**Marketplace Realities 2013**

**Special Summer Update 2013**

**Property**

- **Capacity** - Most shared and layered accounts are over-subscribed at renewal due to the oversupply of capacity in the market. This trend will likely be furthered by the arrival of new capacity:
  - Berkshire Hathaway Specialty
  - China insurers
    - People’s Insurance Company of China (PICC)
    - China Pacific Insurance Company (CPIC)
  - Broker facilities
    - Aon/Berkshire Hathaway
    - Willis Global 360

- **Reinsurance** - Insurers renewing their reinsurance treaties in 2013 are seeing decreases of 10-15% in advance of July renewals. Insurers renewing separate reinsurance programs for Florida CAT risks are seeing decreases of 15-20% due to the low level of losses in Florida since 2005.

- **Loss Experience** - With some notable exceptions, especially the EF5 tornado that hit Moore, OK (with losses estimated at $3-$5 billion), loss activity in the first half of 2013 has been light.

- **Profitability** - The light loss experience in the first half of 2013 has helped deliver combined loss ratios between 75% and 85% for many insurers.

- **Pricing** - The market started 2013 with single-digit rate increases for CAT-exposed accounts and flat rates or slight decreases for non-CAT-exposed accounts. We expect rates to fall for CAT-exposed risks in the second half of the year and fall more steeply for non-CAT risks.

<table>
<thead>
<tr>
<th>TYPE OF ACCOUNT</th>
<th>2013 Q1 &amp; Q2</th>
<th>2013 Q3 &amp; Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-CAT*</td>
<td>-5% to flat</td>
<td>-5% to -10%</td>
</tr>
<tr>
<td>CAT*</td>
<td>Flat to +5%</td>
<td>Flat to -5%</td>
</tr>
</tbody>
</table>

*Not including accounts affected by Superstorm Sandy, especially those accounts where Flood limits are being reduced/restructured.

**Contact**

David Finnis
National Property Practice Leader
Willis North America
404 302 3848
david.finnis@willis.com