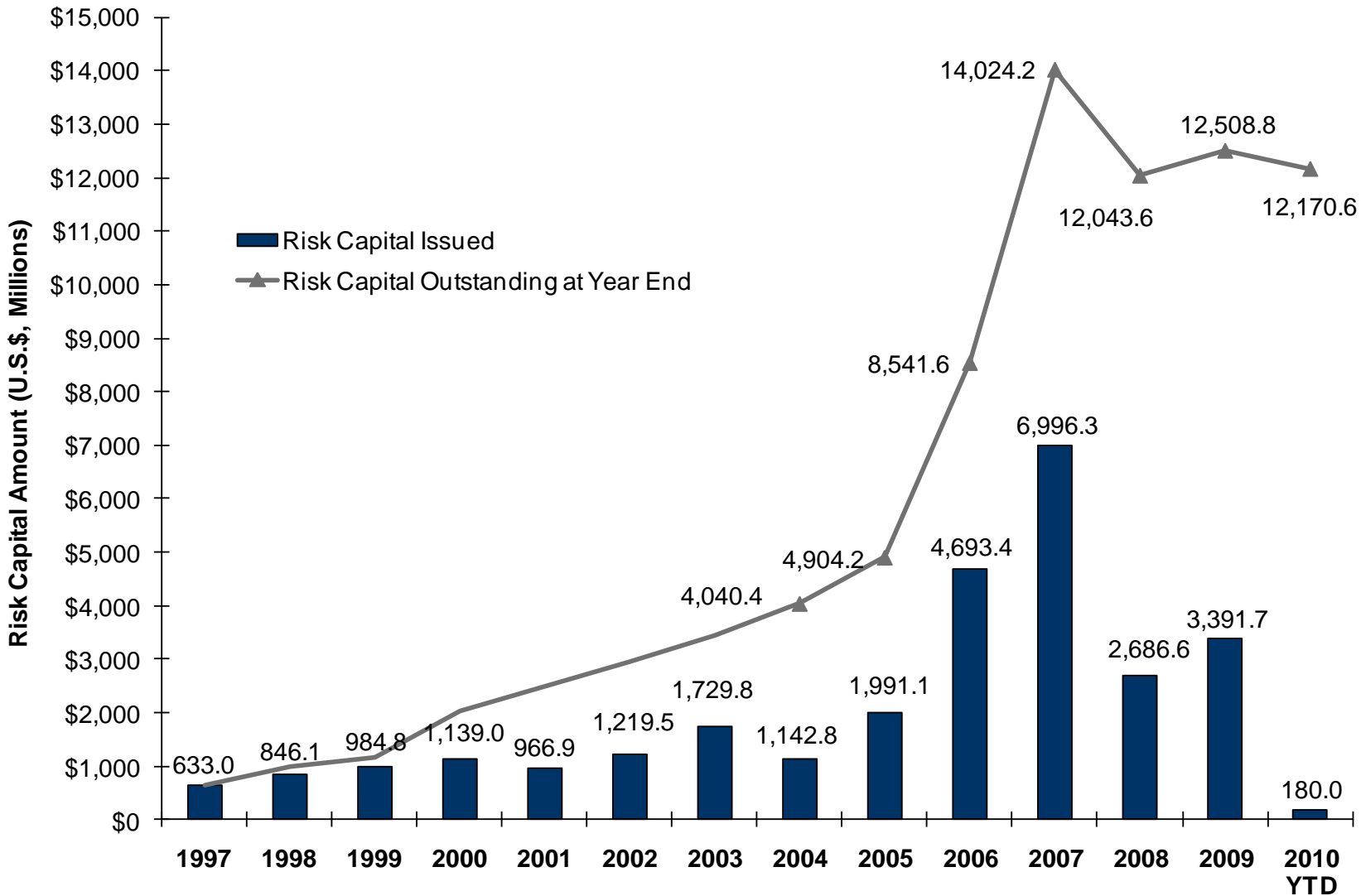
1Q2010 Insured Catastrophes > USD250 million



Capacity for Terror Risk

- Reduced volume of stand-alone deals
- 83% of reinsurers want to write more
- Geographically discrete opportunities preferred
- NBCR coverage available

Cat Bond and ILS development



2010 Outlook – Returns under pressure

- **Bottom line pressures**

- Weak investment yields
- Reserve deterioration
- Inflation

+

- **Top line pressures**

- Lower premium volumes:
 - Recession overhang
 - Short-term price cutting
- Regulation – more capital per risk

=

- **Pressure on returns:**

- Lower valuations
- Consolidation
- Return capital
- Medium-term price rises



“An insurance policy is like old underwear. The gaps in its cover are only shown by accident.”

David Yates, The Sunday Times, 21st October 1984

Contact details:

E: christopher.klein@guycarp.com

T: +44 (0)207 357 2514

Important Disclosure

Guy Carpenter & Company, LLC provides this report for general information only. The information and data contained herein is based on sources we believe reliable, but we do not guarantee its accuracy, and it should be understood to be general insurance/reinsurance information only. Guy Carpenter & Company, LLC makes no representations or warranties, express or implied. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such. Please consult your insurance/reinsurance advisors with respect to individual coverage issues.

Readers are cautioned not to place undue reliance on any calculation or forward-looking statements. Guy Carpenter & Company, LLC undertakes no obligation to update or revise publicly any data, or current or forward-looking statements, whether as a result of new information, research, future events or otherwise. The rating agencies referenced herein reserve the right to modify company ratings at any time.

GUY CARPENTER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Statements concerning tax, accounting or legal matters should be understood to be general observations based solely on our experience as reinsurance brokers and risk consultants and may not be relied upon as tax, accounting or legal advice, which we are not authorized to provide. All such matters should be reviewed with your own qualified advisors in these areas.

This document or any portion of the information it contains may not be copied or reproduced in any form without the permission of Guy Carpenter & Company, LLC, except that clients of Guy Carpenter & Company, LLC need not obtain such permission when using this report for their internal purposes.

The trademarks and service marks contained herein are the property of their respective owners.

© 2010 Guy Carpenter & Company, LLC

All Rights Reserved