

GLOBAL FINEX - DIRECTORS' AND OFFICERS'

State of the GB Market for Pension Trustee Liability Insurance

Pension Trustee Liability Insurance,
FINEX GB

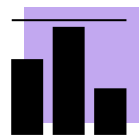
August 2022

This update provides our observations of the current conditions in the GB market for Pension Trustee Liability insurance and the impact this has on companies, pension plans, trustees and insurance buyers. Throughout the report, Pension Trustee Liability insurance is referred to as “PTL”.

Overview as at July 2022

- London Market insurer appetite for UK-only pension schemes is returning, including for pensions run-off policies where schemes are closing.
- As the Directors & Officers (D&O) market is softening at a rapid rate, insurers are attempting to widen relationships with insureds across multiple lines of business.
- There are now more insurers willing to compete for primary layer placements and to write business using WTW's proprietary PensionStar wording.
- Nonetheless, many incumbent insurers are continuing to push for rate increases and insist on their own wordings. In some cases they have demonstrated a willingness to walk away from longstanding clients where competition moves rates below the level they are comfortable with.
- The appetite for excess PTL has grown immensely. Most of our FINMAR panel will write excess PTL, particularly if they are on the D&O.
- By contrast, London market appetite for pension schemes with exposure to the US remains challenged, with insurers frequently applying a retentions for what they regard as excessive fee claims.

Overview as at July 2022



Capacity

Increasing

- Significantly more capacity on excess layers
- Primary layers are seeing competition from insurers looking to widen their relationships with insureds for schemes with no US exposure
- Schemes with US exposure continue to face challenges in the London market



Coverage

Getting wider for some

- Large incumbent insurers still inclined to insist on their own wordings
- Competitors more likely to be willing to write on WTW PENSIONstar wording



Claims and Losses

Developing

- Excessive fee litigation in the US continues to put pressure on pension plans with US exposure
- PTL claims in GB remain at low levels



Premiums and Retentions

Mixed Picture

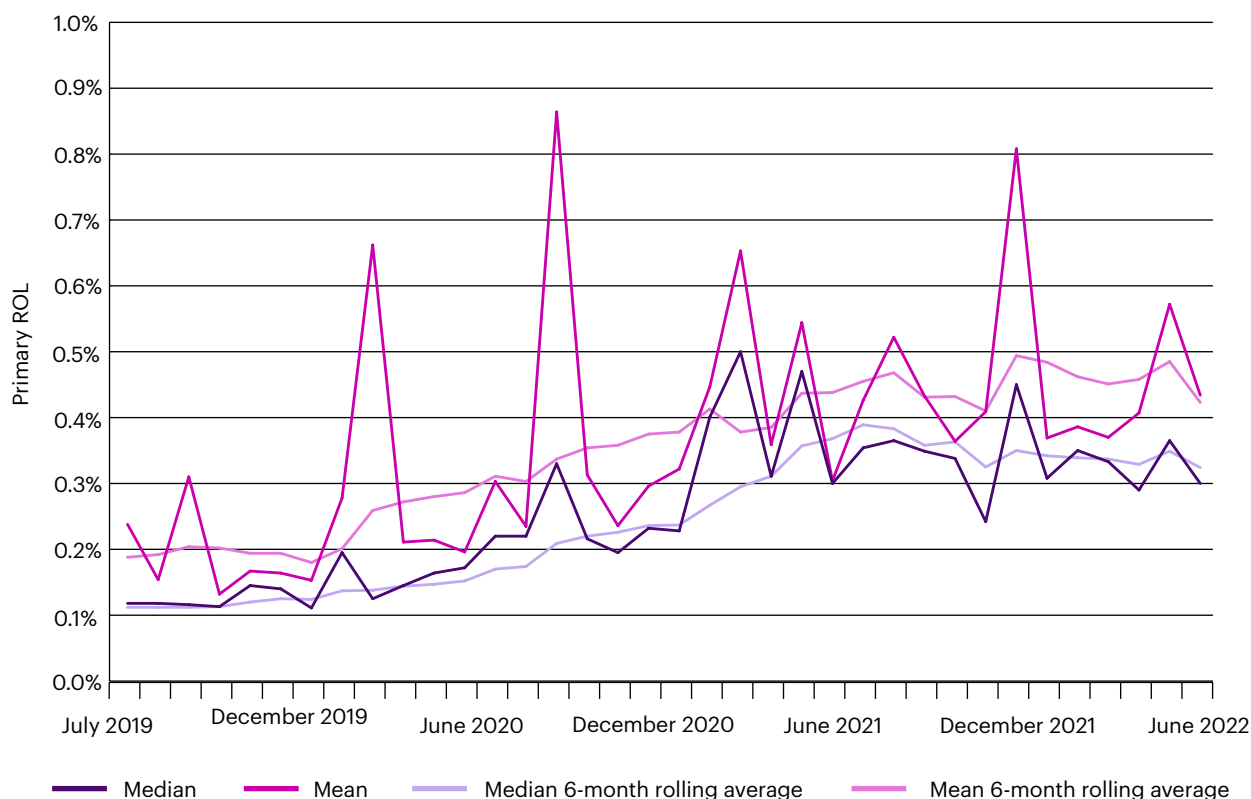
- Based on WTW Data from WTW FINEX FINMAR GB client placements, sourced as at 25 July 22, 49% of our clients renewing in Q2 2022, either renewed flat or with a decrease in the cost of their PTL placement
- Clients with US exposure are less likely to see decreases

Median
 Mean
 Median 6-month rolling average
 Mean 6-month rolling average

Rate on Line (“ROL”) Analysis

Primary layers only

The monthly average ROL for primary layers steadily increased since H2 2019, peaking in Sep20 and Dec21. The mean ROL paid in H2 2021- H1 2022 was 5% higher than seen the previous year (0.44% v 0.42%). However, there was a 15% decrease in H1 2022 as compared to H2 2021 (0.41% v 0.48%).



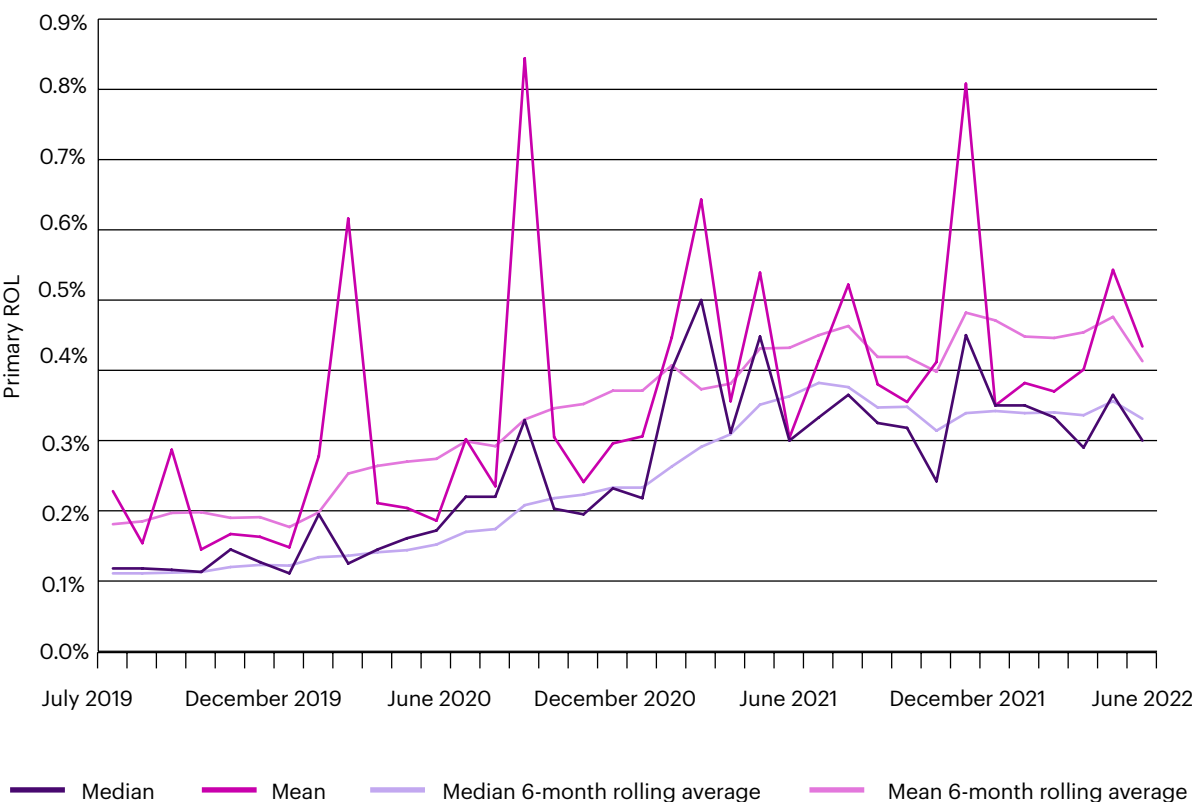
Source: Data from WTW FINEX FINMAR client placements, sourced as at 25 July 2022

ROL is calculated by dividing the premium by the limit of liability that is being purchased and expressing that as a percentage. This shows the proportional cost of the limit of liability being purchased by each client.

Rate on Line (“ROL”) Analysis

Whole tower

The increases seen in ROL for primary layers, continues throughout PTL towers. The mean ROL paid in the past year was 4% higher than seen in the previous year (0.43% v 0.41%). However, there was a 15% decrease in H1 2022 as compared to H2 2021 (0.40% v 0.47%).

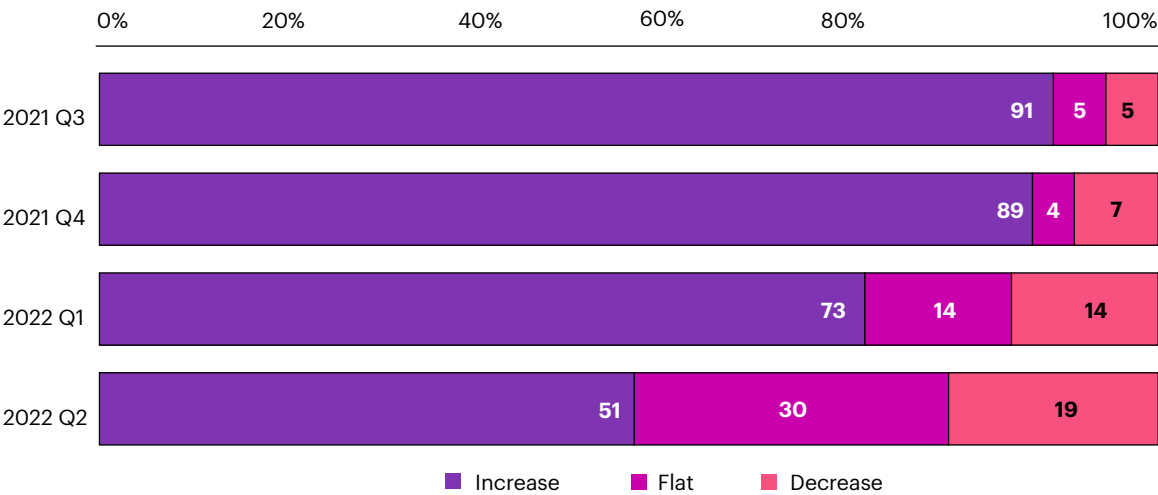


Source: Data from WTW FINEX FINMAR client placements, sourced as at 25 July 2022.

ROL is calculated by dividing the premium by the limit of liability that is being purchased and expressing that as a percentage. This shows the proportional cost of the limit of liability being purchased by each client.

Primary Rate on Line (“ROL”) Analysis

Change to primary ROL seen at renewal



Source: Data from WTW FINEX FINMAR client placements, sourced as at 25 July 2022.

PTL GB Loss Trends and the Future

- PTL claims in GB remain relatively rare compared to other lines of business, particularly by contrast to the position in the US where excessive fees claims continue to present challenges.
- The new powers for the Pensions Regulator in the Pensions Schemes Act 2021 (<https://www.legislation.gov.uk/ukpga/2021/1/contents>) have yet to translate into additional notifications from our clients.
- We are starting to see increased interest in PTL from insurers and anticipate that better rates and increased capacity will continue as 2022 progresses.



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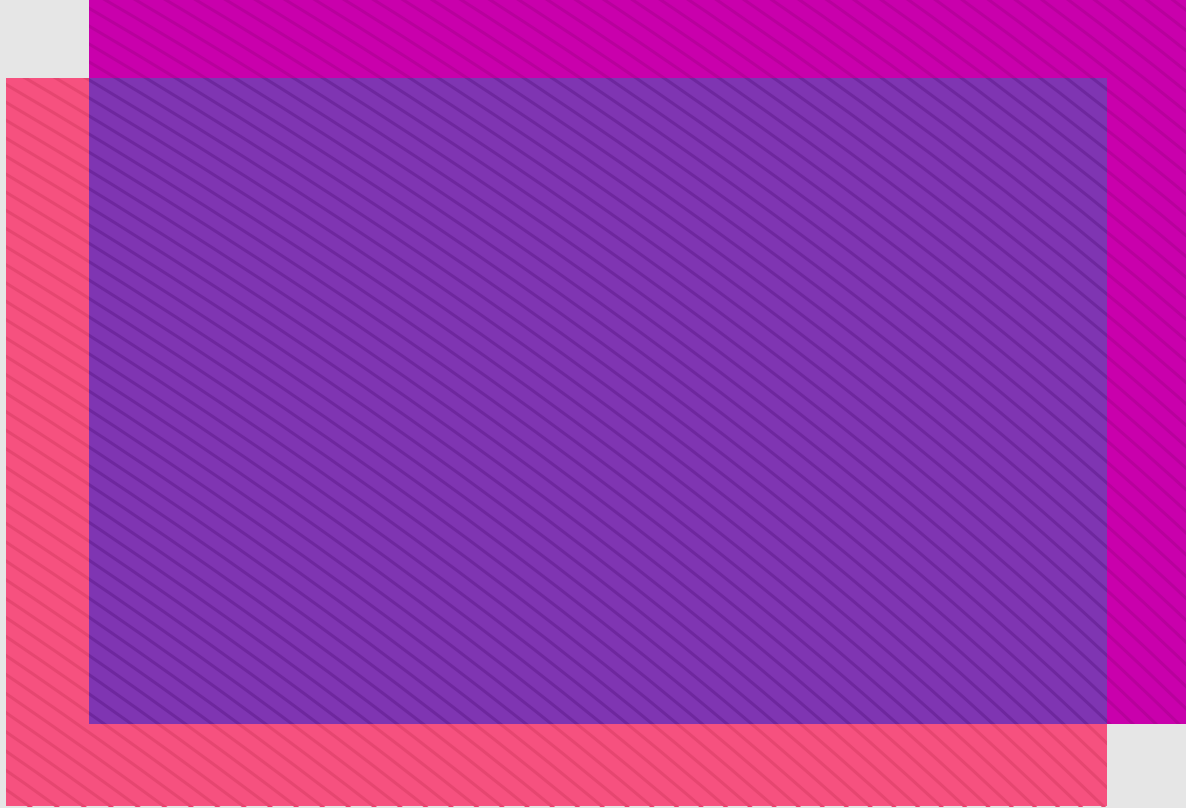
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