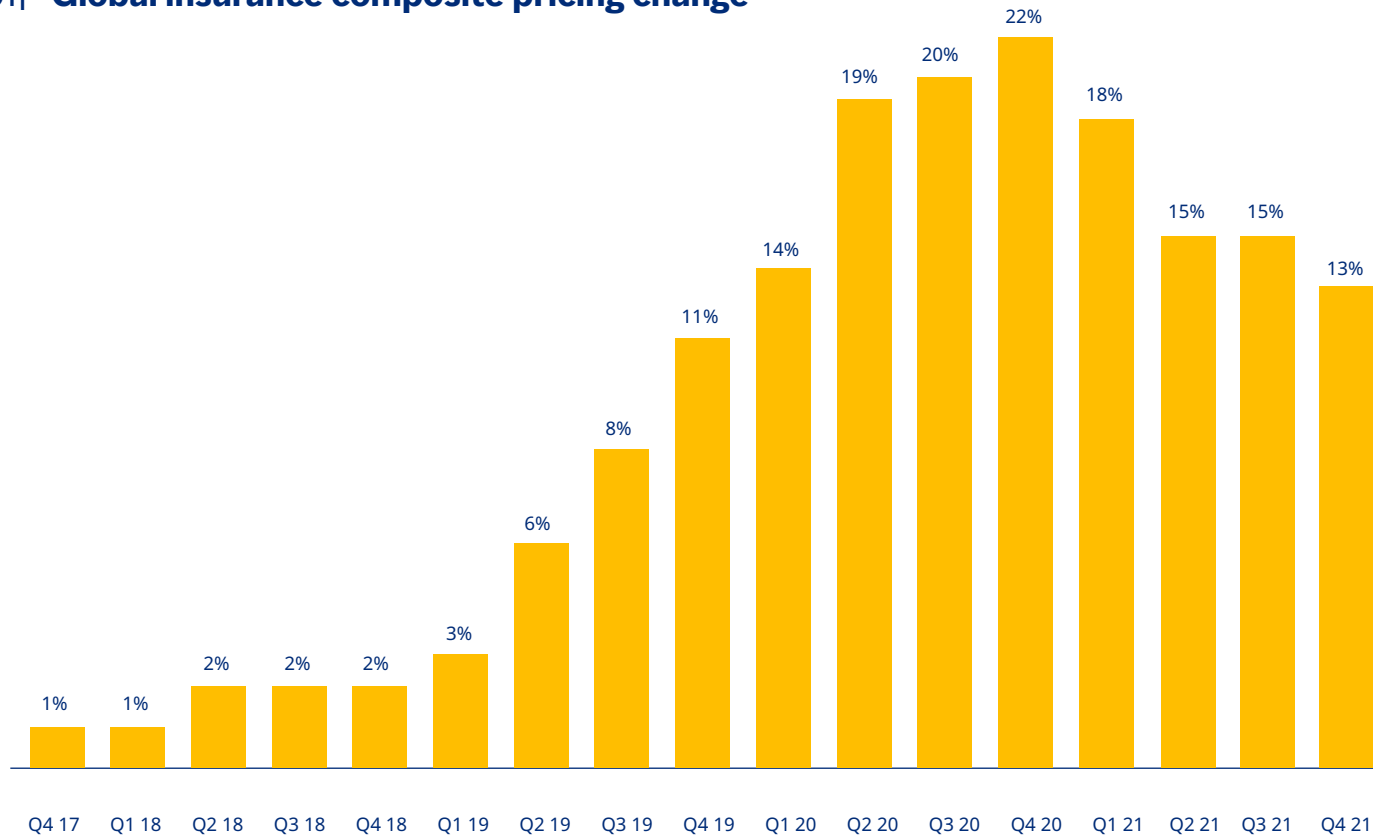


Global insurance markets: Pricing increases moderate in 2021, with exception of cyber



Global commercial insurance prices rose 13% in the fourth quarter of 2021, a decline from the 15% increases in both the second and third quarters (see Figure 1).^{*} Global pricing increases peaked in the fourth quarter of 2020 at 22%, and slowed or remained flat throughout 2021.

01| Global insurance composite pricing change



Source: Marsh Specialty and Global Placement

It was the seventeenth consecutive quarter that composite prices rose, continuing the longest stretch of increases since the inception of the *Marsh Global Insurance Market Index* in 2012.

In the fourth quarter, slower rates of increase for property and casualty insurance drove the overall moderation in insurance pricing.

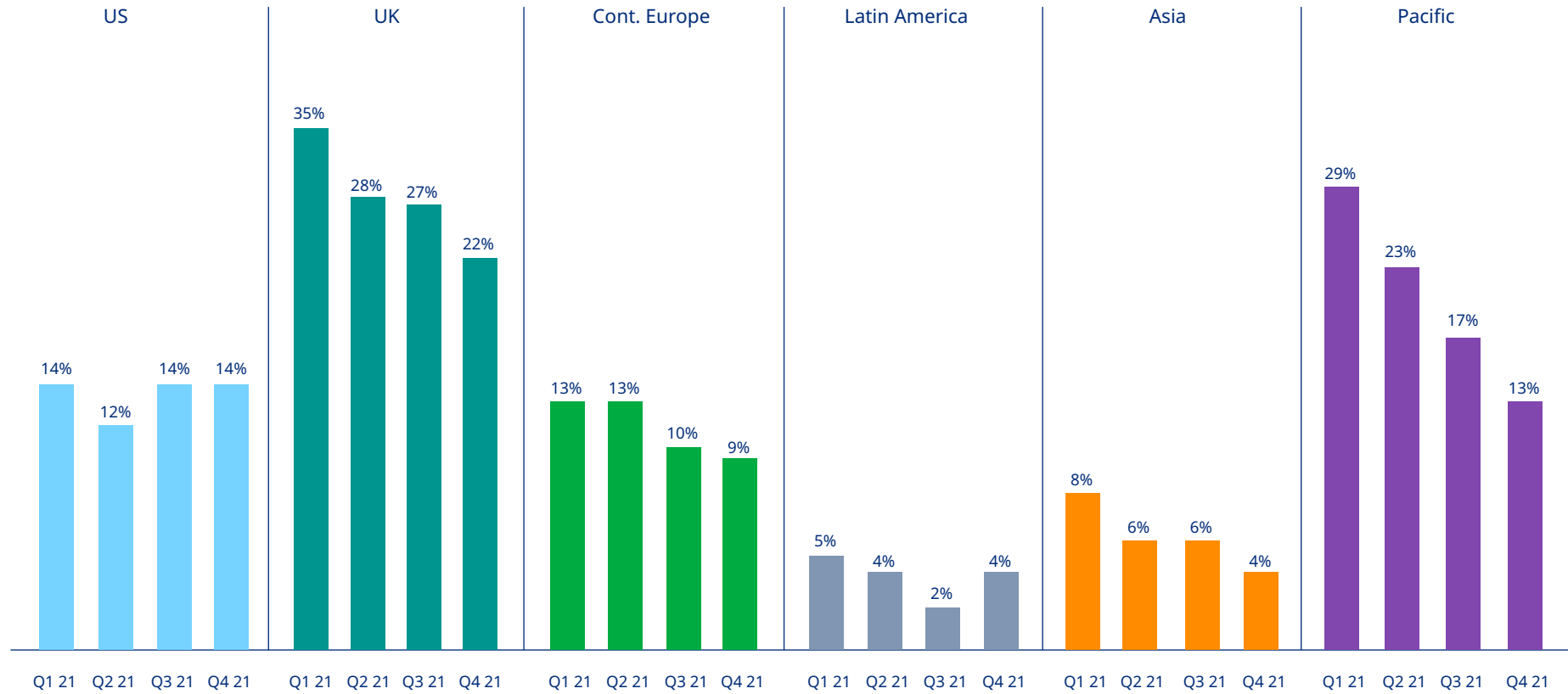
Cyber insurance pricing again rose significantly — for example, increasing 130% in the US and 92% in the UK. Many insurers sought to change coverage terms and conditions as frequency and severity of claims continued to increase.

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

- US: 14%.
- UK: 22%.
- Continental Europe: 9%.
- Latin America and the Caribbean: 4%.
- Asia: 4%.
- Pacific: 13%.

^{*}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.

02| Composite insurance pricing change — by region



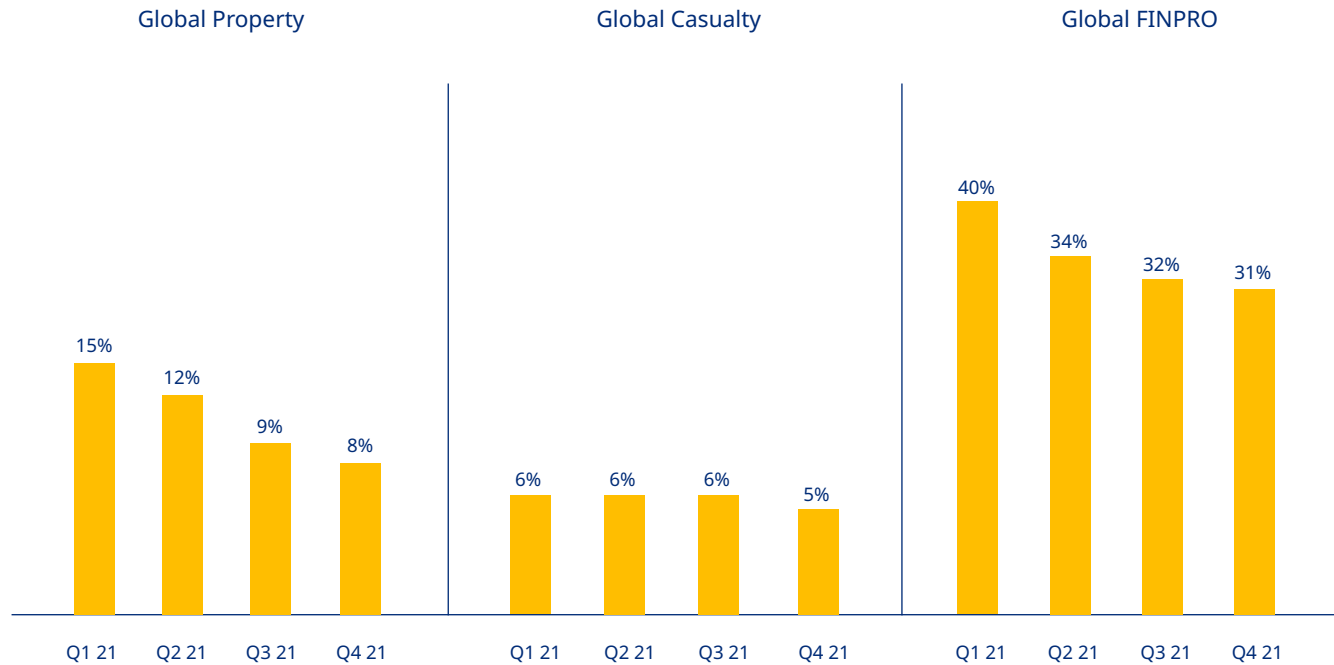
Source: Marsh Specialty and Global Placement

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

- Property insurance: 8%.
- Casualty insurance: 5%.
- Financial and professional lines insurance: 31%.

It is important to note that reported pricing changes are averages and that the data used to estimate them cover a wide range of clients in terms of size, industry, location, claims history, and other parameters, and that the financial and professional lines segment includes cyber. Many clients experienced pricing changes that deviated from the average, some higher and some lower.

03| Composite insurance pricing change — by major coverage line

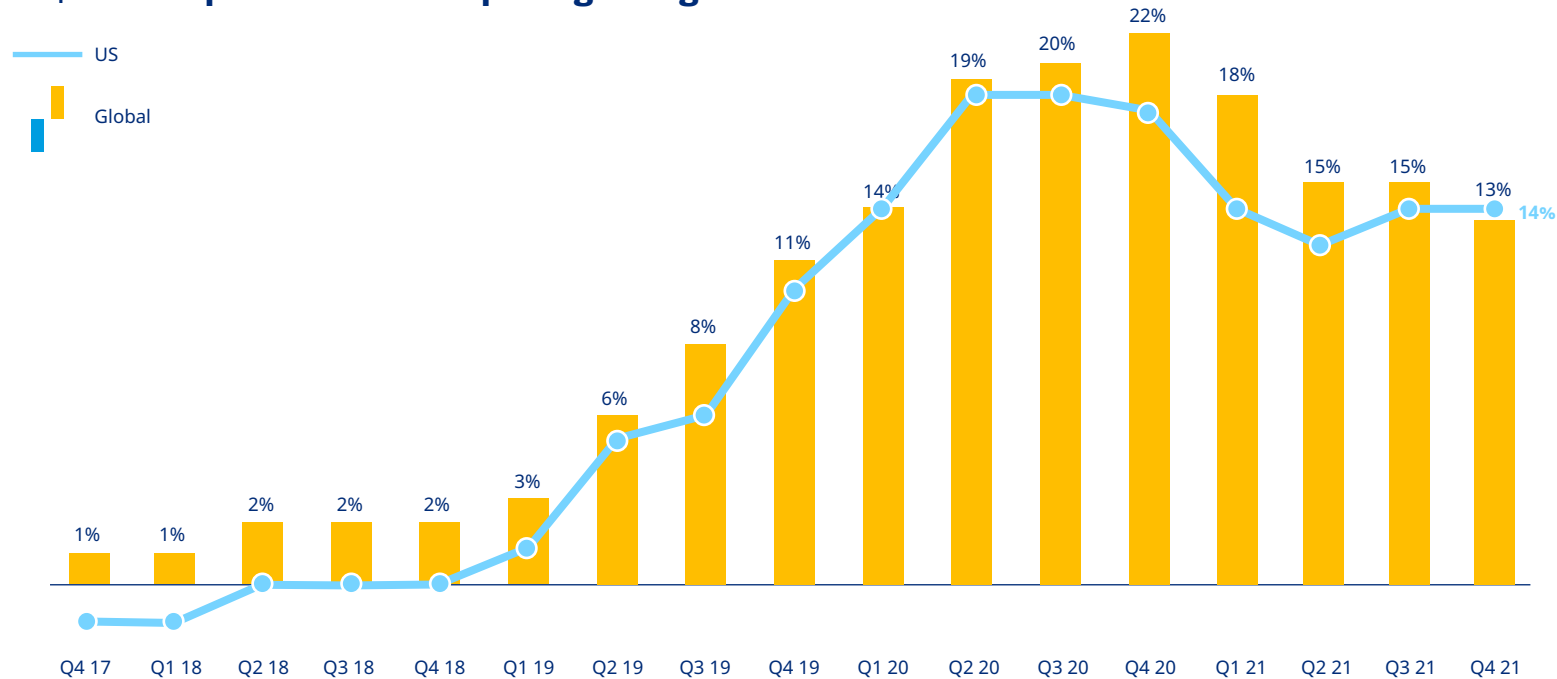


Source: Marsh Specialty and Global Placement

US pricing: Cyber claims put pressure on financial and professional lines

Insurance pricing in the fourth quarter of 2021 in the US increased 14%, year-over-year, the same rate of increase as the prior quarter (see Figures 4 and 5).

04| US composite insurance pricing change

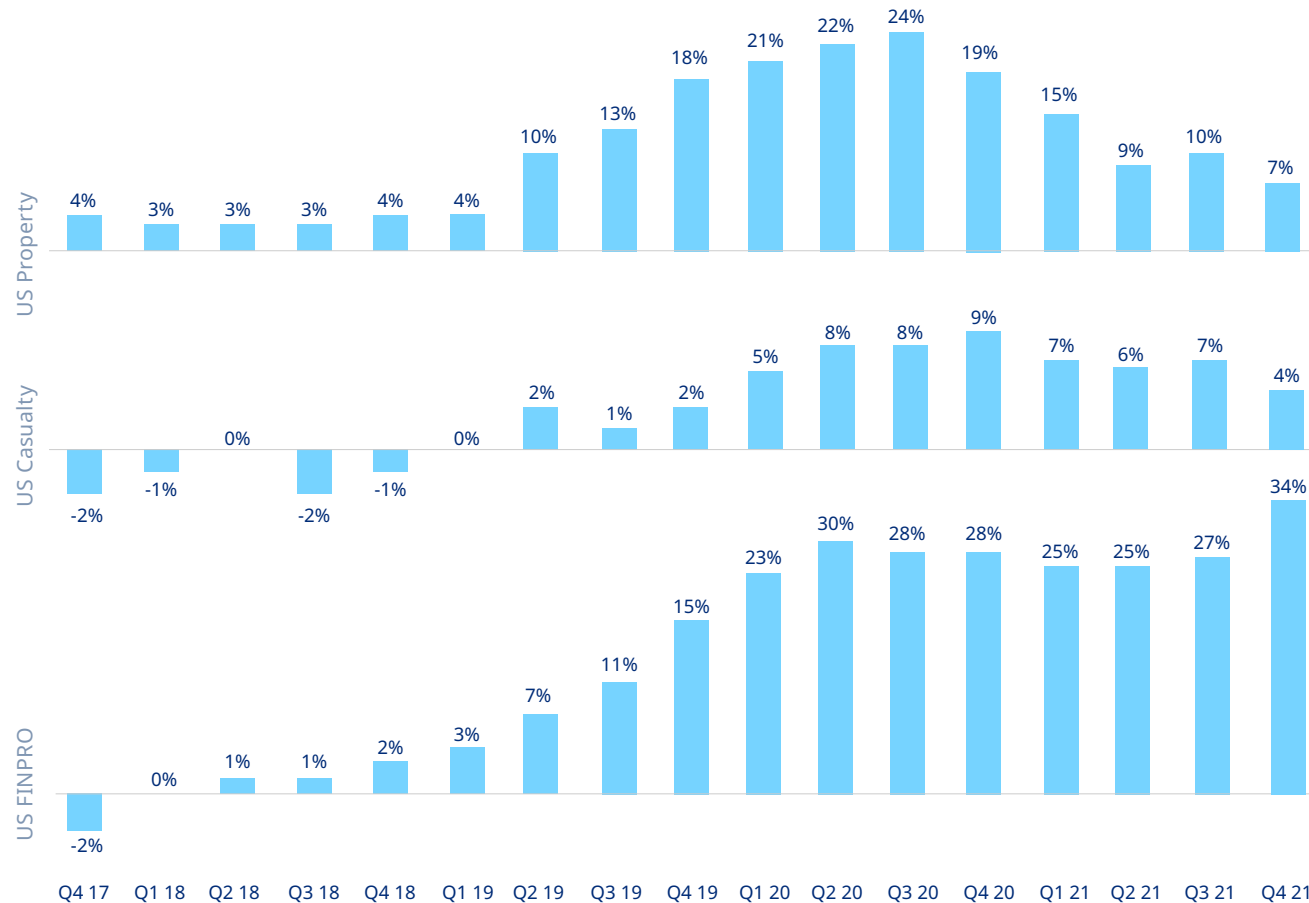


Source: Marsh Specialty and Global Placement

Property insurance pricing rose 7%, compared to 10% in the third quarter.

- Clients with poor risk quality, meaningful losses, or significant exposure to secondary catastrophe (CAT) perils — including wildfire, convective storm, and pluvial flood — generally experienced above average rate increases.
- Clients with no losses, good risk quality, and in sought-after industries were able to access surplus capacity, which helped to mitigate pricing increases and deterioration of policy terms.
- Underwriters scrutinized contingent time element coverage, especially for unnamed suppliers, following a number of large per-risk losses.
- Insurers continued to push for tighter terms and conditions, including deductibles, non-physical damage cyber, and communicable disease exclusions.

05| US composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Casualty insurance pricing in the US increased 4%, down from 7% in the third quarter. Excluding workers' compensation the increase was 7%.

- Auto liability pricing overall rose 4%; organizations with larger fleets generally increased by 8%, smaller ones by 2%.
- Primary limits again increased as lead umbrella insurers sought higher attachment points.
- General liability pricing continued to be affected by jury verdicts and social inflation.
- The pace of increase in excess liability pricing generally slowed compared to earlier quarters, helped in part by increased competition.

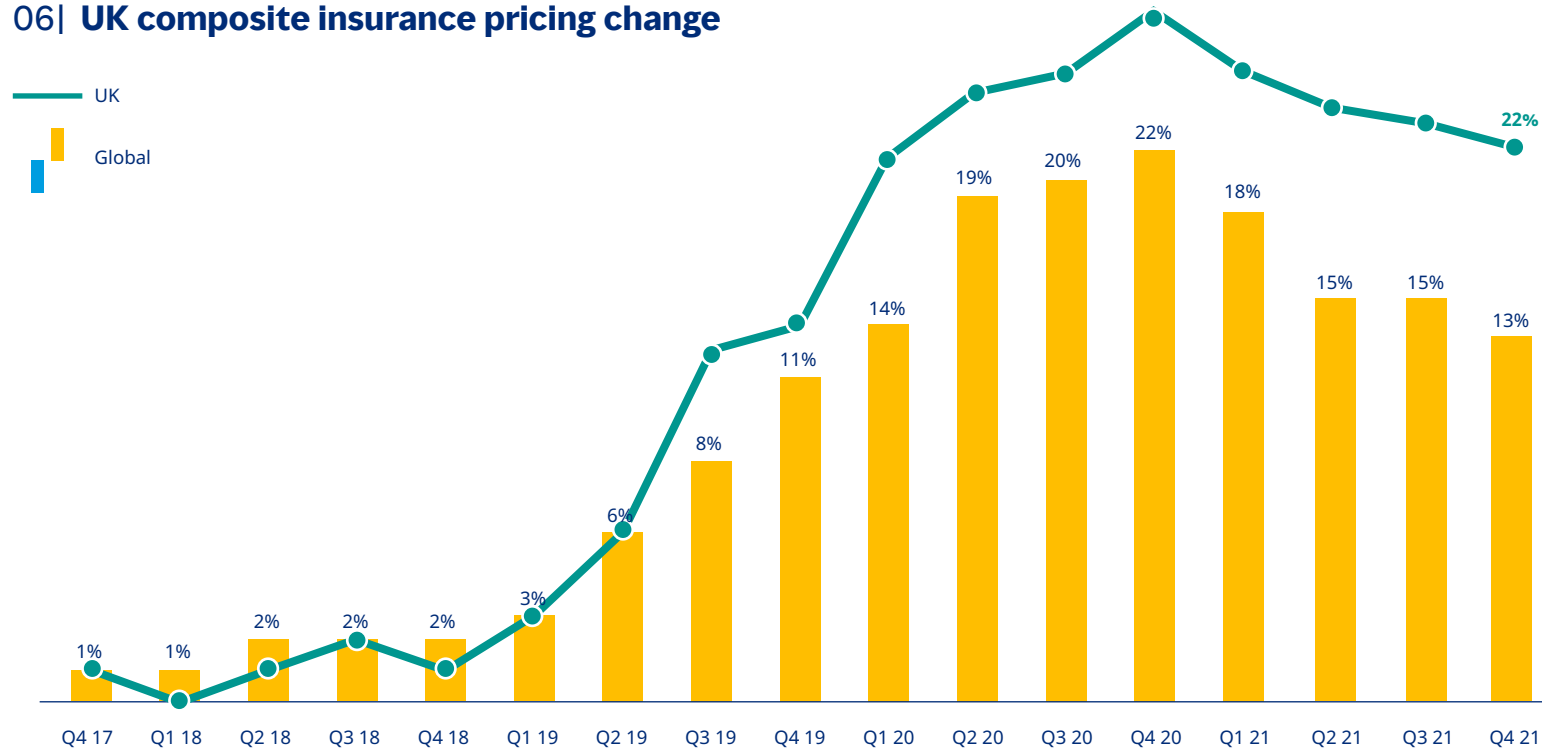
Financial and professional lines pricing increased 34%, which was higher than the 27% rise in the third quarter.

- Directors and officers (D&O) liability insurance pricing for publicly traded companies increased 6%, lower than the 10% increase observed in the prior quarter.
 - New capacity increased competition in the mid-to-high excess layers, and many clients increased their D&O limits.
- There was less capacity available for fiduciary coverage for larger plans, and insurers continued to increase minimum retentions and implement tighter risk management requirements.
- Cyber pricing increased 130%, affected largely by the continued increase in the frequency and severity of ransomware claims.
 - Business interruption and data exfiltration contributed to the increasing total claim pay-outs from ransomware events.
 - Cyber underwriting continued to focus on a company's control environment and demonstrated cybersecurity maturity.
- Financial institutions (FI) coverage pricing increased 31%.
- Errors and omissions (E&O) insurance pricing increased 86%. Excluding cyber, E&O increased 22%.

UK pricing: Increases in all major coverage areas decelerate

Insurance pricing in the fourth quarter of 2021 in the UK increased 22%, compared to 27% in the third quarter (see Figures 6 and 7).

06| UK composite insurance pricing change

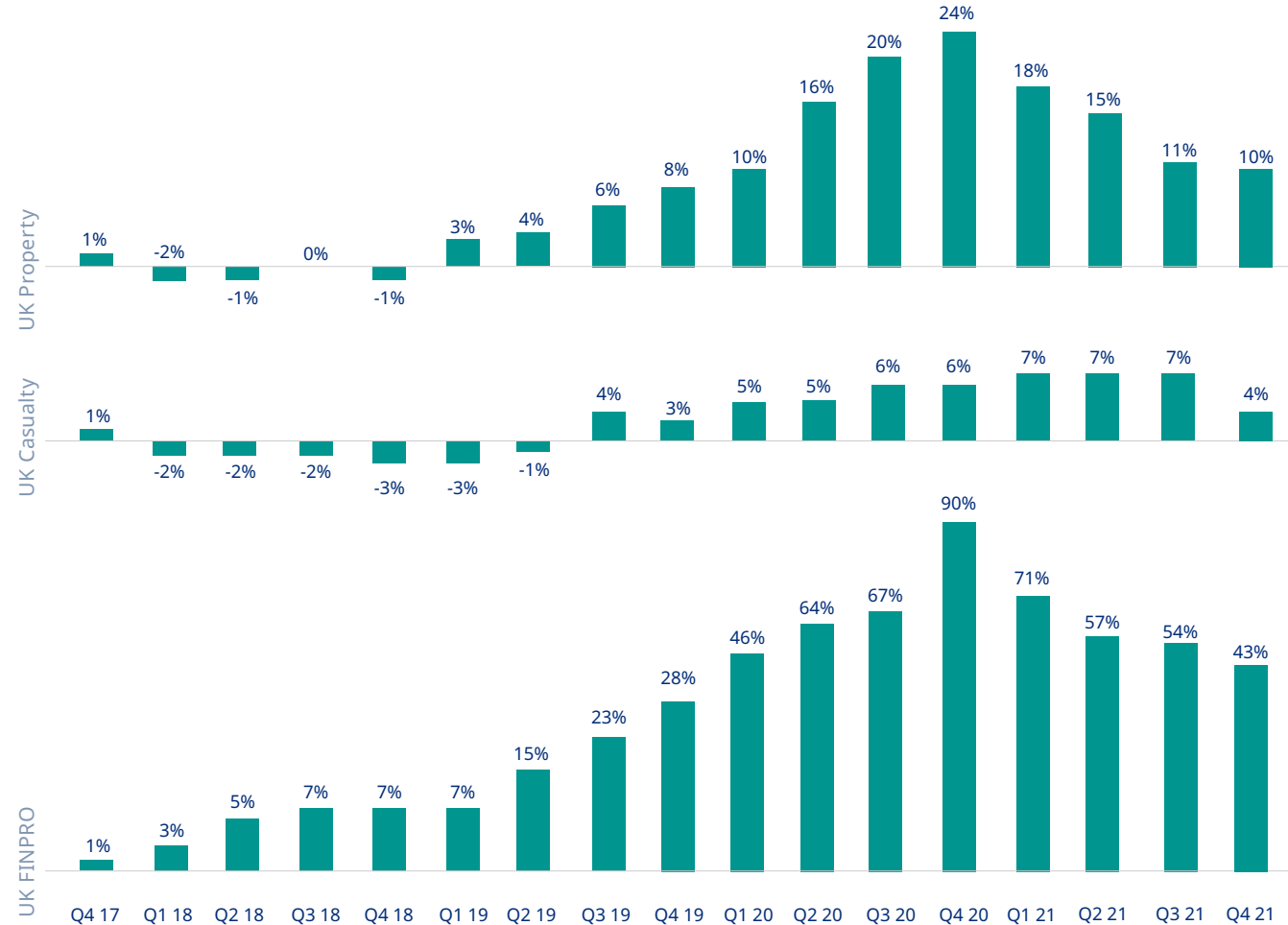


Property insurance pricing increased 10%, compared to 11% in the third quarter.

- Loss activity through 2021, as well as rising reinsurance treaty costs, contributed to pricing increases.
- Capacity was abundant for industry sectors sought after by insurers, while those perceived as challenging, including the food, timber, chemicals, and waste sectors, did not experience an influx of capacity or competition.
- Insurers continued to push cyber and communicable disease restrictions.

Source: Marsh Specialty and Global Placement

07| UK composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Casualty insurance pricing increased 4%, compared to a 7% increase in the prior quarter.

- Employers liability pricing reflected the influence of competition for large and high-profile primary placements that had not been marketed for several years.
- The motor liability market experienced increased competition for conventional private car and light commercial fleets, which in some cases resulted in rate reductions.

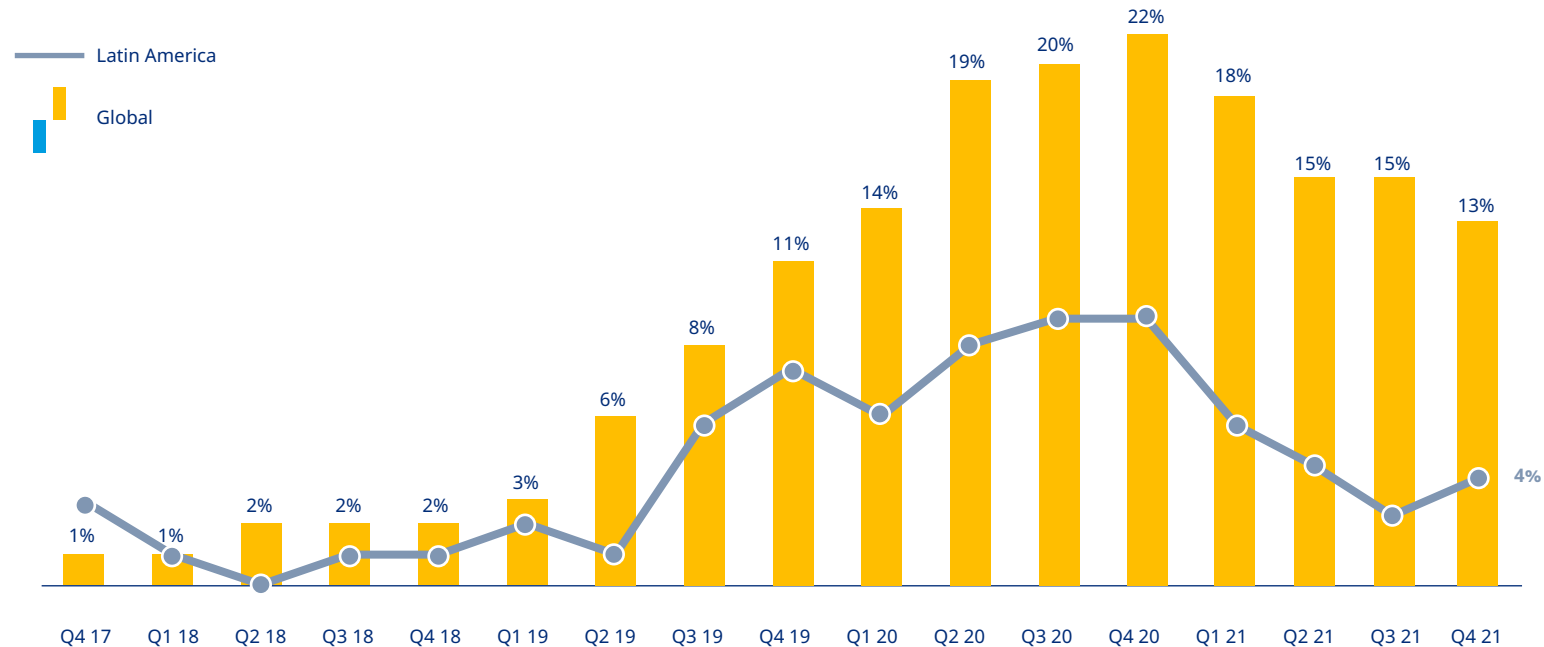
Financial and professional lines pricing increased 43%, a decline from the 54% rise seen in the prior quarter.

- The rate of increase for D&O was 24% in the fourth quarter, compared to 61% in the third quarter, due primarily to increased capacity.
- A year after the departure of some major insurers from the London market, most of their capacity has been replaced, although limits generally remained lower.
- Cyber insurance pricing increased by 92%, driven by ransomware claims.
- Financial institutions experienced a slowing of pricing increases, with more new entrants and an increase in incumbent insurers growing their business.
- Commercial crime coverage pricing increased 30% to 40%.

Latin America and Caribbean pricing: Property insurance drives increase

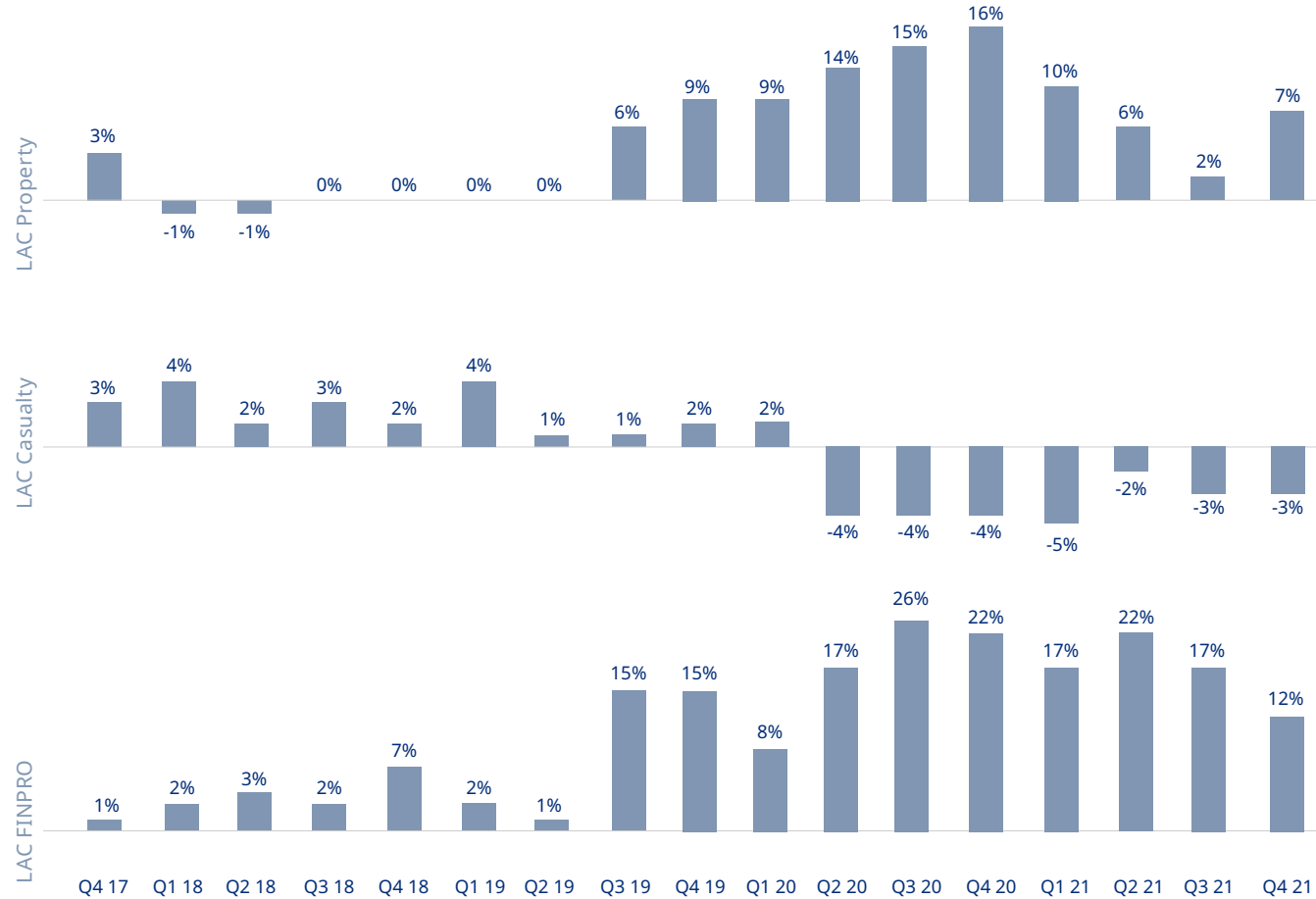
Insurance pricing in the fourth quarter in the Latin America and Caribbean (LAC) region increased 4% (see Figures 8 and 9). Casualty pricing in the region was again the only decrease seen in a major product line globally.

08| Latin America composite insurance pricing change



Source: Marsh Specialty and Global Placement

09| Latin America composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Property insurance pricing increased 7%, up from 2% in the previous quarter.

- The rate of pricing increase for property insurance was unchanged from the third quarter in Brazil and Colombia; in the rest of the region it increased in the 5% to 10% range.
- Clients experienced price increases throughout the region when facultative capacity was required.

Casualty insurance pricing declined 3%, the seventh consecutive quarter of decrease.

- Local capacity and competition continued to mitigate casualty pricing.
- Large, complex programs continued to experience small increases across the region, especially when there was a need for facultative capacity.

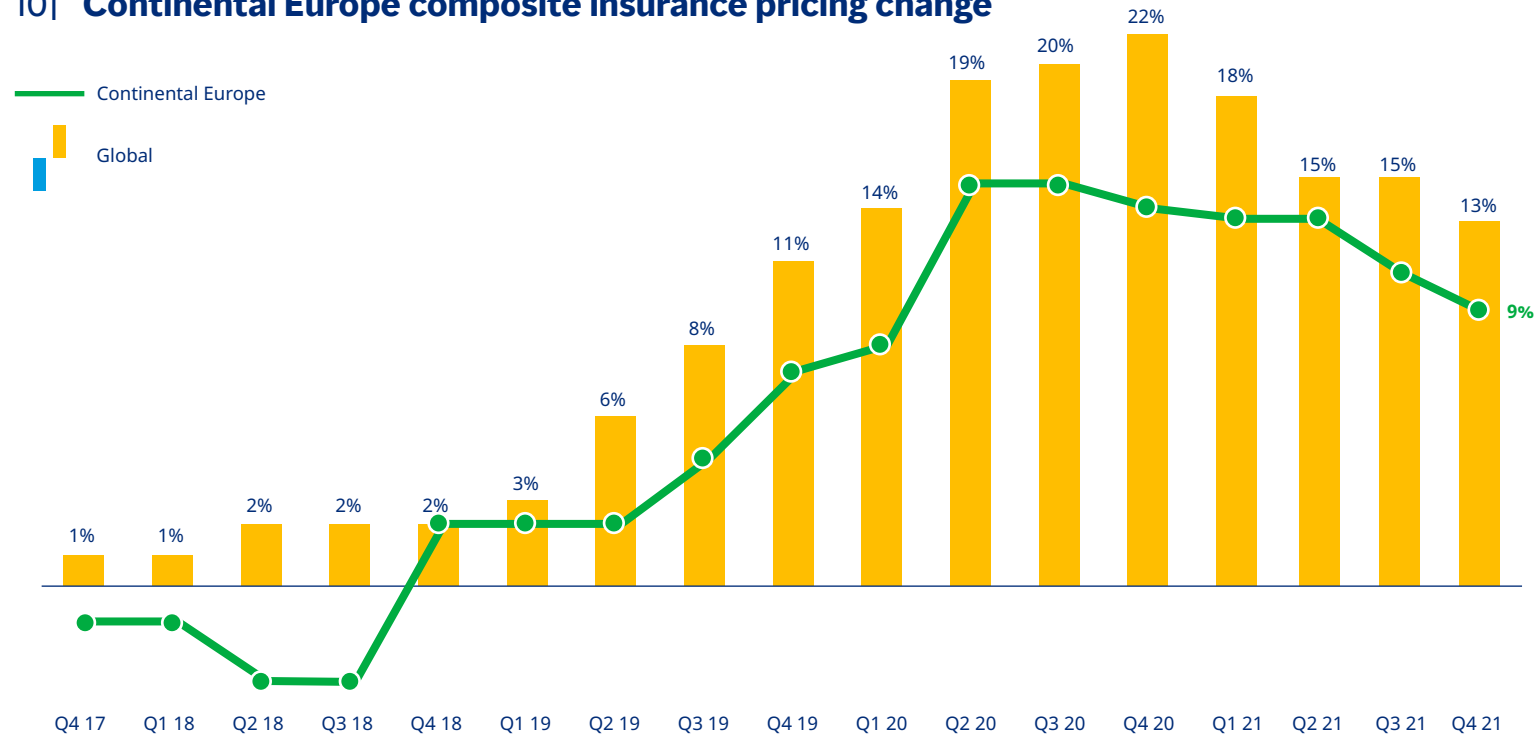
Financial and professional lines pricing rose 12%, down from the 17% increase in the third quarter.

- In Colombia, uncertainty regarding the Office of Comptroller General’s interpretation of the fiscal exposure of state-owned companies has led to capacity constraints and a significant increase in premiums.
- On average, cyber prices increased 40%; although some clients experienced increases exceeding 400%.
 - Over 80% of clients across all industries experienced an increase in cyber premiums in 2021.
 - Although challenging, it is important to carefully manage the underwriting information now required to place cyber risk coverage.

Continental Europe pricing: Property and D&O lines continue to stabilize

Insurance pricing in the fourth quarter of 2021 in Continental Europe (CE) increased 9%, compared to 10% in the third quarter (see Figures 10 and 11).

10| Continental Europe composite insurance pricing change

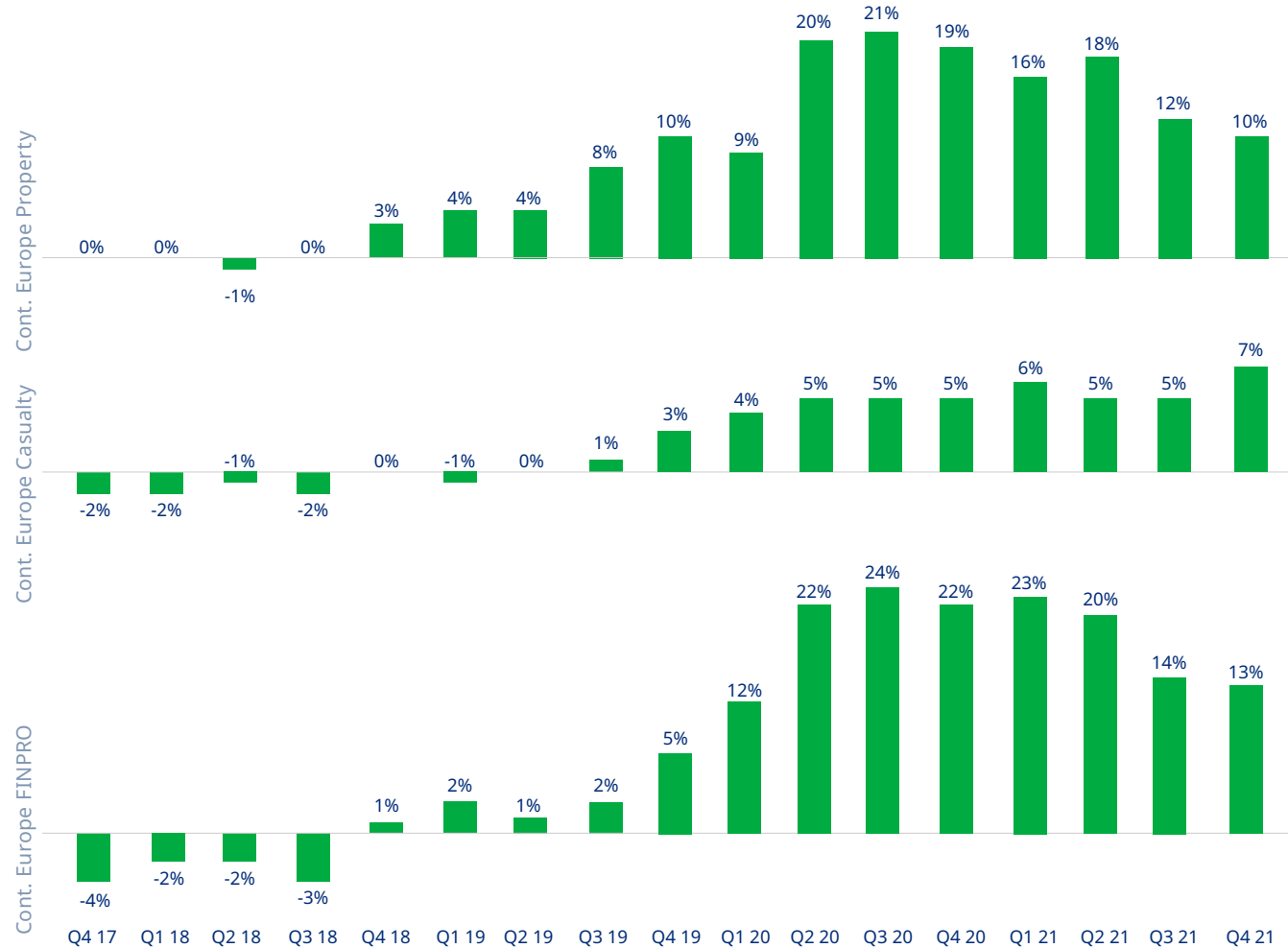


Property insurance pricing in CE rose 10%, down from 12% in the third quarter.

- CAT-exposed risks experienced the largest increases, at a slightly reduced level compared to prior quarters.
- Competition for new business increased among European domestic carriers.
- Insurers continued strict underwriting controls, particularly for large, complex multinational clients. Those with a better loss history or that demonstrated good risk mitigation controls attracted more favorable terms and rates.
- Significant losses in 2021, including fires in Greece and Turkey and European floods, continued to destabilize the market, particularly in affected areas.
- Insurers continued to seek to apply exclusions, particularly for communicable disease and cyber.

Source: Marsh Specialty and Global Placement

11| Continental Europe composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Casualty insurance pricing increased 7%, up from 5% in the prior quarter.

- Loss impacted renewals were the most challenging, with insurers looking to restrict capacity.
- Excess casualty and US-exposed placements remained challenging, with clients in most countries experiencing general liability pricing increases in the single digits, though some were as high as 20%.
- Underwriters scrutinized non-core extensions and increased focus on exclusions, particularly for communicable disease, cyber, financial loss, and professional indemnity exposures.
- Auto liability pricing remained generally stable. Clients with large US fleets experienced significant price increases.
- Some clients experienced increases in workers' compensation, generally due to limited capacity.

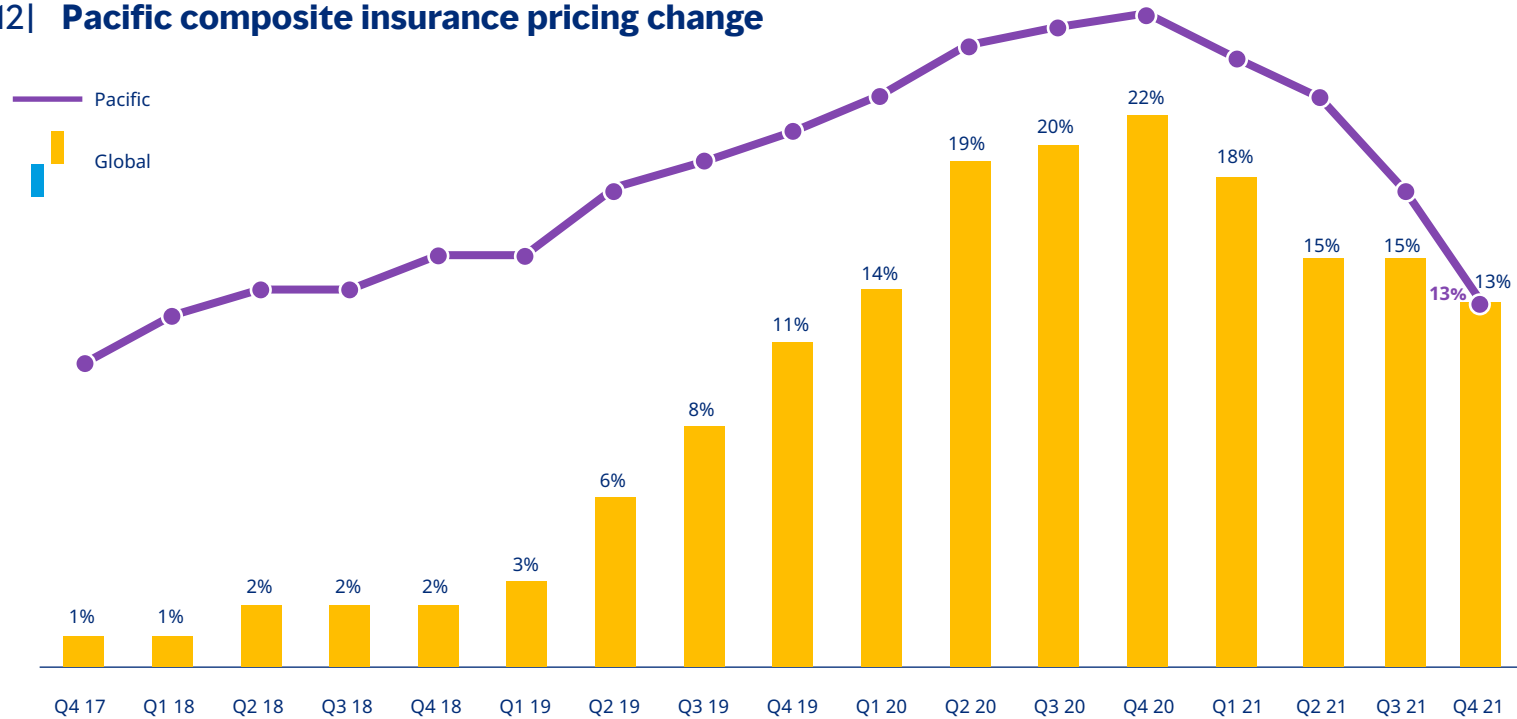
Financial and professional lines pricing increased 13%, down from 14% in the third quarter.

- The D&O market continued to be stable, due to increases in insurer competition, appetite, and capacity.
 - Despite outliers with US exposures, certain industry sectors — including life sciences and technology — experienced rate reductions on select programs.
- Pricing increases for FI and professional liability generally ranged from 5% to 20%, depending on risk profile.
- Cyber insurance rates increased by 65%, driven by capacity reductions and ransomware claims.
 - Underwriters required more information at renewal.
 - Self-retentions increased, as did the use of captives.

Pacific pricing: Rate of increase declines, matches global pace

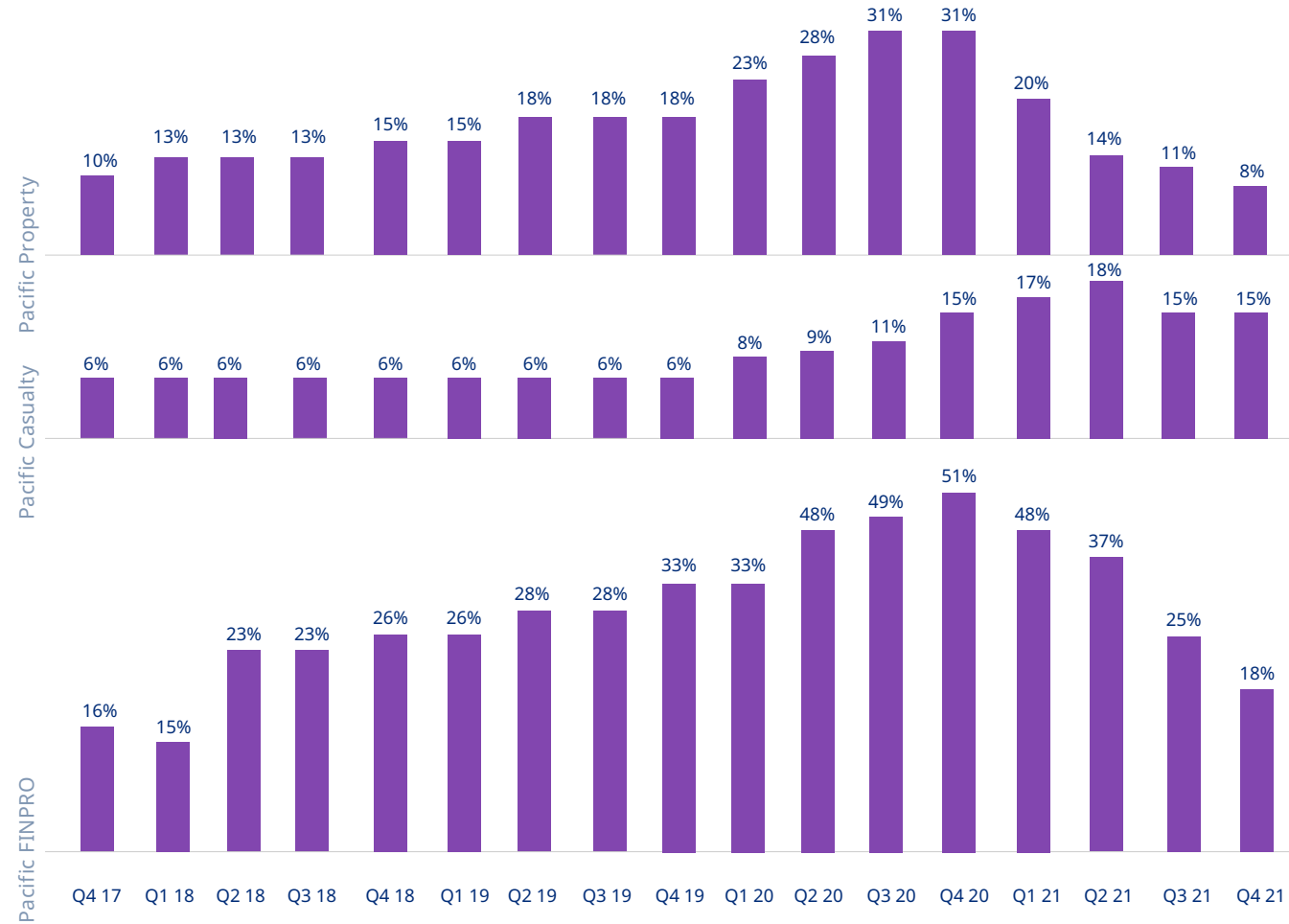
Insurance pricing in the Pacific region increased 13%, down from 17% in the prior quarter and the fourth consecutive in which the rate of increase slowed (see Figures 12 and 13). It was the first time since 2016 that composite pricing in the region was not higher than the global average.

12| Pacific composite insurance pricing change



Source: Marsh Specialty and Global Placement

13| Pacific composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Property insurance pricing increased 8%, the fourth consecutive quarter in which the pace of pricing increases declined.

- Insurance capacity increased for quality, loss-free clients.
- Challenges remained for high-hazard industries, risks in CAT zones, and clients with poor loss history.
- Exposure to secondary CAT perils — such as hail, bushfire, and drought — remained particular concerns.

Casualty insurance pricing rose 15%, the same as in the prior quarter.

- Pricing in the casualty market remained challenging, due in large measure to claims inflation and reduced capacity from some major carriers.
- Risk selection was more pronounced than previously.
- Some major programs underwent substantial restructuring of layers.

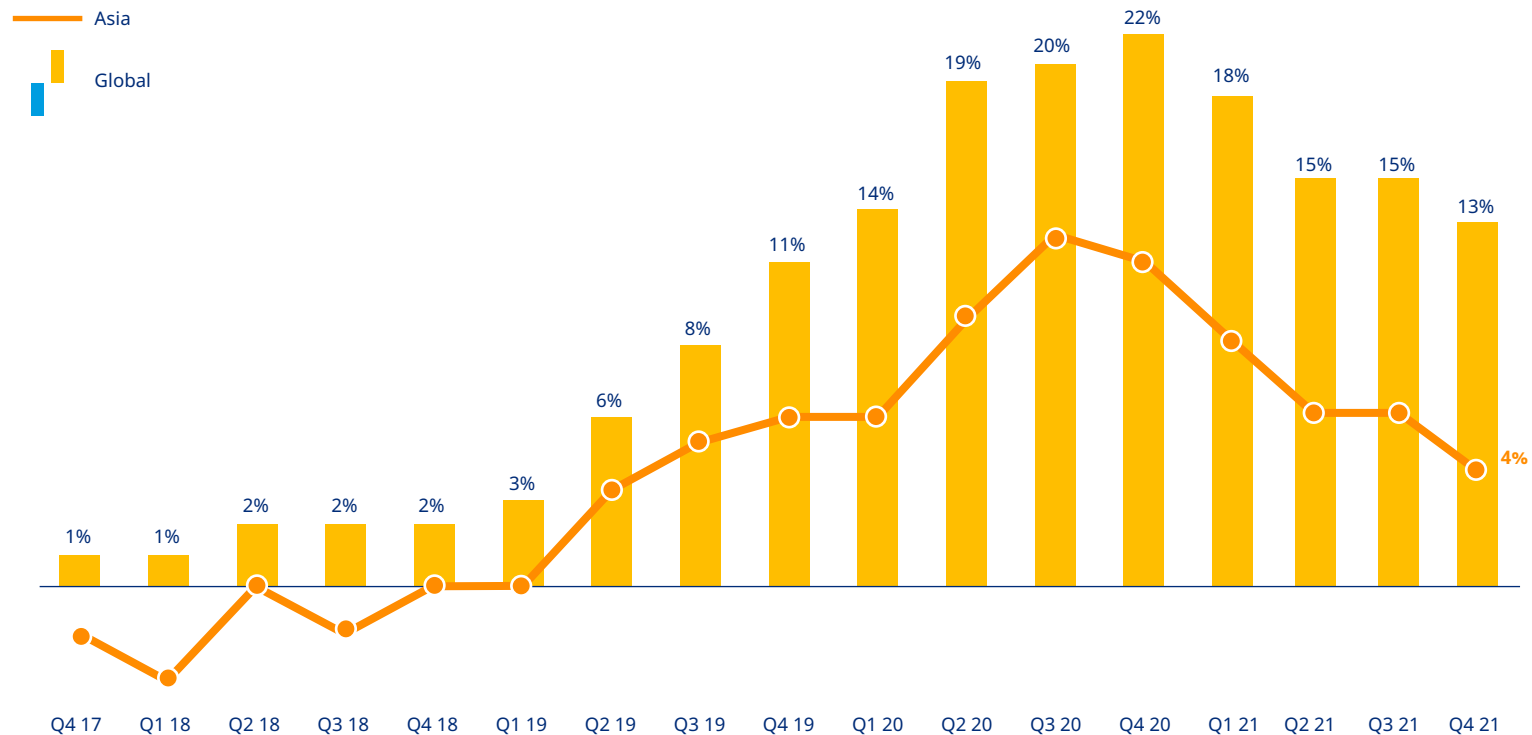
Financial and professional lines pricing rose 18%, down from 25% in the third quarter.

- The levelling out of pricing in D&O programs continued.
- Competition developed, particularly for excess layers, resulting in improved pricing for some clients.
- Professional indemnity premiums again increased as capacity continued to tighten.
- Cyber risk insurance remained challenging, mainly due to frequent and severe ransomware losses that put pressure on pricing and deductibles and brought a marked reduction in capacity and narrowing of key coverages.

Asia Pricing: Pace of increase continues to decline

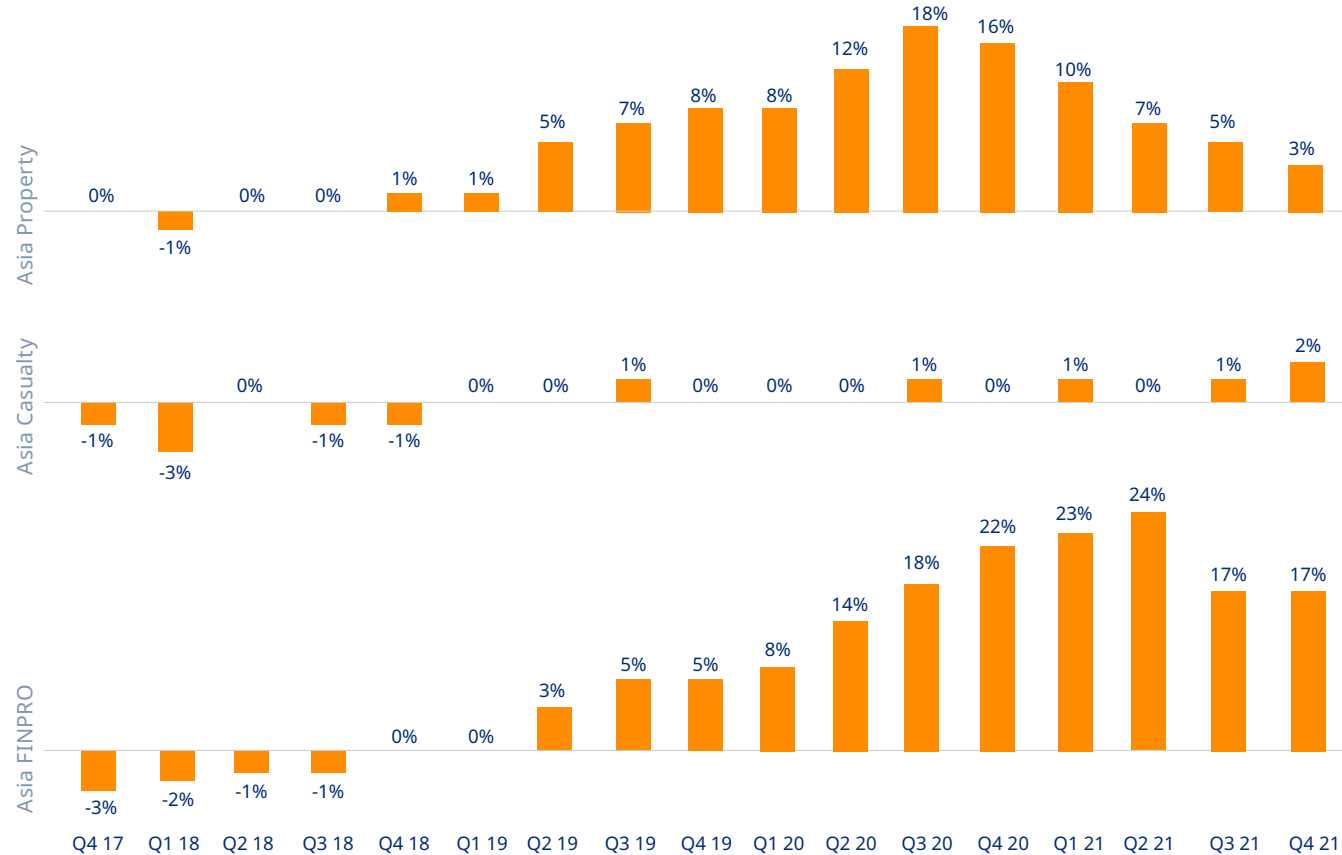
Insurance pricing in the fourth quarter of 2021 in Asia increased 4% year-over-year, continuing a slowing of increases that began in the third quarter of 2020 (see Figures 14 and 15).

14| Asia composite insurance pricing change



Source: Marsh Specialty and Global Placement

15| Asia composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

Property insurance pricing rose 3%, down from 5% in the third quarter.

- Elements of insurer competition continued to return, focused on loss-free clients in low-hazard industries.
- The market remained challenging for clients in CAT zones, high-hazard industries, and those with poor loss histories.

Casualty insurance pricing increased 2%, a slight uptick from three years of relatively flat pricing.

- Clients with high claims frequency typically had more difficult placements.
- Capacity continued to be plentiful; however, multinational insurers restricted capacity on excess layers, particularly with product recall and products liability exposures.

Financial and professional lines pricing rose 17%, the same as in the third quarter.

- Insurers focused on risk selection, with D&O accounting for a significant portion of pricing increases.
- Cyber remained the most challenging coverage area, driven by ransomware claims, with considerable pressure on pricing and deductibles, a reduction in capacity, and narrowing of key coverages.



About Marsh

Marsh is the world's leading insurance broker and risk advisor. With around 40,000 colleagues operating in more than 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue over \$19 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. For more information, visit [marsh.com](https://www.marsh.com), follow us on [LinkedIn](#) and [Twitter](#) or subscribe to [BRINK](#).

Marsh is a business of Marsh McLennan. 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.

1166 Avenue of the Americas, New York 10036

Copyright © 2022 Marsh LLC. All rights reserved. 826799508