

# News Release

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## **THE WILLIS INDEX SURVEY, SUMMER 2005: GAINS FOR DIRECTORS' & OFFICERS POLICY HOLDERS CONTINUE**

### **London, UK, July 14, 2005 – Gains for Policy holders continue**

The last three months have witnessed a period of stability and consolidation in overall capacity of the D&O market. Premium rates, however, continue to reduce and brokers continue to drive improved coverage terms. New and upcoming legislation in the UK and Europe has, however, kept the spotlight on directors' duties and the market remains cautious about the potential long term impact of these changes.

The Willis Index conducts a quarterly survey of Lloyd's and the company market, inviting responses from over 90% of D&O insurers. Respondents are asked to comment on premium rates and coverage terms and the results are averaged over the preceding three months and the ensuing three months to establish our market prediction.

### **Primary Premium Rates**

In the preceding three months over 94% of respondents noted reductions in primary premium rates, but even more interestingly, 67% of respondents believed that rates had dropped by over 11% for annual renewals falling in this period.

In the next three months over 53% of our respondents said they expected discounts of up to 20% to be available on annual renewals falling in that period, although significantly, a further 33% of these respondents said they expected even greater discounts of up to 35% to be available.

### **Excess Premium Rates**

In the preceding three months 93% of respondents noted reductions in excess premium rates, while 74% believed that rates had dropped by 11–35% for annual renewals falling in this period.

For their projections over the next three months, 67% of respondents expect discounts of up to 20% to continue to be available for renewals falling in that period, however an additional 13% of respondents felt that discounts of up to 35% could be available.

### **D&O Primary Premium Movements Coverage Terms**

The most significant shift in the market has been in coverage terms, with 92% of respondents noting a perceptible increase in levels of cover in the last three months (compared to an expectation of increased cover from only 38% of respondents of at the date of the last survey).

However, only 69% of respondents expect this trend to continue over the next three months with 15% of those polled, actually expecting coverage terms to retract in the same period.

### **Limits**

In the last edition of the Willis Index we discussed the merits of increasing limits of indemnity, especially in light of downward rate movements. 29% of the market responded that they had seen an increase in the limits of indemnity purchased in the last three months. Interestingly, 43% anticipate a further increase in limits purchased in the next three months as rates continue to fall, driven down by consistent competition.

### **The Willis Prediction**

Once again, responses from the market are generally consistent with the views we share at Willis. Media coverage and amendments to the Companies Act make this a time of continued interest and speculation within the D&O industry. As the year progresses, we see no immediate cause for a slowdown in rate reductions and coverage enhancements. There remains substantial capacity in the market for those clients looking to increase the limit of cover they purchase.

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