

Willis Re

News Release

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Willis Re Release Report on the Impact of RMS v11 European Windstorm Catastrophe Model Changes

London, UK, June 14, 2012 UK insurers may see increases of up to 97% in their capital requirement for catastrophe exposures under Solvency II rules when making calculations under the new RMS model version 11, in comparison to under version 10. Similar, if not quite so steep, increases are estimated for French and German insurers. This according to a [report](#) released today by Willis Re, the reinsurance arm of Willis Group Holdings (NYSE:WSH), the global insurance broker.

The report focuses on UK RMS version 11 and reviews the changes to the RMS windstorm and storm surge modelled losses. The report finds that the modelling changes have significant ramifications for the UK re/insurance market, with increases in storm frequency, storm clustering and vulnerability together contributing to a large overall change in RMS' view of risk. The report further explains that, while monoline property insurers could see a 97 % increase in their net capital requirement, diversification benefits can reduce this figure significantly.

Tim Edwards, author of the report, explains that a Willis Re team of meteorologists, engineers and analysts have been considering the merits of the RMS changes.

"From validating against 3rd party hazard datasets and testing against our clients' loss experience, we see the RMS v11 modelling as being an improvement in many respects but with certain major calibration issues," he said. "RMS is one of the key providers of vendor models, which insurers can license to help assess the exposures within their portfolio to extremes of risk. When one of these providers changes the parameters of their models, it can have dramatic implications for the insurers who rely on their outputs. This is what is happening as a result of RMS issuing the latest version of its own model."

"We believe that RMS v11 for the UK is unlikely to adequately reflect the nuances of all clients, and we therefore see it as our role to customize the view of risk to satisfy our clients' internal governance requirements and the increasing demands of external stakeholders."

Robert Rogers, Willis Re Regional Director UK and Ireland, said: "Many insurers are coming to us because they are alarmed by the increases in modelled loss produced by the new model. They want our view on whether the output is reasonable, and to

what degree it should drive their reinsurance purchasing decisions. Obviously, if the outputs of the models change, so does the expectation of what is a sensible amount of reinsurance to buy.”

“Interestingly, reinsurers are also asking for our input. We are having conversations with them looking into the ways in which RMS v11 may be over-stating exposures.”

RMS is expected to release some additional features to their current model in early July. These will include the ability to quantify the vulnerability uncertainty around their central view of risk released in August last year with an upper and lower view. Rogers added: “Whilst we welcome this additional model feature, we believe that the Willis Re approach of calibrating the model to our clients’ claims history is likely to lead to the most robust view.”

View the UK RMS v11 Willis View report [here](#).

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 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 and negotiate optimum terms. For more information, visit 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.

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