NEWSLETTER

2025 OUTLOOK:

NAVIGATING COMMERCIAL INSURANCE TRENDS FOR PUBLIC ENTITIES

SECTION 1: OPTIMISM IN THE COMMERCIAL PROPERTY INSURANCE MARKET

The commercial property insurance marketplace has shown marked improvement, signaling a welcome relief for policyholders after years of turbulence. Increased capacity and stable pricing are driving optimism, making it an opportune time for public entities to reassess their insurance strategies and leverage market conditions to their advantage.

The past few years have been defined by challenges in the commercial property insurance sector, including natural catastrophes, inflationary pressures and tightened underwriting. In 2024, premium growth rates for commercial property insurance moderated to mid-single-digit percentages, a decline from the high teens observed in 2022 and 2023. This shift demonstrates the robustness of reinsurance markets.

2025 ushers in greater stability, with carriers projecting an outlook even more promising than that of 2024. Insurers have been bolstering their balance sheets and refining their risk assessment processes, which has resulted in greater capacity to write new business and renew existing policies.

This increased capacity has led to more competition among carriers, particularly for well-managed risks with robust loss prevention measures. As insurers become more selective in underwriting, entities with a strong risk management track record are reaping the benefits, including access to broader coverage options and improved pricing. While certain exposures, such as properties in catastrophe-prone regions, may still face scrutiny, the overall pricing environment is far less volatile.

IMPACTFUL ISSUES FOR INSUREDS: PROPERTY

1.

Property Capacity

Return to stability from incumbents

Coastal, earthquake and wildfire capacity continue to come under greater scrutiny

Targeted growth from new and incumbent markets alike

2.

Insurers returned to profitability in 2023 - driven by increased rates rather than reduced loss activity

$108 in Global Insured CAT losses in 2023; United States accounted for **80%** of global insured losses

This marks the 4th consecutive year global losses have topped **$100B**

3.

Global insured losses from natural catastrophes totaled **$60B** in the first half of 2024, 62% above the 10 year average and equal to last year's first half losses (*Swiss Re*)

4.

Consistent **increases in attributional property losses** (fires, water damage, tornadoes, hail, wildfires) — are secondary perils 'secondary' anymore?

5.

After tempering in 2023, **inflation** again adds to the issue of **valuation across all property classes**

Opportunities for Risk Managers

With improved market conditions, now is the ideal time for risk managers to take a proactive approach to their property insurance programs. Here are some steps to consider:

1. **Reassess Coverage Needs**: Evaluate whether your current coverage adequately addresses your organization's risk profile. Expanded capacity may provide opportunities to secure higher limits or add coverage enhancements.
2. **Leverage Competition:** Increased capacity means more carriers are willing to compete for your business. Work with your broker to market your account to multiple insurers to secure the best possible terms.
3. **Highlight Risk Mitigation Efforts:** Demonstrate your organization's commitment to loss prevention by sharing details of your risk management programs, such as appraisals, fire protection systems, building maintenance plans, and disaster recovery protocols.
4. **Plan for the Long Term**: Take advantage of stable pricing to implement multi-year insurance agreements, locking in favorable terms and reducing future volatility.

SECTION 2: VARIOUS TOPICS

Cyber Liability and Artificial Intelligence

Cyber liability coverage remains a top concern as public entities face increasing threats of data breaches, ransomware and system disruptions. The rapid adoption of artificial intelligence (AI) tools further complicates the risk landscape. While AI can enhance operations, it introduces vulnerabilities such as biased decision-making algorithms, privacy concerns and potential regulatory violations.

Insurers are tightening underwriting standards, scrutinizing cybersecurity protocols and requiring detailed AI risk management plans. Public entities should ensure they have robust cybersecurity measures, including regular vulnerability assessments, incident response plans and AI governance frameworks. Training employees to recognize cyber threats and adhering to regulatory compliance standards are also critical to maintaining insurability and minimizing cyber risk exposure.

IMPACTFUL ISSUES FOR INSUREDS: CYBER

1. **Cyber capacity has improved** and is creating stabilized terms and conditions
2. **Ransomware cyber losses** are systemic

Casualty Capacity Concerns for 2025

Casualty insurance markets are facing a contraction in capacity, with several carriers reducing their exposure or exiting the space entirely. The rising frequency and severity of claims, fueled by inflation and expanding liability theories, have made public entity risks less attractive.

This reduction in capacity is driving up rates, increasing retentions and limiting coverage terms for critical casualty lines, including general liability and excess liability. Public entities should work closely with their broker to explore alternative risk transfer solutions, such as risk pools.

IMPACTFUL ISSUES FOR INSUREDS: LIABILITY

1. **Liability capacity pull back** and withdrawals have been significant over the past two years
2. **Social inflation & litigation financing** are driving up liability verdicts and settlements
3. Excess workers' compensation **remains stable, but retained layer may be experiencing increased claims volume**

Litigation Financing and its Impact on Claims

Litigation financing, where third parties fund lawsuits in exchange for a share of the settlement, is increasingly influencing claim outcomes. This trend has led to prolonged litigation, higher defense costs and larger settlements or verdicts, particularly in cases involving public entities.

The growing presence of litigation financing underscores the importance for public entities to be aware of its potential impact on legal proceedings. By understanding the role of third-party funding, public entities can better navigate the challenges posed by prolonged litigation and the possibility of increased financial liabilities.

CONCLUSION

The commercial insurance landscape in 2025 presents a mix of challenges and opportunities. Public entities that proactively adapt to market trends–whether by reassessing coverage, leveraging competition or strengthening risk management–will be better positioned to secure favorable insurance terms and navigate the evolving risk environment effectively.

Public Entity Insurance Marketplace, Trends, Industry Issues and Outlook

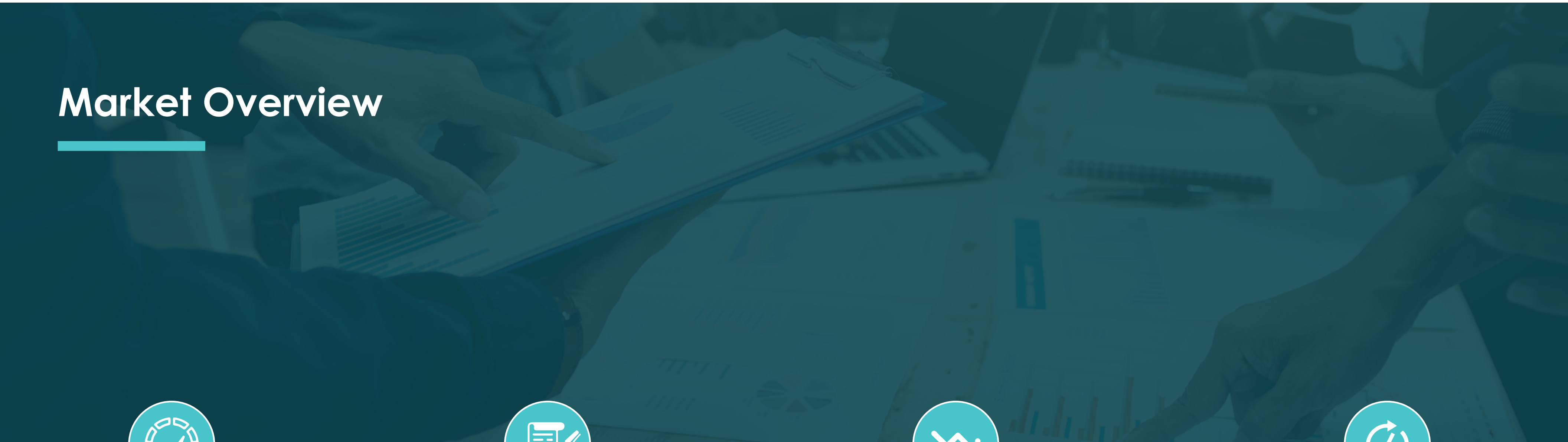
Presented by: P.J. Skarlanic

January 23, 2025

Alliant Insurance Services
www.alliant.com

(THIS INFORMATION HAS BEEN CONSOLIDATED FROM VARIOUS INDUSTRY SOURCES)

Market Overview



Financial Performance

Underwriting Trends

Loss Trends & Market Disruptors

Toward the Future

Insurance Market & Financial Performance

2021, 2022, 2023 & 2024 (*preliminary) Renewal Season Results – Public Entity

	2021	2022	2023	2024
Average SIR Change	16%	13%	8%	5%
Average Limit Change	-5%	0%	2%	4%
Average Premium Change	38%	20%	16%	16%

Note that the average premium increases noted above are pure premium increases (vs. effective rate) as these are coupled with the average changes to SIR's and Limit purchased. *(*data references as of 7/1/24)*

Source: AmWINS – 2024

Market Conditions

Impactful issues for insureds:

Property

01

Property capacity:

- Return to stability from incumbents
- Coastal, Earthquake and wildfire capacity continue to come under greater scrutiny
- Targeted growth from new and incumbent markets alike

02

Insurers returned to profitability in 2023 – driven by increased rates rather than reduced loss activity

- $108b in Global Insured CAT losses in 2023 United States accounted for **80%** of global insured losses
- This marks the 4th consecutive year global losses have topped **$100b**

03

Global insured losses from natural catastrophes totaled **$60 billion** in the first half of 2024, 62% above the 10-year average and equal to last year's first-half losses, (*Swiss Re*)

04

Consistent **increases in attritional property losses** (fires, water damage, tornados, hail, wildfires) – are secondary perils 'secondary' anymore?

05

After tempering in 2023, **Inflation** again adds to the issue of **valuation across all property classes**

Liability

06

Liability capacity pull back and withdrawals have been significant over the past two years

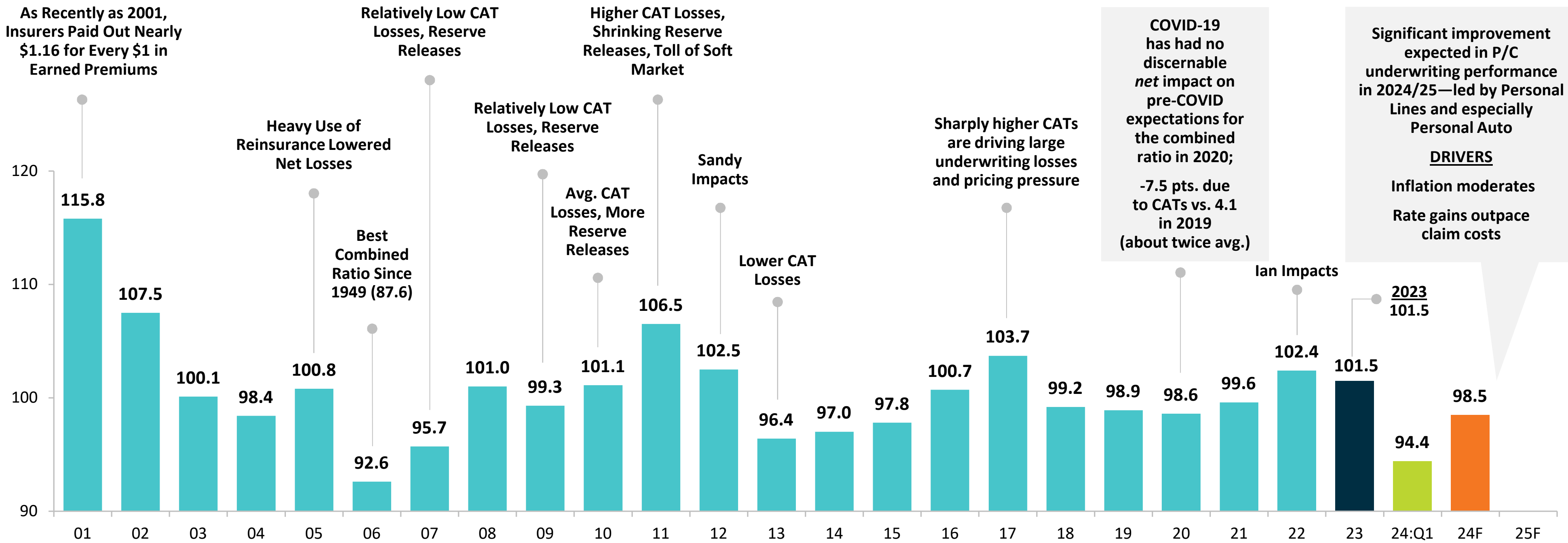
07

Social inflation & Litigation Financing driving up liability verdicts and settlements

08

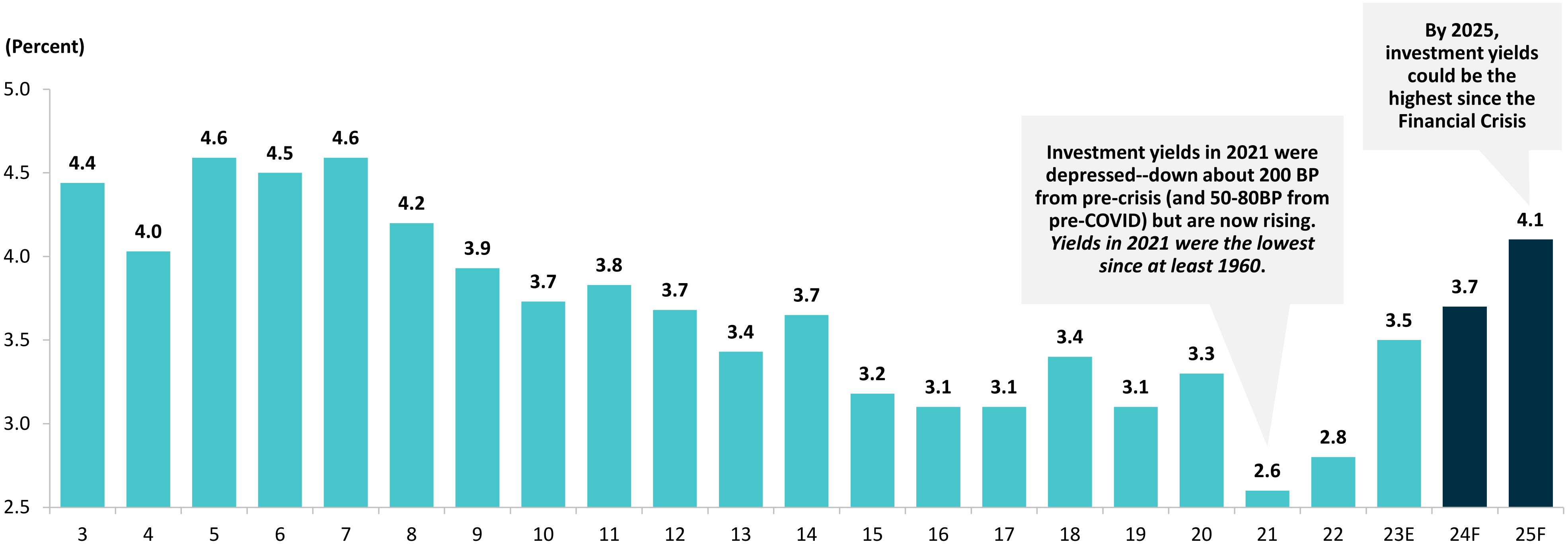
Excess Workers Compensation **remains stable, but retained layer may be experiencing increased claims volume**

P/C Insurance Industry Combined Ratio, 2001–2023F*



**Excludes Mortgage & Financial Guaranty insurers 2008–2014.
Sources: A.M. Best, ISO (2014-2024F).

Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2025F

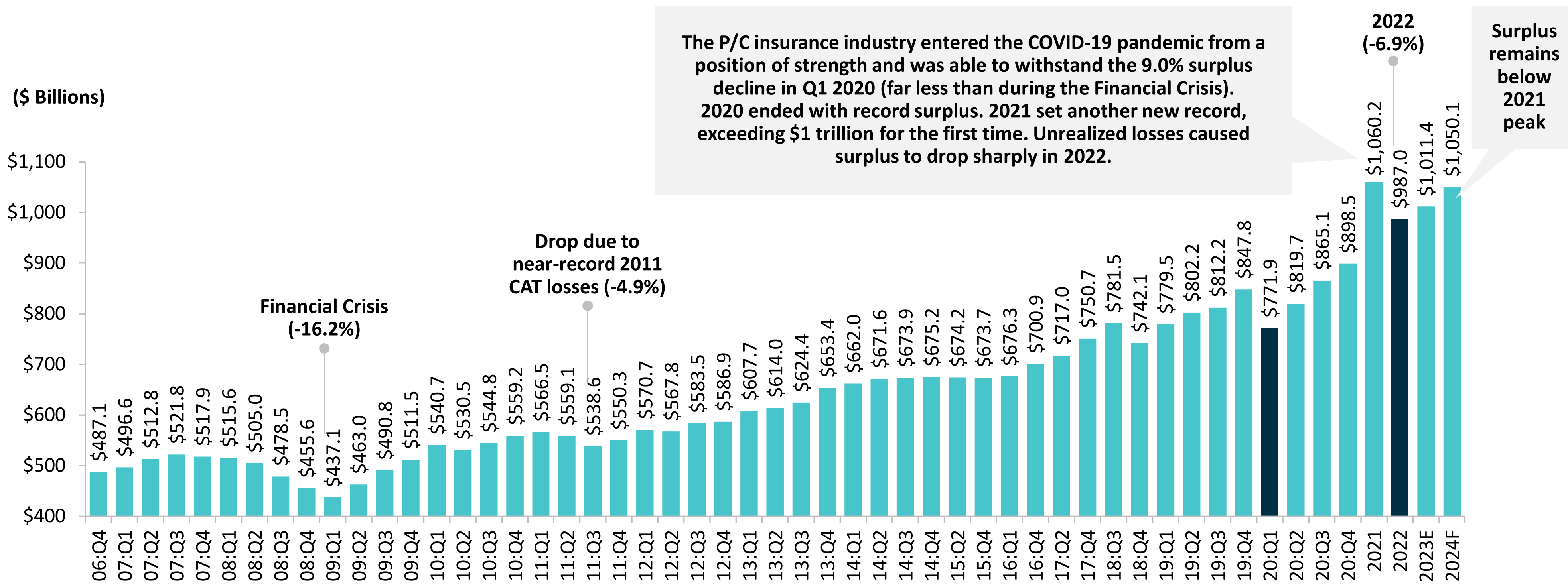


The yield on invested assets remains depressed relative to pre-financial crisis and pre-COVID yields. Fed rate hikes in 2022-23 are lifting yields and investment income.

Average: 1960-2019 = 4.9% | Low: 2.8% (1961) | High: 8.2% (1984/85)

Sources: NAIC data, sourced from S&P Global Market Intelligence; 2017-19 figures are from ISO. 2020-22 data from APCIA. 2023E-25FP from Swiss Re (Jan. 2024). Risk and Uncertainty Management Center, Univ. of South Carolina.

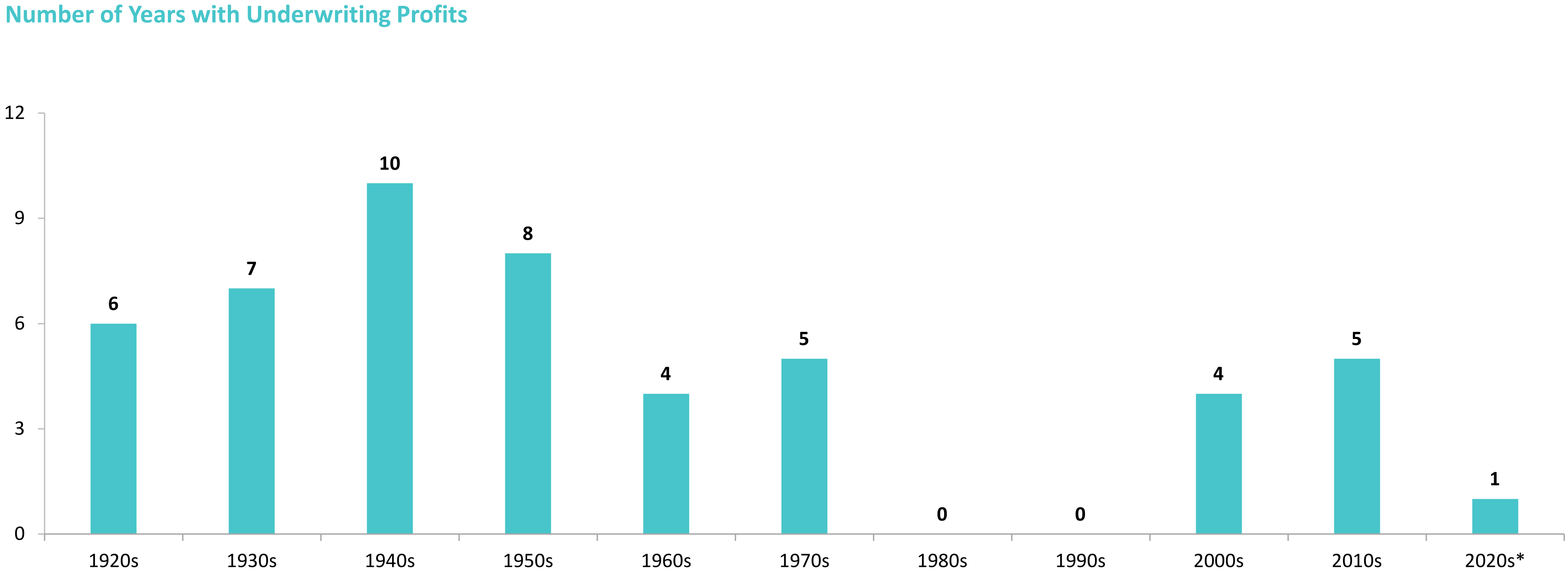
Policyholder Surplus (Capacity), 2006:Q4 – 2024F



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.

Number of Years with Underwriting Profits by Decade, 1920s–2020s



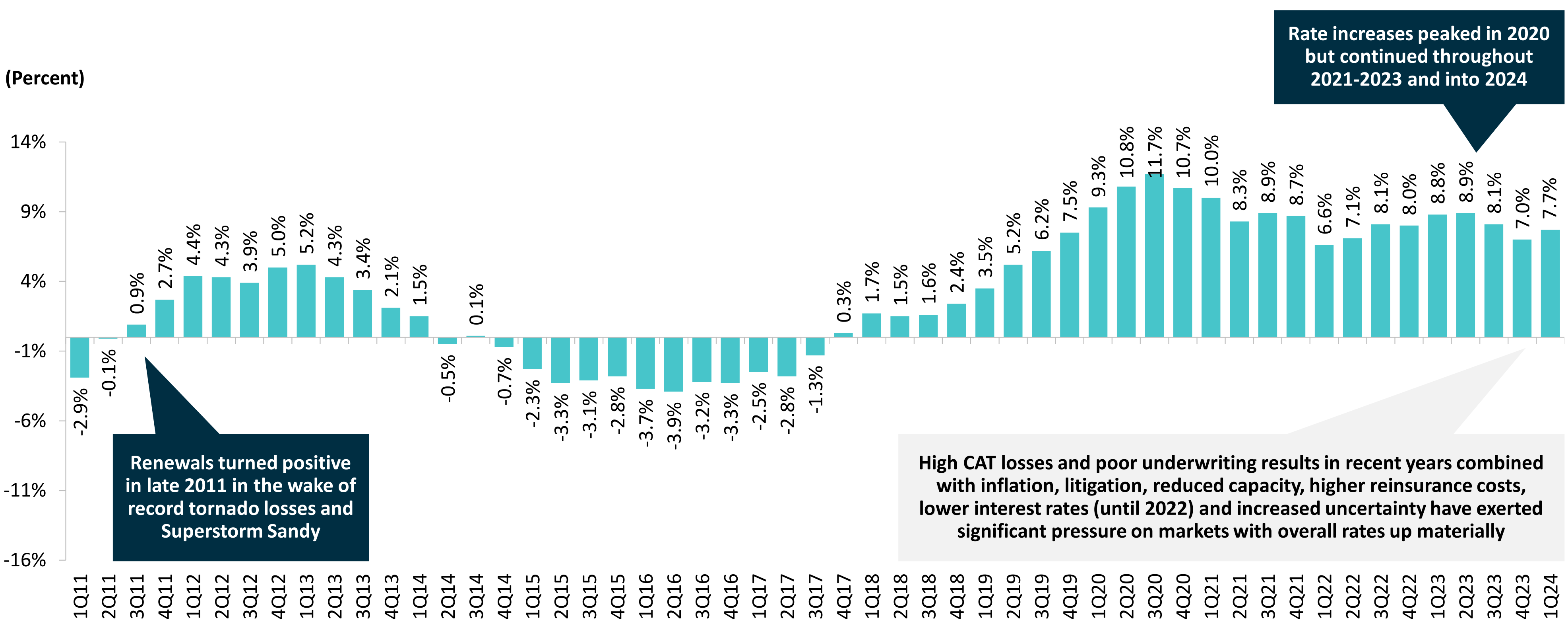
Underwriting Profits Were Common Before the 1980s (40 of the 60 Years Before 1980 Had Combined Ratios Below 100) –But Then They Vanished. Not a Single Underwriting Profit Was Recorded in the 25 Years from 1979 Through 2003

* 2020 through 2023

Note: Data for 1920–1934 based on stock companies only.

Sources: Insurance Information Institute research from A.M. Best Data.

Average Commercial Rate Change, All Lines, 2011:Q1–2024: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.

Underwriting Trends

Market Trends

By Product Line

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

*Denotes Construction-Specific Product Line

Color Key

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

- Green: Positive change
- Yellow: Neutral/No change
- Red: Potential Challenge

Arrow Key

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

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

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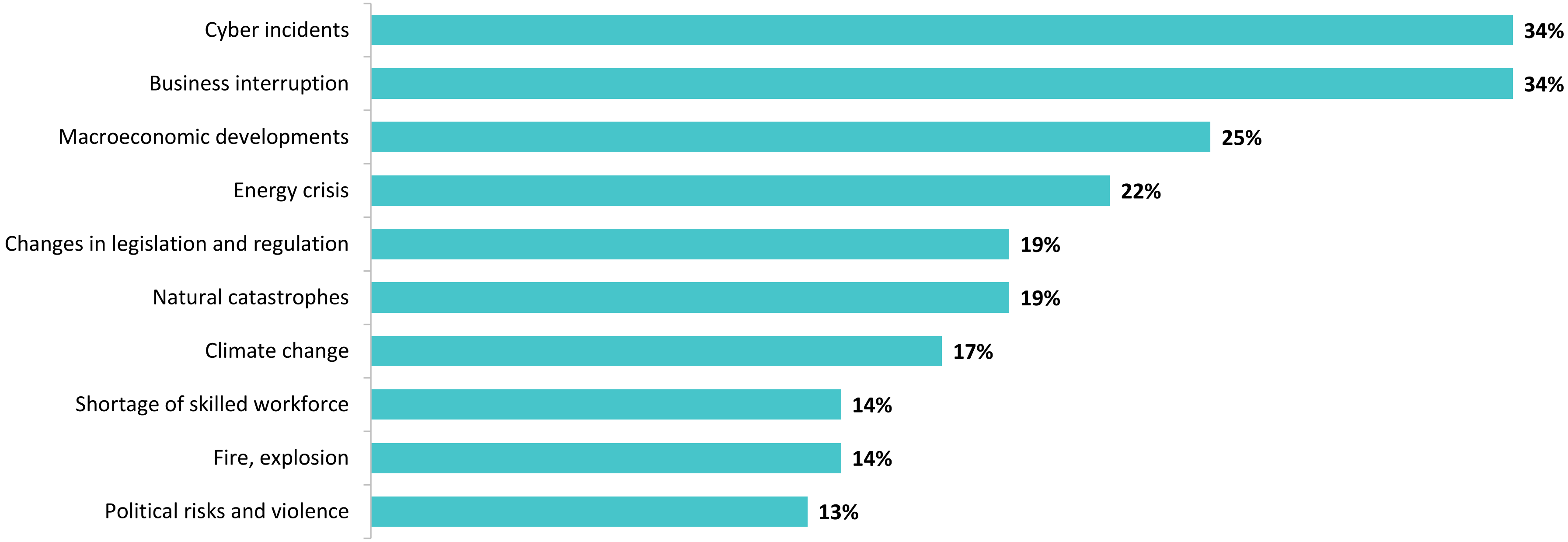
Loss Trends & Market Disruptors

What are Risk Manager's Concerns?

The most important global business risks for 2023

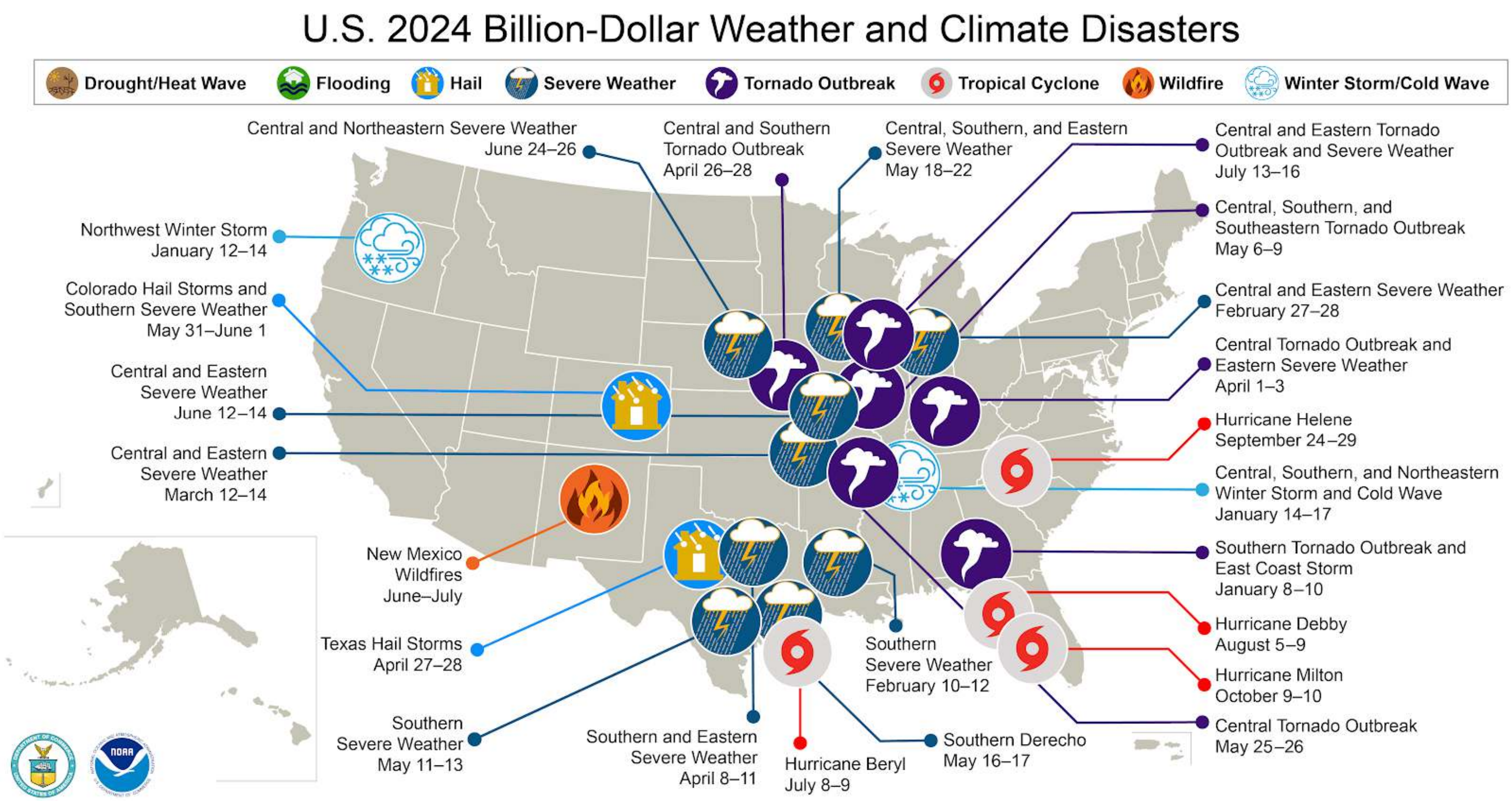
Alliance Risk Barometer 2023

The numbers represent the percentage of all participants who responded (2,712). The numbers do not add up to 100% because more than one risk could be selected.



Source: Allianz Global Corporate & Specialty

Major U.S Losses in 2024



*This map denotes the approximate location for each of the **24 separate billion-dollar weather and climate disasters that impacted the United States through October 2024.***

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	$212.7B	8.10%	$21.3B
1990s (1990-1999)	57	5.7	$324.6B	12.40%	$32.5B
2000s (2000-2009)	67	6.7	$602.5B	23.00%	$60.3B
2010s (2010-2019)	131	13.1	$964.4B	36.90%	$96.4B
Last 5 Years (2019-2023)	102	20.4	$617.0B	22.30%	$123.4B
Last 3 Years (2021-2023)	66	22	$441.4B	15.90%	$147.1B
Last Year (2023)	28	28	$94.9B	3.40%	$94.9B
All Years (1980-2024)*	**395**	**8.8**	**$2,772.1B**	**100.0%**	**$61.6B**

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/stkw-7w73

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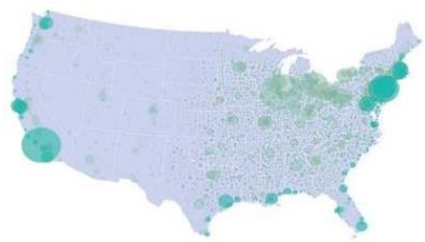
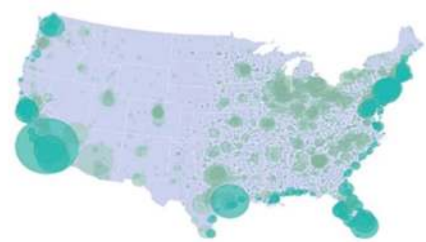
Population Growth and Bullseye Effect

Martin Bertogg, Swiss Re's head of catastrophic peril, said in a 2022 AP interview that **two-thirds**, perhaps more, of the **recent rise in weather-related disaster losses is the result of more people and things in harm's way**.

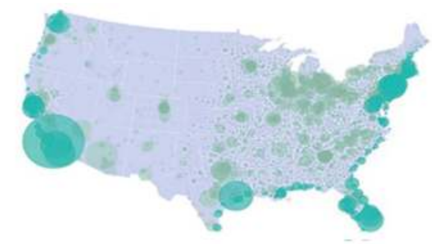
1950

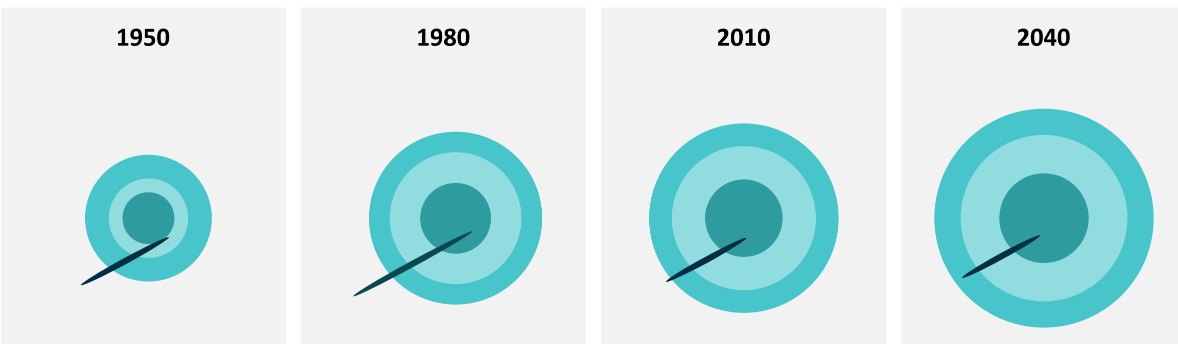


2000



2020





After Ashley et al. (2014)

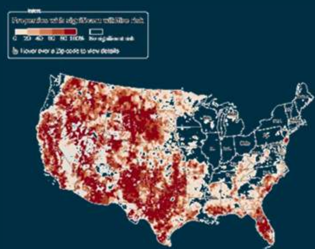
There is an increase in population in regions susceptible to natural hazards

Source: Swiss Re

Rural | Exurban | Suburban | Urban | Tornado Scenario

Ascending CAT Perils: Wildfire and SCS

Wildfire



01 Climatic changes are resulting in larger and hotter wildfires occurring each summer and later into fall.

02 Beyond the physical damage and destruction of wildfires, intense smoke significantly impacts the health and economy of communities:
- Reduced travel and tourism leading to loss of sales and occupancy taxes.
- Reduced school attendance and outdoor activities.
- Smoke can hurt your eyes, irritate your respiratory system, and worsen chronic heart and lung diseases.

03 Worsening conditions, from the future “warming world”, that ultimately lead to wildfires strike concern for many insureds

04 Peril-specific retentions and sublimits are being pushed in at risk areas

05 Valuation in high density areas are particularly challenging (Coastal, West Los Angeles, Bay Area, etc.)

Severe Convective Storm (SCS)

- SCS insured losses have continued to increase their frequency at nearly 9% since 1990.
    - This is showcased by the fact that nearly 60% ($71B) of all global Insured losses in 2023 were from SCS
    - According to Gallagher Re, six of the top 10 most expensive insured events of the year were SCS events in the U.S.
- SCS events are common, destructive, and largely unique to the United States due to its geography. Air masses in the U.S. have free rein to collide over the Midwest and Great Plains, generating destructive tornadoes and thunderstorms. Continued population growth in areas susceptible to hail and thunderstorms poses a growing challenge for the insurance industry.
- Due to the combination of event frequency not being well captured in statistical data as well as the continued volatility of SCS annual losses, insureds are continuing to develop new solutions to limit their exposure and ultimately their loss expectancy.

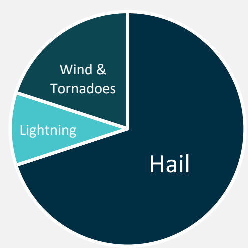
Severe convective Storm Hazards and Loss

Loss by SCS Hazard from Risk Management Solutions

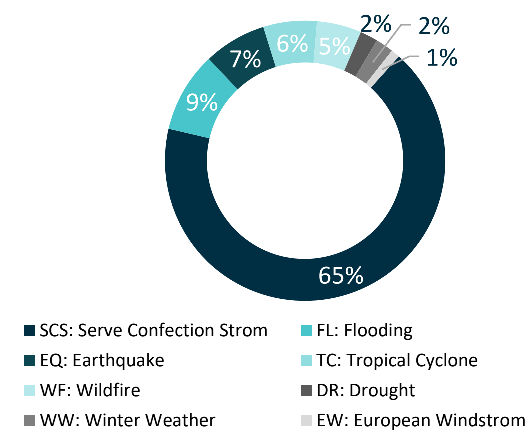
Hail
Hail accounts for 70% of annual average loss. In any given year hail is 60-80% of the damage produced by severe convective storms

Wind & Tornadoes
Severe winds both from straight-line wind events and tornadoes account for about 20% of average annual loss.

Lightning
Lightning, including fires started by lightning accounts for about 10%

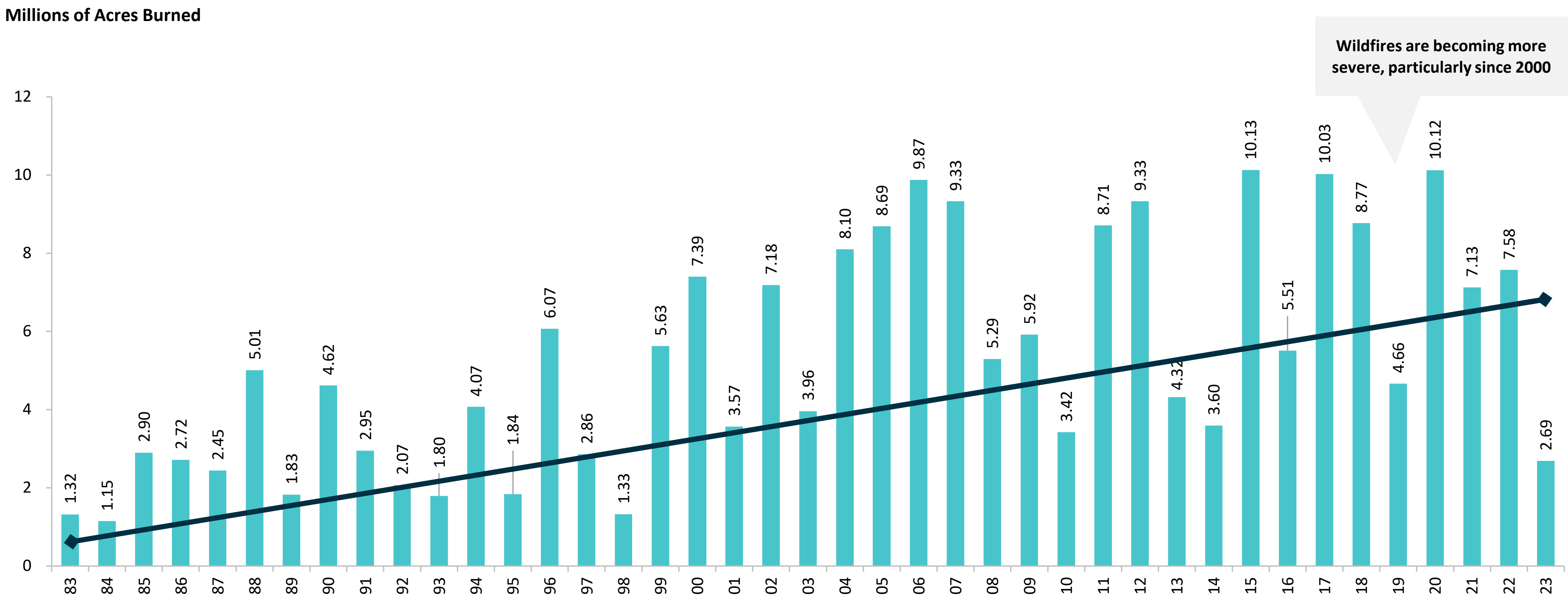


Insured loss by peril



Source: Gallagher Re

U.S. Total Wildland Acres Burned, 1983–2022

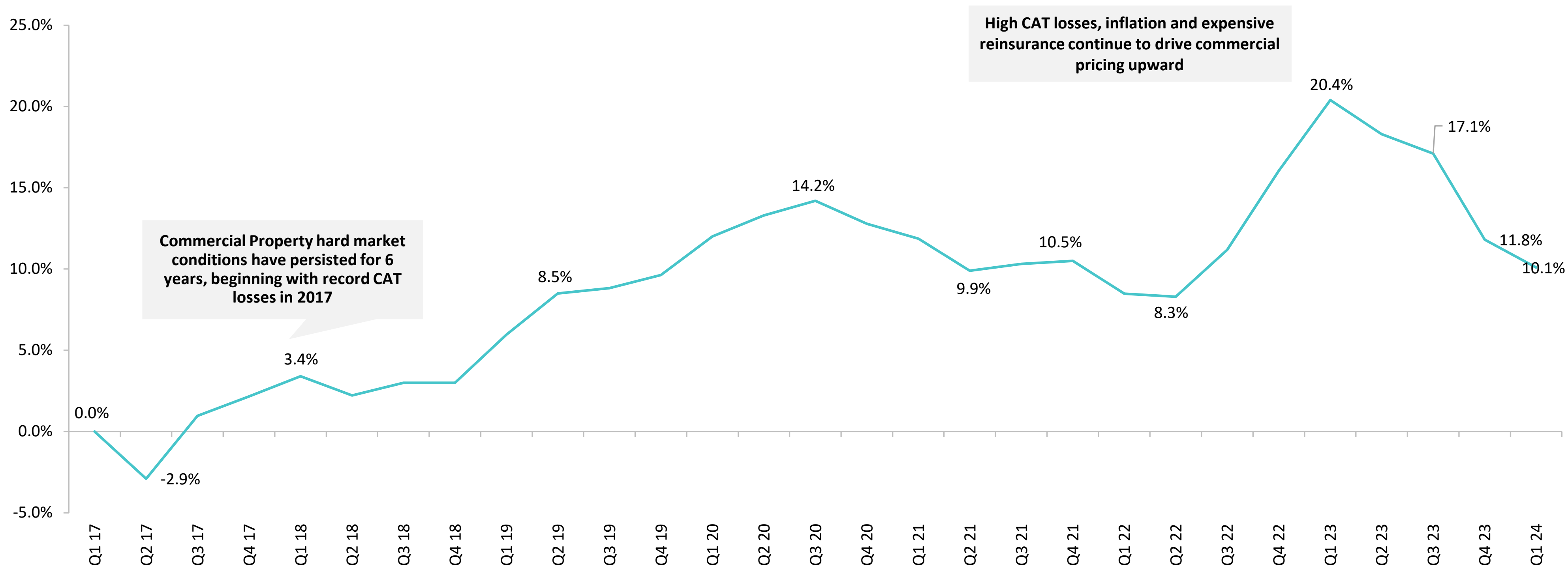


*2004 figures do not include data for North Carolina

Sources: National Interagency Fire Center at: https://www.nifc.gov/fire-information/statistics/wildfires

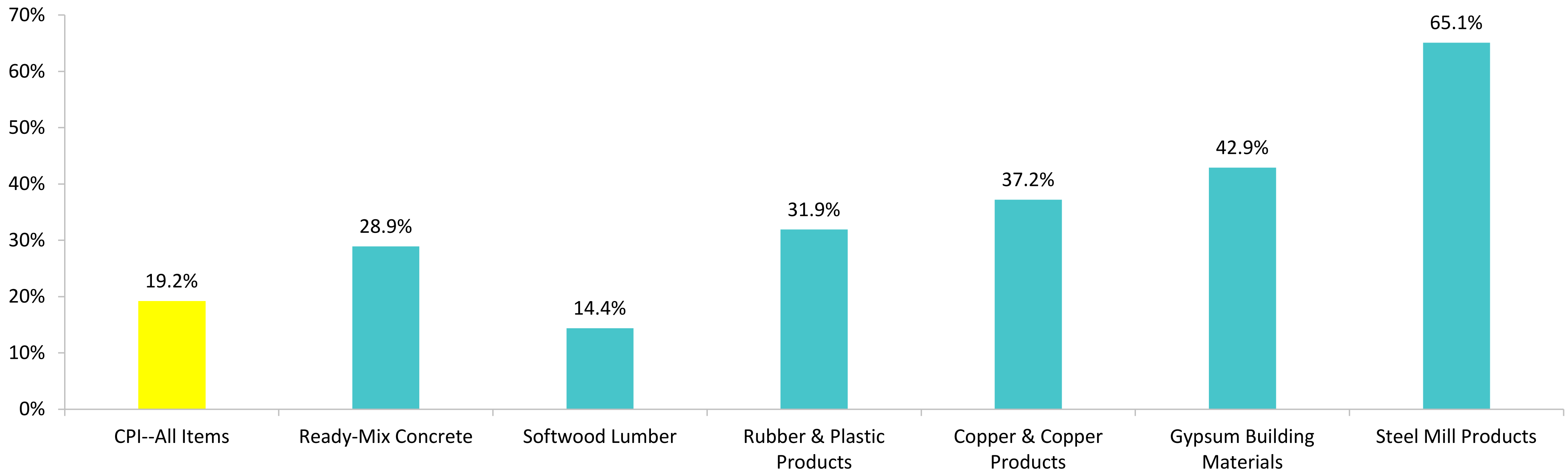
Commercial Property Premium Changes, 2017:Q1 – 2024:Q1

26 Consecutive Quarters of Premium Increases



Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

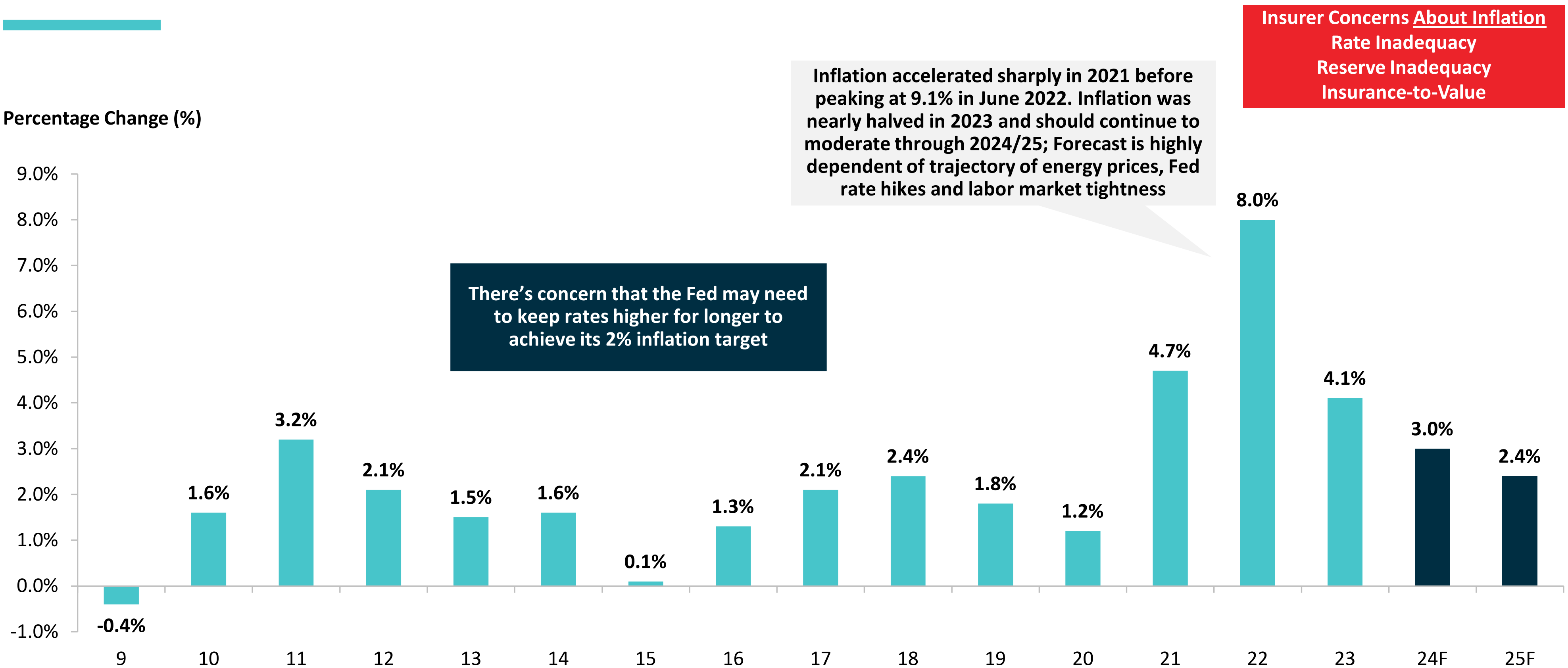
Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – Dec. 2023



The rapid increase in and still-elevated cost of building materials has immediate and longer-term implications for property insurers and reinsurers

Source: U.S. Bureau of Labor Statistics.

U.S. Inflation Rate: 2009–2025F*



*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).
Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (1/24); USC Center for Risk and Uncertainty Management.

Trend and Valuation | Construction Inflation & Claims

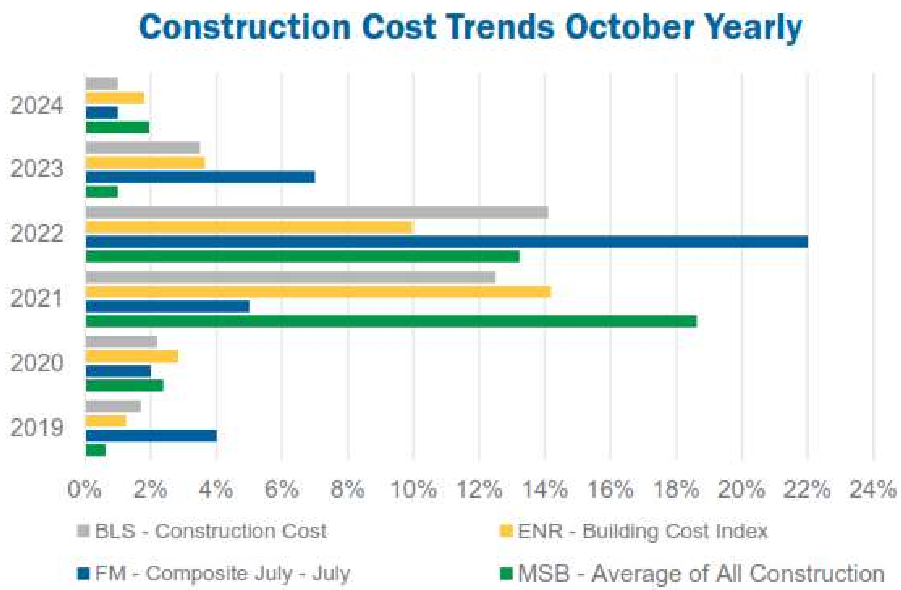
Construction Cost Trends

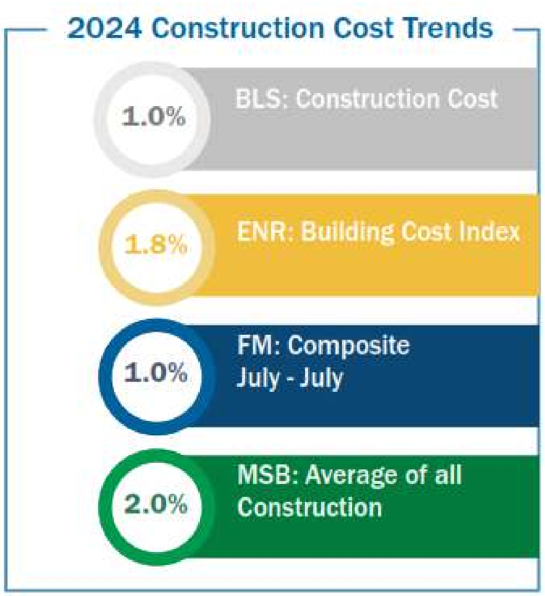
Global factors are currently influencing the construction materials market, but overall, prices are stabilizing according to Gordian's latest report. Key international influences include ongoing geopolitical concerns, the logistical impact of the recent collapse of the Francis Scott Key Bridge in Baltimore, and increased traffic through the Panama Canal.

As the construction industry continues to rebound post-pandemic, additional demand for materials and a tight labor market are contributing to price volatility for certain commodities.

Claims Trends

Property insurance, which is sensitive to inflation and rising construction costs, had an estimated 6-13% increase in claims payouts in 2022, with an additional 3.5-10% hike estimated in 2023.





www.cbiz.com/valuation

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

Inflationary Pressures
- Social Inflation
- Personal Injury Trends

Aging Infrastructure

Workers Compensation

Aging Workforce

Medical Cost Inflation

Cancer & PTSD Presumptions

Workplace Violence

Medical Service Delays

Out of State Exposure

Accident Survivability

Mental Health

Auto Liability

Cost of vehicles (inflation)

Cost to repair (technology)

Fatality Trends

Distractive Driving – Cell Phones

Claims Frequency and Severity Trajectory

Social Inflation

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Increasing Impact on Liability Market

Reduced Capacity
Reinsurer withdrawals have been significant over the past two years

Litigation Financing
Continues to drive large claims. Funding increased $3.5B in 2022

Plaintiff Attorney Strategies
Specialization and strategies have evolved to get larger verdicts and settlements

Hyper Social Inflation
1.7b award given in Missouri on October 31, 2023 for conspiring to inflate real estate commissions and will triple to 5.3b under US antitrust law

Labor Shortage
Everyone is doing more with less

Reviver Legislation Amendments
A rise in Sexual Abuse and Molestation claims and settlements

Law Enforcement
Increased focus on policing policy and procedures as well as pressure on Qualified Immunity

Auto Liability
Frequency & Severity of losses has returned to pre COVID figures

Underwriter Scrutiny
Reinsurers are seeking to grow prudently and are maintaining a disciplined, conservative underwriter approach

Inflation
Rising cost are increasing the size of claims

Exclusions
Continued restrictions surrounding sexual abuse, Wildfire Exclusions, COVID, cyber, opioids, man made chemicals (PFAS) and Biometric Identifiers (new focus)

Emerging Risk
New Technologies such as AI, Telematics, Biometrics and machine learning systems risks are not fully understood given historical information

Environmental risks relative to climate change are substantial

Growing concerns around mental health impacts including impact on productivity, access to care, medical inflation and the steady rise of healthcare costs

Social Inflation: Many Interrelated Causes, Difficult to Manage

Nuclear verdicts

Number of reported verdicts over $100 million hit an all-time high of at least 23 in 2023

2023

$23.8 million
Median nuclear verdict

$21.1 million
Median nuclear verdict for personal injury/wrongful death cases

$88.9 million
Median nuclear verdict for personal injury/wrongful death cases

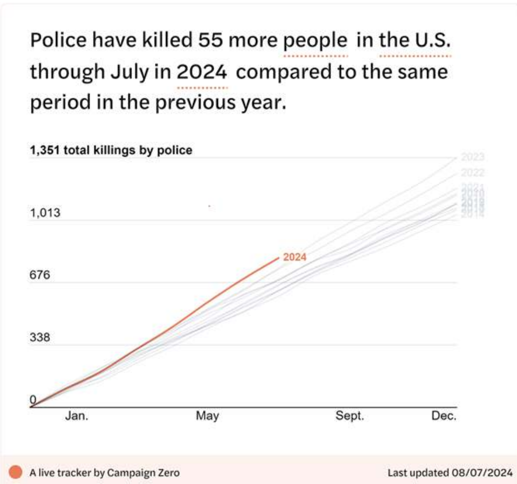
Insurance claim costs

- 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: Risk and Uncertainty Management Center, Univ. of South Carolina, adapted from Verisk "Social Inflation" presentation (2020);
Source: Risk & Insurance June 11, 2024

Evolving Law Enforcement Environment

Officer Involved Shooting Deaths



According to MappingPoliceViolence.org

- **1,266** in 2022
- **1,351** in 2023
- **844** to date in 2024 (*as of July)

Policing Reform

- Age & Education Requirements
- Chokeholds & Neck Restraints
- Body Cameras
- Investigation into officer-involved deaths
- Limit or end officer's use of qualified immunity
- Decertify Officer
- Officer Intervention
- Database for Officer Misconduct
- Criteria for traffic stops

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Litigation Financing

Third-party litigation funding (TPLF) is a practice where non-party financiers, like hedge funds, invest in lawsuits in exchange for a percentage of the settlement or judgment.

The funders typically provide financial assistance, often in the form of loans, to the plaintiff in exchange for a stake in the potential award.

TPLF is often used in personal injury claims, mass tort product liability claims, or commercial litigation between companies and the government.

Investment returns from TPLF outperform other risky asset classes.

TPLF-funded cases in all three major liability segments have generated average IRRs of between 20% and 35% in recent years and are forecast to perform similarly in 2021. These outperform returns on risky asset classes such as venture capital and private equity. The costs of such excess returns are paid for by plaintiffs, defendants, and ultimately by consumers.

Average TPLF returns by segment

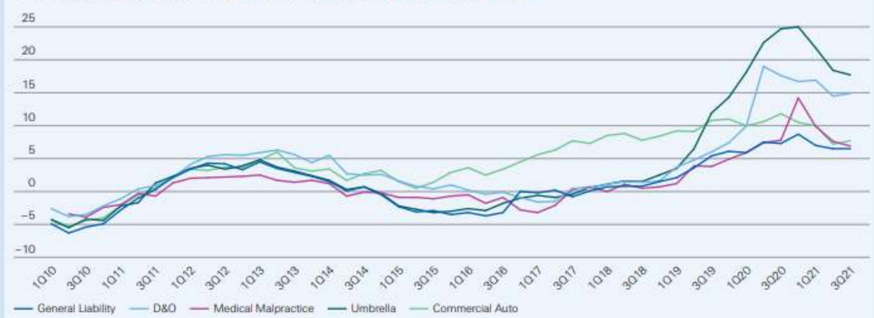
Average IRRs	2019	2020	2021F
Personal injury	32.7%	24.6%	35.3%
Commercial litigation	29.5%	26.5%	29.9%
Mass tort	21.2%	25.5%	26.0%

Source: Morning Investments

Large legal awards to plaintiffs are causing escalating insurance claim losses to defendants' insurers.

Conning, a US insurance asset manager, estimates the average combined ratio for US general liability in 2020 at 105.7%, and for medical malpractice at 117.5%, the seventh consecutive year of underwriting losses for both lines. In response, insurers are increasing premium rates, limiting policy coverages, and in some cases exiting the market altogether.

US commercial insurance premium trends, 2010Q1-2021Q2 (year-on-year percentage change)



Source: Council of Insurance Agents & Brokers (CIAB), Swiss Re Institute

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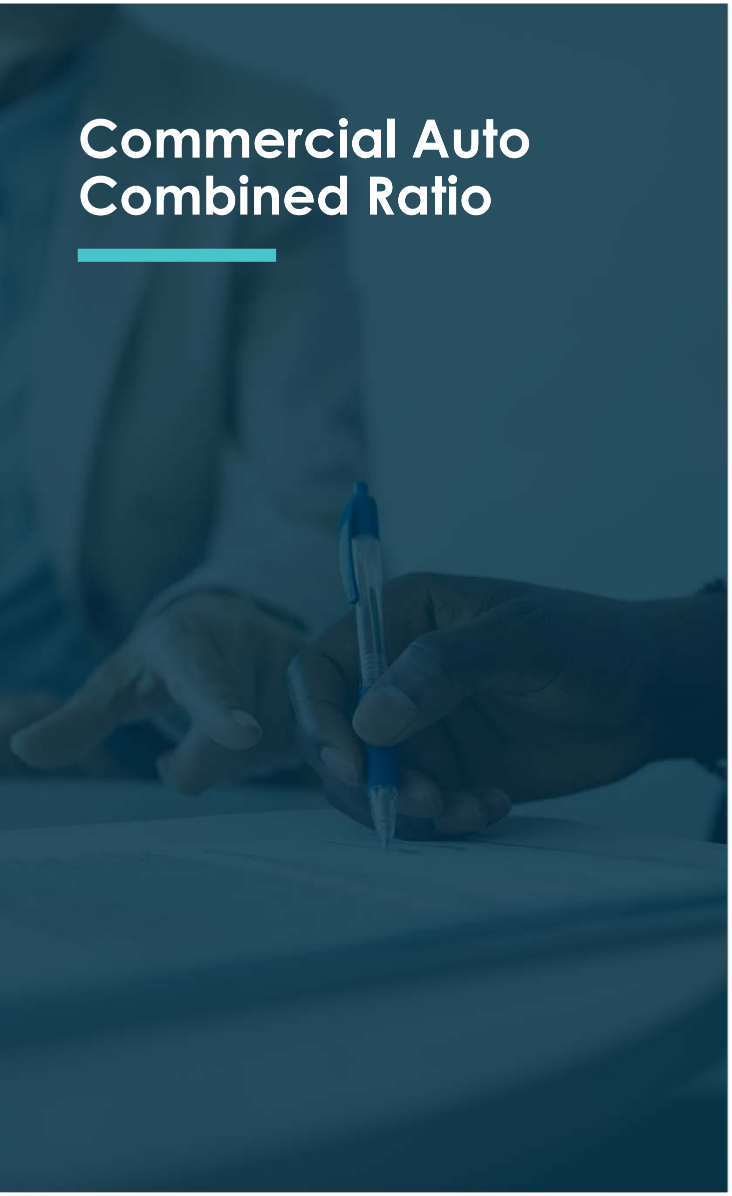
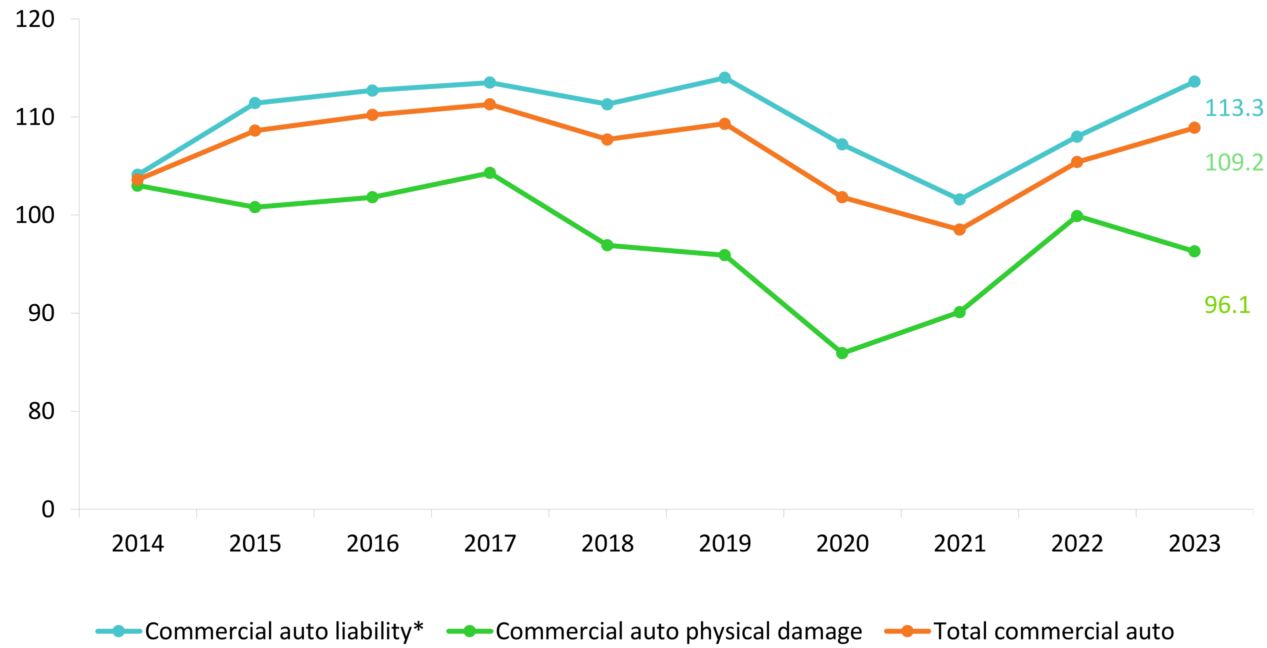
Why are Costs Continuing to Increase?

Here's One Reason!



Commercial Auto Combined Ratio

US commercial auto sector combined ratio deteriorate in 2023 (%)



Data compiled May 2024
Source: S&P Global Market Intelligence

State of the Cyber Market

Europe May Surpass the United States as the Most Targeted Region for Ransomware

Ransomware continues to have a significant impact on businesses across the globe. While reports show that the U.S. is the country most targeted by ransomware attacks worldwide,[1] small indicators show that ransomware activity is decreasing in the United States and growing in other regions.[2] In Europe. the number of victims is increasing. and if that increase continues. Europe will likely become the most targeted region in 2023. The United States has been very outspoken on policies, sanctions and the potential of a response in the cyber domain concerning ransomware and other attacks. However, it is hard to conclude if the more aggressive stance on ransomware actually deters attacks.

More Attacks by Non-Organized Attackers and Non-Nation State Attackers

In 2023 we expect to see more intrusions conducted by non-organized attackers and non-nation state attackers. More of the threat actors operating out of North America and Europe will likely be younger, and conducting intrusion operations not because they're interested in making money specifically or that governments have tasked them with doing it, but because they want to be able to brag to their friends or boast online that they've hacked into and brought embarrassment to prominent organizations. While they will be happy to achieve financial gain, that may not necessarily be their lead motivation.

More Extortion, Less Ransomware

Historically, cyber criminals have used ransomware to monetize access into a victim's network. Due to several high-profile and visible breaches last year, organizations see mitigating brand damage as a much more compelling reason to pay a ransom than regaining access to encrypted systems. Over the next year, we will continue to see criminals rely on extortion, but actual ransomware deployments may decline. Ransomware-as-a-service(RaaS) providers will modernize their software to focus on data exfiltration and 'leak sites' for public shaming.

Cyber Liability insurance providers continue to require clients to have better controls around cyber exposure. Implementation of MFA, use of EDR tools and strong backup policies are now requirements for most insurance carriers.

Cyber liability pricing leveled off in 2023, particularly on primary layers. Excess layers is where we are seeing more significant decreases as underwriters lower their rates on line closer to historical norms.

We are still seeing increases over expiring for clients with losses, poor cyber hygiene, or higher exposures. While lower than the 2021-2022 increases, we are seeing increases on average, anywhere from 5-15% depending on the particulars of a given risk.

Clients with unfavorable controls will continue see modifications to their program. Carriers will exclude cyber extortion, impose co-insurance, or exclude coverages like computer hardware replacement, and reputational loss.

Market Observations

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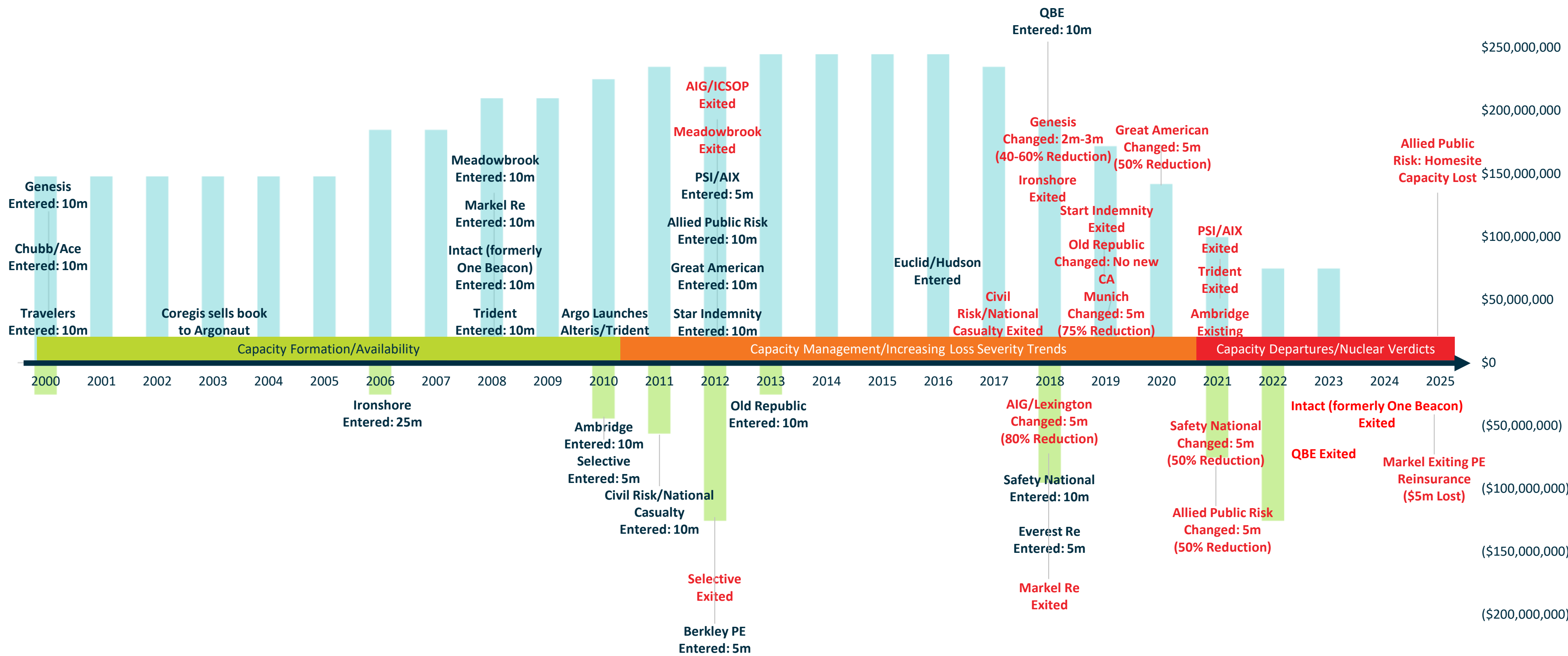
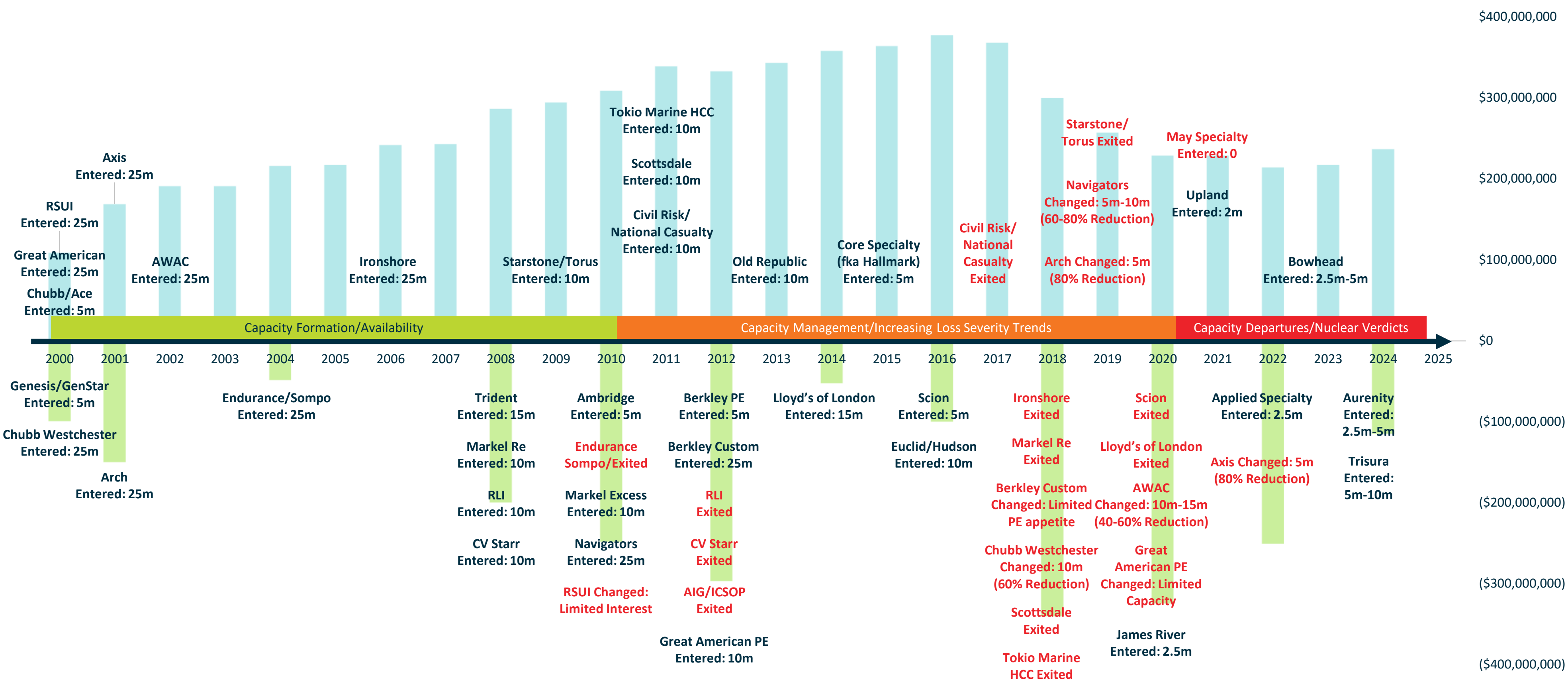
2024 Lead Market Summary



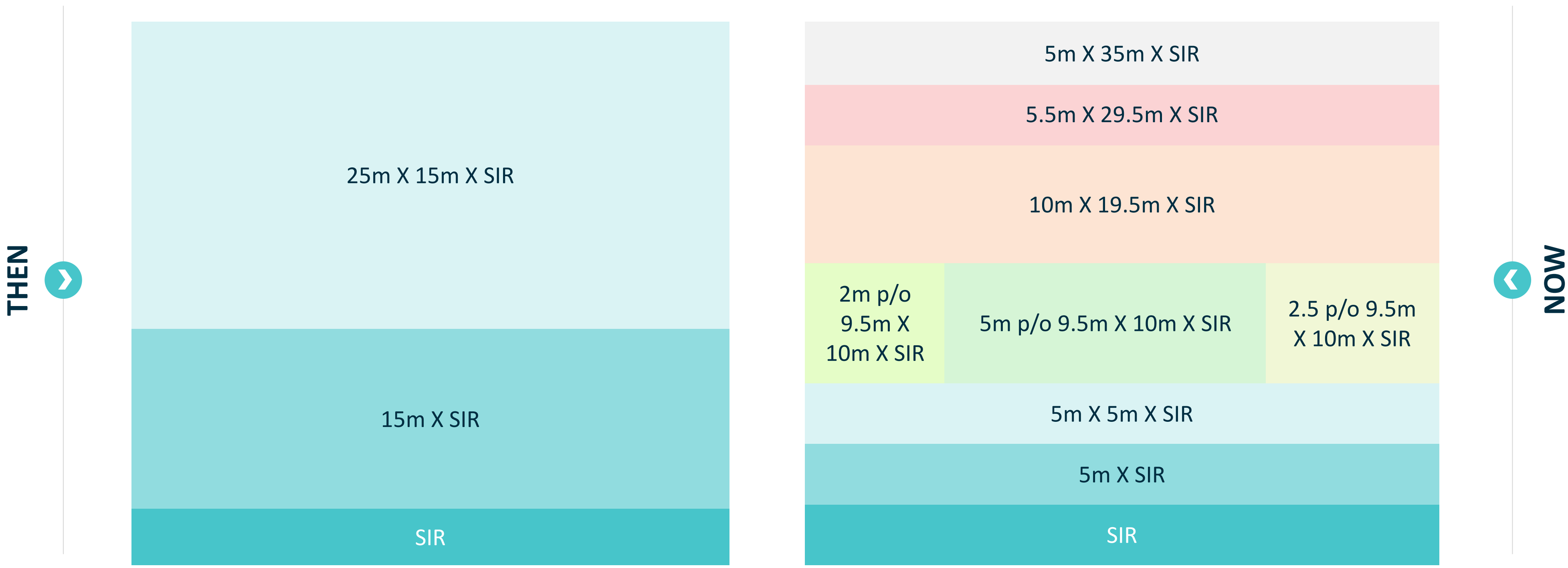
Excess Market Summary



Layer Relativity

01 Syndication of tower layering/participants

02 Implications of Layer: 1) Relativity (up/down); and 2) Parity (within)



Toward the Future

Areas of Pool Focus

Industry

Litigation management

Pool Administration Best practices (verification)

Documentation enhancement (to mitigate nuclear verdicts)

Claims communication (reinsurers and insurers)

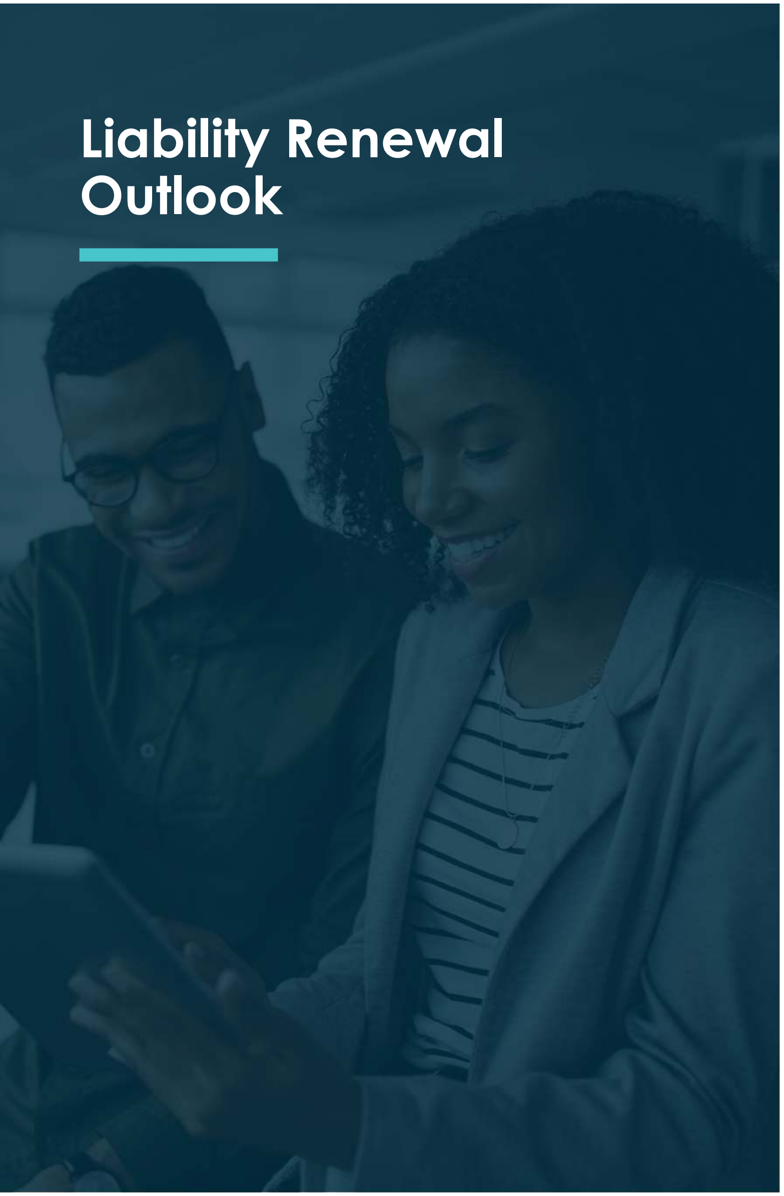
Dispute resolution / Arbitration contract language

Risk management programs & tools (including documentation)

Society

Media strategies around adverse case law, jury procedures, tort reform

Education on the impact of disproportionate settlements/verdicts (who ultimately pays)



Liability Renewal Outlook

Excess liability continues to be a challenge

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
- Reduced capacity
- Underwriter scrutiny on Law Enforcement and Sexual Abuse/Misconduct coverages
- Emerging Exclusions: PFAS, Biometric Identifiers, Legislative

Insurers reporting YOY loss cost increases in the 10-15% rate. 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

Property Renewal Outlook

Continued scrutiny of data (SOV, COPE, ITV with Increased Construction Cost)

- *Must go to market with a compelling narrative*
- *Emphasis on data quality will not be going away any time soon*

Increased 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, particularly on Windstorm & Severe Convective Storm*
- *Separate, increased Water Damage deductibles are gaining momentum*

Rate outcomes are highly dependent on remainder of 2024 Wind Season and individual client losses

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

- *For the first time in a number of renewal cycles, there are new markets writing in the property sector*
- *Many markets are targeting premium growth for the first time in several years, which should have positive impact on renewal results*

Regional Underwriting: Property markets are affected differently across the nation

- *e.g., West: Wildfire/Earthquake, East: Hurricanes, Midwest: SCS, etc.*

Unknown impact of RMS v23

- *Most markets to begin using for 2025 renewal season*
- *Atlantic wind model expected to show an average 5%-10% uplift to aggregate industry modelled losses –for some areas, could be as much as 20-30%*
- *The most significant changes are to the Florida/Gulf/Southeast areas and commercial exposures*
- *Most carrier have begun testing/trialling this version*

Public Entity Space – opportunity to return to previous program limits if budget allows

Q&A

Thank you!

Please contact us if you would like a copy of this presentation.

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