



A global market and local needs

State of the energy insurance market

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State of the market – PC industry outlook

The property and casualty insurance industry is changing

- Continued consolidation of the financial services industry has resulted in fewer independent insurance organizations
- More insurance companies are owned by non-insurance entities leading to more cross-selling of insurance and other financial products
- More regulatory pressures, particularly at the state level, stem from a loss of confidence, compounded by a growing risk of litigation



Leading coverage providers

Approximate global market share

- Zurich Global Energy 14%
- AIG 10%
- Combined Lloyd's syndicates 28%
- ACE 5%



How Zurich Global Energy addresses market needs

- Customize large-scale, highly rated capacity for onshore and offshore property, casualty and transportation risks of energy operations virtually around the world
- Provide comprehensive risk solutions, risk engineering services and claims support that enhances operations of oil and gas, petrochemical, natural resources, mining and power generation enterprises
- Marine specialists address the risk management needs of a broad range of marine and related industries



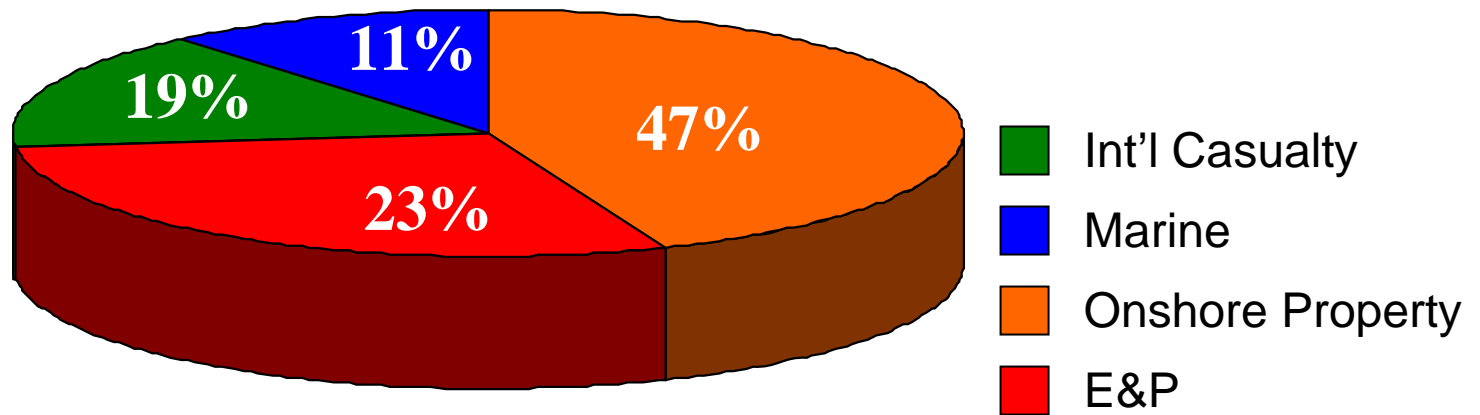
Zurich Global Energy – company profile

- Global headquarters in New York City
- Staff of 136 located virtually around the globe
- Multi-line facilities in Bermuda, Chicago, Hong Kong, Houston, Kuala Lumpur, London, Melbourne, New York, Perth, Singapore, Toronto and Zurich
- Marine underwriting facilities located in Atlanta, Baltimore, Glendale, Houston, New York, San Francisco and Seattle



Zurich Global Energy -- portfolio mix

2006 Actual: \$639M



Zurich Global Energy – global capacity

- Capacity commitments
 - \$300 million subject to a EML of 75 million Onshore Property
 - \$100 million Exploration & Production
 - \$100 million International Casualty
 - \$ 40 million Marine (U.S.)



State of the market – industry trends

- Capacity is growing for products in most markets
 - Upstream capacity is now \$3 billion; mainly available in London/Europe, U.S. and Bermuda markets
 - Downstream capacity is app. \$3 billion in European markets, while \$1 billion is available in U.S.
- Current downward pressure on rates
 - Aided by government activities
 - Impacted by new financial products, including cat bonds
- Market appears to have recovered from 2005 cats



A changing perspective

- Customers asking for increased service levels
 - Enhanced risk engineering and claims services
 - Catastrophe modeling services
- Regulators asking for greater transparency
 - Increased reporting of broker/insurer relationships
- Regional and local authority increasing
 - Evidenced by “hub and spoke” structure
 - Greater internal competition within insurance companies



Upstream market – industry update

- Limited losses experienced YTD 2007
- Growth in market capacity reported last six months
- Capacity maxed by 25 platforms globally
- High claim costs from 2005 cats continue negative impact on segment
 - GOM rates still relatively high
 - GOM wind coverage difficult to obtain



Rate pressure and technology impact

- Overall, upward rate pressure continues to be experienced in this segment
 - Increased cost of steel and hydrocarbons has increased value of reported losses
 - Contractor rates continue to impact construction *and* replacement costs
 - Reinsurance costs continue upward trend
 - High claim costs from 2005 cats continue negative impact on segment
- Creative underwriting required for new construction technologies



Downstream market – industry update

- 2007 capacity increased 20% YTD
- Rate softening experienced in market, except for some southern U.S. exposures
- Business interruption coverage remains a concern; some believe it is too low
- Site maintenance, corrosion and pollution concern insurers



Additional downstream issues and concerns

- Quality of coverage, customer service and stability of insurers are critical issues for customers
- Tax and regulatory issues are increasingly important, especially for multinational companies



Construction market update

- Capacity increased 7% in 2007
- New insurers entered the market
- Concerns for insurers and insureds
 - Inflation impact on projects
 - Project periods
 - Impact of new technology



Growth trend in alternative energy

Renewable energy market is growing dramatically

- Political, social and environmental influences
- Media influences, such as Al Gore's movie – *An Inconvenient Truth*
- Considered politically incorrect for corporations to ignore alternative sources



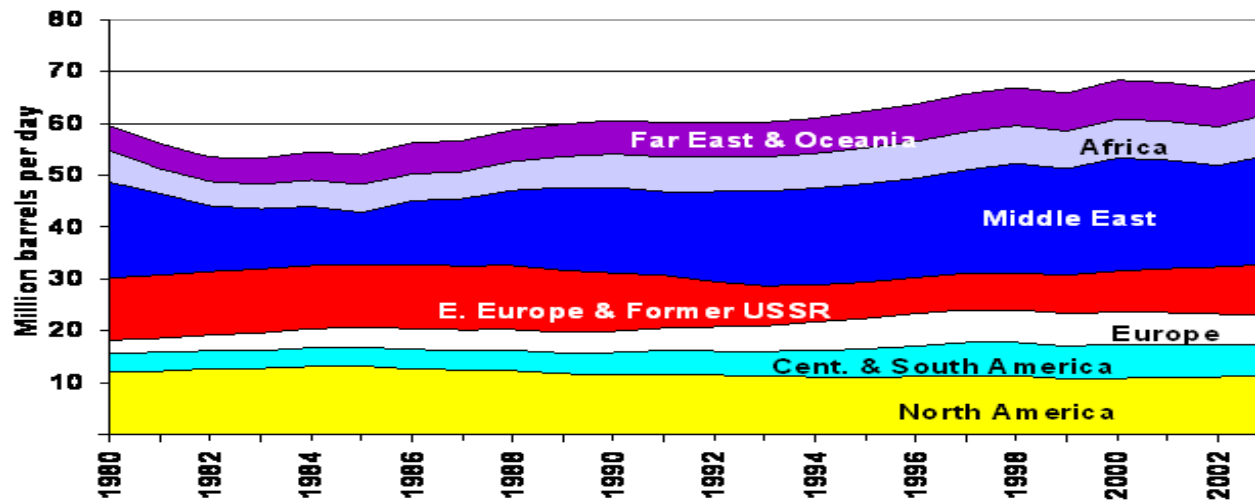
Cost factor influences decision

- Rising energy costs and the environmental impact of fossil fuels drive change
- Interest in biofuels, solar energy, wind power and fuel cells increasing
 - Market expected to quadruple in the next decade
 - Up to \$167 billion by 2015 from \$40 billion in 2005



Oil prices rise As production and consumption increase

Regional Crude Oil Production, 1980-2003



Source: Energy information Administration, U.S. Government 2002



Wind power energy alternative

- Wind energy has the potential to:
 - Support economic development
 - Improve security of energy supply
 - Mitigate hydrocarbon price volatility
 - Contribute to substantial CO2 reductions
 - Create economic growth through job development



Alternatives grow around the globe

- Forty-eight governments have introduced laws and regulations to support development of renewable energies
- Asian countries need to address rapid power demand growth
 - China has goal of making one-tenth of its power grid renewable by 2020
- Other alternative energy leaders include Germany, United States, Spain and Japan
- EU is leading wind energy market with 48 GW of installed capacity
 - 20% of energy supply to come from renewables by 2020



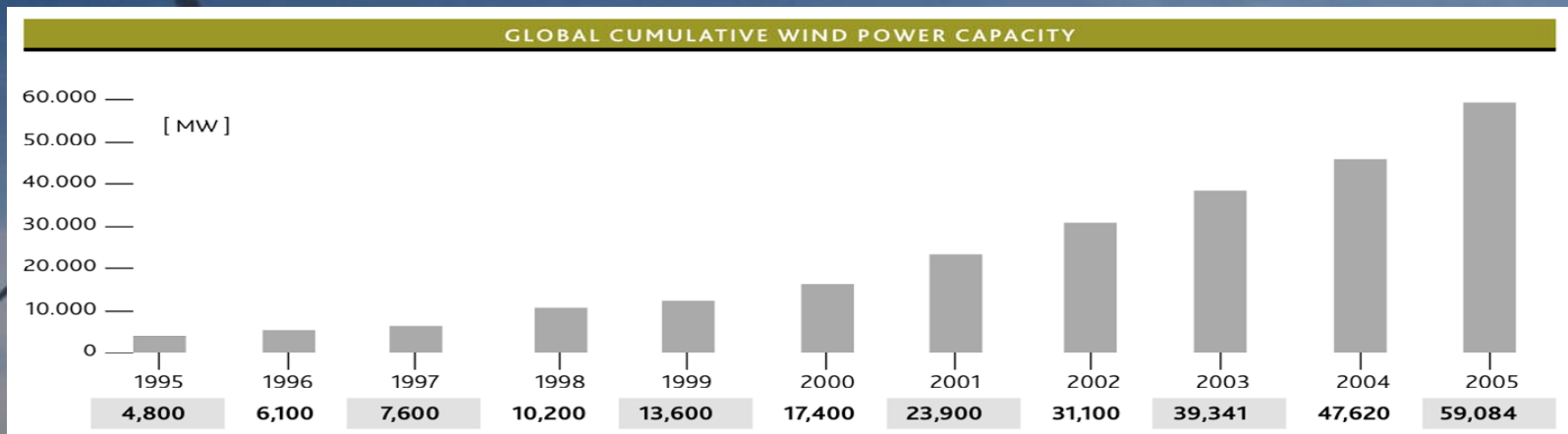
Wind markets see spectacular growth

- In 2006, total installed capacity increased by 25% globally
 - Generated \$23 billion worth of new generating equipment
 - Total wind capacity increased to 74 GW
- By end of this decade, capacity of wind energy installations is predicted to reach 149.5 GW – double the installed capacity at end of 2006
- Average annual cumulative growth rate during the period 2006-2010 estimated to be 19.1%
- Annual installed capacity is predicted to reach 21 GW in 2010, an increase in 38% from 2006



Growing exponentially around the world

Global Wind Energy



- Almost 12 GW added between 2004 and 2005.

Source: Global Wind Energy Outlook 2006, Global Wind Energy Council



Responding to market needs

- Major insurers have established “alternative energy groups”
 - Carriers developing specific product features, claims handling services and rates for their “green” non-energy corporate customers
 - Carbon emission credits are being accounted for in claims handling
- Brokers are actively marketing expertise in alternative energy



Alternative energy insurance products

- Transit – physical damage, as well as loss of income, profit, tax or loss of financial credits
- Construction – physical damage on site, including testing, commission and start-up
- Operations – physical loss or damage
- Liability – all aspects of first- and third-party liability from construction throughout operations
- Insurance for tax credits – due to failure to qualify for tax benefits or financial incentives
- Lack of wind – causing loss of revenue



Zurich Global Energy's response

- Currently write alternative energy as part of larger risks
 - Hydro power projects
 - Biomass
- Staff includes risk engineers with alternative energy expertise
- Identified regional opportunities and account prospects
- Poised to grow alternative energy book in 2008



Addressing a growing demand for global solutions

- Regional renewable energy capability will continue to grow
- Wind energy leads the way in terms of capacity and growth rate
- Other renewable markets with high growth potential include:
 - Solar
 - Hydro
 - Biomass
 - “Trash-to-cash”



Questions?





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