AMWINS™

2021 / Q2 Q3

State of the London Market

Second and Third Quarter, 2021

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The global insurance market has seen many challenges over the years, but none more so than over the last 18 months. We have faced a worldwide pandemic impacting the way in which we work, a greater incidence of weather and natural catastrophe events, and many other issues in between. In these challenging times, the London insurance market and Amwins Global Risks (formerly THB) continue to provide solutions that deliver on the needs of our clients around the globe.

A constant theme in the territories and insurance markets in which we trade is the growing requirement for greater levels of data, analytics and insight. This key information enables us, as well as our insurer partners, to model risks and trends, and offer fit-for-purpose solutions to insurable risks for our clients.

Working with our partners across Lloyd's and the London market while harnessing the talent, systems and connections we have built over the last five decades, enables us to focus on state-of-the-art analytics and modelling – coupled with real-time market and client information. This allows our teams to assist our retail brokers in securing risk management solutions, providing comfort to their clients in times of uncertainty.

Today, the London market remains vibrant and Amwins Global Risks remains at the heart of it! We look forward to delivering on your needs, both today and in the future.

Property

The double digit increases many insureds have experienced over the past few renewal cycles are now being replaced with single digit or even, in some circumstances, flat rate renewals. However, this is being treated by markets on a case-by-case basis and is often dependent on loss experience and the previous year's rate movement.

Contingent on how active the 2021 hurricane season is, our belief is that this trend will likely continue for the remainder of 2021 and well into 2022.

While capacity for highly wildfire-exposed regions remains scarce, we are placing small primary limits above decent retentions at significant rate on lines. Exposure data is crucial, as well as detailed mitigation factors.

Significant fire risk-exposed classes, such as recycling and woodworking, also face limited capacity and layers remain compressed. The market's appetite for excess layers with significant catastrophe exposures – especially for new business in Florida – is diminishing as the year progresses and is reflected in the pricing required to complete orders. The same dynamic is true for highly convective storm-exposed insureds, particularly those located in Texas and Colorado.

Exclusions for communicable diseases remain widespread across property lines.

Inland Marine and Cargo

Over the past several months, we have seen the inland marine and cargo space change for the better. This includes the addition of nine new cargo markets, with another three on deck for later this year.

There has been a lot of movement of cargo underwriters and underwriting teams that will ultimately push rate increases down. Going into next year, these new market entrants should drive flat renewals where loss records allow.

The six main market facilities in Lloyd's have enabled Amwins Global Risks to place small to medium-sized businesses, with the open market allowing for larger stock throughput risks.

Currently, we are seeing detailed construction, occupancy, protection and exposure (COPE) information being requested for all risks, with stock exposure and location surveys being the most frequently requested – especially regarding sprinklers and other fire protection.

There is also a greater focus on CAT risk aggregates, with underwriters becoming more inflexible on accounts that don't reach their required technical pricing. Underwriters are looking to increase non-CAT deductibles, depending on risk quality – ultimately controlling the impact of a potential large loss.

Transportation and Aviation
Commercial physical damage and motor truck cargo are niche areas with dedicated Lloyd's markets. Because London doesn't write primary auto liability, we are seeing businesses move to domestic markets that are demanding at least one of these lines. This demand, and by not overrating that part of the program, has seen an increase in insureds moving to package policies. As a result, rates have remained flat for two years. Where capacity is needed, new markets are emerging (some on admitted paper), while a few markets have become ultra conservative – with some looking for fleets with a minimum three years of operation.

Rates for aviation have somewhat stabilized, with an average increase of 10% on most accounts. While risks with a favorable loss history are seeing single digit increases, those with high claims loss activity will likely see increases of 20-30%. It remains to be seen if this stabilization is premature, as international travel resumes post-pandemic. However, the valuation of aircraft being reduced as they age will help to reduce overall exposure.

In the aerospace market, such as with product manufacturing, London has been more competitive than the U.S. market.

Energy
Upstream/Midstream
Risks involving fracking, oil sands, geothermal and/or saltwater disposal (SWD) tanks remain challenging to place in the London market due to limited appetite.

SWD tanks can be considered if satisfactory lightning protection is available – although a significant deductible should be expected. Otherwise, lightning and static discharge will be excluded completely.

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Amwins Global Risks' small Operators Extra Expense (OEE) cover can offer competitive minimum premiums as low as $9K. Other market minimums for both OEE and property placements continue to be $50K.

Expect OEE/control of well retentions to start at $100-$150K, whereas property will carry $25K minimums.

Rate increases remain at 5-10% on clean upstream business, though up in the 10-12.5% range for midstream accounts.

Liability
SWD operations in Oklahoma continue to be a significant issue. Greater underwriting focus is also being put on underlying auto liability exposures.

For excess/umbrella, Lloyd's syndicate minimum premiums of $60K mean the smaller accounts may not be able to obtain the most competitive pricing in London. Attachment points of $25M are also preferred for accounts with significant auto exposure.

Increases of 15% can be expected on "as before" exposures.

Professional Lines

D&O

There continues to be no notable changes from 7/1 treaty renewals. However, it remains to be seen if the new capacity in London will have a downward pressure on rates. It is expected that social inflation will continue to impact financially challenged companies as a result of the pandemic.

Currently, there is limited or no capacity for crypto currency, cannabis and non-fungible tokens.

Cyber and Tech

The increase in size and frequency of ransomware losses has significantly impacted the London cybersecurity market in appetite and capacity. As well as the inevitable increases in premiums and retentions, here are just some of the restrictions we are now seeing from our markets:

- Shifting from writing primary to excess (especially on tech risks)
- No longer accepting risks with weak controls (insureds need to implement MFA to get cover)
- Imposing a moratorium on new business or pulling out of the market altogether
- Sub-limiting and coinsuring ransomware coverage on a case-by-case basis
- Fewer markets now writing tech E&O
- Being very selective and trying to preserve their finite capacity for their renewals and very attractive new propositions
- Many no longer writing airlines, education, municipalities, telecoms, logistics, infrastructure, energy and payment processors

A&E/Contractors

While rates remain stable, we are seeing increases in Texas and difficulties in placing trade-specific projects, residential exposures and schools. Civil authorities and roads also remain a challenge; however, we are seeing success on excess placements – whether for a contract or a practice top-up limit. Strong capacity is opening new markets for electrical and aviation businesses, as well as aerospace engineers.

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Intellectual Property

As more start-up companies look to protect their assets, there is growth in litigation involving intellectual property. This has resulted in increased submissions, with capacity in the London market up to $25M on primary and excess placements.

Healthcare

The long-term care market in London has become subject to higher premiums and self-insured retentions, with minimum retentions of $100K. Within the last six months, we have seen greater opportunity within the allied healthcare space, as there are market options that can consider minimum retentions of $5K.

While COVID-19 exclusions are being added across the board for long-term care, in allied healthcare these exclusions are added on a risk-by-risk basis.

Insight provided by insurance specialists with Amwins Global Risks.

- Property: Toby Colls
- Cargo/Marine: Toby Kayll and the Amwins Global Risks Cargo/ Marine team
- Transportation: Jon Humphreys
- Aviation: Tom Thompson
- Energy: Charlie Compton, Lizzie Rooke, Matt Taylor
- D&O: David Taylor and Oli Doran
- Cyber and Tech: Maddie Jackman and Chris Francis
- A&E/Contractors and IP: Cam Meakin
- Healthcare: Daisy Morris