

News Release

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The Willis Index: Premium Rates Not Impacted for the UK's Financial Institutions

London, UK, April 19, 2006 – Insurance premiums for the UK's financial institutions do not appear to have been significantly impacted by last year's North American hurricane season, according to the Willis Index tracking this coverage area for 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.

Results from the Willis Index in the fourth quarter of 2005 suggested that the insurance losses resulting from Hurricanes Katrina, Rita and Wilma might result in a tough and expensive reinsurance renewal season for financial institution insurers and hence costs might have been passed onto financial institutions in 2006.

However market feedback illustrates that such rate movement never occurred as insurers have been able to negotiate flat reinsurance premiums. In light of this, insurers are not expected to seek premium increases across their renewal book for cases where the risk profile remains unaltered.

Of course, as many large claims are still outstanding (Worldcom, Enron and others), it is possible that settlements during the coming year could impact capacity and therefore move rates. However, any affect this will have on pricing is not expected until the first quarter of 2007.

These observations are reinforced by the results of this quarter's Willis Index which conveyed that for the first quarter of 2006 approximately half the market feel that rates will remain unaltered whereas the other half predict there will be reductions of up to 10%. The exception to this is professional indemnity where 75% of the market believes that rates will remain flat.

As ever, there is some disparity between insurers' predictions and marketplace realities. Through the first quarter, financial institution clients were able to receive discounts at renewal, however the amount of the discount varied depending on a number of factors such as previous renewal terms, size and nature of business, limit purchased, market selection and claim history.

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 is available on Willis.com via www.willis.com/Extras/Publications.aspx