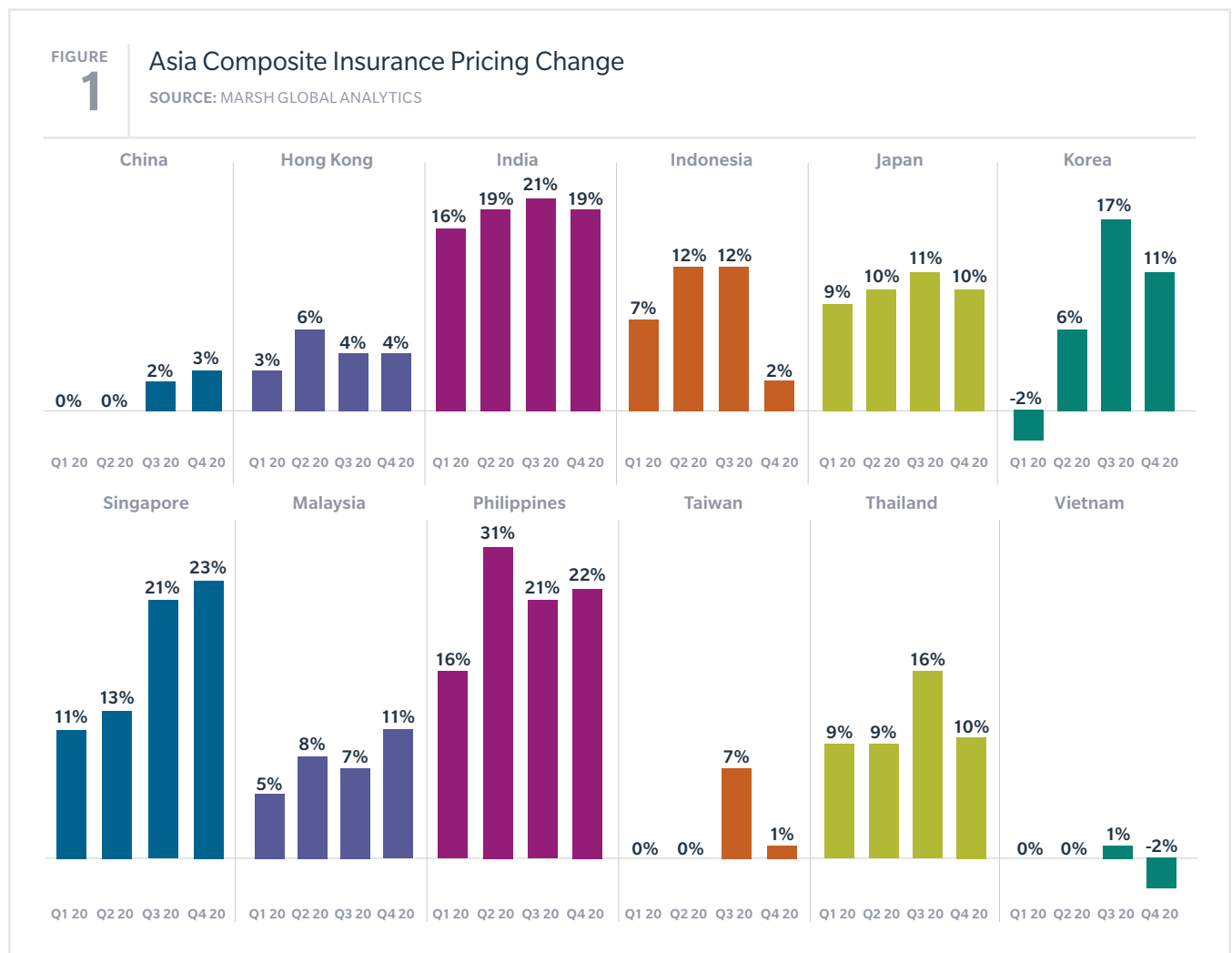


Insurance Prices in Asia Increase in Fourth Quarter 2020

Global commercial insurance prices rose 22% in the fourth quarter of 2020, the thirteenth consecutive quarter of price increases (see Figure 1). The fourth quarter rise in pricing was the largest year-over-year increase in the Marsh *Global Insurance Market Index* since its inception in 2012.*

In Asia, average prices increased 11%, on average, in the quarter. Asia, Continental Europe, and Latin America and Caribbean (LAC) have now had moderate levels of pricing increase for three quarters, suggesting that price hikes are slowing in these regions.

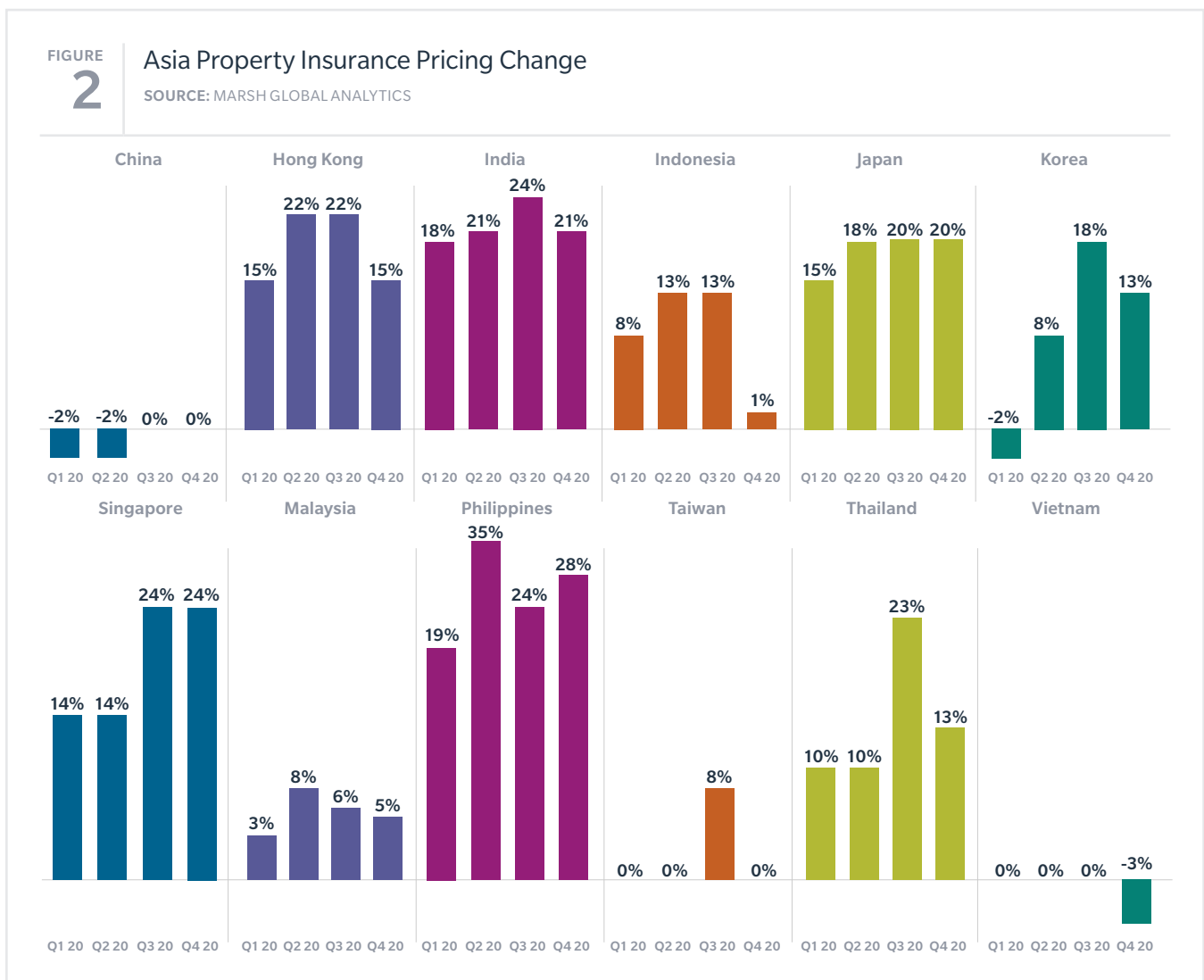


*Note: All references to pricing and pricing movements in this report should be considered averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number.

Property

The property insurance market across Asia continued to experience challenges in the fourth quarter (see Figure 2). Property pricing rose 16%, on average, the ninth consecutive quarter of increase. Pricing differentials continued to exist between international and domestic insurers.

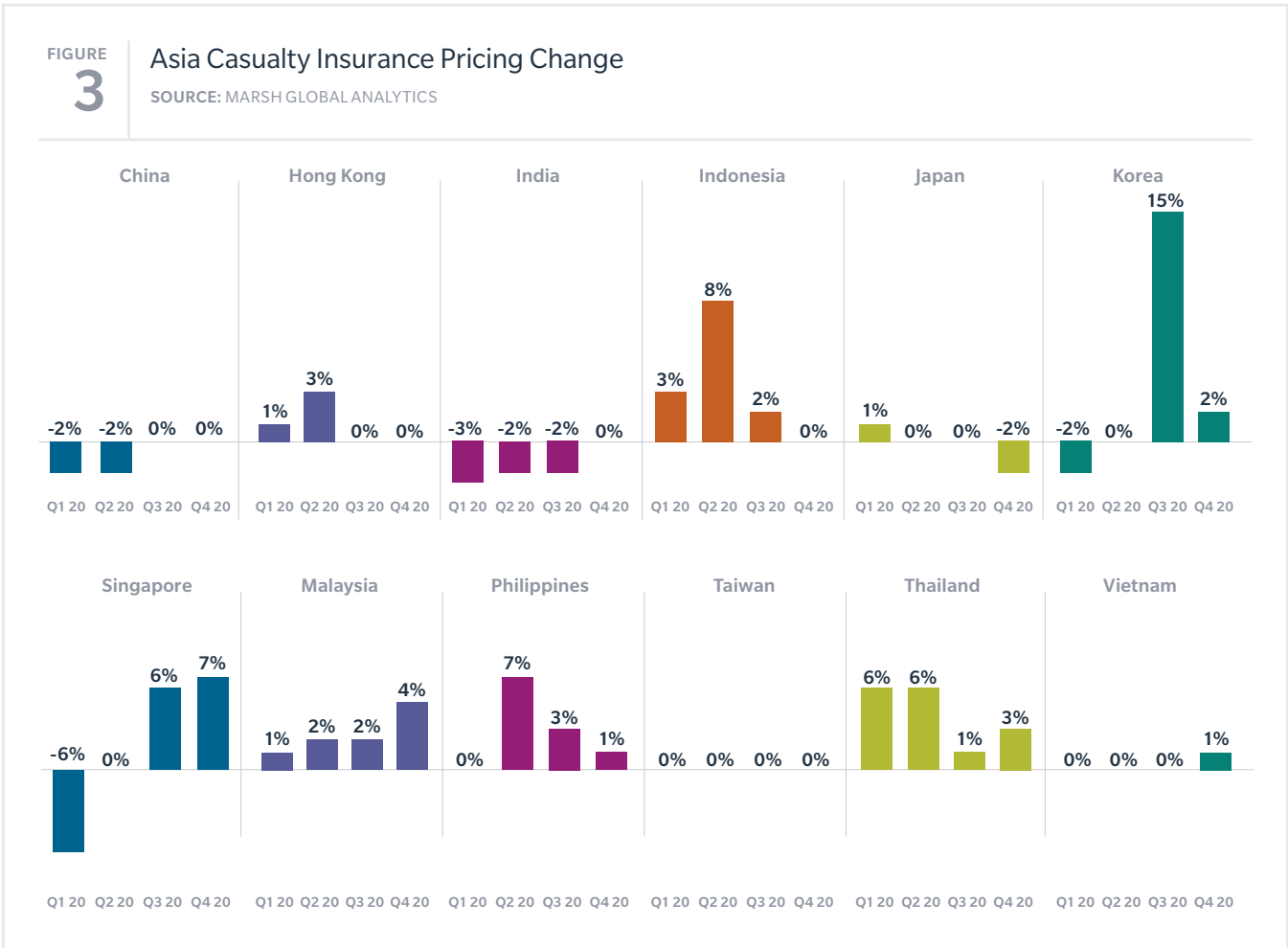
- The domestic marketplace across most countries in the region insulated small to medium enterprise clients from the sharpest increases.
- Clients with significant catastrophe (CAT) exposures and those requiring international capacity continued to experience double-digit pricing increases.
- Strikes, riots, and civil commotions (SRCC) coverage has been all but removed from property policies in Hong Kong, with coverage available in the standalone political violence or terrorism market.
- There have been pronounced pricing differences between domestic insurers and international ones across North Asia, particularly in China and Korea.
- For clients requiring international capacity, pricing increased substantially in the quarter. The balance of domestic versus international capacity played an increased role in clients' decisions.
- Clients have been seeking options at renewal to contain pricing increases, and many have opted to retain greater risk in a tradeoff with pricing.



Casualty

Casualty insurance pricing remained generally flat in the fourth quarter, as it has for three years (see Figure 3).

- The benign claims environment helped to maintain insurer appetite and competition, and slowed pricing movements.
- Clients with US exposures faced a more challenging market, with upward pressure on pricing.



Financial and Professional Lines

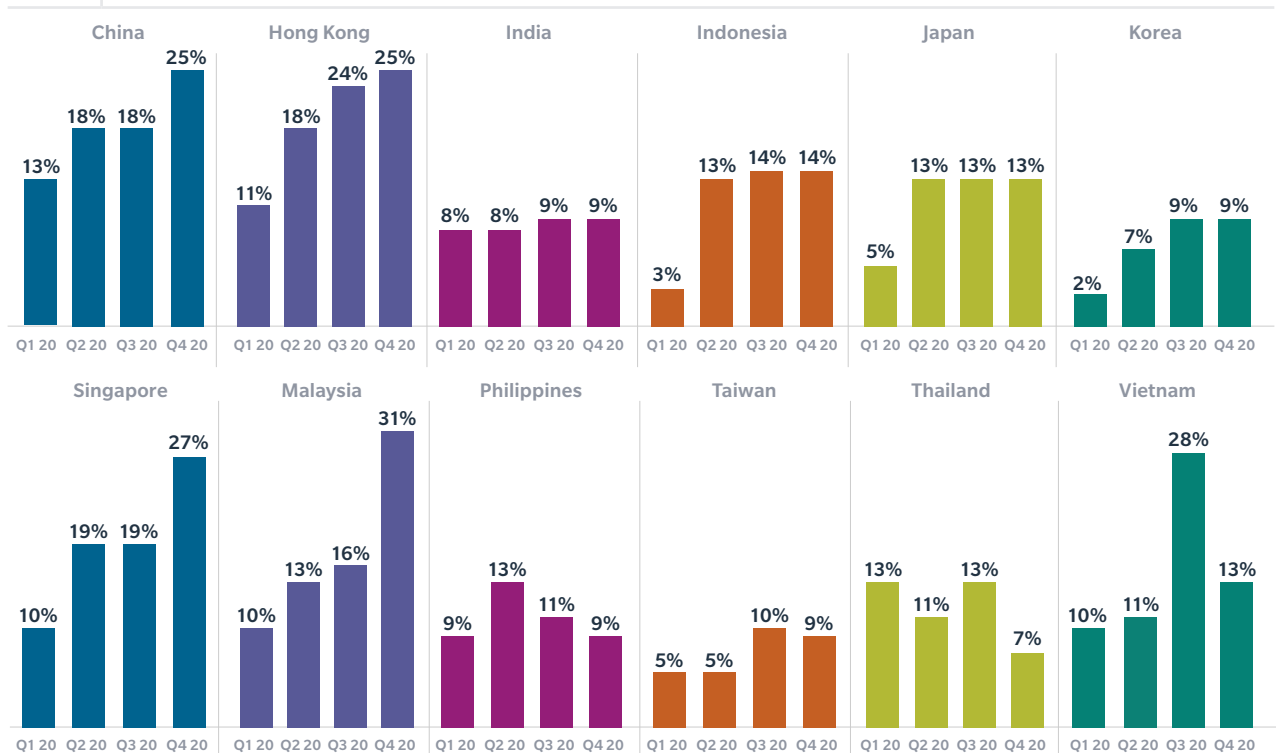
Financial and professional lines pricing rose 22%, on average, in the quarter, the largest increase observed in several years and the seventh consecutive quarter of increase (see Figure 4).

- Many clients elected for increased retentions to minimize premium increases.
- A reduction in capacity, particularly from global insurers, driven by poor global underwriting results, contributed to pricing increases. US-listed directors and officers (D&O) was the most affected by pricing increases, which ranged to 100% amid limited insurer appetite.
- Financial institutions (FIs) experienced another quarter of pricing increases. For larger FIs in Asia, insurers pushed to increase retentions, which have historically been significantly lower than in other regions. Insurers imposed coverage restrictions on some clients.
- Cyber insurance was more challenging as the underwriting process sought increased detail and as coverage was restricted in areas such as ransomware.
- Commercial crime coverage experienced capacity withdrawal over concerns about social engineering and phishing-triggered fraud.
- US-listed and other multinational clients drove large increases in D&O rates in China.
- Singapore and Hong Kong also experienced large increases in D&O rates, driven by large multinational clients, particularly those with business activities impacted by the COVID pandemic.
- Increases in D&O rates in Japan and Korea were not as high as in other parts of Asia due to local carriers in those countries not pushing rate increases to the same extent as global D&O insurers.

FIGURE
4

Asia Financial and Professional Lines Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



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