

News release

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Reinsurance Industry Largely Unscathed by Financial Crisis: Willis Re

Broker's Quarterly Renewals Report Shows First Signs of Hardening Market

London, UK, January 2, 2009 – The global reinsurance industry has remained substantially unscathed by the unprecedented turmoil in the global capital markets, with a capital base still largely intact and liquid, although access to new capital in 2009 will become more difficult and expensive in the current economic climate, according to a new report from Willis Re, the reinsurance broking arm of Willis Group Holdings (NYSE: WSH), the global insurance broker.

Willis Re's "1st View," its quarterly reinsurance market report, examines rate movements across numerous territories and product classes and includes detailed analysis from Willis Re's product line experts. Bearing the title "Capital Rules," the report finds evidence that, with January 1 renewals, reinsurers are taking meaningful price increases in capital-intensive lines of business, such as the U.S. Nationwide Catastrophe business.

"The unprecedented turmoil in global capital markets during the second half of 2008 has ravaged the balance sheets of many financial institutions. Reinsurers, while not currently impaired, have recognized that in the current financial market climate, obtaining new post-event capital will be both difficult and expensive," said **Peter C. Hearn**, CEO of Willis Re. "As a result, reinsurers are seeking to optimize returns on existing capital bases via constrained risk appetites and elevated risk charges."

Among the other key findings of the report are:

- Primary insurance companies, facing new capital pressures, are increasing their demand for reinsurance as they explore buy-downs and other reinsurance mechanisms to protect and enhance their capital positions.
- The manner by which cedants select reinsurance partners is shifting. With third-party credit ratings no longer sacrosanct, cedants are reassessing credit risks and are seeking to use portfolio diversification to mitigate their counterparty exposure. One immediate impact is an increase in the syndication of risk, which is allowing reinsurers to obtain shares in programs previously dominated by a limited number of large players.
- Judging from the market's performance at January 1, 2009, reinsurers are meeting the challenge of balancing their portfolio management objectives against the real economic constraints faced by their insurer customers by offering appropriate product, price and capacity.

“The changing capital appetite among cedants presents the traditional reinsurance industry with an excellent opportunity to win back market share,” said Hearn. “As our clients are confronted by an array of challenges in every country and line of business, this report will give them a comprehensive picture of the key issues facing the market this renewal season and help them formulate their strategies for the year ahead.”

To read the report in full, please click on the link:

http://www.willis.com/Documents/Publications/Industries/Reinsurance/Willis_Re_1st_View_1_January_2009.pdf

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