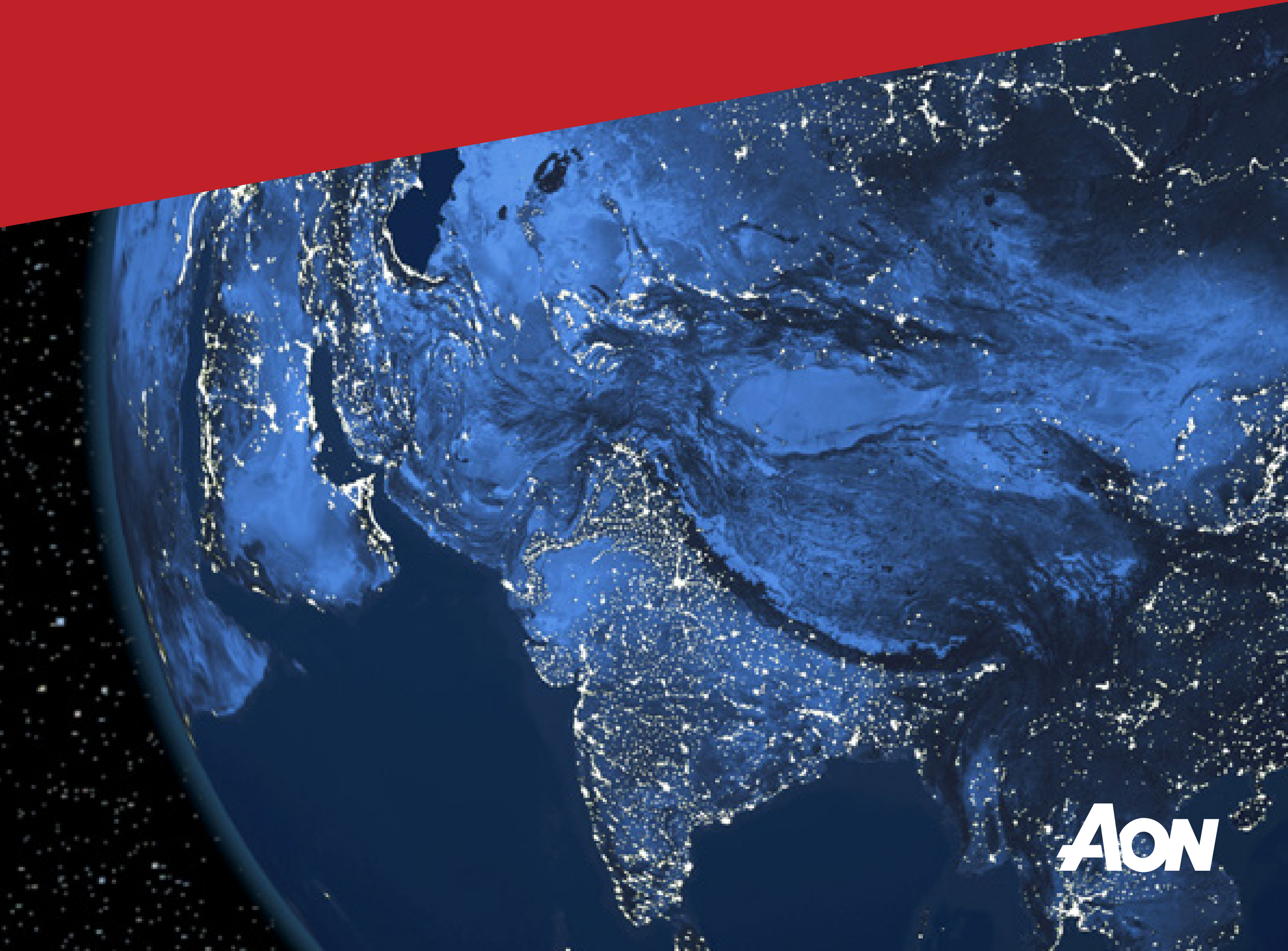
Aon Global Market Insights

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

Q2, 2020



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SECTION 1

Through all three phases of managing the crisis, stabilizing business and planning for the future, Aon can help clients make better business decisions, based on knowledge and driven by analytical insights, in a fluid and uncertain environment.

Christa Davies

Chief Financial Officer, Aon

The first half of 2020 brought levels of volatility and uncertainty that many business leaders will categorize as the most disruptive and world-changing in living memory. Early in the year, as the COVID-19 pandemic spread rapidly across the world, governments and communities were forced to react, which led to a global economic lockdown with financial and humanitarian implications unseen since the Great Depression.

Business confidence around the world quickly declined as macro indicators and global GDP projections painted the picture for a sustained global economic downturn. Financial markets reacted, and investor sentiment was tested as capital shifted to safe-haven, recession-proof business models, while central banks pledged coordinated actions to support the global economy in the near-term. This combination led to significant volatility, which continues, as we learn more about the evolving longer-term horizon.

In addition to the pandemic, the global economy in the first half of 2020 was also significantly influenced by implications from Brexit, the U.S. political landscape, trade issues between the U.S. and China, as well as various events that have exposed systemic racism, all of which have led to further turmoil in the market place.

While some industries felt greater immediate economic impact than others, companies of all sizes and in all segments are facing the need to quickly assess risk, adapt their operations, and evaluate their capital and liquidity positions. Further, there is an increasing need to protect and support their workforce in new and challenging ways.

Even as some communities have started to reopen, we know that the event arc for COVID-19 is represented as multiple waves versus a traditional peak and recovery. Different geographies are in differing stages across the world, making this a very complex landscape to navigate. Businesses need to plan for agility and think differently about how to react in times of crisis so they are better prepared for business continuity as potential second and third waves occur in the months or years ahead. This will require a tailored response that strategically addresses varying stages with flexible action plans based on both local trajectories and global business activities.

At Aon, we are uniquely positioned to be a trusted advisor with solutions aligned to all of the key challenges associated with COVID-19 and broader macro-economic challenges. Through each of the three phases of managing the crisis, stabilizing business and planning for the future, Aon can help clients make better business decisions, based on knowledge and driven by analytical insights, in a fluid and uncertain environment.

As we interact with clients, we are listening to their concerns and guiding their responses, focused on five key areas: protecting people and assets, optimizing balance sheets, maintaining or increasing revenue, managing costs, and reevaluating business strategy. Our global network and leading capabilities allow Aon to bring a holistic view to clients across these priorities. It is the core of our Aon United mission to put clients' needs first and bring the best of the firm together to problem-solve on their behalf.

Global Market Overview

SECTION 2

In Q2, 2020, the world scrambled to respond to the devastating human and economic impacts of COVID-19, while a social crisis emerged following images and stories of several high profile, racially motivated abuses of power that went viral. Virtually no part of the world went unscathed. Over the course of the quarter, some geographies began refocusing on recovery efforts, and today, a sense of a New Normal is settling in for a small percentage of the world, while COVID-19 continues to wreak havoc elsewhere.

The response of the global insurance marketplace to these events demonstrated its resilience and agility. Innovative technologies, products, and services were developed and implemented with an aim toward addressing the new needs of organizations. New coverage terms (clarifications, additions and restrictions) were introduced. Risks associated with COVID-19 led to an acceleration of price increases in many segments. And capacity was reevaluated to help minimize uncertainty.

While we cannot predict the total human or economic toll of the unprecedented events of 2020 to date, the insurance industry has taken measures to ensure it will stand strong alongside the businesses and organizations it aims to protect.

North America

Rates	Deductibles	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
+11-30%	Up	Tightening	Aggressive	More Restrictive	Tightening

- The market continues to accelerate in terms of increases in price, reductions in capacity, and tightening of terms & conditions due to a continued escalation of risk complexity and uncertainty. These conditions are expected to continue through the remainder of 2020.
- Bar a few exceptions, insureds are generally still able to satisfy risk transfer demand.
- Insureds are exploring market alternatives but few are voluntarily changing their buying behaviors.
- (+) Opportunistic competition and capital is coming into the equation.
- (X) COVID-19/Communicable Disease and SRCC (Strike, Riot, Civil Commotion) exclusionary language is being broadly proposed.

EMEA

Rates	Deductibles	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
+11-30%	Up	Tightening	Aggressive	More Restrictive	Tightening

- The market continues to harden, especially for loss-active risks such as D&O with US exposure, Property, and some Liability lines.
- Capacity is constricting; some insurers are withdrawing completely from poor performing classes while others are significantly reducing line sizes.
- COVID-19 and communicable disease exclusions are being broadly proposed.
- (+) COVID-19 has expedited digitalization across the insurance marketplace.
- (X) There is a growing gap between supply and demand. Insurers are pulling back while businesses seek broader coverage and higher limits.

Latin America

Rates	Deductibles	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
+11-30%	Up	Tightening	Aggressive	More Restrictive	Tightening

- The overall insurance market is challenging, but continues to benefit from 2019 and Q1, 2020 tailwinds.
- There is general optimism in the market, especially for insurers with niche appetite in industries like Construction & Infrastructure.
- London capacity is scarce, especially for small and mid-sized placements that need to leverage facultative reinsurance.
- (+) Good tailwinds in Construction & Infrastructure, Retail, Cyber and Transaction Liability.
- (X) D&O, Surety and Aviation insurers are overcorrecting following poor loss performance.

Asia Pacific

Rates	Deductibles	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
+11-30%	Up	Tightening	Aggressive	More Restrictive	Tightening

- The market is challenging with upward rate trends and capacity restrictions, as insurers focus on profitability.
- COVID-19/Infectious Disease exclusions and cyber coverage clarification are a major factor in Q2 and Q3 renewal negotiations.
- Inconsistent insurer positions on Hong Kong civil unrest claims is creating angst.
- (+) Premium funding options are available for organizations concerned about cash flow impact of rising premiums.
- (X) D&O, Professional Indemnity, and Property placements are facing extremely difficult conditions, with Casualty gaining pace in some sectors.

KEY: (+) = Positive Development (X) = Challenging Development

Global Claims Trends

SECTION 3

COVID-19 and civil commotion are the headline issues in the claims arena, with much resultant debate about current and future breadth of coverage. Many insurers have centralized decision making and authorities to ensure consistency in approach on these matters. The opportunity to resolve long open matters through negotiation, while avoiding litigation, remains material.

	Co-Insurer Interactions	Coverage Acceptance	Quantum Acceptance	Speed of Payment	Use of External Counsel
APAC	Same	Same	Same	Same	Same
EMEA	Worse	Worse	Same	Same	Same
LATAM	Same	Same	Same	Same	Same
North America	Worse	Worse	Worse	Worse	Worse
Global Broking Center	Same	Same	Worse	Same	Same

COVID–19

Uncertainty around a potential next wave of COVID-19 continues to create both economic and insurance market uncertainty, both of which impact the current and short-term future claims environment. Coverage questions and limitations related to non-physical damage business interruption continue to dominate industry press, regulatory engagement, political commentary and legal filings. Claims activity in this arena will be ongoing for a significant period of time as coverage is tested in and out of court.

Civil Unrest

Q2 saw protests, rioting and mass civil unrest stemming from racial inequalities in the US. While most protests were peaceful, some people in major cities worldwide used them opportunistically to loot and damage property. Coverage questions related to such issues, many of which were the focus of debate in Hong Kong and France following similar events in recent years, again attracted attention. Fear of an uptick of COVID-19 cases as a result of crowds gathering without social distancing and/or use of face masks has proven to be unsubstantiated to date.

Conduct

Related to COVID-19 and property policies, the Financial Conduct Authority (FCA), a key UK regulator, has commenced a test case through which selected policy wordings will be reviewed and decisions reached regarding applicability of coverage. While limited to UK with regard jurisdiction, the FCA process and decisions, all of which are likely to be subject to appeal, will have global implications for insureds and insurers.

Challenges

While the claims community continues to engage and operate despite the ongoing ‘work from home’ environment in most major geographies, pressures on resource levels, case volume and legal complexities combine to create delays in decision making on coverage, quantum and payment. Resolution opportunities continue to exist in situations in which insureds seek liquidity and insurers seek removal of volatility – the confluence of these dynamics has led to closure of significant long-open claims.

Global Reinsurance Trends

SECTION 4

Property Renewal Themes

- Cyber Coverage Clarification
- Increased Reinsurer Cost of Capital
- Peak Peril Sensitivity
- ILW Purchasing Increase
- Civil Unrest
- Market Volatility-Driven Demand
- Client Differentiation
- Florida Citizens and FHCF Purchasing
- RPP Market Hardening
- Capacity Caps/New Entrants
- Severe Convective Storm Activity

Casualty Renewal Themes

- Opioids
- Cannabis
- Cyber Ransomware
- Loss Portfolio Transfer (LPT)
- Adverse Development Cover (ADC)
- Primary Insurance Rate Increases
- Reserving
- Wildfire Liability
- Yield Curve Issues
- Coal
- Clash/Contingent Covers

Challenging Renewals

- Capacity was generally available for Q2 renewals, albeit with a range of outcomes for insurers driven by timing, structure, and peak zone capacity constraints.
- Demand remained relatively stable as many governmental-related coverages were withdrawn from the market, offset by some insurers electing to secure additional capital to reduce volatility heading into a hurricane season predicted to be above-average.

COVID-19 Capital Impacts

- Q1 total global reinsurance capital stood at USD590 billion, a YoY decrease of USD35 billion, or 6%.
- There was a 6% drop in traditional reinsurance and a 4% drop in alternative capital, ending the quarter at USD499 billion and USD91 billion, respectively.

Catastrophe Losses

- Property catastrophe losses through the first half of 2020 maintained near median levels of activity with approximately USD26 billion in losses.
- Above normal forecasts for the Atlantic Hurricane season are predicted by National Oceanic and Atmospheric Administration, Colorado State University, and Tropical Storm Risk, which would be further complicated by issues related to COVID-19 in both avoidance by people, and any clean up and repair.

Renewal Discussions

- **Property:** The most prevalent discussion for all major renewals was the inclusion of communicable disease language on property catastrophe contracts. Ultimately LMA 5503 LIMITED COMMUNICABLE DISEASE EXCLUSION gained traction in many renewals, guarding against other versions that looked to further contract coverage for other perils.
- **Casualty:** Social Inflation was a prevalent topic of discussion in major renewals. COVID-19 court closures are expected to reduce settlement amounts in the near-to-mid-term as lawyers and plaintiffs seek cash flow. While exposures have been reduced for many segments due to COVID-19, others have newly emerged and the overall loss picture remains uncertain. Insurers continue to study the trends, and many have adjusted pricing models to account for observed industry frequency and severity.

Global Health Trends

SECTION 5

As employers continue to implement their return to the workplace strategies and address emerging people risks, it is also important that they continue to monitor market developments to ensure they get the maximum value from their benefit spend.

Market Dynamics

The demand for non-COVID related health care over the last four months reduced significantly in many parts of the world. While we are starting to witness the 'bounce back' of these deferred services, the magnitude and timing of individual employer impacts due to COVID-19 will vary significantly based on geographic, demographic, and industry differences. From a pricing perspective the potential impact on health-related benefits, including premium rebates or future credits on fully insured medical schemes in 2020, will become clearer over the coming months. Looking to the future, what is increasingly evident is that many insurers are reviewing their future pricing strategies as there is some degree of nervousness regarding what the future holds in terms of risk exposure. Insurers are likely to focus on profitability more than growth in the near-term future.

Worsening Underwriting Conditions

The general challenges employers were facing in relation to their people, such as population aging, overall declining health, poor lifestyle habits and a health wealth gap continue, even as COVID-19 is expected to accelerate specific risks and challenges including:

- Delayed access to diagnoses and treatment leading to higher medical costs.
- A surge in mental health and musculoskeletal issues impacting disability.
- Return on capital and a more conservative pricing and risk appetite approach.

Early Engagement

In a challenging market environment it is vital that employers do not adopt a 'wait and see' approach with their renewal strategy. Employers must be proactive, and clear on:

1. The key factors that drive senior stakeholder decision making around placement (e.g., pricing versus policy wording versus coverage).
2. The key risks driving performance.
3. How they will demonstrate that they have a well structured plan to mitigate risks.

Addressing the core pillars of renewal: funding, performance, and design, together with the best carrier partners, has never been more relevant.

Global Health Trends

SECTION 5 *(continued)*

Smart investment in initiatives that genuinely address people risks and engage employees will improve both individual and organizational resilience. In turn, this should positively impact areas such as productivity, absenteeism, health and happiness, and could result in better broking outcomes.

New Opportunities

One of the 'new better' outcomes that is beginning to emerge from the COVID-19 pandemic is the renewed focus on implementing effective people risk and benefit strategies. It is widely accepted that employers have a crucial role to play in terms of helping employees understand their health risk, encouraging and supporting healthy lifestyle behaviors, and providing access to high quality healthcare at the right time. However, due to the COVID-19 pandemic many employers are revisiting this area, particularly in light of the fact that:

- At an individual level the negative impact of poor physical, emotional, social and financial wellbeing is very apparent.
- When put to the test, shortcomings in wellbeing as an organizational strategy have all too often been exposed.
- Due to economic factors, we are likely to see further cost shifting from public to private health systems in many countries across the globe.
- Employees will most likely want to work for organizationals that foster a culture of care and inclusivity.
- The workforce of the future is likely to look very different and employers will need to be ready to compete in this new environment.
- The expansion of virtual care adoption and capabilities creates the opportunity to support workforce health and productivity goals in a more effective and engaging way.
- Employers will need to engage, deliver and monitor wellbeing and health improvement programs to a population that is diverse in geography and composition.

Featured Differentiator: Aon CyQu

SECTION 6

Aon's Cyber Solutions team offers holistic cyber security, risk and insurance management, investigative skills, and proprietary technologies to help clients uncover and quantify cyber risks, protect critical assets, and recover from cyber incidents.

What is CyQu?

Aon's Cyber Quotient Evaluation (CyQu) is an award-winning online cyber risk self-assessment enabling organizations to take an important step in strengthening their cyber risk posture. CyQu evaluates cyber risk posture based on 9 security domains which can be broken down into 35 critical control areas.

In about 90 minutes, CyQu will generate a cyber risk maturity score (CyQu Score) and provide an immediate snapshot of cyber maturity with insight into the areas posing the greatest risk. This will be followed up with a custom report, detailing key findings and opportunities to help improve cyber resilience.

Who Should Consider CyQu

Companies seeking to benchmark their cybersecurity performance against industry peers and obtain clear, actionable strategies for cyber risk remediation would benefit from completing CyQu. CyQu can also be leveraged to streamline the cyber insurance underwriting process. Through the deep cyber analytics and benchmarking, CyQu can help companies better differentiate themselves in a hardening insurance markets.

Why is CyQu Important Now?

The COVID-19 pandemic has triggered the largest "work-from-home" mobilization in history. As the global crisis continues to evolve, it is critical that Security and Risk Management leaders account for the changing threat landscape, particularly in assessing new cyber risk vulnerabilities exposed through remote working.

CyQu can help a company understand areas of critical vulnerability and improve resilience to cyber attack. To help companies navigate the challenges associated with the massive shift to a remote workforce, CyQu now includes a dedicated Remote Work domain to address the evolving threat environment.

How Can You Leverage CyQu?

If you have any questions, please contact a member of the Aon's Cyber Solutions team or visit the CyQu website for more information, case studies, and product demo videos.

Aon COVID-19 Strategy and Solutions Update

SECTION 7

In Q1, we focused on creating awareness, educating, and helping clients react and respond to COVID-19.

In Q2, we pivoted to helping clients prepare to reopen businesses and bring employees back to the workplace as safely as possible.

Our common theme – deliver actionable insights that are informed through technical expertise, data and analytics, and practical solutions, and help clients implement those solutions in a fluid environment where the horizon is still taking shape.

Aon is helping clients prepare for the reopening of business

Aon focuses on a holistic view of reopening business that recognizes interconnectivity of Human Resources, Facilities, Business Operations, Supply Chain, Risk Management, Legal/Ethical, Finance, Physical Security, Cyber Security, and IT Business Resumption. From COVID-19 testing all the way through understanding if customers are ready to receive and suppliers are ready to supply, all areas need focused attention to reopen as safely and effectively as possible. **See our COVID-19 Business Recovery Tool Kit and the Readiness Assessment tool for examples of delivering actionable insight and executing for results.**

Focus: Bring employees back to workplace as safely as possible

Creating a safe worksite includes effective use of PPE, social distancing and handwashing; implementing physical protections to customize the premises for returning employees and customers; implementing a screening/testing/tracing approach that complies with local requirements and facilitates effective infection management strategies; creating communication and education messaging that more fully informs employees and customers about their own safety; and continually refreshing understanding of latest COVID-19 developments. **See our discussion of Aon's new Work/Convene/Travel Coalition strategy as an example of innovating for clients and putting a strategic approach into action with tactical execution.**

Solutions to help employers forecast, plan and execute

Modeling tools and liquidity solutions have taken center stage in enabling forecasting, planning, reopening, and returning employees to the workplace. Aon's new Employee Impact Model (predicting health costs), Talent Impact Model (planning for managing workforce costs), and COVID-19 Employer Planning Platform (tactical execution for workforce management strategies and cost-reduction approaches) are examples of tools to help employers plan, implement and manage costs more strategically. We also provide Trade Credit solutions and other advisory/product solutions to help clients proactively manage liquidity concerns and other reopening challenges. **See examples on page 11 of Aon Solutions that align with business recovery needs.**

Facilitate ability to flex amidst evolving COVID-19 needs

Aon's COVID-19 whitepaper highlighted Aon's suggested Pandemic Crisis Management Model for clients and the Executive Leadership Decision-Making Framework enhances an organization's ability to manage its unique, unfolding COVID-19 experiences. **See examples on page 12 of how clients have put those approaches into action.**

Visit aon.com/coronavirus to learn more about how Aon can help you mitigate the impacts of COVID-19.

Aon COVID-19 Featured Resources and Solutions for Reopening Strategies and Returning Employees to Workplace

Nancy Green, CPCU, ARM
Executive Vice President
Global Client Promise Leader
Co-Leader; Global COVID-19 Task Force

"We're not reopening business in a post-COVID-19 world; rather, we're reopening in an active COVID-19 world. Ability to flex can enable an organization to more effectively drive towards a new (better) normal."

Business Priority	Key Business Challenges		Featured Aon Resources & Solutions
Protect People & Assets	Reopening business and RTW strategy	→	COVID-19 Business Recovery Tool Kit
	Employee wellbeing	→	24/7 telemedicine plus behavioral and financial coaching through 90-day Assist Program
	COVID-19 testing strategy for employers	→	COVID-19 Testing & Treatment Support Strategy and Vendor Selection
Balance Sheet Protection	Cash flow & liquidity	→	Aon Credit Solutions, Aon Trade Credit Solutions, and other financial solutions for distressed organizations
	Financial commitments and guarantees (LOCs, contingent liabilities, etc.)	→	Casualty Risk Collateral Review
Maintain or Increase Revenue	Cyber resiliency	→	Cyber Security Review/Incident Response
	Risk mitigation/reduction	→	Supply Chain Management consulting
	Loss warranties	→	Enterprise Risk Maturity evaluation
Cost Management	P&C Insurance program optimization	→	Gap analysis and captive feasibility study; pursue coverage for loss of attraction, special perils BI, communicable disease
	Defined Benefit Plan cost management	→	Aon Retirement Solutions Plan Design Review
	Redeploy resources/activities	→	Talent Impact Modeler
Revisit Business Strategy	M&A and divestment considerations	→	Aon M&A consulting
	Sales Compensation impact	→	Sales Compensation Planning Assessment
	Cyber exposure due to remote work	→	CyQu Assessment for Remote Working Cyber Risk

Visit aon.com/coronavirus to learn more about how Aon can help you mitigate the impacts of COVID-19.

Aon COVID-19 Solutions: A Closer Look

As the COVID-19 pandemic continues to impact businesses and communities, organizations are taking steps to assess and mitigate the impact on people, profits and operations. To support clients – and the marketplace more broadly – Aon has developed innovative, private and public partnerships to help organizations make prudent, fact-based decisions that support safe and strategic return-to-workplace initiatives.

Learn more about solutions and insights to help your organization mitigate the impact of COVID-19 at aon.com/coronavirus.

Return-to-Workplace Readiness Assessment

Aon's COVID-19 Return-to-Workplace Readiness Assessment provides organizations with a quantitative review of their return-to-workplace (RTW) approach, providing a clear and concise assessment of critical aspects of an effective business recovery approach. The process connects organizations with relevant Aon subject matter experts to assist in identifying improvement opportunities and to recommend potential mitigation strategies for consideration.

Aon's Readiness Assessment collects and analyzes data on a variety of impact areas including human resources, duty of care, supply chain, security, facilities, cyber risk, environmental health & safety, information technology and other operational areas to assess the viability of "re-opening" activities. Mobile technology expedites preliminary results within days of the assessment, pinpointing areas of need that require further development or refinement.

Work, Travel & Convene Coalition

The Work, Travel & Convene (WTC) Coalition – created and led by Aon – is focused on strengthening communities and moving toward societal and economic recovery in the wake of the COVID-19 pandemic. Member businesses and organizations collaborate and share perspectives and learnings related to planning and operations, impacts of mitigation efforts, innovations and technologies, and guidelines that can help organizations navigate the challenges they face as society reopens throughout the COVID-19 recovery phase.

The WTC Coalition kicked off in Q2 in Chicago and New York with additional Coalition Communities scheduled to launch in other major cities around the globe in 2020.

COVID-19 Employer Planning Platform

Aon's COVID-19 Employer Planning Platform provides a practical solution to helping employers accelerate their COVID-19 planning and tactical execution including:

- Tactical Return-to-Work planning that supports location-based, job-based and employee-based planning to ensure prioritization, readiness and capability across key success factors for returning employees into non-virtual work environments.
- Contextual COVID-19 Data and Analytics that leverage Aon's and/or your sources to help you understand trends at the regional and local levels.
- Organization and talent planning to support right-sizing.
- Support scaling of resources involved in planning and execution for accelerated outcomes.

Geography Trends

SECTION 8

In Q2, 2020, the impacts of COVID-19 took hold. Death tolls soared, as governments and hospitals scrambled to find equipment – including personal protective equipment – to help save lives. Stay at home orders became commonplace, and economies were devastated.

In addition to the global health crisis, around the world, economies contracted, social tensions ran high, and trade disputes escalated.

Today, many economies remain shut down while others are slowly recovering. Government stimulus benefits have – or will soon – run out. There are promising signs a COVID-19 vaccination is on the horizon, but the timing is unknown. Many employers are planning for the safe return of employees to the workplace. While the decision-making environment is shadowed by uncertainty, organizations are demonstrating resilience as they plan for their transition to the New Normal.

North America

North America Regional Landscape

Q2 was like no other in recent history. The U.S. was already reeling from the COVID-19 pandemic and record unemployment when the nation found itself in a civil rights uprising after the tragic death of George Floyd, a black man, at the hands of four Minneapolis police officers – an event caught on video – which unleashed a national outcry for justice. Even as some businesses had begun the slow process of re-opening they were again shuttered to minimize impacts accompanying the social unrest. As a consequence of Q2 events, there has been a marked increase in financial distress, and even bankruptcies, especially in industries like retail, energy, entertainment, hospitality & leisure, to name a few.

During the quarter, there was an intense period of political & regulatory involvement in the insurance industry which resulted in business concessions like premium forbearance. Like the "V-shaped" recovery in the U.S. stock market, the business concessions made by insurers were short-lived. By the end of the quarter it was "business as usual" for insurers. Cash flow and liquidity, late payment, and cancellations never really materialized as worst case scenario projections may have suggested.

Insurance Market & Key Risks

- The market continues to accelerate in terms of pricing increases, some reductions in capacity, and some tightening of terms & conditions. These conditions are expected to continue through 2020.
- Buyers are still able to satisfy risk transfer demand absent a small minority that either "buy the market", are unwilling to pay the going rate, or have risk dynamics which are unpalatable to the insurance community.
- Clients are considering any and all options but less than 5% are making substantive changes to buying habits other than assuming insurer-imposed price increases, deductible/attachment increases, and restricted terms (as necessary).
- There is opportunistic competition and capital coming into the equation as a result of the increasing pricing. Private Equity and other capital are starting to perform intense due diligence on the opportunity to enter the insurance business via a De Novo strategy or via acquisition.
- "Old is new" strategies like risk retention groups and alternative capital are being discussed, but may not be turned to in the short-term.

Claims Environment

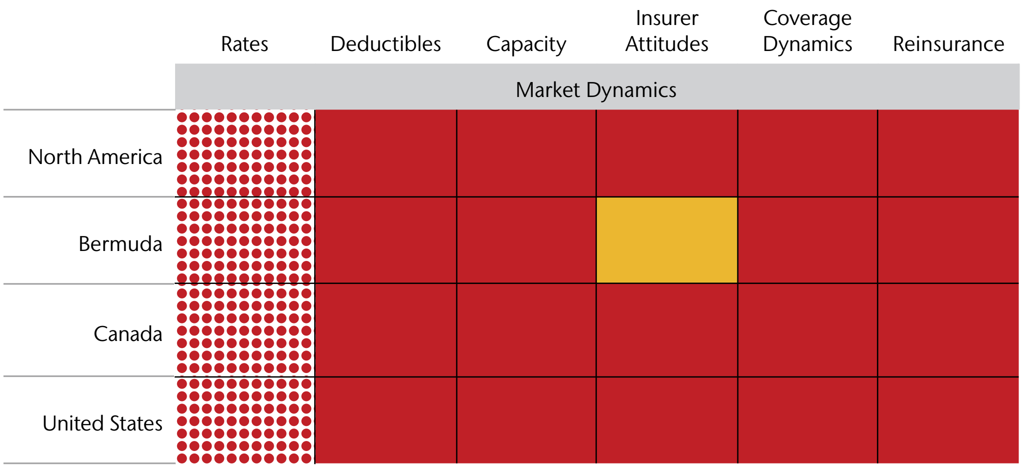
- There was significant political & regulatory involvement in the insurance industry, particularly around business interruption related to COVID-19 and Workers' Compensation.
- Language in many commercial insurance policies state that there must be direct physical loss in order for business interruption coverage to apply.
- The early cases on the coverage provided by business interruption within standard policies have almost entirely gone in favor of the insurance companies.
- Casualty claims activity continues its upward trend due to inflation of verdicts/settlements in US traditional injury and death claims; a confluence of large mass tort claims such as opioids, glyphosate, talc, and emerging COVID-19 and civil unrest claims. This has led to increases in burdensome information requests, as well as an increase in coverage disputes.
- Riot and civil commotion claims will come into focus in Q3 as decisions are made regarding applicability of coverage based on occurrences.

Advice to Clients

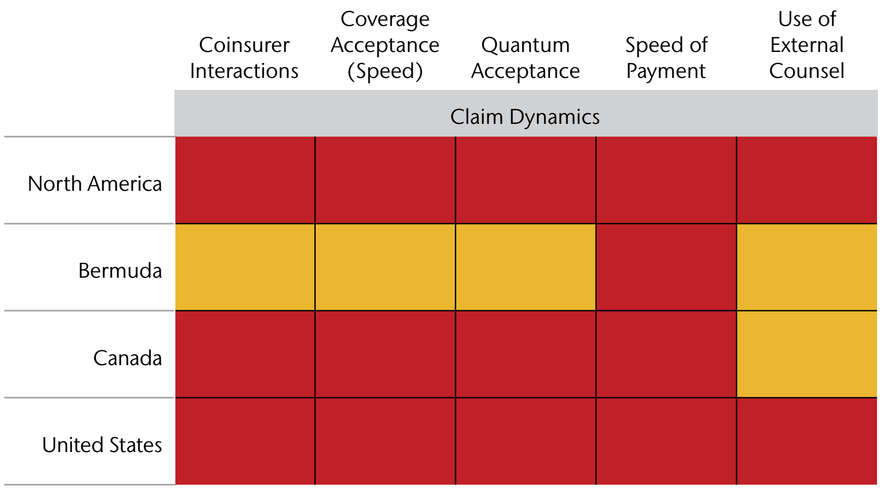
- Prepare for your renewals early. Get into the market early with high-quality submissions.
- Consider new insurers and alternative program structures, including higher deductibles/attachment points... explore all options!
- Use technology to meet "face-to-face" with insurers. Relationships still matter, cultivate them and use them.
- Pay particular attention to the quality of your trading partners (financially and reputationally) with the help of Aon.
- Leverage data-driven analytics to make informed decisions.
- Language matters! Watch for COVID-19 or SRCC (Strike, Riot, Civil Commotion) exclusionary language. Work with Aon to identify alternatives where possible.
- Partner with insurers on claims; keep lines of communication open and provide timely details per policy requirements. Insurers use experienced outside counsel who can also assist with clients' defenses.

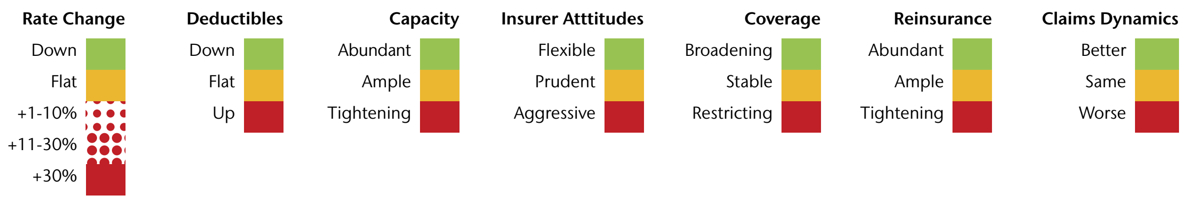
North America
Market and Claims Dynamics by Country

Market Dynamics

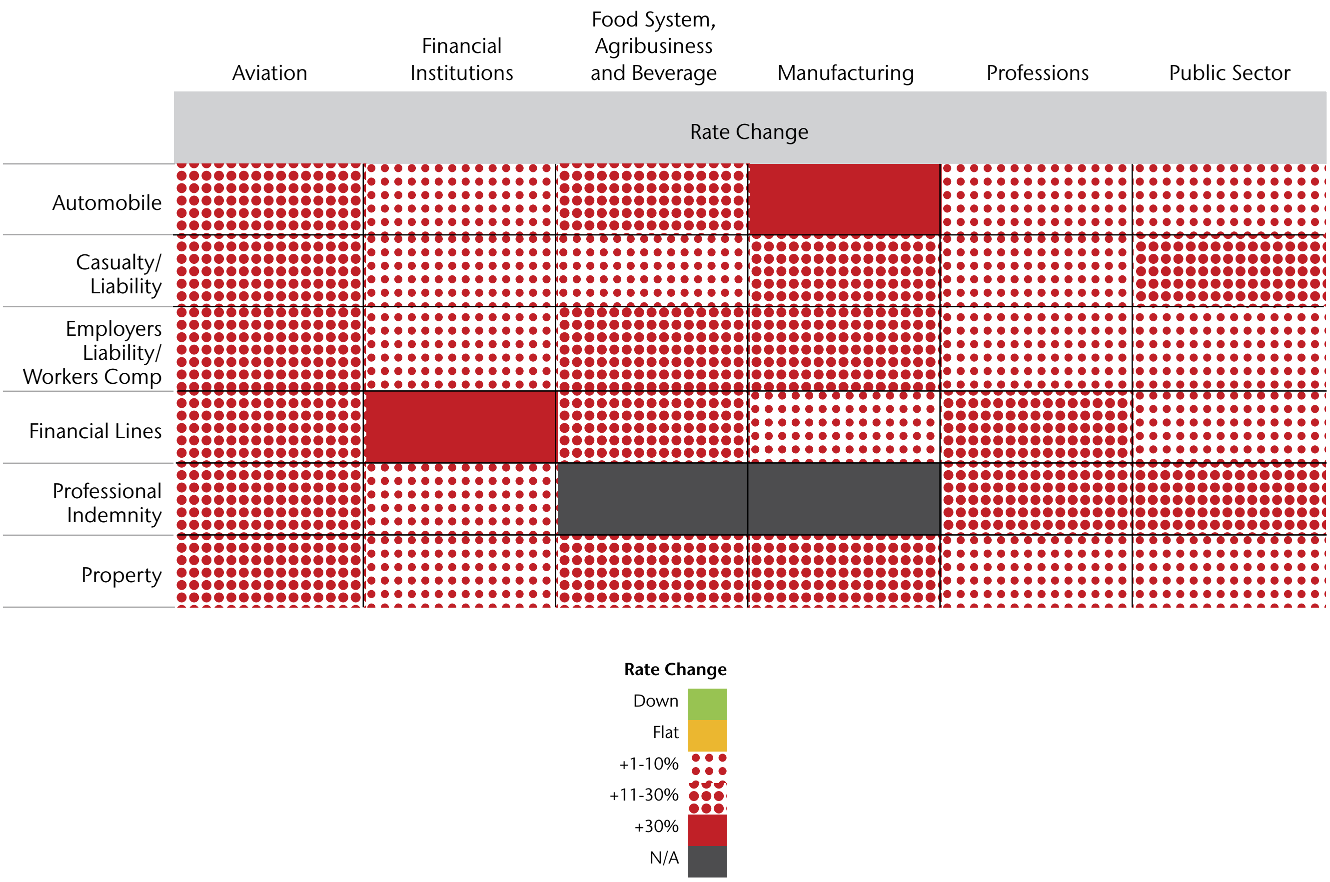


Claims Dynamics





North America Q2 Rate Trends



North America Featured Industries Q2 Overview

Aviation

- Q2 travel restrictions and lock-downs due to COVID-19 presented the aviation industry with unprecedented challenges, and many operations were halted. The International Air Transport Association (IATA) has predicted that the airline sector alone could face revenue losses of well over $250 billion. Many operators have sought government support. Although some travel restrictions have been lifted, we anticipate the recovery will be slow for the airline industry.
- Aviation continues to experience a firming insurance marketplace. Many Aviation insurers have withdrawn from the market globally citing unsustainable premium levels and poor loss experience, thereby reducing available capacity. Rates are increasing across all Aviation product sectors as insurers focus on a return to profitably. There is a continued focus on technical underwriting, and insurers are extremely cautious with capacity deployment. Coverages having negative impacts on underwriting profitability are being restricted. Insurers have begun implementing revisions to grounding wording as well as applying electronic data event clause exclusions to policies. Some insurers have introduced COVID-19 exclusions.
- Current conditions – higher pricing, higher deductibles, more stringent, technical underwriting, and reduced capacity – are expected to continue throughout 2020. Exclusions for electronic data/cyber events and for COVID-19/Pandemic/Communicable Diseases will be required by some insurers.

Food, Agribusiness & Beverage

- The events of 2020 have had a pronounced impact on the food and beverage industry. The rapid shift to in-home consumption led to significantly increased sales in the processing and food retailing sectors, while sending restaurant, especially dine-in, upscale and breakfast, sales plummeting. These changes led to supply disruptions as processing and logistics shifted, and companies have had to invest in changes to their infrastructure, technology, and wages. Looking ahead, increased labor costs are likely to continue, fueling the fight for long-term higher wages and benefits, and further innovations in technology & automation. As schools reopen, demand for foodservice will increase. Foodservice companies will need to be agile due to the fluidity of the school situation.
- In the agriculture space, retail prices are increasing, while commodity prices paid to producers – driven by factors such as climate change, trade constraints, and supply – are very low. Concerns have escalated over employee safety at harvesting and processing facilities. China has suspended some meat and grain imports from the Americas and Europe, citing worries about COVID-19 outbreaks in facilities and on ocean vessels. COVID-19 is not a food safety threat but is a threat to global supply & trade.
- The insurance market is firm, with limits, deductibles, and terms being assessed as levers to manage cost. Questions continue to arise regarding compensability for Workers Compensation, given the “essential business” declaration, with a focus on risk management processes to protect employees and the public. COVID and communicable disease exclusions are being introduced.

Public Sector

- The higher education segment is in turmoil. Schools and institutions are urgently restructuring their delivery model from on-campus to on-line. Across all levels of education, boards, students, parents, faculty and staff are raising questions around safety and social-distancing feasibility, while exploring alternatives like remote learning. Budget cuts in schools and institutions have been severe, and staff reductions have followed. Revenue models will remain under extreme pressure as parents/students re-evaluate the value of education (on-campus versus online).
- Municipalities are facing the challenge of maintaining critical front line services such as water/sewer, road maintenance, waste management, fire, and police while under fiscal pressure stemming from the requirement to provide new and increased health services and financial support to citizens and local businesses. This is all against the backdrop of significant revenue reductions due to reduced taxes, utility charges, and other fees. (Note that, in Canada, municipalities cannot run deficit budgets.)
- The Public Sector insurance market is challenged. Public Officials Liability, Business Interruption and Cyber claims are on the rise (and expected to continue to build). Poor loss performance has led to capacity constraints, rate increases, deductible increases and coverage restrictions. This situation is expected to continue, and even accelerate, as the impacts of COVID-19 build and losses from the US wind season begin.

Featured Country: United States Q2 Market Dynamics

Aon Insights

COVID-19 and its impacts have dominated the headlines; however, pricing inadequacy, low interest rates, social inflation, and factors that existed pre-COVID-19 continue to drive the market, which continues to be firm across most lines of business. Property and Excess Casualty are facing the most challenging conditions. In the middle market space, there is still healthy competition for profitable risks in desired classes, but less desirable middle market risks are facing the same difficult conditions as larger risks.

Featured Products

Casualty: The loss environment continues to deteriorate, largely due to social inflation. Following a prolonged period of abundant capacity, it has now constricted by USD500 million. In turn, pricing has increased dramatically. At the same time, many insurers are proposing to attach Communicable Disease exclusions. Aon is advocating to omit the exclusions, but for certain industries such as hotels, restaurants, higher education, and healthcare, there is little room for negotiation. Barring new capacity entering the marketplace, the current market conditions are expected to continue.

Property: Insurers are concerned with non physical damage contingent type coverages which are difficult to underwrite yet potentially result in high loss of revenues. i.e., A physical damage loss to a single supplier can significantly impact many other companies. Insurers are reducing their capacity and/or sublimit for Contingent Business Interruption. COVID-19 exclusions are being mandated to clarify insurers' intent not to cover losses from it and other pandemics. There is renewed scrutiny on Contingent Time Element coverage with in-depth underwriter questions around supply chain and business continuity management. Risks with losses, significant CAT exposure, or in difficult occupancies such as food or habitational frame real estate are experiencing aggressive rate increases. Cyber Property cover will continue to be underwritten carefully as uncertainty in this space continues.

Featured Country: United States Q2 Market Dynamics
(continued)

Aon Insights

Auto: COVID-19 restrictions led to fewer cars on the road, leading to significantly reduced exposure. Despite the reduced risk profile, there is continued rate escalation and reduced appetite due to historic losses and an effort by insurers to return to profitability following these losses. With verdicts now often exceeding USD2 million, there is pressure by Umbrella insurers for insureds with fleets over 100 vehicles to transition to a USD2 million Combined Single Limit in the primary.

Aviation: Many Aviation insurers have withdrawn from the market globally citing unsustainable premium levels and poor loss experience; thereby, reducing available capacity. Rates are increasing across all Aviation product sectors as insurers aim to achieve rate corrections so they can return to profitability. Rate changes specific to Aviation vary across each product sector with General Aviation facing the highest rate increases especially in the rotor-wing sector. There is a heightened focus on technical underwriting.

Crisis Management: Several insurers have recently exited this space; however, capacity remains generally sufficient as new insurers have stepped in to fill the gap. Across the board, underwriters are managing their capacity more prudently – deploying it across the program with less in the primary layer. COVID-19 exclusions are being introduced – especially for food risks – despite research showing that COVID is not spread through food products.

Cyber: The current Cyber insurance environment is fluid. Insurers who have more experience, or a larger footprint, in this product segment are taking conservative steps to re-evaluate their underwriting models, pricing, and capacity deployment strategies. At the same time, an emerging group of MGAs have entered the product space with aggressive pricing and underwriting models. The two approaches have created a competitive market, which has presented some challenges for the more experienced underwriting groups who are trying to manage profitability effectively without losing traction around premium growth.

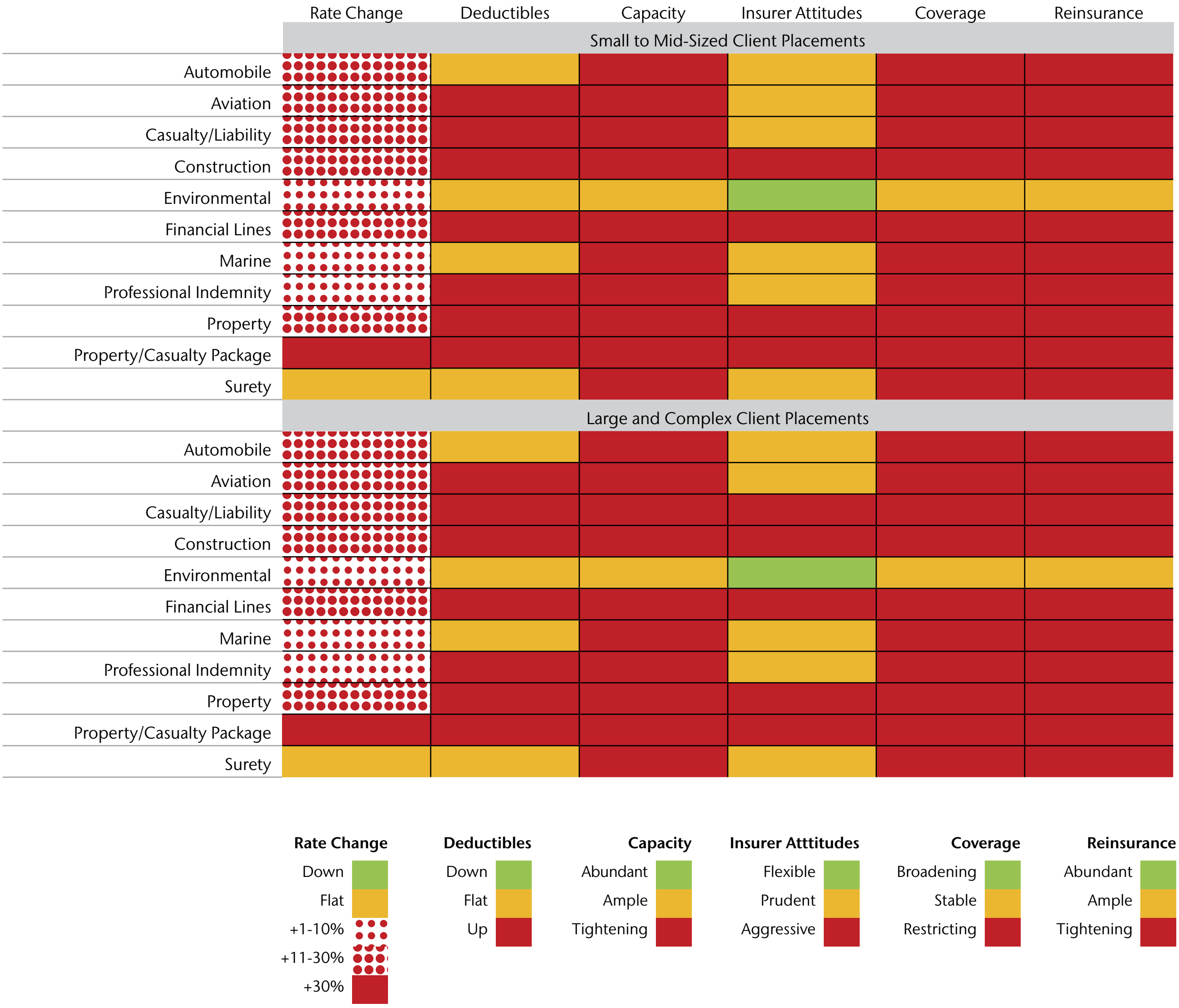
Employers Liability/Workers Comp: Many states are working to extend Workers' Compensation coverage to include first responders, health care workers, and other essential workers impacted by COVID-19 by implementing legislation that presumes COVID-19 infections to be work-related (e.g., 'presumptive coverage'). This is creating a complex environment for Workers Compensation insurers as they work to address various state regulatory issues.

Financial Lines: Securities class actions related to COVID-19 are being filed, and operational and financial impacts for many clients may lead to new D&O suits. Insurers are monitoring limit aggregation, and reducing capacity for high risk segments including IPOs, biotech, healthcare, retail, and hospitality. At the same time, pricing is increasing, and alternative program structures are being proposed. COVID-19 exclusions are also starting to be proposed.

Professional Indemnity: Insurers continue to focus on the profitability of their E&O portfolios, leading to widespread scrutiny of pricing and retention levels. There is significant rate pressure on high excess limits in the face of an increase in the frequency of large professional service claims. The focus in 2020 is more on rate than terms and conditions, which are generally stable. Where insurers cannot ultimately achieve a rate they deem to be adequate, they are non-renewing or reducing lines.

Space: Heavy claims activity over the last 12-24 months has impacted rating considerably. COVID-19 has further impacted the rating and underwriting environment and a number of insurers are proposing COVID exclusions on all new placements. Still today, launch vehicles remain on hold and launches have been delayed due to COVID-19 and associated limitations.

Featured Country: Canada Q2 Market Dynamics



Aon Insights

Although an influx of COVID-19 claims has not materialized, the market continues in a cautious state in response to reduced overall profitability and limited investment returns. Insurers are becoming significantly more selective, and underwriters are asking more questions, especially related to organizations' COVID-19 response. In addition to a tough rate environment, insurers are also proposing increased retentions and coverage limitations. The industries experiencing the most challenging conditions include oil & gas, mining, dual traded, cannabis, retail, hospitality, and educational institutions. As a region, Quebec has also been hard-hit. Insurers are now facing increasing reinsurance cost in their midterm renewals which will continue to drive the challenging market conditions.

Featured Products

Casualty: Well performing risks are seeing favorable Primary Casualty market conditions, while loss active placements are experiencing a tightening of terms and conditions, increasing retentions, and significant pricing increases. Excess Casualty is challenging across the board.

Environmental: Despite only modest price increases for Environmental coverage, companies facing pressure on other lines of insurance may look to reduce their environmental coverage – often seen as discretionary – as a way to reduce overall spend. Underwriters are showing a strong preference for clients who understand their own environmental conditions and invest in improving them.

Financial Lines: The increasing severity of claims and defense costs, and record-high US securities litigation, had already created a firming in the market, and now COVID-19 has accelerated the pace as insurers turn their attention to financially distressed risks, employee exposure due to layoffs, and disclosure risk to stakeholders. Bankruptcy, Cyber and Confidential Information, as well as other exclusions, are being required, and limit management strategies are being deployed.

Property: The market is challenging, with significant pressure on insurer profitability. Very few insurers have the resources to adequately handle the hard market conditions; underwriters, for example, are strained to keep up with the increased submission volume and response times have slowed as a result.

EMEA

EMEA Regional Landscape

COVID-19 continues to define the social and economic landscape of the region. Despite a downward trend in COVID-19 transmission rates, social distancing measures continue in most geographies, and many employees are still working remotely. During Q2, businesses became heavily dependent on government support – which has amounted to hundreds of billions of dollars so far — to help them endure the financial impacts of the shutdown, and there are now concerns with widespread job loss when governments roll back job retention schemes. As economies restart, there is a delicate balance to be found between health and economic risks and opportunities. Many companies' focus is short term, while mid- and longer-term plans have been paused. Brexit concerns also continue across the region, and there is a pronounced unease associated with a very uncertain future.

Insurance Market & Key Risks

- The market continues to shift across most lines of business, with loss-active risks such as D&O with US exposure, Property, and some Liability lines experiencing the most significant market impacts.
- Insurers are withdrawing from certain classes of business or significantly reducing their capacity.
- COVID-19 exclusions are being applied by many insurers across various lines of business. Aon is working to minimize impacts and advocate for appropriate and fair application.
- COVID-19 has expedited digitization of business and other innovative technologies, creating a more agile environment and other positive impacts for the insurance industry.

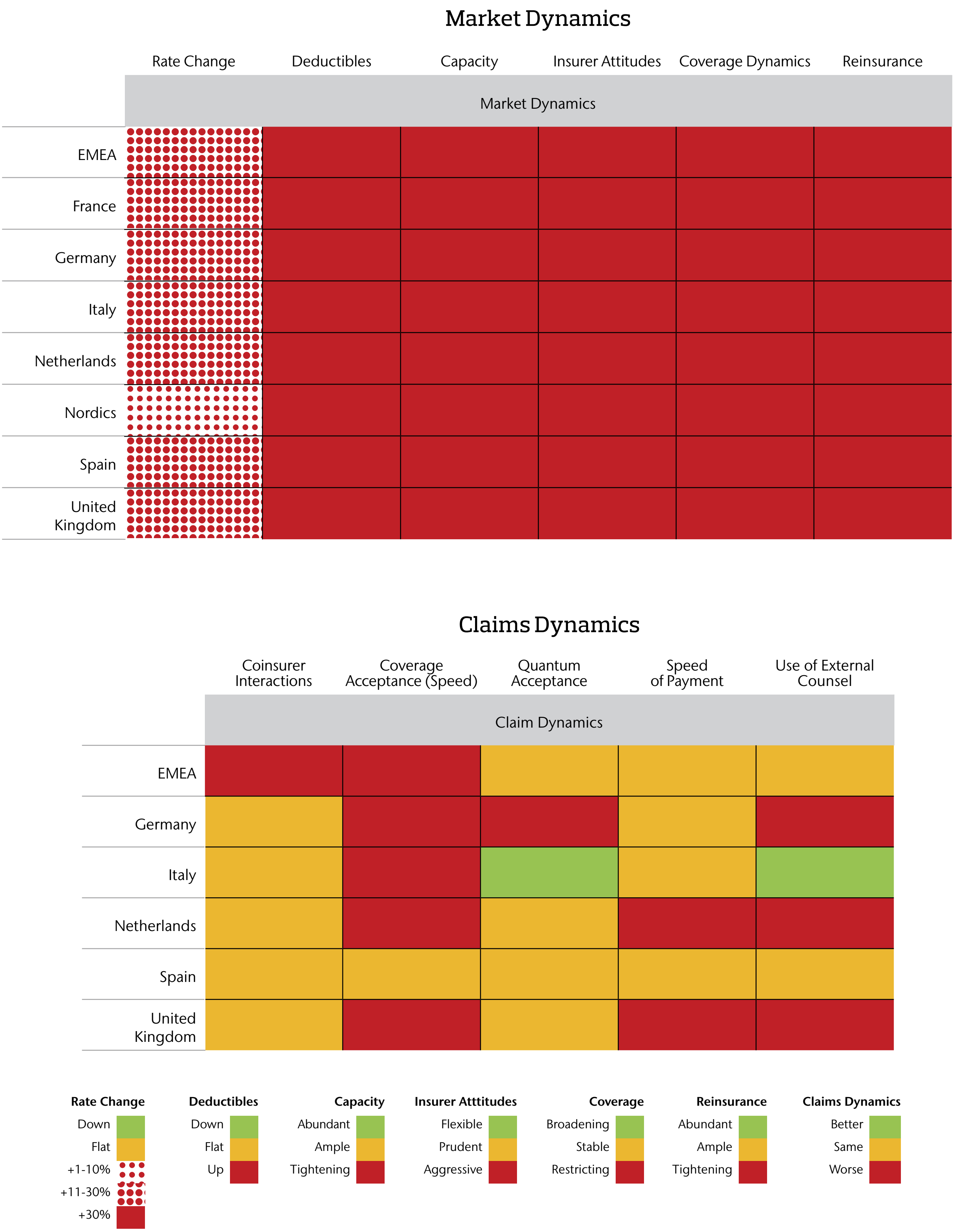
Claims Environment

- Similar to other geographies, there are ongoing questions and conflicting perspectives concerning Business Interruption coverage with respect to COVID-19. Through a UK test case, the Financial Conduct Authority (FCA) is working towards bringing clarity to many of the key coverage and application of coverage issues.
- Some insurers and adjusting firms are currently struggling to keep up with the volume of COVID-19 BI claims. There is a concern this may impact claims service performance.
- Motor and Casualty claims volume reduced during the lockdown; however, claims activity is increasing in parallel with the lifting of restrictions. In some countries, claim numbers have already returned to pre-COVID-19 levels.
- We are seeing the effects of the hardening market in terms of delayed coverage decisions – especially on complex losses in specialty lines.
- There is an increasing incidence of following insurers disagreeing with the lead, especially on some large and complex losses.

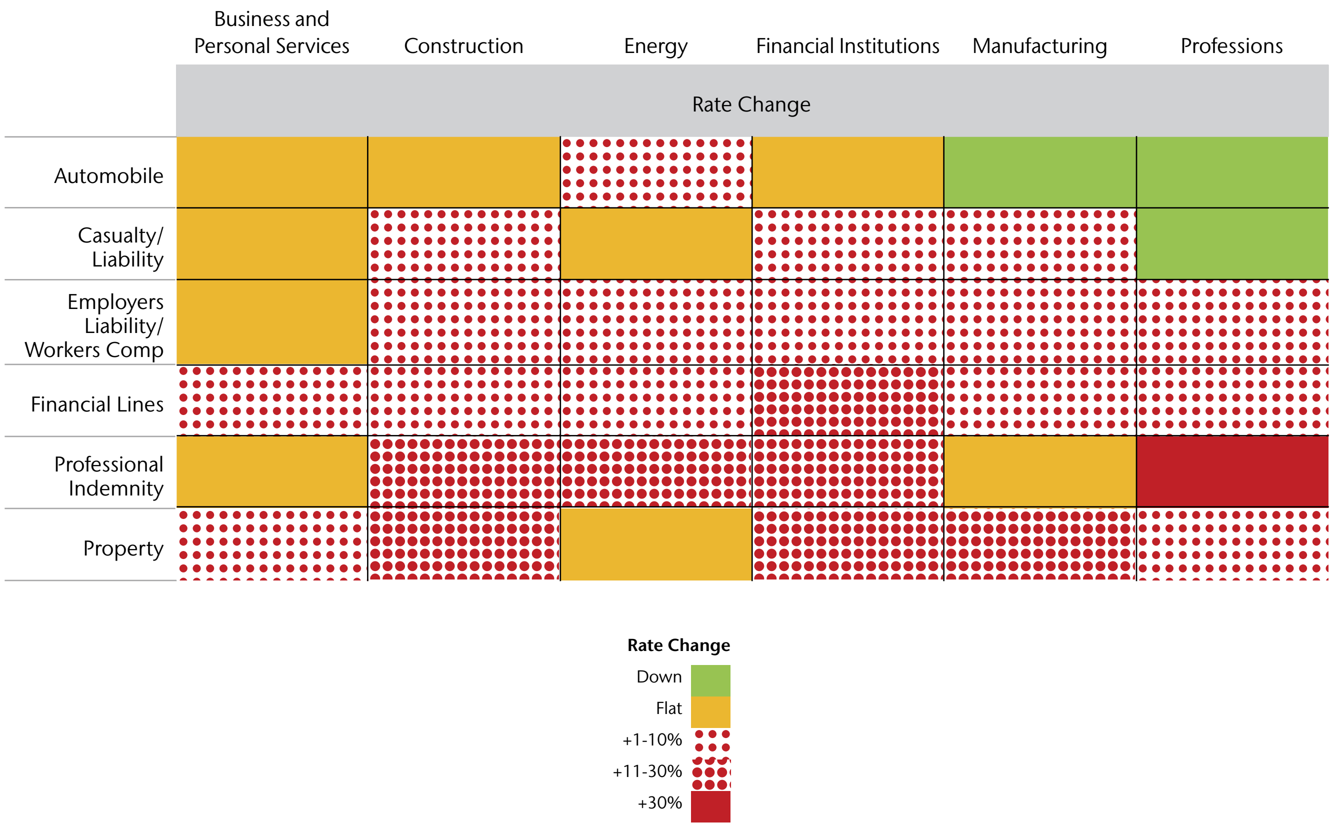
Clients Should Consider

- As insurers are revisiting their appetite and available capacity it is more important than ever to engage with Aon and insurers as early as possible to understand what (if any) impact the changes may have on upcoming renewals.
- Consider all options to mitigate the impact of the firming market and ensure required capacity can be secured.
- With government restrictions still in place, it is important to think about how remote surveys and other types of remote services can be leveraged instead of traditional approaches.
- Be transparent and complete in sharing information. Completeness of submission information will only continue to become more important as insurers look to deploy capacity on what they feel are the best risks.
- Partner with Aon and insurers on Business Interruption loss valuation methodology.
- Nominate best in class loss adjusting firms.

EMEA Market and Claims Dynamics by Country



EMEA Q2 Rate Trends



EMEA Featured Industries Q2 Overview

Manufacturing

- The manufacturing industry – considered complex and not generally agile – has been tasked with reacting quickly to supply chain disruptions, required assembly-line adaptions, and widespread travel constraints. Costs have escalated, while sales have decreased – mostly due to lower consumer demand stemming from COVID-19 impacts and other economic uncertainty. As revenues have deteriorated across the sector, much needed credit has become more and more difficult to secure.
- Following a prolonged period of soft pricing, the insurance market has become challenging. Many insurers have withdrawn capacity, raised rates, or have otherwise limited their offering. Now, with manufacturing revenues down due to COVID-19 impacts, organizations are seeking premium reductions, even as insurance market pricing escalates. The most prevalent coverage restrictions are related to COVID-19/infectious disease, cyber, non-damage business interruption, and riot, strike and civil commotion.
- Looking forward, new solutions are expected to be introduced to help address pandemic-related coverage, but the timing and cost of such solutions remains unknown. The underwriting process – which has already become more stringent and time-consuming – will likely continue to tighten. And Aon will continue to partner with clients to identify alternatives to help ease the impacts of the current market conditions.

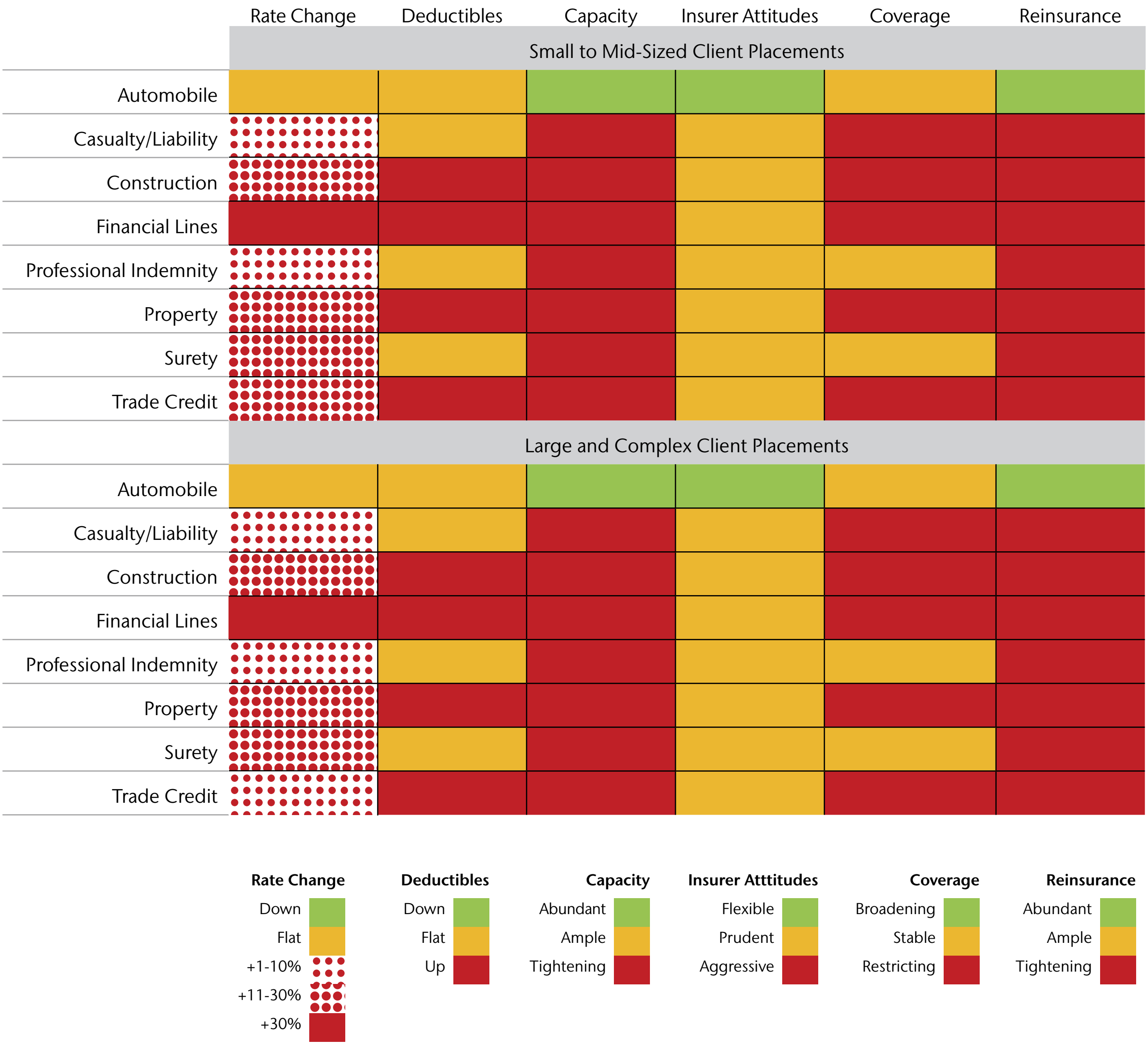
Construction

- Projects are becoming larger and more complex, and many large contractors are entering new geographies where the regulatory environment may not be well understood. The industry – historically slow to digitize and modernize operations – has begun to invest in earnest in technologies, modular construction, and simpler supply chains. Project delivery models are becoming more collaborative. Risk allocation models are a focus of discussions between contractors and owners. These changes – to modernize, simplify and become more collaborative – are expected to increase efficiency, reduce cost, and positively impact margins.
- Specialization and targeted end-use is also an area of focus for the industry, and some major contractors have become selective in which projects they tender for. There is a growing trend to invest in workers with technical/specialized skills and expertise, which also serve to mitigate one of the most relevant issues of the industry: lack of skilled workforce.
- COVID-19 continues to exacerbate an already challenging insurance marketplace. Rates continue to increase, capacity continues to constrict, and insurers continue to tighten terms and conditions where possible. COVID-19 impacts are testing the contingency and business continuity plans of contractors, which is creating greater focus on implementing improvements to reduce supply chain and other risks.

Financial Institutions

- Financial Institutions are facing myriad changes – from meeting new customer needs to identifying alternative approaches for engaging with customers. They are looking carefully at all elements of their business – from controls to operations to technology. Many are facing decreasing revenues as a result of negative interest rates and declining investment income, as well as loan defaults and other credit losses.
- The already firm insurance market for Financial Institutions is expected to continue to tighten, as insurers focus on capacity management and pricing adequacy. Reinsurance is being leveraged more frequently as a mechanism for accessing new capacity.
- As insurer appetite continues to become more focused, the need for collaboration between the insured, Aon and the insurer has heightened. Risks deemed to have inadequate underwriting details have become very challenging to place. Many insurers now have very minimal appetite for new Financial Institutions business. Those offering coverage do so on their terms, and at a high cost.

Featured Country: Italy Q2 Market Dynamics



Aon Insights

Landscape

There is a positive outlook for a gradual economic recovery as business and personal activities resume following three months of COVID-19 lockdown measures. Naturally, organizations are seeing a decrease in 2020 revenues, and Italy GDP is estimated to be down 10%. The insurance market has continued its firming trend. Profitability and portfolio remediation are key priorities for almost all insurers, and even local insurers whose behaviors had remained consistent in the past months are reviewing their underwriting approaches. The most challenging lines of business are Property, Construction, and Financial Lines (rate and deductible increases and capacity reductions - even for loss-free risks). Pandemic, Communicable Disease, and Insolvency Exclusions are being proposed by many insurers.

Featured Products

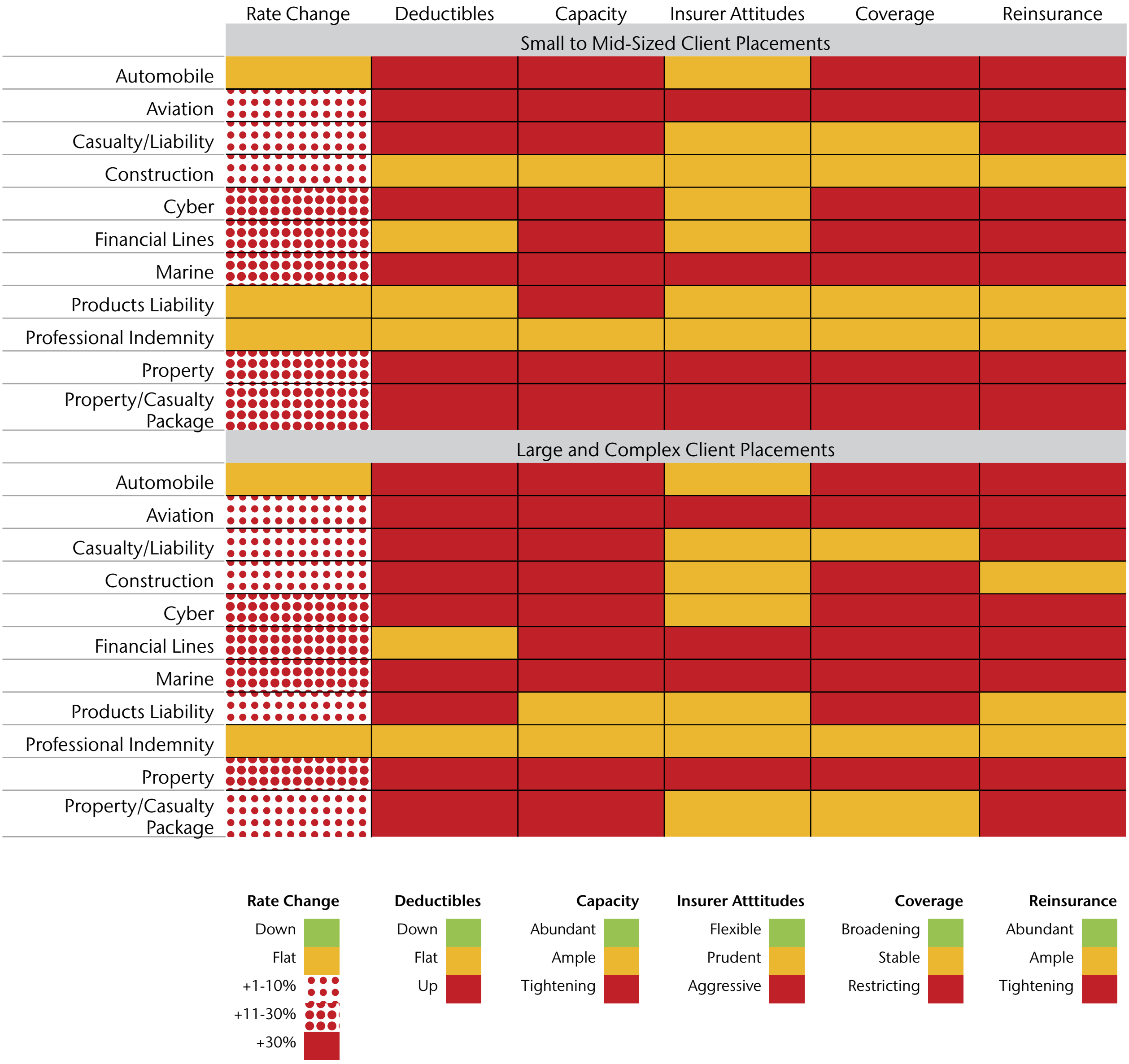
Auto: Travel and transportation companies (car rentals, tourist buses, public transportation) are rethinking the way they do business. Some are shifting away from riskier business types altogether. Large fleet risks are negotiating profit sharing clauses. Market pricing and underwriting has remained stable.

Financial Lines: Investors are watching closely as organizations and their directors announce how COVID-19 has impacted their business models, and the measures they have taken to mitigate adverse impacts. As insolvencies (already a potent source of D&O claims) rise, pricing, which had already started a significant escalation, is expected to accelerate.

Property: The recent turmoil in the U.S. has impacted many major fashion companies, and losses are piling up by the millions. Insurers are focused on risk quality, while reducing capacity and increasing deductibles (especially for Natural Catastrophe risks).

Trade Credit: Credit solutions are enduring a capacity crunch due to the expected increase in claims and the limited number of insurers in this space. Many are reducing or canceling credit limits and underwriting has become very difficult.

Featured Country: Germany Q2 Market Dynamics



Aon Insights

Landscape

The current economic landscape is shaped by many factors ranging from economic slowdown to trade barriers to a delay in technological progress. While the full effect of COVID-19 is not yet known, it is clear that recovery will not be immediate. The insurance marketplace had already begun to firm after a prolonged soft market, and COVID-19 accelerated the pace. Insurers are imposing rate increases, capacity reductions, and higher deductibles, in an effort to improve profitability. Underwriting has become more complicated and challenging as more decisions are referred to central decision-makers not familiar with local/regional circumstances. These changes are coming at a time when many organizations are facing financial hardship and needing greater flexibility and partnership from their insurers.

Featured Products

Auto: E-cars continue to receive favorable underwriting response. There is unmet demand for warranty coverage.

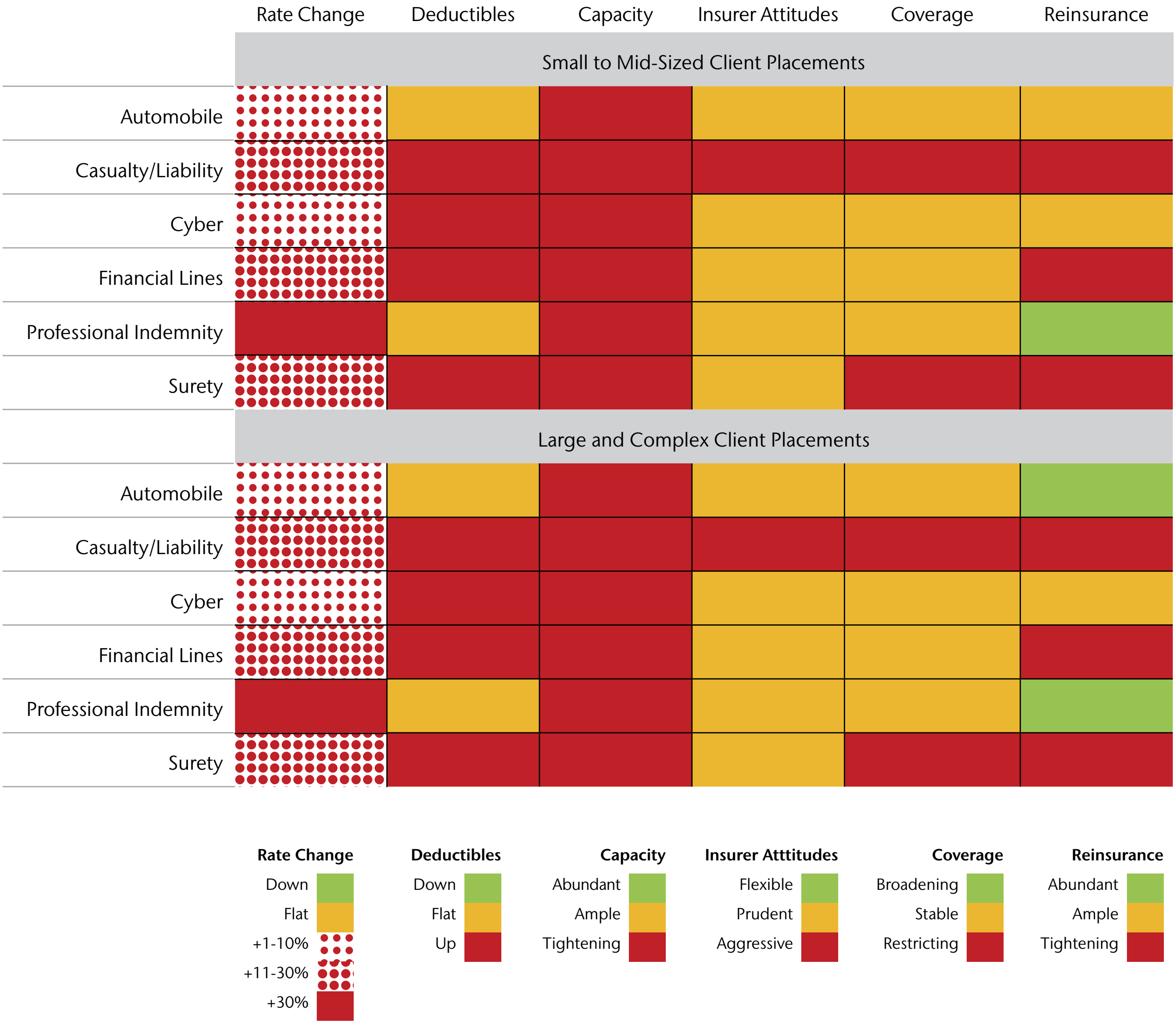
Casualty: Despite a reduction in turnover (exposures) for many companies, insurers are shifting rates upward.

Financial Lines: In response to widespread financial hardship and bankruptcy, insurers are tightening their risk appetite, imposing coverage restrictions, and raising prices. While individual underwriting has become more rigorous, there is also an emerging tendency to take a blanket view of common risk types and/or distressed risks.

Marine: There is a disconnect in the cargo market: risk has increased due to interrupted logistics (so insurers are looking to raise prices), but turnover has decreased (so insureds are looking for price reductions). Data driven pricing tools are being implemented to minimize underwriting subjectivity.

Property: The market is very challenging. Rates are significantly increasing, deductibles are increasing, coverage limitations are being imposed, and many insurers are de-risking, resulting in less capacity.

Featured Country: Netherlands Q2 Market Dynamics



Aon Insights

Landscape

COVID-19 restrictions have led to financial distress for many organizations. The country is entering a pronounced recession, with GDP predicted at -6.4%. Insurance market pricing has increased measurably, and insureds are exploring options to help offset the increases. Capacity is tightening, and there is greater reliance on facultative reinsurance. Underwriting is more rigorous and technical. And coverage restrictions – especially pandemic related exclusions – are being broadly proposed. Silent Cyber is an ongoing topic of discussion. There is significant discussion about how exclusions are being applied and a push toward fair and consistent application.

Featured Products

Auto: Insurer attitudes and pricing vary by COVID-19 impacts; e.g., there is greater concern now for food transportation, and less scrutiny on people transportation risks. Across the board, rates are ticking up, and appetite for large fleets is decreasing.

Casualty: Insurers are scrutinizing every risk – asking for detailed information, and imposing exclusions to address their concerns. Pricing is increasing significantly – especially for Excess, and capacity is tightening.

Cyber: Given the increased risk and recent large claims in Europe and elsewhere, pricing is increasing. Policy language varies widely from insurer to insurer. Organizations are no longer seeing Cyber as a discretionary purchase.

Financial Lines: While demand is growing due to recent events and trends, D&O, Crime, and Employment Practices Liability appetite and capacity is decreasing. The underwriting process is more rigorous than ever – often referred to home office – and slow.

Surety: Insurers are bracing for the possibility of defaults due to organizations' financial distress. In response, underwriters have become risk averse – especially toward new business. Pricing is increasing significantly.

Asia Pacific

Asia Pacific Regional Landscape

While the start of year initially looked positive for economic growth across the region, the effect of COVID-19 and related restrictions has since significantly challenged the health and stability of local economies. While countries across the region have begun reopening, the full economic and social impacts will remain unknown for some time. In Asia, there is optimism that, as the region slowly progresses its re-opening, governments will play a key role in reinvigorating and kick-starting the economies by proceeding with plans to develop vital infrastructure, such as transportation links and power supply projects. In Australia, tensions with China continue to escalate, and Australian Prime Minister Scott Morrison has reinforced his commitment to an "open, sovereign Indo-Pacific, free from coercion and hegemony" by promising to invest hundreds of billions of dollars in military and related capabilities. There are widespread concerns that the already challenged economy may only get worse when COVID-related government relief measures expire.

Insurance Market & Key Risks

- Consistent with the global marketplace, following a period of poor loss performance in several key lines of business, the Asia Pacific market is becoming ever more challenging, with upward rate movement and capacity restrictions, as insurers sharpen their focus on profitability. That said, there is still sufficient capacity for most products and risks.
- COVID-19/Infectious Disease exclusions are a major factor in Q2 and Q3 renewal discussions. Insurers are watching for global precedent on claim test cases.
- D&O, Professional Indemnity, and Property placements are facing extremely difficult conditions, with Casualty gaining pace in some sectors.
- Local insurers are currently negotiating treaty renewals; the outcomes will flow into the 2nd half of 2020.
- Unprecedented requests for information are arising particularly in terms of: scrutiny on declared values, risk and site information including Loss Control updates, Business interruption values – clarification and justification, Supply Chain and Contingency, and Business Continuity plans. Clients must be proactive and prepared in order to have options.

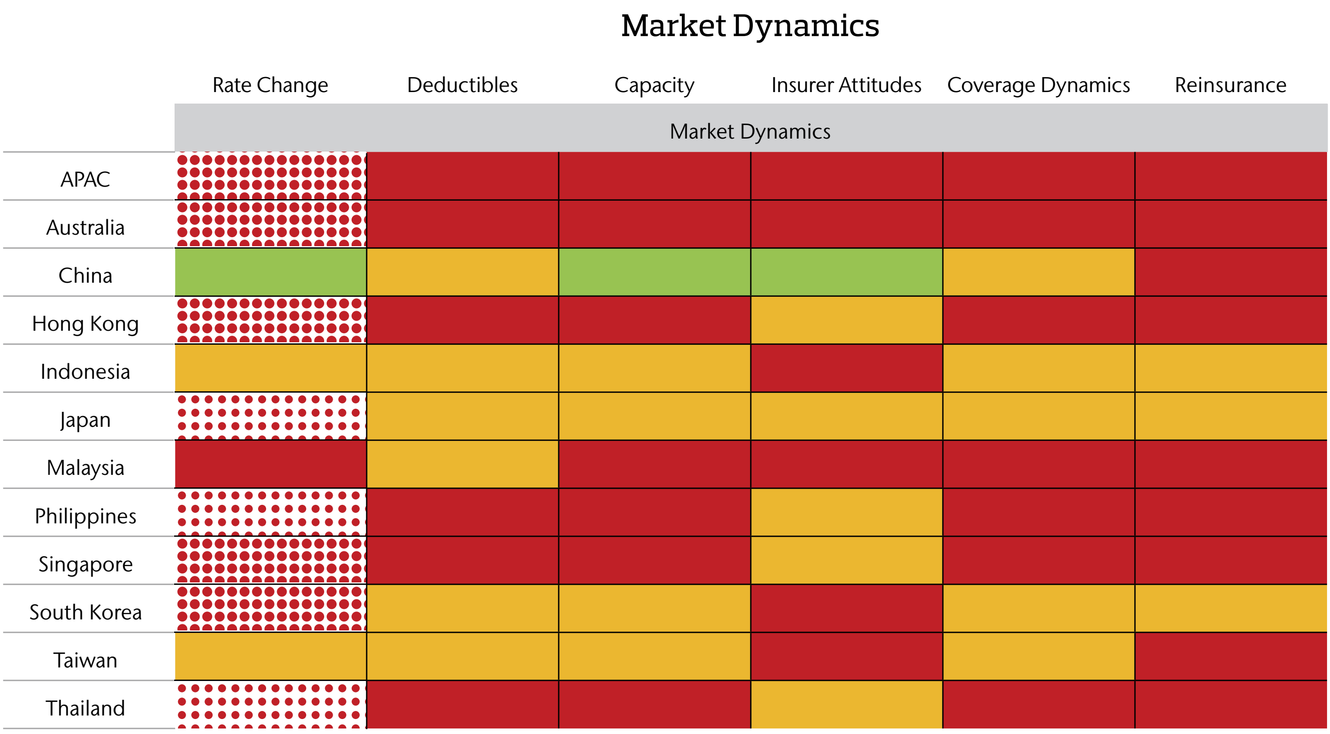
Claims Environment

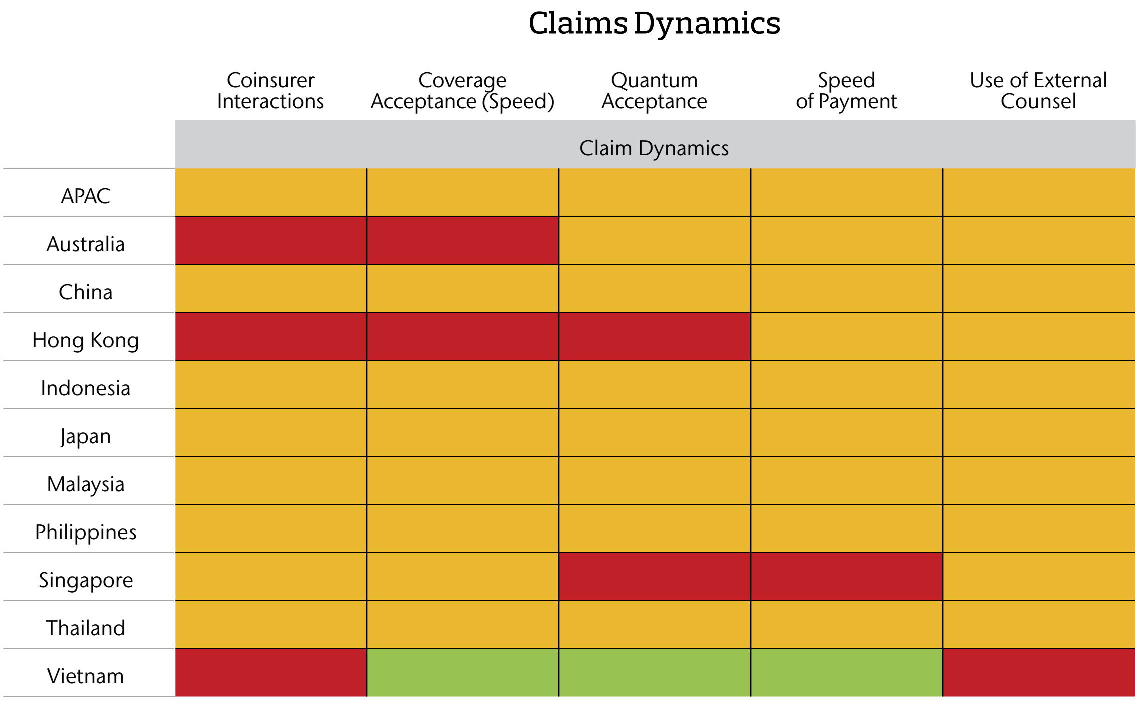
- Due to the global nature of the COVID-19 pandemic, many insurers have implemented requirements that all COVID-19 claims be referred to regional or head office (usually in US or Europe) for handling.
- Insurers are requesting more information and documentation, making the claims process slower and more cumbersome; however, the acceleration of technology adoption has created efficiencies which have, at least partially, offset the delays.
- Coverage for the continuous Hong Kong civil unrest is being interpreted inconsistently by insurers; some are proposing to deny claims on the premise that they are the result of terrorism. Following insurers are challenging the coverage position of some leads.
- In Australia, underwriters are reviewing in detail all claims of material magnitude and response times are slower. Technical issues are being referred to external lawyers for coverage advice.

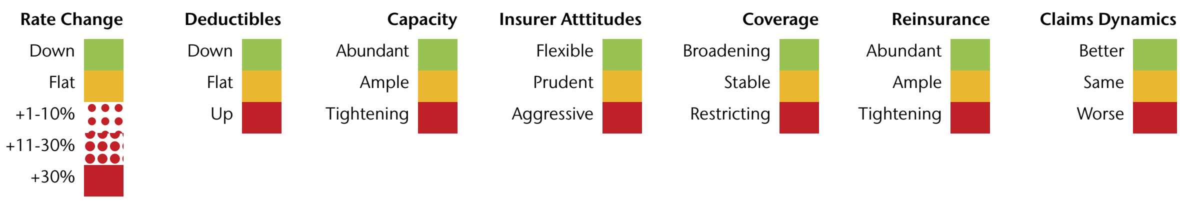
Clients Should Consider

- Insurers are proposing program changes; e.g., lower limits, higher deductibles, coverage restrictions, and higher rates. Be prepared to consider any and all options to minimize the impacts.
- Work closely with Aon and insurers to conduct detailed business interruption reviews which extend to supply chains; leverage risk engineering review programs where appropriate.
- Be prepared and proactive in presenting your risk in a way that differentiates you from peers. If you have been negatively impacted by COVID-19, proactively articulate your plan out of the current situation.
- Consider TCOIR as the key metric when evaluating risk retention and transfer strategies; e.g., consider retaining more to remove attritional claims, making your risk more attractive to insurers.
- Ensure any potential claims/circumstances are investigated and reported (as per policy requirements) in advance of the upcoming renewal.
- Partner with Aon to identify how your risk profile has changed and how those changes impact your insurance and risk management strategy.

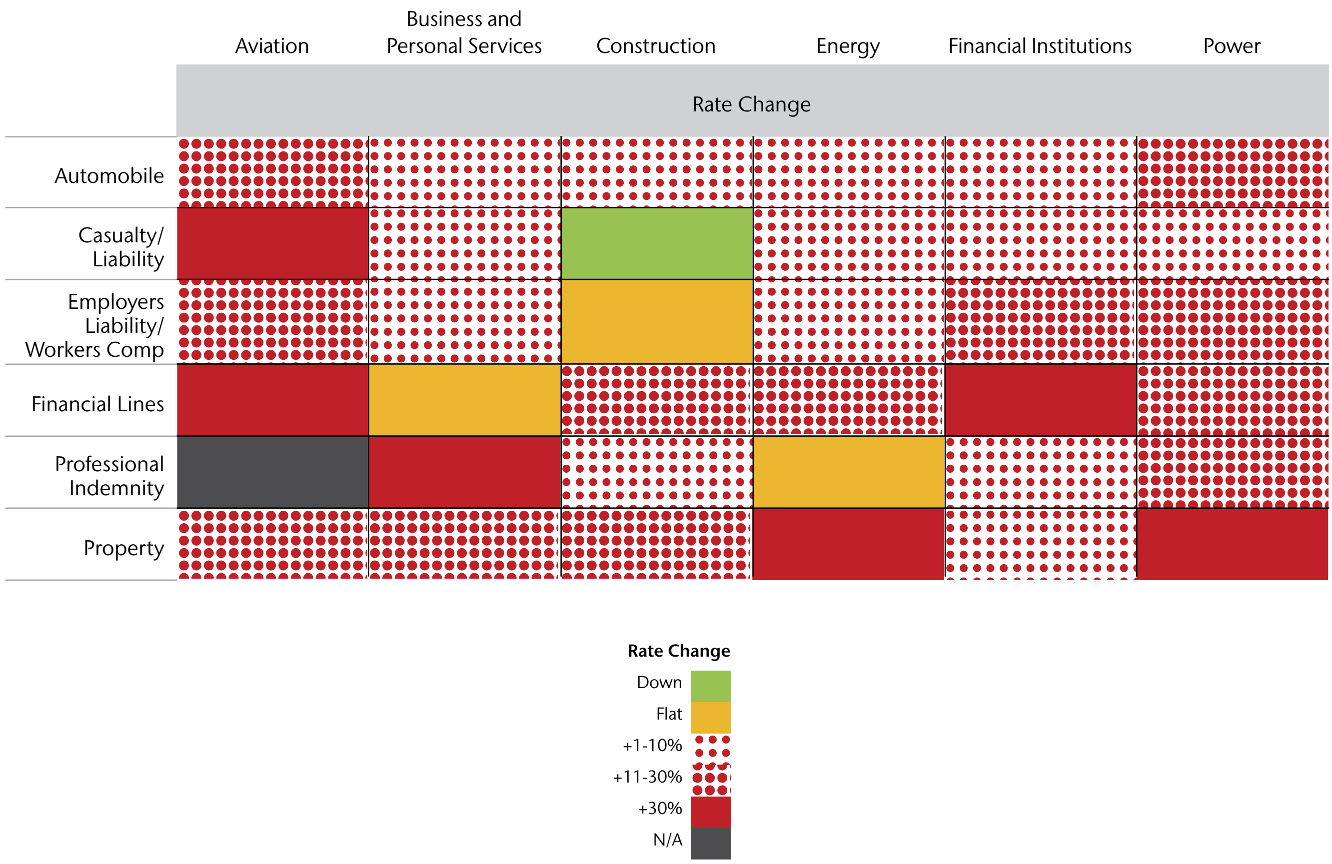
Asia Pacific Market and Claims Dynamics by Country







Asia Pacific Q2 Rate Trends



Asia Pacific Featured Industries Q2 Overview

Power

- Government stimulated project growth, as well as investment in the transition from coal-based to sustainable power sources, has been delayed, as the government reallocates funding to boost the economy. Lack of funding, combined with COVID-19 restrictions, has led to serious economic consequences across the power industry, although continued demand for day-to-day services has softened the impact.
- The insurance market for coal risks is extremely challenging. Some insurers are withdrawing entirely from this space, and those that remain are limiting capacity, raising prices and tightening coverages. As risk transfer has become costly and limited, some coal companies are assuming more of their own risk.
- Despite recent poor loss performance, the market is less challenging in the renewable energy generation space. A number of new insurers looking to expand their footprint are entering the market, creating new competition. There is sufficient capacity, but insurers are prudent in deploying it – especially on risks with natural catastrophe exposure. There has been more referral activity with local insurers. Pandemic exclusions are being proposed on new and renewal policies, mainly driven by treaty arrangements.

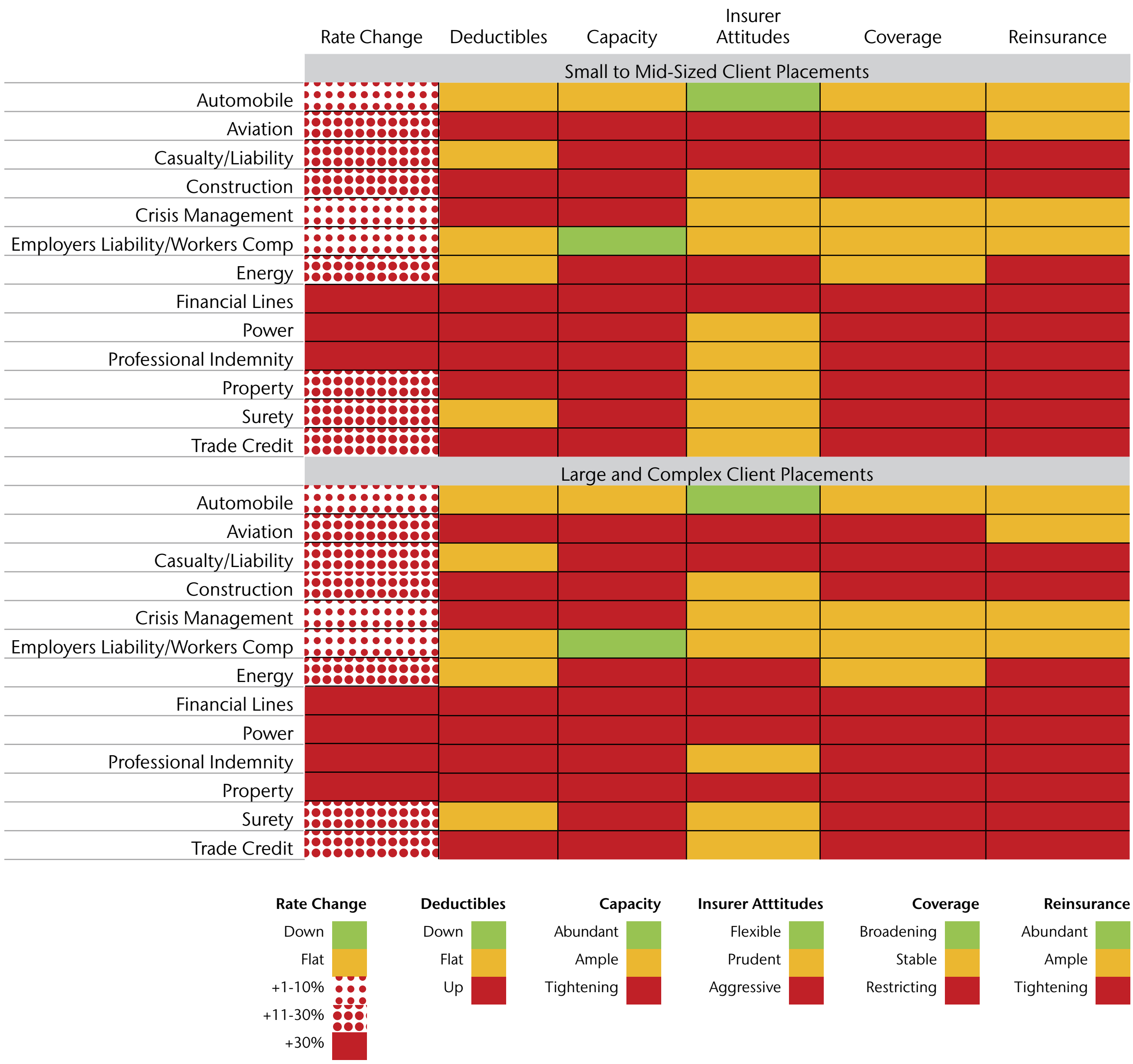
Construction

- The construction industry is seeing COVID-19 restrictions related to supply chains, access to site, and productivity, while the government is investing billions of dollars into infrastructure and housing projects to assist in stimulating the economy.
- In the insurance market, there is increasing focus on risk management, pricing adequacy and the tightening of broad-based coverage, as global insurers across the region seek to improve their bottom line in a sector which has seen significant historical losses (particularly on civil projects). Insurers are taking a particularly conservative approach to underwriting and deployment of capacity on complex projects, especially those with extended periods of development, and those that involve heavy tunneling, wet works, and other associated risks, and /or are located in high natural catastrophe exposed geographies.
- Local insurers are also taking measures to improve profitability such as restricting coverage terms, and increasing deductibles and pricing.

Aviation

- As COVID-19 impacts continue, the aviation sector continues the unprecedented turmoil that began earlier this year. Some aircraft operators have grounded fleets – or are operating at severely reduced capacity – and as a direct result, service providers for the airline and general aviation sectors are experiencing significant reductions in turnover. Others (such as freight carriers) are experiencing an abundance of additional opportunity. Some operators are diversifying their business from passenger carriage-focused to also include freight..
- Consistently poor underwriting results within the sector has led to increased underwriting discipline. In turn, underwriters are avoiding – or significantly changing their pricing strategy for – risks which have generated recent major losses and risks with consistent attritional activity.
- The gradual decline in capacity throughout 2018 and 2019 by way of market withdrawals and consolidation has had a significant impact on the challenging market conditions. While some new underwriting entities were able to combine their respective lines and write larger percentages than previously, the lack of active markets able to quote has had a notable impact on renewal discussions, and in turn, there are greater pricing differentials between insurers.

Featured Country: Australia Q2 Market Dynamics



Aon Insights

Landscape

COVID-19 restrictions are subsiding, but the full economic impact won't be known until government relief measures expire in September. The insurance market is becoming more challenging across many products, and there is concern that distressed organizations looking to decrease risk transfer cost may reduce coverage or increase retentions to save money in the short term, potentially adding undue volatility in the event of loss activity. Infectious/Communicable Disease exclusions are being proposed by the majority, if not all, insurers. Local insurers are currently negotiating treaty renewals; the outcomes will flow into the second half of 2020.

Featured Products

Auto: Pricing is modestly up, and insurers are still aggressively targeting well-performing new business and seeking to differentiate themselves with risk management offerings to compliment organizations' operations. Some insurers have clarified their coverage position for non-operational vehicles.

Casualty: Increasing litigation, broader definitions of liability, more plaintiff-friendly legal decisions, and larger compensatory jury awards – combined with historical pricing inadequacy – have contributed to rising claims costs and a deterioration of the Australian General Liability net underwriting combined ratio to 125%. The market is now correcting across both primary and excess layers, and insurers are very cautious on long-tail coverages.

Workers Compensation/Employers Liability: There are two competing forces: high unemployment (and reduced payroll/exposures) and the postponement of elective surgeries (and higher claims costs stemming from delayed recovery of injured workers). While exposures are down, increasing claims costs is translating into higher rates.

Financial Lines: The active class action environment continues. Premiums are significantly up, capacity is constricted, and new exclusions are being introduced.

Property: There is a concerted 'flight to quality'. Insurers have little to no appetite for attritional loss. Even clean risks in benign industries are experiencing double digit rate uplifts.

Featured Country: Hong Kong Q2 Market Dynamics

Aon Insights

Landscape

Historically one of Asia's most stable economic and political countries, Hong Kong is now grappling with unprecedented uncertainty following China's move to introduce national security legislation in Hong Kong despite widespread protests and an electoral defeat. Social unrest continues, as have COVID-19 restrictions, especially as the second wave of COVID-19 resurges. Unemployment recently hit a 15 year high, many businesses remain closed, tourism is minimal, and the economy is in a serious slump.

Despite a challenging economy, the insurance marketplace is moderate. Most risks – bar Property risks – are seeing only modest increases. Exclusions and sub-limits are being required for Infectious Disease, Strike, Riot and Civil Commotion, and Malicious Damage.

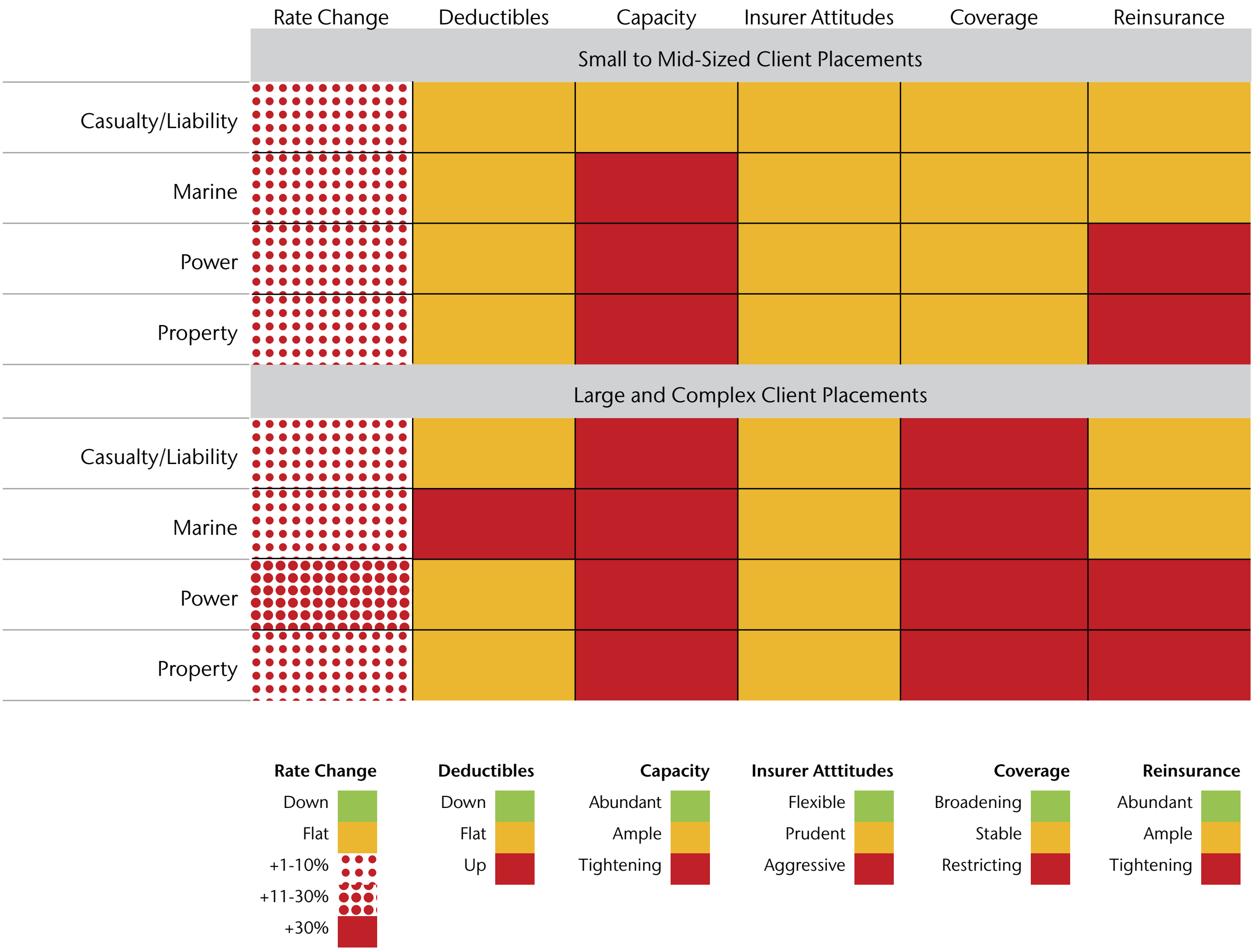
Featured Products

Casualty: Terms and conditions are becoming slightly more restrictive. Pricing is slightly up, although reductions are still available for very favorable risks. Some established insurers have withdrawn capacity where pricing levels were deemed insufficient. Insurers have started to differentiate more between loss-free and loss-active accounts. Some insurers are imposing exclusions for US-domiciled risk. Terrorism remains a point of discussion, and some insurers are willing to remain silent on the issue.

Employers Liability/Workers Compensation: The market is dominated by local and Chinese insurers. Insurers are generally extending coverage for employees working from home. The Labor Department is reviewing the list of occupational diseases, and considering expanding the scope, which will result in an expansion of coverage under Employee Compensation ordinance.

Property: The market is hard overall, and insurers are restricting coverage and applying sub-limits. COVID-19, communicable disease, cyber, and terrorism are not generally covered under the Property policies; however, discussions related to contingent business interruption coverage continue.

Featured Country: Philippines Q2 Market Dynamics



Aon Insights

Landscape

Metro Manila is slowly easing out of COVID-19 restrictions; however, other parts of the Philippines remain under strict quarantine measures due to a recent spike in the case count. According to recent Department of Labor and Employment report, 2,068 companies have gone out of business due to the pandemic, and 69,022 workers have lost their jobs, raising concern across the insurance industry (amongst broader concerns) that displaced workers may lodge grievances, resulting in an increase in Employment Practices Liability claims. Financial aid measures have been offered to some business (e.g., options to defer payments). The insurance marketplace is firming generally, and there is a shift to include communicable disease exclusions across all lines of business.

Featured Products

Casualty: Major insurers are requiring more detailed underwriting information, tightening capacity, and restricting coverage terms. Further market adjustments are expected after treaties have been renewed.

Marine: COVID-19 restrictions left property stuck at ports and warehouses. As on-line shopping resumed, the supply chain recovered; shipping increased, and warehoused goods cycled. The insurance market is challenging as underwriters impose lower limits and separate (high) deductibles, especially for Natural Catastrophe risks. International insurers are reducing capacity for Stock Throughput and some local insurers are withdrawing completely. Transit capacity is still abundant and local insurers' pricing is competitive.

Power: Detailed information is required across the board, and many risks are being referred to regional underwriters. Local capacity for coal power plants remains very limited.

Property: Due to delays in implementing business continuity plans, some insureds' premium payments were delayed, and Insurers are now focused on improving their receivables. Requests to change retention levels, limits, or coverage terms are subject to underwriting scrutiny.

Latin America

LATAM Regional Landscape

Latin America – currently the global epicenter of the COVID-19 pandemic – is marching toward its deepest recession in modern history. Unemployment rates are soaring, inflation is high, there is minimal private sector investment, and GDP is expected to decrease by double digits in 2020. And it is expected that the situation will get worse before it gets better – as the lockdowns and trade disruptions continue and tourism remains on hold with no end in sight. Governments have stepped in with large relief packages intended to help small businesses and at-risk populations. Countries across the region are not aligned on the appropriate measures to facilitate the return to a New Normal. The political environment remains complex. Reforms are pending but there is uncertainty as to whether or not they will be approved. Some social tensions have escalated, but curfews have generally served to maintain order. There is concern that – due to rapidly deteriorating economic conditions – once COVID-19 lockdowns end, social tensions and violence will escalate.

As the economy contracts due to COVID-19 impacts, the risk environment has shifted: risks like Marine and Motor have significantly decreased due to travel restrictions, while risks like Cyber have significantly increased due to widespread working-from-home. The overall insurance market is challenging, but continues to benefit from 2019 and Q1, 2020 tailwinds.

Insurance Market & Key Risks

- The local insurance landscape is challenging, especially for risks which require London/Facultative Reinsurance capacity, but preferred risk types are still seeing only a slight firming, and a more disciplined underwriting environment.
- Key concerns are D&O, Surety and Aviation, where the market is very challenging and some insurers are overcorrecting poor past loss performance.
- Strike, Riot, and Civil Commotion coverage – previously included in standard Property policy language – is now being excluded, surcharged, and/or sub-limited.
- Insurers are carefully reviewing reinsurance policy language to avoid differences in conditions. This is leading to underwriting delays.
- The Casualty/Liability market – rated predominately on sales and payroll, both of which have decreased significantly – is under pressure to reduce pricing.
- Despite the current economic and political challenges, there is general optimism in the market, especially amongst insurers with niche appetite in industries like Construction & Infrastructure.

Claims Environment

- The deterioration of the economy could impact insurers' abilities to process claims in a timely manner, therefore Aon recommends that clients report losses and provide adequate documentation early in the process to avoid prolonged delays.
- The transition of insurers to remote working has seen mixed results. Some insurers transitioned smoothly and effectively while others continue to experience challenges. Coverage determination is taking longer as lockdown efforts continue across the region.

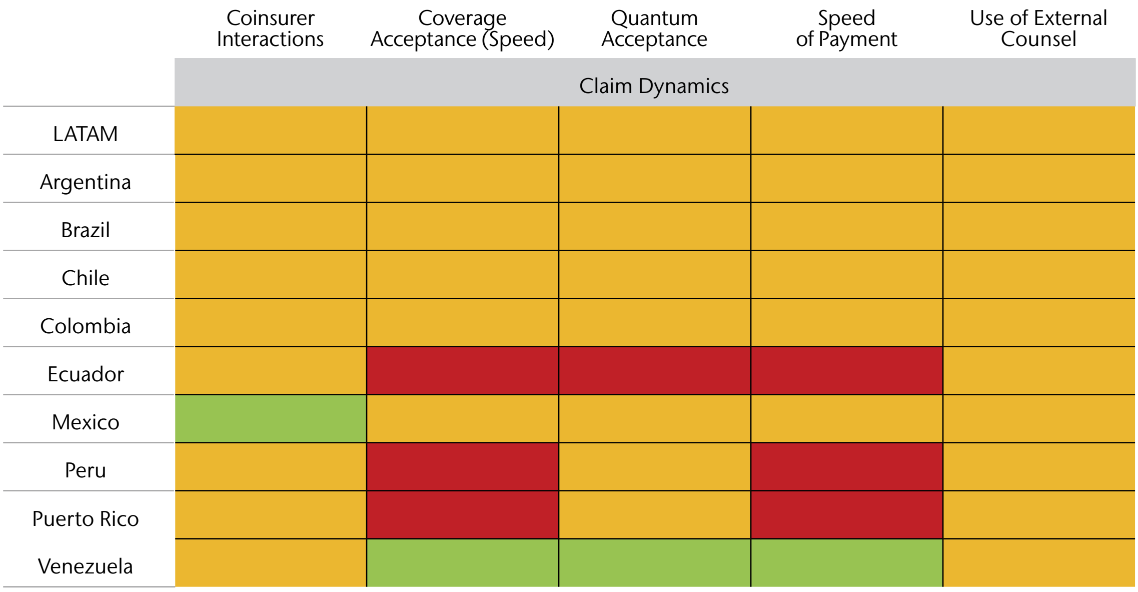
Clients Should Consider

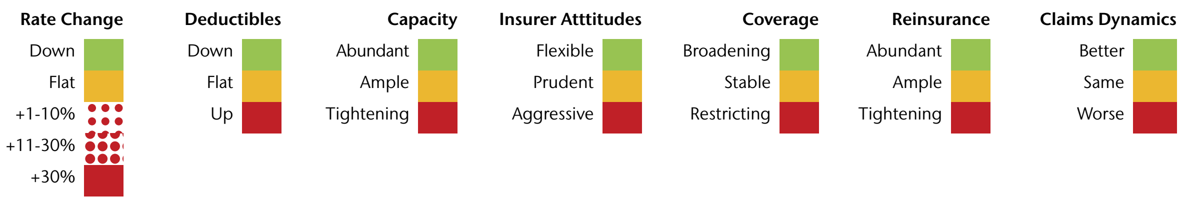
- Begin renewal planning early.
- Be proactive. Partner closely with Aon and insurers to secure the best outcomes.
- Explore all options to offset the effects to pricing increases – especially if you have had significant losses and/or need large capacity.
- Work with Aon to project the impact of the economic slowdown on your exposures. Detailed exposure and loss information is more important than ever to differentiate your risk and risk control efforts.

LATAM Market and Claims Dynamics by Country

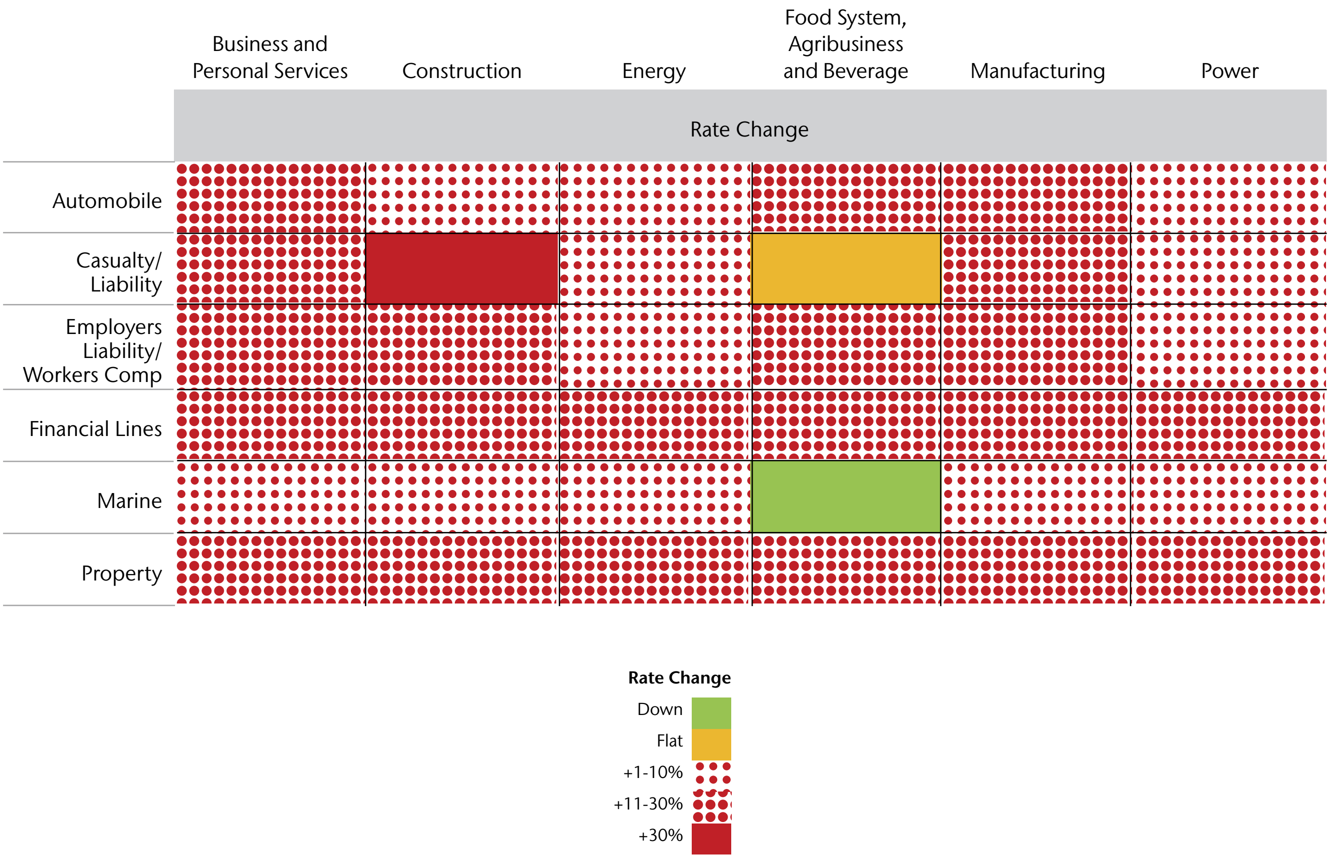
Market Dynamics

Claims Dynamics





LATAM Q2 Rate Trends



Latin America Featured Industries Q2 Overview

Energy

- Despite recent sharp reductions in oil production, supply continues to exceed demand. Recent International Energy Administration (IEA) projections estimate the that global oil supply will fall by 7.1 million barrels a day in 2020, while demand is expected to fall by 7.9 million barrels a day. This – combined with a halt in new energy industry projects and investments – has created a difficult environment across the industry that is only expected to become more challenging over the second half of 2020.
- Global and local insurers continue to adjust pricing upwards. At the same time, insurers are implementing more rigorous underwriting requirements – asking more questions and requiring more information. This is creating delays and underwriter response time has slowed significantly.
- Insureds continue to look for ways to cut costs and free up cash. With exposures decreasing, some insureds are considering alternative program structures; e.g., reduced limits, additional sub-limits, increased retentions. In some cases – especially for loss-prone risks, upstream risks, and risks requiring Construction All Risk or Marine Hull & Machinery coverage – underwriters are imposing these changes.

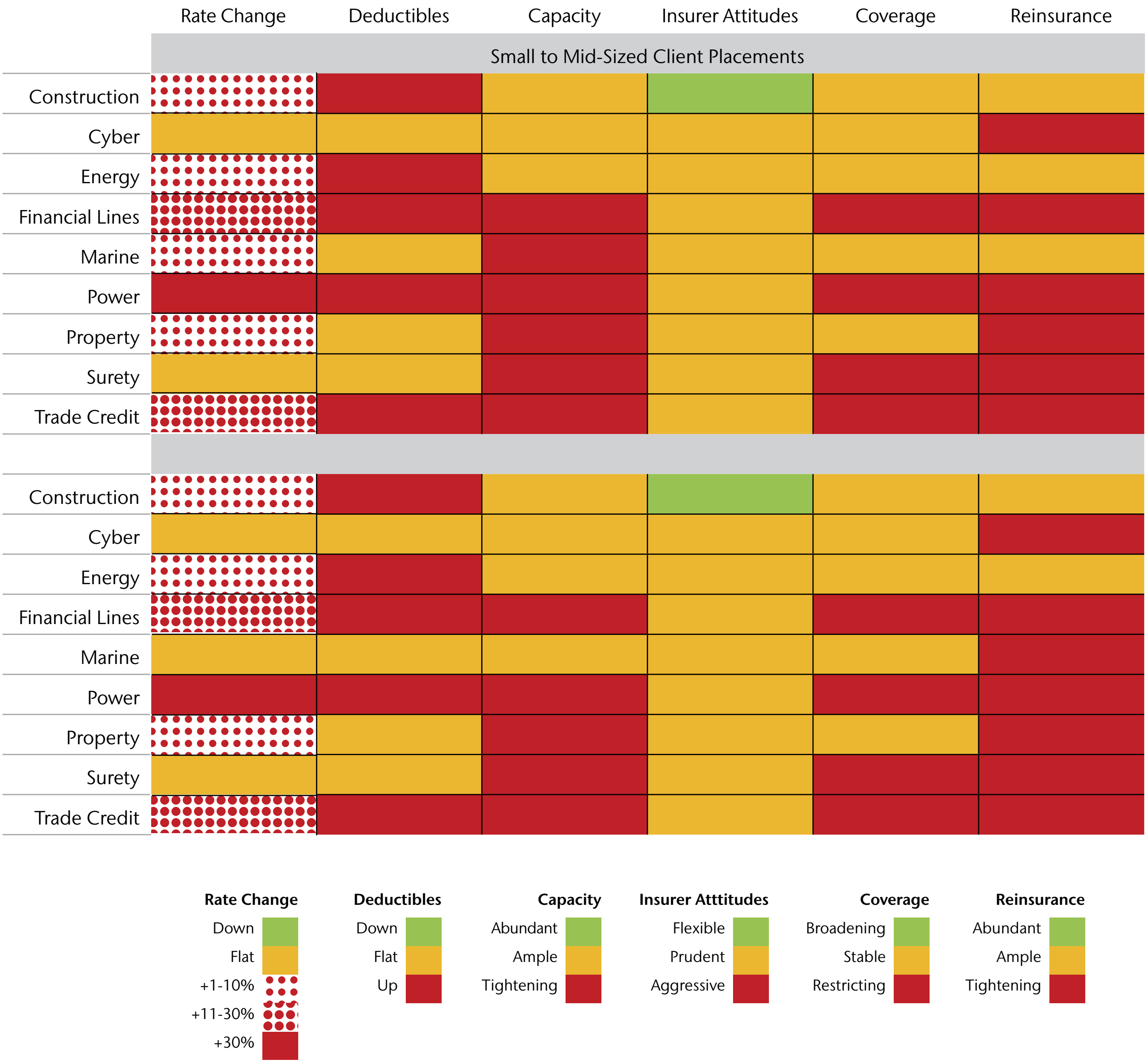
Food & Agribusiness

- Latin America is the largest net food exporting region in the world, and production continues to increase. At the same time, new technologies like vertical farming and cellular agriculture are emerging.
- Despite a challenging economic environment overall, demand for basic products, like food, has continued – even increased, as people stockpiled supplies out of fear that they may run out, and changed their eating habits from meal-sharing to individual portions. In parallel, there has been heightened demand for ghost kitchens, prepared meal delivery, and grocery delivery services. These businesses have seen continued strong growth; e.g., food service delivery sales alone have increased 500% in the last 5 years with no signs of a slow-down.
- In general, insurance pricing is reasonable and capacity is available. There are only a handful of insurers in this space, which creates healthy competition. That said, insurers have become more rigorous in their underwriting approaches and are exercising caution to avoid differences in conditions between insurers/reinsurers. This has led to some delays in the underwriting process. In addition, restrictions are being proposed for Terrorism, Sabotage, Strike, Civil Commotion, and Looting.
- Inland transit of food products is a key area of concern as some geographies have seen a marked increase in robberies.

Power

- The demand for electric power has significantly declined due to COVID-19 impacts. This has had a knock-on effect; construction projects in this space have been suspended, and there is minimal investment in new projects, especially related to power generation. In some countries, like Brazil, the government is considering incentives and other protections for distribution companies struggling to honor their contractual commitments related to minimum energy purchases.
- Risk conditions remain mostly stable; however, insurer concern related to project and operational safety is escalating – even where there have been no issues or losses.
- The insurance market is modestly up; however, Financial Lines and Property are seeing more significant increases.
- Due to its lower cost, local capacity is preferred over reinsurance capacity; however, local capacity is reducing, even despite increasing deductibles.

Featured Country: Brazil Q2 Market Dynamics



Aon Insights

Landscape

The economic and political landscape is complex, and there is a general sentiment that the federal government is not effectively handling the fight against COVID-19. There is growing unrest over unkept tax reform promises, racial discrimination and skyrocketing unemployment and poverty. The insurance market is firm. Insurers are introducing pandemic-related exclusions. Some placements and negotiations have become challenging and complex, especially for loss-active and/or undesirable risks.

Featured Products

Property: There is a general upward rate movement, especially for larger and more complex risks, although healthy market competition serves as a counterbalance. Smaller, favorable risks can actually see price decreases. Coverage terms have seen a slight constriction, mostly related to pandemic language.

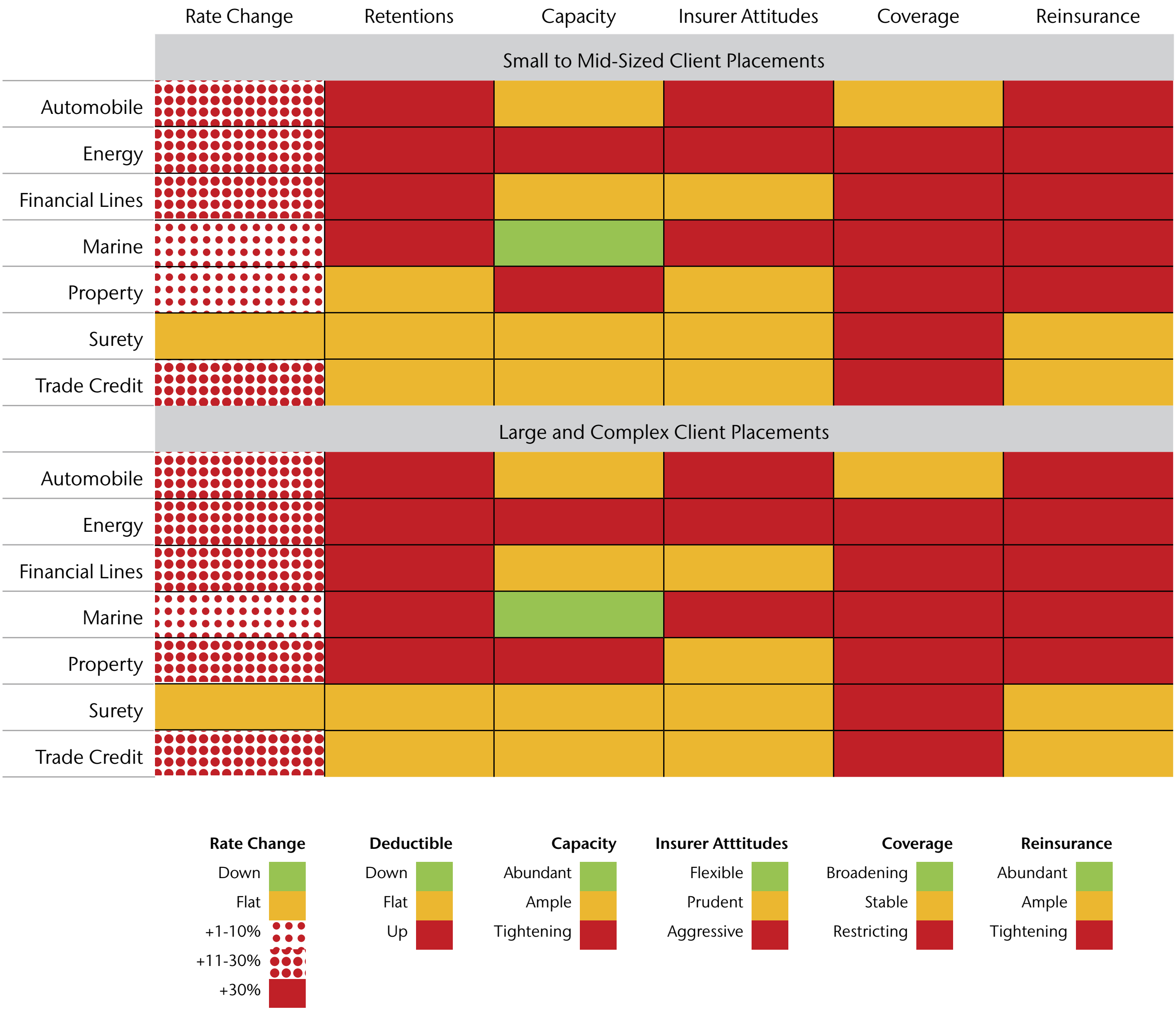
Cyber: Companies had insufficient time to prepare for widespread remote working. Cyber risk is elevated and cyber threats and actual occurrences have increased. Cyber insurance – previously deemed a discretionary purchase – is starting to be viewed as a necessity.

Financial Lines/D&O: The market continues to harden, especially for companies with US exposure. Exclusions for pandemics/COVID-19 are being introduced.

Marine: The local insurance landscape remains stable – with competitive pricing and reasonable insurer attitudes. The Reinsurance market; however, is challenging – with pricing increases and restrictions of terms and conditions.

Trade Credit: Insurers are concerned about potential impending losses. In response, they are reducing exposure to riskier segments and countries, significantly elevating pricing, managing capacity and tightening terms.

Featured Country: Mexico Q2 Market Dynamics



Aon Insights

Landscape

COVID-19-related unemployment and business closures are leading the country to one of the worst recessions in its history. There is widespread frustration over the government's handling of the pandemic, and a public call for relief for the many companies that are financially struggling and likely not to survive. Fears of crime and violence are growing. The insurance market is firm across most lines, with Crime, Auto (Theft) and Vandalism coverages experiencing the most difficult conditions. Organizations in financial distress are working with Aon and insurers to explore alternatives for modifying their insurance programs and payment terms.

Featured Products

Property: Large property programs requiring facultative reinsurance are experiencing rate increases in line with the global market. In response, insureds are seeking alternatives to reduce their premiums, such as higher deductibles and lower limits. Smaller risks are experiencing only modest increases.

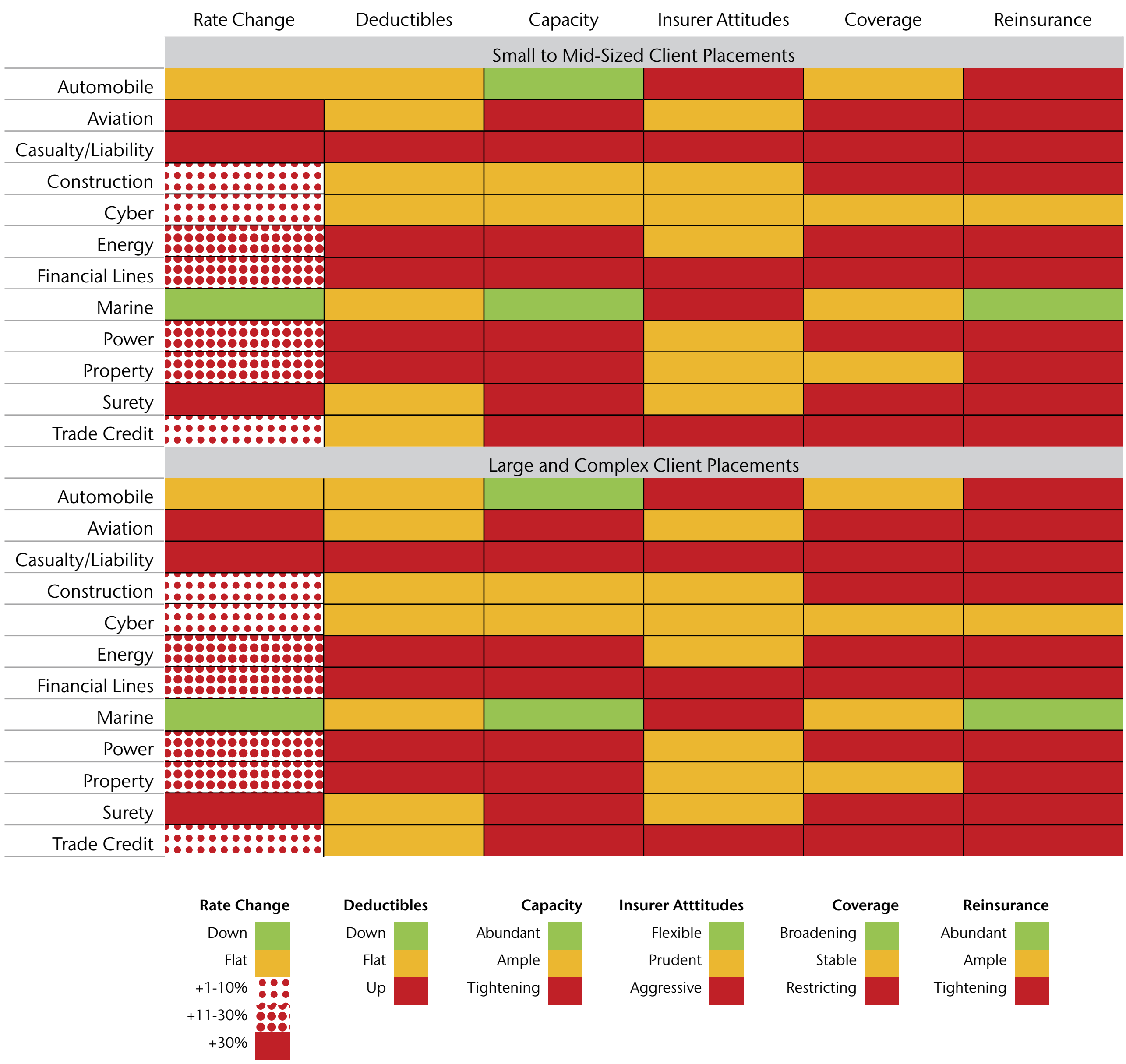
Financial Lines: Pricing is significantly up across virtually all placement and risk types. In addition, insurers are introducing COVID-19 exclusions and non-renewing or imposing restrictions on undesirable risks (i.e., those experiencing financial distress related to COVID-19).

Marine: Local insurers are competitive, even as international insurers continue to increase pricing and tighten terms.

Surety: Pricing remains competitive; however, underwriters are increasingly cautious on risks related to credit, tax appeal, lease, and advance payment.

Trade Credit: With rising insolvencies – especially across the construction, electronics, automobile, tourism and retail industries — insurers are very cautious, requiring updated applications and detailed financial information on all risks.

Featured Country: Colombia Q2 Market Dynamics



Aon Insights

Landscape

The economic impacts of social distancing measures, the collapse in international oil prices, and contracting overall global demand have converged to draw the country toward a recession in 2020, even despite government measures to stimulate the economy. The insurance marketplace is responding with conservative measures – some price increases and more rigorous underwriting – but not overreacting.

Featured Products

Auto: COVID-19 restrictions have limited driving, leading to a notable decrease in losses. A new product is in development, targeting certain vehicle types, that will be priced on a pay-as-you-drive or pay-how-you-drive basis.

Aviation: COVID-19 has led to significant (80-90%) decreases in flight activity for many airlines, who continue to review coverages and modify their insurance programs where feasible. Insurers – driven significantly by reinsurance requirements – continue to restrict coverage and raise prices.

Cyber: Cyber coverage – previously considered discretionary – is becoming an essential coverage for many organizations with remote workforces. Many insurers are entering the market and a select few have emerged as market leaders, offering expanded coverages (e.g., loss of profit, reputational damages, and hardware replacement cost).

Financial Lines: The market is challenging. Underwriters are proposing significant pricing increases, higher attachment points and restrictive policy language (mostly related to bankruptcy and communicable disease). Some capacity has withdrawn from both the local and reinsurance markets.

Trade Credit: At the outset of COVID-19 restrictions, some insurers had extended claims notification deadlines; however, these have now expired. Today, market pricing is modestly up; however, capacity has decreased and many insurers are requiring coverage restrictions.

Global Broking Center

Global Broking Center Landscape

Insurance Market & Key Risks

- 2020 YTD has seen huge increases in flow into the Broking Center as retail markets around the world grow more challenging, and this trend is expected to continue – especially for Property, Casualty and Financial Lines.
- Most classes of business, perhaps apart from Terrorism, and Offshore Energy, are seeing increases in rating, and a stringency on terms and conditions that has arguably not been seen since 2002-2003.
- There is considerable concern in the market at large related to the impact of the recent civil unrest in the USA.
- Most insurers are now restricting or completely removing Strike Riot & Civil Commotion coverage from existing policies due to the recent events in Chile and Hong Kong; however, standalone coverage is available in the terrorism market.
- COVID-19 exclusionary wording (predominantly LMA clauses or equivalent) is required to be included on quotes from Lloyd's and company markets for many classes.
- Minimum deductible levels continue to increase on a number of key classes.
- Brexit, and the associated operational changes necessary once the UK has left the EU, is looming at the end of the year.
- There is notable withdrawal from the market for Marine, Aviation, D&O and certain areas of Professional Indemnity

Claims Environment

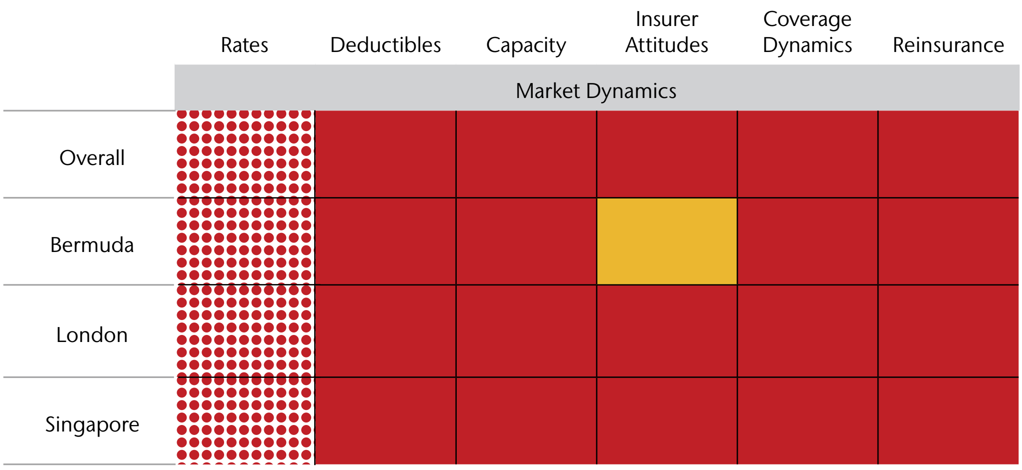
- There has been an increase in losses as a result of COVID-19, which is putting a strain on many insurers' claims teams. This – combined with general market conditions – has created a more challenging London market claims environment.
- We are seeing a trend in claims acknowledgment and speed of payment taking longer for certain classes of business.
- Insurers are turning to counsel more frequently – often to respond to correspondence and/or to conduct negotiations.
- There have been some delays on the larger and more complex losses related to coverage and quantum, and following insurers can be slower to agree with the leads.
- We have seen some indication that plaintiffs and their lawyers are looking to resolve cases more quickly.
- Lloyd's estimates in excess of $4B USD in COVID-19 claims. Event Cancellation, Property and Credit are the most impacted lines.

Clients Should Consider

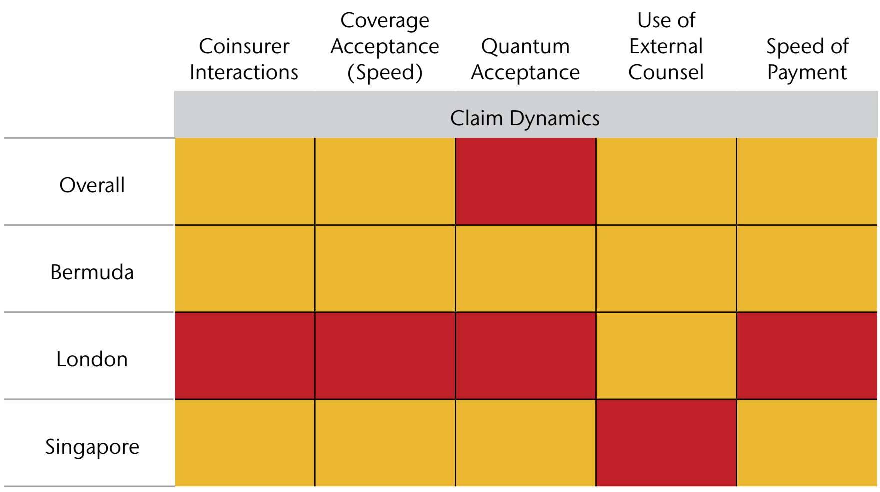
- Approach the market early and be transparent.
- Options, options, options! Keep an open mind as to the most cost effective ways to secure capacity for your risk.
- Discuss medium to long term risk strategy with your Aon team and lead insurers to ensure you can differentiate your risk.
- Look closely at retentions/deductibles, and explore innovative ways to utilize captives and buy downs where possible.
- Reset expectations regarding pricing and line sizes.

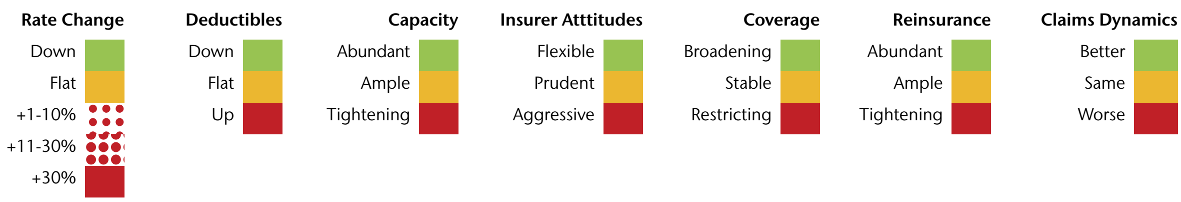
Global Broking Center
Q2 Market and Claims Dynamics by Location

Market Dynamics



Claims Dynamics





Global Broking Center Q2 Rate Trends

Rate Change

	Aviation	Construction	Energy	Entertainment and Leisure	Financial Institutions	Manufacturing	Power	Professions
Casualty/Liability	+30%	+30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Crisis Management	+11-30%	+11-30%	+11-30%	+30%	+11-30%	+1-10%	+1-10%	+11-30%
Cyber	+1-10%	+11-30%	+1-10%	+1-10%	+11-30%	+1-10%	+11-30%	+11-30%
Financial Lines	+30%	+30%	+30%	+11-30%	+30%	+30%	+11-30%	+30%
Marine	+30%	+11-30%	+30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Property	+30%	+30%	+11-30%	+11-30%	+11-30%	+30%	+11-30%	+30%
Trade Credit	+30%	+30%	+30%	+30%	+30%	+1-10%	+11-30%	+30%

Rate Change

- Down
- Flat
- +1-10%
- +11-30%
- +30%
- N/A

Global Broking Center Featured Industries Q2 Overview

Aviation: Q2 travel restrictions and lock-downs due to COVID-19 presented the aviation industry with unprecedented challenges, and many operations were halted. Although some travel restrictions have been lifted, recovery will be slow.

Aviation continues to experience a very challenging insurance marketplace. Many insurers have withdrawn from the market, thereby reducing available capacity. Rates are increasing across all Aviation product sectors. There is a continued focus on technical underwriting, and insurers are extremely cautious with capacity deployment. Coverages having negative impacts on underwriting profitability are being restricted. Insurers have begun implementing revisions to grounding wording as well as applying electronic data event and COVID-19 exclusions to policies.

Construction: Pricing has increased steadily over the past 18-24 months, with this quarter being no exception. Market conditions vary based on particular risk factors of a given project and type of coverage, with Construction All Risks (e.g., civil, building projects) experiencing the most challenging environment.

The LEG 3 Defects exclusion is coming under pressure. Sub-limits on policy extensions (e.g., Removal of Debris, Offsite Storage/Transit, Claims Preparation) are being reduced. Minimum deductible levels continue to increase, and CAT capacity is constricting.

Energy: The industry continues to be challenged: investments have been suspended due to COVID-19, supply significantly exceeds demand, and regulation and public policy is pressuring continued change.

Faced with poor losses and emerging concerns related to insureds' short-term solvency, insurers are imposing new coverage restrictions (e.g., BI volatility clauses) and applying significant upward pressure on rates. There has been a refocusing of insurer appetite, and some withdrawal of capacity, with very few new entrants into this space.

Insureds, too, are taking a close look at coverages, limits and retentions, as well as expansions for new/increasing risks and potential reductions to help offset budget pressures.

Entertainment: COVID-19 restrictions continue to significantly impact event attendance. Even when events fully resume, it is expected to take at least 12 months for attendance at sports events, concerts, trade shows, etc. to return to 2019 levels.

The insurance market is challenging. Pricing is increasing – especially for Event Cancellation & Nonappearance – and coverage scope is being reduced. COVID-19/Communicable Disease, and Cyber exclusions are being applied. There has been an average reduction in capacity of 20%.

Financial Institutions: Pricing continues to increase across the Financial Institutions sectors; however, certain territories and sub-classes are more heavily affected. Australia continues to be problematic, as are large banks, IFA's and insurance companies. The total available capacity continues to reduce with most insurers looking to balance their portfolios by reducing the maximum line size they are willing to put out on any one client. This combination of rate increase and capacity reduction is having an impact on renewal purchasing strategy, with some clients electing to reduce total limit purchase due to either cost or available capacity. In general, coverage remains stable with the default of most Financial Lines underwriters being 'wording as expiring' following years of coverage expansion; however, restrictions on reporting times for claims and tightening or removing coverage for costs incurred in relation to regulatory investigations (PI) are becoming more common.

Manufacturing: The automotive manufacturing industry is experiencing a global production downturn of more than 25%, resulting in significant cash flow issues for many companies.

Insurers are reviewing retentions for adequacy, and carefully managing capacity. Rates are under pressure as insurers continue to focus on portfolio profitability.

Power: Market conditions are challenging. Insurers are introducing LMA Pandemic Exclusions and Cyber Exclusions, and reviewing deductibles, especially for the GE 7FA gas turbine and GE H-tech units. Insurers are looking very carefully at transmission and distribution exposure relating to underground pipes. There has been a move to cap Time Element coverage, especially Contingent Business Interruption.

Rate increases are significant, even for loss free risks; loss-active or natural catastrophe-exposed risks are experiencing a very difficult pricing environment. Reinsurance pricing is significantly up.

Professions: Pricing is trending up across US and non-US risks, with US risks currently showing more favorable trends. Pending the January 1, 2021 announcement of the new silent cyber guidelines, many insurers are introducing Cyber exclusions on PI policies. In addition, COVID-19 clauses relating to supply chain issues are being proposed on Design & Construct policies, and Fire Safety Exclusions are being proposed on D&C and A&E placements, following the Grenfell Tower disaster. There has also been a reduction of AOC limits on D&C and A&E.

Global Broking Center Featured Products Q2 Overview

Casualty: Capacity reductions are being applied to certain risk types such as mining, bushfire/wildfire exposed, construction, public sector, energy onshore-offshore combined and upstream/midstream, and roofing contractors using heat. Underwriting is conservative and there is a re-underwriting of risk across the board – accompanied in some instances by peer review, referral and actuarial review. Appetite is contracting, especially for new business. Excess and Umbrella rates are being reviewed, with the rate-per-million under particular scrutiny. Coverages are under pressure, and existing extensions are being reconsidered. COVID-19 and Cyber exclusions being broadly proposed.

Crisis Management: Market pricing and retentions are under pressure as insurers strive to make their portfolios more profitable. The risk selection process is facing heightened levels of scrutiny, and new subjectivities are being proposed. The LMA5500 exclusion clause is being adopted by many insurers, and proposed at renewal. Capacity is constricting as several key insurers have left the market. Rates are firming, especially in the Sport sector.

Cyber: Remote working and the reliance on digital systems has elevated cyber risk in an already challenged risk environment plagued by a significant increase in frequency and severity of ransomware attacks. As risk grows, so too does awareness, and more and more organizations are looking carefully at cyber risk management strategies.

Insurers are expressing concern over inadequate cyber resilience, and many are increasing pricing, especially in the Excess of Loss space. While conditions are tightening globally, the Asia market is not as firm as other geographies.

Financial Lines: The market continues to be challenging, especially for large banks, index fund advisors, and insurance companies – as well as any risk with US and Australian exposures. Industries such as pharma, motor, semi-conductor, mining, retail, travel and transport are also experiencing difficult conditions, although to a lesser extent. Insurers are reducing capacity, and others are re-focusing their appetite – creating a need for new capacity in this space. insurers are adopting global underwriting mandates; in some regions, they do not reflect regional risk dynamics.

Marine: The market is firming and there is a shift to remove “soft market clauses“. There is a focus on viability of Insured Values and over-generous Hull/Increased Value (total loss) splits. AMDs and Annual Aggregate Deductibles are also being included, where appropriate. Surveys such as the JH143 for construction are playing an important role in the underwriting process, as underwriters focus their appetite toward properly managed risk. There is little appetite in the Cargo space to write high-limit placements; instead, underwriters prefer to write small tranches of large vertical towers.

Property: The Property market continues to react to myriad forces: strained profits, increasing reinsurance costs, concern over possible retroactive law modifications, predictions of an eventful 2020 storm season, and unanticipated claims from COVID-19. Clean, low hazard risks are seeing double digit rate increases as a starting point. High hazard risks (including metals, mining and pulp & paper) are significantly higher, and loss-affected business is the most challenged. Insurers are also imposing new exclusions for Cyber, Infectious Disease and Strike, Riot & Civil Commotion.

At the same time, many organizations are facing reduced budgets, forcing difficult decisions such as increases in self insured retentions and/or reductions in coverage. Insureds’ requests to insurers for flexible payment terms are not widely supported.

Despite being at capacity on Natural Catastrophe risk, insurers are receiving a significantly higher volume of submissions. This is leading to severe scrutiny of every risk and very focused risk selection.

Trade Credit: Credit risk is deteriorating and insolvencies are increasing globally (+20%) with surges in the US, China and Europe. Geopolitical risk is expected to remain volatile, particularly in emerging markets, as a result of the impact of COVID-19 on health, capital and currency.

With ongoing economic and political volatility underlying Trade Credit insurer attitudes and behaviors, the market has materially shifted. Insurers are extremely cautious – for both renewal and new business. Pricing has risen significantly and capacity is contracting. There is a growing trend toward multi-insurers solutions to help organizations obtain insurance coverage to meet their objectives.

Key Contacts

SECTION 9

About Aon: Aon plc (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights aimed at reducing volatility and improving performance.

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