

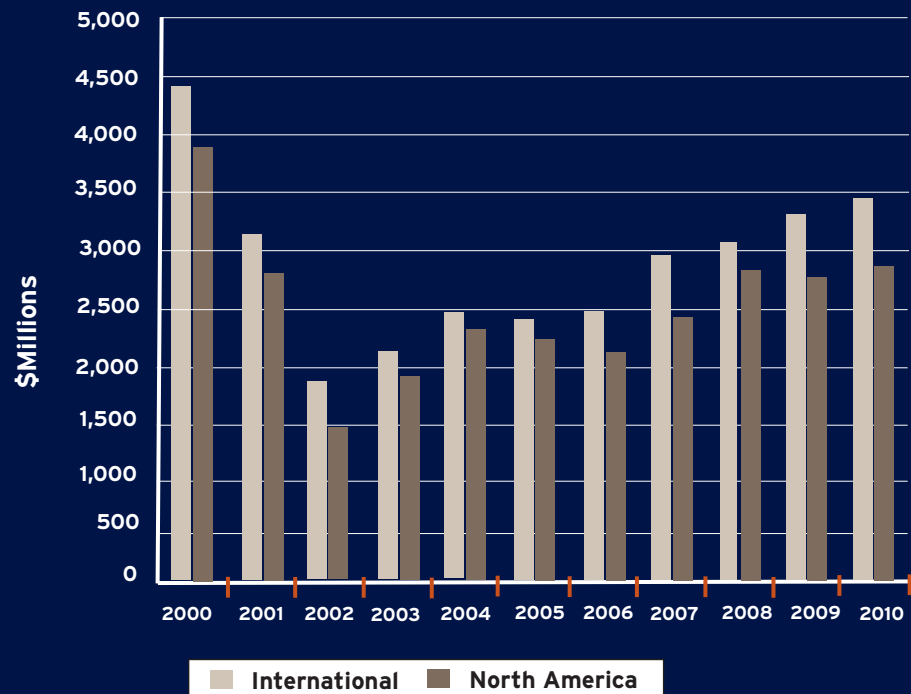
MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

- **Market capacity continued to increase in 2010.**
- Losses continued to be modest enough to continue the recent profitable trend.
- The result: **significant market softening that shows no sign of abating**, particularly for non-U.S. business.
- Competitive tensions have increased for several reasons:
 - **The premium pool declined following the oil price collapse of late 2008/early 2009**, when asset values and business interruption values fell.
 - **Carriers need to guarantee signings** to secure sufficient premium income and meet their targets.
 - **Insurers are competing to prove they are true leaders** in their class by showing that they better understand the risk.
- More competition may emerge from an upstream market negatively impacted by Deepwater Horizon and other losses. More flexible products are also a possibility.
- **Buyers still need to demonstrate risk quality** to take full advantage of the increasingly competitive marketplace. They should work with their broker to consider relayering and improving the dynamics of their programs.

DOWNSTREAM OPERATING UNDERWRITING CAPACITIES, 2000-09 (EXCLUDING GULF OF MEXICO WINDSTORM)

PRICE PREDICTIONS

Continued softening through 2011



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