

# News Release

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## **Guy Carpenter Reports Moderating Reinsurance Pricing Decline at January 1, 2017 Renewals**

*Innovation in Client Solutions Showed Increasing Importance*

**New York, January 5, 2017** – Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist and wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), reports the decline in reinsurance pricing moderated at the January 1, 2017 renewal across most classes of business and geographies, as compared to the past three renewal seasons. Several sectors experienced increased loss activity, which had only a localized impact on pricing while capacity remained plentiful. After remaining fairly stable in 2015, dedicated reinsurance capital increased by 5 percent from January 1, 2016 to January 1, 2017 as calculated by Guy Carpenter and A.M. Best. The convergence capital segment increased by 10 percent.

The Guy Carpenter Global Property Catastrophe Rate-on-Line index tracking property catastrophe pricing fell 3.7% at January 1, as compared to close to 9.0% a year ago. The ILS space, in contrast saw dramatic movement in pricing during the fourth quarter with decreases as high as 30 percent.

While catastrophe bond issuance in the first quarter of 2016 made it the most active first quarter in the market's history, second quarter catastrophe bond issuance fell to its lowest quarterly level since 2011. In response to this diminished pipeline, catastrophe bond providers responded with greater flexibility in coverage and significant decreases in price. While it is too early to judge the broader impact of these changes, the last round of market-wide reinsurance price decreases were triggered in part by catastrophe bond competition.

As the reinsurance sector continues to be flush with capital and price points are very attractive, product innovation and coverage customization remain a key focus. Continued exploration in the reinsurance space paved the way for many new advances, including expansion of solutions for historically difficult and under (re)insured risks such as flood. As risk from increasingly complex sources including climate change, cyberspace and nascent technologies continue to expand, this focus on broadening solutions will translate into ongoing positive market evolution.

“Although current renewals indicate that the decline in reinsurance pricing is slowing, this moderation was not surprising and the more interesting development may be the continued evolution of coverage and solutions to meet changing client needs,” said Peter Hearn, CEO of Guy Carpenter. “An abundance of available capital and improving analytics tools are essential components to create support for notable advances. An innovative mindset is the key to success in today's marketplace as the increasing complexity of risk brings new levels of uncertainty.”

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Significant global insured loss activity reached a four-year high in 2016, with insured loss increasing over 50 percent from 2015. Losses were spread throughout several regions and perils with no single mega-event driving the increase. Renewal pricing impacts were localized.

## 2017 Outlook

“The 2017 (re)insurance market will be challenged to offer solutions that utilize increasing amounts of capital effectively in a complex landscape, requiring insurers to be increasingly diligent and responsive to prepare for the uncertainty ahead,” said David Priebe, Vice Chairman of Guy Carpenter and Head of GC Securities.\* “We’re continually adapting to evolving markets to ensure our clients are provided with the product offerings that best meet their needs and the needs of their constituents to adequately insure a vast range of problems. With the current abundance of capacity and low interest rate environment, the complexity of the industry’s issues will make for a challenging yet impactful year ahead.”

While there are many areas of focus for product expansion and evolution in the coming year, with political volatility increasing globally, terrorism coverage needs will require a high level of vigilance. In keeping up with insurer needs, reinsurance is adapting to the evolving nature of terrorism and striving to close gaps in existing coverage. In addition, new technologies, big data and predictive analytics, coupled with the “sharing” economy will continue to present both challenges and opportunities for insurers in the year ahead.

## TAGS/KEYWORDS

Guy Carpenter, GC Securities, catastrophe bond, renewals, January, alternative capital, Asia Pacific, EMEA, David Priebe, Peter Hearn

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