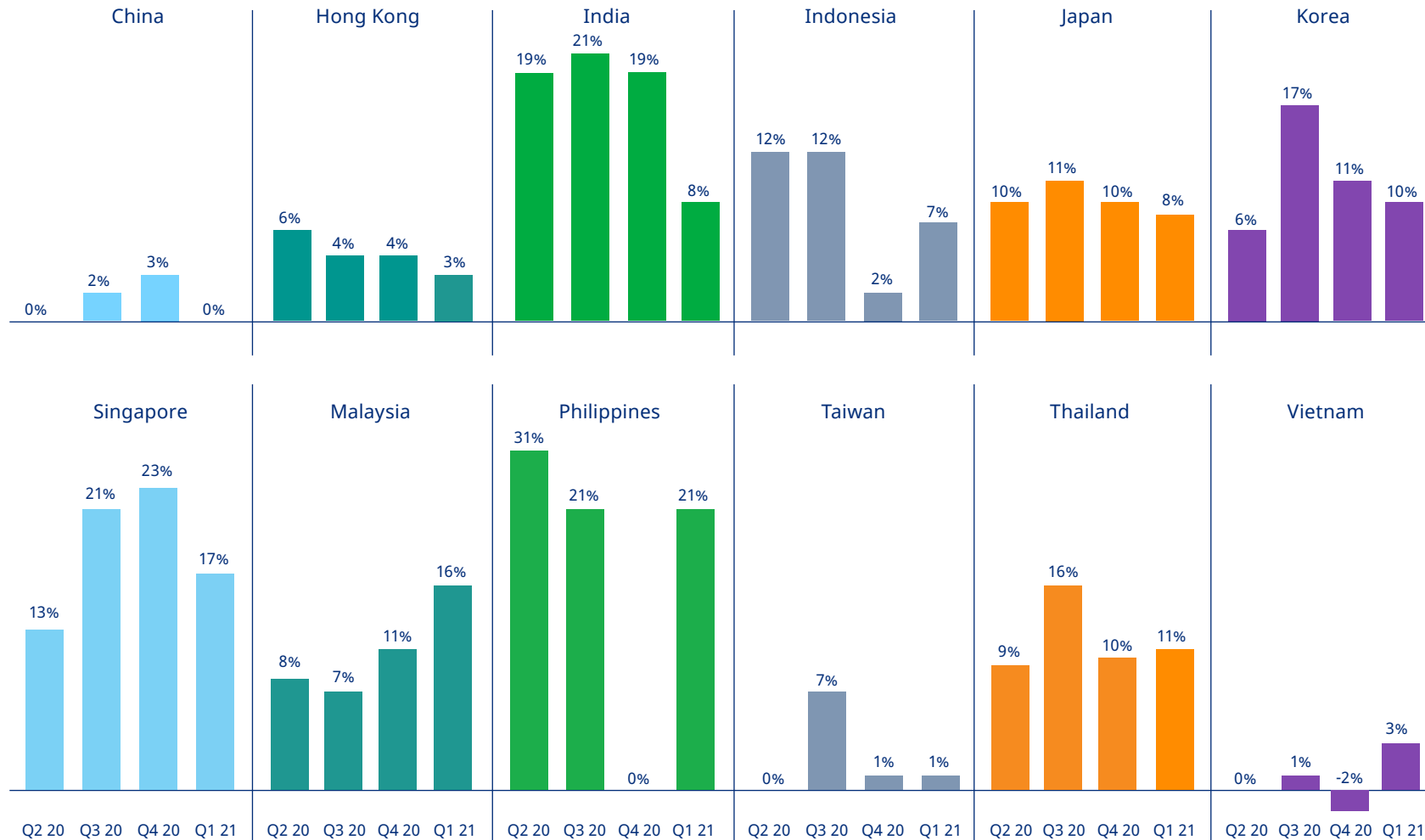


Asia insurance market: prices increase at more moderate rate in first quarter

May 2021

01| Asia composite insurance pricing change



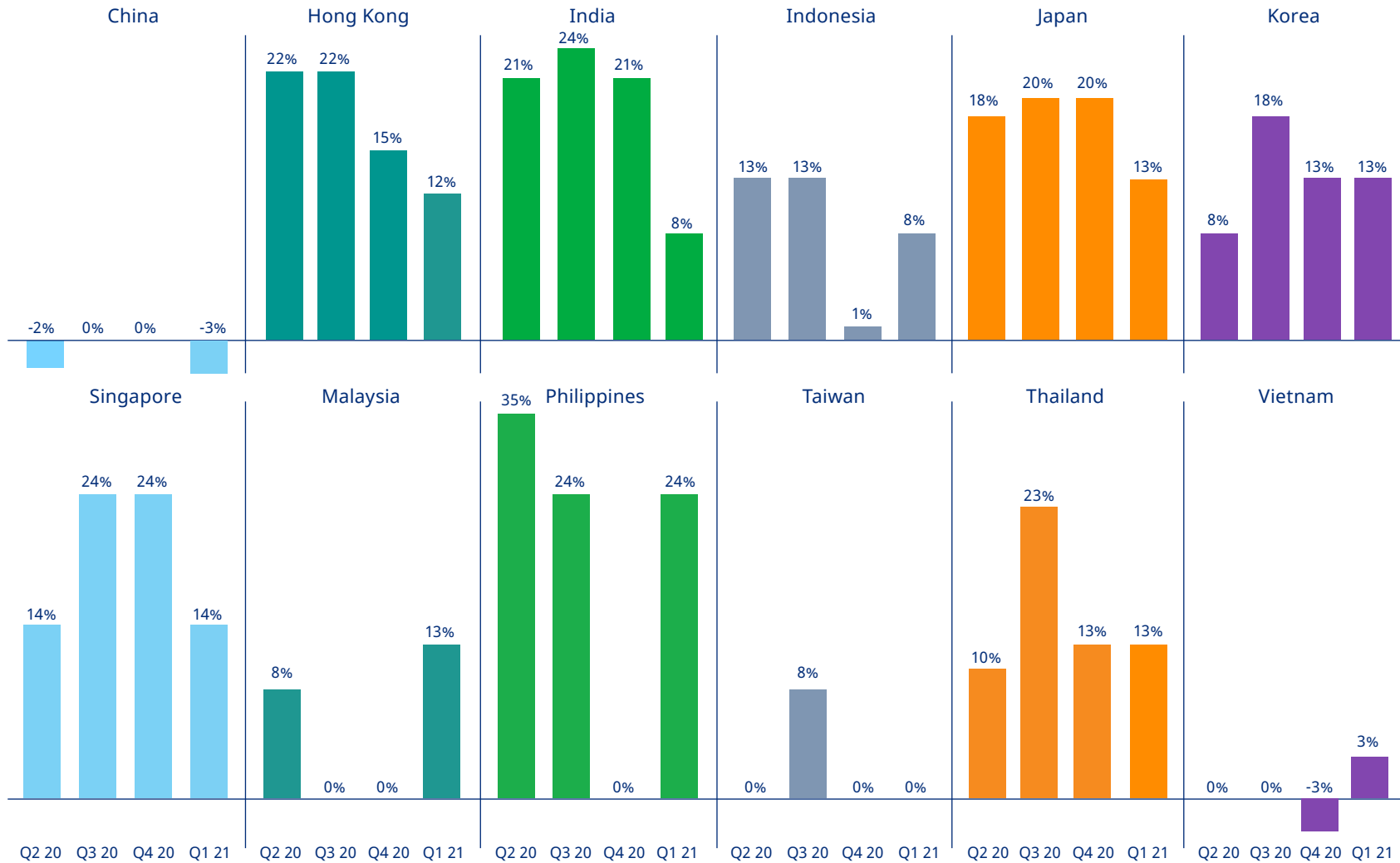
Insurance pricing in Asia in the first quarter of 2021 increased 8% year-over-year. In the same quarter, global commercial insurance prices rose 18%, the fourteenth consecutive quarter of price increases, which is the longest stretch of increases since the inception of the *Marsh Global Insurance Market Index* in 2012 (see Figure 1).*

As in other regions, pricing in Asia was driven by property insurance and financial and professional lines. 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 50% in Asia, 35% in the US, and 29% in the UK — driven by the frequency and severity of losses.

Source: Marsh Specialty and Global Placement

02| Asia property insurance pricing change



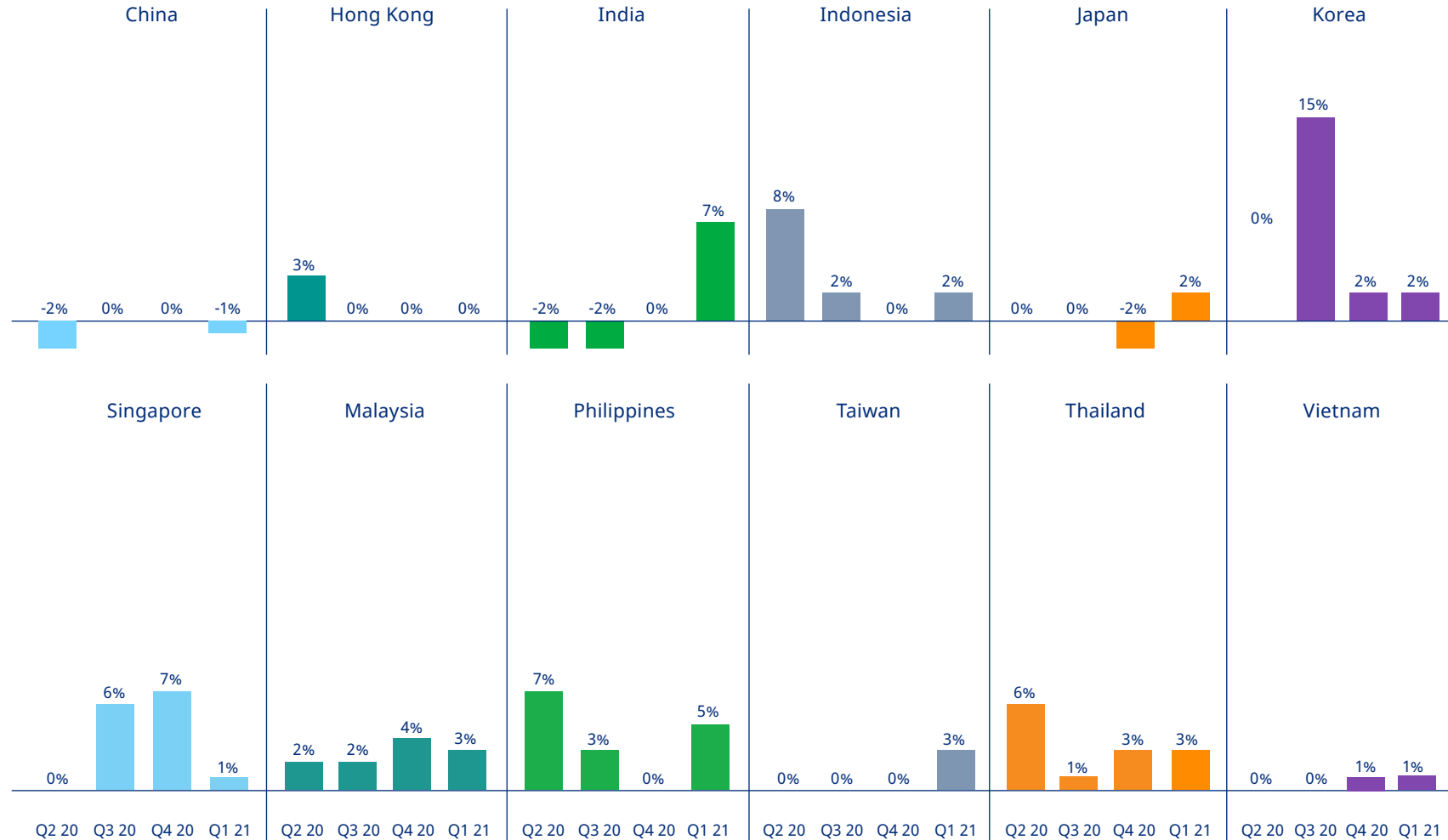
Source: Marsh Specialty and Global Placement

Property

Property insurance pricing across Asia rose 10%, on average, the tenth consecutive quarter of increase, a moderation from the 16% increase in the fourth quarter of 2020.

- Clients with significant catastrophe (CAT) exposures and those requiring international capacity continued to experience pricing increases, albeit the pace of change slowed in the first quarter.
- Small to medium enterprise clients continued to be shielded from significant increases as a result of strong domestic capacity and competition.
- Strikes, riots, and civil commotions (SRCC) coverage has been all but removed from property policies in Hong Kong; coverage is available in the standalone political violence or terrorism markets.
- There have been pronounced pricing differences between domestic and international insurers across North Asia, particularly in China and Korea.
- For clients across the region, the degree to which they engage international capacity broadly determined renewal outcomes, with sharper price increases coming from a greater reliance on international capacity.
- Many clients sought options at renewal, with a focus on retaining greater risk in a tradeoff with pricing.

03| Asia casualty insurance pricing change



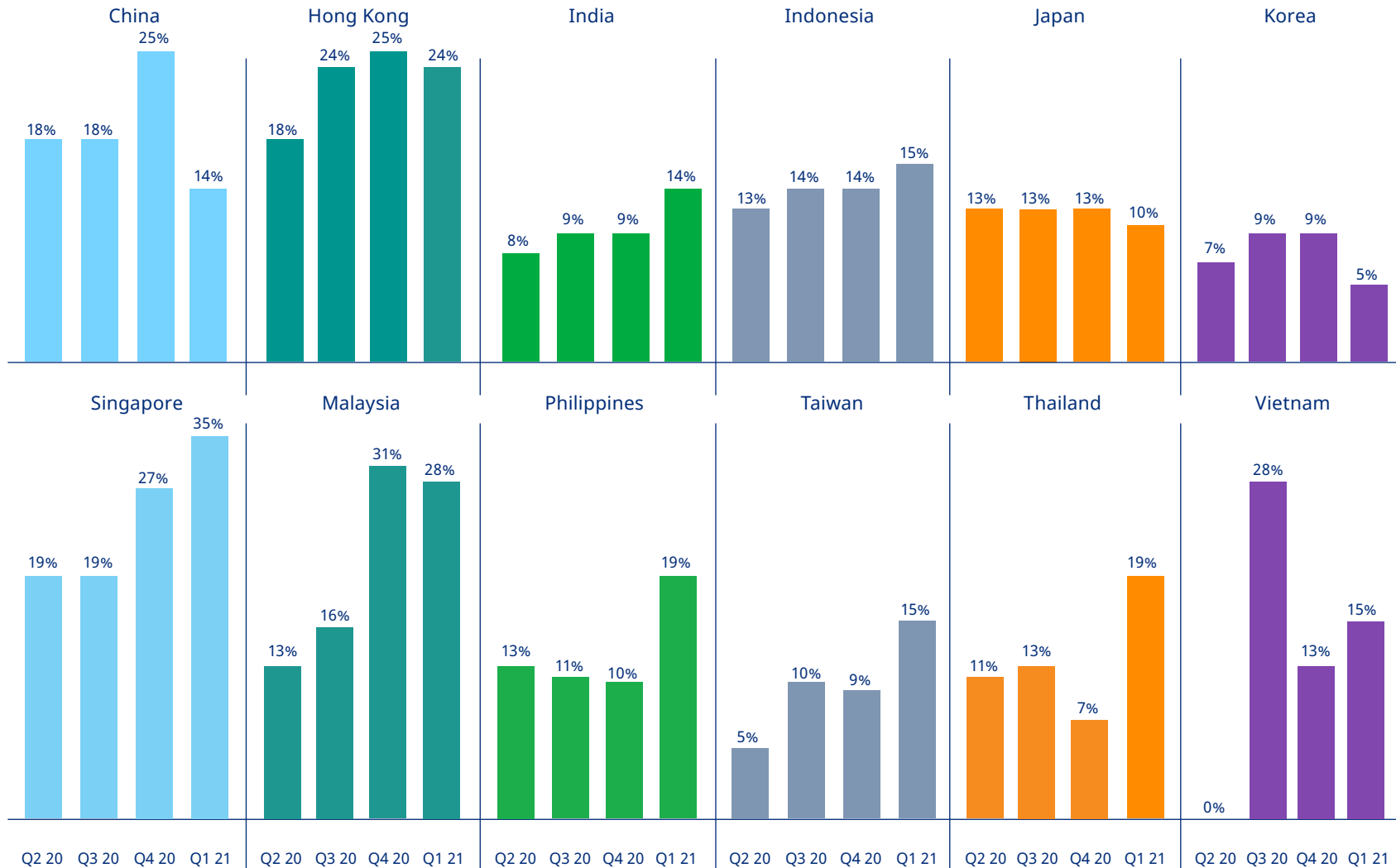
Casualty

Casualty insurance pricing in Asia remained generally flat, as it has for more than three years.

- Japan, Korea, and other countries experienced pricing challenges at renewal related to product recall-driven losses, combined with reduced insurer appetite.
- Clients with exposures outside of Asia faced the most challenging renewals, with local market dynamics in Australia and the US driving insurer behavior. Pricing was broadly kept to single-digit changes.
- Single territory risks and small to medium enterprise clients benefited from continued market competition across Asia.

Source: Marsh Specialty and Global Placement

04| Asia financial and professional lines insurance pricing change



Financial and Professional Lines

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

- Stringent underwriting guidelines, reduction in capacity, and heightened risk selection, particularly from the global insurers, contributed to pricing increases. Many clients elected for increased retentions to minimize premium increases, but overall paid more than in the previous year to maintain program limits.
- For larger financial institutions in Asia, insurers pushed to increase retentions and rates. Coverage restrictions were imposed on the most challenged clients, although broadly maintained.
- Insurers were very selective on US-listed directors and officers liability (D&O), with rate increases ranging from 75% to 100% (in some cases, for primary layers) amid limited insurer appetite.
- Commercial crime coverage experienced a capacity withdrawal due to concerns over social engineering and phishing-triggered fraud. Primary limits experienced increases over 100%.

Source: Marsh Specialty and Global Placement

- The cyber insurance market in Asia faced considerable upward pressure on rates and deductibles, with a reduction in capacity and narrowing of key coverages. The premium increase was up to 50%, on average, across all industries.
 - Some outliers observed higher rates, predominantly driven by significant ransomware losses.
 - In addition, insurers have moved pricing in line with global cyber rates, given the perception that rates in Asia historically lagged.
 - A major challenge stems from market concerns with ransomware and overall aggregation. As a result, underwriters are scrutinizing risks, with a variety of information requests and questions.
- **Vietnam** remains a challenging market, with average increases of 15% in rates and deductibles. Cyber and crime insurance were the most difficult to place, while professional indemnity and D&O were stable.
- **Philippines** experienced a reduction in capacity, increased deductibles and premiums, and difficult discussions regarding exclusions, extensions, and a longer turnaround on claims.
- **India** experienced a major rate of increase in technology professional indemnity insurance premiums — 25% on average and 100% for accounts with claims. Underwriters were selective on cyber insurance proposals, and were inclined to only underwrite proposals with severe cover restrictions.
- The financial and professional lines market in **Japan** did not change significantly since the fourth quarter of 2020, with the exception of the cyber market, which changed drastically in the first quarter as global carriers introduced new and restricted strategies. The effects are likely to be more pronounced in the second quarter and beyond. Local carriers, generally, did not seek rate increases, while the global markets were stricter with underwriting decisions.
- **Taiwan** faced premium increases across financial and professional lines, following the global trend. Most clients there use local carriers to reduce overall premium rates. Rates for Taiwan-listed companies increased 5% to 10%, on average, and 20% to 50%, on average, for companies with American Depository Receipts (ADR) exposure. Cyber insurance was the most impacted line of business.
- **Singapore** and **Hong Kong** experienced large increases in rates across financial and professional lines, driven by large multinational clients, particularly those with business activities impacted by the COVID-19 pandemic. Cyber coverage and D&O with US exposure remained challenging.



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