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EMEA Insurance Market Report
January to June 2009

Covering Europe, the Middle East and Africa

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For Europe, the Middle East and Africa, covering January to June 2009

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. 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.

Q1 & Q2 2009 RM & MM	CASUALTY:	
	General	EL/WC
CENTRAL		
Austria	0	No Market
Belgium	0-10	10-20
France	0	No Market
Germany	0-10	No Market
Netherlands	0	0
Switzerland	0-10	0
NORTHWESTERN		
Ireland	0	0
UK (Middle Market)	0-10	0-10
UK (Risk Management)	0-10	0-10
SOUTHERN		
Greece	0-10	0-10
Italy	0	0-10
Portugal	0-10	10-20
Spain	20-30	20-30
Turkey	0	0
Israel	0-10	0-10
NORDICS		
Denmark	0	0-10
Finland	0-10	0
Norway	0	0
Sweden	0-10	No Market
CEE & CIS		
Azerbaijan	0	0
Bulgaria	0-10	0-10
Croatia	0	0
Czech Republic	0	No Market
Estonia	10-20	0
Hungary	0	0
Kazakhstan	0	0
Latvia	0-10	0
Lithuania	10-20	10-20
Poland	0	0
Romania	0	0
Russia	0	0
Serbia & Montenegro	0	0
Slovakia	0	0
Slovenia	0-10	10-20
Ukraine	10-20	10-20
Middle East		
Saudi Arabia	0	0
UAE	10-20	10-20
Africa		
Botswana	0	0
Namibia	0	0
Nigeria	0-10	0-10
South Africa	0	0
Zimbabwe	0-10	0

KEY	General	EL/WC
Increases	3	4
Decreases	17	11
No Change	22	22
No Market	0	5
No info Supplied (-)	0	0
	42	42

Property	Motor	Healthcare	Trade Credit	Environmental	FINPRO: D&O	FINPRO: PI	FINPRO: FI
0	0	0	20-30	0-10	0-10	0-10	20-30
0	10-20	0	0	10-20	0	0	0
0-10	0	-	10-20	0	0-10	0-10	50+
0-10	0	0	20-30	0-10	0-10	0-10	10-20
0	0-10	0	20-30	0	-	-	-
0-10	0	0-10	20-30	No Market	0-10	0-10	20-30
0	0	0	30-40	0	10-20	0-10	30-40
0-10	0-10	0	30-40	0-10	0-10	0	20-30
0-10	0	0	30-40	0-10	0-10	0	20-30
0-10	-	No Market	-	No Market	-	No Market	No Market
0-10	0-10	10-20	0	0-10	0	0	0
0-10	0-10	No Market	0-10	0	0	0	0
20-30	10-20	0-10	50+	0	10-20	0	10-20
10-20	0	0	30-40	0	10-20	10-20	10-20
0-10	-	No Market	No Market	0	0-10	0-10	20-30
0	0	0	No Market	0	0	0	20-30
0	10-20	No Market	30-40	0-10	0	No Market	No Market
0	0	-	-	0	0-10	0	0
10-20	0-10	0	10-20	0	10-20	0	0
0-10	0-10	0-10	No Market	0-10	0	0	0
10-20	10-20	10-20	20-30	0	0-10	0-10	10-20
0	0	No Market	No Market	No Market	No Market	No Market	No Market
0-10	0-10	0	0-10	0	0	0	No Market
10-20	10-20	No Market	50+	No Market	0	0	0
0	0	No Market	0-10	0	0-10	0-10	No Market
10-20	0	20-30	No Market	0	0-10	0	0
20-30	20-30	No Market	50+	0	0	0-10	No Market
0-10	10-20	0-10	10-20	No Market	No Market	No Market	No Market
0-10	0	No Market	10-20	0	0-10	0-10	0-10
0-10	10-20	-	10-20	0	0	0	10-20
0-10	0	0	-	0	No Market	No Market	No Market
0	0-10	0	No Market	No Market	0	0	0
0	0	0	0	0	0	0	0
0	0-10	No Market	-	0	0	No Market	0
30-40	20-30	0-10	No Market	No Market	10-20	0	0-10
0-10	0	0-10	No Market	No Market	0	0	No Market
0-10	10-20	0	0	No Market	0	0	0-10
0	0	0-10	-	50+	0	0	0
0	10-20	10-20	0	10-20	20-30	20-30	0-10
0-10	10-20	No Market	No Market	No Market	0-10	10-20	10-20
0-10	10-20	-	20-30	-	0	0-10	10-20
10-20	0-10	-	-	No Market	0	0	0
5	9	10	21	3	9	9	17
23	14	1	1	7	10	5	2
14	17	15	5	20	18	21	13
0	0	11	9	11	3	6	9
0	2	5	6	1	2	1	1
42	42	42	42	42	42	42	42

Overview

Key trends seen in EMEA in the first six months of 2009

Premium rates for most lines of business across the EMEA region continued to stabilise in the first half of 2009. Competition between carriers and therefore excess capacity are still the dominating downward drivers of rates in most markets. However, this is being offset by carriers' need to increase prices due to increased claims notifications over the last two quarters.

Casualty and property classes of business in particular are still experiencing some rate reductions as there are generally a large number of carriers writing these risks and competing for market share. Motor insurance rates, previously unprofitable, have started to stabilise as historic rate reductions were unsustainable.

As a result of the ongoing financial crisis, loss ratios in all classes of business have increased. Clients are looking to cut their costs wherever possible, although increased claims costs for carriers means they need to increase premium income to maintain a profitable portfolio. Trade credit and financial institutions insurance have been most impacted by the economic changes and these markets have hardened quickly.

The majority of EMEA countries reported that they generally expect ongoing increases in rates over the next six months. It is thought that the current claims trend will continue to impact the market leading to some rate increases for clients. Underwriters are placing increased importance on good risk management by the insured, and these better managed risks may be able to avoid any significant premium increases.

General

	Casualty: General
Belgium	0-10
Bulgaria	0-10
Estonia	10-20
Finland	0-10
Germany	0-10
Greece	0-10
Israel	0-10
Latvia	0-10
Lithuania	10-20
Nigeria	0-10
Portugal	0-10
Slovenia	0-10
Spain	20-30
Sweden	0-10
Switzerland	0-10
UAE	10-20
UK (RM)	0-10
UK (mid-market)	0-10
Ukraine	10-20
Zimbabwe	0-10

KEY
- Estimated % increases
- Estimated % decreases

Countries listed are those reporting a change in rates

The rate decreases reported in 2008 continued to slow down in the first half of 2009, with most EMEA countries now reporting flat premiums in a stable market. Some countries, including the **Netherlands** and **South Africa**, reported that underwriters are pushing for rate increases, while in **France** and **Turkey** certain carriers are undertaking in depth reviews of their book of business. The ongoing effects of the financial crisis mean that demand for general liability insurance is reducing where it is not an obligatory purchase, as seen by our placement teams in **Bulgaria** and **Nigeria**. That said, ongoing intense competition between general liability insurers was cited as a reason for ongoing downward pressure on rates in **Belgium**, **Denmark** and **Switzerland.** Other countries reported that local carriers are working hard to retain clients, including **Spain** and the **United Arab Emirates**. In general, slight rate reductions are still possible for good risks with a positive claims experience, but most countries expect the market to harden over the second half of 2009.

Country focus:

Finland: Insurers are still hungry for new business as capacity continues to be prevalent. Underwriting is very much on a loss driven basis, looking at client's individual claims history rather than being based upon technical or industry driven ratings. This approach is allowing insurers to remain extremely competitive, even on difficult classes of business leading to small rate reductions. It is thought insurers are starting to reach a level whereby portfolio profitability is more difficult to achieve, and hence a stabilisation of rates should be expected.

Germany: Generally speaking, the German general liability market remains fairly stable, with no substantial changes in legislation expected. Average rate reductions of up to 10% were seen in the first half of the year, although larger reductions were still possible for the more attractive risks, with the exception of chemical, pharmaceutical and product recall risks. Several changes in regulation have been seen in other territories, including the Asian Region, which have had an impact on international business.

No real drivers for premium increases are prevalent but the impact of international regulation will continue to be reviewed.

Ireland: Experiencing a 'tale of two markets'. On the one hand, some of the larger local composites are trying to increase general market rates across the board. On the other hand, niche players and some smaller branch offices of multinationals are exceptionally aggressive. This has led to an increase in the volume of business changing between underwriters, but overall rates remain stable. This trend is expected to continue over the second half of 2009.

Portugal: Sums insured are being reduced at the client's request and the critical economic situation that they are facing means premium rates have still reduced by as much as 10%. Carriers are keen to retain clients and premium and as a result are forced into accepting the client's wishes. At the end of the year, after negotiation of reinsurance treaties, the market is expected to harden.

Russia: The general liability market is not very well developed in Russia and as a result rates are stable. Clients usually purchase this type of insurance bolted on to other lines, typically with fairly low sums insured.

South Africa: Insurers are striving to maintain premium levels despite reductions in client turnover and reduced output in the current economic climate. The local general liability insurance market is fairly competitive with a number of new carriers having entered the market. The new Consumer Protection Act was signed into law in April 2009 although promulgation of the regulations could take 12 to 24 months. The new Act has not affected Product Liability terms as yet but its impact will continue to be reviewed. It is expected that the FIFA World Cup, to be held in South Africa in 2010, will increase the demand for liability insurance and higher limits of indemnity due to the increased exposure relating to injury of overseas visitors who are more litigious than the local population.

Spain: Some of the largest decreases in general liability premiums have been seen in Spain with reductions of up to 30%. High capacity and clients' desire to reduce costs (for example through tenders) have driven the rate decreases. Competition between carriers is intense as carriers strive to gain market share and meet their targets. It is anticipated that the soft market will be ongoing over the coming months.

United Arab Emirates: The ongoing financial crisis is forcing clients to control and reduce expenditure therefore premiums are lower due to reduced sums insured as well as a reduction in rates of up to 20%. New insurance enquiries are limited, therefore insurers are working to retain and gain accounts by offering lower premiums. This trend is expected to continue during the second half of the year.

United Kingdom: According to Marsh's Risk Management Practice (serving larger organisations)*, a downturn in turnover estimates has resulted in increased rates for a number of risks although this has been offset by carriers' remarketing and restructuring exercises producing substantial rate reductions. Flat renewals were most common but the overall trend is still for rate reductions. The continuing economic downturn and resultant reductions in wage roll and turnover is likely to lead to rate reductions producing reduced premiums. There is still excessive capacity within the market and underwriters need to use this producing competition for the better risks, of there are many.

In Marsh's Middle Market business (serving the mid-size market)**competition continues to keep rates fairly stable. Rate reductions are available for quality risks with good claims history while increases are coming through on poorer performing risks. This trend is expected to continue but with more emphasis on rate increases for under performing risks.

* Marsh's Risk Management Practice serves EMEA's largest and most complex companies, usually with a turnover in excess of €1billion, and with dedicated risk management personnel.

**Marsh's Middle Market business typically serves EMEA companies with turnovers under €1billion, and public sector organisations.

Employers' liability/ workers' compensation

	Casualty: EL/WC
Belgium	10-20
Bulgaria	0-10
Denmark	0-10
Greece	0-10
Israel	0-10
Italy	0-10
Lithuania	10-20
Nigeria	0-10
Portugal	10-20
Slovenia	10-20
Spain	20-30
UAE	10-20
UK (mid market)	0-10
UK (RM)	0-10
Ukraine	10-20

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

Some EMEA countries (such as **Denmark** and the **Netherlands**) 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.

Like general casualty insurance, the EL/WC market has started to stabilise across the majority of the EMEA region in the first half of 2009 with fewer countries reporting rate reductions. Countries in southern EMEA are the only ones still reporting large rate reductions, with **Spain** still experiencing decreases of as much as 30% for employers' liability insurance which is included as part of casualty general liability. **Denmark** and **Greece** cited ongoing competition and excess capacity as reasons for ongoing rate reductions, while **Italy** and **Switzerland** said an increase in losses is bringing EL/WC out of the soft market. **Bulgaria** reported that the local EL/WC market is still relatively undeveloped.

Country focus:

Belgium: Carriers are pushing for premium increases where possible although some good risks can still receive considerable rate decreases of as much as 20%. Recent state intervention of Ethias, a significant EL mutual insurer, may result in substantial restructuring of the Group after it was announced that there would be no premium returns for clients from the 2008 accounts following poor results. Workers' compensation legislation was modified in May to offer better protection for teleworkers which may have some impact on rates over the remainder of the year.

Ireland: As with general liability, Ireland is experiencing two different markets - one group of carriers trying to push through a 'market correction' with another group aggressively pursuing new business. Overall market pricing is trending upwards particularly on smaller risks, but this has not been passed on to the clients as yet. We would expect overall market rates to remain stable (or with very small increases) until year-end unless claims trends deteriorate between now and then.

Portugal: Due to the continued economic climate, many small and medium enterprises (SME's) are closing down. As a result insurers are facing a significant reduction in premium income at a faster rate - carriers are now giving premium reductions of as much as 20%. For the remainder of the year, markets will have to increase rates in order to compensate for the premium decreases caused by unemployment and minimise their exposure through new underwriting strategies.

South Africa: Workers' compensation is provided for under the Compensation for Occupational Injuries and Diseases Act. In terms of the Act employees and their dependents are precluded from suing the employer for work related injuries, instead having the right to claim compensation from the government controlled Fund which is financed through levies paid by the employer. Employers' liability insurance is therefore purchased on a contingent basis only and is inexpensive. Rates remained stable over the first half of the year and no change is expected for the foreseeable future.

Spain: Employers' liability is included in the casualty general liability class of business in Spain. Competition between carriers is intense meaning some clients can benefit from premium reductions of as much as 30%. There is excess capacity in the market as underwriters strive to gain market share and meet their targets. The soft market is expected to continue, with ongoing excess capacity.

Turkey: With rates remaining stable, employers' liability business is still not profitable for carriers in Turkey. As clients are reluctant to pay any increased premium, there is no margin for the insurer to improve its results.
Looking ahead, it is thought that underwriters will be reluctant to quote on this line of business, removing capacity from the market.

United Arab Emirates: Rates for employers' liability insurance in the UAE reduced by as much as 20% over the first six months of the year as the current economic climate put further pressure on clients to reduce their costs, including insurance expenses. Carriers are trying to retain business by offering lower rates on their renewal business. This trend is expected to continue over the second half of the year.

United Kingdom: The Risk Management Practice has reported a noticeable flattening of rates for employers' liability clients as wage roll estimates are often significantly less than they were six months ago. Carriers are undertaking various activities, such as marketing exercises, which have partially offset these rate reductions.

For Middle Market business, there have been premium increases for poor performing risks but reductions are still available for good risks.
Overall, carriers are looking to push rates up by a few percentage points on renewal business across the book. This trend is expected to continue but capacity will continue to put downward pressure on rates.

	Property
Bulgaria	10-20
Czech Republic	0-10
Estonia	10-20
France	0-10
Germany	0-10
Greece	0-10
Israel	0-10
Italy	0-10
Kazakhstan	10-20
Latvia	20-30
Lithuania	0-10
Nigeria	0-10
Poland	0-10
Portugal	0-10
Romania	0-10
Russia	0-10
Saudi Arabia	0-10
South Africa	0-10
Spain	20-30
Sweden	10-20
Switzerland	0-10
Turkey	10-20
UAE	0-10
UK (mid market)	0-10
UK (RM)	0-10
Ukraine	30-40
Zimbabwe	10-20

KEY
Estimated % increases (red: Israel, Nigeria, South Africa, UK (RM))
Estimated % decreases (green: all other countries)

Countries listed are those reporting a change in rates

Clients in the majority of EMEA countries were still benefiting from rate reductions for property risks over the first half of 2009, although these rate reductions appear to be slowing down and more countries, including **Austria** and the **Netherlands**, reported largely flat renewals this time. Again, the Southern Region reported ongoing rate reductions for property clients, with **Portugal** citing ongoing tough economic conditions forcing clients to reduce their insurance costs, while there is still excess capacity in **Italy**. A hand-full of countries (e.g. **Bulgaria, Russia, Sweden**) expect the soft property market to continue throughout the rest of 2009, although most countries, from **Switzerland** and **Denmark** to **Israel**, expect rates to stabilise or even see small rate increases.

Country focus:

Belgium: Renewals have been mostly flat for Belgian property clients, unless they have a particularly bad claims record. There is expected to be more importance placed on engineering, loss prevention and following up on recommendations from insurers inspections for clients. On the whole, rates are expected to remain stable except for the poorer risks where clients will face possible increases.

Finland: In the first 6 months of 2009 insurers continued to push for rate increases although clients with a good loss history could still obtain rate reductions as a plethora of capacity in the region competes for this business. Clients in more difficult industry classes with higher loss ratios e.g. forestry products, or those demanding specialist covers are finding renewals difficult with little capacity available in the market. Hence, on average we conclude a stable market and expect this trend to continue for the remainder of the year. In addition, certain insurers in Finland that also have banking divisions are very keen to convert existing banking clients to insurance clients. As a result the terms that are offered are strategic based business decisions rather than technical or even loss based underwriting. This may be beneficial to some clients in the short-term, however conversely those clients that have insurance and banking facilities with the same insurer are seeing insurance terms being withdrawn or heavily impacted by any banking related problems - even if the risk quality has stayed the same or improved.

France: For Risk Management business, renewals are generally flat with slight increases on catastrophe-exposed (CAT-) accounts. Capacity is expected to reduce for cat-exposed risks, pushing rates up. For the Middle Market segment, rates have decreased up to 10% on average. No major change is expected for Middle Market accounts as there is still heavy competition and excess capacity. CAT capacity tends to shrink and thus slight increases are expected on some accounts.

Germany: Long term agreements (LTA's) have now been taken up by the majority of clients so little property business was tendered to the market in the last six months. Small premium reductions were achieved for clients – a hard market is not expected in the short term based on tender results and the willingness of most carriers to extend existing LTA's or to agree new LTA's (although not for more than two years). There is still excess capacity in the market.

Greece: Most property clients have seen stable or small rate reductions in Greece in the last six months. However, the loss record is the most critical factor upon renewal as poorly protected risks are becoming very difficult to place. While markets are looking for low risk business, clients are also becoming more risk aware – looking for carriers with good financial strength ratings.

Ireland: The Irish Property market is generally stable; however there has been a noticeable tightening of capacity in the first six months of 2009. Nominal rate increases are being applied by certain insurers, particularly on smaller accounts, although there is still enough competition in the market to avoid widespread increases. Rates remain relatively soft in respect of new business. We would expect the market to remain relatively stable throughout the remainder of 2009, with rate increases of 5 – 10% at year-end renewals.

South Africa: Capacity has declined by approximately 10% in 2009 and as a result rates have increased slightly. Most local insurers are experiencing unacceptable loss ratios on their corporate book. Local offices of global reinsurers are driving rates and deductibles upwards by forcing insurers to refer certain types of business to treaties e.g. mining. Reinsurers are also imposing stricter terms on facultative business. There is now a strong focus on following up on risk control requirements and insurers are declining to renew poor risks, or even cancelling cover mid-term. Swiss Re is closing its short term reinsurance office in South Africa and transferring the underwriting of South African business to Switzerland. It is thought that over time this will reduce facultative reinsurance capacity in the local market. It has been announced that Santam intends to purchase Emerald Insurance Company, again increasing expectations of a reduction of capacity and competition for the remainder of the year, reinforcing the hardening trend which has already begun.

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 clients putting their business to tender regularly as they strive to reduce their insurance costs in difficult economic circumstances. There remains high competition between carriers in an attempt to increase market share. 2009 is expected to continue with the soft market, high capacities and low deductibles.

Turkey: Property is the most competitive line of business in Turkey at the moment, with rate reductions of as much as 20%. There is little technical underwriting by carriers, most business is quoted purely with the intention of winning and retaining business. There is going to be a change in earthquake tariff in the coming months, imposed by the Turkish Treasury, although no details are available at present.

United Kingdom: Generally rates are flat for Risk Management business, with many renewals in long term deals. Existing insurers are looking to increase rates but where competition can be generated it is still possible to obtain rate reductions and cover improvements. Where long term deals are being offered, be it by existing insurers or by new carriers, the trend is to build in rate increases for forthcoming years. It is still possible to obtain rate reductions at present but should there be a poor hurricane season this may no longer be possible. For the past few quarters catastrophe rates have been flat, assisting in obtaining overall rate reductions.

In the Middle Market, capacity continues to keep pressure on rates and on good performing business discounts of up to 20% are still available.
Carriers are looking to increase rates on their renewal book of business but competition will keep rates down. There have been some issues with the Food industry where substantial losses are impacting on premium rates and capacity. The market is expected to continue in the same vein for the foreseeable future with carriers looking to increase premiums but market pressure keeping any increases to a minimum.

Motor

	Motor
Azerbaijan	0-10
Belgium	10-20
Bulgaria	10-20
Czech Republic	0-10
Estonia	10-20
Finland	10-20
Italy	0-10
Latvia	20-30
Lithuania	10-20
Namibia	10-20
Netherlands	0-10
Nigeria	10-20
Portugal	0-10
Romania	10-20
Serbia and Montenegro	0-10
Slovenia	0-10
South Africa	10-20
Spain	10-20
Sweden	0-10
UAE	10-20
UK (mid market)	0-10
Ukraine	20-30
Zimbabwe	0-10

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

Many EMEA countries saw motor rates stabilise in the first half of 2009. Some countries reported ongoing premium reductions, such as the **Czech Republic** where there is still a very competitive market and **Russia** where more potential carriers are entering the market as they attempt to build their portfolio of business. The sustained decline in vehicle purchases had a direct impact on the motor insurance market in terms of reduced premium volume which in turn contributes to an excess of capacity in the market, e.g. in **Spain** and the **UAE**. At the same time, the loss sensitive nature of the market has caused rates to rise in some countries, such as **Switzerland** and **Turkey**, where there has been an increase in claims. In **Switzerland**, carriers are working hard to retain good business, although even these clients should expect premium increases as capacity tightens. In **Germany** and **Portugal**, motor insurers' combined ratios are now said to exceed 100% and therefore a gradual hardening of the market is anticipated. Motor Third Party Liability (MTPL) premiums are increasing across the region, indicated by **Bulgaria**, **Serbia** and **Montenegro.**

Country focus:

Belgium: The Belgian motor insurance market is still soft for commercial motor fleet with decreases of 20% still achievable. Although the premium rates offered by the Belgian market are already very low, insurers can still make a profit and there is therefore no reason to foresee premium increases during the second half of the year. A small increase in MTPL premium may occur in order to improve the technical result, but the downward trend for the class of business on the whole is expected to continue.

Finland: Poor claims results are still having a negative impact on Finnish motor insurers. Consequently there is still an upward adjustment to ratings of as much as 20%. The adjustments are not as pronounced as they were in 2008, although increases of 7% to 11% are quite common. As the upward adjustments take effect, it is anticipated that rates will stabilise towards the end of 2009 and into 2010.

France: While, overall, the French motor insurance market is stable, some lead insurers are increasing premiums by 20% to 30% for buses and coaches liability in particular. For other classes of business there is still some opportunity for premium reductions but increasingly less so upon renewal. No significant change is expected for the rest of the year.

Ireland: The large local motor markets in Ireland are attempting to force through rate increases across the board. However, some of the smaller players are very aggressive and their activity has mitigated against overall market rate increases. The motor market is expected to stay flat or up to 5% rate increases for the rest of 2009. It is also expected that a greater volume of accounts will move from the large local composites to smaller more aggressive markets.

Italy: A new indemnity system for motor third party liability has changed the claims settlement process causing poor technical results. While small rate decreases were seen in the first half of the year for Italian motor clients, rates are expected to stabilise over the coming months and clients may even face some small rate increases.

Romania: While clients in the Romanian motor market have generally faced rate increases of as much as 10% over the first six months of 2009, MTPL rates have increased by more than 10% due to poor historical loss ratios and increasing limits of indemnity following EU adhesion. Premium volume and rate increases are expected to continue in the second half of the year, particularly for comprehensive cover, where most insurers will impose deductibles and also increase rates, due to the high loss ratios in this class of business.

South Africa: There has been a general increase in the number and value of motor insurance claims in South Africa due to ongoing deterioration of road conditions, more vehicles on the road, poor driving habits (of taxi drivers in particular) and rising repair costs. This means that clients have had to bear rate increases as high as 20%. A major upgrade of the country's road network, spurred on by the hosting of the forthcoming Soccer World Cup, is underway and should reduce accident rates when completed. A new, high speed underground railway linking O.R. Tambo Airport, Johannesburg, Sandton, Midrand and Pretoria is also under construction and is expected to ease congestion on the roads in Gauteng as it comes into operation between 2010 and 2012.

Turkey: Motor insurance rates in Turkey have remained relatively stable, despite a large reduction in vehicle sales. This line of business is particularly loss sensitive; therefore rates vary according to each client's loss history. Obligatory motor third party insurance is a Turkish Treasury and Insurance Association driven business which controls the limits, although prices are now determined by the underwriters.

United Kingdom: An increasing number of markets are advising that they are seeking rate increases, particularly in the Middle Market business where carriers have had some poor motor results. Risks with bad claims experience are seeing sizeable rate increases, but again risks with good performance are able to secure reductions. Middle Market business is seeing rate increases on some risks of 25% while others are seeing reductions of 20%. This class of business is expected to harden quicker than any other, meaning clients will almost certainly face rate increases upon renewal.

	Healthcare
Azerbaijan	0-10
Botswana	0-10
Bulgaria	10-20
Italy	10-20
Kazakhstan	20-30
Lithuania	0-10
Namibia	10-20
Saudi Arabia	0-10
Spain	0-10
Switzerland	0-10
Ukraine	0-10

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

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 (Med Mal) only. The market remained largely stable for the majority of countries in the first six months of 2009 with few changes across the region as most countries only have a small number of local Med Mal carriers (e.g. **Ireland** and the **Netherlands**). Some countries are starting to report minor rate increases, such as **Namibia** where medical costs are increasing.

Country focus:

Belgium: Med Mal rates have remained mostly stable in Belgium while carriers are awaiting new legislation in respect of medical liabilities. The next six months will be determined by the new legislation as the market may have to adapt wordings and/or rates.

Italy: There are only two local markets writing these risks in Italy. Rates depend on the loss history of each account but have increased by 10% to 20% on average. Unless the market opens up, ongoing rate increases are expected.

Spain: There is one main healthcare insurer in Spain, although other carriers have high capacity available, causing small rate decreases in the market. No major changes are expected in the Spanish Med Mal market, therefore rates will remain generally stable, or with some small reductions.

Switzerland: The tightening of capacity for Med Mal insurance in Switzerland has caused rates to increase slightly. Each account is underwritten individually, taking each and every risk into consideration. There is expected to be ongoing rate increases over the next six months with less competition between carriers.

Turkey: Rates for Med Mal insurance in Turkey have remained stable as clients are subjected to fixed limits and prices. There is still limited capability within the local market and therefore no major changes are expected in the near future for this line of business.

United Kingdom: It was reported for the last two quarters of 2008 that greater competition between insurers was holding back rate increases due to growth in exposures. This has continued in the first half of 2009, and no change is anticipated for the remainder of the year. Overall, claims experience is generally good and rates are expected to remain stable, primarily due to competition between insurers.

	Trade Credit
Austria	20-30
Bulgaria	20-30
Czech Republic	0-10
Estonia	50+
Finland	30-40
France	10-20
Germany	20-30
Hungary	0-10
Ireland	30-40
Latvia	50+
Lithuania	10-20
Netherlands	20-30
Poland	10-20
Portugal	0-10
Romania	10-20
South Africa	20-30
Spain	50+
Sweden	10-20
Switzerland	20-30
Turkey	30-40
UK (mid market)	30-40
UK (RM)	30-40

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

The current global financial crisis has created huge demand for and awareness of trade credit insurance across EMEA. Rate increases have been seen across the region as carriers have faced inflated loss ratios in almost all countries in the **Netherlands** and **France** there have been ongoing defaults as a result of tough economic conditions. Some countries are reporting that credit insurers are withdrawing from accounts completely. Insurers are increasingly cautious in their underwriting of this class of business, according to colleagues in **Bulgaria** and **Italy**, as carriers reduce insured limits and make it very difficult to find competitive terms for clients. While rates are increasing, sums insured and scope of coverage are reducing, resulting in generally flat premium income as explained by Marsh brokers in **Portugal**. Most countries expect this trend to continue for the foreseeable future, with ongoing reduction in coverage according to **Switzerland**. Having said that, some countries, including the **Czech Republic**, are reporting premium decreases to correct the high premium increases that were seen in 2008 and **France** expects the market to recover in line with the global economy.

Country focus:

Belgium: Trade credit insurers' loss ratios have risen dramatically as a consequence of the financial crisis and underwriters are amending their conditions and underwriting strategies accordingly. Premium rates are expected to increase by 20 to 40% as the number of business failures continues to rise, forcing insurers to take further action to protect shareholders interests during the rest of 2009.

Finland: Heavy competition between trade credit insurers in Finland had reduced premiums to unsustainable levels in 2006 to 2008 but now, given the ongoing financial crisis, insurers are forcing rates up, imposing rate increases as high as 40% on clients in the first six months of the year. Rate increases are set to continue for the foreseeable future.

Germany: An increase of insolvencies, not only in Germany but on a global scale, has caused a significant increase in claims ratios for trade credit insurers, pushing rates up by about 30% in Germany. Swiss Re's decision to withdraw from the market will cause even less capacity, therefore premium rates are expected to continue to increase going into 2010.

Portugal: Carriers are also increasingly selective in their underwriting of trade credit risks in Portugal. Rates are increasing by as much as 30% but due to smaller sums insured and the scope of cover, the actual premium income has only increased by about 10%. The hard market is expected to continue, with ongoing rate increases on renewals.

South Africa: Carriers' reinsurance costs are increasing and capacity continues to decline, partly as a result of Swiss Re's withdrawal from the market. Rates have increased in proportion to reductions in insured's turnover in order to maintain premium levels, although increased claims costs due to the economic downturn have placed further pressure on carriers. Strict underwriting will continue for the foreseeable future with many clients cancelling cover due to unaffordable premiums. It is felt that, unless this product undergoes some major changes, demand for the cover will continue to decline dramatically.

Spain: Clients have faced premium increases of over 50% for trade credit insurance in Spain. There are specific industrial sectors in which carriers will not provide cover, including construction and motor. The market has suffered a significant number of large losses and carriers now find it difficult to obtain reinsurance. This trend is expected to continue over the coming months.

Turkey: The financial crisis and the increasing volume of trade credit claims are putting increased pressure on carriers who have consequently increased rates by as much as 40%. In addition, insurers are reducing the scope of cover that they provide or declining to renew policies altogether if they do not meet their underwriting criteria. There is high demand for trade credit insurance from clients in both the Middle Market and Risk Management practices as the financial crisis has increased awareness for the product. At the same time some clients have realised the importance of using an insurance broker after losing indemnification rights from a lack of understanding of their trade credit policy.

United Arab Emirates: The trade credit insurance market in the UAE has stabilised following a drop in demand for this cover due to the financial crisis. Intermittent demand is seen from the construction industry but this sector has been severely impacted by the current economic situation so insurers are reluctant to offer cover. This trend is ongoing.

United Kingdom: Rates for trade credit insurance have increased by 30% to 40% on average over the first half of the year, subject to industry sector. Some increases have been even higher, depending on the nature of the risk and previous loss ratios. The economic climate is still expected to lead to bad debts throughout 2009, and into 2010. All underwriters are cautious, and exposures have been reviewed and in some instances cancelled. We anticipate continued increases in premium rates across EMEA. One fast approaching key area of interest will be reinsurers' renewal discussions at the end of this year. With the announcement that Swiss Re will withdraw from trade credit insurance, there is likely to be an increase in reinsurance premiums, although we believe at this stage that there should still be sufficient capacity for our lead markets.

Environmental

	Environmental
Austria	0-10
Belgium	10-20
Germany	0-10
UK (mid market)	0-10
UK (RM)	0-10
Italy	0-10
Finland	0-10
Azerbaijan	0-10
Botswana	50+
Namibia	10-20

KEY

Estimated % increases

Estimated % decreases

Countries listed are those reporting a change in rates

Environmental insurance is developing in Europe, with the majority of countries reporting a stable market. Most countries in the Middle East and Africa reported that there is no market for this class of business. The new EU Biodiversity Directive is now in place in almost all EU member states, raising awareness of the need for this type of cover. **Denmark** in particular is seeing clients showing increasing interest for environmental insurance and insurers are starting to offer competitive solutions. Having said that, **Bulgaria** and **Switzerland** were among the countries reporting that there is no real local market for environmental insurance, while **Ireland** reported that local companies have yet to understand the need for this type of cover. Clients in **Germany** and **Italy** have benefited from rate reductions, particularly when environmental risks are underwritten in connection with other good risks.

Country focus:

Austria: Clients buying environmental insurance in Austria faced small rate increases in the first six months of the year. New legislation for environmental damages came into force in Austria in June, which is expected to bring a slight premium increase over the coming months.

Belgium: There was continued strong competition reported between the leading environmental insurers in Belgium, despite the ongoing financial crisis. Rate reductions of around 10% have been achieved for clients buying this type of cover, although rates are expected to stabilise or see small reductions over the next six months.

Finland: There is not a large market for environmental insurance in Finland as clients have limited appetite for this specialist cover – instead they rely on their liability and property policies to respond where necessary. The few existing accounts have seen further rate reductions as capacity for this business has grown in the region. At the same time, insurers have become more comfortable with the region and the risks that exist, and are therefore prepared to bring rates down to encourage potential clients to investigate this insurance option. Further rate decreases are anticipated as new carriers and new products enter the market. One local insurer has already launched a product that will respond to the liabilities arising out of the new EU Environmental Liability Directive.

Greece: Only two companies are known to have created a relevant facility locally although this line of business is expected to take off when the EU Directive is implemented by the Greek Government at the end of 2009.

Netherlands: The environmental insurance market is relatively small in the Netherlands. Clients' interest for buying cover for these exposures is limited and there are few insurers offering products for environmental insurance.

Portugal: Portuguese environmental risks still remain extremely concentrated in international markets although this is expected to change as local insurers begin to offer new products in the near future.

Spain: As with all classes of business in Spain, the market is competitive. New carriers have started writing environmental insurance in the last six months, bringing further capacity into the market. New legislation introducing the requirement for financial guarantee for environmental risks has been postponed until April 2010.

United Kingdom: The EU Environmental Liability Directive was finally implemented into the legislative regimes of England, Wales and Scotland during the first part of 2009. The environmental insurance market has proactively responded to the demand and need for additional cover by expanding policy triggers to include the new liabilities introduced by the legislation, whether incurred through pollution or non-pollution environmental damage events. The market remains competitive and even in the face of large rate reductions in recent years; it is still possible to drive reductions for a significant proportion of placements. Liberty entered the European environmental insurance market during the early part of the year with the launch of its London underwriting team. Clients are increasingly interested in understanding what the environmental insurance market can offer, so that against the backdrop of greater environmental risk exposures, an informed decision can be made on the benefits of the cover. The process for incepting cover, including information requirements, continues to become more straight-forward. This includes the evolution of products designed for the SME (Small to Medium Enterprise) market. These factors are positioning the cover as a class of insurance that can be effectively and efficiently arranged as part of an annual insurance programme for a wider range of businesses. The market is expected to remain competitive for the rest of 2009.

	FINPRO: D&O
Austria	0-10
Bulgaria	0-10
France	0-10
Germany	0-10
Hungary	0-10
Ireland	10-20
Israel	0-10
Kazakhstan	0-10
Namibia	20-30
Nigeria	0-10
Norway	0-10
Poland	0-10
Spain	10-20
Sweden	10-20
Switzerland	0-10
Turkey	10-20
UK (mid market)	0-10
UK (RM)	0-10
Ukraine	10-20

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

The directors and officers (D&O) insurance market in the first half of 2009 continued in the same vein as it had in the second half of 2008. The financial and professional (FINPRO) classes of business were heavily impacted by the ongoing financial crisis. D&O and professional indemnity (PI) insurance rates generally stabilised across the region after a sustained soft market for some time. Carriers are being forced to push rates up as large claims and potential claims become a reality. Financial institutions (FI's) have been worst impacted by the recent market changes, facing rate increases of more than 50% in some instances, depending on the client's loss history.

FinPro classes of business are expected to continue to harden over the second half of 2009 as claims notifications and reductions in capacity are ongoing, and underwriters are increasingly cautious in their risk assessments.

Directors and officers

Premium rates for D&O insurance generally stabilised across the region in the first half of 2009. **Austria** and **Switzerland** reported that the size and volume of claims have increased as a result of the financial crisis, causing small rate increases for local clients. Financial institutions have seen their D&O rates increased dramatically, as mentioned by **Italy** and **Spain**, while most other industries' D&O rates have remained stable. Countries where the D&O market is less developed, such as **Bulgaria**, explained that the awareness for this class of business is low as there are few law suits bringing about the need for D&O cover.

Country focus:

Belgium: The D&O market in Belgium has stabilised in the last six months, with capacity and premium remaining constant. Some specific clauses have been imposed on clients who have been impacted by the current financial crisis but insurers are keen to retain business so premiums and coverage are expected to remain stable over the coming months. Insurers are reluctant to provide cover to clients with a poor risk profile so there may be some rate increases for these companies. New legislation on the "continuity of companies" has been implemented and may cause some changes to underwriting strategies.

Finland: Although current economic conditions are putting a greater focus on management activities, this has been offset by the lack of claims and new capacity in the region causing rates to remain largely stable. The market is anticipated to remain stable in the absence of significant increase in capacity or claims development.

France: The D&O market remained soft for commercial companies in France with premium decreases still available in spite of the global financial climate. Excess capacity has allowed brokers to obtain very competitive rates and terms for their clients, although wordings are becoming more stringent. The current economic situation has not had the expected impact of hardening the market for corporate business in France, although D&O rates for financial institutions have increased by more than 50%. The financial crisis has generated numerous class actions which are expected to continue for both corporate and FI clients. This, in turn, will push carriers to increase premiums and reduce capacity for the rest of 2009.

Germany: For both Risk Management and Middle Market clients, insurers were willing to provide small premium reductions in the first six months of the year. Certain insurers were successful in retaining business by quoting competitive premium rates. Rates have now started to stabilise and flat renewals are expected for most clients. Despite increased volume of insolvencies over the course of the financial downturn, a hard market is not anticipated.

Ireland: An increase in the volume of claims as a result of general market events has pushed rates up by as much as 20%. Carriers are placing particular emphasis on corporate governance in their underwriting decisions. There is expected to be reduced capacity, more stringent underwriting criteria, and an erosion of policy cover in addition to further rate increases.

The D&O insurance market in Serbia and Montenegro has remained stable over the first half of 2009. Few local insurers write this class of business and brokers therefore rely on underwriters in recognised foreign markets. Rates over the next few months will depend on foreign markets and reinsurance capacity.

South Africa: The large number of local D&O insurers in South Africa has created ongoing competition between carriers. The market benefits from a low claims ratio on the whole as South Africa has not seen the collapse in the financial sector experienced in many other countries. The new Companies Act has been passed and will come into effect on 1 July 2010. This will increase directors' duties and liability considerably, likely resulting in an increase in the number and size of claims in the South African market which in turn will push rates up.

Turkey: To date, there have been few D&O claims in Turkey although there has been some increase in demand for cover from particular industries. Organisations with foreign investors, foreign directors and/or private equity investors are more likely to buy D&O cover. Clients have expressed some concern towards the financial strength of their existing insurers, meaning that sometimes the most competitive carrier can lose business to those that are perceived to be more financially secure. This has contributed to increased D&O rates of 10% to 20%. Many global insurance companies (who have a local presence having acquired Turkish insurance companies) have an appetite for D&O risks, although local insurers (and the client to a certain extent) are concerned about having English law and jurisdiction on the reinsurance contract. Imminent revisions to Turkish trade code are expected to place increased liability on directors.

United Kingdom: D&O for commercial risks remains a competitive market place, with plenty of capacity, active competition amongst insurers and few paid losses. Rate decreases of up to 10% are therefore still achievable for many clients. D&O for financial institutions is a hardening market and these clients have seen rate increases as high as 50%. Reductions in capacity, increased litigation and payable losses mean the market is likely to remain difficult for FI clients. Commercial D&O rates are likely to stabilise.

Professional indemnity

The professional indemnity (PI) market across EMEA remained largely stable in the first half of 2009, although more countries are now reporting some small rate increases. **Austria** blamed some large PI claims for the rate increases imposed on clients while **Switzerland** explained that the financial crisis has caused carriers to reduce their capacity. Generally however, rates remained stable, as **Italian** and **South African** brokers for example go to the international markets to access additional capacity where necessary.

	FINPRO: PI
Austria	0-10
France	0-10
Germany	0-10
Switzerland	0-10
Ireland	0-10
Turkey	10-20
Israel	0-10
Bulgaria	0-10
Hungary	0-10
Latvia	0-10
Poland	0-10
Namibia	20-30
Nigeria	10-20
South Africa	0-10

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

Country focus:

Belgium: PI rates in Belgium were generally stable over the first six months of the year. Underwriters are tending to spend much more time going through the detail of subscription risks, although terms are expected to remain stable.

France: Excess capacity means the market has continued to be very competitive on price and conditions, particularly for IT companies. As a result, PI rates in France have declined slightly. New players have entered the market with capacity for excess of loss PI insurance. For those regulated professions who are obliged to buy PI insurance, the market is generally driven by loss experience and some specific professions (tax advisors, financial institutions, auditors) could see restrictions of cover over the next few months.

Germany: The German PI market is generally stable on rates although carriers are sometimes willing to offer rate reductions in order to win new business. The key carriers in the local market are unchanged and the market is expected to remain relatively stable for the rest of 2009.

Greece: Clients in Greece are not purchasing PI insurance due to the cost of the product. Only a small number of local carriers underwrite PI risks and have fairly low capacity, therefore significant PI risks are usually passed to the London market.

Ireland: Increased claims activity for certain professions, such as solicitors and construction consultants, has seen rates in these sectors increase by up to 40%. However, generally increased capacity and competition has lead to overall market rate decreases. Current market rates are unsustainable, especially given the level of claims activity, therefore sustained rate increases are expected over the next 12-18 months.

South Africa: The local PI market remains competitive although capacity in the London market has reduced and premiums have increased. There is a very limited PI market in South Africa and hence the majority of the business is placed in the London market. PI for financial institutions is strictly underwritten but South African PI risks are generally regarded as attractive business. The market is expected to remain fairly competitive due to the lack of large claims emanating from South Africa.

Turkey: There is a limited PI market and relatively low interest from clients in Turkey to obtain this type of cover. In collaboration with some associations and governmental bodies (who have regulatory powers on their members and listed companies) Marsh Turkey is trying to increase awareness and promoting the advantages of PI insurance. FI prospects that initially showed interest in BBB (Bankers' Blanket Bond) or D&O cover were encouraged to buy blended cover for all of these lines.

United Arab Emirates: PI rates were stable in the UAE in the first half of 2009. This class of business was commonly purchased by the construction sector but demand has reduced as the sector has felt the effects of the global financial crisis. Demand for PI insurance is not expected to pick up over the next few months.

United Kingdom: The professional indemnity market in the UK has seen some changes during the first two quarters of 2009. There is a hardening of rates apparent in certain lines of business and from some of the London market insurers. There are now some Lloyd's syndicates that are not willing to offer rate reductions on renewal business and in some cases are seeking to have rates which are in line with any fee increase. Certain industry groups that are deemed to be more affected by sub prime exposures, such as surveyors, have seen insurers moving away from this space or attempting to gain premium increases.

There is however still a great deal of capacity available in the London market for professional indemnity insurance and there have been some new entrants especially in the communications, media and technology (CMT) sector. Therefore despite the potential coming of a hard market, the abundance of capacity means that this change is still a long way off.

Financial institutions (FI)

	FINPRO: FI
Austria	20-30
Bulgaria	10-20
Denmark	20-30
France	50+
Germany	10-20
Ireland	30-40
Israel	20-30
Namibia	0-10
Nigeria	10-20
Poland	0-10
Romania	10-20
South Africa	10-20
Spain	10-20
Switzerland	20-30
Turkey	10-20
UAE	0-10
UK (mid market)	20-30
UK (RM)	20-30
Ukraine	0-10

KEY
Estimated % increases
Estimated % decreases

Countries listed are those reporting a change in rates

Financial institutions insurance has been heavily impacted by the current economic climate and rate increases have been reported across the region, particularly in Central and Western European countries. International and local claim trends are increasing awareness of the potential scale of losses for both insurers and clients, another contributing factor to large rate increases. While some countries have seen rates remain stable for the more 'normal' risks, underwriters across the region are becoming tougher on all FI clients in their risk assessments. Rates are expected to continue to rise with, and possibly beyond, the financial crisis.

Country focus:

Belgium: It was still possible to achieve flat renewals for Middle Market FI clients in the first six months of the year. Renewals for the Risk Management Practice are still to come and brokers are awaiting the reaction from insurers on these accounts.

Denmark: As predicted in the last EMEA Insurance Market Report, January 1st 2009 brought about a change in the direction of FI rates in Denmark. Clients have seen small rate increases, although one client has had to face a 100% rate increase due to its poor claims record.

France: Rates for financial institutions in France increased by more than 50% in the first six months of the year. The financial crisis and high profile claims are leading to FI carriers capping their exposures across PI, D&O and fraud lines of business collectively. It is anticipated that wordings will continue to be tightened; the Anglo-Saxon wordings for third party Fraud (with named perils) will most likely become the norm.

Germany: Carriers imposed rate increases of 10% to 20% on clients in the first six months of the year. Underwriters are increasingly demanding more information about clients, even in the form of meetings, and risks are reviewed in detail on a case-by-case basis. Premium rates depend on many factors, including banking activities, loss history and quality of risk management. Where clients have a particularly poor loss history, rates have increased by as much as 50%, in other cases they have only increased by 10%. Rates could potentially stabilise, or even see small decreases, if clients can demonstrate that financial results have improved substantially in the last twelve months. Carriers will also be looking for clients to demonstrate good risk management, compliance and corporate governance.

Ireland: The impact of the current economic situation has hit Irish financial institutions hard. When this is taken into account along with international and local claims trends, Irish banks are experiencing rate increases as high as 40%. FI rates are expected to increase further throughout Q3 and Q4 2009.

Portugal: Rates have remained generally stable for 'normal' FI risks in Portugal, that is to say smaller clients with a benign risk profile. FI rates are expected to harden across all sectors of the Portuguese market over the next six months.

Serbia and Montenegro: The FI insurance market in Serbia and Montenegro has remained stable over the first half of 2009. Few local insurers write this class of business and brokers therefore rely on underwriters in recognised foreign markets. Rates over the next few months will depend on foreign markets and reinsurance capacity.

South Africa: There is a limited market for financial institutions business in South Africa so the majority of FI risks are put to the London market. FI capacity in the London market has reduced while rates have increased. However, South African FI's are generally regarded as good risks with few claims and hence they have not experienced the same level of hardening of terms faced by some of their overseas counterparts. It is expected that this market will remain difficult until there is a sustained general upturn in the world economy.

Switzerland: FI rates have increased by as much as 30% for Swiss clients in the first six months of the year. Claims frequency and volume have increased at a steady rate over the last 12 to 18 months, while capacity is still limited. Further hardening of the FI market is expected for the remainder of the year.

Turkey: Like other countries, FI's in Turkey have had to take on rate increases of approximately 20%. Traditionally, banks haven't tended to use the services of an insurance broker in Turkey, going direct to local insurance subsidiaries instead. However, most local insurance companies have now been acquired by global companies, breaking the direct link that banks had with the carriers. Close relationships have recently been developed between Marsh and Turkish banks, particularly after taking on the "insurance advisory" role in their project finance deals, leading to certain FI's choosing Marsh as their insurance broker.

United Arab Emirates: Given the current economic climate, financial institutions are trying to cut down on their expenses and insurers are forced to reduce rates in order to retain clients. This trend of cost cutting on the client's part is expected to continue, leading to ongoing rate reductions.

United Kingdom: In general, rates in the FI market increased by 20% to 30% in the last six months, although this varies greatly as the FI market has so many sectors. Increases will continue throughout the year, although those clients that suffered large increases at the end of 2008 are expected to face slightly smaller increases this year (in the 5% to 15% range). The FI market as a whole is still facing challenges and scrutiny, resulting in insurers reducing their exposure and capacity while seeking rate increases at the same time.

The first quarter of the year is historically very quiet for Airline renewals, but those accounts that did renew faced rate increases to counter exposure reductions brought on by the economic downturn. First quarter losses reached the highest level for 5 years. The second quarter has seen losses reach an estimated $1.5bn including Air France A330 total loss. Consequently the market has now hardened considerably with 30% premium increases or more for the less desirable accounts. Current revenue from premiums is only $1.6bn; therefore underwriters will face another unprofitable year if rates are not increased considerably. This is the first "hard" market position for years and comes at a time when the Airlines can least afford it.

With the underwriters focus on returning the Airline portfolio to profitability, the manufacturers' premiums remain flat. However if the Air France loss is to be apportioned between the operator and manufacturer(s) then we may see underwriters looking to push up the product liability premiums.

For more information about the aviation insurance market, please refer to Marsh's Aviation Newsletter, Issue Two (May 2009).

Energy

The Q3 and Q4 2008 Insurance Market Report characterised the energy market as a difficult (not hard) market. As we close out the second quarter of 2009, we have seen the same trend continue. The major market driver in the second quarter has been the U.S. Gulf of Mexico (GOM) wind risk accounts. The renewal season for this class has largely come and gone with insureds having experienced a very difficult market place. Downstream accounts have seen rate increases and tightening of other conditions, while upstream accounts with offshore exposures have been pushed to the point where many felt compelled to self-insure rather than to pay for the limited coverage offered.

The big unanswered question is how the market will trade forward for offshore GOM wind risks. Clearly, the product offering will need to be modified to bring the buyers back or underwriters will have to accept that their book will be much smaller going forward. There is definitely a need for a viable offshore GOM wind insurance product and some solution is bound to appear.
The outcome of the 2009 U.S. hurricane season will also be a key factor in how the market approaches windstorm in 2010. The absence of large hurricane claims may prove to those that are self-insured that they made the right decision and may also free up some reinsurance capacity and entice underwriters to change their product offering. On the other hand, another hurricane season like 2008 may send buyers right back to the negotiating table, but may put additional pressures on the market as well.

For the balance of energy exposures, we are seeing a market that seems at the tipping point. With low claims activity, relatively low activity levels amongst clients, and increasing insurance capacity, the basic supply and demand rules will undoubtedly come into play and put downwards pressure on the rates.
As underwriters are behind on their premium budgets with little investment income to supplement their cash flow, we should expect increased competition for risks that are considered non-catastrophe exposed.

The general view is that outside of U.S. catastrophe and refining risks, most areas are showing softening trends.

For more information about energy insurance rates and the energy insurance market, please refer to Marsh's Energy Market Monitor, Q1/Q2 2009 (July 2009).

The global financial crisis continues to influence almost all of the maritime insurance sectors and the overall premium volume for most classes is down on this time a year ago. This is due to a number of factors including vessel values, vessel trading patterns, cargo volumes and general reductions in income for the maritime industries. Against this backdrop the insurance market is attempting to increase premiums following a number of years of poor results and the lack of investment return. Clearly this is creating a significant challenge in that insurance buyers are trying to find ways to cut costs, while insurance sellers are trying to find ways to increase revenue.

Capacity in the blue water hull market remains at a level which means that the average vessel can still be placed many times over (in theory). So despite much of what has been said above, there is little real pressure on premium. Individual rates are increasing but much of this is being offset by the reduction in hull values. There remains concern that the fundamental level of losses will increase in this current environment and this in itself could have a further negative impact on underwriters profitability. However with a plentiful supply of capacity, options for many ship owners still exist.

Piracy remains at the forefront of many people's minds; with copy cat strikes taking place throughout the globe, it has become a world wide phenomenon. The market continues to deal with claims in a sympathetic manner despite the concerns as to precisely where cover sits. However, we may see some changes on this front in the near future if the rise in the number of attacks continues.

Marine liability, as a class, has always been seen as a product line with a good track record, and therefore we continue to see a level of capacity that can quite easily deal with most risks. As with many other classes there is a desire to increase rates where possible due to the impact of losses, but the effect of the capacity surge is restricting these rises to a relatively small level.

The protection and indemnity clubs have been through their annual round of negotiation and counter negotiation. This year was always going to be a tough renewal round, principally due to the impact of poor returns from the financial markets that have dominated the clubs ability to break even. Most clubs are having to take a long hard look at their pure underwriting philosophy and endeavour to rebuild free reserves to a level that will allow them a greater degree of financial resilience. While the majority of Clubs achieved broadly what they set out to this year, in terms of rating increases, we will have to wait to see what the 2010 renewal will bring. Despite a relatively benign claims environment (in comparison to past years) so far this year, there can be little reliance upon investment returns to prop up underwriting results.

The cargo market still suffers from a global lack of volume and, while the insurance market seems to be trying to push the rating up, the continued glut of capacity means that options are available for most clients. Local capacity for many risks continues to grow, as does genuine new capacity, and that is leading to further pressure on the pricing of many risks. Natural catastrophe perils still receive a good deal of attention and cost is a factor, but the cargo market's appetite for stock-throughput risks remains plentiful. As long as the results for the book remain profitable there will be a plentiful supply of capacity in other areas as well.

For more information about marine insurance rates and the marine insurance market, please refer to Marsh's Marine Market Monitor, Q1/Q2 2009 (July 2009).

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