



**NORIMA**

## Insurance Market Presentation

9 September 2021



## Men er det egentlig så ille....

Combined Ratios for første halvår 2021/2019:

	1H 2021	1H 2019
■ IF	81,1%	84,7%
■ Gjensidige	78,7%	79,5%
■ Tryg	81,0%	85,0%
■ Protector	86,1%	106,0%
■ Zurich	93,9%	95,1%
■ AIG	91,1%	97,4%
■ AXA XL	95,8%	98,3%
■ Allianz	97,8%	94,0%
■ QBE	93,3%	95,2%
■ SCOR	97,2%	93,7%
■ Swiss Re	94,4%	100,5%
■ Chubb	85,5%	89,6%
■ Munich Re	94,3%	92,9%

# Market conditions - Global

## What are the headlines?

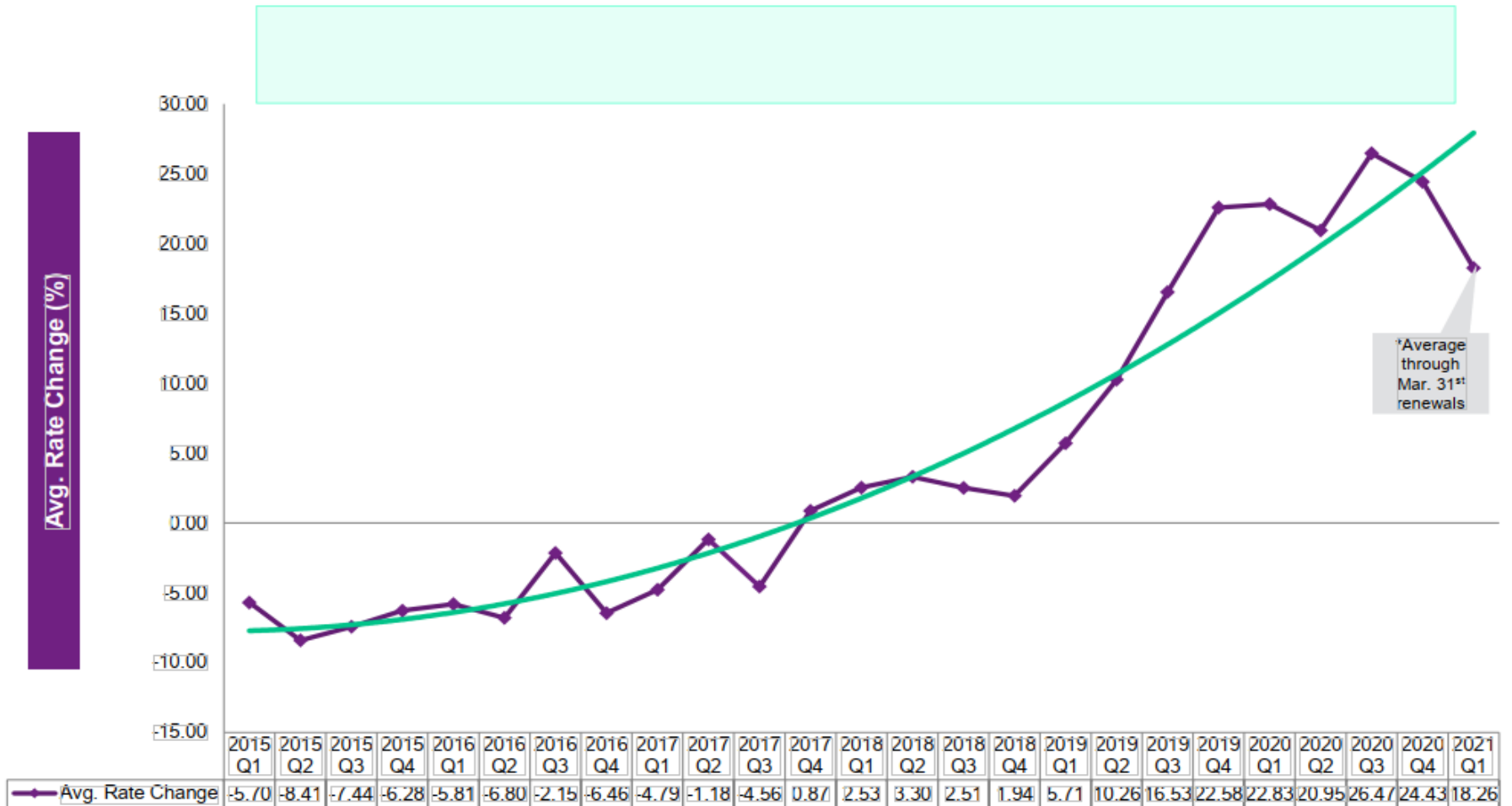
July 2021 update

- The hard market cycle is 2-3 years old and is clearly decelerating in all affected lines except Cyber which is worsening.
- **Underlying causes of the hard market: demonstrable increase in loss severity across all major lines (e.g. “social inflation”, global windstorm activity, wildfires, opioids, value accumulation, shareholder class actions, ransomware, etc.) AND persistently low interest rates globally.**
- 2 to 3 years of rate increases has attracted new capital and has coaxed some dormant capacity from the side-lines.
- A two-tiered market has existed since Q4 2020, with easing conditions for non-challenged sectors and risks.
- Portfolio re-underwriting is effectively finished and technical rate adequacy reached for many but not all risk sectors.
- New entrants are impacting Property, Excess D&O and Excess Casualty markets
- Local markets globally are becoming more competitive.
- Cyber capacity is now declining on a per risk basis and rates are spiking due to exploding ransomware losses.
- COVID-19 insured loss est. ~\$40-\$80B. “A slow moving Cat” and there is still uncertainty about its impact. Supply chain issues have emerged.
- **COVID B.I. coverage litigation:** Early decisions mixed.
- **Low interest rates globally are expected to continue at least for the short-term despite inflationary fears:** upward pressure on premium.
- Cat losses (modelled and un-modelled) in 2021 are running higher than average – Texas freeze, German floods, Wildfires, South African riots, etc.
- Court closures during pandemic have *temporarily* slowed the “social inflation” phenomena.



# State of the Property Market – Average Rate Change

Historical average rates by quarter through April 1, 2021



# Market conditions

## More Headlines...mostly good for clients

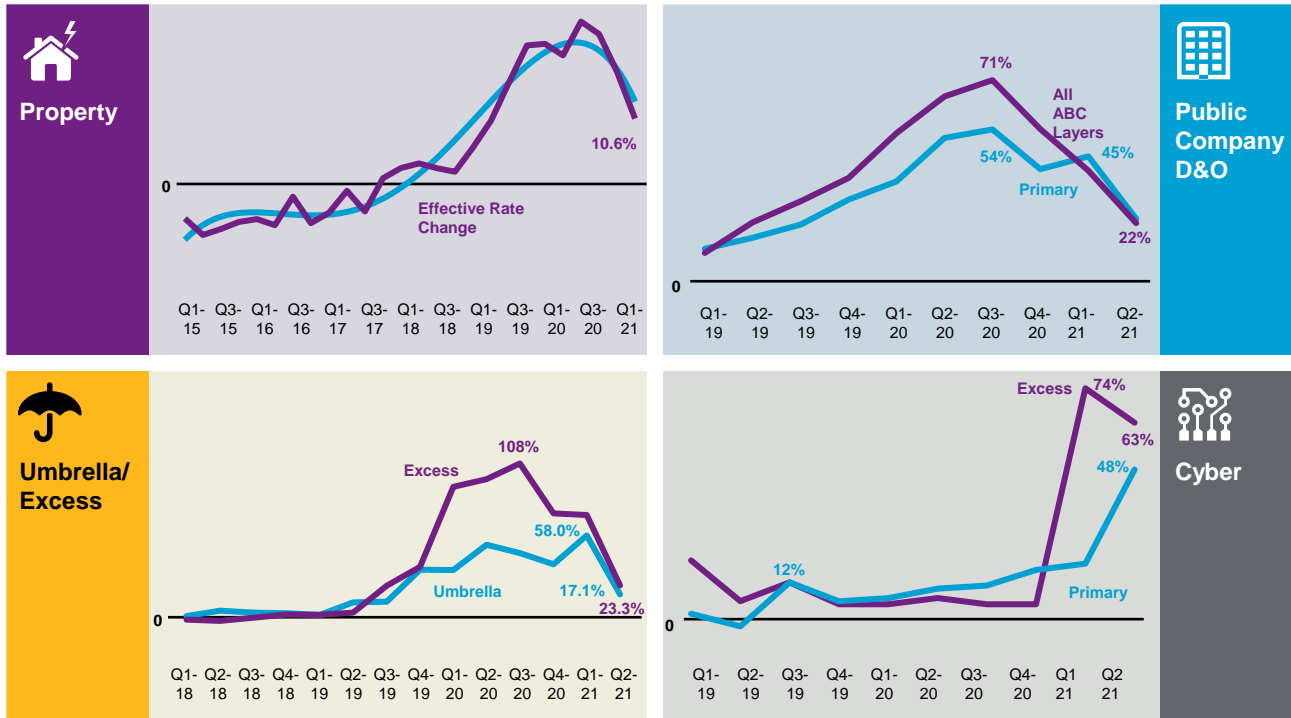


July 2021 update

- **\$23+ billion of new capital entered the market in H2 2020 including new market entrants.**
- The 2021 Reinsurance Treaty renewal seasons (January, April, and July) were orderly with signs of resilience and adequate capacity.
- The cat bond market has rebounded strongly since Q4 2020 adding liquidity to the market.
- Insurance company leaders have been signaling desire to grow and have been regularly re-evaluating 2021 rate guidelines especially for “good” risks.
- Quarterly earnings of insurers in 2021 have been stellar.
- COVID claims are ebbing.
- Economic revival is spurring demand and exposure increases.
- **But...** Underwriting discipline will likely continue and will delay a true “softening.” Analytics and quantitative analysis are bolstering this underwriting discipline. This may create a new, higher floor for pricing. This is the first hard market that did not start in reinsurance.



# Average Rate Changes in the Major Global Lines



# Market Conditions – Regional Snapshot








## Western Europe: Local Market Conditions

July 2021 update

### Overall

- During H1 2021 all regions of Western Europe still experienced “hard market conditions”: double digit rate increases in general for almost all class of business.
- P&C in heavy industries with cat exp., risky casualty exposures and Finex/ D&O & Cyber are the hardest markets similar to other international markets/regions.
- Recent increase in rates is starting to lose steam after two years of acceleration, expecting a rate slowdown in the coming

### Rates

 <b>Property (non-Cat):</b> +5% to +15%	 <b>Cyber:</b> +30% to +300%+
 <b>Property (Cat):</b> +15% to +75%	 <b>Marine:</b> 5% to +20%
 <b>Casualty:</b> +0% to +12%	 <b>Construction:</b> +10 to +25%
 <b>Finex:</b> +20% to +100%+ (D&O, PI)	 <b>N. Resources:</b> +5% to 30%



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## Market conditions

# Forecast and Emerging Trends

July 2021 update

- Expect the two-tiered market to continue throughout 2021. “Good” risks likely to see flat rates by Q4 barring any extreme catastrophes.
- Cyber very likely to stay very hard throughout 2021 and into 2022.
- If interest rates move upward, easing of market conditions may accelerate.
- New entrants will continue to positively impact the market for our clients.
- Local markets likely to reclaim some share of business that had flowed to international markets.
- Climate Risk including extreme weather events, floods, wildfires, convective storms, etc. likely to keep upward pressure on rates and capacity discipline, but also increased demand from insureds.
- “Per risk” capacity discipline by underwriters combined with growing demand from insureds will lead to a vibrant global marketplace.
- ESG is a growing issue for insurers in risk selection and investments, for insureds in insurer selection, and investors in capital deployment.
- Analytics will continue to drive both insurer and insured behavior – in pricing discipline and risk differentiation.



## «Hard» Market Effects for Clients

- Some «high exposure» industries are facing difficulties obtaining good coverage at acceptable terms
- Continued pressure from insurers to «review policy wordings» (reduce coverage).
- Excellent centralised risk management programs is a prerequisite for getting acceptable insurance coverage – or for certain industries - any insurance at all.
- Comprehensive information about the risk is required for the insurance market to participate on the insurance programs.
- A poor loss record, particularly high loss frequency, is heavily penalised in today's market
- Clients are spending more time analyzing how to maximise their insurance purchase, by finding the right balance between insurance limits, deductibles and coverage.

# Some 2021 Renewal Predictions by Class of Insurance....

## ▪ **Property Damage & Business Interruption:**

- Premium increases between +5% to 15% («London» market looking for higher increases than the Nordic / Continental market)
- High focus on excluding losses resulting from Pandemics and Cyber events
- Quality of underwriting information is imperative
- Good risk management is a requirement
- The higher premium levels have attracted more capacity / insurers

## ▪ **General and Products Liability**

- Premium increases between +10 to +30%
- Many insurers are reducing the capacity they offer on each insurance program
- Pressure from insurers to remove some additional coverages which have been added during the «soft» insurance market

## ▪ **Products Recall (Contaminated Products Insurance)**

- Premium increases between +10 to +30%
- Many insurers are reducing the capacity, or being very selective to which clients they offer their capacity to.

# Some 2021 Renewal Predictions by Class of Insurance....

## ▪ **Marine Cargo / Transport Insurance:**

- Flat Premiums (Premiums on marine cargo is very much based on each client's individual loss experience as there are many smaller losses and very few catastrophic losses)
- Few changes in the coverages offered by the market
- Still too early to see the effects of the Ever Given loss in Suez

## ▪ **Environmental Liability**

- Premium increases between 0% to +10%
- Many insurers are reducing the capacity they offer on each insurance program
- Pressure from insurers to remove some additional coverages which have been added during the «soft» insurance market

## ▪ **Cyber Insurance**

- Premium increases between +70 to +150%
- Reduced or no coverage for Ransomware incidents
- Significantly reduced capacity
- All programs under scrutiny from insurers

## Some 2021 Renewal Predictions by Class of Insurance....

- **Directors & Officer Liability:**

- Premium increases between +50% to +200%
- Many restrictions in coverage
- Significantly reduced capacity

- **Crime Insurance:**

- Premium increases between 80% to +150%
- Very difficult to obtain coverage at all, must be placed together with Directors & Officers Liability.
- Significant increase in deductibles (minimum EUR 1 million)

# Noen kommentarer rundt enkeltsselskaper

## IF P&C (Industri)

- Har hatt svake resultater i 2020 (Norge) og 2021 (Sverige/Finland) på Property
- Har tatt en større markedsandel i det vanskelige markedet, men signalene er at de nå strammer inn mer enn det øvrige markedet.
- Alle UW avgjørelser på større kunder gjøres i en Nordisk UW komité, norske underwritere har mindre påvirkningskraft.
- Reorganisering av skadeavdelingen – noen utfordrende skadeoppgjør
- Innstramning av vilkår generelt, ønsker å bruke egne vilkår
- Spesielt konkurransedyktige på Ansvar (primary)

## Gjensidige

- Generelt gode resultater
- Har fortsatt «tilbaketrekingen» innen tyngre industri og kunder med internasjonal virksomhet utenfor Norden / Baltikum
- Spesielt store innen norsk infrastruktur / prosjekter / entreprenører / eiendom / vannkraft / næringsmidler
- Kan være meget konkurransedyktig for store norske/skandinaviske virksomheter
- Ønsker kun å bruke egne vilkår

# Noen kommentarer rundt enkeltsselskaper

## Tryg

- Vært igjennom 2 år med generelt store premieøkninger og en opprydning i porteføljen
- Sammenslåing med Codan
- Forsiktige på Property, men er løsningsorienterte og kreative.
- Blitt betydelig mer forsiktige på Ansvar / Financial Lines
- Fremdeles noe mer ustabile i strategien sammenliknet med IF og Gjensidige

## Codan

- Vedlig lite synlige i storkundemarkedet, med noen få unntak
- Blir en del av Tryg fra 1.1.2022

# Noen kommentarer rundt enkeltelskaper

## Zurich

- Eneste internasjonale selskap med full UW i Norge. Sterk nordisk organisasjon
- «Pennen» er spesielt påholden innen ansvar/financial lines/energy.
- Mange referrals ut av Norge
- Konkurransedyktige og gode på Construction.
- Stor grad av «re-underwriting» innen de fleste bransjer.

## AIG

- Så å si ingen UW igjen i Norge – nordisk organisasjon
- Stort gjennomtrekk av mennesker
- Ikke lenger den klare markedsleder i Norden innen Financial Lines og spesielt Cyber deknninger
- Veldig selektive innen Property, men godt alternativ for større internasjonale selskaper med solid RM program
- Signaliserer vekstambisjoner innen Property / Ansvar



# Noen kommentarer rundt enkeltelskaper

## Chubb

- Har en markedskoordinator i Norge, ellers gjøres primært Property/Construction fra Sverige og Ansvar/Financial Lines/Cyber fra Danmark.
- Solide resultater, både i Norden og internasjonalt
- Sterke på Ansvar og Financial Lines, har tatt store markedsandeler siste to år. Har ambisjoner på Property, men er veldig forsiktige
- Er gode på Political Risk / Terror

## AXA XL

- All UW gjøres fra Stockholm – kompetent organisasjon
- Voksesmerter – har vokst betydelig og ligger etter på nyansettelser
- Tar ikke inn nye kunder på Financial Lines – store premieøkninger
- Generelt gode og har god appetitt på Property og Ansvar

# Noen kommentarer rundt enkeltelskaper

## Allianz

- Gjør sin UW fra København og Stockholm.
- Gode på Construction fra Stockholm
- Begrenset appetitt på Property for bransjer/industrier som er vanlige i Norge.
- Deltar på de fleste av de store Ansvars- og Financial Lines programmene

## QBE

- All UW gjøres i hovedsak fra Stockholm, også kontor i København
- Sterk vekst i Norden, med videre vekstplaner
- Fremtreden rolle på Financial Lines og Cyber
- Property er vekstområde, og har gjort gode ansettelses

# Noen kommentarer rundt enkeltelskaper

## HDI

- Gjør mesteparten av UW fra København, noe fra Stockholm.
- Brukes mye på Ansvar og Excess Financial Lines
- Etter flere år med veldig liten Property appetitt så ser vi nå positive tendenser

## Swiss Re Corporate Solutions

- Svake resultater internasjonalt, og har redusert appetitt (generelt)
- Dyktige underwriteere innenfor de fleste bransjer
- Norden er globalt Center of Excellence internt innenfor Fornybar Energi.

## Risk Point

- Re-fokuserer mer på Property
- Styrker seg på Ansvar/Financial Lines (WTW sin største leverandør på D&O)
- Gode på Fornyebar Energi
- Aktive på M&A og Terror