### Table of Contents

**Renewals – 1 January 2014**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>3</td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td></td>
</tr>
<tr>
<td>Territory and Comments</td>
<td>4</td>
</tr>
<tr>
<td>Rates</td>
<td>8</td>
</tr>
<tr>
<td>Pricing Trend Graphs</td>
<td>9</td>
</tr>
<tr>
<td><strong>Casualty</strong></td>
<td></td>
</tr>
<tr>
<td>Territory and Comments</td>
<td>11</td>
</tr>
<tr>
<td>Rates</td>
<td>13</td>
</tr>
<tr>
<td><strong>Specialties</strong></td>
<td></td>
</tr>
<tr>
<td>Line of Business and Comments</td>
<td>14</td>
</tr>
<tr>
<td>Rates</td>
<td>16</td>
</tr>
<tr>
<td>United States Workers’ Compensation</td>
<td></td>
</tr>
<tr>
<td>Comments and Rates</td>
<td>16</td>
</tr>
<tr>
<td><strong>Capital Markets</strong></td>
<td></td>
</tr>
<tr>
<td>Comments</td>
<td>17</td>
</tr>
</tbody>
</table>

*Cover photo credit: Marco Kaschuba*

**1st View**

This thrice yearly publication delivers the very first view on current market conditions to our readers. In addition to real-time eVENT Responses, our clients receive our news brief, *The Daily Willis ReView*, periodic newsletters, white papers and other reports.

**Willis Re**

**Global resources, local delivery**

For over 105 years, Willis Re has proudly served its clients, helping them obtain better value solutions and make better reinsurance decisions. As one of the world’s premier global reinsurance brokers, with 40 locations worldwide, Willis Re provides local service with the full backing of an integrated global reinsurance broker.
Capacity, capacity, everywhere capacity

Having successfully navigated a challenging year in 2013, reinsurers are faced with continuing market headwinds going into 2014. Rate reductions, new capacity, new market entrants, low interest rates, greater retention of reinsurance premiums by large buyers, diminishing reserve releases, expansion in terms and conditions and the increasing tempo of regulatory oversight are just a few of the daunting issues faced by traditional reinsurers and new capacity alike as they enter 2014.

2013’s underwriting performance is not reflective of strong market pricing and restrictive terms and conditions, but rather from a paucity of natural and man-made catastrophes. 2013 natural catastrophes were half of what was experienced in 2012. Specifically, the North Atlantic hurricane season was virtually non-existent with the lowest total of named storms since 1982.

The key influence on the 1 January renewals is over capacity triggered by a number of converging factors. Strong 2013 results have bolstered traditional reinsurers’ already strong balance sheets. New capital from non-traditional capital market sources has grown to reach US$50 billion. These factors have been compounded by muted demand from buyers arising from the longer term trends of better regulation, which in turn has led to better understanding and management of tail risk as well as the trend of major insurance groups to retain more reinsurance premium volume and risk on their own growing balance sheets. The impact of overcapacity has been most clearly evidenced by the up to 25% risk adjusted rate reductions seen on U.S. Property Catastrophe renewals at 1 January and the more modest but still significant rate reductions of up to 15% on International Property Catastrophe renewals. The influence of capital markets capacity is more pronounced on U.S. Property Catastrophe placements where a combination of traditional, collateralized and securitized capacity has been utilized throughout more program structures. International Property Catastrophe placements still reside predominately with traditional reinsurers based on long standing relationships, strong balance sheets and competitive pricing, underpinned by mature capital diversification models.

The critical issue facing all market players is demand much more so than capital supply. The global insurance industry’s ability to harness the growing supply of non-traditional capacity and their own retained earnings in a wider sustainable fashion remains as elusive as ever. Unfortunately growing insurance penetration and consequent demand in developing markets is still insufficient to offset the trend of reduced reinsurance buying in mature markets and by larger insurance groups. Hope remains that some buyers will recycle some portion of their renewal savings into new reinsurance purchases at 1 January. There is some evidence of this at 1 January with several new potential purchases slated for Q1 of 2014.

The soft market conditions are not unique to Property Catastrophe business, with few exceptions rates are down on most lines at 1 January. Pricing margins on excess of loss business have been compressed. Ceding commissions have increased on pro rata treaties for sought after clients with large ceded premium volumes. The impact of expanded ceding commissions offers insurers the benefit of large fixed overrides enabling them to further leverage the difference between their gross and net underwriting results. Even more worrisome for reinsurers is the pressure on contract terms and conditions. Expansion of hours clauses, adoption of less punitive reinstatement provisions and examples of expanded coverage for terrorism, while beneficial to buyers, can have an insidious impact on losses. Experienced reinsurers will remember that the relaxation of terms and conditions much more so than price reduction caused the real damage in the last soft market cycle.

Faced with these market headwinds, reinsurers are adopting a variety of strategies. Larger reinsurers are using their balance sheet strength and technical ability to offer more capacity and more complex, multi-class, multi-year deals. We have seen other reinsurers expand into Specialty lines and many have developed multi-channel capacity offerings seeking to use their underwriting expertise to deploy capacity on behalf of capital markets. Additionally, we have seen the rise of pooling arrangements that give smaller reinsurers the opportunity to access business they might not otherwise see in their local markets. M&A activity is always an option for larger companies as they look to manufacture growth through acquisition. Based on higher P/E multiples the more strategically challenged companies and their investors may determine acquisition is the preferred option for shareholders. Regardless of the course of action adopted, to cope with the continued soft market, none will be straightforward to execute. 2014 is going to test the skills of reinsurers and intermediaries alike as buyers look to exact continued price benefit in a softening market.

Peter C. Hearn
Chairman, Willis Re
1 January 2014

John Cavanagh
CEO, Willis Re
1 January 2014
Property – territory and comments

Asia
- Reinsurers clearly differentiating pricing by territory and client experience
- China renewals have been influenced by loss activity related to the SK Hynix loss and Typhoon Fitow
- Elsewhere in Asia, pricing has softened in line with global trends
- There remains abundant capacity, although many reinsurers were reluctant to quote, preferring to wait for firm order terms to be presented

Australia
- Appetite continues to strengthen with significant reinsurance capacity available
- ILS capacity currently applied largely to the U.S. market is having a flow on effect as traditional reinsurers look to other regions such as Australia to allocate capacity
- General softening of rates across the market
- Reinsurers have an increased appetite to write across programs, i.e., long tail and short tail classes

Canada
- Calgary floods in June resulted in largest insured loss in Canadian history at CAD 1.7B; Toronto floods in July CAD 850M – Late December Ice Storm loss still being assessed but rounds out a poor year
- Overland flood coverage for homeowners a major talking point, with some insureds receiving ex-gratia settlements
- Catastrophe capacity abundant but reinsurers holding on minimum rates on line (ROLs) for capacity layers

Central & Eastern Europe
- The majority of Property Catastrophe programs were not affected by losses in 2013 and consequently saw price reductions at renewal
- The June 2013 flooding event affected some clients in Central Europe, but losses remained within lower layers of programs and pricing was generally not significantly changed
- Risk excess of loss business remains very competitive, primarily due to the limited number of larger programs available in CEE and also due to the generally excellent loss history for the middle and higher layer of programs. Reductions were seen across the board for risk excess of loss, with buyers maintaining relatively low retentions
- An exception was observed for Russian risk excess of loss programs due to a very large engineering market loss emerging in 2013, which has resulted in price increases for all affected companies
- Reinsurers offered greater capacity than in 2013 and a wider panel of reinsurers showed appetite for CEE programs
- Program structures and retentions were generally unchanged

China
- Very late renewal season with firm orders given around the traditional Christmas break
- Few changes in conditions but a significant focus on Chinese Interests Abroad (CIA), Inwards facultative and co-insurance
- Distinctly different treatment for those affected by SK Hynix and those unaffected. Similarly Typhoon Fitow losses featured heavily in pricing
- Good supply of capacity for adequately rated programs however reinsurers also looking to maintain margin and willing to decline programs they felt to be inadequate
Europe

- Risk adjusted price reductions on non-loss affected Pan European Property Catastrophe programs have ranged between -10% to -15%
- Overabundance in capacity predominantly from traditional reinsurers has led to significant over placements despite price reductions
- Emergence of capacity from ILS markets but modest impact
- More aggregate protections purchased

France

- Much more capacity from traditional and non-traditional reinsurers for catastrophe contracts
- For catastrophe and risk: French cedants did not accept any Bermudian capacity due to the French regulation regarding the “ETNC” (non-cooperative state and territory in matter of fiscal / tax transparency)
- No impact on catastrophe excess of loss programs from summer hail storms and winter storms
- No change in existing hours clauses
- Aggregate excess of loss contracts including hail and flood incurred some losses leading to contract-specific rate increases and a contraction in offered capacity

Germany

- Market was impacted by significant natural catastrophe losses – Euro 2.5B June/July/August Hailstorms and Euro 2.5B June Danube/Elbe Floods
- Renewal terms reflected individual risk and loss positions, no blanket market adjustments
- Significant excess capacity for natural catastrophe perils
- Despite market catastrophe losses, loss free programs renewed with reductions
- Most reinsurers aimed to protect their market share
- ILS market showed stronger interest but didn’t gain much market share

Indonesia

- Increase in minimum retention per risk to meet regulatory requirements
- New regulations stipulate catastrophe limit needs to be purchased to 1:250 year return period
- Minimum 10% catastrophe layers to be ceded locally
- Reference rates for major occupancies of Property class likely to be introduced in Q1 2014
- Increase in mandatory cession to Maipark (Indonesian Catastrophe Insurer) to 15% across all cresta zones

Italy

- Significant capacity for natural catastrophe with almost all programs overplaced
- Leading reinsurers competitive on large catastrophe programs
- Smaller reinsurers very competitive on medium / small accounts

Korea

- With nearly half the Korean market renewing at the 1st January, most programs were in the market early for quotation but firm order terms issued late
- SK Hynix loss in China affected most Korean companies and all risk pricing increased
- Reinsurers tried again to limit the amount of “Global” cover given to the Domestic Korean market although this was largely addressed via increased pricing
- Reinsurers were less willing to offer unchanged proportional capacity looking for commission improvements and showed a strong preference to support risk excess of loss
Latin America
- Increased interest from reinsurers in offering pro rata capacity (subject to event limits being in place)
- Competition on original rates holding back improvement in terms under pro rata treaties
- Increased interest in risk excess of loss
- Leaders not quoting many rate reductions but market more prepared than in previous years to support lower prices at firm order terms
- Rate reductions vary by territory and program size. Colombia and Chile have greatest catastrophe requirement but significant overcapacity for Mexico and some other smaller territories

Middle East and North Africa
- Restrictions on the cession of Facultative business under pro rata treaties, which have been applied over the last few years, are starting to have an impact with an increase in demand for Facultative capacity
- Some leading reinsurers seeking to expand aggressively to the extent of now being prepared to support start-up companies
- Other leading reinsurers have taken a more selective posture and only prepared to compete on their target accounts accepting smaller signed shares on their non-target accounts
- Regional reinsurers impact on pro rata treaties remain modest as most prefer to compete on other lines, particularly non catastrophe exposed excess of loss
- Retentions are growing as primary companies mature

Netherlands
- Across the territory the market was soft, and softened further in the run up to 1 January 2014
- Despite some severe losses, the risk market was also soft
- Reinsurers actively seeking new business and risk-affected covers saw practically flat renewal
- Pro rata business was sought after as reinsurers chased premium volume. Commissions increased

Nordic Countries
- Nordic Property capacity remains abundant
- Large pressure on price even on potentially loss hit layers (risk and catastrophe)
- Nordic countries have experienced several storms during the autumn; some of these will result in losses, mainly at the bottom end of the catastrophe programs in Denmark, Finland and Sweden

Philippines
- Reinsurers struggling to price Typhoon Haiyan (Yolanda), as the exceptional windspeeds from this event are testing the limits of the vendor catastrophe model event sets
- Catastrophe programs seeing increases of 20%+ across the board
- Risk layers adjusted for experience
- Very few proportional treaties (with natural catastrophe included) left in market

South Africa
- Ample capacity for catastrophe excess of loss
- Pressure on proportional capacity due to poor loss ratios
- Risk excess of loss pricing driven by risk exposure and loss experience

Spain
- Significant market premium reduction
- Major effort to reduce market costs including reinsurance costs
- Reduction or flat prices
- Increase or flat commissions
Switzerland

- More than sufficient capacity available
- Domestic Swiss business sought after by reinsurers due to diversifying, non-accumulative nature
- Other than some hail affected programs, Swiss treaties have performed well for reinsurers in 2013
- Low rate on line catastrophe layers not benefiting from wider market softening

Turkey

- Catastrophe excess of loss programs generally renewed flat but smaller programs achieved some price reductions
- Weakening of the TL/Euro rate of exchange helped capacity requirement along with the removal of some local companies’ programs into their parent companies’ centralized retention schemes
- Proportional treaties renewed as expiry

United Kingdom

- Capacity is abundant from traditional markets
- New markets (collateralized) are making limited inroads, mainly via fronted, traditional paper
- Existing participants are fighting their corner to protect their key relationships
- A wider hours clause is available if appropriate
- The St Jude’s day storm (also known as Cyclone Christian) and the worst storm surge for 50 years the following week produced low insured losses and have had little discernible impact on catastrophe programs

United States

- Softening market as increased capacity from non-traditional capital providers in conjunction with retained earnings from a benign catastrophe year is putting pressure on traditional reinsurers to offer significant price reductions to compete for incumbent business
- Risk-adjusted price reductions being seen in all sectors
- There are wide variations for regional and state specific programs depending on loss experience and reliability of vendor models
- Accounts with increased ELs are seeing the largest risk-adjusted decreases as premium dollar reductions are lessened by increased layer exposures
- Softening market affecting terms and conditions as well as price: extended hours clauses and broader terrorism coverage are becoming more widely available
- Multi-year contracts and market facilities becoming more commonplace as reinsurers look to lock in business

Vietnam

- Proportional and excess of loss capacity stable
- No major coverage issues
- Stalled Engineering projects impacting 2013 local income base
## Rates

<table>
<thead>
<tr>
<th>Territory</th>
<th>Pro rata commission</th>
<th>Risk loss free % change</th>
<th>Risk loss hit % change</th>
<th>Catastrophe loss free % change</th>
<th>Catastrophe loss hit % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0% to +2%</td>
<td>0% to -10%</td>
<td>0% to +10%</td>
<td>-5% to -12%</td>
<td>0% to +5%</td>
</tr>
<tr>
<td>Canada</td>
<td>N/A</td>
<td>0% to -10%</td>
<td>+5% to +10%</td>
<td>0% to -5%</td>
<td>+5% to +10%</td>
</tr>
<tr>
<td>Caribbean</td>
<td>+1% to +2%</td>
<td>-10% to -15%</td>
<td>0% to -5%</td>
<td>-5% to -10%</td>
<td>0%</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>N/A</td>
<td>-10% to -20%</td>
<td>0% to -10%</td>
<td>-5% to -10%</td>
<td>0% to -5%</td>
</tr>
<tr>
<td>China</td>
<td>-3% to +2%</td>
<td>-2% to -5%</td>
<td>0% to +20%</td>
<td>N/A</td>
<td>0% to +20%</td>
</tr>
<tr>
<td>Europe</td>
<td>N/A</td>
<td>-5% to -10%</td>
<td>0% to +5%</td>
<td>-10% to -15%</td>
<td>+5% to +25%</td>
</tr>
<tr>
<td>France</td>
<td>N/A</td>
<td>-5% to -10%</td>
<td>-5% to +5%</td>
<td>-10% to -15%</td>
<td>N/A</td>
</tr>
<tr>
<td>Germany</td>
<td>0% to +2.5%</td>
<td>0% to -5%</td>
<td>varies</td>
<td>0% to -7.5%</td>
<td>+10% to +25%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0%</td>
<td>0% to -5%</td>
<td>+5% to +10%</td>
<td>0% to -15%</td>
<td>+5% to +15%</td>
</tr>
<tr>
<td>Italy</td>
<td>0%</td>
<td>N/A</td>
<td>-5% to -10%</td>
<td>-15%</td>
<td>N/A</td>
</tr>
<tr>
<td>Korea</td>
<td>-3.5% to -5%</td>
<td>N/A</td>
<td>+15% to +20%</td>
<td>0% to +10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Latin America</td>
<td>0%</td>
<td>-3% to -8%</td>
<td>varies</td>
<td>-5% to -10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Middle East</td>
<td>+2.5%</td>
<td>-10%</td>
<td>+5%</td>
<td>-10%</td>
<td>+5%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>+3%</td>
<td>-10%</td>
<td>0% to +5%</td>
<td>-7.5% to -11%</td>
<td>N/A</td>
</tr>
<tr>
<td>Nordic Countries</td>
<td>0% to +2.5%</td>
<td>-5% to -15%*</td>
<td>0% to -5%*</td>
<td>-5% to -15%*</td>
<td>+5% to +15%*</td>
</tr>
<tr>
<td>North Africa</td>
<td>0%</td>
<td>-10%</td>
<td>N/A</td>
<td>-5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Philippines</td>
<td>0%</td>
<td>varies</td>
<td>varies</td>
<td>N/A</td>
<td>+20%</td>
</tr>
<tr>
<td>South Africa</td>
<td>0%</td>
<td>0%</td>
<td>+1% to +5%</td>
<td>0%</td>
<td>+10%</td>
</tr>
<tr>
<td>Spain</td>
<td>0%</td>
<td>-2%</td>
<td>+2%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Switzerland</td>
<td>N/A</td>
<td>-5% to -10%</td>
<td>+5% to +10%</td>
<td>-4% to -10%</td>
<td>+5% to +10%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>N/A</td>
<td>0%</td>
<td>+7.5% to +15%</td>
<td>0% to -5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Turkey</td>
<td>varies</td>
<td>N/A</td>
<td>N/A</td>
<td>0% to -5%</td>
<td>N/A</td>
</tr>
<tr>
<td>U.K.</td>
<td>N/A</td>
<td>-10% to -15%</td>
<td>N/A</td>
<td>-10% to -15%</td>
<td>N/A</td>
</tr>
<tr>
<td>U.S.</td>
<td>N/A</td>
<td>-10% to -20%</td>
<td>+5% to -10%</td>
<td>-10% to -25%</td>
<td>+5% to -10%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0%</td>
<td>0%</td>
<td>0% to +5%</td>
<td>N/A</td>
<td>0% to +5%</td>
</tr>
</tbody>
</table>

Note: Movements are risk-adjusted.

* Nordic movements are layers movements, not program movements
Property catastrophe pricing trends

The charts on these pages display estimated year-to-year Property catastrophe rate movement, using 100 in 1990 as a baseline.

Australia

Caribbean

France
Casualty – territory and comments

Australia
- Appetite for Casualty business remains very strong with an abundance of reinsurance capacity
- Rates have continued to soften
- Declining investment yields are not having an effect on reinsurance rates
- Buyers continue to prefer APRA-approved reinsurers
- Coverage continues to broaden

China
- Significant capacity for programs deemed appropriately priced
- Wide variance of pricing depending on underwriting assessment
- Focus on overseas related exposure particularly U.S. export exposures

Europe – General Third Party Liability
- The appetite for Casualty business remains strong
- Newer reinsurers are beginning to make inroads
- Pricing soft except where experience is poor

Europe – Motor
- Capacity is widely available for Motor business in Europe
- New reinsurers are starting to make inroads
- There are still concerns among reinsurers about large claims developments

France
- Medical malpractice capacity stable; price slightly up to reflect the new stock of bodily injury
- GTPL / Construction capacity stable but prices slightly down if no major losses

Italy – General Third Party Liability
- Heavy over placement on all programs
- New capacity entered this line of business
- Reinsurers shares on GTPL driven by Property Catastrophe / risk written lines
- GTPL portfolio less Medical Malpractice risks exposed

Italy – Motor
- Overcapacity with programs well over placed
- Aggressive pricing with final terms well below historic technical rates
- Reinsurers shares on Motor based driven by Property Catastrophe / risk written lines
- Across the board participation still preferred option for clients
Korea – General Third Party Liability, Motor and Personal Accident
• Capacity remains abundant for all Casualty lines in Korea due to good historical performance.
• On average, most cedants obtained “risk-adjusted” price reductions
• Placement of Personal Accident quota share treaties remained challenging, despite the general trend of improving results

Netherlands – Motor
• The direct Motor market was soft, leading to price reductions

Nordic Countries – General Third Party Liability
• Strong expressions of interest in Nordic Casualty business from existing and newer reinsurers
• Following an unusual number of U.S.-related losses, there has been increased focus on original underwriting capabilities
• Pricing generally remains competitive despite U.S.-related losses

United Kingdom – Motor
• Original motor rates continued to fall
• Large loss claims inflation compounds reinsurers’ pricing considerations
• Periodic Payment Order propensity appears to have stabilized
• Polarization of capacity between traditional non-capitalized product and the capitalized cover
• Pricing differential for capitalized product becoming clearer

United States – General Third Party Liability
• Markets flexible as to structure and lines of business
• Continued move toward consolidation
• More reinsurers will write “excess on excess”
• Assumption that severity trend has been lower than anticipated

United States – Motor
• Reinsurers have a strong appetite for U.S. Motor business
• Pricing is down for treaties with good experience
• Pricing is flat for treaties with losses

United States – Professional Liability
• Major changes in market dynamics accelerated in second half year 2013
• Material improvements in terms, conditions and structures for buyers
• Favorable reported results, static demand and excess supply fuelling competitive forces
• Quota share and excess of loss both experiencing major downward price adjustment / correction
• New capacity entering the segment possibly motivated by competitive dynamics in other segments (e.g., Property Catastrophe) and seeking diversification
• Reinsurers’ reliance on architectural alignment is receding and reinsurers are taking an independent view on portfolio profitability
## Rates

<table>
<thead>
<tr>
<th>Territory</th>
<th>Pro rata commission</th>
<th>XL – No loss emergence % change</th>
<th>XL – With loss emergence % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>N/A</td>
<td>0% to -10%</td>
<td>0% to -2%</td>
</tr>
<tr>
<td>Canada – General Third Party Liability</td>
<td>N/A</td>
<td>0% to -5%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>N/A</td>
<td>N/A</td>
<td>-3% to +30%</td>
</tr>
<tr>
<td>Europe – General Third Party Liability</td>
<td>N/A</td>
<td>0% to -10%</td>
<td>0% to +20%</td>
</tr>
<tr>
<td>Europe – Motor</td>
<td>N/A</td>
<td>0% to -20%</td>
<td>0% to +5%</td>
</tr>
<tr>
<td>France</td>
<td>0%</td>
<td>0% to -5%</td>
<td>0% to +5%</td>
</tr>
<tr>
<td>Italy – General Third Party Liability</td>
<td>N/A</td>
<td>N/A</td>
<td>-5%</td>
</tr>
<tr>
<td>Italy – Motor</td>
<td>N/A</td>
<td>-10%</td>
<td>0%</td>
</tr>
<tr>
<td>Korea – General Third Party Liability*</td>
<td>0%</td>
<td>-5% to -10%</td>
<td>N/A</td>
</tr>
<tr>
<td>Netherlands – Motor</td>
<td>+3%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Nordic Countries</td>
<td>0% to +2.5%</td>
<td>0% to -5%</td>
<td>0% to +20%</td>
</tr>
<tr>
<td>South Africa – Employers’ Liability</td>
<td>0%</td>
<td>0%</td>
<td>+5% to +7.5%</td>
</tr>
<tr>
<td>U.K. – Motor</td>
<td>N/A</td>
<td>0% to +10%</td>
<td>+10% to +30%</td>
</tr>
<tr>
<td>U.S. – General Third Party Liability</td>
<td>+1% to +3%</td>
<td>-10% to -20%</td>
<td>0%</td>
</tr>
<tr>
<td>U.S. – Motor</td>
<td>+1% to +3%</td>
<td>-5% to -15%</td>
<td>0% to -5%</td>
</tr>
<tr>
<td>U.S. – Professional Liability</td>
<td>+5% to +7.5%</td>
<td>0% to -20%</td>
<td>0% to -10%</td>
</tr>
</tbody>
</table>

*Note: Movements are risk-adjusted.

*Relates to General Liability, Motor and Personal Accident*
Specialties – line of business and comments

Aerospace
- An “unprecedented” degree of competition for airline business has led to an extremely soft market
- Major airlines with good safety records have benefited from rate reductions to the magnitude of -10% to -20%; more in some cases. Set against high single digit growth in fleet values and passenger numbers available airline premium to the market stands at its lowest level since 9/11
- The buying environment within the aviation reinsurance market similarly remains favorable with further pricing reductions in the region of -5% to -10% being evident on major risk exposed excess of loss placements
- Largely driven by favorable performance, commission levels on proportional treaty placements have once again been subject to further increases
- Pricing for Aviation Retrocessional covers has again remained relatively stable. Good experience and continuity of relationship has, however, been rewarded with rating improvements to the extent of up to 5%

Engineering
- Proportional reinsurance still the principal vehicle for gross capacity
- Buyer’s market on profitable Engineering and Construction business
- Global reinsurer marketplace recognizes continues to Engineering and Construction for portfolio diversification
- Emerging economies show demand for Engineering and Construction products
- Advanced analytics taking increasing core role in cedants’ RI decision process

Global – Trade Credit
- Reinsurance capacity continues to grow
- Reduced quota share cessions from major cedants
- Spanish Cooperativa Bonds and contractor company losses in other territories have not dampened market appetite
- Quota share commission terms slightly up again, to new post 2008 financial crisis highs
- Excess of loss pricing reducing, except where loss affected

Marine
- Satisfactory 2013 underwriting year masked by deterioration of losses from 2011 and 2012 underwriting years in particular Costa Concordia, Deep Water Horizon and Hurricane Sandy
- Hurricane Sandy Market loss US$ 2.6B with Lloyd’s Syndicates initial loss estimates holding up well but with deterioration being seen in other Non-Lloyd’s accounts
- Costa Concordia loss now reached $560M for hull plus US$1.17B P&I loss. As primary U/W’s and P&I Clubs’ retentions have been fully exhausted deterioration in this loss is falling entirely on reinsurers
- Limited new capacity coming into market but ample capacity from existing reinsurers
- Leaders have taken disciplined approach leading to individual account underwriting
- Due to variations in historic loss developments, rating movements highly account specific with some accounts seeing rate reductions, while others flat or paying increases
Non-Marine Retrocession

- A buyer’s market as excess capacity from ILS funds, sidecars, reinsurer-backed funds and traditional retrocession vehicles drives competition, additionally fuelled by concern at reduced inwards reinsurance income
- Significant price reductions and relaxation of Minimum and Deposit Premiums from 100% to 90%
- Increased availability of worldwide, aggregate and composite covers
- Large private deals increase the pressure on signings
- Contraction in ILW trading vs. growth in collateralised UNL covers and catastrophe bonds

Personal Accident / Life Catastrophe

- Life Catastrophe market continues to soften

Political Risk

- New Lloyd’s Syndicates writing Political and Credit Risk insurance has resulted in a handful of new reinsurance programs being purchased; inception dates range from October 2013 to March 2014 and will include excess of loss and proportional
- Despite this, there remains sufficient reinsurance capacity to accommodate the market whether it be from existing or new reinsurers
- This and the ongoing good experience has kept pressure on renewal pricing with improved terms being secured on 1 January renewals on both proportional and excess of loss programs
- Cedants continue to achieve, and in some cases, surpass income projections; the majority of buyers are keeping their risk limits unchanged with some country limit increases needed on certain common territories
- Lloyd’s update on Syndicates writing Financial Guarantee, Contract Frustration and Trade Credit eagerly awaited – depending on conclusion may have significant impact on market

U.S. – Healthcare

- Reinsurance pricing for Medical Professional Liability continues to be favorable as underlying claims experience remains stable
- Reinsurers are supporting increased ceding commissions helping insurance carriers’ increasing expense ratios driven by reduced original rates / premium
- There is abundant capacity for Medical Professional Liability lines
- Reinsurers are largely supportive of meeting insurers’ needs to remain competitive

U.S. – Medical Excess

- Increases in large medical claims put continued pressure on excess medical reinsurance pricing
- Healthcare Reform, PPACA, and the Health Exchanges put additional upwards pressure on excess medical reinsurance pricing

U.S. – Surety

- Softening reinsurance pricing trend continued with favorable loss experience and stable portfolios rewarded with meaningful rate improvement
- Pricing on loss-affected excess of loss layers subject to a weaker degree of pricing adjustment than technical indication; some cedants amended their attachment points to lessen the impact of adverse price adjustments
- Market capacity continues to increase with several new entrants enabling interested buyers to expand overall program limits and aggregates
- Reinsurers continue to differentiate with clients who demonstrate an underwriting expertise and sound portfolio and cycle management, with meaningful allocations of capacity
## Rates

<table>
<thead>
<tr>
<th>Specialty rates</th>
<th>Territory</th>
<th>Pro rata commission</th>
<th>Risk loss free % change</th>
<th>Risk loss hit % change</th>
<th>Catastrophe loss free % change</th>
<th>Catastrophe loss hit % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace</td>
<td>+2.5% to +5%</td>
<td>-5% to -10%</td>
<td>NA</td>
<td>-5% to -10%</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>0%</td>
<td>-7.5% to -10%</td>
<td>N/A</td>
<td>-7.5% to -10%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Global – Trade Credit</td>
<td>+1% to +2%</td>
<td>-5%</td>
<td>+20% to +50%</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Marine</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
<td>varies</td>
<td>varies</td>
<td></td>
</tr>
<tr>
<td>Non-Marine Retrocession</td>
<td>0%</td>
<td>-5%</td>
<td>N/A</td>
<td>-10% to -15%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Personal Accident / Life Catastrophe</td>
<td>+10%</td>
<td>0%</td>
<td>+30%</td>
<td>-5%</td>
<td>+20%</td>
<td></td>
</tr>
<tr>
<td>U.S. – Healthcare</td>
<td>0% to +25%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>U.S. – Medical Excess</td>
<td>+10%</td>
<td>0%</td>
<td>+30%</td>
<td>-5%</td>
<td>+20%</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Movements are risk-adjusted.*

## U.S. Workers’ Compensation

- Primary rate increases are being evidenced nationwide, now being reflected in reinsurance pricing on low level per life layers
- Added interest from reinsurers in offering quota share treaties
- Catastrophe capacity remains abundant, with no major reinsurance losses from industrial accidents in 2013
- Reinsurance market has responded well by offering multi-year contracts to address potential sunset of TRIPRA
- Added interest from cedants in purchasing Nuclear, Biological, Chemical Radioactive coverage in both per life and catastrophe layers

### Rates

<table>
<thead>
<tr>
<th>Workers’ Compensation rates</th>
<th>Territory</th>
<th>Pro rata commission</th>
<th>Catastrophe XL – % change</th>
<th>Per life XL – % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>0%</td>
<td>-5% to -10%</td>
<td>0% to -10%</td>
<td></td>
</tr>
</tbody>
</table>
Capital Markets

- Catastrophe bond spreads continue to decline but not across the board
- Catastrophe bond terms and conditions have become more flexible with increased availability of indemnity covers
- Sidecar and ILS funds continue to grow notwithstanding declining projected returns
- Quiet U.S. hurricane season has led to excellent returns for investors in most ILS products in 2013
- 2013 catastrophe bond issuance totaled U.S. $7.1 billion
- Significant M&A activity in 2013 expected to continue in 2014 as market dynamics play out
Global and local reinsurance

Willis Re employs reinsurance experts worldwide. Drawing on this highly professional resource, and backed by all the expertise of the wider Willis Group, we offer you everything you look for in a top tier reinsurance advisor, one that has comprehensive capabilities, with on-the-ground presence and local understanding.

Whether your operations are global, national or local, Willis Re can help you make better reinsurance decisions, access worldwide markets, negotiate optimum terms and boost your business performance.

How can we help?

To find out how we can offer you an extra depth of service combined with extra flexibility, simply contact us.

Begin by visiting our website at www.willisre.com or calling your local office.

Willis Limited
The Willis Building
51 Lime Street
London EC3M 7DQ
Tel: +44 (0)20 3124 6000

Willis Re Inc.
One World Financial Center
200 Liberty Street
New York, NY 10281
Tel: +1 212 915 7600

Media Enquiries
Richard Mackillican
Communications Director, Willis Re & Faber
The Willis Building
51 Lime Street
London EC3M 7DQ
Tel: +44 (0)20 3124 6450