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News Release

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MMC SAYS PREPARATION KEY TO RECOVERY IN HURRICANE'S AFTERMATH

NEW YORK, May 29, 2008—Science and technology are converging with risk management to help insurers negotiate the current hurricane season, according to Ryan Ogaard, Global Practice Leader of InStrat®, Guy Carpenter & Company, LLC's risk and financial modeling services group. No longer is reinsurance an annual consideration. It's now possible to use short-term hurricane forecasts – as few as 10 days out – to design coverage targeting a specific area of the Florida coastline, for example.

“Luck favors the prepared,” Mr. Ogaard commented.

He was part of a panel of experts from Marsh & McLennan Companies, Inc. (MMC) who met today to discuss their views on property insurance availability, claims management, and reinsurance in advance of the 2008 hurricane season. A replay of today's panel discussion is available at www.mmc.com.

Advanced preparation is important for insurers seeking reinsurance as well as for businesses that must purchase hurricane coverage. In fact, companies with detailed disaster management plans in place recover sooner, both financially and operationally, than those that fail to plan, according to Ken Giambagno, Global Leader of Marsh Risk Consulting's Forensic Accounting and Claims Services Practice.

Businesses should inquire about their customers' and suppliers' disaster management plans as well, Mr. Giambagno said, citing U.S. companies whose domestic operations are already being affected because they cannot receive shipments from suppliers located in China's Sichuan Province due to the recent earthquake there.

Fortunately, commercial property catastrophe insurance pricing has decreased from the inflated premium levels of 2006 and 2007, and the supply of hurricane insurance for businesses has increased this year, according to Robert F. Howe, Global Leader of Property Operations for Marsh Inc.

The median rate reduction experienced so far is 11 percent to 12 percent. "Market rates are below pre-Hurricane Katrina levels and, in some cases, below pre-September 11th levels," he said.

Because of these shifting supply-demand characteristics, it may be a good time for business to lock in pricing. "Some underwriters are offering long-term deals to clients, which is good news," Mr. Howe added.

Still, pricing may begin to flatten out later this year, particularly as the number of covered events continues to climb. Mr. Howe pointed out that insurers have already absorbed losses of more than \$100 million due to 15 individual events this year, including seven losses exceeding \$350 million. The total aggregate losses to date this year have exceeded \$5 billion due to flooding, fires, tornados, and other events worldwide.

Despite these events, reinsurance pricing has decreased 15 percent to 22 percent on a risk-adjusted basis and capacity has increased about 32 percent according to Kevin Stokes, Leader of Guy Carpenter's Global Property Specialty Practice as well as its Florida Operating Committee.

Reinsurance capacity is even plentiful in the Florida market. "The Florida cat fund plays an important role," Mr. Stokes said.

What happens next year with both capacity and pricing will depend, at least in part, on whether there are any significant reinsurance losses in 2008. "We believe the game really starts in 2009," Mr. Stokes said.

In addition, insurers continue to access the capital markets by issuing catastrophe bonds in order to supplement their reinsurance. "Interest in this market will continue to expand, although not significantly," Mr. Stokes added.

The forecast for this year's hurricane season, which runs from June 1 to November 30, ranges from near-normal to above-normal, according to the National Oceanic and Atmospheric Administration (NOAA), because the climate patterns it expects have produced a wide range of activity in past seasons.

The outlook for 2008 calls for a 60 percent to 70 percent chance that there will be 12 to 16 named storms, including six to nine hurricanes and two to five major hurricanes that may reach Category 3, 4 or 5 proportions. An average season has 11 named storms, including six hurricanes, two of which typically reach major status.

MMC is uniquely positioned to provide a range of management, operational, and financial advice on natural disaster risks through its various operating companies, which are active in providing risk solutions across a range of professional disciplines.

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