

News Release

Contact:

Investors: Kerry K. Calaiaro
+1 212 837-0880
Email: kerry.calaiaro@willis.com

Media: Dan Prince
+1 212 837-0806
Email: daniel.prince@willis.com

Willis Group Releases July Reinsurance Renewal Review

New York, NY, July 27, 2006 – Willis Group Holdings (NYSE:WSH), the global insurance broker, has released its reinsurance review of the marketplace for the July 1, 2006 renewals. The report includes commentary from Willis Re experts on key global markets, examining recent trends and an insight into their future direction.

Having come through the second quarter of 2006, we can now assert that the “Tale of Two Markets” has become even more pronounced. Reinsurance pricing and terms continue to soften in many sectors, yet in others, such as Marine, Energy and catastrophe-exposed American and Caribbean Property, cedents are experiencing “the worst of times”, with a substantial tightening of terms and conditions. Capacity in these latter sectors is still inadequate, compounded by the shortage of retrocessional reinsurance, thus heralding the first truly hard market for over a decade.

Key findings:

June / July renewals confirmed earlier signs of an industry-wide accommodation of the factors driving the hard market in Marine, Energy and US catastrophe-exposed Property sectors:

- Substantial catastrophe losses for past two years, which have resulted in insolvencies and significant recapitalization
- Key industry constituents re-evaluating the environments in which they operate and developing new governing assumptions
- Rating agencies employing more conservative and increasingly stringent parameters to evaluate catastrophe management protocols
- Reinsurers facing tremendous pressure to reduce their aggregate and diversify their writings, which has rapidly constricted capacity in key zones and lines of business
- Capital Market alternatives have in reality proved insufficient to attract investor interest, despite the posturing earlier in the year that they would solve the capacity crunch in the traditional reinsurance market.

Peter Hearn, CEO, Willis Re commented, “Although we do anticipate continued and increasing influence from the capital markets and other alternative products, the outlook in the immediate term remains uncertain and highly volatile. Another heavy Caribbean / U.S. 2006 storm season, or any other substantial global catastrophe(s), will have a large bearing on the 2007 reinsurance catastrophe market. It is likely that such an event will

accelerate the re-deployment of capital and make it much more difficult to secure traditional reinsurance protection.”

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Editor's Note:

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<http://www.willis.com/news/Publications/WillisReviewJuly2006.pdf>