Aon Global Market Insights

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

Q1, 2020

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Aon
Empower Results®

A View from the Top

SECTION 1

At Aon our claims professionals are focused on serving clients, engaging constructively with insurers and other service providers to respond to inquiries and to ensure all valid claims are addressed expeditiously.

Neil Harrison

Global Chief Claims Officer

"Each of us has now become very familiar with the phrase 'unprecedented times' as COVID-19 brings personal challenges to all. For many of us, this pandemic has put much in perspective and reminded us of what is truly important. On a professional level, we are at a time of global uncertainty, in a working environment which is dependent on technology and on relationships. The human, economic, legal and regulatory impacts of COVID-19 will evolve over time.

At Aon our claims professionals are focused on serving clients, engaging constructively with insurers and other service providers to respond to inquiries and to ensure all valid claims are addressed expeditiously. These claims relate to multiple lines of coverage with many complexities.

Of course, we have not lost sight of the importance of claims that pre-date COVID-19. At a time when so many of our clients face financial pressures, it is incumbent upon us to do all that we can to accelerate the claim process on any relevant matter.

We are fortunate to have a global team of claims professionals. Working across geographies, lines of business and client segments in a truly Aon United fashion, we are positioned to share learnings and insights as the impact of COVID-19 enters different phases in different parts of the world at different times.

As we monitor claims trends related to COVID-19 we aim to bring appropriate resolution today while innovating for tomorrow. We applaud those insurers and other claims service providers that have committed, with us, to these activities and to ensuring we collectively deliver the best possible processes and outcomes.

The resilience and professional integrity and personal values of the global claims community are on full display.

Aon Empower Results®

Global Market Overview

SECTION 2

In Q1, 2020, COVID-19 swept through the world, wreaking havoc in nearly every corner. Its devastation was multifaceted, ranging from sharp mortality spikes, to an unprecedented global economic downturn, while further exacerbating political divides. The pre-COVID-19 macroeconomic landscape challenged by trade wars, geo-political unrest, massive jury verdicts, and changing weather patterns has become more complex with the overlay of the coronavirus.

Against this uncertain backdrop, the world is now looking ahead to try to understand what the future looks like. Many governments are rolling back social distancing measures and societies are redefining the new normal, as the economic, political, social and risk-related ripples continue to manifest and morph.

The first quarter of 2020 saw a continuation – and acceleration – of the risk and insurance market shift that took hold in 2019. Pricing is continuing to rise, capacity is being withdrawn in several key lines of business and geographies, terms are being tightened, and the underwriting process is more rigorous. In parallel, the industry has been presented with a unique opportunity and has mobilized to create a suite of new solutions and services to help businesses build resiliency, mitigate risk, manage volatility, and facilitate employees' safe return to work.

North America

Rates	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
>+10%	Flat	Tightening	Prudent	Stable	Tightening

- COVID-19 and its economic and risk impacts have accelerated the market transition, especially for clients in the aviation, technology & communications, construction, retail, and financial institutions industries.
- Key market drivers are supply chain complexity, event-driven litigation, nuclear verdicts, digital economy regulations, and sexual abuse allegations

(+) Aon's broking, technical, and claims teams are serving as an extension of client teams to mitigate the impact of the market firming

(X) The underwriting process is more rigorous, selective and is taking longer

EMEA

Rates	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
>+10%	Up	Tightening	Prudent	More Restrictive	Tightening

- In the face of a continued firming of the market, and ongoing profitability concerns, insurers have tightened underwriting, focused their appetite, and are becoming much more selective on the types and quality of risks they will write.
- The retail, entertainment, hospitality, and transportation industries have experienced significant COVID-19 impacts while industries such as utilities, technologies, telecom, and insurance continue to show resilience. Concerns over Brexit linger.

(+) Now more than ever, Aon's Risk Financing Decision Platform is a key resource to help manage volatility

(X) With local capacity tightening, international capacity is increasingly important but becoming more expensive and hard to come by.

Latin America

Rates	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
+0-10%	Up	Tightening	Prudent	Stable	Tightening

- Many clients, as well as local insurers, are experiencing severe economic impacts from COVID-19.
- The market is becoming more challenging. Coverage terms are tightening as rates and retentions are trending up. Reinsurance capacity and conditions have tightened. Clients requiring high limits are under significant pricing pressure.

(+) Aon responded rapidly to COVID-19 with unparalleled technical and market expertise enabling Aon's LATAM colleagues to serve as an extension of the client team

(X) Key lines of business impacted by market hardening: D&O, Property, Construction, Energy and Trade Credit.

Asia Pacific

Rates	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
+0-10%	Flat	Tightening	Prudent	Stable	Tightening

- For most product lines, the market continues to be "bottom line focused," with little appetite for poor performing or potentially volatile risk. Demand for reinsurance capacity–especially in the high-risk property space — generally exceeds supply at cost effective levels.
- In response to COVID-19 impacts, insurers are reviewing policy language, evaluating lines of credit, and requiring limitations

(+) Insurers are considering how to innovate around technology, talent, and business-models

(X) There has been a recent, dramatic shift in Professional Indemnity pricing and capacity

Global Claims Trends

SECTION 3

The emergence of COVID-19 has resulted in short-term changes in focus for insurers and other participants in the claims arena. Some of these changes will be temporary, others, though, are likely to become part of a 'new normal'.

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Validity of Info Requests	Use of External Counsel	Speed of Payment
APAC	Same	Same	Same	Same	Same	Same
EMEA	Same	Same	Same	Same	Same	Same
LATAM	Same	Same	Same	Same	Same	Same
North America	Same	Same	Same	Same	Same	Same
Global Broking Centre	Same	Worse	Same	Same	Same	Same

Yesterday

Claims volumes were predictable across most lines of business, the result of stable economic environments and established business practices. Newer risks, including cyber, and certain events, mainly natural catastrophes, caused volatility in resource demands and claim costs.

Today

Some of the more predictable lines of business – Motor, Employer's Liability, and Workers' Compensation – have seen significant reductions in frequency while the world has moved to a remote working model. Insurers are focused on reducing open inventory in these lines while concurrently responding to the first wave of COVID-19 related claims volume in Travel, Contingency, and Property classes.

Tomorrow

Much of the world is now planning for the restart of the economy, and a return to the fundamental aspects of the 'normal' working environment. Cyber claims will arise as losses from the 'remote working' period become apparent, and Employer's Liability, Workers' Compensation, and General Liability lines will likely be impacted if future instances of coronavirus follow business restarts. Certain Financial Lines will also see action as shareholders and others challenge restart decisions made by Boards. Litigation funders and others will look for opportunities as courts are brought into play. As the impacts of the economic crisis continue to unfold, a surge in Trade Credit claims is anticipated, as global insolvencies are expected to increase by 20-30% per our baseline scenario.

Beyond

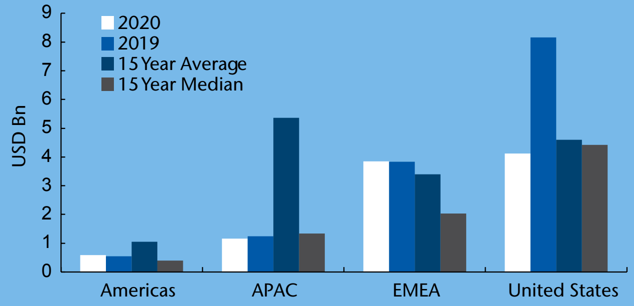
Some positives will emerge from the COVID-19 period with certain insurers rightly benefiting from their level of performance and client-centric activity. Fast-tracking of simple claims and low cost approaches to adjustment will become part of the future operating model, while new exclusionary language in many policy forms will be tested against COVID-19 style scenarios as the industry responds to this pandemic by preparing for the next one.

Global Reinsurance Trends

SECTION 4

In Q1, firming continued for regions experiencing heavy 2019 losses while other regions' pricing remained stable. Based on preliminary data, Q1 natural peril claims of USD10 billion were 33% below the 15 year average.

Q1 Insured Losses by Region



Source: Aon

Market Dynamics

As the impacts of COVID-19 began to unfold on the industry, April renewals saw a relatively balanced market. Major renewals in regions like Japan and Korea that experienced significant typhoon losses during the prior 12 months saw commensurate rate adjustments while renewals in other regions were largely in line with January positions. Post April 1, the market turns to peak zone catastrophe renewals in Florida, renewing in line with the Florida Hurricane Catastrophe Fund in June and July. While the COVID-19 related broader economic market could impact these renewals, low catastrophe loss in 2019 and long-term reinsurer profitability in those territories should counteract these dynamics.

Reinsurance Sector Performance

Total reinsurer capital climbed again at year end 2019 to USD625 billion, up 7 percent from the prior year, while the 2019 operating environment remained challenging. On the underwriting side, reinsurers were confronted with higher retrocessional costs, adverse development of recent catastrophe losses and deteriorating trends in US Casualty business. At the same time, interest rates went into reverse, as policymakers looked to address deteriorating prospects for global economic growth. A few factors will determine the financial condition of the industry over the 2020 period including the positive and negative implications on loss activity across various lines of business, the impact on assets of the economic environment, and the regulatory uncertainty that remains surrounding losses.

Lower Catastrophe Losses

Preliminary data for the first quarter of 2020 indicates that the global re/insurance industry endured USD10 billion in natural peril claims. This is 33 percent below the recent 15-year average (2005-2019) of USD14.4 billion. More than 80 percent of the insured losses were sustained in the United States and EMEA. In the U.S., an active start to severe weather season prompted notable tornado outbreaks and instances of large hail. Most payouts in EMEA were tied to an active European windstorm season that resulted in no fewer than 12 named events in Q1 2020, causing varying levels of damage across the continent. The costliest global event was Windstorm Ciara (also known locally in some areas as Sabine), resulting in losses of nearly USD2 billion.

Global Health Trends

SECTION 5

Rising costs and the increased prevalence of chronic medical conditions are a global phenomena. Employers will continue to face the prospect of added organizational cost and reduced employee productivity unless controllable factors contributing to these are effectively addressed.

Market Dynamics

At the beginning of the quarter Aon forecast continued medical plan cost escalation due to global population ageing, overall declining health, poor lifestyle habits, continuing cost-shifting patterns from social programs, and heavy utilization of employer sponsored programs. While most of these factors remain relevant, the impact of COVID-19 could change the ultimate timing of the cost realization. In the short-term, health care markets will experience increases in direct costs associated with the testing and treatment of COVID-19, most of which may be covered by social programs in many locales. However, at the same time the demand for non-COVID related health care is expected to significantly decrease as populations defer non-essential services during time periods of community mitigation strategies such as social distancing and stay-at-home orders. Once these mitigation strategies are relaxed, a portion (but not all) of these deferred services will return, escalating ongoing future costs to pre-pandemic or higher levels. The magnitude and timing of individual employer impacts due to COVID-19 will vary significantly based on geographic, demographic, and industry differences. Employers will want to continuously evaluate their potential workforce impacts related to COVID-19 to appropriately manage emerging risks and ultimately develop effective return-to-work strategies.

People Risk and Claims Cost Drivers

While there will inevitably be some regional variations in terms of the order of ranking, the top 5 conditions driving medical plan costs are: Cardiovascular, Cancer/Tumor Growth/Diabetes, High Blood Pressure/Hypertension and Musculoskeletal/Back.

With regards to the risk factors impacting adverse claims experience, there will be some regional variations; however, the top global risk factors include physical inactivity, high cholesterol, poor stress management, poor nutrition and high blood pressure. 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.

Global Health and Benefits Underwriting

Innovative organizations are continuing to develop their funding strategy for employee benefits, and in particular, Aon continues to witness captives grow in popularity with multinational employers. The inclusion of employee benefits risk into a captive can be driven by a number of factors, for example, the diversification of risk and the positive impact on capital requirements, access to underwriting margins, better governance, and risk management. Greater flexibility and improved terms for local subsidiaries are also potential advantages associated with a captive, something which could be very relevant when it comes to addressing some of the risk-related challenges employers face today, such as COVID-19.

Featured Differentiator: Credit Solutions

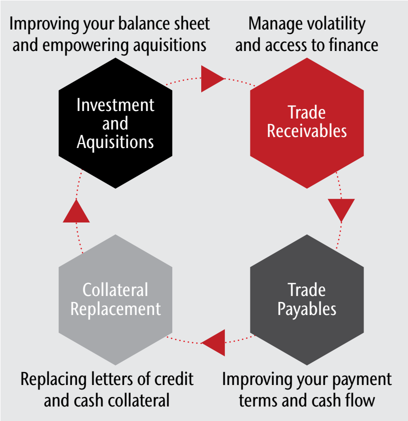
SECTION 6

Aon's Credit Solutions are delivered through our global practice of specialists who support clients by securing their accounts receivable, unlocking working capital, and growing trade.

Aon has the largest network of trade credit specialists, and access to market leading solutions, products and technology. With this vast array of resources, we deliver differentiated results.

What are Credit Solutions?

Aon's Credit Solutions help companies mitigate trade credit risks, unlock vital working capital, maximize balance sheet efficiency, and assist in M&A. The practice — comprised of 570 advisors across 55 countries — provides a suite of unique solutions, from insurance placement supported by global service excellence, to strategic advisory services using credit risk analysis and consulting with our digital CreditHub proposition.



Who should consider Credit Solutions?

Credit Solutions should be leveraged by companies that are looking to transfer trade credit risk, optimise working capital, improve liquidity, and gain access to financing. COVID-19 will have short, medium and long-term impacts on global B2B trade, operating cash flows, and liquidity. As a result, it is expected that the number of insolvencies will significantly increase globally by at least 25%. In the face of economic volatility, Credit Solutions help companies who are looking to plot a new course for stability, growth and profitability.

Why are Credit Solutions important now?

The global economy grew by just 3% during 2019, the lowest rate of growth since the recession of 2009. At the outset of 2020, a further slowdown was expected. This prediction – impacted by the outbreak of COVID-19 – is more bleak now, with expectations of a possible recession by mid-year and an uncertain recovery in terms of timing and strength. With unprecedented economic, social and political volatility, the pressure on the C-suite to deliver top- and bottom-line performance is unrelenting. Innovative use of Credit Solutions will play a vital role in maintaining business value in a disrupted trade environment.

How can you leverage Credit Solutions?

Talk to your Aon Relationship Manager about our global Credit Solutions practice and capabilities. You can find out more about the role of Credit Solutions at COVID-19 Managing Cashflow and Liquidity Challenges webinar.

COVID-19 Overview & Aon Response Framework

SECTION 7

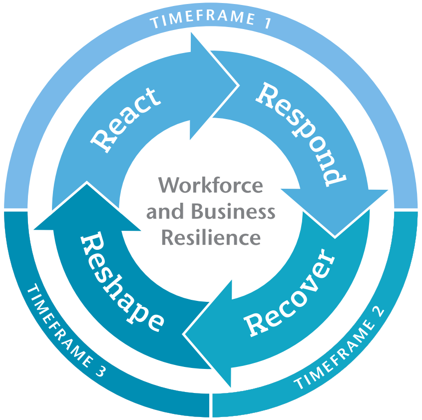
Two mandates working together:

- Protecting Aon colleagues and their families
- Helping clients and the Aon colleagues who serve them

At the time of this writing, more than 3.7 million confirmed cases of COVID-19 had spread across 187 countries and regions, causing 30 million job losses in the United States alone, and creating fears of a significant and prolonged global recession. When the novel coronavirus was first officially announced by China in late January, few expected such a staggering worldwide impact – not only on the global economy – but also on society as a whole.

As a global leader in risk management, human capital, reinsurance and retirement and investment solutions, Aon's response to the global crisis has been swift and far-reaching. Led by Aon's Infectious Disease Task Force – first activated in 2009 in response to H1N1 – Aon has mobilized resources and expertise to address the unprecedented impacts on our clients' operations, people and profits.

Comprised of a cross-functional Leadership Team, and Core Technical Team consisting of five credentialed in-house public health/epidemiology and healthcare industry experts, along with the industry's premier consulting resources, as well as insurance coverage leaders and claims professionals, our Global COVID-19 Task Force has developed a situation-specific framework to help organizations **react** and **respond** to initial impact, implement proactive steps for **recovery**, and understand the potential ramifications in order to **reshape** their business.



Aon is here to serve clients, and the need has never been greater. Our goal: Enhance clients' ability to prepare for and mitigate human, operational and financial impacts from COVID-19, and support Aon colleagues in helping clients achieve those objectives.

Visit Aon's dedicated Coronavirus Response site for relevant and timely insight, solutions, and multimedia at aon.com/coronavirus.

"Aon's COVID-19 response has become a microcosm of the power of Aon United in action. Not only is it accelerating Aon United behavior in support of a common goal for our clients, but it is crossing every business line and every geography, and doing so in real time to address a high-tempo, high-consequence event that is fluid in its nature and devastating in its impact. Working together to help clients be successful is what Aon is all about."

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

Aon COVID-19 Featured Resources and Solutions

Business Priority	Key Business Challenges		Featured Aon Resources & Solutions
Protect People & Assets	Colleague wellbeing	→	24/7 telemedicine plus behavioral and financial coaching through 90-day Assist Program
	Inventory – BCP, supply chain management	→	Business Continuity Management Toolkit
	Reputational Risk	→	COVID-19 Crisis Response Center
Balance Sheet Protection	Workforce Reduction	→	Aon Workforce Reduction Resource Guide & consulting
	Cash flow and liquidity	→	Aon's Global Credit Solutions (see Featured Differentiator)
	Financial commitments and guarantees (LOCs, contingent liabilities, etc.)	→	Liability Risk Analysis/Quantification
Maintain or Increase Revenue	Modified use of technology to deliver products & services	→	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
	Workforce planning	→	COVID-19 Employee Impact Model (featured on next slide)
	Reassessment of Risk	→	COVID-19 Decision Making Tool Kit (featured on next slide)

A Spotlight on Two Innovative Aon Solutions

COVID-19 Employee Impact Model

Drawing on several quality epistemological sources, the U.S. Centers for Disease Control and Prevention (CDC), the COVID Tracking Project, and in consultation with national carriers and labs, Aon's COVID-19 Employee Impact Model forecasts the impact on your employee population based on geographic-specific infection rates and advanced epidemiologic models.

Cutting Edge Data Modeling

- View population impact by geographic area over time
- Estimate the number of mild cases, hospitalizations, ICU visits, and fatalities based on specific population demographics
- Estimate health care costs associated with testing and treatment
- Additional employee impact metrics such as days lost are being added over time

...all powered by a cloud-based platform with up-to-date data and forecasts

COVID-19 Decision-Making Tool Kits

The COVID-19 Decision-Making Tool Kits offers practical guidelines and planning activities that organizations should consider for response and recovery from COVID-19.

Developed by a cross-section of multi-disciplinary business units within Aon, the Decision-Making Tool Kits address how organizations should consider – within the context of core business and duty-of-care objectives — complications and business disruptions that COVID-19 may cause to critical operations, as well as key considerations for returning to work. The Kits include:

- Information Technology and Cyber Security
- Human Resources
- Security and Facilities
- Business Operations
- Supply Chain
- Return to Work
- Risk Management
- Legal & Ethical Issues
- Purchasing

Geography Trends

SECTION 8

De-Risking

Capacity Withdrawals & Expansions

Alternative Structures & Solutions

Nuclear Verdicts

Upward Rate Movements

Technical Underwriting

Economic Downturn

Volatility

North America

Regional Landscape

Market and Claims Dynamics by Country

Rate Trends

Featured Industries: Aviation, Environmental, Energy

Featured Countries: United States and Canada

North America Regional Landscape

By the time the COVID-19 crisis is over, virtually no part of the economy will go untouched from its chaos. The entertainment, tourism, travel, technology, business and personal services sectors have experienced some of the worst impacts. The stock market has seen unprecedented volatility, and interest rates have tumbled. At the same time, social unrest is prevalent, especially in middle and lower class households where surging unemployment is having the most devastating impact. Although many businesses have adapted to new ways of working, on a personal level, there is a growing feeling of isolation and mental health issues may linger well after the first wave of impacts ends. The political landscape continues to be polarized as people retrospectively consider how the multi-faceted crisis could have been less devastating, and now, as the nation is grappling with how to balance economic vs. health impacts to lift social distancing requirements, political discord may continue to grow. Issues that have been dominating American hearts and minds such have #metoo, immigration reform, homelessness, financially overwhelming student debt, the November general election, and the aging workforce have shifted to the background.

Insurance Market and Key Risks

- COVID-19 and its economic and risk impacts have accelerated the market transition. Pricing and retention increases, alongside capacity reductions, are widespread.
- In addition to loss-driven market changes, low interest rates have also impacted insurer profitability, putting more pressure on underwriting profits. Some insurers are de-risking and retooling. Insurers are looking more at risk aggregation across multiple lines of coverage.
- Underwriting is more rigorous and technically focused. Challenging risk types and exacerbating factors include: cannabis, digital currencies, distracted driving, nuclear verdicts, digital economy regulations/privacy concerns, and sexual abuse and molestation.
- All options are being explored including risk transfer, alternative placement structures, reinsurance capacity and captive solutions. With increased submission activity, underwriters have become more selective on which risks they review and quote, with a focus on timely, robust, and clear submissions.

Claims Environment

- The claims market in North America is now facing COVID-19 related issues (coverage and resources) on top of issues related to social inflation and insurer results which have been prevalent over the past two quarters.
- In Financial Lines claims, insurers are less willing to compromise and have demonstrated increased scrutiny regarding counsel selection, rates and guidelines, and reasonableness of settlements.
- Coverage decision delays by insurers continue to cause challenges resolving property claims.
- There is a growing trend towards increased litigation and mega awards in the US Auto Liability arena.
- In Canada, the hard market is affecting the claims environment with slower decisions on coverage and slower payments been seen in several segments.

Clients Should Consider

- As the industry strives to maintain "business as usual", policy extensions are not being applied on a global or regional scale due to the operational burden on all stakeholders.
- If possible, pay premiums timely, regardless of premium forbearance accommodations.
- Partner with your Aon team to evaluate your exposures to confirm coverages and limits remain appropriate. Use caution when exploring limit reductions, as some risks may be increasing even while others decrease. Be thoughtful about your omnipresent Cyber exposure and the balance sheet impacts that Cyber insurance affords.
- Coverage arguments that the issuance of governmental orders to prevent the spread of disease equates to "physical loss or damage to property" (often required to trigger business interruption, contingent business interruption, civil authority or ingress/egress time element coverage) will likely be rejected by insurers and serve to create delay, expense and uncertainty.

North America Market and Claims Dynamics by Country

Market Dynamics

	Rates	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
North America	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Bermuda	>+10%	Flat	Tightening	Aggressive	Stable	Tightening
Canada	>+10%	Up	Tightening	Prudent	More Restrictive	Ample
United States	>+10%	Flat	Tightening	Prudent	Stable	Tightening

Claims Dynamics

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Validity of Info Requests	Use of External Counsel	Speed of Payment
North America	Same	Same	Same	Same	Same	Same
Canada	Same	Same	Same	Same	Same	Same
United States	Same	Same	Same	Same	Same	Same

North America Q1 Rate Trends

Rate Change

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Food System, Agribusiness and Beverage	Health Care Services	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Public Sector	Real Estate	Retail and Wholesale Trade	Technology and Communications	Transportation and Logistics
All Products	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Automobile	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%
Aviation	>+10%	>+10%		>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Casualty/Liability	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Construction	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%		>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%
Crisis Management	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Cyber	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Employers Liability/ Workers Comp	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%
Energy		>+10%	>+10%	>+10%	+0-10%	>+10%			+0-10%			>+10%	+0-10%	>+10%				
Environmental	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%
Financial Lines	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%		>+10%	>+10%	>+10%	>+10%
Marine	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%
Power	>+10%	>+10%	>+10%	>+10%					+0-10%		>+10%	>+10%	+0-10%	>+10%				+0-10%
Products Liability		>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%			>+10%	>+10%	>+10%
Professional Indemnity	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%		>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%
Property	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%
Surety	>+10%	>+10%	+0-10%	>+10%	+0-10%		+0-10%	>+10%	+0-10%	+0-10%		+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%
Trade Credit	>+10%	>+10%		>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%		+0-10%	>+10%	+0-10%		>+10%	>+10%	>+10%	+0-10%

North America Featured Industries Q1 Overview

Aviation

COVID-19 has had a devastating impact on the airline industry and it is expected to have a long recovery tail. The already challenged insurance market for aviation risks has now become very difficult, with rates increasing at an accelerated pace across all aviation product sectors.

Many aviation insurers have withdrawn from the market globally citing unsustainable premium levels and poor loss experience; thereby, reducing available capacity. We expect insurers to be increasingly cautious while deploying capacity and participation on risks to be reduced in many instances. Catastrophic limits of liability continue to be available but some general aviation exposures have experienced a reduction of limits.

Loss experience has been poor across virtually all product segments including airline, aerospace, general aviation and war risk. Attritional losses as well as liability claim settlements have continued to rise in addition to general industry losses.

The market is experiencing widespread coverage restrictions, especially where coverage provisions impact insurer profitability. Insurers are implementing revisions to grounding wording as well as applying data event clause exclusions to policies. Excess liability coverage for non-aviation underlying coverage such as auto and employers liability has become a challenge. The market is placing a greater importance on technical underwriting and the underwriting process tends to be slower with insurers demanding more information.

The airline market expects premium income levels for 2020 to be down in the range of 30 to 50% based on the anticipated impact from COVID-19 exposure dips and aircraft groundings. This will place additional pressure on insurers.

Construction

While a number of private sector construction projects have been suspended as a result of COVID-19, many public sector construction projects and other construction deemed essential has continued throughout the past few weeks. In addition, previously suspended projects are slowly beginning to restart as certain states and provinces reopen their economies. For all construction, COVID-19 poses unique challenges related to the need for on-site labor, supply chain reliability, subcontractor liquidity and disruptions to work sequencing. COVID-19 has become a key discussion topic with insurers, as underwriters are keenly interested in understanding how their insureds are managing through COVID-19. Market firming continues to accelerate in some key lines of business and, as in the past, project type, duration, and location are among the most significant drivers of insurer appetite and pricing. Most insurers have not yet realized any direct impact to their P&L's, particularly the loss portion, and the current market rate trends relate solely to adverse loss performance across multiple lines.

As a result of significant losses over the past 12 months, the Builder's Risk market is experiencing noticeable rate increases, particularly for CAT-exposed risk, long term projects, and large-scale civil projects such as bridges over major water ways and tunnels. Insurers' underwriting of frame construction risks has become more rigorous.

Social inflation, as well as medical cost inflation, are driving Workers' Compensation losses. As result, rates are increasing modestly. Insurers are carefully watching adverse development in their Workers Compensation triangulations and may look to further increase rates if the trend continues.

Auto pricing is stable. Claim activity is expected to drop dramatically in Q2 as a result of COVID-19, which may have a downward pricing impact.

Excess liability pricing remains on a steep incline, while capacity continues to contract, with the lead Umbrella (first $25 Million) seeing the most dramatic pricing increases and appetite from the fewest insurers. Some insurers are now capping their lead limit to $15 Million, resulting in more insurers on the program. Insurers are limiting their capacity, their position, and ventilating limits.

Energy

The Upstream energy industry is in unprecedented turmoil. The price war between Saudi Arabia & Russia has driven oil pricing to a level not seen for many years. Additionally, the very high production levels of gas through the shale revolution in the US, combined with a decrease in demand due to COVID-19 travel restrictions, has led to historically low gas prices. This low pricing environment, combined with a huge decline in investment in the industry, has created widespread challenges and financial uncertainty.

In the insurance marketplace, an extended period of rate inadequacy and poor loss experience in the refining sector, and, to a lesser extent, the midstream sector, has led to significant rate increases and capacity contraction. Some insurers have withdrawn completely while others have reduced line sizes to control volatility.

The underwriting environment is rigorous, with a continued emphasis on Risk Engineering and Loss Control. Coverage terms are being scrutinized by underwriters and there is a general movement to tighten coverage, especially for Time Element and Cyber.

Featured Country: United States Q1 Market Dynamics

Aon Insights

Featured Products

Casualty: Insurers have been challenged by large sexual abuse settlements and athletic concussions; many are now proposing exclusions for opioids, sexual abuse and traumatic brain injury. Auto rates – especially for large fleets – are increasing significantly, largely due to nuclear verdicts and rising hired and non-owned claims. Umbrella/Excess underwriters are looking for higher attachment points and pricing increases. The legal environment in states such as California, New York and Louisiana is making General Liability, Auto, and Umbrella placements particularly difficult, with some insurers withdrawing from the market or restricting capacity.

Cyber: The need for robust Cyber coverage has increased, so it is important not to treat it as optional or "nice to have". Primary pricing is increasing slightly due to increased claims activity, especially from ransomware events. A number of large scale breaches has led to more significant excess pricing increases. "Silent cyber" is being aggregated across product lines.

D&O: The increase in Securities Class Actions over the past 3 years, as well as event-driven litigation, is driving a firming of the D&O market. Pockets of coverage pull-back include IPO, biotech, hi-tech, pharma and retail. While not fully recognized in Q1 results, for public D&O, we are seeing very aggressive rate increases on primary and first excess D&O.

E&O: A significant increase in frequency and severity of claims is leading to a larger rate push and retention increases.

Environmental: There is increased demand for Disinfection Expense coverage, as well as coverage for mold and PFOA (forever chemicals). Combined GL/Site Pollution policies are, for eligible classes, more stable and cost-effective than stand-alone General Liability policies. Further, Combined policies offer enhancements such as products pollution, contractors pollution, waste disposal and transportation liability coverages.

Property: Insurers are extremely focused on profitability and underwriting discipline, with some looking to "get back to the basics of engineering". Capacity is challenged for large, global placements — especially for life science, manufacturing, and high-hazard occupancies. Pandemic & Communicable Disease exclusions are now being proposed. BI losses related to COVID-19 have become a regulatory discussion topic. Our opinion is that a regulatory mandate requiring that insurers pay for BI coverage absent physical loss or Property Damage is highly unlikely to be passed.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	>+10%	Flat	Tightening	Aggressive	Stable	Tightening
Aviation	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Casualty/Liability	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Construction	>+10%	Up	Ample	Aggressive	Restrictive	Ample
Crisis Management	+0-10%	Flat	Ample	Prudent	Stable	Ample
Cyber	+0-10%	Flat	Ample	Prudent	Stable	Ample
Employers Liability/Workers Comp	+0-10%	Flat	Ample	Prudent	Stable	Ample
Environmental	+0-10%	Flat	Abundant	Flexible	Broadening	Abundant
Financial Lines	>+10%	Up	Tightening	Prudent	Stable	Tightening
Marine	+0-10%	Up	Tightening	Prudent	Restrictive	Tightening
Professional Indemnity	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Property	>+10%	Flat	Ample	Aggressive	Stable	Tightening
Surety	+0-10%	Flat	Ample	Aggressive	Stable	Ample

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Aviation	>+10%	Up	Tightening	Prudent	Restrictive	Tightening
Casualty/Liability	>+10%	Up	Tightening	Prudent	Stable	Tightening
Construction	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Crisis Management	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Cyber	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Employers Liability/Workers Comp	+0-10%	Flat	Ample	Prudent	Stable	Ample
Energy	>+10%	Flat	Tightening	Aggressive	Restrictive	Tightening
Environmental	+0-10%	Flat	Ample	Prudent	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Prudent	Stable	Tightening
Marine	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Power	+0-10%	Flat	Ample	Prudent	Stable	Ample
Products Liability	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Professional Indemnity	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Property	>+10%	Flat	Tightening	Prudent	Restrictive	Tightening
Space	>+10%	Down	Tightening	Aggressive	Restrictive	Ample
Surety	+0-10%	Flat	Tightening	Prudent	Restrictive	Ample
Trade Credit	+0-10%	Up	Tightening	Prudent	Restrictive	Tightening

Featured Country: Canada Q1 Market Dynamics

Aon Insights

Similar to other countries' responses to COVID-19, Canada has instituted physical distancing and a shut-down of non-essential businesses, which has significantly slowed economic activity along with the spread of the virus. With its reliance on natural resource exports, particularly oil, Canada is particularly exposed to the current slowdown in global economic activity. The Federal and Provincial Governments have stepped in with both fiscal and monetary policies to provide stability to the economy; this includes a reduction in interest rates, flexible loans to impacted businesses, and far broader financial support for the newly unemployed.

Alongside the general economic landscape, the insurance marketplace is continuing to harden. Pricing and retentions are increasing. Capacity is becoming more challenging to obtain. Coverage restrictions, particularly related to the pandemic, are being introduced. Due to the litigious US environment, Canadian clients with US exposure are facing a particularly challenging market, especially those with existing claims for tail coverages. The sectors most impacted by the current market conditions include: forestry (following pine beetle infestations), education, residential real estate and food & beverage. Risk quality is more important than ever, and there is an increased demand for Aon's risk control and consulting services.

Featured Products

Cyber: Claims activity for Financial Institutions is leading to pricing escalation, and some insurers have narrowed their appetite in this space. Other types of Cyber risk – especially for small to mid-sized placements – continue to experience a stable environment.

Energy/Oilsands: Capacity in the Energy space is shrinking due to poor industry results and a general withdrawal from the oilsands sector due to its political landscape.

Property: Property capacity has tightened, with more placements being referred/internally escalated by underwriters, often resulting in coverage terms that are narrower than targeted. Clients with Cat exposure, losses, or with frame, unprotected exposures are experiencing the most significant challenges.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	>+10%	Flat	Tightening	Prudent	Stable	Ample
Aviation	>+10%	Up	Tightening	Prudent	Restrictive	Tightening
Casualty/Liability	>+10%	Up	Tightening	Aggressive	Restrictive	Ample
Construction	>+10%	Up	Tightening	Prudent	Restrictive	Tightening
Cyber	+0-10%	Flat	Ample	Prudent	Stable	Ample
Energy	>+10%	Up	Tightening	Prudent	Restrictive	Tightening
Employers Liability/Workers Comp	>+10%	Up	Ample	Aggressive	Stable	Ample
Environmental	>+10%	Up	Ample	Aggressive	Restrictive	Ample
Financial Lines	+0-10%	Up	Tightening	Prudent	Stable	Tightening
Marine	>+10%	Up	Tightening	Prudent	Restrictive	Tightening
Mining	>+15%	Up	Tightening	Aggressive	Stable	Ample
Products Liability	+0-10%	Flat	Ample	Pruudent	Stable	Ample
Professional Indemnity	+0-10%	Up	Tightening	Prudent	Restrictive	Tightening
Property	>+10%	Up	Tightening	Prudent	Restrictive	Ample
Surety	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Trade Credit	>+10%	Flat	Tightening	Prudent	Restrictive	Tightening

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	Flat	Flat	Tightening	Prudent	Stable	Ample
Aviation	Up	Flat	Ample	Prudent	Restrictive	Tightening
Casualty/Liability	Up	Flat	Tightening	Prudent	Restrictive	Ample
Construction	Up	Up	Tightening	Aggressive	Restrictive	Tightening
Cyber	Flat	Flat	Ample	Prudent	Stable	Ample
Energy	Up	Up	Tightening	Prudent	Restrictive	Tightening
Employers Liability/Workers Comp	Up	Up	Ample	Aggressive	Stable	Ample
Environmental	Up	Flat	Abundant	Flexible	Stable	Tightening
Financial Lines	Up	Up	Tightening	Prudent	Restrictive	Tightening
Marine	Up	Up	Tightening	Prudent	Restrictive	Tightening
Mining	Up	Flat	Tightening	Aggressive	Stable	Ample
Products Liability	Flat	Flat	Ample	Prudent	Stable	Ample
Professional Indemnity	Up	Up	Tightening	Prudent	Restrictive	Tightening
Property	Up	Up	Tightening	Prudent	Restrictive	Ample
Surety	Flat	Flat	Ample	Prudent	Stable	Tightening
Trade Credit	Flat	Flat	Tightening	Prudent	Restrictive	Tightening

EMEA

Regional Landscape

Market and Claims Dynamics by Country

Rate Trends

Featured Industries: Financial Services, Construction, and Manufacturing

Featured Countries: France, Spain, and United Kingdom

EMEA Regional Landscape

Like the rest of the world, the impacts of COVID-19 in EMEA have been devastating. Most immediately, the loss of human life, as a percentage of the population, was the highest in the world, with the worst impacts in Spain, Italy, and the United Kingdom. Beyond the human toll, the economic, social and political impacts have cut deep; however, most of the region has turned a corner as aggressive social-distancing measures take effect. Now, joblessness is plaguing the economy, as fears run high and uncertainty prevails. The industries hit the hardest so far are retail, entertainment, hospitality, and transportation, while industries such as utilities, technologies, telecom, and insurance continue to show resilience. Concerns over Brexit linger, and the region continues to explore measures to address climate change, globalization, and the aging workforce.

Insurance Market and Key Risks

- In the face of a continued firming of the market, and ongoing profitability concerns, insurers have tightened underwriting, focused their appetite, and are becoming much more selective on the types and quality of risks they will write. Higher risk placements are very challenging.
- Coverage restrictions are being applied and fewer coverage extensions are available; insurers are seeking to return to 'core' coverages.
- International capacity is an important lever, but is generally more expensive, and experiencing steep pricing increases.
- Insurers are experiencing a resource shortage as attracting and retaining insurance industry talent – at early-career and advanced levels – is difficult and expensive due to salary inflation.
- As the insuretech space expands, the traditional insurance marketplace is focused on implementing more state-of-the-art processes and technologies.

Claims Environment

- We continue to see the challenges outlined last quarter with obvious increased concern now related to COVID-19.
- The market is getting more difficult, with insurers looking at quantum and coverage in detail, and with apparent increased involvement from external law firms. Insurers are less flexible and commercial with regard disputed claims, and cycle times have become elongated.
- Follow form and quota share wording is coming under scrutiny, as more and more clients need partial payments. It is critical that the lead insurer has a defined role in the claims evaluation and recommendation.
- Adjusting firms and experts are feeling the pressure from certain insurers to maintain service standards and resource commitments while concurrently accepting lower rates. This creates tension in the market which negatively impacts clients.

Clients Should Consider

- Risk transparency is key. Share complete business, contractual, and supply chain information and work with your Aon team to ensure no coverage gaps – especially related to Pandemic, Business Interruption, and Cyber.
- Be prepared for new underwriting questions related to COVID-19 risks and exposures.
- Leverage Aon's Risk Financing Decision Platform to optimize your insurance program and manage volatility. Use all financial levers at your disposal to manage risk.
- Follow through with risk control recommendations. Following the Lloyd's underwriting review, there are still increasing demands on insureds to actively manage risk.
- Build long-term relationships with insurers.

EMEA Q1 Market and Claims Dynamics

Market Dynamics

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
EMEA	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Angola	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Austria	+0-10%	Flat	Ample	Prudent	Stable	Ample
Bahrain	+0-10%	Down	Tightening	Prudent	More Restrictive	Tightening
Belgium	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Bulgaria	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Czechia	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Finland	+0-10%	Flat	Tightening	Prudent	Stable	Ample
France	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Germany	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Gibraltar	+0-10%	Down	Tightening	Flexible	Stable	Tightening
Greece	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Guernsey	+0-10%	Down	Tightening	Aggressive	More Restrictive	Tightening
Hungary	+0-10%	Flat	Ample	Prudent	Stable	Ample
Iceland	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening
Ireland	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Israel	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Italy	>+10%	Down	Tightening	Prudent	Stable	Tightening
Kazakhstan	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Liechtenstein	+0-10%	Flat	Ample	Flexible	Stable	Ample
Lithuania	+0-10%	Down	Ample	Flexible	Stable	Ample
Netherlands	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Norway	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Oman	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Poland	+0-10%	Flat	Ample	Prudent	Stable	Ample
Portugal	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Qatar	>+10%	Flat	Tightening	Prudent	Stable	Ample
Romania	+0-10%	Flat	Ample	Prudent	Stable	Ample
Russia	Down	Flat	Ample	Flexible	Stable	Ample
Saudi Arabia	>+10%	Flat	Ample	Aggressive	More Restrictive	Ample
Serbia	Down	Flat	Ample	Prudent	Stable	Ample
Slovakia	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening
South Africa	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening
Spain	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Sweden	+0-10%	Flat	Ample	Prudent	More Restrictive	Ample
Switzerland	+0-10%	Flat	Ample	Prudent	Stable	Ample
Turkey	Down	Flat	Tightening	Aggressive	Stable	Ample
Ukraine	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening
UAE	>+10%	Flat	Tightening	Prudent	Stable	Tightening
UK	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening

Claim Dynamics

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Validity of Info Requests	Use of External Counsel	Speed of Payment
EMEA	Same	Same	Same	Same	Same	Same
Austria	Same	Same	Same	Same	Same	Same
Belgium	Same	Same	Same	Same	Same	Same
Botswana	Same	Same	Same	Same	Same	Same
Czechia	Same	Same	Same	Same	Same	Same
France	Same	Same	Same	Same	Same	Same
Germany	Same	Worse	Same	Same	Same	Same
Ireland	Same	Same	Same	Same	Same	Same
Israel	Better	Better	Better	Better	Better	Better
Italy	Same	Same	Same	Same	Same	Same
Lithuania	Better	Better	Same	Better	Better	Better
Netherlands	Same	Worse	Same	Same	Same	Same
Oman	Same	Same	Same	Same	Same	Same
Poland	Same	Same	Same	Same	Same	Same
Portugal	Better	Better	Better	Better	Better	Better
Russia	Same	Same	Worse	Same	Same	Worse
Saudi Arabia	Same	Same	Same	Same	Same	Same
South Africa	Same	Same	Same	Same	Same	Same
Spain	Same	Worse	Worse	Same	Same	Same
Switzerland	Same	Same	Same	Worse	Same	Same
Turkey	Same	Same	Same	Same	Same	Same
UAE	Same	Same	Same	Same	Same	Same
UK	Same	Same	Same	Same	Same	Same

EMEA Q1 Rate Trends

Rate Change

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Food System, Agribusiness and Beverage	Health Care Services	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Public Sector	Real Estate	Retail and Wholesale Trade	Technology and Communications	Transportation and Logistics
All Products	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%
Automobile	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	Down	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%
Aviation	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%
Casualty/Liability	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%
Construction	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%
Crisis Management	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	Down	>+10%	+0-10%	+0-10%
Cyber	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%
Employers Liability/ Workers Comp	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Energy		+0-10%	>+10%	>+10%		+0-10%	>+10%		>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%		+0-10%
Environmental	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	Down	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%
Financial Lines	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%
Marine	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%
Power	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%		>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%
Products Liability	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%
Professional Indemnity	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%
Property	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%
Surety	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Trade Credit	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%

EMEA Featured Industries Q1 Overview

Financial Institutions

A shifting regulatory landscape, shareholder activism, cyber attacks, and corporate social responsibility protocols have converged to create a new risk landscape for Financial Institutions. As risk has evolved, the Financial Institutions insurance market has continued to firm, exacerbated by an increase in frequency and severity of claims activity along with adverse developments of historical claims reserves.

Rate increases are being applied across the board, to varying degrees, with Professional Indemnity, Cyber and D&O placements experiencing the most significant firming, while Property and Casualty are more moderate. There has been a signficant reduction in capacity in the Financial Lines space following the withdrawal of key insurers (mainly Lloyd´s of London) who have exited the market recently. However, aggregation of limits (across individual clients) has not been a major concern, as insurers are reducing capacity to sometimes as low as USD 10 Million. There has been a re-pricing of baseline premium and this is also affecting high excess layers which are are seeing significant pricing increases.

As the impacts of COVID-19 unfold, banks' Q1 earnings are showing significant provisions for non-performing loans. Concerns over credit deterioration have led to a sharp rise of rates for credit portflio insurance with several underlying sectors now deemeed uninsurable.

Construction

The industry is making significant investments to modernize and become more efficient. Digital technologies such as robotics, AI and 5D modeling are being used more widely, and the value chain is being simplified. As the full economic impact of COVID-19 develops, the short term impacts are rippling across the industry: projects have been stopped, bid decisions have been delayed, some M&A has been put on hold, and there are widespread cashflow and supply chain concerns.

Before COVID-19, insurers of construction risks were under pressure to increase rates, even on well running, low-loss placements. COVID-19 has served to amplify the pressure, and now, rate increases are being applied nearly across the board, with Construction PI experiencing the most challenging conditions. Insurer attitudes are generally more conservative, and underwriters are using extreme caution to avoid the aggregation of limit across multi-lines for the same client or on the OSP's that the client uses.

There is less local capacity and more reliance on the London market, following recent withdrawals and mergers. Coverage terms have remained strong, although some limitations are being imposed on smaller risks.

Manufacturing

Due to the nature of risk, and poor losses, the market firming for heavy industry (including metals, mining and pulp & paper) has accelerated. Leading global players are closely managing capacity and/or withdrawing capacity, (either entirely or via smaller line sizes), while local markets step in with significant capacity, somewhat covering the shortfall. This, combined with attritional loss activity, is leading insureds to review both their retention strategies as well as the potential use of captives (including cell structures which provide insureds with captive-like structures without the additional complexity that a stand-alone captive requires).

It has become ever more important for clients to demonstrate active risk management. Most insurers are requiring more detailed information around contractual agreements, batch testing, rights of recourse (if manufactured abroad), downstream customers and final downstream use.

The spread of COVID-19 first across China and then to Europe has dislocated supply chains which initially led to supply shortages (imported materials) and then to a complete shut-down (required by European governments to contain the spread of the virus). As companies re-evaluate their supply chains and sourcing needs there may be an up-tick in investment in developing alternative capacity closer to home. This will mean that insureds need to think about their employee benefits programs so as to ensure they are able to attract and retain the best talent.

Like all industries, Cyber is particularly relevant, especially as we move towards "Industry 4.0" where insureds' plants, supply chains and distribution networks will be increasingly controlled digitally / remotely.

Featured Country: France Q1 Market Dynamics

Aon Insights

The market continues to firm. Initially, the shift was concentrated on high-loss risk types, but now it has broadened across nearly all lines of business and risk types. Capacity is tight, coverage terms across several lines of business have become more restrictive, and fewer businesses are insured with a single insurer. Guarantees – once broadly available – are now being limited.

Featured Products

Automobile: The marketplace is contracting and there are fewer insurers. Pricing is increasing dramatically, and insurers are imposing severe coverage restrictions on short-term rentals, transport of goods with or without dangerous materials, and public passenger transport. On large fleets, and short-term rental, an accident management system (driver prevention and maintenance) is being required to keep costs down.

Casualty/Liability: The extent of the market firming varies widely by risk type, size and industry (e.g., there is minimal appetite or capacity for Pharmaceuticals & Chemicals). Coverage terms and conditions remain generally stable; however, insureds are taking higher deductibles to offset increasing premiums. The prevalence of coinsurance is increasing, and shares are decreasing.

Cyber: There is a significant increase in rates, accompanied by an increase in retentions. Underwriting is transitioning to become more technical.

Products Liability: Following a period of significant, poor losses, pricing is increasing and less capacity is available. The automotive industry and food manufacturing industry are now experiencing severe pricing and retention increases.

Property: The previous hardening for Paper, Wood, Waste, Recycling, Manufacturing, and Food has now spread across all industries. Capacity continues to contract.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Casualty/Liability	>+10%	Up	Ample	Prudent	Stable	Ample
Construction	Down	Down	Ample	Flexible	Stable	Ample
Crisis Management	+0-10%	Up	Ample	Aggressive	Stable	Ample
Cyber	>+10%	Up	Ample	Prudent	Stable	Ample
Energy	>+10%	Up	Tightening	Prudent	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Marine	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Products Liability	>+10%	Up	Tightening	Prudent	More Restrictive	Ample
Professional Indemnity	>+10%	Flat	Ample	Prudent	Stable	Ample
Property	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Trade Credit	+0-10%	Up	Tightening	Prudent	More Restrictive	Ample

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Casualty/Liability	+0-10%	Up	Tightening	Prudent	Stable	Ample
Construction	+0-10%	Down	Abundant	Flexible	Stable	Ample
Crisis Management	+0-10%	Up	Ample	Aggressive	Stable	Ample
Cyber	>+10%	Up	Ample	Prudent	Stable	Ample
Energy	>+10%	Up	Tightening	Prudent	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Marine	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Products Liability	>+10%	Up	Tightening	Prudent	More Restrictive	Ample
Professional Indemnity	>+10%	Flat	Ample	Prudent	Stable	Ample
Property	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Trade Credit	+0-10%	Up	Tightening	Prudent	More Restrictive	Ample

Featured Country: Spain Q1 Market Dynamics

Aon Insights

Overall, the market continues to shift, with capacity decreasing, pricing increasing, and more restrictive terms and conditions being imposed by many insurers. Large, complex and catastrophe-exposed risks are experiencing the worst impacts. COVID-19 exclusions are being proposed.

Featured Products

Property: The Property market continues as one of the most challenged, especially for large, complex, and catastrophe-driven risks, including power, energy, construction, food, waste, and risks with US exposure. Coverage restrictions, higher retentions, reduced capacity and increased pricing are commonplace. COVID-19/Communicable Disease exclusions being required by some insurers. Detailed, high-quality information is key in order to find market interest.

Casualty: Market capacity is decreasing, while pricing is increasing even despite low claims. Underwriters are increasing deductibles, and some coverages are more challenging to secure. Underwriting has become more rigorous, with more information being required. COVID-19 exclusions are beginning to appear.

Marine: In the Cargo space, capacity is available but insurers are reducing per-risk capacity, raising rates, and focusing their appetite. COVID-19 exclusions are starting to appear. Marine Hull is considered one of the worst performing sectors. Corrective actions were implemented in 2018; however, losses continue to increase. Available capacity has decreased by about 25%. The market for fleets and ferry is becoming especially challenging. Insurers are addressing P&I premium erosion so, while the overall P&I market is increasing modestly, some favorable risks are renewing flat. COVID is creating concern, but claims are generally expected to fall within each P&I Club's retention.

Construction: Conditions are tightening as insurers reduce per risk capacity, while increasing rates and retentions and requiring detailed, quality risk information and engineering. Insurers are finding ways to maintain necessary coverages while construction activity is suspended due to COVID-19.

D&O: The environment is very challenging, especially for large risks with adverse claims history, US listed risks, and construction and pharmaceutical risks, where capacity has contracted significantly. Potential insolvency/bankruptcy issues related to COVID-19 – especially in the SME segment - are causing insurer concern, leading to pricing increases and insolvency exclusions. Side B & C deductibles are increasing.

Aviation: Pricing continues to rise and capacity continues to contract, even though some new capacity is entering the market. Airline profits have been devastated by COVID-19 driven operational disruptions, which also extend to airports, operators, and related industries.

Trade Credit: Due to an increase in loss ratio projections stemming from COVID-19, there has been a strong and quick firming of the market. Capacity is being withdrawn and insurers are much more selective.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Down	Ample	Prudent	Stable	Ample
Aviation	+0-10%	Flat	Tightening	Aggressive	Stable	Tightening
Casualty/Liability	+0-10%	Up	Ample	Prudent	Stable	Ample
Construction	>+10%	Up	Tightening	Prudent	More Restrictive	Ample
Cyber	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Energy	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Financial Lines	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Marine	+0-10%	Flat	Tightening	Aggressive	More Restrictive	Tightening
Professional Indemnity	>+10%	Up	Tightening	Prudent	Stable	Tightening
Property	+0-10%	Flat	Ample	Prudent	Stable	Ample
Surety	+0-10%	Flat	Ample	Prudent	Stable	Ample
Trade Credit	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Down	Ample	Prudent	Stable	Ample
Casualty/Liability	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Construction	+0-10%	Up	Ample	Prudent	Stable	Ample
Crisis Management	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Cyber	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Energy	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Financial Lines	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Marine	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Products Liability	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Professional Indemnity	+0-10%	Flat	Ample	Prudent	Stable	Ample
Property	+0-10%	Up	Ample	Prudent	Stable	Ample
Trade Credit	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening

Featured Country: United Kingdom Q1 Market Dynamics

Aon Insights

The country is experiencing an unprecedented economic downturn, with social distancing requirements resulting in unemployment growth and major changes to work practices. As the COVID-19 crisis overlays ongoing Brexit concerns, there is widespread political and economic uncertainty. But not all uncertainty is negative; many businesses are intrigued by the potential positive cost implications of remote working. The insurance marketplace continues to focus on improving profitability. It is now more disciplined, with a trend toward increased pricing and coverage restrictions, in parallel with increased retentions, especially for larger placements. The underwriting process is generally taking longer, and more information is being required. The most challenging sectors are food & beverage, construction, and waste. Losses are growing – in frequency and severity – as the legal environment continues to become more litigious. There is more interest amongst companies to shift the risk and insurance management function to an internal, dedicated resource rather than Legal or Finance leaders fulfilling the function 'off the side of their desk'.

Featured Products

Casualty: It is expected that the general market firming may accelerate, especially for clients with US exposure. Coverage terms have become more restrictive across several insurers following recent issues related to transaction clauses and discovery periods.

Marine Cargo: Market rates are hardening with increases across the board, even for placements that have not been loss-active. The underwriting process is taking longer than expected and is more challenging.

Property: The market continues to harden — with significant rate increases, increasing retentions, and a tightening of coverage terms. Companies with a large CAT footprint and/or poor loss history are experiencing the most challenging market conditions.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Flat	Ample	Prudent	Stable	Ample
Casualty/Liability	+0-10%	Flat	Ample	Prudent	Stable	Ample
Construction	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Crisis Management	Down	Flat	Ample	Flexible	Broadening	Ample
Cyber	+0-10%	Flat	Ample	Prudent	Stable	Ample
Employers Liability/Workers Comp	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Energy	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Financial Lines	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Marine	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Products Liability	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Professional Indemnity	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Property	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Surety	>+10%	Flat	Tightening	Prudent	Stable	Ample
Trade Credit	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Flat	Ample	Prudent	Stable	Ample
Casualty/Liability	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Construction	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Crisis Management	>+10%	Flat	Tightening	Prudent	Stable	Ample
Cyber	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Employers Liability/Workers Comp	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Energy	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Financial Lines	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Marine	>+10%	Down	Tightening	Aggressive	More Restrictive	Tightening
Products Liability	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Professional Indemnity	>+10%	Up	Tightening	Prudent	More Restrictive	Ample
Property	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Surety	>+10%	Flat	Tightening	Prudent	Stable	Ample
Trade Credit	+0-10%	Flat	Tightening	Prudent	More Restrictive	Ample

Asia Pacific

Regional Landscape

Market and Claims Dynamics by Country

Rate Trends

Featured Industries: Energy, Food & Agribusiness, Healthcare

Featured Countries: Australia, China, and Philippines

Asia Pacific Regional Landscape

Asia serves as the global manufacturing epicenter and its 12 countries represent two thirds of the world's population. Recent economic stability and growth has been upended by COVID-19, and the region is now experiencing widespread economic uncertainty. During the crisis, borders were shut down, people were ordered to stay at home, and most businesses closed to contain the spread of the virus. Now, unemployment is soaring, and the government is providing assistance to many families and small businesses. Economists have downgraded China's GDP growth forecast for 2020; and the rest of Asia will also not be spared. As new COVID-19 cases diminish, Asian economies are cautiously re-opening amidst new national and local regulations, despite the threat of a resurgence of cases.

In the Pacific, the aggressive COVID-19 response has been successful in containing the spread of the virus. Borders were effectively shut down from early March and police-enforced stay-at-home orders have been in effect. A geopolitical crisis is unfolding; however, as China – presumably with sinocentric ambitions — threatens Australia's long-standing partnership with the Pacific Island Countries by providing humanitarian and economic support.

The COVID-19-related social, political and economic issues are now co-existing with ongoing risk and insurance concerns related to bushfire, drought, mental health, and a shifting regulatory environment.

Insurance Market and Key Risks

Asia

COVID-19 concerns have prompted insurers to review policy language, particularly related to pandemics. Some insurers have reduced or cancelled lines of credit. Following massive supply chain disruptions, clients' key area of focus is Business Continuity Planning. Excess of Loss coverage is creating a stabilizing impact in the market.

Pacific

Per-risk capacity deployment continues to reduce across most product lines in addition to limited or no appetite for risks driving portfolio volatility. As this trend has continued over the past 18 months there is now almost complete alignment in insurer appetite creating opportunity for some buyers but growing frustrations for many more.

Many insurers have offered SME relief packages for those facing financial hardship during the Covid-19 pandemic.

Claims Environment

Asia

Several insurers have taken a pedantic approach to coverage interpretation coupled with an increasing use of external counsel which is prolonging the claims lifecycle. This is especially problematic as major, complex claim volume rises. Efforts are underway to simplify non-complex claims through digitization; however, adoption is challenging.

Pacific

Replace entire paragraph with Insurers are being very prescriptive in terms of granting indemnity with very little flexibility or commerciality in their approach. As lockdowns continue, some insurer claims resources are challenged, causing subsequent delays in processing claims.

Clients Should Consider

Asia Pacific

Both the challenging market conditions and insurer work from home arrangements mean that it will take longer to complete renewal negotiations – early engagement is essential.

As insurers look to drive portfolio profitability there is greater local and overseas referral. Buyers should consider how they market their risk with a two step negotiation in mind. Added to this is a growing demand for more detailed submissions.

Partner with your Aon team to properly evaluate your existing and emerging exposures to confirm the continued appropriateness of coverages and limits – especially related to Natural Catastrophe, Business Interruption and Cyber.

Define Risk Management Objectives with clear targets; demonstrate risk quality and best practice within the business. Manage risk holistically – as a long-term strategy – rather than as an insurance transaction.

Asia Pacific Q1 Market and Claims Dynamics

Market Dynamics

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
APAC	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
China	+0-10%	Flat	Ample	Prudent	Stable	Ample
Hong Kong	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Indonesia	+0-10%	Flat	Ample	Prudent	Stable	Ample
Japan	+0-10%	Flat	Ample	Prudent	Stable	Ample
Malaysia	+0-10%	Flat	Ample	Prudent	Stable	Ample
Philippines	>+10%	Flat	Tightening	Prudent	Stable	Ample
Singapore	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening
South Korea	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Taiwan	+0-10%	Flat	Ample	Prudent	Stable	Tightening
Thailand	>+10%	Flat	Ample	Prudent	Stable	Ample
Vietnam	>+10%	Flat	Ample	Prudent	Stable	Ample
Australia	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Fiji	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
New Zealand	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening

Claim Dynamics

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Validity of Info Requests	Use of External Counsel	Speed of Payment
APAC	Same	Same	Same	Same	Same	Same
China	Same	Worse				
Hong Kong	Same	Same	Same	Same	Same	Same
Indonesia	Same	Same	Same	Same	Same	Same
Japan	Same	Same	Same	Same	Same	Better
Malaysia	Same	Same	Same	Same	Same	Same
Philippines	Same	Same	Same	Same	Same	Same
Singapore	Same	Same	Same	Same	Same	Same
Taiwan	Same	Same	Same	Same	Same	Same
Thailand	Same	Same	Same	Same	Same	Same
Vietnam	Same	Better	Same	Better	Same	Better
Australia	Same	Same	Same	Same	Same	Same
New Zealand	Same	Same	Same	Same	Same	Same
Papua New Guinea	Better	Better	Better	Same	Better	Better

Asia Pacific Featured Industries Q1 Overview

Energy

Asia continues as a dominant source of energy supply, and leads the world in energy demand. New petrochemical plants and refineries aimed at producing cleaner fuels are being constructed across the region.

At the same time, major oil firms have been exiting the exploration and production space to invest in shale oil in the USA. As a result, new, smaller, independent companies have emerged. Asia national oil companies have reduced overseas investment, bringing projects and M&A closer to home.

In the risk and insurance landscape, downstream markets have experienced losses exceeding USD5 billion in the past 3 years, putting insurers under considerable pressure. Capacity is tightening following the recent withdrawal of a few key insurers, leaving fewer options for insureds. Upstream market pricing is stable, especially relative to other parts of the world.

As a result of COVID-19 and other recent events, supply chain sustainability is a major concern.

Food & Beverage

The impact of COVID-19 on the Food & Beverage industry is two-sided. There was an immediate up-side stemming from spikes in demand for some products as stay-at-home orders were issued. At the same time, restaurants and bars were forced to close their doors, severely limiting business to home delivery only. Government incentives – initiating in May 2020 – will be a welcome boost.

As companies focus on retaining cash in the business, there is increased scrutiny on risk retention levels. In addition, insureds are carefully reviewing coverage terms and limits in search of ways to offset insurance rate escalation. Nice-to-have coverages are giving way to expanded coverages for pandemic-related risk (supply chains, cyber, business interruption).

The local capacity position continues to shrink in Australia and NZ as insurers look to de-risk their portfolios, and pricing continues to escalate in this already challenged business. Historical local markets are looking to bottom-line underwrite their portfolios into profitability, as new insurers are only interested in writing heavily engineered, HPR risks. Sub-limits and coverage restrictions – especially for Contingent BI, Cyber, and Infectious Disease – are becoming a common discussion topic, and post-incident corrective actions are becoming a pre-requisite for Contaminated Product coverage.

Healthcare

The government has stepped in to help provide healthcare services for public patients. While these services are relieving the overwhelmed healthcare system, they are being provided at cost, so they are not serving to provide a much needed positive short-term impact on healthcare profits. Elective surgery will gradually resume, which is expected to provide a more immediate, but modest, boost.

Underwriting is now highly focused on risk management processes that control infection spread across patients, and also across employees, contractors and visitors. Insurers, especially in London, are starting to apply COVID-19 exclusions to Medical Malpractice and General Liability policies. With the market firming overall, there is increased scrutiny of limits, sub-limits, deductibles and terms & conditions as levers to assist in moderating pricing.

Insurance buying decisions are being influenced by companies' financial performance. Some coverages viewed as discretionary are being re-evaluated, and alternative risk strategies are being considered. At the same time, insureds are working with Aon to review existing policies to ensure that elevated risks associated with COVID-19 and any future pandemics are addressed.

Asia Pacific Q1 Rate Trends

Rate Change

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Food System, Agribusiness and Beverage	Health Care Services	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Public Sector	Real Estate	Retail and Wholesale Trade	Technology and Communications	Transportation and Logistics
All Products	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%
Automobile	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%
Aviation	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%
Casualty/Liability	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Construction	>+10%	Down	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%
Crisis Management	>+10%	+0-10%	>+10%	Down	+0-10%	+0-10%	Down	+0-10%	Down	Down	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%
Cyber	>+10%	+0-10%	+0-10%	>+10%	Down	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Employers Liability/ Workers Comp	Down	Down	>+10%	Down	Down	+0-10%	Down	+0-10%	Down	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	Down	>+10%
Energy		+0-10%	>+10%	>+10%		+0-10%	+0-10%		>+10%	>+10%	>+10%	>+10%	>+10%		+0-10%	>+10%		
Environmental		+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	Down	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%
Financial Lines	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%
Marine	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	Down	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Power			>+10%	>+10%			+0-10%		>+10%	>+10%		>+10%			+0-10%			
Products Liability	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	Down	+0-10%	+0-10%	+0-10%
Professional Indemnity	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%
Property	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%
Surety	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%		+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%
Trade Credit	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%

Featured Country: Australia Q1 Market Dynamics

Aon Insights

There is continued concern over the long term implications surrounding climate change and bushfire activity, as well as the continued growth of securities class action activity. These ongoing concerns, combined with widespread economic challenges resulting from COVID-19, are driving a further tightening of the market. For most product lines, the market is currently "bottom line focused", with little appetite for poor performing risk. Demand for reinsurance capacity – especially in the high-risk property space – generally exceeds supply. The underwriting process is becoming more rigorous, and tending to take longer.

Featured Products

Casualty: The market is firming, driven by the historical development of losses and a focus on rate adequacy at a portfolio level. Those with exposure to bushfire liability, worker to worker, or attritional or trending claims activity are seeing very significant premium increases whilst others are seeing less change.

Financial Lines: D&O Side C remains a major issue and many insurers are significantly reducing line size, impacting capacity available and driving pricing significantly.

Professional Indemnity: The market is experiencing a dramatic shift in capacity and pricing, especially for Design and Construct. Insurers are monitoring the situation closely and pricing adequacy is at the forefront of insurers' minds.

Property: Recent bushfire activity and weather events continue to impact profitability. The market continues to harden with a strong focus on risk selection and pricing adequacy. High-risk occupancies and natural catastrophe exposed risks are experiencing the most severe reduction in capacity and rate increases. Local insurers are coming out of 3-year portfolio remediation targeting growth, while international insurers continue to remediate.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
Automobile	+0-10%	Flat	Ample	Prudent	Stable	Ample
Casualty/Liability	+0-10%	Flat	Ample	Prudent	Stable	Ample
Construction	+0-10%	Flat	Ample	Prudent	Stable	Ample
Cyber	>+10%	Flat	Ample	Aggressive	Broadening	Ample
Employers Liability/Workers Comp	+0-10%	Flat	Ample	Prudent	Stable	Ample
Energy	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Environmental	+0-10%	Flat	Ample	Prudent	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Marine	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Power	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Products Liability	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Professional Indemnity	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Property	>+10%	Flat	Tightening	Aggressive	More Restrictive	Tightening
Surety	+0-10%	Flat	Ample	Flexible	Stable	Ample
Trade Credit	+0-10%	Flat	Tightening	Prudent	Stable	Ample

Large and Complex Client Placements

Automobile	+0-10%	Flat	Ample	Prudent	Stable	Ample
Casualty/Liability	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Construction	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Cyber	+0-10%	Flat	Ample	Prudent	Stable	Ample
Employers Liability/Workers Comp	+0-10%	Flat	Ample	Prudent	Stable	Ample
Energy	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Environmental	+0-10%	Flat	Ample	Prudent	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Marine	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Power	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Products Liability	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Professional Indemnity	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Property	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Surety	+0-10%	Flat	Ample	Flexible	Stable	Ample
Trade Credit	+0-10%	Flat	Tightening	Prudent	Stable	Ample

Featured Country: China Q1 Market Dynamics

Aon Insights

The rapid rate of growth in China's relatively young insurance market has moderated slightly, but continues to outpace China's GDP growth rate. In the wake of Typhoon Lekima, insurers have become more cautious. Digitalization of underwriting is emerging, enabling online distribution capabilities. The array of insurance products is expanding.

There have been significant challenges in insurer claims handling and settlement. The Chinese legal system is inquisitorial, and the requirements to prove a claim are not well understood by insurers or insureds. So insureds – not understanding what is required of them – fail to provide information, and insurers – not knowing what to ask for – just wait for a court judgment to determine whether payment needs to be made. As the claims handling process matures, Aon is working with clients to identify and calculate insurable losses, and advocating on behalf of clients with loss adjustors and insurance claim servicers.

Featured Products

Products Liability: Appetite is growing, especially for exports and innovative products; however, coverage and pricing for batteries, printed circuit boards, and electronic cigarettes, remains very challenging.

Property: Capacity is showing signs of tightening, especially for risks in coastal cities subject to typhoons and other natural disasters, but remains sufficient overall.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Aviation	+0-10%	Down	Tightening	Aggressive	More Restrictive	Tightening
Casualty/Liability	+0-10%	Flat	Ample	Prudent	Stable	Ample
Construction	+0-10%	Up	Ample	Prudent	Stable	Ample
Cyber	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Employers Liability/Workers Comp	Down	Flat	Ample	Flexible	Stable	Ample
Energy	+0-10%	Up	Tightening	Aggressive	Stable	Ample
Environmental	+0-10%	Flat	Ample	Flexible	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Prudent	Stable	Tightening
Marine	Down	Down	Tightening	Prudent	More Restrictive	Tightening
Power	+0-10%	Up	Tightening	Aggressive	Stable	Tightening
Products Liability	+0-10%	Flat	Tightening	Prudent	More Restrictive	Ample
Professional Indemnity	>+10%	Up	Tightening	Prudent	Stable	Ample
Property	+0-10%	Flat	Ample	Prudent	Stable	Ample
Surety	+0-10%	Flat	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Flat	Tightening	Prudent	More Restrictive	Ample

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Flat	Ample	Aggressive	Stable	Ample
Aviation	+0-10%	Down	Tightening	Aggressive	More Restrictive	Tightening
Casualty/Liability	+0-10%	Flat	Ample	Flexible	Stable	Ample
Construction	+0-10%	Flat	Ample	Prudent	Stable	Ample
Cyber	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Employers Liability/Workers Comp	Down	Flat	Ample	Aggressive	Broadening	Ample
Energy	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Environmental	+0-10%	Flat	Ample	Flexible	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Flexible	Stable	Ample
Marine	Down	Flat	Ample	Flexible	Stable	Ample
Power	+0-10%	Up	Tightening	Aggressive	Stable	Tightening
Products Liability	+0-10%	Flat	Ample	Prudent	Stable	Ample
Professional Indemnity	>+10%	Flat	Ample	Flexible	Broadening	Ample
Property	+0-10%	Flat	Ample	Prudent	Stable	Ample
Surety	+0-10%	Flat	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Flat	Tightening	Prudent	More Restrictive	Ample

Featured Country: Philippines Q1 Market Dynamics

Aon Insights

With the implementation of Minimum Capitalization Requirement by the Insurance Commission, several insurers have stopped writing business, which has negatively impacted the availability of capacity. Claims activity related to typhoons, floods, earthquake has decreased; however, losses related to fire, machinery breakdown & business Interruption have been higher than expected. This has resulted in coverage restrictions and inclusion of additional warranties and conditions.

Featured Products

Automobile: The local landscape is very competitive. Premiums are soft, coverage is broad, and deductibles are low.

Aviation: Market capacity is tightening as more insurers withdraw from the space. All insurers have shifted to technical underwriting. Premiums are increasing substantially.

Casualty/Liability: Local insurers are being influenced by the hardening international market conditions and have started adjusting their terms accordingly.

Marine: The market is becoming more challenging, especially for Stock Throughput coverage. Concern is growing over storage risks. More underwriting information is being required.

Property: Local insurers are flexible, but capacity is tightening. International insurers are typically more restrictive in the coverages offered, and pricing is high.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	Down	Flat	Abundant	Flexible	Broadening	Ample
Aviation	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Casualty/Liability	+0-10%	Flat	Ample	Prudent	Stable	Ample
Construction	+0-10%	Flat	Ample	Prudent	Stable	Ample
Cyber	+0-10%	Flat	Ample	Flexible	Broadening	Ample
Employers Liability/Workers Comp	>+10%	Flat	Ample	Prudent	Stable	Ample
Energy	+0-10%	Down	Tightening	Prudent	More Restrictive	Tightening
Environmental	>+10%	Flat	Ample	Prudent	Stable	Ample
Marine	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening
Power	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Products Liability	>+10%	Flat	Ample	Prudent	Stable	Ample
Professional Indemnity	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Property	>+10%	Flat	Tightening	Prudent	More Restrictive	Ample
Surety	+0-10%	Flat	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Flat	Ample	Aggressive	More Restrictive	Ample

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	Down	Flat	Ample	Flexible	Broadening	Ample
Aviation	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Casualty/Liability	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Construction	+0-10%	Flat	Ample	Prudent	Stable	Ample
Cyber	+0-10%	Flat	Ample	Flexible	Broadening	Ample
Employers Liability/Workers Comp	>+10%	Flat	Ample	Prudent	Stable	Ample
Energy	+0-10%	Down	Tightening	Prudent	More Restrictive	Tightening
Environmental	>+10%	Flat	Ample	Prudent	Stable	Ample
Marine	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening
Power	+0-10%	Down	Tightening	Prudent	More Restrictive	Tightening
Products Liability	>+10%	Flat	Ample	Prudent	Stable	Ample
Professional Indemnity	+0-10%	Flat	Tightening	Prudent	Stable	Ample
Property	+0-10%	Down	Tightening	Prudent	More Restrictive	Tightening
Surety	+0-10%	Flat	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Flat	Ample	Aggressive	More Restrictive	Ample

Latin America

Regional Landscape

Market and Claims Dynamics by Country

Rate Trends

Featured Industries: Construction, Real Estate, Energy

Featured Countries: Brazil, Mexico, and Peru

Latin America Regional Landscape

Entering 2020, the Latin America economy was recovering in pockets; however, the region was also in the midst of a political transformation. Uruguay, Brazil, Ecuador, Bolivia, Peru, Chile and Colombia were transitioning from a left-wing populism regime to a more center approach. As the year progresses, Argentina is reverting to Peronism; Mexico is turning into a left-wing populism regime and Venezuela is in a very difficult position. Economically, Latin America struggles to address ongoing corruption and social inequality, and investment in infrastructure is lacking.

The effects of COVID-19 have begun to spread across the region, impacting many industries, including insurance, and its final toll is impossible to estimate. Insurers are continuing to impose rate increases, tighten underwriting where needed, reduce limits and, in some instances, require higher deductibles. There is some flexibility for favorable risks; however, large and complex risks requiring facultative reinsurance are experiencing a significant tightening of coverage terms and capacity.

Insurance Market and Key Risks

- Local market pricing is more favorable than international market pricing.
- With a focus on managing total cost of risk, more and more clients – especially those who are larger and more sophisticated – are looking to partner with Aon to explore alternative solutions and advisory/consulting solutions.
- Capacity has become a significant concern, especially for classes of business where there are few insurers willing to take the lead position.
- The products that have been most significantly impacted by challenging conditions are Financial Lines, Property and Professional Liability.

Claims Environment

- The number of claims decreased due to mobility restrictions, and further decreases are expected if restrictions are extended; however, challenging claim behaviors continue to prevail. There remains a tendency for coverage determination and valuation assessments to be an unnecessarily prolonged process in countries such as Colombia and Mexico. In Brazil, the involvement of law firms, experts and regulators lengthens the timeline and is detrimental to insurer claims performance.
- Larger claims receive significantly more attention by insurers, although they do not always take a “follow the leader” approach when the claim value reaches excess layers.
- The claims journey is more predictable in countries such as Chile, where there is a regulating body overseeing settlement and payment timelines therefore effectively managing client expectations. Such protocols are helpful as insurers navigate the variety of claims resulting from the Q4 2019 social protests.

Clients Should Consider

- Develop a clear risk management strategy supported by your C-suite/board of directors
- Review property schedules with a special focus on areas of threat and opportunity.
- Look ahead and work with Aon to anticipate potential risks. This is extremely important to mitigate volatility.
- Work with insurers openly and transparently.
- Once insurers’ proposals meet your renewal objectives, be decisive in providing binding orders.

Latin America Q1 Market and Claims Dynamics

Market Dynamics

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
LATAM	+0-10%	Up	Tightening	Prudent	Stable	Tightening
Argentina	+0-10%	Up	Ample	Prudent	Stable	Tightening
Barbados	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Brazil	+0-10%	Flat	Ample	Prudent	Stable	Ample
Chile	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Colombia	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Ecuador	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Mexico	>+10%	Up	Ample	Prudent	Stable	Ample
Peru	>+10%	Up	Tightening	Prudent	Stable	Tightening
Puerto Rico	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Venezuela	>+10%	Up	Tightening	Prudent	Stable	Tightening

Claim Dynamics

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Validity of Info Requests	Use of External Counsel	Speed of Payment
LATAM	Same	Same	Same	Same	Same	Same
Argentina	Same	Same	Same	Same	Same	Same
Brazil	Same	Worse	Same	Worse	Worse	Same
Chile	Same	Same	Same	Same	Same	Same
Colombia	Same	Same	Same	Same	Same	Same
Ecuador	Same	Same	Same	Same	Same	Same
Mexico	Same	Worse	Same	Same	Same	Worse
Peru	Same	Worse	Worse	Better	Same	Same
Puerto Rico	Same	Same	Same	Same	Same	Same
Trinidad & Tobago	Same	Same	Same	Same	Same	Same
Venezuela	Better	Better	Better	Better	Better	Better

Latin America Q1 Rate Trends

Rate Change

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Health Care Services	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Real Estate	Retail and Wholesale Trade	Technology and Communications	Transportation and Logistics	Water, Sanitary And Associated Services
All Products	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%
Automobile	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%
Aviation	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%		>+10%	+0-10%	>+10%	>+10%	>+10%
Casualty/Liability	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%
Construction	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%
Crisis Management	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%		+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%
Cyber	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%
Employers Liability/Workers Comp	>+10%	Down	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%
Energy	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%
Environmental	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%
Financial Lines	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%
Marine	>+10%	+0-10%	+0-10%	+0-10%	Down	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%
Power	>+10%		>+10%	>+10%							>+10%						
Products Liability		+0-10%	+0-10%	+0-10%		+0-10%		+0-10%		+0-10%	+0-10%		+0-10%	+0-10%	+0-10%	+0-10%	+0-10%
Professional Indemnity	>+10%	Down	>+10%	>+10%	Down	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%
Property	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%
Surety	>+10%	+0-10%	+0-10%	+0-10%	Down	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	Down	+0-10%	+0-10%	+0-10%
Trade Credit		>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%		+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%

Latin America Featured Industries Q1 Overview

Construction

The construction industry contracted in 2019 due to lack of public investment, and now, in 2020, COVID-19 has significantly intensified the investment decline – in both the public and private spaces. It is too early to anticipate when this trend may reverse.

The insurance market is competitive for the very few new projects expected this year. For Property risks, there is ample capacity (up to USD ~200 million) for small and mid sized projects that can be absorbed by local insurer treaties. Larger projects that need facultative reinsurance capacity are experiencing more challenging conditions, including a slight tightening of coverage terms and increased deductibles.

The market for Cyber, D&O and E&O risks is still small; however, as LATAM clients' exposures expand, and their risk professionals continue to learn more about these coverages, the local market for these coverages is expected to grow.

Surety bonds are one of the most widely used financial feasibility instruments in Latin America. The economic uncertainties resulting from COVID-19 have created a challenging marketplace for contractors to secure all required bonds.

Real Estate

Before COVID-19 struck, insurers were responding to a regional increase in loss severity, and rates – especially for reinsurance – were increasing considerably. Risks in Puerto Rico were particularly challenging, following hurricane Maria in 2017 and the Caribbean earthquake in January 2020.

As a result of COVID-19 economic impacts, the real estate market is expected to contract, with prices and demand – especially for office space – falling significantly. There is already significantly more space for sale in Mexico, Columbia, Chile, and Argentina. As a result, it is expected that insurance market pricing may soften and capacity may become more abundant.

Given that one on five families in Latin America rent their home, the exclusion of pandemics in renters insurance has become a significant topic of discussion.

Energy

Due to COVID-19 impacts, oil supply has completely overrun demand, oil prices are falling, and oil producers – and contractors - are facing serious challenges. The need for oil storage far exceeds available capacity, as producers are choosing to continue producing – even at a loss – to avoid closing down operations. As the impact of COVID-19 continues to play out, companies across the region are bracing for a further deterioration of the overall market and cash flow problems.

The insurance market is continuing to firm, putting pressure on an already strained industry. Most countries in LATAM, except Brazil, are heavily reliant on international reinsurance markets given the lack of local appetite and capacity to write Energy risks, especially offshore risks. Downstream risks are experiencing double digit increases, while upstream risks are seeing more modest increases. These trends are expected to carry forward into Q2 and beyond.

Featured Country: Brazil Q1 Market Dynamics

Aon Insights

Brazil started the year in the midst of a political transformation, transitioning from a left-wing populism regime to a more center approach, and the fundamentals of the economy were solid. As the year has progressed, the political landscape has stabilized and the economic landscape has shifted; GDP growth has now been reduced to "flat". In turn, the insurance market continues to shift, especially for risks that require involvement from international insurers. Risks that are fully absorbed by the local market are experiencing a disciplined – but not necessarily hard – environment. By contrast, low hazard, low loss risks may see modestly favorable conditions. Recent market consolidation is impacting the local landscape; there is still plenty of capacity but fewer insurers to provide alternatives.

Featured Products

D&O: Pricing is modestly up, and there is sufficient local capacity, with the key exception being placements with US exposure.

Property: The market is firming overall. Small and mid sized, locally placed programs are experiencing slight impacts while complex occupancies, risks with unfavorable loss history, and risks dependent on reinsurance capacity are facing more significant impacts.

Surety: Capacity is sufficient as new, niche players are coming into the market. Clients are seeking efficient, technology-driven solutions.

Trade Credit: In Q1, insurers continued to seek out growth opportunities; however, early indicators point to a potential turn in insurer appetites and attitudes due to COVID-19 impacts.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Up	Tightening	Prudent	Stable	Ample
Aviation	>+10%	Up	Tightening	Prudent	Stable	Ample
Casualty/Liability	+0-10%	Up	Ample	Prudent	Stable	Ample
Construction	+0-10%	Up	Ample	Prudent	Stable	Ample
Cyber	+0-10%	Up	Ample	Prudent	Broadening	Ample
Energy	+0-10%	Flat	Ample	Prudent	Stable	Ample
Environmental	+0-10%	Up	Ample	Prudent	Stable	Ample
Financial Lines	+0-10%	Up	Ample	Flexible	Stable	Ample
Marine	+0-10%	Up	Ample	Flexible	Stable	Tightening
Power	>+10%	Up	Tightening	Prudent	Stable	Tightening
Property	+0-10%	Up	Ample	Prudent	Stable	Ample
Surety	+0-10%	Up	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Up	Tightening	Prudent	Stable	Ample

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	Down	Flat	Abundant	Aggressive	Stable	Ample
Aviation	>+10%	Up	Tightening	Prudent	Stable	Ample
Casualty/Liability	Down	Up	Ample	Aggressive	Stable	Ample
Construction	Down	Up	Ample	Flexible	Broadening	Ample
Cyber	+0-10%	Up	Ample	Prudent	Broadening	Ample
Energy	>+10%	Flat	Tightening	Aggressive	More Restrictive	Tightening
Environmental	+0-10%	Up	Ample	Prudent	Stable	Ample
Financial Lines	>+10%	Up	Tightening	Prudent	Stable	Tightening
Marine	+0-10%	Up	Tightening	Prudent	Stable	Ample
Power	>+10%	Up	Tightening	Prudent	Stable	Tightening
Property	>+10%	Up	Tightening	Prudent	Stable	Tightening
Surety	Down	Up	Ample	Aggressive	Stable	Ample
Trade Credit	+0-10%	Up	Tightening	Prudent	Stable	Ample

Featured Country: Mexico Q1 Market Dynamics

Aon Insights

Plummeting oil prices, together with the COVID-19 economic slow-down, have had a devastating impact on Mexico – the second largest economy in Latin America. And the insurance market has not been unscathed. The market is now firming overall, especially for loss-active risks, difficult industries, and risks which require international capacity.

Featured Products

Automobile: Insurers whose loss ratios have been low continue to have a strong appetite; however, appetite for trucks, and for poor performing placements is low.

Cyber: Client interest is growing; however, today, few clients are actually purchasing coverage. The market is very limited (only 4 insurers).

Financial Lines: A recent change in legislation calls for an increase in the extent to which Directors can be held liable. As a result, D&O insurers have reduced capacity and significantly increased pricing. Crime has become very difficult with extreme rate increases, the application of sublimits, and widespread restrictions of coverage. In many cases, insurers are also requiring clients to purchase D&O
or Cyber (more favorable risk types) in order to keep their Crime coverage.

Marine: Capacity is tightening as more insurers withdraw. As a result, risks with poor loss history have become very challenging.

Surety: Pricing is favorable, especially for well-performing industries. New insurers have entered the market, creating additional capacity.

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Up	Ample	Flexible	Stable	Ample
Casualty/Liability	+0-10%	Up	Ample	Prudent	Stable	Ample
Construction	+0-10%	Up	Ample	Aggressive	Stable	Ample
Cyber	+0-10%	Up	Ample	Flexible	Stable	Ample
Employers Liability/ Workers Comp	>+10%	Up	Ample	Aggressive	Stable	Ample
Energy	>+10%	Up	Ample	Prudent	Stable	Ample
Environmental	>+10%	Up	Ample	Prudent	Stable	Tightening
Financial Lines	>+10%	Up	Ample	Prudent	Stable	Tightening
Marine	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Products Liability	+0-10%	Up	Ample	Aggressive	Stable	Ample
Professional Indemnity	>+10%	Up	Ample	Prudent	Stable	Ample
Property	+0-10%	Up	Ample	Prudent	Stable	Ample
Surety	Down	Up	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Up	Ample	Prudent	Stable	Ample

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Up	Tightening	Prudent	Stable	Tightening
Casualty/Liability	>+10%	Up	Ample	Prudent	Stable	Tightening
Construction	>+10%	Up	Abundant	Flexible	Stable	Ample
Cyber	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Employers Liability/ Workers Comp	>+10%	Up	Ample	Aggressive	Stable	Ample
Energy	>+10%	Up	Ample	Prudent	Stable	Ample
Environmental	+0-10%	Up	Ample	Prudent	Stable	Ample
Financial Lines	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Marine	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Products Liability	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Professional Indemnity	>+10%	Up	Ample	Prudent	Stable	Ample
Property	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Surety	Down	Flat	Abundant	Aggressive	Stable	Ample
Trade Credit	>+10%	Down	Tightening	Prudent	More Restrictive	Tightening

Featured Country: Peru Q1 Market Dynamics

Aon Insights

Peru is one of Latin America's best performing economies; however, in 2019, its rate of growth slowed. In response, the insurance market in 2020 is contracting, and pricing is increasing. Coverage restrictions are also becoming more prevalent.

Featured Products

Automobile: While the market remains relatively stable, it has become increasingly challenging to find insurers willing to provide coverage for high-value vehicles.

Construction: Following the Odebrecht corruption scandal, the construction industry has significantly slowed and there is little opportunity for insurance growth in this space.

Casualty/Liability: Pricing is increasing significantly, and insurer appetite to write new business is low.

Financial Lines: D&O placements are challenging; pricing is increasing significantly in conjunction with coverage restrictions.

Property: The market is challenging, with significant price increases coupled with coverage restrictions.

Market Dynamics for Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Flat	Ample	Prudent	Stable	Ample
Casualty/Liability	>+10%	Flat	Ample	Prudent	Stable	Ample
Construction	+0-10%	Flat	Ample	Prudent	Stable	Ample
Employers Liability/ Workers Comp	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Energy	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Financial Lines	>+10%	Flat	Ample	Prudent	More Restrictive	Tightening
Marine	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Power	+0-10%	Flat	Tightening	Prudent	Stable	Tightening
Products Liability	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Property	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Trade Credit	+0-10%	Flat	Ample	Prudent	Stable	Ample

Global Broking Center

Landscape

Market and Claims Dynamics by Broking Center

Rate Trends

Featured Industries: Aviation, Construction, Energy, Environmental, Financial Institutions, Manufacturing, Marine, Power, Public Sector, Space

Featured Products: Automobile, Aviation, Casualty/Liability, Crisis Management, Cyber, Financial Lines, Power, Professional Indemnity, Property, Trade Credit

Global Broking Center Landscape

Insurance Market and Key Risks

- There were initial levels of scepticism around the ability of both brokers and insurers to work remotely; however, this has given way to confidence upon seeing that the industry has been able to continue to provide a high level of service. Insurers are keen to continue as close to "business as usual" as possible, utilizing technology tools and platforms, including electronic stamps.
- This should not; however, undervalue how difficult the market has continued to become across most classes. Pricing and capacity challenges continue. While not exclusively related to COVID-19, its impacts are proving to exacerbate an already firming market. And there is no reason to believe this will alleviate during the remainder of 2020.
- Insurers' legal teams are prescribing positions, and the Lloyd's Market Association and subgroups are continuing to introduce more exclusionary clauses related to COVID-19. Aon is working hard on behalf of clients to ensure the unintended consequences of overly broad and prescriptive exclusions are minimized where possible.
- The Aon Client Treaty continues to be of significant assistance in this turbulent market. It is expected to continue to play an important role for clients around the globe between now and the end of the year. Work was recently initiated related to the prospectus for the Treaty in 2021.

Claims Environment

- As claims become larger and more complex, they are coming under increased scrutiny.
- Insurer reactions to technical breaches of policy terms and conditions (where no prejudice has been caused) are becoming noticeably more severe.
- More insurers are asking to be claim agreement parties, resulting in an increased use of Steering Groups which leads to a larger number of insurers involved in claims handling and a slower decision-making process.
- Based on slowed responsiveness and widespread reliance on coverage counsel to review and respond to issues, it appears insurer claims departments may be stretched thin.
- Policyholders are being required to respond to multiple requests for information due to multiple coverage firms being appointed by different insurers on the same loss (particularly, but not exclusively, where overseas markets are involved). This is slowing the processing of claims.

Clients Should Consider

- Partner with Aon to analyze your retentions, and overall limits purchased, across all lines, to ensure you are purchasing appropriate levels of coverage to meet the changing needs and priorities of your business.
- Establish and communicate clear targets across coverage, retentions, limits, and premium.
- Go to market with a thorough set of information that robustly describes your operations in detail, and differentiates your risk from your peers.
- Engage Subject Matter Experts from your business to assist in explaining challenging or complex topics and why and how you are addressing them.
- Use data and analytics.
- Explore the global market options for both traditional and alternative capacity, and explore the (increased) utilization of risk management and risk transfer tools such as captives. Start the renewal process earlier as it will take longer to evaluate options.

Global Broking Center Q1 Market and Claims Dynamics by Broking Center

Market Dynamics

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
Bermuda	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
London	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Singapore	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening

Claims Dynamics

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Validity of Info Requests	Use of External Counsel	Speed of Payment
Bermuda	Worse	Worse	Worse	Worse	Worse	Worse
London	Same	Worse	Same	Same	Same	Same
Singapore	Same	Same	Same	Same	Same	Worse

Global Broking Center Q1 Rate Trends

Rate Change

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Food System, Agribusiness and Beverage	Health Care Services	Holding Company	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Public Sector	Real Estate	Retail and Wholesale Trade	Space	Technology and Communications	Transportation and Logistics
All Products	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Automobile	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Aviation	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Casualty/Liability	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%
Construction	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Crisis Management	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Cyber	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%
Employers Liability/ Workers Comp	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	Down	+0-10%	>+10%	>+10%	+0-10%
Energy		>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%		+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%		>+10%	+0-10%
Environmental	>+10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Financial Lines	>+10%	+0-10%	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%
Marine	>+10%	+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Power		+0-10%	>+10%	>+10%	+0-10%	>+10%	>+10%		+0-10%	>+10%		>+10%	>+10%	>+10%	>+10%	>+10%	>+10%			+0-10%
Products Liability	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%		>+10%	+0-10%
Professional Indemnity	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Property	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	>+10%	>+10%	+0-10%
Space	>+10%	+0-10%	>+10%		>+10%	>+10%			+0-10%					>+10%	>+10%			>+10%	>+10%	
Surety	+0-10%	+0-10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%	>+10%	>+10%	+0-10%
Trade Credit	>+10%	+0-10%	>+10%	>+10%	>+10%	+0-10%	>+10%	+0-10%	+0-10%	+0-10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	>+10%	+0-10%

Global Broking Center Q1 Market Dynamics by Product and Segment

Small to Mid-Sized Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Down	Ample	Flexible	Stable	Ample
Aviation	>+10%	Flat	Tightening	Prudent	Tightening	Tightening
Casualty/Liability	+0-10%	Down	Ample	Prudent	Stable	Tightening
Construction	>+10%	Flat	Tightening	Prudent	Stable	Ample
Crisis Management	+0-10%	Flat	Ample	Prudent	Stable	Ample
Cyber	>+10%	Flat	Tightening	Prudent	Stable	Ample
Employers Liability/ Workers Comp	+0-10%	Down	Ample	Prudent	Stable	Ample
Energy	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Environmental	+0-10%	Flat	Ample	Flexible	Stable	Tightening
Financial Lines	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Marine	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Power	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Products Liability	+0-10%	Up	Ample	Prudent	Stable	Ample
Professional Indemnity	>+10%	Up	Tightening	Prudent	Stable	Ample
Property	>+10%	Flat	Tightening	Prudent	Stable	Tightening
Space						
Surety	+0-10%	Flat	Ample	Prudent	Stable	Ample
Trade Credit	+0-10%	Flat	Tightening	Prudent	More Restrictive	Tightening

Large and Complex Client Placements

	Rate Change	Retentions	Capacity	Insurer Attitudes	Coverage	Reinsurance
Automobile	+0-10%	Down	Abundant	Prudent	Stable	Ample
Aviation	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Casualty/Liability	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Construction	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Crisis Management	+0-10%	Down	Tightening	Prudent	Stable	Tightening
Cyber	+0-10%	Flat	Ample	Prudent	Stable	Ample
Employers Liability/ Workers Comp	+0-10%	Flat	Ample	Prudent	Stable	Ample
Energy	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Environmental	+0-10%	Up	Tightening	Prudent	Stable	Tightening
Financial Lines	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Marine	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Power	>+10%	Up	Tightening	Aggressive	More Restrictive	Tightening
Products Liability	>+10%	Flat	Tightening	Prudent	More Restrictive	Tightening
Professional Indemnity	>+10%	Up	Tightening	Aggressive	Stable	Tightening
Property	>+10%	Up	Tightening	Prudent	More Restrictive	Tightening
Space	>+10%	Flat	Tightening	Aggressive	More Restrictive	Tightening
Surety	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening
Trade Credit	+0-10%	Up	Tightening	Prudent	More Restrictive	Tightening

Global Broking Center Featured Industries (1 of 2)

Aviation: After years of poor results, rates for the Airline sector are up dramatically. 2019 saw claims arising from aircraft grounding at unprecedented levels. General Aviation, especially in the US, is facing major capacity challenges with insurers scaling back participations and reducing limits of liability. The market has had ample appetite for Aviation Finance in recent years with products like AFIC etc. However given the impacts of COVID-19, this is expected to decrease. Although capacity and pricing had been relatively stable in the Aviation primary casualty market, it's likely Insurers will revisit their underwriting strategies and appetite over the coming months.

Construction: The market is tightening due to changes in underwriting guidelines, and a number of key markets have withdrawn due to adverse performance. Lloyd's is not writing multi-year coverages, so capacity is shrinking. The capacity that does exist is being deployed cautiously for high CAT exposed countries and occupancies such as Hydro, following a number of large losses over recent years. A significant number of European markets have stopped writing new coal construction projects, and, with fewer players in this space, there has been a trend for insurers to push for higher deductibles and premium. While pricing is generally up across most coverages, Construction PI has seen the most significant pricing increases.

Energy: Following large losses and a competitive rate environment in past years, the market is now looking to return to profitability. There is a general firming, very much dependent on the sector, the account and the limit requested. Insurers are reducing capacity and looking to move up the tower. While Upstream increases are relatively modest, Downstream energy is seeing more significant rate increases, and they seem to be accelerating. Political Risk rates are relatively stable and there continues to be appetite for Energy type transactions. The most challenging areas are Property/BI for refining and petrochemical companies, and Excess Liability capacity for larger clients. Domestic markets involved historically in the renewable energy space have significantly changed their appetite on renewables, especially utility solar.

Environmental: The contractors segment remains very competitive and has seen very limited coverage restrictions. However, the site-specific segment has experienced shrinking capacity and more restrictive coverage terms, with some markets exiting this line of business. As a result, rates have increased modestly and coverage terms are more restrictive. New exclusions are being introduced for communicable diseases as a result of COVID-19.

Financial Institutions: The market continues to harden due to an increase in frequency and severity of claims activity along with adverse developments of historical claims reserves. Insurers are more selective, and many are restricting coverage terms. Some insurers have stopped trading or have pulled out of specific lines or classes of business.

Global Broking Center Featured Industries (2 of 2)

Manufacturing: Heavy industrial (including Metals & Mining; Pulp & Paper) is a particularly distressed market. Some clients are now retaining proportional and/or non-proportional shares of programs due to premium budget restrictions. The market has firmed significantly for loss active accounts – especially Property and D&O – with mandated retention increases to avoid historic attritional losses. Insurers are proposing rate increases, higher attachments, reducing capacity, and restricting coverage terms.

Marine: Losses over the past 2 years have led to market withdrawals, a tightening of capacity, restrictions of coverage, and greater scrutiny of client information. Cargo renewals are flat to modestly up, dependent on location and product. Some areas (i.e. Mexico) are becoming very hard to even find coverage for. Hull renewals are modestly up, depending on the risk, loss ratio, limit required, and continuity of relationships, but there is still ample capacity. In addition, there is increased focus on tightening the scope of coverage, validating proper risk management is in place, and closely evaluating areas of operation; i.e., a return to technical underwriting, where risks are assessed more stringently on individual merits and less as part of an overall portfolio. P&I renewals are flat to modestly up. Land based marine liability can see significant increases if the risk is distressed and/or if a high limit is required. Bumbershoots are under pressure because of capacity limitations and underwriters being less willing to sit above non-marine liability like they were in the past.

Power: While there is still sufficient capacity, placements are becoming significantly more challenging and taking much longer to complete. Rates are increasing and insurer line sizes are reducing. Coverage is becoming more restrictive and deductibles are increasing. The renewable energy niche is maturing. The equipment is aging causing losses that are out of warranty. In addition, large property losses have occurred such as total losses on solar farms from hail.

Public Sector: Casualty and Auto placements were hit hard at the end of 2019 with a number of large claims. Severe losses, combined with the change in the discount rate, has led to a challenging landscape for the Public Sector. Some insurers are now breaking Long Term Agreements and re-rating their entire book. SPS facilities and ACT have become pivotal as placement vehicles.

Space: The market is experiencing very dramatic rate increases from this time last year due to significant loss years in 2019 and 2018 and reduced premium income levels due to fewer large value insured launches.

Global Broking Centre London Featured Products

Automobile: There remains an abundance of insurers writing this coverage, and an abundance of capacity. This is leading to a continued stable market, with only modest increases.

Aviation: The market has seen a change in control following Brexit. A number of clients are choosing to insure with local insurers rather than through the London market, as London has been seeking increased premiums over the last 6 to 12 months. While local insurers generally have less capacity, many are offering very competitive pricing.

Casualty/Liability: US Casualty risks have seen significant losses in the past 5 years from many industry. Whilst there is still capacity available, insurers are pushing for very significant rate increases, higher attachments, restricting capacity and adding more restrictive terms and conditions to polices.

Crisis Management: Product recall has experienced a modest rate increase. Capacity is stable due to new entrants replacing the few that withdrew. Reinsurance treaties are tightening. Coverage remains stable but terms and conditions are being closely monitored.

Cyber: The market is firming and less aggressive with Carriers making drastic changes in a single year for clean accounts. Interest in cyber is picking up but the underwriting process can be cumbersome. Many large data breaches within the public sector is making insurers nervous.

Financial Lines: Rates are increasing and capacity is contracting, primarily driven by the increase in US Securities Class Actions since 2017. Some reinsurers are moving capacity away from the Transaction Liability market, which has had an impact on some insurers' ability to maintain historic levels of capacity. On the other hand, there is a market broadening through the development of new product lines such as Intellectual Property. Crime is difficult to place, with reduced capacity.

Power: While there is still sufficient capacity, placements are becoming significantly more challenging and taking much longer to complete. Rates are increasing and insurer line sizes are reducing. Coverage is becoming more restrictive and deductibles are increasing.

Professional Indemnity: There has been a general hardening over the past 18 months, after Non-US PI was identified as the second worst performing sub-class underwritten at Lloyd's. In addition, there has been a significant contraction in capacity in the Non-US PI sector, with several syndicates placed into run-off and Lloyd's actively managing the supply-side by limiting stamp capacity. For US PI, while capacity remains relatively stable and has not been subject to the same level of scrutiny, rates have modestly firmed as a result of claims activity in the Lawyers sector.

Property: After 3 years of losses, insurers are increasing rates significantly, as well as tightening coverage terms, and increasing client retentions. There has been noticeable discussion around the amount of CAT aggregation required, especially for Entertainment & Leisure and Real Estate risks with a large CAT footprint. In addition, Molten Metals, Rail and Food Risks are difficult industries in particular when a single insurer has a prominent position that they no longer are able to support. Cyber exclusions and COVID 19 exclusions are being proposed

Trade Credit: COVID-19 impacts are expected to produce a very significant rise in global business failures which will result in tightening of capacity linked to dynamic credit limit assessments and a hardening in commercial underwriting approach.

Key Aon Contacts

SECTION 8

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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