

MARSH



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For Europe, the Middle East and Africa,
covering January to June 2007

EMEA Insurance Market Report



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The Europe/Middle East/Africa (EMEA) Insurance Market Report is published by Marsh's Market Relationship Management EMEA (MRM EMEA) team to keep all employees and clients informed of developments in the marketplace across the region.

Seven lines of business have been surveyed across 40 countries in this survey of Marsh's Placement and Segment Leaders, with Nigeria and Zimbabwe now also included.

The premium movements covered over the past 6 months represent approximately 68% of the total annual EMEA portfolio.

The information provides valuable insights to clients who are consistently monitoring their insurance and risk management strategies.

The following key trends have been noted across EMEA in Q1 and Q2 2007:

- The [General Casualty](#) market continued to see premium reductions in the majority of the region whereas small premium increases of up to 10% were reported in Norway, Lithuania, Botswana and Namibia.
- The [Employers Liability/Workers Compensation](#) market mainly softened or remained stable. Increases were reported in some countries, with the largest of up to 30% in Turkey.
- The [Property](#) market has been softening for over three years now due to strong competition. The largest reductions of up to 50% were seen in Ukraine, while small premium increases were reported in Botswana and Namibia only.
- Competition remained strong on the [Motor](#) market resulting in premium reductions in the majority of the EMEA region, with the largest reductions of up to 30% in Ireland. Increases mainly due to high loss ratios were seen in a few countries, such as up to 40% in Botswana.
- The first 2 quarters of 2007 have seen a continuation in the softening trend of the market for all [FINPRO](#) classes. This has mainly been driven by abundant capacity and a highly competitive environment. Small Premium increases were reported in Austria for PI coverage, and further increases were seen across all line in Africa.
- The [Aviation](#) market continued to soften but the rates are expected to go up by the end of the year as business would no longer be profitable, should the rates keep decreasing any further.

2007 Q1 and Q2 Risk Management and Middle Market
Central

	CASUALTY:		Property	Motor
	General	ELWC		
Austria	0-10	No Market	0-10	0-10
Belgium	20-30	20-30	20-30	10-20
France	10-20	No Market	10-20	0-10
Germany	10-20	No Market	10-20	0-10
Netherlands	0-10	No Market	10-20	10-20

North western

Ireland	20-30	20-30	10-20	20-30
UK (Middle Market)	20-30	10-20	20-30	10-20
UK (Risk Management)	10-20	0-10	10-20	10-20

Southern

Greece	0-10	0	20-30	0-10
Italy	0	0	0-10	0
Portugal	0-10	10-20	0-10	10-20
Spain	10-20	10-20	20-30	10-20
Turkey	0	20-30	10-20	20-30
Israel	0-10	0-10	20-30	-

Nordics

Denmark	0-10	10-20	0-10	0
Finland	20-30	0-10	0	0
Norway	0-10	0	10-20	10-20
Sweden	10-20	0-10	20-30	0

CEE and CIS

Azerbaijan	0	0	0-10	0-10
Bulgaria	10-20	10-20	10-20	10-20
Croatia	0	0-10	10-20	0-10
Czech Republic	0-10	No Market	0-10	10-20
Estonia	0-10	0-10	0-10	10-20
Hungary	10-20	0-10	20-30	10-20
Kazakhstan	0	0	0	0
Latvia	0	No Market	0-10	10-20
Lithuania	0-10	10-20	0-10	0
Poland	10-20	0-10	20-30	10-20
Romania	0	0	0-10	10-20
Russia	0	0	0	0
Serbia & Montenegro	10-20	10-20	0-10	0
Slovakia	0	No Market	0-10	0-10
Slovenia	0-10	0	0-10	0-10
Ukraine	0	0	40-50	20-30

Middle East

Saudi Arabia	0	0-10	0-10	10-20
UAE	0	10-20	0-10	0

Africa

Botswana	0-10	0-10	0-10	30-40
Namibia	0-10	0	0-10	10-20
Nigeria	10-20	10-20	10-20	10-20
South Africa	0-10	0	0-10	10-20
Zimbabwe	0-10	0	50-60	0-10

KEY

Increases
Decreases
No Change
No Market
No info Supplied (-)

Number of occurrences

4	7	3	10
25	15	35	21
12	12	3	9
0	7	0	0
0	0	0	1
41	41	41	41

Healthcare	Trade Credit	Environmental	FINPRO:		
			D&O	PI	FI
0-10	0	0	0-10	0-10	0
0	0-10	20-30	10-20	0-10	0-10
0-10	0-10	0	20-30	0-10	0-10
0-10	0-10	0-10	10-20	0-10	10-20
0-10	10-20	-	10-20	0-10	10-20
10-20	10-20	0	10-20	10-20	0-10
0-10	10-20	0-10	10-20	0-10	0-10
0-10	10-20	0-10	10-20	0-10	0-10
0	10-20	0	10-20	0	0
0-10	0-10	0	0	0-10	0-10
0	0	0	10-20	0-10	0-10
0-10	0-10	0-10	20-30	10-20	10-20
0	10-20	0	10-20	0	0-10
-	0	0	0-10	0-10	20-30
-	-	-	10-20	0-10	10-20
No Market	10-20	No Market	10-20	0-10	0-10
0	0	No Market	0-10	0-10	0
-	-	0	10-20	0-10	-
10-20	0	0	0	0	0
0-10	0-10	0-10	0-10	0-10	0-10
0-10	No Market	No Market	No Market	No Market	No Market
0	10-20	0	0-10	0-10	No Market
0	0-10	0	0-10	0	0
0	0	0-10	0-10	0-10	No Market
0	No Market	0	0	No Market	No Market
No Market	No Market	No Market	10-20	No Market	No Market
0	10-20	No Market	No Market	No Market	No Market
-	20-30	0-10	20-30	10-20	10-20
50-60	0-10	-	20-30	0	0
-	0	0	-	-	-
No Market	No Market	No Market	0	0	No Market
-	-	0	10-20	0	0-10
0-10	0	0	0-10	No Market	No Market
10-20	0	0	10-20	0-10	10-20
0-10	No Market	No Market	0-10	0	No Market
0	10-20	No Market	10-20	0	10-20
0	0-10	0	10-20	10-20	10-20
0	-	0	0-10	0-10	0
0	50-60	50-60	50-60	0-10	0-10
0	0	-	0-10	0	0
-	-	-	50-60	50-60	50-60
7	3	0	2	4	3
9	18	9	32	21	19
15	10	19	4	10	8
3	5	8	2	5	9
7	5	5	1	1	2
41	41	41	41	41	41

EMEA Insurance Market Survey

Casualty

General

The majority of the General Casualty market continued to soften in the first half of 2007 due to high capacity and strong competition, resulting in premium reductions of up to 30% in Belgium, Ireland, the UK Middle Market and Finland.

- Competition remained a key driver in [Belgium](#) resulting in premium reductions of up to 30%. Competition in Risk Management is mainly led by AIG and Gerling, more on a selective basis for the latter. In Middle Market, Fortis, AXA, Avero and Ethias are showing an aggressive stance for pure Belgian risks. In general, Allianz are becoming more and more active on the excess level for both Risk Management and Middle Market. On the other hand, Zurich are showing limited appetite.

It was reported that there is some difficulty placing insurance for forage, blood, tyres, and bush manufacturers. There is also a limited number of insurers for clinical trials.

- Due to the recent entrance of [Bulgaria](#) in the EU, competition has increased, resulting in premium reductions of up to 20%.
- Increased competition, especially for Risk Management accounts, resulted in premium reductions of up to 30% in [Finland](#).
- The market was still soft in [France](#) where premium reductions of up to 20% were reported, due to increased capacity, a good loss ratio and strong competition. However, it was noted that First and Third Party recall are still an issue.
- Premium reductions of up to 20% were reported in [Germany](#) but rates remained stable but high for chemical and pharmaceutical risks and for recall cover. As per previous 6 months, in some individual cases where the loss ratio as good and where the Insurers wanted to keep a good relationship with the client, premium reductions were between 20% and 50%.

- [Greece](#) saw premium reductions of up to 10%. There are very few local established insurers with large capacity but there is a dependency on foreign reinsurance.
- Premiums were stable in [Italy](#) where capacity continued to increase, except for recall in the automotive industry. The market became more competitive where more risk information was given, in particular for pharmaceutical, automotive and recall. It was also reported that minimum premiums for coverage in the USA and Canada have increased and that there is a tendency to standardise wordings.
- [Lithuania](#) saw premium increases of up to 10% due to a high loss ratio and the extended scope of services. It was also noted that there are low limits.
- Rates increased up to 10% in [Namibia](#) due to increased medical costs. The New Labour Act we referred to in our previous report and which was under review at the time has not been promulgated yet. This Act, if implemented, will impose a higher level of responsibility/liability on the part of employers, which in turn might become a cost driver for this class of cover.
- The entrance of new insurers such as Liberty and CNA increased competition in the [Netherlands](#) and resulted in premium reductions of up to 10%. Existing insurers have more appetite to write complex/difficult risks, and there is pressure to increase premium volume. It was noted that there are sometimes extreme differences between insurers, e.g. for excess coverage – an insurer might offer 300,000 Euros, when another one might offer 900,000 Euros.
- [Norway](#) reported premium increases of up to 10%. The rates movements were dependent on the type of business, segment and clients' individual issues. It was also noted that capacity increased following the entry of new insurers on the market.
- Premiums were stable in [Russia](#) where the main issue slowing down the development of Casualty insurance is the fact that Casualty premiums are not tax deductible.
- In [Spain](#), high capacity and competition along with an increase in sub-limits resulted in a further 10-20% reductions over the past 6 months.
- Local capacity has grown in [South Africa](#) over the last 12 months, with reinsurance treaties delivering more capacity, plus a new entrant on the local market: ACE. This resulted in premium reductions of up to 10%. It was also reported that Lloyd's broad form policy wording and/or local agreed bespoke policy formats which may be client specific are being used.

- In [Turkey](#), where premium rates were stable, Casualty is not particularly developed due to the lack of legislation but there are a lot of committees working to improve the applications which should be parallel to the EU. It was also reported that there is no local market for non-standardised risks like mining, underground, and offshore business, nor is there for recall or guarantee coverage.
- The [UK Risk Management](#) saw premium reductions of up to 20% still due to an abundance of capacity and significant market aggression, along with insurers' focus on premium retention.
- High capacity and the insurers' drive for market share resulted in premium reductions of up to 30% in the [UK Middle Market](#). Decreases of up to 50% were seen in some occasional cases.
- Premium rates decreased up to 10% in [Zimbabwe](#), where premium increases arose from monthly increases in salaries and turnovers, which forms the basis of premium calculations.
- Premium rates were stable in [South Africa](#) where there is a very small demand for EL cover and where WC is governed by legislation and financed through a state fund to which employers contribute. The cover available is based on global wordings offered by ACE, Allianz or AIG.
- [Spain](#) reported premium reductions of up to 20% in EL, due to increased sub-limits of up to 300,000 Euros in Middle Market and 500,000 Euros in Risk Management.
- [Turkey](#) saw further premium increases of up to 20% due to high losses, especially from construction projects. Insurers are, as a result, reluctant to write construction business. Higher limits can also be an issue sometimes.
- In the [UAE](#), the increasing number of offshore and/or onshore "mega-construction" projects often demand higher EL limits than the local market can offer and the requirement for International reinsurance support pushes up the costs, resulting in premium increases of up to 20%. It was noted that a higher number of construction work accidents were reported, and that the insurers' ability to write offshore risks is limited.

EL/WC

Certain countries do not have Employers Liability/Workers Compensation (EL/WC) coverage as such, as it is either part of governmental social security schemes or included in General Liability.

The EL/WC market saw small premium reductions in Q1 and Q2 2007 across the majority of the EMEA region, with Belgium and Ireland reporting the highest reductions of up to 30%. The rest of the region remained stable except for a few countries, such as Turkey, who saw the largest premium increases of up to 30%.

- Competition remained very strong in a small market in [Belgium](#), resulting in premium reductions of up to 30%. It was noted that there were some technically unjustified quotations in order to increase market shares.
- [Bulgaria](#) saw premium reductions of up to 20% due to the increased competition from European insurers.
- Changes in the [Danish](#) local legislation, i.e. retirement age moved from 65 to 67, resulted in premium increases of up to 20%.
- The market was stable in [Italy](#) where Professional Illness coverage still continued to be an issue for the retroactivity period.
- Premium increases of up to 20% were seen in [Lithuania](#) due to the increased number of court cases. It was also noted that there are low limits and limited coverage for non-material damage.

- The [UK Risk Management](#) saw premium reductions of up to 10% in EL, also due to an abundance of capacity, significant market aggression and insurers' focus on premium retention.
- High capacity and competition caused premium reductions of up to 20% in the [UK Middle Market](#).
- The EL market was stable in [Zimbabwe](#), where, as for General Casualty, premium calculations are based on salary earnings.

Property

The Property market continued to soften in the first half of 2007 in the large majority of the EMEA region due to strong competition. The largest premium reductions were seen in Ukraine (up to 50%) and in Zimbabwe (up to 60%). Increases were only reported in Africa.

- Fierce competition caused premium reductions of up to 30% in [Belgium](#). It was reported that reductions were dependent on previous renewals and that long term 3 years deals were possible.
- [Bulgaria](#) saw premium reductions of up to 20% due to the increased competition from European insurers.
- Premiums were stable in [Finland](#) but an account with a good loss ratio and which has not been tendered for 2-3 years could see a premium decrease of 20-30%.

- In [Germany](#), premium reductions of up to 20% were seen and, on single accounts with an excellent loss ratio, premiums could be reduced up to 50%. Higher premiums were only reported for accounts with heavy losses. Besides the general premium reductions, the limits for natural hazards in Europe could be increased. It was also noted that the amount of new long term agreements was higher than in previous years.
- In [Greece](#), 10-15% rate reductions were seen on most renewals or new placements. Reductions of up to 30% were reported for very large and medium risks accounts. There is a lot of capacity available but limited new business, so insurers are highly competitive. It was noted that there is a large appetite for food industries.
- Soft market along with high capacity and competition resulted in premium reductions of up to 20% in [Ireland](#). There is, however, an inconsistent approach to terrorism; and heavy and poor quality risks can be problematic.
- Premium reductions of up to 10% were seen in [Italy](#) where there is high capacity in the local market. There was a very good loss ratio and as a result insurers are keen to retain clients and to expand new business. Insurers still request significant technical information before underwriting a risk and visit locations often. They want to obtain confirmation that suggestions about prevention have been adopted by Clients.
- Competition, a good loss ratio and a soft market resulted in premium reductions of up to 10% in [Lithuania](#). There is, however, limited coverage available.
- Premiums decreased by up to 20% in the [Netherlands](#), where there is enough capacity available and wordings were extended up to All Risks.
- [Nigeria](#) reported premium increases of up to 20% due to inflation.
- [Norway](#) saw premium reductions of up to 20%. No major losses have been experienced over the past 3 years and, when an account was on tender, reductions of up to 34% have been seen.
- [Romania](#) reported further premium reductions of up to 10% because of commercial discounts on renewals. Also, capacity has increased since Freedom of Services was applied to the country in January 2007, giving access to the European market.
- In [Russia](#), premium rates were stable despite the market becoming harder due to several serious losses that occurred over the past 2 years in steelworks, oil & gas, paper plant.
- Premium reductions of up to 10% were reported in [Slovakia](#) where there is substantial local capacity and a very good loss history.
- There is still a good local capacity in [South Africa](#) where premiums decreased by up to 10%. Insurers, such as Allianz, ACE and Kiln, which entered the market in the second half of 2006, are now beginning to compete aggressively for local capacity on offer. Although rates are client profile and claims driven, good overall market loss ratios have kept rates down or reducing. It was reported that there is significant capacity chasing limited business. Market competition has seen wording enhancements, e.g. prevention of access clauses, suppliers/customers extensions, etc: typical soft market extensions of cover. Large corporate clients usually enjoy Lloyd's assets all risks type policy form, whilst Commercial/Middle Market accounts generally written on the South African market agreed a multi-mark multi-peril type wording format.
- [Spain](#) saw further premium reductions of up to 30% due to high capacity and competition. It should be noted that Business Interruption due to Catastrophe perils and Terrorism for risks placed in Spain are covered by the Spanish Consorcio De Compensacion de Seguros – a governmental pool facility – at a rate of 0,25 per mil applied on annual gross profit insured amount.
- Premium rates decreased up to 20% in [Turkey](#) due to competition. The market is still mostly driven through proportional treaties with the rules of Munich Re. It was also noted that different types of wordings and finding coverage for warehouses can be problematic.
- The entry of new insurers in [Ukraine](#) had a significant impact on the previously stable market place. Overcapacity of the market made it very competitive and premium reductions of up to 50% were reported. Even several large losses that occurred last year did not change the situation.
- High capacity, competition and a good loss ratio resulted in premium reductions of up to 10% in the [UAE](#). Several insurers secured Treaty capacity increases at the latest renewals.
- The [UK Risk Management](#) saw average premium reductions of up to 20%. However, a range of rating movements was seen: some enjoying 40%+ reductions, whilst others were flat being mid/long term agreements. Accounts that had been in long terms agreements and are now expired saw the largest reductions due to a major remarketing exercise done by Marsh, thus creating competition and driving the prices down.
- The [UK Middle Market](#) saw premium reductions of up to 30% due to competition and high capacity.
- In [Zimbabwe](#), major losses pushed reinsurers to press for rate increases. In most cases, clients could not afford premiums and responded by deliberate under-reinsurance. This resulted in significant premium reductions of up to 60%.

Motor

The majority of the EMEA region continued to see a softening Motor market, caused mainly by strong competition. A few countries also saw premium increases, including up to 40% in Botswana.

- Strong competition combined with a soft market resulted in premium reductions of up to 20% in [Belgium](#). It was reported that there was a change of automobile liability limits (100m Euros for PD).
- In [Bulgaria](#), it was reported that the Green Card Insurance (i.e. Motor Third Party Liability when traveling abroad) is no longer compulsory since 1st January 2007; it is now included in MTPL and is cheaper for motorists. This resulted in premium reductions of up to 20% for MTPL.
- The hardening attitude of insurers due to the persistently poor claims history in [Botswana](#) resulted in premium increases of up to 40%.
- [Germany](#) saw further premium reductions of up to 10% due to strong competition with leasing companies. Higher reductions of up to 20% were reported for Passenger Car Fleets when the loss ratio was good.
- Premiums were stable in [Italy](#). It was reported that there is a tendency for large car fleets to evaluate self-insurance for theft, fire and collision coverage. Fleet management companies are growing, with a main focus on handling the relationship driver/broker/insurer. A "Direct Indemnity" law was introduced on February 1, 2007, and motor liability insurers are waiting to review the annual data.
- In [Namibia](#), increased repair costs and increased recovery charges resulted in premium increases of up to 20%.
- Heavy competition in the [Netherlands](#) resulted in premium reductions of up to 20%.
- Fierce competition in [Norway](#) resulted in premium reductions of up to 20%. Historically, insurers were not making profit on Motor business but they have over the past couple of years.
- High loss ratio over the past few years in [Romania](#) resulted in premium increases of up to 20%. It was also reported that Motor Third Party Liability is now designed to cover not only Romania, but also the EU. Limits of indemnity have increased, therefore, so did the premiums.
- [Slovakia](#) reported premium reductions of up to 10% due to strong competition and an increased market share on operational leasing putting pressure on pricing.
- Premiums are definitely claims driven in [South Africa](#). Local insurers write Own Damage 100% reinsurance-only purchased for Third Party Liabilities; this may result in significant pricing variations between insurers for the same risk. It was reported that there has been a significant increase in claims across the country and across insurers, due to the increased number of vehicles on the road (as a result of the improved socio/economic situation in South Africa) coupled with a decline in maintenance of roads and infrastructure as local government struggles with corporate governance and tender issues. This resulted in premium increases of up to 20%. Wordings standard in the market is based on a market agreed Multi-mark format.
- Automobile fleet is a priority for Insurers in [Spain](#) where high competition resulted in premium reductions of up to 20% across the Motor line of business.
- [Turkey](#) saw further premium increases of up to 30% mainly due to a high loss ratio. Portfolios of the insurers are mostly dependent on motor business with an average of 60% each. Due to the negative P/L and changes in legislation of compensation levels, all insurers have increased their tariff. It was noted that it is not easy to find insurers for operational leasing and fleets with negative loss history.
- The market was stable and competitive in the [UAE](#) although more insurers are being more selective, e.g. driver's experience, age and vehicle type.
- Most of the market remained extremely competitive in the [UK](#) in both Middle Market and Risk Management, driving incumbent and quoting insurers to reduce rates up to 20% to secure/incept business.
- [Zimbabwe](#) saw premium reductions of up to 10%. It was noted that values increased on a monthly basis in line with inflation.

Healthcare

The Healthcare market is small in Europe, and a few countries are still dependent on international capacity to place this line of business.

For consistency and clarity reasons, the countries were asked to report on Medical Malpractice only.

The market remained stable in the majority of the region in Q1 and Q2 2007 but premium reductions and increases were also seen in the rest of the region, with Romania reporting significant increases of up to 60%.

- There are still very few players on the [Belgian](#) market where premium rates were mainly stable with very slight reductions seen for long lasting relationships between insurer and insured. Huge questions remain in relation with the change of statute, i.e. strict liability to apply on a date to be determined by ministerial or royal decree. The situation was blocked by the change of government.

- There is a lack of Healthcare insurers in [France](#) where premium reductions of up to 10% were reported. The frequency of claims is flat but costs are increasing.
- Healthcare continues to be an undesirable risk only written by a limited number of insurers in [Germany](#) where premium increases of up to 10% were reported. This line of business is increasingly written on a claims-made basis.
- [Italy](#) saw premiums increase up to 10% due to a few high losses of about 4m Euros each and due to a reduced market.
- Rates were stable in [Norway](#), where premiums are constantly high due to the sole presence of If on the local market.
- Medical Malpractice is compulsory in [Romania](#) and there are minimum limits required by law. It is a fairly new line of business and premiums were extremely low at first but have significantly increased – up to 60% – over the past few months, probably as a consequence of using better underwriting.
- Premiums were stable in [South Africa](#) where rates are client profile and claims driven. The local market has good appetite for this business but only offer PA, Travel, and sometimes hospital Plan and Funeral costs policies. Pure Health and medical aid covers can not be offered by short term insurance industry and are governed by legislation. The policy wordings available are fairly standard and based on global type wordings such as those offered by AIG and ACE
- The main Healthcare insurers in [Spain](#) are Mapfre and Zurich. It used to be a close market but is now being opened to new capacity with new entrants such as QBE and Berkley.
- After the premium increases seen at the end of 2006 caused by a high loss ratio, the market stabilised in [Turkey](#) in Q1 and Q2 2007. It was reported that there is no appetite to buy Healthcare coverage due to the lack of legislation, and there is no local market to find different types of wordings and higher limits.
- In the [UAE](#), where premium rates were stable, doctors' experience, speciality and the cover limit are the main cost drivers. There is some local capacity available for individual doctors' Medical Malpractice cover with a few insurers but not for institutions.
- In the [UK](#), Medical Malpractice premium rates decreased up to 10% due to changes in the risk or limits purchased. The various cost drivers included the following: claims, turnover, bed numbers and occupancy, patient safety and risk management procedures, employed physicians, incident recording and reporting systems, high risk practices such as obstetrics/gynecology, maternity, neurosurgery, etc.

It was reported that there is a limited number of specialist insurers although there are some new entrants, especially in low risk areas such as care homes. NHS contracts are being awarded to private hospitals/clinics resulting in a potential shift in liability away from the government (NHSLA/CNST) to the commercial sector. Coverage is being sought for doctors/consultants under the hospital/entity policy rather than individually by the doctor via a Medical Defense Organisation as at present.

Trade Credit

Trade Credit is a fairly small market in Europe. The market softened across the region but France, Lithuania and Botswana reported small premium increases.

- In [Belgium](#), premiums rates are now stabilising at their lowest level as fierce competition amongst insurers appears to come to a halt. Reductions of up to 10% are still available while underwriters focus on small business which is not considered as being cost effective from a broking point of view.
- [Finland](#) saw premium reductions of up to 20% due to increased competition between Atradius and Euler Hermes, the two major Trade Credit insurers dominating the market. AIG are the third insurers in the market, but their role is limited.
- Premium rates increased up to 10% in [France](#) due to an improved loss ratio and competition. There is a downward trend on all segments.
- [Germany](#) reported premium reductions of up to 10% due to a low claims ratio and expanding sales.
- [Greece](#) saw premium reductions of up to 20% due to high competition between the main local Trade Credit players – Atradius, Heuler Hermes and Ethniki. It was reported that there was a lack of good Limits being approved.
- A new insurer – SACE BT – entered the market in [Italy](#), where premium reductions of up to 10% were reported.
- There is limited Trade Credit coverage and no reinsurance facility available in [Nigeria](#), where the largest premium reductions of up to 60% were reported.
- In [Romania](#), more players on the local market and Freedom of Services which was applied in January 2007 lead to increased competition and premium reductions of up to 10%.
- The market was stable in [South Africa](#) where the rates are still driven by loss history and client profile. There is very limited local market capacity, i.e. Credit Guarantee Insurance Corporations and Coface only. AIG may sometimes offer a quote but not a usual South African market. It was noted that standard restrictive wordings are available.

- In [Spain](#), premium decreased up to 10% in the first quarter of the year and remained stable in the second quarter. Claims have increased by 15% on average compared to last year.
- Atradius, Coface and Euler Hermes, three of the leading Trade Credit insurers have now established their local presence in the [UAE](#) by way of tie-up with local insurers and this has created a competitive market environment, resulting in premium reductions of up to 20%..
- The [UK](#) market has been very competitive for good quality existing and almost all new business opportunities. This has reduced the perception of the product by new purchasers of Trade Credit to a commodity purchase, resulting in premium reductions of up to 20%. This will have some effect on client retention when premium rates begin to stabilise and become hard.
- There is currently no market in [Greece](#). However, AIG have started to write some risks but very selectively.
- Environment is a fairly new line of business in [Ireland](#) and therefore, there is a small number of insurers and limited capacity. A legislation ratifying the EU Environmental Directive is to be introduced by end of Q3 2007. This will increase demand for capacity.
- Premium rates were stable in [Italy](#), but the Italian Pool is becoming more competitive than in the past, introducing the new coverage 'On site clean-up cost' and trying to align the wording to the big competitor's - AIG. It was also noted that, in general, Insurers are available to discounts for multiyear policies.
- Rates were stable in [Slovakia](#) where there is sufficient market capacity and a low demand from clients.

Environmental

The Environmental market is limited in Europe; in some instances it is included in General Liability policies.

The market remained stable across the majority of the region in Q1 and Q2 2007. Nigeria saw significant reductions of up to 60% and no premium increases were reported.

- Premium reductions of up to 30% were reported in [Belgium](#) where ACE and XL have continued to be very aggressive to ensure a market share. The implementation of the EU Directive 2004/35 on Environmental Liability was expected to affect premium rates but surprisingly didn't. It was noted that there is little appetite for environmental insurance business arising in Eastern Europe, even when Western companies are concerned.
- Rates were stable in [Botswana](#) where Environmental risks are placed in the South African market.
- The Environmental market in [France](#), which remained stable, is well developed and offers wide new coverage for Environmental Liability for "biodiversity" – Directive 2004/35/CE.
- Premium reductions of up to 10% were seen in [Germany](#). It was reported that the German Insurance industry association (GDV) has now issued a coverage concept regarding to the new EU Directive for environmental liability. It remains to be seen how insurers will react to this and, in particular, what the pricing will be like. It is assumed that the premiums will be based on current environmental liability premiums.
- Environmental coverage in [South Africa](#) is generally available from global insurers such as ACE, AIG, Allianz and Kiln, as local insurers will only provide limited Sudden and Unforeseen Pollution as a sub-limited extension under a General PL wording. Marsh South Africa have over the past 6 months been employed to do a number of Environmental impact assessment surveys as industry/business get increasingly nervous about pending legislation.
- The EU Directive 35/2004 which regulates the compulsory Environmental liability insurance for industrial activities is currently pending to be approved by [Spanish](#) Parliament.
- In [Turkey](#), both insurers and insureds have until the end of the year to prepare for the compulsory Environmental Law which was applied early 2006. The only insurer to provide coverage at the moment is AIG Turkey. By the end of 2007, all insurers should be in a position to offer Environmental coverage to their clients.
- The market is very competitive in the [UK](#) with premiums still being squeezed downwards even on the back of up to 40% reductions in the last 2 years. The process and timescales for placing this class of insurance has improved considerably over the last few years and the market has been very proactive in developing coverage for exposures pursuant to the EU Environmental Directive.

FINPRO

Significant wording improvements were negotiated and drove substantial further pricing reductions across all FinPro lines. Most, if not all, provisions are negotiable. We expect the soft market conditions to continue and even increase its pace throughout the end of the year. Insurers are trying to differentiate themselves on quality of service, including policy agreed and signed before inception and speed of response.

It is worth mentioning that more and more clients are looking at their insurers with a multi-lines approach (Finpro/Property/Casualty) and some insurers are very receptive to this.

D&O

In D&O, it is worth mentioning that AIG have started to offer multi-year deals (2 year) with annual revision language. Clients get a bigger discount year 1 and flat renewals for year 2. For accounts requiring high limits, difficulties were faced in achieving similar reductions as enjoyed on the primary or 1st excess. But it looks too early for clients to be locked in long term deals due to the accelerating soft market.

It can be noted that Allianz have recently appointed a new Global D&O Leader, showing their willingness to expand.

The market continued to soften across the region, with the largest reductions of up to 60% seen in Nigeria and Zimbabwe.

- Important capacity and heavy competition resulted in premium reductions of up to 20% in [Belgium](#). There was a large scope of wordings available and premium reductions especially for Middle Market accounts (for Risk Management accounts as well but it was more moderate).
- Increased competition with the arrival of new players on the market resulted in premium reductions of up to 20% in [Denmark](#).
- There is over capacity and no key differentiation on wordings in [France](#), where premium reductions of up to 20% were seen.
- Premium reductions of up to 20% were reported in [Germany](#) where there is strong competition in SME and Middle Market. A new Middle Market form is being negotiated with AIG who is pretty competitive in this segment, as is Arch (Dual). It is to be noted that QBE have recently entered the market.
- In [Greece](#), the lack of claims consciousness combined with a high competition between insurers – although few have local capacity – resulted in premium reductions of up to 20%.
- Rates remained stable in [Italy](#). Issues are mainly in Brazil, India and China where policy issuance within international programs is often a problem.
- In a market where there was already enough capacity, the [Netherlands](#) saw the arrival of new insurers such as Liberty, causing premium reductions of up to 20%. Fortis Corporate Insurance have developed and introduced a D&O product out of defensive reasons; and Hiscox are considering starting with D&O.
- [Namibia](#) saw further premium increases of up to 10% due to higher reinsurance costs.
- [Nigeria](#), where significant premium rates reductions of up to 60% were seen, is dependent on international markets to place D&O coverage.
- Stable or reduced premium of up to 10% were often combined with wording/cover enhancements in [Norway](#) where competition is high.
- The soft market combined with a good loss ratio resulted in premium reductions of up to 20% in [Portugal](#).
- With D&O coverage now compulsory for joint-stock companies since December 2006 in [Romania](#), new insurers have entered the market increasing competition. As a result, premium rates have understandably decreased significantly, i.e. up to 30%.
- Over the past 6 months, [South Africa](#) has seen an increased local capacity with Treaty renewals and new entrants on the market such as Phoenix and ACE. Because of the increased capacity and the downward push on premiums – reductions of up to 10% – insurers are offering policy enhancements or increased limits to secure unaltered renewal terms. Lloyd's, AIG and ACE policy wordings are written. To date, South Africa have not seen many D&O claims come to court but as the structure of the “new South Africa” society matures and becomes more litigious there is the belief that more D&O claims will be submitted.
- Coverage improvements and a high capacity were reported in [Spain](#) where premium decreases of 10% to 20% in Middle Market and of 20% to 30% in Risk Management were seen.
- Competition resulted in premium reductions of up to 20% in [Turkey](#). There is currently no real local market apart from AIG but the London market is showing more interest about Turkish risks than in the past.
- The [UAE](#) saw premium reductions of up to 20%. Local AIG leads the field but several other insurers now have the ability to also write D&O.
- The premiums for D&O in the [UK](#) over the last two quarters have decreased by 15% on average. In some instances, premiums have reduced by a greater margin but these tend to be on specific accounts. The main cost drivers are the lack of major claims, the abundance of good capacity and the insurers' desire to maintain revenue by offering very competitive renewal premiums and extremely aggressive new business quotations.
- The local D&O market is limited in [Zimbabwe](#), where premium increases of up to 60% were reported due to the general awareness on corporate governance issues. It was also noted that high limits are being requested.

Professional Indemnity

On PI, clients are starting to buy multi-year with review of language. Otherwise, reductions can be achieved due to high competition.

The PI market remained mainly stable or saw small premium reductions in the region. Austria, Botswana, Namibia and Nigeria reported premium increases.

- Increased capacity and more appetite from insurers resulted in premium reductions of up to 10% in [Belgium](#), where it was still difficult to convince commercial clients of the need to buy PI coverage. An extension in the General liability policy is often the chosen solution.
- Premium reductions of up to 10% were reported in [Germany](#) where the market is fairly stable but where insurers are now willing to decrease premiums. Allianz, HDI/Gerling, Victoria and R+V are dominating the market.
- The market was still stable in [Greece](#) over the past 6 months, where there is a lack of experience and local capacity. Low limits are provided for certain professions such as doctors, architects/engineers, lawyers, accountants. It was also reported that some insurers have recently started quoting for Insurance Brokers PI but this is 100% reinsured back to the London Market.
- The PI market in [Italy](#) is quite poor; there is a limited number of players that decide on premiums. Over the past 6 months, reductions of up to 10% were reported.
- Premium rates were stable in [South Africa](#) where there is limited but strong insurer competition. Wordings are mostly based on an internationally accepted broad form format.
- Premium rates were stable in the [UAE](#). There was an increased demand for Architects & Engineers (A&E) PI Liability insurance as well as for project specific Design and Build PI. Large developers are starting to insist on A&E's carrying this cover sometimes for 10 years. The limits being insisted upon are going up. It was noted that AIG do not write A&E PI. With regards to wordings, they vary substantially between underwriters, and local capacity is insufficient to meet limits being demanded by the large developers.
- The [UK](#) PI market remained soft during the first half of the year. There is still a great deal of capacity available and for the foreseeable future this situation looks to remain the same. Across nearly all industries, clients experienced rate reductions of up to 10%. The TMT market also continued to see a softening. There are still signs that there may be new players entering this area, however as of yet this has not yet occurred.

The upcoming UK solicitors' season is approaching and it is anticipated that rates will fall slightly especially for the excess layer insurers. On a primary basis, there are certain insurers that have a preference for solicitors involved in particular lines of work, and so the amount of competition is not quite as apparent. Even so, premiums are expected to drop slightly or remain as expiry, unless there has been significant growth within the company of around 20% plus, in which cases the primary layers should see some level of adjustment.

The only industry that is perhaps seeing rates start to increase slightly and less capacity is for surveyors. Several large claims have resulted in some insurers looking to reduce their involvement in this area.

Overall, the market continues to be aggressive and very competitive.

- As for D&O, there is a limited PI local market in [Zimbabwe](#) where premium reductions of up to 60% were reported due to increases in turnovers and fees.

Financial Institutions

Slight reductions were seen in the majority of the region but it is difficult to obtain substantial reductions on FI for large programmes. Clients prefer to focus on wording improvements (e.g. Basel II: EU recommendations on banking laws and regulations that took effect in January 2007). However, for some exceptions and mainly due to competition, substantially higher reductions can be achieved - mainly through new markets. Increases were only reported in Africa.

We are still experiencing a softening with regards to coverage, and have been able to negotiate in most cases, improved wordings especially for Commonwealth of Independent States' renewals where we have been able to negotiate considerable wording enhancements.

- Premium reductions of up to 10% were reported in [France](#), where wordings and innovation are important. It was noted that US exposures are also a cost driver.
- [Germany](#) reported premium reductions of up to 20%, mainly for private banks, savings and loans banks, due to higher competition. The key FI insurers are AIG, Chubb, Zurich, Liberty and AXA. It was reported that there is now more demand for FI coverage following the implementation of Basle II.
- Rates are still declining in [Ireland](#) – up to 10% – but not as significantly as last year and less so than for commercial companies.
- The FI market in [Italy](#) is very specialised. There is good capacity available and insurers are competitive, resulting in premium reductions of up to 10%. A stronger flexibility in wordings has recently been noticed.

- There is still a limited client base in [South Africa](#), where premiums were stable in the first half of 2007. Most wordings are based on Lloyd's agreed wordings and a significant percentage of FI business is being placed via the London market.
- In the [UAE](#) where AIG and Liberty International are the leading local market players with true capacity, premium reductions of up to 20% were seen. It was reported that the local insurers are, however, dependent on International market lead underwriters.
- In the [UK](#), the appetite in the London market for EMEA Financial Institutions business is still high. We have not seen any significant new insurers come into play and therefore there has been no real change in capacity.
- [Zimbabwe](#) reported premium increases of up to 60% following an increase in fraud cases.

Aviation

London is one of the leading markets for Aviation business in Europe and the commentary was provided by the UK.

Continued overcapacity and lack of significant losses meant that little changed in the Aviation market during the first half of the year. Airlines benefited from rate and premium reductions, with underwriters using the growth in exposure to offset the level of rate reductions being given, the level of premium reductions averaged over 15%.

There was however a noticeable reluctance on the part of some underwriters to participate on risks where they felt the premium being offered was below the level they could justify. On many of the smaller risks, there was a shift away from the traditional markets to the new capacity as these were willing to participate at lower premiums. However, some of the new capacity no longer saw aviation as an attractive proposition and QIC and LG both pulled out of the class.

It is widely believed in the market that the current level of reductions being seen will reduce towards the end of the year as the losses approach the projected total premium and underwriters can not see any profits being returned.

The manufacturer's book saw levels of premium reduction increase in Q1 and Q2, though the levels were still way below those achieved by airlines. Some large manufacturers continued to leverage their premium spends by increasing their retention levels and achieving significant premium reductions as a result, but most were content to benefit from the available market conditions.

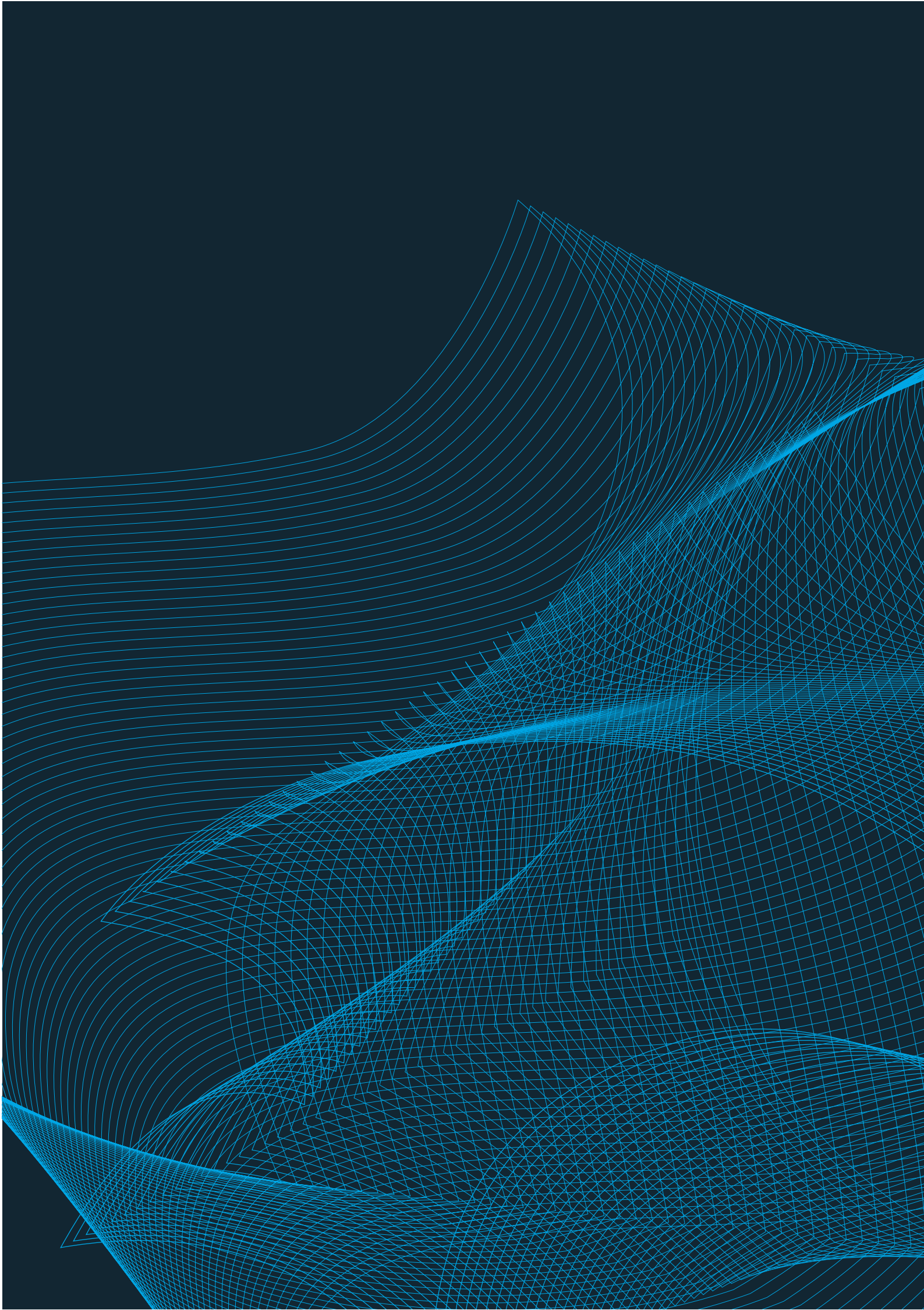
Within the portfolio the General Aviation aircraft manufacturers are being treated differently, with underwriters charging significant increases to this class. This is as a direct result of the rapidly deteriorating loss record and the increase in litigation against these manufacturers in the US.

Airports and Air Traffic Control (ATC) providers also saw increased levels of premium reductions in Q1 and Q2. Capacity sought to replace lost income from the airline portfolio with premium income from this class and where therefore more willing to accept reductions in premium than previously. Once again the reductions available were well below those achieved by airlines and in fact certain capacity remains cautious when ATC providers are involved, which can mean that the level of premium reduction attained is lower than for pure airport operators.

Marine and Energy

A separate global report is currently being produced by Marine and Energy and will be published shortly.

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