howden

HOWDEN
US CASUALTY
APPETITE SURVEY

Prepared by Howden Markets Consulting

February 2023

Contents

About US Casualty

Comprising 15 individuals in London and Bermuda, Howden's US Casualty team brings significant experience as a trusted risk advisor and insurance partner.

Our strong broking team is uniquely positioned with market expertise and volume of premium placed with London, Bermuda and European carriers.

Our broking and claims team are fully integrated, enabling us to act as one cohesive team for all off-shore needs: we provide a seamless experience throughout the risk lifecycle, from marketing and placement through to claims payment.

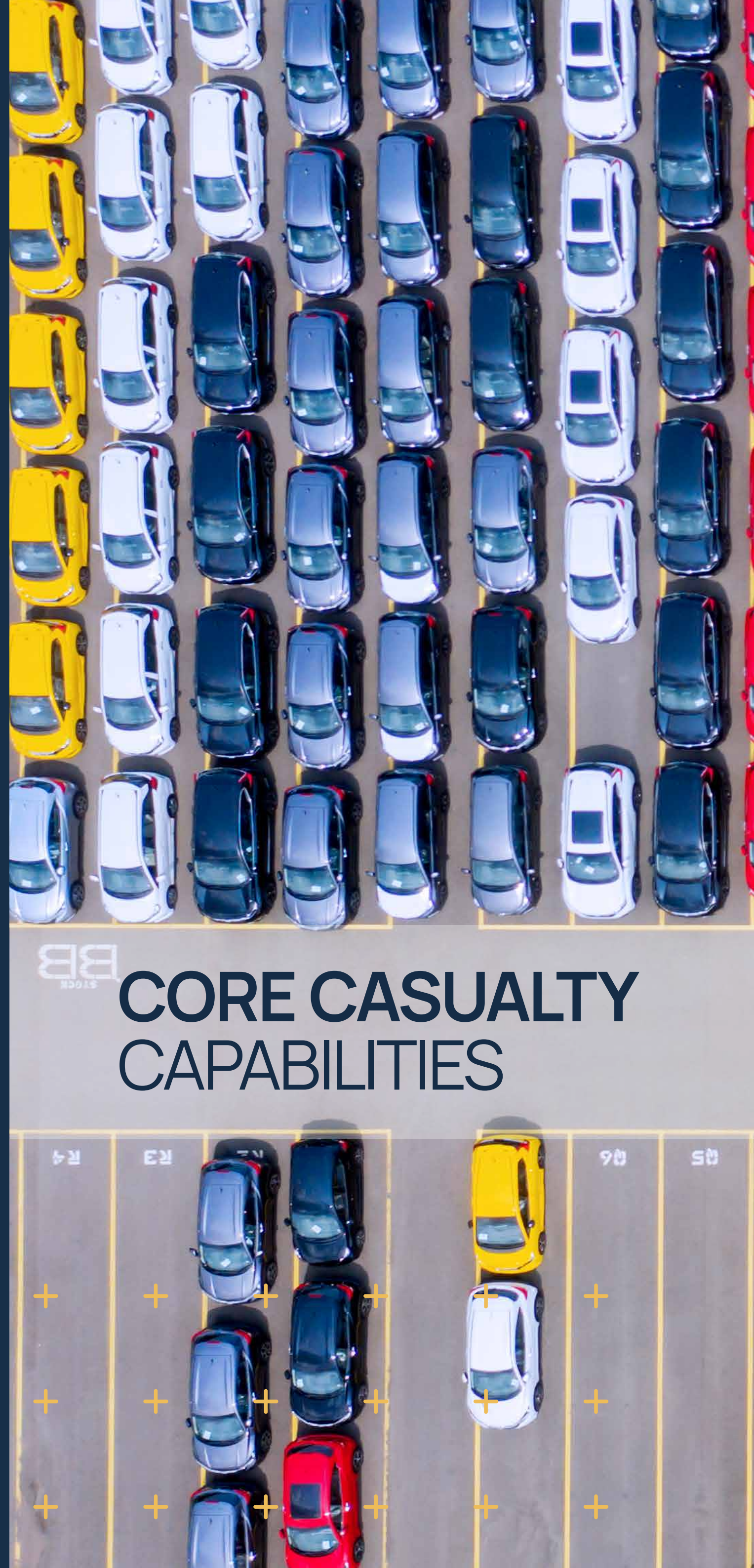
We deliver innovative solutions for primary, umbrella and excess placements, and thrive on complex risks and hard-to-place business across all casualty industries, and commit to long term partnerships with our clients.

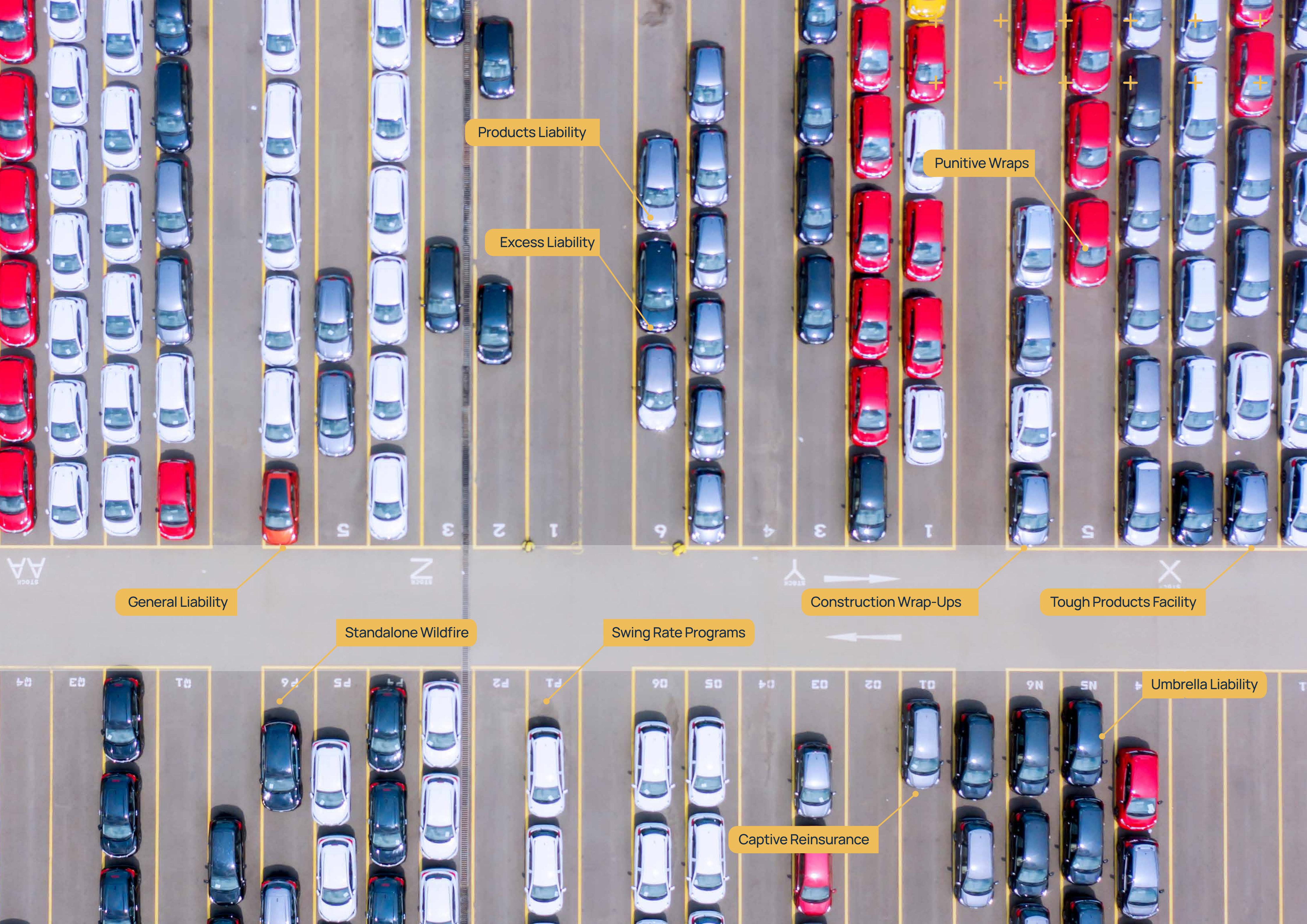
USD
550m
Howden Casualty GWP

30+
US Casualty markets

Why use Howden Specialty

- Super independent, super specialist
- Streamlined access to capacity: experienced teams based in London and Bermuda
- In-house insurtech: data, analytics and AI embedded in our services
- Strong commitment to getting claims paid
- Exclusive Wildfire Lineslip – streamlined access to sought -after capacity
- Exclusive Products Liability facility – claims made capacity for high risk and tough to place products




Products Liability
Punitive Wraps
Excess Liability
General Liability
Construction Wrap-Ups
Tough Products Facility
Standalone Wildfire
Swing Rate Programs
Umbrella Liability
Captive Reinsurance

Executive summary

In partnership with the Howden Casualty team, Howden Markets Consulting interviewed 32 insurers to profile market trends, underwriting capacity and appetite for US Casualty placed through London.

These are typically Howden Casualty's largest trading partners across London, Europe and Bermuda and cover the vast majority of markets writing business to London based brokers.

By attachment point, the parameters surveyed included:

- Capacity
- Rate movement
- Opportunities
- Average capacity deployment
- Appetite by industry
- Challenges

32

Capacity providers surveyed

Underwriting conditions in the US Casualty Market

Due to the longest continuous period of rate hardening in recent history, the US Casualty Market has seen a recent influx of new capacity. After significant reductions in line size deployments from more traditional market participants, insurers and MGAs alike have entered the market with significant growth ambitions.

New entrants since 2020 include:

- Arcadian
- Convex
- Inigo
- Vantage
- Helix
- Ark
- Emerald

In parallel, vast claims inflation and social inflation remain a core concern for underwriters with existing exposures (the full impact of which remains undetermined due to backlogs in US court systems). Underwriters and senior management are concerned about rate adequacy given these two conflicting market conditions; rates softening amid increased competition despite increasing settlement costs and claim severity.

Key areas of opportunity exist in the market, most notably around construction projects as government investment from the USD1.2trillion US Infrastructure Bill generates new opportunities for growth. Several other industries were also identified as key opportunities by multiple insurers, from more traditional sectors such as transportation (rail and trucking) to alternative energies and other specialist classes which will see significant investment as part of the Infrastructure Bill.

KEY FINDINGS

Most popular industries

- Industrial, Product and Consumer Manufacturing
- Rail and Transit Authorities
- Commercial Construction

Least popular industries*

- Thermal coal mining
- Pharmaceuticals
- Residential Construction
- E-cigarettes

USD
918m

Excess capacity attaching above USD25m

USD
268m

Strategic capacity attaching below USD25m

USD
42m

Primary capacity

Notes

* **Important to note that generally capacity does exist in these areas, typically through more specialist players.**

Risk adjusted rate change (exposure independent with no inflation loading).

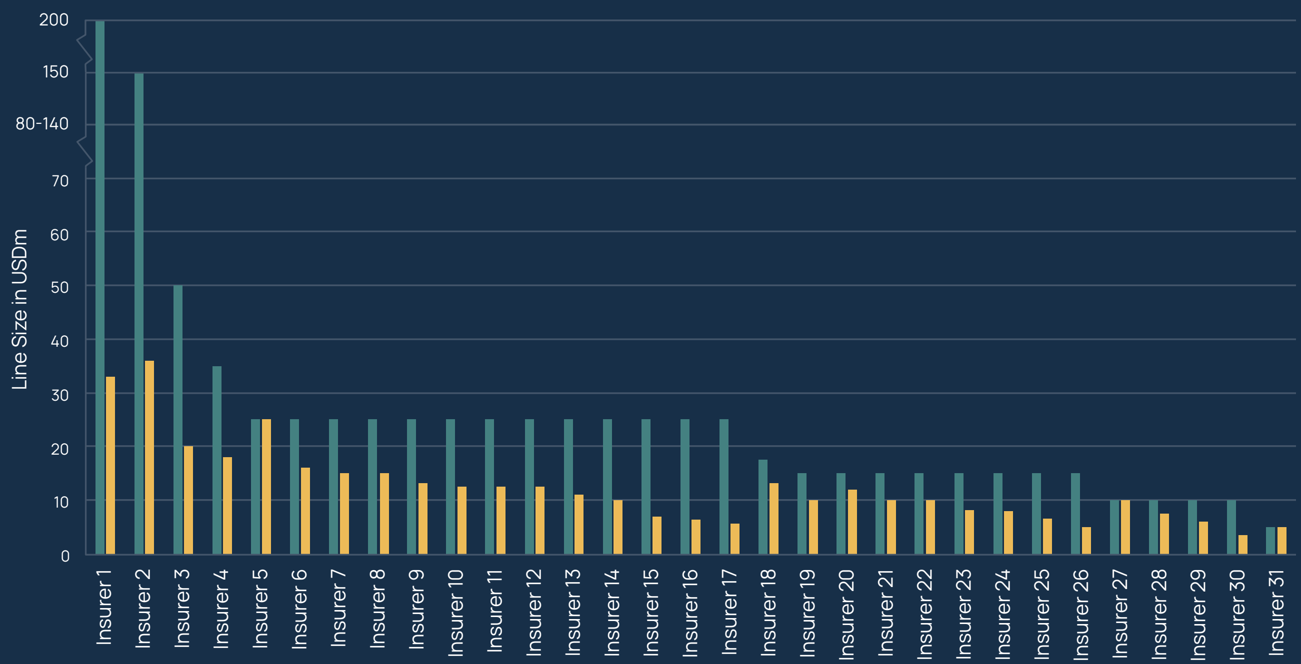
Line sizes and capacity deployment

22 markets deploying capacity on low-attaching layers, which are highly exposed but still generate sufficient rate for underwriters.

Eleven markets will write business on a primary basis and aside from one, all insurers surveyed can write business attaching at or above USD25m. Many underwriters raised that they have some flexibility to write larger line sizes for renewals, particularly where there is a long term relationship with an insured. A few select capacity providers are also capable of deploying extremely large line sizes for the right risk when the opportunity arises. Neither of these larger line sizes are reflected in these graphs which more demonstrate the 'typical' available capacity for new business.

Maximum   Average

Line Size attaching above USD25m

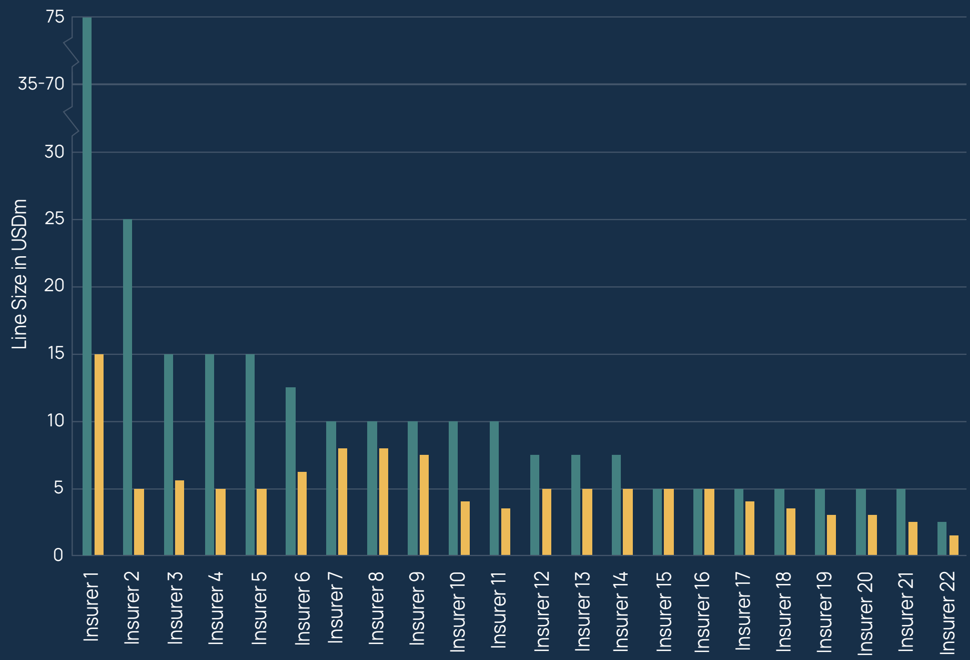


Note
Average line size has been interpolated for two markets who could not provide a split of average line size by attachment point.

USD
918m

Excess capacity attaching above USD25m

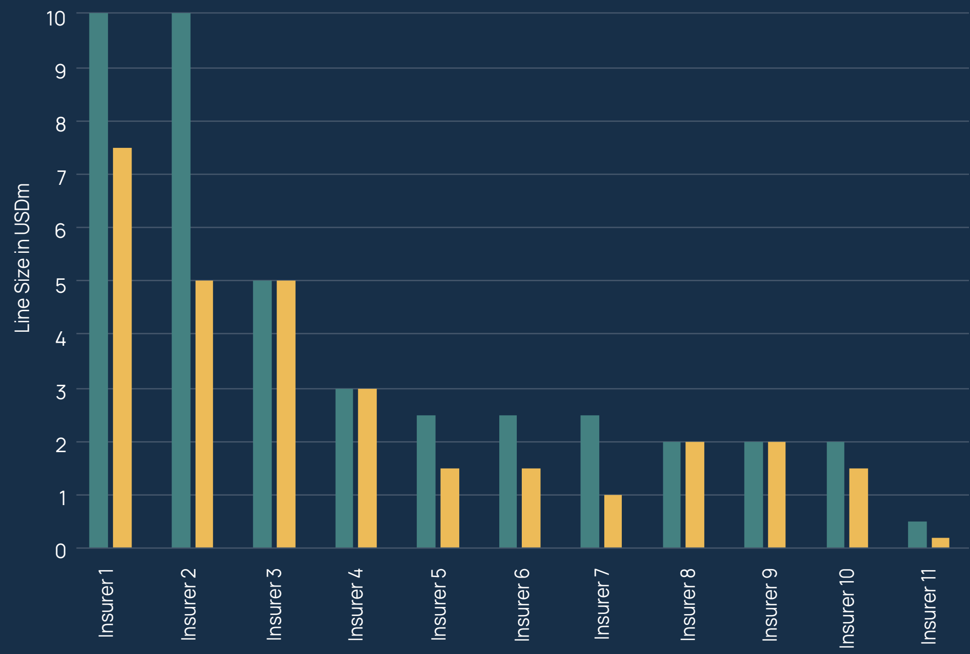
Line Size attaching below USD25m



USD
268m

Excess capacity attaching below USD25m

Primary Line Size



USD
42m

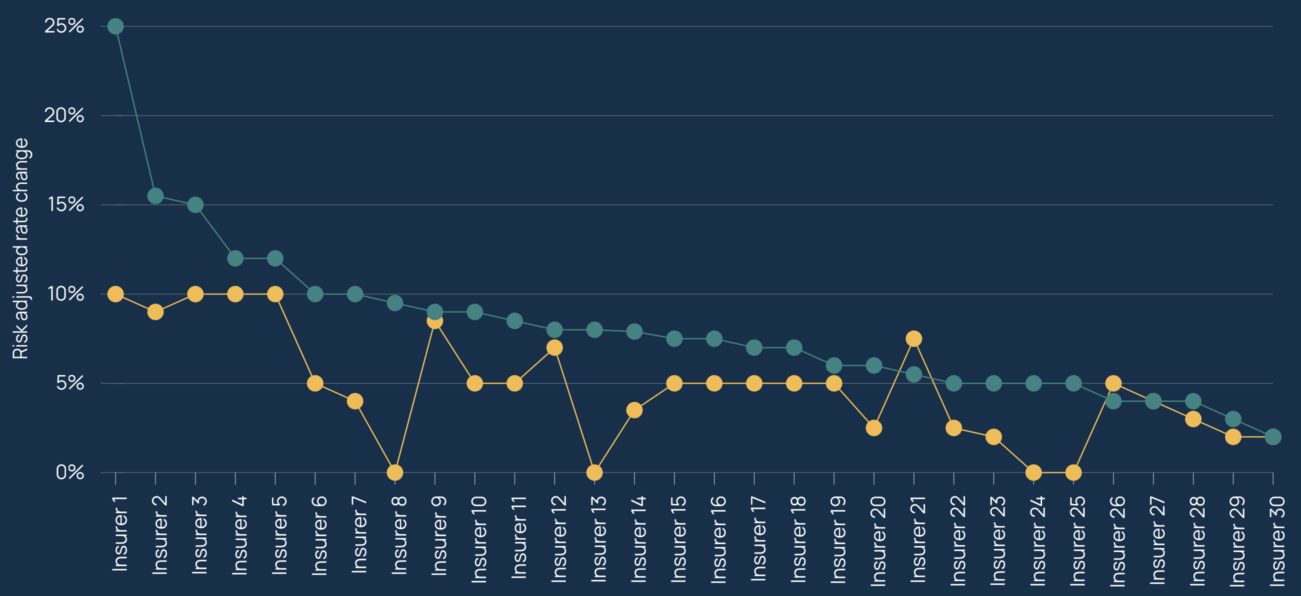
Primary capacity available across 11 markets

Rating environment

The market for US Casualty business has softened with projected rate change for 2023 consistently lower than rate increases seen in 2022.

Many insurers noted that the rating environment has softened significantly through 2022 in a trend which appears set to continue over the next calendar year. While vital to note that increased exposures and higher limits will typically lead to increased premiums, there is a general sentiment that due to increased competition rates may be lower than those projected or budgeted depending on industry. Industry is a key factor in determining rate increases with some insurers projecting roughly flat rate changes (0%) due to the composition of their portfolio while other industries will continue to see positive rate increases.

Rate Movement – attaching above USD25m



2022 expected rate across portfolio

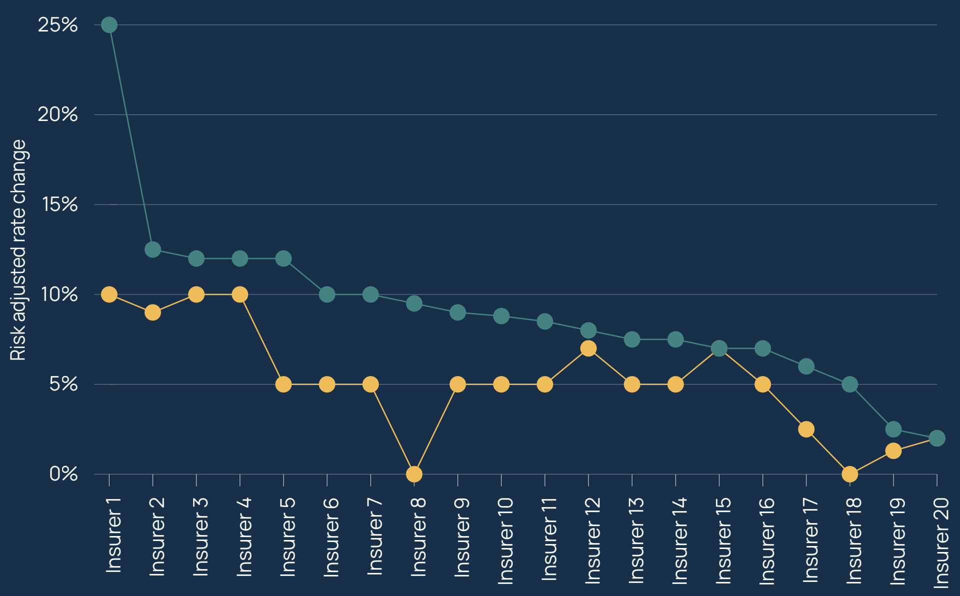
2023 projected rate across portfolio

8.1%
2022 RARC expected average

4.7%
2023 RARC projected average

Note
All figures represent risk adjusted rate change (RARC) without inflation loading.

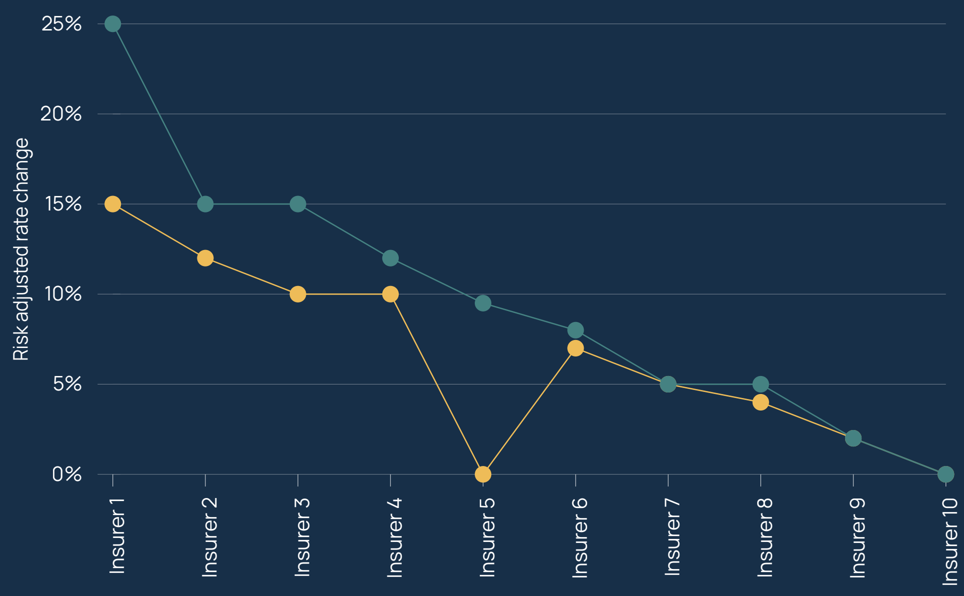
Rate Movement – attaching below USD25m



9.1% 2022 RARC expected average

5.2% 2023 RARC projected average

Primary Rate Movement



9.7% 2022 RARC expected average

6.5% 2023 RARC projected average

Market appetite

Appetite scale

Appetite score	Appetite description
5	Target growth business
4	Core business
3	In appetite
2	In appetite but strict T&Cs*
1	Out of appetite but can consider terms
0	Not currently writing/Treaty exclusion

Insurer survey respondents were asked to attribute a score to their appetite by attachment point and industry accordingly to the scale above.

Note
*Qualified verbally that this is in reference to stricter terms or less attractive pricing than other market participants.

Industry by attachment point heat map

Industry	Umbrella & excess attaching		Primary
	Above USD25m	Below USD25m	
Manufacturing – Products & Consumer	3.84	3.55	2.73
Manufacturing – Industrial	3.87	3.45	2.64
Transportation – Rail	3.84	3.09	1.64
Construction – Commercial	3.90	2.82	1.27
Transportation – Transit Authorities	3.23	2.82	1.27
Food & Beverage	3.19	2.77	1.27
Contractors	3.19	2.45	1.55
Automotive Components	2.87	2.77	1.45
Defense Contractors & Security Firms	3.16	2.59	1.18
Hospitality	2.94	2.64	0.91
Chemical	3.06	2.36	0.91
Hotels	3.03	2.55	0.73
Entertainment	2.87	2.55	0.73
Automotive Components – safety critical	2.23	2.14	1.36
Distribution & Logistics	2.39	2.18	1.09
Telecommunications	2.84	2.18	0.64
Mining – other	2.42	2.32	0.91

Industry	Umbrella & excess attaching		Primary
	Above USD25m	Below USD25m	
Agriculture	2.42	2.14	0.73
Real Estate	2.55	1.95	0.64
Micromobility	1.81	1.86	1.18
Vegetation Management	1.68	1.73	1.09
Sharing/Gig Economy	1.68	1.91	0.91
Construction – New York	2.06	1.18	1.00
Wildfire (heavy exposure)	1.52	1.59	1.09
Transportation – Trucking	1.61	1.68	0.82
Universities, Colleges & Schools	1.90	1.64	0.36
Nutraceuticals	1.06	1.27	1.45
Utilities	2.06	1.09	0.45
Public Entities & Municipalities	1.35	1.50	0.64
E-Cigarettes	0.65	0.73	1.09
Construction – Residential	1.10	0.55	0.45
Pharmaceuticals	0.71	0.68	0.45
Mining – coal	0.74	0.95	0.09
Grand Total	**2.36**	**2.05**	**1.05**

This table displays insurer appetite score in descending order by industry against attachment point, also in descending order (left to right).

The industries for which insurers expressed the strongest appetite are Manufacturing, Transportation and Commercial Construction while those with fewer participating markets and/or lower appetites are Coal Mining, Pharmaceuticals and Residential Construction.

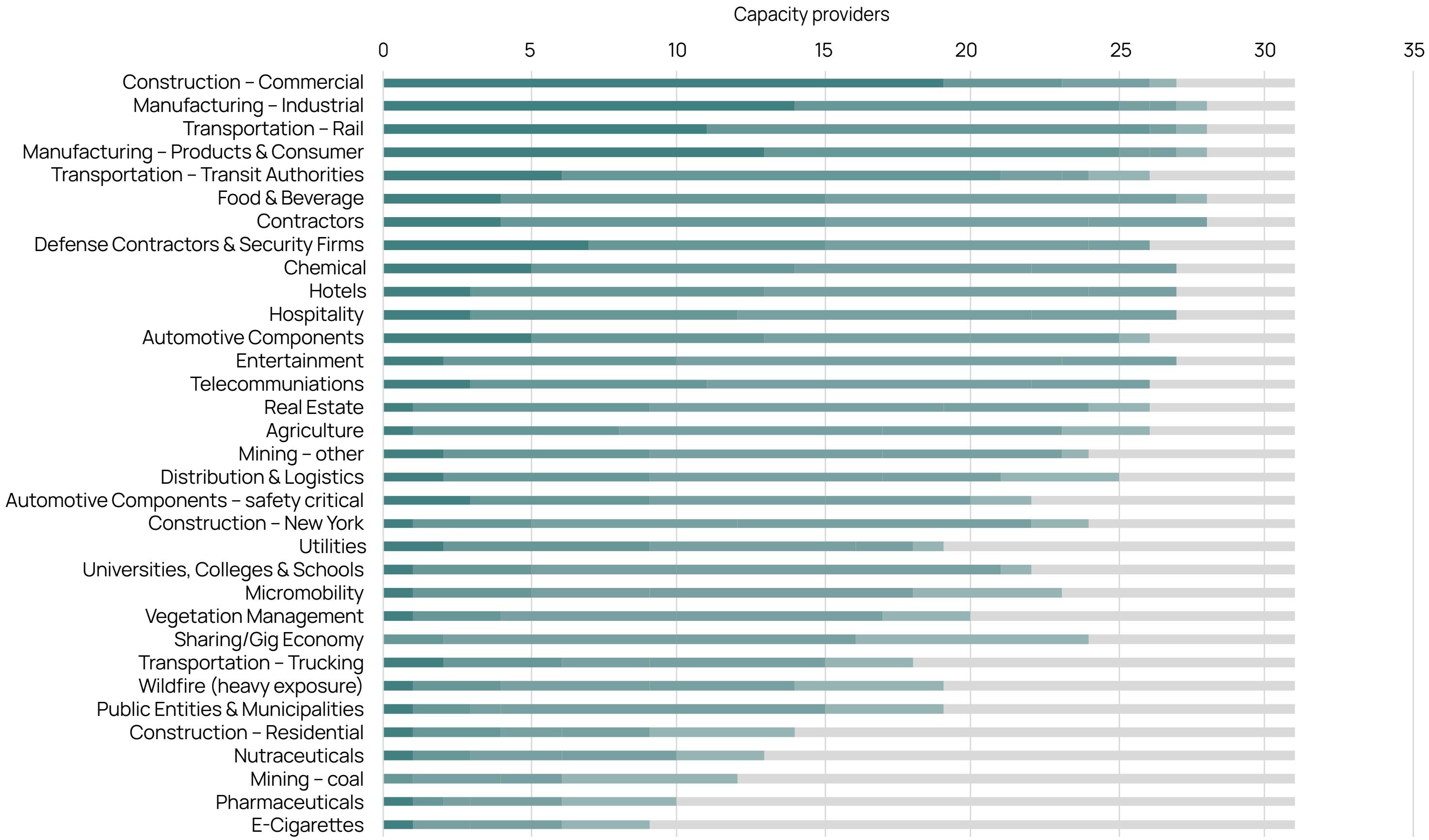
Strong appetite

Weak appetite

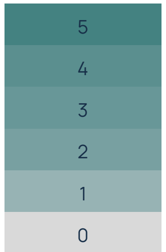
Every industry and attachment is in appetite for at least one market.*

At higher attachments in excess of USD25m, at least one insurer is actively targeting growth in all industries bar two and every industry has at least one market considering it core business. While each risk is of course assessed and considered individually, this demonstrates the breadth of the offering and underwriter expertise which can be accessed through London and Bermuda markets and further shows that capacity exists via London for any industry and attachment aside from primary thermal coal mining.

Appetite by industry – attaching above USD25m

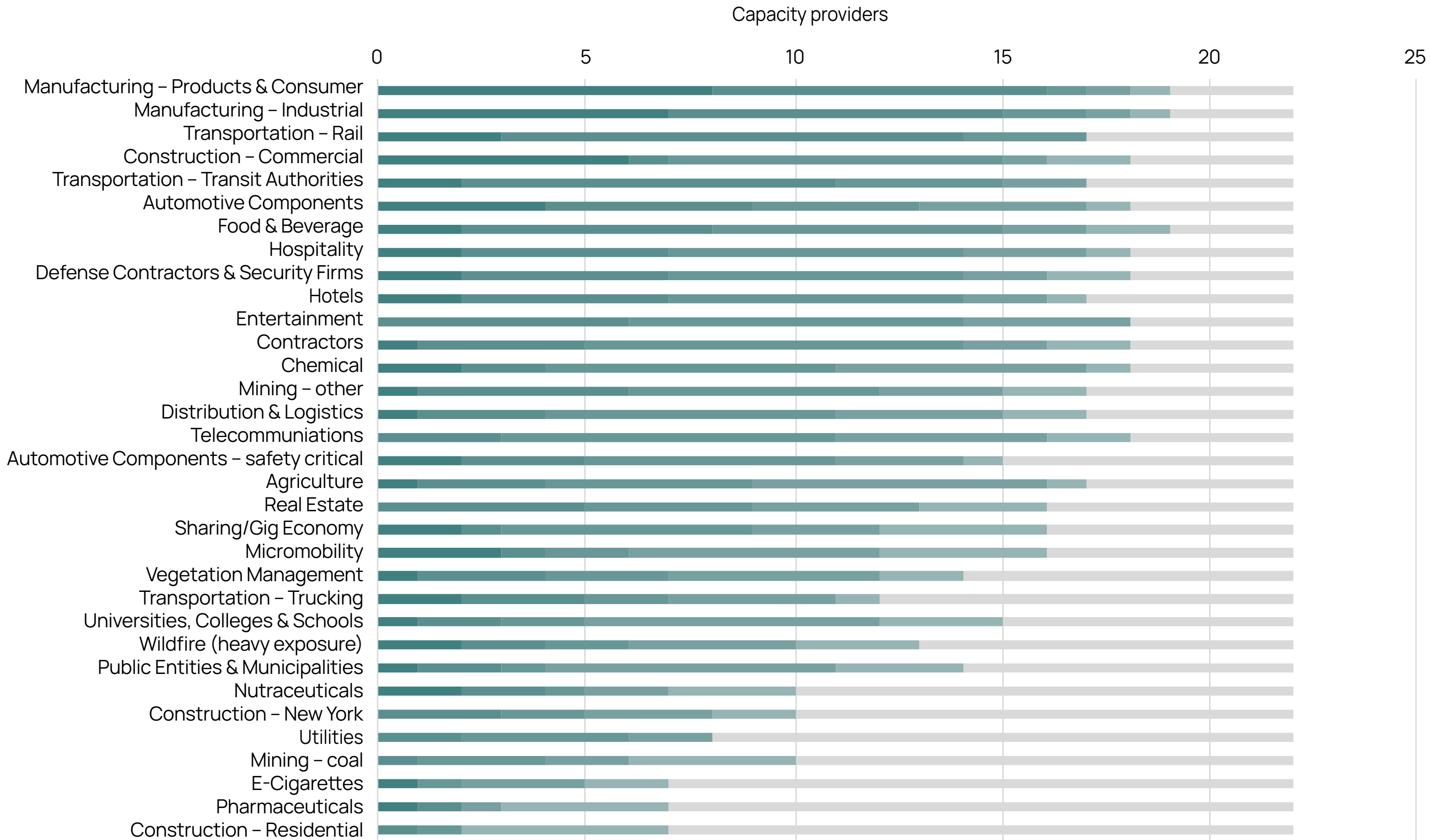


Appetite score

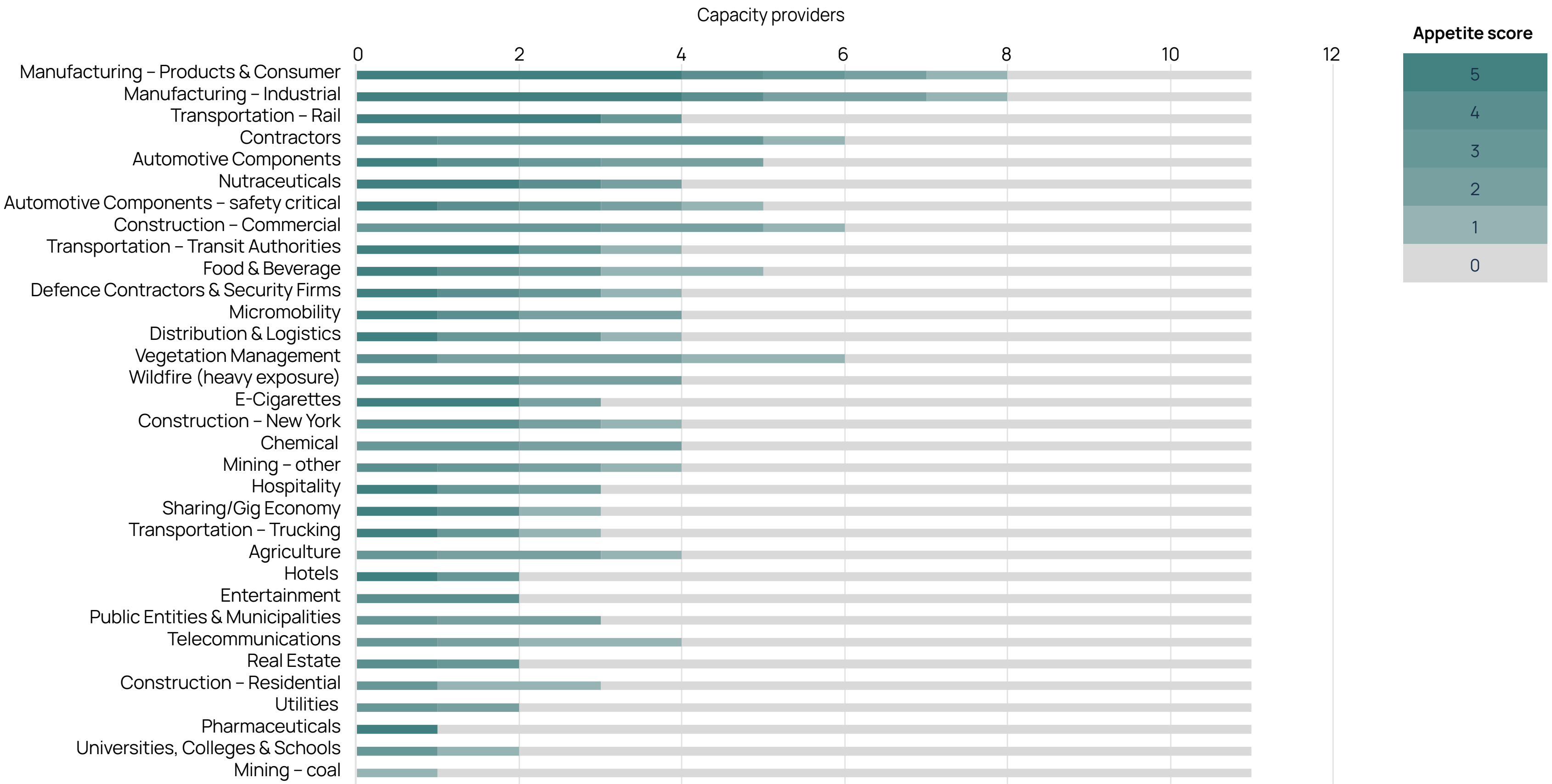


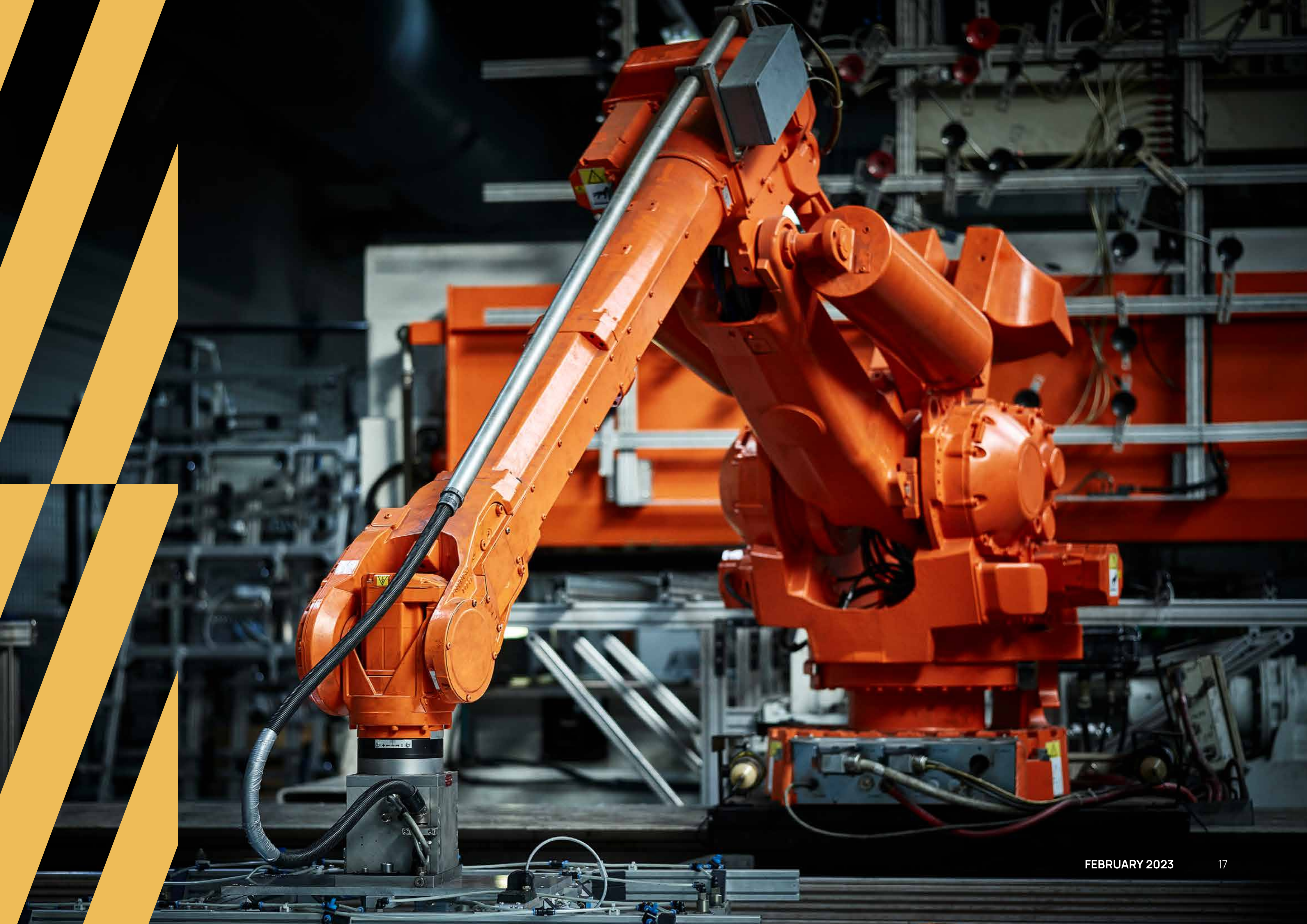
Note
*Other than primary thermal coal mining.

Appetite by industry – attaching below USD25m



Primary appetite by industry





Industries with lower than average appetite overall can generally be segmented into three key categories, an understanding of which is key to interpreting the results.

1

Niche, specialist areas such as pharmaceuticals and nutraceuticals which are generally underwritten by specialist insurers.

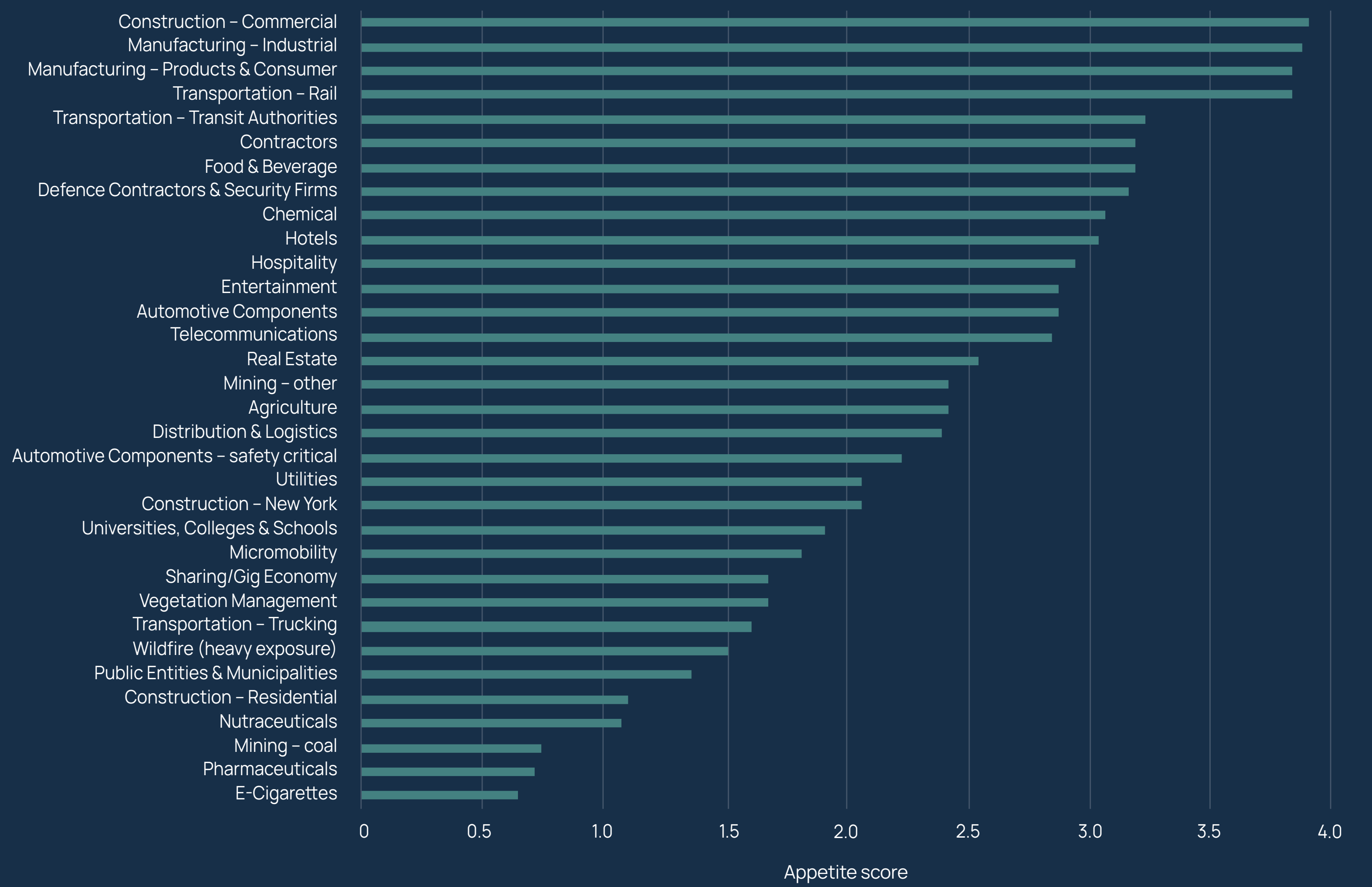
2

Innovative, new sectors without a proven claims record on which to base pricing (such as micromobility or sharing economy).

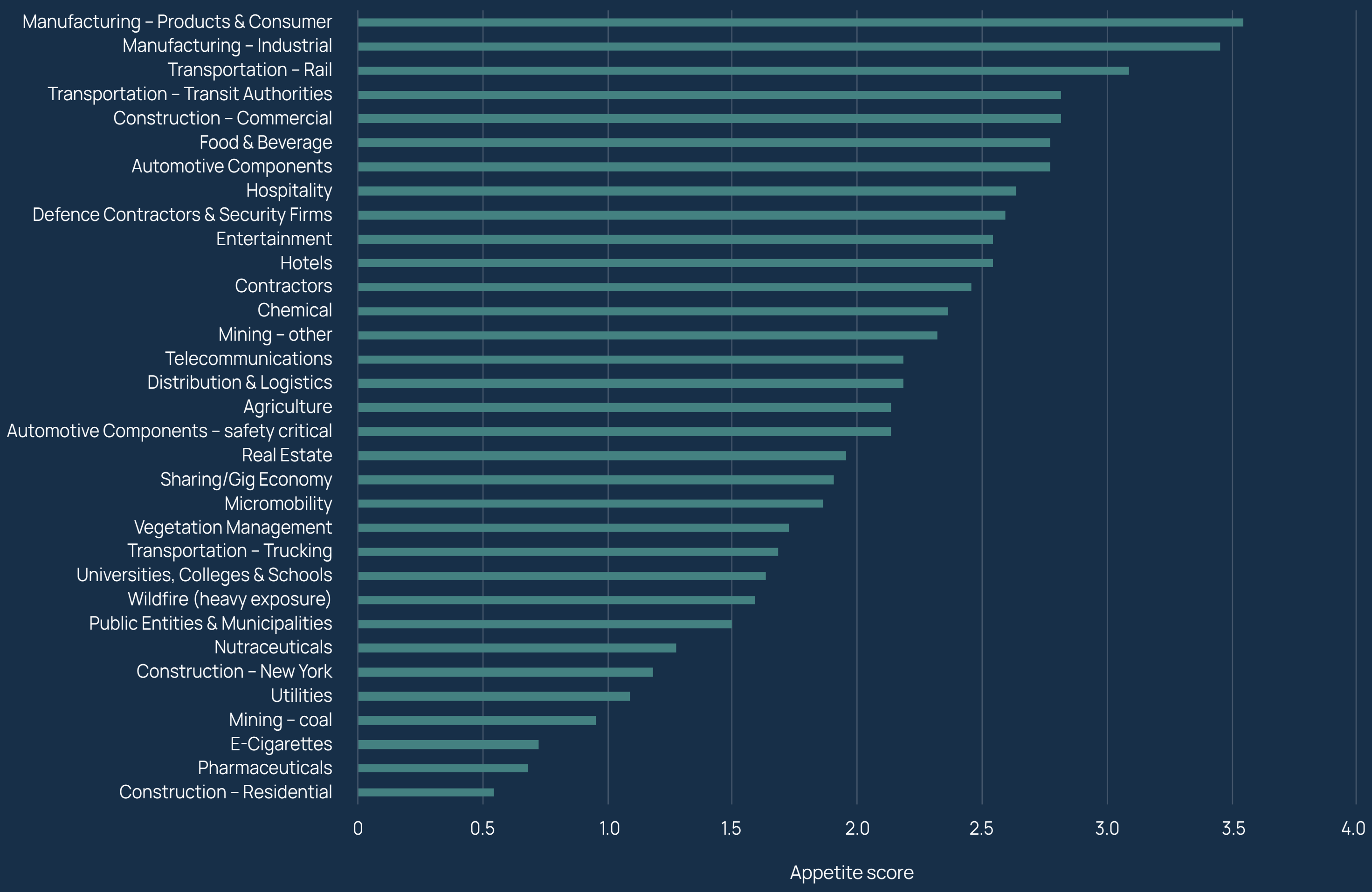
3

Industries with significant recent losses such as residential construction, utilities or public entity.

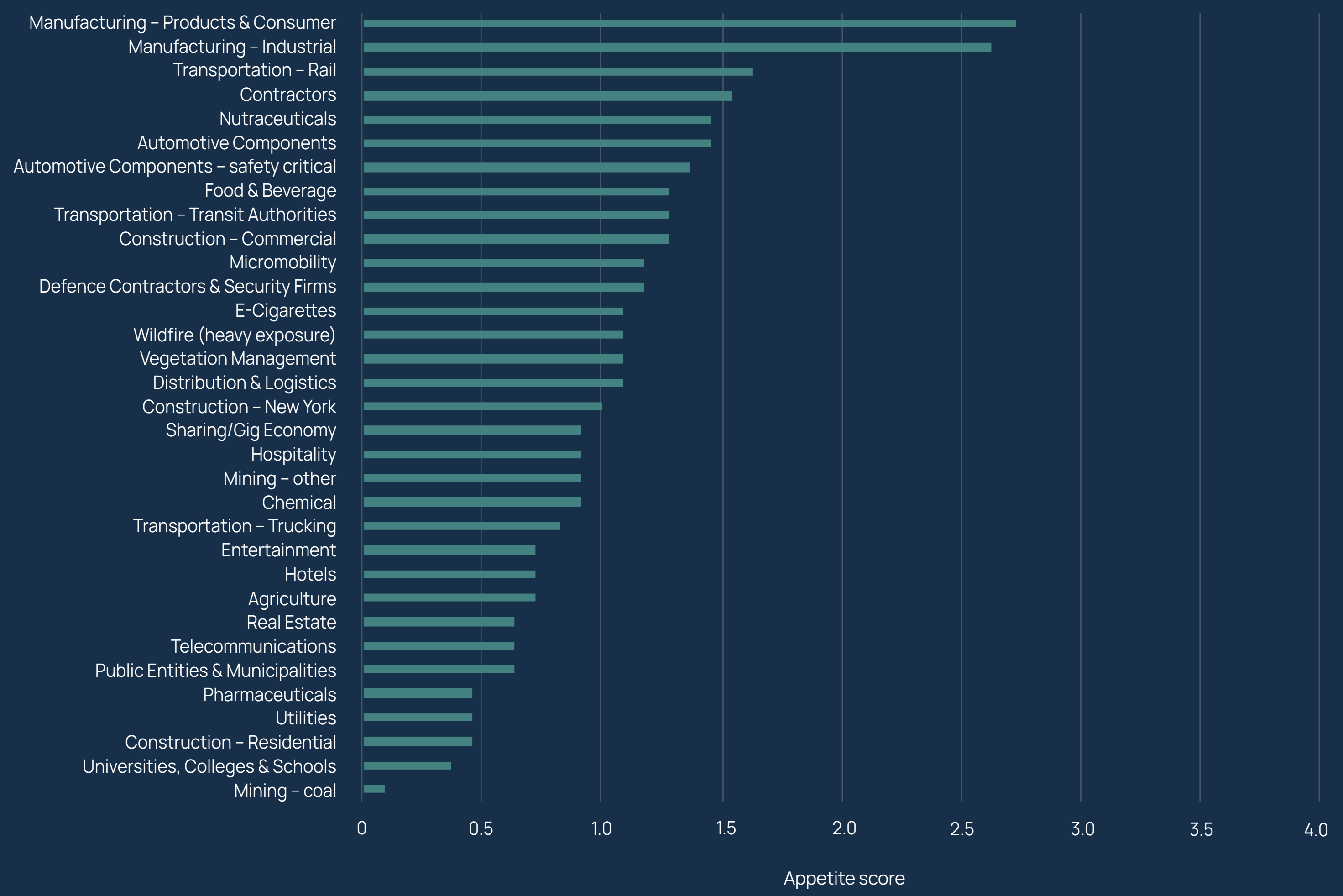
Average appetite by industry – attaching above USD25m



Average appetite by industry – attaching below USD25m



Average appetite by industry - Primary



NUCLEAR VERDICTS, LITIGATION FUNDING AND EXPANDING THEORIES OF LIABILITY WILL CONTINUE TO TEST THE MARKET IN 2023.

US Casualty Underwriter | Ascot

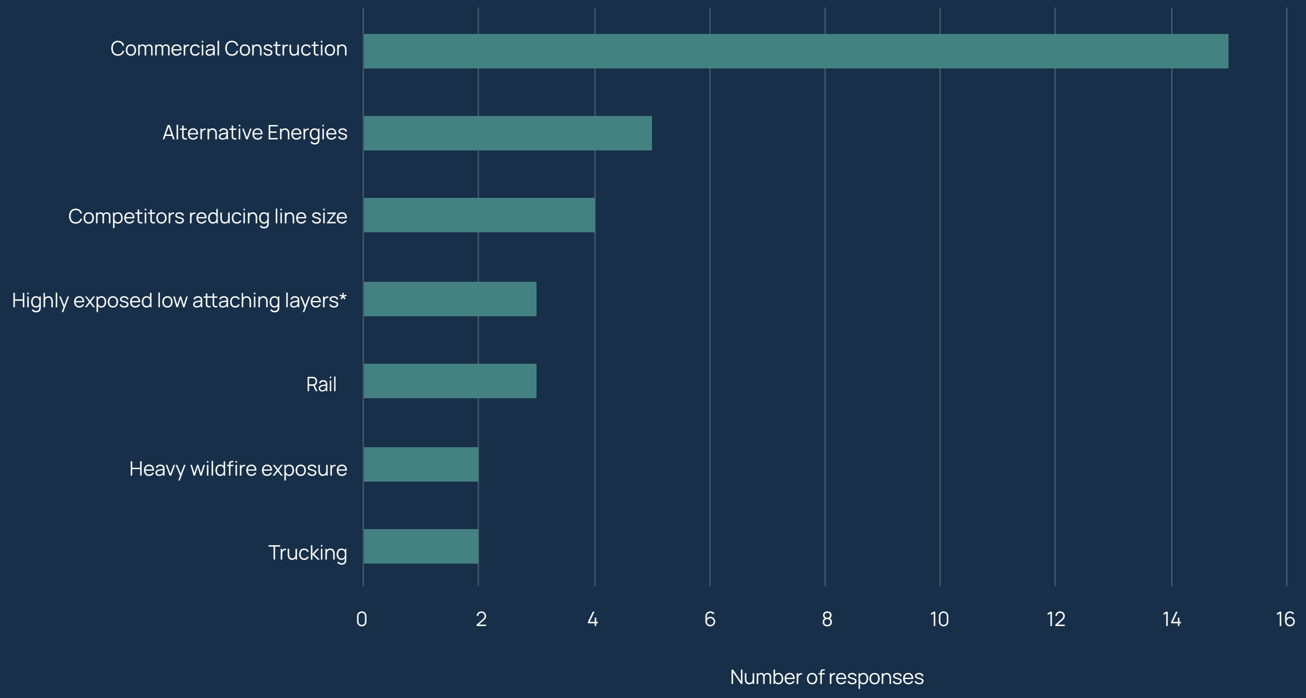
Market dynamics

15 markets consider commercial construction to be one of the greatest opportunities for growth.

In order to gather more qualitative feedback from the market, we asked each underwriter surveyed their view on the greatest opportunity and greatest challenge facing them over the next year.

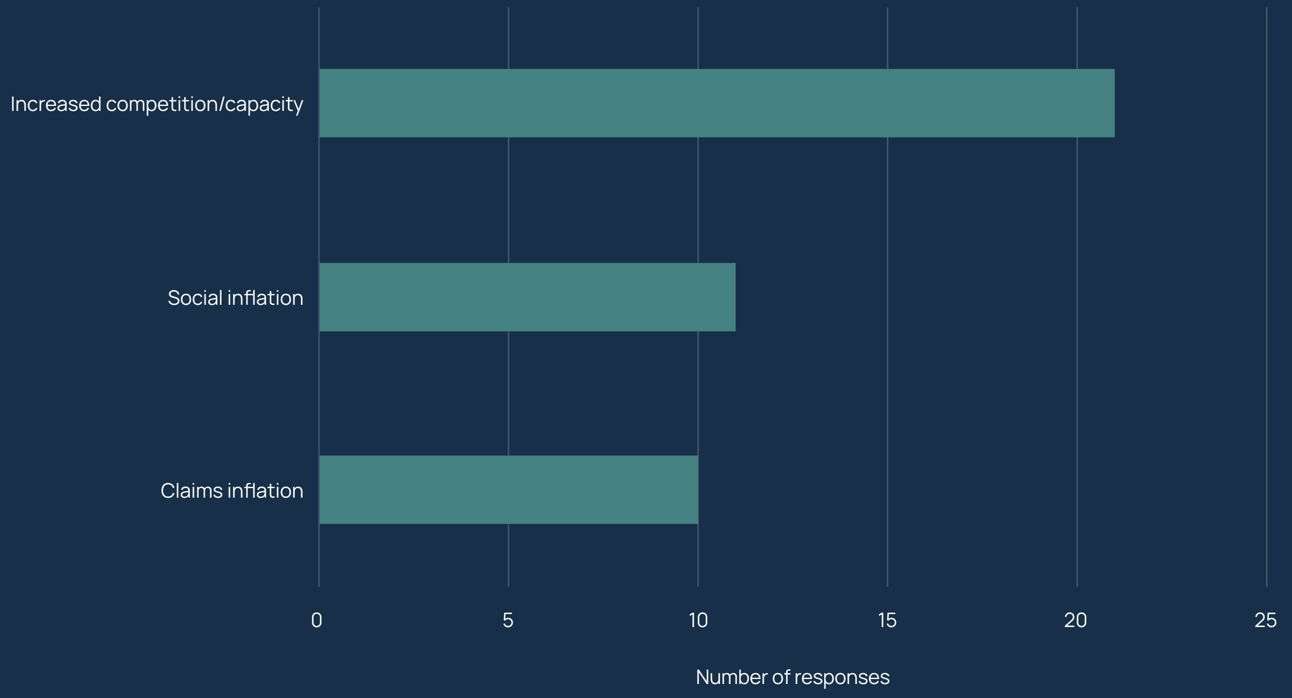
Just under half mentioned the commercial construction sector as a key opportunity for growth, with an influx of projects expected into the market as a result of the Infrastructure Bill. This was mentioned during three times as many interviews as the next most mentioned opportunity (Alternative Energies) with a few other Transportation related sectors and specific market dynamics constituting the remainder of the perceived opportunities mentioned more than once during our interviews.

Greatest opportunities for 2023



Note
All challenges and opportunities mentioned during multiple interviews are included in the graphs shown.
*For products and GL.

Greatest challenges for 2023



More than two thirds of interviewees suggested that increased competition poses a huge challenge as underwriters attempt to ensure rate adequacy.

When reviewing expectations around greatest challenges rather than opportunities, the market spoke with one voice. This softening of rates sits against a trend of increasing loss severity generated by soaring levels of social and economic inflation as well as substantial uncertainty around results from recent underwriting years due to a lengthy covid litigation backlog and corresponding unrealised losses.

Contact details

Mark Colgate

Managing Director – Head of Casualty Division
+44 (0)20 7456 9370
mark.colgate@howdenspecialty.com

London

Christabel Adair

Divisional Director
+44 (0)7795 465 289
christabel.adair@howdenspecialty.com

Craig Sanchez

Divisional Director
+44 (0)7706 299771
craig.sanchez@howdenspecialty.com

Justin Whitehead

Chairman, Casualty
+44 (0)20 7456 9369
justin.whitehead@howdenspecialty.com

Stefan Brown

Associate Director
+44 (0)20 7456 8098
stefan.brown@howdenspecialty.com

Pauline Kelly

Divisional Director
+44 (0)7706 355358
pauline.kelly@howdenspecialty.com

Alex Burch

Senior Account Executive
+44 (0)20 7426 5286
alex.burch1@howdenspecialty.com

Becca Dheansa

Account Executive
+44 (0)7548 830466
rebecca.dheansa@howdenspecialty.com

George Pyke

Account Technician
+44 (0)7355 091 100
george.pyke@howdenspecialty.com

Bermuda

Robert Stubbs

Managing Director
(+1) 441 535 2805
robert.stubbs@howdengroup.com

Stephenie Konyecsni

Executive Director
(+1) 441 799 1404
stephenie.konyecsni@howdengroup.com

OUR DEDICATED TEAM

TAILORED INSURANCE SOLUTIONS TO BUSINESSES OF ALL SIZES.

AS THE MARKET CONTINUES TO EVOLVE, THE LONG-TERM RELATIONSHIPS BETWEEN CLIENTS AND INSURERS WILL BECOME EVEN MORE IMPORTANT.

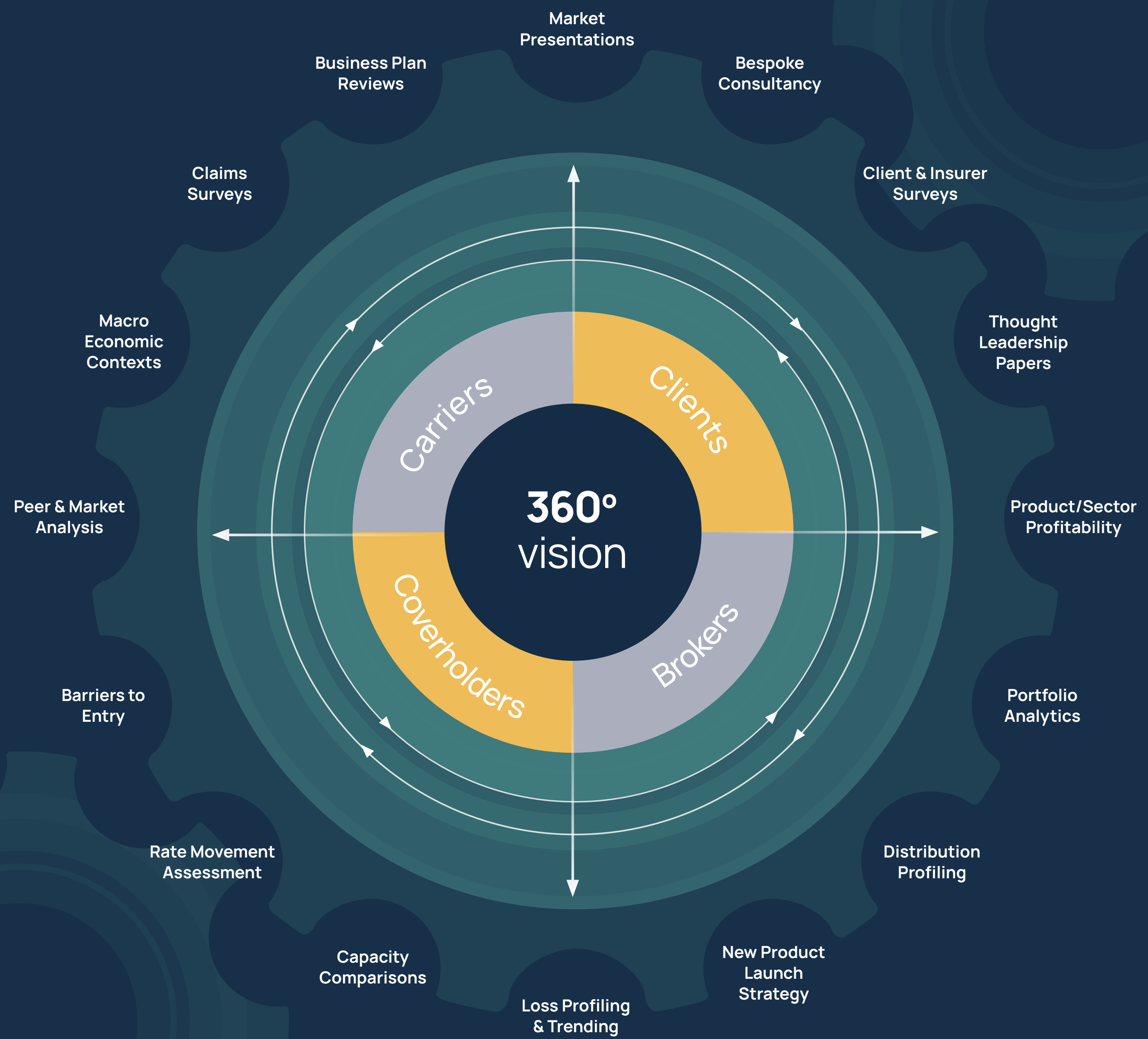
US Casualty Underwriter | Inigo

About Howden Markets Consulting

Howden Market Consulting is a team within Howden Markets that provides analytical and consultative services to both insurer clients and Howden colleagues.

Our mission is to provide clients with objective, reliable and meaningful knowledge to facilitate better informed more confident business planning, alignment and decision making.

We support stakeholder clients across the value chain.



We provide services to and have connectivity with **Carriers, Brokers** and **Clients**, allowing us a unique perspective of stakeholders across the insurance value chain for the ultimate benefit of all.

Notes

CARBON BALANCED PAPER
WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP016913

Made from FSC® certified and traceable pulp sources. Manufactured in accordance with ISO certified standards for environmental, quality and energy management. BRC certified storage and distribution. Carbon Balanced.

CONTACTS

US Casualty

Mark Colgate
Managing Director
Head of Casualty Division
mark.colgate@howdenspecialty.com

Howden Markets Consulting

Paul Cumberland
Executive Director
Howden Markets Consulting
p.cumberland@howdengroup.com

Gordon Hawkes
Account Manager
Howden Markets Consulting
gordon.hawkes@howdengroup.com

Olivia Jackson
Associate Director
Howden Markets Consulting
olivia.jackson@howdengroup.com

Howden

One Creechurch Place,
London, EC3A 5AF

T +44 (0)20 7623 3806
F +44 (0)20 7623 3807
E info@howdengroup.com

www.howdengroup.co.uk