

Willis' Perspective on Global Reinsurance Market

New York, NY, April 29, 2003 - Willis Group Holdings (NYSE: WSH), the global insurance broker, has released its analysis of the reinsurance marketplace. The report includes a thorough discussion of global capacity and the major drivers across property, casualty, marine, aviation and other lines of business. A detailed review of recent merger & acquisition activity in the sector is also included.

Among the major findings, the global reinsurance marketplace is starting to show signs of returning to some balance after a few years of general hardening. A breakdown of an overall market cycle into a number of separate specific cycles, by class, is increasingly apparent as capacity exceeds demand in some areas but is still insufficient in others.

Overall...

- Capacity in short-tail classes is being influenced by the influx of new capital raised since 9/11 in Bermuda (approximately \$8 billion) and Lloyd's and by favorable results in the 2002 underwriting year.
- Lloyd's opening capacity for 2003 was 14.4 billion GBP, an increase of 18% over last year's opening capacity.
- On property catastrophe and risk excess of loss, increased supply of capacity has limited further price increases in many cases.
- Long-tail classes remain difficult, with increasing pressure on both rates and conditions. The worsening development of earlier underwriting years, developments in legal frameworks and poor to modest investment yields plague the sector. In this environment, newly capitalized reinsurers are reluctant to support some long-tail classes.

The trend for increased transparency of risk information and the ability to model risk exposures is one of the key factors in achieving successful placements. Classes where ease of modeling, combined with the provision of transparent risk information are most prominent, are the classes where there is the greatest supply of capacity.

Reinsurers, notwithstanding the newly capitalized companies, need to satisfy their shareholders with a good overall return for 2003. Failure to do so will lead to further pressure on long-tail classes and ultimately a reduction in choice for many reinsurance buyers.

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