



Insurance Market Brief

2Q 2020

M&T
Insurance
Agency, Inc.

The M&T Difference
We listen. We customize. We care.

Impacts of the Pandemic on the Property & Casualty Insurance Market

These are unprecedented times, and our goal at M&T Insurance Agency (MTIA) is to provide you with insights and information that can help support you and your business.

- The property market had been hardening pre-COVID-19 as result of an aggregation of natural catastrophe and non-catastrophe losses spanning several years, coupled with deteriorating underpricing and undervaluing.
- The full impact COVID-19 will have on rates/premiums is still to be determined, though insurance carriers are approaching renewals with caution given the economic environment. In general, most carriers are striving to be flexible and reasonable with insureds on requests for exposure changes and premium relief. Many states have enacted orders that mandate carriers to provide premium flexibility during the pandemic and have prohibited cancellation for nonpayment of premium.
- Many carriers are denying business interruption claims due to lack of physical damage and/or virus and bacteria exclusions, and we are starting to see lawsuits from insureds contesting the declinations.
- While some carriers have voluntarily reduced or refunded premiums as a result of lower exposures, California and New Jersey have issued orders mandating carriers to provide premium relief with NJ's order stating in part "in lines of coverage where the measures of risk have become substantially overstated as a result of the pandemic."
- There continues to be discussions within both state and federal governments regarding business interruption insurance coverage for COVID-19, both retrospectively and prospectively. Retroactive legislation is losing momentum as most agree it will render the insurance industry insolvent.
- Carriers are being more proactive on issuing communicable disease/virus exclusions on new and renewal policies.

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 2020.

INSURANCE MARKET BRIEF

Impacts of the Pandemic (continued)

- Business interruption claims are up significantly due to COVID-19 as businesses are looking to recover lost income due to a significant drop in business and outright business closure. M&T Insurance continues to monitor the regulatory landscape for any changes that may alter the outcome of a claim.
- As businesses open up, liability claims will need to be monitored and we expect to see an increase without any intervention from the federal government to limit liability on employers for COVID-19 lawsuits. Businesses should follow all CDC, state, and OSHA guidelines at a minimum to help prevent such lawsuits.
- Liability is becoming a concern regarding whether businesses will be held liable if individuals become infected with COVID-19 and claim it has occurred within their owned and/or managed facilities.
- MTIA continues to monitor the regulatory environment within the states, specifically around the presumption of a causal relationship. There has been a push for protections within the government to limit liability for COVID-19-related lawsuits, though nothing has been passed yet. It's important for businesses to use their insurance consultants as a resource to document losses.

Workers' compensation

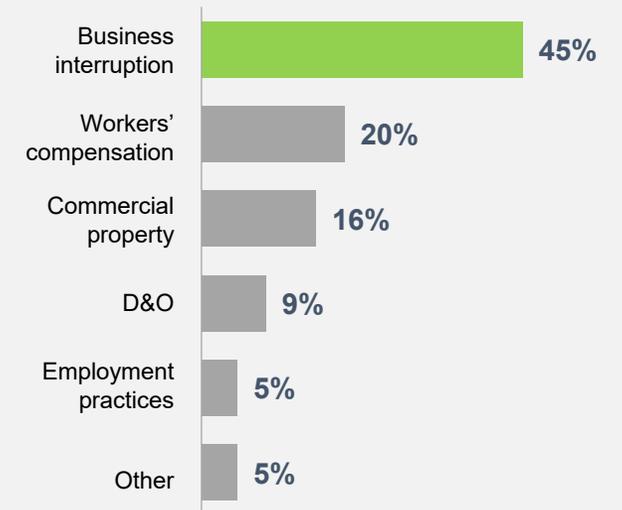
- Workers' compensation claims have trended downward from normal levels due to remote work and furloughs. We expect this number to increase as businesses re-open and move away from the work-from-home model.
- Various states are looking at legislation to allow claims to be filed for COVID-19-related illnesses, regardless of how/where the illness may have been contracted. To date, California has enacted an Executive order mandating workers' compensation coverage for employees who fall ill.

Management liability

- Carriers are bracing for potential claims related to COVID-19 lawsuits, particularly within directors and officers policies.

In a recent survey by the Council for Insurance Agents and Brokers (CIAB), respondents were asked whether the COVID-19 outbreak resulted in increased claims activity for 1Q 2020 and if so, for which lines:

Respondents reporting increased COVID-related claims activity for commercial lines



Graphic from Council for Insurance Agents and Brokers (CIAB), 1Q 2020 COVID-19 Supplement.

INSURANCE MARKET BRIEF

COVID-19 (coronavirus)

Impacts of the pandemic



Construction

We have not seen a restriction in underwriting activity although additional time should be allowed in order to complete placements.

We have seen rates begin to increase in certain geographies.



Health care

The market is restrictive and rates are rising somewhat regardless of performance. We are anticipating a much tougher stance at upcoming renewals.

Infectious disease protocols and well control operations will be important for potential new carrier placement. Carriers are being cautious until legislation and caselaw set precedents on these matters.



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.



Pandemic insurance

Potential government-backed solutions are being proposed.

There are other private potential insurance solutions, including parametric insurance. These options are generally expensive and appropriate for larger organizations as part of a holistic risk-management program.



Real estate

The market continues to harden as carrier underwriting becomes more conservative given the uncertain economic environment.

The impact has been felt in the property market as well as the excess casualty market with increased pricing, limited capacity, and more restrictive terms and conditions.



Manufacturing

The insurance market for manufacturers will follow industry trends of the harder property and casualty market.

Umbrella/excess limits will be more difficult to find, driving prices higher.



Cyber

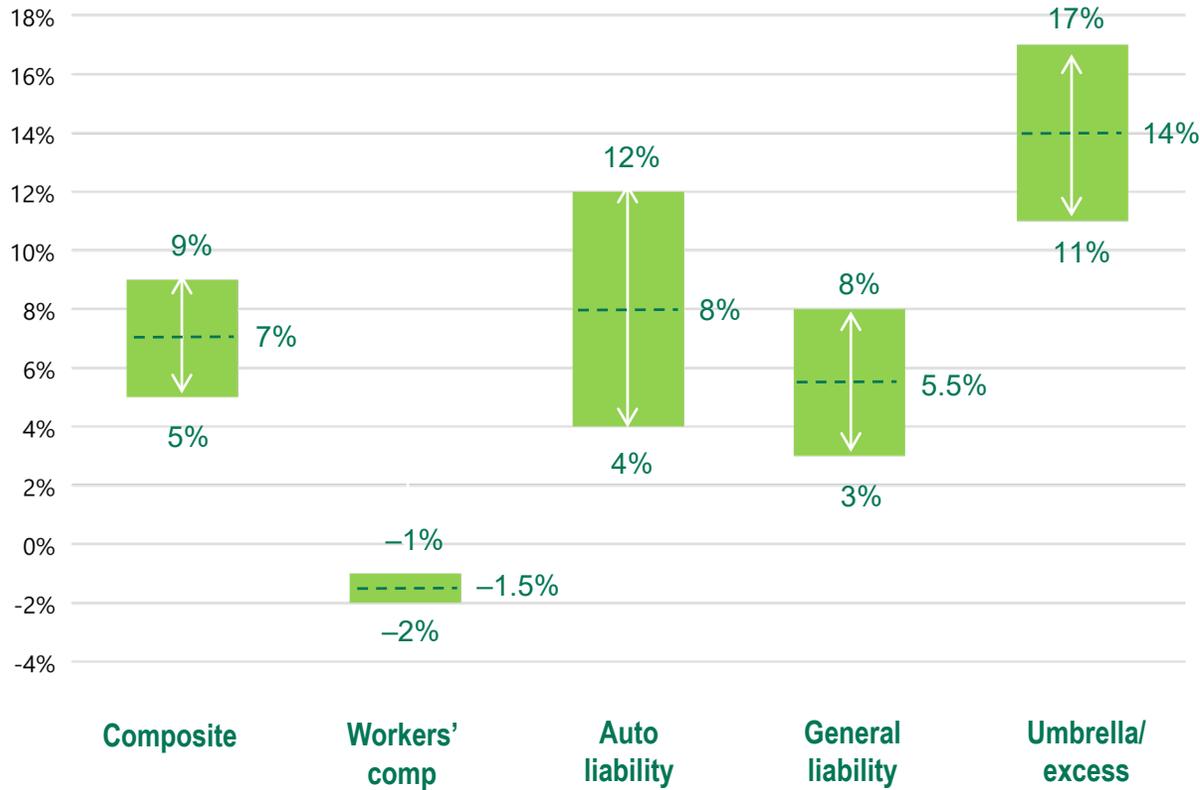
The rate of first-time buyers has leveled off as businesses focus on maintaining core business operations.

Heightened cyber risk concerns continue due to the overall increase in remote work, related threat activity, and stressed supply chains.

Carriers have heightened underwriting standards in light of COVID-19, but appetite remains relatively robust overall.

Casualty

Overview of the current insurance market



Casualty

- Commercial auto liability rates continued to increase. CIAB notes that this quarter's increase marked 35 consecutive quarters of increased premium pricing.
- Workers' compensation continued to experience a decrease in premium prices. However, this is expected to evolve as COVID-19-related claims are submitted. As noted on slide three, various states are looking at, and California has enacted, legislation to allow claims to be filed regardless of how/where the illness may have been contracted. How states recognize responsibility with regard to oversight and claims will be important.
- The umbrella/excess liability marketplace continues to experience significant disruption, with carriers increasing rates significantly while also restricting capacity and coverage terms.

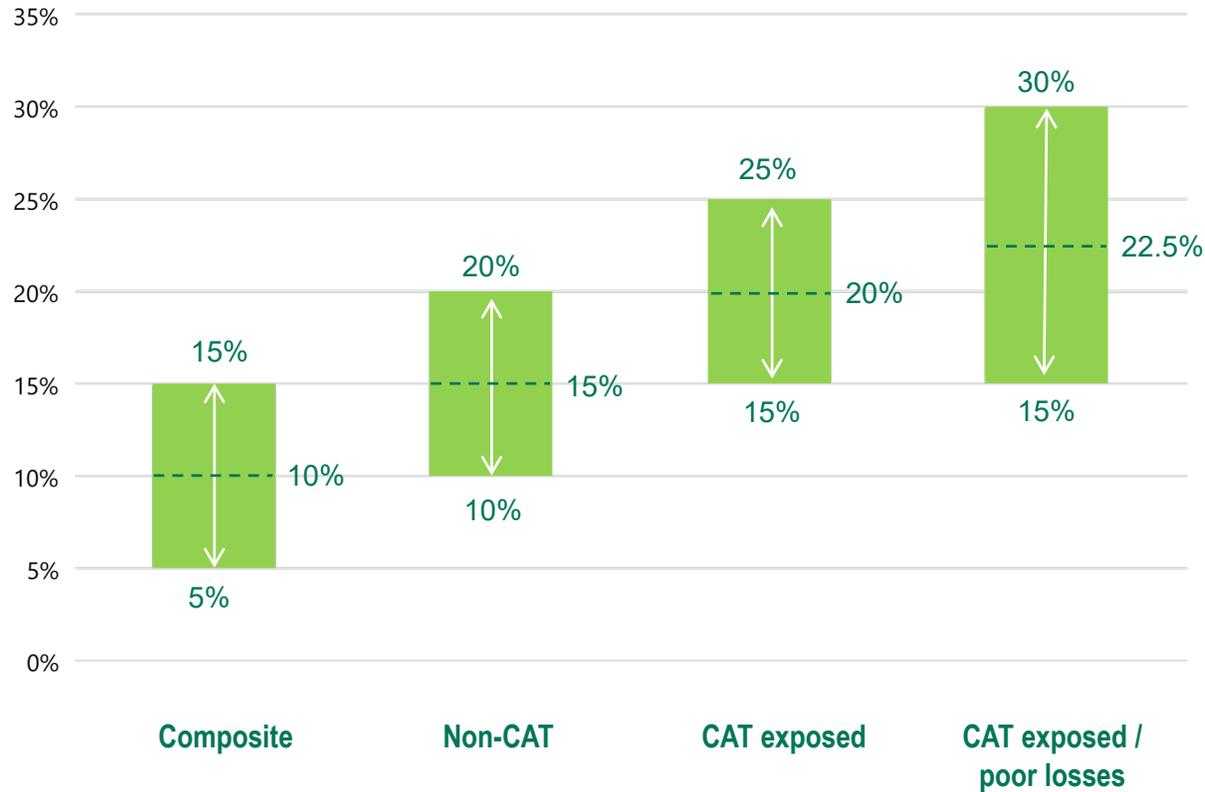
*Data as of 1Q 2020.

INSURANCE MARKET BRIEF

Property

Overview of the current insurance market

M&T Insurance Agency, Inc.



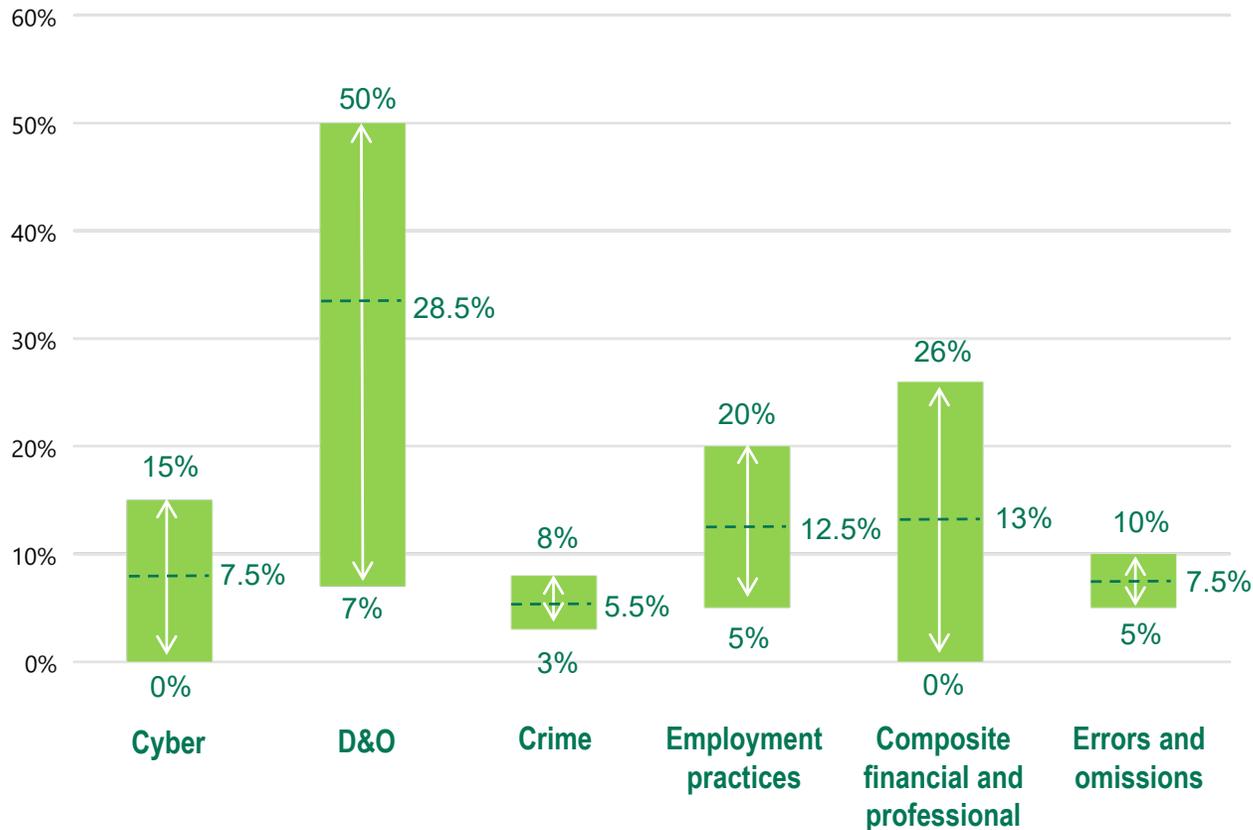
Property

- A double-digit increase across all lines of commercial property coverage, up 12% in 1Q 2020, compared to 9.7% in 4Q 2019, was noted by CIAB.
- Tornado outbreaks resulted in higher claims in 2019 and the beginning of 2020.

*Data as of 1Q 2020.

Specialty Lines

Overview of the current insurance market



Specialty lines

- Cyber premiums have slowly increased for many industry classes. Although capacity generally remains broad, appetite for certain risks has tightened in light of increased ransomware claims. Due to ransomware-related concerns underwriting scrutiny has increased, continuing a trend from the second half of 2019.
- Social issues, the COVID-19 pandemic, and civil unrest are likely to apply additional pressure across all of the specialty lines. The industry is anticipating an increase in the number of lawsuits coupled with high verdicts.

*Data as of 1Q 2020.

Historical View

15-month view 4Q 2018–1Q 2020

	Auto liability	Workers' comp	Commercial property	General liability	Umbrella	Average	Cyber liability	D&O	Employment practices	E&O
First quarter 2020	9.6%	−1.2%	12.0%	5.7%	17.3%	8.7%	4.4%	8.0%	5.5%	2.3%
Fourth quarter 2019	10.5%	−1.9%	9.7%	5.8%	13.6%	7.9%	2.9%	7.0%	4.6%	2.2%
Third quarter 2019	9.1%	−2.7%	8.8%	4.6%	9.8%	5.9%	1.4%	5.0%	3.2%	2.6%
Second quarter 2019	8.4%	−2.5%	8.5%	3.2%	5.7%	4.6%	1.2%	4.3%	3.2%	2.8%
First quarter 2019	8.8%	−3.3%	5.9%	2.0%	3.3%	3.4%	0.3%	3.2%	2.6%	1.0%
Fourth quarter 2018	7.0%	−3.3%	2.9%	1.4%	2.3%	2.1%	−0.2%	1.5%	1.8%	0.6%

15-month view

- The average premium increases across all major lines of business monitored by CIAB were 8.7%, compared to 7.6% in 4Q 2019 and 5.9% in 3Q 2019.
- Commercial property and umbrella experienced the highest quarterly average premium increases.
- With the 10th consecutive quarter of increased premiums across accounts of various sizes, the markets are continuing to harden.

*Data as of 1Q 2020

Sourcing

Data captured as of May 2020

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 2020.

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

Questions? Call us at 800.716.8314.

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.

©2020 M&T Insurance Agency, Inc. | mtb.com

<https://www.ciab.com/resources/q1-2020-p-c-market-survey/>