News Release

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Willis Energy Market Review Reveals Changing Priorities

London, UK, December 18, 2006 – After one of the most benign years on record in terms of energy losses, the end of 2006 shows signs of changing priorities within both the energy insurance buyer and supplier communities, with buyers seeking alternatives to commercial insurance and suppliers trying to protect their newly lucrative energy market share. These are the key findings of the latest Energy Market Review by Willis Group Holdings (NYSE:WSH), the global insurance broker.

Willis' comprehensive review, which looks at the energy market over the past six months, includes interviews with several leading energy risk managers who reveal a move away from the commercial insurance market towards the use of self-insurance, captives and mutuals. In the report Willis also reviews, amongst others, the Upstream, Downstream, Liability and Reinsurance markets.

Insurers are also taking a different approach as they move from record energy losses to bumper profits, seeking to protect what has rapidly become a highly profitable energy portfolio. More individual locations are testing energy market capacity as increased oil and steel prices, contractor day rates and well drilling costs escalate their value across the energy spectrum. However, the Willis Energy Market Review finds that competition is increasing for programs that do not test current market capacity and are located in areas where natural catastrophes do not create aggregate concerns.

Looking toward 2007, the Willis Energy Market Review predicts that more Gulf of Mexico windstorm capacity may be available for approximately the same premium spend as in 2006, due to new vehicles entering the market. However, this capacity is essentially reinsurance-driven and still very scarce in relative terms compared to the pre-Katrina/Rita environment.

Moving away from the catastrophe arena, to where market capacity remains unthreatened, the combined pressure of increased capacities, reduced demand from buyers and strong profitability ratios suggest a general softening of rates in 2007.

Phillip Ellis, Chairman of Willis Global Energy, points to several "disconnects" in the energy insurance market, saying, "Buyers are increasingly looking outside of the commercial insurance market for alternatives. Add to this the gap that exists between the price of insurance products and the quality of risk being underwritten and the challenge facing brokers is clear: we need to rapidly innovate, price and offer products and services which reflect and transfer the risks our clients truly face."

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