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EMEA Insurance Market Report Quarter 3 and 4 2008

For Europe, the Middle
East and Africa,
covering July
to December 2008.



EMEA Insurance Market Report

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Estimated rate changes by class of business

Q3 & Q4 2008	CASUALTY:		Property	Motor
	General	EL/WC		
C E T L				
Austria	0	No Market	0-10	0-10
Belgium	10-20	10-20	0-10	10-20
France	10-20	0	0-10	0
Germany	10-20	No Market	10-20	0-10
Netherlands	0	No Market	0	10-20
Switzerland	0-10	0	10-20	0
NORTHWESTERN				
Ireland	0	0	0	0-10
UK (Middle Market)	0-10	10-20	0-10	0
UK (Risk Management)	0-10	10-20	0-10	0
SOUTHERN				
Greece	0-10	0-10	0	0-10
Italy	0-10	0	0-10	0-10
Portugal	0-10	0-10	0-10	0-10
Spain	20-30	20-30	20-30	20-30
Turkey	0-10	0-10	10-20	10-20
Israel	0-10	0-10	0-10	-
NORDICS				
Denmark	10-20	10-20	10-20	0-10
Finland	0	0	0-10	10-20
Norway	10-20	0-10	0	0-10
Sweden	0	No Market	0	0-10
CEE & CIS				
Azerbaijan	0	0	0-10	0-10
Bulgaria	0-10	0	0-10	0-10
Croatia	0-10	0-10	0	0-10
Czech Republic	0	No Market	10-20	0
Estonia	0-10	0-10	10-20	10-20
Hungary	0-10	0-10	0-10	0
Kazakhstan	0	0	10-20	0
Latvia	0-10	0-10	0-10	10-20
Lithuania	20-30	20-30	10-20	10-20
Poland	0	0	0-10	0
Romania	0-10	0-10	10-20	0-10
Russia	0	0	0	-
Serbia & Montenegro	0	0	10-20	10-20
Slovakia	0	0	0-10	0-10
Slovenia	0	0	0-10	0-10
Ukraine	0	0	20-30	10-20
Middle East				
Saudi Arabia	0	0	0-10	0-10
UAE	0-10	0-10	10-20	10-20
Africa				
Botswana	0-10	0	0-10	0-10
Namibia	10-20	0	0	10-20
Nigeria	10-20	20-30	10-20	30-40
South Africa	0-10	0	0	0
Zimbabwe	0	0	0	0
KEY				
Increases	3	3	4	11
Decreases	23	15	28	19
No Change	16	19	10	10
No Market	0	5	0	0
No info Supplied (-)	0	0	0	2
	42	42	42	42

Healthcare	Trade Credit	Environmental	FINPRO:		
			D&	P	
0-10	0-10	0	0-10	0	-
0	0-10	20-30	0-10	0-10	0-10
0-10	0-10	0	0-10	0-10	0-10
0	10-20	0	0-10	0	0-10
0	10-20	0	10-20	0-10	0-10
0-10	0-10	No Market	0-10	0	10-20
0	10-20	0	0	0	0-10
0-10	20-30	0-10	10-20	0-10	-
0-10	20-30	0-10	10-20	0-10	-
No Market	10-20	No Market	0-10	0-10	No Market
0	0-10	0-10	0-10	0	0
0	0-10	0	0	0	0
0	50+	0-10	0-10	10-20	0-10
No Market	40-50	0-10	0-10	0	0-10
-	-	0	0-10	0-10	0-10
No Market	No Market	No Market	20-30	0-10	0-10
No Market	0-10	0-10	0	No Market	No Market
-	-	0	0-10	0-10	0
-	-	-	-	-	-
0-10	-	0	0	0	0
0	0	0	0	0	0
No Market	No Market	No Market	No Market	No Market	No Market
0	10-20	0	0-10	0	No Market
No Market	20-30	0	0	0	0
0	0	0	20-30	10-20	No Market
20-30	No Market	0	0-10	0	0
10-20	10-20	0	0	0	0
0-10	0	No Market	No Market	No Market	No Market
No Market	0-10	0	20-30	0-10	0-10
0	10-20	0	0-10	0	10-20
-	-	0	-	-	-
No Market	No Market	No Market	0	0	0
0	0	0	0-10	0	0
0-10	0	0	0	No Market	0
20-30	No Market	No Market	0	0	0
10-20	No Market	No Market	0-10	0	No Market
0	0-10	No Market	0-10	0	10-20
0	10-20	0	0-10	0-10	0-10
0-10	0	0	10-20	20-30	0
0	-	No Market	0-10	20-30	30-40
-	-	No Market	0	0	0
0	No Market	No Market	0	0	0
10	21	1	4	3	9
3	1	6	22	12	6
16	6	22	12	21	15
8	7	12	2	4	7
5	7	1	2	2	5
42	42	42	42	42	42



For Europe, the Middle East and Africa, covering July to December 2008.

This Europe/Middle East/Africa (EMEA) Insurance Market Report is published by Marsh's Market Relationship Management EMEA (MRM EMEA) team to keep clients, Marsh staff and other stakeholders informed of developments in the insurance marketplace across the EMEA region.

Ten lines of business have been surveyed across 41 countries including Marine and Energy for the first time. The information has been supplied by Marsh's insurance placement and business segment leaders in each country. Our commentary and the pricing movement tables will be helpful to clients who are consistently monitoring their insurance and risk management strategies.

Key trends seen in EMEA in the last six months of 2008:

Premium rates of most lines of business in the overall EMEA insurance market began to stabilise in the second half of 2008. While competition is still the dominating downward driver of rates in most markets, this is being offset by carriers' need to increase prices due to increased claims notifications over the last two quarters. So whilst rates are still reducing, they are doing so less than were reported in the EMEA Insurance Market Report Q1 & Q2.

Most of Eastern Europe remained stable with trends generally converging with those in the rest of Europe. There is ongoing interest from overseas insurers to enter these markets and as they do so there is an increased awareness of, and demand for, certain classes of business by local clients.

As a result of the global economic climate, and financial market turmoil over the last few months, loss ratios in the Trade Credit and Financial Institutions classes of business in particular have increased and the market has hardened. In other lines of business, clients are looking to cut their costs wherever possible, tendering their business out to multiple carriers and reducing sums insured. Premiums are likely to rise in the first part of 2009 as insurers are reportedly pushing for rate increases.

The general softening trend that has been ongoing for the past few years is now coming to an end, accelerated by the global economic environment. It is anticipated that clients will find it increasing difficult to maintain their current premium costs over the next renewal season.



General

The rate decreases reported in the first half of 2008 appeared to be slowing in the latter half of the year, with a renewed focus from underwriters on increasing rates. However, the ongoing impact of the financial crisis does not appear to have stemmed the capacity that is available in the market and competition between carriers remains intense. This means that, in 2009, there can still be reductions for the better, well managed risks with a good claims experience. Premium increases were only reported in Bulgaria, Israel and South Africa. Premium rates remained stable in Austria, Italy, Netherlands, Russia and Sweden.

Country round up:

Belgium: The ongoing financial crisis, and the impact on the insurance market, has resulted in some insurers taking an aggressive approach to defending existing business. As a result, premium reductions of up to 20% continued from the first half of the year, but unless unforeseen changes occur, rates are expected to stabilise in 2009 and converge towards pure technical underwriting.

Denmark: There has been a marked increase in competition in General Liability business in Denmark. Zürich, Allianz, RiskPoint (Mitsui, Catlin and Arch) and ACE have all opened new offices and the increased capacity has caused the market to remain soft. Casualty rates have declined by 10 - 20 % in 2008. Unlike financial lines business, competition is expected to continue in General and Products Liability, and therefore rates are not predicted to stabilise in the near term. The financial crisis may in principal support a flattening trend, but competition is believed to be the main driving force influencing changes to the market resulting in further premium decreases.

Finland: A combination of strong competition and loss driven underwriting has meant that rates were stable in the second half of 2008. There may be some upward pressure on rates but flat reinsurance treaty renewals and new market entrants are expected to keep rates flat in the absence of increased frequency of loss events.

France: An abundance of underwriting capacity and the manner in which some insurers have defended their portfolio have resulted in further premium reductions of 10 to 15%. Key players had increased their underwriting capacity at the end of 2008 to take advantage of current market conditions. At the same time insurers such as Mitsui and RSA are expanding into the market resulting in further overcapacity. Long Term Agreements (LTAs) are rare but can be arranged where they are particularly sought-after by the client. Overall the market remains soft.

Germany: The soft market also continued in Germany in the second half of 2008 with further premium reductions of up to 20%. As predicted in the Mid-Year Market Report, some underwriters have offered large premium reductions where clients have a good loss ratio and the current insurer is keen to retain the placement. The claims experience, which on the whole is considered to be satisfactory, has contributed to the soft market. The current financial climate makes the market hard to predict going into 2009.

Greece: Premium rates in Greece are continuing to fall by 5-10% due to high capacity and good loss history of clients. Certain insurers are reportedly keen to take on new risks in order to balance negative market conditions. Rates are expected to be stable for the forthcoming quarter as carriers continue to offer high capacity and extensive cover.

Hungary: Intense competition between General Liability insurers in Hungary in the second half of 2008 has led to premium decreases of up to 10%.

Ireland: Rates for renewals during the last quarters of 2008 were stable. This represents a hardening of the market from the beginning of the year which saw 10% premium rate decreases as standard. The hardening is in response to the global financial climate which has increased the cost of capital for insurers, allied to a deteriorating combined ratio for most Irish insurers. The market is expected to deteriorate further throughout 2009, with premium increases up to 10% as standard and possibly more.

Lithuania: The slow down of the economy and very tough competition in the market led to premium rate decreases of up to 30% in the second half of 2008. Further premium decreases are expected in the first part of 2009.

Norway: Premium rate reductions of approximately 10% were occurring in the Norwegian market throughout 2008, but decreases as high as 60% have been seen. No further decreases are expected and in fact there may be some increases due to lack of capacity.

Portugal: Clients are increasingly focused on low premium and reducing costs which has led to rate reductions of up to 10%. Solvency II and the ongoing financial crisis are expected to reduce reinsurance capacities, increase prudence in underwriting and consequently inflate the rates.

Romania: Local insurers have generally not yet been affected by the current economic climate, so they are still able to offer reductions of up to 10% on Casualty insurance. The segment continued to soften in the second half of 2008 due to a low loss ratio. Third parties rarely sue or file complaints and even if they do, the settlements issued by the courts are usually low. In 2009 the loss ratio is expected to increase due to a rising number of complaints, but it is anticipated that the market will remain competitive, causing rates to stay generally stable.

South Africa: There were rate increases of up to 10% reported in the second half of 2008. Insurers are trying to maintain premium income despite most clients reporting a downturn in business due to the current economic climate. The merger of two significant local markets, SHA and Admiral, has reduced competition. Rates are expected to increase by approximately 5% in the first part of 2009. The Consumer Protection Bill is not expected to be enacted until January 2010 and it will therefore not affect rates for the foreseeable future.

Spain: Some of the largest decreases in General Liability premiums have been seen in Spain with reductions of up to 30%. An excess of capacity, increased appetite to acquire new business and clients' desire to reduce costs (for example through tender increases) have driven the rate decreases. 2009 is expected to continue in the same manner – the soft market being maintained by high capacities and competition between carriers.

Switzerland: Premium reductions of up to 10% have continued since the beginning of 2008 as the competitive environment still seems to put a stop to any expected premium hike. Rates are expected to stabilise in 2009.

Turkey: Competition and changes in insurer participation have led to rate decreases of up to 10% in the General Casualty market. It is anticipated that there will be improved capability in terms of different type of products and wordings from the insurers as the market has seen significant increase in international insurance companies.

United Arab Emirates: Increased local capacity at the Dubai International Financial Centre (DIFC) as well as in the region (e.g. Qatar, Bahrain) has caused rates to decline by 10 to 20%. The current global financial downturn is increasing clients' focus on premium reductions and alternative markets. It is expected that insurers will continue reducing rates over the coming months in order to retain market share.

United Kingdom: Rate reductions of up to 10% have been reported in the UK due to continued competition and market capacity. The rate reductions are slowing down due to a renewed focus from underwriters on increasing rates. However, even though the economic climate is poor there is still an abundance of capacity, creating competition and preventing rate increases. This level of capacity means that there can still be reductions for the better, well managed risks with a good claims experience.

In the Middle Market business claims experience, carrier competition and available capacity all are contributing towards carriers looking to increase rates. Whilst underwriters are now looking for premium increases on renewals, good risks still have the potential to achieve a reduction.



Employers' liability/ workers' compensation

Some EMEA countries do not have employers' liability/workers' compensation (EL/WC) coverage as such, as it is either part of government social security schemes or included under general liability.

The EL/WC market has experienced premium rate reductions across the majority of the EMEA region, largely as a result of further unemployment in the current economic environment. There is a tendency towards inflated claims frequency in the soft market. Premium increases were only reported in Croatia, Israel and Norway, while rates remained stable in Ireland.

Country round up:

Belgium: Following premium reductions of up to 30% in the first half of the year, rates began to stabilise towards the end of the third quarter. Those insurers that have had some media attention as a result of the global economic climate have been very aggressive on rates. Given the premium decreases over the last couple of years, it is thought that the rates have bottomed out although some reductions are still expected on a smaller scale.

Denmark: Workers Compensation has not seen the same premium decreases as other lines of business since September 11 2001, but hardening competition in 2008 has led to premium decreases of up to 30%. The competition & softening market is expected to continue into 2010 and further premium decreases are anticipated in the region of 10 – 20%.

Finland: There have been no significant changes to the Workers Compensation (WC) legislation or insurance market in Finland. Employer's Liability is based mainly on employer's negligence, covering the (minor) part of loss not covered by statutory WC. This is normally written by all domestic and international carriers as part of the General Liability policies. The market has remained flat throughout 2008.

Greece: Premium rates in Greece are continuing to fall by 5-10% due to high capacity and good loss history of clients. Certain insurers are reportedly keen to take on new risks in order to balance negative market conditions. Rates are expected to be stable for the forthcoming quarter as carriers continue to offer high capacity and extensive cover.

Italy: New Employers' Liability legislation has increased responsibilities for Italian employers. Whilst insurance coverage has broadened, price remains generally stable. Over the coming months it is likely that the EL insurers may see some increase in claims frequency.

Lithuania: The slow down of economy and very tough competition in the market led to premium rate decreases of up to 30% in the second half of 2008. Further premium decreases are expected in the first part of 2009.

Norway: Employers' Liability rates were generally stable in the second half of 2008. There was approximately a 5% increase in social security basic premium rates. The market is expected to remain stable for the first part of 2009.

Portugal: The current economic environment is expected to drive higher unemployment. Although underwriting trends are towards a harder market, economic activity forecasts include a decrease in GNP, recession and further unemployment and therefore further rates decreases, of up to 10%, are anticipated.

Romania: There are still only a limited number of companies buying Employers' Liability insurance in Romania, as this is not compulsory by law. Insurers also benefit from a low loss ratio due to the relatively small number of lawsuits filed by employees against their employers. As settlements in court are low and competition amongst insurers is high, prices have decreased by up to 10% over the past 6 months. Rates are expected to be stable in the coming months as loss ratios are not expected to shift significantly.

South Africa: Employers' Liability insurance is inexpensive in South Africa and is purchased on a contingent basis only as employees are prohibited by law from suing their employer for work related injuries. Such injuries are compensated for by the Government-controlled workmen's compensation fund.

Spain: Workers Compensation is provided by the Social Security system in Spain. Employers' Liability is provided by all carriers offering high capacity and sub-limits per claimant. Excess capacity, competition between carriers and clients' desire to cut costs in the current financial environment have driven rate reductions of up to 30%. 2009 is expected to continue in the same manner.

Switzerland: Claims frequency is reportedly high amongst Swiss Workers' Compensation insurers as a result of the global economic crisis. On the other hand, the competitive market and a revision of the legal basis for Accident Insurance are expected to contribute towards further rate reductions of up to 10%.

Turkey: Although there has been a relatively high loss ratio in this line of business in Turkey, competition and high capacity are preventing any rate increases. Premium reductions of up to 10% have been reported.

United Arab Emirates: Market capacity supply for Workers' Compensation business continues to exceed demand which contributed towards premium rate reductions of up to 10% in the second half of 2008. The current global financial downturn is likely to increase focus on premium reductions and market options. It is thought that new business will be hard to come by, forcing insurers to reduce rates in order to retain market share.

United Kingdom: Marketing exercises and competition have contributed towards premium rate reductions of up to 10% in Employers' Liability business. However there have been an increasing number of flat renewals, many in the middle of long term deals. The use of an excess EL facility is producing large savings on the excess layers although it has meant to an extent that the limits under the primary have been reduced resulting in smaller premium reductions and a number of flat renewals. The abundance of capacity means that there can still be reductions for the better, well managed risks with a good claims experience. Capacity, claims and a lack of funds for reserve releases are all contributing to carriers looking to achieve premium rate increases but continued competition in the market place will help to alleviate those increases.



Property

Although there is still strong competition and excess capacity in EMEA property markets, rates began to stabilise in the second half of 2008. Bulgarian, Finnish, Israeli and Slovenian clients saw rates increasing in their local market.

Country round up:

Austria: Property premiums began to stabilise over the second half of 2008, with rate reductions generally less than 10%. The direction of the market is unclear going into 2009 but rates are not expected to fall.

Belgium: Strong competition, excess capacity and the good quality of the property risks in Belgium have led to premium rate reductions up to 10% in the second half of 2008. Having achieved decreases of up to 30% in the beginning of the year, the property market overall is showing signs of firming as underwriters have a renewed focus on rate increases. Long term agreements (LTA's) of two years were still achievable with a very small rate increase the second year. Flat to modest rate increases are anticipated in the coming months.

Bulgaria: The global economic climate has not caused premium rate decreases in the Bulgarian property market to date. In fact premium rates increased by up to 10% in 2008 due to increased demand for cover.

Denmark: The Danish property market remains soft having experienced rate decreases as high as 20% throughout 2008. The competition and abundant capacity further increased with several new players. Reductions of up to 40% for clients with good claims history and strong risk management were achieved, although there are signs of a flattening market in 2009. Most insurers do not offer discounts for long term agreements and some insurers even demand additional premium. It is anticipated that the market will flatten towards the end of 2009, but underwriters are expected to remain competitive on new business due to the increased capacity in the market.

Finland: Insurers pushed for rate increases early in the renewal cycle on the basis of anticipated treaty renewal increases and in an effort to "talk up" the market. In the end treaties renewed flat and increases were very minimal.

High claims frequency in 2008, and a bad start to 2009 are expected to quicken the hardening of the Finnish property market. New capacity from other Nordic countries continues to keep the local market in check, but clients with poor claims history and inferior construction materials should expect some small increases.

France: While some insurers are pushing for rate increases in the French property market, alternatives still exist for the clients with premium rate reductions of 5% being achieved on average. Some Risk Management clients are requesting downgrading clauses in their contracts in view of the current financial turmoil and its potential impact on insurance companies but premium rates tend to be stable. Mitsui is currently expanding into the region, bringing increased capacity and therefore downwards pressure on rates.

Germany: There has been a reduced frequency of renewals because of long term agreements which have now been taken up by the majority of clients. Premium reductions as high as 50% were achieved for clients renewing LTAs although new LTAs are being issued for a maximum of two years. The biggest German insurers recently lost clients because they were not willing to offer the same premium reduction as their smaller competitors. While the average rate reduction was 10 to 20% throughout 2008, premiums are expected to stabilise in 2009.

Greece: Premium rates are deemed to be stable in the Greek property market, rather than increasing as it has been rumoured. Only in a small number of cases have the rates decreased (good quality risks with a clean loss history). Prices are expected to be stable for the forthcoming quarter as carriers continue to offer high capacity. Loss history and the quality of risks are thought to be the most significant factors affecting any further premium decrease.

Ireland: Rates in the Irish property market were stable by the end of 2008 following a soft market earlier in the year. The turnaround in the market is thought to be largely due to capacity restrictions and rates are expected to rise by up to 10% throughout 2009 for standard risks – possibly more for those risks with higher exposures.

Italy: The Italian property market was still showing rate decreases of up to 10% in the second half of 2008 although this is expected to stabilise over the course of 2009. Increased focus on terms & conditions is anticipated.

Lithuania: An extremely competitive market has contributed towards rate decreases as high as 20% and further premium decreases are expected.

Netherlands: Property premium rates in the Netherlands generally stabilised in the second half of 2008. Renewals were largely unchanged due to the market being less flexible on rates. There is enough capacity in the market and as a result premium rates are expected to remain stable in the coming months or even experience a minor increase.

Norway: The Norwegian property market reported premium decreases of up to 10% in the second half of 2008, although there have been no major losses and there is sufficient market capacity.

Portugal: Property insurers in Portugal are also working through a soft market and rate decreases up to 10% have been seen throughout 2008. However

capacity reductions are anticipated which will drive premium rates up. Local brokers would have had difficulty placing some risks without support from overseas markets.

Romania: The property sector is one of the most competitive in the Romanian market as most insurers use this line of business to diversify their motor insurance dominated portfolios. The loss ratio has been steadily increasing over the past few years but competition between insurers accounts for the softening trend. Rates reduced as much as 20% in the second half of 2008. As the reinsurance market hardens due to international claims, premiums are likely to rise in the Romanian market as well.

Russia: Although the loss ratio in Russian property business has risen, insurers still consider the market to be soft. In many cases insurers renewed their treaty reinsurance before the financial crisis really took hold, or renewed with some minor premium increase. Therefore premium rates on the whole generally remained stable throughout 2008.

South Africa: Property rates were flat in South Africa during Q3 and Q4. Deductibles have also remained constant although there has been some pressure to move from monetary deductibles to time deductibles for commodity risks. Rate increases of up to 10% are expected in Q1 and Q2 of 2009 given that most insurers are reporting underwriting losses for 2008 and there was upward pressure on reinsurance treaty premiums for 1 January renewals. Capacity is expected to remain stable.

Spain: Capacity is particularly abundant in the Property market in Spain and as a result premium rates have dropped by up to 30%. This is reported to be a very competitive line of business with both low rates and low deductibles. There remains high competition between carriers in an attempt to increase market share. 2009 continues with the soft market, high capacities and low deductibles. Clients are known to be 'shopping around' between brokers and there is further competition between insurers.

Sweden: Following reported rate decreases of up to 30% at the beginning of the year, rates stabilised in the second half of 2008 due to elevated loss ratios and competition between insurance companies.

Switzerland: Like other countries, Switzerland experienced a continued competitive property market with rate decreases of up to 20% continuing from the first half of the year. In the fourth quarter some insurers stopped offering long term agreements and there is expected to be further decline in the use of these contracts in 2009. There is currently a strong focus on Risk Engineering activities. Premium rates are expected to stabilise or even rise slightly in the coming months.

Turkey: Competition between property insurers in Turkey has led to premium rate decreases of up to 20%. New entrants have brought additional capacity to the market and there is not expected to be a marked change in the coming months.

United Arab Emirates: The current economic climate, excess local & regional capacity and insurers competing for market share have driven rates downwards by up to 20%. The financial downturn is expected to cause clients to demand further premium reductions. It is thought that new and expanded business will be harder to come by and insurers may be forced to reduce rates in order to retain market share.

United Kingdom: Rate reductions have slowed down and with many risks in the middle of long term deals there have been a large number of flat renewals. The rates for natural catastrophe risks have increased following a year of excessive losses and as a result further rate increases are anticipated. It is thought that the period of large rate decreases has come to an end and many long term deals now build in rate increases. UK only risks are likely to be treated slightly differently and where there is competition rate reductions are possible.

In the Middle Market, reductions in premiums have slowed down. The food sector in particular suffered some major losses in the second half of 2008 and as a result carriers are looking to increase rates and/or reduce capacity. There have been some concerns over fraudulent claims in times of recession. There is expected to be a real push this year towards rate increases – carriers are known to be ‘walking away’ from risks that they cannot achieve the desired rates on. Insurers are thought to be looking for premium increases of 5 - 10% this year but good risk management could still produce some small discounts.



Most of EMEA continued to see a softening market for motor insurance, caused by ongoing competition between carriers and excess capacity. Some countries explained the continued decline in the market with the global economic climate and decline in the automotive industry. A few countries have reported that they expect to see a hardening of this market in the near future, while premium increases have already been experienced in some Eastern European countries, Scandinavia and the Middle East.

Country round up:

Belgium: The largest motor insurers in Belgium are still fighting to retain and gain market share on commercial motor fleet which has resulted in some large premium discounts. Most insurers are applying rate increases of 2-5% on private motor third party liability. The market is not expected to change significantly in the first half of 2009.

Bulgaria: The expansion in the Bulgarian motor market from 2005 to 2007 and the fact that the majority of drivers are aged between 18 and 31 have resulted in higher risk exposures and premium increases of up to 10%.

Denmark: The Danish motor market has remained soft, with small premium reductions of up to 10% in the second half of 2008. For programs that have not been tendered in the market within the last couple of years there were examples of premium reductions above 30%. The market is expected to stabilise during 2009 and 2010.

Finland: Rate increases of up to 20% were based on poor claims statistics during 2008 and for the last few years carriers have used this reason for annual upward adjustments of approximately 7% to 11%. It is expected that there will be an increase in competition from foreign insurance companies in 2009 as more motor programs are organised into fleet arrangements. Foreign insurers have the network and capabilities for these arrangements while the local market resources are more limited.

France: There were price increases on “bus and coaches” liability as a result of large claims in 2008 but otherwise motor insurance premiums were largely stable. Two new players have started to write motor insurance in 2008 (QBE

and Zurich) which has offset any potential premium increases. No major changes are expected in the French motor market in the first quarter in 2009.

Germany: The soft market continued in the second half of 2008 due to carrier competition, reducing motor insurance premiums by up to 10%. The market is expected to harden in the second half of 2009 as a result of deteriorated carrier combined ratios.

Greece: Motor premiums have generally increased by 8-10% in Greece as part of a successive tariff adaptation due to regulatory changes imposing higher limits on motor policies. For this reason, premiums are expected to continue to increase in the forthcoming quarter by up to 20%.

Ireland: The 2008 year end saw a more pronounced swing in the motor market than in other P&C lines, from 10% rate reductions in Q2 & Q3 to 10% rate increases in the fourth quarter. Irish insurers have suffered a serious deterioration in their motor books throughout 2008. The market is expected to maintain 10% rate increases throughout 2009.

Italy: High competition between Italian Motor insurers contributed towards premium decreases of up to 10% in the second half of 2008. A new indemnity system for motor third party liability has changed the claims settlement process. Insurers are now bound to pay claims to the first party regardless of who caused the accident and then recover costs from the appropriate insurer. Small rate decreases are expected to continue over the next quarter although premiums are expected to stabilise or possibly increase later in the year.

Lithuania: An extremely competitive market has contributed towards rate decreases as high as 20% and further premium decreases are expected.

Namibia: Inflated claims due to the increasing costs of repair have led to premium increases of up to 20% for motor insurers in Namibia.

Netherlands: As the market gradually becomes less competitive, premium rates are stabilising. For 2009 premiums increases between 4% and 7% are anticipated.

Norway: Car repair costs and a general increase in claims caused a turnaround in the market in the second half of 2008. Rates are expected to remain stable for the beginning of 2009 but increases of up to 10% are possible.

Portugal: Competition between carriers and a fall in car sales were the main causes for premium decreases of up to 10% in the last six months. Motor markets are expected to face a halt to sales given the difficulties for consumers in accessing credit. This will, in turn, have an effect on the motor insurance market.

Romania: Motor insurance continued to harden in the second half of 2008 due to the ever increasing level of claims. Premium rates increased by as much as 10%, and this trend is likely to continue in 2009.

Slovakia: New minimum limits have been implemented in motor third party liability (MTPL) contracts in an effort to achieve EU harmonisation under the Fifth EU Motor Insurance Directive. Although premium rates fell slightly in 2008, they are expected to remain stable in the coming months. Higher minimum limits in MTPL are due to be implemented in the fourth quarter of 2009.

South Africa: An extremely competitive market with many insurers and underwriting agencies has kept premiums stable even though the book continues to deteriorate. Rate reductions of up to 20% have been obtained when rebroking a fleet with a good claims experience. Amendments to the Road Accident Fund Act (RAF) came into effect on 1 August 2008. A claimant may no longer sue the wrongdoer for injury or death and the maximum amount that can be claimed from the RAF for loss of income is now capped at R160,000 per annum (previously unlimited). In theory this should have the effect of reducing Third Party Liability claims for insurers but the effect of this has not been noticed as yet. What has been noticed is an increase in demand for short-term and long-term accident / disability products which will compensate for the gaps created by the caps imposed on benefits payable by the RAF. Future terms are expected to be claims driven with a reasonable claims experience achieving flat renewal rates.

Spain: All carriers have high capacity for motor fleets which caused premiums to decrease by up to 30% in 2008 as insurers competed for market share. The market is expected to remain soft for the first part of 2009.

Switzerland: Motor premiums stabilised in Switzerland in the second half of 2008. Risk Management measurements for fleets and increased legislation for drivers are expected to reduce losses going forward. A hardening market is anticipated, with some premium increases possible for contracts that have experienced recent losses.

Turkey: Competition between insurers has had a negative impact on motor premiums in Turkey with reductions of up to 20%. Like other countries, motor insurers in Turkey have suffered a decline as a direct result of a downturn in the automotive industry. The downturn in the motor industry is expected to continue with the global economic climate.

United Arab Emirates: The decline of the motor market is creating excess capacity and increased competition between insurers. In addition, the current economic climate means that clients are likely to continue to shop around for premium reductions. Tightening of traffic laws and heavier penalties are reducing the number of traffic accidents contributing to a decline of up to 20% in premiums.

United Kingdom: Risk Management clients have generally seen their motor rates remain stable. A small number of insurers are trying to increase rates but there are still a significant number that are quoting competitively. Reduced investment income and increases in Reinsurance rates are expected to have a slightly inflated effect on premium rating during the first quarter of 2009. Risks with poor claims experience have seen premium increases and new entrants to the market should mean that motor insurance market premiums will remain relatively stable.

In the Middle Market business, poor underwriting results in motor insurance are now filtering through to promote rate increases, although this has been partly offset by new carriers creating competition, particularly in the Lloyd's market. Several insurers have expressed their intent to increase rates on motor business. Monoline writers of motor business in Lloyd's are believed to be looking to increase rates following poor underwriting results, although some competition will continue for the well run, risk controlled businesses.



The Healthcare market remains limited across EMEA, and a few countries are still dependent on international capacity to place this line of business. For consistency and clarity reasons, countries were asked to report on Medical Malpractice only.

The market remained largely stable in the majority of countries in the latter six months of 2008, with some countries starting to report minor rate increases. Germany, Ireland, the Netherlands and Spain reported stable premium rates.

Country round up:

Austria: The Healthcare insurance market in Austria saw higher risk exposures in the second half of 2008 due to some high profile losses. This has led to premium rate increases of up to 10% and the trend is expected to continue over the coming months.

Belgium: Medical Malpractice rates in Belgium remained stable throughout 2008. A new Healthcare law on “no fault liability” has been postponed sine die and the associated uncertainty means that some insurers are not writing new business. The market is not expected to change in the near future unless there are any developments with the “no fault liability” legislation.

France: There are three key players in the French Healthcare insurance market: AXA France, SHAM and MACSF. However at the end of 2008 the London market was more competitive (in terms of premium rates) than the French market by almost 20%. There have been some major radiotherapy claims in France recently which have caused rate increases. These premium increases were expected to continue but a new entrant is thought to be putting pressure on the competition, countering any potential rate increases.

Italy: There are a reduced number of carriers willing to quote and retain healthcare risks in Italy and consequently premium rates have remained stable. Alternative markets have proved to be much more expensive than usual ones but a further reduction in the number of carriers and therefore possible rate increases are expected.

Lithuania: An increase in private healthcare costs has caused premiums to rise as much as 10%. As the economy slows down, premium volume for this line of business is expected to decrease but this will be countered by high loss ratios, causing rates to remain generally stable.

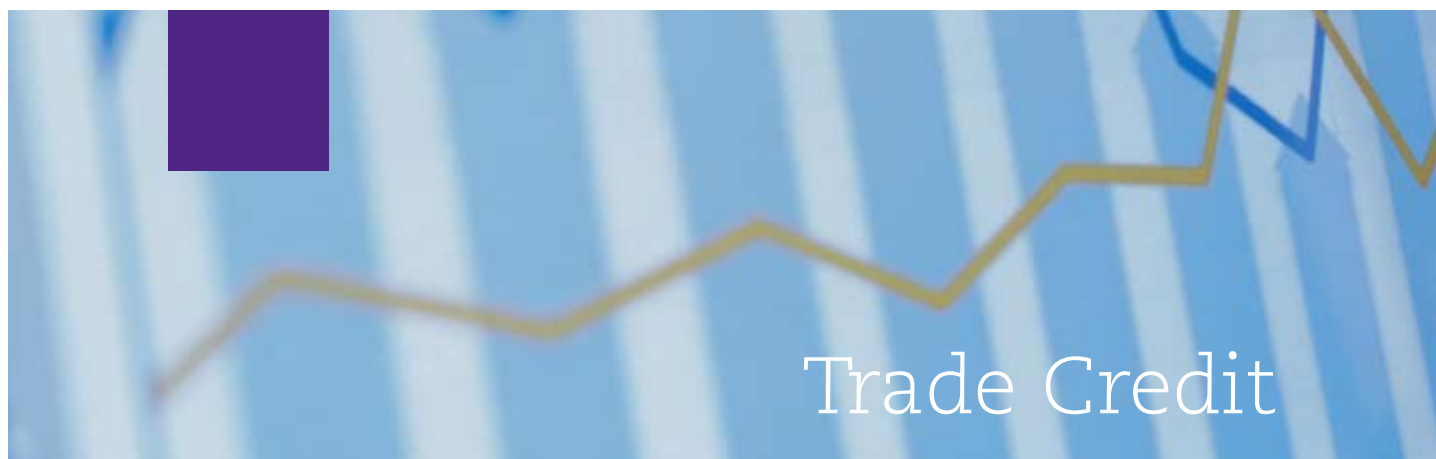
Namibia: Rates increased by up to 10% for Medical Malpractice insurance in Namibia due to the rising costs of medical care.

Romania: Few local insurers write this class of business, some are just fronting partners. It is very likely that a decline of Clinical trials policies is recorded due to movement of clinical trials to other lower cost territories such as Moldova. This is expected to cause rates to decline.

Switzerland: Premium rates increased by up to 10% in the second half of 2008 due to the demographic trend of the Swiss population. For 2010 an increase in rates of at least 10% has already been made public.

Turkey: Local market capabilities are very limited in this line of business and a lack of demand from clients gives insurers very little motivation to enhance their product offering. Turkish law is still lengthy in providing a resolution to any legal disputes.

United Kingdom: Greater competition between insurers, clients' desire to reduce costs and good claims experience have had a positive impact on the Medical Malpractice market for clients in 2008. The market is expected to stabilise in terms of pricing and coverage going into 2009.



The current global financial crisis has created huge demand for and awareness of Trade Credit insurance across EMEA. Unfortunately for these clients, the economic situation has caused bad debts and insolvencies which, at best, have led insurers to review policy terms, conditions, limits and rates and, at worst, resulted in wholesale withdrawal of capacity. Premium increases were seen in Western and Central Europe in particular.

Country round up:

Austria: The Austrian Trade Credit market has had problems as a result of the financial crisis; some risks cannot be placed into the local market and rates have increased by up to 10%. What happens to the market in the near future will depend on developments of the global economy.

Belgium: The current economic climate is putting more stringent conditions on Trade Credit risks insured in Belgium and premium rates have risen slightly. Along with a review of their portfolio, credit insurers are reviewing the indemnity limits of the contracts that they issue and their aggregate exposures. Further rate increases are anticipated.

Estonia: Economic conditions are worsening and Eastern Europe has been downgraded heavily by Credit Insurers. This means it is harder for local clients to get the indemnity limits and cover that they require and rates have increased by up to 30%. Premiums are expected to continue to rise and further restrictions on cover are anticipated.

Finland: Whilst underwriters are trying to prepare for the economic slowdown by trying to increase premiums the impact appears to be through the cancellation of buyer limits. Rates increased slightly in the second half of 2008 but the market is expected to be unstable over the coming months. It is thought that it will become increasingly difficult to arrange satisfactory insurance arrangements with the necessary credit limits and Government owned bodies will become more active in supporting activities such as export credit facilities.

France: Due to the current economic climate there has been a dramatic increase in company insolvencies worldwide. Claims are escalating and

underwriters are requesting premium increases while reducing their exposures on medium quality risks. Underwriters are expected to further reduce their exposures and increase premium rates. It is anticipated that there will be an increase in the number of companies trying to obtain Trade Credit coverage while insurers will be more selective of their risks. If claims levels continue to increase there is a real possibility that some insurers could move their Trade Credit accounts into run-off.

Germany: The worldwide recession has increased the risk of insolvencies and insurers' risk appetites have decreased. In some industries, such as the automotive industry, the current economic climate has produced real capacity problems. As the demand for Trade Credit insurance has increased with company insolvencies, premium rates have increased by 10-20 % in general. It was reported that the claims experience of Trade Credit insurance in Germany is substantially worse than it was 12 months ago and payment defaults and company bankruptcies are expected to escalate during 2009. All insurers have placed further restrictions on the cover that they provide and demand the very latest data upon renewal. There is high demand for innovative solutions to replace capacity in the market.

Greece: Again, premium rates for Trade Credit insurance in Greece have increased by as much as 20% due to recent losses. Carriers await the most recent financial results of clients and are more selective in the risks that they take on. Premiums are expected to increase by 20-30% for clients over the forthcoming months, and credit limits lowered due to poor loss history, tightened cash flow and higher levels of debt.

Ireland: It proved to be a very difficult year-end for Trade Credit insurance in Ireland. Rates have increased by 20% or more for those clients who are even being offered renewal. A difficult 2009 is anticipated and rates are expected to deteriorate further with carriers cherry-picking risks. The only upside to the difficult market is an increase in referrals from prospective clients seeking cover.

Italy: Like other countries, the current global financial instability has caused concerns over Trade Credit insurance in Italy. Markets are reluctant to underwrite risks or to increase their exposure and as a result rates have increased by up to 10%. Rates may continue to increase over the coming months.

Lithuania: Higher loss ratios have been countered by downwards pressure on prices, causing premiums to remain stable. Trade Credit premium rates are expected to remain stable or produce very minor increases in the first part of 2009.

Netherlands: Premium rates of Trade Credit insurance in the Netherlands increased by up to 20% in the second half of 2008. The deteriorating global economy means that losses are expected to increase in the first two quarters of 2009 and risk selection will be more challenging for underwriters. Rates are expected to continue to increase by 10 to 20%.

Portugal: The current economic climate has produced more interest in and awareness of Trade Credit lines of business. A hard market is approaching with visible rate increases as a consequence of poor underwriting results.

Romania: Insurers' risk appetite is changing in the current period of financial instability, causing rates to increase by 10 to 20% on average. Premiums are expected to continue to increase in 2009.

Spain: Clients have faced premium increases of over 50% for Trade Credit insurance. The current economic climate has provoked claims increases as well as a reduction of capacity in the market. Insurers are known to be placing restrictions on the Trade Credit coverage that they offer, such as excluding construction and similar activities from quotations.

Switzerland: As the Swiss Trade Credit market is dominated by just one insurer, they are able to dictate prices and conditions of cover to a certain extent. There has been a decrease in credit limits for single buyers and rates have increased slightly. This trend is expected to continue for the first part of 2009.

Turkey: There has been an increase of up to 50% in Trade Credit premium rates in Turkey due to the current downturn in the economy. An increase in the turnover of the existing clients and significant change in exchange rates have caused instability in the market. Cancellations and amendments of limits are thought to be causing clients to lose faith in the product. However for the clients who are aware of the benefits of using the "information&intelligence" tool provided by credit policies, an improvement of their client profile and profitability is possible because the information allows them to make more secured sales, working with business partners with improved default rates.

United Arab Emirates: Due to Trade Credit losses in other countries, local providers have tightened acceptance criteria and charged up to 10% higher premium. There is expected to be increased demand for Trade Credit insurance going forward due to uncertainties associated with the current economic climate. This would continue to drive rates higher in the coming months.

United Kingdom: There has been a huge increase in Trade Credit losses in the UK recently and the current economic climate suggests that levels of bad debts will continue to inflate throughout 2009. Underwriters are expected to become still more cautious, and cover levels will continue to be reviewed on a regular basis. With losses continuing to rise, it is likely this market will continue to be hard, and costs will rise maybe beyond the 20 - 30% that they did in the second half of 2008.



Environmental

The Environmental market is limited in Europe; in some instances it is included in General Liability policies. However, with the new EU Directive 2004/35/CE or “Biodiversity Directive” now in place in almost all EU member countries, developments in this line of business are encouraged.

The Directive aims to establish a framework that would prevent ‘significant environmental damage’ or rectify damage after it has occurred. ‘Significant environmental damage’ will be defined by reference to: Biodiversity, i.e. damage to nature itself; water pollution; and human health (including land contamination when it is a threat to human health).

The market remained stable across the majority of the region in the second half of 2008, continuing the trend reported in the first half of the year. Some countries, including Norway, Portugal and Turkey, reported stable rates in their local markets due to a generally underdeveloped market. There is, however, an increased interest for Environmental coverage due to the new EU regulation, resulting in some premium reductions.

Country round up:

Austria: Environmental Liability is contained in the General and Product Liability policy in Austria. The EU Biodiversity Directive is not yet written into Austrian law and as a result premium rates were stable in the second half of 2008.

Belgium: There was continued strong competition reported between the leading Environmental insurers in Belgium with certain global insurers pushing rates down at renewal. The re-entry of Zurich with a new wording hasn’t had a significant impact on the competition but rates were as much as 30% lower than they were in the first half of 2008. The main drivers for underwriting this class of business are the uncertain impact of any biodiversity claims under the EU Directive and the risk for future claims for pre-existing pollution conditions. There is increasing interest from multinational companies to take out environmental insurance, particularly following the implementation of the EU Directive which imposes any damage to biodiversity as strict liability. On a local level, there is a strong increase of asbestos liability insurance for asbestos abatement contractors but rates are expected to stabilise in the first part of 2009.

Finland: Environmental Liability is a very small market in Finland but the risks that have been placed have seen some small reductions in premium. The market appears to be intentionally reducing rates in this line of business to encourage growth of a portfolio of business that, in Finland at least, has been slow to develop.

France: The scope of coverage of Environmental Liability insurance has been importantly enhanced during the last two years although it is now more common for it to be included in General Liability policies. The increased importance and awareness of Environmental Liability insurance means that claims are expected to increase over the next two years. Higher limits will be required by clients causing premium rate increases, although no significant change is expected for the first quarter of 2009.

Germany: Environmental Liability premiums have remained largely stable in Germany. The new Environmental Damage Insurance which was introduced throughout the country in 2007/2008 following the EU Directive has been added to liability coverage at no or moderate additional premium. It remains to be seen how the Environmental Liability market develops in the current economic climate.

Ireland: Much as in 2007, the Environmental Liability market was small and growing slowly in 2008. It is difficult to gauge whether the market is hardening as Ireland is reliant on the UK for capacity and expertise. Allianz are launching an Environmental Liability product in Ireland in the first quarter of 2009 - it is hoped that the additional competition will keep rates stable and allow the market to continue to develop.

Italy: The Environmental Liability insurance market in Italy has become increasingly competitive and consequently has generated a general rate reduction of about 10%. A similar trend is expected for the coming months.

Netherlands: Sudden and accidental Environmental Liability claims are still covered in most cases under various other policies, therefore it appears to be difficult for carriers to sell new "all in one" environmental policies in the Netherlands. The situation is not expected to change in 2009.

Romania: There are relatively few changes in this sector due to the fact that Environmental Liability insurance is not yet compulsory in Romania. The implementation of the EC Directive is still ongoing and potential clients are waiting for that before taking any actions.

Spain: High capacity, carrier competition and the postponement of the new Environment law until April 2010 have contributed towards rate decreases of up to 10%.

United Kingdom: Whilst the Environmental Liability market has seen big rating reductions over the last couple of years, there is still downward pressure on rates and premium savings can still be achieved for many client sectors providing the right marketing strategy is deployed. Insurers continue to develop and enhance their products, with particular focus on streamlining the underwriting process and ensuring cover is suitable for emerging and evolving environmental risks. The UK is finally expected to introduce the EU Environmental Liability Directive into its national legislation during the first part of 2009. This will introduce new exposures and new liabilities to all industry sectors, which along with other factors such as increased awareness

of environmental risks and recent legal interpretation of so-called “sudden and accidental” pollution cover under Public Liability insurance, will continue to drive increased interest in this class of insurance. Premium rates are expected to stabilise during 2009, but with new insurers entering the market, a competitive breadth of cover and premium level should be maintained even in the face of greater demand for products.



FINPRO Directors and officers

2008 was marked by the heavy turbulences of shares on the stock market across the world. the Directors & Officers ('D&O') and Professional Indemnity ('PI') markets remained relatively soft. There has not really been a reduction in capacity in these classes of business so rates have remained soft to stable despite the market turmoil.

The current economic climate has had a material affect on the Financial Institutions ('FI') market. Although FI premium increases were mainly limited to the major global accounts, other clients began to be affected by the fall out from the banking crisis, the difficult treaty renewal season and the Madoff scandal.

Markets are expected to continue to harden into 2009 as a marked increase in claims notifications have been reported and underwriters are increasingly cautious.

Directors and officers

Premium rate reductions were still seen in D&O in Q3 and Q4 2008, as most countries reported excess capacity in the market resulting in high competition between carriers. However, in some less mature markets, the current economic climate is increasing awareness for D&O cover, leading to heightened demand and the rate reductions are therefore slowing down. A small number of Southern and Central & Eastern European Countries reported premium increases.

Country round up:

Belgium: There is fierce competition between insurers in the Belgian D&O market and they are working hard in an attempt to maintain market share. As a result rate decreases of up to 10% were achieved in the second half of 2008. A continuous soft market is anticipated although there may be small rate increases for commercial lines clients.

Denmark: D&O remains an extremely competitive line of business in Denmark and premium rates decreased by as much as 30% in the second half of 2008. New players have created excess capacity and established carriers are defending their position by cutting rates. Some insurers are trying to create hype around premium rates in an effort to achieve increases of up to 5% on multi-year deals. D&O rates have fallen for eight consecutive years but are now thought to be close to their minimum, so rates are expected to stabilise in 2009.

Finland: The current economic climate is keeping client purchases at a steady level, and in turn insurers are reacting with matching rates resulting in the market remaining rather flat. Confidence in certain markets is weak and some clients are requesting clarification of the process of replacing cover if it becomes necessary to do so. The recent arrival of QBE Sweden into the market may have some impact on premium rates, depending on their strategy.

France: The D&O market remained soft for commercial companies in France with premium decreases and coverage enhancements still available in spite of the global financial climate. The current economic situation has led to an increase in D&O claims which are having a real impact on the profitability of D&O insurers' books of business. New primary players are eager to gain market share, providing excess capacity and premium discounts. D&O insurers have been able to maintain an aggressive underwriting approach to target commercial organisations that have been less affected by the financial crisis. Some D&O insurers have introduced new or updated products to meet new client needs and demands (for instance Side A Excess DIC policy, International D&O programme). Treaty reinsurance renewals have imposed rate increases and more stringent conditions on the primary insurers who, in turn, are expected to pass these rates and conditions on to the clients. An increase in D&O claims due to the deterioration of the economy is expected to turnaround the trend of increasing rates, terms and conditions, especially for companies which already benefit from very competitive D&O terms and conditions. D&O capacity could decline if some insurers decide to reduce their exposure below the standard 25 million euros, and as a result there could be a slight rate increase by the second half of 2009 as well as restrictions of cover.

Germany: Small D&O premium reductions of up to 5% have been seen for both Risk Management clients and Middle Market business. Some insurers have responded aggressively to the high profile problems of certain competitors, while at the same time these insurers have been trying to defend their portfolio. SME business is known to be highly competitive amongst D&O insurers but on the whole rates are expected to be stable in the forthcoming months.

Greece: Rates continued to decrease by 5-10% in the second half of 2008 due to high capacities and good loss history of clients. Premiums are expected to remain stable or decrease slightly in the forthcoming quarter as carriers continue to offer high capacity and extensive cover.

Ireland: D&O rates are relatively stable in Ireland, with the exception of poorly performing PLC's. The year end brought no great surprises but the market is watching Financial Institutions closely. The market is expected to harden by as much as 10% in the coming months.

Italy: High competition amongst carriers has allowed for continued rate decreases of up to 10% in the Italian D&O market. Capacity and broader coverage is available for clients, despite some claims. Going forward, the market may be influenced by possible claims arising as a result of the current economic climate.

Netherlands: The D&O Markets in the Netherlands have remained soft with average rate decreases of 10 to 20% reported. Some Risk Management clients have benefited from even higher premium reductions. The Middle Market has also seen rate reductions but as this market is more volume driven, it performed more steadily. An increase in claims as a result of the economic climate is expected to harden in the market over the next quarter, although there is still a lot of capacity available at low prices.

Portugal: D&O rates remained stable in the second half of 2008. Attempts by insurers to increase rates are not expected to be enough to increase overall premiums as clients search to cut costs in the current economic climate. As local insurers' capacities are running low, clients are expected to accept cover from overseas markets.

Romania: Besides a few exceptions, premiums in this sector have slightly increased due to the current economic climate. The hardening of the market may continue but price increases are not expected to be as big as they were in 2008.

South Africa: The D&O market in South Africa remains very competitive largely due to lack of claims. There are still only five local insurers writing this class, while AIG and ACE are the only markets able to provide US jurisdiction coverage. A new Companies Act is to be introduced in 2010 which is likely to have far reaching implications for directors & officers and may have an impact on pricing. The local market is expected to remain stable in Q1 and Q2 of 2009 after which the impending new Companies Act may have a hardening effect on terms.

Spain: Premium rates continued to decrease by up to 10% due to high capacity and increased competition with new entrants including Hiscox. Claims are expected to increase in the first half of 2009, although the soft market will remain.

Switzerland: Uncertainty is being felt in this market due to the current economic climate which has marked the end of a soft market. Premium rates decreased slightly in the second half of 2008. The market is expected to continue to harden, with carriers becoming more restrictive in the cover that they offer.

Turkey: D&O insurers in Turkey have been very aggressive in both price and the breadth of cover that they are providing. This had inevitably led to decreases in the overall premium levels. Rates may increase slightly in the coming months because of potential D&O lawsuits due to an increase in bankruptcies, insolvencies and civil fines resulting from the global economic climate.

United Arab Emirates: Excess capacity in the market has caused rates to decrease by up to 10% in UAE but the current economic climate is causing concern and companies are showing interest in D&O liability which could increase demand, and therefore rates.



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Professional indemnity

The professional indemnity (PI) market remained largely stable in the second half of 2008. Increased competition in some countries did not seem to increase rates as insurers are cautious in the current economic climate. A restriction of terms and conditions is becoming more common while the number of claims is expected to rise over the course of the financial crisis. This is however expected to increase awareness of PI insurance and led to demand for cover.

Country round up:

Denmark: Increased competition in the Danish PI market caused premiums to fall by as much as 20% in the second half of 2008. Some insurers are trying to talk premiums up, however new players have contributed to further competition and yet another 10 to 20 % decrease for January renewals. It is likely that rates will stabilise in 2009 & 2010 and possibly even increase for financial institutions.

France: New players have caused the market to become very competitive on both price and conditions resulting in premium rate decreases of up to 10%. For PI the market is generally driven by loss experience and some professions could see restrictions on terms and conditions.

Ireland: PI rates in Ireland have remained relatively stable, mainly due to the fact the bulk of Marsh's PI business has been organised into schemes in 2008, which has afforded protection from market conditions. Open market rates are hardening in the first part of 2009, particularly for solicitors. Rates are expected to increase and capacity reduce, creating even more need for layered programmes.

Netherlands: In the second part of 2008 large PI accounts benefited from premium reductions of up to 20% on an individual basis. In general the PI market became more competitive as newcomers showed appetite for business, but premium levels are not that volatile in Dutch PI insurance. Broader coverage was offered and the appetite for new products was more than ever. No significant rate changes are expected in the coming months.

Portugal: PI rates remained stable in the second half of 2008. Attempts by insurers to increase rates are not expected to be enough to increase overall

premiums as clients search to cut costs in the current economic climate. As local insurers' capacities are running low, clients are expected to accept cover from overseas markets.

South Africa: There is a very limited PI market in South Africa and hence the majority of the business is placed in the London market. Rates are expected to increase by 0 to 10% in the first part of 2009.

Spain: New entrant, Hiscox, became the fifth key player in the Spanish PI market in 2008 contributing to premium rate decreases as high as 20% in Q3 and Q4. Capacity, and therefore premium rates, are expected to stabilise in 2009.

Switzerland: Rates have been stable in Switzerland but the number of PI-related lawsuits is increasing, therefore the number of submissions is likely to increase. The current economic climate is going to make clients more aware of PI insurance which could lead to increased demand for the product.

United Arab Emirates: PI rates were stable in UAE in the second half of 2008. PI was popular in the construction sector but demand is likely to reduce as few new projects are been initiated. Several construction projects have even been put on hold as the current financial climate is dissipating new and expanded opportunities.

United Kingdom: The PI market in the UK did witness a few changes in Q3 & Q4 compared to the previous two quarters of 2008 and the general position in prior years. Problems experienced by certain carriers resulted in a hardening of rates across various industry segments, including those for solicitors where fewer insurers were willing to offer rate reductions leading up to the 1st October common renewal date for UK solicitors. Some clients saw an increase of up to 5%.

There has not been a reduction in capacity in the UK market and so the market is still fairly competitive. It is possible to achieve rate reductions as high as 10%. Due to the impact of the current economic climate some industry segments are less favoured by insurers, such as surveyors and credit rating agencies. There still exists a strong appetite for new business within the London market, however with premium increases in the reinsurance market highly likely, it does seem as though a hard market is not far away.



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Financial institutions

Financial institutions insurance has been heavily influenced by the current economic climate and rate increases have been reported across the region, particularly in Central & Western European countries. Claims notifications have risen dramatically, particularly from large international banks and others with sub-prime/mortgage backed security liabilities. FIs not affected by these losses are still seeing their premium rates harden as insurers' capacities are reduced and they are being more cautious in their underwriting & risk selection.

Country round up:

Belgium: On the whole, premium rates increased by as much as 10% in the Belgian FI market. Strong local competition contributed to premium rate stability for financial institutions not impacted by mortgage backed securities and other such events coming to light in the course of the current economic climate. The insurance market for 2009 is going to be challenging, particularly for large global FI programmes requiring large capacities. FI treaty reinsurers increased their rates by 25% or more for 2009 and insurers are expected to try and pass this increase on to their clients at their next renewal.

Denmark: FI premiums in Denmark have continued to decrease with reductions of up to 10% reported in Q3 & Q4. However, because of the current economic climate and several losses in the industry, January 1st 2009 may have been the last renewal with decreasing premiums as certain insurers are expected to start pushing premiums up in 2010. For financial institutions, it is thought that premiums will increase in 2009-2010, partly because of the economic climate, but also because of an increased loss trend in Denmark. Financial institutions have incurred numerous employee infidelity losses and a number of spectacular robberies, as well as D&O suits. Claims activity on D&O and Crime has also been increasing outside the financial sector, and hence it may contribute to a hardening market in 2009-2010, but it is still too early to predict the extent to which this trend will be countered by increased capacity and competition.

France: As a result of the current economic climate, claims notifications are increasing, causing insurers to withdraw capacity and become increasingly

selective in their risks. Underwriting information is essential to carriers who are increasing their rates and restricting conditions. It has become more important than ever for insurers and reinsurers to monitor aggregation of risks.

Germany: FI prices went up by as much as 10% although rate increases were much lower than those in the US and UK markets. Some insurers reduced their capacity for large international banks while non-banking FIs renewed with stable premium rates. There are now an increased number of requests for additional underwriting information made by insurers and some carriers have established underwriting committees for referrals.

Ireland: The FI market experienced a tough renewal season with many clients extending price and cover negotiations well into 2009. Rates increased by up to 10% in the second half of 2008 and the market is continuing to harden, particularly for run-off.

Italy: Italian financial institutions have had a low exposure to the current economic downturn and as a result rates have remained stable on the whole. The market expects to see a slight rate increase over the coming months due to a reduced number of carriers, most of which belong to international groups affected by the situation in the US market.

Netherlands: The appetite of the Dutch FI market was reduced at the end of last year as a result of the current economic climate. Premium increases were limited for Middle Market FIs because capacity was still available. Further hardening of the market is to be expected as well as reduction of capacity, particularly when there are increased claims.

Portugal: PI rates remained stable in the second half of 2008. Attempts by insurers to increase rates are not expected to be enough to increase overall premiums as clients search to cut costs in the current economic climate. As local insurers' capacities are running low, clients are expected to accept cover from overseas markets.

South Africa: The majority of South African FI business is placed into the London market. It experienced flat renewals in the second half of 2008. Rate increases of 0 to 10% are expected for the first part of 2009.

Switzerland: FI rates increased by 10 – 20% in Q3 & Q4 2008. There have been a large number of new claims notifications and rates are expected to continue to increase.

Turkey: Although elevated claims suggest rate increases, heightened competition continues to be the influencing factor resulting in rate decreases of up to 10%.

United Arab Emirates: Ace Bahrain is providing added capacity to the local FI market and there have been rate decreases of up to 10% as a result. Liberty International Underwriters in the Dubai International Financial Centre (DIFC) is also showing some interest in the market. Going forward, FI is expected to be a stable line of business as financial institutions continue to seek protection and countries' central banks are monitoring their protection including insurance protection.

United Kingdom: The diversity of the UK FI market makes it difficult to accurately assess what rates are doing generally. However, as a result of the current economic climate some significant premium increases were reported in Q3 and Q4 of 2008. These increases were mainly limited to the major global FI accounts, particularly those buying capacity programmes. Clients with large US exposure felt the brunt of these increases which were assisted by the reduction in insurer appetite. For other sectors of the FI market Q3 continued to be relatively benign, but in Q4 even these market sectors began to be affected by the fall out from the banking crisis, compounded by the difficult treaty renewal season and the Madoff scandal. Madoff is expected to have far reaching consequences for previously unaffected Market sectors. As a snapshot, Q3 rates were flat to 15% whilst Q4 was 10 – 30% for the FI market as a whole. The London market is hardening quickly, with a surge of insurance claims across all lines of coverage. Underwriters are reducing their larger lines in an attempt to limit their risk concentration to any one Insured or any one territory.



Aviation

October saw modest rate reductions only being obtained by airlines with either substantial growth in either fleet or passengers exposures, or excellent loss records, or those who bought smaller limits and as a result had more capacity available to them. All other airlines saw rates remain static, or premium increases were applied to risks experiencing losses, particularly visible in regions of the world where the loss experience had been above average. The cargo book also experienced heavy losses throughout the year and was treated in a similar vein. These premium increases were as a result of the concerns of Underwriters voiced in the first nine months of 2008 being compounded by the worries brought about by the global economic climate.

Underwriters were worried about the effect of the current economic climate on airlines' exposures with aircraft being stored or sold and passenger numbers falling. Also income was being eroded following a number of airlines who were ceasing to operate. Underwriters were also concerned about the effect the situation was having on own capital providers, both in terms of their continued viability but also by the demand for better returns being made of underwriters by them. Resultantly, the airline renewals that took place demonstrated the hard market conditions and premium reductions ceased to be available.

Concerning Excess AVN52 coverage, competition continued to be rife during the beginning of 2008, with the reductions obtained during the final quarter of 2007 driving the market. Some markets emerged as an alternative to existing lead markets, and competition intensified as underwriters sought to maintain their market share. As a result, rating levels which started around USD2 per passenger immediately after 9/11, fell to around USD0.2 per passenger for USD1 billion of cover by the end of 2008. The end of the year saw reductions slow down with 10% reductions being the norm and markets unwilling to keep driving premiums down. This looks set to develop during 2009 as underwriters now feel premium levels have reached the bottom of the cycle.

Capacity tightened up considerably during 2008 for Hull War and Allied Perils as underwriters felt that the level of available premium was no longer viable. By mid November rate reductions ceased to be available and practically the entire book renewed with rates as expiry. Despite underwriter's ability to cancel cover within seven days and the additional income generated through flights to designated "Hot Spots", the bottom of the cycle has probably been reached and 2009 will see a hard market for this cover.

The third quarter saw no change in market conditions for manufacturers from that experienced during the first six months. The level of premium reduction obtained depended on the expiring premium spend, exposure changes and loss record. Accounts with minimal premium levels did not enjoy the same level of reduction as those that generated higher premiums. Accounts with bad or worsening loss records were targeted for premium increases. The aerospace portfolio has always tended to follow the fortunes of the airline book with approximately a twelve month delay, but the current economic crisis seems to have accelerated this change, with renewals seeing a marked slowing down in the level and number of premium reductions.

Outlook for 2009

The first quarter is a quiet renewal period for airlines but the few risks that renewed in January received similar treatment to those renewing in the fourth quarter 2008, with rate increases dependent on exposure growth and loss record. It is too early in the year to gauge the depth of underwriter's intentions however the current economic climate suggests the pressure will be on underwriters to maintain the increase in rates and premiums seen in the last quarter.

Historically the manufacturer's portfolio has followed the trend set by the airline underwriters with a 12 month lag but it became clear during the final quarter of 2008 that the hardening of market conditions had arrived early. January saw underwriters continue in this vein with premium reductions remaining elusive.

On the whole, 2009 will be a difficult year as the aerospace industry sees a downturn in production, passengers and therefore revenue, resulting from the worldwide economic crisis. This it would seem is going to be compounded by underwriters seeking to increase the premium levels generated in 2008, something that could require significant rate increases on shrinking exposure.



Downstream Property

During the early part of 2008 rates continued to soften significantly, while terms and conditions remained stable. After a series of high-profile losses, notably in the mining sector, the softening stabilised midway through 2008, although rate reductions were still achievable for well-engineered accounts with good loss history.

At the end of 2008 the market was “talking prices up,” citing downgrading of insurers, severely reduced investment income, write-offs driven by the credit crunch, losses from Hurricane Ike and natural catastrophe capacity reductions/model failures. Insurers have also had difficulty in acquiring reinsurance treaty capacity in the last six months and the recent announcements by Munich Re regarding the increased cost of reinsurance suggest carriers will be hoping to pass these costs on to their clients.

Fourth quarter 2008 renewals showed small rate reductions or, more generally, flat renewals. However, accounts with poor loss history or significant natural catastrophe exposure have suffered modest rate increases. Several traditional engineering focused insurers are suggesting that the insurance market is approaching breakeven, and without rate increases they will redirect their capacity to more profitable sectors. It is likely that many major insurers will seek increased capacity for non North America business in 2009, hoping to benefit from any market hardening. Exacerbating this capacity oversupply is the expectation that the current economic crisis will result in many clients buying less limit in 2009.

It is likely that the first quarter of 2009 will prove to be a challenging and volatile period in the downstream energy insurance market as the initial affect of treaty reinsurance renewals is felt and the market continues to try to increase rates.

Upstream Property

Following two years of minimal losses, many insureds were able to secure increased aggregate windstorm limits, lower retentions, and lower premiums for their 2008 renewals. The past 12 months brought two major hurricanes in the Gulf of Mexico, three serious operational events, and \$US1 billion worth of construction claims.

A lack of firm commitment from reinsurance underwriters means that operational underwriters are still unsure as to their ongoing reinsurance costs because the correct cover is hard to find and those who are offering coverage now are demanding significantly increased levels of information.

What appears likely are increased attachment points, lower available capacity, higher prices and coverage restrictions for certain types of exposures that have proved to be problematic.

The largest impact on non-wind exposed upstream companies is the general state of the financial markets. Insurers have seen a significant erosion of their policyholders' surplus over the past 12 months and their return on investment of this surplus has also fallen dramatically. This will likely lead to a firming of prices as insurers will have to deliver a true underwriting profit without benefit of significant investment income.

There is still significant global capacity in the upstream sector (excluding Gulf of Mexico (GOM) windstorm) with both Asia and the Middle East continuing to establish their identities as centres for regional business. Oil and gas commodity prices had a rollercoaster year in 2008, with a record high of \$US145 a barrel in July followed by a rapid decline to \$US45 in the second half of the year. This has affected future industry development plans and the price collapse forced oil and gas companies to determine which wells and fields are truly viable and need to be insured.

Going forward, the poor state of the global economy is expected to drive base rates and deductibles up in all areas of the world. Companies with GOM exposures can anticipate significant increases in retentions and price coupled with lower available capacity and more restricted coverage. This may lead to more insureds opting out of wind insurance.

Energy Liabilities

Many insurers are anticipating flat to moderate rate increases although there are signs of a divergence between the onshore and offshore markets. The onshore energy liability insurance market saw a softening in conditions through 2008, with new capacity entering the market, both in Lloyd's and the Company market.

In North America, the credit crisis, uncertainty of oil prices, ongoing reinsurance treaty renegotiation, combined with natural catastrophe losses, continue to imbue the energy liability insurance market with a harder edge. Overall this led many insurers to introduce cautionary measures, particularly concerning breadth of coverage.

The offshore energy liability insurance market showed signs of hardening through the second half of 2008, particularly as a consequence of Hurricanes Gustav and Ike. Consequently, price rises for offshore property risks are a reality now, but it remains to be seen to what extent this pressure will influence the price of cross-class capacity. These insurers occasionally write onshore liabilities, and many are currently reassessing their liability exposure to third parties following the California wildfires of 2008.

The quality of insurers' security has been raised as an important issue. Since claims from major loss events often take time to materialize, evolve, and settle, the impact on security ratings and any resultant effect on the availability of quality security will need to be closely monitored, since a substantial deterioration will almost inevitably send prices upwards.



Marine

2008 saw some unprecedented events within the global economy that have impacted several industry sectors. The current economic climate is having a significant impact on the shipping industry, prompting change in the marine hull insurance market. Marsh's ship owning clients are struggling with reducing freight rates (as a result of a reduction in world trade) and reduced hull values, whilst many of them remain highly leveraged, putting further pressure on their own balance sheets.

Meanwhile on the insurer's side, there are underwriters with a succession of poor underwriting years which is leading to efforts to increase the general rating as well as some capacity withdrawals from markets that feel the situation is no longer sustainable. Surprisingly, new entrants are coming into the marketplace as they believe that now (as premiums are showing a rise) is the right time to obtain market share. It is expected that the current upward claims trend will continue as ship owners decide to dry-dock vessels that cannot be economically traded. With pressure also on the horizon from reinsurance markets it will certainly make 2009 a year of contrasts and challenges for all.

The cargo market continues at a respectable rate, although increases are in play. However, there is some concern that the lack of global trade will lead to a lack of global cargo volume and therefore rating pressure as market share is sought. The regionalisation of capacity continues as markets look to build upon the operations already set up in the key underwriting centres. In conjunction with the economic situation and banks tightening their lending agreements, more cargo interests are making enquiries about the availability of trade credit. Marsh's marine department has been working with the Trade Credit group to provide options, through established credit insurance markets.

Finally the issue of piracy is one that has received a great deal of press coverage in the past few months, due to the high profile of certain events. Of course, this is an issue that has a significant human life concern and the audacity of the pirates is something that has surprised many. From an insurance perspective it affects almost all product lines as the concept of General Average is tested. One hopes that a final resolution to this will be found shortly.

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