



Rate softening slows but widespread stabilization in reinsurance rates remains elusive: Willis Re 1st View

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LONDON, July 01, 2016 (GLOBE NEWSWIRE) -- The June/July 2016 renewal season has seen a continuation in market softening, though a slowing in the magnitude of rate reductions is increasingly apparent, according to the [latest 1st View Renewals report](#) from Willis Re, the reinsurance business of leading global advisory, broking and solutions company Willis Towers Watson (NASDAQ:WLTW)

Capacity withdrawals where some reinsurers deem pricing to be inadequate is also evident. However, considerable pricing variation by class and territory persists. As yet, any indication of widespread pricing stabilization remains elusive.

John Cavanagh, Global CEO of Willis Re, said: "Capacity remains abundant and continues to overhang the market in virtually all classes and regions. With no material impact from catastrophe loss activity now for the last few years, rating pressure persists. So far in 2016, only one major catastrophe loss – the Fort McMurray fires – will produce any meaningful catastrophe claims for reinsurers.

"Any relief that pricing may be nearing the bottom of the cycle is counterbalanced by concern over how and when rates might start to increase, even modestly, on a wider basis. The alternative is a market that faces a number of years bumping along at current levels earning very modest returns."

The Willis Re report also highlights that in the face of continued pricing and interest rate pressure, cost control measures remain a priority for many reinsurers.

"The drive to achieve market efficiencies and cost reductions is picking up pace, particularly in the London market," **Cavanagh said.** "The UK's decision to leave the EU provides an additional dynamic, with the exact implications for future policy and regulation unknown."

The report also notes that reinsurers are becoming acutely aware of the profound change that FinTech will drive in the primary insurance markets. Far-sighted reinsurers are also seriously considering the new opportunities FinTech may provide for their own activities.

Ultimately however, concern persists over how much longer prior year reserve releases can sustain reinsurers' results and how differences in individual companies' historic reserving practices will be exposed.

"In the current environment, the balance of risk retention versus return is more acute than ever. The ability of individual reinsurers to manage this crucial dynamic will have a profound impact on the shape of the market to emerge, if or when the rating environment finally offers some relief," **Cavanagh said.**

Download the full report: [The Willis Re 1st View report](#) is a thrice yearly publication on market conditions at the key reinsurance renewals seasons. It includes specific commentary on key trends throughout the world's major reinsurance classes and regions.

ABOUT WILLIS RE

One of the world's leading reinsurance brokers, Willis Re is known for its world-class analytics capabilities, which it combines with its reinsurance expertise in a seamless, integrated offering that can help clients increase the value of their businesses. Willis Re serves the risk management and risk transfer needs of a diverse, global client base that includes all of the world's top insurance and reinsurance carriers as well as national catastrophe schemes in many countries around the world. The broker's global team of experts offers services and advice that can help clients make better reinsurance decisions and negotiate optimum terms. For more information, visit willisre.com.

ABOUT WILLIS TOWERS WATSON

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