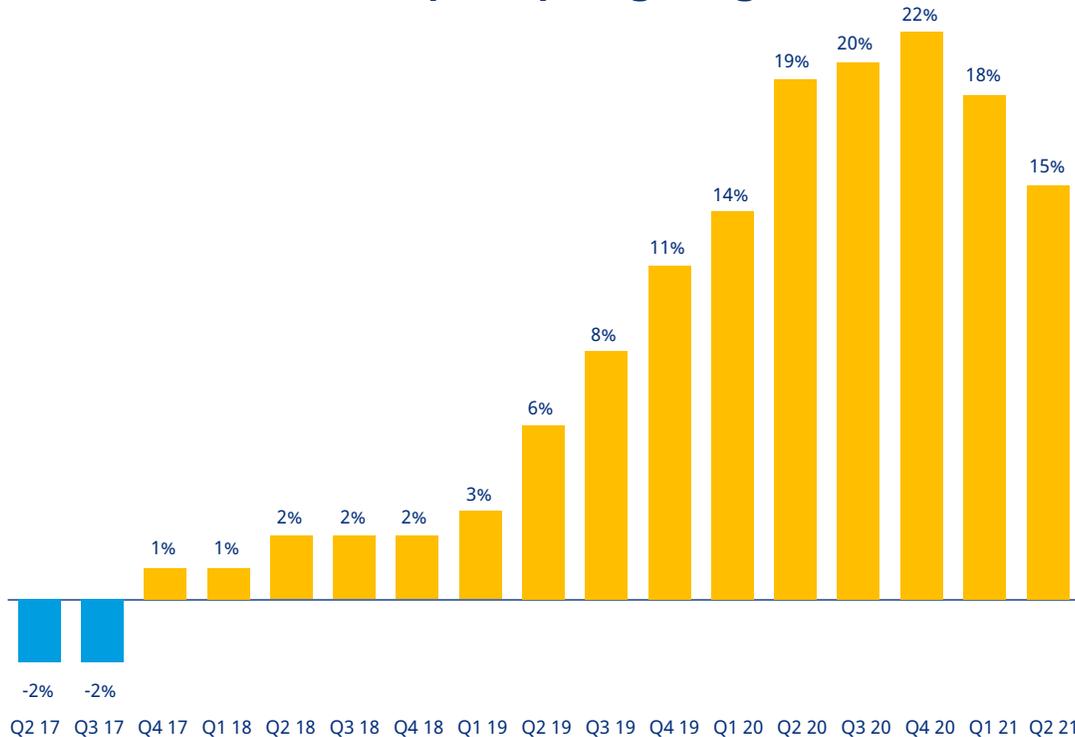


Global Insurance Markets: Pricing Increases Moderate in Second Quarter

July 2021

Global commercial insurance prices rose 15% in the second quarter of 2021, the fifteenth consecutive quarter of price increases, continuing the longest stretch of increases since the inception of the Marsh *Global Insurance Market Index* in 2012 (see Figure 1).* It appears, barring unforeseen changes in conditions, that pricing increases peaked in the fourth quarter of 2020, at 22%.

01| Global insurance composite pricing change



Source: Marsh Specialty and Global Placement

Pricing increases across most regions moderated due to a generally slower rate of increase in property insurance and directors and officers liability (D&O) insurance. However, property insurance pricing climbed back up in Europe, and both Asia and Latin America and the Caribbean (LAC) saw moderate acceleration in financial and professional lines rate increases.

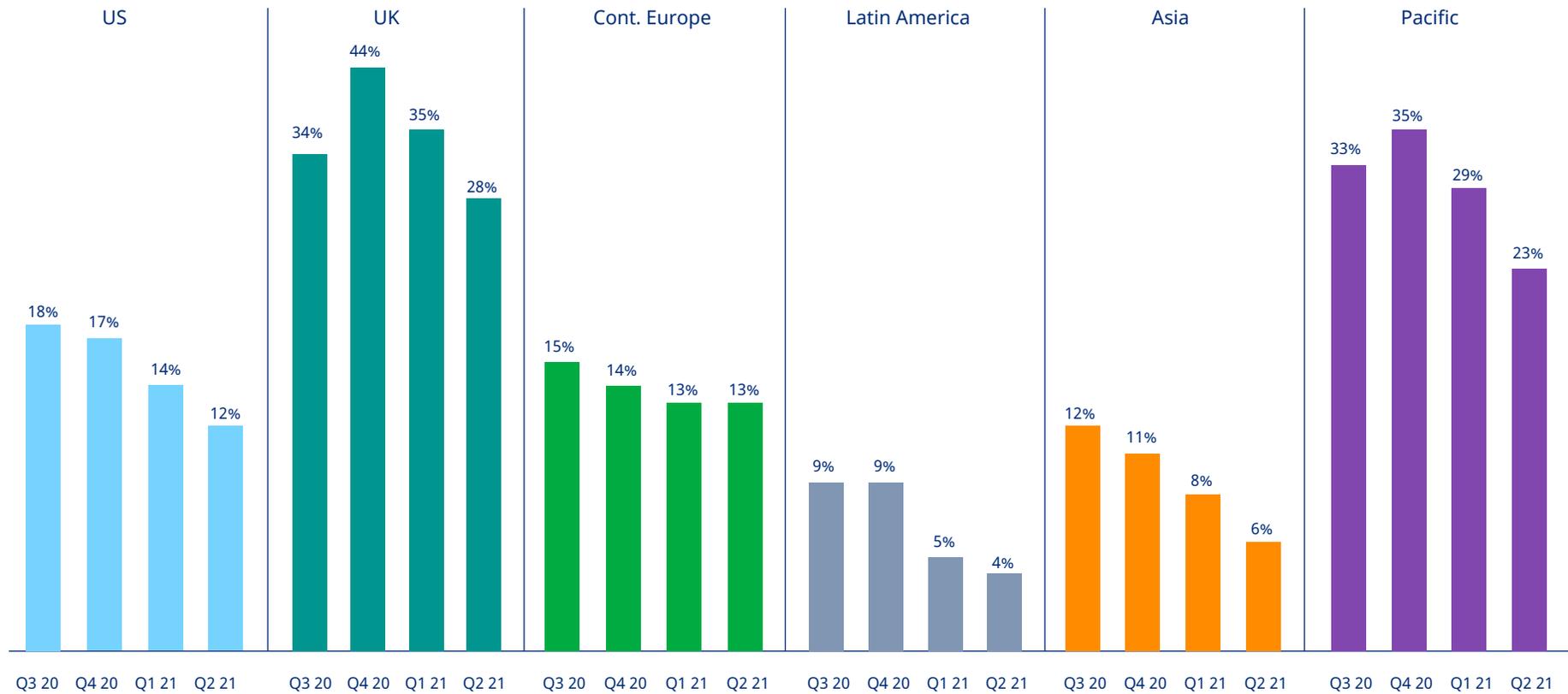
Cyber insurance pricing again went against the moderation trend — increasing 56% in the US and 35% in the UK (though accelerating towards 50% during the latter part of the quarter) — driven by increased frequency and severity of losses.

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

- US: 12%.
- UK: 28%.
- Continental Europe: 13%.
- Latin America and the Caribbean: 4%.
- Asia: 6%.
- Pacific: 23%.

*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



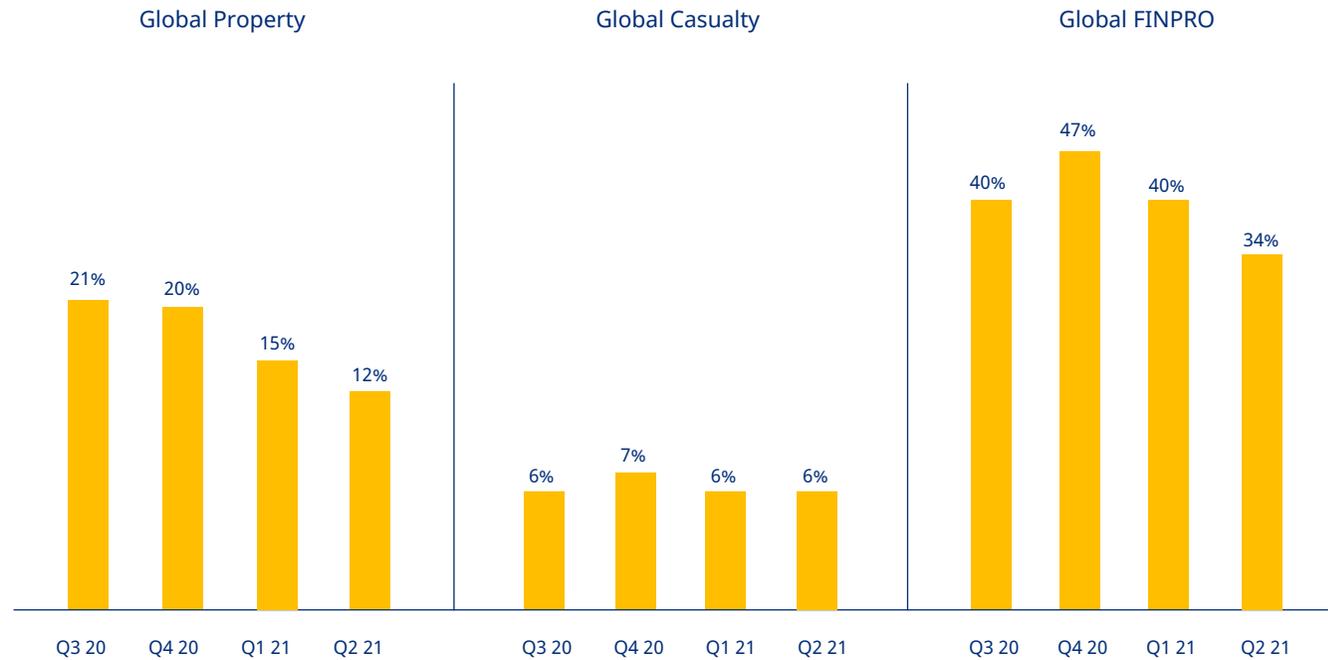
Source: Marsh Specialty and Global Placement

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

- Property insurance: 12%.
- Casualty insurance: 6%.
- Financial and professional lines insurance: 34%.

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, AT SLOWER PACE

Insurance pricing in the second quarter of 2021 in the US increased 12%, year-over-year (see Figure 4). Although pricing continued to increase, the rate of increase slowed for the third consecutive quarter (see Figure 5).

Property insurance pricing increased by 9%, the fifteenth consecutive quarter of increase.

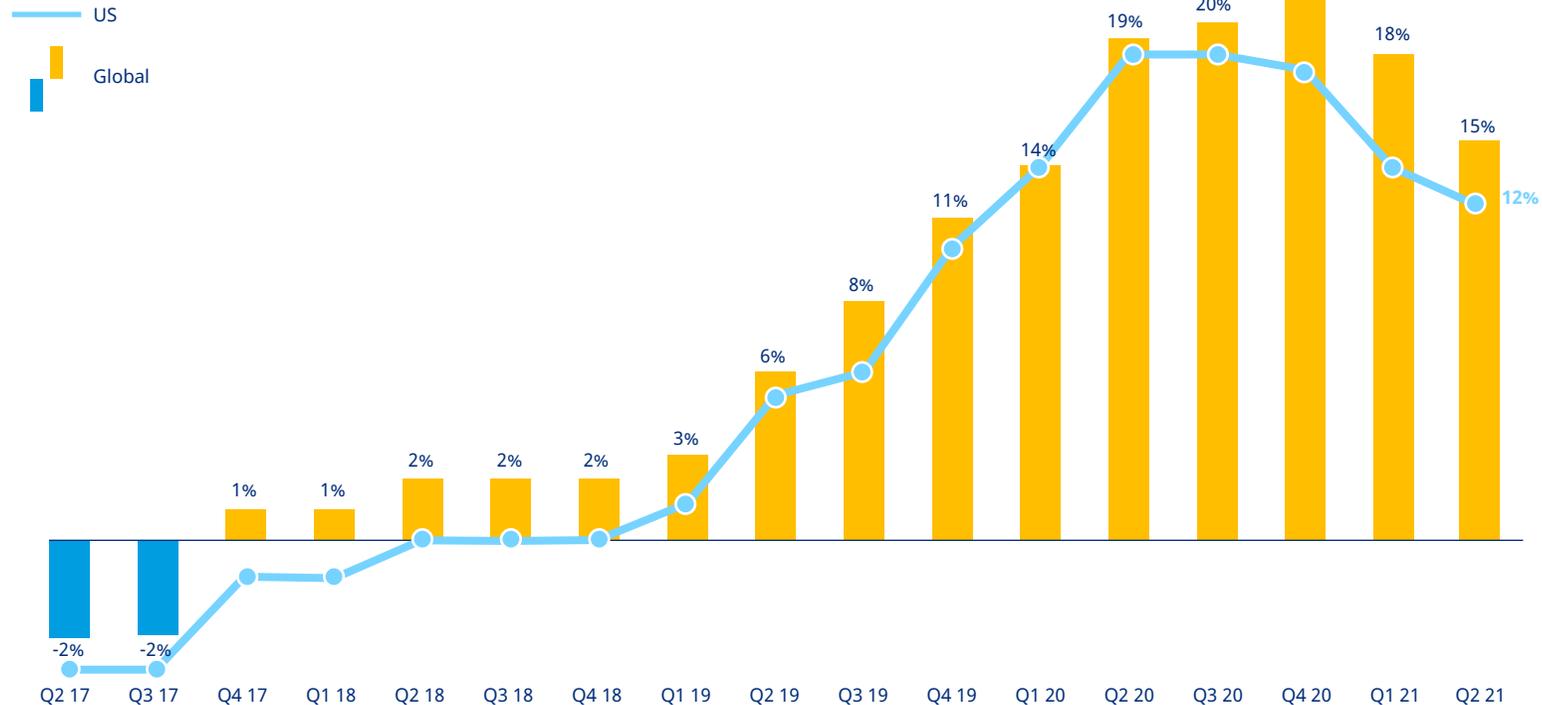
- Property insurance pricing generally decelerated each month this year; falling from an 18% increase in January to 7% in June.
- Clients with significant losses, poor risk quality, or significant exposure to secondary catastrophe (CAT) perils generally experienced above average increases.

- The market deteriorated for clients heavily exposed to wildfire.
- Insurers continued to scrutinize terms and conditions including deductibles, cyber and communicable disease exclusions, and time element extensions.

Casualty insurance pricing in the US increased 6%; excluding workers' compensation, the increase was 10%.

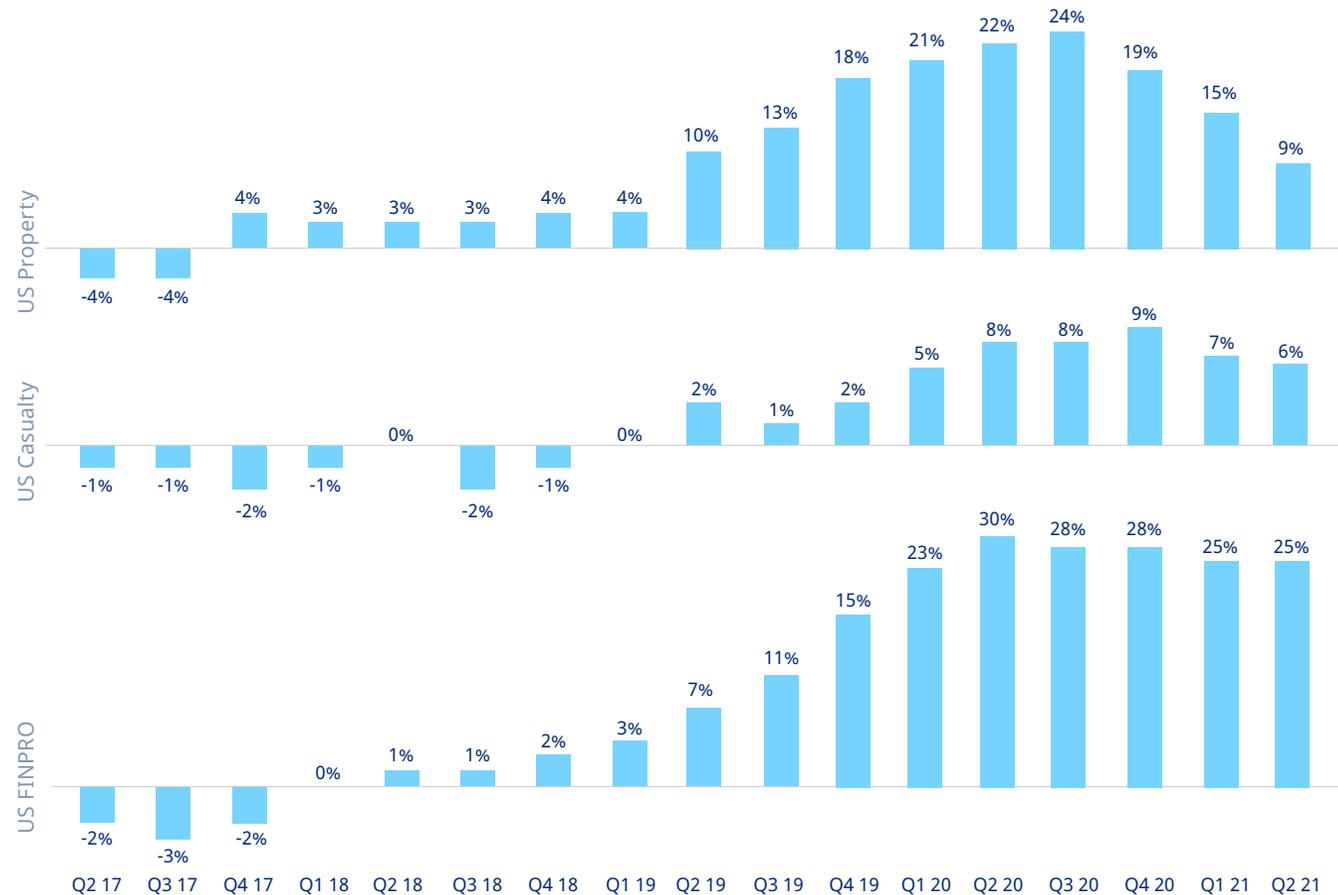
- Competition among insurers intensified for workers' compensation.
- Excess liability is expected to experience continued rate pressure throughout 2021, although more moderate than in 2020.

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

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

- D&O insurance for publicly traded companies increased 15%, which was lower than the 27% increase in the first quarter.
 - Competition in both primary and excess D&O, with new capacity entering the market, contributed to a downward pricing trend.
 - In both April and May 2021, excess rate increases were less than primary rate increases; a situation last experienced in January 2019.
 - Challenging industry segments include pockets of life science, technology, and specialty retail.
- The size and frequency of excessive fee litigation on defined contribution plans continues to significantly impact the fiduciary market.
- Cyber pricing increased 56% in the quarter — including a 68% increase in June — driven by the frequency and severity of ransomware claims.
 - Ransom payments frequently exceeded \$US1 million and the resulting costs for business interruption or data exfiltration increased claim payouts.
 - Many insurers narrowed coverage for ransomware losses, and tightly managed limit deployment on any one risk, oftentimes capping at \$US5 million.
 - Some insurers significantly changed underwriting strategy while others stopped offering cyber coverage.

UK PRICING: FIFTEENTH CONSECUTIVE QUARTER OF INCREASES

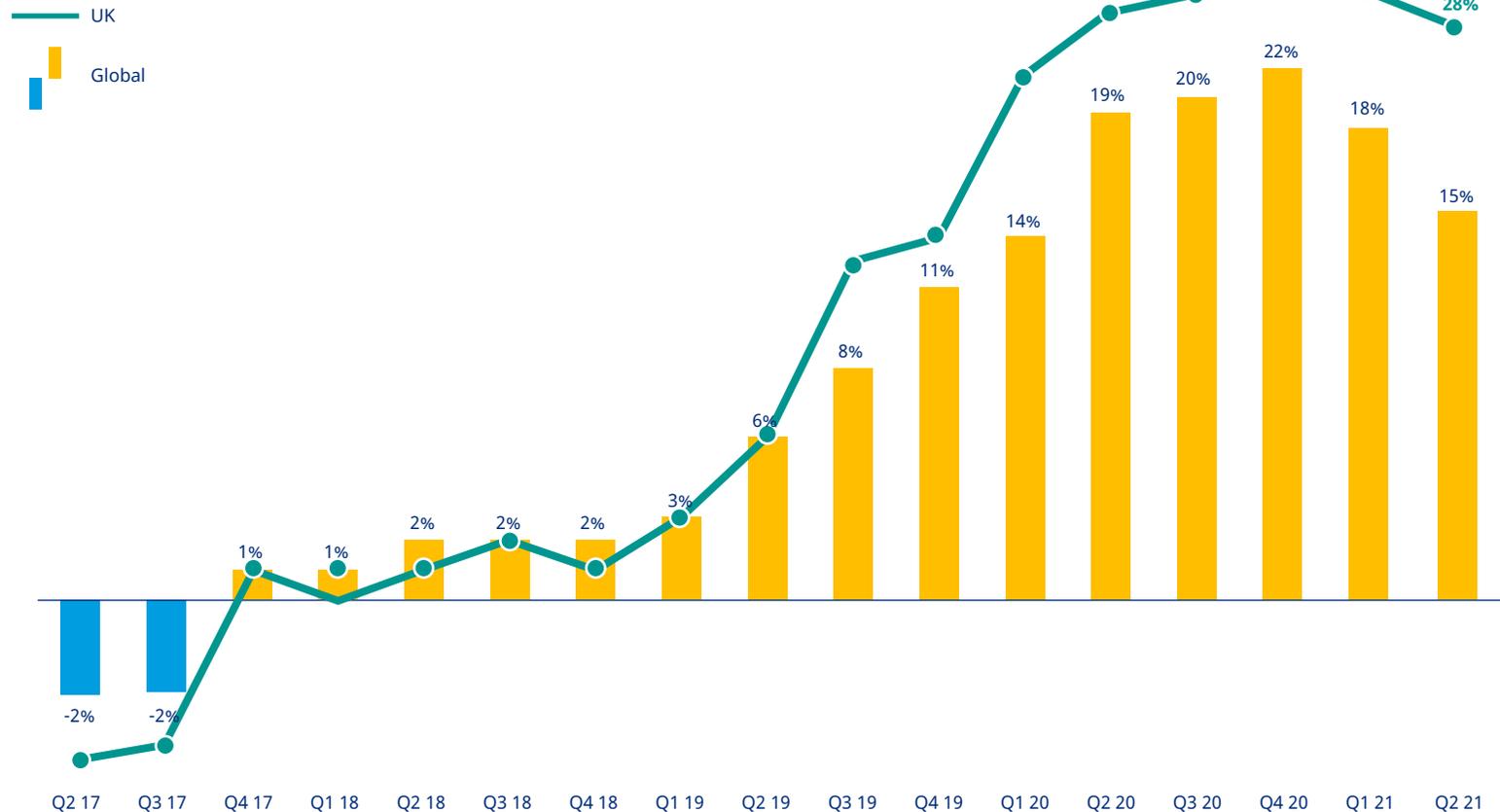
Insurance pricing in the second quarter of 2021 in the UK increased 28% (see Figures 6 and 7).

Property insurance pricing increased 15%.

- Larger organizations generally experienced price increases ranging from 15% to 20%; increases for midsize companies generally ranged from 10% to 15%.

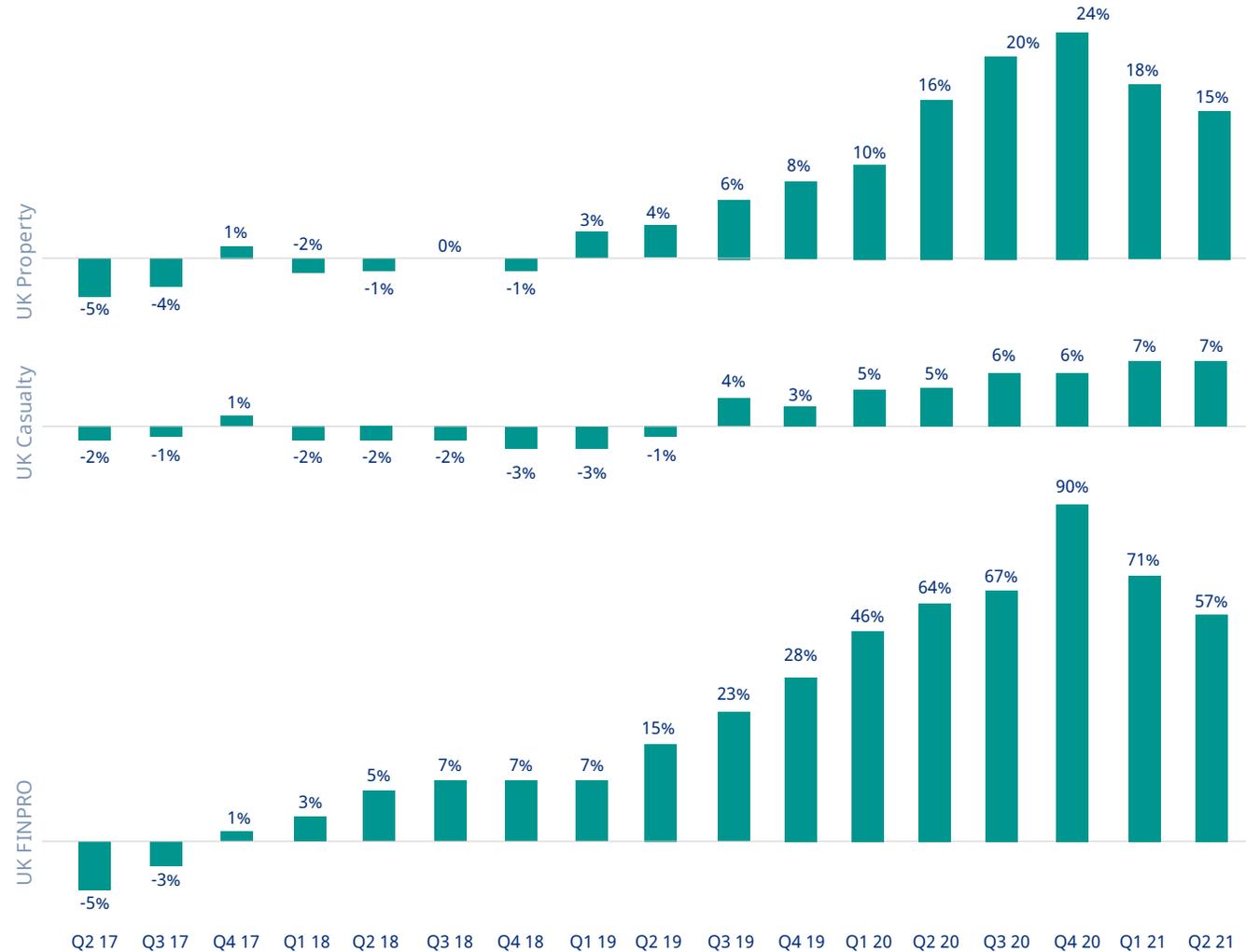
- High-hazard sectors such as food, waste recycling, and heavy chemical/industrial industries; risks in CAT zones; and organizations with poor loss activity faced the greatest challenges at renewal.
- Business interruption claims due to COVID-19 began to come into focus during the renewal process.

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 at a slower pace compared to other lines of business.
- Insurers remained cautious in their approach to renewals, and some looked to impose disease exclusions; however, this was not consistent across insurers.
- The auto liability market experienced pricing increases, mostly in the range of 2% to 4%.

Financial and professional lines pricing increased 57%, largely due to D&O.

- A number of new insurers entered the D&O market, which seemed to have reached its pricing peak, although some clients saw triple-digit increases.
- Commercial crime coverage rates typically increased 30% to 35%. Coverage remained limited, with primary insurers requesting higher deductibles and premiums.
- For financial institutions (FIs), the market began to settle and significant increases slowed. New entrants in the market provided some new capacity and competition, and increases ranged from 35% to 40%.
 - Increases were driven by ransomware claims.
 - There was pressure on self-insured retentions, and insurers reduced total capacity deployed across any one placement.
- Cyber insurance rate increases typically ranged from 35% to 40%, but were generally over 50% by the end of the quarter, with some clients seeing triple-digit increases.

LATIN AMERICA AND CARIBBEAN: PACE OF PRICE INCREASES SLOWS

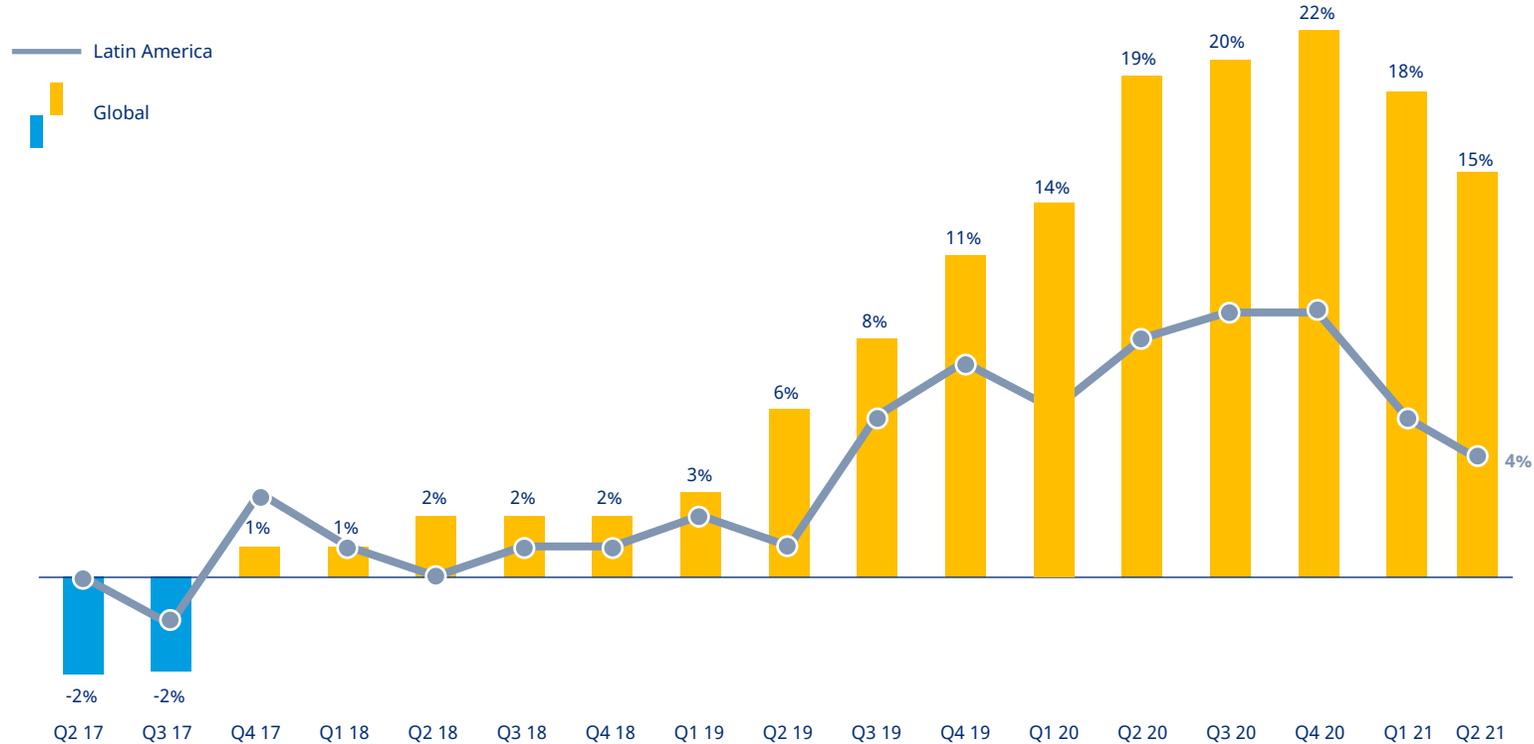
Insurance pricing in the second quarter in the Latin America and Caribbean (LAC) region increased 4% (see Figures 8 and 9). Casualty pricing in the region was the only decrease seen in a major product line globally.

Property insurance pricing increased 6%.

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

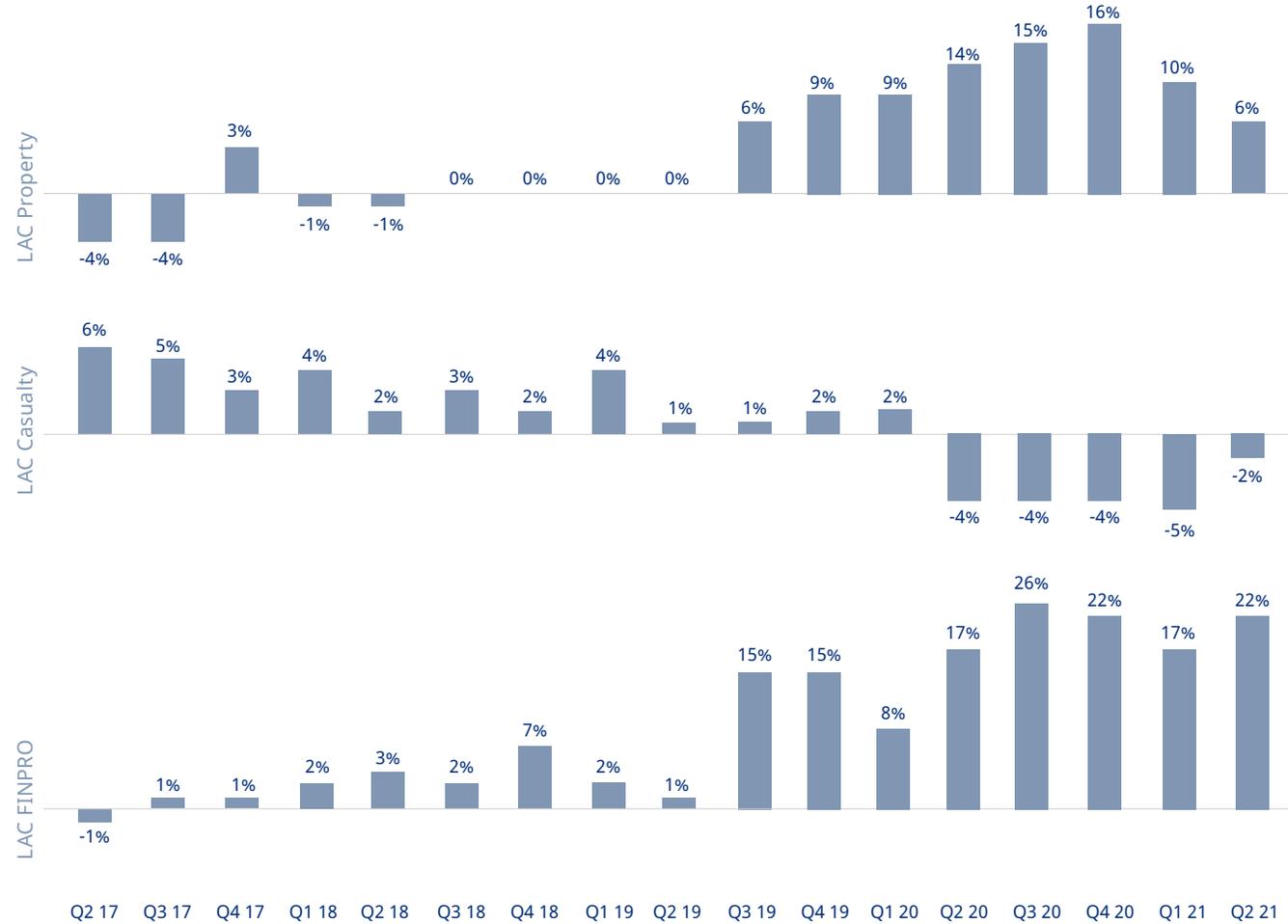
- Markets pushed for price increases, asked for more information, scrutinized exposures, and selectively deployed capacity.
- Global carriers generally excluded strikes, riots, and civil commotion (SRCC) from property programs; local markets continued to provide coverage, except in Chile, as property is commonly covered standalone.

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 2%, the only regional decrease in a major coverage globally.

- Local capacity and competition in large countries (Mexico, Brazil, Peru, and Argentina) continued to mitigate casualty pricing increases.
- Auto liability exposure and claims drove a reduction in pricing.
- General liability pricing increased in all major countries.

Financial and professional lines pricing rose 22%.

- The reduction in insurer capacity and appetite continued, particularly for FIs, public D&O, and distressed companies.
- Economic and political situations affected insurers' D&O underwriting.
- Cyber insurance pricing typically increased 20% to 30%, and insurer appetite was restricted due to factors including increased frequency and severity of claims worldwide and in the region.
 - Cyber markets scrutinized cybersecurity controls.
 - Insurers generally imposed maximum US\$5 million to US\$10 million in limits per risk.
 - Insurers introduced co-insurance/specific ransomware strategies.

CONTINENTAL EUROPE PRICING: INCREASES BELOW GLOBAL AVERAGE

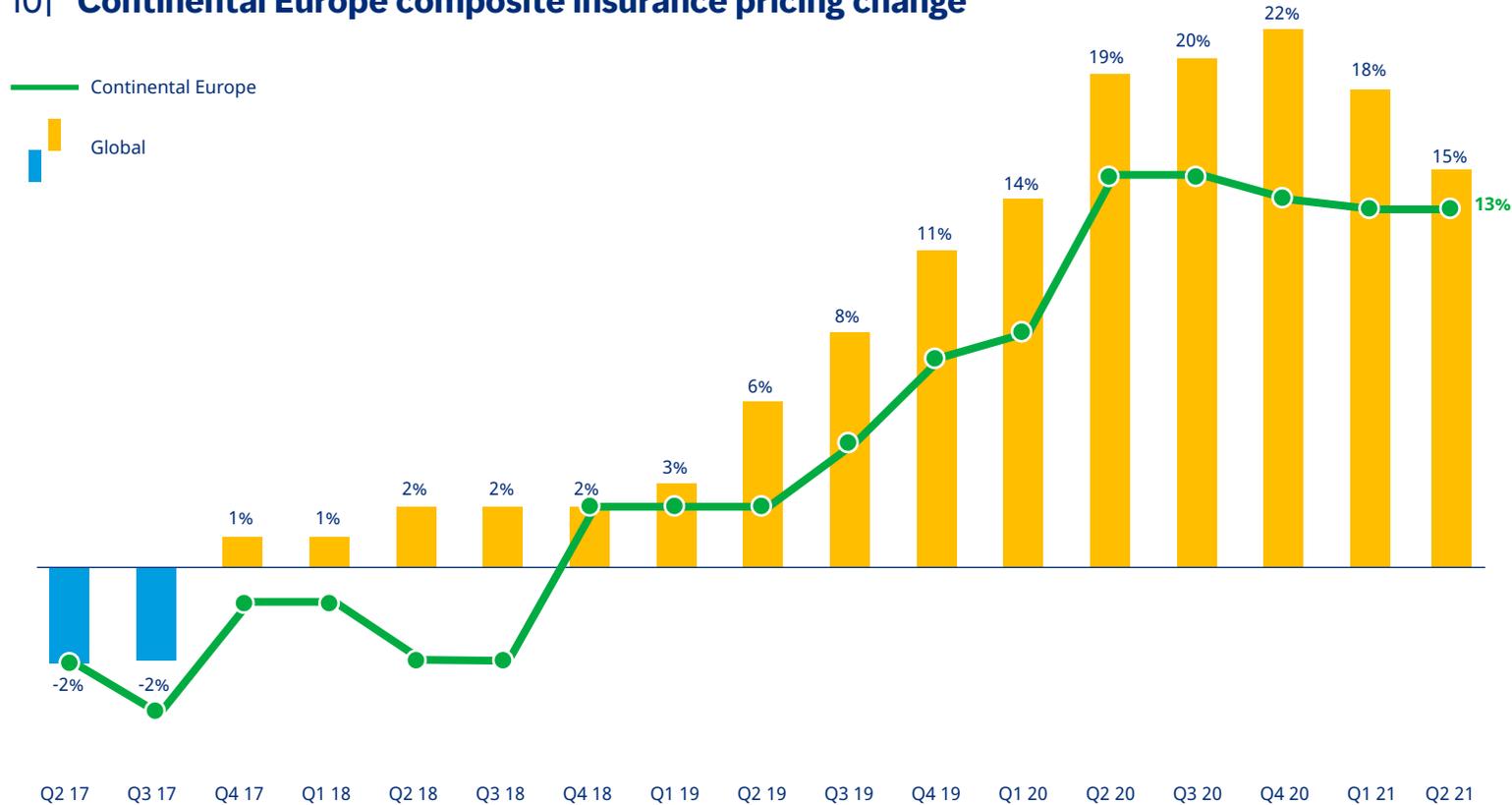
Insurance pricing in the second quarter of 2021 in Continental Europe (CE) increased 13% (see Figures 10 and 11).

Property insurance pricing in CE rose 18%.

- Property rates increased 18%, which was above the first quarter average; still there was a softening of rates in some sectors.

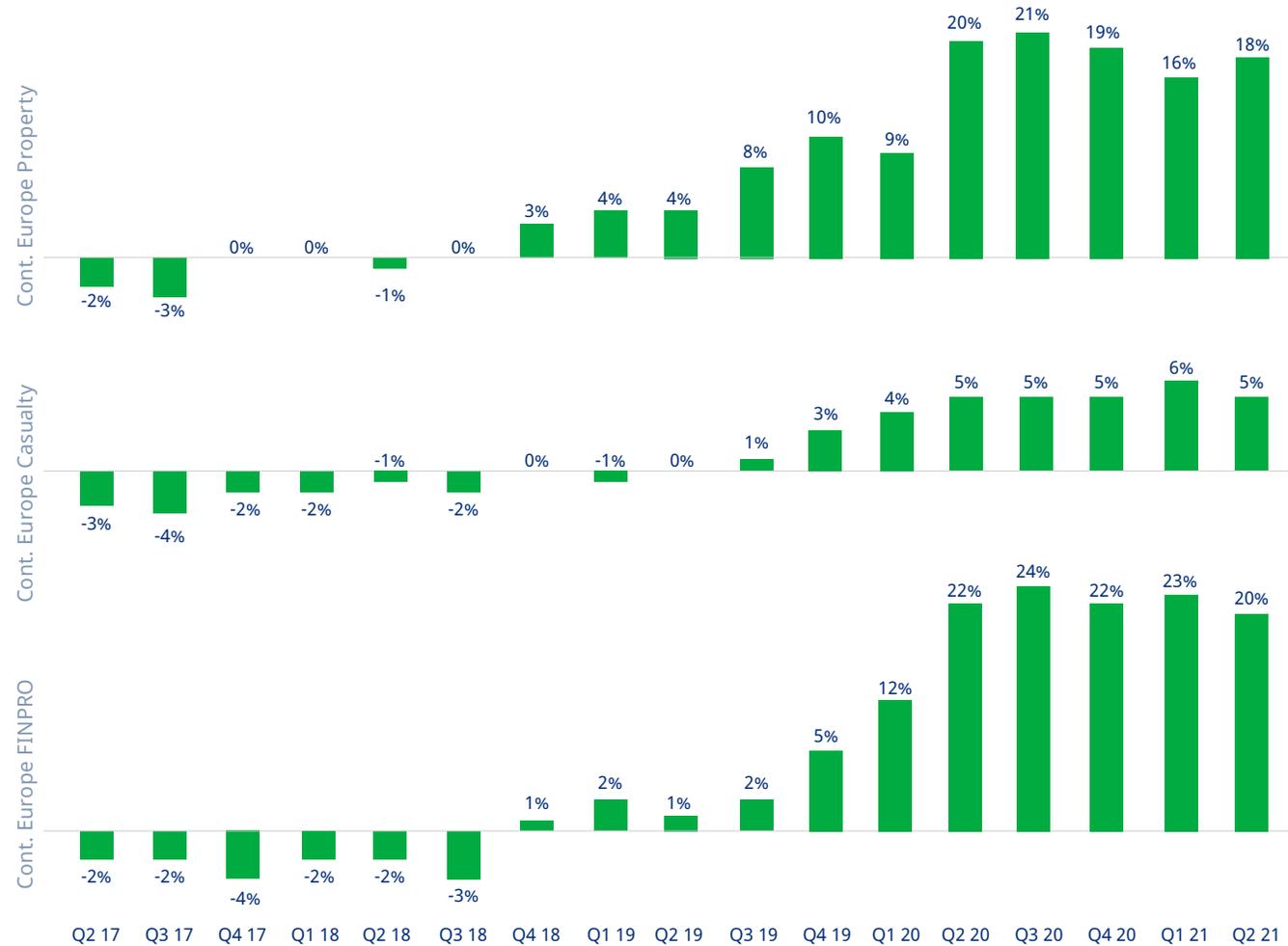
- Insurer competition and capacity increased, particularly for new business, a trend expected to continue into 2022, barring unforeseen changes in conditions.
- Insurers continued to apply changes in wordings and sought to apply exclusions, particularly for communicable disease and cyber.

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 5%, the eighth consecutive quarterly increase.

- Excess casualty and US-exposed placements remained challenging.
- General liability pricing typically increased by single digits, though in some areas the increases ranged from 15% to 20%.
- Auto liability pricing was generally stable.

Financial and professional lines pricing increased 20%.

- Average D&O pricing increases in the larger countries (France, Germany, and Italy) ranged from 10% to over 30%, with higher increases observed on major D&O programs in distressed sectors or with US exposure.
- Insurers remained selective in deploying D&O capacity.
- Average pricing increases for FIs and professional liability generally ranged from 5% to over 30%.
- Sizeable rate increases continued for cyber, with carriers reducing exposure, a trend expected to continue for the remainder of 2021, barring unforeseen changes.

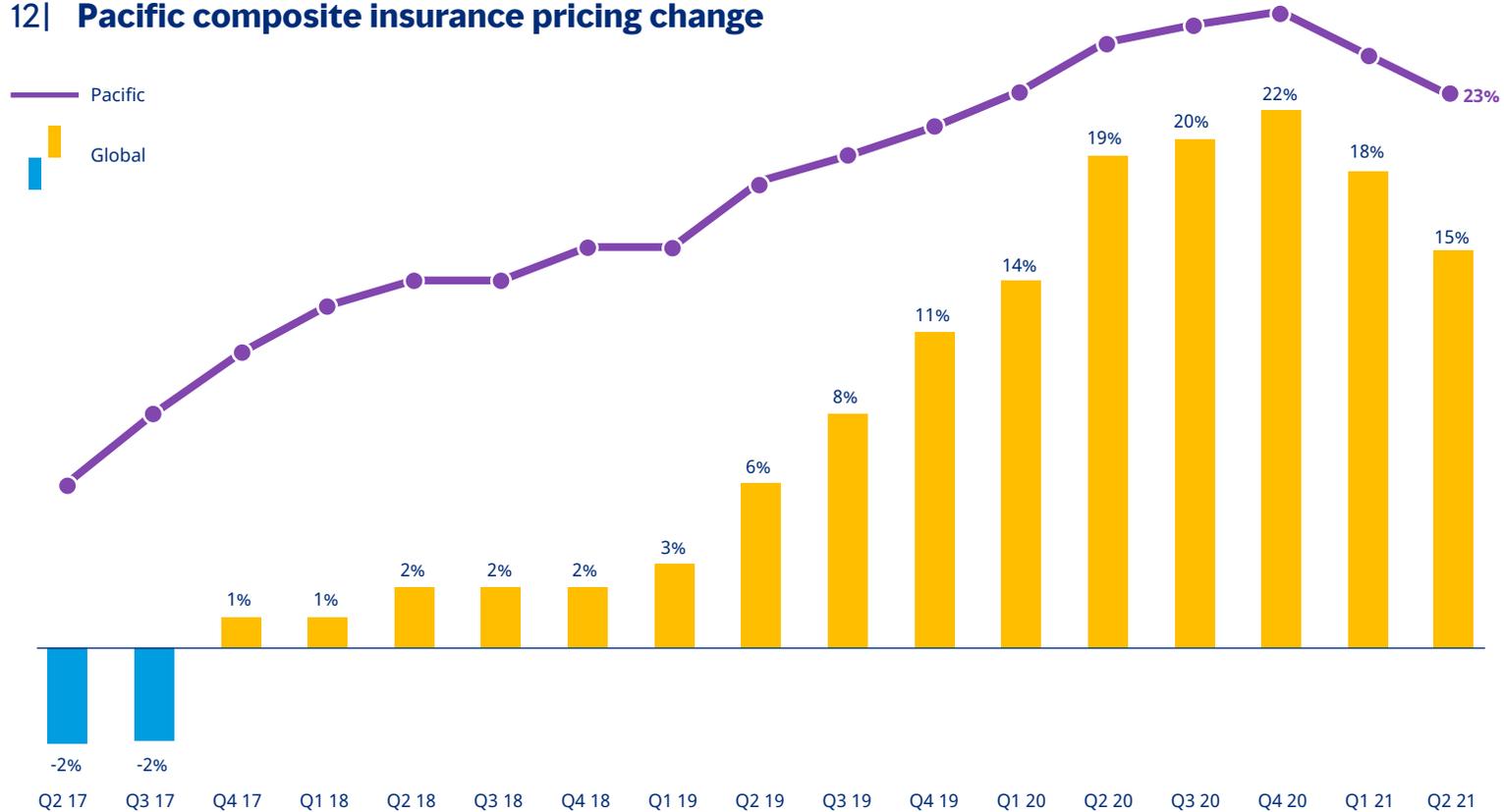
PACIFIC PRICING: INCREASES CONTINUE, MODERATION SEEN IN PROPERTY

Overall insurance pricing in the second quarter of 2021 in the Pacific region increased 23%, continuing an upward trend that began in 2015 (see Figures 12 and 13).

Property insurance pricing increased 14%, a moderation from the prior 10 quarters.

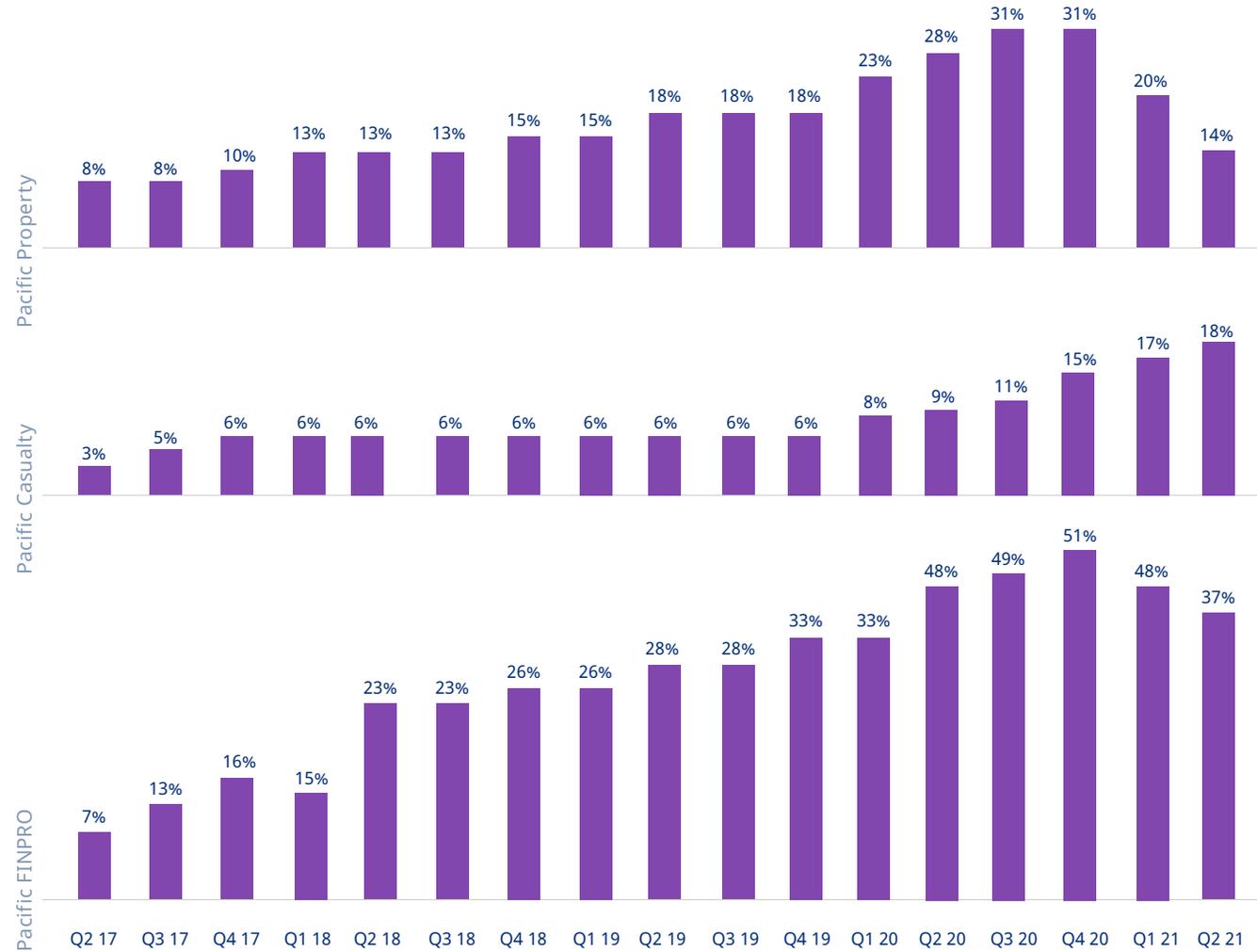
- While rates continued to increase, a trend toward lower increases was evident.
- Some competition returned to the market for quality, loss-free clients.
- Challenges remained for high-hazard industries, risks in CAT zones, and clients with poor loss records.

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 18%, the largest year-over-year increase since 2012.

- Casualty pricing continued to increase, with a stronger emphasis on policy wording reviews.
- Major programs underwent substantial restructuring of layers as underwriters changed their appetite for excess layers.

Financial and professional lines pricing rose 37%, a significant moderation from 48% in the first quarter, but marking 16 consecutive quarters of double-digit increases.

- D&O liability pricing continued to level out as more excess layer capacity entered the market.
- Professional indemnity premiums increased and capacity tightened.
- Cyber premiums increased significantly, in line with the global trend. Capacity reduced and many programs were not able to complete historical limits.

ASIA PRICING: PROPERTY INCREASES MODERATE

Insurance pricing in the second quarter of 2021 in Asia increased 6% year-over-year (see Figures 14 and 15).

Property insurance pricing rose 7%, the eleventh consecutive quarter of increase.

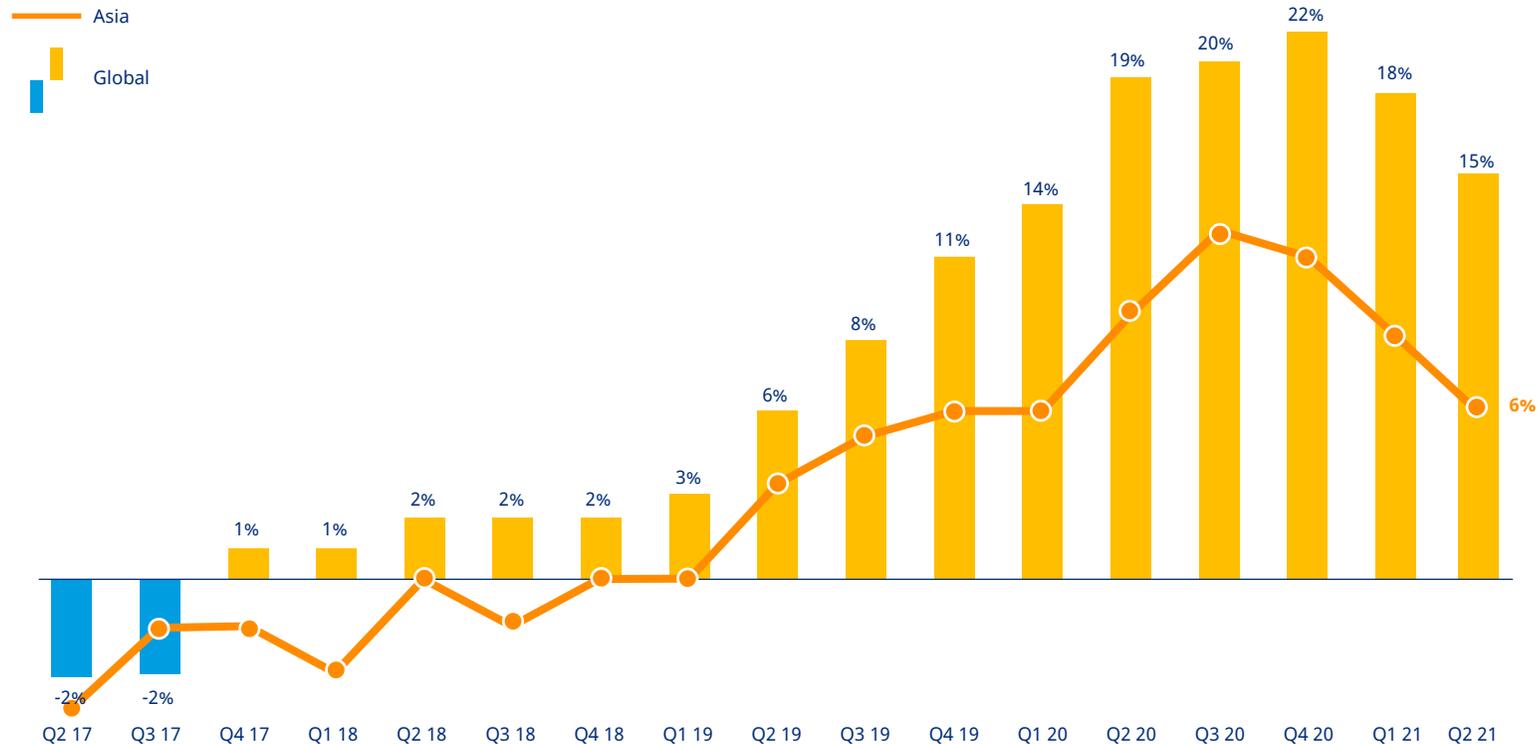
- Pricing increases continued to moderate across the region from prior quarter.
- Local capacity in many jurisdictions remained competitive as clients seeking international capacity experienced the largest pricing increases.

- Insurance markets continued to be attracted to smaller organizations.

Casualty insurance pricing was generally flat, as it has been for three years.

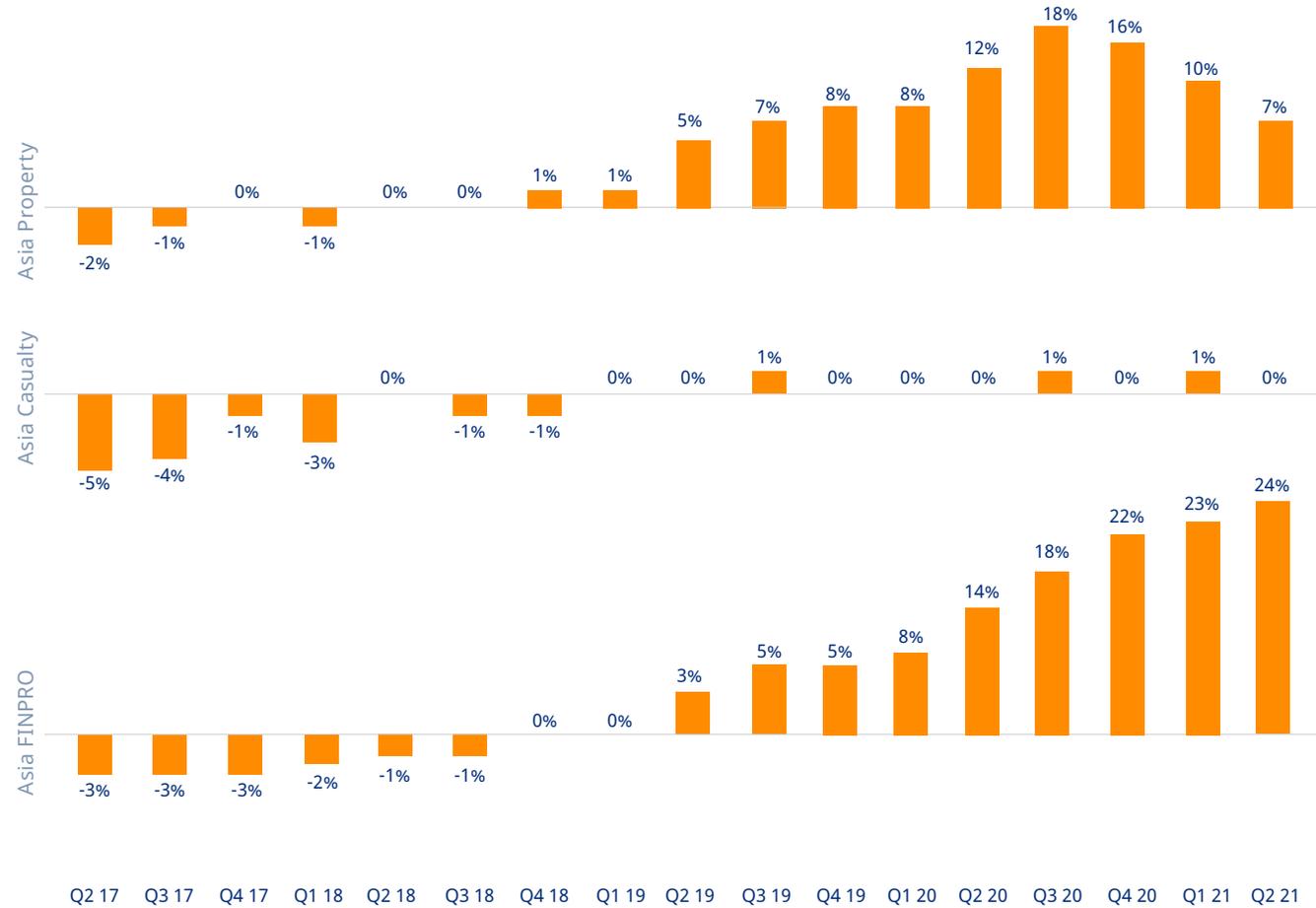
- Ample insurance capacity and a benign claims environment helped keep pricing stable.
- Challenges continued in product recall and products liability, driven by claims performance and reduced insurer appetite.

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

Financial and professional lines pricing rose 24%, the largest increase since the inception of the Marsh *Global Insurance Market Index* in 2012 and the eleventh consecutive quarter of increase.

- Stringent underwriting, reduced capacity, and risk selection, particularly from global insurers, contributed to pricing increases.
- Insurers were highly selective on US-listed D&O; rate increases ranged from 75% to 100% for some accounts on the primary layers amid limited insurer appetite.
- For larger FIs, insurers pushed to increase retentions and rates and imposed coverage restrictions on the most challenged risks.
- The cyber insurance market faced considerable pressure on rates and deductibles, with a reduction in capacity and a narrowing of key coverage, driven by significant ransomware losses.



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