

Aon **Market** Insights

Insights from Aon's thought leaders powered by industry-leading data and cutting-edge data science.

Q3, 2020

Top U.S. Markets

(January 2020 – September 2020)

U.S. Commercial Risk Q3 Marketplace

- Insurers are closely monitoring limit aggregation on any single risk
- Insurers are more actively reducing capacity for high-risk segments in D&O
- Property and Excess Casualty - capacity still stable but seeing retraction for certain classes
- The London insurance market continues to face capacity challenges in 2020, especially financial lines

Ranking	Pay to group	Current Period					
		Total Premium	Total Commission	YOY Growth		NAC + Contingents	Yield
1	Chubb & Son Inc	1,069 M	72 M	9%	↑	2.5 M	7%
2	Zurich Insurance Group	1,032 M	37 M	8%	↑	4.8 M	4%
3	American Intl Grp	751 M	43 M	0%	↓	1.0 M	6%
4	AXA Insurance Group	691 M	50 M	6%	↑	0.0 M	7%
5	Liberty Mutual Group	500 M	39 M	6%	↑	3.2 M	8%
6	R-T Specialty	472 M	31 M	31%	↑	9.2 M	9%
7	Travelers Group	421 M	31 M	5%	↑	4.3 M	9%
8	Starr Grp	362 M	21 M	22%	↑	0.0 M	6%
9	FM Global Group	352 M	5 M	4%	↑	0.0 M	1%
10	Berkshire-Hathaway Group	326 M	21 M	27%	↑	3.6 M	8%
11	Sompo Holdings Group	326 M	23 M	27%	↑	0.0 M	7%
12	CNA Ins Grp	292 M	30 M	3%	↑	1.5 M	11%
13	Allianz Ins Grp	292 M	17 M	13%	↑	1.6 M	6%
14	Amwins	244 M	12 M	34%	↑	4.2 M	7%
15	Allied World Assurance Holding Group	218 M	21 M	28%	↑	0.0 M	9%
16	Hartford Ins Group	215 M	17 M	3%	↑	3.8 M	10%
17	Swiss Reinsurance	178 M	11 M	-2%	↓	0.0 M	6%
18	Markel Corporation Grp	176 M	21 M	28%	↑	0.0 M	12%
19	QBE Ins Group	168 M	14 M	15%	↑	0.2 M	8%
20	Arch Capital Group	167 M	13 M	23%	↑	0.2 M	8%
Top 20 Carriers Total		8,251 M	529 M	11%	↑	40.3 M	7%
		4,896 M	252 M	45%		11.4 M	5%
Total		13,147 M	781 M	21%	↑	51.6 M	6%

U.S. Commercial Risk Q3 Rate Change

Product Category	Small / Mid Market	Large
Property	15% - 25%	33%
Workers Comp	0% - 5%	3% - 5%
General Liability	5% - 10%	5% - 10%
Auto	10% - 20%	5% - 10%
Umbrella/Excess	20% - 50%	50% - 60%
D&O Primary - Public		38%
D&O Excess - Public		40% - 60%
D&O PNP		15% - 25%
Cyber / E&O		5% - 10%
Environmental		0% - 5%
Marine		5% - 25%
Aviation		11% - 20%
Crisis Management		3% - 8%

**Q3 Rate
Snapshot**

Aon Client Treaty Update

2020

- 2020 continues to exceed planned rate and flow, needing careful management
- March projection made under huge uncertainty with respect to COVID impact
- Already agreed with the syndicates GWP increase to \$350m with rate being the primary driver
- With May–September under the belt it is evident that premium is tracking even higher, driven by rate and lower new, but higher renewal business

2021

- Optimistic about confirming renewal of ACT for 2021 (earlier than before)
- We are planning for 12.5% rate growth and \$400m facility size (@15% order)
- We expect final negotiations to result in some minor adjustments to \$-limits- emphasis on minor
- Plan is to lock-in the 15% order before we press on with possible new capacity to increase the order

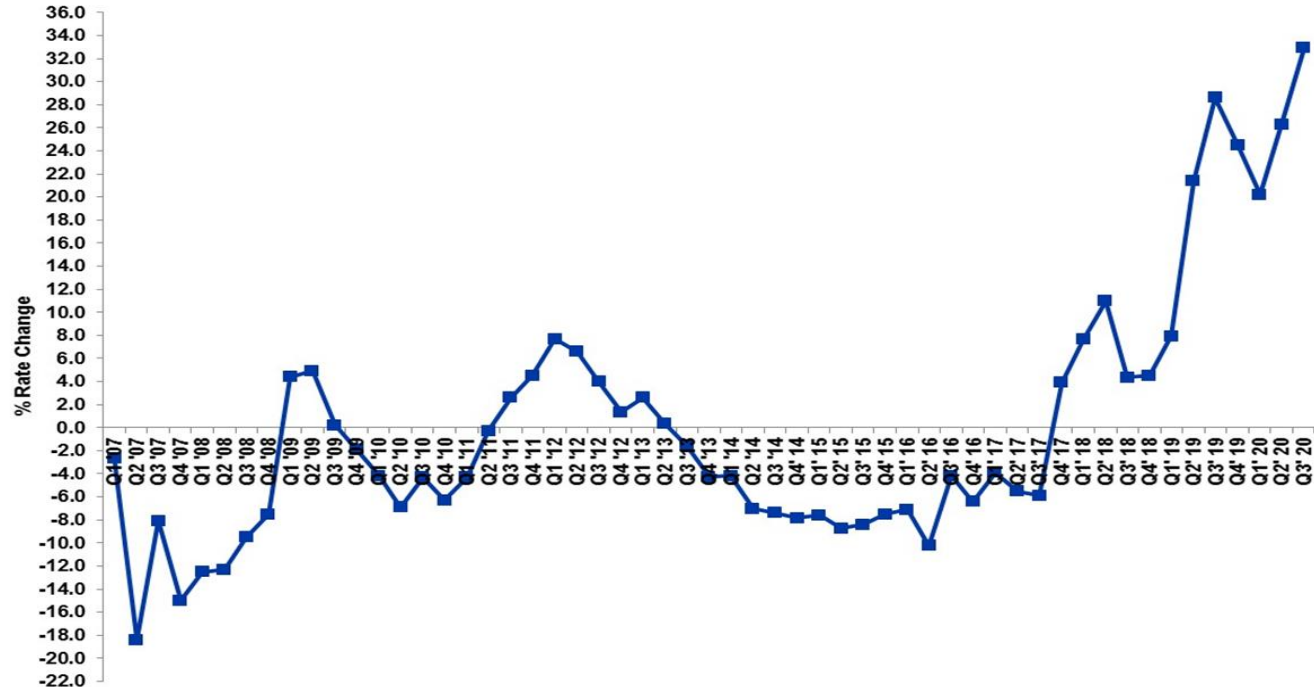




Complex Property

US Property Q3 Pricing

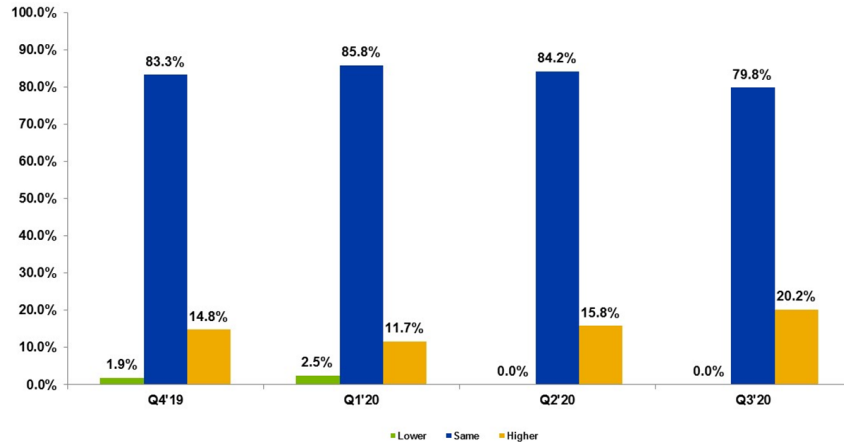
- Q3 continued to show an increased firming in the market. Larger and more complex accounts experienced increased rates on average for the quarter of 32.9%.
- Accounts with difficult occupancies such as food, habitational frame real estate, and hazardous occupancies are experiencing significantly higher rate increases



US Property Q3 Overview

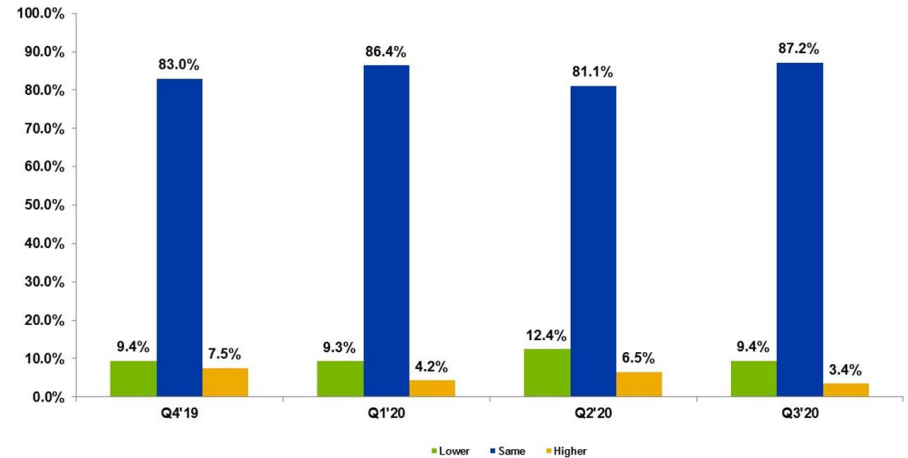
Change in Deductibles / Retention

- Most insureds are renewing the same deductibles/retentions. Many insureds are considering higher deductibles/retentions to offset upward rate pressure



Change in Limits

- Majority of clients purchased the same limits, however, we are seeing an increase trend in clients electing to purchase lower limits

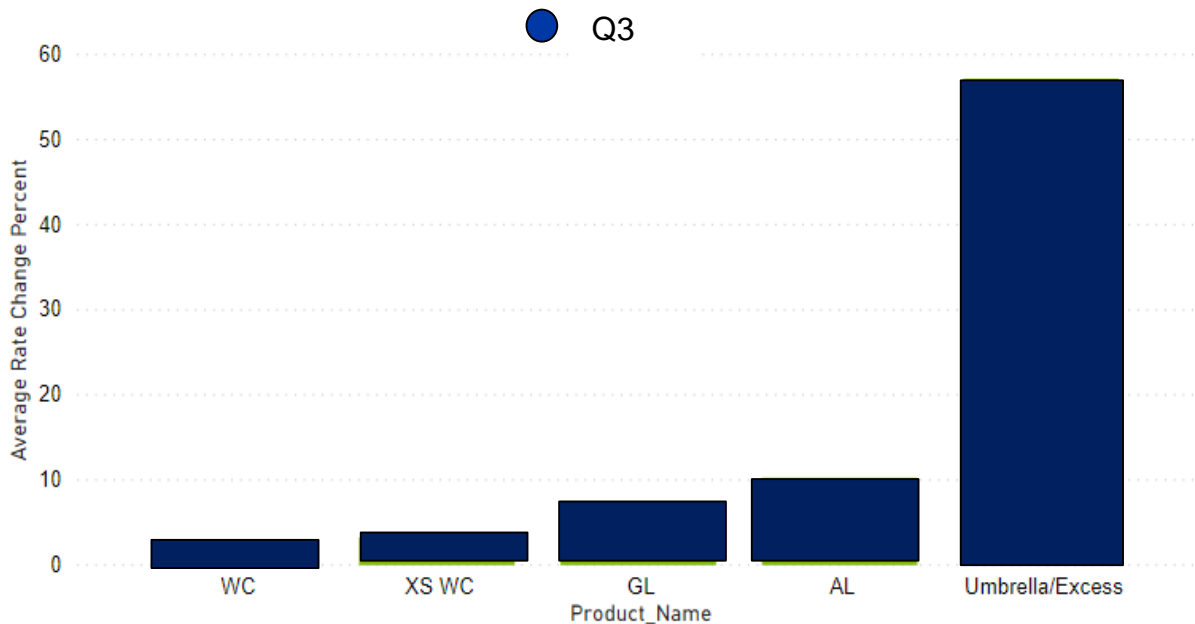




Complex Casualty

US Casualty Q3 Pricing

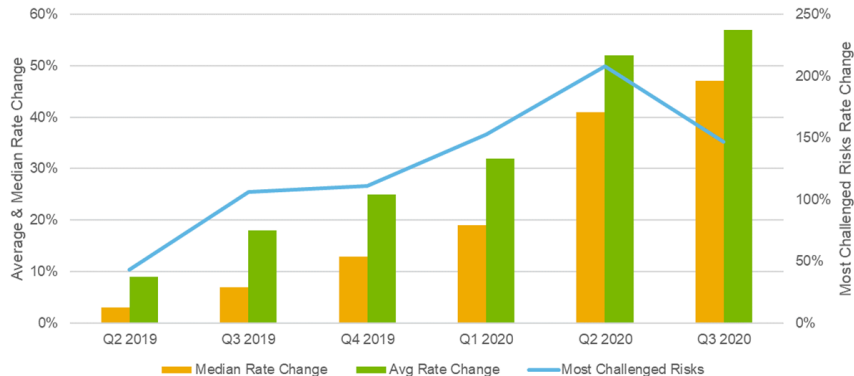
- In Q3, General Liability and Auto Liability rates were still up materially, driven by increased primary limits (accommodating umbrella).
- Workers' Compensation rates were also increased relative to Q1 – Q2, facing pricing pressure from reduced exposures.
- In Q3, Umbrella/ Excess rates continued their dramatic rise—as markets drive premium increases and reductions in capacity contributing to less competition for lead and excess layers.



US Umbrella / Excess Q3 Overview

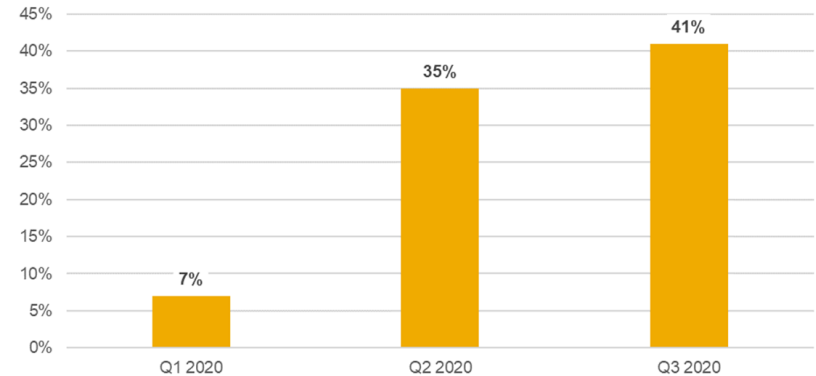
Rate Change Trending

- For our Q3 renewals, median and average rate changes were 49% and 57% respectively for the whole tower
- For our most challenging 20% of programs, average rate increase was 144%, down from 208% last quarter. For the other 80% of clients, rate increases averaged 44%.
- Rate increases in Q3 were exacerbated by client exposure reductions.



Umbrella/ Excess Change in Limits

- Many more clients reduced Umbrella and Excess limits purchased in Q3 than Q2. In some cases limits were reduced due to available capacity in the marketplace and in other cases due to pricing
- In Q3, 41% of all clients reduced their limits. This was up from 35% in Q2, and the steady-state of 5-10% in the quarters preceding Q2.





Public D&O

US Public D&O Q3 Pricing

- Primary and excess layers premiums are rising due to surge in Security Class Action (SCA) lawsuits, larger/higher settlements, and economic concerns.
- COVID-19 exposure concerns are expected to have a significant impact, both from direct suits as well as indirect exposures such as bankruptcy / financial distress. At least 22 COVID-19 related Federal SCAs have been filed year-to-date (through September 2020).

