



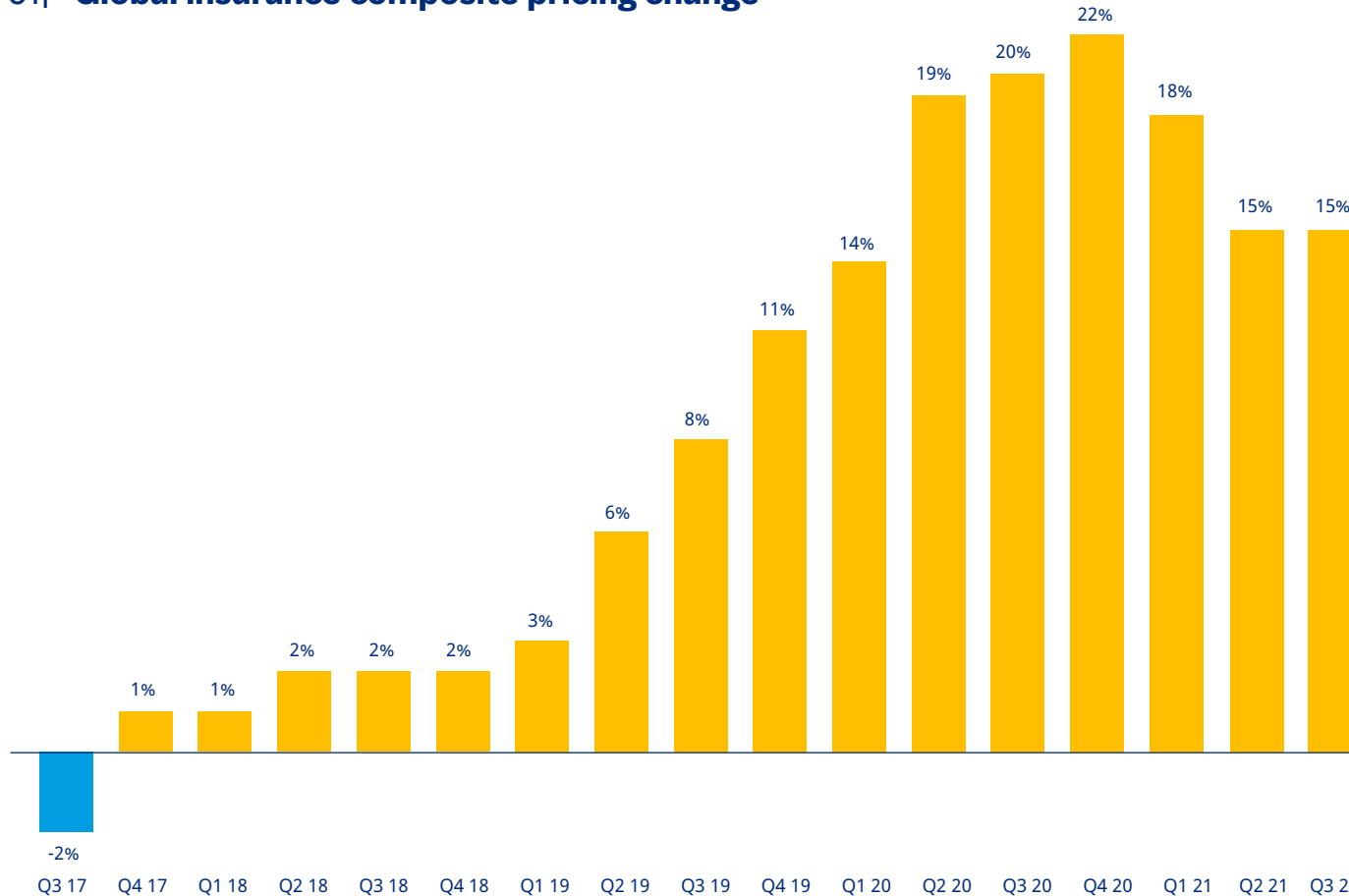
# Global Insurance Markets: Pricing increases 15% in third quarter

October 2021



Global commercial insurance prices rose 15% in the third quarter of 2021, the sixteenth consecutive quarter of price increases, continuing the longest stretch of increases since the inception of the *Marsh Global Insurance Market Index* in 2012 (see Figure 1).\* Pricing increases peaked in the fourth quarter of 2020 at 22%.

### 01| Global insurance composite pricing change



Pricing increases across most regions moderated due to a slower rate of increase in property insurance and directors and officers liability (D&O), other than in the US where property and financial and professional lines pricing increased.

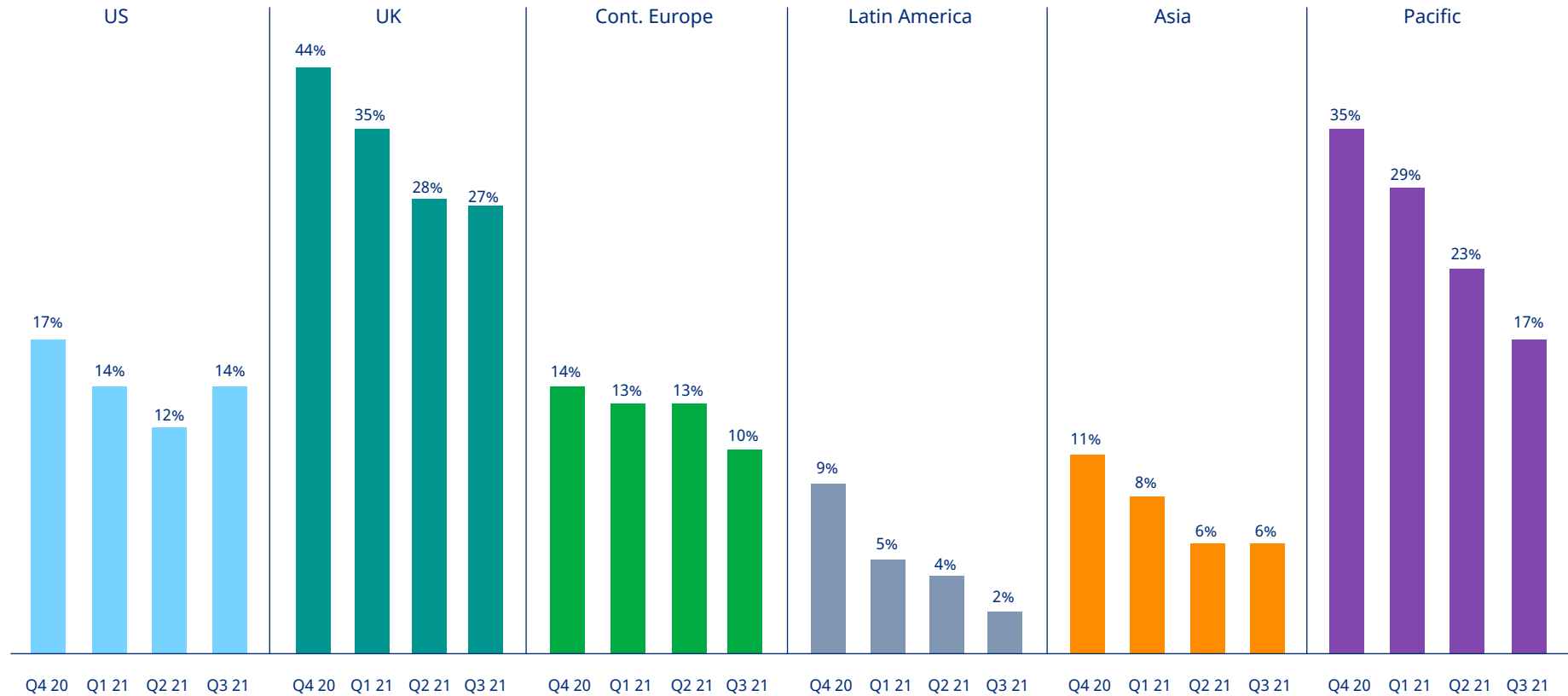
Cyber insurance pricing again rose significantly in the quarter — up 96% in the US and 73% in the UK — due to increased frequency and severity of losses.

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

- US: 14%.
- UK: 27%.
- Continental Europe: 10%.
- Latin America and the Caribbean: 2%.
- Asia: 6%.
- Pacific: 17%.

Source: Marsh Specialty and Global Placement

## 02| Composite insurance pricing change — by region



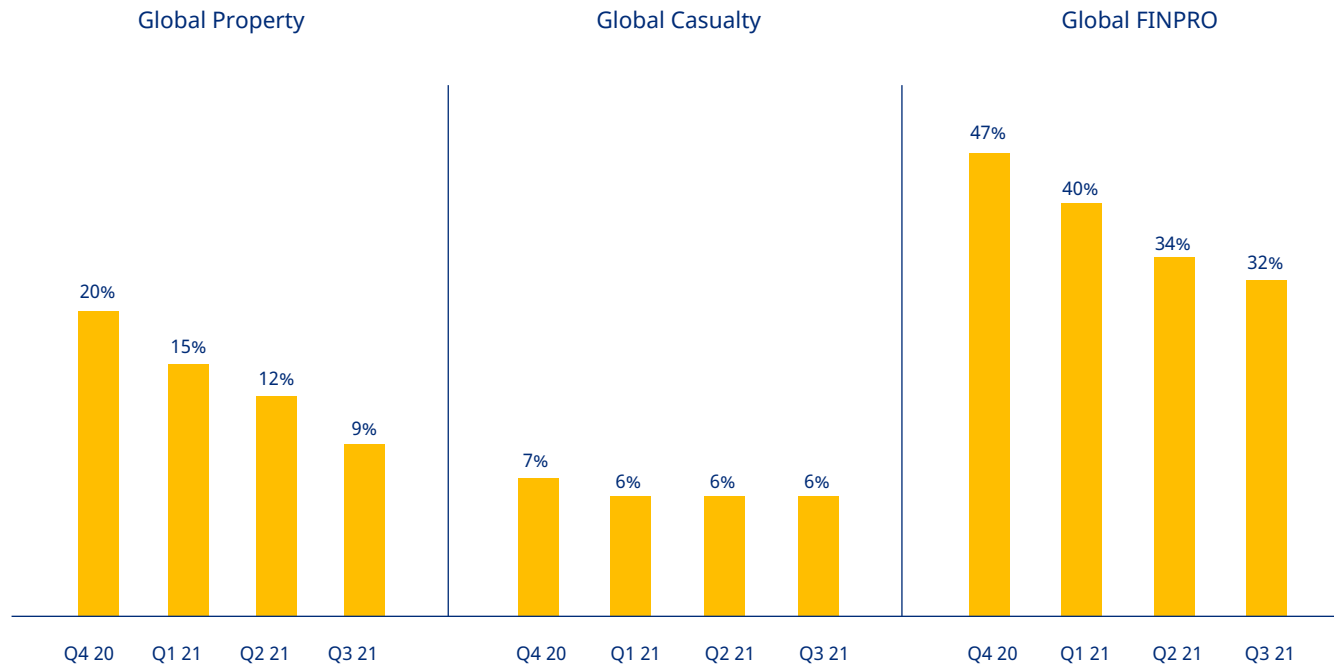
Source: Marsh Specialty and Global Placement

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

- Property insurance: 9%.
- Casualty insurance: 6%.
- Financial and professional lines insurance: 32%.

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. Many clients experienced pricing changes that deviated from the average, some higher and some lower.

### 03| Composite insurance pricing change — by major coverage line

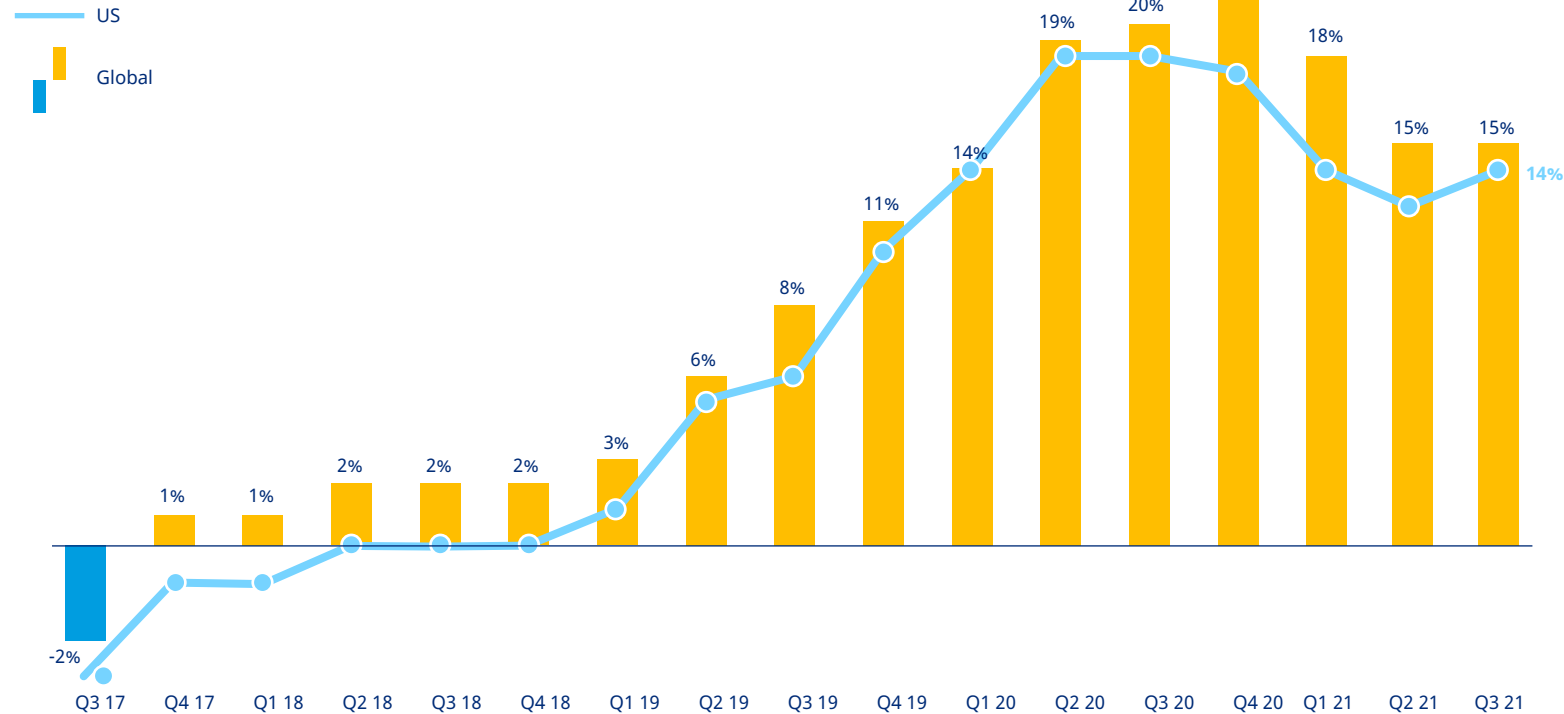


Source: Marsh Specialty and Global Placement

# US Pricing: Increases Continue, Led by Cyber

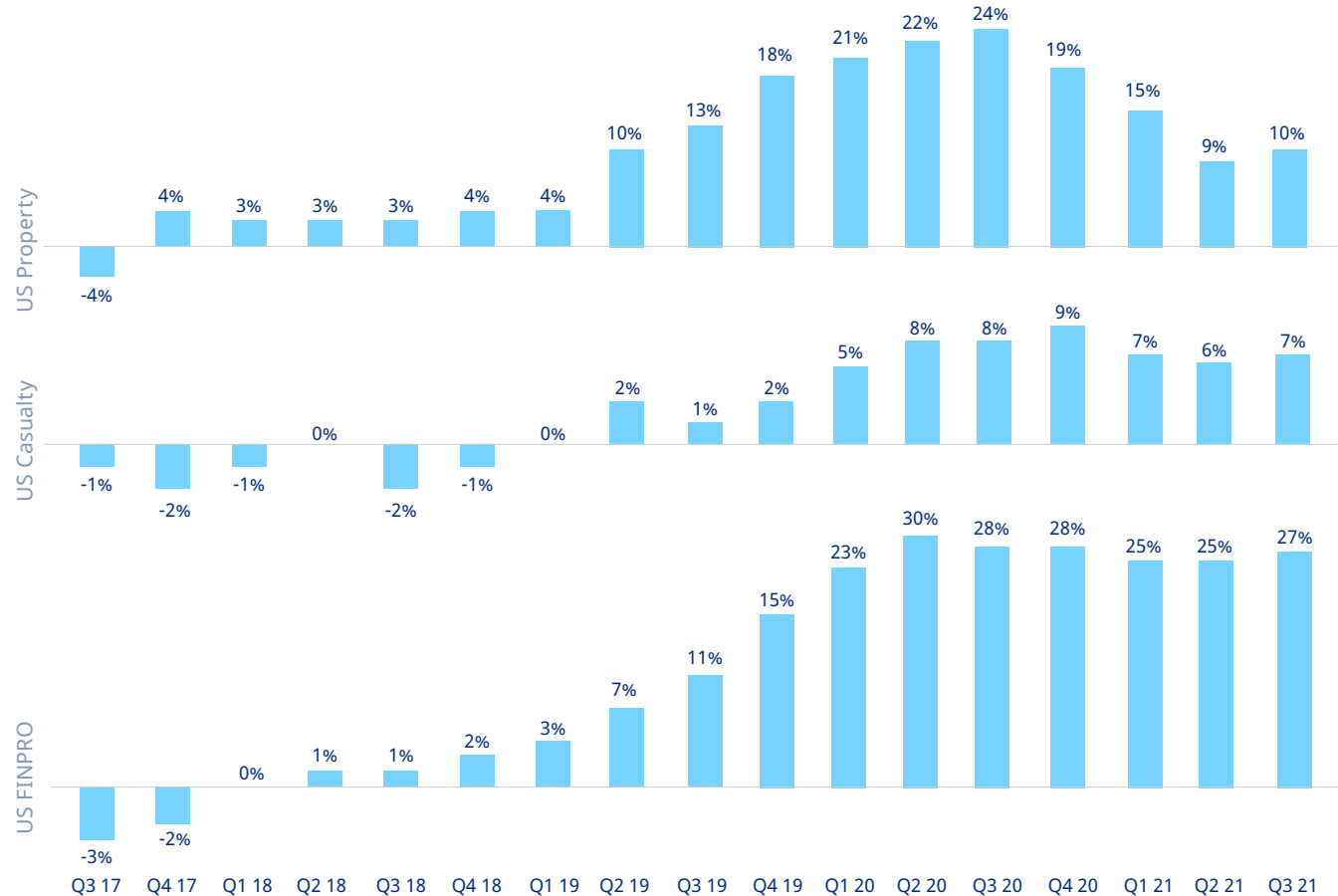
Insurance pricing in the third quarter of 2021 in the US increased 14%, year-over-year (see Figure 4). This was a slight rise in the rate of increase following three consecutive quarters of a declining rate of increase (see Figure 5).

## 04| US composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

**Property** insurance pricing increased by 10%, the sixteenth consecutive quarter of increase.

- The quarter's slight uptick in rate change from the second quarter was partly driven by fewer renewals compared to other quarters, as well as the type of industries that generally renew in the third quarter, including manufacturing and other more technical risks.
- Clients that had experienced significant losses, were considered to have relatively poor risk quality, or had significant exposure to secondary catastrophe (CAT) perils experienced above average rate increases. Clients with no losses, good risk quality, and were in a sought-after industry class had a better experience.
- More than ever, insurers focused on secondary CAT perils — including wildfire, convective storm, and flood.
- The market deteriorated for clients predominantly exposed to wildfire, a trend that is expected to continue.
- Carriers scrutinized contingent time element coverage, especially for unnamed suppliers, following several large per-risk losses.
- Insurers continued to push for tighter terms and conditions, including deductibles, cyber and communicable disease exclusions, and time element extensions.

**Casualty** insurance pricing in the US increased 6%; excluding workers' compensation the increase was 11%.

- Workers' compensation continued to be the driving factor of competition among primary carriers, which would typically agree to lower rate increases on the general liability (GL) and auto lines as long as the WC line was profitable.
- GL remained an area of concern for insurers, driven by the continued rise in settlements and jury verdicts.
- In excess liability, clients generally experienced a continued deceleration in rate increases as compared to earlier quarters, driven by market competition.

**Financial and professional lines** pricing increased 27%, largely driven by cyber insurance.

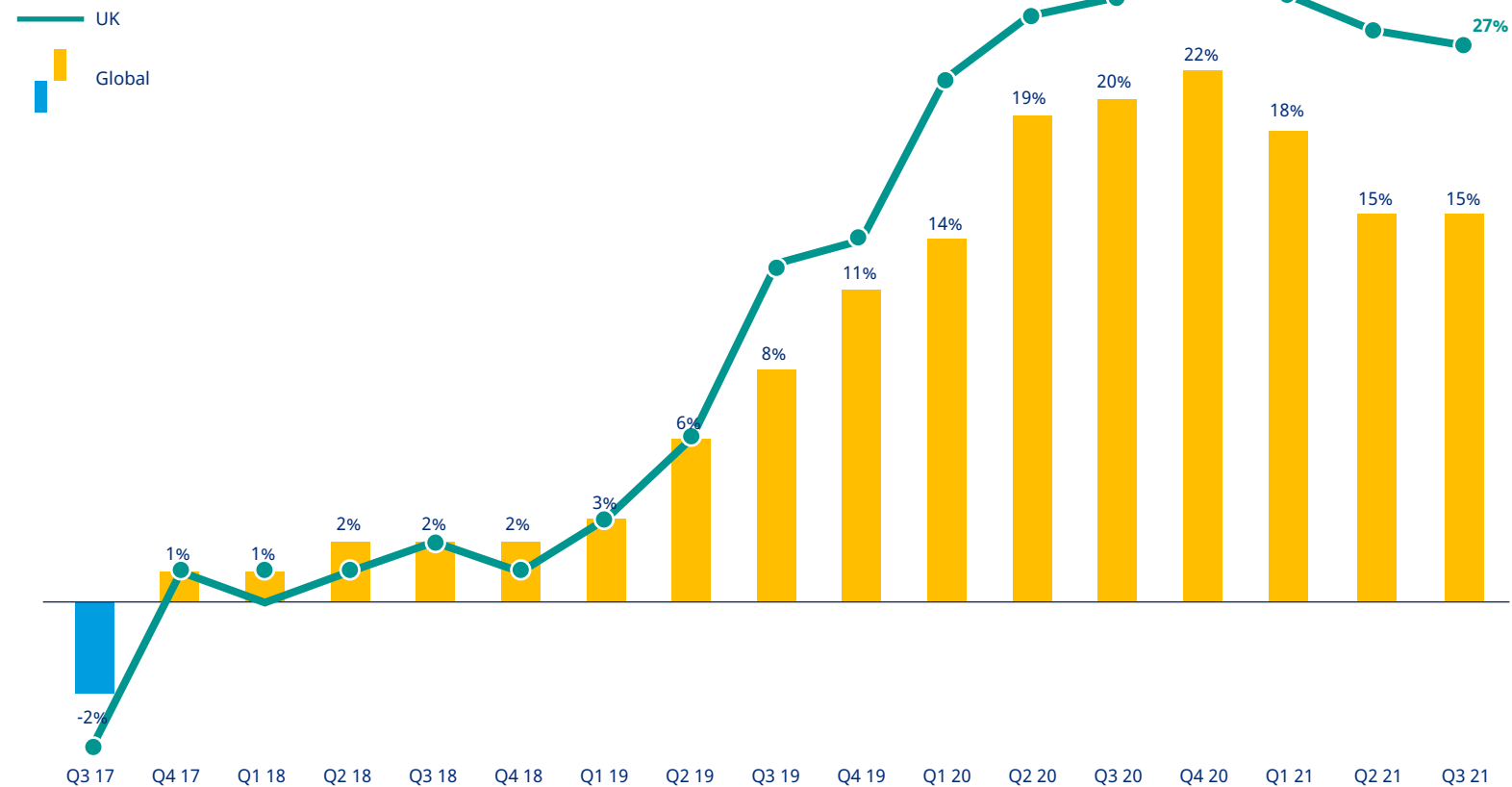
- D&O pricing for publicly traded companies increased 10%, lower than the 15% increase observed in the second quarter and the lowest since the first quarter 2019.
  - Results showed the positive impact from new capacity in the US, Bermuda, and UK, most of which is focused on mid- to high-excess D&O layers.
  - Many clients experienced a retention increase of greater than 50%; premiums still increased with these changes.
  - Lead Side A D&O pricing stabilized, with single-digit increases on most renewals.
  - Challenges continued for renewals within certain industry segments, including life science, technology, and specialty retail; companies that are financially constrained; companies with prior or current claims; and initial public offerings, special purpose acquisition companies, and de-SPACs.

- Fiduciary renewals continued to be difficult as an uptick in excessive fee litigation prompted many insurers to reduce capacity.
- Cyber pricing increased 96%, a 40 percentage point increase over the second quarter; the largest increase since 2015.
  - Pricing trended higher throughout the quarter, increasing 112% in August even though more than 60% of clients increased retentions.
  - The frequency and severity of ransomware claims was the leading factor as ransom payments frequently exceeded USD1 million, with additional claims payments for business interruption or data exfiltration.
  - Underwriting scrutiny increased significantly and many insurers narrowed coverage for ransomware-related losses for companies that failed to show certain levels of maturity.
  - Concerns about systemic exposures and accumulation of risk increased; insurers tightly managed limit deployment on any one risk, often capping at USD5 million.
  - Healthcare, manufacturing, education, energy, and public entities were particularly affected; many insurers declined to quote risks in these industry classes.

# UK Pricing: Sixteenth Consecutive Quarter of Increases

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

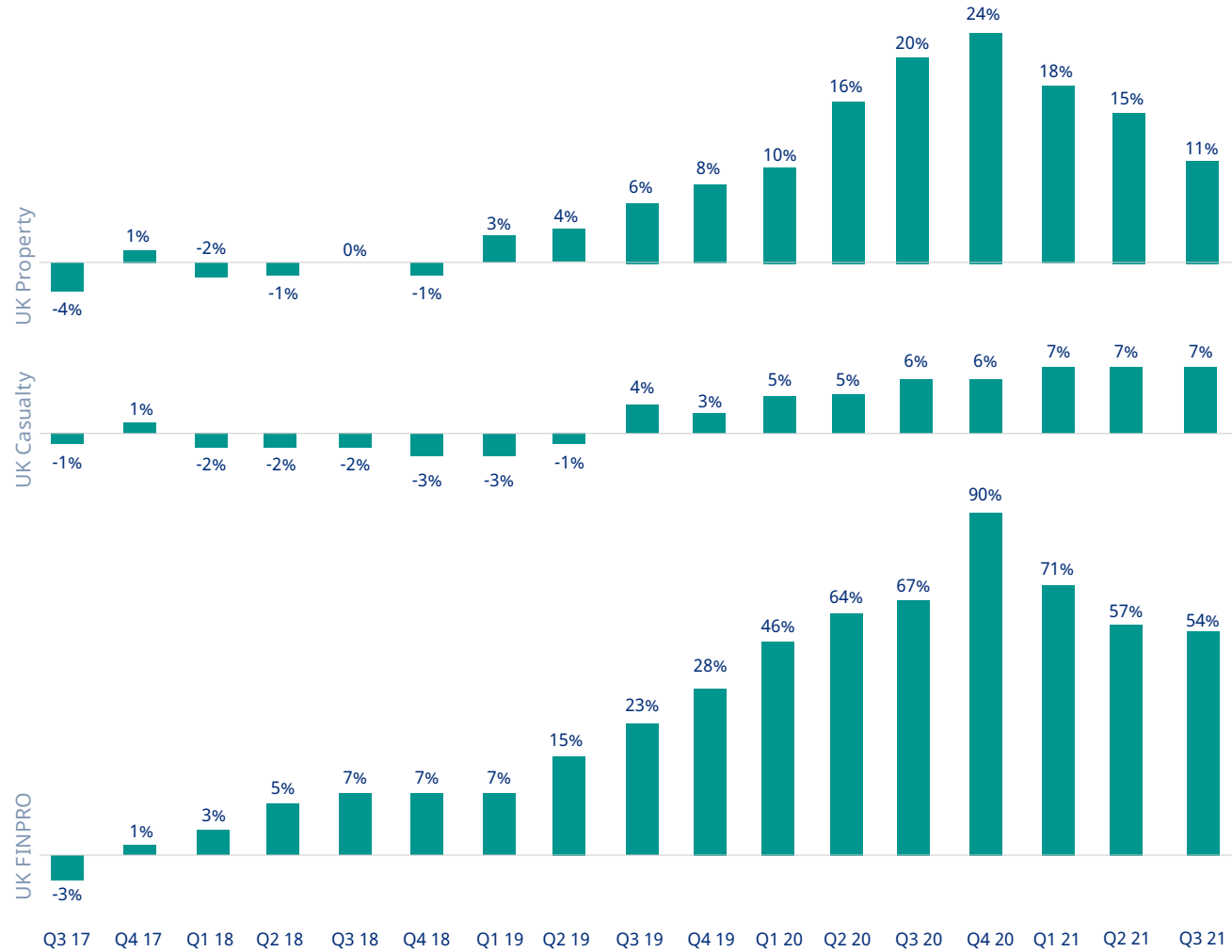
## 06| UK composite insurance pricing change



Source: Marsh Specialty and Global Placement



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



Source: Marsh Specialty and Global Placement

**Property** insurance pricing increased 11%.

- Larger organizations generally experienced price increases ranging from 10% to 15%, which reflected a deceleration in the rate change compared to recent quarters.
- Most renewals from insurers were less volatile than was the case in 2020 and the first half of 2021, in part a reflection of increased competition from alternative markets.
- The claims environment remained challenging due to COVID-19 claims disputes concerning interpretation and application of policy wording.
- Cyber and communicable disease restrictions continued to be applied to policies.

**Casualty** insurance pricing increased 7%.

- Conditions were more volatile for excess of loss coverage. Scrutiny around sanctions, cyber, and COVID-19 were commonplace, meaning a longer timeframe and the provision of additional information remains vital to finalize a placement successfully.
- Although the motor liability market pushed for increases in the first three quarters of 2021, competition increased for conventional private car and light commercial fleets.
- The outlook for rate increases for the next renewal period remained stable.

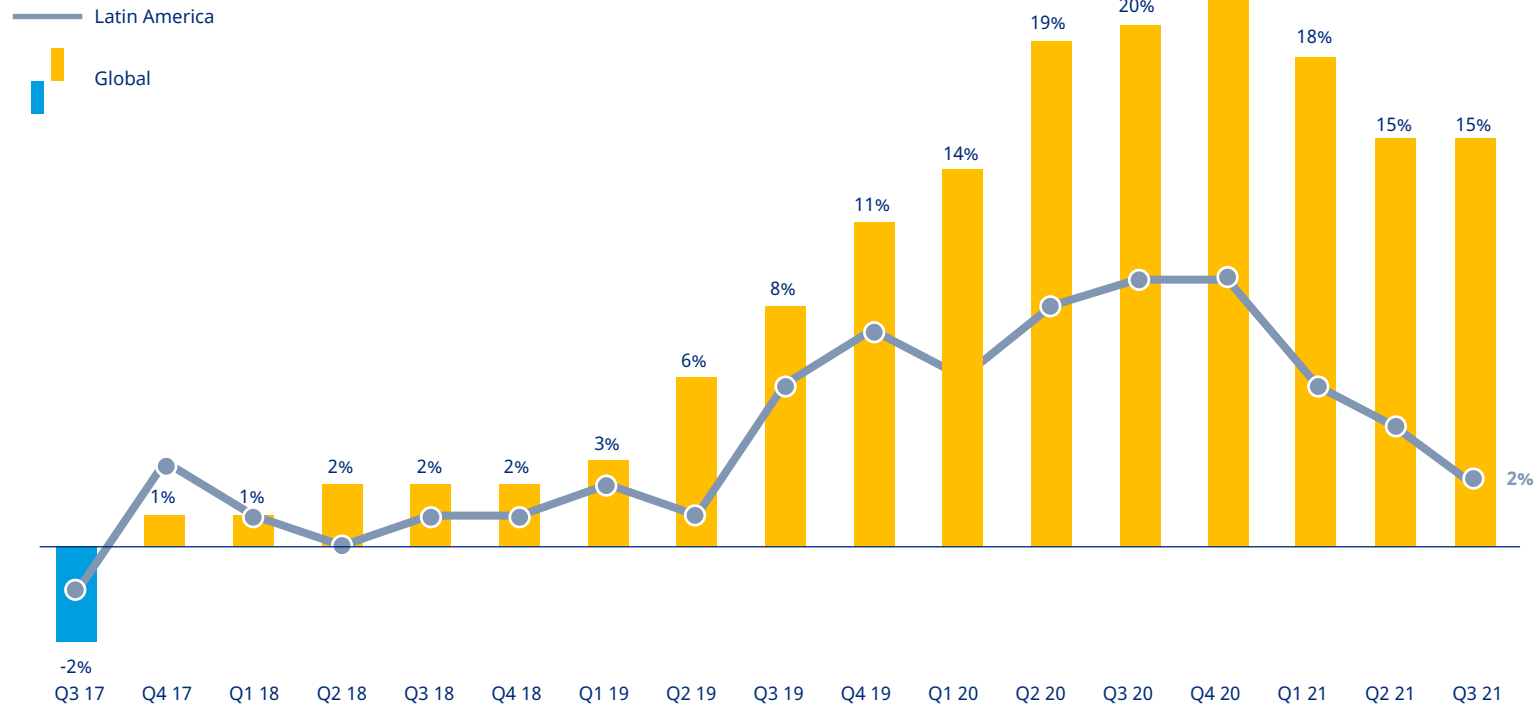
**Financial and professional lines** pricing increased 54%, largely due to D&O liability.

- D&O rate increases declined significantly, from 121% in the second quarter to 61% in the third as insurers showed increased appetite and competition.
- The cyber insurance market continued to deteriorate, with capacity reducing and rates rising. Some clients experienced triple-digit increases in the quarter, driven largely by ransomware.
- Financial institution (FI) clients generally saw smaller increases compared to previous quarters.
- Commercial crime rates increased 50% to 60%, with a limited number of insurers writing this line.

# Latin America and Caribbean: Increases Slow, Casualty Decreases

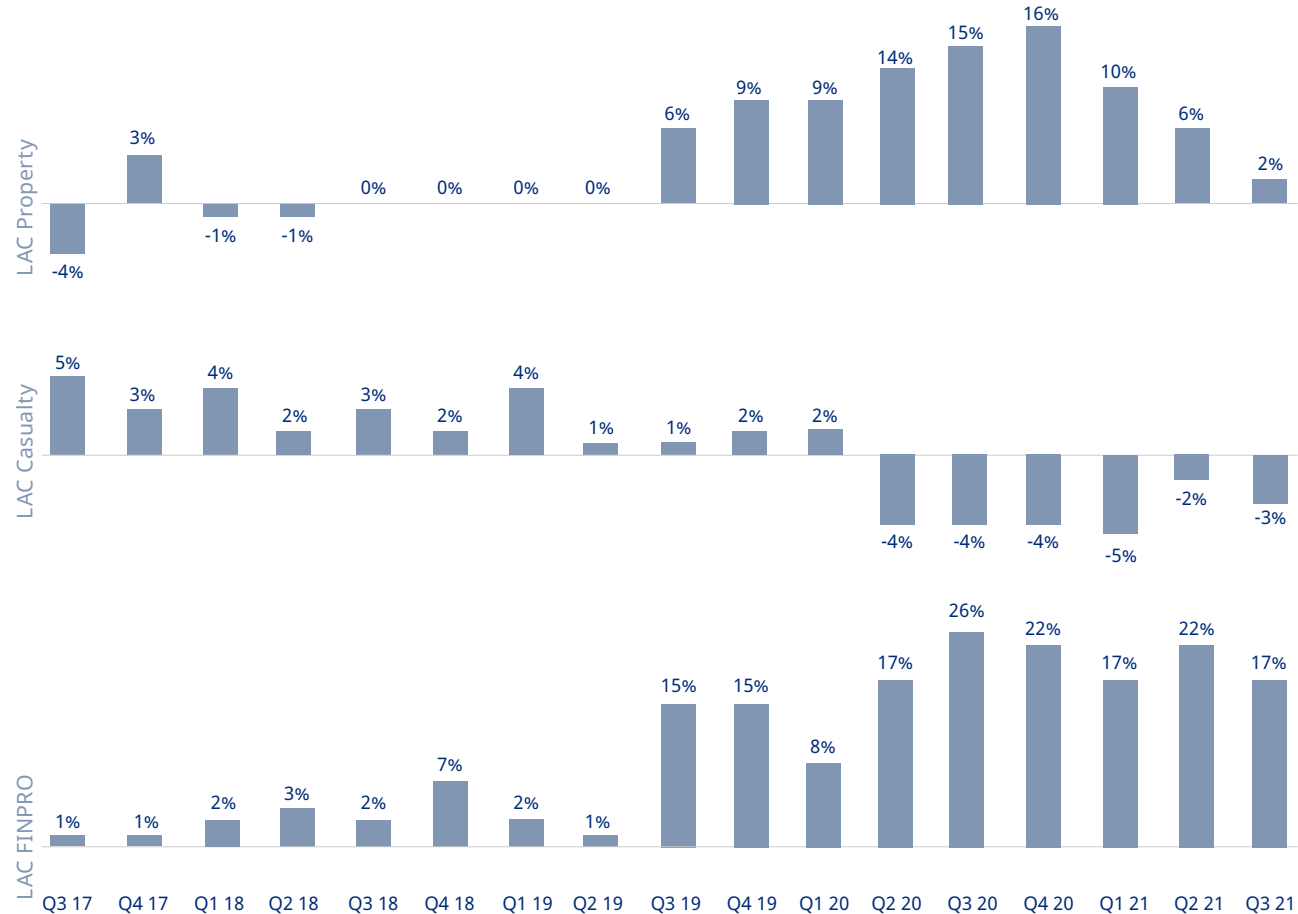
Insurance pricing in the third quarter in the Latin America and Caribbean (LAC) region increased 2% (see Figures 8 and 9). As has been the case for several quarters, casualty pricing in the region was the only decrease seen in a major product line globally.

## 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 2%.

- Pricing increased in Brazil, moderated in Chile and Colombia, and decreased moderately in Mexico, especially for CAT risks.
- There remained a price mismatch between the facultative market and local capacity, but the difference is lower than in previous quarters.
- Pricing in Chile decreased for strikes, riots, and civil commotion (SRCC) coverage from selected property programs.
- In Brazil, clients with high hazard exposed risks or with poor claims record experienced increases of more than 25%.

**Casualty** insurance prices declined 3%, the only regional decrease in a major coverage line globally.

- Local capacity and competition mitigated casualty pricing, with abundant capacity in Chile, Brazil, and Colombia.

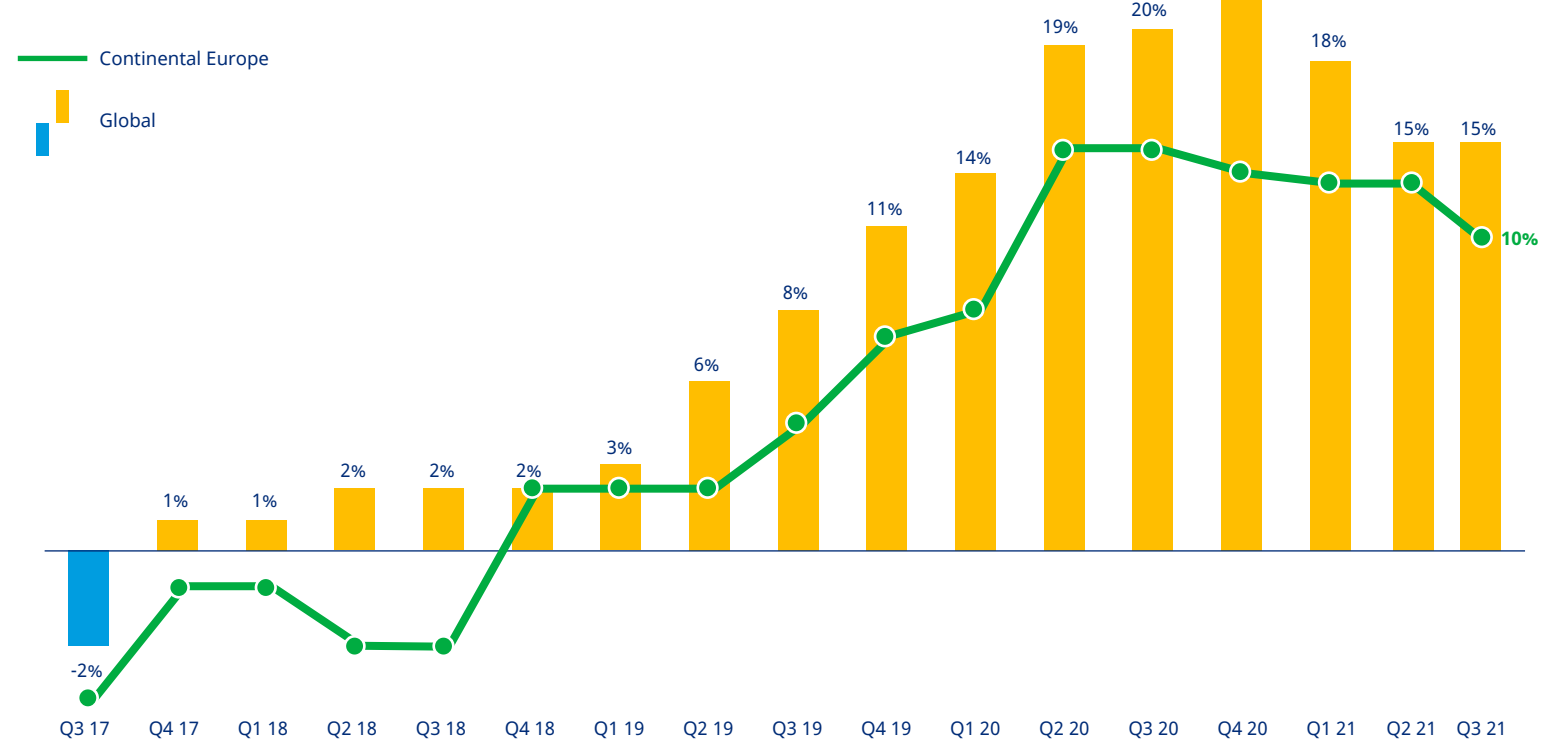
**Financial and professional lines** pricing rose 17%.

- Insurer capacity and appetite declined, particularly for FI, public D&O, high risk industries, and distressed companies where the international market provides a large portion of capacity.
- D&O deductibles (side B and C) generally increased between 30% and 50%, depending on the business and financial rating of the regional insured.
- Cyber insurance pricing increased 30% to 45% across industries, with some clients experiencing premium increases above 200%.
  - More than 60% of clients experienced a premium increase during 2021.
  - Some insurers have scaled back to a maximum of USD5 million in limits on primary layers and a maximum of USD10 million on excess layers.
- Regional economic and political situations continued to create uncertainty, including the impact of COVID-19, slow reactivation of economies, change in the Peruvian government, and upcoming elections in Colombia and Chile.

# Continental Europe: Some Stability in Property and D&O Lines

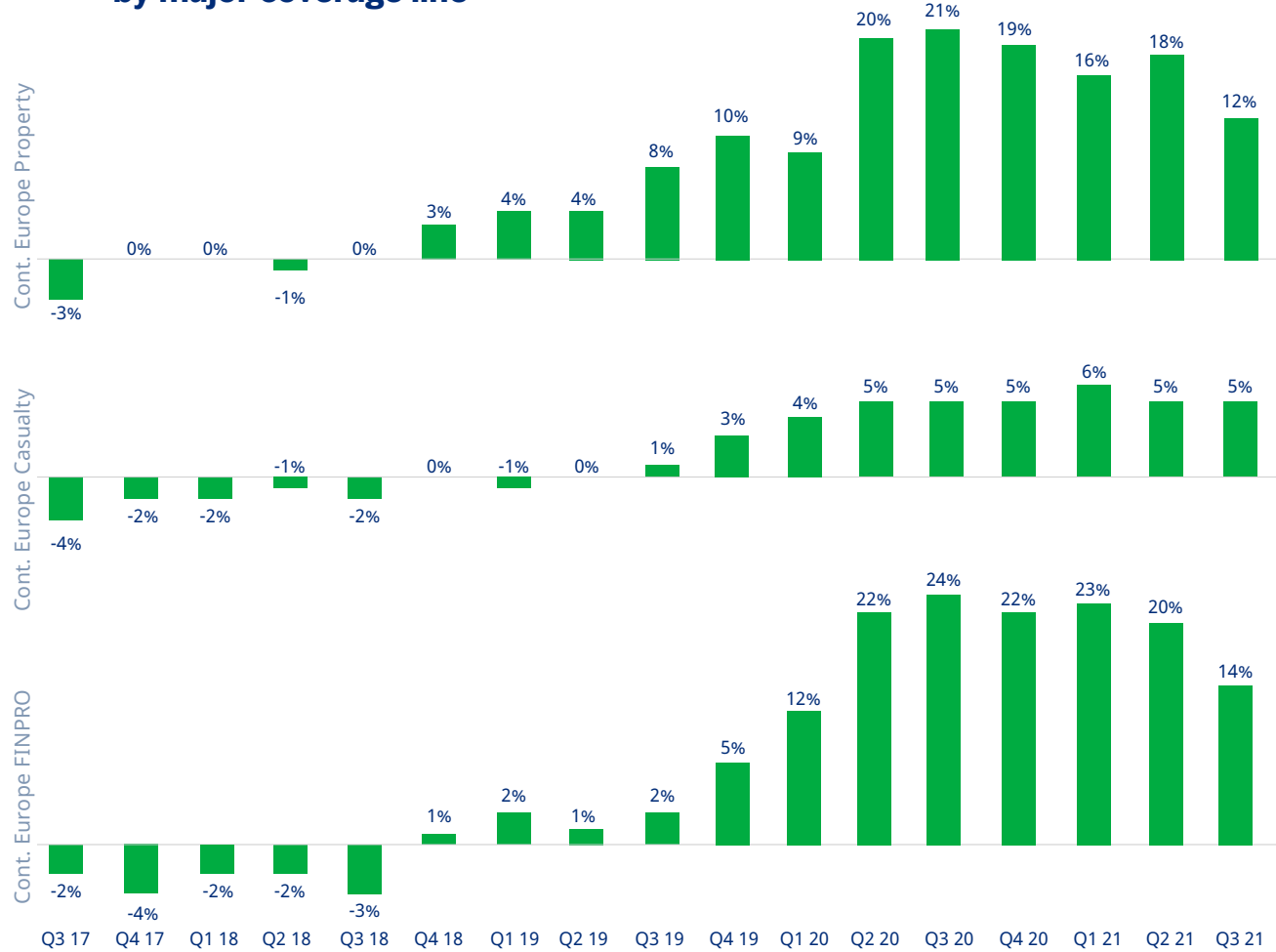
Insurance pricing in the third quarter of 2021 in Continental Europe (CE) increased 10% (see Figures 10 and 11).

## 10| Continental Europe composite insurance pricing change



Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

**Property** insurance pricing in CE rose 12%.

- Rates generally stabilized, although increases remained common across all sectors, predominantly for CAT-exposed risks, but 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.
- The significant losses experienced during 2021, such as the European floods, are likely to destabilize the market in the near term, particularly in affected areas.
- Changes in wordings and an aggressive approach by carriers remained a challenge as they sought to apply exclusions, particularly for communicable disease and cyber.

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

- Excess casualty and US-exposed placements continued to be the most challenging sectors.
- Most countries in the region experienced general liability pricing increases in the single digits, but some as high as 20%.
- Some insurers expressed particular concerns around social inflation and US auto exposure; auto pricing remained generally stable.
- Some clients experienced increases in workers' compensation, generally due to limited capacity.

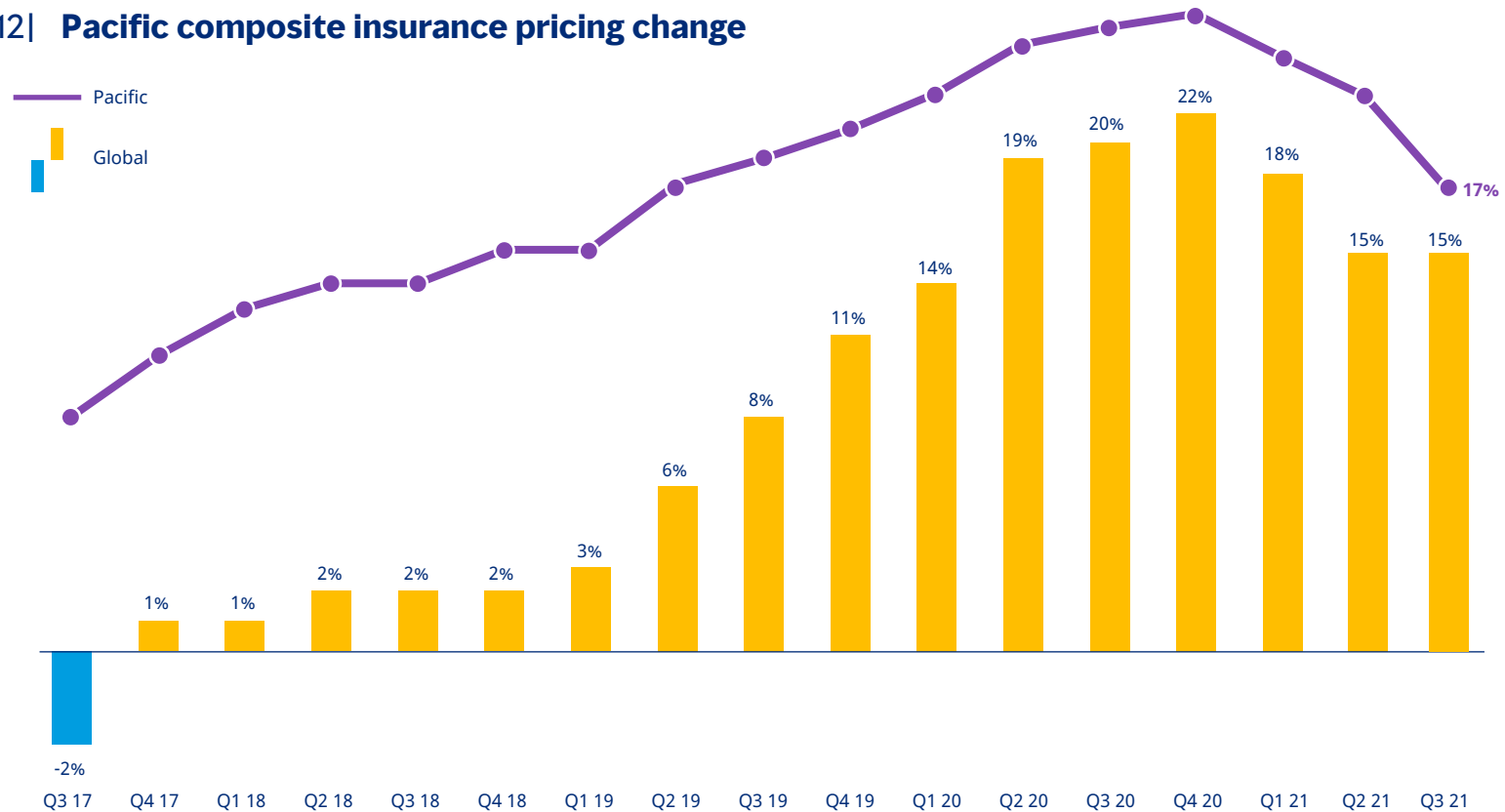
**Financial and professional lines** pricing increased 14%.

- There was some stability in the D&O market in the quarter, driven by increases in insurer competition and capacity. However, major D&O programs in distressed sectors or with US exposures continued to affect pricing, with sizeable rates increases.
- Average pricing increases for FI and professional liability generally ranged from 5% to above 20% across the region.
- Sizeable rate increases continued for cyber insurance, with carriers reducing exposure and increasing rates by 60% and greater, a trend expected to continue for the remainder of 2021.

# Pacific Pricing: Rate of Increase Slows for Third Consecutive Quarter

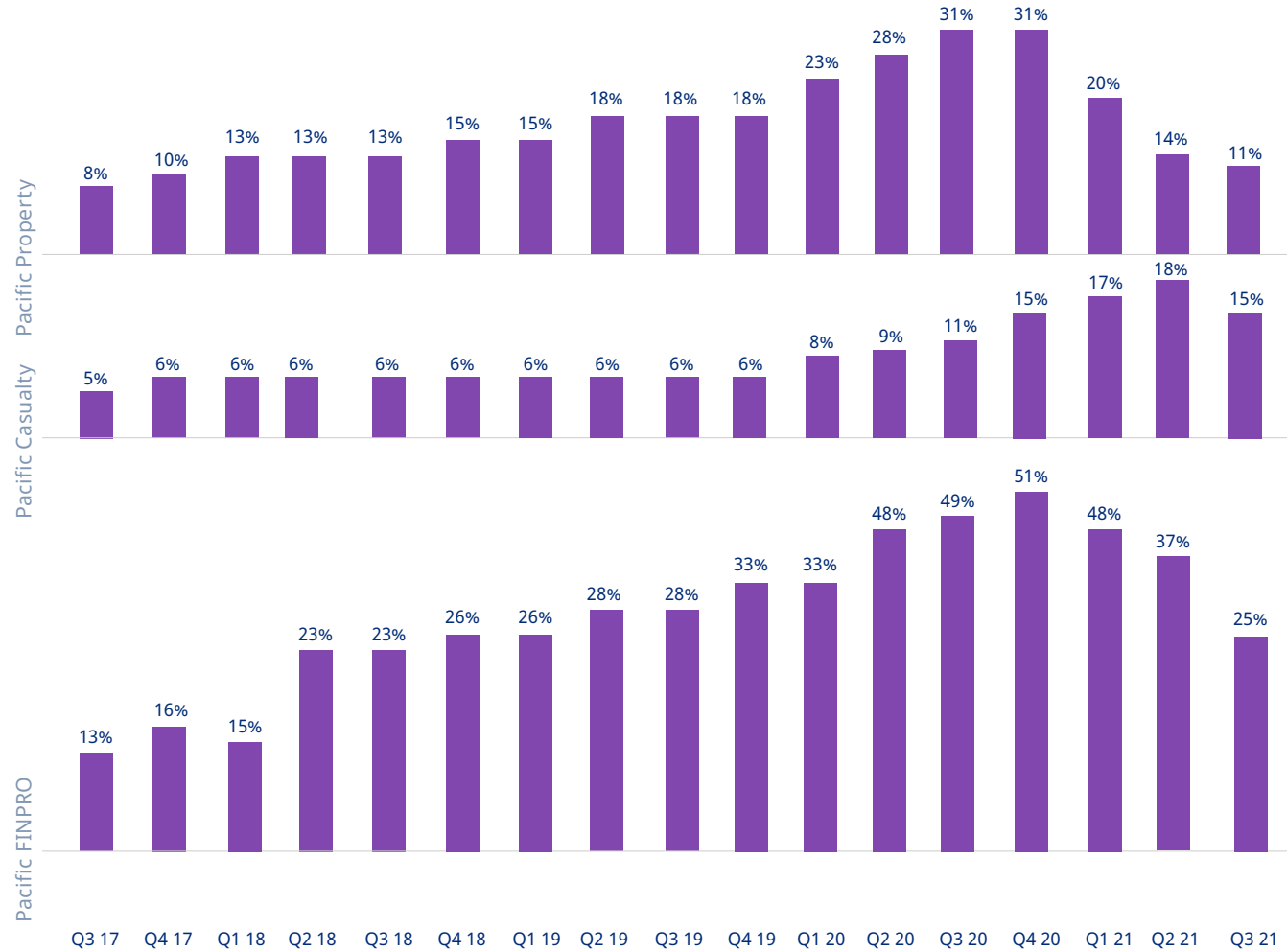
Insurance pricing in the Pacific region increased 17%, continuing an upward trend that began in 2015, although it was the third consecutive quarter in which the rate of increase slowed (see Figures 12 and 13).

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 11%.

- Elements of competition returned to the market for risks seen as high quality and/or loss free.
- Difficulties remained for high hazard industries, risks in CAT zones, and clients with poor loss records.

**Casualty** insurance pricing rose 15%.

- The casualty market remained challenging from a pricing perspective, although with slightly less pressure in the third quarter than the two preceding ones.
- Insurers’ emphasis on reviewing policy wording continued.
- Large programs underwent substantial restructuring of layers as underwriters changed appetite for excess layers.

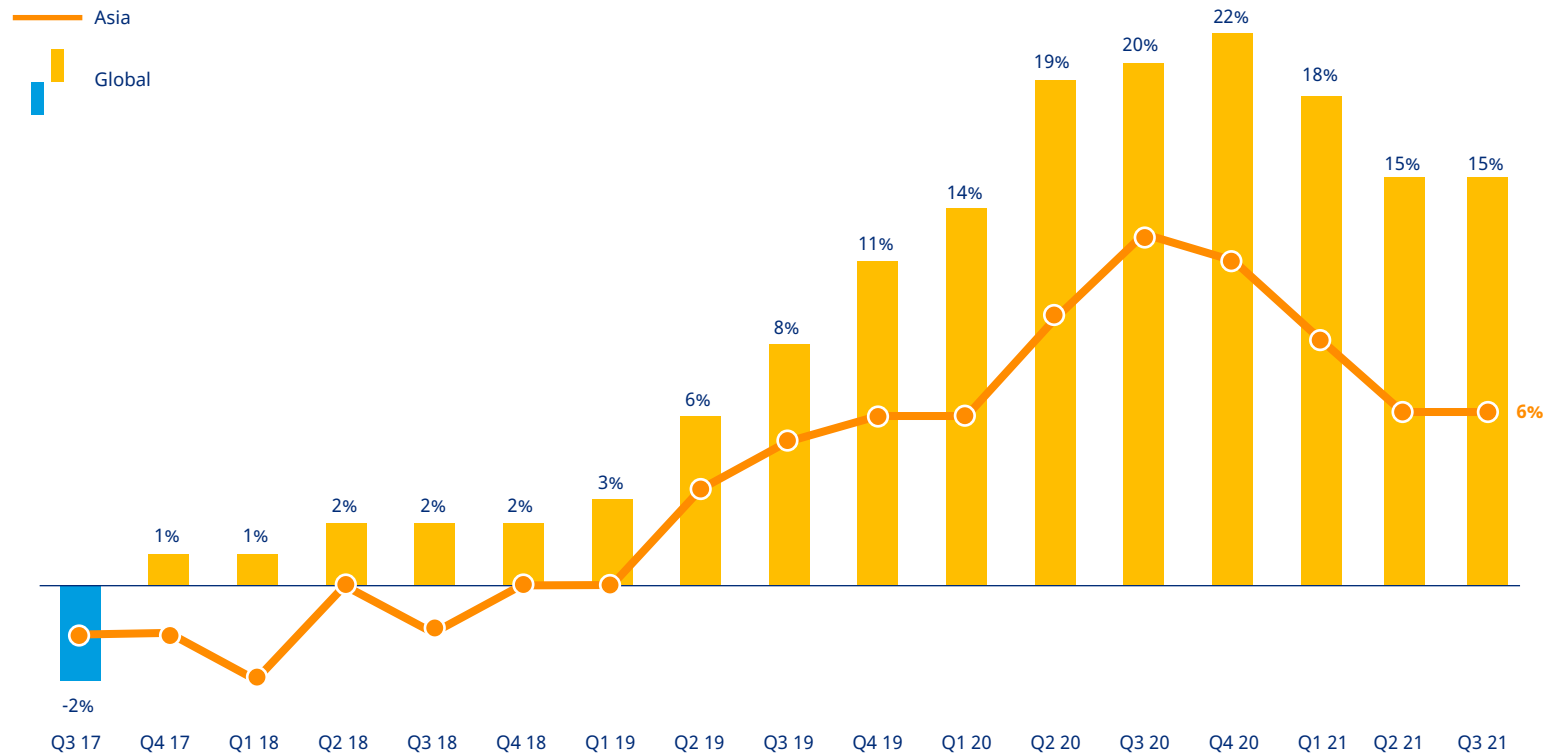
**Financial and professional lines** pricing rose 25%, a significant moderation from 48% in the first quarter, but marking 21 consecutive quarters of double-digit increases.

- The levelling out in pricing of D&O programs continued amid developing competition, particularly for excess layers, which resulted in improved pricing for some large clients.
- Professional indemnity premiums increased again and capacity tightened.
- Cyber premiums increased dramatically, in line with the global trend; capacity shrunk and many programs were unable to purchase historical limits.

# Asia Pricing: Property Increases Moderate

Insurance pricing in the third quarter of 2021 in Asia increased 6% year-over-year (see Figures 14 and 15).

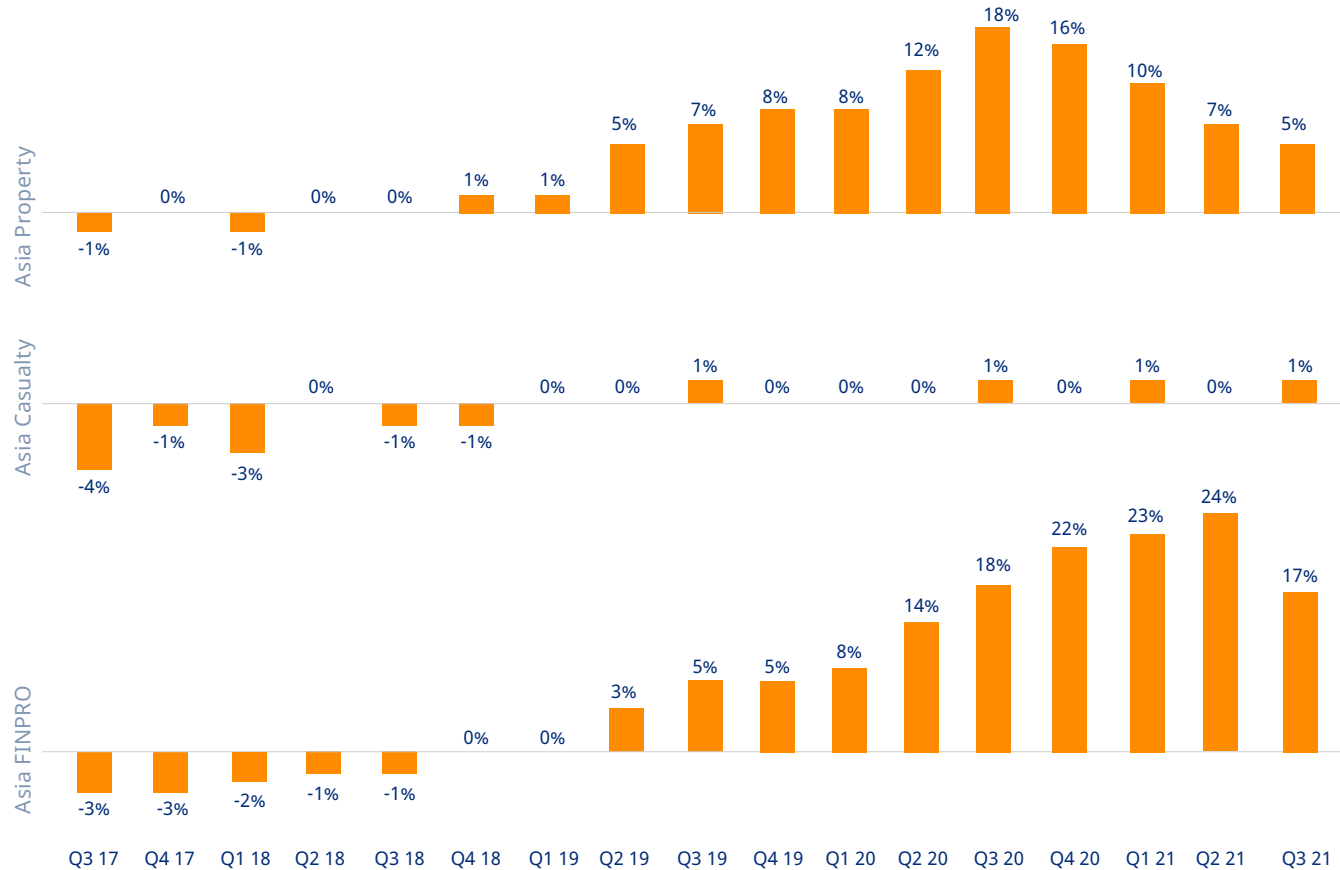
## 14| Asia composite insurance pricing change



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 5%, the twelfth consecutive quarter of increase.

- Capacity remained available; local markets were major contributors as elements of competition returned, focused on loss free clients in low hazard industries.
- There has been a continued slowdown in rate increases compared to previous quarters, a trend expected to continue into 2022.
- Challenges remained for clients in high hazard industries, CAT zones, and those with poor loss histories.

**Casualty** insurance pricing increased 1%, remaining relatively flat as it has for the past three years.

- Large losses and claims activity drove insurer behavior; risk selection was more pronounced than previously observed.
- Sufficient capacity remained in the region, although challenges existed in product recall and products liability.

**Financial and professional lines** pricing rose 17%, the tenth consecutive quarter of increase.

- Insurers focused on risk selection, driven by global underwriting guidelines and overall appetite.
- Asia continued to be a fragmented marketplace, with pricing varying significantly from client to client and from country to country.
- Cyber insurance remained challenging with considerable pressure on pricing and deductibles; at the same time there was a marked reduction in capacity and a narrowing of key coverages. Significant ransomware losses were the key driver.
- Insurers remained selective on US-listed D&O liability, with rate increases ranging from 50% to 100% depending on the industry, client profile, and claims history.



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