

Willis' 2002 Market Overview

Willis Group Holdings Limited (NYSE: WSH), the global insurance broker, has published a wide-ranging outlook for the global insurance industry and major market segments in 2002. Key points in the review are:

- Rates will rise strongly in most areas as increases in demand face capacity reductions
- In the aftermath of the World Trade Center tragedy, extended renewal negotiations and stricter underwriting standards are now the norm
- An increasing number of programs will not find cover in the market
- Demand will grow for innovative solutions such as alternative risk transfer and captives for complex cover needs

As global insurance capacity tightens, rates for cover will rise substantially. Premium increases of between 30-40% are anticipated, with significantly higher rates in particular sectors. Insurers will review in detail the risks that they are accepting and, as a result, the process of annual renewal will become increasingly protracted. It is highly likely that some January 1, 2002 renewals will not be completed by December 31, 2001.

Joe Plumeri, Chairman and Chief Executive Officer said, "As the task and cost of obtaining insurance cover becomes both more complex and more costly, it will be seen by Chief Executives as an increasingly important part of their role as guardians of their company's and their shareholders' value. We have developed not only an analysis of where we see the market heading, but also some practical advice companies can take to manage their exposures."

Steps risk managers should consider include:

- Covering the core: Do not let ancillary coverages interfere.
- Dealing from strength: Build a persuasive underwriting case.
- Retaining more risk: If, and only if, it makes sense.
- Reinforcing "front line risk management" - Everyone in the company is responsible for managing risk.
- And more as detailed in the report.

In addition to sabotage and terrorism, areas of risk that will become difficult to place, if at all, include computer virus and e-risks. The trend toward the development of master global property programs is also likely to be halted.

There will be increased interest in the captive market as companies seek to leverage the value of their asset base.

Richard Bucknall, Chief Operating Officer, said, "The tragic events of September 11 touched every corner of our lives and industry. No matter the market or line, premium increases, reduced capacity, stricter underwriting standards and more, are the norm today and likely will be with us for the foreseeable future. The events accelerated the already hardening markets."

Joe Plumeri concluded, "The Willis model - to leverage the resources and skills of a

global broker in a client-focused, creative, entrepreneurial way - is being validated in this challenging operating environment. Our role as client advocate is more valuable today, as we seek on behalf of our clients innovative ways to identify and mitigate risk through traditional coverage and expanding our alternative risk and capital markets capabilities - without underwriting or assuming risk ourselves."

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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