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Hurricane modelling methodology breakthrough paves way for better informed risk and reinsurance buying strategies

Benfield, the world's leading independent reinsurance and risk intermediary, has introduced a new modelling methodology, developed under a joint project between Tropical Storm Risk (TSR) and its ReMetrics team, which for the first time enables risk carriers to adjust the assessed loss probabilities of standard peril models to reflect the latest seasonal US hurricane forecasts.

The breakthrough has been achieved by using Benfield's acclaimed dynamic financial analysis modelling tools, ReMetrica and ReMetrica Limited Edition, in conjunction with TSR's seasonal hurricane forecasts.

David Simmons, Head of Benfield's Risk Consulting team commented:

"The practical implications of this break through are significant. By factoring in assessments based on the specific climatic conditions which make hurricane activity more or less likely, insurers and reinsurers will be much better informed as to the potential depth and breadth of the reinsurance protection required to adequately protect their businesses in any particular year."

Reflecting this, an illustrative comparison of the current modelling approach against the new methodology (based on a typical reinsurance programme for an example company and using TSR's early August US hurricane forecasts) found the adjusted data indicated a large increase in the risk of suffering a significant US hurricane loss for 2005. The probability of the company's reinsurance being insufficient was twice that of the original estimates generated from the output of the 'unadjusted' peril model.

Full details of the new methodology and an illustrative example are contained in the latest ReMetrics Review report from Benfield entitled '*Using Hurricane Forecasts to Adjust Peril Model Loss Probabilities*'. To view a copy of the report visit: www.benfieldgroup.com/remetrics_review

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Notes to Editors:

About Benfield:

Benfield is the world's leading independent reinsurance and risk intermediary. Its customers include many 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 Tropical Storm Risk:

Founded in 2000, Tropical Storm Risk (TSR) offers a leading resource for forecasting the risk from tropical storms worldwide. The venture provides innovative forecast products to benefit risk awareness and decision making in (re)insurance, other business sectors, government and society. The TSR consortium is co-sponsored by Benfield, the leading independent reinsurance and risk intermediary, Royal & Sun Alliance, the global insurance group, and Crawford & Company, a global claims management solutions company. The TSR scientific grouping brings together climate physicists, meteorologists and statisticians at University College London and the Met Office.

www.tropicalstormrisk.com