

GUY CARPENTER



MARSH MERCER KROLL
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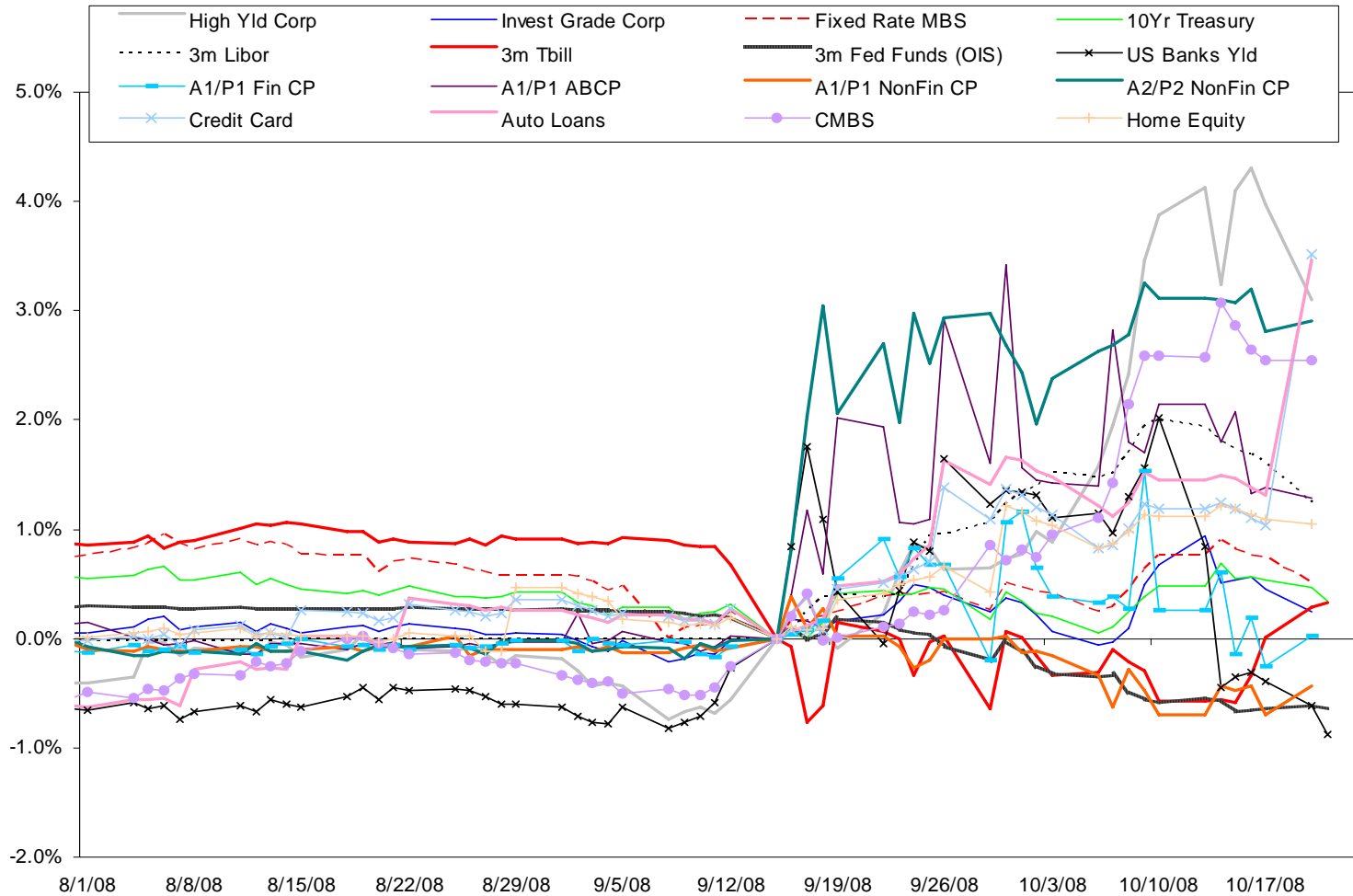
**CASRE
Annual Meeting**

Economic and Industry Outlook

Seán Mooney, Ph.D.
Chief Economist
May 19, 2009

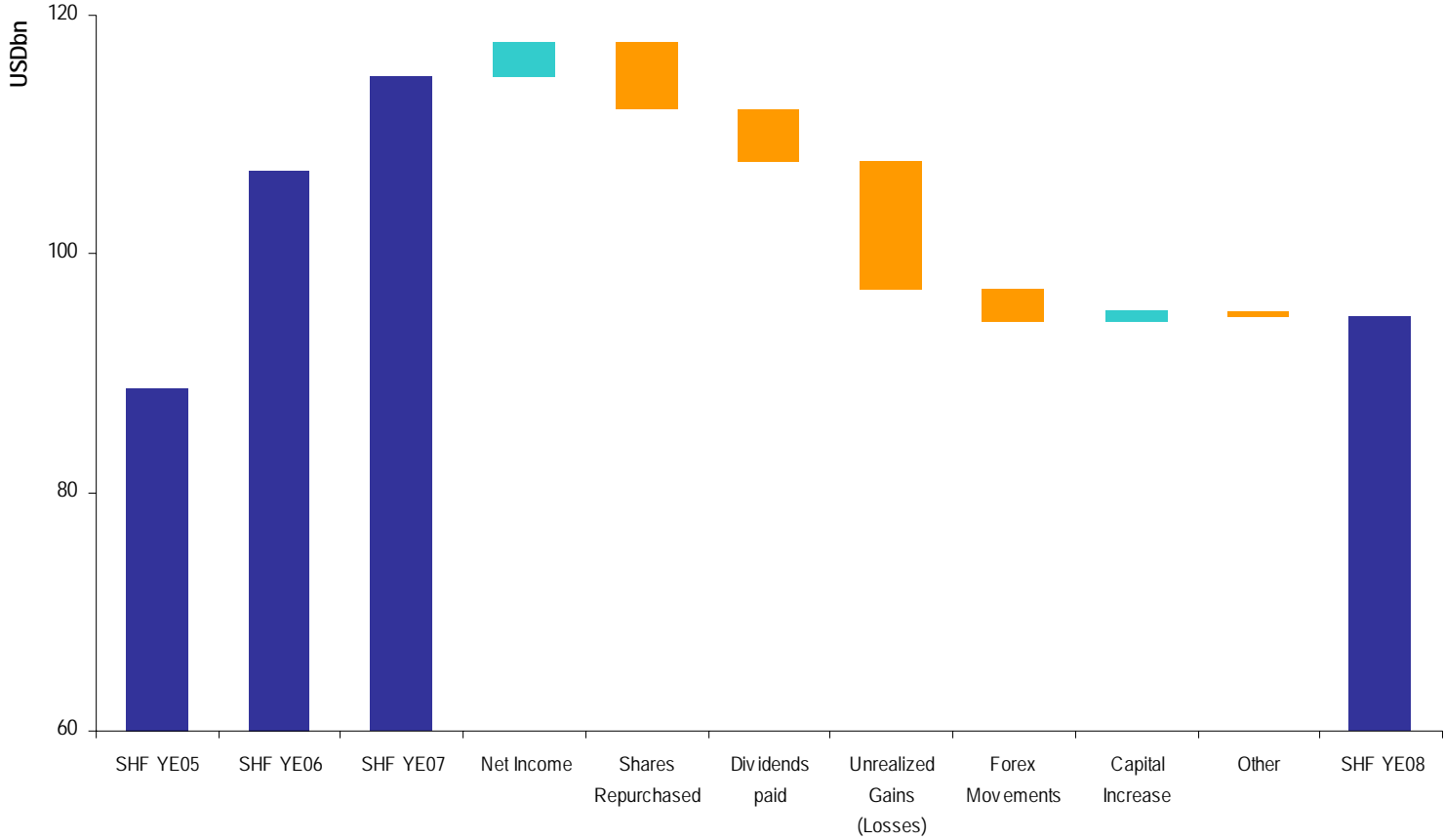
Third Phase Fall 2008 Insolvency and Recession

Change in Fixed Income Yields Indexed to Zero on September 15, 2008



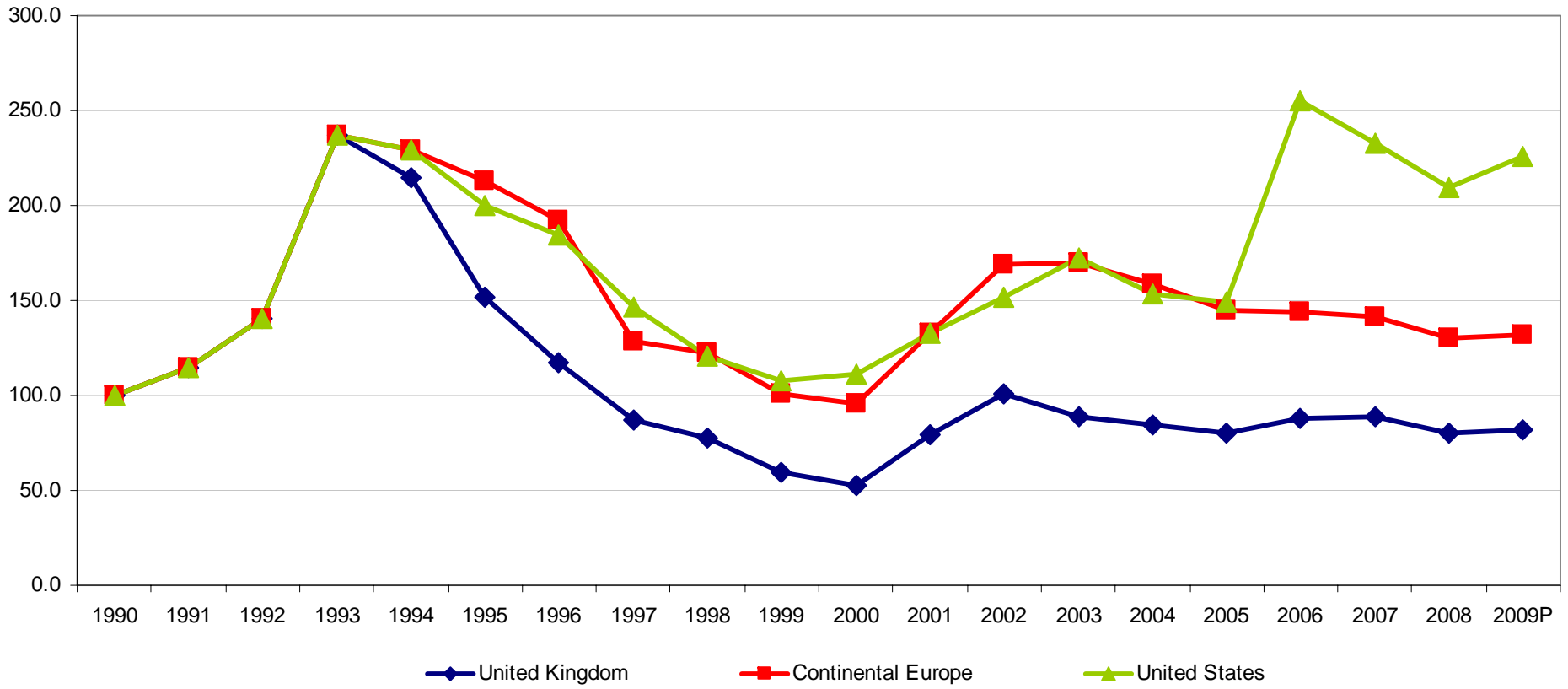


GC Global Reinsurance Composite - Change in Reported Shareholders' Funds in 2008



Reinsurance: ROL Index, Major Markets

1990 = 100



Evolving Catastrophe Reinsurance Market

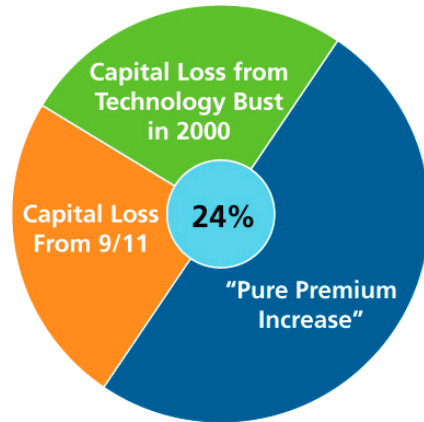
Renewal Year
1993



External capital in form of start ups

+\$10 Billion

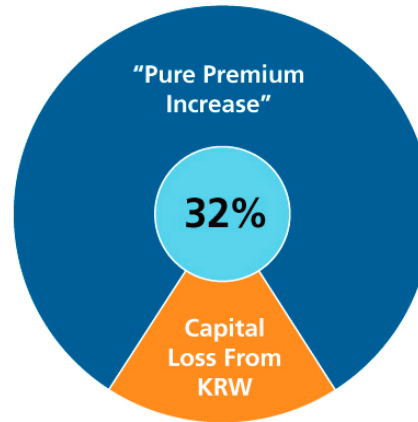
Renewal Year
2002



External capital in form of cat bonds and start ups

+\$16 Billion

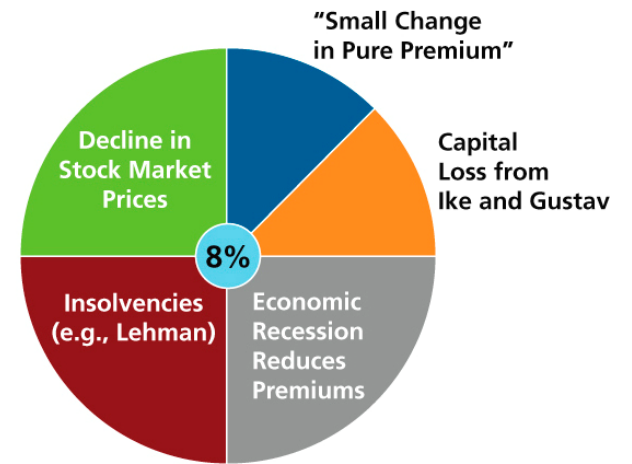
Renewal Year
2006



External capital in form of side cars, cat bonds, and start ups

+\$35 Billion

Renewal Year
2009



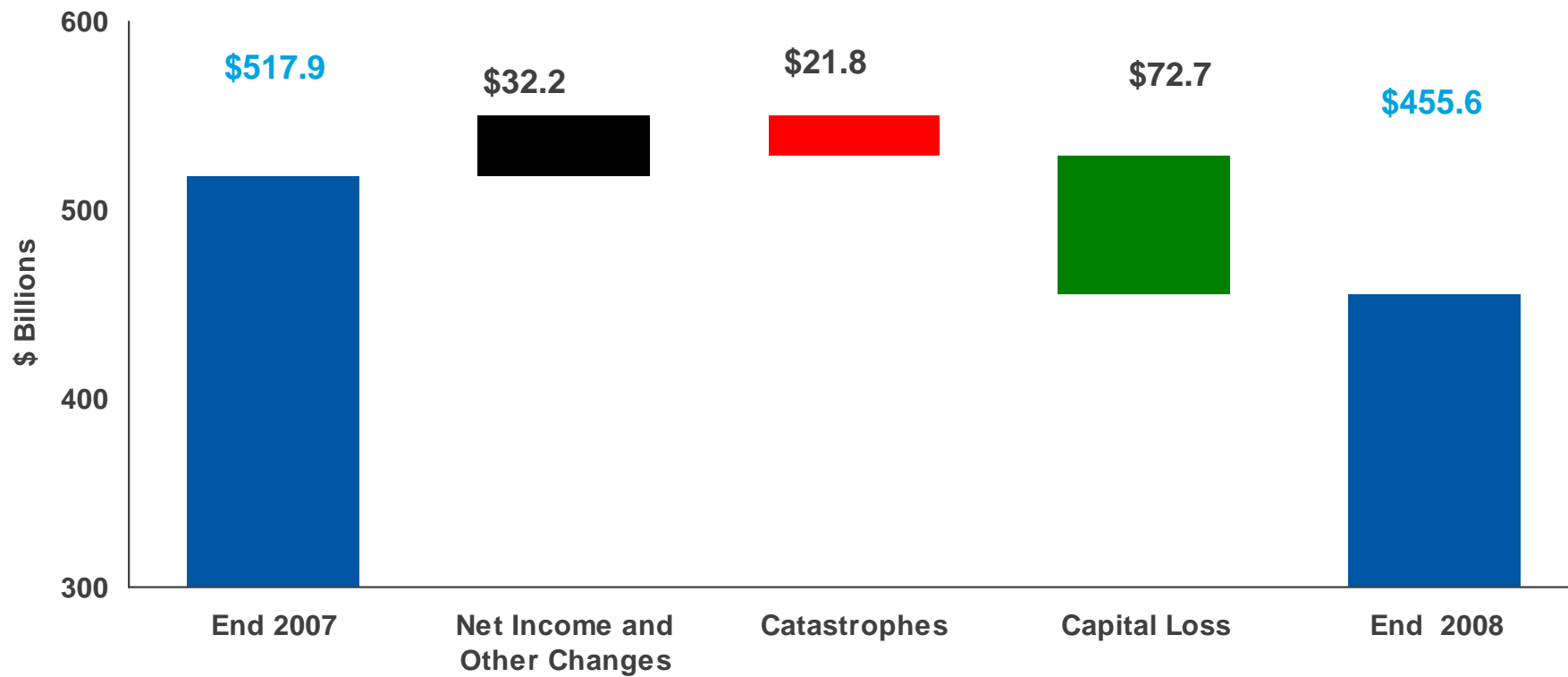
Cat bond market dries up July 2008

Minimal external capital

● % Increase in Rate On Line



Impact on Surplus of US Insurers in 2008
\$Billions



- Premium / Surplus Ratio: 0.95 X
- Actual Surplus / RBC: 6 X

Insurance

Impact of Recessions: **Red = Recession Years**
Blue = Normal Years

