Contents

1
EXECUTIVE SUMMARY

4
INSURANCE MARKETS BY COUNTRY

5  Argentina
7  Brazil
9  Chile
10 Colombia
12 Dominican Republic
14 Mexico
15 Peru
16 Puerto Rico
18 Uruguay
19 Venezuela
EXECUTIVE SUMMARY

Similar to the preceding two years, insurance markets in the Latin America and Caribbean region were largely stable in 2014. The majority of countries saw either flat or falling insurance rates. Venezuela continues to be the most challenging market for insureds, with rising rates across numerous lines of coverage. Rate increases were also seen across several lines of coverage in countries such as Argentina, Brazil, Peru, Puerto Rico, and Uruguay.

Health insurance coverage was the most challenging line in 2014, with insurance prices increasing on average in nine of the 10 markets Marsh covers in the region due to factors such as inflation, rising medical costs, and a higher number of claims.

But overall, insureds continue to benefit from the willingness of local and international insurers to provide innovative solutions to the growing economies of Latin America, as well as the capacity needed to keep insurance rates relatively stable — despite the increased demand for coverage in several lines.

**Argentina**
- Most coverage lines were stable.
- Rate decreases of up to 10% were seen for non-catastrophe-exposed property and directors and officers (D&O) liability coverage, while general liability and aviation rates dropped between 10% and 20%.
- Rates rose moderately (0% to 10%) for financial institutions and health coverage, and increased between 10% and 20% for motor/automobile.
- Changes in reinsurance treaty renewal wording, together with an increase in losses, may negatively affect marine cargo and property placements.

**Brazil**
- Rates were stable for the majority of coverage lines.
- Rates decreased (0% to 10%) for non-catastrophe-exposed property risks amid the entry of new global insurers into the market.
- Rates increased 0% to 10% for financial institutions coverage, and between 10% and 20% for employer’s liability, professional liability, and health insurance coverage.
- Although insurance markets are expected to remain stable in 2015, insurers are becoming more selective and restrictive in their risk-acceptance philosophy.

**Chile**
- Chile again had some of the most favorable market conditions of any country in the Latin America and Caribbean region.
- Not a single line of coverage experienced a rate increase on average.
- Numerous lines of coverage — including general liability, professional liability, and marine — all saw rate decreases of up to 10%.
- The property insurance market continues to be soft, with rates decreases between 0% and 10% on average for coverage of catastrophe-exposed and non-catastrophe-exposed risks.
Colombia
► Rate decreases of up to 10% were seen for general liability, catastrophe-exposed and non-catastrophe-exposed property, D&O liability coverage, and marine.
► Medical malpractice liability saw rate increases of up to 10%.
► A new regulation called “premium sufficiency” will require carriers to ensure that they have sufficient reserves on hand to pay claims, even in worst-case scenarios.

Dominican Republic
► Several lines of insurance, including catastrophe-exposed property, D&O liability, and financial institutions saw rate decreases of up to 10%.
► General liability rates have generally remained stable over the past 12 months and are expected to remain stable in 2015.
► The Dominican economy is the best it has been in years, with solid 7% growth in 2014, and low inflation and steady exchange rates.
► The local marketplace has been trending towards lower rates for the past few years, with this trend continuing in 2015, barring any major catastrophic events.

Mexico
► Rate decreases of up to 10% were seen for general liability, non-catastrophe-exposed property, marine, and aviation.
► All other lines, including environmental liability, D&O liability, financial institutions, and professional liability, remained stable.
► New environmental legislation has created a new market for environmental coverage.
► As a result of the energy reform, the market will be opened up to allow private investments in the oil and gas sectors, as well as the power-generating sector.
► Important infrastructure investments, soon to be announced, could have a significant impact on potential catastrophe exposures.

Peru
► Rate decreases of up to 10% were seen for workers’ compensation, non-catastrophe-exposed property, financial institutions, marine, life, and accident and health.
► Motor/automobile liability, medical malpractice liability, and health experienced rate increases of up to 10%.
► All other lines, including general liability, catastrophe-exposed property, environmental liability, D&O liability, and professional liability remained stable.
► A stagnant economy could adversely affect investments in the coming year which, in turn, could result in higher premiums overall.
► The growing trend of foreign insurers entering the Peruvian market is expected to continue, resulting in a more competitive market, with broader coverages and products, and lower rates.

Uruguay
► Most insurance lines remained stable, except for motor/automobile and environmental liability, which saw rate increases of up to 10%.
► Rate decreases of up to 10% were seen for D&O liability.
► The insurance market, although conservative, continues to grow.
► The demand for D&O liability coverage for directors and managers has increased due to a new law under which employers can be held criminally responsible for work-related accidents that affect employees.

Venezuela
► Most major lines of insurance, including general liability, workers’ compensation/employers’ liability, catastrophe-exposed and non-catastrophe-exposed property, marine, life, and accident and health saw rate increases of up to 10%.
► Health rates increased overall by 30% or more.
► Political risk continues to be a difficult and expensive line of insurance to obtain, due to the fact that there is limited local capacity and insurers must obtain reinsurance in the international marketplace.
► The effects of the 2008 economic downturn are still felt on the island, with the overall total annual written premium declining between 30% and 40%.
► Although Puerto Rico has heavy catastrophe exposures for earthquake and windstorm, the absence of major catastrophic events has kept property insurance rates low.

Puerto Rico
► Rate decreases of up to 10% were seen for general liability, motor/automobile liability, D&O liability, professional liability, and marine.
► The property insurance market continues to be soft, with rate decreases between 10% and 20% on average for coverage of catastrophe-exposed and non-catastrophe-exposed risks.
► Continuing competition in the environmental liability market resulted in rate decreases of 10% to 20%.

Uruguay
► Most insurance lines remained stable, except for motor/automobile and environmental liability, which saw rate increases of up to 10%.
► Rate decreases of up to 10% were seen for D&O liability.
► The insurance market, although conservative, continues to grow.
► The demand for D&O liability coverage for directors and managers has increased due to a new law under which employers can be held criminally responsible for work-related accidents that affect employees.

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INSURANCE MARKETS BY COUNTRY

5 Argentina
7 Brazil
9 Chile
10 Colombia
12 Dominican Republic
14 Mexico
15 Peru
16 Puerto Rico
18 Uruguay
19 Venezuela
Argentina

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

The Argentinian marketplace should remain highly competitive in 2015. A number of international carriers are now quoting risks that they were not interested in underwriting in the past. Plenty of capacity exists in the local marketplace; similarly, international carriers’ capacity is generally in the area of US$10 million per occurrence, while some US carriers can provide US$50 million per occurrence. For certain risks, such as toll roads, railways, power and utilities, oil and gas, and mining, the overseas markets are still more competitive than domestic ones.

MOTOR/AUTOMOBILE

RATES: INCREASE 10% TO 20%

Rate increases are expected in 2015 due to adverse loss experience, but placement will be more dynamic. Some carriers are offering very competitive terms and conditions.

WORKERS’ COMPENSATION/EMPLOYERS’ LIABILITY

RATES: STABLE -5% TO +5%

Workers’ compensation insurance, which is mandatory for all public and private sector employees and dependent workers, is regulated by Law 24557. Insurers known as Aseguradoras del Riesgo del Trabajo (ARTs) provide the coverage. Law 26773 modified regulations covering employee damages. Among the most salient changes, it establishes an exclusive option for workers that allows them to either claim compensation for damages through the benefits provided by the aforementioned law (administrative claim) or by a judicial claim (through civil law). For the latter, there is no mandatory insurance locally. There is no local capacity for writing employers’ liability (EL) coverage, according to the new regulations. With the current changes in terms of legislation, movement is expected in the markets for 2014. EL insurance is rarely available in the local market, as most of these risks are covered by multinational companies through global programs. As of October 2014, all executive compensation will be taken into consideration when calculating premium.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

The non-catastrophe-exposed property insurance market is divided between energy and non-energy clients. For both, rates are expected to decrease up to 10% in 2015. International carriers’ underwriting appetites vary, depending on occupancy and loss history. Such factors are either driving the need to purchase facultative reinsurance, or these risks are being written by domestic carriers. Total capacity remains at US$200 million, based on probable maximum loss (PML). With regard to energy risks, the Allianz Global Corporate & Specialty (AGCS) hub in Brazil and AIG’s regional oil practice are providing fresh capacity to the Argentinian market.

Construction: There is more than US$300 million in capacity based on total construction value. Rates are stable as several significant infrastructure projects have been postponed.

Terrorism: Coverage may be provided by local markets as a sublimit in property policies or on a standalone basis by purchasing a product developed by Bowring Marsh and Hiscox. Though terrorism insurance is not compulsory by law, multinational companies may purchase coverage if it is required by their corporate governance policies.

Machinery breakdown: This type of coverage is normally included within the “all risk” policy (US$3 million limit).

Energy: For energy, rate increases of up to 10% can be expected, increases of more than 10% are possible for those with poor loss histories. Insurers are not willing to front because of the difficulties they face with on-time payment to overseas reinsurers. Some international insurers are not fronting as they did in the past, though they are currently analyzing terms and premium payment warranties.

Local capacity for energy risk is primarily provided by international insurers. Total capacity is almost US$450 million (based on estimated maximum losses). Because international insurers do not use their full capacity, almost US$250 million can be placed locally.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

Despite changes introduced by previous Argentine regulations, very few insurers offer coverage in this line — and only in bond form. There is no other coverage approved to comply with local regulation.

DIRECTORS AND OFFICERS (D&O) LIABILITY

RATES: DECREASE 0% TO 10%

The market will likely continue to see premium reductions due to greater competition, and capacity remains at approximately US$30 million per carrier. The marketplace’s interest in underwriting D&O liability coverage has increased, and more risks are expected to be underwritten. The D&O liability insurance market was soft in 2014 and is expected to remain so in 2015.

FINANCIAL INSTITUTIONS

RATES: INCREASE 0% TO 10%

In general, the loss record of the market is not good in terms of severity and frequency. Just a few insurers can provide large capacities. Accordingly, higher rates and deductibles can be expected in 2015. Rates are increasing due to several losses of banker’s blanket bond, in particular, safe deposit box coverage.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

The market is showing an increasing appetite for this coverage, particularly for lawyer, accountants, and architects and engineers liability. Market capacity is up to US$5 million and though the market is not fully developed in this line, a few companies are willing to underwrite these types of policies. In 2014, new products such as multimedia and cyber professional liability were launched.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

Only few domestic carriers offer this line in Argentina, and rates and conditions are similar amongst them.

Clinical trials coverage is underwritten by international carriers only. Standard limits are between US$500,000 and US$1 million.

MARINE

RATES: STABLE -5% TO +5%

The local marketplace continues to be competitive with substantial local capacity. This market is expected to remain stable in 2015.
AVIATION
RATES: DECREASE 10% TO 20%
The local marketplace continues to be competitive with substantial local capacity. This market is expected to remain stable in 2015.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Rates for life and accident and health are expected to remain stable for 2015. Standalone health coverage has seen increases in the area of 10%. Overall, the market appetite for this line of coverage will remain stable with few changes expected for 2015. New underwriters in the marketplace could result in more competitive rates, products, and more capacity for life and accident and health coverage.

RISK TRENDS

Growth of Insurance Market
The Argentinian insurance market has grown steadily over the last five years. Overall premium as of June 30, 2014, was AR$108,913 million, representing a 35.1% increase year-over-year from 2013. The insurance industry continues to experience steady growth. Its contribution to the domestic economy has grown to historic levels. Main lines of business include:

- Property damage: AR$3.9 billion (increase of 46.9% from 2013).
- Motor: AR$39 billion (increase of 40.3% from 2013).
- Group life: AR$16 billion (increase of 36% from 2013).
- Workers’ compensation: AR$28 billion (increase of 29.1% from 2013).

Note: US$1.00 = AR$8,625

Cargo and Property Placements
In terms of underwriting trends, changes in reinsurance treaty renewal wording, together with an increase in losses, primarily related to natural catastrophes, may have a negative impact on both marine cargo and property placements. Most carriers are requiring insureds to make improvements in property risk management, security measures, and loss control policies.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
The general liability market continues to experience stable rates, with new products and terms being offered. However, fewer markets are willing to underwrite exposures in the energy distribution, chemical, pharmaceutical, fertilizer, and warehousing industries.

MOTOR/AUTOMOBILE
RATES: STABLE -5% TO +5%
Many corporations are reducing their corporate fleets in an attempt to cut down on operational costs. In some cases, corporate clients are outsourcing their passenger vehicle fleets by hiring car rental companies or simply transferring their vehicles, and the related costs, to the end-users, which creates opportunities in the worksite/consumer area. In addition, carriers are becoming more restrictive in their terms and conditions with regard to underwriting truck fleets.

WORKERS’ COMPENSATION/
EMPLOYERS’ LIABILITY
RATES: INCREASE 10% TO 20%
In Brazil, workers’ compensation coverage is provided by the government. Employers’ liability, which is sold as a general liability coverage, is facing a 10% to 20% increase in rates, together with higher deductibles, due to a substantial increase in workplace claims.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
In 2014, Brazil experienced a strong market transition, with the exit of several large carriers and entry of new global insurers into the marketplace. The trend seems to be that traditional large strategic players in the corporate risk environment are restricting their risk appetite. Insurers are demanding more information on the exposures they underwrite and requiring risk improvements. In spite of this, capacity remains abundant, with rates expected to remain on a downward trend for 2015.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%
Only three carriers now underwrite this line of coverage. Although demand appears to be increasing, capacity remains limited. Environmental liability linked to inland marine cargo insurance is provided more regularly, and is offered by eight different carriers.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: STABLE -5% TO +5%
The demand for D&O liability coverage in Brazil continues to increase. Despite an increase in losses, rates are expected to remain stable, even with fewer available markets and tighter underwriting requirements.

FINANCIAL INSTITUTIONS
RATES: INCREASE 0% TO 10%
Due to a recent increase in claims for small and midsize banks, as well as large ones, banks are experiencing rate increases and facing a more restrictive marketplace. Policies structured in layers are becoming more commonplace.

PROFESSIONAL LIABILITY
RATES: INCREASE 10% TO 20%
There is an increase in the demand for errors and omissions (E&O) liability insurance due to imposed contractual agreement requirements. Fewer carriers are interested in underwriting these types of risks.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
Only two carriers provide this line of insurance currently, and available limits do not exceed $2 million. The demand is limited and usually requested by large hospitals and diagnostic clinics.

MARINE
RATES: STABLE -5% TO +5%
This is an extremely competitive market, with carriers trying to build or increase their portfolios. In spite of increased volume of claims, rates are stable, on average, and are expected to go down. Risk-management measures play a critical role in determining whether an underwriter will accept a given risk. There is an increase of product offerings and innovations (for example, stock throughput coverage).

AVIATION
RATES: STABLE -5% TO +5%
Although there are only three carriers in the aviation marketplace, plenty of capacity exists, especially for commercial aviation risks.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 10% TO 20%
EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%
EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
The trend in higher rates for health insurance is being driven by a 15% increase in medical costs. Carriers remain interested in underwriting corporate health management programs, while corporations look to redesign and adjust their voluntary employee benefits plans, as well as reduce their costs.
RISK TRENDS

Insurers Becoming More Selective

Overall pricing for the property and casualty markets in Brazil is expected to remain stable in 2015, due to plenty of available capacity, absence of significant losses, and fierce competition. Despite these conditions, insurers are becoming more selective and restrictive in their risk-acceptance philosophy. As a result, they are demanding more risk information, applying more rigid underwriting criteria, and requiring better risk-management measures by insureds. Companies need to refine their approach to buying insurance — instead of approaching it purely as a risk-transfer mechanism, they need to adopt sounder risk-management measures.

Business Interruption

Business interruption has been the focus of greater scrutiny among insureds. Additionally, the market has seen an increase in demand for cyber, riots/civil commotion, and errors and omissions (E&O) insurance.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
Over the past two years, insureds have experienced larger casualty losses, especially in the area of employers’ liability. Clients are buying higher limits and sublimits; the local capacity is approximately US$35 million.

MOTOR/AUTOMOBILE
RATES: STABLE -5% TO +5%
Motor and auto insurance rates are stable due to competition in the local market. Some insurance companies are offering new assistance extensions in the policies, such as professional-driver service and car-maintenance service.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
The property insurance market has been soft over the last two years. Local market capacity is approximately US$500 million, using coinsurance. As in 2013, this past year saw an average rate decrease of between 10% and 20%, with some industries seeing lower rates than those that existed before the February 27, 2010, earthquake.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%
Only two local insurance carriers offer environmental coverage. Capacity is about US$10 million.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: STABLE -5% TO +5%
The local capacity is approximately US$35 million. There are approximately 180 D&O liability policies in Chile.

PROFESSIONAL LIABILITY
RATES: DECREASE 0% TO 10%
Coverage is available only for architects and engineers and for certain activities (including projects). Market capacity is approximately US$10 million.

MARINE
RATES: DECREASE 0% TO 10%
Rates decreased 0% to 10% for marine cargo risks, while rates for inland transit remained stable. Rates continue to decrease for accounts with good loss records; no changes are expected for 2015. More companies are insuring stock and cargo with stock throughput policies. Theft in inland transit increased during 2014, so new security measures are required, and some insurance companies are adding a limit per occurrence, in addition to an annual aggregate for this type of risk.

AVIATION
RATES: STABLE -5% TO +5%
Aviation coverage is dependent of the facultative reinsurance market.

RISK TRENDS

Decreasing P/C Rates
The property insurance market has been soft over the last two years, with rate decreases in the area of 10% to 20% on average. Despite the earthquake that took place in the north on April 1, 2014, property insurance rates continue to decrease. The casualty insurance market was soft this past year, with rate decreases up to 10%.

Insurance Market
Operating under the traditional HDI brand, Talanx, Germany’s third-largest insurer, has agreed to buy a majority stake of Aseguradora Magallanes S.A., a local insurance company.

Personal Lines
The local insurance company, AIG, has stopped writing personal lines insurance.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

Competition among the casualty markets in 2014 resulted in a 10% overall premium reduction for Marsh’s clients. The market loss ratio for casualty lines (general and third party liability) is approximately 28%, which helped drive more underwriting appetite within the local and international insurance/reinsurance markets. In the coming year, two new entrants to the marketplace should create more competition, thereby keeping premiums low. During 2015 and for years to come, growth in the infrastructure and construction sectors is expected to create greater demand for this line of insurance. The financing of Fourth Generation (4G) concessions and other important infrastructure projects are expected to create opportunities not only for local carriers, but for international reinsurers as well.

MOTOR/AUTOMOBILE
RATES: DECREASE 0% TO 10%

Despite the runoff of Royal Sun & Alliance (RSA), the market offers sufficient capacity for this line of insurance. Numerous insurers are investing heavily in product development, and are offering higher liability limits and additional services that can provide insureds with customized solutions. Products such as “pay as you drive” and coverage terms based on an insured’s driving experience are new avenues that carriers are beginning to explore.

WORKERS’ COMPENSATION/EMPLOYERS’ LIABILITY
RATES: STABLE -5% TO +5%

Workers’ compensation coverage is a legal requirement in Colombia, with rates set by the government and applicable to five categories of risk. The Financial Superintendency has established a new regulation that requires insurance intermediaries to be certified in the technical knowledge and expertise of this line of insurance.

PROPERTY:
CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

This line of insurance, which includes coverage for machinery breakdown, machinery and equipment, and construction “all risk”, has performed well in the marketplace, with a loss ratio of 25% and projected premiums of approximately US$11 billion. Given the solid industry results in this sector, together with the surplus of capacity afforded by new players and current markets, rate reductions of approximately 10% are expected. Local carriers have also been more open to offering broader coverage in order to compete with international markets, which tend to be able to offer more innovative products and solutions. Premium growth is expected to come from “DECENAL,” a new product that has been created as a result of a law requiring construction companies to buy insurance to protect homeowners against the risk of building collapse due to structural damages, for a period of 10 years.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%

Environmental insurance has recently been introduced in Colombia. Currently, only one carrier is able to provide capacity, with another one interested in underwriting this line in 2015. We expect to see more demand for this coverage as international banks and investors begin to require it as part of their insurance programs.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%

In 2015, the market is expected to maintain the same trend seen in 2014 in terms of premium reductions due to a relatively good loss ratio and an excess in capacity. These reductions are estimated to be in the vicinity of 10% or more for programs with good loss experience. Cyber-risk programs on a standalone basis are gaining popularity due to significant losses incurred worldwide.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

An increase in the demand for single project professional indemnity insurance is expected in 2015, due to the growth of housing and infrastructure projects in Colombia. Although the demand for this coverage is growing, it is still not readily available because only select carriers offer it — and premiums can be high.

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%

Underwriters are expected to continue to keep premiums high for this line of coverage, especially for those insureds with high loss experience. For those insureds that maintain good loss experience, their premium increases are expected to keep pace with inflation. Insurers are investing heavily in working with insureds to prevent losses in order to control premiums costs.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: DECREASE 0% TO 10%

Although premiums for D&O liability insurance in the private sector are expected to continue to decline in 2015, those companies with public exposures — especially those that have fiscal liability risks and must continue to purchase this line of coverage — are being affected by a hardening market due to high loss experience and a lack of interest on the part of local and international insurers to underwrite D&O coverage. We anticipate that some premiums could as much as double for certain risks.

MEDICAL MALPRACTICE
RATES: DECREASE 0% TO 10%

The medical insurance market, which includes coverage for project cargo, inland transit, and protection and indemnity (P&I), is expected to maintain low rates as a result of excess capacity afforded by insurance companies entering the marketplace in Colombia. The market’s loss ratio is approximately 33% for cargo insurance and 34% for hull/P&I.
AVIATION
RATES: DECREASE 10% TO 20%
General aviation insurance in Colombia, which only a few insurance companies write, has an important facultative reinsurance component. In 2015, new insurers are expected to enter the marketplace, generating more competition which, in turn, should lead to better coverage, in terms of terms and conditions.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 10% TO 20%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: INCREASE 0% TO 10%
The loss ratio for the life insurance marketplace was lower than 30% in 2014. This result will likely spur more competition among insurance companies, which will benefit insureds in 2015. Some underwriters are even including additional coverages such as rent coverage.

RISK TRENDS

“Premium Sufficiency” Regulation
The Colombian Office of the Superintendent of Insurance has been working to ensure that insurance companies will pay their insureds’ claims even in the worst-case scenario. A new regulation called “premium sufficiency” will require carriers to ensure that they have sufficient reserves on hand to pay claims. Even though the regulation is not yet in force, it is important to monitor the effect this law will have on those insurance companies that may not be in a position to respond to the law’s requirements and will attempt to transfer the cost to their insureds.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
Rates have generally remained stable over the past 12 months and are expected to remain stable in 2015. Although there is plenty of local capacity to underwrite most liability policies, there is some limitation for worldwide coverage (especially for hotels). There is also a lack of local capacity for product export liability exposures.

MOTOR/AUTOMOBILE
RATES: DECREASE 0% TO 10%
The total marketplace for auto liability has grown approximately 5% in the past year, with rates trending slightly downwards. As a result of an increased interest among underwriters to write this line of coverage, some insurers have created departments specifically geared towards developing new products for this line. This specialization has led to a more dynamic marketplace, resulting in new products ranging from complete “all risk”/no-deductible coverages to total-loss insurance.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
The property market has recently seen an influx of capacity with the arrival of Banesco Seguros, which opened up shop in mid-2014. This, combined with a clean catastrophe-loss record in the past decade, and the softening international market, has led to a great degree of competitiveness among all local players, resulting in rate reductions of 5% to 10% for medium/large risks and up to 15% for smaller risks. Products are essentially very similar, although rate reductions have motivated many clients to migrate from a “named perils” format to a much more comprehensive “all risk” format.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: DECREASE 0% TO 10%
There is no local capacity for D&O risks, so companies must access international markets. Rates have been decreasing approximately 5% to 10%, and one of the more requested coverages has been employment practices liability, including cover for the company. Although regional players have remained the same, increased interest from London markets should drive even more competitive terms and conditions in the near future, along with proprietary wordings developed by Marsh’s FINPRO team in London.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%
Financial institutions (FI) tend to be some of the more attractive risks for the marketplace, as they generally have good loss experience and sound risk-management measures in place, all of which contribute to better terms and conditions. Within the past year, Marsh’s FI clients have shown a marked interest in more specialized products, such as D&O, professional indemnity, and cyber liability coverages. More comprehensive products are anticipated in the near future, with more proprietary wordings based on facilities negotiated with leading reinsurers.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
Professional liability rates have remained stable in the past few years, albeit higher than many insureds would prefer. Given the lack of local capacity for this line, generating competition from international markets will be a key factor in ensuring that premium levels are more desirable. Historically low loss ratios, and increased interest from insureds, should make for a more competitive environment in the near future.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
There is currently little to no local capacity for medical malpractice, as the only insurer that had been underwriting these risks had a bad loss run and effectively stopped quoting this line. International capacity is also very scarce, although markets have shown some interest in quoting medical malpractice policies for larger, more organized hospitals, as opposed to policies covering individual doctors.

MARINE
RATES: STABLE -5% TO +5%
Cargo rates are some of the most competitive in the marketplace, as loss ratios have, traditionally, been very healthy. There have not been any new products of note. However, Marsh has managed to negotiate no-claims bonuses in a few specific cases.

AVIATION
RATES: STABLE -5% TO +5%
There is no local capacity for aviation, but there are a number of international underwriters willing to quote these risks — this trend is expected to continue in 2015.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%
EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%
EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: INCREASE 0% TO 10%
The short-term outlook for employee health and benefits is very similar to what has been experienced in the past. Rates for health insurance policies usually increase on a yearly basis, based primarily on inflation and heavy loss ratios (up to 87% among the main health insurers). Marsh’s clients are typically seeing rate increases between 5% and 10%.
RISK TRENDS

Economic Impact

The Dominican economy is the best it has been in years, with solid 7% growth in 2014, and low inflation and steady exchange rates. Fast-growing sectors include construction, mining, and tourism, with heavy investment in all-inclusive resorts at the eastern tip of the island, as well as in the development of high-end hotels in Santo Domingo. The local insurance market has strong players, including both local and foreign capital, all of which contribute to a very favorable, highly competitive environment.

New Market Entrant

The local marketplace has been trending towards lower rates for the past few years. This trend is expected to continue in 2015, barring any major catastrophic events in the near future. In the coming year, clients should benefit from the entry of a new insurer, Banesco Seguros, in the marketplace, as well as the prolonged softening of the reinsurance market.

Healthy Appetite for Benefits

The increased interest among underwriters for life and health insurance is consistent with recent growth trends. Heightened interest in the employee benefits sector among insurers is also anticipated in the next 12 months.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
A large amount of capacity is available in the marketplace for this line of coverage — it is a highly competitive environment.

MOTOR/AUTOMOBILE
RATES: DECREASE 0% TO 10%
The auto liability market is a growing and competitive one.

PROPERTY: CATASTROPHIC-EXPOSED
RATES: STABLE -5% TO +5%
Earthquakes and hurricanes are the most impactful events that can generate significant catastrophe-exposed losses for clients. A large amount of capacity is available in the marketplace for non-catastrophe-exposed coverage; it remains a competitive environment.

PROPERTY: NON-CATASTROPHIC-EXPOSED
RATES: DECREASE 0% TO 10%
There is good capacity in the marketplace for this line of coverage, and the market remains highly competitive.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%
This line of coverage is a new product in the marketplace as a result of new environmental regulations.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: STABLE -5% TO +5%
After falling for three years in a row, rates stabilized since 2013 and have remained so ever since. Rates are expected to remain stable in 2015.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%
Capacity is limited in the marketplace for some coverage. Claims activity has increased.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
Capacity is available in the marketplace, and additional carriers have shown interest in underwriting this line of business. The bulk of the capacity is provided for specific projects.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
Capacity is available in the market. Rates have been stable in the past few years and are expected to remain so for 2015.

MARINE
RATES: DECREASE 0% TO 10%
For health insurance, the financial and political environment has shrunk the purchasing power of clients. After two years of rate reductions for life insurance, no significant movements are expected in 2015. Accident and health rates remain stable with no changes expected.

AVIATION
RATES: DECREASE 0% TO 10%
Commercial aviation has not been affected by the losses in the past year; capacity remains the same.

RISK TRENDS

Environment and Infrastructure

New environmental legislation has created a new market for environmental coverage.

As result of the energy reform, the market will be opened up to allow private investments in the oil and gas sectors as well as the power generating sector. As a result, new risks for Mexico, such as deep exploration and production, onshore and offshore shale-gas exploration and production (including a discussion around related environmental issues), and the reformating of heavy oil-based power generation plants into modern, cost-efficient gas cogenerating plants, will need to be addressed.

Infrastructure investments are also expected to speed up. Important projects for airports, trains, ports, and highways have been announced by the authorities. The scope and size of these projects and their catastrophe exposures are important factors to be considered.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
The market for this line of coverage was stable throughout 2014; an average rate decrease of 5% is expected for 2015.

MOTOR/AUTOMOBILE
RATES: INCREASE 0% TO 10%
In general, carriers have experienced poor loss ratios in this line of insurance and have increased premiums to compensate.

WORKERS’ COMPENSATION/EMPLOYERS’ LIABILITY
RATES: DECREASE 0% TO 10%
New entrants in the marketplace have made it more competitive, resulting in lower premiums.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED:
RATES: DECREASE 0% TO 10%
For catastrophe (CAT) exposures, CAT contracts were renewed in June 2014, and will be in force until June 2015. For non-CAT exposures, the marketplace is competitive, resulting in lower premiums.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%
This coverage is still very rare. Local carriers don’t assume this risk, and always reinsure it.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: STABLE -5% TO +5%
All carriers reinsure this coverage, except for ACE, which retains it. Therefore, prices follow global trends.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%
The marketplace follows global facultative market trends. Local carriers do not underwrite this line of insurance.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
Only one insurance company has the capacity to underwrite this line of insurance for small risks. Other carriers reinsure this line of business, so prices follow the global facultative market trends.

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%
Health costs, medical inflation, and claims have had a negative impact on carriers’ results.

MARINE
RATES: DECREASE 0% TO 10%
Good results in this line of insurance have had a positive impact on premium pricing.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: DECREASE 0% TO 10%

RISK TRENDS

Stagnant Economy
A stagnant economy could adversely affect investments in the coming year, which, in turn, could result in higher premiums overall.

Climate
Possible effects of climate change on the El Niño weather cycle may affect the fishing industry and agriculture overall.

New Market Entrants
The growing trend of foreign insurers entering the Peruvian market is expected to continue. This is expected to result in a more competitive market, with wider covers and products, and lower prices.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
The local casualty insurance market has good capacity and appetite. It includes the participation of three main casualty insurance carriers. The market is more restricted for hospitality, health care, and pharmaceutical insurance products. Insurance premiums vary according to loss experience and exposure classification.

MOTOR/AUTOMOBILE
RATES: DECREASE 0% TO 10%
In Puerto Rico, almost all insurance carriers are highly competitive in this line of insurance. Depending on a client's loss experience and exposure, premium reductions can be obtained for renewals and new business.

WORKERS' COMPENSATION/EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%
Puerto Rico is a monopolistic state, so the majority of the workers' compensation business is provided by the government. Other insurance companies provide workers' compensation coverage for those projects in federal territory and abroad. Rates and premiums depend on operations, classifications, and premium basis (payroll).

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 10% TO 20%
Property rates have decreased significantly for the last five years due to soft market conditions. Two new carriers were approved to do business on the island, adding more capacity and alternatives. During the first three quarters of 2014, property rates decreased for new business and renewals. The property market capacity ranges from US$10 million to a maximum of US$50 million per company per location. For high stock values risks, there are various admitted carriers providing stock throughput insurance coverage alternatives, including marine cargo coverage. The market appetite is very good, although rates vary depending on total insurable values, types of construction, operations, location, and occupation. Capacity for beachfront properties is limited, and rates are relatively high when compared to non-beachfront.

ENVIRONMENTAL
RATES: DECREASE 10% TO 20%
The environmental market consists of four major carriers, and capacity ranges from US$1 million to US$50 million per risk with a minimum deductible of US$10,000. Available coverages consist of pollution legal liability, transportation, contractors pollution liability, storage tank liability, and closure/post-closure financial responsibility. Underwriters will aggressively quote new accounts and renewals provided that the required underwriting information is submitted on a timely basis. However, minimum premium levels established by type of risk will be observed.

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: DECREASE 0% TO 10%
It is possible to negotiate premium discounts for D&O coverage for private companies with good loss histories, although reductions are smaller than they had been. An increase in claims frequency has been seen when D&O is combined with employment practices liability, but little change in severity. D&O coverage for public companies, especially in the financial sector, is tighter, with stable or increasing premiums directly tied to financial condition, stock-price fluctuation, and claims experience.

FINANCIAL INSTITUTIONS
RATES: INCREASE 0% TO 10%
Limited capacity from authorized carriers for primary policies has led to stable premiums when financial conditions and claims experience are good. Notable adverse experience, financial conditions, and fluctuations in stock prices of public companies can all impact pricing. Although capacity remains stable for financial institutions bonds coverage, premium discounts are hard to achieve and there is pressure to increase rates. Competition allows for flat renewals with good loss experience. Capacity is limited for lenders liability and broker/dealer coverage extensions. Particularly for brokers/dealers, there has been adverse experience in the market, and carriers are raising rates and deductibles for insureds that had claims.

PROFESSIONAL LIABILITY
RATES: DECREASE 0% TO 10%
With multiple carriers offering professional liability coverage, capacity is good, providing leverage to negotiate premiums and better terms and conditions. Rates are decreasing and frequently reflect discounts at renewal.

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%
Medical malpractice rates have not changed significantly over the past three years. Renewals are based on the loss experience of each insured and the appetite of the markets. The increases in premium for some clients are the result of unfavorable loss experience. Recently, an increase in the frequency and severity of loss activity has been observed, although rates have remained stable and the market appetite varies depending on the insured. Insurers writing this type of business are limited.
MARINE
RATES: DECREASE 0% TO 10%
With almost all local carriers offering inland marine and marine coverage, capacity is good, providing insureds leverage to negotiate premiums and terms and conditions. For inland marine, rates remained stable and have fallen for clients with favorable loss experience. In marine cargo, the entry of new carriers into the marketplace has led to increased competition and premium discounts of up to 50% for some renewals. Quotes for stock throughput and shore risks coverage for warehouses and distributors with high stock insured values are also competitive.

AVIATION
RATES: STABLE -5% TO +5%
There are three main carriers writing this type of business on the island; premium varies according to loss experience, aircraft make and model, and pilot experience.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%
EMPLOYEE BENEFITS: LIFE
RATES: INCREASE 0% TO 10%
EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
This is a US$275-million market in Puerto Rico. The appetite for this type of insurance is growing, but for voluntary programs where employees pay the entire premium. The overall claim trend is 9%. The Puerto Rico insurance market has been shrinking due to insurance company mergers and acquisitions, closures, or local market departures. Such changes may affect future renewals, but major changes are not expected for 2015. Upcoming Patient Protection and Affordable Care Act mandates will impact processes and costs. The largest insurance company in Puerto Rico has been affected by the loss of its government contract and federal investigations.

RISK TRENDS
Economic Downturn
The economic downturn, which has negatively affected businesses on the island since 2008, has directly impacted insurance carriers’ and customers’ net incomes as well. Overall total annual written premium for the island has declined between 30% and 40% as a direct result of the economy.

Property Capacity
Although Puerto Rico has heavy catastrophe exposures for earthquake and windstorm, the absence of major catastrophic events has kept property insurance rates low. Two new property and casualty insurance carriers have been approved to do business on the island, adding more capacity and alternatives to the local insurance market.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: STABLE -5% TO +5%

MOTOR/AUTOMOBILE
RATES: INCREASE 0% TO 10%
An overall premium rate increase of up to 10% is due to inflation.

WORKERS’ COMPENSATION/EMPLOYERS’ LIABILITY
RATES: STABLE -5% TO +5%
In Uruguay, this coverage is compulsory by law, and a monopoly of Banco de Seguros del Estado.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
In recent years, the region has suffered extreme weather events (winds, hurricanes, severe storms, cyclones) that have caused insurance companies to take steps that limit the possibilities for placement. Some companies included sub-limits for those events, others increased deductibles, and some stopped placing non-concrete constructions.

ENVIRONMENTAL
RATES: INCREASE 0% TO 10%

DIRECTORS AND OFFICERS (D&O) LIABILITY
RATES: DECREASE 0% TO 10%
There is an increasing number of insurers participating in this market due to the increase of foreign direct investment and a greater awareness of companies around obtaining this coverage. Additionally, a new law (19.196) passed in March 2014, makes directors and officers criminally liable for failing to adopt labor safety standards and thus endangering the physical safety of employees.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

MARINE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%

RISK TRENDS

Climate
Uruguay is a conservative market, but one that has grown steadily. In terms of underwriting in companies, risk trends in the short and medium term will be linked mainly to climatic events.

D&O Liability
The demand for D&O liability coverage for directors and managers has increased due to a new law under which employers can be held criminally responsible for work-related accidents that affect employees.

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MARKET CONDITIONS

GENERAL LIABILITY
RATES: INCREASE 0% TO 10%
Due to the lack of capacity, local insurance companies must rely on international reinsurers, a situation that has led to higher premiums.

MOTOR/AUTOMOBILE
RATES: DECREASE 0% TO 10%
Rates may decrease or remain stable. Although inflation has increased very much the values of the vehicles, there are fewer losses as the insureds are taking more care due to the fact that parts are very difficult to obtain.

WORKERS’ COMPENSATION/
EMPLOYERS’ LIABILITY
RATES: INCREASE 0% TO 10%
Although company closings have reduced the number of workers, there has been an increase in wages of the workers, thereby impacting payroll and insurance costs. The lack of formal medical care is forcing workers to seek medical care, as a result of occupational illnesses or work accidents, at outside private clinics.

PROPERTY: CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%
There is no local capacity or contract for this type of risk alone, only earthquake in “all risk” and fire and allied perils. Rate increases are a result of inflation that affecting the insurance values, together with a lack of local capacity, which has forced the local insurance companies to seek international reinsurance. Some programs are already in coinsurance with some insurance companies, but this is not enough, due the lack of capacity. A factor to take into consideration is the current country risk.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%
Rate increases are a result of inflation affecting the insurance values, together with a lack of local capacity, which has forced the local insurance companies to seek international reinsurance. Some programs are already in coinsurance with some insurance companies, but this is not enough, due the lack of capacity. The current country risk is also a factor.

MARINE
RATES: INCREASE 0% TO 10%
Private imports have decreased due the closure of some companies. In addition, the lack of capacity in the insurance marketplace has forced insurers to seek coverage in the international reinsurance marketplace, which has resulted in an increase in premiums. Most imports emanate from the government.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 30%+
In Venezuela, rates are tied to loss experience, so if there is a loss experience of 60%, the rates would typically increase between 50% and 60%. Another important factor is inflation, which is between 52% and 65%. Many of Marsh’s clients have experienced an increase of more than 30% in their rates.

EMPLOYEE BENEFITS: LIFE
RATES: INCREASE 0% TO 10%
EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: INCREASE 0% TO 10%

RISK TRENDS

Political Risk
Political risk continues to be an issue. Most of the risks have to be placed within the international reinsurance market, where this is a lack of capacity, which in turn leads to increased costs.

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