

- **Capacity** - Most shared and layered accounts are over-subscribed at renewal due to the oversupply of capacity in the market. This trend will likely be furthered by the arrival of new capacity:
 - Berkshire Hathaway Specialty
 - China insurers
 - ◆ People's Insurance Company of China (PICC)
 - ◆ China Pacific Insurance Company (CPIC)
 - Broker facilities
 - ◆ Aon/Berkshire Hathaway
 - ◆ Willis Global 360
 - **Reinsurance** - Insurers renewing their reinsurance treaties in 2013 are seeing decreases of 10-15% in advance of July renewals. Insurers renewing separate reinsurance programs for Florida CAT risks are seeing decreases of 15-20% due to the low level of losses in Florida since 2005.
 - **Loss Experience** - With some notable exceptions, especially the EF5 tornado that hit Moore, OK (with losses estimated at \$3-\$5 billion), loss activity in the first half of 2013 has been light.
 - **Profitability** - The light loss experience in the first half of 2013 has helped deliver combined loss ratios between 75% and 85% for many insurers.
 - **Pricing** - The market started 2013 with single-digit rate increases for CAT-exposed accounts and flat rates or slight decreases for non-CAT-exposed accounts. We expect rates to fall for CAT-exposed risks in the second half of the year and fall more steeply for non-CAT risks.

TYPE OF ACCOUNT	2013 Q1 & Q2	2013 Q3 & Q4
Non-CAT*	-5% to flat	-5% to -10%
CAT*	Flat to +5%	Flat to -5%

**Not including accounts affected by Superstorm Sandy, especially those accounts where Flood limits are being reduced/restructured.*

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