



Insurance Market Brief

Summer Market Brief

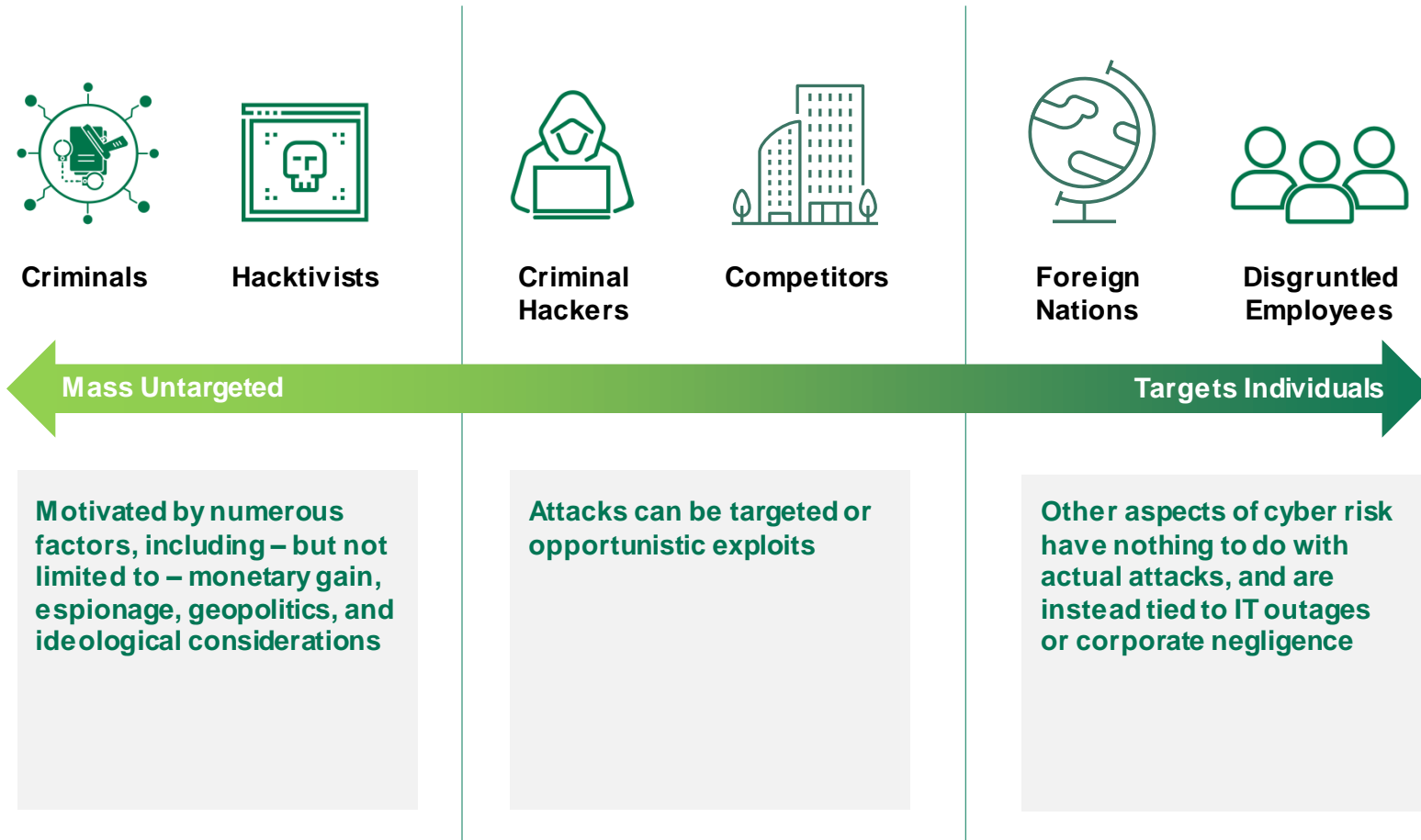
M&T
Insurance
Agency, Inc.

The M&T Difference

We listen. We customize. We care.

Special Feature: Why Is Cyber Risk Such a Hot Topic?

Who are the threat actors?



What are they after?

- PHI = Protected Health Information – medical records
- PCI = Payment Card Information – credit or debit card account numbers
- PII = Personally Identifiable Information – names, address, SSN, email, telephone number etc.
- Intellectual property – trade secrets, blueprints, strategies etc.
- Other Proprietary Information

It is important to know what information you have stored that is at risk.

Special Feature: How Can Cyber Insurance Help





In today's complex cyber world, it's important to be prepared in the event of an incident. Cyber insurance policies are designed to cover a wide range of costs incurred in connection with a cyber event.

- Data breaches resulting in the loss of personally identifiable information
- Technology-related outages resulting in lost revenue and extra expense
- Vendor or cloud service-provider outages or cyber incidents
- Fines and penalties relating to noncompliance with a privacy regulation; coverage in connection with such cyber events should account for both first-party and third-party losses

In today's hard market, we are seeing significant year-over-year price increases for cyber liability insurance. Carriers are using more sophisticated network scanning capabilities and asking more in-depth questions to assess risk.

It's also important to understand the scope of your risk and breadth of coverage needed. Every carrier offers different coverages, has different forms and terminology.

Read our latest case study, [How Your Insurance Broker Can Help Mitigate Your Cyber Risks.](#)

A Volatile Market – over the last 18 months	
Claim activity/costs	 Double-digit increases
Limits	 Reduced
Underwriting process	 Increased scrutiny
Non-renewal limits	 From \$5 → \$2 M

Special Feature: How Can Cyber Insurance Help

Cyber Risk Assessment

Our team can help guide you through a cyber risk assessment and discuss the coverages, limits, sub-limits, and additional pre/post-loss services that will affect your business's unique cyber risk.

Cyber insurance policies are designed to cover a wide range of costs incurred in connection with a cyber event.

Data breaches resulting in the loss of personally identifiable information

Technology-related outages resulting in lost revenue and extra expense

Vendor or cloud service-provider outages or cyber incidents

Fines and penalties relating to noncompliance with a privacy regulation; coverage in connection with such cyber events should account for both first-party and third-party losses

**It's important to understand the scope of your risk and breadth of coverage needed.
Every carrier offers different coverages, has different forms and terminology.**

The Hard Market Persists

As the hard market persists, M&T Insurance Agency (MTIA) offers data and insights to help you make fully informed decisions about your insurance strategy.

General

- In the first half of 2021, we continued to see premium increases across all lines. However, the pace of quarter-over-quarter increases has slowed somewhat indicating the possibility that premium increases may be slowing.
- Brokers and clients continue to be challenged by the significant upward pricing pressure of umbrella/excess, auto liability, D&O, and cyber insurance

Property

- The property market saw significant catastrophic loss activity in 2020 prompting carriers to demand more underwriting data
- Preparation for the upcoming hurricane season should include property and incident response plans

Umbrella/Excess

- Umbrella coverage continues to experience rate increases well into double digits
- Underwriting remains particularly selective, while levels of capacity are still relatively low
- New capacity is coming online in some cases, but this will not have a positive effect on premiums for some time

Auto Liability

- Auto liability premiums increased again despite lower frequency of losses
- Even with more drivers forced to remain at home during the pandemic, rates jumped as much as 30%
- Some organizations decreased policy limits and increased deductibles during the pandemic, which may require them to re-evaluate as COVID-19 recedes

Cyber

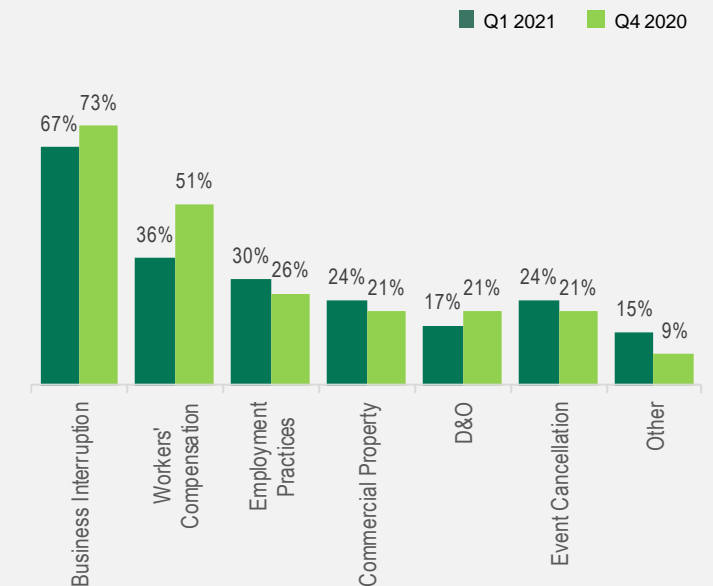
- Cyber was one of the lines that saw an acceleration in the pace of rate increases, with a jump of 30% on the high end of the quarter-over-quarter range
- Policyholders are reporting cyber claims on a more frequent and severe basis. As with many socially disruptive events, the pandemic has incited more fraudsters and criminals to action
- At the same time, government regulators are levying larger penalties on organizations that breach cyber laws, driving up costs for insureds

Directors & Officers (D&O)

- The D&O marketplace continues to be distressed with average increases of more than 35% over several quarters
- Troubling trend: frequency and severity of legal claims
- D&O for privately held companies is fairing slightly better than the publicly traded D&O market

According to CIAB, respondents are reporting increased claims activity in virtually all lines of coverage.

Respondents reporting increased COVID-related claims activity for commercial lines



Graphic from Council for Insurance Agents and Brokers (CIAB), Q1 2021 COVID-19 Supplement.

Industry update



Construction

Supply and workforce uncertainty remain a concern of the underwriters for projects in our major cities.

Suburban residential and office development remain on the rise and are a favorable risk for the underwriters.

Stick frame construction market is very hard.



Health care

Healthcare premiums continue to rise substantially regardless of performance, with substantial increase on the Directors & Officers. Terms and conditions being offered are much less favorable. Carriers are placing infectious disease and class action exclusions on the Casualty Lines as well.



Hospitality

Pre-COVID-19, the casualty market for hospitality risks was hardening.

Given the impact that COVID-19 has had on the hospitality industry, carriers have shown flexibility with insureds on payments and mid-term changes to exposures.

As the industry slowly recovers, clients should expect that rates may continue to rise.



Real estate

Market conditions remain “hard” with carriers and re-insurers raising rates, imposing lower sub limits and increasing deductibles. We have seen some relief in the Excess Liability market however premiums/rates remain well above 2018 levels.

COVID-19 related issues have declined, however the effects linger in large urban geographies particularly in the residential and retail space.



Manufacturing

Manufacturing clients are feeling the impacts of the hard market, seeing year over year increases, driven by property and umbrella/excess

Manufacturers would be well served to work with their broker to ensure insured property values stay in line with costs to reconstruct and that any feasible loss mitigation tactics are implemented.

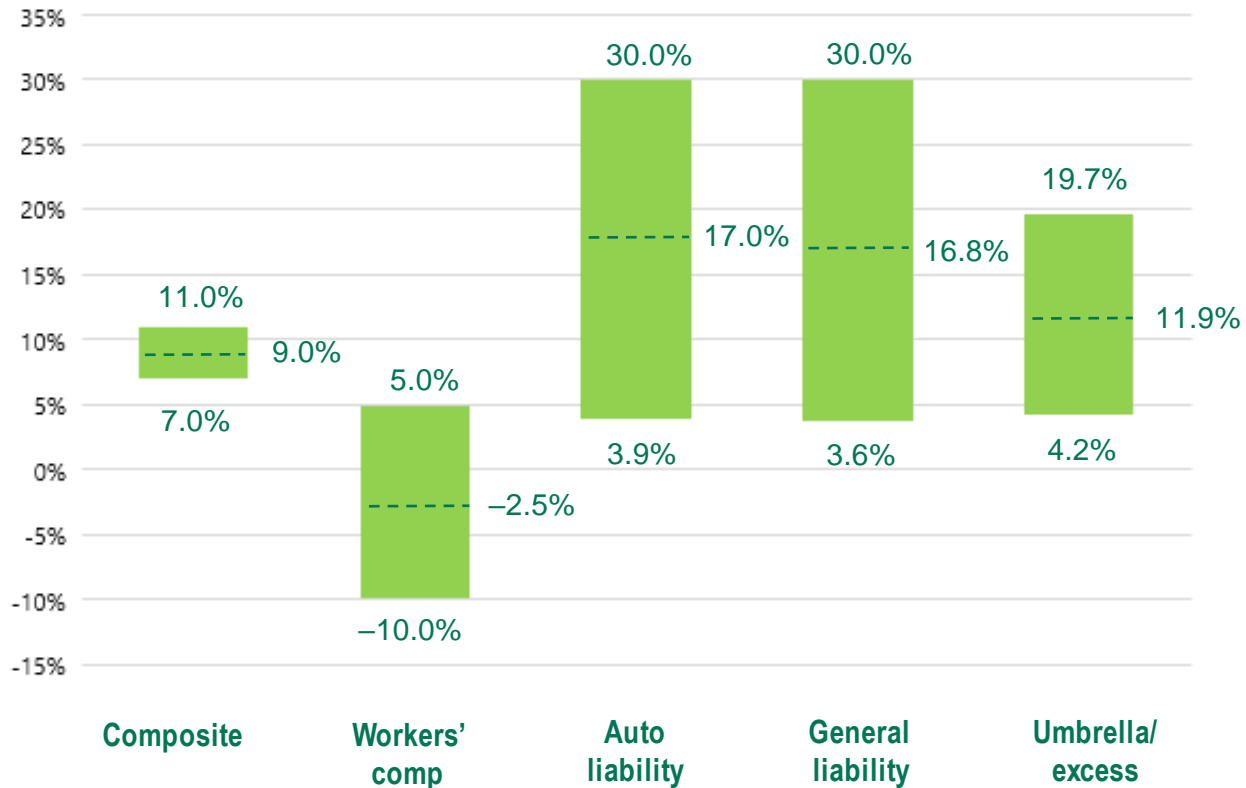


Transportation / Auto

While claims frequency was down due to decreased auto usage during the pandemic, clients with transportation/auto exposure continue to see rate increases attributable to claims from distracted driving.

Casualty

Overview of the current insurance market



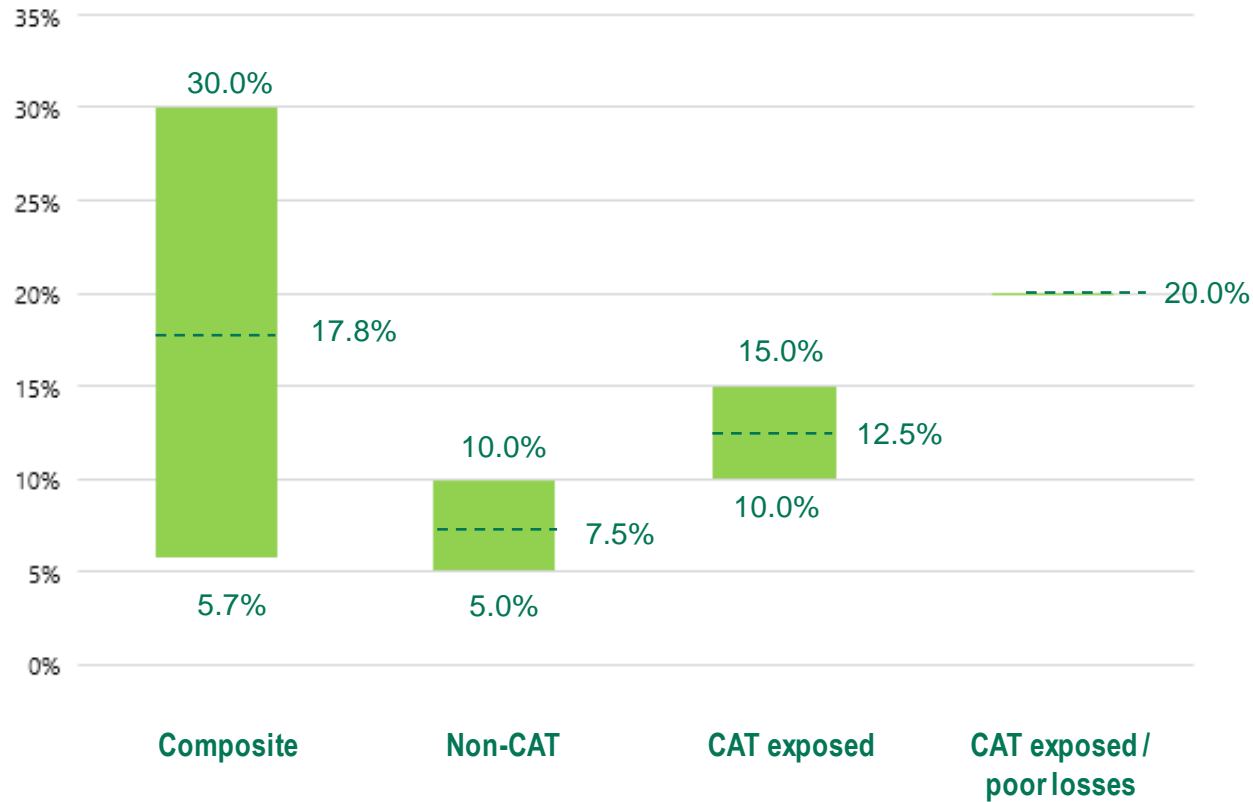
Casualty

- Rate increases of as much as 30% continued to pose a challenge for companies seeking coverage
- Underwriting remained selective with reduced capacity, although new capacity is being brought online that may lessen premium increases over time
- Once again, workers' compensation insurance was the only line that showed any reduction in premiums, although that may change as more staff return to their traditional workplaces

Data as of 1Q 2021.

Property

Overview of the current insurance market



Property

- Catastrophe losses in 2020 continued to stress insurers, leading to higher deductibles and premium increases of 5% to 30%
- As with casualty lines, property lines remained constrained by lower capacity
- Along with natural catastrophes, the high frequency and severity of claims were driven by liability verdicts, the ongoing effects of COVID-19 and supply chain problems

Data as of 1Q 2021.

Specialty Lines

Overview of the current insurance market



Specialty Lines

- Cyber insurance rates showed significant increases, while simultaneously underwriters became more demanding of companies shopping for coverage
- Amid rising premiums, buyers of Directors & Officers coverage were increasingly motivated to work with their broker to ensure best practices for risk mitigation are in place
- Financial and professional lines saw one of the highest jumps in premium increases, with rates increasing as much as 25%. However, new entrants to the management liability market are bringing additional capacity in 2021.

Data as of 1Q 2021.

Historical view

9-month view 3Q 2020 – 1Q 2021

	Auto liability	Workers' comp	Commercial property	General liability	Umbrella	Average P&C	Cyber liability	D&O	Employment practices	E&O	Average ML*
First quarter 2021	17%	-2.5%	17.8%	16.8%	11.9%	12.2%	33.5 %	35.9%	30.0%	32.2%	32.9%
Fourth quarter 2020	15%	0%	19.5%	16.7%	39.2%	18.1%	12.5%	57.4%	34.9%	26.7%	32.9%
Third quarter 2020	17%	.75%	18%	17%	30%	16.6%	13%	46%	30%	27%	29.0%

*Management liability

9-month view

- Across all lines of business, the average increase in premiums was 9.6%, compared to 10.2% in 4Q 2020 and 11.3% in 3Q 2020
- The most significant increases in premiums were observed in Umbrella and Cyber Liability, which recorded increases of 19.7% and 18.0%, respectively
- With five out of the nine lines we track showing double-digit increases, the market continued to harden in the first quarter

Data as of 1Q 2021

Evolving Health Insurance Market

The impact of the COVID-19 pandemic on employee benefits solutions will be felt for years to come, as businesses and their employees reconsider their priorities. Today, we are seeing the early impacts from delayed medical procedures, evolving legislation and changing expectations from employees regarding enrollment and benefits.

Delayed Medical Procedures & Increased Provider Costs

- Due to deferred screenings and care in 2020, we anticipate increases in elective procedures and diagnosis going into 2021 (See chart “Leading Diagnosis driving healthcare costs”)
- We anticipate providers will negotiate higher prices, placing additional inflationary pressure on claims expenses as a result of the significant decrease in revenue over the past year

Regulatory Compliance

Businesses continue to struggle to maintain compliance in a continually changing regulatory landscape such as the Affordable Care Act, American Rescue Plan Act, individual coverage Health Reimbursement Arrangement (HRA), and the Consolidated Appropriations Act

Open Enrollment and Alternative Care Opportunities

- We have seen shifts towards more alternative care, including digital health practices of all types namely, telehealth, wellness programs, and chronic condition management. This is expected to be an ongoing area of growth for employer group plans. In addition, many employers have moved to digital enrollment platforms, and we expect this trend to continue. Source: <https://www.benefitspro.com/2021/07/09/2021-health-care-survey-a-post-pandemic-model-takes-shape/>

Leading diagnosis driving healthcare costs	Expected % increase in 2021
Ischemic heart disease	18%
Congestive heart disease	14%
Fractures from postponed elective procedures (i.e. hip/knee replacements)	112%
Cancer diagnosis	23%

Sourced from Stealth Partner Group. State of the Market First-Second Quarter 2021 May 2021

What does this mean for you?

- The shift in procedures and provider costs can result in increased costs and missed projections for those employers who are self insured
- Uncertainty of provider pricing likely will result in more conservative (expensive) rates from carriers
- Regulatory compliance issues continue to tax Human Resource Departments, while the shift to digital enrollment may simplify administrative tasks for your team

INSURANCE MARKET BRIEF

Sourcing

Data captured as of June 2021

M&T Insurance Agency, Inc.

Methodology

The ranges and figures listed in this quarterly review represent a composite look at market data from multiple sources. After collecting all available data from across this range of industry professionals and collecting additional input from insurance-line-specific leadership at MTIA, the team created these leveraging data inputs from 1Q 2021.

We will continue to monitor all these developments and their impact on the insurance market.

Questions? Call us at 800.716.8314.

<https://www.ciab.com/download/29767/>

Unless otherwise noted, the information shown here was prepared based on the opinions of M&T Insurance professionals. These are projections only. Your premium is subject to the rates provided by your carrier(s).

This presentation is for educational purposes only and is not intended as an offer or solicitation for the sale of any financial product or service. This presentation is not designed or intended to provide financial, tax, legal, accounting, or other professional advice since such advice always requires consideration of individual circumstances. If professional advice is needed, the services of a professional advisor should be sought. There is no assurance that any strategy will be successful.

Insurance Products offered are: Not FDIC insured; Not a deposit in, obligation of, nor insured by any federal government agency; Not guaranteed or underwritten by the bank; Not a condition to the provisions or terms of any banking service or activity.

Insurance products are offered by M&T Insurance Agency, Inc., not by M&T Bank. Insurance policies are obligations of the insurers that issue the policies.

©2021 M&T Insurance Agency, Inc. | mtb.com