

What to Expect- Insurance Market 2021

Cautiously Optimistic

COVID-19: moderate, manageable catastrophe but still uncertain

- Total Insured Loss estimates range from \$32 Bn to \$140 Bn
- More recent estimates are in the \$50 Bn to \$70 Bn range.
- Reported losses ~\$25 Bn.
- Impacting many lines of insurance.
- US WC remains a big uncertainty
- COVID-19 will be a “long tail” event.
- Not a solvency event for the industry.
- **We are now in the midst of the most challenging market conditions in decades. The hard market is impacting most lines of insurance, most client segments and most industries. COVID-19 only accelerated the hardening that had already begun.**



State of the Property Market

Pricing

- Property Market hardening has not slowed, Insurers are focused on creating stability and profitability during these uncertain times
- Continual Natural Catastrophes continue to impact rates
- **Rate Forecast:**
 - +15% to +25% non-challenged occupancies – (30%+ due to loss history)

Factors Impacting Renewals



State of the Casualty Market

	2019 Q4	2020 Q1	2020 Q2	2020 Q3
General Liability	7.0%	2.7%	14.6%	12.0%
Automobile Liability	10.6%	15.0%	12.3%	11.1%
Workers' Compensation	-3.4%	-3.9%	0.9%	-0.3%
Lead Umbrella	34.2%	33.9%	51.5%	45.8%

Quarterly
Average Rate
Renewal Results

Factors Impacting Rate

General Liability

- Liberal class action certification
- A highly-organized plaintiffs' bar
- Desensitized jury pools
- Carriers are questioning and re-evaluating reserve adequacy

Automobile Liability

- 2019 was the AL segment's worst accident year in 10 years as losses reached \$4B
- Distracted driving
- While miles driven are down as a result of COVID-19, loss severity continues to increase

Workers' Compensation

- Profitable combined ratio for 6 consecutive years
- Opioid addiction
- Aging workforce
- Regulatory reform
- Medical bill inflation
- Presumptive COVID-19 legislation

Umbrella Liability

- Global capacity reductions
- Combined ratios exceeding 150 for many insurers
- Uptick in frequency of punitive awards
- Social inflation

State of the FINEX Market

Cyber: The explosion of ransomware losses in 2019 has had a direct impact on premiums and capacity. Ransomware losses have jumped from \$500,000 or less per loss to well over \$1,000,000 per loss.

As losses and potential losses mount, carriers have been reevaluating their positions in large towers and looking more closely at rates in perceived burn layers.

Crime: Select insurers are looking to explicitly remove or exclude cyber related coverages from the crime, including but not limited to extortion and data restoration which may stack with cyber and/or K&R policies.

Select insurers are pushing to add their own consequential loss and confidential information exclusions to excess forms, opposed to relying on the primary.

Fiduciary: : Some tightening-more likely for challenged classes. Examples: higher retentions, an exclusion for Prohibited Transactions or an exclusion for excessive fees cases (largely limited to certain Higher Ed and Healthcare accounts).

Rate Prediction



Prognosis:

We anticipate a challenged casualty environment through the balance of 2020 and at least the first half of 2021. Umbrella / Excess carriers will continue to seek material rate increases and higher attachment points while restricting coverage terms and conditions for the next several quarters. In addition, carriers are actively seeking to add Communicable Disease and COVID-19 exclusions.

Forecast:

- General Liability: 7.5% to 15%+
- Automobile Liability: 8% to 15%+
- Workers' Compensation: Flat to +4%
- Umbrella:

High Hazard / Challenged Class: 50%+ Low / Moderate Hazard: 30%+

- Cyber Liability: +10%- +15%
- Crime: +5% - 10%
- Fiduciary Liability: 5% - 25%