

FINEX GB - DIRECTORS' AND OFFICERS' INSURANCE

# State of the GB Market for Commercial Crime

January 2023

This update analyses our observations of the current crime insurance market conditions and is based on our observations of the market with our WTW clients and not a whole of market review. For ease of understanding, the percentages have been presented as rounded figures.

# GB Crime Insurance Market Overview 2022

- This update provides an analysis of the current conditions in the GB market for Crime insurance and the impact this has on companies and insurance buyers.
- While the GB market for Crime insurance is not seeing the resurgence that is being seen in Commercial D&O, there is increased interest from a number of insurers looking to expand their relationships with valued clients.
- The number of clients renewing with decreased or flat primary ROLs (rate on line) has continued to improve across 2022, with 60% of clients renewing as such in the past quarter ([see page 6](#)).
- Following the decreases in claims notifications from our clients in 2021, this trend appears to be continuing in 2022 and remains down on the previous highs of 2017-2019



# Current FINEX GB Crime Market Conditions 2022



## Capacity

## Coverage

## Claims and Losses

## Premiums and Retentions

### Stabilising

### More Restrictive Conditions

### Lower

### More decreases

- After reductions in capacity in 2020, we have seen insurers generally maintaining their line sizes
- There continues to be restrictions on primary capacity although increased interest from some insurers is easing this.
- Previous tendency for primary insurers to require co-insurance has waned.
- Insurers are beginning to ease their position with respect to writing the Crime cover only alongside D&O - standalone Crime policies are achievable for some.

- Broad coverage still available from some insurers
- We are seeing increasing willingness from insurers to write on CRIMEstar
- Exclusions for ransomware and cryptocurrency remain common

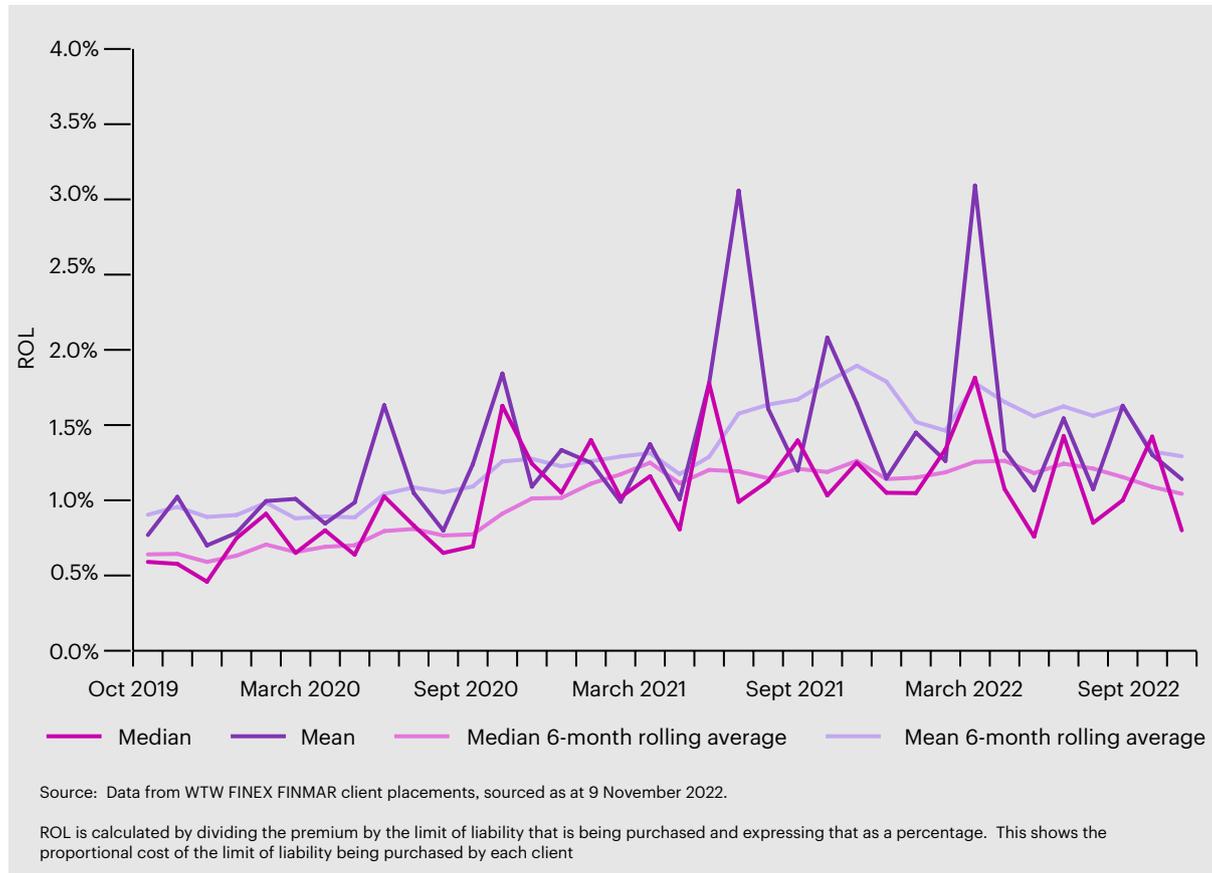
- Crime losses reported for insurance policies placed in the UK for clients of WTW:
  - Compared to the highs of 2017-2019, 2022 saw a lower volume of notifications
  - Social engineering notifications remain high but were slightly down in 2022 compared with 2018 and 2019

- Based on WTW Data from WTW FINEX FINMAR client placements, sourced as of 9 November 2022, for renewals in Q3 2022:
  - 60% of our clients saw their primary layer renew flat or with a decrease
  - The trend for increases in retentions has come to an end and reductions in retentions are possible for some clients – see [\[page 9\]](#) for more detail.

# Rate on Line (“ROL”) Analysis

## Primary layers only

Median primary ROL rates remained relatively steady over the past twelve months, with a 17% decrease on the previous year (1.00% v 1.20%). The mean ROL paid in the past year was 9% lower than seen in the previous year (1.36% v 1.50%). The rolling 6-month ROL average for more extreme placements now stands at 3.87%.





# Primary ROL change

## Changes seen at renewal

Over the past six months  
(H1 2022)

	Median Change	Mean Change
All companies	1%	2%
US exposed companies	0%	-10%

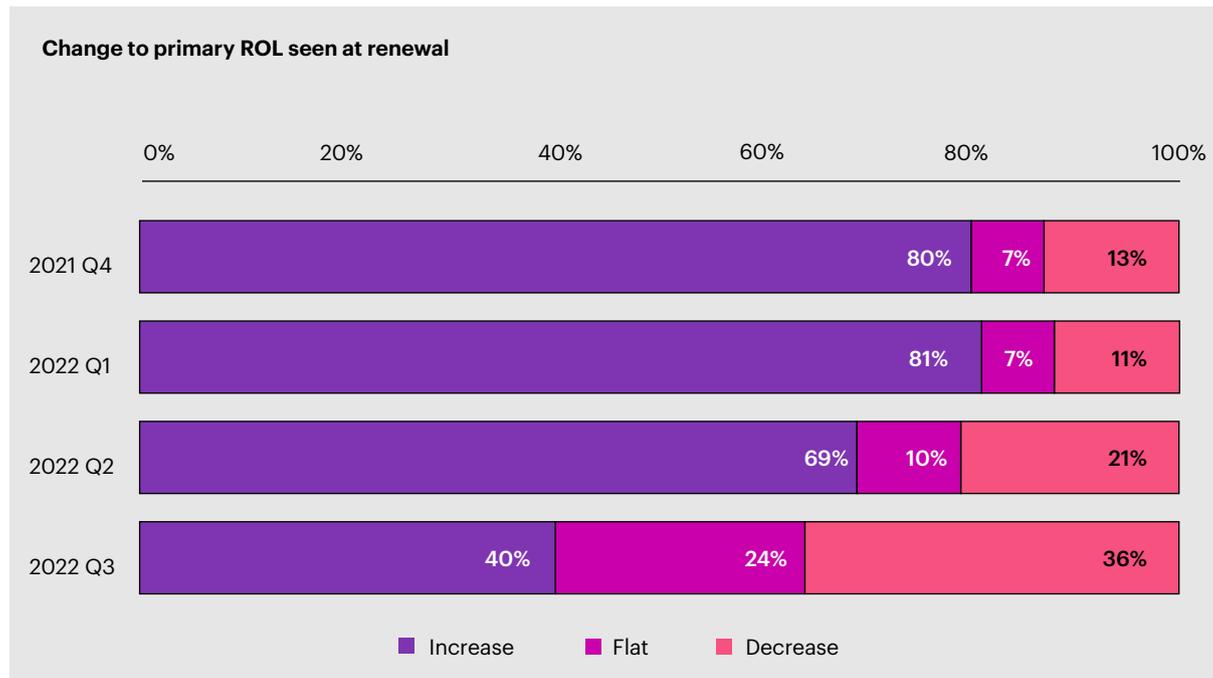
Over the past three months  
(Q3 2022)

	Median Change	Mean Change
All companies	0%	0%
US exposed companies	-1%	-14%

# Primary ROL Analysis

## Changes seen at renewal

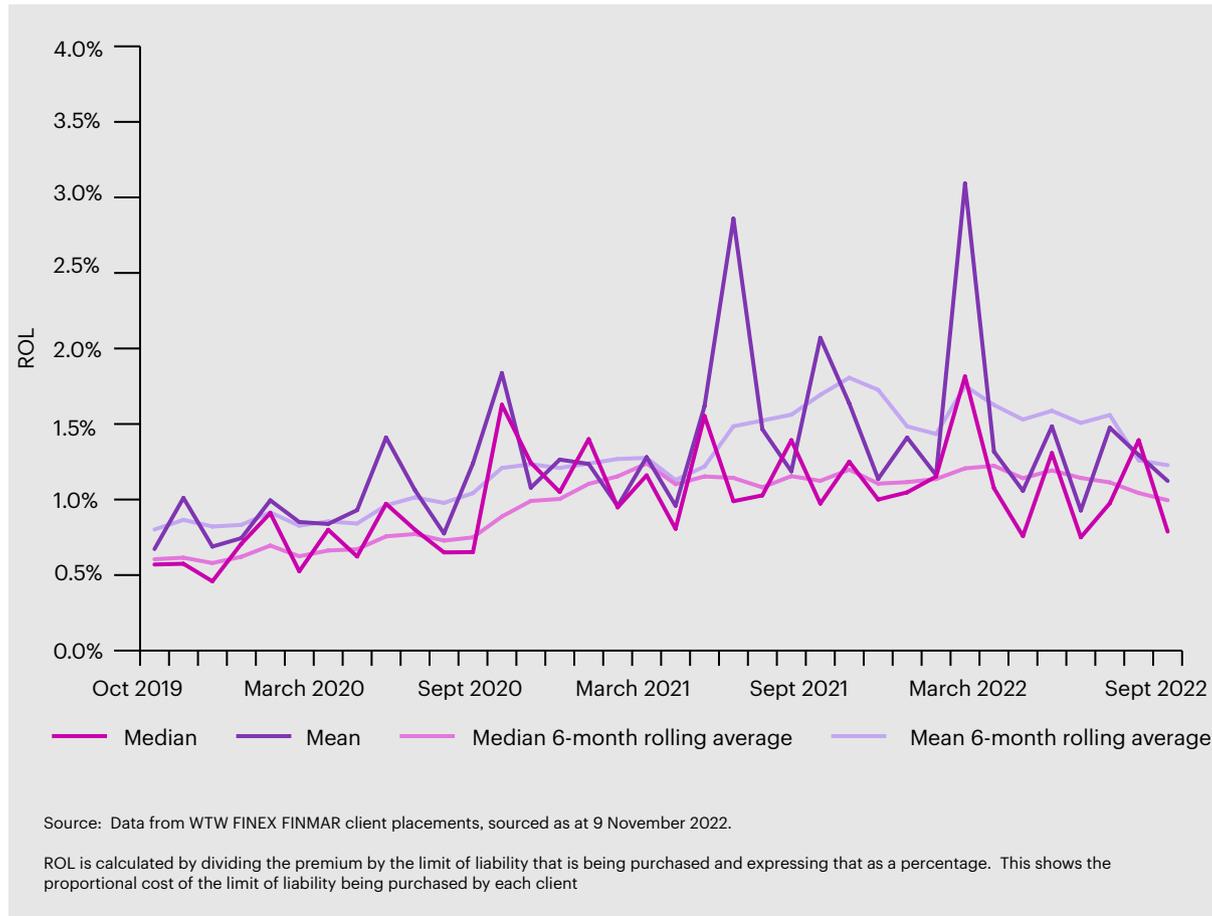
The number of companies renewing with decreased or flat primary ROLs has continued to improve across 2022, with 60% of companies renewing as such in the past quarter.



# Rate on Line (“ROL”) Analysis

## Whole Tower

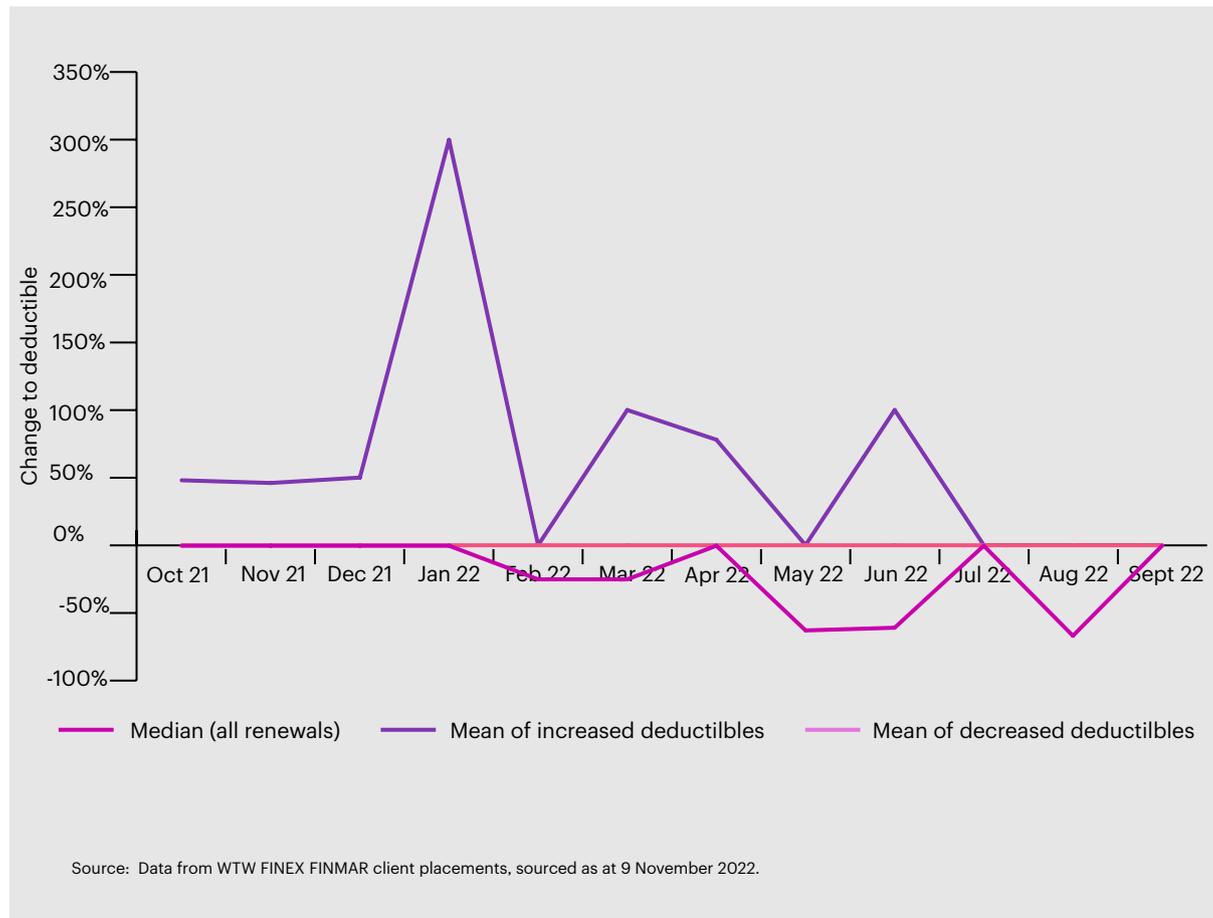
Tower ROL follows the same trends as primary layers. Median primary ROL rates saw a 5% decrease on the previous year (1.00% v 1.05%). The mean ROL paid in the past year was 9% lower than seen in the previous year (1.31% v 1.44%). The rolling 6-month ROL average for more extreme placements now stands at 3.31%.



# Deductible Analysis

## Changes seen at renewal

Mean of increased deductibles dropped from 200% in Q1 2022 to seeing no increases in Q3 2022. The second half of 2022 saw more companies decrease their deductibles, with the median staying consistently at 0%.

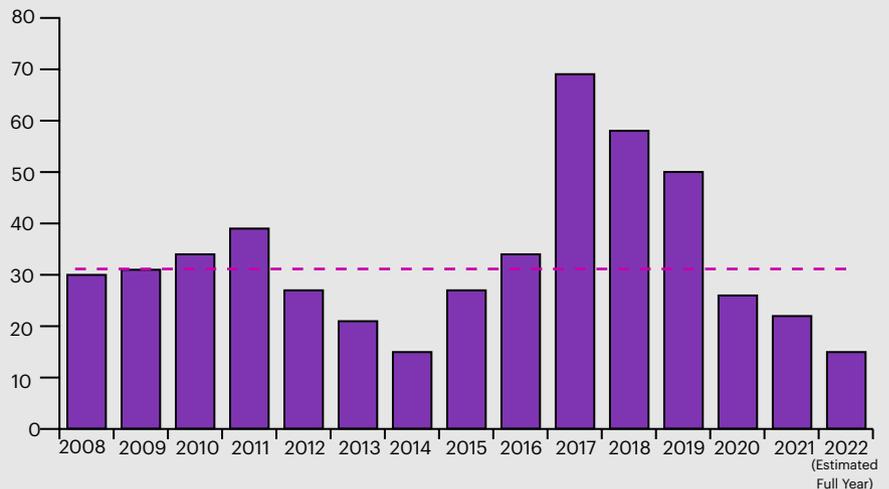


# Commercial Crime

## Loss trends

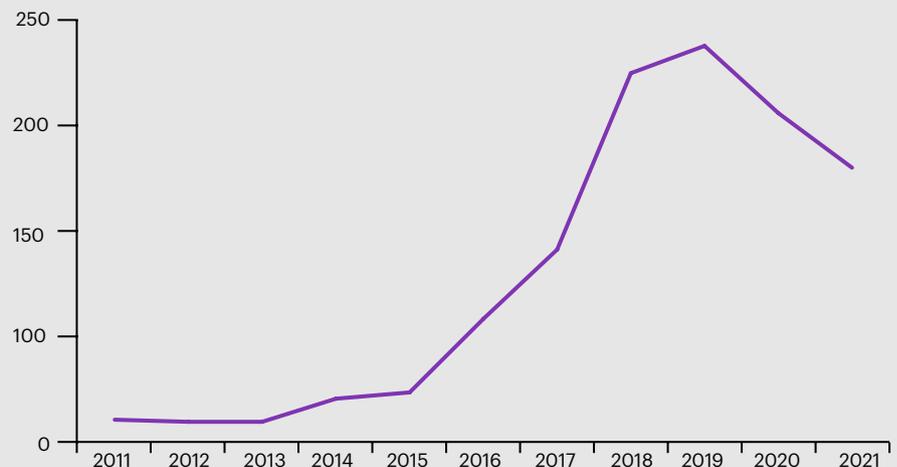
- During recessionary periods, there is historically an uptick in the level of fraud. It remains unclear as to whether a reduction in liquidity reveals pre-existing frauds or whether the increased financial pressure on individuals and companies increases their propensity to commit fraud.
- WTW's internal data indicates that notifications to Crime policies by our clients continue to be significantly down in 2022 compared to the highs of 2017-2019.
- After several years of growth, Social Engineering notifications are starting to level off, although it is possible that some of this levelling off may be attributable to fewer Crime policies being placed.

Commercial crime - number of notifications



Source: Data based on Crime losses reported for insurance policies placed in the UK for clients of WTW between 1 January 2008 and 30 September 2022

Social engineering notifications

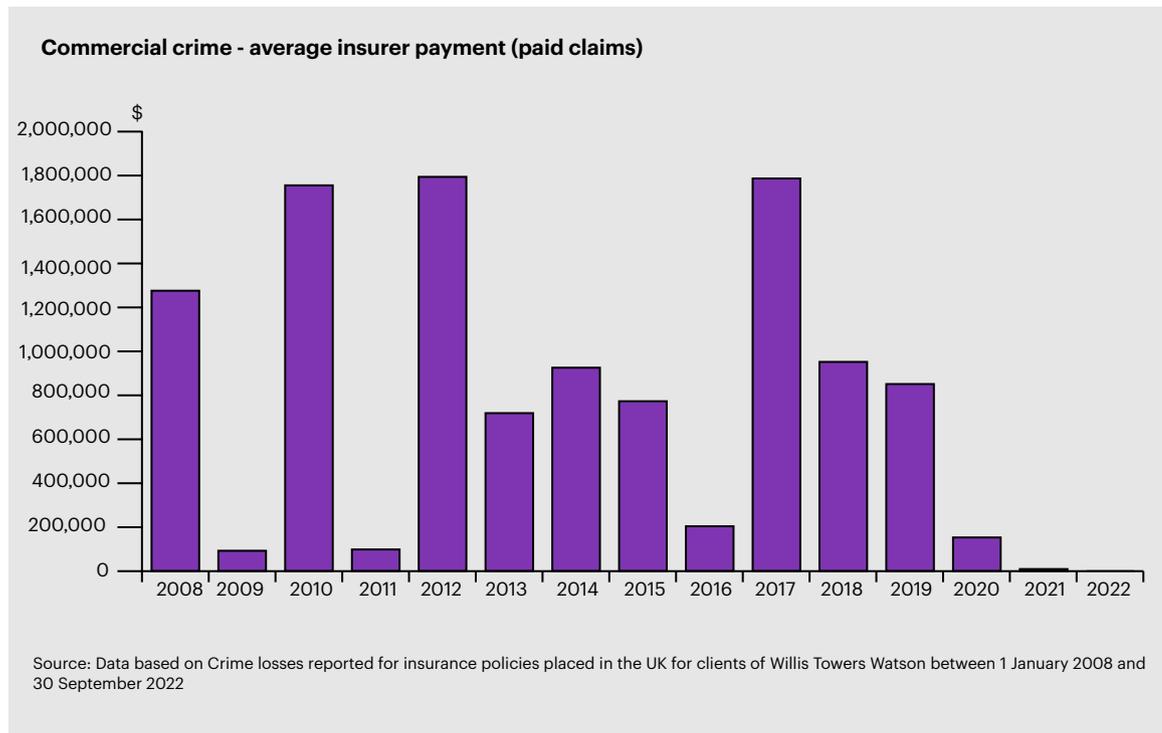


Source: Data based on Crime losses reported for insurance policies placed in the UK for clients of WTW between 1 January 2008 and 30 September 2022

# Commerical Crime

## Loss trends

- During recessionary periods, there is historically an uptick in the level of fraud. It remains unclear as to whether a reduction in liquidity reveals pre-existing frauds or whether the increased financial pressure on individuals and companies increases their propensity to commit fraud.
- WTW's internal data indicates that notifications to Crime policies by our clients continue to be significantly down in 2022 compared to the highs of 2017-2019.
- After several years of growth, Social Engineering notifications are starting to level off, although it is possible that some of this levelling off may be attributable to fewer Crime policies being placed.



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