MarshMcLennan Agency

Q4 2024 U.S. Business Insurance Market Observations

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A business of Marsh McLennan

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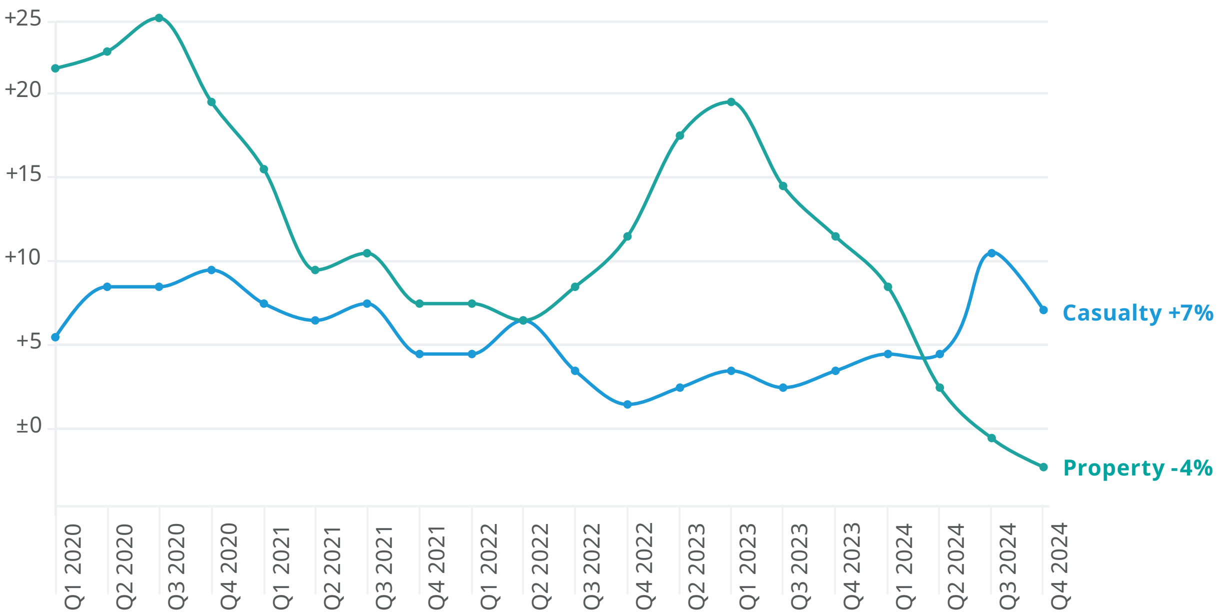
Executive summary

In Q4 2024, casualty rates continued to exceed property rates, a reversal in the trend since Q1 2024. While this reversal isn't broad, the fragility of the casualty market remains a concern.

Quarterly % change in U.S. property and U.S. casualty insurance rates since Q1 2020



Source: Marsh

A key contributing factor to this shift is related to large nuclear verdict jury awards. Our new Legal System Abuse report explores these risks and offers insights on how businesses can mitigate them.

Property rates continued to stabilize through Q4 2024. Although hurricanes Helene and Milton caused significant destruction, they ended up being Q3 and Q4 earnings hits, respectively, rather than market-changing events. Likewise, California wildfires won't be market-changing events, but insurers will refocus on the specific peril of wildfire in high-risk areas. The U.S. wildfire insurance market is rapidly evolving due to the increasing frequency and intensity of wildfires, driven by the rise in urban populations living alongside the Wildland-Urban Interface (WUI), which increases the potential for significant wildfire events in unexpected regions.

For management and executive liability lines of coverage, some insurers are already starting to hold steady on primary pricing at renewals but are still offering savings on the excess layers of coverage. Uncertainty regarding trade policies, interest rates, supply chain disruptions, and regulatory changes could result in adjustments to underwriting positions for management and executive liability coverages going into 2025. Favorable conditions may begin to slow as the soft private D&O market enters its third year later in 2025.

Additionally, the maturing cyber market remains competitive, with increased capacity leading to a positive experience for insureds. However, insurer concerns regarding the potential for catastrophic and systemic cyber losses should not be disregarded.

The 20th edition of the World Economic Forum's Global Risks Report reveals an increasingly fractured global landscape where escalating geopolitical, environmental, societal, and technological challenges threaten stability and progress. While economic risks have less immediate prominence in this year's survey results, they remain a concern, interconnected with societal and geopolitical tensions. Download the report and reach out to MMA with questions about its findings.

Marsh McLennan Agency (MMA) remains steadfast in our commitment to support our clients through the challenges ahead. We'll work with you on strategies to achieve the best outcomes.

Your future is limitless.℠

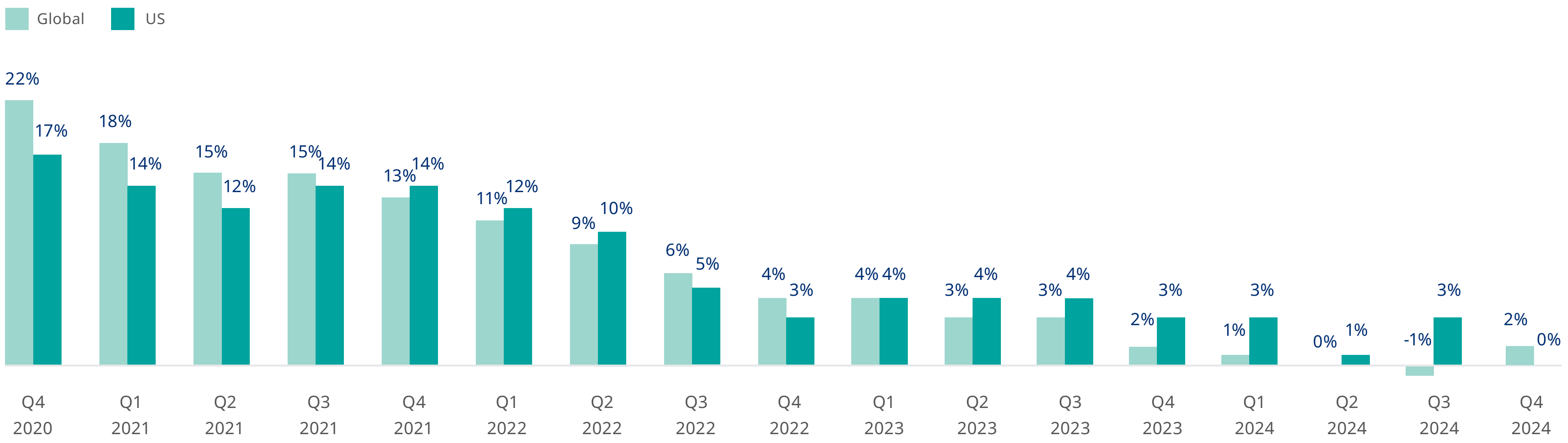
Denise Perlman, CIC

President, National Business Insurance

Q4 2024 U.S. business insurance market observations

The global composite rate tracked in the Marsh Global Insurance Market Index decreased by 2% in Q4. U.S. commercial insurance prices were flat in the fourth quarter of 2024. The overall decrease in the global index came despite an elevated risk landscape, with 2024 insured natural catastrophe losses totaling almost $130 billion, the fifth consecutive year in which the industry total has topped $100 billion.

U.S. composite insurance pricing change



Source: Marsh Specialty and Global Placement

Global composite insurance pricing change by major coverage line

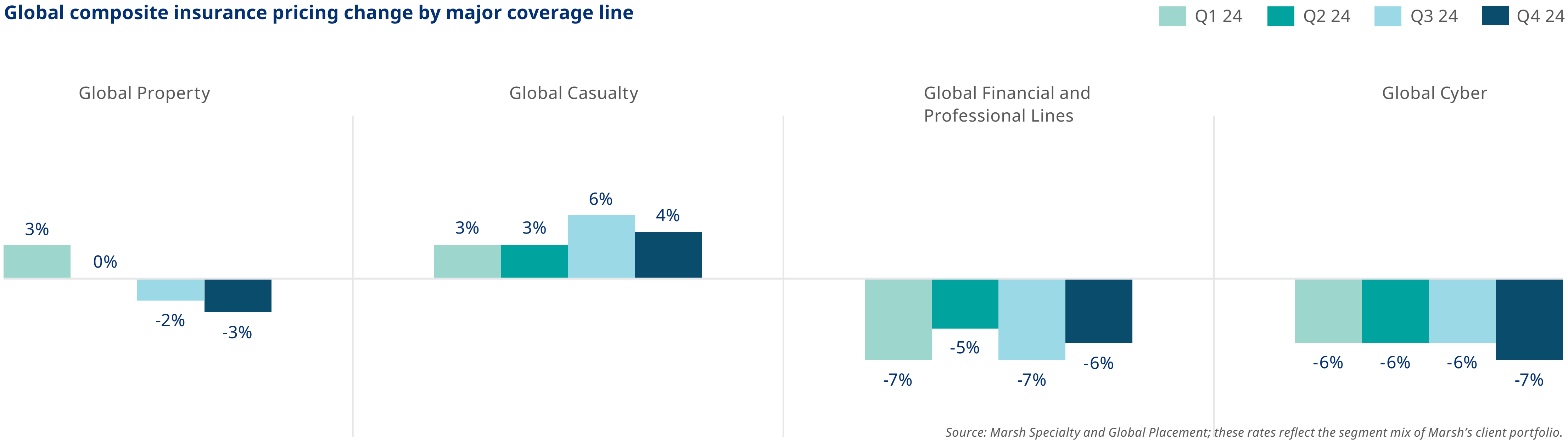
Property rates **declined by 3%** globally, with rate movement varying by region.

Casualty rates **increased by 4%** globally, remaining relatively consistent compared to the prior quarter, aside from the U.S., where they increased again (7%) driven in large part by excess/umbrella rates.

Financial and professional lines rates **decreased by 6%** globally, again declining in every region.

Cyber insurance rates **declined by 7%**, with declines seen in every region, as was the case in the prior two quarters.

Global composite insurance pricing change by major coverage line



Source: Marsh Specialty and Global Placement; these rates reflect the segment mix of Marsh's client portfolio.

01

Property coverages

Property

Property rates continued to stabilize through Q4 2024. Although hurricanes Helene and Milton caused significant destruction, they ended up being Q3 and Q4 earnings hits, respectively, rather than market-changing events.

In many cases, insurers were taking larger retentions in their catastrophe reinsurance treaties, which cushioned the impact the storms had on many treaty reinsurers. However, there will be a heightened focus from many specialty Florida homeowner insurers in the wake of these events.

While this report is not focused on Q1 2025, we have recently witnessed further devastation from the numerous California wildfires. Initial insured loss estimates are in the range of $35 billion to $55 billion, and, like Helene and Milton, insurers will refocus on the specific peril of wildfire, although the losses will be largely in the personal lines and small commercial space, with no anticipated impact on capital provision. The overall property market continues to soften, catastrophe reinsurance costs continue to decline on loss-free treaties, and new capital is flowing into the market, particularly in the excess and surplus lines (E&S) space.

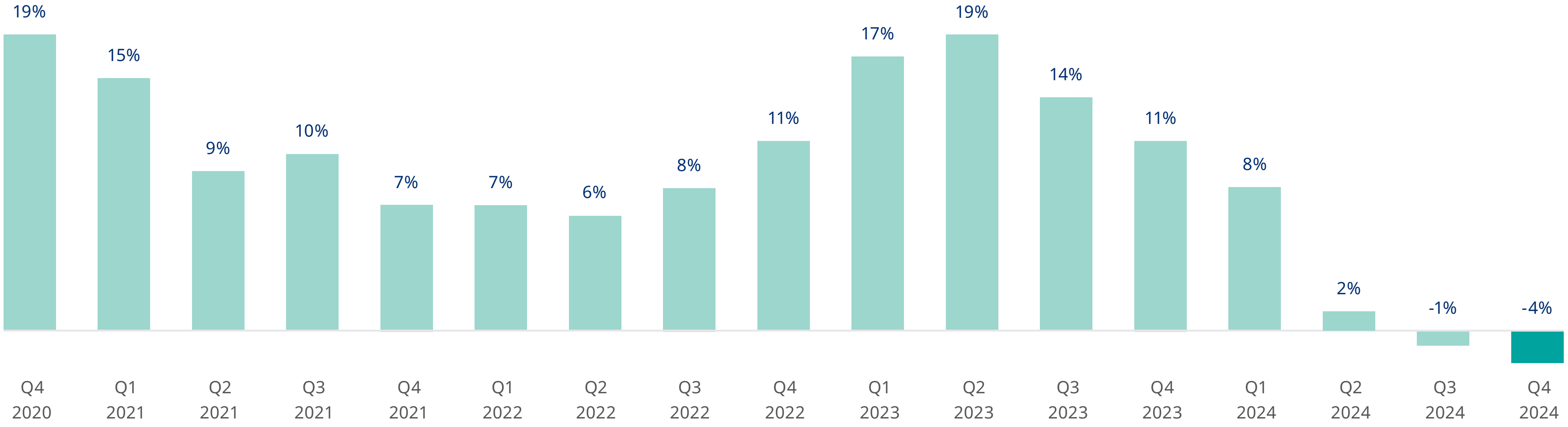
The market remains bifurcated in that rate reductions can still be achieved on shared and layered programs by restructuring capacity and bringing in new markets that are aggressively looking to write business. In addition, incumbent markets will look to retain or increase expiring shares on best-in-class accounts. For many insureds, a decision will need to be made in 2025: Do they strive for stability with incumbent insurers, or do they look to restructure the program for a consecutive year and entertain new, competitively priced capacity?

In the single-carrier space, the market is more measured, with incumbents typically seeking modest rate increases. Insurers are also showing a willingness to compete for new business where these accounts have not sustained significant loss activity and are in softer occupancy classes.

Rate trends

According to the Marsh Q4 2024 U.S. composite property insurance index, rates declined an average of **4%**. However, mid-size organizations with single-carrier placements, coupled with loss history and catastrophic-exposed properties, are still experiencing modest increases. More complex shared and layered programs, as well as desirable, well-protected business classes, are seeing pricing decreases in the -5% range, with some renewals coming in flat.

U.S. composite insurance pricing change – property



Source: Marsh Specialty and Global Placement

Conditions and observations

- With the exception of wood-frame construction, new capacity is entering the property marketplace, as we expected. Many of these new entrants will be looking to write in the catastrophe space, but there are still questions about the limits they will be willing to deploy. In any event, catastrophe-exposed accounts that didn't benefit from the rate reductions of the transitioning market at their last renewal may see improvements in Q1 2025.
- Habitational accounts with a poor risk profile and loss history are still being heavily scrutinized, with limited markets willing to entertain this class of risk.
- Non-catastrophe business is going to stay bifurcated, with more complex shared and layered programs obtaining rate reductions while the smaller risks are more likely to see some upward rate pressure, especially in the single-carrier space.
- Wind and hail deductibles in the Midwest have stabilized between 2% and 5%, and insureds can still get flat deductibles in some instances. Roof age and condition, as well as overall building age, construction type, and values, are key factors for underwriting pricing.
- The builders' risk market is showing signs of stability; however, underwriters continue to exercise extreme discipline related to project schedules, budgets, and overall risk analysis.

The reinsurance view by Guy Carpenter

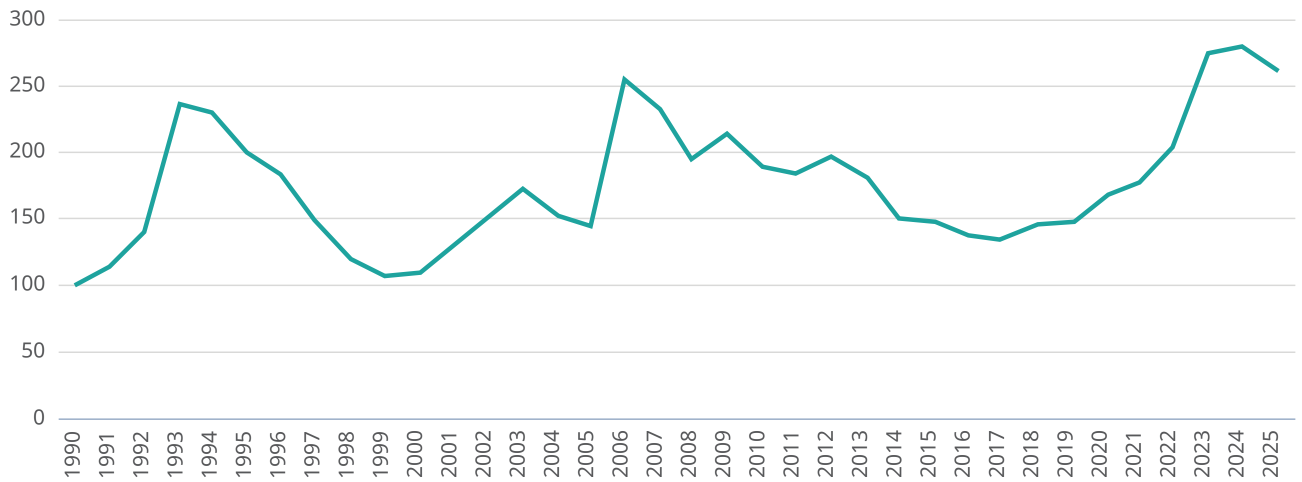
Supply and demand shift

“Property catastrophe renewals were consistently oversubscribed,” Guy Carpenter said, with reinsurers’ appetite increasing by 10% to 15% while demand grew by around 5%. This supply outstripped demand for catastrophe capacity, driving risk-adjusted rates down by 5% to 15% at January 1 renewals. The drop marks the end of a sustained period of increases, with the index having risen at seven consecutive January 1 renewals from 2018 to 2024.

Recent California wildfire takeaways

Considering the extraordinary wildfires in the Los Angeles urban areas, Guy Carpenter projects insured industry losses between $30 billion and $40 billion for the Eaton and Palisades fires. Eighty-five percent of the aggregate loss is expected to be driven by exposure to personal lines.

U.S. Property Catastrophe Rate on Line Index
1990-January 1, 2025*



The Guy Carpenter U.S. Property Catastrophe Rate on Line Index decreased by an estimated 6.2% for January 2025 renewals.

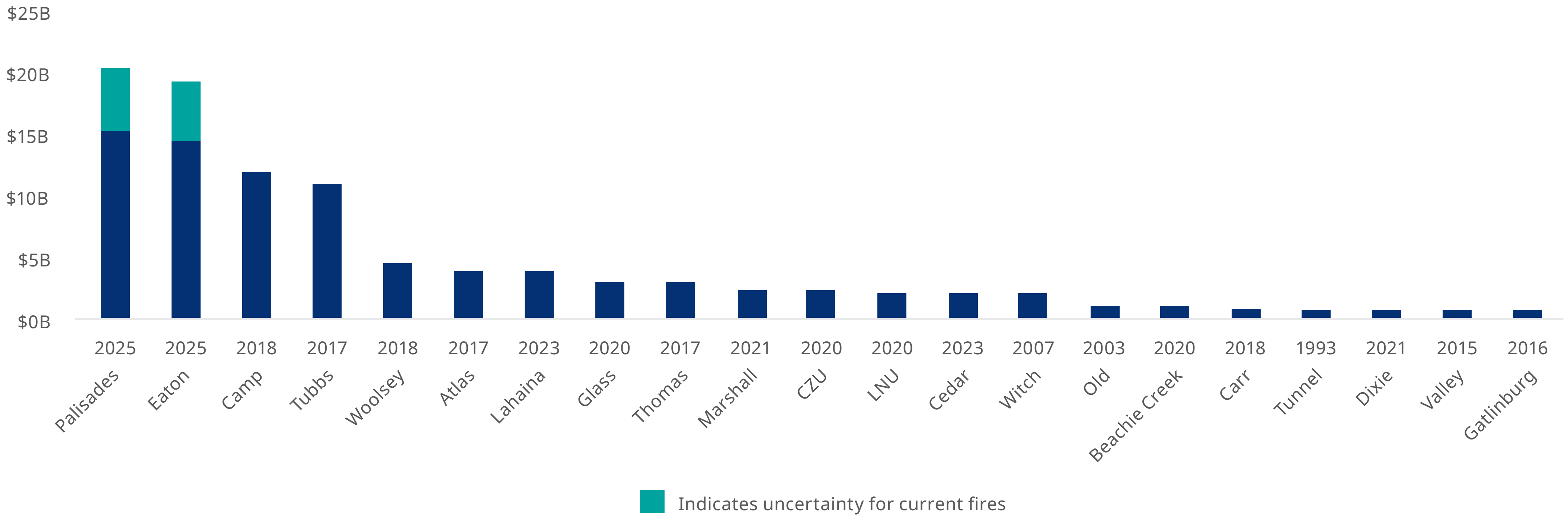
> **“It’s noteworthy that three years ago you were leveraging the casualty to get the property done if you were a buyer, whereas now you’re leveraging the property to get the casualty done.”**
> - Guy Carpenter

If ultimate industry losses are verified at the top end of the $30 billion to $40 billion range, the combination of the Eaton and Palisades Fires will become one of the top five natural peril-induced **insured losses of this century**. Each fire individually is likely to become a top twenty insured natural cat loss event since 1992 in the United States. **It is increasingly likely that the Palisades and Eaton Fires will rank as the two costliest wildfire disasters in U.S. history.**

*Comparing Palisades and Eaton Fires vs. Top 20 United States Natural Catastrophe Losses 1992-2024; *Reported in USD billions, inclusive of NFIP, adjusted for est. per capita income growth and population.*

Source: Verisk, Guy Carpenter

Comparing Palisades and Eaton Fires vs. Top 20 United States Natural Catastrophe Losses 1992-2024; *Reported in USD billions, inclusive of NFIP, adjusted for est. per capita income growth and population



*All U.S. Wildfire Losses in Excess of $1B; *Reported in USD billions, adjusted for est. per capita income growth and population.*

Source: Verisk, Guy Carpenter

The California Fair Plan (CFP), the state's insurer of last resort established over 50 years ago, provides limits up to $20 million per structure and up to $100 million per location in the aggregate. The state is working to modernize the CFP to address long-term solvency concerns. To that end, CFP announced on February 11 in Bulletin 2025-4 that they were forced to levy a $1 billion assessment on its member insurers, the first assessment on its member insurers in over 30 years. These insurer assessments may result in temporary supplemental fees charged to their policyholders in the form of a percentage of each policyholder's premium.

Note that the CFP standalone policy can be paired with a Difference in Conditions (DIC) wrap-around product for comprehensive protection. Rates have increased significantly for commercial properties within the CFP, which may encourage excess and surplus lines insurers to provide better coverage and competitive rates, relatively speaking.

Fine art and specie insurance

As previously noted, the Los Angeles area wildfires were largely a homeowner's event. However, it was atypical because of the significant loss of private fine art, wine, and high-value car collections. Numerous sources are grappling with how to factor in these losses with the total loss estimates. This will likely reshape the fine art and specie insurance capacity in areas that have high wildfire aggregation risk. Another variable will be the ultimate payout of additional living expenses for high-net-worth homeowners and the evident demand surge in the area that is already increasing rental prices.

Actions taken by your organization at an early stage of a wildfire claim can be essential to mitigating potential business interruption impacts and to improving your financial, operational, and recovery success.

No matter your industry, Marsh's Forensic Accounting and Claims Services (FACS) Practice can help you work through the vast number of claims-related issues that may follow a wildfire. FACS can respond within 48 hours of a loss event to provide you with proactive, on-the-ground support to help manage the crisis so you can resume operations as quickly as possible. Services include first-party and third-party insurance recoveries for:

- **Property damage**
- **Extra expense**
- **Business interruption**
- **Contingent business interruption**
- **Service interruption**
- **Supply chain disruption**

Contact MMA to learn more.

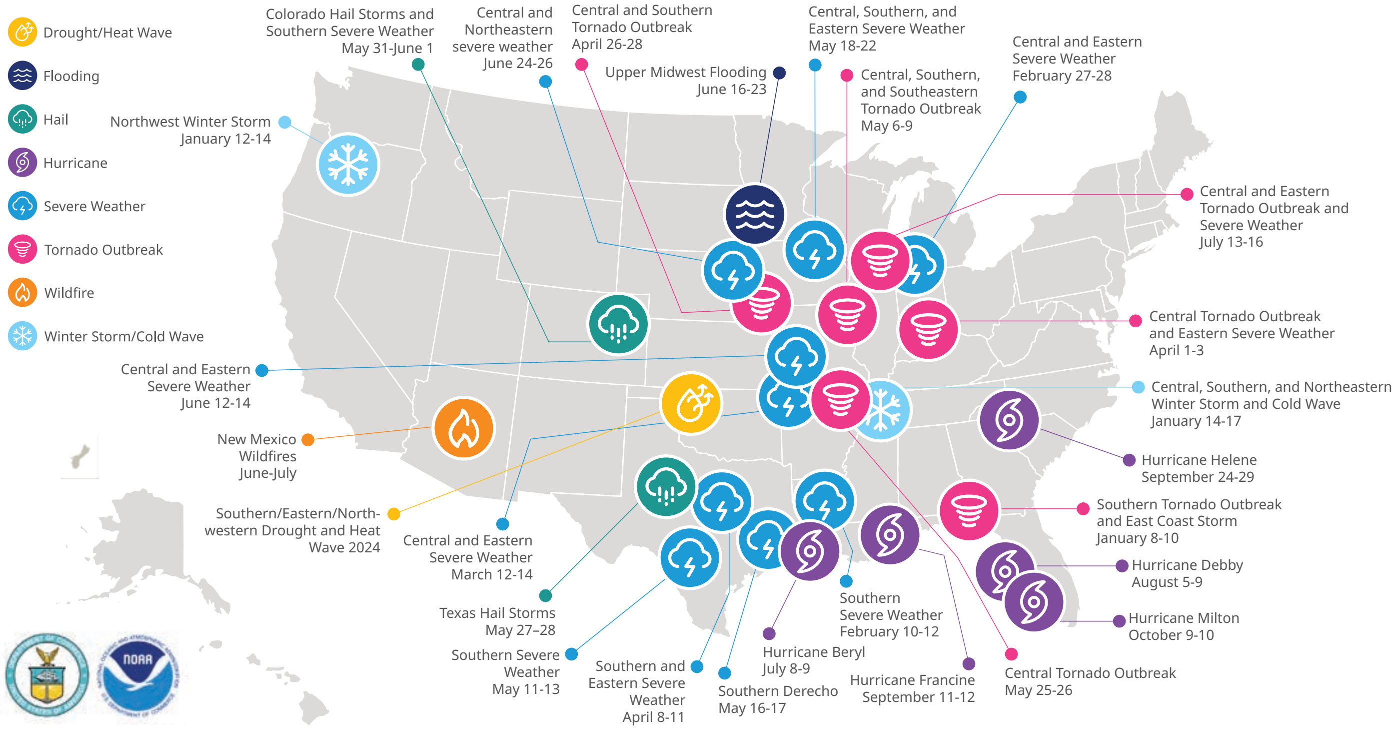
While spared significant U.S. wildfire activity in 2024, underwriters would consider it an outlier year. 2025 has already proven the significant risks of wildfire. While 2024 was benign in the U.S., South America was consumed by fire during the same period. The Amazon, for example, is experiencing its worst drought in at least 45 years. The 2024 South American wildfires were particularly devastating to the Pantanal region, the largest tropical wetland in the world. Globally, it is projected that extreme fires are expected to increase by 50% by the end of the century, driven by changes in land use and climate change.

The evolving U.S. wildfire insurance market

The U.S. wildfire insurance market is rapidly evolving due to the increasing frequency and intensity of wildfires, driven by the rise in urban populations living alongside the Wildland-Urban Interface (WUI), which increase the potential for significant wildfire events in unexpected regions. Guy Carpenter reported over 60,000 communities at risk for WUI fire activity. California has the highest number of homes in the WUI, followed by Texas, Florida, North Carolina, and Pennsylvania. Insurers are reassessing wildfire zones across the country with less-than-ideal modeling tools. Additional investment to transparently quantify wildfire risk for the benefit of insureds and insurers is a likely next step, coupled with risk reduction measures and risk sharing to keep properties insurable against the risk of wildfire. Read "Rising liability concerns ignite interest in wildfire modeling" to learn more.

MMA can help your organization implement optionality, helping you understand alternative risk options such as structured solutions, parametric insurance, catastrophe bonds, and more.

U.S. 2024 billion-dollar weather and climate disasters



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.**

Source: [NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2025)](). [DOI]()

Visit the [MMA Severe Weather Center]().
Prepare. Protect. Recover. We are here to help.

Increase in billion-dollar weather and climate disasters

The billion-dollar weather and climate disasters tracked by NOAA resulted in 27 confirmed events with losses exceeding $1 billion in 2024 affecting the U.S. These events included one drought/heat wave, one flooding event, 17 severe storms, five hurricanes, one wildfire, and two winter storms. Overall, these events resulted in the deaths of 568 people and had significant economic effects on the areas impacted. The 1980–2024 annual average is 9.0 events (CPI-adjusted); the annual average for the most recent five years (2020–2024) is 23.0 events (CPI-adjusted).

Cargo/inland marine

The cargo stock throughput (STP) market remains stable, with new capacity continuing to enter the market.

Rate trends

- We expect 2025 to follow a similar pattern to 2024, with pricing remaining competitive and insureds continuing to benefit from improving market conditions.
- For best-in-class accounts, flat to **-5%** rate reductions are a realistic outcome.

Conditions and observations

- Cargo STP continues to be a viable option for inventory-sensitive accounts that are insured based on a selling price value or other bespoke valuation criteria.
- New capacity continues to enter the STP space, creating further market competition.
- Insurers remain vigilant in closely monitoring changing global weather patterns, and there is a focus on correctly modeling and pricing catastrophe exposures to ensure a robust and balanced portfolio.
- Certain risk segments and distressed accounts will remain challenged, and insurers will seek to gain rate as needed on a case-by-case basis.
- Global cargo clients with exposures in Russia, Ukraine, Belarus, and Crimea will continue to be subject to territorial exclusions for all shipments to/from/within this region.
- Coverage for risks to, from, and within Israel, Palestine, and the Red Sea is showing signs of easing with the recent ceasefire agreement between Israel and Gaza.

02

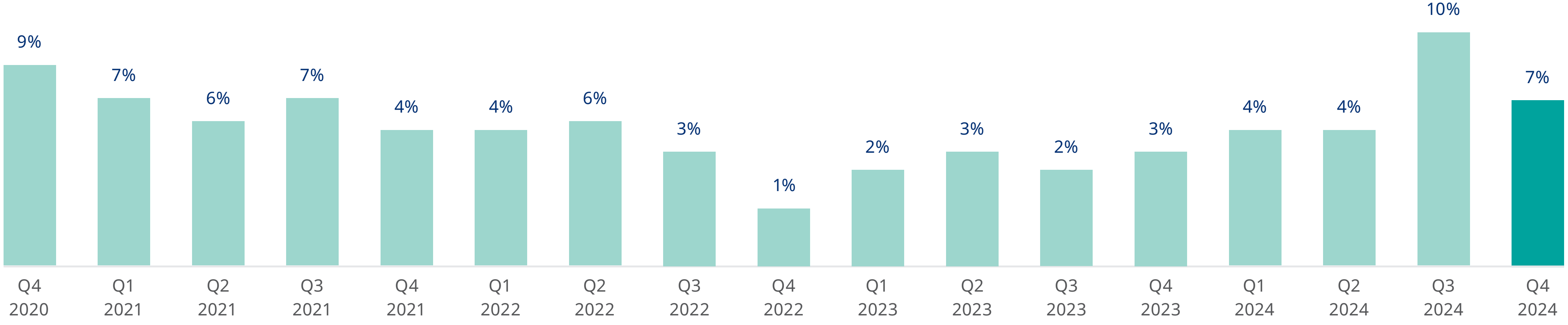
Casualty coverages

Headwinds remain in the casualty marketplace as reinsurers become more selective and insurers re-evaluate their adverse development reserve positions. "Concerns about social inflation trends in U.S. casualty, and to some degree even globally, continue to rise," said AM Best. **Our new Legal System Abuse report explores these risks and offers insights on how businesses can mitigate them.**

There's a good chance that rate increases are here to stay for the foreseeable future. Additionally, primary coverage layer increases have been lagging behind the excess and umbrella layers in an unsustainable way. We'll continue to watch developments in the casualty market closely, with some optimism around new capacity entering the market and innovative solutions likely to result from these novel market participants.

U.S. composite insurance pricing change – casualty

According to the Marsh Q4 2024 U.S. composite casualty insurance index, pricing increases averaged **7%**. Excluding workers' compensation, rate increases averaged 11%.



Source: Marsh Specialty and Global Placement

Automobile/fleet

Rate trends

Average rate increases were **5% to 15%** and higher double-digit increases for businesses with heavy trucks and/or adverse claims experience.

Conditions and observations

- Key market drivers remain unchanged: inflation, supply chain issues, technology challenges, an increase in fatalities, and an uptick in excessive jury verdicts.
- Plaintiffs' attorneys are now scrutinizing defendants around safety controls such as driver safety protocols, telematics information from vehicles, and maintenance records for vehicles in the defendant's fleet, looking for any weak spots to justify their case for higher settlements. This underscores the need to implement robust fleet safety management solutions, regardless of the size of an organization, to mitigate overall claim settlement costs.
- More underwriters are scrutinizing non-fleet controls for employees using their own vehicles, including policies related to Motor Vehicle Records (MVRs) and personal insurance reviews. This can then be used to justify higher rate increases if satisfactory controls are not in place.
- There is pressure from insurers to add liability deductibles and/or increased physical damage deductibles when an insured has a history of past loss frequency.
- Trucking and hired non-owned risks continue to present challenges, and underwriters are enforcing new driver requirements, such as a minimum of three years of driving experience and a minimum driver age of 23 years.

General liability

Rate trends

Rate increases are averaging flat to single-digit percentages, and higher for risks with losses and/or product liability exposures. Flat renewal pricing can be achieved in some instances.

Conditions and observations

- General liability rates remain consistent. Clients in some industry classes continue to experience higher rate increases, including real estate, habitational, hospitality, public entity, and education.
- Insurer concerns continue to rise for per- and polyfluoroalkyl substances (PFAS) exposures.
- There is a notable focus on limiting abuse liability across various industries, particularly in the habitational and non-profit sectors.
- Wildfire exclusions are becoming more prevalent for contractors, with some applying only in California while others extend to the entire risk regardless of location.

Umbrella/excess

Rate trends

In the umbrella and excess liability market rates tracked by the Marsh Global Insurance Market Index, risk-adjusted rates increased by **15%** compared to 21% in the prior quarter. Where there was no program structure change, rates increased by 9% and 20%, respectively.

Conditions and observations

- Capacity seems to have stabilized somewhat, but it's imperative to build more complex layers of coverage as no single carrier is willing to write substantial limits. The first $5 million of excess coverage is the toughest, particularly for large automobile fleets. Insurers are capping individual risk capacity at a maximum of $15 million (median $10 million) due to adverse developments in the U.S. litigation environment.
- Excess and umbrella coverage were never intended to experience regular losses, but the increase in extended litigation and nuclear verdicts has significantly changed this dynamic. This abuse of the legal system is the main driver behind continued excess and umbrella rate increases, forcing U.S. businesses and communities to pay a steep price. And the elevated costs are not only in the form of higher insurance premiums; increases in legal expenses and reputational damage add fuel to the fire.
- Insurers are struggling to manage large volumes of submissions, with some experimenting with AI to help prioritize opportunities. Broker relationships also play a key role in overcoming challenges associated with this increased flow by developing quality and thorough submissions with their insureds in a timely manner well in advance of renewal, as well as matching a risk to an insurer's appetite.
- Many underwriters no longer have direct binding authority, which is adding delays to both new and renewal submissions.
- Increasing underwriter scrutiny is driving umbrella and excess underwriters to require an inordinate amount of detail in marketing submissions, including from incumbent insurers at renewal.

Workers’ compensation

Rate trends

Rates generally remained flat or in negative territory, with decreases of around **-3%**.

Conditions and observations

- Concerns about increased claims activity following the COVID-19 pandemic, rising medical costs, and the aging workforce have yet to impact this stable line of coverage. Increased payroll and adequate workers’ compensation insurance pricing have kept pace to offset losses.
- Workers’ compensation can still be leveraged to temper general and automobile liability rate increases.
- The market is seeing continued competition from regional and specialized insurers, with new programs providing additional capacity.

The reinsurance view by Guy Carpenter

U.S. casualty renewals were smoother than expected, aided by underlying rates and remediation. According to Guy Carpenter’s North America CEO, John Trace, “A rehardening of the underlying U.S. casualty insurance market and the preparedness of cedants to provide data and answer tough questions from reinsurers around areas such as claims handling and reserving practices led to a smoother renewal than had been expected, especially for quota share placements.”

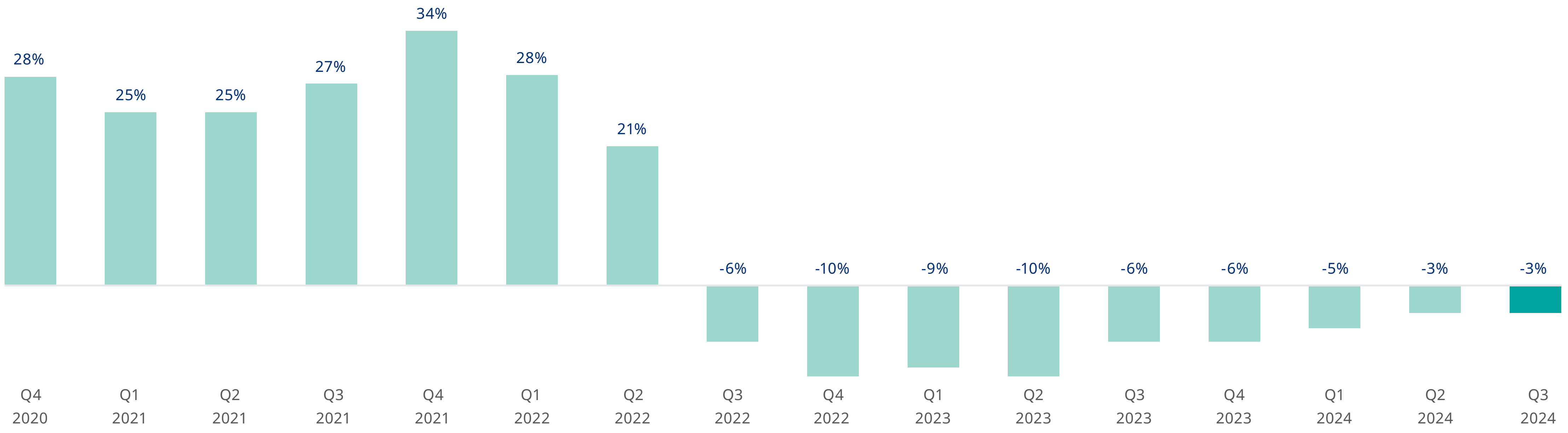
03

Management and executive liability coverages

According to the Marsh Q4 2024 U.S. Renewal Management and Executive Liability Insurance Index, pricing decreases remained at **-3%** (excluding cyber) for the third consecutive quarter.

Uncertainty regarding trade policies, interest rates, supply chain disruptions, and regulatory changes could result in adjustments to underwriting positions for management and executive liability coverages going into 2025. Insurers are increasingly seeking to hold steady on primary pricing at renewals but are often willing to offer small savings on excess layers.

U.S. composite insurance pricing change – management and executive liability



Source: Marsh Specialty and Global Placement

Public directors' and officers' (D&O) liability

Rate trends

Directors’ and officers’ (D&O) liability rates continued to remain in negative territory, averaging **-2% to -5%**. Public companies that are experiencing rate increases likely have had recent adverse losses, poor stock trading performance, SEC enforcement actions, a significant risk in market capitalization, and/or are involved in heavy merger and acquisition activity.

Conditions and observations

- The public D&O market remains stable, with abundant capacity.
- Insurers are watching capital markets in 2025 with cautious optimism for increased transactional activity, particularly for initial public offerings (IPOs), which generate greater opportunities for public D&O premiums and could shift the supply/demand dynamics that have driven the soft market conditions in the recent past. Entity investigation coverage is widely available, in some instances for no additional premium, and with increasing flexibility around coverage breadth.

Private directors' and officers' (D&O) liability

Rate trends

Rates remain stable, with pricing generally in the **flat to -5%** range.

Conditions and observations

- We expect the soft market conditions to continue, with insurers competing on price, retentions, coverage enhancements, or all three aspects. However, there is speculation in the industry that these favorable conditions may begin to slow as the soft private D&O market enters its third year later in 2025. Additionally, ongoing global conflicts, economic and social inflation, high interest rates, and a decline in the IPO market are all areas to watch that could prompt insurers to recalibrate their underwriting practices.
- Insureds experiencing financial challenges or those that have had claims activity will not benefit from these current favorable market trends, nor will challenging industries like healthcare.
- Some insurers are offering automatic renewals and multi-year policies in an attempt to avoid re-marketing efforts and to retain flat to small premium increases on their books.
- Insurers continue to be competitive on excess coverage options in terms of pricing, limits, and drop-down coverage.
- The impact of the most recent cyber incidents is leading to an expansion of exclusionary language across all executive liability lines of coverage.

Employment practices liability (EPL)

Rate trends

- Insurers are continuing to see **flat to single-digit rate decreases** for accounts with favorable loss history.
- While the rates have moderated, this does not always tell the complete story of how deductibles are being applied. There are examples of upward pressure on deductibles where the underwriter feels the risk profile warrants a higher degree of caution. Notwithstanding, minimum retentions for clients with exposure outside of California and New York are starting to moderate, and there are also signs of improved retentions.

Conditions and observations

- New market entrants have intensified pricing pressures, resulting in more competitive rates.
- Underwriting concerns continue to revolve around higher-risk perils such as layoffs, average salaries, and high turnover staffing. Additionally, industries of concern include healthcare, automotive dealers, restaurants, staffing agencies, financial institutions, technology, law firms, firms with a high wage earner employee base, and start-ups.
- Some insurers are applying separate retentions for class actions, high wage earners, and state-specific retentions for California and New York.
- Insurers are deciding how to respond to pay transparency legislation, and we've seen affirmative coverage grants offered (sub-limit and/or defense only), but there has been no consistency in the market at this time.
- Opportunities for mass class action retention reductions are often available with good loss experience.
- Physical abuse exclusions are becoming more common for insureds in the hospitality industry.
- Insurers continue to impose exclusions in response to the Illinois Biometric Information Privacy Act (BIPA).
- While EPL rates have moderated, wage and hour coverage remain especially challenging in California and Massachusetts. Additionally, there is less capacity in the market for wage and hour defense costs.
- The use of artificial intelligence (AI) also has the potential to increase employment risks as HR practitioners' use of AI expands. Looking ahead, insureds should be mindful that these claim trends are likely to influence pricing.

Crime

Rate trends

There has been **minimal rate movement** for insureds with unchanged exposures year over year and a favorable loss history. However, more challenging business segments that involve large volumes or transfers of money, and companies with large overseas exposures, continue to experience small to moderate increases. Technology, private equity, and other tough classes of business may also face rate increases.

Conditions and observations

- Underwriting concerns continue to focus on social engineering losses, which are pervasive in both frequency and severity, compounded by traditional employee dishonesty and vendor losses. Social engineering underwriting scrutiny remains high with typical biennial requirements for insureds to answer social engineering questionnaires.
- Clients with overseas exposures should expect heightened underwriting scrutiny, where losses can also be problematic.
- Excess social engineering capacity has been improving, but insurers are often looking to push deceptive fraud risks to stand-alone cyber policies.

Fiduciary

Rate trends

The fiduciary marketplace has experienced **flat to modest rate increases**.

Conditions and observations

- Large companies continue to be targets for the plaintiff bar in 401(k) excessive fee litigation. Well-managed companies have proactive plan management, strong fiduciary oversight and diligent cost measurement and oversight to mitigate this risk.
- For large companies, separate higher retentions for excessive fee claims have shifted towards higher retentions for class action claims, which have a more widespread impact.
- Settlor liability coverage (defense + indemnity) should be sought in all fiduciary liability policies, and insurers are widely willing to provide it.
- There is limited insurer appetite for new ESOP fiduciary programs.

Errors and omissions (E&O)

Rate trends

The market is relatively stable, with **flat or minimal rate decreases**. Architects' and engineers' professional liability, as well as that of lawyers, is beginning to level off with the introduction of additional capacity.

Conditions and observations

- For cyber/tech E&O accounts, the underwriting scrutiny on professional exposure remains at a reasonable and balanced level.
- The claims environment for E&O remains active. Robust risk management, including effective contract review, quality control procedures, and ongoing training for employees, remains important practices for organizations to improve their risk profile.

The E&O marketplace is closely monitoring emerging risks such as cyber liability, data breaches, and emerging technologies such as artificial intelligence.

04

Cybersecurity and data privacy

The maturing cyber market remains competitive, with increased capacity, which leads to a positive experience for insureds, as rate reductions and enhancements to coverage have remained available, including higher limits and lower retentions. Policy wording continues to evolve, with some carriers imposing updated exclusions related to war, privacy regulations, and data collection.

While the cyber market conditions have been soft, there are exceptions for business classes in manufacturing, public entities, education, healthcare, and automobile dealerships.

Rate trends

According to the Marsh Q4 2024 U.S. Cyber Insurance Index, **rates decreased an average of 5%** in Q4 2024, and more for risks that can demonstrate year-over-year security control improvements.

Conditions and observations

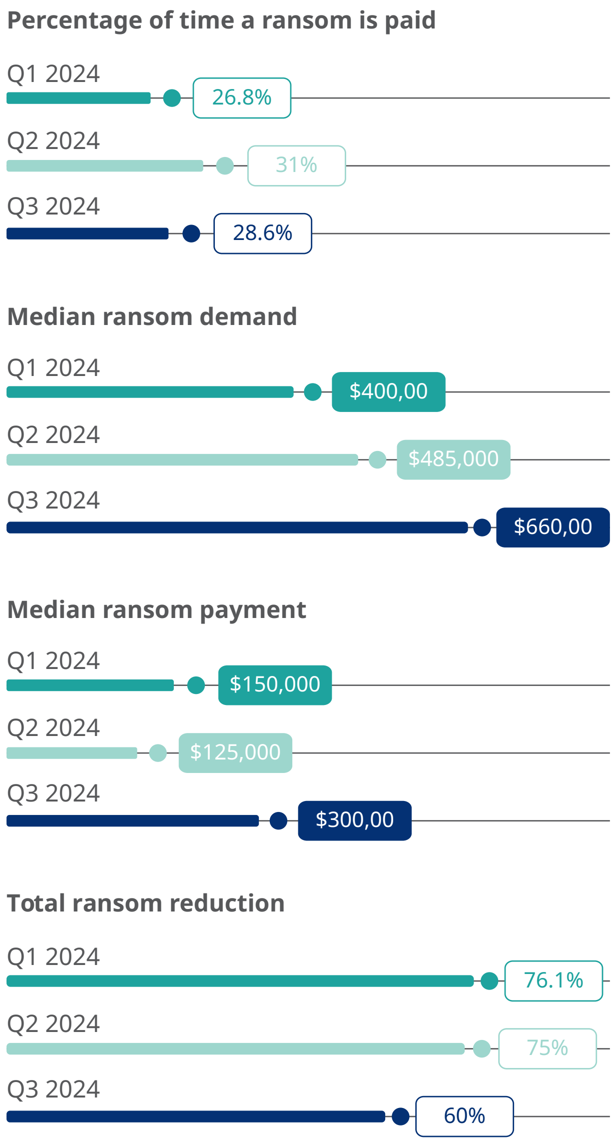
- Insurer concerns regarding the potential for catastrophic and systemic cyber losses continue.
- Aggregation of exposures, emerging privacy compliance risk, and supply chain risk are highly scrutinized by underwriters.
- Competition continues to accelerate, with rates decreasing, and many carriers are willing to increase capacity and provide options for lower deductibles and self-insured retentions.
- Privacy laws continue to emerge and evolve.
- The risk landscape for generative AI is evolving, with perceptions of the risk impacting the underwriting process.
- Ransomware claims continue, with an increase in business income loss and breach response expenses.
- Third-party cyber risk will persist as a major concern not only for underwriters but also as companies evaluate their own cyber risk and their digital supply chain.

Cyber claim trend insights

Trends in ransom demands and payments

Arete, one of our Cyber Resiliency Network partners, released their Q3 2024 Crimeware report, highlighting trends in ransom demands and payments. Most notable is the lower percentage (29%) of organizations making ransom payments in Q3, suggesting that companies are better prepared to respond to ransomware or extortion attacks. Conversely, threat groups could be increasing their demands to account for the number of victims who refuse to pay, solidifying the need for organizations to continue to take proactive actions to protect themselves through risk mitigation and insurance risk transfer.

Visit the Arete Q3 2024 Crimeware report, to view trends in ransom demands and payments.



Source: Arete's Q3 2024 Crimeware Report

Insider threats and employee re-education of systems and protocols

Human error is a significant factor in cybersecurity incidents. According to various studies and reports, it is estimated that anywhere from 70% to 90% of cyber incidents can be attributed to human error. This means security risks that originate from within an organization, typically involving employees, contractors, or business partners who have inside information regarding the organization's security practices, data, and computer systems. These threats can manifest in various forms, including:

1. **Malicious insider threats:** Employees who intentionally misuse their access to harm the organization, steal data, or sabotage systems. This can include data theft, fraud, or leaking sensitive information.
2. **Negligent insider threats:** Employees who inadvertently cause security incidents through careless actions, such as falling for phishing scams, mishandling sensitive data, or failing to follow security protocols.
3. **Compromised insider threats:** Employees whose accounts or credentials have been compromised by external hackers, allowing the attackers to exploit the insider's access to the organization's systems.

To mitigate insider threats, organizations must prioritize the re-education of employees regarding systems and protocols. This involves:

Regular training programs: Implementing ongoing training sessions that cover security best practices, the importance of data protection, and the specific protocols in place to safeguard sensitive information.

Awareness campaigns: Creating awareness campaigns that highlight the risks associated with insider threats and the role employees play maintaining security. This can include newsletters, posters, and interactive workshops.

Clear communication of policies: Ensuring that all employees are familiar with the organization's security policies, including acceptable use policies, incident reporting procedures, and the consequences of non-compliance.

Simulated phishing exercises: Conducting regular simulated phishing attacks to educate employees on recognizing and responding to potential threats while reinforcing the importance of vigilance.

Feedback mechanisms: Establishing channels for employees to provide feedback on security practices and report suspicious activities without fear of reprisal, thereby fostering a culture of security awareness.

Role-specific training: Tailoring training programs to specific roles within the organization, ensuring that employees understand the unique security challenges and responsibilities associated with their positions.

By focusing on re-education and fostering a culture of security awareness, organizations can significantly reduce the risk of insider threats and enhance their overall security posture.

05

Additional trends and observations

Aviation

Rate trends

The aviation market continues to moderate. We are seeing minimal rate increases of **2% to 5%** and can get to flat renewals when competition is introduced for loss-free risks and for fairly newer aircraft. Rates remain primarily driven by the individual operator's profile as much as by broader market conditions.

Conditions and observations

- While new insurer coverage capacity is healthy going into 2025, we have seen some legacy markets realign their portfolios by trimming their appetites.
- This evident rise in capacity is permitting insurers to offer higher limits of liability on select risks.
- There has been an overall increase in claim costs, with contributing factors including reduced production of parts and extended repair times.
- As we enter the reinsurance cycle for many aviation markets, geopolitical volatility for war risk insurers remains in the spotlight. There are several ongoing global trials related to Western-owned and leased aircraft that have been impacted by the Russian conflict in Ukraine. Until respective courts deliver their judgments, both the insurance and reinsurance markets continue to wait on key outcomes such as policy coverage interpretation, loss costs, and whether multiple lessors' claims may be aggregated.

Environmental

Rate trends

Average rate increases were **3% to 5%** for contractors' pollution liability, **0% to 15%** for contractor's pollution liability with contractor's professional liability coverage, **0% to 15%** for site pollution, and **10% to 30%** for combined-form liability.

Conditions and observations

- Profitable growth continues to be the top trend reported by environmental carriers through Q4 2024 and is expected to continue through 2025. Capacity remains readily available and easy to access, with new carriers and programs expected to roll out in Q1 2025, pushing the legacy carriers to offer more favorable terms than previously seen this year.
- Combined form excess liability remains challenged, especially where large or heavy automobile fleets and workers' compensation are included.
- Underwriters continue to request additional underwriting information to offer coverage for pre-existing conditions and remove restrictions when writing site pollution, with no indications that this will wane anytime soon.
- Following the recent election in November, many environmental carriers appear to be softening their position on per- and polyfluoroalkyl substances (PFAS) and other focused-peril restrictions, possibly expecting a walk-back of some regulations passed in 2024 or an outright restructuring of the environmental regulation process by the newly formed Department of Government Efficiency. In speaking with carriers, many felt it could be several years before the full effects of the election are felt, during which time they are taking the opportunity to write more coverage. Organizations considering purchasing coverage in the past could find this one-to-two-year window an advantageous time to purchase environmental liability at terms that may not be as easily obtainable in the future.

International

Rate trends

- Renewal pricing remains stable on many international placements; however, property and foreign package rates are on the rise.
- Business travel accident, as well as kidnap and ransom renewal pricing, remains stable.
- Defense Base Act (DBA) pricing continues to fall.

Conditions and observations

- Global mergers and acquisitions are picking up, leading to an increase in insureds traveling who are looking for new markets and partnerships in foreign lands.
- Foreign direct investment continues to grow as European and Asian customers explore new markets, sources of production, and/or raw materials in the U.S.
- Some global insurers are increasing their lists of countries (such as Lebanon and Syria) they will exclude in their coverage territory wording.

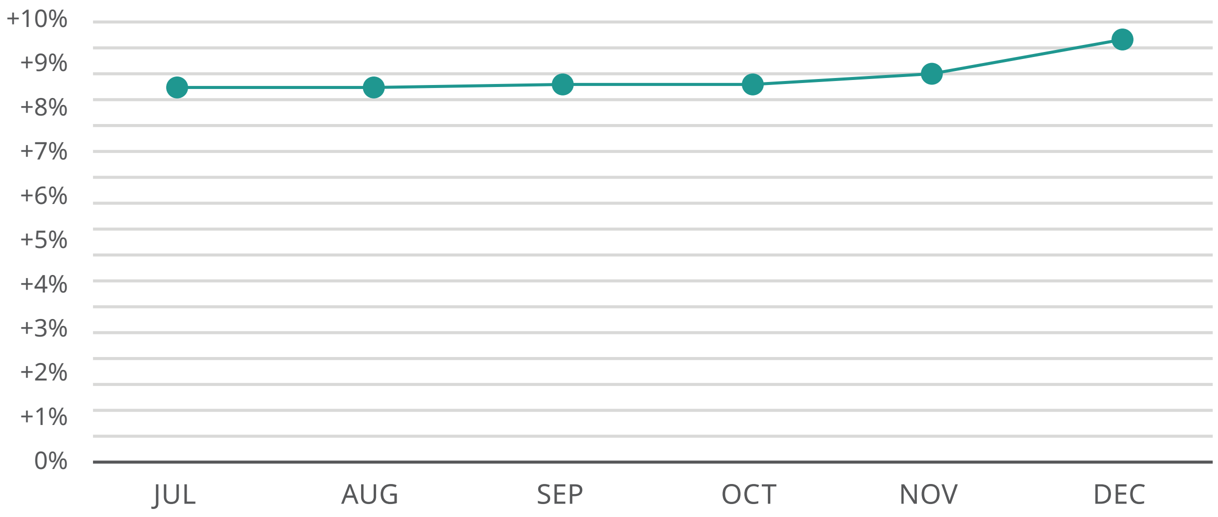
Small commercial market insights

Insurers are starting to add more classes of business to the businessowners' policies (BOPs) but are requiring more detailed underwriting information and potentially supplemental applications.

Rate trends

Overall pricing is increasing in the **5% to 10%** range for BOPs, with the IVANS Index reporting average BOP increases of **9.59%** (up 0.83% from the previous quarter).

IVANS Index premium renewal rate change trend - last 6 months



Below are baseline trends from IVANS. Property rates are maintaining a more stable state, while automobile liability and umbrella/excess liability rates continue to rise.

11.2%
Property
11.2% (0.06% decrease over prior quarter)

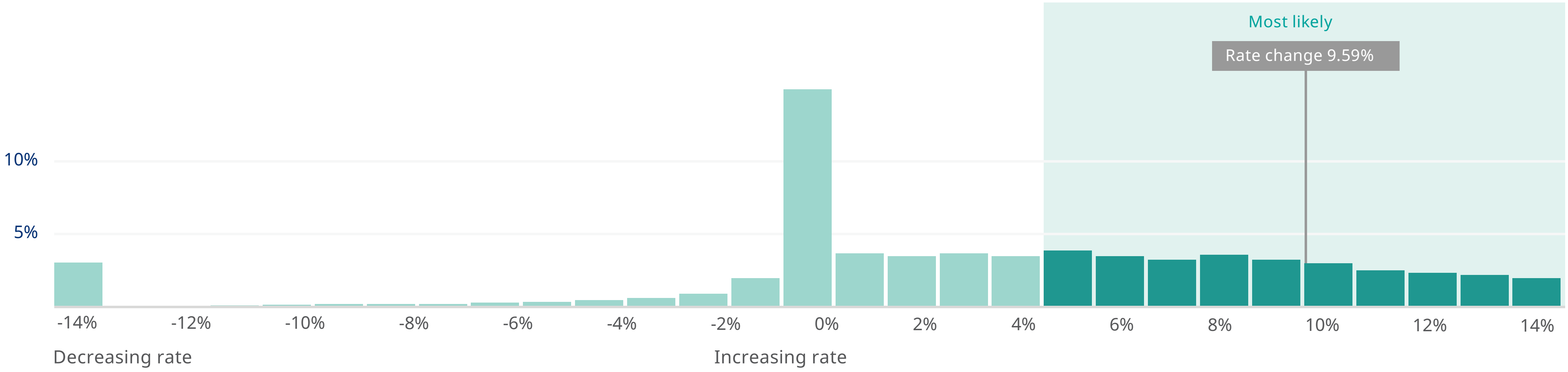
9.99%
Automobile liability
9.99% (0.32% increase over prior quarter)

4.16%
General liability
4.16% (0.32% decrease over prior quarter)

9.09%
Umbrella
9.09% (0.49% increase over prior quarter)

-1.45%
Workers' compensation
-1.45% (0.2% decrease over prior quarter)

IVANS Index premium renewal rate change distribution - December



Conditions and observations

Property:

- Overall renewal pricing increases are in the 0% to 15% range but remain higher at 18% to 30% for older buildings that haven't been improved. Higher total insured values play a large role in pricing increases, and the older buildings that haven't been updated are seeing the largest share of non-renewals or are facing increased underwriter scrutiny and higher deductibles.
- Coverage for wildfire risks remains extremely limited.

General liability:

- Renewal increases are averaging 10%.
- Supplemental application requirements continue to impact the speed of the quoting process. It remains important for insureds to provide the additional level of underwriting detail quickly to avoid delays in their renewals.

Automobile liability:

- The market is still difficult for automobile liability coverage, with increases as high as 25%. Underwriters are asking more questions than they ever have, and many are also imposing broader coverage restrictions, while some are not willing to quote new business at all.
- Non-renewal activity is still problematic as the automobile market remains particularly difficult.

Umbrella/excess liability:

- As with larger and mid-size accounts, the umbrella and excess market is becoming more challenging, and pricing is increasing in the 10% to 40% range. This is requiring the use of more complex layered programs to keep pricing manageable and adequate coverage in place for insureds.

Workers' compensation:

- Overall pricing has been coming in flat or with modest single-digit increases.
- Without favorable loss experience, certain classes of business remain challenging (staffing, trucking, construction, etc.).

Management and executive liability:

- The market for cyber, D&O, and professional liability has continued to improve, with many insureds able to avoid an increase or obtain modest increases.
- Cyber market conditions have improved, with more insurers eager to offer options if key security protocols, such as multi-factor authentication, are in place. Additionally, rate increases appear to be leveling off.

Coverage for wildfire risks remains extremely limited.

Trade credit insurance (TCI)

The effects of increased claims through 2024 and economic uncertainties have increased demand, limiting capacity. Companies, particularly small and medium-sized enterprises (SMEs), have become more proactive in securing trade credit insurance to manage their credit risk, given the higher likelihood of customer insolvencies and bankruptcies.

Rate Trends

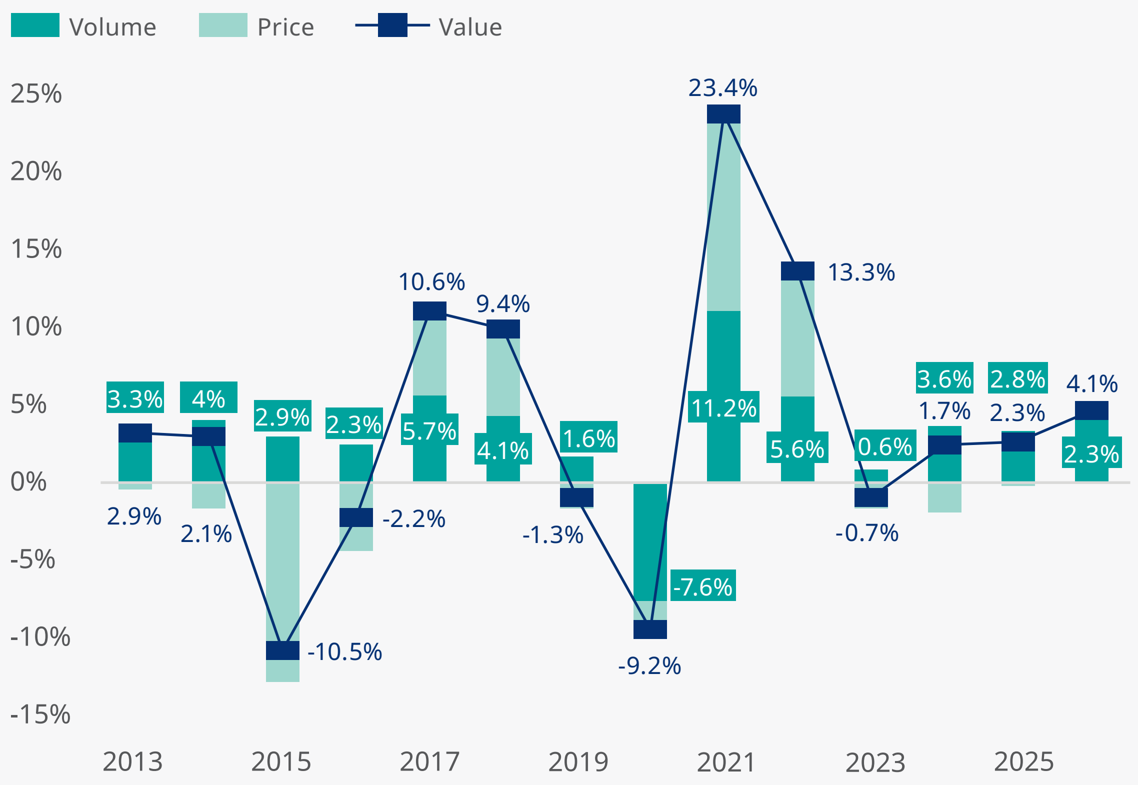
- The overall trend of costs increasing for large carriers may continue.
- Capacity and demand will be an ongoing concern for applicants in the market and will require them to have strong credit underwriting practices.
- Moody's reports a descent in policy interest rates. Soft landings in many major economies may deliver on the promise of more favorable credit conditions. On the other hand, intensifying geopolitical and trade tensions increase the peril present in an already tumultuous environment. This will lead to stricter underwriting in Q1 2025 from insurers.

Conditions and observations

- **Digitalization:** Many trade credit insurers are integrating new systems to more closely manage and view credit risks for clients. These platforms are now becoming reliable extensions of credit departments.
- **Geopolitical risks:** Ongoing geopolitical tensions, including those involving China and other regions, contribute to perceived higher risks. Implications of tariffs have created more stringent credit underwriting in the marketplace.
- **Endorsement flexibility:** With more competition in the market, insurers are adding more endorsements to stay competitive. "No claims" bonuses have been reinstated in states like Texas, and variable rate endorsements are helping commodities and businesses with an influx of demand and fluctuating prices.
- **Demand creation:** Businesses needing to create regional strategies are forcing the extension of new credit domestically. Secondly, the reduction in banking rates will not truly hit until mid-2025, increasing the need for accounts receivable protection for better lending support. Lastly, tariff costs could also increase the rise in credit needs, creating more demand and potential increased costs in the market.

Businesses dealing in international trade will likely push growth in Q4 2024 and in Q1 2025, as threats of tariffs in the U.S. will increase credit demand from trade credit insurers.

Figure 1: Global trade in goods and services, growth (%)



Source: LSEG Refinitiv, Allianz Research

Claims

Essential principles of claims reporting

Effective claims reporting is vital for insureds to maximize the benefits of their insurance policies. It is beneficial to establish a thorough understanding of policy terms—particularly regarding claims-made forms and layered coverage—because timely and correct notice to insurers will significantly reduce the risk of coverage gaps, reduce friction, and improve claims outcomes. The MMA team is available to assist and support you in this process, both before and after a claim.

To successfully manage the claims process, insureds should consider the following best practices:

- **Understand claims notice requirements:** Stay informed about the specifics of your insurance coverage, including definitions of "claim," coverage limits, exclusions, and notice requirements. Pay particular attention to any specific time limits for claims notification and the process for filing a Notice of Circumstance. This understanding is crucial to ensure compliance, protect your coverage, and effectively document potential claims before they arise.
- **When in doubt, report:** Contact your MMA team if you are unsure about whether to report a matter.
- **Establish claims reporting protocols:** Develop clear procedures for reporting claims to ensure timely and accurate notifications.
- **Mandatory reporting considerations:** Claims resulting from severe incidents such as loss of limbs, burns, fatalities, and other critical injuries typically require immediate and mandatory reporting due to their serious nature and potential implications for safety, compliance, preserving evidence, and legal obligations.
- **Maintain open communication:** Foster ongoing dialogue with insurance professionals to clarify any uncertainties regarding claims reporting.
- **Document everything:** All communications related to claims reporting should be documented, including the date and method of notice provided to each insurer.
- **Follow-up:** After submitting the claim, follow up with the insurer to check on the status of the claim and ensure that it is being processed in a timely manner.

The MMA team is available to assist and support you in this process, both before and after a claim.

Key considerations for effective claims notification

The following are important to consider when reporting:

- **Timely notice of claims:** Prompt reporting is essential. Late reporting can create a host of problems, including denial of coverage.
- **Layered insurance programs:** Insurance programs may have layers of coverage from different insurers. Each layer may have distinct reporting requirements.
- **Potential for multiple policies:** A claim may implicate multiple types of coverage. It is important to assess which policies may provide coverage for the claim and ensure that notice is given to all relevant insurers.
- **Claims-made policies:** A "claims-made" policy is triggered when a claim is first made against an insured during the policy period, regardless of when the wrongful act occurred. These policies typically have strict timeframes for notice, making prompt notification to all applicable layers essential to ensure coverage.
- **Involvement of defense counsel:** If you confront a liability claim and there is an urgent response required, or if you seek approval to retain counsel (and the policy allows for such), ensure that this is clearly communicated as part of the claims notification process.

Importance of notifying excess and umbrella policies

Excess insurers are increasingly engaged at earlier points in claims management. Notifying excess and umbrella insurers about a claim is a critical step in claims management. If the excess or umbrella coverage is on a claims-made policy form, then timely notice to all applicable layers is required at the same time that the primary carrier is put on notice. Ongoing communication with excess insurers is essential to continue to protect your interests.

Conclusion

In conclusion, effective claims reporting is not just a procedural necessity; it is a strategic imperative that can significantly influence the outcome of claims and the overall protection of insureds. By understanding policy terms, ensuring timely notifications, and maintaining thorough documentation, insureds can navigate the complexities of claims management with confidence. Ultimately, proactive engagement in the claims process will not only safeguard coverage but also foster stronger relationships with insurers, leading to more favorable resolutions. We strongly encourage all insureds to prioritize these principles to enhance their claims experience and protect their interests.

Note: Many of the rate trend graphics contained in this report are from Marsh McLennan and may not always include small to middle market data. All references to rate and rate movements in this report are averages unless otherwise noted. For ease of reporting, we have rounded all percentages regarding rate movements to the nearest whole number.

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