MARSH

INSIGHTS | **NOVEMBER 2020**

Global Insurance Prices Rise for Twelfth Consecutive Quarter

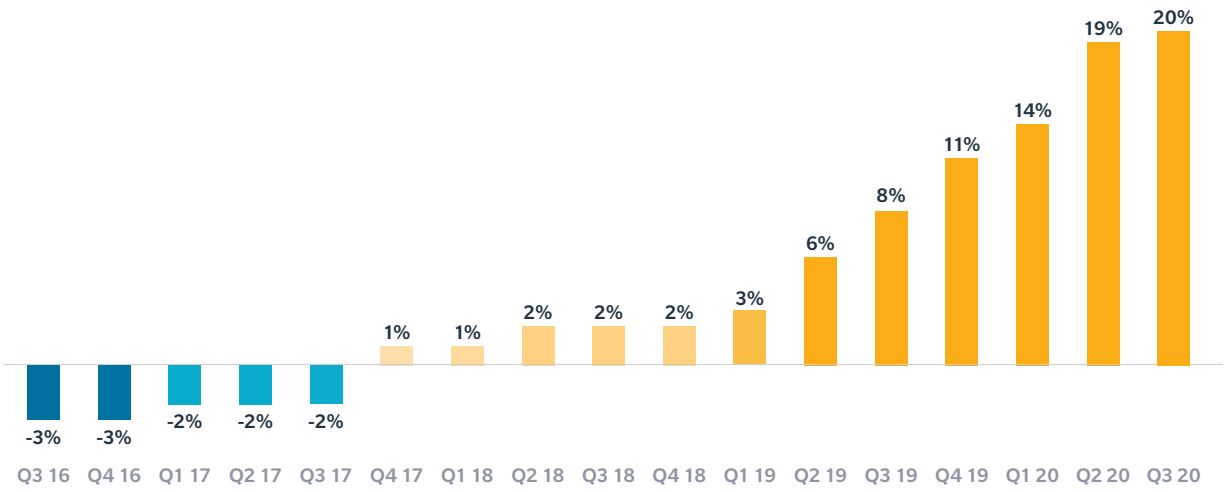
Global commercial insurance prices rose 20% in the third quarter of 2020, the twelfth consecutive quarter of price increases (see Figure 1). The third quarter rise in pricing was the largest year-over-year increase in the Marsh *Global Insurance Market Index* since its inception in 2012.*

Average composite pricing increased in all regions for the eighth consecutive quarter. In addition, for the seventh consecutive quarter, pricing increases were observed across each of the major product categories. The ongoing pricing challenges in the marketplace led many clients to adjust programs by increasing retentions, reducing limits, and/or modifying policy terms.

FIGURE 1

Global Insurance Composite Pricing Change

SOURCE: MARSH



*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.

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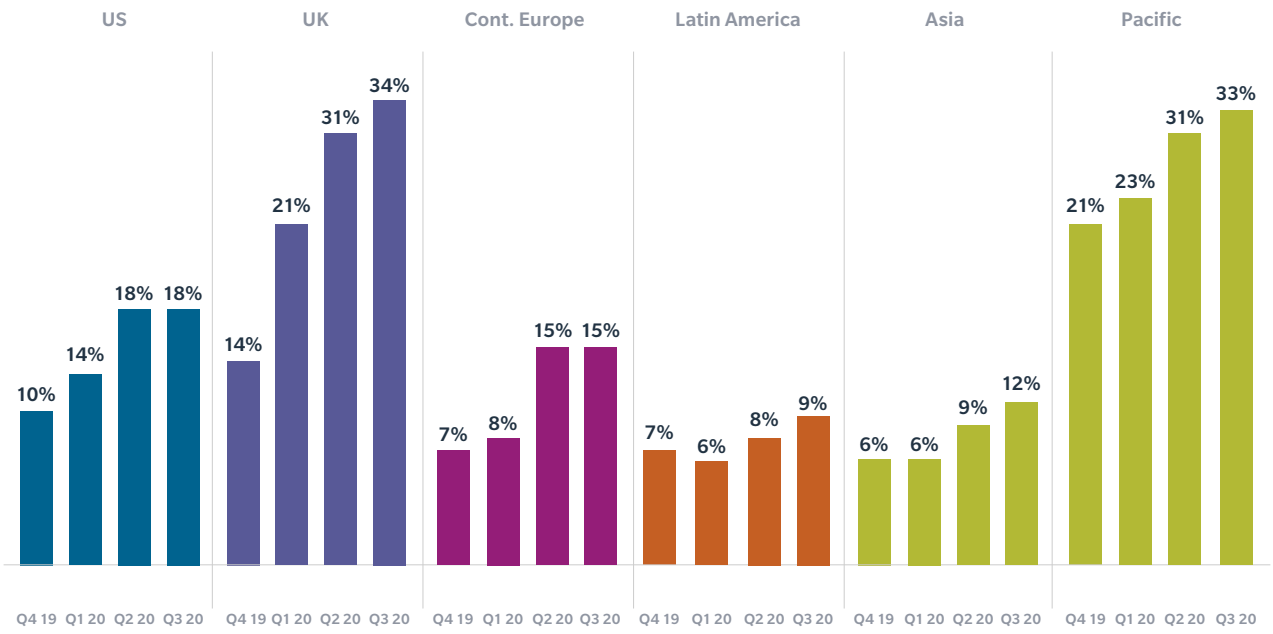
FIGURE 2

Composite Insurance Pricing Change — By Region

SOURCE: MARSH



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

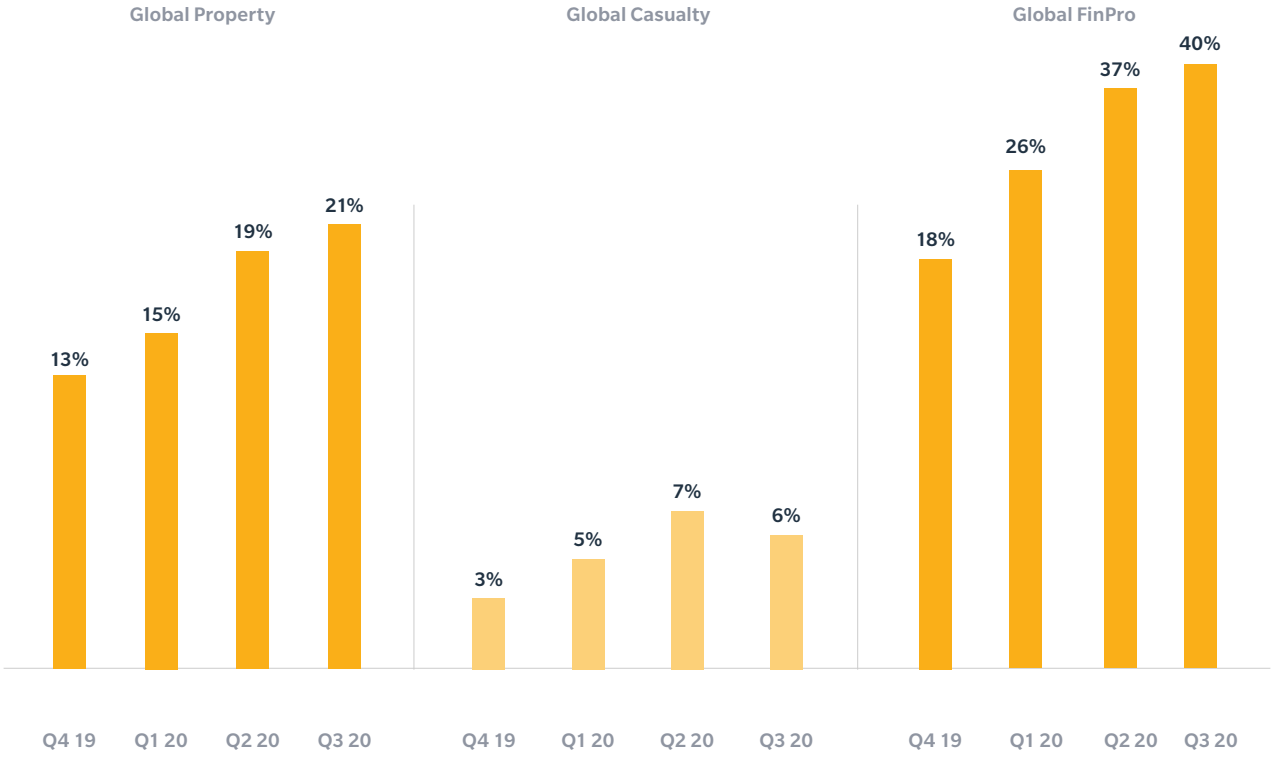
- US: 18%.
- UK: 34%.
- Continental Europe: 15%.
- Latin America and the Caribbean: 9%.
- Asia: 12%.
- Pacific: 33%.

Globally, pricing trended higher. As shown in Figure 1, this trend started in late 2017, following a series of events — including catastrophe (CAT) events in North America and Asia — that adversely affected insurer financial performance. Since then, the rate and breadth of pricing changes across geographies and products has increased. Based on current conditions, we expect the pricing environment to remain challenging in most regions and across most products, with the firming market extending through the first half of 2021.

FIGURE 3

Global Composite Insurance Pricing Change — By Coverage Line

SOURCE: MARSH



Financial and professional liability again had the highest rate of increase across the major product categories (see Figure 3):

- Property insurance pricing: 21%.
- Casualty pricing: 6%.
- Financial and professional liability: 40%.

It is important to note that reported pricing changes are averages. Data used to estimate pricing movements cover a wide range of clients in terms of size, industry, location, claims history, and other parameters.

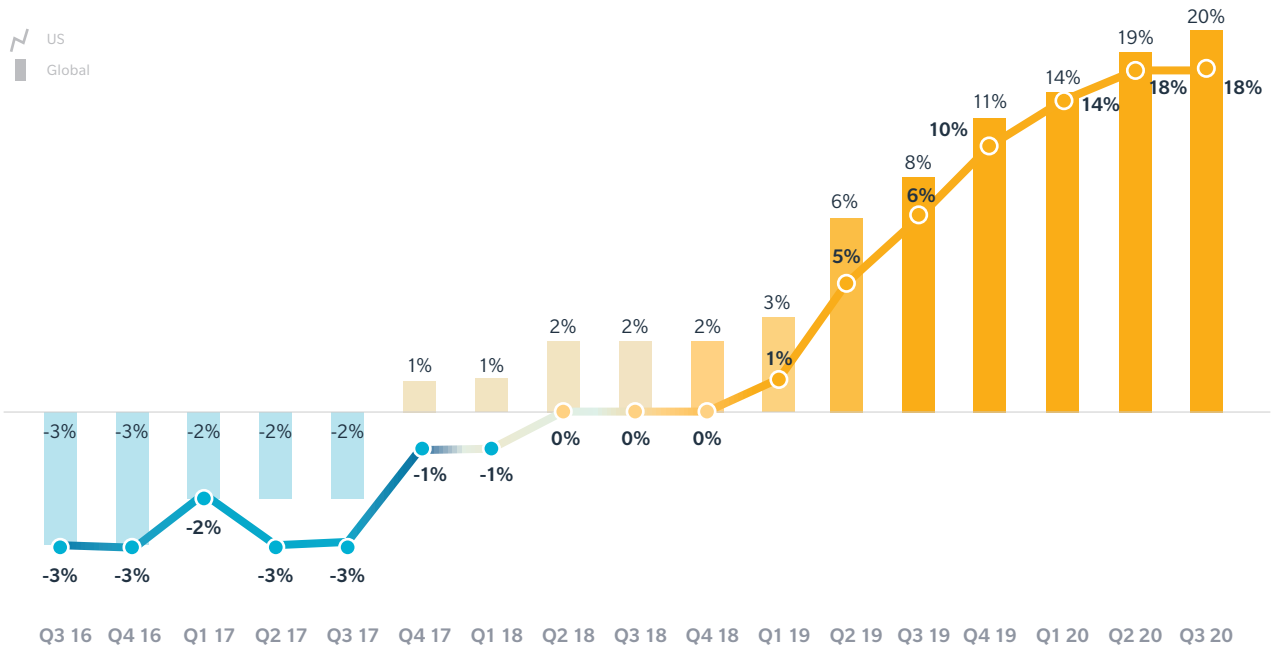
US Trend of Increased Pricing Continues

Insurance pricing in the third 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).

FIGURE 4

US Composite Insurance Pricing Change

SOURCE: MARSH



Property pricing in the US has increased for 12 consecutive quarters. The price change for the third quarter 2020 is the largest reported increase in more than eight years.

- Property pricing in the US increased 24%, with 85% of renewing clients experiencing an increase.
- Many clients adjusted their insurance programs to offset or limit pricing increases. More than 15% of clients increased retentions and more than 20% of clients reduced limits.
- Generally, larger clients (with more than US$1 million in premium) experienced higher price increases — 35% average increase versus 20% for smaller clients.
- Insurers continued to manage exposure by pushing for higher deductibles and adjusting policy terms and conditions, with many looking to reduce or eliminate non-physical damage coverage.

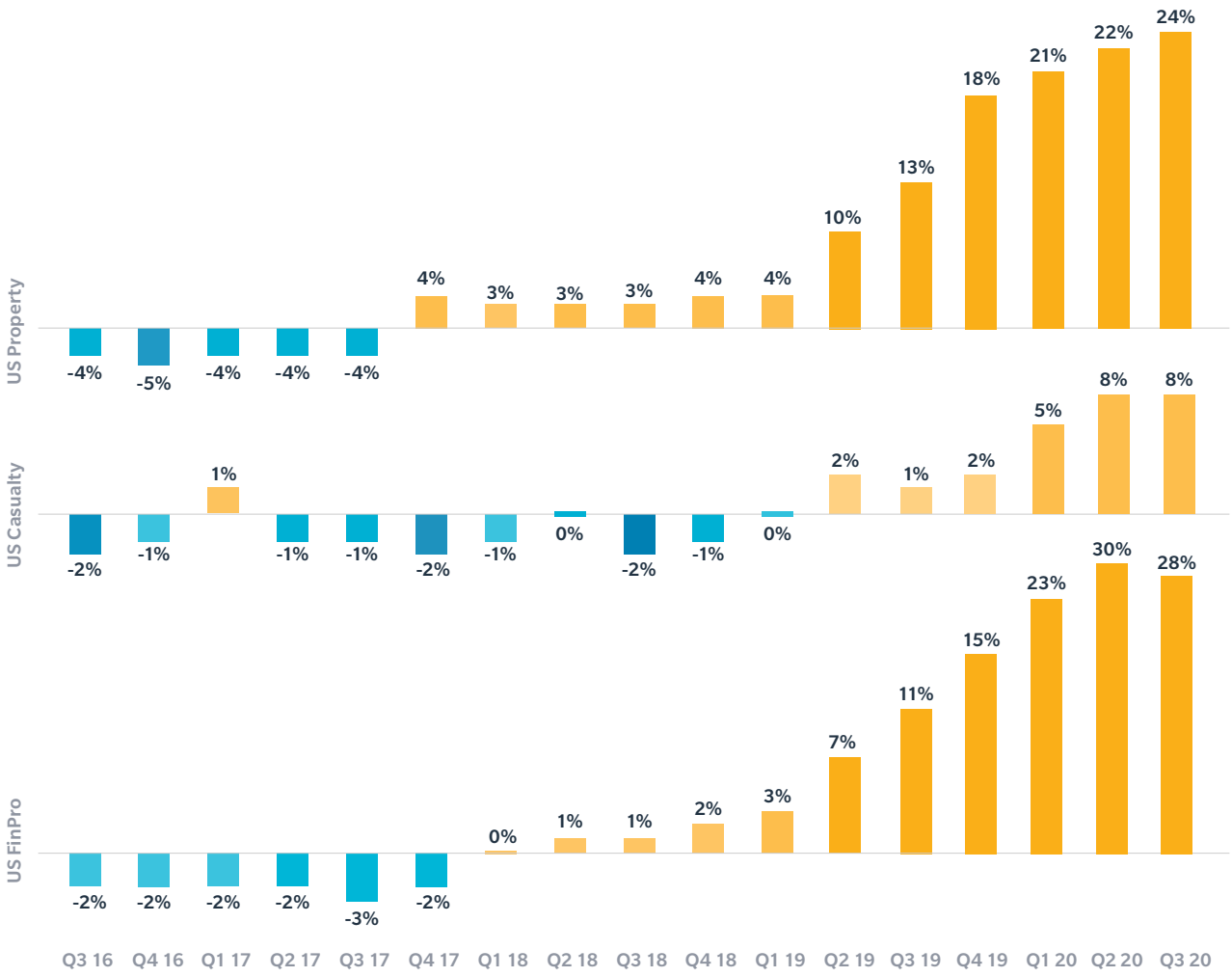
Casualty pricing in the US increased 8%.

- Large and complex umbrella excess risks continued to see the greatest increases, generally ranging from 30% to 60%, although higher increases were noted.
- Limits on primary general liability policies trended higher to address actions from lead umbrella insurers to attach at higher levels.
- Auto pricing increased 7%.
- Workers' compensation pricing decreased 3%.

FIGURE 5

US Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



Financial and professional liability insurance prices in the US increased 28%, driven by directors and officers (D&O) pricing.

- Pricing in the public D&O market was up more than 50%, with more than 90% of clients experiencing an increase.
- Pricing increases occurred even as many clients increased retentions and reduced limits.
- There was little movement of D&O risks between insurers; incumbents retained most clients. Some new capacity started to enter the market.
- Employment practices liability (EPL) pricing rose nearly 10%, with increases tied to COVID-19 issues. Insurers pushed for higher retentions to manage exposure.
- Cyber pricing increased 11%, the largest increase since 2016. More than 15% of cyber clients increased limits.

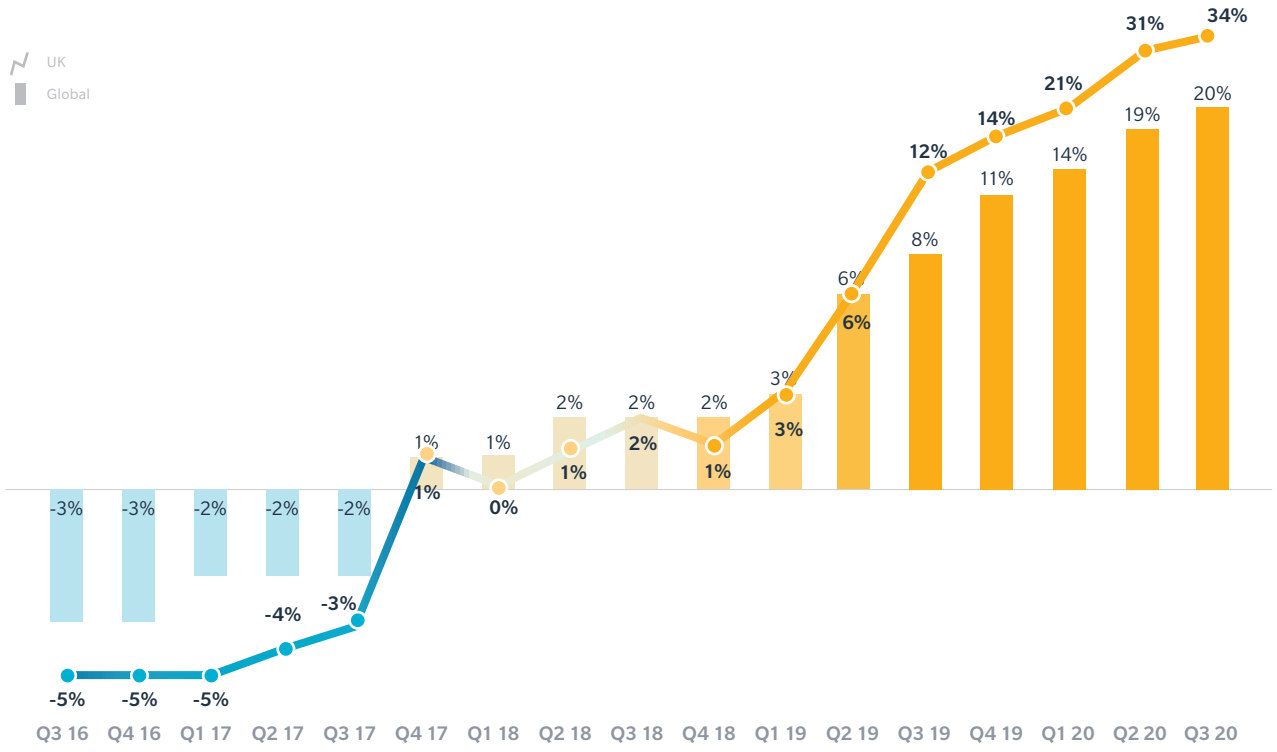
UK Composite Pricing Rises for the Twelfth Consecutive Quarter

Overall insurance pricing in the third quarter of 2020 in the UK increased 34% (see Figures 6 and 7).

FIGURE 6

UK Composite Insurance Pricing Change

SOURCE: MARSH



Property pricing increased 20%.

- More than 80% of clients received increases at renewal.
- In general, larger clients received higher increases (25% to 30% increase versus 10% to 15% for midsize clients).
- To mitigate pricing increases, many clients purchased less insurance, raised retentions, and/or reduced limits.
- Insurers tightly managed available capacity and continued to scrutinize risk improvements. Many risk recommendations are becoming requirements.
- Exclusions continued to be a concern in relation to COVID-19.

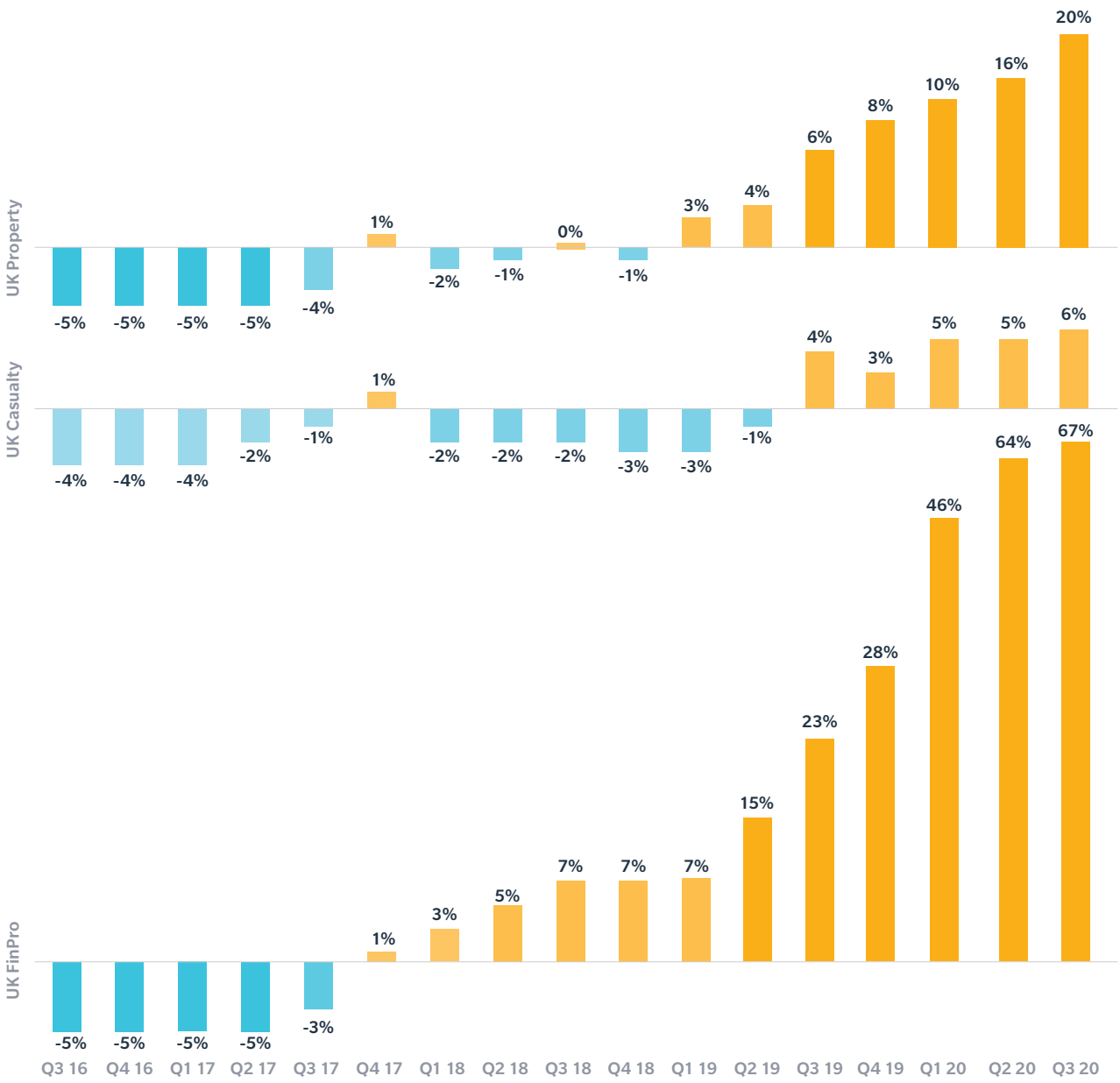
Casualty pricing increased 6%.

- **Casualty** pricing has increased for five consecutive quarters, with the third quarter 2020 seeing the highest level of increase since the Index began in 2012. Pricing increases were generally higher for mid-market clients.
- Public and products liability showed the highest level of increase, with average pricing up 13% for mid-market clients and 8% for large clients.
- Employers liability pricing increased in the mid-single digits.
- Pricing increases were prevalent in excess layers, where insurers increased minimum rates.
- Insurers reviewed coverage terms as they sought to reduce exposure to silent cyber.

FIGURE 7

UK Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



Financial and professional liability pricing increased 67%, driven largely by D&O.

- Public company D&O continued to dominate financial and professional liability pricing, with increases averaging more than 100%.
- More than 40% of clients adjusted retentions or limits to offset price increases.
- Economic uncertainty due to COVID-19 added to the challenging environment.
- For financial institutions, capacity reductions for certain classes and types of institution drove pricing increases.
- Cyber pricing increased 17%, as increased frequency and severity of claims affected prices. Capacity remained readily available, and about 30% of clients raised coverage and/or limits.

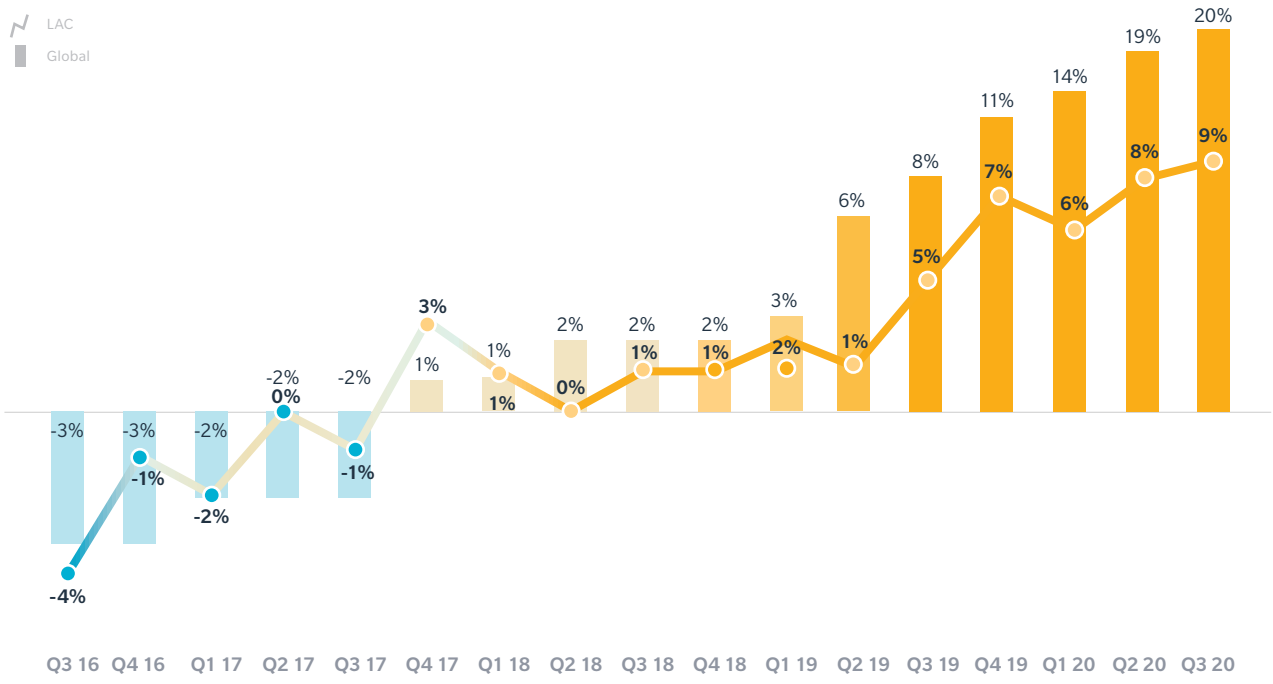
Latin America and Caribbean Pricing Rises Driven by Property, D&O

Insurance pricing in the third 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 12 consecutive quarters.

FIGURE 8

Latin America Composite Insurance Pricing Change

SOURCE: MARSH



Property pricing in the region increased 15%.

- Complex property placements and CAT-exposed programs drove the overall pricing increase.
- Prices rose in all major countries, with increases above 25% common. The largest increases observed were in Brazil and Chile.
- COVID-19 continued to impact pricing.
- Strikes, riots, and civil commotion (SRCC) coverage influenced pricing in Chile.

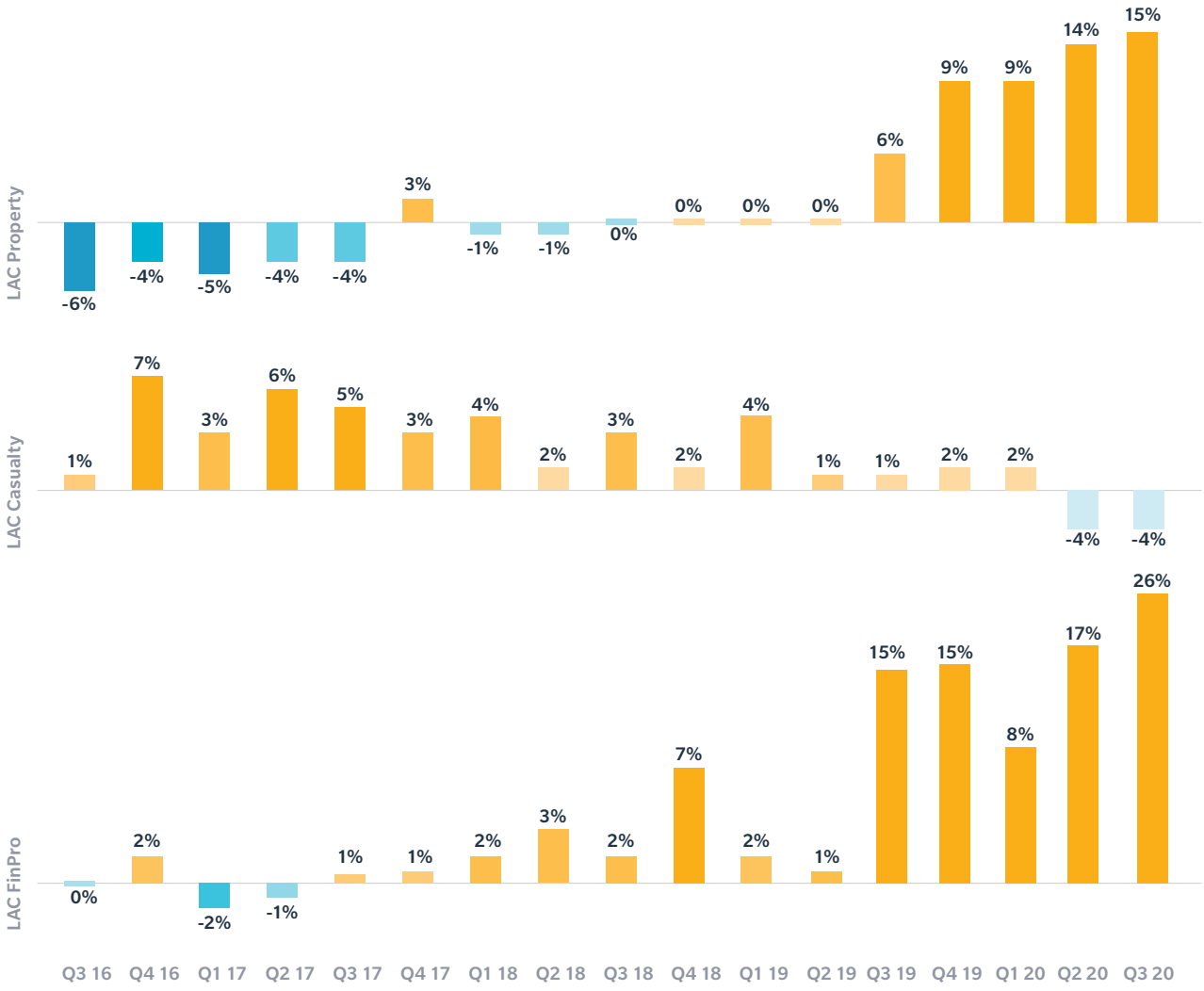
Casualty prices declined 4%.

- Casualty pricing was influenced by rates in auto liability, with pricing down 5% to 15% in Argentina, Colombia, and Mexico.
- A high level of large local capacity drove competition in many countries.
- General liability pricing varied across the region, with Brazil and Mexico stable, and Chile and Colombia reporting increases up to 15%.

FIGURE 9

Latin America Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



Financial and professional liability pricing rose 26%, driven by D&O.

- D&O prices showed significant increases, with several large clients experiencing hikes above 50%. Brazil, Chile, and Colombia all reported large pricing increases.
- Competition in the D&O market was limited as insurers managed overall portfolio exposure and refrained from competing for new business.
- Financial institutions experienced double-digit pricing increases.

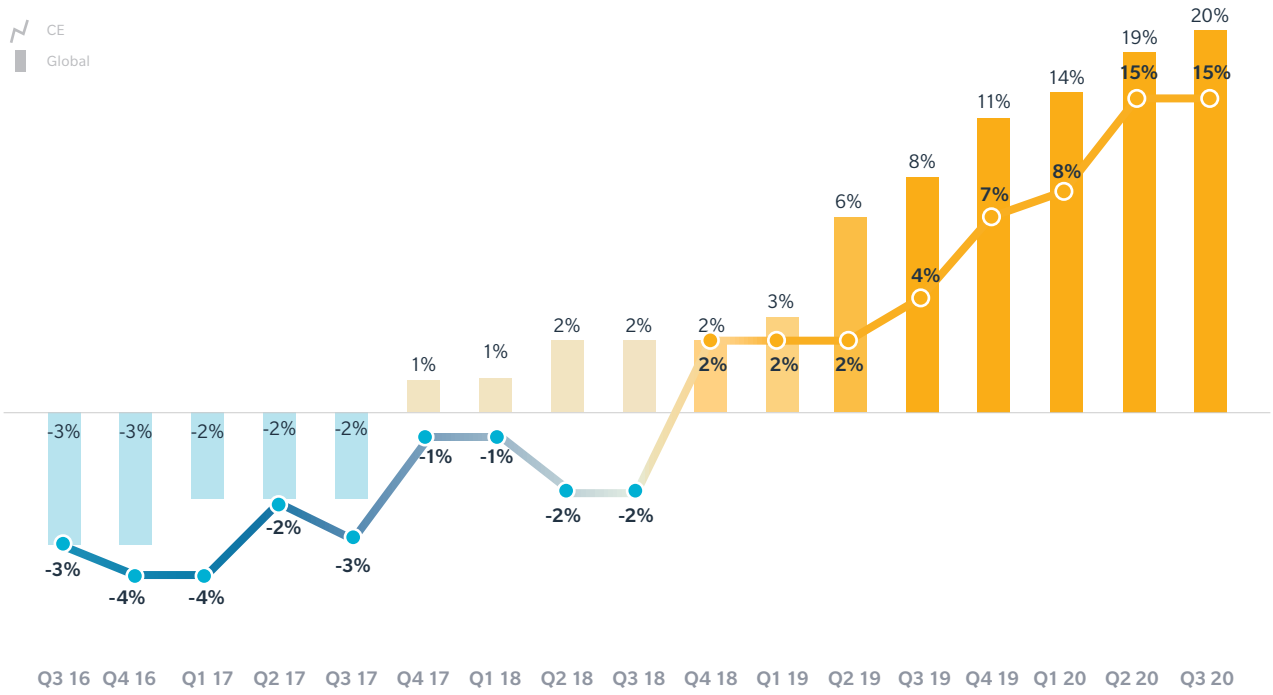
Continental Europe Pricing Increases Less than Global Average

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

FIGURE 10

Continental Europe Composite Insurance Pricing Change

SOURCE: MARSH



Property insurance pricing in CE rose 21%, the eighth consecutive quarterly increase.

- Pricing continued to accelerate, driven by complex placements and CAT-exposed programs.
- Clients in major countries — including France, Germany, Italy, and Spain — experienced double-digit increases.
- All client sizes experienced increases.
- Pressure on rate and limits on capacity drove increased use of traditional wholesale markets in London and Zurich, as well as demand for alternative structures.
- Insurers worked to apply communicable disease and cyber-related exclusions.

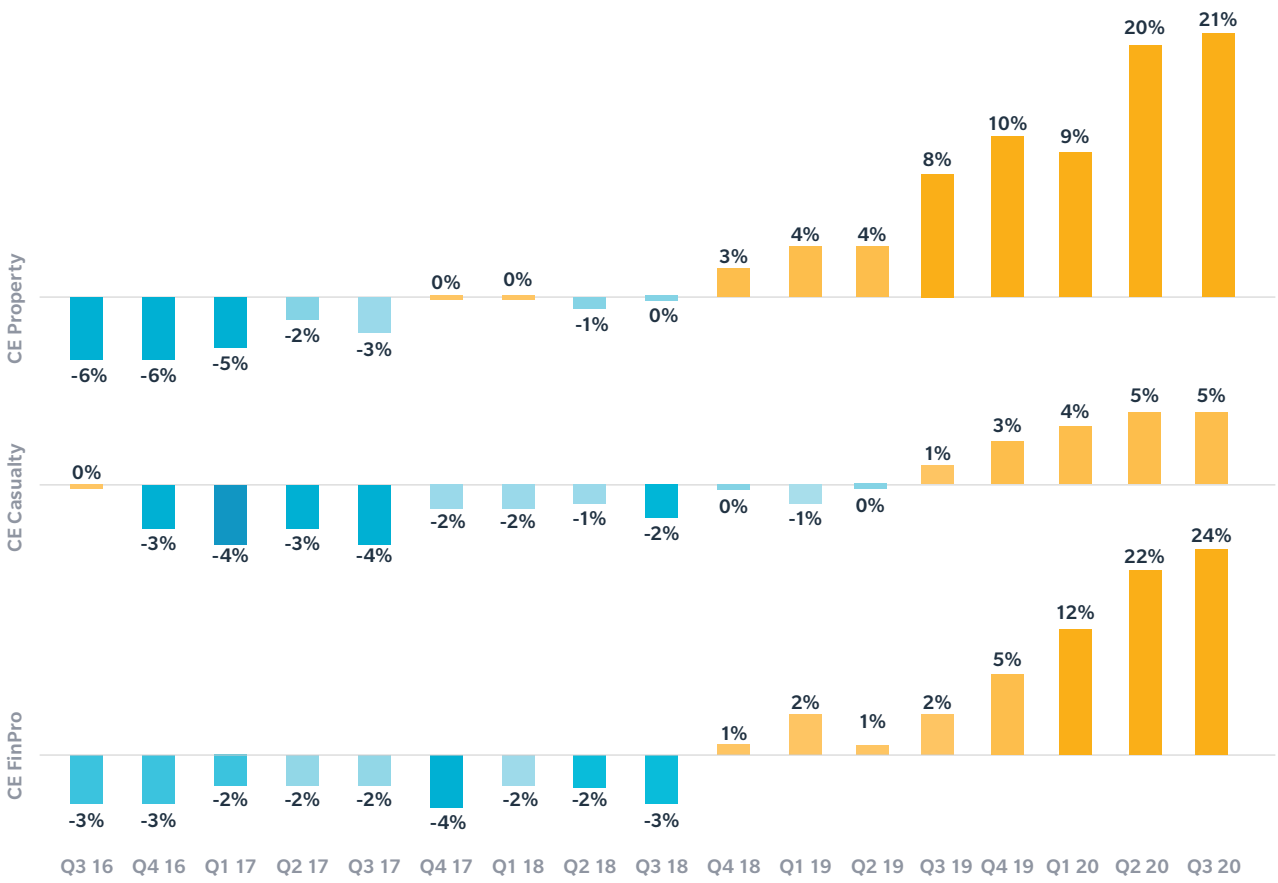
Casualty insurance pricing increased 5%, the fifth consecutive quarterly increase.

- General liability and excess lines led the increases, particularly for companies with North American exposures.
- Pricing increases were prevalent across most casualty products, and in most countries. Increases typically ranged from mid- to high-single digits.
- Auto liability 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: MARSH



Financial and professional liability insurance pricing increased 24%.

- Price increases for D&O liability continued for major programs in distressed sectors or with US exposure. Mid-market clients experienced pricing increases, although below those of large clients.
- Clients adjusted deal structure parameters to mitigate price increases.
- Demand for wholesale markets expanded, with increased flow into both the London and Zurich markets.
- Insurers were selective in their approach and willingness to deploy capacity.

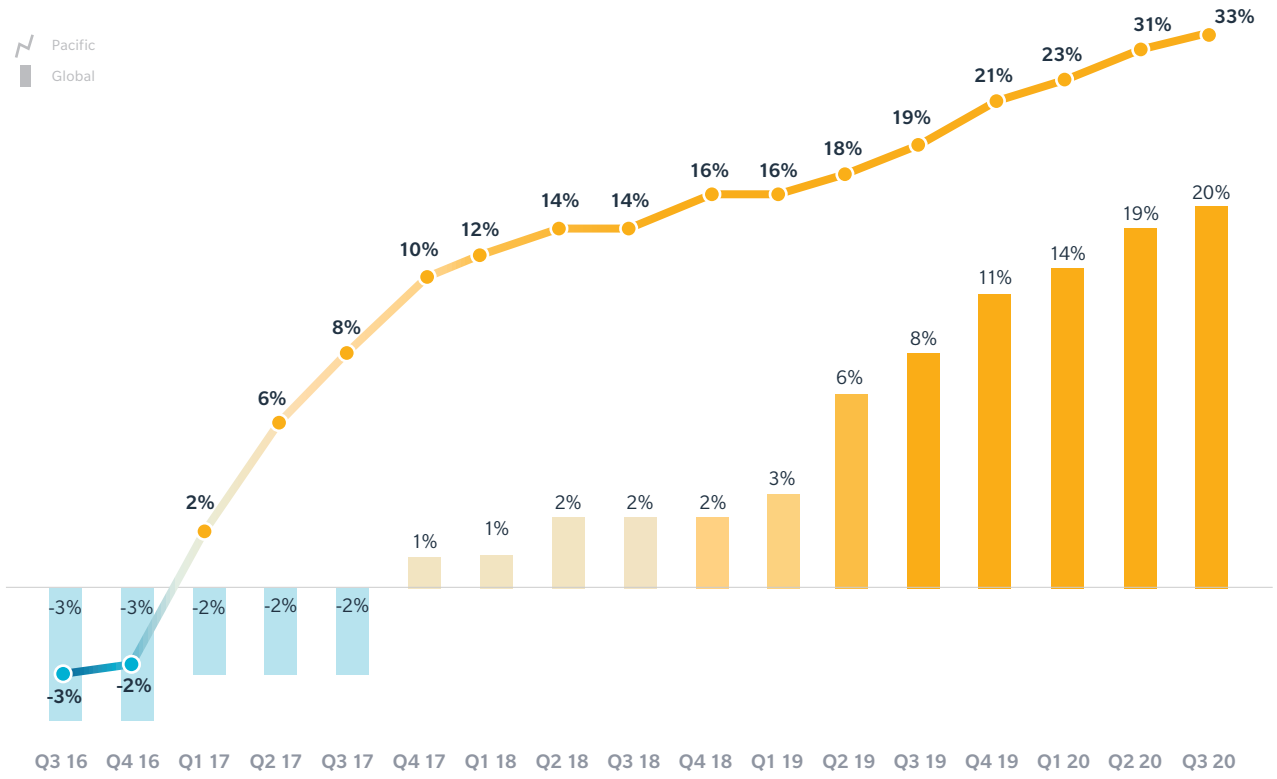
Pacific Pricing Increases Continue for Twelfth Consecutive Quarter

Overall insurance pricing in the third quarter of 2020 in the Pacific region increased 33%, continuing an upward trend that began in 2015 (see Figures 12 and 13).

FIGURE 12

Pacific Composite Insurance Pricing Change

SOURCE: MARSH



Property insurance pricing increased 31%, the twelfth consecutive quarter of year-over-year double-digit increases.

- The property market continued to be challenging; policy wordings and coverage edits occurred frequently as a means to mitigate pricing increases.
- Availability of capacity drove price increases and in some cases limited the ability to complete insurance programs.
- The impact of COVID-19 added 3% to 5% to pricing.

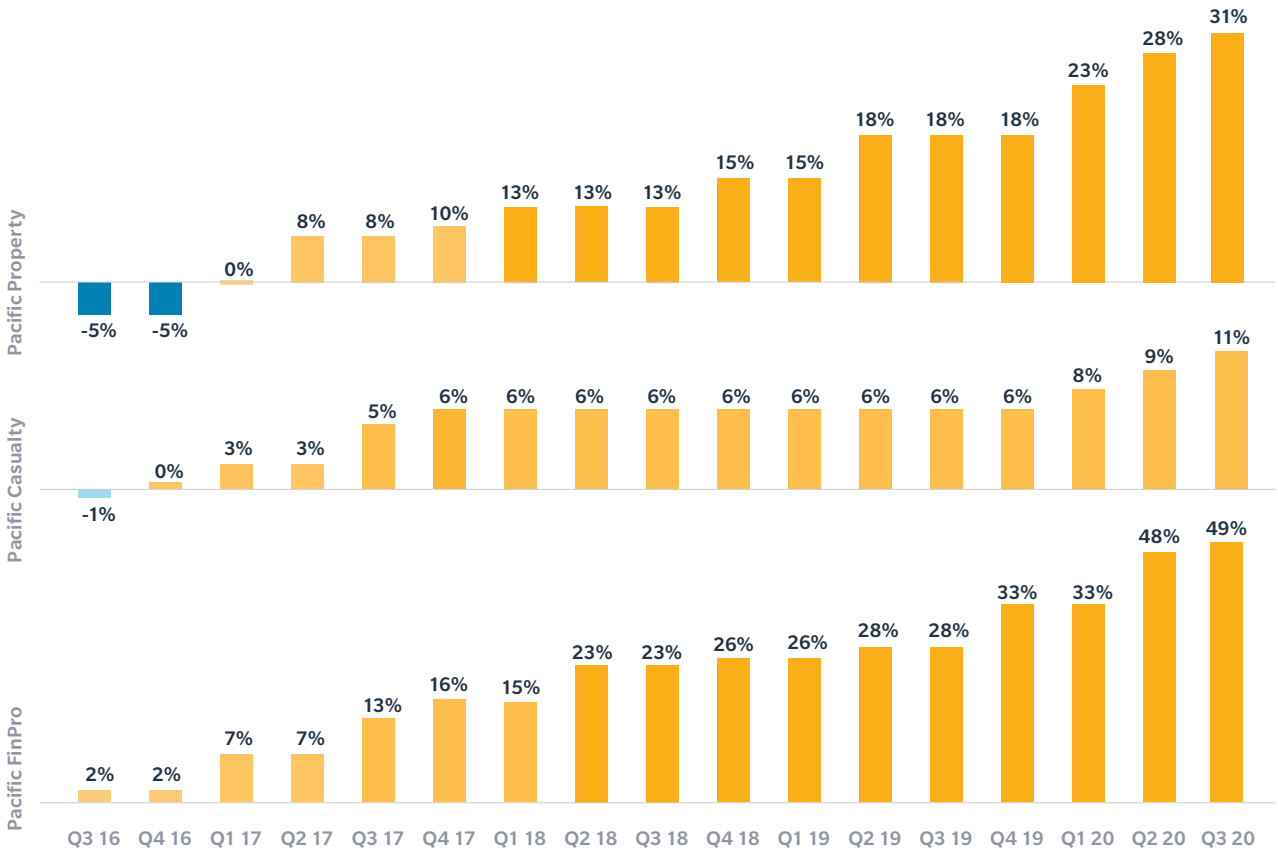
Casualty pricing rose 11%.

- There was a noticeable increase in pricing across casualty products in the region.
- The third quarter rate of price increases was the highest reported since the Index's inception in 2012.
- Major insurers reduced capacity, particularly for accounts with North American exposure.

FIGURE 13

Pacific Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



Financial and professional liability pricing rose 49%, marking 13 consecutive quarters of double-digit increases.

- Public company D&O pricing increased more than 100% in many cases.
- Policy wordings typically underwent numerous edits as a way to mitigate pricing impacts.
- Filling desired capacity was difficult for some clients. A notable reduction in capacity/appetite from insurers continued.
- There were reduced limits on many public companies' D&O — as a result of clients' unwillingness to accept price increases and lack of available capacity.

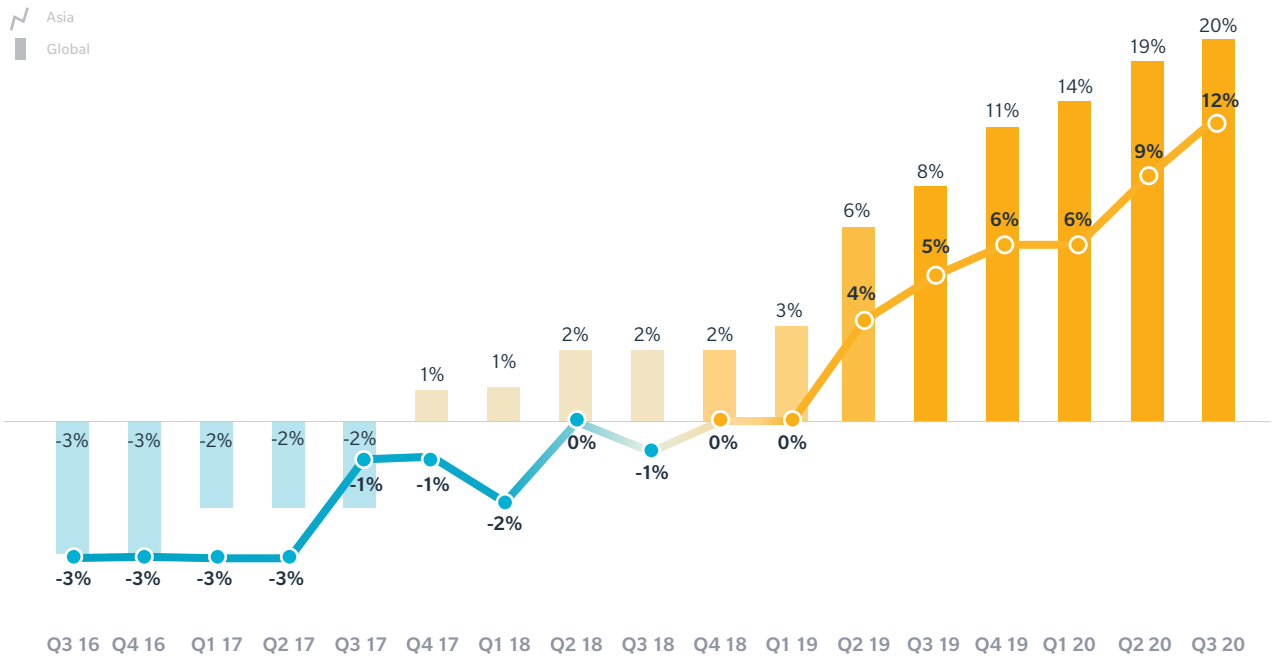
Asia Composite Pricing Increases Driven by Property, D&O

Insurance pricing in the third quarter of 2020 in Asia increased 12% year-over-year (see Figures 14 and 15).

FIGURE 14

Asia Composite Insurance Pricing Change

SOURCE: MARSH



Property insurance pricing rose 18%.

- Multinational programs and large placements experienced the largest increases. Companies increased retentions to mitigate premium hikes.
- CAT-exposed business in the region saw double-digit increases and a continued reliance on international markets for support.
- International insurers pushed for increases across Asia, while domestic insurers remained somewhat insulated from global losses and were competitive in comparison.
- Insurers began to reduce line sizes.

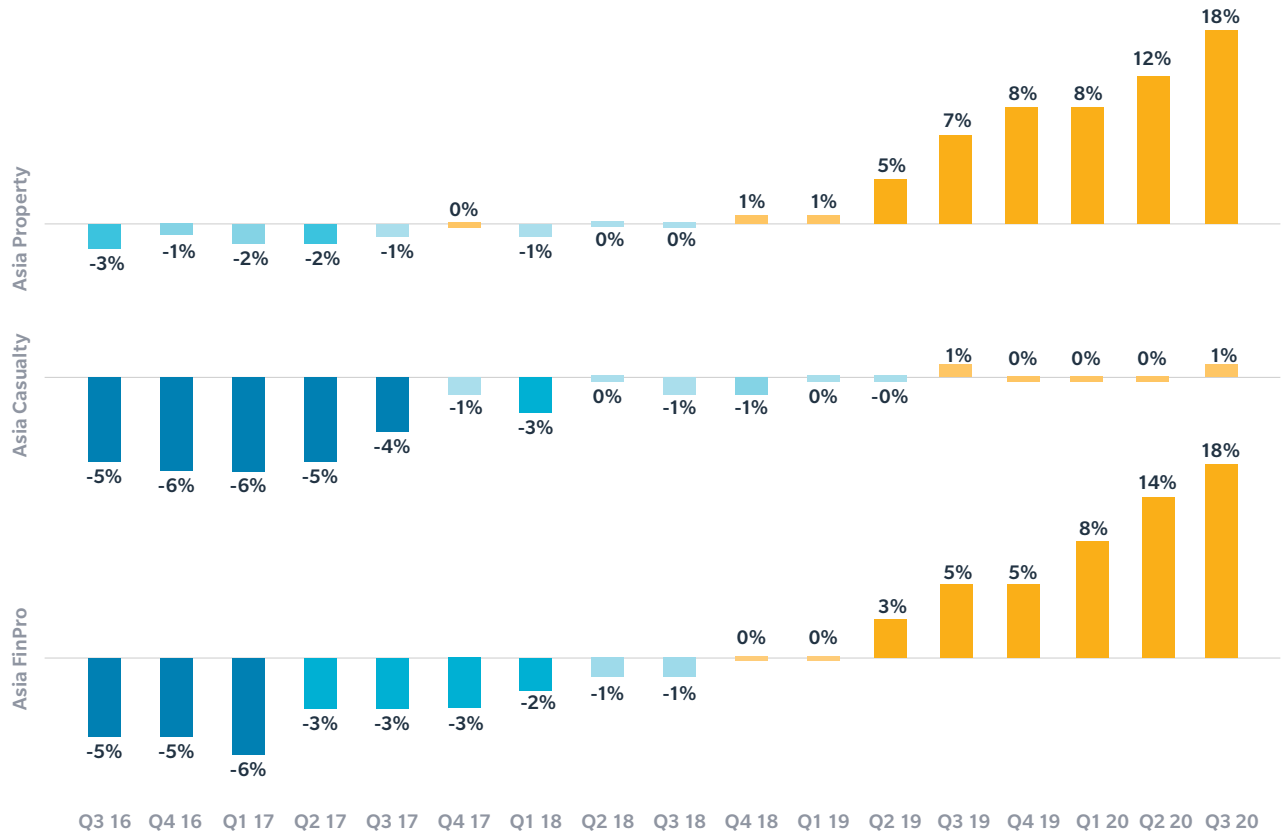
Casualty pricing increased by 1%.

- Pricing remained stable across the region, as it has for three years.
- Pricing showed early signs of increasing in Korea, Hong Kong, and Singapore.
- Large clients with exposures outside of Asia faced pressure on pricing.

FIGURE 15

Asia Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH



Financial and professional liability pricing rose 18%, the largest increase observed in several years and the sixth consecutive quarter of increase.

- Reduction in capacity, particularly from global insurers, contributed to pricing increases.
- US-listed D&O was the most affected, with some price increases as high as 100%.
- There was limited insurer appetite on D&O, and many clients increased retentions to minimize pricing increases.
- Financial institutions experienced another quarter of price increases, as insurer appetite was limited.
- Cyber insurance pricing remained competitive, with minimal price increases. However, underwriters continued to seek more detail when pricing risks.

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