

News Release

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The Willis Accountants and Auditors Index: No Further Rate Reductions From Insurers

London, UK, November 21, 2006 – The results of the Autumn Willis Accountants and Auditors Index market survey indicate that insurers have not offered further rate reductions to those already introduced earlier this year, and nor do they anticipate doing so in the coming three months.

The Willis Index – a quarterly survey of London market insurers – asks participants for their views on the underwriting market over the past three and for the next three months; each Index explores a different coverage area.

In August, the Bank of England raised interest rates for the first time in two years, and there is considerable speculation that a further rate hike is likely in November. Whilst the US Federal Reserve held interest rates at 5.25% in August (after increasing them at 17 successive policy meetings since June 2004), it is apparent that policy-makers are responding to fears of inflation.

Willis' view is that, with increased costs of capital, insurer margins could come under pressure. The global insurance broker previously commented that the rate decreases seen would be unsustainable, and now external factors are reinforcing this view. Capital providers' expectations on return levels will increase, forcing insurers to respond. Depending on the flexibility/responsiveness of insurers' business plans, there may be a time-lag before the changed trading conditions impact on premium rates.

Willis anticipates that following a review of annual results and the January reinsurance renewals, the market may begin to show rate increases as a result of external forces. The Willis Index states that these will feed through into business plans for insurers throughout the marketplace, and that the accountancy sector will be affected (though potentially not to the same extent as some other areas such as the property casualty insurance sector).

The Willis Index polls non-US insurance companies providing buyers of specific lines of coverage with an overview of the market reporting on relevant issues unique to their industry.

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Editor's Note: The complete Willis Index is available on Willis.com via www.willis.com/Extras/Publications.aspx