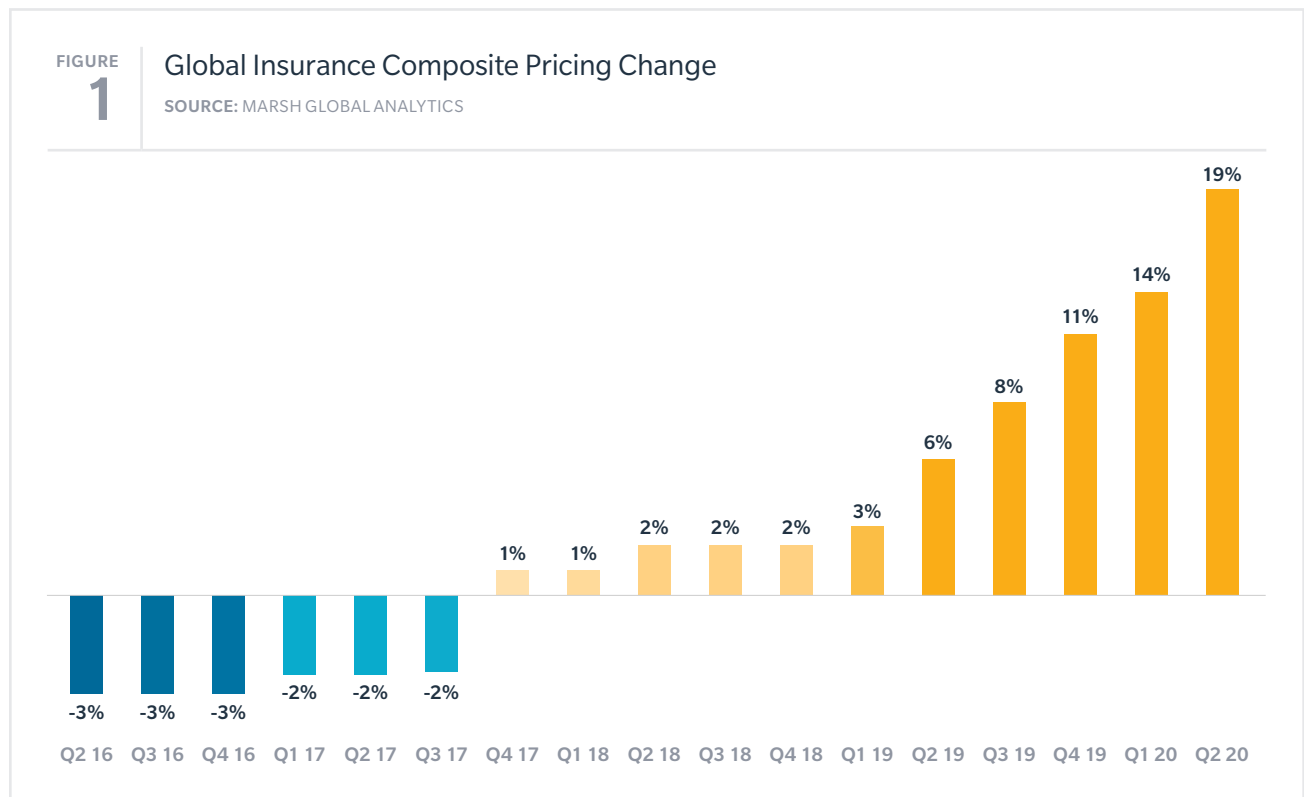


Global Insurance Prices Rise for Eleventh Consecutive Quarter

Global commercial insurance prices rose 19% in the second quarter of 2020, the eleventh consecutive quarter of price increases (see Figure 1). The second quarter rise in pricing was the largest year-over-year increase in the *Marsh Global Insurance Market Index* since its inception in 2012.*

Overall, underwriters continue to push for higher levels of pricing increases due to the combined effects of social inflation pressures, persistently low yields, and a number of large

underwriting losses, including from COVID 19. While capital remains adequate in most lines, insurers' risk appetite is reduced as they are increasingly cautious in an uncertain environment.

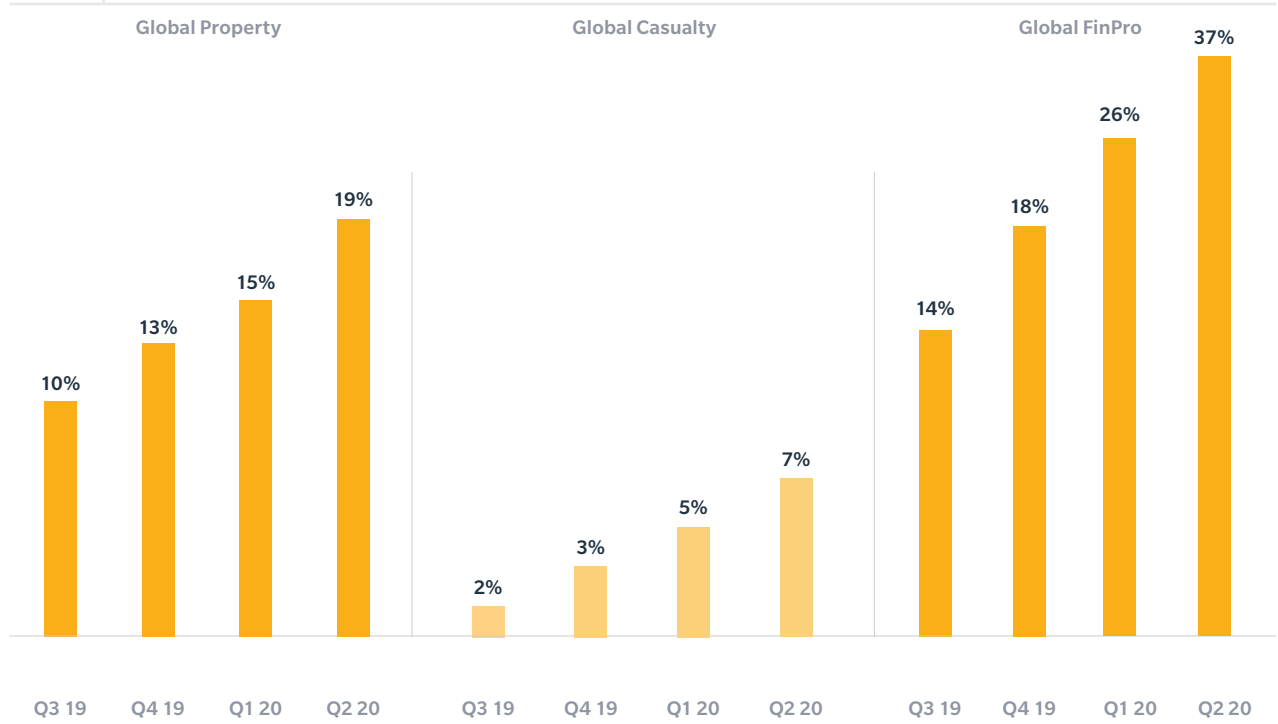


*Note: All references to pricing and pricing movements in this report should be considered averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number.

FIGURE
2

Global Composite Insurance Pricing Change — By Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



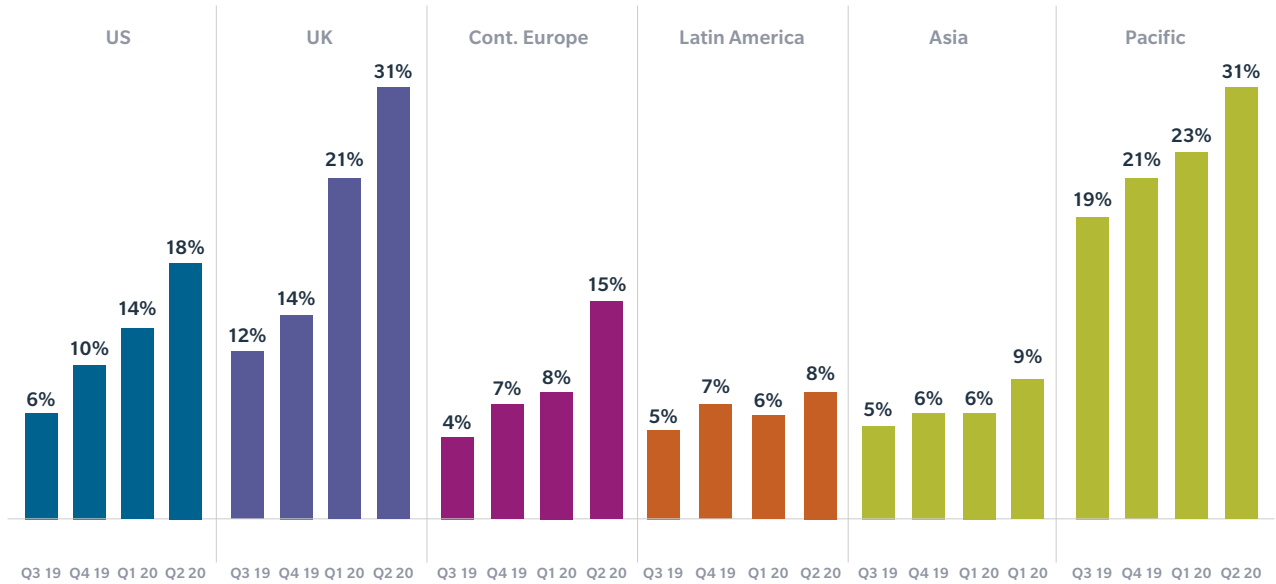
In the second quarter, the insurance market experienced pricing increases across major product categories (see Figure 2):

- Property insurance pricing increased 19%.
- Casualty pricing increased 7%.
- Financial and professional liability rose 37%.

FIGURE
3

Composite Insurance Pricing Change — By Region

SOURCE: MARSH GLOBAL ANALYTICS

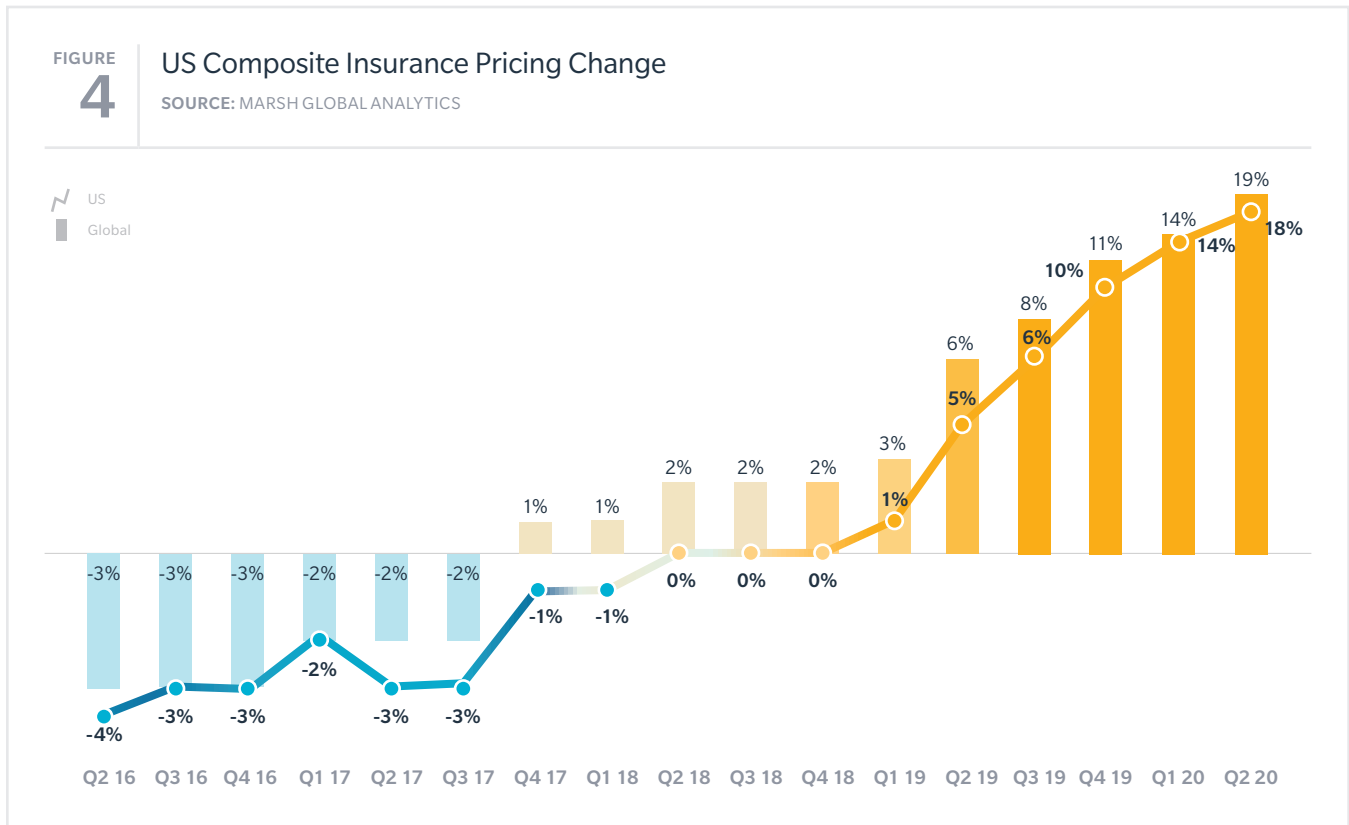


Geographically, composite pricing increased in all regions for the seventh consecutive quarter (see Figure 3):

- US 18%.
- UK 31%.
- Continental Europe 15%.
- Latin America and the Caribbean 8%.
- Asia 9%.
- Pacific 31%.

Pricing for D&O Leads US Increases

Insurance pricing in the second quarter of 2020 in the US increased 18%, year-over-year (see Figure 4). In addition to the overall pricing change, the general trend in the quarter was toward a firming of prices for the majority of coverages (see Figure 5).



Property pricing in the US has increased for 11 consecutive quarters.

- Property pricing in the US increased 22% in the second quarter, with many accounts experiencing greater increases.
- Flow into both the London and Bermuda markets was noticeably higher than in prior quarters as clients sought more options.
- Pricing for smaller organizations generally increased less than for midsize to large risks.
- Deal structure parameters — for example, limits and deductibles — showed little change from the prior quarter.

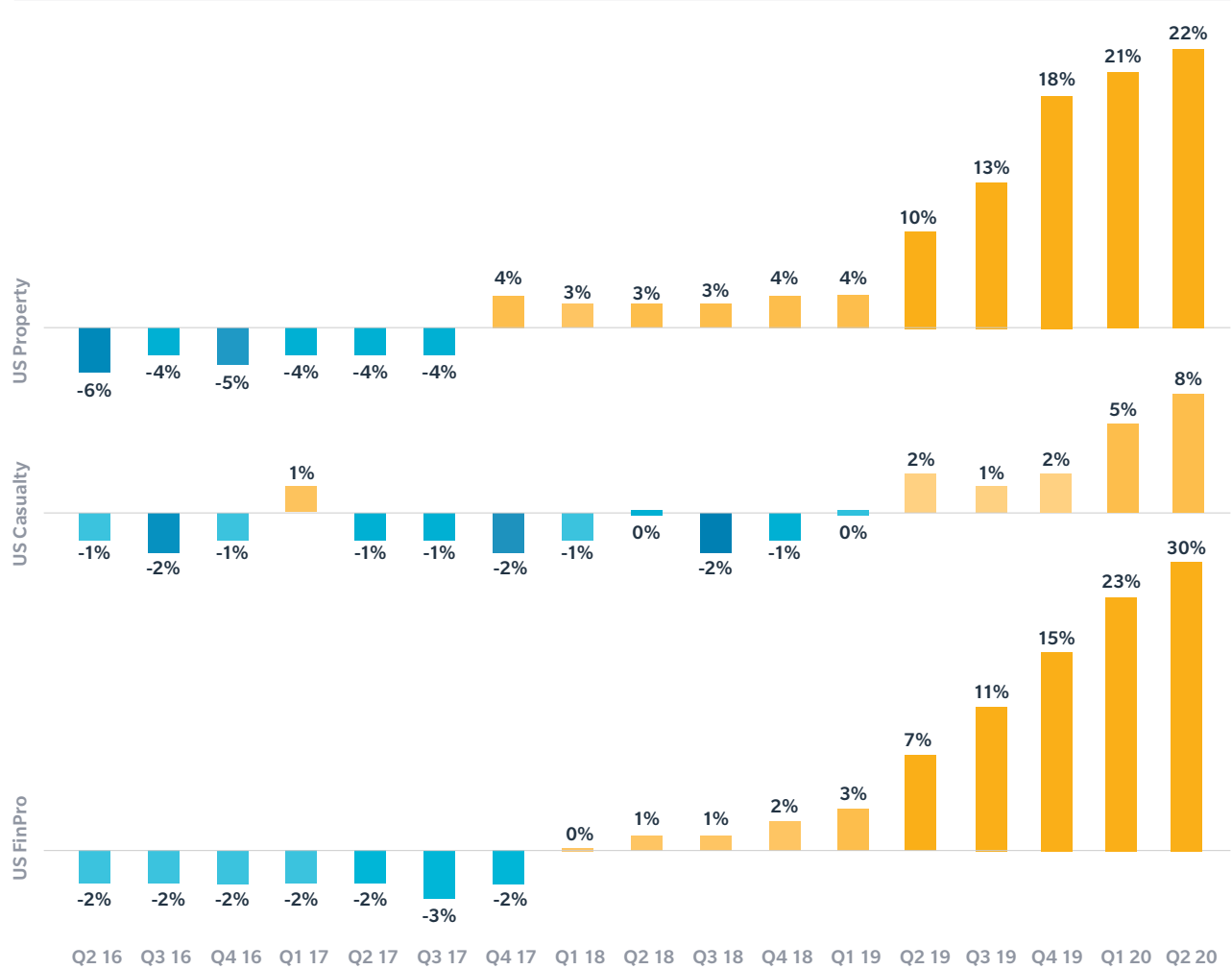
Casualty pricing in the US increased 8% in the quarter.

- The excess liability market was up 21%, influenced by concerns of increasing claim severity.
- Auto pricing increased 10%, with over 75% of clients experiencing an increase.
- Worker’s compensation pricing decreased 2%.

FIGURE
5

US Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



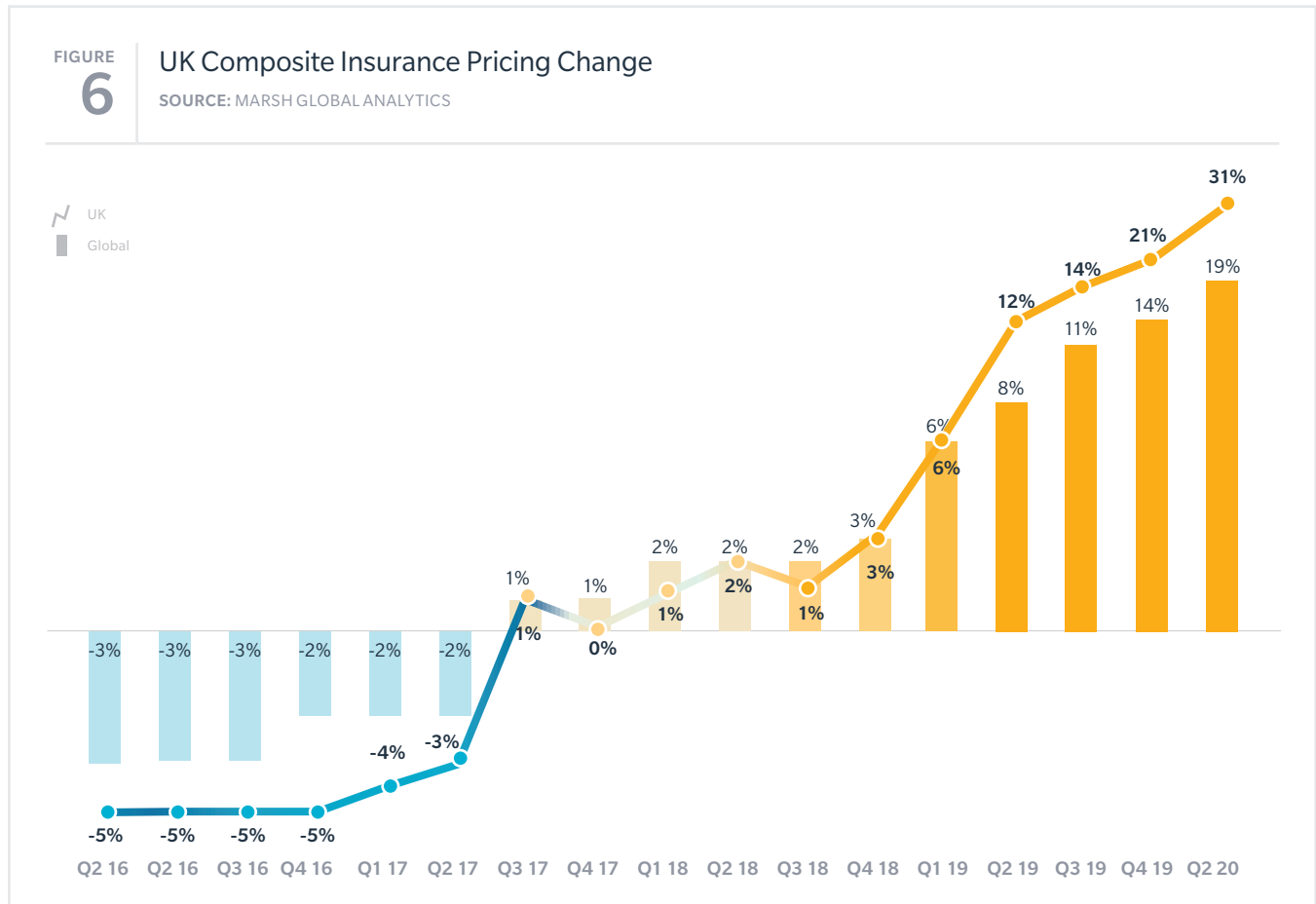
Financial and professional liability insurance rates in the US increased 30%, driven by directors and officers (D&O) pricing.

- Pricing in the D&O market was up 59%, with more than 90% of clients experiencing an increase.
- Overall pricing increased despite the trend toward higher retentions and reduced limits.

- Incumbent markets generally held onto large portions of their D&O portfolios, with very few risks transferring to other carriers.
- Employment practices liability (EPL) pricing rose 8%, with increases tied to COVID-19-related issues; many carriers pushed for higher retentions.
- Cyber insurance pricing rose 7%.

UK Composite Pricing Rises for the Eleventh Consecutive Quarter

Overall insurance pricing in the second quarter of 2020 in the UK increased 31%, accelerating the rate of increase observed in recent quarters (see Figures 6 and 7).



Property pricing increased 16% in the quarter.

- Pricing increased with growing momentum in the second quarter, a trend that started in early 2019. The sectors of waste, food, and mining are particularly distressed. Clients in any sector with poor claims and/or risk management issues are also subject to above average rate increases.
- Larger organizations generally experienced greater price increases than did midsize ones.
- Capacity in the market was a challenge, resulting in increased premiums, split placements, and more restrictive terms.

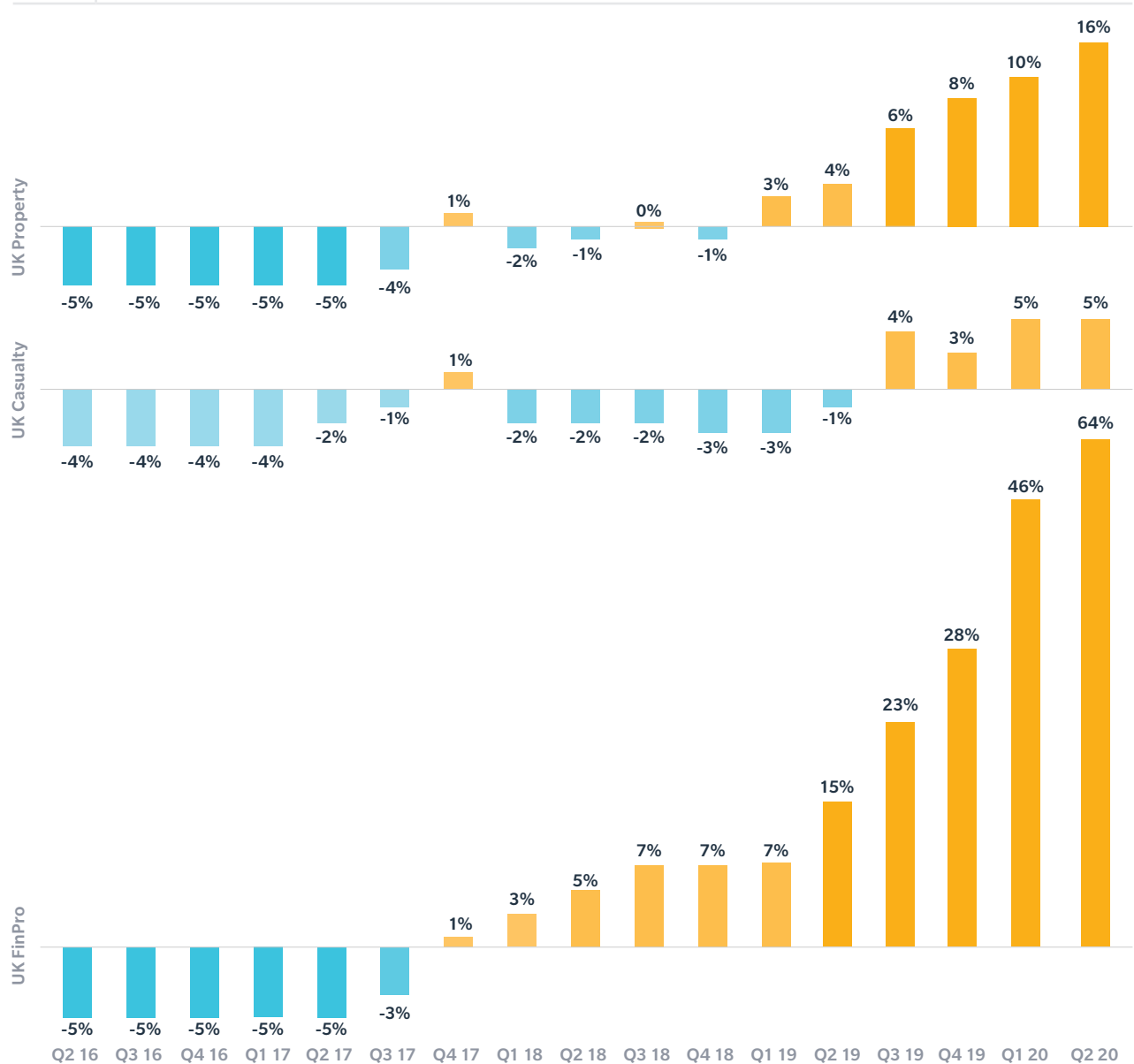
Casualty pricing increased 5%.

- Casualty pricing has increased for four consecutive quarters, following several years of single-digit decreases.
- Motor liability coverage showed the largest increases, typically in the upper single-digit range.
- Flat to minor pricing increases are becoming the norm for general liability and excess liability.
- Little variation in pricing change was observed between large and midsize clients.
- Insurers are closely monitoring the potential impact of COVID-19, both in terms of reduced premium income due to a reduction in rateable exposure and eventual COVID-19 claims notifications.

FIGURE
7

UK Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing increased 64%, driven largely by D&O.

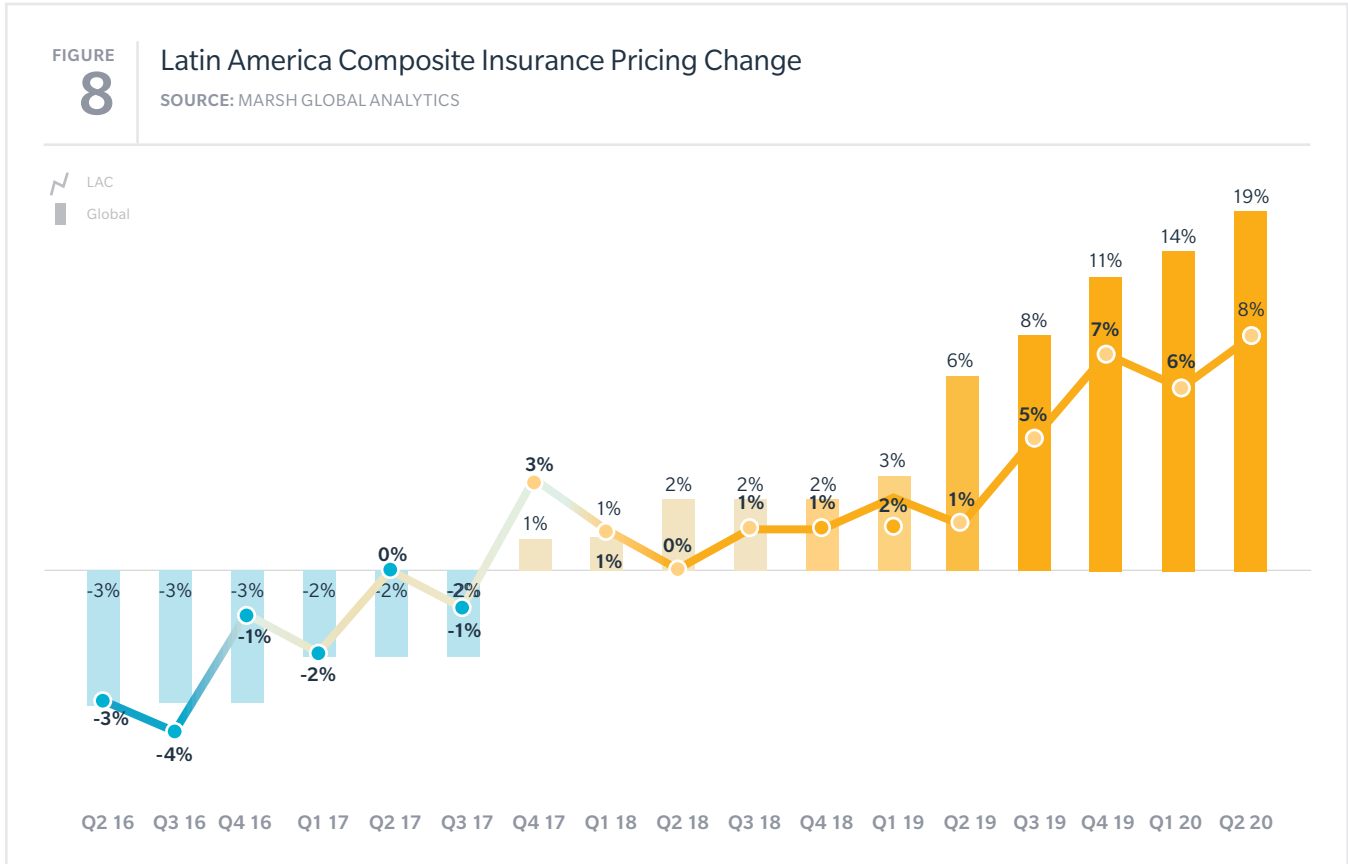
- D&O pricing showed significant increases with several large organizations experiencing hikes above 100%. Generally, midsize clients saw less pronounced increases, but still experienced material price changes.
- The trading environment continued to be a challenge, with insurers affected by negative prior-year claims development and reduced risk appetites.

• COVID-19 and increased insolvency exposures drove insurer expectations of increased claims.

- The lack of insurer appetite to compete for business has limited competition in the D&O space.
- There were large pricing increases for financial institutions and commercial crime coverages, in the 30% to 40% range. Significant, but less pronounced, average increases, in the 10% to 15% range, were seen for cyber insurance, where capacity is less constrained than for other lines.

Latin America Pricing Firms for Eleventh Straight Quarter

Insurance pricing in the second quarter of 2020 in the Latin America and Caribbean (LAC) region increased 8% (see Figures 8 and 9). The overall average composite pricing in LAC has now increased for 11 consecutive quarters.



Property pricing in the region increased 14% in the second quarter.

- Property pricing has increased the last four quarters, after declining or being stable for the prior five years.
- Increases occurred in all major LAC countries, with increases greater than 25% common.
- Impacts from COVID-19 began to appear in the form of stricter terms and conditions and increased pricing tied to expectations of future claims.
- Strikes, riots, and civil commotion affected pricing in Chile and elsewhere.

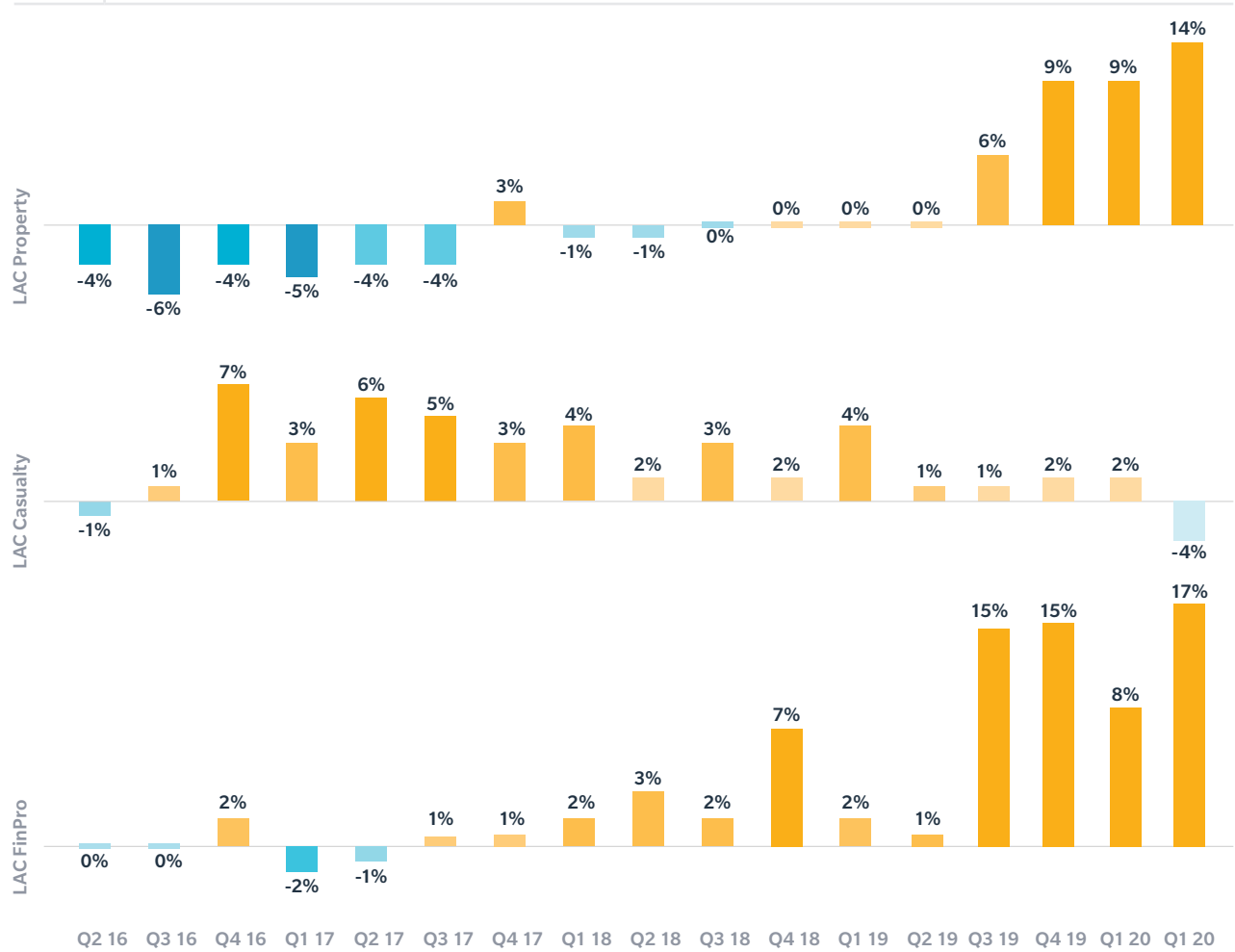
Casualty prices declined 4%, reversing the trend of minor increases observed since 2016.

- Auto and general liability, primarily within Mexico and Brazil, drove casualty pricing decreases in the region.
- Price reductions in the single digits were typical, and were consistent across all segments.

FIGURE
9

Latin America Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS

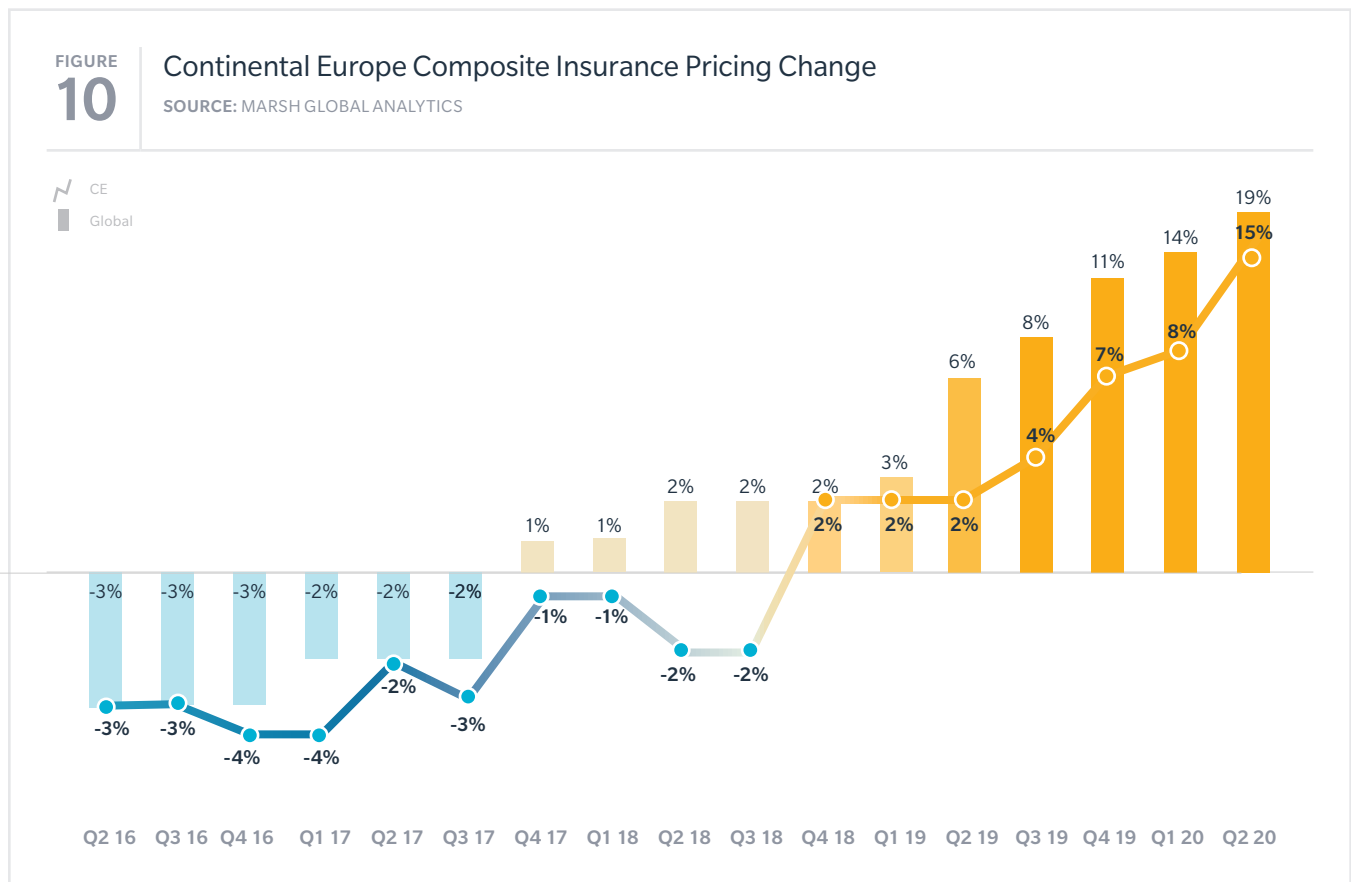


Financial and professional liability pricing rose 17% in the quarter.

- Pricing increases were consistent with late 2019, suggesting that first quarter 2020 increases of 8% may have been an anomaly.
- D&O and financial institutions pricing increased 15% to 20%.
- Capacity was increasingly difficult to secure in some markets.

Continental Europe Pricing Driven by Property and Financial and Professional Lines

Insurance pricing in the second quarter of 2020 in Continental Europe (CE) increased 15% (see Figures 10 and 11).



Property insurance pricing in CE rose 20%, the seventh consecutive quarterly increase.

- Property pricing increases in CE accelerated, driven by complex property placements and CAT-exposed programs.
- Most major countries — France, Germany, Italy, and Spain — saw double-digit increases for CAT and non-CAT property risks. No country in the index reported a decline in property pricing.
- Pressure on rate, retentions, and capacity drove an increase in the use of traditional wholesale markets in London and Zurich, as well as demand for alternative structures.

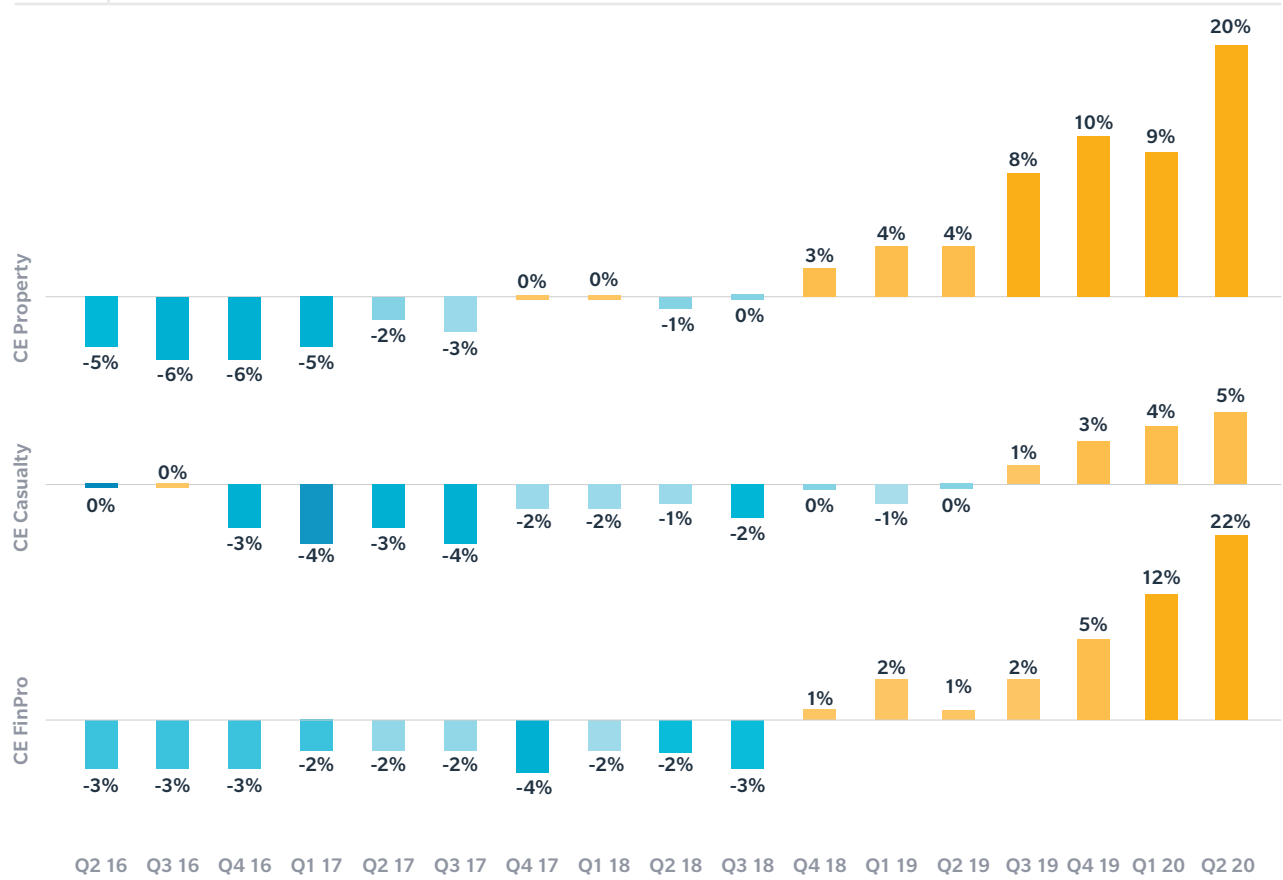
Casualty insurance pricing increased 5% in the quarter, the fourth consecutive quarterly increase.

- Excess casualty drove the overall pricing increase, particularly for organizations with North America exposure.
- General liability pricing increases in France, Germany, Italy, and Spain generally ranged from 5% to 15%.
- Auto pricing was generally stable. Workers' compensation, where available, increased in the low single digits.

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 22% in the quarter.

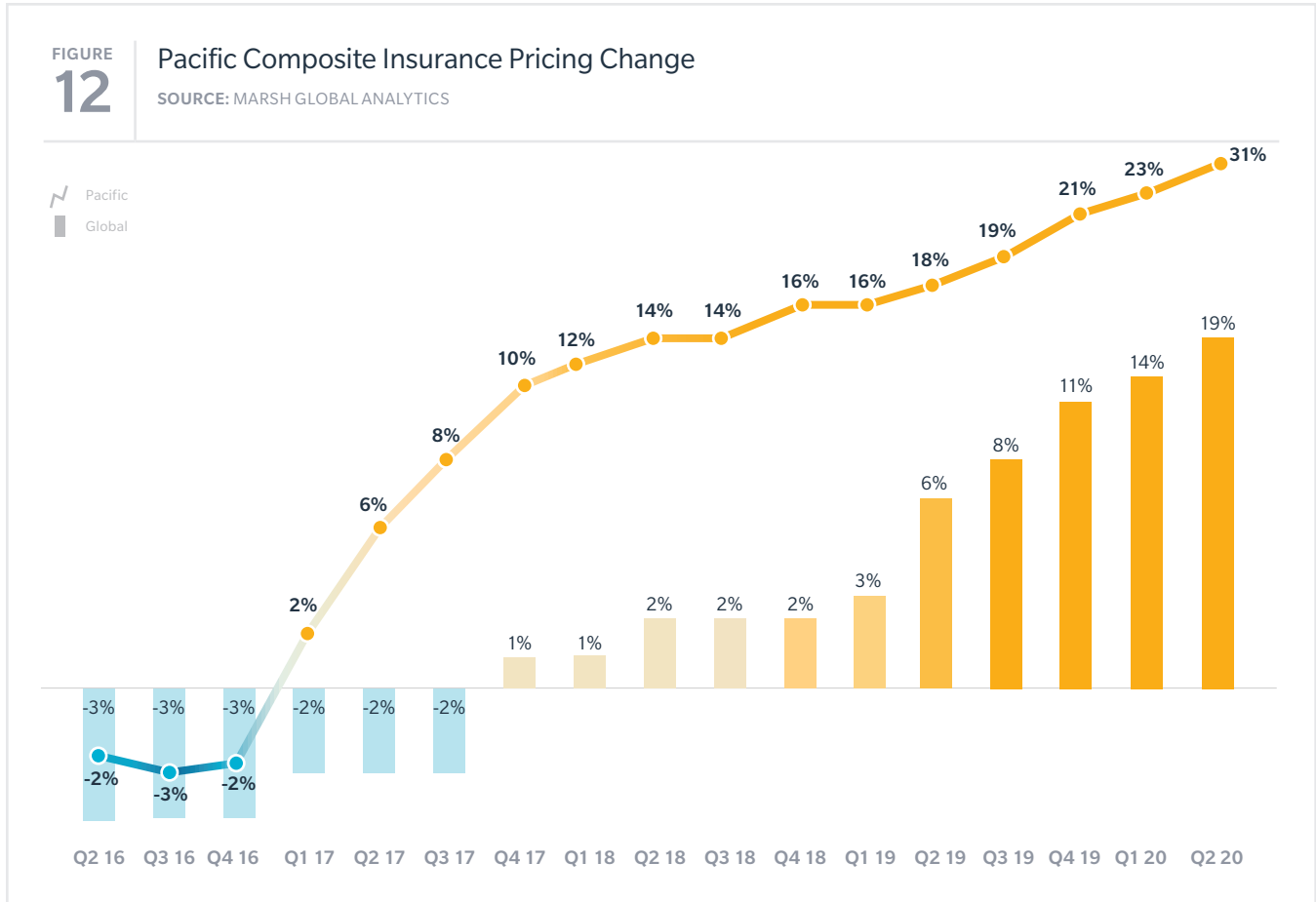
- Pricing increases accelerated particularly for major D&O programs in distressed sectors or with US exposure.

- D&O pricing increased more than 50% in France and 25% in Germany and Italy.

- Pricing for financial institutions and professional liability generally increased in the 10% to 20% range in most countries.

Pacific Pricing Continues Upward Trend

Overall insurance pricing in the second quarter of 2020 in the Pacific region increased 31%, continuing an upward trend that began in 2015 (see Figures 12 and 13).



Property insurance pricing increased 28% in the quarter, the eleventh consecutive quarter of year-over-year double-digit increases.

- Wildfires and other CAT events drove the pricing increase, with concerns surrounding COVID-19 also having an impact.
- Policy wordings and coverage edits occurred frequently as a means to offset or mitigate pricing increases, adjustments to deductibles, and/or SIR increases.
- There was little competition among insurers, and a general move toward reducing line sizes (deployed capacity) on major placements, in particular those with CAT exposure.

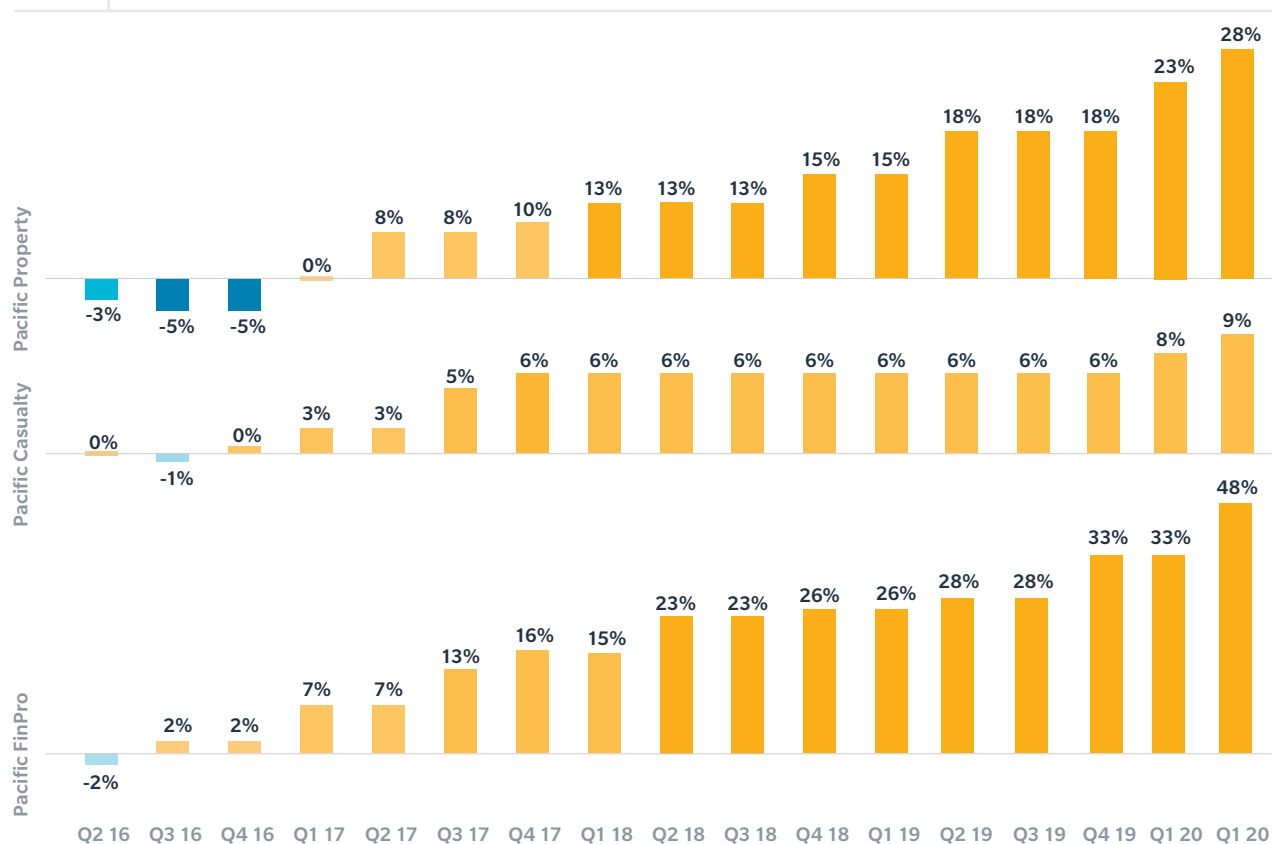
Casualty pricing rose 9%.

- Casualty pricing continued to increase in the mid-single digits as it has for three years.
- Wildfire, construction risks, and clients with US exposures faced significant increases, ranging from 30% to 50% and above, as well as reduced capacity.
- Competition and capacity in the casualty market began to increase.

FIGURE
13

Pacific Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



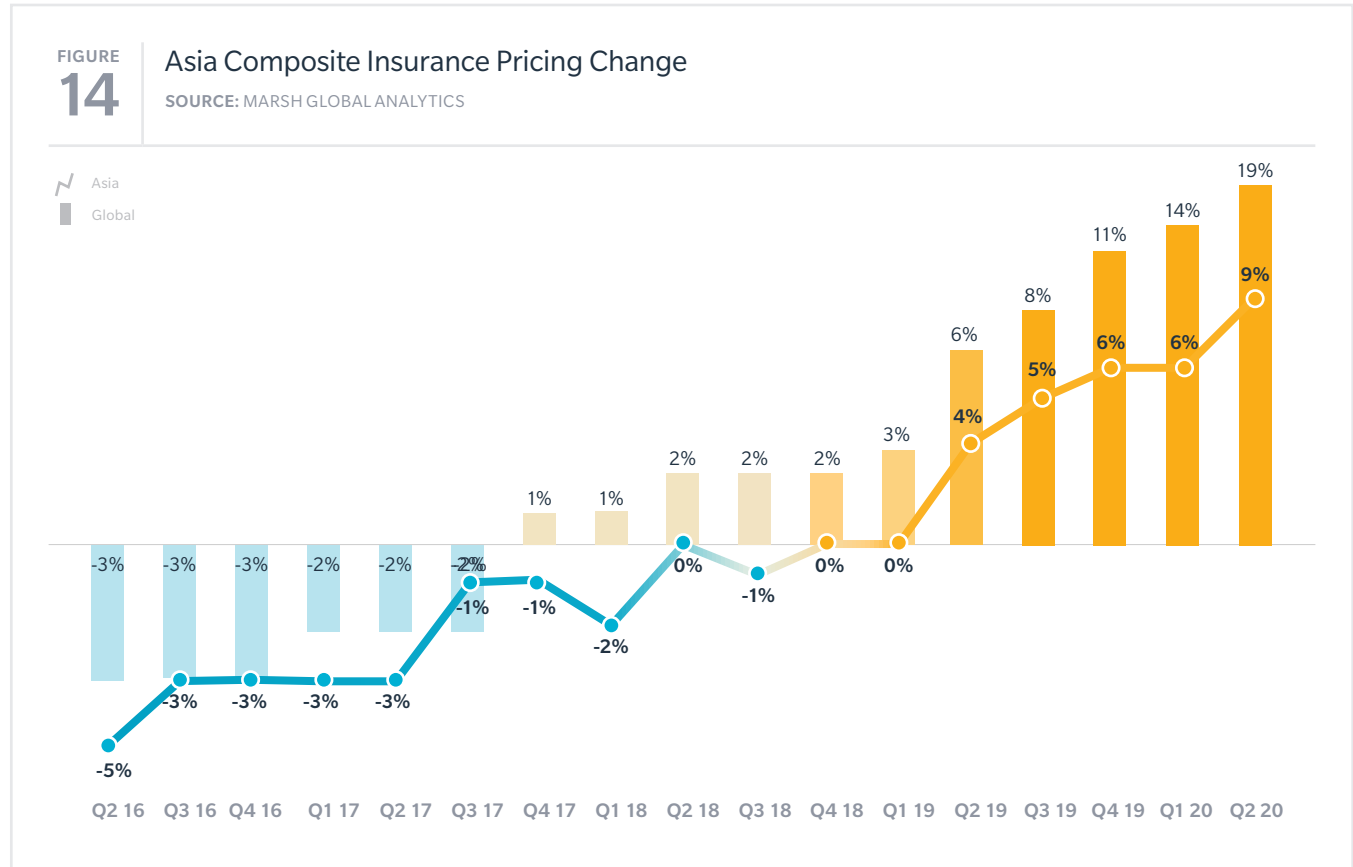
Financial and professional liability pricing rose 48% in the quarter, marking 12 consecutive quarters of double-digit increases.

- Many listed companies' D&O programs experienced increases above 100%.

- There were numerous edits to policy wordings to mitigate pricing impacts, with material changes to deal structure.
- It was difficult to fill the capacity desired on select programs.
- Commercial professional indemnity increases ranged from 20% to 25%.

Asia Composite Pricing Continues to Increase

Insurance pricing in the second quarter of 2020 in Asia increased 9% year-over-year (see Figures 14 and 15).



Property insurance pricing rose 12%.

- Property pricing increased to varying degrees in all territories across the region with the exception of China, which benefitted from abundant domestic capacity.
- Large, complex, and multinational programs saw the greatest impact on pricing, deductibles, and limits.

- CAT-exposed business in the region saw double-digit increases and a continued reliance on international markets for support.
- Midsize and SME clients benefitted from strong demand in domestic markets.

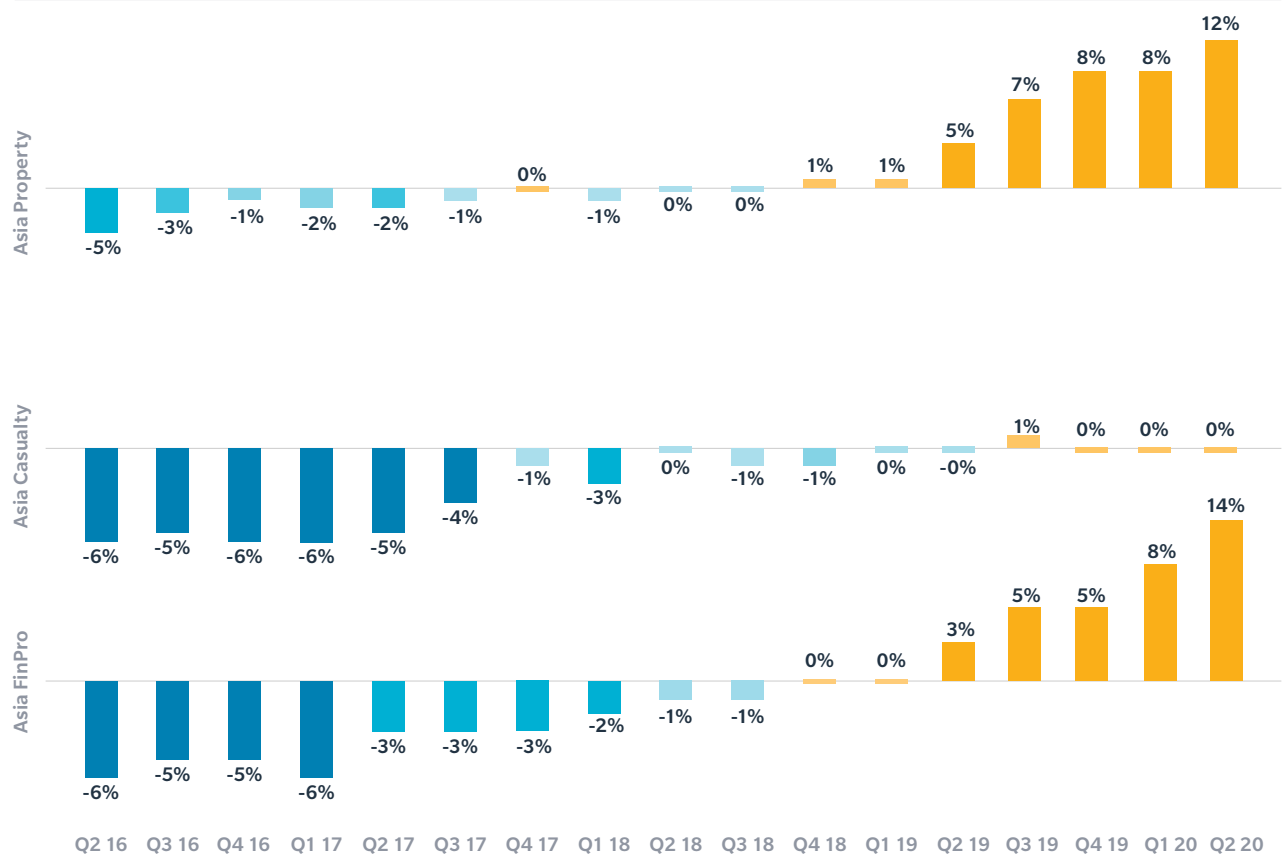
Casualty pricing was flat in the second quarter.

- For a ninth consecutive quarter, casualty pricing was generally flat, following several years of moderate decreases.

FIGURE
15

Asia Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Financial and professional liability pricing rose 14%, the largest increase observed in several years and the fifth consecutive quarter of increases.

- A reduction in capacity, particularly from global insurers, contributed to pricing increases.

- US listed D&O was the most affected by pricing increases, some as high as 100%. Limited insurer appetite drove the market.
- Financial institutions generally experienced rate increases across all coverage lines, as insurer appetite for these risks was limited. The same held true for commercial crime.

For further information, please contact your local Marsh office or visit our website at [marsh.com](https://www.marsh.com).

ASIA AND PACIFIC

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

LATIN AMERICA

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

US AND CANADA

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

**CONTINENTAL EUROPE,
MIDDLE EAST AND AFRICA**

NICK HOLMES
Placement Leader
+44 (0)7711 083261
nick.j.holmes@marsh.com

UK AND IRELAND

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

BOWRING MARSH

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

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

This document and any recommendations, analysis, or advice provided by Marsh (collectively, the "Marsh Analysis") are not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh Analysis and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, tax, accounting, or legal advice, for which you should consult your own professional advisors. Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. Marsh makes no representation or warranty concerning the application of policy wording or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. Although Marsh may provide advice and recommendations, all decisions regarding the amount, type or terms of coverage are the ultimate responsibility of the insurance purchaser, who must decide on the specific coverage that is appropriate to its particular circumstances and financial position.