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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

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Renewal strategy in Hard Market presented by William Lee

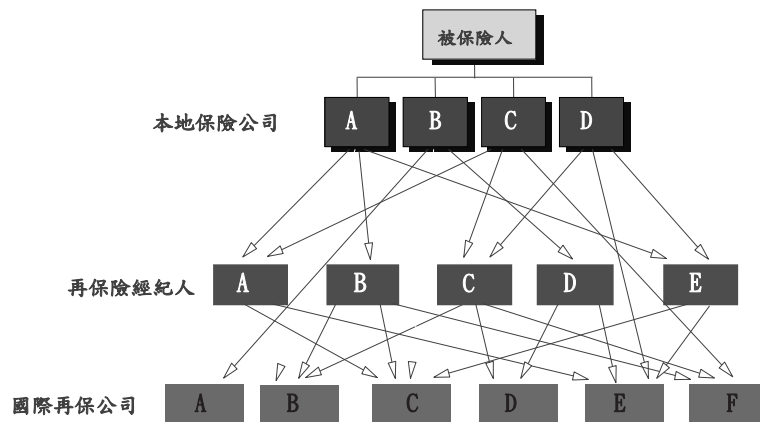
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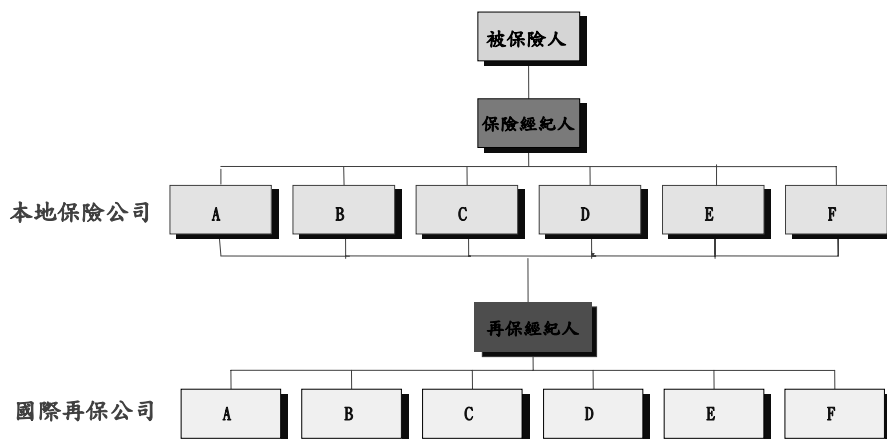
Contents

- Reinsurance Arrangement for Larger Risks
- Property Insurance Market
- Today's Market
- Key Factors of Successful Placement in Hard Market
- Liability Risk Map

巨大保額保險傳統採購模式



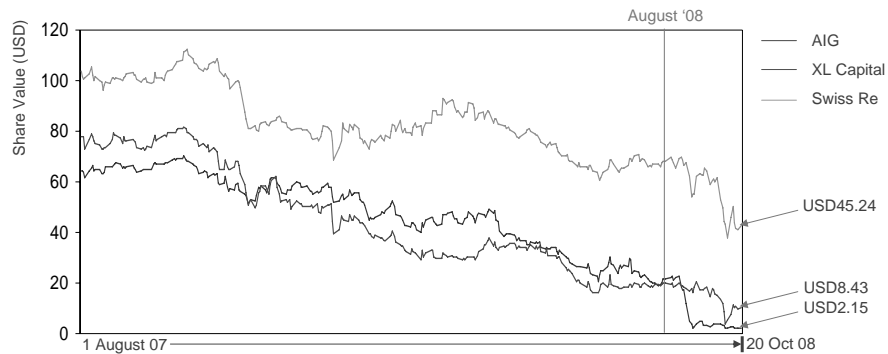
巨大保額保險普遍流行採購模式



A volatile risk landscape

The credit crisis

- From August 2007 to August 2008, insurers and reinsurers were at the edge of the financial crisis
- The exceptions were the credit/monoline insurers such as AMBAC or SCA
- AIG, Swiss Re, and XL also saw their share price under pressure as they had developed 'sophisticated' financial products.



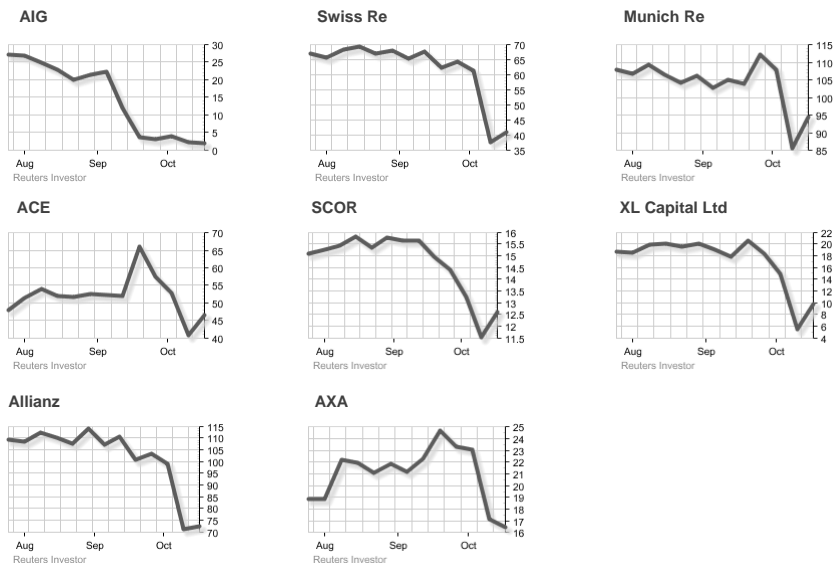
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Sources: <http://finance.google.co.uk>, <http://www.swissre.com>

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A volatile risk landscape

Crisis of confidence: Share price of major carriers, last 3 months

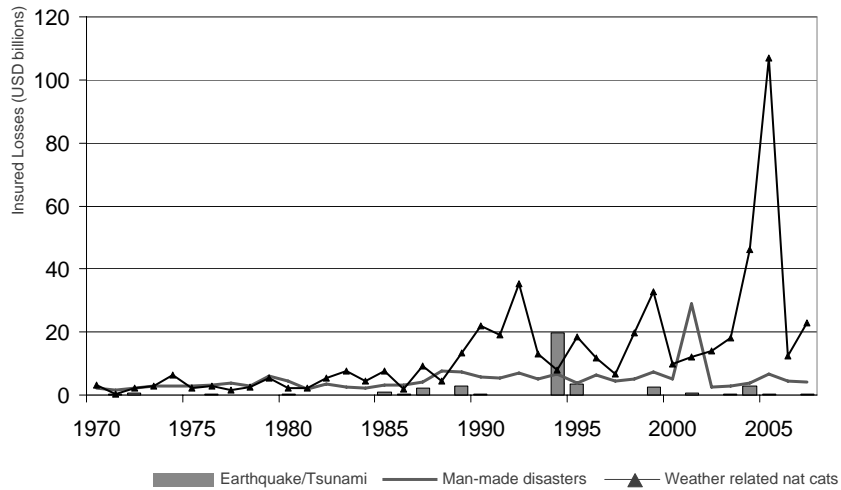


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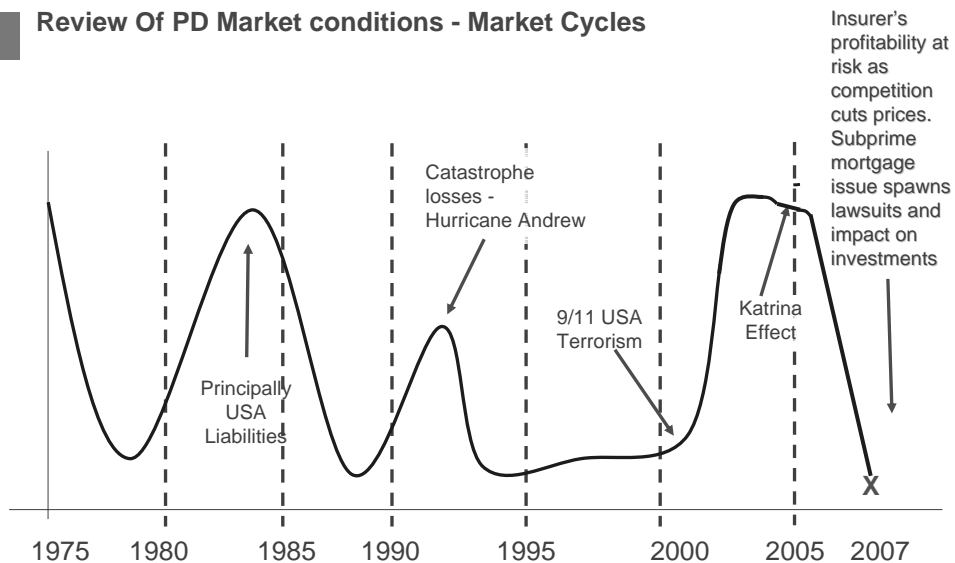
Catastrophes

Insured catastrophe losses 1970 to 2007



Source: Swiss Re

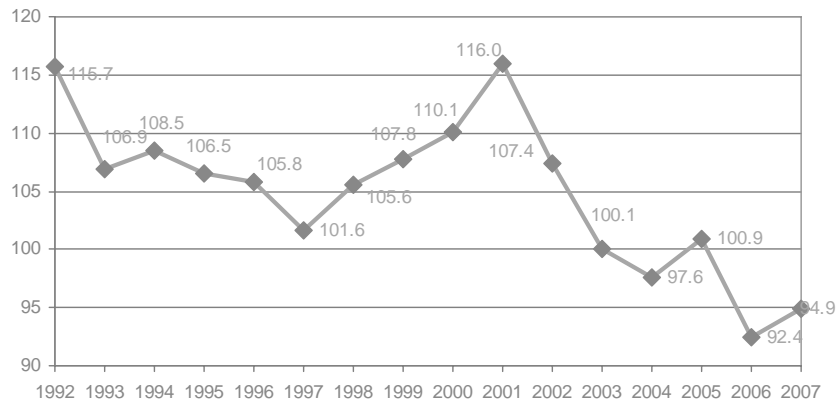
Review Of PD Market conditions - Market Cycles



Insurer's profitability at risk as competition cuts prices. Subprime mortgage issue spawns lawsuits and impact on investments

1992-2007 US Insurance Market Combined Ratio

Data Source: A.M. Best Company



2004 : Full-year Underwriting Profitability Achieved for First Time in over 25 Years

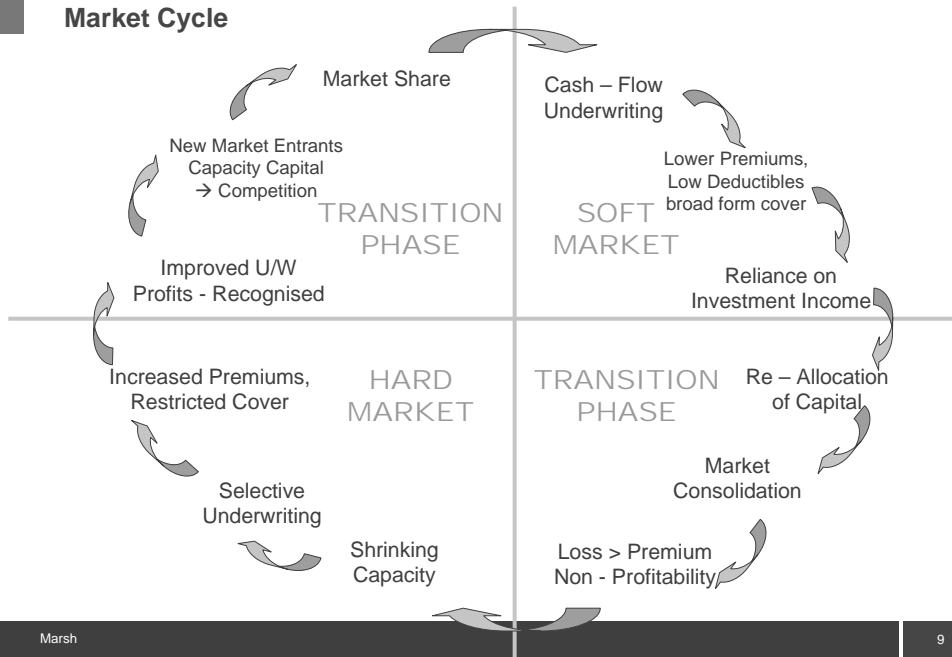
2005 : Combined ratio rises 2.4 points to 100.9

2006 : A combined ratio of 92.4 percent, achieved strongest performance since 1949.

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Insurance Market Overview Market Cycle

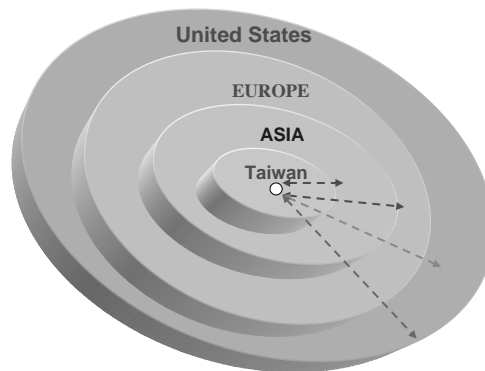


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Insurance Market – Competitiveness by region

- The diagram below shows how the market competitiveness in general has changed across the globe for Taiwan clients



Price Competitiveness (best price at the epicenter)

Today's Market

- Disparity between local, regional and International markets has become more pronounced
- Increasingly difficult to obtain support from some of the International Professional Reinsurance companies in good price reduction years
- Globally an increasing number and quantum of insured losses in developing and developed markets
- Loss of investment income is already creating more focus on underwriting returns and profitability
- Above Average Hurricane losses in the US during 2008
- Some markets trying to reduce capacity in view of difficult treaty negotiations now taking place.

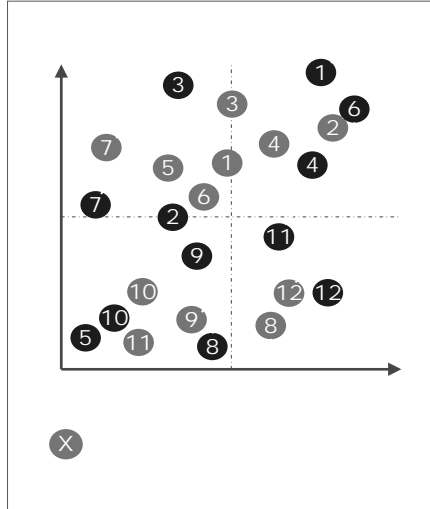
Key Factors of Successful Renewal in Hard Market

- Clearly defined renewal placement strategy and renewal objectives
- Ability to positively sell client's risk quality
- Approach all markets
- Secure competitive markets and move off expensive markets
- Effective communications on daily basis for market feedback and approach progress
- Maximize capacity first then negotiate price reduction
- Restructure placement program

Key Factors of Successful Renewal in Hard Market

- Well manage markets' expectations throughout the renewal process
- Best use of competitive markets capacity
- Market presentations to key international markets
- Face-to-face negotiations with insurers / reinsurers

Baseline Liability Risk Map – Semiconductor & Tech Services (Sample)



#	Liability Risk	Insurable	A company
		Y /	*
			*
		Y	*
		Y	✓
		Y	*
		Y	*
		Y	✓
		Y	✓
		Y	✓
		Y	✓
		Y	*
		Y	✓

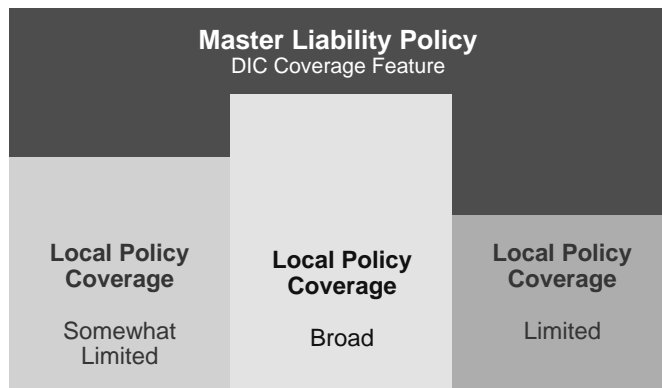
* : not currently insured

✓ : currently insured

★ : currently cover sudden and accidental only

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International Liability Program Structure Coverage



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International Liability Program Structure Limits

