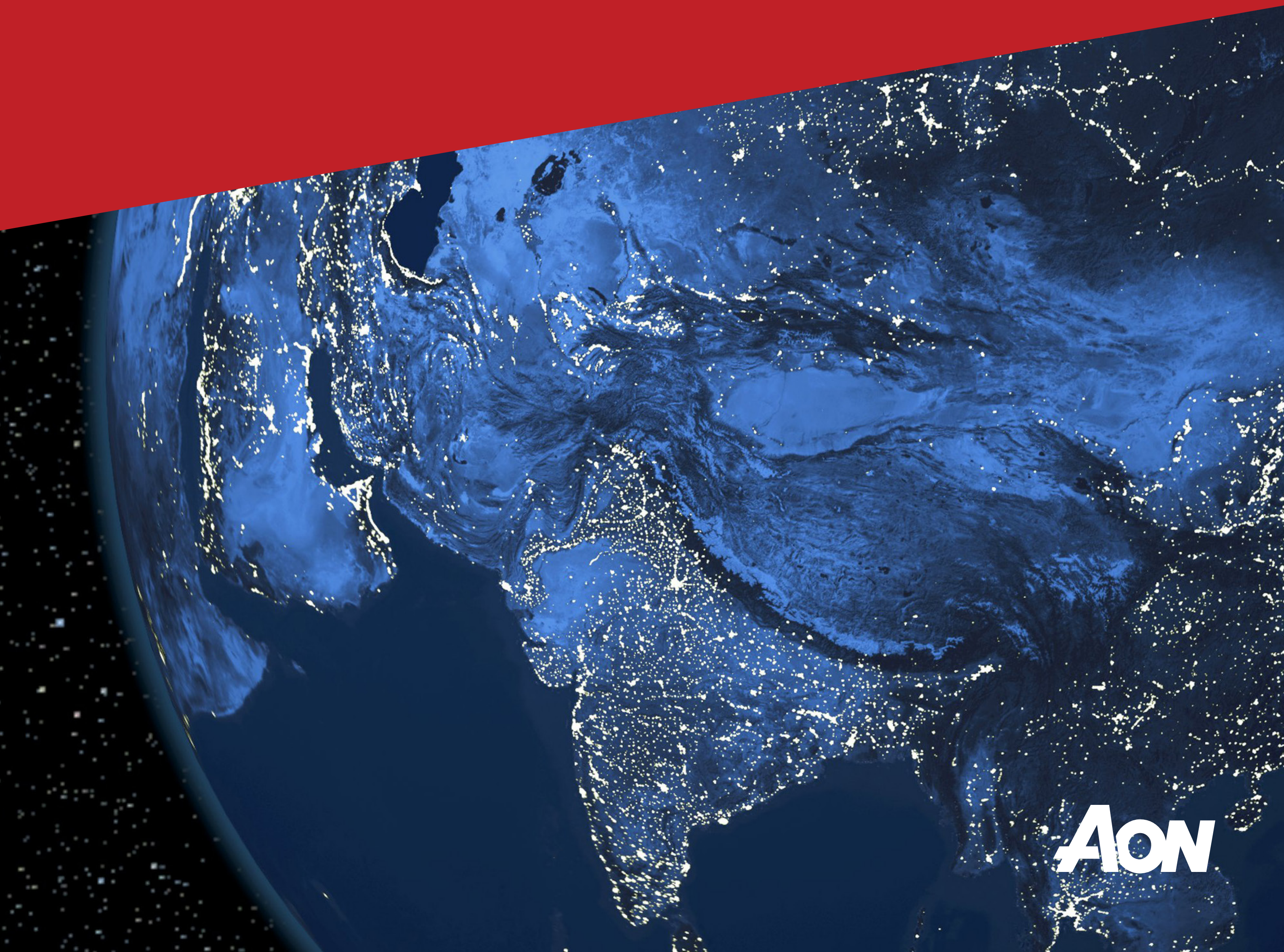
Aon Global Market Insights

Insights from Aon's thought leaders powered by proprietary data and cutting-edge data science

Q4, 2020



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A View from the Top

SECTION 1

We are witnessing a fundamental shift in priorities as organizations manage volatility and make decisions in a rapidly changing and increasingly complex environment. There is a heightened focus on the long-tail nature and interconnectedness of risk. Organizational flexibility and agility is key. Workforce resiliency has proven paramount, and employers are seeking innovative solutions to help them attract, retain and compensate talent. In addition to partnering with organizations to meet their risk and health needs, Aon is creating new investment and retirement solutions for employers as they look to increase efficiency, reduce risks, and create better outcomes for participants.

Paul Rangecroft
Aon Retirement Practice

Steve Voss
Aon Investment Practice

"The world is changing. Organizations around the globe are reprioritizing to not only deal with the immediate health risks of the ongoing pandemic, but also economic volatility, heightened risk complexity and interdependence, a re-imagined work environment, an expanding health-wealth gap, and growing concerns related to climate change. A specific, emerging priority is the shift in how employers around the world compete to attract and retain talent in this complex and changing global environment. Aon is at the forefront of this transition, providing traditional and innovative retirement and investment solutions alongside our risk and health offerings to support a wide spectrum of our clients' rapidly changing needs and strategies.

Following the global shift over the last two decades from defined benefit pension plans to defined contribution plans, the next stage of retirement plan innovation is upon us: the global establishment of collective or pooled plans, in which unrelated employers can join a single plan. These Pooled Employer Plans rely on scale to reduce administrative costs, decrease staff time and involvement, and improve fiduciary governance (i.e., less fiduciary risk), allowing organizations to focus on running their business and taking care of their people. In addition to direct sponsor benefits, Pooled Employer Plans enable employers to deliver better retirement outcomes to their employees. Aon's modeling suggests that a participant's retirement income could improve 15-20 percent or more after a career of participation in a pooled plan with best practice design and governance features. In light of these advantages over traditional plans, it is expected that there will be very few stand-alone, single-employer defined contribution plans by 2040; they will be essentially replaced by collective and pooled arrangements.

Aon's Retirement and Investment businesses are helping companies transition to these new plans, while supporting companies' management of various institutional investment asset pools globally. As the world continues to change at an ever-accelerating pace, we invite you to explore with Aon the role that retirement and investments solutions plays within your organization's overall strategy.

On behalf of our united firm, we are pleased to share with you Aon's insights related to risk and insurance developments in the fourth quarter of 2020, and our insurance industry outlook for 2021. We look forward to continuing to help you meet your rapidly changing, increasingly complex, and interconnected challenges through traditional and innovative retirement, investment, health and risk solutions.

Global Market Overview

SECTION 2

Key Themes

Pricing is up across most lines of business and classes, and the upward pricing trend will continue well into 2021.

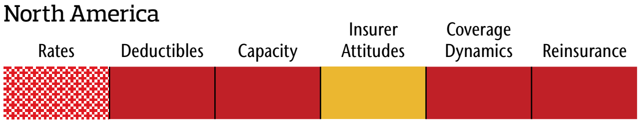
COVID-19 and the economic downturn has heightened underwriting scrutiny and risk aversion.

While capital and capacity are impacting market conditions, a confluence of macro factors and events are the key market drivers.

- More frequent natural catastrophes
- Social inflation
- 0% interest/lower investment yields

About $20 billion of capital entered the market between March and December, 2020, potentially serving to temper rate movements.

North America

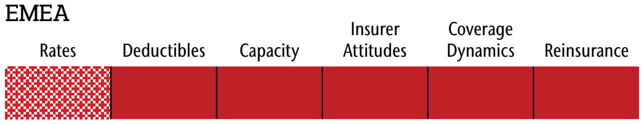


- A confluence of circumstances — increased frequency of high severity claims resulting from mass tort litigation, a severe storm season, and the pandemic — has pressured insurers' bottom lines, putting strain on pricing, limits, deductibles, coverage terms and claims performance.
- New capital is mobilizing from existing insurers and as well as via the formation of new insurance and reinsurance entities, focused on Property catastrophe reinsurance, Casualty and Financial Lines.

Aon Solutions & Actions

Aon relies on data-driven analytical tools like the Risk Financing Decision Platform to inform decisions and help clients challenge their total cost of risk. At the same time, site-specific hazard modeling supports risk mitigation, limit setting and insurer negotiation. Middle market organizations are tapping into the Aon United Optimizer to evaluate their risk, health and retirement strategies and identify opportunities to improve cost and overall effectiveness in the short and long term.

EMEA

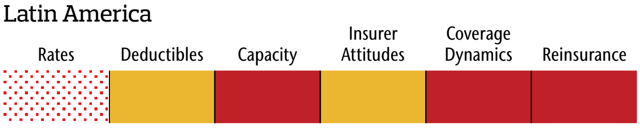


- Economic uncertainty, escalating loss costs, and reduced investment income due to low interest rates are serving to intensify insurer focus on improving results, resulting in continued price escalation, a shifting of appetite, restrictions of coverage, and revisions to underwriting strategies.
- The industry is broadly prepared for Brexit, which, amongst other requirements, calls for specific units be established to comply with EU directives around the placement of business from Europe.

Aon Solutions & Actions

As clients are being required to assume higher retentions and are facing capacity constraints, Aon's Risk Consulting specialists are partnering with broking teams, leveraging data and analytics solutions like the Risk Financing Decision Platform to inform placement structuring and strategies, while ensuring that client risks are presented distinctively and favorably to all insurers.

Latin America

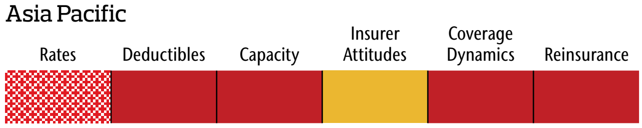


- COVID-19 has exacerbated an already challenging market landscape faced with heightened risk profiles and escalating loss costs; Political Risk, Directors & Officers, complex and CAT-exposed Property, and the Energy and Power industries are experiencing the worst impacts.
- To offset the effects of the market, alternative solutions such as captives, reinsurance, and alternative program structures are being explored and leveraged.

Aon Solutions & Actions

Aon leverages a united broking approach to align across retail, wholesale, reinsurance, and risk engineering — tapping into specialized expertise from our industry groups in Power, Energy, Construction & Infrastructure, and Financial Institutions. Aon teams work together across the entire organization to develop creative solutions for approaching the market, structuring the placement, managing cost of risk, and meeting unique client needs.

Asia Pacific



- The market remains challenging. Pricing has increased overall; however, the extent of increase varies widely by line of business, sector, geography, and renewal vs. new business, as well as whether or not the insurer is local.
- With the centralization of the underwriting function, and In light of insurer focus on profitability, insurers are not looking at risk through the same local lens, and relationships are not having the impact they once had.

Aon Solutions & Actions

Leveraging industry data and analytics, Aon develops structured portfolio solutions — like the Aon Client Treaty — to help reduce volatility in rate and coverage. Aon teams leverage all forms of capital, both traditional and emerging, using vehicles such as WhiteRock to bring these to life. Aon's legal, technical and policy wording experts challenge insurer behavior and ensure any changes made are fully understood by insureds.

To learn more about any of these solutions please contact a member of your Aon team.

2021 Insurance Industry Outlook

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- Pricing will remain challenged, although there is general optimism that, with the rollout of the COVID vaccine and the introduction of additional capacity into the market, the current challenging conditions may temper in H2.
- Coverage clarifications will continue, especially for communicable disease and cyber.
- The risk environment is exacerbated by supply chain vulnerability, increased working-from-home, ongoing economic uncertainty and weather volatility.
- Innovative technologies for automation and digitization will become investment priorities for the industry.
- Alternative risk retention and financing strategies will continue to become more prevalent.
- The impact of the UK test case will have widespread economic impacts on the industry.

Continued Price Escalation

- Poor underwriting performance will continue to be a focus, especially in certain lines of business, and combined with uncertainty related to COVID-19, economic conditions, and social inflation will mean continued scrutiny around pricing.
- New capacity will enter the market through insurer start-ups, reinsurance capacity and shifting insurer appetite, bringing some rate relief.

How Aon is Supporting Clients
Aon's United Broking approach facilitates engagement across retail, wholesale, reinsurance, and risk engineering to identify traditional and nontraditional approaches to approaching the market, structuring the placement, and managing cost of risk.

Operational & Underwriting Shifts

- The industry will focus on implementing controls and driving additional efficiencies throughout the entire distribution chain – from continuing to centralize the underwriting function to accelerating digitization and virtual processing.
- Traditional data and analytics will be integrated with data from alternative sources and artificial intelligence to enhance underwriting and claims handling.

How Aon is Supporting Clients
Aon's data scientists, actuaries, and AI experts in the Aon Centers of Excellence in Dublin, Singapore and Krakow use cutting edge methodologies to interrogate Aon data together with data from external sources and develop new client solutions – like the Aon Client Treaty.

Coverage Clarifications

- Continued uncertainty around coverage for COVID-19 and pending regulatory guidance through the January reinsurance renewals will give rise to continued clarification and exclusion of coverage for communicable disease.
- As insurers continue to exclude Silent Cyber from existing policies the need for stand-alone Cyber coverage will heighten.

How Aon is Supporting Clients
Aon's legal, technical, and policy wording experts challenge insurer behavior and ensure any changes made are fully understood by insureds.

Alternative Products & Solutions

- Protected Cell Companies (PCC's) and captives will continue to grow in popularity as organizations not only look to access additional capacity via the reinsurance market but also utilize their balance sheet more effectively to retain more risk and address new and emerging risks.
- New products such a parametric policies, event-focused policies and usage-based policies will increasingly gain traction as data becomes more available and consumer trends evolve.

How Aon is Supporting Clients
Aon's PCC and captive teams work with clients to optimize the balance of risk transfer and retention financing through comprehensive valuation, comparative analysis, feasibility studies, and utilization/strategic reviews for existing captives.

Heightened Risk Complexity

- Supply chain dislocation will heighten underwriter focus on supplier transparency and supply chain resilience, particularly for Business Interruption coverage, and especially for the technology, manufacturing and automotive industries.
- Long-term and continued work-from-home arrangements will heighten the focus on risks related to employee safety, employee wellbeing/mental health, and cyber.

How Aon is Supporting Clients
Aon's Supply Chain Diagnostic Tools and other data-driven solutions help risk managers assess the effectiveness of their supply chain risk management strategies. Aon's WellOne app empowers workforces to make positive behavioral changes.

Regulatory Changes

- On January 15TH, 2021, the UK Supreme Court ruled, generally in favor of policyholders, on the FCA business interruption test case. The impact of this ruling, and other regulatory and legal developments related to business interruption, will evolve through 2021 and beyond.
- Brexit negotiations will continue between the European Commission and Great Britain on the rules that will govern the financial services industry.

How Aon is Supporting Clients
Aon UK Limited has established branches in both Belgium and Netherlands to enable Aon to continue to support, service and place programs on behalf of their in-scope clients in the EU27 and EEA after January 1, 2021.

Global Claims Trends

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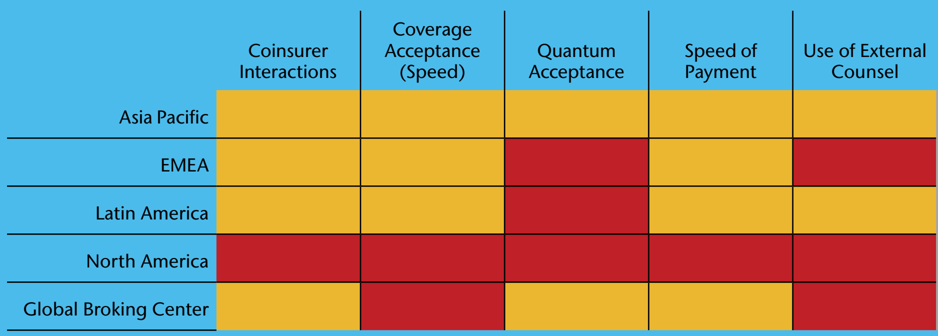

Claims Submissions

As insurers continue to scrutinize claim submissions and dispute quantum of claim, it is essential that clients prioritize the gathering of facts and figures of the loss. Claim submissions should be fully calculated and supported to avoid unnecessary delays. Clients should continue to engage with Aon claims advocates to ensure clear understanding of policy language, exclusions, and to mitigate challenges on covered claims and timely claim payments.

External Counsel

It is notable that there has been an increase in “delay-defer-deny” behavior from insurers in the claims arena, and there is a marked increase in the use of external coverage counsel. Aon’s perspective is that external coverage counsel should not be engaged unless it is absolutely necessary and efforts to avoid such use have been exhausted.

Client Readiness

More time than usual is necessary for claim resolution due to increased diligence by insurers and operational protocols being instituted which impact local settlement authority levels. Clients may wish to consider negotiated settlements at less than full claims value. Co-insurers are not always following the lead position in many large losses. Actively engaging with assigned adjusters throughout the claim investigation and valuation process is a worthwhile effort to improve efficiency and maximize outcome.

Expectations

In the current market it essential to manage internal as well as external expectations with regard to decision and payment timelines. This environment is likely to remain until at least year end 2021. Long-term positive developments resulting from this difficult period may include improved contract clarity and certainty if the industry manages to simplify policy wordings. While some insurers are exiting and/or selling off certain books of business, we are seeing new entrants emerge and start-ups being launched by established organizations.

Global Reinsurance Trends

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Renewal Themes: Property

- Cyber and communicable disease language was not standardized; some customization was available.
- Incumbent reinsurer expectations for payback on loss-impacted accounts were met with a more technical underwriting approach from new capital.
- Buyers with a consistent approach to aggregate purchasing were able to renew coverage.
- High frequency, low severity catastrophe losses resulted in insurers re-evaluating retentions.

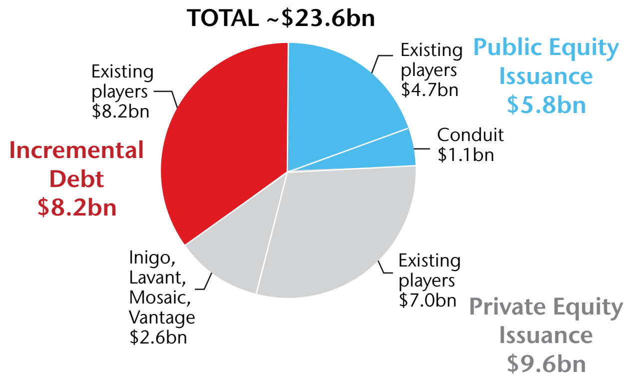
Renewal Themes: Casualty

- Social inflation was suppressed due to slowed court activity.
- Primary rate increases supported the reinsurance market quite well on Professional Lines, Commercial Auto, and Excess Casualty.
- Demand for adverse development and run-off protections remained high.
- Ransomware was a key consideration for renewals.

Calm Amid the Storm

- Despite recent years' earnings results, significant U.S. catastrophe loss activity, and interest rate challenges, further market dislocation was mitigated during the January 1 renewals, which were efficiently traded virtually. Capacity is expected to meet upcoming demand.
- Aon estimates that global reinsurer capital returned to its pre-pandemic high of USD625 billion by the end of September 2020, driven by continued capital market recovery and new equity issuance. While new reinsurers entered the market, more than 75% of the equity issuance went to existing market players.

Reinsurance Related Capital Raising in 2020

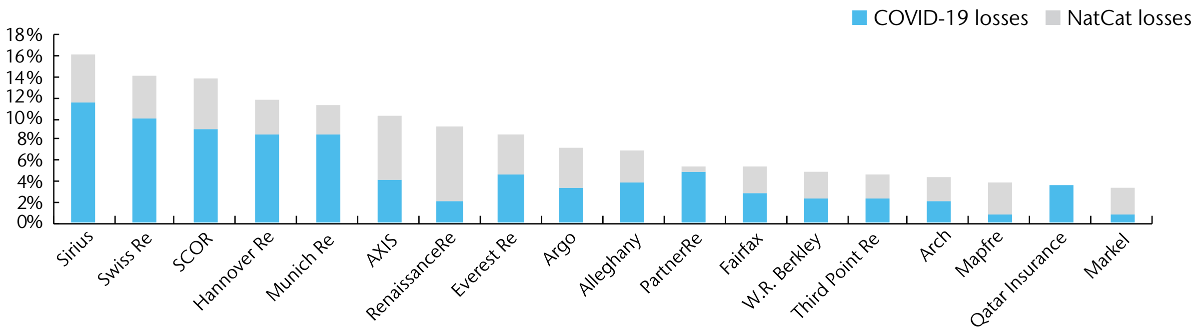


Source: Company financials/Aon Business Intelligence

COVID-19 Impacts Still Evolving

- Legal challenges regarding Business Interruption claims stemming from the COVID-19 pandemic and the related lockdowns are ongoing in many countries.
- Impacts on the Aon Reinsurance Aggregate reinsurers varied through 9 Months of 2020 and post-tax impacts will be lower than the chart implies.

Disclosed Pre-Tax Major Losses in 9 Months of 2020 Relative to Opening Total Equity



Source: Company financials/Aon Business Intelligence

Global Health Trends

Overview

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Many employers have started to review the playbook when it comes to their approach to employee health, resilience, engagement and employee benefits provision. The 2021 renewal season offers an excellent opportunity to align policy renewals with corporate health and wellbeing strategies. While past claims experience will always be a key factor in the way insurers price future risks, now is the time to change the narrative to focus on value and best price rather than simply the lowest price.

Countries continue to navigate different phases of COVID-19 and uncertainty remains regarding the impact on deferred medical treatments and long-term healthcare. With the health and protection insurance renewal season underway, pricing is generally stable with the largest exception being medical insurance.

Broking Indicators by Country and Product

	Accident	Business Travel	Short-Term Disability	Long Term Disability	Life	Medical
Australia	+1-10%	+11% and up%	+1-10%	+11% and up%	Flat	+1-10%
China	Flat	Flat	N/A	Flat	Flat	Flat
Hong Kong	Flat	Flat	N/A	Flat	Flat	Down
Malaysia	Flat	Flat	N/A	N/A	+1-10%	+11% and up%
Philippines	+1-10%	Flat	N/A	N/A	+1-10%	Down
Singapore	Flat	Flat	Flat	Flat	Flat	+1-10%
Thailand	Flat	Down	N/A	Down	Down	Down
Argentina	Flat	Flat	N/A	N/A	Flat	+11% and up%
Brazil	Flat	Flat	N/A	N/A	Flat	+1-10%
Chile	Flat	Down	Flat	Flat	Flat	Flat
Colombia	Flat	Flat	Flat	Flat	Flat	+1-10%
Mexico	Flat	Flat	N/A	N/A	+1-10%	+1-10%
Puerto Rico	Flat	N/A	Flat	Flat	Flat	+1-10%
France	N/A	N/A	+1-10%	+1-10%	Flat	+1-10%
Germany	Flat	Flat	N/A	Flat	+1-10%	+1-10%
Italy	Flat	Flat	Flat	Flat	Flat	+1-10%
Ireland	N/A	N/A	N/A	Flat	Flat	+1-10%
Netherlands*	Flat	Flat	+1-10%	+1-10%	Flat	+1-10%
Norway	+1-10%	+11% and up%	+1-10%	+1-10%	+1-10%	+11% and up%
Portugal	Flat	Flat	Flat	+1-10%	+1-10%	+1-10%
South Africa	N/A	N/A	+1-10%	+1-10%	+1-10%	+1-10%
Spain	Flat	Flat	+1-10%	+1-10%	+1-10%	+1-10%
UAE	Flat	Flat	Flat	Flat	Flat	+1-10%
UK	+1-10%	N/A	N/A	+11% and up%	+1-10%	+1-10%
Canada	Flat	Flat	+1-10%	+11% and up%	+1-10%	+1-10%
US	Flat	+1-10%	Flat	Flat	Flat	+1-10%

Rates

- Down
- Flat
- +1-10%
- +11% and up%
- N/A

Notes: Rate indications are based on average overall broking outcomes for each country across our portfolio. Individual broking outcomes will be based on specific underwriting factors

*Spouse's pension — no separate Life in the Netherlands

Global Health Trends

COVID–19 Impacts and Aftermath

SECTION 6

The impact of the healthcare claims rebound is becoming clearer but will not be fully known for some time, particularly as new lockdowns take effect; consequently, a carefully considered renewal approach is essential. We are predicting challenging market conditions in many countries but with many medical insurers experiencing claims surpluses, renewal negotiations need to factor in options such as potential retrospective profit sharing agreements, the use of wellbeing credits to proactively support employee health, multi-year agreements, or simply market competition, as insurers look to maintain market share.

The Impact of COVID–19

The pandemic lockdowns across the globe have had a well-documented impact on the provision of non-COVID-19 related health care and, in many countries, short-term claims ratios on medical benefits were lower in 2020 than forecasted. This decrease in claims costs varies by geography, demographics and industry.

The largest proportion of death cases due to COVID-19 has been for the older demographic; the working-age population has been less impacted. Nevertheless, challenges driven by factors such as an increased exposure where employers have older working age groups, an increased risk for people with underlying health conditions; and ongoing return on capital challenges driven by low interest rates require effective broking to mitigate price increases.

The direct impact of COVID-19 on the disability market — particularly the long-term disability market — has been minimal to date. However, this could be the calm before the storm. There are a multitude of issues (lower long-term interest rates, economic uncertainty, individuals not being able to access non COVID-19 screenings and treatments, working environments that increase certain physical and emotional risks, and lower-than-expected return-to-work rates) leading to the expectation that markets will re-align pricing to the risk. This is becoming evident in our data.

The Aftermath of COVID–19

It is now well understood that there is an increased risk of severe illness from the virus that causes COVID-19 for an individual with underlying medical conditions including cancer, heart conditions, type 2 diabetes, and severe obesity. Being overweight, having hypertension or high blood pressure or moderate to severe asthma are amongst the medical conditions that could result in an increased risk.[1] These conditions are relevant when considering employee health risks impacting employers across the globe including absence rates, presenteeism, reduced productivity or actual claims across key employee benefit coverages.

Employers will undoubtedly feel some impact of this and consequently should be thinking about how they factor this into their future health and wellbeing approach. It feels inevitable that better access to care for all, being more proactive in supporting employees in adopting healthier habits, and championing a culture of personal and organizational resilience are some of the ways the employer/worker relationship will evolve. With this in mind, simply testing the markets and hoping for the best based on market conditions is not a robust strategy. Having an approach that understands employee risks, educates employees, and supports workers to become the architects of their own health — and being able to evidence this as part of the renewal conversations — offers the best opportunity for favorable renewal outcomes.

1. https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/people-with-medical-conditions.html

Global Health Trends

COVID–19 Impacts and Aftermath – A UK Example

SECTION 6

Uncertainty remains about future risk exposures and their impact on individual health, health systems, and claims costs, related to:

- Individuals who have not been able to access screenings or treatment for non COVID-19 related issues
- 'Long COVID'
- Future outbreaks of COVID-19 and its variants

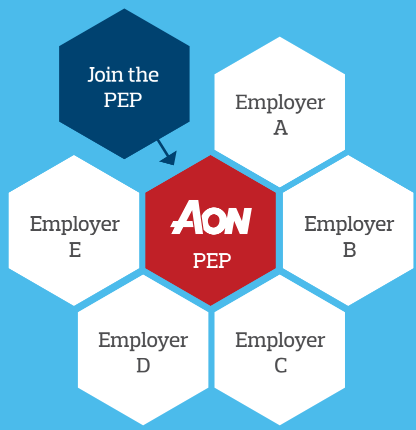
The impact of COVID-19 on mental health has been well-documented: 82% of the UK adults have suffered from issues such as continuous low mood, anxiousness, low self-esteem or hopelessness during lockdown.[1] The main issues of concern relate to loneliness and isolation, finances and job security, and family matters.[2] Fewer people are accessing support and there is less support available; research by BUPA shows that 44% of people didn't tell anyone about their mental health issues, and research by Mind shows that one in four people who tried to access NHS mental health services were unable to get support.[3]

It is not just mental health that has been impacted; lifestyle related behaviors also have changed. Many individuals' physical activity routines have been disrupted. Less physical activity, together with other unhealthy lifestyle changes, such as more screen time due to changed working requirements, disrupted sleep patterns, less healthy diets and increased alcohol consumption, which can be a common coping response to stressful situations, all have the potential to contribute to the global burden of disease.

1. https://www.covermagazine.co.uk/news/4017250/twice-brits-bottling-mental-health-issues
2. https://www.samaritans.org/about-samaritans/research-policy/understanding-our-callers-during-covid-19-pandemic/coronavirus-and-middle-aged-men/
3. https://www.mind.org.uk/news-campaigns/news/mental-health-charity-mind-finds-that-nearly-a-quarter-of-people-have-not-been-able-to-access-mental-health-services-in-the-last-two-weeks/

Featured Differentiator: Aon Pooled Employer Plan

SECTION 7



Lower fees and improved outcomes for employees

Better governance for plan fiduciaries

Streamlined administration for HR and benefits teams

What is the Aon Pooled Employer Plan?

Pooled Employer Plans (PEPs) provide employers the ability to participate in common or pooled 401(k) arrangements rather than operating and maintaining their own separate plans. These next generation solutions will be transformational in the 401(k) space, and lead to better outcomes. For employers, offering retirement plans is easier, more efficient, and fiduciary risks are reduced. For plan participants, retirement outcomes are more favorable. Existing solutions such as the Aon MasterTrust (UK), Big Blue Touch (UK), the Aon Ireland MasterTrust and Australia's SmartMonday are professionally managed, multi-employer-based pension schemes that allow employers to outsource most plan management activities and reduce costs. Aon is pleased to introduce the latest entry into the global marketplace as of January, 2021: the Aon PEP, now available in the US.

Who Should Consider Pooled Employer Plans?

Employers of all sizes should consider pooled and collective plans within their local market as a mechanism for reducing administrative burdens, reducing risks, and helping participants achieve more favorable results. In the US, Aon's Real Deal study indicates that the median employee will not be financially ready to retire until age 70. Longevity concerns with outliving savings and longevity risk are also prevalent — 60% of Americans are worried about running out of money in retirement, and 80% are looking for some form of guaranteed income in retirement. Globally, the transition from Defined Benefit to Defined Contribution vehicles has pressured employees to manage their savings both before and after retirement. PEPs can help.

Why are Pooled Employer Plans Important Now?

In an economy squeezed by the pandemic, cash flow is a critical concern for organizations. In addition, across the globe, regulators are increasingly updating and/or introducing legislation for defined contribution plans, increasing the burden on, and risks to, organizations using these plans. In this environment, pooled plans enable organizations to provide employees better savings results at lower costs, while requiring fewer corporate resources and improving governance.

How Can You Leverage the Aon PEP?

To learn more about a pooled employer plan solution, please contact your Aon team or visit the Aon PEP website. Together with your Aon Risk team, Aon's Retirement and Investment teams aim to deliver better retirement outcomes to participating employees, as well as provide valuable insights to participating employers as they seek to understand the impact their plan has on their business and workforce.

COVID–19

Aon Global COVID–19 Risk Management and Insurance Survey

SECTION 8

Going forward, risk and business leaders must reprioritize risk — broadening their perspective and evaluating major shocks, not just anticipated losses. At the same time, risk management must be elevated to an enterprise-level, strategic function. Resilience must be redefined and planned. These are the post-COVID-19 imperatives required to reshape businesses into a more future-ready posture. An integrated, resilient and agile risk approach enables better decisions in both the immediate term and the future.

To help assess the risk and insurance implications of the pandemic, Aon's global COVID-19 Risk Management and Insurance Survey — conducted at the end of 2020 — asked leaders of companies across different industry sectors how they have managed the pandemic crisis and what their priorities are for reshaping their businesses. The results show how organizations adapted to this complex, dynamic and disruptive risk landscape and how leaders' future decision-making will be shaped based on emerging priorities.

Aon's COVID-19 Crisis Management model is based on three stages: React and Respond, Recover, and Reshape, with leaders facing important decisions in each stage. The nonlinear nature of the pandemic and its multiple waves of impact means that, throughout the crisis, organizations are in different stages of the journey. Aon's COVID-19 Risk Management and Insurance Survey revealed that 80% of respondents felt their organization had moved beyond the React and Respond period. This figure was higher in North America (89%) and lower in Europe, the Middle East and Africa (EMEA) (73%) and Latin America (LATAM) (74%). Among companies in later stages, 50% reported that they are in the Recovery stage, and 30% are now Reshaping their vision, priorities and business. Highlighting the challenge of the pandemic, the number of companies that have progressed to the Recover and Reshape stages of the Crisis Management Model was not materially higher for companies that had a pandemic plan in place prior to COVID-19. Other survey highlights include:

75% **of respondents** said they had been impacted in some form by the pandemic; of these, 8% had been severely impacted

Only **7%** **of respondents** said they had thrived during the pandemic

Prior to COVID–19 **52%** **of respondents** in APAC had a pandemic plan in place, 31% in North America and less than 30% in both EMEA and LATAM

82% **of respondents** did not list pandemics or other major health crises among the top 10 risks on their risk registers before this event

80% **of survey respondents** said the pandemic has taught them to take an enterprise-wide approach to incident management, collaborating across functional units including Risk, HR, IT, and Finance

After earlier potential threats from the Avian Flu and Swine Flu receded, many organizations appeared to deem pandemic risk as unlikely to materialize, so few organizations truly planned for it or considered its scope or potential impact. At the time of Aon's 2019 Global Risk Management Survey, pandemic risk ranked 60th out of 69 identified risks. When faced with a crisis, especially one they are unprepared for, organizations are forced to think and act quickly. Aon's COVID-19 Crisis Management Model helps organizations build effective crisis responses in real time using a structured but flexible decision-making framework.

Visit aon.com/coronavirus to learn more about how Aon can help you mitigate the impacts of COVID-19.

COVID-19 Aon Vaccination Support

SECTION 8

"There is a degree of fear around taking the vaccine among the general public, and misinformation has contributed to skepticism around the vaccine's safety and effectiveness. If people refuse to take the vaccine, herd immunity will be delayed. Fact-based information and transparency are critical, and one of the many areas where leaders can play a key role to move us toward the other side of the pandemic."

Nancy Green
Leader of Aon's Global COVID-19 Task Force

A key factor in an organization's progress is whether or not employees can work safely, and the vaccination landscape plays a big role in that. With the vaccine rollout now underway, and in light of the unprecedented scale of the vaccination effort, Aon is working with organizations to assess and plan the coordination, communication, and organizational agility needed for success, and is supporting the implementation of those plans.

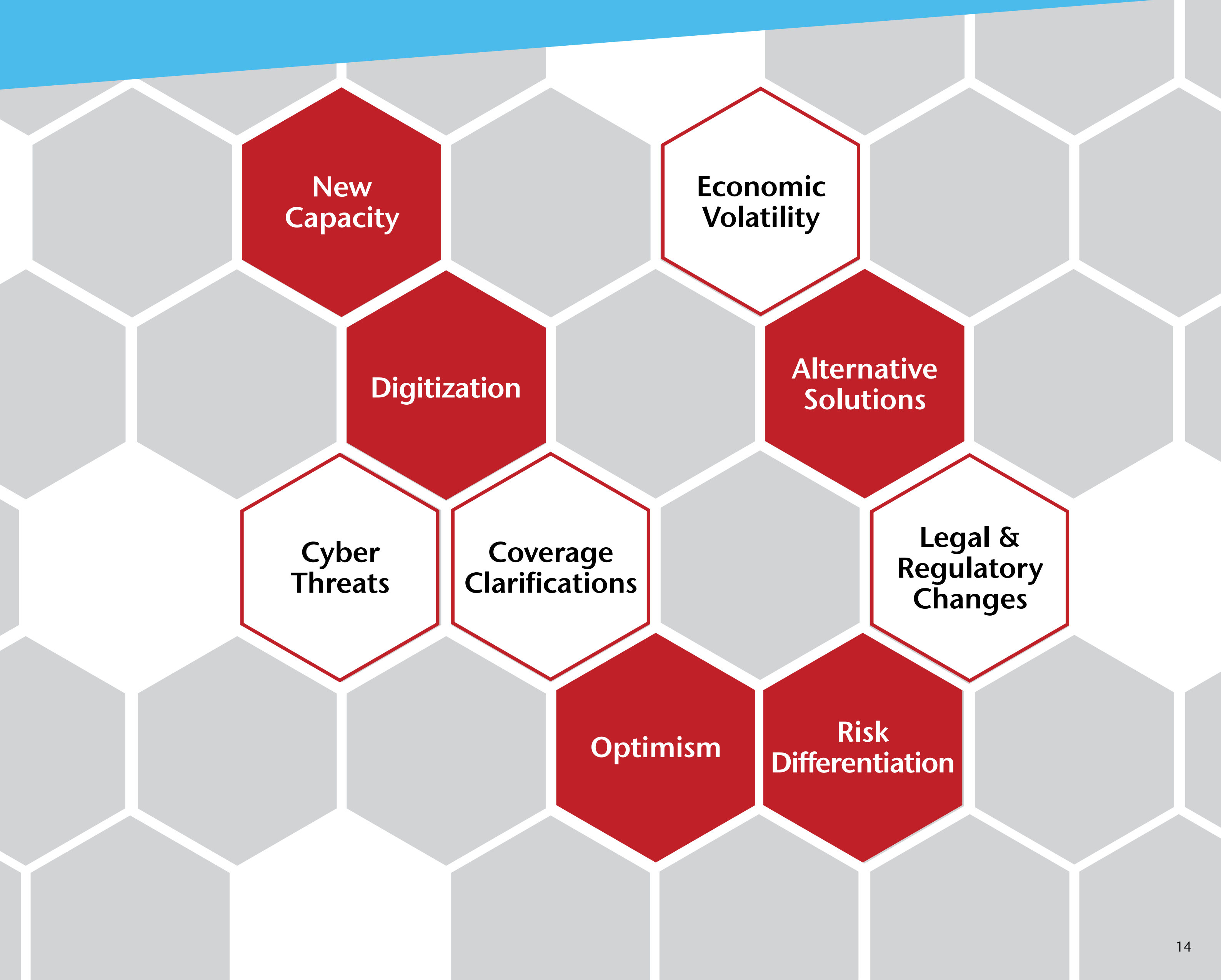
In support of the changing needs of our clients, areas of focus include:

- Assessment of the vaccination distribution landscape globally Link
- Customized consulting to identify specific recommendations based on an organization's footprint, industry and workforce needs, including vaccination-specific consulting services ranging from logistics assessments to tactical planning to vendor implementation and management.
- Leveraging the Aon COVID-19 Employee Impact Model, which combines employer-specific data with geographic infection rates, to estimate the impact of the virus on an organization's employee population and medical claims costs with a 60-90 day forward projection.

Visit aon.com/coronavirus to learn more about how Aon can help you mitigate the impacts of COVID-19.

Geography Trends

SECTION 9



North America

Featured Countries

North America Regional Landscape

Unemployment is soaring. Businesses are suffering. Insolvency numbers are growing. Stimulus has fallen short of needs and expectations. COVID-19 continues to spread, despite preventative measures. The political environment is complicated by misinformation and disinformation, and social unrest continues. But there is optimism. The COVID-19 vaccination rollout is underway (although behind schedule). The US presidency is transitioning, with a new focus on unity and COVID-19 related leadership. Investor confidence is high and the market is booming.

The risk and insurance environment continues in a state of heightened uncertainty. Climate change, social inflation, and economic volatility have led to escalating loss costs and reduced investment returns, prompting some insurers to revisit pricing, underwriting, investment and growth strategies.

Insurance Market & Key Risks

- **Insurers are under pressure:** While COVID-19 related litigation has not been as bad as initially anticipated, a confluence of circumstances (i.e. increased frequency of high severity claims resulting from a steady stream of mass tort litigation, increased frequency of natural catastrophes, and the pandemic) has pressured insurers' bottom lines, putting strain on pricing, limits, deductibles, and coverage terms — as well as insurer claims performance.
- **New capacity is mobilizing:** Capacity constraints have become a serious concern, particularly for Energy, Power, Food, Construction, and Aviation risks, as well as D&O coverage. New capital is mobilizing from existing insurers as well as the formation of new insurance and reinsurance entities. Particular areas of focus for new capital are Property catastrophe reinsurance, Casualty and Financial Lines.
- **Market pricing is peaking:** Price escalation momentum is expected to temper in H2, 2021, after prices hit the high water mark previously reached in 2003.
- **COVID-19 uncertainty remains:** While courts have generally ruled in favor of insurers, uncertainty remains regarding the longer-term impacts of COVID-19 on the insurance industry.
- **There is an influx of submission activity:** Insurers are overwhelmed with submissions and underwriting requests; strong, detailed information is more impactful than ever.

Claims Environment

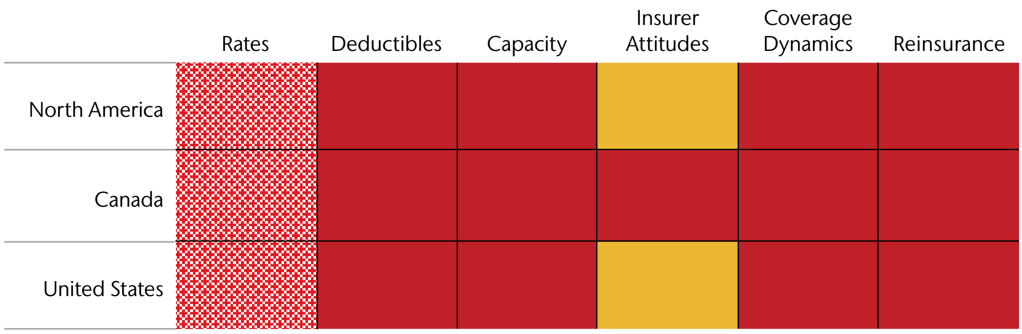
- **Insurer-client friction is escalating:** There is increased friction between insurers and clients on selection of defense counsel, payment of defense counsel rates/bills, litigation strategy decisions, settlement valuation, and request for settlement authority and funding. Aon's strong relationships with insurer claims executives helps counter, or at least mitigate, these negative trends. The coverage advocacy and claims resolution environments continue to be very active.
- **Delays and scrutiny are growing:** Insurers are asking for more information, offering less flexibility, requiring additional experts to review files, reducing authority, and using outside coverage counsel more frequently. Business Interruption claims are facing the most scrutiny.
- **High volume is demanding new processes:** With claims volume reaching all-time highs, many insurers are implementing new processes aimed at providing prompt acknowledgments of claims and coverage positions, and pushing through payments.
- **Insurer resourcing challenges persist:** Several major insurers have made redundant or otherwise lost many of their most seasoned (and empowered) claims executives.

Client Tips

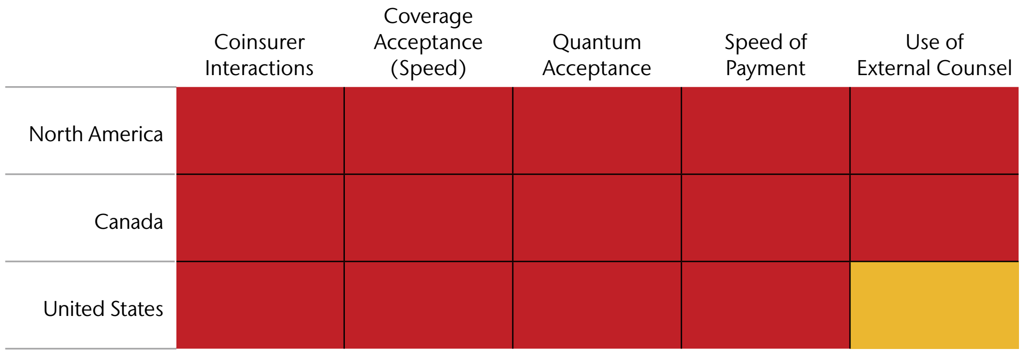
- **Leverage alternative solutions:** Explore and leverage options such as facultative reinsurance, traditional captives or pre-formed captive cells, wholesale markets and Aon's Broking Centers.
- **Explore trade-offs:** Consider modifying the program architecture and terms by leveraging co-insurance, increasing deductibles, refining coverages, and modifying coverage triggers.
- **Use data and analytics:** Leverage Aon's Risk Assessment, Quantification and Consulting services related to cyber security & incident response, M&A, and enterprise risk maturity.
- **Escalate with care:** Escalation can be helpful; however, it is not always the right answer and needs to be utilized strategically.
- **Be realistic:** It is a difficult market. Trade-offs are required. Budget for increased premiums. Expect new coverage restrictions.
- **Start early:** Underwriting is taking longer, and more time may be needed to consider options and secure internal approvals.
- **Differentiate your risk:** Underwriters, overwhelmed with submissions, are under scrutiny and highly selective. Provide complete, accurate, and relevant information about your risk including the risk management measures you are taking.

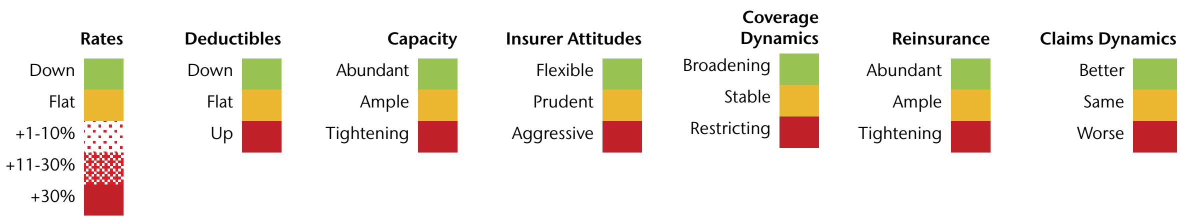
North America
Q4 Market and Claims Dynamics by Country

Market Dynamics

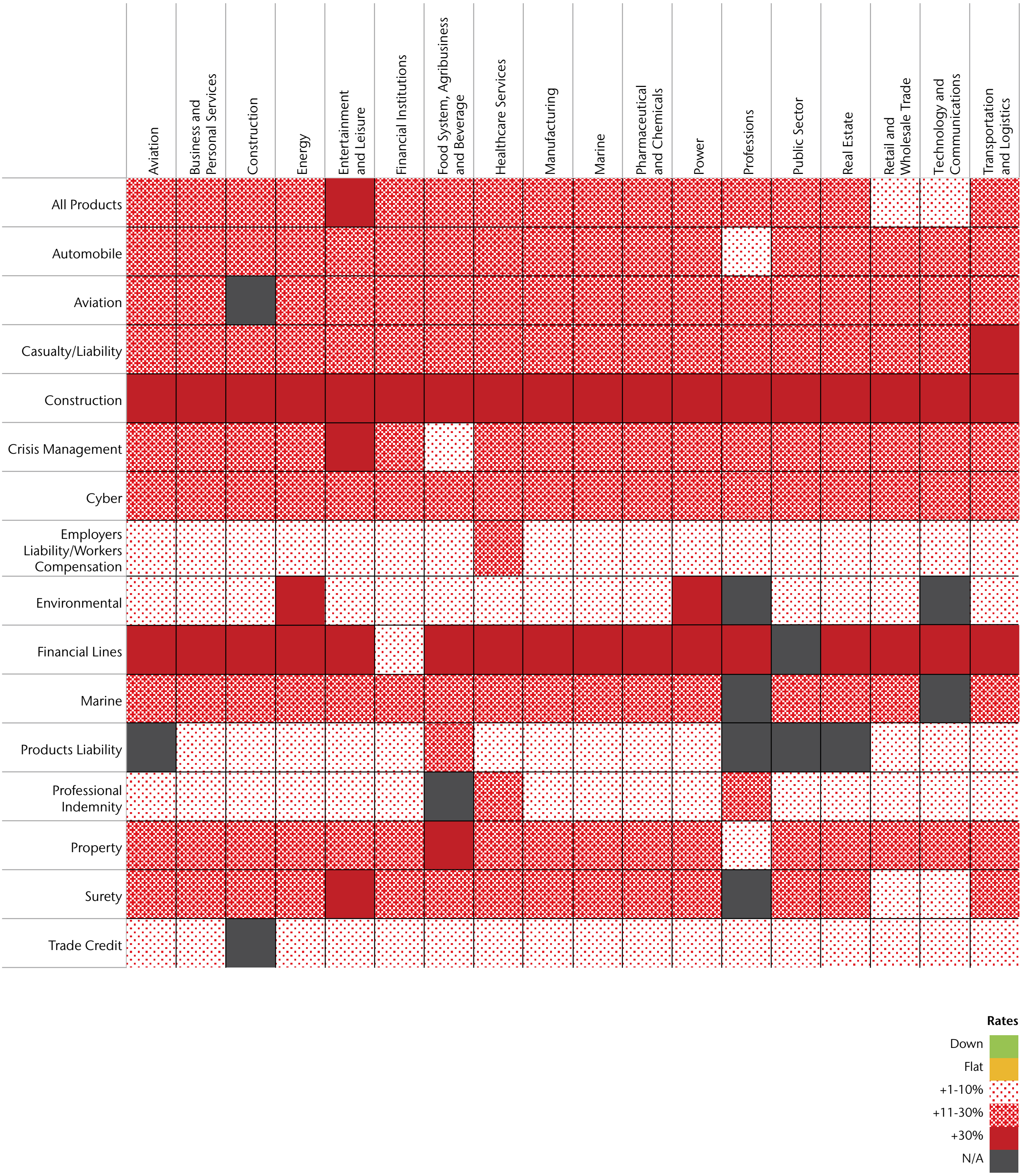


Claims Dynamics





North America Q4 Rate Trends



North America Featured Industries Q4 Overview

Real Estate

Industry Issues
December unemployment remains at nearly twice its pre-pandemic rate but much lower than its April peak. Generally, employment trends align with real estate trends, and in Q4, four of the five real estate sub-sectors are stable or thriving. Due to online sales, the industrial sector is performing well. The multifamily sector deteriorated slightly — far less than in previous recessions; apartment construction has decreased by double digits from 2019, but demand remains high. The office sub-sector is stable, but work-from-home trends and social distancing needs are being monitored carefully. As for retail, grocery-anchored centers are faring well; however, with the acceleration of on-line shopping, and the drastic reduction in 2020 foot traffic due to COVID-19 restrictions, hundreds of malls have been or are now in the process of redevelopment. The hospitality sub-sector has experienced the worst impacts from COVID-19, with occupancy and revenues dropping well over 50%.

Market Conditions
Real estate generally aligns with the population, hence, much of it is located on coasts, in CAT exposed areas (wind, quake, flood, hail, tornados, etc.). As with the rest of the Property market, Real Estate Property renewals are experiencing significant pricing increases, reduced limits, and higher deductibles — especially for All-Risk, Hail, Flood and Tornado, with coastal hospitality and multifamily/wood frame construction risks experiencing the most adverse conditions. Excess/Umbrella placements are also very challenging, mostly driven by social inflation and significant capacity restrictions.

A Look Ahead
In the US, as the new as the COVID-19 vaccination is rolled out, the economy recovers, workers return to the office, and development resumes, the real estate sector is expected to further rebound. COVID-19 loss development — especially Business Interruption claims — will be closely monitored, and language will be further clarified as needed. The price increase momentum is expected to slow as confidence increases related to the impacts of COVID-19, although a full stabilization my not occur in 2021. A few new players are expected to enter the market, although significant additional capacity is not expected to materialize.

Healthcare Services

Industry Issues
The strain of COVID-19 on the healthcare infrastructure has accentuated some of the continuing macro industry challenges. As healthcare entities are balancing the need to adjust business models, navigate shifting and compressed reimbursement levels, and compete for talent, they are confronted by continued industry consolidation which introduces integration and operational challenges. The continued trend, accelerated by COVID-19, toward virtual care settings and the imperative to drive better outcomes from data, create more impetus for the industry to leverage existing technologies and invest in innovation. These industry dynamics create significant headwinds for healthcare entities to navigate.

Market Conditions
Following an extended period of decreasing rates, combined with increasing claims frequency and severity, insurers continue to correct their portfolio. The unknowns surrounding the potential claim activity emanating from COVID-19 have exacerbated concerns around rate adequacy and breadth of coverage and served to intensify insurers' focus on remediation. As a result, the market is now very challenging. Some insurers are applying corrective action on a case by case basis, while others are applying corrective measures ubiquitously. Pricing has increased significantly, at times exclusions and/or sub-limits are being applied — especially to new risks and/or risks experiencing a spike in claims activity — and higher retentions are being pushed. Aon applies numerous tools and tactics to counter these market conditions, including leveraging data-driven insights to determine optimal program structures, fostering incumbent relationships to secure stability, introducing new capacity to encourage competition, and engaging clients to address underwriter concerns.

A Look Ahead
In the US, as the new administration takes over in D.C., there remains uncertainty on how certain initiatives that were campaigned on will be pushed forward. Key initiatives to be expected are expansions of healthcare coverage for more of the population (either through re-enacting aspects of the ACA previously struck down, or enacting new measures), heightened scrutiny over industry mergers and acquisitions, and a renewed focus on reducing drug prices. The insurance market for healthcare entities is expected to continue in its current state into 2021. However, as new Medical Professional Liability, and Management Liability capacity with an appetite for healthcare is introduced, some easing of upward pressure and restriction of terms is expected.

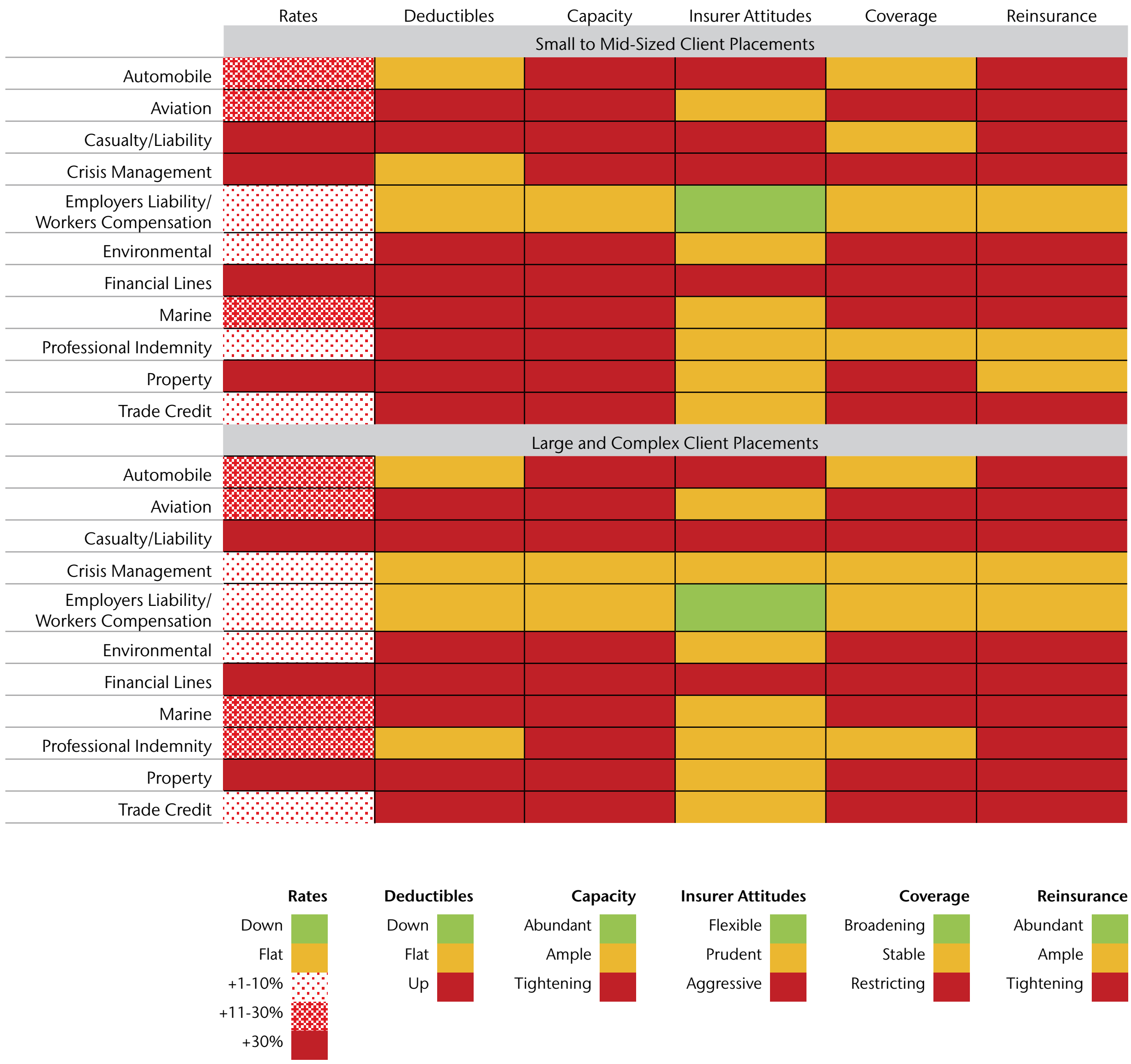
Public Sector

Industry Issues
Uncertainty continues to plague the industry related to political unrest, targeted cyber threats, and escalating liability from exposures like sexual assault and molestation. Particularly in the US, police reform remains a key pain point in the face of ongoing incidents of racially motivated misconduct, and local governments are charting their own course as there is no federal reform playbook or funding. Colleges and universities are experiencing shrinking enrollment and a seismic shift from on-campus to online learning. Some schools are on the brink of financial collapse and many are discounting tuition to maintain student enrollment levels. COVID-19 impacts have required continuous, ongoing adjustment and readjustment; fatigue has set in amongst faculty, staff, administration and students alike. Other parts of the public sector are facing significant budget shortfalls resulting from decreasing taxes and other revenue sources.

Market Conditions
Across all lines, insurers are reacting to escalating losses with broad exclusions, especially for sexual assault and molestation, and communicable disease. Cyber, Excess Liability, Auto Physical Damage, and Property are all seeing constricted capacity and significant — and quickly accelerating — price increases. Some insurers are requiring significant minimum premiums. Insurers are scrutinizing submissions and requiring much more detailed information. Concerns are escalating about the shifts in Workers' Compensation risks such as work-from-home ergonomics and workplace COVID-19 employee safety. Insurer appetite is becoming more limited, especially for new business.

A Look Ahead
Without tuition loan forgiveness or continued support, student loan defaults will become more prevalent, exacerbating the already-reduced college enrollment, which is down significantly at four year institutions and even more dramatically at community colleges for 2020. Some schools are likely to offer deeply discounted tuition for 2021 and/or cut unprofitable or low enrollment schools, majors and classes. Faced with increasing loss costs and continued uncertainty, the insurance market will continue to be challenging — with price escalation, underwriting scrutiny, and a tightening of terms and conditions, especially related to cyber and sexual assault and molestation.

Featured Country: United States Q4 Market Dynamics



Landscape

With the US Presidential election now past, the focus has shifted to urgently responding to the pandemic, and restoring peace and unity in a now widely divided country. As anticipated, COVID-19 cases spiked following the year-end holiday season, and restrictions again intensified, particularly as cold weather in much of the country essentially eliminated safer outdoor gathering options. Hospitals and testing centers exceeded records hit earlier in the year. While rollout is behind schedule, the impending vaccination is creating investor confidence and the market has rebounded, even as unemployment remains high, and the long-awaited, much-needed stimulus is insufficient for most struggling Americans.

In 2020, the already challenged insurance market became even more difficult as risks associated with COVID-19, riots and civil unrest, wildfires, storms and hurricanes, litigation funding, social inflation (runaway litigation frequency & severity), and the #MeToo movement morphed and expanded. Pricing escalated. Capacity tightened. New coverage clarifications and restrictions were introduced. Despite these measures, most insurers will post combined ratios significantly exceeding 100% for 2020. In addition to underwriting losses, with interest rates at 0%, there was minimal or no investment income for insurers.

While the expectation is that the current difficult conditions will continue in the short term, there is an emerging optimism that the market may be approaching the high water mark on rates (previously experienced in 2003 following 9/11, Enron/ Worldcom, the Dotcom bubble, etc.), with the new capacity that's coming into play in 2021 expected to provide some relief and more options.

Featured Country: United States Q4 Market Dynamics

Featured Products

Auto: Although there were fewer vehicles on the roads in 2020, the cost of individual accidents continues to grow exponentially. There has not been any meaningful tort reform, and Auto continues to be one of the least profitable lines for the insurance industry. Insurers have been willing to consider changing placements rated on number of vehicles to mileage-driven rating to reduce premium increases or loss forecasts. Investing in driver training and vehicle technology such as inward, rear-facing, and forward facing cameras pays off in better insurance terms. After a difficult Property catastrophe season, many insurers are looking to increase their Casualty (including Auto) portfolios, so rate increases may be more moderate in 2021.

Aviation: The market is focused on achieving rate adequacy across all lines of aviation to return to profitability. On certain lines of business, minimum premiums are being imposed despite a significant reduction in exposures. Insurers remain cautious with capacity deployment and are more selective. Implementation of the Data Event Clause Exclusion has become more common. Most insurers have introduced COVID-19 exclusionary language which is currently limited to specific excess coverage. There is a focus on technical underwriting.

Casualty: Due to the economy, exposures have reduced for the majority of clients, pressuring insurers to increase rates to maintain premium levels. Near-zero interest rates are also pressuring insurers, as investment income on long-tail lines is a key component of insurer profit. Civil unrest is elevating liability exposure for violence occurring on an organization's premises. In primary lines, insurers are seeking significant rate increases, restrictions on coverage for defense costs, and in limited cases, higher deductibles. In Excess, rate increases are more severe and many insurers are seeking higher attachment points. Pandemic or communicable disease exclusions are more common but not universal. Coverage enhancements remain available with strong, appropriate underwriting data. Expect rate increases to moderate in 2021 as the major adjustments to program structure and pricing that insurers deemed necessary have already been made. In addition, there are new market entrants so competition is returning to the market. Also, with a challenging natural catastrophe season in the Property market, insurers are likely to seek more Casualty business in 2021.

Cyber: As use of mobile technologies and remote capabilities skyrocketed with the transition to work-from-home – and in light of the exponential growth in ransomware attacks — cyber risk has become one of the top business challenges and organizational priorities. Insurance market pricing is escalating, and underwriting is more rigorous. Declinations due to lack of controls have become more common. Insurers are reducing their capacity per risk.

Environmental: As government administration changes, a reenergized enforcement policy at the federal level is expected, potentially fostering higher environmental risk for many organizations. The insurance market is generally more moderate for environmental risk than other risk types; however, higher risk industries such as mining, oil and gas operations, chemical manufacturing and bulk chemical/petroleum storage are experiencing market disruptions, a challenging underwriting environment, and significant rate increases. Limits and policy provisions are also under review. There is continued underwriting scrutiny for on-site pollution products. Construction environmental products remain competitive as there continues to be a flood of new entrants in this space.

Workers Compensation/Employers Liability: COVID-19 claims for employees have been relatively small, and not a major problem for most organizations. There is a growing concern regarding potential Employers Liability claims if an employee were to bring a communicable disease home unintentionally and impact other family members. Some insurers are seeking to raise attachment points, eliminate aggregate protection for multiple employees impacted by the same disease, or exclude disease under Employer's Liability. State laws are evolving in terms of how COVID-19 coverage and claims are treated under Workers Compensation. Competition for good risks remains strong; however, pricing increases are common as insurers look to compensate for the loss of investment income due to near-zero interest rates.

Financial Lines: The current domestic and global macroeconomic environment, as well as event driven litigation – including COVID-19 related claims — is having a significant impact on the D&O marketplace. Liquidity has become a problem for may clients which is a significant concern for insurers. Capacity deployment is being carefully considered, and premium and retention increases continue. Coverage enhancements are difficult to secure. Expect insurers to be more selective on certain classes of business including retail, hospitality, healthcare, real estate, and oil & gas into 2021.

Featured Country: United States Q4 Market Dynamics

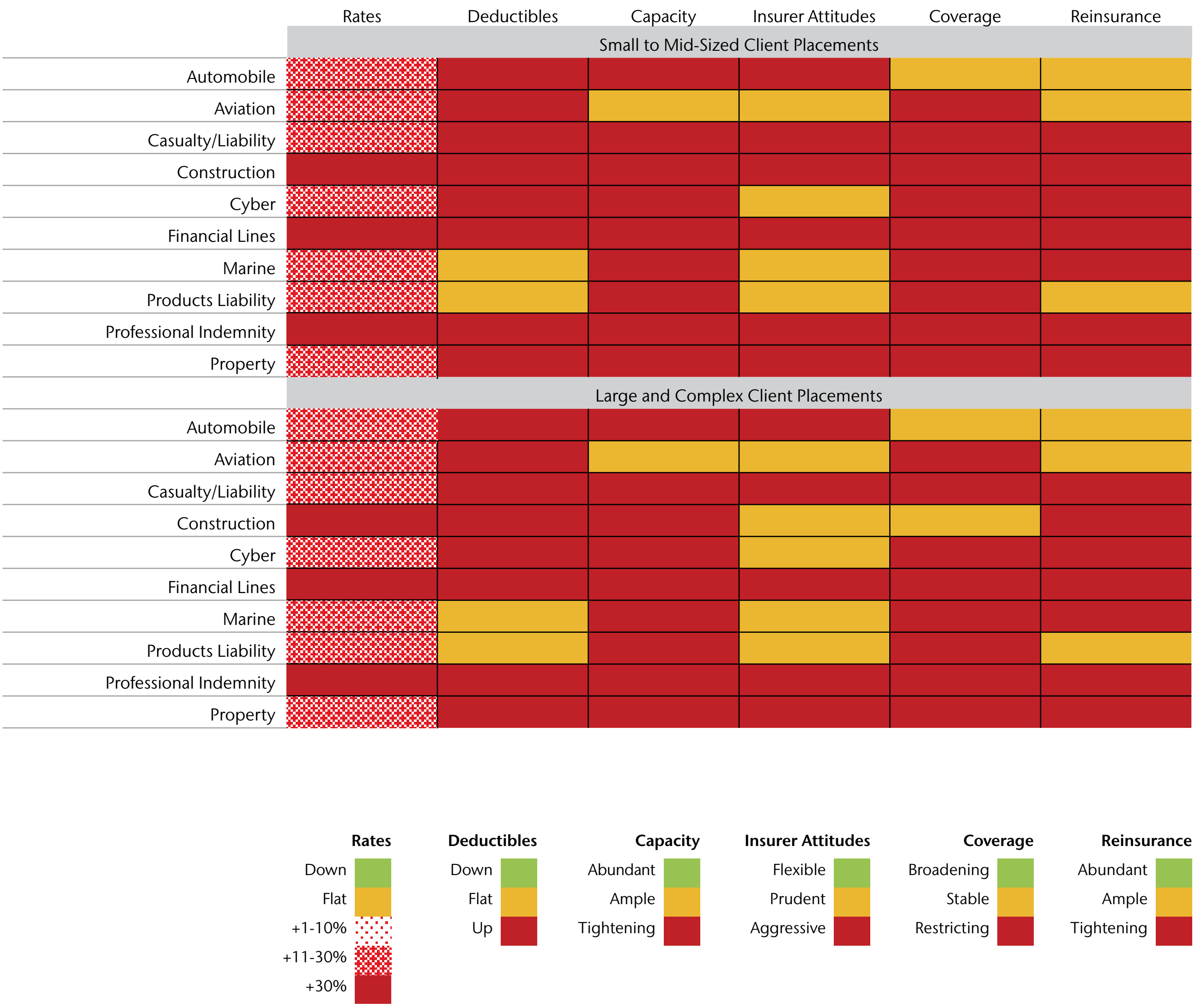
Featured Products

Professional Indemnity: While claims frequency has been somewhat lower in 2020 than in recent years, underwriters are concerned about a potentially significant increase in claims from the pandemic-induced recession. An orderly correction continues, with modest rate increases for smaller, favorable, non Architects & Engineers risks, and more significant increases for large law firms and Excess Lawyers Professional with high attachments. The Architects & Engineers market is currently the most challenging segment, with limited capacity and significant rate increases. Overall, capacity is mostly stable, with some stress on programs buying significant limits due to a reduction in available market capacity in 2020. Heightened capacity conservatism may occur in response to the settlement of a number of very large claims over the past two years; however, the entrance of new insurers into the market in 2021 will likely temper the impact.

Property: Market pricing remains hard, and for the first time, the average rate increase for California Earthquake exceeded 30%. However, in general, large, complex risks experienced more favorable conditions than in Q3. Some well performing risks even experienced over-subscription. Exclusions related to Communicable Disease, Non-Physical Damage related Business Interruption, Loss of Attraction and Cyber have become common. Widespread social unrest across the US has caused insurers to look to limit exposure to Strikes, Riot and Civil Commotion exposure with a focus on loss occurrence definitions. There is renewed scrutiny on Contingent Time Element coverage with underwriter questions around supply chain and business continuity management. Financial difficulties have heightened some insureds' focus on risk transfer as a mechanism to provide balance sheet stability, while a minority of others are considering insurance as a place to cut costs by exploring reductions in coverage/limit or increases in deductibles (although very few have actually opted to change). Cyber Property cover will continue to be underwritten carefully as uncertainty in this space continues.

Trade Credit: Credit claims have occurred at a lower rate than initially expected, likely due to governmental support programs and the closure of bankruptcy courts; however, insurers continue to be concerned about how losses will develop in 2021. As a result, they are rigorous and conservative in their underwriting and cautious in their capacity deployment. There is increasing focus on the risk associated with the growing number of companies which will soon be required to fully resume loan payments but which are not earning enough to cover their interest expense.

Featured Country: Canada Q4 Market Dynamics



Landscape

According to the Organization for Economic Cooperation and Development, Canada's economy contracted by 5.4% in 2020. Unemployment has decreased from its peak in May but is still well above recent prior years. While all segments have been affected, small businesses – representing about 60% of the country's employment and 50% of its GDP – have suffered the worst impacts of the closures and other restrictions related to the pandemic and its Q4 resurgence. Restaurants, gyms, hospitality and entertainment businesses have been devastated and are looking to the government for support and to make investments to enable recovery. Overall, the economy is expected to rebound in 2021 with the introduction of the COVID-19 vaccination, and there is general optimism about the New Normal.

The pandemic is the major driver of the economic slump and the driving force for insurance market changes. Interest rates have fallen, dragging down investment income and overall insurer profitability. As a result, pricing is rising, deductibles are increasing, and capacity is contracting. Coverage limitations are being mandated by some insurers, and subjectivities are being required where they have not been in the past. The Canadian government continues to provide financial support to businesses and individuals impacted by COVID-19 which is, amongst other benefits, serving to as mitigate risk and temper underwriting behaviors.

Featured Country: Canada Q4 Market Dynamics

Featured Products

Auto: Social inflation continues to impact Auto insurer performance. Insurers are focused on risk quality. Organizations with unaddressed risk quality issues — or with US trucking exposure — are finding very limited insurer appetite. Excess insurers are requiring $5 million attachment points, and primary limits are being increased accordingly. $25 million attachment points have become the minimum for some insurers. Pricing is significantly escalated – even for well performing risks. Aon Risk Control is working with an increasing number of organizations looking to improve their risk profile.

Aviation: Rate escalation continues, with premium reductions becoming exceptionally rare, even with declining exposures. Insurers are not requiring widespread exclusions, but there is upward pressure on deductibles and coverage extensions that had been included are now being charged for or removed. Insurers are managing risk more prudently and are reducing line sizes on complex and loss-active placements. Underwriting authority is being centralized, leading to slower decision-making.

Casualty: Social inflation is impacting both primary and umbrella/excess lines. Claims costs are increasing despite the economic downturn. Insurers are focused on a return to profitability and are generally not reducing premiums, even when exposures have decreased. Pricing is significantly up, and retention and deductible increases are having a limited impact. Looking forward, rates may stabilize somewhat for best-in-class risks while loss-active risks, or those with open risk improvement recommendations, will continue to experience challenging conditions including capacity restrictions, higher retentions, and significant rate increases.

Financial Lines: COVID-19 and the related economic downturn has served to exacerbate an already heightened risk environment. There is an increasing number of claims related to workplace safety, terminations and layoffs, as well as bankruptcies and loan defaults. Key underwriter concerns relate to D&O securities litigation, employment litigation, increased Social Engineering Fraud (Crime) and Excessive Fee litigation (Fiduciary/Pension). The environment is challenging across all sectors, client sizes, and risk profiles. Insurers are taking corrective action on their books of business due to a high frequency of US securities claims, a prolonged soft pricing environment, and overall profitability concerns. There has been notable withdrawal of capacity; new capacity is coming into the market on a very limited and conservative basis. Underwriters are imposing higher retentions, Cyber exclusions, and removal of Defense Outside the Limit for Private/Non Profit. Public D&O placements are experiencing significant price increases, with dual-traded and challenged risks experiencing the most difficult pricing environment, as well as reduced capacity availability. Mining, Oil & Gas, Cannabis, Quebec domiciled, Retail, Hospitality, Travel, Health Care/Long Term Care facilities are among the most challenging risk types.

Products Liability: Insurers are increasingly focused on cross-border risks subject to United States litigation and claims inflation. Excess pricing is undergoing significant price corrections, and capacity is tightening. Glyphosate (Round Up) exclusions have become a requirement for U.S. exposures.

Professional Indemnity: The Professional Indemnity market in Canada continues to be affected by the global re-rating of Professional Indemnity started by Lloyds in 2019 following a prolonged stable rate environment and rising frequency and severity of claims. The pandemic and economic downturn prompted insurers to look carefully at coverages and apply clarification and exclusionary language. Underwriting authority continues to centralize. Some notable insurers have withdrawn from the Professional Indemnity market while others are exiting specific poor performing classes. This trend is expected to continue.

Property: The market is being further shaped by the events of 2020. In response, market conditions remain challenging, with elevated pricing, required coverage clarifications/exclusions for Cyber, Communicable Disease, Strikes, Riot & Civil Commotion and Contingent Business Interruption, and increased deductibles. For many insureds, revenues are down, at the same time as insurers are proposing large increases. This has prompted the evaluation of alternatives such as increased deductibles. Insurers are looking to transition away from manuscript wordings in favor of their own policy language. Due to the high volume of submission activity, turnaround times for quotes has slowed significantly. There is some optimism that the Canadian Property market will temper in 2021.

EMEA

Featured Countries

EMEA Regional Landscape

A new wave of COVID-19, and the discovery of a new, more contagious strain, has once again thrown much of the region into a high level of restrictions. While there is general optimism of economic recovery, a combination of continued post-deal Brexit uncertainty, and a continued lack of consumer confidence likely means a meaningful rebound will not happen at least through H1, 2021. The US presidential election result is viewed positively in the region and is expected to allow the return to a more normal and mutually engaged relationship between the European Union and the United States, which may serve to at least partially reduce economic uncertainty.

Insurance Market & Key Risks

- **Challenging conditions continue:** Market conditions are challenging. Insurers – clearly focused on balancing their books and improving their results – are introducing significant price and deductible increases, and restricting coverage terms. The environment is driven not only by COVID-19 and resultant economic uncertainty, but also by escalating loss costs and reduced investment income due to low interest rates.
- **Insurer appetite is narrowing:** Insurers continue to withdraw from poor performing classes, and refocus their appetite. Many now have very limited appetite for new business in challenging areas such as D&O, Professional Indemnity, US Casualty, Cyber, natural catastrophe exposed and large limit Property.
- **Underwriting strategies are changing:** As risk profiles have shifted, insurers have reacted with agility. Underwriting strategies have changed – in some cases frequently — over the course of the year. A risk that may have been approved in Q1 may not have been approved in Q4, or significant additional underwriting information may have been required.
- **Brexit prep continues:** Brexit – and the end of passporting – is requiring that specific units be established to comply with EU directives around the placement of business from Europe. This was completed ahead of the UK's December 31ST exit from the European Union.

Claims Environment

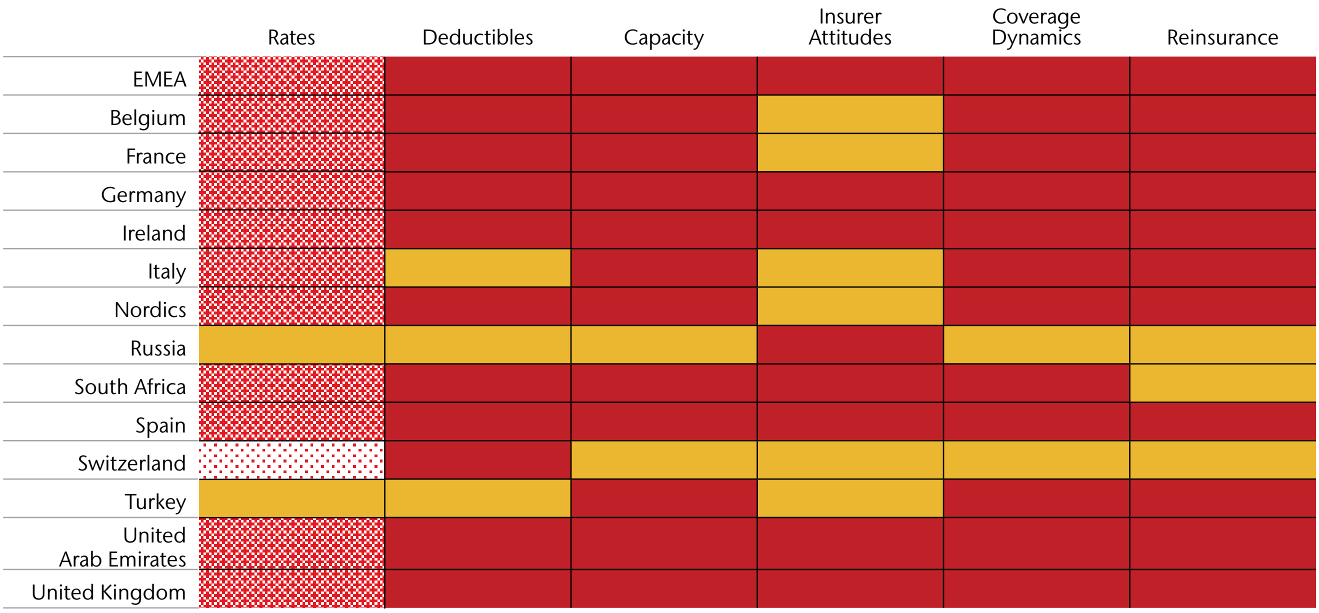
- **Environment is challenging overall:** The environment is at its most difficult point in 20 years. Insurers are overwhelmed trying to process a significantly larger number of claims with fewer and less experienced resources. Additionally, insurers' general attitude to claims decisions has become materially more difficult in the past 12 months.
- **UK FCA case impacts remain unknown:** The UK FCA business interruption test case represents a watershed moment for the industry. The impacts have yet to play out, but are expected to reach well beyond the specific geography and line of coverage (Business Interruption) that were the subject of the case.
- **Social inflation is more prevalent:** While a long-standing concern in other parts of the world, social inflation had mostly spared EMEA; however, it is now becoming a more prevalent issue and serving to drive up claims costs.
- **Political environment is dynamic:** The EMEA region remains in the midst of COVID-19, economic uncertainty and a specific pending development in the form of Brexit. The recent US presidential election result is viewed positively in the region and is expected to allow the return to a more normal and mutually engaged relationship between EU and US which, in turn, is expected by most to reduce elements of the COVID-19 friction and economic uncertainty.

Client Tips

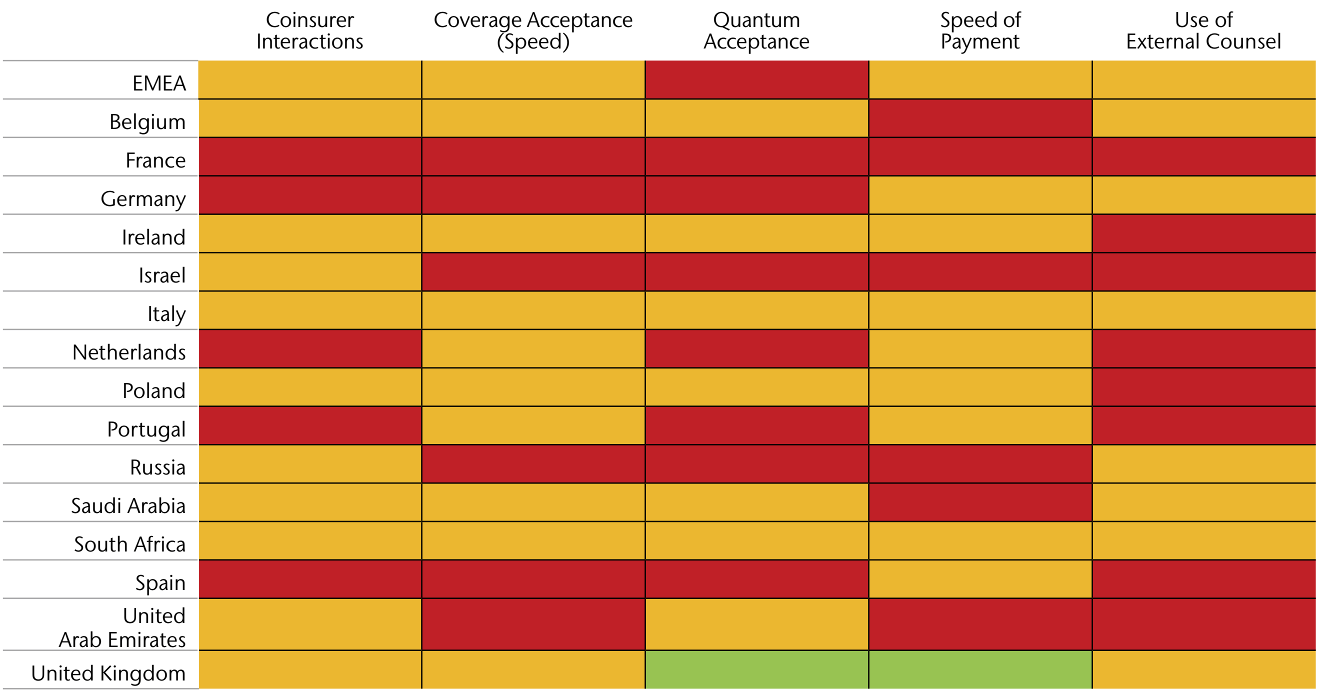
- **Provide detailed information:** The market is most receptive to insureds with robust risk information. Risk management efforts or plans for future risk improvements are helpful in assuaging concerns and negotiating a better result. Any information that differentiates your risk is helpful.
- **Proactively prepare for change.** As-is renewals are rare. Establish budgets and manage internal expectations related to price increases, deductible increases and other program changes.
- **Start early:** With more submissions in the market, and greater underwriting scrutiny, the process is taking longer. Work with Aon to establish a proactive strategy and begin the process early.
- **Engage constructively on claims:** Provide solid, fully calculated claims submissions. Avoid engaging external coverage counsel unless absolutely necessary. Be ready to consider negotiated settlements at less than the full claim value. Manage internal expectations with regard to decision and payment timeliness.

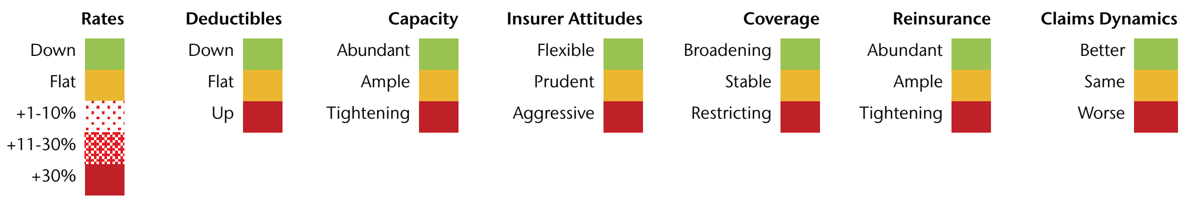
EMEA Q4 Market and Claims Dynamics by Country

Market Dynamics

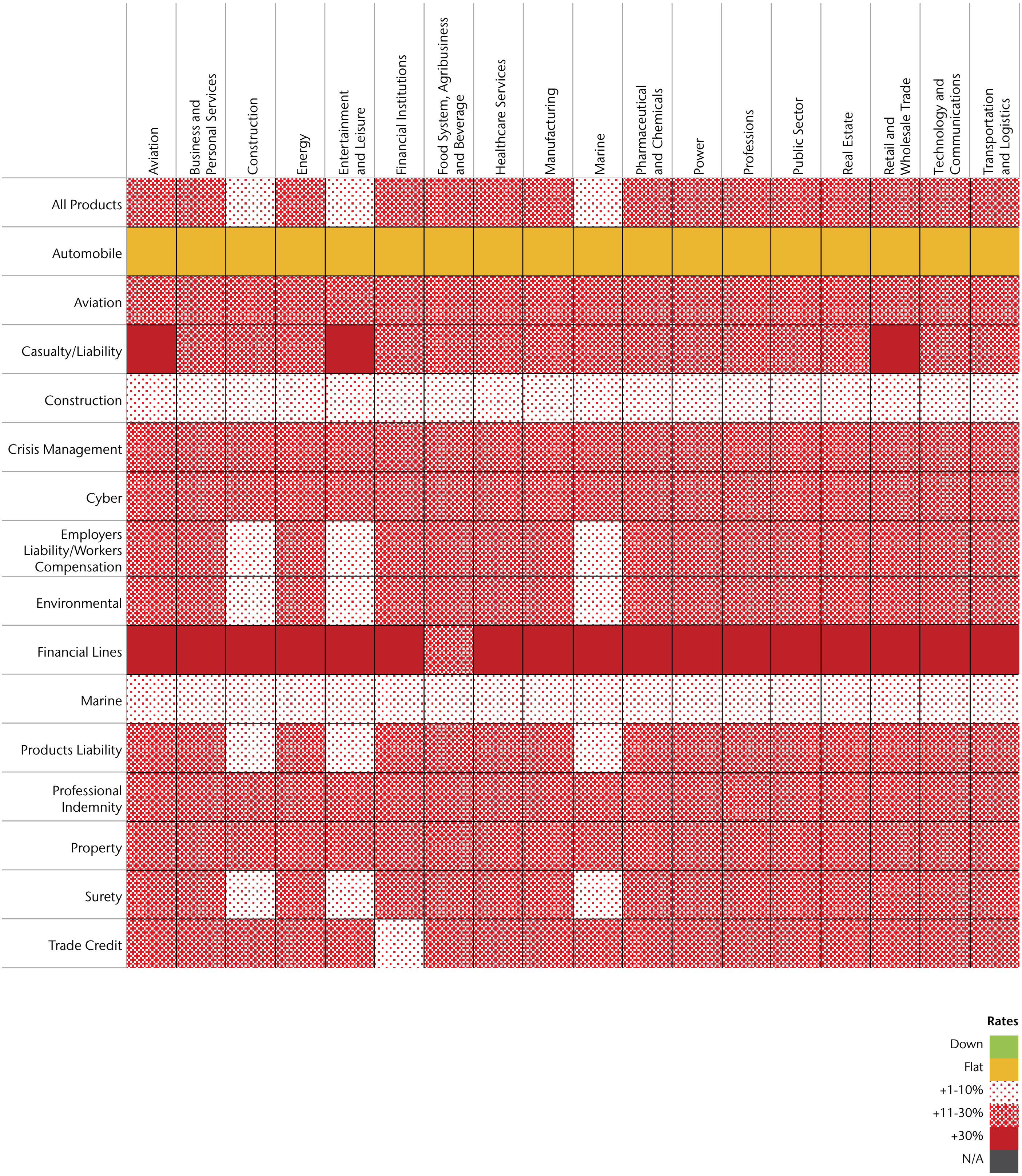


Claims Dynamics





EMEA Q4 Rate Trends



EMEA Featured Industries Q4 Overview

Food, Agribusiness, & Beverage

Industry Issues

While the impact of COVID-19 across the industry varies widely based on service/product mix and distribution channel (e.g., retail versus food service), all companies are faced with increasing costs of maintaining a safe environment in a COVID-active world. Geo-political trade tensions (US-EU trade, EU-China trade, Mercosur) have created widespread uncertainty around market access and potential tariffs. While a Brexit deal was agreed in late December, significant volatility remains, driving fears of price increases and concerns around customs regimes, supply chains, food safety and food security. The risk of business failure is high, leading to increased credit risk across all links in the supply chain, and potentially leading to opportunity for PE and corporate acquirers. Climate continues to be a key strategic risk focus for the industry.

Market Conditions

The insurance market continues to harden as insurers narrow their appetite, withdraw capacity and push for increased retentions. In some instances, full tower limits have become very difficult to secure because there is simply not enough capacity in the market. Even well managed risks are experiencing price increases. COVID-19 restrictions are a key renewal focus, especially for food companies, as they may eliminate coverage in foodborne illness and communicable disease cases. Insurers are excluding silent cyber from P&C and buying back only a certain amount of affirmative cover. Deductible increases are very common.

A Look Ahead

As a result of the pandemic, the industry has shifted its focus toward anticipating the next future shock. This is driving more discussion around scenario-based quantification of key events that could cause serious financial and reputational damage. The insurance market will continue to harden; to mitigate impacts, organizations will continue to partner with Aon to explore alternative forms of risk financing. Now more than ever, it is important to engage early and strategically.

Financial Institutions

Industry Issues

Continued net interest margin compression is challenging commercial banking activity, with investment banking and capital markets activities providing positive tailwinds. The risk environment continues to be challenging, with financial institutions and their regulators focused on resiliency of the workforce and operations, and evolving social issues such as climate risk and diversity/inclusion. Credit and counterparty risk management will continue to be an area of focus throughout the economic recovery. Evolving business/operating models and digitization acceleration will keep organizations focused on cyber, fraud and business disruption risks. M&A in this segment will continue as stronger balance sheets will be opportunistic and the need to scale technology and digitize will foster more combinations/partnering.

Market Conditions

Rate increases are accelerating, and insureds are expected to take a higher portion of their losses (through higher deductibles). In parallel, insurers are scrutinizing risks — asking for more detailed information — and applying coverage restrictions, in response to new and changing risks, like cyber. The Financial Lines space is particularly challenging due to poor loss performance and ongoing economic uncertainty. Trade Credit insurers have generally not been supportive of large Discretionary Credit Limits. Insurers are exploring alternative solutions and ways to partner with financial institutions who are struggling financially to reduce the negative impacts of the current market.

A Look Ahead

In light of continued economic uncertainty, it is expected that the current trend of rate increases and capacity restrictions will continue. New capacity is starting to enter the market – especially in high excess positions on large programs; however, it has not yet created enough competition to change the general market appetite.

Real Estate

Industry Issues

Like many industries, real estate has experienced significant COVID-19 related challenges. While rent forgiveness was in place temporarily, it has discontinued in many parts of the region, leaving business tenants – still unable to consistently resume operations – unable to pay their rents. Landlords have raised business interruption claims, which are currently being put through the courts. The future of how businesses use their real estate is in sharp focus, especially in the office sector, as many organizations consider the work environment of the future. The ultimate impact on real estate investments is yet to unfold. Driven by the rapid increase in online shopping, demand for storage space has increased significantly, and as a result, the logistics and warehouse sector has performed well. On the other hand, investments exposed to the retail, leisure and hotel sectors have all struggled through 2020.

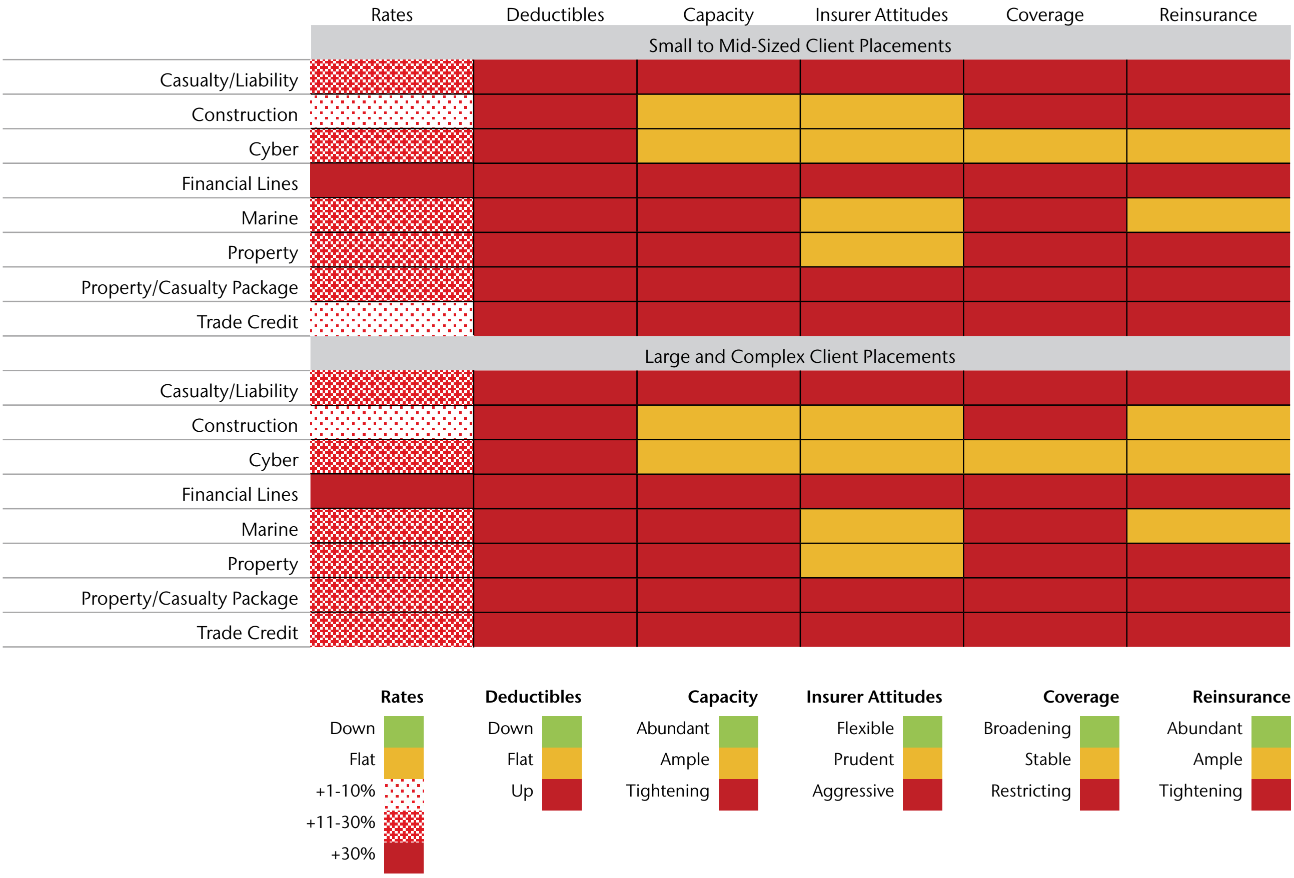
Market Conditions

COVID-19 related business interruption claims remain unresolved. Going forward, insurers are clarifying coverage intent via the wholesale transition at renewal to the LMA clauses for communicable disease and denial of access. Insureds are working with Aon to explore options for managing their pandemic risk. As the insurance industry focuses on profitability, insurer appetite is contracting, especially for new business, and rate increases are being imposed across all asset classes, even for well-performing risks. Natural hazard analysis is becoming increasingly important as CAT-exposed locations are experiencing significantly higher pricing and mandatory deductible increases. Sub-limits are being reduced; insurers are pointing to reinsurer requirements as the driver. Capacity is tightening, and risks with certain asset types have experienced significant challenges securing sufficient tower capacity. Re-marketing should be explored with caution as some insurers are viewing such exercises as an opportunity to reduce line sizes. COVID-19 claims — and the pending high number of legal disputes — have led to overall cost escalation.

A Look Ahead

Expect capacity to remain in short supply. The pricing environment will continue to be challenging. There will be heightened focus on robust risk management strategies. Long term agreements will become very difficult to come by. As insurer books continue to under-perform, appetite will become more focused, and coverage intent will be clarified through additional exclusionary language.

Featured Country: Germany Q4 Market Dynamics



Landscape

In 2020, Germany's economy suffered its biggest contraction since the 2009 global economic crisis, ending a 10-year growth period. While the manufacturing industry – representing about a quarter of the German economy – was hard hit by COVID-19 related restrictions, industrial sectors like auto and machinery, as well as food & beverage, pharmaceuticals, and digitally-oriented companies, served as a stabilizing force for the economy. With these industries, and the continuation of exports, the second round of closures in Q4 did not have the same impact as the restrictions earlier in the year. While further economic issues – especially in the retail, gym, travel and entertainment sectors — will continue into 2021, there is general optimism that the economy will quickly recover once the vaccine is rolled out, and it is projected that the country will grow by 4.4% in 2021. Economic optimism is slightly tempered by concerns over the variants of the virus which have recently emerged.

In light of economic uncertainty, political instability, climate change, digitization and, of course, COVID-19, the insurance market has become more challenging – especially for airlines, automotive, travel/tourism, mechanical engineering, steel companies, and organizations with supply chain exposure or international production processes. Combined ratio performance continues to fall short, and insurers continue to de-risk and remediate portfolios. Pricing has continued to escalate, capacity has tightened, appetite is more focused, new coverage clarifications and exclusions are being introduced, and there is less competition in both the insurance and reinsurance markets. Directors & Officers – as well as complex Property placements – are experiencing the most challenging conditions. Insurers have become less flexible with their proposals and are significantly limiting the acceptance period. Underwriting authority has become more centralized, and the underwriting approach is more technical/analytical and less experience-based. Risks placed through the local market are enjoying greater flexibility.

Featured Country: Germany Q4 Market Dynamics

Featured Products

Casualty: Despite decreasing exposures due to COVID-19, insurance costs are increasing due to core price escalation as well as insurance tax increases. Capacity is constricting, particularly for Auto and Product Recall, as underwriters look to control their cumulative exposure. Increasingly, proposals are accompanied by underwriting reservations with regard to claims histories and are open only for a very limited time, with extensions available only if additional restrictions are accepted. Underwriting information is being scrutinized and must be provided early — especially for automotive recall risks. Exclusions or clarifications related to cyber, pandemic, and opioids are increasingly required.

Cyber: Challenges grow proportional to the requested insurance limits and the size of company. In the area of higher limits (for large corporates) the majority of the former "limit-leader" insurers are reducing the limit they are willing to offer. The market is expected to continue to firm. Cyber underwriting expertise is becoming more and more important.

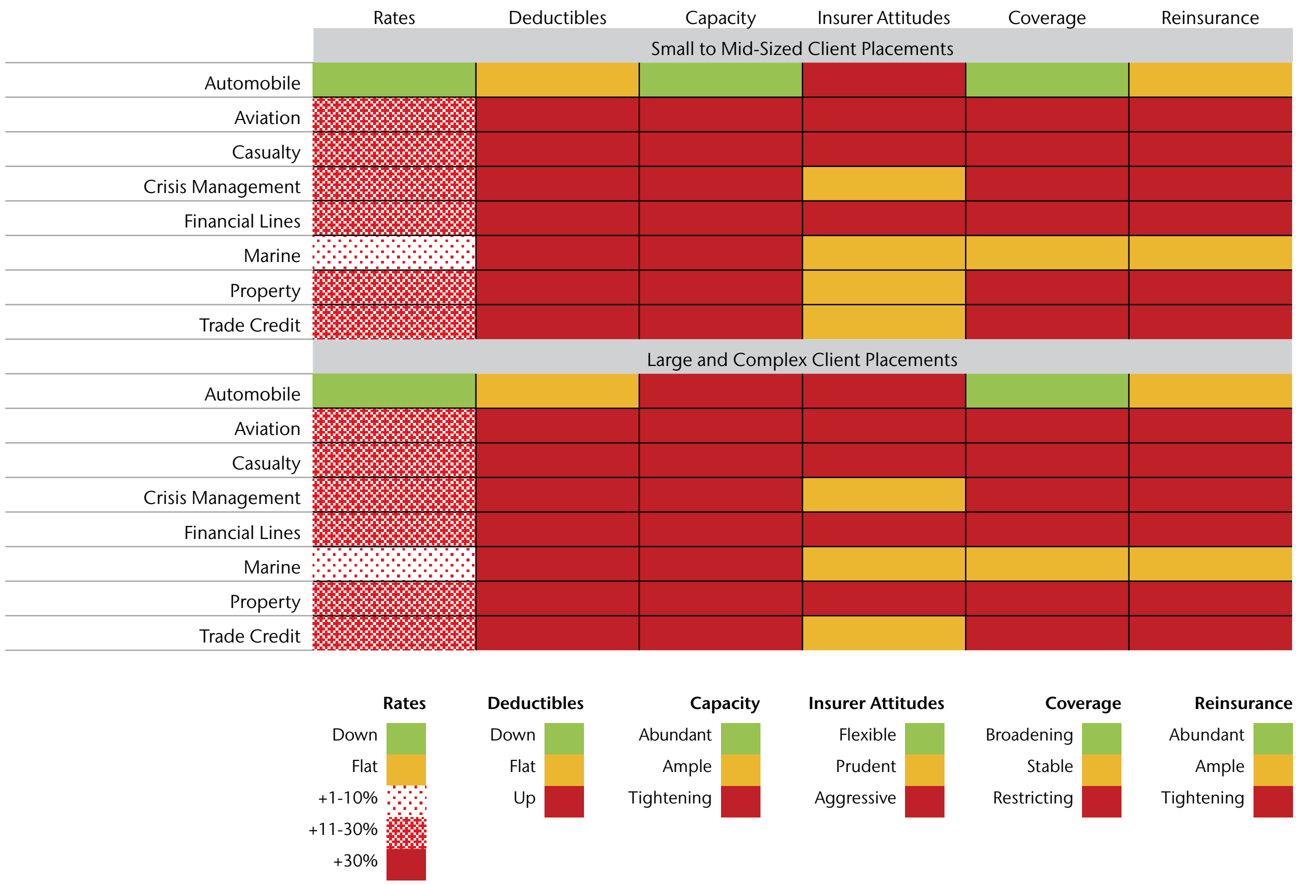
Financial Lines: The market continues to be challenged as a result of poor performance, increased claims frequency and severity due in part to class action litigation, Brexit, new and evolving cyber risk, litigation financing, and the economic and employment issues – both current and anticipated — related to COVID-19. Insurers have significantly increased premiums and reduced capacity. Current market conditions are expected to continue as there is no end in sight for key risk drivers.

Marine: Pricing continues to be hard, and capacity is tight, as a result of prolonged poor underwriting performance, particularly amongst Marine Cargo insurers. COVID-19 has reduced exposures, leading to premium – but not rate – reductions. Common coverage restrictions include Cyber, Communicable Disease, and exclusions for some countries. An influx of new freight forwarders has elevated underwriting scrutiny.

Property: The pricing environment remains difficult, and coverage terms and conditions are tightening, especially related to Cyber, COVID-19, and data. Insurers are using their own coverage wordings, making it challenging to align across all program insurers. Looking ahead, Aon is working with insurers to bring greater standardization and consistency.

Trade Credit: Insolvencies have not increased at the levels initially expected, largely due to government support. Insurers are proceeding with caution — narrowing their appetite or completely withdrawing from the Trade Credit space — as insolvencies are expected to increase in 2021, when the government aid package ends.

Featured Country: Spain Q4 Market Dynamics



Landscape

After the largest drop in GDP in history in Spring, 2020, the economy bounced back and in Q3 it recovered about 60% of its lost output. In Q4, the economy contracted again as COVID-19 infection counts grew, and new localized restrictions were implemented. As infection counts soar post-holidays, widespread uncertainty remains. With restrictions – and resultant economic uncertainty — continuing into 2021, the economy is not expected to fully rebound until at least 2022, even despite the introduction of the vaccine and more broadly available rapid testing.

The insurance market remains challenging for many risk types and lines of business. Rates are increasing nearly across the board – with Auto/Motor Fleet being the key exception. The severity of pricing increase depends on exposure type, product, segment and loss ratio. Insurers have become less flexible and negotiating to align terms and conditions across insurers on large placements has become very challenging. Insurer attitudes toward claims handling have also become more difficult.

Market conditions will likely continue into 2021, but will stabilize gradually throughout the year, with key exceptions being Directors & Officers, Professional Indemnity, and Natural Catastrophe-exposed risks where pricing and capacity may remain challenged. If COVID-19 losses develop favorably, insurer appetite may expand.

Featured Country: Spain Q4 Market Dynamics

Featured Products

Aviation: The market remains very challenging. Loss ratios are high, despite a significant reduction in exposures. Insurers are managing risk more prudently, and some are reducing line sizes. There is a significant focus on technical underwriting.

Crisis Management: Pricing is challenged, and capacity is constricted. Insurer appetite is narrowing.

Casualty: The market continues to harden. Rates and deductibles are increasing, especially for placements with U.S. exposure, and for Products Liability coverage. Insurer capacity — in both Primary and Excess — is contracting, and a further contraction is expected.

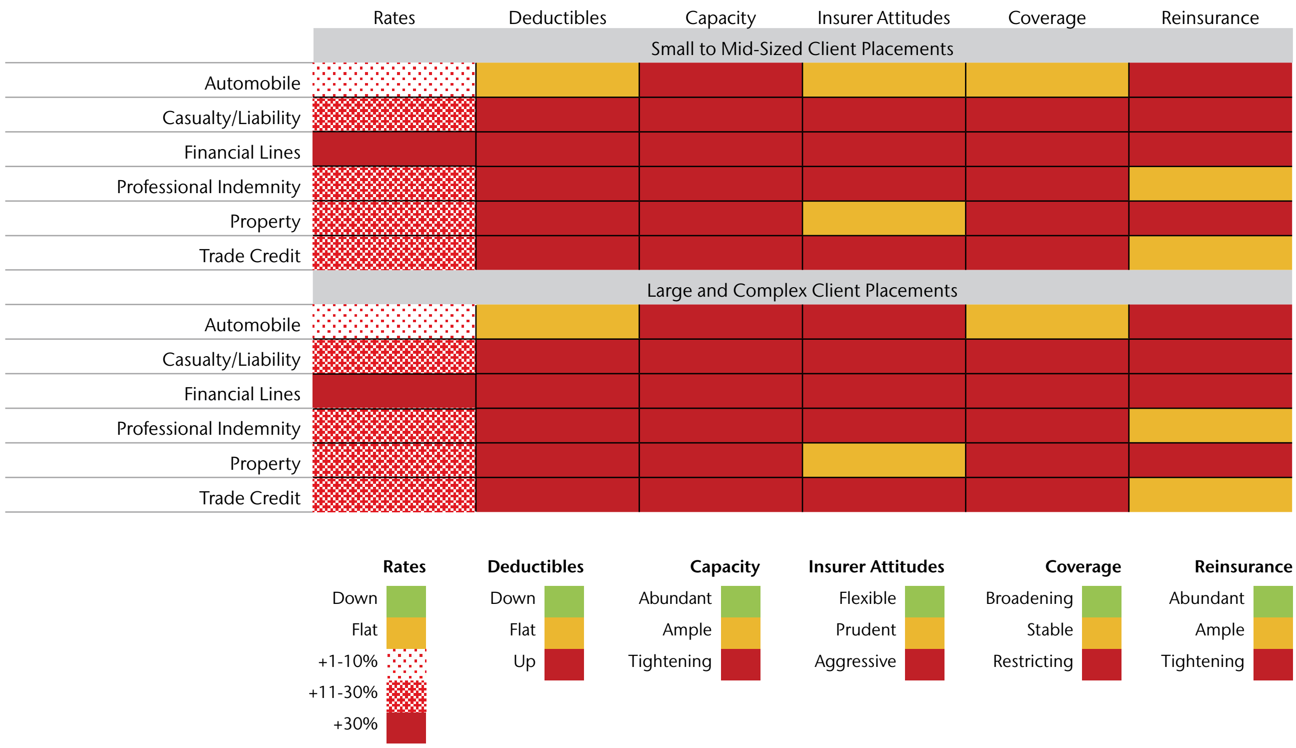
Financial Lines: Insolvency issues resulting from COVID-19 are arising, and Insolvency Exclusions have become more common, especially for financially distressed companies. Pricing remains high, and there is a lack of capacity for large risks, and specific sectors such as aviation, energy, hospitality, and tourism.

Marine: The market remains challenged but is stabilizing, with a few exceptions, although it has not recovered to pre-COVID levels. Some insureds are exploring deductible increases to minimize the impact of premium increases.

Property: Insurers, looking to reduce volatility and improve their financial results, are focusing their appetite, limiting their capacity, and increasing premiums and deductibles. Risks with Natural Catastrophe exposure are facing the most difficult environment, and the challenging conditions are expected to persist into 2021.

Trade Credit: While the originally anticipated number of insolvencies has not materialized, partially due to government support measures, Trade Credit risk is more volatile than ever. Impacts of the economic slowdown on insureds and their suppliers – including restricted access to financing — have strained creditworthiness. As a result, market pricing has increased significantly, and insurers are adjusting terms and conditions to the new situation, including reducing credit limits. 2021 insurer strategies will be developed following the January 1 renewals – when about 70% of the Trade Credit placements renew. Key areas to watch are claims performance, government liquidity extensions, insolvency laws and reinsurance schemes. Developments in these areas will impact insurer appetite, pricing, and terms for the remainder of 2021.

Featured Country: United Kingdom Q4 Market Dynamics



Landscape

The UK government is planning to transition from tiered lockdown measures to a full lockdown in an effort to reverse the growing numbers of cases and hospitalizations. It is hoped that tighter control measures, coupled with the approval of the Pfizer and OXFORD AstraZeneca COVID-19 vaccines, will produce a positive impact in the fight against the virus and its variants. The government has continued to provide financial support to impacted businesses, but this has not prevented an increase in unemployment, which is expected to further deteriorate when government aid is withdrawn. The retail, hospitality and aviation industries continue to experience the most challenging conditions. Brexit is further exacerbating the challenges within the UK, and Brexit-related uncertainty has caused fluctuations in the market.

Insurance market pricing remains hard, and capacity has tightened again in the last quarter. Commercial D&O remains one of the most challenged lines of business, with insolvency exclusions being commonly applied. On January 15TH, 2021, the UK Supreme Court ruled, generally in favor of policyholders, on the FCA business interruption test case. The impact of this ruling, and other regulatory and legal developments related to business interruption, is expected to evolve throughout 2021 and beyond.

Looking ahead, in light of ongoing economic and risk concerns, insurers will continue to be prudent in their capacity deployment and will continue to apply more restrictive terms and conditions in an effort to de-risk their portfolios. Faced with escalating pricing and more restrictive terms, a growing number of organizations are expected to work with Aon to explore alternatives to traditional risk transfer.

Featured Country: United Kingdom Q4 Market Dynamics

Featured Products

Auto: As exposures and losses are generally down, market pricing is moderate, although some insurers have become less flexible in their underwriting but remain sensible. Capacity is tight.

Casualty: Key risks continue to be COVID-related. There has been an increase in insolvencies and financially distressed companies, particularly in the retail, hospitality, tourism, and aviation industries. These risks are experiencing difficult market conditions. A key area of focus relates to Employment Practices Liability, as organizations are evaluating and planning how to safely return employees to work. Risks associated with cyber breaches and fraud while employees are working remotely are also heightened. Pricing is up notably, and there has been an overall tightening of coverage terms. Many insurers are pulling back on Extended Reporting Period and Discovery options. Insurers are also imposing retention increases. In some cases insurers are insisting on 80/20 coinsurance retentions.

Financial Lines: COVID-19 has served as a catalyst in hastening and intensifying change in an already hard Financial Lines market. The immediate impact on capital has been compounded by fears over the economic future and has led to a significant and widespread contraction of appetite. New capacity is starting to enter the market; however, it is not yet creating enough competition to change general market appetite.

Professional Indemnity: Market pricing is hard, with the most notable increases on Excess layer placements. Post-Grenfell, risks related to the cladding or fire safety of a building are of particular concern, and related exclusionary language is becoming more prevalent. COVID-19 concerns are limited to certain Professional Indemnity classes. Insurer response times have been slower. Minimum premiums are increasing.

Property: The market continues to harden; pricing momentum picked up every quarter throughout 2020. Coverage terms and conditions are restricting, particularly related to Infectious Disease, Cyber, Strikes, Riots, & Civil Commotion, Natural Catastrophe and Contingent Business Interruption. Upward pressure on retention levels continues. Insurer appetite has shifted, and there is a strong focus on returning to profitability which is driving underwriting strategies. The outcome of treaty renewals at the end of the year will also influence underwriting parameters for 2021.

Trade Credit: Pricing and deductibles are increasing, limits are being reduced, and risk appetite is focused, particularly for single contracts and commodity trade risks. Insurers are taking longer to quote, even on favorable risks. The government backed Trade Credit reinsurance scheme has allowed coverage to remain in place for many small and mid-sized firms where it may have otherwise been withdrawn. These schemes will likely renew — at least for Q1 — helping keep companies afloat by maintaining credit lines. Looking ahead, many insurers wrote little business in 2020 so may have a strengthened appetite in 2021.

Asia Pacific

Asia Pacific Regional Landscape

Signed on November 15 and scheduled to take effect in early 2021, the Regional Comprehensive Economic Partnership (RCEP) is a free trade agreement between 15 Asia-Pacific countries (Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam) representing about 30% of the world's population (2.2 billion people) and 30% of global GDP ($26.2 trillion). The agreement establishes a set of common rules and regulations for e-commerce, trade, and intellectual property, and reduces costs in part by eliminating about 90% of the tariffs on imports between signing countries. Most immediately, it is expected to serve to stimulate the Asia Pacific economies as they recover from the effects of COVID-19. In the meantime, consumer confidence continues to shift positively, and high unemployment rates are tempering. Interest rates remain low, and despite uncertainty, housing prices are surging, particularly in Australia.

Insurance Market & Key Risks

- **Pricing is up, to varying degrees:** Market pricing has increased overall; however, the extent of increase varies widely by line of business, sector, geography, and renewal vs. new business, as well as whether the insurer is local. While high hazard risks are experiencing the most challenging conditions, even favorable risks are experiencing rate increases, due to insurer pricing adequacy concerns. This is expected to temper as insurer strategies shift in the new year to refocus on growth.
- **Insurers are reacting to recent losses and uncertainty:** Insurers are focusing their appetite and withdrawing capacity. In some cases, new terms and conditions are being required to renew coverage (e.g., LMA5400).
- **Insureds are considering alternatives:** Insureds are more price-sensitive given the current economy and lingering uncertainty. Many – especially those whose budgets are not aligned with the current market conditions — are working with Aon to explore alternatives and trade-offs (e.g., increasing deductibles) as a mechanism for offsetting proposed premium increases.
- **Relationships are less impactful:** With the centralization of the underwriting function, and In light of insurer focus on profitability, insurers are not looking at risk and relationships through the same local lens. Many insurers are prepared to walk away if prices are not adequate, even for long-term clients.

Claims Environment

- **Resourcing challenges persist:** The environment is very challenging, largely due to a reduction of in-house, commercially experienced and competent claims professionals as well as the outsourcing of coverage opinions and policy intent to lawyers.
- **Quantum and coverage scrutiny is increasing:** There is increased scrutiny, and insurers are looking at quantum and coverage in detail. Even the basics are being questioned.
- **Disputes and escalations are more common:** Insurers are less flexible with regard to disputed claims and escalations are becoming more common. Cycle times have elongated. Aon's advocacy efforts are proving to be exceedingly more valuable to ease and expedite the process for our clients.
- **Inconsistencies are growing between lead and following/co-insurers:** Co-insurers and following insurers are increasingly challenging lead (re)insurer positions and choice of advisors.
- **Tensions are rising:** Adjusting firms and experts are feeling the pressure from certain insurers to maintain service standards and resource commitments while concurrently accepting lower rates.
- **Diversification is proving helpful:** Australian clients are increasingly utilizing Chinese markets as they seek diversification which will be beneficial for collaborative claim resolution discussions long term

Client Tips

- **Proactively prepare for change.** As-is renewals are rare. Establish budgets and manage internal expectations related to price increases, deductible increases and other program changes.
- **Leverage alternatives:** Work with your Aon team to explore alternatives to help mitigate rate increases.
- **Sweat the small stuff:** Complying with underwriting and risk control requirements used to be a differentiator; it is now a minimum stage gate in order to access coverage. Quality, detailed information – especially related to how your business and risk has changed — is essential. Aon's Global Risk Consulting can help you manage insurer recommendations and enhance your risk profile.
- **Engage early:** Early engagement with the market is critical to understand what will be required and what changes may be proposed. Assumptions should not be made about what to expect. In addition, starting early allows time for insurers to review all information and escalate internally for required approvals.
- **Reassess indemnity periods:** As supply chains are disrupted globally, repairing/rebuilding/restoring facilities may take much longer than expected.
- **Avoid claims missteps:** Timely notification and ongoing communication is critical. Manage expectations – both internal and external – throughout the process. Demand clarity from your advisors and insurer partners.

Asia Pacific Market and Claims Dynamics by Country

Market Dynamics

	Rates	Deductibles	Capacity	Insurer Attitudes	Coverage Dynamics	Reinsurance
Asia Pacific	+11-30%	Up	Tightening	Prudent	Restricting	Tightening
Australia	+11-30%	Up	Tightening	Prudent	Restricting	Tightening
China	Down	Flat	Abundant	Flexible	Stable	Tightening
Hong Kong	+1-10%	Up	Tightening	Prudent	Restricting	Tightening
Japan	+1-10%	Flat	Ample	Prudent	Stable	Ample
Malaysia	+1-10%	Flat	Ample	Prudent	Stable	Ample
New Zealand	+11-30%	Flat	Tightening	Aggressive	Stable	Tightening
Philippines	+1-10%	Flat	Tightening	Prudent	Restricting	Tightening
Singapore	+1-10%	Flat	Tightening	Prudent	Restricting	Tightening
South Korea	+1-10%	Flat	Tightening	Prudent	Stable	Tightening
Thailand	+1-10%	Up	Tightening	Aggressive	Restricting	Tightening
Vietnam	+1-10%	Up	Tightening	Prudent	Restricting	Tightening

Claims Dynamics

	Coinsurer Interactions	Coverage Acceptance (Speed)	Quantum Acceptance	Speed of Payment	Use of External Counsel
Asia Pacific	Same	Same	Same	Same	Same
Australia	Same	Same	Worse	Worse	Worse
China	Same	Same	Same	Same	Same
Hong Kong	Same	Worse	Worse	Same	Same
Indonesia	Same	Same	Same	Same	Same
Japan	Same	Same	Same	Same	Same
Philippines	Same	Same	Same	Worse	Same
Singapore	Same	Same	Same	Same	Same
Taiwan	Same	Same	Same	Same	Same
Thailand	Same	Same	Same	Same	Same
Vietnam	Same	Same	Better	Better	Same

Rates: Down, Flat, +1-10%, +11-30%, +30%

Deductibles: Down, Flat, Up

Capacity: Abundant, Ample, Tightening

Insurer Attitudes: Flexible, Prudent, Aggressive

Coverage: Broadening, Stable, Restricting

Reinsurance: Abundant, Ample, Tightening

Claims Dynamics: Better, Same, Worse

Asia Pacific Q4 Rate Trends

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Food System, Agribusiness and Beverage	Healthcare Services	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Public Sector	Real Estate	Retail and Wholesale Trade	Technology and Communications	Transportation and Logistics
All Products	+11-30%	+11-30%	+11-30%	+1-10%	+11-30%	+11-30%	+11-30%	+11-30%	+1-10%	+1-10%	+11-30%	+11-30%	+11-30%	+1-10%	+11-30%	+11-30%	+1-10%	+1-10%
Automobile	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Aviation	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Casualty/Liability	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+11-30%	+1-10%	+1-10%	+1-10%	+1-10%
Construction	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Crisis Management	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Cyber	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Employers Liability/Workers Compensation	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Financial Lines	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+1-10%	+11-30%	+11-30%	+11-30%	+11-30%
Marine	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Products Liability	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+11-30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Professional Indemnity	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Property	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+1-10%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Surety	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	N/A	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Trade Credit	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%

Rates

- Down
- Flat
- +1-10%
- +11-30%
- +30%
- N/A

Asia Pacific Featured Industries Q4 Overview

Power

Industry Issues

The power generation sector has not been impacted by COVID-19 restrictions to the same extent as other industries. In fact, the sector overall continues to thrive and grow. It is expected to attract as much as $1.5 trillion of investments over the next decade. Solar and wind will represent the majority of the investments — possibly as much as 70%. Investment in the coal industry continues to decline from its peak of $57 billion in 2013. The region is expected to add over 170 gigawatts of new power capacity annually in the next decade, with the pace of additions expected to accelerate over time.

Market Conditions

For thermal coal risks, insurer corporate social responsibility agendas are driving a tightening of capacity, and insurance pricing is increasing accordingly. Insureds in this space are assuming far greater risk through expanded captive participation, higher self-insured retentions, and/or decreasing policy limits. For non-thermal coal risks, capacity remains ample but insurers are continuing to push rate and pull back policy terms and conditions to return portfolios to profitable positions. Renewable energy rates are increasing notably after a series of large construction and natural catastrophe claims. Insurers are scrutinizing Business Interruption coverages and imposing minimum deductibles. In addition, Communicable Disease exclusions and Cyber exclusions are being broadly applied.

A Look Ahead

For coal risks, conditions will continue to deteriorate as capacity continues to exit the market. For non-thermal risks, insurers are expected to continue to moderate their line sizes, especially for risks that are natural catastrophe exposed, have ageing technology, or do not have sound risk management procedures in place.

Aviation

Industry Issues

COVID-19 has impacted the entire sector: airports, manufacturers, service providers, airlines and general aviation operators. Some operators, such as freight carriers, are experiencing high capacity demand, whereas service providers to airlines and general aviation commercial operators have significantly reduced operations and equipment use, and associated revenues have decreased accordingly. With the combination of these two impacts, the Asia Pacific aviation market is expected to be down 8.2% YoY in 2020, and is experiencing a much faster recovery compared to Europe or North America, driven largely by recoveries in state owned Chinese aerospace companies and domestic air traffic in China.

Market Conditions

The insurance market continues to feel the effects of shrinking capacity, with co-insurance placements more common and large pricing differentials between underwriters, but an overall push for rate increases. Insurers are scrutinizing existing coverage and requesting additional premium for coverage enhancements or contractual indemnities that have traditionally been offered without an additional charge. Data Event exclusions are being required by many insurers.

A Look Ahead

Hard market pricing and constrained capacity are expected to continue. Insurer appetite will remain focused. Sub-limits will be imposed with greater frequency. Coverage enhancements will be hard to come by.

Food System, Agribusiness and Beverage

Industry Issues

China's relationship with the region has been challenging, causing trade issues for many exporters and importers, as well as concerns for businesses interested in M&A. This has negatively impacted the food and agribusiness sector. The sector is also facing an increasingly difficult environment following a prolonged, Australia-wide drought that has led to significant grain and dairy production declines.

Market Conditions

The tense relationship between China and Australia has led to insurer scrutiny of Contaminated Products coverage, with insurers looking carefully at export exposures. The underwriting process is more rigorous, and insureds are expected to demonstrate their contingency plans. Insurers are clarifying the intent of their wordings on Government Recall and various other coverages. Although COVID-19 has had an impact on pricing, losses in the sector and loss of capacity remain the major drivers of price. Expanded Polystyrene (EPS) risks in the food sector remain challenging to place, as do risks in higher-risk earthquake zones such as Wellington, New Zealand. Risk management has become a critical consideration for insurers; insureds are now required to invest considerable capital into risk improvement in order to secure favorable insurance terms and pricing.

A Look Ahead

Further scrutiny on underwriting information is expected. There will be continued pressure on Contaminated Products and Property premiums. New capacity would provide pricing relief but is not expected in the short run.

Featured Country: Australia Q4 Market Dynamics

	Rates	Deductibles	Capacity	Insurer Attitudes	Coverage	Reinsurance
Small to Mid-Sized Client Placements						
Automobile	+1-10%	Flat	Ample	Prudent	Stable	Ample
Aviation	+11-30%	Up	Tightening	Prudent	Restricting	Ample
Casualty/Liability	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Construction	+11-30%	Flat	Tightening	Prudent	Restricting	Tightening
Crisis Management	+1-10%	Up	Ample	Prudent	Restricting	Tightening
Cyber	+11-30%	Up	Tightening	Prudent	Stable	Tightening
Employers Liability/Workers Compensation	+1-10%	Flat	Ample	Prudent	Stable	Ample
Energy	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Financial Lines	+11-30%	Up	Tightening	Prudent	Stable	Ample
Marine	+1-10%	Up	Tightening	Prudent	Stable	Tightening
Professional Indemnity	+11-30%	Up	Tightening	Prudent	Restricting	Ample
Property	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Surety	+1-10%	Flat	Tightening	Prudent	Restricting	Tightening
Trade Credit	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Large and Complex Client Placements						
Automobile	+1-10%	Flat	Ample	Prudent	Stable	Ample
Aviation	+11-30%	Up	Tightening	Prudent	Restricting	Ample
Casualty/Liability	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Construction	+11-30%	Flat	Tightening	Prudent	Restricting	Tightening
Crisis Management	+1-10%	Up	Ample	Prudent	Restricting	Tightening
Cyber	+11-30%	Up	Tightening	Prudent	Stable	Tightening
Employers Liability/Workers Compensation	+1-10%	Flat	Ample	Prudent	Stable	Ample
Energy	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Financial Lines	+30%	Up	Tightening	Aggressive	Restricting	Tightening
Marine	+11-30%	Up	Tightening	Prudent	Restricting	Tightening
Professional Indemnity	+11-30%	Up	Tightening	Prudent	Restricting	Tightening
Property	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening
Surety	+1-10%	Flat	Tightening	Prudent	Restricting	Tightening
Trade Credit	+11-30%	Up	Tightening	Aggressive	Restricting	Tightening

Rates	Deductibles	Capacity	Insurer Attitudes	Coverage	Reinsurance
Down	Down	Abundant	Flexible	Broadening	Abundant
Flat	Flat	Ample	Prudent	Stable	Ample
+1-10%	Up	Tightening	Aggressive	Restricting	Tightening
+11-30%					
+30%					

Landscape

Australian businesses are returning to a more normal operating environment, with COVID-19 restrictions continuing to ease and State borders reopening.

In November, the New South Wales Court of Appeal ruled on the COVID-19 Business Interruption test case finding against insurers that had not updated their policy language to reflect changed legislation surrounding the Quarantine Act. Insurers will likely appeal this decision but uncertainty continues.

The insurance market has seen a period of prolonged hardening that has shifted from primarily rate increases to now deductible movement and coverage contraction. Capacity remains a significant problem locally. London capacity is available but it now comes at a significant price. Chinese capacity for Australian risks has also contracted. Several classes of insurance (natural catastrophe exposed Property, Professional Indemnity and, in particular, Directors & Officers' Liability) have experienced significant increases in premium and a reduction in capacity.

Overall, rates will continue to increase but this will differ significantly based on line of business, industry, risk type and risk management. We anticipate the start of stabilization by Q3 2021.

Featured Country: Australia Q4 Market Dynamics

Featured Products

Auto: COVID-19 lockdowns saw a reduction in frequency of minor incidents although significant incidents remain largely unchanged, as do weather-related claims. Underwriters continue to price based on short 3-year payback periods, leading to some shocks for claims-impacted risks. Coverage remains stable. Current trends are expected to continue for the next 12 months.

Casualty: Insurers are increasingly focused on limiting catastrophe risk viewed as extraneous to core operations. Sexual Abuse coverage continues to tighten, especially for risks with prior incidents. Frequency of abuse notifications, heightened by the Royal Commission, has not abated as anticipated. Underwriters continue to closely examine any risk with frequent or severe losses. Maintaining current coverages and deductibles will likely continue to be a challenge.

Construction: Insurers are selective in their capacity deployment and, given the significant number of construction projects being started to stimulate the economy, the challenge will be in identifying sufficient coverage at a reasonable price for the greater risk-exposed projects. Coverage for defects is under scrutiny and generally more restrictive. Appetite for lead positions on coverage for major projects is constricting.

Crisis Management: The challenging relationship with China has meant that Contaminated Products insurers are carefully looking at export exposures. Expect further scrutiny on underwriting information and continued pressure on Contaminated Products and Recall premiums.

Cyber: Ransomware has become a major area of concern. Silent Cyber/Affirmative Cyber positions under other lines of insurance is driving additional interest in Cyber-specific placements. Non-traditional coverage is available (mainly, Property Damage stemming from cyber incidents); however, at a significant additional premium. Additional coverages such as Reputational Harm and Bricking are becoming more mainstream. Anticipate further rate increases Q1 along with increased retentions and additional underwriting scrutiny.

Employers Liability/Workers Compensation: Despite poor financial performance of Workers Compensation schemes, the market has remained stable, albeit with some minor rate strengthening. Privately underwritten jurisdictions are the least impacted in terms of COVID-19 infections and operating restrictions on businesses, as a result, scheme performance is likely to be better with less need for rate increases. Government underwritten jurisdictions have suffered significantly due to COVID-19; rate increases for these jurisdictions were expected but never materialized. Anticipate little change in Q1. A large amount of government stimulus will be withdrawn in Q2, possibly leading to changes in underwriting and pricing.

Energy: With oil and gas prices rising, there are some signs that exploration may increase. The energy sector appears largely unaffected by the Australia/China tensions as China needs the gas that Australia supplies. Insurers are using the hard market environment as an opportunity to rein in the extent of additional coverages and associated sub-limits. COVID-19 exclusions have become commonplace. Expect continued price escalation and a challenging marketplace into 2021.

Financial Lines: COVID-19 has exacerbated an already challenged market, especially related to Directors & Officers coverage, which is experiencing reduced capacity, increased deductibles, and significant price increases. Domestic insurers are looking to apply COVID-19 exclusions. These conditions are expected to continue into 2021.

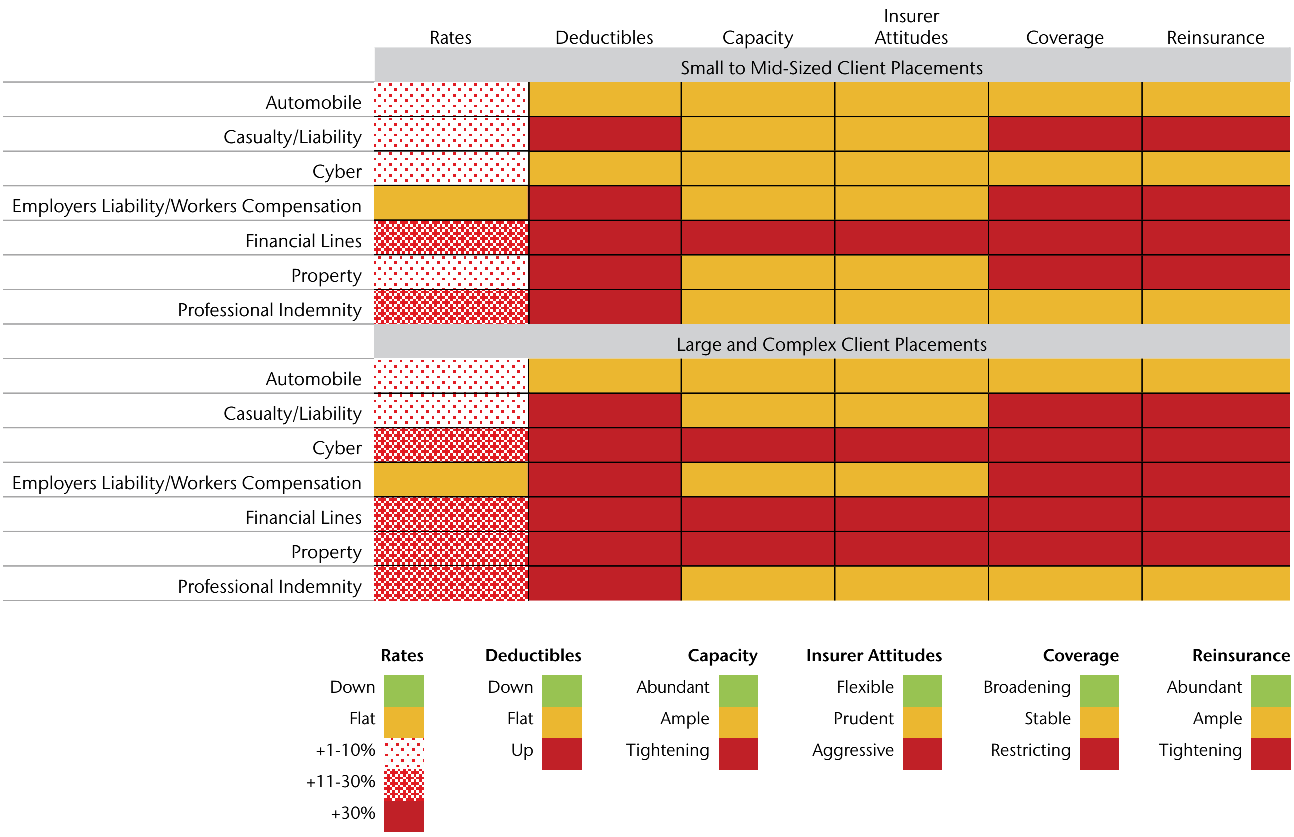
Marine: Overall, marine risks have remained minimally affected by the COVID-19 pandemic; however delay-of-cargo shipping risk has become more complex due to tougher quarantine inspections, port restrictions, and limited access for surveyors and pilots. This is the third year of hard market conditions, with limited reinsurance capacity available from overseas markets. The local insurance marketplace is generally more favorable, with lower pricing increases than experienced in the global marketplace. Exclusions for both Cyber and COVID-19 have become commonplace. Stock Throughput coverage has come under a microscope, as the underwriting of stock and static risk is no longer at the sole discretion of marine underwriting divisions. Expect the market cycle to evolve, with more scrutiny on writing true marine risks and bringing rates up to a more sustainable level for insurers.

Property: Capacity is tightening, pricing is escalating, and terms and conditions are restricting. Placements which three years ago had five Australian insurers on their panel, may now see as many as 30 across Australia, UK, Singapore and China. Non-Damage Business Interruption, Natural Catastrophe, Silent Cyber and Infectious Disease coverages are now severely restricted, if available at all. Conditions are not likely to improve in the first half of 2021.

Surety: Construction Surety dominates the Surety space, and the market varies widely based on construction risk type. In general, insurers have become more restrictive on the types of guarantees offered, focusing on contract rather than commercial.

Trade Credit: Insurer appetite has contracted as rates have increased significantly.

Featured Country: Singapore Q4 Market Dynamics



Landscape

Singapore continues to be successful in its handling of the COVID-19 pandemic and, as a result, there were zero locally transmitted cases for weeks. In addition to essential businesses, restaurants and non-essential businesses have gradually resumed operations. As the need for "Safe Management Measures" continues, there is an there is an increased demand for additional co-working space, whether in the form of companies looking for alternative shared office space or individuals seeking out a public co-working space. The reopening of business — combined with optimism over the vaccination program on the near-term horizon — has served to boost investor confidence and an economic rebound is expected in 2021 accordingly. The political environment remains stable, especially compared to other countries in the region where protests continue.

The insurance market is modestly challenged. Pricing is increasing across most lines of business. Coverage is stable; however, exclusions for COVID-19/pandemic have become common. Credit insurance has become difficult, and is under scrutiny. There are new micro-insurance, and shorter term insurance products coming into the market.

We expect a continued tight market into 2021, as the COVID-19 situation continues to evolve, at least through the first half of the year.

Featured Country: Singapore Q4 Market Dynamics

Featured Products

Auto: Following a slump in ridership during the Circuit Breaker period in the first half of 2020, when the Singapore government advocated telecommuting for all non-essential services, businesses are reopening and ridership of private hire fleet is slowly increasing, although it has not yet returned to pre-COVID-19 levels. As a result of many months of reduced ridership and fewer vehicles on the road, insurers experienced favorable claims performance in 2020. In anticipation of a return to normal once restrictions are lifted and normal traffic patterns resume, market pricing is modestly up. Singapore is increasing the use of electric vehicles, and by 2030, electric vehicles could form one third of the private car population.

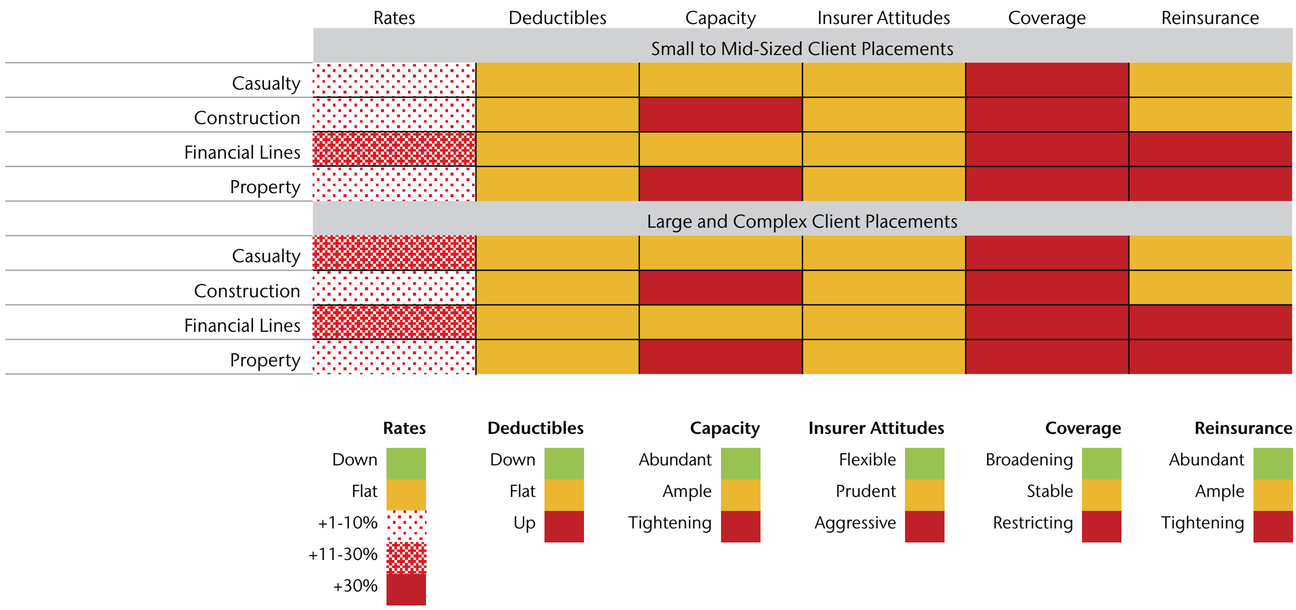
Casualty: Pricing and deductibles are increasing. Many insurers are imposing blanket exclusions for communicable disease as well as data risk and cyber risk. Reinsurance costs are escalating, which will keep primary rates elevated.

Employers Liability/Workers Compensation: Premiums are increasing, driven mainly by changes in the new Work Injury Compensation Act 2019 (WICA). In addition to increased benefit levels, insurers are now taking on an added responsibility of assessing Permanent Incapacities. Some insurers have appointed third party providers to manage these assessments on their behalf thereby increasing costs for this class of insurance. Insurers are becoming more stringent in their underwriting approaches and requirements, seeking a balance between their underwriting guidelines and WICA requirements. The Ministry of Manpower has mandated a minimum level of required information, which has resulted in more accurate insurer rating and led to premium changes for many insureds. Some Employer's Liability insurers are scaling back coverage related to Contingent Liability, especially for contractors and subcontractors. As Insurers seek more clarity following recent changes to the Act, renewal terms have changed in ways not experienced following previous Act updates.

Financial Lines: Insurers continue to leverage technical pricing approaches and rationalize capacity at the portfolio level. As a result, premiums have increased and capacity has decreased. Insurers remain conservative, and are scrutinizing insureds' financial positions, operations (including return-to-work policies), controls and governance. The COVID-19 questionnaire is required as part of the standard application. Companies operating in industries severely impacted by COVID-19 and/or which have weak financials will likely see narrowing coverage with little room for negotiation. Extensive risk profile information is key.

Property: Insurers are imposing Communicable Disease Exclusions, withdrawing Contingent Business Interruption coverage, and imposing Cyber exclusions on PDBI. Deductibles are increasing, particularly for Business Interruption for Singapore risk locations. Insurers continue to reduce capacity as they focus on diversification of risk, and a further reduction in capacity is expected as reinsurance rates continue to increase.

Featured Country: Philippines Q4 Market Dynamics



Landscape

The impacts of COVID-19 continue, especially in the major metropolitan cities, where the number of cases – although lower than the peak earlier in the year — remain active, and control measures are still in place. In addition, the country has faced supply disruptions and a series of devastating typhoons which have impacted the economy, particularly in the agriculture sector where farm outputs dropped by 1.2% — the largest in four years. The overall economy contracted by 9.5% in 2020, despite two economic stimulus packages during the year, with a third proposed for 2021. There is general optimism about the economic recovery, which is hinging on the rollout of the COVID-19 vaccine.

The local insurance market is modestly firm. Renewal rates are increasing as insurers are imposing restrictions on coverage terms and conditions. US, Canada and Australia risks are being scrutinized and in some cases avoided. Capacity remains generally sufficient but is contracting, especially for risks which require reinsurance support. Underwriting related to COVID-19 impacts and actions is rigorous. With the shift to on-line commercial activities, cyber hacking and phishing activities have increased significantly, and many insureds who previously considered Cyber coverage a ‘nice-to-have’ are now exploring it.

Featured Country: Philippines Q4 Market Dynamics

Featured Products

Casualty: Challenging market conditions are being experienced across the spectrum of business, from SMEs to large and complex risks. Pricing levels are being recalibrated in response to rising loss costs and poor performing books. As a result, rates have increased. Coverages are tightening, especially related to Cyber and COVID-19, which are being broadly excluded. Local insurers will maintain fluid underwriting positions as treaty renewals begin in Q2 of 2021.

Construction: As business across the country resumes, construction projects which had been postponed have also resumed, with new COVID-19 safety measures being implemented. Insurers have become very particular about the details of the projects and require submission of extensive technical specifications for their analysis and review. Coverage terms and conditions are being tightened due to new treaty guidelines. Pricing has increased, driven partially by the anticipated increase in treaty costs.

Financial Lines: Pricing continues to escalate significantly, even as coverage terms contract. While capacity is currently sufficient, it is expected to tighten locally as insurers complete their 2021 treaty renewals. This will likely have a knock-on impact on insurer appetite, pricing, and coverage wordings.

Property: Pricing has increased while coverage terms have tightened. Insurers continue to transition away from accepting insurance programs with certain Non-Damage Business Interruption coverage provisions. Several insurers have adopted the Lloyd’s Market Association (LMA) wordings on Communicable Disease while others have drafted their own set of wordings with the guidance of their respective treaty reinsurance leads.

Latin America

Featured Countries

Latin America Regional Landscape

Political, economic and social challenges have intensified, making 2020 a difficult year — with greater populism, increased social discontent, insufficient stimulus to drive investments, and growing mistrust in governmental leaders. While political challenges persist in Peru, Bolivia, Argentina, Colombia and Ecuador, in particular, virtually all of the region has been plagued with increasing poverty rates, food insecurity, expanding wealth gaps, and lack of opportunity – all exacerbated by COVID-19. Many organizations — particularly micro, small- and medium-sized enterprises, which account for the majority of the region's total enterprises and jobs — are at risk of bankruptcy, partially due to a serious slowdown in global demand of the region's exports, as well as reductions in tourism and foreign investment in the region. There is general mistrust in the governments' handling of the pandemic, as debt has grown and health care resourcing is lacking.

Insurance Market & Key Risks

- **Risk environment is becoming more complex:** The impacts of COVID-19 have served to exacerbate an already challenging insurance market landscape faced with heightened risk profiles and escalating loss costs.
- **Market conditions are worse in key areas:** The most difficult conditions are being experienced in Political Risk, complex and CAT-exposed Property, Directors & Officers, and the Energy and Power industries. These risk types continue to experience significant price escalation, underwriting scrutiny, mandatory deductible increases, and constraints in coverage terms.
- **Capacity is tight:** Insurers are narrowing their appetite and withdrawing from poor performing classes. As a result, capacity remains tight; however, new local capital is coming into play in some countries.
- **Alternative solutions being pursued:** To offset the effects of the market, alternative solutions such as captives, reinsurance, and alternative program structures are being explored and leveraged to a greater extent.
- **Underwriting is shifting:** The underwriting process is more rigorous and conservative, especially as authority is shifting to regional and home office teams where relationships are not as impactful.

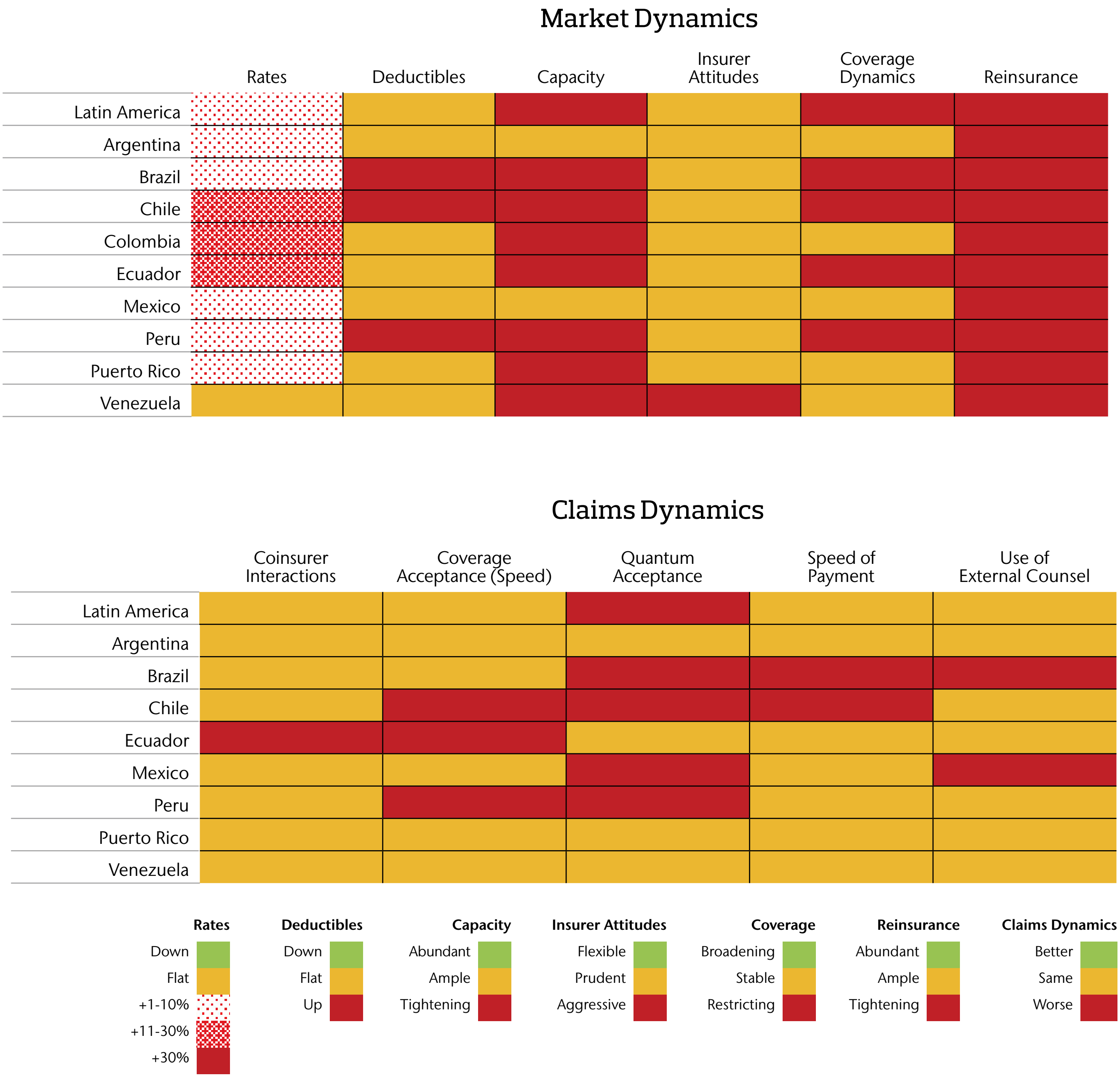
Claims Environment

- **Claims environment is challenging:** As the economic challenges persist and insurers work to stabilize their financial performance, the claims environment is becoming more difficult. Claims denials are increasing, and there are delays in the recognition of coverage, late payments of claims, and/or payments in amounts less than claimed/expected.
- **Review process us extensive:** Greater diligence in the claims investigation and more documentation requests are being made to support claims. Extensive, prolonged reviews and analysis have become commonplace, causing delays in claim settlements.
- **Legal involvement is increasing:** The frequency of insurers seeking legal advice has risen, and there is concern that this could lead to a more litigious claims environment in the near future.

Client Tips

- **Be proactive:** Work with your Aon Team to develop a strategy that makes sense given the current market conditions. Start early, and expect that any reconsideration of terms and conditions will require extensive (and likely difficult) conversations.
- **Carefully consider insurer changes:** Insurer appetite has narrowed, especially for large and complex risks, and risks with poor loss performance. Work with Aon to understand the viability and likelihood of improving your placement through re-marketing.
- **Differentiate your risk:** Provide complete underwriting information, especially related to COVID-19. Fully describe loss control measures you have taken or plan to take to make your risk more desirable.
- **Know your claims requirements:** Understand your coverages and their triggers. Consult your Aon team to ensure you are aware of the claims requirements in your policies. Establish internal processes and protocols to ensure they are satisfied on time.

Latin America
Q4 Market and Claims Dynamics by Country



Latin America Q4 Rate Trends

	Aviation	Business and Personal Services	Construction	Energy	Entertainment and Leisure	Financial Institutions	Food System, Agribusiness and Beverage	Healthcare Services	Manufacturing	Marine	Pharmaceutical and Chemicals	Power	Professions	Public Sector	Real Estate	Retail and Wholesale Trade	Technology and Communications	Transportation and Logistics
All Products	+1-10%	+1-10%	+11-30%	+30%	+1-10%	+1-10%	+1-10%	+1-10%	+11-30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Automobile	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat
Aviation	+1-10%	+1-10%	+11-30%	+30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Casualty/Liability	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Construction	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%
Crisis Management	+1-10%	+1-10%	+11-30%	+30%	+11-30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Cyber	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Employers Liability/Workers Compensation	Flat	Flat	Flat	+1-10%	Flat	Flat	Flat	Flat	+1-10%	Flat	Flat	+1-10%	Flat	Flat	Flat	Flat	Flat	Flat
Environmental	+1-10%	+1-10%	+11-30%	+30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Financial Lines	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%	+30%
Marine	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Professional Indemnity	+1-10%	+1-10%	+11-30%	+30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Property	+1-10%	+1-10%	+11-30%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%	+1-10%
Surety	Flat	Flat	+11-30%	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat
Trade Credit	N/A	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	+11-30%	N/A	+11-30%	+11-30%	+11-30%	+11-30%	N/A	+11-30%	+11-30%	+11-30%

Rates

- Down
- Flat
- +1-10%
- +11-30%
- +30%
- N/A

Latin America Q4 Overview

Construction

Industry Issues
Public infrastructure investment continues; however, private sector investments have largely been deferred to 2021, despite an exchange rate that is attractive to foreign investors. Project delays are stemming from the instability of the regulatory and political environment — combined with ongoing COVID-19 related uncertainty and increased project execution risk. The industry is facing increasing demand for green construction across all segments — residential, non-residential and infrastructure.

Market Conditions
The insurance market for construction risks is challenging. Rates are up significantly. Underwriters are scrutinizing every project and requiring extensive, detailed information. Due to past poor performance in this class, capacity — particularly from international insurers — is tightening, although Chinese insurers have entered the LATAM market, providing some capacity relief. These new insurers are offering greater coverage flexibility, which may impact the positions of existing insurers who have been proposing exclusions, particularly related to pandemic and cyber risk. Surety bonds have become difficult to secure for some risks. As a result, some contractors have transitioned to alternative projects with less complexity and shorter duration, which are more desirable to underwriters.

A Look Ahead
The insurance market pricing environment will likely continue to be challenging; however, conditions are expected to level off. Given the growing complexity of risk, there will be continued scrutiny and extensive, detailed risk analysis will be required by underwriters. Insureds will need to allot time to exploring alternatives to secure the best placement results, recognizing that compromises and trade-offs will need to be considered. Coverage terms will stabilize following the 2020 tightening.

Energy

Industry Issues
The economic downturn, which was exacerbated by COVID-19, has strained parts of the energy industry. Cash flow continues to be impacted by low oil prices, reduced consumption, underutilized capacities, and delayed investments. There is optimism that the industry will rebound in 2021 as demand increases, but the uptick will be gradual, expenses related to COVID-19 safety will be high, and the industry's overall financial performance will likely remain below 2019.

Market Conditions
Following years of poor loss performance, the market was already in a corrective period when the impacts of COVID-19 occurred. In the upstream segment, due to significantly reduced activity, insurers somewhat moderated pricing. The market for downstream risks did not react as favorably; pricing remained significantly elevated, although it is now starting to show signs of leveling off. As the Environmental, Social and Governance (ESG) movement strengthens, Insurers have refocused their appetite. Some insurers have withdrawn from the energy space completely, especially in countries within the region where governments have severely restricted energy-related investments. As insurers withdraw, capacity tightens (no meaningful new capacity is coming into play). Insureds are working with Aon to explore options for mitigating price escalation such as increasing deductibles and/or applying sub-limits. Quality of underwriting information is key to securing the best placement outcomes.

A Look Ahead
Market pricing will continue to be firm but will level off as competition for well-managed, profitable risks increases. Underwriting will remain conservative, with significant focus on ESG.

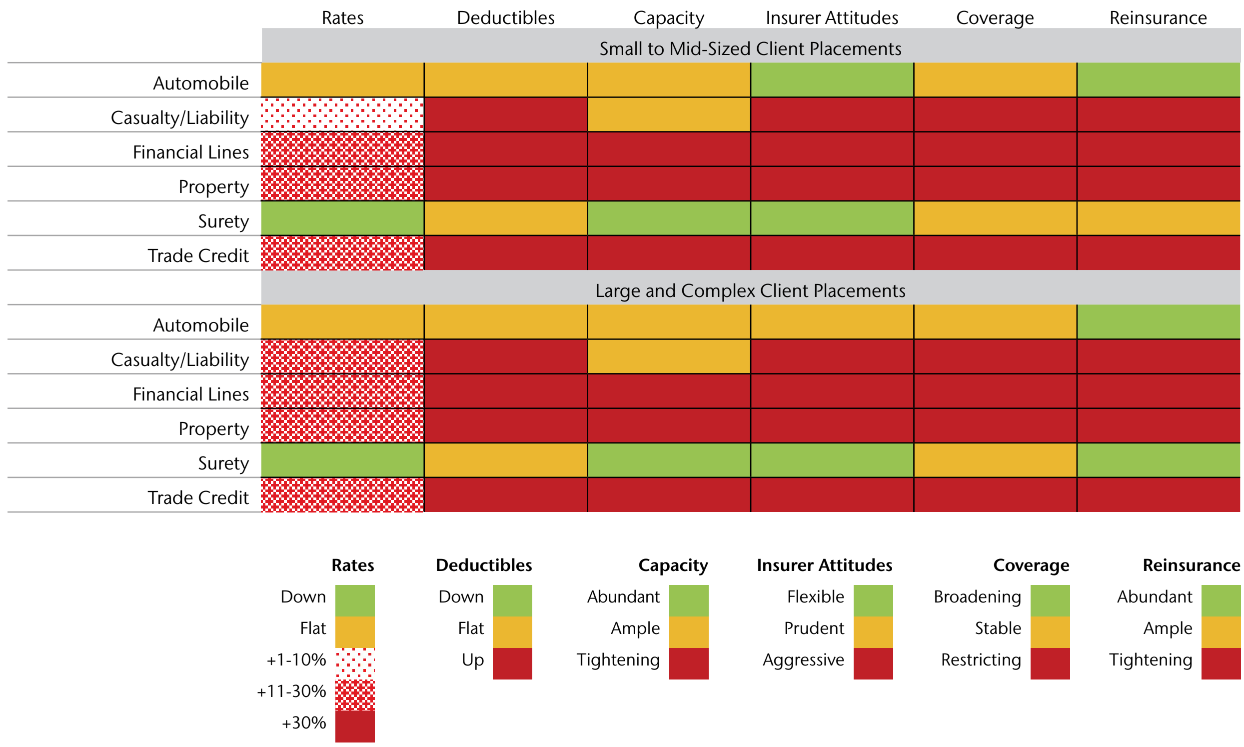
Manufacturing

Industry Issues
The revenue downturn related to COVID-19 continues across the industry, primarily due to supply chain and labor disruptions, as well as reduced consumer demand. Operational agility is a key area of focus, as is the rapid transition to digital technologies, which should help provide greater visibility into complex supply networks, and more reliable forecasting.

Market Conditions
The market is challenging. Pricing continues to rise. Capacity from international insurers is tight, while local insurers have not significantly changed their positions. Terms and conditions are becoming more restrictive — especially related to Cyber, Strikes, Riot & Civil Commotion, and Communicable Disease. Insurers are proposing higher deductibles. In some cases, insureds are requesting deductible increases or other policy changes to help mitigate the impacts of price escalation. Underwriting is becoming more conservative and rigorous; extensive, detailed information — especially concerning supply chain resilience — is required.

A Look Ahead
As the industry implements operational changes to become less vulnerable to disruptions, underwriting demands for more detailed and data-driven information will likely intensify. Risk engineering will play a vital role in securing limit and terms. Pricing will continue its hardening trend. Additional coverage clarifications and exclusions will be required as the industry becomes more and more complex. Insureds will continue to work with Aon to explore options to offset the impacts of the challenging market conditions.

Featured Country: Brazil Q4 Market Dynamics



Landscape

Brazil was managing its way out of a recession when COVID-19 struck — reversing the positive economic trend and leading the country to close the year with economic contraction of about 5% and a high unemployment rate of 12%. While government-funded programs aimed at mitigating economic impacts have helped, they are not sustainable; indeed, there is a call for structural reform of government spending. Even as Brazil has the third-highest COVID-19 infection rate globally, the government vaccination plans have been highly criticized for being too vague and not well-coordinated between federal and regional governments.

The insurance market is now generally firm, with Directors & Officers, Property, and Marine (bar cargo) lines of business experiencing the most significant impacts. As for industry, the Oil & Gas, Power, Mining, Pulp & Paper and Food Processing sectors are experiencing very challenging conditions — rates are increasing, coverage restrictions are being applied, and capacity is withdrawing. Insurers looking to mitigate volatility of their books are reducing capacity across the board. That said, favorable outcomes are available, especially for Marine Cargo placements and the SME segment.

The local market is expected to continue firming, especially for large and complex risks. Risk differentiation will become more important in securing favorable terms and minimizing capacity constraints. Later in the 2021, market conditions are expected to become less challenging.

Featured Country: Brazil Q4 Market Dynamics

Featured Products

Auto: Exposures have been trending below average due to COVID-19 related restrictions; however, as commercial activities resume, so too does driving, and the accident rate has recently essentially returned to normal. Many insurers have expanded their appetite in the small corporate fleet segment and as a result, competition in this space has intensified.

Casualty: The market remains volatile. Terms and conditions are becoming more restrictive due to long tail risk and the litigious environment. Pricing has increased; however, capacity remains stable, with a significant number of players, depending on risk type. Underwriters have become more cautious, especially related to employment-related risks. Insurer appetite for Product Liability and Recall has become more focused; a well-planned, structured marketing approach is essential to achieve favorable outcomes for these lines of business.

Cyber: The local market is focused on growth; however, it is under some pressure due to poor local and global claims performance. Underwriting has become more rigorous and conservative, and detailed information is required, especially related to ransomware. Terms and conditions are becoming more restrictive. Local General Data Protection legislation is a significant area of concern for many clients.

Financial Lines: Market conditions are challenging. Pricing has increased significantly. International reinsurance — often more expensive — is needed on many placements. Local authority — especially for clients with Security Exchange Commission exposure — has shifted to central underwriting teams. Terms and conditions are tightening, particularly related to insolvency and bankruptcy, cyber risk (due to local General Data Protection legislation), and environmental-related exposures. Side C deductibles have risen. There has been a growing trend of diversity-related claims against companies failing to comply with their published diversity-related value statements.

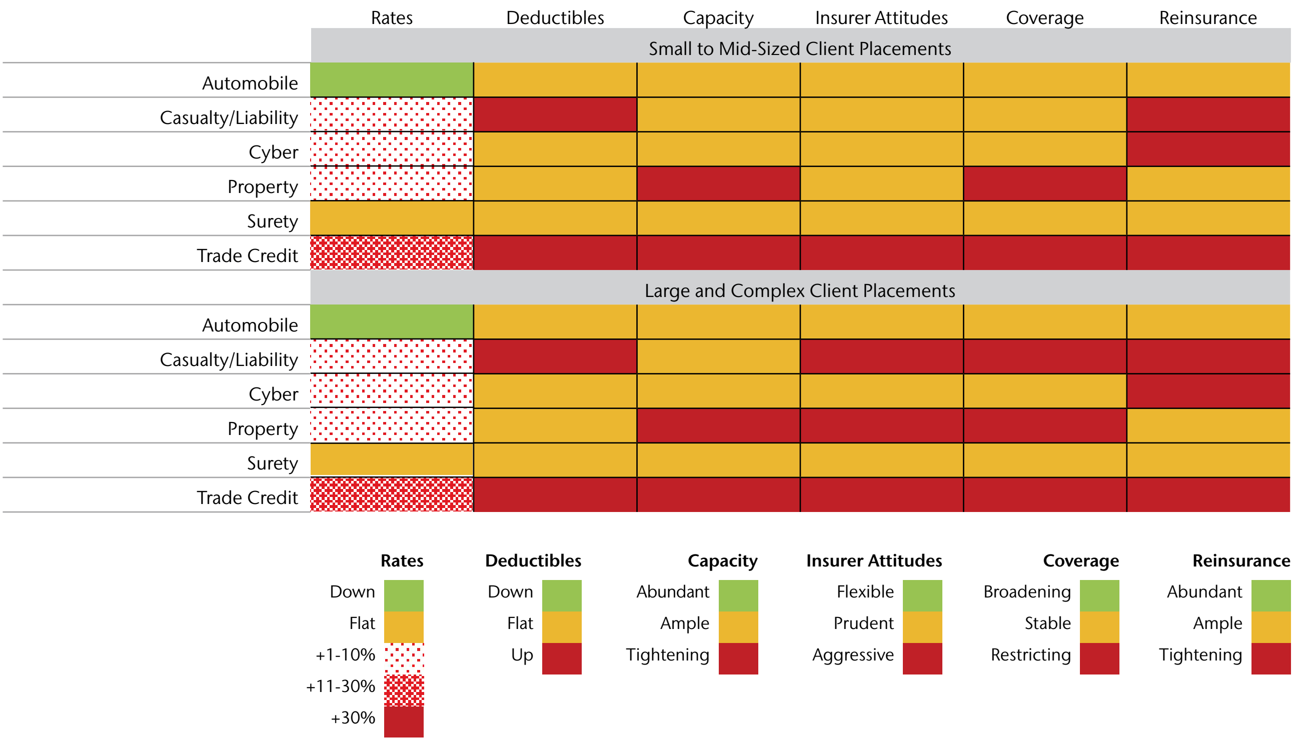
Marine: In the Marine Cargo space, insurer book sizes fell dramatically over the course of the year, leading to a competitive environment. Capacity is abundant and pricing is soft. Reinsurance rates; however, are showing a firming trend, which is being carefully monitored.

Property: The market remains challenged, with capacity constricting, pricing escalating, and terms and conditions tightening, particularly for risks in high hazard industries, with poor loss experience and/or facultative reinsurance demand. The international reinsurance market remains more conservative than local reinsurance. Local underwriting authority has decreased. Pandemic/Infectious Disease exclusions are being broadly applied. Coinsurance remains a helpful solution to mitigate market challenges.

Trade Credit: Government support via "Corona Vouchers" has provided essential relief to people and companies, but economic and financial uncertainty remains high, as it is widely perceived that the program is unsustainable. Credit insurers remain highly concerned about the financial stability of many companies, and the market is bracing for a potential wave of claims in 2021. As a result, appetite is narrow, capacity for credit lines has contracted significantly, and pricing has escalated.

Surety: The new bidding law approved by senate at the end of 2020 indicates the acceleration of infrastructure projects as a mechanism to bolster the economy. This will bring an influx of new business into the Surety insurance market, which has more than 25 insurers and significant capacity in local treaties. With many players, and significant growth opportunity, the market is optimistic and competitive. There is a strong focus on insurer pricing competitiveness and value proposition.

Featured Country: Mexico Q4 Market Dynamics



Landscape

As a result of the pandemic and consequent reduction in investments and private consumption, as well as uncertainty around the free trade agreement with the United States and Canada, the economic contraction trend has accelerated, with negative GDP growth in 2020. While the labor market has started to recover from the high unemployment figures experienced earlier in the year, financial struggles persist across much of the country, and crime rates remain concerningly high. The service sector and the manufacturing sector combined contribute largely to the country's economy and employ the majority of the workforce. While manufacturing employees have continued to work throughout the pandemic, service sector employees (representing well over half of the workforce) have not. For the country's economy to fully recover, the vaccine must be rolled out so service sector employees — and employees in other industries — can return to work. Notably, the digital economy — a slow growth sector until 2020 — has expanded materially, with rapid growth expected in 2021 and beyond.

The insurance landscape is modestly challenging, although there are pockets of stability, especially related to Auto and Surety placements. Capacity remains ample but is constricting in some lines of business and industries. In light of economic volatility and uncertainty, Trade Credit has become difficult.

Featured Country: Mexico Q4 Market Dynamics

Featured Products

Auto: Exposures have decreased, and losses have improved significantly due to COVID-19 travel restrictions. Premiums have decreased accordingly, leading some insureds to explore coverage enhancements with extra budget availability.

Casualty: Premiums have increased, particularly where international/reinsurance capacity is required. Local capacity remains stable; however, reinsurance capacity has tightened considerably. Small and mid-sized risks are often able to secure expiring conditions; however, coverage terms are being restricted for larger and more complex risks. Deductibles are increasing. Underwriters have become more cautious and analytical and are asking more questions. Risk engineering is more important than ever.

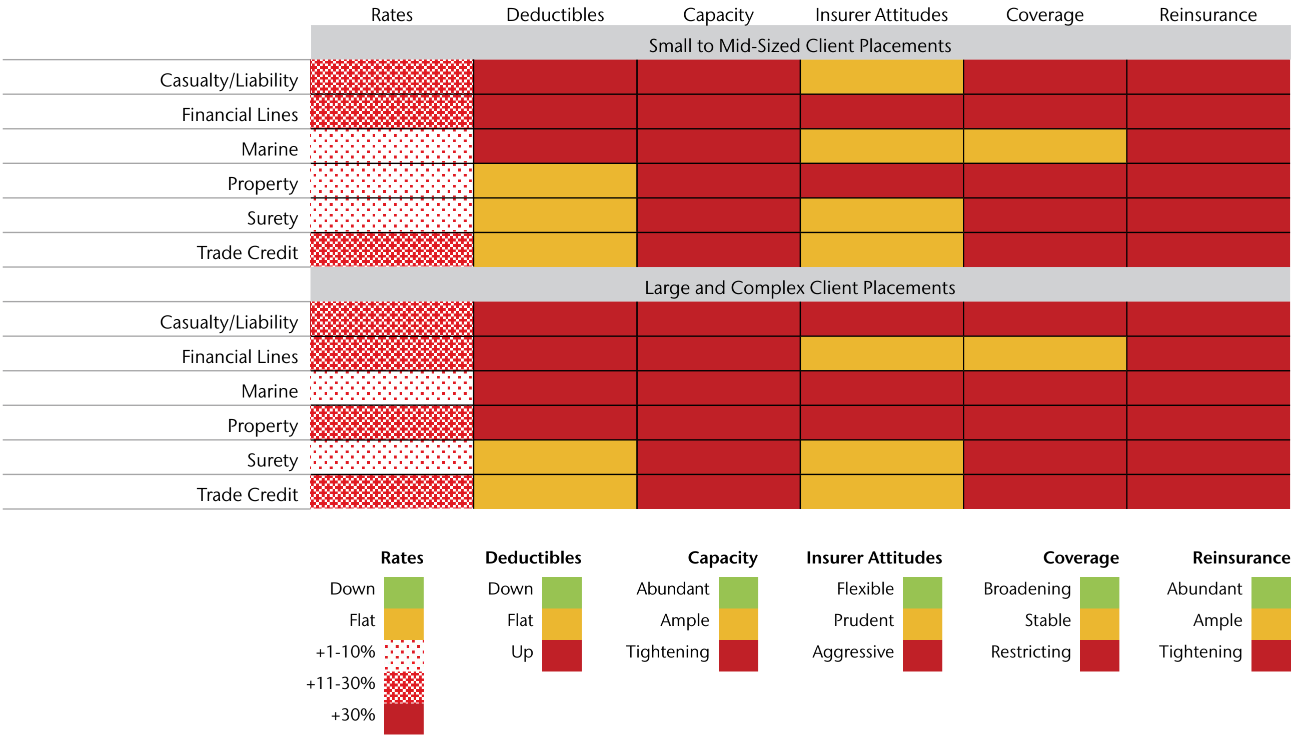
Cyber: With Cyber risk growing and becoming more complex, and the frequency of threats and attacks increasing, more companies are exploring and purchasing Cyber coverage. Insurer appetite is strong, but underwriting is conservative and cautious. A new Cyber questionnaire has been added to the underwriting requirements of most insurers.

Property: Capacity is sufficient despite a withdrawal by several insurers preferring to take proportional coinsurance shares. COVID-19/Pandemic Exclusions are being broadly applied. Some coverage extensions are being removed or additional charges applied where before there was no additional premium. Sub-limits are being introduced. Underwriting conservatism shown by international insurers is starting to appear in local insurer attitudes.

Surety: The market remains competitive despite increased economic volatility and the resultant elevated risk in project execution. Underwriters have become more rigorous and more detailed underwriting information is being required.

Trade Credit: Due to continued financial challenges, non-payment risk has increased, especially in sectors like construction, steel, retail and tourism. Loss performance has deteriorated throughout the year, and this trend is expected to continue into early 2021. As a result of increased exposure and poor loss performance, market pricing has escalated and credit limits are being reduced, particularly for companies with sensitive financial positions. Deductibles have become more common, and many offers now include clauses requiring an increase in rate if the loss ratio exceeds a specified amount. Appetite has refocused, and insurers are simply declining to quote some requests deemed high risk. Single buyer solutions are almost non-existent. Discretionary limits are only available to the most attractive industries who can demonstrate lower risk exposures and financial stability. There will be ongoing vigilance in the monitoring of payments, and any delays will likely result in decreased coverage.

Featured Country: Chile Q4 Market Dynamics



Landscape

The anticipated April, 2021, elections and ongoing constitutional review — combined with continued COVID-19 impacts, and social unrest – have taken the country into a recession. The Chilean economy contracted 6% in 2020, taking it to the lowest levels since the Latin American debt crisis of the 1980s. Government stimulus has helped; however, more than half of the country's population remains 'economically vulnerable' and widespread uncertainty remains. Despite public uncertainty, recovery — likely a two-year endeavor — is expected. Creation of jobs is a key area of focus.

The insurance market is challenging. Pricing has increased. Capacity has decreased. Higher deductibles are being imposed or, in some cases, voluntarily chosen by insureds as a mechanism for offsetting proposed rate increases. Coverage is being clarified and/or restricted, especially related to pandemic/COVID-19.

Featured Country: Chile Q4 Market Dynamics

Featured Products

Casualty: Pricing has escalated and insurer appetite has narrowed. Insurers have introduced coverage clarifications and exclusions, especially related to pandemic. Local underwriting authority has been reduced; referrals to central teams have become common. The retail and consumer industries are experiencing the most challenging market conditions.

Financial Lines: The market is very challenged, with significant premium increases and a continued tightening of capacity.

Marine: While premiums have increased, and pandemic exclusions have become more common, the reduced economic activity has not had the same impact on the Marine market as it has on other lines of business.

Property: The market is challenging. Pricing is high. Coverage terms and conditions are tightening — on both direct placements and reinsurance placements. Underwriting appetite has narrowed, and insurers are more selective. Poor performing risks are experiencing a very limited market. Current conditions are expected to continue into 2021.

Surety: The market is dominated by project work, which has increased as parts of the economy reopen. Pricing is up modestly. Widespread coverage restrictions have not been introduced; however, certain clarifications and exclusions are being applied on a case-by-case basis. Underwriting practices have become more rigorous and conservative with additional underwriting details being required.

Trade Credit: In light of ongoing economic uncertainty insurers are conservatively deploying credit limits. When limit is deployed, penalties for high claims volumes are being added by some insurers. Appetite has refocused, and credit limits are no longer available for certain sectors. Underwriting entails a very exhaustive analysis.

Global Broking Center

Global Broking Center Landscape

Insurance Market & Key Risks

- **Rates are not offsetting other factors:** While insurers have benefitted from increases in rate across the majority of lines — with Downstream Energy, US Casualty, Directors & Officers, and Professional Indemnity experiencing the most challenging conditions — COVID-19 losses, social inflationary losses on US Casualty, and the continued need to strengthen reserves on Directors & Officers have been a significant drag on profits for the main underwriting companies and Lloyds syndicates. Lloyds has maintained strong control over syndicate business plans for 2021, tempering growth for poor-performing syndicates, while allowing high performing, "low touch" syndicates more freedom to take advantage of the rising market.
- **There is a focus on Brexit impacts:** From a political perspective, brokers and insurers alike have one eye on Brexit and its potential impact on their ability to provide differentiated solutions for European-exposed risks. The industry has realized that, with the end of passporting, there is a need to set up separately structured units to comply with EU directives around the placement of business from Europe, and this was completed ahead of the December 31ST deadline, when the UK left the European Union.
- **Talent is moving:** The market is in a state of flux with considerable movement of talent between organizations which is impacting relationships. Underwriting is much more disciplined, in general, but new relationships require even more extensive and detailed information exchange.
- **Insurers are withdrawing and run-off is more prevalent:** Capacity remains tight, with insurers continuing to withdraw from poor performing books of business such as Crime, Directors & Officers, and Professional Indemnity. Run-off placements for ongoing liabilities and claims handling are becoming more prevalent.

Claims Environment

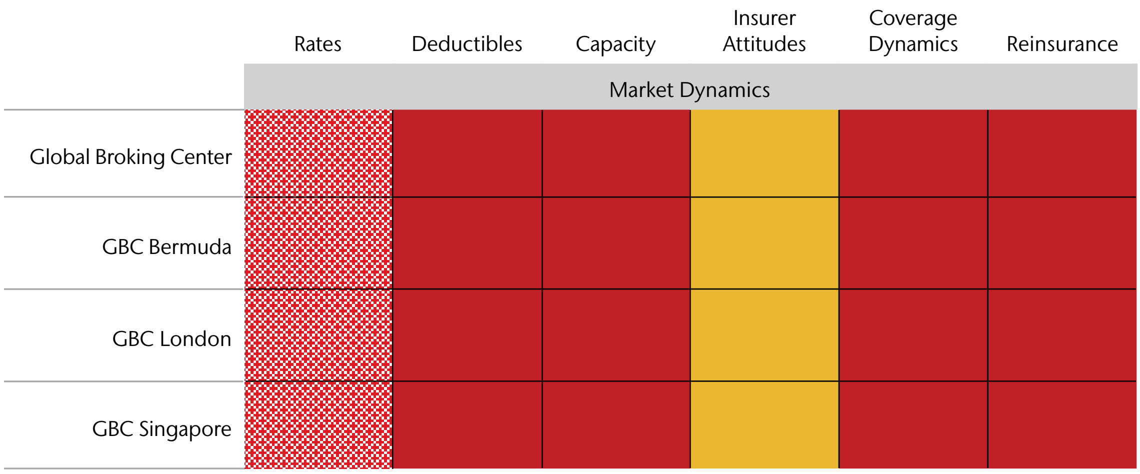
- **Insurer conservatism is heightening:** Similar to the placement environment, the claims environment has continued to become more disciplined and challenging throughout 2020. Coverage terms are being scrutinized, and there is an increasing reliance by insurers on legal opinions for claims that would likely have been resolved in-house in the past.
- **Processing and decisioning is delayed:** The large volume of COVID-19 claims has strained insurer claims teams, leading to delays. There is also an increasing trend of insurers requesting to become claim agreement parties, leading to slowed decision making.
- **Quantum is being questioned:** Insurers are more prudent in granting indemnity for large losses which results in consent to policy liability being delayed (even when liability is clear), and unprecedented lines of reasoning being raised to reduce claims quantum.
- **Relationships and capabilities are making a difference:** Aon relationships with insurer claims executives and overall claims capability is proving instrumental in resolving contentious claims. As run-off company involvement is becoming more commonplace, claims handling philosophies are shifting and there is less room for commercial conversations.

Client Tips

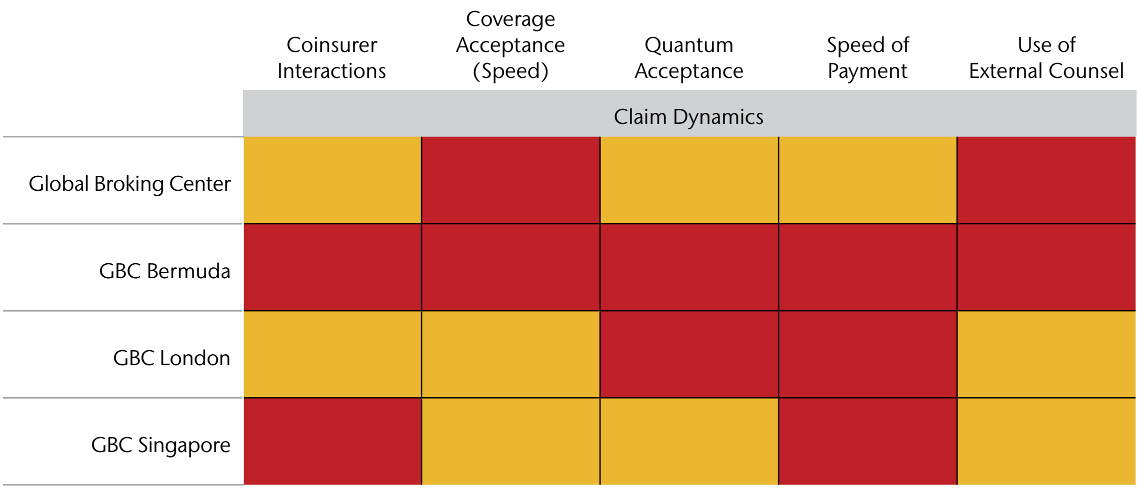
- **Evaluate terms and conditions:** Evaluate the breadth and scope of coverage. Apart from pricing, this is the first area that is considered by insurers at renewal.
- **Explore alternatives:** Consider all options such as captives, alternative program structures, higher retentions and franchise deductibles, swing deals, loss-free bonuses, and reinsurance.
- **Differentiate your risk:** Identify key differentiators that make you a better risk. Detailed exposure and loss control information is key. Be prepared to answer questions with thorough responses.
- **Start early:** Underwriting is taking longer as insurers are inundated with submissions, and taking more time to analyze information. Early discussions — especially with lead markets — is key. Work with your Aon team to keep your renewal on track.
- **Set realistic expectations:** Work with your Aon team to set realistic expectations based on current market conditions. Communicate timing to internal stakeholders.

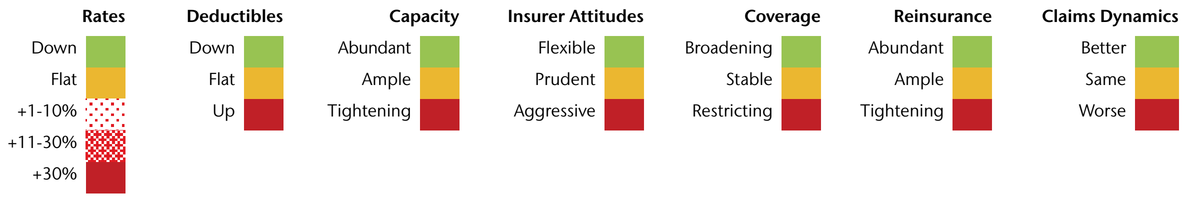
Global Broking Center
Q4 Market and Claims Dynamics by Location

Market Dynamics

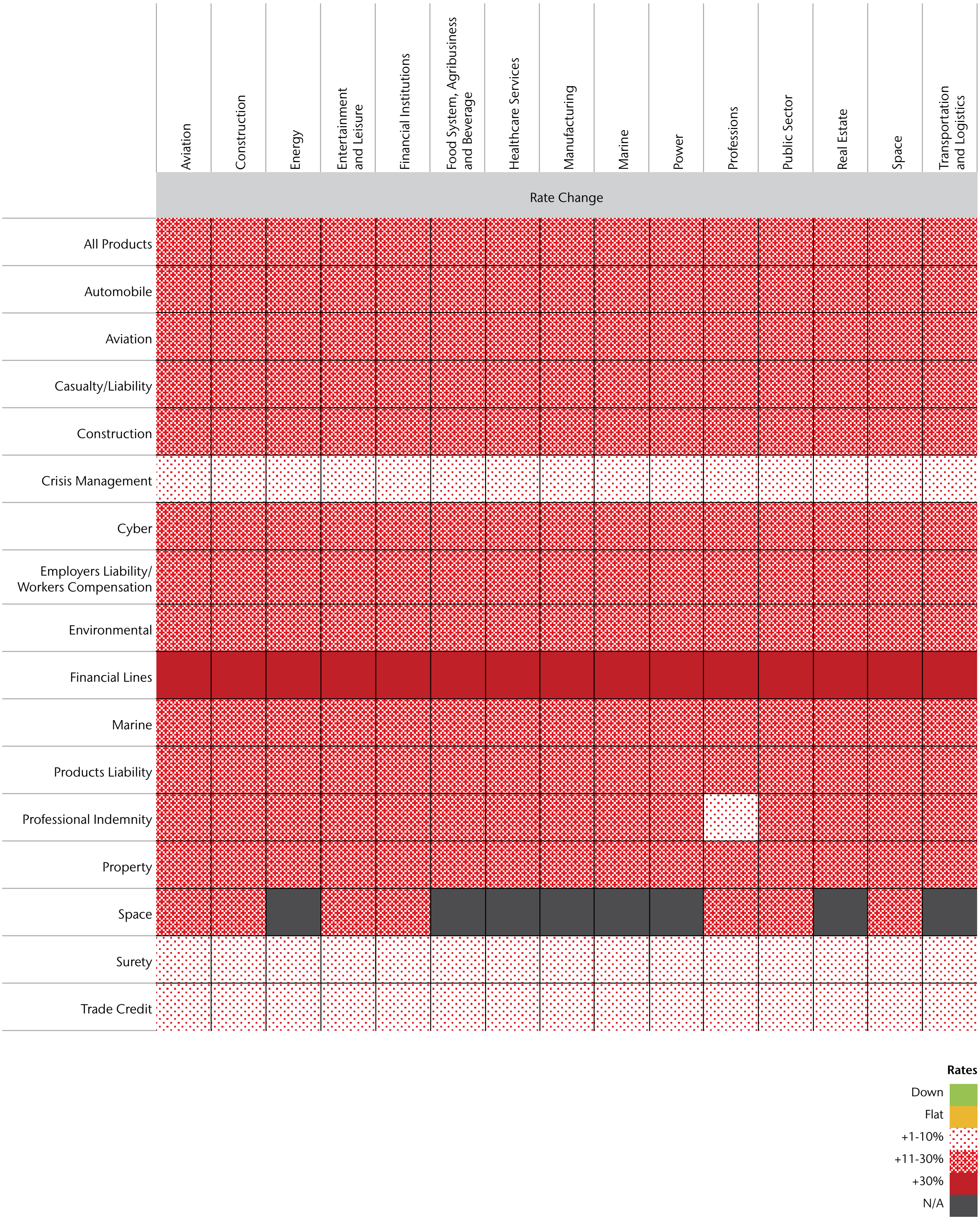


Claims Dynamics





Broking Center Q4 Rate Trends



Global Broking Center Featured Industries Q4 Overview

Aviation: COVID-19 has had a profound impact on the entire aviation ecosystem. Companies servicing passenger transport and/or tourism have experienced demand declining about 80% year over year. Cargo and medivac operations have been more resilient, but are still facing challenges. Many difficult decisions are at hand; cost reductions and corporate restructuring are commonplace. Insurers are increasing rates; premium reductions are rare, even with declining exposures. With the exception of the requirement that COVID exclusions be applied on excess non-Aviation coverages, the introduction of new exclusions has not been widespread. There is pressure for coverage extensions that had been included at no additional premium to now carry a charge or be removed. Insurers are managing risk more prudently; some are reducing line sizes on complex and loss-active placements. There is a significant focus on technical underwriting. Anticipate continued escalated pricing and deductible increases.

Construction: The industry has been seriously impacted by COVID-19; investments have slowed, and work that has continued has been affected by hindered site access (by the workforce), materials and equipment delays, and delays in reaching the milestones needed to achieve financial close. The insurance environment remains challenging. 2020 saw continued firming following the sharp increases experienced in 2019 caused by a reduction in capacity (mainly Lloyds) and a change in approach from some of the established leaders. Complex, longer tail risks, loss-active risk types (like hydro), and risks in Natural Catastrophe areas are experiencing significant pricing escalation, along with mandated deductible increases. Insurers are taking a “back to basics” approach in underwriting, with engineering due diligence given priority before consideration is given to terms and conditions. Core elements of coverage remain available. LEG 3 has come under pressure with many policy extensions being pared back. Contagious disease exclusions are being imposed as standard. Some insurers are revising terms on policy extensions, even for well performing risks. Anticipate continued rigorous underwriting and conservative limits deployment as insurers heighten efforts to manage risk and achieve pricing adequacy. Focus on providing the most comprehensive and compelling underwriting information and rationale to differentiate risk.

Energy: Oil refiners’ revenue is under continued pressure due to decreased demands related to COVID and the transition to fuel efficient technologies. Petrochemical demand has been more resilient, but has experienced some impacts from the global reduction in GDP.

Insurance market pricing varies by sector. On Upstream risks, modest rate increases have been seen since 2018, and a further gradual hardening of rates is expected in 2021. Downstream risks experienced more sustained rate increases since 2018, peaking in Q2 2020. There have been some signs of recent improvements, with a stabilization across the sector. Refineries and petrochemicals were singled out for greater rate increases in 2020, with better outcomes for midstream risks.

As for coverage terms and conditions, insurers have taken different positions on both Cyber and COVID-related coverages, creating challenges in the alignment of terms across the entire placement. For Upstream risks, there is a consistent market use of Communicable Disease exclusion JR2020-16. A new Loss of Production Income wording has been released, with only minimal uptake from clients. On Downstream risks, COVID/Communicable Disease exclusions have become common, with LMA 5393 being used most frequently. Underwriters are also widely proposing the Business Interruption volatility clause LMA 5384/5514. There is a continued focus on cyber exclusions. There is a general tightening of wordings for ancillary Business Interruption coverage such as Ingress/Egress, Port Blockage and Civil/Military Authorities Interruption to ensure that there is an explicit Property Damage trigger for coverage. Business Interruption Volatility Clauses (when Business Interruption is purchased), are being applied, with the exception of policies with Fixed Cost Recovery.

Capacity is expected to increase moderately in 2021, driven by increased lines rather than large new entrants.

Global Broking Center Featured Industries Q4 Overview

Marine: COVID-19 has driven an increase in expenses caused by delays in vessel repairs and new building backlogs. It has also led to an inability to rotate crew, resulting in crew fatigue and well-being concerns. The pandemic has also served to significantly reduce cargo volume due to disruption of supply chains, shipping networks and ports, causing the industry to look at how supply chains can be shortened. Cargos have experienced deterioration/contamination arising from prolonged storage. There is now a recognized need for further digitization across the industry, heightening cyber and data breach risks. The shipping industry continues to grapple with the need to decrease carbonization, with cost reduction targets as the primary driver.

Due to continuing insured losses in some sectors, risks are being reviewed more carefully and selectively, with underwriters requiring more data and information. In some cases, underwriters are reducing line sizes, removing "soft market clauses", re-evaluating values/limits, and increasing retentions. Aggregate deductibles have become more common. Premium concessions are often not commensurate with policy changes.

With the exception of the introduction of Communicable Disease Exclusions on January 1, 2021 Hull renewals, Hull & Cargo coverage has remained steady following changes made during 2020. CAR and Liability coverage also remain flat but there is greater emphasis on the JH143 – Shipyard Risk Assessment. For P&I, there are no Pandemic or Cyber exclusions for mutual business as the Group enters the second year of a two year deal with Group reinsurance. Non-poolable business (fixed premium) is following the market trend with exclusions; though each club will look to provide limited cover within their retention.

The Reinsurance Excess of Loss market continues to govern direct market behaviors regarding the inclusion of Communicable Disease Exclusions on policies.

Due to continued poor performance, pricing, retention, and coverage trends will likely continue into 2021.

Power: Regardless of the impact of COVID-19, the importance of a reliable uninterrupted power supply has remained crucial to all economies; however, business restrictions have caused a dip in power demand, which has impacted the sales/revenue expectations of independent power generators operating in open competitive markets.

In the insurance market, rate increases in the first half of 2020 were quickly adjusted upwards as capacity exited and attritional/vertical losses continued to affect the traditional power market. In the second half of the year, significant pricing increases on clean and non exposed Natural Catastrophe risks became common as rate increases from Q1 and Q2 failed to relieve pressure on loss ratios. In some cases, insureds are managing rate increases through increased retentions.

Sub-limits and extensions such as Contingent Business Interruption Extra Expense have been cut back to pre soft market levels in single renewals. Deductibles on problematic technology and prototypical technologies have increased; in particular, H Tech Gas Turbines and LMS100 units have borne the brunt of this response. Additional clauses such as Preventative Maintenance have become common, while Cyber and Communicable Disease Exclusions remain.

A lack of new entrants into the market suggests current market conditions will continue into 2021.

Professions: The market continues to harden due to ongoing concerns over the economic impact of COVID-19, with insurers looking to manage exposure and de-risk, particularly in recession-sensitive sectors. Capacity levels remain relatively stable in most classes with new entrants coming into the PI space on January 1, 2020. However, dislocation continues in certain sectors such as Lawyers Professional Liability and Consultants E&O, where significant historic loss deterioration and unprecedented catastrophic claim values have caused a number of insurers to exit the market or revalue their capital and rate requirements. There is an increased focus on cyber-related exposures as a result of the PRA and Lloyd's recently issued guidelines on silent cyber which require insurers to formally address any unintended silent cyber exposure, and in the case of Lloyd's syndicates, to either explicitly affirm or exclude coverage on placements beginning January 1, 2021.

Global Broking Center Featured Industries Q4 Overview

Space: There has been a vast increase in the number of companies that are producing cubesats. Given recent technological advances, the number of applications and range of missions possible with cubesats and microsatellites has substantially increased; these small satellites are relatively cheap to build and launch. Small satellite platforms are now generating optical and radar images, detecting RF signals from earth and providing communication services. As these satellites typically have little in the way of redundancy within each subsystem and use COTS parts with limited environmental testing, they are considered to be a higher risk than the traditional larger low earth orbit imaging satellites and geostationary communication satellites. There are many new entrants in the smallsat sector, and Aon will continue to work to develop coverage and risk management solutions for these risks.

2020 was a challenging year for space insurers trying to recover from the significant losses suffered in 2019. The hardening market conditions have been tempered by sustained overcapacity and the reduced level of placement activity for large launch placements creating increased competition in the market. There were a significant number of claims notices in 2020, however estimates now suggest that insurers may in fact end the year in a profitable position. While there remains significant differentiation in pricing, technology of greater heritage and reliability continues to attract strong demand and preferential premium rates. Whether the market hardens further in 2021 will depend strongly on claims activity and available insurer capacity. Changing conditions in other classes may also have an impact on the space market.

Global Broking Center Featured Products Q4 Overview

Casualty: The market has become significantly more challenging. Premiums are increasing across the portfolio. Excess and Umbrella layers, in particular, are being reviewed and re-underwritten based on new rate per million requirements. This has meant that percentage changes have been considerable in some cases. Energy, mining, power (bushfire) are experiencing the most significant impacts.

Underwriters are engaging actuaries more frequently, and as a result, some changes to program structure are being proposed. Coverage is being reviewed and conditions tightened. In some cases, insurers are seeking to exclude Care, Custody and Control, Abuse, and Financial Loss, and to remove PI extensions. Communicable Disease exclusions are not standard and are applied on a risk-by-risk basis. Limits are decreasing, line sizes are reducing and more coinsurance is required.

More detailed underwriting information is being required, and in some instances, underwriters are simply unable to process all opportunities. The underwriting process is taking significantly longer due to the volume of information to sort through as well as internal underwriting referrals and escalations.

Crisis Management: With the exception of placements in Aon facilities, where reductions can be achieved, open market placements are experiencing pricing that is generally flat to slightly up, depending upon occupancy, region and aggregate availability. The market remains awash with capacity and insurers have strong growth targets for 2021. Overall, the market has appetite for risk and is demonstrating flexibility on coverage.

There is; however, a focus – amongst insurers and insureds alike — on the increased incidence of civil unrest. Insurers are assessing the exposure being carried, and some are capping and ring-fencing aggregate exposures in countries such as Mexico, Turkey, India, Lebanon and Brazil.

Cyber: Coverage is relatively stable; however, Contingent Business Interruption coverage is being scrutinized. The pricing environment for Cyber has become more challenging across both primary and excess. Insurer minimum premiums are generally increasing. In addition, some insurers are requiring minimum security standards and risks unable to meet the standards are being declined until corrective measures are taken. Insurers are becoming more discerning about were capital is deployed relative to price, terms and risk. Insureds are looking to Aon more than ever to help them remediate issues and effectively communicate improvements to the market.

Financial Lines: Strong economic headwinds – combined with financial distress and revenue pressures — are impacting the market. Premium rates significantly increased throughout 2020 across all Financial Lines classes. Commercial Directors and Officers rates in the sectors most impacted by COVID-19 experienced the most significant increases. Rates are expected to continue to increase throughout 2021; however, to a lesser extent than experienced in 2020.

Following on from price increases in recent years, coverage has now become a key area of underwriting focus. Areas such as entity investigations, extended reporting periods and notification have seen changes in insurer appetite. The "silent cyber" mandate from Lloyd's has introduced another significant challenge, with some insurers attempting to impose exclusions that impact core cover.

Additional new capacity is expected to launch in the coming months with key insurers indicating their intentions to write Financial Lines from London based platforms.

Trade Credit: Due to a prolonged period of COVID-related restrictions, insolvencies increased notably, and are expected to increase further in 2021, as government economic stimulus packages taper off. Insurers are monitoring the economic and political risk environment closely. Risk appetite is very conservative; however, there are early signs of potential improvements, particularly in sectors and geographies that are starting to recover.

Property: On the international portfolio, the overall trend was one of firming, with pockets of hard market conditions depending on country, industry and risk specifics. Coverage terms and conditions are under scrutiny and insurers are now consistent in their insistence on the LMA 5393 Communicable Disease Exclusion and the LMA 5400/5401 Cyber Endorsement/Exclusion. Increased social unrest has led to Strikes, Riots, and Civil Commotion coverage limitations. Coverage for loss when there has been no physical trigger is being broadly excluded. New and well received capacity has entered the market.

On the US portfolio, capacity is stable to increasing, with early signs of a slight moderation in rate increase from the last year. Consistent with the international book, Cyber Exclusions and Infectious Disease Exclusions have become mandatory.

Insurance budgets are decreasing, while market pricing continues to increase as insurers remain pressured to return to profitability. This confluence of circumstances has led to increased requests from insureds in relation to deductibles, captive retention, and loss limits as mechanisms to help manage premium budgets. Such requests have sometimes led to entire re-structuring of programs.

Key Contacts

SECTION 10

About Aon: Aon plc (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights aimed at reducing volatility and improving performance.

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