MARKETPLACE REALITIES 2013

POST-SUPERSTORM SANDY UPDATE

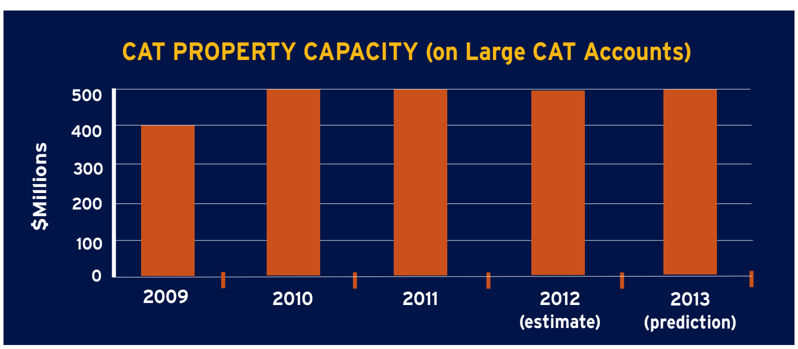
November 2012

PROPERTY

- Until Superstorm Sandy hit the Northeast, 2012 was best described as a year of recovery for the Property market. According to estimates from modeling companies (EQE, AIR), the marketplace will now face an additional $15B-$20B in insured losses.
- Sandy will most likely end up as the second most expensive storm behind Katrina.
- We expect non-CAT rates to be down slightly or flat, while CAT rates are likely to start edging upward. Increases of 5% may be common, though that number could be much higher depending on Sandy's impact on the reinsurance protection for primary Property carriers.
- A large number Business Interruption, Contingent Business Interruption, Service Interruption, Civil/Military Authority and Ingress/Egress losses will result from Sandy. Such events usually take longer to quantify and adjust than typical Property claims.
- Many insurers are reviewing their position on hurricane/named storm/storm surge deductibles in the Northeast.
- Global Property losses totaled $30B for the first six months of 2012 and, even after Sandy, loss costs will likely fall far short of 2011's $116B total.
- Policyholder surplus, which this year reached a record $570B, up from $550B in 2011, should allow the industry to readily absorb the storm losses.
- However, many insurers are indicating that Sandy may wipe out any chance of an underwriting profit in 2012.
- Many have been surprised by the extent of storm-surge damage from what was barely a Category 1 hurricane on landfall.

PRICE PREDICTIONS

Type of Account	Pre-Sandy	Post-Sandy
Non-CAT	-5% to -10%	-5% to flat
CAT	Flat	Flat to +5%



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The complete 2013 **Marketplace Realities** *report is available on* ***willis.com****.*

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