MARSH

Mid-Year Mining Market Update

INTRODUCTION

It may be six months since our last mining market update, but our headline hasn't changed — capacity remains abundant, the significant majority of property and terrorism risks continue to enjoy rating declines, and the casualty market, in general terms, is stable.

SO WHAT'S NEW?

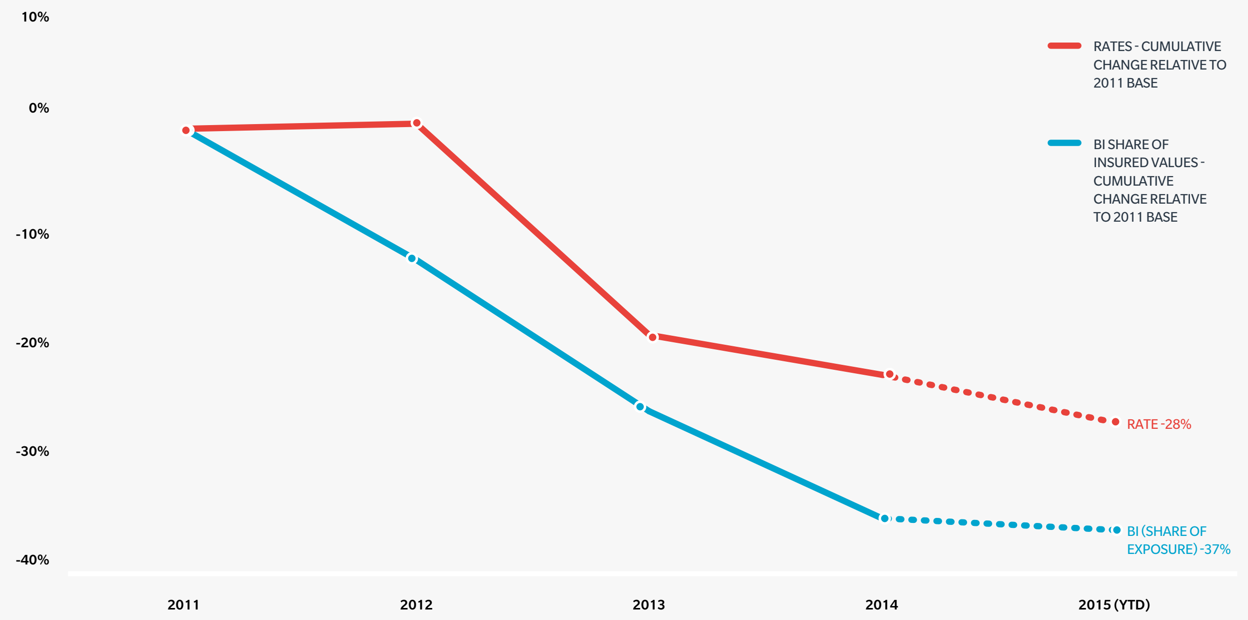
Firstly, Berkshire Hathaway is now making its presence fully felt, and has rapidly become a force in the market. As a direct insurer in all major mining market hubs, Berkshire Hathaway is writing material lines at competitive prices and building market share at — and below — current market prices.

Secondly, the international markets are, in general terms, starting to close the gap with what had been more competitive domestic markets in South Africa, Canada, and, to a lesser extent, Australia. A good example of this is a return to competitive form by Munich Re.

At our last market update six months ago, international markets were commonly lagging major domestic markets, both in terms of pricing and preferred deductibles. Price is now a less common differentiator, with deductibles alone often providing the only edge to domestic markets.

Thirdly, deductibles themselves are starting to see some signs of movement. For example, a major catastrophe risk-exposed metals client has enjoyed a reduction in combined property damage/ business interruption (PD/BI) deductible by a factor of six — coupled with a modest rating reduction.

FIGURE 1 RATE CHANGE AND BUSINESS INTERRUPTION EXPOSURE 2010-2015
Source: Marsh Mining Practice



Note to chart: Rates reflect total PDBI premium divided by total insured values (TIV) for the mining clients with TIV below US$50 billion for which data is available. 2015 year-to-date value includes July renewals for which data is available.

LOOKING BEYOND HEADLINE RATES — HOW SUSTAINABLE IS THE MARKET?

Our recent reports have focused on the softening in PD/BI rates since the market for mining risks began to turn in 2012. Stepping back from the short-term trend in declining rates, it now seems instructive to look at mining premiums (for our mining client portfolio) versus total insured values.

The above chart illustrates that reductions in business interruption (BI) exposures have been leading the reduction in rating Business interruption exposures now make up a 37% smaller share of total insured values than they did in 2011, whereas rates are down 28% We believe this insight is meaningful, as 77% of the value of major mining loss settlements in the last five years relates to BI exposure. In other words, the chart illustrates that rates are not divorced from a key driver of exposure, and therefore to answer our own question — we do not see the current rating environment as being disjointed from the fundamentals of the risk exposure presented by mining clients, and do not consider current market conditions to be unsustainable.

Matthew Gooda
Global Mining
Practice Leader

INTERNATIONAL PROPERTY MARKET UPDATE

In general, the suppression of commodity prices has brought about lower BI declared values for a majority of our clients, and, as such, most insureds are regularly seeing double-digit percentage reductions on their year-on-year premiums.

As we enter the second half of 2015, we mark the 14th consecutive quarter of average rate declines. Deductibles and self-insured retentions have largely remained unchanged, but amendments are achievable within the majority of markets. There is a growing interest from large and mid-tier insureds in longer primary line stretches and quota share lines, increasing pressure on markets with small capacity to deploy. A number of individual insureds have reported losses in the past 12 months, but not to the extent that losses have had the effect of stemming the slide on rates. In the absence of major losses, we expect that rates will continue to move downwards.

INTERNATIONAL PROPERTY MARKETS

AIG's underwriting philosophy continues to be wide-ranging — writing risks for the multi-national, multi-commodity miners through to the junior mining companies. AIG's recent heavy investment in risk engineering capacity is reflected in an increasing desire to participate in engineering surveys. Capacity in excess of US$200 million is available and restrictions on underground capacity continue to ease. Capacity can be dependent on the local office, with Australia and South Africa more comfortable in offering greater capacity than others. In most regions, AIG considers itself to be a lead insurer; nonetheless, decisions on the larger accounts are referred to the Chicago head office for approval.

ACE is traditional in its approach to writing mining risks. Its appetite for excess layers continues to be balanced by its enthusiasm to write additional lines lower down programmes. Capacity is accessible in Bermuda, London, and Miami. The Bermuda office is growing its mining portfolio and, in some cases, coordinates with **Starr Tech** to provide complementary excess capacity to that which Starr Tech offers within primary layers.

Allianz maintains its broad cross-class appetite. Significant capacity is available; however, interest and expertise vary across its global network and underground capacity remains a stumbling block. Identifying the correct access point to Allianz is important to getting the best outcome from the carrier.

Allied World Assurance Company's (AWAC) continues to expand and develop its appetite for mining risks, and its London office (using its Lloyd's syndicate) has been writing mining business from late last year — albeit with a focus on non-North American domiciled insureds. North American risks are generally written from its US or Bermuda office, with new international business being written from London. It has up to US$7.5 million in capacity and the ability to provide increased lines on key accounts. It can write in primary or excess positions, including underground exposures.

Arch Re focuses largely on treaty business in Bermuda, even though it does have the ability to write on a facultative basis. It offers US$25 million in capacity and considers non-traditional layers such as compressed primary layers with high rate on line, captive aggregate protection, as well as deductible buybacks which can benefit mining insureds.

Ariel Re continues to write a substantial mining portfolio, with mining now accounting for approximately 45% of its overall natural resources and energy portfolio. Capacity remains stable at US$25 million for excess layers only, and Ariel Re typically offers small lines (US$5 million) within the lower layers inclusive of underground exposure, with the balance of its capacity in the top layers of programmes. Ariel Re is also not subject to US Federal Excise Tax (FET) on the basis of its Lloyd's cover-holder agreement.

As the newest entrant to the Bermuda marketplace, **Aspen Bermuda** began writing direct and facultative property risks in April, which complements its existing casualty and FINPRO business. With an appetite for customised solutions for all types of risks and international accounts, it will also write US-domiciled insureds provided 10% or more of their exposures are outside of the US. It will consider primary, quota share, or excess of loss layers, with maximum capacity of US$25 million.

Earlier this year, **Berkshire Hathaway** was further developing its business model, and in the past few months has opened local offices in Singapore, Canada, and Australia. It has made its presence felt by offering lines of up to US$100 million on several major programmes, and will consider all mining risks including underground.

FM Global remains flexible in its approach, and significant capacity is being deployed in respect of North American underground coal mining risks. It's participation in the mining sector remains subject to the Mutual's loss prevention engineering and risk management philosophies.

Hannover Re continues to expand its portfolio by writing all commodities and both surface and underground risks. On programmes where both it and **International Mining Industry Underwriters** (IMIU) participate, its preference is to combine the two capacities and provide longer stretches, which is proving popular with insureds. Both these markets are engineering-focussed, with underwriting based on IMIU engineers' reports. IMIU targets the first US$75 million to US$100 million of a placement, with up to US$15 million of capacity.

HDI Gerling's underwriting approach is more engineering-focused, with significant capacity available for the right risk — however, capacity is not available for underground risks. Underwriting authority is decentralised and generally underwritten dependent upon the head-office location of the insured.

Houston Specialty remains focused on raising its profile and expanding its mining portfolio. It has been looking beyond the major global diversified miners, while continuing to write a balanced book.

With a new energy treaty now in place, **Ironshore** has more presence on programmes and is demonstrating strong competition on new and existing accounts. The renewed treaty, which includes mining risks, now offers US$35 million of maximum capacity inclusive of catastrophe perils. It looks to deploy between 5% and 10% shares on programmes via primary or quota-share

positions and to expand participation on incumbent accounts to a more significant position alongside many of the larger quota-share markets.

Liberty Specialty Markets has a very technical and engineering-focussed approach and announced that it has a new focus on heavy industries, including mining. It requires a number of days to undertake a risk review and tends to be selective on where capacity is offered. Capacity available is in excess of US$100 million, but with a small underground capacity of approximately US$5 million.

Lloyd's maintains its reputation as a diverse marketplace, with more than 30 syndicates keen to participate on mining accounts. With larger and mid-tier insureds requesting more quota share and/or longer stretches, it is becoming increasingly difficult to build a multi-layered programme utilising Lloyd's lines. However, underwriters continue to demonstrate a keen interest to provide capacity on primary and excess of loss areas of programmes.

Mapfre has recently developed increased capacity for mining risks and is now able to write international mining risks. Increased underwriting authority is provided in London, but final sign-off is still being provided by its Madrid head office.

Recently, **Markel Bermuda** announced an increase in its catastrophe capacity to US$15 million, and the company is no longer subject to US Federal Excise Tax (FET). Its overall maximum capacity remains US$25 million, which it continues to use in primary and first excess layers. Its ability to write primary is usually dependent on the adequacy of the insured's deductibles and/or retentions; otherwise it tends to look to attach excess of the primary layer.

Montpelier Re offers US$25 million of maximum capacity, by deploying US$5 million of primary capacity and US$20 million within excess layers. In order to write primary layers, sufficient insured or deductible retention is required; if not, capacity is generally offered in an excess position. Montpelier Re continues to write US risks from Bermuda and international risks from its Lloyd's syndicate in London.

As has been widely reported in the press, **Endurance Specialty Holdings Ltd** recently announced its intention to purchase Montpelier Re. The pending acquisition has not yet been finalised (expected to be completed in the third quarter of 2015) and until then it is "business as usual".

Munich Re CIP has a dedicated mining team, which continues to adopt a risk-focused approach to the underwriting of large and technically complex risks, and has demonstrated commitment to supporting its long-term clients. It is comfortable maintaining a quota share lead type participation on major accounts down to the smaller and single mine location accounts, provided that detailed risk exposure information is available. Several recent placements have, in general, reflected a more competitive approach by Munich Re CIP than that experienced in the previous 12 months.

Oil Casualty Insurance Limited (OCIL) continues to develop its mining business, with this sector now representing close to 40% of its business. After a second full year of operation, it has successfully grown a very profitable property portfolio, and in the first half of 2015 has increased its capacity to US$50 million. It will also consider ground-up/quota-share participations in addition to its historic excess of loss participations.

Recent reports in the press suggest that there could be a merger between **Partner Re** and **AXIS** in the third quarter of 2015. AXIS primarily writes excess of loss layers, whereas Partner Re is technical, conservative, and has shown more flexibility than AXIS, although it can be a little expensive. Time will tell whether the proposed merger will change the appetite of the combined entity.

QBE's exclusive facility with **Bowring Marsh** continues to offer reserved capacity for Marsh clients, at the insureds election (and up to US$80 million per insured capacity, with a line size of up to 20%). Using superior A+ security, the facility supports automatic capacity at lead terms, and the speedier quotation and placement of client risks. Take-up for this facility remains in the 90%+ range.

SCOR is a well-respected participant in the sector, with knowledgeable underwriters. It has demonstrated an interest in participating on quota share or large primary stretches, and retains access to significant underground coal and hard rock capacity. Underwriters can be approached in regional and domestic markets, with final decisions for key or high-profile risks being referred to Paris. Its portfolio is very diverse, from single mine sites to the mega miners with multinational, multi-commodity exposures.

Starr Underwriting Agencies (CVS/1919) remains focused on the development of its mining portfolio, and offers increased capacity as well as allowing CVS to develop a larger profile. The carrier prefers certain mining risk exclusions, such as dewatering expenses, haul roads, and open pits; however, with the provision of the required underwriting material, these items can be considered as discussion points rather than absolute barriers.

With last year's restructure of the **Swiss Re Corporate Solutions (CorSo)** Energy team now firmly in the past, Swiss Re continues demonstrate a strong willingness to maintain long-term relationships and existing levels of support to individual clients during the current soft market cycle. Its dedicated mining resource continues to provide solid and meaningful capacity to mining clients globally.

Zurich Global Corporate continues to show an increasing but prudent interest in well-engineered risks. It has significant capacity and can write all classes of mining, including underground risks. Generally, Zurich can be approached in the insured's domestic market or through international hubs. It requires detailed risk engineering information for a complex internal engineering referral process that may take time, therefore early engagement is recommended.

CASUALTY MARKET

For 2014 through to mid-2015, the international casualty insurance markets have provided a more stable environment for mining risks than property markets have. While rates are generally flat, reductions are available, but these can be disparate depending upon exposures. New capacity has been forthcoming, and underwriting restrictions have been relaxed due to increased market appetite and competitive tension. In addition, some coverage updates offered by the global marketplace have, in some instances, affected clients with mining exposures.

As a result of recent environmental incidents, such as the breach of the tailings storage facility at the Mount Polley mine in British Columbia, global insurers are reviewing their positions and available capacity and coverage for the region. In particular, pollution coverage is under scrutiny, causing some uncertainty for Canadian insureds.

Occupational disease remains an area of sensitivity for insurers and is currently a standard exclusion due to the asbestosis-related issues of the 1980s and 1990s, as well as silicosis and black lung claims. In the first half of 2015, there has been a slight loosening of disease-related exclusions and markets are prepared to consider occupational-related incidents that are not related to respiratory disease(s).

Employer's liability has long been considered a hazardous exposure for mining companies, especially for underground operations, but particular attention is now being focused on Chilean Employer's Liability. The London marketplace has seen an increase in Chilean incidents and claim demands for employee claims, and there has been a reduction in markets prepared to consider this coverage. Sublimits and/or increased clients' retentions are not unusual in this regard.

Medical malpractice is a coverage that can be included within casualty placements, dependent on exposure, and provides many insureds with peace of mind. Exposures vary for this type of coverage — from first aid stations to large hospitals complete with maternity wards; however, local African markets are exhibiting increased scrutiny of this exposure due to local losses in this class.

ACE's appetite varies depending on the region, mining method, and attachment point. Its underwriting philosophy continues to be consistent, and ACE offers limits up to US$50 million, but typically with limitations on underground exposures.

Allianz has in excess of US$50 million available, but the European operations have gold and cyanide exposure restrictions, and limits can differ depending upon region.

Allied World Assurance Company (AWAC) has a preference for high attachment points and offers up to US$25 million in capacity. Additionally, specific coverage forms, such as occurrence reported, can impact both the nature and extent of its participation.

Chubb provides a comprehensive and global policy with supporting local arrangements, offering up to US$25 million capacity. Consideration should be given to its pollution wording, which is somewhat restrictive when compared with that of its competitors.

Dependent on mining type and location, **Lloyd's** offers upwards of US$500 million liability capacity. Its total capacity remains material, albeit differing across its many syndicates, which write sudden and accidental pollution with a blended pollution (named perils and time element) coverage for US exposure. The majority of syndicates are now excluding occupational disease and/or health hazards as standard.

Munich Re is not considered as an active insurer in the casualty mining marketplace, but can offer up to US$50 million capacity on a selective basis.

QBE is one of the leading mining insurers in London. It has an international presence, but its global solutions offering from a centralised London platform has still not been fully recognised. QBE has capacity of US$150 million but this can be restricted where US exposures are involved.

Swiss Re Corporate Solutions retains its standing as one of the leading insurers and offers a maximum capacity of up to approximately US$100 million. It is able to provide limits at relatively low excess points, but we note its inflexibility on wordings.

WR Berkley's appetite has steadied but remains competitive and can write the more difficult aspects of mining. It is still not recognised as leader in the sector, but has US$20 million capacity that is not reduced by underground or US-domiciled operations.

In a deal reportedly valued at US$4.2 billion, **XL** acquired Lloyd's syndicate, **Catlin**, earlier this year to form XL Catlin. XL offered limits in excess of US$50 million, with a global appetite, albeit focused on an excess basis and, dependent on the mining type and location, could be more restrictive for underground risks. Following the merger, its appetite has changed. With an appetite for writing mining risks, Catlin expanded its footprint in recent years and now has a presence in Asia, Europe, and North America. SJ Catlin is a market leader for non-US risks with few restrictions. The post-merger entity has not yet been tested to its full potential but has the promise to be a complete and compelling rival to Zurich.

Zurich remains a consistent long-term participant in the mining sector and often writes global primaries (with the ability to administer complex, locally-admitted programmes for global clients), and lead umbrella in cases where it writes the primary. Depending upon type of mining and location, limits up to US$100 million can be offered. Zurich also has the ability to reinsure mining risks to Zurich Global Energy in London, which offers a less restrictive pollution wording; however, recent pollution losses have seen Zurich adopt increased caution in terms of both limits and coverage.

TERRORISM MARKET

It was a benign coverage landscape for mining risks in the terrorism market for the first half of 2015. Attritional losses spanned both terrorism events and the broader perils of riot, strikes, and civil commotion (RSCC), although no major market-changing events transpired.

Earlier this year, the Bowring Marsh terrorism team launched its exclusive Terrorism and Political Violence Facility, which offers Marsh clients additional capacity at competitive premium terms with increased coverage benefits.

It is recognised that clients are faced with specific challenges such as:

- Increased unrest in a wide range of countries and regions, such as the Middle East, Asia, Latin America, and Africa.
- Exposures in narrow geographic areas which exceed market capacity (such as their aggregate limits).
- High exposure to significant contingent business interruption losses.

The competition within the leading panel has meant that **Bowring Marsh** has been able to sustain downward pressure on price. Renewal results still vary significantly from account to account, but it is clear that accounts that remain loss-free continue to benefit from falling rates. There is an appetite for underwriters to write RSCC; however, each risk continues to be assessed on its own merits with insured social responsibility programmes and historic labour relations meaningfully impacting renewal outcomes. The locality and remoteness of mining operations, and the constantly evolving political, economic, and security spectrum, continues to be a concern to the terrorism market.

SPOTLIGHT

MINING AND TERRORISM

As mining activities tend to be carried out in remote locations, they can be more susceptible to attacks by guerrillas or terrorist groups. Since 2010, such incidents have occurred in countries across the globe including Russia, Colombia, India, Iraq, Pakistan, and North African countries.

When negotiating cover for terrorism and political violence risks for mining operations, we consider geographical locations, ownership of assets, history of threats or losses and insurable values.

DOMESTIC MARKET CONDITIONS

The following is market commentary from the key mining hubs of Australia, Canada, Latin America, South Africa, and the US.

AUSTRALIAN DOMESTIC MARKET

The first half of 2015 saw both property and casualty insurance rates in the Australian domestic markets continue to decline. These rate reductions are reflective of decreasing premiums for the majority of mining insureds, with domestic insurers competing for premium income against international markets that are equally eager to maintain their market share.

Capacity for property risks is abundant and, adding to the already numerous domestic underwriters participating on mining risks, **Berkshire Hathaway Specialty Insurance** (BHSI) commenced underwriting in April 2015. With a broad appetite and capacity for mining accounts including underground risks, BHSI has a major differentiator to some of the other new entrants into the mining market.

The increased level of competition has seen property premium rates fall by an average of 10% and given the current level of competition and increase in available capacity from BHSI, we expect to see soft market conditions continue for the remainder of 2015.

From a casualty perspective, the majority of mining accounts are continuing to see reductions, of up to 10% in 2015. BHSI has also commenced underwriting casualty lines, albeit participating on higher excess layers at this stage. The only insureds which are under pressure to maintain premium levels are those with adverse loss histories, where underwriters remain more cautious.

CANADIAN DOMESTIC MARKET

Canadian insurers continue to be committed to the mining industry despite lower premium volume stemming from market competition and reductions in insurable values (primarily decreases in business interruption values). The typical property programme is seeing a minimum 5% rate reduction, although double-digit decreases have been obtained for mining companies of all sizes, with an emphasis on engineering, and maintained investment in loss control.

Many clients saw their casualty programmes renewed on a flat premium basis or with modest reductions in the first half of 2015. Insurers continue to offer pollution extensions, but require more detailed underwriting information – particularly as it relates to tailings storage facilities – such as stability reports, audit protocols, safety measures, and emergency planning.

The Canadian mining industry is in the early stages of a reclamation bond comeback. Surety support exists with a spectrum of cost and credit capacity depending on credit quality of each client. There are approximately fifteen surety markets with capabilities in this space. Quebec, and the Northwest Territories have both recently agreed to accept a surety bond as financial assurance for reclamation obligations, and British Columbia is close to making an official announcement that bonds will be accepted as security. Marsh Canada has been an integral part of these changes. Clients should be made aware that there is an off balance sheet, unsecured alternative to posting bank instruments (letters of credit).

LATIN AMERICAN DOMESTIC MARKET

BRAZIL

The Brazilian property market still faces strong competition in terms of pricing, and deductibles are being reviewed on an individual basis due to several mining losses impacting local insurers' mining portfolio results.

Compared to the traditional international markets, local representatives of **ACE**, **Allianz**, **Mapfre**, **Tokio Marine**, **Munich BR**, and **Yasuda**, as well as local markets, are still price competitive for mining risks, but with wordings and coverage that reflect domestic standards and can prove limited. Local Brazilian markets that write mining risks typically only provide a small percentage of capacity, and in most cases are not utilising their full treaty capacity due to their business strategies. Local and international reinsurance markets continue to provide facultative reinsurance supporting local insurers.

The softening trend continues within the third-party liability markets, with **ACE**, **AIG**, **Allianz**, **Fairfax**, **HDI**, and **Tokio** notably providing competitive terms. A selective few write underground risks, which restricts competition for this type of risk, and some deductibles are now subject to review. Coverage remains broad and increasingly insurers approve their own wordings with local authorities, with the result that standardisation is reducing and increased care is required to ensure the suitability of all aspects of the insurance contract.

The market for environmental liability continues to be limited to four insurers which offer approved products but with limited authority to write mining risks. Due to the size of the market, coupled with overall invariable pricing, there is little competition relative to the international market in this regard.

CHILE

The Chilean marketplace remains very competitive, driving declining rates for property risks in general, including mining risks. Typically, rate reductions are 10%, but there has been evidence of greater reductions on those mining risks that have been able to demonstrate the use of effective risk control programmes. In addition, a number of mergers and acquisitions are taking place in the domestic market, which may affect the amount of capacity on offer.

Domestic insurers are offering readily available capacity for earthquake coverage at increasingly favourable prices due to the lack of any large losses arising from natural perils.

The softening trend continues for the third-party liability market, with major domestic insurers like **AIG**, **ACE**, **QBE** and **Zurich** under increasing pressure from the more competitive international markets – and Lloyd's capacity in particular. Within any third-party liability programme, employer's liability remains both a key cover and underwriting focus.

PERU

The absence of notable losses affecting local insurers within the Peruvian property insurance market is reflected in a stable market environment. For smaller mining clients, domestic insurer options are limited and the terms for coverage are not materially softening.

RIMAC continues to be the sole insurer offering broader capacity by its automatic treaty for mining risks. **La Positiva** is a new player and uses its treaties for small mining operations only. **Pacifico** continues writing mining risks on an exceptional basis, while **Mapfre** is an option for larger risks through global support.

There has been an increase in exposure on medium and larger mining risks (supported by the increase of the capacity of insurers' treaties), with a reduction of international market participation. Deductibles are increasingly aligning to international market norms.

For liability risks, local markets place limits with treaty support up to US$2 million, with the exception of **ACE**, which is able to offer broader capacity. Traditionally, local market conditions have been soft relative to the international markets, but more and more domestic insurers are demonstrating a keen interest to renew their mining portfolios on a rating basis to be in-line with higher international market premiums.

The Peruvian regulatory environment allows the writing of Peruvian-domiciled risks on a non-admitted basis. It provides a relatively favourable framework for loss settlement and fronting, and therefore continues to merit consideration when international insurers are the ultimate risk transfer providers.

SOUTH AFRICAN DOMESTIC MARKET

South Africa's general insurance market remains financially strong. Record profits were seen in 2014 in the short-term insurance market, and a trend is now clearly evident for an increase in the amount of risk that direct insurers are retaining on their own accounts, with a reduction in reinsurance purchases in order to maximise profits.

The property market in South Africa continues to show no signs of hardening during 2015 and overall market capacity has increased. Pricing remains competitive, predominantly due to the lack of loss activity in the market and falling commodity prices resulting in lower business interruption values being declared to insurers.

Overall, insurers are willing to provide improved renewal terms for mining risks in order to secure, retain, or increase their participation on client portfolios, even on the back of the improved terms provided in prior years. To secure the best available market terms, high-quality risk information and a strong commitment to risk engineering, safety, and maintenance programmes is imperative.

For mining clients that demonstrate a solid commitment to managing their risk, insurers are, in turn, prepared to increase policy limits and broaden coverage. Nonetheless, insurers are showing an unwillingness to provide coverage at reduced deductibles and, in some instances, have come under pressure to increase their retentions.

Since late 2014, there has been several machinery, underground fire, and fall of ground losses reported; however, these losses have not and are not expected to have a material impact on the availability of capacity for mining risks (including underground risks), with majority of each individual loss amounting to less than US$500,000.

Casualty insurers within the region continue to demonstrate a growing appetite for mining risks. Additionally, there is sustained interest from non-traditional underwriters, which is providing more options to insureds, including those with underground exposures. Moreover, the recent establishment of new casualty underwriting agencies in South Africa is bringing new capacity through various Lloyd's syndicates, although appetite for mining risks is limited at this point in time. Despite this, domestic capacity remains readily available with insurers willing to agree to higher policy limits on portfolios with reasonable claims histories, while still maintaining policy deductibles at a level sufficient to avoid attritional losses.

Policy coverage continues to be in-line with international market forms. Medical malpractice insurance continues to be of concern, and insurers will pursue exclusions or restrict policy coverage to incidental medical malpractice and in respect of certain eventualities only. In any case, insurers are asking detailed questions to better understand the nature of each insured's exposure, controls, and loss propensity before any form of medical malpractice coverage is renewed or provided.

US DOMESTIC MARKET

The competitive market conditions in the US have continued throughout the first half of 2015, as has the disciplined approach of underwriters. Despite prevailing market conditions, underwriters have remained prudent, carefully monitoring the amount of capacity deployed (most notably for underground coal risks), as any rise in loss activity could result in a rapid decline in available capacity.

Policy language continues to be examined to confirm the scope and intent of coverage for catastrophic perils such as flood, even though no new coverage restrictions or exclusions have been imposed over the last two years. As with the previous update in February, existing policy forms are being renewed without issue, with some acceptance of broader manuscript policy language by the market.

Approximately US$200 million of underground, and US$1 billion of surface capacity, is available for both the hard and soft rock producers in the US. In addition to increases in the capacity available in international markets, there are sources of modest new capacity in the US domestic markets – primarily from **Berkshire Hathaway**, **Chubb**, and **Endurance US**.

Despite the downturn of the general property insurance market (rate reductions in the 10%-20% range are not uncommon), the rate of decline in respect of mining risks continues to be on average 10%, with reductions above or below that being a direct reflection of the individual client's recent loss history.

Business interruption values continue to drop in almost all of the mining segments, along with the base programme premium, both of which are influencing the level of competition and rate levels available within the marketplace. Insurers are making every effort to maintain premium income, and it's not uncommon for offers of additional capacity to further increasing pressure on rating.

The premium credits available for increased retentions are limited and frequently subjective, and as such many mining clients have demonstrated little interest to increase deductibles to secure further savings. The elimination of waiting periods on business interruption coverage and conversion to flat dollar deductibles is being reviewed by clients, although the adoption of this type of change has been extremely limited. However, one trend that continues to gather pace is clients taking quota share percentage retention of the primary layer of insurance. Additionally, the exploration of lower time element deductibles is being reviewed more closely due to the significantly lower exposure from depressed mineral pricing, particularly in coal.

The current market conditions and the lack of any significant mining losses continues to result in not only premium cost containment, but also increased competition for the higher rate-on-line primary layers of insurance.

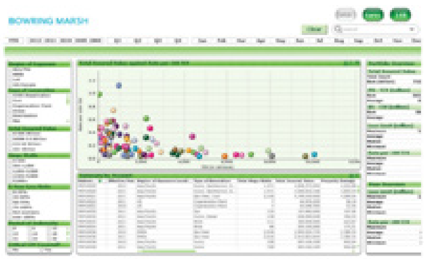
RISK ANALYSIS MODELLING PLATFORM (RAMP)

The size and diversity of our global portfolio has enabled us to develop a market-leading and award-winning 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.	Aids executive decision-making.
Historical record of renewals for clients.	Enables elements of premium increases/decreases for divestitures/ acquisitions.

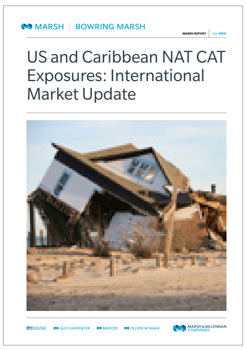


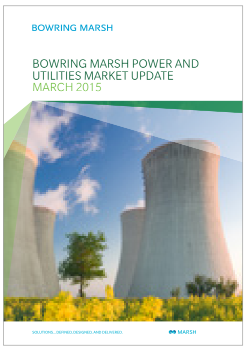
TAILORED REPORTS FOR CLIENTS AND PROSPECTS

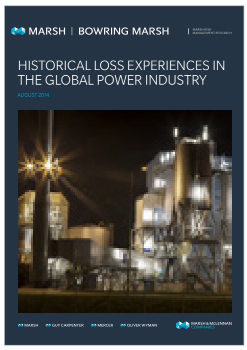
Using the Risk Modelling Analysis Platform (RAMP), Bowring Marsh develops confidential, tailored reports to compare local programs, provide “ball-park” estimates based on historical trends and a clear representation of insurance programmes.

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 the 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.

SPOTLIGHT

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 negotiation 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.

MARSH

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