

# MARSH

## News Release

### **EUROPEAN CHEMICAL, PHARMACEUTICAL AND LIFE SCIENCES FIRMS CAPITALISE ON FALLING LIABILITY COSTS, MARSH SURVEY REVEALS**

LONDON, 2 December 2005 – New research by Marsh, the world's leading risk and insurance services firm, reveals that companies in the European chemicals, pharmaceuticals and life sciences sector have purchased higher limits of liability over the past 12 months as a result of falling prices.

Marsh's 'Chemicals, Pharmaceuticals and Life Sciences Industry Report', which is a component of the 'Liability Insurance Buyers Report Europe 2005', discusses liability data, trends and aspects of the chemicals, pharmaceuticals and life sciences industries that will be relevant to insurance buying and risk management strategies of companies in this sector. The data in this report is based on feedback from 123 companies in the industries across Europe.

The key findings of the report include:

- German companies surveyed in this report purchased the highest average limits in 2005 (€188m) and also paid the highest average price per million (€29,760). The higher limits bought in Germany reflect the wider cover and lower deductibles on policies of German companies.
- The lowest average price paid per million was €7,763 in the UK, reflecting the diversity and associated competition in the UK market.
- Eastern European firms purchased the lowest volume of limits, averaging at just €3m.
- The highest price paid relative to revenue was €2.87 per thousand in Belgium, compared with the lowest price of €0.14 per thousand in the UK.

Other highlights of the report include:

- Over the last 24 months, the insurance community has retreated from covering the sector's product liability risks due to increased losses from several sources. Underwriters are requiring greater levels of self-insurance and more restrictive policy wordings, and are imposing a greater number of substance or product exclusions. The extended reporting period for claims made policies, which protects companies in the event of a non renewal of a policy, has been reduced in many cases from five years to only 12 months.
- Product recall is a particular problem area for large global companies. Regulators are sensitive to consumer and media pressure where it is suggested that there is a product which may have harmful qualities. Pressure to withdraw a product can be immense, and is often a huge cost to the manufacturer.
- Smaller companies in the sector face fewer complications, although these firms tend to suffer more when facing product liability claims, given their limited financial resources and greater need for often unavailable risk transfer.
- Liability has become attached to manufacturers even though their drugs have more written warnings indicating that products should not be used for other medical treatments.
- The European Union's proposed regulatory framework for the chemicals industry – REACH (Registration, Evaluation and Authorisation of Chemicals) will require the testing and risk assessment of all new chemicals, and those chemicals that were placed on the market before 1981 for which little information exists. Given that the REACH regulatory framework raises expectations about safety throughout society, businesses can expect to face broadening liability risk exposures.

Commenting on the research, Christopher Bryce, Practice Leader, Europe and Middle East, of the Chemicals and Life Sciences Practice at Marsh, said:

“While general liability costs have fallen, the product liability market is likely to remain challenging over the next 12 months, as the insurance market seeks to achieve a balance between the manufacturer's desire to transfer risk and the insurance industry's ability to respond with a product that is affordable and provides coverage that meets the manufacturer's needs.

“Those companies that can demonstrate good risk management will be best placed to secure premium discounts and negotiate on deductibles and coverage.”

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**Notes to editors**

Marsh, the world's leading risk and insurance services firm, has nearly 30,000 employees and annual revenues exceeding \$5 billion. The firm provides advice and transactional capabilities to clients in over 100 countries. Marsh is a unit of Marsh & McLennan Companies (MMC), a global professional services firm with annual revenues exceeding \$12 billion. MMC is also the parent company of Guy Carpenter, the world's leading risk and reinsurance specialist; Kroll, the world's leading risk consulting company; Mercer, a major global provider of human resource and specialty consulting services; and Putnam Investments, one of the largest investment management companies in the United States. Approximately 60,000 employees provide analysis, advice, and transactional capabilities to clients in over 100 countries. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, Pacific, and London stock exchanges. MMC's website address is [www.mmc.com](http://www.mmc.com). Marsh's web site address is [www.marsh.com](http://www.marsh.com)

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