

# U.K. FINANCIAL INSTITUTION INSURANCE MARKET CONDITIONS 2012

- **2nd worst ever year for insurance losses, but insurance market still well capitalised**
- **Reinsurance treaty renewal season confirms that there is adequate capacity**
- **Financial institution insurers continue to be concerned about outcomes of Eurozone crisis**
- **Healthy competitive environment will ensure that 'as expiry' premiums or further reduction in cost are available during 2012**

2011 was a difficult year for insurers with losses in excess of USD 100 billion making it the second worst ever seen. Combining these results with global economic woes and a deeply concerning Eurozone debt crisis, it is easy to see why many financial institutions insurers believe that 2012 could be the year when the market finally turns in their favour. It is not difficult to find vociferous commentators around Lime Street pointing towards escalating loss ratios and an increasing risk profile for many financial institutions, and to some extent they may be right; but that does not yet mean that it's time to think about a 'hard' market.

While 2011 will be loss making, USD 100 billion is considered by most observers as an earnings not a capital event so any hardening in the market does appear to be limited to classes of business and geographies exposed to these substantial claims. When we drill down to results in the financial institutions market it is most likely profitable for 2011. We can also consider the ramifications of the recent reinsurance treaty renewals of many financial institution insurers which paints a picture of a market with adequate, if not plentiful capacity available, meaning that the majority of insurers have been able to secure sufficient reinsurance support at pricing close to expiring.



FINEX Global continue to work in a market where for many risks there are still a surplus of insurers prepared to offer capacity, so the remaining concern is whether financial institutions have an increased risk profile due to the Eurozone crisis and will this be accompanied by hikes in premium rate. For some time now insurers have had concerns over financial institutions exposure to the Eurozone and we would agree that there is a heightened risk that claims volume will increase. In some ways it is possible to draw parallels with the market environment during the credit crunch where uncertainty and a belief that a large number of claims were just around the corner led many insurers to underwrite very conservatively and with rate increases. The difference here though, is that there is very detailed data available for underwriters to ascertain individual financial institutions exposure to the Eurozone and as yet we have not seen any significant claims or circumstances spilling over to U.K. based assureds.

There are still some question marks for 2012 but on balance we believe that during the year, whilst some insurers may seek to increase premium rates, this will be countered by the healthy competitive environment and will ensure that financial institutions that can demonstrate good risk profiles will be able to neutralise this pressure and secure 'as expiring' premiums, or a further reduction in cost. We also expect that we will continue to secure improvements to policy wordings again without the need to increase premiums.

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## CONTACT

**For additional information, contact your Willis Client Advocate® or:**

**David Rogers**

Tel: +44 (0)20 3124 6527

Email: [david.rogers@willis.com](mailto:david.rogers@willis.com)

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10519/02/12

## BREAKFAST SEMINAR

### FINANCIAL INSTITUTIONS - CHALLENGES AND SOLUTIONS FOR 2012

**Speakers include:**

**Claire Nightingale**, Willis Claims Advocate

The challenges facing both regulated firms and management in the current regulatory regime.

**David Rogers**, Willis Broking Director  
Insurance market conditions in 2012, how to secure the best possible renewal terms.

**Paul Search**, Willis Risk and Analytics  
Operational Risk and Insurance Mitigation.

Location: Willis Building  
51 Lime Street  
London  
EC3M 7DQ

Date: March 27, 2012

Time: 08:30 – 10:00