



Middle Market Rate Change Q2 2020 Results and Q3 2020 Trends

Casualty Market Overview Themes: Q2 Results and Q3 Trends



Pricing

Rate change varied depending on coverage. Auto and Umbrella/Excess are where we are seeing most of the pressure



Limits

Maintaining limits



Retentions

General stability given minimal incentives to change, however, this is not true for accounts with poor loss history and/or challenging exposures



Coverage

Enhancements available on a case by case basis. Distinct issues with Opioids, Abuse and Molestation, Wildfires, Cannabis, and CTE/CBI, COVID-19/Communicable Diseases



Capacity

Continues to be more than adequate for most classes, but lead umbrellas are compressing limit

- WC rates** are trending flat to 5%, GL appears to be firming with the majority indicating up 5% to 9.9%; Auto remains up around 10% to 19.9% or in some cases much higher; Umbrella and Excess Liability continued their dramatic rise—as markets drive premium increases most insureds experiencing 20%-50% increases or significantly higher depending on exposures
- Outlook:** We expect rate change averages for Auto similar to the current quarters. There appears to be slight trend in firming in WC that we expect to continue. Expect GL, Umbrella and Excess liability rates to continue to firm with Umbrella and Excess Liability market remaining the hardest
- The predominant outcome is to renew the same limit as expiring. Some clients are reducing total limits purchased due to pricing
- Outlook:** We expect most insureds to renew as expiring and to see continued buying of additional limits in a limited number of situations (exposure growth, risk specific issues, etc.)
- Most clients maintained deductible/retention levels and umbrella attachment points. However, more accounts are feeling pressure to move to a \$2M CSL for Auto and \$2M/\$4M/\$4M for GL to meet minimum umbrella attachment points
- Outlook:** This trend will continue with the exception of accounts with poor loss history and challenging exposures. These accounts will be under pressure for change
- Coverage/program design enhancements may be available; insurers continue to restrict coverage for established and emerging risks including developing responses to Covid-19
- Outlook:** Reasonable coverage/program design enhancements continue to be achievable; underwriter scrutiny around emerging risks will continue; more focus will be seen regarding accumulation of limits at risk on a potential single loss scenario
- Excess is trending downwards as a result of market appetite change, loss activity, and market consolidation. Short limit lead umbrellas are becoming more common and often lead to synthetic rate increases
- Outlook:** Market consolidation and loss activity trends may continue to impact excess limits as markets manage total capacity deployed on individual risks as well as loss challenged classes. The legal environment in states such as California, New York and Louisiana is making General Liability, Auto, and Umbrella placements particularly difficult, with some insurers withdrawing from the market or restricting capacity

Property Market Overview Themes: Q2 Results and Q3 Trends

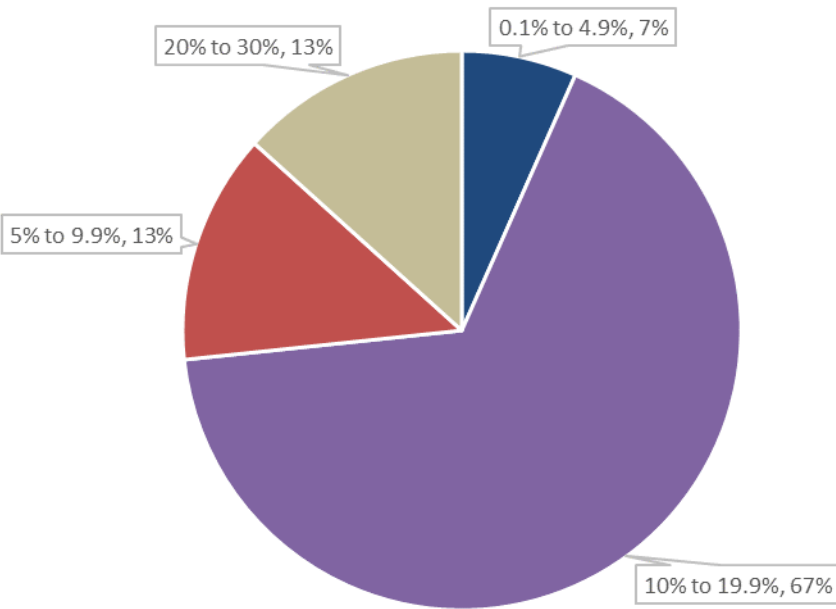


Pricing	Limits	Retentions	Coverage	Capacity
Property continues trend of rate increases	Most clients maintaining limits	Clients maintaining the same deductible/retention	No material change in traditional "all-risk" property coverage. Coverage extensions are being further scrutinized	Continues to be adequate

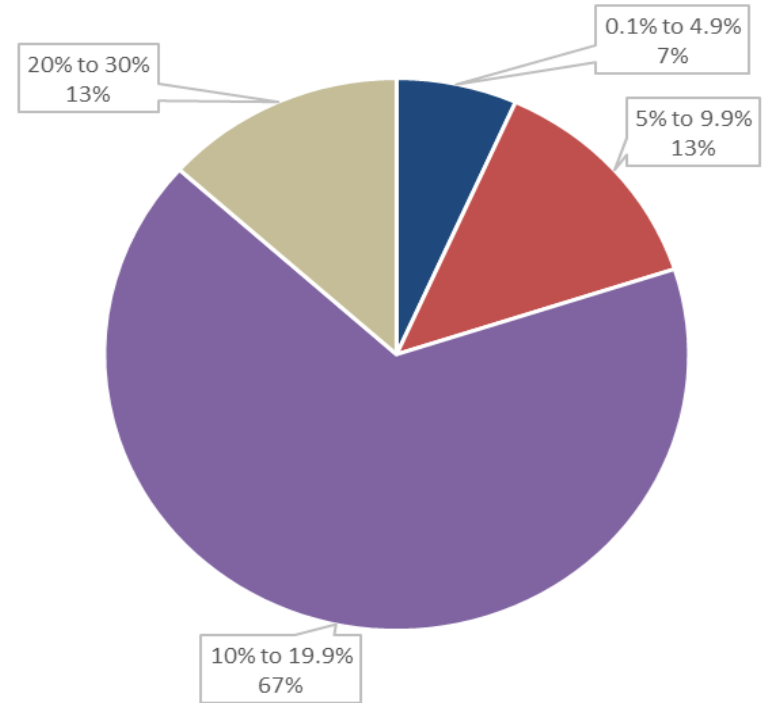
- Pricing**
 - Average Property rates continue to increase 15% to 25%, however accounts with losses, heavily CAT exposed or in difficult occupancies such as food, habitational frame real estate, and hazardous occupancies are seeing significantly higher rate changes
 - Outlook:** Rate pressure is expected to continue into 2020. Many insurers are continuing to push rates higher toward what they believe are sustainable levels to address increased risk and natural catastrophe losses. Those accounts with poor experience, natural catastrophe exposures and in difficult and hazardous occupancies will continue to experience significant pressure
- Limits**
 - Majority of clients continue to purchase the same limits
 - Outlook:** Meaningful changes to limits are not expected for most buyers; however, some clients will seek some rate relief by lower limits
- Retentions**
 - Most insureds are renewing the same deductibles/retentions. Many insureds are considering higher deductibles/retentions to offset upward rate pressure
 - Outlook:** We expect carrier scrutiny around catastrophe percentage deductibles, particularly with deductible caps and more focus on hail deductibles
- Coverage**
 - No material change in traditional "all-risk" property coverage and broad "all-risk" property coverage is readily available in the market. Coverage extensions are being further scrutinized especially communicable disease, civil unrest, protests and riots, loss of attraction, contingent time element and cyber
 - Outlook:** Insurers are mandating COVID-19 exclusions to clarify their intent to not cover losses from it and other pandemics. Also, there is renewed scrutiny on Contingent Time Element coverage with underwriter questions around supply chain and business continuity management. Cyber Property cover will continue to be underwritten carefully as uncertainty in the space continues
- Capacity**
 - Capacity levels remain stable but carriers remain conservative deploying capacity. Within certain problematic, loss-driven classes of business, retraction in capacity is still occurring
 - Outlook:** We have seen some insurers moving from higher maximum lines to lower working lines due to poor experience. Some carriers have exited specific occupancy classes which have proven unprofitable or moving away from primary layers. Carriers who have hit premium growth goals for 2020 remain conservative and opportunistic on new business

Middle Market Rate Changes - 2020: Auto Liability

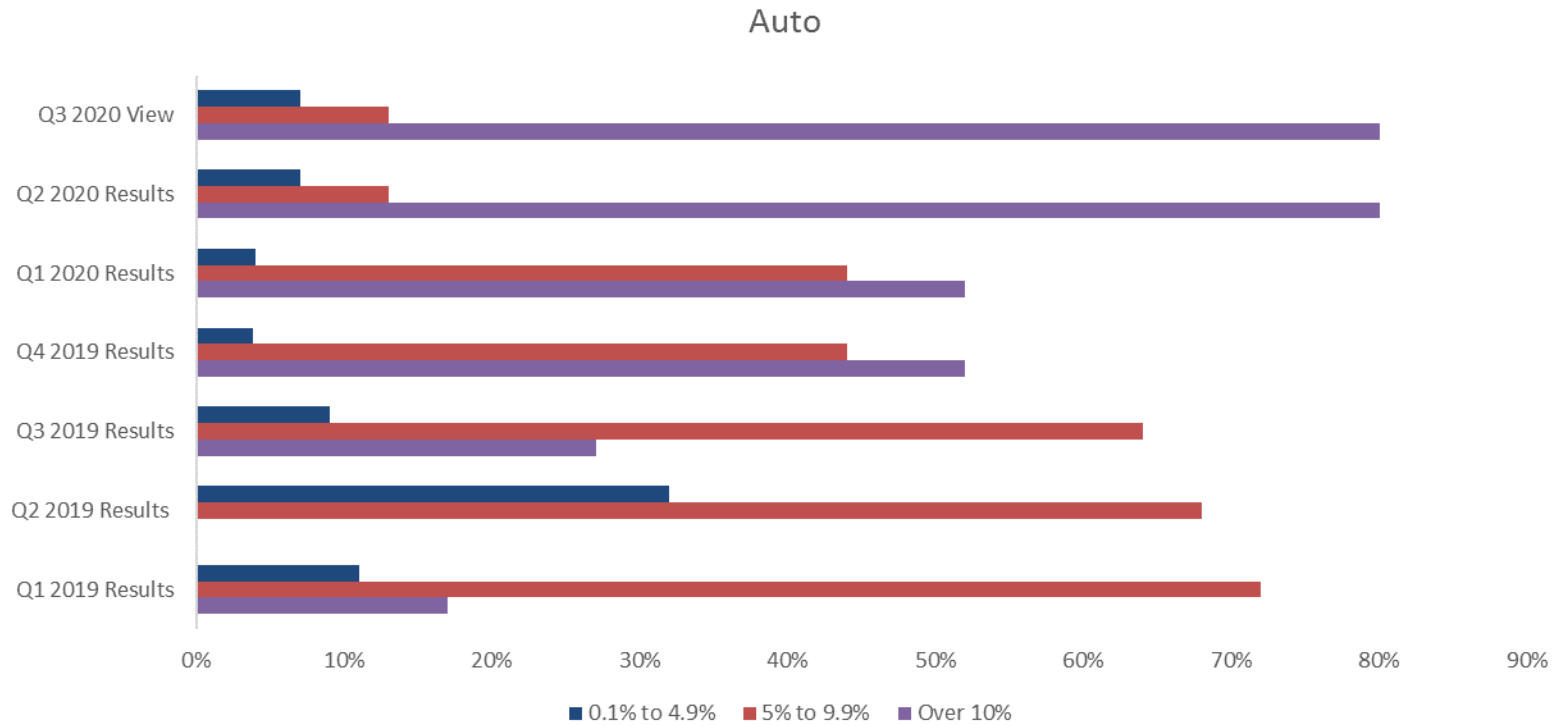
Auto Q2 2020 Results



Auto Q3 2020 Trends

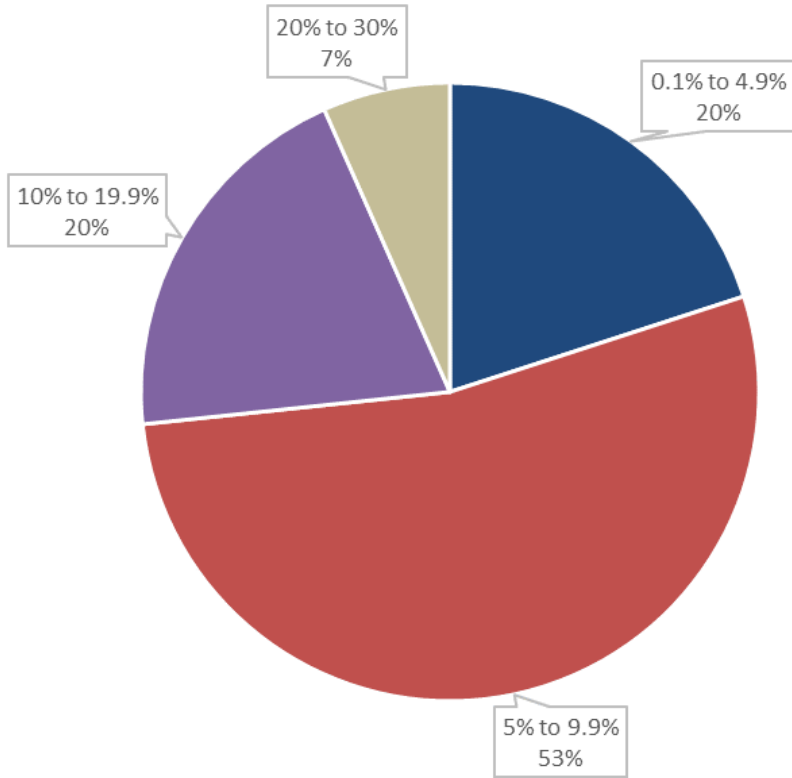


Middle Market Rate Changes – 2020: Auto Liability Quarterly Comparison

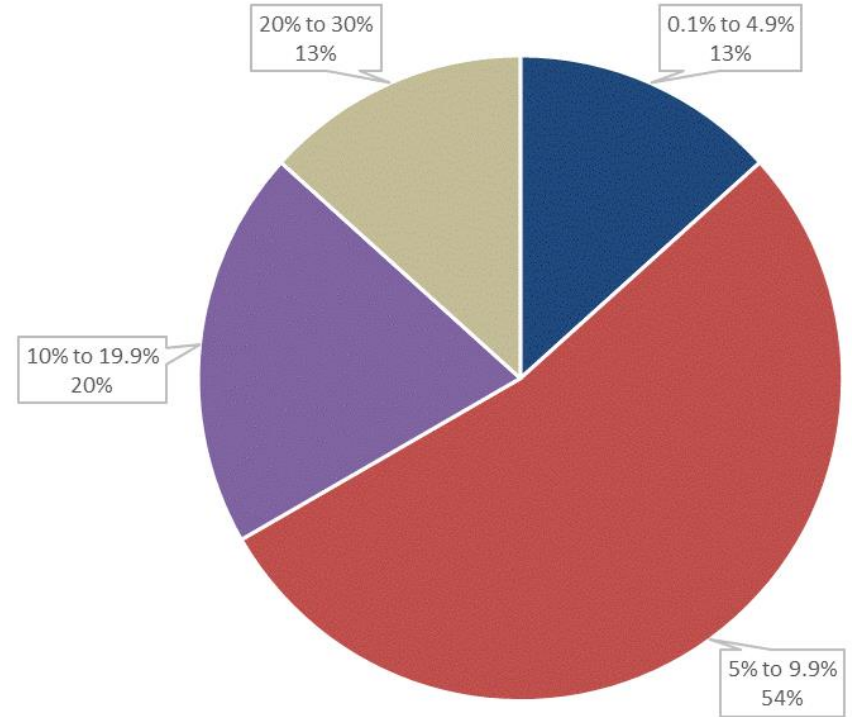


Middle Market Rate Changes - 2020: General Liability

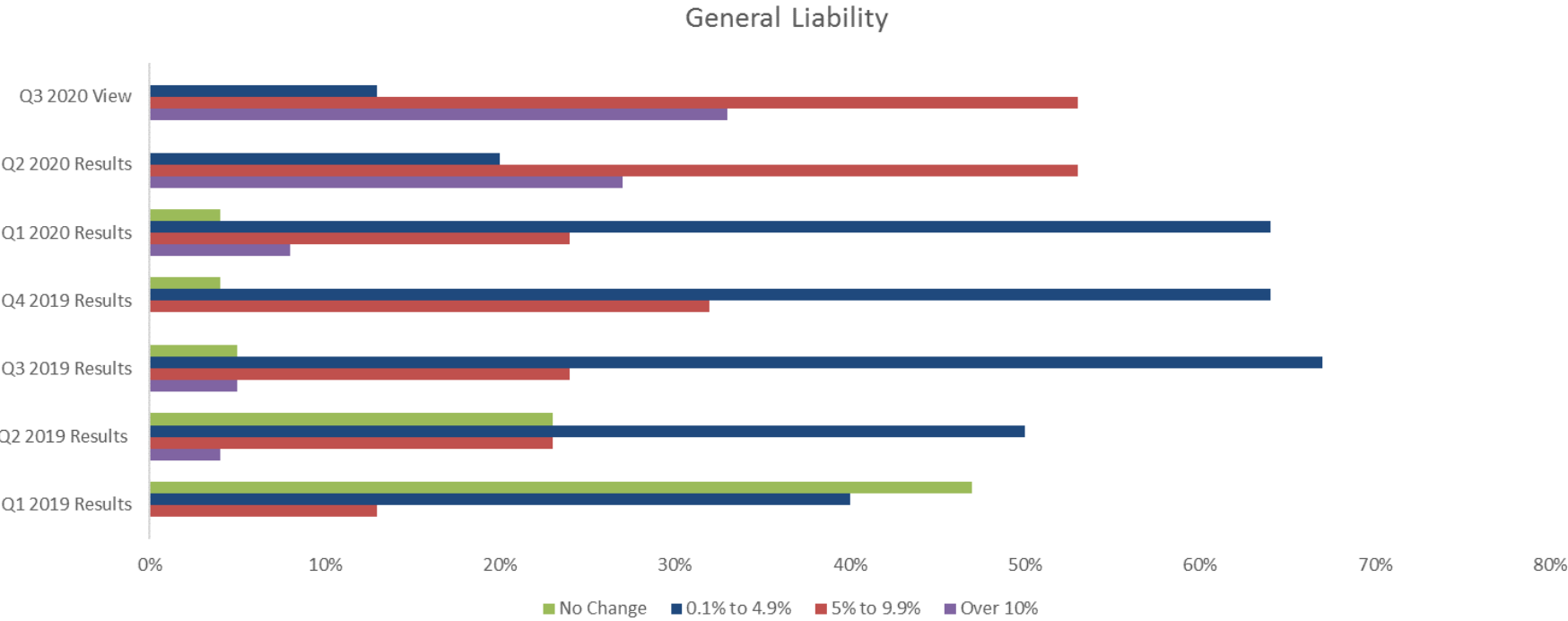
General Liability Q2 Results



General Liability Q3 Trends



Middle Market Rate Changes – 2020: General Liability Quarterly Comparison

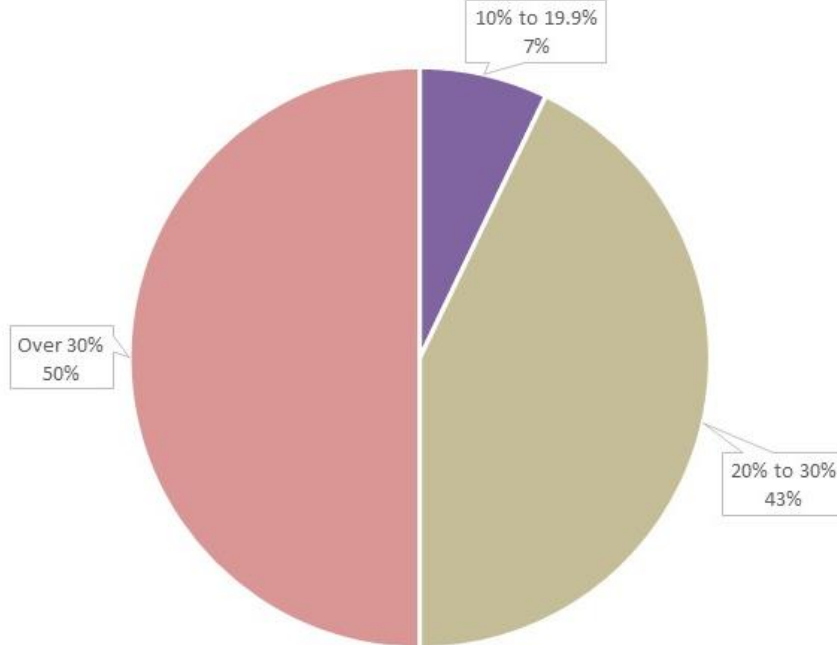


Source: Aon

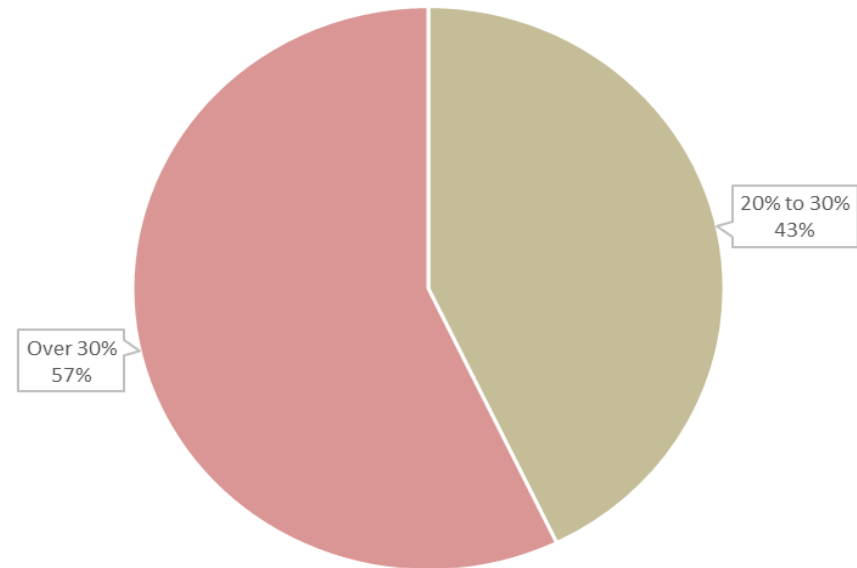


Middle Market Rate Changes - 2020: Umbrella Liability

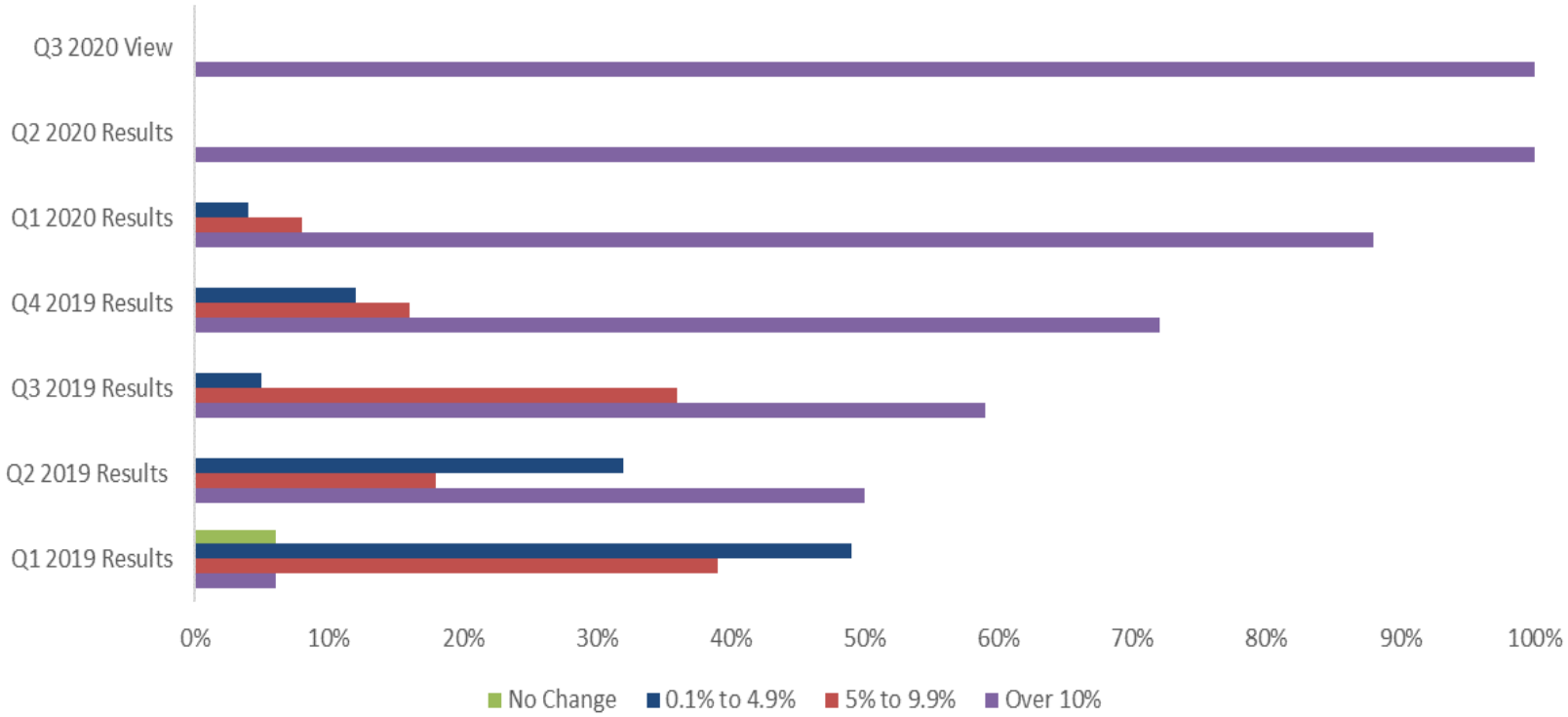
Umbrella Liability Q2 Results



Umbrella Liability Q3 Trends



Middle Market Rate Changes – 2020: Umbrella Liability Quarterly Comparison

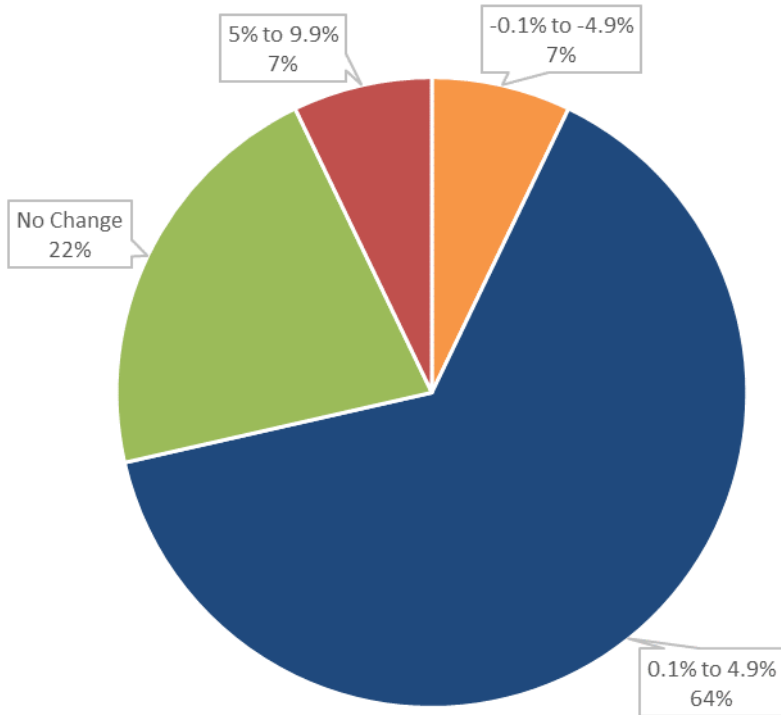


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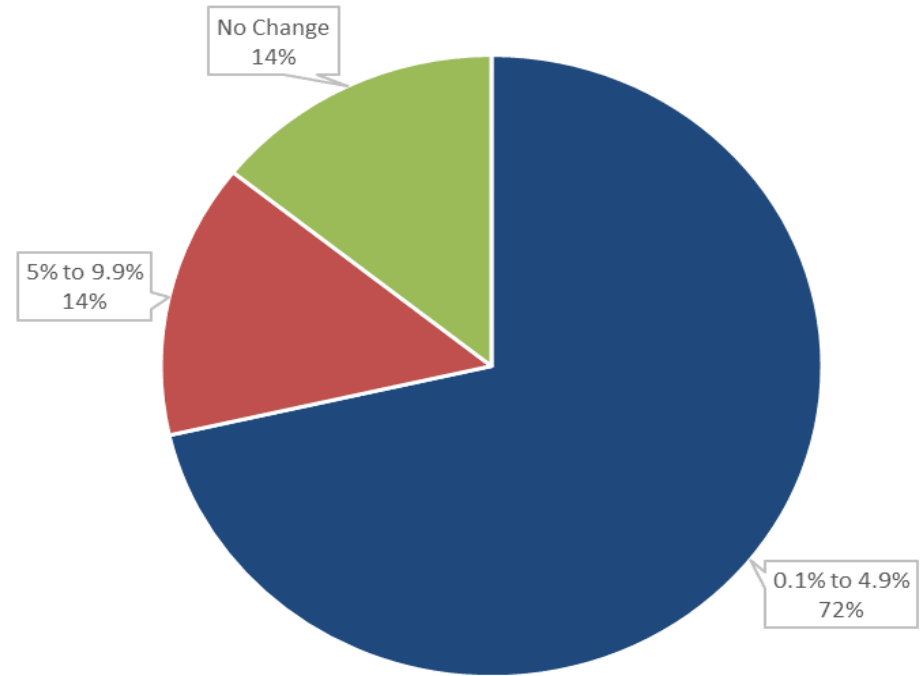


Middle Market Rate Changes - 2020: Workers Compensation

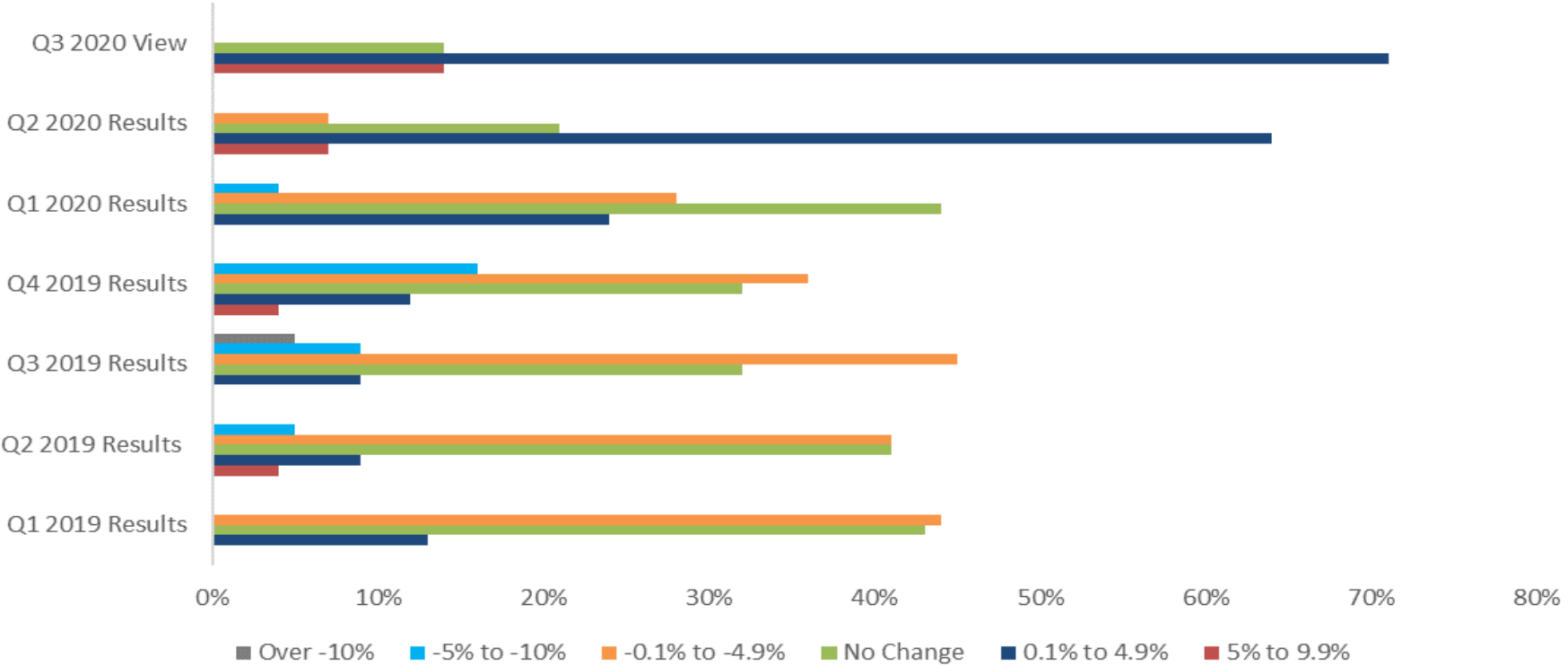
Workers Compensation Q2 Results



Workers Compensation Q3 Trends



Middle Market Rate Changes – 2020: Workers Compensation Quarterly Comparison

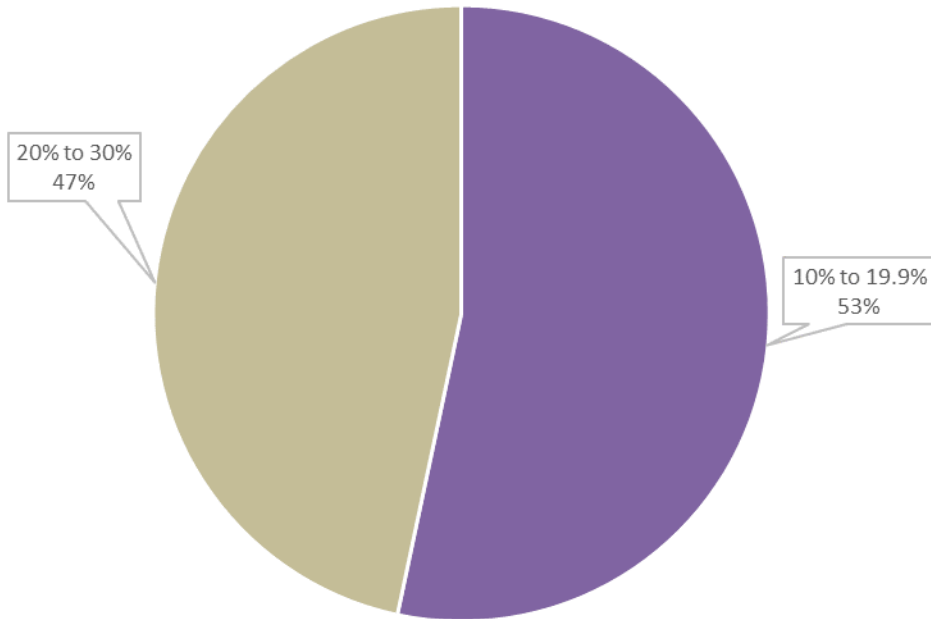


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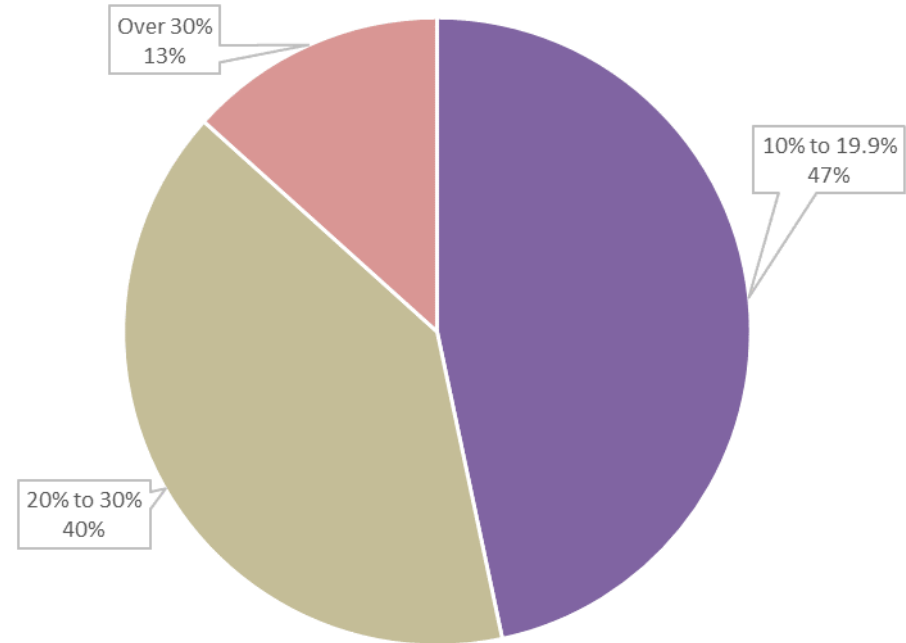


Middle Market Rate Changes - 2020: Overall Property

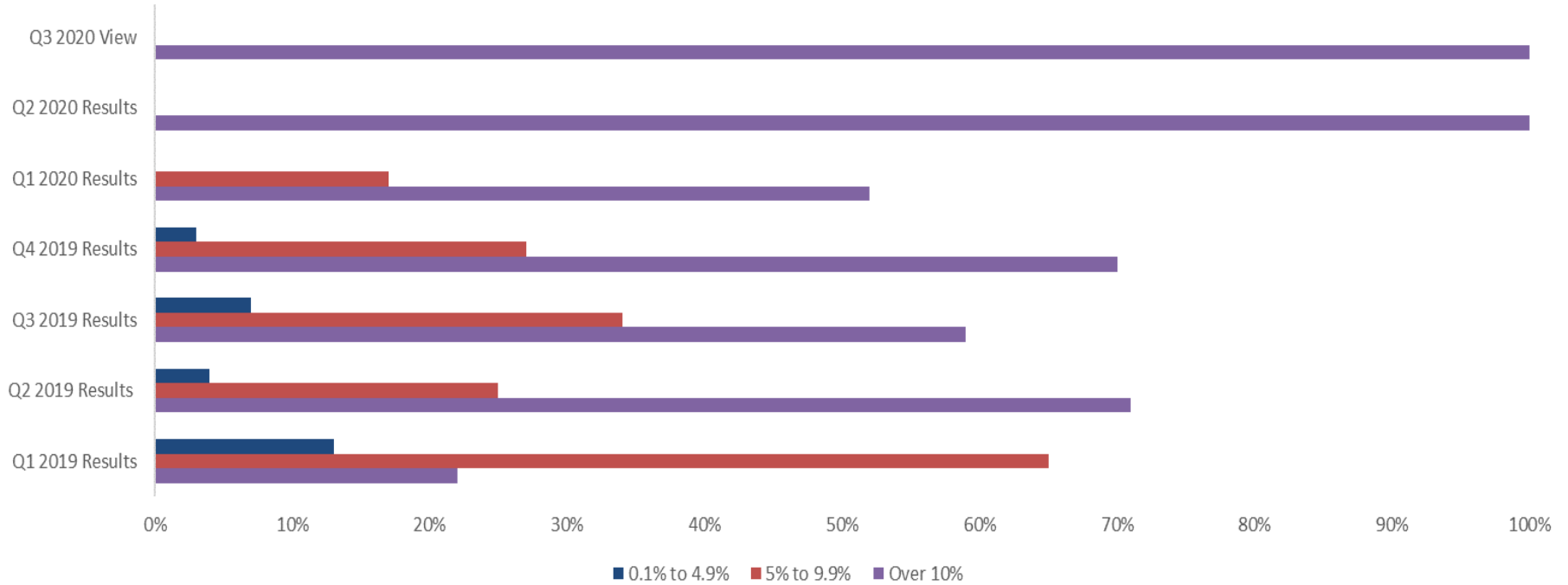
Overall Property Q2 Results



Overall Property Q3 Trends

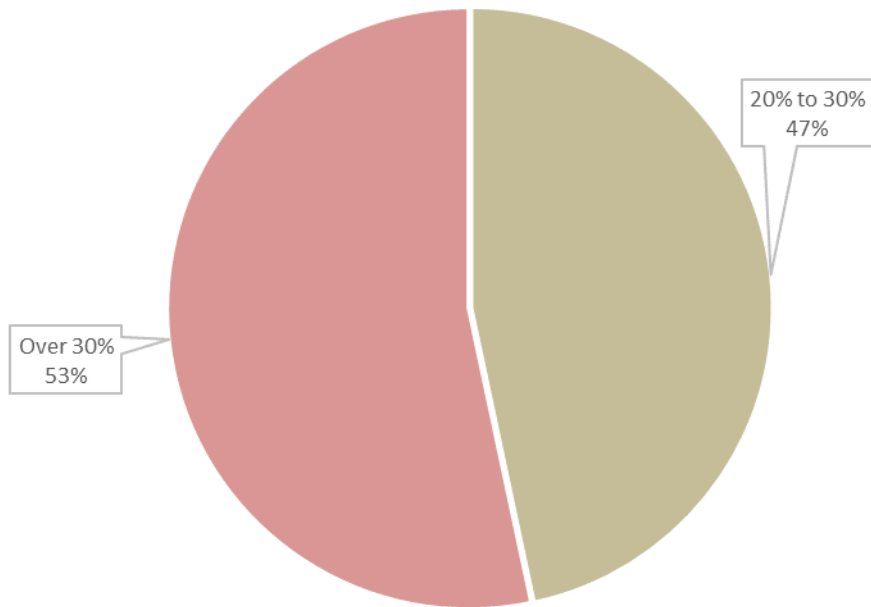


Middle Market Rate Changes – 2020: Overall Property Quarterly Comparison

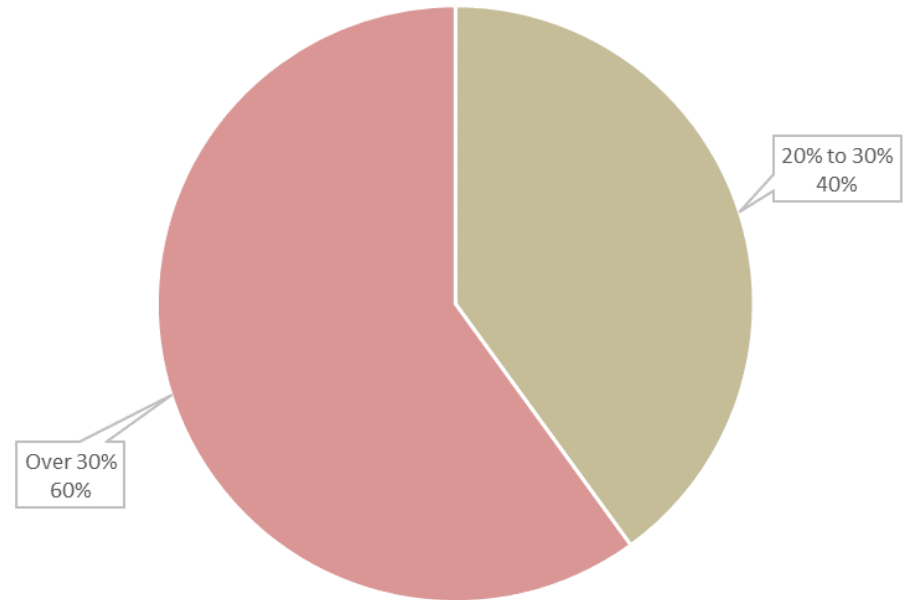


Middle Market Rate Changes - 2020: Property (Heavy CAT)

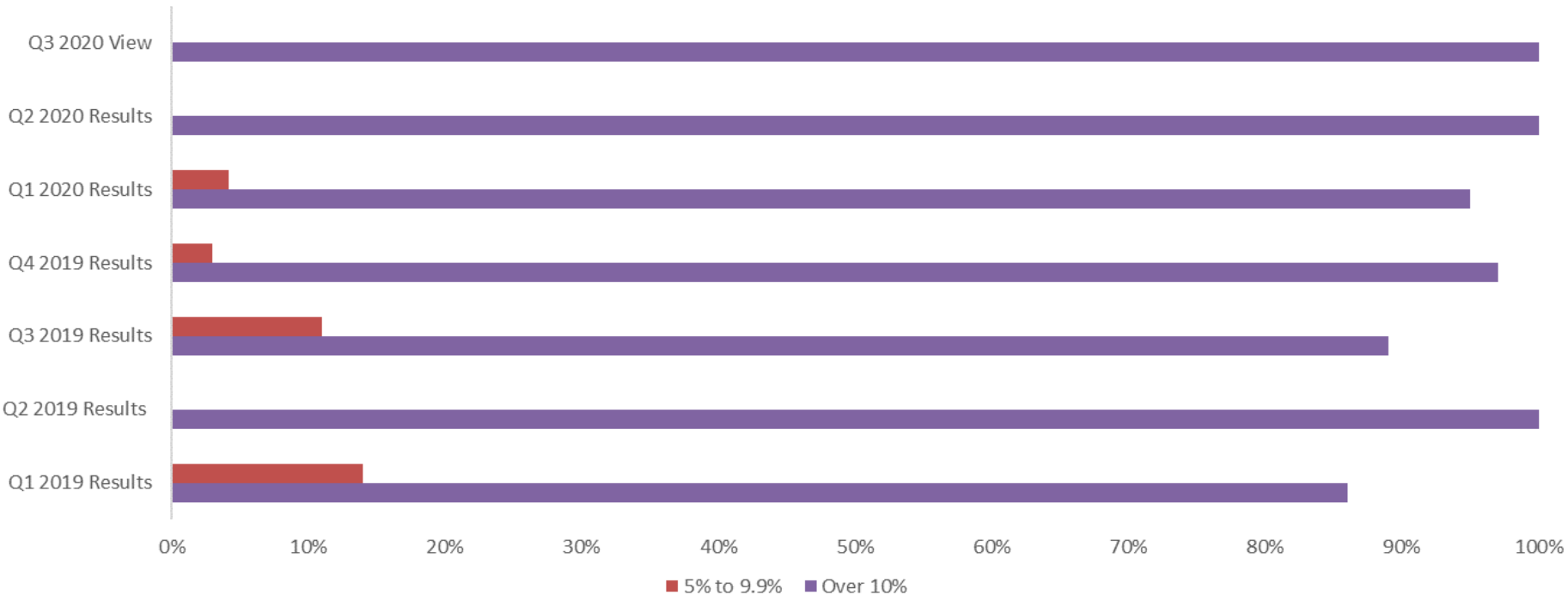
Property (Heavy CAT) Q2 Results



Property (Heavy CAT) Q3 Trends

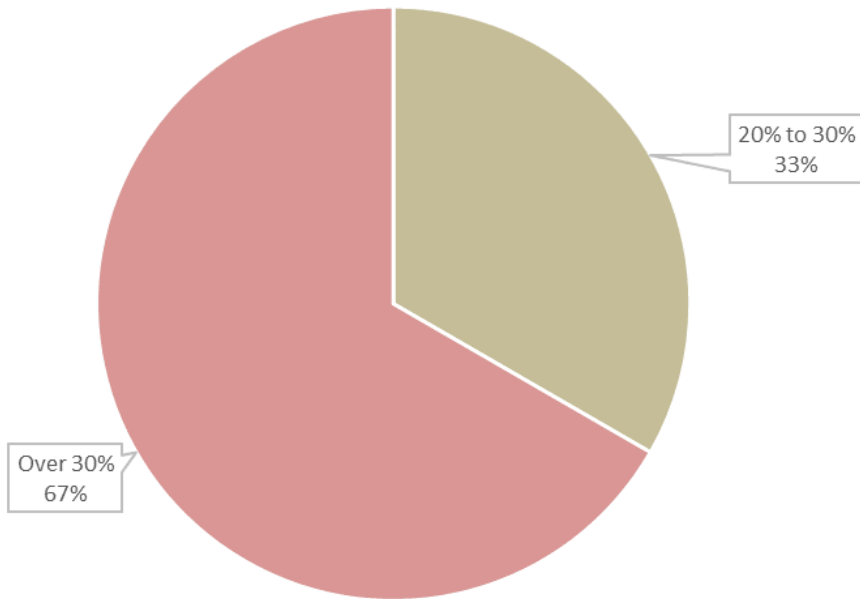


Middle Market Rate Changes – 2020: Property (Heavy CAT) Quarterly Comparison

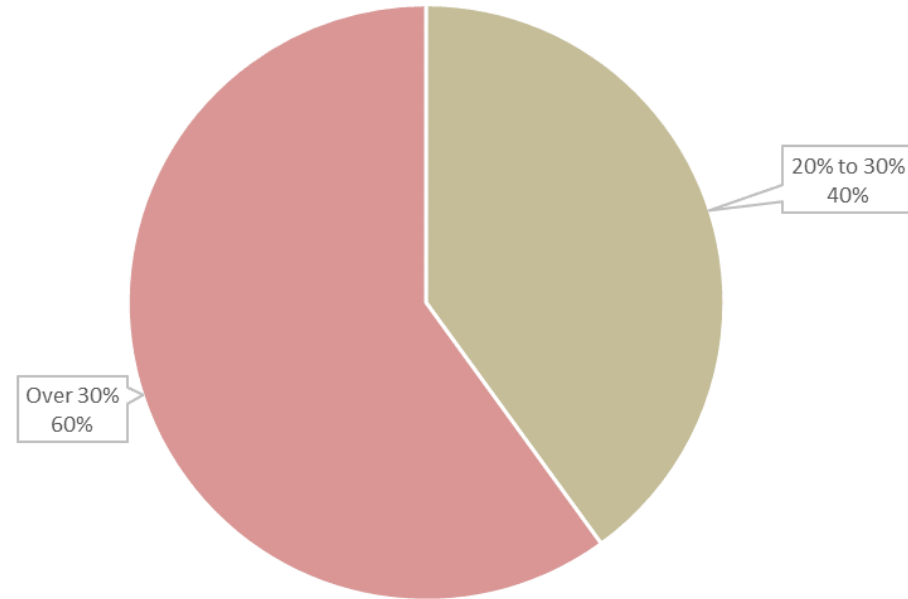


Middle Market Rate Changes – 2020: Property (With Losses)

Property (With Losses) Q2 Results

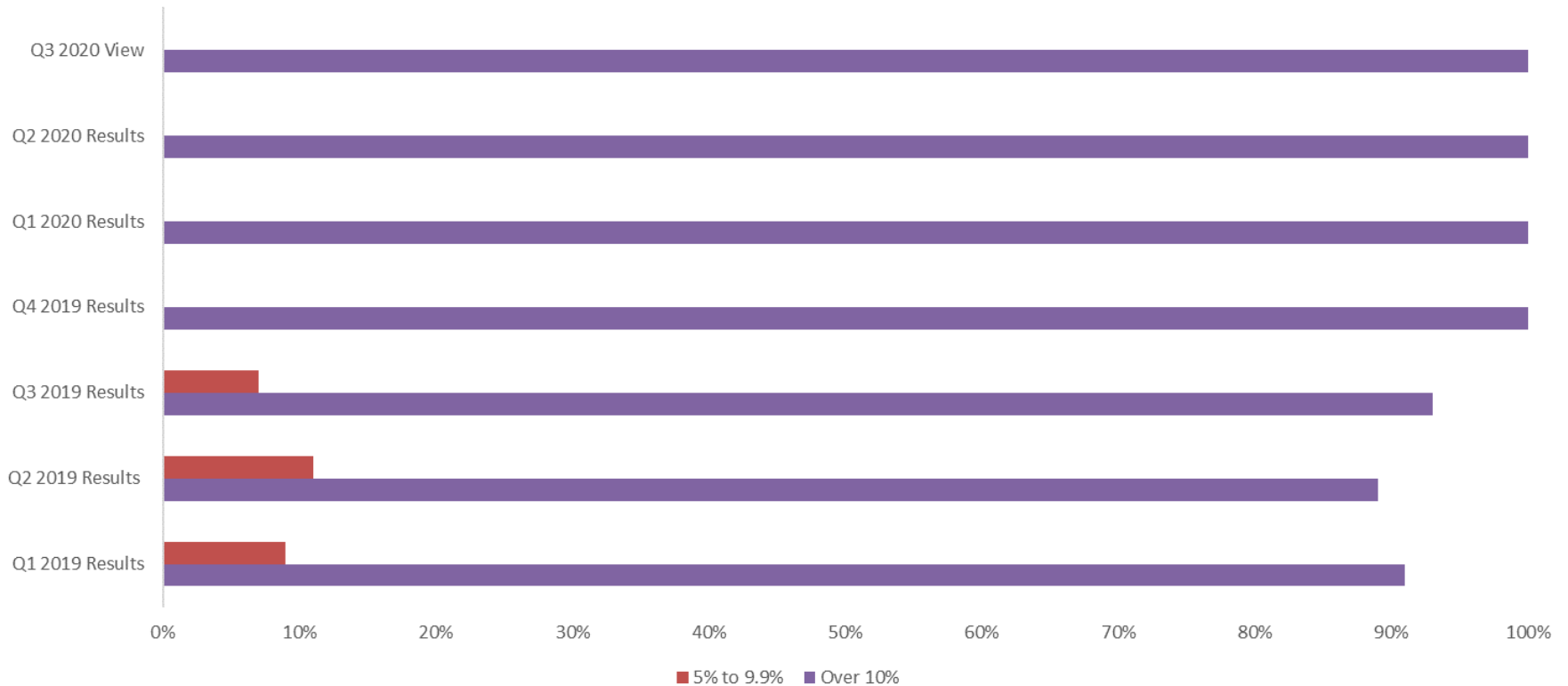


Property (With Losses) Q3 Trends



Middle Market Rate Changes – 2020: Property (With Losses) Quarterly Comparison

Property (With Losses)

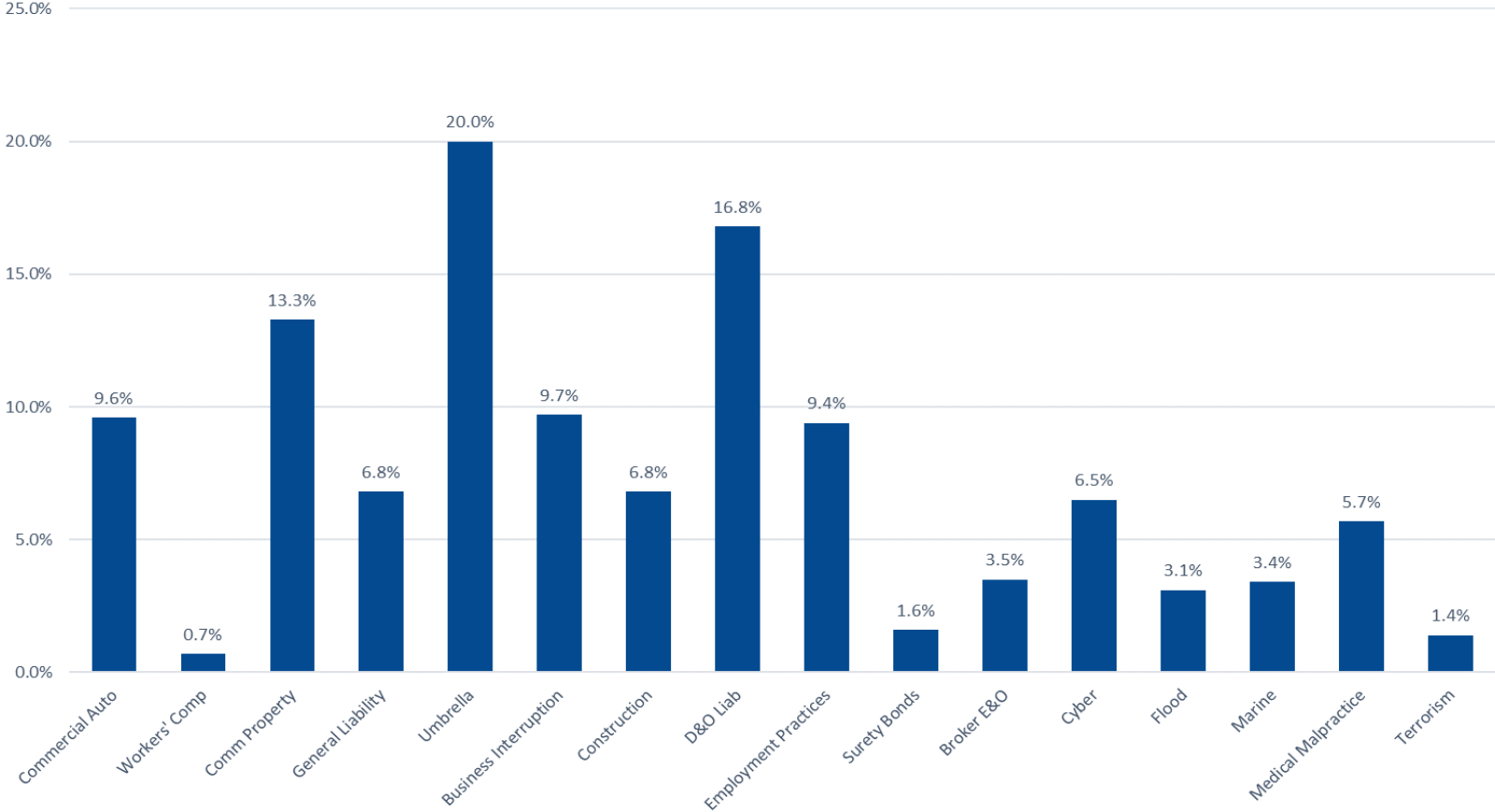




Data from Council of Insurance Agents & Brokers (CIAB) by Line of Business Rate Changes

Change in Commercial Rate Renewals, by Line: 2020: Q2

Percentage Change (%)

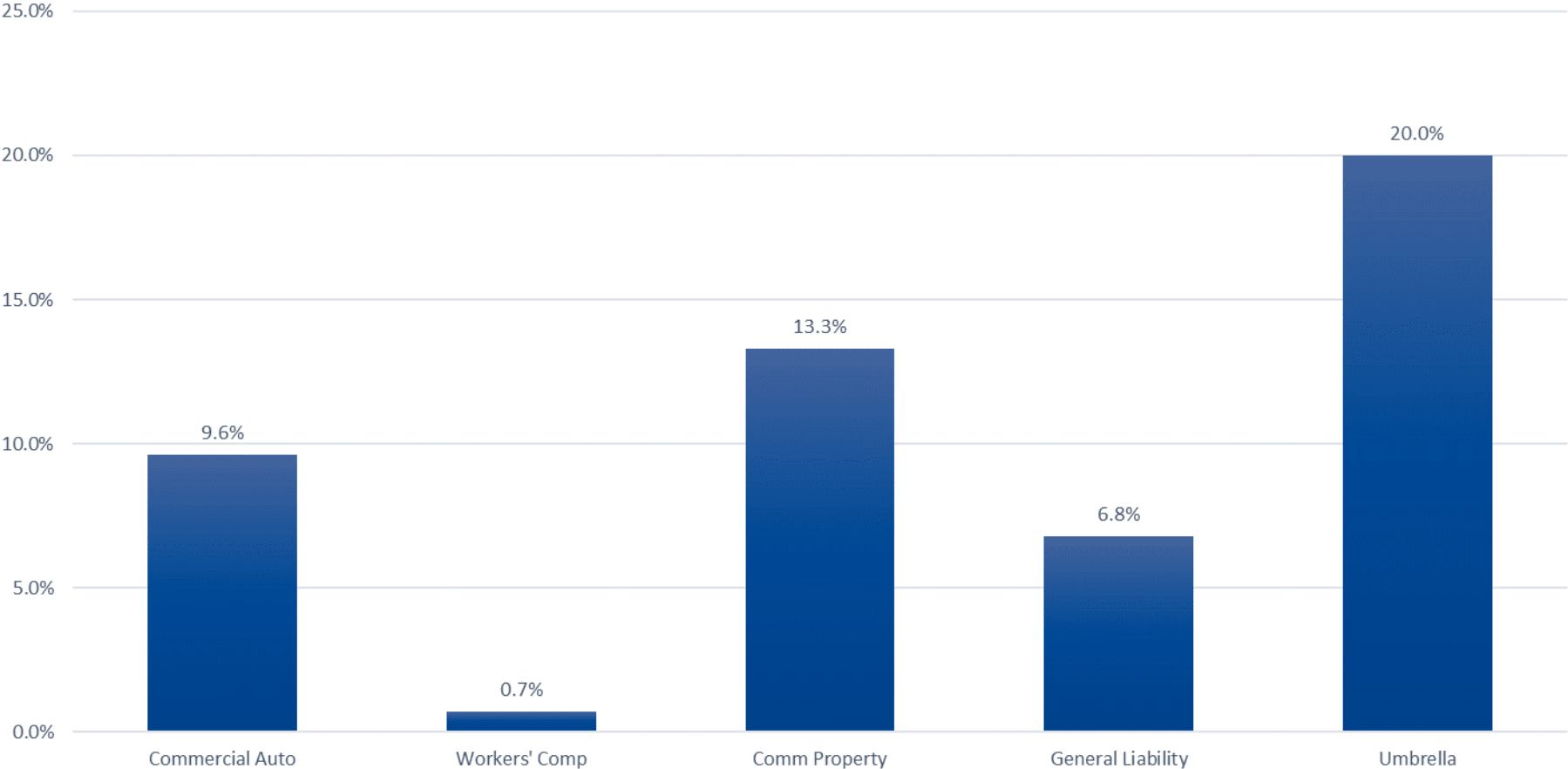


Source: The Council of Insurance Agents & Brokers



Change in Commercial Rate Renewals, by Line: 2020: Q2

Percentage Change (%)

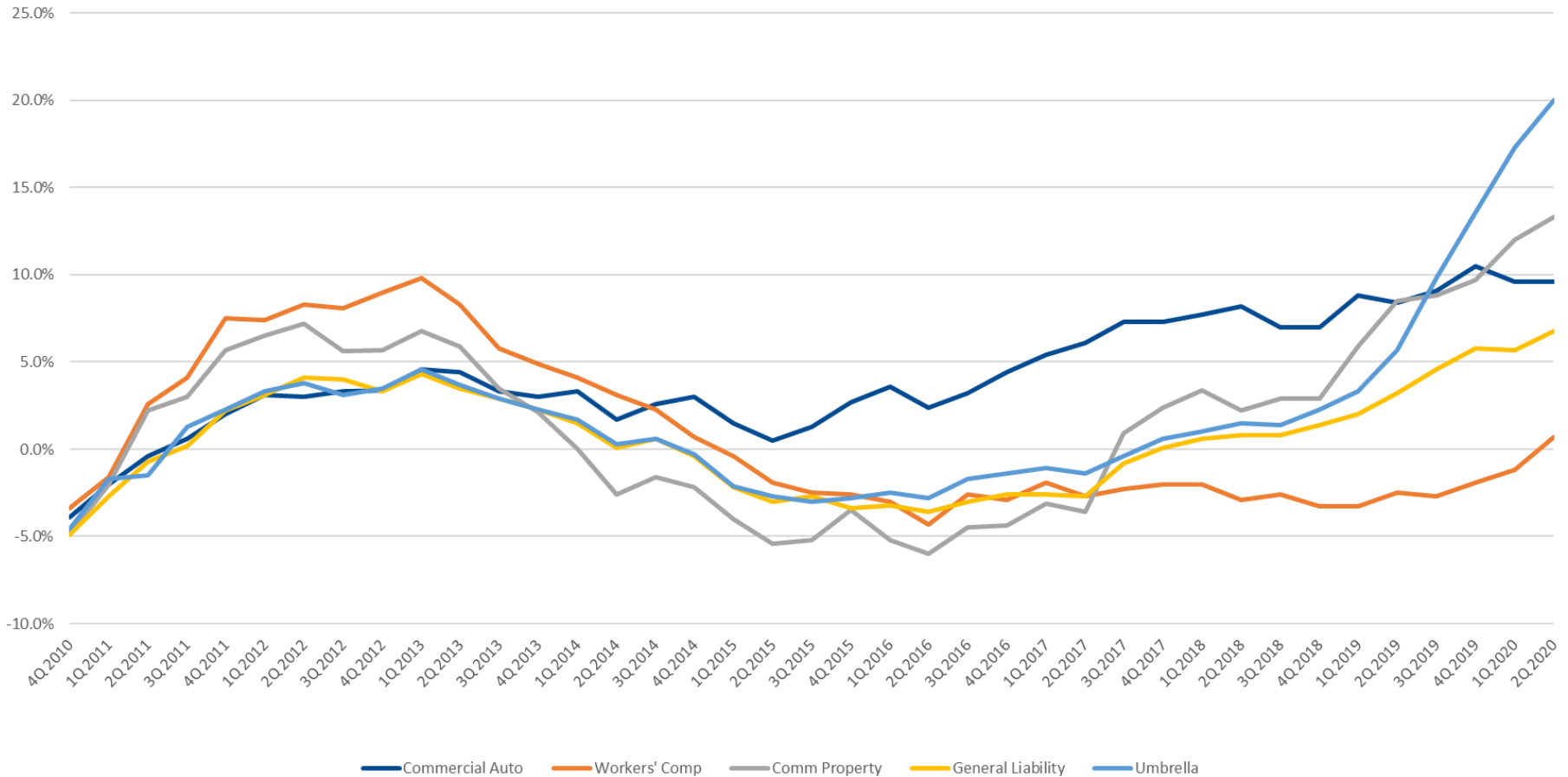


Source: The Council of Insurance Agents & Brokers



Change in Commercial Rate Renewals, by Line: 2020: Q2

Percentage Change (%)

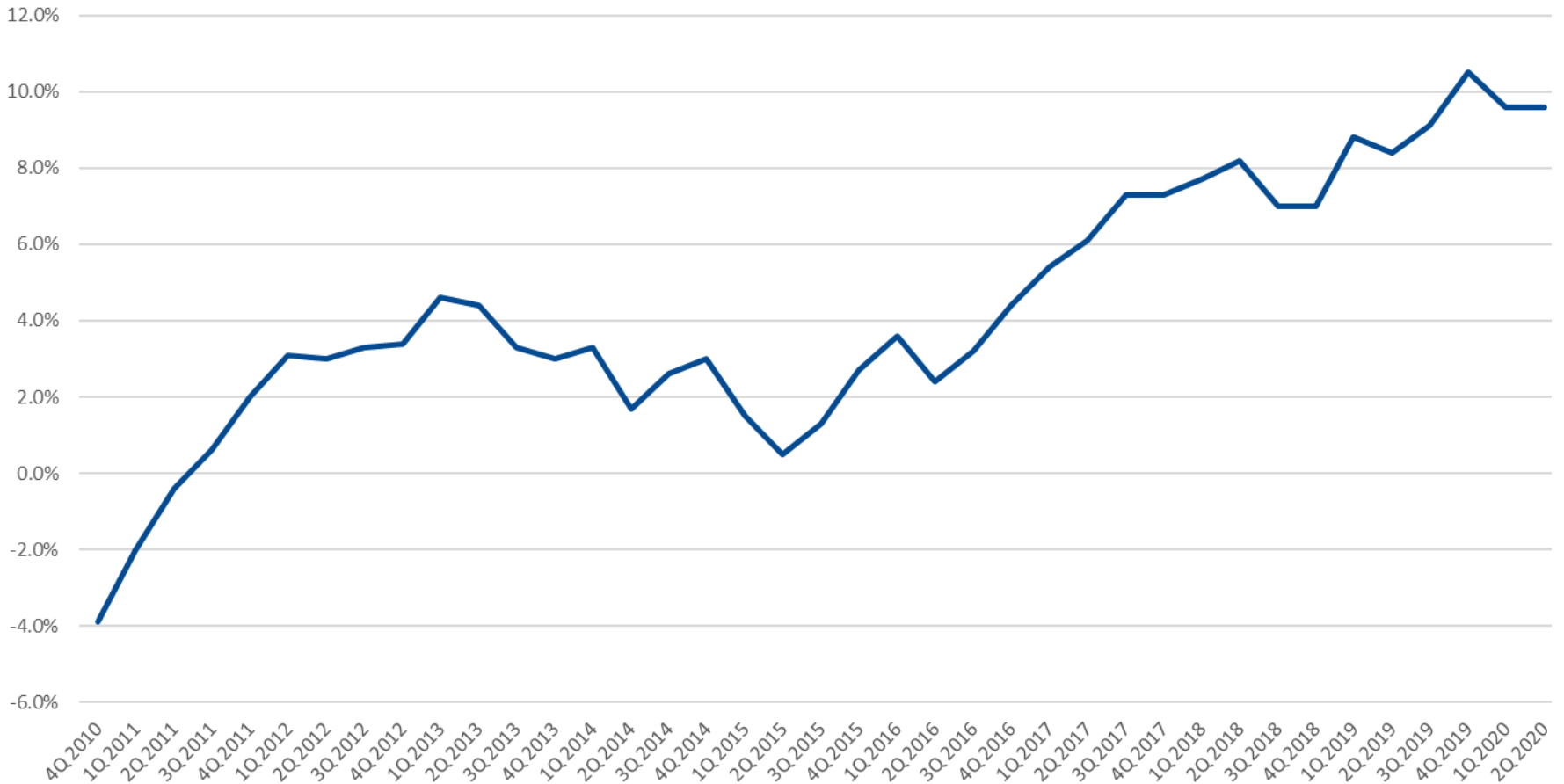


Source: The Council of Insurance Agents & Brokers



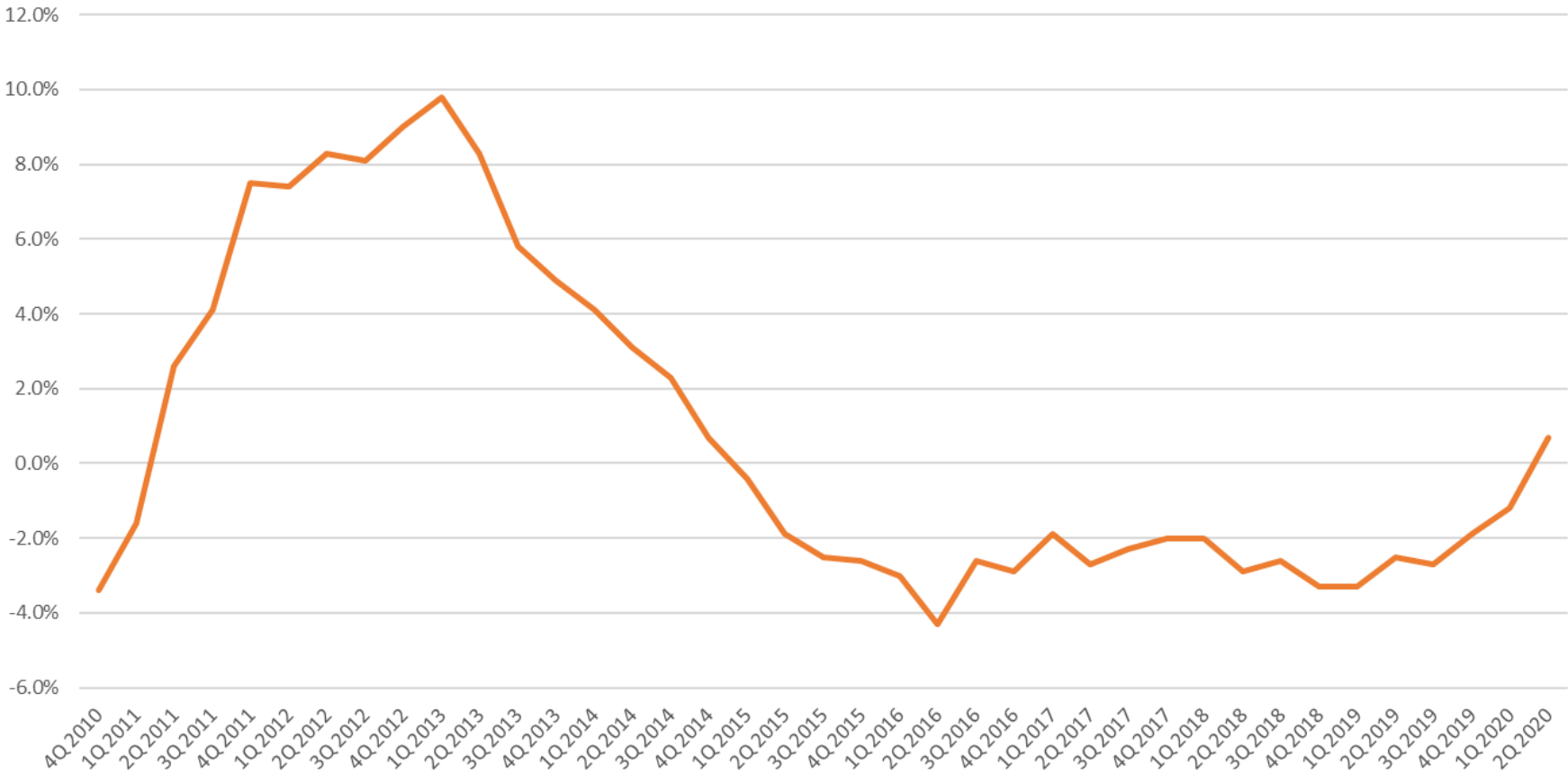
Change in Commercial Rate Renewals, Commercial Auto: 2020: Q2

Percentage Change (%)



Change in Commercial Rate Renewals, Worker's Comp: 2020: Q2

Percentage Change (%)

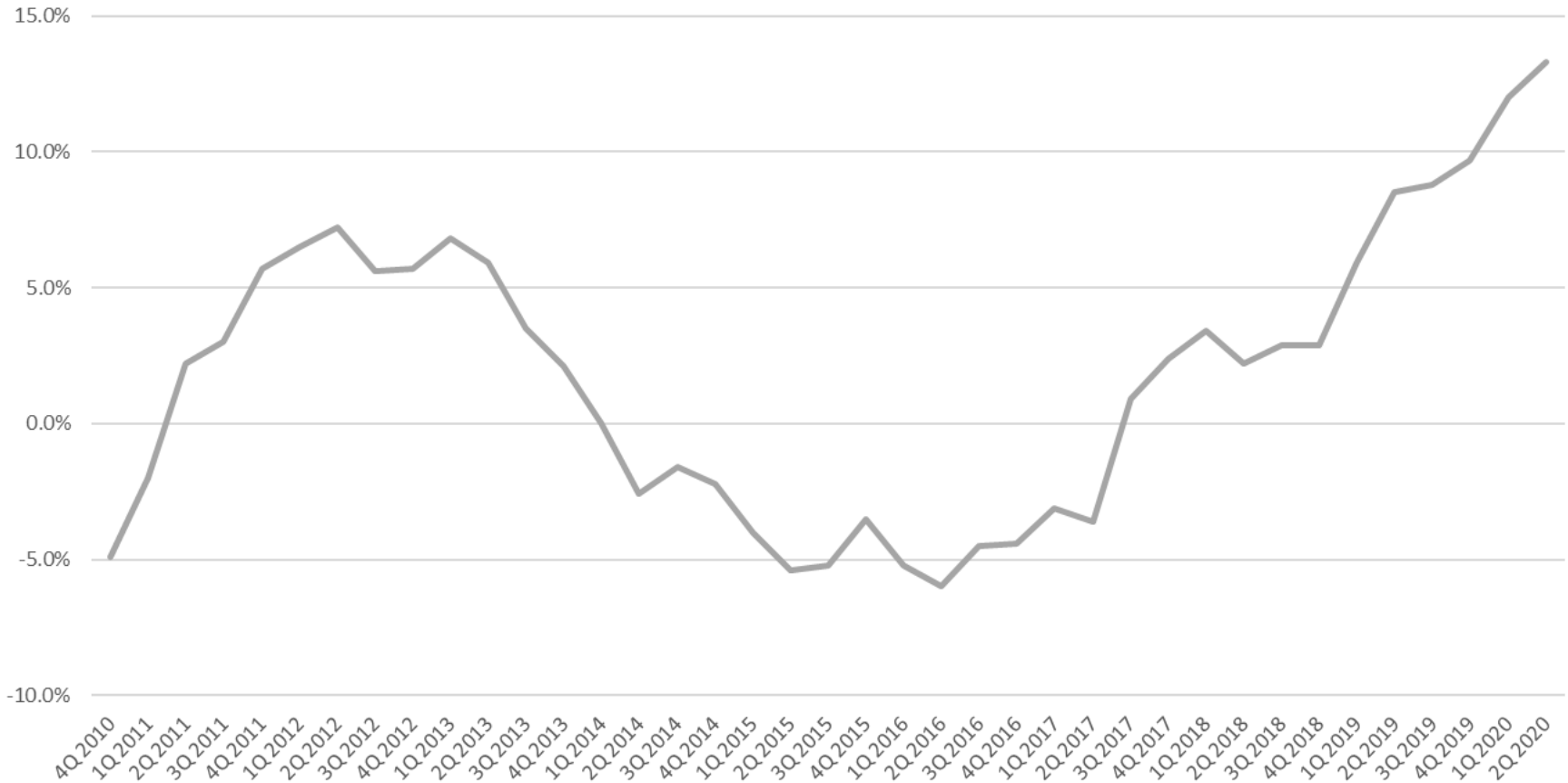


Source: The Council of Insurance Agents & Brokers



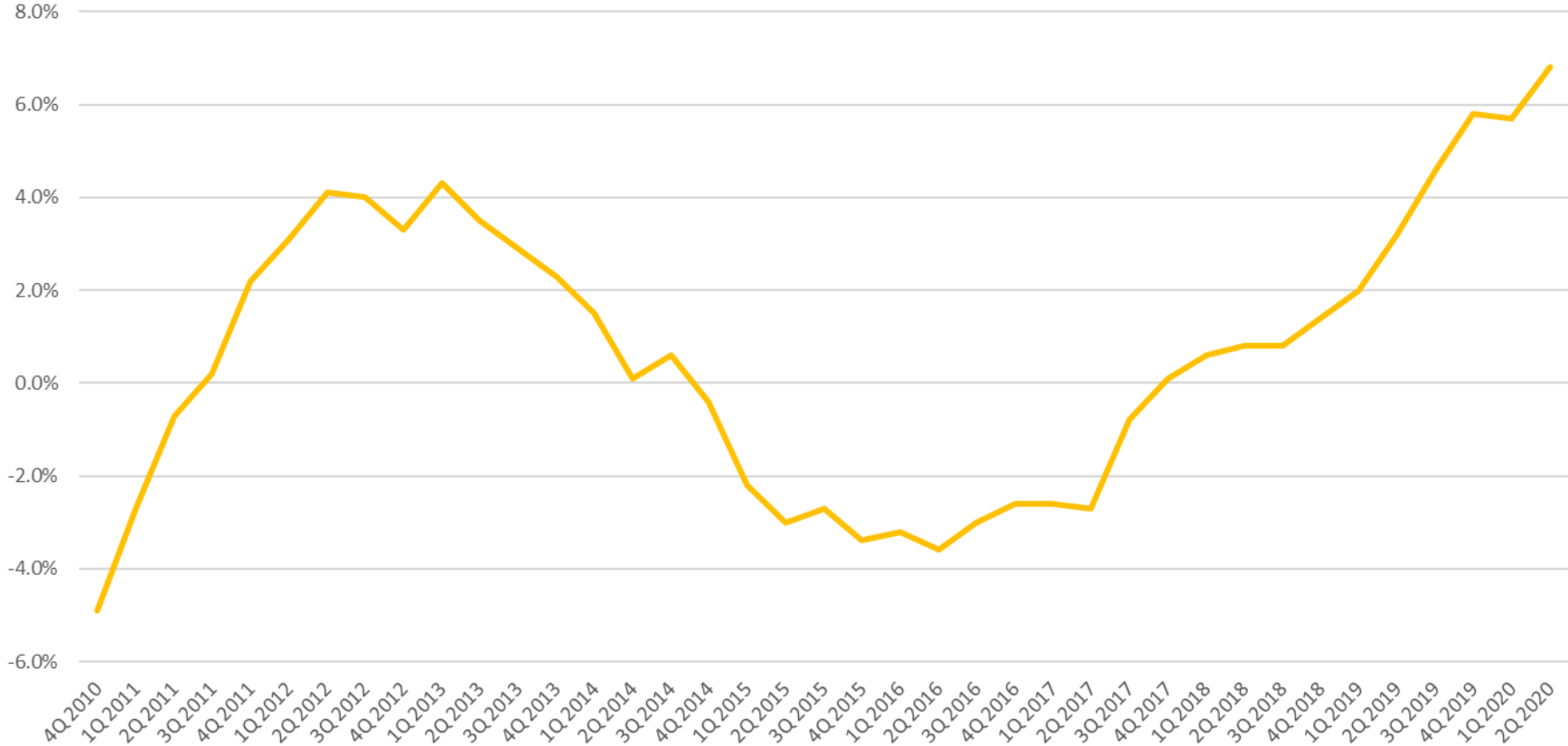
Change in Commercial Rate Renewals, Commercial Property: 2020: Q2

Percentage Change (%)



Change in Commercial Rate Renewals, General Liability: 2020: Q2

Percentage Change (%)

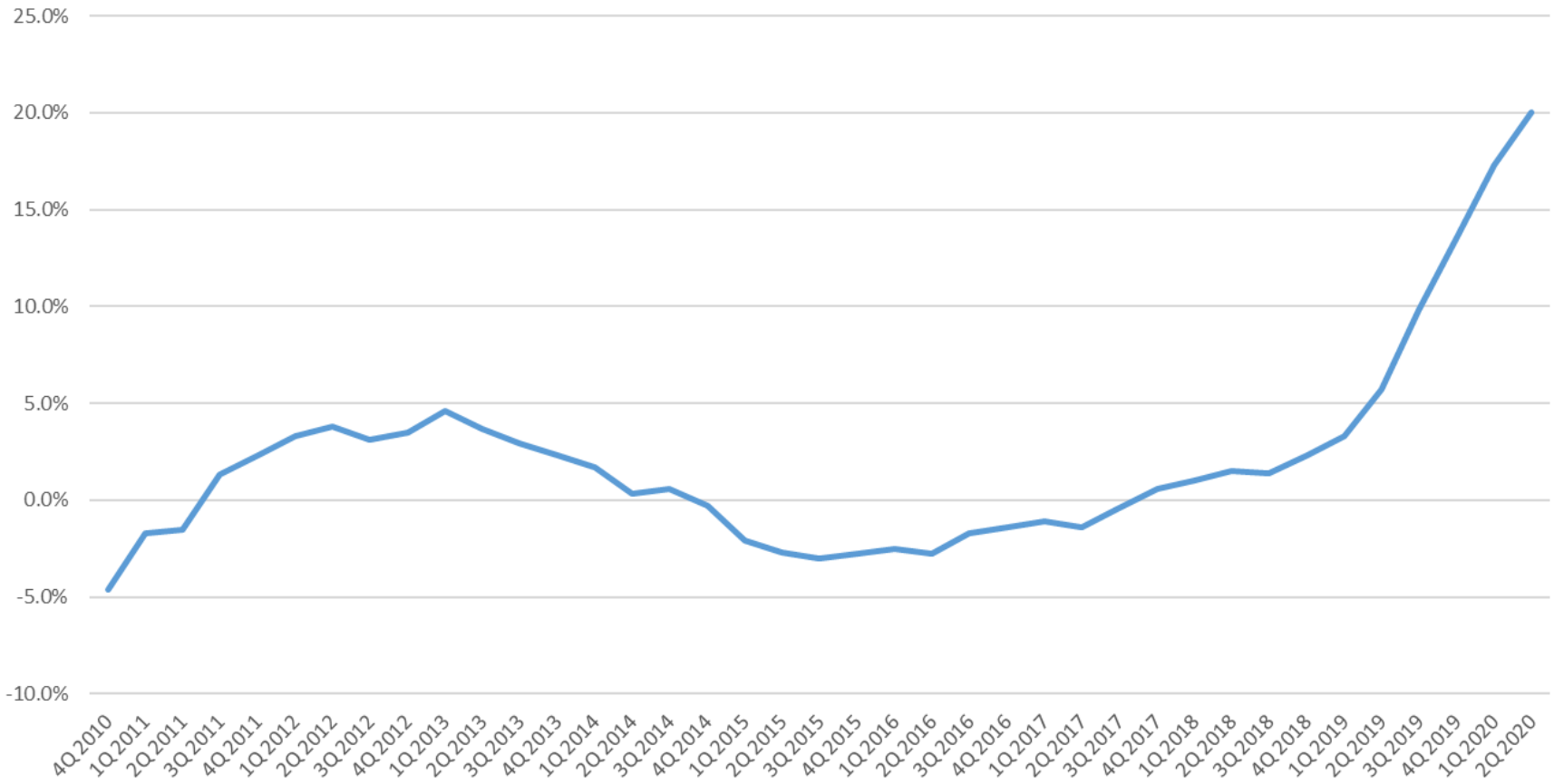


Source: The Council of Insurance Agents & Brokers



Change in Commercial Rate Renewals, Umbrella: 2020: Q2

Percentage Change (%)





Preparation

Best Practices in an Evolving Market



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