AMWINS™

2021 / Q2 Q3

State of the Market

Second and Third Quarter, 2021

This goes without saying, but the last two years have not been easy. In addition to the complexity of working remotely, we have experienced some of the hardest market conditions most of us have ever seen. However, the events of 2020 and 2021 have demonstrated that we work in a very resilient industry.

The market continues to be dynamic. While we have seen a deceleration in the rate environment in some areas, we are seeing dramatic increases in others. In many segments, carriers are becoming more comfortable with corrections made to capacity, pricing and terms and are therefore looking to grow.

We continue to experience losses which are driving micro-hard markets throughout property, casualty and professional lines sectors. And, while we're seeing portions of the economy rebound from the pandemic, and life somewhat return to what we used to call "normal," there remain exposures that retailers and insureds should be prepared for.

In this State of the Market report, our specialists leverage their expertise and share a unique market perspective to bring you the latest market intelligence spanning rate, capacity and coverage trends across numerous lines of business and industries – both domestically and in London.

At Amwins, our goal is to add value to our clients – regardless of the market environment. We focus on helping you deliver the best product the market can provide through a specialized platform that delivers knowledge, market access and unique solutions. So, no matter what the future brings, Amwins is prepared for it and wants to ensure you are too.

Your challenges are our privilege – bring on the future.

Sincerely,

James Drinkwater
President, Amwins

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Property

Harry Tucker
Amwins' National
Property Practice Leader

There remains sufficient capacity in the property market, with availability dependent on risk perception and rate.

Currently, E&S carriers have become more willing to entertain flat to 10% rate increases in more desirable classes of business. However, less desirable classes are still seeing hard market conditions. We are also seeing strong competition in the standard market, with more carriers being afforded opportunities to re-engineer and "de-risk" their books of business, allowing the market to seek out selective growth opportunities. Carriers are driven to improve profitability and loss ratio (thus being more aggressive on desirable classes) and the need to write premium to get there.

The remaining four months of 2021 will be a bellwether for CAT-exposed business. This year has already been very active in climate-driven claims. We saw the unprecedented and unanticipated impact winter storm Uri had on the state of Texas and the Southeast. Additionally, 21 named storms are predicted for 2021 – a more than 30% increase over average, along with western wildfires anticipated to burn an unprecedented number of acres – a 140% increase over the 10-year average.

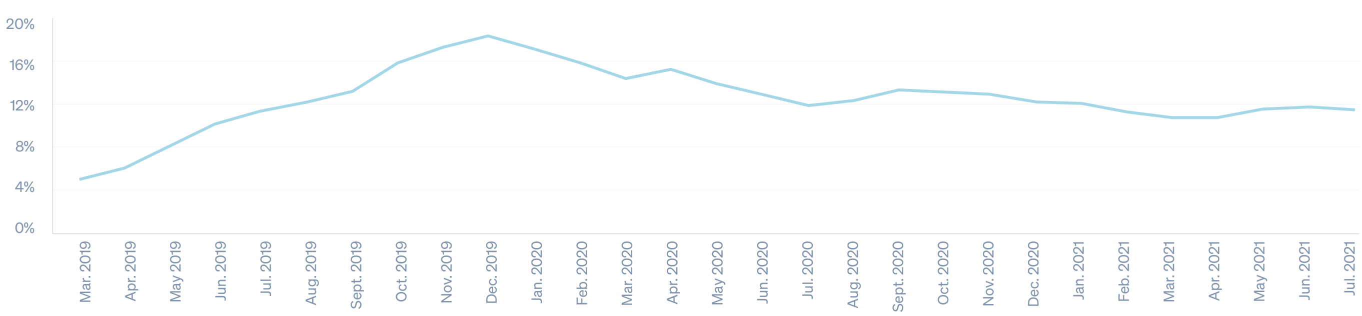
Despite these and other forces, such as low interest rates and a litigious legal environment in Florida and other states, the E&S market remains responsive – with the E&S Stamping Office reporting a 22% YTD growth in the top E&S states of California and Texas.

Additionally, we are seeing the ongoing perception of undervaluation in the property market continue to be exacerbated by the nationwide shortage of building materials and labor. In turn, this is driving up the cost of construction and creating a potential "gap" between what is reported as replacement value and actual costs.

We can't give a market update without mentioning COVID-19, whose impacts continue to linger. Many businesses have not fully recovered economically from government-mandated shutdowns. This impact is being seen on business interruption values as well as the coverage insureds can afford to purchase. For example, with less revenue municipalities are facing challenges in funding their typical insurance policy.

In this State of the Market report, our property specialists dive deeper into these trends within specific industry segments, including Florida condos, cannabis, lumber, public entity and marine.

Renewal Pricing Trends – Property Renewals, Rolling Quarterly



Property Segment Snapshot

- Cannabis
- Habitational / Real Estate
- Inland Marine
- Ocean Cargo
- Lumber
- Public Entity

Cannabis

Overall Segment Trends

Due to the continually changing nature of this industry, it does not appear likely that mainline admitted insurers will begin writing cannabis businesses anytime soon. Despite the hurdles, we are seeing some carriers eyeing the sector, with many planning for how they will respond in the event federal laws change. Currently, new capacity is only entering the space by existing carriers and programs looking to expand their offerings.

Inflation for the cannabis industry is most likely to impact costs of labor, fleets of vehicles for distribution or delivery, and repair and restoration in insurance claims. However, the fact that legal cannabis is always grown, processed, tested and sold within the same state somewhat eases inflationary pressures.

Hemp and CBD are not immune to the hard market conditions in the E&S property market, but there are insurers willing and prepared to step up and provide coverage using standard applications and normal underwriting methodologies.

As part of the farming industry, hemp and CBD operators now have the option of obtaining crop insurance through the USDA, provided they meet certain requirements. This coverage can be bought on an agribusiness policy from admitted farm insurance companies. Currently, we are seeing products that include CBD or hemp ingredients (and are being sold at mainline box stores) securing coverage on a stock throughput policy, including coverage for raw materials.

Capacity and Pricing

Capacity among the established players in the cannabis space has increased. Fierce competition for clean accounts in favorable locations is keeping rates flat or even slightly down for best-in-class risks. However, to avoid rate increases, it's critical to partner with a wholesale broker that can remarket renewals to ensure favorable terms. On the other hand, insureds with loss history or undesirable risk profiles are seeing substantial rate increases, lower capacity and additional exclusions.

Markets for excess property remain extremely limited, so traditional primary/excess layering placements can be challenging. Horizontal layering provides a viable alternative structure, by allowing multiple carriers to participate on a ground-up basis for their designated coverages. Business income limits can be split up among multiple policies and different terms and conditions on each policy can create issues, but the approach can still offer a better overall solution than carrying only partial limits.

There is demand in the cannabis industry to purchase higher limits for Named Storm, particularly in Florida but also in the coastal areas of New Jersey, New York and Massachusetts. However, much of the critical CAT capacity that other industries rely on comes from London and Bermuda. Lloyd's took the position in 2015 that syndicates cannot write U.S. cannabis due to the conflicting federal and state law, with Bermuda subject to the same restriction

> **There is demand in the cannabis industry to purchase higher limits for Named Storm.**

Exposure Changes

Wildfire-exposed areas represent a significant challenge for cannabis businesses, with carriers paying close attention to distance to fire stations and other protective measures. Businesses can make themselves a more desirable risk by creating a defensible space around their structure, adding a back-up water supply, installing fire sprinklers, upgrading to fire-resistant exterior cladding, etc.

Renewal terms may have more limited coverage, even for even clean risks. Some programs have started adding exclusions for smoke resulting from wildfires or other perils that have driven historical losses.

Careful attention must be paid to protective safeguard warranties which may exclude or significantly limit coverage. Agents should review all terms and conditions and ensure that their clients are in compliance with all requirements in order for claims to be covered. Safeguard warranties should be negotiated or removed whenever the client may not be in full compliance.

Insight provided by:

– John Deneen, VP with Amwins Brokerage in Denver, CO
– Justin Lehtonen, SVP with Amwins Brokerage in Los Angeles, CA

Habitational / Real Estate

Florida Condo Market – Overall Trends

Carriers are tightening terms and/or reducing capacity in the Florida condominium space as renewals are re-underwritten and new business is contemplated. Examples include:

– Possibility of line size reduction
– Shift from a Hurricane Calendar Year deductible to a Named Windstorm deductible
– Increase in the percentage Named Windstorm deductible
– Increase in the AOP deductible for ex-wind and DIC placements
– Increase or new implementation of a water damage deductible

The valuations reported for condominium/HOA portfolios (and commercial real estate to a lesser extent) are under increased scrutiny, as carriers push back on the valuations submitted by insureds and updated appraisals are compared to previously reported replacement costs.

Exterior insulation finish systems (EIFS) cladding/construction continues to be a challenge, as select carriers that previously considered coverage with limited terms are now declining these opportunities altogether. Select carriers have exited the condominium marketplace for accounts with construction age of 25 years or more.

Most condominium carriers participating in the wind-only space are now requiring a five-year loss history.

Post the Champlain Towers tragedy, most Florida condominium markets have begun to require a 40-year recertification for all Miami-Dade/Broward County condominium accounts.

Florida Condo Market – Pricing and Capacity

Due to severe storms, other loss events and continued loss creep from prior hurricanes, the Florida condominium marketplace continues to harden and adjust, with rate increases generally ranging from 15-30% as a best-case scenario. When the expiring carrier has exited the condominium space and a replacement carrier or entirely new layered/shared program is required, we continue to see rate increases fall in the 50-100%+ range.

The rate increase ranges we are seeing are market-adjustment focused. Currently, they don't consider the incremental/additional renewal cost impact that associations are likely to experience with building valuation increases required by the market, or because of updated appraisals that are required every three years via Florida Statute. We anticipate this will impact the condominium marketplace for years to come.

Access to exclusive condominium capacity has never been more important in the Florida condo space. In addition to our full arsenal of property carrier partners, our brokers continue to deploy exclusive Florida condo capacity from Amwins Special Risk Underwriters.

Texas Market – Overall Trends

We are seeing more Texas business flow to shared and layered E&S placements as standard markets realize they still need to right size their Texas portfolios – a need that is much more dramatic following winter storm Uri and substantial hail convective storms in Texas. These losses, coupled with treaty markets penalizing carriers with too much accumulation, are causing carriers to limit line sizes in certain areas.

Insight provided by:

- Bob Black, EVP with Amwins Brokerage in Atlanta, GA and National Real Estate Property Practice Leader
- Johnny Tolland, EVP with Amwins Brokerage in Satellite Beach, FL
- Patrick Tolland, EVP with Amwins Brokerage in Satellite Beach, FL
- Scott Wolf, EVP with Amwins Brokerage in Dallas, TX

Inland Marine

Today, there are new entrants in the inland marine market, with a few more on the horizon – including insurtechs offering quick-turnaround on quotes for mid-size fleets. However, we are not seeing capacity increasing in any one class, which poses limit issues for builders' risk projects or large warehouse schedules.

Rate increases have been more common in the builders' risk sector, especially with the current price and demand for lumber. However, the rest of the inland marine marketplace hasn't seen as drastic an increase.

Wildfire remains a growing problem area, particularly for builders' risk projects or mobile equipment in any of these areas. Carriers are running wildfire scores on most risks in brush zones and adjusting their rates, or declining risks altogether. Some carriers are instituting higher wildfire deductibles if needed.

In motor truck cargo, broader coverages and better forms are being released, along with coverage extensions for things such as food safety and employee coverage.

Insight provided by:

- Andy Simkins, VP with Amwins Brokerage in Chicago, IL
- Zach Bowling, SVP with Amwins Brokerage in Chicago, IL

Ocean Cargo

To manage loss volatility, cargo/STP underwriters continue to apply tighter conditions and/or deductibles to prevalent loss perils, as well as to CAT-exposed insureds. And while this isn't new, it's far from the practices of the past decade. Most marine insurers have also implemented cyber and communicable disease exclusions to policy wording.

Tightening of capacity continues in standard U.S. markets and in the UK; however, due to a positive rate environment, there are new entrants to the space. Rate increases and the reduction of coverage isn't as drastic today as this time last year. Insurers have loosened the reins on desired risk classes, while continuing to put rate pressure on volatile classes.

Several standard markets and syndicates are exiting non-traditional marine risks placed in the cargo/STP arena where soft market conditions exist, such as vineyards, distilleries and open-lot storage of autos. The overarching theme today is achieving rate adequacy to properly fund for attrition, large losses and CAT-loss potential.

Insight provided by:

– Samuel Chung, VP and head of cargo underwriting with Amwins Specialty Logistics Underwriters

Lumber

Overall Segment Trends

This class continues to experience losses, with several large industry losses in 2021 resulting from inadequacy of hot work protocols.

The 2020 wildfire season in the Pacific Northwest caused civil authority outages for mill owners. In some cases, minor damages to the actual operations resulted in significant claims due to civil authority actions. The winter storm freezes in Texas created power outages and, in some cases, significant downtime or interruption for mill owners. These losses highlighted an inadequate valuation on buildings and equipment replacement costs, as well as reported business.

The downturn in the global economy created significant supply chain issues, increasing the cost of materials and delaying the replacement of specialized equipment. Currently, we are seeing an increase of home renovations and housing shortages, with the price of lumber skyrocketing to historically high levels of nearly 400%. The expectation is that this trend will continue for the remainder of this year. Check out our lumber market timeline to get the full picture.

Capacity and Pricing

Capacity continues to be an issue with more carriers exiting the marketplace because of deteriorating loss results. Rates are projected to continue to rise throughout 2021 and into 2022, as this class experiences large loss events. However, as rates continue to rise, we expect to see more markets re-enter the class.

Insurers remain concerned about valuation, as some of the insurance-to-value tools have yet to catch up. This has put pressure on rate increases to ensure premium adequacy due to the demand surge. Moving forward, mill owners need to examine their business income levels and allow time to secure equipment/building materials following a loss, as costs will be higher and lead times longer.

Today, it's important for brokers to have discussions regarding valuations, business continuity plans, business income with extra expenses, and standard procedures around hot work programs with their lumber industry clients.

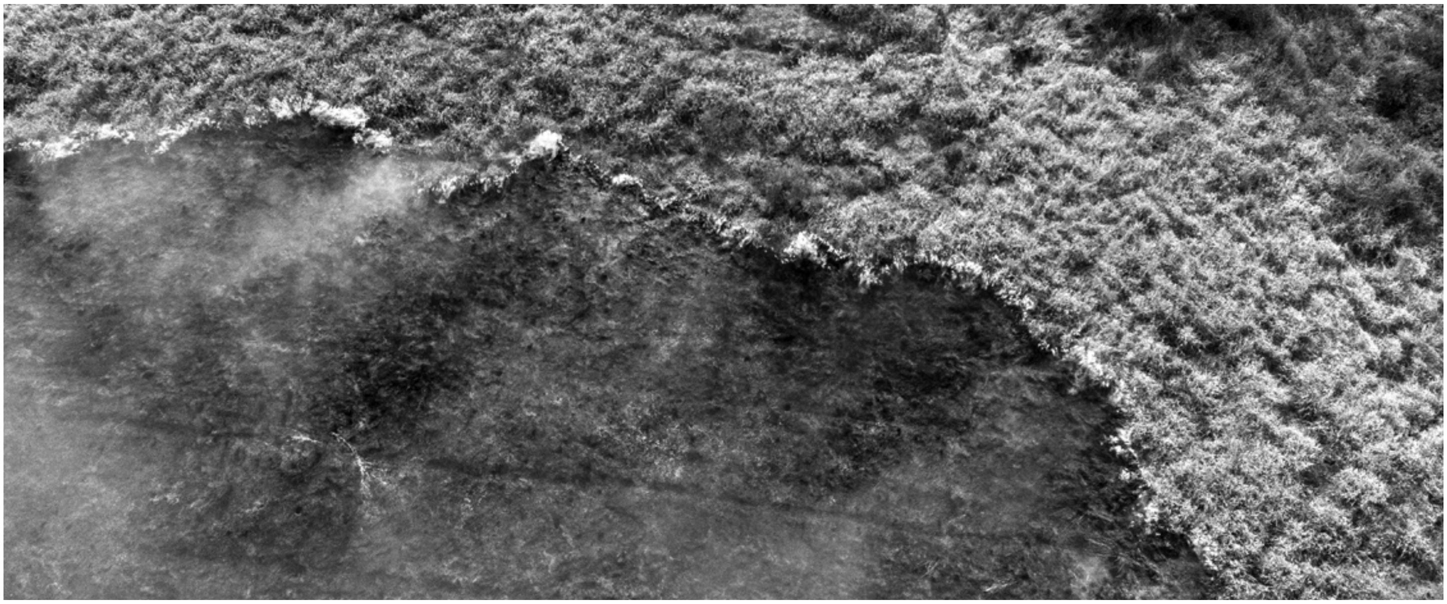
Exposure Changes

We are seeing some insurers adding wind and hail deductibles, along with more loss limit policies. For mills in wildfire exposed areas, we expect to see restrictions on civil authority and ingress/egress coverage grants.

Insight provided by:

– Scott Morrow, EVP with Amwins Brokerage in Atlanta, GA
– Jay Hanna, President of Woodus K. Humphrey
– Mark Bernacki, President of Amwins Special Risk Underwriters and Alternative Risk Practice Leader

Insurers remain concerned about valuation, as some of the insurance-to-value tools have yet to catch up.



Public Entity

Overall Segment Trends

The public entity space is experiencing the lasting effects of COVID-19. With a large portion of budgets coming from tax revenues, public entities may have already budgeted for insurance costs with funds set aside from the previous year. As a result, public entity insureds are having to make tough cost-conscious decisions regarding limits and coverages.

We are seeing a trend in certain public entity markets that are willing to consider a rate guarantee, but with caveats and a defined timeline of 2-3 years. While not plausible for all insureds, this could be of interest in the public entity space when it comes to budgetary purposes – especially in the high excess layers.

Capacity and Pricing

In addition to scrutinizing terms, markets have adjusted their capacity over the last 18-24 months. While most are comfortable where they are currently, a few markets are electing to decrease capacity and others are willing to offer more, but with increased pricing. While there is no significant new capacity from the U.S. markets, we are seeing new carriers emerge from London.

The past 24 months have been difficult for the public entity property market. While the increases continue, we are starting to see some softening. In some rare instances, we have seen single digit rate increases on certain public entity accounts, but that's typically on those that are loss free, have an appropriate deductible structure, and a small CAT footprint.

Markets are taking a closer look at insured valuations, as we have seen large losses in the public entity space where values were underreported. Insured should re-evaluate both the PD and BI values annually.

Exposure Changes

A key driver of the continued tough market conditions are convective storm and wildfire losses. Even insureds that are loss free from these types of storms are feeling the pain from markets who have suffered convective storm losses in the public entity class. The increase in convective storms has caused some markets to stop participating on accounts that don't have coastal exposure.

In areas prone to convective storms and wildfire exposures, carriers are re-evaluating limits and requiring higher deductibles. Although markets seeking percentage deductibles for wind, hail and convective storms are not new, the tone is becoming more urgent than in years past.

In states prone to convective storms, rates have increased exponentially over the last 18 to 24 months. Convective storms can even represent a larger portion of overall pricing than named windstorms, especially in the Southeast.

Exclusions

Similar to what the property market is experiencing, the public entity sector is also seeing standard exclusions for communicable diseases and cyber.

Insight provided by:

– Darron Johnston, VP and Amwins' Public Entity Property Practice Leader
– Edison, NJ Property Team – Kim Curcio, Rich Jacobsen, Greg Spinner, Bob Convissar and John Keegan

Casualty

Tom Dillon
Amwins' National
Casualty Practice Leader

While the excess casualty marketplace in 2020 saw hardening conditions across the board, the theme in 2021 shows the market has stabilized thanks to abrupt adjustments made by carriers last year and new capacity entrants. Most excess carriers have maintained expiring limits and attachment points. However, to ensure pricing is in proportion to the inherent risk exposure, many carriers are looking for marginally increased rates over expiring depending on the class of business.

Currently, most carriers are comfortable with the excess capacity and the terms in which they are willing to offer coverage. And while we had expected the primary casualty market to start pushing rates, that has yet to happen outside of certain distressed areas.

With the exception of certain verticals, carriers are looking to grow in the primacy space, particularly in products liability. However, for carriers to expand in the primary GL space means creating more competition and tempering any rate increases they may be trying to achieve.

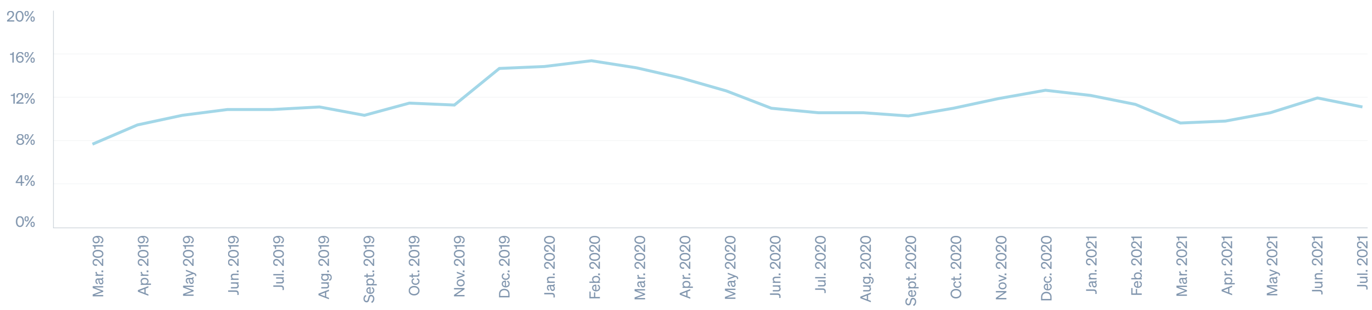
Public entity, residential construction and habitational remain some of the more challenging sectors, along with wildfire-exposed risks.

As the economy reopens post-pandemic, there is positive activity in the hospitality space from hotels to motels, amusement parks, etc. This, and the fact that construction projects once postponed or suspended due to COVID-19 are now resuming, will present additional opportunities, and we'll likely see a boom in the hospitality and construction markets.

From a claims perspective, we are beginning to see a resurgence in large settlements and nuclear verdicts – a trend that will likely continue as the courts reopen.

Staying on top of this hard casualty market will require retailers and brokers to provide complete submissions with detailed risk characteristics and get well ahead of renewals. Doing so will result in better outcomes for our clients and insureds.

Renewal Pricing Trends – Casualty Renewals, Rolling Quarterly



Casualty Segment Snapshot

- Cannabis / Nutraceutical
- Construction
- Environmental
- Public Entity
- Real Estate
- Transportation

Cannabis / Nutraceutical

Overall Segment Trends

Despite new states legalizing cannabis and federal reforms being introduced in Congress, we have yet to see new entrants in the cannabis space. While there is increased carrier interest in the regulated marijuana casualty sector, we don't expect any new market participants until there is definitive clarification at the federal level.

Currently, new capacity is primarily entering the space via existing carriers and programs expanding their offerings. COVID-19 largely spared the regulated cannabis markets, due in no small part to most states classifying cannabis businesses as essential. We expect to see expanded growth as dispensary construction resumes and states continue to expand regulated cannabis operations.

Onsite cannabis consumption is an emerging source of risk that was delayed by the pandemic. Several carriers have developed stances to accommodate onsite consumption, but we haven't seen a steady volume of submissions that could reveal unexpected issues arising from these exposures.

Robust state regulations have been a key factor in helping insurers get comfortable writing cannabis risks – but today, regulations on delta-8 THC (D8) products are mostly non-existent. Outside of the dozen or so states that have moved to ban D8 sales, regulations remain very relaxed where sales are still permitted. Although most markets have taken restrictive stances on D8, we continue to see submissions that don't reference D8 products or conflate the products as CBD. It's critical that retailers are aware of the issues with these types of products and educate their clients about the limitations on coverage.

Capacity and Pricing

Health, wellness and nutraceutical casualty rates remain historically low compared to rate increases in other classes. With increased interest and willingness to write CBD products among traditional carriers in the health and nutraceutical field, as well as new MGA offerings targeting this segment, it's possible that we could see further downward pressure on these casualty rates.

Programs utilizing cannabis coverage forms for hemp/CBD risks should be avoided as those products are subject to entirely different regulations than cannabis and are more appropriately covered by nutraceutical markets.

Capacity among the more established players in the cannabis space has been increasing as they negotiate more favorable reinsurance based on positive performance of their books. Fierce competition for well-run cannabis operations with clean loss histories is keeping rates flat or slightly down. In contrast, insureds with an unfavorable loss history or undesirable risk profile are experiencing substantial rate increases, lower capacity and additional exclusions.

Exposure Changes

With increased demand for product recall on CBD and hemp, a few markets have entered the space to provide coverage. While not mainstream yet, further clarification from the FDA and congress may spark additional market entrants.

Insight provided by:

- John Deneen, VP with Amwins Brokerage in Denver, CO
- Morgan Moore, VP with Amwins Brokerage in Los Angeles, CA
- Norman Ives, Cannabis specialist with Amwins Brokerage in Los Angeles, CA

Construction

Overall Segment Trends

We are currently seeing a backlog of delayed construction projects starting up, which is increasing the number of exposures and policy submissions, as well as the size of projects.

Infrastructure has always been a tough class of business for the excess market. We anticipate the new infrastructure bill to add increased exposures and opportunities into the construction market, however, it may take some time before it makes an impact on market pricing and capacity.

Although we are seeing some movement in a post-pandemic environment, we are not out of the hard market, yet. While some commercial classes may soften, challenging classes and insureds with losses will find pricing tough and limits shortened.

> **We anticipate the new infrastructure bill to add increased exposures and opportunities into the construction market.**

Exclusions

Communicable disease exclusions are pervasive, and we are seeing underwriters attempting to add sexual abuse and molestation exclusions to construction accounts, as well as subsidence and building collapse exclusions.

Capacity and Pricing

In the near future, inflation will continue to impact construction costs, unless the federal government intervenes. This translates to more limit needed and higher pricing.

Coverage for excess capacity remains difficult to secure, particularly on accounts that are loss-challenged, or within the lead $8M on residential wraps in construction documentation states.

Wrap-up pricing remains a challenge – mainly due to general aggregate losses where carrier pricing has been historically inadequate. Pro-forma wrap-up pricing should be updated regularly if projects are delayed, as pricing has been extremely dynamic.

Lead players in the excess space are few. However, there are several new primary and excess markets working on obtaining paper and filing their forms. With new entrants hitting the marketplace around the start of 2022, we should begin to see capacity expand. However, these new construction markets will likely be focused exclusively on commercial, with a limited appetite for anything residential. In fact, we expect residential to become even tougher as capacity continues to shrink.

- **New York construction market:** Carriers are moving away from some of the tougher construction classes – such as exterior masonry, curtain wall, demolition, roofing, scaffolding and bridge work. However, certain markets are beginning to write more of these types of classes.

  New markets entering New York continue to have an impact on others who are willing to write trade contractor deals. In addition to general liability, we are also seeing more lines being written for workers' compensation and excess.

- **Florida residential construction market:** We are seeing a few carriers willing to write primary and lead excess, most of which are MGAs. Currently, overall capacity continues to be cut, with some carriers completely withdrawing from the market. Carriers are also adding more restrictive terms, such as limits on wrap projects and not going over 100 units for high rise projects.

Insight provided by:

- Jett Abramson, EVP and Construction Casualty Practice Co-Leader with Amwins Brokerage in Manhattan Beach, CA
- Jennifer Mier, EVP and Construction Casualty Practice Co-Leader with Amwins Brokerage in Dallas, TX
- Scott Jensen, EVP and Construction Casualty Practice Co-Leader with Amwins Brokerage in Satellite Beach, FL
- Gary Ricker, EVP and NY Construction specialist with Amwins Brokerage in New York, NY

Environmental

Overall Segment Trends

The environmental sector continues to experience significant growth, with several new carriers entering the marketplace. However, as overall market capacity and appetite for environmental business grows, the sector is also experiencing an increase in claims frequency and severity, which has caused disruption in certain lines of business.

Last quarter, a long-standing site pollution carrier pulled out of the marketplace after an unprofitable year. This follows the exit of another key carrier several years ago. Despite the challenges this presents for certain classes, overall market penetration for specialized environmental policies remains low, offering retailers with greater opportunities to provide solutions for their clients.

Exposure Changes
Hospitality and habitational risks are experiencing a restriction of coverage for mold, with carriers increasing deductibles and limiting coverage for pollution discovered during capital improvements.

With the many proposed large infrastructure projects in the works, we expect to see an increase of contractual obligations for general and trade contractors to carry contractors pollution liability (CPL) and combined contractors pollution and professional, along with several markets writing competitive CPL wraps for larger projects.

Capacity and Pricing
CPL and combined contractors pollution and professional are experiencing growth and relatively flat rates due to the number of carriers offering coverage. We are also seeing some markets add faulty workmanship coverage to their forms.

The market for higher hazard risks, such as chemical manufacturing, oil and gas operations, mining and bulk petroleum storage, are expecting what could be double digit rate increases.

Packaged GL and pollution continues to expand to additional classes, with some carriers writing trade contractors along with all types of manufacturing risks. Currently, there is an estimated $450 million in capacity available in this marketplace. While carriers offering this product haven't shown the same hardening as the general casualty market, some are beginning to pull back on excess capacity.

The market for higher hazard risks are expecting what could be double digit rate increases.

For example, carriers that once offered $25M might now offer $15M, and others that offered $10M may only put up $5M. This reduction in limits comes as more companies seek product-pollution liability due to increased litigation around products that are toxic to humans or the environment.

Exclusions
The U.S. EPA and state environmental agencies continue to look at "emerging contaminates" and as a result, carriers are implementing perfluoroalkyl and polyfluoroalkyl substance (PFAS/PFOS) exclusions for sites where these were used in historic operations. We expect this trend to continue as the regulatory and legal environments change. Additionally, airports, wastewater treatment facilities, landfills and manufacturing classes are seeing PFAS exclusions, unless water testing demonstrates zero contaminants.

COVID-19 and communicable disease exclusions are common on both site pollution and contractors pollution forms, however some carriers are willing to offer coverage based on the insureds' operations and protocols. Generally, coverage is being offered with small sub-limits of $1M or less with no coverage for business interruption.

Insight provided by:
– Daniel Drennen, VP and Environmental Practice Leader with Amwins Brokerage in Birmingham, AL

Public Entity

Overall Segment Trends
Public entity liability placements, many effecting at the end of Q2, necessitated a full collaboration of markets, buyers and brokers to deliver solutions in one of the most challenged verticals in the casualty space.

For the first time, pooled risk mechanisms experienced overall shared member aggregates – often at a multiple of the per occurrence limit, with exceptions on education exposed risk profiles for more restrictive aggregate multiples for sexual molestation liability. These same risk pooling structures embraced vehicles for reinsurance participation in mid-layer excess positions.

Efficiency of frictional cost reductions of self-insurance vs. risk transfer, coupled with lower than carrier actuarily-driven loss severity and trend selection levels, helped increase retained amounts to further support greater risk assumption by pool administrators and risk managers.

Individual Risk Markets

Individual risk lead markets saw a continued net loss, while several short line excess and reinsurance facilities arrived on the scene in Q2 to afford mitigating (and new) capacity support.

The Bermuda start-up facilities supported the public entity arena in light of imposed aggregate positions in renewal terms, and improved premium to limit considerations in an effort to align closer with underwriting guidelines.

Non-tort protected venues continued to see different renewal outcomes in comparison to states where the governmental tort caps have held.

The higher education space experienced a dislocation in key lead market participation (both terms and policy language) that generated significant excess tower activity and unique retained amount language offerings, most notably regarding sexual molestation liability.

Capacity and Pricing

Capacity in the public entity space remains limited, as existing market participants continue to seek reduced line sizes.

Excess tower participation saw significant updraft in pricing due to higher demands of intervening price per million percentages, exacerbated by line size reductions and the simultaneous need for increased syndication of market participants to achieve expiring total limit purchases.

Existing market positions were impacted by Q1 and early Q2 treaty renewals, with increasing limitations around certain venues (California, Washington, Oregon, and New Jersey as examples) and capacity availability – with many markets moving from 10M to 5M lines and creating 5M x 5M layer needs that previously didn't exist.

Purchasing Behavior

Multi-year structured solution offerings (spreading both aggregate and corridors across multiple terms) saw increased interest from buyers, especially when looking at funding alternatives in retained layers.

Exclusions

Non-operational underwriting variables, such as forever chemical exposure and climate/weather changes, alongside persistent loss activity around sexual molestation and cyber liability, saw markets continue to keep a close eye on terms and possible exclusionary stances in particular areas of concern.

Insight provided by:

- Brian Frost, EVP and Public Entity Practice Leader with Amwins Brokerage in Woodland Hills, CA
- Davis Moore, Vice Chairman with Amwins Brokerage in Los Angeles, CA
- Lori Hunter, EVP with Amwins Brokerage in Los Angeles, CA

Real Estate

Capacity and Pricing

Pricing for the real estate sector continues to increase but is less dramatic compared to 2020. While the opportunity for carriers in this space continues to grow, so does their scrutiny in what they wish to write. Much of this scrutiny is based on the increase in losses year over year. While additional capacity has been entering the casualty marketplace overall, very little of that has been for the real estate sector. We continue to see insured's re-negotiating lender required excess limits because of rising rates.

Exclusions and Coverage Limitations

An exclusion that is gaining traction is habitability. Insureds must be extremely careful and understand the true intent, as policy language within this exclusion varies by carrier.

For small schedules with losses or poor crime scores, it remains challenging to find more than small sub-limits for A&B. In addition, some carriers will exclude sexual misconduct/molestation. One way to regain some protection on A&B for sub-limited or excluded policies is via Active Assailant coverage. While it won't provide the comprehensive A&B coverage received on a standard general liability policy form, it can protect the insured for losses caused by a deadly weapon.

Amwins recently launched an exclusive product that combines deadly weapons protection and sexual molestation coverages on a single policy form for small to mid-size businesses.

While the opportunity for carriers in the real estate space continues to grow, so does their scrutiny in what they wish to write.

Purchasing Behavior
Success for retailer brokers in this market involves implementing a strategy that looks more closely at where losses are coming from and where they can apply/accept more restrictive terms. While this wasn't necessary a few years ago, more insureds are now willing to accept more restrictive terms for a small number of locations to avoid being penalized on the larger portion of their schedule.

When evaluating risks, we continue to see carriers asking for more underwriting information. To overcome challenges in this space, it's vital to demonstrate proactive actions the insured is taking to mitigate risks. Claims will still occur, but the more quality information we can provide showing proactiveness both pre- and post-loss, the better chance the carrier will have interest in providing terms. In addition, if the insured is in growth mode, be ready to defend how they are managing that growth effectively.

Insight provided by:
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Transportation

Overall Segment Trends
Public auto accounts were the hardest hit during the pandemic, with many small and mid-fleet accounts electing to close rather than trying to operate on a limited schedule or pivot to an entirely different operation. Entities that did close are now working to resume operations – in many cases, as a new venture. This could mean a higher unit rate structure than prior to the pandemic, driven primarily by a lapse in coverage, new or inexperienced driver exposures and operating with fewer power units.

As the driver shortage continues, insurers are being asked to approve drivers who may not otherwise meet age or experience requirements. While some insurers are willing to make exceptions, some cases will require insureds to implement additional telematics monitoring of drivers that don't meet guidelines.

Carriers will continue to put more weight into technology and safety, favoring risks with added tech and safety programs. Over the next several months, we'll continue to see telematics-based programs

We are seeing growth in new program and alternative risk capacity in commercial auto and trucking.

offer solutions for accounts that may have a distressed operation profile, and the industry should expect to see additional capacity in usage-based insurance expand.

Capacity and Pricing

- **Primary Auto.** Pricing for primary auto is beginning to flatten after several years of rate increases. We are seeing growth in new program and alternative risk capacity in commercial auto and trucking, primarily in the mid-fleet and large fleet segments. As increased competition on preferred to mid-tier risk profile accounts heats up, most renewals are being intensively shopped.

  Commercial auto tort reform continues to be a topic of discussion, with legislation recently passing in TX aimed at reducing the prevalence of "lawsuit abuse" and corresponding "nuclear verdicts." Reform initiatives are being viewed as a first step in tort reform that may carry over into several legislative sessions. What doesn't get done this year will need to wait for the next legislative session in 2023 or be built on accomplishments made already this year.

- **Excess.** More carriers are moving from a flat rated policy to adjustable on mileage/unit counts to account for added exposures throughout the term, paired with a 100% MAP so premium is not returned if exposures are reduced. On clean(er) risks with short limits ($1M-$2M), we are seeing an average of 10%-20% rate increases, while clean risks in tougher industry groups (e.g., oilfield, fracking, etc.) are on the higher end.

  Over the past six months, several new entrants in the lead excess market have resulted in marginally softer conditions on small to mid-sized risks within the first $5M-$10M layers. The trend for carriers to reduce their excess capacity, especially in the higher layers, has somewhat stabilized from the drastic changes/ reductions experienced over the past few years. However, risks in tougher industry groups and those with poor loss experience are still seeing capacity reductions. Carrier appetite in excess has remained mostly consistent, with public auto risks (bus, paratransit, taxi, limousine) typically being the most difficult to place.

Exclusions

As a result of COVID-19, we are seeing more carriers adding communicable disease limitations and/or exclusions to their business auto forms.

Insight provided by:

- Chris Moulder, SVP with Amwins Brokerage in Atlanta, GA
- Kevin Fuhr, AVP with Amwins Brokerage in Chicago, IL

Professional Lines

David Lewison
Amwins' Professional Lines
Practice Leader

Similar hard market conditions experienced in the first quarter of the year continue to impact many professional lines of business in the second and third quarter of 2021.

There are reasons to be optimistic as the economy reopens. However, our post-pandemic environment may unleash a backlog of professional liability claims and coverage issues that the industry needs to prepare for.

All professional lines are feeling the effects of a hard insurance market. Cyber liability, however, has and continues to experience the greatest degree of change. In addition to facing increasing rates and more restrictive terms, buyers will be asked to demonstrate their commitment to cybersecurity risk mitigation as underwriters become more selective, declining and non-renewing risky accounts.

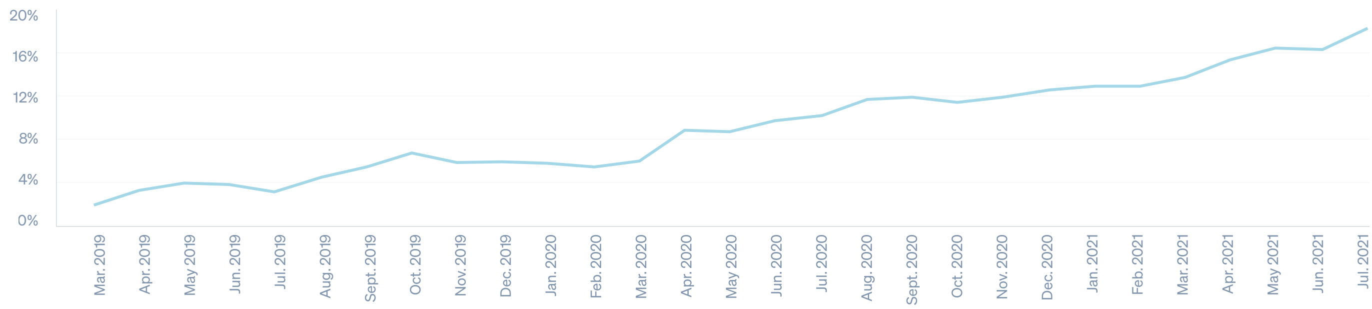
Despite the economy attempting to return to normal, there are some lasting exposure changes from the pandemic, such as telemedicine. Many insurers now offer e-health package policies to address medical malpractice and privacy-related issues, with this business anticipated to grow even faster.

The area of Employment Practices Liability is likely to experience issues as more employment-related claims are filed, potentially stemming from return-to-work mandates or rehiring furloughed employees.

While D&O liability has experienced some degree of rate flattening, this could abruptly change as activity surrounding mergers and acquisitions and special purpose acquisition companies increase. Moreover, the post-pandemic reopening of the judicial system may also become a potential driver of D&O claims. Additionally, strong market outlook exists for reps and warranties liability, as struggling businesses in the wake of COVID-19 look to cash out, increasing the number of corporate transactions over the next several months.

To close this introduction on a positive note, contractor's professional and architects & engineers business is positioned for significant growth and opportunity as the economy improves and building projects resume – not to mention the potential boost from proposed Infrastructure Bills.

Renewal Pricing Trends – Professional Lines Renewals, Rolling Quarterly



Professional Lines Segment Snapshot

- Architects & Engineers / Contractors Professional
- Cannabis
- Cyber
- Directors & Officers
- Healthcare

Architects & Engineers / Contractors Professional

Overall Segment Trends

Many construction projects are continuing to see scheduling delays and once completed, we will likely see an increase in claims activity for contractors due to these project delays and alleged negligent construction management, leading to a significant increase in project costs. While most of the current challenges causing inflation and delays are out of the contractor's control, professional liability coverage will be increasingly important (albeit more costly), as it helps contractors defend against allegations.

– **Inflation.** Inflation will continue to have a huge impact on construction. As a sector dependent on materials and skilled labor, both of which are scarce resources in the current market. Rectification costs on the claims side are also at an all-time high, and many insureds have yet to factor in these inflation costs and adjust their professional liability limits to reflect the increased cost of the exposure. Now is a good time to re-evaluate limits.

– **Claims.** We are seeing above average claims frequency pertaining to alleged MEP and HVAC design errors at healthcare facilities, along with an increase in residential claims, particularly with condo work. While structural and geotech engineers have always been tougher classes, we are finding that chemical and mechanical engineers are also falling into a higher risk rating class.

– **COVID-19.** As a result of COVID-19, we believe there will be increased pressure on mechanical/HVAC design professionals regarding air quality and the unhealthy/toxic indoor environment that some HVAC designs have the potential to cause. Mechanical/HVAC contractors may have a heightened responsibility to correct poor design work when working with someone else's design plans.

– **Federal Legislation.** New federal legislation will make funds available for infrastructure repairs and improvements for the foreseeable future, particularly for civil engineers, structural engineers, architects and surveyors. And while this bodes well for the industry, it puts additional pressure on construction employers to find the labor and materials they need. Additionally, the new infrastructure bill includes significant requirements for the construction industry when it comes to addressing climate change by reducing carbon emissions.

Exclusions and Coverage Limitations

Exclusions that should be a concern for brokers include cost overruns, delay in construction/delay in delivery and faulty workmanship. The most meaningful coverage limitation in the A&E space pertains to limits profile management, where carriers appear to be far more selective in offering limits greater than $5M. Some markets are going so far as to put low limits caps on specific disciplines.

Capacity and Pricing

Capacity remains plentiful in the A&E space. On average, we're seeing 5-10% increases. However, some accounts can see up to 25% increases, depending on claims activity.

On the contractor side, smaller contractors working on residential condo projects will likely have a difficult time finding a minimum premium policy. Today, we're seeing carriers underwriting more to the project than ever before, which leaves small residential contractors with few affordable options for their professional liability policy.

While pricing is an important consideration when choosing an A&E carrier, an insurance company's claims handling experience should be another critical factor in the decision-making process.

Insight provided by:

– Katie Kruizenga, EVP with Amwins Brokerage in San Francisco, CA
– John Grise, SVP with Amwins Brokerage in Hopkinton, MA
– Brett Fowler, VP and Program Manager of Amwins' A&E Insurance Program

Cannabis

General Segment Trends

Without broad stroke legalization, the cannabis/CBD marketplace remains extremely limited and will continue to be. The fact is, despite industry growth and opportunities in the cannabis insurance space, few carriers are willing to write the risk. And while passage of the SAFE Banking Act will expand access to banking and other financial services for the cannabis industry, it will also likely trigger new market entrants into the space.

Exposure Changes – Cyber

Cyber claims and rates are on the rise, with a trickle-down effect as it pertains to the cannabis sector. Currently, only three carriers in the cyber space write cannabis operations, and they are generally raising rates and retentions.

To obtain coverage under a cyber policy, cannabis operations will be required to complete a ransomware supplemental application. If risk mitigation controls aren't there, carriers will either decline coverage, offer a small sublimit or attach a co-insurance endorsement asking the insured to share in the risk/loss. Currently, we are seeing carriers provide insureds with proactive suggestions for implementing better cybersecurity safeguards that, once complete, may lead to less restrictive terms.

Today, less than 10% of U.S. cannabis companies buy cyber insurance. This is an alarming trend given that in 2020, CNN predicted that cannabis would be the next big target for hackers. Retailers must stress to clients that no company is immune from a cyberattack, and a single event could put them out of business.

Capacity and Pricing
Retentions and premiums are increasing across all lines, while simultaneously, carriers are capping their limit output. However, this is a normal reaction given the level of uncertainty in the marketplace and only a few carriers shouldering the industry's exposure. D&O is a perfect example, where a carrier that has paid the most in claims is asking for the highest retentions.

The cost of running a cannabis business remains extremely high, with debilitating tax implications. In states like California, the black market is alive and well, so that drives competition up and prices down. In turn, the cost of insurance and higher retentions (in the event of a claim) all negatively impact a company's bottom line. For many of these businesses – even the most successful ones – there remains a challenging uphill climb.

Insight provided by:
– Brian Savitch, SVP with Amwins Brokerage in San Francisco, CA

Cyber

Overall Segment Trends
Ransomware has been the biggest claims driver over the past year – in both frequency and severity – and is an issue most often triggered by lenient security controls.

Extortion demand amounts are surging, with payouts running into the seven-figure range. The severity of these claims can cause a problem regarding limit adequacy, and as a result, benchmarking appropriate limits becomes impossible when the extortion demand amount itself can swing to such severe levels.

The lack of multi-factor authentication (MFA) usage by clients is proving to be a challenge when securing coverage. Currently, we are seeing underwriters put pressure on the security controls employed by insureds to better mitigate risk exposure.

Moving forward, the market will require insureds to demonstrate they have the necessary risk mitigation security controls in place, such as MFA on remote access, email and/or privileged IT accounts as well as backups in the cloud (or otherwise segregated from the network). Companies that lack this may see higher premiums, coverage restrictions or find that coverage is unavailable to them.

- **Municipalities and Education.** These two sectors remain prime targets for ransomware attacks. Being budget-driven industries, allocated funds available for cyber security or a CISO/security team are often less robust than that of other industries. They also serve a large constituency, so interruptions are especially problematic – of which hackers are aware. Currently, we are seeing many carriers pull out of this sector. Those that remain are extremely selective or have initiated a moratorium.

- **Energy.** The Biden administration has openly addressed ransomware, and the DHS is publishing guidance and requirements around cyber incidents in the energy space. Currently, we're seeing state governments adapt and update their statutes – hopefully, these conversations will lead to action.

- **Other Industry Classes.** Manufacturing, distribution, warehousing and transportation have traditionally paid very competitive rates due to lack of personal identifiable information (PII). However, loss trends have changed as ransomware has taken over as the leading cause of loss. Business interruption due to locked up and ransomed networks has triggered costly losses in the manufacturing sector.

Capacity and Pricing

Cyber liability differs from other hard market environments in that capacity remains available, although the maximum capacity available to individual accounts has been reduced.

Currently, we are seeing very few markets willing to offer $10M limits. Most accounts that purchased a $10M limit from a single carrier in 2020 are now seeing those limits cut to $5M – with pricing increasing, sometimes dramatically, on renewal.

Due to the growing number of ransomware losses, carriers are attempting to drive multi-year corrections across their books in a single underwriting year. Premiums are likely to continue rising well into 2022, but hopefully at a much more subdued rate.

Insight provided by:

– Matt Donovan, SVP with Amwins Brokerage in Atlanta, GA
– Megan North, VP with Amwins Brokerage in Seattle, WA
– Kasey Armstrong, VP with Amwins Brokerage in Seattle, WA

Directors & Officers

Overall Segment Trends

With substantial growth in the Special Purpose Acquisition Companies (SPAC) space, the SEC is increasingly scrutinizing structures and internal controls. This has caused an already difficult D&O market to take note of the additional risks inherent to SPACs and the de-SPAC process.

Currently, the market for SPAC D&O has become even more challenging, with only a handful of interested markets. Given the avenues for lawsuits available to plaintiffs' attorneys and increased SPAC activity, legal action has also exploded – with the rate of new lawsuits in 2021 more than tripling from that of 2020.

This has raised underwriting concerns and underwriters may elect to assess and price accounts on a portfolio basis, rather than an individual basis, hoping to collect enough premium to cover portfolio losses in the absence of data or experience on which to base individual account pricing.

Currently, the market for SPAC D&O has become even more challenging, with only a handful of interested markets.

Capacity and Pricing

While SPACs, de-SPACs and IPOs continue to command high retentions and premiums, the market for IPOs seems to be expanding due to more opportunistic pricing and terms. However, the market for SPACs and de-SPACs seems to be constricting further due to "lessons learned" from claims against the early writers of de-SPACs. Underwriters are pricing SPAC extended reporting periods at 275-300% for six-year periods.

For the D&O market as a whole, we're currently seeing renewals between 9% and 12% — higher for accounts with losses or greater risk exposures.

Exposure Changes

Class action suits for alleged faulty or inadequate disclosures in transaction documents are on the rise, with suits being brought by investors, as well. SPACs have also become targets of "strike suits" where actions are filed in an attempt to prevent a merger and are quickly settled with a large payout to the plaintiffs and their attorneys, allowing the merger to proceed.

Coverage Limitations and Exclusions

D&O insurers across the nonprofit, private and public spaces are addressing cyber and privacy risks with specific exclusions where they had previously remained silent. As cybersecurity issues in the D&O space grow, we'll likely see this trend continue.

Underwriters are now offering only Side A D&O coverage – using an 'ABC' policy form and subtracting B&C coverage – on risks they perceive to be difficult.

Insight provided by:

– Bill Dixon, EVP with Amwins Brokerage in Edison, NJ

Healthcare

Overall Segment Trends

Market conditions for healthcare have yet to soften, with a few major carriers electing to either pull out of certain types of healthcare risks or pull out of the space entirely. For carriers that remain, many are non-renewing accounts in challenging classes, such as long-term care, but are still actively writing other miscellaneous healthcare risks. The good news is there are new market entrants on the horizon – headed up by industry veterans with credible backgrounds – that will bring capacity and hopefully more stability to the healthcare insurance market.

As the world reopens from the pandemic, we haven't seen the amount of medical professional liability claims some expected. However, it's too early to say that the storm has passed. We can expect factors such as applicability of state and federal immunity laws to impact the outcomes of any emerging litigation in this space.

Capacity and Pricing

For the most part, the coverage restrictions and pricing trends that we saw implemented in the second half of 2020 have continued through the first half of 2021. However, while rates in the healthcare marketplace continue to increase, we are seeing a slowdown in the percentage increases. Capacity overall is picking up as the new market entrants get their forms up and running. We expect to see rate changes leveling off in late third quarter or fourth quarter due to the new capacity and competition. This will depend on the particular class of healthcare risk and where that capacity chooses to play.

We continue to see challenging placements in plaintiff-friendly jurisdictions and venues. This likely won't change until respective laws and tort reform go into effect.

Capacity for cyber has been extremely difficult this year, with ransomware attacks dominating the national news. The healthcare sector has not been immune to this issue. Due to the increased risk, limits and market capacity for cyber liability in the healthcare sector are shrinking, while rates and retentions have increased.

Purchasing Behavior

With reduced revenues and added expenses in areas such as PPE, many healthcare insureds – especially in long-term care and home healthcare – are keeping a close watch on their bottom line and simply can't afford the current rate increases. July's 30-40% renewal increases will likely drive insureds to seek alternatives, such as self-insured or risk retention groups (RRGs). However, retailers need to be aware of the potential pitfalls in placing coverage with an RRG as well as issues in tail coverage when moving back to the traditional insurance market.

The ongoing challenges faced by hospital professional liability has initiated self-funding programs and captive considerations that are typically only seen with major healthcare systems. Today, however, we are beginning to see mid-level hospitals evaluate these options through feasibility studies.

Coverage Limitations

More carriers are moving away from writing professional risks on an occurrence form, making the switch to claims-made, as well as mandating deductibles and no longer offering first dollar coverage.

Insight provided by:

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- Don Tejeski, EVP and Healthcare practice co-leader with Amwins Brokerage in Newtown, PA
- Dave Statis, EVP and Hospital professional liability specialist with Amwins Brokerage in Charlotte, NC
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London

Matthew Crane
President, Amwins International Division
CEO, Amwins Global Risks

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.

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

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.

> **As more start-up companies look to protect their assets, there is growth in litigation involving intellectual property.**

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
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