

News Release

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The Willis Index: Accountants' & Auditors' Professional Indemnity Market Conditions and Results of Market Survey

London, UK, October 10, 2005 – The results of the latest Willis Index survey of the UK PI insurance industry for the third quarter of 2005 show the market continuing to maintain competitive, especially in the small to medium firm sector. Average premium reductions for primary layers with limits of indemnity up to £5m are continuing to vary between 5% and 25% year on year.

The Willis Index, a quarterly newsletter looking at non-US companies, surveyed the UK PI insurance market asking Accountants' & Auditors' Professional Indemnity insurers their thoughts on the past three and next three months.

The results revealed that excess layers are continuing to show savings of 25% to 30% and this is particularly true of limits between £10m and £50m, where restructuring can be highly beneficial. This environment appears to be continuing despite a number of claims in the £10m to £20m range which are affecting second tier firms.

In relation to other aspects, our survey indicates that coverage and limits of indemnity are remaining largely unaltered. Firms appear to be content with banking any premium savings, with wording conditions predominantly agreed without challenge. Although claims activity is currently spread across audit, tax and trust work (with no particular trend), warnings to firms discouraging them from taking premium savings and not spending wisely on higher limits have been issued.

There is a strong feeling that the market cannot sustain continued reductions of the order of those seen in 2004 and 2005. It is thought that underwriters will have to be much more selective with ever increasing emphasis on risk management.

Whilst Hurricane Katrina and Rita will not have a direct impact on Accountants' & Auditors' Professional Indemnity, 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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Editor's Note: The Willis Index is available on Willis.com via
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