

Global Insurance Prices Continue to Rise

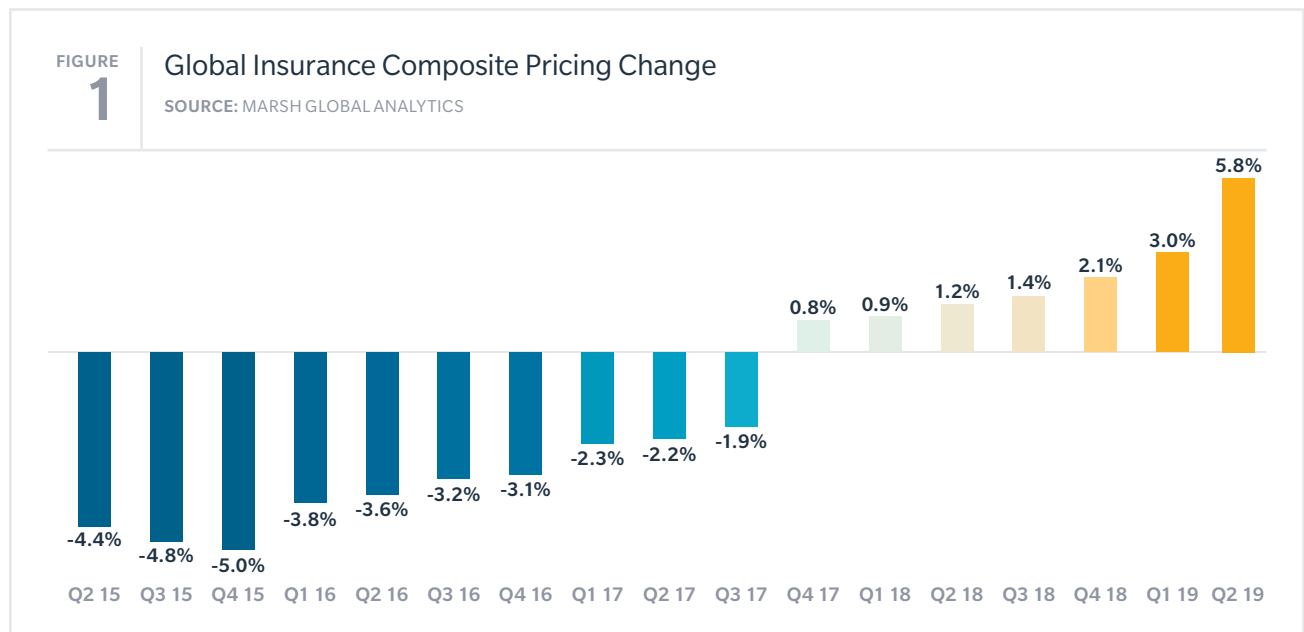
Global commercial insurance prices rose by 6%, in the second quarter of 2019 (see Figure 1), nearly double the increase observed in the first quarter. The increase in the second quarter represents the largest increase in the *Marsh Global Insurance Market Index* since its inception in 2012.*

Overall, the insurance market demonstrated increased pricing in all major geographic regions and across multiple products. Globally in the second quarter:

- Pricing increased in all three major product lines — property, casualty, and financial and professional liability (see Figure 2).
- Property and financial and professional liability pricing increased for the seventh consecutive quarter.
- Property insurance pricing increased by 8%.
- Casualty pricing increased by 1%.
- Financial and professional liability rose by nearly 10%.

For the third consecutive quarter, all regions reported composite pricing increases (see Figure 3). Regionally, composite pricing in the second quarter increased as follows:

- US 5%.
- UK 6%.
- Continental Europe 2%.
- Latin America and the Caribbean 1%.
- Asia 4%.
- Pacific 18%.



*Note: All references to pricing and pricing movements in this report should be considered averages, unless otherwise noted.

FIGURE
2

Global Composite Insurance Pricing Change — By Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS

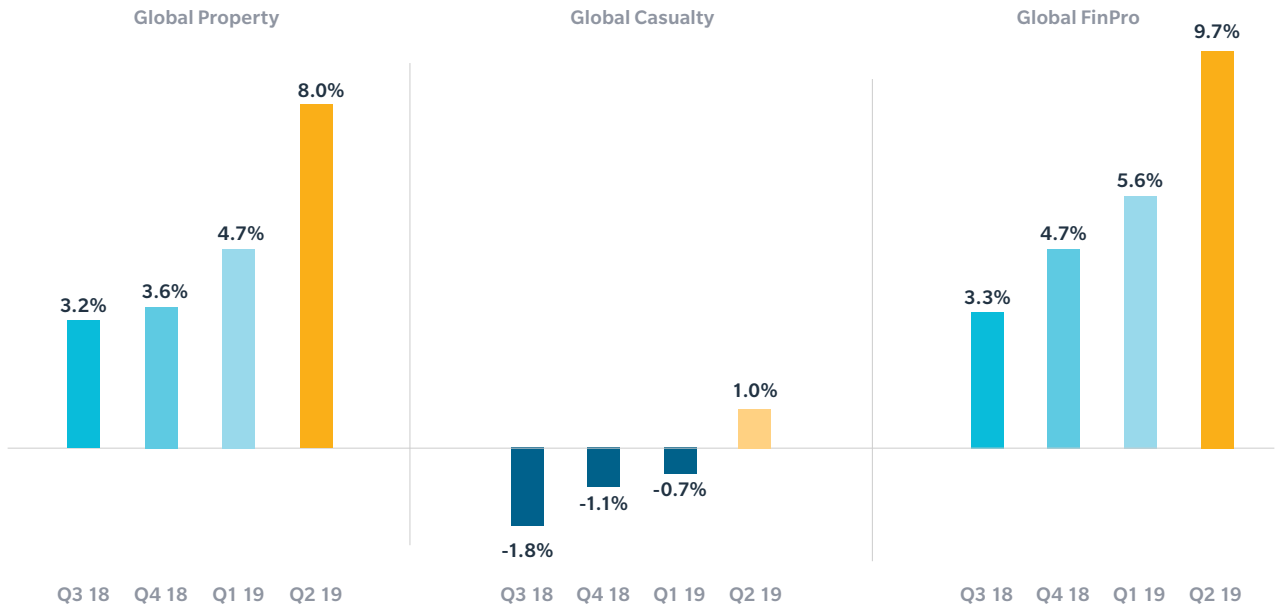
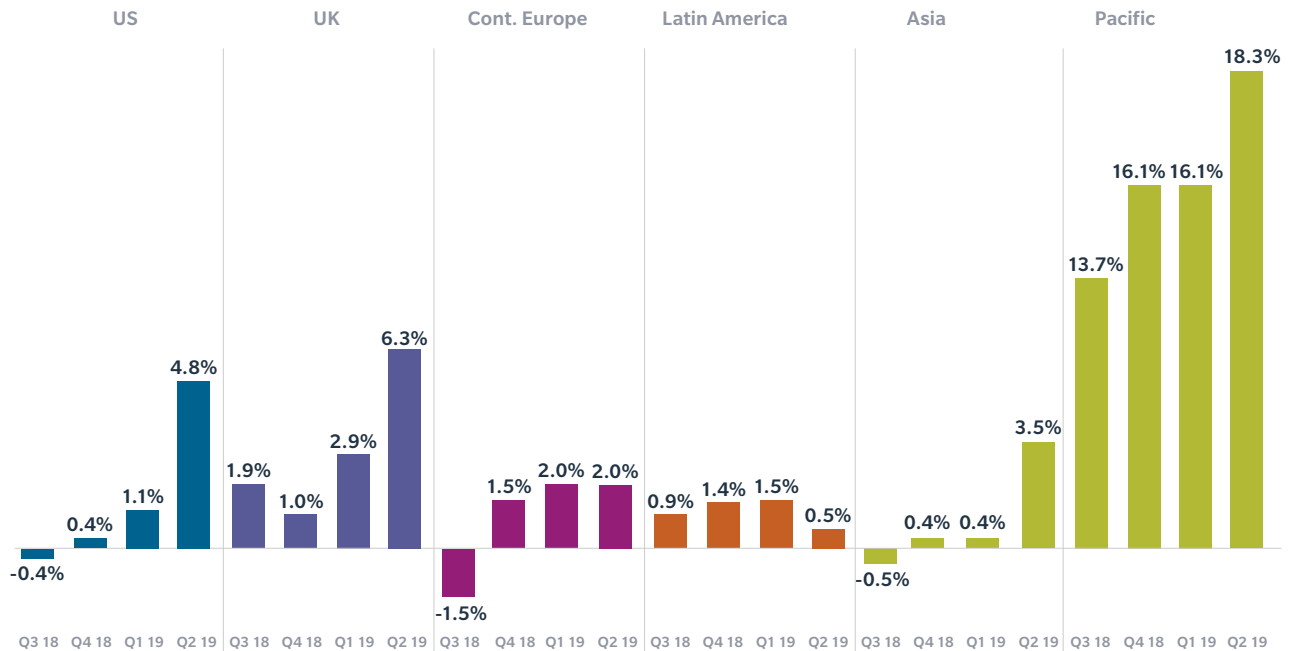


FIGURE
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Composite Insurance Pricing Change — By Region

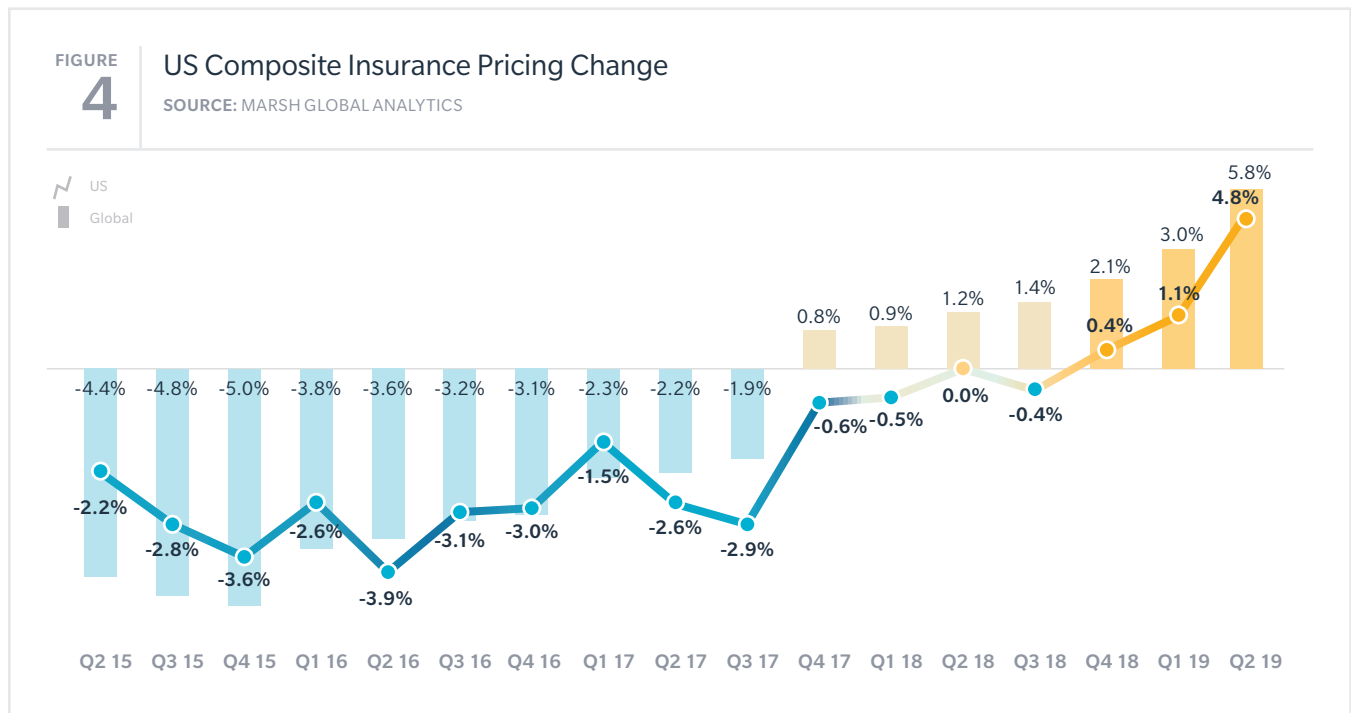
SOURCE: MARSH GLOBAL ANALYTICS





US Composite Pricing Increases Across Major Coverage Lines

Insurance pricing in the second quarter of 2019 in the US increased by nearly 5%, year-over-year (see Figure 4). The general trend was toward a more challenging insurance market for buyers across the majority of coverage lines (see Figure 5).



Property pricing in the US has increased each month since October 2017.

- Property rates in the US increased nearly 10% in the second quarter, twice the level of recent quarters.
- Catastrophe (CAT) pricing increases rose by 14% in the quarter, twice the rate of increase of non-CAT exposures.

Casualty pricing in the US increased for the first time in two years.

- Excess lines pricing rose 6%, with increases for nearly 60% of clients.
- General liability increased slightly less than 1%, with 70% of organizations showing either no pricing change or an increase.

- Workers' compensation pricing decreased by 1.4% on average in the quarter, although prices increased for 35% of clients.
- For both general liability and workers' compensation, the percentage of clients receiving a price decrease was the lowest in several quarters.

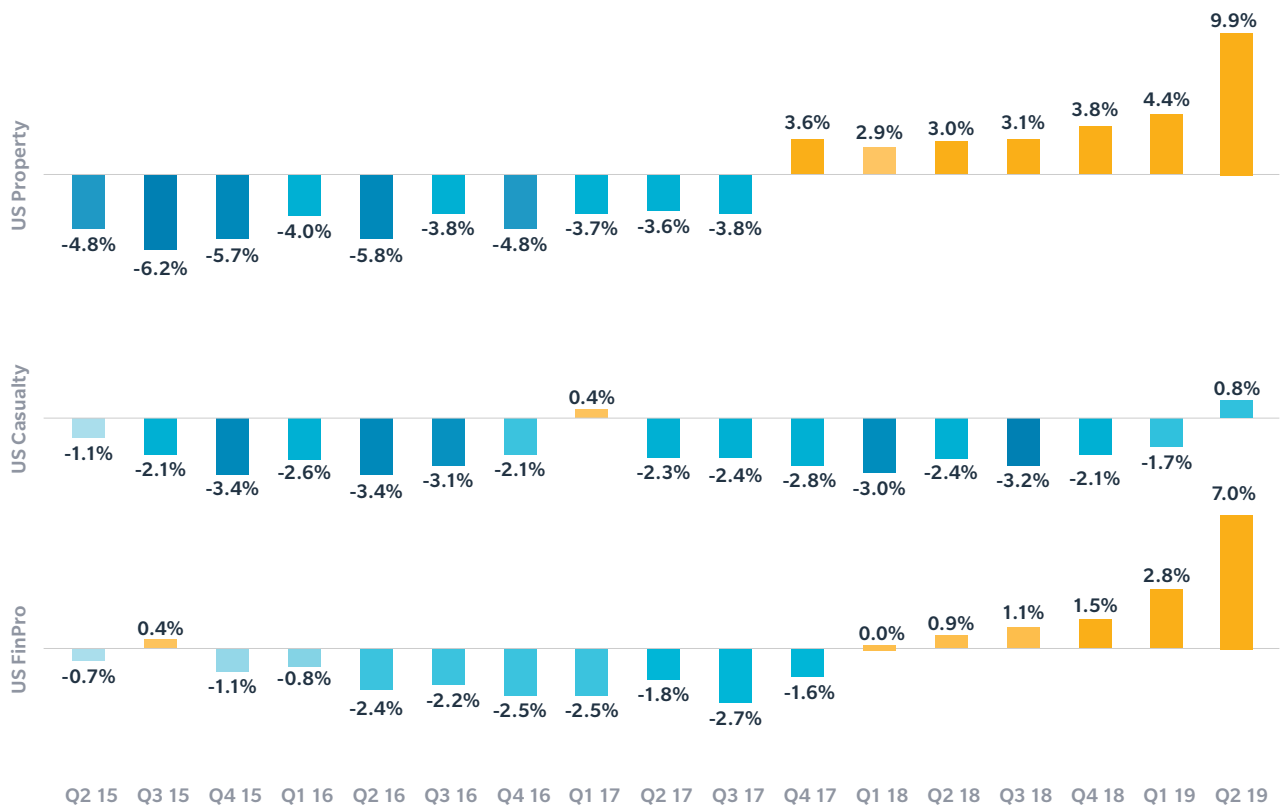
Financial and professional liability insurance rates in the US increased by 7%, driven by directors and officers (D&O) pricing.

- Financial and professional liability pricing has increased six consecutive years.
- Pricing for public companies D&O increased nearly 13%, with 85% of clients experiencing an increase, the highest percentage of increased accounts in several quarters.

FIGURE
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US Composite Insurance Pricing Change - By Major Coverage Line

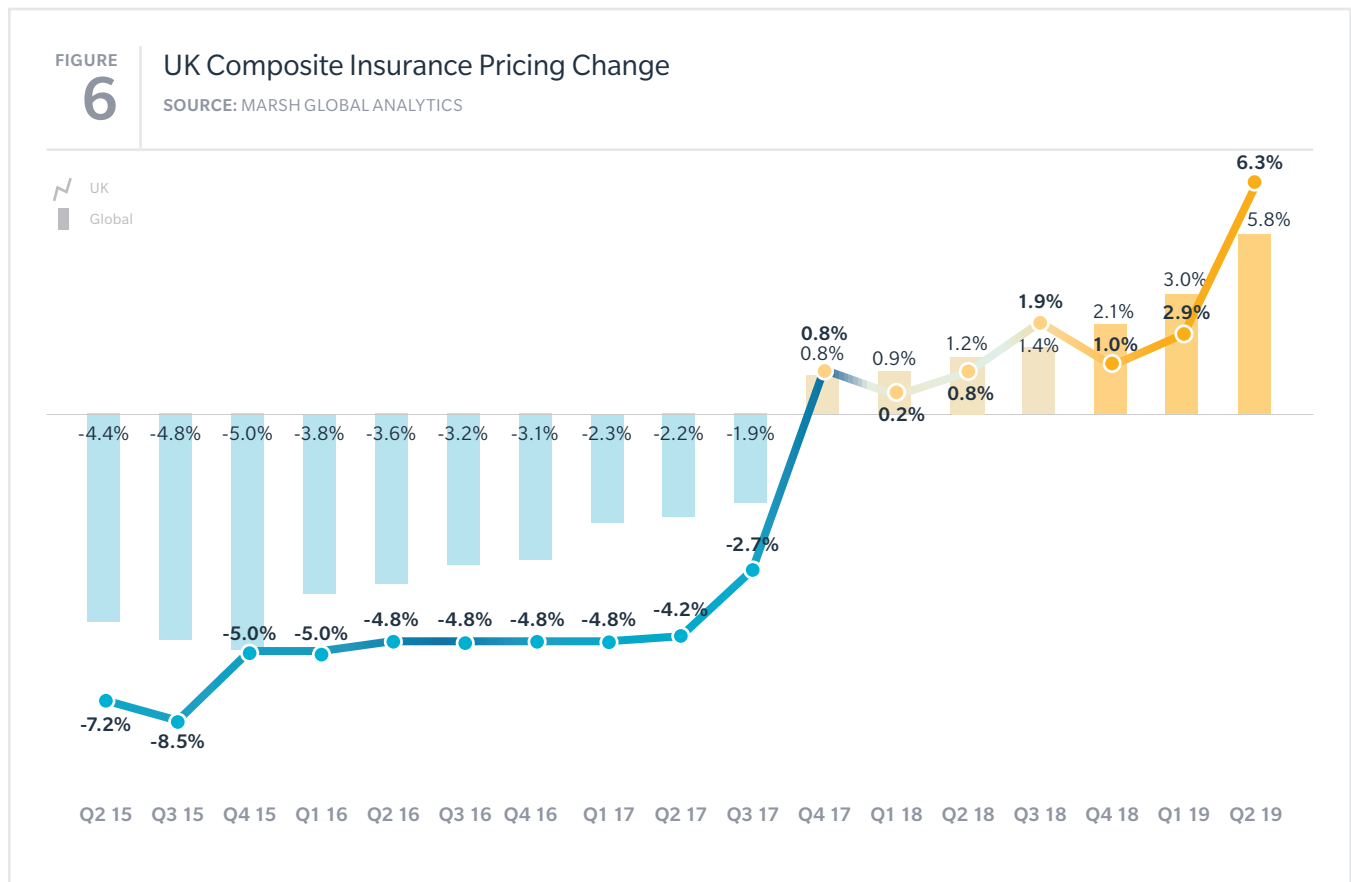
SOURCE: MARSH GLOBAL ANALYTICS



- The upward pricing movement observed in the first quarter accelerated in the second quarter due to several factors, including:
 - **Litigation:** Increased frequency and severity in both traditional securities and derivative lawsuits. In addition, event-driven litigation is expanding claims to areas such as #MeToo, cyber breaches, social media, privacy, products, and safety.
 - **Insurer reaction:** Many insurers seeking increases on both primary and excess layers. Insurers are also looking to alter terms and conditions, and to exit certain lines or segments.
 - Cyber insurance pricing increased by 2.5%.

UK Composite Pricing Rises for Seventh Consecutive Quarter

Overall insurance pricing in the second quarter 2019 in the UK increased by slightly more than 6%, year-over-year, driven by increases in property and financial and professional liability (see Figures 6 and 7).



Property pricing increased 3.5% as the UK multinational market remained in a period of transition.

- Slightly reduced competition as some insurers now willing to walk away from major renewals.
- Pricing for midsize companies generally more competitive than larger risks.

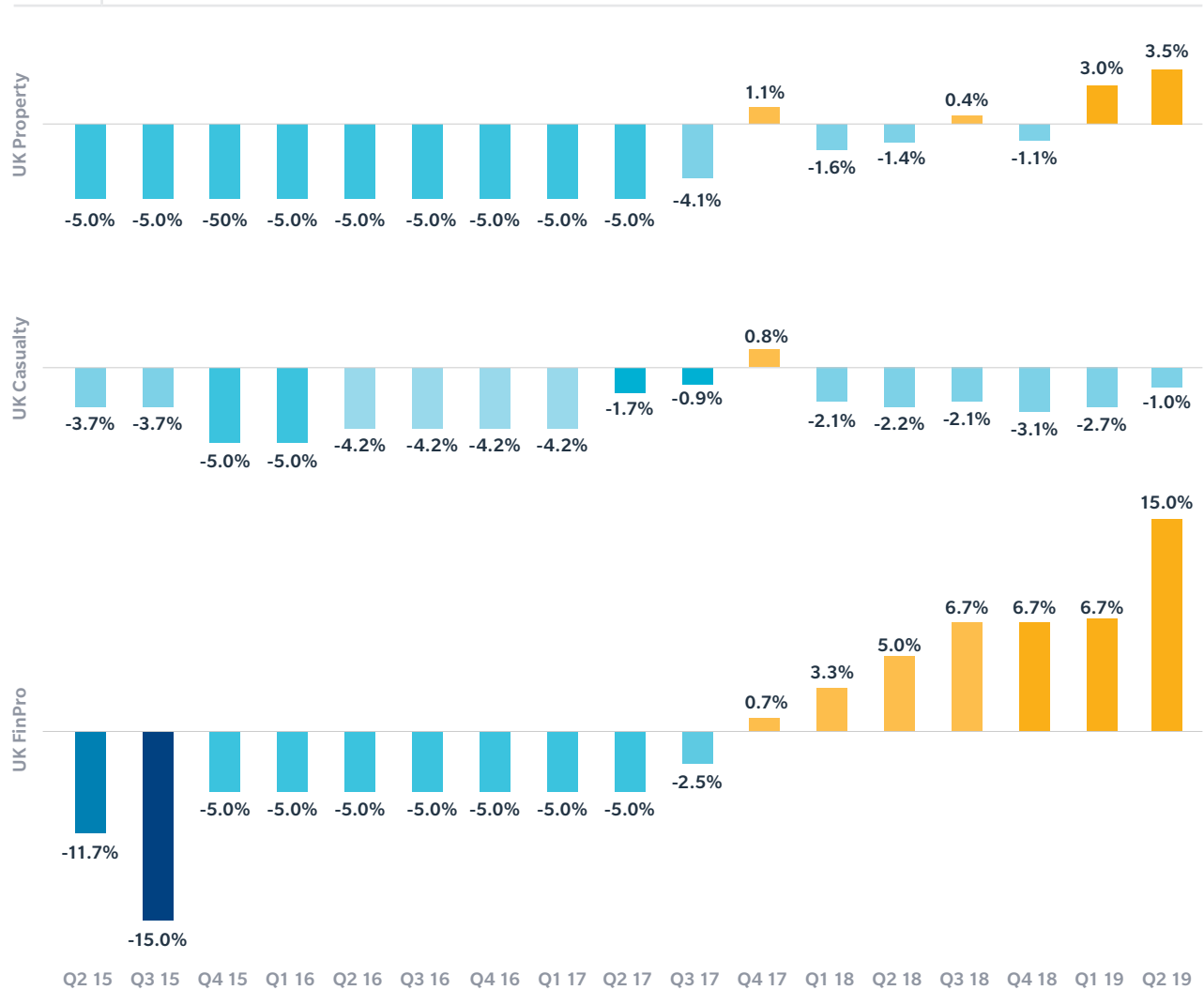
Casualty pricing declined 1.0%.

- Rate reductions were generally available; however, insurers becoming more demanding regarding terms and conditions, particularly for data and cyber coverage.
- Fewer rate reductions overall compared to early 2018.
- Motor liability continued to be more challenging with pricing increasing consistently.

FIGURE
7

UK Composite Insurance Pricing Change - By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



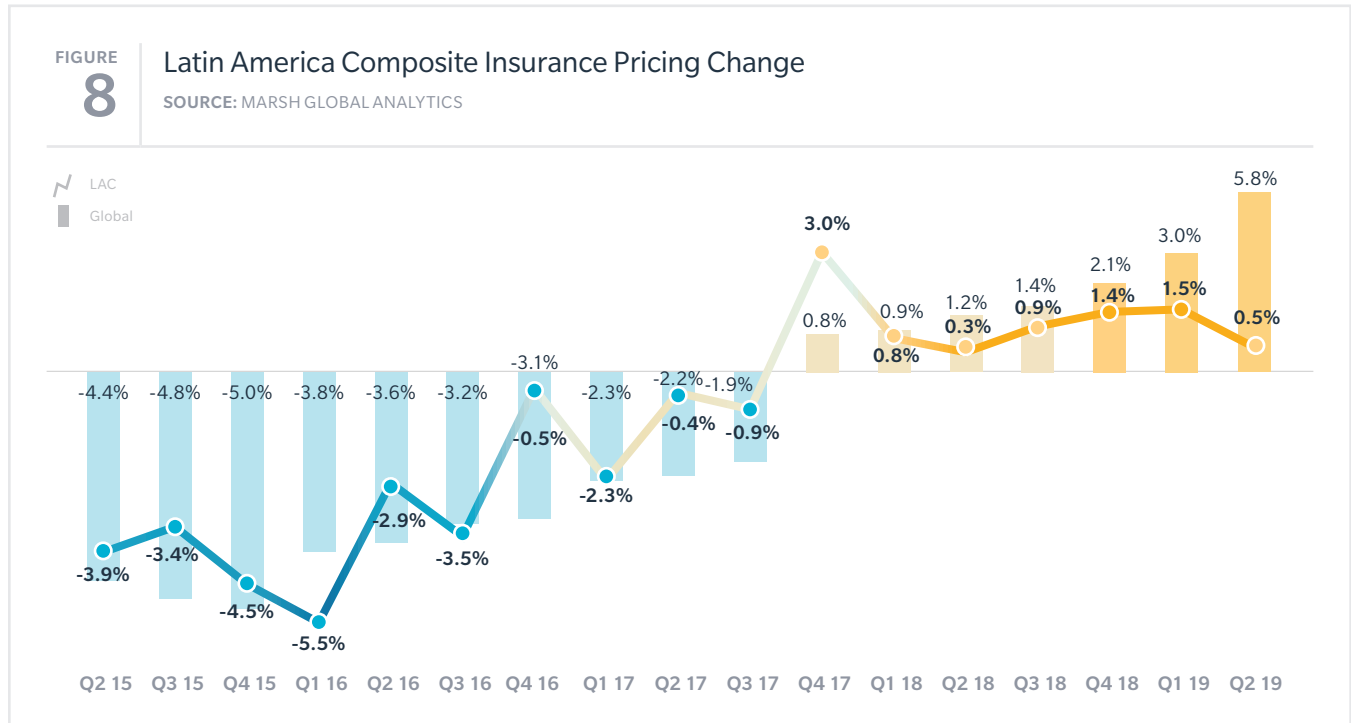
Financial and professional liability pricing increased more than 15%, with increases ranging between 5% and 50% in the quarter. Most large, non-US listed clients generally saw increases from 30% to 100%, a trend expected to continue through the rest of the year.

- Some variability in pricing by segment as larger organizations generally saw greater increases.

- There has been a market-wide deterioration in claims developments, impacting pricing.
- The surge in US securities claims since 2016 has created challenges in certain market segments.
- Few new market entrants in 2019.

Latin America Pricing Increases in all Major Product Lines

Insurance pricing in the second quarter of 2019 in the Latin America and Caribbean (LAC) region increased by less than 1%, year-over-year (see Figures 8 and 9).



Property pricing increased slightly (0.3%) in the second quarter and has fluctuated within a narrow band of -1% to +1% for five quarters.

- CAT risks, which are more dependent on the international market, continued to see slight increases.
- Non-CAT property pricing moved within a very narrow band across the region of -2% to +2%.
- Chile continued to show the largest increases across both property categories.

Casualty prices rose by nearly 1%, and have increased in the low- to mid-single digits every quarter for almost three years.

- Auto liability pricing increases slowed from prior quarters. Mexico was the only large market country reporting an average price increase in the quarter, a marked difference from prior quarters in which nearly all large countries reported increases.

- Pricing for general liability generally fell within a range of -5% to +5% across most LAC countries.

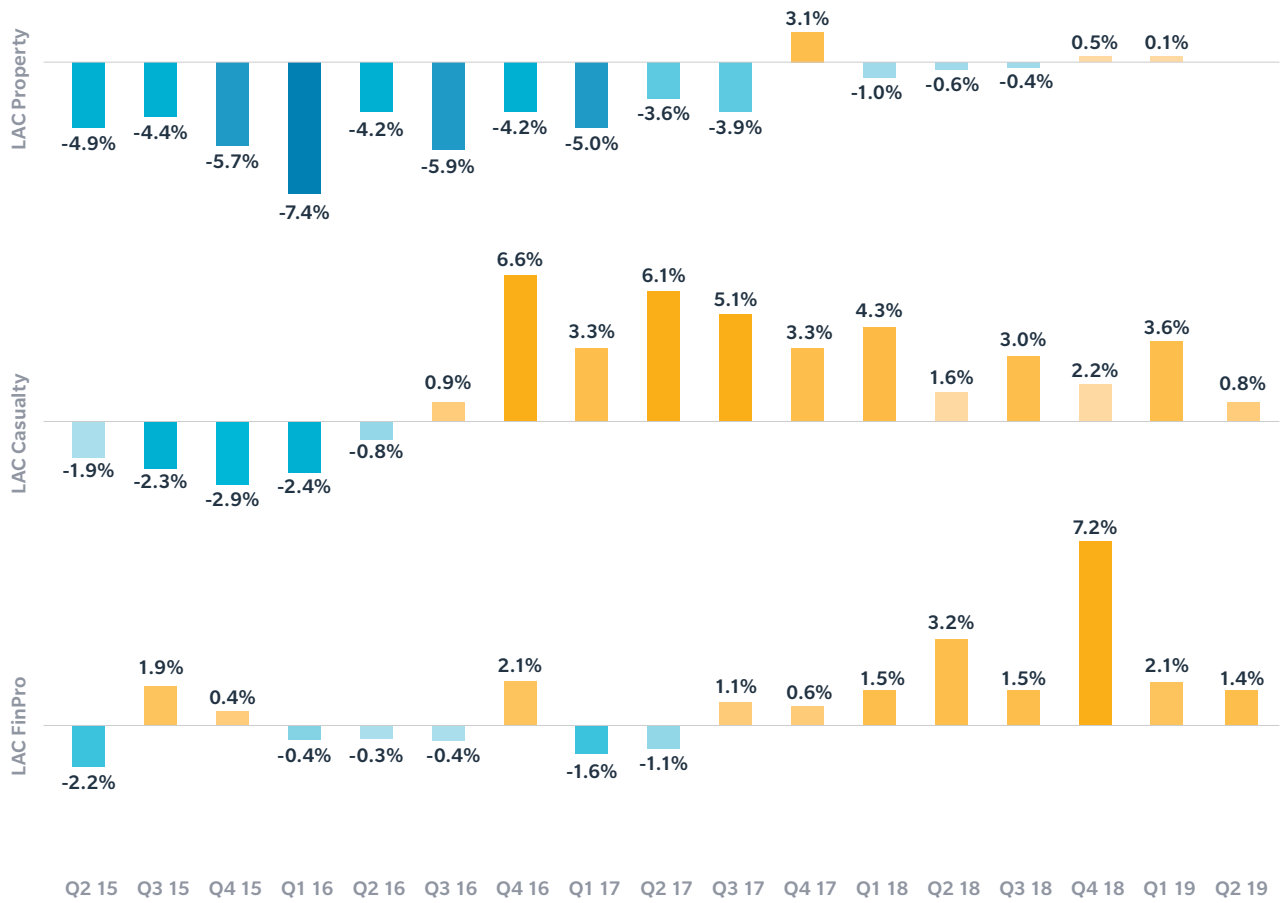
Financial and professional liability pricing increased more than 1% in the quarter, the region's eighth straight quarterly increase.

- Financial and professional liability pricing increases were moderate in most countries.
- The average increase was driven in part by pricing for financial institutions in Brazil, which showed increases of 5% to 10%, and D&O in Colombia, which was up more than 10%.

FIGURE
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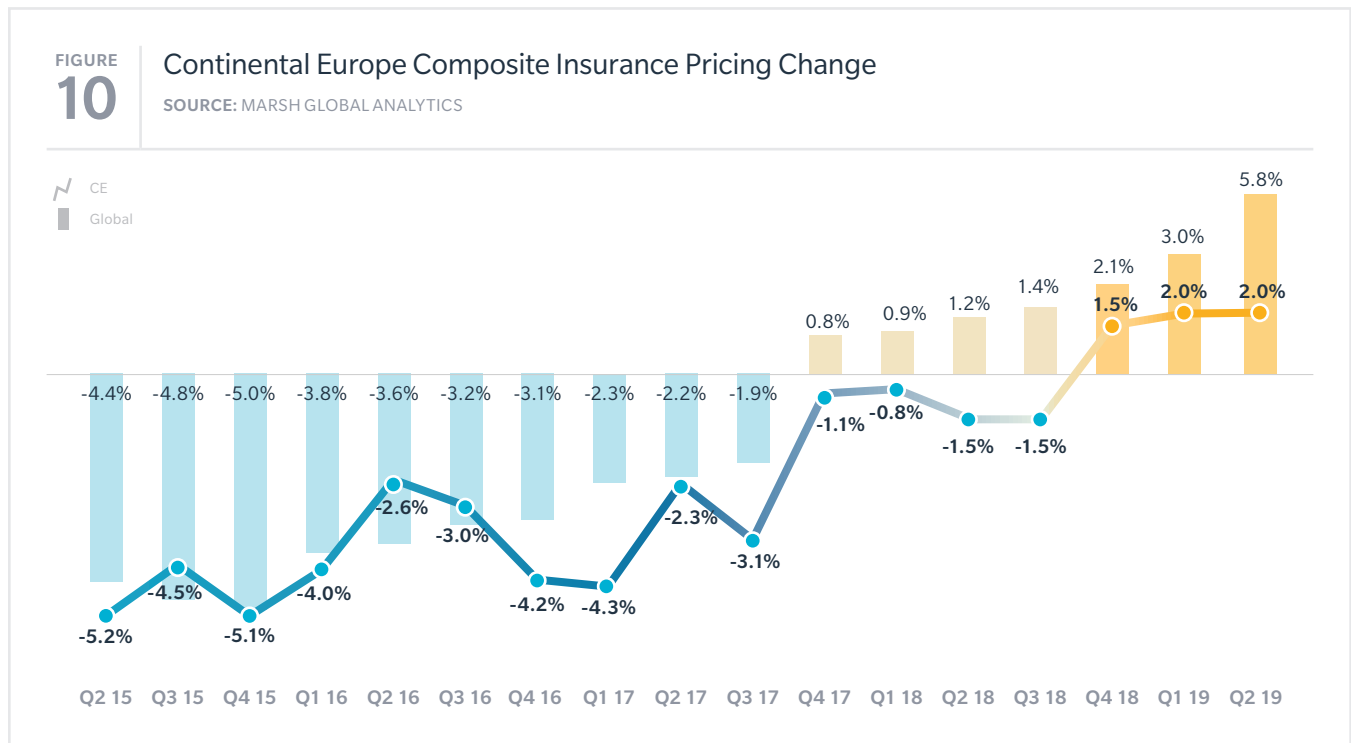
Latin America Composite Insurance Pricing Change - By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Continental Europe Pricing Increases for Third Consecutive Quarter

Insurance pricing in the second quarter of 2019 in Continental Europe (CE) increased by 2.0% year-over-year, driven primarily by property insurance (see Figures 10 and 11).



Property insurance pricing in CE rose more than 4%, the third consecutive quarter of increases and the longest trend of pricing increases in five years.

- Pricing for CAT risks increased single digits across the region and in most major CE countries.
- Non-CAT property pricing showed variability. Most major markets had slight increases; smaller countries reported either stable pricing or slight decreases.
- Pricing increases across CAT and non-CAT risks were largely attributed to a number of major insurers re-underwriting their portfolio and reducing exposures, combined with a broader reduction in available capacity.

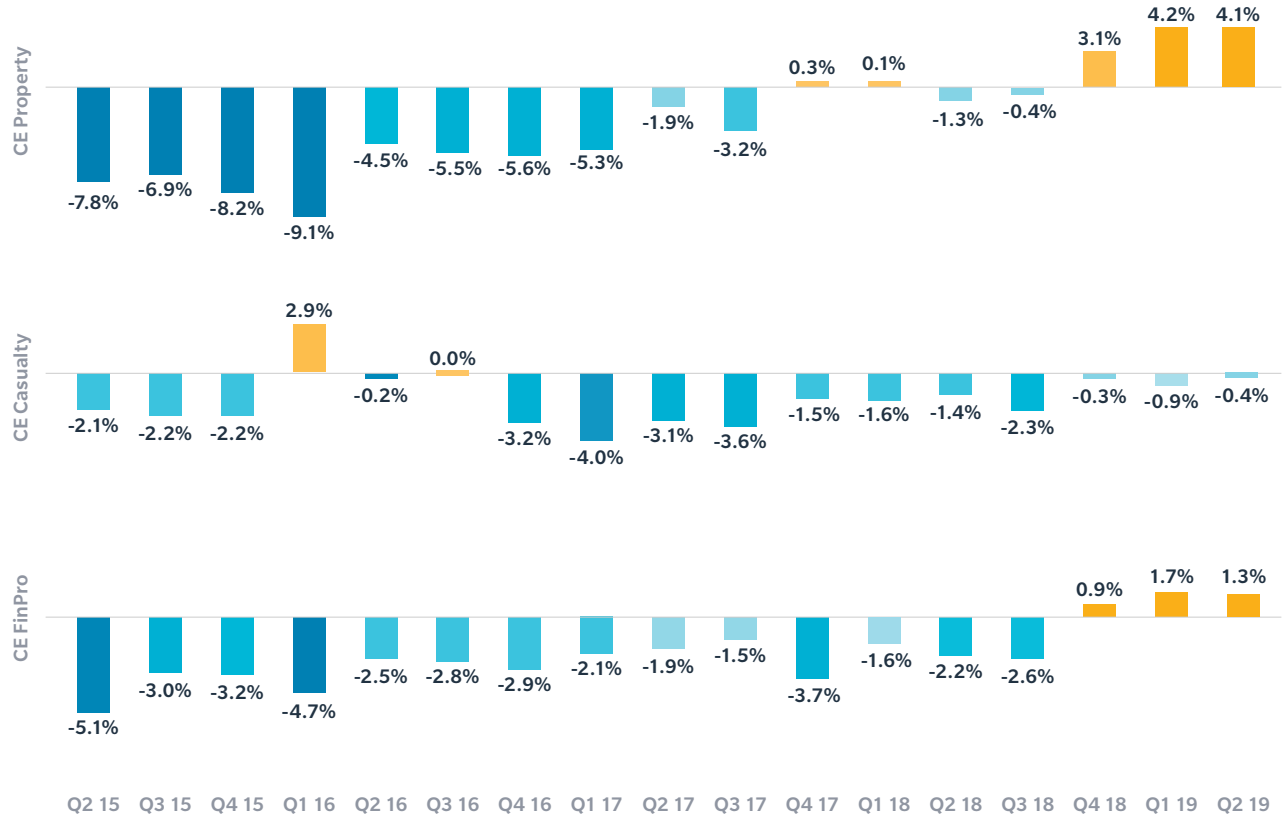
Casualty insurance pricing decreased 0.4% and has declined in 22 of the last 24 quarters, generally by 1% to 2% each period. In the last three quarters, average decreases have been less than 1%.

- Auto/motor liability pricing generally increased in the quarter by low-single digits in most CE countries — the only casualty product to show consistent increases across the region.
- General liability pricing varied, but was generally stable or showed slight decreases in the major markets such as Belgium, France, Italy, and Spain.
- Employers' liability pricing varied across the region within a narrow band, from stable to decreases in the low-single digits.

FIGURE
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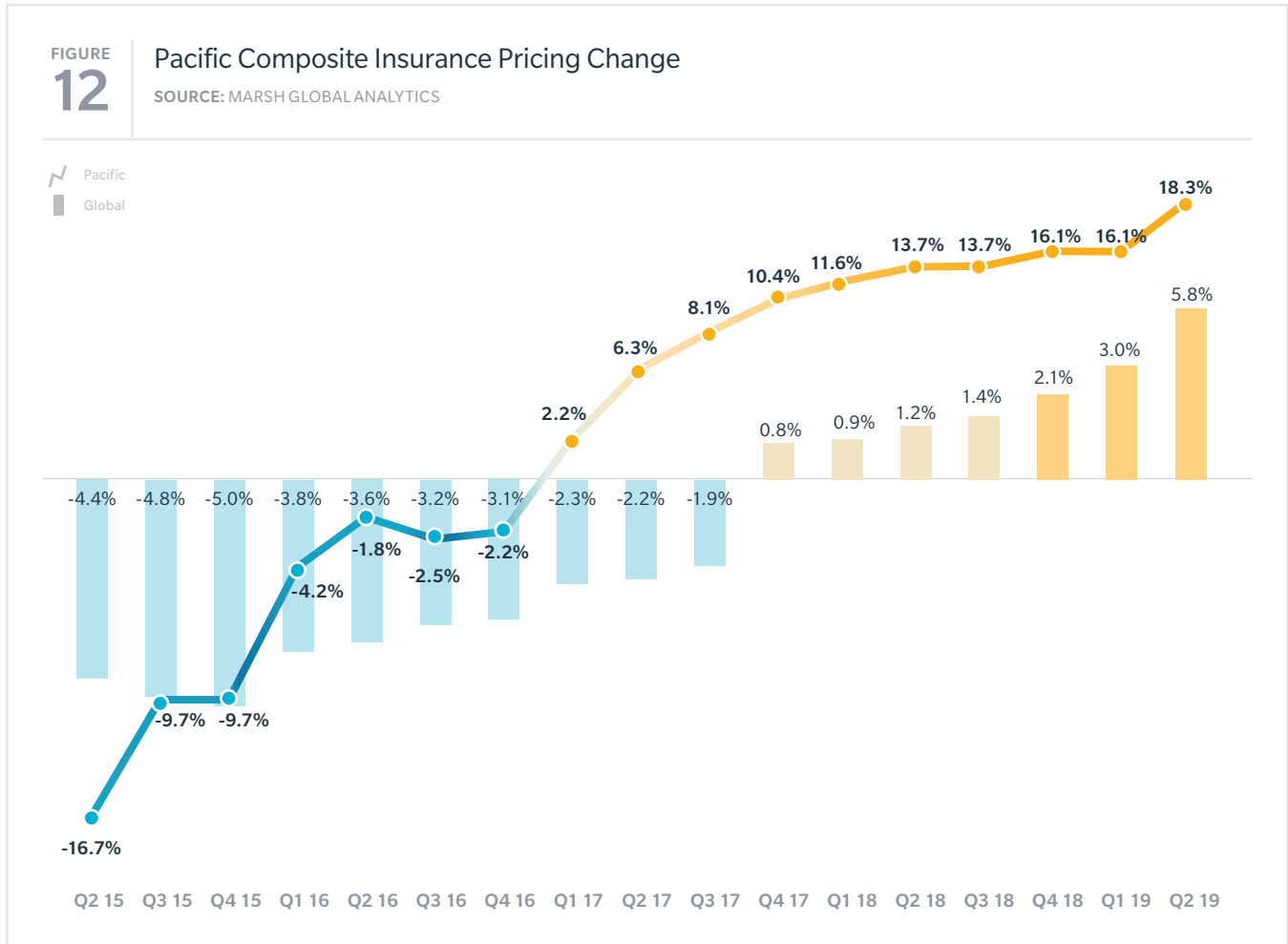
Continental Europe Composite Insurance Pricing Change - By Major Coverage Line

SOURCE: Q1 2019 GLOBAL INSURANCE MARKET INDEX



Pacific Trend of Pricing Increases Continue

Overall insurance pricing in the second quarter of 2019 in the Pacific region increased 18%, continuing an upward pricing trend that started in 2015 (see Figures 12 and 13).



Property insurance pricing increased nearly 18% in the second quarter, the sixth consecutive quarter of year-over-year double-digit increases.

- CAT and non-CAT clients in Australia and New Zealand saw generally double-digit increases, with pricing up 10% to 20% for many clients.
- In addition to high hazard business, real estate, mining, and downstream energy were more challenging in the quarter, with reduced capacity and appetite from major insurers.

Casualty pricing increased by almost 6% in the quarter, continuing the trend of mid-single digit increases observed for three years.

- Pricing continued to rise at a fairly consistent rate, although signs of a more competitive environment are starting to appear.

- Pricing for all sub-products for Australia and New Zealand was either stable or increased in the single digits.

Financial and professional liability pricing rose by nearly 28% in the second quarter, marking eight straight quarters of double-digit increases.

- The largest increases were experienced for D&O side-C exposed listed companies, where many companies experienced increases of 100% or more. Price increases the result of persistent securities action claims.
- Financial services professional indemnity experienced increases of a similar magnitude, driven in large part by claims arising from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

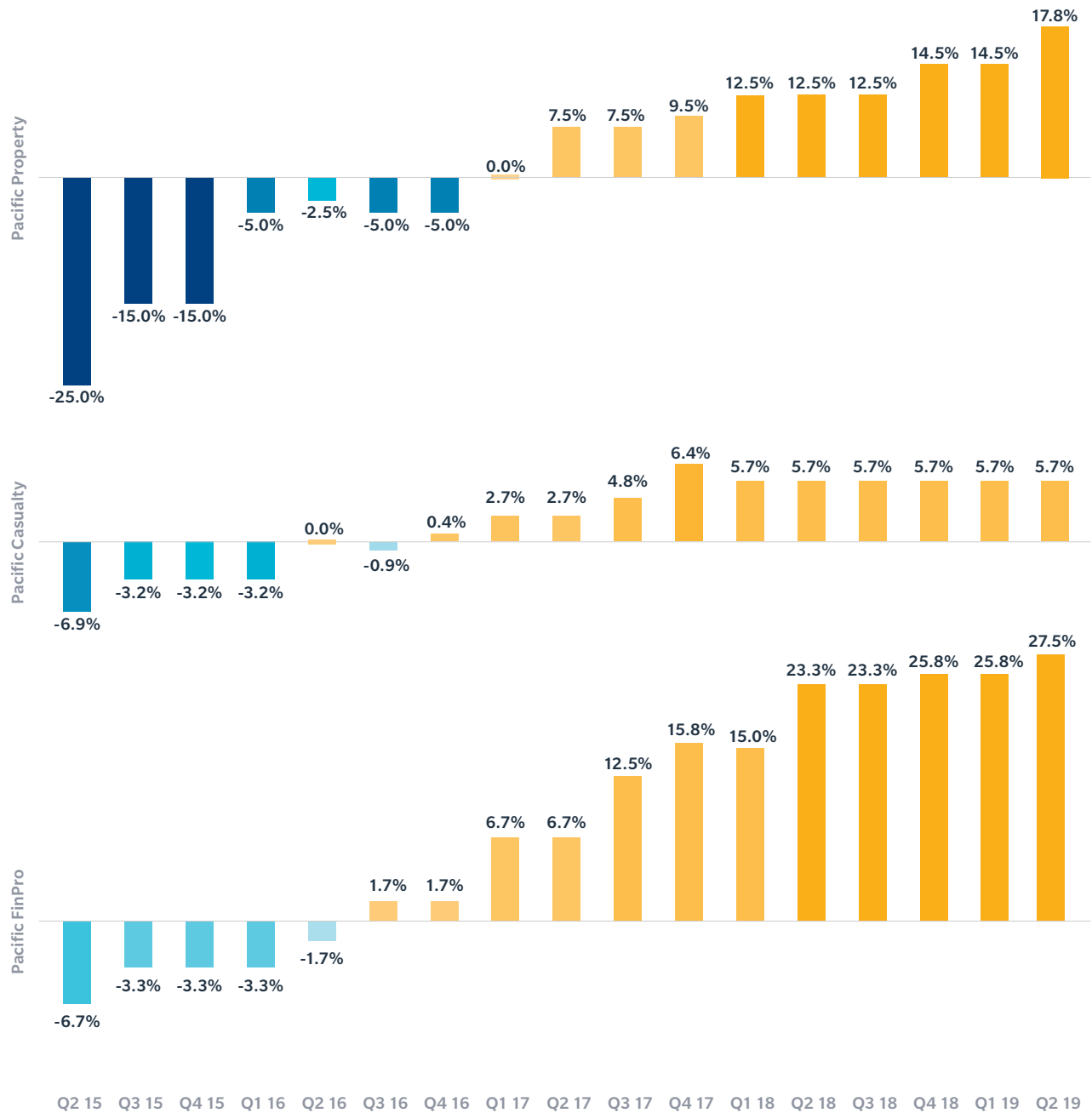
- The claims environment has led a number of major insurers to retreat from the marketplace, with others taking much firmer positions on price, capacity, and retentions.

- Much Australian business is placed into the London market, where similarly challenging conditions were evident, resulting from the claims environment, and, more broadly, the impact of the Lloyd's Syndicate Review and the resultant contraction in capacity.

FIGURE
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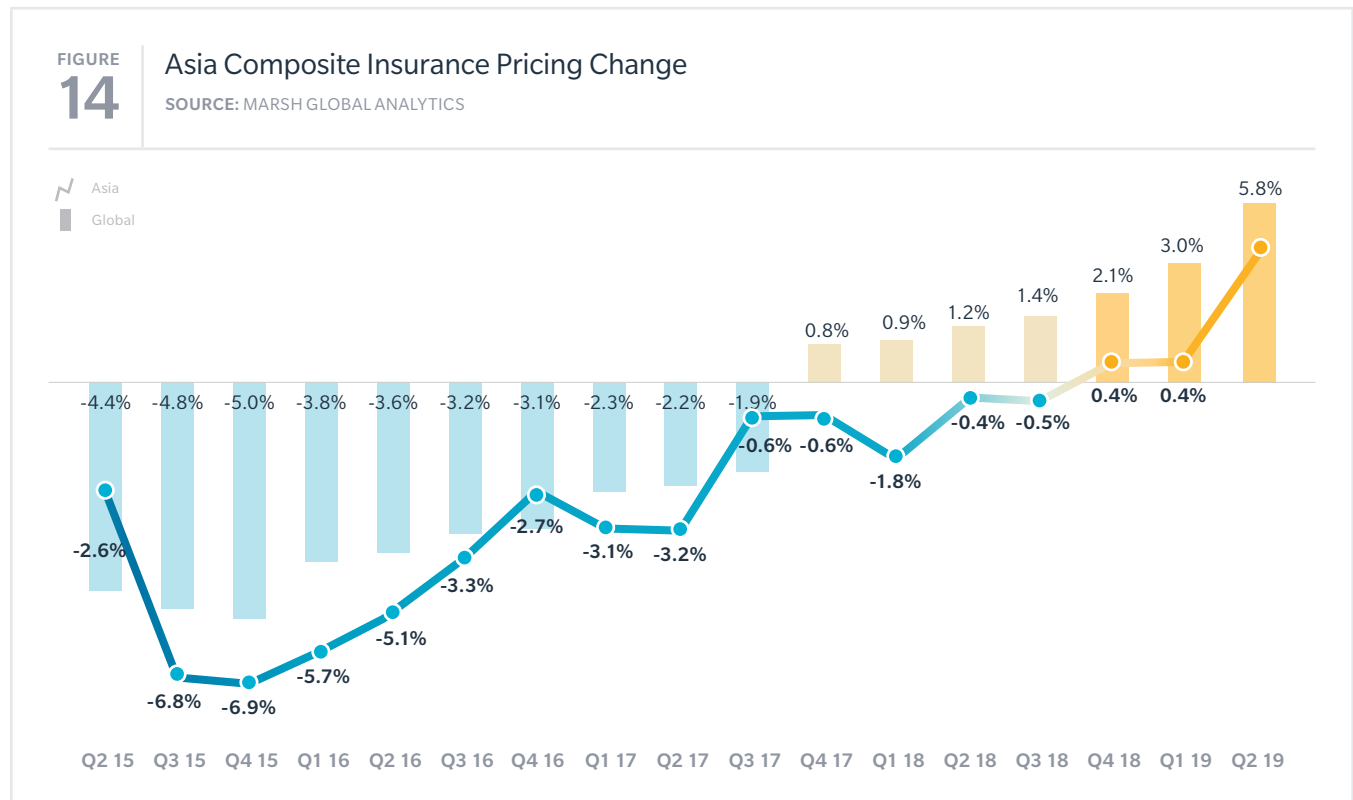
Pacific Composite Insurance Pricing Change - By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Asia Composite Pricing Shows Highest Increase in Five Years

Insurance pricing in the second quarter of 2019 in Asia increased by nearly 4% year-over-year, the largest composite increase in the region in five years (see Figures 14 and 15).



Property insurance pricing rose 5% as international carriers sought pricing increases across the region.

- CAT pricing increased double digits in several Asian countries, including Singapore, Hong Kong, and India.
- Non-CAT pricing showed variability in the region, ranging from single-digits decreases to single-digit increases.
- CAT losses in the fourth quarter 2018 impacted many insurers' profitability, and price corrections have occurred at an accelerated pace. Certain Lloyd's Syndicates have withdrawn from lines of business, impacting the Singapore hub.

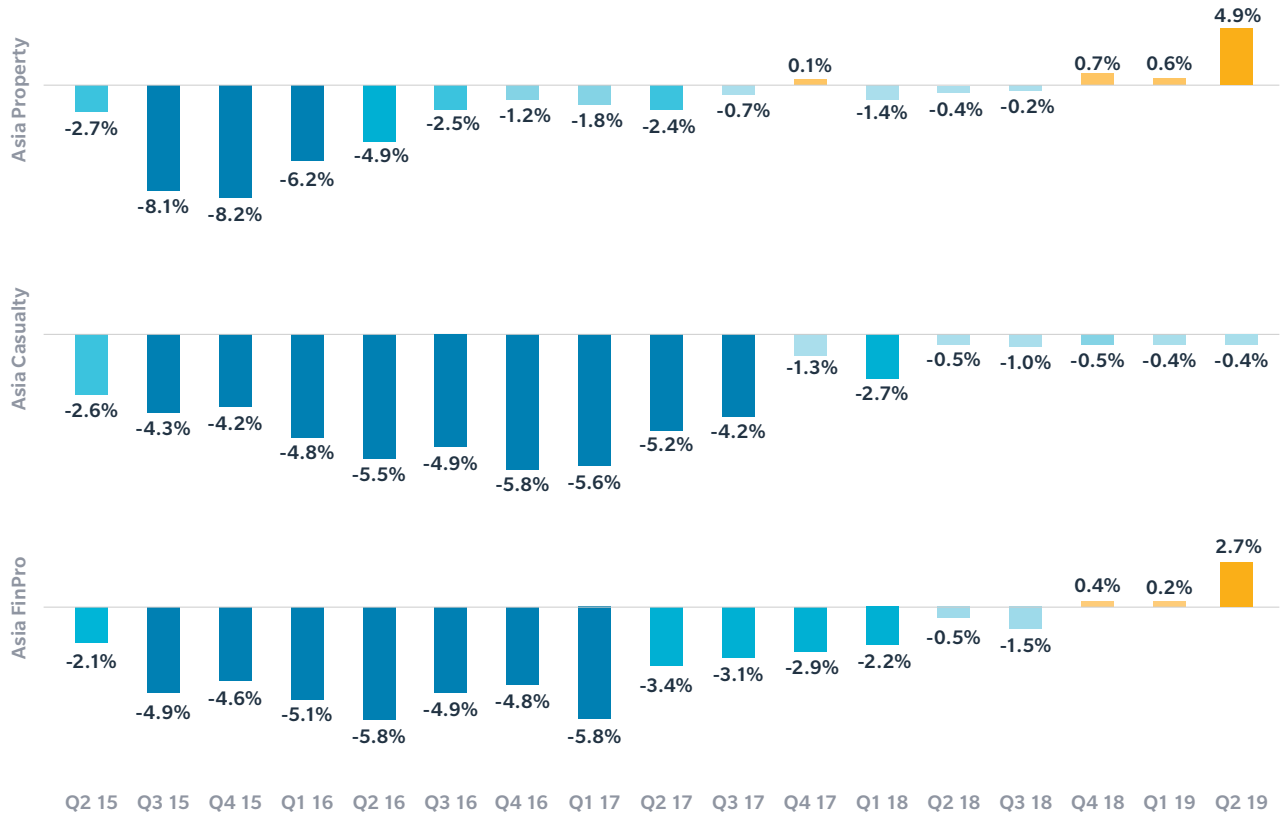
Casualty pricing declined 0.4%, continuing a trend toward stable after several years of moderate decreases.

- The moderation of casualty pricing was due in large part to increased pricing in auto/motor liability which consistently ranged from the low- to mid-single digits.
- Increases in auto pricing were generally balanced by decreases in general liability observed across the region, with pricing down as much as 10% in some countries.

FIGURE
15

Asia Composite Insurance Pricing Change - By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing increased 3%, with insurer capacity restrictions and reduced appetite, although capacity in Asia remains more than adequate for the majority of risks.

- Financial and professional liability insurance markets in Asia remain generally flat, but there were challenges in some limited segments — mainly D&O risks with US listings — and particularly for China-based risks.
- Insurer competition started to decline for financial institution clients, especially on risks with claims or notification activity.

- Cyber insurance pricing generally held flat on renewals. Signs of more cautious underwriting and higher prices being sought on new business.
- Some tightening on the scope of cyber coverage, with insurers resisting broader system failure wordings, which had been secured previously on Asian risks.

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