

**Alliant**

**Public Entity Insurance Marketplace, Trends, Industry Issues and Outlook**

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**ACCEL – January 2026**

Alliant Insurance Services  
www.alliant.com


*(THIS INFORMATION HAS BEEN CONSOLIDATED FROM VARIOUS INDUSTRY SOURCES)*

1

## Market Overview

-   
**Financial Performance**
-   
**Underwriting Trends**
-   
**Loss Trends & Market Disruptors**
-   
**Toward the Future**

2



2



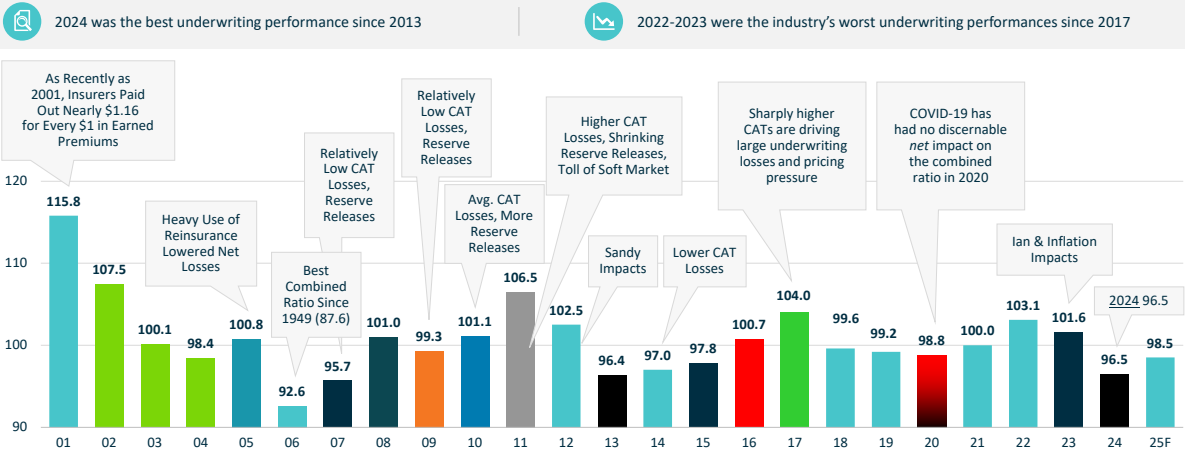
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### Market Pressures...

 Great Resignation & Quiet Quitting	 Social Inflation/ Nuclear Verdicts & Legislation	 Aging Infrastructure
 Geopolitical	 Cyber Attacks	 Climate Change
 Mass Shootings	 Ukraine & Middle East War/Conflicts	 Inflation & Increased Loss Cost
<p>Global insured losses through the first nine months of 2025 are projected to reach <b>\$105 billion</b>, marking the <b>lowest total since 2019</b>. Five major events in January—the California wildfires, reportedly among the costliest in history, and three severe convective storms—accounted for <b>53% of all global insured losses</b>. In total, <b>22 individual events</b> each generated <b>over \$1 billion</b> in insured losses.</p> <p>From July through September, loss activity slowed significantly, making it <b>one of the least costly third quarters since 2000</b>. Looking ahead, the next three months remain sensitive to the remainder of hurricane season and ongoing convective storm activity across the United States and Europe.</p>		 Natural Disasters
		 Supply Chain & Labor Shortage
		 Proliferation of “secondary” perils (SCS)

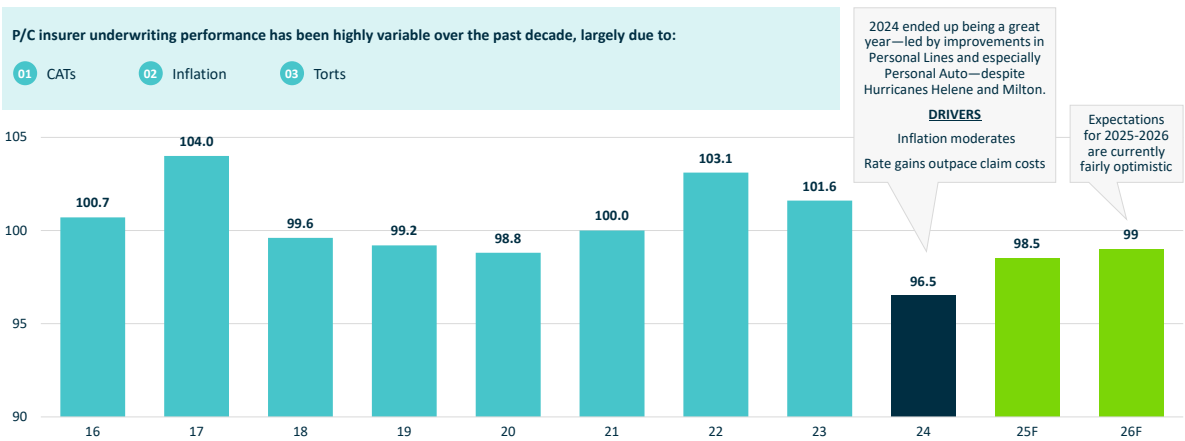
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## P/C Insurance Industry Combined Ratio, 2001–2025F\*



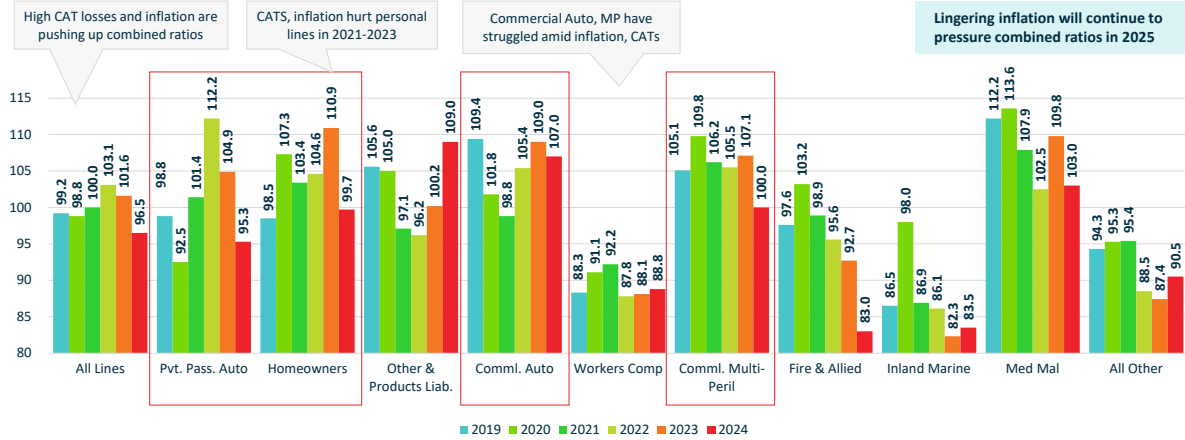
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## P/C Insurance Industry Combined Ratio, 2016–2026F



6

## Combined Ratios by Line: 2019 – 2024\*



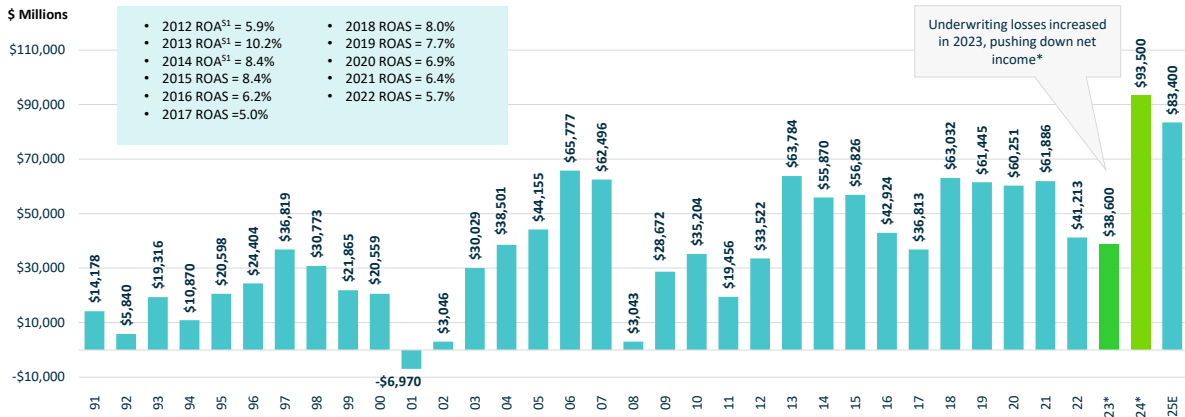
Source: A.M. Best Review & Preview (2019-2022); S&P Global 2023-2024. Univ. of South Carolina, Risk and Uncertainty Management Center.

7



7

## P/C Industry Net Income After Taxes, 1991–2025E\*



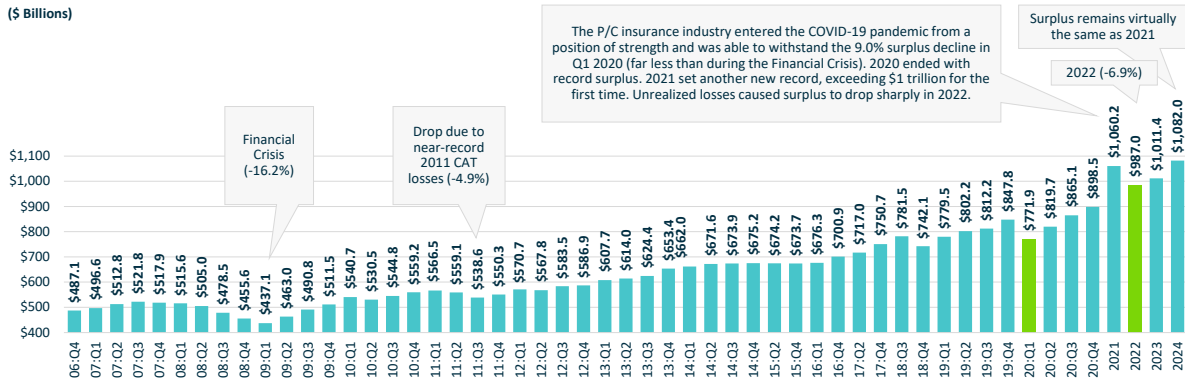
\*2023 and 2024 figures are adjusted to reflect \$508 realized gain from a large reinsurer (National Indemnity). Including this gain, net income after tax is \$86.68 in 2023 and \$94.78 in 2024:H1.  
 Note: ROE figures are GAAP; 1Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers for years (2009-2014).  
 Sources: A.M. Best, ISO, APCA.

8



8

## Policyholder Surplus (Capacity), 2006:Q4 – 2024



Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

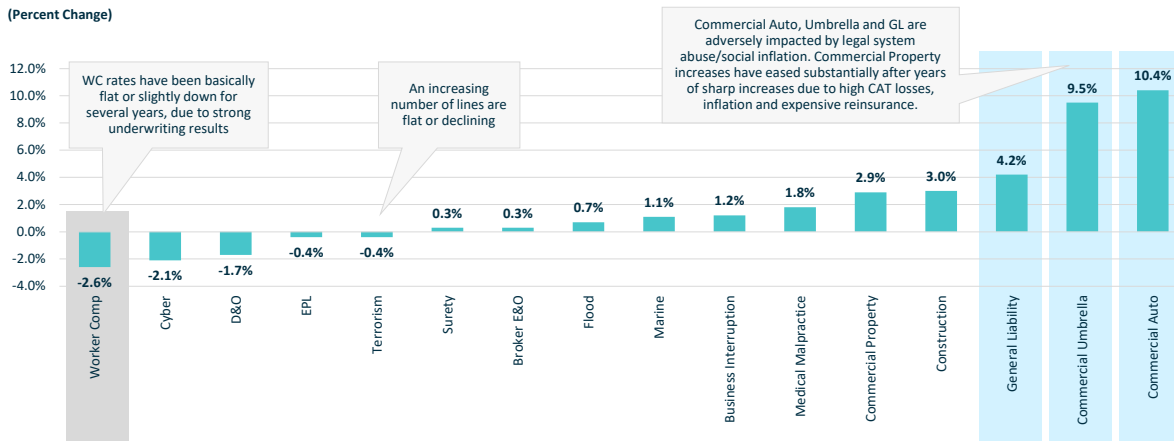
Sources: ISO, A.M. Best, NAIC, Risk and Uncertainty Management Center, University of South Carolina.

9



9

## Change in Commercial Rate Renewals, by Line: 2025:Q1



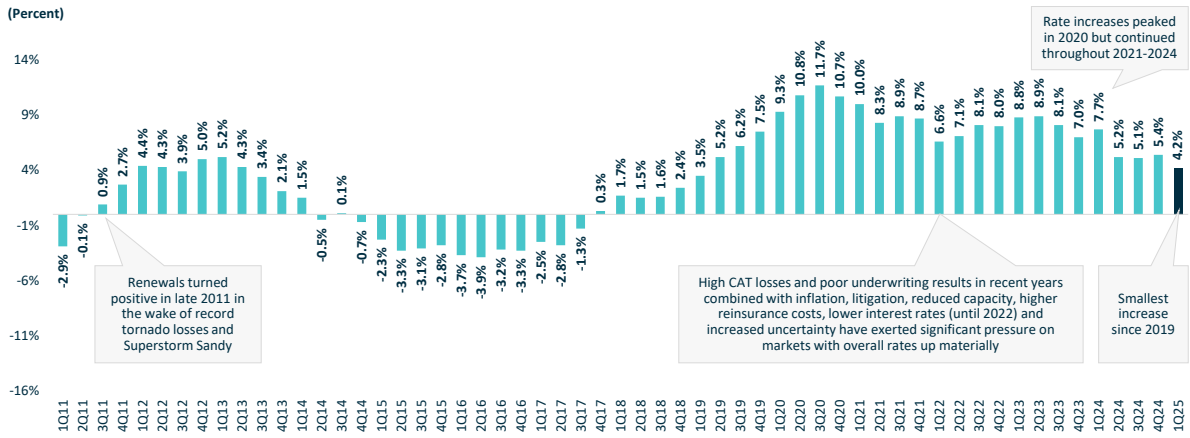
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.  
Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

10



10

## CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2025:Q1



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.  
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

11



11

## Underwriting Trends




12



12

## Market Trends

### By Product Line



\*Denotes Site Specific Pollution

**Color Key**  
As a buyer, is that movement positive, neutral, or something that could present a challenge during my renewal?


- Positive change
- Neutral/No change
- Potential Challenge

**Arrow Key**  
What direction are pricing, capacity, limits, deductibles and coverage moving?

- ↑ Increasing
- ↔ Stabilizing/No change
- ↓ Decreasing

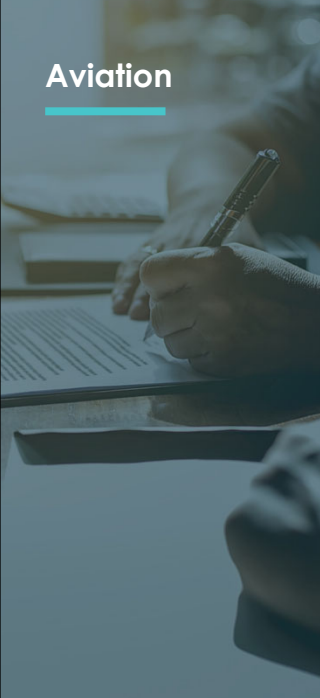
Product Line	Pricing	Capacity	Retentions	Coverage
<b>PROPERTY</b>				
Challenged Exposures	↓	↑	↔	↔
Non-Challenged Exposures	↓	↑	↔	↔
Standalone Earthquake	↓	↔	↔	↔
Builder's Risk	↓	↑	↔	↔
<b>CASUALTY</b>				
General Liability	↑	↔	↔	↓
Automobile Liability	↑	↓	↑	↔
Workers' Compensation	↓	↔	↔	↔
Umbrella Liability	↑	↓	↑	↓
Excess Liability	↑	↓	↑	↓
Pollution Liability*	↑	↔	↔	↓
<b>MANAGEMENT &amp; PROFESSIONAL</b>				
Cyber	↓	↑	↔	↔
Employment Practice Liability	↔	↔	↔	↔
Fiduciary	↑	↔	↑	↔
Fidelity/Crime	↔	↔	↔	↔

13




13

## Aviation



Product Line	Pricing	Capacity	Retentions	Coverage
<b>Aviation</b>				
Corporate	↔	↔	↔	↓
Airports/Municipality	↔	↔	↔	↓
Drones/Evtol's (Unmanned Aerial Vehicles)	↔	↔	↔	↔

14



**Color Key**  
As a buyer, is that movement positive, neutral, or something that could present a challenge during my renewal?

- Positive change
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- Potential Challenge

**Arrow Key**  
What direction are pricing, capacity, limits, deductibles and coverage moving?

- ↑ Increasing
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14

## Aviation (As of Q2 2025)

Rate Trends	"Low End"	"High End"
Corporate	-5%	+5% Higher Limits
Charter	-5%	+5%
Commercial (Utility/External Load Helicopters, Heli-Skiing, EMS, ENG, Power Line Patrol, Chemical Spraying, Flightseeing/Tours, Firefighting, Alaska-Based, Over-Water/Off-Shore and Search and Rescue Businesses)	-5%	-10%
Airports/Municipality	-10%	+5%
Drones/eVTOL's (Unmanned Aerial Vehicles)	+0%	+2.5%
Helicopters	-5%	+5%



### Capacity

Capacity is still available, but it is being deployed more selective—growing emphasis on risk quality, claims history, and exposure management. The Russia-Ukraine conflict continues to shape the aviation liability landscape.



### Coverage

War risk will likely be capped/aggregated and must be purchased separately in the market.

Helicopters remain a tough business segment regardless of use

Although Long-Term Agreements (LTAs) and Multi-Year Deals have been offered in the last few years, more insurers now require premium increases in the second year of an LTA, as mandated by management



### Retentions

Continue to stabilize unless attritional losses dictate otherwise. Underwriters are focused on premium dollars rather than deductible options.



### Pricing

Although premiums have remained stable in many regions, increasing exposures, recent losses, and the resolution of this phase of the Russian leased aircraft claims are prompting a reevaluation of risk and pricing, but we have seen some softening of rates due to high-capacity levels.

15



15

## Property (As of Q2 2025)

CAT Property with Poor Loss History or Risk Quality:	-5% to 5%
CAT Property with Good Loss History or Risk Quality:	-20% to -10%
Non-CAT Property with Poor Loss History or Risk Quality:	-5% to 5%
Non-CAT Property with Good Loss History or Risk Quality:	-15% to -5%



### Capacity

- The first half of 2025 has been characterized by one of the most rapid improvements of market conditions for Insureds in decades. Early indications through the first part of Q1 were for a stable, yet soft market which favored buyers. Capacity supply has far exceeded demand, resulting in carriers struggling to secure placements and retain existing business. As the year progressed, many carriers — driven by ambitious growth targets for 2025 — responded with increasingly aggressive underwriting tactics. Shared and layered programs are frequently seeing subscription levels above 150%, which is putting downward pressure on rates as brokers work to optimize renewal outcomes.
- The year began with historic wildfires in California, and the frequency and severity of severe convective storm (SCS) losses have continued their upward trend. By mid-year, insured losses have already surpassed \$60B — even before the start of hurricane season. While challenging geographies such as California, Florida, Louisiana, and Texas, along with loss-impacted programs, may continue to face minor headwinds, the market currently offers ample capacity to navigate these difficulties.



### Coverage

- For most programs, coverage remains relatively static. Insureds with non-concurrences and/or lower sublimits for minor coverages are able to improve these limits, even if only slightly, due to the increased competition that has ensued from new markets, as well as existing capacity that may be trying to stay competitive or expand on a program. For Insureds seeking to enhance specific, major areas of their programs, those options are generally available; however, they may require accepting lesser rate reductions than those applied to programs renewing strictly on a "per expiring" basis.
- The underwriting emphasis on valuations is here to stay. Insurers now expect insureds to present a proactive valuation philosophy and narrative. Ideally, this includes a formal process — preferably supported by a third-party appraisal firm — that ensures values are regularly and appropriately updated. At a minimum, property values should be trended to reflect ongoing inflationary pressures and align with relevant regional cost indices, particularly those related to increased costs associated with rebuilding.
- Ongoing uncertainty in global trade relations has further heightened carrier sensitivity to construction cost volatility. In the absence of a compelling valuation narrative or adequate supporting data, underwriters are continuing to rely on provisions such as Occurrence Limit of Liability (OLLE) or Margin Clauses. Additionally, programs without credible valuation approaches may see reduced competition from new markets.



### Retentions

- Overall, Insureds that have addressed their retentions and deductibles since the onset of the increased inflationary environment (2020) should experience minimal pressure on retention levels. However, we are not yet in a market environment where reduced retentions are provided without strong justification. Any consideration for a reduction typically requires compelling, data-driven support — or may come at the expense of reduced premium credits.



### Pricing

- Two consecutive years of profitability for the D&F markets has allowed for increased competition, as carriers pursue both organic and inorganic growth. Pricing and rate outcomes will continue to depend on a range of factors, including individual risk profile, loss history, industry class, the carriers' view of rate adequacy, and any improvements implemented at the account level. Programs that performed well during the hard market phase may begin negotiations from a lower pricing baseline and, as a result, may experience less downward movement at renewal. Nonetheless, 2025 looks to be the most favorable pricing environment for loss-free, well-organized buyers in more than 7 years.

16



16

## Casualty (As of Q2 2025)

Rate Trends	"Low End"	"High End"
General Liability	3%	10%
Automobile Liability	5%	30%
Workers' Compensation	-5%	5%
Umbrella Liability	5%	25%
Excess Liability	5%	25%
Pollution Liability (Site Liability)	Flat	10%



**Capacity**

Capacity is readily available for less complex risks and new insurer capacity continues to enter the market. Underwriting remains disciplined, with capacity still constrained for difficult risks. Some insurers have pulled out of certain classes of business and market sizes all together.

Auto liability capacity continues to be limited due to rising claim frequency & severity, and an uptick in Hired and Non-owned losses.



**Coverage**

PFOS and PFAS exclusions are generally non-negotiable. Biometric data collection related underwriting questions and exclusions are increasing at a rapid pace due to tort law concerns. Seeing increased use of Abuse & Molestation, Assault & Battery, Wildfire and Traumatic Brain Injury exclusions.

Emerging concerns regarding reliance on Artificial Intelligence (AI) and its implications. ESG/climate risk concerns continue to be on the rise.



**Retentions**

Pressure remains on retentions. Attachment points should be analyzed and adjusted depending on risk appetite, with data, analytics and modeling tools utilized to make informed decisions. Alternative solutions, such as corridor deductibles and buffer layers, are becoming more common.

Auto repair costs (labor, parts and materials) keep rising, as does attorney representation in auto losses, and are contributing factors to the continued distressed auto market and continued significant rate increases.



**Pricing**

Workers Compensation remains the most consistent profit generator for insurers.

Legal system abuse (social inflation) and third-party litigation funding (TPLF) are driving an increase in the frequency of severity losses. State and federal lawmakers need to be more aggressive in tackling these abuses which are producing runaway jury verdicts and negatively impacting insureds.

17



17

## Cyber (As of Q2 2025)

Rate Trends	"Low End"	"High End"
Cyber	Flat	+10%



**Capacity**

- Capacity has increased slightly over the past year. Insurers continue to put up over \$10M+ for quality risks, and any one insured can secure limits up to ~\$400M
- US insurers will now participate on large primary quota share layers, previously exclusive to the London market
- 2024 saw some consolidation as traditional insurers acquired InsureTech platforms (e.g., Corvus/Travelers, ElphaSecure/AXIS, Cowbell/Zurich)



**Coverage**

- Broad coverage is available, as insurers compete for business via favorable terms and conditions
- Sub-limits and restrictions for widespread events are rare and have not been adopted by the broader marketplace. Increases for sub-limits in social engineering and business interruption are possible for insureds with strong cyber resilience
- Systemic risk, such as the CrowdStrike outage of July 2024, remains the industry's top concern
- War exclusions are universal



**Retentions**

- Retentions have been reduced at a select few renewals in the past 12 months but have broadly remained unchanged



**Pricing**

- Despite ongoing claims activity, premiums remain relatively stable. Most industries are seeing flat to down 5% on renewal. The exceptions are Healthcare, with increases starting at 10%, and Public Entity where we expect to see increases post 7/1 in the 5-10% range
- Overall, for the eighth consecutive quarter, premiums decreased year-over-year; however, decreases have moderated, moving from an average of -10% in Q4 2023 to -5% in Q1 2025.

18



18

## Employment Practices Liability (As of Q2 2025)

### Employment Practices Liability



#### Capacity

- Capacity remains plentiful in the United States and Bermuda following past cutbacks, although certain jurisdictions remain troublesome for insurers.



#### Coverage

Coverage offered remains broad; however, insurers are leery of the potential for cutbacks and resultant claims.



#### Retentions

- While they have largely stabilized, certain risks are still seeing upward pressure on retentions.
- The market continues to apply separate retentions for California claims, class actions and for "highly compensated" employees.



#### Pricing

- Pricing is stable and in some cases moderately improving for certain segments. Risks with historical claim activity are still seeing increases.

19



19

## Fiduciary Liability (As of Q2 2025)

### Fiduciary Liability



#### Capacity

- Insurers monitoring deployed capacity.
- Now layered programs are built in smaller blocks, adding incremental cost.



#### Coverage

Coverage is broad; but the application of certain standards of retentions make accessing said cover a taller hurdle.



#### Retentions

- Retentions continue to increase as claim activity has remained stable.
- Application of mass and/or fee claim retentions continue.



#### Pricing

- Given continued adverse claim development, expect continued increases in renewal premiums.

20



20

## Fidelity & Crime (As of Q2 2025)

### Fidelity & Crime



#### Capacity

- Insurers are closely monitoring aggregate exposure to social engineering fraud; however, some insurers are opening up the limit a bit more liberally for this cause of loss.
- Aggregate limit deployment remains stable.



#### Coverage

Insurers continue to underwrite social engineering via supplemental applications, Insurers will only consider offering broader coverage where the controls and procedures presented are best in class. Some insurers are offering full limits (at lower capacity) and providing certain enhancements to cover.



#### Retentions

- Carriers are standing firm on retentions/deductibles offered.



#### Pricing

- Premiums are largely stable, with some reductions granted for high-caliber risks. Some segments of the economy will continue to experience incremental increases due to historical sector losses.



## Loss Trends & Market Disruptors

## Economic Losses Lower than Average so far in 2025

- Global economic losses due to natural disasters for Q1 – Q3 of 2025 were preliminarily **estimated at \$214 billion**, which was notably below the 2015-2024 decadal average of \$338 billion. The below average loss totals are largely due to a quieter-than-expected tropical cyclone season in the Atlantic and Pacific oceans.
- Should these unusually low losses persist throughout 2025, this will likely lead to **further strengthening of the financial health of property-focused business lines.**

Q1-Q3 2025: Natural Catastrophes Economic Losses by Size / Peril

- Drought
- Earthquake
- European Wildfires
- Flooding
- Hurricane/Tropical Storm
- Tropical Cyclone
- Wildfire
- Winter Weather
- Other

**Economic Loss**

2025: 214 | 10-Years Avg: 338

**-37%** Lower Than 10-year Avg

**Insured Loss**

2025: 105 | 10-Years Avg: 114

**-8%** Lower Than 10-year Avg

Data: Gallagher Re chrome-extension://efaidnbnmnbbpcjpcglcflfndmkaj/https://www.aig.com/~/media/files/gallagher/gallagher/news-and-insights/2025/october/natural-report-q3-2025.pdf

**EXHIBIT 1: Q1 – Q3 Global Economic Losses from Natural Disasters**

**Economic Losses (2025 \$ bn)**

Year	Annual total	Q1 – Q3
2015	234	199
2016	231	184
2017	356	297
2018	631	568
2019	365	280
2020	312	248
2021	358	304
2022	414	373
2023	435	408
2024	394	346
2025	440	372
2025 (Q1-Q3)	214	214

**Count of Economic Weather/Climate Events**

Year	Count
2015	222
2016	214
2017	260
2018	554
2019	350
2020	307
2021	246
2022	293
2023	345
2024	395
2025	419
2025 (Q1-Q3)	333
2025 (Q4)	288
2025 (Total)	356
2025 (Q1-Q3)	196

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23

## Major U.S. Losses in 2024

### U.S. 2024 Billion-Dollar Weather and Climate Disasters

- Central and Northeastern Severe Weather June 24–26
- Northwest Winter Storm January 12–14
- Colorado Hail Storms and Southern Severe Weather May 31–June 1
- Central and Eastern Severe Weather June 12–14
- Central and Eastern Severe Weather March 12–14
- Southern/Eastern/Northwestern Drought and Heat Wave 2024
- New Mexico Wildfires June–July
- Texas Hail Storms April 27–28
- Southern Severe Weather April 8–11
- Southern Severe Weather May 11–13
- Southern Derecho May 16–17
- Hurricane Beryl July 8–9
- Hurricane Francine September 11–12
- Upper Midwest Flooding June 16–23
- Central and Southern Tornado Outbreak April 26–28
- Central, Southern, and Eastern Severe Weather May 18–22
- Central and Eastern Tornado Outbreak and Severe Weather July 13–16
- Central, Southern, and Southeastern Tornado Outbreak May 6–9
- Central and Eastern Severe Weather February 27–28
- Central Tornado Outbreak and Eastern Severe Weather April 1–3
- Hurricane Helene September 24–29
- Central, Southern, and Northeastern Winter Storm and Cold Wave January 14–17
- Southern Tornado Outbreak and East Coast Storm January 8–10
- Hurricane Debby August 5–9
- Hurricane Milton October 9–10
- Central Tornado Outbreak May 25–26

This map denotes the approximate location for each of the 27 separate billion-dollar weather and climate disasters that impacted the United States in 2024.

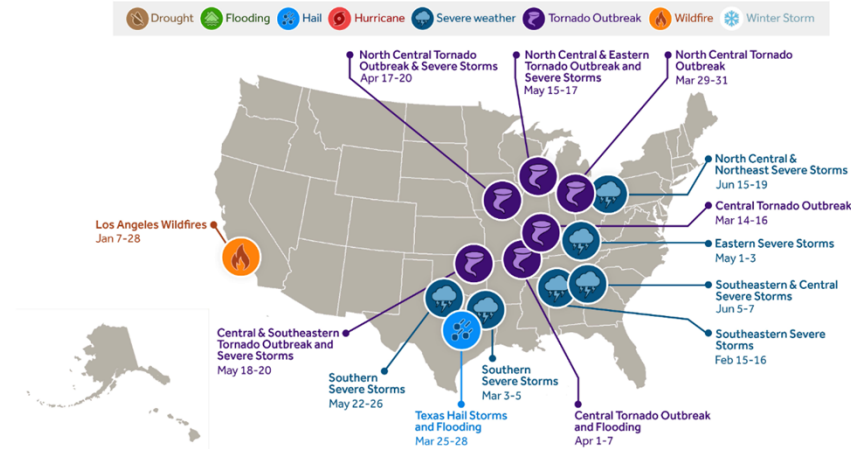
- In 2024, there were **27 confirmed weather/climate disaster events with losses exceeding \$1 billion** each that affected United States.
  - These events included:
    - 17 severe storm events
    - 5 tropical cyclone events
    - 1 wildfire event
    - 1 flooding event
    - 1 drought/heat wave event
    - 2 winter storm events
- Overall, these events resulted in the deaths of 149 people and had significant economic effects on the areas impacted.
- The **1980–2023 annual average is 8.5 events** (CPI-adjusted); the annual average for the **most recent 5 years (2019–2023) is 20.4 events** (CPI-adjusted).
- The U.S. also experienced a **record 15 multi-billion-dollar** loss events.
- Hurricanes Helene and Milton topped the list of costliest storms at **\$20B** each.

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24

## Major U.S Losses in 2025

### U.S. 2025 Billion-Dollar Weather & Climate Disasters



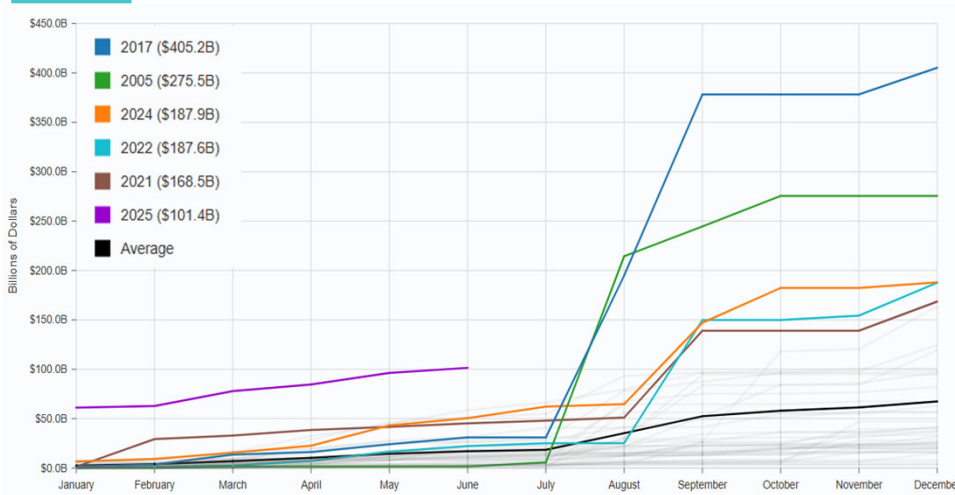
- Through June of 2025, there have been **14 confirmed weather/climate disaster events with losses exceeding \$1 billion** each that affected United States.
  - These events included:
    - 12 severe storm events
    - 1 wildfire event
    - 1 hail event
- Several potential billion-dollar events from 2025 are still being assessed:
  - Early-May:** Southeastern and Southern severe storms and flooding
  - Early-July:** Central Texas flash flooding
  - Mid-July:** Central and Eastern severe storms
  - Mid-August:** North Central severe storms and flooding

This map shows the approximate location for each of the 14 separate billion-dollar weather and climate disasters that impacted the United States from January-June of 2025.  
 Source: Climate Central  
<https://www.climatecentral.org/climate-services/billion-dollar-disasters>

CLIMATE CENTRAL



## Month-by-month accumulation of billion-dollar disasters



- The billion-dollar disasters analysis demonstrates the **economic impact of extreme weather and climate events in inflation-adjusted dollars**, helping communicate the real-world consequences of climate change to communities, policymakers, and the public.

Month-by-month accumulation of billion-dollar disasters for each year on record. The colored lines represent the **top 6 years for most billion-dollar disasters**. The dark gray line shows the average. All other years are colored light gray.

Source: Climate Central ; through June of 2025  
<https://www.climatecentral.org/climate-services/billion-dollar-disasters>

26



## Average # of Billion Dollar Disasters

Time Period	Billion-Dollar Disasters	Events/Year	Cost	Percent of Total Cost	Cost/Year
1980s (1980-1989)	33	3.3	\$219.8B	7.50%	\$22.0B
1990s (1990-1999)	57	5.7	\$335.3B	11.50%	\$33.5B
2000s (2000-2009)	67	6.7	\$621.6B	21.30%	\$62.2B
2010s (2010-2019)	131	13.1	\$994.7B	34.10%	\$99.5B
Last 5 Years (2020-2024)	115	23	\$746.7B	25.60%	\$149.3B
Last 3 Years (2022-2024)	73	24.3	\$461.6B	15.80%	\$153.9B
Last Year (2024)	27	27	\$182.7B	6.30%	\$182.7B
All Years (1980-2024)	403	9	\$2,918.1B	100.00%	\$64.8B

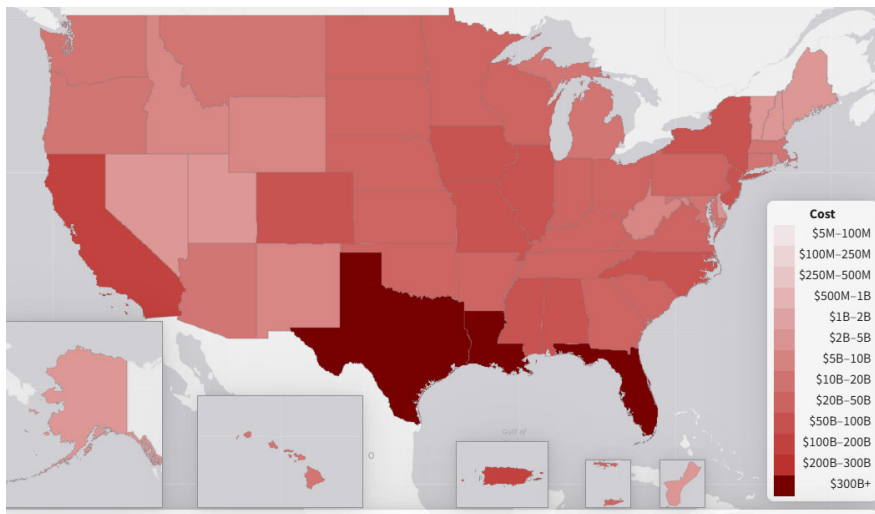
The distribution of damage from U.S. Billion-dollar disaster events from 1980 to 2024 is dominated by tropical cyclone losses. Tropical cyclones have caused the most damage (\$1,418.2 billion, CPI-adjusted) and also have the highest average event cost (\$22.5 billion per event, CPI-adjusted). Drought (\$361.0 billion, CPI-adjusted), severe storms (\$503.6 billion, CPI-adjusted) and inland flooding (\$200.7 billion, CPI-adjusted) have also caused considerable damage based on the list of billion-dollar events.

NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024). <https://www.ncei.noaa.gov/access/billions/>; DOI: 10.25921/nw-7w73



27

## Distribution of Losses from US Billion-Dollar Weather and Climate Disaster Events, 1980–2024\* (CPI-Adjusted)



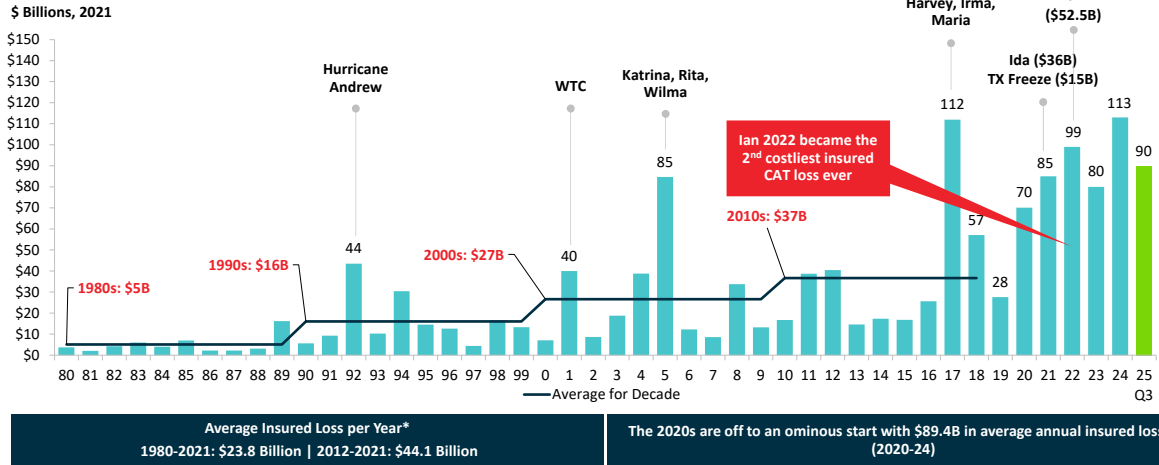
Heavy concentration of losses in Gulf Coast states and CA

\*As of November 1, 2024. Source: NOAA, accessed at: <https://www.ncei.noaa.gov/access/billions/mapping>



28

## U.S. Inflation-Adjusted Insured CAT Losses: 1980–Q3 2025



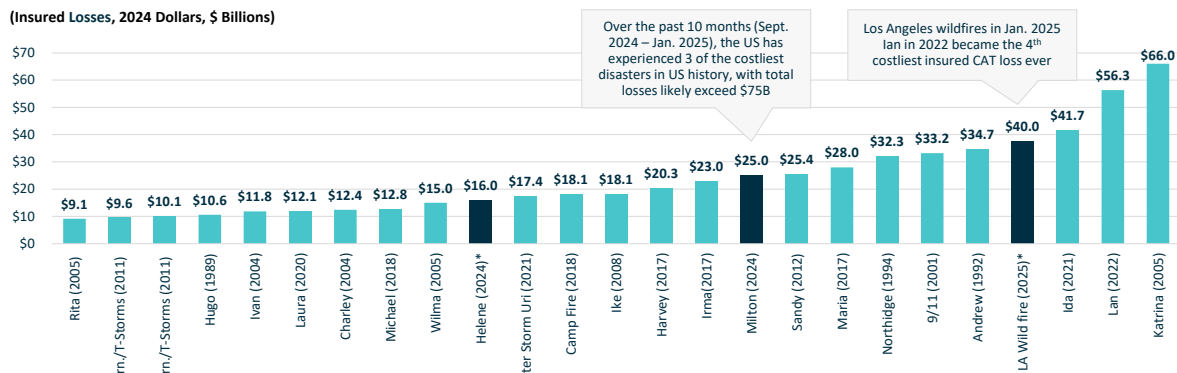
\*Stated in 2021 dollars except 2022-2025 (in current dollars).  
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023 and 2024: 9M figure from Aon, Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

29



29

## Top 26 Most Costly Disasters in U.S. History



23 of the 26 Most Expensive Insurance Events in US History Have Occurred Since 2004.

\*2025 dollars; Munich Re estimates as of Jan. 2025 for Hurricanes Helene and Milton; Aon estimate as of Apr. 2025 for LA wildfires.  
Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2024 dollars using the CPI.

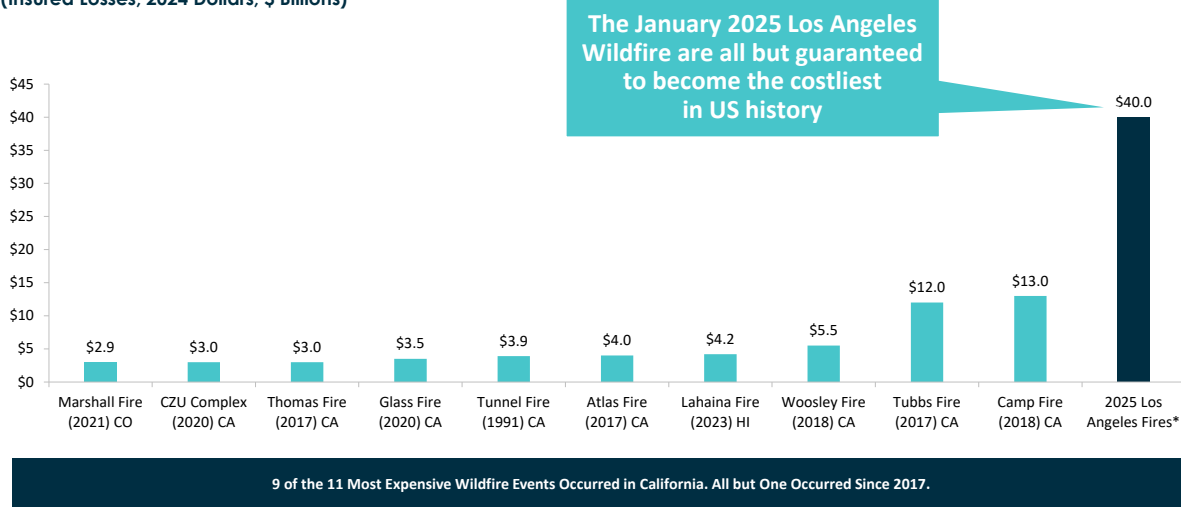
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30

## Top 11 Most Costly Wildfires in U.S. History

(Insured Losses, 2024 Dollars, \$ Billions)



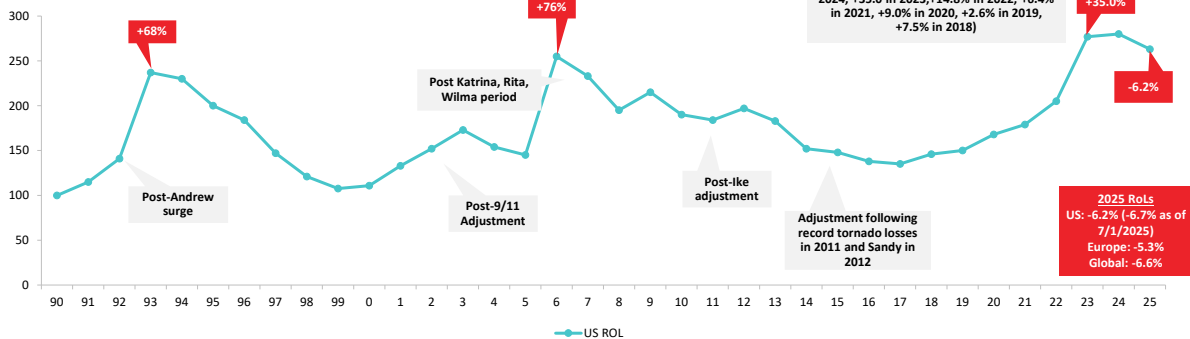
\*Midpoint of modeler estimates as of Jan. 21, 2025 (Artemis).  
Sources: Artemis.bm from Gallagher Re at: <https://www.reinsurancene.ws/insured-la-wildfire-losses-to-notably-exceed-10bn-gallagher-re/>; USC Risk and Uncertainty Management Center



31

## US Property Reinsurance Catastrophe Rate-on-Line Index: 1990–2025\*

(Percent)



US Property-CAT Reinsurance Pricing Is Sensitive to CAT Activity and Ultimately Impacts Primary Insurance Pricing, Terms and Conditions.

\*As of January 1, each year.  
Source: Guy Carpenter; Artemis.bm accessed at: <http://www.artemis.bm/us-property-cat-rate-on-line-index>



32

## Casualty Market Drivers



### General Liability & Excess Liability

Increase in Catastrophic Losses

- Sexual Misconduct
- Law Enforcement Liability
- Lifetime Care Costs
- Punitive Damage Awards

Organized Plaintiff Bar

- Litigation Financing
- Settlement pressure driven by Nuclear Verdict Potential

Inflationary Pressures

- Social Inflation

Aging Infrastructure

Lack of market participation



### Auto Liability

Cost of vehicles (inflation)

Cost to repair (technology)

Fatality Trends

Distractive Driving – Cell Phones

Robotaxis

Rising medical costs

Rapid rise of litigation costs

Use of Autonomous Driving

Increased fleet use of Electric Vehicles



### Workers Compensation

Aging Workforce

Medical Cost Inflation

Cancer & PTSD Presumptions

Workplace Violence

Medical Service Delays

Out of State Exposure

Accident Survivability

Mental Health

33



33

## Social Inflation: Legal System Abuse



### Nuclear verdicts

Number of reported thermonuclear verdicts over **\$100 million** increased to 49 in 2024



2024

**135**

Number of nuclear verdicts that surpassed \$10M, a 52% increase over 2023

**\$31.1 billion**

Total sum of nuclear verdicts

**\$51 million**

Median nuclear verdict

### Insurance claim costs



Increasing Propensity to Sue



Size of Jury Awards



Courts/Juries Favoring Plaintiffs



Growing Distrust of Large Corps.



Litigation Financing



Aggressive Plaintiff Bar Ads



Changes in Regulatory and Legal Environment

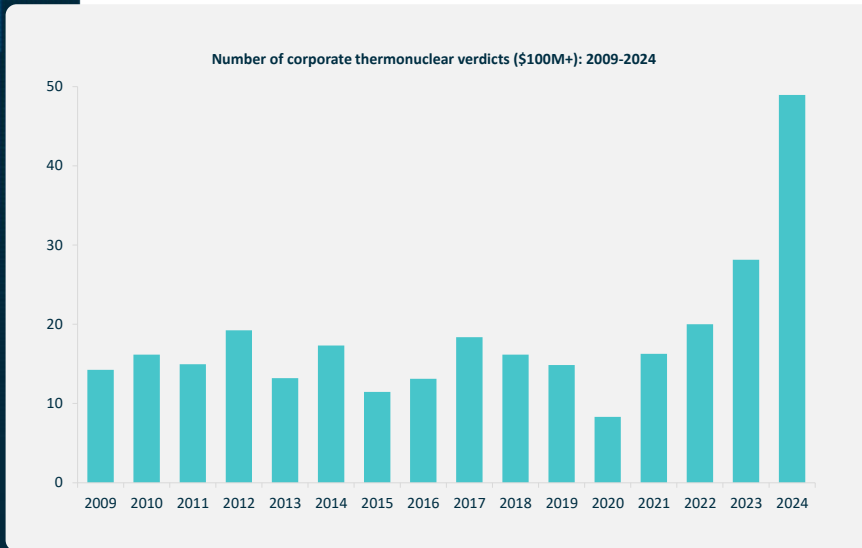
Source: Marathon Strategies: Corporate Verdicts Go Thermonuclear 2025 Edition

34



34

# Number of corporate thermonuclear verdicts (\$100M+): 2009-2024



Sedgwick: Liability litigation observations and trends Summer 2025

35



35

Option

## Jurisdictional Challenges and Legal System Abuse

### Judicial Hellholes 2024/2025

- 01 Philadelphia Court of Common Pleas & Pennsylvania Supreme Court
- 02 New York City
- 03 South Carolina Asbestos Litigation
- 04 Georgia
- 05 California
- 06 Cook County, Illinois
- 07 St. Louis
- 08 The Michigan Supreme Court
- 09 King County, Washington
- 10 Louisiana



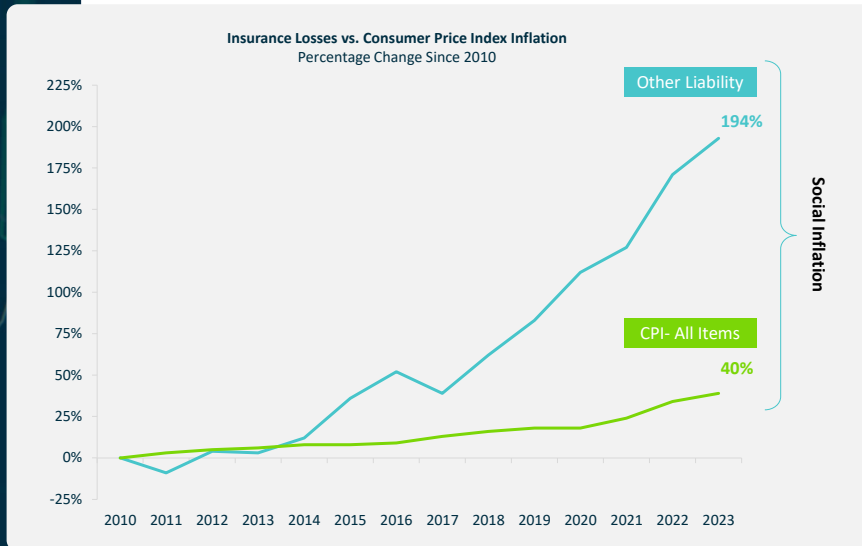
State of the Market - 2025

36



36

## Insured Losses vs. Consumer Price Index Inflation



Source: APCA via BLS Federal Reserve Economic Data and S&P Global Market Intelligence.

37



37

## Factors Driving Up Values

<p> <b>Reptile Theory</b></p> <ul style="list-style-type: none"> <li>• Use juror anger to instill a sense of fear or danger in jurors' minds so they lash out at the perceived attackers (i.e. the Defendants)</li> <li>• Use safety rules to divert the jurors' attention away from the real legal standard</li> </ul>	<p> <b>Anchoring</b></p> <ul style="list-style-type: none"> <li>• Arbitrary numbers</li> <li>• Lump sum or per diem</li> <li>• The more you ask for, the more you get</li> <li>• 1/3 of states limit anchoring in some way</li> </ul>	<p> <b>And...</b></p> <ul style="list-style-type: none"> <li>• Law Firm Advertising</li> <li>• The Plaintiff's Bar</li> <li>• Third Party Litigation Funding</li> <li>• Legislative changes</li> <li>• Increasingly negative sentiment towards perceived bad actors or institutions</li> </ul>
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38



38

## Contributing Factor to High Tort Payouts: TPLF

### What is TPLF?

Third party litigation funding (TPLF) allows hedge funds and other financiers to invest in lawsuits in exchange for a percentage of any settlement or judgement.

**False**

TPLF is already regulated

TPLF is just like legal aid

Keeping TPLF secret is good for consumers

**True**

There are no rules governing TPLF investments in litigation

TPLF investments are secret. Most of the time, judges, plaintiffs, and defendants don't know when lawyers make deals with funders

Litigation funders pick cases to maximize their return on investment, not to help people seek justice

Funders are usually not interested in ordinary, low-value claims because the profits aren't big enough

Because TPLF agreements are done in secret, it's easy for funders to put their interests above the plaintiffs

In some class actions, funders are paid before plaintiffs and even have a deal to receive more money if fewer plaintiffs come forward

What You Need to Know About Third Party Litigation Funding  
<https://institutelegalreform.com/what-you-need-to-know-about-third-party-litigation-funding/>

39



39

## Contributing Factor to High Tort Payouts: TPLF

### Third-Party Litigation Funding

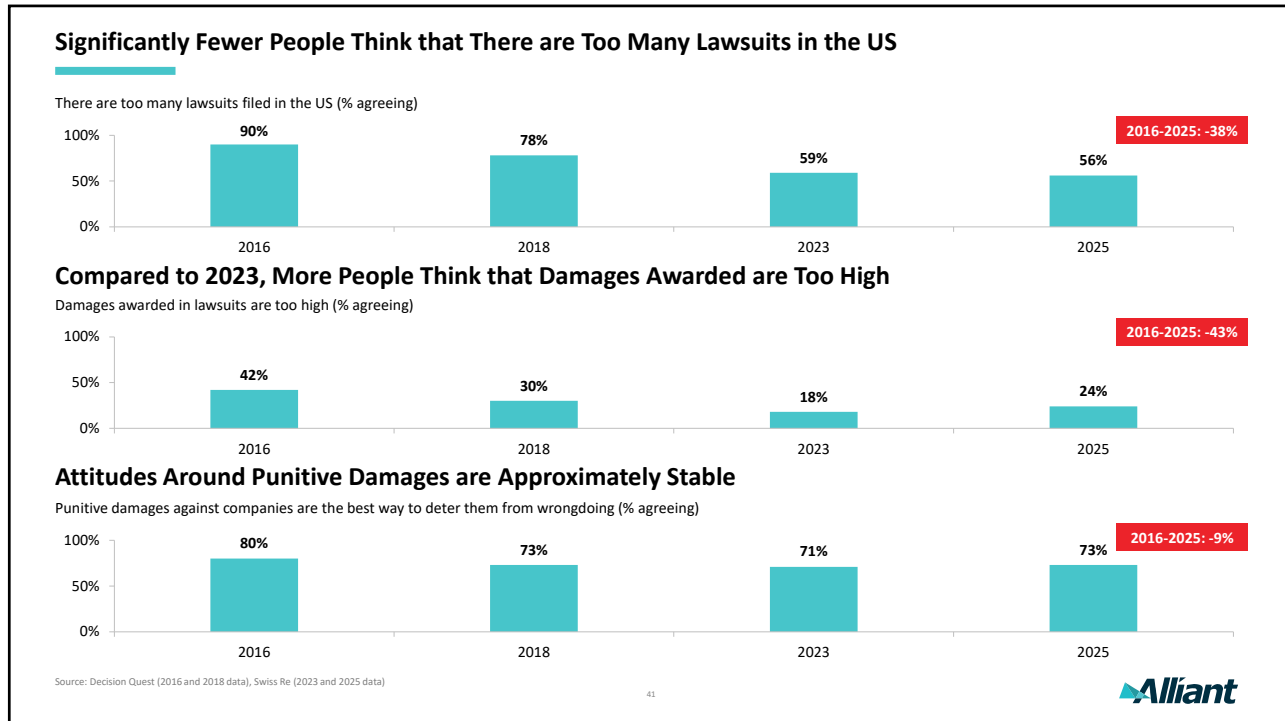
- 01 Increasing the volume of litigation**  
 External capital through TPLF has enabled law firms – including small law firms – to expand plaintiff recruitment efforts through increased advertising
- 02 Increasing settlement values**  
 Plaintiffs are seeking greater recoveries to satisfy their obligations to the funder. Because the rates of repayment are so high, plaintiffs are rejecting fair settlement offers to seek extra money to make up the amount they must repay
- 03 Increasing litigation costs**  
 Since plaintiffs are receiving money up front, they have little incentive to settle a case early and reasonably, which will lead to longer and costlier litigation. Businesses and insurance carriers will have to decide whether they are willing to pay more early on to resolve a case or pay the extra costs and expenses to litigate
- 04 Increasing frivolous claims**  
 TPLF may incentivize plaintiffs to pursue frivolous lawsuits, especially in cases where the potential payout is very large, such as cases involving Commercial Auto and Umbrella policies
- 05 Increasing premiums**  
 The increased cost of TPLF is being passed down to the policyholder, resulting in higher insurance premiums. TPLF pushing up settlement and verdict size has had the greatest effects on premiums. In the first quarter of 2025, Commercial Auto and Umbrella had the highest average increases in premiums out of all lines of 10.4% and 9.5%, respectively

Gen Re: Who's Really Behind That Lawsuit? – Claims Handling Challenges From Third-Party Litigation Funding <https://www.genre.com/us/knowledge/publications/2025/august/claims-handling-challenges-from-third-party-litigation-funding-en>

40



40



41

## Public Sector – Police Pursuit Update

**A National Public Entity Insurance Carrier** has seen a sharp rise in Public Sector auto severity claims. Auto losses exceeding **\$500K** and **\$1M** have become more frequent, with the highest severity Public Sector auto bodily injury claims **nearly doubling** between 2019 and 2024.

Police pursuits have been a major driver of this increase, representing about **30%** of Public Sector losses over **\$1M**.

A review of over **150** police pursuit claims<sup>1</sup> revealed that, while they made up only **5%** of total auto claims, they accounted for **20%** of total auto indemnity costs. These claims affected insureds nationwide, regardless of their size, officer count, or location.

**Key findings include:**

 <b>65%</b> of pursuit claims were for non-violent or misdemeanor violations	 <b>50%</b> of pursuit claims involved fatalities	 <b>Over 90%</b> of pursuit claims involved injuries to third parties	 <b>3x</b> more injuries or damages are caused by fleeing suspects than the officers	 <b>55%</b> of claims had injuries reported by multiple claimants
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National data from the NHTSA shows a **10%** year-over-year increase in police pursuit fatalities between 2021 and 2022, and a **40%** increase from 2019 to 2022, contrasting with a decline in overall traffic fatalities<sup>2</sup>.

**The rise in police pursuit-related claims highlights the need for regular review and compliance with pursuit policies. Understanding these trends can help departments better mitigate risks, improve training, and enhance public safety.**

<sup>1</sup>The analysis included review of over 150 distinct police pursuit claims reported by Travelers Insurance Company Public Sector insureds between 2015 and 2023. The review also included a detailed analysis of claim characteristics driving severity in over 50 claims with values of \$100k or more.  
<sup>2</sup>Please see DOJ resources available at <https://portal.cops.usdoj.gov/resourcecenter/content.ashx/cops-1134-pub.pdf> external data source for NHTSA.

42

## Auto Liability

01

Large claims are getting larger.

02

Large claims are becoming less predictable.

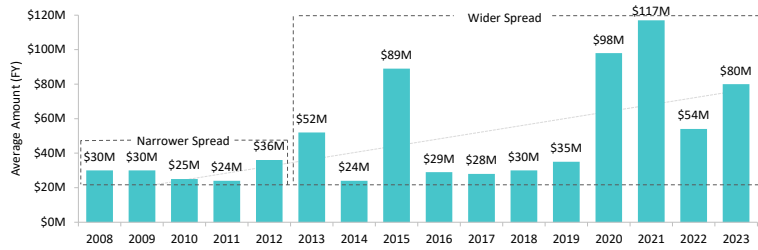
03

Insurance carriers prefer predictable risks.

04

Instability leads to higher premiums.

Automobile Liability Large Case Average Settlement Amount by Disposition Year



NOTES:  
 Analysis considers US only Automobile Liability cases with recorded settlement or award value greater than \$15M  
 Dollar amounts are unadjusted for inflation and economic trends  
 Source: Zywave Casualty Data

43



43

## Artificial Intelligence: Impact to Public Entity Risks

As Artificial Intelligence makes its way into governance

Key Risk Exposures for Agencies



### Civil rights & due process

Potential bias in policing, benefits, hiring, housing decisions



### Decision errors

Hallucinations, automation mistakes → liability, action reversals



### Data & IP

Training-data ownership, copyright claims, public records obligations



### Cybersecurity

Prompt injection, data leakage, model theft



### Procurement/vendor risk

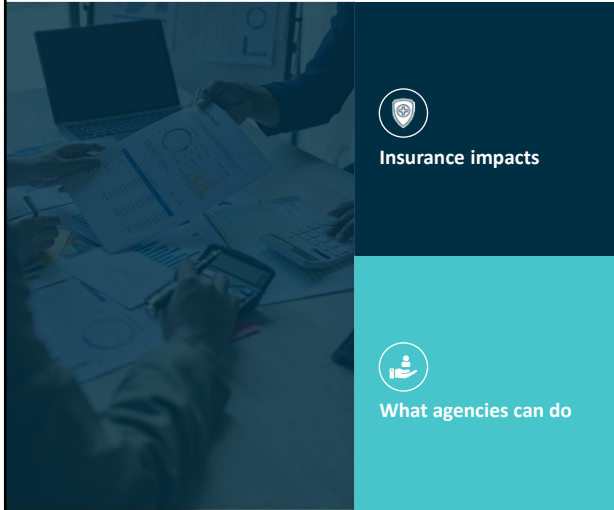
Third-party AI tools expose agencies to contractual and liability gaps

44



44

## Artificial Intelligence: Impact to Public Entity Risks



### As Artificial Intelligence makes its way into governance

- Cyber: Tighter underwriting, AI-related exclusions or sublimits
- E&O/Public Officials: Errors from AI-driven decisions may be contested
- Media/IP: Generated content can result in copyright & trademark claims
- EPL/Civil Rights: Bias in hiring/benefits decisions could result in discrimination claims

- Map AI inventory (supports underwriting)
- Align with NIST RMF for governance & testing: <https://csrc.nist.gov/projects/risk-management/about-rmf>
- Run rights & safety impact reviews; keep human-in-loop
- Strengthen vendor contracts (data, bias, indemnity)
- Tune coverage: Confirm no broad AI exclusions
- Resource for Public Entities: <https://www.sanjoseca.gov/your-government/departments-offices/information-technology/ai-reviews-algorithm-register/govai-coalition>



45

## Worker's Compensation

Hardening Market?



The “relatively” stable line of coverage in recent years



Accident frequency has been steady or slightly down



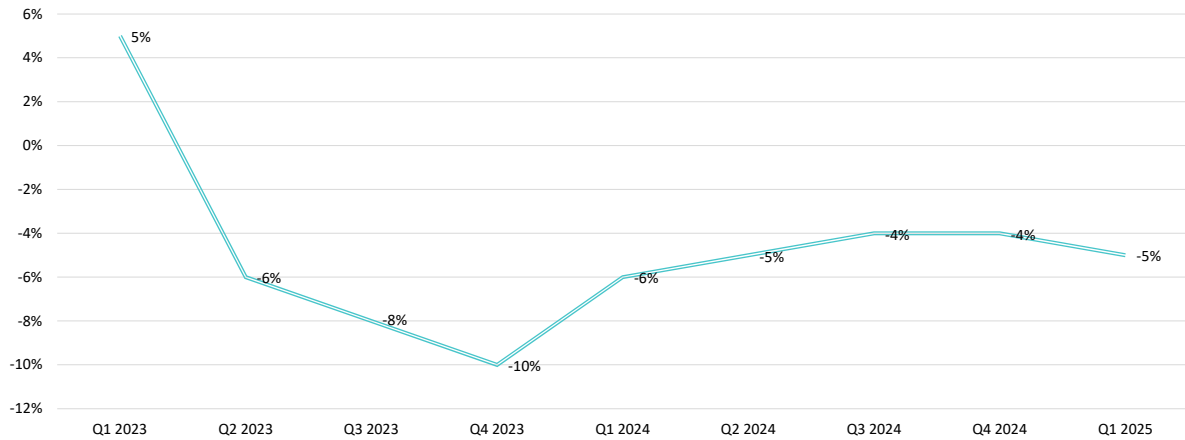
However, severity continues to trend upward and there are some disturbing trends to keep an eye on

WORK LIFE



46

## Average Cyber Premium Changes Percentage change in renewal premium vs. prior year



Source: Alliant Cyber pricing data

47



47

## Ransomware Payments

Payments made by victims to ransomware groups totaled \$814M in 2024, down 35% from the record-high of \$1.25B in 2023. <sup>(3)</sup> This is the first time ransom payments have declined since 2022.

(1) NetDiligence Cyber Claims Study 2024 Report  
 (2) Chainalysis cryptocurrency tracking data  
 (3) IBM Cost of a Data Breach 2024  
 (4) Duane Morris Class Action Review 2025

48

## Current State of Claims



As measured by the number of claims over the past 5 years, the financial services sector is among the **top 5 most affected industries**, which as a group account for 52% of all claims and 59% of total incident cost. <sup>(1)</sup>



**Ransomware and Business Email Compromise** are the leading causes of loss. <sup>(1)</sup> The US has the highest average cost of a data breach of any country at **\$9.36M**. <sup>(3)</sup> However, the percentage of attack victims paying a ransom has declined over the past five years as business are relying more on restoration, backups and remediation strategies.

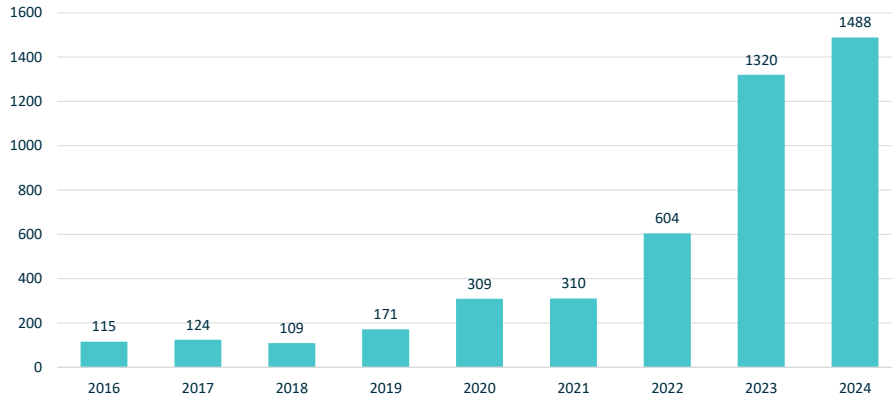


**Data breach class actions are at record levels.** There were 1,488 data breach class action filings in 2024, up from 1,320 in 2023 and more than double the amount in 2022. <sup>(4)</sup> The number of filings has risen by 1,265% over the last 6 years.



48

## Data Breach Class Actions Filed by Year



Source: Duane Morris  
Class Action Review 2025



The number of filings doubled between 2022 and 2024 and are up more than **1,200%** since 2018.








## Toward the Future



# Public Entity Outlook

Public entities face a complex outlook defined by fiscal constraints, escalating geopolitical risks, and the pressures of technological and demographic shifts.

## Public Entities Challenges for 2026

 <p><b>Cyber Risks</b> Increasing cyberattacks on critical systems</p>	 <p><b>Climate Events</b> Rising frequency of extreme weather</p>	 <p><b>Staffing Shortages</b> Difficulty retaining skilled employees</p>	 <p><b>Regulatory Compliance</b> Stringent new regulatory requirements</p>	 <p><b>Infrastructure Aging</b> Deteriorating public facilities</p>
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## Navigating a Challenging Landscape

### 01

#### Fiscal and Economic Outlook

- Sustained budget deficits and rising debt
- Lower economic growth
- Persistent inflation
- Constrained fiscal capacity
- Economic divergence (emerging markets are projected to grow at a faster pace)

### 02

#### Geopolitical Risks and Instability

- Elevated global instability
- Energy and resources competition
- Increased trade protectionism
- Digital sovereignty and cybersecurity threats

### 03

#### Operational and Societal Pressures

- Rising citizen expectations
- The AI and technology imperative
- Workforce demographics and skills gaps

Source: The Budget and Economic Outlook: 2025 to 2035, Congressional Budget Office (.gov)  
Sources: <https://www.cbo.gov/publication/61172#:~:text=Changes%20in%20CBO's%20Budget%20Projections,not%20subject%20to%20the%20shifts.>



# Property Renewal Outlook



#### Data Integrity (SOV, COPE, Insurance-to-Value)

- *Must go to market with a compelling narrative*
- *Emphasis on data quality here to stay*



#### Retentions and caps on certain types of exposure

- *Programs that have not undergone changes over the course of the last few renewal cycles may face scrutiny on deductible if there have been frequency issues*
- *Separate, increased Water Damage deductibles are gaining momentum*
- *ACV on older roofs*



#### 2026 outcomes will be highly dependent on remainder of 2025 Wind Season and individual client losses



#### Underwriter submission activity remains high – imperative to engage early and access global market

- *Several new markets 'open for business' for Property deals*
- *Growth is an emphasis for nearly all carriers*

#### Property Outlook: Tier 1/CAT Exposed/Loss Driven

- Nearly all programs seeing massive oversubscription due to combination of new markets and incumbents looking to grow
- Excess limits available for Insureds looking for pre-2023 program limits
- Insureds whose exposures fall into this “tier,” should expect to see rate outcomes highly dependent upon individual loss experience and risk quality
  - Loss-impacted portfolios in difficult geographies (California, Florida, Louisiana and Texas) may see slightly less favorable outcomes than loss-free peers
  - Markets view rates as more attractive on CAT Exposed risks, with carriers willing to entertain new business as long as it hits internal metrics and has appropriate deductible structures in place and good risk quality
- No anticipated changes for customary percentage deductibles for Named Wind

#### Property Outlook: Non-CAT with Favorable Loss Experience

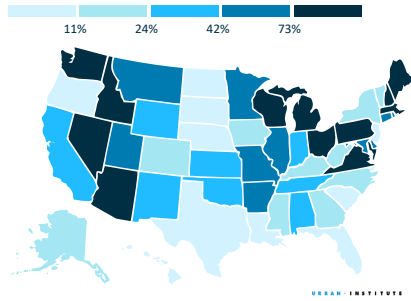
- As a function of the market as a whole and the capacity that will be available for the 2026 renewal cycle, we **anticipate a continually improved environment for buyers**, potentially to a lesser degree than we saw in 2025
- Challenged occupancies aside, capacity on Non-Cat business with favorable loss experience will continue to be available, which in turn should promote competition leading to lower pricing/rate relief
- Non-Cat accounts **will continue to be faced with the same ITV challenges** facing CAT exposed and loss driven portfolios. Differentiating your philosophy towards risk management will be key (risk control, valuations, etc.)



## FEMA Outlook

### Six States Would Not Have Received Any Post Disaster Public Assistance 2008-24 Under FEMA's Proposed Change to the Disaster Declaration Threshold

Share of federal public assistance funding lost



Source: Authors' analyses of Federal Emergency Management Agency (FEMA) data on preliminary damage assessments and public assistance awards from 2008 to 2024.  
 Notes: N-870 presidentially declared disasters.  
 Sources: <https://statescoop.com/fema-grant-changes-could-make-disaster-preparedness-harder-for-smaller-states/>  
<https://www.urban.org/urban-wire/proposed-cuts-federal-disaster-assistance-will-hit-states-just-hurricane-season-ramp-up>

### A changing landscape

- 01** FEMA is redirecting nearly \$1 billion in disaster-preparedness grants to place more responsibility on states and local governments for managing crises such as fires, floods, hurricanes, and cyberattacks, while scaling back its traditional role of reimbursing disaster costs.
  - Experts warn states may struggle under the new model, since many have grown dependent on FEMA reimbursements and lack the infrastructure or funding to take on greater responsibility
  - States are often fiscally unprepared for disasters, with limited tracking of disaster spending, underinvestment in prevention, and growing risks from billion-dollar disasters
- 02** The current administration is proposing major reductions to disaster aid, including raising the threshold for major disaster declarations, eliminating declarations for snowstorms, capping public assistance at 75%, and discontinuing the Hazard Mitigation Grant Program. These changes shift much greater financial responsibility onto state and local governments
- 03** Under these proposals, **71% of disasters from 2008–2024 wouldn't have qualified for federal aid**, translating to roughly **\$41 billion less in federal public assistance** over that period
- 04** Many states lack sufficient backup funds to cover disaster costs should federal aid be reduced. In 2019, only **5 out of 31 states** receiving federal support had enough reserves to handle their share of disaster
- 05** States often rely on funds with limited flexibility, such as rainy-day or broader reserve funds, which aren't designed specifically for disasters. Even large reserves can be quickly depleted—**Florida's 2022 storms, for example, would have cost an additional \$563 million under the new rules, amounting to about 21% of its rainy-day fund**
- 06** Experts warn of tough budget trade-offs, noting that reduced federal support could force states to redirect funds from social programs or face incomplete recoveries

53



53

## Builder's Risk Outlook:

- In 2025, economic uncertainty continues to loom large. Many developers are pausing or shelving construction projects due to interest rates, inflationary impacts, regional labor shortages and less than ideal costs for critical materials.
  - Builder's risk coverage is also evolving. Some insurers are offering broader language, especially around exclusions like construction defects, but those provisions often fall short on actual protection. At the same time, thinner project margins and higher interest rates are increasing the stakes. As construction timelines stretch, questions around claims handling (particularly during mid-project transitions) are gaining importance.
  - Rate softening is widespread, driven by heightened competition and hesitation among developers facing tighter margins and macroeconomic headwinds. Project starts have slowed, especially in multifamily, as sophisticated clients who have long-term interest in their developments.
  - There are some noticeable exceptions though. In some regions (particularly the Southeast and Gulf Coast) pricing reached historic highs in recent years but has since begun to retreat as capacity returns and competition increases.
- Market Size**
- The US Builder's Risk market has grown substantially, valued at \$5.36 billion in 2024. This growth is generated from a number of large-scale infrastructure projects such as the California high-speed rail as well as a number of major data centers that are popping up across the US.
- Pricing Trends**
- Rate Movement has moderated compared to the last 5 years:
    - Non-CAT: flat to +5%
    - High Hazard Projects: +5% to 15%
    - Master Builders Risk Programs: -5% to +5%

### Key Economic Dynamics

- Inflation has eased to roughly 2.3% and interest rates are finally starting to cool, reducing the cost implications of these projects.
- Tariff increases on Steel, lumber and aluminum continue to impact project values, which in turn is increasing premium calculations.
- Capacity is continuing to increase, with a number of new specialized MGA entrants coming into the market. Carriers are relying on their expertise to underwrite these projects.
- Existing MGAs are providing large limits in critical CAT geographies at below market pricing in order to maintain market share.

### Strategic Recommendations to Insureds:

- Disciplined risk management is essential. Policies need to be tailored to project specifics and emerging market realities.
- Whilst cost pressure is still a concern, we need to be focused on providing comprehensive coverages to insureds.
- The market is forever changing, especially off the back of the best rating environment in 20 years. While only 5-10 carriers were able to consider most projects last year, we are now seeing those numbers increase to the majority of the marketplace. Marketing efforts now are able to canvas the 25-30 markets who play in this space.
- **If policy is placed via Contractor/stand-alone, ensure seamless transition from Contractor's BR policy and All-Risk property policy, stay ahead of extension needs and on top of CO issuance**
- Even in this softer market, underwriting discipline remains strong. Carriers are becoming increasingly selective, gravitating toward high-quality risks and exercising caution in more challenging geographies and project types. Submission quality remains a key hurdle; especially with insureds that fall into the CAT exposed category: **underwriters continue to receive incomplete or inconsistent data, which slows the quoting process and complicates risk assessment.** There may be instances where underwriters are willing to fight for better term conditions given the increased competition, but the technical underwriting standards are not being relaxed despite the flood of new capacity entrants.

Site security is now an industry standard with carriers requiring that projects be fenced, lighted, and locked with off hours security (3<sup>rd</sup> party centrally monitored security cameras)

54



54

## Liability Outlook

Excess liability continues to face upward pressure



### Specific Problem areas that continue to persist

- Aggregate limits – Many carriers are looking to cap their exposure on pool programs
- Attachment point/Retentions are being closely examined
- Changing capacity – Incumbent reductions & new entrants
- Underwriter scrutiny on Law Enforcement and Sexual Abuse/Misconduct coverages
- Emerging Exclusions: Is AI next?



Insurers reporting YOY **loss cost increases from the high single digits to 15%+**. Pricing will be based on losses and jurisdiction.



### Additional Considerations

- Best in class risks continue to differentiate themselves with markets
  - Data is king
  - Risk management & risk control
- Alternative Risk/Structured Solutions

55