

News Release

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Willis Issues International Liability Market Review

London, UK, January 18, 2005 – The global insurance market finally emerged at the beginning of 2004 from one of the most intense hard markets for decades. The overall shape of the cycle illustrates significant variations in timing and amplitude of the cycle dependent on class of risk and geography.

The liability market peaked after the property market and at least up to this point the effect of the turn has been less dramatic. Property rates started to fall in mid 2003. The liability market however peaked in the first quarter of 2004. Our mid year review of the market predicted rates would generally be flat with reductions of 10 to 15% for some insureds through the remainder of the 2004. This was borne out in practice.

There is no evidence yet that the unprecedented hurricane and other natural disaster losses around the world have had a significant impact on liability market sentiment.

There are significant geographical variations in pricing and risk appetite in the insurance markets. Asia, for example, has remained more competitive over the cycle for local risks as compared to Europe. The international liability market, particularly in London, is now showing more interest in central and South American based risks.

There are industry sectors where the cycle is not following the general pattern. The energy, transportation, railway and chemical sectors remain relatively firm. The pharmaceutical sector continues to face very significant problems which are examined in the full review. The market remains stable for any client with a significant US exposure and for those purchasing high limits of indemnity.

The report – available on Willis.com via the link below – addresses a range of issues from capacity and the short term reaction of the market to increased competition and underwriting discipline to exclusions including terrorism, silica and, of course, asbestos.

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