

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

- Pricing in the Fidelity market remains mixed. **The Commercial Crime market remains soft while the financial institutions (FI) market has been trying to bump pricing 5-15% for larger institutions.**
- From a fraud perspective, **2009 was a particularly harsh year in the financial sector**; 150 pyramid schemes were revealed, involving losses of over \$16.5 billion, versus 40 schemes in 2008.
- Willis' Executive Risks Claim Division reports a **130% spike in Commercial and FI bond claims** since 2008, validating the truism that Fidelity losses rise in recessionary times.
- Several of the largest Fidelity carriers experienced combined loss ratios of over 100% in 2009, according to the Surety Association of America, which tracks the financial results for the top 50 Fidelity underwriters.
- **Capacity remains plentiful, however**, so we expect smaller to mid-sized institutions and commercial risks will continue to see competition for their business.
- Larger institutions and commercial risks can expect a firmer market for the primary layers of their programs, as **only a handful of carriers have an appetite for the greater fraud exposures.**
- Extensive excess capacity should keep **pricing in check for excess policies.**

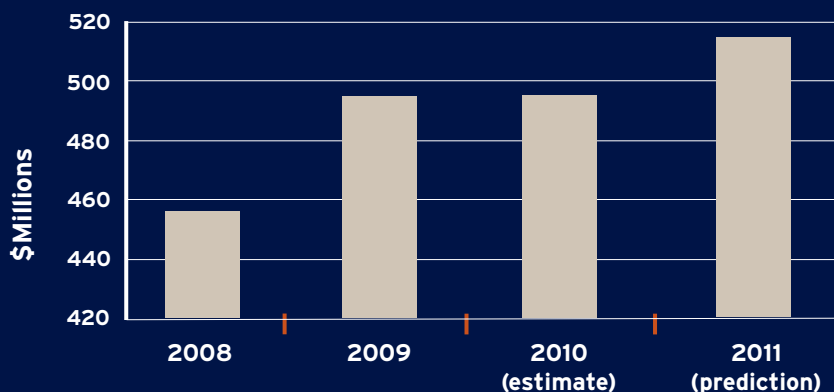
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PRICE PREDICTIONS

COMMERCIAL CRIME
Flat or down slightly

FI BOND MARKET
+5 to +10% in Q1,
flat by Q4

FIDELITY CAPACITY



INDUSTRY HIGHLIGHTS

- **Broker Dealers** – Registered Rep losses remain problematic but coverage is still being offered by leading markets.
- **Mutual Funds** – The market is still soft for this traditionally attractive class.

CONTACT

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