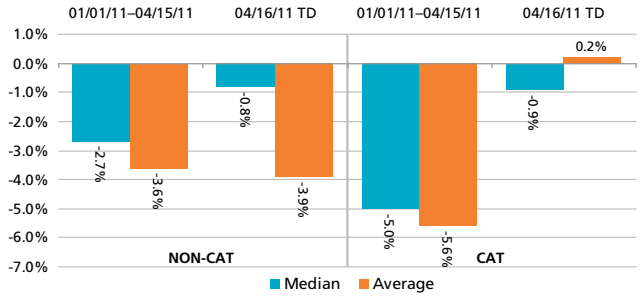
Global Benchmarking Services
June 2011

MARSH

Marsh Insights: Benchmarking Trends

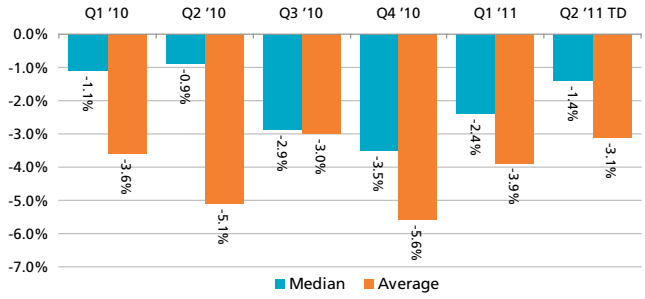
Property



The first quarter of 2011 saw three major catastrophic events causing significant insured losses, including the typhoon and flooding in Australia, the earthquake in New Zealand, and the devastating earthquake and tsunami in Japan. The trend continues into the second quarter, with severe storms and tornadoes in the southeastern United States. As a result, declines in median property renewal rates came to a virtual halt in the second half of April and early May. For renewals with catastrophic exposures, the average rate change showed a slight increase.

This data points to a transitioning global property insurance market. Accounts with moderate to significant catastrophe (CAT) exposures—at least 25 percent of total insured value—are likely to face up to 15 percent increases in premium rates at renewal. Non-CAT accounts are likely to continue to see a competitive market and can expect flat to slightly decreasing rates. The actual rates charged by underwriters are highly dependent on loss history, quality of data, and CAT limits purchased. We expect the market will continue this transition through the rest of 2011.

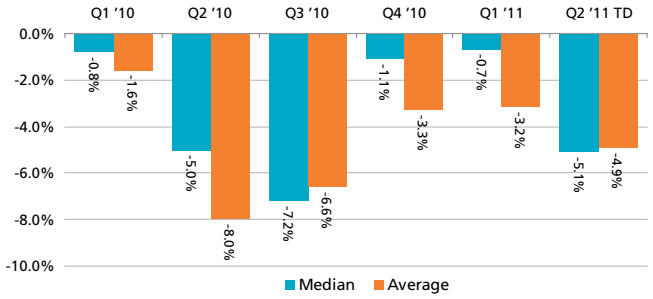
General Liability



General liability (GL) median premium rates trended between flat and minus 3.5 percent in 2010. In the first quarter of 2011, rate changes decreased slightly to a median of 2.4 percent. Data available for the second quarter to date (April and early May renewals) show that the rate movement has decelerated further: both median (-1.4 percent) and average (-3.1 percent) have declined. Although it is a bit early to make a definitive statement, this may signify a flattening of the GL insurance market. The remaining six weeks of the quarter will show whether this is a statistically significant trend.

Publisher's Note: This is the inaugural edition of our new monthly newsletter ***Marsh Insights: Benchmarking Trends****. The newsletter will cover purchasing behavior and pricing trends on four coverage lines: property, casualty, financial and professional (FINPRO), and environmental. Each month we will highlight a key trend or dynamic piece of data for a select coverage and analyze its potential affect on the insurance marketplace. The real-time data for* ***Benchmarking Trends*** *is sourced from Marsh's Global Benchmarking Portal.*

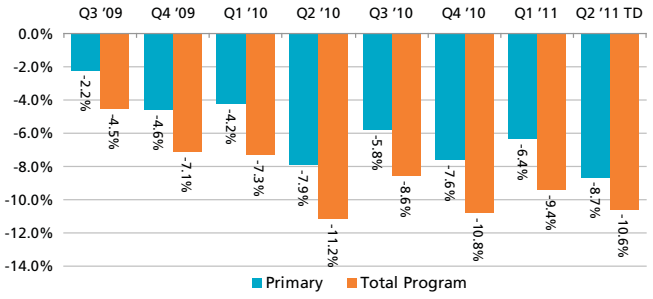
Workers' Compensation



Workers' compensation (WC) median premium rates, which have not been seasonally adjusted, saw downward pressure last year, as evidenced by the average and median rate decreases illustrated in the chart above. (The rates are reflective of both guaranteed cost and loss sensitive accounts.) The trend continues in 2011, with a median decline of 0.7 percent in the first quarter and a median decline of 5.1 percent in the first part of the second quarter of 2011. A number of states, including California, New York, Montana, and Illinois, are considering WC reforms that may affect the overall market and put pressure on rates.

For more information on the WC market, please read "Workers' Compensation Market Update: A View from Coast to Coast" from the spring edition of our newsletter *Marsh Insights: Casualty*.

Directors and Officers Liability for Publicly Traded Companies



Average rates for directors and officers (D&O) liability for publicly traded companies' primary programs decreased in 2010 and continue to decrease in 2011. Data for the last five quarters (including Q2 2011 to date) show average decreases between 5.8 percent and 8.7 percent for primary programs. For total D&O programs (primary and excess), the average rate changes followed a similar trend: nearly double-digit rate decreases were experienced. For the remainder of the second quarter, renewal rates are expected to follow the same trend, with decreases up to 10 percent for accounts with good loss history.

For more information about issues affecting the property/casualty insurance marketplace, please visit www.marsh.com, or contact your local Marsh representative.

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