

Insurance market report

For Europe and the Middle East, covering January to June 2006

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



Eight lines of business have been surveyed across 35 countries in this survey of Marsh's placement and segment leaders. The premium movements reported during Q1 and Q2 represent approximately 47% of the total annual E/ME portfolio.

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

The following key trends have been noted across E/ME in Q1 and Q2 2006:

- The **general casualty** market continued to see premium reductions in Q1 and Q2. The largest reductions of up to 30% were noted in Spain. Slight premium increases of up to 10% were reported in Turkey and Lithuania only.
- The **employers liability/workers compensation** market continued to be mainly stable in Q1 and Q2 although a third of countries reported up to 20% premium reductions. Small increases were reported in Turkey, Bulgaria, Lithuania and Saudi Arabia.
- The **motor** segment continued to be mainly stable in Q1 and Q2 but competition seems to be increasing.
- The **FINPRO** market continued to soften in financial lines and professional indemnity, and reductions were seen in D&O in the majority of the region.
- The **marine and energy** market was mainly stable across most lines in the first 6 months of 2006. Substantial premium increases of up to 50% were reported in the Spanish offshore energy market and significant premium reductions were seen in Romania in the onshore energy market.
- The **aviation** market in Q1 and Q2 2006 remained stable although premium reductions are anticipated for the near future.

Average premium movements in the first half of 2006

Europe and the Middle East

2006 Q1 and Q2 RMP and CCP	Casualty:		Property	Motor
	General	EL/WC		
CENTRAL				
Austria	0	No Market	0-10	0
Belgium	10-20	10-20	10-20	0
France	10-20	No Market	10-20	0
Germany	0-10	No Market	10-20	0-10
Netherlands	10-20	No Market	10-20	10-20
NORTHWESTERN				
Ireland	10-20	10-20	10-20	10-20
UK (CCP)	10-20	10-20	10-20	0
UK (RMP)	10-20	10-20	10-20	0
SOUTHERN				
Greece	0	0	0-10	0
Italy	0	0-10	10-20	0-10
Portugal	0-10	0-10	0	0
Spain	20-30	20-30	20-30	10-20
Turkey	0-10	0-10	0-10	30-40
Israel	0-10	0-10	10-20	-
NORDICS				
Denmark	10-20	0	0-10	0
Finland	0-10	0	0	0
Norway	0	0	0-10	0-10
Sweden	0	No Market	0	0
CEE & CIS				
Azerbaijan	0	0	0-10	0
Bulgaria	0-10	0-10	0-10	10-20
Croatia	0-10	0-10	0-10	0
Czech Republic	10-20	No Market	20-30	10-20
Estonia	0-10	0	0-10	0
Hungary	0-10	0	10-20	0
Kazakhstan	10-20	10-20	0-10	30-40
Latvia	0-10	No Market	10-20	0-10
Lithuania	0-10	10-20	0-10	0
Poland	10-20	10-20	10-20	0
Romania	0	0	0	10-20
Russia	10-20	0	0-10	-
Serbia & Montenegro	0	0	0-10	0
Slovakia	0	0	0-10	0-10
Slovenia	10-20	0	0-10	0-10
Ukraine	0	0	30-40	0
Middle East				
Saudi Arabia	0	0-10	0	0
UAE	0	0-10	0-10	0
KEY				
	Number of occurrences			
Increases	2	6	2	3
Decreases	22	10	29	11
No Change	12	13	5	20
No Market	0	7	0	0
No info Supplied (-)	0	0	0	2
	36	36	36	36

Please note: The table has been compiled by Marsh Ltd from its own internal sources. We do not guarantee its accuracy and it should be understood to be our opinion only. The table is intended to give an overview and is not intended to be taken as advice in respect of any individual situation, and cannot be relied upon as such. It should also be stressed that the ranges shown in the chart are averages and that there were significant variations both within and outside of the ranges for individual accounts.

Healthcare	Trade Credit	Environmental	FINPRO:		
			D&O	PI	FI
0-10	0	0	0-10	0	0
10-20	10-20	0-10	0-10	0-10	10-20
No Market	-	0	0-10	0-10	0-10
10-20	30-40	0	10-20	0	10-20
0	10-20	No Market	10-20	0	10-20
20-30	10-20	0	20-30	0-10	0
-	-	20-30	0-10	0-10	0-10
-	-	20-30	0-10	0-10	0-10
0	0-10	No Market	0-10	0	0
0	0	0-10	0	0	0
0	0	0	0	0	0
10-20	0-10	10-20	0-10	0-10	0-10
No Market	No Market	No Market	0	0	0
-	-	-	10-20	0-10	10-20
-	-	-	10-20	0	0
No Market	0	No Market	0-10	0-10	0
-	-	-	0-10	0	0
0	0-10	0-10	0-10	0-10	0-10
10-20	No Market	0-10	0-10	0-10	0-10
0-10	0-10	0-10	0	0	0
0	No Market	No Market	No Market	No Market	No Market
No Market	0-10	No Market	20-30	0-10	0-10
0	0-10	0	0-10	0	0
0	0-10	0-10	0	0-10	-
0-10	No Market	0	0-10	0	0
No Market	No Market	No Market	No Market	No Market	No Market
0-10	10-20	No Market	No Market	No Market	No Market
No Market	10-20	-	10-20	10-20	10-20
0-10	0	0	0	0	0
-	No Market	0	-	-	-
0	0	No Market	0	0	No Market
0	0	0	0-10	0	0
0-10	0	0	No Market	No Market	No Market
0-10	No Market	No Market	0	0	0
0-10	-	No Market	No Market	No Market	No Market
0-10	0	No Market	0-10	0	0-10
8	1	1	1	2	1
6	12	8	21	11	12
10	9	11	8	17	15
6	7	12	5	5	6
6	7	4	1	1	2
36	36	36	36	36	36

European Market Survey

Casualty

General

The majority of the general casualty market continued to see premium reductions of up to 20% in Q1 and Q2 2006. Spain saw the largest premium reductions of up to 30%, following an increase of capacity, competition and sub-limits.

Small increases of up to 10% were reported in Turkey and Lithuania: there is a limited coverage through treaties in Turkey and coverage is unavailable locally for recall and guarantee; while it is difficult to obtain higher limits in Lithuania.

UK reported that a limited capacity remains for difficult risks such as pharmaceuticals. However, the market remains competitive and there is an abundance of capacity for most of the general casualty sector.

Local capacity is increasing in Kazakhstan where mid-sized accounts are the most competitive while the large accounts are driven by the global reinsurance market.

France saw premium reductions of up to 20% on average but up to 30% on some mid-sized accounts where the market is very competitive with excellent technical results.

Belgium reported an increased appetite for new business, especially in the mid-market, and noted a proactive attitude from some major carriers who are struggling to increase their market share.

Premiums remain high in Germany for chemical and pharmaceutical risks as well as for product recall.

EL/WC

The employers liability/workers compensation (EL/WC) market continued to be mainly stable in Q1 and Q2 2006 across the majority of Europe and the Middle East. The rest of the region has seen slight reductions of up to 20%, whereas

Turkey, Bulgaria, Lithuania and Saudi Arabia reported premium increases of up to 20%.

A few countries do not have EL/WC coverage as such as it is either part of governmental social security schemes or included in general liability.

The Kazakh market is tariff driven and saw premium rates decrease up to 20%. Loss ratios of 20-30% were seen in the first 12 months of the new regulation which made EL coverage compulsory in July 2005. This resulted in lower tariff rates being applied.

In Belgium, where the market has been soft for the third year in a row, premium decreases of up to 20% were reported. Carriers are driving to maintain premium volume in an environment where the number of underwriters is decreasing each year.

Workers' compensation is currently not compulsory in Estonia but is expected to be in 2009.

Changes in the law resulted in premium increases in Saudi Arabia and Bulgaria:

- Saudi Government has recently introduced a New Labor Law by which the benefit for death cases is increased to 3 times the annual salary with a minimum of SR 45,000; as opposed to a previous maximum benefit payable of SR 27,000.
- A new compulsory workers' accident insurance was introduced in Bulgaria via a health and safety labour law (SG No 76/20.09.02005) which requires employers participating in work that endangers the life and health of their employees to be insured. The scope, coverage, minimum sums insured and indemnity are regulated by the Ordinance for Compulsory Insurance.

In Lithuania, employees are compensated through a state insurance fund. Over the past 6 months, there has been a significant increase in court cases where employers are obliged to cover non-material damage that is not compensated by the fund. This resulted in premium increases of up to 20%.

Property

The property market continued to soften in Q1 and Q2 2006 in the large majority of the E/ME region due to strong competition. Lithuania and the UAE only reported slight premium increases of up to 10%.

There has been significant premium increases, particularly in the Lithuanian wood industry, and placement of warehouse risks in the UAE has become difficult and is often available on an accommodation basis only.

Competition increased on the Ukrainian market with the arrival of new big players, mostly from Russia. The property segment is however limited and this caused high premium reductions of up to 40%.

In Spain, high capacity and appetite for new business, combined with new entrants on the market for mid-sized clients – such as Tokio Marine, Factory Mutual and QBE – resulted in premium reductions of up to 30%.

Capacity and strong competition caused premium reductions of up to 20% in both the Netherlands and Belgium. Belgium reported that catastrophic exposures remain an issue if heavy. There are also signs of a “pay less – get less” approach to maximise costs reduction for clients. However, this leads to an increased number of broker tenders.

Ireland also reported premium reductions of up to 20% due to good competition and capacity. Very large high hazard risks continue to be problematic in the local market. The quality of the information provided is very important to secure capacity.

The increasing use of treaties in the local market in Kazakhstan is driving the premium rates down by up to 10%.

Motor

The majority of Europe and the Middle East is still experiencing a stable motor market but competition and premium reduction seem to expand in the region. Turkey saw premium increases of up to 40% and Romania up to 20%.

In both Turkey and Romania, the premium increases were due to a poor loss history. Turkey reported that there is a lack of control on the motor market where the one-policy only regulation is not respected. Insureds claim on various motor policies causing high losses and resulting in no market being available anymore for operational leasing companies. Turkey also reported that premiums are doubled in pharmaceutical companies; and that clients are still resisting having deductibles or stop loss coverages.

The UK reported stable premium rates. It is still competitive but as the market has now been soft for a couple of years, the rates are very low.

In Kazakhstan, the loss ratios are still good and driving the premium rates down by up to 40%.

Premiums decreased up to 20% in the Netherlands where there is very strong competition. There is a new feature in the Dutch motor market which consists of a no-claim protection cover integrated in the motor policy. All major insurers have introduced this feature or are working on it.

Germany reported premium reductions of up to 10%. Car manufacturers and leasing companies subsidise insurance premium through car sale price.

Healthcare

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

The market appears to be stabilising in the majority of the E/ME region in Q1 and Q2 2006. However, premium increases were still seen in a third of the region, as well as some premium reductions in certain countries.

High losses caused premium increases of up to 10% in Kazakhstan.

Healthcare is not a desirable risk for insurers in Germany and there are only a few carriers on the market. As a result, premiums increased up to 20%.

Spain reported premium reductions of up to 20%, due to an increase in capacity and appetite for new business. The 3 main carriers for healthcare coverage in Spain are Mapfre, Zurich and Berkley.

Allianz are aggressive in Ireland for private healthcare.

An increased competition and a wider range of products available on the market resulted in premium reductions of up to 10% in Romania.

In the Netherlands, all healthcare contracts renew on 1 January and premium levels are set between October and December the previous year. The Netherlands also reported that there was a further reduction in the number of healthcare insurers due to mergers and take-overs.

Premiums decreased up to 20% in Belgium. Carriers are driven to maintain premium volume and market share in a competitive market.

Bulgaria saw premium reductions of up to 10%. An increase of the number of healthcare services provided and health funds are expected.

There is no demand or a favourable tax environment for healthcare insurance in Lithuania, causing premiums to decrease up to 10%.

Trade Credit

Trade credit is a fairly small market in Europe. For the past year, due to competition, the market has been softening across the region or remaining stable. Lithuania is the only country to have reported premium increases.

The Netherlands saw premium reductions of up to 20% due to an overcapacity of the market. Insurers try to increase revenues by introducing new products and services.

Ireland also reported premium reductions of up to 20% due to increased competition, better loss experience and demands of policyholders.

Fierce competition to increase market share amongst insurers caused premium reductions of up to 20% in Belgium and up to 40% in Germany.

There is appetite for new business in Spain where premium reductions of up to 10% were reported. In May 2006, the Spanish insurance company Credito y Caucion bought 49,95% share of Atradius, the credit unit of Gerling, reducing the number of markets in this sector. The reduced number of carriers is likely to see continued slight premium reductions in the Trade Credit area.

In Lithuania, where premiums increased up to 20%, there are only two credit insurers – owned by international companies – that make an influence on conditions and premium rates.

Environmental

The environmental market is limited in Europe; in some instances it is included in general liability policies. For the past year now, the market has been mainly stable with some countries still seeing small premium reductions. Azerbaijan only reported slight premium increases of up to 10%.

In the UK, the arrival of ACE on the environmental market, providing competitive coverage and pricing, contributed to driving the premium rates down up to 30%.

Premium rates were stable in Romania where it is quite difficult to place environmental insurance locally as coverage is usually limited.

Turkey advised that there is currently no market for environmental insurance. However, a new law was passed which makes environmental coverage compulsory for companies with environmental risks. According to this law, there is a year timeline for all parties to apply coverage. This should attract new entrants on the local market.



Capacity and competition increased in Spain with new entrants on the market such as Allianz, Chubb and XL. This caused premiums to decrease up to 10%. It was reported that accidental contamination coverage is included in most policies without additional premium.

As mentioned in our previous report, there is now a compulsory tariff driven cover in place in Kazakhstan. There is a limited capacity and premiums are very low but rates are likely to increase in the future as claims are being generated.

Premium rates are stable in Germany where insurers have not yet developed a new concept with regards to the new EU directive on environmental liability.

Environmental is a relatively new area of business in Ireland where new entrants are providing competitive prices. Some carriers such as ACE are providing an indication of price for EIL cover with their standard liability quotes and renewal offerings.

Financial and Professional (FINPRO)

In most countries, we are witnessing credible markets challenging the existing traditional players. Importantly for our clients in most segments and across Europe, we are now able to provide very attractive competitive quotations, coming from local, pan-European or London markets. Having an agreed European common strategy is important for us and something our clients value.

Premium reductions of up to 40-60% are not unheard of, especially for SME business. Some markets are starting to take a more conservative approach, by refusing to follow the trend of premium reduction with substantial wording improvements.

Allianz continue to dominate the primary market and is aggressively working to improve its penetration in the various FINPRO lines of business.

D&O

Despite a less buoyant stock market in Q2 and some further corporate scandals (Italian football clubs, EADS/Airbus, the regulatory investigations regarding the backdating of stock options), clients have enjoyed substantially improved terms.

This soft market is characterised by enhanced coverages (such as no more coinsurance clause for security claims, reduced deductible, acquisition threshold "upped"...) and by further premium decreases. This is primarily due to increased competition. This trend has been particularly visible in the middle market (premium reductions of up to 66%).

On the larger segment, clients are expecting competing quotes for the primary layers. Allianz and Zurich are now challenging AIG very heavily for primary position. AIG, in order to defend its market share, had to be extremely competitive both in terms of pricing and coverage. The average reductions have been around 10-15%.

Excess markets can become an issue on very large placements, due to the pressure on primary pricing and then on the increased line factor (ILF).

Small premium increases of up to 10% were seen in Azerbaijan only.

France reported premium reductions of up to 10% with US listing being the cost driver. Competition increased for primary layers. Excess layers' rates may decrease further.

The Netherlands saw premium reductions of up to 20%; the D&O market is particularly competitive due to the substantial capacity of existing insurers and the new capacity of non-Dutch insurers currently trying to enter the market.

Capacity and competition increased in Spain with the arrival of new players such as Allianz, CNA and Markel, causing premium reductions of up to 10%.

In Kazakhstan, the rate reductions of up to 10% were driven by the international market as opposed to the local market.

Germany reported premium reductions of up to 20%. Competition is high in the middle market and SME segments where the key carriers are AIG, Chubb and VOV, and where new players entered the market (e.g. Dual). Market leaders want to gain market share in the middle market for big business.

In Ireland, insurers have been very aggressive for new business and have been competitive; this had an impact in rates for new and existing business (reductions of up to 30%)

Premium rates were stable across the FINPRO lines in Portugal but the lack of capacity for larger risks is forcing placement abroad.

The market is stable in Turkey where D&O is still dependent on international market (mostly London).

Professional Indemnity

The PI market across Europe remained stable overall, with some limited reductions in some territories, mainly due to increase competition between the various carriers. Markets do not want to reduce the premiums further as they feel the rate would be too low. Local markets' capacity is limited in most countries, due to specific regulatory requirements.

Estonia saw stable rates. Our team reported that the local capacity is low (1m Euro).

Premium rates were stable in Kazakhstan where local programmes are tariff rated and where larger programmes' pricing is based on the international reinsurance market.

Germany also reported stable rates. The few carriers covering PI in Germany are: Allianz, Gerling, Victoria, R+V, Nassau and Hiscox.

France saw premium reductions of up to 10% and reported that the type of deductibles clearly have an impact on the level of premiums. US operations also impact the risks and the cost of programmes. It was also reported that US investment banking is difficult to insure and that there is a lack of capacity for the "Big 4" auditors (KPMG, Ernst & Young, PWC, and Deloitte) on the French market.



In the Netherlands, as opposed to the competitive and high capacity D&O market, the PI market's capacity remains relatively limited.

Spain saw premium reductions of up to 10% where competition increased with the arrival of new players on the market such as CNA and Liberty.

Ireland also reported premium reductions of up to 10% even though there is not a lot of capacity available.

Financial Institutions

The financial institutions market has been softening in Q1 and Q2 2006 at a steady pace. We are still able to achieve wording improvements. We do not foresee significant changes to that trend in the final two quarters of 2006. The financial institution's PI environment has been following the same trend, but the market remains tighter, especially concerning US exposure or large international programmes. It is worth mentioning that the market has been more reactive in providing solutions to some new exposures (e.g. Basel II).

Premiums started to stabilize over the past few months in Ireland where AIG dominate the market.

France saw slight premium reductions of up to 10%. The size of the insureds and of the deductibles had an impact on premiums.

The premium rate reductions of up to 20% reported by the Netherlands applies to the smaller Dutch accounts only. For institutions with US exposures

and/or investment banking activities, premium trends are difficult to predict due to the limited capacity for these exposures.

Germany's FI key carriers are: AIG, Chubb, Zurich and Liberty. Zurich and Liberty increased their capacity, creating more competition for AIG and Chubb.

Marine and Energy

The marine and energy market is not widely present in Europe. Business is usually processed via the London market.

Marine Hull

The marine hull insurance market pricing can be seriously affected by individual claims. This has been demonstrated by three recent incidents that have produced significant claims:

- A large container vessel caught fire off the coast of Yemen and subsequently declared a total loss of \$70million. The combined hull/cargo losses may exceed US\$500 million.
- A large ferry sank off the coast of British Columbia with an insured value of more than \$70 million.
- A cruise ship caught on fire at sea on the way from Grand Cayman to Montego Bay, Jamaica. Cost estimates vary from \$15-\$25million +

Together, these three incidents are expected to have a significant impact on the 2005 policy-year figures. This amount is estimated to be 5 to 10 % of the total annual marine hull insurance market premium.

It should be noted that many insurers used to purchase reinsurance that would have responded to such individual incidents, but due to rising reinsurance costs, many now retain such losses entirely, with reinsurance coverage responding for so-called catastrophe events only individual claims involving more than one vessel.

Insurers in mid-2005 were already claiming that 5 to 10 % increases were needed; but in practice, many clients with favourable claims histories saw their policies renewed as expiring. The net effect would appear to have been to arrest the rate reductions that were beginning to be seen, rather than to achieve across-the-board increases.

Rating increases remain in the region of 0-5% and are not expected to change markedly in the near future.

The Netherlands reported premium reduction of up to 10%. The capacity in the Dutch market substantially increased. Underwriters are also prepared to write international business again.



In Belgium, good performing fleets attract competition, driving premiums down (up to 10%). Insurers' capacity is increasing but the number of players is reducing.

Spain reported premium reductions of up to 10% due to an increase of competition. Key markets are: Mapfre, Allianz, Generali, Groupama and AXA.

In Kazakhstan, the rates reductions of up to 20% were due to the use of Russian capacity supported by treaties.

Premium rates decreased up to 10% in Ireland despite the lack of competition and of local players.

Premium rates were stable across the marine lines in Portugal but the lack of capacity for larger risks is forcing placement abroad.

Premium rates generally remained stable in Germany with a tendency towards softening in consideration of loss ratios on individual accounts. This is the general condition in the German hull and machinery market.

In Estonia, average loss ratios set pressure on premiums which increased up to 10%.

Marine Liability

On the London market, we are currently seeing that for good, clean business, underwriters are seeking (and often getting) low single digit liability rises, clients that wish to renew "as expiring" are forced to make a trade-off by having either a higher deductible or lower limits.

Whilst the impact of the hurricane losses on the 2005 liability market results is not expected to be excessive, those insurers who write port packages including property and equipment have been particularly badly affected, especially if they also covered business interruption. Thus, material rises are being sold on packaged accounts, with lower rises for stand-alone liability business.

The marine liability market has not historically over-reacted in its pricing model to events that in other markets are deemed to be market moving. Hence, in soft market conditions where the hull/property rates are falling materially, the response in the marine

liability market is one of conservative reductions (high single digit reductions at best). Conversely, in hardening markets, the marine liability market has tended to offer high single digit rises.

Relatively stable market conditions continue into 2006 and there is no reason at the time of writing why these conditions should not continue into 2007.

Belgium saw stable rates. Their marine liability market is driven by the London market with occasional Norwegian competition.

Kazakhstan also saw stable rates, which are based on protection and indemnity clubs international practices.

Stable market in Ireland where capacity issues on larger risks have led to an increasing reliance on facultative reinsurance in the local market. Approaching the market early is therefore essential in order to give local carriers time to buy facultative reinsurance for large risks. The reinsurance market is seeing rate increases, and while they have yet to be passed to clients, the rate reductions of previous years have levelled off.

The Netherlands reported premium reductions of up to 20%. There is no specific marine liability market there; business is placed with the regular general liability insurers or in the London market.

Marine Cargo

After a very difficult start to the year, rates have started to become more flexible with underwriters keen to protect their existing portfolio from competition. Availability of market capacity has resulted in the few syndicates that were taking the 'hard line' approach at the beginning of the year subsequently changing their position and becoming more commercial in their outlook.

The London market remains flexible and most underwriters are offering renewal 'as before'. Reductions are available for clients with good results, clients with increases in exposed values and where rates allow room for movement. Rate fluctuations are generally in the region of 10 to 15%.

On new business, some underwriters are offering some very innovative and competitive quotes which make London a dynamic alternative market place.

Underwriters are seeing a lot of new business in the London Market and are becoming a viable alternative in offering stock throughput and catastrophe coverage particularly against the hardening U.S. Property market.

Most underwriters have to go through a 'Risk Modelling System' process which has been updated following the hurricanes last year. This RMS process can influence line size and pricing and potential desire for aggregate limits.

Catastrophe perils (i.e. earthquake, flood and windstorm) underwriters are seeking to impose aggregates across each perils and generally up to the policy limits and separately per peril, sometimes per country basis.

Most underwriters are looking to increase their book of business and are aggressively seeking new opportunities. It is also to be noted that the market seems to be more predictable than at the beginning of the year with most underwriters willing to follow a leaders renewal terms.

France reported premium reductions of up to 30%. This is due to an over capacity of the market and good underwriting results.

Premium reductions of up to 20% were seen in Belgium for programmes with good records combined to a market that is increasing its capacity to write cargo business. Insurers have been focusing on existing accounts rather than new business opportunities, and an increased interest in commodity and energy related covers with large premiums was noticed. Also, there were market-wide adjustments in WSRCC (war strikes riots civil commotion) charges reflecting the international tension.

Competition and a greater appetite for new business led to premium reductions of up to 30% in Spain. Carriers present on the Spanish cargo market are: Mapfre, Allianz, Generali, Groupama, AXA, Chubb, ACE and AIG.

Average premium movements in the first half of 2006 – Marine and energy

Europe and the Middle East

2006 Q1 and Q2 RMP and CCP	Marine and energy:					
	Marine hull	Marine liability	Marine cargo	Onshore energy	Offshore Energy	Energy Liability
CENTRAL						
Austria	0-10	0	0	0	0	0
Belgium	0-10	0	10-20	0-10	0-10	0
France	0-10	0	20-30	10-20	0-10	0
Germany	0	0-10	10-20	0-10	No Market	0-10
Netherlands	0-10	10-20	0	10-20	No Market	10-20
NORTHWESTERN						
Ireland	0-10	0	30-40	0	0	0
UK (CCP)	0	0	10-20	0-10	0-10	0-10
UK (RMP)	0	0	10-20	0-10	0-10	0-10
SOUTHERN						
Greece	-	-	10-20	No Market	No Market	No Market
Italy	0	0	0	0-10	0-10	0-10
Portugal	0	0	0-10	0	0	0
Spain	0-10	10-20	20-30	10-20	40-50	0
Turkey	0-10	0-10	0	No Market	No Market	No Market
Israel	10-20	-	10-20	-	-	-
NORDICS						
Denmark	-	-	0-10	0-10	No Market	No Market
Finland	-	-	0	No Market	0	0
Norway	0	0-10	0	0-10	10-20	0-10
Sweden	-	-	0	-	-	-
CEE & CIS						
Azerbaijan	0	0-10	0	0	0	0
Bulgaria	0	0	0	0	0	0
Croatia	0	0	0	-	-	-
Czech Republic	No Market	No Market	10-20	No Market	No Market	0-10
Estonia	0-10	0-10	0-10	0-10	0	0-10
Hungary	-	-	0	-	-	-
Kazakhstan	10-20	0	0	0	0	0
Latvia	0-10	0-10	0-10	No Market	No Market	No Market
Lithuania	No Market	No Market	0	No Market	No Market	No Market
Poland	-	-	10-20	-	-	-
Romania	No Market	No Market	0	50-60	No Market	No Market
Russia	-	-	-	0-10	-	-
Serbia & Montenegro	0	0	0	No Market	No Market	No Market
Slovakia	0	0	0	0	-	0
Slovenia	No Market	No Market	No Market	No Market	No Market	No Market
Ukraine	0	0	10-20	0	No Market	No Market
Middle East						
Saudi Arabia	0-10	No Market	0	No Market	No Market	No Market
UAE	0-10	No Market	0	No Market	No Market	No Market
KEY						
Increases	4	4	3	4	5	3
Decreases	9	4	13	9	2	5
No Change	12	14	18	8	8	11
No Market	4	6	1	10	14	11
No info Supplied (-)	7	8	1	5	7	6
	36	36	36	36	36	36

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In Denmark, the new arrival of First Marine in the market is causing competition to Transinsurance and this is causing premium reductions of up to 10%.

The cargo market is a very profitable segment for carriers in Ireland, resulting in several local markets aggressively targeting cargo risks and premium reductions of up to 40% were seen. The entry of NMU in 2005 challenged the local cargo market.

In the UAE, where rates were stable, Iraq is still an excluded territory for most insurers.

Onshore energy – Downstream

The onshore energy market continues to be preoccupied with – and, therefore, concentrated on – natural catastrophe (NAT-CAT) exposures including named windstorm, flood, and earthquake. As the quantum of the 2005 hurricane claims develops, the insurance market will continue to seek its equilibrium. Insurers are following the new modelling guidelines, and this is nowhere more apparent than NAT-CAT exposures. While individual risk differentiation remains vital – and is recognized by insurers – this is a difficult reality when it comes to NAT-CAT exposures. Sublimits are being imposed on these exposures with increased deductibles. In some instances, insurers are imposing named-windstorm sublimits to include all loss caused by and resulting from the named windstorm. Insurers are attempting to include resulting perils within the sublimit. Annual aggregates for named windstorm are also being suggested by many insurance markets.

Modelling is expected to remain an issue for the foreseeable future as insurers wrestle with accumulations and aggregates. All of this causes a longer, more protracted underwriting and negotiation process and creates increased focus on the need for full and complete underwriting information. Ultimately, individual quality of risk, exposure characteristics, and loss experience will govern the ability to influence pricing, terms, and conditions.

Fierce competition on the Romanian market caused significant premium reduction of up to 60%.

France also saw premium reductions of up to 20% due to the Gulf of Mexico exposure.

The Netherlands reported premium reductions of up to 20%. There is no specific onshore energy market there; business is placed with regular property insurers or in the London market.

Spain and Norway were the only countries to report premium increases. In Spain (up to 20%), this was due to high losses and restrictions in coverages.

Rates were stable in Kazakhstan where ratings are based on reinsurance capacity in Russia as Western markets are still quoting significantly higher rates than the largest Russian reinsurers.

The first wind farm coverage was recently placed with CNA in Ireland, beating the local insurer RSA.

Offshore energy – Upstream

Average premium rates in the London market increased up to 15% for non-Gulf of Mexico exposed accounts, but up to an extremely high 400% on Gulf of Mexico exposed accounts. It is estimated that capacity is largely unchanged from 2005, but with a few additional insurers, a 5% increase in capacity is noted.

There were no significant withdrawals following the 2005 hurricane season; but we anticipate that if a similar year ensues, we may see the fine balance between income and claims payments restricting cash flow for some insurers to the extent that they will eventually cease to trade. More likely in today's world of composite insurers, capital may be moved from energy to more profitable areas.

Rates in Belgium are reinsurance driven and they increased up to 10% following Gulf of Mexico exposures. Also, there were more and bigger projects creating capacity crunch for certain extensions to basic cover.

Spain reported significant premium increases of up to 50% due mainly to Gulf of Mexico exposures which increased premium by 100% on average. Where there was no Gulf of Mexico exposure, premiums increased by 30 to 50%.

Energy Liability

With regards to energy liability placed in the London market, Zurich, AXA and AIG are being competitive in order to retain their high profiles and earnings in Europe. The most dramatic changes have taken place in the Middle East. Some insurers have viewed the lack of liability claims in the area as a driver to provide highly competitive quotes that show double-digit reductions from expiring.

The Netherlands reported premium reductions of up to 20%. There is no specific energy liability market there; business is placed with regular general liability insurers.

Belgium saw stable rates. The Belgian energy liability market is driven by the London market with occasional Norwegian competition.

Portugal also reported stable rates; a lack of markets and financial capacity is forcing placement abroad.

Renewable Energy

Steady growth is being witnessed in the volume of onshore wind farms being built across Europe and, as a result, insurers are developing their portfolios. The market is still building a premium base and therefore rates are relatively stable. However, for strategic reasons, some projects are benefiting from lower rates, although this is the exception and not the rule.

New carriers are entering the market, but this has not had the effect of pressuring premium downwards to a significant degree. It will be interesting to see how the market reacts to this additional capacity in the next 6-12 months if losses remain as negligible as they have in the last year.

With regard to the offshore sector, it is fair to comment that continental insurers have finally caught up with Lloyd's carriers who until recently had a very strong market share. Construction and operating policies are now being placed with local carriers as the rates available are very attractive. In particular, a combined construction and 10 year operating non-cancellable policy was placed in a domestic European market. Innovative deals such as this are the first signs of a viable alternative to Lloyd's, which did not exist in 2005.

Aviation

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

The first two quarters of 2006 have been very active in the underwriting community, with new capacity entering, existing capacity merging and a great deal of movement of personnel between underwriting units.

New capacity is playing a big part in the market at present, new entrants such as Starr Aviation, Inter Aero and Berkley Aviation are already helping to drive rating levels down, and with QBE and Augsburg Re due to start underwriting aviation business in the fall, available capacity may far outweigh requirements. This could be made worse if certain syndicates decide to diversify their portfolio and enter the aviation market in order to improve their security ratings.

As a result of this new capacity, the merger of Swiss Re and GE Frankona, both large participants in the aviation market, will have little if any effect.

These new underwriting units have created a demand for underwriting staff and the first six months of 2006 have seen over 50 personnel changes from one unit to another. The most significant being the move by a proportion of the senior Allianz Aviation London team to the new QBE Limit syndicate, as well as the majority of the USAIG team moving to form Allianz Aviation US.

Away from all the activity in the underwriting community, the improved safety record of airlines continued in the first half of 2006, with only one major airline loss involving fatalities. However, there have been a number of significant hull losses, most notably the Brussel's airport hangar fire in May that resulted in the total loss of four aircraft.

While these hull losses have affected underwriter's cash flow, the lack of any large liability loss means that the year currently stands to be profitable for underwriters once again.

This overcapacity and the lack of significant losses have started to take effect on airline rates and premiums. The average hull rate reduction for the first six months of 2006 stands at 14.5%, whilst liability rates reduced by on average 20%. This was offset by significant growth in fleet size and number of passengers carried, resulting in an average premium reduction of just over 6% for the period.

On the manufacturers' book, it was only towards the end of the period that overcapacity has started to have any influence. Prior to June, premium reductions were few and far between, with the majority of assured's receiving 'as before' or slight increased premiums. June saw some of the larger manufacturers with higher premium spends being able to obtain small reductions at renewal. With a number of underwriters seeking to increase their participation in this class, premium levels could well start to fall across the board.

The airport book of business has seen a slight softening in the first six months of 2006, with many receiving as before premium renewals. Only where a large variance in exposure occurred has there been any significant movement in premium both up and down. As with the manufacturers book, certain underwriters are currently contemplating entering the fray, which will inevitably engender competition and drive premiums down. The air traffic control (ATC) portion of this portfolio continues to worry underwriters and stand alone programmes continue to receive small premium increases. Where ATC is included within the airport placement, this can influence the premium depending on size of ATC exposure.

Therefore, whilst underwriters are at present managing to maintain small premium reductions across the majority of the aviation book of business, once the new capacity and expanded capacity gets into full swing, we would anticipate premium reductions to accelerate subject to their being no major market losses such as last years wind storms, or indeed a series of aviation specific catastrophes.

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