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MARKET PERSPECTIVE

EUROPE, MIDDLE EAST, AND AFRICA INSURANCE MARKET REPORT 2014

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MARSH & McLENNAN COMPANIES

Contents

FOREWORD

After a spate of major catastrophic events since the turn of the century, 2013 may well be remembered by the insurance market as one of the more benevolent of recent years. Things had looked very different in the first six months of the year after flooding devastated much of Central and Eastern Europe, resulting in losses estimated at US$18 billion. Large parts of Canada, Argentina, and Australia also fell victim to rising waters in early 2013, yet again raising questions about the onset of climate change and its relation to the phenomenon.

As the year drew on, however, the weather generally settled. Both the Atlantic and Pacific hurricane seasons were more benign than usual, with the exception of the sting in the tail that was Typhoon Haiyan — which tragically stuck Southeast Asia, taking more than 7,000 lives. The most recent loss estimates support this analysis; estimated insured losses from natural catastrophes and man-made disasters in 2013 are little more than half the sum they were for the same period 12 months earlier.

While the weather may have relented somewhat in 2013, unfortunately the same cannot be said for the effects of the protracted sovereign debt crisis, which continues to weigh heavily on business decisions across much of the world. This is particularly the case in much of Europe, which is in increasing danger of being torn into a two-tier continent — one split between those northern nations in the midst of economic recovery and the Mediterranean countries which languish in economic stagnation or prolonged recession.

Regulations across the region, especially in emerging growth markets, continue to also weigh heavily on business decisions and operations as well. In the more established economies, however, regulators are slowly beginning to reassess the way they have been proposing regulation and the ways in which companies are able to do business without trying to kill capital investment from the markets.

For most EMEA clients, the rating climate has remained broadly flat during 2013, and this is expected to continue in 2014. The market currently shows no signs of hardening, and clients with attractive risks and good loss histories generally continue to be able to secure rate reductions due to an abundance of capacity and strong competition between carriers.

Thank you to all of our colleagues for their efforts on behalf of our clients and for their contributions to the *EMEA Insurance Market Report 2014*. We offer it to you with our compliments and invite you to contact your Marsh client executive and other members of the client service team to discuss this report in greater depth. As is the case with all we do, the report is part of our commitment to helping your business thrive.

David Batchelor
President, Marsh International

EXECUTIVE SUMMARY

The insurance market across EMEA was generally soft in 2013, with very few exceptions. Intense competition between insurers and anxiety among companies with regard to future economic fortunes not only placed downward pressure on rates, it also altered companies' insurance-buying behaviours and spurred product innovation as insurers vied to retain business across the region.

Premiums have therefore not increased in the way traditional markets had hoped they would and, as a result, insurers have placed greater emphasis on thorough underwriting and proper risk selection. With a diminished appetite for poor risks and/or risks with adverse claims histories, underwriters have begun requesting a greater range and depth of information from buyers — placing even greater importance on the need for detailed and comprehensive risk management in order to secure favourable rates at renewal.

ECONOMIC ISSUES

- Polish insurers have relaxed their underwriting requirements and are competing for risks they were typically declining in previous years. As a result, many lines of insurance have seen more than 30% reductions in premium. A number of clients are now signing insurance contracts for more than 12 months in order to take advantage of the favourable market conditions.
- Total premium for the direct Italian insurance business continues to suffer as a result of the country's recent two-year recession, although signs the contraction stopped in the fourth quarter of 2013 are welcomed.
- In Greece the economic downturn has resulted in property premium decreases sometimes approaching as much as 30% to 40% as insurers compete ferociously for business.
- Premiums for health insurance in Greece have risen dramatically. This can be attributed to the greater usage of medical plans as social security benefits have deteriorated, as opposed to general medical inflation.
- The ongoing economic crisis is causing general insurance premiums in Serbia and Montenegro to continue to fall. Companies are therefore focusing on their major risk exposures, while at the same time recalculating and trying to estimate the adequate amount of their respective risk appetites.
- Investors and businesses in Zimbabwe continue to seek clarification on the direction of future economic policy matters, and existing uncertainty is having a negative impact on business and economic growth.

TAX AND REGULATION

- Recent legislative changes in Belgium have resulted in insurers being required to make additional provisions to workers' compensation policies, including higher provisions at the moment of accident. Some insurers have already decided to increase premium at portfolio level to reflect the additional costs involved, and others are expected to follow suit.
- There has been an increase in regulation in Switzerland, with the Swiss Solvency Test being put in place in anticipation of the new European Solvency II deadline.
- In Oman, guidelines/rules have been published by the Capital Market Authority (CMA) on the manner of business to be conducted by insurance brokers.
- A new compulsory health insurance scheme is being implemented in a phased manner by the Qatari government. The first phase caters to female nationals, with the subsequent phases designed to cover male nationals, and then expatriates.
- In Poland, the reintroduction of mandatory insurance requirements for "medical events" (no-fault medical malpractice insurance) — originally planned for the beginning of 2014 — has been delayed until 2016.

- Legislation making health insurance mandatory in Dubai is expected in the first half of 2014. The details and structure remain unclear; however, it will likely increase overall market penetration and could affect insurers in the short term if it should require mandatory purchase from a pre-determined panel of providers.
- South African insurers are now able to reflect their capital adequacy requirement factors in line with new legislation which commenced in January 2012.
- New legislation in Turkey has meant that reserving methodology has changed and increased in the event of a loss. As a result, insurers are now required to put more in reserve should a loss occur, which has negatively impacted their profitability and balance sheets.

INNOVATION

- Despite high loss ratios, insurers in Greece have been very innovative in designing simpler and cheaper motor policies for companies and individuals alike, particularly through the use of parametric methodologies. Further rate reductions are expected in 2014 as this trend continues.
- The implementation of the Nigerian Insurance Industry Database (NIID) project has succeeded in reducing fraudulent insurance certificates and claims. It has also increased compliance with existing legal requirements.
- In Oman and Saudi Arabia, nationalisation initiatives aimed at gradually reducing the dependence on foreign labour are posing challenges with regards to the availability of skilled insurance personnel.

CYBER

- Enquiries on cyber risk insurance products have continued to increase as boardrooms have become more and more aware of their companies' exposures. While take-up has risen in countries like the UK, Germany, and Belgium, uncertain economic conditions mean it will take a little more time to become a real priority for those clients in struggling countries.
- The financial institutions sector in Nigeria has witnessed several large incidents (in excess of US$5 million) in the past few months, most of which have been sophisticated IT-based losses which fell outside the scope of traditional cover.

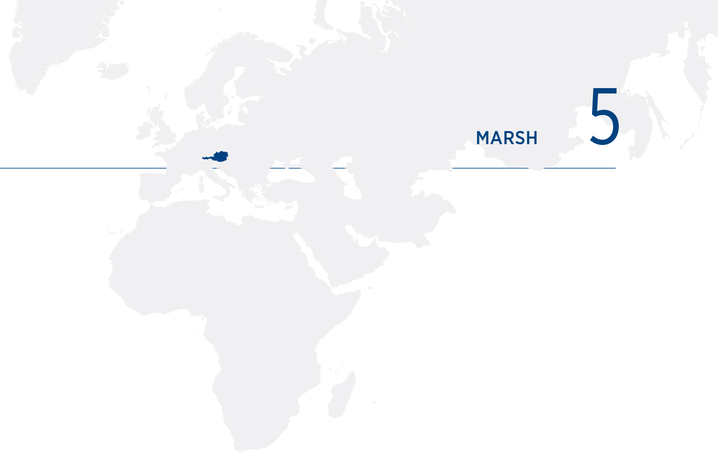
POLITICAL RISK

- Following on from the Arab Spring, clients are still looking to protect themselves against political uncertainties, particularly within the Middle East and North Africa (MENA) region. The ongoing political unrest in Libya and Egypt, and the civil war in Syria have heightened these concerns.
- Ukraine's decision not to sign the much anticipated far-reaching trade agreement with the EU has led to a shift in the relations between the EU and Russia. With the EU keen to develop closer relationships with former Soviet States (Latvia being the latest example), this is one to monitor closely in 2014 as discussions evolve.
- Due to the recent civil unrest in Bahrain, there remains a large demand for political risk solutions which many insurance companies are now able to facilitate.

CAPTIVES

- The captive insurance market is expected to continue to grow in 2014, although the nature and rate of growth is likely to differ across domiciles.
- Regulation continues to be an important feature of the captive landscape. However, significant progress made on Solvency II implementation has brought a welcome end to uncertainty in the EU, which is likely to have positive effects in 2014.
- In the EU, agreement on the Omnibus II amendments has paved the way for the introduction of the new regime on 1 January 2016. The amendments are still subject to a vote at a plenary session of the European Parliament — scheduled for February 2014 — but are expected to pass.

INSURANCE MARKETS BY COUNTRY



Austria

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

Austria's general liability market remains soft, and rates are expected to continue to decrease by 10% in 2014 as overseas insurers attempt to enter the country.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

The Austrian motor insurance market is currently stable.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Flooding due to heavy rainfall in 2013 caused estimated insured losses of approximately €250 million across Austria. However, rates for catastrophe-exposed risks remain stable.

Although the entry of global players added to the increased national competition for non-exposed risks, the current soft market for Austrian industrial and commercial property risks is homemade.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

As in the past, many Austrian insurance companies have failed to issue competitive wordings and have left the market to US insurers; however, they have recently stated their intention to improve their respective market shares.

FINANCIAL INSTITUTIONS

RATES: INCREASE 0% TO 10%

Premiums may increase by as much as 10% in the coming year as insurers remain cautious in the face of ongoing economic crises.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: STABLE -5% TO +5%

Marine insurance is not a large market in Austria. The involvement of brokers and foreign insurers has led to intensified competition for large risks. Rates are stable and slightly increasing.

RISK TRENDS

Market Trends

The Austrian market remains very soft, and there is currently no sign of this changing in 2014. At present, Austrian companies are tending to focus on securing possible premium reductions rather than enlarging scopes of cover.

Regulatory and Tax Trends

Austrian companies with overseas operations are beginning to pay much closer attention to compliance and tax issues in foreign jurisdictions.

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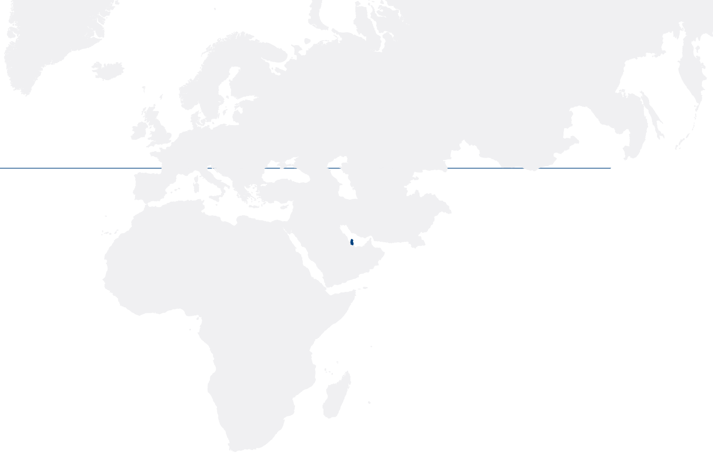

Bahrain

GENERAL LIABILITY
RATES: STABLE -5% TO +5%

MOTOR/AUTO
RATES: INCREASE 0% TO 10%
Motor rates have risen by as much as 10% in Bahrain. Motor insurance is compulsory in the country, and the new trend is that motor dealers are offering insurance cover in conjunction with insurance companies.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%
Demand is increasing for cover to protect against the effects of climate change, and rates have risen by as much as 10% as a result.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
The D&O market remains stable, with requests for cover mainly coming from financial institutions. The demand for bankers' blanket bonds is increasing.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%
Demand for bankers' blanket bonds has increased among a number of financial institutions.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
The market is stable and demand continues to stem predominantly from designers and contractors.

MEDICAL MALPRACTICE
RATES: INCREASE 10% TO 20%
In what remains an undeveloped market, medium to large companies are increasingly looking to purchase health care insurance for their employees, which has pushed rates up by between 10% and 20%.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: LIFE
RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: INCREASE 10% TO 20%
An increase in claims ratios and the number of medical treatments offered under employee benefits insurance has pushed up premiums by as much as 20% in some cases.

RISK TRENDS

Market Trends

There is an increasing demand for employee benefits insurance in Bahrain, and the majority of the country's insurers are responding to this rise.

Due to the recent civil unrest in the country, there remains a large demand for political risk solutions, which many insurance companies are now able to facilitate.

Climate change continues to be a talking point, with a number of clients looking to protect their property against natural perils.

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Belgium

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

Belgium's general liability market remains competitive, and abundant capacity means clients have experienced rate reductions of up to 10%.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%

Driven by intense competition and a reduction in bodily injury claims, Belgian motor rates have shrunk close to historic lows. It is not believed that the introduction of VAT on legal fees as of 1 January 2014 will have a significant impact on the commercial market.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: INCREASE 0% TO 10%

Recent legislative changes have resulted in insurers being required to make additional provisions to workers' compensation policies, including higher provisions at the moment of accident. Some insurers have already decided to increase premium at portfolio level to reflect the additional cost involved, and others are expected to follow suit.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

A competitive environment is ensuring rate reductions can still be achieved. Key to obtaining the best possible cover is the quality of information provided to the market, while loss prevention and the follow-up of recommendations remain important.

ENVIRONMENTAL
RATES: DECREASE 0% TO 10%

Overall rates are expected to fall slightly in 2014. However, clients in the oil and chemical sectors may experience significant increases in excess of 25% due to bad claims experiences.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%

Large corporate clients can possibly expect slight decreases at renewal, depending on their claims history, M&A activity, and the extent of US exposures. Rates for those in the middle market remain stable.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

Premium rates are generally stable, except for a minor decrease in D&O for those accounts where premiums have not yet reached the bottom line, and where competition still exists in the market.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

Many insurers have expressed their intent to develop their professional indemnity (PI) portfolios and are eager to receive submissions. However, their appetites appear to be limited to excess layers only. Willingness to take on new primary layers remains subdued due to general claims experiences and the fear of future claims.

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%

MARINE CARGO
RATES: DECREASE 0% TO 10%

Accounts with sound records can expect decreases at renewal.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%

An increase in health insurance is expected to coincide with the rise in medical inflation. Meanwhile, life insurance rates have decreased by up to 10% as the focus shifts from pension build up to risk coverage.

RISK TRENDS

Market Trends

The Belgian insurance market remains competitive across all lines, and the landscape is not expected to change in 2014.

Workers' compensation premiums have been subject to automatic increases due to the Governing Body for Workers' Compensation contribution.

Catastrophe-exposed property premiums have also experienced automatic increases for natural catastrophe exposures.

Motor rates have reduced, meanwhile, due to better results in bodily injury claims histories.

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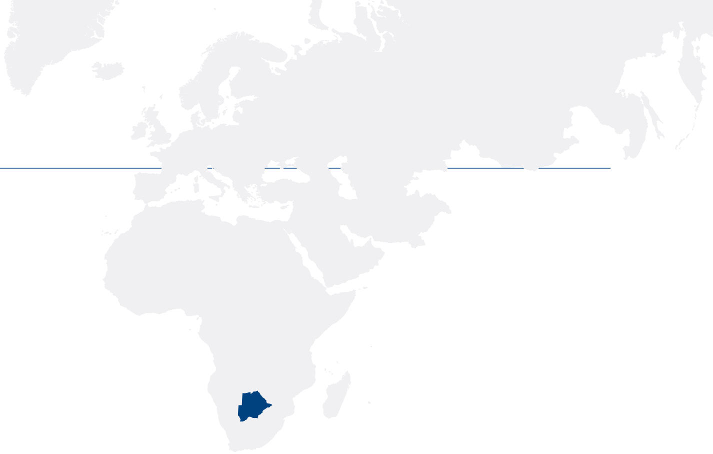

Botswana

GENERAL LIABILITY
RATES: STABLE -5% TO +5%

Prices remain stable. However, insurers are revising limits in response to the recent currency devaluation, and large revisions are expected.

MOTOR/AUTO
RATES: STABLE -5% TO +5%

Revisions to rates in the first quarter of 2014 are expected to push them up by between 20% and 30% generally.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%

Salary increases due to inflationary pressures will likely push rates up by 20% to 30% in 2014.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%

There is an increased awareness of and therefore greater demand for D&O insurance in Botswana. Rates are expected to increase by as much as 20% in 2014.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

As with other lines, rates for financial institutions insurance are expected to increase by as much as 20% in 2014 due to general inflationary pressures.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

Inflationary pressures look set to push up rates for professional liability insurance by as much as 20% in 2014.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%

Limits for medical malpractice are increasing due to inflation. Increased market penetration is planned for 2014, although rates look set to increase by between 10% and 20%.

MARINE CARGO
RATES: STABLE -5% TO +5%

Rates for marine cargo look set to increase by between 10% and 20% in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%

The employee benefits market is currently stable. However, in 2014 rates are expected to increase by between 15% and 20%.

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Bulgaria

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
The general liability market has witnessed a slight reduction in overall premium rates. Market volumes have remained stable.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: DECREASE 0% TO 10%

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%
This is a growing market in Bulgaria. As a result of significant amendments to both the Health Insurance Act and the Insurance Code, a number of health funds have been relicensed specifically as insurance companies.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Additional health cover is popular and represents the main benefit of choice in Bulgaria. Meanwhile, the life and personal accident and pension markets remain stable.

RISK TRENDS

Market Trends

There has been an increase in the amount of indemnifications for bodily injuries in Bulgaria.

As a result of significant amendments to both the Health Insurance Act and the Insurance Code, a number of health funds have been relicensed specifically as insurance companies.

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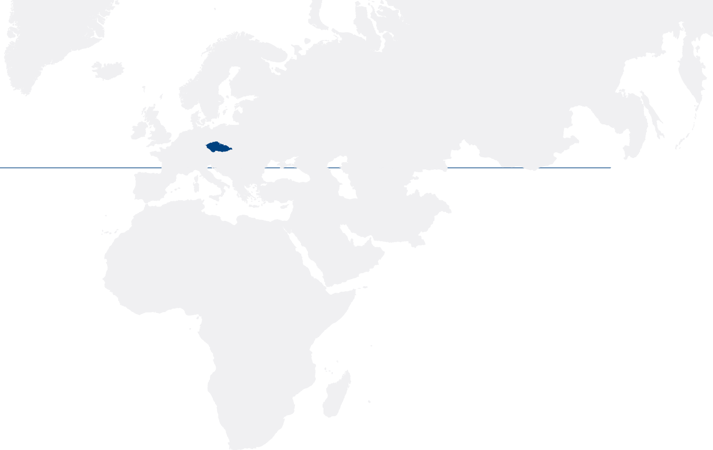

Czech Republic

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

General liability rates should be affected by the major legislative change as of 2014: the new Civil Code and Act on Corporations. Among other aspects, it will affect bodily injury losses, which should be indemnified according to new standards. Precedents are yet to be set by independent court judgments.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

Motor rates have stabilised after years of rate decreases sparked by fierce competition among insurers. Rates for both motor insurance and auto liability have reached a bottom equal to the limit of profitability and, in some cases, have broken this limit for the purpose of retaining client business for other lines of insurance.

ENVIRONMENT

RATES: STABLE -5% TO +5%

Following the introduction of the EU directive regarding state-protected natural habitat areas into the Czech legal system in 2012, a number of insurance companies have recently unveiled their new environment liability offerings.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

The property market is stable due to sufficient local capacity, and rates have remained flat as a result. Insurers have on occasion even reduced rates for some A-classified construction.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

After years of decline, D&O rates have finally stabilised. As a result of extremely low loss ratios, this line of insurance suffered a lack of interest from companies and their management teams. The situation is expected to change dramatically in 2014 with the implementation of the new Civil Code.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

Rates in this specialty are extremely variable and dependent on a selected sector. Insurance companies have reacted very sensitively to the rising number of losses among architects and law firms. The growth of IT services has brought about new specialised IT professional indemnity products with a separate cyber-risks wording.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

The health sector is regarded by most insurers as a risky one, especially because of the high potential for losses. Final submissions are usually composed by several co-insurers in order to spread the risk on the insurance market.

EMPLOYEE BENEFITS: HEALTH

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: STABLE -5% TO +5%

Due to low penetration of life and pension insurance in the Czech Republic compared to Western European countries, employee benefits remains the area with the largest potential for growth in 2014.

RISK TRENDS

Market Trends

Commercial rates should stay flat or decrease slightly due to a low number of high losses and surplus capacity in the market.

The take-up of new products such as environmental liability insurance has so far been slow to nonexistent.

Regulatory and Tax Trends

New taxes imposed on motor third party liability insurance (MTPL), including requirements that 3% of the premium be directed to firefighting funds, and long-term low profitability resulting from intense competition are expected to drive up rates for MTPL in 2014 by as much as 10%.

The new Civil Code, effective 1 January 2014, will see a shift from fixed rates to indemnification decided by a court. As such, insurers will be required to change their terms and conditions, and brokers will need to adapt to higher risk on negligence and advising clients in relation to the new conditions.

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France

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

Rates for some good business have even decreased by as much as 15%, and in cases where there has been a change of insurer, sometimes by more than 15%.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

The number of companies operating in France on motor fleets actually decreased in 2013, reducing competition slightly. Those insurers that remain are more and more focused on the Solvency Directives, and their priority is on improving their portfolios, as opposed to chasing new clients and new territories.

In 2014, insurers are applying automatic inflation ("majoration de conjoncture") of between +3% and +7%, even on very profitable fleets. Those fleets with bad loss ratios or high frequencies have experienced increases of up to 50%, or even direct cancellation.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

Capacity offered in the market is stable, and there have been no particularly large and/or recent losses for this class of risk. As a consequence, competition among insurers for good-profile clients has led to a slight decrease in premium rates. The appetite for under-managed risks and highly sensitive activities, on the other hand, has reduced and rates have gone up accordingly.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

The market has remained soft in 2013; even softer than in 2012. Competition remains very fierce, especially on upper-middle market accounts. In this segment, rate reductions of up to 30% have been achieved on accounts with very good quality risks and loss ratios. Little change is anticipated in 2014.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

Rate reductions of up to 10% have typically been witnessed at renewal. Risk managers have more or less bought specific environmental cover but are still looking to increase the insured capacity.

Insurers are looking to target specific cover for pre-existing pollution conditions. The biodiversity liability market is also expected to grow in France, and clients are increasingly enquiring about solutions to offshore risk and development risk.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

There is currently fierce competition in the market for commercial risks. While there are no signs of this market hardening any time soon, the premium difference between loss-free accounts and loss-making ones is vast. The market is still hard on financial institutions (FI) D&O, however, where regulators' actions against mid-management has triggered a number of policies. These two trends are expected to last in 2014.

FINANCIAL INSTITUTIONS

RATES: INCREASE 0% TO 10%

The FI market is quite competitive on small and medium accounts. However, this is not the case for tier one FIs, particularly on PI, D&O, and to a lesser extent, banker's blanket bonds.

On large accounts, working capacity has significantly decreased, and insurers keep pushing self-insured retention up. No significant new capacity is foreseen, and therefore the current trend is expected to continue in 2014.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

This is a competitive market with newcomers adding to an existing abundance of capacity. No change is expected in 2014.

MARINE CARGO

RATES: STABLE -5% TO +5%

The market is now stable following significant reductions in recent years. Looking forward, those risks with bad loss ratios or high limits will be more difficult to insure without an increase of premium; however, because the French market is still overcapitalised, those increases should be limited.

AVIATION

RATES: DECREASE 10% TO 20%

An abundance of capacity remains in the French aviation market, driving strong competition between insurers. Despite some large attritional losses within the airlines portfolio in 2013, the market is expected to remain soft for insurers in 2014 and much more favourable for manufacturers' portfolios.

RISK TRENDS

Market Trends

The economic crisis continues to affect almost all sectors and investments, and shows no sign of abating in the near future, with a triple-dip recession a very real possibility.

The motor market is hardening, and for road haulage companies, passenger transport companies, and short-term rental fleets, placing motor insurance is very difficult.

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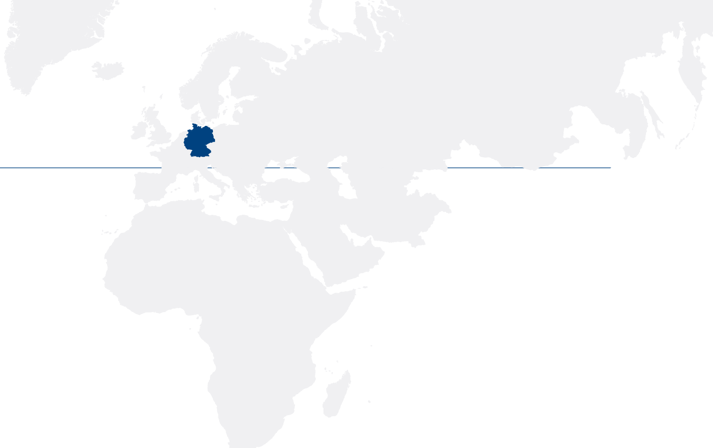

Germany

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

Rates are down slightly on average, and in some cases premium decreases of up to 20% can be realised, especially for those clients with positive claims records and risks that match insurers' risk appetites. The market remains difficult for special risks, however. No change is expected in 2014.

MOTOR/AUTO
RATES: INCREASE 10% TO 20%

Due to increasing natural catastrophe losses, it is expected that the market won´t get significantly better in 2014. If the loss record is negative, further premium increases look likely to occur.

ENVIRONMENT
RATES: DECREASE 0% TO 10%

PROPERTY: CATASTROPHE-EXPOSED
RATES: INCREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%

Property (catastrophe-exposed) premium increases are currently between 5% and 10% on average for clients with good loss records. Higher increases are out there, however, and for higher limits the market has seen rates increasing by as much as 20%.

Non-catastrophe-exposed rates have increased by slightly less, but by up to 10% on average nonetheless. Reductions of up to 10% are sometimes possible if there have been no major losses, no significant catastrophe exposure, and the industry is not high-risk.

Although some insurers softened their demands for higher premiums close to the renewal date for fear of losing accounts, an even harder market is expected in 2014.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%

Clients in the upper-middle market segment are increasingly asking for local D&O policies. With regard to multinational accounts, clients' legal departments are paying particular attention to the scope of cover to ensure contract certainty. The commercial D&O market is expected to remain soft, with flat renewals and unchanged premiums in 2014.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

It is important to distinguish between banking and non-banking accounts. International investment banks and banks with poor loss records and/or bad financials will be reviewed very closely by the underwriters. Some carriers have reduced capacity in this segment, while new players are only interested in good accounts. Premium increases have been achieved in many cases, however, and therefore a hard market with premium increases is not foreseen in 2014.

PROFESSIONAL LIABILITY
RATES: DECREASE 0% TO 10%

There is increasing competition in the market in both the primary and the excess layers. As a result, premiums have fallen. In addition, some markets have launched new innovative PI products. A more challenging market for PI insurers is expected in 2014 due to the fierce competition.

MARINE
RATES: DECREASE 0% TO 10%

The longstanding soft market might have finally reached the bottom. For clients with poor loss records, it is getting harder to avoid premium increases or other insurers' measures. An increasing number of insurers are showing a rather conservative and careful approach and have started to drop unfavourable business.

AVIATION
RATES: DECREASE 0% TO 10%

Competition has increased, both because new insurers have entered the market and because large local markets view aviation as an interesting market for future growth. The stable market is expected to continue in 2014 with premium decreases of up to 10%.

RISK TRENDS

Market Trends

The German market is an interesting and attractive one for international insurance companies right now. New market entries from abroad are currently under consideration, and any future increase in competition is likely to influence the market.

Natural catastrophes have risen in frequency and severity, and therefore more large-scale claims are being seen. This is likely to strongly influence the claims ratio in the German insurance market.

Having a proper risk management framework in place is becoming more and more important to insurance companies in the country. If clients do not have a proper risk management structure or a certain amount of information available, their insurance coverage is likely to be more expensive. With Solvency II looming and added pressure for insurance companies, detailed risk management is now more necessary than ever to get adequate premiums, or indeed to get insurance coverage at all.

Regulatory and Tax Trends

The Renewable Energy Sources Act (EEG) is intended to facilitate the sustainable development of energy supply, and therefore further concentration (geographical) in the renewable energy sector is expected. Due to this growing market, there will be ongoing competition for business.

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Greece

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
Low loss ratios and higher capacities on offer have led to rate reductions of up to 10%. In 2014 clients are expected to press for further premium decreases as a means of cost-cutting.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%
Despite high loss ratios, insurers have been very innovative in designing simpler and cheaper products for companies and individuals alike, particularly through the use of parametric methodologies. Further rate reductions are expected in 2014 as this trend looks set to continue.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: DECREASE 0% TO 10%
For employers' liability insurance, higher available capacities and low loss ratios have led to premium decreases, with further reductions expected in 2014.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 20% TO 30%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 10% TO 20%
The economic downturn has been a major factor in property premium pricing, with decreases sometimes approaching 30% to 40% as insurers compete for business and offer higher capacities. Furthermore, asset prices have continued to depreciate. The market is expected to soften further in 2014 with no end to economic downturn in sight in the near future.

ENVIRONMENTAL
RATES: DECREASE 10% TO 20%
Environmental cover is still only offered by two insurers in Greece, yet rate reductions are consistent with those in other lines of business being driven by the recession. The same is expected in 2014.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%
The demand for D&O insurance was high in 2013 due to the high frequency of privatisations of public companies, and this trend is expected to continue into 2014.

PROFESSIONAL LIABILITY
RATES: DECREASE 0% TO 10%
There is increased demand for professional liability insurance for designers, architects, and engineers coming from construction companies in the country. However, there is not enough capacity in the local market, leading many companies to look to foreign markets for cover. Further demand for professional indemnity insurance is expected in 2014 mainly due to the public-private partnership (PPP) project materialisation expected to occur in the country.

MARINE CARGO
RATES: DECREASE 0% TO 10%
Imports and exports, and consequently transportations, have been seriously affected by the recession in Greece. There is therefore reduced demand for insurance, which has led to rate reductions.

AVIATION
RATES: DECREASE 0% TO 10%
The aviation market remains small. A slight decrease was noted in 2013 and this is expected to continue in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Premium increases have been much higher than those noted by the pooling networks. This can be attributed to the greater usage of medical plans as social security benefits have deteriorated, as opposed to general medical inflation.

RISK TRENDS

Market Trends

Overall rates are still on the decline as a consequence of the recession, which is impacting the vast majority of private companies in Greece.

There are also changes taking place in the number of insurers participating in the marketplace, with capacities on offer increasing across almost all lines of business.

Industry Trends

The devastating economic crisis is impacting almost every sector in the country, particularly the food and beverage, pharmaceutical, and construction industries by significantly reducing turnover. Privatisation in the public sector is also more frequent than before.

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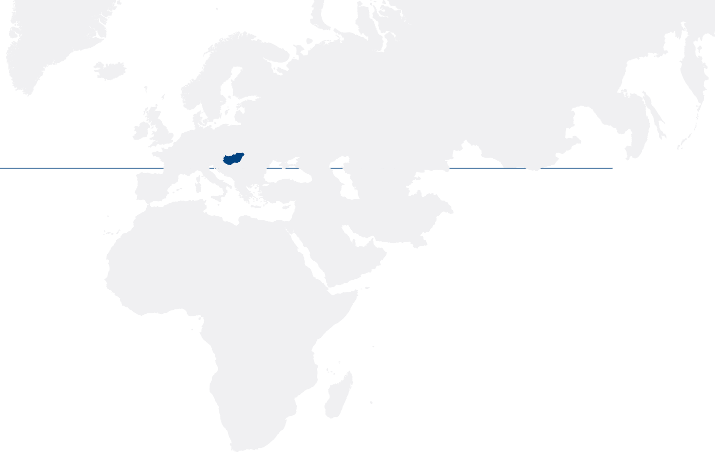

Hungary

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

MOTOR/AUTO
RATES: INCREASE 0% TO 10%
Major insurers are increasing rates because of concerns over long-term profitability as a result of the new insurance tax and high loss ratios.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 10% TO 20%

ENVIRONMENTAL
RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 20% TO 30%
There have been no D&O losses in Hungary for many years, which has contributed to rates decreasing by up to 30%. Market penetration is still low, but this is expected to change as a result of new regulation due on 15 March 2014, when a new Civil Code will come into force, thereby increasing the personal liability of executive officers.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

MARINE CARGO
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
INCREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
INCREASE 0% TO 10%

RISK TRENDS

Market Trends

There have been no major changes in deductible levels and no significant losses affecting the Hungarian insurance market.

Liability and health insurance are expected to be the main growth markets in 2014.

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Italy

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
There is a lot of capacity available in the general liability marketplace, resulting in moderate competition which allows those clients with good loss records to get competitive offers.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%
Rates are expected to continue their downward trend and decline further in 2014.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%
The market is stable. Moderate competition exists in the workers' compensation and employers' liability marketplace, as well as a lot of capacity (employers' liability coverage is usually granted under the same general liability policy). Clients are increasing their focus on loss prevention.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
Capacity is still available in the market, despite the fact certain large insurers are unwilling to underwrite high limits. There is a wealth of competition for the larger accounts, while smaller ones can still achieve better pricing and conditions at renewal if they can show improvements to loss prevention and risk management practices.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%
We expect the market will continue to be quite competitive in terms of capacity and price in 2014. Currently, demand for this line of business depends on risk managers' awareness of the environmental risks and the real perception of the associated financial exposures, in the absence of any mandatory duty to have an environmental insurance policy.

DIRECTORS AND OFFICERS (D&O)
RATES: INCREASE 0% TO 10%
The D&O market remains soft for the middle market. However, rates look set to increase in 2014 for larger clients.

FINANCIAL INSTITUTIONS
RATES: INCREASE 10% TO 20%
Italy's financial institutions market is hardening across all segments, and clients can expect rate increases due to large claims on bankers blanket bond insurance and uncertainty on financial institutions' recovery plans and turnover.

PROFESSIONAL LIABILITY
RATES: INCREASE 0% TO 10%
Due to requirements for mandatory professional indemnity (PI) for professional body members which came in in 2013, the PI segment is growing. Rates have increased by up to 10%, and this trend looks set to continue in 2014.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
Despite calls by doctors for reforms to offer them greater protection, the market is still waiting for major legislative changes aimed at reducing damage costs resulting from malpractice. No significant rate changes are expected in 2014.

MARINE CARGO
RATES: DECREASE 0% TO 10%
Rates are expected to continue their downward trend further in 2014.

AVIATION
RATES: DECREASE 0% TO 10%
There remains strong competition between the few insurers that cover aviation risks, especially for business from airports and small- and medium-sized manufacturers. Rates are expected to continue their slight downward trend in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: INCREASE 0% TO 10%
Life insurance rates are stable, while health and accident and health rates have experienced increases of up to 10%.

RISK TRENDS

Market Trends

Total premium for the direct Italian insurance business continues to suffer as a result of the recent two-year recession, although signs the contraction stopped in the fourth quarter of 2013 are welcomed.

Generally speaking, despite weak growth in the life sector, the decline of non-life premium continues, mainly in marine, property damage, and personal accident lines. The exception is in general liability, which has experienced modest growth.

For the first time in years, however, the future appears bright due to substantial decreases in loss ratios and better claims and cost management.

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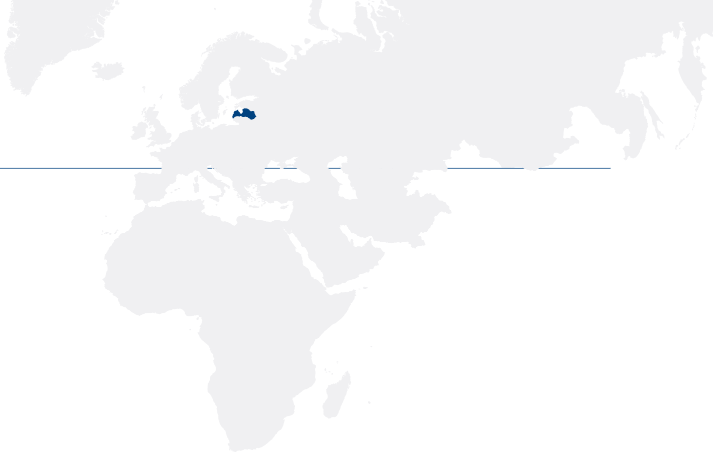

Latvia

GENERAL LIABILITY
RATES: INCREASE 0% TO 10%

The majority of general liability risks are transferred outside of Latvia, because of a lack of local capacity. Insurance companies have become more stringent in their underwriting following some significant losses in 2013.

MOTOR/AUTO
RATES: INCREASE 0% TO 10%

Motor rates have increased only slightly due to a recent rise in claims. Insurance companies in general have improved cooperation with dealers to develop IT-based solutions to ensure the fast resolution of claims.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%

The property market is stable with slight rate increases of up to 10% due to several large claims in 2013. Strong competition within this market and new entrants make any large rate increase unlikely in the near future.

DIRECTORS AND OFFICERS (D&O)
RATES: INCREASE 0% TO 10%

D&O rates have increased due to several recent claims in the region.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

The professional liability market is growing in Latvia because local companies have begun expanding outside national boundaries to offer their services abroad in countries where it is a compulsory requirement to have professional liability cover.

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%

MARINE CARGO
RATES: STABLE -5% TO +5%

AVIATION
RATES: DECREASE 10 TO 20%

Aviation rates have declined by between 10% and 20% due to there being no significant incidents in recent years and because of high competition between insurance companies. The number of insurers offering this product has actually increased because of the potential to work with the Russian aviation market.

EMPLOYEE BENEFITS: LIFE INSURANCE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: HEALTH INSURANCE
RATE: INCREASE 0 TO 10%

EMPLOYEE BENEFITS: ACCIDENT INSURANCE
RATE: INCREASE 0 TO 10%

There has been growing interest in life insurance products, which employers have begun to use as additional bonuses to employee benefits packages. Private persons are using saving plans ahead of life insurance.

Health insurance market premiums have risen due to the switch to the euro at the end of 2013, as well as an anticipated rise in medical inflation in 2014.

Employers have altered the criteria used to determine insurance sums for death and disability risks. In 2013, the tendency was to equal insurance sums to one- to two-years' average salary.

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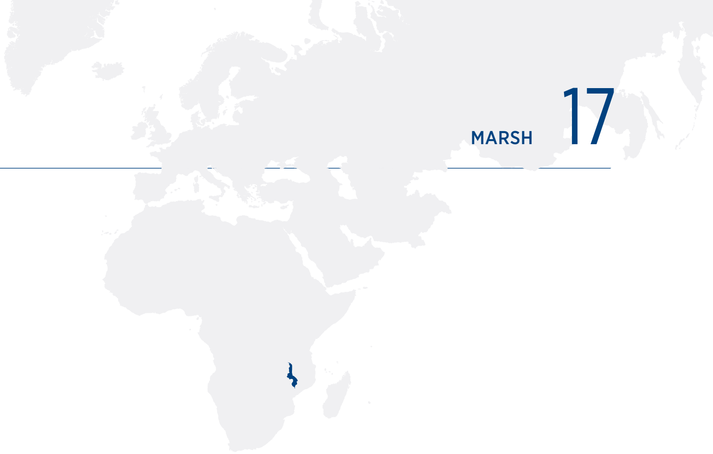

Malawi

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
The general liability market remains stable at present. Big revisions to limits are expected in 2014, however, in response to the recent currency devaluation.

MOTOR/AUTO
RATES: STABLE -5% TO +5%
Values are to be reviewed upwards in 2014, with rates perhaps increasing by as much as 20% to 30% in the first quarter of the year.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%
A revision of salaries is expected in 2014 to account for inflationary pressures. Rates are likely to increase by 20% to 30% as a result.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
Rates are expected to rise by as much as 30% in 2014.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
The awareness of, and therefore demand for, this product has increased noticeably over the past 12 months. Rates are expected to increase by between 10% and 20% in 2014.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
Limits continue to increase due to inflationary pressures. Greater market penetration is expected in 2014, although rates look set to increase by between 20% and 30%.

MARINE CARGO
RATES: STABLE -5% TO +5%
Rates look set to increase by 10% to 20% in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
The demand for employee benefits has continued to rise in Malawi, and market penetration has gradually increased. Rates are expected to increase by between 15% and 20% in 2014.

RISK TRENDS

Market Trends

Overall we expect a general increase in motor premiums due to increased claims frequency in this class of business. It is expected that similar increased loss trends will be experienced in crime classes (money and fidelity guarantee).

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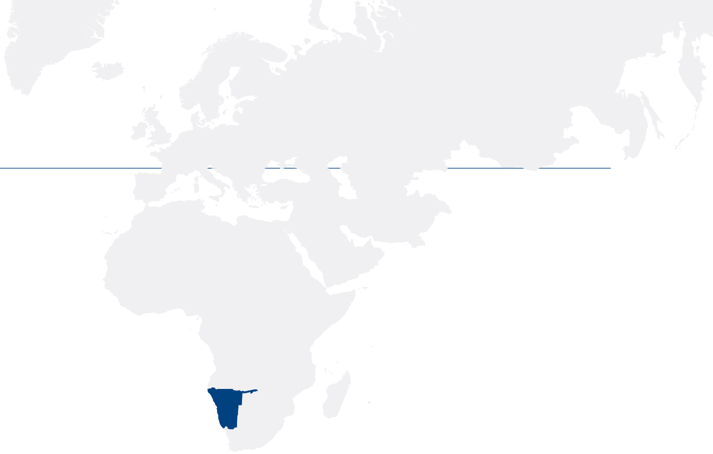

Namibia

GENERAL LIABILITY
RATES: INCREASE 0% TO 10%
Rates have increased by up to 10% as liability underwriters in Namibia have sought to make premium adjustments at renewal, either by declaration or rate increases.

MOTOR/AUTO
RATES: INCREASE 0% TO 10%
Motor insurers continue to experience losses, resulting in rate increases at renewal. Clients with particularly poor loss histories may see increases by as much as 20%.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
Due to heavy competition, rates remain under pressure.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
Due to recent changes to the Companies Act, cover is now mandatory for directors and officers. Company policies, however, are expected to be renewed at the same rates.

FINANCIAL INSTITUTIONS
RATES: INCREASE 0% TO 10%
Rates have risen slightly due to a high frequency of claims and declarations.

PROFESSIONAL LIABILITY
RATES: INCREASE 0% TO 10%

MARINE CARGO
RATES: STABLE -5% TO +5%
Loss ratios were fairly good for marine cargo in 2013 and, as a result, rates have remained stable.

AVIATION
RATES: INCREASE 0% TO 10%
Aviation remains a small market in Namibia, but clients have been subject to small rate increases.

RISK TRENDS

Market Trends

Insurers are becoming less effective at claims settlement in general, and this is having a negative effect on the entire industry.

Overall rates continue to decrease due to intense competition, particularly in the construction sector.

Regulatory and Tax Trends

There is the potential for new regulation to be introduced in 2014 which may raise additional issues of compliance.

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Netherlands

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
Competition remains strong in the general liability market due to substantial levels of capacity. Rates have fallen slightly as a result.

MOTOR/AUTO
RATES: INCREASE 0% TO 10%
The motor insurance market is changing in the Netherlands. Several insurers are increasing their rates, but those clients with active loss prevention programmes should be able to secure reductions.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
An overflow of capacity, coupled with the entrance of foreign capital anticipated in 2014, will likely further prolong the current stable, yet soft, property market.

ENVIRONMENTAL
RATES: DECREASE 0% TO 10%
Competition is helping to push rates down in this relatively undeveloped market, as insurers seek to build their respective market shares.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%
Commercial D&O insurers continue to offer premium discounts of between 5% and 10% due to new insurers entering the Continental market creating increased competition, particularly for excess layers. Middle market accounts are experiencing similar reductions despite an increase in notifications and claims.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%
New insurers entered the financial institutions market in 2013, resulting in competition driving rates lower. Both D&O and PI markets remain relatively soft; however, premiums appear to be bottoming out, thus creating fewer opportunities for rate reductions on competitively priced accounts.

PROFESSIONAL LIABILITY
RATES: DECREASE 20% TO 30%
The market became even more competitive in 2013, and clients with the largest contracts experienced the highest decreases, sometimes in the region of 40%. Insurers have placed a strong focus on risk management practice (RMP) business, leading to substantial premium reductions. Meanwhile, premiums for middle market clients are stabilising.

MEDICAL MALPRACTICE
RATES: INCREASE 20% TO 30%
Medical malpractice remains a very restricted market in the Netherlands. The three providers of capacity are all introducing substantial premium increases as a result of a rise in claims.

MARINE CARGO
RATES: STABLE -5% TO +5%
Despite suffering poor results, the Dutch market continues to provide discounts on accounts with good long-term records. In general, however, rates remain stable.

RISK TRENDS

Market Trends

The economic outlook in the Netherlands remains negative, and private spend is under pressure as a result. Low premiums are therefore decreasing further.

Industry Trends

The construction industry is under particular pressure as a result of poor economic growth.

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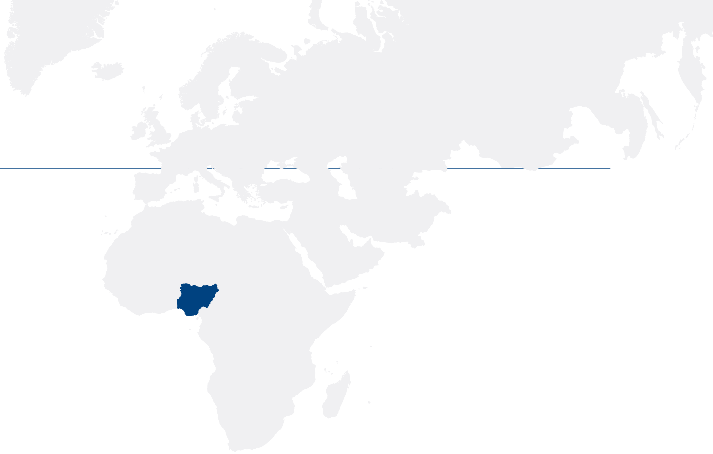

Nigeria

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
General liability rates have levelled out on the back of growing stability across the entire insurance market and improved operational efficiency of insurers. This trend is expected to continue in 2014.

MOTOR/AUTO
RATES: STABLE -5% TO +5%
Motor rates have stabilised thanks to developments in the industry. The implementation of the Nigerian Insurance Industry Database (NIID) project has succeeded in reducing fraudulent insurance certificates and claims, and increased compliance with existing legal requirements.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
The property market is stable due to sufficient local capacity, and rates have remained flat as a result. While there were a few major losses in 2013, the cumulative effect is not expected to lead to a hardening of rates in 2014, as the loss profile of the market remains positive.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
D&O rates have been stable in Nigeria for the past few years as clients have gained greater awareness of the personal liability of directors. Cover is offered by most major insurers, and rates are expected to remain flat into 2014.

FINANCIAL INSTITUTIONS
RATES: INCREASE 0% TO 10%
The financial institutions sector has witnessed several large incidents (in excess of US$5 million) in the past few months, most of which have been sophisticated IT-based losses which fell outside the scope of traditional cover. The expectation in 2014 is that there will be increased demand for bespoke products, such as bankers blanket bonds, financial institution bonds, and cyber liabilities insurance cover. This, coupled with the recent loss history, is expected to push rates up slightly in 2014.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
The outlook for the professional indemnity market mirrors that of general liability, and the stability currently experienced in the market is expected to prevail in 2014.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
Relatively few recorded claims in 2013 mean rates are likely to remain stable going forward.

AVIATION
RATES: STABLE -5% TO +5%
The Nigerian aviation market is in good shape despite a series of losses experienced in recent years. Rates are therefore expected to remain flat in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Competitive pressures are currently driving the development of new health plans with less exclusions and better pricing. This will be of benefit to policyholders in 2014.

RISK TRENDS

Market Trends

Increased risk management and enterprise risk management appreciation is leading to better management of clients' operational risks in Nigeria, with more bespoke insurance programmes and better pricing.

Terrorism risks are becoming an important consideration for larger organisations and multinationals operating in the country, and this is increasing the sophistication of insurance products on the market. Limited terrorism cover is provided by insurers as part of damage policies, but major cover is still accessed via the international terrorism market on a case-by-case basis.

Increased competition is leading to the improved pricing of risks and bespoke product offerings via a diverse range of channels, including microinsurance, to the benefit of clients as insurers seek to develop their market shares.

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Norway

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

The general liability market remains fairly stable, although clients with good loss records can expect to obtain savings of up to 10% at renewal.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%

Overall D&O rates remain flat. However, D&O facilities negotiated in the country can still obtain highly competitive rates.

FINANCIAL INSTITUTIONS
RATES: INCREASE 0% TO 10%

This remains a stable market, with the potential for slight increases in premiums.

PROFESSIONAL LIABILITY
RATES: INCREASE 0% TO 10%

Increased losses have contributed towards small to moderate rate increases.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

In general, the local property market has plentiful capacity and numerous insurance companies, resulting in healthy competition. Premiums are stable, and premium savings of up to 20% are often seen for clients with good claims records. Clients within the wood/furniture, plastic, and fiberglass industries have had some difficulty in securing cover, however; these industries are considered high risk, and are therefore subject to individual underwriting. We also see premium increases and requirements for stronger risk management for hydropower facilities/plants.

There have been several natural catastrophe claims in the last two to three years, but still there is no sign of a premium rate increase in this line of business. There have also been a few large grass and vegetation fires recently; however, these are not expected to affect premium levels in general.

No Norwegian insurers offer long-term contracts or policies, but clients with good claims records can often negotiate long-term premium adjustment agreements.

RISK TRENDS

Market Trends
The D&O market remains stable. Professional indemnity, on the other hand, shows some signs of being a hardening market.

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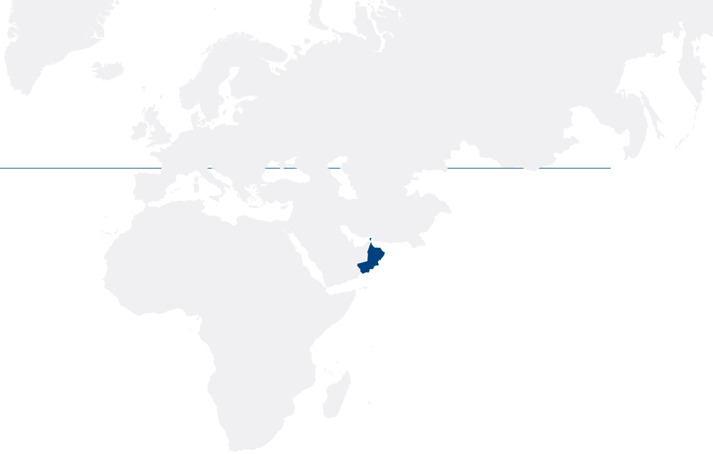

Oman

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

The general liability insurance market remains soft due to the non-litigious environment and an absence of large claims.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%

Commercial fleet rates have mainly remained flat; however, those companies with good loss records have experienced reductions of up to 5%. Rates for individuals have been much more closely tied to drivers' claims experiences, and have stayed flat or decreased slightly.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: DECREASE 0% TO 10%

PROPERTY: CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

Catastrophe-exposed property remains a challenge to insure at favourable rates. For safer risks, however, reduced rates and deductibles can be sought.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%

The D&O market remains soft in Oman. A non-litigious culture and absence of major claims mean rates continue to trend downwards.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%

The financial institutions market continues to be competitive, although insurers have become more cautious following a recent major claim in the country.

PROFESSIONAL LIABILITY
RATES: DECREASE 0% TO 10%

Contractors and subcontractors are required to carry project PI insurances in Oman. With a large number of infrastructure projects currently being carried out in the country, demand has increased resulting in a decline in rates.

MARINE CARGO
RATES: DECREASE 0% TO 10%

Local carriers have significant treaty capacity which allows them to write almost all types of marine cargo business.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

Health rates continue to increase due to medical inflation. Group life continues to be very soft.

RISK TRENDS

Market Trends

In Oman, nationalisation initiatives aimed at gradually reducing the country's dependence on foreign labour are posing challenges with regards to the availability of skilled insurance personnel.

The new electronic system developed by the police to house the country's motor insurance records on a national database has had teething problems, following the discovery that the systems of the Royal Oman Police (ROP) are not robust enough to handle the data. However, corrective actions are quickly being taken to make the system more dependable.

There have been some new guidelines/rules published by the Capital Market Authority (CMA) on the manner of business to be conducted by insurance brokers.

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Poland

GENERAL LIABILITY
RATES: DECREASE >30%

The general liability market is very competitive right now, with relaxed underwriting policies being adopted by nearly all participants. We expect greater price stability in 2014.

MOTOR/AUTO
RATES: DECREASE >30%

The market remains very soft, and insurers have been quoting well below 2012 rates throughout the year. Particularly sharp reductions have been witnessed for truck/ lorry vehicle fleets. It is expected that the market will harden in 2014.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: DECREASE 20% TO 30%

Employers' liability continues to be a niche market; however, rates have been declining in line with other liability rates. The increasing valuation of personal losses (for deaths and injuries) makes it likely for rates to stabilise earlier than for other liability rates.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE >30%

The market remains soft, and rates have been pushed lower by looser underwriting requirements by insurers compared to previous years. The market is expected to stabilise in 2014.

ENVIRONMENTAL
RATES: DECREASE >30%

Rate reductions have been experienced in line with other liability lines. 2014 is likely to bring a stabilising of rates.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 10% TO 20%

The overall D&O market is very soft, making it easy to obtain reductions in rates, even for those companies in poor financial shape. Some clients are using the opportunity of low rates to increase their D&O limits.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

There is an increasing interest from insurers to write FI business in Poland. As a consequence, even if premiums are not decreasing, it is possible for clients to obtain some improvements in the scope of cover.

MEDICAL MALPRACTICE
RATES: DECREASE 0% TO 10%

The reintroduction for mandatory insurance of "medical events" (no-fault medical malpractice insurance), originally planned for the beginning of 2014, has been delayed until 2016. It is expected that rates will remain stable or decline slightly in 2014.

MARINE CARGO
RATES: DECREASE 10% TO 20%

The marine cargo market remains competitive following the introduction of new entrants into the market. Rates are expected to stabilise in 2014.

AVIATION
RATES: DECREASE 0% TO 10%

Only a few local providers of capacity remain for aviation. Rates are expected to stabilise in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%

The quality of cover has decreased somewhat due to strong pressure for profitability and growth. This has resulted in longer waiting times for documents, offers, and non-standard solutions.

RISK TRENDS

Market Trends

The insurance market remains soft, with rate reductions generally across the board due to fierce competition between insurers. There are pockets of exceptions which may see rates stabilise or even moderately increase in 2014.

Generally, insurers have relaxed their underwriting requirements and are competing for the risks they were typically declining in past years.

There have also been significant changes to programme design. Many clients have been considering signing insurance contracts for more than 12 months in order to take advantage of the favourable market conditions.

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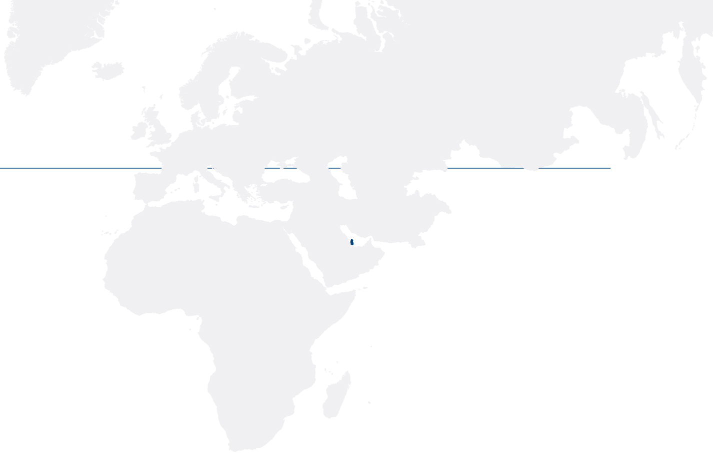

Qatar

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%

The requirement for general liability insurance has increased, primarily from a contractual mandate perspective. With more insurers eager to offer terms, clients are able to benefit from competition resulting in attractive premiums.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%

Clients are able to enjoy competitive premiums from insurers, due to the insurers' eagerness to secure non-motor business from them.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: DECREASE 0% TO 10%

An increase in the number of insurers has led to enhanced levels of competition and reduced rates for clients.

PROPERTY: CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%

The market capacity for property insurance has increased over the last year, resulting in downward pressure on rates at renewal. An increase in the number of insurers writing this line of business has compounded this.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%

The demand for D&O insurance has been limited, with only multinational companies and schools opting to buy this cover. An increase in capacity and the number of insurers willing to offer support bodes well for clients deciding to purchase D&O cover in 2014.

PROFESSIONAL LIABILITY
RATES: DECREASE 0% TO 10%

Rates have declined due to an increased amount of insurers willing to offer cover for this line of insurance.

MEDICAL MALPRACTICE
RATES: INCREASE 0% TO 10%

Medical costs in Qatar are on the rise. This, together with account-specific factors, has led to insurers offering increased rates at renewal.

MARINE CARGO
RATES: DECREASE 0% TO 10%

The marine cargo requirement is anticipated to arise primarily for project-related cargoes on account of the FIFA 2022 projects being implemented. The market is currently flush with capacity, thereby enabling clients to secure competitive rates.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: DECREASE 0% TO 10%

The life insurance market has expanded with a greater number of insurers now offering cover. This, along with the relatively favourable claims trend, has contributed to increased competition and, therefore, reduced rates.

RISK TRENDS

Market Trends
An increase in the number of insurers operating in Qatar has created downward pressure on rates.

Regulatory and Tax Trends
A compulsory health insurance scheme is being implemented in a phased manner by the Qatari government. The first phase caters to Qatari women, with the subsequent phases designed to cover Qatari males, and then expatriates.

Industry Trends
Projects related to the FIFA 2022 World Cup have gained momentum. More are being announced, leading to an increase in contracting and related firms establishing operations in the country.

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Romania

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
Although premium rates have decreased over the course of the past year, there is a slight increase in claims since moral damages have become entrenched in the structure of plaintiffs' claims for damages. Rates look set to increase in 2014 as a result of a possible hardening of the market.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%
There is a very small decrease in premium rates of between 0.5% and 1%. Insurers are trying to maximise the profit gained from their portfolios. However, it is expected that damage insurance will decrease and third party liability will remain stable in 2014.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
Premiums are likely to continue to remain stable as the market does not anticipate a major earthquake in the near future.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
This market is expected to continue to be stable in 2014, due to there being no criminal or regulatory investigations or trials for D&O currently under way.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%
The financial institutions market has seen no extraordinary events that could affect premium rates in the near future.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
Professional liability premium rates remain stable due to low employment in Romania.

MARINE CARGO
RATES: DECREASE 0% TO 10%
The downward trend for marine cargo rates is expected to come to a halt in 2014 due to the *MOL Comfort* sinking in July 2013.

AVIATION
RATES: DECREASE 0% TO 10%
Rates have fallen due to increased competition between reinsurers, and between reinsurance brokers at an international level. There were no major losses in 2013, although a recent loss in Russia could impact premiums in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Premium rates for health insurance rose by as much as 10% due to increased service usage, medical inflation, and high loss ratios. Going forward, there is unlikely to be any change to life or personal accident (PA) rates.

RATE TRENDS

Industry Trends

The Romanian insurance market remains very competitive. However, due to pressure from large claims and new legislation, the motor third party liability segment is still rising in cost. The motor hull segment, on the other hand, is experiencing a reduction both in terms of volume and of premium charged, preventing the market as a whole from growing.

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Russia

GENERAL LIABILITY
RATES: STABLE -5% TO +5%

MOTOR/AUTO
RATES: STABLE -5% TO +5%

The market has experienced continuous rate increases due to high loss ratios coupled with new regulations; however, things have settled and the market is now stable.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

Rates for non-catastrophe property insurance are very low and do not appear to have any further room for downward movement. However, rates for heavy industries, such as steel and chemical, have increased slightly due to recent losses.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%

Pricing for environmental insurance is likely to remain stable. This line is still relatively new in Russia and there is little experience/loss statistics to justify any upward movement. Currently there is one recognised market leader offering this product; however, other insurers with a presence in Russia are on standby to enter the market. Placement with other international markets will require fronting, which will inflate costs; there is therefore no competitive pressure on pricing.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%

The Russian D&O market is very soft due to strong competition. The number of policies in the market increased by 15% in 2013 compared with 2012, but the overall market premium remains the same due to a decrease in average premium. Our expectation is that in 2014 the market will see flat D&O renewals without dramatic premium decreases.

FINANCIAL INSTITUTIONS
RATES: INCREASE 10% TO 20%

In contrast to D&O, the FI market is extremely hard right now. There is a very limited number of carriers in London who are willing to write the primary layers of Russian financial institutions due to the large number of losses (especially in the crime segment) in the market. Further premium increases of up to 20% are anticipated at renewal in 2014.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

The market is currently stable for standalone PI insurance. Normally, large financial institutions buy PI as part of comprehensive coverage and, because of this, we expect to see further premium increases resulting from the hard FI market.

HEALTHCARE
RATES: INCREASE 0% TO 10%

MARINE CARGO
RATES: STABLE -5% TO +5%

AVIATION
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%

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Saudi Arabia

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
While things are gradually changing, Saudi Arabia retains a typically non-litigious culture which allows underwriters to be flexible when pricing policies. The situation is expected to continue in 2014.

MOTOR/AUTO
RATES: INCREASE >30%
The regulator's pricing guidelines have led to a significant increase in motor rates. Non-performing policies will continue to face increases, as the marketplace is currently restricted with the pricing structures agreed with the Saudi Arabian Monetary Authority (SAMA).

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%
Demand for this product remains limited. Prices are expected to remain stable in 2014.

PROPERTY: CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%
This year has been difficult for the property markets, following a number of large claims. As 2014 treaty renewals come through it is expected reinsurers will introduce restrictions and controls, trying to recoup some of the loss. Further rate increases are predicted in 2014.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
Insurers offering medical malpractice insurance have faced increasing loss ratios, and a price adjustment is expected in 2014.

MARINE CARGO
RATES: DECREASE 0% TO 10%
There is excess capacity in the marine cargo market. Prices may contract further in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Medical inflation, coupled with additional expense incurred as a result of the introduction of the SAMA regulations, mean rates look set to continue to increase in 2014.

RISK TRENDS

Market Trends

The landscape is still dominated by the two compulsory lines, medical and motor. Strong competition has led to a price war, which has resulted in eight insurers consuming more than 50% of their capital. In 2013, the Saudi Arabian Monetary Authority (SAMA) stepped in and set out pricing guidelines for both medical and motor, requiring insurers to adhere to strict actuarial rates. This had led to considerable price hikes for those two lines.

Because insurance is a relatively new field in Saudi Arabia, there is limited local talent, and with the Saudization requirements, it makes retaining and attracting local resources a challenge.

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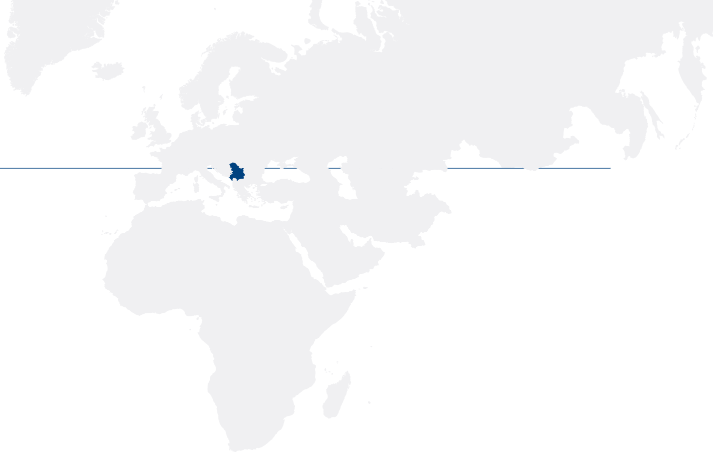

Serbia and Montenegro

GENERAL LIABILITY
RATES: INCREASE 0% TO 10%
Liability claims have risen in frequency in recent years and, as a result, insurers are reluctant to offer low premiums and are imposing deductibles. In 2014, the pressure on the insurance market will be even higher due to increased demand for general liability insurance.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%
Motor premiums have decreased over the last two years due to a highly competitive marketplace. In 2014, rates are likely to fall even further.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: INCREASE 0% TO 10%
Employers' liability cover is being triggered significantly in the country, and therefore premium rates are on the rise and expected to go even higher in 2014.

PROPERTY: CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
Rates for catastrophe exposures have increased, owing to the fact insurers' retention levels are very limited. Non-catastrophe damages are not so frequent, meaning insurers are able to afford premium discounts to clients, especially ones with positive loss ratio results.

MARINE CARGO
RATES: STABLE -5% TO +5%
Insurance premiums for marine cargo insurance are stable due to the limited availability the product in the market. This is expected to continue in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: DECREASE 0% TO 10%
The demand for employee benefits products is increasing and, to gain market share, insurers are willing to offer ever greater discounts and benefits to secure business. This trend looks set to continue in 2014.

RISK TRENDS

Market Trends

The world economic crisis has caused general insurance premiums in Serbia and Montenegro to continue to fall. Companies are therefore focusing on their major risk exposures, while at the same time recalculating and trying to estimate the adequate amount of their respective risk appetites.

Generally, the insurance market remains very competitive, with a large number of life and non-life insurers. Because the average premium per capita remains very small, insurers are seeking new ways in which to secure competitive advantage such as new products, new benefits, and profit-sharing formulae for large clients.

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Slovakia

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
The Slovak insurance market is soft with no sign of hardening. Both rates and deductibles remain significantly unchanged from a few years ago due to strong competition and few major losses.

MOTOR/AUTO
RATES: STABLE -5% TO +5%
Strong competition in the motor market has brought about a decrease in premium rates for the last few years. This trend appears to show no sign of slowing in 2014.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
No major losses in 2013 mean property rates remain stable. There are no major changes expected in 2014.

ENVIRONMENTAL
RATES: DECREASE 0% TO 10%

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
The Slovak D&O market is soft with no sign of hardening.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%
There are no major changes expected in 2014.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
There are no major changes expected in 2014.

MARINE CARGO
RATES: STABLE -5% TO +5%
There are no major changes expected in 2014.

AVIATION
RATES: STABLE -5% TO +5%
There are no major changes expected in 2014.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
There are no major changes expected in 2014.

RISK TRENDS

Market Trends
The Slovak insurance market remains soft primarily as a result of strong competition between the three major insurers. No major change is expected in 2014.

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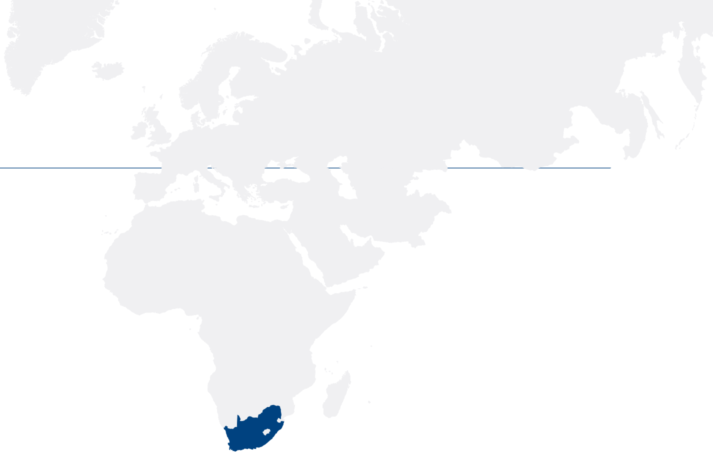

South Africa

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
New entrants to the liability market are beginning to gain some ground against the more established participants, at a time when the market is introducing various restrictions in cover. The result is relatively stable pricing.

MOTOR/AUTO
RATES: STABLE -5% TO +5%
The market is expected to remain stable for the foreseeable future. Established participants in the market remain conservative in their outlook, while some newcomers are increasingly considering telematics in their underwriting approach.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
Insurers continue to reduce rates despite making underwriting losses. Although rates may bottom out in 2014, there is no indication of hardening at the time of writing.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
Established D&O insurers remain conservative. The market looks set to remain stable in early 2014.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%
The market is stable but showing signs of upward pressure from insurers.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
The professional liability market is full of competition and looks set to remain stable.

MEDICAL MALPRACTICE
RATES: INCREASE 10% TO 20%
A decrease in providers has contributed to rate increases of between 10% and 20%.

MARINE CARGO
RATES: STABLE -5% TO +5%
Well-managed and profitable accounts have renewed at flat or slightly increased rates. Reinsurance costs from recent natural catastrophes may have an impact on rates in 2014.

AVIATION
RATES: DECREASE 0% TO 10%
The aviation market has plenty of surplus capacity, creating competition and therefore downward pressure on rates. There has, however, been a slight hardening in aviation personal accident classes.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%
Health is community-rated in South Africa and premiums have increased in line with consumer price index (CPI) plus an additional 3%. Life and accident and health policies remain appropriately priced and, therefore, stable.

RISK TRENDS

Market Trends

South African insurers have had a profitable year and the market is stable at the start of 2014. Capacity is plentiful and competition for client retention and new business is fairly intense. Although there are no new insurers as such, a number of established companies are expanding their product line offerings.

A number of South African clients are expanding north into Africa, which is increasing demand for specialist classes, such as construction and political risks.

Regulatory and Tax Trends

Insurers are now able to reflect their capital adequacy requirement (CAR) factors in line with new legislation which commenced in January 2012.

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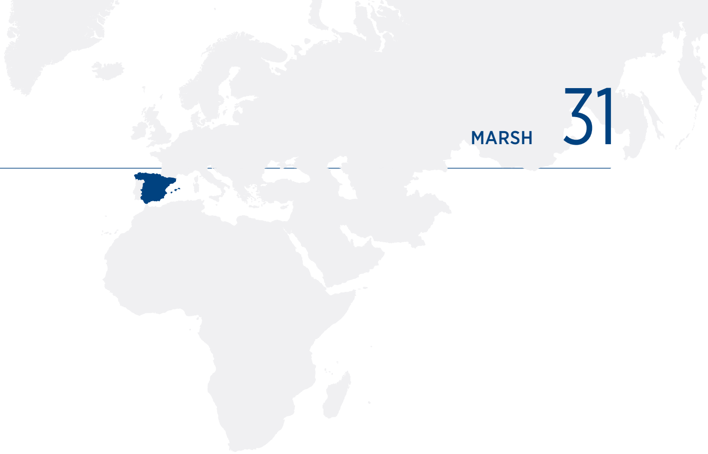

Spain

GENERAL LIABILITY
RATES: DECREASE 10% TO 20%

The general liability market is very soft due to there being a large number of insurers and plenty of capacity. This does not look set to change in the short run.

MOTOR/AUTO
RATES: STABLE -5% TO +5%

Insurers of commercial clients continue to experience losses. They are therefore looking more carefully at their results and being more conservative in their underwriting policies.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 10% TO 20%

Intense competition means this is a soft market, with rates for non-catastrophe business being reduced by as much as 20% at renewal. In 2014, it is expected to be much of the same.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%

The market is in good shape. Demand is high for D&O insurance due to the economic environment and senior managers harboring concerns with regard to personal liabilities.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%

The outlook is positive for 2014. Primary layers have traditionally been placed in the local market, but it appears a larger number of insurers are interested in securing this type of business. Excess layers have usually been placed in the UK market with some difficulty, but it appears that underwriters may have a renewed appetite for Spanish financial institutions in 2014.

PROFESSIONAL LIABILITY
RATES: DECREASE 10% TO 20%

New legislation has been introduced in order to create a more open market. As a result, many insurers are keen to underwrite this line of business and a more competitive environment may appear, placing further downward pressure on rates.

MEDICAL MALPRACTICE
RATES: DECREASE 0% TO 10%

Although there are still few insurers offering medical malpractice insurance in Spain, there has been an increase in the number that are looking to it as an interesting line of business. This fact, added to a rise in the number of tenders, has softened the market.

MARINE CARGO
RATES: DECREASE 10% TO 20%

The Spanish market is full of capacity due to strong competition between insurers for business. At the same time, clients are asking for reductions in premium due to the economic environment, which has resulted in big cuts at renewal.

EMPLOYEE BENEFITS: HEALTH
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: DECREASE 10% TO 20%

Traditionally, accident and health has had excellent results in terms of claims, and so competition between insurers is fierce. This has driven the market into a soft trend.

RISK TRENDS

Market Trends

The Spanish market suffered a slight contraction in 2012, but in general it is stable. Premium volume has stayed roughly the same throughout the past four years.

Motor is the main line of business in Spain, followed by property and accident and health. All three of these lines remain soft in terms of underwriting and continue to provide insurers with good results.

New products like cyber are beginning to take off, but it will take a little more time to become a real priority for clients while economic conditions remain uncertain.

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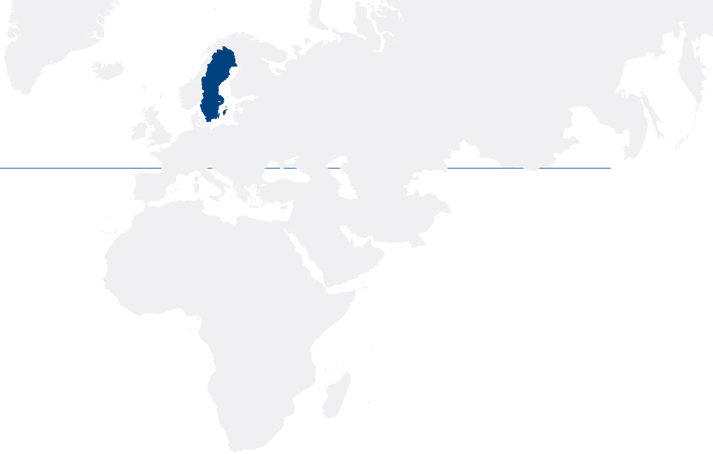

Sweden

GENERAL LIABILITY
RATES: DECREASE 0% TO 10%
Rates have decreased slightly due to an absence of large losses. Little change is expected in 2014.

MOTOR/AUTO
RATES: INCREASE 0% TO 10%
Due to poor loss ratios, some of the larger insurers have started to increase premium rates. New entrants to the market ensure that these increases remain modest, however.

PROPERTY: CATASTROPHE-EXPOSED
RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
New entrants to the market have created a slight decrease in rates as insurers seek to grow or retain their market share. Catastrophe exposures remain a challenge for some.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%
No major change is anticipated in 2014.

DIRECTORS AND OFFICERS (D&O)
RATES: STABLE -5% TO +5%
Despite there being a large focus on local policies to meet compliance regulations, this is a stable market in general.

PROFESSIONAL LIABILITY
RATES: INCREASE 0% TO 10%
Some of the more experienced insurers offering PI cover have been reluctant to renew on the same terms. This has led to increased rates and alterations to terms and conditions.

MARINE CARGO
RATES: DECREASE 0% TO 10%
Accounts with good loss ratios can expect to receive some discounts on rates.

RISK TRENDS

Market Trends

The Swedish market is still relatively soft, although exceptions are being witnessed in areas such as real estate, where there are likely to be rate increases due to poor claims results.

There is a change in the number of insurers operating in the marketplace, with a number of new entrants creating greater competition.

Regulatory and Tax Trends

The past 12 months have been witness to a major focus towards compliance and tax-related issues in Sweden.

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Switzerland

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

There is plenty of capacity in the Swiss market and premiums are still decreasing. Seeing as the market is very stable, there are no significant changes expected in 2014.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Premiums remain stable as insurers vie to selectively improve their market share by attracting new business with positive loss ratios.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 10% TO 20%

There is strong competition in the employers' liability market at a high price level. Combined ratios are unfavourable, while a lack of innovation further adds to upward pressure on pricing.

PROPERTY: CATASTROPHE-EXPOSED

RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

In general, pricing remains stable; however, quality risk information, good loss history, and moderate natural catastrophe exposure are all key to receiving reduced rates at renewal. Meanwhile, international underwriters have been instructed to focus on more restrictive cover, especially with regards to natural catastrophe exposures.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

The market for environmental cover remains relatively small in Switzerland, and penetration is low. It is expected that rates will decrease further in 2014.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Intense competition continues to push down rates.

FINANCIAL INSTITUTIONS

RATES: INCREASE 0% TO 10%

Insurers are trying to increase premium rates, although in the majority of cases, it is still possible for clients to renew at the same levels.

PROFESSIONAL LIABILITY

RATES: INCREASE 0% TO 10%

Insurers are trying to increase premium rates; however, competition means it is possible to renew at the same levels.

MEDICAL MALPRACTICE

RATES: DECREASE 0% TO 10%

The Swiss market is quite small, meaning that insurers can be quite selective in their underwriting. The market is not expected to change in the near future.

MARINE CARGO

RATES: STABLE -5% TO +5%

Businesses with low loss ratios can typically find decreased rates at renewal. However, those clients with bad loss ratios have seen increases by as much as 20%.

AVIATION

RATES: INCREASE 0% TO 10%

Premium reductions can still be found for good risks, although generally the market is hardening.

EMPLOYEE BENEFITS: HEALTH

RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: DECREASE 0% TO 10%

Pension schemes with good claims experience are still able to profit from reductions in premiums.

RISK TRENDS

Market Trends

The Swiss market remains very competitive with lots of capacity and no sign of hardening, except for in some lines of insurance.

Regulatory and Tax Trends

There has been an increase in regulation in Switzerland, with the Swiss Solvency Test being put in place in anticipation of the new European Solvency II deadline.

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Turkey

GENERAL LIABILITY

RATES: INCREASE 10% TO 20%

New legislation has meant that reserving methodology has changed and increased in the event of a loss. As a result, insurers are now required to put more in reserve should a loss occur, which has negatively affected their profitability and balance sheets. The market is therefore much more reluctant to provide cover without detailed underwriting information, and premium levels have increased.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

Motor premiums in Turkey are being calculated on the loss history of the client, which varies with regard to model, type, and year of car, as well as the loss history. Premiums have increased slightly, and this trend is expected to continue in 2014.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 20% TO 30%

A large number of claims have caused premium rate rises at renewal in Turkey. Carriers are reluctant to provide cover for manufacturing companies and high-risk industries.

PROPERTY: CATASTROPHE-EXPOSED

RATES: INCREASE 10% TO 20%

Risk information is still key to finding the best cover available, although rates have generally increased by between 10% and 20%.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 10% TO 20%

Interest in D&O has increased in Turkey, and this demand has contributed towards the downward pressure on rates.

FINANCIAL INSTITUTIONS

RATES: STABLE -5% TO +5%

Rates are expected to increase in 2014 due to the high claims ratio on the existing FI book in the country.

MARINE CARGO

RATES: STABLE -5% TO +5%

Many insurers are eager to expand their marine cargo business; however, clients appear to be happy with their existing insurers for the time being.

AVIATION

RATES: DECREASE 0% TO 10%

The aviation liability market, in particular, is quite soft due to low loss ratios.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: INCREASE 0% TO 10%

Insurers are careful to provide cover if the client is a production company, and are reluctant to give medical expenses cover within accident and health. The market is still competitive for simple risks.

RISK TRENDS

Market Trends

The demand for detailed risk information is growing from Turkish insurers, and is often key to clients being able to secure premium reductions at renewal.

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United Arab Emirates

GENERAL LIABILITY
RATES: DECREASE 10% TO 20%
The downward pressure on rates is likely to continue in the beginning of 2014, although the market is expected to harden in the fourth quarter.

MOTOR/AUTO
RATES: DECREASE 0% TO 10%
Motor rates appear to have almost bottomed out in the UAE, therefore pricing is expected to firm up in the course of 2014. The market may start to harden if economic growth picks up on the back of renewed economic activity following the award of the Expo 2020 trade convention to Dubai.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: DECREASE 10% TO 20%
This downward trend is expected to continue for good risks into the foreseeable future.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: DECREASE 0% TO 10%
The property insurance market remains soft due to excess capacity and an overall good loss history in the region. However, the discounts available for good risks are no longer as impressive as they used to be. Rates may bottom out toward the second half of 2014.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 10% TO 20%
Excess supply and competition for market share look set to ensure that the soft market and double-digit discounts to clients continue. The non-litigation culture also plays a huge factor in reduced rates.

FINANCIAL INSTITUTIONS
RATES: DECREASE 0% TO 10%
Small discounts are still available for good risks. However, some recent losses reported by banks in the region are being looked at closely by the market.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
The PI market looks to be stabilising. However, any spurt in construction activity following the award of the Expo 2020 could place pressure on available capacity and push rates upwards.

MEDICAL MALPRACTICE
RATES: INCREASE 10% TO 20%
The high frequency of claims and rising medical inflation continue to push medical rates higher, and this trend looks set to continue in 2014. Mandatory health care legislation is expected to come into force early next year, which could further complicate matters.

MARINE CARGO
RATES: DECREASE 10% TO 20%
The marine cargo market continues to be very soft, and those clients with good risks can expect discounts of up to 20%. There is plenty of capacity available and a favourable loss trend overall for the region, which makes this a particularly profitable area for insurers.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 10% TO 20%
Plenty of excess capacity and a favourable claims experience (due to a relatively young and working expatriate population in the region) have ensured that the market continues to be soft for this line of business. This trend is expected to continue throughout 2014.

RISK TRENDS

Markets Trends

The market continues to be soft across all lines, except for group medical. However, the double-digit drops on general lines witnessed 12 months ago are a thing of the past, and there are indications rates may be bottoming out. Rates are expected to firm up at lower levels over the next two quarters, with the possible exception of marine cargo.

Underwriters are beginning to ask more questions as they seek more accurate claims information. There is a diminished appetite for poor risks and/ or risks with adverse claims histories.

Regulatory and Tax Trends

Legislation making health insurance mandatory in Dubai is expected in the first half of 2014. The details and structure remain unclear; however, it will likely increase overall market penetration and could affect insurers in the short term if it should require mandatory purchase from a pre-determined panel of providers.

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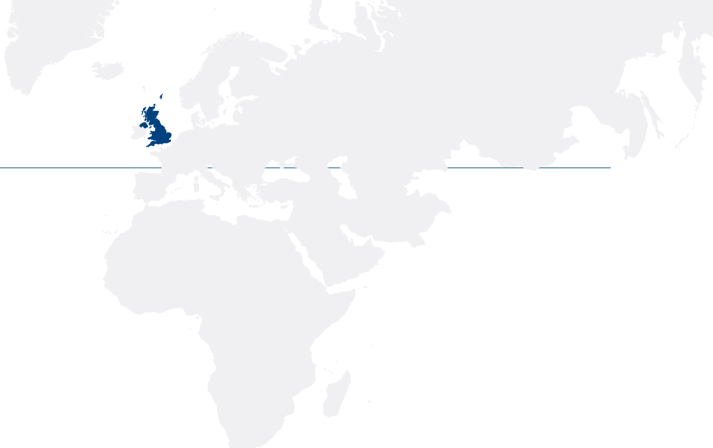

United Kingdom

GENERAL LIABILITY
RATES: STABLE -5% TO +5% -5% TO +5%

Insurers are increasingly differentiating good and poor risks, which has led to a stabilisation of rates.

MOTOR/AUTO
RATES: INCREASE 0% TO 10%

Motor is the most difficult line at present, and the market has typically experienced a 10% increase in rates.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

The property market looks to remain stable, although we anticipate a wider gap between better-performing and loss-making accounts.

Insurers look set to broaden their appetite and spread of risks within their portfolios in 2014. Treaty renewals offered slight reductions at 1/1, and these savings have been reflected in insurance pricing.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%

The environmental impairment liability insurance market continues to attract additional capacity with new insurers arriving and new policy forms available. The increased competition in the market and a commercial approach to the underwriting of environmental risks ensure that the market continues to be soft, with premiums for multiyear renewals being 20% to 30% reduced. Policies to cover whole of business operations, covering both aspects of owned locations and operational activities of the insured, are providing commercial coverage for many different businesses. Transactional-based environmental insurance policies for use in mergers-and-acquisitions situations continue to attach a higher premium, with 10-year policies still available for liability transfer.

DIRECTORS AND OFFICERS (D&O)
RATES: DECREASE 0% TO 10%

The D&O marketplace has shown increasing signs of stabilisation over the last 12 months, and despite premium savings still being broadly achievable the average size and frequency of such reductions has most definitely moderated. In the absence a significant unexpected event or new claims trend, this is expected to continue in 2014.

The quality and breadth of cover available has generally increased within the marketplace. Most notably, “any one claim” limits are now relatively widely available, and cover for “pre-claim” expenses has extended significantly. From a claims perspective, frequency continues to increase but severity remains low.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%

The UK financial institutions insurance market is complex as it is divided into a number of sectors by product line, business, and geography. Business is seen from around the globe and covers all areas of the financial services industry, and provides three main products: D&O, crime, and PI insurance. Because of this, there are differing insurer appetites within the market, and therefore often quite differing premium trends.

In general though, for smaller- to medium-sized businesses, there is excess insurance capacity available and therefore a downward trend in premiums. The market is particularly competitive in the UK asset manager/investment fund space.

Larger clients that buy significant insurance limits have less choice in relation to market competition, and are therefore seeing stable premiums. In particular, with regard to large international banks, the focus is still on premium increases on the back of continued insurer caution to this sector and the recent scandals that have emerged: PPI, Libor, and sub-prime, for example.

The expectation for 2014 is that the market will remain stable.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

Notwithstanding that there are many differing professions buying professional liability, in general the market continues to provide an abundance of capacity for most risks, with reinsurance rates dropping at the 1/1 renewal date just past. Underwriters in general would like to increase rates, but due to excess capacity and competition, this has not been possible. It is expected that rates will continue to remain competitive, with enough available capacity throughout 2014.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%

The market for medical negligence cover in the UK remains stable in terms of participants, and somewhat soft in terms of pricing. There is more than adequate capacity, and coverage can be placed either on a stand-alone or package basis.

MARINE CARGO
RATES: STABLE -5% TO +5%

Loss-affected risks are seeing much more selective underwriting. However, pricing remains stable.

AVIATION
RATES: DECREASE 10% TO 20%

Due to significant capacity, clients with good loss records can achieve very significant reductions in premium.

EMPLOYEE BENEFITS: HEALTH
RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE
RATES: DECREASE 0% TO 10%

As pension auto-enrolment staging dates start to impact the greater numbers of small and medium enterprises in the UK, a number of life and disability insurers are expecting to see increased volumes of business as these benefits are generally linked to pension provision. This increase in volume and competition may impact on premium rates.

RISK TRENDS

Market Trends

There is a continued supply of excess capacity as traditional carriers with good results set ambitious growth targets for 2014. Rates are almost flat with slight reductions. However, this is on average, and those accounts with good claims histories can expect decent discounts.

There are signs of continued interest from reinsurers accessing direct insurance business, which will likely place further downward pressure on rates in 2014.

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Zambia

GENERAL LIABILITY
RATES: STABLE -5% TO +5%
The general liability market in Zambia is fairly stable right now. There is pressure from international accounts for higher and wider coverage, which has led to local insurers reducing retention levels on the more complex covers.

MOTOR/AUTO
RATES: INCREASE 0% TO 10%
Insurers are growing weary with liability coverage and are becoming more cautious in their approach.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%
The property market rates remain fairly stable. Underwriters are placing a much greater emphasis on the need for better risk management procedures.

FINANCIAL INSTITUTIONS
RATES: STABLE -5% TO +5%
Zambia has seen a surge of new insurers into the financial institutions marketplace as they try to enter before the regulator increases minimum capitalisation levels. This is expected to lead to a soft market, although the regulator has imposed minimum rates should they improve their capacity to monitor.
The administration of VAT on insurance which was introduced two years ago is still proving a challenge, and if not managed properly may see some of the smaller operations struggle financially.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%
This remains a very small market in Zambia with little change expected going forward.

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%
This is a very small market, and no significant changes are expected.

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: DECREASE 0% TO 10%
There is pressure on rates due to competition in the marketplace, except for health benefits, where market penetration remains low.

RISK TRENDS

Market Trends

Zambia has seen a surge of new underwriters entering the market ahead of the revised entry requirements, which include an upward revision of the minimum capitalisation to K10 million from the current K1 million. This has resulted in a general softening of the market as underwriters try and hold on to their respective market share.

The industry continues to grapple with the administration of VAT, which was recently imposed and has led to a squeeze on the credit terms available to the market.

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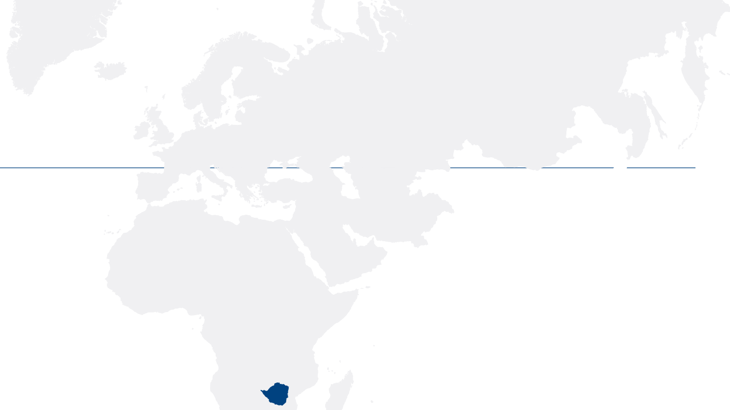

Zimbabwe

GENERAL LIABILITY
RATES: STABLE -5% TO +5%

Due to a lack of major incidents this line's stability looks set to continue.

MOTOR/AUTO
RATES: STABLE -5% TO +5%

Motor rates are controlled by the regulator in Zimbabwe. Due to strong competition, some insurers are undercutting rates, but no rate increase is expected as most clients will not be able to afford such increases in the face of economic challenges.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY
RATES: STABLE -5% TO +5%

Whereas rate stability is expected for employers' liability cover placed in the mainstream insurance market, there has been an increase in rates for the workers' compensation sector, which is managed by the National Social Security Authority (NSSA). The NSSA recently raised the maximum insurable earnings (earnings on which a person's pension fund contributions are based). The combined contribution rate for both the employer and employee also increased.

Changes in this sector are expected to continue, with adjustments being made going into 2014 and the foreseeable future.

PROPERTY: CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

Major catastrophe risks are placed on the international markets due to lack of capacity at the local level. Any change in premium rates will therefore follow international market trends for this line of business.

PROPERTY: NON-CATASTROPHE-EXPOSED
RATES: STABLE -5% TO +5%

Non-catastrophe property rates are not expected to change significantly any time soon due to high competition. Although a few large fire claims have been submitted in the past few years, this is unlikely to result in any change to premium rates, which are expected to remain stable for the foreseeable future.

ENVIRONMENTAL
RATES: STABLE -5% TO +5%

Rates are expected to remain stable since there have been no recent major losses in this class of business.

DIRECTORS AND OFFICERS LIABILITY
RATES: STABLE -5% TO +5%

There have been no major losses in this line and, as such, rates have remained very low and stable over the past few years. This trend is expected to continue in 2014.

FINANCIAL INSTITUTIONS
RATES: INCREASE 10% TO 20%

Premium rates look set to increase due to a high frequency of fraud and theft claims.

PROFESSIONAL INDEMNITY
RATES: STABLE -5% TO +5%

Rates are low and stable and the outlook is expected to remain unchanged.

PROFESSIONAL LIABILITY
RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE
RATES: STABLE -5% TO +5%

MARINE CARGO
RATES: STABLE -5% TO +5%

Rates for marine cargo are not expected to change significantly due to there being no major losses incurred by the sector in recent years.

AVIATION
RATES: STABLE -5% TO +5%

There have been no major loss incidents in this sector for the past few years, resulting in stable premiums. The local aviation market is predominantly for small aircraft, as there is no underwriting capacity for larger aircraft — the rates for which are driven at the international level.

EMPLOYEE BENEFITS: HEALTH
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE
RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH
RATES: STABLE -5% TO +5%

The major insurers in this sector have increased medical fund contributions from members by 20% due to an increase in the number and value of claims experienced in this line of business. This trend is expected to continue with anticipated average rate increases in the range of 5% to 20%.

RISK TRENDS

Market Trends

Liquidity and capacity utilisation challenges are common in Zimbabwe. This has made it difficult for most clients to continue with their existing insurance programmes, with many reducing down to basic statutory covers. In order to survive in such a competitive marketplace, insurers and reinsurers have resorted to price undercutting, which has resulted in downward pressure on rates.

There has been an increase in crime in the form of thefts, armed robberies, bank robberies, and fraud, and these losses have found their way into the insurance market by way of claims. Such an increase in crime is likely to trigger eventual rate increases for those concerned classes of insurance.

Regulatory and Tax Trends

Investors and businesses continue to seek clarification on the direction of future economic policy matters, and existing uncertainty is having a negative impact on business and economic growth.

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INSURANCE MARKETS BY SPECIALTY

Captives

INSURANCE MARKET CONDITIONS

The captive insurance market is expected to continue to grow in 2014, although the nature and rate of growth are likely to differ across domiciles. As reflected in global trends, regulation continues to be an important feature of the captive landscape. However, significant progress made on Solvency II implementation has brought a welcome end to uncertainty in the EU, which is likely to have positive effects in 2014.

EU — Solvency II

In the EU, agreement on the Omnibus II amendments has paved the way for the introduction of the new regime on 1 January 2016. The amendments are still subject to a vote at a plenary session of the European Parliament, scheduled for February 2014, but are expected to pass. This removes the uncertainty that had prevailed onshore in the EU and gives the insurance industry the impetus to proceed and complete preparations for the new regime.

Following a public consultation process, the European Insurance and Occupational Pensions Authority (EIOPA) officially published its *Guidelines for Preparation for Solvency II*. The guidelines are applicable across all EU member states and regulators are expected to ensure implementation locally. Effective from 2014, the guidelines contain some interim requirements applicable in 2014, and others in 2015, mainly concerning Pillar 2 elements of Solvency II, as follows:

- ► Forward Looking Assessment of Own Risks.
- ► System of Governance.
- ► Pre-application for internal models.
- ► Submission of information to National Competent Authorities.

Ireland

The Central Bank of Ireland has indicated that EIOPA guidelines have been implemented in Ireland from 1 January 2014. The Central Bank risk impact system (PRISM) is being used to determine the extent to which companies must comply. Captives fall into the "low" impact category. Captives are required to conduct a Forward Looking Assessment of Own Risk (FLA/ORSA) during 2014 and submit the report to the Central Bank before 31 December 2014 via an online reporting tool. Regarding the System of Governance, the general requirements apply from 2014, but captives will have until 1 January 2015 to establish the four key functions, which are:

- ► Actuarial function.
- ► Risk management function.
- ► Internal audit function.
- ► Compliance function.

Malta

In Malta, companies are being asked to submit their first attempt at the FLA/ORSA during 2014, and several have already submitted an initial copy. A key advantage in completing this process is that captive owners can now review their captive programmes in the light of the Solvency II capital requirements and FLA/ORSA results to maximise returns on capital while managing their group risks effectively.

Luxembourg

Luxembourg's regulator has required a progressive calculation of the Solvency Capital Requirement (SCR) by a certified actuary over three years to gradually sensitise the Luxembourg market to the future needs and constraints of Solvency II. It is anticipated that regulated entities will also be required to submit a FLA/ORSA in 2014.

European Offshore Domiciles

Guernsey and the Isle of Man continue to see growth in protected cell companies (PCCs). Recent changes to UK-controlled foreign company rules may provide further impetus for growth in providing greater tax efficiency in certain circumstances to captive owners. The changes seek to tax only profits arising from UK business. As a result, profits from insuring risk outside the UK might not be taxed in the UK, subject to certain substance requirements.

The new rules have prompted some existing captive owners to review the structure and participation of their captive in their insurance programme, and now provide a good basis for others to evaluate a captive for the first time.

The Isle of Man saw a steady increase in new licences in 2013, while Guernsey saw net growth of 50 insurance licences in 2012, the majority of which were cells in existing PCCs. This rate of growth has continued into 2013 with 46 insurance licences issued in the first six months. Insurance linked securities (ILSs) were a significant growth area in 2013.

United States

Uncertainty over the applicability of the Nonadmitted and Reinsurance Reform Act of 2010 continues to affect the US captive market. There appears to be a consensus view amongst industry observers and some lawmakers that the Act was never meant to apply to captives, and efforts have been made by captive insurance groups to have it amended. However, uncertainty continues and many believe that the Act highlights the potential for taxing captives while creating a potential home state advantage.

There has been a significant increase in the number of domiciles in the US over the last five years. There are currently more than 30 states with existing captive legislation, and a host of other states proposing to enact legislation with a view to becoming viable captive domiciles in the near future. However, while domicile choice is now wider than ever, there doesn't appear to be any significant exodus from established domiciles.

The Internal Revenue Code Section 831(b) election for captives has increased the accessibility of captives to the middle market. Between 2011 and 2012, there was a 45% growth rate in 831(b) captives, and this trend is likely to continue.

RISK TRENDS

Alternative Structures

The use of alternative captive structures such as rent-a-captives, protected cell companies, incorporated cell companies, risk retention groups, and special purpose vehicles has continued to trend upwards, making captives more accessible for small and mid-sized companies as well as large organisations. These alternative vehicles allow companies to participate in their own risk and implement a formalised form of risk financing, while often running at a lower cost and with lower capital requirements than the traditional captive model.

Non-traditional Risks

A growing number of companies are exploring the possibility of using captives in multinational employee benefit financing arrangements. The concept of captive linkage in employee benefits financing is not new, but until recently, growth in the area was slow due to the operational challenges involved, including aligning human resources and risk management. However, as the costs associated with the management of employee benefit programmes are becoming more visible in the corporate environment, captives are increasingly playing a role in more efficiently structured financing.

There also continues to be growing interest in the use of captives to insure cyber security risks and non-damage business interruption, as well as trade credit and customer warranty programmes.

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"A GROWING NUMBER OF COMPANIES ARE EXPLORING THE POSSIBILITY OF USING CAPTIVES IN MULTINATIONAL EMPLOYEE BENEFIT FINANCING ARRANGEMENTS."

Multinational

INSURANCE MARKET CONDITIONS

The insurance market in Europe continues to be generally soft, and it is not expected that this will change dramatically in 2014. New capacities — capital market investors, new carriers, and insurers from emerging markets — are still entering the European market and this is putting rates under pressure, especially for attractive risks with good loss ratios.

Some foreign insurers, especially from China, are looking to participate in global property programmes. Target clients ideally have big brand names and large operations in the home country of the insurer (for example, China). However, complicated and long-tail risks are less attractive.

As a result, premiums have not increased in the way traditional insurance markets hoped they would. As such, insurers have increased their focus on thorough underwriting and proper risk selection.

In order to differentiate themselves from pure "capacity providers," the larger multinational insurance companies with owned networks are focussing on servicing, data analysis, and technology. Many insurers have made major investments in tools (mainly client-facing) to track policy issuing, premium flow, and claims.

"PREMIUMS HAVE NOT INCREASED IN THE WAY TRADITIONAL INSURANCE MARKETS HOPED THEY WOULD. AS SUCH, INSURERS HAVE INCREASED THEIR FOCUS ON THOROUGH UNDERWRITING AND PROPER RISK SELECTION."

Property

The property insurance market is mostly stable. There is still a lot of competition for good risks, and in cases where a risk has not been marketed aggressively in the past, some savings can still be achieved. Property with high natural catastrophe exposure has seen moderate increases though. Also, risks with losses or issues may face more challenging renewal negotiations.

Liability

Casualty insurance is also competitive. Depending on the structure of the insurance programmes, clients may see a slight increase on the primary, whereas excess capacity is offered on a flat basis or even with a moderate reduction. Exceptions are challenging industries, such as energy and pharmaceuticals, where markets are more selective and capacity more expensive.

RISK TRENDS

Data Management and Business Analytics

Multinational companies seem to be increasingly keen on assessing and validating insurance spend. Most of the larger companies find the use of data and business analytics interesting, and therefore data analytics is becoming more and more important to them. The more sophisticated risk managers are moving away from traditional buying patterns, such as peer comparisons and buying what is available. Instead, they are using the company's individual data to create a unique risk profile and buying insurance according to that.

Local Statutory and Contractual Compliance

More European tax authorities have started to audit insurers and insureds to check whether the proper insurance tax has been paid locally. As a result, insurance buyers will pay even more

"THE SPECIALIST ENVIRONMENTAL INSURANCE MARKET CAN PROVIDE A BROAD RANGE OF COVER FOR ENVIRONMENTAL LIABILITIES, INCLUDING THOSE INFERRED UNDER THE ELD."

attention to insurance regulatory and tax compliance issues.

Also, more attention is being paid to local statutory and contractual compliance, with a need for network offices of brokers and insurers to engage ever more closely with customer subsidiaries to ensure that all statutory and contractual needs are identified and addressed.

Financial Interest Cover Clause

So far, four major multinational insurance companies have introduced a financial interest cover clause in their programme wording. As compliance becomes more important, it is expected that more global carriers will follow with a similar clause.

Employee Benefits

Employee benefits remain a big cost driver. Benefits and people costs are driven upwards by market forces such as health and welfare reforms, an ageing workforce, lifestyle-driven health issues, competition for talent, and reduced human resources capacity. As a result, more and more companies are trying to centralise the control over the purchase of insurable benefits and the selection of key carriers. Risk management and purchasing departments are becoming increasingly involved in this process.

Cyber Insurance

Cyber risk remains one of the most discussed issues in the risk management world, as the exposure is significant and the risk increasing. Although more insurance products are becoming available, larger capacities are still a challenge due to inconsistent coverage concepts offered by key insurers.

Environmental

The implementation of the Environmental Liability Directive (ELD) in EU member states requires companies operating in the EU to take the action necessary to avoid causing significant damage to the environment and to rectify any significant damage that is caused. The remedial measures that are required under the ELD are generally broader than have been required under any previous environmental legislation.

The new liabilities implied under the ELD will not typically be covered under a standard general liability insurance policy, and indeed may even be specifically excluded. Certain general liability insurers, however, are able to provide specific wordings designed to extend policies to provide an element of cover for ELD liabilities. The specialist environmental insurance market can provide a broad range of cover for environmental liabilities, including those inferred under the ELD.

The environmental insurance market is able to offer local policies in an increasing number of EU member states, although cover can be arranged under the EU freedom of services provisions where the insurer is located in any EU member state.

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Political Risk

INSURANCE MARKET CONDITIONS

Rates for political risk in the fourth quarter of 2013 decreased by as much as 10%. Market capacity is expected to continue to increase throughout 2014 as new insurers continue to enter this space. With more capacity competing for the same business, it is anticipated that rates will continue to decrease and underwriters will be more receptive to some of the more challenging risks. Single situation credit capacity has continued to grow throughout and beyond the credit crisis, which mirrors an increase in requests by clients for single credit solutions.

RISK TRENDS

Following on from the Arab Spring, clients are still looking to protect themselves against political uncertainties, particularly within the MENA region. The ongoing political unrest in Libya and Egypt, and the civil war in Syria, have heightened these concerns. The number one concern to investors in MENA, as listed in the MIGA-EIU Political Risk Survey 2014, is war. However, it was adverse regulatory changes and breach of contracts that led to the largest financial losses incurring over the past three years on account of political risks.

The European Union/ Ukraine/Russia

Ukraine's decision not to sign the much anticipated far-reaching trade agreement with the EU has led to a shift in the relations between the EU and Russia. With the EU keen to develop closer relationships with former Soviet States (Latvia being the latest example), this is one to monitor closely in 2014 as discussions evolve. This could materially change the political landscape for companies working and trading within these jurisdictions.

Speed of Change

Recent protests in Turkey have demonstrated how local issues can become global in seconds. Social media, through Twitter, Facebook, blogs, and other similar sites, means there can be huge shifts in public opinion much more quickly than in the past. Due diligence on investments should extend beyond project viabilities to take in other macro or even micro factors in order to include the impact of a government potentially being more constrained by public opinion. The latter heightens the need for a fully transparent process when operating overseas, as well as a need to diversify relationships within states.

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"ADVERSE REGULATORY CHANGES AND BREACH OF CONTRACTS LED TO THE LARGEST FINANCIAL LOSSES INCURRING OVER THE PAST THREE YEARS ON ACCOUNT OF POLITICAL RISKS."

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INSURANCE MARKET CONDITIONS

Overall the market appears more positive despite some slowdown in key countries. In general terms, we still see rate decreases of up to 20% across EMEA, but the situation is mixed and, in some countries, there are increases of a similar size.

Government austerity measures and the cancellation of infrastructure contracts have affected growth in Central and Eastern Europe. In Poland, there are increasing loss ratios mainly relating to the construction and engineering sectors. Insurers are therefore cautious, although cover can be secured for good quality accounts; in France the market is flat, and insurers continue to offer competitive renewal rates despite their loss ratios increasing; Germany's market remains stable, with new insurers investing there in light of what they see as real growth potential; while in Spain insurers remain willing to consider attractive business despite continued increasing losses.

The Middle East harbours potential for growth in 2014. There is some caution on limit capacity beyond the UAE and Saudi Arabia, but this is more in relation to a lack of transparency with regard to buyer information rather than general market concerns.

COVERAGE	RATE CHANGE Q4 2013	RATE CHANGE Q4 2012
WHOLE TURNOVER	DECREASE 10% TO 20%	STABLE -5% TO +5%
CATASTROPHE	DECREASE 10% TO 20%	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good risk profiles.

RISK TRENDS

Losses are beginning to rise, especially in the Mediterranean countries, and insurers are therefore cautious about their exposure levels.

Retail industries are becoming stretched, and the first quarter of 2014 will be influenced by the current peak season sales. Some key capacity is becoming more expensive, and interest in the product line is growing on a monthly basis.

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"GOVERNMENT AUSTERITY MEASURES AND THE CANCELLATION OF INFRASTRUCTURE CONTRACTS HAVE AFFECTED GROWTH IN CENTRAL AND EASTERN EUROPE."

NOTES

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About Marsh

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