RISK strategies

State of the Insurance Market

Business Insurance | Employee Benefits | Private Client Services

2025 Initial Outlook and 2024 Wrap-Up

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SUMMARY

Welcome to the 2025 Initial Outlook and 2024 Wrap-Up of the Risk Strategies State of the Insurance Market Report.

Proactive risk management and strategic planning are at the core of fostering business resilience. This report features insights from insurance experts in our specialty practices and product lines who work with clients every day to stay ahead of risk.

As we advance into the last quarter of 2024 and look ahead to 2025, the insurance market presents both challenges and opportunities across various lines of coverage. We have the following key observations for the insurance landscape.

- **Market Challenges:** The insurance market continues to face considerable challenges in catastrophic property and auto lines, which continue to experience historic loss levels. This situation affects the availability of insurance and affordability for clients.
- **Stability in Certain Lines:** Despite challenges, some insurance lines such as management liability, cyber, and workers' compensation remain stable. These areas have adequate capacity and consistent rates, particularly for organizations with effective risk management strategies in place and good risk profiles.
- **Impact of Catastrophic Events and Inflation:** Catastrophic weather events are significant drivers in the market, contributing to substantial losses. Additionally, inflation and rising costs, including interest rates and supply chain issues, are impacting overall insurance costs.
- **Rising Medical Costs and Claims:** There is an upward trend in claims costs, driven by economic factors and social inflation (including higher litigation expenses and nuclear verdicts). Employers also face rising medical expenses, which affect employee benefits programs and require more customized approaches.

RECOMMENDATIONS

There are many factors that impact risk. Exploring various options across the insurance spectrum, aligning them with business vision, and making informed, long-term decisions is essential to building a comprehensive risk management strategy that ensures business resilience. Insurance should be viewed as part of a strategic business framework, rather than a mere annual renewal process.

Work with a specialty insurance broker to understand global risks and the potential impact to your business and personal assets. Ideally, you want a partner that understands your industry and risk - a broker with deep experience in the core insurance product lines, and with highly trained experts who support clients in that segment, and who has the right relationships in the marketplace to do so. This will help protect what matters most to you, positively impacting your outcomes in the near-term, while building security and stability for the future.

We invite you to explore the State of the Insurance Market Report and contact our specialists.

State of the Insurance Market

2025 Initial Outlook and 2024 Wrap-Up: Industries

Industries

AGRICULTURE

Crop insurance is among the most important risk management decisions a farmer makes.

Although natural disasters are often perceived as the biggest threat to U.S. agriculture, trade dynamics and international supply and demand significantly impact the farmers who produce beef, crops, and other food supply products.

MARKET CONDITIONS

Profit margins continue to narrow for the second year in a row diminishing returns in agriculture production. Selecting suitable risk management strategies is imperative.

Looking ahead to 2025, insurance agents must be qualified and equipped to properly value all insurance and farm bill options to help farmers and ranchers navigate the tough choices in protecting their legacy for future generations.

Profit margins continue to narrow for the second year in a row diminishing returns in agriculture production. Selecting suitable risk management strategies is imperative.

- **Commodity market downturn reduces premium prices and profit margins**

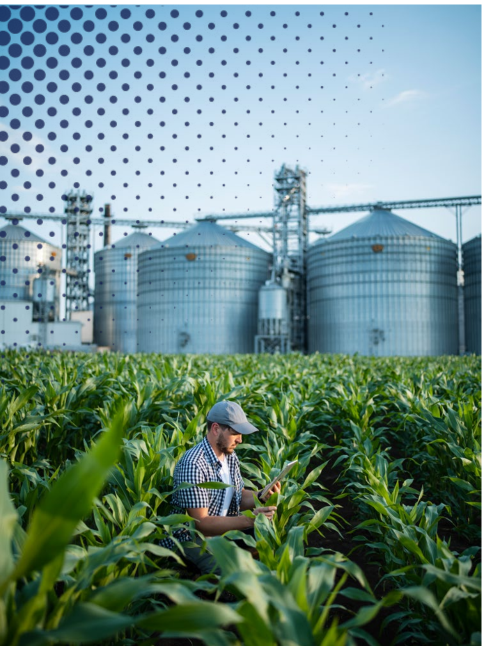
  When profit margins get tight, farmers will naturally look for ways to improve the bottom line by making cuts wherever necessary. While insurance doesn't help a farmer produce a higher yield, it greatly reduces the risk carried by unforeseen weather and pricing events throughout the growing season. Crop insurance is the only guarantee a farmer has heading into a new crop year.

- **The Government reduces premiums in top-level coverage options**

  A 21% increase in subsidies for enhanced coverage option (ECO) creates a substantial opportunity for farmers to reduce the effect of small losses in commodity pricing and yields, utilizing index plans and conventional crop insurance coverages. This product offers revenue protection in a coverage band from 95% to 86%. A deductible of only 5% can be critical to the farm's financial performance.

COVERAGE CONSIDERATIONS

Crop insurance costs are expected to decrease 5% to 15% through late 2024 and into 2025. While lower commodity prices are the main driver for this reduction, farmers need to prepare to use the savings in subsidies and premium reduction to create the best protection possible for the upcoming season.



Crop insurance costs are expected to decrease 5% to 15% through late 2024 and into 2025.

Historically, 80% revenue protection by optional unit was considered the best practice. A data driven analytical approach proves we can utilize government subsidies and multiple coverage options to provide farmers with much more efficient revenue guarantees.

RECOMMENDATIONS

Selecting coverage based on a premium amount and dollars per acre is a method of the past. We are equipped to walk clients through an approach that starts with the cost to produce the crop, any forward contracted sales for that crop, and a clear understanding of the history/crop being grown on a specific unit. After this assessment, explore all available coverage options and dive into proper risk mitigation.

- Analyze county trend lines and determine if it coordinates with the grower history. This will allow you to assess county versus grower yields.
- Evaluate past performance of an insurance product. Historical patterns of effectiveness vary by county, but do not forecast the success of a product.
- Assess a profit matrix when selecting federal products and analyze the addition of private products to ensure profitability in the current season.
- Reflect on the financial performance of your farm. Ask if it is being driven by input costs, market volatility, and production risk, and if so, are you making the right choices?

- Assess if insurance coverage of your pasture or hay ground under the pasture, rangeland, and forage program is merited.
- Consider products like livestock risk protection insurance and dairy revenue protection insurance if you have livestock.
- Evaluate your need for specialty crop insurance policies. Apples, grapes, and many other vegetable crops continue to see new and innovative protections.

Farmers must access both federal and private risk management products as part of an in-depth, analytical process.

Farm profits will continue to feel pressure into 2025 with the surplus of agricultural commodities on the U.S. and global balance sheet. Farmers must access both federal and private risk management products as part of an in-depth, analytical process. Simply quoting individual risk management products is not enough.

AVIATION

The aviation insurance market has experienced dramatic changes over the last several years. Rates are stable today, allowing for more capacity, broader coverage, and increased limits. While aviation clients have had higher premiums, adding new carriers and managing general underwriters (MGU) is enhancing industry competitiveness and contributing to the flat and lower premium increases we see in the market.

MARKET CONDITIONS

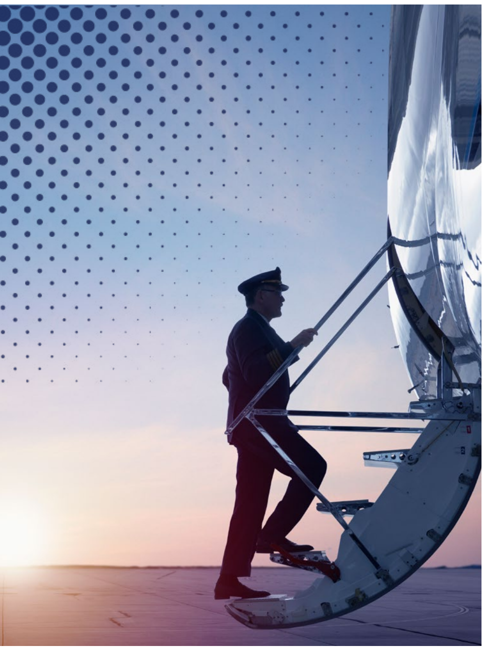
While rates continue to stabilize, the aviation underwriting market is becoming more competitive. Experienced underwriters move around the industry, changing carriers, and bringing new ways of doing business. There are also positive changes in carrier appetite, further enhancing the long-term health of the aviation insurance industry. With more competition, there is more capacity and lucrative opportunities for newcomers in the aerospace industry.

The major factors currently affecting aviation insurance include pilot experience and training, historical losses, aircraft deliveries, cost of repair, litigation and attorney fees, and inflation. The aviation insurance market has seen financial losses from increased repair costs and higher claims liability settlements. This has led to significant rate increases, withdrawal of limits or coverage, and new or increased deductibles. Ongoing supply chain constraints on aircraft parts and engines will continue, along with a growing demand for maintenance, repair, and overhaul (MRO) facilities and businesses supporting parts manufacturing and other services.

The major factors currently affecting aviation insurance include pilot experience and training, historical losses, aircraft deliveries, cost of repair, litigation and attorney fees, and inflation.

In 2024, hundreds of orders were placed for newly manufactured aircraft. However, the backlog continues to reach record-breaking heights as manufacturers continue to work through challenges with talent shortages, supply chain issues, and safety concerns. Thousands of parts, such as fuselage, engines, and interior electrical systems, are manufactured all over the world, so there is stress in these industries to expand production.

While catastrophic air crashes are now far less frequent than reported over the last twenty-five years, the costs of repairs and parts have increased. Also, the cost of defending and settling third-party lawsuits rose. These increased costs will impact underwriters' bottom line and put pressure on rates and premiums. Settlements that may have cost $1M in the past are now pushing into eight-digit figures.



As airline pilots reach their mandatory retirement age, some may find their way to commercial operators and corporate fleets, relieving the strain on pilot capacity.

Given some aviation exposures are global, combined with the unpredictable nature of international conflicts, the industry can be negatively impacted when hostile events occur.

A prime example is the Russia/Ukraine conflict. After 400+ Western-owned airplanes were confiscated in Russia following U.S. sanctions in 2022, aviation leasing firms sued insurers writing war coverage over war claims and aviation war hull rates and war liability rates increased.

Underwriters want highly experienced pilots operating the aircraft. Owner pilot and single pilot limits are capped on hull and liability by some markets, but excess liability options are more readily available to expand on the primary limit.

The shortage of skilled pilots and mechanics improved slightly in the past year for airlines, as they partnered with training facilities and universities across the country. However, training for general aviation pilots continues to suffer due to a lack of training sites, classroom capacity, and instructors, causing delays and lengthy wait lists. The only way to ensure a slot for renewal training is to schedule at least one year in advance. While underwriters require the training, they are also aware of the backlog. If you find yourself on a waiting list and you're due for training, contact your underwriter for an extension. With the constraints on training, larger training centers are working to increase their capacity.

The shortage of pilots, mechanics, and controllers is also a serious problem and could impact the overall safety of the industry. Insurance underwriters are looking for experienced pilots and we recommend going beyond the training requirements outlined in the open pilot warranty. As airline pilots reach their mandatory retirement age, some may find their way to commercial operators and corporate fleets, relieving the strain on pilot capacity.

Typically, inflation dampens leisure travel, but that's not the case this year. Record numbers of people are prioritizing experiences and travel opportunities, and this demand is driving a new customer base for general aviation. Aircraft are less affected by inflation, as they generate attractive return premiums; thus, ownership of an aircraft will likely generate rental income until it is sold. Because inflation affects sectors of the industry differently, businesses are turning to technology to improve operational efficiency, such as adding revenue for in-flight sales and other value-added services, which set them apart from their competitors. Aviation fuel costs have also stabilized, supporting an increase in air travel demand.

Market capacity is strengthening, and carriers are beginning to qualify more risks for consideration. Rates are beginning to stabilize, and we expect to see this same stabilization for the balance of 2024 and into 2025.

COVERAGE CONSIDERATIONS

Several factors influence insurance buyers in the aviation sector, including:

- New Capacity: There is a new aviation insurance presence, promoting new appetite, market share, and market capacity. Existing markets are also increasing market share and appetite, or at least working to preserve it, which leads to a more favorable insurance buying environment for clients.
- High Premiums for new aircraft: While rates remain mostly stable in comparison to previous years, new aircraft deliveries result in premium increases. The values associated with the new aircraft (average $70M) are highly attractive to insurers and brokers.
- Pilot Training: Choosing a flight school approved by the underwriters and accruing additional flight experience may help you achieve better rates. When in doubt, come prepared to discuss your plans to build experience and consult with an aviation insurance broker. They can provide invaluable insights and recommendations based on your circumstances and needs.

Market capacity is strengthening, and carriers are beginning to qualify more risks for consideration. Rates are beginning to stabilize, and we expect to see this same stabilization for the balance of 2024 and into

2025. Aviation is a resilient industry since aircraft will remain in the stream of commerce for a long time.

RECOMMENDATIONS

Aviation exposures are complex and have different risks from other types of businesses. Understanding these challenges is serious, so it's imperative to work with a specialty broker to review your exposures and ensure compliance with the insurance company and the Federal Aviation Administration (FAA).

Aviation exposures are complex and have different risks from other types of businesses. Understanding these challenges is serious, so it's imperative to work with a specialty broker.

Risk mitigation techniques for the aviation industry include:

- **Enhanced Risk Management:** Safety is critical and requires ongoing methodical commitment. Establishing a written safety protocol or safety manual for standard operating procedures is critical. Ensure that staff are aware of and are following such procedures, which may include keeping tools and equipment away from heavy traffic areas. Make sure that hazards are well understood.
- **Adequate Insurance Coverages:** Ensure you have the right insurance coverages to protect your assets.
- **Operational Considerations:** Go beyond your insurance policy requirements, invest in additional training such as upset prevention and recovery training (UPRT), the pilot proficiency program (FAA WINGs program), and model-specific associations. Obtaining additional ratings and certificates like instrument flight rules (IFR), airline transport pilot (ATP), and high-performance endorsements can reduce your costs.
- **Be Informed:** Know your policy. What does it cover, and are there any exclusions that prevent your operations from being covered?

RATE FORECAST

Aviation		
All Lines:	-	Flat to +15%

CANNABIS

The cannabis industry is experiencing rapid growth and facing unique challenges. Major business issues include navigating complex regulatory environments that vary significantly by state, managing supply chain disruptions, and addressing consumer safety and quality concerns. Insurance-specific challenges include limited availability of specialized insurance products, high premiums, and a lack of historical data for accurate risk assessment. Additionally, clients must contend with evolving compliance requirements, which can impact both operational and insurance costs.

MARKET CONDITIONS

As of mid-2024, the cannabis insurance market is experiencing a period of price hardening and increasing premium rates. This trend is characterized by increased premiums and more stringent underwriting requirements. Factors contributing to this hardening include heightened regulatory scrutiny, the complexity of insuring cannabis operations, and a rise in claims related to product liability and property damage. Insurers are becoming more selective, demanding comprehensive risk management plans from cannabis businesses seeking coverage. Additionally, insurers are adjusting their posture to incorporate new risks associated with emerging cannabis products and consumption methods.

As of mid-2024, the cannabis insurance market is experiencing a period of price hardening and increasing premium rates.

Several factors influence insurance buyers in the cannabis sector, including:

1. **Regulatory Compliance:** The constantly shifting regulatory landscape creates uncertainty and potential liabilities, prompting businesses to seek more comprehensive insurance solutions.
2. **Inflation and Business Costs:** Rising operational costs, including wages and raw materials, are impacting profit margins and increasing the financial risks for cannabis companies.

3. **Rising Claims Costs:** The industry is witnessing an uptick in claims, particularly in product liability, due to incidents related to product contamination and consumer health impacts.
4. **Market Consolidation:** As the industry matures, consolidation among cannabis companies is creating larger entities with more complex insurance needs, driving demand for customized insurance solutions.

The potential reclassification of cannabis from a Schedule I to a Schedule III substance under federal law could positively impact the insurance market.

COVERAGE CONSIDERATIONS

The hardening trend in the cannabis insurance market will likely persist through the end of 2024 and into early 2025. This projection is based on ongoing regulatory developments, the evolving nature of cannabis products, and the need for insurers to adapt their risk assessment models. However, as insurers gain more data and experience in this sector, we anticipate a gradual stabilization of premiums and underwriting practices in the latter half of 2025.

The potential reclassification of cannabis from a Schedule I to a Schedule III substance under federal law could positively impact the insurance market. This change would align federal regulations more closely with state laws, potentially reducing legal uncertainties and enhancing access to banking services. Such a shift could lower operational risks for cannabis businesses, making them more attractive to insurers and leading to more competitive insurance offerings.

The directors and officers (D&O) insurance market for cannabis businesses is likely to see modest increases in premiums, shifting from last year's forecast of a potential decrease. The following factors drive this change:

- **Regulatory Complexity:** As cannabis businesses expand, they face increased scrutiny from both federal and state regulators. This complexity raises potential liabilities for directors and officers, making insurers cautious.
- **Litigation Risks:** There has been an increase in shareholder lawsuits and regulatory investigations, particularly as the industry matures and companies go public. This elevates the risk profile for D&O insurance.
- **Market Growth:** Despite regulatory challenges, the cannabis industry continues to grow, attracting more investment and leading to more

demand for experienced directors and officers. This demand could stabilize rate increases, but pressures remain from emerging risks.

Insurance rates for other cannabis-related lines are expected to increase more significantly than previously projected. Key factors contributing to this forecast include:

- **Product Liability Claims:** A report from the Cannabis Insurance Association highlights a 15% increase in product liability claims, primarily due to contamination and labeling issues, prompting insurers to adjust premiums accordingly.
- **Property and Theft Risks:** There has been a 12% rise in property claims, as cannabis facilities face increased risks of fire and theft, influencing rate adjustments in property and casualty insurance lines.
- **Regulatory Developments:** The evolving regulatory landscape and the potential rescheduling of cannabis at the federal level create both opportunities and uncertainties, influencing how insurers price risk across various lines.
- **Operational Costs and Inflation:** Rising costs, including inflation and increased wages, are putting pressure on cannabis businesses, translating into higher claims costs and influencing rate hikes.

Insurance rates for other cannabis-related lines are expected to increase more significantly than previously projected.

RECOMMENDATIONS

To navigate current market conditions, we recommend the following strategies:

1. **Enhanced Risk Management:** Invest in comprehensive risk management and compliance programs to mitigate potential liabilities and improve your attractiveness to insurers.
2. **Diversify Insurance Coverage**: Explore a range of insurance products to cover various risks, including product liability, property, and cyber risks, to ensure comprehensive protection.
3. **Leverage Industry Expertise:** Partner with insurance providers and brokers specializing in cannabis to access tailored solutions and insights into best practices.
4. **Monitor Regulatory Changes:** Stay informed about regulatory developments and adjust your operations and insurance coverage accordingly to remain compliant and minimize risks.

RATE FORECAST

Cannabis		
Directors & Officers Insurance:	-	Flat to +5%
All Other Lines:	↑	+10% to +20%

Supporting Data and Insights

Data from the National Organization for the Reform of Marijuana Laws (NORML) indicates that as of 2024, 38 states have legalized cannabis for medical use, with 23 states also allowing recreational use. This expansion has led to increased regulatory scrutiny and compliance requirements for cannabis businesses, affecting their insurance needs and risk profiles. A survey by the Cannabis Insurance Association shows that product liability claims have increased by 15% over the past year, primarily due to contamination and labeling issues. Additionally, property insurance claims have risen by 12% due to fire and theft incidents at cannabis facilities. According to the latest Council of Insurance Agents & Brokers (CIAB) report, the insurance market is experiencing a hardening trend, with average premium increases of 8% to 12% across various lines, including cannabis-specific coverages. This reflects insurers' cautious approach to underwriting new cannabis-related risks.

EDUCATION

The first half of 2024 has presented higher education with several major business and insurance issues that are likely to continue to impact educational institutions into 2025.

MARKET CONDITIONS

While there are many factors, there are several recurring concerns:

- **Financial Sustainability:** Many institutions will likely continue to struggle with financial challenges, including declining enrollments, unsustainable discount rates, and rising operational costs. This may lead to more college closures and mergers.[1][3]
- **Demographic Shift:** The projected demographic decline in enrollments starting in 2026 will intensify competition among colleges. Institutions will need to focus on new markets, such as international students or adult learners, to offset potential financial deficits.[3]
- **Leadership Crisis:** The accelerating talent crisis in executive ranks, particularly for college presidents, is expected to continue. The complex role of university leaders, coupled with increasing pressures and scrutiny, may lead to shorter tenures and difficulties in filling these positions.[1][3]
- **Technological Adaptation:** The continued rise of artificial intelligence and mobile technology will require institutions to adapt their operations, academic programs, and student services. This may require significant investments in technology infrastructure and training.[3][4]

Many institutions will likely continue to struggle with financial challenges, including declining enrollments, unsustainable discount rates, and rising operational costs.

- **Operational Resilience:** Institutions will need to focus on developing operational resilience across their assets, workforce, planning, risk management, and decision-making processes. This may require reassessing and potentially expanding insurance coverage.[2]

Property and Casualty

Evolving regulations, including requirements related to student health insurance, cybersecurity, and data privacy prompted institutions to adopt protocols.

In the first half of 2024, higher education institutions faced the following challenges, which pushed universities to address their risk management framework:

- Natural disasters such as hurricanes, wildfires, and floods led to significant losses. These events disrupted campus operations, infrastructure, and student wellbeing, necessitating comprehensive risk mitigation and disaster response strategies.
- Universities grappled with supply chain constraints, which affected the procurement of goods, services, and technology necessary for smooth operations.
- Evolving regulations, including requirements related to student health insurance, cybersecurity, and data privacy prompted institutions to adopt protocols. Noncompliance can result in significant penalties.
- Inflation rates reached their highest levels in 40 years and the insurance industry wasn't immune. As central banks hiked rates to counterbalance inflation, insurers and reinsurers' balance sheets turned red.
    - While property and casualty price hikes were among the drivers pumping up premium volume and sending insurance carrier consolidated surplus over the $1T mark for the first time, inflation is driving loss costs even higher and faster, undermining underwriting profitability. United Educators has reported a third straight year with a combined ratio over 100%, largely attributed to social inflation and nuclear verdicts. Combined with rising reinsurance rates, this trend continues to impact underwriters' perception of rate adequacy and underwriting profitability.

[1] *https://www2.deloitte.com/us/en/insights/industry/public-sector/latest-trends-in-higher-education.html*
[2] *https://www.educause.edu/research-and-publications/research/top-10-it-issues-technologies-and-trends/2024*
[3] *https://www.forbes.com/sites/forbesbusinesscouncil/2024/02/14/higher-education-faces-hurdles-in-2024/*
[4] *https://www.touchnet.com/trends/blog/2024/01/16/top-4-trends-impacting-higher-ed-business-officers-in-2024*

- Educational institutions remain vulnerable to societal factors leading to increased jury verdicts and rising defense costs. According to a 2023 report by United Educators, a leading insurer and risk management partner of educational institutions, general liability claim costs have increased by 200% over a four-year period.
- Sexual misconduct claims comprise almost 50% of reported general liability (GL) claims. Sexual abuse/molestation claims have increased in frequency and severity. Claims data indicates sexual misconduct losses have grown three times faster than all other claim types over the past 15 years.
- In April, the Biden Administration released new Title IX regulations scheduled to take effect in time for the upcoming school year. Title IX has been in effect since 1972 but has been regularly updated to ensure every student is protected from all sex-based harassment and discrimination. These final regulations further clarify the school's responsibilities to handle and respond to claims of sex discrimination. These additional measures and the shifting guidance mean educational institutions and insurance carriers will face substantial challenges in compliance and assessing applicable insurance coverage. As insurance carriers continue to decrease capacity and carve back coverage, it is pivotal for institutions to deploy the appropriate resources and partner with risk managers to ensure proper coverage is in place.

Student Health

Student wellbeing remains a top priority as universities grapple with managing health plan costs. The average rate increase for the last three years has been close to 5%, and we expect that to continue into 2024 and 2025.

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According to the 2024 Risk Strategies Student Health Plan Benchmarking Survey, three-quarters of participating institutions offer wellness programs that focus on behavioral health services, but also support physical health and prescription drugs. Educational institutions seek to offer plans for dental and vision care, both as standalone coverage and bundled with medical. This approach targets comprehensive care within limited budgets. In the past year, schools have explored alternative financing, such as self-funding and captives, to control costs and enhance risk management. Universities continue to adopt cost-effective healthcare solutions like telehealth.

COVERAGE CONSIDERATIONS

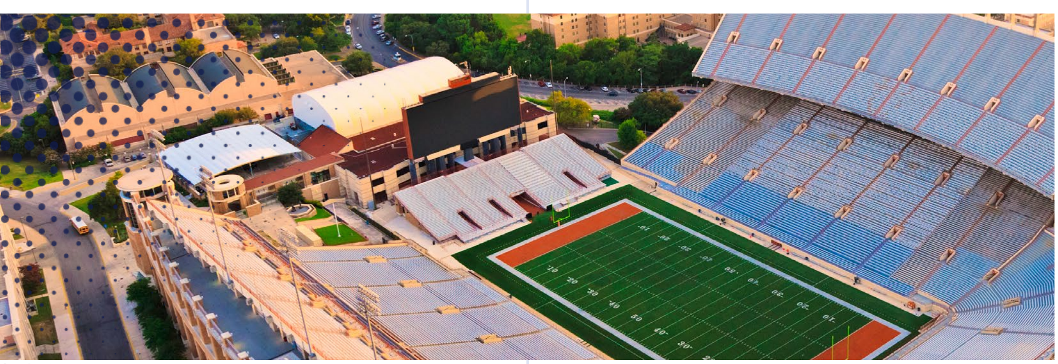
Property and Casualty

- In 2023, wildfires, heatwaves, and storms resulted in substantial losses in higher education institutions. Carriers prefer insuring properties in areas with less risk of extreme weather events. Institutions outside catastrophe (CAT) zones see more favorable terms and pricing.
- During the underwriting and renewal process, carriers want to see that institutions have a proactive investment in risk improvement and management. Demonstrating a commitment to minimizing losses can lead to lower premium increases and an easier renewal process.
- Competitively marketing management liability may yield potential premium savings of 10% to 15%.
- Due to the volatile cybersecurity landscape, insurers now expect all institutions to apply measures like penetration testing, multi-factor authentication, and employee training.

Many schools struggle to place adequate coverage within their liability programs for both abuse and traumatic brain injury (TBI).

Many schools struggle to place adequate coverage within their liability programs for both abuse and traumatic brain injury (TBI). However, there are important differences based on size, geography, and type of school. Here are some factors insurers consider in the underwriting process:

- **Contact sports:** Institutions without football, hockey, and lacrosse programs generally do not face the same concerns about TBI within their excess liability programs.
- **Emergency services:** Having a university-specific security or police force can have a positive effect on their insurance profile.



- **Parties:** Schools with fraternities and sororities face stricter underwriting criteria, especially related to potential abuse claims.
- **Transportation:** Urban schools with multi-passenger shuttles experience higher auto rates compared to universities in more rural settings that do not have those types of vehicles.

The projected rate changes are general guidelines. It is important to consider the many factors that your specific institution faces. Insurers continue to seek higher rate increases and coverage limitations where exposures exist, and mitigation is subpar.

Captives, consortiums, and other alternative risk financing options continue to grow in popularity as universities seek more control over their risk financing. These options may provide more tailored and cost-effective coverage.

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Student Health

Student health insurance rate increases have been consistent, tracking around a 5% increase for the past three years. When determining pricing, carriers are focused on the following:

- **Enrollment:** The number of students enrolled in the plan - Higher enrollment may help distribute costs, leading to lower rate increases.
- **Enrollment Mix:** A high percentage of international versus domestic students is a favorable underwriting factor as international students tend to be lower utilizers of health coverage.
- **Health:** The overall health and medical history of enrolled students - A favorable risk profile involves a healthier student population with fewer expected claims.
- **Effective cost management practices:** These can include negotiations with healthcare providers and offering cost-effective services like telehealth.
- **Claims Reporting:** Understanding claim utilization can help monitor costs and trend drivers. The Risk Strategies Education Survey indicated that one in seven institutions considered data-driven decisions a priority.

Risk Strategies is concerned about coverage consistency. Variations in terms, benefits, and pricing across different states make it harder to achieve coverage equity for students.

RECOMMENDATIONS

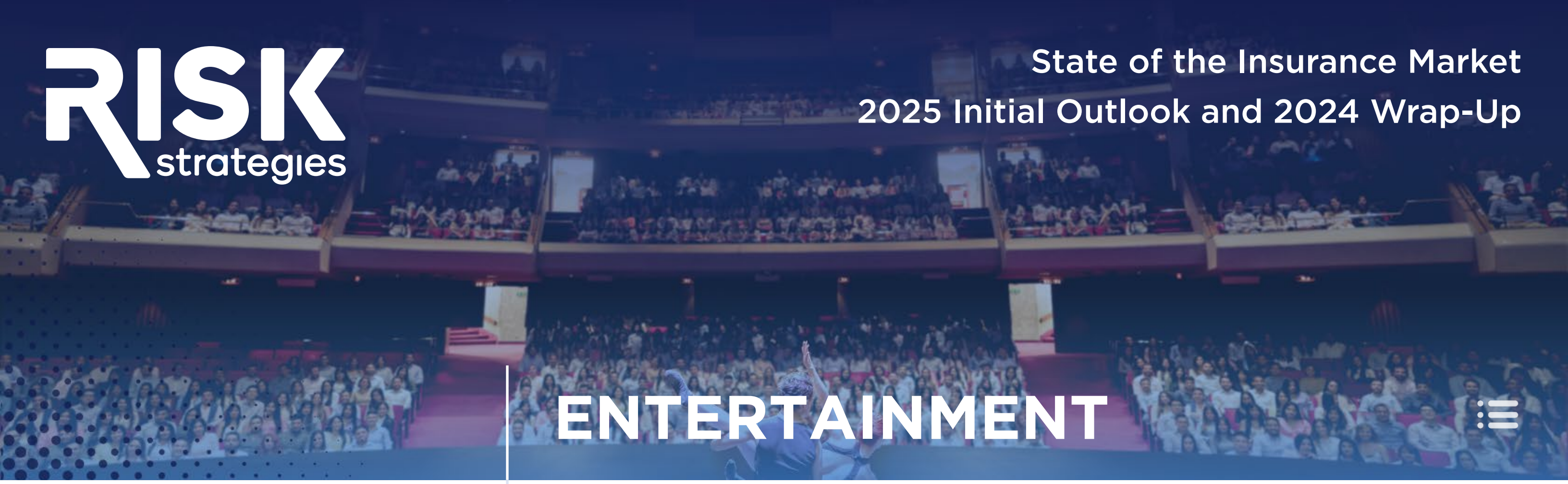
To navigate the complex insurance landscape, we recommend the following strategies for clients:

- Conduct a thorough assessment of risks across property, casualty, and student health. Identify vulnerabilities and opportunities for improvement and develop risk management strategies that align with institutional goals. Be alert to the emerging trends noted in the Market Conditions above.
- Work with a third-party appraiser and/or broker to ensure property values are accurate before heading into the underwriting process. Carriers may share the cost of an appraisal. Your broker can also provide access to trusted data sources that support real-time property value estimates.
- Prioritize student wellbeing as a core component of insurance coverage. Seek insurance plans that offer comprehensive mental health support to ensure academic success and overall wellness. As a plan fiduciary, conduct a regular assessment of your health plan vendors to ensure the most favorable benefits and rates.
- Establish cross-functional teams involving risk management, finance, student affairs, and other relevant stakeholders. Collaborative efforts yield comprehensive risk management solutions.

Risk Strategies is concerned about coverage consistency. Variations in terms, benefits, and pricing across different states make it harder to achieve coverage equity for students.

RATE FORECAST

Education		
Student Health:	-	Flat to +5%
Property:		See Property
Management Liability:		See Management Liability
Cyber:		See Cyber
Casualty:		See Casualty



ENTERTAINMENT

The entertainment industry continues to stay strong with event, production, and live performance venue attendance at (and in certain cases surpassing) pre-COVID-19 levels. Limited markets and capacity remain an issue for the industry. However, new carriers are expected to enter the film and advertising space in early 2025, which should have a positive impact on the market.

Advertising and commercial production activity continues at a strong pace. Even in the face of a continued firm insurance premium market, there's been an increase in content production activity over the last twelve months. We do not expect a meaningful slowdown in production activity in 2025. The increase in ad-supported viewer penetration among streaming providers should bolster that assessment.

The initial rate volatility post-pandemic has now plateaued. Apart from some deterioration of profitability on the liability books, which could impact pricing on the general liability, auto, and umbrella lines of coverage, we do not anticipate appreciable rate or coverage changes for film and advertising/commercial production over the next six months. The market for theatrical production and venues remains firm and continued underwriting rigidity and conservative pricing will likely occur for the foreseeable future.

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MARKET CONDITIONS

In 2024, insurers continued their disciplined and focused underwriting. They remain concerned about social inflation (including higher litigation expenses and nuclear verdicts), geopolitical instability, and the effects of general inflation on the global economy. We expect this trend to continue into 2025.

- Broadway show production budgets continue to rise, which has led to increased premiums for certain lines of coverage.

Some new capacity for events and live performances is attempting to come into the marketplace, offering somewhat more competitive rates on certain risks.

- The insurance marketplace for commercial production remains limited, and carriers continue to be disciplined on underwriting and profitability. Barring an unforeseen industry-wide claims scenario, macro-level exposure issues, or serious new carriers, we do not anticipate significant changes from the current rate environment. Carriers are looking to shore up policy terms and conditions and address deductibles or retentions, where necessary, on loss-driven accounts.
- Umbrella capacity remains limited with high limits remaining difficult to obtain for Broadway and theatrical tours. For other classes of live performances and venues, rates continue to rise about 7.5% to 10%.
- Many performing arts venues have embarked on significant renovation projects in theaters. Construction on these facilities remains challenging and can impact premium. Contract reviews are vital to ensure proper wording. Make sure insurance requirements and indemnification clauses are in place.
- While the events space has improved, it has not moved into a soft market.
- Some new capacity for events and live performances is attempting to come into the marketplace, offering somewhat more competitive rates on certain risks. If the new capacity is successful in gaining traction with businesses, rate increases could potentially level off or come down slightly in 2024.

COVERAGE CONSIDERATIONS

- Though COVID-19 restrictions have eased, all insurance policies continue to exclude this risk.
- Rates seem to have flattened for standard productions, but underwriting has become more stringent for audience participation/immersive productions and shows that contain higher-risk activities like strenuous choreography.
- Specialty coverage (production, event cancellation, etc.) rates for film, TV, and contingency businesses have remained relatively stable. However, insurers are focusing on profitability and strict underwriting, most notably for performance disruption, non-appearance, and weather-prone cancellation risks.
- Licensing contracts with venues continues to be more challenging, with requirements for shows to carry additional coverage and potentially higher limits (which mean increased premiums).

- For theater owners, the premiums associated with construction and renovation projects have risen significantly for larger jobs where the incumbent carrier is unwilling to roll the coverage into the existing program. We anticipate this trend will continue due to limited capacity.
- Live performances still see significant challenges in primary general liability and excess. New market appetite may result in an opportunity for accounts to be marketed, leading to price/coverage enhancements.
- In liability, carrier loss ratios have deteriorated due to claims frequency and severity. As a result, the market remains tough, with large premium increases. We are aware of key carriers reserving significant (eight-figure) losses in this coverage sector.
- The venue marketplace has not faced the same challenges. However, rates depend highly on the type of event, size, and the loss experience of the individual client. For some types of events, market capacity and terms have not returned to pre-pandemic levels.

RECOMMENDATIONS

- Navigate the current insurance landscape by aligning with an experienced specialty broker who is familiar with entertainment insurance and can adequately assess your coverage needs.
- Start your renewals promptly and well in advance of your policy renewal date.
- Maintain strong lines of communication and information sharing.

RATE FORECAST

Entertainment		
Film/TV:	-	Flat to +5%
Broadway/Theater:	-	Flat to +5%

FINE ART

For the first time in many years, art market sales have dipped by 4%. Some factors leading to this decrease in sales are the interest rate environment and geopolitical uncertainty, among others. In 2022, many valuable masterpieces and large single-seller collections were sold; this backstock of supply has now evened out. However, the slowdown affected both gallery and auction sales.

Dealers report it takes more time to make sales, resulting in more inventory. Dealers need to prioritize proper valuation for owned and consigned artworks to ensure adequate coverage. Additionally, Risk Strategies encourages galleries to review their limits and lists of covered art fairs and locations, especially for temporary locations.

Museums continue to mount high-valued shows, while some locales experienced a pullback of state-issued funding. In addition, museums face aging infrastructure concerns exacerbated by climate change.

MARKET CONDITIONS

Rates are competitive for clients with few to no losses and located in non-catastrophic locations. With multiple insurance companies eager to deploy their capacity, highly desirable accounts can take advantage of this competitive climate.

The fine art insurance segment is appealing and profitable for insurance companies. These factors have contributed to the past year's growth in capacity and players entering the market of fine art insurance. Rates are competitive for clients with few to no losses and located in non-catastrophic locations. With multiple insurance companies eager to deploy their capacity, highly desirable accounts can take advantage of this competitive climate. Some insurance companies, on the other hand, are re-examining profitability after years of rate reductions and have become more disciplined with their underwriting approach and some have enlisted minimum rates to ensure continued viability in this space.

Those located in catastrophe-prone (CAT) locations will continue to experience significant insurance coverage challenges, higher deductibles, and increased rates. Clients with little to no risk mitigation techniques or with a difficult claim history will find it hard to get reasonable coverage. Underwriters are also evaluating emerging climate change-associated risks. Coverage in CAT areas is exacerbated by the continued, rapid increase in art values, especially in California and Florida, where earthquake and windstorm aggregations are already nearing a tipping point.

Specific concerns for the fine art industry in 2024 include:

- When collections outgrow primary homes, main museum buildings, and gallery locations, much of the overflow artwork is placed in storage. Fine art warehouse facilities continue to face aggregation issues, especially in major art-centric geographies. Skyrocketing art values are impacting newer locales, such as Aspen, where the ultra-wealthy house some of their large collections.
- The focus on which art fairs are in demand with dealers and collectors continues to shift. Dealers are examining which fairs yield the best results.
- Museums are beginning to seek specialist advice for how climate change will affect them. It is essential for museums to prepare for the future and ensure their collection and incoming and outgoing loans are protected.
- Museums should consider how the geopolitical environment could affect the facilities to which they agree to outgoing loans.
- Cyber events continue to occur in the art world. The interconnectedness of the art world becomes more apparent after a major cyber incident. Between the Gallery Systems cyberattack, the Christie's hack, and recent Microsoft/CrowdStrike issues, the art world is becoming more aware of how cyber incidents can affect their ability to do business and compromise sensitive information.

Cyber events continue to occur in the art world. The interconnectedness of the art world becomes more apparent after a major cyber incident.

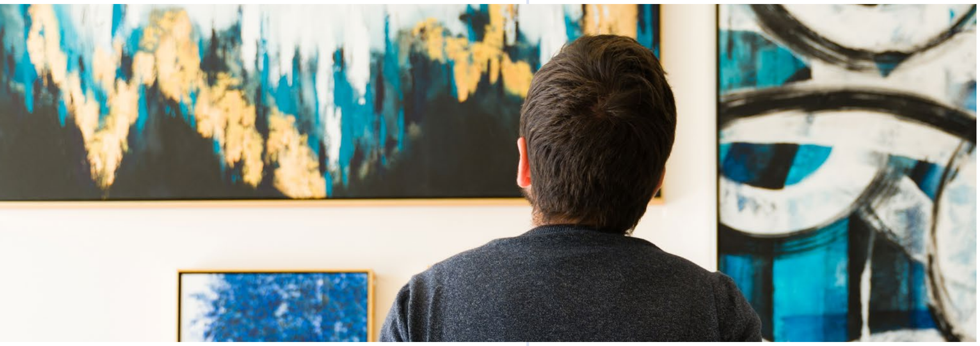
COVERAGE CONSIDERATIONS

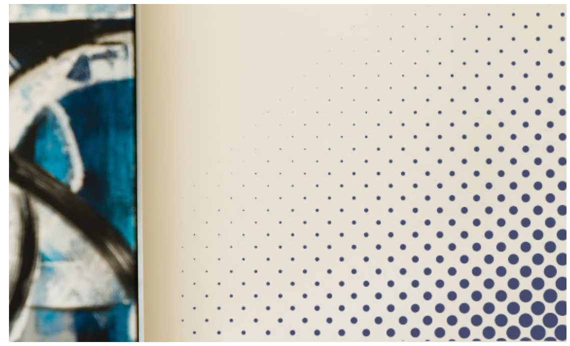
Underwriters require more information than ever to issue quotes. They are tightening requirements after paying significant claims on large private collections, shipping losses, express carrier claims, and incidents involving self-storage locations.

Appraisals for higher-valued items are a coverage requirement, as are full shipping details.

Museums are required to provide full information on transits for every leg of a journey. In the past, indicating the customs agent was ample data; now underwriters require the name of each shipping company.

The most common cause for claims is transit. As a result, underwriters expect specific shipping companies and details surrounding the artworks and travel arrangements.





Stay on top of art values. It is critical to understand the sum of values at each insured location. Most collections need to be reappraised every three to five years.

As the art world seeks ways to improve its environmental impact, some are seeking alternative shipping methods via ocean freight. Almost all forms of art are at greater risk of loss or damage when shipped by ocean freight due to a lack of climate control and transport delays caused by port congestion.

In response to the cyberattacks on the art world, when available, clients should have a cyber product that provides physical loss or damage coverage for items misdirected due to invoice or shipping document manipulation.

RECOMMENDATIONS

- Stay on top of art values. It is critical to understand the sum of values at each insured location. Most collections need to be reappraised every three to five years. To have the broadest collection coverage, underwriters will ask clients to commit to this schedule.
- Prepare granular underwriting information including fire and burglary protection, as well as retrofitting, relative to all locations.
- Ensure you are protected from catastrophic risk and consider reallocating some higher-valued works to non-catastrophic locations or bringing in a consultant who can advise on loss mitigation practices. Disaster response and evacuation plans will be critical for those in

All art world businesses and institutions should procure cyber insurance. Not only would a cyberattack affect the ability to work but revealing sensitive client and donor information through an attack could cause significant reputational harm.

catastrophe zones.

- Gather all relevant shipping details, drill down on first- and last-mile shipment details and be prepared to relay these details to a broker/ insurance company.
- Give your insurance broker plenty of notice prior to switching or moving into a new fine art warehouse to get the best possible coverage for your warehouse of choice.
- Consider political violence/full terrorism coverage when lending or consigning artworks to or attending fairs in countries experiencing political unrest.
- All art world businesses and institutions should procure cyber insurance. Not only would a cyberattack affect the ability to work but revealing sensitive client and donor information through an attack could cause significant reputational harm.

RATE FORECAST

Fine Art		
Fine Art:	-	Flat to +5%*
High Risk:	↑	+15% to +20%

*Select carriers are implementing higher increases on all dealers.

HEALTHCARE

Many factors, including changes in healthcare delivery, tort law, litigation environment, the rise of nuclear verdicts, social and economic inflation, and changes in reimbursement from fee-for-service to value-based care are impacting the healthcare industry. Additionally, patient volumes are down slightly year over year, and operating margins are improving. However, these issues are not across the industry. Generally, larger systems are faring better, while smaller, community-based hospitals face challenges.

We've identified several key factors that impacted market conditions for the healthcare industry in the first half of 2024.

Property & Casualty

MARKET CONDITIONS

- **Mergers and Acquisitions:** According to Kaufman Hall, a leading healthcare consultant, healthcare mergers and acquisitions remain at a record high, with 31 announced hospital mergers in the first half of 2024. Acquisitions across payer/provider lines have resulted in United Health Group (UHG) subsidiary Optum being the largest single employer of physicians in the U.S. CVS also employs many physicians through its Oak Street subsidiary. Regulators and legislators are increasingly scrutinizing private equity investments in healthcare. Several high-profile cases have received negative publicity, and several members of Congress are pushing for legislative change that would create higher barriers to entry for private equity.

Regulators and legislators are increasingly scrutinizing private equity investments in healthcare. Several high-profile cases have received negative publicity, and several members of Congress are pushing for legislative change that would create higher barriers to entry for private equity.

- **Staffing Shortages & Burnout:** Staffing shortages continue to be a challenge for healthcare organizations, impacting the cost of labor, productivity, and burnout rates. The shortages impact almost all clinical categories but continue to be most prevalent in nursing. During the pandemic, healthcare providers and hospitals turned to pro re nata nurses (PRN) and travel nurses to maintain staffing levels, which led to a significant increase in labor costs. Shortages also increased stress levels and burnout among employed staff, leading to further strain. Many healthcare organizations are enhancing benefits and rewards. Investments in programs such as subsidized childcare and tuition reimbursement for key clinical staff can improve retention.

- **Cyber Incidents:** Hospital and health system vendors continue to be targeted in cyberattacks, creating data breaches that ultimately affect healthcare organizations. In 2024, health systems across the U.S. reported that patients' protected health information was compromised due to data breaches at vendors they work with. The most significant cyberattack to date was against UHG's Change Healthcare in February 2024. As a result of this and other high-profile cases, ransomware attacks have become an enforcement priority for the U.S. Department of Health and Human Services (HHS). HHS is emphasizing the importance of safeguarding patient information and ensuring healthcare entities are prepared to protect these records from cyberattacks. Federal regulators recently fined a Pennsylvania-based healthcare system $950,000 and imposed a corrective action plan for potential Health Insurance Portability and Accountability Act (HIPAA) violations linked to a 2017 ransomware incident. The settlement is the third HIPAA enforcement action by the HHS involving ransomware.

Hospital and health system vendors continue to be targeted in cyberattacks, creating data breaches that ultimately affect healthcare organizations.

- **Excess Liability/Reinsurance:** The excess liability/reinsurance marketplace has changed significantly, with most carriers reducing their capacity. However, the industry has shown remarkable adaptability, increasing the utilization of quota share arrangements and combining U.S. and international markets to build capacity. This adaptability instills confidence in the industry's ability to overcome challenges.

- **Artificial Intelligence:** The emergence of Artificial Intelligence (AI) continues to expand in healthcare. As AI-driven cybercrime evolves and regulatory scrutiny surrounding AI practices increases, we expect the insurance market to devise a cohesive approach to address these challenges.

COVERAGE CONSIDERATIONS

Current trends are expected to persist with all available data indicating the market will continue to harden. The brief respite in claims during the pandemic is over, and we have seen claims frequency and severity resume where they left off. We anticipate incremental premium increases to continue for the foreseeable future to offset the risks of nuclear verdicts.

Additionally, some carriers are seeking increases in self-insured retentions, and many are cutting back on capacity. This, in addition to rate increases, is becoming commonplace for many renewals.

- **Professional Liability:** While the number of claims has bounced back to pre-COVID-19 numbers and remains stable compared to pre-pandemic numbers, the payout for claims continues to rise. Medical malpractice payouts increase as more nuclear verdicts (+$10M), and thermonuclear verdicts (+$25M) are reached. This is driven primarily by premature births, congenital anomalies, and cancer care. This trend is expected to continue and accelerate, leaving insurance carriers vulnerable to significant losses. If this risk grows, it may change underwriting and make acquiring coverage more difficult.

  As nurse practitioners and physician assistants become more prominent in healthcare, medical malpractice markets seek more appropriate pricing that better aligns with the adapting roles, as we've seen in 2024, with significant rate increases for these policies. Similarly, we see an increase in per diem nursing and 1099 contract employees and recommend carefully considering these employees' coverage options.

As nurse practitioners and physician assistants become more prominent in healthcare, medical malpractice markets seek more appropriate pricing that better aligns with the adapting roles, as we've seen in 2024, with significant rate increases for these policies.

- **Property:** Healthcare organizations face continued pressure to increase property values due to inflationary pressures, though the percentage increases required by carriers have started to moderate. Hiring an outside appraiser ensures an unbiased property valuation compared to an insurer's assessment. Capacity is limited for catastrophic exposures and risks with a large concentration of frame construction. Carriers continue to seek higher deductibles, especially for wind/hail, due to increased convective storm activity. Organizations may need to layer policies from multiple insurers to secure sufficient coverage.

- **Cyber:** Rate increases have recently stabilized, but the Change Healthcare and CrowdStrike incidents could impact future rate increases. For organizations that experience a ransomware incident, whether directly or via a third-party service provider, we recommend notifying insurance carriers of a potential circumstance and looking to policies - primarily cyber, but also directors and officers (D&O) and professional liability - for possible coverage. We also recommend seeking outside counsel to ensure compliance with HHS guidelines.

- **Workers' Compensation:** Workplace shootings and violent attacks continue to be a concern for healthcare organizations. Healthcare workers are five times more likely to sustain workplace violence injuries than employees in other fields. Healthcare workers are in harm's way and, most importantly, workers' compensation policies often have exclusions for injuries suffered through deliberate acts of violence. An incident with an agitated patient coming out of anesthesia may be covered under a workers' compensation policy. However, a disgruntled patient returning to the clinic armed may not be, leaving additional exposures both financially and for support for the affected parties.
- **Auto:** Many carriers are reluctant to offer stand-alone auto coverage for healthcare risks. Most auto carriers will only consider writing coverage with a supporting line of business. There continues to be a minimal appetite for ambulance/patient transport risks in the marketplace.

RECOMMENDATIONS

- Start renewals early to allow time for any obstacles or negotiations should unexpected challenges arise and have your broker review market options every few years.
- Develop enhanced benefit systems for providers, standalone coverage for allied healthcare providers, and clearly define coverage options for contract employees.
- Implement robust patient safety/risk management programs and use data analytics to determine what those programs should look like.
- Establish clear governance policies on how AI use will be monitored at a corporate level. Develop a clearly defined strategy for integrating AI. Before implementing AI, ensure your data infrastructure can support such initiatives. Invest in cloud computing, data analytics, and machine learning tools.
- Develop comprehensive safeguards, including security assessments and implementation of no-tolerance policies to promote a safer workplace for employees.
- Implement IT systems to meet pixel tracking requirements. Be prepared to prove you have proper protocols in place.

Start renewals early to allow time for any obstacles or negotiations should unexpected challenges arise and have your broker review market options every few years.

- Maintaining a good working relationship with your broker/carriers is critical. If carriers are unaware of everything you do within your practice, you may have uncovered exposures.

While ample capacity exists in the accident and health space, pricing in the market is firm, and terms and conditions are tightening. Underwriters are pricing for future exposures and limiting risk through disclosure and lasering.

Managed Care and Accident & Health Reinsurance

MARKET CONDITIONS

While ample capacity exists in the accident and health space, pricing in the market is firm, and terms and conditions are tightening. Underwriters are pricing for future exposures and limiting risk through disclosure and lasering. Factors impacting the insurance and reinsurance market include:

- Increased Food and Drug Administration (FDA) approvals for cell therapies, gene therapies, and other extremely high-cost specialty drugs, higher than expected medical loss ratios for Medicare Advantage plans, and the continued push towards value-based care.
- High-cost specialty pharmaceuticals, including cell and gene therapies. Regardless of category, the use of these high-cost drugs translates to increased insurance and reinsurance costs and the potential for the exclusion of members and drugs.
  - Spending on specialty drugs now represents over 50% of total pharmacy spending, even though only 2% to 4% of the population requires a specialty drug.
  - Specialty drugs generally fall into three categories: chronic condition management, acute condition management, and high-cost, one-course cures (i.e., gene therapies).
- Lack of access to timely and accurate clinical and cost data for underlying populations drastically impacts the ability to effectively direct members to the highest-quality, lowest-cost providers. This results in higher claims costs, higher premiums, and the likelihood that members will be excluded from coverage or coverage will be reduced for failure to disclose or report on a timely basis.

COVERAGE CONSIDERATIONS

Trends in the insurance and reinsurance space will continue into 2025 and beyond. The FDA is rapidly approving new therapies, and the pipeline of new treatments in clinical trials is substantial. There has been little success in controlling manufacturer pricing for these therapies, and there is no sign of change. Consider a multi-pronged approach to reinsurance, where extremely high-cost/low-frequency gene therapies are carved out and addressed in a program specific to this exposure. This approach should translate to pricing stability across your risks and enable you to manage this emerging but volatile exposure.

Consider a multi-pronged approach to reinsurance, where extremely high-cost/low-frequency gene therapies are carved out and addressed in a program specific to this exposure.

RECOMMENDATIONS

- Understand your risk. Invest in tools and partner with vendors that can provide you with a line of sight to the exposures within your underlying population.
- Take advantage of the cost-containment solutions that many insurers/reinsurers make available.
- Ensure there are no hidden exclusions or limitations within the policy's body.
- Understand your obligations under any policy. Review all disclosure requirements to ensure you have met them. If you are unable to meet them, communicate this.

RATE FORECAST

Healthcare		
Management Liability:	-	Flat to +10%
Managed Care E&O:	↑	+10% to +15%
Managed Care, Accident & Health Reinsurance:	↑	+8% to +20%
Physician Medical Malpractice:	↑	+5% to +20%
Excess Liability:	↑	+10% to +15%
Property/Non-CAT Exposures:	-	Flat/as expiring to +7%
Auto:	-	Flat to +5%
Workers' Compensation:	-	Flat to +5%
Primary Professional Liability:	↑	+10% to +15%

MARINE

Recreational Marine

As we enter the last half of 2024, the marine property markets continue to be challenging. Carriers operating in the recreational marine space continue to seek to reduce their exposures. This reduction involves restrictions for businesses in catastrophe (CAT) zones, increasing rates, reducing limits, and further limiting terms and conditions.

While standard markets still write some marine business, this is on a highly selective basis and often as an accommodation to a larger, balanced, non-CAT portfolio. This market condition has resulted in the excess and surplus markets emerging as the most consistent option for coastal property exposures.

RECREATIONAL MARINE INDUSTRY MARKET CONDITIONS

The recreational marine industry overall has slowly regained its footing with marine markets experiencing a boom of boat purchases during the COVID-19 pandemic. Inventory/capacity issues throughout the supply chain have eased, while demand continues, as buyers seek boats with more power and luxury options, better safety features, and improved energy and fuel efficiencies. Interest rates related to financing costs have contributed to tempering industry sales growth.

Carriers operating in the recreational marine space continue to seek to reduce their exposures. This reduction involves restrictions for businesses in catastrophe (CAT) zones, increasing rates, reducing limits, and further limiting terms and conditions.

COVERAGE CONSIDERATIONS

Recreational marine insurers continue to be laser-focused on the unfavorable loss trends since 2020 and CAT data modeling showing increased frequency and severity of storms. These factors are resulting in reduced overall capacity, reduced limits of liability, and restricted terms and conditions across many coverage lines.

2025 Initial Outlook and 2024 Wrap-Up

The impact of the 2024 hurricane season is likely to be a major driver in the go-forward position for all those involved in the commercial marine insurance markets for the remainder of 2024, into 2025, and beyond. The 2024 hurricane season was predicted to be one of the most active and intense in recent history. National Oceanic and Atmospheric Administration (NOAA) analysis found 2023 to be the Earth's warmest year in the organization's 174-year climate record. NOAA's annual global climate report revealed ocean and land surface temperatures 2.12 degrees Fahrenheit above twentieth-century levels.

In 2024, the overall marine marketplace continues to remain hard with fewer insurers participating in the market and more restrictive underwriting guidelines for most business classes.

Liability limit restrictions in general, along with decreased capacity for excess liability and directors and officers (D&O) liability are driving placement challenges and price increases for many marine risks. Underwriting guideline changes have resulted in a reduced appetite for insuring boat builders with less than five years of documented experience. Builder's risk policies for vessels under construction highlight the property and marine capacity shortages.

In 2024, the overall marine marketplace continues to remain hard with fewer insurers participating in the market and more restrictive underwriting guidelines for most business classes. However, some rate moderation for select marine businesses, especially those without coastal exposures is beginning to occur for select accounts.

RECOMMENDATIONS

- Begin the insurance process early to have adequate time to successfully navigate the dynamic marine insurance marketplace.
- Plan for longer lead times and higher premiums, particularly when looking to secure higher-limit policies.

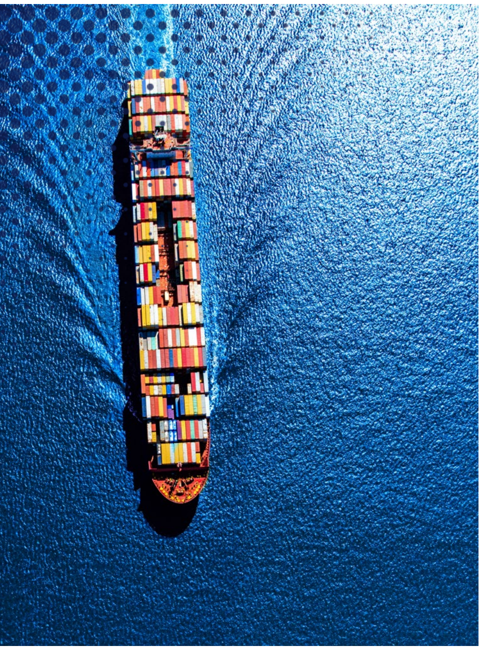
- Work with an experienced marine broker who can create a custom insurance and risk management program through analysis of the existing insurance program, review of exposures and risk factors, and identification of current and future coverage needs.
- Look for insurer stability. Many insurers have tried and failed to penetrate the marine market. Align with a carrier with a long-term commitment to the marine industry.
- Dedicate time and resources to develop and implement risk control programs and loss prevention plans, including workplace safety and education programs, expanded alarm systems, and detailed storm preparedness plans. This is critical to mitigate risks and reduce claims and can contribute to potential premium considerations on the carrier side.

Commercial & Ocean Marine

Marine Cargo

MARKET CONDITIONS

Importers and exporters in today's global marketplace face a range of true risk challenges. These include ongoing global geopolitical tensions, ever-evolving difficulties with supply chain disruptions, port strikes, and 'virtual' theft rings utilizing highly strategic methods of targeting valuable types of cargo. The average stolen shipment value per event more than doubled to $281,757 in the first quarter of 2024 according to CargoNet. Overall, we note:



Increased insurer capacity within the Marine Cargo Throughput marketplace has generally caused a modest reduction on transit premium levels for Cargo owners since fourth quarter 2023 and this trend continues during 2024.

- Increased insurer capacity within the marine cargo throughput marketplace has generally caused a modest reduction on transit premium levels for cargo owners since fourth quarter 2023 and this trend continues during 2024. Stock inventory premium increases have gradually softened with the London market showing slightly more aggressive reductions and continue to remain very competitive against property markets.
- A growing number of clients choosing higher deductibles levels to soften inventory premium increases particularly for CAT -exposed areas.
- Similarly, the U.S. marketplace has responded favorably to supporting more Quota Share placements to reduce or replace Excess All Risks and CAT inventory programs in London to achieve greater premium

savings while enhancing existing profit share agreements for clients' benefit.

RECOMMENDATIONS

- Cargo owners should start the renewal process 90 days out to ensure all marine renewal documentation received is thoroughly vetted and fully completed. This time frame will allow all parties involved in the transaction to understand the clients' current and future needs/requirements and review same to determine appropriate next steps. These include exploring possible structural changes in program design and/or modifications to contract wording, review/challenge ongoing market relationships, and where necessary reach out to additional markets to ensure the optimum result for our clients.
- Theft of target commodities and/or easily disposable goods are at record levels within the shipping industry due to the drastic uptick in fictitious pickup and in-transit theft that is taking place. All manufacturers/shippers should already have robust security standards already in place to realize reasonable rating and deductible levels
- Those cargo owners shipping refrigerated and/or frozen product must consider a proactive approach by including temperature recording devices to protect their own interest and not Vessel owners.
- Check inventory values at regular intervals to determine suitability of storage capability and adequacy of current inventory limits. Container storage of inventory is a persistent 'red flag' issue for market underwriters and needs to be addressed as soon as possible.

For Ocean Marine and Bluewater oceangoing ships, there is plenty of Hull & Machinery capacity in Scandinavia, London and the Continental markets with additional capacity arriving by way of new MGAs in London.

Ocean Marine & Blue Water

MARKET CONDITIONS

For Ocean Marine and Bluewater oceangoing ships, there is plenty of Hull & Machinery capacity in Scandinavia, London and the Continental markets with additional capacity arriving by way of new MGAs in London. The additional capacity is putting downward pressure on rates. We expect to see 2.5% to 5% premium reductions for fleets with good loss records as well as 18 to 24-month policies being offered. We expect 18-month options to be fixed, but longer periods requiring review clauses. Current market players expect to see heavy pressure from the new capacity which needs to be fed.

War risk coverage is still available for Red Sea and Indian Ocean transits with pricing changing daily depending on conditions. U.S. and UK ships may find it difficult to find coverage. The February 20, 2025, protection and indemnity (P&I) renewals will most likely see further rate increases in the 5% range despite excellent investment returns. Although most clubs are showing positive loss records, there is still concern over which direction the Baltimore Key Bridge liability case will take. There have also been sizeable container ship losses as well as growing jury awards around the world which will affect the clubs' results going forward. The general economic uncertainty, interest rate cuts, and the many conflicts taking place around the world will weigh on investment returns.

RECOMMENDATIONS

- Begin the renewal process at least 60 days before expiration.
- Explore 18–24-month policy periods.

Coastal Marine & Brown Water Marine

MARKET CONDITIONS

- Hull & machinery and marine liabilities: The hull insurance market has settled down after five plus years of 10% + annual rate increases. As expiry premium renewals are being obtained, most renewals see no more than a 3% to 5% rate increase.
- The protection & indemnity market is seeing increases slightly higher than the hull market with average quoted charges no higher than 7% increases year over year, primarily driven by underwriters' concern over crew injury claims.
- The marine liability market continues to have newly seen stability, as expiry pricing levels year over year. Underwriters' keen appetite for marine liability business fuels this relatively soft pricing.
- Domestic vessel pollution markets such as the water quality insurance syndicate offer renewal rating consistently as expiry.
- All accounts with commercial auto or coastal property exposures are seeing steep premium rate increases due to the well documented nuclear jury verdicts and CAT storm losses.
- The dwindling capacity in the excess re-insurance market is driving most marine excess renewal pricing to double, triple and in some cases even higher charges than what was seen just three years ago.

- A few new domestic marine facilities are seen as a positive force for future moderation of pricing along with the impact a perceived reduction in inflation may generate.

RECOMMENDATIONS:

- Start renewal process early.
- Develop readily disseminated data documentation to demonstrate both maintenance and loss control operations.

Marine		
Marinas & Marine Business:	↑	+12% to +18%
Yacht Clubs & Sailing Orgs.:	↑	+12% to +18%
Marine Cargo:	↓	-4% to -7.5% (with exceptions based on type of products shipped, loss history etc.)
Marine Inventory:	-	Minimal increases for All Risks (5% increase and higher for certain CAT areas)
Ocean Marine & Blue Water: Ocean Hull:	↓	-2.5%
Ocean Marine & Blue Water: Ocean Protection & Indemnity (P&I):	↑	+5%
Coastal Marine & Brown Water Marine: Hull:	-	Flat to + 5%
Coastal Marine & Brown Water Marine: P&I:	↑	+5% to +7%
Coastal Marine & Brown Water Marine: Marine Liabilities:	-	Flat to +3%
Coastal Marine & Brown Water Marine: Marine Excess:	↑	+7% to +15%

NONPROFIT & HUMAN SERVICES

The nonprofit insurance market continues to experience volatility in the property, abuse, and umbrella lines. Carriers struggle with proper pricing to fund anticipated future claim costs. The trend to restrict umbrella limits continues, with carriers typically offering sublimits on abuse and professional liability. Several bright spots are flat to reduced pricing on cyber and competition returning to the management liability lines.

MARKET CONDITIONS

Risk Strategies continues to see carriers seeking rate increases through the first two quarters of 2024 as they struggle with the perceived inability to predict claim outcomes based on historical claim analytics. This was driven by continued large property loss events and unpredictable court verdicts.

Carriers are concentrating on correct valuations of the replacement cost of buildings, especially in programs with blanketed limits. In many instances, carriers are performing their own replacement cost calculations and requiring clients to use these evaluations on renewal. While some carriers will forgo a rate increase in these instances, others may mandate an increase.

The nonprofit insurance market continues to experience volatility in the property, abuse, and umbrella lines. Carriers struggle with proper pricing to fund anticipated future claim costs.

We recommend that nonprofits reevaluate property values themselves, through professional appraisals to control this exposure and ensure insurance policies cover at least 80% of the property value.

Carriers continue to increase rates due to a perceived inability to forecast future claim settlements based on historical claim analytics. Additionally, higher premiums mitigate the risk of litigation losses. While we see rate modification in the general liability line, we also observe carriers adjusting rates for abuse and professional liability coverages.

Umbrella liability continues to see rapidly rising rates, as carriers perceive this line of coverage to be actuarially complex to predict. The recent trend in massive jury awards and settlements in both auto and general liability has umbrella underwriters reevaluating their entire books.

More troubling is the trend for carriers to offer lower limits to clients on renewal. Carriers offer a maximum of $5M in limits to middle market accounts, and sub limiting the abuse and professional lines to $2M to $3M in total.

Given the approach carriers are taking in underwriting the property and umbrella liability lines this year, we would expect to see a return to normalized underwriting in 2025.

Auto liability rates range from 5% to 25% depending on the location and makeup of the fleet. For example, any nonprofit that transports clients or patients faces increased scrutiny over their operations and should expect substantial rate increases again in 2025.

Two bright spots for nonprofit clients are in the management liability and cyber lines.

Nonprofit directors and officers (D&O)/employment practices liability (EPL) policies have seen competition return for accounts with limited claim activity, with flat or reductions in pricing on renewals. More encouragingly, carriers are offering reductions in retentions to secure accounts.

Cyber liability renewals are coming in flat, or in some cases, with slight reductions, even more remarkable given all the publicity around claim activity.

Given the approach carriers are taking in underwriting the property and umbrella liability lines this year, we would expect to see a return to normalized underwriting in 2025.

RECOMMENDATIONS

To help organizations navigate these issues, we have the following recommendations:

- Take a proactive approach to risk management.
- Focus on better claim oversight and working closely with insurance carriers.
- Make loss control key and include trend analysis, onsite inspections, and program policy review.

RATE FORECAST

Nonprofit & Human Services		
Property - Average Risk:	↑	+10% to +25%
Auto:	↑	+5% to +25%
General Liability:	↑	+3% to +25%
Abuse and Professional:	↑	+15% to +20%
Umbrella:	↑	+20%
Cyber:	-	Flat
Management Liability:	-	Flat to +10%

Make loss control key and include trend analysis, onsite inspections, and program policy review.

PRIVATE EQUITY

MARKET UPDATES

Management Liability Update

2024 marks the third consecutive year of a softening directors & officers (D&O) market. Pricing pressure has been more pronounced in higher excess layers than lower attachment points spurred by increased capacity following an influx of new market entrants. According to A.M. Best, the direct written premiums (DWP) in 2023 were down 15% and 23% from 2022 and 2021, respectively. We expect DWP to continue to decline for the remainder of 2024.

According to the [National Economic Research Associates (NERA) Full-Year 2023 Review], the number of traditional class action filings increased for the first time in three years, and average settlement values continue to rise. Underwriters are cautiously reviewing loss trends and profitability to determine whether this downturn is sustainable into 2025. In addition to class action filings, the D&O market is also exposed to several developing risks outside traditional claims sources, including litigation related to cyber, Environmental, Social and Governance (ESG) practices, climate risks, employment practices, and artificial intelligence (AI).

2024 marks the third consecutive year of a softening directors & officers (D&O) market. Pricing pressure has been more pronounced in higher excess layers than lower attachment points spurred by increased capacity following an influx of new market entrants.

Private Equity

The mergers and acquisitions (M&A) market was active in 2024, but its rebound from 2023 has been slower than anticipated. According to Ropes & Gray, in the first half of 2024, deal count was tracking down 13% compared to the same period last year. Furthermore, interest rates have remained higher longer than expected limiting access to capital and the ability for buyers to obtain favorable financing.

Although the stock market performed well in the first half of 2024 (with +8% to +16% returns depending on the Index), dealmakers remain cautious amid economic uncertainty, concerns about inflation and monetary policy, and regulatory and geopolitical headwinds.

Dealmakers are also closely watching the ever-changing and increasingly stringent regulations relating to national security, data protection, and ESG. Heightened geopolitical risks in several regions of the world in conjunction with the upcoming elections in the U.S. and UK should be factored into deal decisions. Historically, transaction volumes tend to dip during election seasons.

The swings in crypto pricing and ongoing high-profile regulatory battles prevent most insurers from offering favorable terms.

2024 has seen a great focus on value creation through add-on acquisitions, carve-out deals, take-privates versus new platforms or initial public offering (IPO) activity. Despite a sluggish first half of 2024, dealmakers maintain optimism given the Federal Reserve interest rate cut in September and high levels of cash reserves. According to Price Waterhouse Coopers (PWC), the global buildup of portfolio companies looking to exit and an estimated $2T in debt maturing in 2024 adds pressure for M&A activity to accelerate in the coming months.

COVERAGE CONSIDERATIONS

Cryptocurrency Funds

Cryptocurrency focused asset managers as well as Blockchain and Web3 technology companies continue to face a challenging insurance marketplace. The swings in crypto pricing and ongoing high-profile regulatory battles prevent most insurers from offering favorable terms. Furthermore, a lack of crypto-savvy underwriters and brokers has resulted in many firms accepting insurance policies that do not offer adequate protection.

However, there is light at the end of this tunnel. Venture capital crypto investment deal valuation is in its third quarter of increases after the steep drop from 2022 to 2023. Legislators are working on creating clarity in the digital asset space, exemplified by the U.S. House of Representatives passing the Fit21 Bill. If enacted, the bill would determine when a cryptocurrency is a commodity or a security and thus clearly define oversight to either the Commodity Futures Trading Commission (CFTC) or Securities and Exchange Commission (SEC).

We developed proprietary products to offer comprehensive coverage to cryptocurrency asset managers and their portfolio companies. Our language is crafted to fully cover the unique needs of this industry. We removed cryptocurrency exclusions and limitations on private coin offerings in addition to offering broad regulatory coverage. Our pursuit is to offer clients the broadest coverage at premiums nearer to their non-digital asset peers.

Impact of CrowdStrike Incident

Businesses, governments, and end users globally faced an unprecedented IT outage on July 19, 2024, when CrowdStrike distributed a faulty update to its Falcon Sensor security software that caused widespread problems for Microsoft Windows operators. The disruption and adverse publicity surrounding the incident also caused CrowdStrike's share price to decline about 30%, representing a market capitalization drop of nearly $12.5B. This has resulted in several securities suits filed brought by investors and airline passengers impacted by the incident. Investors alleged that CrowdStrike failed to both disclose deficient controls for updating the Falcon software and perform adequate software testing before rolling out the Falcon updates which in turn caused significant legal and reputational damage to the company. Airline passengers alleged CrowdStrike's negligence resulted in significant delays or cancellation of flights causing considerable financial damage to customers. This incident impacted numerous cyber policyholders and further reinforces the need for companies to carry a broad and comprehensive cyber policy that includes coverage for contingent system failure.

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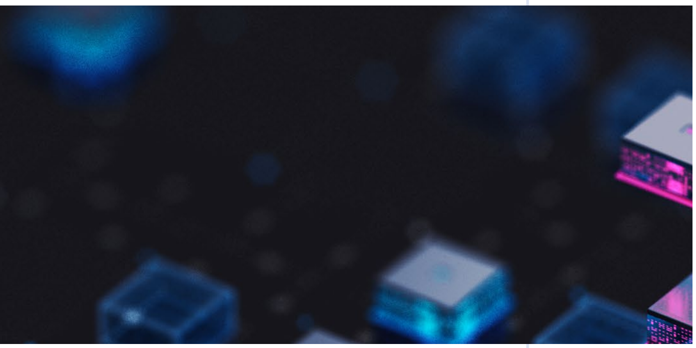
AI-Related Concerns

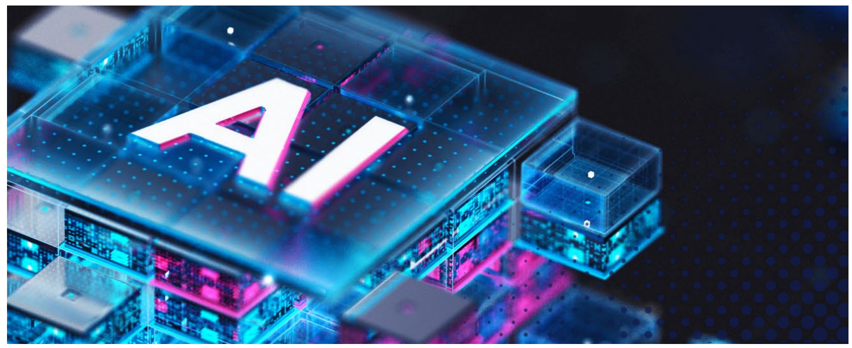
The emergence of AI and its widespread reach is no longer simply a concern for AI developers nor is its exposure limited just to tech errors & omissions (E&O)/cyber claims. Litigation implications directly affecting D&O in all sectors have surfaced with the recent filing of the first AI-related Securities Class Action Lawsuit and President Biden's Executive Order issued in late 2023. As AI-driven cybercrime evolves and regulatory scrutiny surrounding AI practices increases, the insurance market has yet to devise a cohesive approach to address these challenges.

Tips to implement clear governance policies on how AI will be monitored at a corporate level include:

- Develop a clearly defined strategy for integrating AI. Before implementing AI, ensure your data infrastructure can support such initiatives. Invest in technologies like cloud computing, data analytics, and machine learning tools.

- Promote a “security-first” culture by creating internal AI policies and procedures and continuously training employees to ensure enforcement of the same.
- Regularly perform security audits and keep incident response plans current.





Directors must stay up to date on AI risks and keep these issues front and center at the board level, including consulting with AI experts where appropriate.

- Implement controls to protect the confidentiality of contractually protected information.
- Comply with data privacy regulations and provide options that allow users to delete or protect their information from sharing with third parties.
- Be transparent with customers, employees, and partners about the use of AI or chatbots.
- Update operating software, frequently change passwords, and implement two-factor authentication (if not already in place).
- Establish a board audit or risk committee focused on developing an understanding of how a company uses AI, as well as related privacy, confidentiality, and associated disclosure issues.
- Directors must stay up to date on AI risks and keep these issues front and center at the board level, including consulting with AI experts where appropriate. Boards will want to cite minutes of board meetings showing that AI-related issues were actively considered, but also that the board proactively sought to be informed about AI issues and acted on the information provided as appropriate.

RECOMMENDATIONS

- Take advantage of the softening market conditions via thorough marketing exercises, especially if expansive marketing has not been conducted in recent years.
- Use savings from lower insurance rates to either purchase higher limits or additional types of coverage not previously carried. In a downturn market, we recommend reinvesting in coverage enhancements to expand coverage.
- Consider carrier multi-year deals with annual installments and refreshed annual aggregate limits, allowing clients to lock in rates and avoid lengthy underwriting and renewal processes.
- Maintain coverage to protect exposure to investments for financial institutions, especially if your portfolio is underperforming.
- Employ strategies to manage the potential pitfalls of continuation fund transactions. These strategies include a Limited Partner (LP) Advisory Committee to address conflicts of interest, using third-party valuations to set fair asset prices, and emphasizing transparency with LPs regarding terms and conflicts of interest.

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RATE FORECAST

Private Equity		
D&O Private:	-	-10% to flat
D&O Public:	-	-10% to flat
General Partnership Liability (D&O/E&O for private equity/ venture capital):	-	-5% to flat

PROFESSIONAL SERVICES

Architecture & engineering (A&E) firms and law firms have experienced a post-pandemic shift toward returning to in-office work. However, the implications of remote work impact a firms' ability to attract and retain talent. This remains a major challenge, particularly for A&E firms. Many design and law firms require employees to be in the office at least four days a week and there are more "billable" staff working from geographies where firms have no physical office locations. Firms remain cautious about the economy, but the first half of 2024 has provided positive financial results. Litigation remains strong while deal work has been slow.

MARKET CONDITIONS

Architecture & Engineering Firms

In the A&E world, project-specific capacity for multi-family residential and other high-risk project types remains scarce, although a new facility involving multiple insurers brings new capacity for mega projects with construction values above a billion dollars. Increased project costs have caused owners to require firms to carry higher professional liability limits. Simultaneously, insurers are limiting how much they will cover in a primary policy. As a result, A&E firms are increasingly using quota share and excess layers to get the coverage limits they need.

Architecture & engineering (A&E) firms and law firms have experienced a post-pandemic shift toward returning to in-office work.

With London markets long having employed syndicated placements (multiple insurers sharing a percentage of the primary layer), and new market entrants joining Lloyds recently, increased competition abroad is already having a "softening" effect on domestic insurers. With higher limits and multiple insurers on a single program, there is a renewed emphasis by underwriters on minimum deductibles and/or self-insured retentions. Large A&E firms manage general liability, workers' compensation, and auto coverage costs by exploring alternative risk financing options, including captives. Captives are for liability coverage only. Property coverage must be placed on a stand-alone basis, which is especially difficult for firms located on the coast.

2025 Initial Outlook and 2024 Wrap-Up

Data from the 2024 American Council of Engineering Companies Professional Liability Insurance Survey suggests firms have experienced rate decreases and increases in equal measure for the past two years.

All available data indicates unabated growth, with U.S. and Canadian design firms seeing average annual revenue increases in the mid-single digits. Larger firms tend to grow faster than their smaller counterparts and merger activity continues as small to mid-sized firms join larger groups.

It's hard to say whether the revenue increase in recent years is attributable to more work being done or is simply a by-product of higher construction costs. Examination of construction input costs reveals another A&E professional liability trend: twelve-month percentage changes have dropped but the price of construction inputs – concrete, steel mill products, insulation materials, crude petroleum, and fabricated structural metal – has risen more than 41% since February 2020 according to the U.S. Bureau of Labor Statistics. A&E insurers pay close attention to this as increased construction costs directly impact the price of a professional liability claim.

The passage of the Infrastructure Investment and Jobs Act in late 2021 led to more growth in horizontal projects as opposed to vertical construction. However, funding from the recently passed Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act and lowering interest rates could reverse that emerging trend. If historical norms continue, contractors currently experiencing less growth than A&E firms will see faster growth in 2025.

Insurers cite social inflation, erosion of caps on punitive damages, tort reform rollbacks, litigation funding, distrust of corporations, an organized plaintiffs' bar, and higher rates for defense attorneys as factors that substantiate the need for increased professional liability rates. Nevertheless, data from the 2024 American Council of Engineering Companies Professional Liability Insurance Survey suggests firms have experienced rate decreases and increases in equal measure for the past two years. Ample professional liability capacity caused a volatile marketplace that ironically pushed insurers to be more aggressive on new business than on renewals, as internal guidelines restrict underwriters to year-over-year rate increases.

The bifurcated professional liability market necessitates firms to collaborate with their specialty broker to compile a compelling underwriting submission that highlights a commitment to centralized risk management protocols. Claims narratives that provide mitigating factors and/or "lessons learned" can also have a significant positive impact on renewals.

2025 Initial Outlook and 2024 Wrap-Up

For the rest of 2024, we expect continued competition leading to more favorable terms and pricing, particularly for firms with excellent risk histories and profiles.

Firms with favorable loss histories — along with a willingness to approach alternative markets and provide detailed underwriting submissions — should not experience rate increases and can even hope for rate decreases. For the rest of 2024, we expect continued competition leading to more favorable terms and pricing, particularly for firms with excellent risk histories and profiles.

Interestingly, insurers share anecdotally that they are seeing more, not fewer, technical errors and that technology is a contributing factor – perhaps due to an overreliance on technology. Advancements in technology, such as generative artificial intelligence (AI), and other environmental factors require A&E risk management teams to constantly adapt and revise their approach to mitigate risk.

Law Firms

Due to recent market entrants, lawyers' professional liability (LPL) insurance rate increases continue to moderate in 2024. Domestic markets fiercely compete with one another to win law firm business. Carriers are providing broad terms and competitive pricing to entice firms to change insurers. Small and mid-sized law firms have additional renewal options and firms with good or improving claims experience and lower risk practice areas are receiving rate decreases on the excess layers from domestic insurers.

For larger firms, the number of potential primary lead insurers remains limited, but newer domestic market entrants are competing for business on excess layers. New capacity in London has also joined programs in 2024. Insurers in the Bermuda market have been less competitive and have increased high excess layer pricing due to claims experience impacting those layers. Premiums are increasing and insurers are reducing their capacity. Bermudian insurers historically wrote larger lines with little to no expectation of claims activity on their layers.

Law firm merger activity has picked up with one global firm acquiring a large firm and Am Law 100 firms acquiring firms from the Am Law 101 to 200. The decrease in overall premium may lead to some domestic insurers to become more aggressive on new business.

The lateral market for young attorneys has cooled partially but the lateral partner market remains strong.

While law firms continue to be a prime target for cyber criminals, the cyber market remains competitive, if firms are willing to switch insurers. Some insurers are adding additional restrictions and coinsurance and renewal marketing is important to keep the incumbents competitive.

Management liability and employment practices liability insurance is essentially flat for firms insured in domestic market and London and up low single digits for those insured in Bermuda.

RECOMMENDATIONS

- Layoffs and forced return-to-work policies can lead to employment practices liability (EPL) claims. Ensure adequate coverage is in place before acting. An area to watch is proximity bias. Proximity bias is the better treatment of physically closer (i.e., in-office) workers than those who are remote.
- Use follow-form policies and clearly lay out claims administration protocols when securing excess liability coverage.
- Purchase extended reporting periods — or "tail coverage" — to cover the acquired firm's prior acts of liability when acquiring smaller firms through "assets only" acquisitions.
- Maintain open and transparent communication with underwriters. Address any concerns or inquiries promptly. A collaborative relationship helps underwriters understand your risk management strategies and could result in more favorable underwriting outcomes.
- Submit a detailed renewal letter instead of, or in addition to, a standardized application in your underwriting submission. Provide a comprehensive overview of your operations and claims history. Offer

Consider working with managing general underwriters (MGUs), as they are a faster, more efficient way to secure additional insurance capacity. MGUs provide access to new capacity via specialized and experienced underwriting, streamlining the renewal process.

details on risk management including updated policies and procedures (including AI), IT improvements, claims prevention, and risk mitigation.

- Hold in-person meetings with underwriters for large and mid-sized firms.
- Consider working with managing general underwriters (MGUs), as they are a faster, more efficient way to secure additional insurance capacity. MGUs provide access to new capacity via specialized and experienced underwriting, streamlining the renewal process.

RATE FORECAST

Professional Services		
Architects & Engineers	-	-5% to +5%
Law Firms	-	-5% to +5%

REAL ESTATE

The real estate space (including office, industrial, retail, habitational, hospitality, etc.) continues to be affected by a wide range of variables that can impact availability of capacity, breadth of coverage, competitiveness of rate, and more. These variables include asset class, geography, construction type, protection measures, and historical losses. Each of the asset classes within real estate has its own nuances and challenges, with habitational being the most volatile given expected loss activity, climate change, geography, and building construction exposures.

MARKET CONDITIONS

In 2023, there were 28 separate natural catastrophic (CAT) events in the U.S. costing the industry at least $1B, which puts 2023 in first place for the highest number of billion-dollar disasters in a calendar year. According to the National Oceanic and Atmospheric Administration (NOAA), there have been 19 confirmed events for the first half of 2024, with losses exceeding $1B each affecting the U.S. This continues to affect insurer profitability, leading to stricter underwriting guidelines and higher reinsurance attachment points – all of which will continue to affect the availability of capacity, terms, and rates for the foreseeable future.

Insurers continue to focus on building valuations for policies with blanket limits and/or replacement cost coverage, given the continued rise in construction costs. Although rates have been stabilizing, with no significant CAT events over the past year, underwriters are carefully tracking exposure accumulations, given higher net retentions. While there are signs the market is beginning to moderate, rates are still at an all-time high and costs are impacting owners' and operators' ability to close on new deals.

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One of the more recent challenges is the state of the domestic casualty market. Rates for general liability are up year-over-year, which are even higher in the lead umbrella and excess liability portions of the overall placement. Lacking tort reform combined with continued nuclear verdicts has led to increased pressure for underwriters to seek rate increases. It is therefore imperative that brokers work closely with clients to develop a tailored marketing strategy for the renewal in order to yield the most optimal outcome.

COVERAGE CONSIDERATIONS

There are several coverage considerations that should be considered. For property, it is important to look for items that would offset indemnification for true replacement cost, such as coinsurance provisions and margin clauses. It is also common to see coverage limitations or exclusions for exposures that have more applicability in certain regions, such as cosmetic roof damage exclusions in areas that are high hazard for convective storm (hail and tornado), sinkhole exclusions in Florida, or habitability exclusions in California.

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RECOMMENDATIONS

- Start the renewal process early, leading with analytics, and leverage technology that enriches exposure information to develop an appropriate narrative that will help execute a comprehensive go-to market strategy.
- Partner with a specialty broker who has deep experience, resources, and knows the real estate space well. These factors can make all the difference in ensuring that clients have the right coverage and secure the most competitive rates the marketplace will support.
- Replacement cost valuations and business interruption (rental income) continue to receive a high level of underwriter focus. It is critical that valuation tools be used as a reference point, which are used to enhance the level of collaboration with clients to justify the amounts on the schedule of values.
- For clients with unfavorable loss history, it is important that loss control be engaged as a resource to help build a plan to mitigate future losses and that the plan is appropriately shared in the marketplace as part of the overall narrative.
- For programs with high-hazard exposures such as wind, earthquake, flood and wildfire, partner with a trusted advisor, model the risk, and provide feedback to the client regarding guidance of sufficiency of limits, applicability of deductibles, and insight into what technical pricing underwriters will need.
- Consider pre-underwriting a risk, before the submission is released into the market and engaging the client as part of the process, for a

meaningful impact on the overall outcome.

- Most importantly, ensure the risk is differentiated, a concise marketing strategy is followed, and the renewal process is started as early as possible.

RATE FORECAST

Real Estate: Property		
Soft Occupancies *(office, retail, & other well protected risk)*	-	-15% to +5%
Tough Occupancies/Non-CAT	-	Flat to +10%
Tough Occupancies/ CAT-Exposed	↑	+5% or greater

Real Estate: Liability		
General Liability	-	Flat to +10%
Auto	↑	+5% to +10%
Umbrella	↑	+5% to +15%
Excess Liability	↑	+5% to +15%
Workers' Compensation	-	Stable

RELOCATION

During 2024, the global relocation and moving market continues to be buffeted by significant headwinds that originally emerged from the COVID-19 pandemic. While access to qualified labor resources to manage the physical packing and loading of moves has improved, the overall industry shipment volumes are mostly flat or slightly down depending on the region.

MARKET CONDITIONS

In the U.S., higher mortgage interest rates coupled with continued higher-than-average inflation is dampening the availability or supply of homes for sale and impacting homeowners' desire to sell their properties. That is certainly understandable, since the increase in mortgage rates will cost thousands of dollars more a month.

This dampened enthusiasm for relocating has most certainly impacted corporate relocations and moves both domestically and abroad. While some industries like hospitality, finance, and manufacturing have seen a modest increase in corporate move volumes, companies within the technology sector continue to see drastically reduced move volumes in 2024, some by as much as 80% less than 2023.

While access to qualified labor resources to manage the physical packing and loading of moves has improved, the overall industry shipment volumes are mostly flat or slightly down depending on the region.

Other factors likely impacting overall relocation volumes are housing shortages in major metropolitan regions across Europe, illustrated in summer 2024 by demonstrations in Spain, Portugal, and Germany. Add to that political upheaval and conflicts in Eastern Europe and the Middle East, and the aforementioned challenges continue to mount.

Corporate relocations remain essential not only to individual companies, but to local and global economies. Some employers have responded by offering qualified employees more comprehensive relocation packages, including home selling and buying support, flexible moving timelines, and resources to address financial concerns.

Regarding more flexible moving timelines, traditionally, the prime moving season runs from May to July each year. In 2024, we noticed a distinct shift of this prime season to July and August, which likely expanded into September this year. These observations are supported by relocation service providers who confirmed that move initiations with move dates in August and September or after increased from previous years.

Technology and more flexible employment policies are impacting relocation volumes worldwide as well. Companies are recognizing the importance of offering tailored benefits that align with the unique priorities of employees in different regions around the world.

The U.S. domestic moving industry awaits the potential significant impact of the Global Household Goods (GHC) Contract which was awarded to the HomeSafe Alliance by U.S. Transportation Command (USTRANSCOM) at the end of 2021. While the program was projected to be fully operational by the summer of 2024, HomeSafe has only moved a few hundred shipments under the GHC so far, instead of the tens of thousands that had been anticipated. The overall success of the GHC is yet to be determined in the coming years.

Technology and more flexible employment policies are impacting relocation volumes worldwide as well.

COVERAGE CONSIDERATIONS

- Pressure on coverage rates to maintain manageable loss ratios persists. Clients with adverse loss ratios should assess whether the valuation basis for their shipments is adequate, considering that household goods costs have increased more than 20% in the past three years.
- Underwriters are continuously reevaluating coverage levels for major loss categories such as mold and mildew remediation, which may result in reduced coverage offerings and/or caps.
- Clients may wish to consider retaining more risk to obtain more favorable rates, which could positively impact their overall loss ratios.

RECOMMENDATIONS

As the number of qualified underwriters offering household goods and relocation coverage continues to shrink, clients should be cognizant of the fact that securing new markets for their insurance needs will become increasingly challenging. Maintaining a manageable net loss ratio will be critical to preserving existing relationships with underwriters. To achieve that, we recommend clients:

- Underwriters are continuously reevaluating coverage levels for major loss categories such as mold and mildew remediation, which may result in reduced coverage offerings and/or caps.

- Gather relevant shipment and claims data for both origins and destinations and apply targeted analytics to identify suppliers or trade lanes responsible for disproportionate losses.

- Implement mitigation strategies to reduce the frequency and severity of recurring damage or loss claims.

- Introduce a deductible or loss participation fee for service providers to lower direct claim costs.

Overall, the global relocation market is adapting to new economic realities and employee expectations by emphasizing flexibility, leveraging technology, and addressing regional challenges. Companies that succeed in this evolving landscape will be those that prioritize employee experience and adapt to the changing dynamics of the global workforce.

Overall, the global relocation market is adapting to new economic realities and employee expectations by emphasizing flexibility, leveraging technology, and addressing regional challenges.

RATE FORECAST

Relocation		
Relocation	↑	+4% to +6%

TRANSPORTATION

Commercial transportation continues to grow, but challenges have arisen due to an increased demand for last-mile deliveries during a labor shortage.

MARKET CONDITIONS

There is increased demand for last-mile deliveries due to growing ecommerce popularity and customer buying trends. However, there is a labor shortage, and this has led some businesses to prioritize short-term goals over safety regulations and overall business longevity.

There is increased demand for last-mile deliveries due to growing ecommerce popularity and customer buying trends.

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To meet immediate demands, businesses may put less qualified drivers on the road, adding additional risk and exposure to increased claim severity, nuclear verdicts, increased litigation, and rising medical expenses. The elevated cost of vehicles, technology, and replacement parts has also contributed to the average cost per claim increasing.

Driver employment classification versus 1099 contractual agreements remain top of mind. While the contract gig-economy model is an easy way for companies to get drivers behind the wheel while saving on payroll expenses, it creates a revolving door of inexperienced labor that allows industry setbacks to persist. As employee retention is more cost-effective than hiring and training new labor, employment classification will help many businesses save from potential disaster-related costs in the future.

COVERAGE CONSIDERATIONS

The transportation industry remains a hard market. Specific risk factors continue to fuel recent premium increases with physical damage hitting +20% to 25% and umbrella liability +10% to 30%, as well as auto liability 10% to 20%.

Less experienced drivers have contributed to an increase in the frequency and severity of auto liability insurance claims. The severity of auto claims has increased over the last two years from an average of $13k to $38k, all in tandem with social inflation, driving premium and umbrella rates higher.

Physical damage, increased thefts, and the rising cost of auto parts continue to affect auto liability and property damage rates. With rising inflation and the impacts of supply chain challenges of the past year, costs have risen on physical damage for transportation vehicles.

Inherent risks in the industry are also contributing to higher umbrella liability rates. The significant growth of claims and resulting nuclear verdicts contribute to higher liability coverage rates as insurance carriers deal with the overall risk scenario of the transportation industry. Generally, we see the umbrella rate increase following the same increases in primary auto liability. The industry awaits a significant positive impact once there is widespread implementation of new technologies such as high-end GPS and monitoring software.

The industry awaits a significant positive impact once there is widespread implementation of new technologies such as high-end GPS and monitoring software.

RECOMMENDATIONS

- Maintain strict safety standards and procedures to minimize potential losses since motor vehicle records (MVRs) are being scrutinized more than ever before by underwriters. Implementing and enforcing better hiring practices, in addition to safety technology such as collision avoidance systems, telematics, and cameras, can help protect against future liabilities.
- Ensure Federal Motor Carrier Safety Administration (SAFER) scores are below the national average. If not, work with your broker or a third-party consulting service to achieve better results.
- Avoid reducing coverage to reduce costs. Instead, explore alternative options such as captives, risk retention groups, and higher deductible programs to stabilize the total cost of risk.

RATE FORECAST

Transportation		
Auto Liability	↑	+10% to 20%
Physical Damage	↑	+20% to +25% (However, we are seeing increased deductibles to reduce the rate increase)
Umbrella Liability	↑	+10% to +30% (Mainly following the primary auto increase)

WASTE & RECYCLING

The insurance market for waste and recycling companies continues to be challenging across most coverage lines due to limited capacity and increased claims frequency and severity. Factors such as the frequency of auto liability and physical damage claims, nuclear verdicts impacting excess liability policies, and fires at facilities caused by improper disposal of lithium batteries have led to limited capacity, double-digit rate increases, and difficult placements. Carriers require higher attachment points and often limit their capacity.

MARKET CONDITIONS

The insurance market for waste and recycling companies will continue to be challenging across most coverage lines due to limited capacity and increased claims frequency and severity. Capacity and claims have been negatively impacted by:

- **Fire incidents:** Surges in fire incidents have led to several challenges, including limited capacity for property coverage, significant rate increases, and larger retentions. As products containing lithium-ion batteries become more widespread, the risks at transfer and recycling facilities continue to escalate. This situation underscores the urgent need for enhanced safety protocols, better handling and disposal practices for these batteries, and increased awareness among consumers and waste management professionals to mitigate the dangers posed by hazardous materials.

- **Frequency of auto liability and physical damage claims:** A nationwide driver shortage, distracted driving, more vehicles back on the roads, and increased costs to fix vehicles have led to higher claim frequency and costs.

The insurance market for waste and recycling companies will continue to be challenging across most coverage lines due to limited capacity and increased claims frequency and severity.

- **Nuclear verdicts and high jury awards in the transportation industry:** Plaintiff's attorneys continue to focus their attention on trucking companies which they believe may put short-term revenue goals ahead of safety measures, such as driver training and safety technology, due to driver shortages and cost containment measures.

- **Carriers exiting the market:** After several years of carriers exiting the property market for waste and recycling facilities, there is still limited insurance and reinsurance capacity due primarily to fire exposure. Fires at waste and recycling facilities are often caused by the improper disposal of lithium batteries. According to Fire Rover, a fire detection and elimination solutions firm, 2022 was the worst year for waste and recycling facility fires in the U.S. and Canada with 368 fire incidents.

With an uncertain marketplace and rising premiums, many clients are pursuing programs outside conventional insurance approaches, including high deductibles, single cell captives, and group captives.

COVERAGE CONSIDERATIONS

These factors have led to limited capacity, double-digit rate increases, and a very difficult market for excess liability. Carriers require higher attachment points and often limit their capacity.

With an uncertain marketplace and rising premiums, many clients are pursuing programs outside conventional insurance approaches, including high deductibles, single cell captives, and group captives. They are increasing safety initiatives including driver training, truck cameras, and new technologies to manage the risks and costs of these programs.

RECOMMENDATIONS

With the challenging marketplace for waste and recycling companies, clients need to be presented in the most favorable light to the insurance marketplace with a focus on:

- **Risk Management:**
  - Strengthen and showcase safety initiatives, training programs, fleet improvements, and driver hiring criteria.
  - Promote the use of telematics and advanced driver-assistance systems (ADAS), which are technologies that assist drivers with the safe operation of a vehicle and showcase how this information is used for future driver coaching and training.
  - Review Safety Assessment of Function and the Environment for

Rehabilitation (SAFER) scores and provide a grid to show maintenance and driver safety improvements.

- Assess property conditions and make improvements. Consider installing infrared cameras and heat detection systems to detect and identify hot spots and temperature changes that could indicate a fire before it is visible.
- Understand your environmental liability exposures and address pollution and site operations as a part of the entire insurance program.
- Analyze the costs and risks of alternative funding options and high deductible programs.

RATE FORECAST

Waste & Recycling		
Auto	↑	+10% to +40%
Excess	↑	+10% to +40%
Property	↑	+10% to +75%

State of the Insurance Market

2025 Initial Outlook and 2024 Wrap-Up: Business Solutions

Business Solutions

CAPTIVES

Captives are increasingly seen as a versatile tool for risk retention and transfer, with applications expanding beyond traditional areas into property coverage, excess liability, and innovative revenue-generating programs.

The captive insurance market continues to thrive in 2024, driven by ongoing economic pressures and flexible risk management solutions.

Despite some easing in commercial insurance premiums, businesses face persistent challenges from healthcare costs, legal verdicts, cyber threats, and climate-related risks. Captives are increasingly seen as a versatile tool for risk retention and transfer, with applications expanding beyond traditional areas into property coverage, excess liability, and innovative revenue-generating programs. This trend reflects a growing recognition of captives as a strategic asset for businesses seeking to optimize their risk financing and maintain control in an uncertain market environment.

MARKET CONDITIONS

Although the global reinsurance markets were profitable in 2023, reinsurance pricing continued to increase, with no relief expected until 2025. For many, the solution was to retain more risk in a captive insurance company, allowing them to choose the optimum point at which to transfer risk to third parties.

Workers' compensation and general liability risks continue to be foundational pieces for many captives. Given the dramatic changes in property markets, there is a heightened interest in utilizing captive solutions for property risk. There are emerging solutions for those willing to deploy capital to retain a meaningful level of risk. Hard markets in excess liability layers are also proving to be a pain point in which a captive can offer more unique solutions.

As more businesses explore the benefits of captives as an alternative risk financing solution, there has been an uptick in the use of a captive to provide insurance backing to warranty programs, tenant damage and security deposit waivers, self-storage contents protection, and the like. When well run, these captives offer a revenue stream complementary to the core business.

The most sophisticated clients are writing multiple lines of coverage through their captive to maximize the utility. For example, many captives have successfully incorporated medical stop-loss for their self-funded group medical plans to further mitigate costs and retain higher control.

Captives remain a strong alternative to traditional insurance. We expect no material changes in the captives market.

RECOMMENDATIONS

Interested clients should start by becoming more knowledgeable about how captives are structured and how they can help them manage risk, no matter the size of their business. From there, we recommend:

- Develop a list of major causes of loss that can adversely impact revenue.
- Identify insurance programs which are commercially available and those which are not.
- Retain a risk management consultant(s) for guidance on possible ways to address these risks.
- Conduct a feasibility study to determine the expected return on investment of a captives program.
- Consider retention of risk and other techniques to develop the most cost-effective program.

CASUALTY

Most casualty lines continue to see premium and rate increases based on uncertain liability loss trends. However, competition for new business is strong for many types of industries, especially for the primary lines of larger clients. While many clients can still expect substantial rate increases for auto and umbrella liability, workers' compensation remains flat, and general liability (GL) premium increases have fallen overall.

MARKET CONDITIONS

While overall market conditions have softened, many businesses are still experiencing higher premiums and rates within the casualty market.

While overall market conditions have softened, many businesses are still experiencing higher premiums and rates within the casualty market. Competition for new business is strong in many segments, including light manufacturing and certain services. We also see sufficient capacity in most cases; although increasingly it takes more insurers to complete the policy limit you buy. However, there are ongoing concerns in each major line of coverage, leading many clients to ask when the hard market will end.

COVERAGE CONSIDERATIONS

Auto Liability

Many market conditions in auto remain unchanged in 2024. Rates continue to rise faster than overall inflation due to more frequent and costlier accidents. The key factors we identified previously are still driving the auto insurance market:

- Rising repair costs
- The ever-increasing cost of claims

A concern between 2020 and 2022 has now become a near crisis for certain companies looking to find standalone auto coverage in tougher states such as New York, California, and Georgia, and/or those with poor loss experience, bad driving, hiring, or motor vehicle records. For many businesses, it still makes more sense to package auto with more profitable lines to offset worsening auto loss ratios and spread the risk. We expect rates to rise between 5% to 25% based on industry and client loss experience, commitment to loss control, location, radius of operation, driver records, and other factors.

An emerging risk for clients who use third-party shippers is the exposure to contingent auto losses. Several high-profile companies have experienced substantial auto losses due to insufficient limits, poor driving records, or other allegations of negligence on the part of their hired shipper's accident. The plaintiff's bar is aggressively pursuing claims against all parties and causing reinsurers to address this risk via additional questions at renewal. Clients should be prepared to address contractual issues regarding their use of third-party shippers as part of their renewals going forward, making sure to obtain sufficient limits, additional insured status, and written agreements wherever possible.

The U.S. Bureau of Labor Statistics shows that after many years of declines, injury rates are trending up again.

Workers' Compensation

Workers' compensation remains profitable for most insurers, and we do not see any dramatic hardening on the horizon. However, there are suggestions that insurers are beginning to consider holding premiums firmer in 2025. Both medical inflation and wage gains contribute to higher workers' compensation claims.

Additionally, the U.S. Bureau of Labor Statistics shows that after many years of declines, injury rates are trending up again. Despite, or perhaps owing to, an ongoing lack of political will in many states to increase base rates, or in fact, seeking to reduce them further, insurers are finding it harder to maintain profitability in this line. Smaller firms should continue to expect flat to nominal increases in their workers' compensation premiums, while larger firms with loss sensitive programs can expect 2% to 5% increases. Competition remains strong as insurers seek to balance their books by growing their workers' compensation book. We will continue to monitor this important line for subtle and larger changes in 2025.

General Liability and Umbrella

Many insurers face a meaningful change to their books of business as liability premiums and losses rise relative to workers' compensation. Insurers are therefore less likely to be able to accurately predict their results through traditional actuarial methods, given the unpredictability and frequency of larger liability claims and settlements. Improved underwriting results in 2022 and 2023 have so far continued in 2024.

It is critical for clients to work closely with brokers and insurers on large claims to ensure all insurers work together to settle claims in the best interest of the policyholder.

This has allowed for a general easing of price increases for many clients in a variety of industries. Those clients operating in industries with higher perceived liability exposures are still finding the market less willing to ease on rate increases.

However, loss trends remain quite unsettled as courts finally clear more of their COVID-19 related backlog and states lag in addressing Litigation Funding transparency concerns. We see insurers continuing to reduce capacity on excess liability policies. Whereas many insurers once offered limits of $25M, over the last four years that often dropped to $10M for lead layers. Today, frequently only $5M is made available. Sufficient capacity still abounds, but additional time, effort and premium will be required to complete many excess liability towers for the foreseeable future. One major issue is the settlement of claims by general liability (GL) and umbrella insurers. To avoid lengthy and costly litigation, excess insurers are settling out of their layers, to the annoyance of their excess partners. Infighting on these settlements is not uncommon and reductions in excess liability policy limits have exacerbated this problem. It is critical for clients to work closely with brokers and insurers on large claims to ensure all insurers work together to settle claims in the best interest of the policyholder.

Overall, we expect price increases of 5% to 35% depending on loss experience, industry, and risk improvements.

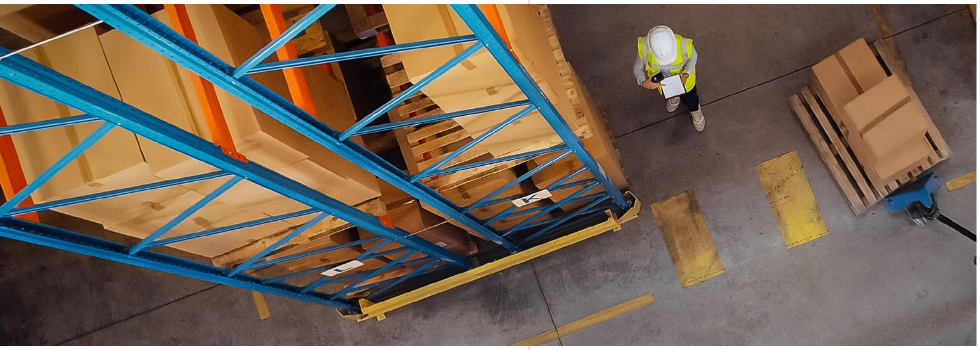
Exceptionally Challenging Risks and Industries

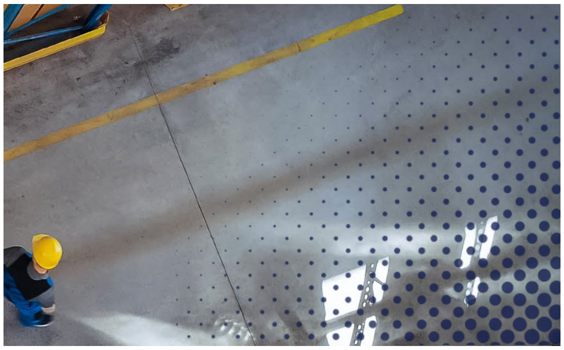
Several categories of risks face increased underwriting scrutiny:

- Real estate and construction for habitational, residential, and social services
- Several manufacturing sectors, such as sports equipment, chemicals, firearms, and pharmaceuticals
- Healthcare depending on venue and loss experience
- Education and nonprofits due to sexual abuse concerns
- Per- and polyfluoroalkyl substances (PFAS)
- Nonprofits
- Transportation

RECOMMENDATIONS

- Start the renewal process at least 90 to 120 days in advance, if possible.
- Package your business to avoid monoline coverage problems such as standalone auto.
- Ensure your submission reflects your business as a high-quality risk. Include detailed information that tells your story.
- Prepare to employ additional insurers to complete your excess liability program.





RATE FORECAST

Casualty		
Casualty - Auto:	↑	+5% to +25%
Casualty - Workers' Compensation:	-	Flat to +5%
Casualty - General Liability:	↑	+4% to +10%
Casualty - Umbrella:	↑	+5% to +35%

CYBER

The cyber landscape continues to evolve rapidly, as new risks and exposures continue to emerge. This includes artificial intelligence (AI)-related risk, pixel tracking litigation, and prominent systemic events such as CDK and Change Healthcare, and Crowdstrike. While capacity remains, ransomware attacks are resurging, raising insurers' concerns.

Insurers are keeping a close watch on AI. New AI tools are aiding cyber risk management, but cybercriminals can also leverage AI to do harm.

MARKET CONDITIONS

Carriers are maintaining strict underwriting scrutiny. Organizations are generally seeing a decrease in cyber premiums, at the rate of 5% to 10%. However, those organizations with layered cyber security controls are experiencing premiums decreases of up to 20%, sometimes more.

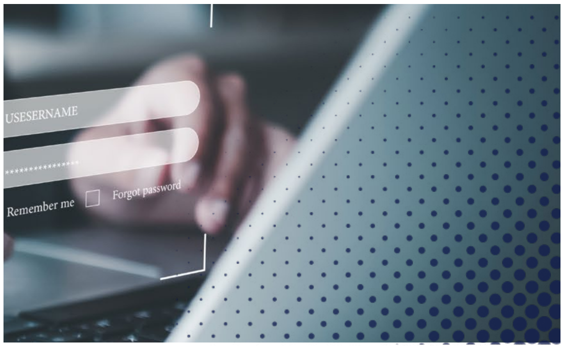
Insurers are keeping a close watch on AI. New AI tools are aiding cyber risk management, but cybercriminals can also leverage AI to do harm. We see some carriers inquire about the use of AI and governance around it. Companies using AI tools to improve cybersecurity may qualify for better rates and terms.

Insurers have yet to experience the full impact of recent systemic cyberattack events with CDK, Change Healthcare, and Crowdstrike, but they are continuously monitoring any claims activity and losses arising from these events. So far, these events have not negatively impacted the rates but have increased underwriting scrutiny with respect to supply chain usage.

RECOMMENDATIONS

- Start the renewal process 150 days prior to expiration and have a constant dialogue with your broker throughout the year. Clients with better controls, policies, and procedures are receiving preferred rates. Failure to implement the proper controls and safety standards set forth by the cyber insurance industry could result in declinations of quotes upon renewal from some carriers or significant rate increases from others. It is in your best interest to remain up-to-date on the most appropriate cyber safety measures for your industry.

- Implement the following safety protocols to secure your renewal and keep rate increases to a minimum:
  - Multi-factor authentication (MFA) for remote access and privileged accounts. MFA uses a two or more-authentication verification system to give users access to accounts, applications, virtual private networks (VPN), and more. MFA goes beyond a username and password for additional verification, mitigating cyber threats.
  - Endpoint detection and response (EDR) provides real-time visibility across all endpoint activity by detecting red flags such as malicious behavior. Additionally, it can analyze endpoint data and respond to threats. We are now seeing EDR tools use AI technology to assist with identifying malicious behavior and we expect this to increase.



  - Implement security training to help employees recognize common cyber threats, such as phishing scams, social engineering, poor password hygiene, and other risks. It is preferable that training tools use analytics to help organizations determine which of its employees require re-training with respect to identifying email scams and using weak passwords.
  - Frequent, secured, encrypted, and tested backups for important records and data to be stored offsite, including business contracts and licenses, meetings, patents, trademarks, shareholder stock records, and important documents.
  - Privileged access management (PAM) to mitigate the risk of privileged access. The core capabilities of PAM include discovery of privileged accounts across multiple systems, infrastructure, and applications; credential management for privileged accounts; credential vaulting; and control of access to privileged accounts.

- Email filtering and web security to eliminate spam. This basic, but important, filtering system should be seen as a foundation of cybersecurity, analyzing emails for phishing and other red flags, and dumping them into a separate folder.
- Patch management and vulnerability management in tandem, to unveil and prioritize risks based on their individual threat level, as well as amending said risks by automatically upgrading software to its most recent version.
- Incident response and business continuity plans to allow an organization's IT team to detect any red flags and provide the time necessary to respond and recover from incidents, such as service outages, cyberattacks, or data loss.

RATE FORECAST

Cyber		
Cyber - Entities with Good Controls:	↓	-5% to -10%
Cyber - Entities with Layered Cyber Controls:	↓	-20%

ENVIRONMENTAL LIABILITY

Companies need to take stock in identifying potential environmental impacts to their operations and balance sheets. Environmental insurance should be part of your risk management strategy in 2024 and beyond.

The environmental insurance market remains strong and competitive.

Carriers continue to be aggressive in coverage and policy terms. Environmental carriers are cautious about emerging issues such as per- and polyfluoroalkyl substances known as (PFAS). With federal and state regulators now establishing actionable thresholds for PFAS in 2024, insurance carriers are asking what due diligence has been performed around PFAS before they will consider offering coverage.

Competition continues to keep pricing down and policy terms up to ten years are still readily available. Environmental liability should no longer be ignored. Social inflation is driving up claims expenses and settlements. Conditions such as mold, indoor air, legionella, and weather-related events have also been trending up. PFAS is expected to impact claims activity around environmental insurance.

Companies need to take stock in identifying potential environmental impacts to their operations and balance sheets. Environmental insurance should be part of your risk management strategy in 2024 and beyond.

MARKET CONDITIONS

In early 2024, we reported rising claims pertaining to indoor air quality and mold were on the rise, compounded by social inflation driving up higher court settlements. This trend will continue into 2025. The more obvious risk for the foreseeable future for all industry groups is the new regulations around PFAS substances, “the forever chemical.”. The regulatory thresholds for these compounds are unprecedented, in the parts per trillion (PPT).

The U.S. Environmental Protection Agency (U.S. EPA) established new regulations in July 2024 that focus on drinking water standards as it relates to PFAS. Companies should perform a comprehensive due diligence review to determine whether PFAS contamination has affected their operations, products, or sites.

If PFAS has been identified in the report, it may be difficult to obtain full or partial coverage. Clients should consider other methods of protection to cover the risk if they are brought into a regulatory action or liability suit.

COVERAGE CONSIDERATIONS

Environmental carriers continue to offer coverage for PFAS. However, clients will need to be prepared to provide the carriers with proof that an environmental assessment has been performed, as coverage may be limited until underwriters fully understand the risks.

If PFAS has been identified in the report, it may be difficult to obtain full or partial coverage. Clients should consider other methods of protection to cover the risk if they are brought into a regulatory action or liability suit. Other alternatives to consider are occurrence general liability policies put in place pre-1986, before full pollution exclusions were added to insurance policies.

Another option may be self-funding through a single-purpose captive. Clients need to be prepared to address this exposure. The issue is not going away anytime soon and it's more than likely the government will strengthen its position in the future.

Natural disasters and weather-related events such as floods continue to adversely impact the insurance market. Proactively establish disaster contingency plans if your business is vulnerable.

Meticulous environmental due diligence is vital in mergers and acquisitions. Identify potential environmental risks in target companies to prevent surprises and strengthen your risk management strategies. Consider the use of environmental insurance products to mitigate risk.

RECOMMENDATIONS

Navigating the current environmental insurance market effectively requires a proactive approach.

- Conduct a comprehensive risk review to identify potential environmental exposures in operations, products, and locations. Understanding these risks allows for proactive risk management.
- Engage with insurance brokers specializing in environmental insurance to ensure adequate and tailored coverage. Policy language should be designed to address the operational risks and contractual obligations.
- Capitalize on specialized environmental programs offered by reputable carriers. These programs provide coverage enhancements and competitive premiums, especially for contractors involved in construction projects.
- Establish a clear exit strategy before starting remediation projects. Understanding potential hurdles and regulatory re-opener actions will help plan and mitigate long-term liabilities. Consider the use of Cost Cap Coverage to fence in unexpected remediation cost overruns.
- Promote environmental awareness within the organization. Implement safety, preventative and emergency response procedures, and environmental risk management practices to minimize potential liabilities.

RATE FORECAST

Environmental Liability		
Environmental*:	-	-5% to +5%

**Market remains soft and extremely competitive on new placements. Renewals can expect on average –5% to +5% based upon policy term and complexity of risk.*

INTERNATIONAL

MARKET CONDITIONS

For international property, rates have stabilized significantly since 2023. Accounts with good risk quality and clean loss history are seeing modest decreases or very low single digit increases. Even accounts with catastrophic (CAT) exposures have seen rate increases moderate.

Accounts with poor risk quality and/or poor loss history continue to face challenges. The international casualty market remains relatively stable, except for accounts with poor loss experience. Rate increases are modest for most renewals. Some low-hazard, loss-free accounts are seeing rate reductions.

Specific exclusions for Russia, Ukraine, and Belarus continue to be standard across multiple lines of coverage as the conflict in the region continues.

Global risk strategies need to be implemented and constantly challenged to assure coverages exceed standards in all countries.

The complexities of global programs continue to be challenged by geopolitical and climate changes. Global risk strategies need to be implemented and constantly challenged to assure coverages exceed standards in all countries.

The London cargo and stock throughput market remains stable. Insurers are slowly looking to broaden their appetite and deploy more capacity. In addition, new capacity has entered the market, leading to a more competitive landscape. Non-CAT exposed accounts with a good loss history can expect rate reductions. CAT-exposed accounts continue to be underwritten cautiously with a focus on maintaining a balanced portfolio.

RECOMMENDATIONS

- Design a program that is flexible to both the country, corporate tolerances, and growth planning.
- Engage with a broker who understands the complexities of international insurance.
- Start the renewal process early, sending underwriting submissions out at least 90 days in advance of the renewal date.
- Identify clear objectives for each program's renewal, so marketing efforts can be focused and efficient. This includes reevaluating program limits and retentions to best align with market conditions.
- Focus on the quality of underwriting submissions and exposure data. Businesses should hold in-person meetings with underwriters to personalize the standard marketing process.
- Complete outstanding risk control recommendations that are reasonable and achievable, highlight internal risk management programs that distinguish clients as best-in-class, and provide updates and estimated timelines for the completion of unfinished risk control recommendations.

Design a program that is flexible to both the country, corporate tolerances, and growth planning.

MANAGEMENT LIABILITY

The Securities and Exchange Commission (SEC) is focusing particularly on D&O and the management of large debt, which could lead to bankruptcies that might impact local and global market volatility.

Litigation against corporate leaders has continued throughout the first half of 2024, driving greater demand for strong directors and officers (D&O) coverage. Businesses and executives need more comprehensive protection now due to:

- Regulatory scrutiny
- High-interest rate environment
- Political/economic uncertainty amidst a highly contentious election year
- Shareholder activism
- Securities Class Action lawsuits have been on the rise since 2023 after a three-year period of consecutive declines
- Emerging risks like cyber incidents
- Intensified environmental issues
- Increased bankruptcy filings
- Banking Industry turbulence

Additionally, the Securities and Exchange Commission (SEC) introduced new regulations affecting the financial market and burdening companies and their directors and officers with the cost of compliance. The commission is focusing particularly on D&O and the management of large debt, which could lead to bankruptcies that might impact local and global market volatility.

MARKET CONDITIONS

Although we are in a soft market, increased class-action lawsuits and larger average claim settlements are increasing claims severity for publicly traded companies. As a result, certain underwriting standards have tightened, leading to higher premium rates for higher-risk companies. Companies in the financial, real estate, communications, services, healthcare, telecommunication, and technology sectors saw a material increase in securities class action lawsuits.

COVERAGE CONSIDERATIONS

Rates may be challenged in the second half of 2024; particularly for clients with real estate exposures and hospitality/retail exposures.

The management liability insurance market remains soft coming out of a hard market phase. Rates may be challenged in the second half of 2024; particularly for clients with real estate exposures and hospitality/retail exposures (both of which have been challenged post-pandemic). Still, this market makes for a favorable period for coverage renewal or purchase, as new market entrants continue to drive down rates and expand coverage terms. This, coupled with more traditional carriers focusing on retaining renewals they deem profitable, makes for a continued buyer's market.

Pay special attention to new SEC regulations for the balance of 2024. These will affect both management liability and cyber insurance. By focusing on compliance, you'll avoid legal and financial ramifications. Another focus area is the return-to-office mandates by employers, which seem to be gaining more momentum in 2024. This could have significant implications from the D&O and employment practices liability (EPL) perspective.

The government has increased its focus on environmental, social, and governance (ESG) practices. Insurers are scrutinizing companies' risk management practices and governance structures more closely before extending coverage. Review policies, identify conflicts of interest, and ensure transparent disclosure to stay abreast of regulatory challenges.

Business leaders need to monitor the fast-changing landscape of cryptocurrency and digital assets. Regularly evaluate these assets through the lens of both cyber and management liability — especially when engaging with third-party providers.

RECOMMENDATIONS

- Take the initiative to understand your insurance requirements, regularly assess your risks, and maintain open and transparent communication with insurers and brokers. Doing so will help you stay ahead of potential issues and position yourself well in the insurance market.

Investing in robust risk management strategies and controls can lead to better insurance terms and conditions.

- Leverage favorable market conditions with stable rates and increased capacity. Consider adding additional limits to your coverage or diversifying your insurance carriers. These moves can provide added protection in case of unexpected cyber threats or management liability issues.
- Adhere to regulations by prioritizing compliance with new SEC regulations, especially regarding cybersecurity disclosures and fair valuation practices. Investing in robust risk management strategies and controls can lead to better insurance terms and conditions.
- Fortify cyber protection since small and mid-market companies are prime targets for cyberattacks. Criminals assume these organizations have fewer cyber controls. Bolster cybersecurity measures to help defend against threat actors.
- Stay current by keeping informed of industry trends, emerging risks, and regulatory changes to help you make informed decisions about your insurance coverage and risk management strategies.

RATE FORECAST

Management Liability		
Private Company:	↓	Primary: -5% to -15%
	↓	Excess: -10% to -30%
Public Company:	-	Primary: -10% to Flat
	↓	Excess: -10% to -30%
Financial Institutions:	-	Primary: -5% to Flat
	↓	Excess: -5% to -15%
Employment Practices:	-	Primary: -10% to Flat
	↓	Excess: -10% to -20%
Fiduciary Liability:	-	Primary: -10% to Flat
	↓	Excess: -10% to -20%

PROPERTY

The property insurance market stabilized significantly in 2024, driven primarily by two years of insurer and reinsurer profitability and improved conditions in the reinsurance market. While this does not mean a return to pre-hard market conditions, it does mean most clients should see more predictable outcomes on their renewals.

MARKET CONDITIONS

Certain segments, including accounts with poor loss history and/or poor risk quality, can still expect challenging renewals. Frame and catastrophe (CAT) exposed habitational accounts face an uphill battle, although the volatility in rates has moderated compared to 2023.

Note that the general improvement in market conditions is set against the backdrop of the 2024 hurricane season which was predicted to be the most active in history. National Oceanic and Atmospheric Administration (NOAA) predicted as many as 25 named storms, 13 hurricanes, and seven major hurricanes (CAT 3 or higher). Along with the increasingly active hurricane season, the rise of severe convective storms (SCS) is also a key driver of property losses. This combination may lead to a deterioration in market conditions as we enter the latter half of 2024 and move into 2025. At a minimum, we expect insurers to continue to push for percentage deductibles for SCS, regardless of an account's specific geographic footprint.

We expect insurers to continue to push for percentage deductibles for SCS, regardless of an account's specific geographic footprint.

The specific impact of Hurricane Helene on overall market conditions is expected to be limited. Initial insured loss estimates in the commercial property insurance market range from $5B to $15B with primary insurers expected to bear the majority of the costs from the storm. Unless reinsurers are materially impacted, we do not expect this event to have an adverse effect on overall market conditions.

In addition to hurricanes and SCS events, wildfire continues to be a major issue in the western U.S. Admitted markets have mostly shed accounts with these exposures, causing reliance on the excess and surplus lines (E&S) market. However, even the E&S markets are taking an extremely cautious approach as reflected in pricing and line size. Parametric insurance is another alternative to traditional insurance, providing rapid financial relief based on predefined triggers. For property owners, leveraging parametric insurance can enhance risk management strategies and ensure faster recovery from adverse events.

In the first half of 2024, we saw rates level off with rate increases in the +3% to +7% range and some accounts achieving rate decreases. These positive outcomes are typically driven by:

- Good risk quality
- Favorable loss experience
- Adequate property and business interruption (BI) values

The following factors continue to affect the property market:

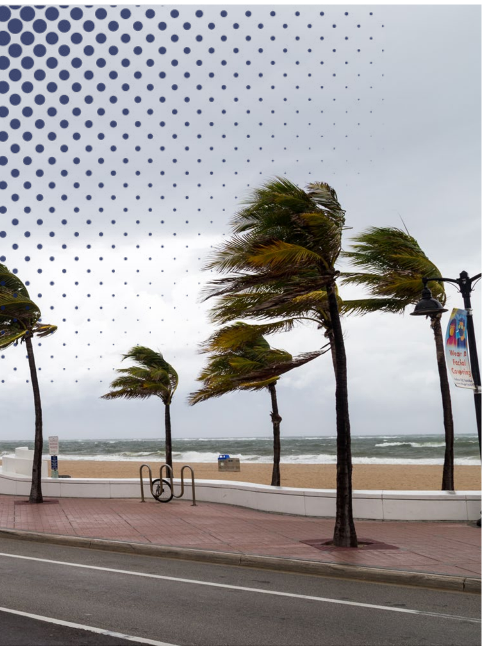
- Severe convective storms continue to lead the market in aggregate losses, ahead of hurricanes. This has led insurers to push for percentage deductibles. In areas considered to be high hazard, insurers may look to impose sublimits for these perils.
- Insurers remain focused on adequate insurance-to-value (ITV).
- New underwriting criteria is trending: Insurers in certain regions are now including crime scores in their decision-making process.

COVERAGE CONSIDERATIONS

Adverse property market conditions continue to affect certain industries:

- Habitational real estate
- Waste and recycling
- High-hazard industries (e.g., paper and chemical)
- Frame construction risks (apartments, hotels, and senior living facilities)

We expect the improved market environment to continue with the caveat that conditions could deteriorate quickly if the market is hit by significant hurricane activity and continued SCS losses.



We expect the improved market environment to continue with the caveat that conditions could deteriorate quickly if the market is hit by significant hurricane activity and continued SCS losses.

RECOMMENDATIONS

- Work with a qualified appraisal firm to ensure building values are accurate. Keep in mind it can take six to nine months for an appraisal to be completed and a report issued.
- Start the renewal process as early as possible — 90 to 120 days in advance.
- Address and document compliance with outstanding property loss prevention recommendations.
- Keep track of capital improvement expenditures and budgets so they can be used to demonstrate an ongoing commitment to risk improvement.
- Have a comprehensive business continuity plan in place.
- Engage with insurance brokers who have expertise in parametric insurance. Experienced brokers can provide valuable insights and help tailor the policy to meet specific needs.

Experienced brokers can provide valuable insights and help tailor the policy to meet specific needs.

RATE FORECAST

Property		
High Quality Risk/No/Limited CAT/Favorable Loss History:	-	-5% to + 5%
Poor Quality Risk/CAT/ Unfavorable Loss History:	↑	+15% to +25% or more

RISK MANAGEMENT

Climate change and extreme weather events remain top concerns for organizations and risk management professionals. Additionally, rising claim costs and systemic risks are significant issues that are top-of-mind and frequently highlighted by clients.

Climate change, extreme weather events, rising claim costs and systemic risks are the top concerns for clients.

MARKET CONDITIONS

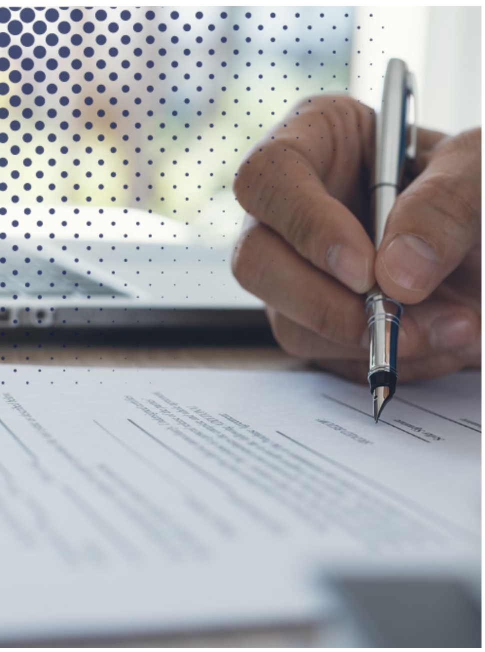
Climate Change and Extreme Weather Events:

According to a recent study conducted by a large global reinsurer, natural catastrophes caused approximately $62B in insured losses in the first half of 2024, which is roughly 70% higher than the ten-year average. The major losses during this period were primarily driven by wildfires, floods, droughts, and Hurricane Beryl. The economic impact of Hurricane Helene is not yet fully understood. We have seen destruction across multiple states, loss of life, and damage to infrastructure, property and business interruption. From the lens of insurance coverage and the impact to rates, determining the level of wind and water damage will be a key consideration for all those impacted, and the outcome, a driver of longer-term insurance rates. Bottom line, understanding and mitigating risk is critical for all businesses and proactively doing CAT modeling and property valuations is strongly recommended.

Increased Claims Costs:

Higher-than-average claim costs continue to plague the insurance industry, affecting many organizations and nearly every line of coverage. Over the past few years, the average cost of claims has outpaced inflation, driven by supply chain disruptions, labor shortages, and material shortages. These delays have also significantly increased recovery times and business interruption losses. Other factors that contribute to rising claim costs include an aging workforce, increased litigation expenses due to social inflation, and run-away verdicts.

Businesses and individuals can combat many risks by creating a resiliency and risk mitigation playbook.



Systemic Risks:

Another top concern for many of our clients is systemic risks – the potential for a single event to trigger a breakdown of an entire system, as we recently saw with the CrowdStrike Outage. However, systemic risks can also involve broader events that lead to severe instability across an entire industry or economy.

RECOMMENDATIONS

Businesses and individuals can combat many of these risks by creating a resiliency and risk mitigation playbook. However, solutions to these risks usually come with significant costs.

You can adjust and deploy these tactics as needed:

- Risk analysis and risk management are increasingly important to identify new methods for dealing with these risks effectively and efficiently.
- Analyze and define your supply chain strategy. This may include keeping an adequate supply of spare parts and critical materials on hand.
- Augment and accelerate loss prevention and loss mitigation strategies.
- Use data analytics to identify vulnerable areas of the business and target protections.
- Conduct risk assessments, operational audits, and ongoing training for your employees.
- Incorporate resilience measures and other safeguards beyond those required by law or building codes.

SURETY

As economic pressures and financial conditions shift, surety bonds are becoming increasingly important across various industries beyond construction.

The surety market has long been closely linked with the construction industry, where it plays a crucial role in ensuring that contractors complete their projects according to the contract. However, as economic pressures and financial conditions shift, surety bonds are becoming increasingly important across various industries beyond construction. These sectors include healthcare, renewable energy, transportation, and technology, among others. As financial strain continues due to supply chain disruptions, labor challenges, rising interest rates, and tightened bank credit, these sectors are experiencing heightened demand for surety products to protect against potential performance failures and financial risks.

MARKET CONDITIONS

The publicly funded construction market remains strong, buoyed by infrastructure spending at both the federal and local levels. However, there has been a notable uptick in loss activity across the surety market, largely driven by an increase in project delays, cost overruns, and labor shortages, which have hampered contractor performance. Rising material prices and extended lead times have also pressured margins and increased the potential for defaults. Nevertheless, the market remains stable, supported by sufficient reinsurance capacity, albeit decreasing, and new entrants in the surety space, which have helped maintain competition and keep rates from spiking sharply.

In the healthcare sector, we are witnessing an expansion of surety bonds tied to Accountable Care Organizations (ACOs). ACO bonds are becoming more critical as healthcare systems consolidate and assume more financial risk. These bonds guarantee organizations will meet performance and financial targets related to patient care and cost savings, helping mitigate risk for insurers and other stakeholders in an increasingly regulated and performance-driven healthcare landscape.

Surety bonds offer a means to safeguard against these risks and ensure that projects move forward, even in the face of economic or logistical challenges.

The renewable energy sector is another area where surety bonds are gaining traction. With government initiatives and private investments pouring into solar, wind, and other renewable projects, developers and investors are seeking surety bonds to guarantee performance and protect against default. These projects often involve complex regulatory frameworks and extended timelines, where financial or operational setbacks can have significant consequences. Surety bonds offer a means to safeguard against these risks and ensure that projects move forward, even in the face of economic or logistical challenges.

Other Key Industries

Aside from construction, healthcare, and renewable energy, surety bonds are becoming more prevalent in several other industries, including:

- **Technology:** The tech industry increasingly relies on performance bonds to mitigate risk in large-scale software development or IT infrastructure projects. As contracts grow in complexity and scope, so does the need for security that ensures timely project completion.
- **Transportation and Logistics:** Surety bonds are playing a larger role in transportation, where they help ensure compliance with government regulations for infrastructure projects, especially as the U.S. pushes for improvements in public transportation systems and the modernization of highways, bridges, and railroads.
- **Waste Management and Environmental Services:** Regulatory compliance bonds in waste management are critical for ensuring that companies adhere to environmental laws and regulations. Given the heightened public scrutiny on sustainability, these bonds help protect against the financial and environmental risks associated with non-compliance.

RECOMMENDATIONS

With the current market challenges in mind, companies must adopt a proactive approach to surety bonding. Regardless of the industry, businesses should engage with knowledgeable surety advisors who understand the intricacies of both the industry in which they operate and the broader market conditions affecting their specific bond needs. This approach can help companies navigate the complexities of contract terms, regulatory requirements, and financial risk management.

For contractors, having a team of seasoned professionals - CPAs, financial advisors, and attorneys with industry-specific expertise - can be critical to maintaining solid financials and contracts. This ensures that when economic challenges arise, companies are well-positioned to withstand them without falling into default or breach of contract.

Companies should also remain selective in the projects they pursue, whether in construction, renewable energy, or other industries. The key is to focus on core competencies and avoid projects outside their expertise that may carry higher risks. Businesses should also prioritize geographies where they have proven track records of success and operational efficiency, which can help mitigate some of the unpredictability associated with new or unfamiliar markets.

In the construction sector and beyond, companies must also be mindful of the labor challenges that continue to plague many industries. Establishing training programs to develop skilled labor from within can provide a steady talent pipeline, while partnerships with national organizations such as the Associated Builders and Contractors (ABC) or the Associated General Contractors of America (AGC) can offer access to broader talent pools.

While there are no guarantees, companies that are financially stable and have access to surety credit may find opportunities to grow or consolidate their positions.

Finally, it's essential to prepare for a potential market downturn. While there are no guarantees, companies that are financially stable and have access to surety credit may find opportunities to grow or consolidate their positions when others are unable to perform. This type of foresight can prove to be a competitive advantage, allowing companies to thrive even in adverse conditions.

RATE FORECAST

Surety		
Surety Bonds (Contract):	-	Flat
Surety Bonds (Commercial):	-	Flat to +2%

State of the Insurance Market

2025 Initial Outlook and 2024 Wrap-Up: Employee Benefits

EMPLOYEE BENEFITS

Constant change is the norm for employee benefits, and it is influenced by many factors from economic conditions to medical and digital innovation to multi-jurisdictional regulations, among others. In our initial outlook for 2024, we saw changing workforce and hiring dynamics increased impacts from turnover and the fast pace of pharmacy innovation trends. We anticipated increased medical utilization, inflationary pressure, and changes in admitting and billing patterns to play a significant role in raising costs for employers.

MARKET CONDITIONS

As we look toward the end of 2024 and into the first few months of 2025, all impacts initially forecasted are anticipated to continue, but with the following shifts:

- **Focus on equity and employee experience:** While employers will continue thinking more holistically about their benefits programs, they will shift benefits to better serve a diverse and multigenerational workforce inclusive of social determinants of health.
- **Pharmacy's influence on cost trends:** The pharmacy innovation observed over the past year is expected to continue but with new opportunities for employers to offer more cost-effective treatments in higher cost drug categories by using competitively priced alternatives. More questions are anticipated to arise around GLP-1 drugs and their potential health benefits, which could result in higher usage and a significant cost burden for employers.
- **Transparency and fiduciary responsibility:** Legislation that increases scrutiny of/or highlights the fiduciary responsibilities of employers has led to a growing number of lawsuits. Continued finger pointing about the lack of transparency in pharmacy costs is anticipated, as evidenced in litigation faced by Johnson & Johnson and Wells Fargo.

While employers will continue thinking more holistically about their benefits programs, they will shift benefits to better serve a diverse and multigenerational workforce inclusive of social determinants of health.

Significant consideration needs to be given to current and expected pharmacy trends. Key areas for employers to focus on over the next year include GLP-1 drugs, specialty pharmacy including biosimilars and cell and gene therapy, and fiduciary responsibility.

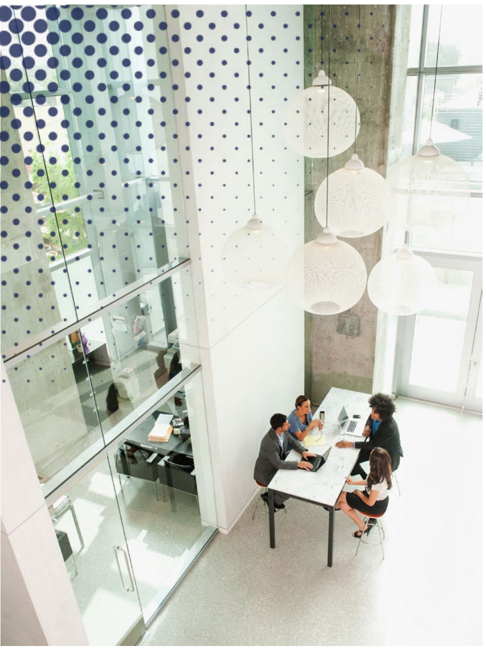
- **Health system consolidation impacts:** Further consolidation of the healthcare delivery system is highly likely and will increase focus on data security and interoperability. Data security requirements, new expectations, and related requirements, while needed, will hamper the speed at which the consolidation occurs due to the investment necessary.

COVERAGE CONSIDERATIONS

- **Pharmacy trends:** Significant consideration needs to be given to current and expected pharmacy trends. Key areas for employers to focus on over the next year include GLP-1 drugs (for diabetes and obesity), specialty pharmacy including biosimilars and cell and gene therapy (ultra-high-cost drugs), and fiduciary responsibility.
  - **GLP-1 drugs:** GLP-1s will continue to be a major driving factor given the drug class has a significant pipeline with alternate formulations (oral) and multiple additional indications being studied.
  - **Biosimilars:** This area continues to offer opportunities for employers, with several Pharmacy Benefit Managers (PBM) announcing their Humira biosimilar strategies through 2025. As more biologics become available as biosimilars, employers may have the potential to offer additional cost-effective treatments in higher-cost drug categories by using competitively priced alternatives.
  - **Cell & Gene Therapies:** Ongoing approvals can be expected with numerous therapies now Food and Drug Administration (FDA) approved, including the costliest therapy priced at $4.25M. Value-based arrangements are expected to be the core of the solution, complemented by stop loss insurance, clinical management, provider network management, and outcomes tracking to form a comprehensive solution.

RECOMMENDATIONS

- **Anticipate scrutiny on benefits management:** Employers (particularly large employers) should anticipate scrutiny on benefit management oversight given the Federal Trade Commission (FTC) is investigating PBM practices. Employers should work with their PBM to ensure contractual language provides transparency and includes appropriate audit allowances.



Additionally, employers should be aware of employee benefits related legislation and rulings. Multi-state employers are advised to pay extra attention to litigation trends as agency regulations may be vacated in certain jurisdictions but affirmed in others.

- **Analyze opportunities to manage spend:** Employers are advised to look at all available possibilities to manage spend including evaluating your current health plan financing model against alternative funding methods. Ultimately it comes down to an employer's tolerance for risk and ability to effectively administer programs that help achieve their benefits strategy. Keep in mind, the smaller the organization, the higher the impact of cost volatility with fewer options to mitigate future increases.
- **Keep a close eye on pharmacy and evaluate it regularly:** Given the rapid pace of innovation in pharmacy, employers should plan for a strategy that balances pharmacy cost while ensuring sustainable coverage and outcomes. For example, some larger self-funded employers are beginning to require contracts that allow for annual market checks to help keep costs competitive; however, this may not be an option for all employers.

RATE FORECAST

Employee Benefits		
Medical:	↑	+7% to +11%*
Prescription Drugs, Retail:	↑	+9% to +10.5%
Prescription Drugs, Specialty:	↑	+14% to +16.5%
Stop Loss Premium, Leveraged Trend:	↑	+16% to +19%

Trend will vary regionally based on the healthcare delivery system and funding mechanism

State of the Insurance Market

2025 Initial Outlook and 2024 Wrap-Up: Private Client Services

PRIVATE CLIENT SERVICES

Our successful path forward requires a creative and innovative approach to risk management, paired with trusted relationships between the broker, carrier, and client.

As the High-Net-Worth (HNW) personal insurance market continues to evolve, successful individuals and families continue to feel the impact of systemic insurance industry challenges. Some of the primary drivers causing the market challenges are severe weather activity, a complex regulatory environment, fluctuations in reinsurance rates and terms, and more. Geographies that have historically not been threatened are now vulnerable due to changing weather patterns and the impact of climate change. Our successful path forward requires a creative and innovative approach to risk management, paired with trusted relationships between the broker, carrier, and client.

Throughout 2024, we have seen the effects of the hard market with increased property and auto rates and excess liability lines of business. However, we are optimistic about the future. The reinsurance market is stabilizing as insurers have made fundamental changes to their portfolios, including rate, coverage changes, and overall risk selection, particularly in catastrophe (CAT) prone areas. We are finding better, creative solutions for challenging properties, including coastal and wild-fire exposed risks, in the non-admitted market. The hard market environment provides the opportunity to have more frequent dialogue with our clients to help them rethink their approach to protection.

MARKET CONDITIONS

Key macro factors driving market conditions in 2024 and expected to continue into 2025 include:

- **Regulatory environment:** Insurance regulators' primary responsibility is to protect consumers. Carriers that cannot obtain adequate rates to remain viable in any given market often restrict new business, making it challenging for property owners to access appropriate insurance protection or choice in the marketplace. Some carriers are not writing any new business in Florida, California, or other states because of the current regulatory environment. Some states have passed new

An annual review of exposures, risk tolerance, and coverages is a critical aspect of risk management, especially as it pertains to the threat of severe weather events.

legislation that will ease some of the stress on carriers, allowing them to take more adequate rate adjustments in the admitted market and reprice risks.

- **Reinsurance:** The mid-year 2024 reinsurance renewals saw some positive rate adjustments and term improvements, however uncertainty around the January 1, 2025, renewals remain on the horizon and will be highly correlated with the year end 2024 CAT statistics.
- **Excess & Surplus Lines (E&S):** Non-admitted insurance carriers, also referred to as excess and surplus (E&S) lines carriers, represent one of the fastest growing segments of the insurance industry. Non-admitted carriers are not subject to many of the same regulatory requirements as those that are writing business on an admitted basis. E&S, which is often the only solution for clients in some CAT-prone areas, can address specific coverage circumstances, and aligns well with clients with higher risk tolerance.
- **Catastrophe events:** According to the National Oceanic and Atmospheric Administration NOAA National Centers for Environmental Information (NCEI), as of August of 2024 there were 19 confirmed weather/climate disaster events with losses exceeding $1B each in the U.S. Comparing this data to prior years, we see a significant increase in severe storm activity. The annual average for 1980 to 2023 was 8.5 events (CPI-adjusted); the annual average for the most recent five years (2019–2023) was 20 events (CPI-adjusted). In addition to the impact of severe weather events themselves, natural disasters directly impact the availability and cost of building materials, fuel, and labor supplies needed to rebuild and repair damaged property.

Severe Weather Risks & Risk Mitigation Recommendations: HNW families and individuals tend to own properties in some of the most risk-prone locations and states. An annual review of exposures, risk tolerance, and coverages is a critical aspect of risk management, especially as it pertains to the threat of severe weather events.

- **Flood Risks:** Flooding is by far the most common, costly, and destructive natural disaster in the U.S., causing billions in economic losses each year. According to the Federal Emergency Management Agency (FEMA), flooding causes 90% of disaster damage every year. Everyone is at risk for flood damage, regardless of location. Given the increasing prevalence and risk of flooding, homeowners should take a fresh look at their flood risks and consider how flood insurance can be incorporated into their overall risk management and insurance strategy.

- **Wildfire Risks:** Wildfires in the U.S. have grown larger, more frequent, and more destructive in recent years. According to research from Pew Charitable Trusts, from 2017 to 2021, the average annual acreage burned by wildfire in the U.S. was 68% greater than the yearly average from 1983 to 2016. The increased risk of wildfire is spreading across the country, all the way to the East Coast and into humid regions like Florida and Hawaii. Creating defensible space and hardening your home through strategic, proven tactics are crucial to safeguarding homes from destruction and can help make your property more attractive to insurance underwriters.
- **Hurricane Risks:** The 2024 hurricane season, which runs from June 1st to November 30th, was predicted to be intense from the start. While there was some reduction in the total number of named storms in the August updates by NOAA and other forecasting sources, the forecasts continued to indicate an "extremely active" and strong hurricane season. Hurricane Beryl, the strongest July Atlantic hurricane on record, made a record-breaking three landfalls and strengthened into the earliest Category 5 storm in the Atlantic on record. Hurricane Helene, which struck the Panhandle of Florida in late September as a Category 4 storm, produced record storm surge, extreme flooding, and widespread destruction. Early planning and proactive actions are the best way to reduce risks, make homes more resilient, enable safer evacuations, and facilitate quicker post-storm recovery.

We focus on helping our clients face challenges with the insurance protection and risk management strategies they need to protect their lifestyle.

Clients not only have properties in risk-prone locations, but they also have assets and passions that require complex insurance solutions. Throughout 2024 we have seen challenges and market changes in many of these specialty personal insurance segments, and we focus on helping our clients face these challenges with the insurance protection and risk management strategies they need to protect their lifestyle.

- **Fine Art & Collections Insurance:** Fine art underwriters require more frequent appraisals for the most generous valuation clauses. Climate change has created noteworthy challenges for people seeking fine art insurance. Hurricane seasons have become longer and more intense. Wildfires and flooding, byproducts of climate change, are affecting broader swaths of the U.S. Even areas not historically prone to natural disasters are seeing an uptick in storm-related claims to fine arts and collections. To create the best possible outcomes for your fine art collection, planning ahead is imperative.
- **Private Aviation Insurance & Fractional Ownership:** Aviation and

aircraft insurance capacity is slowly returning with the addition of new insurers in 2023 and 2024. However, appetite continues to be affected by the diverse nature of operations, increasingly costly claim settlements, and strict pilot standards extending to both the primary and second-in-command pilot. Understanding the risks and insurance solutions for private and fractional aviation owners is essential.

- **Yacht Insurance:** The increase in demand for yacht policies, along with year after year of record-breaking climate-related disasters and frequent severe weather events, continue to put substantial pressure on an already competitive, restricted marine insurance market. Advanced technologies that are integrated into marine construction, materials, rigging systems, and onboard electronics have created new

and ongoing challenges and complexities for underwriters. Marine insurance capacity from the carriers continues to be limited across the nation, especially in areas vulnerable to increased hurricane and severe weather activity such as Florida, Texas, the Gulf States, and California.

RECOMMENDATIONS

Partnering with a trusted insurance advisor to navigate the turbulent personal insurance landscape is smart risk management. It is important to work with an advisor who can provide proactive advice, access to relevant risk prevention information, and creative solutions at all times of the year, not just during renewal periods or when a claim arises.

It is important to work with an advisor who can provide proactive advice, access to relevant risk prevention information, and creative solutions at all times of the year, not just during renewal periods or when a claim arises.

- Schedule frequent, more substantive discussions to review coverage with your risk advisor to help you make more confident and informed decisions before undergoing major renovations or making significant purchases.

2025 Initial Outlook and 2024 Wrap-Up

In addition to offering immediate support, your advisor can help you understand potential implications for your broader insurance portfolio.

- Adopt a thoughtful approach to claims submissions. Consult with your insurance advisor before submitting a personal insurance claim with your carrier. In addition to offering immediate support, your advisor can help you understand potential implications for your broader insurance portfolio.
- Add flood insurance to your insurance portfolio: With the frequency, severity, and cost of severe weather damage and flooding events expected to keep increasing, all homeowners should consider adding flood insurance coverage to their risk management program.
- Consider cyber insurance: In a world of increasingly prevalent cybercrime, there's no substitute for being informed, prepared, and protected. Consult with your private client insurance advisor to determine which personal cyber insurance solution and coverage limits are right for you.
- Invest in proactive mitigation measures. The Private Client Risk Resource Center offers helpful checklists and resource guides to keep you informed and help you manage and mitigate your risk exposure.
- Pay your premiums on time. Comprehensive insurance coverage can be hard to come by, especially in risk-prone locations. You do not want to risk a cancellation or non-renewal, by missing a payment or paying late.

RATE FORECAST

Private Client Services		
Property:	↑	+10% to +50%
Excess Liability:	↑	+10% or more
Personal Auto:	↑	+12% to +15%
Marine/Yachts:	↑	+10% to +25%

State of the Insurance Market

2025 Initial Outlook and 2024 Wrap-Up: Rate Forecast

RATE FORECAST

Industries - Rate Forecast		
Aviation	-	Flat to +15%
Cannabis: Directors & Officers Insurance	-	Flat to +5%
Cannabis: All Other Lines	↑	+10% to +20%
Education: Student Health	-	Flat to +5%
Entertainment: Film/TV	-	Flat to +5%
Entertainment: Broadway/Theater	-	Flat to +5%
Fine Art	-	Flat to +5%
Fine Art: High Risk	↑	+15% to +20%
Healthcare: Management Liability	-	Flat to +10%
Healthcare: Managed Care E&O	↑	+10% to +15%
Healthcare: Managed Care, Accident, & Health Reinsurance	↑	+8% to +20%
Healthcare: Physician Medical Malpractice	↑	+5% to +20%
Healthcare: Excess Liability	↑	+10% to +15%
Healthcare: Property/Non-CAT Exposures	-	Flat/as expiring to +7%
Healthcare: Auto	-	Flat to +5%
Healthcare: Workers' Compensation	-	Flat to +5%
Healthcare: Primary Professional Liability	↑	+10% to +15%
Marine: Marinas & Marine Business	↑	+12% to +18%
Marine: Yacht Clubs & Sailing Orgs.	↑	+12% to +18%
Marine: Marine Cargo	↓	-4% to -7.5% *
Marine: Marine Inventory	-	Minimal increases for All Risks **

*With exceptions based on type of products shipped, loss history etc.

**5% increase and higher for certain CAT areas

RATE FORECAST

Industries - Rate Forecast		
Marine: Ocean Marine & Blue Water: Ocean Hull	↓	-2.5%
Marine: Ocean Marine & Blue Water: Protection and indemnity (P&I)	↑	+5%
Marine: Coastal Marine & Brown Water Marine: Hull	-	Flat to +5%
Marine: Coastal Marine & Brown Water Marine: P&I	↑	+5% to +7%
Marine: Coastal Marine & Brown Water Marine: Marine Liabilities	-	Flat to +3%
Marine: Coastal Marine & Brown Water Marine: Marine Excess	↑	+7% to +15%
Nonprofit and Human Services: Property - Average Risk	↑	+10% to +25%
Nonprofit and Human Services: Auto	↑	+5% to +25%
Nonprofit and Human Services: General Liability	↑	+3% to +25%
Nonprofit and Human Services: Abuse and Professional	↑	+15% to +20%
Nonprofit and Human Services: Umbrella	↑	+20%
Nonprofit and Human Services: Cyber	-	Flat
Nonprofit and Human Services: Management Liability	-	Flat to +10%
Private Equity: D&O Private	-	-10% to flat
Private Equity: D&O Public	-	-10% to flat
Private Equity: General Partnership Liability (D&O/E&O for PE/VC)	-	-5% to flat
Professional Services: Architects & Engineers	-	-5% to +5%
Professional Services: Law Firms	-	-5% to +5%
Real Estate: Property: Soft Occupancies (office, retail, & other well protected risk)	-	-15% to +5%
Real Estate: Property: Tough Occupancies/Non-CAT	-	Flat to +10%

RATE FORECAST

Industries - Rate Forecast

Real Estate: Property: Tough Occupancies/CAT-Exposed	↑	+5% or greater
Real Estate: Liability: General Liability	-	Flat to +10%
Real Estate: Liability: Auto	↑	+5% to +10%
Real Estate: Liability: Umbrella	↑	+5% to +15%
Real Estate: Liability: Excess Liability	↑	+5% to +15%
Real Estate: Liability: Workers' Compensation	-	Stable
Relocation	↑	+4% to +6%
Transportation: Auto Liability	↑	+10% to +20%
Transportation: Physical Damage	↑	+20% to +25% *
Transportation: Umbrella Liability	↑	+10% to +30% **
Waste and Recycling: Auto	↑	+10% to +40%
Waste and Recycling: Excess	↑	+10% to +40%
Waste and Recycling: Property	↑	+10% to +75%

*However, we are seeing increased deductibles to reduce the rate increase.
**Mainly following the primary auto increase.

RATE FORECAST

Business Solutions - Rate Forecast

Casualty: Auto	↑	+5% to +25%
Casualty: Workers' Compensation	-	Flat to +5%
Casualty: General Liability	↑	+4% to +10%
Casualty: Umbrella	↑	+5% to +35%
Cyber: Entities with Good Controls	↓	-5% to -10%
Cyber: Entities with Layered Cyber Controls	↓	-20%
Environmental	-	-5% to +5% *
Management Liability: Private Company – Primary	↓	-5% to -15%
Management Liability: Private Company – Excess	↓	-10% to -30%
Management Liability: Public Company – Primary	-	-10% to Flat
Management Liability: Public Company – Excess	↓	-10% to -30%
Management Liability: Financial Institutions – Primary	-	-5% to Flat
Management Liability: Financial Institutions – Excess	↓	-5% to -15%
Management Liability: Employment Practices – Primary	-	-10% to Flat
Management Liability: Employment Practices – Excess	↓	-10% to -20%
Management Liability: Fiduciary Liability – Primary	-	-10% to Flat
Management Liability: Fiduciary Liability – Excess	↓	-10% to -20%
Property: High Quality Risk/No/Limited CAT/Favorable Loss History	-	-5% to +5%
Property: Poor Quality Risk/CAT/Unfavorable Loss History	↑	+15% to +25% or more
Surety Bonds: Contract	-	Flat
Surety Bonds: Commercial	-	Flat to +2%

*Market remains soft and extremely competitive on new placements. Renewals can expect on average –5% to +5% based upon policy term and complexity of risk.

RATE FORECAST

Employee Benefits - Forecasted Average Trend Rates

Medical	↑	+7% to +11% *
Prescription Drugs, Retail	↑	+9% to +10.5%
Prescription Drugs, Specialty	↑	+14% to +16.5%
Stop Loss Premium, Leveraged Trend	↑	+16% to +19%

*Trend will vary regionally based on the healthcare delivery system and funding mechanism.

Private Client Services - Rate Forecast

Private Client Services: Property	↑	+10% to +50%
Private Client Services: Excess Liability	↑	+10% or more
Private Client Services: Personal Auto	↑	+12% to +15%
Private Client Services: Marine/Yachts	↑	+10% to +25%

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