

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

The Willis Index: Q2 Financial Institutions Market Remains Favourable for Insurance Buyers

London, UK, August 8, 2006 – Discounted rates of between 1% and 10% were available for crime, professional indemnity and directors and officers insurance in the second quarter of 2006. This is according to the majority of underwriters surveyed in the Willis Index for Financial Institutions that tracks these three main classes of FI business. There has however been a suggestion from some markets that for the next three months terms may become slightly less favourable.

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.

In the Financial Institutions Index, Willis speculates that the reason why the market may become less favourable is that insurers could be looking to increase rates in anticipation of substantial settlements made in respect of the large outstanding claims the market currently faces. The Index recognises that in the event these claims do result in large payments from the market they will put pressure on rates. However it finds no reason to believe that the effect will be felt in the next three months – which is simply too short a period for this to take effect.

Not all markets will be affected by these payments, and reinsurance (the biggest driver to rates) generally doesn't renew until year end. It is interesting to note that of the three main classes of business for financial institutions, professional indemnity is regarded by the market as less likely to attract such favourable terms. However, it is worth noting that in this market environment, highly competitive deals can still be found – even for classes that might be thought to be less attractive.

Underwriters are unanimous that retentions remain static but trends in the amount of limits purchased seem a little more confused. From Willis' observations, the majority of financial institutions seem content to keep limits constant although some have taken advantage of a soft rating environment to purchase higher limits with minimal increase in premium spend.

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 for Financial Institutions Insurance is available on Willis.com via www.willis.com/Extras/Publications.aspx

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