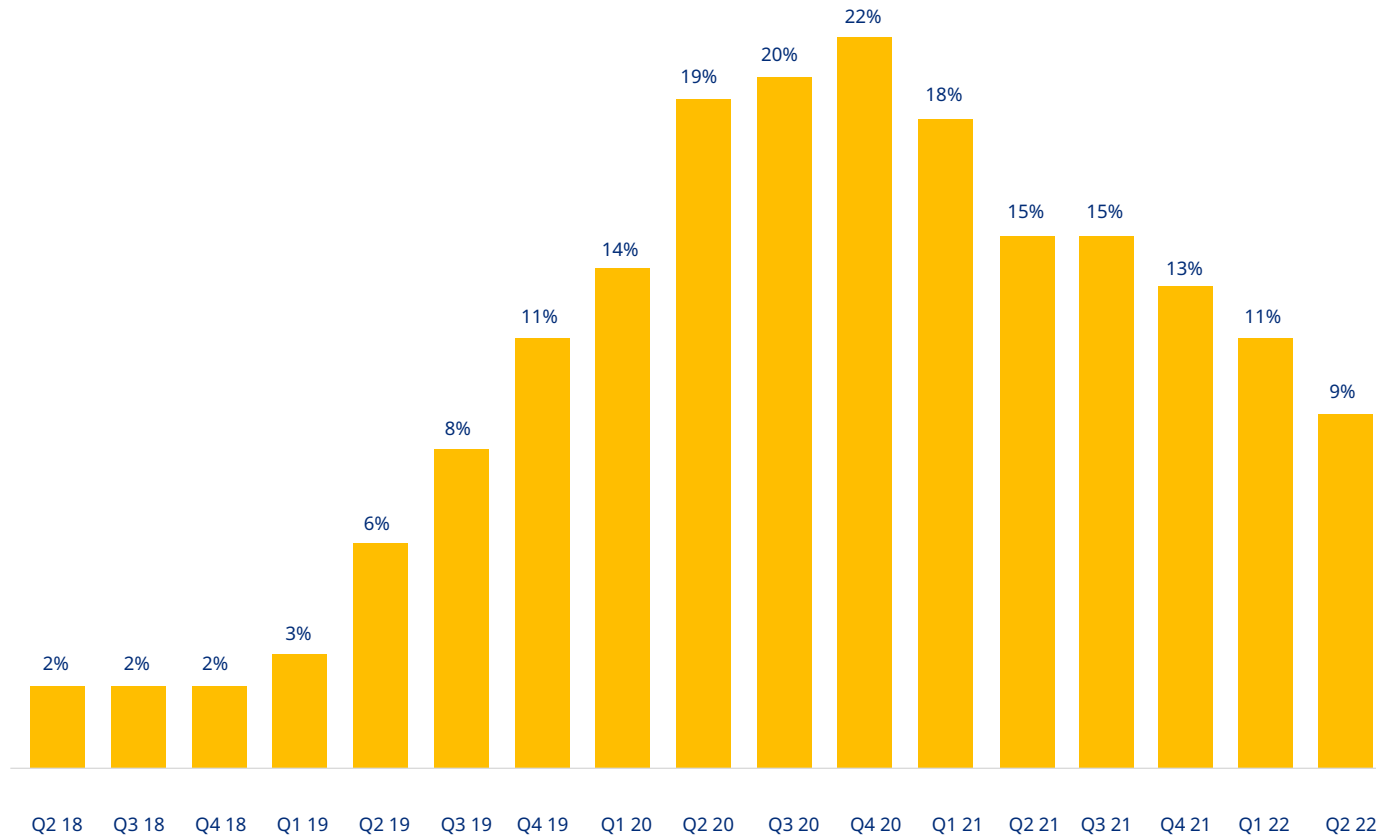


Global insurance markets: Moderation in pricing increases continues



Global commercial insurance prices rose by 9% in the second quarter of 2022, according to the *Marsh Global Insurance Market Index*. The pace of rate increases slowed for the sixth consecutive quarter; global composite increases peaked at 22% in the fourth quarter of 2020.

01| Global insurance composite pricing change



Source: Marsh Specialty and Global Placement

The second quarter was the nineteenth consecutive in which composite pricing rose, continuing the longest run of increases since the inception of the index in 2012.

In the second quarter of 2022, a slower pace of increase in financial and professional lines contributed to a moderation of pricing in most geographies.

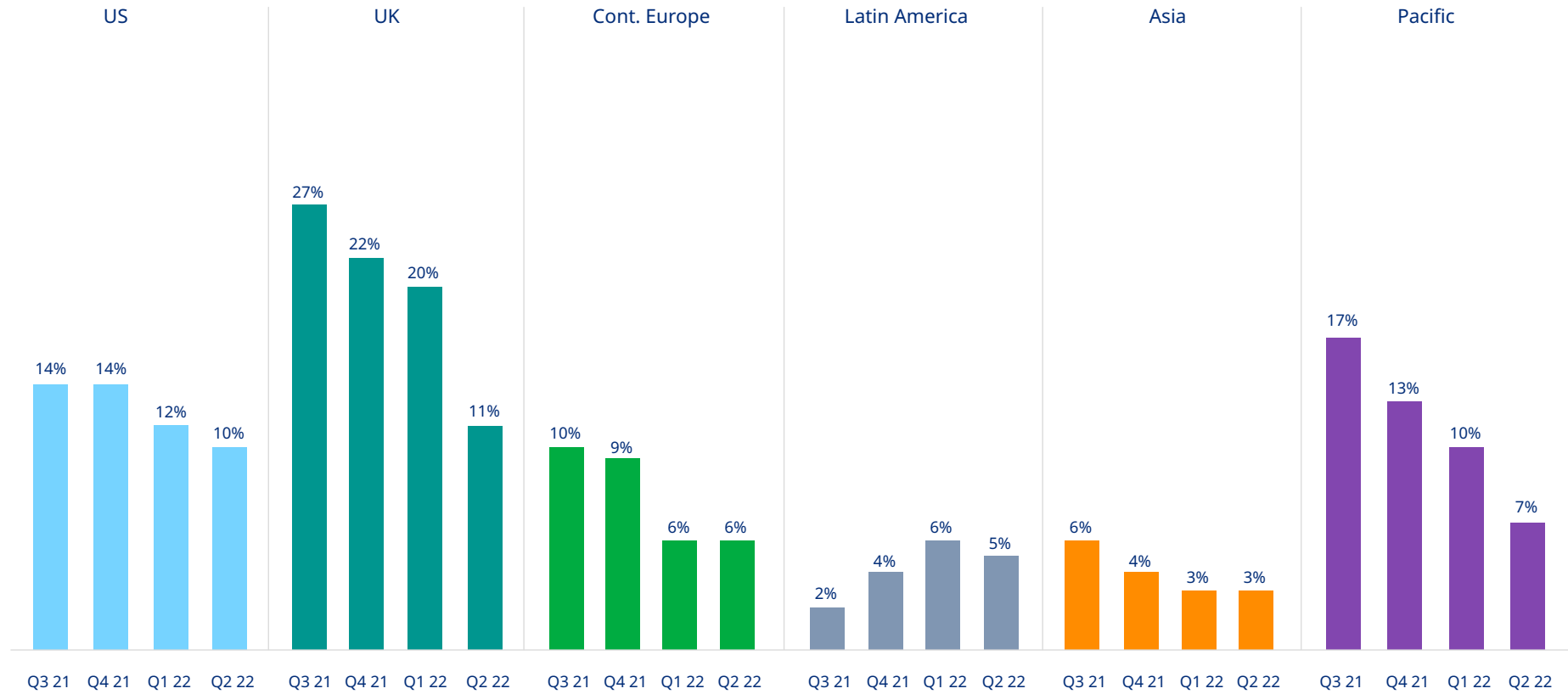
Cyber insurance pricing continued to rise significantly, although the pace of increase slowed in the quarter, to 79% in the US and 68% in the UK, compared to 110% and 102%, respectively, in the prior quarter.

The UK experienced the steepest decline in composite pricing increases, to 11% this quarter from 20% in the first quarter. Regionally, composite pricing increases for the second quarter were as follows (see Figure 2):

- US: 10%.
- UK: 11%.
- Continental Europe: 6%.
- Latin America and the Caribbean: 5%.
- Asia: 3%.
- Pacific: 7%.

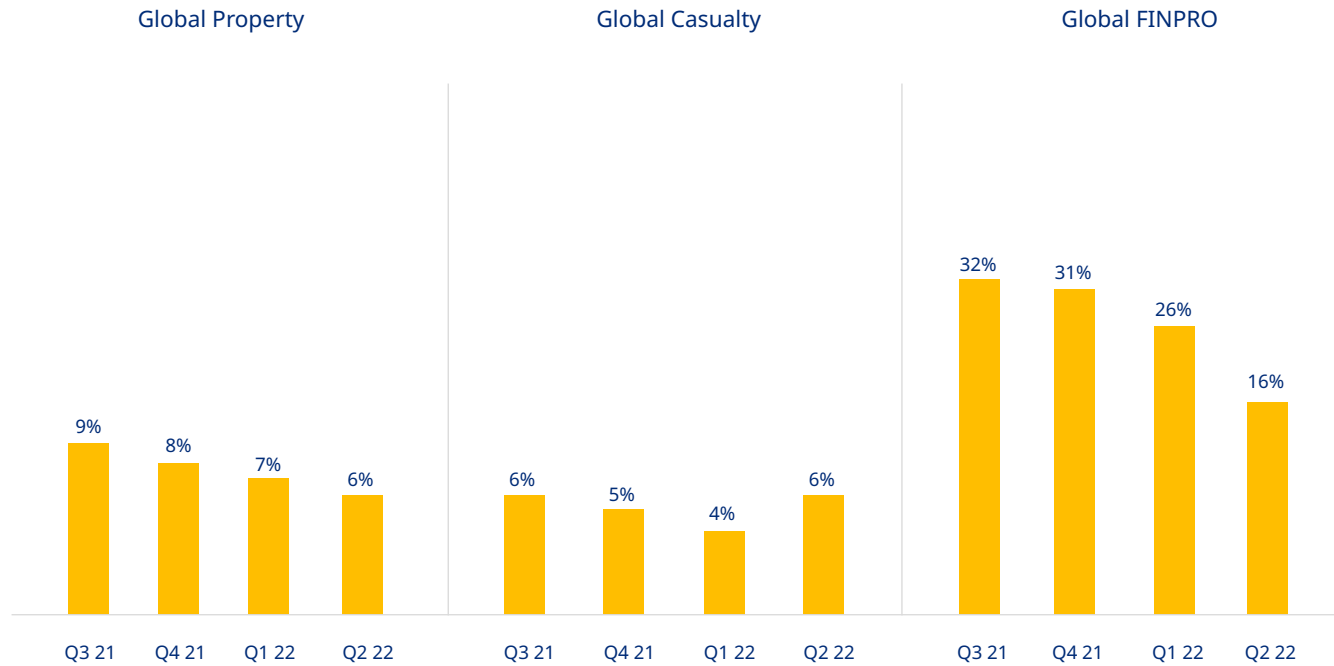
*Note: All references to pricing and pricing movements in this report are averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number.

02| Composite insurance pricing change — by region



Source: Marsh Specialty and Global Placement

03| Composite insurance pricing change — by major coverage line



Source: Marsh Specialty and Global Placement

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

- Property insurance: 6%.
- Casualty insurance: 6%.
- Financial and professional lines insurance: 16%.

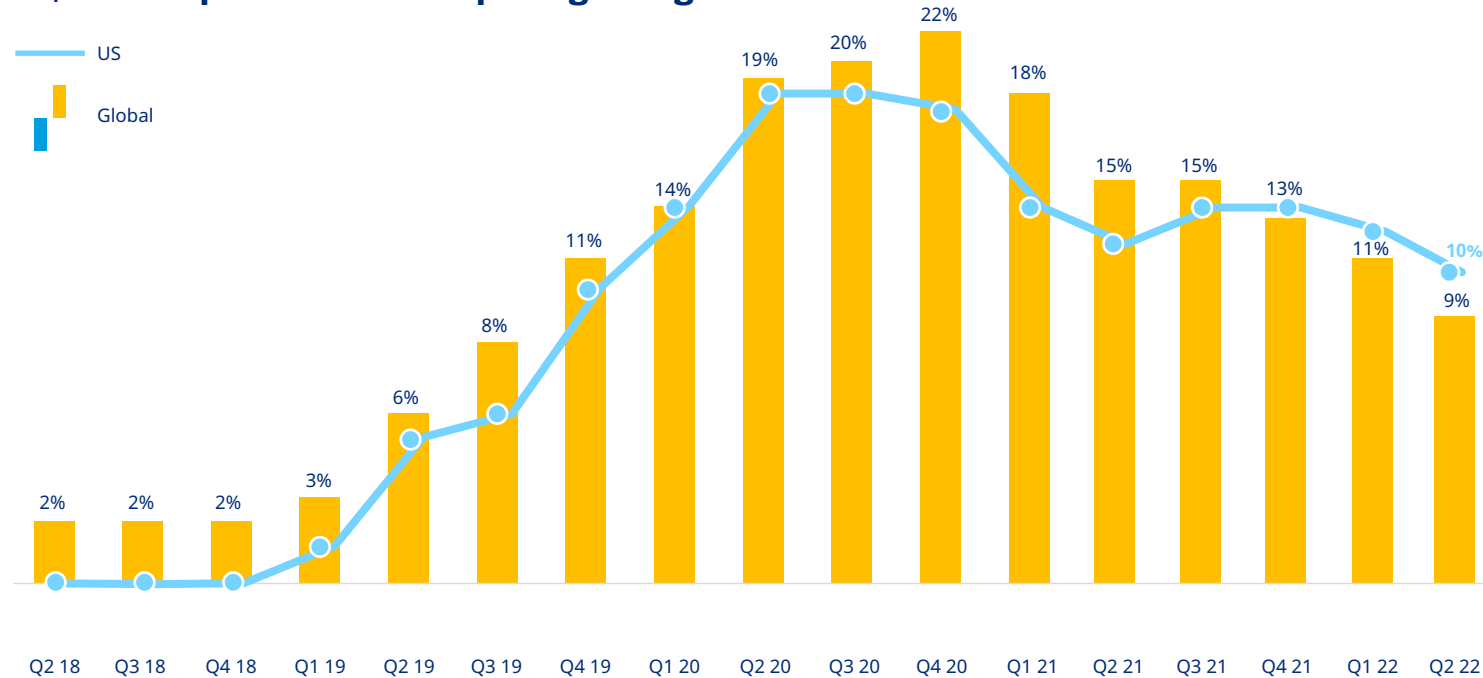
Cyber pricing drove the increases in overall financial and professional lines pricing. For example, in the US, excluding the impact of cyber, financial and professional lines pricing actually decreased in the low-single digits in the second quarter.

Please note that reported changes are averages and 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 rate changes that deviated from the average.

US pricing: Financial and professional lines pricing declines, excluding cyber

Insurance pricing in the second quarter of 2022 in the US increased 10%, compared to 12% in the prior quarter (see Figures 4 and 5).

04| US composite insurance pricing change

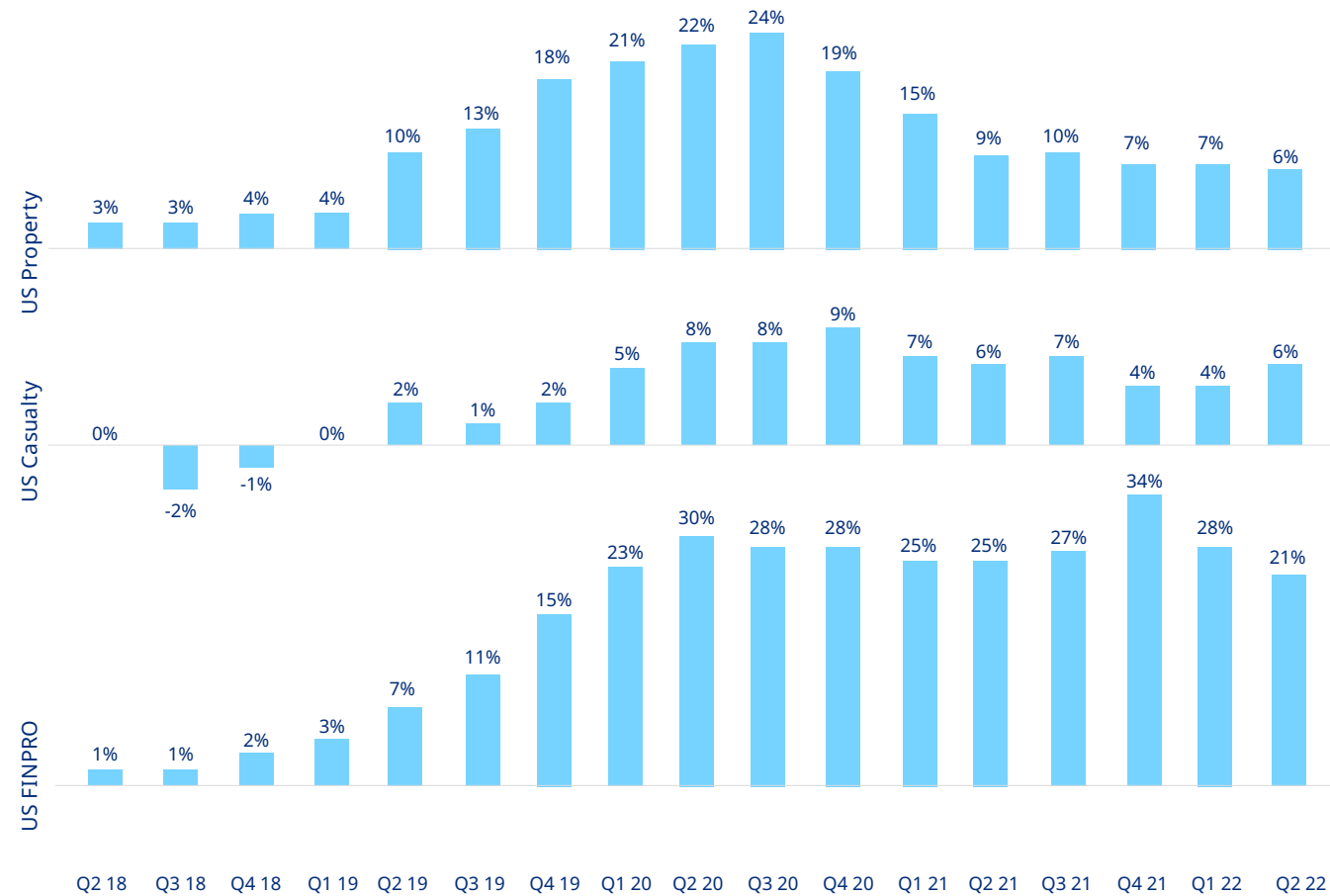


Property insurance pricing rates increased 6% in the second quarter, continuing a decline in the pace of increases seen for the last several quarters.

- Rate increases may accelerate in future quarters, driven by challenging conditions in the reinsurance market and reduced capacity.
- Excess carriers looked to increase their attachment point, putting pressure on buffer layers.
- Clients with significant losses or exposure to secondary CAT perils typically experienced above average increases.
- Insurers continued to focus on secondary CAT perils — including wildfire, convective storm, and pluvial flood. The market deteriorated for insureds with heavy exposure to wildfire.
- Insurers scrutinized contingent time element, especially for unnamed suppliers.

Source: Marsh Specialty and Global Placement

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



Source: Marsh Specialty and Global Placement

- Exclusions for Russia, Ukraine, and Belarus on US-based clients with international exposure is now the norm.
- Valuation has become a focal point for property insurers, driven by concerns about inflation, supply chains, and labor shortages, as well as loss experience in cases where adjusted loss amounts were well above reported values.

Casualty insurance pricing increased 6%; excluding workers' compensation, the increase was 10%.

- Casualty continues to be driven by workers' compensation, which has helped lower average overall casualty rate increases.
- Excess liability pricing increased 16%, compared to 10% in the first quarter, but was still lower than at the same time last year.
 - Clients showed limited interest in increasing limits.
 - Insurers continued to watch loss trends as the impact of courts being closed during earlier stages of the pandemic subsides.
 - Insurers have expressed concern regarding latency risks for "forever chemicals."

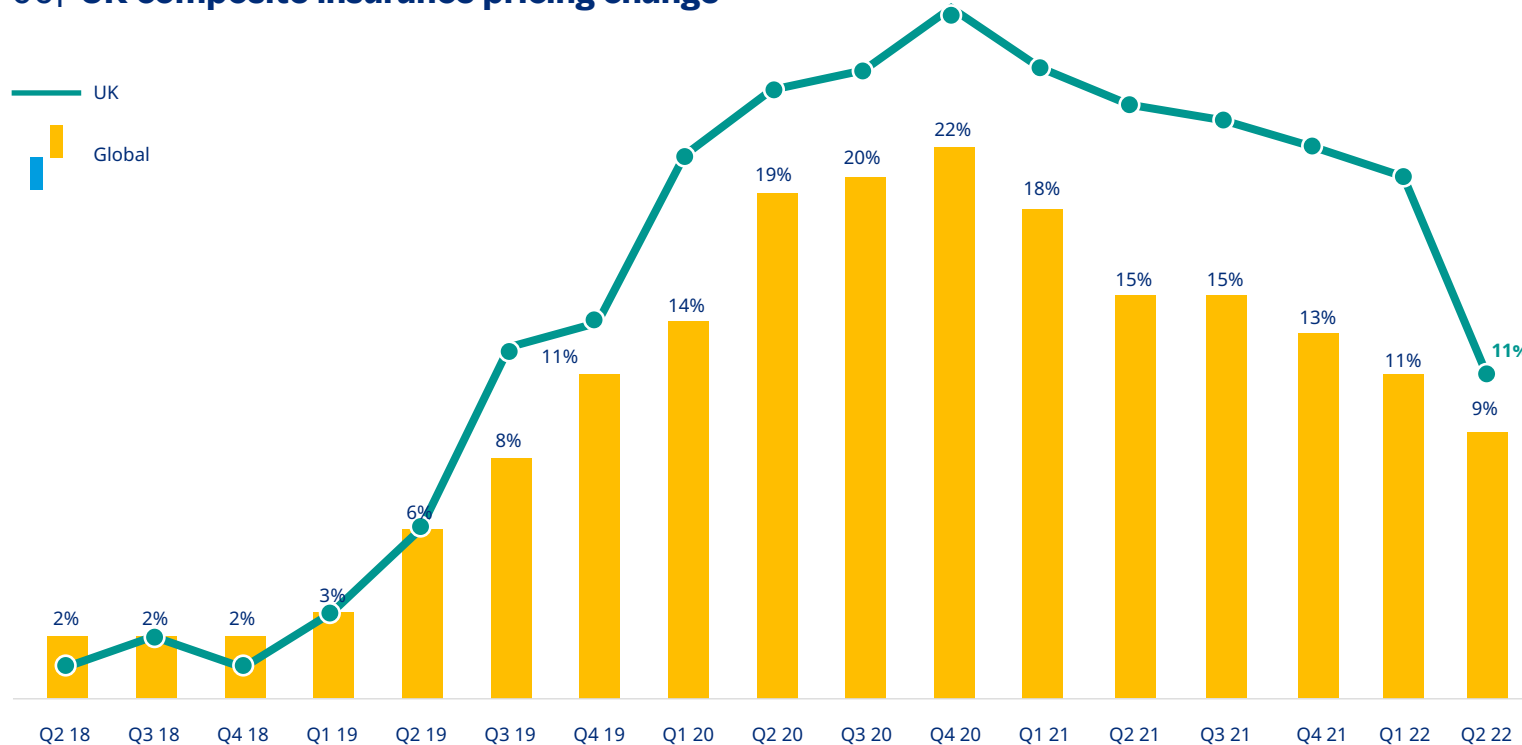
Financial and professional lines pricing rose 21% in the quarter — a decline from the first quarter increase of 28%. Excluding cyber, financial and professional lines pricing decreased in the low-single digits in the second quarter.

- Pricing declined 6% for directors and officers (D&O) liability coverage for publicly traded companies, following a 3% increase in the first quarter.
 - There was strong competition from both legacy insurers and new market entrants.
 - A low level of transaction business — including in IPOs and special purpose acquisition companies (SPACs) — in the first quarter put some insurers behind their budget targets, resulting in competitive pricing for core accounts.
- Fiduciary markets continued to be challenged by adverse judgements and ERISA 401k plan excessive fee litigation.
- Cyber pricing increased 79%, compared to 110% in the prior quarter and 133% in December 2021.
 - Insurers have begun to calibrate underwriting and pricing strategies on an account-by-account basis rather than on a portfolio basis.
 - Several insurers recently entered the cyber market, increasing competition.
 - Insureds with strong cybersecurity controls may experience a stabilizing of pricing if they have previously experienced significant rate adjustments.
 - Insureds lacking basic cyber hygiene can expect to see continued significant premium and retention increases, coverage restrictions, and/or overall insurability challenges.

UK pricing: Financial and professional lines pricing moderates

Insurance pricing in the second quarter of 2022 in the UK increased 11%, compared to 20% in the first quarter (see Figures 6 and 7).

06| UK composite insurance pricing change

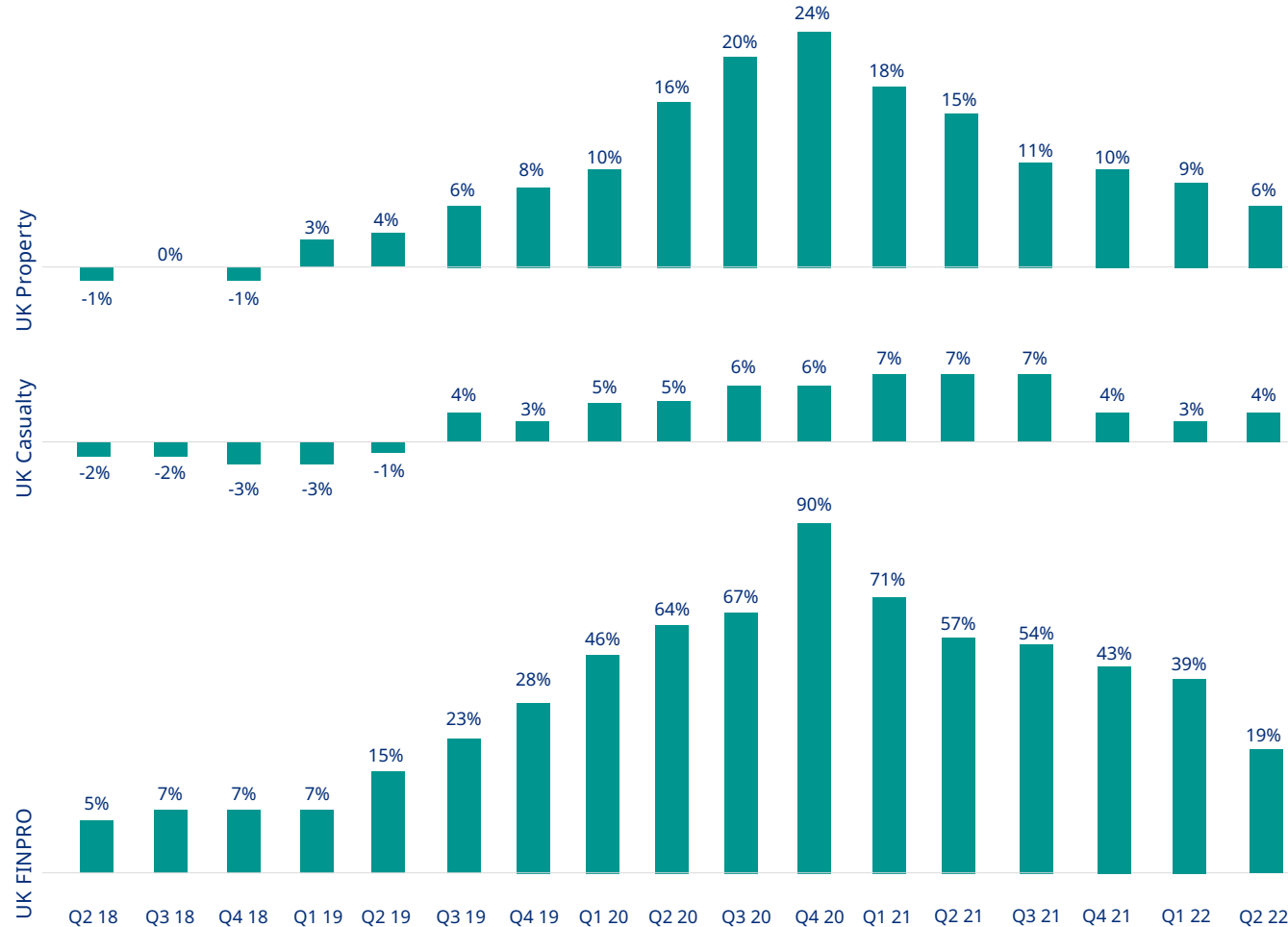


Property insurance pricing rates increased 6%, compared to 9% in the first quarter.

- Pricing was most challenging for clients with natural catastrophe (CAT) exposures and those in the food, waste, warehousing, and chemical industries.
- There has been a noticeable absence of major CAT losses this year.
- More clients with low/medium hazard risks experienced rate reductions.
- Some insurers sought to offset challenging exposures by packaging property coverage with motor and casualty.
- Underwriters demonstrated concern regarding valuation, putting focus on property damage and business interruption estimates.

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 3% increase in the prior quarter.

- Electric vehicles impacted the automobile liability insurance market, with leading insurers saying that damage repair costs for EVs run approximately 25% higher than for internal combustion vehicles.
- Employers' liability insurance pricing increased by 4%, compared to 3% in the prior quarter, driven by poor claims performance among some insureds.
 - US exposure remained a challenge.

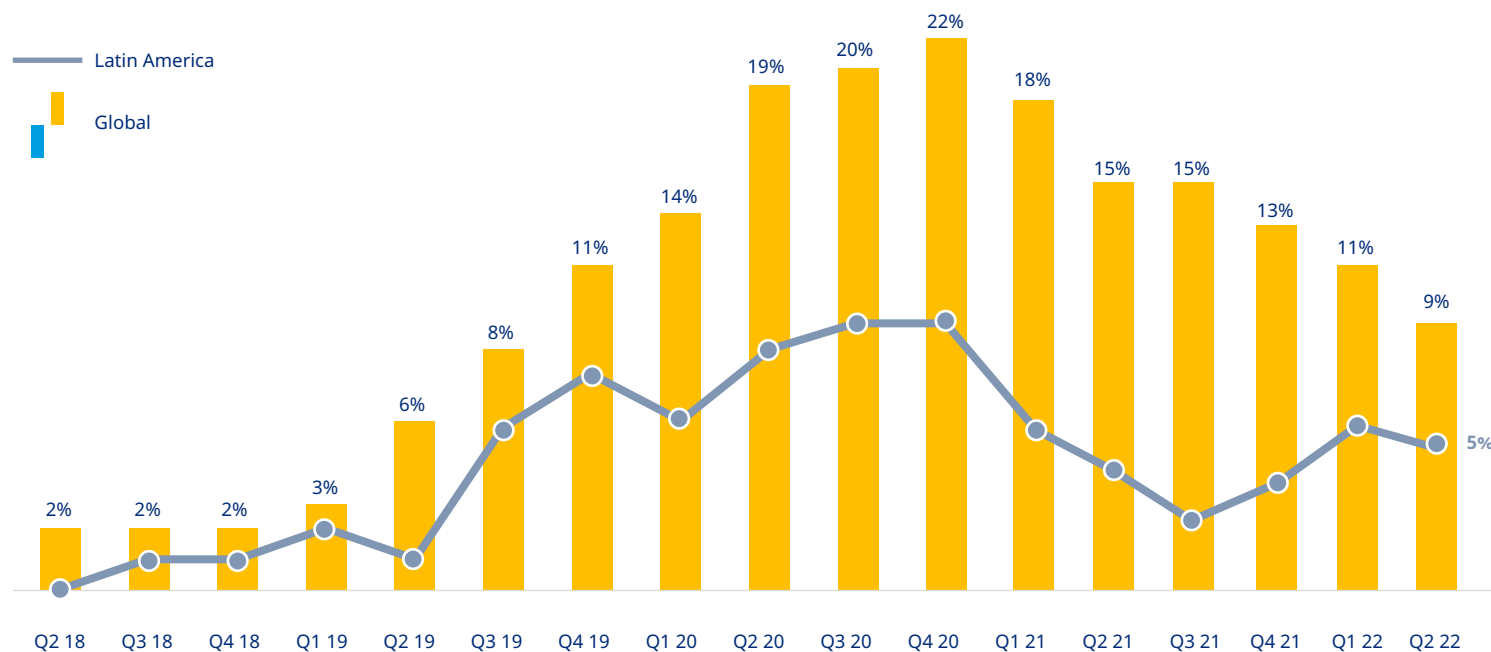
Financial and professional lines pricing experienced a decline in some products, although the overall average rate increased due to the impact of continued increases in cyber insurance.

- D&O pricing declined in the single digits in the second quarter.
 - The D&O market experienced substantial rate decreases on larger multinational accounts.
 - Midsize and smaller companies continued to experience rate increases or flat renewals.
- The cyber insurance market continued to be challenging, although the rate of increase moderated to 68%, compared to 102% in the first quarter.
 - Some insureds continued to experience increases in the triple digits.
- Pricing for financial institutions (FIs) continued to moderate as insurer competition increased.

Latin America and Caribbean pricing: Casualty pricing increases for first time in two years

Insurance pricing in the second quarter in the Latin America and Caribbean (LAC) region increased 5%, a decline from 6% in the prior quarter (see Figures 8 and 9).

08| Latin America composite insurance pricing change



Source: Marsh Specialty and Global Placement

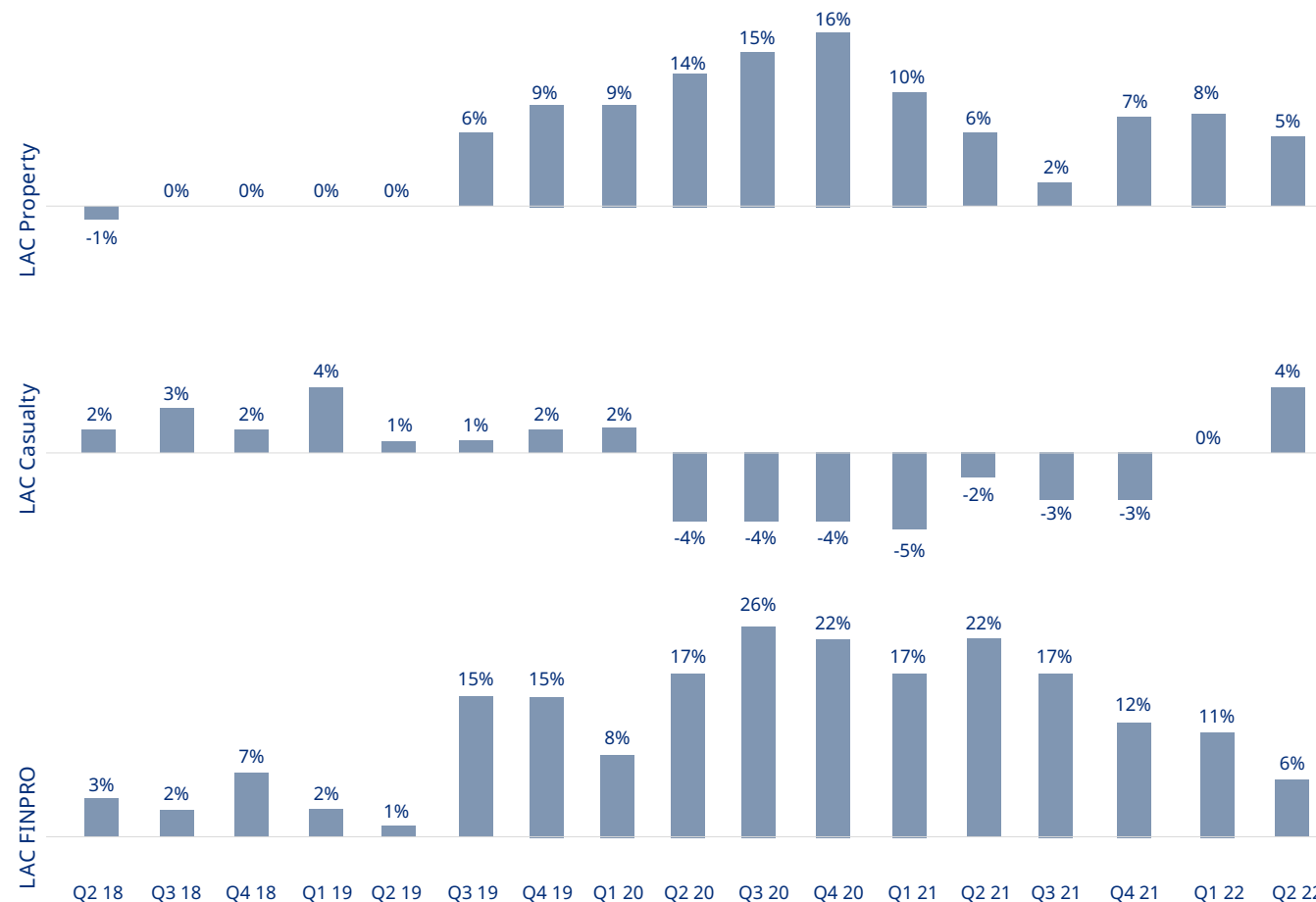
Property insurance pricing increased 5%, compared to an 8% rise in the previous quarter.

- Pricing increases continued across the region when facultative capacity was needed, particularly for countries with CAT exposures.
- In Brazil, local conditions were challenging, following many years of softer market conditions compared to international markets.
- Market uncertainty increased across the region regarding political risk.
- Insurers remained disciplined and cautious regarding capacity deployment.

Casualty insurance pricing rates increased 4% in the second quarter, the first average increase since the first quarter of 2020.

- There was sufficient capacity for low limit, non-complex programs.

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



- Pricing generally stabilized for large, complex programs with high limits and exposures.
- In Brazil, markets showed increasing concern for long tail exposures and rising claims.
- In Colombia, local capacity was sufficient and rates were stable.

Financial and professional lines pricing rose 6%, down from an 11% increase in the prior quarter, driven by cyber pricing.

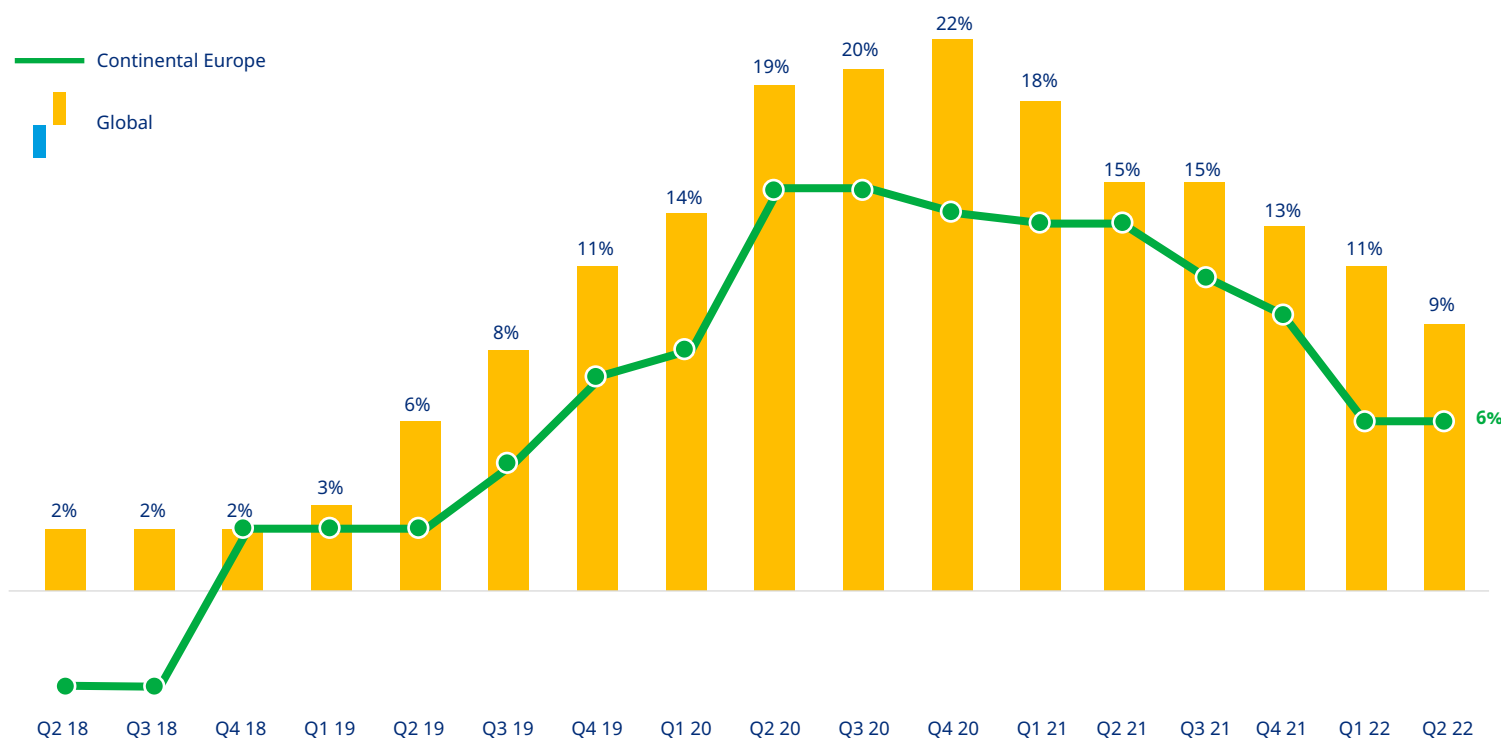
- For FIs and D&O coverage, the market was transitioning, with new capacity entering the region.
- Local market underwriting appetite remained conservative.
- Cyber insurance experienced increases above 30%.
 - Restrictions on coverage included higher retentions, ransomware coinsurance, and sub-limits in first-party coverage.

Source: Marsh Specialty and Global Placement

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

Insurance pricing in the second quarter of 2022 in Continental Europe (CE) increased 6%, the same rate of increase as in the first quarter (see Figures 10 and 11).

10| Continental Europe composite insurance pricing change



Property insurance pricing rates in CE rose 6%, as insurer competition, particularly for insureds with low levels of loss, put downward pressure on rates.

- Insurer interest in offering long-term agreements increased.
- Inflation concerns caused insurers to increase focus on adequacy of valuations for insured or replacement values.
- Insurers maintained strict underwriting controls and discipline regarding capacity deployment and aggregation issues, especially for contingent business interruption extensions.

Casualty insurance pricing increased 7%, compared to 6% in the first quarter.

- Pricing increases were limited by insurer competition for new business.
- Loss-impacted renewals were most challenging, with insurers restricting capacity deployed on individual programs.
- Insurers demonstrated continued concern about US exposures due to severity of losses and jury awards.

Source: Marsh Specialty and Global Placement

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



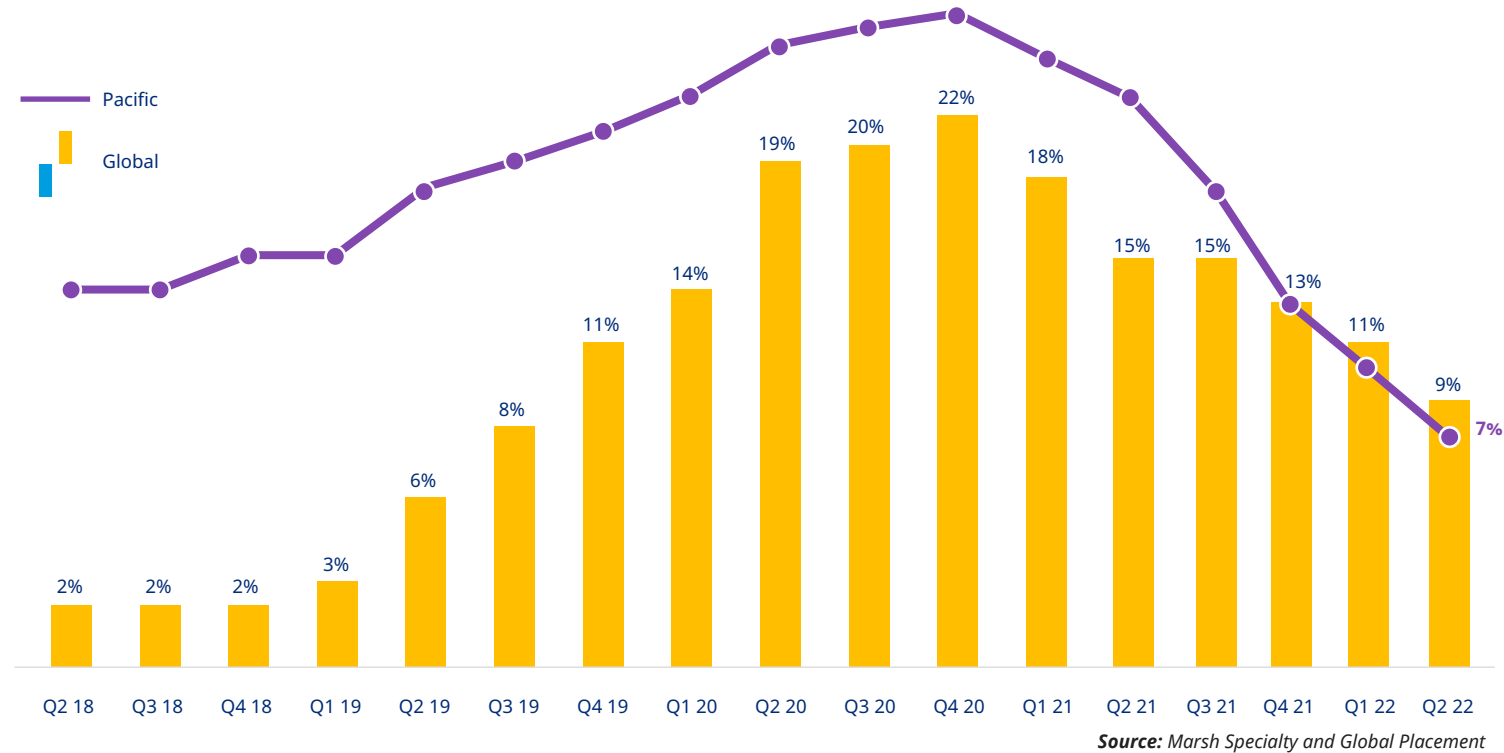
Source: Marsh Specialty and Global Placement

- Insurers focused on exclusionary language, for example cyber, chemical substances, war and sanctions, climate change litigation, and sexual abuse and molestation.
 - Auto liability pricing increased, by double digits in some territories.
- Financial and professional lines** pricing moderated, increasing 5% in the second quarter, down from 9% in the prior quarter.
- Stability in the D&O space continued due to increased competition from insurers and new capacity.
 - FIs continued to experience moderating increases; in some cases pricing was flat to moderate reductions.
 - Cyber insurance pricing increased by 50%, compared to 80% in the prior quarter.
 - Concerns around systemic exposures and accumulation risk continued to grow, with the war in Ukraine a particular concern.

Pacific pricing: D&O pricing declines for first time since 2017

Insurance pricing in the Pacific region increased 7%, down from 10% in the prior quarter and the sixth consecutive quarterly reduction in rate increases (see Figures 12 and 13).

12| Pacific composite insurance pricing change



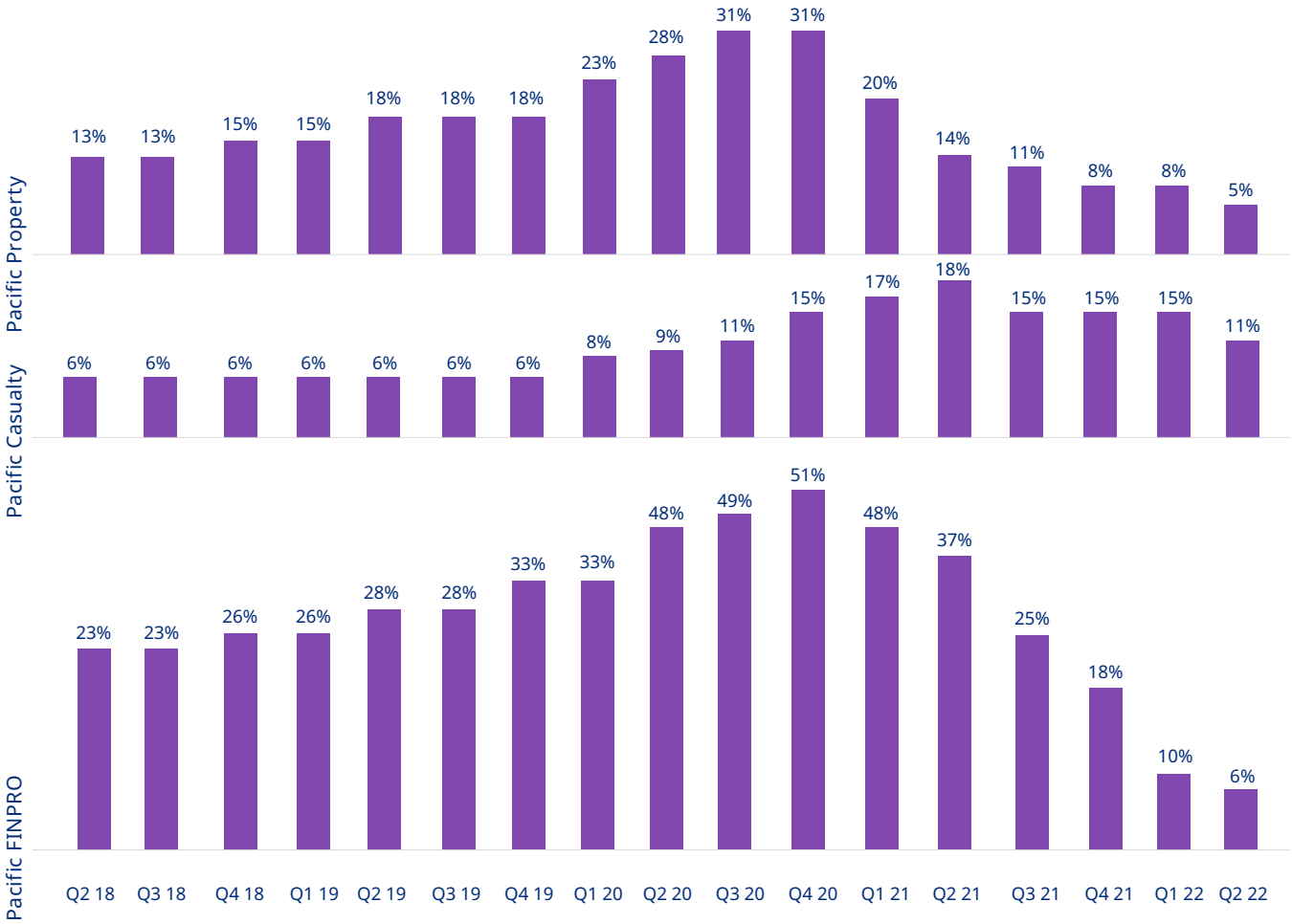
Property insurance pricing rates increased 5%, down from 8% in the prior quarter, despite severe flood events in Queensland and New South Wales.

- Insureds in CAT zones, especially flood, faced increased underwriting focus, including on contingent business interruption, deductibles, and risk mitigation.
- A demonstrable commitment to continual risk improvement was critical to renewal success.
- Valuations have become a major underwriting focus for insurers due to global inflation.

Casualty insurance pricing rose 11%, down from 15% in each of the three prior quarters.

- Insurers remained cautious due to claims inflation; with available capacity reduced, programs often experienced placement challenges.
- Risk selection has been more pronounced than in the past.

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



Source: Marsh Specialty and Global Placement

- Major programs underwent substantial restructuring of layers as a result of changing underwriter appetite.

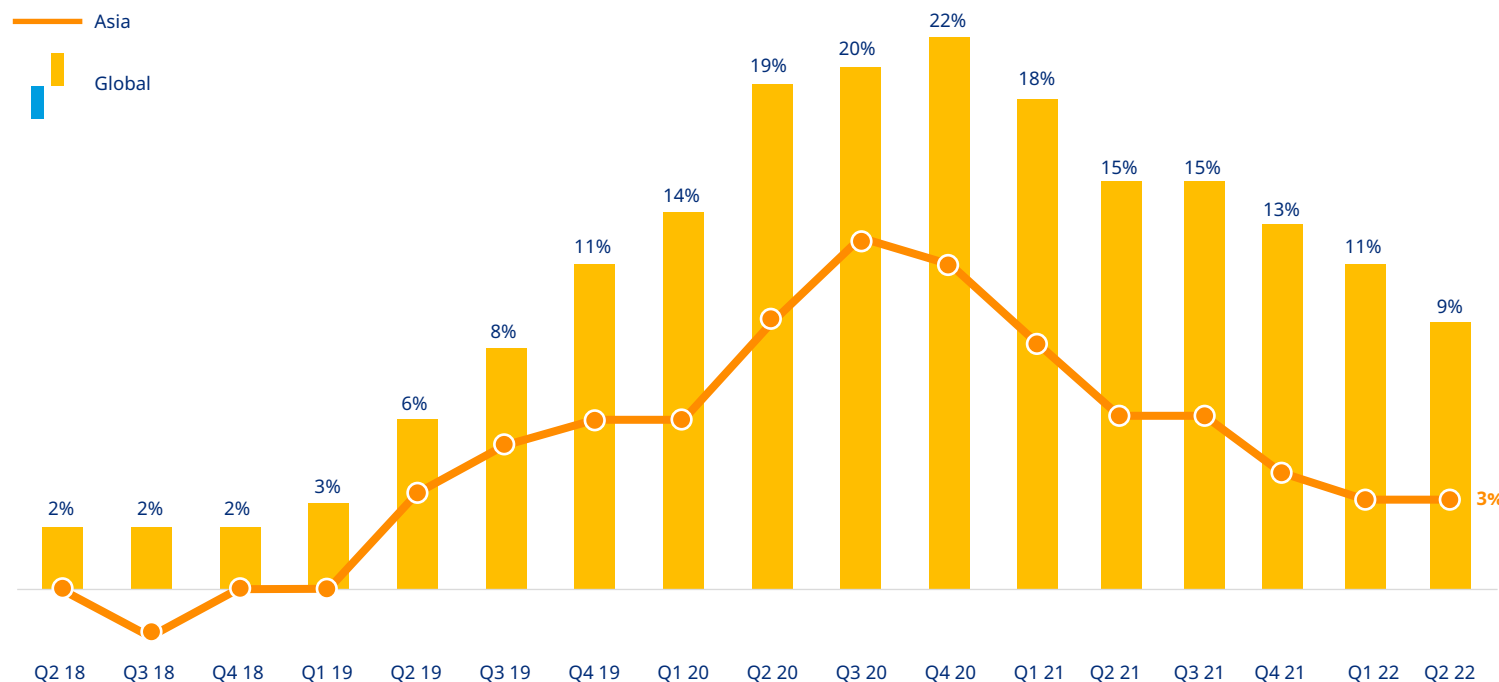
Financial and professional lines pricing rose 6%, a decrease from 10% in the prior quarter.

- The 5% decrease in pricing in the D&O market was the first reduction since 2017.
- Competition continued to develop, particularly for excess layers, resulting in improved pricing.
- Cyber insurance remained challenging, driven by frequent and severe ransomware losses.

Asia pricing: Pricing in second quarter mirrors prior quarter

Insurance pricing in the second quarter of 2022 in Asia increased 3%, the same as in the prior quarter (see Figures 14 and 15).

14| Asia composite insurance pricing change



Source: Marsh Specialty and Global Placement

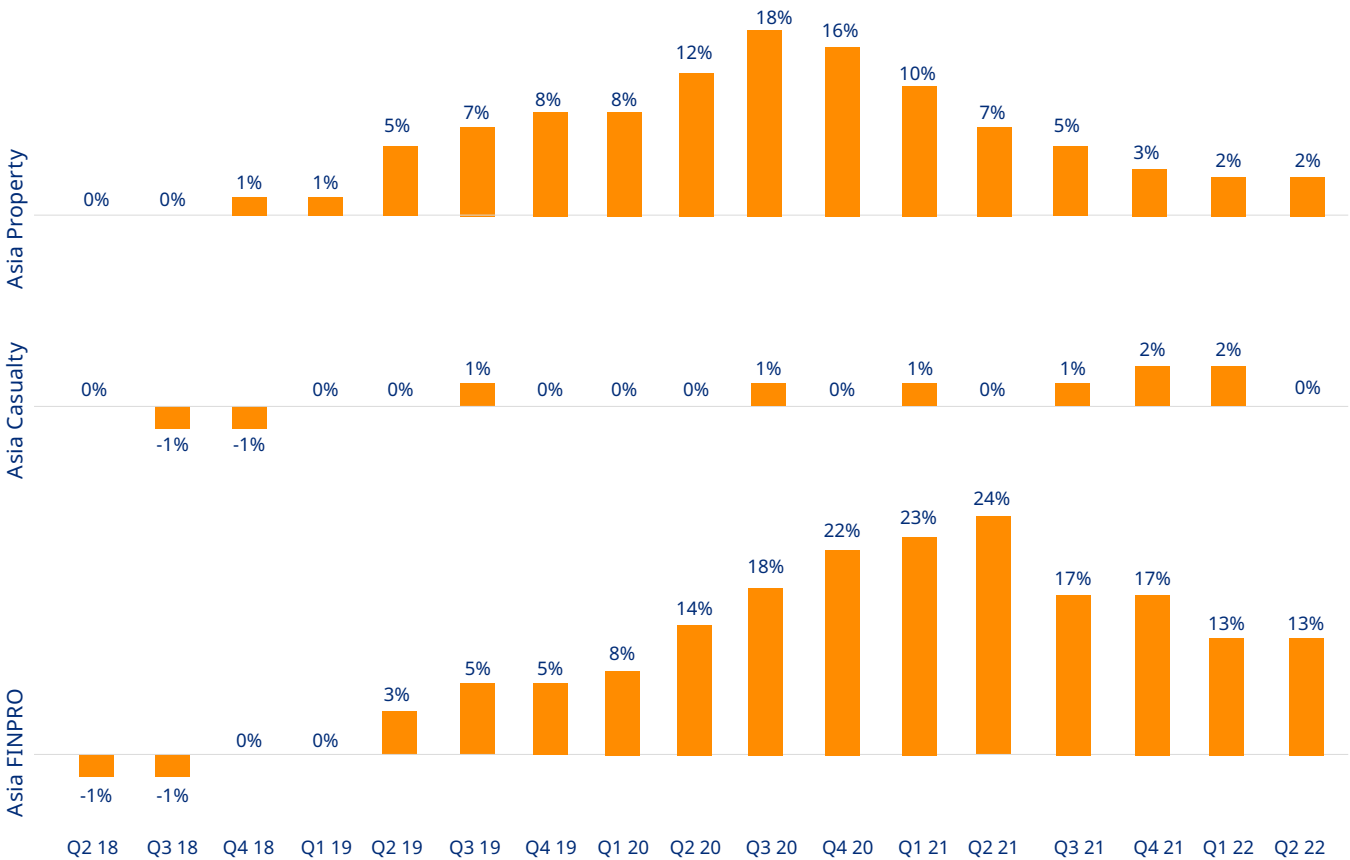
Property insurance pricing rates rose 2%, the fifteenth consecutive quarter of increase.

- Pricing increases were most acute for clients with poor loss histories.
- Pricing increases for natural catastrophe exposures continued to be above the average.
- Mid-market diversification for insurers brought increased competition.

Casualty insurance pricing was flat, following increases of 2% in the prior two quarters.

- Insureds with good loss histories generally experienced flat pricing, while those with poor loss histories experienced increases.
- Insurer risk selection in challenged industries contributed to reduced capacity and increased pricing.
- Insurers frequently restricted capacity on excess layers; challenges are more pronounced for product recall and products liability exposures.

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



Source: Marsh Specialty and Global Placement

- Financial and professional lines** pricing increased 13%, the same as in the prior quarter.
- The average rate of increase for D&O ranged from 10% to 15%.
 - Capacity challenges remained for US listed or exposed insureds and for certain sectors and countries.
 - Pricing for FIs started to moderate; insurers continued to manage capacity and retention levels.
 - The cyber insurance market remained challenging, with increases generally ranging from 25% to 50% due to ransomware, claims, global market conditions, systemic risk concerns, and geopolitical tensions.
 - Insurers continued to demonstrate caution regarding digital asset/cryptocurrency related companies.
 - Professional indemnity pricing increased in the 10% to 15% range for large programs.



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