Marsh

Global insurance market index

Overall pricing continues to moderate; property coverage challenging

Q2 2023

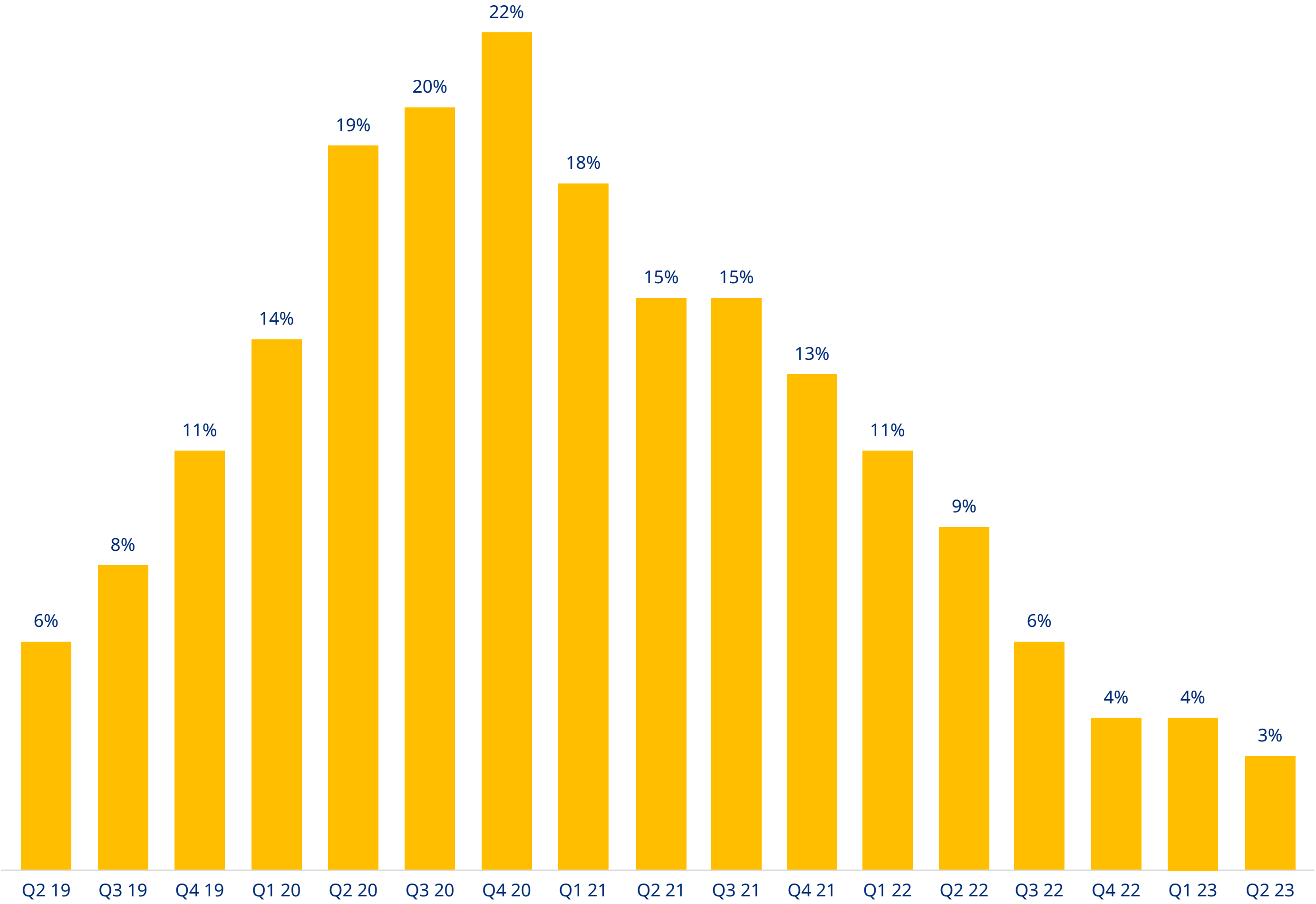
Global commercial insurance pricing rose 3% in the second quarter of 2023, compared to 4% in the prior quarter, according to the *Marsh Global Insurance Market Index*.

This was the twenty-third 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 was relatively consistent across regions, driven largely by rate decreases for financial and professional lines and either decreases or moderating increases for cyber insurance. Property insurance experienced the largest increases of any major product line.

Globally, cyber insurance pricing increases moderated to 1%, compared to 11% in the prior quarter and 28% in the fourth quarter of 2022.

01| Global insurance composite pricing change



Source: *Marsh Specialty and Global Placement*

*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.

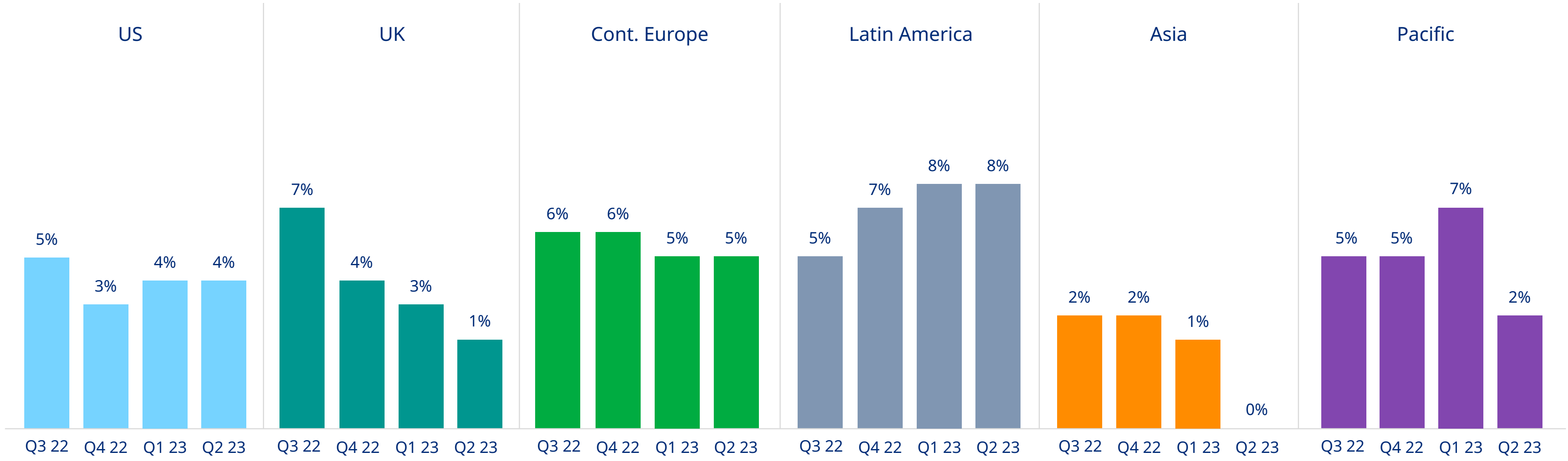
Regionally, composite pricing for the second quarter was as follows (see Figure 2):

- US: +4%
- UK: +1%
- Europe: +5%
- Latin America and the Caribbean: +8%
- Asia: flat
- Pacific: +2%

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

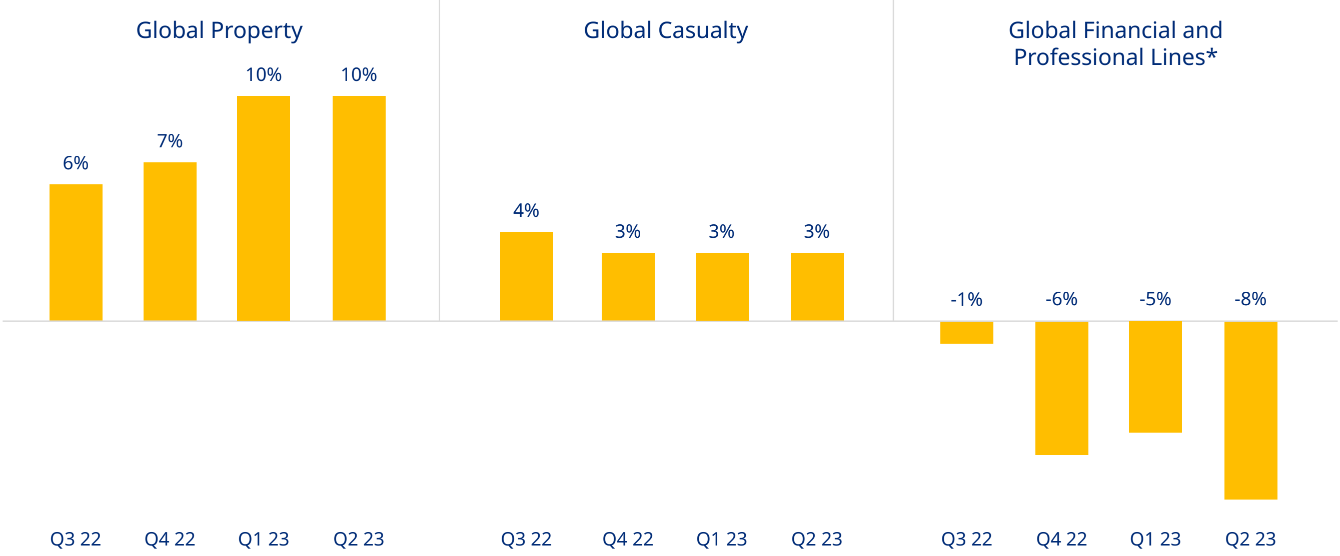
- Property insurance: +10%
- Casualty insurance: +3%
- Financial and professional lines insurance: -8%
- Cyber insurance: +1%.

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*

Note: Starting with the third quarter of 2022, the quarterly index presents the cyber data separately from financial and professional lines data, giving a clearer picture of both.

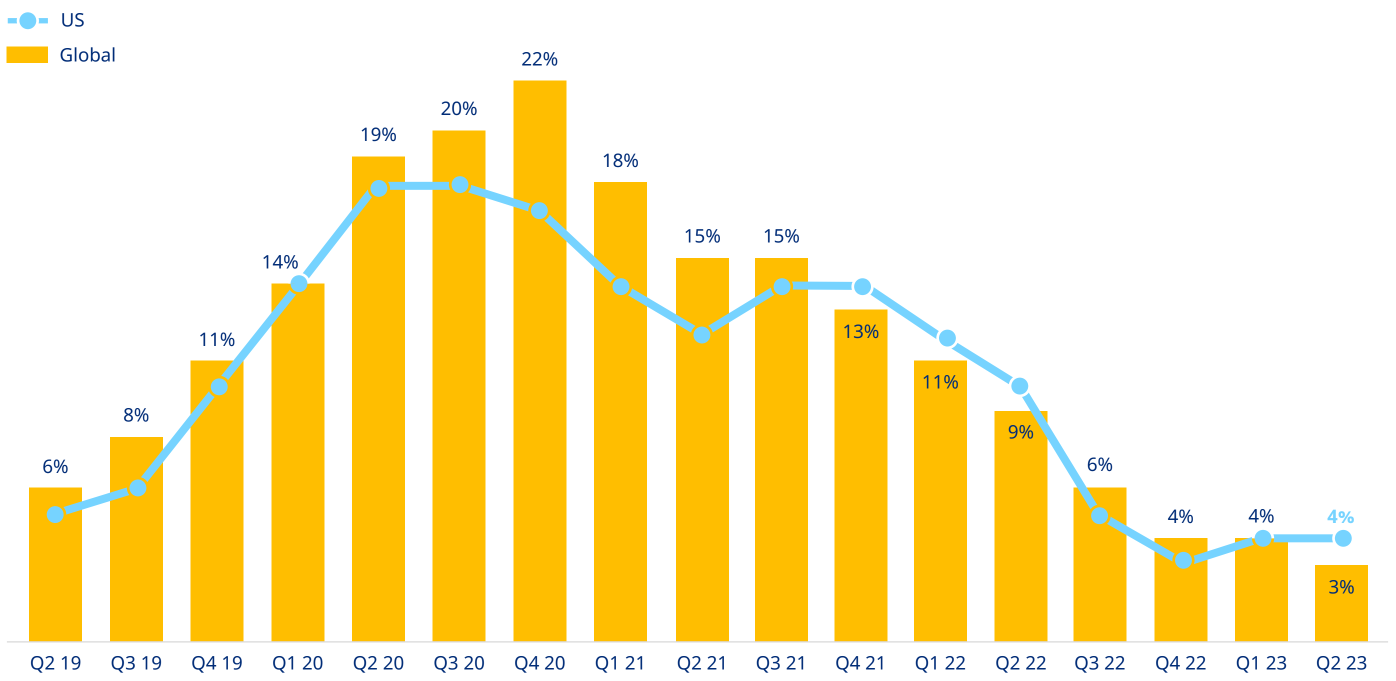
US PRICING: CYBER AND FINANCIAL PROFESSIONAL LINES PRICING DECLINE; PROPERTY REMAINS CHALLENGING

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

Property insurance pricing increased by 19%, compared to 17% in the first quarter; it was the twenty-third consecutive quarter in which pricing rose.

- Total insured values grew 9% in the quarter, on average; underwriters continued to focus on inflation and insurance to value.
- Pricing increases were primarily driven by the cost of reinsurance and capital, strong capacity demand, limited new insurers, and ongoing losses.
- Best-in-class risks with limited natural catastrophe (CAT) exposures and stable incumbent capacity typically experienced more favorable results compared to those impacted by losses and/or had a geographic concentration of assets in CAT zones, such as along the Gulf of Mexico, Atlantic coast, and California.
- Insurers maintained scrutiny around CAT deductibles, cover for non-physical damage, cyber exposure, and communicable disease.
- Clients generally increased retentions and/or adopted alternative risk transfer methods such as captives, parametric coverage, or structured solutions.

04| US composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

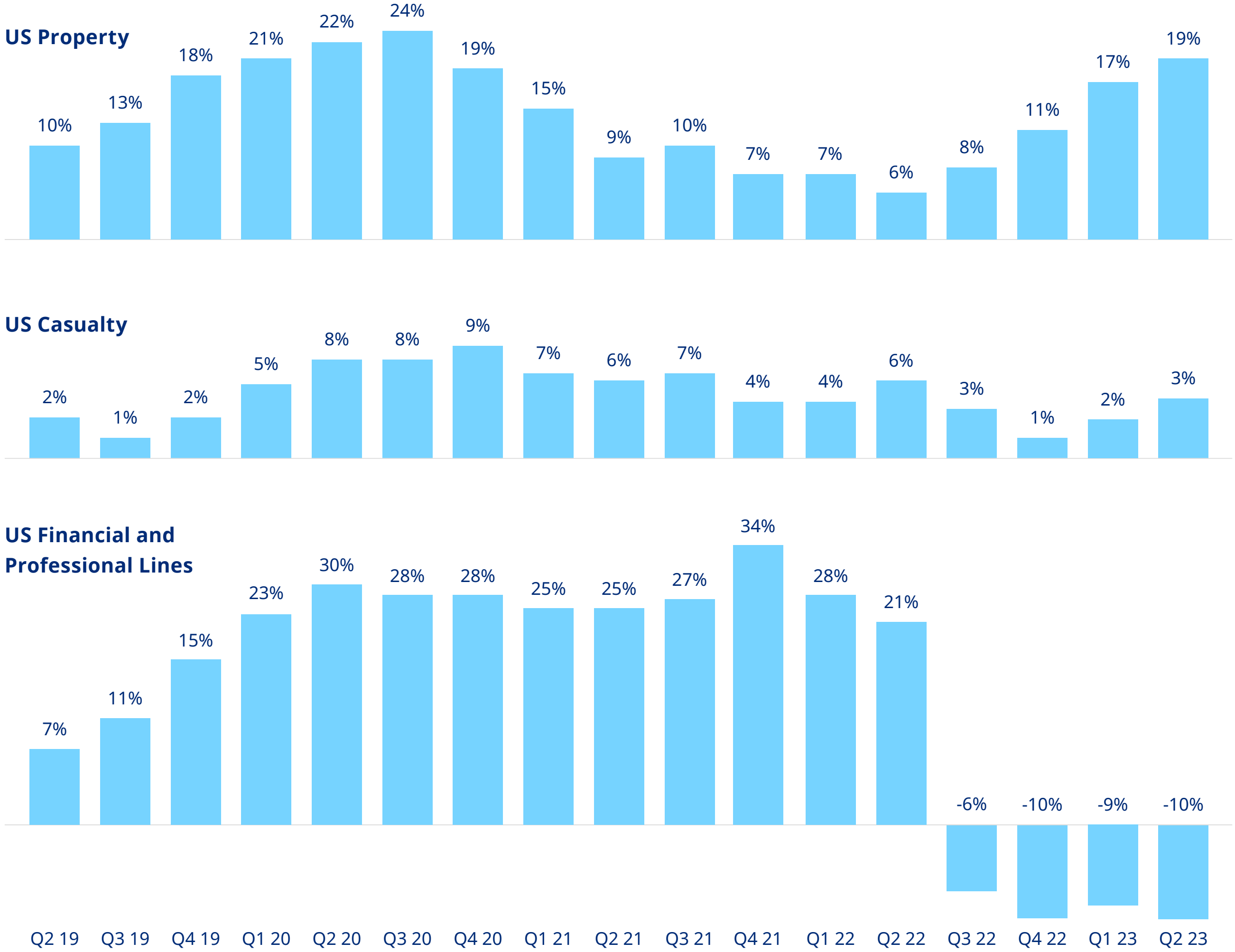
Casualty insurance pricing increased 3%, compared to 2% in the prior quarter; excluding workers' compensation, the increase was 5%.

- Insurers paid particular attention to inflation, court systems reopening, increased autos on the roads post-pandemic, the property marketplace, and severity of losses.
- Casualty continued to be driven by the workers' compensation line, which helped keep average rate increases lower for auto and general liability in some cases where all lines were purchased with the same insurer.
- Many insurers applied exclusions involving per- and polyfluoroalkyl substances (PFAs) and biometric exposures.
- Excess liability pricing increased as insurers remained focused on loss trends driven by large companies with significant losses.

Financial and professional lines pricing decreased 10% in the quarter, compared to a decline of 9% in the first quarter.

- Directors and officers (D&O) liability insurance pricing for publicly traded companies declined by 13%, the same as in the prior quarter.
  - Pricing for post-transaction renewals continued to lead the decline; when those are excluded, average decreases were in the mid-single digits.
  - Competition remained strong for primary and excess coverage from both new insurers and legacy markets.
  - Some insurers engaged on coverage lines that may be more difficult to place, such as property or fiduciary, to help win layers on the D&O program.

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

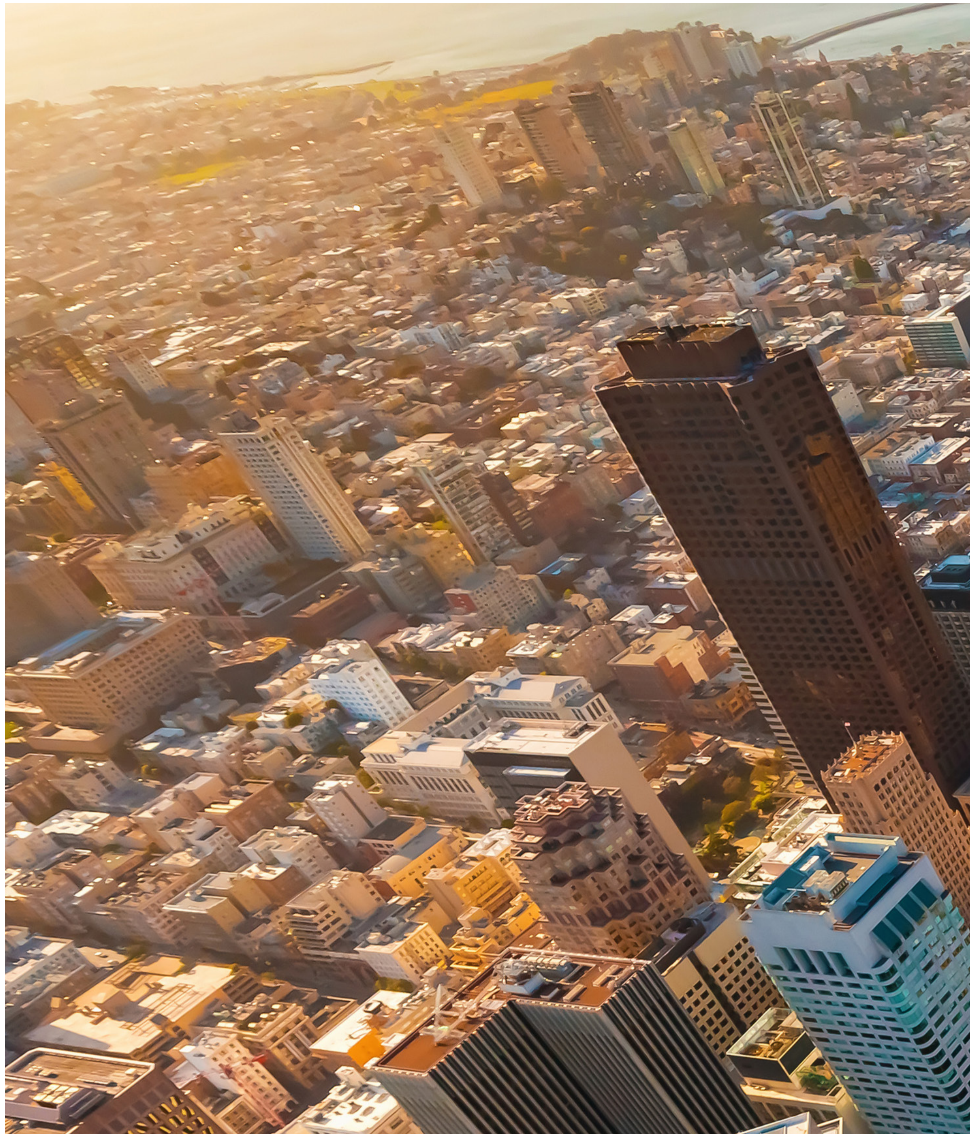


Source: *Marsh Specialty and Global Placement*

- Fiduciary coverage pricing increased 5%, compared to 6% in the prior quarter.
  - Dismissals on Employee Retirement Income Security Act of 1974 (ERISA) cases have dropped to about 10%.
  - Insurers continued to seek minimum retentions for larger plans of US$5 million to US$15 million. Some new entrants to the market quoted lower retentions; however, being new to the market they typically sought to be part of the D&O program in order to write fiduciary.
  - Controls/401k plan risk management was key to being able to obtain coverage.

Cyber insurance pricing continued to moderate significantly, declining 4% in the second quarter, compared to an 11% increase in the prior quarter.

- Excess layer premium reductions continued to drive down total program pricing.
- Increased competition, improved cybersecurity controls, and a reduction in ransomware attacks in 2022 were key factors behind the continued pricing improvement. However, there was an increase in the number of ransomware claims reported in the second quarter.
- Coverage generally continued to broaden, including in some instances removal of coinsurance requirements and increased sub-limited coverage enhancements; insureds with improved cybersecurity controls were generally able to negotiate lower retentions.
- The Lloyd’s of London war exclusion wording affected the marketplace and how programs are structured. Certain insurers — predominately Lloyd’s-based and European ones — will not accept a traditional war exclusion; as such, there is greater movement of insurers on larger cyber tower placements in order to maintain full follow-form coverage as it relates to war.



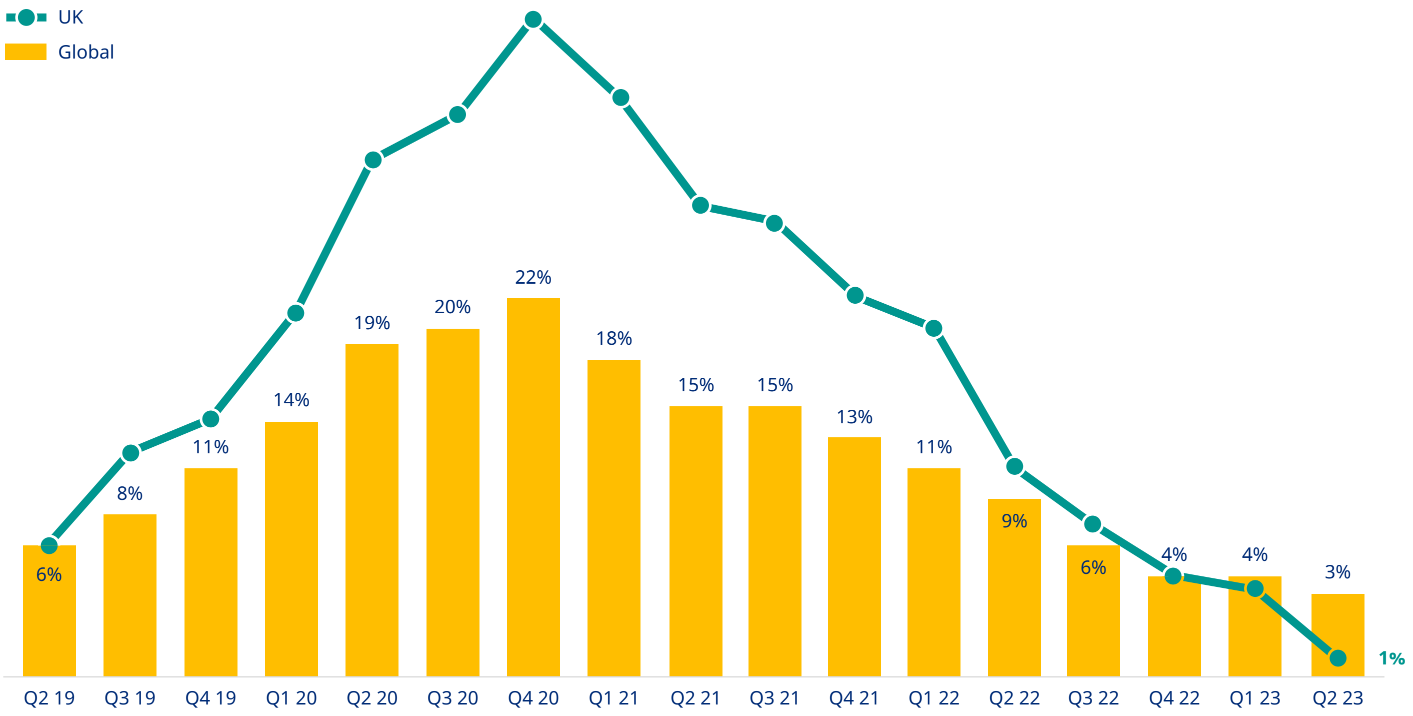
UK PRICING: MODERATION IN PRICING CONTINUES

Insurance pricing in the UK increased 1% in the second quarter, compared to 3% in the prior quarter (see Figures 6 and 7).

Property insurance pricing increased 4%, compared to 7% in the prior quarter.

- Insurers in the second quarter typically appeared to be seeking to add new business.
  - Pricing increases reflected continued underwriting discipline for higher hazard industries, although there were signs of insurers engaging with organizations that they perceived as demonstrating excellent risk management.
  - Inflation continued to increase exposure levels and costs.
  - Underwriters appeared to scrutinize heavy occupancy or distressed business, such as those impacted by losses or that they perceived to have a poor quality risk management profile.
  - Underwriters also focused on risks with critical CAT exposure, especially in the US.

06| UK composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

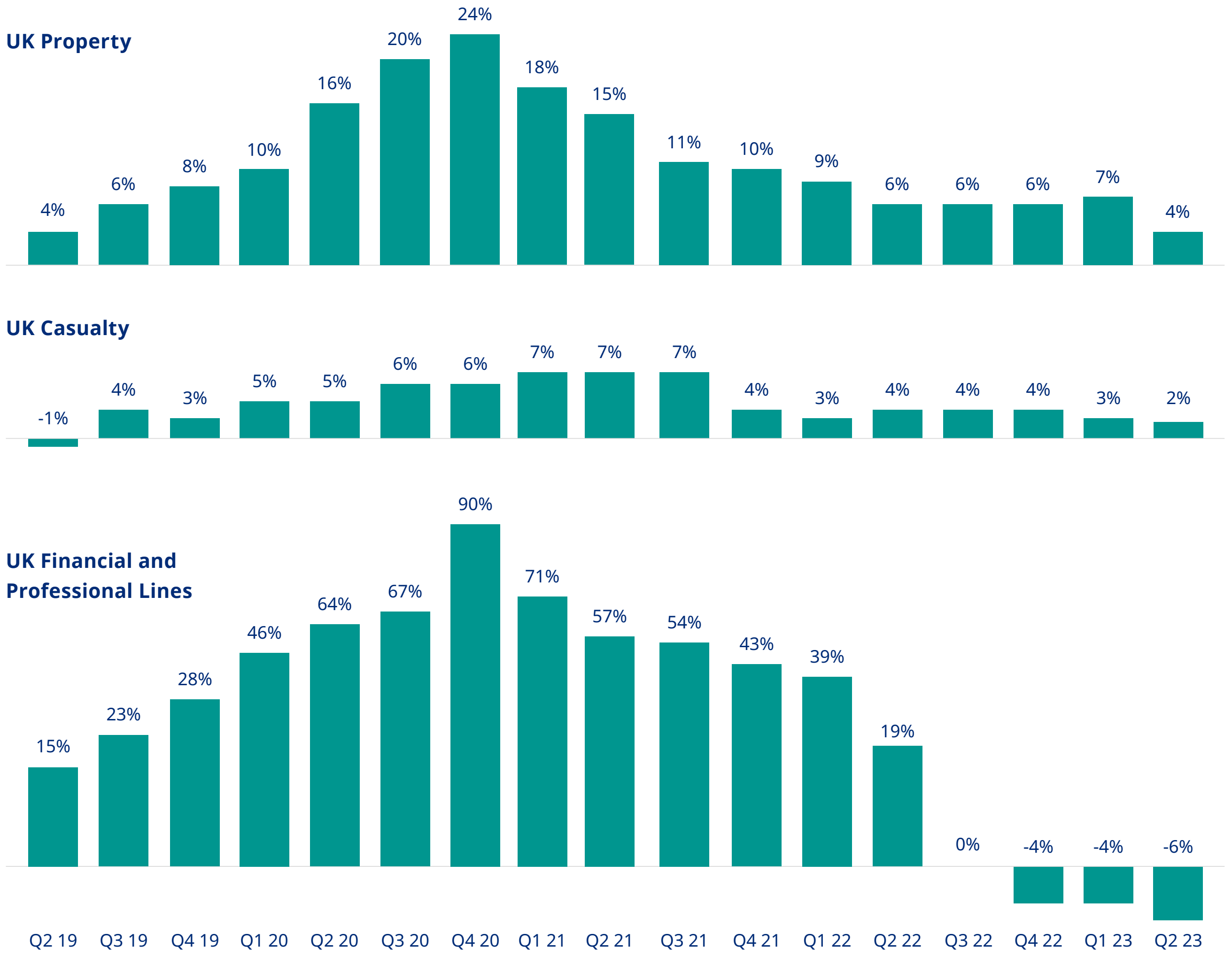
Casualty insurance pricing increased 2%, compared to 3% in the prior quarter.

- Competition increased, typically benefitting well-performing risks.
  - Capacity for US exposures remained limited.
- Pricing for larger organizations generally moderated compared to pricing for smaller organizations.
- Auto liability pricing increased in the 5% to 10% range.
  - Clients with poor claims experience typically saw significantly higher rate increases.
  - Vehicle technology, particularly replacement batteries for electric vehicles; supply chain disruptions; and repair costs contributed to rising costs.
  - Insurers generally continued to update policy wordings to reflect the changing nature of vehicle technology, with cyber exclusions increasing.

Financial and professional lines pricing declined 6%, compared to a 4% decline in the first quarter.

- D&O pricing continued to decline, generally in the 10% to 15% range.
  - In the first half of 2023, continued abundant D&O capacity helped drive pricing decreases. Many insurers deployed additional capacity, seeking to counteract premium income they may have lost previously.
  - Public companies generally secured larger pricing decreases compared to privately held companies.

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

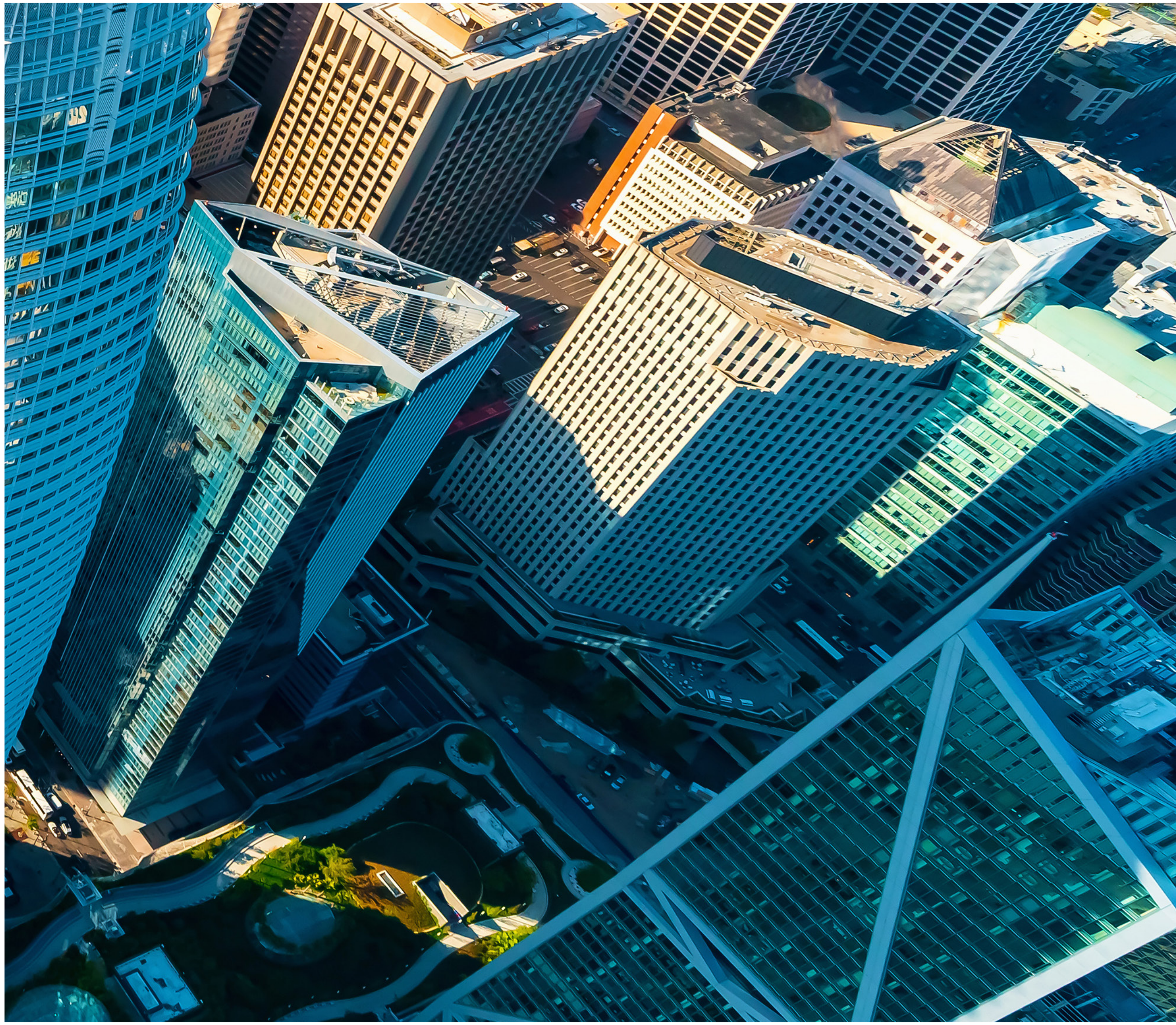


Source: *Marsh Specialty and Global Placement*

- Abundant available capacity contributed to financial institutions (FIs) generally experiencing rate reductions.
- New markets for commercial crime coverage have begun to impact pricing, with most clients experiencing decreases to 5%. Still, insurers appeared to generally remain cautious and preferred to write crime coverage alongside a place on a client's D&O tower.

Cyber insurance pricing increased 11% in the second quarter, compared to 10% in the prior quarter.

- The cyber market continued to see price increases moderate and stabilize.
- Since the second half of 2022, increased competition in the UK and international markets has had a moderating impact on pricing increases and led to more extensive coverage options.
- Larger organizations generally experienced more modest pricing increases compared to smaller companies.



LATIN AMERICA AND CARIBBEAN PRICING: CASUALTY INSURANCE INCREASES FOR FIFTH CONSECUTIVE QUARTER

Insurance pricing in the second quarter in the Latin America and Caribbean (LAC) region increased 8%, the same as in the prior quarter (see Figures 8 and 9).

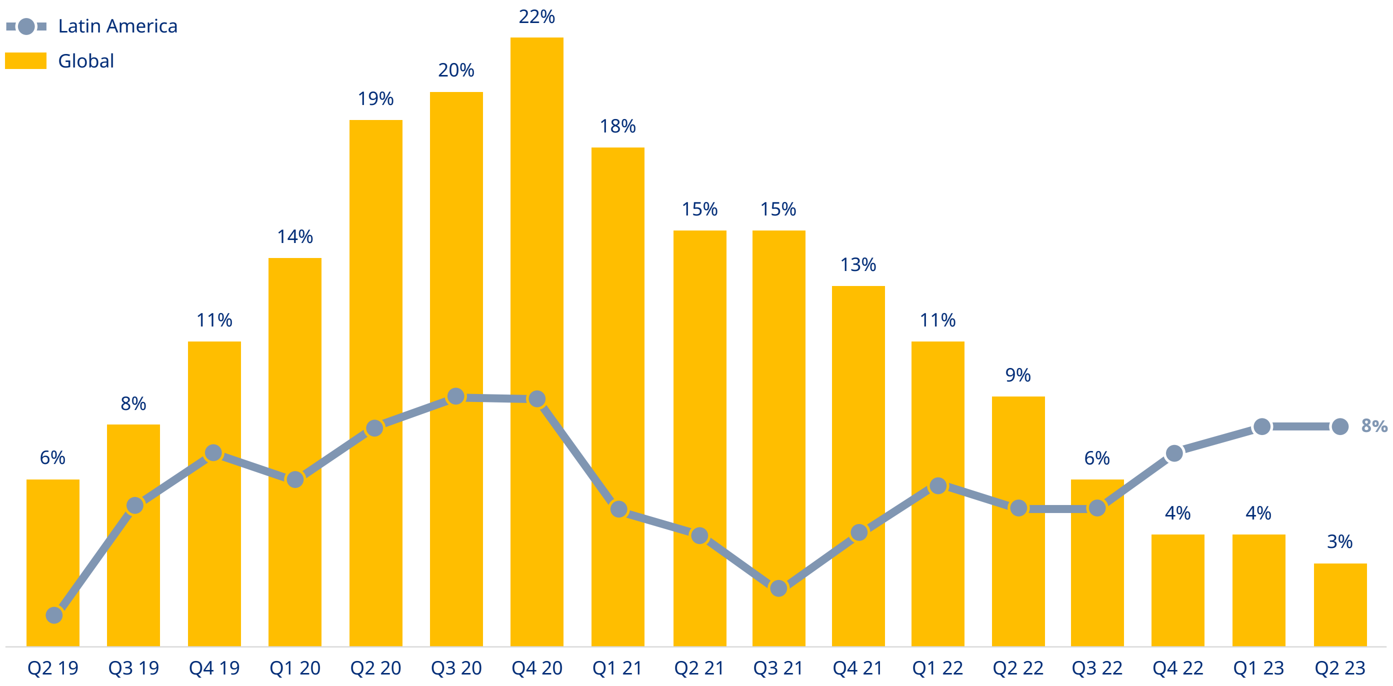
Property insurance pricing increased 7%, compared to 8% in the previous quarter; it was the nineteenth consecutive quarter of increase.

- Insurers generally deployed less capacity, reduced limits, and increased pricing for companies in CAT-exposed territories and/or with poor loss records.
- Coverage for strikes, riots and civil commotion (SRCC) and sabotage and terrorism (S&T) varied across the region.
  - In Chile, prices were generally stable.
  - Colombia has a complex situation, leading to reduced capacity and significant rate increases.

Casualty insurance pricing rose 12% in the second quarter, compared to 10% in the prior quarter, the fifth consecutive quarter of increase.

- Auto liability experienced the highest increases across the region, particularly in Mexico, driven by claims, inflation, and labor costs.
- For general liability, including workers' compensation, pricing was stable, with many policyholders experiencing pricing increases up to 5% in all territories, excluding accounts with US exposure.

08| Latin America composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

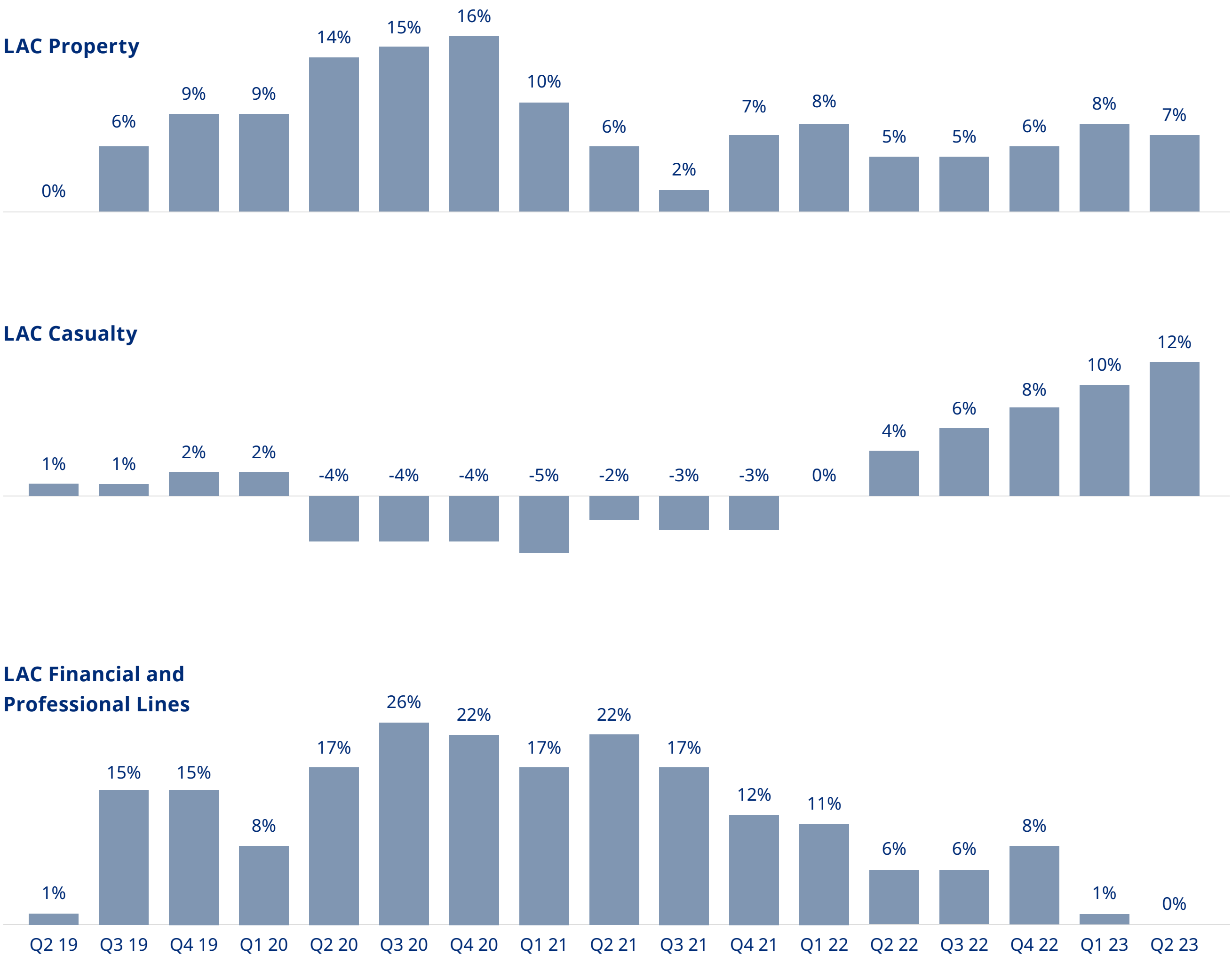
Financial and professional lines pricing was generally flat, compared to a 1% increase in the prior quarter as the market remained competitive.

- Interest from reinsurance markets drove greater competition.
- Insurers faced underwriting challenges due to competitive pressures and evolving risk landscapes.

Cyber insurance pricing increased 12% in the second quarter, compared to 15% in the prior quarter.

- Demand for cyber insurance in the region continued to fuel an increase in capacity.
- Insurers enhanced coverage offerings to address emerging cyber risks, including ransomware attacks and data breaches.

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



Source: *Marsh Specialty and Global Placement*

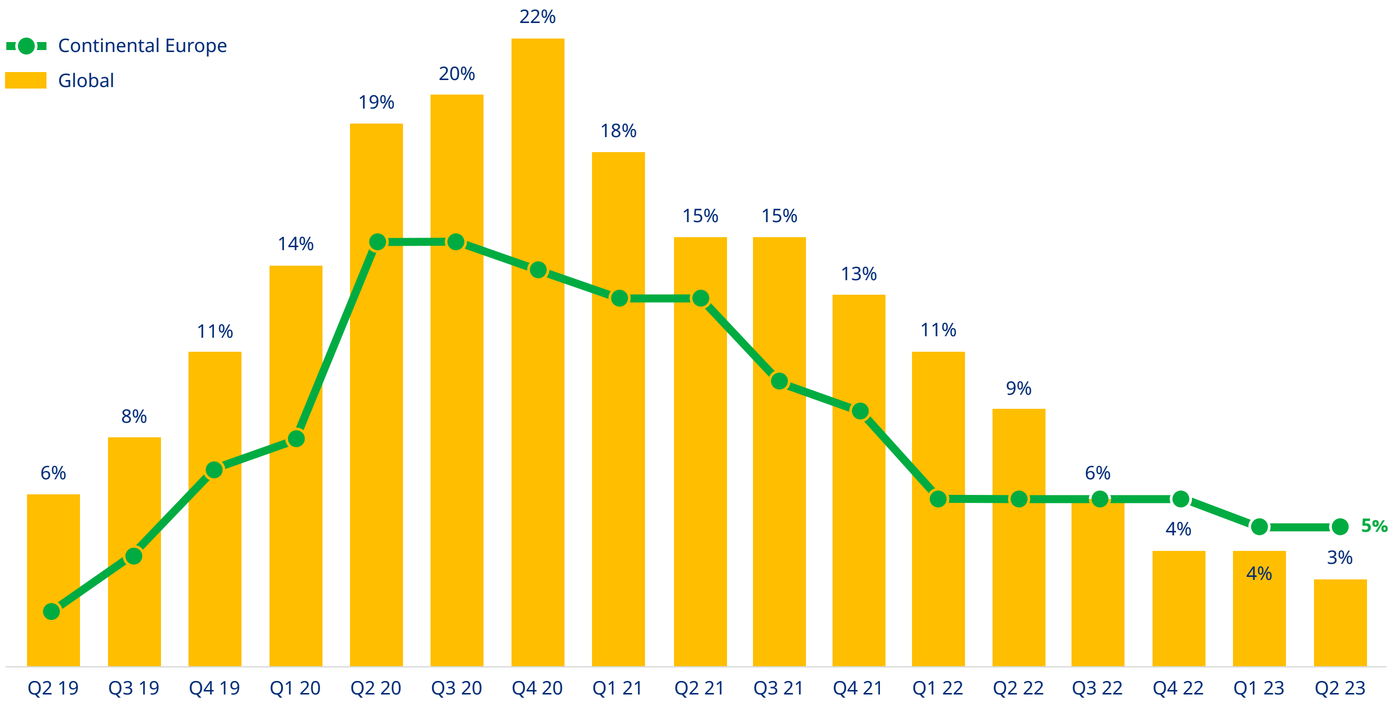
CONTINENTAL EUROPE PRICING: PRICE MOVEMENT GENERALLY STABLE ACROSS COVERAGE LINES

Insurance pricing in the second quarter in Continental Europe (CE) increased 5%, the same as in the prior quarter (see Figures 10 and 11).

Property insurance pricing in CE rose 8%, compared to 7% in the prior quarter, driven by the increased cost of reinsurance and capital, capacity constraints, and losses.

- Inflation also played a role in property insurance pricing due to increased exposures, loss limits, and claims costs.
- Capacity challenges and increased pricing were generally experienced by clients with CAT exposure, poor risk profiles, losses, and in high hazard industries — including chemical, food, and waste and recycling.
- Underwriters focused on areas including terms and conditions, such as CAT aggregate and deductibles, limitations around contingent business interruption (CBI) extensions, cyber, terrorism, and SRCC.

10| Continental Europe composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

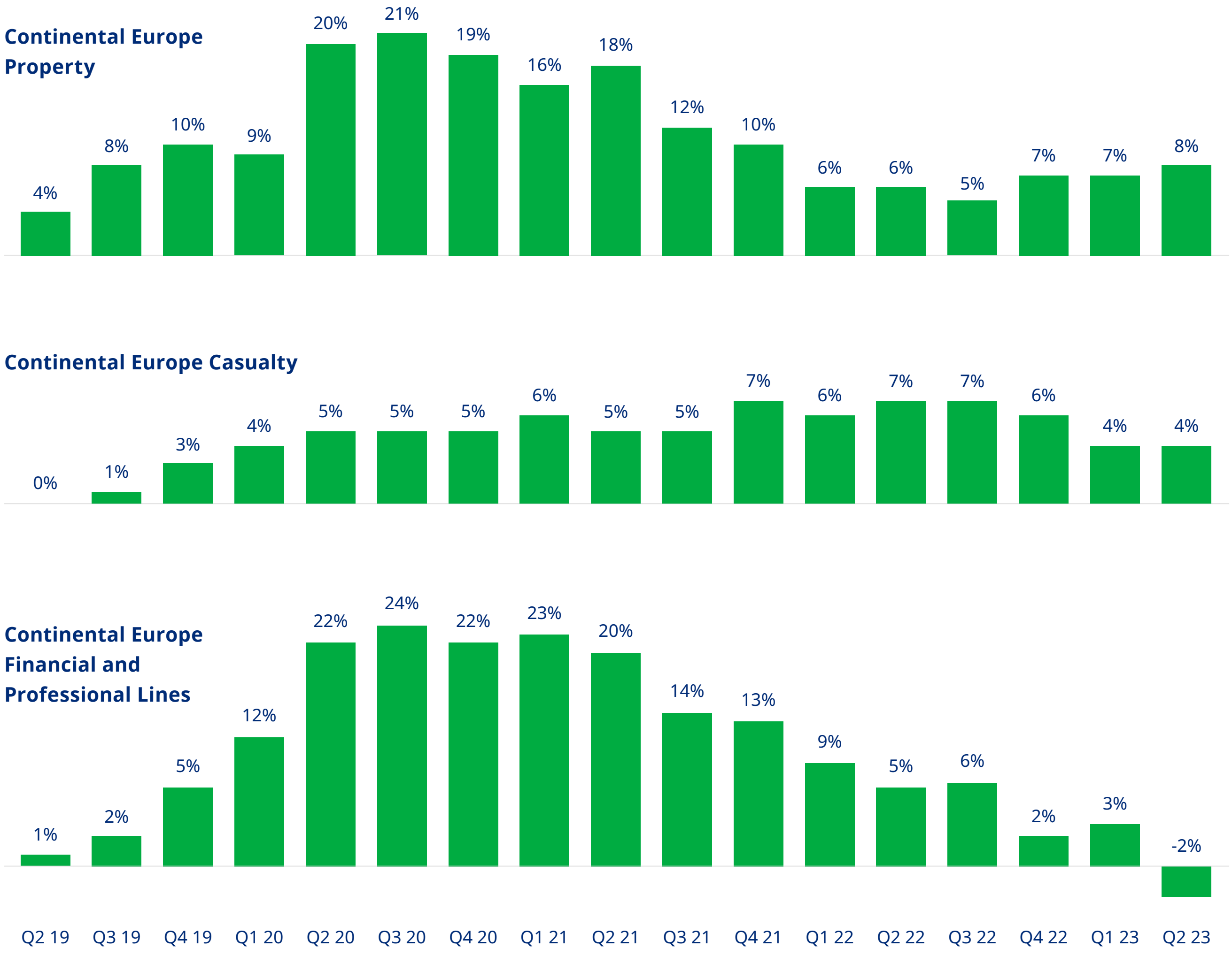
Casualty insurance pricing increased 4% in the quarter, the same as in the prior quarter.

- Excess layer pricing experienced rate increases between 10% and 20%.
- Insurers remained cautious of US exposures.
- Insurers demonstrated caution regarding loss-impacted and heavily exposed risks, with increased information requirements.
- Long term agreements (LTAs), for two years, became available again.
- Various insurers announced growth or expansion strategies across Europe, driving competition.

Financial and professional lines pricing declined 2%, compared to a 3% increase in the prior quarter.

- D&O results varied by country.
  - Pricing in Germany, the largest European D&O market, was generally stable, while others experienced some decreases.
  - Underwriters continued to increase focus on environmental, social, and governance (ESG) risk profiles.
  - LTAs were commonly offered at renewal, with flat terms or possibly decreases in pricing in the second year for select accounts.
- Financial institutions experienced reductions, typically in the single digits on primary layers and up to 10% on excess layers, depending on the risk profile and loss history.
- Crime renewal pricing was stable.

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



Source: *Marsh Specialty and Global Placement*

Cyber insurance pricing continued to stabilize, increasing 3%, compared to 5% in the prior quarter.

- Drivers of pricing moderation included that there are generally few privacy claims in Europe, a decrease in ransomware claims (in both frequency and severity), and new capacity.
- Risk information remained important, particularly regarding a client's ability to manage ransomware attacks.
- Lack of certain cyber controls in an organization typically led to restricted terms.
- Insurer concerns continued regarding systemic exposures and accumulation risk.
  - Clients' concerns remained regarding exclusionary language on war, developed to comply with the new Lloyd's mandate regarding all Lloyd's capacity since March 31, 2023.
- The Russia-Ukraine conflict continued to be closely watched by cyber insurers.

PACIFIC PRICING: FINANCIAL AND PROFESSIONAL LINES DECREASE DRIVES OVERALL PRICING MODERATION

Insurance pricing in the Pacific region increased 2% in the second quarter, compared to 7% in the prior quarter (see Figures 12 and 13).

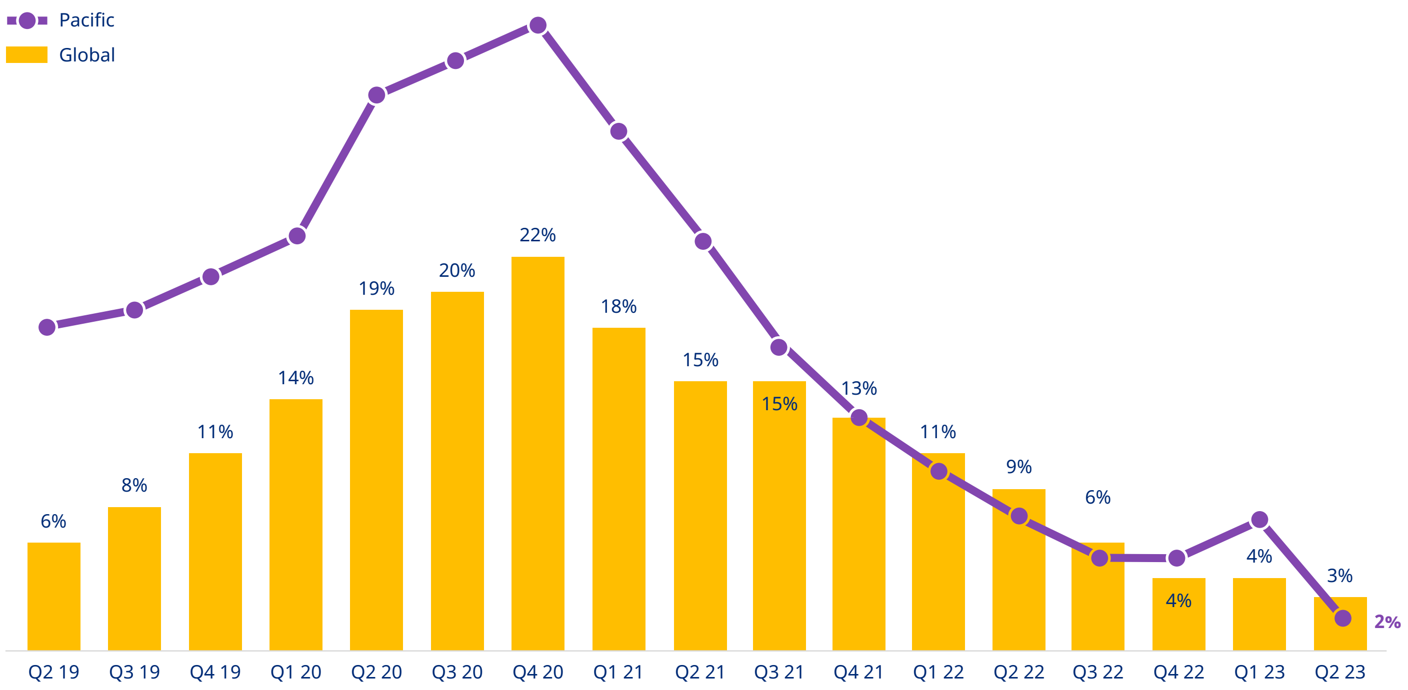
Property insurance pricing increased 5%, compared to 8% in the prior quarter, with loss impacted and CAT-exposed clients seeing the highest increases.

- It was important that insureds' declared values were supported by formal valuations and/or adequate inflation loadings.
- Cautious underwriting continued; however, there were signs of insurers seeking to grow business.

Casualty insurance pricing rose 7%, compared to 10% in the prior three quarters.

- Insurers focused on claims inflation resulting from litigation trends, as well as materials cost inflation.
- The emergence of new capacity fostered more competition than has been seen over the last three years.

12| Pacific composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

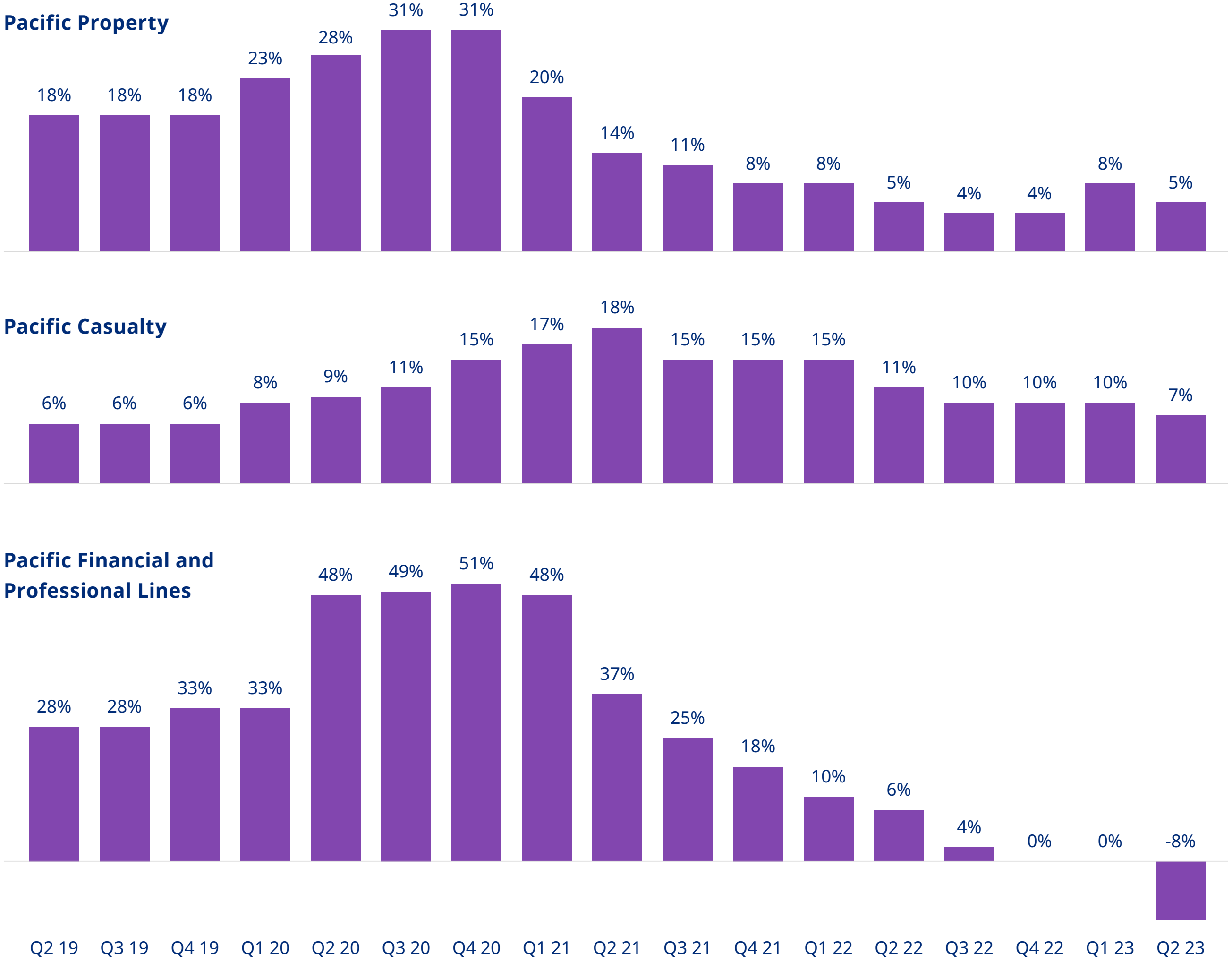
Financial and professional lines pricing decreased 8%, after being flat in the prior two quarters.

- D&O pricing continued to decline, generally decreasing 10% or more.
- Competition remained strong for both primary and excess layers from both new and legacy insurers.
- Macro-economic impacts, such as inflation and interest rate pressures, were important underwriting factors.

Cyber insurance pricing increased 8%, compared to 25% in the prior quarter.

- Increased competition among insurers opened up more options for clients.
- Ransomware claims were the most common, usually involving both business interruption (BI) and data breach.
- Risk information remained important to underwriters, particularly regarding an organization's ability to mitigate ransomware threats.

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



Source: *Marsh Specialty and Global Placement*

ASIA PRICING: OVERALL INCREASES MODERATE, WITH D&O EXPERIENCING DOUBLE-DIGIT DECREASES

Insurance pricing in the second quarter in Asia was flat, compared to a 1% increase in the second quarter (see Figures 14 and 15).

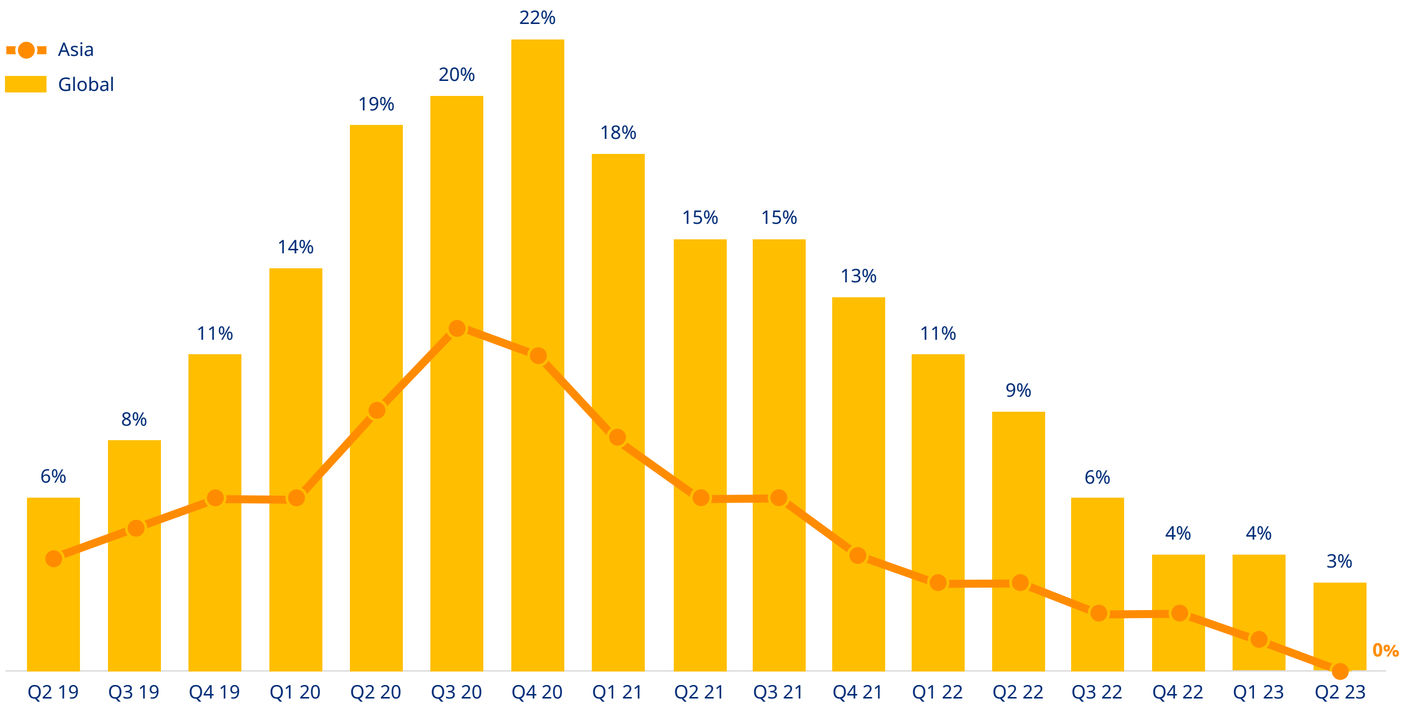
Property insurance pricing rose 2%, the same as in the prior five quarters.

- Clients with a demonstrated commitment to risk improvement often benefited from stable incumbent capacity and tended to achieve favorable results.
- Challenges remained for higher risk industries and those with adverse loss experience and/or CAT exposure.
- Insurers continues to monitor inflation; updated insurance valuations were still required.

Casualty insurance pricing declined 3% in the quarter, compared to a decline of 2% in the first quarter.

- Abundant capacity, both domestically and internationally, led to significant competition with pricing generally stable, or in some cases reduced.
- Workers' compensation and auto liability pricing around the region were typically competitive.

14| Asia composite insurance pricing change



Source: *Marsh Specialty and Global Placement*

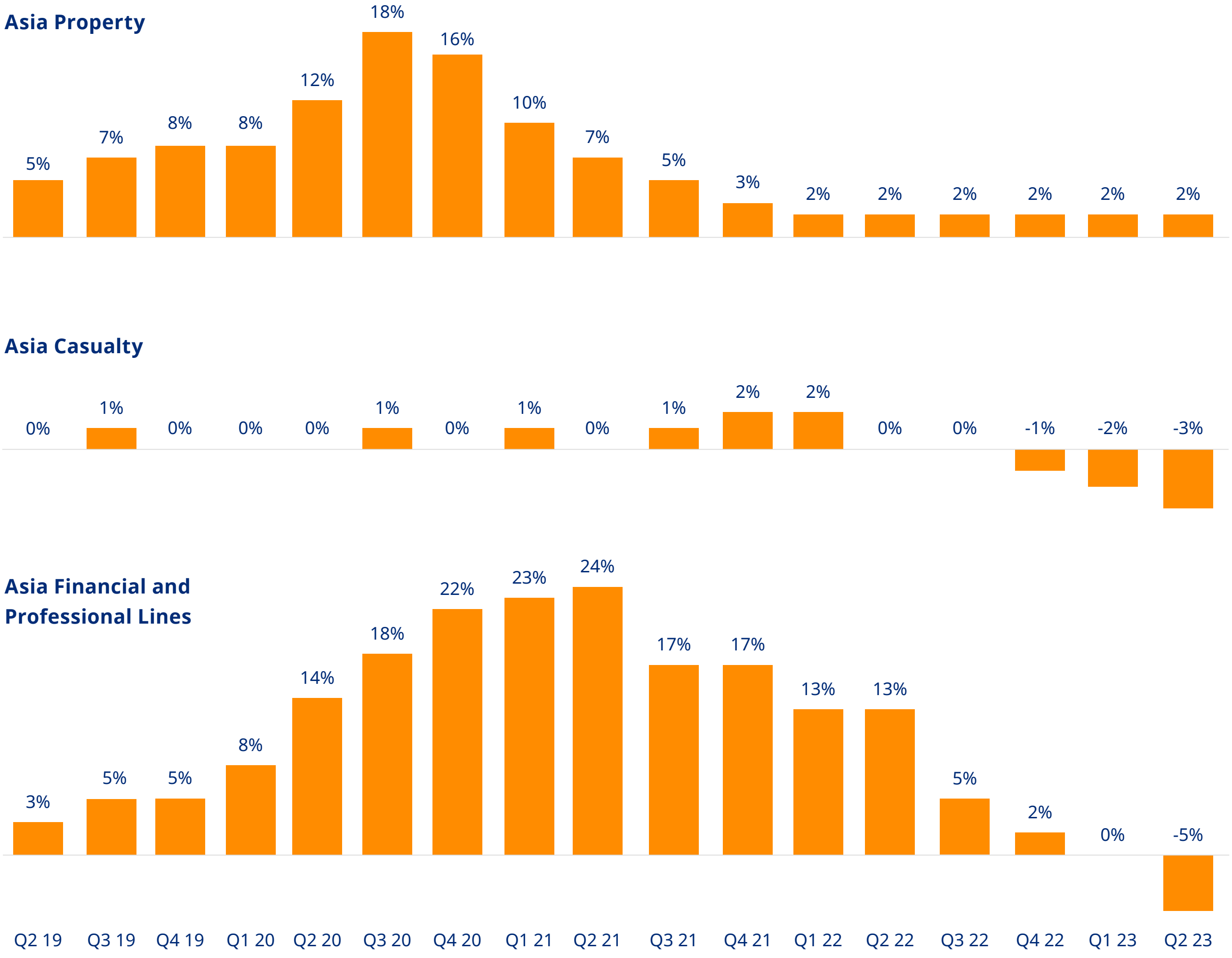
Financial and professional lines pricing declined 5% in the quarter, after being flat in the prior quarter.

- D&O rates continued to decrease in the region overall, with double-digit decreases more common than previously.
- Increased appetite and capacity were generally available for US listed companies, typically with improved pricing and reduced retentions.
- Within the financial institutions space, aside from crime policies, premium reductions were experienced on lines including D&O and professional indemnity.

Cyber insurance pricing increased 8% in the quarter, the same as in the prior quarter as new market entrants increased competition.

- Some industry segments, such as telecommunications, continued to see increases.
- Ransomware remained a top concern for insurers, although claims frequency declined.
- Insurers' demands for more detailed submission information generally has led to both risk improvement and greater clarity of some companies' cyber exposures.
- There has been increased interest in cyber coverage for first-time buyers, driven in part by newly implemented privacy regulations in territories such as Vietnam.

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



Source: *Marsh Specialty and Global Placement*

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1166 Avenue of the Americas, New York 10036