

# News Release

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## **The Willis Financial Institutions Index: Rates Continue to Fall**

**London, UK, November 27, 2006** – Insurance premiums for the UK's financial institutions are continuing to fall, according to the Willis Index tracking this coverage area for the third quarter of 2006. Given the current stable conditions, the Willis Index does not foresee a hardening market as the industry moves into 2007.

The Willis Index – a quarterly survey of London market insurers – asks participants for their views on the underwriting market over the past three and for the next three months; each Index explores a different coverage area.

The overwhelming agreement on decreasing rates amongst underwriters surveyed is not surprising given that the market traditionally remains constant over the summer and, true to form, we have not seen any significant drivers to change rates in the last few months. Nonetheless the market rarely remains calm for any significant length of time and by mid-Autumn many underwriters will be beginning to consider the outlook for renewal of their reinsurance treaties.

Underwriters' treaties represent one of the largest drivers to direct premiums and to a lesser extent the quality of coverage available to financial institutions. This time last year the insurance market was in the process of quantifying the losses from an unprecedented hurricane season. However, whilst the losses to the reinsurance market were substantial, there was little effect on the crime, PI and D&O market. The primary reason for this was that, contrary to the losses from the atrocities of September 11<sup>th</sup> which caused an immediate hardening of rates across virtually all lines of insurance, this time the insurance market had enjoyed a few years of profitability – hence the effects were not so widespread.

The first indications of the state and appetite of the reinsurance market for 2007 were discussed in various Autumn reinsurance conferences such as the Rendezvous held in Monte Carlo in mid September. It seems that whilst financial institutions face some of the large losses from previous years, some underwriters are heading towards settlement. However, the majority of settlements are still being negotiated and at this stage it does not appear that they will impact premiums for 2007. In addition there are a good number of insurers who, by virtue of being established after 2001, are not exposed to laddering.

WorldCom, Enron and mutual fund practices may be able to offer a foil if other markets look to increase premiums. The one exception to this is likely to be large globally active banks where capacity will continue to be tight and hence premiums are potentially less likely to decrease.

The Willis Index polls non-US insurance companies providing buyers of specific lines of coverage with an overview of the market reporting on relevant issues unique to their industry.

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Editor's Note: The complete Willis Index is available on Willis.com via [www.willis.com/Extras/Publications.aspx](http://www.willis.com/Extras/Publications.aspx)