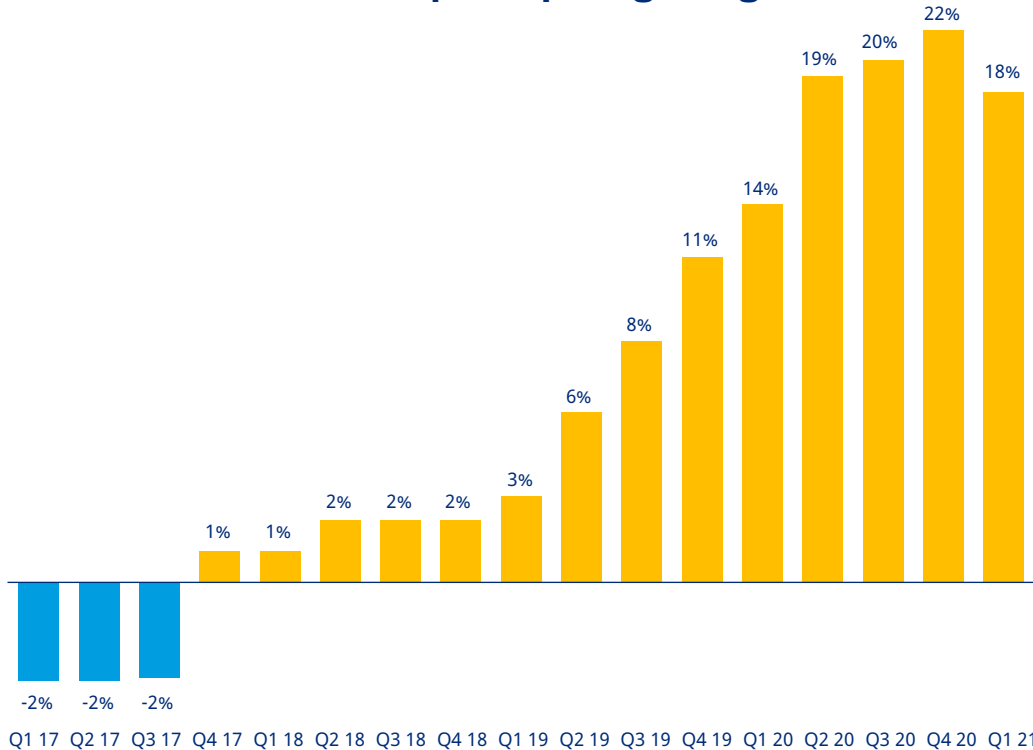


Global Insurance Markets: Pricing Increases Moderate in First Quarter

May 2021

Global commercial insurance prices rose 18% in the first quarter of 2021, the fourteenth consecutive quarter of price increases, which is the longest stretch of increases since the inception of the *Marsh Global Insurance Market Index* in 2012 (see Figure 1).* The first quarter increase was lower than the 22% seen in the fourth quarter of 2020.

01| Global insurance composite pricing change



Source: Marsh Specialty and Global Placement

Geographically, the UK, with a composite pricing increase of 35%, and the Pacific region, with a 29% increase, drove the global composite rate. Increases across geographies moderated due to a generally slower rate of increase in property insurance and financial and professional lines.

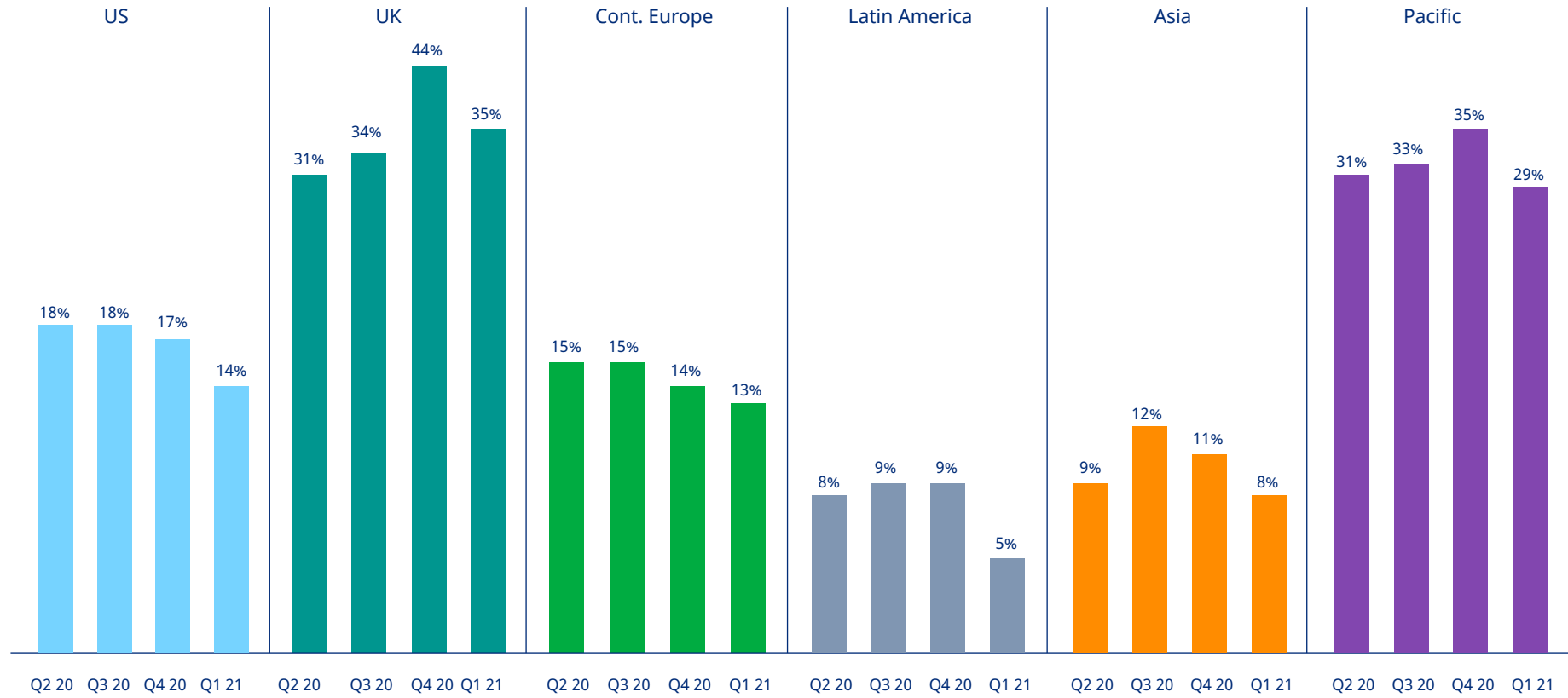
Cyber insurance pricing diverged from the trend, with prices generally increasing — notably by 35% in the US and 29% in the UK — driven by the frequency and severity of losses.

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

- US: 14%.
- UK: 35%.
- Continental Europe: 13%.
- Latin America and the Caribbean: 5%.
- Asia: 8%.
- Pacific: 29%.

*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.

02| Composite insurance pricing change — by region



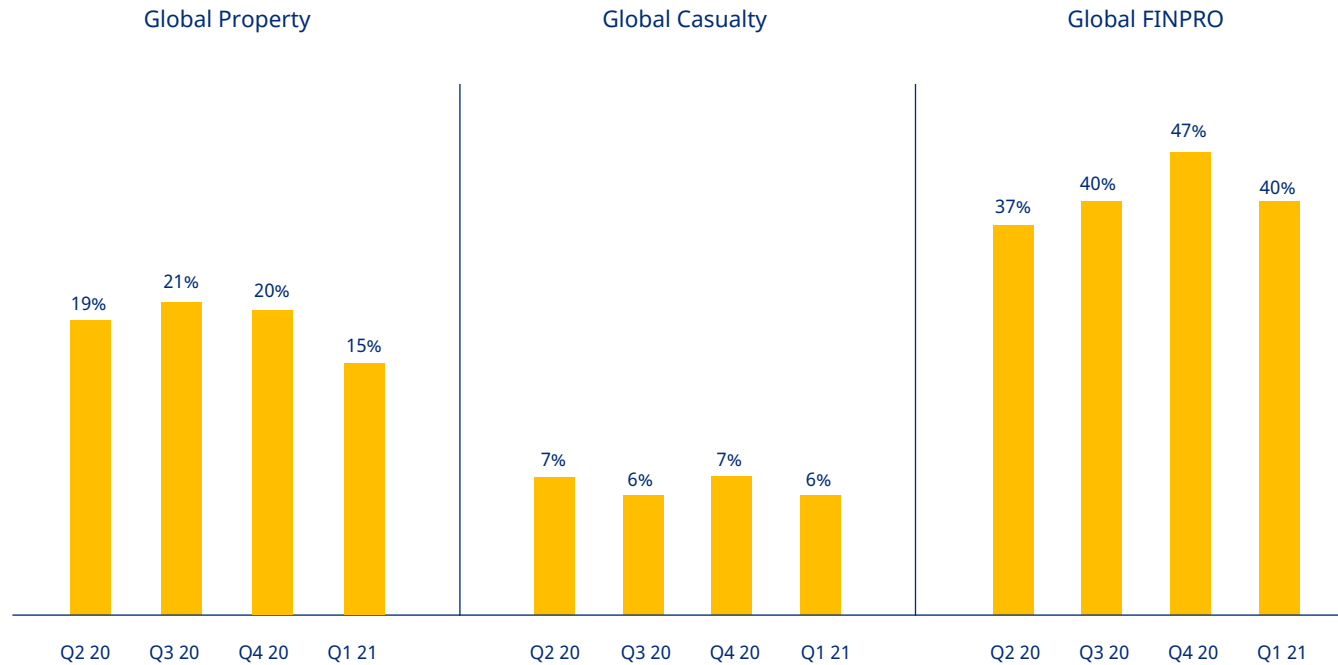
Source: Marsh Specialty and Global Placement

Pricing in financial and professional lines again had the highest rate of increase across the major insurance product categories (see Figure 3):

- Property insurance: 15%.
- Casualty insurance: 6%.
- Financial and professional lines insurance: 40%.

It is important to note that reported pricing changes are averages and that the data used to estimate the changes cover a wide range of clients in terms of size, industry, location, claims history, and other parameters. Many clients experienced pricing changes that deviated from the average, some higher and some lower.

03| Composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

US PRICING: INCREASES CONTINUE; PLATEAU EXPECTED

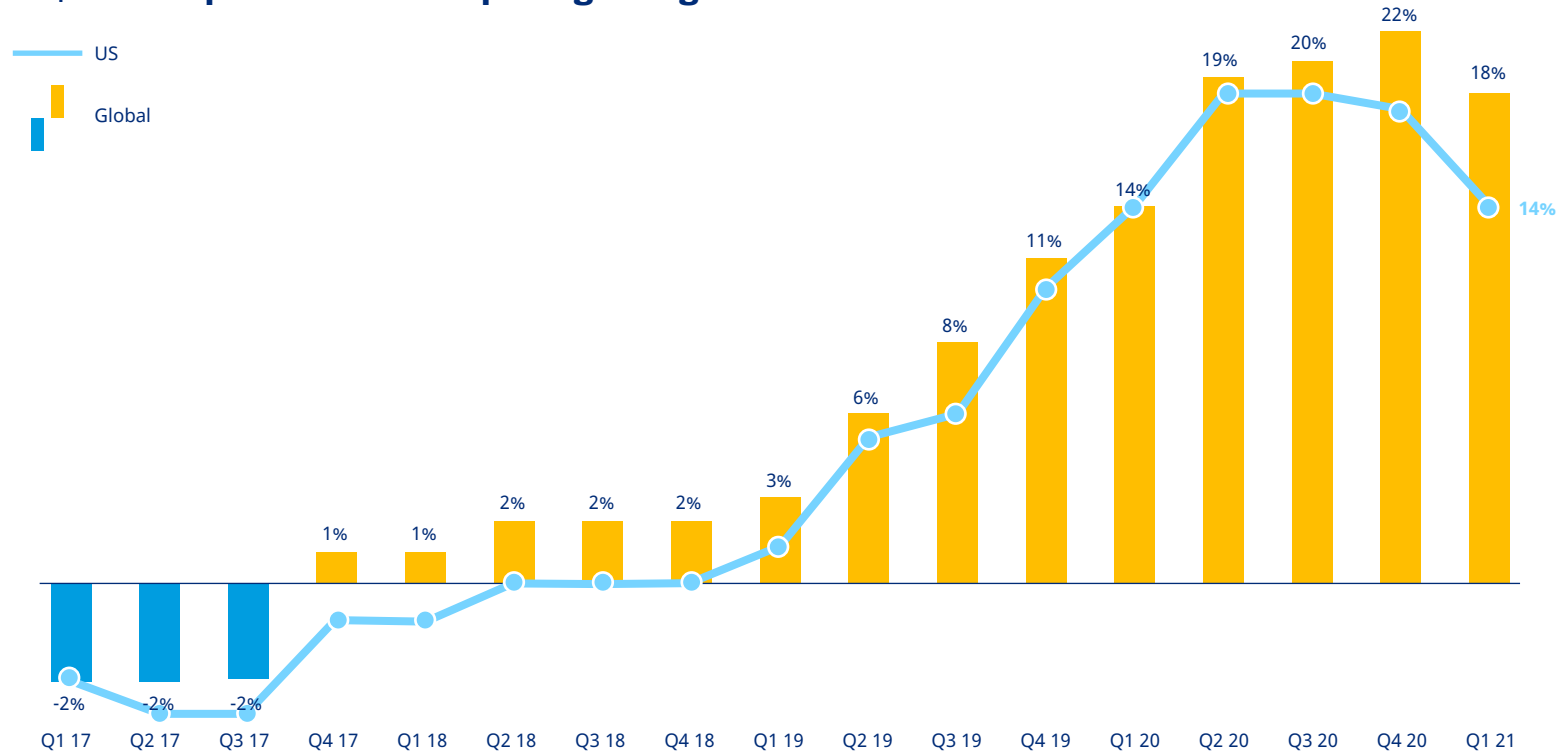
Insurance pricing in the first quarter of 2021 in the US increased 14%, year-over-year (see Figure 4). Although pricing continued to increase, the rate of increase slowed for the second consecutive quarter (see Figure 5).

Property insurance pricing increased by 15%, the fourteenth consecutive quarter of increase.

- Pricing increases slowed each month of the first quarter, with greater reductions on catastrophe (CAT) risks.

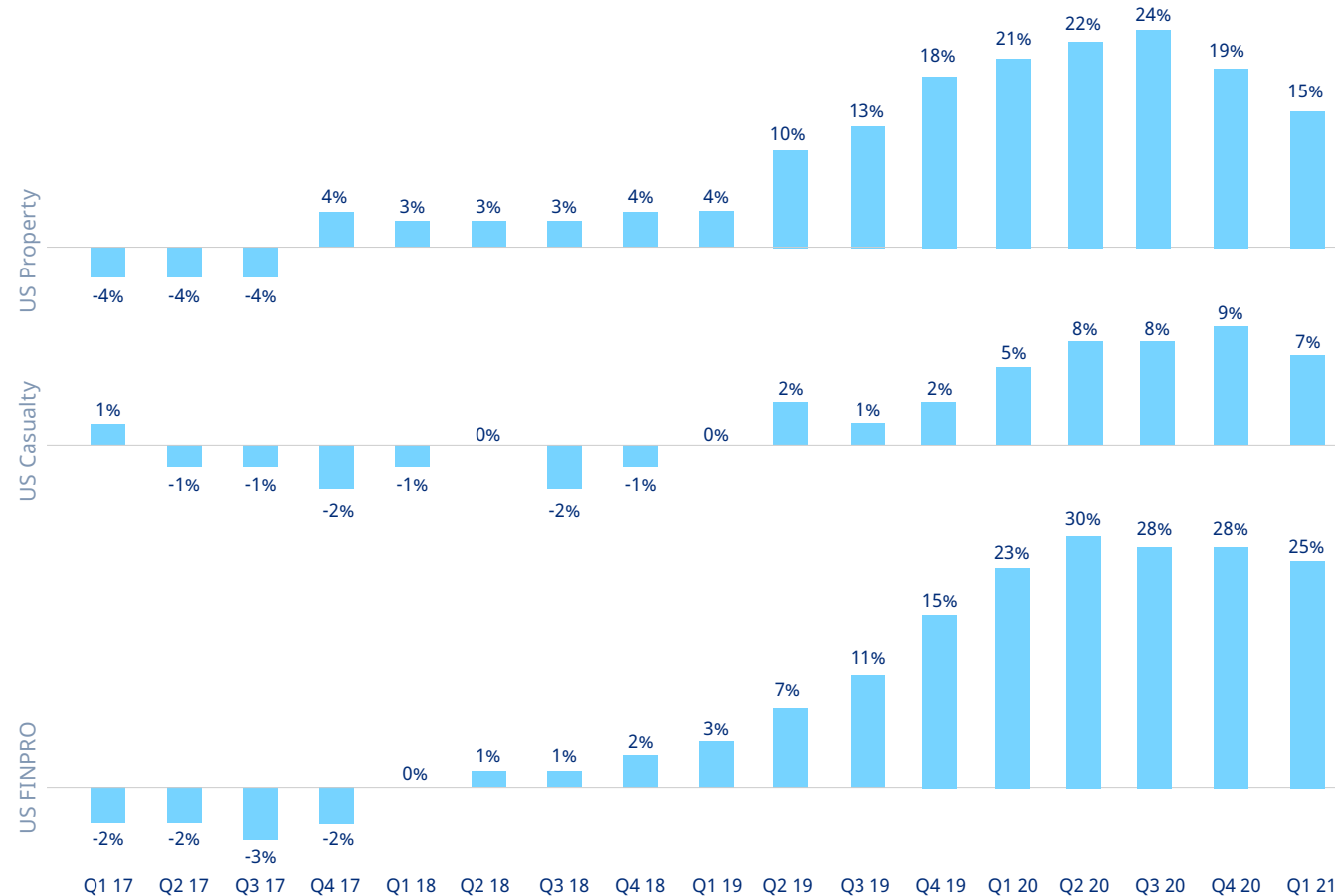
- Multi-layered programs generally renewed at a higher rate, an average of 22%, while single-layer programs generally renewed with smaller increases, averaging 12%.
- Rates appeared to be at, if not above, technical pricing levels. Some insurers were more assertive, and writing new business.
- New capital providers entered the property market.
- Pricing increased in 80% of renewing placements; 26% of programs reduced limits.

04| US composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

Casualty insurance pricing in the US increased 7%; excluding workers' compensation, the increase was 12%.

- Excess liability insurance pricing increased and is expected to continue to do so for the remainder of 2021, but at a moderated pace, barring unforeseen changes.
- New capacity in 2021 is likely to increase competition among insurers.
- Coverage restrictions continued to be discussed, due to issues including COVID-19, per- and polyfluoroalkyl substances (PFAS), nitrosamines, sexual abuse and molestation, and traumatic brain injury.
- Auto liability insurance pricing continued to increase, on average, due to prior years of lower pricing, combined with losses and high jury verdicts.
- Workers' compensation coverage remained competitive. Insurers have signalled that they may seek increases at some point during 2021.
- General liability pricing continued to trend upward in the single digits due to historical losses and high jury verdicts.

Financial and professional lines pricing increased 25%, driven by cyber and directors and officers (D&O) liability pricing.

- D&O pricing for publicly traded companies increased 27%, which was lower than the 42% increase observed in the fourth quarter of 2020.
- 94% of clients experienced pricing increases, and 12% opted to purchase reduced limits.
- New capacity provided options on excess D&O layers, which led to some increased competition with incumbents.
- For the second and third quarters of 2021, barring unforeseen changes, average pricing is likely to increase in the 10% to 20% range.
- Fiduciary pricing generally increased between 30% and 40%; some clients have experienced large increases in retentions specific to excess fees claims.
- Cyber pricing increased 35%, double the increase seen in the prior quarter and the largest increase since 2015.
- Frequency and severity of ransomware events has increased, with ransom payments frequently exceeding USD1 million.
- Business interruption and/or data exfiltration claims also increased.
- Most insurers scaled back limit deployment to a maximum of USD5 million to USD10 million for any one risk, and narrowed coverage for ransomware-related losses.
- All industries have been affected, particularly health care, manufacturing, educational institutions, and public entities; many insurers have declined to quote risks in these industry classes.

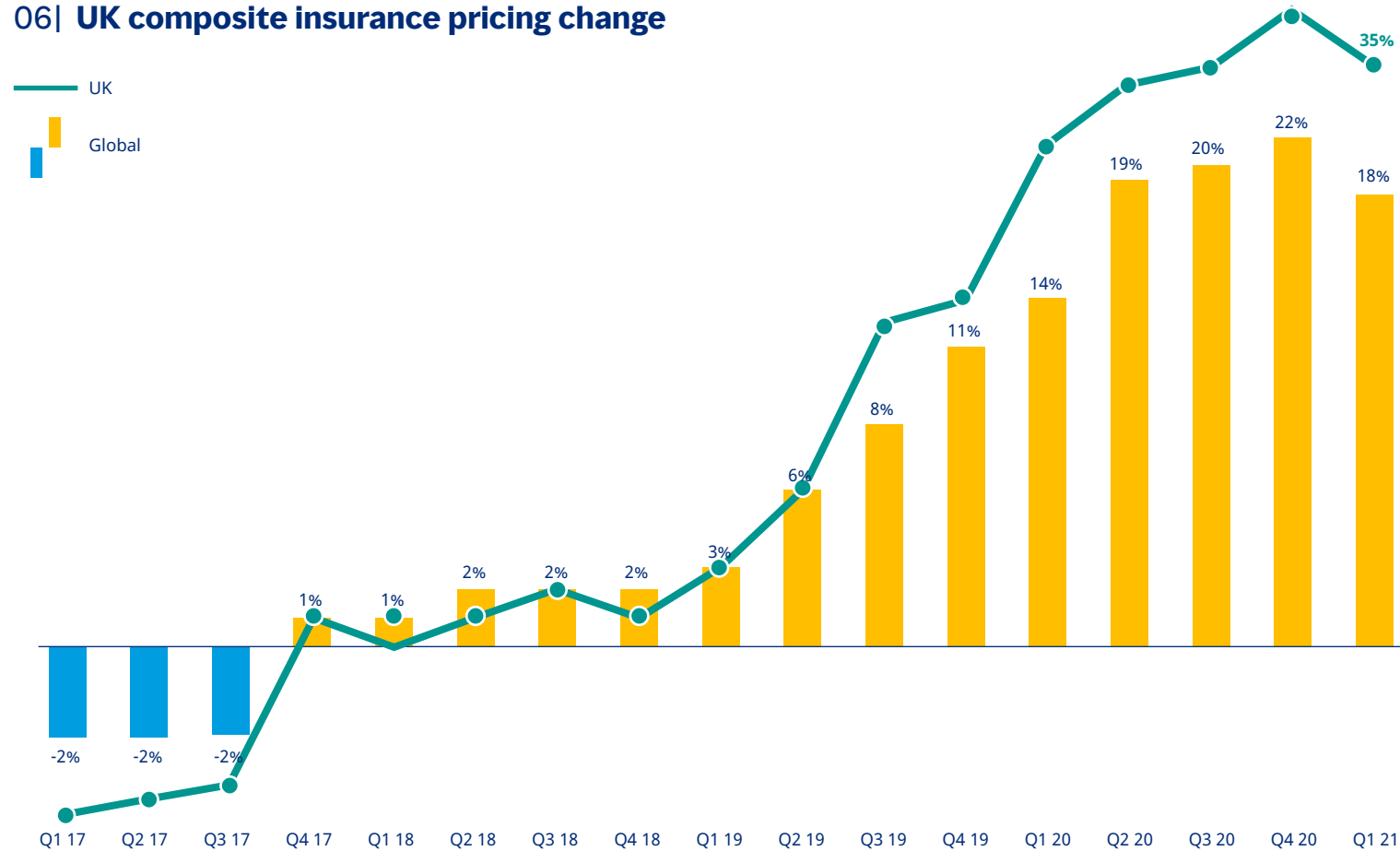
UK PRICING: FOURTEENTH CONSECUTIVE QUARTER OF INCREASES

Insurance pricing in the first quarter of 2021 in the UK increased 35% (see Figures 6 and 7).

Property insurance pricing increased 18%.

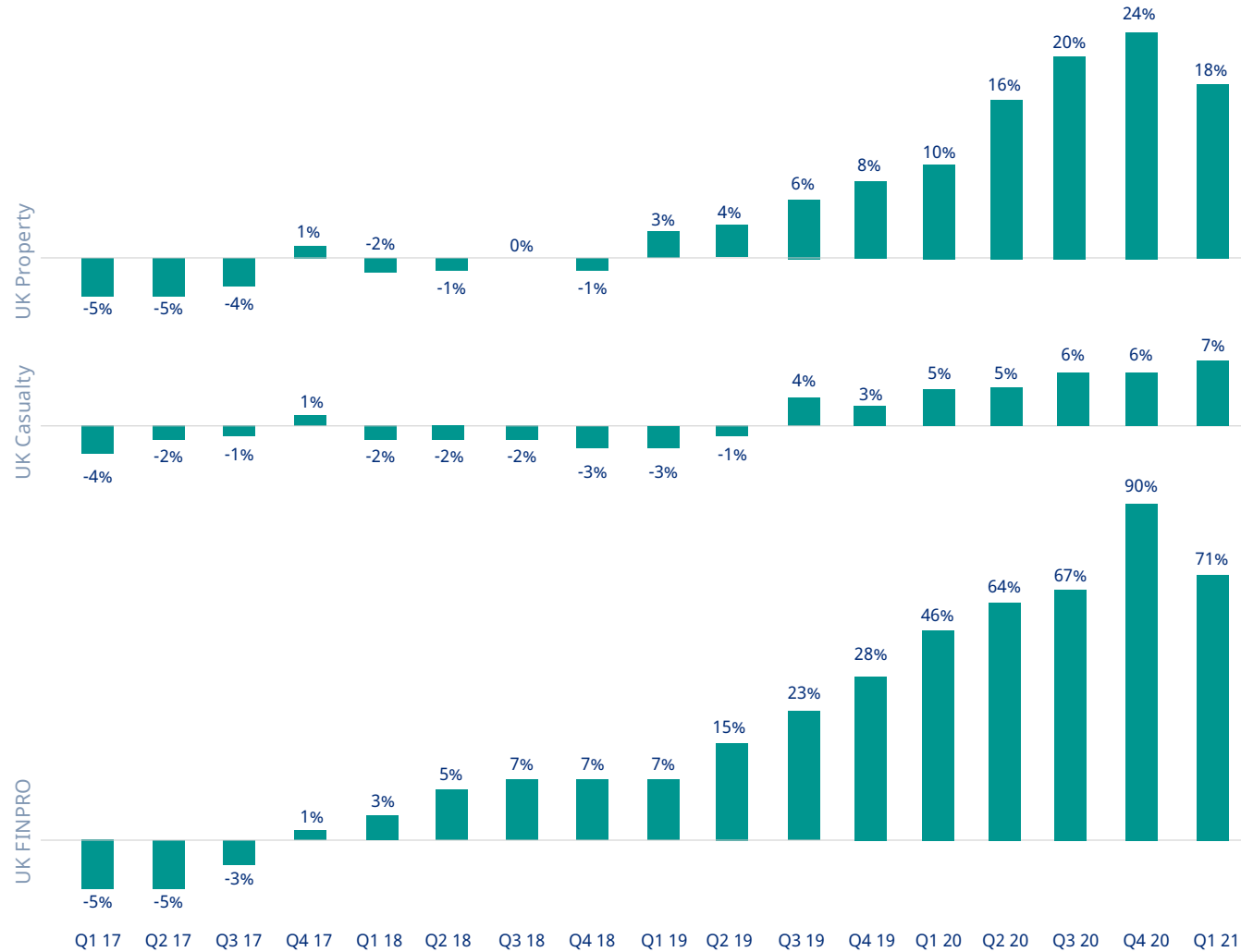
- Organizations generally experienced price increases ranging from 15% to 20%, which was a slowdown in the pace of price increases from the prior quarter.
- There is some flexibility on disease exclusionary language with some insurers.

06| UK composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

Casualty insurance pricing increased 7%.

- The casualty market continued to transition, with a seventh consecutive quarter of increased pricing.
- Excess coverage continued to be scrutinized, with insurers reviewing rates and capacity being deployed, thus increasing the time needed to finalize program structures.
- Auto liability pricing increased 2%.

Financial and professional lines pricing increased 71%, largely due to D&O.

- D&O rates continued to rise in the quarter as some insurers said that increases in the first quarter of 2020 were inadequate; however, the rate of increase was lower in the first quarter of 2021.
- Pricing for commercial crime coverage increased 50% to 60% as some insurers left the market. Retentions increased by a factor of four, with standard retentions for large businesses starting at approximately GBP2 million for those with clear loss histories. Some clients did not renew coverage, turning to captives or keeping the risk on their balance sheet.
- In the financial institution market, pricing increased in the 20% to 25% range, on average, with stable capacity.
- Cyber rate increases accelerated, driven by ransomware events. Insurers continued to manage total capacity deployment and monitored the changing cyber threat landscape.

LATIN AMERICA AND CARIBBEAN PRICING: CASUALTY PRICES DECREASE

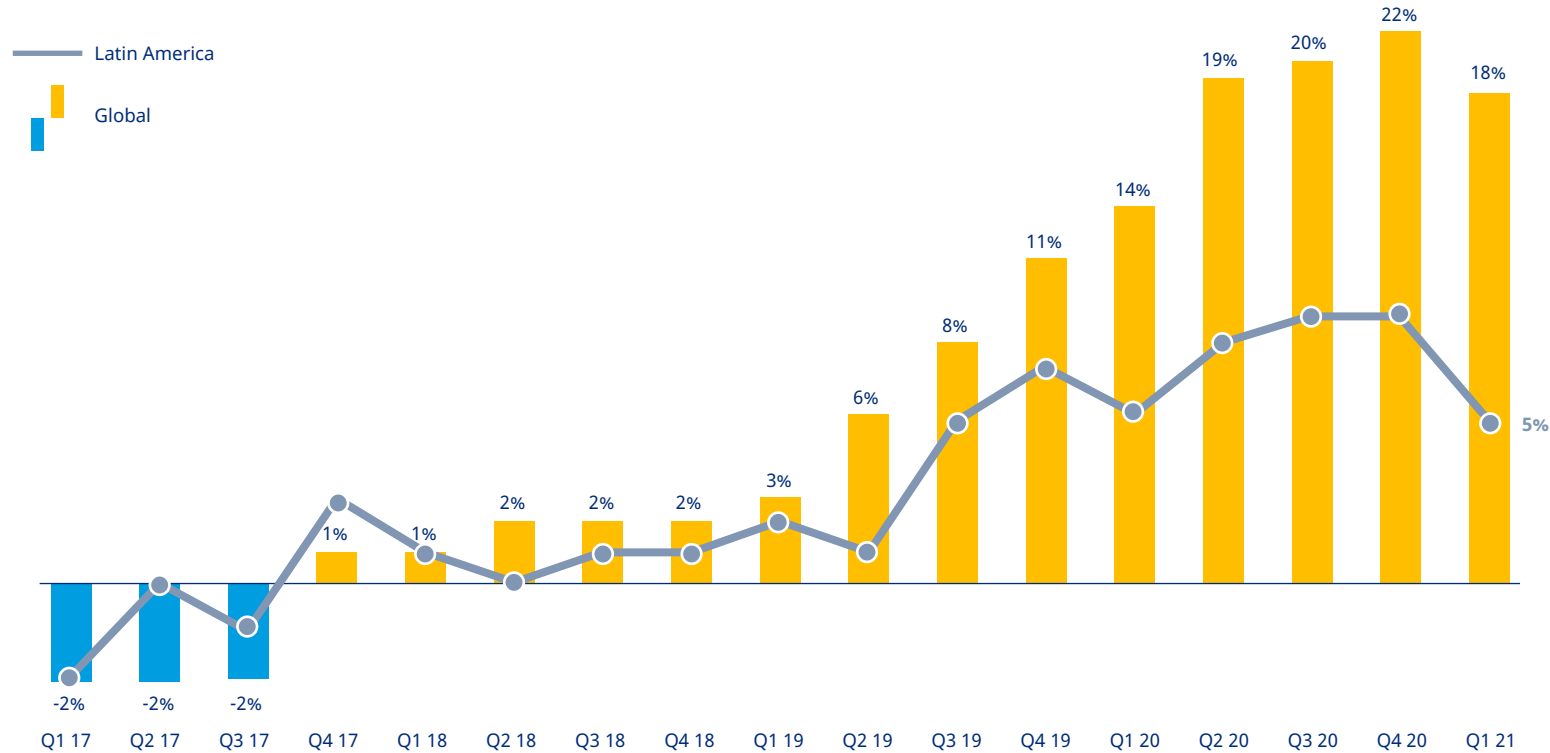
Insurance pricing in the first quarter in the Latin America and Caribbean (LAC) region increased 5% (see Figures 8 and 9). Casualty pricing in the region was the only decrease seen in a major product line globally.

Property insurance pricing increased 10%.

- Generally, pricing increased in Brazil, moderated in Chile and Colombia, and remained constant in Mexico.

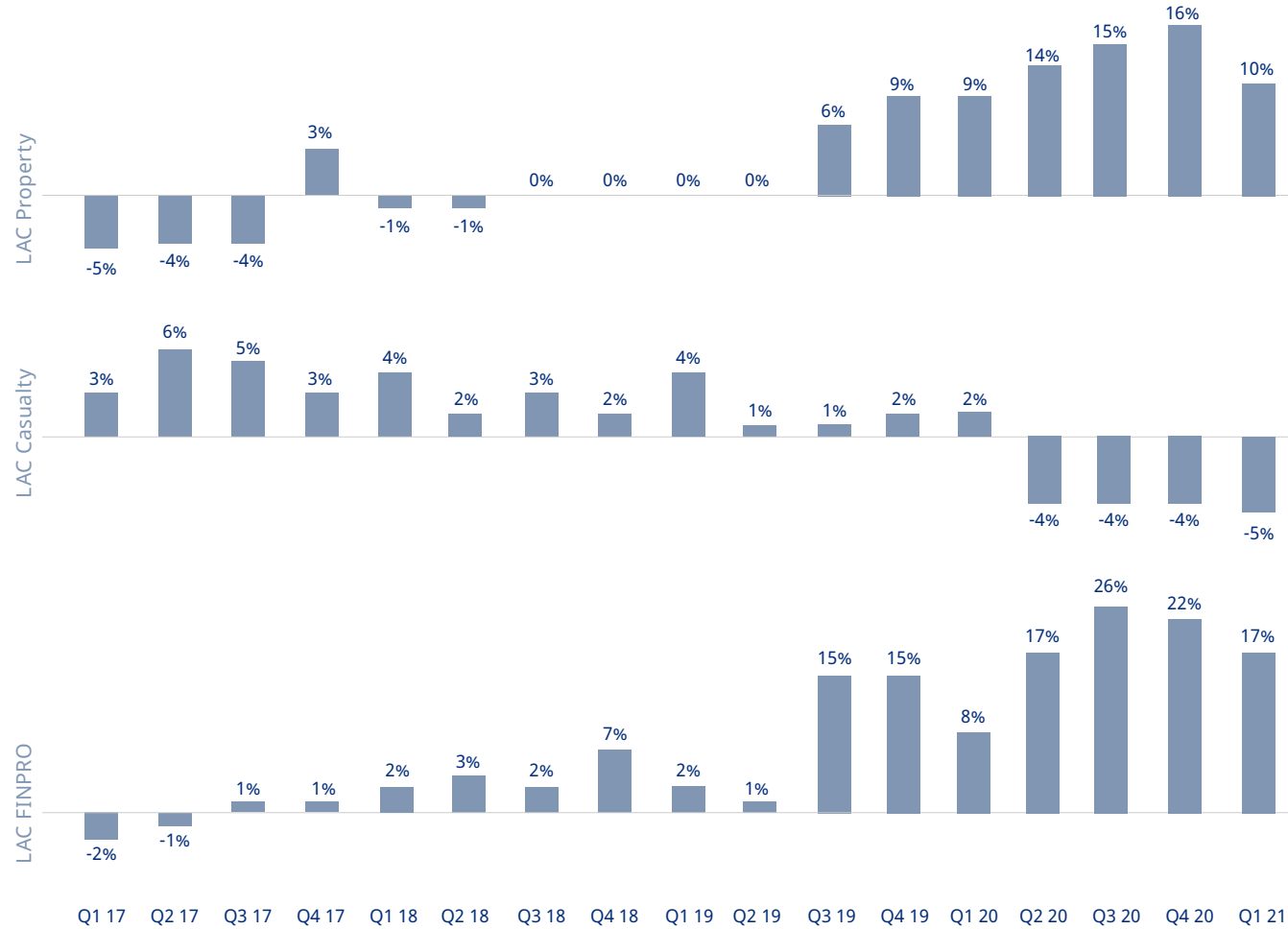
- As pricing increased, insurers asked for more information and deployed capacity selectively.
- Global insurers generally excluded strikes, riots, and civil commotion (SRCC) from property programs; local markets continued to provide coverage.

08| Latin America composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

Casualty insurance prices declined 5%.

- Local capacity and competition in large countries — Mexico, Brazil, Peru, and Argentina — mitigated pricing increases in pricing elsewhere.
- Auto liability exposure and claims drove a reduction in pricing, which decreased or remained stable in all large countries.
- General liability pricing was stable in Brazil, and generally increased in other large countries.

Financial and professional lines pricing rose 17%.

- The reduction in capacity continued, particularly from global insurers, driven by a difficult financial situation in some industries, the impact of COVID-19, regulatory uncertainty, and global loss tendencies, particularly in D&O.
- Commercial crime and banker blanket bond (BBB) coverages saw capacity reduced due to concerns about social engineering, phishing-triggered fraud, and economic uncertainty post-pandemic.
- Cyber insurance pricing increased 20% to 30%, driven by the increase in frequency and severity of claims in the region and worldwide.

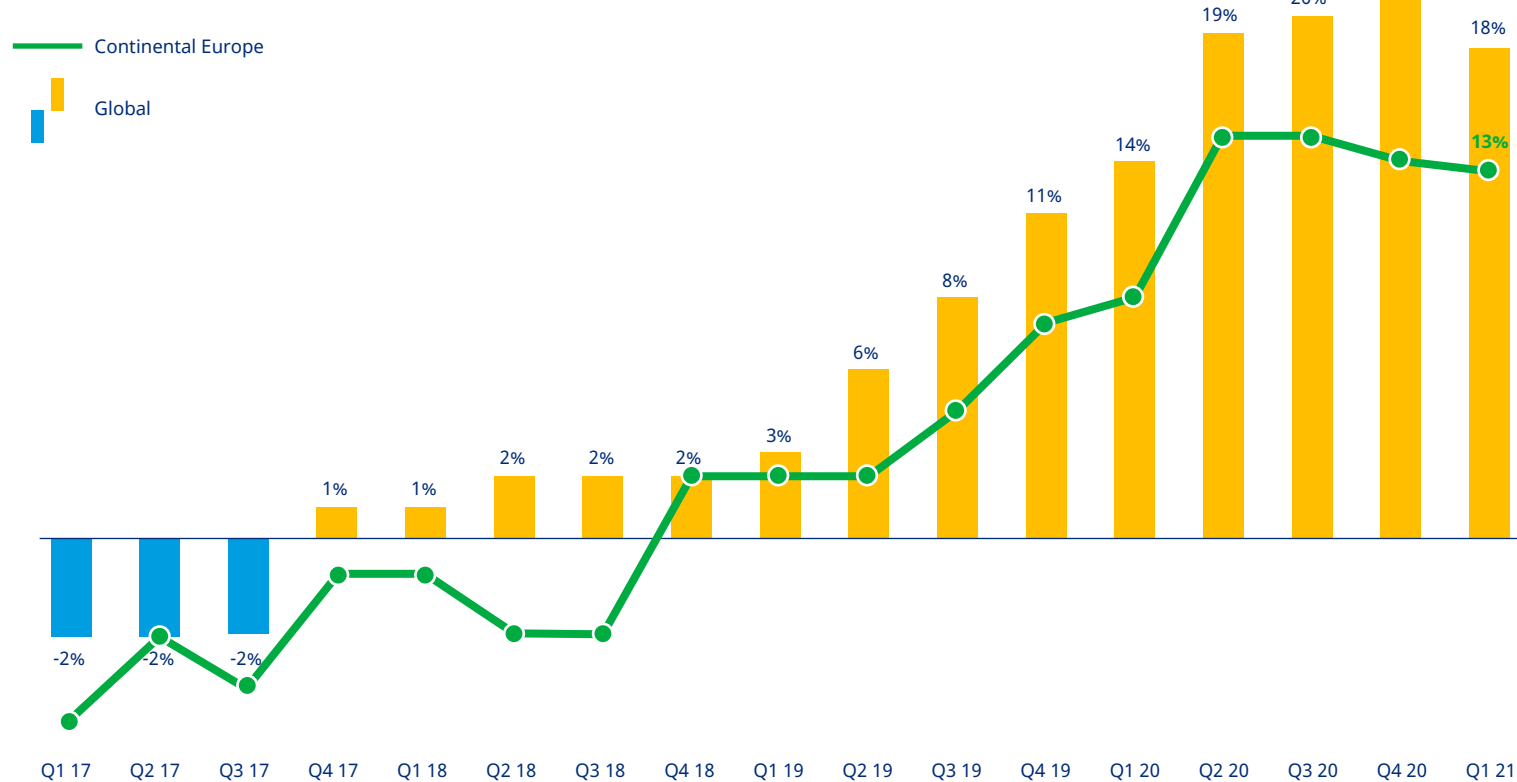
CONTINENTAL EUROPE PRICING: INCREASES BELOW GLOBAL AVERAGE

Insurance pricing in the first quarter of 2021 in Continental Europe (CE) increased 13% (see Figures 10 and 11).

Property insurance pricing in CE rose 16%, the tenth consecutive quarterly increase.

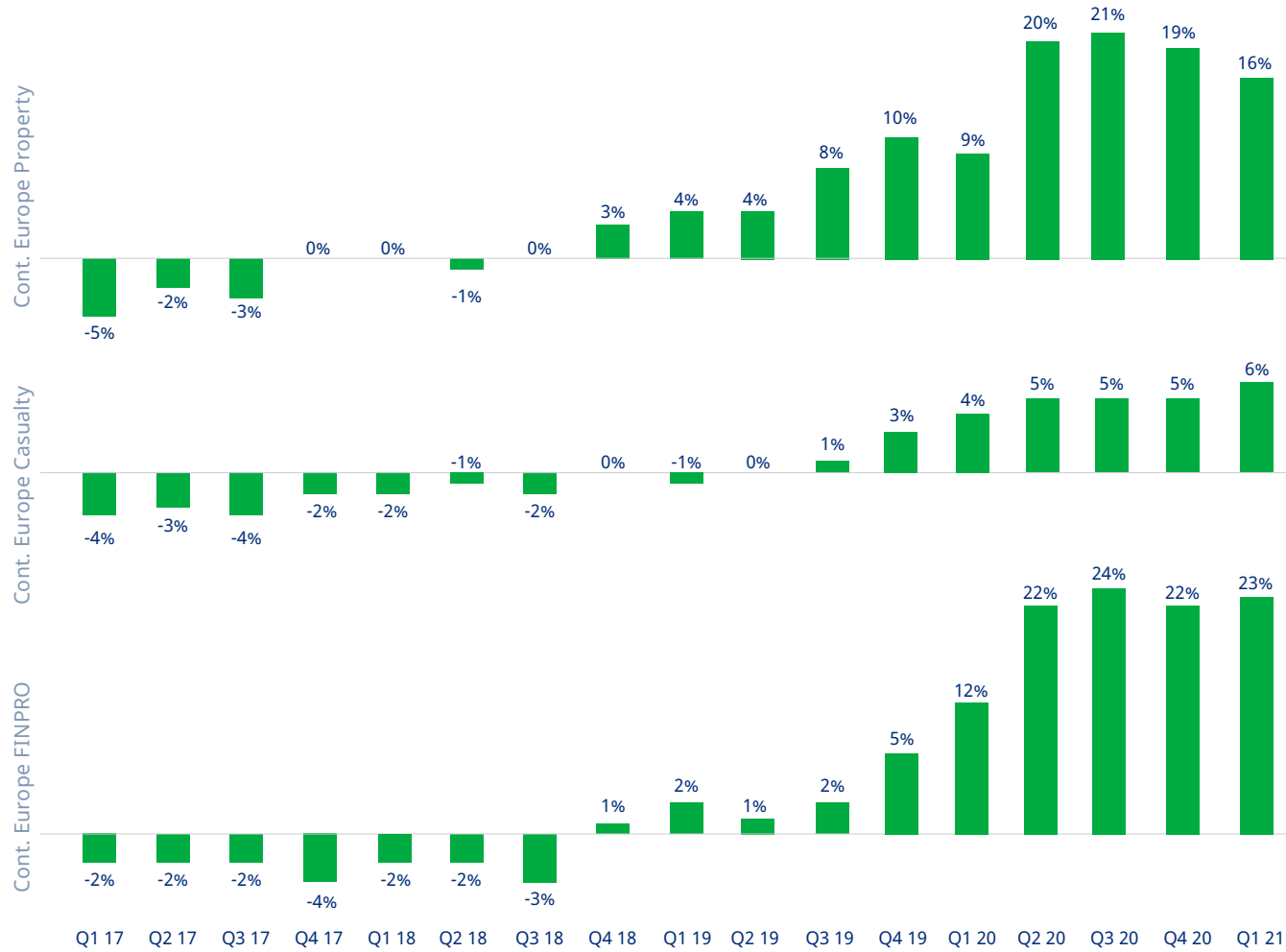
- Corporate domestic renewals generally experienced pricing increases in the high-single to low-double digits.
- Large, complex multinational property insurance placements generally experienced increases of 20% to 25%, and in some cases higher.

10| Continental Europe composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

Casualty insurance pricing increased 6%, the seventh consecutive quarterly increase.

- Excess casualty and US-exposed placements continued to be challenging.
- General liability pricing typically rose in the single digits, but increased in the 15% to 20% range in some cases.
- Increases in workers' compensation were generally due to limited capacity.
- Auto liability pricing remained generally flat.

Financial and professional lines pricing increased 23%.

- Average D&O pricing increases in larger countries — Germany, France, and Italy — ranged from 20% to over 30%, a moderation from the preceding quarter.
- Higher increases were experienced on major D&O programs in distressed sectors or with US exposure.
- Insurers continued to selectively deploy D&O capacity.
- Average pricing increases for financial institutions and professional liability generally ranged from 4% to over 30%.

PACIFIC PRICING: ALL MAJOR LINES CONTINUE TO INCREASE

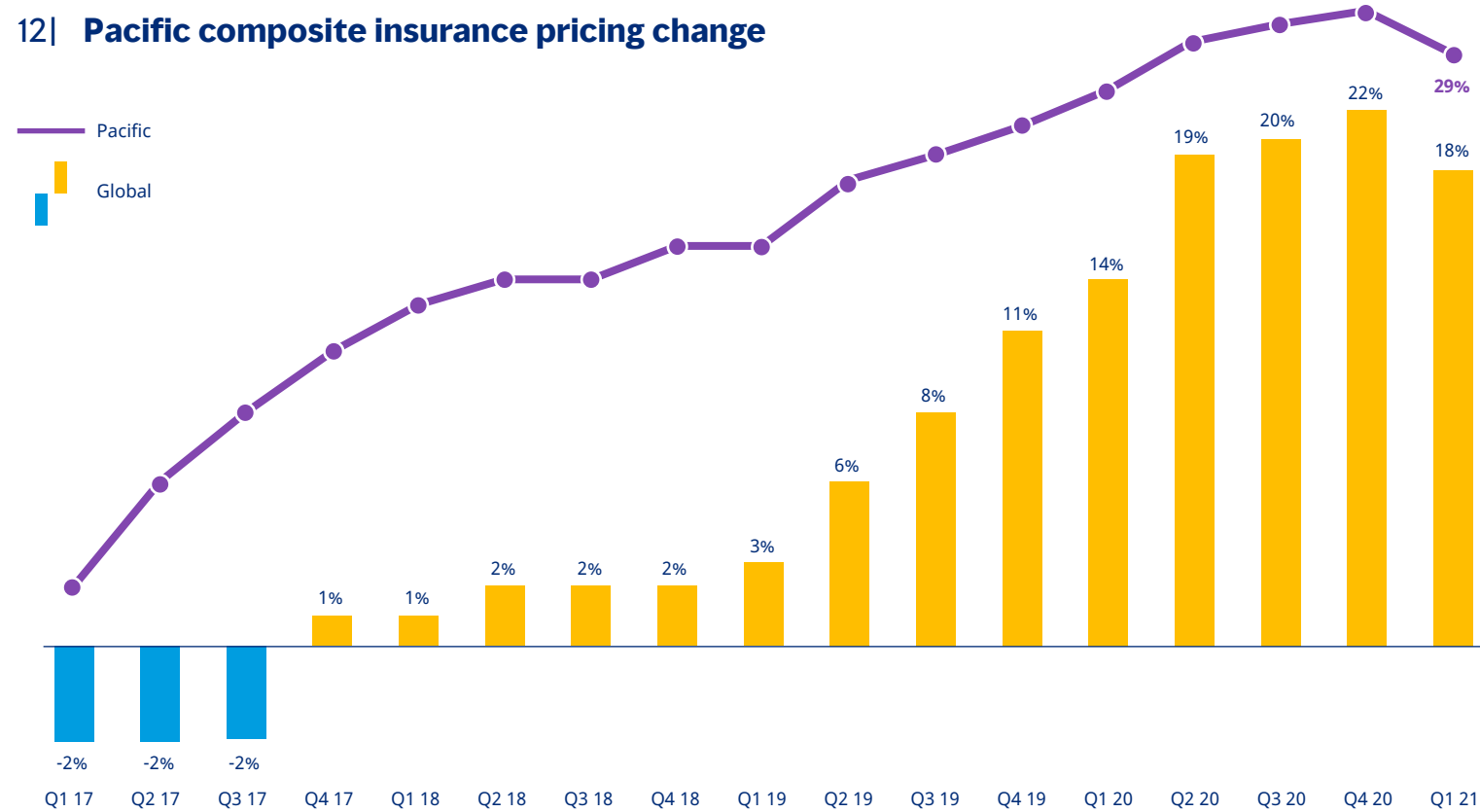
Overall insurance pricing in the first quarter of 2021 in the Pacific region increased 29%, continuing an upward trend that began in 2015 (see Figures 12 and 13).

Property insurance pricing increased 20%, a moderation from the prior four quarters.

- Australian weather-related CAT losses were not as severe this season as last, with most claims coming from householder and private motor insurance.

- Insurers continued to focus on policy coverage issues such as weather sub-limits and contingent business interruption (CBI) extensions.
- Program limits and retentions were heavily scrutinized by insurers, and buyers continued to seek alternatives.
- Insurers paid increased attention to insureds' environmental, social, and corporate governance (ESG) record.

12| Pacific composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

Casualty insurance pricing rose 17%, the largest year-over-year increase since 2012.

- Insurers deployed less capacity on major accounts, making large programs challenging to complete.
- Several carriers withdrew from various industries and geographies.
- Policy wordings continued to be scrutinized.

Financial and professional lines pricing rose 48%, marking 15 consecutive quarters of double-digit increases.

- The financial and professional lines market remained challenging. All major lines — D&O, professional indemnity (PI), and financial institutions — experienced reduced insurer appetite.
- Major claims impacted the market, particularly regarding listed company D&O and construction/engineering PI. Publicly listed D&O companies experienced significant premium increases. Reduced limits were common, with some signs of new capacity becoming available in the London market.

ASIA PRICING: PROPERTY INCREASES MODERATE

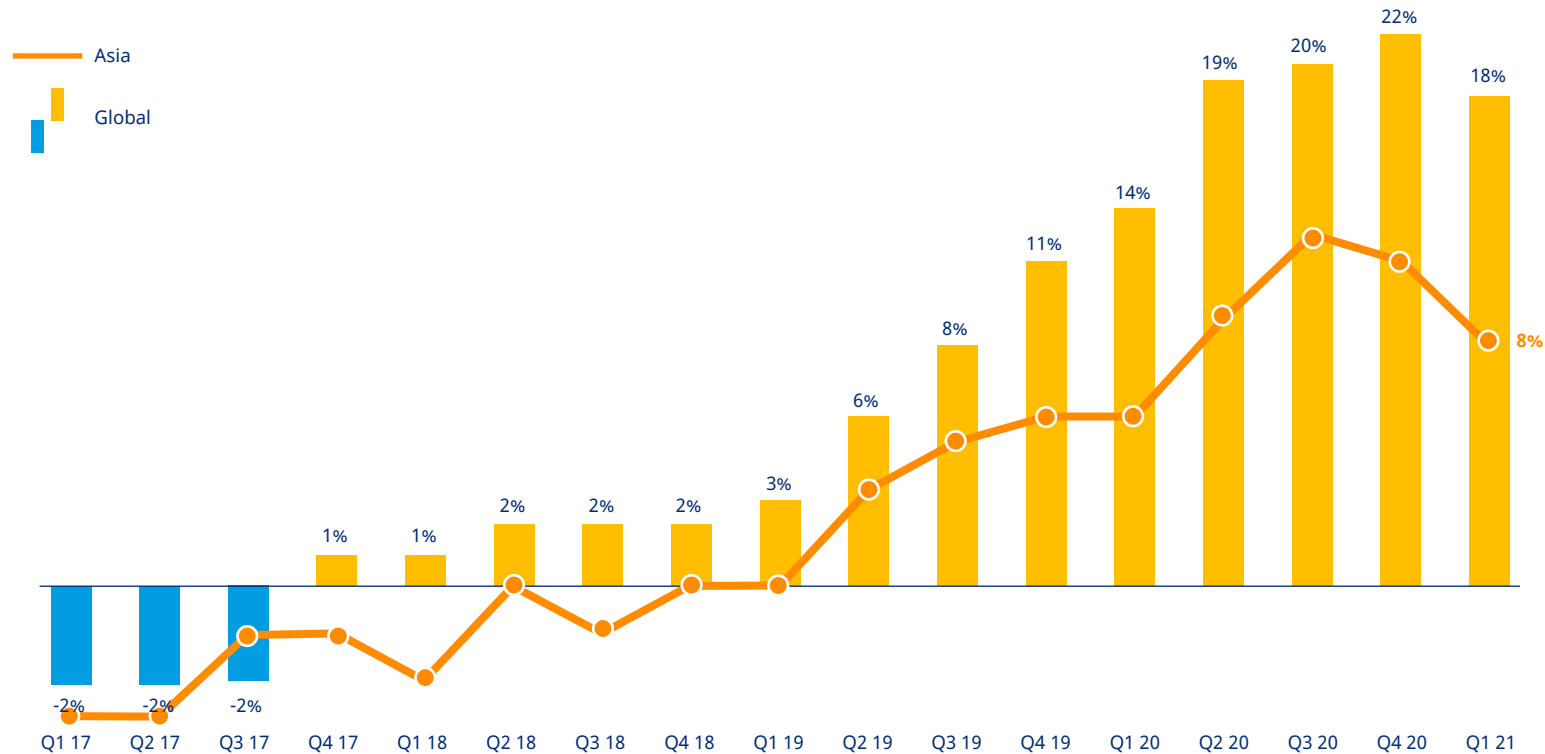
Insurance pricing in the first quarter of 2021 in Asia increased 8% year-over-year (see Figures 14 and 15).

Property insurance pricing rose 10%, the tenth consecutive quarter of increase.

- Pricing increases moderated across the region.

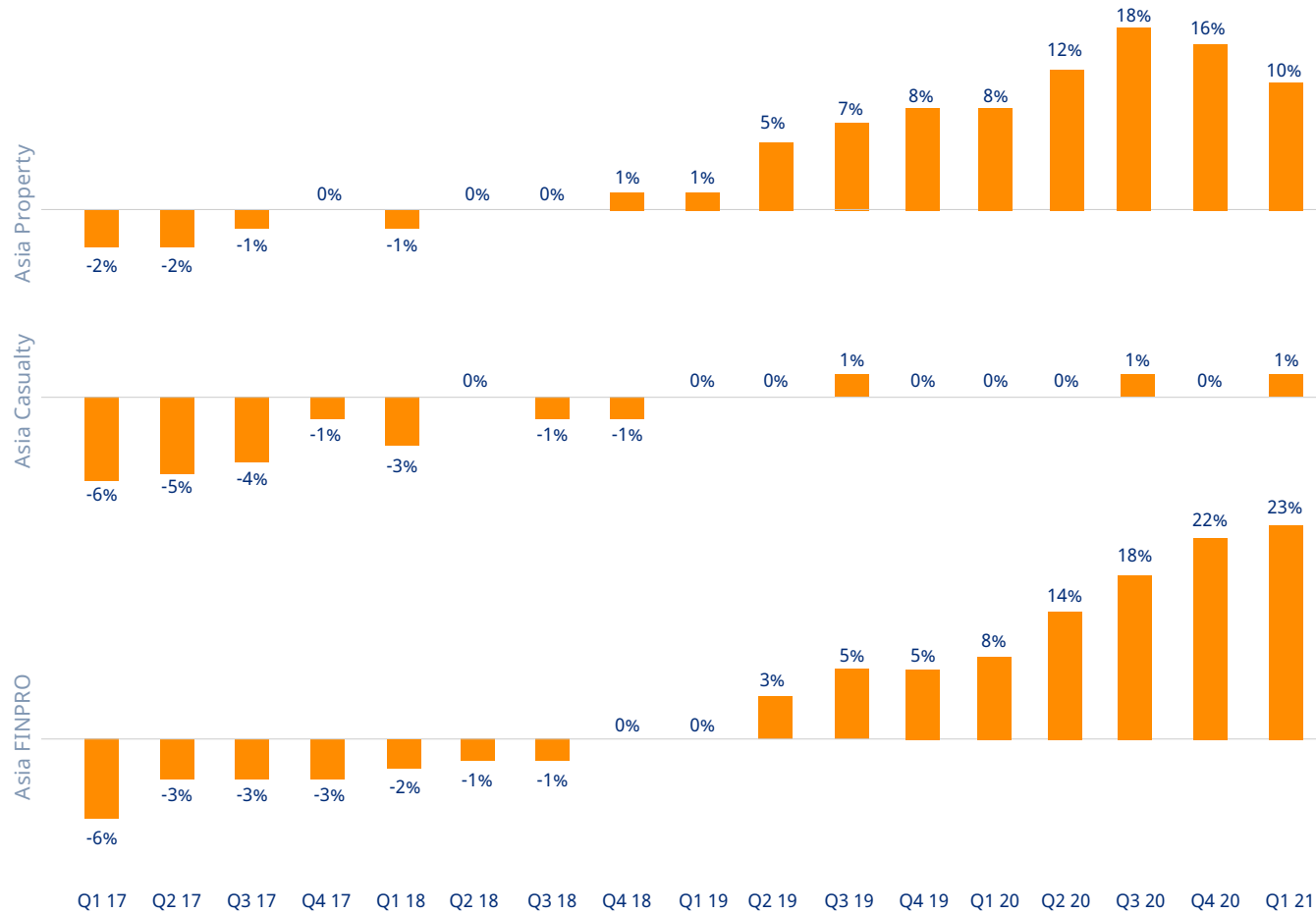
- Natural catastrophe risks experienced double-digit pricing increases in many areas.
- Large limit and complex property programs experienced the largest increases, as was the case in 2020.
- Insurers continued to be attracted to the smaller market segments, offering competition and pricing stability.

14| Asia composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

Casualty insurance pricing was generally flat, increasing by 1%.

- The region saw ample insurance capacity and a benign claims environment.
- Areas where challenges continued included product recall and products liability, driven by claims performance and reduced insurer appetite.

Financial and professional lines pricing rose 23%, the largest increase observed in several years and the eighth consecutive quarter of increase.

- Stringent underwriting guidelines, a reduction in capacity, and heightened risk selection — particularly from global insurers — contributed to pricing increases.
- Many clients increased retentions.
- Insurers showed limited appetite for and were selective on US-listed D&O, with rate increases ranging from 75% to 100% in some cases.
- For larger financial institutions in Asia, insurers sought to increase retentions and rating, placing coverage restrictions on some challenged organizations.
- Cyber insurance grew more challenging, and underwriters sought increased details and restrictions in coverage regarding ransomware and exclusionary language.
- Commercial crime coverage experienced capacity withdrawal over concerns about social engineering and phishing-triggered fraud. Primary limits experienced rate increases above 100%.



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