



Presidents' Forum on Meeting Coastal Challenges: *Insurability of the Coast*

New Orleans, Louisiana

June 16, 2008

Agenda



1. Coastal Exposure and Reinsurance Overview
2. State of the Property Reinsurance Market

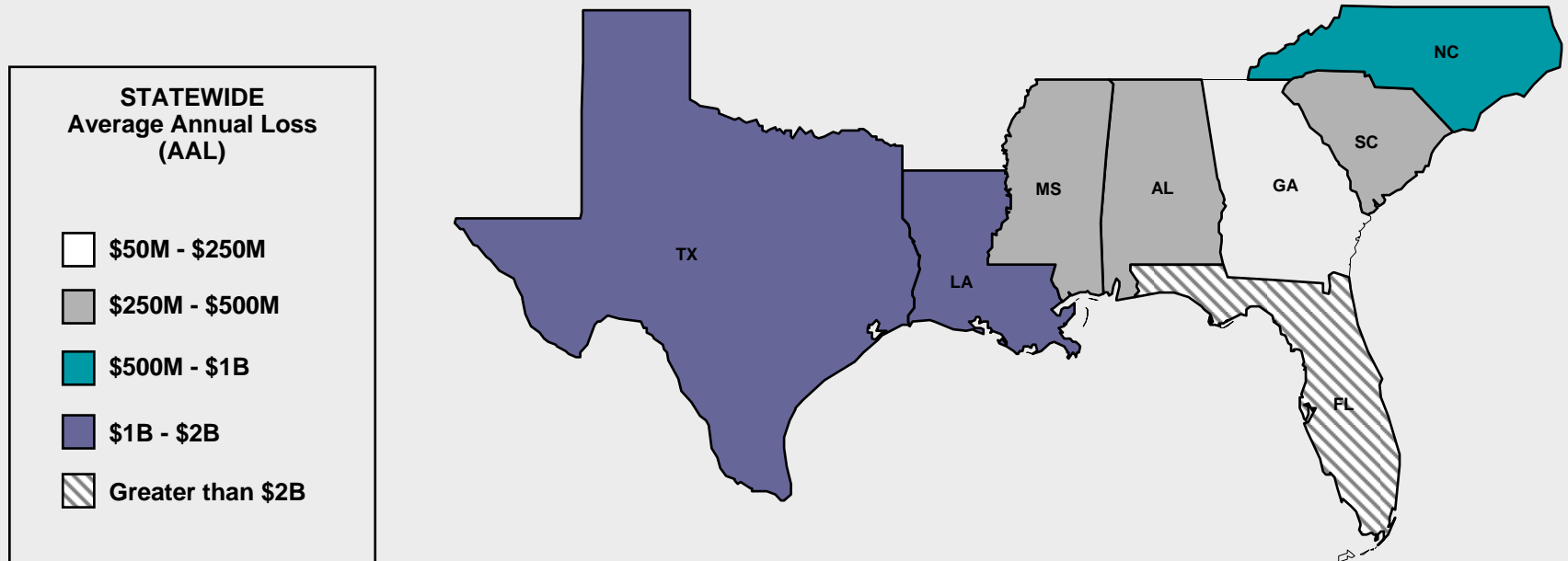
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Coastal Exposures and Reinsurance Overview



- Significant coastal exposure drives the need for reinsurance

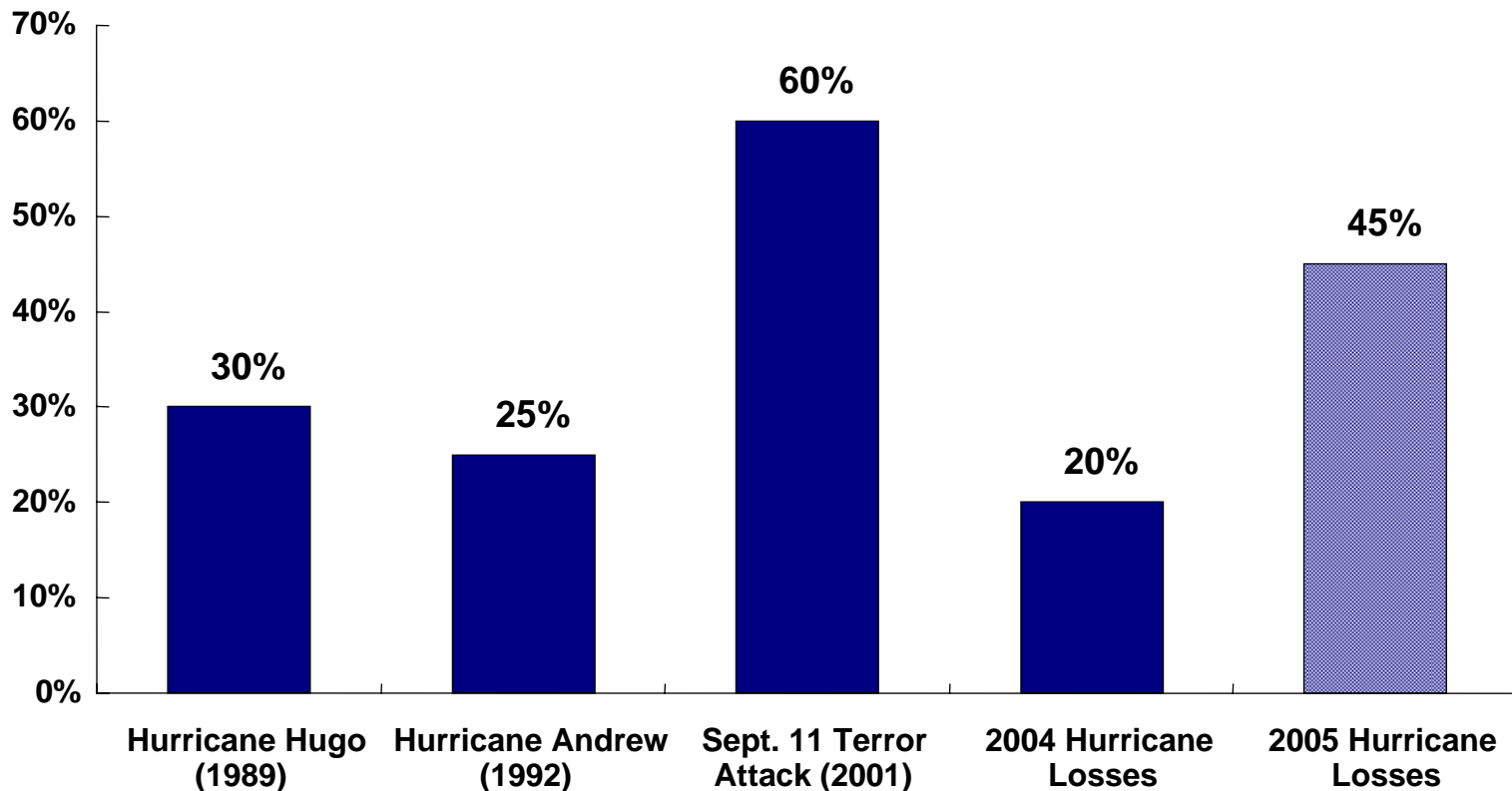


RMS v7.0 near-term with all surges for All Lines of Business

Share of Losses Paid by Reinsurers



- **Reinsurance Plays an Important Role in the Financing of Mega-Catastrophes**



Source: Wharton Risk Center, Disaster Insurance Project; Insurance Information Institute

Note: Excludes losses paid by the FHCF. FHCF payments to insurers are estimated at \$3.85M for 2004 and \$4.5B for 2005

Coastal Residual Market Reinsurance

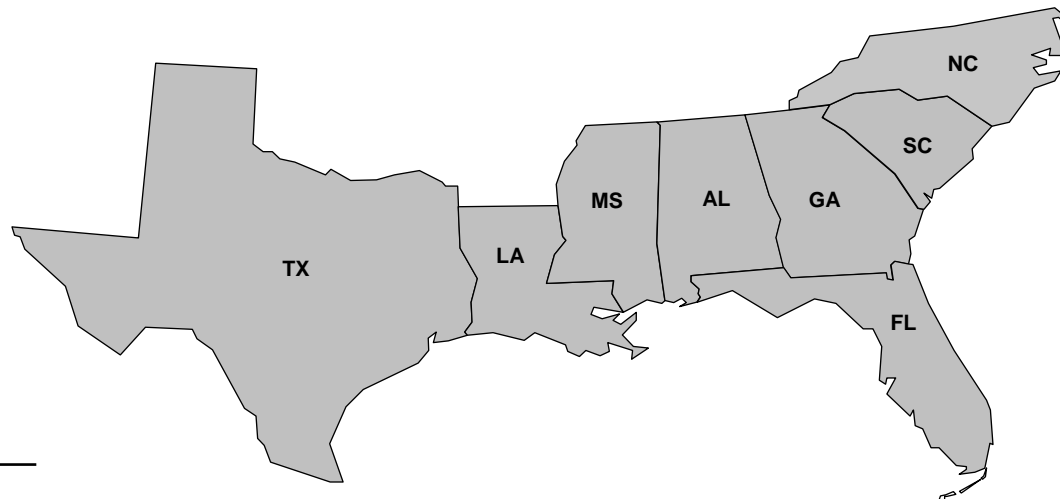


- Reinsurance is Playing an Increasingly Important Role in the Financing of Catastrophes for Residual Markets
- Estimated Total Reinsurance Limit Purchased for Residual Markets: TX to NC

1998
\$990M
\$123M Avg. / State

2008
\$6.28B
\$785M Avg. / State

- **Three of the SE Residual Markets Did Not Purchase Reinsurance in 1998**
 - Today All of Them Purchase Reinsurance



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State of the Property Reinsurance Market

Reinsurance Prices Continue to Decrease



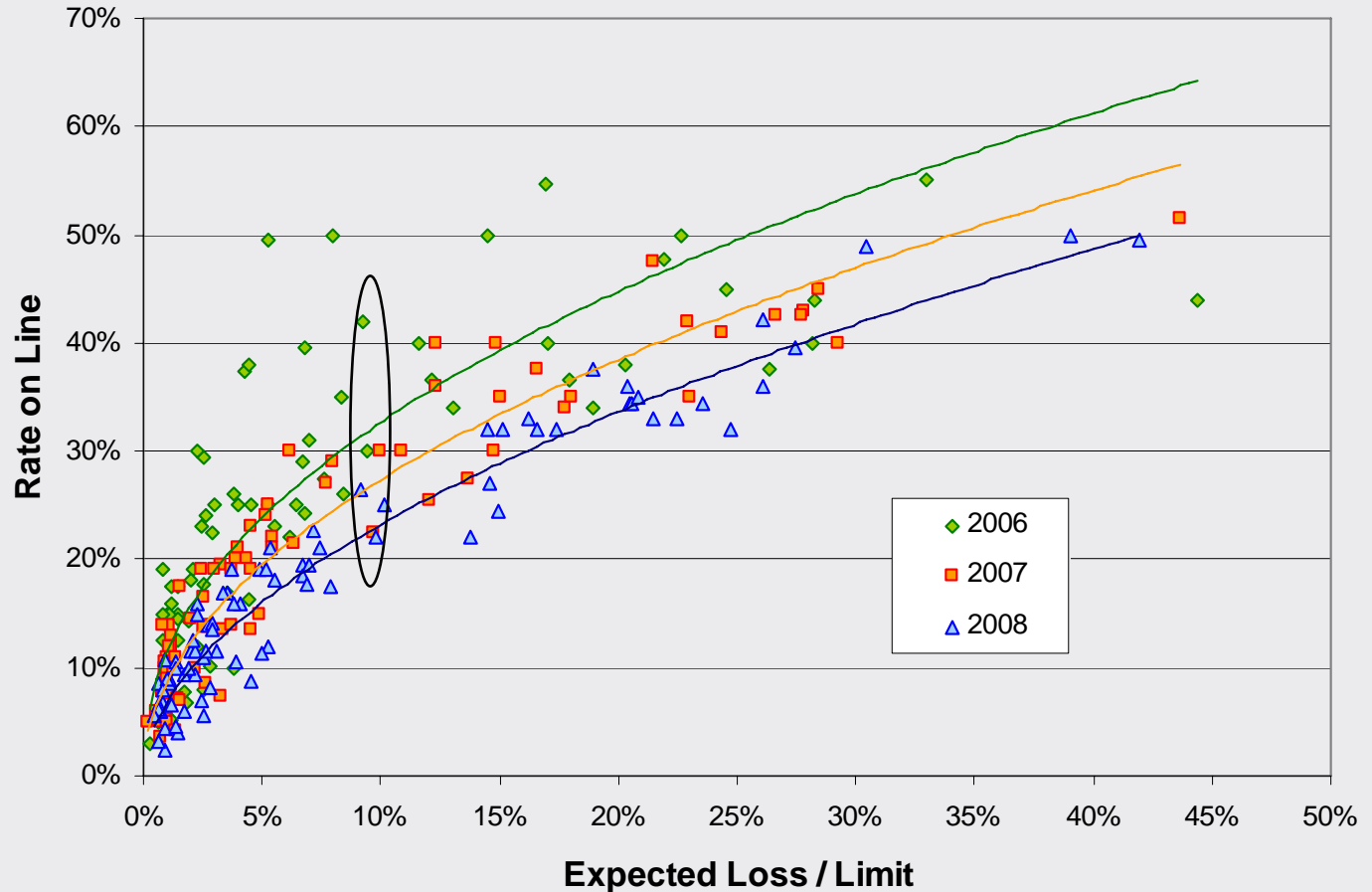
- **Significant Price Change for Similar Layers from 2006 to 2008**

- **For layers with 10% Expected Loss / Limit**

- 2006 to 2007
Price Change:
- 16%
- 2007 to 2008
Price Change:
- 15%

ROL VS. EXPECTED LOSS / LIMIT: JUNE RENEWALS

(All Companies)



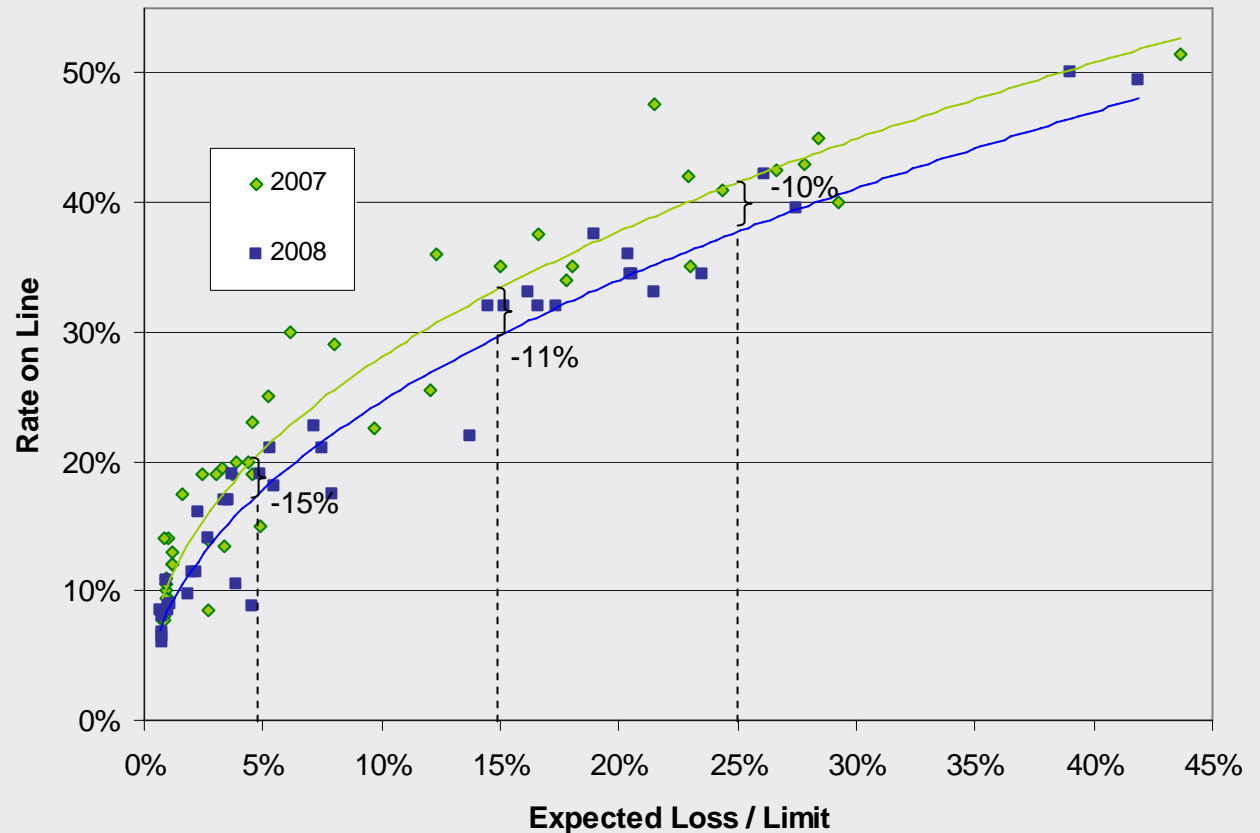
Near-term RMS v6.0 with LA, no SS for 2006 and 2007 Renewals
Near-term RMS v7.0 with LA, no SS for 2008 Renewals

Florida-only Price Decrease



ROL VS. EXPECTED LOSS / LIMIT: JUNE RENEWALS
(FL-Only Companies)

- Price decreases from 7% to 20% for the higher layers and 7% - 10% for lower layers
- 15% - 20% for the higher layers and 7% - 10% for lower layers



Near-term RMS v6.0 with LA, no SS for 2007 Renewals
Near-term RMS v7.0 with LA, no SS for 2008 Renewals



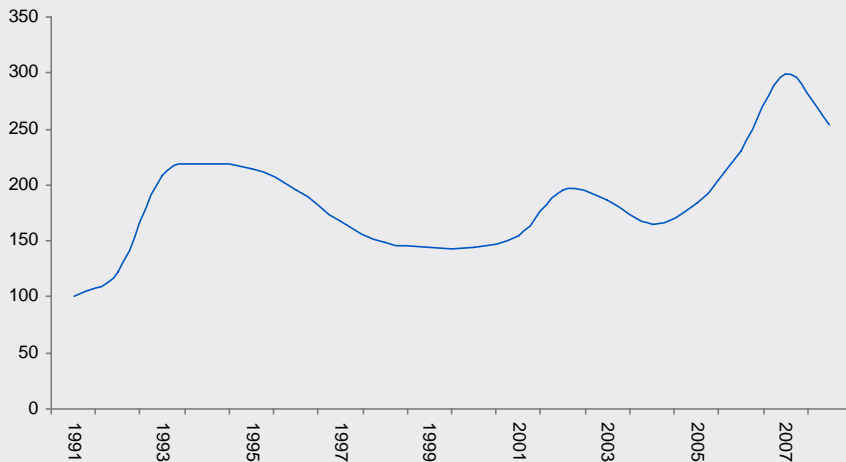
- **Historical reinsurer price monitoring allows brokers to analyze each reinsurer's quotes and determine who will ultimately support a placement**
- **Each Layer of each Treaty is analyzed**
- **Benfield tracks each reinsurer's quotes and firm order term authorizations**
 - On average reinsurers quoted +13% above the firm order terms they agreed to at June 1
 - Wide swing in pricing
 - *One reinsurer quoted 40% above a final price they ultimately agreed to*

Softening Reinsurance Market



- Overall 2% decrease in written premium to \$17.6B
- Renaissance Re had most significant decrease at -17%

U.S. CAT PRICE INDEX: OVERALL DECREASE IN 2008



Created using data from the following sources:
Paragon Index, Ren Re and Swiss Re

CHANGE IN WRITTEN PREMIUM BY REINSURER

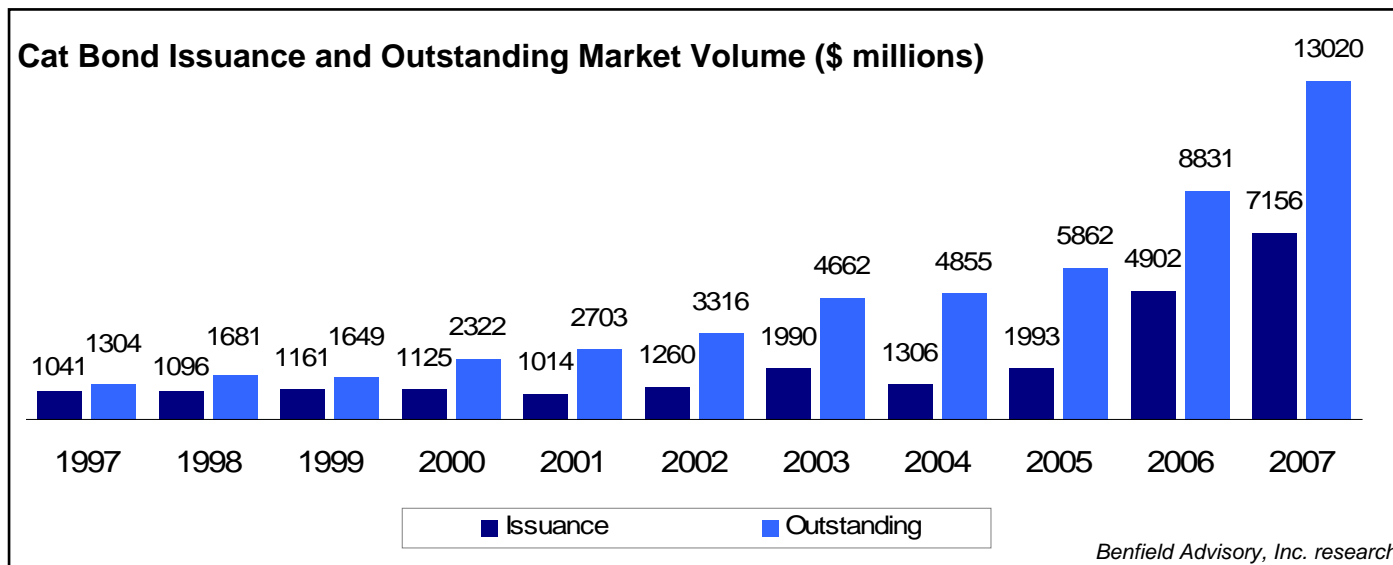
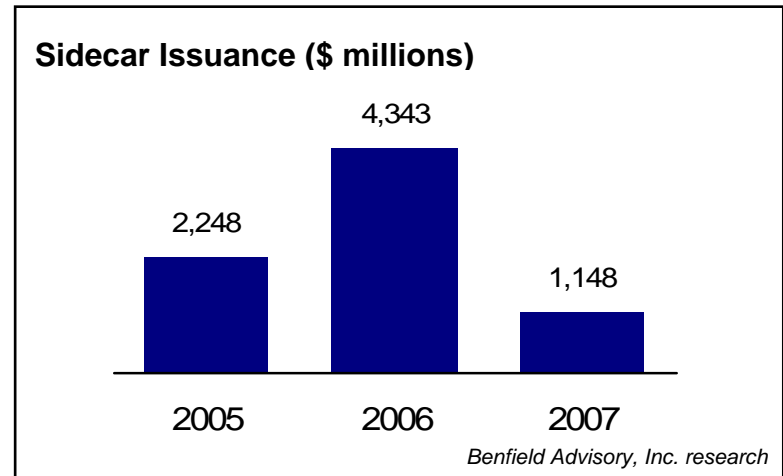
Reinsurer	Q1 2007	Q1 2008	Percent Change
ACE	4,496	4,409	-2%
XL	3,273	2,936	-10%
PartnerRe	1,302	1,439	11%
Axis	1,303	1,264	-3%
White Mountains	1,202	1,178	-2%
Arch	1,211	1,053	-13%
Everest	1,017	878	-14%
Endurance	573	869	52%
Aspen	637	596	-6%
RenaissanceRe	633	527	-17%
Validus	378	522	38%
AWAC	438	397	-9%
Max Capital	214	307	43%
Platinum	303	300	-1%
Montpelier	261	257	-2%
Flagstone	207	242	17%
IPC	236	198	-16%
Lancashire	181	187	3%
TOTAL	17,865	17,559	-2%

USD (Millions)
Benfield Bermuda Quarterly

Overview of ILS Activity Since KRW



- Substantial growth in three main forms of Insurance Linked Securities: Cat Bonds, Sidecars and ILWs
- In addition, there has been an influx of hybrid capital participation on traditional reinsurance programs
- Cat Bond issuances \$7bn in 2007 with outstanding volume over \$13bn at year end 2007
- ILW market and private Cat Bonds witnessed dramatic growth from around \$1bn per year to over \$7bn
- Cat Bond market flat 2008 over 2007, with Sidecars becoming less prevalent as market softens





- Majority of property catastrophe programs with significant coastal exposure renew at 6/1 and 7/1
- Overall price decrease around 15%
- Firm orders were completed at the low end of the quote range or slightly below
- Additional capacity made available at firm order terms
- No significant change in terms and conditions
- Convergence with capital markets continued



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