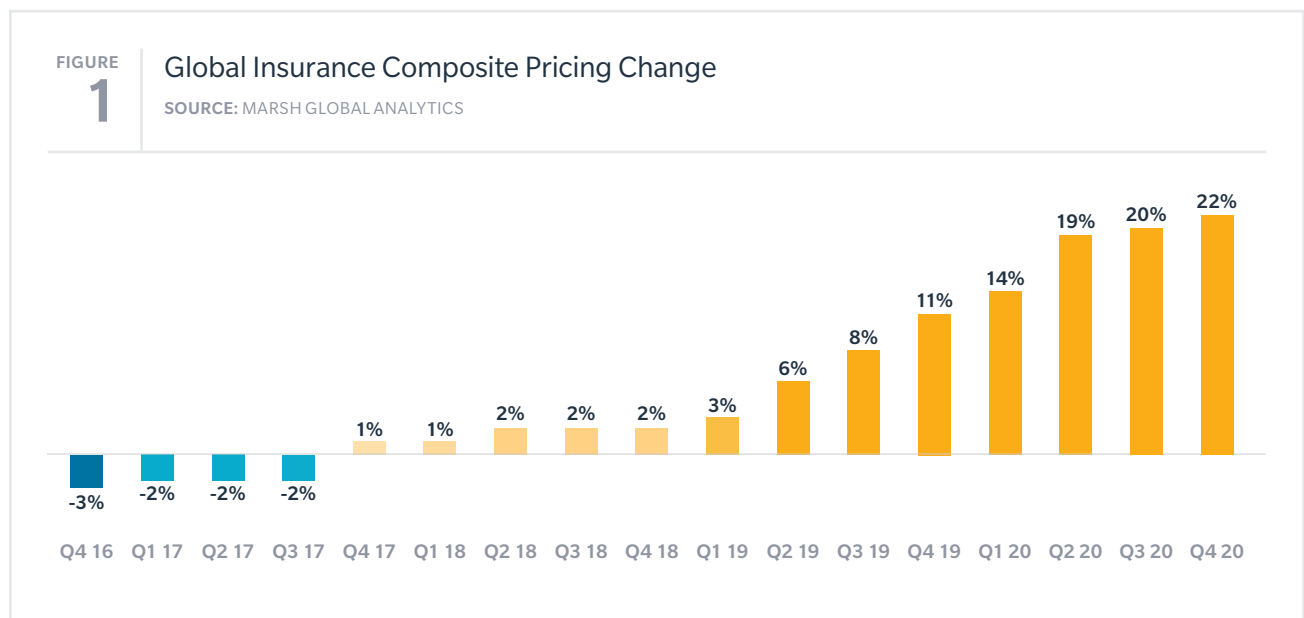


Global Insurance Prices: 13 Consecutive Quarters of Increase

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.*

Geographically, the UK, with a composite pricing increase of 44%, and the Pacific region, with a 35% increase, drove the global composite rate. Average composite pricing increased in all regions for the ninth consecutive quarter.

Pricing increases may be starting to plateau for certain insurance products in certain geographies — for example, directors and officers (D&O) and property in the US — due in part to new capacity entering the market. Continental Europe, Asia, 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.

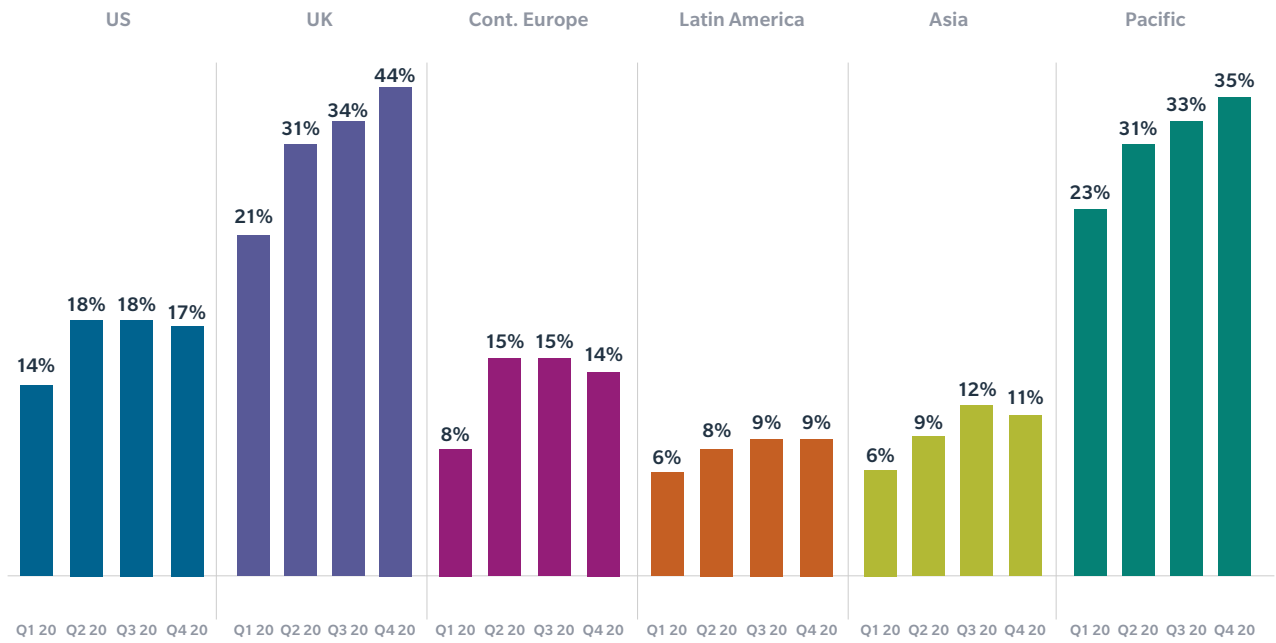


*Note: All references to pricing and pricing movements in this report are averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number.

FIGURE
2

Composite Insurance Pricing Change — By Region

SOURCE: MARSH GLOBAL ANALYTICS



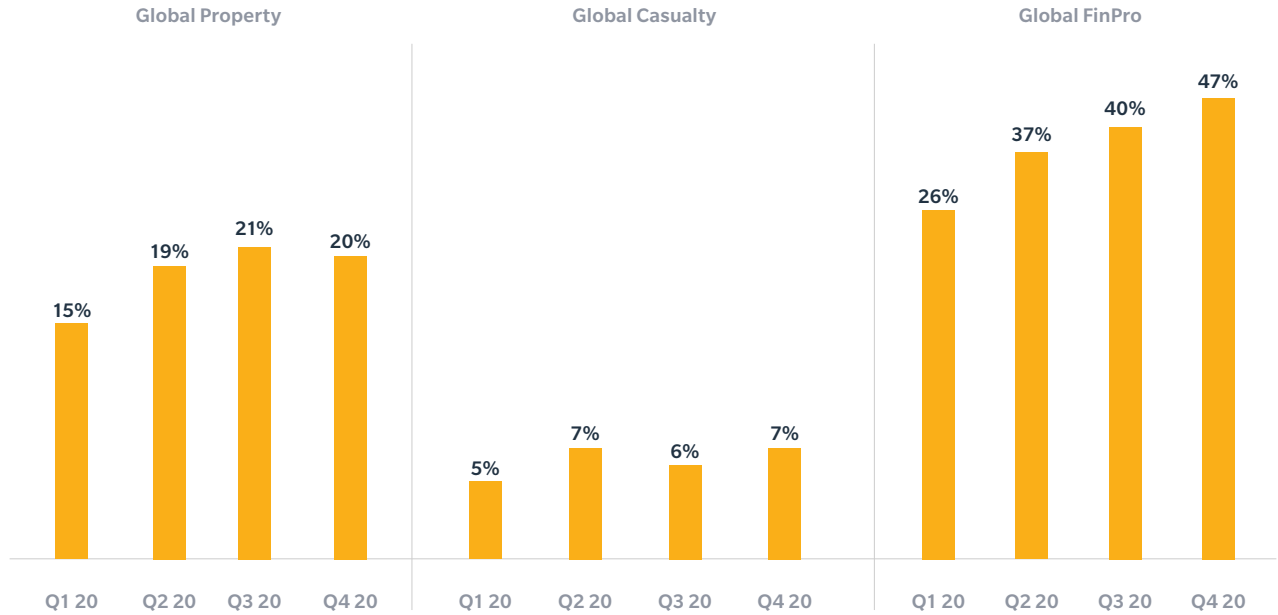
Regionally, composite pricing increases for the fourth quarter were as follows (see Figure 2):

- US: 17%.
- UK: 44%.
- Continental Europe: 14%.
- Latin America and the Caribbean: 9%.
- Asia: 11%.
- Pacific: 35%.

FIGURE
3

Global Composite Insurance Pricing Change — By Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



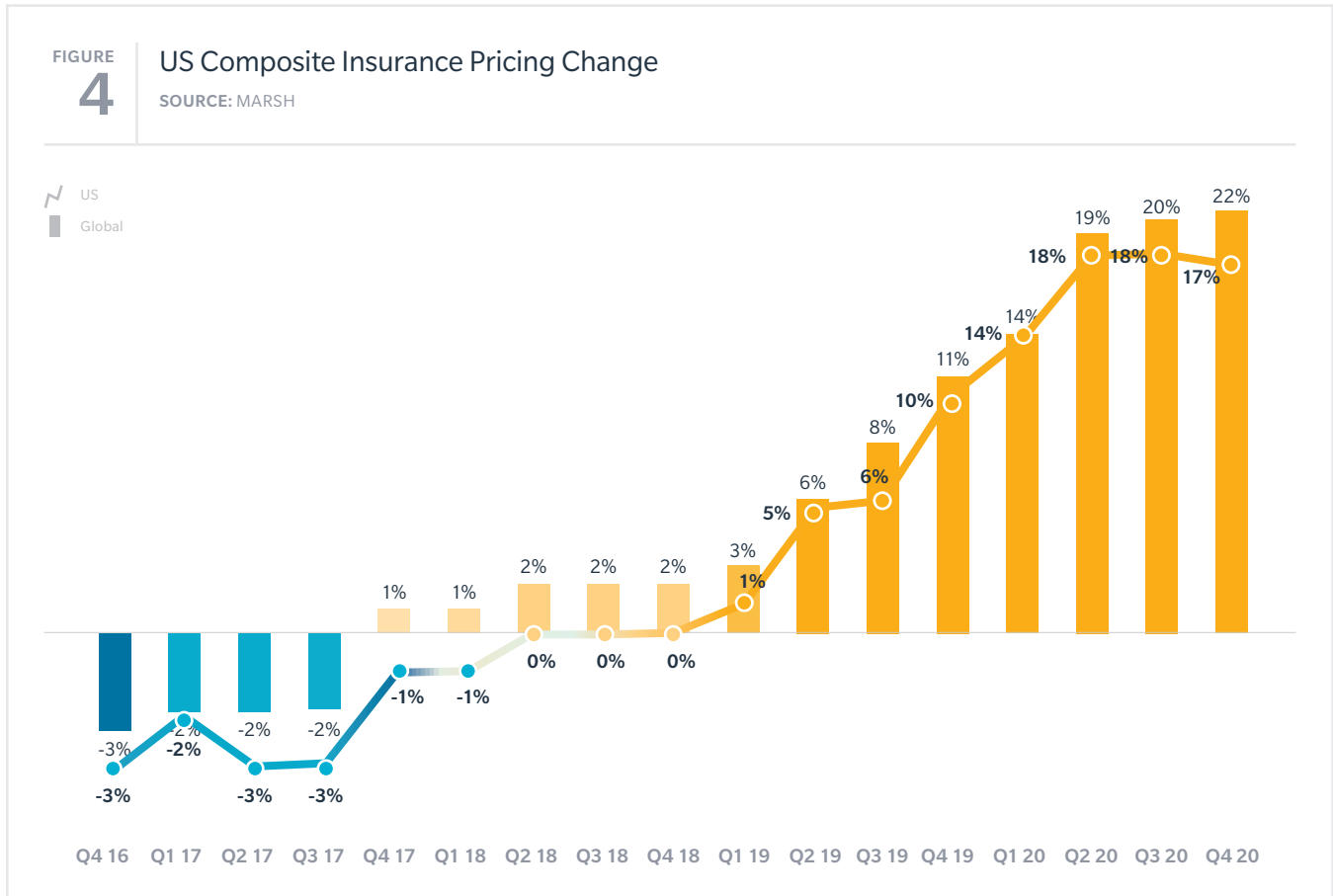
Pricing in financial and professional lines again had the highest rate of increase across the major insurance product categories (see Figure 3):

- Property insurance: 20%.
- Casualty insurance: 7%.
- Financial and professional lines insurance: 47%.

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.

US Pricing: Increases Continue; Plateau Possible

Insurance pricing in the fourth quarter of 2020 in the US increased 17%, year-over-year (see Figure 4). Although pricing continues to increase, the rate of increase has slowed and there is evidence that price increases are starting to plateau for some products (see Figure 5).



Property pricing has increased for 13 consecutive quarters.

- Property pricing increased 18%, with 75% of renewing clients experiencing an increase, slightly lower than the previous several quarters.
- Most insurers now indicate their underwriting portfolios are balanced, and some carriers are starting to become more aggressive and targeting new business.
- The average rate of increase is expected to drop in 2021, but difficult renewals will continue for some.
- Some industries — including mining, metals, wood products, habitational, chemical, energy, heavy manufacturing, and other technical risks — continued to see a contraction of capacity, and thus faced a difficult environment.

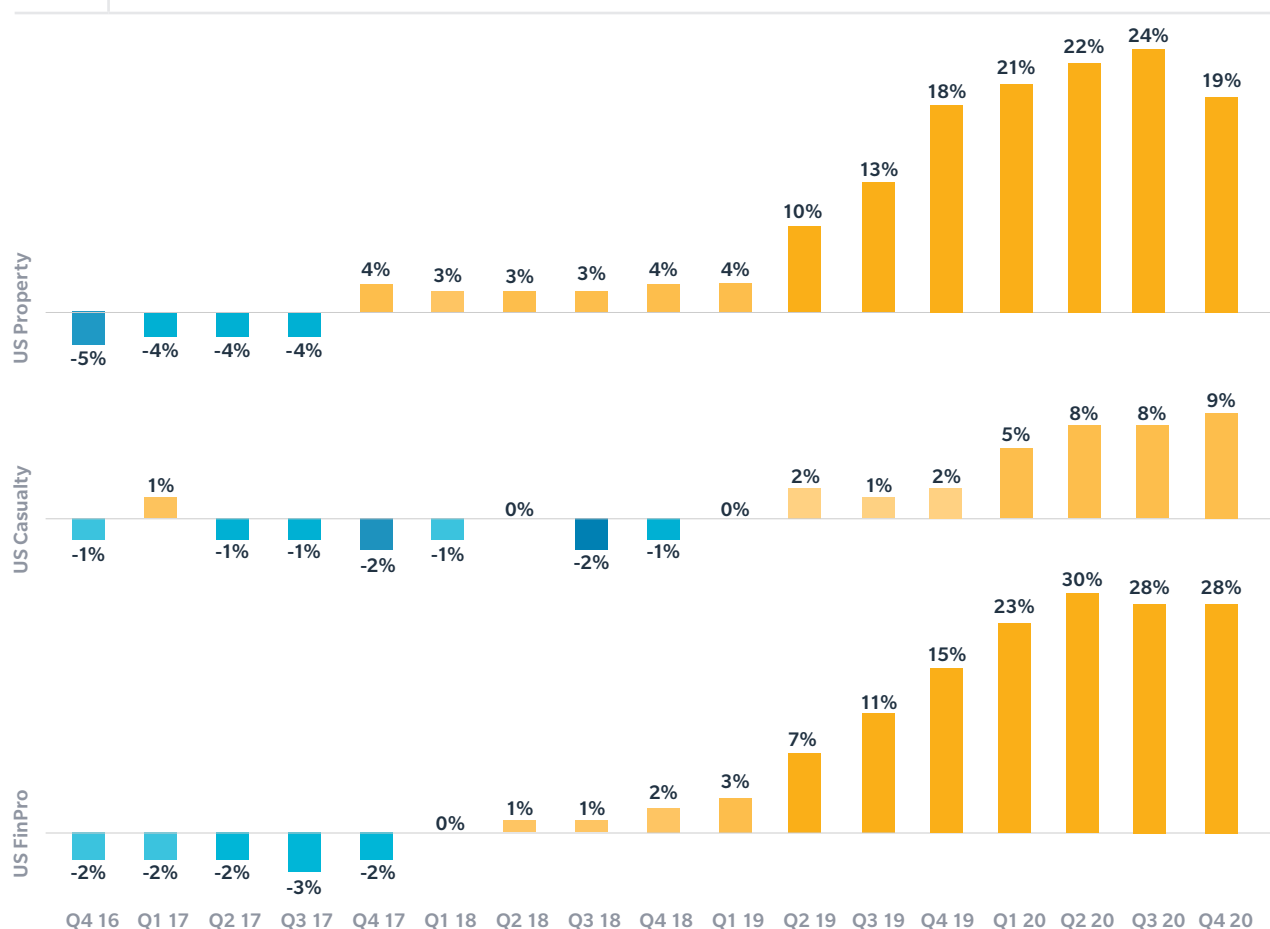
Casualty pricing in the US increased 9%.

- Excluding workers' compensation — which declined 4% — casualty pricing increased 15%.
- Excess liability pricing rose 28%, with 75% of clients experiencing an increase. Most clients were able to fill tower limits; however, many clients elected to purchase less coverage due to cost or restrictions on terms. In a few instances, a shortage of capacity dictated limit purchases.
- Prior years of soft pricing on excess liability, combined with poor losses and continued high jury verdicts, have led to insurers trying to achieve perceived rate adequacy.
- Workers' compensation pricing continued to decrease slightly, but with claim reserves trending upward and the continued lack

FIGURE
5

US Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



of interest income, some insurers have begun to seek higher rates at renewal. The pandemic has decreased the desire of some insurers for specific classes of business, including health care and hospitality.

- Auto pricing increased 8%, but remained competitive.

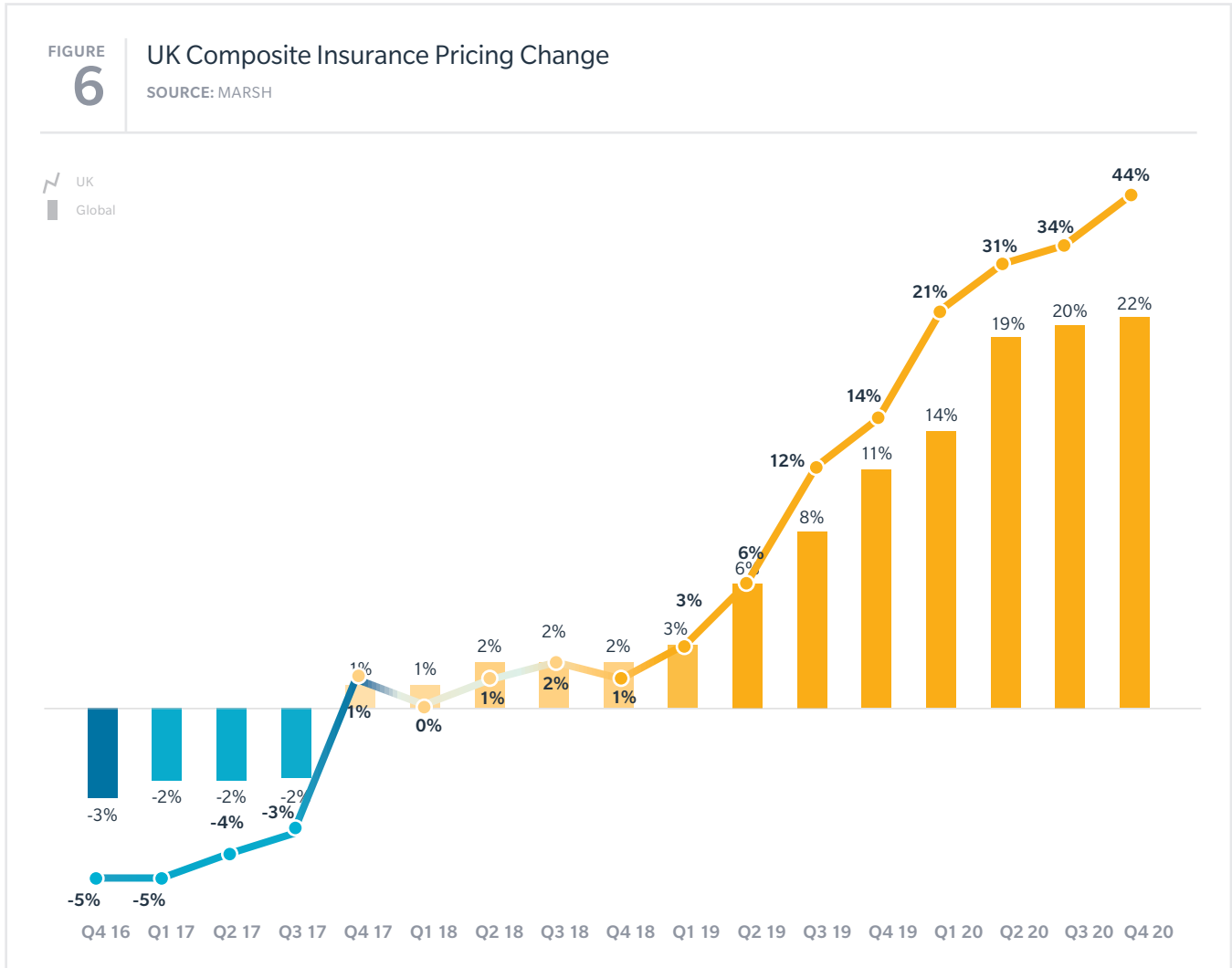
Financial and professional lines rates increased 28%, driven by D&O pricing.

- D&O for publicly traded companies increased 44%, lower than the 51% increase in the prior quarter.
- 95% of D&O clients experienced pricing increases in the fourth quarter, and 15% reduced limits.
- D&O pricing moderated as the fourth quarter progressed. In the first half of 2021, it is expected that average pricing increases will continue to soften, barring unforeseen changes in conditions, although some challenging renewals will exist.

- Insurer responses to excessive fee litigation has put pressure on fiduciary pricing, making it more challenging to find primary capacity.
- Cyber pricing increased 17%, the largest increase since 2015. The increase in ransomware attacks has seen average ransom payments top US\$1 million.
 - Insurers in many cases have scaled back to a maximum of US\$10 million in limits on any one risk, and narrowed coverage for ransomware-related losses.
 - All industries have been affected, particularly health care, manufacturing, education, and public entities.

UK Pricing: Thirteenth Consecutive Quarter of Increases

Overall, insurance pricing in the fourth quarter of 2020 in the UK increased 44% (see Figures 6 and 7).



Property pricing increased 24%.

- The market remained challenging, with pricing increases consistent with those observed in the third quarter.
- In general, larger clients experienced higher increases, in the 30% to 35% range.
- Renewals for larger companies featured significant negotiations on terms and conditions.
- Increases for smaller companies averaged 15%.
- Exclusions continued to be a concern in relation to COVID-19 and cyber risk.

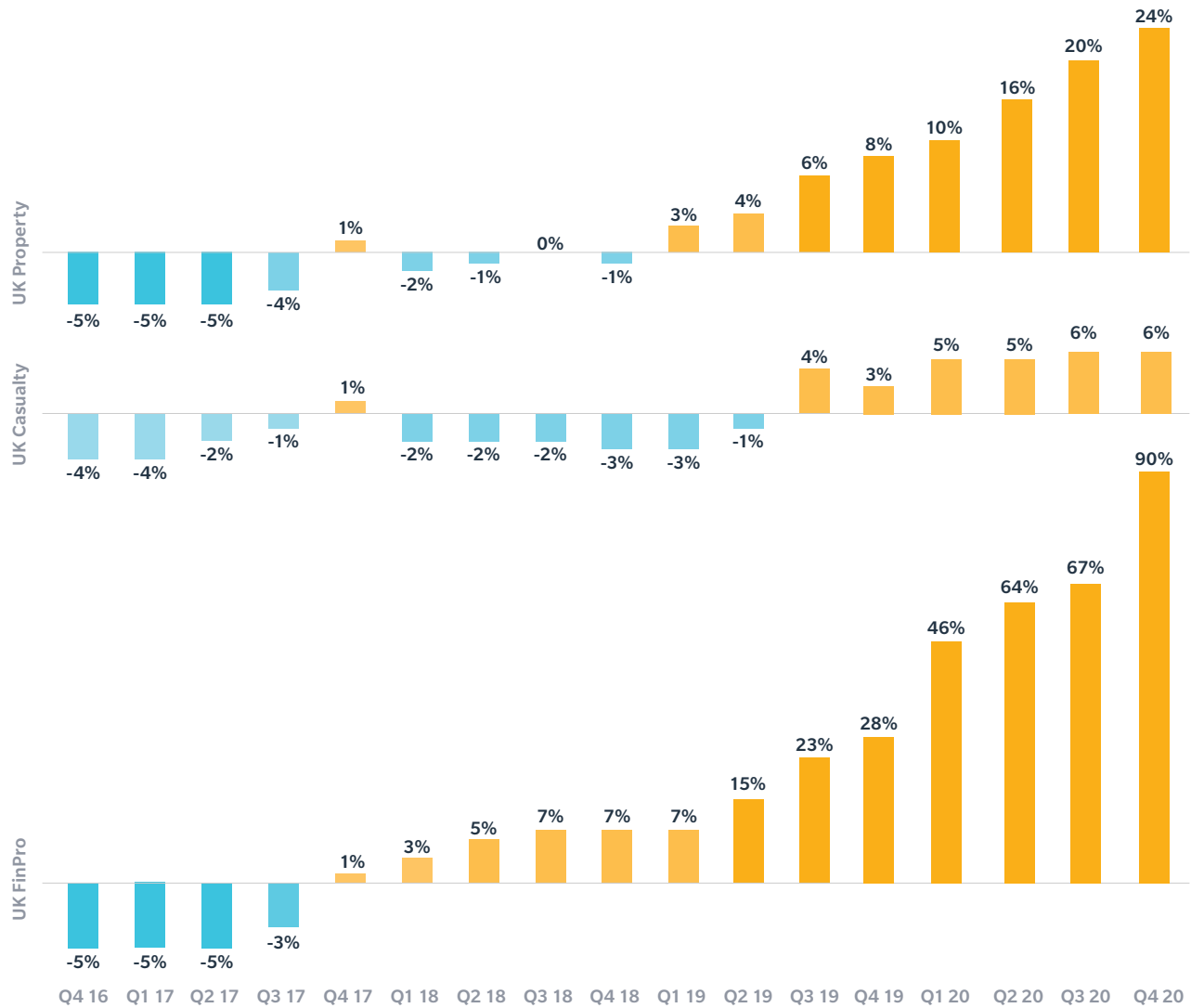
Casualty pricing increased 6%.

- General liability (public and product liability) generally increased more than other casualty products for both large and midsize clients. Increases typically ranged from 10% to 15%.
- The employers liability market remained competitive, with pricing increases in the low-single digits.
- Capacity continued to reduce for excess of loss placements.
- Auto liability clients continued to see pricing increases of 1% to 2% as competition remained.

FIGURE
7

UK Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



Financial and professional lines pricing increased 90%, largely due to D&O.

- Renewals continued to be extremely challenging, with some D&O clients receiving triple-digit increases as capacity departed the primary and low excess markets. New insurers in the market in 2021 should bolster the mid-excess space and provide some relief.
- Insurers justified large D&O price increases and restricted coverage terms by citing a deterioration in claims, a COVID-impacted economy, insolvencies, wrongful trading, and a lag on claims post government support.

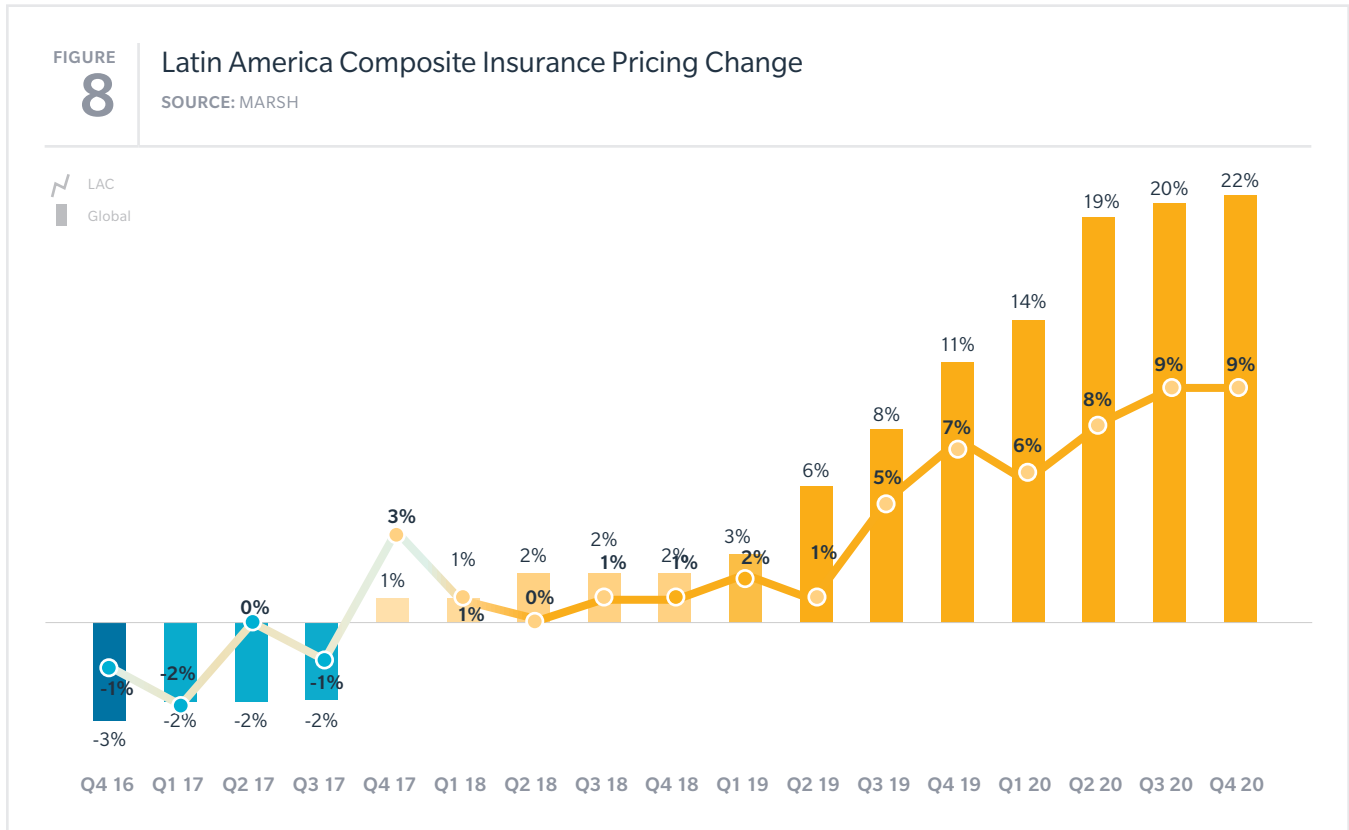
- Commercial crime pricing increased 80%, on average, as insurers continued to withdraw from this class of business. Increases of 100% were common.

- For financial institutions (FI) clients, markets continued to monitor capacity and pushed for higher rates, though there was some slowing in the magnitude of increases from the prior quarter. Pressure on capacity and rate may ease in the future as new entrants come into the market.

- Cyber pricing increased 25% to 30% due to an increase in frequency and severity of claims. Capacity remained available, but carriers closely managed total capacity deployed on any given risk. Some cyber insurers introduced co-insurance/specific ransomware strategies.

Latin America and Caribbean Pricing: Property, D&O Lead Increases

Insurance pricing in the fourth quarter in the Latin America and Caribbean (LAC) region increased 9% (see Figures 8 and 9). The overall average composite pricing in LAC has now increased for 13 consecutive quarters, but the rate of pricing increase has lagged that of other regions.



Property pricing in the region increased 16%.

- Pricing increases exceeded 15% in several countries, including Chile, Colombia, and Mexico.
- Insurers pushed to increase price as capacity decreased for complex risks.
- Carriers asked for more information as they analyzed exposures and selectively deployed capacity.
- Global insurers generally excluded strikes, riots, and civil commotion (SRCC) from property programs; local markets continued to provide that coverage.

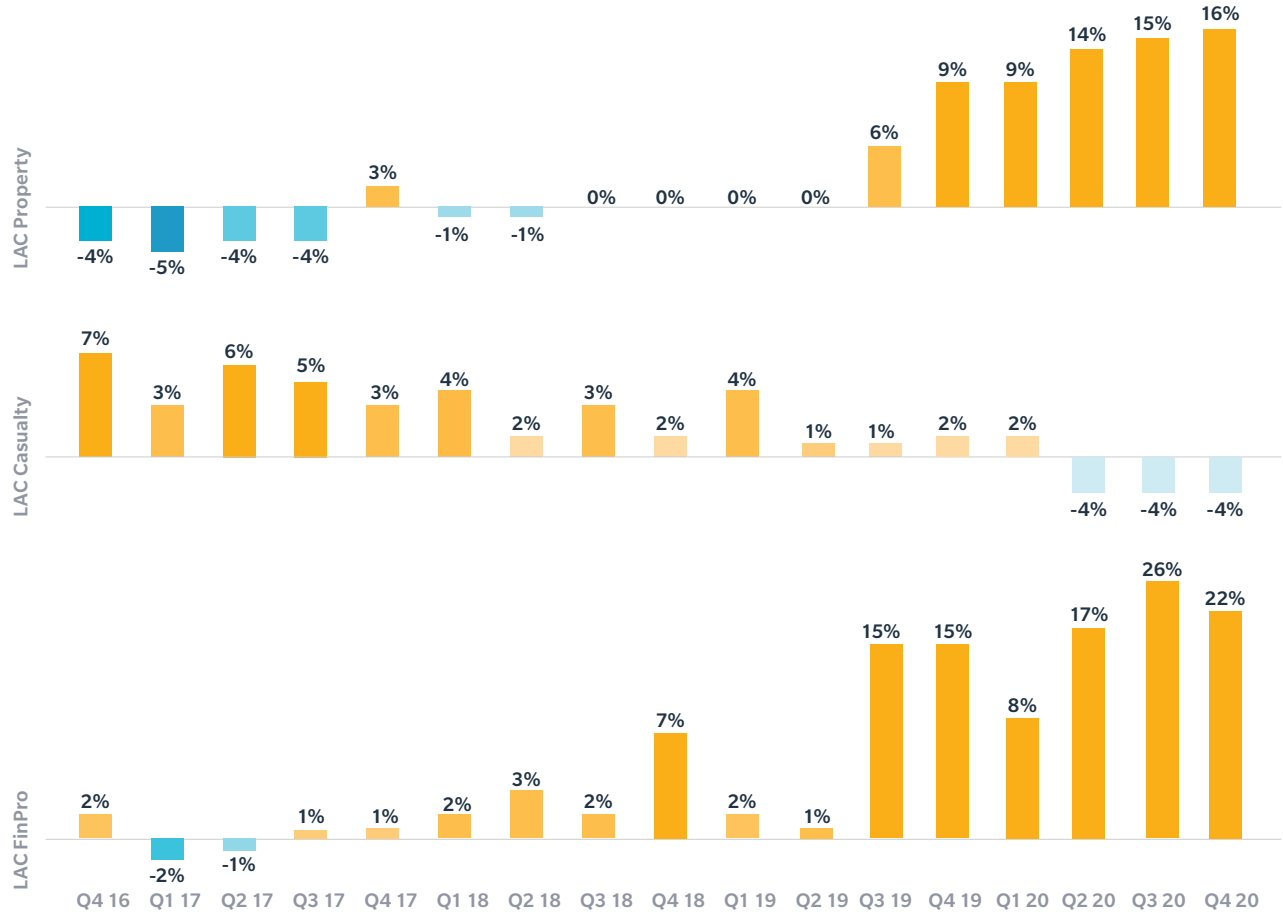
Casualty prices declined 4%.

- Local capacity and competition in many countries — including Mexico, Brazil, Peru, and Argentina — continued to mitigate casualty pricing increases. Pricing was somewhat firmer in countries that rely more on facultative capacity, such as Colombia and Chile.
- Adequate loss ratios and insurers’ desire to increase their top-line continued to mitigate pricing increases across casualty products.
- Auto exposure and claims drove a reduction in auto liability pricing, which decreased in many countries, including Argentina, Colombia, and Brazil.
- General liability pricing increased in the single digits across the region.

FIGURE
9

Latin America Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



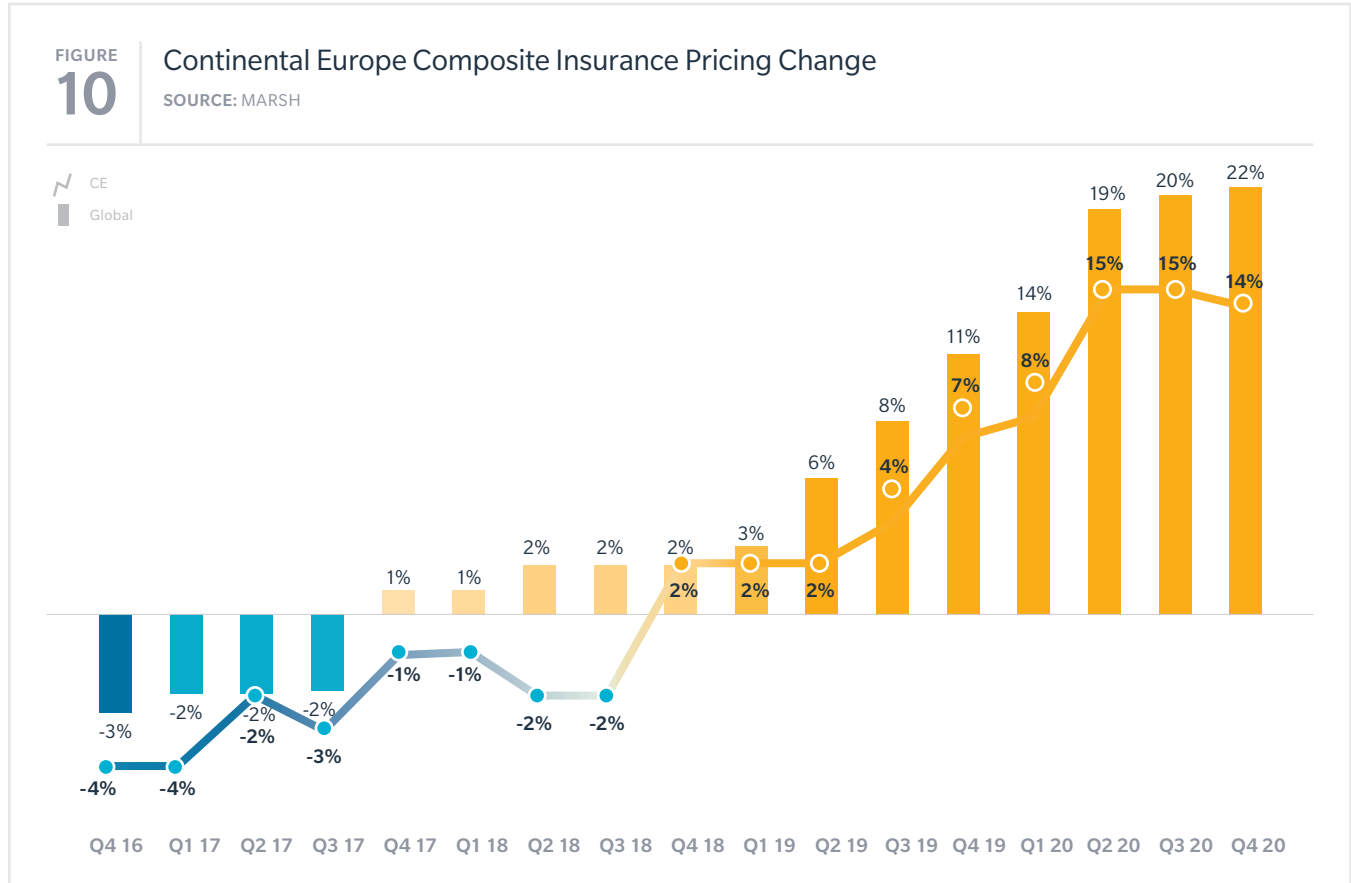
Financial and professional lines pricing rose 22%.

- D&O generally had the largest price increases, averaging 15% to 20%. Some companies experienced increases above 50%, particularly in Brazil, Colombia, and Chile.
- The FI and energy, power, and utilities sectors experienced the largest increases.

- Among D&O accounts, 65% of clients experienced a price increase.
- D&O pricing increased due to restrictions in market appetite and overall lack of capacity.

Continental Europe Pricing: Increases Stay Below Global Average

Insurance pricing in the fourth quarter of 2020 in Continental Europe (CE) increased 14% (see Figures 10 and 11).



Property pricing in CE rose 19%, the ninth consecutive quarterly increase.

- Large, complex multinational clients generally experienced increases greater than 25% to 30%. Clients' decisions to increase retentions and/or reduce limits mitigated some of the impact.
- Pricing increases for smaller clients were generally in the high-single to low-double digits.
- The quarter's challenges included changes in wordings and insurers to pursue exclusions, particularly for communicable disease and cyber.
- Pricing pressure and capacity limits continued to drive the use of traditional wholesale markets (London and Zurich) and the demand for alternative structures.

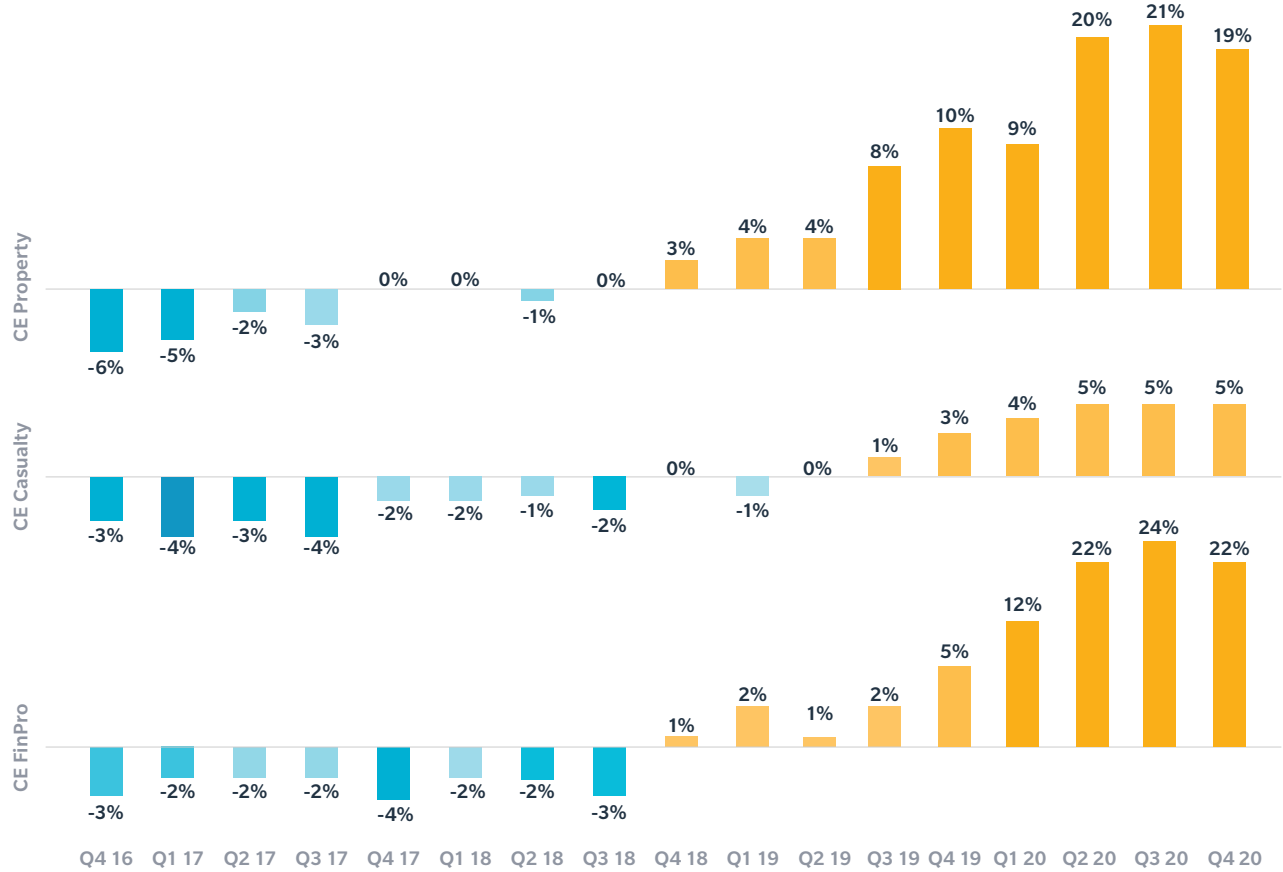
Casualty pricing increased 5%, the sixth consecutive quarterly increase.

- Excess casualty and US-exposed placements continued to be the most challenging.
- General liability pricing increased in the single digits in most countries.
- Pricing for workers' compensation generally increased in the single digits across the region due to tightening capacity.
- Auto pricing remained generally stable/flat.

FIGURE
11

Continental Europe Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



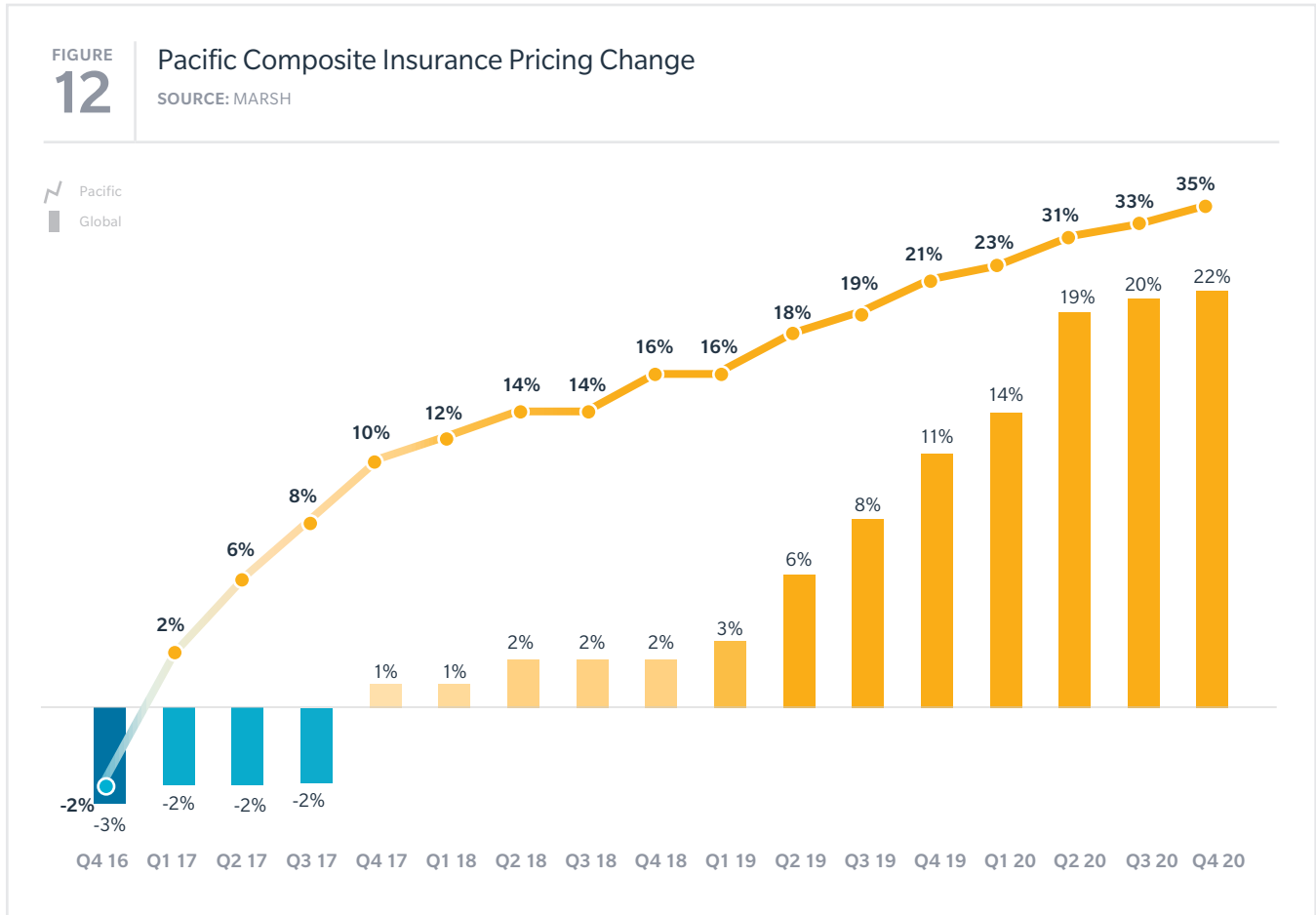
Financial and professional lines pricing increased 22%.

- Average D&O pricing increases in the larger countries — Germany, France, and Italy — ranged from 25% to 40%, with generally higher increases for major programs in distressed sectors or with US exposure. More than 65% of clients experienced an increase.

- Insurers continued to be selective in their approach and their willingness to deploy D&O capacity.
- Pricing increases for financial institutions and professional liability generally ranged from 10% to 25%.

Pacific Pricing: All Major Lines Continue to Increase

Overall insurance pricing in the fourth quarter of 2020 in the Pacific region increased 35%, continuing an upward trend that began in 2015 (see Figures 12 and 13).



Property pricing increased 31%, similar to the prior quarter, as the Australian market suffered heavy catastrophe losses in 2020.

- There continued to be a focus on coverage restrictions and wording to mitigate pricing increases.
- Clients reduced limits on large-limit programs to minimize pricing impacts.
- Underwriters continued to concentrate on pandemic and cyber clauses, catastrophe (CAT) limits and contingent business interruption exposures.

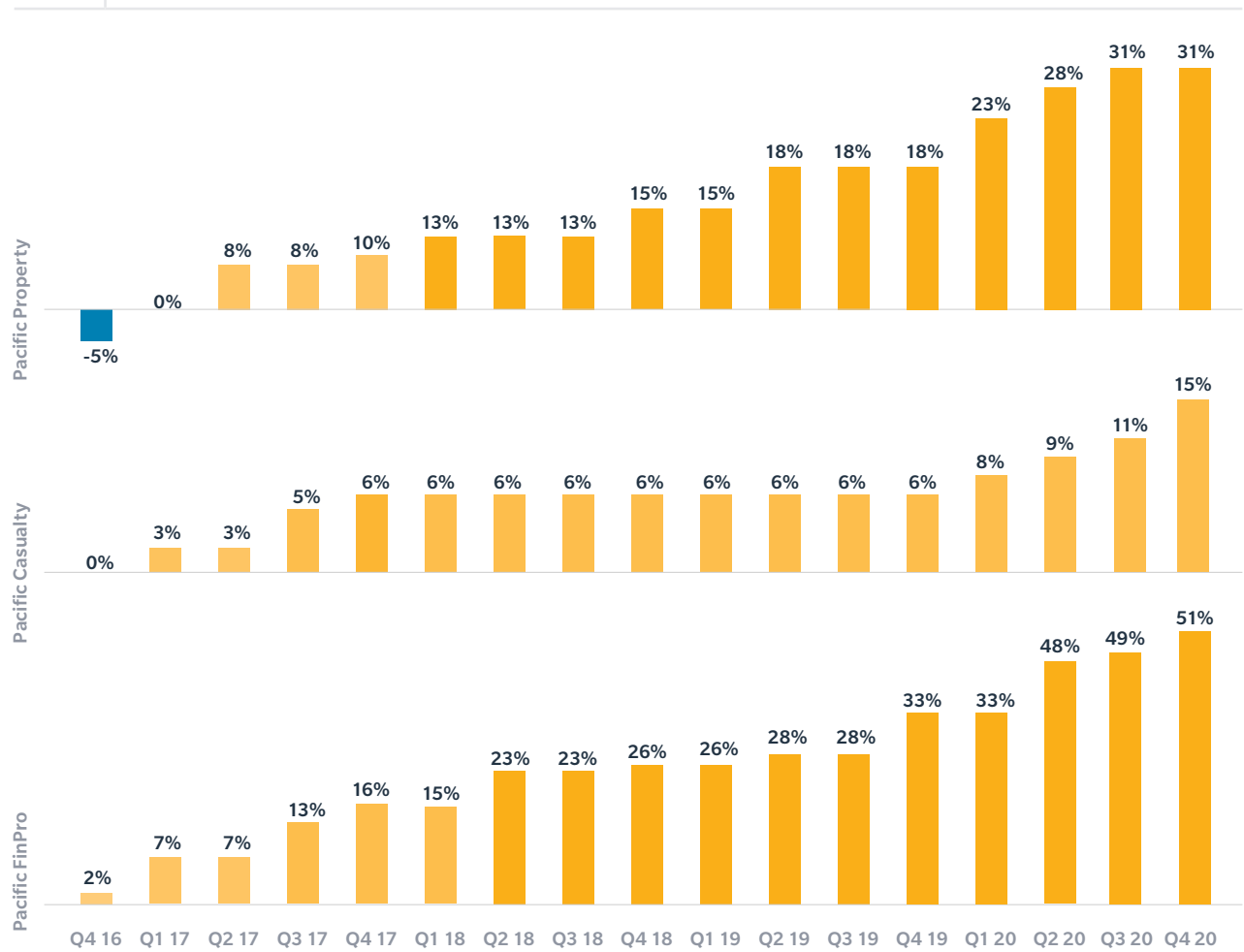
Casualty pricing rose 15%, the largest year-over-year increase since 2012.

- Bushfire, including power distribution; US-exposed organizations; and those with frequency claims records often experienced higher increases.
- Excess layer pricing increased at a higher percentage than did primary layers.
- Casualty claims increased due to systemic issues and specific COVID-19 impacts. Social inflation is rising due to increased medical costs, plaintiff friendly jury pools, and third-party claims litigation financing — all of which put pressure on insurer performance.

FIGURE
13

Pacific Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



- Several underwriters have reduced line sizes, contributing to pricing pressure on excess layers.

Financial and professional lines pricing rose 51%, marking 14 consecutive quarters of double-digit increases.

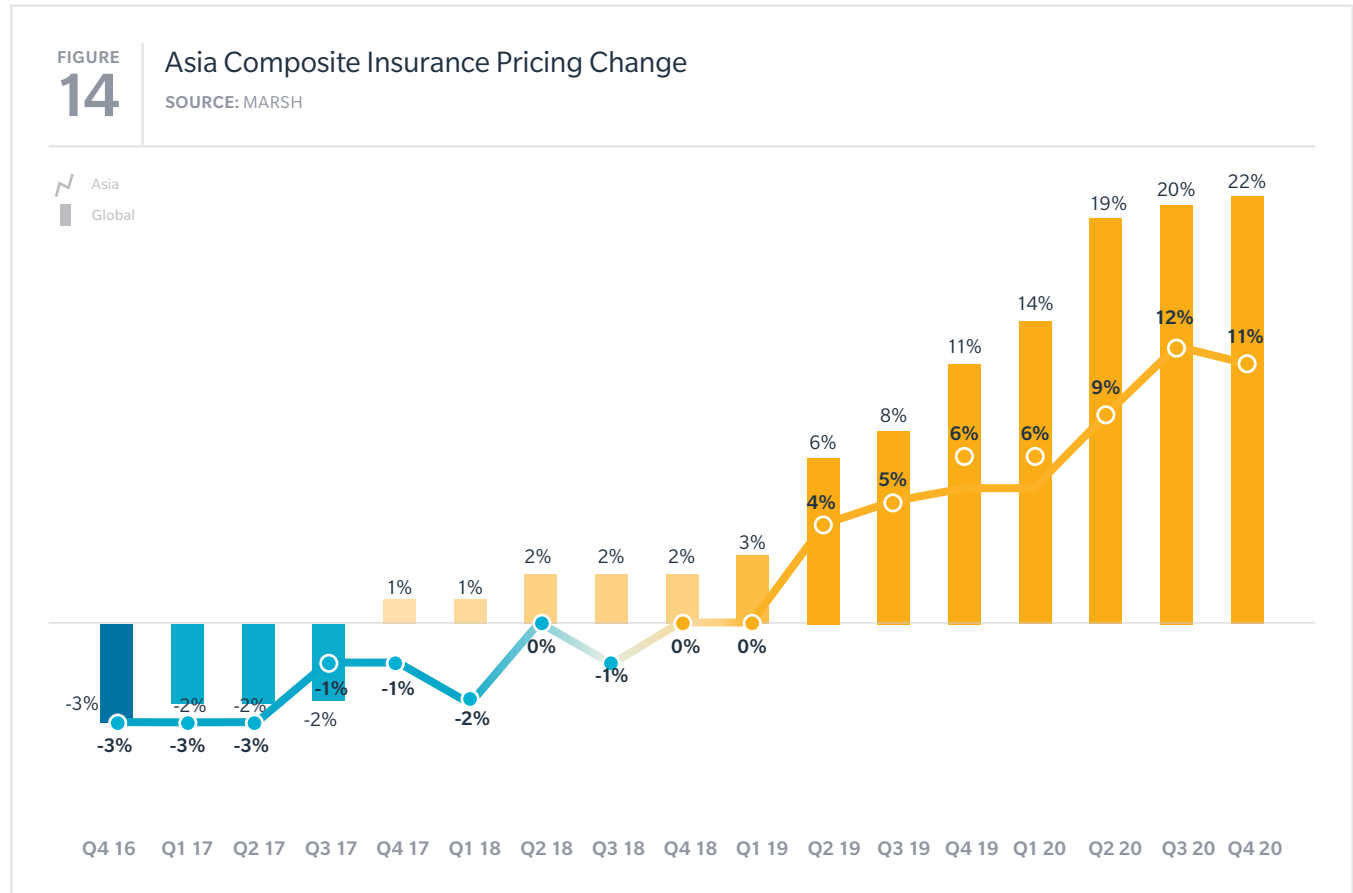
- The financial and professional lines market continued to deteriorate in the fourth quarter. All major lines — D&O,

professional indemnity (PI), and FI — were affected by reduced insurer appetite.

- Major claims continued to impact the market, particularly around listed company D&O and construction/engineering PI.
- Listed D&O accounts experienced increases above 100% in many cases, with reduced limits common.

Asia Pricing: Property, D&O Increase; Casualty Flat

Insurance pricing in the fourth quarter of 2020 in Asia increased 11% year-over-year (see Figures 14 and 15).



Property pricing rose 16%, the ninth consecutive quarter of increase.

- Pricing differentials continued to exist between international and domestic insurers.
- The domestic marketplace across most countries insulated small to medium enterprise clients from the sharpest increases.
- Clients with large CAT exposures and those requiring international capacity continued to experience double-digit pricing increases.

Casualty pricing remained generally flat, as it has for three years.

- 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.

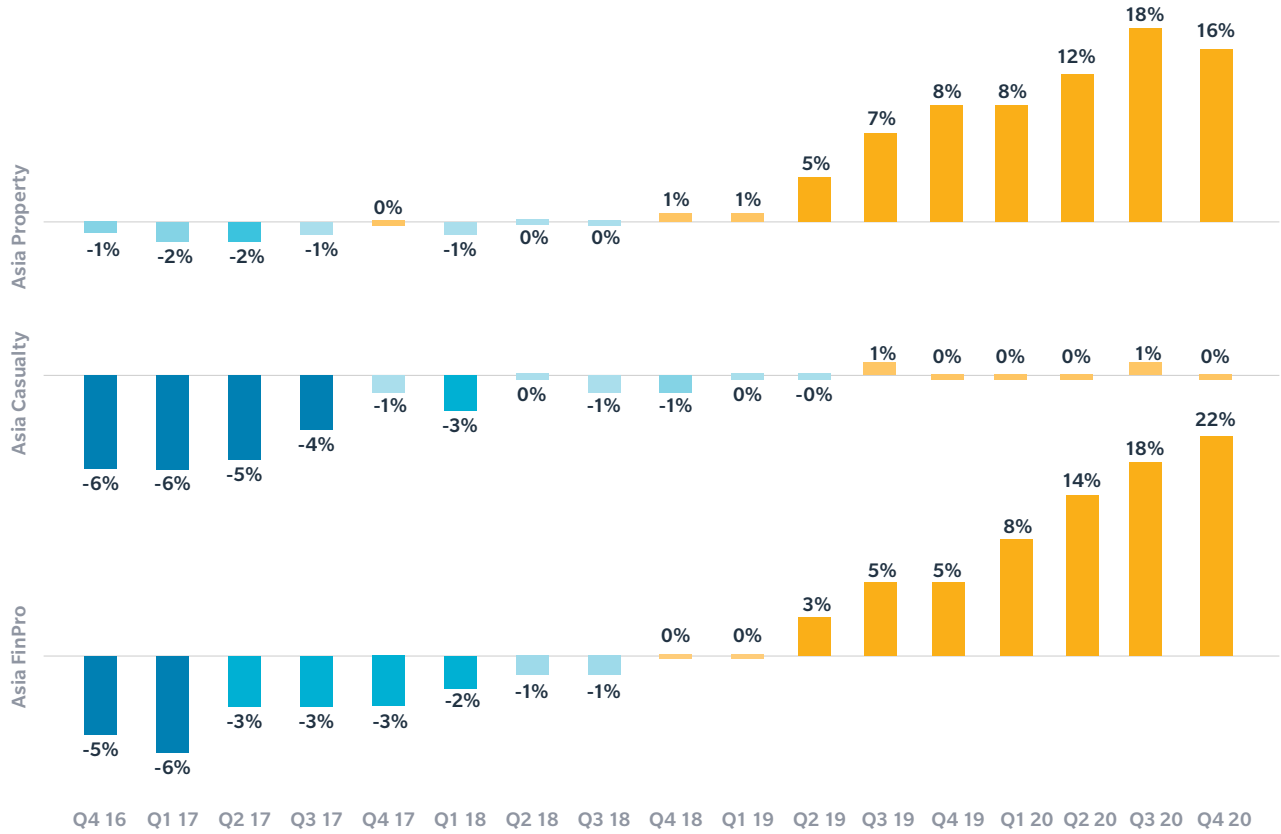
Financial and professional lines pricing rose 22%, the largest increase observed in several years and the seventh consecutive quarter of increase.

- A reduction in capacity, particularly from global insurers, driven by poor global underwriting results, contributed to pricing increases.
- US-listed D&O was most affected by the increases, which ranged to 100% amid limited insurer appetite.
- Many clients elected for increased retentions to minimize premium increases.
- 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 rest of the world. Coverage restrictions were imposed on some clients.

FIGURE
15

Asia Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



- Cyber insurance was more challenging as the underwriting process sought increased detail and as coverage was restricted in areas such as ransomware.
- Commercial crime experienced capacity withdrawal over concerns about social engineering and phishing-triggered fraud.

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