

# Aon Global Market Insights Q2 2021

Insights from Aon's thought leaders  
powered by proprietary data and  
cutting-edge data science

**AON**



# Contents

03	<b>A View from the Top</b>	28	<b>Geography Trends:</b> Asia Pacific
05	<b>Market Dynamics Overview</b>	40	<b>Geography Trends:</b> Latin America
07	<b>Global Market Overview</b>	50	<b>Key Aon Contacts</b>
10	<b>Featured Differentiator:</b> Ransomware Readiness & Protect Bundled Solutions		
12	<b>Geography Trends:</b> North America		
18	<b>Geography Trends:</b> EMEA		

# A View from the Top



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# A View from the Top

## Aon's Cyber Solutions Chief Executive Officer of North America, Christian Hoffman, shares his views on a global challenge impacting organizations across all industries and segments: Cyber

Rapid digital evolution is required of organizations to drive quality, efficiency, insights and to ultimately stay competitive. While evolution brings great opportunity, it also introduces an increased risk of business interruption, loss of confidential information, regulatory challenges and supply chain disruptions.

Considering this evolution, key stakeholders within every organization must align to address cybersecurity as an enterprise risk. A top-down approach, led by the board of directors and C-suite, to position the importance of cyber maturity across an organization is imperative.

A constant reminder of the prevalence of cyber risk is the ransomware challenge, which continues to impact organizations across the globe. The frequency of ransomware events increased by nearly 500% over the last two years and costs have skyrocketed with individual publicly disclosed ransomware payments exceeding \$10M USD. Recent attacks on industrial control systems and technology supply chain vendors impacting thousands of entities serve as important reminders that no company is immune.

Despite the highly public nature of ransomware and recent attacks, [Aon's 2021 Cyber Security Risk Report](#) found that only 31% of organizations report having adequate business resilience measures in place. Most companies are also failing to address other key risks, with only 21% of organizations reporting adequate third-party management measures to oversee critical suppliers and vendors.

In an effort to combat this challenge, we are seeing a new level of collaboration between the public and private sectors. In the U.S., President Biden signed an Executive Order to modernize the nation's cybersecurity defenses, improve information sharing between the U.S. government and private sector, and improve the government's incident response readiness. The Biden Administration reinforced its commitment to combatting ransomware by offering rewards up to \$10M USD for information leading to the identification of foreign bad-actors that have attacked U.S. infrastructure. There has also been increased collaboration internationally. The Institute of Security and Technology Ransomware Task Force, led by representatives from organizations and agencies around the world, released a framework to combat ransomware, including 48 prioritized recommendations centered around international coordination.

To help drive this alignment, Aon takes a holistic approach to Cyber by helping organizations proactively assess, test and mitigate risk as well as quantify and transfer the risk into the insurance market. If security defenses ultimately fail and an organization experiences a cyber event, Aon offers digital forensics and incident response capabilities to respond to the incident while preserving evidence

and confidently communicating with stakeholders. As clients are faced with the security challenges presented and a firming Cyber insurance market, the Aon approach fosters the necessary alignment across security and risk to drive better outcomes.

I am pleased to have the opportunity to introduce this quarter's Global Market Insights report, which provides Aon insights into local market responses to Cyber risk, as well as other important trends impacting the insurance and risk marketplace globally. This quarter's report summarizes how, around the globe, underwriting scrutiny is high, compliance with risk control requirements is becoming a mandatory prerequisite, and coverage restrictions continue for volatile exposure types. The market remains challenging; however, as the uncertainty of 2021 subsides, we are beginning to see a shift in some parts of the market toward profitable growth over remediation, and capacity from traditional and non-traditional sources continues to flow in. On behalf of the entire Aon team, we look forward to helping you navigate the road ahead.

**Christian Hoffman**  
Chief Executive Officer, Cyber Solutions North America



# Market Dynamics Overview



# Market Dynamics Overview

## Pricing:

Pricing remains up to varying degrees; however, increases are decelerating.

## Capacity:

New capacity continues to flow into the market; capacity is tight but sufficient for all but the largest / most complex placements (especially D&O).

## Underwriting:

Information requests continue to be more detailed and rigorous. Insurer decision making is more centralized.

## Limits:

Insurers are continuing to apply sub-limits to cap their overall exposure due to increased focus by technical and actuarial teams.

## Deductibles:

Deductibles are trending upward as a mechanism to shift some of the risk and help offset pricing increases.

## Coverages:

Insurers are mandating clarifications and exclusions for silent cyber, infectious disease and contingent business interruption.

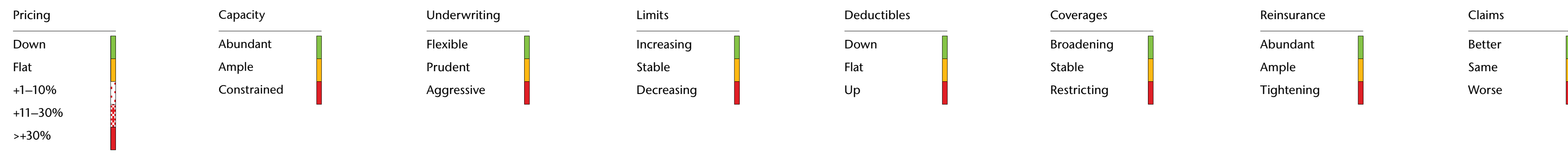
## Reinsurance:

New capital has come into the market and reinsurers continue to evaluate new areas for growth.

## Claims:

Information requests can be onerous, and timelines can be challenging. Engagement of external counsel continues to bring challenge to the process.

	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance	Claims
North America	Red patterned	Red	Red	Yellow	Yellow	Red	Yellow	Red
EMEA	Red patterned	Red	Red	Red	Red	Red	Yellow	Yellow
Asia Pacific	Red patterned	Red	Red	Yellow	Red	Red	Yellow	Yellow
Latin America	White patterned	Red	Yellow	Yellow	Yellow	Yellow	Red	Yellow

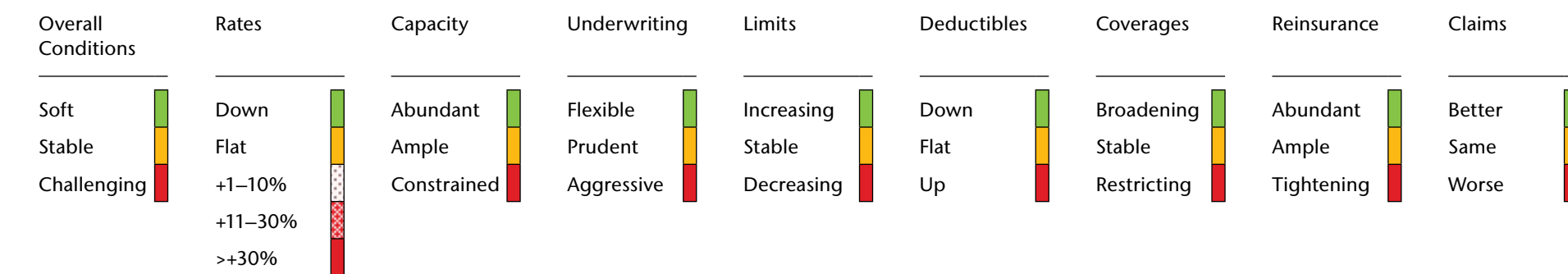


# Global Market Overview



# Global Market Overview

## North America



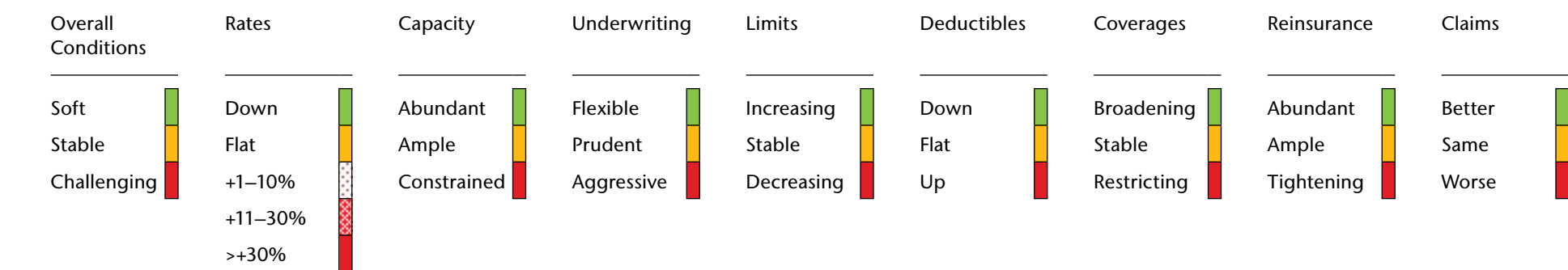
**Improved market conditions are on the horizon.** Rate increases are decelerating and there are signs of equilibrium (e.g., the D&O index has nearly returned to its 2003 state). Insurers are looking to regain share of classes of business they deem profitable. A focus on growth is emerging.

**New capacity continues to flow in.** Capital is coming from traditional markets, de novo markets, bolt-on capabilities, and other sources.

**Traditional broking has become more innovative and symbiotic.** Experts are collaborating across risk, consulting, actuarial, reinsurance, health, retirement, investments, etc. to support risk assessment and quantification, risk financing decisions, captive feasibility evaluation, exploration of alternative capital, and other out-of-the-box options and solutions.

**COVID-19 continues to impact buying decisions.** Some businesses — particularly smaller business — continue to suffer from economic stress due to the pandemic and are taking a hard look at insurance (coverages, limits and deductibles) as a place to cut costs.

## EMEA



**The environment is complex and dynamic.** New entrants have provided some capacity relief. Talent shortages and resource pressures continue, partly related to the ongoing pandemic situation. Decision-making continues to be held by central teams. New technologies are being introduced to support product innovation, underwriting and trading.

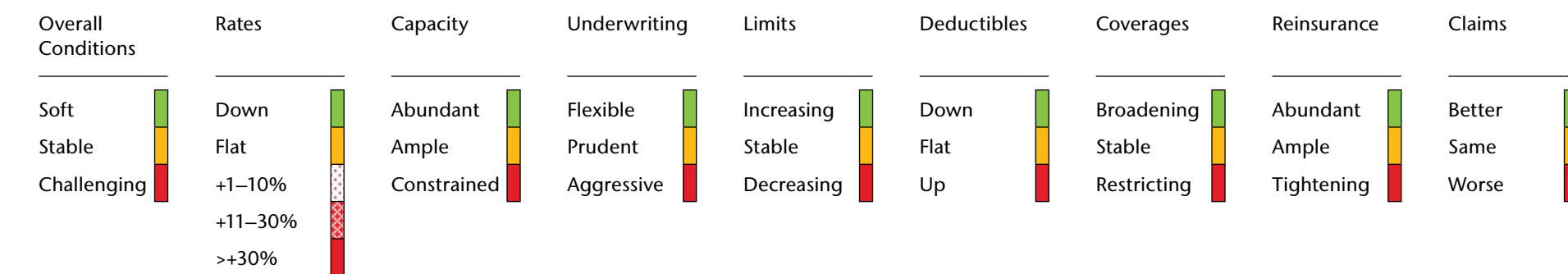
**The market is less stressed.** Insurers continue to shift from portfolio remediation toward growth — with an emphasis on profitable growth. Premium increases have decelerated; however, some areas remain challenged, such as Directors and Officers Liability, Professional Indemnity, Cyber, CAT-driven Property placements, or those with contingent business interruption exposures, as well as risks in the food, energy or waste processing industries.

**The market is starting to align on wordings.** While insurers continue the process of rationalization of wordings and clauses within their portfolios, they are becoming more flexible in aligning across placements.



# Global Market Overview

## Latin America



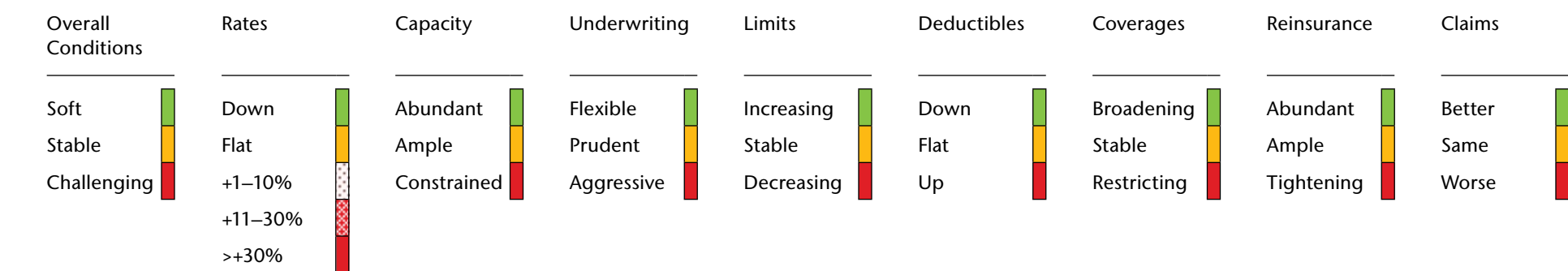
**The market, although still challenging, is starting to plateau for some lines of business.** Rate increases and policy restrictions continue to be imposed, but with less intensity, except in areas such as Energy, Power, D&O, and Cyber, as well as for loss active or poorly managed risks, which continue to experience a continuation of very challenging market conditions. For such risks, alternative risk transfer methods such as captives continue to be explored.

**The transition to centralized underwriting is creating opportunity** for local insurers who are, in some cases, able to offer better solutions as a result of their local market understanding and relationships.

**Claims delays and negative responses remain a key concern.** Longer analysis times and narrow interpretations of policy language are leading to lengthy debates and challenging discussions with insurers, and therefore recognition of claims coverage is taking longer. Loss adjusters have become more active in the definition of claims, including coverage definition.

**Risk volatility is creating greater need for risk assessment and quantification.** More and more insureds are looking to Aon for support in understanding, quantifying and managing their exposures and risk volatility. Aon relies upon data and analytics to advise insureds, and to work with insurers to structure custom solutions for clients.

## Asia Pacific



**Internal disconnects are emerging within some insurers.** Insurer growth strategies are taking time to translate into new underwriting practices, especially considering the prolonged period of remediation focus. This will likely take some time — and patience — to work through. In the meantime, growth expectations of insurers will be challenged by underwriting teams fearful of writing too close to underwriting guideline boundaries.

**Market conditions are improving — but in pockets.** Rate movement in some areas is starting to ease and particularly the more vanilla occupancies and exposures, well-managed risks, and risks with low Nat Cat footprint, while other areas such as Cyber, Professional, and complex Property, remain very challenged. There is also a growing disconnect between rate requirement for large limit capacity and lower limit purchase with the former remaining far more challenged.

**Data loss language is improving.** In response to the widespread adoption by underwriters of “Silent Cyber Endorsements” (exclusions) — which were deemed by the industry at large as overly broad, and which had negative consequences for many insureds — Aon has been at the forefront of working with local and global underwriters to redraft Data Loss language. This is an important area, and Aon is gaining momentum in providing clients with much needed clarity.

# Featured Differentiator: Ransomware Readiness & Protect Bundled Solutions

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# Featured Differentiator: Ransomware Readiness & Protect Bundled Solutions

The frequency of Ransomware attacks has increased nearly 500% from Q1, 2018 to Q4, 2020.<sup>1</sup> Costs and damages associated with ransomware continue to grow as insured losses are expected to reach USD 20 billion in 2021.<sup>2</sup>

Without concrete risk control and mitigation actions, organizations may be faced with business interruption, reputational damage, supply chain disruption, liability, and other breach-related expenses in the event of a cyber incident. In addition, organizations may be subject to coverage limitations and/or cost-prohibitive cyber insurance premiums. We recommend that you take steps to reduce your organization's exposure footprint by concentrating on controls and minimizing the probability of an incident.

Informed by the ransomware attack vectors our Incident Response team encounters every day, Aon's Cyber Solutions has developed two offerings in the U.S., segmented by client need: Ransomware Readiness and Ransomware Protect.

<sup>1</sup> Source: Risk Based Security, analysis by Aon.

<sup>2</sup> "Cybersecurity Ventures"

<https://www.aon.com/2021-cyber-security-risk-report/>

## How can Aon help improve my security posture and decrease the risk of ransomware?

Our ransomware solutions are designed to holistically address the critical controls that help mitigate ransomware attack vectors.

### **Ransomware Protect**

Helps clients determine if an attacker has already successfully breached their environment. We applied our deep experience handling some of the largest, most difficult cyber investigations to create a leading-edge framework that includes tooling and scanning to help unearth attack vectors, attacker techniques and indicators, and provide ongoing visibility into risk exposure. We have coupled this tested framework with access to seasoned security advisory professionals to offer you tailored support.

### **Ransomware Readiness**

Helps clients address the critical controls needed to help prevent hackers from deploying ransomware. We help align ransomware defenses and assess capabilities against attack scenarios leveraging our proactive security professionals, while combining scanning and vulnerability assessment solutions to deliver a Defense in Depth approach.

## How can these solutions also impact my insurance?

To address the mounting losses from ransomware, some insurers have begun instituting supplemental ransomware applications to help determine if their insureds have implemented adequate security controls. Insurers are utilizing these supplemental applications to formulaically evaluate a client's cyber insurance renewal or placement, which represents a new level of stringency.

Undertaking the components of Ransomware Protect or Readiness and following through with any recommended mitigation strategies can help organizations improve their ransomware defenses and submit more favorable answers on their insurance application, which may lead to a more favorable insurance outcome. Aon is the only firm able to assist clients in proactively and reactively managing cyber risks across their entire ecosystem and throughout the insurance lifecycle.

## Looking to safeguard your organization?

Speak to your Aon Team or call +1 212.981.6540 or visit [aon.com/cyber-solutions](https://www.aon.com/cyber-solutions)

# Geography Trends: North America

13 Regional Landscape

14 United States

16 Canada

# North America: Regional Landscape

## Insurance Market & Key Risks

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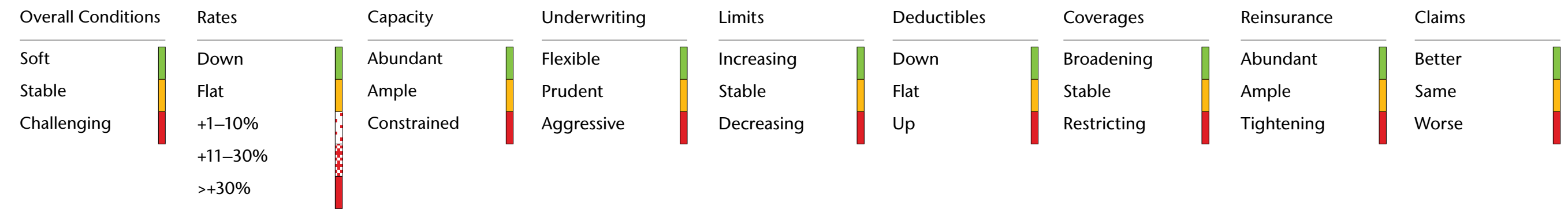
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**COVID-19 continues to impact buying decisions.** Some businesses — particularly smaller business — continue to suffer from economic stress due to the pandemic and are taking a hard look at insurance (coverages, limits and deductibles) as a place to cut costs.

## Market Dynamics

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance	Claims
North America	Challenging	+11-30%	Ample	Prudent	Stable	Up	Restricting	Abundant	Worse
Canada	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Abundant	Worse
United States	Challenging	+11-30%	Ample	Prudent	Stable	Up	Restricting	Abundant	Worse



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# Featured Country: United States Key Product Updates

## Featured Products

### Automobile

There is continued growth of auto settlements and judgments as the economy and court systems return to normal, creating a moderately challenging market environment and a trend toward increased limits (also driven by Umbrella requirements). Pricing has improved since 2020 but remains modestly challenging. There is more capacity than in 2020 but insurers remain cautious about larger deployment of limits on individual client programs. Facultative reinsurance remains restricted. Continued rate pressure is expected in the second half of 2021.

### Casualty/Liability

An increase in capacity and competition is helping to contain pricing increases. While rate increases continue, they have moderated for most risks, depending upon industry, exposures, and loss experience. Coverage negotiations continue to be challenging, and underwriters are particularly restrictive on wordings related to Communicable Disease / Pandemic exclusions as well as other “hot topics” like Talc, CBD and Cannabis, wildfires, and abuse and molestation. Nuclear verdicts remain an issue, and an uptick in settlements / verdicts is expected as business activity returns to pre-pandemic levels and court systems clear their backlogs of cases. Despite this, market conditions are expected to continue to improve in the second half of the year as new capacity markets seek to expand to take advantage of pricing levels.

### Cyber

Insurer aggregation concerns are a common theme, and many insurers are now deploying less limit. Most towers; however, can be renewed at expiring total limits. Underwriting scrutiny is high and supplemental applications are the norm. Underwriting is focused on profitability over top line growth. Client controls and mitigation planning are critical to securing coverage. There is an upward trend in retentions, primarily in the middle market space. Rate increases are significant, and many insureds are working to manage budgets.

### Workers Compensation/Employers Liability

Primary Workers' Compensation remains competitive, although some relatively small increases have been proposed. Capacity remains abundant, even for insureds with high concentrations of employees. Reasonable coverage / program design enhancements continue to be achievable. Underwriter scrutiny around emerging risks continues. There has been a lag in losses from the slow down in business activity and the court systems during the pandemic, but claims are expected to return to normal levels and there will be upward pressure on medical costs due to improved and costly medical technologies and general medical cost inflation. Many COVID-19 related Workers Compensation claims have not been deemed compensable under state laws.

### Financial Lines

Public D&O claims trends are normalizing, with 108 Federal Securities Class Actions (“SCAs”) through July 12th (roughly in-line with historical trends on an annualized basis, but significantly below the last four years). However, SCAs paint only a part of the overall D&O exposure environment, as derivative claims, state court filings, and private company claims remain a focus of D&O insurers. Fiduciary Liability faces heightened claims frequency, particularly with respect to excessive fee cases (over 90 excessive fee cases were filed in 2020 — more than four times the annual average for 2017–19). Overall, insurers continue to cautiously manage capacity, particularly for high-risk areas such as crypto, distressed, IPOs, and SPACs. Several new market entrants, many of them operating as Managing General Agents, have entered the market in the last 12-18 months, which is providing needed capacity to both the domestic as well as Bermuda/London wholesale markets. However, the new markets' appetite is primarily in mid/high-excess layers. Most Management Liability retentions remain elevated, albeit stable, following significant adjustments in 2019-2020. A notable exception is Fiduciary Liability, where excessive fee retentions are skyrocketing. While pricing in many sectors continues to adjust upwards, a stabilizing rate environment is expected in the second half of 2021 due to consistent claims trends, new market capacity, and possible pricing parity levels in light of significant rate adjustments over the past two to three years.

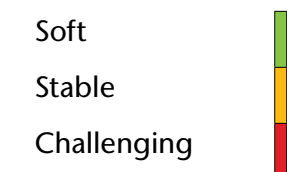
### Property

The market remains challenging, although conditions are moderating, and rate increases are decelerating. However, risks with losses or which are heavily CAT exposed or in difficult / high hazard occupancies such as food and habitational frame real estate continue to experience difficult conditions. While options continue to be sought to help manage costs, most placements are being renewed at the same limits and deductibles as expiring. As Property pricing returns to profitable levels, capacity — in the form of new market entrants and increased line sizes — continues to slowly and steadily increase. SRCC coverage is being reconsidered in some cases; however, insurers are limiting their exposure and focusing on loss occurrence definitions. Underwriters remain highly cautious but are showing more flexibility. Large loss activity, particularly from severe weather, continues to be a major concern, especially following the unprecedented Texas Freeze in Q1 and the high level of Q2 convective storm activity, particularly in the south, and in light of Colorado State University's prediction of a very active hurricane season for 2021.

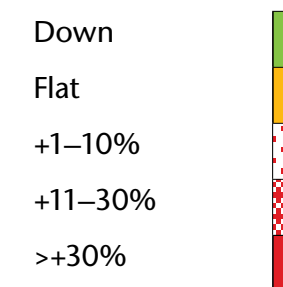
# Featured Country: United States Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Challenging	+11-30%	Ample	Prudent	Stable	Stable	Stable	Challenging
Casualty/Liability	Stable	+11-30%	Ample	Prudent	Stable	Stable	Stable	Stable
Cyber	Challenging	+11-30%	Constrained	Aggressive	Stable	Challenging	Challenging	Challenging
Employers Liability/ Workers Compensation	Stable	+11-30%	Abundant	Flexible	Stable	Stable	Stable	Stable
Financial Lines	Challenging	+11-30%	Constrained	Aggressive	Decreasing	Challenging	Challenging	Challenging
Property	Challenging	+11-30%	Ample	Prudent	Stable	Stable	Stable	Stable

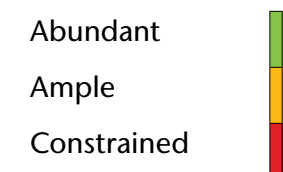
Overall Conditions



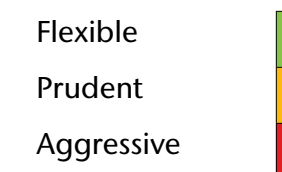
Rates



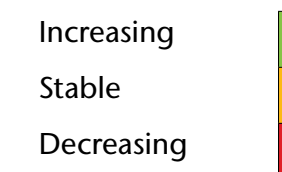
Capacity



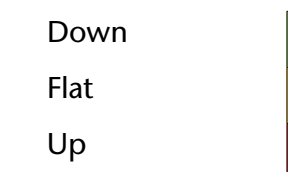
Underwriting



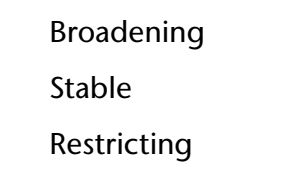
Limits



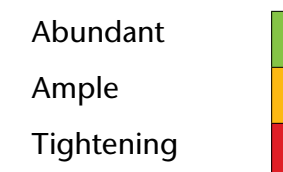
Deductibles



Coverages



Reinsurance



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# Featured Country: Canada Key Product Updates

## Featured Products

### Automobile

Pricing is up modestly, and capacity has decreased but is generally sufficient. Most insurers have now reduced their offering for primary limits. Underwriting is stringent, and requests for information related to safety, hiring standards, experience, etc. are robust. Some insurers have increased minimum deductibles. Fleet risks are experiencing limited appetite and challenging terms.

### Casualty/Liability

Capacity continues to be limited but there has been some easing compared to 2020. Fewer insurers are offering primary limits; instead, there is greater interest in higher attachment points. PFAS exclusions have become common. Appetite is limited for poor performing or challenging risk types. Deductible adjustments were made during 2020 so there is less deductible pressure now.

### Cyber

The market overall is very challenging. There has been a significant uptick in non-renewals, as well as severe rate and retention increases and coverage limitations. Insurer appetite is very limited. Capacity is constrained as the limits available in the reinsurance market are not sufficient to replace the lack of primary capacity. In some cases, Excess pricing per million of limit exceeds Primary pricing per million of limit. Many insureds have relied on insurance as the main risk mitigation solution, and insurers feel they are not invested in their own protection. As a result, insurers are requiring demonstration of robust controls, as well as higher deductibles (i.e., “more skin in the game”) as a prerequisite to coverage.

### Financial Lines

The D&O market continues to be very challenging. Capacity is constrained, especially for challenging risk types such as oil and gas, mining, Quebec-based, cannabis, biotech, cryptocurrency and dual listed. There are new market entrants; however, their general preference is to participate on high excess layers, and some will not write dual-traded risks / companies listed on the TSX/US exchange. Price increases continue but have eased somewhat. Retention levels are under pressure across the board. New restrictions, particularly around Cyber and Extended Reporting Periods, continue to be required. Underwriting is detailed and rigorous, with many more underwriting meetings. The time to renew a program has increased significantly. Limit management strategies are being deployed due to loss performance, especially for Fiduciary Liability and Crime. Excessive Fee cases have made their way to Canada for clients with US pension plans, and Employee Theft and Social Engineering Fraud continues to be a loss trend for Crime portfolios.

### Property

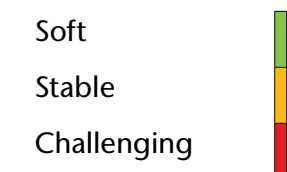
Overall conditions are improving, with most insurers now focused on growth and looking for ways to expand their positions on existing business. Insurers continue to impose rate increases on challenging business where profitability is in question; however, they are demonstrating greater flexibility, particularly on business they wish to retain. Capacity is not an issue on the majority of placements. Clarifications and limitations of terms and conditions took place in both 2019 and 2020, so are happening only on a limited, targeted basis in 2021. Most insureds are retaining current deductible levels with little push from insurers to increase them.



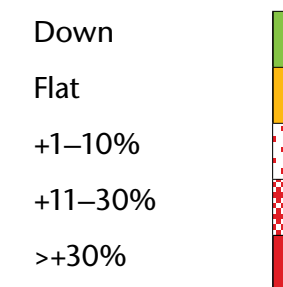
# Featured Country: Canada Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Yellow	Red dotted	Yellow	Red	Red	Red	Yellow	Yellow
Casualty/Liability	Red	Red dotted	Red	Yellow	Yellow	Red	Red	Yellow
Cyber	Red	Red	Red	Red	Red	Red	Red	Red
Energy	Red	Red dotted	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Financial Lines	Red	Red dotted	Red	Red	Red	Red	Red	Red
Property	Yellow	Red dotted	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow

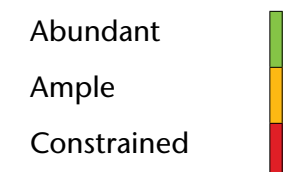
Overall Conditions



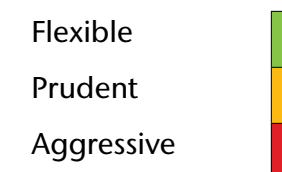
Rates



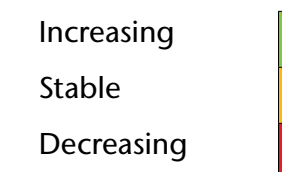
Capacity



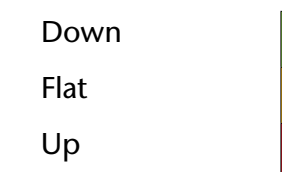
Underwriting



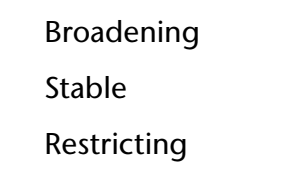
Limits



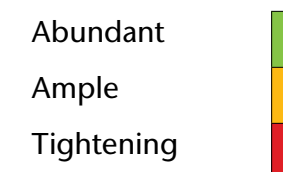
Deductibles



Coverages



Reinsurance



# Geography Trends: EMEA

- 19 Regional Landscape
- 20 Germany
- 22 Italy
- 24 Spain
- 26 United Kingdom



# EMEA: Regional Landscape

## Insurance Market & Key Risks

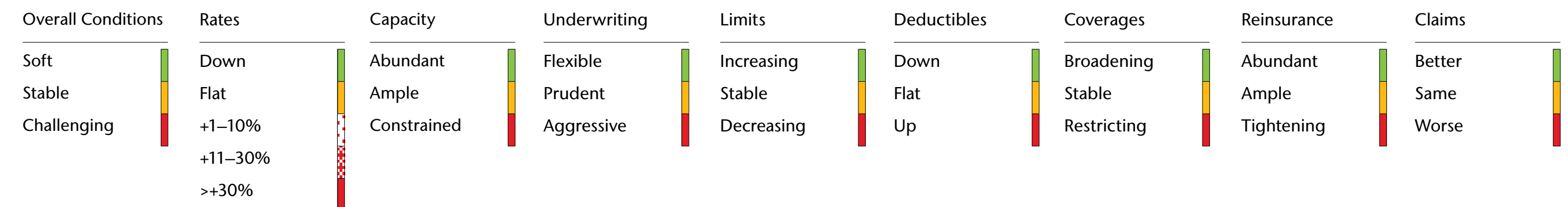
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**The market is starting to align on wordings.** While insurers continue the process of rationalization of wordings and clauses within their portfolios, they are becoming more flexible in aligning across placements.

## Market Dynamics

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance	Claims
EMEA	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant	Better
Germany	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant	Better
Italy	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant	Better
Netherlands	Challenging	>+30%	Ample	Aggressive	Decreasing	Up	Restricting	Abundant	Better
Spain	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant	Better
United Kingdom	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant	Better



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# Featured Country: Germany Key Product Updates

## Featured Products

### Automobile

Insurers experienced favorable loss results during the pandemic-driven lockdown period, leading to a favorable market environment in 2021. Pricing is stable to modestly up. Multi-year placements are available. Demand for coverage for heavy risks is increasing, and a few experienced insurers are demonstrating an appetite in this space. Appetite is narrow for poor performing risks. Aggregate deductibles are becoming more common.

### Casualty/Liability

Market conditions vary widely based on risk type and history, but are generally stable, with modest rate increases. However, insurers are focused on profitability over growth and are carefully reviewing limits and coverage terms. For large corporates and/or companies with high US exposure or other challenging risk types, like automotive, rates are increasing, capacity is contracting, and coverage terms are under scrutiny. Deductibles are increasing; in some cases, due to insurer requirements and in other cases, at the choice of insureds who are looking to offset rate increases.

### Financial Lines

While premium increases continue, insurer focus has now shifted toward clarifying and restricting contract terms. Restrictions are prevalent in the following areas: additional limits, extended reporting periods, retroactive coverage, restrictions for past wrongful acts of newly acquired companies, reinstatement of the sum insured after a claim, “entity coverage”, and “company reimbursement“. Economically vulnerable companies are experiencing the most challenging market impacts. Underwriting is rigorous, and some insurers are struggling to keep up with workloads.

### Property

Market conditions remain challenging. Even risks which experienced rate increases on prior renewals may experience an increase again this year. Competition is low, leaving insureds with few options. Local underwriting authority is limited, and referrals have become more common. Insurers are reducing their capacity on single placements, requiring more layers to complete placements; however, capacity remains sufficient overall. New coverage restrictions are being required, especially related to silent cyber. Underwriters are requiring risk management measures as a prerequisite for coverage. Deductible increases are being used as a mechanism to help offset premium increases.

### Trade Credit

Government support for credit insurance companies has ended. While insurer appetite is moderate at this point, loss ratios are expected to further deteriorate as a result of the financial impacts of COVID-related restrictions, and risk appetite — as well as available capacity — is expected to contract, keeping pricing elevated.

# Featured Country: Germany Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Yellow	Red dotted	Red	Yellow	Yellow	Red	Yellow	Yellow
Casualty/Liability	Yellow	Red dotted	Yellow	Yellow	Yellow	Red	Yellow	Yellow
Construction	Red	Red dotted	Yellow	Red	Yellow	Yellow	Yellow	Red
Cyber	Red	Red	Red	Red	Red	Red	Red	Red
Financial Lines	Red	Red dotted	Red	Red	Red	Red	Red	Red
Marine	Red	Red dotted	Yellow	Yellow	Yellow	Yellow	Red	Red
Property	Red	Red dotted	Yellow	Red	Yellow	Red	Red	Yellow
Trade Credit	Yellow	White dotted	Red	Yellow	Red	Yellow	Yellow	Yellow

Overall Conditions

Soft  
Stable  
Challenging

Rates

Down  
Flat  
+1-10%  
+11-30%  
>+30%

Capacity

Abundant  
Ample  
Constrained

Underwriting

Flexible  
Prudent  
Aggressive

Limits

Increasing  
Stable  
Decreasing

Deductibles

Down  
Flat  
Up

Coverages

Broadening  
Stable  
Restricting

Reinsurance

Abundant  
Ample  
Tightening

---

# Featured Country: Italy Key Product Updates

## Featured Products

### **Casualty/Liability**

The market remains challenging, although to a lesser extent than in past quarters, with the key exception of US-exposed risks which continue to experience difficult conditions. Capacity remains stable, but somewhat constrained for challenging risk types and industries (e.g., automotive).

### **Financial Lines**

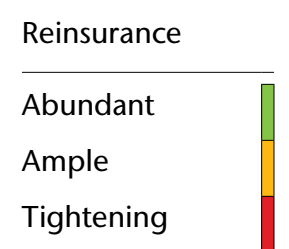
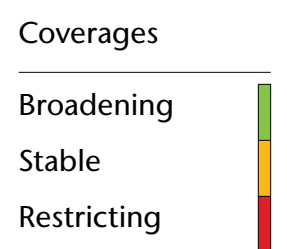
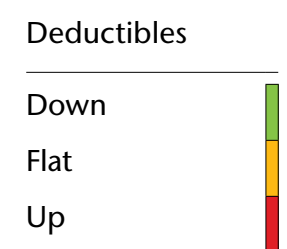
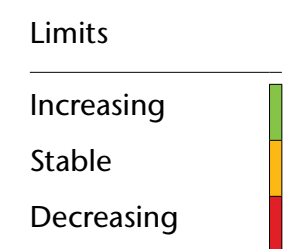
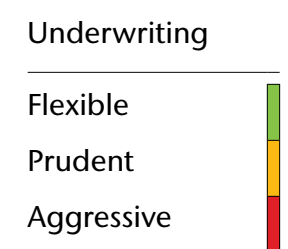
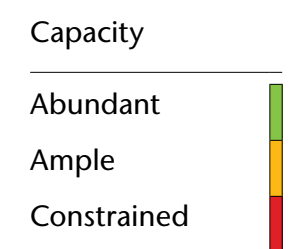
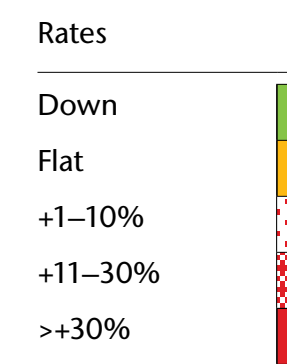
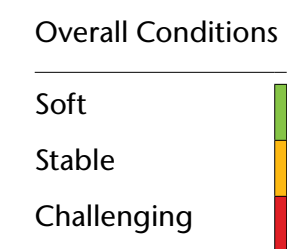
The market has not started to soften. Capacity continues to be constrained and notable price increases continue. Underwriting response times are long, primarily due to referrals, extensive information requests, and increased risk scrutiny. D&O underwriters are very cautious, particularly with regard to risks with US exposures and risks with securities claims.

### **Property**

Insurers are more selective and cautious, and they are reluctant to adopt Aon wordings. Program changes are being implemented as a mechanism to help offset premium increases. Competition is low, as the incumbent is generally more competitive than the rest of the market. Domestic risks are subject to less scrutiny than multinational risks — which are experiencing a range of difficult market conditions from pricing and deductible increases to limits reductions.

# Featured Country: Italy Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Casualty/Liability	Challenging	+11-30%	Ample	Prudent	Decreasing	Up	Broadening	Abundant
Financial Lines	Challenging	+11-30%	Ample	Prudent	Decreasing	Up	Broadening	Abundant
Products Liability	Challenging	+11-30%	Ample	Prudent	Decreasing	Up	Broadening	Abundant
Property	Challenging	+11-30%	Ample	Prudent	Decreasing	Up	Broadening	Abundant



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# Featured Country: Spain Key Product Updates

## Featured Products

### Automobile

Exposures have increased as activity has returned, and underwriting activity has resumed. Underwriters are collaborative and focused on working with insureds to identify solutions to meet their needs. Appetite is strong. For now, pricing remains steady and may decrease for favorable risks in the next half of 2021.

### Casualty/Liability

Insurers are focused on profitability over growth. Capacity is restricted for certain risk types, including risks with US and/or Canada exposures. With less capacity in the market, more coinsured layers are required to complete programs. New capacity is entering the market but is targeted to upper layers. Appetite is very limited and deductible increases are being required for risks in poor performing industries (e.g., automotive and railway) and those with US and/or Canada exposures. Referral underwriting has become more common. Claims have declined as a result of reduced turnover / exposures, and also as a result of an increase in deductible amounts but some insurers still believe there could be areas of under-reserving and the loss ratios could deteriorate when updated.

### Cyber

The market is challenging. Capacity is constrained and coinsured placements have become the norm, pricing is escalating significantly, deductible increases are being mandated, and coverage restrictions are common. There are limited alternatives for primary coverage. Large and complex risks are experiencing more difficult conditions than small and mid-sized risks and reaching the target limits can be challenging for some large placements. Appetite is limited for risks failing to meet minimum standards for multi-factor authentication, business continuity planning, training, supply chain controls, etc.

### Financial Lines

The market is challenging — with limited capacity, significant premium increases and notable coverage restrictions, particularly for industries materially impacted by COVID, as well as construction risks, automotive risks, SPACs, public administration risks, and risks listed in the US. Underwriting is rigorous and response times can be long. Underwriting “roadshows” are required for financially distressed risks. While pricing is up across the board, risks which experienced significant price increases at prior renewal cycles have tended to experience less significant increases this year. Insurers are reviewing and withdrawing coverage extensions and introducing sub-limits. There are limited alternatives for primary coverage. There is very limited interest in Public Offering of Securities insurance, primarily due to capacity restrictions and long policy periods (4-6 years). Crime is offered mostly in conjunction with other coverage lines, and pricing and deductibles are high, and capacity is limited. Social Engineering Fraud is often sub-limited.

### Property

Conditions are at or near their peak. Underwriting is rigorous; engineering information is often required to advance the quotation process. Appetite and capacity is constrained for large and complex risks (especially, capacity for Natural Catastrophe risks) while middle market risks with strong loss prevention controls are experiencing more favorable conditions. Completing the full tower limits is challenging for some clients in industries such as Waste, Food, and Chemical; risk quality and risk prevention is a prerequisite to securing capacity. Communicable Disease and Cyber exclusions continue to be required across the board.



# Featured Country: Spain Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow
Casualty/Liability	Red	Red with dots	Red	Yellow	Yellow	Red	Red	Red
Cyber	Red	Red	Red	Red	Yellow	Red	Red	Red
Financial Lines	Red	Red with dots	Red	Red	Red	Red	Red	Red
Property	Red	Red with dots	Red	Red	Yellow	Red	Red	Yellow

Overall Conditions

- Soft
- Stable
- Challenging

Rates

- Down
- Flat
- +1–10%
- +11–30%
- >+30%

Capacity

- Abundant
- Ample
- Constrained

Underwriting

- Flexible
- Prudent
- Aggressive

Limits

- Increasing
- Stable
- Decreasing

Deductibles

- Down
- Flat
- Up

Coverages

- Broadening
- Stable
- Restricting

Reinsurance

- Abundant
- Ample
- Tightening

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# Featured Country: United Kingdom Key Product Updates

## Featured Products

### Automobile

Following favorable results over the past year, insurer appetite is now strong for well-performing risks, while MGA participants are supporting less favorable risks. Insurers continue to seek increases, but the market overall is stable to modestly up.

### Casualty/Liability

Conditions are modestly challenging; however, there is still competition for favorable risks. Insurers are keenly focused on risk quality. Capacity is sufficient; however, insurers are deploying it with caution. Coverage terms and conditions are being clarified and tightened. Deductibles are generally stable except on challenged risk types and difficult coverages. Home office referrals are more common.

### Cyber

There is a notable and dramatic shift in pricing, appetite, capacity, coverage options and retentions. Insurers are requiring ever-increasing amounts of underwriting information; many are establishing very clear minimum standards for applicants to qualify for quotations. There is very little interest in, or capacity available to, risks with poor cyber security/ransomware controls. Instead of providing a time period to implement improvements, many insurers will not renew without required controls being in place. Common sectors such as public sector / education are now out-of-appetite. Capacity is constrained overall, and is expected to further tighten in H2, 2021, as MGAs are now also starting to reduce their underwriting appetite. Coverages are being adapted / restricted based on individual client risk profile. Full dependent Business Interruption coverage is being withdrawn for some clients. Deductibles for large-limit placements are increasing notably.

### Financial Lines

The market is becoming more stable as insurers have already communicated appetite, clarified coverages, and restricted capacity offerings. Rates are still up, but not to the same extent as seen in 2020. Most insurers are now taking a more pragmatic view and underwriting on an individual risk basis as opposed to using a blanket, market-wide approach as seen in 2020. This has resulted in some of the businesses hardest hit by COVID such as tourism, entertainment, leisure, utilities, mining, airlines, biotech, and pharmaceuticals experiencing very challenging conditions. Many placements require restructuring in order to fulfill the full limit of indemnity requirements. The broking and placement process takes longer and is more time-consuming due to underwriting demands, and complexities manifested by the pandemic. New market entrants are driving competition and capacity is slowly returning. There has been a major increase in requests for D&O run-off policies due to businesses going into liquidation or going through change of control.

### Property

Insurers are reaching the end of the remediation process with most now looking for growth opportunities. This ambition is reflected in their underwriting, pricing, capacity and coverage offerings. Challenges remain, but for those risks that 1) have already experienced corrections, 2) are able to demonstrate risk management commitment, and 3) meet the information demands of insurers, competition is increasing, and conditions are more favorable. In general, there is sufficient capacity; however, challenges continue for poor performing risks, difficult occupancies, or where risk quality / underwriting information is not at the expected level. Treaty renewals have determined areas of additional coverage focus such as: Communicable Disease, Strikes Riots and Civil Commotion and Business Interruption extensions.

# Featured Country: United Kingdom Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Stable	+11-30%	Abundant	Aggressive	Stable	Down	Stable	Abundant
Casualty/Liability	Challenging	+11-30%	Abundant	Aggressive	Stable	Down	Stable	Abundant
Cyber	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Stable	Abundant
Financial Lines	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Stable	Abundant
Property	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Stable	Abundant

Overall Conditions

Soft  
Stable  
Challenging

Rates

Down  
Flat  
+1-10%  
+11-30%  
>+30%

Capacity

Abundant  
Ample  
Constrained

Underwriting

Flexible  
Prudent  
Aggressive

Limits

Increasing  
Stable  
Decreasing

Deductibles

Down  
Flat  
Up

Coverages

Broadening  
Stable  
Restricting

Reinsurance

Abundant  
Ample  
Tightening

# Geography Trends: Asia Pacific

29 Regional Landscape

30 Australia

32 China

34 Hong Kong

36 Japan

38 Singapore

# Asia Pacific: Regional Landscape

## Insurance Market & Key Risks

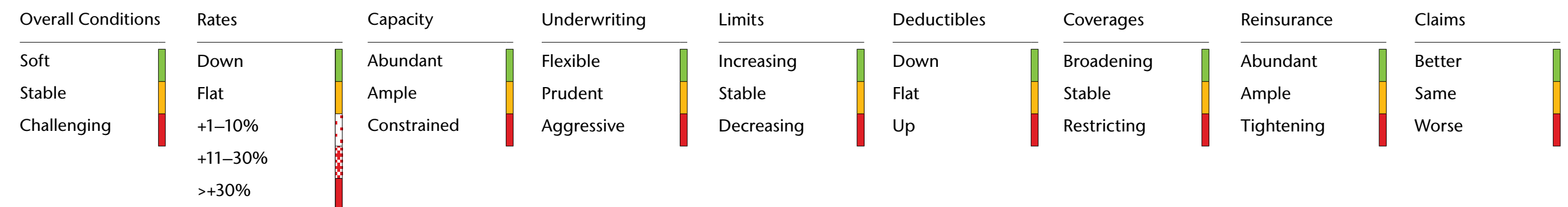
**Internal disconnects are emerging within some insurers.** Insurer growth strategies are taking time to translate into new underwriting practices, especially considering the prolonged period of remediation focus. This will likely take some time – and patience – to work through. In the meantime, growth expectations of insurers will be challenged by underwriting teams fearful of writing too close to underwriting guideline boundaries.

**Market conditions are improving – but in pockets.** Rate movement in some areas is starting to ease and particularly the more vanilla occupancies and exposures, well-managed risks, and risks with low Nat Cat footprint, while other areas such as Cyber, Professional, and complex Property, remain very challenged. There is also a growing disconnect between rate requirement for large limit capacity and lower limit purchase with the former remaining far more challenged.

**Data Loss Language is improving.** In response to the widespread adoption by underwriters of “Silent Cyber Endorsements” (exclusions) – which were deemed by the industry at large as overly broad, and which had negative consequences for many insureds – Aon has been at the forefront of working with local and global underwriters to redraft Data Loss language. This is an important area, and Aon is gaining momentum in providing clients with much needed clarity.

## Market Dynamics

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance	Claims
APAC	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Ample	Same
Australia	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Ample	Same
China	Challenging	Flat	Ample	Prudent	Stable	Flat	Stable	Ample	Same
Hong Kong	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Ample	Same
Japan	Stable	Flat	Ample	Prudent	Stable	Flat	Stable	Ample	Same
Singapore	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Ample	Same



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# Featured Country: Australia Key Product Updates

## Featured Products

### Automobile

Green shoots are emerging given the short tail nature of this class and the significant remediation work undertaken by insurers over the last 18 months. Insurers, now focused on growth, are aggressively targeting risks in their preferred appetite. Any price increases are modest, and rates are expected to continue to flatten out over the remainder of 2021. Fleet performance will need to continue to be monitored, as a short spike in claims could lead to an over-correction of pricing downstream.

### Casualty/Liability

Despite an improvement in net underwriting combined ratios, insurers continue to emphasize profitability over growth as combined ratios remain under threat from loss development. Substantial rate increases continue to be imposed, as insurers look to achieve portfolio sustainability. There is a heavy focus on tightening policy terms and conditions due to historical losses and the long-tail nature of claims, underpinned by soft historical premiums. Deductible increases are required for trending loss areas, and minimum deductibles are being applied to challenging sectors such as retail and worker-to-worker risk exposed businesses. There is a further contraction of capacity and increased deductibles for Bushfire Liability and Sexual Molestation including further restriction of retro cover for Sexual Molestation.

### Cyber

Growing numbers of incidents and cumulative claims from 2020 through Q2 2021 are causing the market to harden significantly. Underwriting scrutiny is high; organizations are expected to demonstrate security measures and cyber preparedness in detail. Capacity contracted significantly in the latter part of Q2 2021 as insurers proactively reduced line sizes. Coverages are generally stable, although a few insurers are applying across-the-board restrictions. Insurers are broadly requiring deductible increases. This is an area that will likely become far more challenging in the near term as insurers focus their appetite for capacity deployment in a more challenged macro environment.

### Employers Liability/Workers Compensation

Insurers are generally focused on program profitability; there is little appetite to pursue large accounts purely on the merit of premium size alone as has been the case in the past. Most underperforming programs are being renewed with incumbent insurers due to limited interest from other insurers to take on these risks as they focus on risk selection. Except where programs have performed poorly, rate increases are however generally modest as insurers seek to strengthen their portfolios. With the right strategy in place, rate reductions are available, but generally limited to larger, claims-rated programs that have been able to demonstrate material improvements in their performance. While insurers are offering expiring deductibles on nearly all placements, they are often priced such that insureds are heavily incentivized to increase their retention.

### Financial Lines

The middle market space is experiencing a slight easing of market conditions relative to 2020; however, outcomes remain highly unpredictable. Large and complex risks are continuing to experience a difficult environment as insurers remain focused on portfolio remediation, although rate increases are lower than their high points over the past two years. Underwriting remains highly subject to home office mandates. Capacity remains tight although new market entrants are expected to shift this dynamic. Coverage restrictions related to silent cyber, financial mismanagement and infectious diseases are being applied. Some insureds are reevaluating their own risk tolerance and opting for higher deductibles as a measure to offset rising premiums.

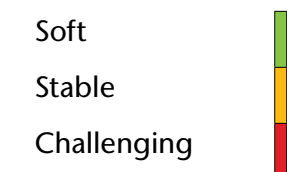
### Property

Insurers remain focused on portfolio remediation. There is an easing of pricing and capacity in some areas (e.g., vanilla occupancies and geographies, and well-performing risks) while more challenging risk types (e.g., Nat Cat exposed risks and risks with a high fire load) remain subject to significant price increases and constrained capacity. The gap continues to widen in the eyes of insurers between renewal and new business pricing, with a change of insurer becoming increasingly more attractive to buyers. Coverage remains a significant area of focus: Non-Damage Business Interruption, Silent Cyber, and Infectious Disease exclusions are being mandated, and Flood, Storm, and Hail limits are being heavily scrutinized.

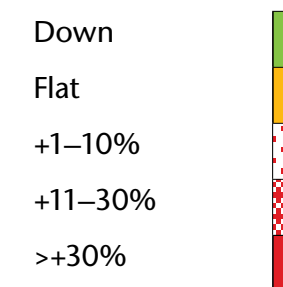
# Featured Country: Australia Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Stable	+1-10%	Abundant	Flexible	Increasing	Down	Stable	Abundant
Casualty/Liability	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant
Cyber	Challenging	+11-30%	Constrained	Aggressive	Decreasing	Up	Stable	Abundant
Employers Liability/ Workers Compensation	Challenging	+1-10%	Abundant	Prudent	Stable	Down	Stable	Abundant
Financial Lines	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant
Property	Challenging	>+30%	Constrained	Aggressive	Decreasing	Up	Restricting	Abundant

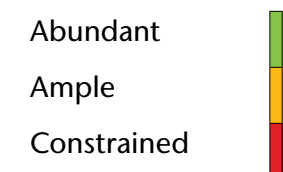
Overall Conditions



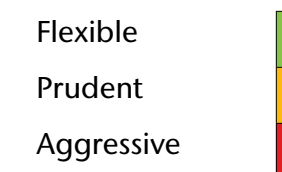
Rates



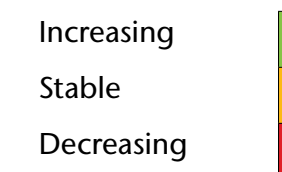
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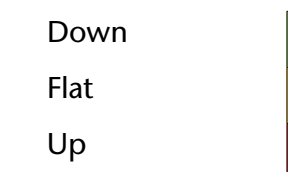
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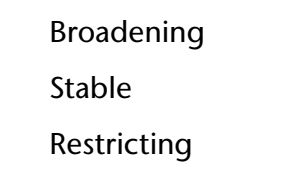
Limits



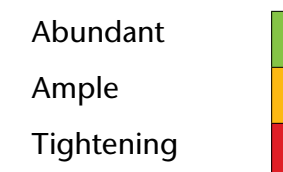
Deductibles



Coverages



Reinsurance



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# Featured Country: China Key Product Updates

## Featured Products

### **Automobile**

Pricing is down notably, and market conditions are favorable due to fierce competition following auto insurance reforms.

### **Casualty/Liability**

The market is stable with flat pricing on average. Capacity is generally sufficient, and underwriters are demonstrating flexibility as needed.

### **Financial Lines**

For US D&O risks, pricing, limits, deductibles, and coverage terms continue to deteriorate, and insurers continue to withdraw capacity. Appetite is limited, and some insurers are simply declining to quote new business. Insurers prefer high attachment points, and some are offering Side A only. These conditions are the result of years of loss accumulation. For non-US D&O risks, market capacity is sufficient, and pricing is competitive. The market for Single Project Professional Indemnity is challenging; capacity has contracted while pricing continues to increase, and underwriting approaches are inflexible. In general, conditions in the international market are more strained than with local markets.

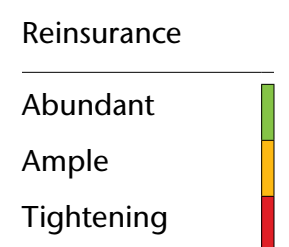
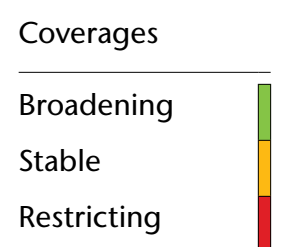
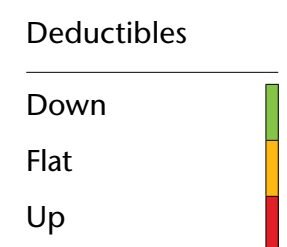
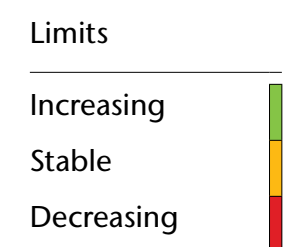
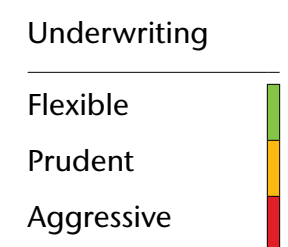
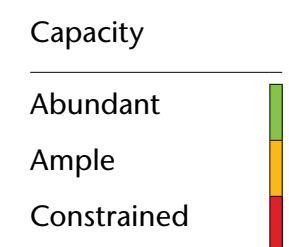
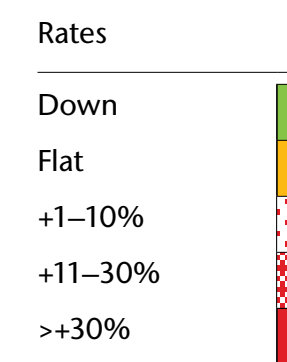
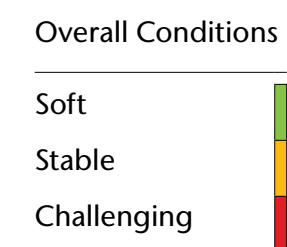
### **Property**

Conditions are generally stable; however, capacity is contracting, particularly on high-tech business, given the recent rapid growth in this space. Underwriting is rigorous, and coverage terms are being scrutinized and tightened. While the market overall is modestly favorable, photovoltaic and pure warehouse risks are experiencing challenging market conditions, including material rate increases.



# Featured Country: China Key Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Green	Green	Green	Green	Green	Green	Green	Green
Casualty/Liability	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Financial Lines	Red	Red	Red	Red	Red	Red	Red	Red
Property	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red



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# Featured Location: Hong Kong Product Updates

## Featured Products

### Auto

Losses decreased notably in 2020, and as a result, pricing is flat to slightly down for insureds with favorable claims experience, as insurers are keen to retain market share. Most insurers have modified wording on the Sanctions Exclusion to become significantly more restrictive. Strikes, Riots and Civil Commotion coverage remains an area of focus for some insurers; sublimits and separate deductibles are being applied and in some cases coverage is being excluded completely.

### Casualty/Liability

Pricing remains high for Excess placements and moderately up for Primary placements. Insurers are pointing to global market conditions as an explanation, despite COVID-driven decreases in local exposures and losses. Deductibles are under pressure for frequency losses. While terms remain generally stable from an underwriting perspective, some insureds are evaluating options (limits / coverages / deductibles) as a mechanism for reducing costs. Chinese insurers have become more involved in the market, replacing international insurers on some local risks without the requirement of global network capability.

### Cyber

Pricing has increased sharply as losses continue to grow, both in frequency and severity. Insurers are very careful in their deployment of capacity and risk selection. Technical controls have come under scrutiny. Retentions are being reviewed. In most cases, a significant cost savings is available when more risk is retained by the insured.

### Financial Lines

The market is challenging overall, and some risks and classes of business are experiencing very difficult conditions. Significant price increases continue. Coverages remain generally stable; however, insurers are requiring specific exclusions related to ransomware and insolvency. Limits remain flat; however, risks requiring high limits have experienced a shortage of capacity, or capacity has become prohibitively expensive. The People's Republic of China have imposed a number of regulatory changes, and Hong Kong's Financial Reporting Council is conducting investigations — both of which are impacting the insurance environment.

### Property

The market remains challenging, particularly for complex programs and those with Nat Cat exposure, while smaller and locally placed risks are experiencing more favorable conditions. Some new capacity is entering the market, keeping price increases relatively modest. International insurers are stringent in their underwriting approaches, and coverages are being restricted, especially related to Communicable Disease, Cyber, War, Strikes Riots and Civil Commotion.

# Featured Location: Hong Kong Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Casualty/Liability	Red	Red with dense dots	Red	Red	Yellow	Yellow	Yellow	Red
Cyber	Red	Red with dense dots	Red	Red	Yellow	Red	Red	Red
Financial Lines	Red	Red with dense dots	Red	Red	Yellow	Red	Yellow	Red
Property	Yellow	Red with sparse dots	Red	Yellow	Yellow	Yellow	Red	Red

Overall Conditions

Soft  
Stable  
Challenging

Rates

Down  
Flat  
+1-10%  
+11-30%  
>+30%

Capacity

Abundant  
Ample  
Constrained

Underwriting

Flexible  
Prudent  
Aggressive

Limits

Increasing  
Stable  
Decreasing

Deductibles

Down  
Flat  
Up

Coverages

Broadening  
Stable  
Restricting

Reinsurance

Abundant  
Ample  
Tightening

---

# Featured Country: Japan Product Updates

## Featured Products

### Auto

General Insurance Rating Organization of Japan (GIROJ) has filed an average 6.7% reduction in Compulsory Automobile Liability Insurance premiums, effective from 1 April 2021, to reflect the increase in surplus funds resulting from reduced vehicle utilization during the COVID-19 lockdowns. In addition to COVID-related exposure reductions, traffic accidents are on a downward trend with the spread of advanced safety technologies such as automatic braking, and there is expected to be room to lower the level of the reference net rate for Auto coverage, based on recent insurance statistics. As a result, insurers are expected to reduce Voluntary Motor Insurance premiums from January 2022 onwards.

### Casualty/Liability

The market varies widely between local and international insurers. International insurers are reducing capacity and increasing pricing while local insurers remain aggressive to expand their business by filling the capacity gap with competitively priced capacity.

### Cyber

The underwriting approach of international insurers is rigorous and stringent, and the result is a notable increase in pricing and a general tightening of coverages. Local insurers, on the other hand, are offering more competitive pricing, more favorable terms, and are demonstrating greater understanding and flexibility during the underwriting process.

### Property

Treaty pricing continued to rise in the April 2021 renewal cycle, and as a result insurers, are seeking across-the-board rate increases. Insurers have also begun risk rating flood exposure in Commercial Property Policies, with rates for non-exposed properties falling slightly, and rates for high-risk properties rising to double digit increases.

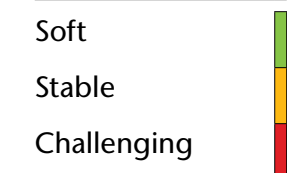
### Financial Lines

Overall market conditions remain stable. International insurers (excluding Japanese local insurers) are increasing rates and tightening capacity. There is very limited appetite in the international D&O marketplace for new business for organizations who experienced negative impacts from COVID-19.

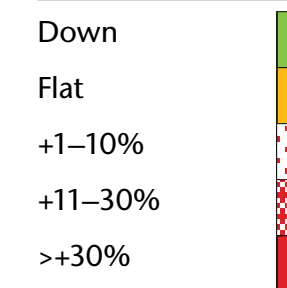
# Featured Country: Japan Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Stable	Down	Ample	Prudent	Stable	Stable	Stable	Ample
Casualty/Liability	Stable	Down	Ample	Prudent	Stable	Stable	Stable	Ample
Cyber	Challenging	+11-30%	Ample	Prudent	Increasing	Increasing	Restricting	Ample
Financial Lines	Stable	+11-30%	Ample	Prudent	Increasing	Stable	Stable	Ample
Property	Stable	>+30%	Ample	Prudent	Stable	Stable	Stable	Challenging

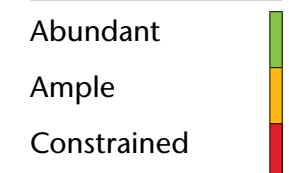
Overall Conditions



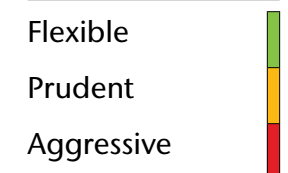
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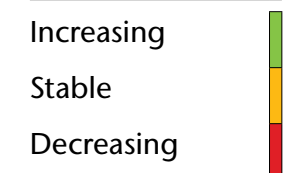
Capacity



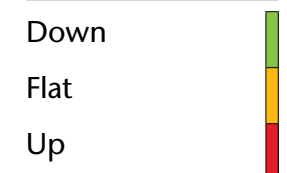
Underwriting



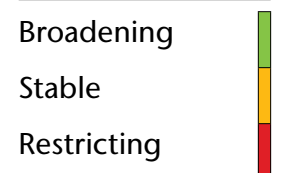
Limits



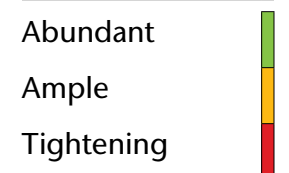
Deductibles



Coverages



Reinsurance



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# Featured Country: Singapore Product Updates

## Featured Products

### Automobile

This class of insurance is cyclical in nature and largely responsive to loss experience. As a result of favorable underwriting results in 2020, driven by COVID-related restrictions, insurers are generally maintaining stable premium levels for H1 2021. Insurers who already have substantial market share remain conservative in writing new business while the smaller players are more aggressively pursuing new business as they focus on growth to gain market share. If favorable losses continue into the H2 2021, premiums are expected to remain stable — or perhaps become modestly soft — in 2022. Appetite remains limited for vehicles leased for ride-sharing and delivery business. Where in the past insurer appetite for electric vehicles was limited, there is a gradual shift in attitudes towards electric vehicles as the Singapore government has set a date to phase out petrol vehicles by 2040.

### Casualty/Liability

Pricing is modestly up even for favorable risk types, with poor performing risks and risks in industries such as warehousing and logistic operations experiencing more significant increases. Insurers continue to diversify their portfolios and have shifted their appetite and reduced capacity. Non-conventional liability coverage offered under a General Liability policy such as Professional Indemnity and Pre-Financial Loss extensions remain under scrutiny or are being rejected in totality. Underwriters continue to adopt a cautious approach and high-quality underwriting submissions have become a prerequisite for underwriting review and quotation. Submissions lacking complete and detailed information are being declined. Communicable Disease is increasingly being excluded.

### Cyber

Pricing has increased sharply as losses continue to grow, both in frequency and severity. Insurers are very careful in their deployment of capacity and risk selection. Technical controls have come under scrutiny. Retentions are being reviewed. In most cases, a significant cost savings is available when more risk is being retained by the insured.

### Financial Lines

Market conditions remain challenging. Insurers are increasing premiums and reducing their capacity as they assess the long-term viability and sustainability of these products. In terms of coverage, terms are tightening notably, and, in some cases, critical coverages have been removed. Deductibles have also increased as insurers want insureds to have more skin in the game. Many insurers now insist on imposing their own terms instead of following the lead — even in excess markets, following insurers are demanding their own terms. The reduction in capacity in the Asia market has brought more global capacity from around the world onto large placements at significant price and deductible increases accompanied by reductions in limits.

### Property

While markets continue to undergo corrections, a deceleration in the rate of premium increase is occurring, barring adverse losses. Capacity is sufficient, although some insurers are reducing their capacity, especially for risks which they view as unfavorable, and as they continue to seek to balance their portfolio with more diversified risks. The renewal process is taking longer as insurers scrutinize underwriting submissions, request detailed engineering reports, and seek clarity around risk improvements. Communicable Disease and Cyber exclusions are non-negotiable, with insurers citing treaty exclusions as the reason. Insurers remain cautious when it comes to coverage requests for Natural Catastrophe events, preferring to provide a small sub-limit instead of full policy limit, particularly for Natural Catastrophe-critical areas.

# Featured Country: Singapore Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Casualty/Liability	Yellow	Red with white dots	Red	Yellow	Red	Yellow	Yellow	Red
Financial Lines	Red	Red with white dots	Red	Red	Red	Red	Red	Red
Property	Red	Red with white dots	Yellow	Red	Red	Red	Red	Red

Overall Conditions  
 Soft  
 Stable  
 Challenging

Rates  
 Down  
 Flat  
 +1-10%  
 +11-30%  
 >+30%

Capacity  
 Abundant  
 Ample  
 Constrained

Underwriting  
 Flexible  
 Prudent  
 Aggressive

Limits  
 Increasing  
 Stable  
 Decreasing

Deductibles  
 Down  
 Flat  
 Up

Coverages  
 Broadening  
 Stable  
 Restricting

Reinsurance  
 Abundant  
 Ample  
 Tightening

# Geography Trends: Latin America

- 41 Regional Landscape
- 42 Brazil
- 44 Chile
- 46 Colombia
- 48 Mexico



# Latin America: Regional Landscape

## Insurance Market & Key Risks

**The market, although still challenging, is starting to plateau for some lines of business.** Rate increases and policy restrictions continue to be imposed, but with less intensity, except in areas such as Energy, Power, D&O, and Cyber, as well as for loss active or poorly managed risks, which continue to experience a continuation of very challenging market conditions. For such risks, alternative risk transfer methods such as captives continue to be explored.

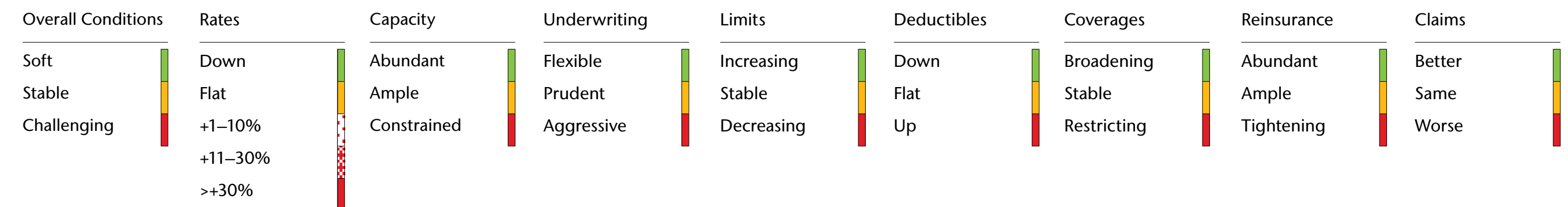
**The transition to centralized underwriting is creating opportunity for local insurers** who are, in some cases, able to offer better solutions as a result of their local market understanding and relationships.

**Claims delays and negative responses remain a key concern.** Longer analysis times and narrow interpretations of policy language are leading to lengthy debates and challenging discussions with insurers, and therefore recognition of claims coverage is taking longer. Loss adjusters have become more active in the definition of claims, including coverage definition.

**Risk volatility is creating greater need for risk assessment and quantification.** More and more insureds are looking to Aon for support in understanding, quantifying and managing their exposures and risk volatility. Aon relies upon data and analytics to advise insureds, and to work with insurers to structure custom solutions for clients.

## Market Dynamics

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance	Claims
LATAM	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Abundant	Same
Argentina	Stable	Flat	Ample	Prudent	Stable	Flat	Stable	Abundant	Same
Brazil	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Abundant	Same
Chile	Stable	+1-10%	Ample	Prudent	Stable	Flat	Stable	Abundant	Worse
Colombia	Challenging	+11-30%	Constrained	Aggressive	Stable	Up	Restricting	Abundant	Same
Mexico	Stable	+1-10%	Ample	Prudent	Stable	Flat	Stable	Abundant	Worse



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# Featured Country: Brazil Product Updates

## Featured Products

### Automobile

Claims in 2020 improved from 2019, and the favorable results of 2020 are expected to continue in 2021. As a result, the market remains stable, with abundant capacity and stable, flat pricing. In general, underwriting conditions are favorable and coverage terms are renewing as per expiring; however, poor performing industries and risks are experiencing a reduction in appetite, limitations in coverage, and mandatory deductible increases.

### Casualty/Liability

Insurers have become less flexible, especially for segments exposed to high severity risks or to the international reinsurance market. Underwriters are pressuring for pricing increases along with an adjustment of conditions and deductibles. Rate variation depends heavily on industry, exposure, need for reinsurance, and loss history. Underwriting is becoming more conservative and averse to risks with high severity exposures.

### Cyber

Rates have increased significantly. Total tower limits are increasing; however, primary limits are shrinking, and more layers are required to complete the entire placement. Significant deductible increases are being applied, and this trend is expected to continue as insurers become more and more risk averse. Coverage is being restricted for extortion, which is linked to ransomware; other coverages — like Business Interruption — are subject to sub-limits and increased deductibles.

### Financial Lines

Market conditions are difficult, driven by claims experience. Public companies and companies with US exposure, as well as companies with COVID-related economic issues, are experiencing the worst impacts. New exclusions are being included on renewals. Underwriting decisions are being escalated to central teams, and the process is stringent and rigorous. Limits and deductibles are under pressure, especially for US-listed companies.

### Property

The market remains difficult for clients with high hazard exposure or clients which rely on the international market, where terms and conditions continue to become more challenging. Some insurers have lost local authority and decisions are being escalated to central teams. Underwriters are more cautious when deploying capacity and are tending to reduce their exposure. Pricing varies widely dependent on industry, exposure, need for reinsurance, and loss history.

# Featured Country: Brazil Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Stable	+1-10%	Abundant	Prudent	Stable	Down	Stable	Abundant
Casualty/Liability	Challenging	>+30%	Constrained	Aggressive	Stable	Down	Restricting	Abundant
Cyber	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Restricting	Abundant
Employers Liability/ Workers Compensation	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Restricting	Abundant
Financial Lines	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Stable	Abundant
Property	Challenging	+11-30%	Constrained	Aggressive	Stable	Down	Restricting	Abundant

Overall Conditions

Soft  
Stable  
Challenging

Rates

Down  
Flat  
+1-10%  
+11-30%  
>+30%

Capacity

Abundant  
Ample  
Constrained

Underwriting

Flexible  
Prudent  
Aggressive

Limits

Increasing  
Stable  
Decreasing

Deductibles

Down  
Flat  
Up

Coverages

Broadening  
Stable  
Restricting

Reinsurance

Abundant  
Ample  
Tightening

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# Featured Country: Chile Product Updates

## Featured Products

### Automobile

Despite increasing mobility and theft losses, the market is stable overall. Pricing is modestly up, and limits and deductibles are generally renewing as per expiring. Appetite is strong and capacity is abundant.

### Casualty/Liability

Pricing is increasing significantly, particularly for large and complex placements and challenged industries. Insurer appetite has narrowed — particularly for poor performing segments - and capacity has contracted accordingly. Coverages, limits and deductibles remain stable. Deductibles are being leveraged as a mechanism to help offset premium increases. Underwriting scrutiny is high.

### Financial Lines

The market is challenging, with material rate increases and capacity contraction across all segments. Underwriting has become more rigorous and time consuming. Coverage restrictions are being applied.

### Property

The market is stabilizing. Price increases are more modest than in 2020. Restrictions to terms and conditions for Pandemic and Strikes Riots and Civil Commotion were largely implemented at the previous renewal so coverages are generally renewing “as is”. Capacity is contracting as more insurers look to standardize their portfolios. Deductibles are increasing for Business Interruption and risks perceived to have insufficient risk management.

# Featured Country: Chile Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Yellow	Red dotted	Green	Green	Yellow	Yellow	Yellow	Yellow
Casualty/Liability	Red	Red dotted	Red	Red	Yellow	Yellow	Yellow	Yellow
Financial Lines	Red	Red dotted	Red	Red	Yellow	Yellow	Red	Red
Property	Yellow	Red dotted	Red	Yellow	Yellow	Red	Yellow	Yellow

Overall Conditions  
 Soft  
 Stable  
 Challenging

Rates  
 Down  
 Flat  
 +1-10%  
 +11-30%  
 >+30%

Capacity  
 Abundant  
 Ample  
 Constrained

Underwriting  
 Flexible  
 Prudent  
 Aggressive

Limits  
 Increasing  
 Stable  
 Decreasing

Deductibles  
 Down  
 Flat  
 Up

Coverages  
 Broadening  
 Stable  
 Restricting

Reinsurance  
 Abundant  
 Ample  
 Tightening

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# Featured Country: Colombia Product Updates

## Featured Products

### Automobile

Insurers are aggressively pursuing new business by offering favorable pricing and terms; for existing business, pricing and terms are stable. As the economy reopens, accidents and losses are expected to increase, thereby pushing rates upward. As a result of the mobilizations and strikes in Colombia, reinsurer pricing for sabotage and terrorism has escalated. Capacity, however, remains stable and generally sufficient.

### Casualty / Liability

The market continues to contract with lower maximum limits for risks. In general terms, rate increases are concentrated in specific industries. Support from the facultative market is gaining more prominence.

### Cyber

Rates are increasing materially — similar to other financial lines products. Ransomware coverage is being limited as claims frequency and severity continues to rise.

### Financial Lines

Capacity is very limited, with very few local markets. Material rate increases persist. Facultative support continues to be an important component for both new businesses and renewals.

### Marine

The market is restricted and challenging, particularly for port risks and navigation hull.

### Property

The market is challenging. Pricing is elevated, especially when facultative reinsurance is required. Sabotage and Terrorism coverage restrictions are being broadly imposed.

### Surety

Insurers remain very cautious, and underwriting scrutiny is high, despite improved technical results that resulted from the rate increases implemented in 2020.

### Trade Credit

The market is generally stable; however, some risks in areas that were heavily impacted by unemployment, such as the southwestern part of the country have seen less favorable conditions.

# Featured Country: Colombia Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Stable	Down	Ample	Aggressive	Stable	Stable	Stable	Ample
Casualty/Liability	Challenging	+11-30%	Constrained	Prudent	Stable	Stable	Stable	Ample
Cyber	Challenging	+11-30%	Constrained	Prudent	Stable	Stable	Restricting	Ample
Financial Lines	Challenging	Flat	Constrained	Prudent	Stable	Stable	Restricting	Ample
Marine	Challenging	+1-10%	Constrained	Prudent	Stable	Stable	Restricting	Ample
Property	Challenging	+1-10%	Constrained	Prudent	Stable	Stable	Restricting	Ample
Surety	Challenging	Flat	Constrained	Prudent	Stable	Stable	Stable	Ample
Trade Credit	Challenging	+1-10%	Ample	Prudent	Stable	Stable	Restricting	Ample

Overall Conditions

Soft  
Stable  
Challenging

Rates

Down  
Flat  
+1-10%  
+11-30%  
>+30%

Capacity

Abundant  
Ample  
Constrained

Underwriting

Flexible  
Prudent  
Aggressive

Limits

Increasing  
Stable  
Decreasing

Deductibles

Down  
Flat  
Up

Coverages

Broadening  
Stable  
Restricting

Reinsurance

Abundant  
Ample  
Tightening

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# Featured Country: Mexico Product Updates

## Featured Products

### Automobile

The pandemic reduced exposures and losses, leaving insurers looking to the Auto space as an opportunity for profitable growth. Pricing is competitive, and further reductions are expected to continue throughout 2021. Underwriters are flexible and accommodating. Coverages, limits and deductibles are renewing as expiring.

### Casualty/Liability

Market conditions are moderate. As capacity has contracted, modest rate increases are being applied. Local market capacity is more robust and less expensive than international capacity. Professional liability for accountants is in greater demand as a response to a recent reform on regulatory conditions.

### Cyber

Market conditions are very challenging. Pricing is escalating as losses grow and capacity contracts. Insurer appetite is limited; there are only four local insurers in this space and very few options are available for difficult industries, risks and coverages. Ransomware coverage, in particular, is limited and subject to coinsurance. Social engineering is also being scrutinized and, in some cases, excluded. Underwriters are rigorous in their review of information, and referral underwriting has become common. Limits are being reduced whilst deductibles are rising.

### Financial Lines

Credit Insurance requests are becoming more common due to the financial impacts of the pandemic. For Directors & Officers and Errors & Omissions, underwriting has transitioned to central teams. Capacity is scarce and underwriting is rigorous.

### Property

Capacity is still available and abundant, except in challenging sectors like mining and beach-front. Pricing is competitive and further reductions are expected to continue throughout 2021. Coverage, limits and deductibles are renewing as expiring.



# Featured Country: Mexico Product Updates

	Overall Conditions	Rates	Capacity	Underwriting	Limits	Deductibles	Coverages	Reinsurance
Automobile	Green	Green	Green	Green	Yellow	Yellow	Yellow	Red
Casualty/Liability	Yellow	Red with dots	Red	Yellow	Yellow	Yellow	Yellow	Red
Cyber	Red	Red	Red	Red	Yellow	Red	Red	Red
Financial Lines	Red	Red	Red	Red	Yellow	Yellow	Red	Red
Property	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red

Overall Conditions

Soft  
Stable  
Challenging

Rates

Down  
Flat  
+1-10%  
+11-30%  
>+30%

Capacity

Abundant  
Ample  
Constrained

Underwriting

Flexible  
Prudent  
Aggressive

Limits

Increasing  
Stable  
Decreasing

Deductibles

Down  
Flat  
Up

Coverages

Broadening  
Stable  
Restricting

Reinsurance

Abundant  
Ample  
Tightening

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## **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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