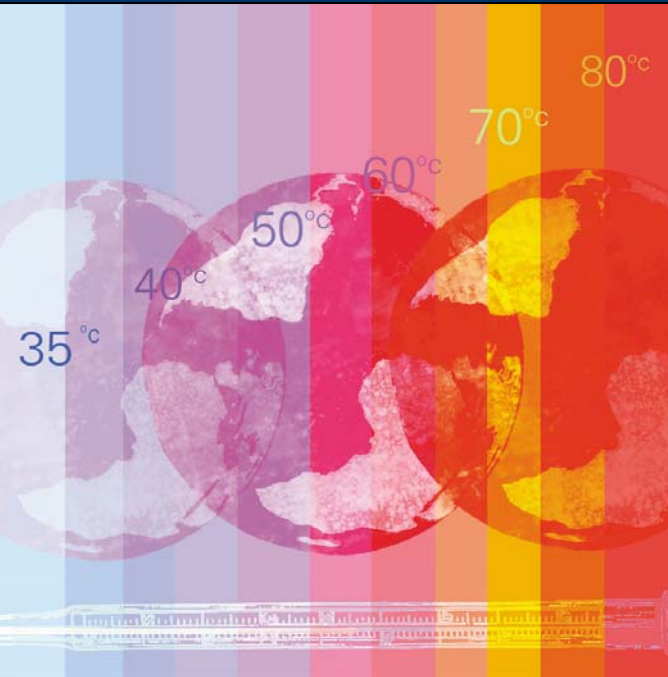


MARSH



Understanding and Disclosing Climate Risks: EPA Climate Leaders

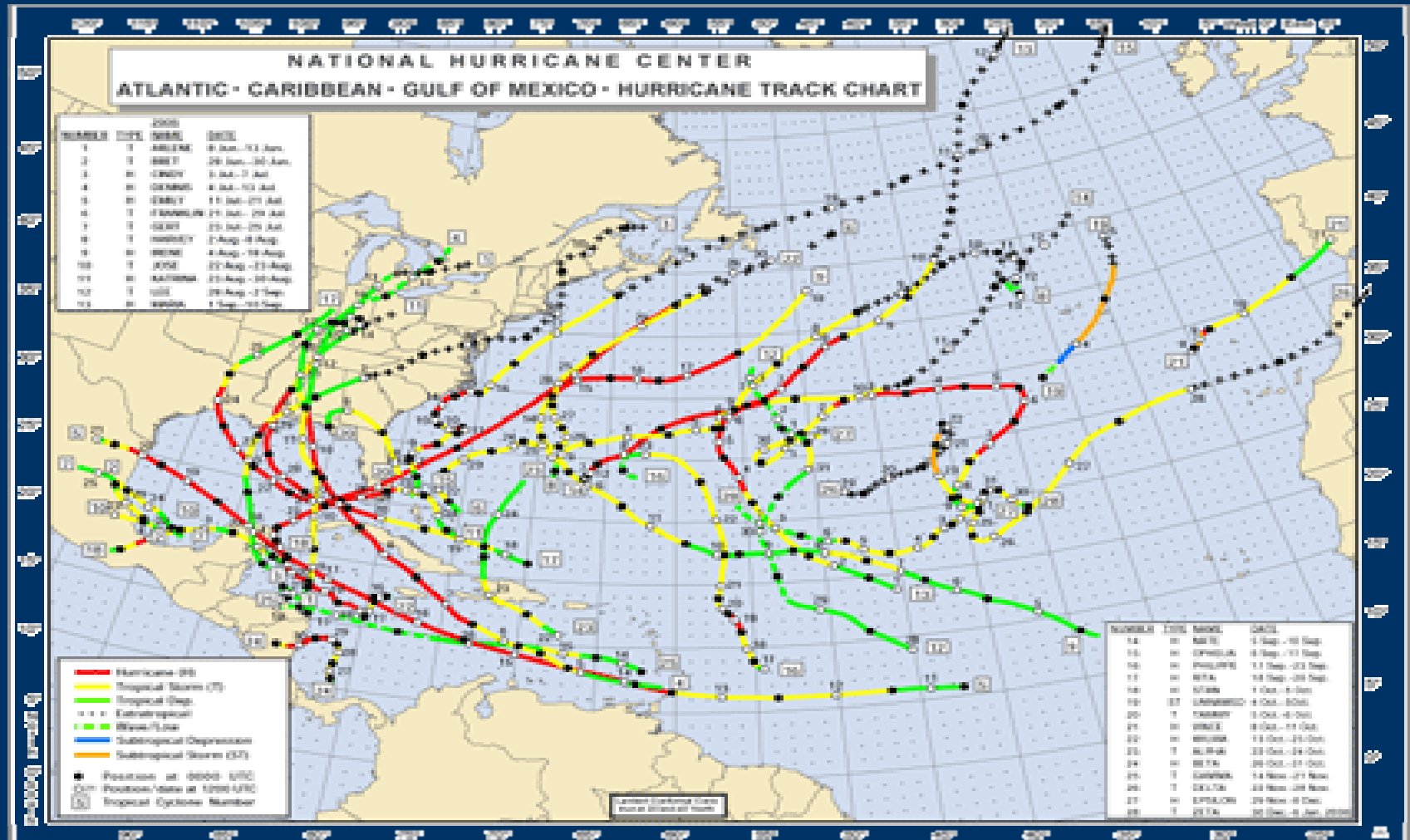
October 13, 2006

Drivers for Corporate Consideration of Climate Risk

Significance of New Corporate Governance & Disclosure Requirements:

- General Atmosphere of Corporate Transparency:
 - Shareholder Resolutions
 - Shareholder Derivative Suits
 - Whistle Blowers
 - Mega-Settlements
 - SEC investigations
 - Corporate earnings restatements
 - Big hits on Corporate Valuations
- Sarbanes-Oxley lens
- SEC focus on environmental issues as related to fair presentation of corporate financial picture (GAO Report)
- Emerging Legal Literature on Climate Reporting Requirements (Cravath, Goodwin Proctor)

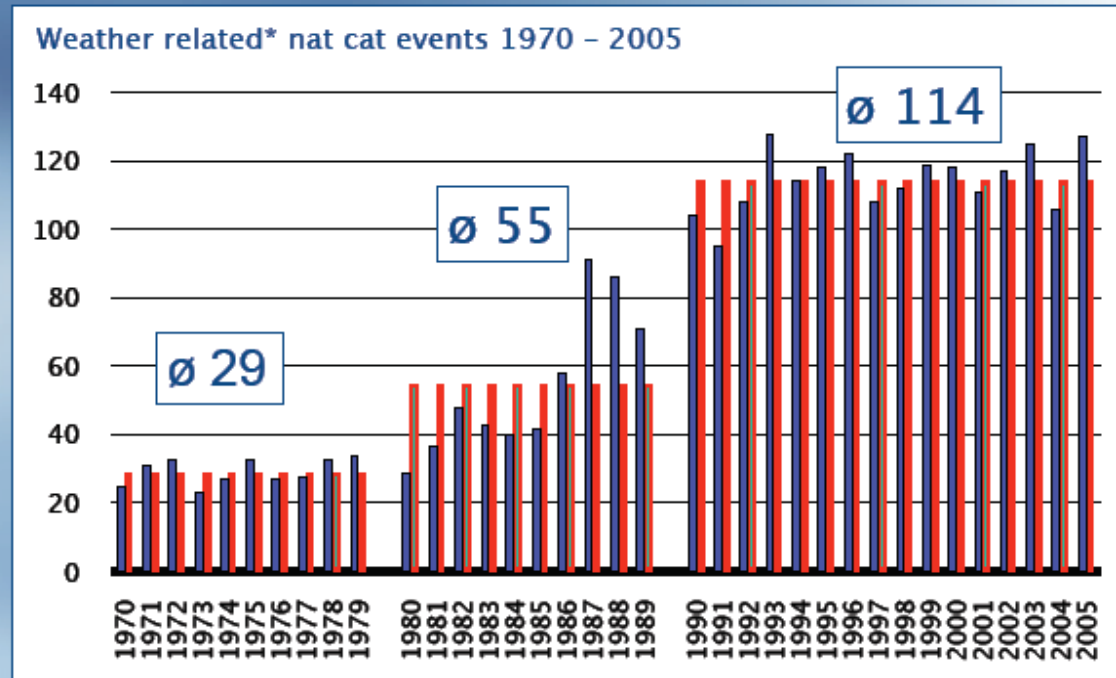
What Are the Practical Business Consequences of Climate Risk?



What are the Practical Business Consequences of Climate Risk?

Climate Change

Severe weather events increased from 1970 - 2005



Source: Swiss Re sigma Catastrophe database
* Incl. floods, storms, droughts, forest fires, cold waves & frost, hail, and other



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Name Your Climate Risk— Consequences to Think About

- Storms, wildfires, windstorms, sea-level rise
effect on facilities, power, transport, communications
- Heat waves and new disease vectors
- Lost business resources: forest resources,
water supplies, biodiversity
- Reputational risks; shareholder concerns;
litigation possibilities
- Compliance and competitive risks

Drivers for Corporate Consideration of Climate Risk

U.S. Regulatory Drivers: State-Based Regulatory Activities

- Northeastern Regional Compact (RGGI)
- Northwestern State Regional Compact
- State power plant regulation
- California Automobile regulation
- Northeastern States Opt in to California Autos
- California Economy-Wide Regulation
- 19 State Renewable Energy Portfolios
- 250 Municipalities “adopt” Kyoto Protocol

The Latest Climate Events in the U.S. are Transforming Climate Risk into a Fundamental Governance Integrity Issue

- Carbon Disclosure Project Report on \$31 trillion of institutional investor action and Shareholder Resolutions;
- Global Framework for Climate Risk Disclosure
- Competitive benchmarking and analytics (Merrill Lynch, JP Morgan Chase) leading to new California public nuisance litigation against auto companies – the new asbestos or smoking??
- Climate litigation reaches the Supreme Court
- Financial Institution Voluntary Loan Policies: J.P. Morgan Chase, Citigroup, Bank of America, Goldman Sachs
- The National Association of Insurance Commissioners' new Climate Change Task Force

MMC Climate Risk Industry Leadership



Marsh Leadership on Climate Change Risk Management

- Global Risk Network Report (January)
- New Reality of Risk Call (February)
- Climate Risk Alert (April)
- Affiliation with Pew Center on Global Climate Change's Business Environmental Leadership Council (July)
- Clinton Global Initiative commitment with Yale and Ceres on training corporate directors (September)
- Carbon Disclosure Project recognition as Best in Class Climate Leadership Index (September)

MMC Climate Risk Industry Leadership

RISK SIDE

- Risk Mapping and Assessment
- Driving new insurance product development
- Economic analysis for emissions trading regulatory design and corporate strategy

OPPORTUNITY/ NEW MARKETS SIDE

- Renewable energy operational risk insurance coverage (eg., wind, hydro, solar, biomass)
- Optimizing carbon value – credit delivery guarantees

Best Practices to Manage Climate Uncertainty

- Understand and quantify risks:
Business continuity, supply chain, facility sighting
- Develop GHG emissions baselines
- Gain emissions credit trading experience
- Adequately disclose and reserve for business and regulatory risks;
- Cap and manage risks through available insurance
- Evaluate new revenue opportunities from carbon trading