

MARKET PERSPECTIVE

EUROPE, MIDDLE EAST, AND AFRICA INSURANCE MARKET REPORT 2015

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EXECUTIVE SUMMARY

Competition between insurers intensified across Europe, the Middle East, and Africa (EMEA) in 2014, placing further downward pressure on premium rates in an already soft market. International insurers are expanding operations into new geographies and lines of cover as they scramble for new business. This is presenting those organisations with attractive risks and good loss histories with the opportunity to secure premium rate reductions at renewal.

Motor insurance rates, in particular, have continued to decline across EMEA. While motor insurance is now a loss-making line of business in many EMEA countries, there is little sign of this trend abating. Clearly, insurers are taking a strategic view and using competitive motor insurance rates to gain leverage with their clients. International insurers, meanwhile, are also using their global networks and advisory services as key differentiators as they seek to expand their portfolios in this highly competitive market.

ECONOMIC ISSUES

► Despite a global fall in consumer demand, the general economy across the EMEA region continues to grow. The region will progress with a two-speed growth opportunity, with positive performances from the Mediterranean countries — Spain and Italy delivering better results than expected — and others seeing slower

growth. France and Germany are two countries where growth expectations are marginal.

► There have been several high-profile insolvencies recently, which have taken insurers and suppliers by surprise. The market recognises increasing difficulties around cash flow, which is resulting in slow payment experiences, and a greater number of defaults.

POLITICAL RISK

- The localised Arab Spring of 2011 keeps blooming and has moved into a new phase of political turmoil, terrorism (for example, the Islamic State of Iraq and Syria (ISIS)), and geopolitical risk, which is impacting many geographies, businesses, and their lenders.
- In 2015, we expect to continue to see ripple effects resulting from financial institutions' systemic risk (the sub-prime crisis), the EU sovereign crisis, and the Arab Spring. Other risks on the horizon include stress tests on financial institutions showing them to be undercapitalised, further financial institutions' bailout risk, and continuing concerns within the EU on sovereign debt.
- Due to the political situation in Bahrain, there is a strong demand for political risk cover from both the private and public sectors. However, there is only a small amount of capacity available in the market, and what little exists is very expensive.

CYBER COVER

- The demand for cyber cover has increased in a large number of countries across the region, including Bahrain, Botswana, Denmark, Qatar, South Africa, Spain, Sweden, Turkey, the United Arab Emirates, and the United Kingdom. Insurance capacity to cover cyber risk varies substantially from country to country; however, this is a fast-developing market, with immense potential for the capacity to grow to meet the increased demand.

CAPTIVES

- The captive insurance market is expected to continue to grow in 2015. However, growth is likely to differ across regions and domiciles. A key development in the EU in 2014 was the progress on Solvency II implementation, driving familiarity with the regime into the operational DNA of the European captive industry. The emerging certainty has had a positive effect on formation activity across EU domiciles in 2014, and we expect that trend to continue in 2015.
- Certainty and understanding around Solvency II has had a very positive effect on captive growth in the EU, with new formations in Dublin, Luxembourg, Malta, and Sweden in 2014.
- In the US, a wave of regulatory inquiries by the Internal Revenue Service and international insurance supervisors in 2014 challenged some captive arrangements, a trend that is likely to continue as the captive market grows.
- The use of alternative captive structures continues to trend upwards, making captives more accessible for small- and medium-sized companies as well as large organisations.

NATURAL CATASTROPHE RISK

- A large number of Bulgarian insurance companies suffered significant hailstorm losses last summer, and this is expected to drive up premium rates by as much as 10% in 2015.
- A series of storm and flood events have taken place in Croatia in recent years, and there has been increased interest for natural catastrophe cover as a result. Insurance buyers are keen to investigate how they can include the risks faced by their supply chains into the insurance solutions they are already purchasing.
- Due to a series of catastrophic flood events in 2014, rates for catastrophe-exposed property insurance in Serbia and Montenegro have increased considerably. Losses from water-related events are expected to increase in the coming years due to the fact that investment into prevention and protection has been relatively poor.

TAX AND REGULATION

- In Austria, public trials centred on claims in the banking sector have made insurers sensitive to extending their portfolios. Uncertainty still exists in the market, and rates are expected to increase in 2015.
- Legislative changes in 2014 have resulted in rate increases of 10%-20% for motor insurance and auto liability in the Czech Republic. Meanwhile, the implementation of the new Civil Code in the country last year has resulted in premium rates for directors and officers (D&O) liability insurance increasing by as much as 10%.
- Legislation in Italy making it mandatory for organisations to purchase medical malpractice insurance is expected in the next 12 months.
- General liability rates in Latvia are expected to stabilise in 2015, partly as a result of legislation making it mandatory for construction companies to purchase general liability insurance.
- Premium rates for medical malpractice insurance are expected to increase significantly in Namibia due to legislative changes focused on consumer protection.

- ▶ The Polish railway market supervisor authority (UTK) is working on legislation that will make it mandatory for railway companies to purchase liability cover in excess of PLN100 million (EUR25 million). Certain specific provisions will apply to sublimits. This new legislation is likely to come into force in 2015, although the gradual implementation of the requirements will not likely begin until 2016.
- ▶ Compulsory health insurance regulation is currently being implemented in phases in Qatar. Organisations with expatriate employees are awaiting guidelines from the Supreme Council of Health on coverage requirements for the expatriate population.
- ▶ New legislation is being prepared by the Slovenian Government regarding insurance premium tax and financial services tax. Both taxes will most likely increase (from 6.5% to 8.5% on premium and on broker's commission) in 2015.
- ▶ The South African insurance regulator, the Financial Services Board (FSB), launched its long-awaited Retail Distribution Review (RDR) in November 2014. The legislation is part of the FSB's Treating Clients Fairly initiative, and will have wide-reaching implications for South African insurers and intermediaries.
- ▶ The Swiss Government is planning to transform social security with its Swiss 2020 Pension Reform. Keeping state pensions at current levels will require a 2% rise in value-added tax. As for occupational pensions, which are a separate category in Switzerland, lowering the "conversion rate" (Umwandlungssatz) would add no less than 1.7% to employees' payments, based on specialists' calculations. The reform proposals are currently being discussed and negotiated in parliament, and voters are expected to go to the ballot box in 2015.
- ▶ In the United Arab Emirates, the implementation of Dubai Health Authority (DHA) regulation for mid-size businesses and small to medium enterprises will ensure that demand for health insurance remains strong throughout 2015 and beyond.
- ▶ In Zimbabwe, some insurers are struggling to meet a new minimum capital level of US\$1.5 million that came into force on 30 June 2014. Those insurers that fail to meet the new level face being suspended from transacting renewal and new business.
- ▶ Since 1 January 2015, professional indemnity cover (up to US\$500,000) for insurance brokers and agents in Zimbabwe has been handled by the Special Risks Insurance Consortium (SRIC), with the balance taken up by reinsurers. This has created higher capacity for professional indemnity limits compared to other professions. A standard rate (yet to be confirmed) will apply, which will likely result in a change of reinsurers' retention limits and policy terms.

INSURANCE MARKETS BY COUNTRY

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Austria

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

An influx of new insurers trying to establish themselves has led to a continuation of the ongoing soft general liability market. In the absence of large claims, this trend is not expected to change in the near future.

MOTOR/AUTO

RATES: INCREASE 10% TO 20%

Some market-leading insurers raised premium rates in 2014, which led to a moderate increase in general.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

A lack of natural catastrophe events and plenty of capacity has led to a slight decrease in premium rates on renewal.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

An absence of significant claims has resulted in stable premium rates on renewal.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

Third-party environmental risks are usually integrated into liability cover in Austria. There has been no significant additional premium increase for environmental risks.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Excess capacity, the entrance of new insurers to the market, and a lack of large losses led to a decrease in D&O rates in 2014. This situation is not anticipated to change in 2015.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 10% TO 20%

Public trials centred on claims in the banking sector have made insurers sensitive to extending their portfolios. Uncertainty still exists in the market, and rates are expected to increase in 2015.

PROFESSIONAL LIABILITY

RATES: INCREASE 0% TO 10%

There have been slight increases for professional liability rates at renewal, and this trend is expected to continue in 2015.

MARINE CARGO

RATES: STABLE -5% TO +5%

Today, rates for marine cargo insurance are mostly dependent upon each client's respective loss ratio. There have been no significant changes with regards to new providers or products; something that has kept premium rates stable. This trend is expected to continue into the first half of 2015.

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: STABLE -5% TO +5%

The market is stable and this situation is anticipated to continue in 2015.

MARKET TRENDS

International insurers, mostly from other parts of the EU, are establishing new branch offices in Austria, instead of purchasing service and coverage on a freedom of service (FOS) basis. This has resulted in higher levels of capacity and greater competition, which, in time, is expected to lead to better underwriting and improved claims service.

RISK TRENDS

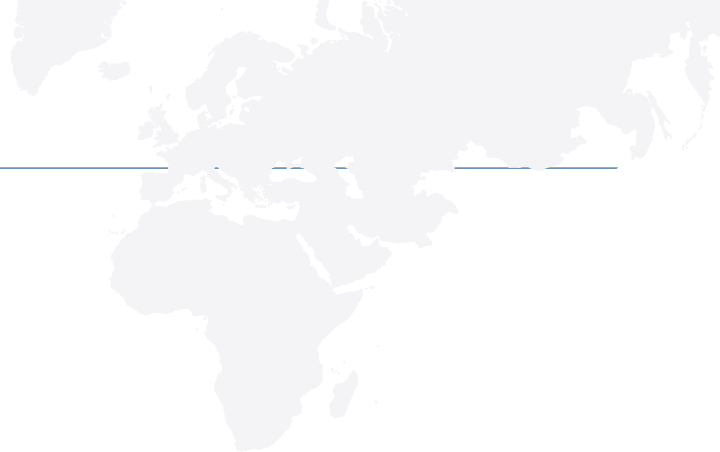
Regulatory Risk

Today, Austrian insurance buyers are generally more aware of the risks involved with having non-compliant solutions, particularly in BRIC (Brazil, Russia, India, and China) countries, and often calculate the additional costs of a compliant solution against their goal to reduce costs generally. As a result, the market is increasingly being challenged to provide an improved level of service and advice to buyers, so that they may make better-informed decisions.

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Bahrain

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

While general liability cover is not compulsory in Bahrain, there is still a demand for it with regard to major risks. Capacity is available in the market up to a limit of US\$5 million.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

There is strong competition between insurance companies, which is driving down rates at renewal.

ENVIRONMENTAL

RATES: DECREASE 10% TO 20%

Bahrain's environmental liability market remains competitive, and a lack of claims means clients have experienced rate reductions of 10%-20%.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

There is a high level of demand for D&O cover from banks and public companies in the country. Capacity is available for those companies with favourable risk profiles.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

There is strong competition between insurance companies for FI business, which is driving down rates at renewal.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

High loss ratios and an increase in the cost of medicine have pushed rates up by as much as 10%.

MARINE CARGO

RATES: DECREASE 0% TO 10%

There is intense competition for marine risks between 23 companies. In the absence of technical guidelines, this has led to rate reductions of as much as 10%.

MARKET TRENDS

Public sector companies have increased their demand for medical insurance as they seek shorter waiting periods and improved levels of service.

RISK TRENDS

Political Risk

Due to the political situation in Bahrain, there is a strong demand for political risk cover from both the private and public sectors. However, there is only a small amount of capacity available in the market, and what little exists is very expensive.

Cyber Risk

The demand for cyber cover has increased, notably among banks and communication companies. However, there is very little capacity available for these risks.

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Belgium

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

Belgium's general liability market remains competitive: Premium rates at renewal are down by 5%-10% on average and extensions that were previously subject to strict conditions are now easily available (for example, removal and refitting costs). The exception to this is the life sciences market. The quality of service and of claims management is becoming an important factor for insurance buyers in determining lead insurers.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

A small number of insurers continue to push fleet (passenger cars and light commercial vehicles) premium rates down year after year, which have now reached an all-time low. Fleets with moderate claims histories can still renew with a discount, while those with negative loss ratios are generally able to maintain their pricing arrangements. Rates for the private auto market are stable. Slight rate increases are being applied here and there, but discounts are available for the most favourable risks.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 10% TO 20%

Competition between insurers was particularly fierce in 2014. Depending on a company's industry, its loss experience, and the volume of premium, average premium rates for workers' compensation decreased by 15%-25%. Those organisations with negative loss histories have, however, been subject to only slight decreases or flat renewals.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

A competitive environment is still ensuring rate reductions. 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 10% TO 20%

Interest in environmental liability insurance has increased, particularly from midsize and multinational corporations.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

It is still possible for large corporate clients with good risk profiles to secure reduced rates at renewal. Rates for medium-sized organisations remain stable.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

Premium rates have decreased for buyers whose risk profiles are good or improving and where premiums have not yet reached the bottom line. Competition for business is strong compared to a few years ago — a result of insurers reducing their capacity or imposing underwriting restrictions on FI business.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

Several 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. Any willingness to take on new primary layers remains subdued due to general claims experiences and a fear of future claims.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: DECREASE 0% TO 10%

Despite the consolidation of the major insurers in this market, premium rates remain very competitive.

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%

MARKET TRENDS

The Belgian insurance market remains competitive across all lines. There is plenty of capacity available; however, today there is a much greater emphasis on technical underwriting, with the quality of risk an important factor in pricing models.

RISK TRENDS

Power Security Risk

The possibility of power outages — resulting from a lack of capacity — during the winter in early 2015 was recently announced; however, solutions to buy more electricity abroad are being put in place.

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Botswana

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

The arrival of new insurers into the market in 2014 resulted in increased competition and a reduction in rates at renewal. The premium decrease seems to have been supported by the fact that the local environment is not highly litigious, and, even where disputes are litigated, the awards given by courts tend to be relatively low. However, the recent rise in the frequency of liability claims is cause for concern and may trigger rate adjustments in future.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

Premium rates have been reduced due to competitive forces taking effect in the market. However, insurers are in agreement that the motor book is performing dismally. The market has seen an increase in hijackings of high-value motor vehicles, particularly when they are driven across borders. It is likely that the current low rates are unsustainable and may be adjusted in the medium term.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 0% TO 10%

Premium rates have been reduced due to competitive forces taking effect in the market. As in previous years, workers' compensation claims have been high in blue collar industries such as mining and construction. Insurers in the market underwrite these policies for their net accounts, and therefore the impact is large. At least one major insurer has withdrawn from providing this class of insurance for blue collar industries. This could be the clearest indication that rates will have to be readjusted upwards in the medium term.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

Premium rates have been reduced due to competitive forces taking effect in the market. However, one major storm damage construction loss is currently the focus of all major insurers in the market, who covered varying degrees of the risk through co-insurance retrocessions.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

There were no major losses reported in 2014, except for a few isolated fire incidents, which have not been too severe.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

Penetration remains low, with only a few mining companies purchasing cover for environmental liabilities. No major environmental catastrophes were reported in the market in 2014, and rates have declined as a result.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Premium rates have decreased, largely due to the absence of major claims in a society that is largely non-litigious. Notwithstanding this, there has been an increase in the uptake of D&O insurance by the public sector in Botswana.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

Premium rates decreased steadily in 2014, driven, perhaps, by the absence of any major claims incidents. The uptake of FI cover in the local market is very low, and risks are largely placed in overseas markets. However, there is strong demand for these products from local financial institutions.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

Premium rates have steadily decreased as a result of strong competition. Traditionally, only one insurer would underwrite this class of insurance. However, in 2014, we saw the entry of at least three others into the market.

MARINE CARGO

RATES: DECREASE 0% TO 10%

This is one of the under-subscribed insurance products in the market, considering that the country is highly import driven. We did, however, witness a steady decrease in rates in 2014.

AVIATION

RATES: STABLE -5% TO +5%

This is a specialist class of insurance that is underwritten outside of Botswana, and it is therefore not impacted by competition among local insurers.

MEDICAL MALPRACTICE

RATES: DECREASE 0% TO 10%

Historically, only a single insurer used to underwrite this class of insurance. However, 2014 saw a steady rise in the number of local insurers underwriting medical malpractice risks. This increase in competition has influenced the rate reductions seen in the market. While this class of insurance has witnessed a number of claims in the past, the court awards granted have tended to be low.

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%

Although one major life insurer continues to dominate the market, the entry of new providers has no doubt exerted pressure on the entire industry to review rates downwards. Official mortality rates have decreased in the past few years, improving the fortunes of insurers and giving them the confidence to reduce premium rates.

RISK TRENDS

Cyber Risk

Cyber risk is of growing concern to organisations. A number of large businesses have fallen victim to cyber-crime, and, consequently, organisations are enquiring about the role insurance can play in mitigating cyber exposures. This is certainly an emerging market, with immense potential for growth.

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Bulgaria

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

The general liability market remains soft due to the non-litigious environment and an absence of large claims. A major international insurer exited the market at the start of 2014; however, despite this, the offering of general liability products generally remains unchanged, with the majority still being offered at a local level. Typical limits are within the range of US\$100,000 and US\$1 million.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Premium rates at renewal were generally stable in 2014. Most insurance companies suffered significant hailstorm losses in the summer, and this is expected to drive up premium rates by as much as 10% in 2015.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

This is a small market in Bulgaria, which is required mostly by foreign investors. No significant changes are expected in 2015.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

The market remains soft, despite several natural catastrophe events taking place throughout the year, including torrential rain and flooding in the summer.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

Market penetration remains very low for D&O. Rates are expected to remain stable in 2015.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

The FI market remains stable, with most buyers retaining their own risks or having preferred cooperation with insurance companies.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: INCREASE 10% TO 20%

The medical malpractice market continues to grow in Bulgaria. Most insurers have reported negative results for this line of business, which has led to a rise in rates. This trend is expected to continue for the next three to five years.

MARINE CARGO

RATES: STABLE -5% TO +5%

The marine market in Bulgaria is a small one, contributing just 1%-2% of overall market volume. Rates show very little sign of movement as we head into 2015.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: LIFE

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: INCREASE 0% TO 10%

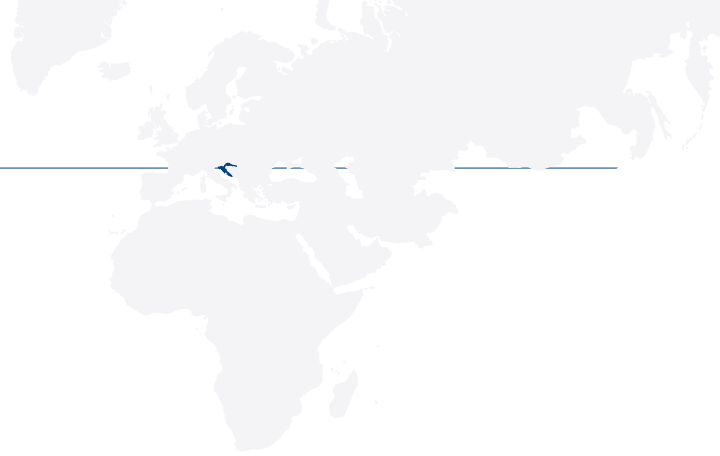
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Croatia

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

Although Croatia has been an EU Member State now for more than a year, there is no freedom of service appetite for local risks from EU underwriters.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

Due to a reduction in premium rates in the private sector in 2014, decreases were also recorded at state level.

PROPERTY: CATASTROPHE-EXPOSED

RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Due to recent flooding in the region and fears over Croatia's susceptibility to earthquakes, premium rates for property (catastrophe-exposed) insurance increased during the second half of 2014.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

There are only two insurers that provide D&O insurance in Croatia, in what is a relatively new market. As a result, premium rates remain stable while data surrounding D&O risks continues to be gathered and quantified.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

Demand for medical malpractice insurance — which is often purchased as an addition to mandatory state-provided cover — is increasing due to more affordable premium rates.

MARINE CARGO

RATES: STABLE -5% TO +5%

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%

RISK TRENDS

Natural Catastrophe Risk

There is increasing interest for natural catastrophe insurances due to a series of storm and flood events that have taken place in recent years. Insurance buyers are keen to investigate how they can include the risks faced by their supply chains into the insurance solutions they are already purchasing.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

General liability rates continue to decline due to competition between insurers, limited opportunities for new business, and economic stagnation.

MOTOR/AUTO

RATES: INCREASE 10% TO 20%

Legislative changes in 2014 have resulted in rate increases of 10%-20% for motor insurance and auto liability. The rate of increase has been contained somewhat by the fierce competition that exists between insurers.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 0% TO 10%

Rates have increased slightly for workers' compensation and employers' liability insurances. However, in response, buyers have focused on securing wider coverage with fewer exclusions.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

A combination of competitive insurers and thrifty buyers has led to slight reductions in premium rates at renewal.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

A lack of large losses has resulted in there being no significant movement in premium rates for environmental risks.

DIRECTORS AND OFFICERS (D&O)

RATES: INCREASE 0% TO 10%

The implementation of the new Civil Code in 2014 has resulted in premium rates increasing by as much as 10%.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 0% TO 10%

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: STABLE -5% TO +5%

AVIATION

RATES: STABLE -5% TO +5%

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 market remains stable at present; however, insurers are preparing themselves for upcoming legislative changes in 2015.

MARKET TRENDS

The fragile economy is having a major impact on the insurance market, with some buyers compromising the suitability of their insurance programmes to save money.

RISK TRENDS

Natural Catastrophe Risk

Organisations are growing increasingly concerned about the impact of climate change and natural catastrophes in the Czech Republic.

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Denmark

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

There is a lot of competition among Denmark's insurers, especially for middle-market risks. The main reason for this is the arrival of several new insurers to the market in recent years, and the consequent introduction of enhanced wordings.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

The motor insurance and auto liability market has been stable for the past three years; however, organisations with poor claims histories have seen slight premium increases. In 2015, we anticipate rate decreases of up to 10%.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 0% TO 10%

The market has been stable for the past three years; however, organisations with good claims histories have experienced reductions of 10%-20% through the use of insurance schemes. Competition between insurers for these risks has also intensified.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Market conditions in 2015 will be heavily influenced by increased competition from the recent entrance of new insurers/capacity in Denmark. Most of these new arrivals are targeting "good" risks and, consequently, it is expected that the rate divergence between good and bad risks will increase in 2015. At present, organisations with poor risks or claims histories are experiencing rate increases of 10%-20%, while those with good risks or claims histories are often able to secure discounts of 5%-10%.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

Insurers are showing an increasing willingness to include environmental liability cover as an extension to general and product liability policies. It is expected that greater numbers of traditional insurers will soon begin to include environmental liability cover as a product offering.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The D&O market is very competitive due to an abundance of capacity and the entrance of new insurers and facilities. Consequently, organisations with good loss histories are able to secure rate reductions at renewal.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

The Danish FI market has, in general, a lower claims frequency and severity than those throughout the rest of Europe. However, the market is a small one, with only a few organisations purchasing professional indemnity (PI) policies.

PROFESSIONAL LIABILITY

RATES: INCREASE 0% TO 10%

The outlook for professional liability is very much dependent upon the risk profile of the organisation. Local insurers, however, are those that are most likely to keep premiums stable.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: DECREASE 0% TO 10%

There is a strong appetite for both stock throughput and marine cargo business. Nevertheless, large rate differences exist between insurers due to the subjective underwriting and evaluation of marine cargo risks.

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%

After years of intense competition and decreasing premiums, the life market is beginning to stabilise. Strong competition to secure business from large- and medium-sized companies still exists; however, going forward, smaller companies will find it difficult to keep premiums and associated costs at low levels.

The accident and health market is stable, and the number of insurers engaged in this line of business remains unchanged compared with 2014. There are no major changes to the product, and we are not expecting to see any changes in the near future. There are some requests from insurers for lower maximum limits per person and maximum loss limits, which may be a result of higher reinsurance premiums.

MARKET TRENDS

The Danish insurance market remains very competitive: We expect the same throughout 2015, as the industry continues to deliver solid financial results.

Underwriters are focusing on more restrictive underwriting due to increasingly complex processes and the need for more fact-based information. This is especially the case for natural catastrophe coverages, including contingent business interruption (CBI).

Insurers are demanding a higher quality and quantity of risk information, good loss histories, and a strong focus on loss prevention from organisations, in return for good quotations.

RISK TRENDS

Cyber Risk

Cyber risk is a growing concern among organisations, with an increasing number enquiring about the role that insurance can play in mitigating the threat.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

Rates for the most favourable business have decreased by as much as 60%. Premium rates are decreasing slightly (0%-10%) for larger accounts, many of which have purchased long-term agreements. Insurers are taking a strong interest in emerging multinational clients.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The market continues to be competitive due to an increase in the number of insurers providing this type of cover. As a result, clients are able to benefit from competitive conditions (both in terms of pricing and in terms of scope of cover). The main focus of clients is on cover for investigations and the implementation of international D&O programmes.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

The FI market is softening due to the entry of new insurers. The reduction in capacity (particularly for larger accounts) witnessed in 2014 has come to an end, since all insurers have finalised their portfolio reviews and implemented their underwriting strategies. Deductibles are expected to remain stable in 2015, and wording negotiations have now restarted.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

The entrance of new insurers into the professional indemnity (PI) market has resulted in fierce competition, which has driven down rates for loss-free accounts. Policy wordings are already broad, and no major improvement is expected in 2015.

MEDICAL MALPRACTICE

RATES: DECREASE 0% TO 10%

An influx of new providers of medical malpractice insurers throughout the past three years has resulted in increased competition for business. Consequently, rate decreases are possible for those accounts with favourable risks.

MARINE CARGO

RATES: STABLE -5% TO +5%

AVIATION

RATES: STABLE -5% TO +5%

The recent downward trend in rates for aviation insurance resulting from overcapacity has ceased, due to two particularly large losses in 2014 as well as a series of smaller ones.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: STABLE -5% TO +5%

Upcoming legislative changes in 2015 are expected to impact market organisation and the structure of some products.

RISK TRENDS

Cyber Risk

Cybercrime, cyber extortion, and "Fake President" fraud are increasing concerns among French businesses. Credit, sureties, and political risks are also of particular concern.

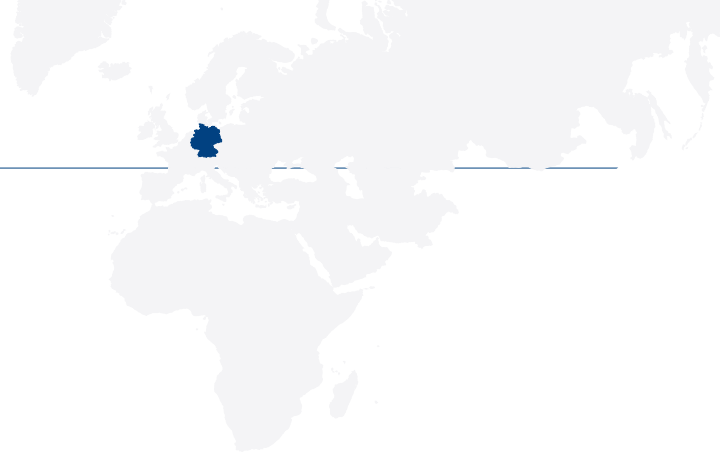
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MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

Rates for general liability insurance continue to decrease, and this trend is expected to continue in 2015. Pressure placed on capacity levels by the departure of some insurers from the market has been offset by the entry of new ones.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

PROPERTY: CATASTROPHE-EXPOSED

RATES: INCREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

Property (catastrophe-exposed) premium increases are currently in the range of 0%-10%, on average, for those organisations with good loss records. Higher increases have been witnessed, however, and, for higher limits in combination with bad loss records, the market has seen rates increase by as much as 15%-20%. There is limited capacity for those insurance buyers seeking higher limits for coverage against natural catastrophe events.

Non-catastrophe-exposed rates are generally stable, except for those buyers with the greatest risks (for example, those engaged in the timber, pulp and paper, and chemical industries). Rate reductions of up to 10% are sometimes possible if there have been no major losses, where there is no significant catastrophe exposure and the industry is not high risk. Some insurers have softened their demands for higher premiums close to renewal date, either out of fear of losing accounts or as part of an offensive strategy to increase market share. Later in 2015, a tariff based on new statistics will be launched, which is expected to have an impact on the calculations of insurers.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

Multinational accounts have increased D&O group limits by purchasing new high-excess layers. Meanwhile, new insurers have entered the market, thereby increasing capacity. For these reasons, the commercial D&O market is expected to remain soft, with flat renewals and unchanged premiums in 2015.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

Premium rates are expected to remain stable in 2015, although competition between insurers may enable those buyers with good risk profiles to secure small rate reductions at renewal.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

There is increasing competition in the market in both the primary and excess layers, and, as a result, premium rates have fallen. This situation is likely to make for a more challenging market for professional indemnity (PI) insurers in 2015.

MARINE CARGO

RATES: DECREASE 0% TO 10%

The market continues to offer rate reductions for the most favourable risks. However, for the majority of policies, rates appear to have bottomed out.

AVIATION

RATES: INCREASE 10% TO 20%

Due to significant, high-profile losses in 2014, the current soft market is expected to harden. In 2015, minimum premium increases of 10% are expected.

RISK TRENDS

Regulatory Risk

The past year has seen a lot of movement in the global market surrounding compliance with regard to international programmes, local peculiarities (in countries such as Brazil), and penalty clauses (with regard to Iran, for example). These developments have confirmed that, in 2015, an adaptive and proactive approach is needed to address these complex market changes successfully.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

General liability rates continue to decrease as a consequence of strong competition among insurers and a very limited number of claims. Insurers are ready to provide higher limits at more competitive prices as they seek to expand their portfolios.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

The motor insurance market is still tough after the launch of a new insurance tax. Retail premiums have started to increase slightly, and there has been an end to premium rate reductions in the company fleet segment as a result of the deteriorating claims ratio.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

Premium rates are stable, but remain low. This is the largest market among the liability lines, as most of the companies are buying locally. The claims frequency is significant, but this line of business remains profitable for insurers.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

Premium rates continue to decrease, albeit at a slower rate than previously. This is despite the fact that competition for business remains strong, local capacity is still sufficient, and the risk appetite of insurers continues to be good.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

There is a limited number of insurers able to underwrite environmental cover locally, and therefore premium rates are relatively high. This market is driven primarily by legislation, and only a few companies currently purchase cover.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 10% TO 20%

Following a change to the Civil Code in 2014, better penetration was expected as the scope of the risk had been expanded; however, the reality is that the buyers continue to monitor the situation, and only a moderate increase of policy numbers has been recorded. More insurance companies have entered the D&O market, resulting in a reduction in premium rates.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

Professional liability is an area where there is potential for growth in the local market. Continuous product development is taking place, and premium rates remain reasonable.

MARINE CARGO

RATES: STABLE -5% TO +5%

There are few insurers in the cargo market; however, cover is flexible, even for special risks. A new shipment control system is being launched in 2015, which will make it mandatory for all shipments to be registered online. Our expectation is that this will change the existing risk focus, and that premium rates will increase slightly in this segment of marine cargo.

EMPLOYEE BENEFITS: HEALTH

RATES: STABLE -5% TO +5%

There is a growing appetite for health insurance, and more providers entered the market in 2014. Competition is therefore quite strong, although the market remains under-developed. Rates are stable, but low, due to the limited claim experience.

EMPLOYEE BENEFITS: LIFE

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: STABLE -5% TO +5%

Competition is intense in this market, as this area is still profitable for insurers. However, companies are restructuring their employee benefit portfolios because of the poor economic situation, and are therefore spending much less on insurance-based benefits than had been expected.

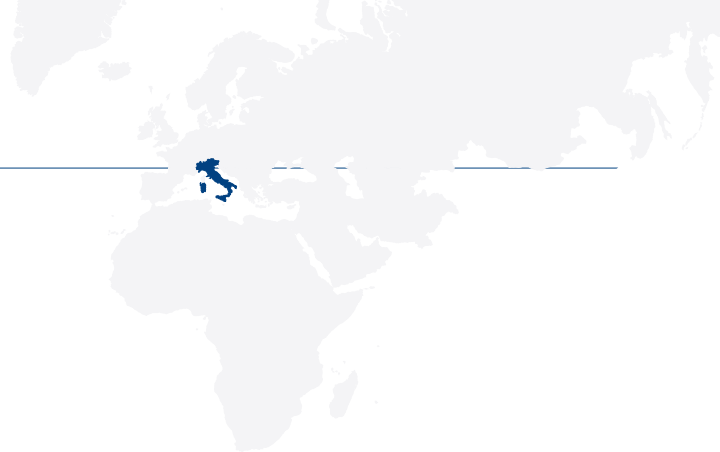
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Italy

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

There is a high level of capacity available in the general liability marketplace due to strong competition between insurers.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

For the past two years, motor rates have decreased due to the availability of widespread capacity. This trend is expected to continue, as greater numbers of foreign insurers look set to enter an already competitive market.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

A high level of capacity in the market is making the majority of insurers very aggressive as they compete for high-quality risks.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

We expect the market will continue to have a strong appetite for environmental risks. Consequently, clients will be able to secure reduced premium rates at renewal in 2015.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

While the overall market appears to be stabilising, those clients with a poor financial status or negative loss history are likely to experience slight rate increases at renewal.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

D&O rates for financial institutions are gradually increasing; however, rates for other lines of business are currently stable. International insurers are exhibiting particular interest in Italian business.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

Despite an increase in capacity, rates for professional indemnity (PI) risks remain stable. We expect to see more competition for new business in 2015 as more insurers enter the market.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

The largest insurer of medical malpractice recently revoked the mandate of its exclusive agent, and we therefore anticipate some change to this sector in 2015. Legislation making it mandatory for organisations to purchase medical malpractice insurance is also expected in the next 12 months.

MARINE CARGO

RATES: DECREASE 10% TO 20%

The marine cargo market remains soft and profitable. Insurers are doing their utmost to maintain their respective market shares, particularly following the arrival of a new provider in 2014.

AVIATION

RATES: DECREASE 0% TO 10%

An abundance of capacity and the arrival of international insurers to the market have pushed rates down. Facultative reinsurance protections seem to be reducing in number as providers are increasingly underwriting within their treaty capacity.

EMPLOYEE BENEFITS: HEALTH

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: LIFE

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: INCREASE 0% TO 10%

After years of negative loss ratios, the health market appears to have turned a corner. At the same time, personal accident insurance coverages are becoming an issue, particularly due to a lack of adequate deductibles.

MARKET TRENDS

Generally speaking, we expect a soft market in 2015, largely as a result of high levels of capacity.

The medical malpractice market is the one to watch. The predominant local insurer is restructuring its operation and expects to be much more competitive than in the past.

The motor liability market still represents the majority of the non-life business written in the country.

The uptake of professional liability schemes is expected to increase due to upcoming legislative changes.

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Latvia

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

Latvia's general liability market remains soft. However, rates are expected to stabilise in 2015 as a result of several large claims in the past 12 months and legislation making it mandatory for construction companies to purchase general liability insurance.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

Premiums are expected to increase in 2015 due to a rise in the minimum wage and the price of resources that directly influence the cost of motor services.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 0% TO 10%

Rates have increased slightly due to the fact that organisations are increasingly being asked to provide evidence of this type of cover in their portfolios when tendering for new contracts.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: INCREASE 0% TO 10%

Premium rates have increased for unprofitable clients. However, the market generally remains soft, and it is possible to secure premium decreases for the most favourable risks.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

Rates are expected to remain stable in 2015 as competition remains low.

MARINE CARGO

RATES: STABLE -5% TO +5%

A lack of large claims means that premiums are expected to remain stable in 2015.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: INCREASE 0% TO 10%

An increasing number of companies are buying health insurance for their employees. The rise in premium rates can partly be explained by an increase in medical costs.

MARKET TRENDS

Generally, we expect a soft market in 2015. There is a large number of insurance companies in the local market, which often leads providers to take on unprofitable business just to increase their market share.

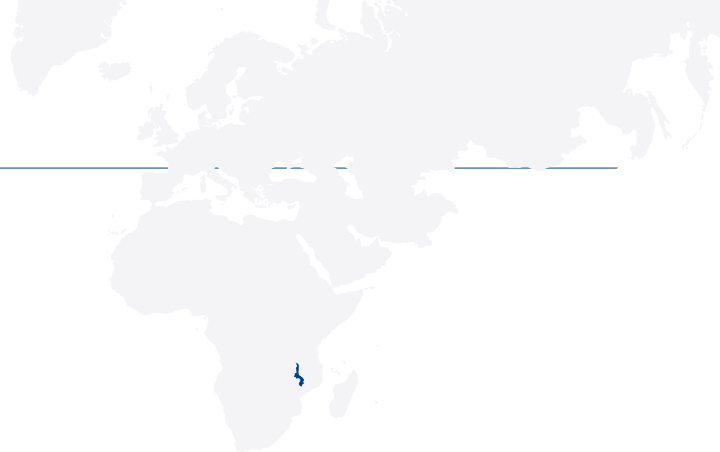
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Malawi

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

The general liability market remains stable at present. This situation is expected to remain unchanged in 2015.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Rates are expected to remain stable in 2015.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 0% TO 10%

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%

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

The market remained stable towards the end of 2014, although indications suggest a rate increase of 10%-20% in 2015.

MARINE CARGO

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%

A rise in the frequency and average cost of health claims has recently increased premium rates by as much as 20%. This trend is expected to continue in 2015.

The current stability in the employee benefits market is expected to continue in 2015, except for health insurance premiums, which are expected to rise by 10%-20% on average.

MARKET TRENDS

The insurance market has remained soft due to the economic downturn the country is currently experiencing in the absence of donor funding. This situation is expected to continue throughout the first half of 2015.

There is a lot of interest from insurers in the Bancassurance market, and several new providers have recently entered the market.

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Namibia

MARKET CONDITIONS

GENERAL LIABILITY

RATES: INCREASE 0% TO 10%

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

Despite the fact that insurers continue to make a loss on this line of business, the motor insurance market remains soft due to the fact that insurers are subsidising motor rates with profits earned from their property portfolios.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

Property rates are stable, although clients with good risk profiles may be able to secure slight rate reductions due to the strong competition that exists between insurers in this space.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: INCREASE ABOVE 30%

Medical malpractice insurance is becoming increasingly expensive in Southern Africa due to legislative changes focused on consumer protection. Rates are expected to continue to increase significantly.

MARINE CARGO

RATES: STABLE -5% TO +5%

AVIATION

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: DECREASE 20% TO 30%

Rates have reduced considerably due to fierce competition among insurers for group personal accident business.

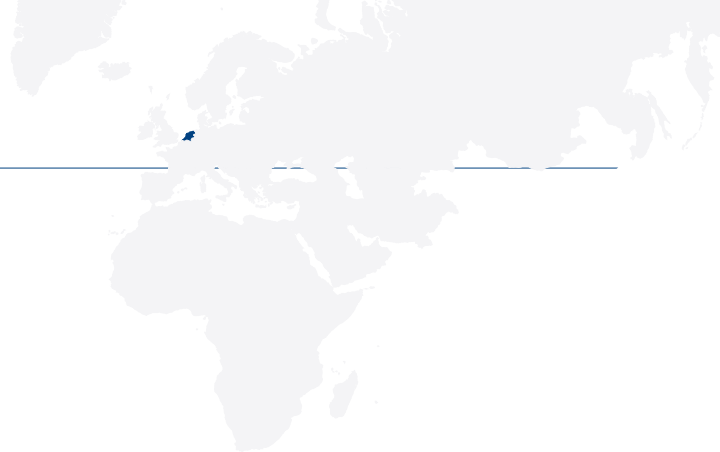
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Netherlands

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

Capacity remains strong in the general liability market, and there are several international insurers that are currently exploring the Dutch market. For these reasons and more, the market is expected to stay very competitive in 2015.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

Motor insurance premium rates are increasing due to the cost of preparations for Solvency II legislation.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

An overflow of capacity, coupled with the expected arrival of new foreign capital later in 2015, will likely further prolong the current stable, yet soft, property market.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

The market for environmental liability insurance is expected to remain stable in 2015.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The D&O market remains very competitive, with ever-increasing capacity available due to new insurers entering the market.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

The FI market is becoming more competitive due to an increase in the number of insurers with an appetite for primary layers, as well as growing excess capacity from existing and new providers.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

The prospect of new insurers entering the Dutch market in 2015 leads us to expect that it will remain highly competitive. On the other hand, capacity for single project (SP) and design and construct (D&C) professional indemnity (PI) business is declining, and prices are rising.

MARINE CARGO

RATES: STABLE -5% TO +5%

The marine cargo market is currently very soft. Underwriters are promoting their international networks as key differentiators in the modern business environment.

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: STABLE -5% TO +5%

The accident and health market has been stable for the past two years. The situation is expected to remain unchanged in 2015.

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Nigeria

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

The market is expected to remain competitive in 2015. There have been major acquisition entries into the market made by foreign insurers, and, despite deteriorating loss profiles, competition among underwriters and also brokers prevents any significant increase in rates.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Although the Nigerian Insurers Association (NIA) is proposing a reduction in motor tariff rates, several companies have not endorsed it and intend to hold firm to their rates as much as possible, especially considering the decline in underwriting profits and investment returns in the money and capital markets. However, actual net rates being written were already well below the NIA tariff, so there is expected to be little real impact.

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%

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

There are a lot of court cases in relation to environmental degradation currently making their way through the courts in Nigeria. Any significant awards as a result of these could have a significant impact on the local market.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

Despite the concerns of some underwriters with respect to the rates charged on fidelity guarantee and money insurance for banks (on which the loss ratios are continuing to worsen), there has been no push for reinsurers to increase their rates.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: STABLE -5% TO +5%

AVIATION

RATES: STABLE -5% TO +5%

The NIA has issued a circular on aviation insurance business for 2015, requiring Nigerian insurers' aviation treaties and facultative arrangements with foreign reinsurers to have minimum ratings of "A-"(S&P) or "A"(A.M.Best). Foreign aviation facilities must contain automatic acceptances and not be subject to declaration or agreement. The net retention of local insurers must not exceed 5% of shareholders' funds on a per risk basis.

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%

MARKET TRENDS

Local terrorism risks are increasing in Nigeria due to the militant Islamic insurgency. More companies are purchasing terrorism cover under their property damage treaties. Although, during the last treaty discussions, a major foreign insurer promised to set up a facility for the Nigerian market, several underwriters have complained about not receiving enough support when enquiries are passed to the reinsurer and local reinsurers.

A-rated reinsurers are now a strict requirement for facultative placements. There is also an increased application of domestication requirements by the local regulator.

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Norway

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

There is strong competition between Norway's insurers, especially for middle-market risks. The main reason for this is the arrival of several new insurers to the market in recent years, and the consequent introduction of enhanced wordings. However, with an already highly competitive market, premium rates remain stable.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

The motor insurance and auto liability markets have been stable for the past three years; however, organisations with poor claims histories have seen slight premium increases. In 2015, we anticipate rate increases of up to 10%, including increased workshop repair costs.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

Rates have been declining for several years due to a benign claims environment and a highly competitive market environment. Consequently, we now expect rates to remain stable.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Market conditions in 2015 will remain stable as we have already been in a highly competitive market for several years.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

Insurers are showing an increasing willingness to include environmental liability cover as an extension to general and product liability policies. It is expected that greater numbers of traditional insurers will soon begin to include environmental liability cover as a product offering.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The D&O market is very competitive due to an abundance of capacity and the entrance of new insurers and facilities. Consequently, organisations with good loss histories are able to secure rate reductions at renewal.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 0% TO 10%

The Norwegian FI market has, in general, a lower claims frequency and severity than those throughout the rest of Europe. However, the market is a small one, with only few organisations purchasing professional indemnity (PI) policies.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

The outlook for professional liability is very much dependent upon the risk profile of the organisation. Local insurers, however, are those that are most likely to keep premiums stable.

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

MARINE CARGO

RATES: STABLE -5% TO +5%

There is a strong appetite for both stock throughput and marine cargo business. Nevertheless, big rate differences exist between insurers due to the subjective underwriting and evaluation of marine cargo risks. Overall, we foresee stable rates in 2015.

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%

After years of intense competition and decreasing premiums, the life market is beginning to stabilise. Strong competition to secure business from large- and medium-sized companies still exists; however, going forward, smaller companies will find it difficult to keep premiums and associated costs at low levels.

The accident and health market is stable, and the number of insurers engaged in this line of business remains unchanged compared with 2014. There are no major changes to the product, and we are not expecting to see any changes in the near future. There are some requests from insurers for lower maximum limits per person, and maximum loss limits, which may be as a result of higher reinsurance premiums.

MARKET TRENDS

The Norwegian insurance market remains competitive: We expect this to continue in 2015, as the industry continues to deliver solid financial results.

Underwriters are focusing on more restrictive underwriting due to increasingly complex processes and the need for more fact-based information. This is especially the case for natural catastrophe coverages, including contingent business interruption (CBI).

Insurers are demanding a higher quality and quantity of risk information, good loss histories, and a strong focus on loss prevention from organisations in return for good quotations.

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Poland

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

Rates for general liability insurance continued to fall in Q4 of 2014 as a consequence of strong competition among insurers who experienced good loss ratios on their portfolios. However, we expect rates to stabilise in 2015.

MOTOR/AUTO

RATES: DECREASE MORE THAN 30%

The market remains very soft, and the introduction of two new insurers has resulted in businesses being able to secure even greater reductions for broader coverage.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 0% TO 10%

Conditions are stable. Just a few local insurers provide employers' liability as a standalone risk; it is usually a regular extension to the third party liability policies offered by various insurers.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

The market remains soft, and rates have been pushed lower by strong competition among insurers. A lack of large losses enables insurers to continue to reduce premium rates with little impact to profit margins.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

While the environmental market is growing, there is still a general lack of knowledge surrounding environmental risks among insurance buyers. The deductibles offered for this class of business are particularly high when compared to those for others.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The D&O market is soft due to strong competition and an abundance of capacity. Large clients with good loss histories and strong financial positions can expect rate reductions of up to 20%.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

There is increasing interest among international insurers to write FI business in Poland, which is creating competition between insurers. This presents buyers with greater opportunities for risks that have traditionally been placed within the London market.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

In Q4 of 2014, some local insurers announced the development of their professional indemnity portfolios as their key priorities in the immediate future; both in terms of cover for all client activities (within annual policies) and for single contracts. This is a marked change in an area that has always struggled with limited capacity, and should present real opportunities for rate reductions in 2015.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

Although the general insurance market is soft, the dominant position of one single liability insurer in Poland is preventing rates for medical malpractice from decreasing. Other insurers are reluctant to enter the market as it tends to be price-oriented and focused mainly on statutory insurances. No significant change is anticipated in 2015.

MARINE CARGO

RATES: DECREASE 0% TO 10%

The marine cargo market continues to be soft, and slight rate reductions were witnessed towards the end of 2014. There are high levels of capacity in the market and a strong appetite for cargo risks. There are no significant changes expected in 2015.

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 strong efforts by insurers to maintain profitability in this area, discounts are only available for those accounts where underlying experience suggests that they will not result in a loss.

Medical benefits are gradually becoming a focus area for insurers, and there are already signs of fierce competition for new business.

RISK TRENDS

Regulatory Risk

Casualty risk is growing due to a combination of increased litigiousness and a rise in average compensation amounts awarded by Polish courts. The likelihood of the value of a claim being disputed in court is growing as, on average, the court award is 300% larger than the settlement offered by insurers. The Polish legal and business environment is following the developments in Eurozone. Organisations are advised to seek improved insurance protection for their casualty exposures, both in terms of the scope of cover and the limits purchased.

The railway market supervisor authority (UTK) is working on legislation that will make it mandatory for railway companies to purchase liability cover in excess of PLN100 million (EUR25 million). Certain specific provisions will apply to sublimits. This new legislation is likely to come into force in 2015, although the gradual implementation of the requirements will not likely begin until 2016.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

MOTOR/AUTO

RATES: STABLE -5% TO +5%

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 0% TO 10%

There has been a slight rise in premium rates due to the negative loss ratios experienced by insurers in 2014.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

The property insurance market remains soft, and rates are being pushed even lower due to strong competition amongst insurers.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

Rates have fallen due to an abundance of capacity in the market.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

The D&O market is soft due to strong competition and an abundance of capacity.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: DECREASE 10% TO 20%

The marine cargo market continues to be soft, and slight rate reductions were witnessed towards the end of 2014. There are high levels of capacity in the market, and a strong appetite for cargo risks. No significant changes are expected in 2015.

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Qatar

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

The general liability market remains soft. Rates are anticipated to come under further downward pressure due to an increasing number of insurers focusing on this line of business, an absence of large claims, and an increase in local capacity levels.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

An increasing number of insurers have started offering fleet insurances, thereby increasing the downward pressure on rates. An increase in the number of vehicles being purchased means that this segment is likely to experience more attention from insurers, particularly since it is viewed as a door-opener to other lines of insurance.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 10% TO 20%

Increased competition between insurers is causing premium rates to decline. Meanwhile, Qatar is experiencing an increasing influx of people to cater to the FIFA World Cup 2022 project requirements, and this has led insurers to devote increased attention to this line of business.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

The property insurance market has witnessed several major fire losses in the past two years. However, with an increased amount of capacity chasing the same business, premium rates continue to remain soft. This trend is expected to continue in 2015.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The amount of overseas capacity available to insurance buyers in Qatar has increased over the past 12 months, resulting in downward pressure on rates and a soft market. The awareness of D&O risks among organisations has increased, leading to the procurement of higher limits.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

The local market is driven primarily by construction projects. The amount of overseas capacity available to clients in Qatar has increased over the past 12 months, resulting in downward pressure on rates.

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

Medical cost inflation is a key factor in the rate increases experienced at renewal. Despite this, the entry of new insurance providers has added competition, which, in turn, has improved product offerings.

MARINE CARGO

RATES: DECREASE 10% TO 20%

There is plenty of capacity available from local insurers. Premium rates remain soft, and further reductions are expected in 2015.

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%

RISK TRENDS

Regulatory Risk

Compulsory health insurance regulation is currently being implemented in phases. Organisations with expatriate employees are awaiting guidelines from the Supreme Council of Health on coverage requirements for the expatriate population.

Cyber Risk

Cyber risk has gained more attention among insurance buyers, particularly financial institutions, which are keen to understand the product and options available in the market.

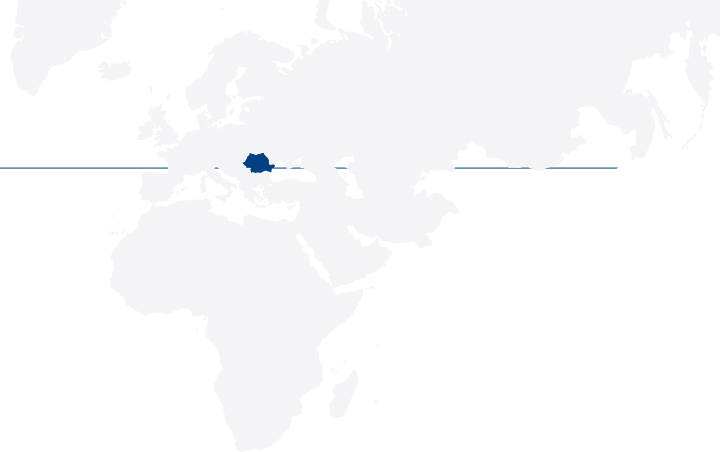
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Romania

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

The general liability market continues to be one of the few profitable lines of business for insurers. As a result, competition for new and existing business is stronger than ever.

MOTOR/AUTO

RATES: INCREASE 0% TO 10%

The motor insurance market remains competitive, and it is still possible to find secure premium rate reductions at renewal. Insurers have, however, been making a loss on motor third party liability for years, and prices are expected to increase as they seek greater sustainability.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

While rate reductions are available for some of the very best property risks, the market remains generally stable. At present, there is a high level of capacity; however, tax increases in 2015 will likely offset any commercial discounts currently on offer.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

D&O rates remain stable, and this situation is likely to remain unchanged in 2015.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

The market is stable; however, buyers with the right amount of leverage should still be able to secure rate reductions at renewal.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: DECREASE 0% TO 10%

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%

Health insurance rates have increased significantly due to a recent spate of large losses. Most insurers have reacted to this by placing greater scrutiny on the risks that come to market.

MARKET TRENDS

The Romanian insurance market is moving towards profitability, and this is reflective of a change of attitude by insurers who are becoming more prudent and less likely to offer commercial discounts to buyers that have poor loss histories. This situation will continue to benefit those organisations that choose to work with a broker in a shifting insurance and risk landscape.

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Russia

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

The general liability market is stable. While the market remains relatively small in Russia, we are seeing an increase in claims.

MOTOR/AUTO

RATES: INCREASE 10% TO 20%

The market continues to experience rate increases due to legislative changes, higher claims frequency, and a rise in the price of repair/replacement.

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 remain stable for non-catastrophe property insurance. It appears that insurers are unable to reduce prices further and that premium rates have hit bottom. Insurers in some areas have become even more restrictive with their wordings, specifically on contingent business interruption elements and various property damage extensions.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)

RATES: INCREASE 10% TO 20%

The Russian D&O market appears to be hardening after several large losses in the past 18 months. This has had an impact on the rates offered by those insurers attached to these claims; however, companies with clean loss histories are still able to secure premium rate reductions of 10%-15% at renewal.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 0% TO 10%

There is a limited amount of insurers interested in providing bankers blanket bond/professional indemnity cover. Deductibles for top financial institutions are in the range of US\$1 million to US\$3 million. For smaller institutions, the figure is closer to US\$500,000.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

MARINE CARGO

RATES: STABLE -5% TO +5%

AVIATION

RATES: INCREASE 10% TO 20%

Aviation underwriters are generally excluding military "hot spots" and areas with unstable political situations from cover.

There has also been a consolidation of the aviation insurance market in Russia. Some insurers have walked away from the renewal of aviation treaties because of an inability to fill their respective capacities. Today, only four Russian insurance companies are able to cover medium-range aircraft operating over the EU.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: INCREASE 0% TO 10%

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Serbia and Montenegro

MARKET CONDITIONS

GENERAL LIABILITY

RATES: INCREASE 0% TO 10%

Awareness surrounding general liability risks has increased in the country due to a spate of recent high-profile claims. As a result of an increase in the number of claims settlements, insurers have raised premium rates, and this trend looks set to continue in 2015.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

Due to strong competition in the insurance market, motor insurance premium rates decreased towards the end of last year, and further reductions are expected in 2015. Despite this, clients continue to receive a high quality of service from insurers.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

Although employers' liability-related claims are on the rise, premium rates remain stable. The main reason for this is that there has yet to be any significant amount of compensation paid to claimants. However, if this were to change, it would undoubtedly have an impact on the market.

PROPERTY: CATASTROPHE-EXPOSED

RATES: INCREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Due to a series of catastrophic flood events in 2014, rates for catastrophe-exposed property insurance have increased considerably. Further increases are expected in 2015. Losses from water-related events are expected to increase in the coming years due to the fact that investment in prevention and protection has been relatively poor.

Premium rates for non-catastrophe-exposed risks remain stable.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Rates for D&O insurance fell towards the end of 2014, resulting in this type of cover becoming much more attractive for local companies.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 0% TO 10%

Rates for FI insurance continue to rise. This is, in part, due to a new consumer protection law in the country, which has resulted in an increase in the amount of claims made against financial institutions. Because this sector of the Serbian economy is an important one, insurers are acting cautiously when handling (and accepting) these types of risks.

PROFESSIONAL LIABILITY

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: DECREASE 0% TO 10%

Employee benefits programmes are becoming more and more appealing to clients in Serbia. With life and accident cover mainly being excluded from employee benefits packages (and not having too great an impact on annual insurance expenditure), health insurance is being promoted as a top product.

Since the quality of service of Serbia's social and state health institutions is relatively low, most of the health insurance products on offer are not creating a profit for insurance companies. Therefore, the majority of insurers are being extremely cautious and increasing premium rates in order to protect themselves from future losses.

RISK TRENDS

Natural Catastrophe Risk

Recent flood events have focused a lot of attention on the importance of business interruption insurance cover, and buyers are becoming more and more interested in contingent business interruption insurance and non-damage business interruption insurance.

Regulatory Risk

Legislation is becoming more and more developed in Serbia and Montenegro. As a result, third party liability claims are expected to increase along with the average amount of compensation.

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Slovenia

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

Unfavourable economic conditions have had an impact on the local insurance market. A declining number of active and solvent companies and diminishing consumer purchasing power have resulted in a gradual reduction in the limits and scope of insurance coverage purchased in Slovenia. Local companies, which already buy lower limits than comparable peers in Western Europe, are expected to further decrease their limits to realise even greater premium savings.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Motor insurance premium rates have fallen in recent years due to strong competition and the introduction of new insurers into the market. However, this trend is expected to end in 2015 and premium rates remain stable.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Premium rates should remain stable in 2015 despite unfavourable economic conditions. This is due to the fact that local organisations typically consider their property exposures to be the highest priority and insure against them accordingly.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

The environmental market remains small in Slovenia, and is expected to undergo little change in 2015.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Local D&O providers are heavily dependent on foreign insurance trends. Premium rates are very low when compared to claim ratios, and it is believed that the market has bottomed out. In the future, country rating and open claims could generate an increase in premium rates.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

The FI sector remains in serious financial difficulty; however, stable premium rates are expected in 2015.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

With the exception of mandatory professional indemnity (PI) cover for some occupations, the professional liability market remains relatively undeveloped. Stable premium rates are expected in 2015.

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

The health care sector is heavily state-regulated, with big deficits and a lack of local competition. There will likely be pressure for higher premiums in the near future.

MARINE CARGO

RATES: STABLE -5% TO +5%

Insurers generally have good loss histories for their marine business, and we therefore anticipate there will be little change to premium rates in 2015.

AVIATION

RATES: STABLE -5% TO +5%

Premium rates for aviation insurance are usually dictated by foreign markets; therefore the local market will most likely follow the trends witnessed abroad.

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%

Premiums for employee benefits will most likely remain stable, with the exception of health, which is expected to increase due to cost management problems in the health care industry and a lack of competition in the marketplace.

RISK TRENDS

Regulatory Risk

New legislation is being prepared by the Slovenian Government regarding insurance premium tax and financial services tax. Both taxes will most likely increase (from 6.5% to 8.5% on premium and on broker's commission) in 2015. Such an increase will almost certainly result in higher insurance costs for buyers and brokers.

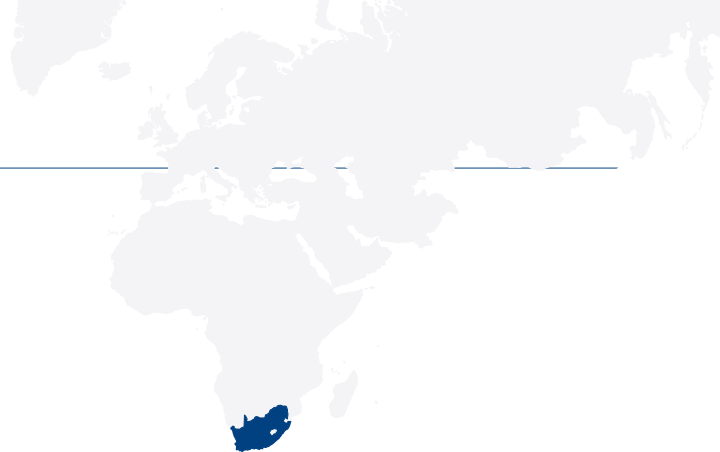
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South Africa

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

The entrance of new insurers to the general liability market has led to a reduction in premium rates at renewal. While traditional insurers are still trying to impose restrictions on cover, new entrants are taking advantage of this to win business.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Organisations with well-managed motor and auto risks are able to secure unaltered terms at renewal; however, there are very few reductions on offer.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

There is an abundance of capacity in the local and overseas markets. Deductibles remain unchanged; however, lead insurers are competing with each other for new business, and this is driving down premium rates.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The D&O market is fairly stable. Insurers are competing for new business, which is driving premium rates down slightly.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

Despite a rise in claims and changing risk profiles, terms have remained suppressed due to an abundance of capacity and strong competition amongst insurers.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

New insurers continue to enter the professional indemnity (PI) market. Competition is therefore high, resulting in stable rates at the bottom-end of a soft market.

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

Medical malpractice cover is limited in South Africa, and rates are increasing due to a rise in the number of claims.

MARINE CARGO

RATES: STABLE -5% TO +5%

Competitive terms are being offered for new business, but, on the whole, the market is stable.

AVIATION

RATES: DECREASE 0% TO 10%

While the general aviation market remains competitive, rates for war risks have increased well in excess of 30% following several high-profile losses 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%

Medical aid premiums continue to increase above the consumer price index. Buyers may opt for less comprehensive plans in order to maintain premium levels.

Life and disability, and accident and health premiums are stable.

RISK TRENDS

Cyber Risk

Demand for cyber insurance is increasing, and rates and terms are becoming more favourable as new insurers enter this market.

Regulatory Risk

The South African insurance regulator, the Financial Services Board (FSB), launched its long-awaited Retail Distribution Review (RDR) in November 2014. The legislation is part of the FSB's Treating Clients Fairly initiative, and will have wide-reaching implications for South African insurers and intermediaries.

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Spain

MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

The general liability market remains soft due to strong competition between a large number of insurers. This does not look set to change in the near future.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

After several years of rate reductions, the motor insurance market appears to have turned a corner. In the past, it was common to find insurers taking on more and more risk in the hunt for new business. Today, however, the market has stabilised, with some insurers even increasing rates for those buyers with negative loss histories.

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. The situation is expected to remain the same in 2015.

ENVIRONMENTAL

RATES: DECREASE 0% TO 10%

Demand for environmental insurance remains low in Spain. Environmental cover is offered by several insurers; however, strong competition only really exists for the largest operations. Therefore, we don't expect many changes in 2015.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The D&O market is stable, although rate reductions of as much as 5% can still be achieved for buyers with the most favourable risk profiles. This trend is expected to continue in 2015.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

The professional indemnity (PI) market has been soft for the past 10 years, although there are signs that it is finally beginning to stabilise in 2015, following a string of large losses. In 2015, we expect a slight increase in average premium rates.

MEDICAL MALPRACTICE

RATES: DECREASE 0% TO 10%

Competition among insurers increased in 2014, and, as a result of insurers reviewing their underwriting policies, we expect rate decreases in 2015.

MARINE CARGO

RATES: DECREASE 10% TO 20%

The marine cargo market is extremely soft due to high levels of competition for new and existing business. We expect this trend to continue in 2015.

AVIATION

Currently, the market remains stable. However, due to several high-profile incidents in 2014, we expect rate increases in 2015.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: STABLE -5% TO +5%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: DECREASE 0% TO 10%

MARKET TRENDS

There was notable growth in the health care market in the past 12 months, and this is expected to continue in 2015.

RISK TRENDS

Cyber Risk

According to reports by security companies, Kaspersky and S2ISec, Spain has the third-highest frequency of cyber attacks in the world (after the US and UK, respectively), and we are therefore seeing a lot more enquiries about the availability of cyber insurance.

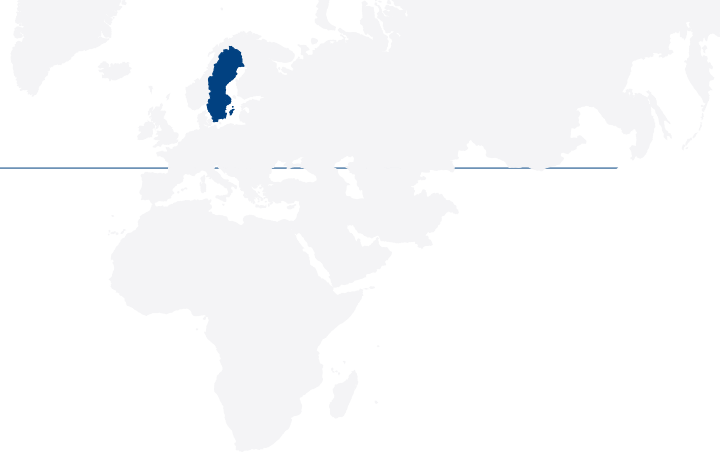
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Sweden

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

The general liability market is stable to soft, with a lot of capacity from both existing insurers and new ones that have recently entered the market. There is some caution around US exposures, however.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

Premium rates for motor insurance have increased throughout the past two to five years. At present, rates are stable for those organisations with good risk profiles. The entrance of new insurers to the market has placed some downward pressure on rates, particularly as they claim to have much lower internal costs than existing participants.

PROPERTY: CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

There is an abundance of capacity in the market due to the entry of new insurers. Discussions continue over whether or not to include cover for cyber risks under traditional business interruption coverages. Loss limits are now being used more frequently, whereas previously the market used to typically offer full-value cover with no loss limit.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

The arrival of new insurers into this space has fuelled competition and resulted in lower premium rates and broader cover.

FINANCIAL INSTITUTIONS (FI)

RATES: STABLE -5% TO +5%

New entrants to the FI market are driving competition. While this is resulting in broader cover, premium rates are generally stable.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

There is plenty of capacity in the market due to the entry of new insurers and existing providers broadening their offerings in order to diversify their scope of business.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

The medical malpractice market remains competitive for both life and non-life insurers. Different retention levels for different limits are being introduced in the market, and insurers are looking at various ways to enhance existing products.

MARINE CARGO

RATES: DECREASE 0% TO 10%

In general, premium rates for marine cargo insurance remain stable. There is plenty of capacity available as a result of new insurers entering the Swedish market. Those accounts with good loss histories and long-term relationships have been able to secure flat renewals and, in some cases, discounts of up to 10%.

AVIATION

RATES: STABLE -5% TO +5%

RISK TRENDS

Natural Catastrophe Risk

Sweden has historically been spared from the most severe natural catastrophes; however, climate events are now a real risk in the country and this has resulted in increased interest in natural catastrophe risks.

Cyber Risk

Cyber risk is also becoming a greater concern for a broad group of clients, and there have been some interesting product development initiatives made lately in this area.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 10% TO 20%

New insurers continue to enter the general liability market in search of new opportunities, and there is therefore an abundance of capacity for favourable risks. Compliance is a major concern, particularly sanction clauses and non-admitted coverages.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

The market is stable due to high levels of capacity. This is despite the frequency and average cost of losses rising in 2014.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 10% TO 20%

The market is hardening due to poor underwriting results. As a consequence, contracts with poor loss histories are being renegotiated by insurers, and are experiencing premium increases of as much as 20%.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 10% TO 20%

Due to strong competition between insurers, organisations with good loss histories are able to secure large rate reductions at renewal.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 10% TO 20%

The D&O market is soft, and rates are expected to continue to decrease due to there being an abundance of capacity in the market.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 10% TO 20%

Insurers in the FI market are very competitive, especially when it comes to challenging for new business. Minimum premium-per-million limits are decreasing, and broader coverage is available.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

The professional indemnity (PI) market is stable. There are only a few insurers offering PI policies; however, those that do are being increasingly innovative with their product offerings.

MEDICAL MALPRACTICE

RATES: INCREASE 0% TO 10%

Rates for medical malpractice insurance have increased steadily in recent years. This is mainly due to the expensive health care system in Switzerland. In late-2014, Swiss voters rejected plans to move away from the country's all-private health insurance system to a state-run scheme.

MARINE CARGO

RATES: DECREASE 10% TO 20%

The marine market remains very competitive, and it is even possible for clients with loss ratios close to 100% to secure premium reductions at renewal. The most favourable risks with good loss ratios are being offered very attractive terms and conditions.

AVIATION

RATES: DECREASE 10% TO 20%

The aviation insurance market in Switzerland is still highly competitive due to the fact that insurers are committed to increasing their market shares. This has led to substantial benefits for insurance buyers. In general, aviation insurance premiums decreased by approximately 8%-15% in 2014, and, in the absence of a market-changing event, this trend is expected to continue in 2015.

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%

Rising health care costs are leading to higher insurance premium rates for all risk profiles. Group life rates are still decreasing for companies with good risk profiles, however. Accident and health insurance premiums have stabilised after minor rate reductions in recent years.

RISK TRENDS

Regulatory Risk

The Swiss Government is planning to transform social security with its Swiss 2020 Pension Reform. Keeping state pensions at current levels will require a 2% rise in value-added tax. As for occupational pensions, which are a separate category in Switzerland, lowering the "conversion rate" (Umwandlungssatz) would add no less than 1.7% to employees' payments, based on specialists' calculations. That is about the same as a further percentage hike in value-added tax and a measure that would burden employees of different ages and salary levels inequitably. The reform proposals are currently being discussed and negotiated in parliament, and voters are expected to go to the ballot box in 2015.

Following a number of scandals, particularly in the banking industry, regulations for financial institutions have been tightened. The Federal Department of Finance is developing a new Financial Service Act (FIDLEG) that will govern the sale of financial products by any financial services provider, including insurers and insurance brokers. While the outcome of this legislation is uncertain, it is expected to have little impact on insurance buyers.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

There is currently heightened interest in cover for products liability; not only for manufactured products but also for products in the supply chain. There are still a limited number of insurers able to provide capacity for complex risks; however, there is a desire to underwrite this kind of business.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

An increasing number of premiums in Turkey continue to be calculated on the loss history of the client. Insurers are competing aggressively with one another as they seek to expand their portfolios.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: INCREASE 20% TO 30%

Insurers are reluctant to provide workers' compensation cover for high-risk industries. Even where cover is available, it is usually provided by a coinsurance panel comprised of more than one insurer.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

Local and international insurers have a strong appetite for Turkish property business and, as a result, there is an abundance of capacity in the market. Rates have bottomed out, and there are some underwriters that are struggling to adapt their terms to market levels.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

General awareness of, and desire for, environmental cover remains low, despite an increasing number of insurers entering the market.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Strong competition for D&O business is enabling insurance buyers to secure significant rate reductions on renewal. New regulations and codes (Commercial Code, Capital Markets Code, etc.) have increased local demand for this type of cover.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

High claims ratios resulted in rate increases in 2014.

MARINE CARGO

RATES: STABLE -5% TO +5%

Many local and international insurers are keen to expand their marine cargo businesses and are offering higher limits, products without deductibles, and broader coverages to prospects.

AVIATION

RATES: STABLE -5% TO +5%

With the exception of aviation war lines, the aviation market is stable. However, for war risks, we are seeing increases of 100%-500% due to a rise in the number of claims.

Since November 2013, there have been a number of incidents that have resulted in major claims for both hull war and all-risk underwriters. These losses have had a major impact on the profitability of the aviation insurance market, especially the hull war market. This has not been truly reflected in the all-risks market, but the war market has already begun to be affected.

Softening conditions seem to continue for other liability lines, such as airport owners and operators, hangar keepers, and products liability. However, increased reinsurance costs will likely have an impact on all underwriters at some point or other.

Due to Turkey's close proximity to several military "hot spots", Turkish operators are faced with high levels of ad hoc flight demands for such locations. This necessitates wider geographical coverage than is provided for standard policies with the Kiln Geographic Areas Exclusion Clause LSW617G. An increase in political and war events in 2014 has brought about a much more restrictive approach from the insurance markets for flights destined to and from those destinations. Insurers' different risk appetites for ad hoc flights have made insureds think about their existing programmes and consider alternatives.

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%

Negative loss ratios mean that insurers are failing to make a profit from their group health products. Premium rates are increasing due to a rise in critical illnesses and the fees charged by private hospitals.

RISK TRENDS

Natural Catastrophe Risk

Recent statistics point to an increase in the number of natural catastrophe losses per year and, in the event of a loss, the gap between economic and insured losses. Because the majority of the insured property portfolio is situated in areas that are highly susceptible to earthquakes, this is both an opportunity and a significant risk for insurance companies.

Regulatory Risk

The reinsurance market is enjoying plentiful capacity levels following the introduction of third-party capital. However, it must not be forgotten that the low interest rate environment, which has encouraged the flow of new capital, is, at the same time, deteriorating insurers'/reinsurers' financials in the light of the upcoming Solvency II regime. Since local Turkish insurers are mostly dependent on reinsurance, and cede the majority of the premium generated, any such deterioration will lead to an increase in the cost of reinsurance. Also, it should be remembered that, in order to comply with the Solvency II regime, insurers will have to reallocate their capital positions and reserves.

Cyber Risk

Cyber risk policies are quite limited in the Turkish market; however, demand is rising among insurance buyers.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

There is an abundance of capacity in the market following the introduction of several new insurers. As a result, higher limits are available locally at competitive prices.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

After dramatic reductions during the past 18-24 months, the motor insurance market appears to be stabilising. We do not anticipate there being much change in 2015.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 0% TO 10%

A standard decrease in premium rates took place in Q4 2014 as insurers rushed to improve gross written premium numbers and meet annual targets. No change is expected in 2015.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

After several quarters of consecutive reductions, property rates seem to be stabilising at low levels, although a slight hardening of terms and deductibles can be seen. A large amount of capacity and continued lack of any major catastrophe losses will prevent any upward trend in prices for the foreseeable future.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

Surplus D&O capacity in the domestic market and the Dubai International Financial Centre will continue to ensure that rates remain soft in the near term.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 10% TO 20%

The FI market is experiencing a definite hardening of rates and terms following a spate of bankers blanket bond losses during the past 12 months. Higher limits are being sought by insureds as corporate governance takes hold.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

Surplus capacity and a relatively benign litigation environment continue to put downward pressure on prices. No major change is expected in 2015.

MEDICAL MALPRACTICE

RATES: INCREASE 10% TO 20%

There is a limited market for this mandatory product. Regular losses reported by hospitals have resulted in a hardening of rates and terms in this area.

MARINE CARGO

RATES: DECREASE 0% TO 10%

There is intense competition for marine cargo business. The availability of large capacity with local, regional, and free zone-based insurers/reinsurers is likely to ensure that rates and terms remain depressed for some time to come.

At the 1 January renewals, we witnessed a dramatic drop in premium rates; on occasion by as much as 20%-25%.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 10% TO 20%

EMPLOYEE BENEFITS: LIFE

RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS:

ACCIDENT AND HEALTH

RATES: DECREASE 0% TO 10%

The health insurance market continues to harden on the back of medical inflation and adverse claims experience. The implementation of the Dubai Health Authority (DHA) regulation for midsize businesses and small-to-medium enterprises will ensure that demand remains strong throughout 2015 and beyond.

RISK TRENDS

Cyber Risk

Cyber risk exposure is being taken more seriously by clients, especially banks, financial institutions, and those organisations in the retail and hospitality sectors. We anticipate this sector to grow in 2015 and beyond.

Credit Risk

Trade credit insurance remains a high-growth area as an increasing number of businesses continue to seek protection from counter-party risks while looking to expand their existing business.

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MARKET CONDITIONS

GENERAL LIABILITY

RATES: DECREASE 0% TO 10%

New capacity continues to enter the market, and new and existing insurers all have significant growth targets. Notably, insurers are willing to negotiate broader business interruption wordings, and there is no pressure on limits for natural catastrophe insurance.

MOTOR/AUTO

RATES: DECREASE 0% TO 10%

Like for general liability, new capacity continues to come into the market, and all insurers have significant growth targets. However, we are expecting to see rates stabilise or even increase in 2015 due to poor loss experiences. For now though, competition is still resulting in premium rate reductions on the majority of accounts.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: DECREASE 0% TO 10%

Strong competition has resulted in enhanced wordings and broader coverages becoming available. This situation is not expected to change in 2015.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

An abundance of capacity and high growth targets make this a buyer's market. Notably, insurers are willing to negotiate broader business interruption wordings, and there is no pressure on limits for natural catastrophe insurance.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

Additional capacity in the UK environmental insurance liability (EIL) market has been provided by the entrance of several new insurers. The market continues to provide commercial pricing on environmental risks, and many long-term policies are seeing premium rate reductions on renewal. Large limits and long-term policies for environmental risks have become less commonplace, and the market is looking to provide more operational risk policies.

DIRECTORS AND OFFICERS (D&O)

RATES: DECREASE 0% TO 10%

There is an abundance of capacity in the market at present. Rates generally are stabilising, although on accounts where the client is pushing for reductions or remarketing, rates have continued to decline. Any one claim (AOC) is becoming more common.

FINANCIAL INSTITUTIONS (FI)

RATES: DECREASE 0% TO 10%

Enhanced wordings and broader coverages are all signs of a softening market; however, this is not the case for professional indemnity (PI) insurance for the largest risks.

PROFESSIONAL LIABILITY

RATES: DECREASE 0% TO 10%

Insurers are taking advantage of cheaper treaty reinsurance and looking for increased capacity on programmes. This, together with a benign claims environment, has led to a further softening of the market.

MEDICAL MALPRACTICE

RATES: DECREASE 0% TO 10%

Capacity has increased significantly in the past 12 months, leading to a reduction in premium rates at renewal.

MARINE CARGO

RATES: DECREASE 0% TO 10%

Rates typically reduced by 10% in 2014, although risks with good loss histories were sometimes able to secure rate reductions of up to 20%. This rule did not apply to accounts that had significant losses, however, where we have seen "underwriting corrections".

The cargo market continues to have a surplus of capacity, and it remains a buyer's market despite cargo underwriting results being marginal.

EMPLOYEE BENEFITS: HEALTH

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: INCREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: INCREASE 0% TO 10%

The life insurance market has hardened in recent years; however, there has been a slight softening recently due to the arrival of new insurers to the market, going across both accident and health. Private medical insurance has remained static, with no new players coming into the market, and average inflation coming down over the last couple of years, potentially linked to claims control measures implemented by insurers.

MARKET TRENDS

In 2014, we saw the entry of new insurers and an increase in capacity across the market, resulting in further softening. Insurers are being faced with significant growth targets, meaning that competition is therefore increasing. This, in turn, is fuelling the opportunity for negotiations for broader coverages and enhanced wordings to benefit buyers, as well as a decrease in rates of up to 10% across nearly all classes of business.

The increased use of analytics in the insurance market is pushing the boundaries of our traditional model and influencing behaviour. Over time, it will allow clients to take more control of the facts, resulting in more appropriate risk control. Furthermore, it will improve the delivery of our services, and catalyse the innovation of products across all markets.

RISK TRENDS

Cyber Risk

There is heightened concern around cyber risk among clients. The insurance market's ability to capture relevant risk factors and develop wordings aligned to these will be essential to their protection and peace of mind.

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Zambia

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

Premium rates for general liability insurance remained stable going into 2015. It would appear that the entrance of several new insurers into the market has offset the upward pressure on pricing resulting from negative claims ratios. New products have recently been introduced in the market, including a legal expenses liability offering.

MOTOR/AUTO

RATES: DECREASE MORE THAN 30%

Motor is the largest local line of business in Zambia and generates more than 30% of gross written premium. Despite heavy premium rate reductions for favourable risks, mainly due to an increase in the number of market providers, motor continues to be a profitable line of business for insurers.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

Premium rates for workers' compensation/employers' liability insurance remain stable. In some cases, companies with good risk profiles have been able to secure a small reduction in rates.

PROPERTY: CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: DECREASE 0% TO 10%

Marginal premium rate reductions have been witnessed at renewal for both catastrophe- and non-catastrophe-exposed property cover. This is due to positive claims experience in 2014, coupled with the entrance of several new insurers into the market. Fronting has also had an effect on the reduction in rates. Some mega risks are now being placed in foreign markets, which have much more competitive rates than those offered by local ones. This is a particularly common phenomenon with multinationals and global programmes.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

This is not a common type of insurance in the region. No local capacity exists for this type of coverage, and any coverage has to be sourced from offshore insurers and fronted via local companies.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

Local awareness of D&O risks continues to gain momentum, and today more organisations purchase this line of coverage than ever before.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 10% TO 20%

Premium rates have increased for FI risks due to a large amount of losses towards the end of 2014.

PROFESSIONAL LIABILITY

RATES: STABLE -5% TO +5%

Rates remain stable due to a low frequency and cost of professional indemnity (PI) claims. Rates are expected to decline in 2015, due to the expected proliferation of new insurers seeking to secure new business.

MEDICAL MALPRACTICE

RATES: DECREASE 0% TO 10%

This line of business is very competitive, and price wars have seen life companies reduce premium rates year-on-year.

MARINE CARGO

RATES: STABLE -5% TO +5%

The majority of this type of insurance is bought on a cost, insurance, and freight (CIF) basis. Rates are relatively stable and are not expected to change.

AVIATION

RATES: STABLE -5% TO +5%

Because of a lack of local capacity, the vast majority of aviation risks are covered via facultative reinsurance. At present, rates appear to be stable.

EMPLOYEE BENEFITS: HEALTH

RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: LIFE

RATES: DECREASE 0% TO 10%

EMPLOYEE BENEFITS: ACCIDENT AND HEALTH

RATES: STABLE -5% TO +5%

Premium rates are expected to continue to decline for life and health cover due to fierce competition between insurers for new business.

MARKET TRENDS

Fronting is becoming more common in the country, largely because of the high cost of insurance charged by local companies. Local brokers with access to foreign markets are able to secure much more competitive quotations and simply front the insurances. However, it is anticipated that the authorities will soon seek to restrict this practice in order to cap the flight of capital out of the country.

RISK TRENDS

Regulatory Risk

Zambia is becoming increasingly litigious, and clients are looking for solutions in this area. D&O and legal expenses coverages are being considered by most clients as solutions to this exposure. We expect an increase in the purchase of these products in 2015.

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Zimbabwe

MARKET CONDITIONS

GENERAL LIABILITY

RATES: STABLE -5% TO +5%

Due to a lack of major incidents, the general liability market remains stable. The number of insurers participating in the market is expected to decline in 2015 as some are unlikely to meet the new minimum capital level of US\$1.5 million required by the regulator, which came into effect on 30 June 2014. Others are faced with serious viability challenges, which may also result in them being suspended from transacting renewal and new business. Despite all this, capacity levels for this line of business remain adequate as the limits required by most insurance buyers can be absorbed by the remaining active insurers.

MOTOR/AUTO

RATES: STABLE -5% TO +5%

The number of insurers providing motor cover is likely to decline in 2015 due to cash-flow challenges and difficulties in meeting the minimum capital level of US\$1.5 million. Nevertheless, there will still be adequate capacity to handle motor business in Zimbabwe, and underwriting trends and product offerings will remain unchanged.

WORKERS' COMPENSATION/ EMPLOYERS' LIABILITY

RATES: STABLE -5% TO +5%

Workers' compensation is managed by the National Social Security Authority, and recent increases in the maximum insurable earnings rate (from US\$200 to US\$700), as well as the combined contribution rate for both the employer and employee (from 6% to 7%), are likely to remain in place in 2015. Premium rates for employers' liability are expected to remain stable, and insurer capacity levels, retentions, and underwriting trends are not expected to change.

PROPERTY: NON-CATASTROPHE-EXPOSED

RATES: STABLE -5% TO +5%

Demand for property coverage is expected to decline due to company closures resulting from the fragile economy. Despite several large losses in 2014, rates are expected to remain unchanged due to strong competition amongst insurers.

ENVIRONMENTAL

RATES: STABLE -5% TO +5%

There have been no major developments in the environmental liability market. There are just a few insurers that underwrite this line of business due to a lack of capacity on their treaties. Those that do, ride on the capacity of regional and international underwriters with whom they have business synergies and alliances.

DIRECTORS AND OFFICERS (D&O)

RATES: STABLE -5% TO +5%

Although enquiries for D&O cover have recently increased, we do not anticipate this having an impact on premium rates, which are currently considered to be expensive. This is just one of the reasons why this cover is principally confined to companies listed on the stock exchange.

FINANCIAL INSTITUTIONS (FI)

RATES: INCREASE 0% TO 10%

Demand for FI insurance products is expected to increase in the form of banker's blanket bonds, computer crime, and cyber. Enquiries for cyber cover have increased recently as organisations begin to better understand the risks to their business. A spate of bank robberies, employee frauds, and armed hold-ups is responsible for increased demand and rate increases. In turn, this has generated a need for increased capacity, which underwriters and reinsurers are likely to source from regional and international markets. We therefore foresee a rise in the demand for bespoke products to suit the changing needs of clients.

PROFESSIONAL LIABILITY

RATES: INCREASE 0% TO 10%

As of 1 January 2015, professional indemnity (PI) cover (up to US\$500,000) for insurance brokers and agents is handled by the Special Risks Insurance Consortium (SRIC), with the balance taken up by reinsurers. This has created higher capacity for PI limits compared to other professions. A standard rate (yet to be confirmed) will apply, which will likely result in a change of reinsurers' retention limits and policy terms.

MEDICAL MALPRACTICE

RATES: STABLE -5% TO +5%

MARINE CARGO

RATES: STABLE -5% TO +5%

AVIATION

RATES: STABLE -5% TO +5%

MARKET TRENDS

The challenging economic environment is having an adverse impact on the performance of all sectors of the economy. The majority of organisations in different sectors of the economy are operating below capacity due to lack of exports and lines of credit, and hence cash-flow constraints. Company closures have also increased, resulting in a further contraction of the market for which the insurance industry is competing. Increased competition has resulted in rate undercutting, which has a further negative impact on growth in the sector. Some insurers are failing to meet their claims obligations, resulting in a loss of confidence in local insurers and reinsurers. Due to this development, some clients are now placing their business with regional and international insurers as opposed to local ones.

RISK TRENDS

Regulatory Risk

Uncertainty surrounding policy issues with regards to indigenisation laws have had a negative impact on foreign direct investment, and, consequently, economic growth.

Political Risk

Uncertainty arising from leadership tussles within governmental structures has led to a large number of investors adopting a wait-and-see attitude until the political future of the country becomes clearer.

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Political Risk

MARKET CONDITIONS

There was an increase in market capacity for political risk insurance in 2014, as insurers recognised the opportunity for non-correlative classes of business, with increased earnings. A total of four insurers entered the market for the first time during this period. Pricing continues to be driven to a large extent by underlying bank pricing. Banks are chasing quality business and consequently driving down price, notwithstanding the costs of financing, which, in turn, drives down insurance premium. Coupled with this, at the other end of the spectrum, is the opportunistic risk premium to insure existing assets or contracts in increasingly unstable markets.

RISK TRENDS

In 2014, Portugal's leading bank was nationalised; in December 2014, Standard & Poor's downgraded Italy to BBB- (just one notch above junk); and the result of the recent Greek elections continues to give the financial markets cause concern. Meanwhile, the localised Arab Spring of 2011 keeps blooming and has moved into a new phase of political turmoil; terrorism (for example, the Islamic State of Iraq and Syria (ISIS)), and geopolitical risk, which is impacting many geographies, businesses, and their lenders.

In 2015, we expect to continue to see ripple effects resulting from financial institutions' systemic risk (the sub-prime crisis), the EU sovereign crisis, and the Arab Spring. Other risks on the horizon include stress tests on financial institutions showing them to be undercapitalised, further financial institutions' bailout risk, and continuing concerns within the EU on sovereign debt.

Spotlight on the European Union, Ukraine, and Russia

The shift in the relations between the EU and Russia was referenced early last year in our *2014 Political Risk Report*; however, the reality has moved way beyond the parameters of what was anticipated by many observers. In the political risk market, one of the biggest country aggregations of risk is Russia, while Ukraine is also substantial. For financial institutions, Russia represents more than US\$350 billion of exposure to foreign bank loans, many in the hydrocarbons and commodities sectors that drive the Russian economy. The combined effect of sanctions and, more recently, a free-falling oil price is pressuring not only Russia but other major oil producers.

Speed of Change

The impact of dramatic currency fluctuations, possible trade restrictions and currency flight, and China's economy and demand for commodities is not just localised to individual sectors and/or geographies. From financial institutions lending to upstream oil and commodity firms, to corporates seeking financing to fund increasingly challenging projects where cash can't be followed immediately, we expect to see more corporate failures and more political violence and turmoil globally. If the global economy teeters into recession, any company trading is more vulnerable to risk.

In 2015, while we expect to see further insurance entrants, we also expect increased claims incidences as credit and political risk/physical damage events crystallise into claims following the expiration of policy-waiting periods.

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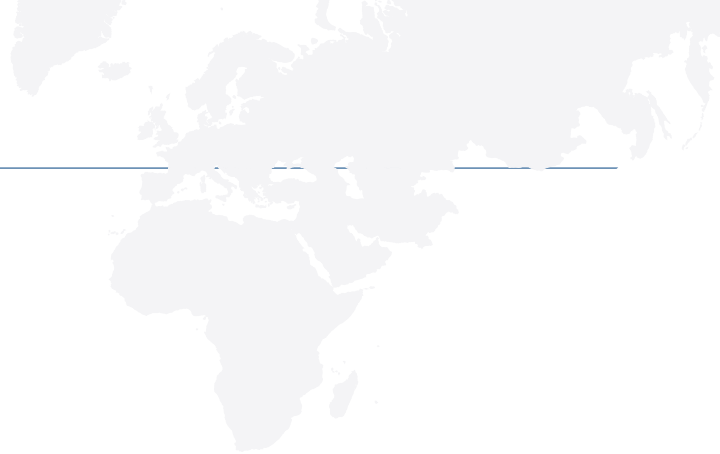
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"IF THE GLOBAL ECONOMY TEETERS INTO RECESSION, ANY COMPANY TRADING IS MORE VULNERABLE TO RISK. "



Multinational

MARKET CONDITIONS

In 2014, the international insurance market continued with generally low rates, soft market conditions, and a sufficient supply of capacities. Fewer losses from natural catastrophes, such as storms and earthquakes, were reported. The hurricane season was moderate, with the largest losses occurring in India and in the Philippines.

The largest event in Europe was a massive hail and thunderstorm during the summer, which caused massive damage across Belgium, France, and parts of Germany. The total loss was reported to be approximately US\$3.5 billion, of which US\$2.8 billion was insured.

For 2015, most forecasts predict only moderate premium growth for mature markets, partly due to a slightly positive outlook for the economy. Clients seem to be looking increasingly for multiple-year plans as well as higher capacities.

"FOR 2015, MOST FORECASTS PREDICT ONLY MODERATE PREMIUM GROWTH FOR MATURE MARKETS, PARTLY DUE TO A SLIGHTLY POSITIVE OUTLOOK FOR THE ECONOMY."

"Farewell to Good Local Standard" — The Evolution of International Insurance Programmes

The vast majority of European multinational companies rely on the use of international insurance programmes. The most common lines are still property damage and business interruption, general and products liability, marine cargo, construction all risk, and, more recently, directors and officers (D&O) liability. The original idea behind international insurance programmes was to allow the payment of claims abroad via a locally admitted policy. The coverage, wording, and limits were secondary as the master policy would fill in potential gaps via a difference-in-conditions/difference-in-limits (DIC/DIL) clause.

The ruling of the European Court of Justice (ECJ) on Kvaerner in 2001 changed this model perennially. Local regulators around the world are paying more attention to possible violations of non-admitted rules as well as to compliance with local insurance tax regulations.

As more clients invest in emerging markets with often more complex and stricter regulations, the number of international programmes will increase. However, the structure of these programmes will no longer be as simple and lean as they used to be.

The old concept of "good local standard" is therefore no longer sufficient as clients expect broader coverage with appropriate limits in countries to allow for claims to be settled entirely under the fronting policy. As a result, the global networks of insurers and brokers have to adapt to this reality and develop from providing purely administrative support to advanced consultation and advisory services.

Enhanced services, including insurance regulatory and tax advice, global claims protocols and advocacy, and business analytics, are increasingly required to respond to these expectations.

"2014 WAS ONE OF THE MOST EVENTFUL YEARS IN RECENT TIMES."

RISK TRENDS

2014 was one of the most eventful years in recent times. The Sony cyber-attack, the political crises in Ukraine and Syria/Iraq, plane crashes in Asia, the Ebola outbreak in Western Africa, the stressed situation in the Eurozone, and an increased risk from terrorism kept the risk management community on red alert.

Events such as these necessitate a change in the focus of risk managers from more conventional business risks, such as business interruption, fire, and natural catastrophes, to complex and interconnected risks. At the same time, pandemics, currency fluctuations, volatility of capital markets, political crises, terror threats, environmental pollution, shrinking natural resources, and supply chain interdependencies challenge the insurance market to develop new products and solutions.

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Captives

MARKET CONDITIONS

The captive insurance market is expected to continue to grow in 2015, so continuing the trend of steady growth in formations over the past 20 years. The nature and rate of growth is, however, likely to differ across regions and domiciles. A key development in the EU in 2014 was the progress on Solvency II implementation, driving familiarity with the regime into the operational DNA of the European captive industry. The emerging certainty has had a positive effect on formation activity across EU domiciles in 2014, and we expect that trend to continue in 2015.

United States

Fuelled by the strong demand for captives from small and medium enterprises (SMEs), the captive insurance market continues to expand in the US. Legislation in additional states has made it easier for companies to form captives, and new organisations are inquiring about the benefits that a captive arrangement can bring.

Bermuda and the Cayman Islands still lead the captive count offshore, while Vermont is the largest US domicile. Utah is the leading domicile for small captives, followed by Delaware, which has grown in the small and large area with special purpose vehicles (SPVs), captives, and cell facilities.

In the last two years, Oregon, Ohio, North Carolina, and Texas have implemented captive legislation, expanding the portfolio of choices for captive owners and encouraging captive growth in the US market. As more states enact legislation, competition to attract captives will grow, allowing new owners to select a state that best serves their needs and giving bargaining power to existing captive owners. The US now has more than 35 states with captive legislation, a clear sign that the number of captives there is likely to increase.

United States Regulatory Issues

A wave of regulatory inquiries by the Internal Revenue Service and international insurance supervisors in 2014 challenged some captive arrangements, a trend that is likely to continue as the captive market grows. However, this can be viewed as a positive development, as it will encourage captive market participants to create captives for the proper business and risk management reasons.

In a recent captive-friendly court case, *Securitas Holdings, Inc. v. Commissioner (2014)*, the US Tax Court further clarified when a captive arrangement between a corporation and a wholly owned subsidiary will constitute insurance for federal income tax purposes.

The impact of the Foreign Account Tax Compliance Act (FATCA) — a US law aimed at foreign financial institutions and other financial intermediaries to prevent tax evasion by US citizens and residents through the use of offshore accounts — should be considered by US companies with offshore captives not using the 953(d) tax election.

The Terrorism Risk Insurance Program Reauthorization Act (TRIPRA), a mechanism created as a response to the attacks of 11 September 2001, is widely used by captives in the US. There was an unexpected delay in getting TRIPRA reauthorised in 2014 leading to its expiration on 31 December 2014. However, TRIPRA was the first bill passed by congress on 8 January 2015. For further information, please refer to the property section of this report.

EU — Solvency II Implementation

Preparations are well under way in the EU for Solvency II, which comes into effect on 1 January 2016. Implementation across the region is being coordinated in accordance with the European Insurance and Occupational Pensions Authority (EIOPA) Guidelines for Preparation for Solvency II, which became effective in 2014. The guidelines contain interim requirements applicable through 2014 and 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.

In all EU domiciles, companies were required to submit their Forward Looking Assessment of Own Risks (FLAOR) during 2014. 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 FLAOR results to maximise returns on capital while managing their group risks effectively.

Certainty and understanding around Solvency II has had a very positive effect on captive growth in the EU, with new formations in Dublin, Luxembourg, Malta, and Sweden in 2014.

Europe Offshore Domiciles

Guernsey and the Isle of Man continue to see growth in protected cell companies (PCCs).

The Isle of Man saw a steady increase in new licenses in 2014, while Guernsey saw net growth of 23 insurance licences in 2014, the majority of which were PCC and ICC cells. Insurance-linked securities (ILSs) were a significant growth area in 2014, and this is expected to continue going forward.

A key development in 2014 was the establishment in Guernsey of a captive as a synthetic fronting structure in a longevity swap arrangement. Although most defined benefit pension plans are closed, significant challenges remain in the management of legacy obligations, and we expect to see further innovation involving captive structures in the pension area in 2015.

RISK TRENDS

Alternative Structures

The use of alternative captive structures, such as rent-a captives, protected cell companies, incorporate cell companies, risk retention groups, and special purpose vehicles, has continued to trend upwards. This has made captives more accessible for SMEs as well as large organisations. These alternative vehicles

allow companies to participate in their own risks 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

The recent strong trend in the use of captives in multinational employee benefit financing arrangements continues, and several employee benefit captive programmes are currently being implemented in a number of domiciles. We expect to see further growth in this area in 2015.

There also continues to be growing interest in the use of captives to insure trade credit and customer warranty programmes. Also, following the recent increase in cyber-attacks, cyber risk coverage has been gaining visibility in captive arrangements, a trend that is expected to continue in 2015.

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"THE RECENT STRONG TREND IN THE USE OF CAPTIVES IN MULTINATIONAL EMPLOYEE BENEFIT FINANCING ARRANGEMENTS CONTINUES"

Trade Credit

MARKET CONDITIONS

Despite a global fall in consumer demand, the general economy continues to grow. Both China and the US have slowed down, and oil prices continue to fall. Even some of the former European power-house countries have reduced their growth forecasts for the coming years. The region will progress with a two-speed growth opportunity, with positive performances from the Mediterranean countries — Spain and Italy delivering better results than expected, and others in the more traditional countries seeing slower growth. France and Germany are two countries where growth expectations are marginal.

Trade credit rates are still falling across the region. Around half of Marsh's trade credit clients experienced rate reductions in 2014, spread across all company sizes. Cover levels are improving, mostly in Western Europe, although the rate of improvement is slowing. It is more difficult in some Eastern European countries.

Claims continue to increase — the level of increase is particularly acute in Africa and parts of Eastern Europe. This will have an adverse effect on premium rates in 2015, for all but the most attractive risks.

RISK TRENDS

There have been several high-profile insolvencies recently, which have taken insurers and suppliers by surprise. The market recognises increasing difficulties around cash flow, which is resulting in slow payment experiences, and a greater number of defaults.

Companies are still encountering significant challenges in the Middle East, where they continue to feel competitive pressures. So too are some industries, including telecoms and information technology.

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Healthcare

MARKET CONDITIONS

Healthcare

The healthcare market across the region continues to experience change, with medical inflation outstripping regular inflation. Increasing costs and an ageing population have put healthcare right at the top of the corporate agenda. Also, the increased pressure on social security systems has meant a shift of responsibility away from governments, and indeed corporates, onto individuals to manage their health requirements.

This shifting responsibility onto individuals has been recognised by industry stakeholders and is being driven by the emergence of technology companies who see an opportunity to connect with the individual as a consumer and not just as a patient.

RISK TRENDS

Rising Healthcare Costs

Healthcare costs are rising faster than inflation. Health insurance costs per employee are currently running at 10% compound annual growth rate (CAGR), and there is a definitive shift in responsibility away from the employer to the individual. This shift has meant that employers now have to consider cost-control strategies, and this has resulted in an increased focus on benefit design to achieve that aim.

Growing Interest in Health and Wellness

Interest in health and wellness is growing as a direct result of the impact health has on workforce productivity. Knowledge is increasing around the cost implications that health has on the bottom line for an organisation. In addition, ageing workforces and lifestyle issues increasingly mean there is an upward demand for disease management and wellness programmes.

This shift towards health and wellness has driven the need to improve engagement through technology enabled, customer-centric applications. In addition, demand for flex and wellness portals/apps – used to contain costs – is on the rise. Increasingly, we are seeing more emphasis on filling primary care gaps with solutions such as on-site primary care clinics in the workplace.

The War for Talent

Good talent is becoming increasingly scarce and, as a result, employers see benefits as a key attraction and retention tool. At the same time, clients are being challenged to improve benefits while keeping costs under control.

Globalisation

A rise in the number of multinationals across the globe is leading to an increased demand for consistent approaches (from a product, service, price, and IT standpoint), irrespective of borders.

Medical tourism is on the increase, as people attempt to find treatment at a lower cost in other countries. As businesses expand and seek out new territories, this is having a knock-on effect in terms of increased demand in growth markets.

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NOTES

This image shows a blank sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. In the top right corner, there is a faint, light gray silhouette of the African continent. The rest of the page is empty and white.

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