

FINEX GB - DIRECTORS' AND OFFICERS' INSURANCE

State of the European Market for Commercial Crime

January 2023

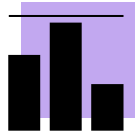
This update analyses our observations of the current crime insurance market conditions and is based on our observations of the market with our WTW clients and not a whole of market review. For ease of understanding, the percentages have been presented as rounded figures.

Europe Crime Insurance Market Overview Q3 2022

- This update provides an analysis of the current conditions in the Continental European market for Crime insurance and the impact this has on companies and insurance buyers.
- While the European 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.
- 75% of our clients in Continental Europe saw their Commercial Crime premium increase while 89% maintained their expiring deductible (worth to note is that the retentions had already increased significantly during the hard market).



Current FINEX European Crime Market Conditions Q3 2022



Capacity

Stabilising

- After reductions in capacity in 2020, we have seen insurers generally maintaining their line sizes in 2021. A trend that has continued in 2022
- There continues to be restrictions on primary capacity although increased interest from some insurers (including specialized crime insurers) is easing this
- Some insurers will only write the Crime cover if they are also writing the D&O



Coverage

More Restrictive Conditions

- The coverage for Commercial Crime has remained stable.
- Insurers more likely to offer terms on their own policy forms: growing reluctance to use other insurer forms or broker forms
- Limitations on sub-limits and bolt-on coverages
- Restrictions to social engineering cover due to large level of losses
- Increased contractual subjectivities and inflexibility around timeframes for complying with these
- Significant emphasis on insured's capability to enforce the controls and procedures which they disclose to the Insurers
- Exclusions for ransomware and cryptocurrency
- More restrictive notification clauses



Claims and Losses

Lower

- There are fewer losses in the Commercial Crime market than what has been seen in the past
- Insurers have increased retentions significantly which means that fewer claims exceed the retention level



Premiums and Retentions

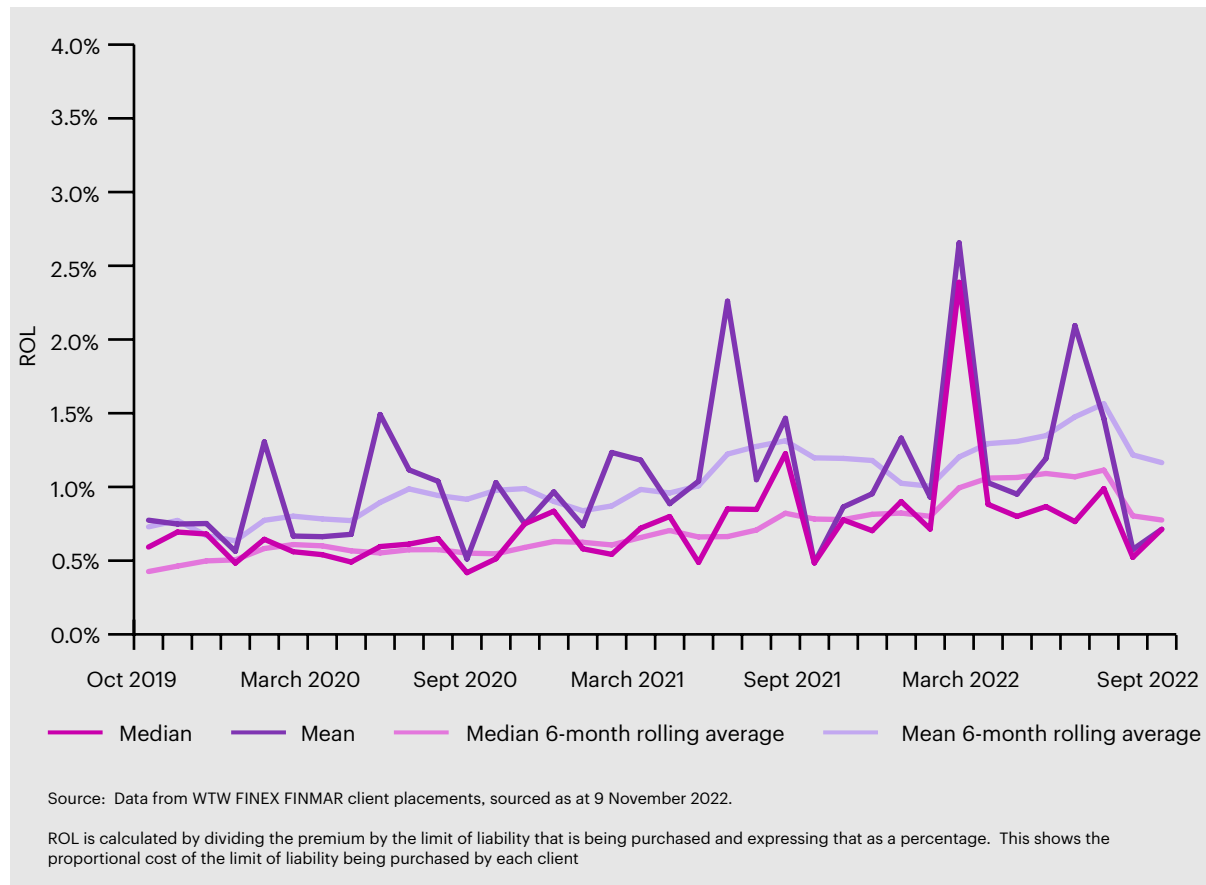
Still Increasing

- Based on WTW Data from WTW FINEX FINMAR client placements, sourced as of 9 November 2022, for renewals in Q3 2022:
 - At renewal, 75% of clients saw their premium increase
 - At renewal 89% of clients maintained their expiring deductible

Rate on Line (“ROL”) Analysis

Primary layers only

Median primary ROL rates remained relatively steady over the past 12 months, with a 14% increase on the previous year. (0.79% v 0.69%). The mean ROL paid in the past year was 15% higher than seen in the previous year (1.14% v 0.99%). The rolling 6-month ROL average for more extreme placements now stands at 4.82%.





Primary ROL change

Changes seen at renewal

Over the past six months
Q2-23

	Median Change	Mean Change
All companies	8%	15%
US exposed companies	8%	13%

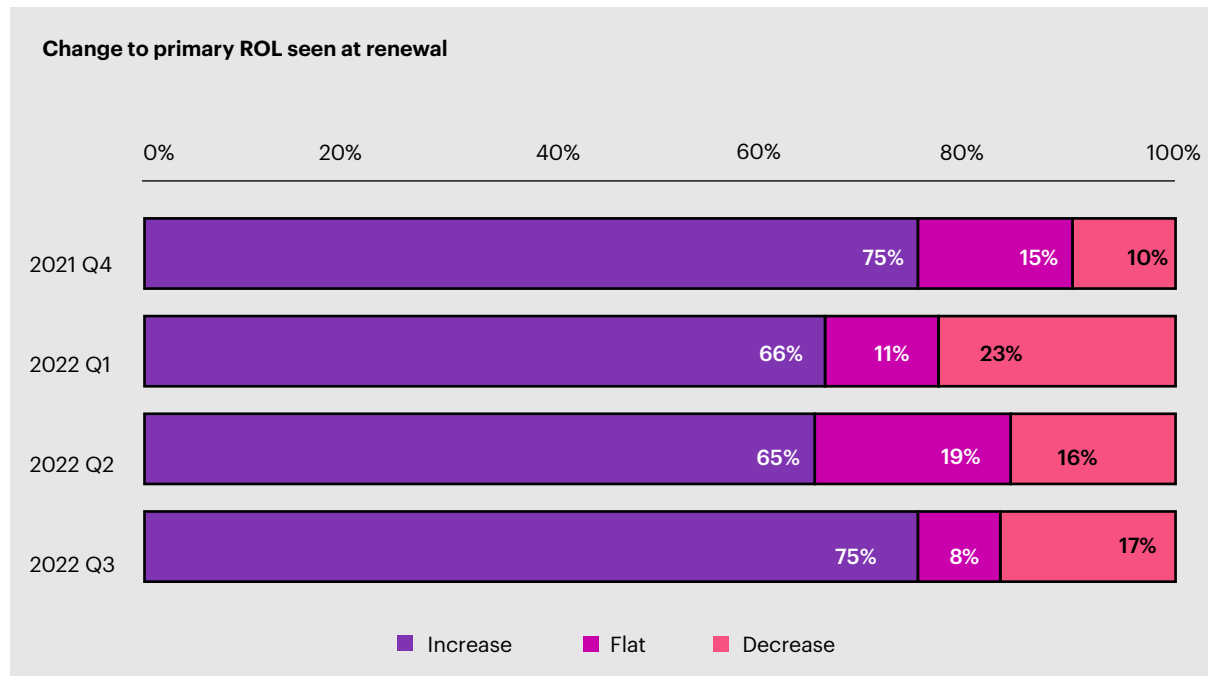
Over the past three months
Q3

	Median Change	Mean Change
All companies	11%	14%
US exposed companies	8%	1%

Primary ROL Analysis

Changes seen at renewal

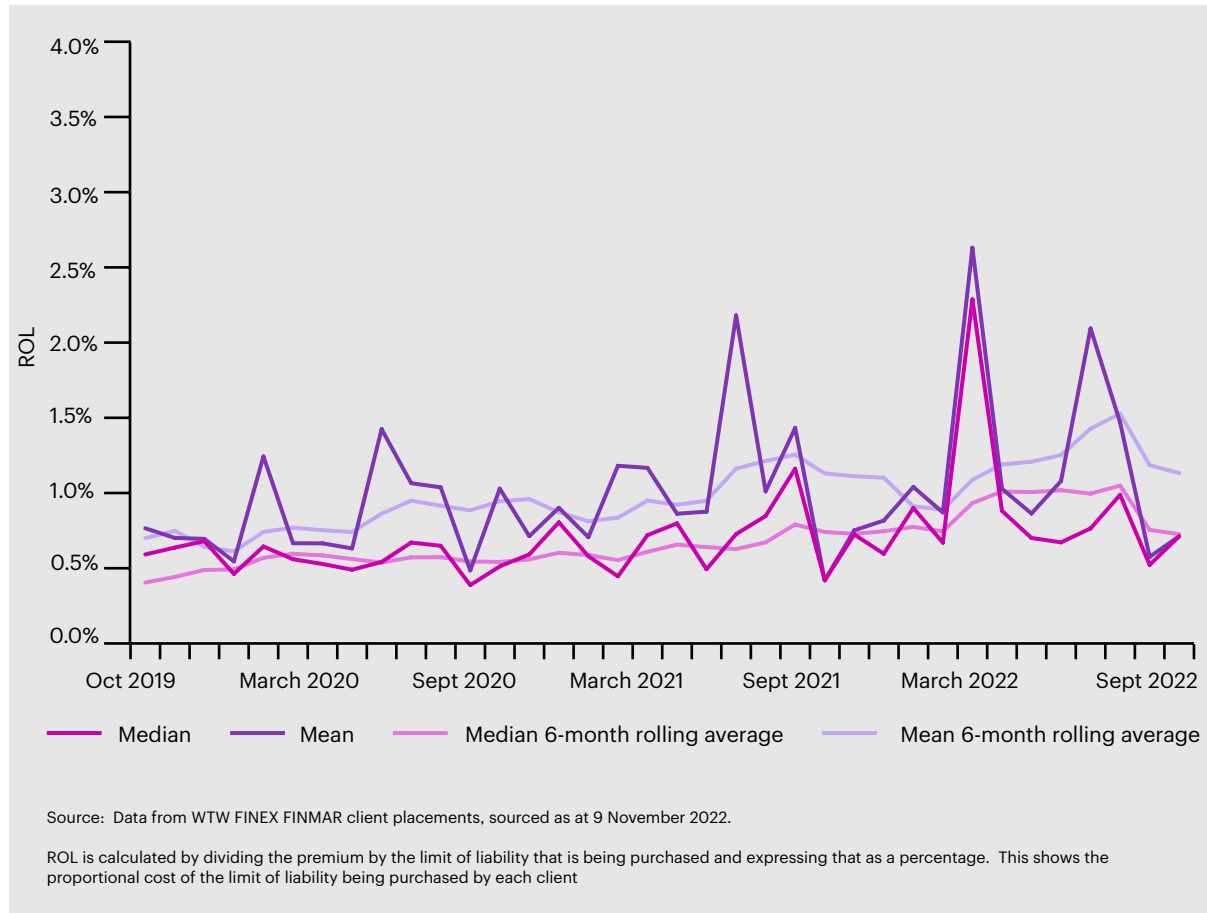
The majority of companies have renewed with increased premiums over the past 12 months.



Rate on Line (“ROL”) Analysis

Whole Tower

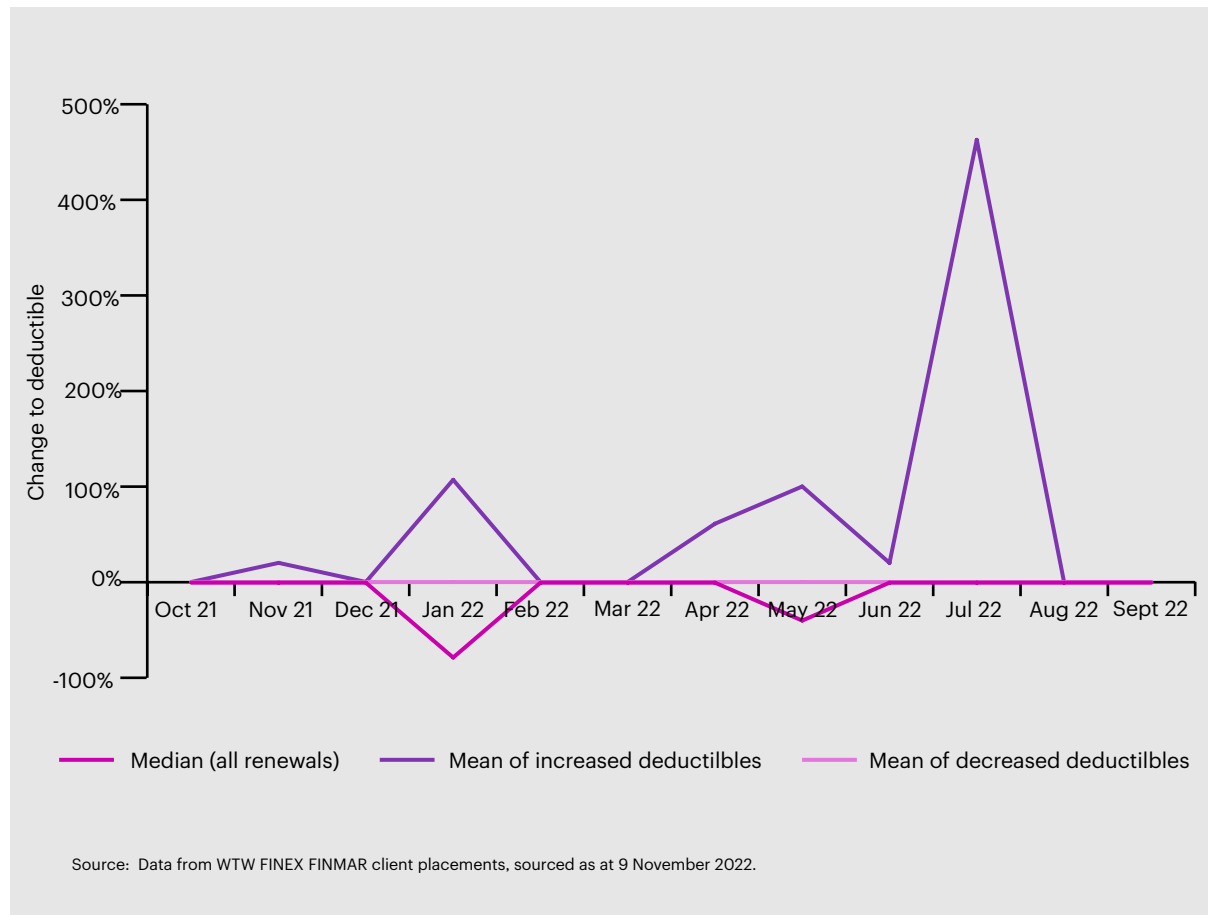
Tower ROL follows the same trends as primary layers. Median primary ROL rates saw a 14% increase on the previous year. (0.75% v 0.66%). The mean ROL paid in the past year was 12% higher than seen in the previous year (1.07% v 0.95%). The rolling 6-month ROL average for more extreme placements now stands at 4.81%.



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%.



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