

GUY CARPENTER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

16 November 2009

The Reinsurance Market

Chris Klein

CAS Annual Meeting, Boston MA

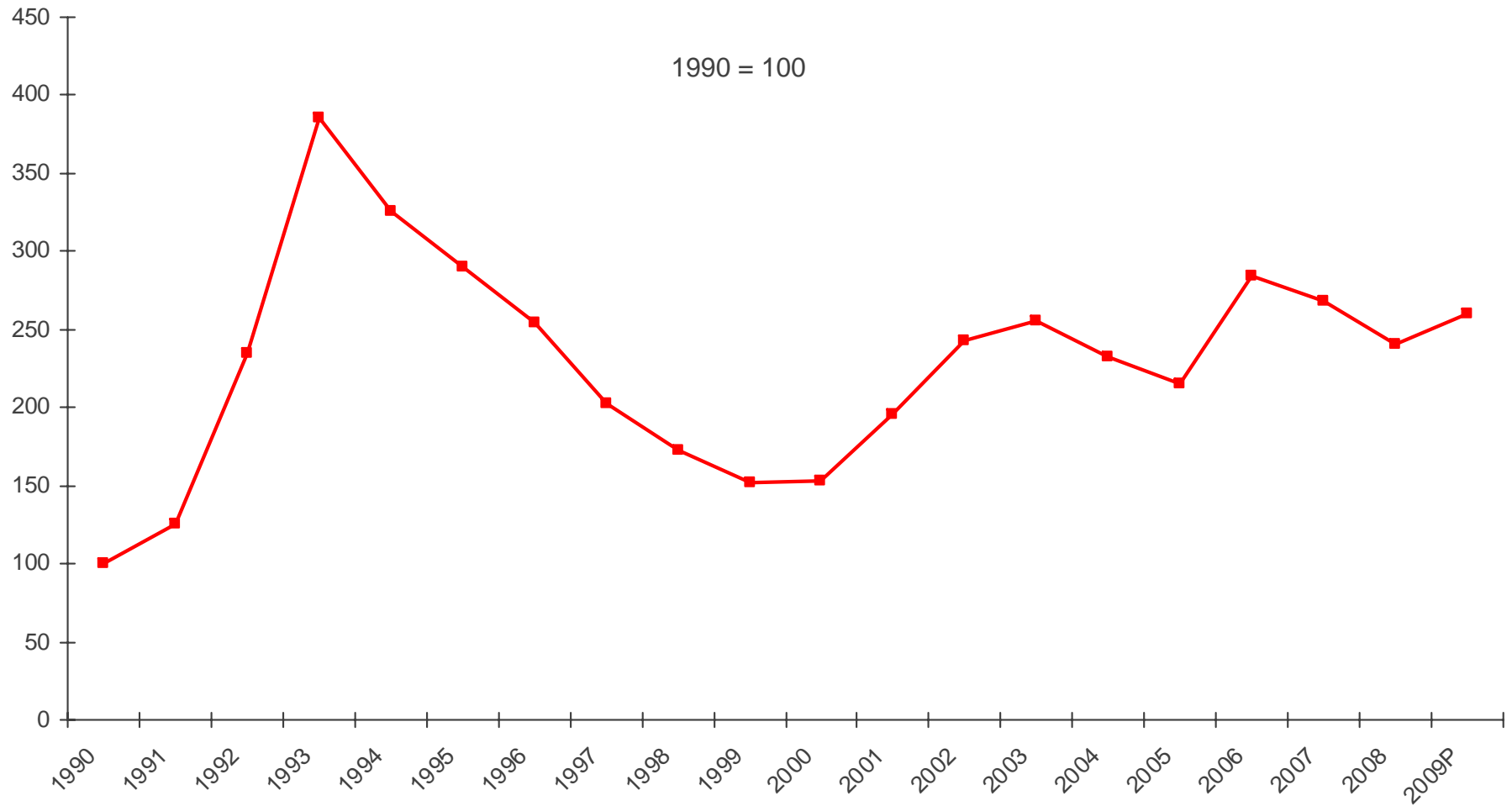

$$2 + 2 = ?$$

The Financial Crisis A Greek Tragedy

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

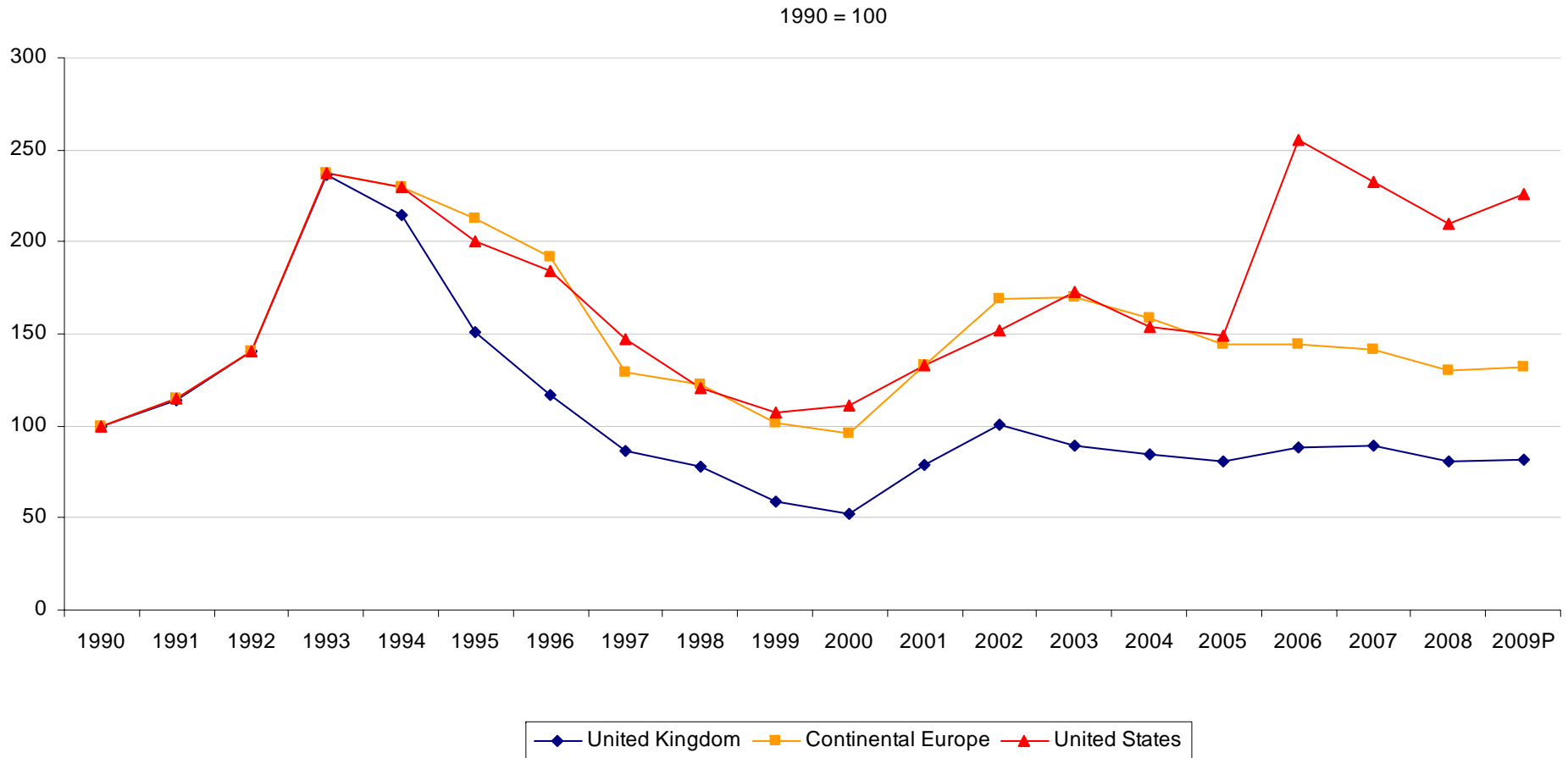


1 January 2009 Renewal Guy Carpenter World Property Catastrophe Rate-on-line Index



1 January 2009 Renewal Regional Property Catastrophe Rate-on-Line Indices

CK2



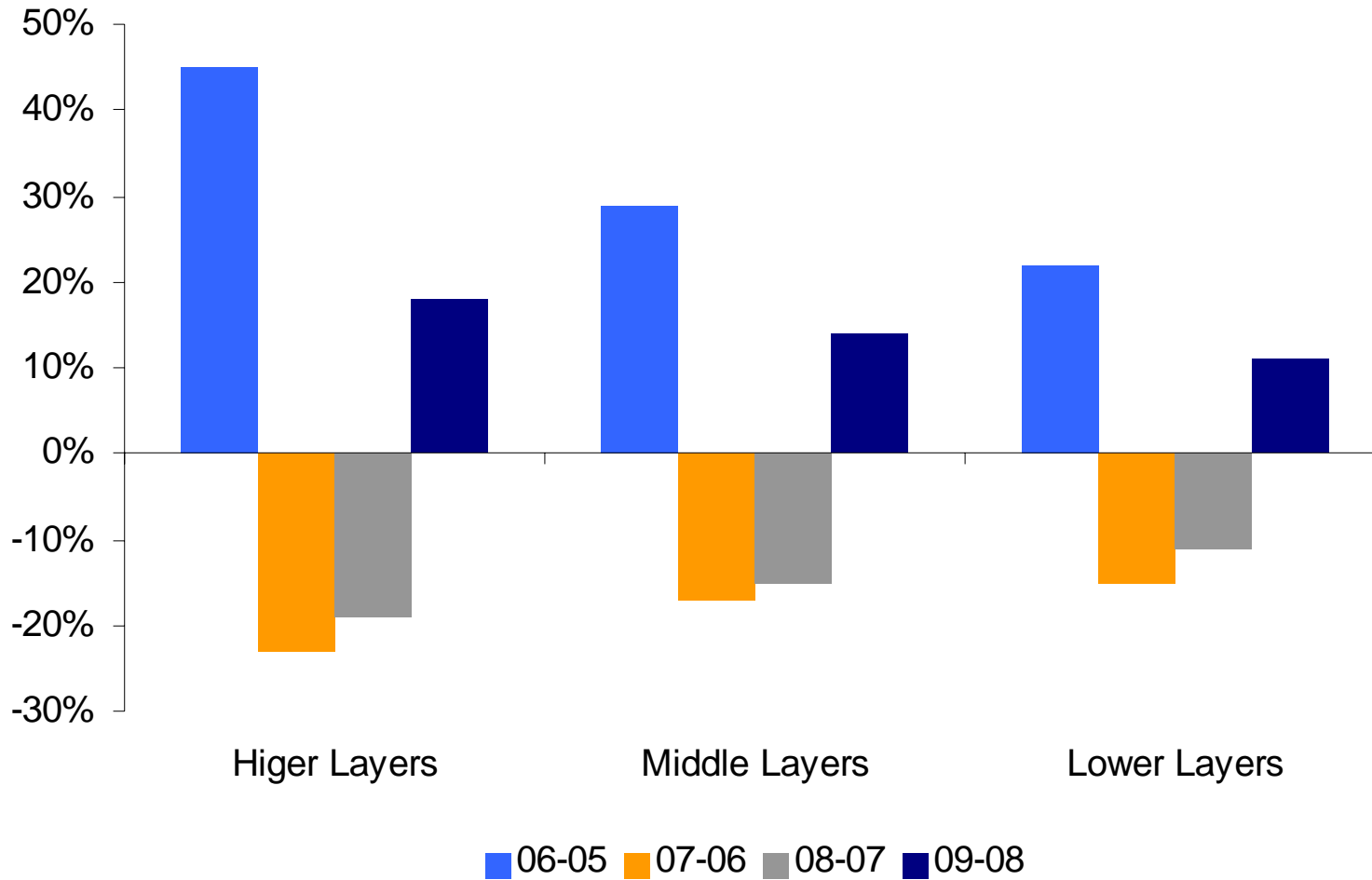
Slide 5

CK2

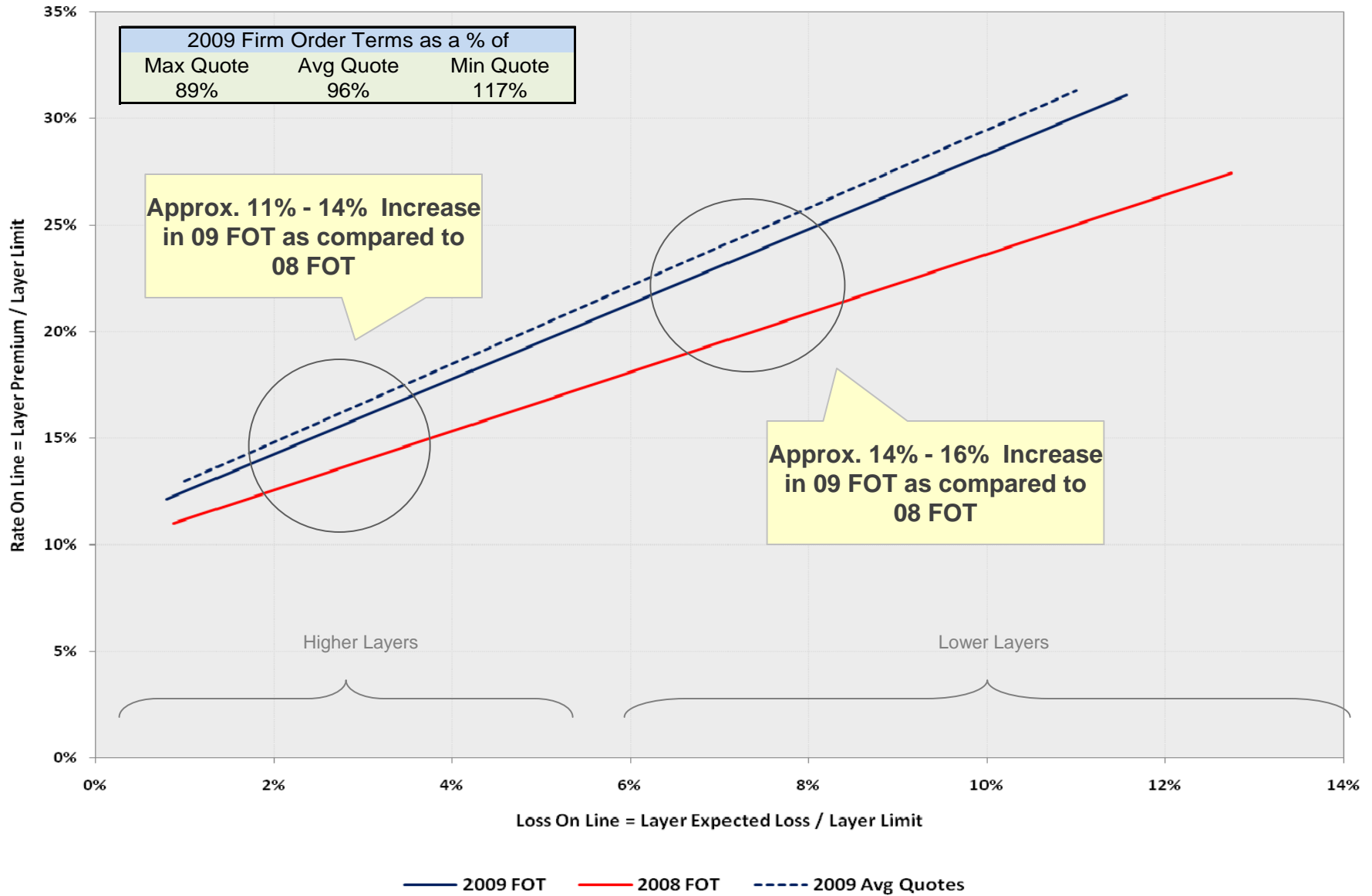
Chris Klein, 1/7/2009

Florida 1 June 09 Renewal

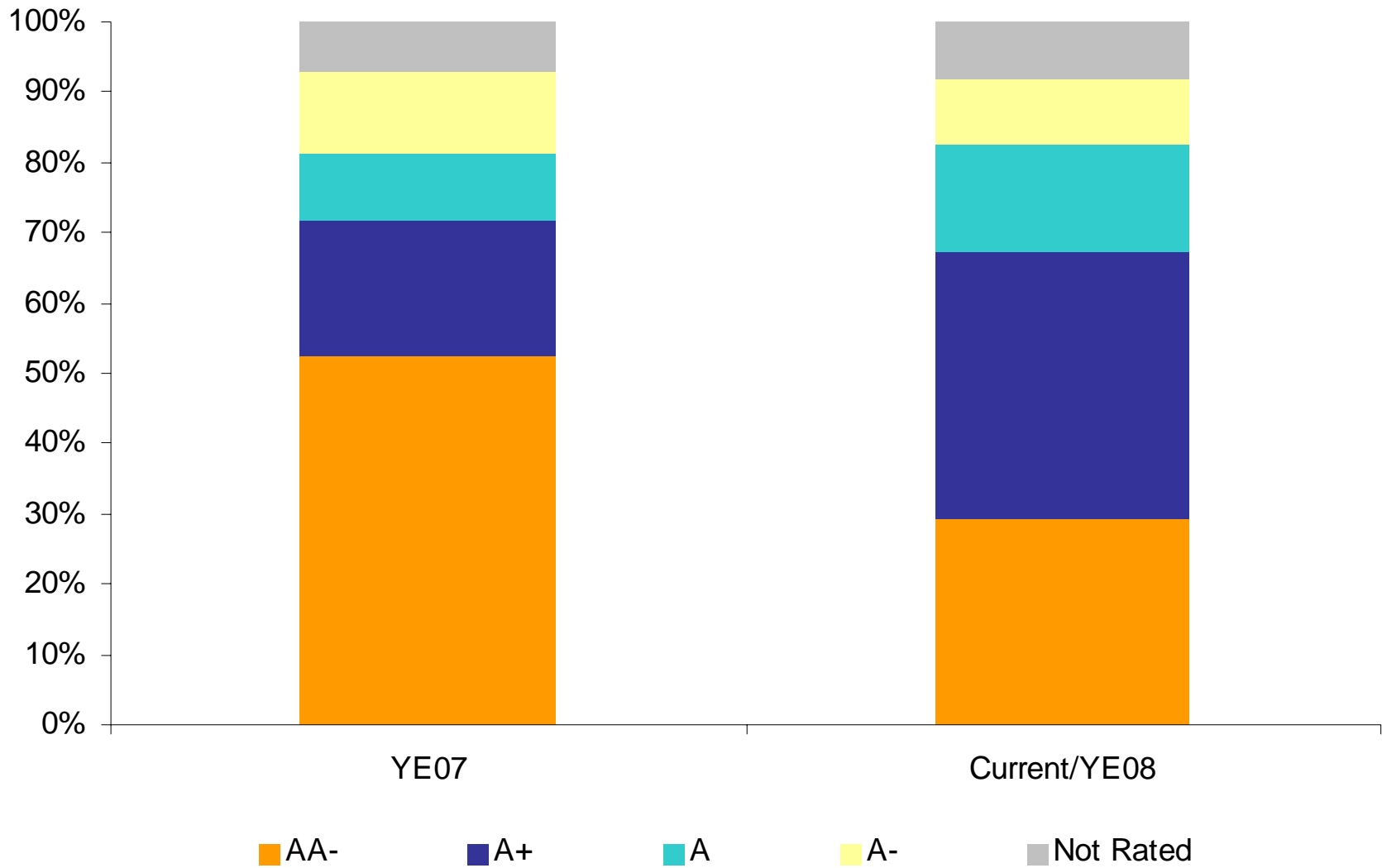
Florida 1 June 2009 Cat Price Changes



2009 Risk Adjusted Pricing US Nationals at 7.1 – 09 FOT vs. 08 FOT

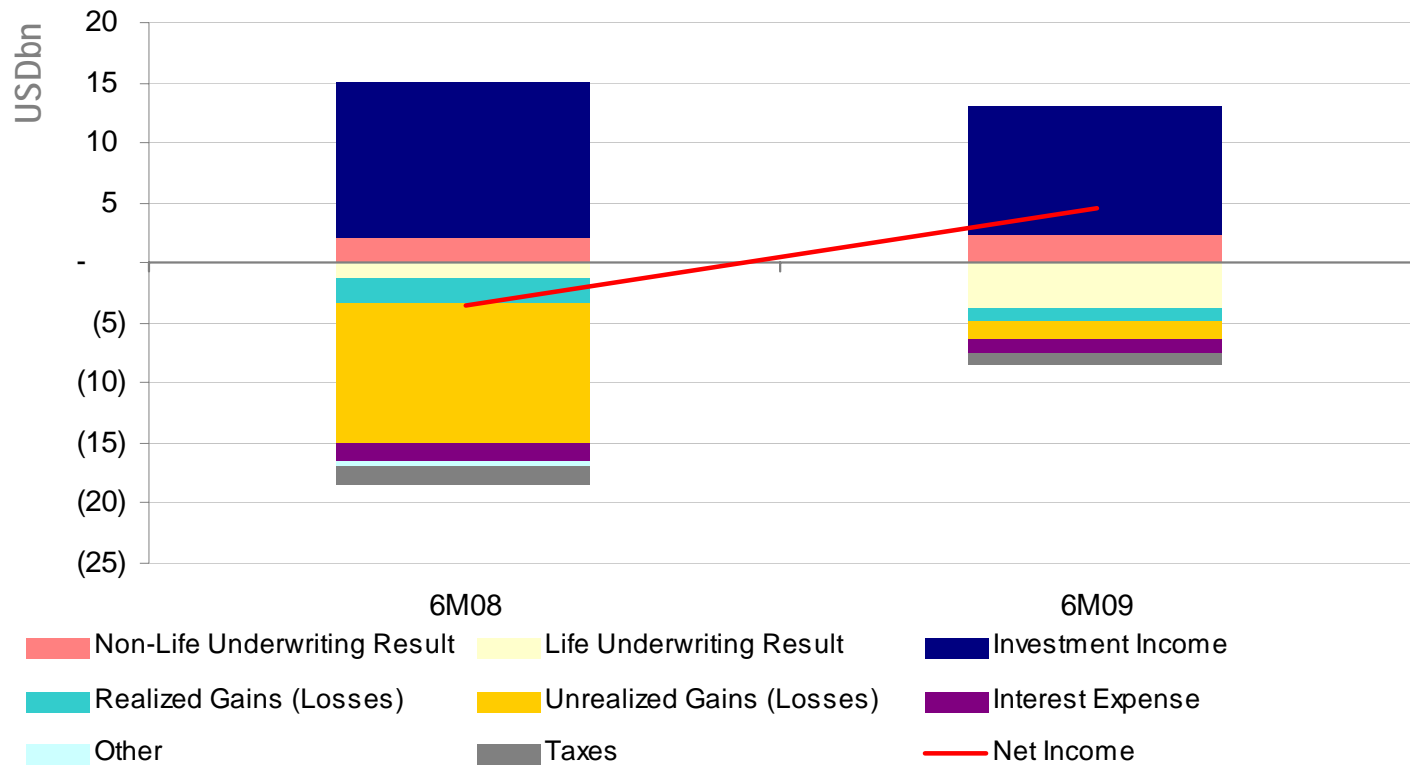


“A” Brave New World S&P Reinsurance Ratings Distribution

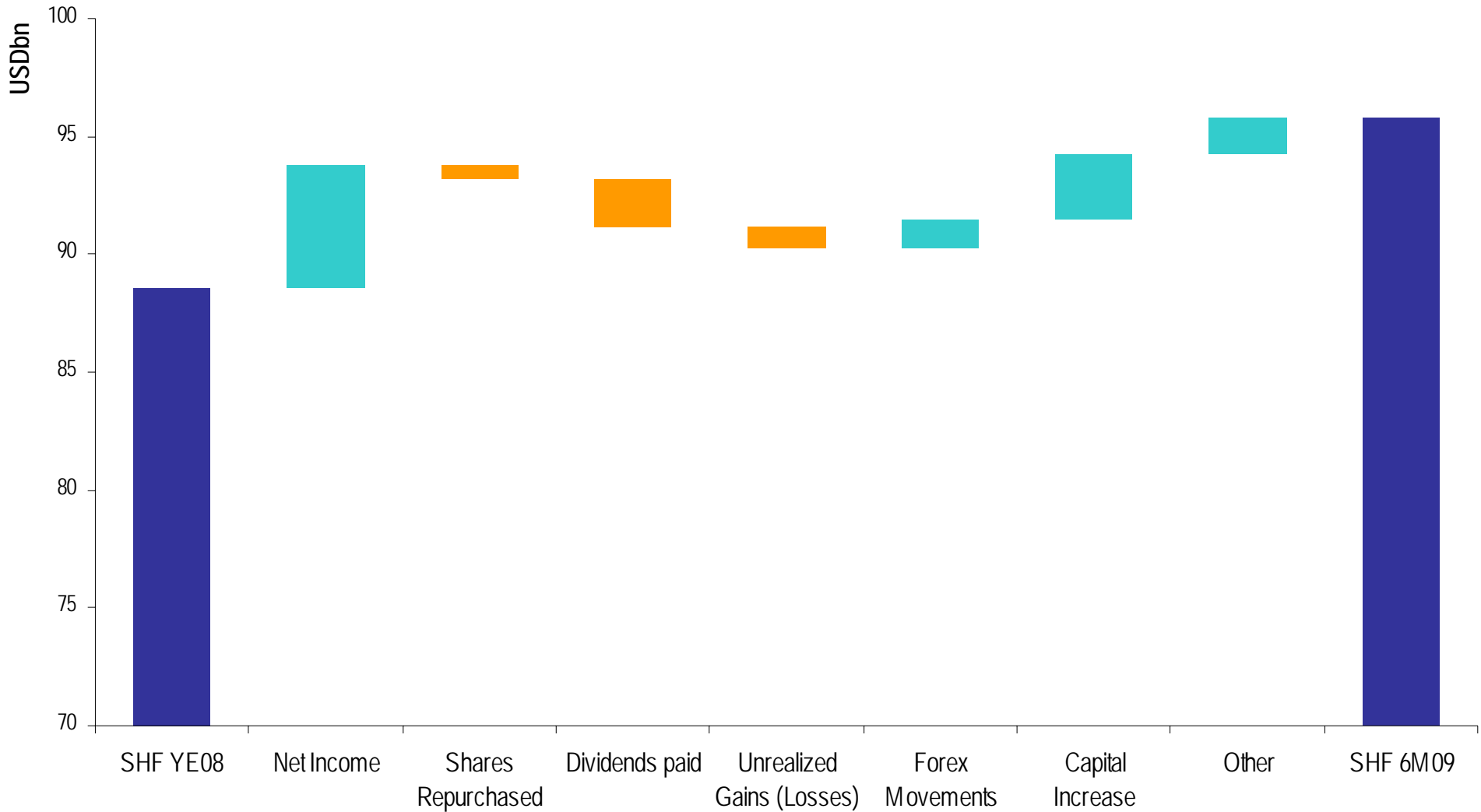


Standard & Poor's rating distribution for 31 reinsurers based on shareholders' funds.

Guy Carpenter Global Reinsurance Composite 1st Half 2009 Earnings

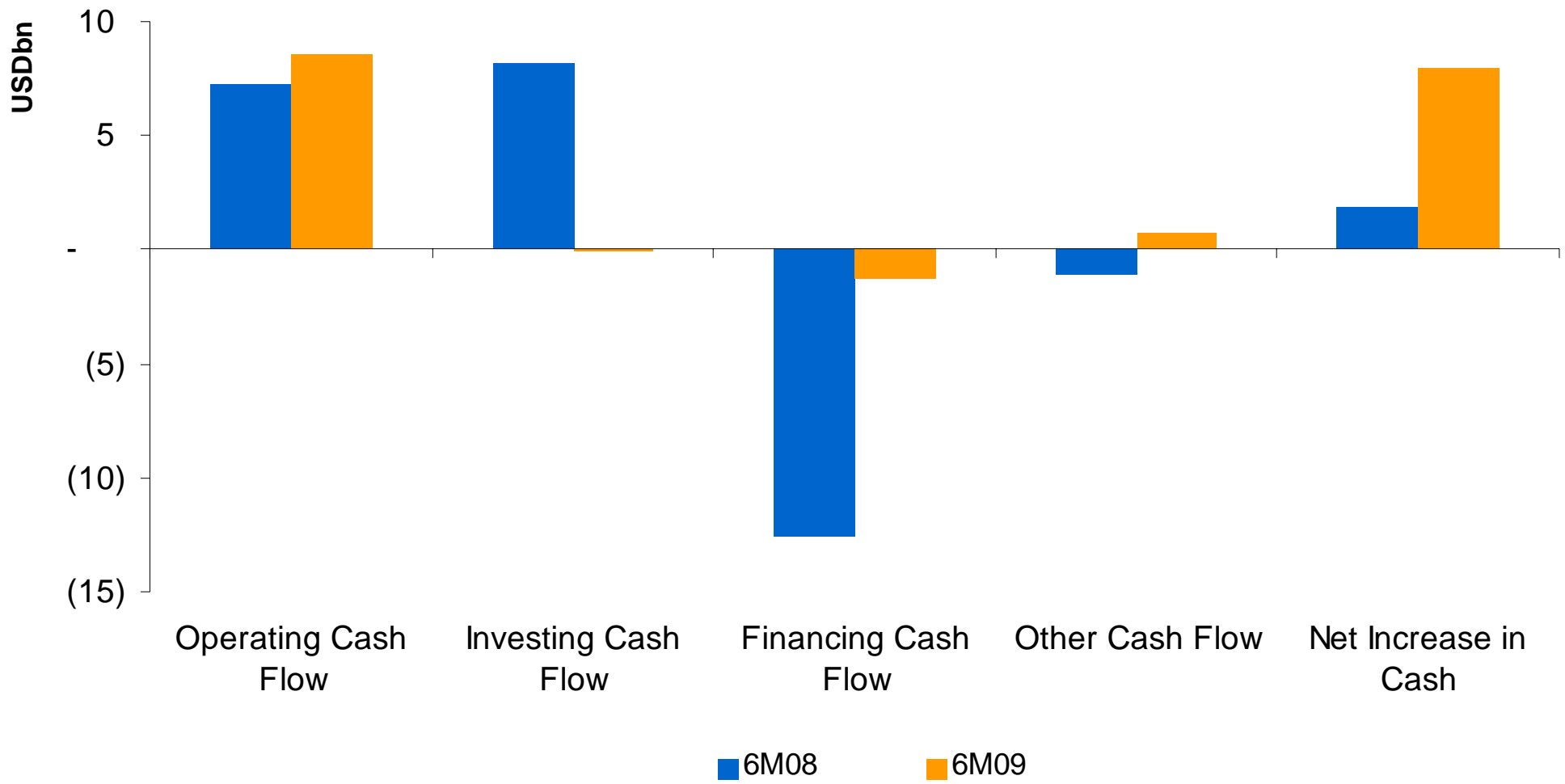


Guy Carpenter Global Reinsurance Composite Change in Shareholders' Funds 1st Half 2009

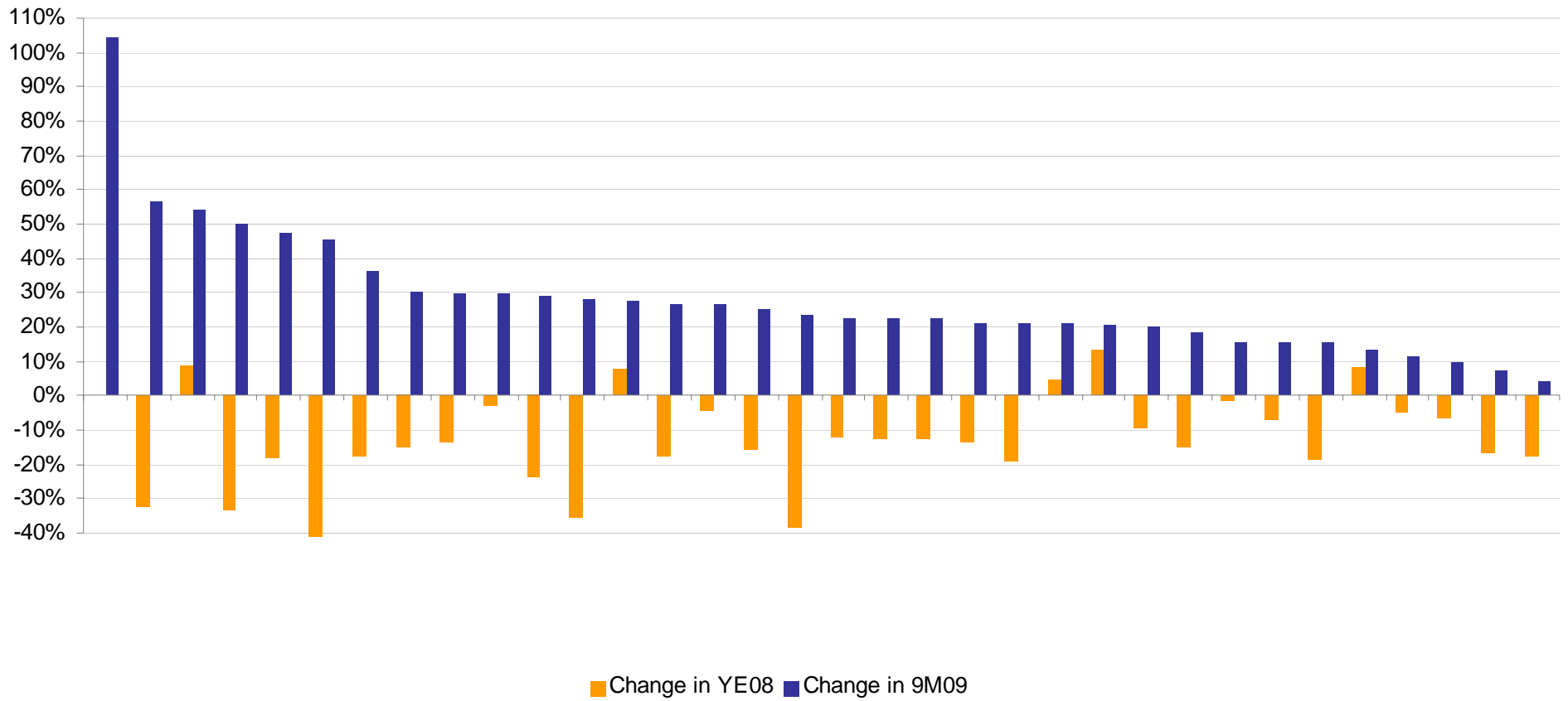


Note: Provisional showing 16/20 companies. The "Other" category is likely to include unrealised gains and will be updated when more detailed accounts are disclosed.

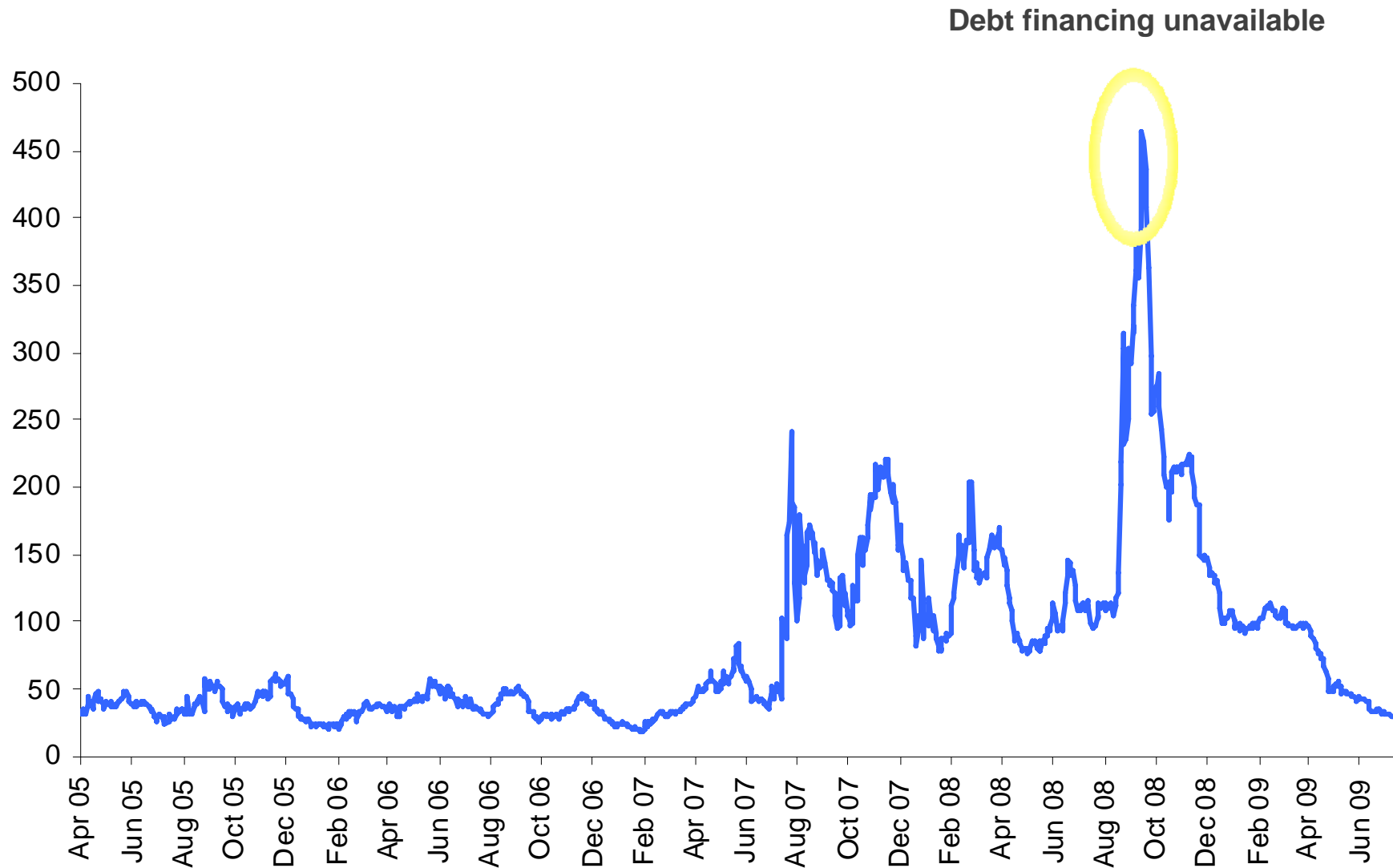
Guy Carpenter Global Reinsurance Composite Cashflow 1st Half 2009 v 1st Half 2008



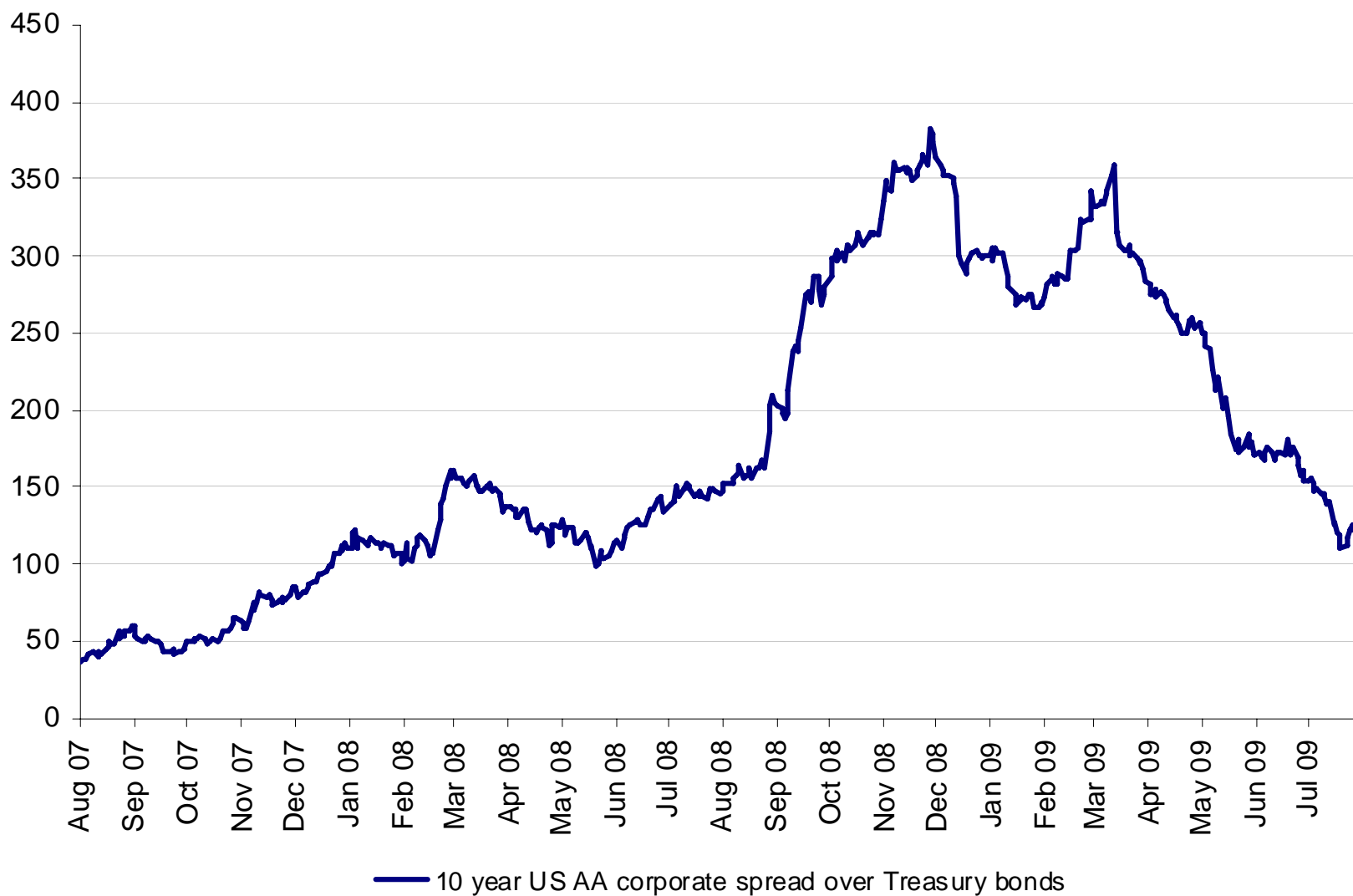
Change in Shareholders' Funds



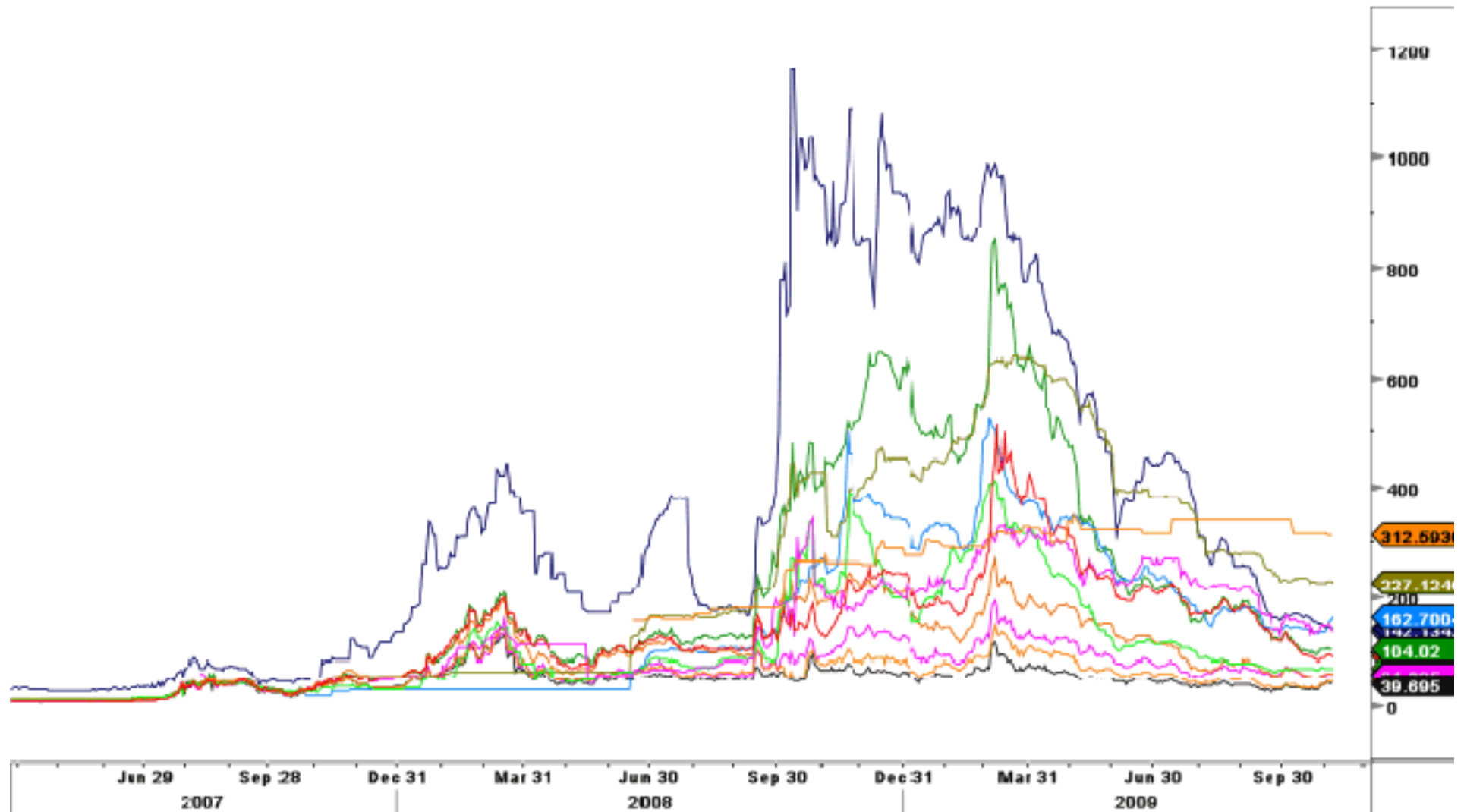
OIS Spread below 30 bps



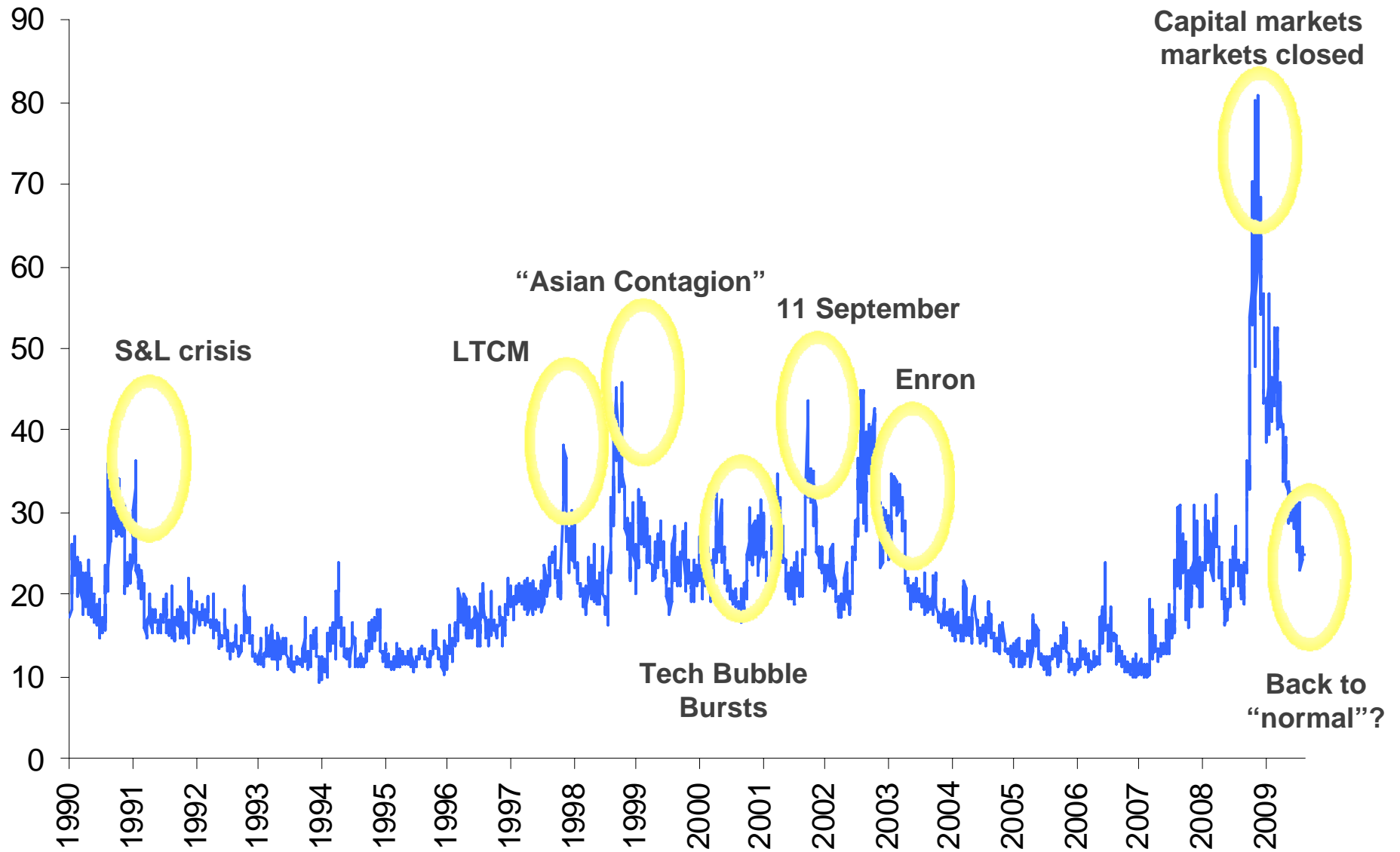
US 10 year AA corporate spreads approaching 100 bps



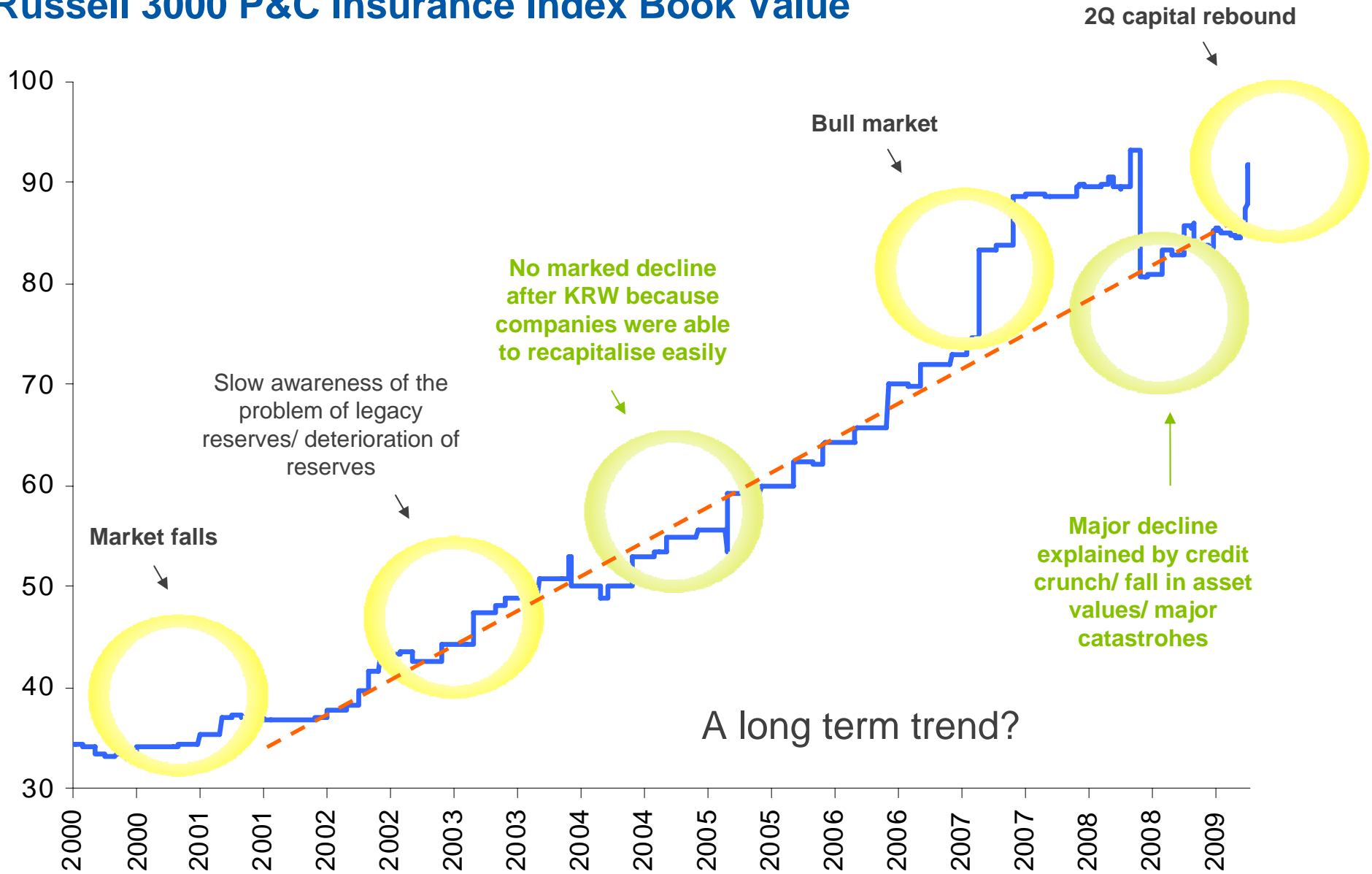
CDS spreads tightening



VIX Index - a measure of implied stock market volatility



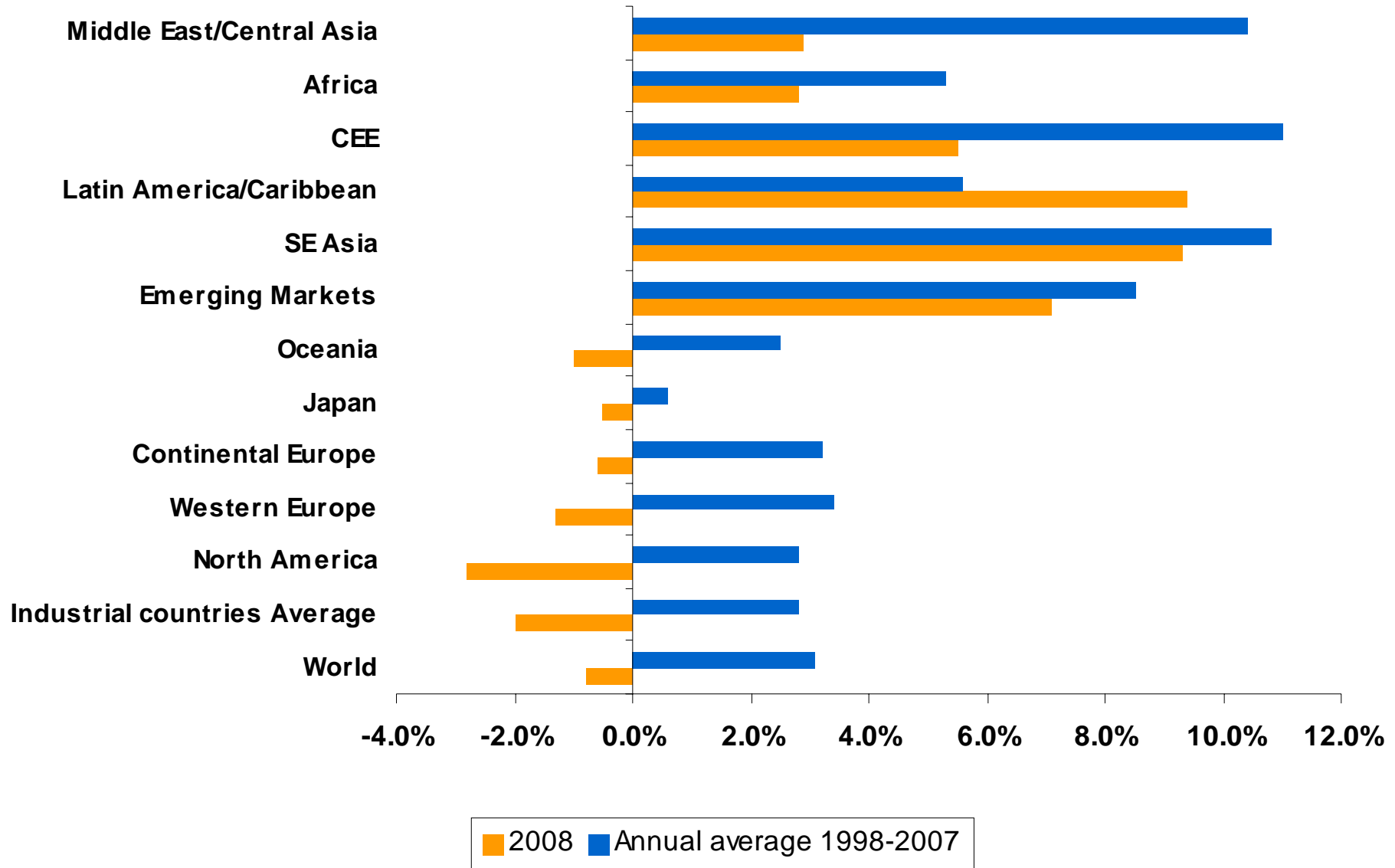
Russell 3000 P&C Insurance Index Book Value



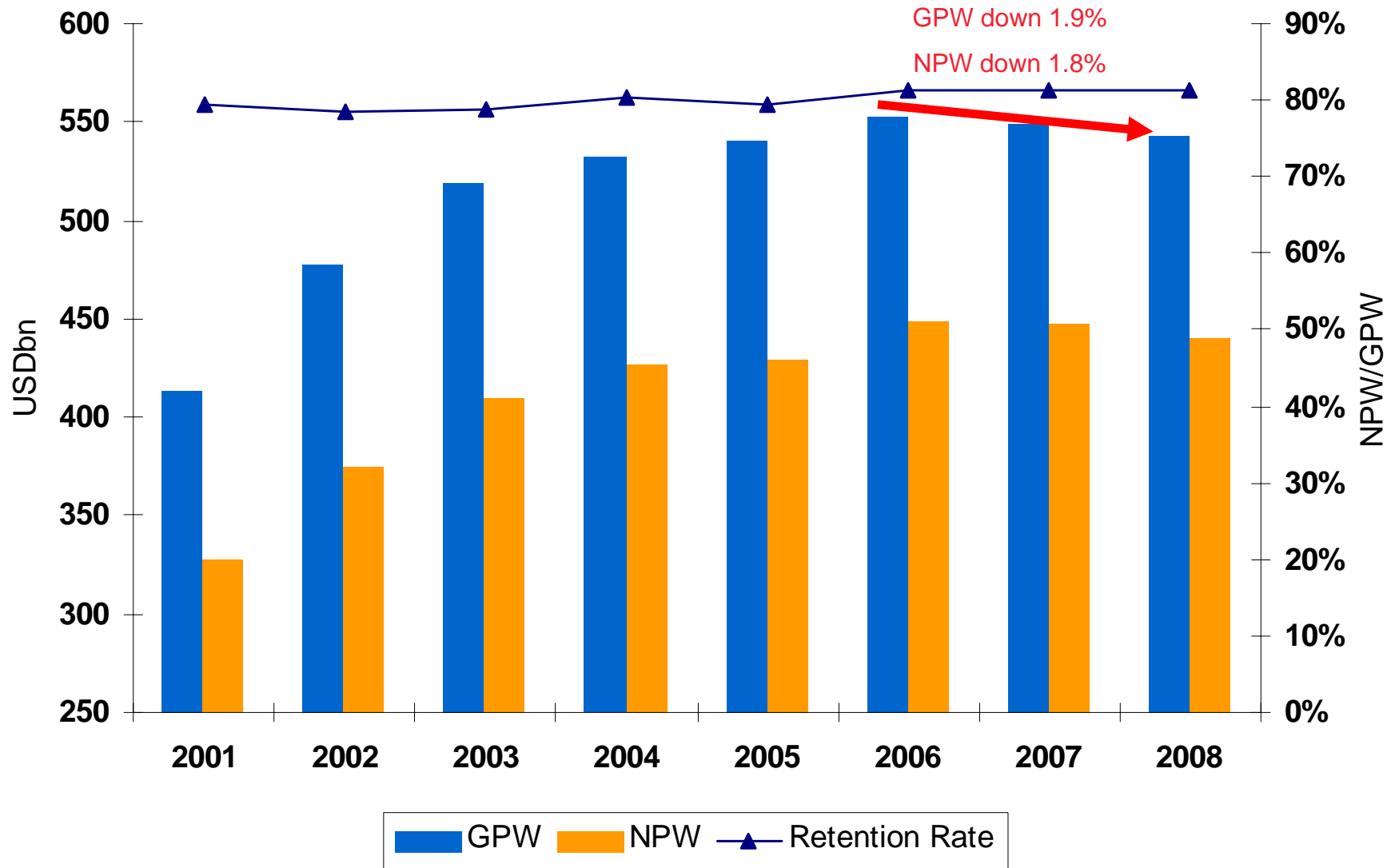
Source : Guy Carpenter, Bloomberg data

World P&C Insurance Growth 2008

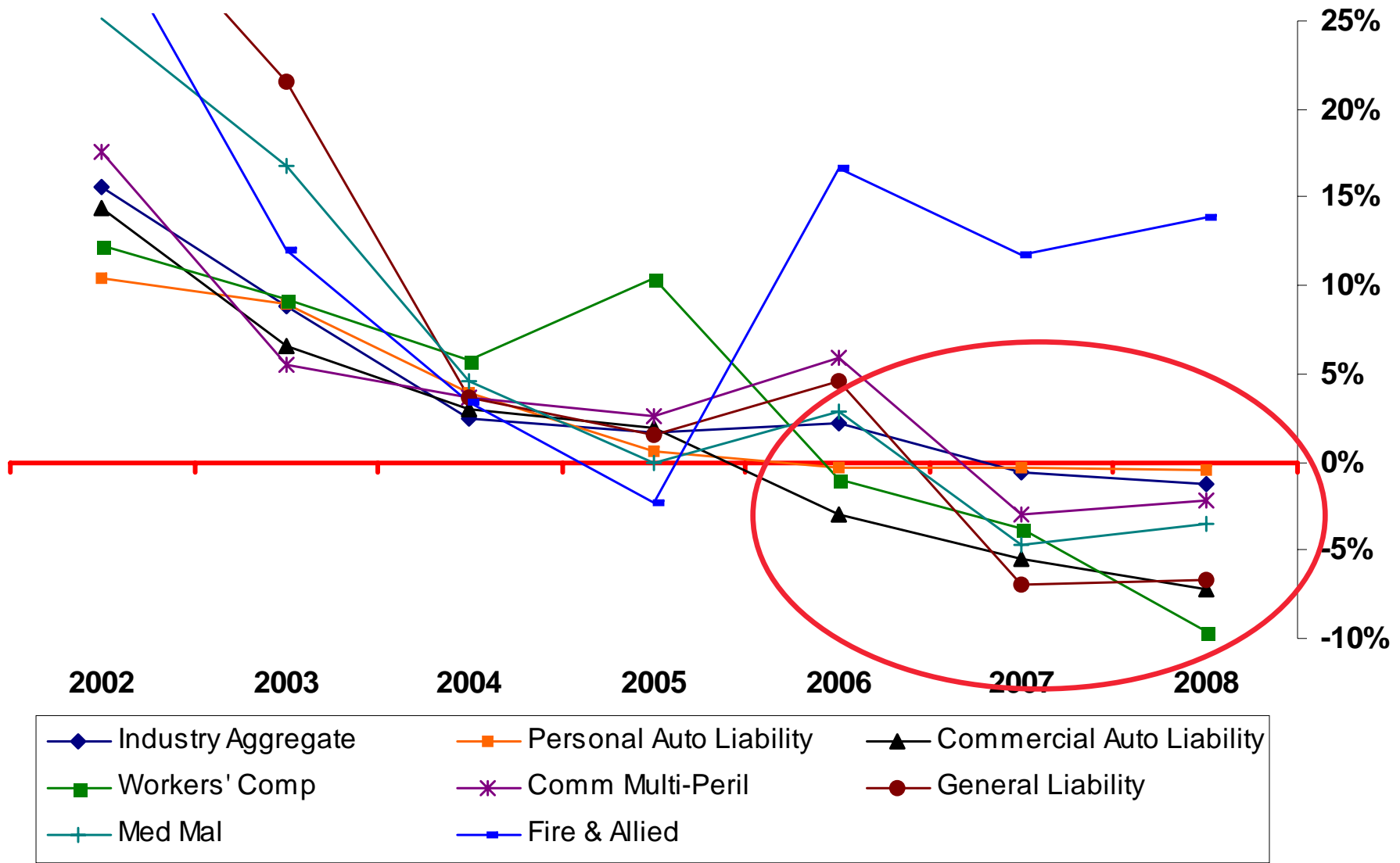
Industrialised countries hit by recession, emerging markets solid



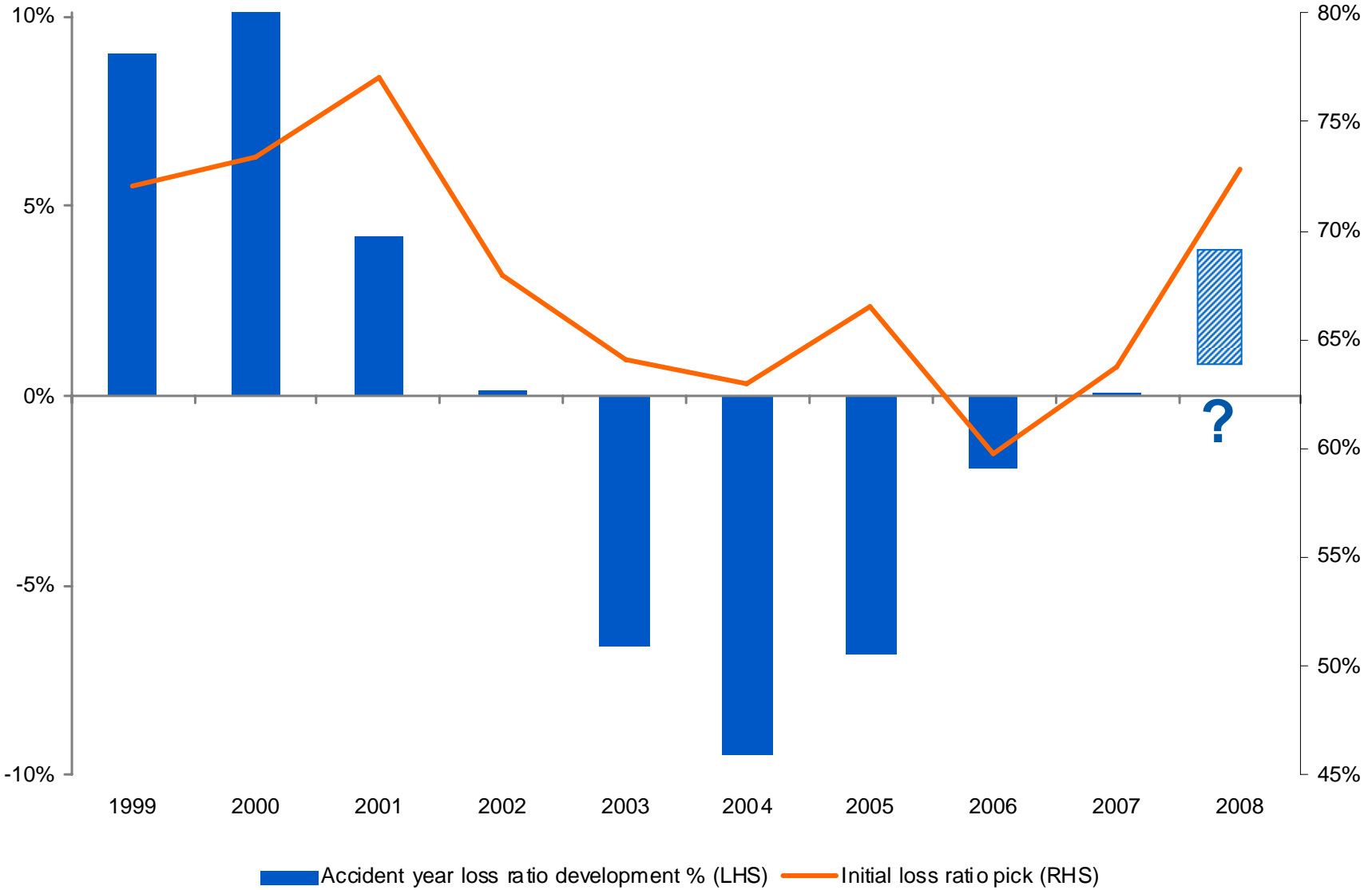
US P&C Premiums 2001-2008



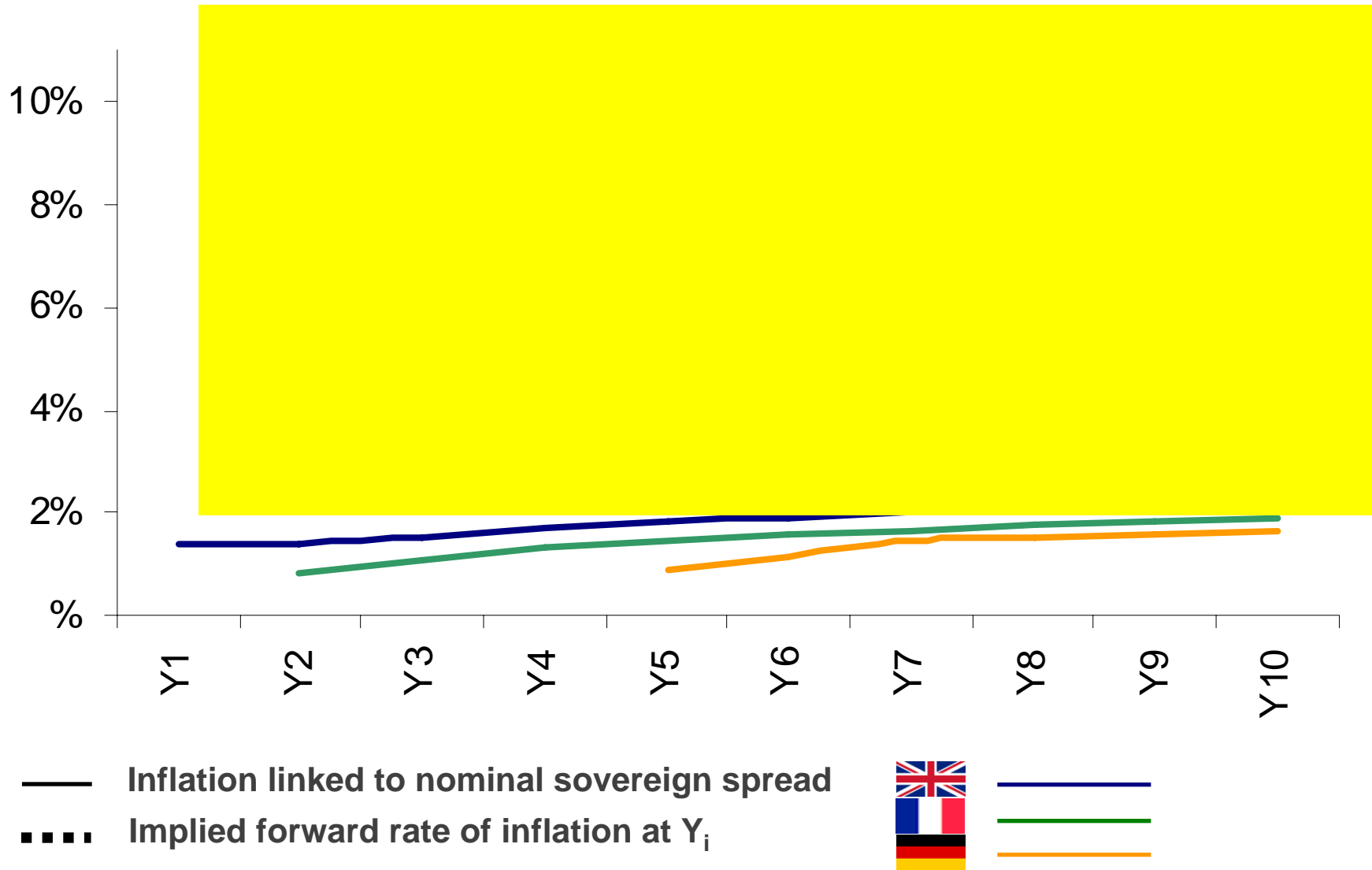
US P&C Sector Gross Premium Written Growth Rates 2001-2008



Long-tail clouds on the horizon? US P&C initial accident year loss ratios & subsequent development



EU inflation expectations



Outlook - absent shocks

- Balance sheet restoration
- Diversification
- Demand pressure
- Generic single “A” market
- Capital markets thawing:
 - Cheap debt
 - Stabilising stock markets
 - Buoyant catastrophe bonds
- Capital: returns or retirement
- Long-tail cloud

Ample Capacity = Market Drift

Contact:

Chris Klein

T: +44 (0)207 357 3514

E: christopher.klein@guycarp.com

GUY CARPENTER



**MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN**

“Capitals are increased by parsimony, and diminished by prodigality and misconduct.”

Adam Smith, The Wealth of Nations, Book II, Chapter III



Important Disclosure

The information contained in this presentation provides only a general overview of subjects covered, is not intended to be taken as advice regarding any individual situation and should not be relied upon as such. Insureds should consult their insurance and legal advisors regarding specific coverage issues.

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, except that clients of Guy Carpenter need not obtain such permission when using this report for their internal purposes.

© Copyright - 2009 Guy Carpenter and Company Ltd. All rights reserved.

Guy Carpenter and Company Ltd is an Appointed Representative of Marsh Ltd, which is authorised and regulated by the Financial Services Authority.