

News Release

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The Willis Index: Financial Institutions' Coverage Market Conditions and Results of the Market Survey: Reaping the Benefits of a Softening Market

London, UK, October 17, 2005 - As we approach the end of the third quarter for 2005, the most recent Willis Index survey of non-US financial institutions (FI) illustrates that the majority of FIs continue to enjoy the benefits of a softening market.

The Willis Index, a quarterly survey of the insurance markets underwriting non-US financial institutions, asked all participants for their views on the past three and next three months. This quarter's respondents remained optimistic suggesting that rates for renewals are at lower levels than last year but do not anticipate a further reduction in rates for the coming months.

Willis however, predicts that rates may continue to decline steadily at least until the end of the year for smaller financial institutions; whilst larger high risk or growing institutions may find that rates remain reasonably flat or even in some cases experience a small increase.

Most respondents commented that deductibles, limits and coverage remain unchanged, an opinion not shared by Willis who have observed an emerging trend with underwriters attempting to differentiate themselves from competing markets by lowering attachment points instead of purely lowering premium.

Uncertainty remains over the settlement of a number of major outstanding claims to the market such as Enron, Worldcom and Parmalat, for example. With no clear "end-date" foreseeable in any of these events we expect the market to continue in the current trend unless substantial settlements are made by insurers, even after this Willis would not expect a significant impact until insurers renew their reinsurance treaties, which would normally occur at year end.

Whilst Hurricane Katrina and Rita will not have a direct impact on financial institutions' coverage, it is too early to tell whether these events will cause a general hardening of the market and withdrawal of the capacity levels currently available.

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