

News Release

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The Willis Index: Good News for Accountants' & Auditors' Professional Indemnity Buyers

London, UK, April 25, 2006 – While other areas of insurance are carrying significant rate increases, the professional indemnity market in London is reporting either no change or minimal increases, according to the latest Willis Index for accountants and auditors in the first quarter of 2006.

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.

The previous Index for this market in the fourth quarter of 2005 anticipated the negative effect of the hurricane season on the renewal process. Reinsurers applying rate increases on the direct carriers (regardless of class) would place pressure on the direct carriers to look for justification for an increase. However, the market also considers the broader environment in which insurers operate. Given the long-tail nature of PI business, insurers are more inclined to invest in the equity markets than their counterparts in property, and it is possible that a rising stock market could facilitate stable rates.

Accordingly, the Willis Index has found that underwriters are prepared to aggressively attack rates on the programs of the largest accountants whose policies include considerable premiums. Equally, whilst seeking to maintain stable rates on their renewals, underwriters appear willing to offer rate reductions to secure new business, which is good news for buyers.

The current PI edition of the Willis Index carries commentary on clients who are authorized firms, the implications of providing an employee reference, and a revisit to old wounds made famous by Enron in terms of Special Purpose Vehicles.

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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