

News Release

Contact:

Investors: Kerry K. Calaiaro
+1 212 915 8084
kerry.calaiaro@willis.com

Media: Ingrid Bosch
+44 (0)20 7481 7182
boschi@willis.com

Is Global Energy Insurance Facing an Evolution or a Revolution? ---Willis Says Brokers and Underwriters Must “Adapt or Die”---

Houston, TX, September 18, 2007 – “Energy insurance clients are experiencing a rapid evolution and to catch up with them there will need to be something close to a revolution in how brokers and underwriters are led and managed.” This was the cornerstone of the keynote speech that Phillip Ellis, Chairman of Willis Global Energy, gave at the Marine Insurance Seminar in Houston yesterday.

Speaking to a cross-section of the energy insurance community, Mr. Ellis highlighted the key changes taking place in the global energy insurance industry and gave his views on how brokers and underwriters need to respond to these changes.

Discussed the rapid and fundamental changes currently taking place in the industry he said, “In recent days, oil prices have topped \$80 in real terms for the first time since 1980. The growing appetite for oil is being driven by global economic growth, which is being accelerated by rapid development in China and other emerging economies. To keep up with demand, the oil sector that we insure will invest close to \$300 billion this year.”

“The upstream part of this investment is inevitably going toward riskier and riskier opportunities,” he continued, listing evolving risks such as complex geology and unstable political regimes as the oil industry searches for untapped resources. He also mentioned the impact of the oil sector on the environment and the fierceness and unpredictability of recent storms like Humberto. The result, Mr. Ellis said, is that risk and risk management have moved to the top of senior management’s agenda in oil and gas groups. “Our main challenge as an industry going forward is to significantly increase the value we add to win back much more share of the risk management mind and wallet.”

Mr. Ellis went on to detail the five key areas where he believes there needs to be a revolution in the industry, namely:

- **Contract certainty** – In order to deliver great contracts on time the industry needs to improve the skills and processes used to deliver and develop them. “We need more engineers, lawyers, and financial people working as or with wording experts. We must find ways to attract these highly-skilled and highly-educated people into the core of our business.”

- **Outstanding innovation of products and services** – Clients’ risk management challenges have significantly changed in the last five years. “We need to be developing the wordings, the facilities and the new capacity to address these risks. And again, we need the skills, the processes, and by all means the time to do so. The brokers and underwriters must communicate with one another and work together more closely to provide these products and services.”
- **Client advocacy** – “Brokers must become true *client* advocates and our allegiance must be to our clients, not to our market relationships.”
- **Outstanding information and analysis** – “Loss development, loss forecasting, loss control, catastrophe modelling, market trends, the quality of market services, are among the most valuable contributions we can make in the way of information.” Mr. Ellis gave the Willis Energy Loss database and the Willis Quality Index® as examples of the types of things brokers should be offering their clients.
- **Address priority risks** – Clients’ risk profiles are changing. “Damage to brand/reputation is by far their biggest concern, followed closely by environmental risks, regulation and the legal environment.” The traditional concerns of business interruption and explosion/fire and natural catastrophes are further down the priority list.

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