

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

- The Property market remains soft. Reductions will depend on CAT exposure and industry type, but we expect rates will fall 15% on average.
- If your account has poor loss experience or has been aggressively marketed the last few years, your decrease might be less than 15%.
- Incumbent underwriters are fighting to maintain their position on accounts while prospective underwriters are aggressively pursuing new business.
- Most accounts are over-subscribed at renewal.
- Treaty reinsurance costs have been down by 15% in 2010 and even 20% in some cases.
- Commercial Property insurers posted an **89%** combined loss ratio in 2009. Risk losses have been low in 2010, but CAT losses significant (\$10-12 billion from the Chile earthquakes, nearly \$3 billion from the New Zealand earthquake). **The market remains soft despite these losses.**
- Policyholder surplus in Q1 2010 increased by a record breaking \$29.2 billion (5.7%) from 2009 to \$540.7 billion.¹
- Markets may consolidate in strategic pursuit of market share.
- Rates softened over the course of 2010.

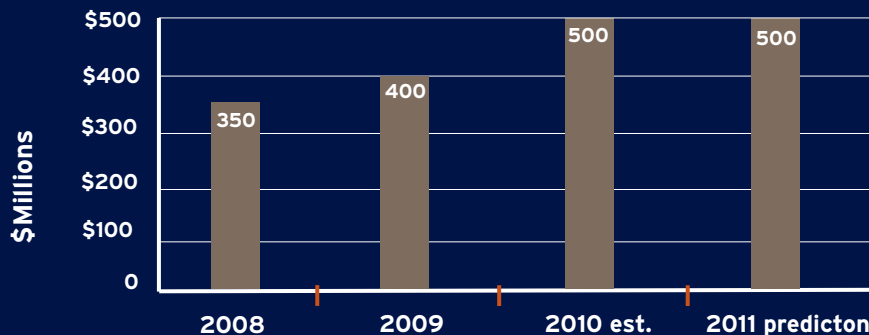
PROPERTY

PRICE PREDICTIONS

NON-CAT
-15% to -20%

CAT (or poor loss experience)
-10% to -15%

CAT PROPERTY CAPACITY ON DIFFICULT ACCOUNTS



INDUSTRY HIGHLIGHTS

- **Health Care** — Incumbent insurers are trying to hold the line on rates but alternative insurers are competitive and the result continues to be flat or slightly lower rates. Wind-exposed properties are seeing a reduction in deductibles/retentions.
- **Real Estate** — Rates down 10% even in CAT zones.
- **Technology/Media/Telecom** — Rates will be flat to down 10%.

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¹ IBNR Weekly 6/25/2010 issue