

News Release

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Willis Review: Plenty of “Stretch” Left in the Energy Market

London, UK, May 23, 2007 – The energy market continues to soften as capacity increases and loss records remain relatively benign. But how far will this softening market stretch before the next upswing of the market cycle begins? The answer, in the absence of further catastrophe losses, is generally “a good deal further”, according to the latest Energy Market Review from Willis Group Holdings (NYSE:WSH), the global insurance broker.

Contrary to a commonly-held insurer view that the market is already “at full stretch” with major capacity withdrawals imminent should prices fall still further, the Willis Energy Market Review found that rating levels will have to soften a lot more before insurers begin to exit this market in any significant number.

Insurer rhetoric may suggest that this market is too sophisticated to allow rates to fall much further; the simple laws of supply and demand, together with increasing investment income returns, suggest otherwise, explains **Phillip Ellis, Chairman, Willis Energy**.

“Whilst the activities of energy underwriters are now monitored more closely than ever before, insurers should be able to demonstrate that a significant part of this portfolio can still be profitable at rating levels considerably lower than the current levels, which are largely due to increases imposed across the board after the hurricanes of 2005,” said Mr. Ellis. “This has meant that in some key areas not exposed to natural catastrophe perils, rates have been artificially high for some time, especially in light of today’s relatively high retention levels and narrow policy coverage,” added Mr Ellis.

The Willis Energy Market Review reveals that commercial market capacity is at its highest levels since 9/11, with insurers competing more aggressively for premium income and market share. The Review also focuses on the growing trend towards the deployment of capacity by global insurers on a regional basis, especially in the downstream sector.

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Note to Editor: To read the full Willis Energy Market Review, please click [here](#).