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Benfield Launches CAPRe – A New Underwriting Pricing and Management Tool for Reinsurers Writing Catastrophe Business

Mitsui Sumitomo Signs Up for a CAPRe Licence

Benfield, the world's leading independent reinsurance intermediary, today announced the launch of CAPRe (Capital Allocation Pricing for Reinsurers), a new underwriting pricing and management tool for reinsurers writing catastrophe business.

CAPRe is the first generally available product of its kind on the market* to allow reinsurers to price catastrophe programmes according to their impact on the reinsurer's own portfolio. In addition to pricing, the system also provides reinsurers with centralised management control for continuous monitoring and management of exposures.

Developed by the ReMetrics team at Benfield in collaboration with Black Diamond Group, CAPRe works with all the leading catastrophe models including RMS, AIR and EQECAT. It uses a range of pricing methods including marginal and standard deviation pricing to provide reinsurance prices. The marginal pricing method shows both the required capital to support the programme, the desired price and the return on equity for any given market price. Underwriters can then analyse the data before deciding on a price and acceptance.

The software supports pricing across multiple countries and currencies and with a variety of modelling assumptions. CAPRe can be integrated smoothly into the renewal workflow and allows underwriters to structure and price programmes simultaneously. Underwriters benefit from immediate reports showing exposure accumulation and potential loss by return period for each country and region.

Commenting on the launch of CAPRe, Benfield's Paul Maitland said:

"To write business with an acceptable return on capital, reinsurers need to know how much capital their underwriting requires, and they need to know it at the time of pricing. CAPRe delivers this and updates the portfolio dynamically as the underwriters write new business. As a result, the reinsurer can provide a price that more accurately reflects its level of exposure.

"By making 1 in 100 year or 1 in 250 year results for the portfolio available at the touch of a button, CAPRe is an underwriting pricing and management tool that provides reinsurers with immediate access to their potential maximum losses."

Benfield Chief Executive, Grahame Chilton, continued: "Benfield has a history of pioneering hazard and catastrophe modeling techniques and the launch of CAPRe is a continuation of this trend. At a time when catastrophe reinsurers need to differentiate themselves, CAPRe raises the standard for portfolio management."

The software was developed in collaboration with Black Diamond Group, a merchant bank and advisory firm based in New York and has already been successfully implemented in the reinsurance community.

Eric Lemieux of Black Diamond Group commented: "Many companies now make use of multiple models. CAPRe allows users to efficiently price and monitor their risk using various modelled outputs. Underwriters, risk managers and senior executives all benefit from the integration provided by CAPRe."

Mitsui Sumitomo Insurance is the first company to sign up for a CAPRe licence.

Takashi Sato, General Manager of Mitsui Sumitomo Insurance's Reinsurance Department commented: "This is a great opportunity for us and our Group. We hope Benfield's new product will help us improve our skills to evaluate our capital efficiency and risk management strategies from additional new angles. This will certainly be another meaningful step for us as we remain keen on constantly improving and fine-tuning our modelling capabilities."

Hitoshi Murakami, Managing Director and C.E.O. of MS Frontier Re, a wholly-owned subsidiary of Mitsui Sumitomo Insurance added: "As long as there is more than one way of looking at the risk and return of one's portfolio, the more appropriate options we have, the better decisions we can make. CAPRe is one of those options. Combined with our Group's excellent security, I am confident that our potential for further business growth and long term profits will be well supported by such a reinforced platform."

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Notes to Editors:

* In accordance with the terms of its development, the availability of CAPRe is currently limited.

About Benfield:

Benfield is the world's leading independent reinsurance intermediary and risk advisory business. Its customers include most of the world's major insurance and reinsurance companies as well as Government entities and global corporations. Benfield operates from more than 30 locations worldwide. The company is listed on the London Stock Exchange under the ticker symbol BFD. www.benfieldgroup.com

About Black Diamond:

The Black Diamond Group LLC is a New York based merchant bank and advisory firm specializing in insurance. Its principals are Jay Novik, Heidi Hutter, Eric Lemieux and Bruce Reich. www.bdgltd.com

About Mitsui Sumitomo Insurance:

Mitsui Sumitomo Insurance is a leading non-life insurer in Japan, with an overseas network comprising 56 cities in 36 countries and regions outside of Japan. In the 2002 financial year, net premium volume amounted to Yen 1,304 billion (approx. USD 11.9 billion) and shareholders' equity amounted to Yen 1,042 billion (approx. USD 9.5 billion). The company has been expanding its inward reinsurance operation through its reinsurance subsidiaries in Bermuda and Dublin to enhance its overall risk diversification. Mitsui Sumitomo Insurance is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best.