

Willis North America Publishes 2016 Marketplace Forecast for Insurance Buyers

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Property/Casualty Insurance Market Continues to Soften While Industry Consolidation is Poised to Alter the Landscape for Insurance Buyers

Cyber and E&O Rates Spike in an Exception to the Downward Trend That Now Includes Casualty

NEW YORK, Oct. 22, 2015 (GLOBE NEWSWIRE) -- Commercial insurance rates will further soften while industry consolidation will present challenges to insurance buyers in 2016, predicts Willis Group Holdings plc (NYSE:WSH), the global risk advisory, re/insurance broking, and human capital and benefits firm, in its *2016 Marketplace Realities* report, [published today](#).

Consolidation among some of the largest insurance carriers is altering the marketplace and insurance buyers, while still enjoying a buyer's market, will face new choices and the strong possibility that more consolidation and marketplace transformation lies ahead. Meanwhile, primary Casualty rates are falling for most buyers for the first time in the current soft market. Property rates will continue to fall, according to Willis experts, though slightly less steeply because they have fallen for several renewal cycles and do not have much room to drop further.

Relatively benign losses and an oversupply of capacity from traditional and non-traditional sources are fueling current marketplace conditions. In Casualty lines, rates are predicted to fall up to 5% for General Liability, up to 10% for Umbrella/Excess, and see a mix of low single-digit increases or decreases for Workers' Compensation (with the exception of certain states such as California, where rates are expected to rise by up to 10%).

Property rates are predicted to fall by 10–12.5% for non-catastrophe exposed risks and even more, 12.5–15%, for catastrophe-exposed risks.

The main exception to the overall trend is in Cyber and E&O insurance, where the steadily growing threat of Cyber intrusion and data theft is sending rates upward – as much as 150% for retailers with POS (point-of-sale) exposures.

For Auto rates, most buyers can expect decreases of up to 10%, though less attractive risks may see low single-digit increases.

In the employee benefits space, benefit plan costs are forecast to rise by 4–5% for self-insured plans and 7–8% for insured plans. These increases are lower, however, than those predicted in the spring, reflecting the cost-reducing impact of wellness programs and consumer-driven benefit options.

There is notable movement across other lines of insurance business, according to the report. Airline insurance is now forecast to fall by 15–20%, an accelerated softening, as the industry has absorbed the major losses of 2014 and the sector remains attractive to insurers. Political Risk insurance buyers facing small increases earlier in 2014 and the first half of 2015 are more likely to see rates fall, again a result of insurers competing for market share.

In the Executive Risks lines, buyers will continue to find a mix of modest increases and decreases.

BRINGING THE PIECES TOGETHER

In introductory comments, Matt Keeping, Chief Broking Officer, Willis North America commented on the wave of industry consolidation that has brought together some of the industry's leading names in the past year. "Marketplace forces have changed the size and shape of the pieces in the risk management puzzle to an extent we have not seen for some time. The key force driving this change in the market is consolidation," Keeping said.

"In the short run, consolidation shrinks the market. As two companies become one, the marketplace offers one less piece with which to solve the puzzle of an insurance program...But a smaller market with fewer, larger players also opens up the field to new comers that can focus on smaller, specialized niches in areas of potential growth. So consolidation often yields its opposite by thinning the competition and encouraging the emergence of new puzzle pieces.

"What does this mean for the risk professional? It means the marketplace continues to evolve, which means that new options will need to be understood and investigated and old options given a fresh look. It could also mean that we should challenge insurance carriers to be bolder about the risks they take on."

KEY PRICE PREDICTIONS FOR 2016

Property	
<i>Non-CAT Risks:</i>	-10% to -12.5%
<i>CAT-Exposed Risks:</i>	-12.5% to -15%
Casualty	
<i>General Liability:</i>	-5% to flat
<i>Umbrella/Excess:</i>	-10% to flat
<i>Workers' Comp:</i>	-2.5% to +2.5%; up to +10% in CA
<i>Auto:</i>	-10% to +5%
Executive Risks	

<i>Directors & Officers:</i>	-5% to +5%
<i>Errors & Omissions:</i>	Flat to +5% or more for programs with good loss experience; +5 to +25% for programs with poor loss experience
<i>Employment Practices Liability:</i>	-3% to +3%
<i>Fiduciary:</i>	-5% to +5%
Cyber	
Flat to +15%; +10 to 150% for POS retailers; more competitive for first-time buyers	
Aviation	
<i>Airlines:</i>	-15% to -20%
<i>General Aviation:</i>	-20% to flat
Benefits	
<i>Self-Insured plans:</i>	+4% to +5%
<i>Insured plans:</i>	+7.5% to +8.5%

The *Marketplace Realities* series, which is published in the fall and updated every spring, features market snapshots of Property, Casualty, Workers' Compensation, Employee Benefits and all Executive Risks insurance lines, as well as key specialty lines: Aerospace, Cyber Risks, Construction, Energy (upstream and downstream), Environmental, Health Care Professional, Kidnap & Ransom, Marine, Political Risk, Surety, Terrorism and Trade Credit.

The publication is available free of charge on the Publications page of the Willis website, http://www.willis.com/What_We_Think/Publications/. To view a video interview with Matt Keeping, [click here](#).

About Willis

Willis Group Holdings plc is a leading global risk advisory, re/insurance broking, and human capital and benefits firm. With roots dating to 1828, Willis operates today on every continent with more than 18,000 employees in over 400 offices. Willis offers its clients superior expertise, teamwork, innovation and market-leading products and professional services in risk management and transfer. Our experts rank among the world's leading authorities on analytics, modelling and mitigation strategies at the intersection of global commerce and extreme events. Find more information at our website, www.willis.com, our leadership journal, [Resilience](#), or our up-to-the-minute blog on breaking news, [WillisWire](#). Across geographies, industries and specialisms, Willis provides its local and multinational clients with resilience for a risky world.

Contact:

Media:

Katelyn Makuh
+1 212-915-8644
katelyn.makuh@willis.com

Investors:

Matthew J. Rohrmann
+1 212-915-8180
matt.rohrmann@Willis.com



Willis Group Holdings