

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

- **Construction activity is expected to remain slow in 2011.** Increased competition, lower margins, difficult credit markets, onerous contract terms and conditions, unfamiliar locals and new types of construction all present challenges for construction firms.
- With the reduction in the construction exposure base, **Property and Casualty markets continue to compete aggressively for construction business.** Pricing remains soft and buyers will continue to see rate reductions well into 2011. Rates will depend on CAT exposure, industry type and claim experience, but **most buyers will see rates stay flat or fall by up to 15%.**
- Carriers are being very aggressive **on new business, offering at times 15-20% reductions**, while incumbents try in vain to hold pricing.
- With no major U.S. storms, there has been **no significant claim activity to date in 2010.** The total financial impact of the Gulf oil spill is still uncertain but we have seen no measurable impact in the insurance marketplace.
- The ongoing recession will likely prompt **acquisitions, consolidations and bankruptcies in the construction sector.**
- One bright spot is in **the alternative energy sector.** We have also seen an increase in infrastructure projects, although mostly private work.

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PRICE PREDICTIONS

GENERAL LIABILITY:

Flat to -15%

WORKERS' COMPENSATION:

Flat to -15%

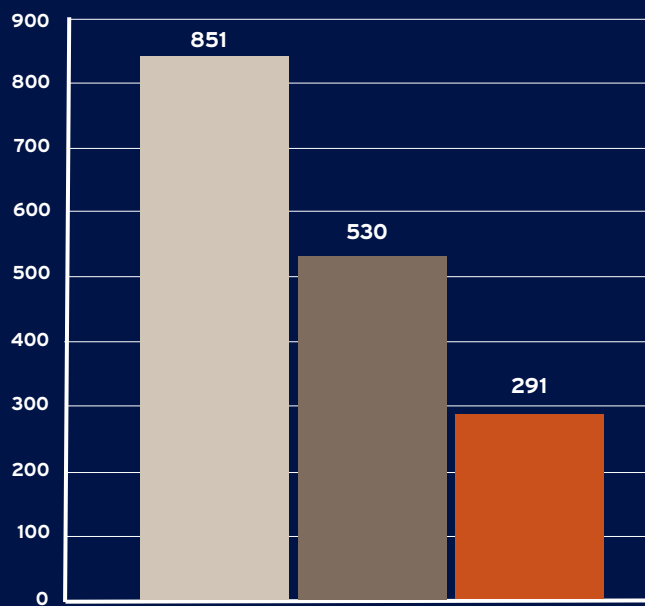
BUILDERS RISK:

Flat to -15%

PROJECT INSURANCE (WRAP-UPS):

Flat to -15%

2008-2010 BUILDERS RISK POLICIES



Builders Risk Policies >= \$20K Prem (Brokered by Willis)

2008 2009 2010

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