

News Release

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The Willis Index for Accountants and Auditors Professional Indemnity: Premium Rates Have Stabilised

London, UK, August 15, 2006 – Premium rates within the accountants and auditors professional indemnity market appear to have stabilised for the second quarter of 2006, according to the majority of insurers surveyed in the latest Willis Index tracking this sector. Respondents stated they had not changed their rates for accountants in the past three months, nor did they anticipate changing them in the next three.

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. There are four surveys in the series with each Index exploring a different coverage area.

While in previous iterations of the cycle, the market has demonstrated considerable volatility, it will be interesting to see whether the more sophisticated risk assessment and capital management tools now used by insurers will facilitate a greater degree of stability in the market.

Jeremy Jones, Broking Director of Professional Indemnity at Willis, comments: “The rapid reduction of premium rates that has been seen over recent years was unsustainable in the long-term, and the levelling-off of the market was to be expected. However, while markets are finding it very difficult to justify continued rate reductions on their own renewal business, they seem to be capable of doing so when competing for the business of others. This makes a mockery of the marketplace and is compounded by the fact that this has been happening despite a stable reinsurance market, which has shown no rate reductions in the wake of last year’s hurricane season.”

One of the most surprising findings from Willis’ survey this quarter is that underwriters are not aware of their clients using premium savings to fund increased limits. It seems that a small proportion of clients are taking most of the savings but using the remainder to buy down their excess levels where possible. Against the backdrop of another potentially catastrophic hurricane season in the US, Willis believes it is feasible that rates may indeed increase within the next nine months.

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 full Willis Index for Accountants and Auditors Professional Indemnity Insurance is available on Willis.com via www.willis.com/Extras/Publications.aspx

Also in this series:

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