

Willis Insurance Checklist should reduce cost of cover

As the task and the cost of obtaining business insurance becomes both more complex and, onerous insurance will be seen by Chief Executives as an increasingly important part of their role as guardians of their shareholders value.

As global insurance capacity tightens after September 11, rates for insurance cover will rise substantially. For certain classes of business and certain industries premium increases will exceed 30-40% and insurers will review in detail the risk they are accepting. As a result, the process of annual renewal will become increasingly difficult.

Willis Group Holdings Limited, the global insurance broker, has developed an eight point checklist to guide senior corporate managers through this process:

Make sure that your business is covered

Because insurance markets will no longer want to cover all risks, make sure that you concentrate insurance cover only on the key parts of your business.

Make the best case you can

You should prepare a persuasive underwriting case to help the marketplace in its analysis of your risk. You should identify and highlight the characteristics that distinguish you from other companies, both in and out of your industry. You should identify the practices, systems and technologies in which you are investing which will improve your risk profile.

Decide how much risk you can carry yourself

The elements for choosing the 'right' level of risk retention are:

What is your capacity to bear risk?

What is your appetite for risk?

How are retained losses funded?

What are your company's cash flow requirements?

What restrictions impinge on the ability of your organisation to retain risk?

Understand the value of staff

You should be cautious about cutting back staff activities that enhance product quality, asset protection, employee safety, and environmental vigilance. You should promote their commitment to the marketplace - it is a differentiator.

Communicate and educate

Communication is vital. You should ensure any changes to the risk coverage that is adopted or forced upon your company is fully understood at all levels in the organisation. All employees should be made aware of the implications for the cost of risk, the potential for uninsured loss, the need to re-budget or re-allocate insurance costs to operating companies, the impact on cash flow and the pricing of the

company's products and services.

Front line risk management

Everyone in the company can reduce corporate risk

Partner with professional intermediation

Building and elevating relationships of understanding and trust with quality providers takes time. However, establishing good working relationships secures major benefits and a professional broker can help you to do so

Augment your competitive position

In times of great uncertainty, there are invariably opportunities to gain relative competitive advantage. Companies available and willing to maintain a quality risk transfer structure can often gain market share and reduce the cost of debt.

Richard Bucknall, Chief Operating Officer of Willis Group, said: "Insurance is a significant and rising cost for all companies. With the right approach, however, senior management can greatly assist in building a partnership with underwriters that should enable them to obtain optimal levels of coverage at a realistic price."

Willis Group Holdings is a leading global insurance broker, developing and delivering professional insurance, reinsurance, risk management, financial and human resource consulting and actuarial services to corporations, public entities and institutions around the world. With over 300 offices in more than 100 countries, its global team of 13,000 associates serves over 50,000 clients in 160 countries. Willis has particular expertise in serving the needs of clients in such major industries as construction, aerospace, marine and energy. In June 2001 the Group returned to public ownership and is listed on the New York Stock Exchange (symbol: WSH). Additional information on Willis may be found on its web site www.willis.com.

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