

Willis Re

News Release

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Willis Re: Natural Catastrophe dominates 1.1.2012 Renewals with modest change on other classes

London, UK, December 30, 2011 – With the majority of this year’s catastrophe losses arising from unmodeled or inadequately modeled perils or territories, reinsurers are being more forceful in their demand for greater transparency of data, or looking to sub limit their exposures to manageable levels. This according to the most recent renewals report by Willis Re, the reinsurance broking arm of Willis Group Holdings (NYSE: WSH), the global insurance broker.

Risk management and global economic concerns are the themes of the 2012 Willis Re 1st View report, entitled "Change is in the Wind". The report states that following the second worst catastrophe year for the market on record, with insured losses in excess of USD100 billion and reinsured losses over USD50 billion, there is work to be done by the industry to better understand the nature of the natural catastrophes which have caused “surprise” losses this year.

Willis Re’s findings point to the market being increasingly segmented, with rate movements being driven by individual loss history and perceived exposure movements, rather than by an overall blanket increase. The report found that rate movements are largely being driven by the immediate earnings challenge of 2011 rather than the classic capital shortage of an historic hard market rating turn.

The report states that overall, at the end of the third quarter of 2011, capital levels in the global reinsurance industry are only marginally down from the start of the year. If 2012 underwriting results return to profitability it is unclear if a sustained market hardening will be seen. On this basis, the report claims, the key to a sustained market hardening is more likely linked to the current economic turmoil, particularly in the euro zone, as it works through to impact the capital bases of reinsurers.

James Vickers, Willis Re Chairman of International Business said,

“After a bruising year of natural catastrophe losses, many outside the traditional key catastrophe zones, reinsurers have largely reacted as anticipated with differentiated rating approaches driven by individual client and territory results. With the exception of a few problem long tail classes reinsurers have concentrated on increasing prices

for natural catastrophe exposed covers which is leading to wide pricing differences by class.”

Other renewal trends highlighted in the report include:

- U.S. January 1, 2012 renewals are moving up in line with increases indicated by mid-2011 renewals but with greater differentiation by client and portfolio reflecting both individual results and exposures.
- Improvements in pricing for natural catastrophe risks have attracted fresh capital to the industry, primarily through specialized investment funds, as opposed to capital increases for existing market participants.
- The new RMS 11 model for European Wind produced volatile results but it was released too late to be taken into consideration for the 1st January renewals.
- Despite the reasonable levels of capitalization, the investment income outlook for all reinsurers is increasingly bleak. Returns available continue to fall and these lower returns have still not fed through to the rating of long-tail classes.

Commenting on the conclusions of the report, Peter Hearn, Chairman, Willis Re, said,

“The poor results of 2011 appear to be largely an earnings event, though insurance company managers are concerned that should 2012 perform in a similar fashion they will be facing capital issues in 12 months time. This has muted the traditional response of buyers to price increases of reducing reinsurance purchases. However, it has further highlighted the margin pressure between increasing reinsurance prices and the ability of insurers to obtain commensurate price improvements on their original policies at a time of weak economic growth”.

[Click here](#) to read the full Willis Re 1st View report.

About Willis Re

One of the world's leading reinsurance brokers, Willis Re is known for its world-class Analytics capabilities, which it combines with its Capital Markets and Reinsurance expertise in a seamless, integrated offering that helps clients increase the value of their businesses. Willis Re serves the risk management and risk transfer needs of a diverse, global client base that includes all of the world's top insurance and reinsurance carriers as well as national catastrophe schemes in many countries around the world. The broker's global team of experts offers services and advice that help clients make better reinsurance decisions, access worldwide capital markets and negotiate optimum terms. For more information, visit www.WillisRe.com.

About Willis

Willis Group Holdings plc is a leading global insurance broker. Through its subsidiaries, Willis develops and delivers professional insurance, reinsurance, risk management, financial and human resource consulting and actuarial services to corporations, public entities and institutions around the world. Willis has more than 400 offices in nearly 120 countries, with a global team of approximately 17,000 employees serving clients in virtually every part of the world. Additional information on Willis may be found at www.willis.com.

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