

Willis Re

## News Release

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### **Willis Re: Protection Buyers Drive 25% Growth in the 2012 ILW Market**

**London, UK, January 31, 2012** - 2011 activity will drive 25 percent growth in Insurance Loss Warranties (ILWs) volume for 2012, according to a new [report](#) released by Willis Re, the reinsurance arm of Willis Group Holdings (NYSE: WSH), the global insurance broker.

Willis Re estimates that the ILW market reached trading volumes of \$6bn last year, resulting in an estimated 10 to 25 percent increase in trading. With trades hitting highs of between \$2.75bn and \$3.25bn during the crucial 1 January ILW trading season, the report predicts that the 2012 market could experience peaks in trading volume and pricing equivalent to those seen in the hard market of 2006-2007, post-Hurricanes Katrina, Rita and Wilma.

Henry Kingham, Executive Director, Willis Re Specialty and co-author of the [Q1 2012 ILW update](#), expects pricing this year to be around 20 percent up on 2011 levels. The report states that although the average Rate on Line of 15.5 percent predicted for 2012 falls short of the average 17.5 percent reached in 2007, the trend is for a strong year for the ILW market.

Kingham explains: "In the second half of 2011, there was heightened speculation on availability and pricing of retro capacity for the 2012 season, which – conversely to the late renewal in the traditional market – pushed ILW protection buyers into the market early to seek cover. However, once the ultimate net loss (UNL) renewal season began with gusto, the ILW market slowed slightly as clients and markets concentrated on renewing their traditional book of business. Despite the hiatus, at the time of going to press, the majority of 1 January UNL renewals had been put to bed and we have seen a significant uptick in ILW trading."

ILWs are private reinsurance or derivative transactions, triggered by an index of the total industry loss arising from a natural catastrophe. The ILW product has become increasingly popular in recent years as an efficient way to invest in a catastrophe related derivative product, and is viewed by many, particularly in the capital markets, as an integral part of a buyer's exposure hedging strategy.

The report predicts that for 2012, around 75 percent of the estimated \$6.5-7.5bn of ILW capacity traded will come from capital markets players, including those that use a fronting reinsurer to support a collateralised cover.

Commenting on the factors influencing ILW buying demand, pricing and capacity supply, Kingham said, "We saw significant pricing volatility on contracts at 1 January. This was caused by a record tally of natural catastrophe losses in 2011, vendor model changes and shifts in capacity caused by supply and demand fluctuations. It is difficult to distinguish between the impact of risk modeller RMS' Version 11 US wind model and the wider impact of 2011 losses on ILW buying demand and capacity supply. However, we observe generally that loss-affected contracts experienced a 30-50 percent price increase in January and non loss-affected contracts were 10-20 percent up on a year-on-year basis."

#### **About Willis Re**

One of the world's leading reinsurance brokers, Willis Re is known for its world-class Analytics capabilities, which it combines with its Capital Markets and Reinsurance expertise in a seamless, integrated offering that helps clients increase the value of their businesses. Willis Re serves the risk management and risk transfer needs of a diverse, global client base that includes all of the world's top insurance and reinsurance carriers as well as national catastrophe schemes in many countries around the world. The broker's global team of experts offers services and advice that help clients make better reinsurance decisions, access worldwide capital markets and negotiate optimum terms. For more information, visit [www.willisre.com](http://www.willisre.com).

#### **About Willis**

Willis Group Holdings plc is a leading global insurance broker. Through its subsidiaries, Willis develops and delivers professional insurance, reinsurance, risk management, financial and human resource consulting and actuarial services to corporations, public entities and institutions around the world. Willis has more than 400 offices in nearly 120 countries, with a global team of approximately 17,000 employees serving clients in virtually every part of the world. Additional information on Willis may be found at [www.willis.com](http://www.willis.com).

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