

Global insurance market index

Pricing declines in financial lines;
increases for property

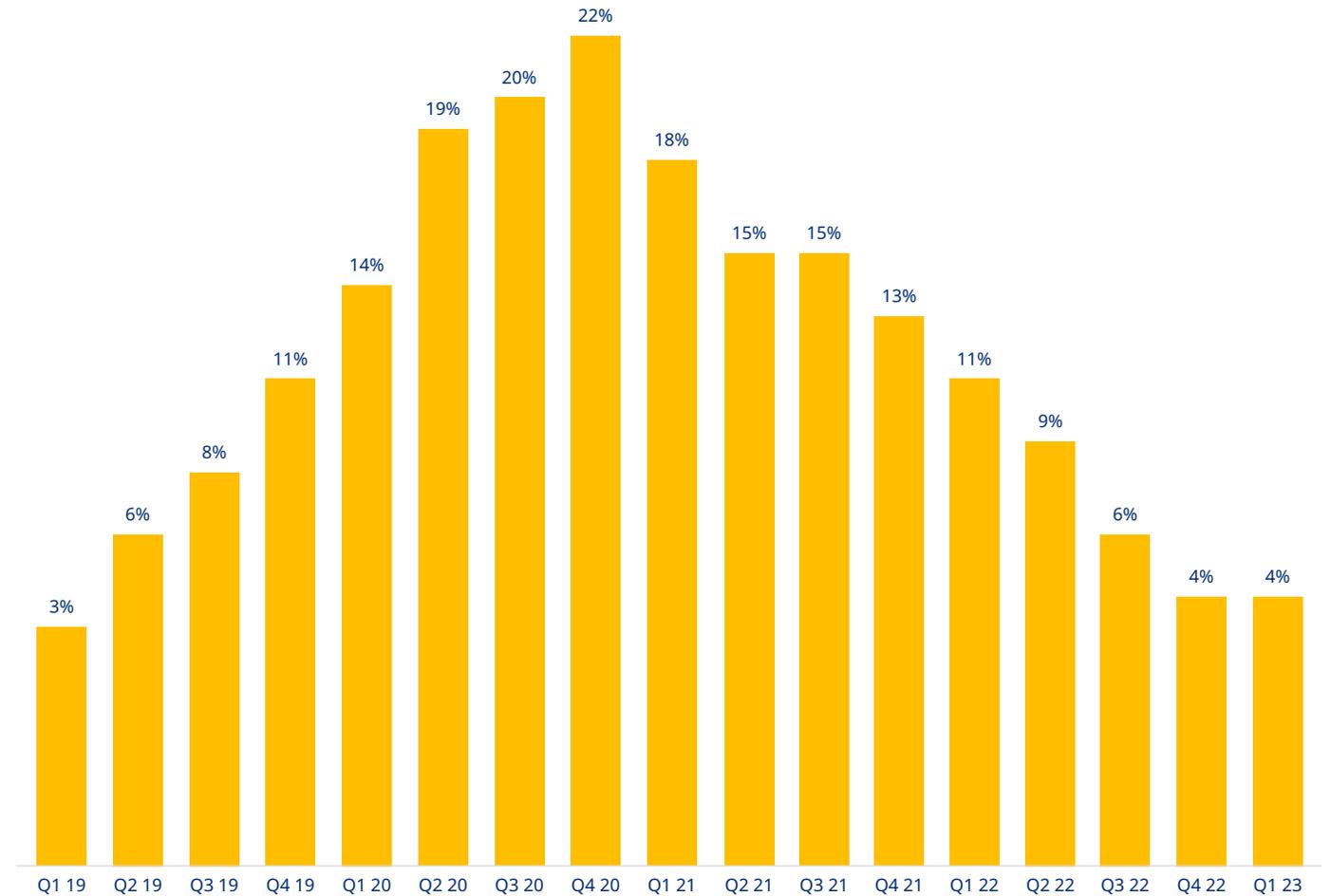
Global commercial insurance pricing rose 4% in the first quarter of 2023, the same as in the prior quarter, according to the *Marsh Global Insurance Market Index*.

This was the twenty-second consecutive quarter in which composite pricing rose, continuing the longest run of increases since the inception of the index in 2012. Increases peaked at 22% in the fourth quarter of 2020.

Property insurance pricing in the first quarter increased by 10%, compared to 7% in the fourth quarter; in the US, property pricing increased 17%, compared to 11% in the fourth quarter. Financial and professional lines pricing declined for the third consecutive quarter.

*Note: All references to pricing and pricing movements in this report are averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number.

01| Global insurance composite pricing change



Source: Marsh Specialty and Global Placement

Cyber insurance pricing increases moderated again, to 11% compared to 28% in the prior quarter.

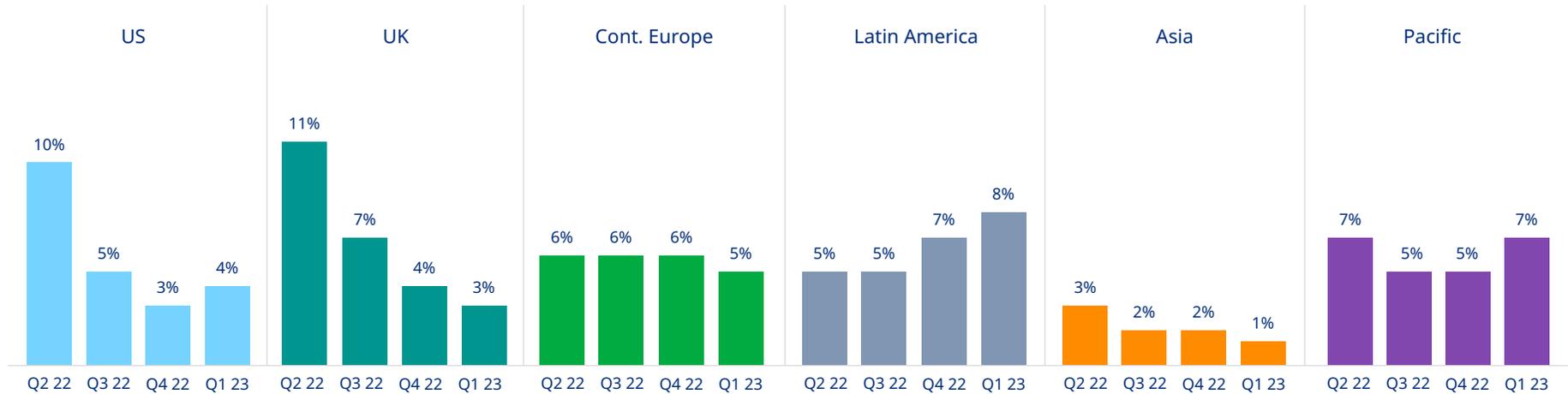
Regionally, composite pricing increases for the first quarter were as follows (see Figure 2):

- US: 4%
- UK: 3%
- Europe: 5%
- Latin America and the Caribbean: 8%
- Asia: 1%
- Pacific: 7%

Globally, pricing for the four major product lines were:

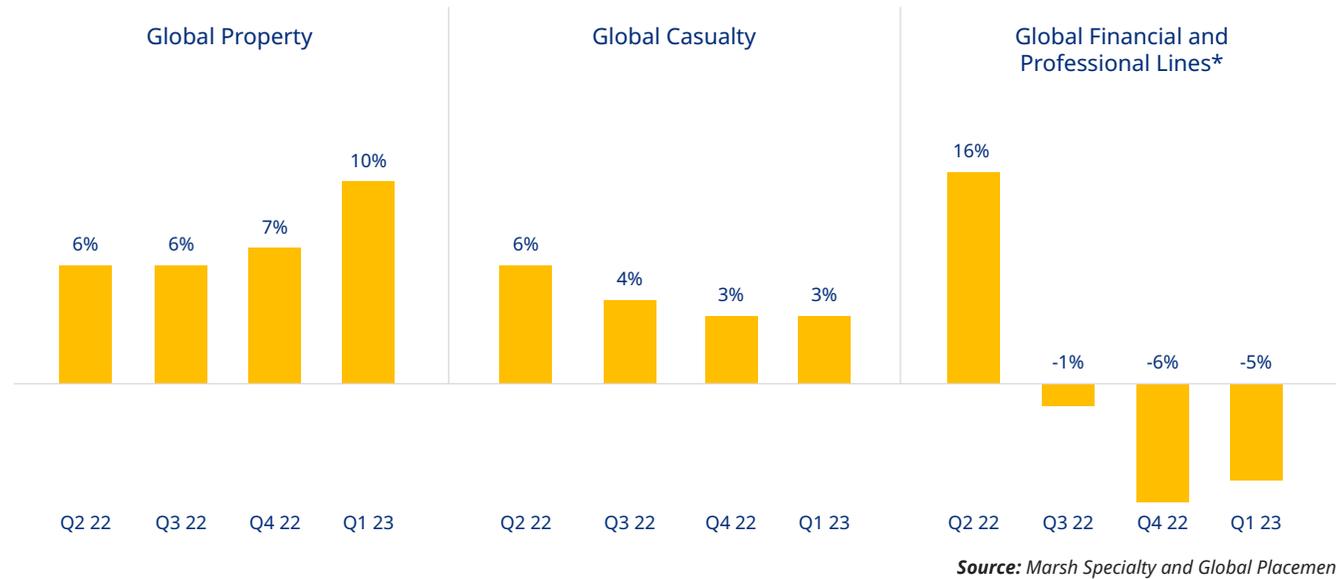
- Property insurance: +10%
- Casualty insurance: +3%
- Financial and professional lines insurance: -5%
- Cyber insurance: +11%.

02| Composite insurance pricing change — by region



Source: Marsh Specialty and Global Placement

03| Composite insurance pricing change — by major coverage line



Note: Starting with the third quarter of 2022, the quarterly index presents the cyber data separately from financial and professional lines data, giving a clearer picture of both.

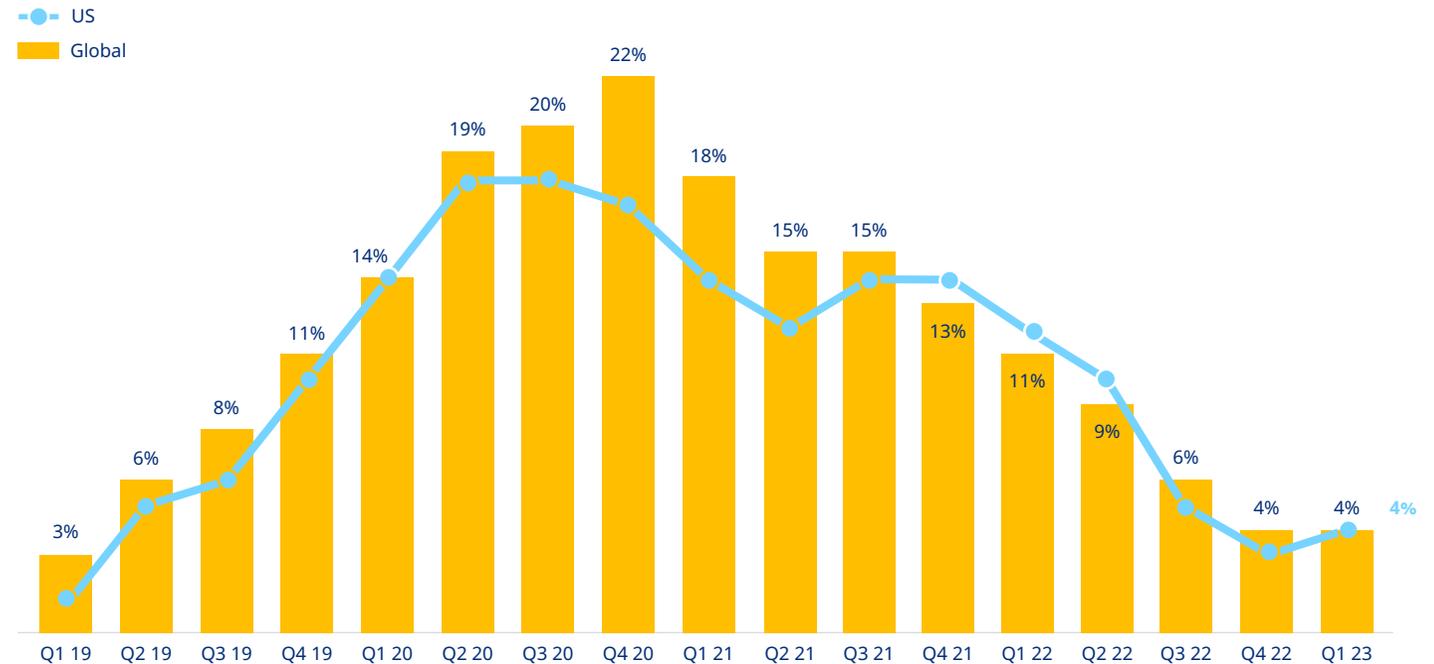
US PRICING: LOSSES AND TIGHTENING CAPACITY DRIVE PROPERTY INCREASES

Insurance pricing in the first quarter of 2023 in the US increased by 4%, compared to 3% in the prior quarter (see Figures 4 and 5).

Property insurance pricing increased by 17% in the first quarter, up from 11% in the fourth quarter and the twenty-second consecutive quarter in which pricing rose.

- Insurers continued to express concern regarding inflation and valuations — total insured values increased by 9%, on average, in the quarter.
- Insurers continued to restrict coverage terms for some clients as the bifurcation in renewal results continued.
 - Best-in-class risks — those with limited natural catastrophe (CAT) exposure and stable capacity from the incumbent insurer — typically experienced better results.
 - Generally, higher increases were experienced by clients with losses and/or that were predominantly located in high hazard CAT zones, such as the Gulf of Mexico, the Atlantic coast, and California.
 - Secondary perils — wildfire, inland flooding, severe convective storm — continued to be a focal point, with insurers limiting capacity or seeking increased deductibles.

04| US composite insurance pricing change



Source: Marsh Specialty and Global Placement

- Insurers demonstrated rigor regarding terms and conditions, including CAT deductibles, non-physical damage, cyber, communicable disease exclusions, and time element extensions.
- Capacity for named wind in the Southeast and earthquake in California were under particular scrutiny by underwriters.

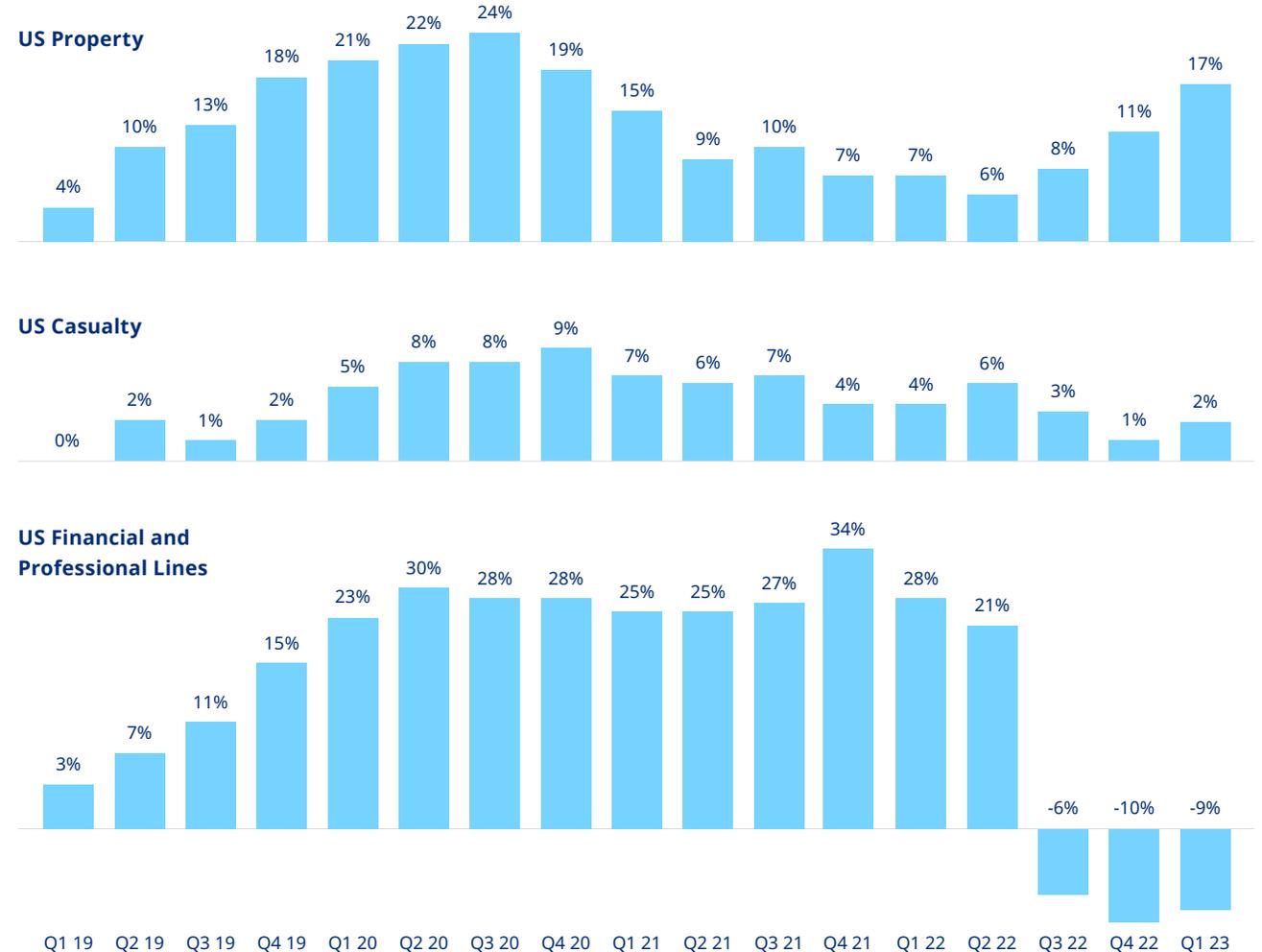
Casualty insurance pricing increased 2%, compared to 1% in the prior quarter; excluding workers' compensation, the increase was 3%.

- Casualty pricing continued to be driven by workers' compensation, which generally has helped lower the average rate increases on auto and general liability when all lines are purchased together from the same insurer.
- Insurers are closely monitoring the impact of inflation, court systems reopening, the increased number of vehicles on the roads post-pandemic, and property market conditions.
- Some insurers appeared to be considering pricing increases for auto liability.
- Excess liability pricing rose 5%, compared to 6% in the prior quarter.
 - Insurers continued to monitor the severity of claims given recent large losses.

Financial and professional lines pricing decreased by 9% in the first quarter, compared to a decline of 10% in the fourth quarter.

- Directors and officers (D&O) liability insurance pricing for publicly traded companies continued to decline, falling by 13% in the first quarter, compared to a decline of 14% in the prior quarter.

05| US composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

- Pricing for post-transaction renewals, such as those coming one or two years out from an IPO, led the decline.
- Competition remained strong for both primary and excess coverage from both new insurers and legacy markets.
- Some insurers demonstrated a willingness to insure other, more difficult to place coverage lines, such as property or cyber, in an effort to win layers on D&O programs.
- Fiduciary coverage pricing was flat in the quarter.
 - Dismissals on Employee Retirement Income Security Act of 1974 (ERISA) cases have dropped to about 10%.
 - Defense costs, settlements, and plaintiffs' counsel fee awards continued to drive insurer losses on ERISA cases.
 - There were 88 excessive fee/imprudent investment cases in 2022, compared to 49 in 2021; some insurers have expressed concerns that the coverage line is becoming unpredictable.
 - Some new entrants to the market quoted with lower retentions; however, they typically sought part of an insureds D&O program in doing so.
 - Controls/401k plan risk management is key to obtaining coverage.

Cyber insurance pricing increases continued to moderate significantly, to 11% in the first quarter, compared to 28% in the prior quarter as new market entrants increased capacity.

- Increased competition, improved cybersecurity controls, and a reduction in ransomware attacks in 2022 were key factors behind the continued improvement in pricing.
- There has been an uptick in ransomware events and claims since the fourth quarter of 2022.
- The first quarter also saw a large number of privacy claims reported under regulations including the Biometric Information Privacy Act (BIPA) and the Video Privacy Protection Act (VPPA), as well as ongoing concerns regarding web tracking codes.
- Effective March 31, 2023, Lloyd's of London mandated new war exclusion wording inclusive of language to manage systemic loss. Marsh remains engaged in discussions regarding such exclusions.



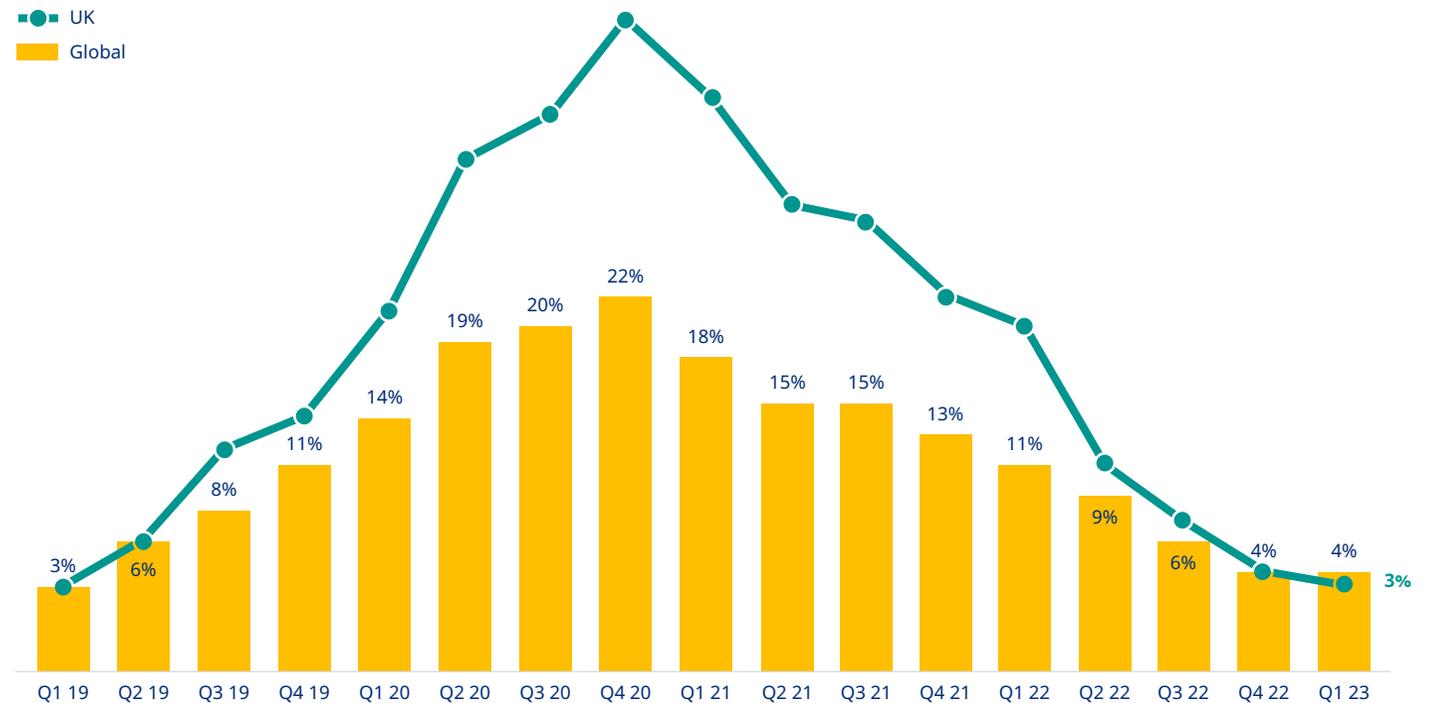
UK PRICING: D&O DECLINES, CYBER INCREASES CONTINUE TO MODERATE

Insurance pricing in the UK increased 3% in the first quarter, compared to 4% in the prior quarter (see Figures 6 and 7).

Property insurance pricing increased 7%, compared to 6% in the prior quarter.

- Property insurance pricing increased only slightly relative to expectations. As insurers looked for growth, some aggressively sought to reacquire market share that was lost during the more challenging market of the prior few years.
- Long-term agreements were more prevalent.
- Environmental, social, and governance (ESG) remained a focus, with insurers generally supporting it; however, challenges remain for risks with major loss activity, challenging occupancy, or in sectors including timber-framed construction, battery storage facilities, solar panels, and businesses involved with recycling.
- Insurers scrutinized CAT aggregates following the challenging January reinsurance treaty renewal season, which came on the heels of significant loss events in the US and Europe in 2022.

06| UK composite insurance pricing change



Source: Marsh Specialty and Global Placement

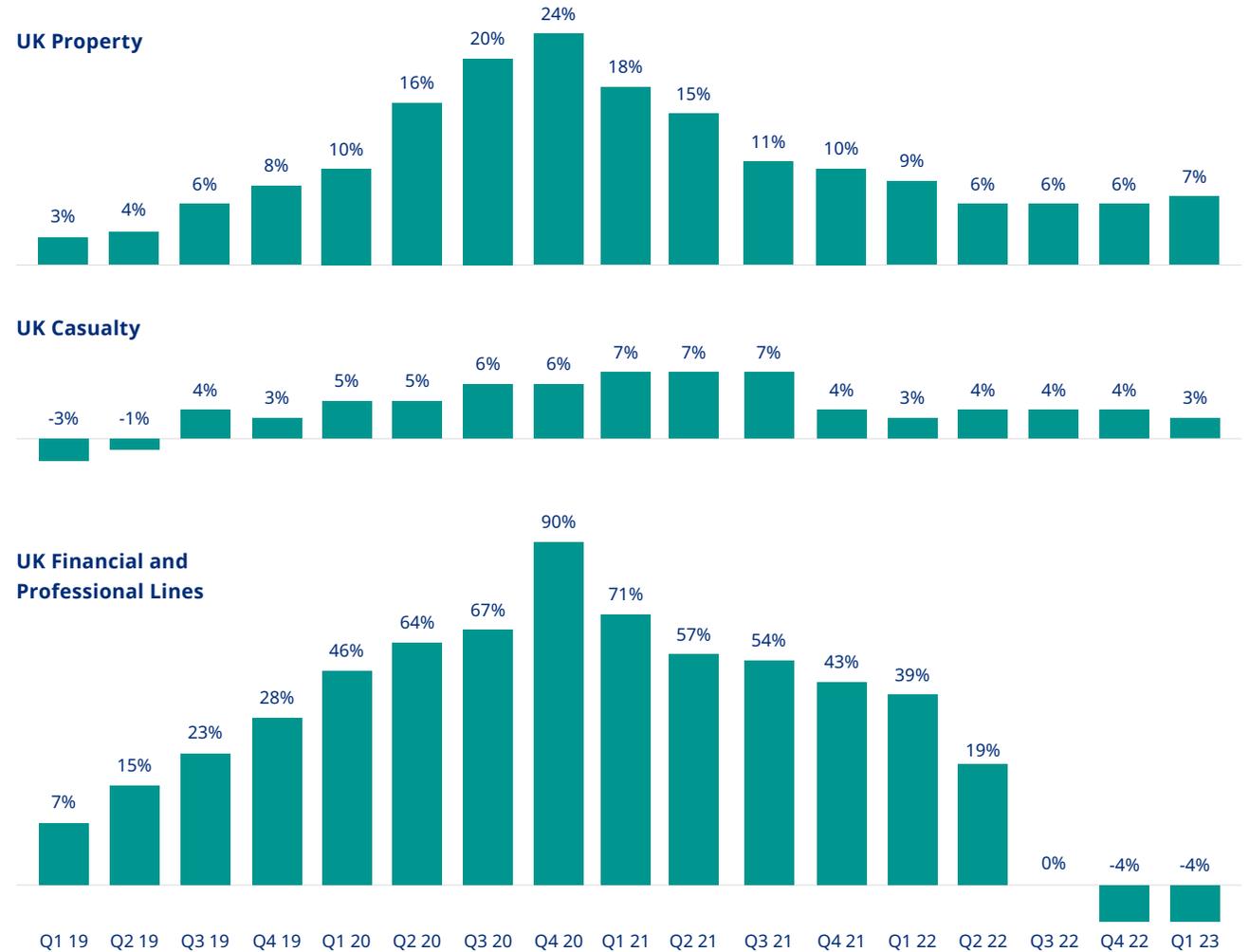
Casualty insurance pricing increased 3%, compared to 4% in the prior quarter.

- Average pricing remained relatively consistent with the past five quarters; however, there has been increased competition from insurers looking to grow their casualty books of business.
 - UK insurers were reluctant to insure clients with significant US exposure.
 - Risk mitigation and positive responses to claims, including lessons learned, were key to getting favorable terms from the market.
- The auto liability market remained inconsistent.
 - The transportation sector continued to see regular pricing increases; steady competition remained for private car and van fleets.
 - Clients with poor claims experience tended to experience significantly higher increases.

Financial and professional lines pricing declined 4%, the same as in the fourth quarter.

- D&O pricing continued to decline in the -10% to -15% range.
 - The softening of the D&O market continued as competition between insurers remained intense. Despite economic headwinds, underwriters have continued to agree to substantial reductions in D&O pricing.
 - The IPO market began to return, bringing a small flow of new premium into the market.

07| UK composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

- Financial institutions generally continued to see pricing reductions in the first quarter.
 - A surplus of available capacity, as well as concerns from insurers that clients may look to self-insure or use captives, favored pricing reductions.
- Commercial crime coverage saw new market entrants, although they have yet to have a major impact on pricing.
 - Insurers remained cautious, preferring to write crime coverage alongside a meaningful position on the D&O tower.

Cyber insurance pricing increases moderated, to 10%, compared to 34% in the fourth quarter.

- While certain industries, such as professional services, continued to experience relatively elevated pricing increases, the overall market has seen increased competition from incumbent carriers and new entrants in the UK and internationally.
- Many clients realized improvements in coverage terms and conditions.



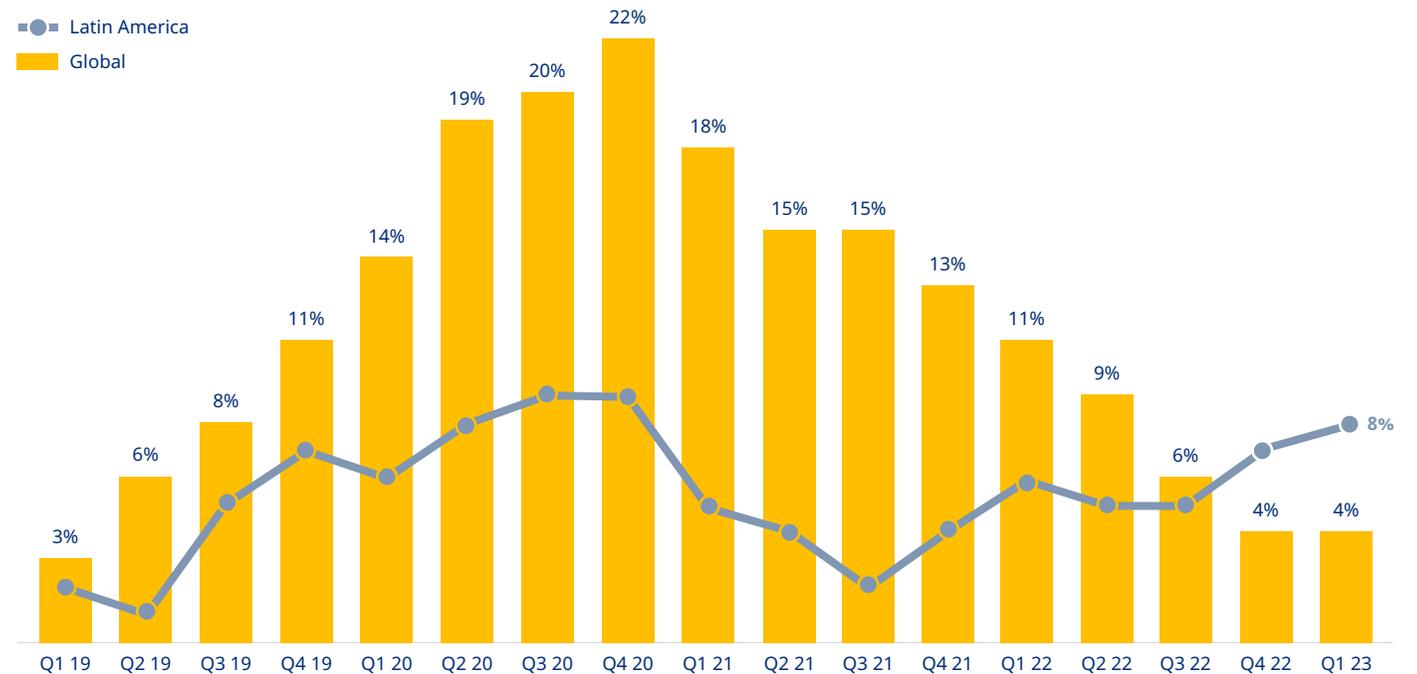
LATIN AMERICA AND CARIBBEAN PRICING: FINANCIAL AND CYBER LINES MODERATE; PROPERTY AND CASUALTY INCREASE

Insurance pricing in the first quarter in the Latin America and Caribbean (LAC) region increased 8%, compared to 7% in the prior quarter (see Figures 8 and 9).

Property insurance pricing increased 8%, compared to 6% in the previous quarter; it was the eighteenth consecutive quarter of increase.

- CAT-exposed territories continued to see the highest increases, generally.
- In Brazil, many insurers continued to reduce capacity, particularly for complex risks, select industries, or those with a poor loss record.
- In Colombia, markets deployed less capacity for accounts in high CAT zones and/or programs with poor loss history.
- Strike, riot and civil commotion (SRCC) and sabotage and terrorism (S&T) coverages continued to be a challenge due to political uncertainty in the region, particularly in Brazil, Colombia, and Peru. This has led to some local dependence on the international market.

08| Latin America composite insurance pricing change



Source: Marsh Specialty and Global Placement

Casualty insurance pricing increased 10% in the first quarter, compared to 8% in the prior quarter.

- Insurers were very selective, opting to reduce capacity for employers' liability and workers' compensation, and implementing rate increases for increasing exposures.
- The local market has "caught up" with prices from international insurers; as a result, local insurers deployed more capacity for less complex risks.

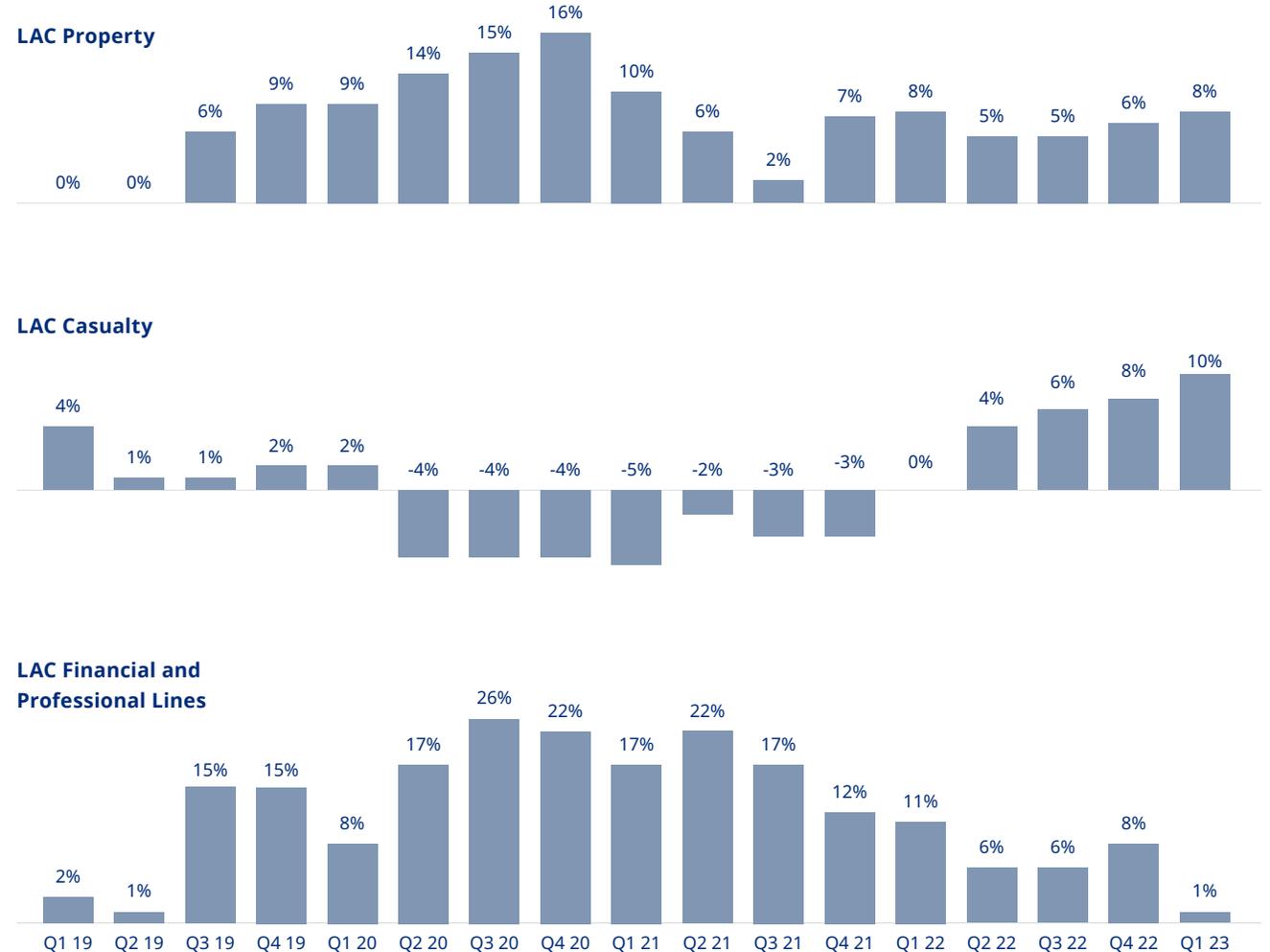
Financial and professional lines pricing increases moderated significantly, rising 1%, compared to 8% in the prior quarter.

- D&O and professional liability continued to see competitive pricing as new capacity entered the market.
- State-owned companies generally experienced pricing increases due to perceived risk and claims history.
- Local markets were cautious underwriting FIs, especially banks, due to concerns regarding the global banking situation.

Cyber insurance pricing increased 15% in the first quarter, compared to 33% in the prior quarter.

- The LAC cyber market has become more competitive, with insurers generally willing to deploy capacity for most industries.
- The level of cyberattacks in the region will continue to be a major factor on market appetite.

09| Latin America composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

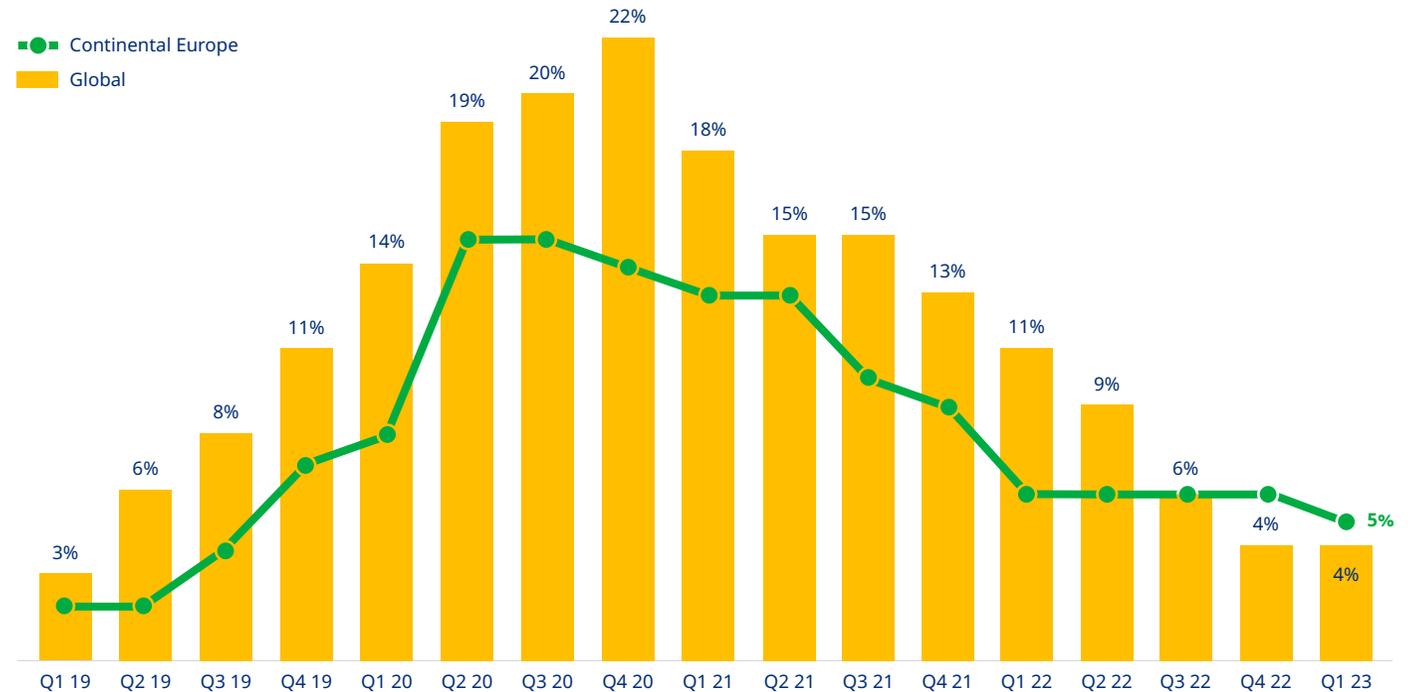
CONTINENTAL EUROPE PRICING: UNDERWRITERS FOCUS ON LOSSES, INFLATION, RISK CONTROLS

Insurance pricing in the first quarter in Continental Europe (CE) increased 5%, compared to 6% in each of the prior four quarters (see Figures 10 and 11).

Property insurance pricing in CE rose 7%, the same as in the prior quarter.

- Pricing increases were mainly driven by changes in the reinsurance market during January treaty renewals as reinsurers had experienced increased losses due to extreme weather events and un-modelled secondary perils, such as wildfires and flood.
- Inflation continued to play a role in pricing increases.
- Clients with adequate technical pricing, reasonable retention levels, good risk quality, and soft occupancies attracted more competitive terms, especially for non-CAT perils.
- CAT-exposed insureds with a poor risk profile, high hazard occupancy (such as chemical or food), and losses generally experienced capacity challenges and higher pricing.
- Insurers demonstrated caution around risk mitigation controls in addition to terms and conditions such as deductibles, non-physical damage, cyber, and communicable disease exclusions, as well as territorial exclusions for Russia, Belarus, and Ukraine.

10| Continental Europe composite insurance pricing change



Source: Marsh Specialty and Global Placement

Casualty insurance pricing increased 4% in the quarter, compared to 6% in the prior quarter, marking the fifteenth consecutive quarter of increase.

- Pricing continued to increase slightly, but stabilized overall even as a reduction in capacity continued from key primary markets.
- US exposure and social inflation remained key drivers for insurer risk appetite.
- Loss-impacted renewals were challenging for primary placements, with the excess layers only slightly affected.
- There was increased competition in some countries due to new market entrants and some existing insurers seeking to grow.
- There was a notable difference between mid-size clients, which started to see price reductions and stable capacity, and larger organizations, which saw stabilization in terms of pricing, but also capacity reduction.

Financial and professional lines pricing rose 3%, compared to 2% in the prior quarter.

- D&O pricing generally stabilized or decreased, particularly for excess coverage.
 - Companies' ESG risk profiles continued to move up in underwriting priorities.
 - Long-term agreements have again been appearing on renewals.
- Pricing for financial institutions was mostly stable, with some reductions and some low single-digit increases, depending on the risk profile and loss history.
- Crime renewal terms continued to stabilize.

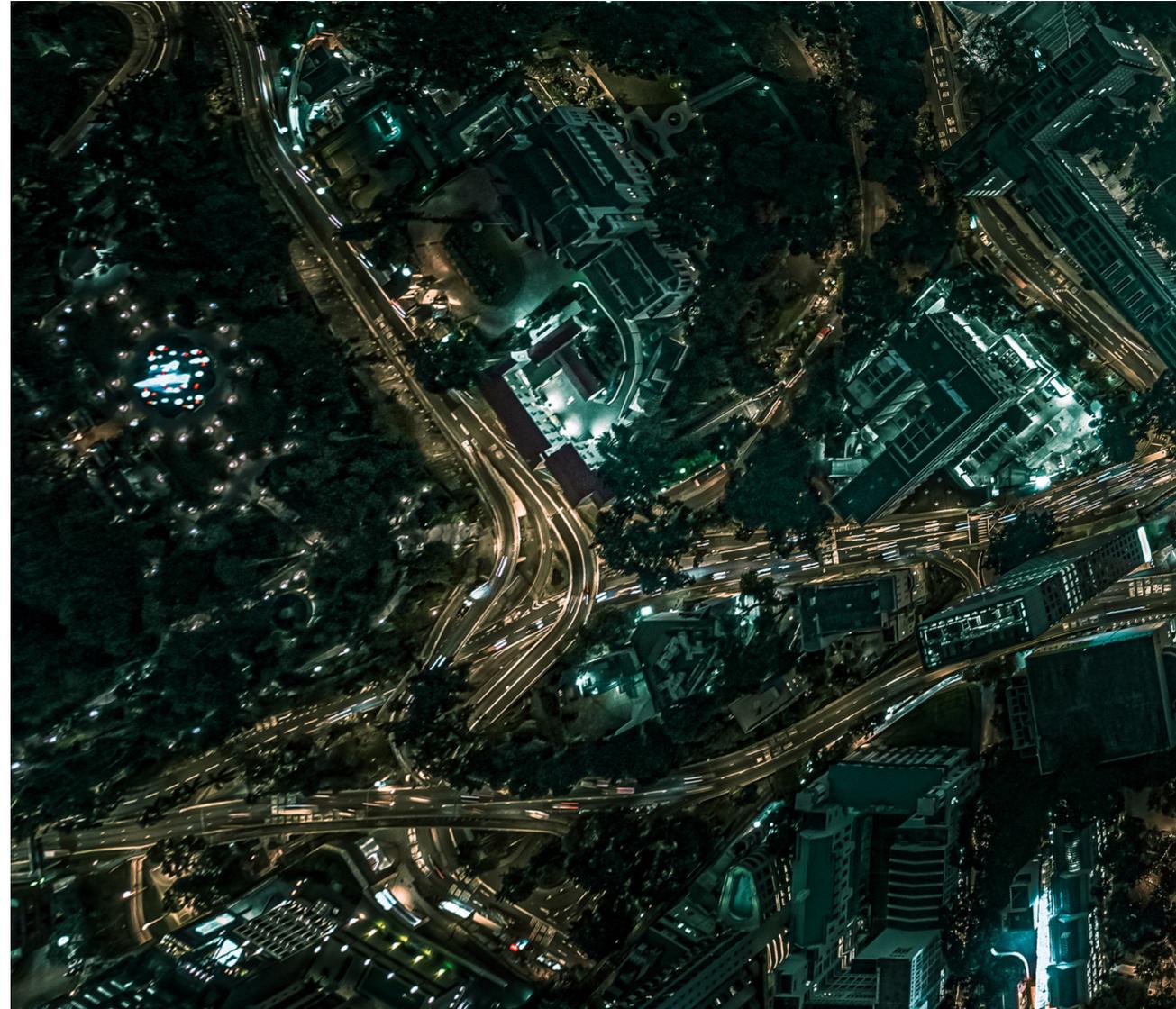
11| Continental Europe composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Cyber insurance pricing increases moderated to 5%, from 13% in the prior quarter, as new capacity entered the market.

- Factors driving cyber pricing included fewer claims around privacy in Europe, a decrease in ransomware claims frequency and severity since the second half of 2021, insurers looking to maintain share and grow their cyber business in 2023, and new capacity entering the market.
- Retentions tended to be stable in the quarter.
- Risk information remained important, particularly regarding the ability of insureds to mitigate ransomware threats.



PACIFIC PRICING: PROPERTY INCREASES ACCELERATE, D&O PRICING DECLINES

Insurance pricing in the Pacific region increased 7% in the first quarter, compared to 5% in the prior quarter (see Figures 12 and 13).

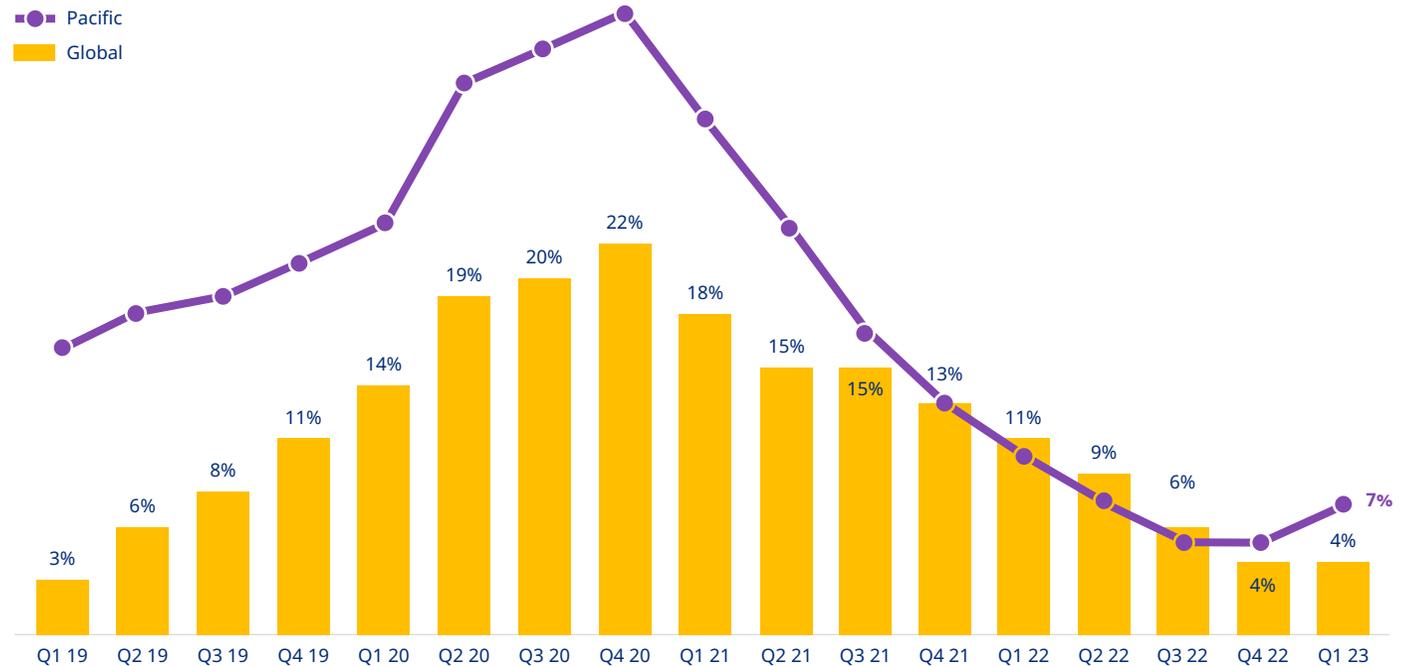
Property insurance pricing increased 8%, compared to 4% in the prior quarter, with loss impacted and CAT-exposed clients seeing the highest increases.

- Underwriters continued to focus on CAT perils; organizations' commitment to continual risk improvement was critical to success at renewal.
- Underwriters focused on ensuring that valuations supported declared values, due to global economic inflation.

Casualty insurance pricing rose 10%, the same as in the prior two quarters.

- Insurers maintained focus on claims inflation due to litigation trends and material cost inflation.
- New capacity emerged, fostering insurer competition.
- Some programs went through substantial restructuring due to changes in underwriter appetite.

12| Pacific composite insurance pricing change



Source: Marsh Specialty and Global Placement

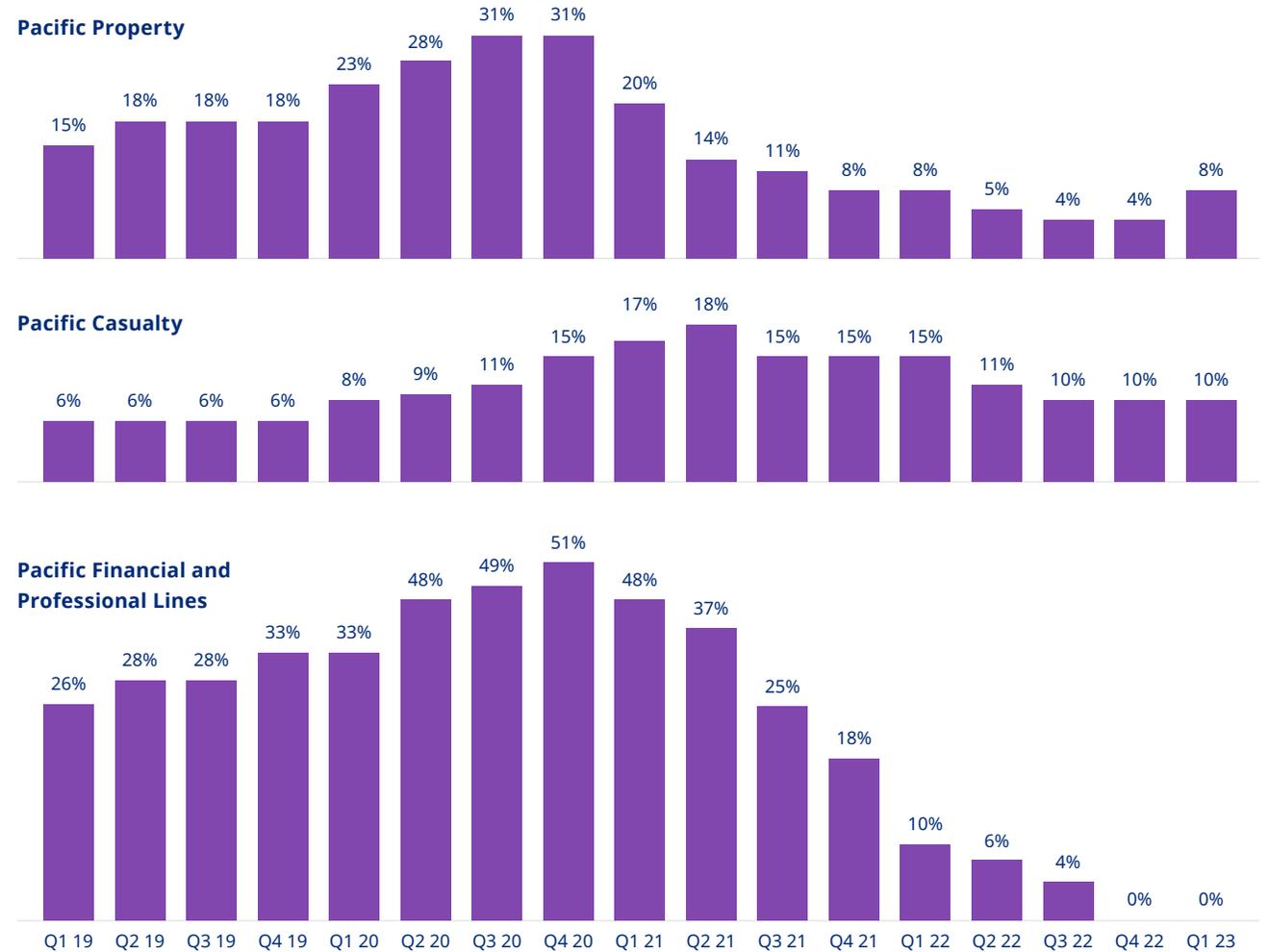
Financial and professional lines pricing remained flat, the same as in the prior quarter.

- D&O pricing continued to improve, with most renewals seeing reductions from -5% to -10%, and in some cases more.
- Increased competition, particularly for excess layers, contributed to improved pricing.

Cyber insurance pricing increased 25% in the first quarter, compared to 28% in the prior quarter.

- The cyber market remained challenging; however, it began to stabilize in the second half of 2022, with price increases moderating.
- Coverage scrutiny and cybersecurity controls were the main underwriting focus areas.

13| Pacific composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

ASIA PRICING: CASUALTY LINES BENEFIT FROM INSURER COMPETITION

Insurance pricing in the first quarter in Asia increased 1%, compared to 2% in the prior quarter (see Figures 14 and 15).

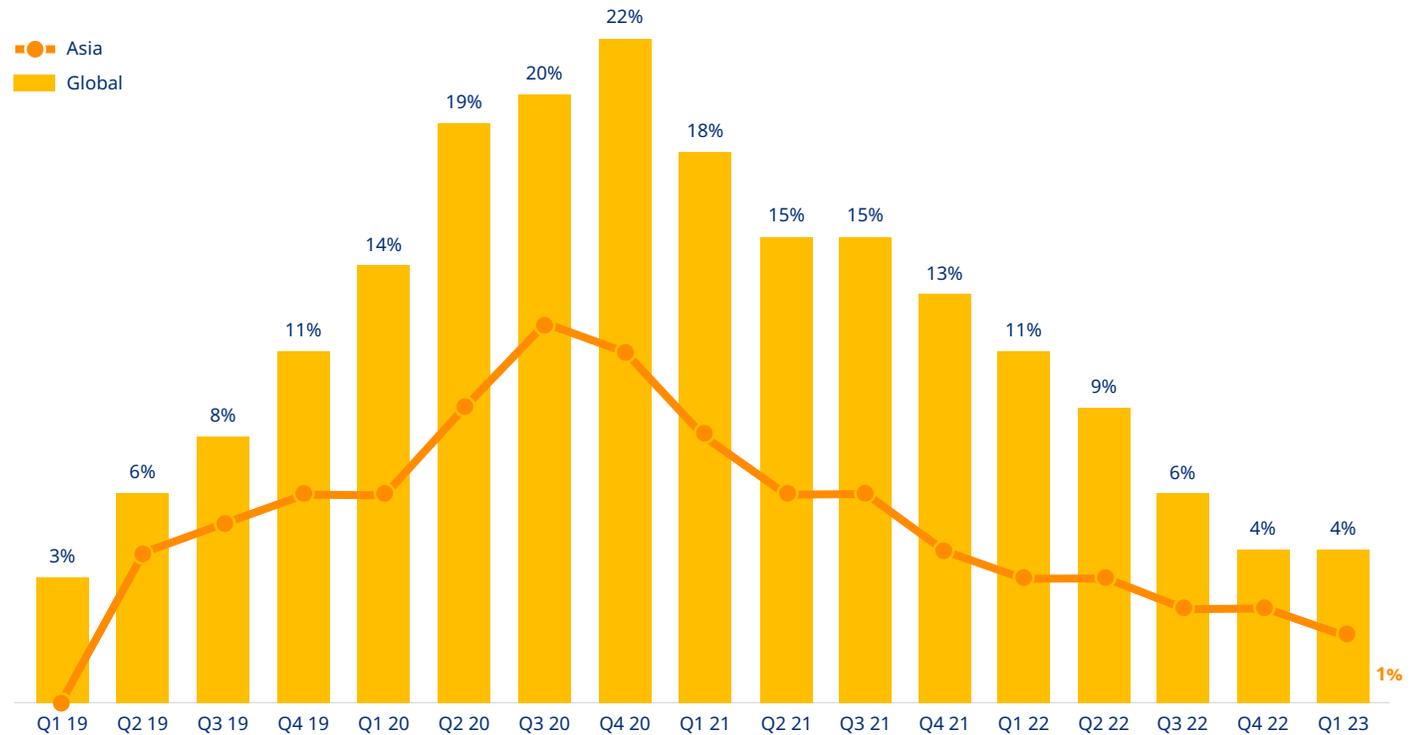
Property insurance pricing rose 2%, the same as in the prior four quarters.

- January reinsurance natural catastrophe treaty renewals in the region were challenging for most insurers.
- Insurers continued to monitor the inflationary environment and its impact on claims.
 - Updated and verified asset values remain an underwriting priority.
- Contingent business interruption; cyber; and strikes, riots, and civil commotion (SRCC) coverages were restricted, with insurers keen to reduce their exposure.
- Renewal results again favored clients with exemplary claims performance, limited CAT exposure, and strong risk management practices.

Casualty insurance pricing declined 2% in the first quarter, compared to a decline of 1% in the prior quarter.

- Casualty insurers looked to increase pricing in the first quarter; however, an abundance of capacity led to significant competition, both domestically and internationally, with rates generally maintained at expiring, or in some cases reduced.

14| Asia composite insurance pricing change



Source: Marsh Specialty and Global Placement

- Workers' compensation and auto liability pricing around the region were typically competitive.
- Casualty insurers remained vigilant regarding the coverage being requested and the claims inflation environment.

Financial and professional lines pricing was flat in the first quarter, compared to a 2% increase in the prior quarter.

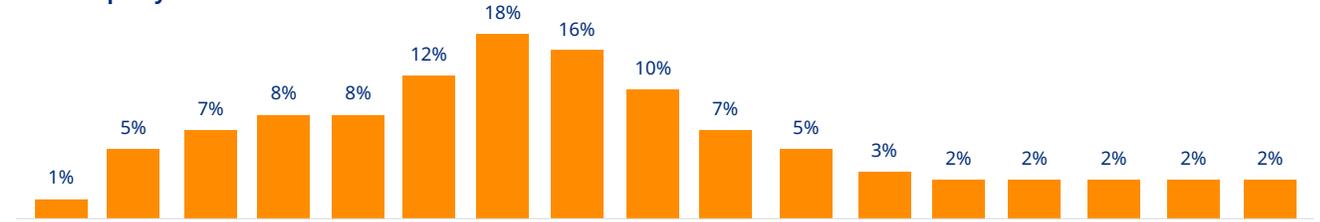
- D&O pricing began to stabilize in the first quarter; most non-US exposed business have seen decreases of up to 10%.
- Additional capacity entered the market to support US-listed D&O business.
- Pricing has moderated for the financial institution sector and is now stable for large and complex accounts.

Cyber insurance pricing increased 8% in the quarter, compared to 22% in the prior quarter.

- Ransomware remains a top concern for insurers.
- Insurer demands for more detailed submission information appears to have prompted improved cyber risk management and greater clarity of some companies' cyber exposures.

15| Asia composite insurance pricing change — by major coverage line

Asia Property



Asia Casualty



Asia Financial and Professional Lines



Source: Marsh Specialty and Global Placement



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