

The Influence of the 2010 – 2011 Catastrophe events on the (Re)Insurance market

Presented by Thomas Dubecq

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CAT NAT Losses in 2010 – 2011

CAT / NAT 2010 – 2011

Event Type	Event Location	Insured Loss (USD)	Reinsured Loss (USD)
2010			
Earthquake	Chile	8,500,000,000	8,000,000,000
Windstorm Xynthia	France, Portugal, Spain, Belgium, Germany	3,650,000,000	1,750,000,000
Earthquake	New Zealand (Darfield)	5,500,000,000	3,600,000,000
2011			
Earthquake	New Zealand (Lyttleton)	10,500,000,000	7,000,000,000
Earthquake	Japan (Tohoku Region)	35,000,000,000	12,000,000,000
Flooding	Australia (Queensland)	2,660,000,000	1,800,000,000
Severe Weather	U.S.A Tornadoe and Hurricane	28,000,000,000	5,000,000,000
Earthquake	New Zealand (Sumner)	500,000,000	170,000,000
Total		94,310,000,000	39,320,000,000

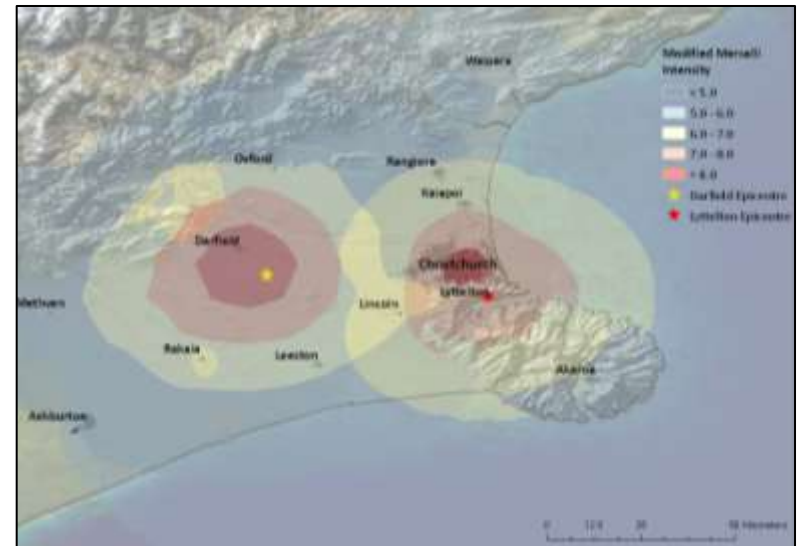
Chile Earthquake



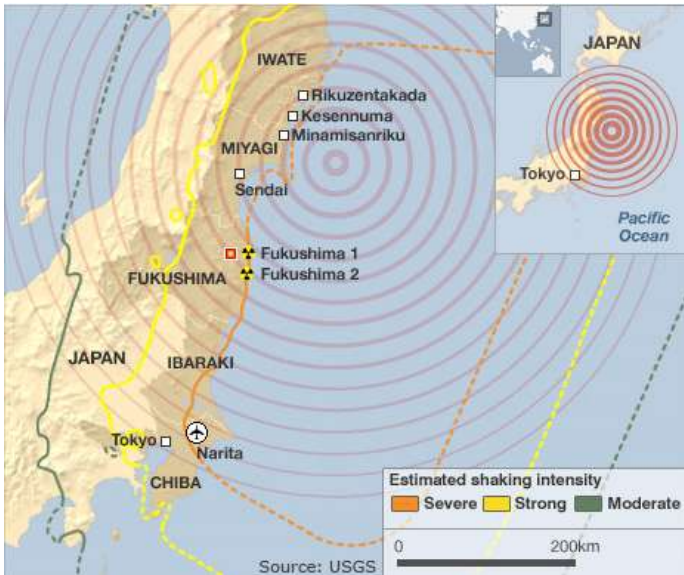
- Loss Richter Scale Magnitude 8.8, 210 miles SW of Santiago
- Estimated Return Period, 80 - 100 Years
- 521 lives lost
- Estimated Economic Loss USD 31bn
 - Approx. 18% of GDP
- 95% Reinsured
 - Estimated Insured Loss USD 8.5bn
 - Estimated Reinsured Loss USD 8bn
 - (Treaty 3.2bn, Fac 4.8bn)

New Zealand Earthquakes

- Loss Richter Scale:
 - Magnitude 7.1 Darfield, 4th Sept 10
 - Magnitude 6.3 Lyttleton 22nd Feb 11
 - Magnitude 6.3 Sumner, 13th June 11
- Estimated Return Periods 500 - 2500 years
- 182 Lives lost
- Estimated Economic Loss USD 21bn
 - Approx. 12% of GDP
- 73% Reinsured
 - Total Estimated Insured Damage USD 17bn
 - Total Estimated Reinsured Damage USD 13bn



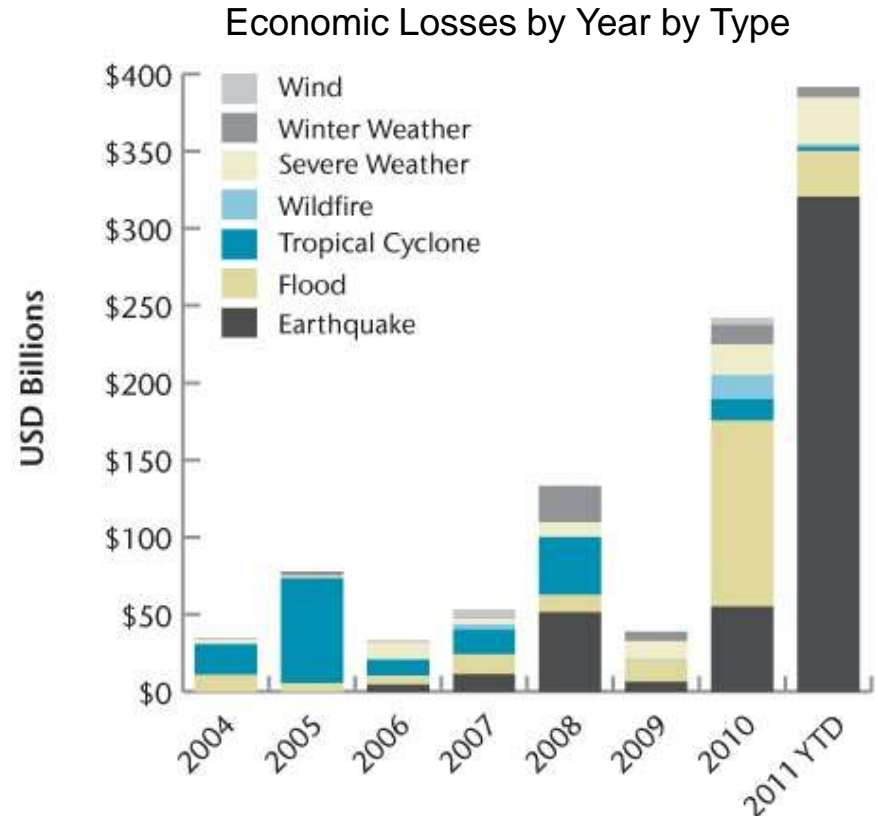
Japan Earthquake



- Loss Richter Scale Magnitude 9.0 Tohoku, 234 miles NE of Tokyo
- No Estimation of Return Period was made for an event above M 8.8 in that location
- 15,822 Lives lost
- Estimated Economic Loss USD 200bn – 300bn
 - 3.5% - 5.5% of GDP
- 45% Reinsured
 - Estimated Insured Loss USD 35bn
 - Estimated Reinsured Loss USD 12bn

Conclusion

- Earthquake events have dominated catastrophe losses in 2011
- 2010
 - **USD 17.65bn** Insured Loss
 - **USD 13.35bn** Reinsured Loss
- 2011
 - **USD 76.66bn** Insured Loss
 - **USD 25.97bn** Reinsured Loss
- Total since Chile EQ
 - **USD 94.31bn** Insured Loss
 - **USD 39.32bn** Reinsured Loss
- 2011 economic losses to date are approaching USD 400bn while the average from 2004 to 2010 was USD 89bn

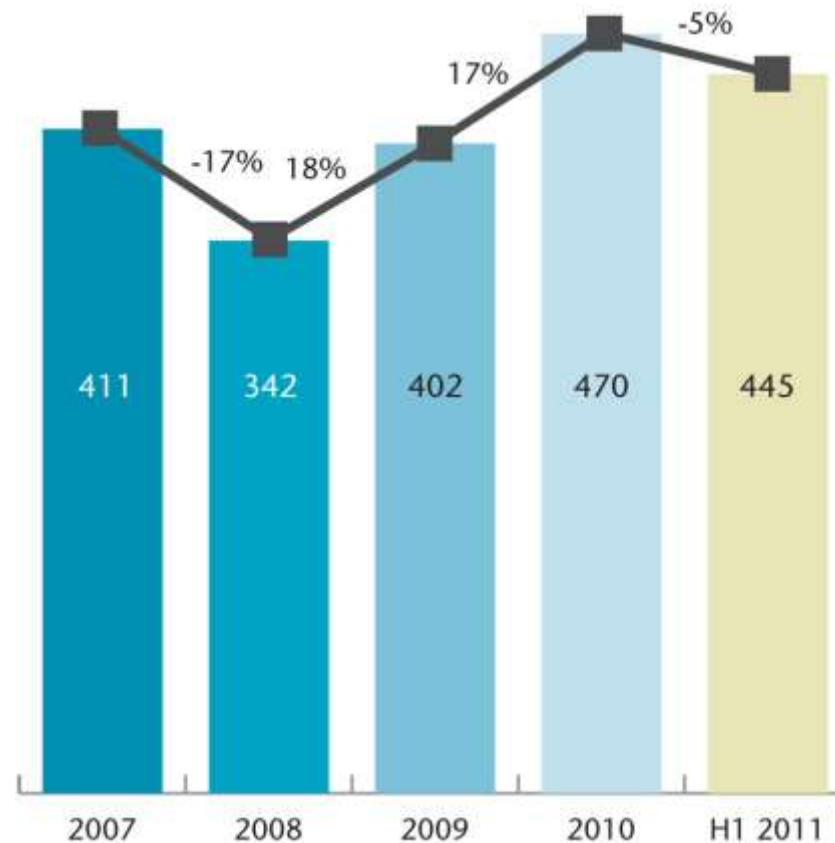


Section II

Financial Consequences on Insurance Industry

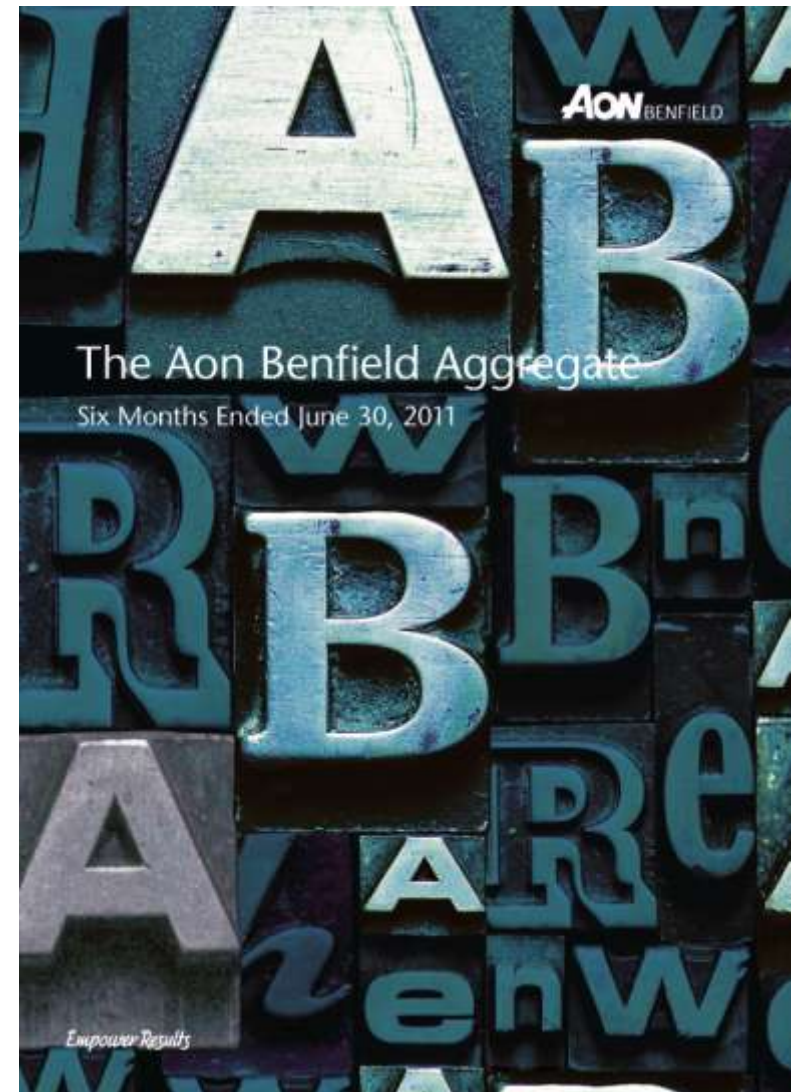
Market Outlook

- Global Reinsurer capital is likely to be higher at year end
- Capacity remains adequate to supply the current needs of insurers



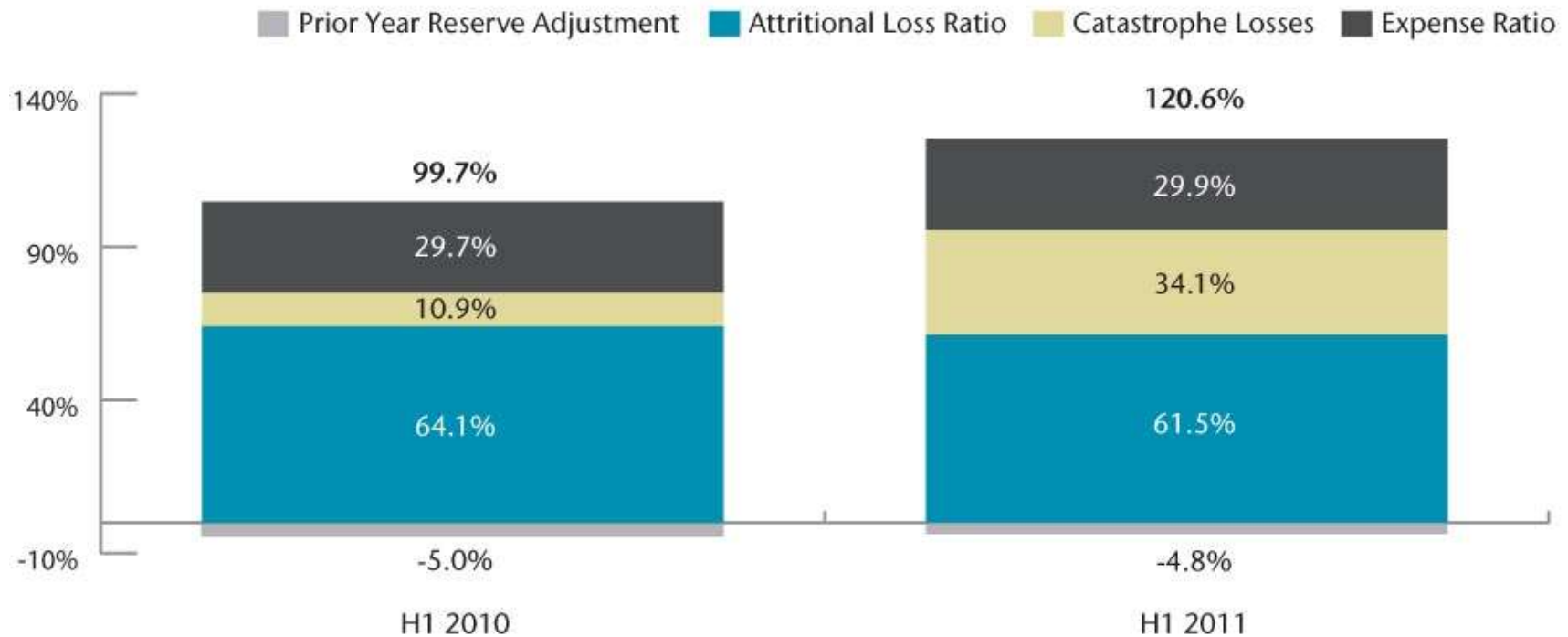
ABA – Aon Benfield Aggregate

- Analyzes the financial results of 28 companies with a specialization in reinsurance. Most are publicly listed, but a few are U.S subsidiaries of larger groups
- Represents approximately 50% of the estimated global reinsurer capital
- Provides a strong indication of overall global reinsurance trends

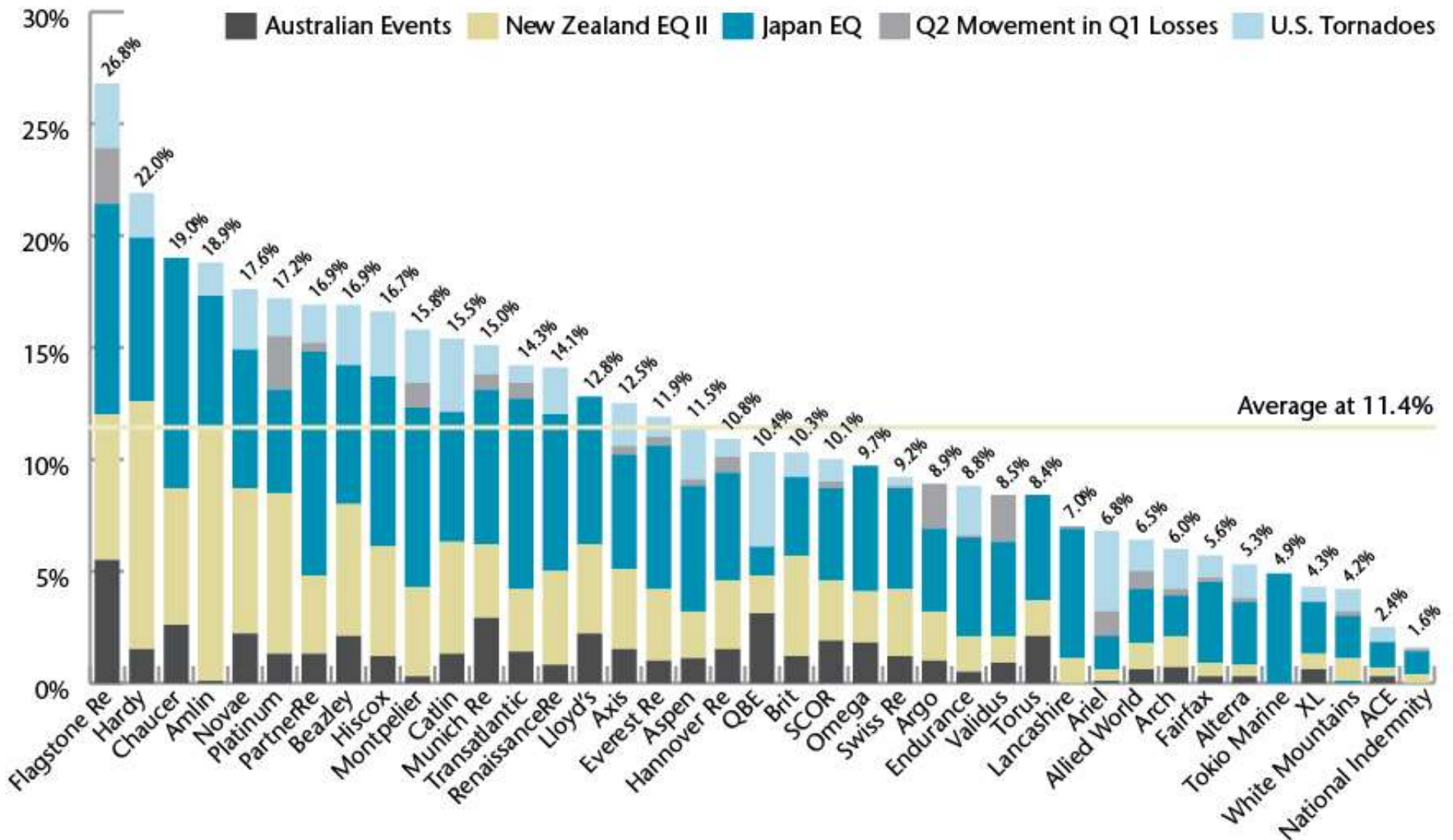


ABA – Combined Ratio Comparison

- Major events in Japan, Australia, New Zealand and the U.S. increased the catastrophe loss impact to the combined ratio from 10.9 percent for H1 2010 to 34.1 percent in H1 2011

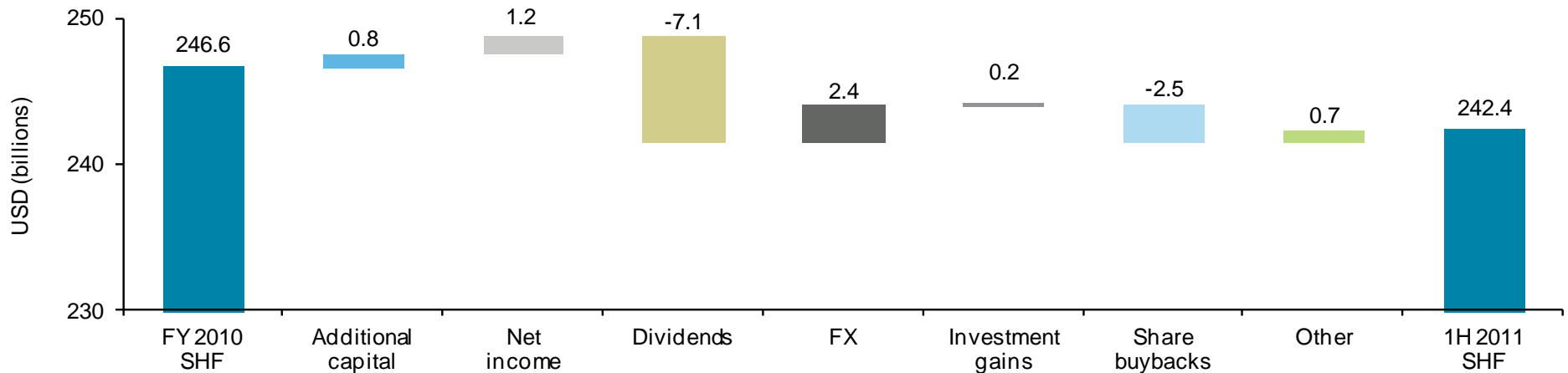


Impact of Cat Losses on Shareholders' Funds



ABA – SHF Development 1H 2011 vs FY 2010

- Dividends totalling USD 7.1bn and share buybacks totalling USD 2.5bn were the main drivers of the overall capital reduction in the first half of 2011



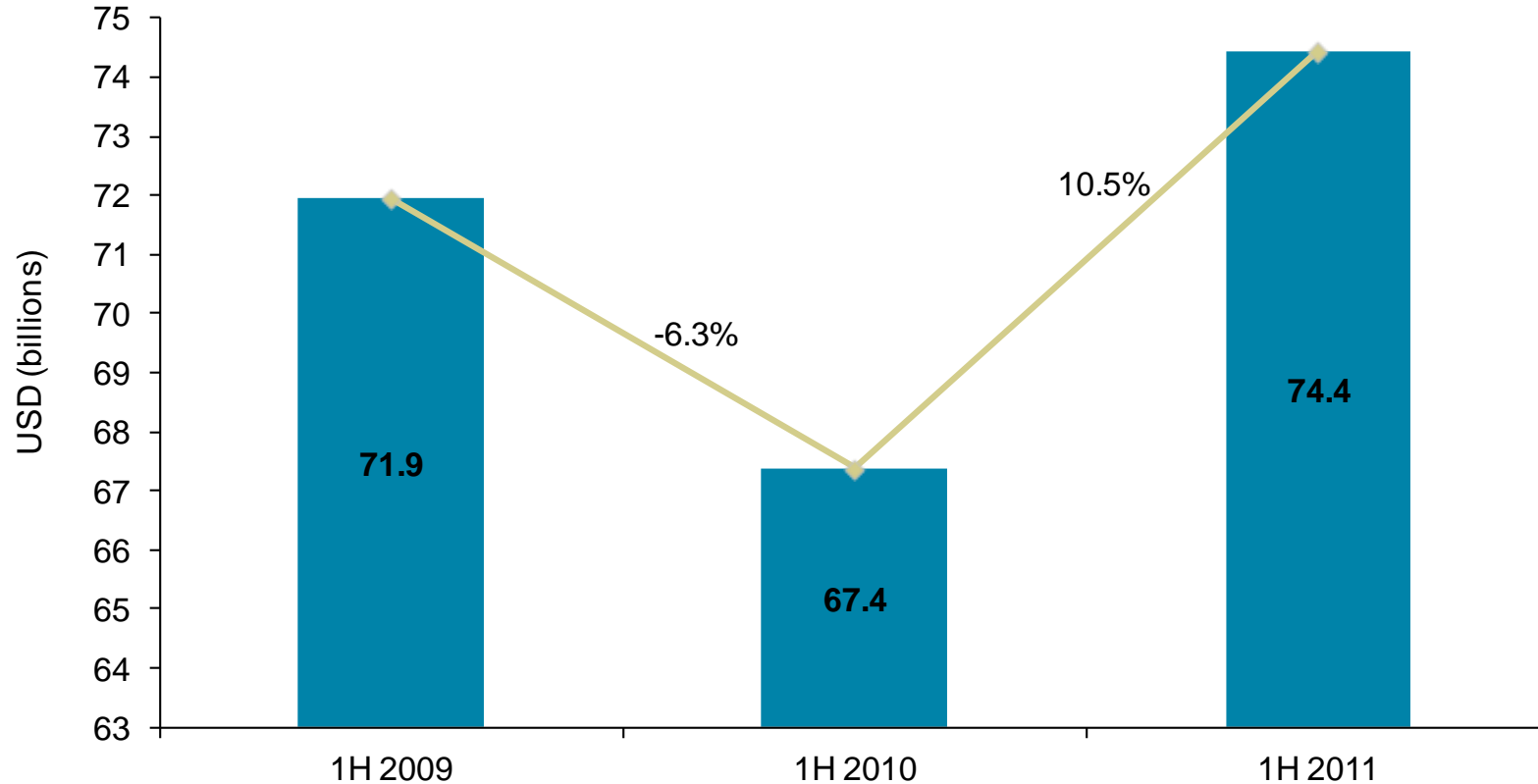
- Total Shareholders Funds at 1H 2010 were USD 232.1bn

Source: Individual Company Reports, Aon Benfield Market Analysis

But there is light at the end of the tunnel....

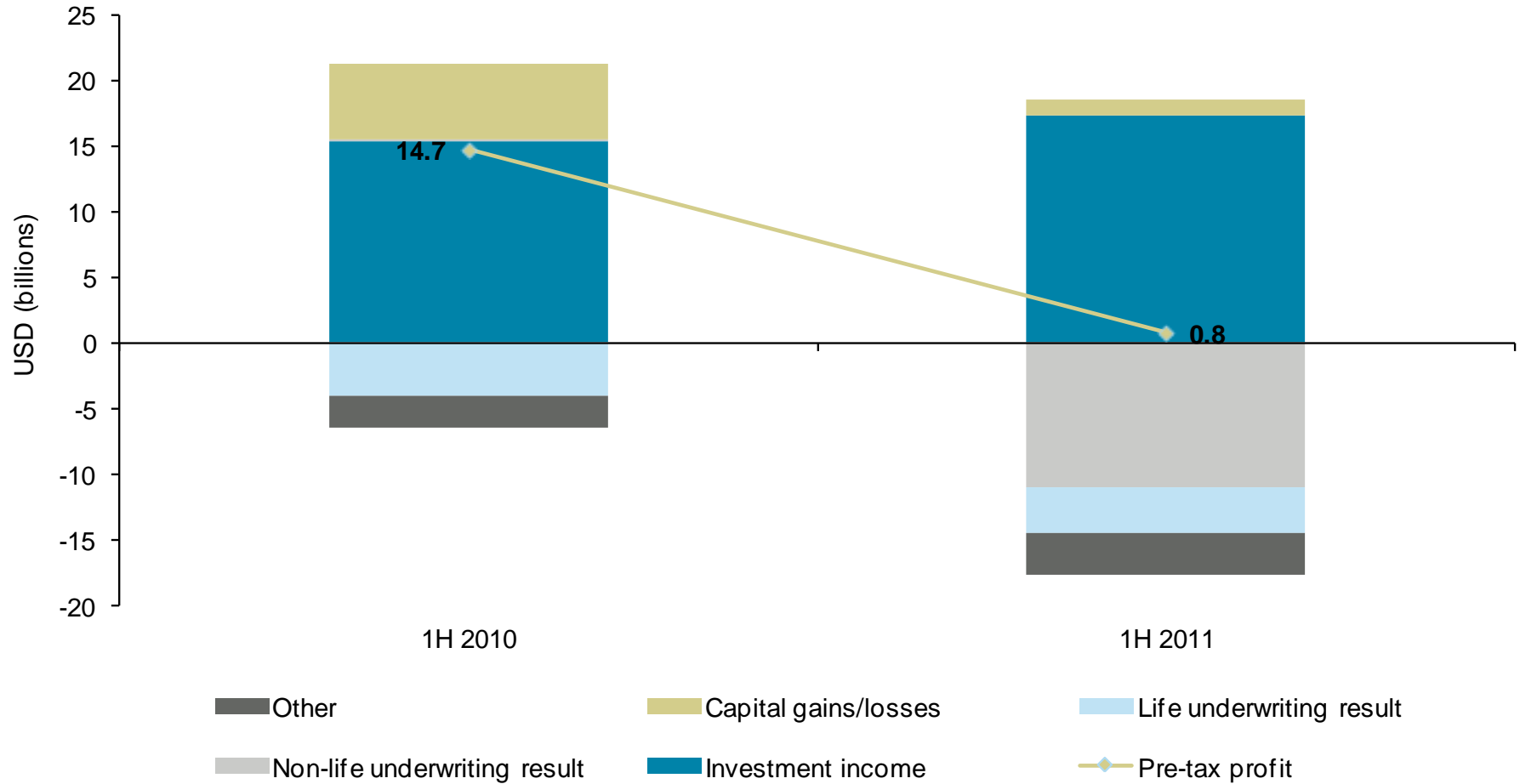


ABA Gross Written Premiums



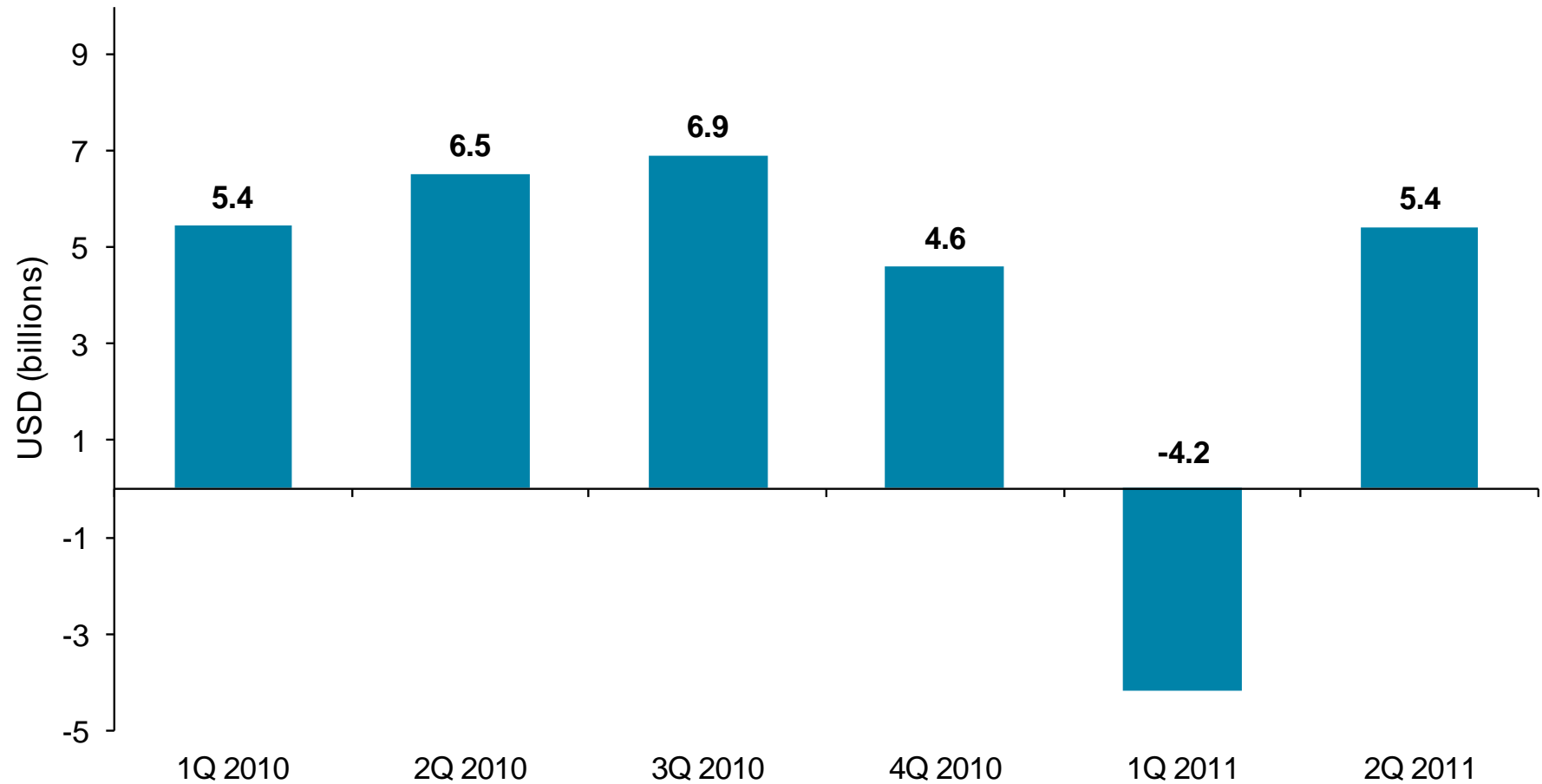
- The increase in premium income was driven largely by solvency-relief deals in Asia and increased demand for natural catastrophe cover in loss-affected areas

ABA – Pre-Tax Profit



Source: Individual Company Reports, Aon Benfield Market Analysis

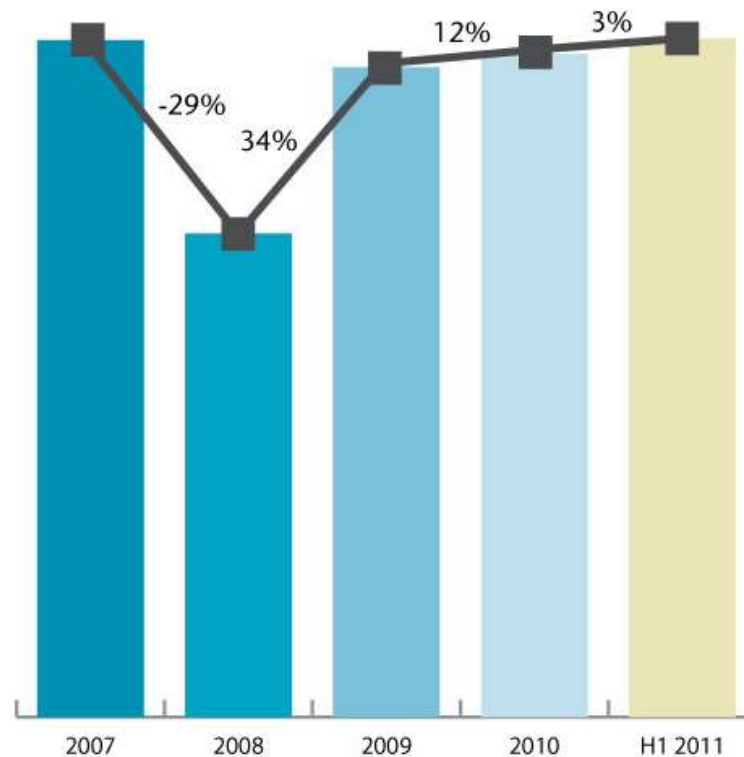
ABA Net Income



Source: Individual Company Reports, Aon Benfield Market Analysis

Change in Global Insurance Capital

- Insurer capital increased 12% from year end 2009 to year end 2010
- It increased 3% through H1 2011 despite significant catastrophe losses



Source: Individual Company Reports, Aon Benfield Analytics

Conclusion

- Exceptional International Catastrophe activity in the past 18 months
- On the whole, (Re)Insurance industry capital unimpaired
- Government (Re)Insurance schemes proved responsive and drastically mitigated the effect on the Insurance market
- The absence of an active U.S. Windstorm season has allowed the market to make a swift recovery
- Despite minimal 3rd quarter losses, financial instability could have an impact on Insurance Companies' balance sheets

**Aon Benfield
55 Bishopsgate
London EC2N 3BD
United Kingdom**

tel: +44 (0) 20 7088 0044

fax: +44 (0) 20 7578 7001

www.aonbenfield.com

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