MARSH

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Power and Utilities Market Update

MARSH GUY CARPENTER MERCER OLIVER WYMAN

MARSH & McLENNAN COMPANIES

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INTRODUCTION

Power and utilities remains a hugely capital-intensive sector. Dynamic market forces, together with government regulations, are transforming the power and utilities industry.

It is now fair to say that softening market conditions prevail across the majority, if not all, insurance product lines, and the power and utility sector is no exception to that. As such, the trading environment continues to be favourable for customers, and the prognosis is for this to continue. For most companies involved in the generation of electricity it is property insurance that represents their biggest premium spend, and it is the sizeable premiums associated with the power-generation industry, which continue to attract insurance capacity to the sector.

Despite the losses intrinsically associated with fast-moving machinery, global capacity remains buoyant at around US$4 billion. Of course, rarely do we see a requirement to utilise this total capacity; however, it brings an element of competition to the marketplace as insurers fight for a share of accounts. Classic soft market conditions continue to prevail, with major global carriers chasing growth. In the face of declining rates the only way in which to grow, or indeed simply maintain existing premium levels, is to seek increased participations. Add to this a generally low level of catastrophe losses for the third year running, as well as the dynamic tension created by the strong regional insurance hubs, which we will go on to discuss, and it is not difficult to understand how we arrived at this point in the market cycle.

Simon Howell
Head of Power and Utilities, Bowring Marsh

REVIEW OF GLOBAL PROPERTY CARRIERS

Several carriers have been managing challenging underwriting results for the 2014 year of account for power risks, but strong global capacity continues to sustain a competitive pricing environment.

INTRODUCTION

Global capacity continues to be in the US$4 billion range and, with interest rates low and investment income opportunities few, financial backers continue to be attracted by the large premiums associated with power utility business. In addition, the large global carriers who traditionally participate in this sector have aggressive corporate growth targets, making it challenging for them to decline any opportunities presented.

These combined factors have created a prolonged soft market cycle, with carriers seeking to take increased shares to maintain income in the face of significant premium rate reductions. This mindset has created an almost unprecedented level of competition in the marketplace, and for the first time in some years we are beginning to see downward pressure on specific deductibles.

Against this backdrop, midyear renewals in 2015 saw significant premium rate reductions, further facilitated by the dynamic tension created by strong regional markets. This meant that in a number of instances placements in previously challenging territories were oversubscribed for the first time.

GLOBAL PROPERTY CARRIERS

In March, we provided a detailed overview of the following major global carriers with whom we trade: **ACE, AIG, Allianz, LIU, Mapfre Global Risks, Munich Re CIP, Munich Re Fac, SCOR, Swiss Re CORSO, Swiss Re Fac,** and **Zurich.**

In the past six months, the profile, underwriting capacity, and philosophy of these markets remains largely unchanged.

Partly as a result of the lack of significant loss activity, the marketplace has seen an increase in mergers and acquisitions with the successful acquisition of Montpelier Re by Endurance, the proposed ACE purchase of Chubb, as well as the failed merger of Partner Re and AXIS, with EXOR now purchasing Partner Re instead.

Towards the end of 2014, **XL** announced its acquisition of **Catlin** and, since that time, the newly formed **XL Catlin** has been unveiled. Although it is still too early to determine what this means for clients, early indications are that from a power-generation perspective Catlin's selective underwriting style will prevail. In theory, the newly formed venture could take up XL's previous portfolio participations; however, we have not seen this happen.

REGIONAL PROPERTY OUTLOOK

With international placement power brokers located across six regions – Asia, Bermuda, Europe, Latin America, the Middle East and Africa, United Kingdom, and the United States, Bowring Marsh, Marsh's international placement specialists, places insurance for more than 200 power and utilities clients, including vertically integrated, nationalised, regulated, deregulated, and independent power producers.

The following summarises the experience of our placement experts in these regions, and provides commentary on the prevalent markets with whom they trade. We are always clear to point out, however, that there are many other markets with whom Bowring Marsh regularly trade and whose capacity is highly valued.

ASIA

Asian capacity continues to be estimated at a conservative US$2 billion. Competition for business within the region continues to generate rate and premium reductions for clients with good loss records and/or proactive risk management policies. Even so, underwriters are cross-referencing rate reductions against underlying rating adequacy. Even in the absence of such merits, the market regularly accommodates varying premium reductions in order to retain or win business.

The offer of two- or three-year long-term agreement deals with loss ratio benefits and penalties remain an option for carriers and clients wishing to form or maintain a long-term relationship.

However, not all clients buy into the potential benefit and prefer to review their premium spend/rating on an annual basis. This could be considered a roll of the dice but in the current market cycle it is unlikely that a client would be worse off by undertaking a year-by-year review. Carriers are also now becoming sceptical about long-term deals, having seen a number amended or even broken on several occasions.

The downwards pressure on rates is unlikely to change barring an (equally unlikely) event that impacts the market as a whole.

Singapore-based carriers also lead a significant amount of operational power and power construction business domiciled outside of Asia. Recently significant technical ability has been shown in numerous difficult placements, while also having the pricing flexibility to match their international counterparts. This is expected to continue in the medium to long term.

While the overall goal for China is to be one of the leading insurance hubs by 2020 and Chinese carriers are still active for risks outside of China, they have consolidated shares slightly to provide a platform for more sustainable growth.

Korean Re and **Samsung Fire and Marine** remain active across most industries, including operational power (with and without Korean interest) and both in Asia and MENA. That said, both carriers have experienced recent high-level restructuring and/or a refocusing on underwriting strategy, which has resulted in a more balanced, pragmatic approach to writing business, particularly for risks outside of Asia.

Samsung Re is accessible in Singapore and provides solid support for operational power risks located in Asia (same capacity as Samsung Fire and Marine – no duplication). For risks located outside of Asia, the general practice is to negotiate directly with the ultimate decision makers at Samsung Fire and Marine.

It was well documented that **XL** withdrew from the onshore energy and power market earlier this year. This had little impact on Bowring Marsh Asia's portfolio and **Catlin Singapore** has maintained its appetite for operational power. It is an important point to note, that the perception in Singapore that the XL withdrawal means that **XL Catlin** cannot consider continuing involvement, is inaccurate.

First Capital Insurance Limited (FCIL) is based in Singapore and is part of the Fairfax Group. It writes a large portfolio of personal and commercial lines, including operational power. It has an appetite for business both within Asia and beyond, writing almost all territories. It carries significant capacity and is not averse to offering meaningful support capacity.

SART is a Lloyd's coverholder based in Hong Kong and underwrites engineering business, including operational power on behalf of several Lloyd's syndicates in London. Its remit is firmly Asia or Asian interests outside of Asia. The need to refer the final decision back to the principal(s) in London is generally not an issue given the favorable time difference between Singapore and London.

MSIG and **Sompo Japan** are increasingly securing participation on placements with meaningful Japanese interests (either through ownership, participation in a joint venture, or through involvement as an engineering, procurement, and construction (EPC) contractor) where Japanese clients are mandating their involvement.

Tokio Marine, Sompo, and **Mitsui Sumitomo** are also looking at US business on a direct basis, using their US subsidiaries.

Aioi Nissay Dowa is partnering with Bowring Marsh Japan to write layered programs in North America, Europe, and Asia.

The People's Insurance Company of China (PICC) has US$80 million capacity on a probable maximum loss (PML) basis and is rated A1 by Moody's. Its appetite is mainly for mid- to high- excess layers. This could be excess of primary insurance or excess of a large retention. It prefers direct participation where licensing allows but can underwrite as a reinsurer within the traditional marketplace or for captives.

China Pacific Insurance Group (CPIC) has US$65 million capacity on a PML basis. Similar to PICC, its appetite is for mainly mid- to high-excess layers on excess of primary insurance or excess of a large retention. It also prefers direct participation where licensing allows but can underwrite as a reinsurer within the traditional marketplace or for captives.

China Re has US$30 million in capacity and carries Standard & Poor Rating A+ and AM Best A rating. Currently, it will only consider excess reinsurance.

BERMUDA

With a third consecutive year of below average global insured losses and predictions of another benign Atlantic hurricane season, the abundant capacity within the Bermuda market is driving competition, and delivering positive results for clients in the direct and facultative marketplace.

Ironshore prefers to offer quota share capacity and continues to be active in this sector; however, it also offers primary and excess layers as well. Ann Holden in Bermuda continues to write the majority of Ironshore's global energy portfolio, and has increased capacity to US$35 million and offers global construction cover.

Oil Casualty Insurance, Ltd. (OCIL) continues to offer US$50 million of capacity on a quota share or layered basis. It offers standalone transmission and distribution coverage, in addition to electric and gas operations.

OCIL is in the middle of the third profitable year, and is looking to continue to expand its portfolio in the future.

Ariel Re now operates as the insurance and reinsurance platform of a joint venture between **Banco BTG Pactual S.A.** (BTG) and the **Abu Dhabi Investment Council.** It maintains its US$25 million capacity, and is looking to expand its participation. **Ariel Re** Bermuda is a Lloyd's coverholder and, as such, is not subject to US Federal Excise Tax.

Allied World Assurance Company (AWAC) has increased its capacity to US$5 million from US$2.5 million. It prefers to underwrite on a primary (usually a loss limit up to US$200 million) rather than quota share basis.

As of July 31, 2015, **Montpelier Re** was sold to **Endurance.** Endurance intends to move forward with the portfolio and provide service to all its clients.

ACE, Arch Re, and **Markel** continue to be active in this sector. Their capacity and appetite remain unchanged in the past six months.

EUROPE

Many of the key continental European carriers which underwrite power business have reported loss ratios of 100% and above for the underwriting year 2014. The soft market conditions and the suspension of underwriting power and utilities risks by some carriers, has pushed European carriers to adjust or re-evaluate their underwriting strategies. In these conditions, some carriers are prepared to walk away from risks, while others have started to increase their capacity or even change from a layered solution to a quota share capacity.

For key accounts, markets typically demonstrate a more flexible and proactive approach where they are keen to retain current capacity, despite the drop in premium levels. Having said that, there is a downward trend on rates and conditions, where rates are decreasing in the region of 5-10% and conditions are being broadened. All carriers still keep a close eye on the heavy natural catastrophe risks as well as risks with losses, which might impact the decision-making process.

The Helvetia and **Nationale Suisse** merger has now been finalised. As a result, there have been some internal changes and a few underwriters have decided to leave Helvetia at the end of this year.

In the meantime, Helvetia has three new underwriters – Neil Andrews, Alain Ruhlmann, and Rogerio Batista – formerly from **Infrassure** and all have extensive knowledge of the power market. These new hires clearly demonstrate Helvetia's drive for growth; however, there is no change in its risk appetite.

Partner Re's (PR) latest announcement is contrary to what we reported in our last update. Since the update, PR received a counter-offer from **EXOR**, inciting a bidding battle with **Axis.** Exor, the investment company of Italy's Agnelli family, has signed an acquisition deal for US$6.9 billion. The acquisition is planned to close in the first quarter of 2016. Upcoming and possible changes on underwriting strategies are not yet foreseeable but we will monitor the situation closely.

Qatar Re has a big appetite for power and utilities and following its Zurich office opening is more defined in respect of its territories. It is confirmed that they will be underwriting Europe, Latin America, and North America, out of Zurich. Michael Gertsch, who was the head of Global Facultative and Underwriting Operations, has resigned and there is yet to be news of his replacement. Qatar Re is actively working on fronting agreements in its target territories and has already an agreement in place with State National (Marsh-approved capacity) for all the risks emanating from the US.

HDI Gerling continues to provide its US$100 million capacity out of its headquarters in Hannover. It's expanding its power and energy portfolio in the form of new business offers as well as increased participations. It is keen to operate closely with its clients and is participating in on-site visits, where possible, to improve knowledge about the individual risks.

Vienna Insurance Group (VIG) has had some fronting issues in the past and, as a result, it has reduced its fronting solution with some European carriers. It still works closely with **Swiss Re fac** on a case-by-case basis with an unchanged appetite for Europe and North America.

LATIN AMERICA

In Latin America, the insurance market has experienced an increase in capacity from the domestic markets and is becoming less reliant on London and European markets. This increase in capacity has led many nonproportional placements to become quota share, which usually translates in lower rates. Furthermore, there is less dependence on reinsurance terms and conditions due to local markets increased appetite.

Markets accessed from Miami have been very aggressive during the first half of 2015. Rate reductions are approximately 15–20% from incumbent markets and for new accounts there have been evidence of markets offering larger discounts purely due to not having a reference renewal point. Local cedents are retaining larger shares and new markets have arrived to Miami. In general, when placements are layered, we are seeing larger primary layers and the excess players looking for a lower attachment point. This is a clear sign that all markets are aggressively looking for premium income.

The Brazilian marketplace is still facing challenging times for the power industry.

Even after the rainy season (November to April) the water levels in key reservoirs are still below optimum, and the government is seeking short- and long-term solutions. Expectation for growth in renewable energy sources remains unchanged. The impact of low renewable rates from domestic markets, large losses in thermos, and spot market volatility is still discouraging underwriters from offering more capacity and to take on new accounts.

As one of the underwriting hubs for Latin America, Madrid is receiving a significant amount of business from Latin America. Several markets are achieving noteworthy success and, on the back of this, other markets are looking to write more business from Spain, which is likely to increase the region's available capacity in the future. Current capacity is approximately US$1.2 billion with a clear softening trend in rates and conditions.

There is evidence of some changes at **ITAU** following the acquisition by **ACE** late last year. Guidelines are more restrictive; however, they are still being a very good partner for large risks.

AGCS in Brazil continues its trend as a solid market with capacity up to US$220 million.

Aspen has been very aggressive with a working capacity of US$30 million, writing power, and oil and gas (onshore). All accounts in this line of business are referred to Miami, and when its office in London receives a submission for an account based in Latin America, it is sent back to Miami.

CVS continues to write business from New York. It offers up to US$30 million capacity and is very competitive on writing power and oil and gas (onshore).

IRB BRASIL remains interested in all lines of power generation offering significant capacity up to US$100 million with little flexibility in terms of pricing. It has adopted a hard position due to poor performance across the power generation sector.

There has been new capacity from new entrant, **Navigators,** writing power and oil and gas (onshore). It has started to write business in the first quarter of 2015 with an automatic capacity of US$30 million, which is combined with its London syndicate. It may ask for additional US$10 million, if needed, and if the risk is worthwhile.

SCOR in Brazil has capacity of US$ 100 million. It tends to focus on quota share and normally will not offer more than 20% per risk.

MIDDLE EAST AND NORTH AFRICA

The Middle East and North Africa's (MENA) underwriting capacity for power generation remains unchanged at more than US$3.5 billion. Market softening is expected to continue and both domestic and international carriers are endeavouring to meet their aggressive growth targets by increasing shares and creating a very competitive marketplace. Additionally, their territorial scope now includes Bangladesh as well as Africa, Pakistan, and India.

The MENA insurance marketplace continues to be favourable for clients with strong competition, autonomous local decision making, and an increase in carrier income budgets.

In addition, the launch of the Lloyd's platform in the Dubai International Finance Centre (DIFC) has brought enhancements to an already robust marketplace for property, casualty, and political violence coverage.

The arrival of Lloyd's platform has given clients the confidence to place regionally domiciled power business 100% in the MENA region.

After the catastrophic earthquake event in Nepal on April 25 2015, the MENA market had to test its ability to meet the demands of a valuable power client with a timely claims settlement. Natural catastrophe losses being rare in the region, the market was able to offer a very timely turnaround of an interim payment for a large claim where full aggregate earthquake limits were exhausted.

The earthquake has not been a market-changing event and, post loss, the market has been offering earthquake aggregate reinstatement to clients with exhausted earthquake limits.

The region's regulatory laws have given rise to a robust direct insurance market backed by automatic reinsurance treaties. This, together with low natural catastrophe loss activity, means that significant capacity is being deployed. Local participants such as **Adnic, Oman, Trust, IGI, Gulf Re, Emirates Insurance, Qatar Re,** and **Kuwait Re** comprise this solid local market.

Many mature power and utility companies that were historically insured elsewhere in the world, now find they can insure in the region.

A number of international carriers have a presence in the DIFC, and regionally they are looking to increase their volume. These carriers are actively seeking business, in particular, reinsurance, due to the favourable regulation in the Middle East.

UNITED KINGDOM

The majority of insurers remain challenged by the continuing soft market trend, and while they had accounted for declining rates when setting their 2015 underwriting budgets, there is now acknowledgement that the current pace of softening had not perhaps been anticipated. This leaves many having to navigate their way through the difficult market conditions, and having to compete much harder in order to retain business, particularly when up against strong regional capacity. Generally though, there is an acceptance of the current climate, and with that comes a willingness to trade and to provide quick responses.

There's been little change in the established markets with whom we trade, but there are some notable newcomers. Having resigned from **Sciemus** in August 2014, Neil Prior and Ben Trayhorn have set up **Priority Underwriting.** A Lloyd's coverholder, it has capacity of US$25 million, which comprises the Canopius-led backing that it previously enjoyed at Sciemus. It will be targeting small primary layers up to US$50 million, and on this basis was successful in securing positions on a number of accounts during the mid-year renewal season.

With Stefan Geisse now heading up its underwriting operation, **Sciemus** has secured backing from **QIC Europe Ltd** (QEL), and is again writing business. With an appetite for gas turbine and conventional steam power plants, it has a maximum line size of US$10 million, with its focus remaining on the primary US$50 million layers.

In April, **Mapfre** moved its access points for non-Spain and non-Latin American domiciled business to London, and also announced its ability to underwrite North American business. Capacity deployed is up to US$50 million for North America domiciled risks and more for international business.

Aviva has also entered the sector and, with ambitions to be a global carrier, is actively seeking licensing to underwrite a broad territory base, including North America. For the time being, it should be considered as a follow rather than lead carrier, with capacity being deployed in the region of US$25 million, although they have significantly more available.

CASUALTY MARKETS

In the first half of 2015, there has been further reductions in casualty rates with new capital continuing to enter the domestic and wholesale insurance markets. Downward pricing pressures were more pronounced during the second quarter of 2015 with up to high single-digit percentage rate reductions for accounts with stable exposure profile and favorable claims experience. This pricing outlook should continue to at least the end of 2015, barring any industry-wide natural catastrophe. However, the power and utility sector remains a particularly challenging class of business, recording poorer loss ratios results overall, while facing a number of emerging and growing issues, meaning that the declining premium trend may not be sustainable in the long run.

Across the board, the Australian domestic market is evaluating the risks associated with the changing climate and the increased frequency of severe bushfires. As a result there is upward pressure on pricing and limitation on capacity if a genuine bushfire exposure exists. Furthermore, appetite from new market entrants for bushfire or treaty protection is limited or non-existent and, consequently, clients are finding it difficult to secure available and affordable bushfire or dam management coverage. In the US, wildfire continues to receive ample scrutiny from the markets. If wildfire exposure is core to a risk, significant pricing uptakes are combined with smaller line size deployed. In contrast, some carriers in Bermuda have committed increased capacity for wildfire liability coverage, when the rate on line is deemed attractive.

We have noted that due to losses across its portfolio, Aegis New Jersey is looking to secure premium uplift across all clients, which has and is still causing it some problems from long- standing clients. A number of Lloyd's syndicates have grasped this opportunity and offered to match the very broad wording offered by Aegis New Jersey (providing there is no US domiciled exposure) and London has had some success in this regard.

Employer's liability (depending on the territory concerned) continues to be carefully monitored by carriers. Higher retentions are being enforced in respect of worker-to-worker recoveries and more or less every policy excludes any form of coverage for occupational disease claims from employees. Electromagnetic field (EMF) and pollution exposures coverage is largely unchanged from 2014 and are generally available in the major territories.

In the US, cyber liability remains a growing concern and faces stringent underwriting review.

An increasing number of casualty markets are seeking to impose cyber liability exclusionary wording, which we have resisted successfully especially as the Bermudian policy forms continue to remain silent on this matter, which is a notable benefit to clients.

Drone utilisation, pipeline/asset integrity programs, and aging asset infrastructure and asset decommissioning continue to be areas of focus, where underwriters are getting more and more granular in their underwriting approach.

MARKETS

The March market update provided a detailed overview of some of the major global carriers with whom we trade and includes: **ACE, AIG Bermuda, Aegis, Arch, Allied World Assurance, Endurance, Iron-Starr, Lloyd's, Munich Re, OCIL, QBE, Swiss Re Corporate Solutions, WR Berkley, XL Insurance,** and **Zurich.** In the past six months, the profile, underwriting capacity, and philosophy of these markets remains largely unchanged.

Berkshire Hathaway appears to have a varying strategy dependent on location and is competitive in Australia where bushfire risks are very prominent.

The **ACE Chubb** merger was announced in July 2015 but is still pending shareholder and regulatory agencies' approval. This transaction is expected to close in the first quarter of 2016 and could bring about some minor clashes where ACE already deploys its maximum US$150 million capacity; however, until the merger is finalised "it is business as usual."

ARGO recently increased its overall line size increased to US$75 million. It has a longstanding appetite for power and utilities and participates on all major utilities, which currently accessed in Bermuda.

As part of a new initiative launched in the first quarter of 2015, **Aspen Bermuda** is actively trying to grow and become a more meaningful carrier in this arena. It can now write up to US$25 million in total limits of liability and US$20 million for accounts with California wildfire hazards. Until now, Aspen London had been the traditional access point with a predominant involvement on a reinsurance basis.

The **XL Catlin** merger was finalised in the second quarter of 2015. This transaction had no adverse impact in the power and utility sector as it pertains to US-headquartered risks, meaning that no capacity attrition is reported as a result of this merger and acquisition activity.

Markel has identified the power and utility industry as an area of expansion and has up to US$25 million of capacity in total limits of liability. Markel can write either primary or higher excess layers on an insurance program depending on a client's needs.

TERRORISM

In the absence of any catastrophic terrorism events, terrorism rates for power risks remain soft with key players demonstrating a strong appetite for these risks and this downward trend is likely to continue. Transmission lines and pipelines are often perceived to be vulnerable assets as evidenced by attacks on pipelines by Colombia's Farc guerrillas and militant attacks on electricity pylons in Pakistan.

Coverage is available in war-torn territories through broad political violence policies including war and civil war. However, proximity to conflict zones and detailed information on security arrangements are key in underwriting considerations.

The broader perils of strikes, riots, and civil commotion (SRCC) are customarily incorporated into a property programme; however, more recently this is now being excluded by property carriers, and consequently obtained as stand-alone.

Interest remains strong for broader, more comprehensive coverage beyond terrorism, such as SRCC and, in some cases, political violence cover. In long-term construction power deals, where this capacity is less available, it's been a challenge for clients to find available capacity for long-term programmes and broader perils in certain territories. Long-term construction projects can be covered in challenging territories but in countries such as Iraq, underwriters will usually require break-clause provisions.

Thorough risk assessment of client's corporate social responsibility (CSR) programs, continue to be carried out by carriers as well as review of their labour relations history to assess the risk of SRCC and malicious damage. As governments are one of the beneficiaries of the industry, carriers are carefully considering the levels of security being deployed, particularly where terrorist organisations operate.

Capacity in Singapore for Asian-based construction projects and power plants continues to be forthcoming, with new entrants adding considerable capacity to an already congested marketplace.

We have seen an increased focus from carriers to leverage participation on other lines of business in order to broaden their penetration with carriers. For the most part, clients remain price sensitive to their insurance requirements and continue to explore options of larger retentions to minimise premiums.

There are instances where purchasing decisions have been determined by the requirements set by lenders.

There are territories and pockets of resistance that remain a challenge for carriers. The emergence of home-grown terrorists in India and Indonesia remains on underwriters' minds, as well as the conflicts between the Philippines government and separatists in southern regions.

In the Middle East, an area considered particularly volatile, local and international carriers have the ability to deploy the US$1.5 billion of available capacity. The growth of the DIFC has allowed the Middle East hub to broaden its geographic focus, which for political violence business extends from the south Sub-Saharan Africa, Morocco in the West, India in the East, to the "Stans" and Russia in the North.

MARKETS

Hiscox, Chaucer, and **Amlin**'s terms reflect competitive approaches. Bowring Marsh's exclusive quota share facilities continue to keep the open market pricing competitive.

In Singapore, **XL, Talbot,** and **QBE** all offer coverage alternatives to clients, including political violence. **AXIS** remains a key excess of loss market. Capacity is still increasing in the political violence marketplace such as **Castel** and **Pioneer**, and this influx of additional capacity provides clients with further solutions and continuing competition. **Lancashire Group** and **Axis Capital** still have considerable capacity available.

Lloyd's retains its interest in underwriting terrorism risks. Its office in the DIFC (Dubai), which was opened earlier this year, has added substantial additional capacity to the already significant autonomous political violence and SRCC market in the Middle East.

CLAIMS

Last year, we saw a large spike in claims activity from the power generation sector. A number of industry operators sustained major losses, which impacted both primary and excess layer insurance placements.

Contrastingly, 2015 has brought some relief for both clients and carriers alike with losses being lower in both frequency and severity. As we enter the last quarter of the year, reported net insurer losses that exceed more than US$2 million (across all classes) are at around 10% of those reported at the same time last year.

In marked comparison to the US$500 million+ of losses (over US$2 million net) reported at this point in 2014, we are currently showing US$46 million.

The loss trends for the power generation industry are very similar to those of last year. Machinery breakdown continues as the overwhelmingly dominant cause of loss, accounting – as in previous years – for the vast majority of incidents, with turbine and turbine-blade failures being the most common type of machinery breakdown.

So far, this year has been relatively quiet with the only major losses that have occurred (and that have been reported) being a hydro-plant damaged by the earthquake in Nepal, and turbine failures at plants in Pakistan and the US.

This is welcome news for carriers and clients, both of whom have suffered as a result of a high number of very serious losses over the last five years.

RISK ANALYSIS MODELLING PLATFORM (RAMP)

The size and diversity of our global portfolio has enabled us to develop a market-leading Risk Analysis Modelling Platform. This helps us benchmark property damage and business interruption insurance programmes.

Using data points such as critical catastrophe, deductibles, key sub-limits, loss limit, loss ratio, principal ore and type of risk (open pit or underground), type of power generation, and cargo type, we can provide important in-depth management information on a confidential basis.

FEATURES AND BENEFITS OF THE RISK ANALYSIS MODELLING PLATFORM

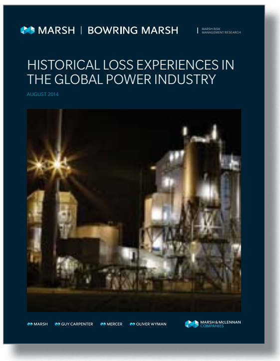
FEATURE	BENEFIT
Consolidated global database providing historical rates, limits, deductibles, and programme structures.	A clear visual representation of how any insurance programme compares to that of others in the same industry.
Access to terms and conditions offered by both local and international markets.	The ability to compare local programmes (in the same region as the insured) to those available from international markets.
Provision of real time average and median rate analysis for any given timeframe (i.e. comparing specified quarters and/or years).	The ability to provide quick "ball-park" estimates for either new or renewing business based on historical trends.
Quality printed output.	Aid executive decision-making.
Historical record of renewals for customers.	Enables elements of premium increases/decreases for diverstitures/acquisitions.

TAILORED REPORTS FOR CLIENTS AND PROSPECTS

Using RAMP, Bowring Marsh develops confidential tailored reports to compare local programmes, provide "ball-park" estimates based on historical trends and a clear representation of insurance programmes.

THOUGHT LEADERSHIP

Bowring Marsh uses the combined knowledge and experience of our brokers and our proprietary claims data to provide regular, thought provoking, industry-focused research papers for clients and prospects.



BOWRING MARSH FACILITIES

Bowring Marsh offers specially-negotiated facilities specifically for mining clients which facilitate speedier quotation and placement of client risks.

QBE Property Facility.	Offers up to US$80 million capacity per insured using superior A+ rated security.
Terrorism and Political Violence Facility.	Offers long-term pricing stability and up to 50% of each slip with a discount of 10% off the lead market premium.
UK Terrorism Facility.	Jointly led by Catlin Syndicate 2003 and Talbot Syndicate 1183 and backed by other Lloyd’s carriers, offers £150 million loss limit per insured available, with quick turnaround times and a broader definition of an act of terrorism when compared against Pool Re.

Detailed information on the above facilities is available from your usual Bowring Marsh contact, or from fleur.giraud@marsh.com

THE BOWRING MARSH ADVANTAGE

With the size of our portfolio and our global network of Bowring Marsh offices, we can offer a real advantage to clients who are in need of an international placement solution. Some of our attributes which we live by and share are:

- Our energy.
- Our enthusiasm.
- Our global network.
- Our industry and technical knowledge.
- Our ability to have face-to-face negotiaton with decision makers.
- Our proprietary facilities
- Our Risk Analysis Modelling Platform.
- Our results from our 2013 underwriter survey.

About Marsh

Marsh is a global leader in insurance broking and risk management. Marsh helps clients succeed by defining, designing, and delivering innovative industry-specific solutions that help them effectively manage risk. Marsh's approximately 27,000 colleagues work together to serve clients in more than 130 countries. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global professional services firm offering clients advice and solutions in the areas of risk, strategy, and people. With 57,000 colleagues worldwide and annual revenue exceeding US$13 billion, Marsh & McLennan Companies is also the parent company of Guy Carpenter, a global leader in providing risk and reinsurance intermediary services; Mercer, a global leader in talent, health, retirement, and investment consulting; and Oliver Wyman, a global leader in management consulting. Follow Marsh on Twitter @MarshGlobal, or on LinkedIn, Facebook and YouTube.

About Bowring Marsh

Bowring Marsh is the dedicated, specialist international placement broker for Marsh. Working seamlessly with Marsh, Bowring Marsh provides you with risk transfer solutions, benchmarking, and claims advocacy wherever you are in the world through its global insurance placement network of 11 offices in the United Kingdom, Ireland, Continental Europe, Asia, the Middle East, Latin America, and Bermuda.

With more than 300 insurance brokers located across all the major international insurance hubs, Bowring Marsh provides international placement options that suit your business risk and exposures. We use our comprehensive portfolio experience, our in-depth knowledge of your risks, our ability to have face-to-face negotiations with decision makers, and our industry knowledge to innovate, customise, design, and place your insurance programmes with international insurers.

For more information, contact the colleagues below:

SIMON HOWELL
Head of Power and Utilities
simon.m.howell@marsh.com
+44 20 7357 1864

BERMUDA
THOMAS CECHINI
thomas.p.cechini@marsh.com
+1 441 299 8848

DUBAI
MARK HILES
mark.hiles@marsh.com
+971 4 508 0486

LONDON
PAUL TAYLOR
paul.x.taylor@marsh.com
+44 207 357 1034

MADRID
MIGUEL MARTINEZ
miguel.martinezpaniagua@marsh.com
+34 91 456 94 48

MIAMI
ENRIQUE MARRON
Enrique.Marron@marsh.com
+1 305 341 5094

SÃO PAULO
PAULA LOPEZ
paula.lopez@marsh.com
+55 11 3741 6390

SINGAPORE
STEVE HUTCHINSON
steve.hutchinson@marsh.com
+65 2301 7312

ZÜRICH
NATHALY HAUSSENER
nathaly.haussener@marsh.com
+41 44 285 9363