Insurance Marketplace Realities Spring Update

2025

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Introduction

Executive summary

As we move further into 2025, the North American commercial insurance market is presenting a unique and promising landscape for insurance buyers — a moment shaped by robust capital inflows, expanding capacity and a competitive drive among carriers to gain market share. While not without its challenges, including renewed supply chain concerns, tariffs, volatile financial market, social inflation, the current environment offers opportunities for well-prepared buyers to secure favorable terms, broaden coverage options and re-engage in strategic risk transfer decisions that may have been constrained in recent years.

Insurance carriers continue to pursue growth strategies under the belief that rate adequacy has reached a profitable level across most lines. As a result, underwriting appetite has begun to widen and the elevated pricing seen during the height of the hard market has notably moderated. Buyers are increasingly encountering a competitive underwriting environment, particularly in lines where capital is not only sufficient but abundant.

This favorable dynamic is underpinned by a remarkably strong capital foundation. Policyholder surplus in the U.S. has surpassed $1 trillion, while global reinsurance capital has reached new record highs in excess of $700 billion. Traditional reinsurers remain active and institutional investors continue to allocate resources to insurance-linked securities and collateralized reinsurance strategies, further amplifying the availability of capital. This influx is driving healthy competition and creating a market more responsive to buyer needs.

Capacity is operating at a surplus in most lines of insurance, with one notable exception: excess casualty. However, even in this historically constrained segment, we are seeing a meaningful shift. New entrants — such as MSIG, Tokio Marine HCC and Canopius — have stepped into the market, bringing much-needed additional capacity. The emergence of follow-form facilities, including Willis' Gemini auto-follow facility, has also added depth to available layers, increasing options for risk managers looking to structure effective excess programs.

Despite these positive developments, insurers continue to navigate a volatile and evolving risk landscape. The industry has now faced five consecutive years of $100 billion-plus in natural catastrophe losses, suggesting that elevated property loss frequency and severity may no longer be episodic but structural. Similarly, the challenges of social inflation remain unresolved, with excess casualty carriers deploying smaller, more surgical layers of coverage that are increasingly targeted by an emboldened plaintiffs' bar. The tariffs have not only disrupted the financial markets, but they will put pressure on supply chains and may lead to heightened losses in trade credit. That said, carriers are more measured, data-driven and operationally efficient than ever before, and the lessons of the past decade remain deeply ingrained.

For insurance buyers, the message is clear: now is a time of opportunity. The market is signaling flexibility, responsiveness and innovation. As capacity returns and capital remains abundant, strategic buyers who can clearly communicate their risk profile and leverage strong brokerage relationships are well-positioned to benefit.

We trust that readers of Marketplace Realities will find this edition insightful, with in-depth commentary on market actions across the commercial insurance landscape. We extend our sincere thanks to Lucy Clarke, President of Risk & Broking at Willis, a WTW business, and Sam Harrison, Chief Underwriting Officer at Canopius, for sharing their perspectives on the market in our *view from the top* — "Evolving markets: opportunities and challenges in the insurance industry" interview. Lastly, we are also pleased to introduce a new feature, "The power of clarity — Why the words matter" focused on in-depth coverage analysis. In this inaugural segment release, Helen Campbell, Head of Property Wordings for North America, examines several key clauses in property policies that may be affected by tariff-related exposures.

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Evolving markets: Opportunities and challenges in the insurance industry

Lucy Clarke, President – Risk and Broking for Willis (a WTW business) sits down with Sam Harrison, Group Chief Underwriting Officer for Canopius to discuss the evolution of the insurance landscape, the current state of the market, innovation in the industry and his perspective on the remainder of 2025.

Q **Lucy Clarke:** Hi Sam, thanks for spending some time with us ahead of RIMS to talk about the market and the trends you are seeing and anticipating. Let me start by asking you to give us a general overview: how have you seen the insurance landscape evolve over the past few years?

A **Sam Harrison:** During what was the post-covid rising market, one of the dominant themes was that we could underwrite to the structures, and with the prices that we wanted. Brokers were inclined to structure deals that were suited to individual carriers. That meant that for the clients' core markets, the overall pricing was acceptable but if you were an underwriter, there were areas of the program which one would regard as being very well paid. Those discrepancies and opportunities are being lost as a result of more capacity entering the market and standard structures being able to be placed for far more of a given program. This combination of additional capacity and growth in index facilities means that that there are fewer opportunities to find those well priced niches. Of course whilst this is a challenging environment for us, it is a good one for clients.

Another post-covid change is that brokers have significantly reduced the amount of face-to-face meetings between clients and underwriters under the auspices of efficiency - they have been replaced by large market meetings held remotely, with some additional individual in-person meetings (usually the placement leaders). This does make it more difficult for challenger markets, like Canopius, to try and demonstrate the value of their proposition directly to our clients (which is why I find it particularly irksome!).

Q **LC:** Where do you see opportunity within the market to drive innovation and new solutions for the client base?

A **SH:** When people talk about innovation, I feel they are largely referring to technological innovation. But I would say, if we're talking pure innovation, the London market innovates on a daily basis. For example, one of the current innovations that will have the most impact on clients is the rise in index/broker facilities. The client complaint I hear the most (normally in a hard market) is the frustration that the last twenty percent on a placement can change an overall price to the client, and that the last twenty percent can take as long to place as the first eighty. Index facilities, for good or bad, provide clients with a better likelihood of completing on leader terms and improves the speed of completion. In terms of technological innovation, algorithmic/digital underwriting is a fantastic innovation, but writing a book effectively is aided by homogeneity of risk – so dependent is this style of distribution on pricing models. Most of the business we see in London is here because it is not homogeneous, so it is only appropriate for certain segments of the market.

Q **LC:** Is there a line of business that you feel most comfortable with from a rate perspective? Where do you see the pricing as more of a concern?

A **SH:** Firstly, I don't think seeking rate adequacy is a particularly effective business strategy; it merely looks at the probability of whether you are charging enough money for your portfolio using your own history and market-level data sets as your guide. For example, I am sure people who were writing North American casualty over the last ten years would have thought at that time they were writing at acceptable rate adequacy (and of course some were)! I think rate adequacy is a vitally important guardrail and sense check, but good business strategy starts with what products you want your company to be known for, what value propositions are constructed for those products and how we deliver those promises to our clients. If this strategy is well designed and you are prepared to flex it for pricing cycles the portfolio should deliver profit.

In terms of where rating is currently, we have of course seen significant drops in the property portfolio, but absolute rating remains adequate but not necessarily adequate enough to significantly grow it. Conversely, we have a smaller North American casualty portfolio, and I would feel comfortable growing that in the prevailing rating environment.

We will continue to write the products and industries where we want to be globally significant, but in response to an overarching market softening, we will be shrinking writing in other areas.

Finally, I am a believer in the adoption of indexation facilities – if those facilities are properly administered and are creating balanced rate adequacy across the portfolio.

Q **LC:** What do you see as some of the biggest challenges in your portfolio today?

A **SH:** We have a large cyber portfolio which we are looking to continue to develop.

The thesis behind the class is that cyber is an undersaturated market, and the number of buyers will grow each year. We don't see that to be the case this year.

One theory is that insurance is still relative expensive and cyber is today still considered a discretionary spend and in these turbulent times, companies are not looking to increase their discretionary spend. This has meant that competition in the cyber market is fierce, so that is a big challenge.

Another challenge is that the US economic policies, if they are executed the way they are envisaged today, will add punishing claims inflation, particularly on short tail lines.

Q **LC:** How would you describe Lloyd's position in the global insurance market compared to other major global insurance markets?

A **SH:** Lloyd's is in an excellent position. It has transcended from being an important market trading hub for multiple carriers and become a word to describe the whole London market ecosystem of specialty insurance.

Lloyd's has done an amazing job and even Singapore which is a very well-regarded regional insurance market itself also has a healthy Lloyd's hub.

Of course we have strong markets in all geographies, particularly in the largest insurance market in the world, the US. But Lloyd's is a single hub for many carriers, with a dense population of knowledgeable underwriters with technical understanding of our business and broad experience of different industries. Underwriters do follow people they consider to be technical experts, albeit everyone maintains a strong opinion(!), and it is difficult to replicate this environment in other global markets.

Q **LC:** What trends do you see shaping the future of the insurance and reinsurance industry?

A **SH:** I think the trend of non-insurance capital into the market is a significant development. That capital isn't interested in the nuance of a particular risk or a particular sector but is just bringing capital to the market. I'm not saying that's good or bad, it is just a trend that will shape the industry. For 300+ years, investors in Lloyd's have been interested in investing to insure risk but the new capital is just looking for returns and investing across the spectrum to achieve that.

I also note trends of reinsurance capital seeking new markets to access. This includes the growth in the use of fronting companies to change insurance into reinsurance - just look at rise of MGA capacity being sourced from the reinsurance industry in the US rather than insurance carriers. It will be interesting to see if this appetite will last across a complete market cycle.

Q **LC:** As you look into 2025, what can our readers of Marketplace Realities expect to see from the market?

A **SH:** Well, you have seen the general results from the carriers. We have done well and most of us are going to want to continue to grow our profile and market share in most business lines, so I am sure there will be some lines that show some softening. However, our clients will also see more innovative distribution efforts and so they will have more options for risk transfer than they have had recently.

Obviously one big unknown is what the impact will be of the economic policies that will be implemented by the new US administration so we will all be watching that carefully as that could have significant impacts for carriers and clients alike.

LC: Sam thanks for spending time with us today, and hope you enjoy RIMS.

Lucy Clarke
President – Risk and Broking
WTW

Sam Harrison
Group Chief Underwriting Officer
Canopius

The power of clarity — Why the words matter

Tariffs and property coverage considerations

The recent imposition of widespread tariffs is expected to disrupt supply chains, similar to challenges experienced during the COVID-19 pandemic. While the full impact is uncertain, these disruptions may significantly increase property insurance claims and should prompt policyholders to reevaluate limits, business interruption risk and customer/supplier extensions of coverage.

Although uncertainty is present, vigilant management of policy wording, prior to the occurrence of a claim, sets the stage for expected program performance. Building a best-in-class program requires expert knowledge in policy language, enabling proper evaluation of all terms and conditions, even those which otherwise seem non-descript. In these times, where tariffs are creating an environment of economic instability, understanding the nuanced definition of "replacement cost value" is very important. Some policies offering "replacement cost" provide:

"Actual cash value shall apply if the property is not repaired, replaced or rebuilt within two years from the date of loss. The insured may elect not to repair or replace the property lost, damaged or destroyed. Loss settlement may be elected on the lesser of repair or replacement cost basis if the proceeds of such loss settlement are expended on other capital expenditures related to the Insured's operations within two years from the date of loss. As a condition of collecting under this item, such expenditure must be unplanned as of the date of the loss."

In normal conditions this could be fine, but when the supply chain is highly disrupted, and source materials are experiencing substantial delays, this language may leave the policyholder at a significant disadvantage.

An enhanced version of the replacement cost provision, which is contained within the Willis property form, makes slight adjustments and ensures intended application of coverage regardless of delayed supply chains. It does not set a time limit for the completion of repairs and additionally provides:

"In the event the Insured decides not to reassemble, rebuild, reclaim, reconstruct, repair, replace or restore the property lost, damaged or destroyed, the liability of the Insurer shall pay the insured the actual cash value of the lost, damaged and/or destroyed property within 30 days after the Insured informs the Insurer... The Insured shall, at its option, within three (3) years from the date of payment by the Insurer of the actual cash value, expend the difference between the replacement cost and the paid actual cash value on any other capital expenditures related to the insured's operations... and shall recover those funds up to the full amount of the difference."

Economists have advised that tariffs will likely have inflationary pressure on construction costs, which consequently will impact programs that contain any margin clause or an "occurrence limit of liability endorsement." Arguably, such clauses have no place on large commercial property risks and they are rarely worded in a way that allows for additional coverages within a property policy.

There is much ground to be gained by simply having a thorough understanding of all the component parts of a policy's wording and how they relate to a particular business. Changing clauses or adding endorsements without regard to what is already there can unintentionally undermine how the mechanics of a policy form work. Therefore, encouraging open dialogue with both policyholders and underwriters to achieve greater clarity and consensus over intent is key.

Spotlight on talent

Helen Campbell is a seasoned wordings insurance professional, bringing over 25 years of specialized experience in the property insurance sector. As Head of Property Wordings for Willis in North America, a WTW business, Helen plays a critical role in the development, analysis and customization of property insurance policies, ensuring clarity, precision and alignment with clients' unique risk profiles.

Helen began her wordings career at Willis, where she spent a decade honing her niche skillset before relocating to Bermuda in 2007. There, she held senior wordings positions at Ironshore and Argo Group, deepening her knowledge of complex risk environments and international policy structures. She rejoined Willis in January 2025, bringing with her a wealth of technical insight and strategic acumen.

In her current role, Helen leads the refinement of policy language and coverage terms, delivering tailored insurance solutions that enhance transparency and mitigate ambiguity. Her work supports clients in navigating the nuances of property coverage with confidence and clarity.

Click on the buttons to view each property and casualty product line.

Property

Casualty

Middle Market

Canada

Bermuda

Property and casualty product lines

Property

Rate predictions

Non-cat exposed
−5% to +5%

CAT exposed
−10% to +10%

Single-carrier
−2.5% to +5%

Shared and layered structure
−20% to flat

Key takeaway

The U.S. property insurance market transitioned to a more competitive environment in 2024, particularly for large commercial risks. This trend is expected to persist into 2025, with an oversupply of capacity driving rate relief and favorable renewal conditions for many buyers. However, the market remains bifurcated, with intense competition in certain segments while others remain relatively stable.

Key point: Increased competition and market bifurcation

- Insurers began 2024 reluctant to flatten renewal rates but were compelled to adjust as competition intensified throughout the year.
- The oversupply of market capacity, particularly in shared and layered programs, drove significant rate relief, especially by Q4 2024.
- The bifurcation in the market was most evident during the 2024 renewals, with insureds who faced steep rate increases and restrictive terms in 2023 receiving the most competitive rate relief, particularly in the large-premium shared and layered market. In contrast, insureds with stable terms in 2023 had limited opportunities to improve their programs in 2024, as demonstrated by the single-carrier market, which experienced flat to low single-digit rate increases.
- The property market is following a familiar cycle, with downward pressure on rates emerging as the first benefit for buyers in a softening market. As market conditions continue to improve, both rate relief and restrictive terms can be addressed. In Q4 2024, underwriting discipline began to falter, enabling some improvement to the restrictive terms, coverages and deductibles established during the challenging 2023 hard market. However, this trend has not extended to the single-carrier space or to severely challenged risks.
- Certain accounts may produce outcomes that deviate from the trends of the improving market environment. These include accounts with specialized occupancies, such as food manufacturing, recycling, or multifamily housing, as well as those with notable issues like underreported property values or significant claims activity.

Key point: Catastrophe losses and market impact

- The 2024 Atlantic hurricane season was active but manageable for insurers, with Hurricane Helene (~$15 billion) and Milton (~$20 billion) causing significant losses without destabilizing the reinsurance market.
- The January 2025 Los Angeles wildfires are expected to result in $30–$50 billion in insurable losses but have had minimal impact on commercial insurance lines.
- Despite these events, direct insurers remained profitable, achieving combined ratios of around 90%, which highlights their resilience through effective underwriting and reinsurance structures.

Key point: Reinsurance market trends

- Ample reinsurance capacity has enabled direct insurers to purchase higher coverage levels at flat to lower rates during the recent Jan. 1 and April 1, 2025 catastrophe reinsurance renewals.
- New capital inflows into the treaty market via Insurance linked securities (ILS) cat bonds and sidecar arrangements have bolstered capacity and pricing stability.
- Favorable treaty conditions have enabled direct insurers to provide increased capacity for renewals and new business.

Industry highlights: Heightened climate and tariff inflation risks

- National Oceanic and Atmospheric Administration (NOAA) and Colorado State University predict an above-average 2025 Atlantic hurricane season, with heightened risks for Florida and the Gulf Coast. El Niño-Southern Oscillation (ENSO)-neutral conditions, which are expected to persist through summer 2025, are associated with variable hurricane activity but carry a greater probability of U.S. landfalls and could lead to increased severe weather risks in the spring and summer.
- Primary insurers have faced significant severe convective storm (SCS) losses in recent years, with U.S. insured claims totaling approximately $64 billion in 2024, which has eroded profitability. In response, insurers are seeking to implement higher deductibles and lower limits for SCS coverage. However, the current competitive market environment is making it challenging to enforce these desired restrictions.
- Wildfire exposure is under scrutiny following the catastrophic Los Angeles wildfires earlier this year. Many insurers are scaling back or withdrawing from wildfire-prone areas, severely restricting coverage in high-risk areas. This impacts the personal homeowner's market most significantly and hinders banks' ability to lend to borrowers with inadequate insurance. Commercial insurers are closely monitoring the situation and may impose capacity limitations or higher deductibles on significant wildfire risks.
- Current Replacement Cost Index inflation factors have significantly declined from their peak during the 2021–22 inflationary period. However, the recent imposition of wide-ranging tariffs is expected to disrupt supply chains and increase import costs, potentially reigniting inflation in the post-loss replacement of buildings, machinery, equipment and contents.

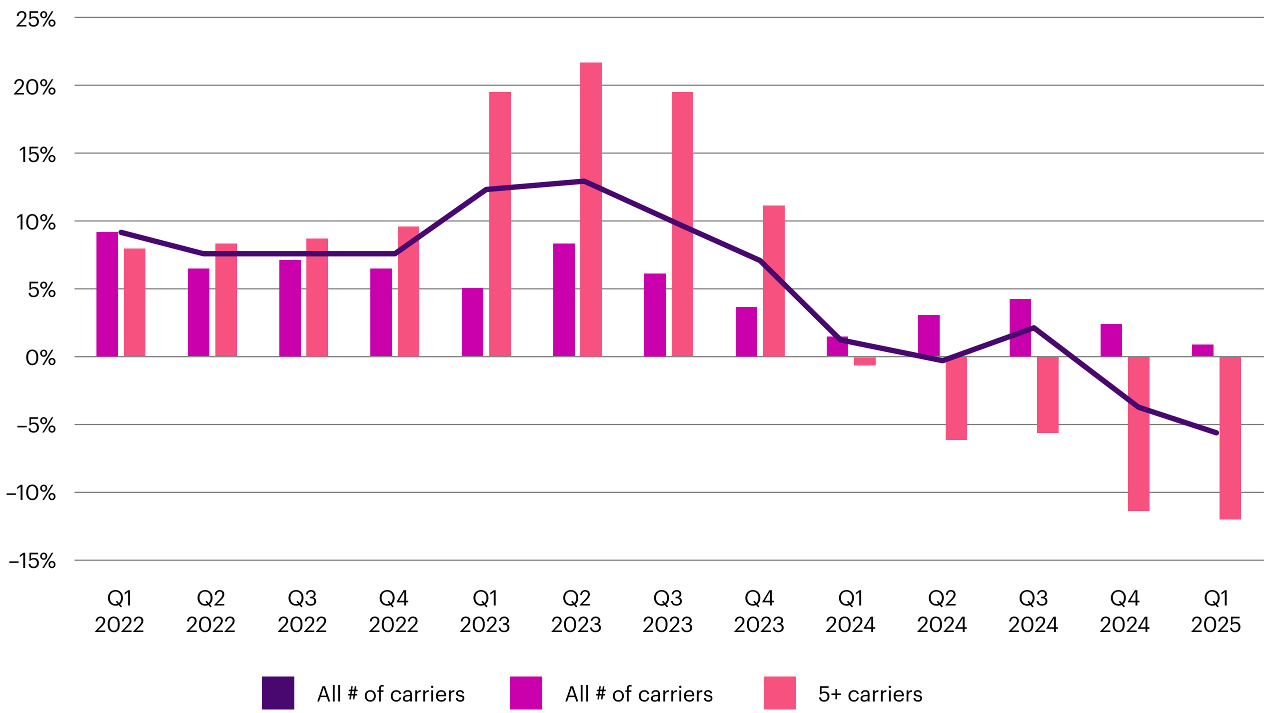
Composite rate change (all accounts) since Q1 2017

Quarterly average (%) rate change

Source: WTW data

Average rate change segmented by program complexity since Q1 2022

All industry verticals



Source: WTW data

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Casualty

Rate predictions

General liability
+2% to +8%

Auto liability
+10% to +20+%

Workers compensation
–5% to +2%

Umbrella/Excess
+8% to +15%

Umbrella liability

High hazard/ challenged class
+10% to +15%

Low hazard/ moderate hazard
+7.5% to +12.5%

Excess liability

High hazard/ challenged class
+7.5% to +15%

Low hazard/ moderate hazard
+5% to +12%

Key takeaway

The North American casualty insurance marketplace remains highly segmented, with dynamics varying significantly based on product line, industry sector, exposure profile, loss experience, and jurisdiction. In the **primary casualty** space, the market continues to experience bifurcated results. Accounts with low to moderate risk and favorable loss histories are generally seeing modest single-digit rate increases across most lineswith workers' compensation being a notable exception, where rate reductions remain common. Conversely, higher hazard and distressed risks are facing double-digit rate increases, particularly in liability coverage. Retention evaluation and balance sheet deployment for large accounts continues in this environment as a tool for premium mitigation and optionality of supply.

In the **umbrella and excess liability** market, overall conditions remain challenging. While high-hazard classes have long contended with pricing and capacity constraints, even moderately rated risks are now subject to significant limit reductions, coverage restrictions, and pressures on minimum premiums. This difficult market is further exacerbated by the ongoing absence of broad tort reform and a litigation environment marked by aggressive legal tactics and an uptick in nuclear ($10+ million) and thermo-nuclear ($100+ million) verdicts.

Despite these headwinds, carrier surplus levels remain strong, and a favorable interest rate environment is contributing to improved financial results. According to A.M. Best, the U.S. property and casualty industry posted an underwriting profit in 2024 the first in three years. However, these gains have been partially offset by material reserve increases for liability lines from prior accident years (though workers' compensation reserve releases have provided some balance).

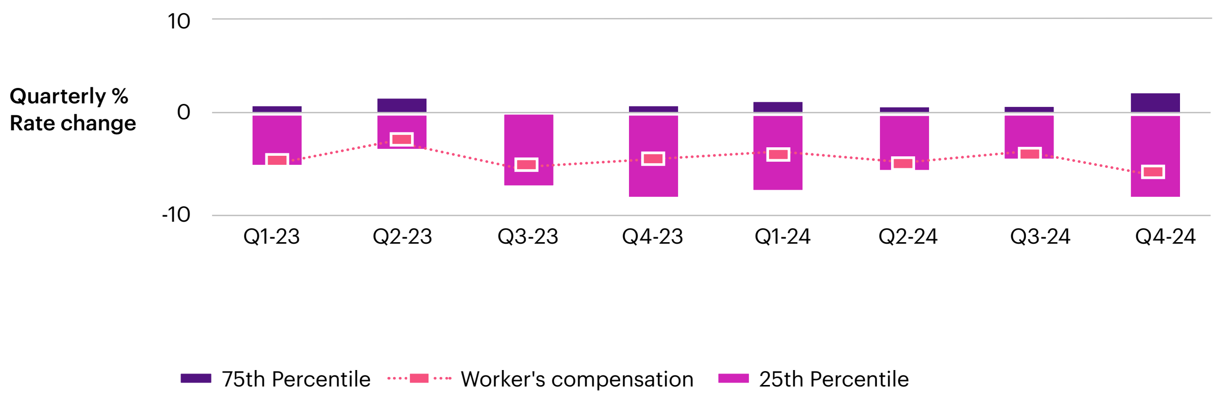
From a macroeconomic perspective, the geopolitical landscape including the continuation of global tariffs presents emerging challenges, particularly in the form of exposure volatility and supply chain disruption. Clients must work closely with their brokers to assess and validate ratable exposures, ensuring a clear alignment between premium levels and actual hazard risk.

Looking ahead, actuarial-driven predictive modeling and quantitative analysis will be indispensable in both risk evaluation and negotiation. Accurate loss forecasting, layer-specific loss probability assessments, and structural flexibility are critical to optimizing program design. Leveraging portfolio scale, exploring captive solutions, alternative risk transfer (ART) options and engaging with the global insurance marketplace will be key strategies for clients seeking to achieve the most favorable pricing, structure, and long-term carrier partnerships.

Workers' compensation

Workers' compensation continues to stand out in the casualty insurance landscape, with WTW's loss-sensitive clients experiencing 15 consecutive quarters of rate decreases, averaging –4.91% in 2024. National Council on Compensation Insurance (NCCI) forecasts 2024 CY combined ratios between 83% to 90%, indicating continued profitability for carriers and soft market conditions. This prolonged favorable period raises questions about when the market might turn, with medical inflation and slowing interest rates as potential drivers, though the ultimate catalyst may not be line-specific.

- **Medical inflation:** The NCCI's January 2025 medical inflation report highlighted a 2.3% growth in their weighted medical price index for 2024, down from 2.9% in 2023, indicating a sharper moderation in medical price inflation compared to overall inflation. The centers for medicare & medicaid services forecast a 2.6% price increase for 2025, while CPI rose by 3.1% in February 2025, suggesting continued softening. Notably, "medical services" saw the smallest increase among core services, contributing to the overall core CPI rise.
- **Investment returns:** WTW's last marketplace realities update noted that IGIT from workers' compensation was 1% higher than other lines in 2023. In early March, the federal government reaffirmed its targeting of two rate cuts in 2025, aiming for a federal funds rate of 3.75% to 4% by year-end, levels last seen in December 2022. Despite the decrease, the interest rate environment should remain attractive for insurers seeking returns on capital from longer-tail lines of insurance (subject to the current geo-political environment).



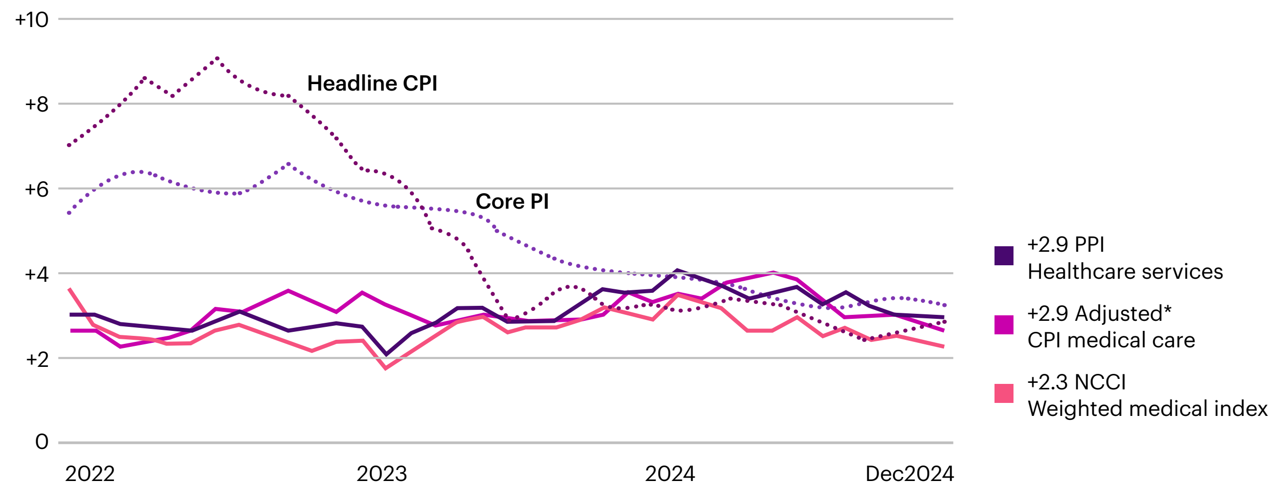
Sources:
WTW state of the market report – Q4 2024
NCCI 2024 state of the line report

- **Broader market forces:** As the liability landscape has worsened, insurers have leaned on workers' compensation as a more predictable ballast to auto, general, and umbrella liability. In many cases, this bundling strategy became necessary for buyers due to reduced standalone liability capacity. In 2024, only 6.5% of Willis, a WTW business, large casualty clients* bought primary liability policies (with risk transfer) from carriers not writing their workers' compensation insurance. This has reduced the viability of monoline WC solutions, limiting impactful competition. While indicators suggest a continued soft market, large commercial buyers must consider workers' compensation in a broader context.

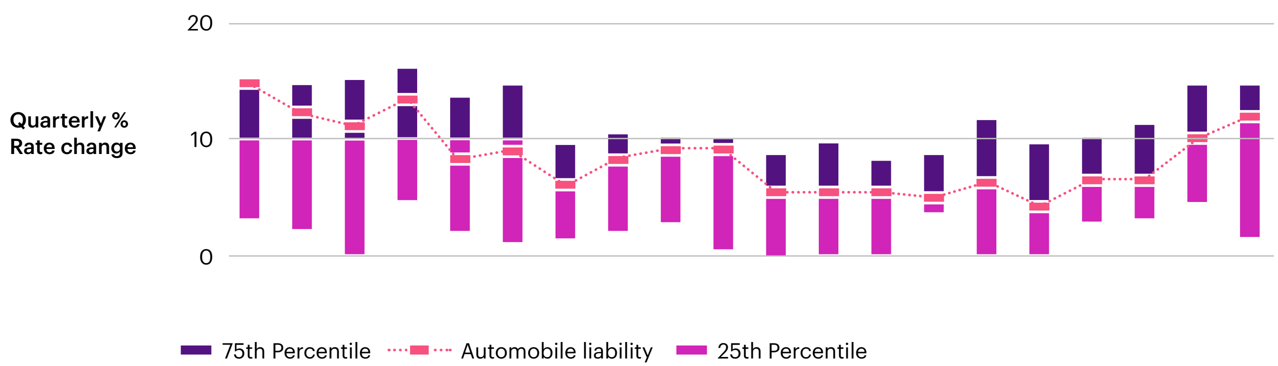
Auto liability

Auto liability continues to be a challenging segment within the casualty insurance market. The market has experienced 34 consecutive quarters of rate increases, with Q4 2024 seeing an average rate lift of +11.68%. This trend is driven by several factors, including nuclear verdicts, litigation trends and higher reinsurance costs. Additionally, we are operating in a two-tier market, where rates and conditions differ significantly between high-hazard and low-hazard risks. The market dynamics are further complicated by the need for higher retentions and attachment points, the adoption of new technologies and evolving legal and regulatory landscapes.

Aggregate measures of general and medical inflation
Year-over-year change, percent



Sources:
NCCI medical inflation insights report – January 2025
U.S. Bureau of labor statistics



Sources: WTW proprietary data

Key factors driving the market

Nuclear verdicts and litigation trends:

- Large truck verdicts have increased by 300% over the past seven years, contributing to the overall rise in claim severity.
- Increased litigation involving emerging issues is putting additional pressure on carriers.

Reinsurance costs and market performance:

- Reinsurer rate forecasts range from 10% to 30%, reflecting concerns over large loss development.
- The U.S. commercial auto market has produced a combined ratio above 100% in 13 of the last 14 years and is expected to exceed 100% in 2024.

Technological and regulatory developments:

- The adoption of telematics, collision avoidance systems and both internal and external cameras is essential for securing preferred capacity for motor carriers. Whereas this was a "like to have" historically, today this is expected in larger commercial fleets.
- Recent legal and regulatory changes, such as tort reform and new safety regulations, are impacting claim frequency and severity, as well as the overall cost of coverage.

The uncomfortable truth

The auto liability market is increasingly steering insureds — particularly those with high-hazard exposures — toward higher self-insured retentions and elevated attachment points. This trend is largely driven by the need to offset escalating claim costs and preserve underwriting profitability amid a challenging legal landscape. For many accounts, the lead umbrella has effectively evolved into a working layer, especially in cases involving high-risk auto operations. As a result, insureds are being encouraged, and in some cases required, to consider higher retentions and alternative risk strategies. One such approach involves positioning the umbrella layer to attach higher, where pricing is more favorable, thereby enabling the construction of a more efficiently priced and sustainable excess program.

Higher retentions and attachments

- **Primary retentions:** Insureds are being stressed to take higher retentions on the primary layer, which can significantly impact their financial exposure in the event of a claim. Actuarial-based predictive modeling is imperative to structure assessment.
- **Lead umbrella as a working layer:** Depending on the underlying attachment, the lead umbrella now functions as a working layer for auto-risks, particularly high-hazard auto, requiring insureds to adopt higher attachment points and more sophisticated risk management strategies.
- **Alternative risk solutions:** There is increased utilization of alternative risk structures, such as buffer layers, quota-share retentions and first-loss corridors, managing the financial impact of claims to build an effective excess tower. Structured programs, such as WTW's StABLE facility, are also being deployed more readily to provide longer-term certainty in capacity, coverage terms and pricing.

Average lead umbrella limits

Q4 2024: $10.9 million

The average lead umbrella is down from $12.6 million in Q4 2020. Lead umbrella capacity is decreasing as rates continue to stabilize.

Average auto attachment point

Q4 2024: $2.7 million

The average CSL attachment point was $2.7 million in Q4 2024, up from $2.1 million in Q4 2020. This reflects the structural adjustments made due to market pressures in 2021 and 2022.

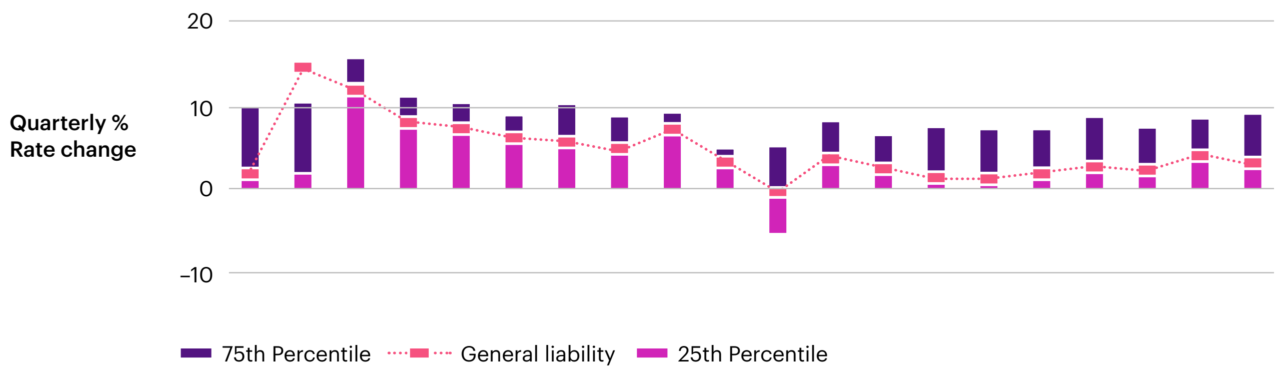
Navigating the auto liability market

The auto liability market remains complex and challenging, driven by persistent rate increases, nuclear verdicts and higher reinsurance costs. Insureds face higher retentions and attachment points, particularly for high-hazard risks, with the lead umbrella now functioning as a working layer. To manage these challenges, alternative risk solutions like buffer layers, quota-share retentions and structured programs are essential. Strategic balance sheet deployment and captive utilization are other ways certain insureds can navigate these waters.

Technological advancements, including telematics and collision avoidance systems, are crucial for securing preferred capacity and improving claims management. Additionally, recent legal and regulatory changes impact claim frequency and severity, influencing overall coverage costs. Insurers' reliance on auto-liability as a stable component in their portfolios underscores the need for sophisticated risk management strategies in this evolving market.

General liability

The insurance industry has continued to signal the likelihood of general liability (GL) rate increases, largely driven by the rise in nuclear verdicts across premises liability, products liability and other tort exposures. Recent data indicates that over 50% of new GL claimants are now represented by legal counsel, with more than two-thirds obtaining representation within two weeks of the incident. Despite these concerning trends, GL rate increases have remained relatively moderate — ranging from 0% to +8% over the past twelve quarters, and more recently, staying within 0% to +5% over the last five quarters.



Trends impacting the general liability market

Litigation trends and their impact on general liability

For years, aggressive litigation was considered a hidden cost in general liability (GL) insurance. Today, it stands as a clear and escalating driver of rising costs for both insurers and insureds. The environment has shifted dramatically, with legal activity and the forces fueling it now more visible and impactful than ever.

Attorney advertising

Once confined to quiet legal offices, the plaintiff's bar is now boldly marketing across all platforms. Billboards line highways, television and radio ads run around the clock and social media feeds are flooded with calls to action — encouraging individuals to file claims and pursue legal recourse. This aggressive advertising culture has helped normalize litigation as a first response to incidents.

There are certain jurisdictions where courts are known for applying procedures in ways that often result in substantial verdicts. These areas tend to attract plaintiffs' firms actively seeking opportunities to file cases there. For example, in Pennsylvania—a state frequently highlighted for its high-volume litigation environment—trial lawyers spent $232 million on more than 2.17 million advertisements over an 18-month period.

Third party litigation funding (TPLF)

The TPLF has become an influential force in the legal landscape. Originally developed to support plaintiffs who lacked the means to pursue a legal case, today's TPLF is driven by sophisticated investors seeking returns. These arrangements now span mass torts, commercial disputes and asset recovery efforts. Critics, including Professor Donald Kochan of George Mason University, argue that TPLF is turning the U.S. legal system into a financial investment tool — undermining its original purpose (WSJ, 11/24/22).

Nuclear verdicts

The combination of rising legal costs and increased claim frequency and severity has contributed to the continued surge in nuclear verdicts — awards exceeding $10 million. These developments are reshaping how insurers and businesses view liability exposure. Insureds are increasingly unsure of how much coverage to purchase, while carriers are scaling back the limits they're willing to offer, further constraining capacity in the marketplace.

Active assailant exposures

Incidents involving active assailants — such as mass shootings and workplace violence — are becoming more frequent. According to MST, a group tracking mass shootings, there have been 85 such events in the U.S. so far in 2025, the first occurring on New Year's Day in New Orleans. The repercussions of these events extend well beyond physical harm:

- **Emotional trauma**: Lasting psychological effects for employees, customers and other witnesses
- **Financial strain:** Recovery costs, operational disruptions and brand damage
- **Legal risk:** Potential lawsuits tied to claims of negligent security or inadequate emergency response

To address these exposures, many businesses have turned to specialized active assailant Insurance, which may cover property damage, business interruption, liability claims, crisis response and post-incident counseling — gaps that are not typically addressed by standard GL policies.

Macroeconomic pressures and tariffs

Another emerging concern is the potential impact of rising global tariffs. When paired with ongoing inflationary pressures, the cost of manufacturing goods or delivering services continues to climb. According to the institute for legal reform, liability-related tort costs are growing at an annual rate of 8.7%. If tariffs further strain supply chains and profit margins, businesses could face increased litigation risk and more expensive GL premiums.

Anticipating changing general liability exposure trends from tariffs and the impact to cost of goods sold

- **The state of trade:** U.S. businesses are vulnerable to trade risk in today's geo-political environment. Asia remains a critical supply hub and market. In 2024, the U.S. trade deficit with China alone was the largest, at $295.4 billion. The U.S. imports components such as semiconductors, microprocessors and integrated circuits for computers, smartphones, navigational equipment, metals, plastics, fabrics and rubber.
- **Impact of tariffs:** Supply chains and production could be slowed by tariff negotiations or retaliations. Costs will rise with products involving international supply chains, which will inflate revenue for the same units sold. With raw material costs rising and imports potentially being interrupted, the cost of liability claims will rise if there's a physical replacement component involved. Carriers will respond to market uncertainty with extra diligence and scrutiny around production, investments and overall financial performance.

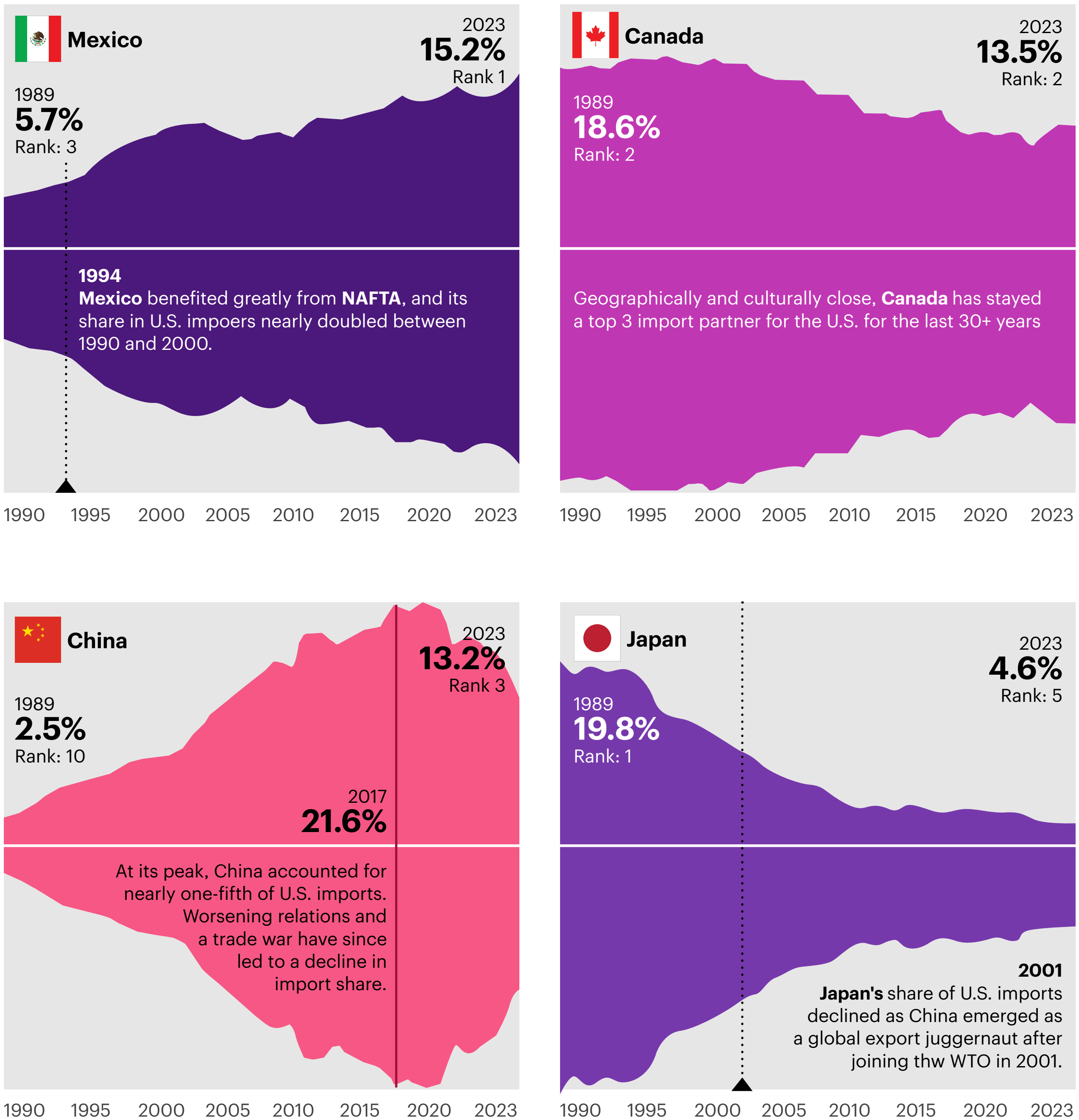
- **Questions to consider for risk managers:** In light of tariff-driven revenue inflation, alternative exposure bases may offer a more accurate and sustainable method for determining liability premiums. Options such as units sold, square footage, payroll, or point-of-sale data can help normalize rates in an inflationary environment and provide a more stable foundation for underwriting.

Risk managers should work closely with their brokers to evaluate whether repositioning the exposure basis makes sense for their organization. Key questions to guide this discussion include:

- Does the organization manufacture and sell physical goods?
- What industry or sector does the organization operate within?
- What percentage of U.S. sales relies on foreign production and supply chains?
- Which countries are most essential to the organization's operations?
- Conversely, what portion of international sales depends on U.S.-based production and distribution?

By exploring these questions, organizations can better align their exposure metrics with operational realities, potentially reducing the volatility of insurance costs during periods of economic fluctuation.

WTW analytics can assess and quantify company exposure and vulnerability to trade-related risks as well as support mitigation strategies.

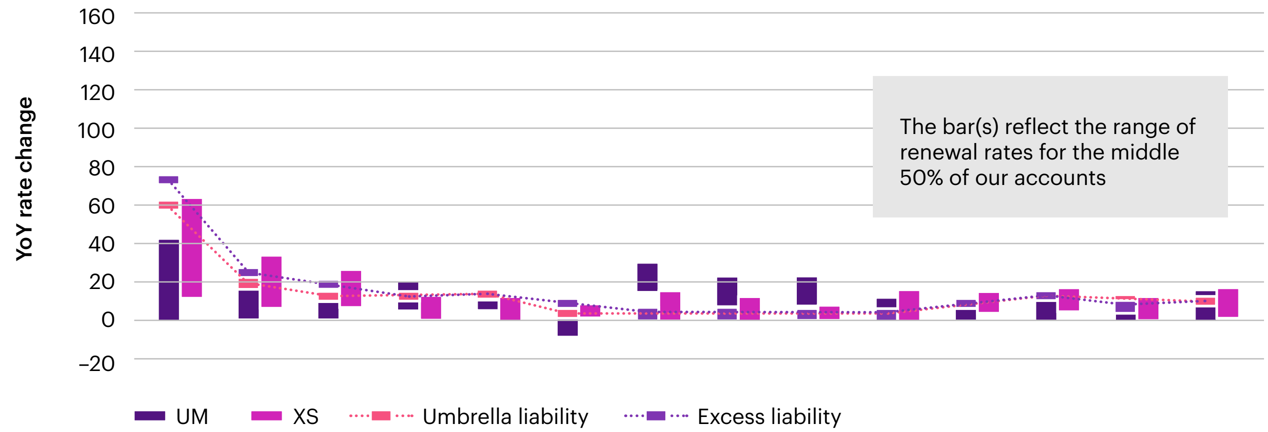


Umbrella/excess liability

The umbrella and excess liability market continues to experience notable volatility, driven largely by deteriorating loss development. Despite several years of hard (ened) market conditions that began around 2020, where insurers raised rates and tightened underwriting standards, the casualty market remains highly sensitive to factors like catastrophic weather events, social inflation/legal system abuse (increased costs from lawsuits and claims) and the growing frequency of large-scale losses.

Liability insurers have been grappling with the impact of rising claims costs, particularly in industries such as construction, healthcare and transportation. Social inflation, the rise in settlement amounts and jury awards due to changing societal attitudes and overall legal system abuse are key concerns, particularly for large commercial clients. This trend has driven many insurers to adjust their pricing models to account for potential future liabilities that could exceed initial expectations.

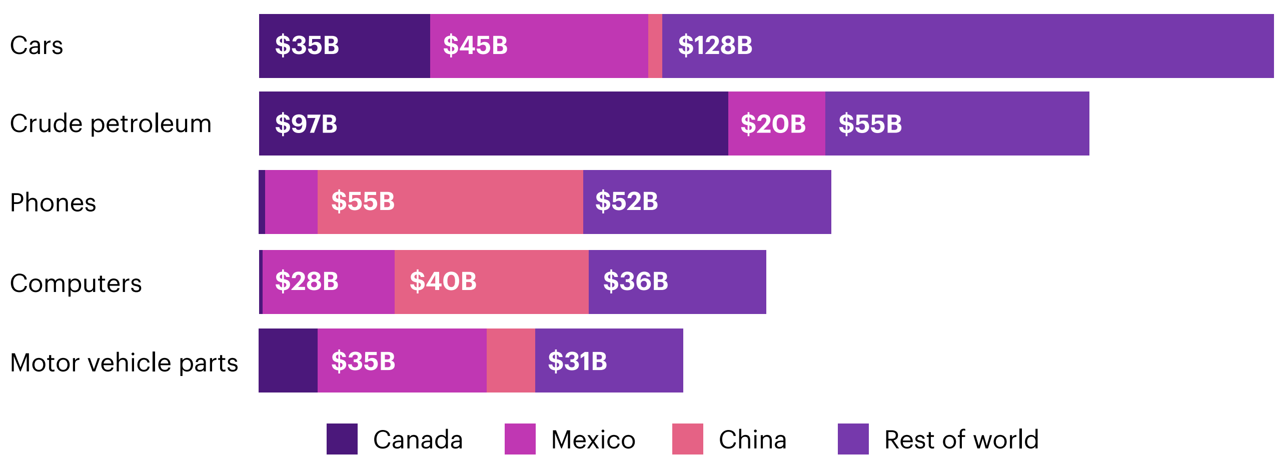
The reinsurance market also plays a pivotal role in shaping umbrella and excess liability pricing. The availability of reinsurance, the cost of capital and the return on investment for reinsurers influences the rates insurers charge in the umbrella space. Some reinsurers have reduced available capacity for high-risk sectors, leading to higher prices and less competition.



Note: Q4 2024 data includes renewal rate results up to and including 1/1/2025

Which U.S. imports could be most affected?

Top five U.S. import products by origin country, 2023



Source: CFR.org, U.S. Census, UN Comtrade

On the demand side, businesses continue to seek higher limits of liability coverage to address their growing risks. However, while there is new or expanded capacity entering the marketplace, it is being outpaced by the capacity that is being vacated as most other insurers have been working to reduce their exposure to any single loss, particularly for new or unproven clients.

These capacity withdrawals continue to significantly affect large excess towers, though the impact varies by industry. The larger the size of the excess tower, the more critical it becomes to replace lost capacity. On average, capacity withdrawals range from 10% to 25% of the overall tower, and for large casualty programs, replacing even a portion of that capacity can be challenging, despite the influx of new market entrants. Industries already experiencing volatility, such as transportation, challenging products and SML-driven exposures, saw less dramatic pricing impacts in Q1 2025, as the market had already "adjusted" pricing and capacity to these risks in prior years.

While perhaps somewhat counter-intuitive, the more noticeable pricing increases are occurring in what has traditionally been thought of as less hazardous excess capacity segments, where limited availability of coverage is driving up rates. Financial institutions, retail and the real estate sectors are now seeing capacity reductions at the upper levels of their towers, with historically lower prices per million no longer attracting interest. As a result, insurers are being forced to add capacity down low, where pricing is higher, to avoid breaching minimum pricing thresholds at the upper end of their programs.

Looking ahead to the remainder of 2025, he umbrella and excess liability market is expected to continue evolving in response to several key trends:

- **Technology and data analytics:** Insurers are increasingly leveraging advanced data analytics and artificial intelligence to enhance risk assessment. This shift is intended to drive more precise underwriting and claims management, with an eye toward improved pricing accuracy and more customized coverage solutions that better align with the unique exposures of each insured.
- **Environmental and regulatory pressures:** ESG (Environmental, Social and Governance) considerations play a larger role in underwriting decisions. Companies with elevated environmental risk profiles may face higher premiums, while evolving regulations tied to climate change and sustainability initiatives are likely to impact both pricing and coverage structures.
- **Broking timelines:** In response to ongoing market challenges, brokers are placing greater emphasis on extending timelines for excess casualty placements. Allowing more time to structure and negotiate programs has shown a clear positive effect on outcomes. As more and more carriers are often needed to complete large towers, early engagement is critical to securing favorable terms and ensuring capacity.
- **New product development:** The market is also responding with innovative product offerings aimed at enhancing capacity and streamlining placements. Simple follow-form excess policies — such as the Willis 'Xpress' form — have gained traction for their ability to maintain consistent terms across the tower and reduce coverage gaps. Additionally, broker- and carrier-led facilities are emerging to provide "automatic" layers of capacity within larger placements. Clients seeking to reduce year-over-year volatility — particularly in the auto sector — are also increasingly exploring solutions from the alternative risk transfer (ART) market. One example is Willis' U.K. StABLE auto-buffer facility, which offers a hybrid model that bridges traditional insurance and risk retention strategies.
- **Emerging risks:** The market must continue to adapt to an evolving risk landscape, including the growing impact of pandemics, geopolitical tensions and shifting litigation trends. To remain competitive, insurers will need to offer more flexible and responsive policy structures that account for these dynamic exposures.

Overall, while the umbrella excess liability marketplace continues to navigate through a period of volatility, there is potential for stabilization in the near future. Through the rest of 2025 and into 2026, we expect to see more innovative approaches to risk management, with technology and advanced analytics playing a central role in pricing, underwriting and claims handling. However, businesses should remain prepared for continued pressures on pricing and coverage as insurers adjust to the evolving risk landscape.

Legislative spotlight – Georgia: The latest state to pass tort reform

Georgia has had a recent track record of nuclear verdicts: a U.S. Chamber of Commerce study calculated that, from 2013 to 2022, Georgia had the fourth most nuclear verdicts (awards of $10 million or more) in personal injury litigation on a per capita basis. Sixty-four verdicts totaled $6 billion in awards, including a $1.7 billion punitive damage verdict in 2022. This is a symptom of a highly organized plaintiffs' bar, that uses strategies to achieve runaway liability verdicts. Additionally, third-party litigation funding, attorney advertising and social media dissemination has led to a negative legal environment in which insurers pay billions of dollars in excessive verdicts.

At the date of publication, Georgia is on the precipice of enacting significant tort reform via two bills, SB 68 and SB 69. Both bills have been passed by the Georgia House of Representatives and the Georgia Senate, and await the governor's signature, which is not in doubt as their office has championed these initiatives.

SB 68 places specific limitations on recoverable damages and trial procedure. In particular, it reduces the ability of an attorney to recover duplicative fees, costs and expenses, and bans fee agreements as evidence on whether fees are reasonable. It also adds protections to property owners when a plaintiff is injured by a third party. And it introduces limitations on what evidence can be submitted to support awards of noneconomic damages, such as claims based on pain and suffering.

SB 69 places significant limitations on third-party litigation funding, called "litigation financing" in the statute. Among other provisions, it requires transparency as to the identity of litigation financiers and mandates that they be registered with the state. It also authorizes the Georgia Department of Banking and Finance to participate in a multistate licensing system whereby litigation financiers are tracked. And litigation financiers are prohibited from controlling settlement strategy or providing legal advice. Finally, any litigation financing agreement over $25,000 is discoverable during a court action. Notably, despite significant regulation, the bill does not introduce a blanket prohibition on all third-party litigation funding.

It remains to be seen whether and to what extent these reforms result in a widespread and sustained impact in Georgia. Of note, other states are also pursuing tort reform this legislative session, including Texas and South Carolina. Clients are advised to consult their broker contacts and resources with respect to how legislative developments impact risk profiles and coverage needs.

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Industry spotlight

Public Sector

The 2025 public sector casualty insurance segment has a tough market underpinned by mounting claims costs and shifting legal risks. Third-party financing of litigation and social inflation are driving higher claims costs, resulting in higher premiums and stricter underwriting standards. Insurers are employing disciplined underwriting to remain profitable despite these pressures. In addition, the market is seeing expanded capacity from surplus lines carriers where it is not available in the admitted market. The overall market is faced with ever-present challenges including economic uncertainty and administration changes.

Law enforcement legal liability still faces heightened public scrutiny and liability risk for use-of-force confrontations, civil rights violations and other legal issues. Accessibility and scope of coverage may vary with the insurer, jurisdiction and loss history. States are also continuing to abolish or extend the statute of limitations for sexual abuse and molestation lawsuits. Additionally, tort reform legislation is being considered in many states across the country, in the wake of Florida's recent reform bill.

Workers' compensation rates are stable, but significant rate reductions can be achievable under competitive marketing conditions for quality risks that haven't been in the market for some time. More insurers are offering multiyear policies and rate protection on excess workers' compensation. Additionally, there is continued pressure to increase retentions, frequently in the range of $750,000 to $1 million or more, particularly on police officers, firefighters and paramedics. Carriers are also concerned with the risks of fighting wildfires, which adds another dimension of complexity to underwriting and risk management.

The 2025 excess liability market is still strained by capacity, with carriers reducing limits and increasing pricing to overcome higher than expected losses. Two new carriers / programs are bringing new capacity to the marketplace, providing buyers with new options. Restructuring limits and retentions and closely watching high-hazard coverages may provide some relief. public entity business is very geographically diverse, with challenging jurisdictions experiencing considerable upward movement and limited capacity.

Increased scrutiny of law enforcement, legal and sexual abuse & molestation exposures have led to some carriers raising self-insured retentions and limiting capacity. Moreover, plaintiff attorneys are trying to evade state tort protection by using federal acts, i.e., civil rights laws, through which cases get access to the federal judicial system, increasing the potential for larger settlements. Losses through federal acts are becoming more pertinent with new administration moves on DEI policies. Integrity in infrastructure is a concern raised, particularly after the collapse of the Baltimore Bridge in the past year.

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Industry spotlight

Real Estate, Hospitality and Leisure

The REHL industry continues to experience a more challenging marketplace than most other industries. General liability rates can be significantly higher than the average quarterly rates indicated above, depending on the nature of the risk and loss experience.

Jurisdictional challenges are driving loss costs, carrier appetite and renewal outcomes. One dominant carrier in this space is adding firearms exclusions to all residential real estate accounts with GA exposure. Human trafficking (something typically underwritten more in the hospitality space) is also being highly scrutinized. Other carriers are adding exclusions for high-hazard perils such as sexual abuse & molestation, assault, shootings, animal attacks, habitability, etc.). These exclusions are problematic due to Fannie Mae and Freddie Mac imposing minimum insurance requirements that disallow these exclusions in insurance programs.

Many clients are asking what the insurance community is doing to support tort reform to help mitigate increasing loss costs and exposure to these high-severity claims that often involve third party on third party altercations. While states like Florida have enacted tort reform, it is still too early to fully recognize the benefits of this legislation. It was expected that we would see an uptick in claims being filed under prior laws, which could lead to an artificial increase in frequency and severity in Florida, before experiencing positive trends.

Real estate clients' most significant GL exposure is slip and fall claims. With the increasing severity of these claims coupled with premises claims such as shootings, assaults, etc, we anticipate continued rate increases in liability insurance program, requiring structural augmentation.

What avenues can we explore for clients that are unable to secure coverage in their program for some of the higher-hazard perils? Consider evaluating affirmative grants on a claims-made basis (when silence or occurrence coverage is no longer available for a peril). Fronted coverage solutions are also an option.

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Middle Market

Rate predictions

Favorable risks

Property Flat to +8%	**General liability** Flat to +5%	**Automobile** +10% to +15%
Workers compensation –5% to flat	**Umbrella** +5% to +15%	**Excess** +5% to +15%

Challenging risks

Property +10% to +20%	**General liability** +10% to +20%	**Automobile** +20% to +30%
Workers compensation +5% to +10%	**Umbrella** +15% to +30%	**Excess** +15% to +30%

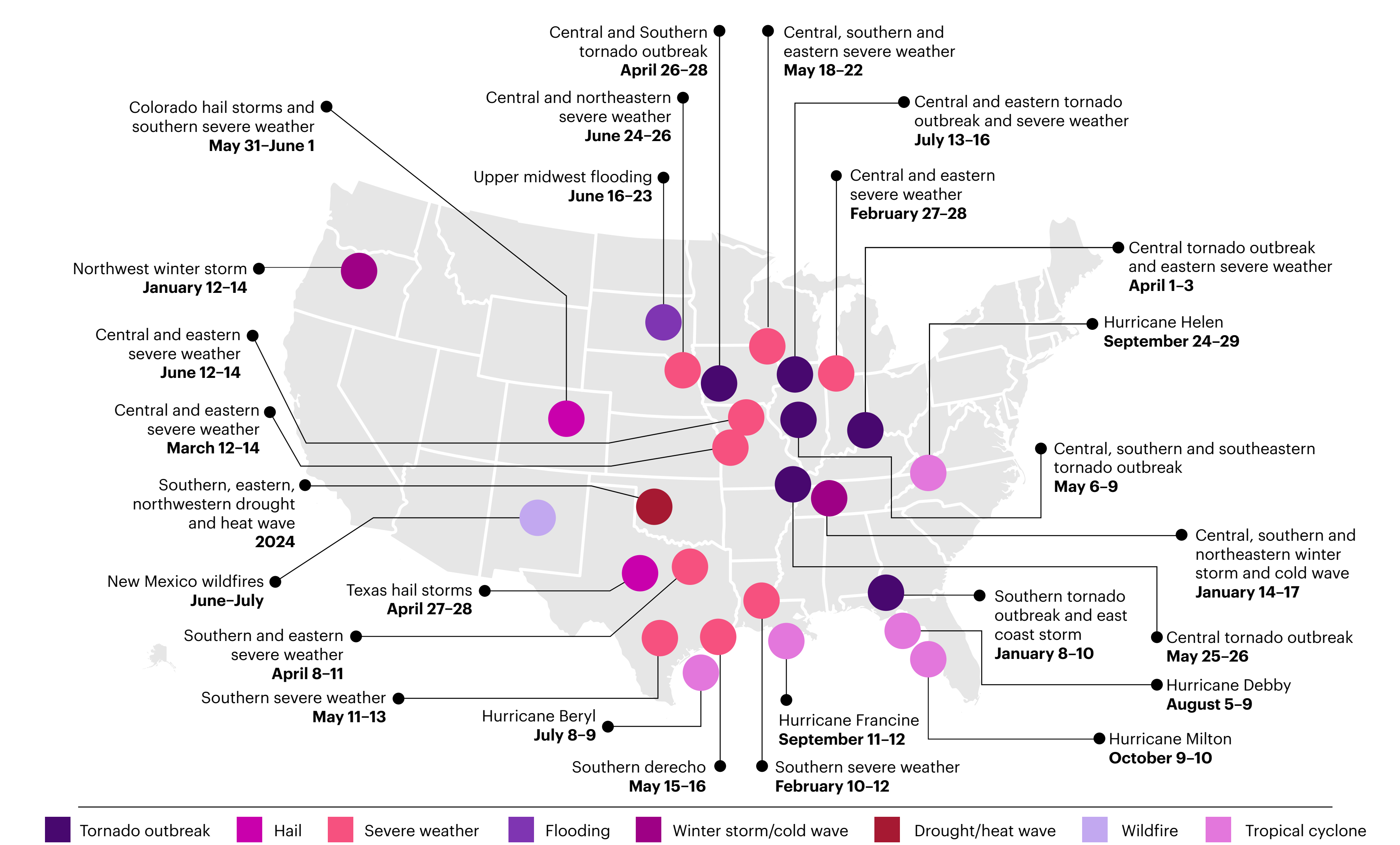
Key takeaway

The property and casualty insurance market continues to shift, with property rates continuing to stabilize and casualty lines facing mounting pressures. Despite property stabilization, carriers remain firm on rate increases for high-hazard clients and are carefully managing capacity and closely monitoring climate-related losses. As the property market becomes more manageable, the casualty market is encountering expected rate increases, re-underwriting and capacity reductions, particularly in excess liability, as legal system abuse and nuclear verdicts drive claims costs. Auto-liability rates continue to climb due to rising claims expenses and continued concerns with distracted driving, while workers' compensation remains a strong performer, offering a competitive landscape. A bifurcated market is expected to persist, with favorable business classes benefiting from increased competition and new market entrants, while high-risk accounts must differentiate themselves to mitigate premium costs. As market dynamics evolve, multi-line solutions remain a valuable strategy for middle-market clients, helping to leverage coverage and offset premiums. However, businesses must navigate new exclusions, shifting attachment points and capacity constraints, making strategic risk management and proactive renewal planning more critical than ever.

Marketplace overview

- Carriers are refocusing their attention to the middle-market segment. New entrants have made notable inroads, while established players are realigning resources, dedicating more underwriters, expanding appetite and product offerings and broadening terms and conditions to drive growth. This collective momentum, along with aggressive carrier growth goals has reinvigorated the competitive landscape for middle-market clients.
- Despite some carriers looking to expand in the space, certain carriers have moved to a more selective approach to middle-market underwriting by increasing minimum premiums, prioritizing certain industries and leveraging the most profitable line of business.
- A two-tiered marketplace dynamic continues to be prevalent. Favorable business classes such as financial institutions, professional services and technology, media and telecom remain highly competitive, with notable rate reductions and high market interest. On the contrary, certain industries viewed as high-risk, such as food and beverage, residential real estate, and social service face reduced market availability, making favorable terms and capacity harder to secure.
- Despite some capacity challenges, multi-line offerings continue to be the most competitive for middle-market clients, as they offer solutions that stand alone placements might not provide. When provided as a holistic offering, the profitability of workers' compensation allows for carriers to strategically offset necessary rate increases from other lines as well as offer solutions for lines they typically would not write on a monoline basis.
- The middle-market segment is adopting creative strategies such as alternative program structures as well as parametric and captive solutions. London and Bermuda markets also continue to take a more significant interest in capacity deployment within the middle market segment.
- As we move further into 2025, macro geopolitical and external issues are prevalent. Factors such as volatile climate conditions, inflation, tort reform, state regulation amendments and immigration reform are on insureds' minds. In addition, implications from tariffs on claims costs and the continual development of AI and technology across all industries will have an overall impact; however, to what extent remains to be seen.
- To counteract any uncertainty, proactive and strategic planning, along with consistent communication of available solutions, will be necessary for middle-market clients. Differentiation in the market and a willingness to consider alternative solutions will be key.

U.S. 2024 Billion-dollar weather and cimate disasters[1]



This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States through August 2024

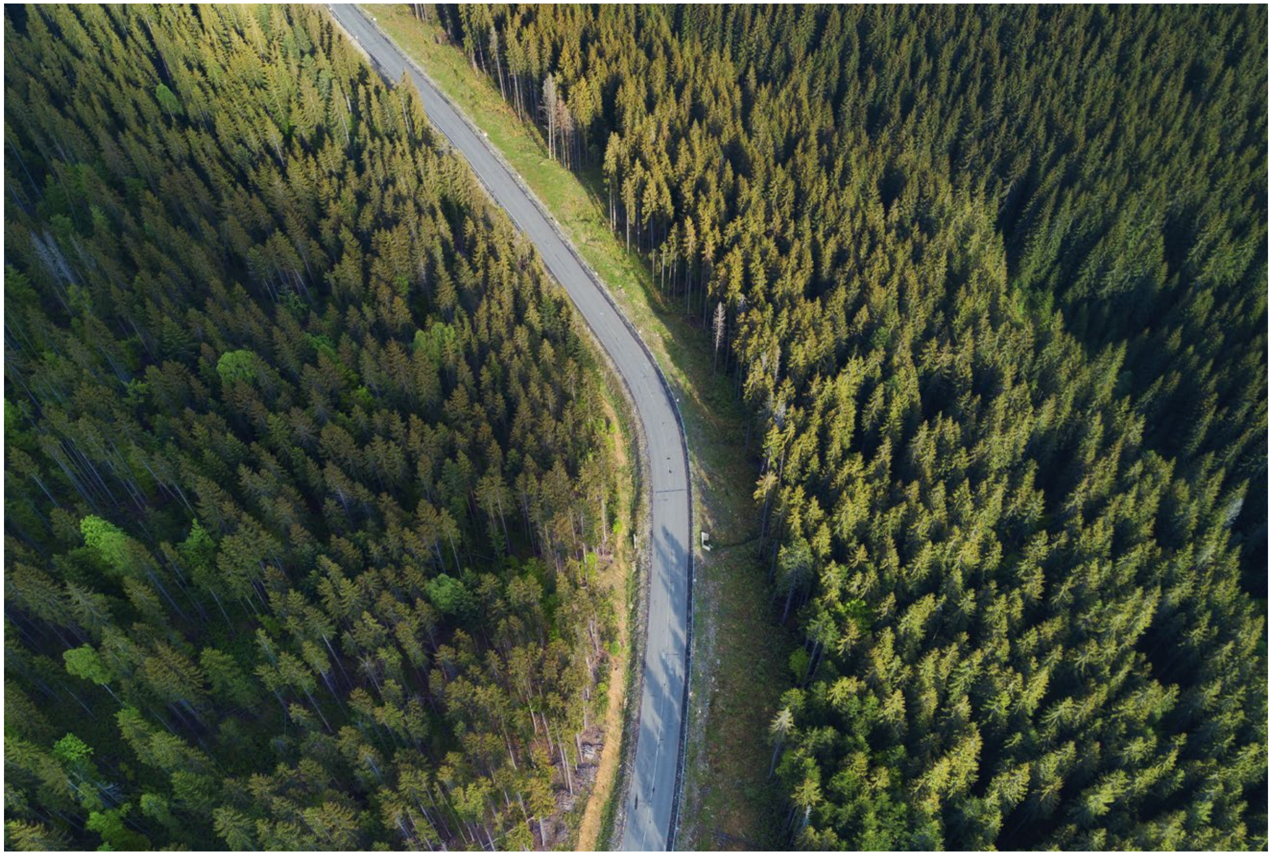
[1] 2024: Active Year for U.S. Billion-Dollar Weather and Climate Disasters," Climate.gov.
https://www.climate.gov/news-features/blogs/beyond-data/2024-active-year-us-billion-dollar-weather-and-climate-disasters

- Specialized product offerings such as active assailant, reputational risk and political risk solutions are gaining traction in both the public and private sectors within the middle-market as they provide affirmative coverage solutions in response to emerging risks.

Property

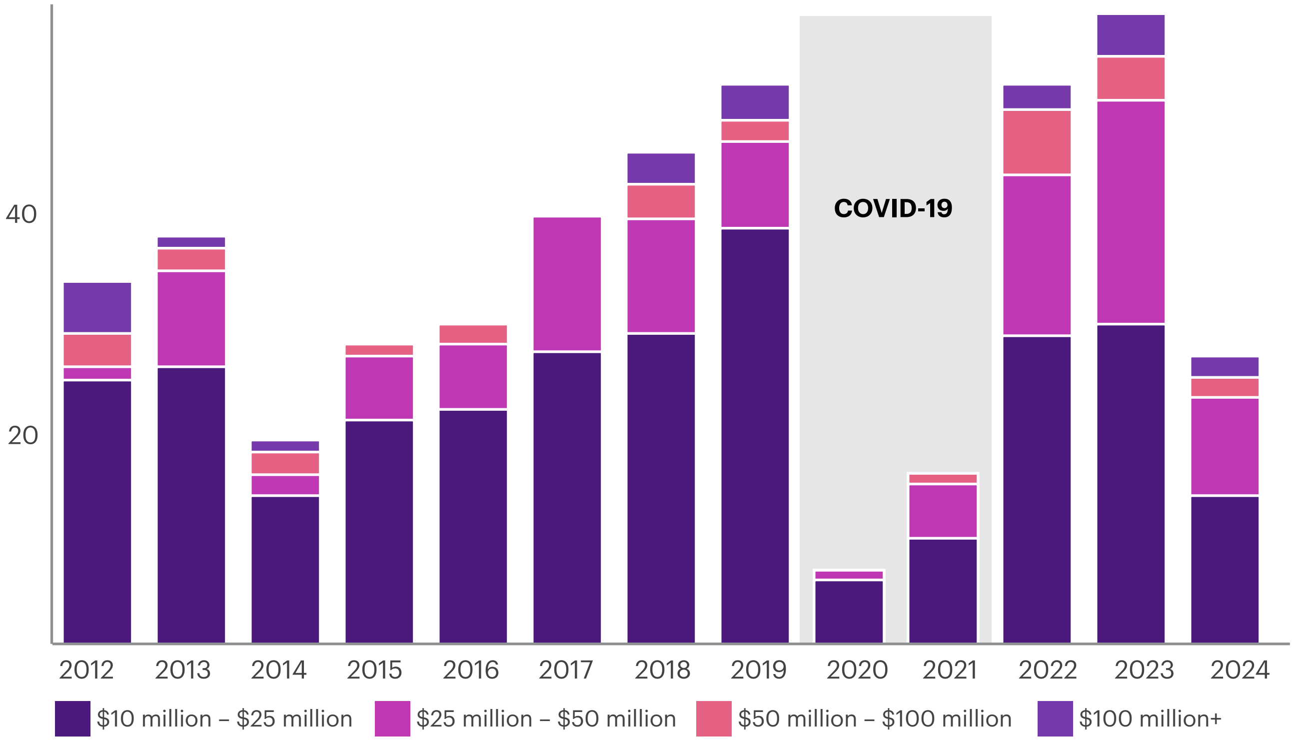
Despite 2024 marking the fifth consecutive year of catastrophic losses exceeding $100 billion, reinsurance trends eased at the start of 2025, bringing increased capacity and competition to the property market. However, insurers continue to prioritize rate adequacy and underwriting discipline, maintaining strict risk selection and adherence to underwriting guidelines.

- Carriers continue to push for adequate valuations; however, most clients have addressed their values over the past renewal cycles, slightly reducing the focus on this issue. Carriers are now prioritizing capacity management and loss control to ensure ongoing property maintenance, with a focus on roof ages, building improvements and equipment upkeep.
- Capacity constraints remain a challenge, particularly for catastrophe (CAT) exposed, challenged occupancies or schedules that continue to have valuation concerns. This has caused the restructuring of insurance programs with higher deductibles, lower limits or shared/layered programs. Package programs continue to experience higher rate increases than single-carrier or shared/layered programs.



- For non-challenged and non-CAT-exposed risks, declining rates and increased capacity are creating opportunities for previously underinsured policyholders. As the property market stabilizes, these businesses can now secure additional coverage, expand their limits and benefit from rate reductions.
- Multi-line placements offer clients the ability to offset some premium increases through other lines. However, there is still ample single-carrier capacity available, especially for favorable risks.
- The difference in conditions (DIC) market for earthquake coverage has softened significantly. Increased competition among insurers, improved capacity and a lower frequency of major earthquake events have driven down rates, making coverage more accessible. However, insurers remain cautious, closely monitoring risk aggregation and modeling potential large-loss scenarios to maintain long-term profitability.

Number of nuclear verdicts over time



Source: "Inside the Insurance Industry's Casualty Claims Handling Problem," Insurance Insider, https://www.insuranceinsiderus.com/article/2em9uz3ljp0gpo52o8v7k/industry-wide/inside-the-insurance-industrys-casualty-claims-handling-problem.

- We will continue to monitor 2025 predictions as Q1 saw significant losses from tornadoes and wildfires and the looming hurricane season is currently being predicted to have above-average activity.[2] Secondary perils pose a growing challenge, as industry models have underestimated losses from these perils such as flooding and mudslides triggered by wildfires.[3] These developments may impact the commercial insurance market, making it critical to assess their effects in the coming months.

General liability

Legal system abuse and litigation funding continue to put pressure on the liability market, with litigation frequency and verdict sizes surging. While nuclear verdicts predominantly affect large corporations, middle-market businesses are not immune, as these trends contribute to higher casualty rates throughout the industry.

- In this evolving legislative environment, insurers are struggling to accurately predict losses, leading to a greater emphasis on claims management strategies, program structure and reduced capacity for higher-risk industries. Businesses with a large premises/operations exposure are experiencing rising premiums and a reduced appetite from insurers, particularly for guaranteed cost programs.
- As real estate clients seek to diversify their portfolios, carriers are adhering to stringent underwriting guidelines around habitational, vacancy and warehouse exposure. Commercial real estate remains a favorable class; however, insurers are reducing capacity on accounts with any meaningful habitational exposure. Habitational clients, particularly those with adverse loss histories, are increasingly turning to the excess and surplus market for coverage solutions. Additionally, insurers are introducing exclusions for sexual abuse, assault and battery and human trafficking, as these have become emerging concerns within this class of business.
- Sexual abuse and molestation coverage is becoming increasingly difficult to place, particularly when the risk involves custodial exposure. Carriers that were previously silent on the issue are now implementing absolute exclusions, and as statutes of limitations are extended, many are shifting from occurrence-based to claims-made coverage triggers. Standalone coverage remains scarce and expensive. Education, non-profit, social service and hospitality clients have been the most affected by the lack of capacity.
- Per- and polyfluoroalkyl (PFAs) and biometric exclusions are becoming mandatory among most insurers. Some insurers may be willing to remove PFAs exclusions for businesses that can confirm no exposure, while others remain firm due to concerns over potential class-action lawsuits and high defense costs.

[2] National Council on Compensation Insurance, "2024 State of the Line Presentation," NCCI, https://www.ncci.com/Articles/Documents/AIS2024-SOTL-Presentation.pdf
[3] Colorado State University, "2025 Atlantic Hurricane Season Forecast," Tropical Meteorology Project, 2025, https://tropical.colostate.edu/Forecast/2025-04.pdf

- Carrier reserve increases are limiting underwriting appetite, leading to more conservative underwriting, reduced capacity, higher premiums or stricter terms. To navigate these challenges, alternative risk solutions, such as captives, as well as alternative program structures are gaining traction in the middle-market space, providing businesses with more control over their program costs.

Automobile

Despite continued efforts by insurers to raise rates, increase deductibles and implement risk control initiatives, insurers have struggled to keep pace with rising claim's costs and a high level of claims activity.

- The primary challenge in the automarketplace remains the legislative landscape and the impact of nuclear verdicts. As aggressive marketing tactics intensify, more attorneys are becoming involved in accident claims, directly driving up claim costs. Large claim payouts have made it difficult for insurers to adequately set reserves and predict future rates.
- Several factors continue to impact losses. Distracted driving remains a concern, while the trucking sector's driver shortage has led to changes in hiring practices that have negatively affected loss experience. Additionally, the rising average size (gross vehicle weight) and horsepower of vehicles have contributed to more severe collisions, and advanced vehicle technology has increased the cost of physical damage claims.
- There are limited market solutions for monoline auto-risks and this line should always be leveraged with other lines of coverages where possible for more competitive options. Double-digit rate increases are considered the new "flat" rate for this line.
- Challenging risks are facing a hard market with limited capacity and rising costs for available coverage. These include clients with large fleets, poor loss history, passenger transportation, or fleet compositions beyond private passenger vehicles.
- Underwriters are looking for more data in submissions, including Motor Vehicle Reports (MVRs), hiring procedures, safety protocols and more details on hired/non-owned exposure.
- Carriers are looking to manage risk as fleet telematics, vehicle safety measures and driver training initiatives have become standard risk management practices.

Workers compensation

Workers' compensation remains a highly profitable line for insurers, with several markets requiring this line in order consider additional lines of coverage. According to the National Council on Compensation Insurance (NCCI), 2023 marked the tenth consecutive year of profitability and the seventh straight year with a combined ratio below 90%.[4]

- In the highly regulated and competitive workers' compensation market, middle-market insurers are refining program structures and enhancing dividend offerings to stand out. Besides creative program structuring, insureds are using their workers' compensation line to leverage better outcomes in their multi-line package programs. Insurance carriers have also elevated their service platforms to create a competitive edge over other carriers in this marketplace.
- Potential challenges loom, including shifts in workforce demographics, such as an aging workforce and the rise of remote work, as well as the growing mental health crisis. Notably, New York recently passed legislation (effective January 1, 2025) allowing employees to file workers' compensation claims for certain mental health injuries related to workplace stress. Previously, this benefit was limited to first responders, making this a significant expansion in coverage. As other states consider similar measures, claim frequency and severity could rise.
- Insurers are focusing on mitigating claims frequency and severity. As auto-accidents are increasingly causing severe workers' compensation claims, insurers are advocating for technological advancements such as automation, wearable safety devices and AI-driven risk management tools to improve workplace safety and claims outcomes. Insurers continue to focus on employee concentration, ensuring they can effectively manage large-scale exposure across industries.
- While workers' compensation policies remain competitive, insurers are increasingly focused on key cost drivers, particularly loss costs and healthcare expenses. According to NCCI, loss costs have been rising due to higher claim severity and frequency, particularly in industries with higher injury risks. Additionally, while medical claim severity increased by just 2% in 2023, insurers remain cautious about potential spikes in medical inflation, which could trend alongside overall consumer price index (CPI) increases.[5]

[4,5] National Council on Compensation Insurance, "2024 State of the Line Presentation," https://www.ncci.com/Articles/Documents/AIS2024-SOTL-Presentation.pdf

Umbrella and excess liability

As anticipated, loss development and reserve increases due to legal system abuse and litigation funding are now impacting umbrella and excess liability lines. New exclusions, shifting attachment points and reduced capacity are prompting the restructuring of excess towers, often requiring quota-share layers and multicarrier placements.

- An increasing number of insurers with both supported and unsupported lead capabilities are reducing limits on difficult risks (e.g., manufacturing, retail, real estate).
- Supported lead umbrellas remain more competitive as the carrier can manage the litigation/claims handling process for both the primary and lead. For desirable classes (e.g., financial institutions, professional services, technology), supported insurers can provide more capacity, typically up to $25 million. Carriers are using supported capacity to obtain a competitive advantage over other carriers who have capacity constraints in the lead layer.
- For unsupported leads, insurers are scaling back their appetite, reducing capacity and applying greater scrutiny to limit deployment and attachment points.
- Excess insurers, previously comfortable offering $25 million layers, are scaling back to $10 million to $15 million, with some taking a blanket underwriting approach across all industries. Moreover, carriers have increased their minimum premiums, driving increases throughout the excess layers.
- Higher-risk industries and clients with larger fleets have been required to consider higher attachment points by lead markets. In scenarios where the primary market cannot offer higher attachment points, buffer layers are being introduced.
- Risk Purchasing Groups (RPGs) are still a viable option, but tightening underwriting standards are leading to longer processing times. With shrinking capacity, higher attachment points, increasing insurer turnover and rising rates, traditional excess towers are now potential solutions as before they were not able to compete with total capacity and pricing.
- Certain exclusions are now becoming prevalent on excess towers. These exclusions include PFAS (or "forever chemicals"), abuse and molestation, traumatic brain injury, wildfire, assault and battery, human trafficking, and biometric risks. Where exposures exist, insurers are either restricting coverage, limiting capacity or requiring higher attachment points, making it more challenging for businesses to secure comprehensive coverage.
- The rising frequency of punitive damage awards is driving the need for affirmative coverage solutions, such as punitive wraps or "Most Favorable Venue" provisions. These awards are a key factor behind nuclear verdicts, pushing insurers to reassess their risk appetite and coverage strategies.
- As pricing continues to increase and terms are being curtailed, clients are reviewing their contractual requirements to gauge how much limit they are required to purchase. Benchmarking has become a more prevalent analytical assessment.

Recent outcomes of high-profile nuclear verdict cases

State	Verdict details	Amount	Additional Information
Pennsylvania[6]	Former Roundup user won case	$250 million	$2 billion in punitive damages ordered
Texas[7]	Wrongful death case	$100 million	Ongoing appeals for over a decade
Missouri (St. Louis)[8]	Fatal crash involving Wabash National	$462 million	Case from a May 2019 crash
California[9]	Man burned by Starbucks Tea	$50 million	Award expected to exceed $60 million, including interest, fees and costs

[6] Insurance Journal, "2024 Commercial Lines Rate Trends," Insurance Journal, January 29, 2024, https://www.insurancejournal.com/news/national/2024/01/29/757488.htm
[7] Trucking Times, "Texas Supreme Court Rules on Werner Case," Trucking Times, https://www.ttnews.com/articles/texas-supreme-court-werner
[8] Commercial Carrier Journal, "Wabash Hit with Nuclear Verdict in 2019 Underride Deaths," Commercial Carrier Journal https://www.ccjdigital.com/regulations/article/15683470/wabash-hit-with-nuclear-verdict-in-2019-underride-deaths
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Canada Casualty

Rate predictions

Casualty

General liability, low/moderate risks
−5% to flat

General liability, high-hazard risks
Flat to +7.5%

Umbrella/excess liability, low/moderate risks
−5% to flat

Umbrella/excess liability, high-hazard risks
Flat to +5%

Auto-liability
Flat to +10%

Key takeaway

The Canadian insurance marketplace is expected to experience prolonged stability and manageable pricing. However, new external pressures and rapidly evolving changes to tax and regulatory regimes will create a push to define its independent profile and value proposition while providers and buyers are forced to quickly adapt and modify priorities as they navigate unpredictable challenges together.

General liability

- In a capacity-abundant marketplace where reliance on rate-driven growth remains an unsustainable long-term strategy, account-rounding underwriting strategies have found commonplace, allowing carriers to maximize success while becoming a growing expectant among insureds looking for saving opportunities.
- Carriers are increasingly concerned about accepting risks with significant foreign exposure, particularly from the U.S., and prefer Canadian-domiciled exposure or a well-balanced portfolio.
- The unpredictable pace at which new tariffs will affect Insureds, and their operations will increasingly require them to reconsider their strategies and global footprint, while carriers will need to anticipate how these tariffs impact future claims settlements and associated costs, challenging low and moderate rates.
- The appeal of the Canadian market is rising with Insureds weighing options, opting to use the benefits of a steady Canadian-domiciled opportunities.
- Additional guidance sought from broker partners by insurers as market takes on more affirmative positions on key topics including tariffs, climate change, ESG and PFAS, that look to limit cover offers.

Automobile liability

- Remains core to overall Canadian net-written premium and is expected to grow. Continues to be the leading casualty line experiencing stable year-over-year rate increases and still profitable for carriers in comparison to a highly challenged U.S. market. Carriers with a North American presence benefit from the diversification, often using the Canadian market to support strong overall results.
- Anticipated growth in new-entrant capacity comes from both first-time product offerings and former players making a return. This new capacity aims to help Carriers expand as a meaningful player in the primary casualty space, using it as an account-rounding strategy.
- Insureds are increasingly considering the financial and operational benefits of shifting from owned fleet assets to leasing strategies. Meanwhile, carriers see heightened concern about lost controls over driver hiring, safety protocols and vehicle maintenance.
- Premium savings are primarily driven by the introduction of new competition in the market.
- Persistent rises in theft, replacement and repair costs, particularly as vehicles modernize, are placing further pressure on premiums and claims management strategies.

Umbrella/Excess liability

- Insureds are using savings to purchase additional umbrella/excess liability limits while cost to purchase are low, taking advantage of the current favorable pricing before potential increases due to the unpredictable value of the Canadian dollar.
- A continued focus on well-diversified risk portfolios, with particular attention to rates on working layers above U.S. risks, where substantial claims are possibly rising and have the potential of penetrating.
- Despite the expected rise in claims settlement costs and expenses, carriers continue to deploy large lines of capacity, which remain available at competitive rates.
- The introduction of new MGAs has increased available capacity, challenging existing providers and creating opportunities for market rates to remain suppressed as these new markets compete aggressively for market share.

Geopolitical influences and foreign interference prompt a return to unpredictability and uncertainty, leading to more conservative behavior in response.

- Operational decisions continue to be reshaped and re-evaluated due to ongoing challenges in predicting how geopolitical decisions will influence new tax and cost regimes.
- Insureds are adopting highly cautious approaches to purchasing, carefully evaluating carriers based on risk, the totality of their insurance solutions and factors like mergers and acquisitions, expansion of foreign or global operations, rethinking their workforce strategies, upcoming contractual arrangements.
- Amid uncertainty, Insureds will implement slowed, measured decision making to reassess their insurance strategies, by maintaining cautiously static on the structure of their insurance solutions or by evaluating the adequacy of their current coverage to ensure comprehensive protection in a volatile global landscape.

Continued focus on investing in and advancing the utility of AI-generated modeling.

- Canada remains a moderately growing country for development and adoption, benefiting from where there's global outreach and influence. However, it must navigate and adapt to the varying legislation and distinctions across Canadian jurisdictions.
- Leveraging digitalization will continue to target enhancing the client experience, reducing overhead costs and redundancies, streamlining claims settlement processes and strengthening fraud detection capabilities.
- Carriers have largely revisited their pricing models over the last five years, recognizing that aging and ineffective models were no longer suitable in a rapidly changing environment, and driven by the need to remain relevant and competitive.
- Risk differentiation is significantly impacting underwriting, serving as a powerful tool against outdated beliefs and models.

The business landscape continues to present challenges, tightening contractual obligations and highlighting the need to reevaluate and understand the consequences of poor risk management and employ strong risk transfer solutions.

- Rise in the focus on environmental impairment, employment practices liability, product recall and professional liability coverage, with these becoming increasingly contractually mandated in recent years as insureds adopt stronger risk transfer strategies to protect themselves and ensure adequate protection against potential claims.
- Environmental, social and governance (ESG) risks are increasingly driving liability losses, particularly in product liability, environmental liability, employment practices, cyber/data privacy breaches and construction liability. There's a heightened expectation to reconsider risk transfer solutions to better protect the company, with more emphasis on paying for coverage to address emerging exposure gaps.

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Canada Property

Rate predictions

Non-catastrophe exposed
–10% to flat

Catastrophe exposed
Flat to +10%

Key takeaway

The Canadian property market continued to stabilize into 2025 with ample capacity from both new-entrant and incumbent markets driving rates downward as insurers compete for premium share. Top-line growth has been the key message from insurers throughout Q1 2025. These conditions exist despite 2024 experiencing the largest amount of insured natural catastrophe losses (circa CAD $8.5 billion) in Canada. Concerns arising from the impact to the reinsurance market from the Los Angeles wildfires in January 2025, and the impact of U.S. tariffs to traditional trading relationships loom over the market, but to date aren't having an impact on either capacity or rating.

Top-line growth is a key focus for insurers.

- In a rate-stabilizing market, insurers are deploying more capacity to maintain (and potentially grow) their premium share, especially on accounts with clean loss records and that aren't significantly exposed to natural catastrophe. In general, on larger quota share stretches, lead line size remains between 15% to 20%, however we're seeing more follow lines increase up to 10% to 15%, resulting in many Q1 renewals being oversubscribed.
- There's also more competition among insurers for lead position on programs, creating additional competition on both rate and terms. Incumbent lead markets are acknowledging the softening market conditions and, particularly on accounts with good loss records and managed natural catastrophe exposure, some are asking to offer lead terms to dictate their line size and terms. This competition allows Insureds to push for reduced deductibles and coverage enhancements while leveraging incumbent markets for greater rate improvements. We've seen rate reductions greater than 10% when a new market offers competing terms on the lead position.
- Finally, we're seeing insurers that have traditionally not written certain risks or industries are coming to the table with capacity as they look for premium growth. Again, this is contributing to the overall competitive environment and oversubscribed results on renewals. The oversubscription allows Insureds to select their insurer panel based upon concurrency with lead terms, thus removing term and rating variation.

Natural catastrophe risks are still a key focus, ESG less so.

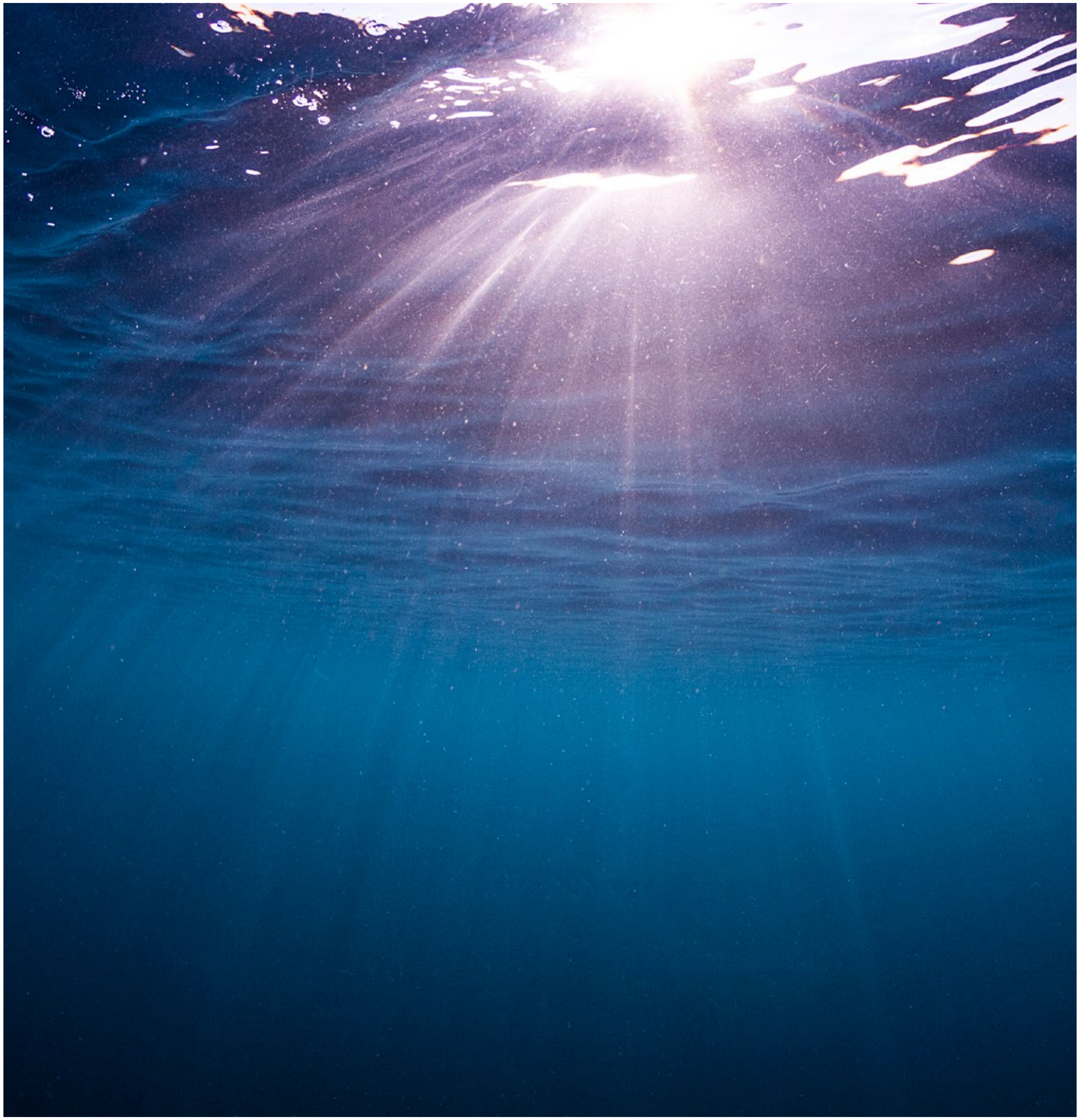
- Q2 presents numerous natural catastrophe conditions in Canada as the winter melt gives way to spring, key exposures being flood and wildfire. As such, insurers typically have an increased focus on these perils, although rates will be dictated by the frequency and severity of events and impact to commercial versus personal risks not to mention the availability of reinsurance. With the volume of large insurance programs renewing in Q2, insurers are focusing on understanding wildfire mitigation plans and flood mitigation efforts for those in high-hazard flood zones. Insureds would be prudent to have this information available for their renewal meetings and included within their submissions. Insurers also remain vigilant around earthquake in high-hazard areas such as British Columbia and the Ottawa-Montreal corridor, and named storm, as we have seen stronger named storm events impact the east Coast of Canada in recent years (and in some case, excessive rainfall in Ontario and Quebec associated with the tail end of those events).
- While insurers are looking for this information, it isn't proving to be an impediment to-date to deploying capacity, especially if insureds are able to provide information around protection and mitigation. That said, where insureds are situated within remote, forested areas, or in high-hazard flood zones, especially areas that have experienced significant losses in previous seasons, we're seeing insurers looking to apply rate increases around 10% to 15%.
- While natural catastrophe remains a key area of concern for underwriters, we're seeing less focus on ESG from underwriters during 2025. We still encourage Insureds to include information pertaining to ESG to demonstrate the quality of their risk, however we aren't seeing underwriters have as keen a focus on this topic and neither does it appear to impact capacity deployed on renewals.

Global macroeconomic conditions are creating uncertainty.

- Tariffs are presenting questions about the impact to schedule of values. Traditional supply chains may be impacted by the imposition of tariffs, and Insureds may need to react by sourcing parts/materials and selling products to new markets. This may impact the availability of products and materials and therefore increase replacement cost values. Also, some Insureds may need to move product or stockpile inventory at certain locations to mitigate the impact of tariffs. Thus, location values may be significantly different from what was originally declared on a schedule of values at time of renewal and increase the overall accumulation in a specific region. Finally, revenue streams may be impacted by changes from increased costs or a change in customer buying habits, thus impacting their business interruption forecasts.
- For the most part, insurers haven't responded with any significant changes in the market from either a capacity or rating perspective, but they are looking to understand how insureds are reacting to the uncertainty, be it price/cost changes that may impact revenue streams and therefore business interruption, changes to supply chains that may result in increased costs to manufacturing or sales, and finally activities such as product staging or movement, which may impact inventory and accumulation at certain locations.

In summary

- Market capacity is ample, and Insureds should be leveraging incumbent insurers through competition at renewal to drive improved rating and enhanced terms.
- Insureds should be vigilant about changes in their exposures due to economic uncertainty.
- Focus on natural catastrophe exposures in Canada remains key for insurers.



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Bermuda

Rate predictions

Casualty

Low hazard	High hazard
+3% to +6%	+10% to +20%

Property

General property	Natural resources/ Technical risks
Flat to –15%	Flat to –10%

Financial lines

EPL	D&O/management liability	Lawyers
Flat to +5%	–5% to flat	+5% to +15%

Wage & hour	Cyber
+5% to +15%	–5% to flat

Key takeaway

In 2025, Bermuda's insurance market reflects a shift toward renewed competition and selective growth. Property markets are softening as abundant capacity returns, particularly for preferred risks. Casualty lines remain under pressure from litigation inflation and constrained capacity, while financial lines continue to offer stability, with D&O and cyber leading innovation. Clients are increasingly structuring programs to absorb more risk, and Bermuda remains a critical platform for complex placements and global program execution.

Financial lines

Employment practice liability

Rate environment: Minimal increases for stable risks; California headcount continues to drive premium pressure for those clients with significant exposure.

Capacity: The majority of carriers managed their line size at renewals in 2023 and 2024, resulting in overall capacity now remaining stable.

Limits/retentions: On a primary layer, carriers will deploy a maximum limit of between $10 million to $15 million. Separate retentions for class actions, especially in California are still being enforced.

Wage & hour insurance

Rate environment: This continues to be a challenging product line due to a constantly evolving regulatory environment, leading to a growing number of significant losses. The extent of the rate increase faced by an insured is driven by industry, headcount exposure and loss history.

Capacity: While we saw a notable primary carrier for the middle market space exit at the end of 2024, we have since seen two new markets target this space, resulting in total capacity availability remaining relatively stable.

Limits/retentions: Carriers continue to manage capacity on any given risk with maximum limits of between $10 million to $15 million. Higher retentions are applied to insureds in higher-risk industries and those who are heavily exposed in California.

D&O/management liability

Rate environment: Rate is stabilizing in the commercial and FI D&O markets, with the majority of placements renewing with small single-figure reductions, or flat.

Capacity: Overall capacity remains stable with approximately $400 million of limit available. While we saw a market exit in Q4 of 2024, we have since seen a carrier increase their line size, as well as a new market entrant.

Executive compensation clawback: Two Bermuda carriers are now offering this coverage, with a potential third to join this year. With new regulations by the SEC these products, look to fill the gap in coverage for non-fraudulent receipt of performance bonuses for officers based on misstated financials. This coverage is exclusive to the Bermuda market.

Cyber

Rate environment: Following a couple of years of significant reductions, rates are starting to stabilize in the cyber market. For 2025, we are seeing risks renewing flat or with nominal reductions in rate.

Capacity: The Bermuda market remains stable with approximately $130 million in capacity. Carriers are continuing to offer between $5 million to $15 million on any one risk.

CyProtect bermuda: With the support of the cyber markets on the island, WTW Bermuda has been successful in switching clients onto this proprietary form to enhance their coverage.

Casualty

Rate trends: Casualty rates continue to rise, with increases ranging from +10% to +20%, mirroring trends in London and the U.S. Lower-risk accounts are seeing more modest increases of +3% to +6%, while higher-risk or loss-affected placements are experiencing hikes of +10% to +20% or more, particularly in distressed industry classes. The primary drivers remain capacity constraints and escalating litigation costs, including defense of large verdicts and settlements.

Litigation-driven settlements: Litigation inflation — formerly framed as "nuclear verdicts"— remains a significant pressure point. Accelerated settlements, spurred by reputational risk and social inflation, continue to drive severity and volatility.

Capacity shifts: Despite new entrants to the Bermuda excess casualty market, total capacity is flat to slightly shrinking. Existing markets are retrenching, with average deployed limits now $10 million to $15 million, down from historical norms of $25 million. New entrants are contributing $5 million to $10 million per risk. Notably, domestic markets that previously deployed $25 million on softer risks are now limiting exposure to $15 million within the first $100 million of program towers.

Client risk participation: As capacity tightens, clients are increasingly participating in their own risk — via quota shares or captives. In some distressed classes, client participation is not just strategic but necessary to complete program towers.

Terms and conditions: T&Cs remain stable, particularly for follow-form business, with the WTW Bermuda slip providing consistent leverage. PFAs exclusions are now standard across most sectors, unless non-exposure can be clearly documented.

Property

Following the longest period of firm trading conditions in recent memory, robust competition has returned to the Bermuda property market. Most insurers are actively pursuing growth in 2025, resulting in improved outcomes for insured, but also creating fierce competition among carriers. Retaining business has become more challenging as all players look to grow in a crowded landscape.

The increase — arguably abundance — of capacity, especially for preferred, low-hazard occupancies, is motivating carriers to pursue new opportunities in sectors and structures that may have been less attractive during harder market cycles. This shift is placing downward pressure on rates for cleaner accounts and pushing underwriters to expand risk appetite.

Carriers are expanding line sizes, introducing new layers and deploying capacity selectively, balancing market share ambitions with rate adequacy and risk selection.

While conditions have notably improved for many insureds, underwriting discipline remains critical, particularly for catastrophe-exposed accounts. The focus has shifted to monitoring emerging catastrophe (CAT) risks, including wildfire, atmospheric rivers and severe convective storms, which continue to shape strategy and profitability expectations for the remainder of the year.

Summary

Bermuda remains a key strategic market for large and complex risk placements, providing both stability and innovation in a fast-evolving global insurance environment. Clients continue to benefit from Bermuda's:

- Diverse capital base
- Tailored product development
- Expertise in complex risk layers

As carriers balance growth ambitions with underwriting discipline, the role of early engagement, strong submissions and global broking coordination is more critical than ever in achieving optimal outcomes.

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Professional liability lines

Click on the buttons to view each professional liability line

Cyber Risk

Directors and Officers Liability

Employment Practices Liability

Errors and Omissions

Fidelity/Crime

Fiduciary Liability

Financial Institutions — FINEX

Cyber Risk

Rate predictions

Cyber risk
–5% to +5%

Key takeaway

While market stabilization has continued through the first half of 2025, carriers are aiming for flat rates on all layers given rate decreases over the past 18 months. There continues to be intense competition between cyber markets looking to retain their renewals and meet aggressive growth goals.

We're currently seeing flat primary and excess cyber renewals and capacity continues to be readily available.

- Premium stabilization has continued through the first quarter of 2025, which has led to slight premium increases to follow clients' revenues and exposures. It's possible that we could see more significant premium increases toward the end of the year, as litigation that incepted at the end of 2022 and 2023 concludes.
- Underwriting decisions are heavily influenced by the security controls a company has in place in conjunction with pricing and attachment points.
- Competition is strong among markets and certain risks may receive multiple quotes. Incumbents are eager to retain business.
- Increased limit factors (ILFs) have come down in excess placements due to intense competition, especially on large towers, where there have been significant premium decreases.
- Capacity is plentiful in the market, partially thanks to new facilities able to provide significant excess capacity with flexibility to be deployed anywhere on a program above the primary layer.
- We're seeing carriers more willing to underwrite to the gray area between yes/no within the applications.

Although the fourth quarter of 2024 saw a significant decrease in median ransomware payments, other data suggests that we shouldn't expect a drastic slow down.

- According to Coveware, while median ransom payments fell 45% between Q3 and Q4 of 2024, the average ransom payment rose 16% during the same period.
- According to Cyberint's 2024 Annual Ransomware Report, in 2024, the ransomware landscape recorded 5,414 published attacks on organizations worldwide, representing an 11% increase compared to 2023.
- According to ThreatDown State of Malware Report 2025, the number of known ransomware attacks increased 13% in 2024, which included the largest ransomware payment ever by a victim (a Fortune 50 company) of $75 million.

Markets continue to grapple with how to address claims and losses stemming from wrongful collection, the use of artificial intelligence and new SEC rules.

- There are a wide variety of approaches to wrongful collection coverage, as markets assess how biometric information legislation, as well as chat bot and meta pixel litigation, increased exposure to certain organizations.
- A recognition of how organizations are using AI, the extent of the new risks associated with the technology and an examination of where coverage for these exposures lie continues to be a theme in 2025.
- As the SEC continues to expand its reach, there's more focus lately on the convergence of cyber and D&O coverages.

Specific industry trends

- **Financial institutions:** According to WTW's 2024 proprietary claims data, the financial services industry was second only to the healthcare industry in claims and losses reported. The MOVEit transfer application vulnerability had a significant impact on this industry, since more than 30.86% of the hosts running the application were financial services organizations. FIs are generally viewed as better risks than other industry classes, so there tends to be more competition among markets for this business. Further, according to Parametrix, a modeling and insurance services firm, Fortune 500 companies in the banking industry will suffer the second-largest direct financial loss ($1.149 billion) due to the CrowdStrike incident.
- **Healthcare:** Healthcare remains the industry that's been hit with the most claims and losses, according to WTW's 2024 proprietary claims data. In February of 2024, we saw the real-time devasting consequences of a ransomware cyber-attack on a large healthcare organization, as well as the downstream impact to the network of healthcare providers relying on that organization to process claims and make payments. Further, according to Parametrix, the CrowdStrike incident resulted in a total loss of $5.4 billion to downstream partners over a wide range of industries, including the healthcare sector.
- **Retail:** Our retail clients have seen a unique blend of exposures, as they regularly handle a significant amount of customer data while using social media and influencers, which involves reliance on third-party vendors to deliver their products and AI on their websites and at distribution centers.
- **Construction:** Ransomware continues to impact the construction and architects and engineers industry classes, particularly in the small and middle market space. Wire transfer fraud is the most problematic exposure in this industry class and impacts all-sized companies.
- **Manufacturing:** More companies are grappling with how to protect operational technology (OT) systems, which, if left vulnerable, can lead to large business interruption claims and information technology (IT) systems being affected during an incident. Carriers are becoming more interested in collecting OT-specific underwriting information, including whether OT and IT networks are properly segmented to prevent lateral movement should a bad actor infiltrate one system or the other.
- **M&A:** Organizations are lately focused on industry-specific enhancements and a more efficient process/approach to writing portfolio companies, which carriers have been willing to accommodate.
- **Higher education:** Underwriter scrutiny around end-of-life (EOL) systems has ramped up based on the custom software used by many educational institutions. Carriers want to see protections in place or the replacement of these systems with something more secure.

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Directors and Officers Liability

Rate predictions

Public company: primary/excess/Side A
–3% to flat

Private company: primary/excess/Side A
–10% to flat

Key takeaway

The predominant message is one of a persistent, competitive marketplace, tempered by pressures toward rate stabilization. Although reductions may still be available on a case-by-case basis, we anticipate the most likely renewal outcome to be flat for stable risk profiles. We're monitoring the potential for changes to market conditions emanating from macroeconomic factors, as well as recent D&O insurer consolidations.

Underwriting

Public company

- **Rate environment:** Initial indications from markets are likely to be flat, but there may be potential justification and support for modest decreases on a case-by-case basis.
- **Continued focus on coverage/“driving value in a stable environment”:** Where insurers may be less able to agree to more favorable pricing, they may be amenable to differentiating their offerings with other areas of value, such as enhanced coverage, including, among other areas, the addition of entity investigations costs coverage and increased sublimits where feasible.

Private company

- **Primary:** Insureds with stable risk profiles continue to see enhanced competition, with a floor of flat renewals and decreases when marketed. Carriers may offer guaranteed renewals and potentially multiyear policy terms, with a refreshed annual aggregate. The market for higher risk profiles is improving but can still be challenging; however, increases remain rare.
- **Excess:** As pricing decreases continue to manifest, we’re starting to see a flattening in increased limits factors (ILFs).
- **Retentions:** For challenged risks, carriers are pressing for higher retentions. Severity of increases most often depends on prior renewal increases and the need, if any, for continued correction. For smaller risks, lowered self-insured retentions are persistent, allowing insurers to remain competitive.
- **Increased deployment:** Carriers are willing to regularly deploy capacity for preferred risks. Additional capacity can be found for more risks. This is having an impact on market conditions more broadly, especially for more desirable risks.

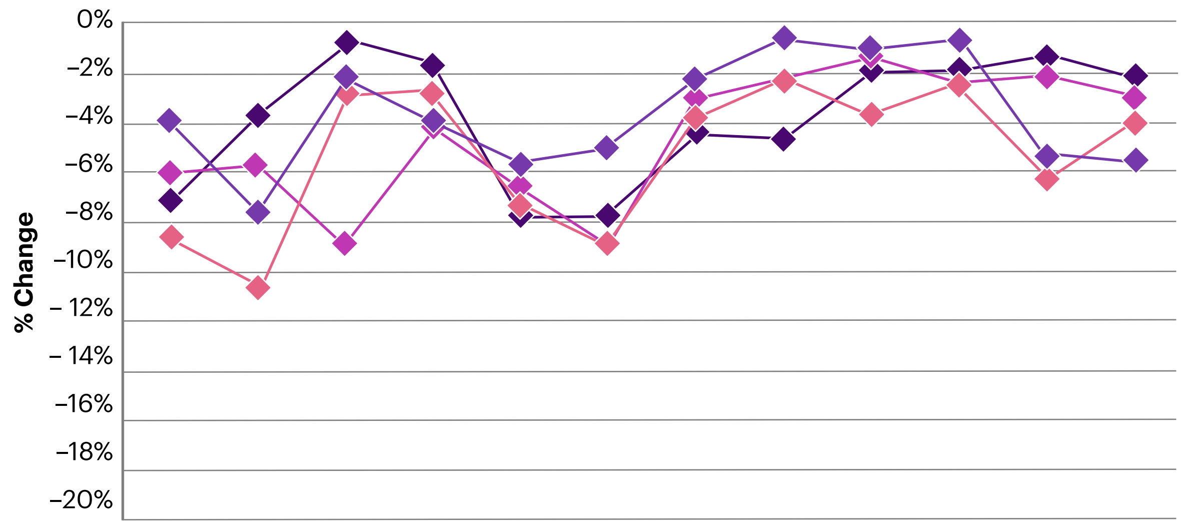
Challenged risk profiles

- Non-U.S. parent with U.S. exposures
- Liquidity challenged and pre-restructuring/ bankruptcy risks
- Challenged industries, e.g., oil and gas, healthcare, life sciences, higher education, cryptocurrency, cannabis, AI-exposed organizations
- IPOs and SPACs

Despite challenges and anticipated potential for increases, capacity remains available.

Risk profile focus

- Cyber/privacy: Adequacy of disclosures, board oversight
- Financial strength
- AI integration and adaptedness
- Management of guidance in the context of economic factors
- Industry



	Jan/Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Primary	–7%	–4%	–1%	–2%	–8%	–8%	–4%	–5%	–2%	–2%	–1%	–2%
All ABC Layers	-6%	–6%	–9%	–4%	–7%	–9%	–3%	–2%	–1%	–2%	–2%	–3%
Lead Side A	–9%	–11%	–3%	–3%	–7%	–9%	–4%	–2%	–4%	–2%	–6%	–4%
Total	–4%	–8%	–2%	–4%	–6%	–5%	–2%	–1%	–1%	–1%	–5%	–5%

Source: WTW proprietary data

- Claim history
- Loss-cost escalation
- Systemic exposures
- Adaptability to changes in U.S. presidential administrations, including regulatory uncertainty, economic policy shifts and pressures surrounding ESG practices accommodate
- Exposures to government funding
- Conflicting shareholder/political pressures surrounding ESG practices, including DEI

Industry notes

- **Aviation:** With recent headline news surrounding airlines, there's moderate concern about resulting D&O litigation. This could create pressure for rate increases if claims materialize. That said, for both private and public aerospace companies, D&O capacity remains abundant, which continues to provide competition and leverage in this space.
- **Healthcare:** As to private/not for profit (primary), potential heightened premium depending on claims activity or M&A. Also, there's some pressure on antitrust retention and coinsurance.
- **Natural resources:** The impact of tariffs, political uncertainty around solar tax credits and recent bankruptcies in the space have created headwinds for many renewable-focused firms.
- **Real estate, hospitality, leisure:** Premium reductions continue to be achievable for most real estate/hospitality clients; however, adverse headlines around commercial real estate debt have led some carriers to hold the line or walk away after 2 to 3 years of premium decreases. Carriers continue to recognize the favorable risk profile of real estate/hospitality companies based on limited claims track record and favorable loan-workout provisions which rarely lead to claims even in the event of debt foreclosure at the property level. While pricing may be at or close to the bottom of this market cycle, legacy carriers are showing a willingness to expand primary coverage beyond market-standard coverages.
- **Retail and distribution:** We continue to monitor potential increases in bankruptcy filings within the sector as we move throughout the year.
- **Sports and entertainment:** There's limited capacity for sports companies, particularly with respect to primary capacity. Entertainment companies aren't quite as restricted, and most

Industry-specific D&O rate predictions and notes

Industry	Primary (Public)	Excess/Side A (Public)	Primary (Private, NFP)	Excess (Private, NFP)
Aviation	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Construction	–3% to flat	-3% to flat	–10% to flat	–10% to flat
Government contracting	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Healthcare	–3% to flat	-3% to flat	Flat to +10%	Flat to +7%
Higher education	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Life sciences	–5% to +10%	–5% to +5%	–5% to +5%	–5% to +5%
Marine	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Natural resources	–3% to flat	-3% to flat	–5% to flat	–5% to flat
Public entities	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Real estate, hospitality, leisure	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Retail and distribution	–3% to flat	-3% to flat	–10% to flat	–10% to flat
Technology, media, telecommunications	–3% to flat	–3% to flat	–10% to flat	–10% to flat
Transportation	–3% to flat	–3% to flat	–10% to flat	–10% to flat

carriers will consider risks on a case-by-case basis. High-profile athletes, conferences, teams and entertainment companies attract outsized attention from the public. As such, they draw the scrutiny of regulators, social groups, social media and competitors, which can drive class actions, antitrust actions and regulatory investigations. The ban on transgender athletes in sports also has generated actions at the state and federal level. Significant issues also arise in the context of new economic models and landmark legal settlements, particularly with respect to "name, image and likeness," revenue sharing, anti-trust Title IX discrimination, intellectual property, contract and labor relations and more.

- **Technology, media, telecommunications:** From an AI perspective, we're seeing an increase in use of AI by insureds and an increase in underwriting questions as a result, but no coverage ramifications yet, however, being closely monitored.

Developments and market driving issues

D&O claim trends

- Securities class action (SCA) filings: 67 SCAs were filed in the first quarter of 2025 (information accessed April 23, 2025) which, annualized, would be 268 filings for the year. If this figure were to manifest, it would represent a 19 percent increase over 2024 filings and a 26 percent increase over 2023 filings (source: Cornerstone Research, Securities Class Action Filings: 2024 Year in Review). The average SCA settlement in 2024 was $43 million, largely in line with 2023 ($46 million) and 2022 ($40 million). The median settlement in 2024 was $14 million, equal to the median settlement in 2023 and 2022 Recent Trends in Securities Class Action Litigation: 2024 Full-Year Review.
- The Securities and Exchange Commission (SEC) filed 26% fewer enforcement actions in fiscal year ending September 2024 than in FY 2023–583 in FY 2024 versus 784 in FY 2023. Recoveries, however, were a different story: the SEC recovered $8.194 billion in penalties and disgorgement in FY 2024, higher than the average annual recoveries of $4.853 billion over the five previous fiscal years.
- While the above data suggests claim trends aren't likely to have a material impact on market conditions in 2025, we caution that settlement and recovery sums in any given year may not be reflective of current D&O conditions. In fact, they are lagging indicators, often more accurately revealing facts specific to cases filed in previous years and without reference to the amount of D&O insurance used to resolve the matters. This last point is especially true with enforcement actions, where D&O coverage for corporate entities, and for fines and penalties on a broader basis, may be more restricted.

Changes in presidential administrations

- The new U.S. president appointed former SEC commissioner, Paul Atkins, as Chair of the SEC. With Atkins being a critic of the prior administration's regulatory approach, companies and their directors and officers may anticipate diminished regulatory risk under an Atkins-led SEC. Among other things, on March 27, 2025, the commission voted to end its defense of the rules requiring disclosure of climate-related risks and greenhouse gas emissions.
- In the spring of 2025, the SEC is facing scrutiny from the administration's Department of Government Efficiency (DOGE), which is seeking to cut costs and purportedly streamline operations within the agency, including potential staff reductions and a review of other existing regulations, also including, possibly, if not likely, the previous administration's regulations on cybersecurity disclosure.
- In February 2025, the president signed an executive order directing the Justice Department to pause prosecutions of Americans accused of bribing foreign government officials. The change has already resulted in at least one court granting the government's request to end its prosecution of a case brought under the federal Foreign Corrupt Practices Act.

Macroeconomic factors

- As of this writing (April 23, 2025), global stock indices are reacting negatively from U.S.-led imposition of tariffs, driving concerns of rising inflation, slowed economic growth, supply chain disruptions, heightened unemployment (perhaps exacerbated by government layoffs and budget cuts and the potential rippling effect on the private sector). The change in administrations may also generate crosscurrents brought on by additional, possibly fast-moving and difficult-to-predict policy changes. Companies that don't accurately disclose the current and likely future effects of these market forces on their businesses (particularly profitability and cash flow) or who fail to adequately oversee a corporate response, may see claims as a result.
- We caution that government policy and other macro-economic forces can shift quickly. Looking ahead, we'll monitor developments and report on the impact of all of these issues on businesses, D&O risk and D&O liability insurance market conditions.

Artificial intelligence (AI) as a D&O risk

- From traditional AI to augmented to fully autonomous AI, AI presents risks to companies across numerous lines of coverage. As a D&O

risk, AI is used to provide data and support to corporate decision makers, leading potentially to questions of the sufficiency of oversight and due diligence. The adequacy and accuracy of investor disclosures relating to the use and scope of AI are also areas of potential risk.

- The SEC initiated enforcement actions in FY 2024, including a settlement with investment advisor firms related to alleged practices known as "AI washing," or the overstatement or the misleading of investors as to a company's AI capabilities, or the extent to which the company has incorporated AI into its operations or products. Charges were also brought against a foreign investment advisor for purportedly making false statements about the firm's AI technology and its ability to generate above-market returns. In October 2024 (FY 2025), the SEC settled another AI-washing matter involving an investment advisor.
- Beyond SEC activity, shareholders filed AI-washing related SCAs against companies and their directors and officers. As of this report (April 23, 2025), 46 AI-related SCAs have been filed, asserting allegations primarily limited to misrepresentations about the role of AI in business operations, with one recent case, filed in January 2025, alleging inadequacy of disclosures related to the use of AI as potentially cannibalizing the company's business.

Bankruptcy and insolvency risk

- Business bankruptcy filings totaling 22,762 through the fiscal year ending September 2024 reflected a 33% increase year-on-year, continuing an upward trend since 2021; however, 2024 figures are relatively flat compared to the number of filings in the pandemic year of 2020. To the extent, if at all, the new president's policy changes (including the imposition of tariffs and budget cuts) give rise to deepening economic instability, this may result in increased business insolvency and bankruptcy risk.
- Bankruptcy-focused D&O coverage specialization is essential in times of uncertainty. Companies with any inkling of upcoming issues should reach out sooner than later (but it's never too late) to specialized D&O brokerage distressed risk teams.

The challenges of managing environmental, social and governance (ESG) risk

- ESG concerns have been a prominent area of discussion related to D&O risk for several years. Initially, organizations faced pressure from shareholders, regulators and other stakeholders, to address ESG from operational, cultural and investment perspectives. Globally, ESG-focused regulation has expanded, including SEC rulemaking and legislation in California and the EU. At the U.S. federal level; however, ESG backlash has resulted in the SEC voting to end its defense of rules requiring disclosure of climate-related risks and greenhouse gas emissions and advising the court in consolidated proceedings in the Eighth Circuit challenging the rules that it would withdraw its defense of the cases altogether. Moreover, authorities in several U.S. states have pushed back on ESG initiatives.
- Given the proliferation of anti-ESG forces in the U.S., it might be difficult for many domestic companies to imagine climate change disclosure to be a meaningful ongoing risk. Companies, however, should not overlook what has become a web of global regulatory complexity around the subject, where much of the world may require compliance with comprehensive disclosure schemes just as, domestically, similar requirements may be disappearing. A fresh reminder of this is the news in April 2025 that a Deutsche Bank-owned asset manager, DWS, was fined 25 million (approximately $27 million) by German authorities for activities arising from greenwashing allegations.
- One exception to anti-ESG forces in the U.S. may be California's legislation, Senate Bill 219 – "Greenhouse Gases: Climate Corporate Accountability: Climate-Related Financial Risk" – signed into law in September 2024. As a general matter, the legislation requires companies with significant revenues in California that do business in the state to publicly disclose greenhouse gas emissions data and climate-related financial risk reports. Although predictable legal challenges to the law are pending, disclosure deadlines are still slated for 2025 and 2026. On April 8, 2025, the US president issued an executive order addressing what it calls "state overreach" with respect to climate change policies. Its impact on the California law remains to be seen.
- Another element of ESG risk, that of diversity, equity and inclusion (DEI), is also marked by backlash and uncertainty, with some businesses announcing rollbacks to DEI programs or, at least, diminishing their maintenance and promotion of quantitative, time-bound DEI goals within their sustainability reports. In addition, three states restricted DEI offices at public universities in 2024, and three additional states prohibited colleges from requiring diversity statements in hiring and admissions. Lawmakers in at least 10 other states have proposed legislation related to DEI in higher education. Most recently, the Fifth Circuit Court of Appeals struck down SEC-approved Nasdaq rules designed to encourage more diverse company boards.

Changes in Delaware corporate law

- The State of Delaware, in a move designed to mitigate the risk of companies re-incorporating elsewhere, adopted Senate Bill 21 (SB 21) into law on March 25, 2025, modifying provisions of the state's corporate laws. SB 21 law largely lessens stockholders' rights relative to claims involving controlling stockholders, particularly as they relate to purportedly conflicted transactions.
- The changes resulting from SB 21 will likely impact shareholder cases in Delaware that come in the form of direct actions or derivative suits for breaches of duty, especially those involving controlling shareholders and allegedly conflicted transactions. Cases related to going-private transactions might also be easier to defend. Yet it should be borne in mind that SB 21 doesn't alter the laws of states other than Delaware or any corporate or D&O liabilities under the federal securities laws.
- SB 21 also limits the scope of materials that shareholders can request in Section 220 books and records demands.
- With the enactment of SB 21's, there's sensible justification for Delaware corporations to present themselves to insurance markets at renewal as more favorable risks than before. The same may be true of companies re-incorporating in Nevada or Texas (or other states) which also have some favorable liability limitations.
- For a more complete discussion of SB 21 and its impact on D&O risk, see our article: "Changes in Delaware corporate law: A D&O liability and insurance perspective."

Cyber and D&O: Connected exposures

- D&O risk relating to cybersecurity exposures isn't new, of course, with securities litigation arising from large scale cyber events going back to at least 2017. Since then, 34 cyber-related SCAs have been filed; however, this figure doesn't include related derivative litigation, government investigations or enforcement proceedings.
- In fact, D&O risk relating to cyber incidents may be more pronounced than earlier thought. WTW has undertaken research into the relationship between cyber and D&O risk. Below are a few key takeaways:
  - Cyber incidents increase the likelihood of D&O claims: The risk of a large public company having an SCA filed against it in a given year goes from 5% to 68% if it has experienced a substantial cyber incident.
  - Cyber incidents often lead to corporate derivative suits, which allege that directors and officers failed to provide sufficient oversight. It should be noted, though, that a substantial portion of the alleged damages in such derivative suits can be mitigated by recoveries from cyber policies, reducing D&O exposure.
  - WTW analytics suggest growing evidence of a correlation between D&O events and the state of a company's cyber hygiene as a proxy measure for governance generally.
  - State-of-the-art analytics can be most helpful in designing optimal insurance programs, particularly if they take into account the follow-on exposure which cyber incidents pose to directors and officers.
  - Recently, several insurers have been willing to offer coverage enhancements for cyber and D&O policies (for example, coordinated retention credit on D&O policies, SEC disclosure costs on cyber policies) which perform optimally when coordinated.

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Employment Practices Liability

Rate predictions

Domestic and Bermuda markets

Flat to +5%

Key takeaway

The EPL market continues to be competitive with markets eager to write new business and maintain their renewals. However, we do expect rate adjustments may be made in more problematic jurisdictions and industries.

Competition is still strong and keeping the EPL market stable, but change is ahead.

- **Rates:** While we do expect to see mostly flat renewals, there will be modest rate increases in high-risk jurisdictions and industries. Outside of those high-risk jurisdictions and industries and assuming no change in risk profile and no losses, rate increases are more likely to be close to or at flat. California continues to be the most problematic jurisdiction for insurers. New Jersey, New York, Illinois and Florida remain challenging as well.
- **Retentions:** While many retentions have stabilized, loss history and location of employees may still lead to increases in retentions. Markets continue to seek separate retentions for class actions, especially in California. Moreover, some domestic markets have also sought separate retentions for high-risk states (e.g., California, Illinois, New York and New Jersey) and sometimes even county-specific retentions. In many instances, there are separate (higher) retentions for highly compensated employees in certain industries.
- **Limits:** Both Bermuda and domestic markets are managing their capacity on any given risk. Domestically, markets are providing between $5 million and $10 million. In Bermuda, markets are cutting back to $15 million ($10 million in some instances).
- **Excess:** EPL markets are generally following primary increases in addition to looking to adjust increased limit factors (ILFs) for certain risks.
- **Capacity:** Overall capacity in the EPL market is stable.
- **Underwriting:** Expect some questions regarding how the company is approaching DEI programs and compliance with the new executive orders, how the company is managing EPL exposure in the new political environment, use of AI in employment decision and compliance with state pay transparency laws. Many markets have separate questionnaires for biometrics, sexual harassment and pay equity and some markets have started to utilize separate questionnaires for compliance with state pay transparency laws.
- **Coverage:** Coverage remains intact; markets continue to add privacy/biometrics exclusions, and in some cases, broaden existing exclusions. Small sublimits for defense cost coverage are available from certain insurers upon satisfactory completion of the previously mentioned biometric questionnaires.

Industry-specific EPL rate predictions and notes

Industry	Rate prediction
Aviation	Flat to +5%
Construction	Flat to +5%
Food and beverage	Flat to +5%
Healthcare	Flat to +5%
Life sciences	Flat to +10%
Marine	Flat to +5%
Natural resources	Flat to +5%
Public entities	Flat to +10%
Higher education	+10% to +25%
Government contracting	Flat to +5%
Sports and entertainment	–5% to +10%
Real estate, hospitality, leisure	–10% to flat
Retail and distribution	Flat to +5%
Technology, media and telecom	Flat to +5%
Transportation	Flat to +5%

Industry notes

- **Healthcare:** Healthcare accounts will likely continue to see pressure on physician and/or high-wage earner retentions.
- **Sports and entertainment:** Capacity for sports clients is limited given the headline grabbing risks of high-profile athletes, conferences and teams. For entertainment clients, high CA exposure can be challenging to achieve lower retentions.
- **TMT:** From an AI perspective, there's an increase in use of AI by insureds and an increase in underwriting questions as a result, but no coverage ramifications yet.

DEI initiatives under scrutiny

- The President has issued several executive orders addressing DEI within federal agencies and the private sector. The executive orders are aimed at rooting out illegal DEI and discrimination. There are ongoing legal challenges to the subject orders.
- The EEOC has issued two technical assistance documents – one is done jointly with the Department of Justice and is titled, "What To Do If You Experience Discrimination Related to DEI at Work" and the second is issued solely by the EEOC and is titled, "What You Should Know About DEI-Related Discrimination at Work."
- As a result of the current environment, we anticipate there will be an increase in discrimination claims. The EEOC has also started to investigate DEI-related programs and initiatives at major law firms.
- The U.S. Supreme Court heard argument in the Ames v. Ohio Department of Youth Services case and will decide what a majority-group plaintiff must prove in a discrimination case.
- Companies should examine their DEI policies and initiatives with counsel to ensure they comply with all laws and regulations.

Focus on use of artificial intelligence in employment – less federal regulation

- The current administration is focused on the development and use of AI rather than regulating it. As such, guidance previously issued by the EEOC and DOL has been removed from their websites. We do not expect to see any federal regulation restricting the use of AI in the employment context.
- As a result, we will likely continue to see regulations at the state level, creating a patchwork of laws. There are already regulations in place in NYC, Colorado, California and Illinois and bills proposed in other states.

Pay transparency laws lead to an increase in claims activity

- With 14 states and eight municipalities passing pay transparency laws, litigation has been on the rise.
- The claims have been most prevalent in Washington, but there has been litigation as to who is considered a "job applicant." The Washington Supreme Court will address this question in *Branson, et al. v. Washington Fine Wines & Spirits, LLC*.
- Given the increased claims activity, some markets have separate questionnaires regarding compliance with state pay transparency laws, particularly for Washington.

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Errors and Omissions

Rate predictions

Large law firms	Mid-size law firms	Management consulting firms
+2 to +8%	**Flat to –5%**	**–5% to +15%**

Key takeaway

While primary markets have realigned their pricing to account for long-term loss trends, rate increases for large law firms have been lower this cycle. Although London markets continue to seek increases on primary and excess business, Bermuda markets are seeking high, single digit to low, double digit rate increases on excess business and cutting capacity, creating challenges for larger law firms.

Lawyers

- The frequency and severity of LPL claims are at an all-time high. Although there has been some leveling recently, claims are now routinely exceeding $100 million. Underwriters that have historically underpriced these layers, especially those in Bermuda, are now seeking additional rate.
- There's a current focus on White House executive orders targeting high profile law firms and the potential for claims arising out of those orders, including those that may result if new initiatives are implemented to replace DEI.
- As the use of AI by lawyers increase, there are concerns with oversight and compliance with professional ethical standards. Underwriters are focused on risk management issues, including training/supervision, ensuring the accuracy of AI used, ethical obligations, impact on revenues and long-range implications on the overall practice of law.
- While the market is stable, carriers are taking measured rate increases to adjust for inflation and individual firm loss experience. Although excess carriers continue to seek rate adjustments, most primary carriers have reached rate adequacy and are moderating their premium targets based on underwriting criteria.
- Excess markets are still experiencing claims penetration and continue to correct historically low premiums.
- Carriers are continuing to push for higher retentions and using a firm's revenue as a basis for this increase.
- Underwriters are paying particular attention to the following:
  - Financial stability of law firms
  - AI and law firm's controls over its use
  - Cybersecurity and ensuring that there are redundancies are in place (several firms were impacted by CrowdStrike)
  - Law firms working with entities in sanctioned countries

Consulting firms

- Underwriters have continuing concerns over consultants working with clients in the tobacco and opioid industries and potentially crossing the line into proposing or operationally supporting high-risk strategies for regulated or high-risk products.
- High-profile claims against consultants have generated additional levels of underwriting scrutiny for consultants providing these types of services.
- Underwriters are still evaluating insureds that work with sanctioned entities and confirming that they have plans in place to address these situations.
- Competition has resulted in lower premium increases for high-hazard practice areas and for consultants with solid risk management procedures and low-risk practices.
- Underwriters continue to focus on:
  - Cyber controls
  - **Practice areas:** Turnaround management, cryptocurrency and pharmaceuticals continue to be considered high hazard. Above a specific percentage, firms focusing on actuarial consulting struggle to find capacity.
  - **Financials:** Clients have become more demanding and are pushing back against concepts like billable hours and seeking cost transparency.
  - Strategic plans to address the evolution away from clients having to rely on consultants' specialized knowledge, i.e., the Googleization of expertise.
  - Appropriate licenses being in place when insureds work with sanctioned governments
  - Controls over the use of AI.

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Fidelity/Crime

Rate predictions

Financial institution bond
Flat

Commercial crime
Flat

Key takeaway

Companies of all sizes and operating across every industry segment are targets for social engineering schemes. Social engineering fraud preys on the trusting and well-intentioned nature of humans. Implementing training for all employees, especially those in positions to initiate or authorize funds transfer requests, and ensuring robust policies and procedures are in place and followed, are paramount to combating this epidemic. In addition to social engineering, mail theft-related check fraud is on the rise with suspicious activity reports related to check fraud nearly doubling between 2021 and 2023.

While it's important to ensure your control framework is effective, the risk doesn't stop there. Third parties, especially those processing payment transactions on your or your client's behalf, are also at risk of social engineering scams.

- Ensure third parties that you contract with carry sufficient fidelity/crime insurance themselves, including a coverage extension for social engineering fraud.
- Speak to your insurance broker about these third-party relationships to understand what coverage may exist or be negotiated under your current insurance policies.

Social media platforms and smart technologies are quickly becoming a breeding ground for fraud.

- Social media is being used to exploit gaps in a financial institution's policies and procedures by quickly reaching a large audience of fellow fraudsters, compounding the crime and the resulting loss.
- Bad actors can easily access personal details, allowing them to impersonate individuals and/or craft convincing and targeted scams.
- Deepfake audio, also referred to as voice cloning, uses artificial intelligence to replicate a familiar person's voice to deceive victims into revealing sensitive personal information or sending money.

Fueled by mail theft, check fraud is a growing exposure for businesses and consumers.

- Fraudsters take advantage of regulations requiring financial institutions to make the funds of deposited checks available within specified timeframes. The specified timeframe is often too short a window for the consumer or financial institution to identify and stop the fraud,
- To make the checks appear legitimate, fraudsters use check washing and other techniques to alter checks or create counterfeits. In other instances, checks are deposited with forged endorsements.

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Fiduciary Liability

Rate predictions

Commercial (defined contribution or benefit plan assets up to $50M)
–5% to +5%

Commercial (plan assets above $500M)
Flat to +5%

Commercial (plans assets $50M to $500M)
Flat to +5%

Financial institutions
–5% to +5%

Key takeaway

After a period in which some carriers moved away from fiduciary, there emerged enough carriers with increased appetites to create improved and stabilized market conditions. In some cases, D&O insurers are looking to get on the fiduciary towers as well. Premiums have continued to level off, with the most common result being flat renewals and sometimes reduced retentions. If excessive fee filing volume picks up further, that (combined with the very recent U.S. Supreme Court decision in the Cornell University excess fee case) could create upward pressure on pricing in the second half of 2025.

Slight improvements as more insurers look to build their books

- A recent increase in the number of markets interested in writing primary fiduciary liability policies has been the main driver of modest decreases in premium, though more accounts have been renewing flat.
- Particularly with commercial and large nonprofit (university and hospital) risks, underwriters apply enhanced scrutiny to defined contribution pension plans with assets greater than $250 million, with some carriers avoiding plans larger than $1 billion. Even smaller plans can cause concern because a few smaller plaintiff firms have targeted them, but some carriers are now easing up on retentions for such plans.
- Insurers regularly seek detailed information about fund fees, recordkeeping costs, investment performance, share class, vendor vetting process and plan governance, causing some insureds to seek assistance from their vendors in filling out applications. Carriers look for frequent RFPs/ benchmarking, little or no revenue sharing (with caps), little or no retail share classes, few actively managed funds (not QDIA), limited M&A activity.
- Recent excessive-fee class actions involving a health and welfare plan have caused increased scrutiny on such plans.
- Other areas of recent increased carrier inquiry include mortality tables and plan forfeiture policies.
- Brokers are having some success in getting credit for positive risk factors, including level of delegation, quality of advisors and favorable venues.
- Some carriers have created specific coverage (often by endorsement) for pooled employer plans, while others haven't yet done so.
- Retentions: Insurers continue to be more focused on retentions than on premiums. Although retentions of seven figures remain commonplace for specific exposures (prohibited transactions/ excessive fees) and sometimes applicable to all mass/class actions at certain plan asset thresholds, there have been improvements. Some carriers are offering opportunities to "buy down" retentions somewhat.
- Coverage breadth seeing some expansions: Other than increasing retentions, carriers haven't generally been restricting coverage. It should be noted, however, that terms can vary substantially. Several carriers have become receptive to offering coverage enhancing endorsements.
- Capacity management: Most carriers are closely monitoring the capacity they are putting out, and $5 million primary limits continue to be more common than $10 million.
- Rate prediction qualification: Rate increases may be higher or lower depending on the insured's existing pricing. We expect to see flat renewals continuing to be common. Price per million of coverage can vary substantially among risk classifications.

Challenged classes

- Healthcare entities, who continue to be targeted disproportionately by class-action plaintiffs, continue to see premium increases, although some are renewing closer to flat.
- Financial institutions still receive extra scrutiny, especially if their plans utilize proprietary funds, but their premiums have become stable and even decreased recently.
- **Risks to watch:** Excessive fee class actions, imprudent fund selection class actions (particularly relating to Target Date Funds), claims challenging use of funds from plan forfeitures, tobacco surcharge, class actions challenging ESG investments, DOL investigations and cyber audits, actuarial equivalence (outdate mortality table) cases, potential claims arising from benefit cutbacks, claims alleging imprudent DB plan buyouts.

Developments and market-driving issues

Defined contribution retirement plans

- Excessive fee class action volume is up in 2024 compared to 2023, and decisions are mixed
- There were 65 excessive fee class actions filed in 2024, with 39 of those cases being filed in the second half of the year (in comparison to 48 such cases being filed in all of 2023). Still, the volume was down from 2022, which saw 89 filings. While the majority of excessive fee cases in 2024 were filed against plans with at least $1 billion in asset size, 2024 saw class actions against 13 plans with less than $500 million in assets, nine of which had less than $250 million in assets.
- In the initial aftermath of the U.S. Supreme Court's pro-plaintiff Northwestern University decision in January 2022, few excessive fee cases were dismissed, but subsequent positive precedents from the Sixth, Seventh, Eighth and Tenth Circuits (CommonSpirit, Oshkosh, MidAmerican Energy Co and Barrick Gold, respectively) led to an increase in motions to dismiss being granted and upheld, particularly in those circuits.

- Share-class allegations remain the most difficult to get dismissed on an initial motion. The Fifth and Sixth Circuits reversed dismissals in cases involving expensive retail share classes, while a district court in the Central District of California found for the defendants on the issue after a prudent process was demonstrated at trial. Meanwhile, the Second Circuit reversed a defense verdict on this issue, which was reached after a full trial. In another case, which didn't involve share-class allegations, the Second Circuit upheld a grant of summary judgment based on a finding of a robust process.
- The Second Circuit and Eighth Circuit each affirmed a dismissal because the complaints in question didn't allege "meaningful benchmarks," while the Third Circuit found that meaningful benchmarks had been alleged but partly because it accepted plaintiffs' allegations concerning the commodification of plan services. Meanwhile, in a highly criticized decision with a strong dissent, the Sixth Circuit stated that plaintiffs suing Parker-Hannifin didn't have to plead "meaningful benchmarks"; in that case, the defendants are seeking rehearing en banc, with organizations such as the U.S. Chamber of Commerce filing amici briefs.
- While affirming an award of summary judgment in an excessive fee case, the Eleventh Circuit opined that plaintiffs have the burden of proving causation in relation to damages.

Defendants fare well in trials

- 2024 saw three trials relating to Target Date Funds (investment options designed to grow more conservative as investors age), all of which resulted in victories for defendants. Plaintiffs lost two cases involving FlexPath Target Date Funds, which allegedly underperformed. Despite numerous allegations of conflicts of interest among the defendants, ultimately the two courts found no liability. At third case involving different Target Date Funds also resulted in a no-liability verdict.
- In another case, the sponsor won a trial in Central District of California based on a finding that there had been regular requests for information and vendor-fee benchmarking, rejecting the plaintiffs' contention that a request for proposal was required.
- On the other hand, Yale University's trial victory from 2023 was subsequently appealed to the 2nd Circuit, with the ERISA Industry Committee (ERIC) and U.S. Chamber of Commerce filing amici briefs in support of Yale. Meanwhile, NYU's trial victory from 2018, which was partially reversed in 2021, is heading toward a new trial.
  - Note that the Second Circuit is in the minority in having some decisions granting ERISA plaintiffs the right to a jury trial. The Yale plaintiffs were successful in obtaining a jury trial, while the NYU plaintiffs weren't (partly based on arguments that the right had been waived).

More plan forfeiture class actions were filed

- Starting in September of 2023, one two-person California plaintiff firm filed four lawsuits against four different sponsors of defined contribution plans, alleging that it was impermissible self-dealing for companies to defray future plan contributions by using forfeited funds related to departing employees who didn't vest in their employer match. Since then, other law firms have joined in, and more than 10 such lawsuits have been filed on a standalone basis.

Thereafter, certain high-volume filers of excessive fee class actions started to include forfeiture allegations in their complaints, bringing the total number of forfeiture-related suits filed in 2024 to more than 30.

- These allegations seem to contradict long-established practices, seemingly endorsed by both the Internal Revenue Service and the Department of Labor. Just this year, the IRS proposed regulations concerning the timing for reallocating forfeiture, without raising any concerns.
- In addition, defendants have raised arguments that the challenged decisions are funding decisions which should be considered “settlor acts” which aren’t subject to fiduciary duties.
- Nonetheless, although several of these suits have been dismissed (sometimes with leave to replead), at least three of the complaints have survived a motion to dismiss (see this page also). One court, in dismissing the case, pointed out that (unlike in some other cases) the defendant’s plan document didn’t allow discretion for how forfeitures should be allocated, but rather mandated that they be used to defray future contributions.

Two out of 11 Black Rock’s imprudent investment cases remain in class certification fights

- A wave of class actions filed by one law firm against sponsors whose 401k plans include BlackRock target date funds caused some carriers to focus on this exposure in their underwriting, although the BlackRock funds in question were highly rated. These complaints didn’t allege excessive fees; in fact, these plaintiffs criticized the defendants for focusing on cost over performance.
- Although the vast majority of these cases have been dismissed, two cases survived motions to dismiss, with one of those cases heading to class certification and the other case heading to an interlocutory appeal after class certification was granted.

The Supreme Court states low standards for pleading prohibited transactions

- In a unanimous decision, the U.S. Supreme Court reversed and remanded the Second Circuit's affirmation of the dismissal of the prohibited transaction claim against Cornell University. All of the Justices agreed with Justice Sotomayor's Opinion of the Court that section 408 of ERISA lists affirmative defenses to a section 406 prohibited transaction claim, and that plaintiffs should never have to plead the absence of affirmative defenses a complaint. Justice Alito wrote a concurrence, joined by Thomas and Kavanaugh, that bemoaned what they deemed to be the statutorily necessary result, warning of “untoward practical results” because “[t]he upshot is that all that a plaintiff must do in order to file a complaint that will get by a motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) is to allege that the administrator did something [hired a service provider] that, as a practical matter, it is bound to do”.
- Even the majority was somewhat concerned about a possible proliferation of frivolous litigation, with both sides endorsing the adoption of unusual procedures such as “if a fiduciary believes an exemption applies to bar a plaintiff's suit and files an answer showing as much, Federal Rule of Civil Procedure 7 empowers district courts to “insist that the plaintiff” file a reply “put[ting] forward specific, nonconclusory factual allegations” showing that the exemption does not apply” [citations omitted].
- For more discussion of the Cornell and AT&T cases and the legal standards discussed in those decisions, see this article.
- Note that the effect of this prohibited transaction decision may be limited as it relates to excessive fee class actions because those cases usually contain separate counts alleging breaches of fiduciary duty.

Defined benefit pension plans

Mixed results in actuarial equivalence class actions

- Class actions arising from allegedly outdated mortality tables, which first appeared on the scene in 2018, continue to be filed. These cases allege that, by basing their calculations on obsolete mortality tables from periods between the 1950 and the 1980s, plan sponsors have been underpaying benefits to retirees who elect to receive lump sums.
- More than 30 such class actions have been filed, including three in 2024. The main issue is whether ERISA has an implied requirement that mortality tables be “reasonable” (because it doesn’t have an express requirement to that effect).
- Although more actuarial equivalence cases have gotten past motions to dismiss than have been dismissed, and some cases have been settled for substantial figures (including a $59 million settlement), to date, there has never been a finding of liability.
- Note; also, that at least two courts have refused to grant class certification, stating that there were irreconcilable conflicts within the proposed class (see discussions of the Thorne and Torres cases).

As pension risk transfers increase, so does litigation arising from them

- In the midst of positive news about defined benefit pension plan funding and a rise in plan sponsors arranging for buyouts of their pension liabilities (pension risk transfers) in order to gain access to the surpluses, plaintiffs have filed class actions against nine sponsors who have arranged for such transactions.
- The defendants may have strong defenses to the plaintiff's efforts to achieve standing based on a stated concern that their benefits won't be paid in the future if and when the relevant insurer becomes insolvent.
- Most of the suits involve the same insurer, who is described in one complaint as "a private-equity controlled insurance company with a highly risky offshore structure" and a limited track record.
- These suits come as the Department of Labor has just issued a report about fiduciary standards that apply to selecting annuity providers for defined benefit pension plans, saying that it should "explore developments in both the life insurance industry and in pension risk transfer" and possibly suggest changes to the Interpretive Bulletin, which has been in place since 1995.
- Recently, two federal judges in two different courts reached the opposite conclusion regarding standing in virtually identical lawsuits.

Health and welfare plans

Both health and welfare plan excessive fee class actions dismissed; no new suits filed

- On February 5, 2024, a Johnson & Johnson employee filed a proposed class action alleging that J&J employees have been overcharged for prescription drug benefits. The complaint alleges that non-defendant Express Scripts, J&J's Pharmacy Benefits Manager (PBM), drastically overcharges for prescription drugs, providing several purported examples. The lawsuit is structured similarly to defined contribution retirement plan excessive fee litigation, alleging that J&J's failure to negotiate lower prices constitutes a breach of its fiduciary duties under ERISA.
- The claimant sought to make the health plans whole (despite not having brought the suit on a derivative basis), plus "surcharge," a form of equitable relief for herself and the purported class. She also brings a count on her own behalf seeking $110/day statutory penalties for failure to provide requested plan information on a timely basis.
- This suit was filed against a backdrop of recent amendments, which made section 408(b)(2) disclosure requirements applicable to welfare benefit plans in addition to retirement plans, as well as a trend of welfare plans becoming more aggressive in suing their Third Party Administrators to access complete employee medical claims data and ascertain whether they are owned money.
- On January 24, 2025, the district court dismissed the class action counts without prejudice, relying substantially on Knudsen v. MetLife Grp., Inc., a 2024 decision in which the Third Circuit found a lack of Article III standing where a plaintiff alleged that MetLife's illegal conduct caused her to "pay higher out-of-pocket costs, mainly in the form of insurance premiums." The court found the J&J employee's allegations concerning higher premiums to be conclusory and speculative. In relation to allegations that she paid too much for specific drugs, the court found that the particular plaintiff didn't have an injury because she exceeded the out-of-pocket maximum for that plan year. Because the dismissal was without prejudice, the same plaintiff or a different one can attempt to file such a suit again.

- On July 30, 2024, the same plaintiff firm filed an almost identical second suit against another large public company, also focusing on the price of prescriptions from Express Scripts. That case was dismissed without prejudice on March 24, 2025 with analysis which closely mirrored the J&J dismissal.
- Contrary to the predictions of some, and threats from the Schlichter Bogard firm, so far there haven't been any other class actions filed in relation to prescription drug prices in health and welfare plans.

Tobacco/vaccination surcharge cases continue to be filed

- In 2024, several different law firms filed at least 27 class actions alleging that plan sponsors violate the anti-discrimination provisions, which were amended into ERISA by the Patient Protection and Affordable Care Act by charging a higher premium based on a "health status-related factor" without offering an acceptable wellness program to allow for a retroactive exception.
- While most of these cases involve a class of tobacco smokers, some cases involve higher premiums for unvaccinated participants.
- These cases are new, and everyone is waiting for court decisions to validate or strike down the allegations.
- Since plaintiffs are largely relying on DOL regulations, which require that the exception be provided on a retroactive basis (the "full reward" must be available), defendants' chances in these suits may be bolstered by the recent decision in Loper Bright v. Raimondo, which struck down the Chevron standard of deference to regulatory agency interpretations of statute.

ESG developments

Previous administration's ESG investing rule upheld, might be superseded

- The DOL's proposed rule regarding environmental, social and governance (ESG) investing achieved final rule status and is currently still in effect, despite legislative and litigation efforts to void it.
- By way of history, on October 14, 2021, the DOL published for comment a new rule to modify the previous administration's 2020 rule that was perceived as discouraging retirement plans from investing in ESG-related investment options by putting a burden on fiduciaries to justify such investments. As the DOL explained in the Supplemental Information provided when they published the rule in the Federal Register, the change was "intended to counteract negative perception of the use of climate change and other ESG factors in investment decisions caused by the 2020 Rules, and to clarify that a fiduciary's duty of prudence may often require an evaluation of the effect of climate change and/or government policy changes to address climate change on investments' risks and returns."
- Legislative efforts to block the new rule were vetoed by former President Biden.
- On the litigation front, days before the rule was about to go into effect 25 state attorneys general and three private plaintiffs sued in federal court in Amarillo, Texas, to block the rule as beyond the DOL's authority. In March, the judge there rejected a motion to transfer venue, accusing the plaintiffs of forum shopping.
- However, in September 2023, the judge dismissed the suit, giving deference to the DOL interpretation but also agreeing with the DOL that the rule was fundamentally neutral (a similar suit filed in Wisconsin in February 2024 is still pending). After the 5th Circuit sent the case back to the district judge to exercise his "independent judgment," citing the U.S. Supreme Court's June 28 decision in Loper Bright Enterprises et al. v. Raimondo, which voided the Chevron doctrine of deference to agency rulemaking, the district judge confirmed his prior decision upholding the rule.
- In the wake of this decision, it seems likely that the current administration will issue a new superseding ESG investing rule, which will closely resemble the 2020 version of the rule.

Unique decision on liability in the first ESG investment class action

- American Airlines was sued in Texas federal court in June 2023 for allegedly offering imprudent and expensive ESG-oriented investments. American Airlines stated that it didn't actually include such investment options in its main menu, but the motion to dismiss was denied on February 21, 2024, with the judge finding to be sufficient the allegations that "Defendants' public commitment to ESG initiatives motivated the disloyal decision to invest Plan assets with managers who pursue non-economic ESG objectives through select investments that underperform relative to non-ESG investments."
- Thereafter, on June 20, the judge denied a motion for summary judgment, stating that "[t]he summary judgment record makes clear that a factfinder could find defendants breached their duty of prudence by failing to monitor investment managers and failing to address the facts and circumstances of ESG proxy voting and shareholder activism present within the Plan."

- The bench trial began four days later, resulting in a decision on January 10, 2025 stating the unusual finding that, although American didn't violate the duty of prudence, it did breach the duty of loyalty due to a close relationship with Black Rock. The court asked for additional briefing on damages, having expressed skepticism in relation to plaintiff's theories on that front.

Other regulation- new rules relating to Mental Health Parity

- On September 9, 2024, the U.S. Department of Labor, the U.S. Department of the Treasury and the U.S. Department of Health and Human Services jointly released a final rule interpreting the Mental Health Parity and Addiction Equity Act of 2008 and placing further restrictions on how employer group health plans can limit coverage for mental health and substance use disorder treatments. These new Mental Health Parity rules include numerous specific scenarios and statements as to whether or not they would violate the rules, and also mandate that group health plans must perform certain extensive exercises to verify compliance and be prepared to make the results of those exercises available to the DOL within 10 days of a request.

IRS provides more details concerning SECURE ACT 2.0

- Securing A Strong Retirement Act (SECURE 2.0) was signed into law on December 29, 2022, with parts taking effect immediately and others being phased in over time. The law expanded automatic enrollment as well as opportunities for making "catch up" contributions, increased the required minimum distribution age to 75 and allowed employers to match employee student loan repayments with retirement account contributions.
- SECURE 2.0 also enhanced the retirement plan start-up credit, making it easier for small businesses to sponsor a retirement plan (for more detail, see Secure 2.0 signed into law as part of the 2023 federal spending package).
- However, many ERISA practitioners remained uncertain about certain practical details relating to the actual implementation of some provisions of SECURE 2.0. The ERISA Industry Committee ("ERIC") sent an open letter to the Department of the Treasury and Internal Revenue Service asking for clarification on various provisions SECURE 2.0, including the student loan match, Roth catch-up contributions and Roth matching contributions.
- As a result of the confusion, the IRS released Notice 2024-2, the long-awaited "grab bag" notice that provides Q&A guidance on various provisions; for details see "IRS guidance on SECURE 2.0 provisions."

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Financial Institutions — FINEX

Rate predictions

D&O – Primary publicly traded
Flat to –3%

D&O – Private
–5% to flat

D&O – Excess publicly traded
Flat to –5%

Asset managers D&O/E&O (excluding private equity)
–10% to flat

Insurance company professional liability (ICPL)
Flat to +5%

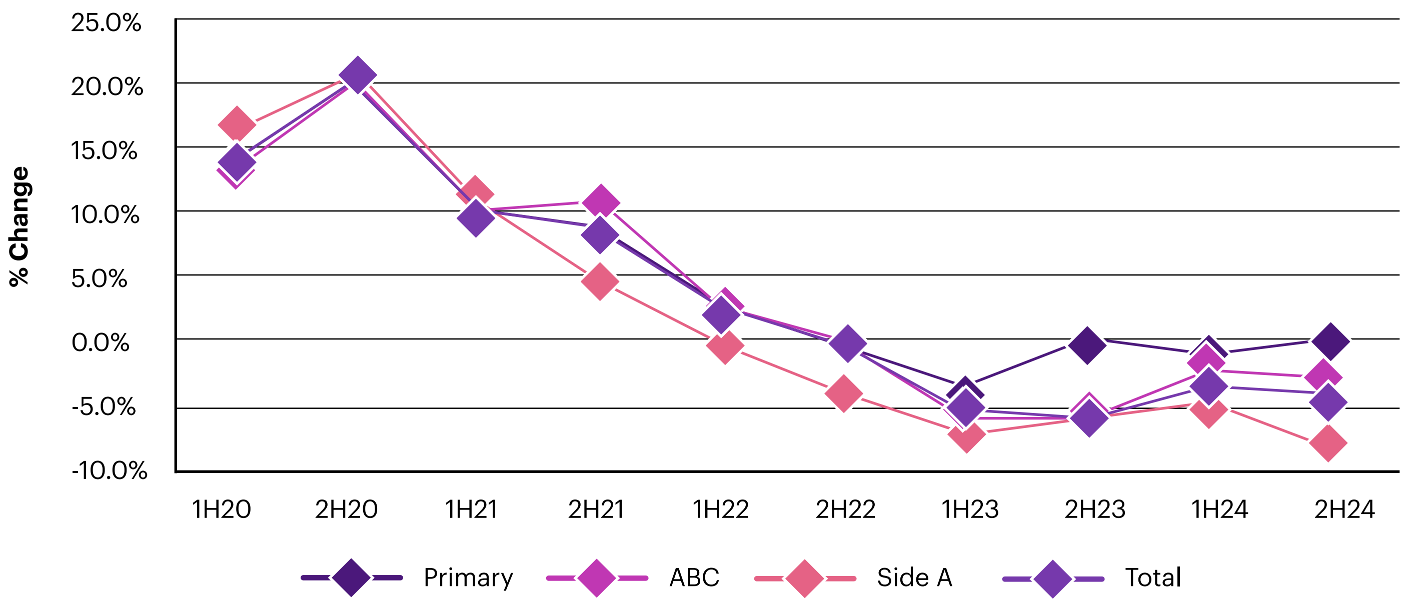
Bankers professional liability (BPL)
Flat to +10%

Key takeaway

Despite the exit of three large financial lines insurers over the past several months, there has been minimal impact on overall state of the financial lines marketplace for financial institutions. Strong competition and ample capacity remain as we begin to move through 2025, but there has certainly been signs of market stabilization. Over the past 12 months, there has been an increase in the total number of class action lawsuits and the cost to defend claims continues to rise. Now that the Trump administration has taken office, we expect to see significant impact relating to the overall regulatory environment, trade policies and tariffs and changes to diversity, equity and inclusion (DEI) policies just to name a few. The impact of these changes could potentially lead to an increase in claim frequency and severity due to market volatility across multiple lines of business.

FI public D&O rate change

Median by layer over time



WTW closely monitors rate trends within our portfolio to offer both historical and current perspectives, aiding in forward-looking outlooks. The chart below illustrates the financial institutions (FIs) public D&O median rate trends within WTW's portfolio highlighting a decline from the peak in late 2020 and stabilization from the second half of 2023.

Market dynamics vary by each subclass of the financial institutions business:

Asset managers (excluding private equity firms)

Asset managers remain the most desirable subsector of the financial institutions industry. Its favorable loss history continues to draw interest from established carriers, as well as new entrants, with many eager to provide excess capacity and competitive terms. This surplus of capacity has enabled premiums to renew flat to down 10% through end of Q1, while also generating potential opportunities for coverage enhancements under most programs. Registered investment advisers, private fund managers and mutual funds continue to be the most desirable class of business for insurance carriers, though firms with challenged risk profiles (e.g., meaningful claims activity) or riskier strategies/products (e.g., cryptocurrency, real estate) should expect added scrutiny during the renewal process. These market conditions are expected to remain favorable through at least the end of Q2.

Claims activity under D&O/E&O programs continues to fall within three primary categories; regulatory actions, investor litigation and cost of corrections matters. Under the Trump administration, the regulatory landscape is expected to differ substantially from the Biden administration. The Securities and Exchange Commission (SEC) has already revoked its enforcement staff's authorization to launch investigations without commission approval. While this may reduce SEC enforcement actions, certain states will likely remain aggressive in their regulatory approach. Investor litigation generally alleges breach of investment mandate or prospectus misrepresentations, while Cost of Corrections claims are most often in the form of trade errors. Asset managers should demonstrate the robust policies and procedures in place to mitigate these risks, while those with pending claims activity should expect greater scrutiny on these issues at renewal.

Insurance companies

While market conditions for insurance companies remain more favorable than historical norms, they have deteriorated over the last year with an unfavorable long-term outlook. Loss experience has worsened, resulting in several key carriers citing the recent years of reductions to pricing and retention as being untenable going forward. Carriers are increasingly seeking to leverage participation on insurance company professional liability (ICPL) programs to write more profitable lines of coverage. Additional scrutiny is being applied to claims reporting language as insurers struggle to account for the long tail nature of catastrophic claims. Inflation, natural disasters, geopolitical turmoil and AI are among the leading trends being monitored by insurers.

Banks

D&O and BPL rates and retentions remained stable during the second half of 2024, and we expect a continuation of that trend through the first half of 2025. There is still an abundance of capacity and significant competition when it comes to D&O for banks while primary BPL continues to remain more limited in the market. Fears of a recession linger and there continues to be uncertainty surrounding inflation and interest rates which will have varying impacts on banks' loan portfolios. The regulatory scrutiny that has previously plagued the banking industry is expected to ease under the new administration and we have already seen signs of that occurring with Trump's recent rollback of certain regulations and the dismantling of the Consumer Financial Protection Bureau (CFPB).

There continues to be an ongoing prevalence of cyber related attacks in the banking space and that trend will likely persist for the foreseeable future. There continues to be a heavy emphasis from the underwriting community on how banks are managing their privacy risk and controls surrounding fraud. Banks will also need to consider new technology risk and exposures that exist with the adoption of artificial intelligence, the use of cloud computing, expansion of their digital banking footprints and partnerships with other fintech firms. Underwriters are also concerned with third-party vendor management risk banks face. There has been an increase in the use of third-party firms when it comes to creating operational and financial efficiencies around things like compliance and other legal functions. We entered 2025 anticipating increased consolidation in the banking sector, driven by a more favorable regulatory environment, improved valuations and competition. Despite subdued activity in the early months of the year, driven by economic and trade policy uncertainties and market volatility, the outlook for the latter half of the year remains optimistic.

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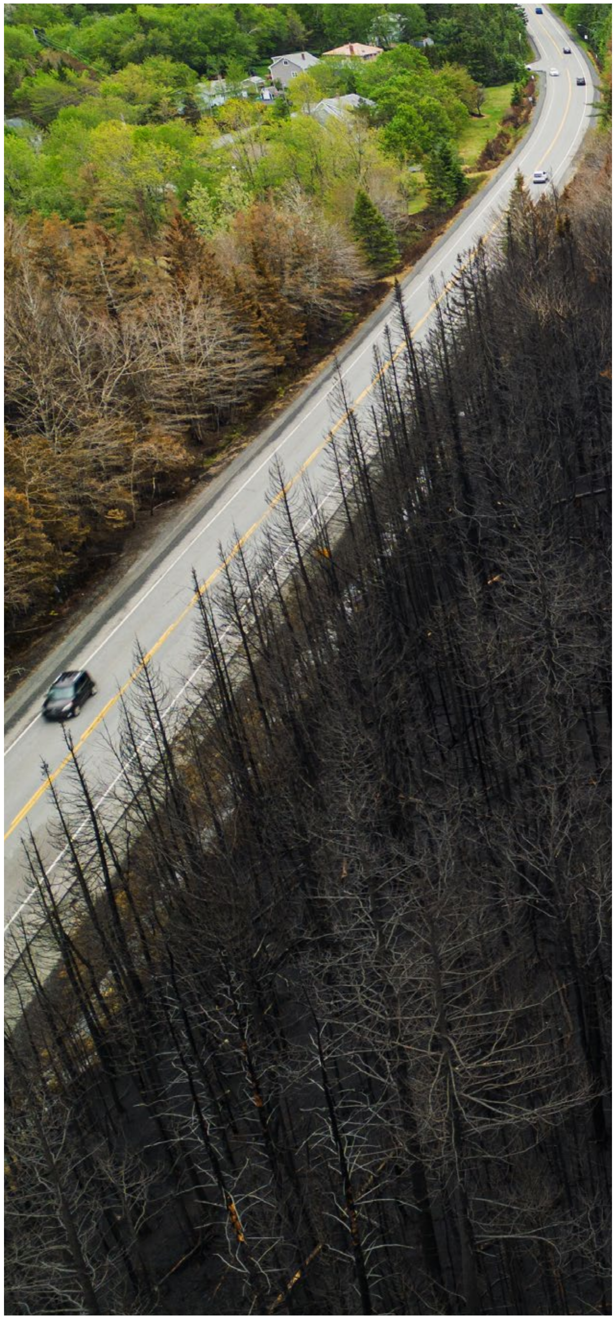

Specialty lines and solutions

Click on the buttons to view each specialty lines and solutions

Alternative Risk Transfer (ART)	Architects and Engineers	Aviation & Space	Captive Insurance
Construction	Crisis Management	Energy	Environmental
Healthcare Professional Liability	Life Sciences	Managed Care E&O and D&O	Marine Cargo
Marine Hull and Liability	Personal Lines	Political Risk	Product Recall
Representations and Warranties Insurance	Senior Living and Long-term Care	Surety	Trade Credit

Alternative Risk Transfer (ART)

Rate predictions

Structured programs
Downward pressure on insurer risk margins

Parametric nat cat
–5% to flat

Integrated risk programs
Limited market appetite

Captive stop loss
Highly customized based on analytics

Key takeaway

Alternative risk programs continue to play a significant role for insureds. Structured programs are deployed where there is either a challenging risk or poor loss experience. Parametric programs can be implemented to complement existing insurance programs or provide an alternative form of indemnity. These programs pay a predetermined amount for a specified event based on an agreed-upon index.

Structured solutions

Continue to be deployed in distressed layers, typically primary property and casualty buffer layer, umbrella and/or low-excess layers

- Insureds focused on creating longer-term stability and savings, remain committed to this approach.
- Market appetite remains strong with new capacity from traditional markets being made available via MGA/MGUs, with Lloyds markets are active through syndicated facilities.
- Carriers are expanding interest into healthcare liability, wildfire, construction and other lines.

Parametric catastrophe (CAT) and weather solutions

Continue to be a valuable approach, complimenting property policies and adding vital protection for loss costs limited or excluded under a property policy.

- Capacity continues to increase and while established for large and complex insureds, it's now actively targeting middle-market and smaller insureds.
- Established for hurricanes and earthquakes, interest is growing for wildfires, tornadoes, hail and general weather (rain, temperature, snow) perils that can impact physical assets but also cause financial loss.
- Parametric products continue to evolve, leveraging data sources and deploying multi-faceted indexes to ensure robust response during events. Hurricanes Helene and Milton highlighted deficiencies in single-peril cat-in-a-circle programs due to size of storm systems and loss driven by surge or excess rainfall versus windspeeds.

Other areas of insured interest

- Multiline/multiyear structured reinsurance or stop loss captive reinsurance programs
- Collateral-free “efficient” fronting for highly creditworthy insureds
- Capital-market-led solutions
- Integrated risk programs

While certain lines of insurance are showing rate improvement, alternative risk products remain a tried and tested valuable source of capacity for forward-thinking insureds.

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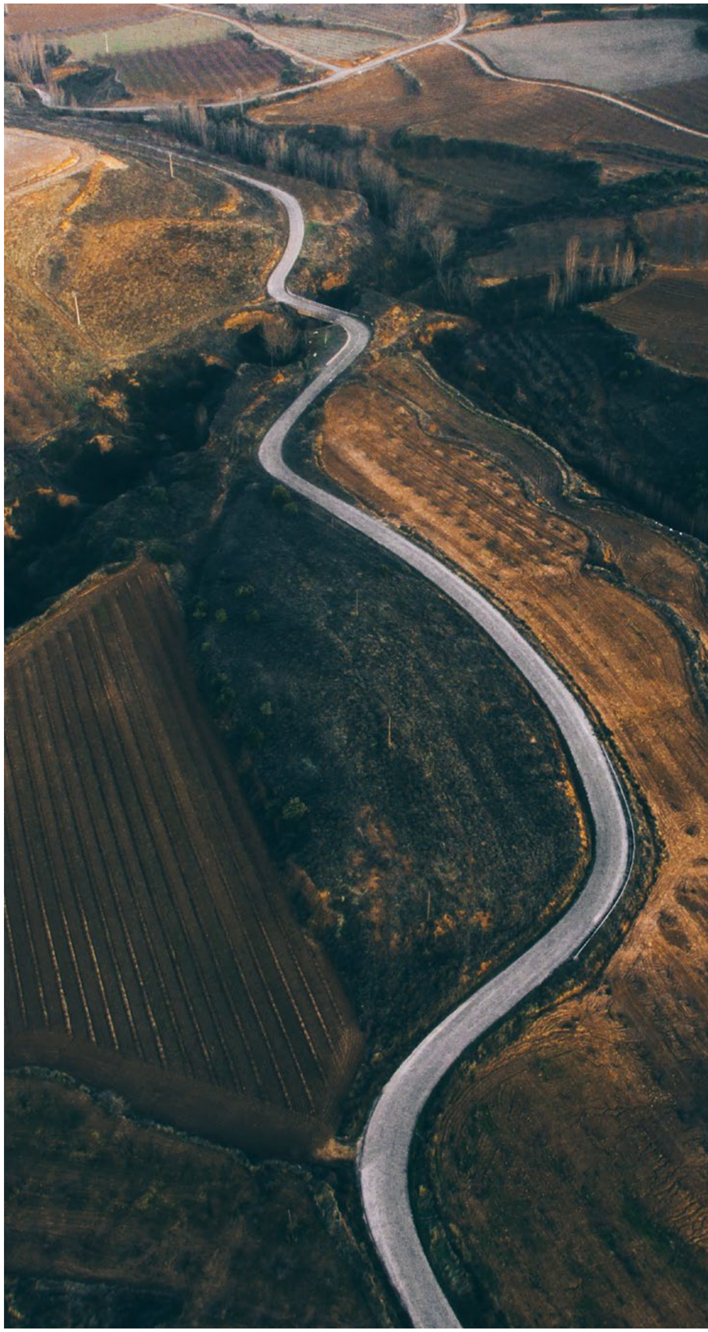

Architects and Engineers

Rate predictions

Favorable risks rate predictions

Professional liability 0% to +5%	**Property** Flat to +5%	**General liability** Flat to +5%
Auto +5% to +15%	**Workers compensation** Flat to +5%	**Umbrella** +5% to +15%
Management liability Flat to +5%	**Cyber** Flat to +5%	

Challenging risks rate predictions

Professional liability +5% to +15%	**Property** +10% to +20%	**General liability** +10% to +15%
Auto +20% to +30%	**Workers compensation** +5% to +10%	**Umbrella** +20% to +30%
Management liability Flat to +5%	**Cyber** +5% to +15%	

Key takeaway

While the A&E professional liability (PL) marketplace remains relatively stable, A&E PL carriers are increasingly concerned about inflation, tariffs and the state of the U.S. economy, particularly regarding the rising cost of materials on projects. In addition, adverse severity claim trends reported by most PL carriers continue without any signs of improvement. Social inflation is being cited as a primary driver across all casualty lines, and PL claims are taking longer and costing more to resolve. Furthermore, emerging risks such as AI and climate change contribute to greater uncertainty and elevated risk.

Depending on area of practice, project types and loss history, firms with a favorable risk can expect PL rate increases in the 0% to +5% range, while insurance carriers may look to increase rates above +5% for the more challenging risks. Firms may also feel market pressure to take on higher deductibles and self-insured retentions. In addition, some PL carriers have reduced their available capacity to as low as $5 million limits, resulting in the need for some design firms to look to excess markets to meet their higher limit requirements — which comes at additional cost. Regarding A&E property and casualty programs, commercial auto continues to be a challenging market for both favorable and challenging risks. The increases in umbrella coverage are largely driven by auto-exposures — both owned and hired and non-owned.

The volatility in the A&E professional liability marketplace over the past 24 months should continue to stabilize for favorable risks in 2025. Capacity restrictions remain in place, but rates are mostly stable. Adverse claim trends persist alongside a continued reduction in A&E PL carriers' willingness to underwrite certain risks.

- While some A&E PL Insurers are indicating premium increases across their entire book of business to offset claim severity trends, inflation and emerging risks, certain insurers are taking a strategic underwriting approach that will target high-risk projects or specific market segments. Third party bodily injury claims on large infrastructure projects remain a difficult risk to manage, and some carriers have reduced their appetite for risks that take on these exposures.
- While restriction in capacity was limited to select insurers in 2024, additional carriers are starting to follow suit to limit their exposure to increased claim severity trends. Most carriers are offering A&E PL limits up to $5 million, however the number of carriers providing coverage up to $10 million is limited. Decreased capacity has created a need for additional limits through excess carriers at an additional cost.
- Firms can expect an increase in cost to insure single projects by securing specific job excess (SJX) coverage or project specific professional liability (PSPL). Consult with your insurance broker to determine all viable options and potential costs well in advance of start of construction.
- Some A&E PL insurers are concerned about the constriction in the PSPL market on large projects because of increased claims activity surrounding design-build exposures, specifically public infrastructure projects with fixed-price contracts and third-party bodily injury exposures. In the event PSPL coverage is not available or cost prohibitive, these project exposures would bring heightened exposures to the A&E PL insurers' underlying PL policies.
- Design firms with an adverse loss history or high-risk disciplines or project types (such as structural, geotechnical, condominiums, roads and highways) can expect a higher level of underwriter scrutiny. Firms should anticipate that underwriters will closely examine their commitment to specific risk management practices, including the negotiation of fair and insurable contracts and the education of their staff on managing A&E PL-related risks.

Claim severity trends continue and were the primary driver for rate increases in 2024. Insurers note social inflation; including rising claims costs, a backlog of litigation, length of time to settle, supply chain disruptions and the rise in bodily injury claims as primary factors.

- Claim severity continues in 2025. Social inflation continues to be recognized as a leading contributor to the increase in claim severity fueled by aggressive plaintiffs' bar and a concerning trend of litigation financing.
- The cost and time to settle a PL claim is increasing, with most noting it takes, on average two to three years or more to settle a matter.
- Third-party bodily injury claims and design-build/alternative project delivery are the two leading factors behind a continuing trend of severity claims on roads and highway/infrastructure projects.

While the property and casualty landscape has continued to trend favorably, carriers began 2024 by refocusing their attention to deteriorating results across their casualty books. The challenges in the casualty space follow persistent trends, such as social inflation and third-party litigation funding, which have added significant pressure to insurers' liability reserves.

- Social inflation — Social inflation continues to challenge the liability market as the amount of litigation and size of verdicts have increased dramatically. Carriers are struggling to accurately project these losses in this legislative landscape and, in turn, are focused on claim management tactics and limiting capacity on challenged classes.
- Challenging risks — Clients with large fleets, adverse loss experience, or fleet makeups outside of private passenger vehicles continue to see a hard market with limited capacity and an increase in cost for that capacity. The introduction of fleet telematics and other vehicle safety and driver training initiatives have become a risk management norm for insureds with large fleets to better the marketing of their risk.
- Umbrella/excess — We expect that the pressures impacting the primary casualty lines (social inflation, adverse reserve development, etc.) will have continued commensurate effect on umbrella/excess conditions as these trends persist.
- Cyber — The cyber market has stabilized from the volatility experienced over the past 24 months. Flat renewals are expected for firms with a favorable loss history.

Overall, firms should prepare for a challenging insurance landscape and work closely with their brokers to navigate the market effectively.

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Aviation & Space

Rate predictions

Airline hull and liability
+5% to +10%

Airline hull war
–5% to +5%

Airline excess war liability
–5% to +5%

Aircraft lessors/banks
Flat to +5%

Products manufacturers and service providers
Flat to +10%

Airports
–2.5% to flat

General aviation hull and liability
Flat

General aviation hull war
Flat

Key takeaway

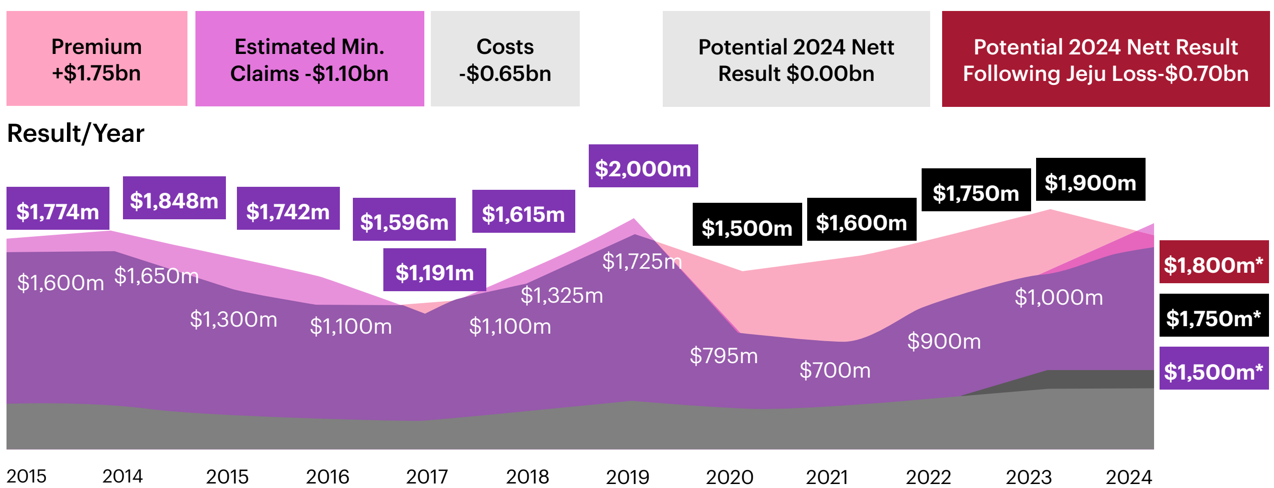
The intense competition for premium income that characterized the insurance market in 2024, particularly in the final quarter, is expected to be somewhat subdued in the first half of 2025 as insurers pause to assess the evolving landscape. Current market conditions suggest little indication that a significant hardening will occur in the first half of the year, and early reinsurance renewals indicate that direct insurers will likely be open to negotiations. However, in such an unpredictable environment with a number of factors that could sway the market still lingering, buyers are encouraged to take a longer-term perspective, remaining proactive ahead of renewals. Engaging with brokers to explore potential mitigation strategies will be crucial, especially if market conditions become more constrained.

Airlines

For the first time in four years, losses will be greater than the premium intake for insurers.

- Several large claims at the tail end of 2024 pushed the insurers into negative territory.
- As the exposures have been increasing steadily, the last four years attritional claims have been as well and outpacing the exposure.
- Attritional claims have been creeping upwards over the last several years and will continue to rise due to inflation and tariffs as well as jury verdicts.
- Large claims in the first quarter of 2025 have already likely exceeded the premium intake for the entirety of the year.

2024 Forecast Global Airline Market — Result



Capacity increased slightly in 2024 helping to keep pricing stabilized

- Existing insurers have increased their line size and appetite as opposed to new entrants to the market.
- Underwriters increased their capacity in anticipation of the end to the relatively soft market.
- 2025 is already seeing some notable names (Swiss Re) exiting the direct airline market.
- With very little new capacity coming into the market and if existing markets start to scale back, we will see prices rising.

Hull war and excess third-party war liability market

- New capacity has been coming into the market for the last several years, albeit with smaller line sizes.
- This effect has helped to stabilize pricing and even brought about some slight reductions.
- The quantum of the Russian war losses is still a big unknown but won't likely worsen. There have been some settlements of late that will help in reducing the overall cost, but it will still be a sizable claim to the market.
- The geo-political environment remains challenging with the on-going conflicts in Ukraine and Gaza.

Aircraft lessors/banks

Market conditions have begun to stabilize, and signs of marketplace competition are returning to this class. Although the aviation market claims brought by the impact of sanctions on Russia remain unresolved, similarly broad court rulings remain to be resolved, and while confidential in nature, certain negotiated settlements appear to have been reported.

- The inconsistent and inflexible 'for share subjectivities' is beginning to ease; insurers are more willing to compromise on coverage. However, insurer mindsets must still shift to expansion of coverage, terms and conditions and policy limits.
- Annual aggregates imposed remain frustrating while increasing aggregates and gradual insurer acceptance of enhanced language to narrow loss scenario applicability improving.
- The hull and liability market capacity remains buoyant, improved lead competition; capacity increase enables coverage improvement but much work remains; A better time to buy.
- New entrants to the hull war marketplace are driving competition and we're beginning to see signs of more aggressive pricing - legacy carrier appetite also returning. Notably, however, no insurer is irreplaceable; not the case prior to new capacity entrants.
- The jurisdictional focus on the People's Republic of China remains. The marketplace is considering removal of certain country specific sub-limits; limit increases becoming more widely available.
- Geographic aggregation of assets, sanctions and geopolitics all remain in major focus, but coverage limitations are beginning to soften.

Product manufacturers and service providers

Underlying factors offer few indications that the market will harden in the first half of 2025, however, the potential for resolution of large industry losses could reduce (re)insurer appetite and alter market conditions.

- Several large claims are being litigated and adjusted, but this hasn't yet led to pricing overhauls in the manufacturing sector.
- Pricing adequacy is often touted by insurers during negotiations, but there isn't really a consensus about where this level should be. Insurers are largely accepting that pricing is mostly being influenced by abundant capacity rather than recent losses.
- Maintenance, repair and overhaul (MRO) operators are making significant efforts to control attritional loss levels. This is having some positive effect, but insurers are instinctively cautious in this historically challenging sector.
- Insurer appetite and enthusiasm for ground handlers such as baggage/cargo handling or passenger services remains more restricted in comparison to other service providers like refuelers.
- The causes of recent high profile losses are still being investigated, and it will likely be some time before the ramifications in the insurance market become clear.

Airports and municipalities

Rates have remained fairly stable over the past few years, slowly shifting from +10% increases to flat as the market transitions out of a hard market phase.

- Overall industry loss events will impact the broader portfolio in aviation and reinsurance.
- Though airports remain stable, those large industry losses may spill over to the airport space and impact the rating and capacity levels over time.

Excess auto liability coverage as part of an airport general liability policy continues to be an area of concern for carriers.

- Careful evaluation of the exposures, including number of vehicles and use of autos off-airport, are an integral part of the underwriting process.
- If coverage is available, it's at a lower limit than previously available.
- Carriers may apply a premium for this coverage that was previously included.

PFAS continues to be a topic of concern for underwriters.

- In general, carriers view this as falling under the Pollution Exclusion within the policy.
- Some carriers are adding a PFAS Exclusion to clarify the position that PFAS has been viewed as a pollutant and therefore excluded.

General aviation

The impact of the recent airline losses in early 2025 has not yet impacted the general aviation sector, which continues to see favorable market conditions, especially on larger risks, due to the competitive capacity still available in the market. Insurers are seeking to grow shares on profitable risks with experienced pilots and a strong safety culture.

- Although the large amount of capacity available in the sector is driving competitive rates, insurers are still trying to push for increases due to claims inflation from continued rising costs for airframe repair and high-valued engines.
- If there are additional losses or further significant deterioration in claims in the overall aviation sector, additional markets could follow SwissRe's recent decision to withdraw capacity, which may cause general aviation rates to rise quickly.
- In the current environment, smaller general aviation risks are more likely to see flat rates, while larger risks may see a small reduction due to capacity available in the U.S., London and Europe.
- Given the current capacity available, it may be a good idea to discuss the option of a multiyear deal at renewal to secure rates while the market remains competitive.

Space

When obtaining space insurance, insureds should consider three factors: capacity requirements, premium rating and coverage criteria. Insurer appetite varies for each risk and is manifested through these three variables.

- **Capacity:** The amount of insurance available in the market has decreased slightly from 2024 to 2025 due to a few insurer departures from the market.
- Significant capacity is available for heritage technologies and established risks.
- Limited capacity is available at high rates for first-flight or unproven technologies.
- **Premium rating:** Premium rates remain at a high level following significant increases in 2024. The market is maintaining these rating levels to recoup losses from the unprofitable years of 2023 and 2024 and to reestablish a sustainable annual premium income level.
- **Coverage:** Insurers are adapting to different coverage requirements for new applications and technologies. Emphasis on redundancy, margin, heritage and more disciplined overall underwriting strategy.

Results and path forward

The space insurance market narrative is still being driven by significant losses and poor results.

- Insurers' primary goal is to reach an income level that allows the market to be consistently profitable.
- Despite the loss of several markets or syndicates in the past two years, the market still contains the available capacity to support the majority of risks in the market.
- Global space is in growth mode, and insurers can serve as a catalyst for development.

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Captive Insurance

Key takeaway

- Continued global turbulence and risk interconnectivity is reinforcing the importance of robust risk management and risk financing strategies.
- While insurance market rate increases have moderated in property, there have been deteriorating results in carrier casualty books driven by social inflation and third-party litigation funding. Natural catastrophe and losses from secondary perils remain high.
- Rising healthcare costs and the impact of costly specialty drugs are leading to more employers using captives to manage these risks and reduce costs.
- Interest in parametric solutions, especially concerning climate and environmental risks, remains strong, as clients seek capacity that may not be available in traditional insurance markets.
- The resultant overall effect remains positive for captive activity and utilization remains strong.

U.S. domiciles

- Reports of new captive formations during 2024 were strong across most U.S. domiciles.
- There is strong demand for excess casualty liability coverage among current and prospective captive sponsors. This is driven by price and capacity constraints in the commercial markets.
- Mature captives with sufficient capital and surplus continue to utilize that capacity to manage tightness across all lines of business.
- This is facilitated by analytics to optimize how capital is deployed in the captive program.
- Captives continue to provide access to better-priced terrorism coverage through reinsurance markets and government-backed schemes, rather than having the protection directly placed in the primary market or embedded within standalone property coverages.
- The Treasury Department and Internal Revenue Service issued final regulations making 831 (b) microcaptives less attractive due to increased scrutiny and compliance burdens. The regulations classify certain micro-captive transactions as either listed transactions or transactions of interest. These designations trigger extensive additional tax return disclosure by all the involved parties. Companies will need to carefully consider the compliance requirements and potential risks before selecting this form of risk financing strategy. This may reduce the number of microcaptives in existence as well as reduce the number of new formations in the future.

Americas offshore

- The key Atlantic and Caribbean domiciles of Bermuda and the Cayman Islands continue to see growth in the number of new captive insurance licenses issued.

- Through 2024, there were 17 new captive licenses issued in Bermuda compared to 16 in the prior full year, while the total number of new licenses issued for all types of insurers was 63. For the first two months of 2025, three new captive licenses were issued and 10 insurance licenses in total.
- As usual, there have been numerous segregated accounts (cells) formed during 2024 and into 2025, but statistics for these are not published.
- Cayman saw 42 total new licenses issued through December 31, 2024, compared to 41 total licenses issued during 2023. Captives represent the majority of all-new licenses issued. There continues to be growth in segregated portfolios (cells), portfolio insurance companies (incorporated cells) and members in group captives, for which statistics are also not published.
- Activity continues among insurance companies setting up internal captive reinsurers as key elements in their capital management efforts and to access reinsurance more efficiently. From a regulatory perspective, these are treated as commercial licenses rather than captives.
- New activity is globally spread in 2025 so far, perhaps somewhat less focused on North America than in the past, but not substantially so. WTW has seen activity from the U.K., Europe, Latin America and Asia.
- Contrary to expectations, the introduction of Bermuda's corporate income tax (CIT) regime has generated some opportunities for new captive formation, although these are rather specialized in nature. We are not aware of captives leaving Bermuda because of CIT currently.

- Outside of captive business, there remains extensive activity relating to the formation of life and annuity reinsurance entities, both in Bermuda and Cayman, for which WTW provides insurance management services.
- Segregated account (cell) business in Bermuda remains active. The Bermuda Monetary Authority is planning to introduce some amendments to the regulation of this business, so this may have an operational impact in late 2025 and beyond.
- WTW manages some Side A D&O business on a funded basis through Meridian Insurance Company Limited, its cell company, and it has seen renewed interest from entities that are in or adjacent to the digital asset space and who are still stressed in commercial markets.
- International employee benefit captives are growing in importance. Aside from the savings they may generate, they also help in creating a more diversified portfolio of risk, including premium revenue that may technically be considered third-party risk.

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Construction

Rate predictions

General liability
Flat to +8%

Auto liability and physical damage
+7% to +20%

Workers compensation
–2% to +4%

Umbrella (lead)
+6% to +15%

Excess
+7% to +20%

Non high hazard NAT CAT project specific builder's risk
0% to +5%

High hazard NAT CAT project specific builder's risk
+5% to +15%

Master builders risk/ contractors block
–5% to +5%

Professional liability
Flat to +5%

Project-specific/controlled insurance programs for excess
Flat to +10%
+5% to +30%

Key takeaway

As we shift our focus to U.S. rates and future predictions, it's important to highlight that pricing for individual accounts or projects can vary considerably due to various underwriting factors, including the geographic location of the risk where the judicial environment may significantly influence loss and claims costs, and subsequently, pricing levels. Moreover, the risk profile, which includes historical losses that are often analyzed conservatively, tends to add an extra layer of caution to an underwriter's risk assessment.

It's worth noting that the operational characteristics of each specific risk play a crucial role in determining pricing. For example, street and road construction typically poses a much higher insurable risk compared to general contracting. Consequently, we anticipate that pressure on rates related to higher hazard exposures will persist.

The recent tariff increases applicable to building materials including steel, lumber, aluminum, are adding significant pricing pressure on construction values. As "contract value" is a very common rating basis for insurance policies, contractors and project owners may see insurance pricing increases at project inception or at the annual policy audit. Contractors and project owners should be careful about tracking specific price increases due to tariffs. This will give them the information they need to negotiate prices with their respective carriers. Specifically as pertains to Builders Risk, contractors and project owners should review "escalation clauses" within their respective policies to assure coverage limits are adequate and address limit changes accordingly.

Rates

In 2025, overall rates are expected to increase as compared to 2024, with certain sectors, such as auto and umbrella/excess lines, seeing more significant hikes due to factors like social inflation, nuclear verdicts and plaintiff-friendly juries.

From a product line perspective, general liability rates are expected to range from flat to +8% with continued underwriting emphasis on construction defect and problematic jurisdictions as well as increased premises liability exposures, particularly for street and road contractors working active sites. Workers' compensation rates remain relatively stable, fluctuating between –2% and +4%, offering predictability despite challenges like an aging workforce and inflation. However, auto rates are expected to increase by +7% to +20% (on average), with higher rates in states like Florida, Texas, California and Georgia.

Contractors can expect increased scrutiny and potential coverage limitations around auto and driver protocols, generally, with emphasis on hired, non-owned and third-party hauling exposures. As such, many contractors are reevaluating corporate fleet policies and considering alternative risk practices.

Umbrella/excess rate adequacy remains a challenge with auto/fleet the most significant contributor to rate. Additionally, claim inflation rates are trending in the +6% to +15% range for long-tail liability lines and is often a barometer most carriers try to stay ahead of or on par with to ensure sustainable pricing.

Though increased attachments may assist in rate alleviation, the first $10 $20 million in limit are expected to rise between +7% and +20%, with the excess layers often "following" underlying.

Capacity insights

New markets continue to emerge in the casualty and excess sectors, expanding product offerings and driving more competitive results in strategic marketing efforts. However, challenges persist in the unsupported auto and lead umbrella where appetite and capacity remain limited. Markets are closely monitoring and managing the deployment of aggregate limits, aiming to quantify and cap potential maximum exposure. Additionally, we're observing a reduction in deployment of higher excess capacity, with markets preferring shorter limits and quota share participation to mitigate the impact of catastrophic loss exposure. Willis will continue to explore and qualify new market entrants as we move further into 2025 and beyond.

Builders risk market dynamics

The commercial construction sector's builders risk insurance market is showing continued signs of recovery after several years of challenging adjustments. The market is stabilizing and showing positive signs due to increased capacity and positive treaty renewals. As a result, rates continue to show a flattening trend. Quota-share arrangements continue to be common for larger risks. New legal developments have prompted the market to reconsider LEG3 coverage, with most insurers expected to adjust their policy terms accordingly.

There's been an uptick in available frame capacity, which in turn has put downward pressure on rates in some cases. Robust security monitoring, fire and water mitigation strategies remain critical requirements for all frame placements.

Secondary Nat-Cat perils continue to challenge the market, with increased underwriting scrutiny around severe convective storms, tornadoes and wildfires, resulting in a market push for sublimits and percent deductibles. Both primary and excess Nat-Cat capacities remain limited and continue to recover from difficult years. The 2024 Atlantic Hurricane season didn't have a material impact on Treaty Reinsurance renewals.

Coverage

One of the most significant trends in the insurance industry is the enforcement of cyber and data liability exclusions, eliminating coverage for resulting bodily injury, property damage and personal and advertising injury.

This shift highlights increasing concerns around cyber risks and the potential for substantial financial losses. However, not all markets are adopting a one-size-fits-all approach. Some carriers are open to considering narrower exclusions that allow for resulting bodily injury or property damage caused by a cyber incident, while still excluding personal and advertising injury, as well as related cyber costs that include notification, credit and identity monitoring and forensic expenses. Carriers will require a completed supplemental application to review and assess available options.

Otherwise, per-and polyfluoroalkyl substances (PFAS) exclusions continue to permeate the market, particularly in relation to fire suppression and water treatment plant operations. Similarly to cyber exclusions, carriers may consider removing PFAS exclusions on a case-by-case basis, contingent upon the review of a completed supplemental application.

From an excess perspective, carriers are becoming more stringent regarding "residential" operations, frame construction and excess wrap coverage, adding various limitations and/or exclusions to ensure proper underwriting of any potential exposure. In some cases, excess markets are facing challenges in aligning with the broader terms set by underlying carriers, including cyber/data liability "give backs" as noted above, as well as expanded definition of occurrence language and modified property damage exclusions limiting coverage to that particular part.

Project-specific programs and controlled insurance programs (CIPs)

The construction project insurance market is showing signs of stabilization after a prolonged hard market cycle. This stability is primarily due to the influx of large-scale construction projects. Insurers are particularly enthusiastic about controlled insurance programs (CIPs) and are offering favorable rates for data center and life science facility construction, which are considered desirable risks. Several major manufacturing projects are also expected to start this year.

However, for-sale residential, coastal, mass timber and wood-frame builds continue to face challenges in obtaining insurance. Despite these obstacles, the number of such projects hasn't decreased. In contrast, the traditional non-residential construction sector has seen a reduction in spending, while office construction spending has remained stable, and highway and street spending has slightly declined.

The insurance market is now requiring more detailed underwriting information, especially for projects in areas prone to natural disasters such as heavy storms, wildfires and flooding.

The construction industry is dealing with high interest rates, increased material costs, labor shortages and the need for operational efficiencies, including the integration of AI.

As a result, buyers of construction insurance are exploring alternative solutions to manage their risks and reduce financial burdens.

The stabilization of rates for owner-controlled insurance programs (OCIPs), contractor- controlled insurance programs (CCIPs) and other project-specific programs is facilitating better coverage, streamlined claims handling and cost savings for all stakeholders.

There has been an evolution whereby carriers are being increasingly selective and have implemented additional detailed underwriting requirements, especially for Nat-Cat exposed areas. This further highlights ongoing scrutiny in the marketplace.

Program extensions

Extending a program, particularly beyond a five year term, has become increasingly challenging. Some carriers are unable to provide coverage for longer than a 15-year period (inclusive of 10 years PCO). Others have cut back on limits they are willing to deploy, while markets whose portfolios haven't performed well have since exited the construction space entirely. Attempting to replace a layer with another carrier becomes extremely costly, causing significant financial hardship for the project sponsor and possibly for their individual trade contractors.

When replacing a carrier becomes the only option, often issues will arise around the completed operations exposure. All wrap-up policies state that completed operations coverage isn't triggered until the project is complete but, if coverage is replaced with another carrier before the actual completion period, this becomes a gray area with potential coverage gaps and finger-pointing when a completed operations claim does arise.

Another issue which may exacerbate the situation, particularly on programs that have performed poorly, is the adequacy of limits. If claim activity has begun to erode program limits, there may only be a limited amount of coverage remaining.

Even on programs where limits are reinstated annually, reinstatement will likely not be provided for an extension, leaving the existing policy limit to be 'stretched' beyond the period it had originally been intended to cover.

Professional liability (PL)

Professional liability (PL) insurance in the construction sector continues to be competitive, maintaining stable premium rates for a broad range of exposures. Insurers continue to exercise caution with managing their capacity and retention levels for both ongoing practice policies and project-specific coverage.

Available capacity for contractors' risks

The total capacity for most contractor risks in the U.S. remains robust, exceeding $300 million. This capacity continues to be bolstered by contributions from new market entrants as well as additional capacity potentially accessible through markets in London and Bermuda. However, capacity for project-specific placements is more limited as many insurers reserve this for practice or annual clients. Insurers typically offer a maximum of $10 million per risk, with some able to provide up to $25 million. Most insurers limit the amount of capacity deployed for any single risk.

Less capacity is available for contractors with substantial design responsibility, especially if design is performed in-house, as fewer insurers are willing to engage on a primary basis for these risks compared to those involving subcontracted design services.

Retention levels are generally stable unless they fall below the market standard, and they are influenced by the size of the insured's business and limit deployment.

Market dynamics and rate implications

Adequate capacity and continued competition are generally keeping rate increases minimal compared to other property and casualty (P&C) lines. However, there's upward pressure on rates for certain risks, such as those involving a substantial amount of exposure to design-build projects, whether they include in-house design or not. Rate increases are typically below 5% for risks with a clean loss history, though rates can be influenced by significant changes in the ratings basis (revenue) and revenue categories.

Coverage availability and terms

Most coverages are available from most insurers, although approaches can vary, especially concerning certain coverages. Insurers assess each risk individually, focusing on contractual controls and the prequalification of designers.

Attention is often required for specific contract and policy language, including limitations of liability provisions.

Insurers are careful to distinguish between product design, process design and construction/installation design, as designer/contractor programs are intended for construction-related risks. Some aspects of product design may be covered under these programs.

Project-specific capacity and long-term policy terms

Many insurers reserve their project-specific capacity for current clients on annual practice programs. Total policy terms (policy period plus extended reporting period) of 15 years are widely available, with longer terms available from a select few markets. There's a trend toward aligning these terms with the lesser of the applicable state statute of repose or contractual requirements. Capacity for design professionals, particularly on design/build infrastructure projects, is reduced, affecting contractual negotiations between design/build contractors and owners. This, coupled with increased demand for limitations of liability from design professionals, is driving up the cost of contractor-purchased project placements, and leading owners to consider procuring owner's protective professional indemnity. The market for owner's protective professional indemnity remains strong, with substantial capacity and a robust appetite for most projects.

New York Controlled Insurance Programs (CIPs)

The pricing and structural setup of controlled insurance programs in New York often make them viable primarily for exceptionally large projects or for those incorporated into ongoing, rolling programs. Additionally, there's been a noticeable decrease in the construction of high- rise residential buildings within New York City.

NY Labor Law 240(1)

NY Labor Law 240(1) maintains its reputation for making New York a less attractive state for insurers, with only a few new insurers entering the market and the average settlement value of claims under this law remaining significant. Simultaneously, the adoption of alternative dispute resolution is rising, increasingly being implemented in numerous large-scale projects both in New York City and upstate New York.

Market outlook

Though consumers continue to manage ongoing inflationary pressures, commercial building and infrastructure construction spending remains resilient. Twenty-two cities are projected to drive 50% of construction spending, with the perimeter coastal cities and North and South Central regions, expected to experience substantial growth. These areas will see increased investment in data centers, lodging/hotels, water supply and transportation, with advanced technology and new energy fueling this expansion. Data centers alone are expected to account for 12.7% of construction spending from 2024 to 2028, more than double any other industry segment.

Additionally, the impacts of natural events, like the recent fires in Los Angeles, have had a profound impact on both the construction and insurance markets. With more than 16,000 properties destroyed, there's been a significant demand for rebuilding and repair services, a trend expected to continue into 2025. This demand presents opportunities for construction companies specializing in rebuilding homes and businesses. However, the financial impact on the insurance industry has been substantial, with some large insurers facing losses between $32 to $40 billion. The total damages are estimated at $200 billion to $300 billion, and to recover these losses, insurers may raise premiums for policyholders in California. Some insurers may even exit the market or reduce their exposure, leaving consumers with fewer choices and relying more heavily on state-backed insurance programs.

Sustainability trends are influencing the construction industry, particularly through the growth of modular and prefab construction methods. Supported by building information modeling (BIM) and AI, these techniques are improving project planning, reducing costs, enhancing efficiency and contributing to safer and more profitable projects. However, despite improved outcomes, the insurance market has been more cautious as it relates to modular construction, with insufficient research and analysis to fully capitalize on the potential of these methods. Willis believes this to be an area of opportunity and continues to invest time and resources in developing creative solutions.

We expect significant investment in nuclear energy, especially in the context of next-generation technologies and expanding existing infrastructure. This investment is driven by the global need for cleaner, more reliable energy sources to meet rising electricity demand and reduce carbon emissions.

The push for advanced nuclear reactors — like small modular reactors (SMRs) and other next-generation designs — has been growing, as these technologies are seen as more efficient, safer and potentially more environmentally friendly than older reactors. Additionally, nuclear energy is increasingly being seen as a viable option to complement renewable energy sources, particularly in balancing grid demand and providing consistent baseload power, as demand for clean energy continues to rise.

The future of construction is being shaped by the integration of AI and robotics, offering new ways to address long-standing challenges in productivity and safety. Technologies such as drones and sensors are now being used for tasks like bricklaying, concrete pouring and risk detection. These AI-powered tools are improving efficiency and changing the role of skilled labor and automated systems within the industry. This technological shift is expected to continue through 2025 and beyond, as the industry increasingly adopts these innovations to remain competitive and meet project deadlines.

Additionally, the rise of smart personal protective equipment (PPE) is playing a crucial role in improving safety on construction sites. These advanced devices, which check biometrics and environmental factors, help prevent medical issues and potential risks to workers. When connected to internet of things (IoT) systems, the real-time data collected from these devices can be analyzed to improve safety protocols and create a safer working environment. As the industry evolves, the adoption of smart PPE and IoT technologies will become increasingly vital for both protecting workers and ensuring successful project outcomes.

Despite these growth opportunities, the market's outlook isn't without its challenges. Policies from the new administration, such as tariffs on imports, could increase the costs of materials and supplies — particularly steel — affecting projects. The U.S. construction industry is facing a significant labor shortage, with an estimated 500,000 new workers needed to meet growing demand for construction projects.

This challenge is further compounded by the upcoming retirement of a large segment of the current workforce, putting additional strain on an already tight labor market. Efforts to recruit and retain the next generation of construction professionals are essential not only to replace retiring workers but also to meet the expanding demands of commercial construction. These challenges highlight the importance of strategic planning and adaptability.

In response to these hurdles, industry leaders are focusing on their most valuable assets and investing strategically to improve returns. Embracing technology, particularly the transformative potential of artificial intelligence (AI), is central to our efforts to improve efficiency and maintain a competitive advantage. We understand that resilience isn't just about weathering the storm, but about positioning ourselves to take advantage of new opportunities.

Those who can successfully navigate these challenges while seizing opportunities will be well-positioned for success. The construction sector's resilience, combined with strategic investment and technological innovation, offers a future full of potential.

Insights from Canada

Current market trends

The Canadian construction market is in a state of uncertainty directly relating to the threat of tariffs stemming from the new U.S. administration. The industry is closely monitoring the specifics of these tariffs and the impacts it could have on the industry as well as products. This uncertainty is affecting investment decisions and confidence in moving forward with projects. The pending federal election is expected to bring attention to aging infrastructure, which could lead to increased investment in infrastructure projects.

Focus on multifamily projects

Despite the uncertainties, multifamily projects, whether for sale, or affordable and accessible housing, remain a key focus in the Canadian construction industry. The need for housing is significant across all levels and provinces, and governments and municipalities are providing investment incentives and other initiatives to support these projects. The industry is also witnessing a shift toward green building practices, with a predicted 25% increase in the use of greener materials and energy-efficient systems.

This trend is expected to be implemented for both residential and commercial projects, aligning with the broader environmental and energy efficiency goals.

Unique projects and technological advancements

Prefabrication will continue to be one way the industry can support the growing demands for housing units. In Alberta, we're seeing the use of older shipping containers being repurposed for rapid housing construction. These innovative approaches address the housing crisis by providing cost-effective and efficient solutions. The construction industry is also embracing technology and AI, which are becoming more prevalent in project delivery as well as risk management. These advancements are helping to improve project efficiency and reduce risks.

Underwriting scrutiny for large-scale projects

The underwriting process for large-scale projects in the Canadian construction insurance market is highly detailed and methodical. Underwriters require a significant amount of information, especially for complex projects over $500 million.

This scrutiny includes a thorough review of project details right down to health and safety protocols, and quality control measures. The approval process often involves higher levels of authority, which can lead to a longer timeline. Underwriters are increasingly interested in understanding how technology and AI are being used to manage risks and improve project delivery.

There's a growing interest in holistic risk management, with a focus on aligning different lines of coverage to build stronger relationships with clients. This approach involves a comprehensive assessment of all potential risks and the development of integrated risk management strategies. Collaboration among stakeholders, including general contractors, underwriters and technology providers, is becoming more prevalent, particularly in multi-year infrastructure projects like hospitals. This collaborative approach is essential for ensuring project success and managing risks effectively.

Conclusion

In summary, the Canadian construction insurance market is navigating a landscape of uncertainty and opportunity. Investment in infrastructure projects will continue to be at the forefront with aging assets across the country while residential projects trending not far behind. The use of technology and telematics will increase over the next few years and will allow for increased productivity, efficiency and risk mitigation.

Managing risks is no longer just about the traditional risk transfer solution. It's finding creative ways to structure programs, including alternative risk transfer solutions, captive solutions as well as parametric solutions for our clients and their industry partners.

Current market trends

The Canadian construction insurance market is still experiencing a competitive market with ample domestic capacity. The casualty marketplace continues to be in a highly competitive environment, including for wrap-up liability policies. Even with the significant Nat-Cat events in Canada (CAD$7.6 million reported at end of Q3 of 2024), the Canadian insurance marketplace continues to have ample capacity for property as well as Builders risk policies.

Carriers, however, are managing their capacity for specific perils via the application of appropriate deductibles and waiting periods and continued focused underwriting process.

The Canadian MGA space, which has been impacted by a recent fraud case, will likely face increased scrutiny and regulatory oversight and compliance in 2025. Review of a client's portfolio on a more holistic view has become an increased focus for carriers, whereby multiple lines of cover are underwritten as a whole. This shift enables carriers to become a closer, long-term partner for their clients and in turn allows the client for better results for their program renewal as a whole.

Wrap-up liability: Rate expectation –5% to +5%

The Canadian insurance market remains highly competitive. There's ample capacity, more layer programs being used and with more competitive rates than in the early parts of 2024. For residential projects, the domestic market is still very cautious in deploying primary capacity and remains more focused on higher excess capacity. London continues to back fill the needed residential Wrap Up capacity and depending on the risk, with no warranty conditions, which is a significant benefit for clients. Overall, the London market continues to be a solution that should not be overlooked.

Builders risk insurance: Flat to +5%

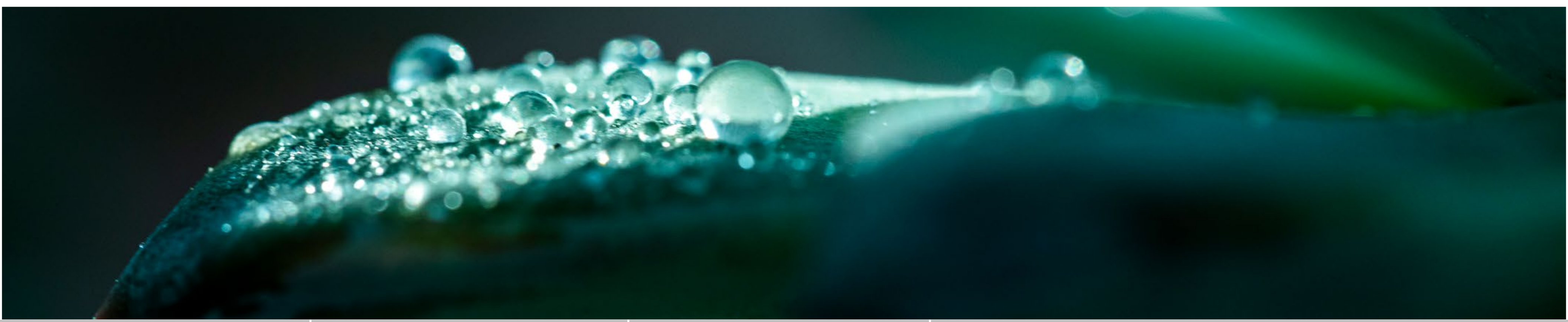
The current state of builders risk insurance in the Canadian construction insurance market is characterized by a detailed and methodical underwriting process, especially for complex projects. Capacity for frame projects remains limited and the utilization of MGA's is a must when placing such projects. Key in driving great results for Builders risk placements is engagement with the market underwriters and their engineering team.

Primary general liability, umbrella and excess capacity: –5% to +5%

The casualty marketplace remains competitive with abundant capacity in the marketplace. This buyer-friendly market has allowed our clients to see better terms and conditions as well as more competitive pricing on renewals. Carriers are balancing retaining their existing book of business while capitalizing on new business opportunities. PFAS exclusions are creeping more and more into casualty quotes, however, markets face challenges in applying such exclusions given the competitive casualty marketplace.

Automobile liability: Flat to +10%

Typically, Automobile placements are done in conjunction with the general liability market partner, however there are standalone opportunities that should not be overlooked. Carriers continue to operate in a challenging, profitable environment and look for clients to focus on driver hiring and training, safety protocols, vehicle tagging solutions and maintenance procedures.



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Crisis Management

Rate predictions

Terrorism and sabotage
−10% to −2.5%

Political violence
−10% to +5%

Active assailant
Flat to +10%

Kidnap & ransom
Flat to +5%

Key takeaway

Amidst an active redrawing of the geopolitical landscape, new ‘crisis management’ market capacity has contributed to a broad softening of the rate environment, creating a prime buying opportunity.

Despite growing geopolitical tension and many active risk factors, increased terrorism and political violence market competition has led to a generally softening rate environment.

- The entrance of five new carriers to the market, alongside line size increases among existing players, has accelerated a downward rate trend.
- Executive action by president Trump's actions has challenged traditional understanding of the breadth of terrorism exclusions, particularly with regards to organized criminal activity and politically motivated sabotage.
- Insurers exhibiting limited (effectively zero) appetite to write 'terrorism-only' coverage in certain conflict zones where the difference between terrorism and acts of war may be hard to distinguish.

Global political violence programs within high-risk countries are seeing rate decreases to single digit rate increases.

- Previous upwards price movement resulting from concerns about regional esclations were largely localized to the territories concerned, and many of those Insureds who weathered large rate increases in 2024 have now seen rate decreases.
- There have been some improvements for terms and conditions, especially with multi-city strikes, riots and civil commotion occurrence definitions and Middle East escalation clauses.
- Three years into the war, some insurers have begun to write coverage for Ukrainian exposures located away from the front lines.

A flurry of high-profile attacks puts active assailant protection in the spotlight (again).

- The shooting of the United Healthcare CEO in December has led many companies to review security plans and executive protection protocols.
- Equally, the high-profile vehicular attack on New Year's Eve in New Orleans highlighted the need for physical protection within public places.
- New legislation is coming to effect this year (e.g., NY Retail Worker Safety Act) that will require workplace violence hazard assessment, prevention policies and training.
- These are some of the many reasons that have raised policyholder interest in how active assailant protection can help organizations counter these threats.

Companies with domestic exposure pursue special crime (K&R) coverage.

- No longer applicable only to organizations engaged in high-risk international operations, buyers with domestic exposure — including small and medium enterprises (SMEs) — are increasingly attracted to 'special crime' coverage.
- The November kidnapping in Toronto of WonderFi's CEO highlighted the vulnerability of crypto firm executives to would-be criminals, given their attractive access to cryptocurrency ransoms.
- Rates remain generally stable, as does supporting market capacity. Slight rate increases for higher-limit placements owing to reinsurance costs.

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Energy

Rate predictions

Property

Tier 1

–7.5% to –12.5%

Well-engineered and operated risks with clean loss history.

Tier 2

Flat to –5%

Risks with clean loss history, but lower premium income/ smaller insurer panels.

Tier 3

Flat to +5%, loss history dependent

Loss-affected programs and/or challenging risks with significant natural catastrophe exposure.

Liability****

General liability

Flat to +5%

Auto

+8% to +15%

Workers compensation

Flat to +2%

Lead umbrella

+5% to +10%

Excess liability

+2.5% to 10%

**** Pertains to upstream/midstream/downstream/chemicals/mining; doesn't include oilfield services.
Note: While market appetite for refining risks remains, renewal results in the refining sector may not reach the reduction peaks indicated in the above chart due to concerns resulting from industry losses in Q1.

Key takeaway

Property:

Q4 2024 saw notable softening as competition for premium reached a fever pitch as part of a sprint by underwriters to reach Gross Written Premium (GWP) budgets by year end. However, two sizable losses in the refining sector in Q1 2025, potentially totaling more than $1.5 billion to the market, has slowed the pace of softening. Following these events, underwriting discipline has come back into focus following the period of rapid softening to end 2024. Despite the early loss activity and attempts at discipline, many insurers have GWP growth targets again for 2025 and competition for shares remains the trend, creating a supply/demand imbalance favoring buyers.

Liability:

Primary capacity in 2025 will help to combat the disturbing increase in “frequency of severity” regarding claims (specifically impacting both Auto Liability and Lead Umbrella lines) for most sectors, with the Oilfield Services segment facing another year of capacity challenges (particularly for those with large fleets or a challenging claim history).

Property

Losses in the refining sector in Q1 2025 is yielding underwriter questions and has impacted the pace of softening.

- Notable loss events have occurred in the refining sector in January (Germany) and February (California) of 2025.
- The circumstances resulting in these two events and details of events in years past are leading to underwriter questions around maintenance, turnaround and contractor utilization practices.
- These two loss events could total more than $1.5 billion in losses to the market (approximately $4 billion in downstream market premium).
- Significant claims activity occurring early in the year has given underwriters reason to look to employ increased underwriting discipline and slow the pace of rate reduction in the market.
- With three quarters still to come in 2025 and Atlantic Named Windstorm season on the horizon, insurers are concerned about 2025 portfolio profitability.

New capacity into the London market paired with interest in increased lines from many continues to foster competition and a supply/demand imbalance.

- A well-known Lloyd's syndicate, which had not previously underwritten a significant downstream energy book has significantly increased their offering in the sector following senior-level changes.
- Following a wildly profitable 2024, GWP, goals for 2025 call for growth for many insurers.
- As rates decline and competition increases for participation on programs, GWP goals must be met with new business premiums or increased shares on incumbent businesses.
- Robust marketing efforts continue to result in significant oversubscription of most programs.
- Previously challenged placements are now seeing increased interest as insurers look to replace premiums lost because of lost business or premium declines due to rate reductions.

The dynamic regulatory environment in the United States following changes in the federal government is uncovering challenging questions for insureds.

- Tariff plans of the federal government remain dynamic, leading to questions regarding feedstock, raw materials, sparing, long-lead-time equipment and potential replacement cost escalation.
- Anticipated regulatory and tax code changes are challenging the profitability of the businesses of some insureds who rely on governmental support or specific regulations to profit.
- These changes and uncertainty around possible future policy shifts are impacting growth project viability, resulting in project pauses, concerns around Business Interruption (BI) values and operational viability concerns of some insured assets.
- The pace of renewable refining conversion projects has slowed due to hurdles ranging from operational costs, feedstock availability and tax code uncertainty.
- Conversion projects have also received some scrutiny from the market due to technology concerns and events occurring during testing and commissioning of new units.
- With margins in refining down and the possibility of regulatory changes at the state and federal level, insurers anticipate that the refining portfolio will continue to decline as insureds choose to idle or shut down plants or undergo conversions.

While valuation accuracy remains a market talking point, pressure for significant change has subsided.

- Market-trusted indices for property damage values are no longer recommending significant increases, with some showing flat or even small reductions in recommended inflation rates.
- With competition heating up and rates improving in favor of buyers, insurers are diverting their attention away from value adequacy if a sound, repeatable methodology has been implemented.
- The challenging tariff conversation, particularly as it relates to property replacement cost values and limit adequacy, could intensify the values conversation again.
- Insureds should monitor the impacts of tariffs on critical items and conduct ongoing conversations with brokers to ensure no lasting tariff impacts warrant a need for program restructuring or value adjustments.

In a softening market, improvement in terms and conditions can be had in supplement to pricing improvements.

- Non-concurrency in terms and conditions, if applicable, should be an area of focus for brokers along with price improvements during a softening cycle like the current.
- As insurers chase increases in share, improvements in terms can become important points of negotiation and possible differentiators between insurers offering competing quotes
- Long-term agreements (LTAs) are currently in vogue again as insurers look to lock in GWP and buyers seek future rating stability.
- While LTA clauses are often viewed to be easily broken from a legal perspective, it's typically in the best interest of both parties to honor the agreement unless one of the events triggering the LTA cancellation should occur.
- Putting a portion of a program on an LTA and leaving the rest to remain floating annually can represent an efficient way to create a hedge against future changes in the pricing environment and lock in capacity.

Environmental, social and governance (ESG) has been significantly deemphasized, but remains in scope for a select group.

- Following on trends of the last 12+ months, ESG conversations continue to dwindle as insurers feel less pressure from key stakeholders.
- The focus has shifted to insured operational success and safety as underwriters aim to tailor books for profits rather than ESG-driven metrics.
- ESG continues to be an important factor in the decision-making process for a small group of well-known continental european insurers, but the focus of the restrictions remains primarily on coal and upstream exploration and production (including oil sands, arctic exposures).

Liability

Auto liability claims remain a concern across all sectors, impacting lead umbrella pricing and capacity again in 2025.

- Despite nine consecutive years of rate increases for primary auto liability losses continue to outpace rate increases each year.
- Jurisdictions that used to be considered neutral are now becoming plaintiff-friendly venues as well in places like the permian basin where activity is concentrated, and frequency of losses is high and areas such as Louisiana and South Texas continue to be challenging.
- Clients with heavy fleets will face increased scrutiny as larger awards and settlements are impacting lead umbrella limits and pricing due to limits vulnerability.
- Excess carriers will continue to focus on hired auto liability exposures and contractual risk mitigation practices and third-party limits sought.

Oilfield services companies with losses or heavy auto exposure are experiencing an extremely challenging marketplace in 2025.

- The oilfield services segment continues to see the largest uptick in general liability/excess liability claims due to an increase in severity in both judgments and settlements for workplace injury lawsuits.
- “Action-over” lawsuits appear to be increasing from both a frequency standpoint and settlements continue to be paid by Lead Umbrella policies, impacting limits availability from certain carriers.
- Clients with heavy fleets will face increased scrutiny as larger awards and settlements are impacting lead umbrella limits and pricing due to limits vulnerability.
- Lead umbrella capacity is quickly shrinking and the market is quickly hardening for many companies within this sector, especially those with larger fleets or large losses.

Overall capacity should remain stable in 2025 for most sectors.

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- “Action-over” lawsuits appear to be increasing from both a frequency standpoint and settlements continue to be paid by lead umbrella policies, impacting limits availability from certain carriers.
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- Lead umbrella capacity is quickly shrinking and the market is quickly hardening for many companies within this sector, especially those with larger fleets or large losses.
- It is important that clients highlight auto safety programs/driver hiring criteria and contractor limits sought; direct communication with incumbent liability markets is crucial.
- We suspect that modest excess liability rate increases will lessen as the year continues.

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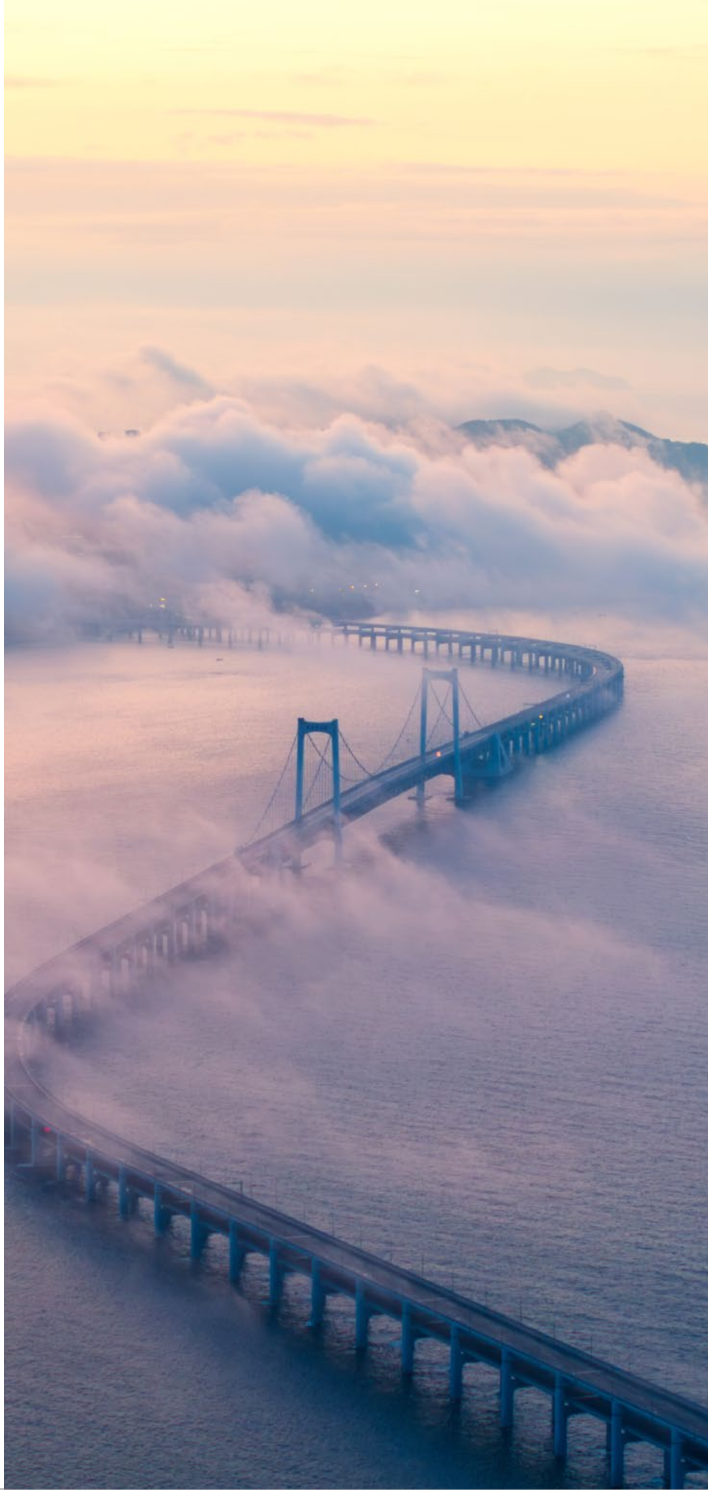

Environmental

Rate predictions

Contractors pollution liability (CPL)	Site pollution liability (PLL/EIL)	Combined environmental + casualty/professional/excess
Flat to +5%	**Flat to +10%**	**+5% to +10%**

Key takeaway

The 2025 marketplace will continue to provide clients with favorable loss histories ample opportunities to improve the terms and conditions of their environmental programs as a result of increased competition and appetites of new markets seeking to quickly gain market share.

Markets

Despite global economic turbulence, client need and carrier appetites for environmental coverage remain strong in our marketplace.

- Following nearly a year-long period of stability in the U.S. environmental markets, the entry or expansion of at least six markets and the strategic realignment of two others has created significant disruption to underwriting personnel, appetite and authority.
- A likely effect of this expansion will be the addition of capacity to the U.S. market that could contribute to downward pressure on environmental rates that were poised to increase due to increasing cost of claims.
- Layered programs involving multiple carriers for lower-limit programs are gaining appeal with Insureds looking to expand capacity, manage rates and expand carrier relationships
- While some investors await better economic certainty, the application of environmental insurance has become even more essential for mergers, acquisitions and real estate transactions.

Products

Emerging exposures and opportunities continue to fuel the creation of new environmental products and the reimagined use of some old ones.

- With remediation thresholds for PFAS and other GenX chemicals looming closer, PFAS (per- and polyfluoroalkyl substances) restrictions are now common across most property and casualty lines, although environmental coverage may be secured for companies that can demonstrate de minimus exposure.
- Recent moves made by the EPA have signaled a continued interest in carbon capture and storage/sequestration as carbon generators and consolidators look to benefit from the associated 45-Q tax credits.
- New developments in risk transfer products or combinations of existing products are being applied to new environmental opportunities, such as carbon sequestration (natural resources) and reps and warranties (M&A).
- Ethylene oxide (EtO) continues to emerge as a potential contaminant to watch.

Claims

The magnitude and frequency of recent environmental claims have shaped carrier behavior and appetites.

- Rising remediation costs and the potential for multi-coverage claims (environmental, property, general liability) have moved carriers to take a more active role earlier in the claim process to mitigate losses.
- Major losses arising from ancillary environmental coverages, such as transportation and non-owned locations/disposal sites, serve as a reminder of the importance of these coverages.
- Twenty years on, carriers continue to offer affirmative coverage for indoor air quality (IAQ) issues, such as mold and Legionella, but many employ various underwriting tools (class of business, named peril, per-door deductibles) to mitigate their exposures.
- Clients are experiencing regulator-driven PFAS claims arising from expanded monitoring beyond a location's original contaminants of concern — creating possible consequences for both active and closed cleanup sites.

Construction

Environmental exposures in the construction industry persist and are expanding.

- An uncertain regulatory environment and economy have resulted in heightened underwriting scrutiny around property transactions or locations intending to expand or modify their operations. Review of future intended use and redevelopment plans for covered locations may be required.
- Excessive siltation and stormwater exposures continue to yield large pollution claims for new construction projects — even clean energy projects (solar and wind) have proven susceptible to these exposures.
- Carriers are expanding the use of shared aggregate limits for monoline site and contractors' pollution as well as contractors' pollution and professional products by combining these two coverages on a single form.
- Redevelopment-related claims arising from pre-existing conditions, soil and water management and voluntary site investigations are commonplace.
- PFAS restrictions are now encountered on construction-related programs depending on the contractor's exposure.

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Healthcare Professional Liability

Rate predictions

Overall healthcare professional liability +5% to +15%	**Allied health** 0% to +15%	**Hospital professional** +5% to +20%
Managed care E&O 0% to +5%	**Physicians' professional liability** +5% to +15%	**Senior living** +5% to +15%

Key takeaway

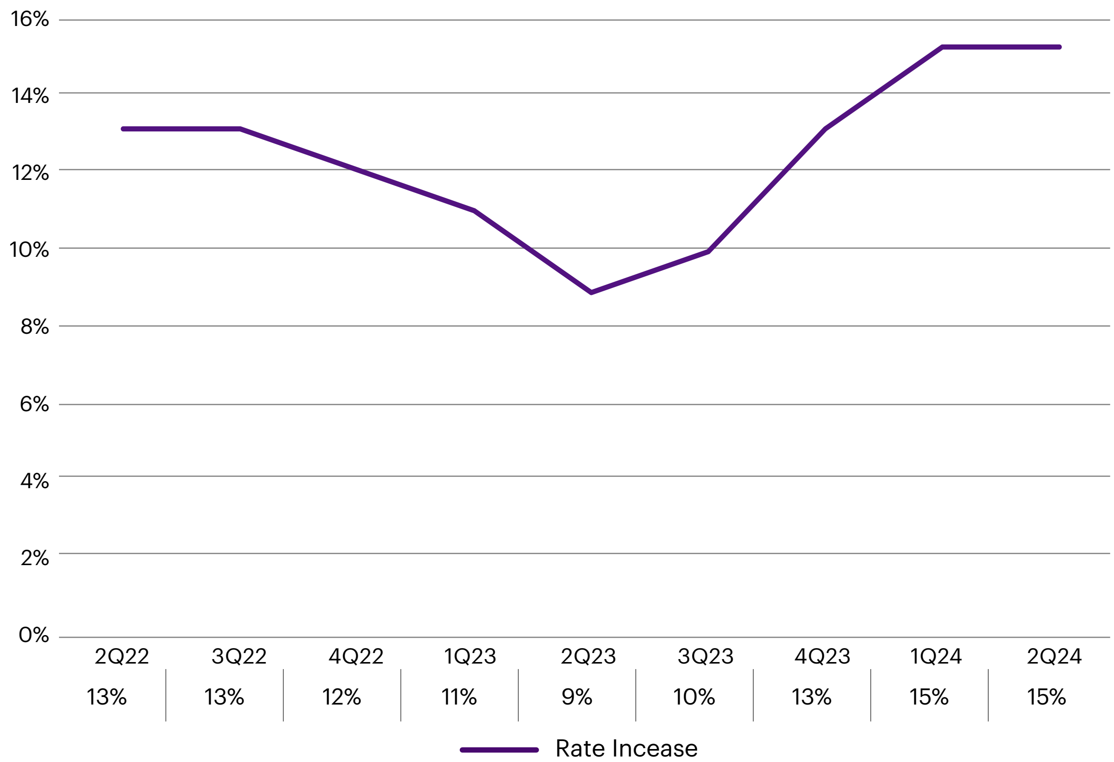
- Stress on healthcare systems is unprecedented. As the U.S. population ages, demand for medical services will grow much faster than the supply of practitioners, leading to an estimated physician shortage of between 54,100 to 139,000 physicians by 2033.[1]
- Insurers remain concerned about aberrational verdicts; the average of the top 50 malpractice verdicts increased 50% in 2023 to $48 million from $32 million in 2022.[2]

[1] June 2024 Report from the Association of American Medical Colleges (AAMC)
[2] Fortune Magazine 7/2/24 Article – Medical Malpractice Payouts are ballooning and insurers are warning it will cost patients

Key takeaway cont.

- In response, even well-established insurers are carefully monitoring and, in many cases, reducing capacity to as low as $5 million. They are also quoting terms with increased attachment points for underlying coverages, especially professional liability and auto.
- Sexual abuse allegations at teaching hospitals, in particular, and the ensuing batch events continue to be a key concern for underwriters.
- There are concerns about staffing, practitioner burnout and aging workforce. Plaintiff bars use understaffing to their advantage, citing "profits before people."

Renewal pricing trends — Medical professional liability renewals — Rolling quarterly results



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Life Sciences

Rate predictions

Products and professional liability
+0% to +10%

Key takeaway

An influx of new product and professional liability capacity in the life sciences marketplace is underpinning an environment of ongoing stability. Rate predictions remain in the low single digits, with growing exposures on clean accounts often leading to even further reductions.

Product liability trends

Product liability is a critical concern for life sciences companies, particularly given the increasing complexity of pharmaceutical, biotechnology and medical device products. As these industries evolve, several new hot topics surrounding product liability have emerged, including those highlighted below.

Risks associated with digital health and artificial intelligence (AI)

As AI and machine learning technologies are integrated into medical devices, there are growing concerns about the potential for malfunctions, errors, or inaccurate diagnoses leading to patient harm. The liability risks associated with AI in medical devices are particularly concerning because these technologies often "learn" and evolve over time, potentially leading to unpredictable outcomes. Companies must ensure that AI-driven devices are properly tested, monitored and adjusted to minimize the risk of errors. The FDA has recently released guidance surrounding the incorporation of AI technologies throughout the medical product lifecycle in an effort to ensure product safety and effectiveness.

The rise of telemedicine and digital health platforms has also brought new product liability risks. For example, remote monitoring devices, health apps and virtual consultations can have technical issues or lead to inaccurate diagnoses, which could result in injury to patients. Companies that produce digital health tools or telemedicine platforms must navigate a complex legal landscape concerning the liability of their services and devices.

Cell and gene therapies

The rise of gene-editing technologies, such as CRISPR-Cas9, could revolutionize medicine. However, these technologies also raise significant product liability concerns. Companies that develop gene therapies or gene-editing tools face the challenge of ensuring their products are safe, and they must be prepared for the possibility of unforeseen consequences, such as unintended genetic changes or long-term effects on patients. The lack of long-term data on these products only increases liability risks.

As cell and gene therapies continue to evolve and receive regulatory approval, life sciences companies face heightened liability concerns. These therapies often involve complex and personalized treatments, and any adverse effects or failures could have severe consequences.

GLP-1s

Securing product liability insurance for GLP-1 (glucagon-like peptide-1) risks presents several unique challenges due to the nature of these drugs, their widespread use and the evolving regulatory landscape.

GLP-1 medications, like semaglutide and tirzepatide, are relatively new compared to traditional medications. Despite promising clinical trials, there may still be uncertainty about their long-term safety and potential side effects. While GLP-1s have shown positive effects in managing diabetes and obesity, they have also been associated with some significant side effects, such as gastrointestinal issues. Insurance carriers may be hesitant to offer coverage or may charge higher premiums without robust, long-term data on their safety profiles.

Compounding pharmacies providing GLP-1 medications face even greater underwriting scrutiny, primarily due to regulatory, safety and other business-related factors. Compounding pharmacies aren't allowed to alter or replicate approved, commercially available drugs unless there's a documented need such as a drug shortage. Compounding GLP-1s without the proper justification may not only lead to legal issues but also expose patients to drugs that haven't gone through the rigorous FDA approval process for purity, dosage accuracy, or efficacy.

These challenges highlight the complexity of product liability insurance for GLP-1 manufacturers, with insurers needing to balance the innovative potential with the inherent risks and uncertainties that come with introducing new pharmaceutical products to the market.

In summary

Life sciences companies face a growing number of complex product liability risks, driven by new technologies, shifting regulatory environments and increased litigation trends. Companies must stay proactive in managing these risks through comprehensive compliance programs, positive FDA interaction, robust product testing, clear communication with stakeholders and transparent ethical practices.

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Managed Care E&O and D&O

Rate predictions

Overall

Market rate conditions are easing but underwriting information, including exposure increases may drive premium increases.

Public MCOs (Depending on size of entity)

Up to +5% for E&O; Up to –5% decrease for D&O

Blue plans

**Up to +5% for E&O,
Up to +10% for D&O**

Hybrid entities

**Up to +10% for E&O,
Up to +10% for D&O**

Private company, other lines of business

**EPL: Flat to +5%;
Fiduciary: Flat to +5%;
Crime: Flat to +5%**

All other MCOs

**Flat to +5% for E&O,
Up to +10% for D&O**

Cyber liability

**MCOs with good cybersecurity controls and no adverse loss activity: 0% to +5%
For less than optimal risks: Up to +15%**

Key takeaway

E&O and D&O carriers continue to offer flat to minimal rate increases. Risks that attract limited primary markets, such as TPAs and PBMs, continue to see higher pricing and coverage restrictions. Systemic risks, unforeseen litigation, bodily injury claim values, behavioral health claims and regulatory risk are a concern for carriers and coverage restrictions continue to be applied especially for larger, complex organizations. Economic realities and federal and state health policy changes add additional pressure, as well as climate, ESG, inflation and political considerations. Organizations that present as very good risks from an underwriting perspective receive better rates, though terms and conditions are similar.

Cyber liability pricing is still stable, but several notable cyber insurers are beginning to hold the line on flat and are no longer offering decreases for primary renewals. Cyber underwriters remain technically focused on ransomware controls and cybersecurity resilience, and the Change Healthcare cyber event may impact future renewals.

Restrictions related to significant risk continue

- Some markets increase retentions, may apply coinsurance and sub-limit coverage related to antitrust and regulatory risk. We're keeping an eye on regulatory retentions based on political and regulatory uncertainty at the federal and state levels, which is adding further complexity to the marketplace in this area.
- Related claim language has narrowed significantly, as has manuscript exclusionary language applied to prior industry claims.
- Association and cyber exclusions continue to be applied.
- Rebates, opioid and other exclusions are being added to PBM policies.
- Coverage for Pharmacy Benefit Managers, those engaged in value-based contracting from the provider side, revenue cycle management, medical services management and other hybrid risks, especially those exposed to bodily injury claims, remain difficult to place due to limited capacity and restrictive terms and conditions.
- Some carriers require managed care E&O participation to write a D&O/management liability package, which creates anti-stacking coverage concerns, as well as issues related to rate and capacity in larger towers.
- Risk transfer programs must be managed and strategically planned across all lines of coverage to avoid gaps in coverage and limit restrictions.
- Reinsurance in this space continues to impact coverage and capacity.
- The use of captives and other alternative risk financing solutions has slowed as market conditions improve. Fronted programs can be negotiated as an alternative to captive programs.
- No new domestic managed care E&O carriers have entered the marketplace and no markets have exited.
- We haven't seen any new offshore carriers enter this space.
- Non-core business diversification is driving risk and coverage limitations.

Key litigation

- **Wrongful death allegations preempted ERISA:** First Circuit affirms summary judgment in favor of plan, finding that wrongful death claim associated with denial of coverage for inhaler was both statutorily preempted by ERISA and conflict preempted by ERISA. Cannon v. Blue Cross and Blue Shield of Massachusetts, Inc.
- **Lawsuit over use of algorithm to review and deny healthcare claims dismissed:** District court dismisses in part claims concerning use of PxDx algorithm to review and deny claims where the court found plaintiffs lacked jurisdiction to assert UCL and §1132(a)(3) claims, because the record showed plaintiffs' claims weren't subjected to algorithm. Suzanne Kisting-Leung, et al. v. Cigna Corporation
- **Residential treatment center litigation:** District court grants summary judgment to ERISA plan, finding that its denial of residential treatment as not medically necessary wasn't arbitrary and capricious where it thoroughly cited plaintiff's medical records, and that plaintiff offered no evidence in support of the Parity Act claim asserting that the misapplication of MCG Guidelines amounted to improper disparate treatment of mental health claims. T.E. v. Anthem Blue Cross and Blue Shield, et al.,
- **Antitrust claims asserted against BCBS licensees over certain technology denied as E&I:** TranS1, LLC v. Blue Cross Blue Shield Association, et al., Manufacturer of technology for spinal fusions, AxiaLIF, asserts antitrust claims against BCBS licensees associated with designation of the technology as experimental, investigational and not medically necessary.

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Marine Cargo

Rate predictions

U.S. market — Transit & stock throughput

Good loss experience
Flat to –5% to –10%

Marginal to poor loss experience
+5% or higher

London market — Transit & stock throughput

Good loss experience
–7.5% to –10%

Marginal to poor loss experience
+5% and higher

Key takeaway

The marine stock throughput program structure continues to be a viable option when compared to the more traditional approach of insuring inventory exposures within the property market. Recently, the property market has become more willing to provide sufficient credit to reduce inventory exposure, thereby increasing the success of implementing a stock throughput policy. Marine Insurers continue to focus on catastrophe (CAT) season to determine if the season is prolonged due to global warming. For the past five years plus, the U.S. has not been impacted by a significant catastrophe (CAT) event. Despite this, insurers continue to review the adequacy of limits deployed surrounding catastrophe (CAT) per occurrence and annual aggregate limits, as well as corresponding deductibles.

Marine insurers continue to compete for market share by relaxing underwriting guidelines; however, profitability continues to be a high priority for the global marine market. With insurers focused on bottom-line profitability, the following underwriting diligence remains:

- Certain business segments and exposures are subject to more scrutiny than others, such as temperature-sensitive products, pharma, automobiles, theft attractive and high-hazard catastrophe (CAT) exposures.
- Detailed exposure information and differentiating Insureds from their peers remains crucial to securing favorable terms and conditions.
- Insurers continue to monitor their respective portfolios to manage their aggregation of risk in high catastrophe (CAT) risk regions.

To best position the client in the market, analytical tools should be utilized to optimize their program structures (with a focus on retention, catastrophe (CAT) limits, aggregates, etc.)

Tariffs

Given recent discussions on tariffs between world leaders, clients should review their policy wording and the adequacy of limits.

Geopolitical global landscape

- Insurers continue to include an absolute exclusion for Russia, Ukraine and Belarus.
- Market continues to watch geopolitical activity in the region of the Red Sea.
- Insurers are watch closely that relations between China and Taiwan and the potential impact to the region and global supply chain.

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Marine Hull and Liability

Rate predictions

Hull and machinery (U.S.) Flat to +2.5%	**Hull and machinery (London/International)** –5% to –7.5%	**Hull and machinery (Scandinavia)** Flat to –2.5%
P&I (U.S.) +2.5% to +5%	**P&I (international club)** +5%	**Marine liability (primary U.S.)** Flat to +2.5%
Marine liability (excess U.S.) Flat to +5%	**Marine liability (London)** Flat to +5%	**U.S. L&H mutual** Flat to +2.5%

*All rate projections shown above are subject to good loss record accounts with higher end-of range on accounts with greater risk exposure. Increased rates for accounts with adverse loss experience.

Key takeaway

As we move into 2025, the marine insurance market continues to soften with all classes of business under pressure from increased insurer capacity.

Rate trends

	2023 Q1/2	2023 Q3/4	2024 Q1/2	2024 Q3/4	2025 Q1
Hull	6.25%	3.75%	1.25%	1.25%	0%
P&I	7.50%	6.50%	6.25%	6.00%	5%
Marine liability	7.50%	7.50%	6%	5%	2.5%

In international hull, we are seeing an overcapitalized market where insurer competition is strong and we are seeing reductions in renewal or new business for markets.

- London's hull markets are seeing the largest reductions due to over-capacity.
- U.S. and Scandinavian markets are holding firmer on rate.
- This is putting pressure on clients to remarket.

P&I clubs averaged around 5% general increase

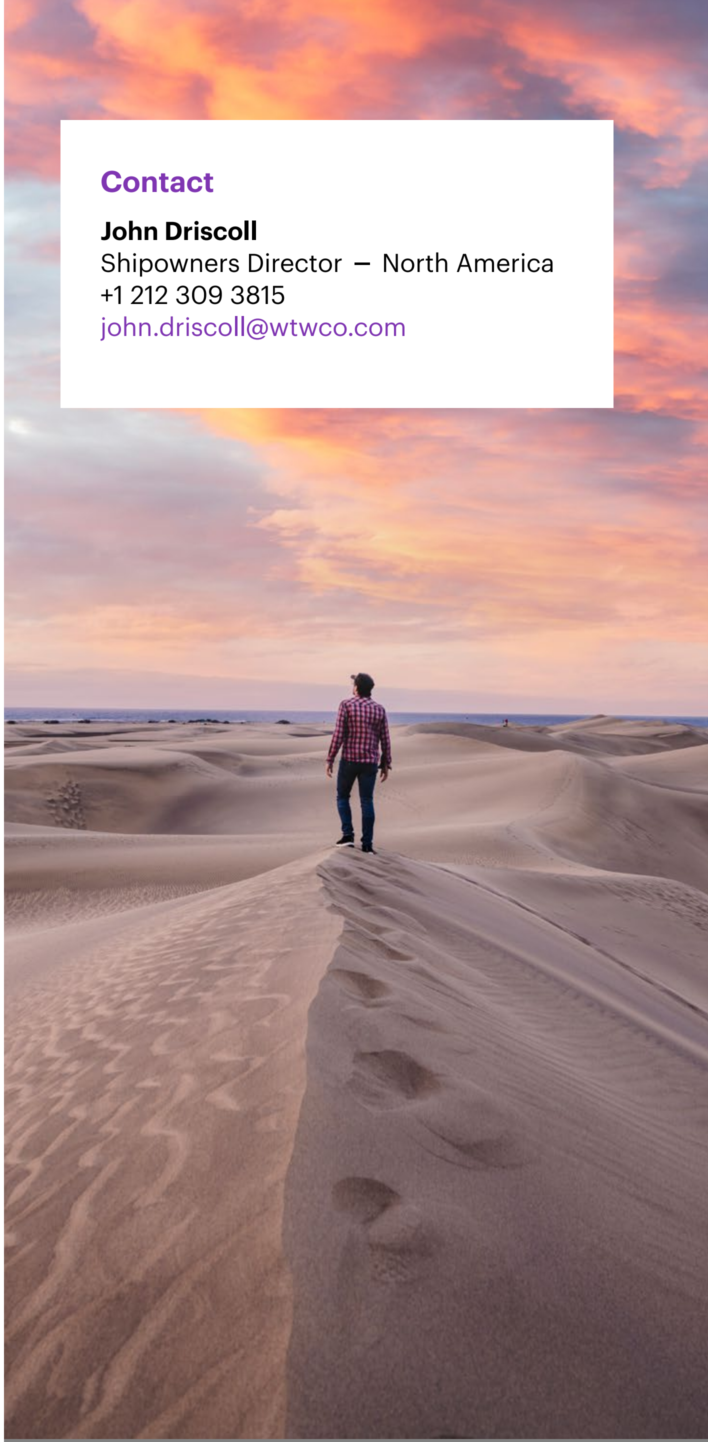
- Volatility in large claims.
- Some of the stronger club's rebated capital.
- Dali/Baltimore bridge incident mainly affected IG Club Reinsurance, containership operators.

Marine liability overview

- Market is flattening due to over-capacity but markets holding due to claims of inflation.
- Marine excess markets still requiring rates on non-marine underlings — mainly auto — larger and more frequent nuclear verdicts.
- Markets require careful review of non-marine underlings and continue to require higher underlying attachment points, reduced capacity and higher pricing.

Global political environment ongoing

Ukraine/Russia/Black Sea and Israel/Houthi rebels in Southern Red Sea and Gulf of Aden, still an area of uncertainty and causing high hull war risk rating and restriction from the market.



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Personal Lines

Rate predictions

U.S.

Homes
+15% to +20%

Personal umbrella liability
+20% to 25%

Cat-exposed homes
+50% to +100%
w/limitation or non-renewal

Cat-exposed homes with losses
+100% or non-renewal

Auto
+15% to +25%

Canada

Homes
+7% to +25%
(best in class)

Cat-exposed homes
+30%
w/limitations or non-renewal

Auto
+5% to +13%

Hard to place risks
non-renewal and
limited markets

Personal liability
+2% to +5%

Key takeaway

The personal lines insurance market in North America faces ongoing challenges, including rising rates driven by increased claims costs, higher property values and frequent natural disasters. Insurers are also adjusting their risk management strategies and underwriting practices, particularly in high-risk areas, to manage their exposure. Additionally, evolving consumer preferences for customized and affordable coverage options are influencing the market. While some states like Florida have made regulatory adjustments and allowed necessary rate increases to help with capacity, other states are still struggling to catch up, constrained by regulated pricing suppression, impeding insurance availability.

Staying informed and seeking personalized advice is crucial for individuals navigating these changes. We're closely monitoring recent tariff announcements and the impact on the cost of materials and repairs, which may drive insurer claims expenses upwards and negatively affect premiums for the end consumer. In monitoring these developments, we want to ensure our clients remain well-informed and prepared.

Homeowners continue to be impacted by climate change

Climate change is having a significant impact on personal insurance, especially with the increase in natural disasters like the recent wildfires in California and Canada. Here's what you need to know:

- Higher insurance costs: The increasing frequency of severe weather events is applying pressure within the home insurance market and on premiums. Insurers are dealing with more claims and rising payouts, which translates into higher premiums and coverage affordability issues.
- Changing coverage: Insurers are using more sophisticated tools and data to predict the likelihood of various risks and help manage them effectively. This affects the kind and level of protection you can get.
- What you can do:
  - Review your policy: Work with your insurance broker to fully understand your policies and how a natural disaster may impact you and your assets.
  - Consider extra coverage: You might need additional insurance for specific risks like wildfires, floods, or hurricanes.
  - Take preventative steps: Implement measures to safeguard your property, such as fireproofing your home or installing flood barriers.
- The changing climate highlights the importance of being proactive with your insurance planning to ensure you and your assets are well protected.

Personal auto premiums continue their upward trend

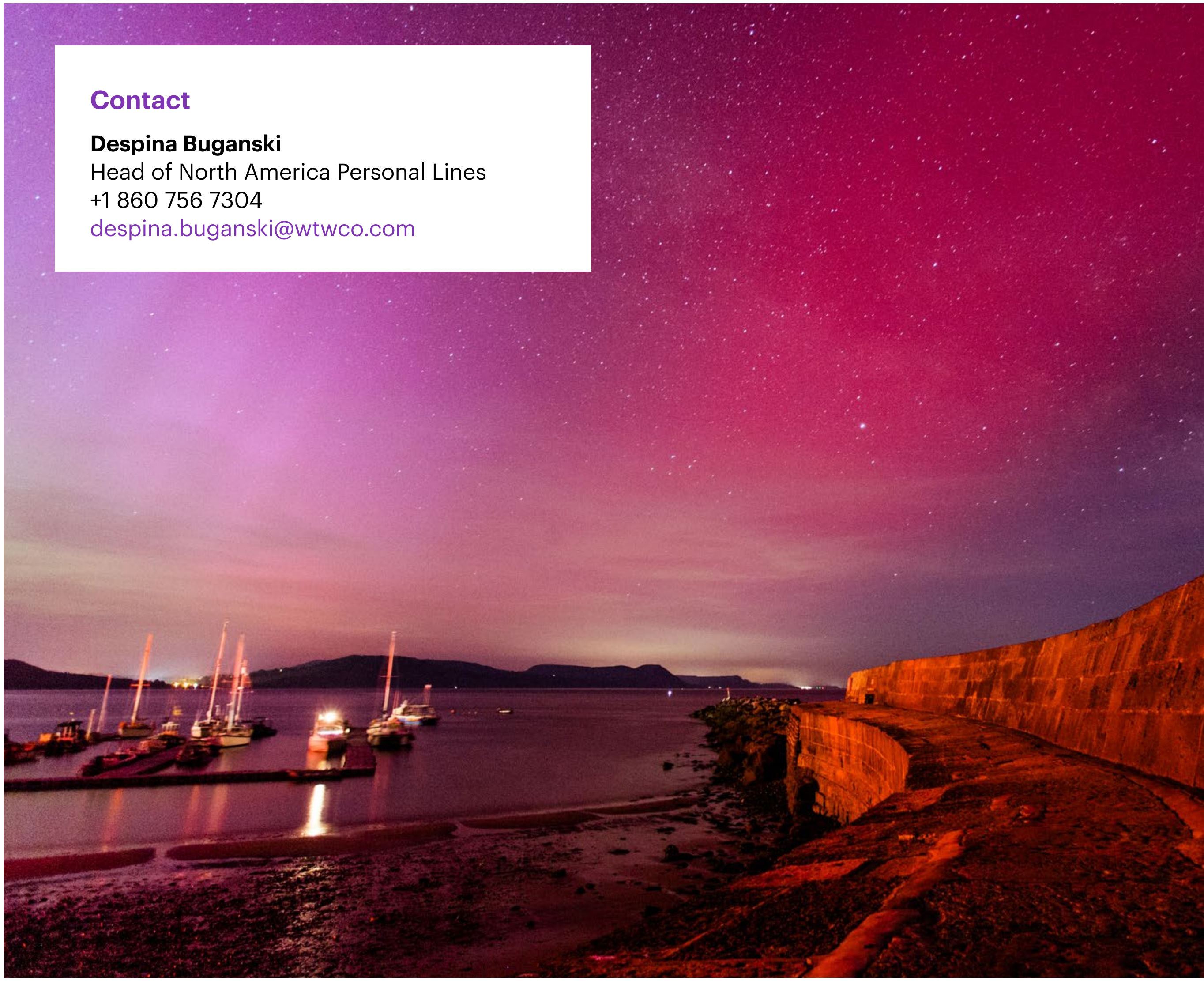
- Frequency and severity of auto claims remain an issue. Risk mitigation needs to be a priority as raising rates isn't a sustainable solution.
- Real time monitoring of driving habits to modify behaviors can help address this issue by rewarding responsible, safe drivers with lower premiums.
- Advanced safety features can reduce accidents, but their high repair costs impact insurance pricing. Electric and autonomous vehicles have unique risk profiles and repair costs, prompting insurers to develop new pricing models.

Liability

- There's a growing tendency to resolve disputes through legal action, leading to more lawsuits. Additionally, courts are awarding larger settlements, which encourages more people to pursue litigation.
- Large auto-liability losses and outsized settlements are still a significant concern.

Lessons drawn from the California insurance crisis

- Risk mitigation needs to be a priority, and insurers need to accurately price for growing catastrophic risk. Otherwise, insurers will continue to restrict coverage or exit certain classes of business.
- This is putting increased pressure on the Insurance Protection Gap (IPG), which is growing in North America and can have profound impacts on the well-being and economic prosperity of individuals. IPG measures the difference between optimal insurance coverage and actual coverage (uninsured losses).



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Political Risk

Rate predictions

Political risk
Flat to +20%*

***China rates increasing upwards**
+50%+

Key takeaway

The new Trump administration's trade policies, such as sweeping tariffs (now paused for 90 days except for China), and a more transactional approach to foreign policy, have layered additional volatility on top of a precarious geopolitical landscape. We recommend any clients with exposure in developing countries to proactively explore political risk mitigation options. Further, we advise clients to focus mitigation on a limited number of key countries where financial impact would be highest.

The political risk insurance market remains a hard market

- Rates stabilizing between flat to 20% for renewals depending on countries covered, but China renewal rate increases 50%+.
- China capacity very tight; estimated $10-$30 million of capacity for a new risk, in the private market if in a benign industry (not technology, defense, apparel).
- Capacity constraints in China, Taiwan, Egypt, Turkey, Burkina Faso, Nigeria, Argentina (CI), Nicaragua, Russia, Israel, some certain sectors in Mexico (energy-related), as well countries with active war.
- The U.S. Development Finance Corporation, a U.S. government agency which can write political risk insurance with longer policy terms, upwards to 20 years, for investments that can deliver developmental impact, including Ukraine, is paused in executing new transactions while further direction from the administration is given.

Potential for tariff retaliation in focus for clients and carriers

- While tariffs themselves and not generally covered by political risk insurance, the potential for retaliation from countries with other tools (non-tariff measures) may be covered and a concern shared by both clients and carriers. Further, there's historical precedent for economic tensions leading to larger diplomatic or military conflict.
- For example, in retaliation for the recent tariffs on China, additional American companies have been placed on MOFCOM's Unreliable Entity List (UEL). If the punishments are enacted, these firms could face inability to import or export, license cancellation, personnel travel bans and other items.
- Separate from tariffs, uncertainty following the administration's actions with USAID, with some analysts suggesting other countries' geopolitical influence could spread in the US absence. Link

Concern rising for Africa, in particular greater resource nationalism actions and shifting geopolitical influences

- Burkina Faso, Mali and Niger continue in their Alliance of the Sahel in which they have undergone significant political and diplomatic shifts reshaping their regional and international relationships, namely the exit of French and U.S. influence and instead, some analysts point to Russia. Mining companies have cited withdrawal of rights of mining permits or threats thereof.
- In South Africa this January 2025, president Cyril Ramaphosa signed the Expropriation Act into law, allowing the government to expropriate land for public purposes. This prompted a response from the U.S. government in February 2025 with an executive order to cut financial aid amid.

In Eastern Europe, potential risks loom in the region from threats to democracy, ethnic tensions and uncertainty with Russia

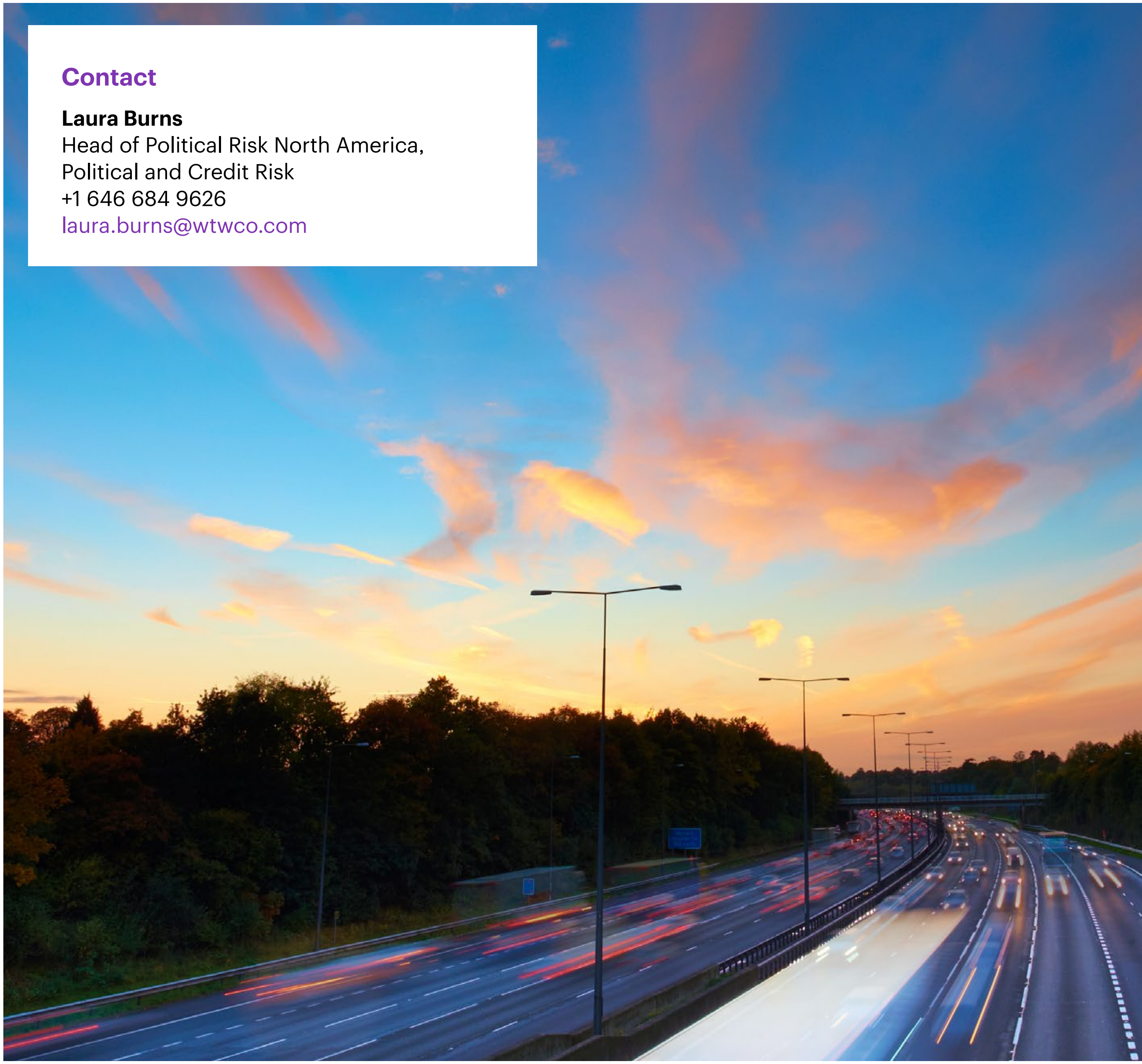
- A potential ceasefire between Ukraine and Russia remains uncertain and fluid.
- In Romania, concern has risen for both unrest and the democratic process. In December 2024, their Constitutional Court annulled the first round of the presidential election, citing potential Russian interference with far-right candidate Calin Georgescu. Following the annulment, the Central Electoral Bureau then barred him from running in the rescheduled election this coming May.
- Georgia, Moldova have elevated risks due to tensions between Russia and European influence as well as Serbia due to ethnic tensions.

Finally, in Latin America, Bolivia in focus as it navigates a tension filled election and economic challenges, following the failed coup in June 2024.

In our H2 2024 WTW Political Risk Index published December 10, 2024, we map global patterns of gray zone attacks in the emerging world — both the aggressors and victims. “Grey zone attacks,” also known as hybrid warfare, leapt onto the world stage in 2024, as Houthi attacks on shipping disrupted global supply chains. Gray zone attacks refer to efforts to put pressure on rival states using measures short of war. Examples include destruction of critical infrastructure, state cyber-attacks, weaponization of migration, sponsorship of violent non-state actors, disinformation campaigns and declared or undeclared economic sanctions. These attacks appear to have soared in recent years.

Grey zone aggression

We encourage clients with exposures abroad to proactively consider political risk transfer options for their country (ies) of investment and trade.



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Product Recall

Rate predictions

Product recall
Flat to +5%

Key takeaway

In the product recall insurance marketplace, rates have begun to flatten this quarter, largely driven by the upcoming emergence of a new market player. This new entrant has already introduced competitive pricing, disrupting the previous upward trend in premiums. As a result, insurers are adjusting their strategies to remain competitive, leading to more favorable rates for policyholders. The influx of new capacity and underwriting flexibility has contributed to this stabilization, offering more options for businesses seeking coverage. However, market volatility and emerging risks continue to challenge insurers, making long-term rate predictions uncertain.

U.S. marketplace update

Recall and contamination throughput:

- Long-standing relationship and good loss experience: Flat to +5%.
- Marginal to poor loss experience: +10% and higher.

Pricing remains stable with the occasional reduction provided by the incumbent to avoid marketing. Incumbents have been shown to be more aggressive to longstanding and loss-free accounts.

London marketplace update

Recall and contamination throughput:

- Long-standing relationship and good loss experience: +5% to +10%.
- Marginal to poor loss experience: +10% and higher.

The London market continues to be a harder market compared to the domestic U.S. market.

Market capacity update

- U.S. capacity has continued to increase over the past five years.
- New MGAs have been introduced to stabilize capacity in the recall market.
- New markets include:
  - Upland specialty
  - Euclid

Recent recall loss update

- According to Segdwick's U.S. recall index report, 2,454 product recalls were recorded in the automotive, consumer product, food and drink, medical device and pharmaceutical industries in 2024. If the pace of recalls continues, the figure will reach a six-year high.
- FDA and CPSC have confirmed recalls have increased over 115% since 2018,
- Recent large losses in the market include:
  - Onion contamination closes restaurants
  - Deli meat recall expands to over 7 million pounds
  - Faulty component leads to 1.7 million vehicles being recalled
  - 1.1 million electric ranges recalled due to accidental knob activation

Coverage update

Coverages

- Maximum indemnity periods of 36 months have been negotiated on a case-by-case basis.
- Certain markets are offering new coverages for mold, rancidity and infestations on a sub-limited basis.
- Forensic accountant services are being added on all renewals.
- Certain carriers dipping their toes into broadening coverage to include for quality issues — this removes the need of the risk of BI or PD.

Pricing

- Due to large losses in the product recall market, carriers will continue to push increases in rate on all business.
- The growth in market capacity will be a valuable instrument while negotiating lower rate increases on incumbent renewal placements.

Limit adequacy

Clients involved in foreign imports or global commodity sourcing should reevaluate their recall coverage limits, as shifting tariffs, rising recall costs and heightened regulatory scrutiny have amplified the financial impact of a product issues.

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Representations and Warranties Insurance

Rate predictions

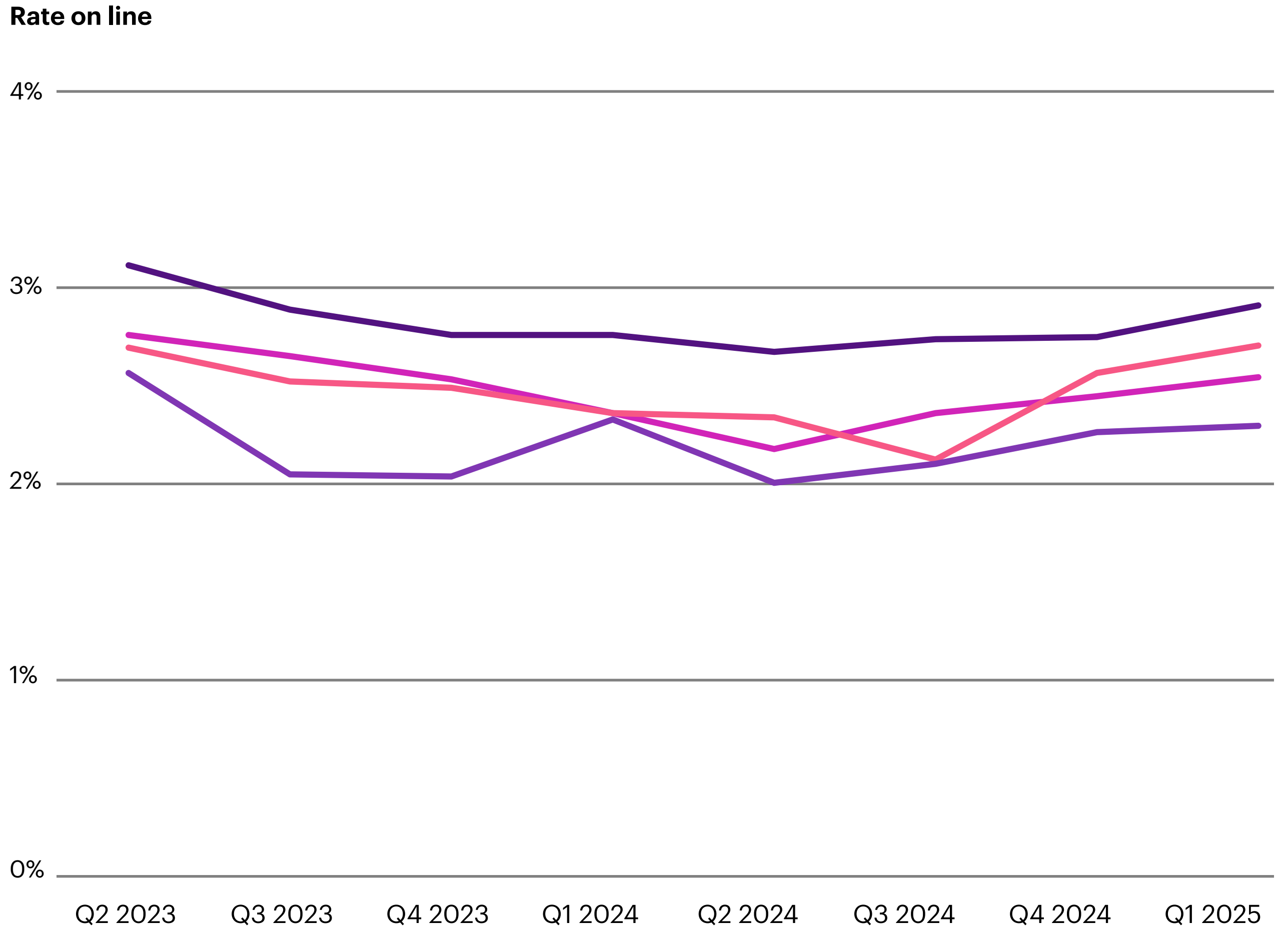
Representations and warranties
+5% to +10%

Key takeaway

With the advent of a new U.S. political administration at the beginning of 2025, representations and warranties insurance (RWI) practitioners anticipated a Q1 uptick in mergers and acquisitions (M&A) following two sluggish years of tempered deal activity. However, the uncertainties resulting from the new administration's trade policies and the related volatility in global stock markets have dampened investors' initial enthusiasm. As a result, U.S. dealmaking at the start of 2025 has been the slowest by volume in more than twenty years, and the looked-for spur in deal activity and corollary hardening of the RWI market after two years of intense, soft-market competition has not happened.

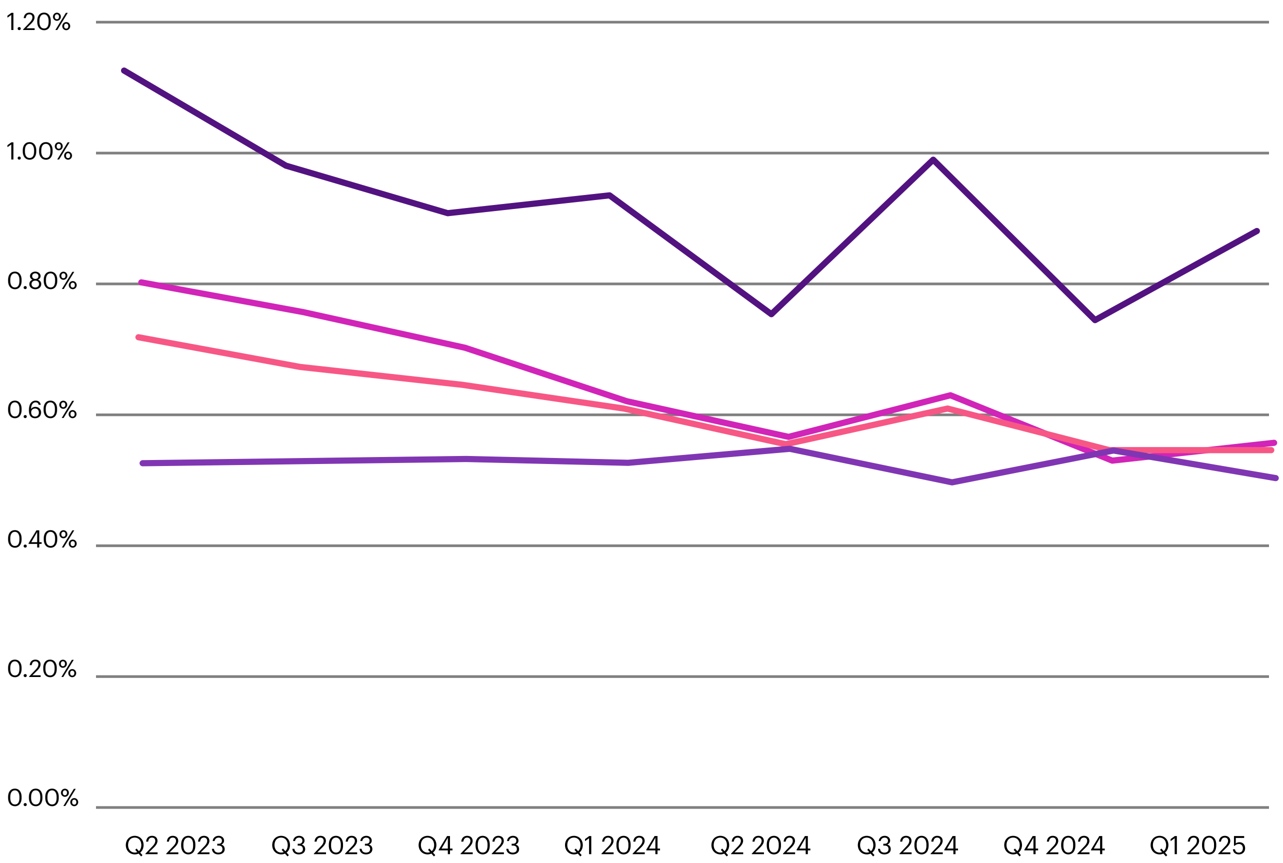
Key takeaway (cont.)

Subsequently, this has complicated RWI insurers' stated efforts to raise rates and contract coverage, which some had viewed as unsustainable in light of recent claims experiences. Despite the continued lag in deal flow, many carriers have tried to hold the line on rate and carve back coverage provisions they view as overbroad. Nevertheless, strong competition among carriers remains, buttressed by the continued entry of new capacity to the market.



Source: WTW data

Retention



Source: WTW data

Carriers continue to compete on rate and retention

- While some RWI insurers are attempting to set rate floors at or above 3% RoL, many carriers continue to compete on rate. The result is a suite of quotes with comparable coverage but distinct pricing tranches leading to certain carriers attempting to raise rates and others continuing to compete on premium.
- Retentions have remained well below the historical norm of 1% of enterprise value, and WTW has not observed a concerted effort among carriers to raise them. We do not anticipate material changes to retentions unless and until premium is consistently closer to 3.5% RoL on average.

Coverage remains broad

- Certain RWI carriers have proposed changes to coverage positions they had taken in the past two years, suggesting that coverage had become overbroad. However, most of these changes have been to specific and discrete items in RWI policies, and WTW has not yet observed major carvebacks to coverage or the reintroduction of sweeping initial exclusions of the type carriers had proposed in the hard market of 2021.

New capacity continues to enter the market

- Despite the continued challenges in the RWI market, new entrants backed by new-to-market capacity continue to present themselves, with further additions on the horizon for 2025. These new carriers continue to stoke competition among established insurers and arguably create another impediment to an immediate rise in rates or revision in coverage.

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Senior Living and Long-term Care

Rate predictions

Senior living healthcare professional liability
+5% to +15% (with excess experiencing the larger rate increases)

Property
Flat to +8%

Auto
+10% to +20%

Workers compensation
–5% to +5%

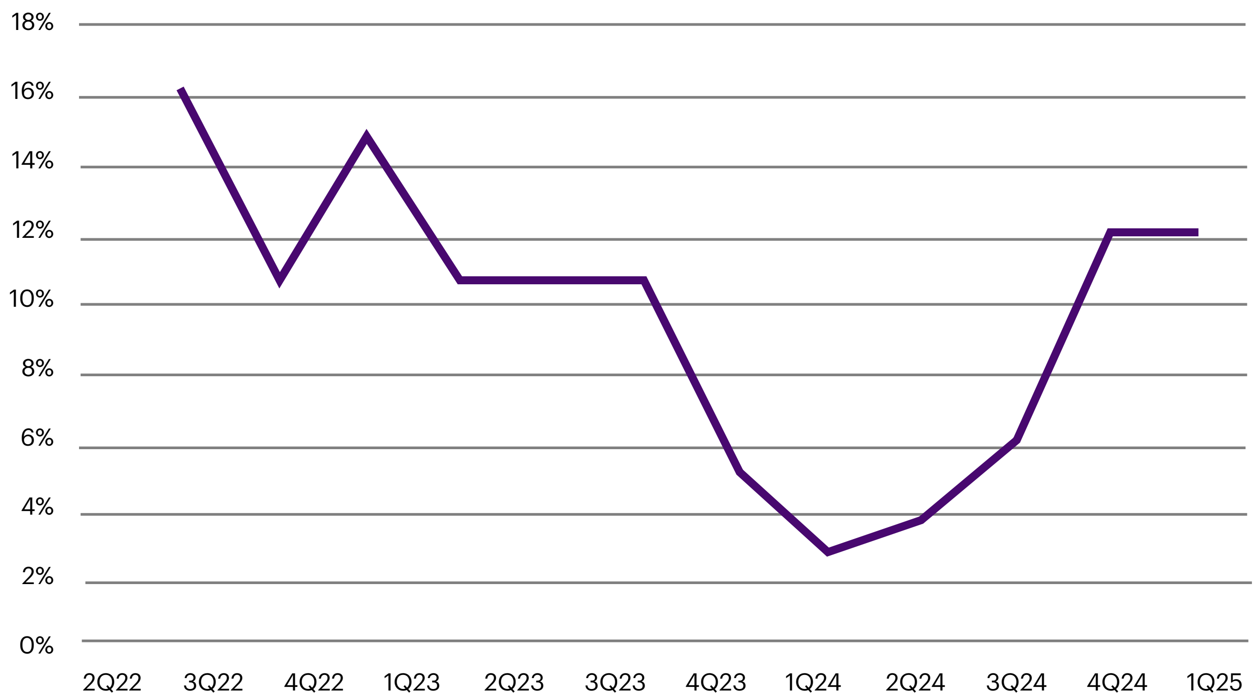
Key takeaway

- Falls continue to be the loss leader from both a cost and frequency standpoint.
- Nuclear verdicts continue to be a very significant concern and have caused insurers in this space to cut the amount of exposed limits on a given risk.
- The recent passage of tort reform via Senate Bill 68 in Georgia is, hopefully, a sign that legislators around the country are becoming more sensitive to the growing costs of professional liability insurance. The litigious environment in senior living has been a barrier for too long, and it's believed that tort reform will positively impact both residents and senior living operators.
- Staff retention strategies are a helpful topic to highlight during the marketing process, as a stable workforce goes a long way toward the prevention of professional liability claims.
- The upward swing we've seen on rates beginning in Q1 2024 has levelled out recently, although we expect a modest upward rate trend through the Spring and into the summer of 2025.
- We continue to be advocates of establishing an open communication/partnership with the carriers on your liability insurance tower. Time and again, we see these partnerships paying off when faced with renewals in years following a difficult claim.
- Utilization of carrier and broker healthcare risk consulting resources demonstrates your commitment to risk management and typically pays off well when highlighted during the marketing process.

Property

- The market has softened, especially for accounts with favorable loss history and low CAT exposure. Consider marketing to take advantage of the current market cycle.
- Accounts with challenged loss history or heavy CAT exposure may see significant rate increases, much higher than the average range noted above.
- Continued scrutiny on CAT retentions and sub-limits is the norm, they should be negotiated and considered relative to rate.
- Senior living markets are limited and due to the habitational nature of senior living and market scarcity, risks may experience higher than average rate increases.
- Frame construction or buildings without adequate sprinkler protection make the risk even more challenging and may rule out certain markets.
- Loss control visits continue to be frequently required prior to quoting, so make sure to get into the market early in the renewal process.
- Water damage coverage continues to experience higher deductibles.
- Builders risk coverage for new senior living construction continues to be very challenging, but strong risk management protocols will set your project apart and generate better marketplace results.
- Replacement cost valuation continues to be a paramount concern for insurers in order to maintain a blanket limit of coverage. Aging buildings will require detailed information on age of the roof, plumbing and HVAC systems. Please be prepared to justify your reported values across all categories.

Senior living professional liability renewal pricing trends, rolling quarterly results



Auto liability

- Auto is generally paired with property or workers compensation as it's a high-loss leader and markets typically don't want to write it on a monoline basis. PL/GL can also be leveraged/paired with the auto, depending on the carrier.
- Underwriters continue to focus on and expect to see fleet safety programs that include controls for both owned and non-owned auto exposures. When marketing, it's important to highlight established controls.
- Resident transport exposure is underwritten stringently, and carriers comfort level is typically limited to an incidental amount. Market options for these exposures are limited.
- Partnerships with ride-share organizations are often considered as a means of addressing resident transport needs.
- Certain senior living communities offer valet services, which present a new risk consideration in this space and often-times require a specialty insurance placement.

Workers compensation

- Many markets have broad workers compensation appetites and are comfortable writing monoline without supporting business.
- Monoline workers compensation carriers tend to reinsure less of the risk, which, in turn, allows them to be more flexible with their appetite.
- Underwriters continue to focus on controls, safety culture and "lessons learned" after a loss to prevent similar losses in the future.
- When marketing your program, highlighting your safety, health and return-to-work programs is very helpful.
- Non-owned auto exposures are underwritten closely from a workers compensation perspective as injuries while driving your personal car on company business are typically compensable under workers compensation.
- Underwriters continue to focus on controls, safety culture and claims reconciliation or lessons learned post-loss.
- Monoline placements are common, as some markets have broad workers compensation appetites and are comfortable writing without supporting business.
- Slips, trips and falls present the most prevalent injuries in the senior living community setting, and organizations with strong protocols to address these colleague risks fare better during the risk underwriting process.

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Surety

Rate predictions

Commercial/Contract/International
Flat

Private equity
+5% to +15%

Key takeaway

As we move forward into 2025 with a new administration, there are significant changes on the horizon that will impact the surety industry. The focus is shifting toward tariffs and government funding, with the potential impact still being evaluated.

Changes in fund allocation to government contracts, whether state or federal, as well as customs obligations and international transactions, are areas to watch closely. The overall activity in surety remains vibrant. Rates are stable, and we continue to see strong capacity across most credit qualities.

International surety

International surety demand continues to grow and will be fueled by construction to support the immense energy needs for the AI transformation and increased infrastructure for the growing international population. Near-term challenges to growth include increasing global recession and stagnation fears resulting from the current tariff wars, increasing global bankruptcies, more conservative government spending and extreme weather. Rates are expected to remain flat due to ample surety capacity; however, underwriting reviews may be more stringent during these uncertain times.

Analysts have warned that the tariff wars may result in a global recession or stagflation. Fears are particularly pronounced in the U.S., where JP Morgan predicted 40%[1] chance of recession in 2025, and in Germany. In Asia, analysts are predicting slower growth but not a recession.

Commercial surety

AI is still a strong focus in the economy, driving significant investment in all sectors. The demand for capacity in data centers, chip availability and equipment manufacturing will be a focus of the technology industry for the balance of 2025 and well into next year, should supply chains avoid crippling disruptions.

New supply chain challenges due to the political environment could delay fiber expansion plans, AI development and many other areas of growth. Political uncertainty and a stubborn interest rate policy could push recession fears higher, negatively impacting capital deployment plans.

Limited rate movement and sticky inflation are keeping the housing industry depressed as high interest rates continue keep buyers on the sidelines. Surety capacity remains strong for the larger homebuilders even as inventory is slow to move. Strong financial results in this segment are a welcome surprise. Elusive rate cuts could ignite a housing frenzy, creating a strong demand for new developments.

Traditional energy is waiting in the wings for positive steps from the new government, with prices slowly climbing due to geopolitical activity across the globe. Legal activity surrounding new bonding requirements is heating up, with sureties cautiously waiting for the outcome. Capacity is available for historically strong companies in this space, while new and private equity-driven entrants are finding collateralized capacity limited and expensive.

The federal Broadband Equity Access and Deployment Program (BEAD) program continues to be on schedule, however the actual release of funds to the states may be delayed as the new administration has raised fundamental concerns about the program, including the type of technology (fiber vs satellite) and low-cost plan requirements which may limit provider interest in the program. Bonding requirements may also be modified as smaller internet service providers struggle with qualifying for bonding.

Contract surety

Contract surety remains strong, and credit continues to perform at acceptable levels. Underwriters have become less flexible as they monitor increasingly complex programs.

Contractor backlogs are solid for 2025 and much of 2026 due in large part to major capital expenditures in select sectors. The construction industry is closely monitoring inflation with an eye toward a second round of growth.

Private equity is drawing more attention in the surety industry due to economic volatility and increasing loss activity. The reinsurance market is looking at PE programs and underwriting with interest in best-of-class.

[1] "J.P. Morgan economist sees 40% chance of a US recession in 2025", Reuters, March 12, 2025, https://www.usatoday.com/story/money/2025/03/12/jp-morgan-economist-us-recession-chance/82303062007/

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Trade Credit

Rate predictions

Trade credit
–5% to flat

Key takeaway

Despite challenging macroeconomic conditions, market conditions for new insureds remain favorable.

- On a macroeconomic level, business bankruptcies have continued to climb quarter over quarter since Q2 of 2022.
- This increase has led to a 40% increase in insolvencies for the 12 months ending March 31, 2024.
- Leading insurers have reported double-digit percentage increases in both the number and dollar amounts of claims filed.
- Despite this increase in claim activity, pricing continues to be aggressive for new insureds entering the market.
- Financial institutions are employing trade credit to enhance financing facilities to strengthen competitive opportunities.
- Financial institution-based indications from insurers remain exceptionally competitive with aggressive pricing and risk acceptance.
- Policy innovation and technology offerings in trade credit are broadening, providing greater tools to the credit management and risk teams.
- The economic impact of tariffs will depend on final tariff levels and the U.S. administration's goals. These goals will become more clear as the first bilateral deals are reached with U.S. trading partners. Our working assumption is that sector tariffs may prove more durable and some "reciprocal" tariffs will be negotiated away in exchange for less retaliation against sector tariffs, agreements to purchase U.S. goods, quotas or quota-like arrangements and possibly geopolitical commitments or commitments to the U.S. dollar.
- Efforts to use tariffs to obtain geopolitical commitments may lead to longer-lasting trade wars with significant economic impacts for both the US and trading partners. Tariffs tend to be inflationary, although some of this impact can be offset by currency movements. Countries imposing sudden and high tariff barriers tend to see lower economic growth, because during a transition period businesses must invest (in moving supply chains, in finding new customers) to obtain the level of output they had before tariffs were imposed. Uncertainty around tariffs may lead to sharply lower investment, impacting the business cycle, particularly in the US and countries that rely on U.S. markets.
- During recent shocks, such as the global financial crisis and pandemic, governments have intervened to limit bankruptcies. High debt levels in some advanced and emerging economies may limit such interventions during tariff shocks.

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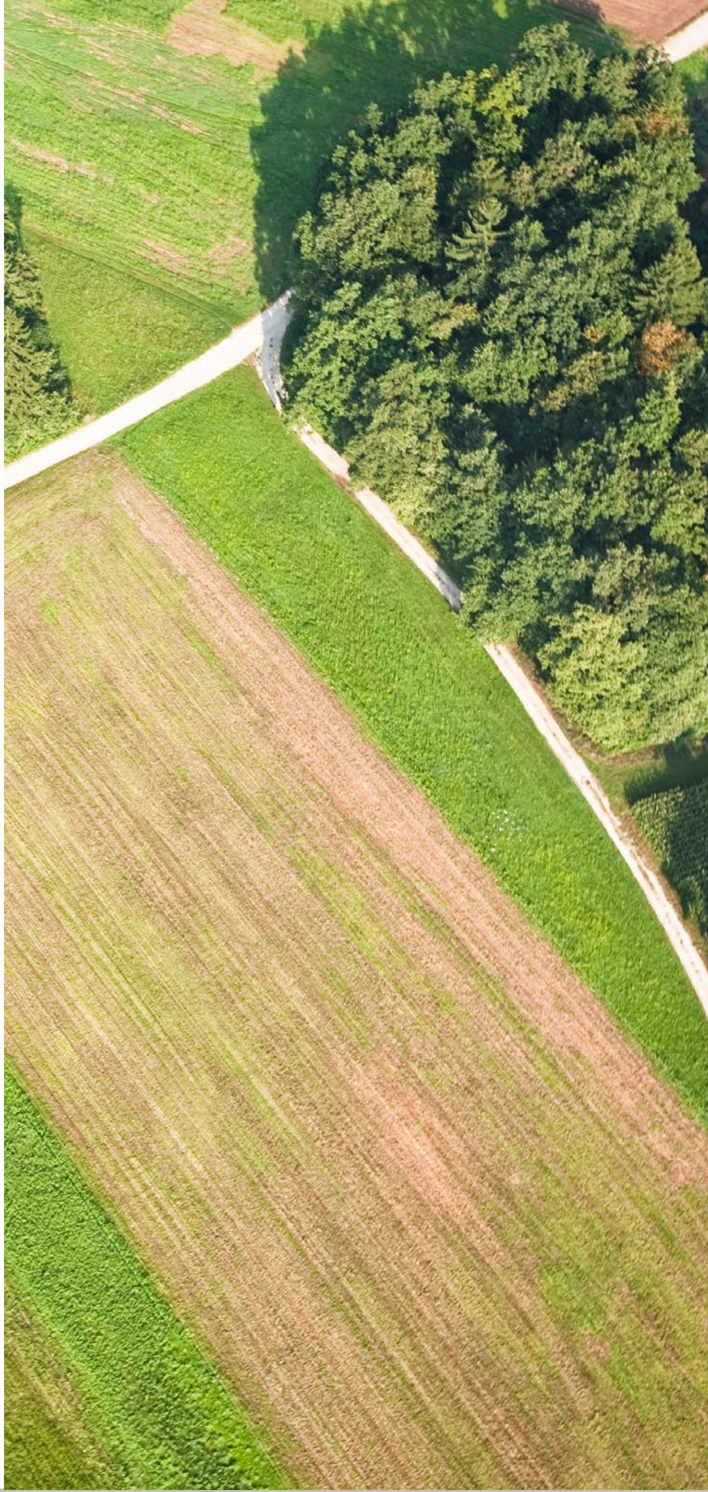

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