MARSH

INSIGHTS | MAY 2020

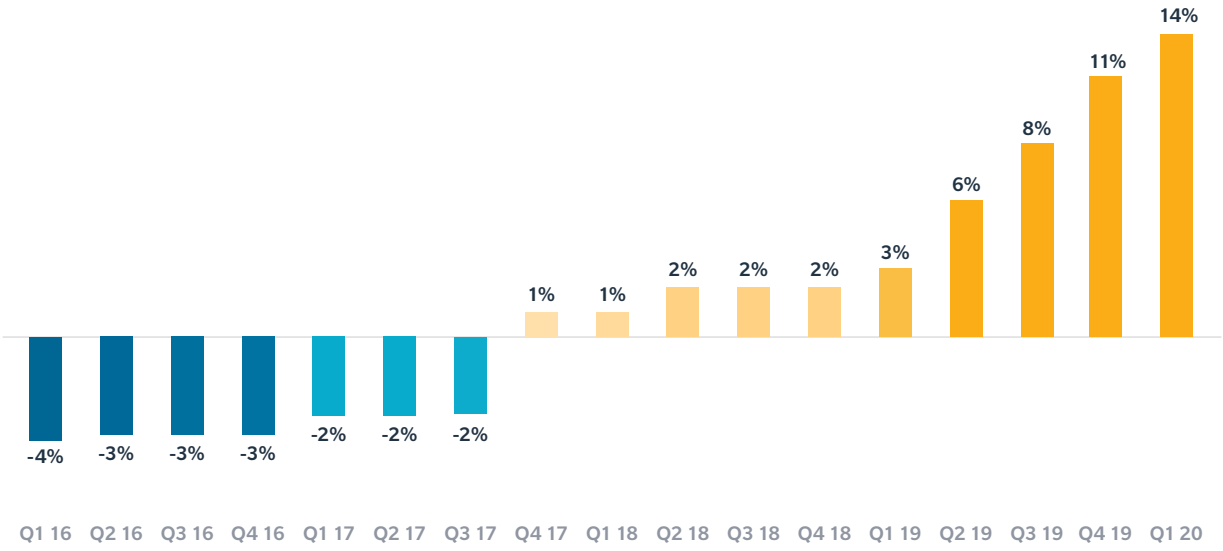
Global Insurance Prices Rise for Tenth Consecutive Quarter

Global commercial insurance prices rose 14% in the first quarter of 2020, the tenth consecutive quarter of price increases (see Figure 1). Although the COVID-19 global pandemic had an insignificant impact on pricing in the first quarter, the reported increase was the largest year-over-year increase in the Marsh Global Insurance Market Index since its inception in 2012. We anticipate that COVID-19 will likely have an impact on pricing for the balance of 2020.*

FIGURE 1

Global Insurance Composite Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



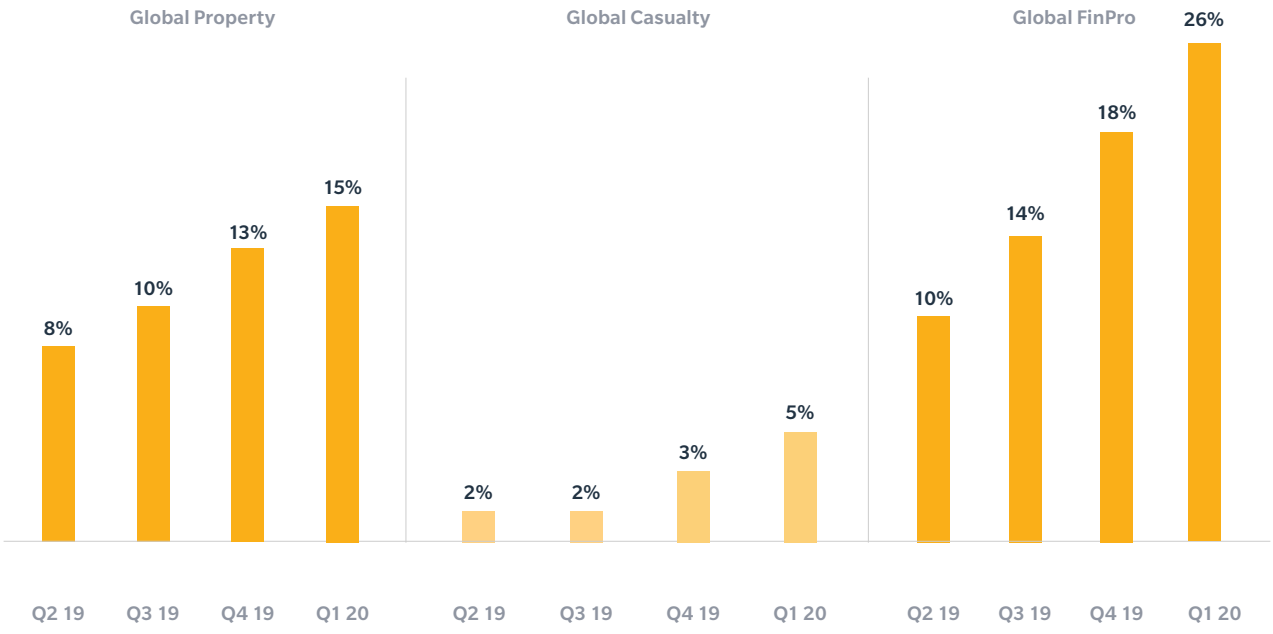
Note: All references to pricing and pricing movements in this report should be considered averages, unless otherwise noted. For ease of reporting, all percentages regarding pricing movements have been rounded to the nearest whole number.

MARSH & McLENNAN COMPANIES

FIGURE 2

Global Composite Insurance Pricing Change — By Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



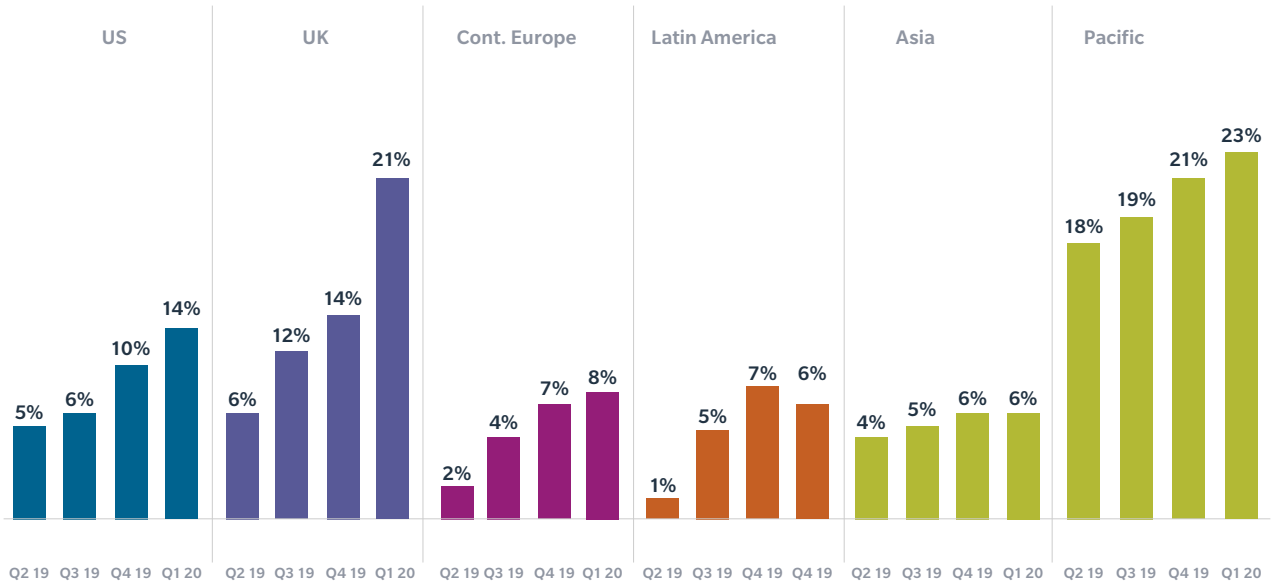
The insurance market in the first quarter experienced pricing increases in many geographies and across multiple products (Figure 2 and Figure 3). Globally in the first quarter:

- Property insurance pricing increased 15%.
- Casualty pricing increased 5%.
- Financial and professional liability rose 26%.

FIGURE 3

Composite Insurance Pricing Change — By Region

SOURCE: MARSH GLOBAL ANALYTICS



Composite pricing increased in all regions for the sixth consecutive quarter. Regional pricing increases in the first quarter of 2020 were as follows:

- US 14%.
- UK 21%.
- Continental Europe 8%.
- Latin America and the Caribbean 6%.
- Asia 6%.
- Pacific 23%.

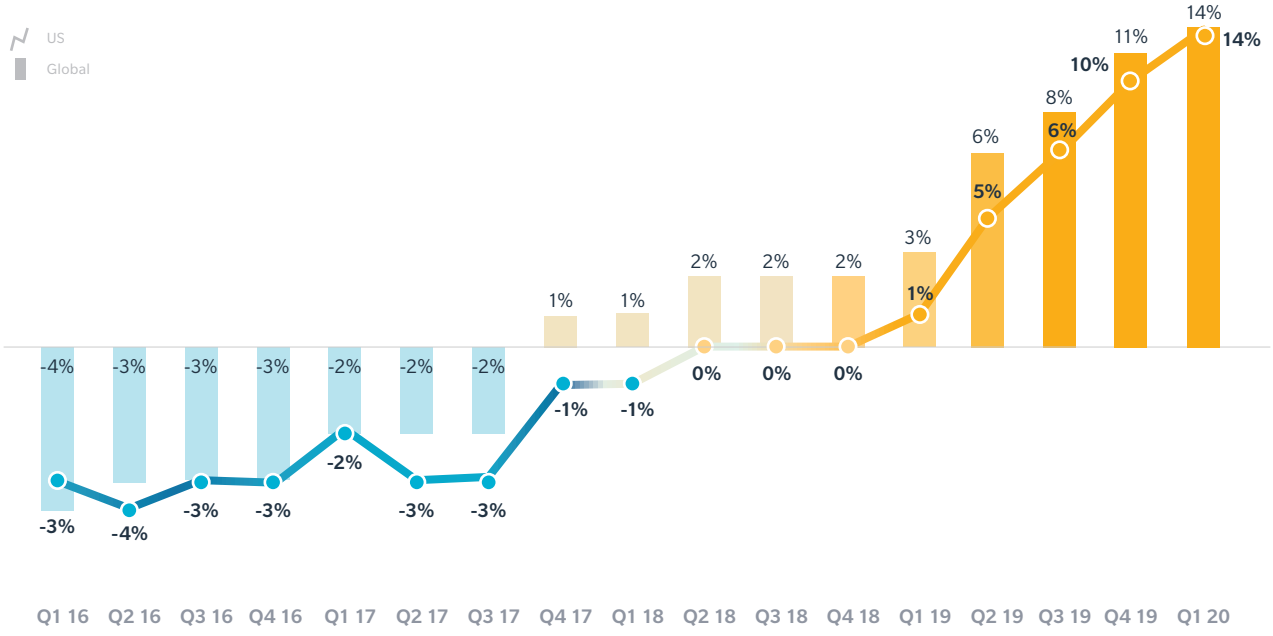
Pricing in US Property and Financial and Professional Lines Increases Over 20%

Insurance pricing in the first quarter of 2020 in the US increased 14%, year-over-year (see Figure 4). In addition to the overall pricing changes, the general trend in the quarter was towards a firming of prices for the majority of coverages (see Figure 5).

FIGURE 4

US Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



Property pricing in the US has increased for 10 consecutive quarters.

- Property rates in the US increased 21% in the first quarter, the highest level recorded since the survey began in 2012.
- Both catastrophe and non-CAT property pricing showed similar increases.
- Deal structure parameters (limits, deductibles, etc.) showed little change from the prior quarter.

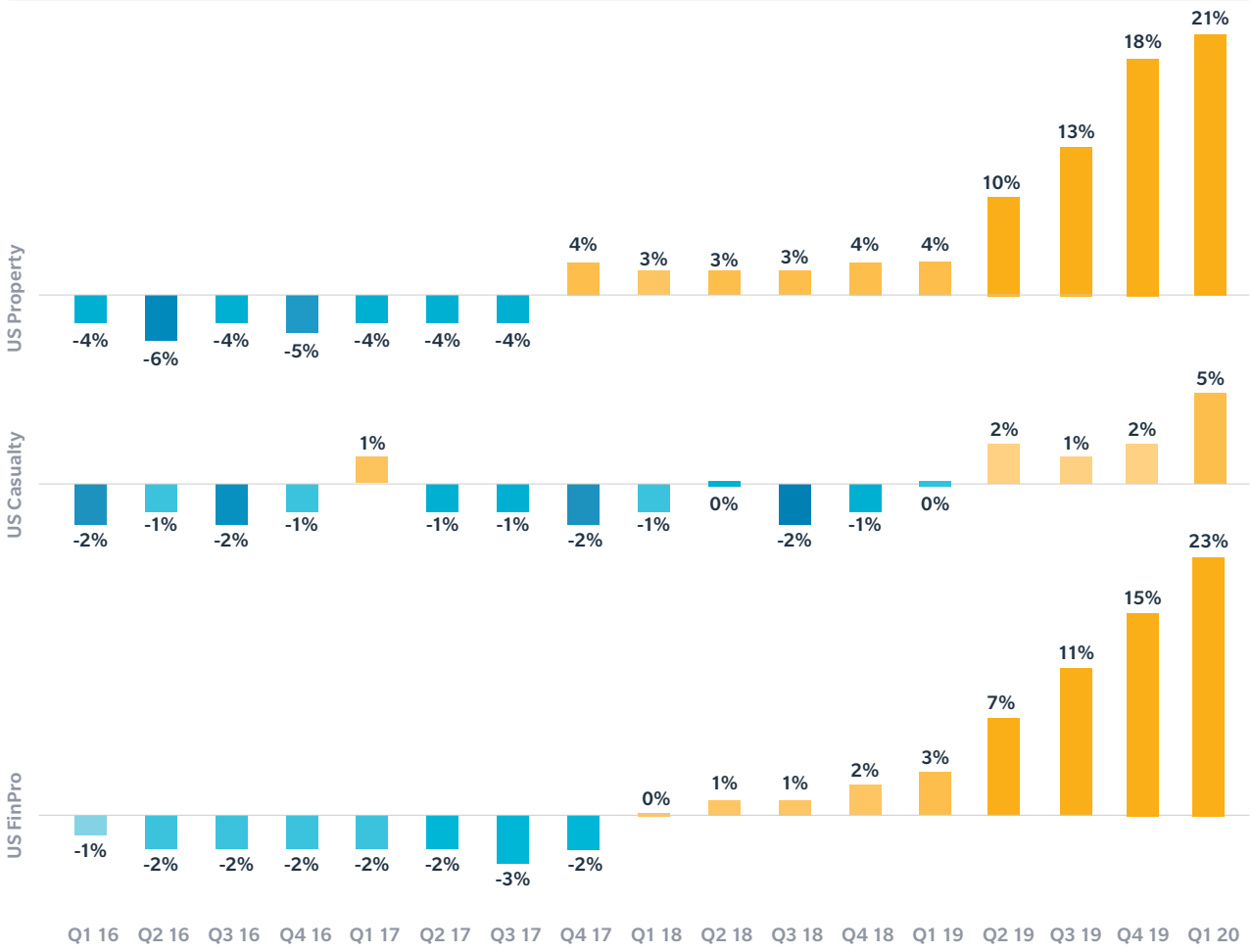
Casualty pricing in the US increased 5% in the quarter.

- The excess liability market drove much of the overall casualty pricing movement, with average prices up 11%. Many risks experienced significantly greater increases.
- Auto pricing was up 10%, with 80% of clients experiencing an increase.
- Worker's compensation pricing decreased 1%.

FIGURE 5

US Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability insurance rates in the US increased 23%, driven by directors and officers (D&O) pricing.

- Pricing in the D&O market was up 44%, with 95% of clients experiencing an increase.
- Pricing was affected by heightened litigation, with traditional securities lawsuits increasing in frequency and severity.
- Insurers continued to tighten terms and reduce capacity.
- Among public D&O clients, 37% increased retentions, the highest percentage in several years.
- Cyber insurance pricing rose 6%, the largest increase since 2016.

UK Composite Pricing Rises for Tenth Consecutive Quarter

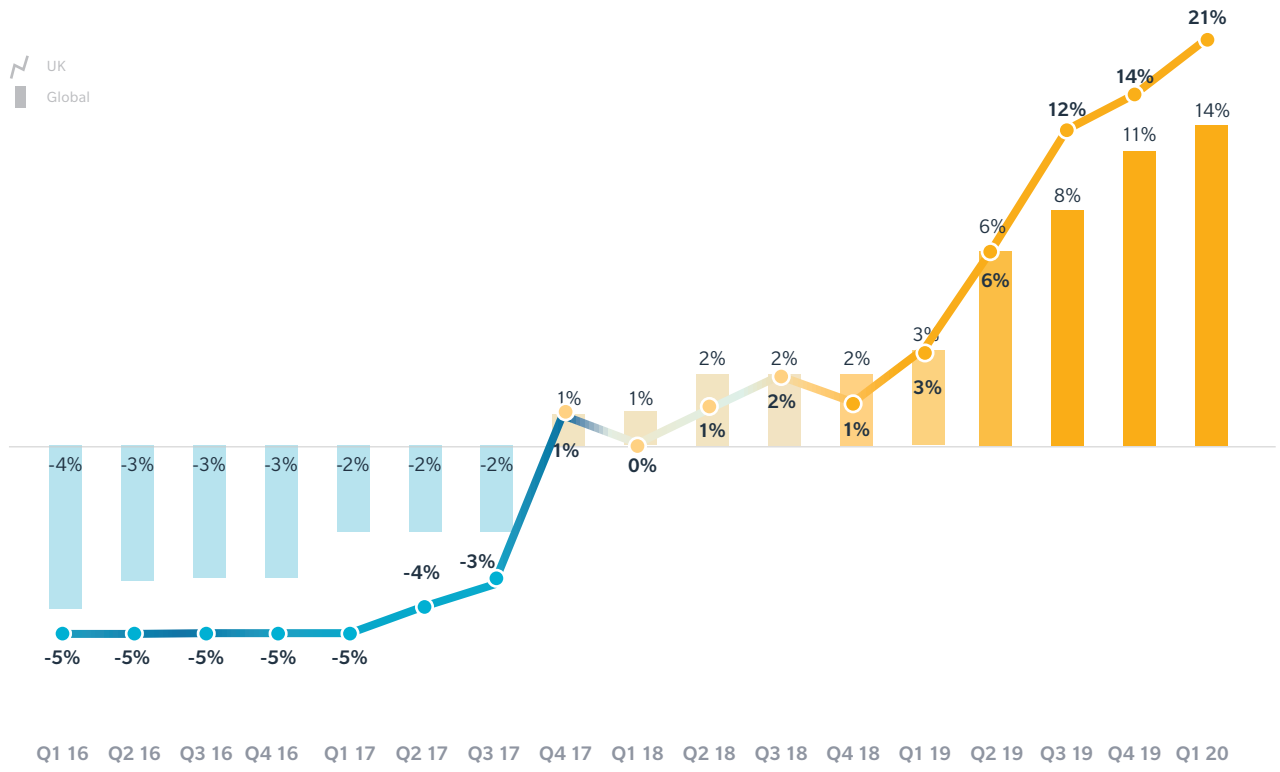
Overall insurance pricing in the first quarter of 2020 in the UK increased 21% (see Figures 6 and 7).

- **Casualty** pricing increased 5%.

FIGURE 6

UK Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



Property pricing increased 10% in the quarter.

- Pricing has increased five consecutive quarters, driven by a reduction in capacity as insurers look to reduce their exposures on specific risks and across portfolios.
- Larger accounts generally experienced greater price increases than did midsize clients.

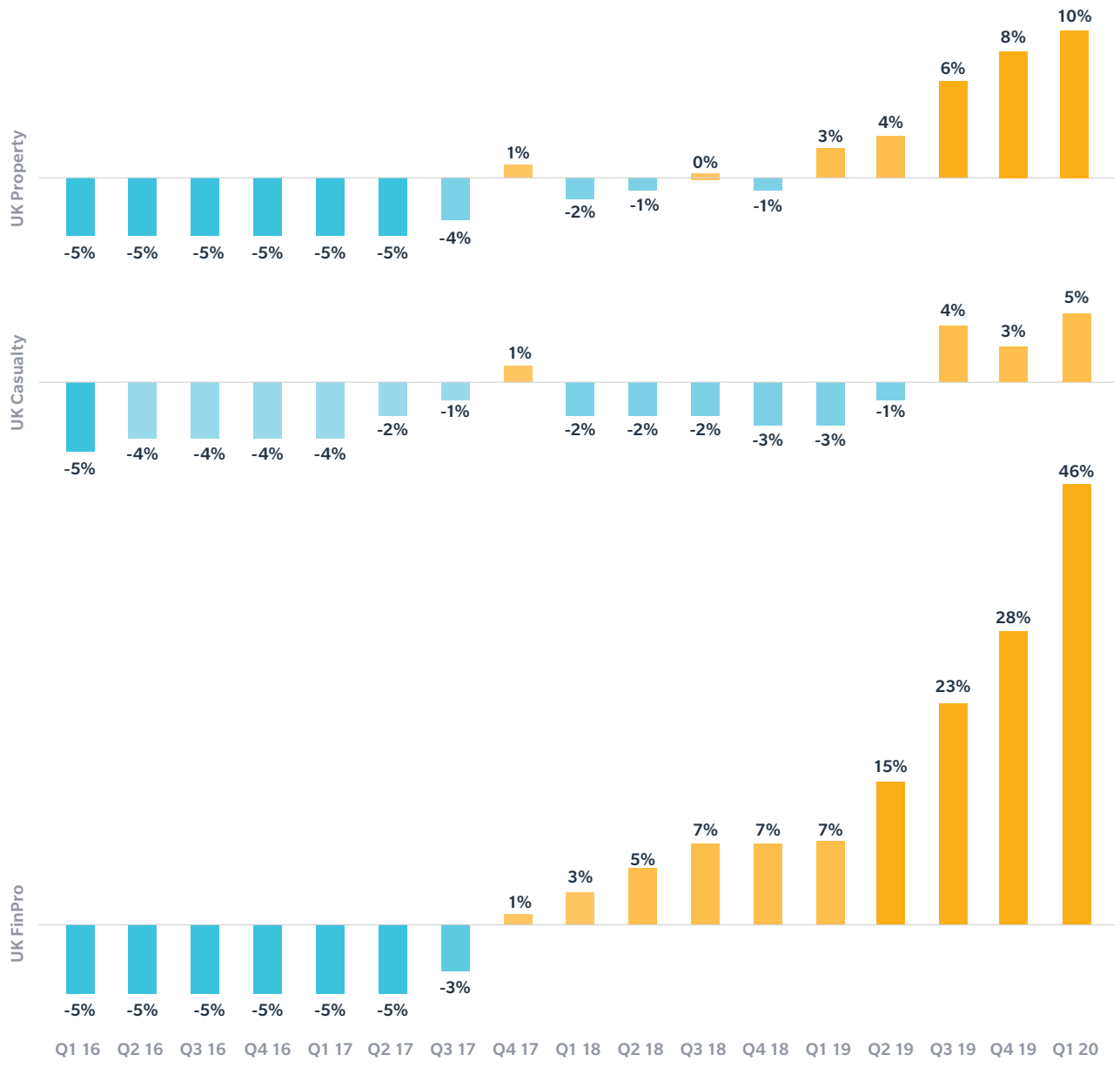
Casualty pricing has now increased for three consecutive quarters, following several years of single-digit decreases.

- General liability coverages generally showed the largest increases, typically in the upper single-digit range.
- Little variance was found between large and midsize accounts.

FIGURE 7

UK Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing increased 46%.

- D&O pricing showed significant increases, with some large accounts experiencing hikes of 100%. Generally, midsize accounts saw smaller increases, but still had prices up 50% to 70%.
- Significant reduction in available capacity has been lost since 2017.
- We witnessed a greater adoption of policy restrictions, such as insolvency exclusions, bribery and corruption exclusions, and more restricted discovery options across the market.

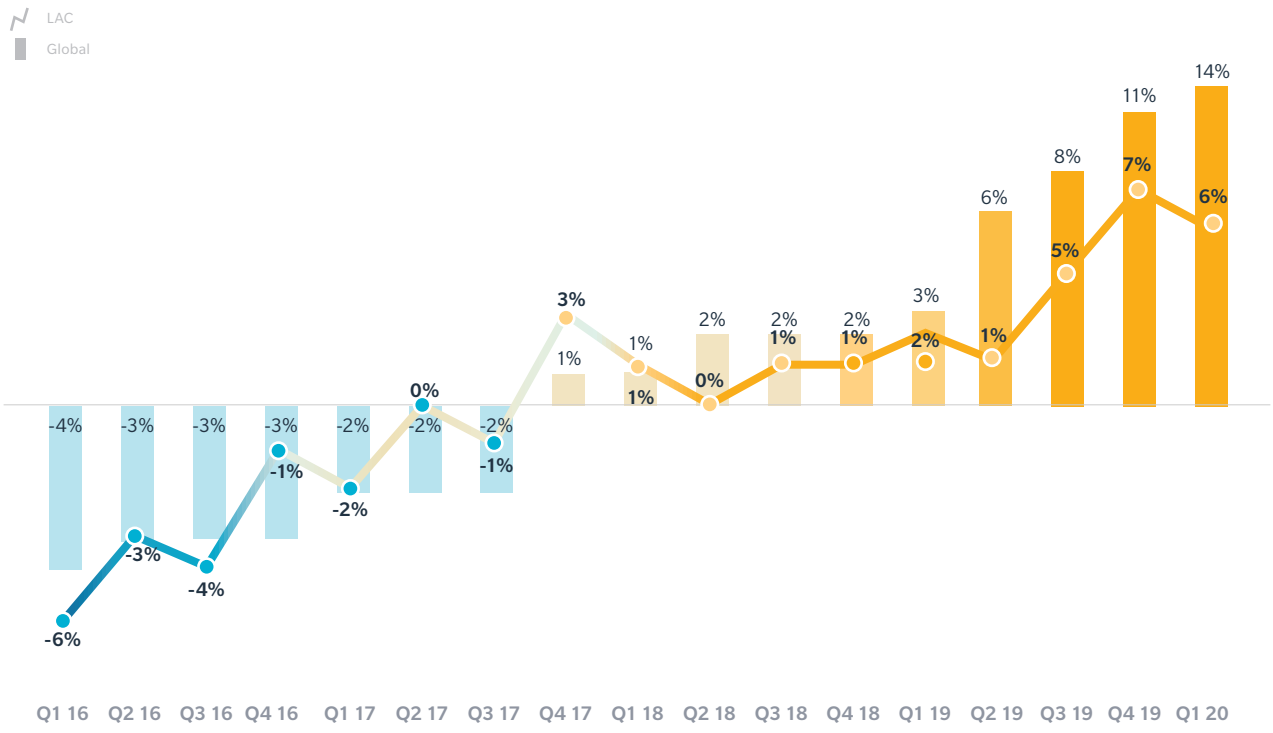
Latin America Pricing Firms for Tenth Straight Quarter

Insurance pricing in the first quarter of 2020 in the Latin America and Caribbean (LAC) region increased 6% (see Figures 8 and 9). The overall average composite pricing in LAC has now increased for 10 consecutive quarters.

FIGURE 8

Latin America Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



Property pricing in the region increased 9% in the first quarter.

- Property pricing has increased for the last three quarters after declining or being stable for the prior five years.
- Strikes, riots, and civil commotion (SRCC), primarily in Chile, changed market appetite in 2019.
- Increased pricing was also observed in Colombia and Mexico.

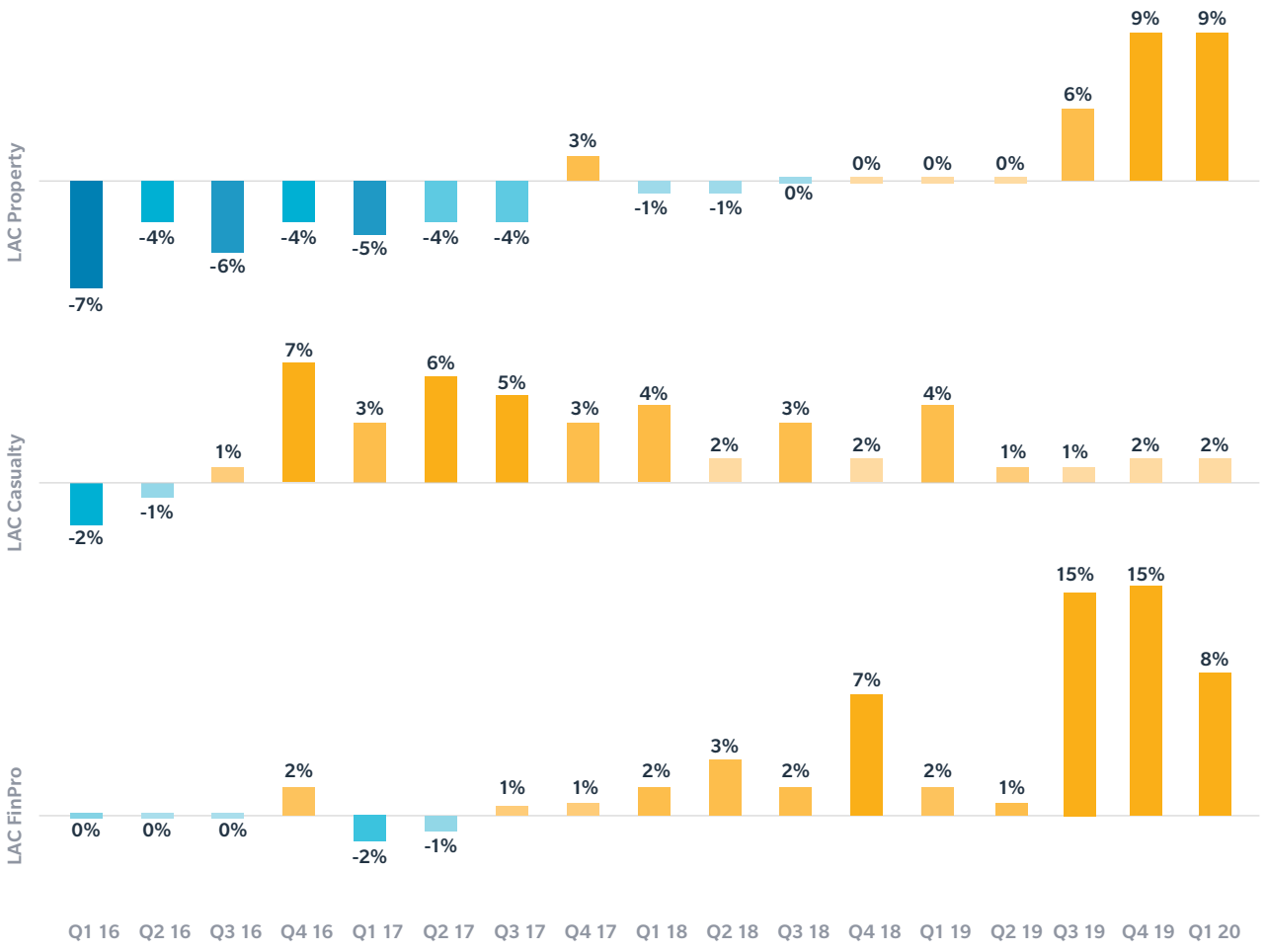
Casualty prices rose 2%.

- Casualty pricing continued to be generally stable across the region, with relatively minor increases observed the last several quarters.
- Chile experienced the largest increases in casualty lines in LAC, with increases in the mid-single digits.
- Brazil continued to experience pricing decreases due to competitive local capacity, particularly in general liability and auto.

FIGURE 9

Latin America Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing rose 8% in the quarter.

- Although pricing increased at a moderate rate in the first quarter, the increase was half of the rates observed in late 2019.
- Increases in financial and professional liability pricing centered on FI and professional liability, with double-digit increases in Brazil, Colombia, and Mexico.

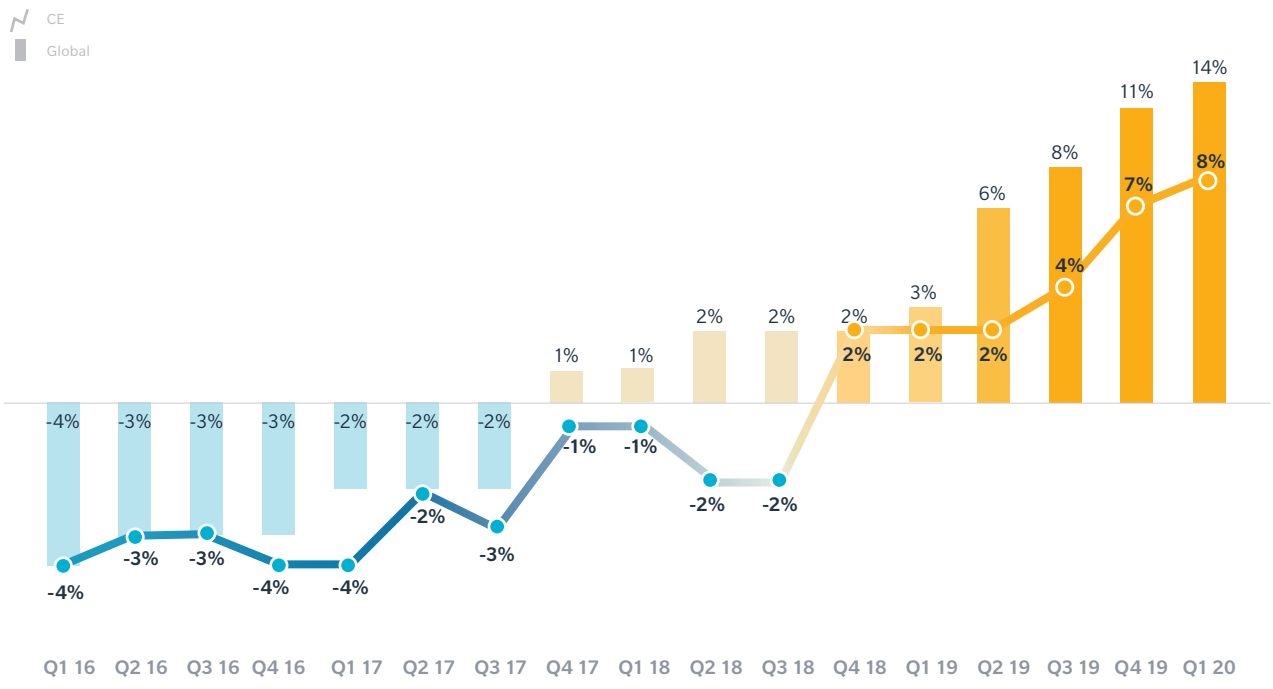
Continental Europe Pricing Driven by Property and Financial and Professional Lines

Insurance pricing in the first quarter of 2020 in Continental Europe (CE) increased 8% (see Figures 10 and 11).

FIGURE 10

Continental Europe Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



Property insurance pricing in CE rose 9%, the sixth consecutive quarterly increase.

- Property pricing continued a steady rate of increase that started in early 2019, after a multi-year period of flat or declining pricing movement.
- Pricing for CAT and non-CAT risks increased in most countries, generally in the range of low-single digits to 15%.

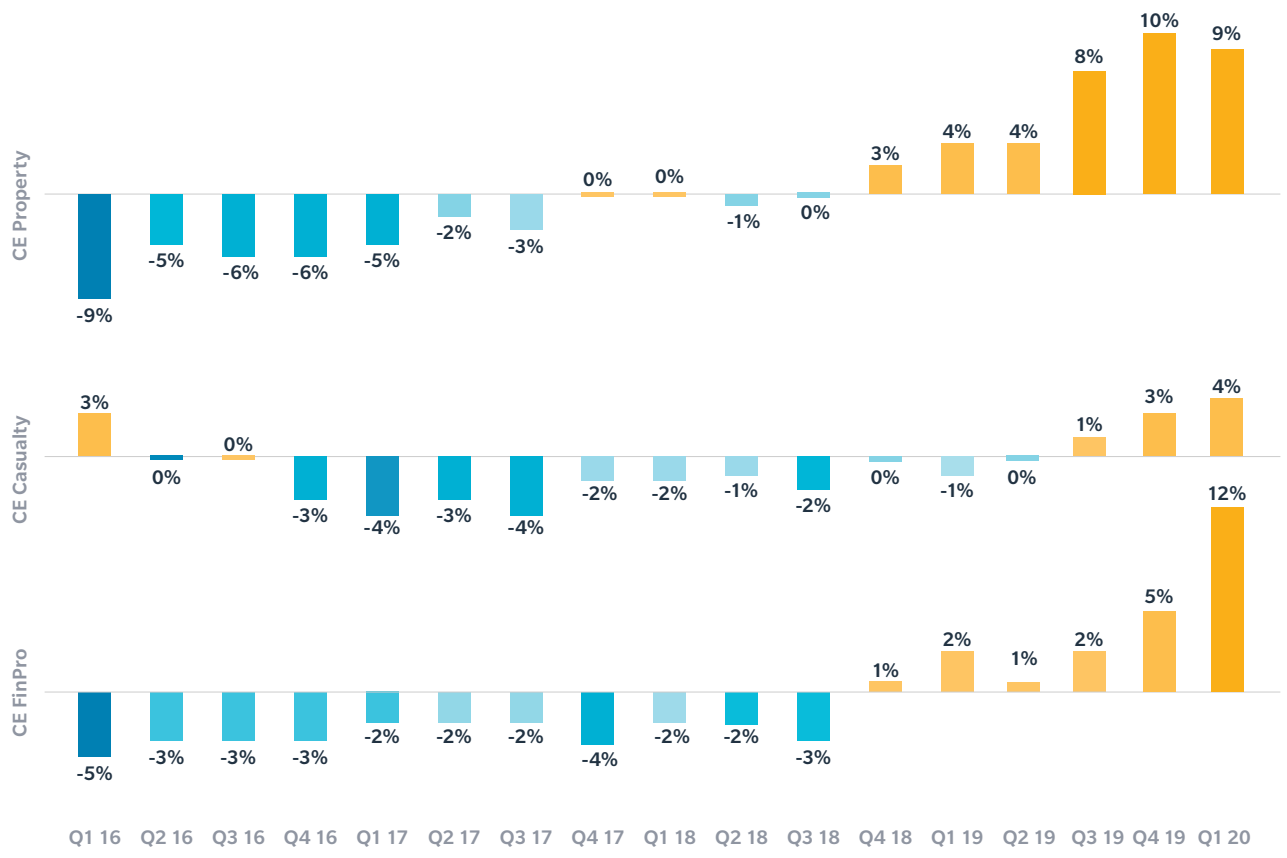
Casualty insurance pricing increased 4% in the quarter.

- Casualty pricing has increased for three consecutive quarters, after several years of continuous (but minor) decreases.
- General liability drove the overall pricing increase, with single-digit increases in most countries.
- Auto liability pricing was generally higher in most countries than in previous quarters.

FIGURE 11

Continental Europe Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: Q1 2019 GLOBAL INSURANCE MARKET INDEX



Financial and professional liability insurance pricing increased 12% in the quarter.

- The pricing increase was double the increase observed at the end of 2019.
- Most large countries reported high single-digit to 20% increases for multiple financial and professional lines coverages.

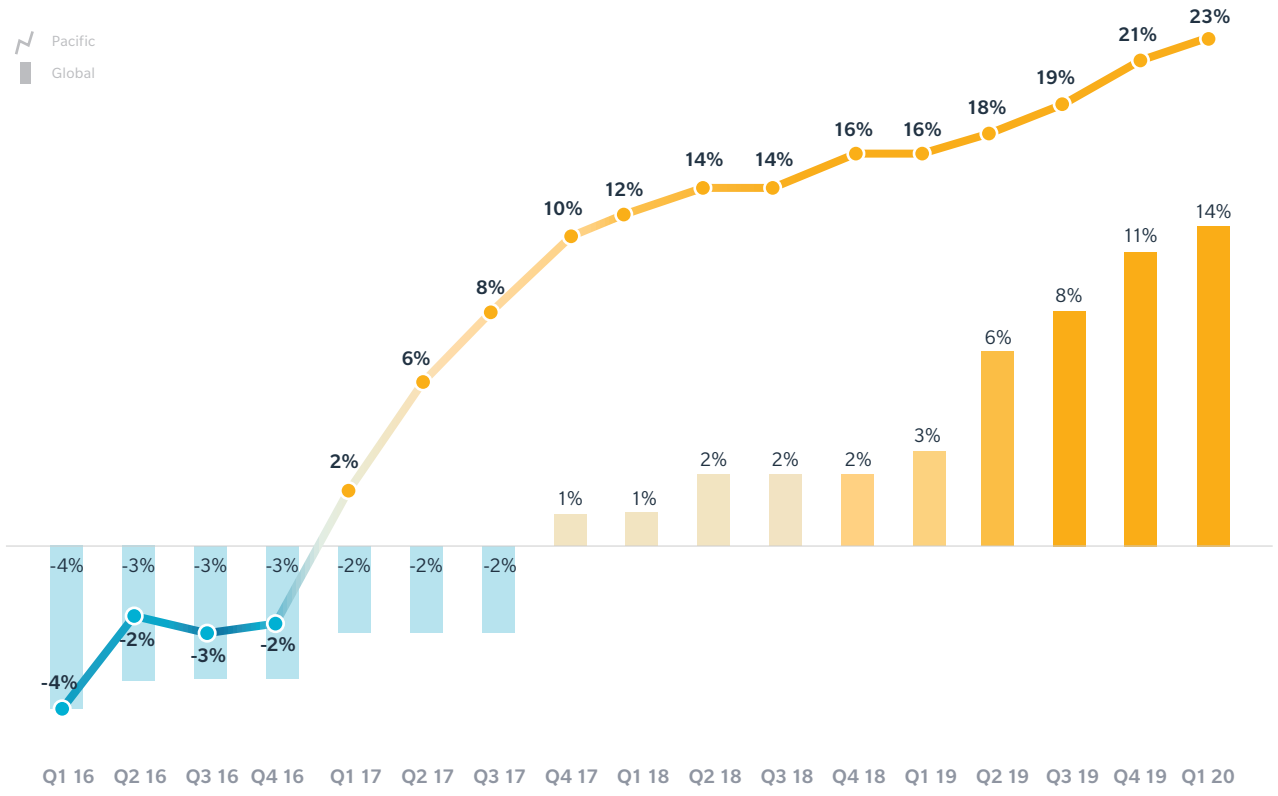
Pacific Pricing Continues Upward Trend

Overall insurance pricing in the first quarter of 2020 in the Pacific region increased 23%, continuing an upward trend that began in 2015 (see Figures 12 and 13).

FIGURE 12

Pacific Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



Property insurance pricing increased 23% in the quarter, the tenth consecutive quarter of year-over-year double-digit increases.

- Double-digit increases were reported for CAT and non-CAT risks in both Australia and New Zealand. Pricing increases exceeded 30% reported for many clients.
- Property increases were mainly driven by bushfires, severe hailstorm damage, and flooding in December and January.

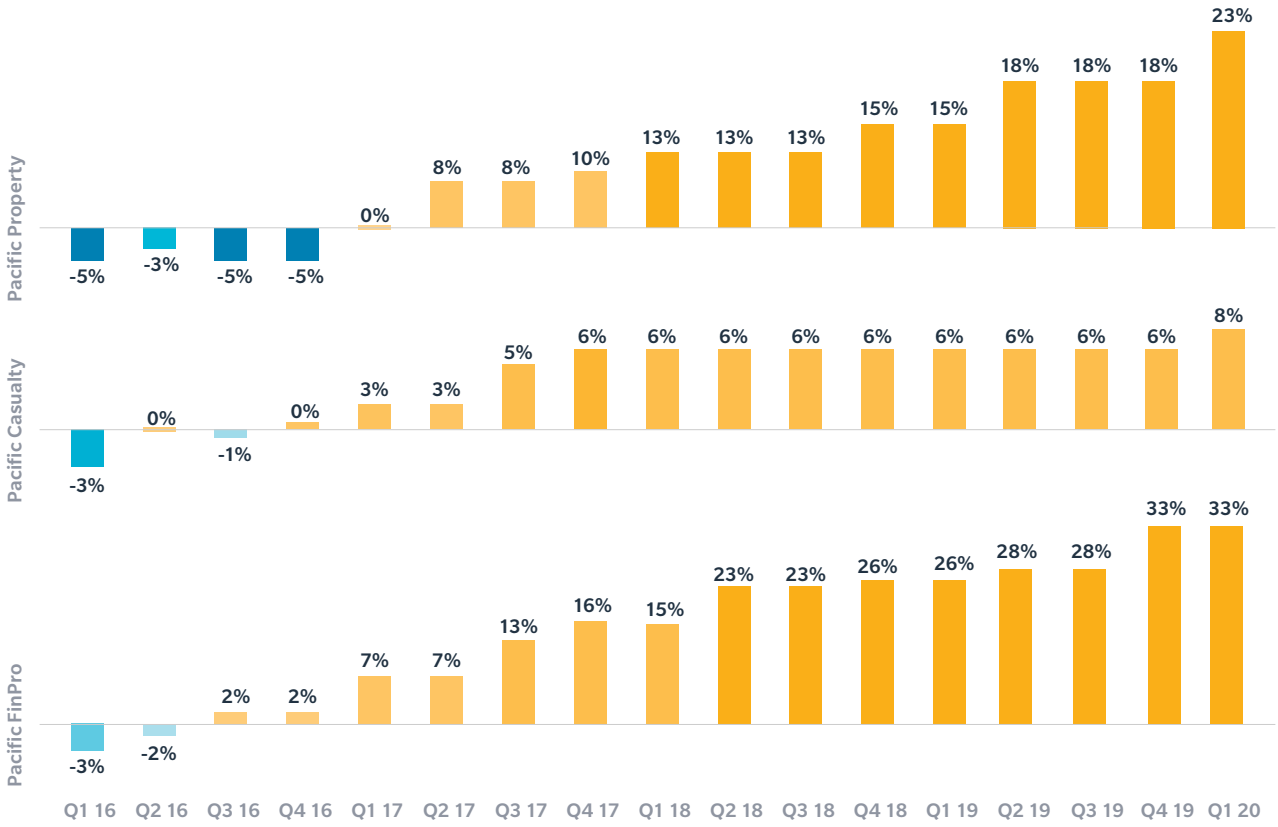
Casualty pricing rose 8%.

- Casualty pricing has been increasing for three years.
- Competition in the casualty marketplace increased, but pricing continued to increase at a consistent rate.
- Some risks are receiving increases ranging from 10% to 20%.

FIGURE 13

Pacific Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing rose more than 30% in the quarter, marking 11 straight quarters of double-digit increases.

- Conditions remained consistent with prior quarters.
- Side C-exposed listed companies experienced the largest increases, oftentimes greater than 100%.

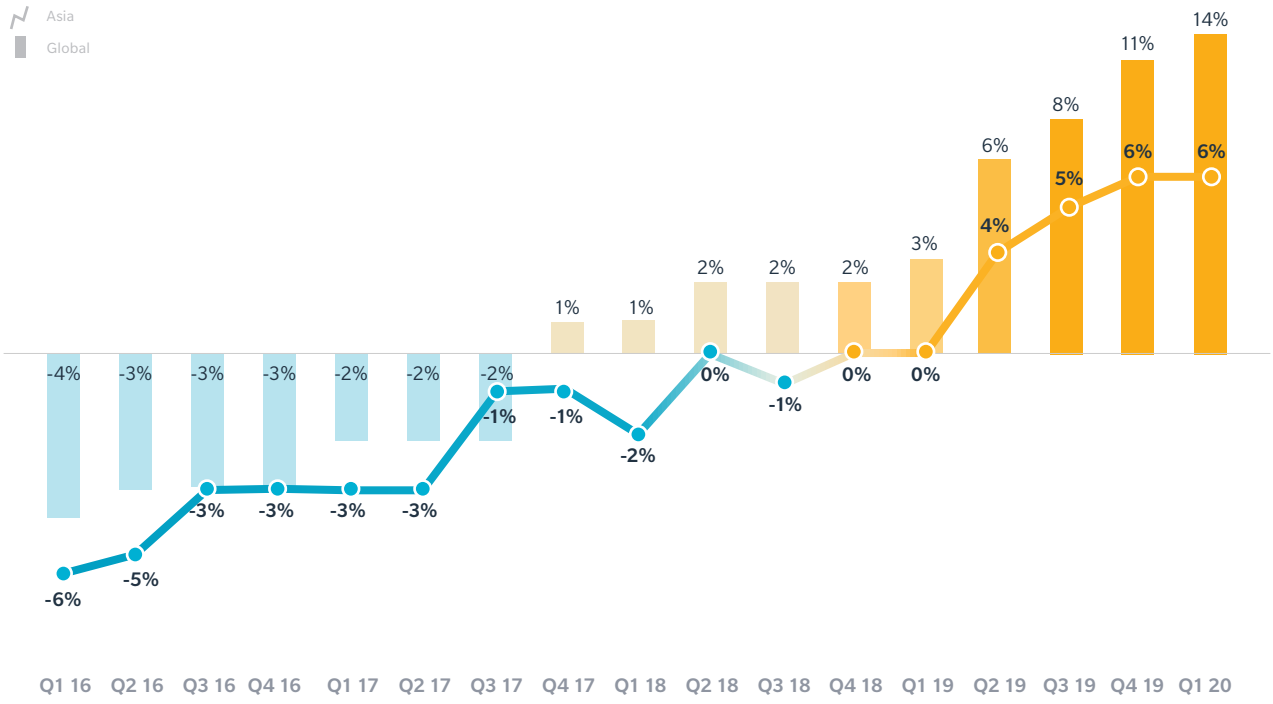
Asia Composite Pricing Continues to Increase

Insurance pricing in the first quarter of 2020 in Asia increased 6% year-over-year (see Figures 14 and 15).

FIGURE 14

Asia Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS



Property insurance pricing rose 8%.

- Property pricing in Asia has steadily increased over the last five quarters.
- Hong Kong and Singapore experienced double-digit increases in both CAT and non-CAT exposures.
- Lack of competition continued to be a factor for large and complex property placements, driving pricing increases.

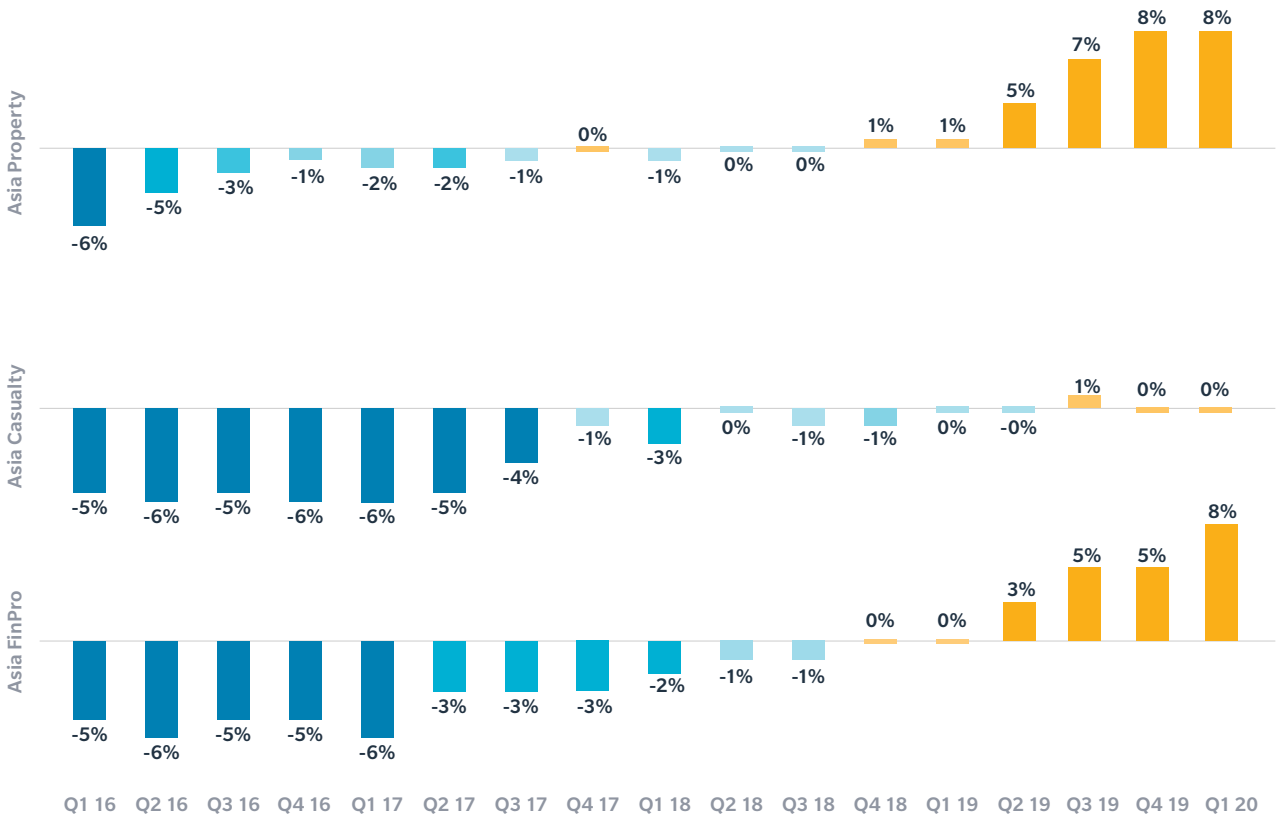
Casualty pricing was flat in the first quarter.

- For an eighth consecutive quarter, casualty pricing was generally flat, following several years of moderate decreases.
- Slight increases in auto/motor liability in many Asian countries were offset by minor decreases in general liability.

FIGURE 15

Asia Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing rose 8%, the largest increase observed in several years and the fourth consecutive quarter of increases.

- Pricing increased in China, Hong Kong, India, Indonesia, Japan, Korea, and Singapore for D&O, FI, and professional liability.
- International insurers have reduced capacity, and held to pricing increases.
- Reduced appetite was seen from insurers to compete on FI, especially on risks with claims or notification activity where pricing is firming.

For further information, please contact your local Marsh office or visit our website at marsh.com.

ASIA AND PACIFIC
JOHN DONNELLY
Placement Leader
+61 (2) 88647736
john.donnelly@marsh.com

CONTINENTAL EUROPE, MIDDLE EAST AND AFRICA
NICK HOLMES
Placement Leader
+44 (0)7711 083261
nick.j.holmes@marsh.com

LATIN AMERICA
PAULA LOPES
Placement Leader
+55 (11) 35327286
paula.lopes@marsh.com

UK AND IRELAND
ANDREW CHESTER
Placement Leader
+44 (0)20 7357 3774
andrew.chester@marsh.com

US AND CANADA
CHRISTOPHER LANG
Placement Leader
+1 (212) 345 1204
christopher.j.lang@marsh.com

BOWRING MARSH
TOM DAVIES
Global Wholesale Placement Leader
+44 (0)20 7357 1030
tom.davies@marsh.com

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