

WILLIS COMMENT

December 2008

INTRODUCING THE WILLIS
CAPABILITIES

Willis is the world's most established broking firm, founded in London UK in 1828.

Today Willis has more than 400 offices in some 120 countries, with a global team of approximately 20,000 associates (employees) serving clients in 190 countries and a market capitalisation of some US\$6 billion.

In New Zealand, Willis commenced business in 1965, and today has clients located throughout the country, to be found across the business, governmental - central and local - and not for profit organisation sectors.

ALWAYS CHALLENGE THE STATUS
QUO

Willis will always challenge the status quo to create new and better ways to serve our clients' best interests. We are the change-agent that truly partners with clients to advance their performance and change the industry for their benefit. Willis never settles for second best or relies on the old ways of doing things.

Willis has a fundamentally different business model from other brokers, built on three key features: Client Advocacy®, "Glocal" service, and our One Flag approach. It is these attributes that ensure delivery of world class expertise in a way that is global, personal and thoroughly tailored to our clients' ever changing needs.

Client Advocacy is at the core of everything we do. Each client has a single high level contact who understands all aspects of their business and its culture and represents them in addressing all aspects of their insurance and risk requirements. The best technical resources are made available to every client with no 'silo mentality' to hinder this delivery.

Under the One Flag approach all Willis Associates (employees) globally are engaged in delivering innovative solutions and optimal results for our clients, via their Client Advocate, regardless of where they are located. It's this local delivery of global resources that creates "Glocal" service.

WILLIS LOCAL GOVERNMENT
PRACTICE GROUP

We bring in-depth understanding of your sector, and accept the challenge of factoring in current and future changes to your activities and operations and their attendant risk changes.

The Value-Gap: is the gap between what our clients can do for themselves and what we can do for them. Simply, it's the reason for engaging Willis – Willis will take care of the 'gap'.

Strategic Expertise: we align your Council's financial objectives with a comprehensive risk financing strategy – a major means of 'risk financing' being insurance.

Risk Analysis Expertise: We identify risks and offer a range of solutions for avoidance, mitigation and management of those risks. Look for the Quantate risk management system – more on this in our next edition of Willis Comment.

Innovative Product Solutions: We develop innovative and customised risk management solutions that go beyond the norm, matching your specific needs to help your organisation maximise its potential.

Maximising potential: It's how Willis closes the gap between today and tomorrow.

THE INSURANCE MARKET TODAY AND IN THE NEAR FUTURE

Insurance buyers the world over have enjoyed a massive drop in pricing from its peak of mid 2003 to a 'new low' of mid 2008.

Toward the end of 2008 we are now experiencing the gradual move of the well mapped insurance market cycle from soft (low pricing) to hard (higher pricing).

This applies to all classes of insurance, albeit with individual risk factors creating significant variations from buyer to buyer.

The economic turmoil globally has impacted the insurance business, but not to a great extent. Certainly there has been a raft of insurance claims notifications relating to potential professional indemnity and directors liability policies in many countries, but not causing alarm in terms of a massive blow out in unpredicted claims volumes.

One major cause and effect of the economic woes on the global insurance business is the sudden drop in investment earnings of insurance companies, everywhere.

Meantime, looking at the business of insurance companies in the Australasian region, we have seen unprecedented numbers of natural elements events causing major loss to insured property. The floods, storms, hail, earthquakes - Gisborne December 2007, total insured cost estimate \$52 million - have come thick and fast over the past two years, both sides of the Tasman.

In addition the cost of making good property loss had escalated during the strong economic times – now slowing – causing insurers to lag in their pricing model adjustments.

Liability claims, even with the benign personal injury liability environment in New Zealand, have also grown both in numbers and quantum.

By mid 2008, all insurers operating in New Zealand were seeking price increases. Add the drop in investments earnings and we all start to feel a greater determination coming from each insurer to gain price increases.

WHAT CAN A COUNCIL DO

Willis has developed strategies to achieve lowest cost of risk retention and insurance.

A sound starting point is a risk and insurance audit. Understand the maxim 'the better the management of risk, the lower the incidence of loss' to gain the best costs and terms of cover from insurers.

Recognise how to gain the benefit of insuring in the 'open market'.

Feel free to contact a member of the Local Government Practice Group below.

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