Marsh

Global insurance market index

Pricing continues to stabilize;
property line remains challenging

Q3 2023

Global commercial insurance pricing rose 3% in the third quarter of 2023, the same as in the prior quarter, according to the *Marsh Global Insurance Market Index* (see Figure 1).

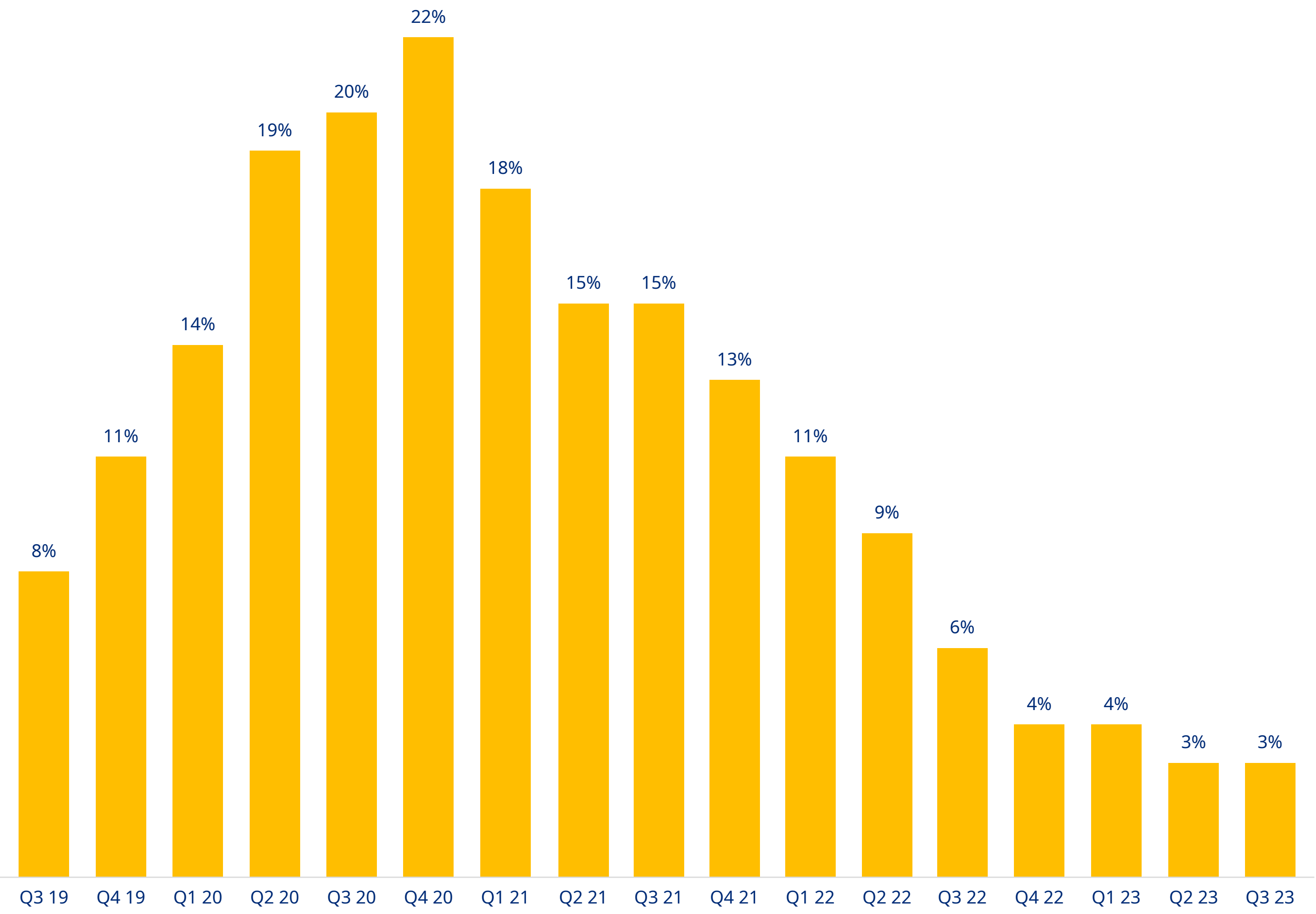
This was the twenty-fourth consecutive quarter in which composite pricing rose, continuing the longest run of increases since the inception of the index in 2012. Increases peaked at 22% in the fourth quarter of 2020.

Composite pricing regionally ranged from a decrease of 1% in the UK and in Canada, to an increase of 10% in the Latin America and Caribbean region.

Property insurance experienced increases in every region, while cyber and financial and professional lines pricing generally decreased or showed moderating increases.

* 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.

01| Global insurance composite pricing change



Source: *Marsh Specialty and Global Placement*

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

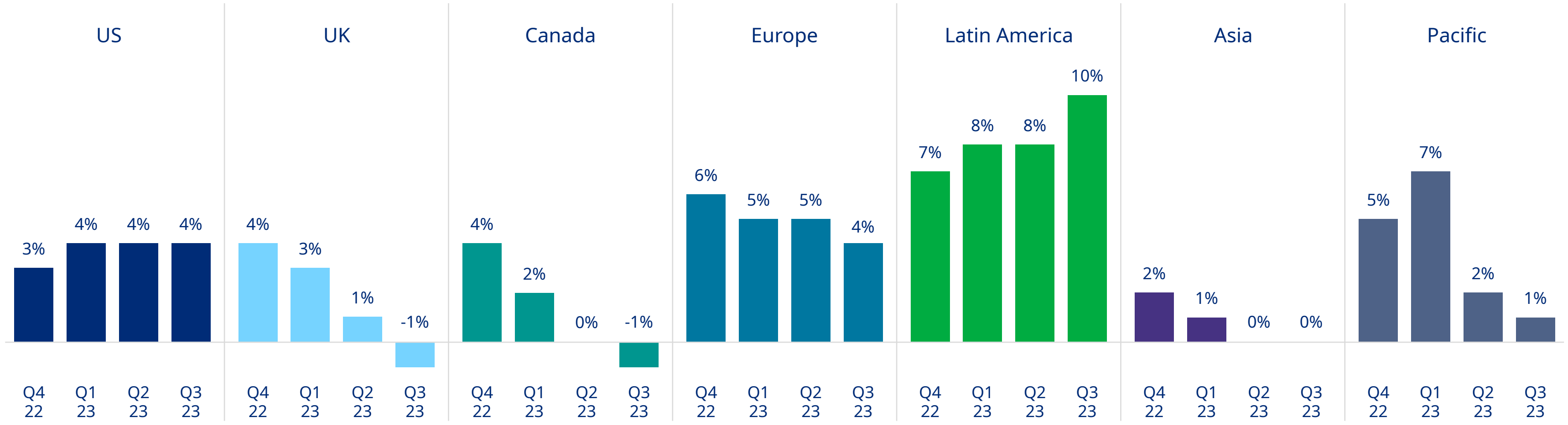
- US: +4%
- UK: -1%
- Canada: -1%
- Europe: +4%
- Latin America and the Caribbean: +10%
- Asia: Flat
- Pacific: +1%
- India, Middle East, and Africa: +3%

Globally, pricing for the four major product lines was as follows:

- Property insurance: +7%
- Casualty insurance: +3%
- Financial and professional lines insurance: -6%
- Cyber insurance: -2%

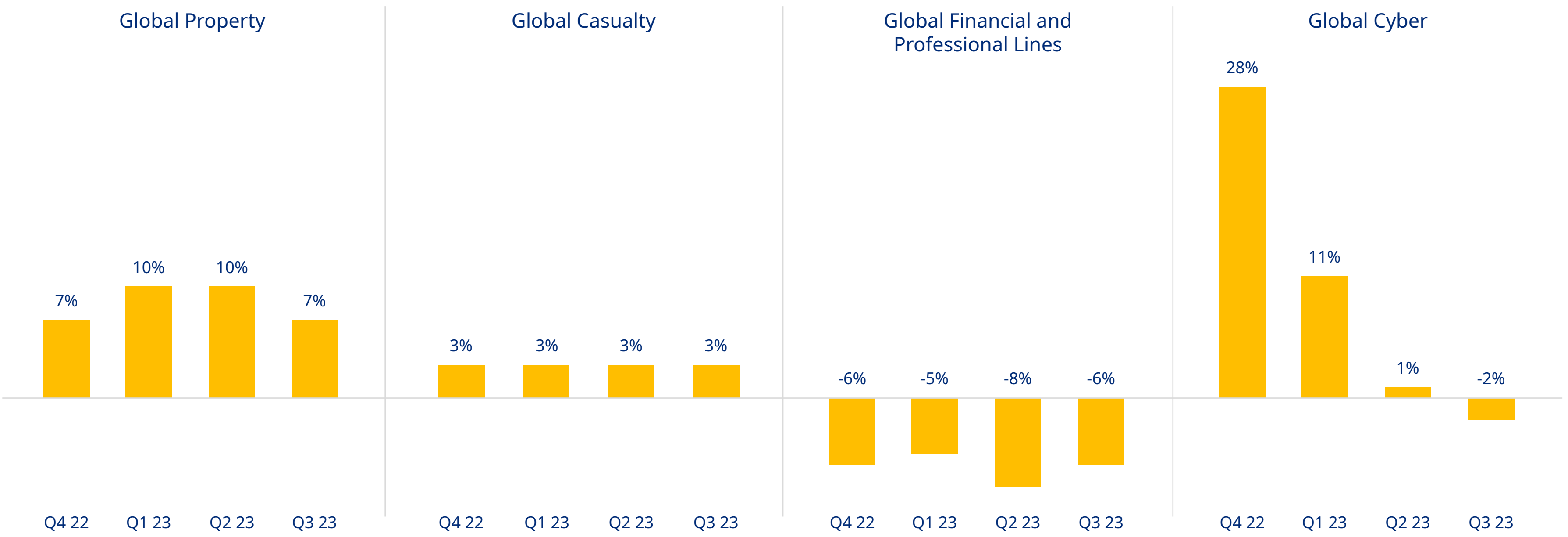
* Note: Starting in the third quarter of 2023, results for Canada will be presented as a separate entry. Results for Asia no longer include India data and the India, Middle East, and Africa region will be presented as a separate entry. Previously, these results have been included in aggregate data, but not broken out.

02| Composite insurance pricing change — by region



Source: *Marsh Specialty and Global Placement*

03| Composite insurance pricing change — by major coverage line



Source: *Marsh Specialty and Global Placement*

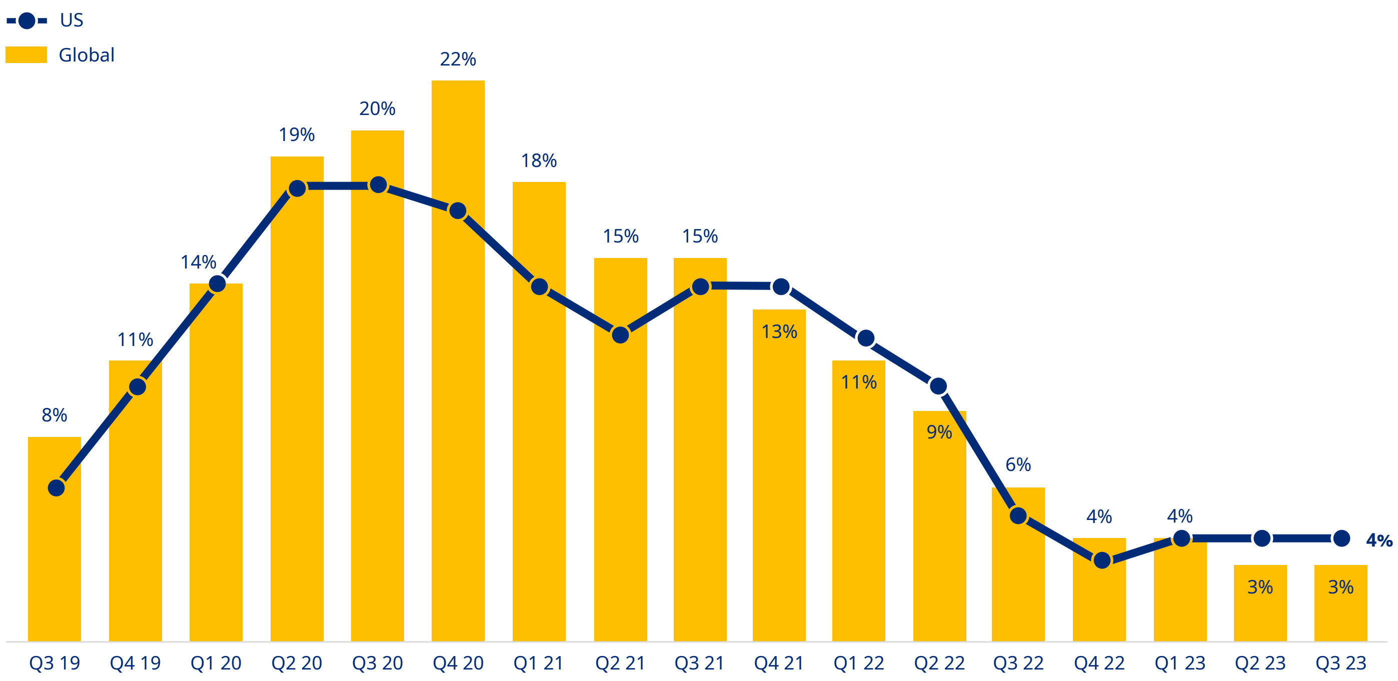
US PRICING: PROPERTY INSURANCE PRICING RISES FOR 24TH CONSECUTIVE QUARTER

Insurance pricing in the third quarter of 2023 in the US increased by 4%, the same as in the prior two quarters (see Figures 4 and 5).

Property insurance pricing increased by 14%, compared to 19% in the prior quarter; it was the twenty-fourth consecutive quarter in which pricing rose.

- Pricing increases were driven by the costs of reinsurance and capital, strong demand, limited new capacity from insurers, and continued losses.
- A bifurcation of renewal results has continued in 2023; better results were typically experienced by insureds with best-in-class risks, limited natural catastrophe exposures, and stable incumbent capacity.
- Higher pricing was generally experienced by risks that carriers viewed to be of average to poor quality, loss impacted, and/or with assets concentrated in catastrophe (CAT) zones, such as along the Gulf of Mexico, Atlantic coast, or in California.
- Underwriters continued to focus on inflation and insurance to value.
- Insurers generally maintained discipline around CAT deductibles and limitations of coverage for non-physical damage, cyber, and communicable diseases.
- Many clients increased retention of risk via increased deductibles or by adopting alternative risk transfer such as captives, parametric, or structured solutions.

04| US composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

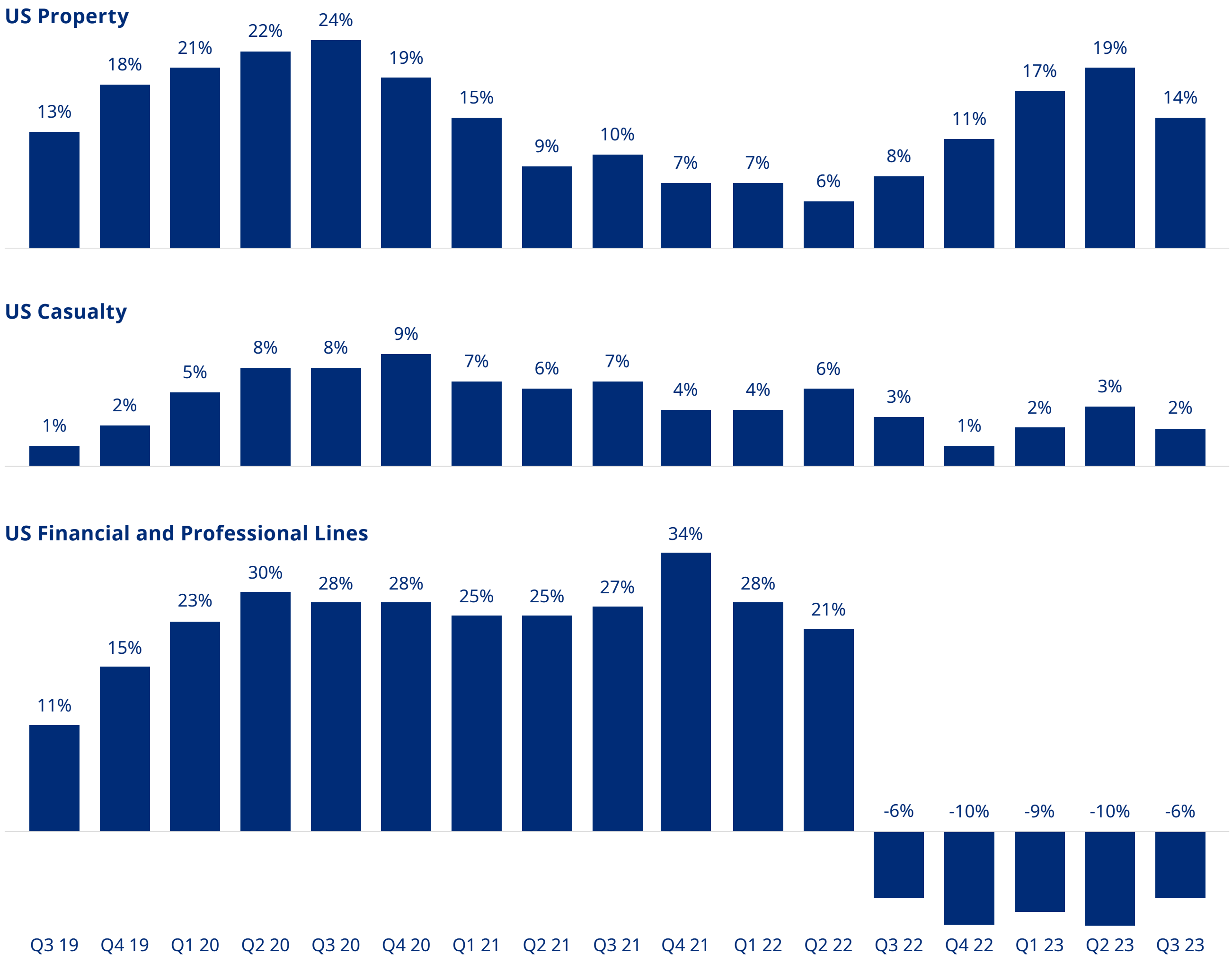
Casualty insurance pricing increased 2%, compared to 3% in the prior quarter; excluding workers' compensation, the increase was 3%.

- The primary casualty market remained competitive, particularly for workers' compensation, with insurers demonstrating a willingness to offer aggressive collateral terms and multiyear pricing commitments.
- Auto liability pricing continued to increase, driven by loss frequency and severity.
- Excess liability pricing rose by 4%, compared to 8% in the prior quarter as insurers continued to increase pricing for large auto fleet exposures while general liability pricing varied depending on exposures.
- Sizable jury verdicts and awards continued to drive down capacity by layer and increase attachment requirements.

Financial and professional lines pricing decreased 6% in the quarter, compared to a decline of 10% in the second quarter.

- Pricing for directors and officers (D&O) liability insurance for publicly traded companies declined by 8%.
  - Rate decreases eased slightly, especially for programs that experienced large declines in the past renewal cycle.
  - Large pricing decreases continued for post-transaction renewals, specifically in years one and two following an IPO or de-SPAC (special purpose acquisition company).
  - There was strong competition from both new carriers and legacy markets on primary and excess layers.
  - Many insurers sought to move to low excess or primary layers on D&O programs.
  - Some insurers were willing to place more difficult coverage lines, such as property, in an effort to win layers on the D&O program.

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



Source: *Marsh Specialty and Global Placement*

- Fiduciary coverage pricing generally remained flat, compared to a 5% increase in the prior quarter.
  - Adverse judgements continued to strain the market; with few dismissals on Employee Retirement Income Security Act (ERISA) cases, insurers generally paid out more on defense costs.
  - ERISA 401k plan excessive fee litigation continued to drive insurer losses.
  - Insurers typically sought minimum retentions for larger plans of US$5 million to US$15 million.
  - New entrants to the market generally quoted lower retentions; however, they are untested and may seek part of a D&O program in order to write fiduciary coverage.
  - Controls/401k plan risk management were key to obtaining coverage.
- Financial institutions pricing decreased 7%; errors and omissions (E&O) pricing increased 2%.

Cyber insurance pricing continued to decrease, declining 6% in the quarter, compared to a 4% decrease in the prior quarter.

- Excess layer pricing reductions continued to drive down total program pricing.
- New managing general agents (MGAs), marketing themselves as “insurtechs,” continued to enter the market. These entities are not insurers but are backed by capacity providers (insurers or reinsurers).
- Ransomware claims continued to increase.
  - Improvements in cybersecurity controls have led to a higher proportion of insureds not paying ransoms; however, they may still incur breach response expenses and business income losses to which cyber policies respond.
- Increased insurer competition led to clients generally being able to secure lower retentions without a premium increase.
- With increased claims reported in 2023 over 2022, and pricing typically stabilizing, clients generally sought higher limits.

UK PRICING: FINANCIAL AND PROFESSIONAL PRICING DECLINES

Insurance pricing in the UK declined 1% in the quarter, compared to a 1% increase in the prior quarter (see Figures 6 and 7).

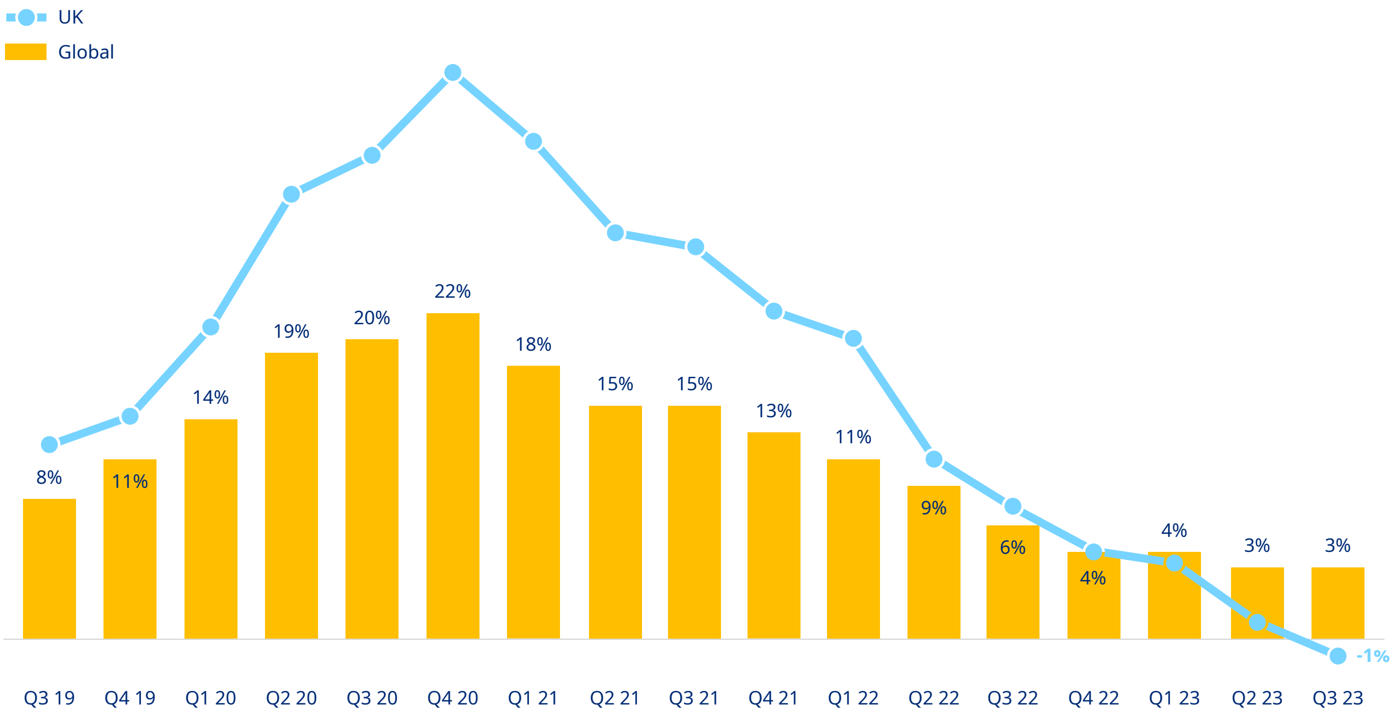
Property insurance pricing increased 2%, compared to 4% in the prior quarter.

- Some insurers offered long-term agreements for clients they viewed as having high quality submissions.
- Insurers continued to scrutinize companies that were viewed as having a poor quality risk management profile, have been loss impacted, and/or had significant CAT exposure.
  - Some insurers took a more pragmatic view on clients that may not be "perfect" from an ESG perspective, but that demonstrated a commitment to improving their ESG profiles, with clearly articulated timelines.

Casualty insurance pricing increased 1%, compared to 2% in the prior quarter.

- Employer's liability rates were flat, compared to a 4% decline in the prior quarter. Capacity was limited for US exposures.
- General liability rates remained stable for the third consecutive quarter.
- In the auto liability market, the transportation sector typically experienced increases, while

06| UK composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

steady competition remained for private car and van fleets.

- The UK motor reinsurance landscape experienced a hardening market, with capacity contracting by 7% and pricing increases in the range of 7% to 20%, the cost of which is passed down by insurers to policyholders.
- Insurers are updating policy wordings to reflect the changing nature of vehicles, including an increasing number of cyber exclusions as well as adding coverage for the potential tripping hazard liability posed by electric vehicle charging cables.

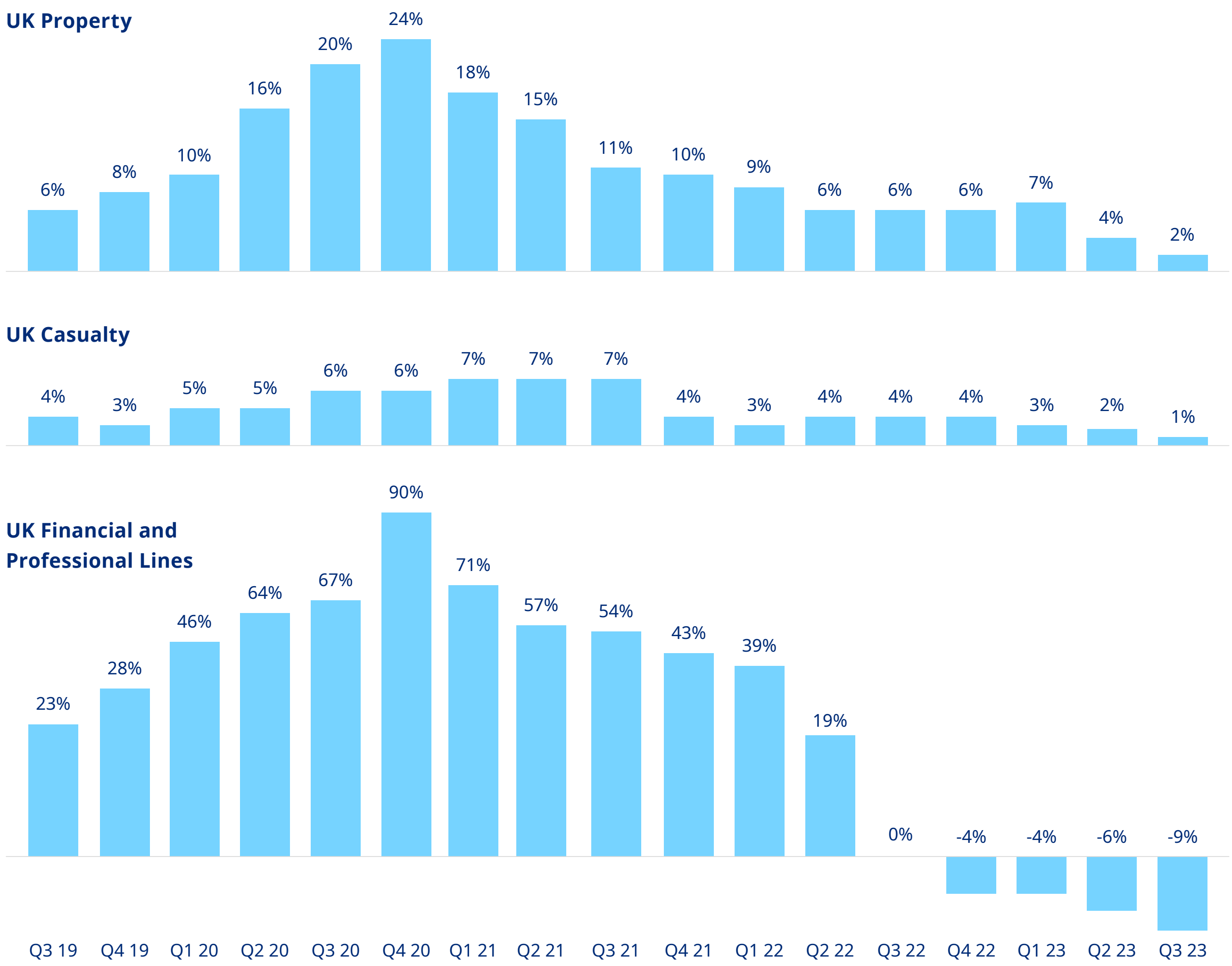
Financial and professional lines pricing declined 9%, compared to a 6% decline in the prior quarter.

- D&O pricing continued to decline, generally in the 10% to 15% range.
- Financial institutions generally continued to see pricing decreases.
- Several new entrants entered the commercial crime coverage space in recent months; most companies experienced pricing decreases at renewal in the 5% to 10% range.

Cyber insurance pricing increased 4% in the third quarter, compared to an 11% increase in the prior quarter.

- The cyber market continued to experience a moderation in overall pricing increases, attributable in part to high pricing during the recent challenging market, which was characterized by insurer concerns over the claims environment and organizations' cybersecurity controls.
- Larger accounts, with revenues greater than £250 million, typically experienced pricing decreases.

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



Source: *Marsh Specialty and Global Placement*

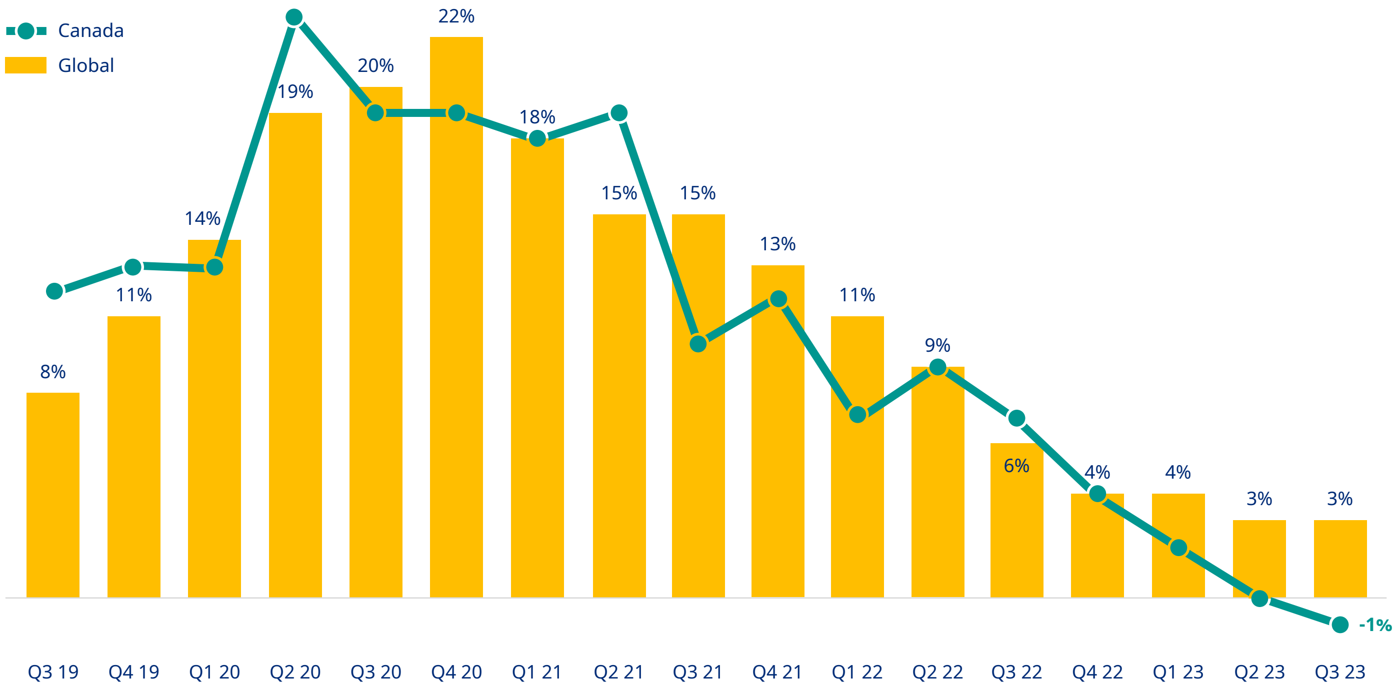
CANADA PRICING: PROPERTY INSURANCE ONLY MAJOR LINE TO INCREASE

Insurance pricing in Canada declined 1% in the third quarter, the first quarter showing a year-over-year decline since the third quarter of 2017 (see Figures 8 and 9).

Property insurance pricing rose 1%, compared to 5% in the prior quarter, marking the 24th consecutive quarter of increases.

- Clients with limited or no CAT exposures and strong engineering typically experienced flat pricing to low single-digit increases.
- US and global exposures generally led to higher increases on non-Canadian assets.
- CAT-exposed organizations typically experienced higher rate increases.
  - Underwriters have started modeling convective storm in Canada, which will continue to affect pricing throughout 2023.
  - The quarter saw the most active wildfire season ever in many provinces; insurers are closely monitoring their exposures and some are pushing restrictive terms, such as wildfire sub-limits and deductibles, across their entire portfolio.
- Underwriters focused on engineering, CAT management, and valuation; capacity was strong in domestic and international markets.
- Certain classes of business — including recycling, forestry, food, and warehousing — were more difficult to place, regardless of loss history or risk mitigation.

08| Canada composite insurance pricing change

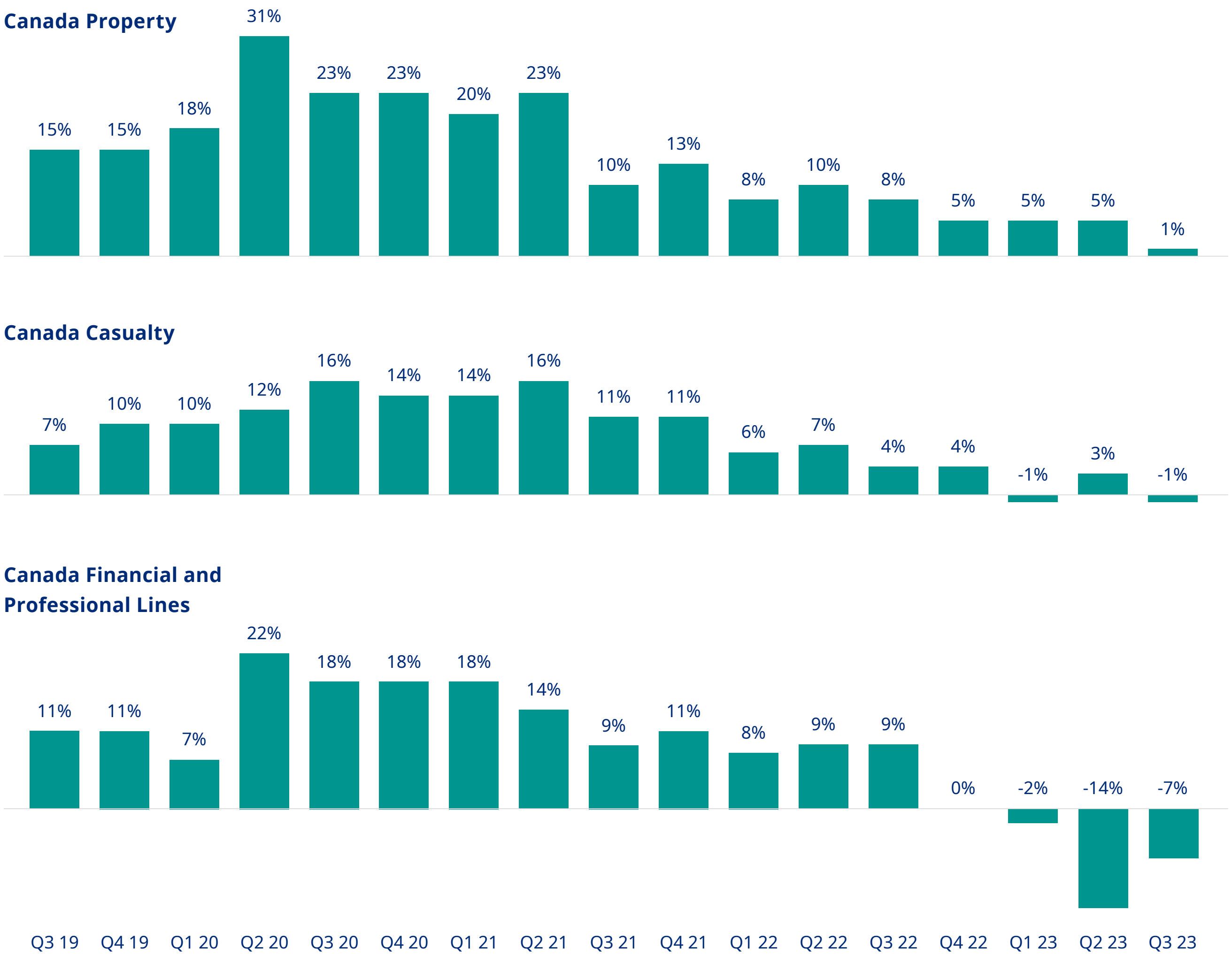


Source: *Marsh Specialty and Global Placement*

Casualty insurance pricing decreased 1%, compared to a 3% increase in the prior quarter.

- Automobile liability increased in the low single digits.
- Complex risks, heavy industrial/energy risks, and those with significant US and/or transportation exposures typically experienced pricing increases in the high single digits.
- Clients generally increased their risk retention.
- Auto liability claims continued to reach higher in umbrella and excess layers.
  - In many cases claims costs outpaced pricing increases.
  - Insurers focused on growth, but also account retention, a positive sign for competition.
- Insurers continued to be concerned by losses and large settlements on opioid claims, mass shootings, vehicle collisions, non-owned auto exposures, class actions arising from post-traumatic stress disorder (PTSD), and product liability claims.

09| Canada composite insurance pricing change — by major coverage line



Source: *Marsh Specialty and Global Placement*

Financial and professional lines pricing declined 7%, compared to a 14% decline in the second quarter.

- New entrants helped increase insurer competition.
- Underwriters demonstrated continued concern about various macroeconomic issues, including banking sector challenges, supply chain delays, the interest rate environment, and labor shortages.
  - Environmental, social, and governance (ESG) saw growing insurer scrutiny around the potential for claims to arise alleging false/misleading public statements, known as “greenwashing.”
- For private D&O coverage, insurers had appetite but scrutinized financials including balance sheets, debt structure, and the impact of rising interest rates.
- Because fiduciary claims against Canadian pension plans are not common, insureds with Canadian-only pension plans typically did not experience significant price increases.
- The overall employment practices liability (EPL) market has stabilized.
  - Some insurers added exclusions related to an Illinois (US) state law regarding biometric information privacy (BIP).

Cyber insurance pricing decreased 3%, compared to a 3% increase in the prior quarter.

- Excess layer pricing reductions continued to drive total program pricing, while new entrants to the cyber market increased competition.
- The number of ransomware claims reported rose, increasing underwriter scrutiny on supply chain risk and vendor management.
- Coverage continued to generally broaden, including removal of coinsurance requirements and increasing sub-limited coverage enhancements in some instances.
- Insureds with improved cybersecurity controls often were able to negotiate options for lower retentions.

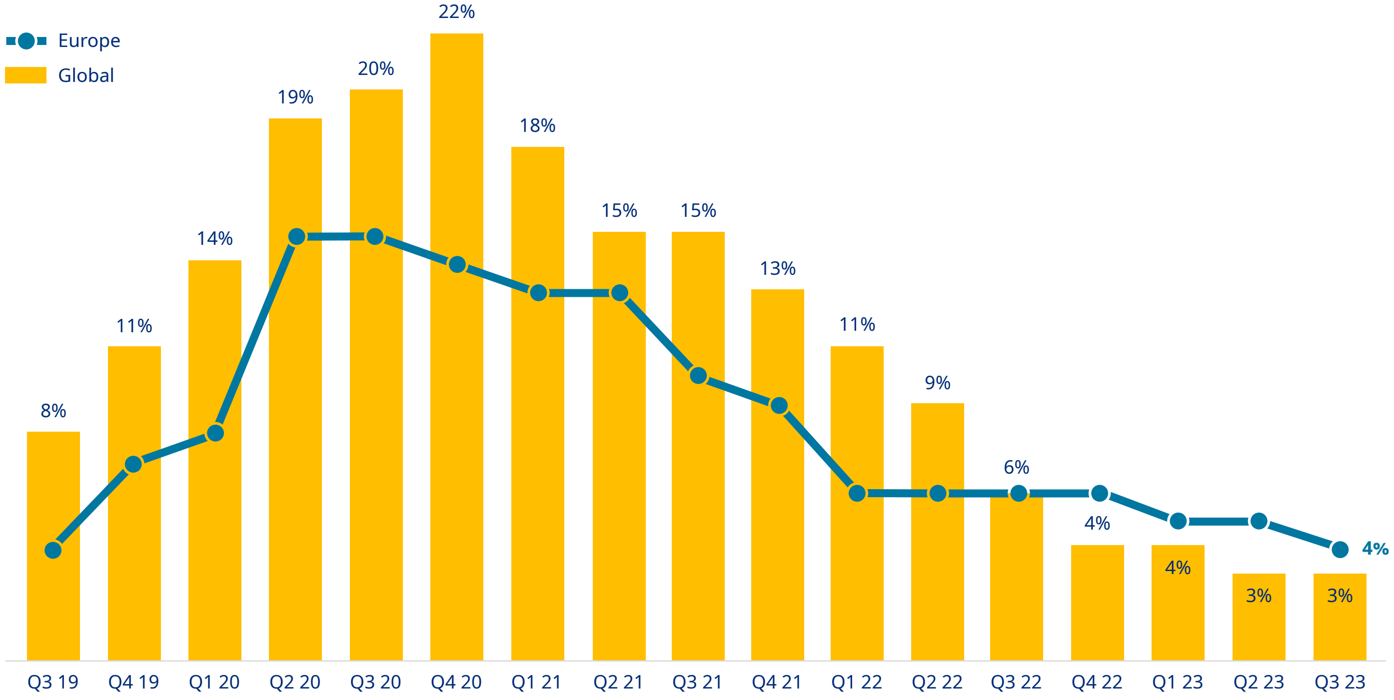
EUROPE PRICING: CYBER INSURANCE PRICING CONTINUES TO STABILIZE; CASUALTY RISES

Insurance pricing in the third quarter in Europe increased 4%, compared to 5% in the prior quarter (see Figures 10 and 11).

Property insurance pricing rose 7%, compared to 8% in the prior quarter.

- CAT and secondary perils — including flood, convective storm, wildfires, and hail — continued to impact pricing.
- Insurers generally reduced their exposures, adjusted their line size, and increased pricing for CAT risks due to factors including higher retentions; increased reinsurance and capital costs; continued loss activity, especially due to secondary peril events in major European countries; and inflation.
- Insurers scrutinized terms and conditions including natural catastrophe aggregates and deductibles, limitations around contingent business interruption (CBI) extensions, cyber, and strike, riot, and civil commotion (SRCC).
- Global insurers continued to carefully consider price adequacy; major carriers typically looked to expand their penetration of the upper corporate segment.
- Newer market entrants generally expanded their European footprints to release additional capacity, maintain competition, and mitigate the impacts of market challenges.

10| Europe composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

Casualty insurance pricing increased 5% in the quarter, compared to 4% in the prior quarter; it was the seventeenth consecutive quarter of increase.

- Some smaller companies experienced rate reductions.
- US exposure remained a key indicator of risk appetite for almost all insurers.
- Insurers remained cautious regarding loss-impacted and heavily exposed risks, typically seeking additional information and internal referrals.
- Long term agreements were available, typically for a two-year duration.
- Several carriers announced growth or expansion strategies across Europe, driving competition.

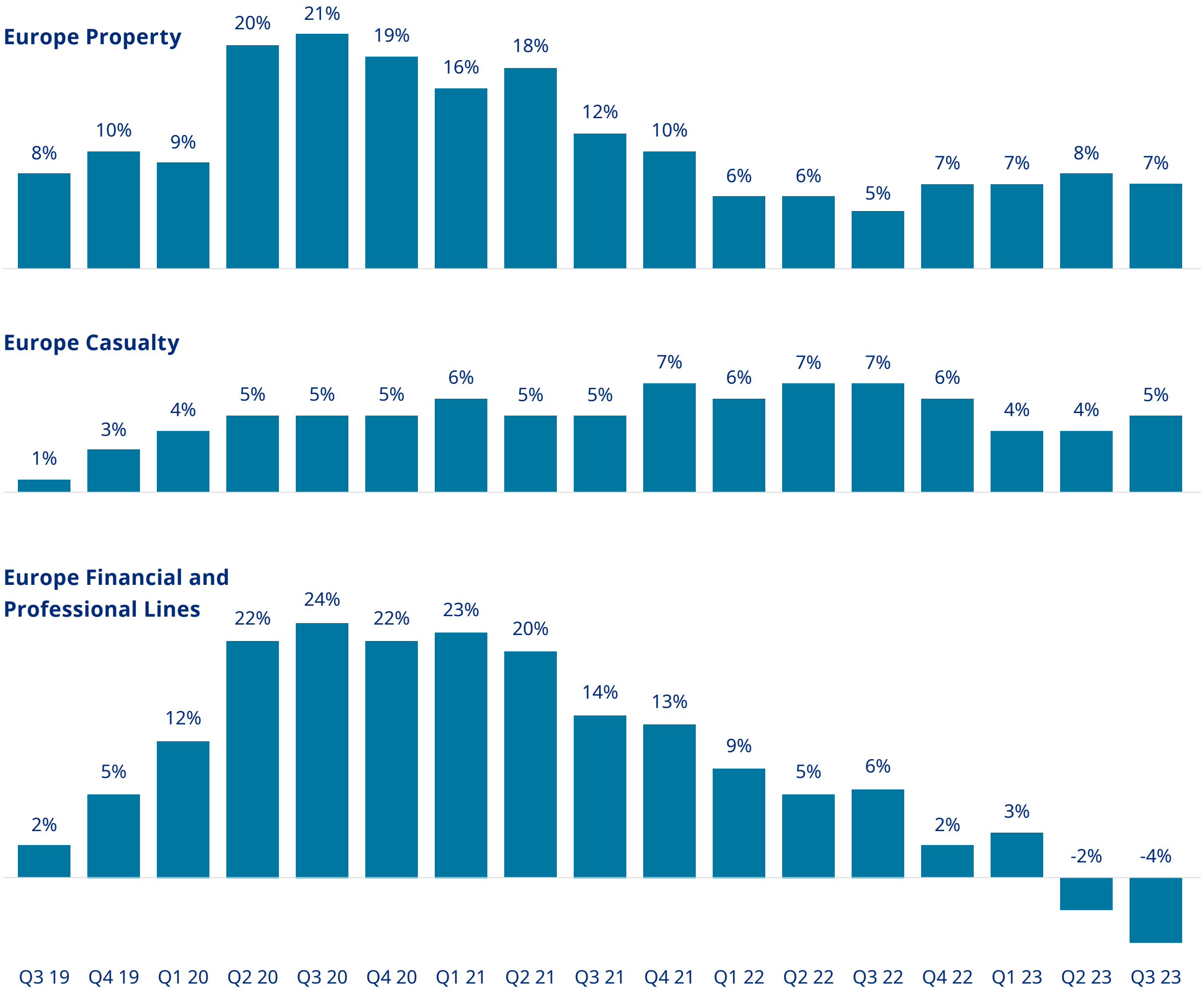
Financial and professional lines pricing declined 4%, compared to a 2% decline in the prior quarter.

- Capacity increased, due both to new insurers entering the market and incumbent insurers deploying more capacity for existing clients.
- Some clients used premium savings to increase limits.
- There was room in some cases for policy innovations and wording improvements, particularly related to D&O and ESG exposure.

Cyber insurance pricing was flat, compared to a 3% increase in the prior quarter.

- Nearly 40% of clients received rate reductions at renewal; these were more pronounced on excess layers, although for large organizations savings was primarily at the bottom program layers.
- Capacity increase was generally significant, and wordings typically improved.
- Ransomware coverage exclusion was often eliminated at renewal due to improvements in the underlying risk quality and increased flexibility from insurer.

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



Source: *Marsh Specialty and Global Placement*

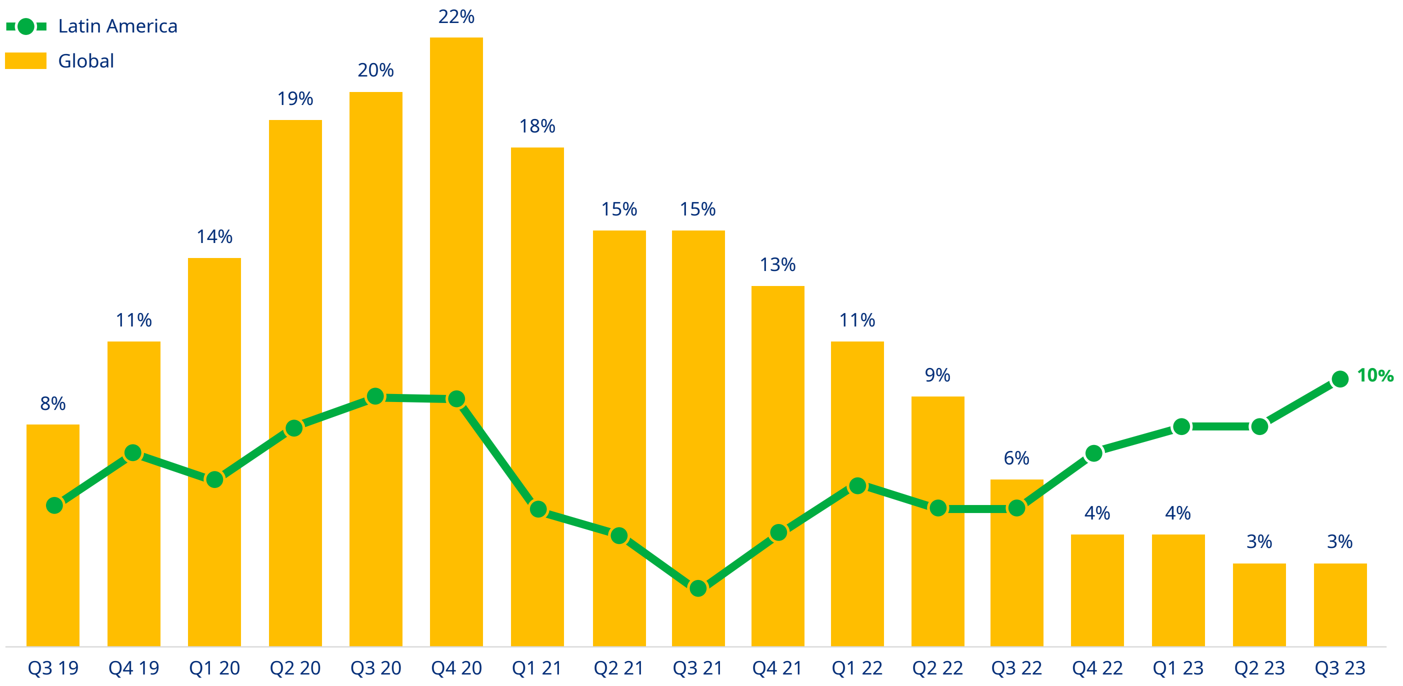
LATIN AMERICA AND CARIBBEAN PRICING: PROPERTY INSURANCE PRICING CONTINUES TO RISE

Insurance pricing in the third quarter in the Latin America and Caribbean (LAC) region increased 10%, compared to 8% in the prior quarter (see Figures 12 and 13).

Property insurance pricing increased 8%, compared to 7% in the previous quarter; it was the twentieth consecutive quarter of increase.

- Local and international markets reduced capacity for organizations with high CAT limits and poor loss record, leading to significant price increases.
- Facultative capacity was often necessary, and in many cases required a number of local coinsurers in order to reach the limit and to avoid double-digit price increases.
- Underwriting discipline was a trend across the region, with a greater focus on loss prevention and risk management
- Terrorism and sabotage (S&T) and SRCC remained issues, generally leading to reduced capacity and price increases.

12| Latin America composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

Casualty insurance pricing rose 15% in the third quarter, compared to 12% in the prior quarter, the sixth consecutive quarter of increase.

- Auto liability pricing experienced the highest average increases of any casualty line across the region — particularly in Mexico, Colombia, and Chile — driven by inflation, labor costs, and an increase in accidents and theft.
- Most general liability renewals experienced increases; however, in Brazil price decreases averaged 10% to 15%.

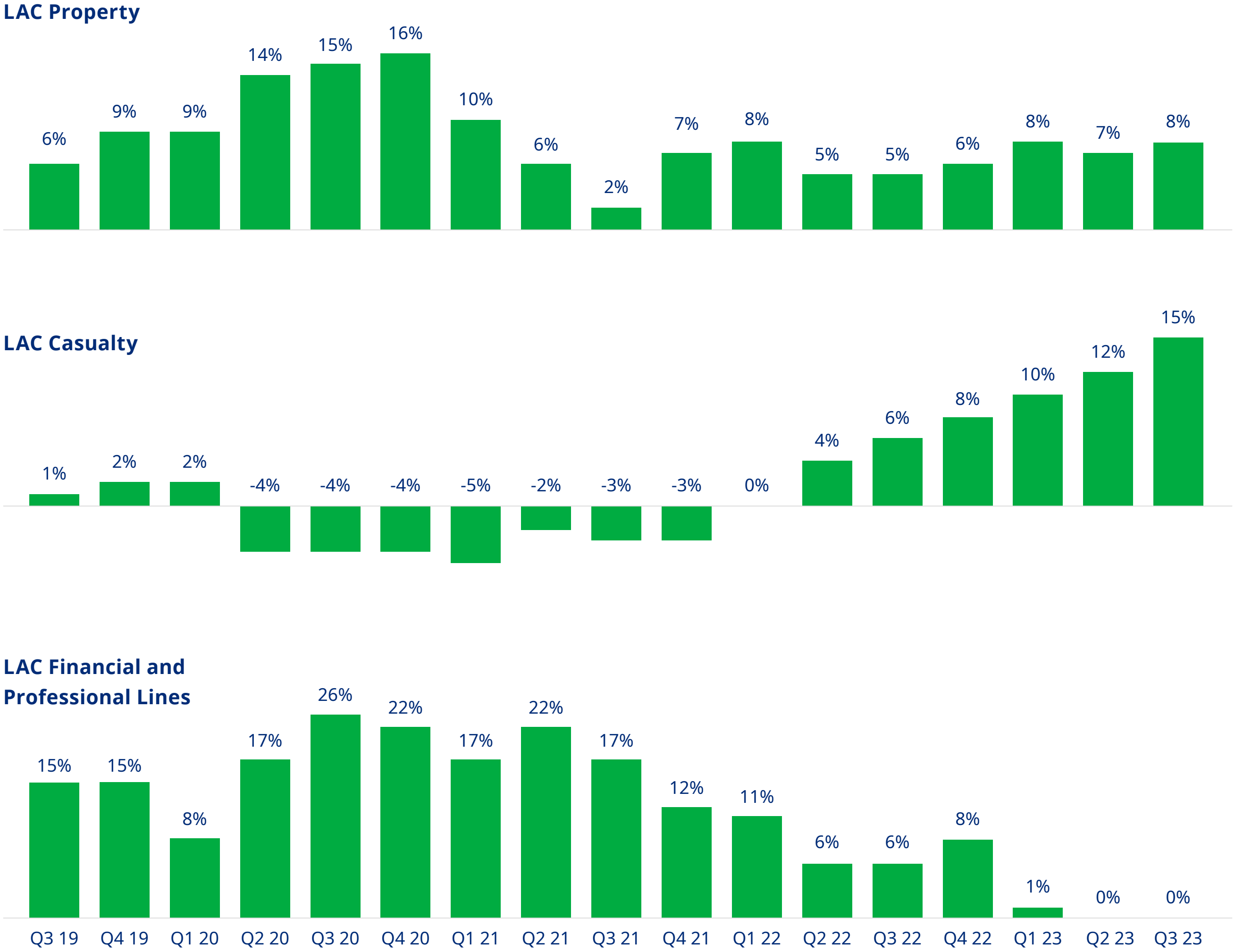
Financial and professional lines pricing was generally flat, the same as in the prior quarter as the market remained competitive.

- New insurers entered the market, in both the retail level and in the international reinsurance market.
- Insurer competition in D&O liability and professional indemnity generally led to flat renewals and, in some cases, small decreases.
- Recent regulatory changes regarding D&O in Chile contributed to increased insurer appetite.
- There was a noticeable shift from insurers in potentially writing geopolitical, technology, and ESG risks.

Cyber insurance pricing increased 13% in the third quarter, compared to 12% in the prior quarter.

- The cyber insurance market showed signs of stabilization.
- New entrants to the market, particularly on the international front, intensified competition.
- At the same time, the region experienced several significant cyber events that drove pricing increases, particularly in Mexico.

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



Source: *Marsh Specialty and Global Placement*

ASIA PRICING: CASUALTY INSURANCE DECLINES FOR FOURTH STRAIGHT QUARTER

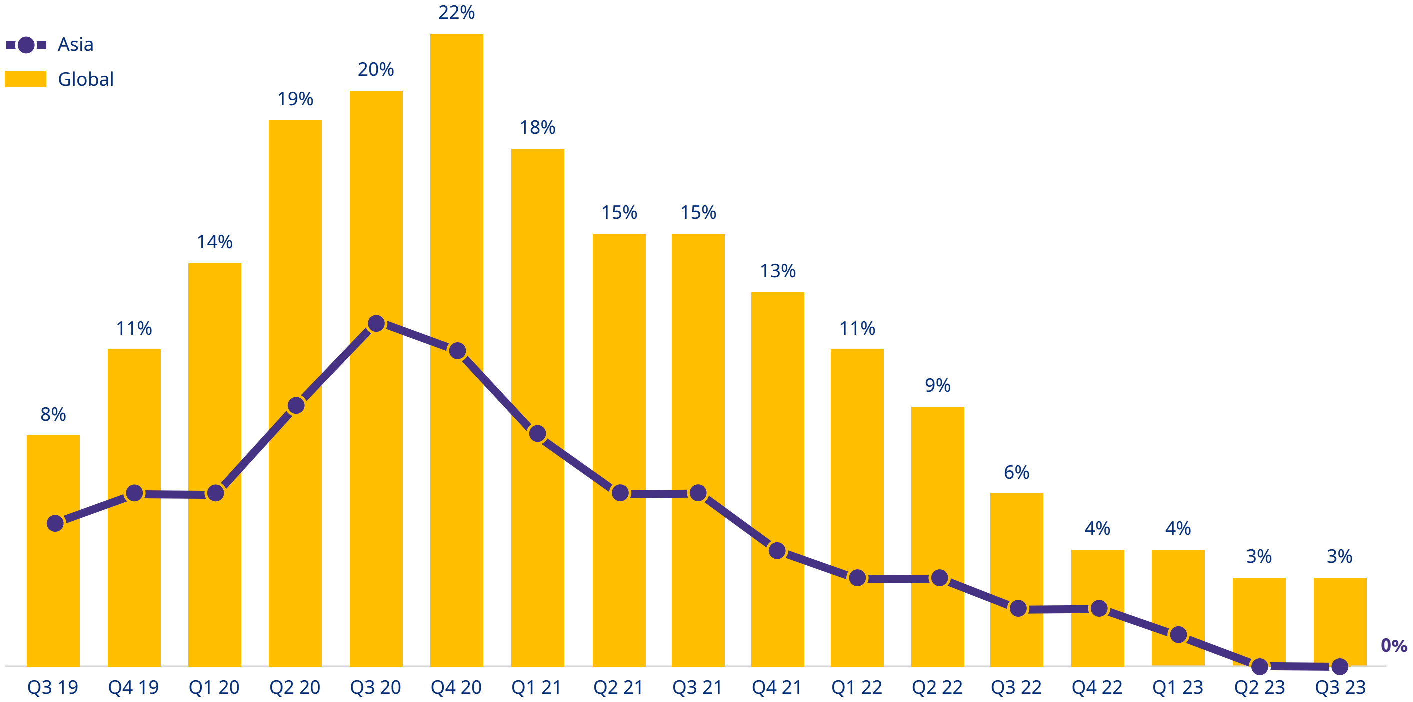
Insurance pricing in the third quarter in Asia was flat, the same as in the prior quarter (see Figures 14 and 15).

Property insurance pricing rose 2%, the same as in the prior six quarters.

- Some countries, including China and Korea, experienced small pricing decreases, which was offset by pricing increases related to CAT exposure in the region.
- While most domestic insurers demonstrated a return to profitability in their first half 2023 results, some remained cautious regarding the remainder of the year, given North Asia's recent experience with strong weather patterns late in the third quarter.
- Clients in CAT-exposed geographies faced greater scrutiny from insurers.
- While inflation continued to ease from the peaks of 2022, insurers remained vigilant on the impact to their portfolios and maintained requests for updated valuations.

* Note: Starting in the third quarter of 2023, results for Asia no longer include India data. India data is now included with the results for the India, Middle East, and Africa region and will be presented as a separate entry.

14| Asia composite insurance pricing change



***Source:** Marsh Specialty and Global Placement*

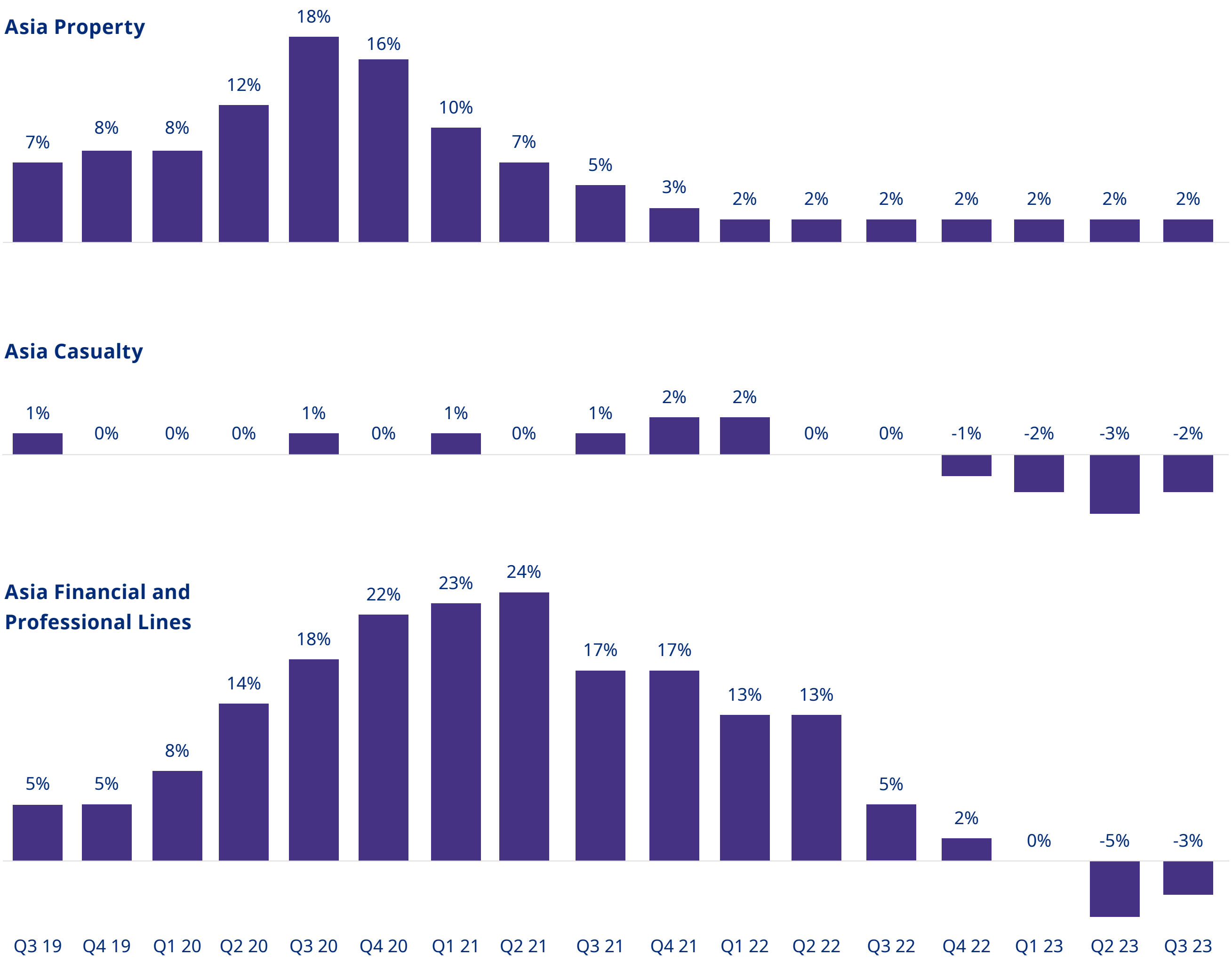
Casualty insurance pricing declined 2% in the quarter, the fourth consecutive quarter of decline.

- Pricing reflected abundant capacity and in-country competition between international and local companies, as well as decreased turnover for many insureds.
- Casualty insurers continued to scrutinize US exposure due to the size of awards and settlements.
- Workers' compensation and auto liability rates were typically competitive across the region, with pricing decreases experienced in a number of countries.
- Issues at top of mind for insurers included per- and poly-fluoroalkyl substances (PFAs); bushfire liability, particularly as the El Niño weather cycle begins; product recall; North American exposure; and the claims inflation environment.

Financial and professional lines pricing declined 3% in the quarter, after declining 5% in the prior quarter.

- D&O rates continued to generally decline, with double-digit decreases in several countries.
- There was increased appetite and capacity available from local markets for US-listed companies, resulting in pricing competition and in many instances, reduced rates.
- Pricing was stable for the financial institution sector, with improved terms and coverages offered by insurers in many cases.

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



Source: *Marsh Specialty and Global Placement*

Cyber insurance pricing was flat in the quarter, following an 8% increase in the prior quarter.

- Cyber rates stabilized as the market's risk appetite and capacity increased.
- Underwriters continued to focus on cybersecurity controls; some coverage areas continued to face greater scrutiny, especially regarding war perils, given current geopolitical tensions.
- Ransomware severity and the sophistication of bad actors continued to increase.
- Data encryption and business interruption were the most impactful loss drivers.

PACIFIC PRICING: FINANCIAL AND PROFESSIONAL LINES CONTINUE TO DRIVE OVERALL PRICING MODERATION

Insurance pricing in the Pacific region increased 1% in the third quarter, compared to 2% in the prior quarter (see Figures 16 and 17).

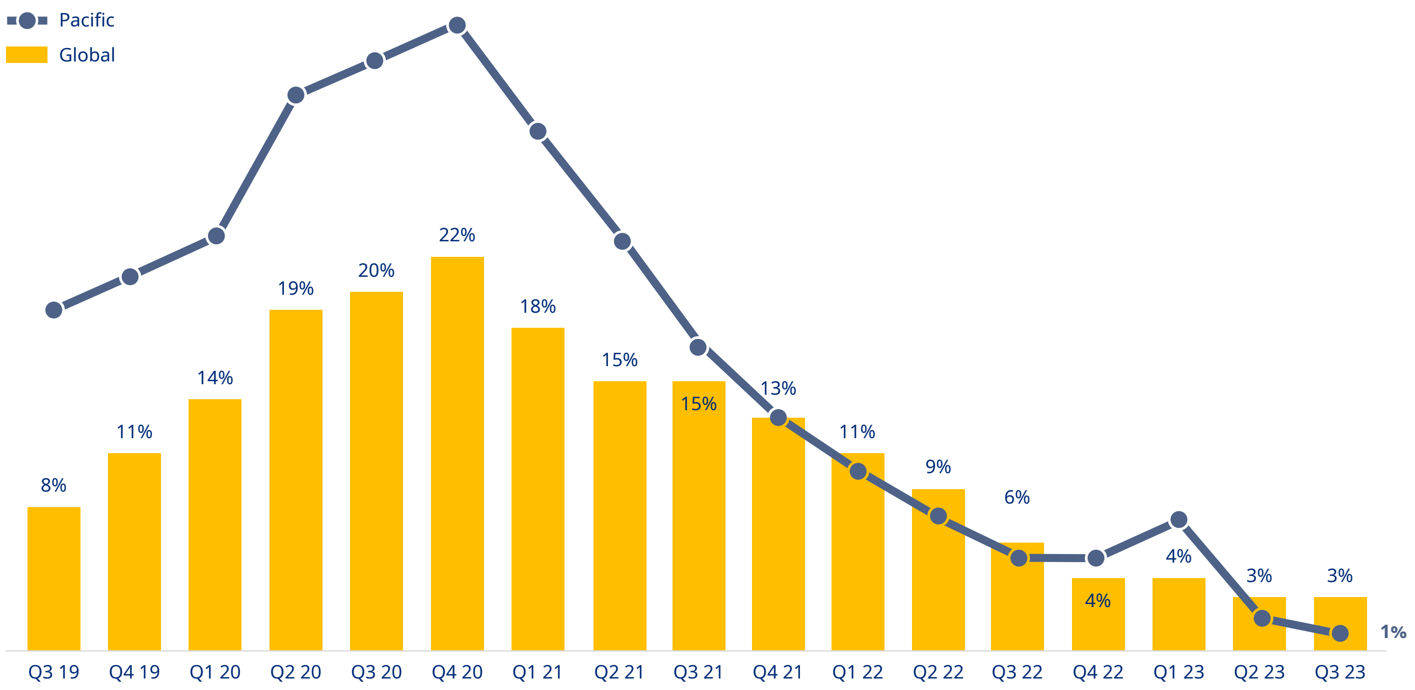
Property insurance pricing increased 2%, compared to 5% in the prior quarter, with loss impacted and CAT-exposed risks again seeing the highest increases.

- Underwriters remained cautious, making it essential at renewals that declared values be supported by formal valuations and/or adequate inflation loadings.
- In New Zealand, the emergence of flood risk, primarily during the first quarter, has led to greater scrutiny by underwriters of coverage, pricing, and insurers' own loss modelling.
- Some positive signs emerged for insureds as competition returned with the introduction of capacity.

Casualty insurance pricing rose 5%, compared to 7% in the prior quarter.

- Risk selection and pricing adequacy continues to be critical, with varied results for higher hazards sectors, particularly on excess lines.
- Insurers focused on social inflation resulting from litigation trends and material costs.
  - New capacity in the market fostered increased competition.

16| Pacific composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

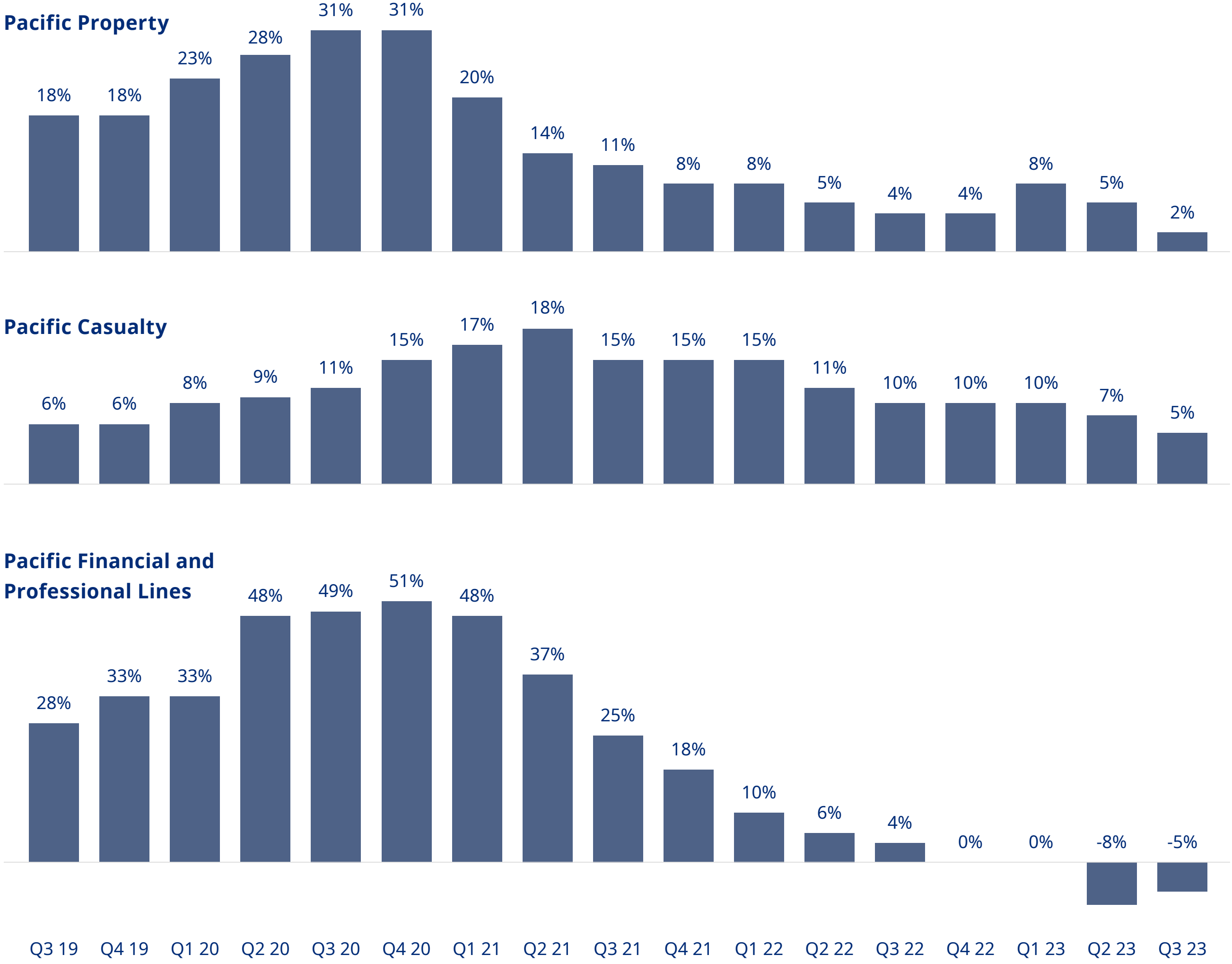
Financial and professional lines pricing decreased 5%, after declining 8% in the prior quarter.

- D&O pricing continued to decrease, with many clients experiencing declines of 15% or more.
- Competition remained strong for primary and excess layers from both new insurers and legacy carriers.
- Macro-economic impacts, such as inflation and interest rate pressures, were important factors for underwriters.
- Use of generative artificial intelligence is being monitored for potential claims trends.

Cyber insurance pricing increased 6%, compared to 8% in the prior quarter.

- Improved competition from insurers generally led to more coverage and retention options for clients, such as increased limits, decreased retentions, and improved pricing for a similar policy structure.
- Underwriters focused on critical risk, dynamic privacy regulations, and the continued threat of ransomware.
- Risk management remained important, particularly regarding the ability of clients to mitigate ransomware threats.

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



Source: *Marsh Specialty and Global Placement*

INDIA, MIDDLE EAST, AND AFRICA (IMEA) PRICING: FINANCIAL AND PROFESSIONAL LINES PRICING DECLINES

Pricing in the third quarter increased 3% in IMEA, where insurance rates for large and complex accounts are often driven or influenced by the reinsurance market.

Property insurance pricing rose 4% in the third quarter.

- Pricing increases were driven largely by increased reinsurance and capital cost in CAT-exposed organizations, capacity demand, inflation, and loss activity, especially in Saudi Arabia, India, and Africa.
- Pricing increases and capacity challenges were generally highest for organizations with CAT exposure; a "poor" risk profile; high-hazard occupancies, including chemical and food, waste, and recycling.
- Some insureds experienced increases above 25%.
- Insurers scrutinized terms and conditions such as natural catastrophe aggregate and deductibles, limitations around contingent business interruption (CBI) extensions, cyber, and terrorism and SRCC.
- Global insurers' interest in the Middle East reduced; however, regional markets and reinsurers helped to maintain competition and mitigate the impacts of current market challenges.

*Note: Starting in the third quarter of 2023, results for the India, Middle East, and Africa region will be presented as a separate entry. Previously, the data for India was included within Asia; Middle East and Africa data was included in the global aggregate.

Casualty insurance pricing was flat in the third quarter.

- Exposure to US risks remained a concern, impacting insurers' appetite and capacity deployment.
- New market capacity in the region, especially on the reinsurance side, has created a competitive environment.
- Insurers remained cautious regarding loss-impacted and heavily exposed risks, with increased information requirements.
- Long-term agreements were available, typically for two years duration.

Financial and professional lines insurance pricing declined 4% in the third quarter.

- D&O pricing varied by country.
  - In India, pricing declined 5%
  - In South Africa, pricing typically ranged from flat to 10% increases
  - In the Middle East, pricing generally decreased 10% to 15%.
  - ESG risk profile continued to move up in underwriting priorities.
- Financial institutions typically experienced reductions in the double digits on primary layers, and nearly as much on excess layers, depending on the risk profile and loss history.
- Commercial professional indemnity market remained stable.
- Crime renewal rates typically ranged from flat to decreases of 5%; the exception was South Africa, where the local market remained limited with no sign of new entrants.

Cyber insurance pricing increased 1% in the third quarter.

- Cyber pricing has stabilized in recent quarters due to low claims activity, a decrease in ransomware claims frequency and severity over the second half of 2021 and throughout 2022, current insurers looking to grow in the market, and new capacity entering the market.
- Regional trends included:
  - The Middle East experienced increased capacity with new entrants, competition from insurers, and improved pricing.
  - India and Africa remained more challenging due to the claims' environment and a lack of local capacity.

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