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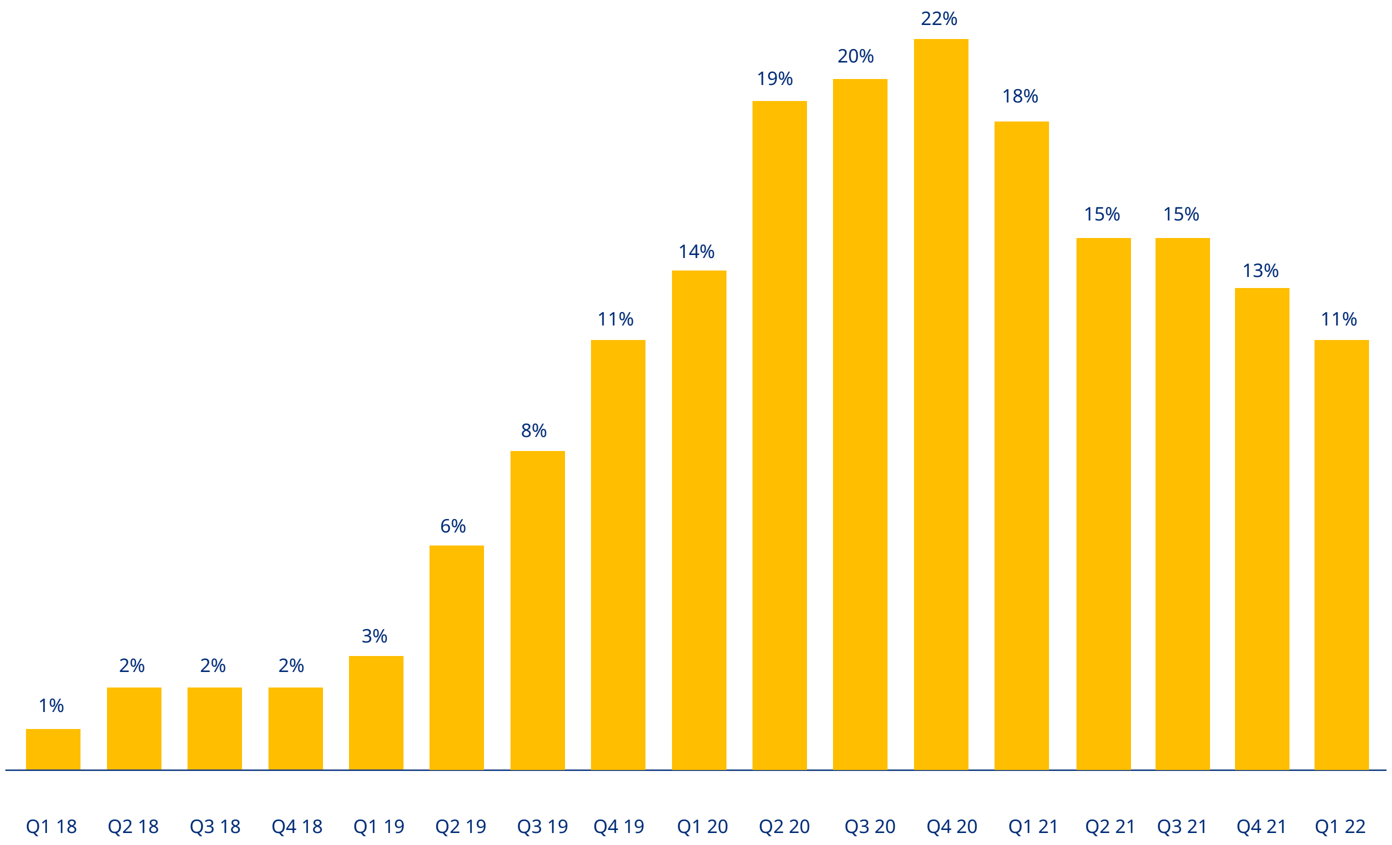
Global insurance markets: Pricing increases continue to moderate, with exception of cyber

Global commercial insurance prices rose 11% in the first quarter of 2022 marking the fifth consecutive reduction in rate increase since global pricing increases peaked at 22% in the fourth quarter of 2020 (see Figure 1).

01| Global insurance composite pricing change



Source: *Marsh Specialty and Global Placement*

*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.

It was the eighteenth consecutive quarter that composite prices rose, continuing the longest run of increases since the inception of the Marsh Global Insurance Market Index in 2012.

In the first quarter of 2022, slower rates of increase in financial and professional lines led to moderated rates in most geographies, but financial and professional lines continue to outpace property and casualty lines — driven primarily by cyber pricing — with rate increases averaging 26%, compared to 7% and 4% respectively.

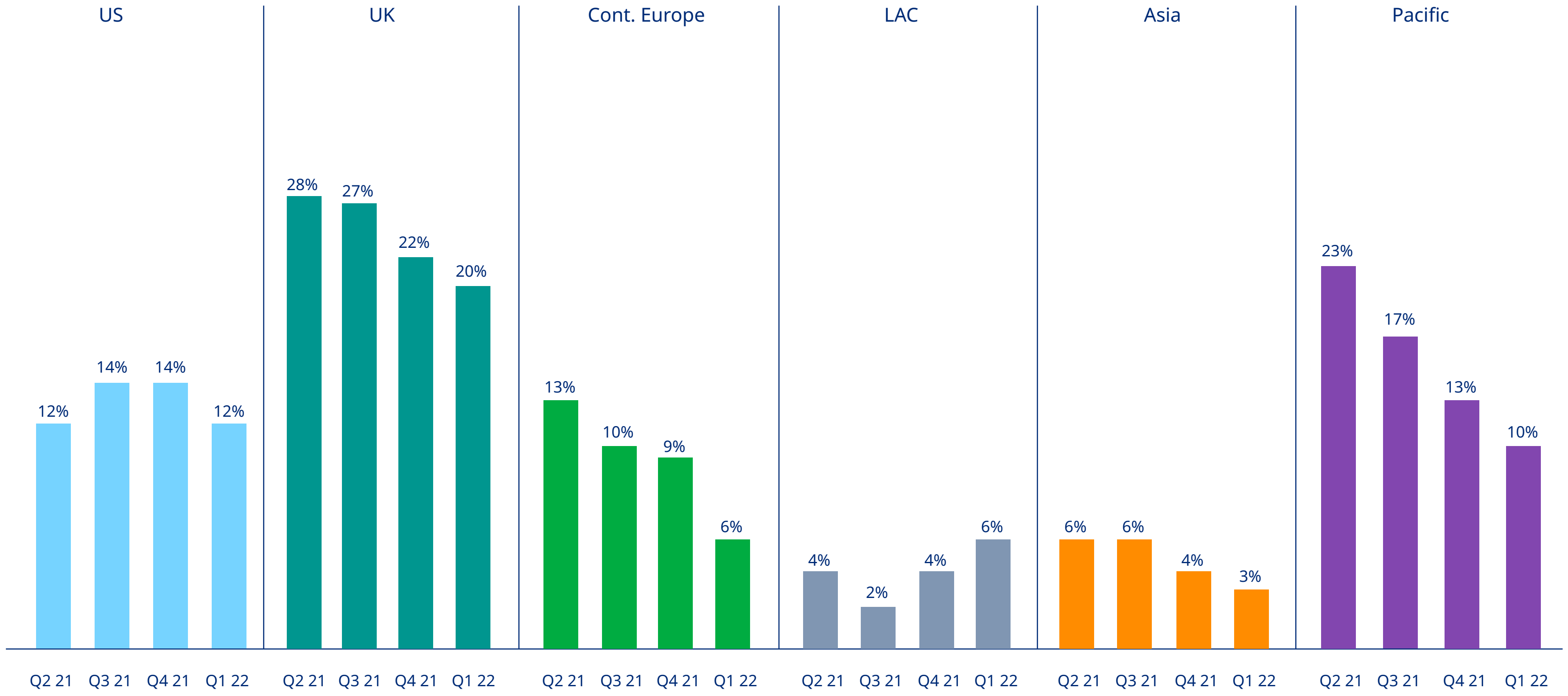
Cyber insurance pricing continues to show significant rate increases — 110% in the US and 102% in the UK for the quarter.

Latin America and the Caribbean was the only region to see its composite pricing increases rise, from 4% in the fourth quarter of 2021 to 6% in the first quarter of 2022.

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

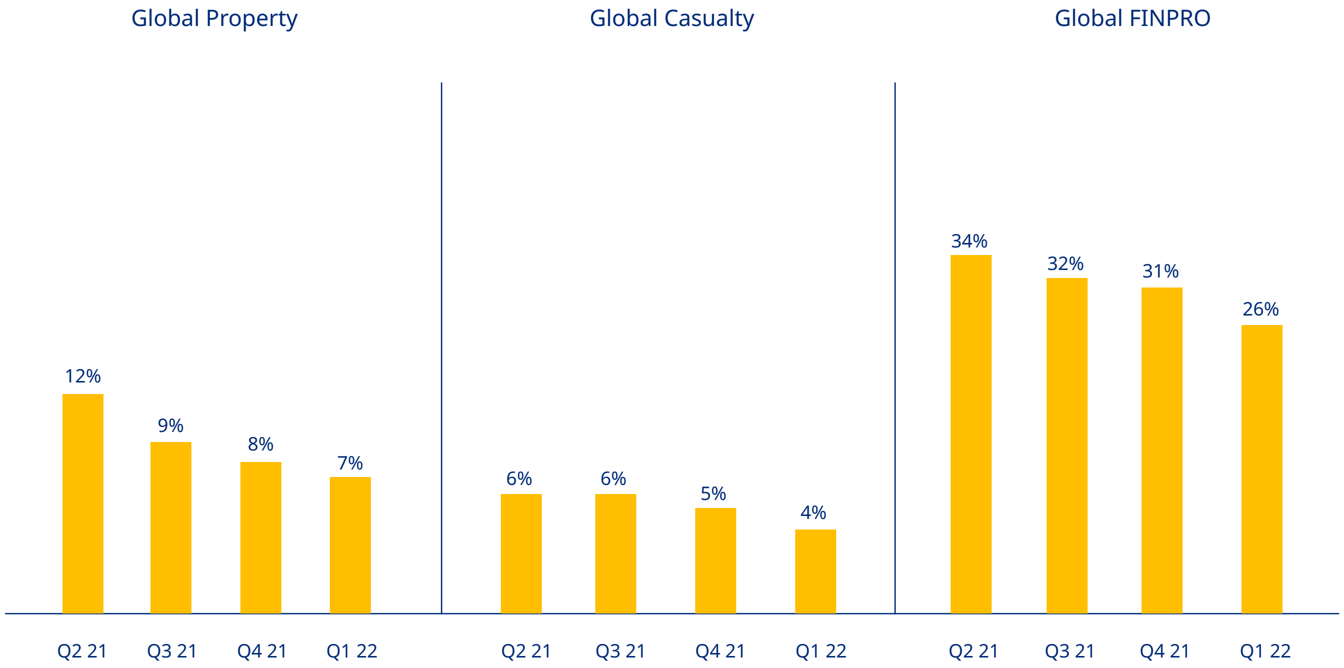
- US: 12%.
- UK: 20%.
- Continental Europe: 6%.
- Latin America and the Caribbean: 6%.
- Asia: 3%.
- Pacific: 10%.

02| Composite insurance pricing change — by region



Source: *Marsh Specialty and Global Placement*

03| Composite insurance pricing change — by major coverage line



***Source:** Marsh Specialty and Global Placement*

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

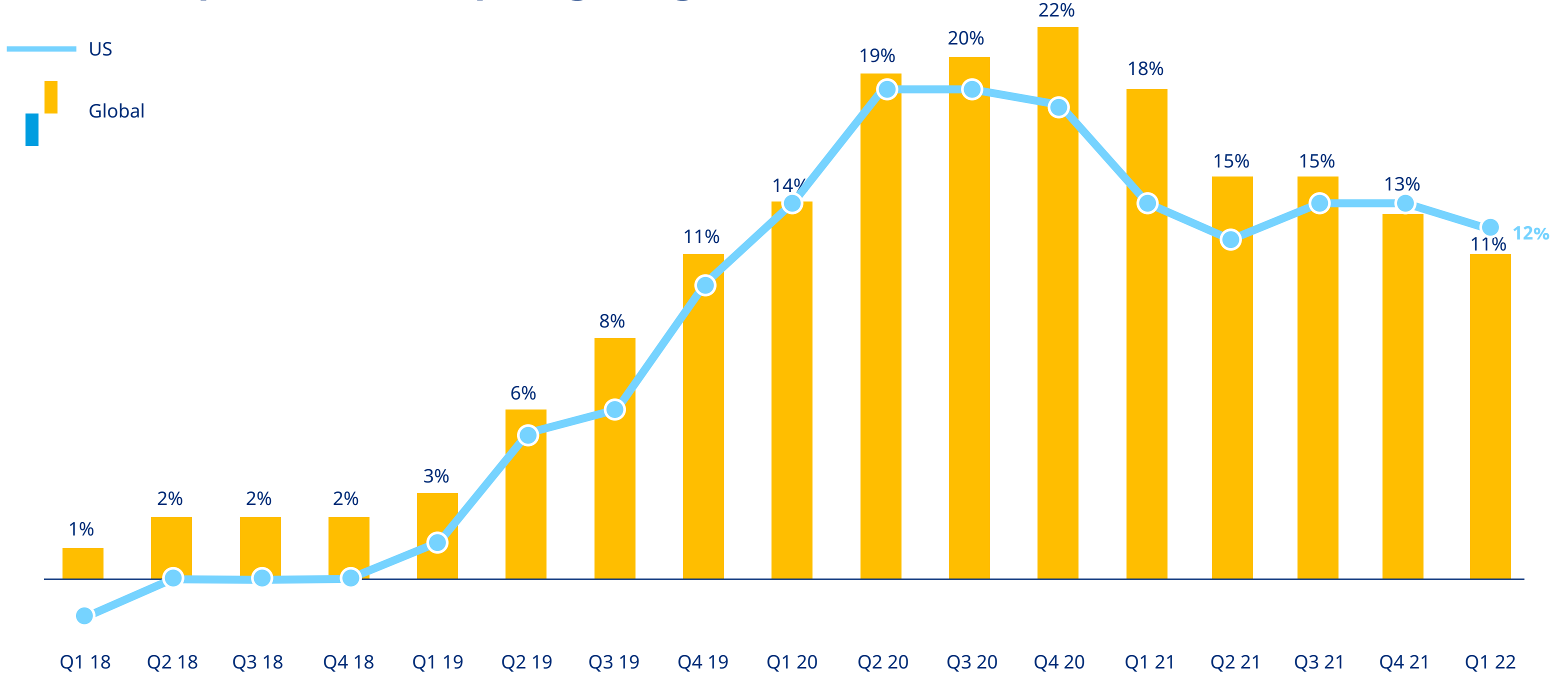
- Property insurance: 7%.
- Casualty insurance: 4%.
- Financial and professional lines insurance: 26%.

It is important to note that reported pricing changes are averages and that the data used to estimate them 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.

US pricing: Cyber claims put pressure on financial and professional lines

Insurance pricing in the first quarter of 2022 in the US increased 12% — a slight reduction on the same rate of increase compared to the prior two quarters (see Figures 4 and 5).

04| US composite insurance pricing change

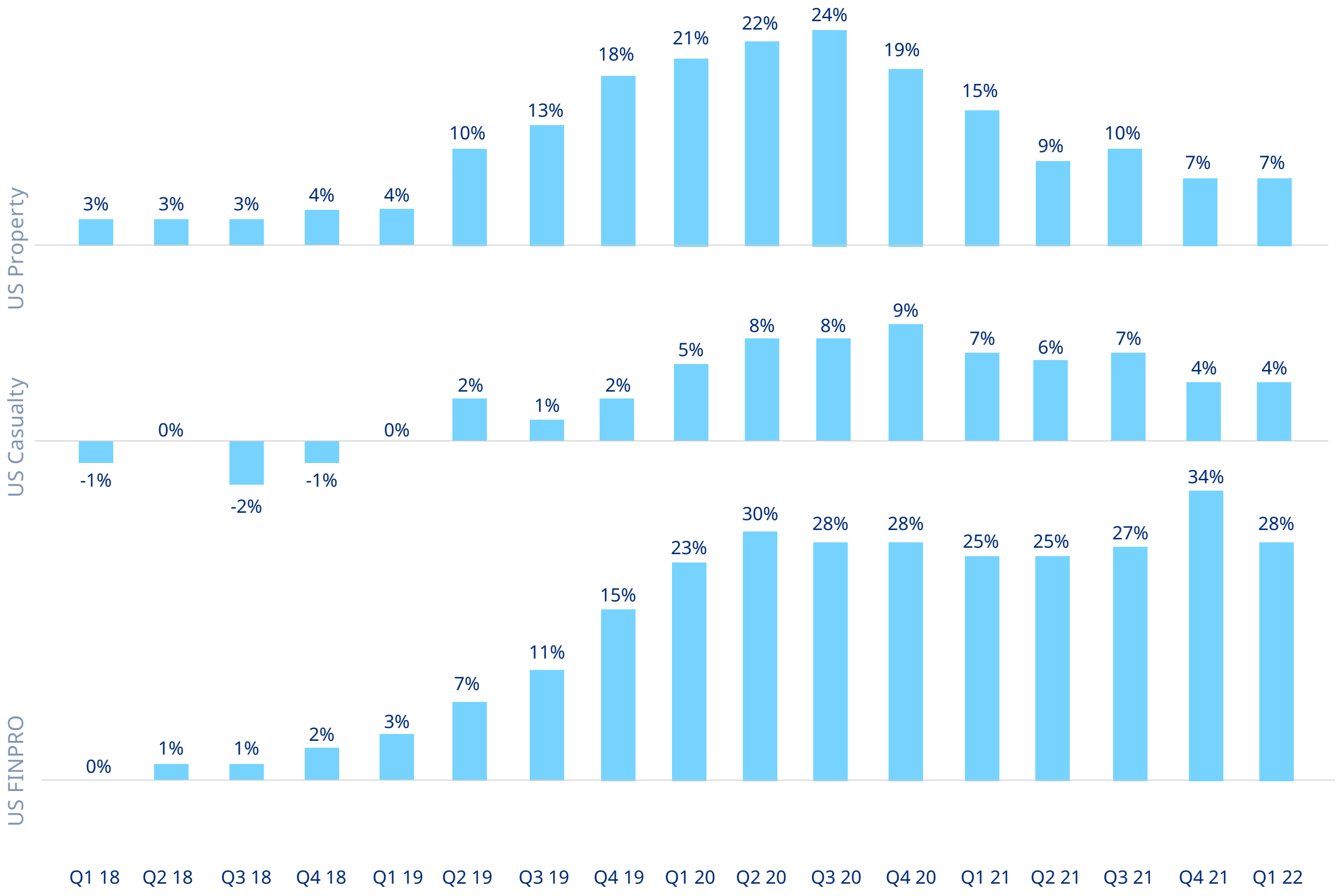


***Source:** Marsh Specialty and Global Placement*

Property insurance pricing increases mirrored those of the fourth quarter of 2021 at 7%.

- The first quarter of 2022 was the eighteenth consecutive quarter experiencing increased rates, though throughout 2021 the increases began to moderate.
- Clients with significant losses, as well as those that showed poor risk quality, or had significant exposure to secondary catastrophe (CAT) perils — including wildfire, convective storm, and pluvial flood — generally experienced rate increases that were well above average.

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



***Source:** Marsh Specialty and Global Placement*

- Underwriters continued to scrutinize contingent time element coverage, especially for unnamed suppliers. Insurers continued to take a strict approach to terms and conditions including deductibles, non-physical damage cyber, communicable disease exclusions, and time element extensions. Insurers appear to be managing their line sizes for secondary CAT perils, and tightening their pricing; as such, the capacity has significantly reduced, negatively impacting client portfolios that are predominantly exposed to wildfire.
- Clients with no losses, good risk quality, and in industries sought after by insurers continued to see surplus capacity, which again helped to mitigate pricing increases and deterioration of policy terms.
- Valuation has become a focal point at virtually every renewal for all insurers, particularly related to concerns about the current inflationary environment, supply chain challenges, and labor shortages. Loss experience where adjusted loss amounts were well above the reported values has further heightened insurers' focus on this issue.

Casualty insurance pricing increased 4%, in line with the fourth quarter of 2021. Excluding workers' compensation, the increase was 6%.

- The competitive workers' compensation marketplace has helped to offset some of the increases in auto liability and general liability.
- Insurers demonstrated willingness to negotiate on auto liability and general liability rates in order to secure more profitable workers' compensation lines.
- The pace of increase in excess liability pricing was similar to the fourth quarter of 2021 at 10%.

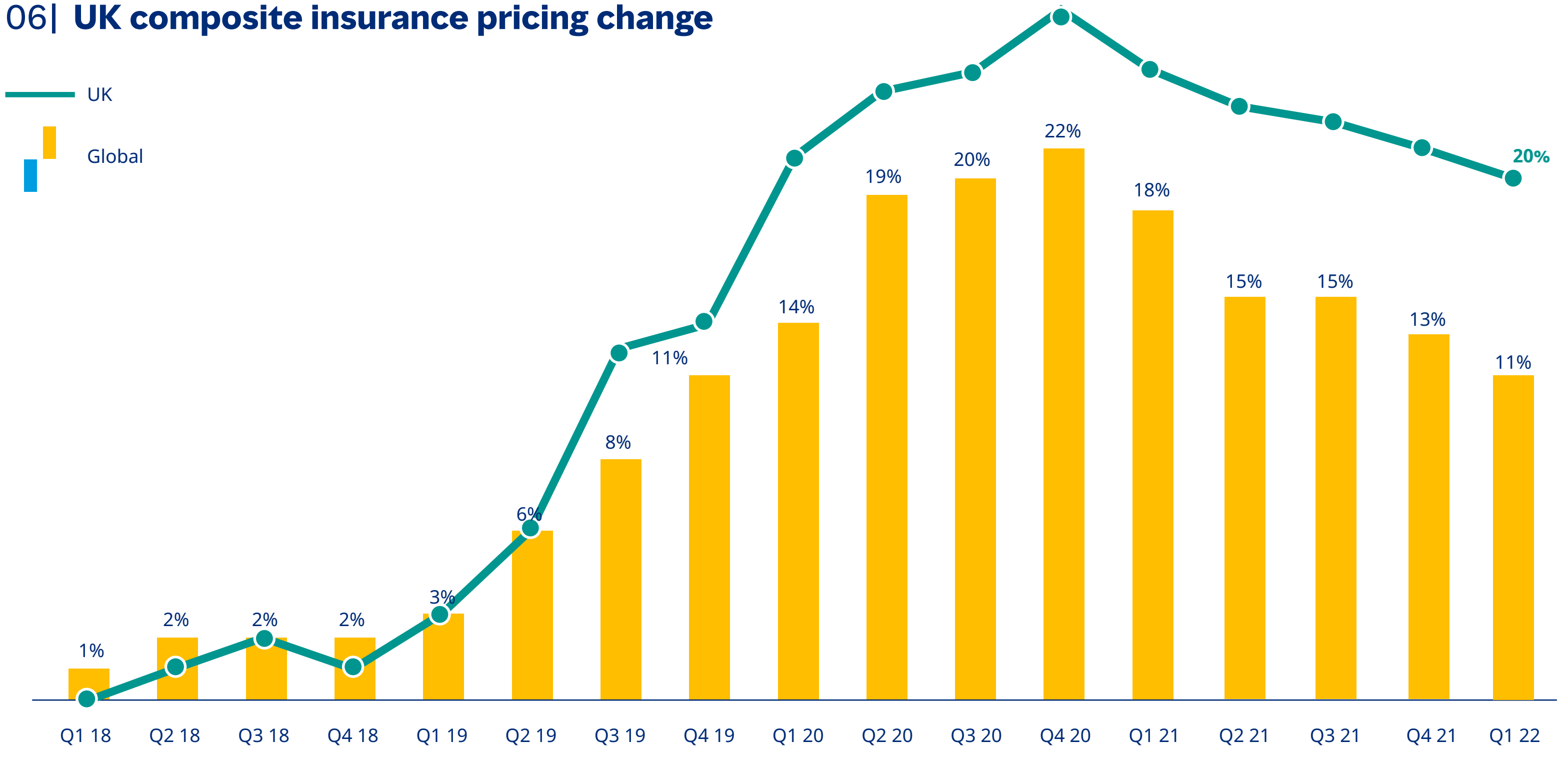
Financial and professional lines pricing, driven by cyber, increased 28% — a fall from the fourth quarter of 2021 increase of 34%.

- Directors and officers (D&O) liability insurance pricing for publicly traded companies increased 3%, lower than the 6% increase observed in the prior quarter and continuing the decline from the 10% increase in the third quarter of 2021.
  - Additional capacity increased competition in the mid-to-high excess layers.
  - Some insurers are also taking steps to move down large towers to lower levels of coverage by quoting primary layers and first or second excess layers.
- Adverse judgements added strain to the already challenged fiduciary coverage. Insurers continue to increase minimum retentions and implement tighter risk management requirements.
- Cyber pricing increased 110%, in large part due to the re-pricing and re-underwriting of cyber risks.
  - Heightened frequency and severity of claims activity contributed significantly to pricing increases.
  - Over 60% of clients took higher retentions to help offset premium impact.
  - Cyber underwriting continued to focus on a company's control environment and cybersecurity maturity.
  - The war in Ukraine exacerbated concerns surrounding systemic exposures and accumulation risk.
- Financial institutions (FI) insurance pricing increased 29%.
- Errors and omissions (E&O) insurance pricing increased 73%. Excluding cyber, E&O insurance pricing increased 12%.

UK pricing: Rate of increases in all major coverage areas decelerate

Insurance pricing in the first quarter of 2022 in the UK increased 20%, compared to 22% in the fourth quarter of 2021 (see Figures 6 and 7).

06| UK composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

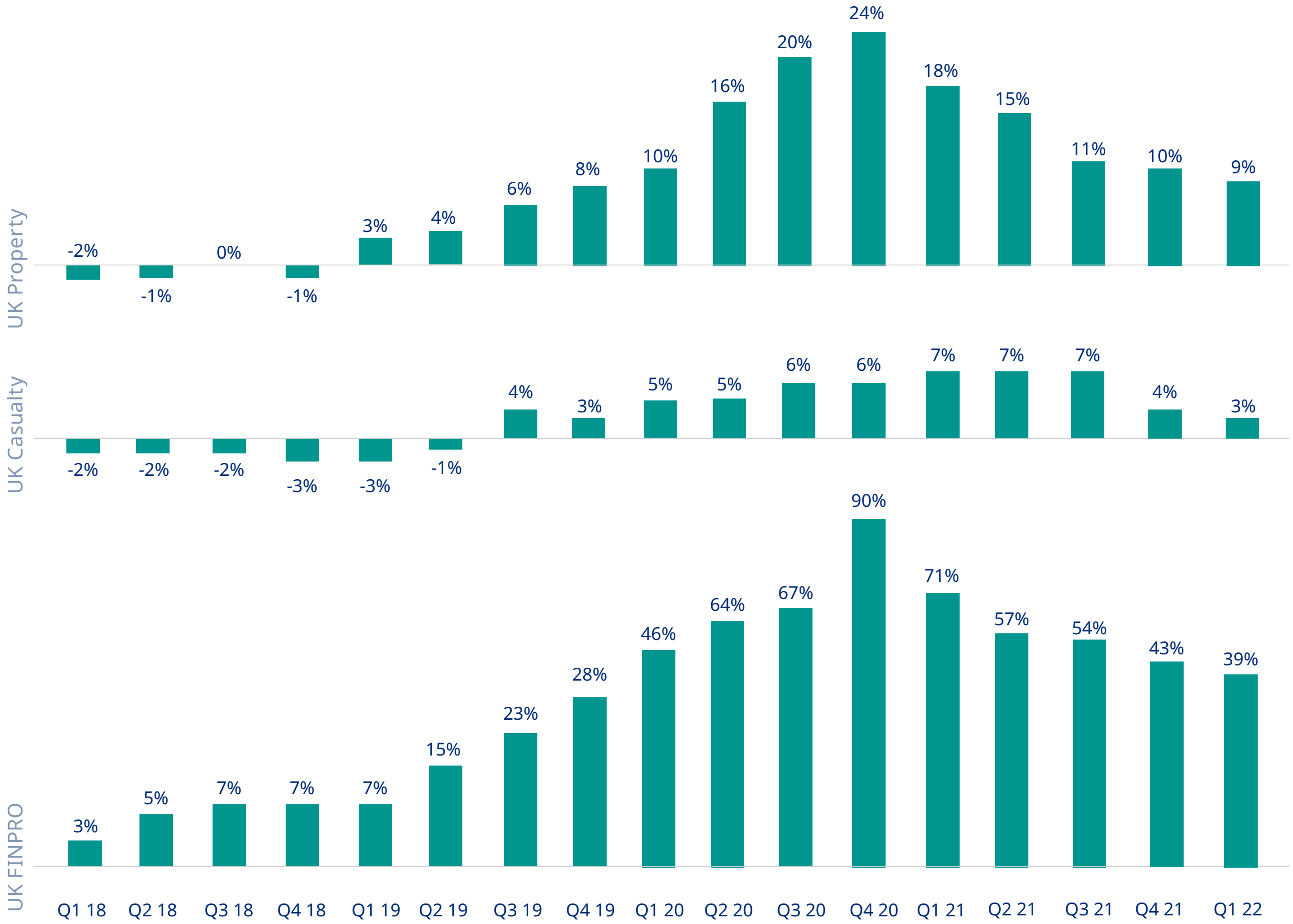
Property insurance pricing increased 9%, compared to 10% in the fourth quarter of 2021.

- Significant pricing increases were largely imposed on clients with major loss activity or a challenging occupancy or business process, such as food production, warehousing, or waste recycling.
- Insurers have moved from seeking to impose blanket price increases to targeting specific areas of the book they believe are underpriced or impacted by loss.
- Insurers demonstrated a greater ambition to grow their books to take advantage of the current rating environment.

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

- Employers' liability pricing was similar to that of the prior quarter.

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



Source: *Marsh Specialty and Global Placement*

- Electric vehicles (EV) impacted the auto insurance market significantly, with damage repair costs on electric vehicles running approximately 25% higher than cars with internal combustion engines; parts are hard to source and EV repair specialists in short supply.
- Insurers continued to target rate uplifts in the casualty market, with the main driver being claims inflation; however, the level of uplift continues to be on a case-by-case basis.
- Long-term agreements were more readily available, including three-year options, which were previously difficult to secure.
- Sanctions, cyber, and non-standard coverages continued to be challenging; providing additional underwriting information remains vital to finalizing placement.

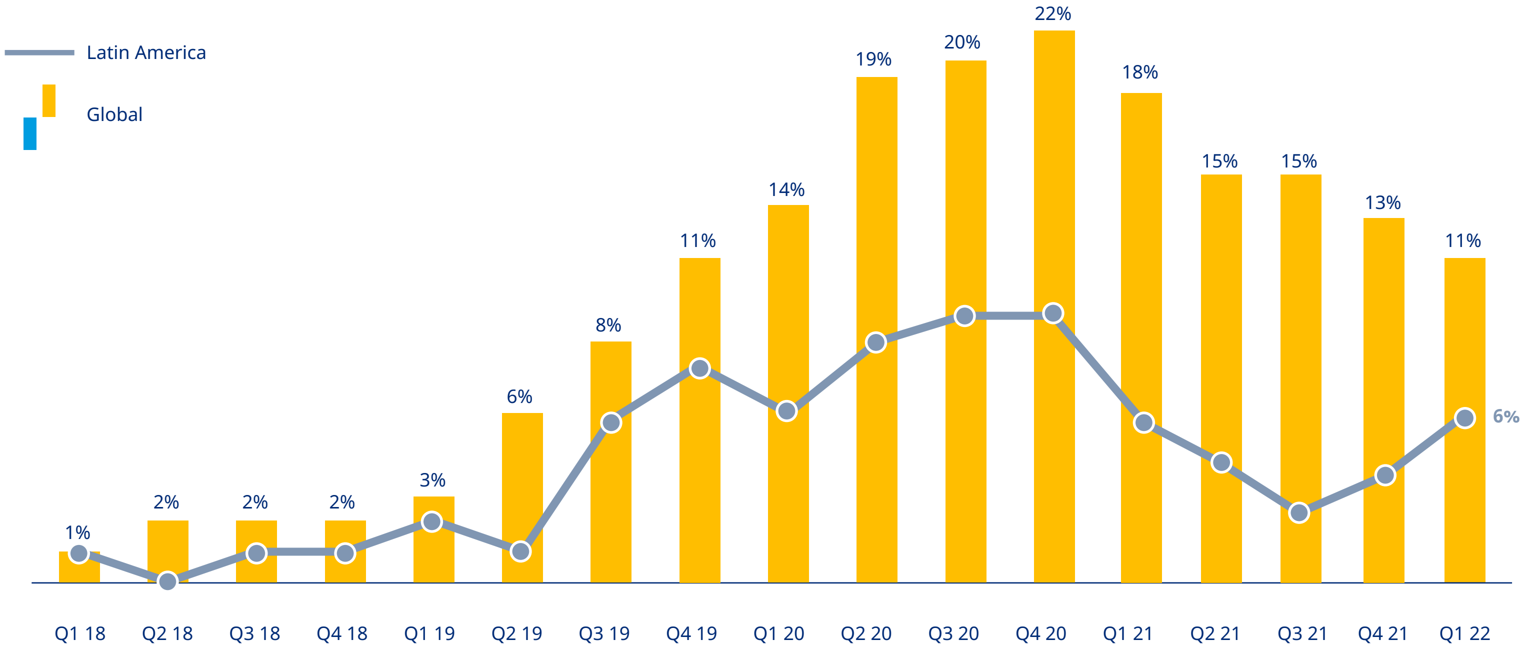
Financial and professional lines pricing, driven by cyber, increased 39%, continuing the decline from the 43% rise in the fourth quarter of 2021.

- The rate of increase for D&O was 16% in the first quarter, compared to 24% in the fourth quarter of 2021, demonstrating a degree of moderation.
- Clients impacted by increased risks during the pandemic saw sizeable reductions, though some small- to mid-size enterprises still experienced increases.
- Some financial Institution clients experienced flat rates, and in some cases, small rate reductions.
- Cyber insurance pricing increased by 102%, again driven by ransomware claims; with continued market deterioration and reduction in capacity, many clients turned to self-insured retention, as well as co-insurance.
- Commercial crime coverage pricing increased 25% to 30%.

Latin America and Caribbean pricing: Appetite for D&O lines increases

Insurance pricing in the fourth quarter in the Latin America and Caribbean (LAC) region increased 6% (see Figures 8 and 9). Casualty pricing in the region was flat, marking a potential shift from decreasing rates in the space.

08| Latin America composite insurance pricing change

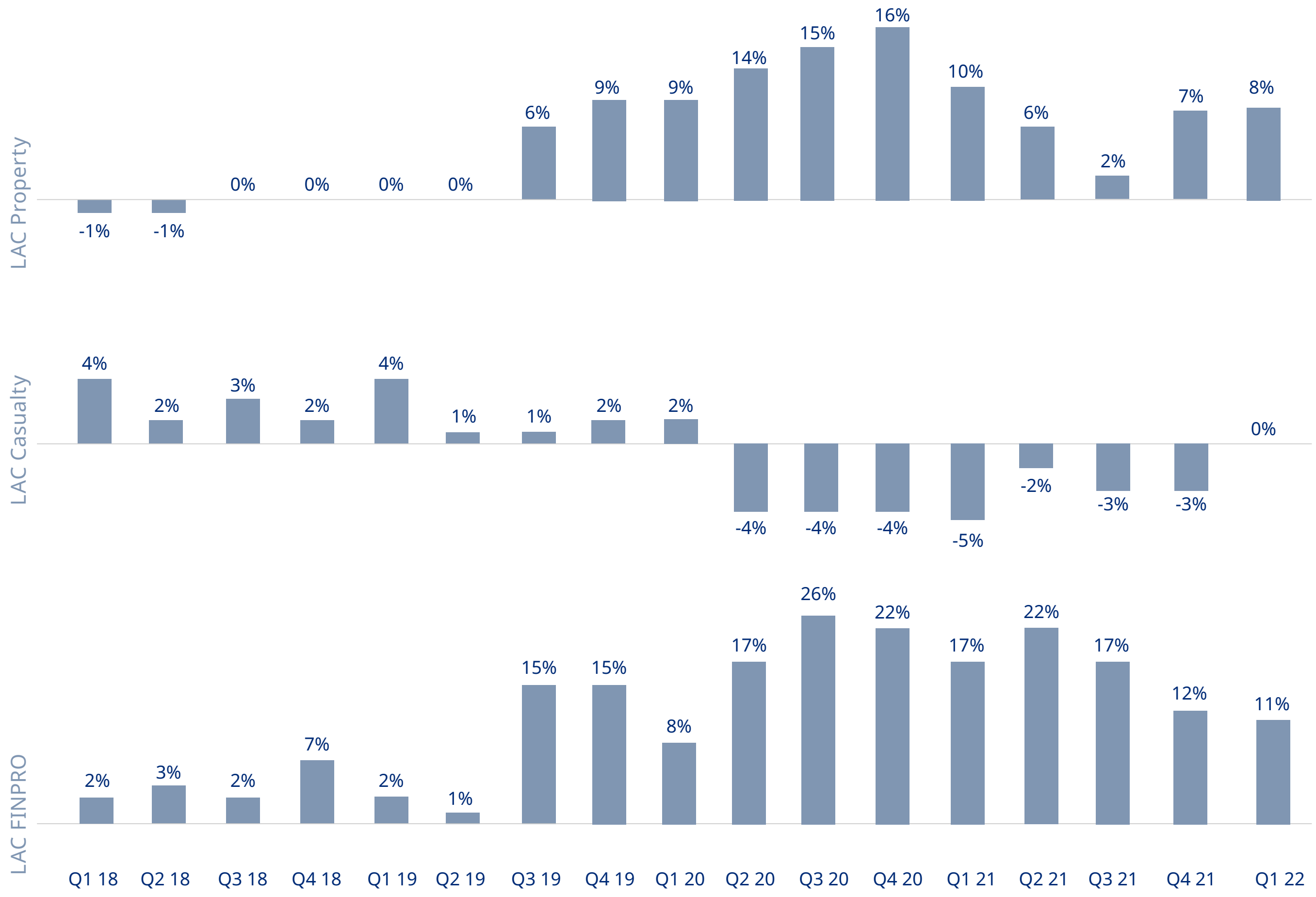


Source: *Marsh Specialty and Global Placement*

Property insurance pricing increased 8%, up from 7% in the previous quarter.

- Clients experienced price increases throughout the region in instances where facultative reinsurance capacity was required.
- Brazil experienced significant increases in property pricing, with average increases of 10%, driven by a lack of capacity for heavy industries.
- In Mexico, capacity restriction due to reinsurance treaty renewals drove some early direct market pricing challenges for some clients.

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



Source: *Marsh Specialty and Global Placement*

Casualty insurance pricing was flat in the first quarter of 2022, ending several consecutive quarters of decrease.

- Local capacity and competition continued to mitigate casualty pricing.
- Large, complex programs and high-capacity limits continued to experience modest increases across the region, especially when there was a need for facultative reinsurance capacity.
- In Brazil, increasing claims ratios may affect the market in the short term.

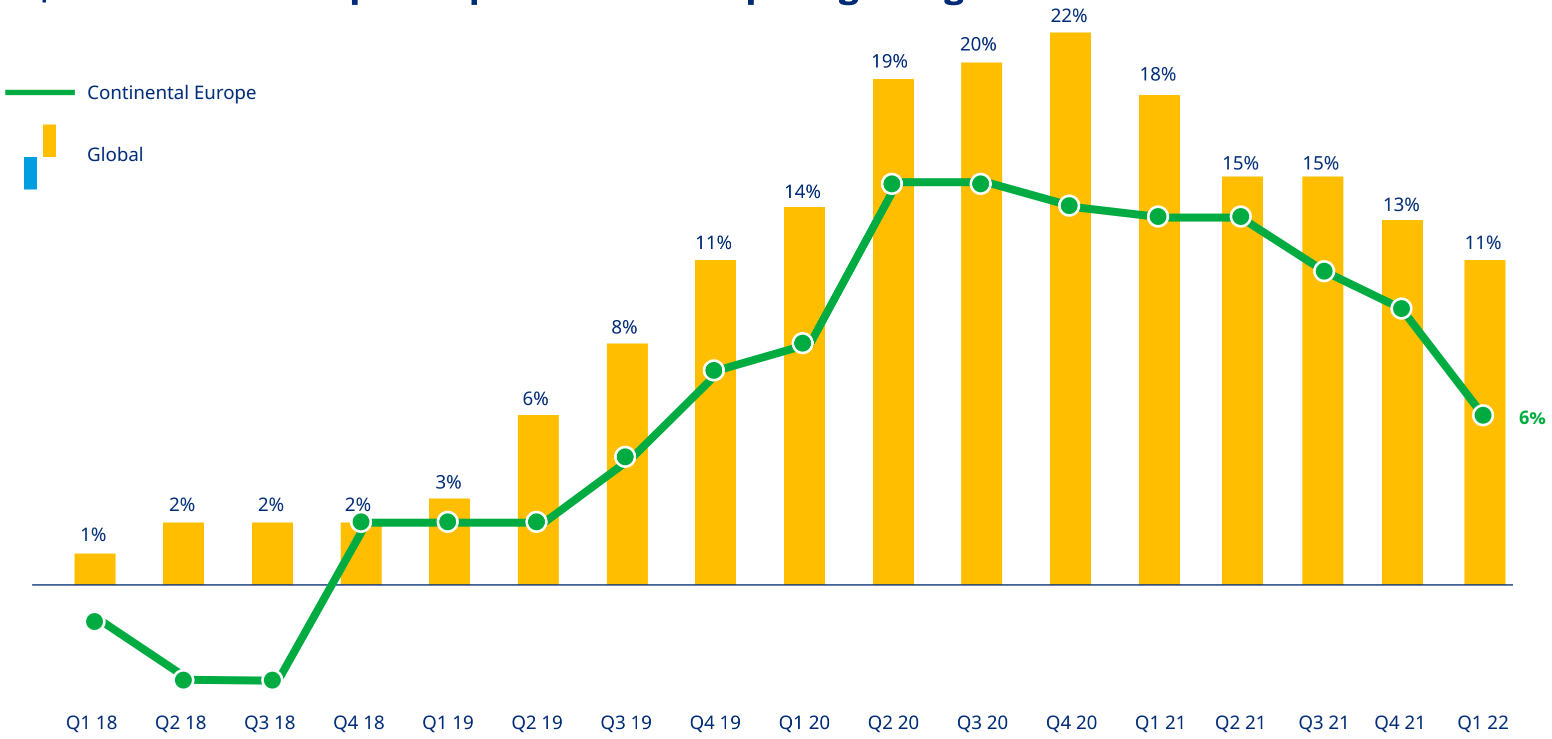
Financial and professional lines pricing rose 11%, down slightly from the 12% increase in the prior quarter.

- Insurers demonstrated a notable increase in appetite in both D&O and crime markets.
- The professional indemnity (PI) market reflected less appetite than other lines and insurer are reviewing risks on a case-by-case basis.
- Cyber prices increased 30% to 40%, in line with the prior quarter.

Continental Europe pricing: Property and D&O lines continue to stabilize

Insurance pricing in the first quarter of 2022 in Continental Europe (CE) increased 6%, compared to 9% in the fourth quarter of 2021 (see Figures 10 and 11).

10| Continental Europe composite insurance pricing change

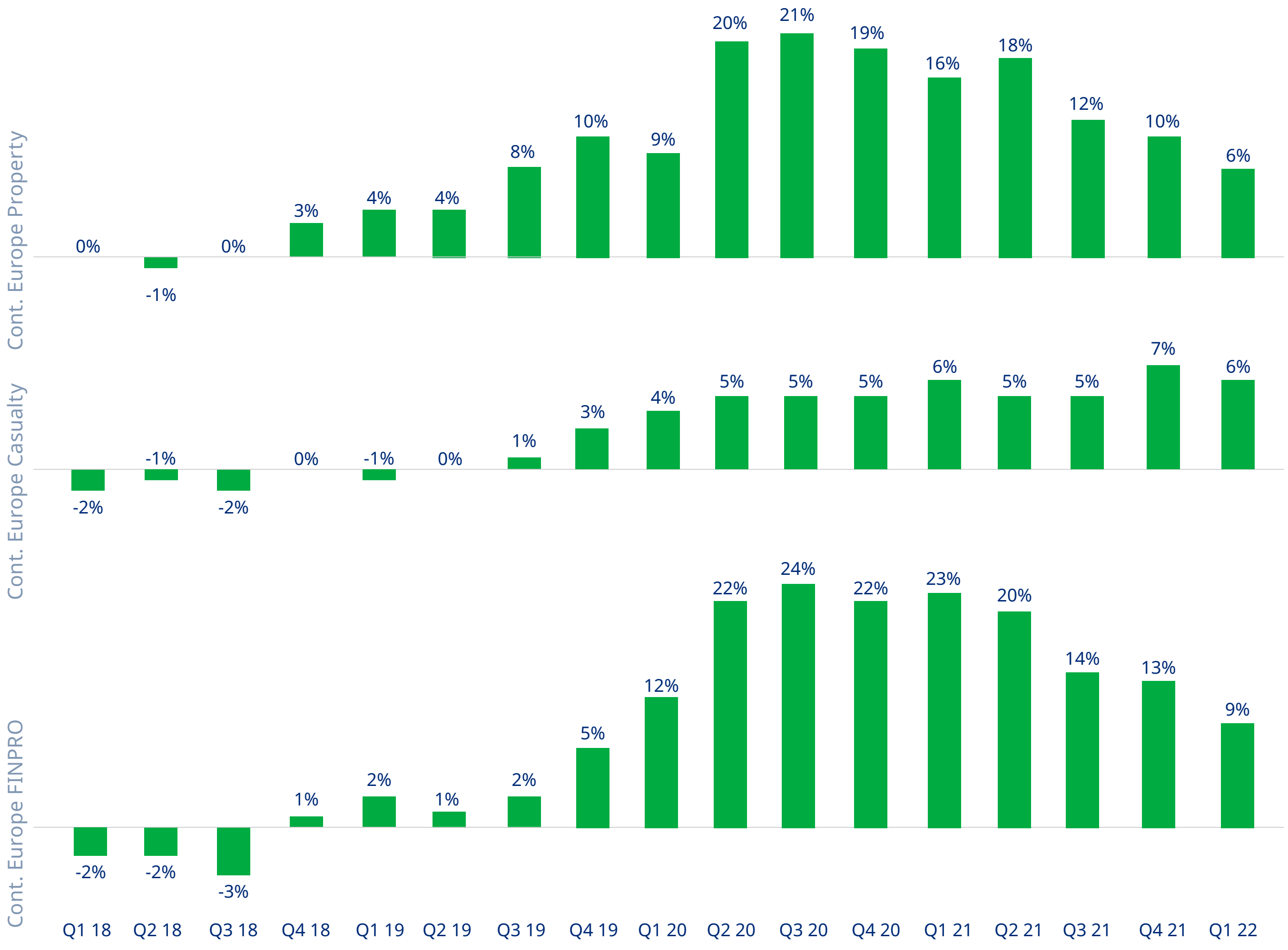


Source: *Marsh Specialty and Global Placement*

Property insurance pricing in CE rose 6%, a decrease from 10% in the prior quarter.

- CAT-exposed risks remained challenging and experienced the largest increases, though at a reduced level compared to prior quarters.
- Competition for new business increased among European domestic carriers, leading to downward pressure on rates.
- Insurers demonstrated an increased focus on adequacy of valuations, due to the challenging environment caused by rapidly rising inflation.
- Despite softening of rates, insurers remain disciplined with respect to capacity deployment and aggregation.
- Changes in wordings and an aggressive approach by carriers remained a challenge, especially with regard to application of additional war and sanctions exclusions in respect of the Russia-Ukraine conflict.

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



***Source:** Marsh Specialty and Global Placement*

Casualty insurance pricing increased 6%, down from 7% in the fourth quarter of 2021.

- Rates showed signs of stabilization, but regional variation remains, with some territories experiencing double-digit rate increases.
- Loss impacted renewals continued to be the most challenging, with insurers looking to restrict capacity.
- Excess casualty and US-exposed placements remained challenging, with some countries in the region experiencing general liability pricing increases as high as 20%.
- Insurers expressing particular concerns around social and general inflation and US auto market exposure; clients with large US auto fleets experienced significant price increases.
- Some clients experienced increases in workers' compensation, generally due to limited capacity.
- Enhanced war and sanctions exclusions were imposed in respect of the Russia-Ukraine conflict.

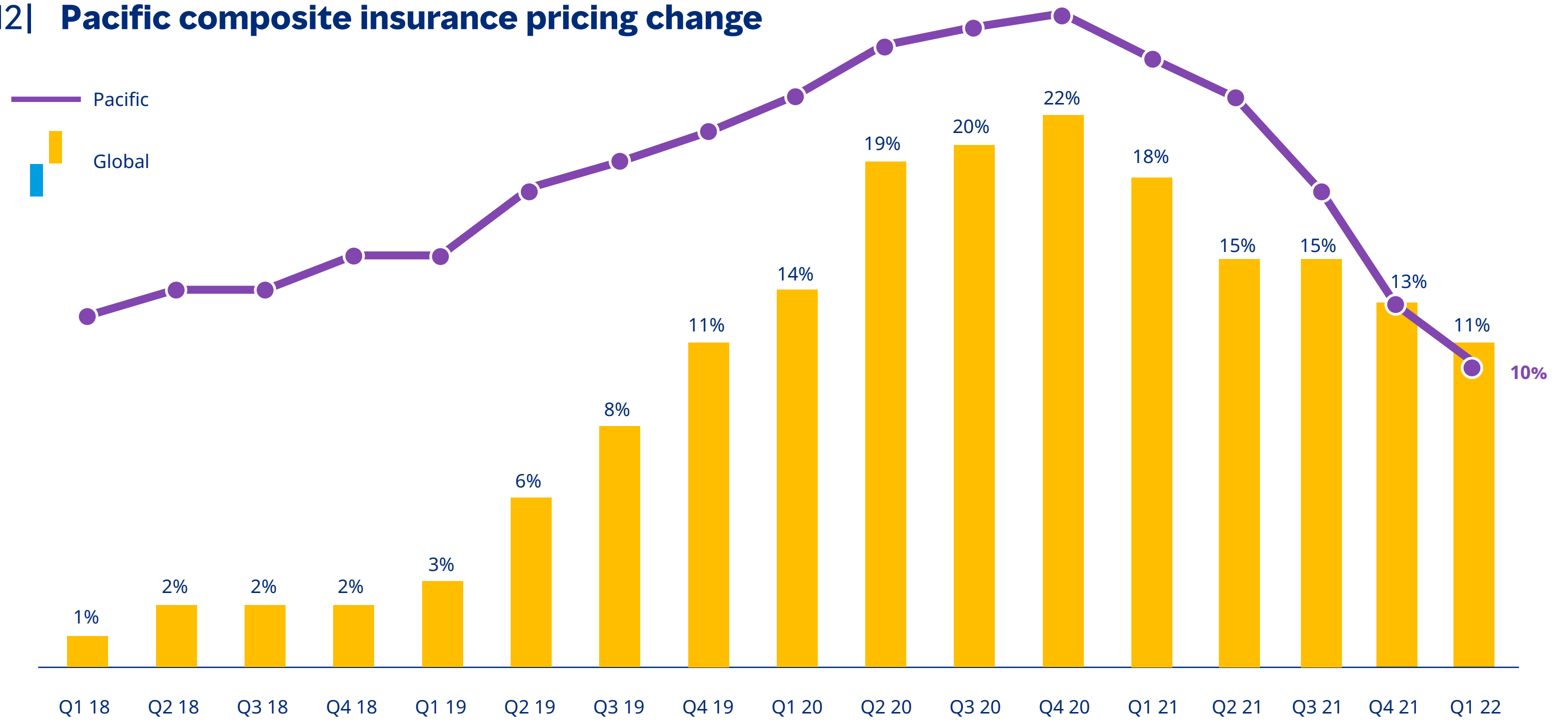
Financial and professional lines pricing increased 9%, down from 13% in the prior quarter.

- The D&O market was affected by an influx of new capacity and an improvement in profitability leading to rate reductions on select programs with adequate pricing.
- FI and professional liability pricing continued to moderate, with average increases of 9%. Insurers also demonstrated an appetite for new business.
- Cyber remained an outlier, with a rate increase of 80% driven by capacity reductions and ransomware issues. Concerns about systemic exposures and accumulation risk persisted, resulting in cautious capacity deployment and risk selection, and increased information requirements. Clients continue to turn to self-retention captives.

Pacific pricing: Flood losses spur rate of increases

Insurance pricing in the Pacific region increased 10%, down from 13% in the prior quarter and the fifth consecutive quarterly reduction in rate increase (see Figures 12 and 13).

12| Pacific composite insurance pricing change

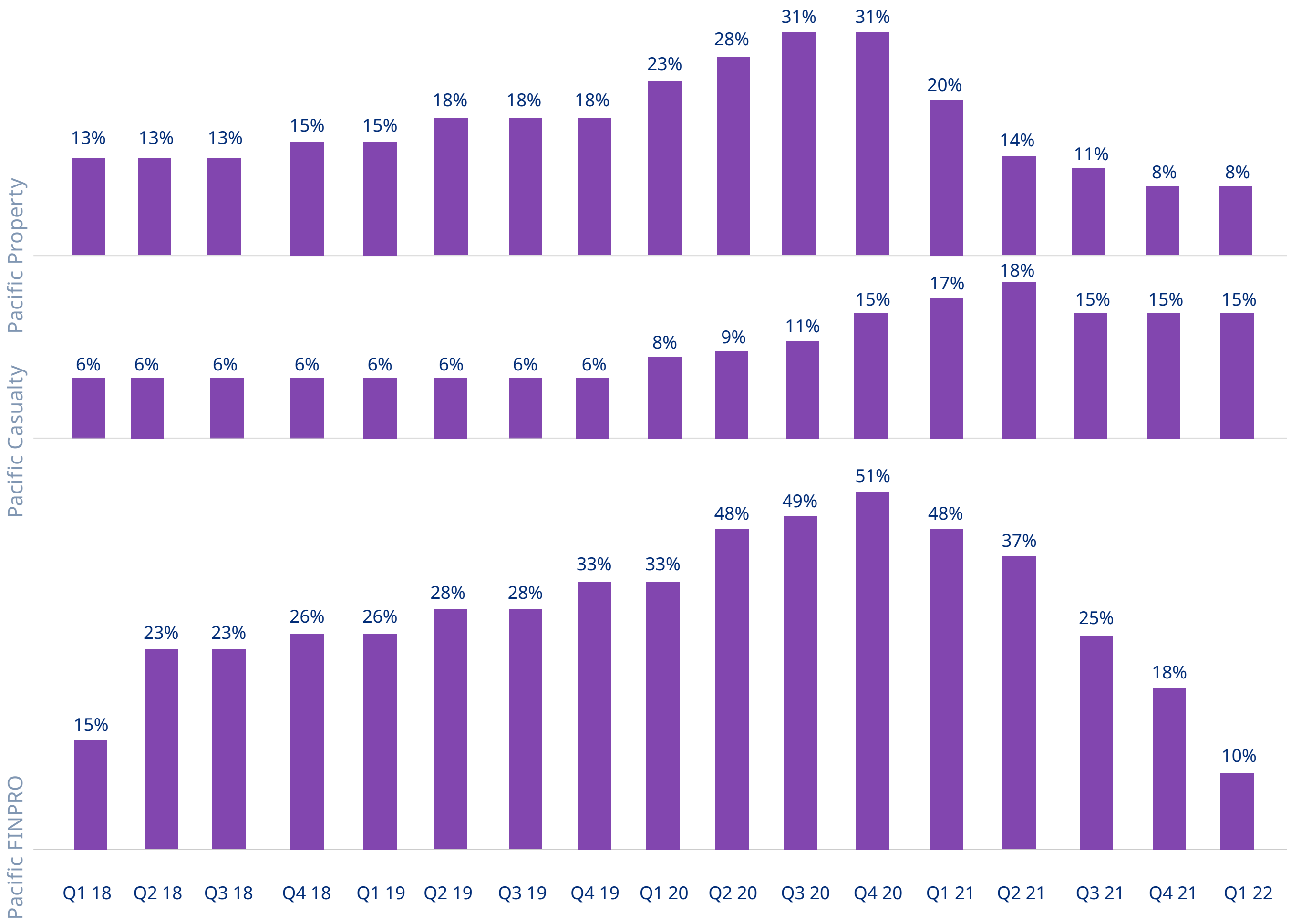


***Source:** Marsh Specialty and Global Placement*

Property insurance pricing increased 8%, mirroring the rate increase in the fourth quarter of 2021.

- The near AU$3 billion market loss from the New South Wales and Queensland floods curtailed any pricing relief expected for the start of the year.
- Challenges have increased for risks in CAT zones, with flood a particular concern.
- Clients experienced an increased underwriting focus on CAT sub-limits, including contingent business interruption, deductibles, and risk mitigation.

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



***Source:** Marsh Specialty and Global Placement*

Casualty insurance pricing rose 15%, the same rate of increase for the third consecutive quarter.

- Pricing in the casualty market remained challenging, due in large measure to claims inflation and reduced capacity from some major carriers.
- Risk selection continues to be more pronounced than in previous quarters.
- Changing underwriting appetite continues to spur substantial restructuring of layers for some major programs.

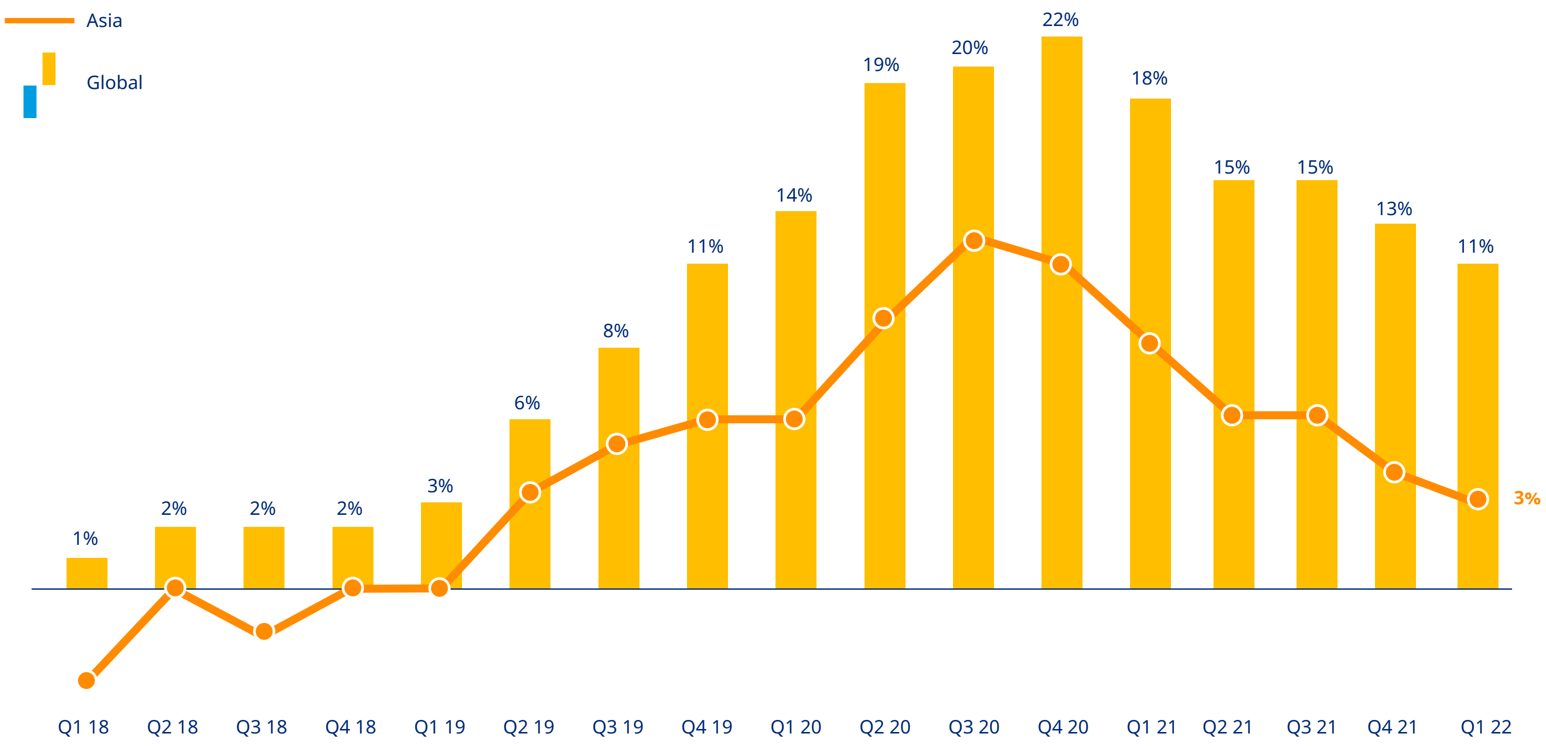
Financial and professional lines pricing rose 10%, a decrease from 18% in the prior quarter.

- The levelling out of pricing in D&O programs continued.
- Competition among insurers, particularly for excess layers, continued to improve pricing for some clients.
- Professional indemnity premiums again increased as capacity continued to tighten.
- Cyber risk insurance remained challenging, mainly due to frequent and severe ransomware losses that put pressure on pricing and deductibles and brought a marked reduction in capacity and narrowing of key coverages.

Asia pricing: Pace of increase continues to decline

Insurance pricing in the first quarter of 2022 in Asia increased 3%, down from 4% in the prior quarter, as price increases continue to moderate (see Figures 14 and 15).

14| Asia composite insurance pricing change

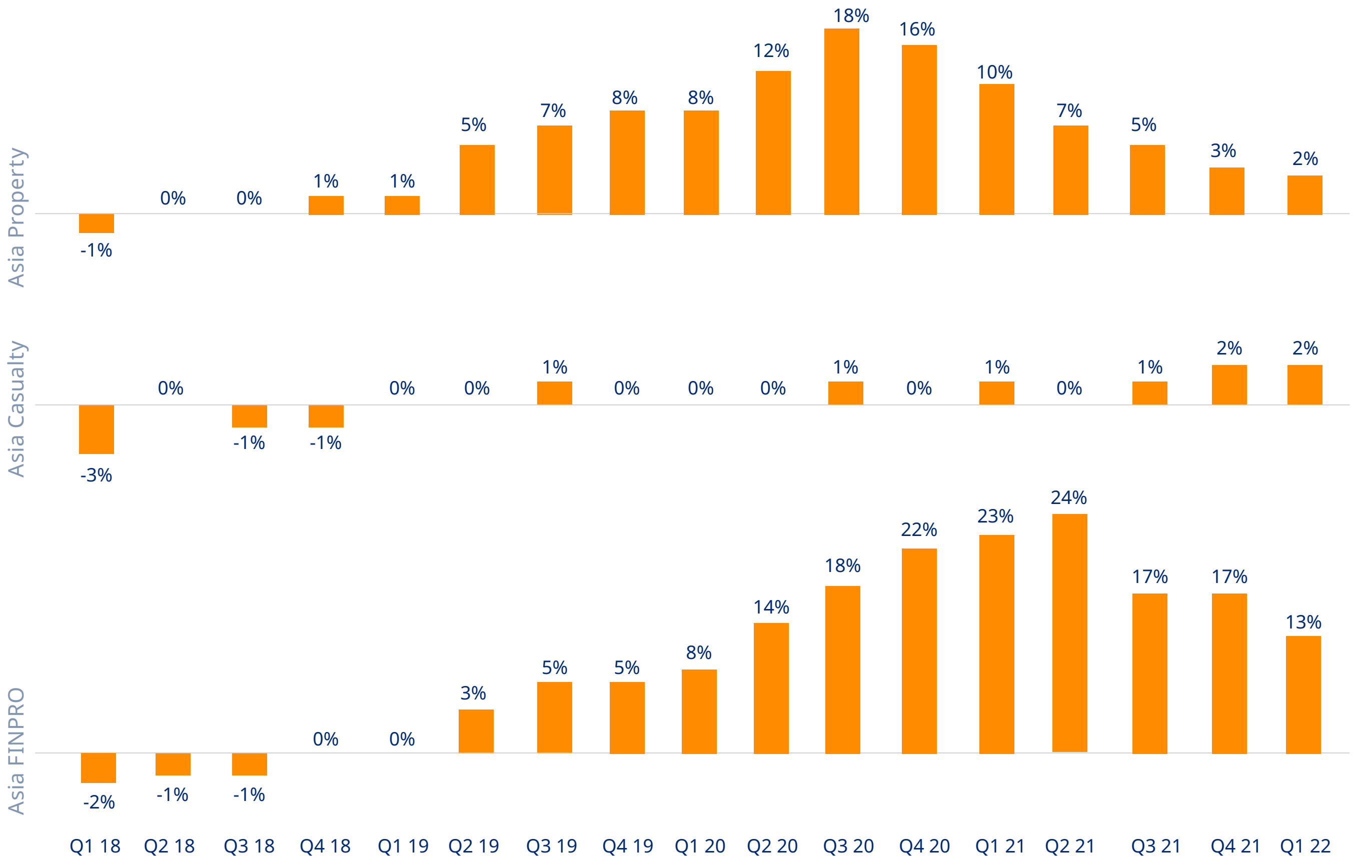


Source: *Marsh Specialty and Global Placement*

Property insurance pricing rose 2%, down from 3% in the fourth quarter of 2021.

- Insurer competition continued to focus on loss-free clients in low-hazard industries.
- The market remained challenging for clients in CAT zones, high-hazard industries, and those with poor loss histories.
- Clients in high-hazard industries and those with poor loss histories had above average increases.

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



Source: *Marsh Specialty and Global Placement*

Casualty insurance pricing increased 2%, as it did in the fourth quarter of 2021.

- Large losses drove insurer behavior, and accounts with high claims frequency typically had more difficult placements.
- Insurers started to show concern about claims inflation during the quarter.
- Capacity continues to be plentiful in the region, however, multinational insurers are restricting capacity on excess layers. These challenges are more pronounced with product recall and products liability exposures.

Financial and professional lines pricing increased 13%, down from 17% in the prior quarter.

- Capacity challenges remain for US-listed and US-exposed business.
- Pricing has begun to moderate for financial institutions, though insurers continued to manage capacity and retention levels.
- The cyber market remained challenging, with ransomware placing considerable pressure on premiums; insurers looked to manage the risk while growing their respective portfolios.
- Professional indemnity (PI) insurers showed a willingness to create customized offerings for small- to mid-size clients. Large PI programs, however, saw rate increases — particularly within the communications, media, and technology industry.

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