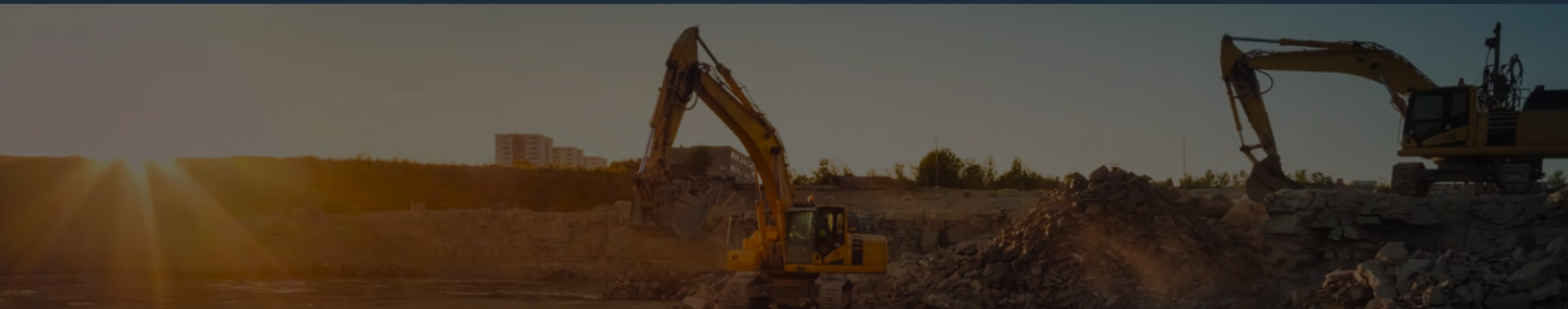




# 2024 Year-End NFP P&C Client Trend Report





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Specialty Spotlight

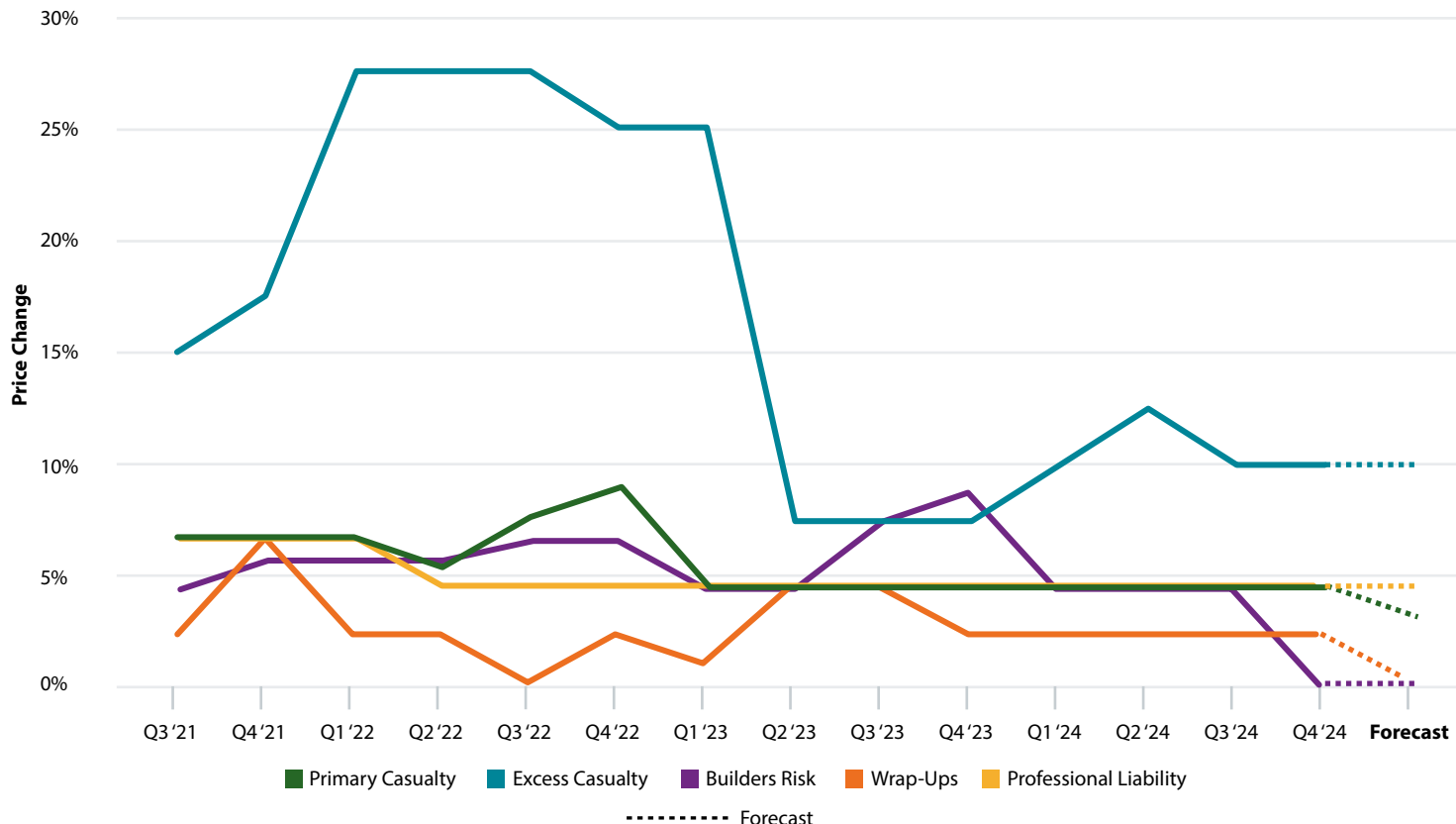
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# Construction and Infrastructure



# Construction and Infrastructure

Primary Casualty, Excess Casualty, Builder's Risk, Surety, Subcontractor Default Insurance, Construction Professional, Wrap-ups (OCIP and CCIP)



## Construction and Infrastructure – H2 2024 Summary

The North America construction and infrastructure market is undergoing significant shifts, driven by both opportunities and challenges. Infrastructure construction is a standout growth area, generating substantial revenue through investments in highways, bridges and renewable energy such as solar projects. Meanwhile, the shift to remote work since the pandemic has led to increased office vacancies, causing commercial construction to struggle. As a result, many commercial buildings are being repurposed for other uses, such as residential apartments. In addition to these trends, other challenges include but are not limited to:

- Continued inflation
- Rising material costs
- Labor shortages, particularly among skilled workers
- Supply chain disruptions
- Mental well-being

Managing these risks continues to be challenging. Persistently high inflation has kept the prices of project materials well above pre-pandemic levels. Consequently, contractors must be resourceful in their material investment decisions. Additionally, the workforce is tragically losing more workers to suicide than to accidents, making it crucial for construction companies to significantly increase awareness efforts.

In the US, states like Texas and Florida continue to be major construction hubs, driven by robust economic growth, rising populations, government initiatives and advancements in technology. Meanwhile, according to the [New York Post](#), previously consistent strong states like California and New York are noted to have dropped in population due to higher tax burdens and unfriendly business climates. Overall, [Linesight](#) notes the nation's GDP growth of just over 2% is attributed to increased consumer spending, rising savings rates and strong public sector investments. Meanwhile, in Canada, the construction industry has shown resilience despite the challenges posed by the pandemic. A notable area of growth observed by [Melcom Homes Canada](#) is in the green building sector, which has gained momentum due to both consumer demand for



sustainable practices and stricter government regulations. Canada's GDP has seen modest gains, largely fueled by population growth and increased government spending on infrastructure projects. These factors continue to shape a dynamic construction landscape in both countries.

A noticeable trend throughout North America is that technology continues to offer contractors a substantial edge, especially with the transformative power of AI.

AI has **revolutionized** project management by **mitigating risks**, such as preventing water damage, fires and natural disasters.

However, a notable disparity still exists between cutting-edge technology and the rest. Despite this, embracing technology is essential, and the potential for future advancements is incredibly promising.

### **Liability (Primary and Excess Casualty)**

In H2 2024, the general liability market stabilized, while auto liability faced pressure on limits due to safety and loss factors. Carriers pushed for higher retentions with premium incentives, but rising litigation and legal challenges strained claims reserves and complicated policy revisions. The excess and surplus (E&S) market remained active, with a focus on tech-driven risk management and new entrants.

### **Wrap-Ups**

Overall, there has been minimal change in the wrap-up marketplace, with most primary carriers maintaining their stance regarding project types and geography preferences as per the beginning of 2024. Carriers, in general, have adhered to what appear to be more stringent internal underwriting guidelines to ensure profitability, but this is not impacting projects with a well-thought-out risk management strategy reflected in the market submission. Throughout 2024, Florida has continued to be a more challenging location for wrap-ups, especially those including a residential component. The excess marketplace has also performed relatively consistently throughout 2024, with pricing steadying but with shortened limits resulting in the need for more markets to fulfil limit requirements.

### **Builder's Risk**

The builder's risk marketplace continued to show a slowing of rate increases in the second half of 2024. Increases in carrier deductibles were somewhat offset by new entrants and overall competition for this historically profitable line of coverage. Severe weather remains the prevailing trend driving marketplace uncertainty.

### **Surety**

In the US, we continued to see stability on the rate front. There had been little change to date in 2024, and outside of sig-

nificant claim activity, best-in-class accounts continued to benefit. With regards to Canada, surety rates remained stable, though with inflation and the cost of construction, many contractors were pushing their bond facilities. With the continued issues around labor shortages, the industry continued to see an increase in notices of default as construction schedules were impacted. Though many of these did not become bond claims, all parties were expending additional time and energy in discussing the situation.

### **Subcontractor Default Insurance**

Claims activity remained elevated, with an increase in insolvencies and subs struggling to maintain their schedule commitments due to labor constraints. Pricing remained competitive for insureds with low loss history and favorable operational controls, however. Due to large mega projects, there were more requests for higher limits or excess subcontractor default insurance (SDI) coverage to manage the larger subcontractor packages being awarded.

### **Professional Liability**

During the second half of 2024, the construction professional marketplace continued the theme of stability established earlier in the year. New capacity entered the contractors and owners market, actively quoting business and contributing to slight rate increases in architects and engineers (A&E) and rate stability in contractors professional. Additionally, increased activity from a new project-specific A&E (project-specific professional liability) facility brought cautious hope for rate relief in the project-specific market for A&E.

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## **Construction and Infrastructure – 2025 Outlook**

As the market stands at a crossroads as we end 2024, there is optimism for the future, with inflation anticipated to ease in 2025. According to [Dodge](#), US construction starts are projected to grow just over 9%. In Canada, non-building construction starts specifically are expected to increase by 8.8%, notes the [ENR](#). Below is our forecast for key insurance and surety products in 2025.

### **Liability (Primary and Excess Casualty)**

The construction industry will face flat to rising primary casualty insurance costs due to inflation, increased claims severity and evolving project risks. Workers' compensation rates will remain stable with modest increases, while auto liability and general liability premiums are expected to rise 10% to 15% and 5% to 10%, respectively, driven by higher claim expenses and litigation trends. Stabilization in the excess liability market offers some relief, but contractors must prioritize proactive risk management and early engagement with insurers to mitigate escalating costs and maintain favorable coverage terms.

### Wrap-Ups

The outlook for 2025 appears to be generally similar to what it was for 2024. Pricing is generally anticipated to remain flat or be subject to 5% increases for most risks in the wrap-up marketplace. Importantly, we believe there will be new entrants into the marketplace, especially within the general liability wrap-up space. Additionally, we are seeing some bold moves with the Tradesman general liability wrap-up program being introduced in New York effective January 1, 2025, and providing coverage for commercial-grade projects, including residential, with a construction value greater than \$250M. We will be watching this space closely!

### Builder's Risk

We have witnessed a historic run of growth in the builder's risk space over the past three to five years. Higher rates, coupled with a boom in project values, has led to written premium increases for all major carriers. While construction industry activity and outlook remain strong, it is reasonable to expect increased competition for low and moderate hazard project types, likely benefiting contractors and owners starting projects in 2025.

### Surety

Overall, the US market is healthy, with gross construction spend on the rise and most contractor backlogs at all-time highs. We do have an increase in claim activity, but there is a clear difference in definition between what is a claim and what is a default. Projects are bigger, which translates into stretched programs in some cases, or once-sole surety cases transitioning into co-surety plays. We do not see this changing in 2025.

### Subcontractor Default Insurance



















With the continuation of large mega projects into 2025, we expect continued pressure on the market to provide higher limits, excess or quota share SDI solutions. Recent claims activity has caused some pressure on carrier's books, however, and we continue to expect an adjustment in pricing — although with ample market support, pricing has remained competitive recently.

### Construction Professional Liability


It is anticipated that 2025 generally promises to be a continuation of the stability we experienced in 2024 in the construction professional marketplace. We do anticipate additional capacity to enter the contractors and owners market with possibility of additional capacity in the A&E market as well. We did learn that one market, Liberty, announced plans to exit the primary A&E market. However, they will continue to write A&E professional liability on an excess basis.



## Primary Casualty (WC, GL, Auto)

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 10%	In the second half of 2024, we saw the general liability market continue to flatten, while auto remained the leader for increases dependent on driver safety records, historical losses and fleet size.	 0% to 7%	We will see increased entrants to market that will target specific lines of coverage, leading to bifurcation of programs. Carriers will target the general liability while leaving the workers' compensation and auto liability for a bundled approach.
 <b>Limits</b>		Generally, limits remained stable for general liability and workers' compensation, while auto liability saw continued pressure to increase primary limits in the second half of 2024.		We will continue to see general liability and workers' compensation remain stable, increasing the focus on auto liability and driving a demand for higher limit offers.
 <b>Retentions</b>		Many carriers incentivized clients to increase their risk retentions through beneficial premium reductions at renewal. This led to increased strain on cash flows due to increased collateral obligations and the exploration of group and single-parent captives to drive alternative risk approaches.		Carriers will continue to push for increases, leading to an enhanced focus on safety and technology enablement to control claims. With increased retentions we will see clients turn to captives to retain their premium and drive risk-funding mechanisms.
 <b>Coverage</b>		In the last six months we have seen many legal cases and judgements shift the intent of carrier forms around additional insured and contract privity. With these recent judgements, carriers are amending forms, and revisions were challenged in H2 2024.		We will see the need to be focused on policy changes to ensure that client contracts are being adhered to and no violations lead to breach.
 <b>Carrier</b>		The focus on proactive, technology-driven risk management strategies intensified, while the E&S market saw increased activity as new players continued to enter.		As carriers continue to enter this space, we will see increased competition across individual lines leading to many package-based programs breaking apart to multiple markets.
 <b>Claims</b>		Social inflation and litigation trends strained claims reserves, particularly in general liability and excess casualty. Market hardening in certain regions and exposures continued to influence policy terms, pricing and deductibles.		Claims activity in primary casualty insurance for the construction industry is expected to reflect ongoing challenges and emerging stabilization. Enhanced safety protocols, adoption of risk management technologies and thorough claims investigations will be critical to mitigating the financial impact of these trends.

## Excess Casualty













METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 5% to 15%	Carriers that could support lead and primary lines continued to be seen as most competitive on cost. The lead excess layer was now more commonly being viewed as a working layer. Pricing continued to increase, with preferred clients seeing a minimum of 5% increases, while loss issues led to renewals with more than 15% increases.	 5% to 15%	Low loss experience and a focus on risk management will assist in keeping premium increases to a minimum. We will continue to see reduced capacity and tighter underwriting for the lower tier excess levels. Additionally, we will see carriers enter the market and look to offer larger lead pricing but on a very selective basis.
 <b>Limits</b>		Limitations were evident for contractors with large auto fleets, and/or specializing in single-family residential, frame construction and wildfire-exposed utility work. Additionally, trades engaged in activities such as steel erection, glass and glazing, roofing, foundation work, and mechanical contracting also encountered limitations. Generally, capacity restrictions and/or reductions continued in construction.		In New York, we expect limits up to \$25M to remain consistent and increase capacity with more markets providing limits over \$25M than we have seen in previous years. Outside of New York, the attachment point lowers to \$15M where we are seeing more carriers entertaining risk.
 <b>Retentions</b>		Nuclear verdicts and social inflation had raised the stakes for claims, making excess layers susceptible to payout. This led to a focus on a stricter underwriting atmosphere where excess carriers, especially the lead, were underwriting similarly to the primary.		We expect continued increases in retentions, as insurers seek to manage rising claims costs and litigation risks. Contractors, especially those involved in high-risk operations, can expect higher deductibles or possible self-insured retentions driven by the ongoing threat of nuclear verdicts and social inflation.
 <b>Coverage</b>		In H2 2024, it proved crucial to carefully review renewal forms and identify any potential changes or policy revisions that would follow new exclusions placed on primary policies. Carriers were making modifications to existing endorsements, further reducing coverage, and it was necessary to negotiate more favorable forms on the following layers.		High-risk projects and contractors will continue to see reduced coverage with increased scrutiny on risk and penetration to excess layers through nuclear verdicts.
 <b>Carrier</b>		Challenges in securing support for the first \$10M in excess/umbrella coverage continued. Markets were still entering the space but were mainly restricted to E&S placements.		Continuous collaboration with carriers on leveraging technology and deploying new technological services will help achieve premium savings and balance sheet protection manages losses. In addition, we are seeing new entrants into construction projects, while contractors have defined their appetite for lower-risk contractors and trades. This is limiting competition for more complex projects and contractor operations.
 <b>Claims</b>		Contractors focused on safety and risk mitigation as nuclear verdicts continued to pierce excess and umbrella layers, prompting the construction industry to adapt to higher premiums and stricter policy terms.		Settlement amounts will continue to increase, especially in more difficult jurisdictions. Insurers will continue to be conservative with coverage limits, increased retentions and underwriting criteria, with many focusing on high-risk sectors or large auto schedules.





















## Builder's Risk

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -5% to 5%	<p>Despite recent hurricane activity in the Southeast, pricing in the builder's risk market continued to flatten and even show signs of rate decreases in areas that were hit hardest with increases over the past three to five years. Carriers remained conservative on severity-driven projects (like catastrophe-exposed and frame).</p>	 -5% to 5%	<p>While carrier growth targets are not as steep as prior years, there is still significant appetite for builder's risk business in the marketplace. We anticipate lower rate targets for renewable and master programs to persist throughout 2025. With election uncertainty in the rearview mirror, growth forecasts look positive going into the new year. Lower interest rates and infrastructure spending are anticipated, stimulating new street, road, rail and possibly residential sector spending.</p>
 <b>Limits</b>		<p>While marketplace capacity remained robust for most risk classes and project types, carriers continued to push sublimits for select perils and loss scenarios. Quota share placements remained the preference of most carriers.</p>		<p>A new calendar year always introduces the opportunity for new carrier treaty structure, capacity and underwriting appetite(s). The wind events of Q4 appear to be largely absorbed by the marketplace without the need for additional capital investments. The reemergence of global capacity into the US marketplace should have a positive impact on capacity available for contractors and developers looking to place builder's risk in 2025.</p>
 <b>Retentions</b>		<p>The trend of insureds being asked to retain more risk through higher deductibles – both for catastrophe (cat) and non-cat perils – continued. Technology implementation, such as water flow sensors and jobsite safety cameras, has helped slow these increases; however, loss cost inflation persisted. One positive development has been the availability of max deductibles for some high hazard cat exposures where percentages are applied.</p>		<p>The persistence of severe and changing weather is causing carriers to implement percentage deductibles on more and more projects that may have never seen these kinds of retentions before. Having severe weather procedures and jobsite technology implemented will help insureds keep these retentions in check.</p>
 <b>Coverage</b>		<p>As projects increase in size, scope and complexity, carriers are continuing to add bespoke endorsements that seek to clarify – and in some cases restrict – coverage. Wet works, piling works and renewable energy are just a few areas coverage language is being tightened.</p>		<p>Expect carriers to improve coverage offerings as their experience with new project types grows. The rapid expansion of data centers, electric vehicle manufacturing and energy modernization projects left many US carriers unfamiliar with all the associated risks of these projects. As that improves, so too shall the bespoke coverage available.</p>
 <b>Carrier</b>		<p>New carriers began entering the US marketplace as rates and retention rose to an attractive level for sustained carrier profitability. Most of these new entrants brought with them strong financial ratings, global market experience and, in some cases, had even invested in local underwriting talent to service the business directly.</p>		<p>We are beginning to see the “insurer of the future” take shape in the form of smaller firms combining technology solutions with insurance capacity for projects. It's likely we will see acquisitions and/or consolidation by larger, slower-moving carriers looking to improve their client offerings and improve their use of data in the underwriting process.</p>
 <b>Claims</b>		<p>Hurricane activity dominated the headlines in H2; however, early indications appeared to show claims activity within underwriting expectations and losses the marketplace could absorb. Jobsite technologies and superior mitigation procedures proved to reduce overall claim costs in some areas.</p>		<p>We foresee a growing emphasis on risk management technology solutions being implemented at job sites. These technologies are becoming more effective at reducing both the frequency and severity of claims related to water, fire and defective work. This shift is largely prompted by insurers raising deductibles and underwriting requirements, pushing clients to take on more responsibility for managing high-risk hazards. As a result, we believe this heightened focus on risk mitigation will ultimately lead to more favorable insurance terms in the future.</p>








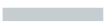
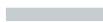









# Surety

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>		<p>In the US, we continued to see rate stability. While markets certainly took their pound of flesh on marginal risks, the best-in-class accounts continued to see consistent and favorable pricing.</p> <p>In Canada, surety rates continued to be stable, and for the best-in-class contractors with good credit, rates remained competitive. However, for new and smaller contractors, rates continued to stay high.</p>		<p>In both the US and Canada, we expect rates will continue to be stable. In addition to some economic tightening, surety reinsurance markets have sustained higher losses than the primary surety markets. This loss activity will soon influence traditional surety market rate as claims develop.</p>
 <b>Capacity</b>		<p>Throughout the US, construction spending was on the rise and there was no shortage on capacity to fulfill the need. Demand remained strong, but overall balance sheets were not growing in line with the increased program requirements. We saw more co/ multi-surety deals than ever to satisfy desired program levels.</p> <p>In Canada, capacity remained sufficient to meet market needs. With the inflation and the costs of construction, contractors began pushing their bonding facilities. Contractors in general saw record backlogs, however, in some cases, and their balance sheets could not keep pace with the growth of their backlogs.</p>		<p>We expect little change over the next year in surety capacity. We may see a slight tightening in underwriting for new accounts if loss severity does increase. But this should be more than offset by new capacity given the profitability of the surety segment. New surety companies continue to enter the market; however, the pace of entrants is showing signs of slowing.</p>
 <b>Carrier</b>		<p>Consistent with our messaging throughout the year, there was still an abundance of carriers in the surety market. There had been an uptick in carriers, particularly through managing general agents and specialized surety markets, but this increase was satisfied with strong demand for the surety product.</p>		<p>We do not expect any significant displacement of the top carriers across North America. However, as additional industries in Canada continue begin to accept bonding for obligations which previously favored other forms of security, we do expect some new carriers to continue entering the surety marketplace.</p>
 <b>Claims</b>		<p>In the US, speaking with multiple claim representatives, the consensus was that claim frequency was on the rise across the country. However, true defaults according to one specific carrier remained below historic levels.</p> <p>In Canada, the industry was experiencing some increase in claims frequency while also seeing an increase in "notice of default" given the labor issues that impact the quality of the work and schedule. For the most part, contractors were working through these issues, but there has been an increase in notices.</p>		<p>In the US, we will continue to see claim increase consistent with year-to-date 2024 levels throughout 2025.</p> <p>In Canada, it is anticipated that the gradual increase in the frequency and severity of surety claims will continue. Economic forecasts and labor shortages do not suggest any significant alleviation of the factors driving the rise in surety claims. The industry will also continue to see an increase in notices of default given the issues around labor and how it is impacting construction schedules.</p>

## Subcontractor Default Insurance

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 Flat	Pricing remained soft overall, with competition between carriers driving costs down for highly regarded insureds. Each insured's program pricing reflected their own loss history, program requirements (loss limits, deductible levels, etc.) and risk factors such as how the general contractor prequalified their subs and other operational controls.	 0% to 5%	We expect pricing to remain reasonably stable, though with the potential for slight increases as claims remain on an uptick across carriers. Inflationary pressure on material/equipment costs in the construction industry recently has also led to higher claim costs, which insurers may be wanting to recapture with higher pricing long term. For insureds with low loss activity and good controls, pricing will remain competitive.
 <b>Limits</b>		Loss limits remained stable overall, with the seven primary carriers in the US offering \$50M single and \$150M aggregate limits at a minimum, with AXA XL able to offer \$75M/\$225M and Liberty offering \$100M/\$300M. Excess SDI limits became more common, with a few carriers willing to write excess SDI coverage to allow for higher limits for jumbo sub trade packages driven by the rise in mega projects (fab plants, battery plants, etc.) recently.		Quota share coverage will remain a work in process, with two carriers trying to come together on that front. The loss limits would be like an excess SDI placement, in the sense they would generally combine two carrier limits into one larger one. It will remain a challenge, though, to get the carriers to come to terms on a single form of coverage.
 <b>Retentions</b>		Retentions remained stable overall, generally staying in the \$750,000 to \$1M range at a minimum, and then increasing from there commensurate with the overall size/limits of the SDI program in place.		We don't anticipate any major changes to retention strategies over the next 12 months, except for larger programs driven by mega projects, which will demand a higher retention limit relative to the loss limits being extended.
 <b>Coverage</b>		No recent changes to carrier forms since last quarter.		AXA XL is still considering a policy form update but have not issued it to date. It would mostly bring them more in line with competitors' more recent form updates, though it is uncertain when that will come out.
 <b>Carrier</b>		Carrier participation remained steady, with seven carriers writing SDI programs (Arch, AXA XL, Berkshire Hathaway, Hudson, Liberty, Optio and Vantage) in the US. In Canada, only three (AXA XL, Liberty and Optio) were willing to write coverage.		Looking ahead, Hudson is expected to continue quoting excess SDI programs in Canada, as they have recently entered the market. Vantage has indicated that they are still considering quoting in Canada, but as of now, they have not yet done so.
 <b>Claims</b>		SDI claims remained an area to monitor as carriers have seen an uptick over the last 18 to 24 months overall. Insolvencies had been on the rise and could affect all trades moving forward, though electrical subcontractors saw a higher frequency in 2024. General contractors should have remained vigilant on financial prequalification and managed their awards within single and aggregate limits to avoid overextending subs.		While the general inflationary pressures in the material, equipment and labor markets have recently shown signs of subsiding, the impacts they've had on subs balance sheets and overall profitability will likely continue to stress subcontractors, which will continue to lead to insolvencies. Additionally, larger project and subcontract values will further strain cash flows which can also lead to insolvencies and defaults.

## Construction Professional

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 10%	Modest rate increases in the construction professional market in H2 2024 with A&E rates also increasing modestly. The contractors market continued to see premium and rate changes based on individual firm risk profiles.	 0% to 10%	Anticipate more of the same in 2025 with small rate increases in A&E and contractors rate change based on individual risk characteristics. Liberty's departure from the primary A&E market is not expected to create meaningful impacts on rate in the A&E market.
 <b>Limits</b>		Limit capacity was stable across the entire construction professional market through H2 2024.		While we anticipate more carriers to enter the market in 2025, we do not see a significant increase in any individual carrier's appetite to deploy higher limits than their appetite was in 2024.
 <b>Retentions</b>		Retention levels were stable through H2 2024 and fluctuated only based on individual firm characteristics.		We anticipate retentions to remain flat year over year through 2025.
 <b>Coverage</b>		Coverages remained consistent across the entire spectrum of the construction professional marketplace through H2 2024. We started seeing sporadic inclusion of PFAS exclusions in contractors professional policies for risks of a certain profile from one market.		We anticipate coverages by and large to remain stable and consistent through 2025. However, we do expect one carrier to increase their use of PFAS exclusions to include their entire portfolio of contractors professional policies. We will continue to monitor the entire construction professional market (A&E and contractors) for increased use of PFAS exclusions.
 <b>Carrier</b>	 	In H2 2024, we saw a consortium of A&E professional liability markets that came together in late 2023 to offer project-specific A&E capacity increase its presence in the marketplace. We also saw a new contractors professional market start quoting contractors protective professional indemnity and owners protective professional indemnity.	 	Despite Liberty exiting the primary A&E marketplace, we anticipate an increase in available markets in the contractors professional segment with a possible additional market or two in A&E.
 <b>Claims</b>		There was no meaningful fluctuation in claims activity in the construction professional market during H2 2024.		We anticipate claims activity to remain at consistent levels through 2025. We will continue to monitor nuclear verdicts and trends in litigation for any signs of an increase in claims activity or size of indemnity payments in the construction professional market.

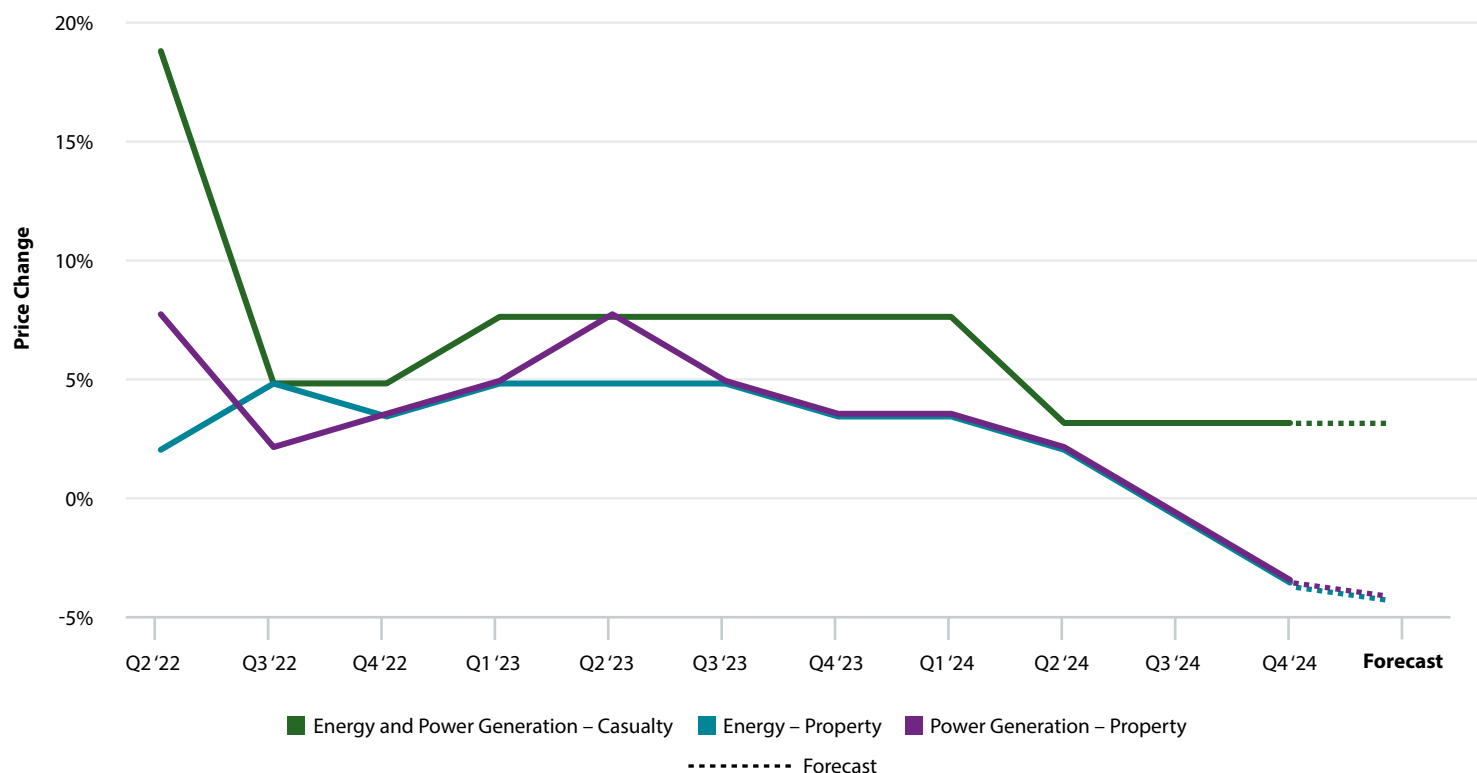


## Wrap-ups (OCIP and CCIP)

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 5%	General liability rates for commercial risks were relatively constant for favorable risks during the second half of 2024. Workers' compensation rates remained steady across most states. Residential for-sale units (townhomes/condos) in Florida experienced rate increases due to limited carriers.	 Flat	Pricing should remain consistent but with continued slight upticks in Florida for-sale residential projects. The results of the 2024 presidential election may have an impact on government-sponsored projects for 2025.
 <b>Limits</b>		Per-carrier limit capacity in the excess liability layers had steadied, but filling out an excess tower on commercial projects in litigious states, such as New York, required many more quota share layers and carriers than in the past.		Overall excess limit capacity is expected to be stable for 2025 in most states. With larger infrastructure projects expected in New York City, there is a potential for carriers to offer higher primary limits of \$10M, but that comes with larger deductibles and potentially unique corridor deductibles. Also in New York City, we may see carrier capacity issues due to the large concentration of commercial infrastructure projects in a small area.
 <b>Retentions</b>		General liability-only wrap-up programs' average retentions were consistent throughout 2024, ranging between \$50,000 and \$100,000, with some smaller projects in favorable states still seeing \$25,000. In New York, minimal risk transfer had been available in 2024, with extremely large retention requirements of \$750,000 to \$1,000,000 for workers' compensation and typically \$3M to \$5M for general liability.		In general, retentions are projected to stay consistent at recent levels with the exception of New York two-line wrap-ups.
 <b>Coverage</b>		In 2024, we did not see any major changes to wrap-up coverage, but some carriers became more flexible in amending exclusions J, K and L of the general liability coverage form. PFAS exclusions became more standard, especially for smaller deals.		Coverage should remain steady for the next 12 months. However, markets continue to require more detail and documents for project submissions. The upside is that carrier feedback and results are better for our clients via a detailed formal wrap-up submission, even for smaller general liability-only programs through wholesale carriers.
 <b>Carrier</b>		<p>Shepherd was approved in most US states to write primary general liability wrap-up coverages for project business and had been extremely competitive, particularly when the general contractor was utilizing Procore technology. Generally, there was more carrier interest in writing various risks across the country. Direct markets considered workers' compensation-only wrap-ups to pair with general liability-only wrap-ups on residential projects.</p> <p>However, in New York, we saw several major carriers for primary/lead excess (Liberty and Zurich) were restricted from writing for clients without existing lines of corporate insurance with the carrier, especially when it involved risk transfer. Carriers writing in Florida for-sale residential had decreased slightly, but ISG offered significantly reduced rates compared to the rest of the market for projects that fit their appetite (&lt; \$20M value per building).</p>		<p>For larger projects where higher excess limits are desirable, we are seeing more domestic and international capacity available. However, there may be capacity challenges when there are many different risks in a concentrated area (New York City infrastructure projects).</p> <p>In early 2025 for New York risks only, Tradesman are expected to be a new carrier entry with a general liability wrap-up product. They will have the ability to write new ground up construction projects for both residential and commercial grade with values greater than \$250M (each project). However, they are not open to renovation projects.</p>
 <b>Claims</b>		Generally, average claims continued to marginally trend up with inflation. In New York, projects utilizing alternative dispute resolution (ADR) are continuing to improve results from a claim perspective compared to non-ADR projects.		For 2025, we're not expecting any major changes to the current trends. While not expected to have an immediate impact, the recent New York indictments of doctors, attorneys and laborers abusing the labor laws, along with the recent Tradesman RICO suit, may impact New York risk pricing, but this is unlikely to make any significant impact for several years.

# Energy

## Energy and Power Generation



## Energy – H2 2024 Summary

### Property

In the energy sector, downstream property markets showed signs of stabilization following substantial rate increases in recent years, with modest rate reductions possible for loss-free accounts. In contrast, the midstream energy segments continued to experience pricing pressure and capacity limitations, especially for traditional energy sources like coal and gas. Market conditions are further shaped by environmental, social and governance (ESG) considerations and regulatory challenges.

The downstream market is displaying greater variability in outcomes, driven by risk quality and larger premium spends in this sector. Insurers are showing increased flexibility for preferred risks that significantly impact top-line growth. Established carriers are actively providing larger lines and competitive discounts to protect their market share and fend off competition from new entrants.

As the reinsurance treaty renewal season approaches, attention is focused on the impact of recent storms, which could disrupt renewal negotiations across the sector. While a challenging renewal season may slow the rate of market softening, competitive pressures are expected to prevent any negative effects from being fully passed on to direct clients.

### Casualty

While we are all tired of hearing it, social inflation, coupled with the corresponding continuation of abnormally large jury verdicts (AKA “nuclear verdicts”) and auto liability losses continue to be major concerns and major underwriting issues for casualty underwriters. While final 2024 overall industry results are still unknown, the projected industry combined ratio for the year is 98.5%, a significant improvement over the 2023 combined ratio of 103%. The insurance companies believe the casualty underwriting discipline instituted at the start of the hard market has helped stem the deterioration of the book of business and needs to continue indefinitely. Primary casualty underwriters are seeking 2% to 5% account

increases. If it is an auto liability-driven account, increases on loss-free accounts are starting from 5% to 10% increase.

The oil field service contractor book of business is being hit particularly hard. Accounts in this segment are experiencing double-digit increases fueled by results and market exodus by several admitted markets.

Excess casualty underwriters continue to seek increases of at least 10%. The drivers behind the increases are the continued increase in the number and the magnitude of large jury verdicts, the potential for catastrophic claims arising from products, and environmental concerns from the use of forever chemicals (e.g., PFAS) either in products or fire fighting. Lead umbrella capacity is still very limited. Excess underwriters sitting above the lead umbrella/excess are continuing to reduce the capacity limits they will offer. On a notational basis, the capacity for excess liability coverage is in excess of \$1B. On a practical basis, the capacity for excess liability coverage is more in the range of \$800M, if you have the cash flow resources to purchase that limit.

### Upstream

Over the past several years, the upstream sector experienced a gradual progression of rate increases. The 2024 underwriting year experienced very few significant claims. While underwriters will continue to pursue underwriting discipline, loss-free accounts are now being targeted by underwriters to ensure the book continues to grow. The targeting of accounts is being led by underwriters looking to become the leaders in the segment. This pressure could lead to some relaxing in the pricing discipline seen over the past few years. There are still some segments of the upstream segment that are giving underwriters heartburn and placing that business is still very difficult. Subsea construction is one of the areas that underwriters are looking to avoid.

With no recent major departures from the upstream market, capacity remains readily available, and carriers are actively looking to grow their presence in the upstream business. Concurrently, the casualty space sees new managing general agents entering, adding an element of dynamism to the market.

### Midstream and Downstream

The midstream industry continues to be a difficult class for the underwriters. Increasing claims costs, large jury verdicts and the difficult ESG policies underwriters find themselves in are creating a tough marketplace. Since there are no new entrants into this market segment, pricing remains difficult. Industry consolidation in the midstream segment will create further stress on pricing, contrary to what would be expected. Ordinarily, reduction in demand and supply constant means pricing should drop according to basic economics; but, because the midstream business has been unprofitable for so many years, underwriters will walk from the business rather than write the business at pricing not viewed as sustainable.

Auto fleet size and type are major underwriting exposures and are driving price. Contracting procedures (master service agreements) between operators and service providers are crucial in handling risk and who is assuming the risk.

The lead umbrella/excess market space has not welcomed any new capacity. There are still too few underwriters to create competition and push premiums downward. The mid-level excess space experienced shrinkage as markets attempt to hold price through reduced supply.

Downstream industry is stable due to the limited number of insureds and the limited number of insurers.

### Oilfield Services

Oilfield services contractors saw no relief as 2024 came to a close. As indicated, the auto liability loss ratio has been a negative for the insurance industry for some time. One of the key industries with adverse performance in the auto liability book is oilfield services.

Lead umbrellas/excess layers are now capped at \$5M, with an occasional exception of \$10M. The need to fill the capacity in is driving program costs upward as the new capacity is looking for the same premiums as the lead.

Policyholders will need to continue demonstrating that they are a better risk than the average risk in their class. Telematics, coupled with workplace and auto safety practices, will need to show measurable results.

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## Power Generation – H2 2024 Summary

### Property

Assuming average fourth-quarter catastrophe activity, further market softening is expected in the coming months. Rate reductions are anticipated to shift into high single digit, as new entrants offer increasingly competitive terms and broader coverage options. Deductibles and waiting periods (for all other perils and turbine-specific machinery breakdown) remain largely unchanged. Additionally, there is a growing preference for simplified quota share structures.

There is ongoing pricing pressure for thermal power plants, particularly as insurers and reinsurers align with ESG standards. Coverage for traditional coal and gas-fired plants remains challenging due to the industry's transition toward renewable energy. The thermal power insurance sector continues to grapple with balancing energy demands, decarbonization pressures and economic feasibility.

Battery energy storage systems rates are continuing to decline as insurers gain confidence in the technology and

site-specific loss control measures, such as improved thermal management, fire suppression systems, gas detection and layout optimization. Enhanced profitability within this occupancy, combined with a relatively stable natural-catastrophe (nat-cat) vulnerability profile, has driven increased underwriter interest. Projects with a proven track record and equipment sourced from reputable manufacturers are now benefiting from rate reductions nearing double digits.

Meanwhile, solar underwriters, along with their reinsurers, remain heavily focused on secondary catastrophic peril (SCS) exposure, given ongoing loss trends. Some carriers are entertaining larger hail limits, but this is forcing smaller signings from the carriers. This is creating opportunity for additional participants on quota share placements.

### Casualty

The power generation market remains stable. That is good and bad news. The good news is the market for power generation is maintaining its capacity and slightly expanding for renewable energy accounts. The bad news is with no new significant entrants in the marketplace, rates are remaining steady, and it is still an underwriters market.

## Energy 2025 Outlook

### Property

For 2025 reinsurance treaty renewals, the property and casualty market is expected to experience generally stable pricing and conditions. Key factors shaping this outlook include a balance of supply and demand, along with insurers' emphasis on maintaining adequate rate levels to address ongoing challenges such as increasing insured losses, social inflation and rising costs related to natural catastrophes.

Following the volatility of prior years, 2025 is expected to see stable or moderately adjusted rates, reflecting a balance of reinsurance supply and demand. The market is cautious due to the lingering effects of high claims activity, but ample capacity and improved capital inflows help temper extreme rate changes.

In addition, with catastrophe losses remaining a key factor, reinsurers may adopt more granular underwriting approaches, focusing on portfolio diversification and risk differentiation. The sustained entry of new players and the expansion of existing markets are likely to amplify competition for lead positions on key treaties, further driving innovation in pricing models and product offerings.

### Casualty

The primary liability capacity continues to be steady. Insurers continue to adhere to strict underwriting profitability, and they appear willing to forgo new written premium goals. The length of this underwriting discipline has not been seen in a

long time. Normally, the demands on generating more gross written premium creates an environment where underwriting discipline is sacrificed. The keys to a successful renewal in 2025 continue to be: underwriting submissions to market at least 90 days before expiration date; face-to-face meetings with interested underwriters; measurable differentiators from similar business; and "lessons learned" and corrective steps for any incurred large loss.

Excess liability capacity has remained stable in 2024. Although concerns about loss development from prior years and loss severity persist, pricing continues to be stable. We anticipate pricing trends to continue, unless there is significant tort reform.

## Power Generation 2025 Outlook

### Property

As thermal power generation remains a key part of the global energy landscape, insurance providers are expected to enhance risk management tools. With increasing regulatory scrutiny and climate risks, insurers will likely develop more sophisticated underwriting models tailored to thermal power plants.

There will be a focus to refine ESG policies. Insurers are expected to further restrict coal-based projects but may support cleaner gas-based generation with transitional underwriting strategies. Parametric insurance and quota share agreements may grow in popularity to manage climate-related risks and simplify underwriting for thermal assets.



















Competition has intensified due to the entry of domestic and regional markets, coupled with significant new London capacity. This has increased pressure on signings, driven the deployment of larger lines and heightened rivalry among incumbents vying for lead market positions on high-profile accounts. The result is more aggressive underwriting of both new and renewal submissions.

### Casualty














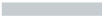

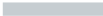








We expect underwriters to continue their disciplined approach and expect rates to increase by low single digits. On individual casualty lines, accounts with large auto exposures will continue to see pricing pressures and should expect increases in the 10% to 15% range. The workers' compensation market remains competitive, flat to single digit reductions are possible. The general liability market will see increases in the 2% to 5% range. The excess liability market will be seeking increases on a basis similar to the general liability market in the lead and mid-level excess. If there is a large auto fleet, the excess increase will mirror the primary auto pricing. Catastrophic excess liability layers will trend in the 5% to 10% range.



## Energy and Power Generation – Property

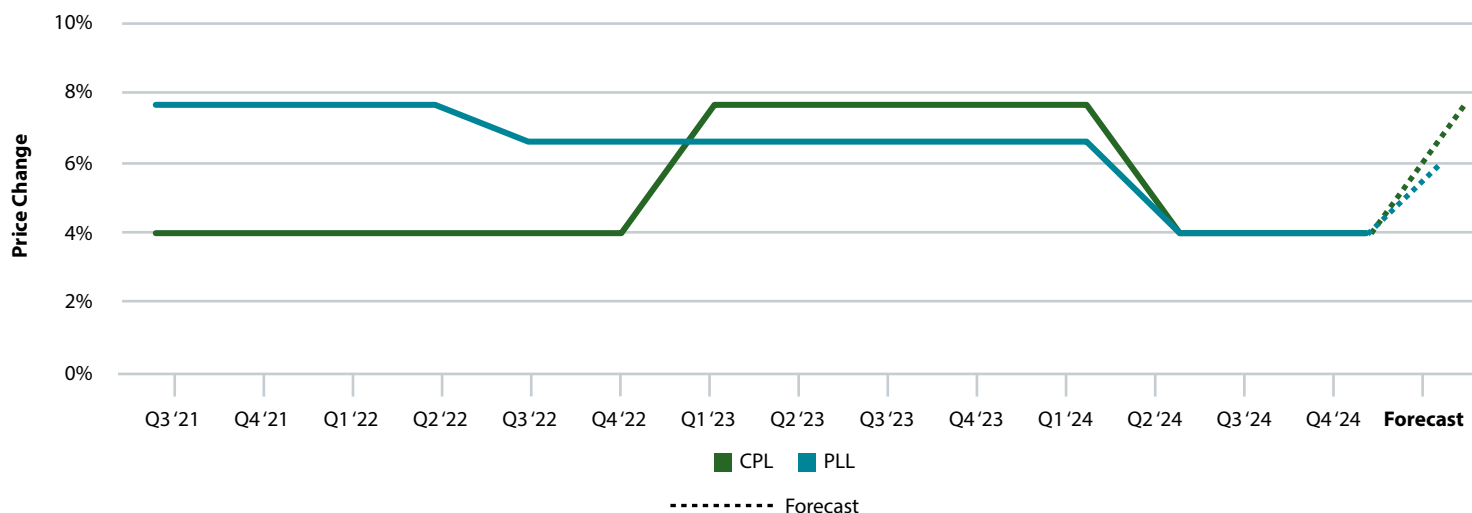
METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -5% to Flat	Insurance pricing trends in 2024 show continued softening for energy sectors. End-of-year renewals seeing pressure on rate.	 -7.5% to Flat	Insurance pricing in 2025 is expected to experience moderate softening across certain energy segments, particularly for loss-free accounts and proven technologies. However, underwriters remain cautious regarding nat cat and SCS exposures, with pricing stability or selective increases likely for high-risk regions or projects involving less-established technologies.
 <b>Limits</b>		Increased carrier capacity allowing for improved terms and limits.		There is an abundance of capacity, which is allowing clients to purchase higher limits.
 <b>Retentions</b>		Levels have reached adequate levels in years past. Property and waiting periods not expecting to face new pressures.		Retentions are at levels that have created profitable years for carriers. Not expecting changes to loss-free renewals.
 <b>Coverage</b>		Increased carrier capacity allowing for improved terms and limits.		Improvements may occur due to excess capacity for nonvolatile or time-element coverages but expecting to remain flat.
 <b>Carrier</b>		Talent continued to shift; new entrants will create competition for clients.		Expecting experienced underwriters to create waves during renewal seasons as they move to different companies and are expected to grow their book.
 <b>Claims</b>		It's been a benign year from losses. Named windstorm season did not impact the energy sector.		Carriers will continue to focus on underwriting discipline to avoid losses that could jeopardize underwriting profitability.

## Energy and Power Generation – Casualty

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 2% to 5%	Single-digit increases were the norm. Underwriters continue to cite inflationary pressure on claims and underwriting expenses.	 2% to 5%	The primary casualty market will continue in the same mode for the foreseeable future. Limits up to \$100M will follow the primary casualty pricing approach. Excess liability pricing for limits above \$100M will trend in the 5% range, assuming no large losses. Auto liability still remains difficult depending on the fleet size.
 <b>Limits</b>		No material change in market capacity.		Capacity is expected to be stable for the next 12 months.
 <b>Retentions</b>	 	Upward pressure to increase retentions continues, particularly for auto fleets.	 	Inflation and large jury verdicts continue to be the main factors for increasing retentions.
 <b>Coverage</b>	 	Underwriters continue to focus on climate and other long-tailed exposures with the goal of avoiding exposures that will duplicate the problems of asbestos, lead and pollution. PFAS exclusions are the market norm.	 	Markets will continue the focus on excluding those exposures which are viewed as being potentially catastrophic.
 <b>Carrier</b>		Market is stable with the exception for oilfield contractors.		The market is stable and should continue as such.
 <b>Claims</b>	 	Claims and claim expenses continue to be impacted by inflation and large jury verdicts.	 	The insurers will continue to push for rate and premium increases to remain profitable.

# Environmental

Contractors Pollution Liability, Site Pollution Liability



## Environmental – H2 2024 Summary

The second half of 2024 remained challenging for deal flow due to uncertainty around political and economic conditions. Post election we did see an increase in deal flow, which we anticipate will remain strong for the foreseeable future.

For environmental due diligence to meet the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) "all appropriate inquiries" standard for liability protection, which is typically performed via environmental site assessments, Phase I reports performed on or after July 8 must now include consideration of PFOA and PFOS. As a result of the change under CERCLA, these chemicals will now be regulated under state programs and will cause many brownfield cases to be reopened because they were not addressed at the time of regulatory closure. One of the main concerns among some trade groups is that the new changes will make it more difficult for banks to lend on properties where the potential presence of PFAS is identified. As a result, we have seen a significant increase in the number of requests for environmental lender liability policies from borrowers in lieu of Phase II site assessments.





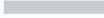
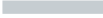



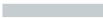



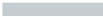






Premium increases are **holding steady** at anywhere from **3% to 5%**, depending on the type of environmental insurance coverage.

More carriers are continuing restrictive coverage for emerging contaminants; however, it is still being handled on a case-by-case basis. Otherwise, the available coverage in the marketplace remains fairly broad.

## Environmental – 2025 Outlook



















We anticipate that deal flow for new environmental transactions will increase with renewed political and economic certainty. There is also a growing awareness of environmental conditions and lack of environmental coverage in other lines. We anticipate an increase in interest for environmental coverage as more people become aware of how environmental issues can impact their transactions and day-to-day operations. This is largely in part due to the awareness we have seen around emerging contaminants and the greater emphasis being placed on environmental issues by commercial lenders. We do expect the commercial lending markets to continue to push the need for environmental insurance as a method of risk transfer.

## Contractors Pollution Liability (CPL)

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 3% to 5%	Abundant capacity continues to pressure rates downward. Practice policies are experiencing slight increases, ranging from 3% to 5% on average.	 5% to 10%	We expect the rate on CPL (contractors pollution liability) to increase anywhere between 5% to 10% over the next 12 months.
 <b>Limits</b>		Limits remain abundant, with most carriers offering up to \$25M in the aggregate.		We expect limit and capacity to remain strong, as this product is desirable for carriers.
 <b>Retentions</b>		A wide range of retention levels are available. Lower retentions are available through online portals for practice policies.	 	Retentions remain stable for practice policies. We are beginning to see a slight uptick in retention levels for project-specific policies.
 <b>Coverage</b>		Coverage remains broad for CPL. Exclusive coverages remain available to NFP, including delay expense, which results from work stoppage caused by known or unknown pollution events.	 	There is greater likelihood of carriers pulling back coverage associated with emerging contaminants.
 <b>Carrier</b>		Mosaic Insurance has entered the market. No carriers have exited the space.		We do not foresee any markets exiting the CPL space, as it remains very profitable.
 <b>Claims</b>		Claim frequency has leveled off for the time being.		We expect that claim frequency will increase over the next 12 months with project restarts and more contractor activity.

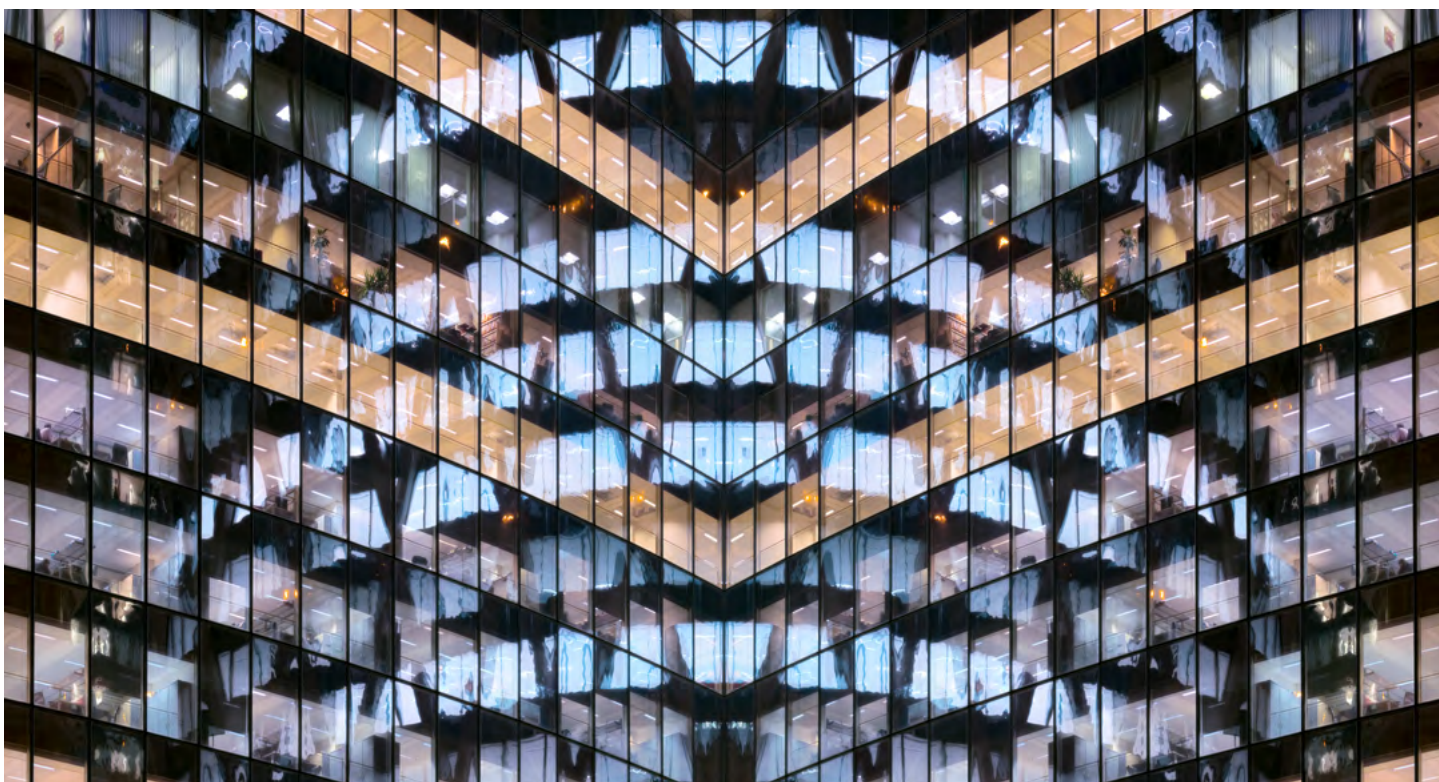


## Site Pollution Liability (PLL)

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 3% to 5%	Renewal policies continue to see modest increases in pricing.  Transactional placements are experiencing an uptick in pricing when meaningful coverage is provided.	 5% to 7%	Markets will continue to approach business selectively and will actively pursue low-risk/low-premium placements, which will have a downward pressure on renewals. Market interest for long-term transaction placement is decreasing, causing upward pricing pressure.
 <b>Limits</b>		Ample limits are available for most risks. There is abundant capacity in the marketplace with new carrier entrants. Heavily contaminated sites posed for redevelopment have ample but smaller market interest. Quota share arrangements and layered approaches provide most limits for complex or less desirable placements.		Availability of limits is expected to increase for shorter-term placements — five years or less, for example. Arranging higher limits for long-term placements will become increasingly difficult.
 <b>Retentions</b>		Retentions have remained generally static. Less challenging risks have smaller retentions of \$25,000. More complex remediation and redevelopment risks are north of \$100,000 per pollution event.		Less environmentally exposed risks are not seeing changes in retentions. Other, more complex risks, such as redevelopments, are being challenged by carriers to accept higher retentions.
 <b>Coverage</b>		Restrictions associated with PFAS will remain an issue for the foreseeable future. Underwriters are still applying them as needed and are becoming more widespread among carriers. Clients should also pay close attention to 1,4-Dioxane and microplastics as we anticipate potential coverage issues.		Handling remediation coverage knowns versus unknowns and crafting coverage accordingly is becoming increasingly difficult. We continue to see increasing focus on excluding all expenses within the boundaries of remedial action work plans. Broader coverage remains for purchasers of brownfields. Greater restrictions around mold and other indoor air quality-related claims are likely.
 <b>Carrier</b>		Mosaic Insurance has entered the site pollution space and has already begun writing very competitive coverage.		No significant changes expected in the next twelve months.
 <b>Claims</b>		We anticipate an uptick in claims now that the EPA has declared PFAS a hazardous material under CERCLA.		The EPA has added PFAS as a hazardous material under CERCLA. As such, we expect claims activity to increase in the coming months as old cases get reopened and new cases emerge.

# Financial Institutions

*Commercial Banks, Investment Management, Insurance Companies, Loan Portfolio*



## Financial Institutions – H2 2024 Summary

The second half of 2024 saw continued stability in most areas of the financial institutions space. There remains pricing pressure in the market across the board on both primary and excess placements. The investment management sector is where we've seen the most aggressive rate pressure, regularly seeing significant market interest and double-digit rate decreases in some cases. The bank and insurance company sectors saw general stability but continue to exhibit rate pressure as warranted by underwriting profile. Excess rates continued to show strong downward trends, driven by market competition and readily available capacity. The retention environment remained mostly stable as well — with the most pressure evident again on our investment management book.

That said, underwriters did remain focused on key areas in the second half of the year. In the banking space, continued scru-

tiny was had on the interest rate environment and associated bank profitability, credit concentration/commercial real estate (CRE) and bank funding sources. Some of these factors saw improvement toward the end of this year but will continue to be monitored moving forward. Insurance company underwriters were focused on bad faith exposures (both claims activity and the potential for rising costs of verdicts) and underlying performance of their P&C insureds. The investment management space saw some diminished scrutiny and increased appetite around historically more difficult classes such as managers with exposure to cryptocurrency, private credit or highly leveraged strategies.

NFP continued to push on coverage over the course of the second half of this year with a strong success rate. Carriers continued to be willing to engage in coverage discussions as a way to differentiate their offerings in this competitive landscape. Driving a competitive bidding process across our financial institutions (FIs) portfolio helped to leverage market conditions and enhance client insurance programs across the board (pricing, retention and coverage).

Cyber and FI bond coverages **remained a focus** and should continue to be, as FIs continue to be **targeted for increasingly sophisticated** fraud activity.

FIs should remain vigilant in their awareness of, protection against, incident response plans for and employee training specific to these types of attacks.

Regulatory enforcement activity remained elevated in the back half of 2024. While enforcement actions were relatively consistent, total amounts of fines and penalties levied remain at record highs. This will continue to be monitored given the administration change in Washington and anticipated shift in regulatory strategy at the federal level. It is important to remember that 2024 federal court activity, including the Supreme Court's reversal on deferring to federal agencies to clarify laws passed by Congress, could still drastically change the regulatory landscape. Rising defense costs and inflation (social and actual) are expected to continue to drive claims costs upward.

### **Banks and Credit Unions**

Financial lines pricing remained stable with some decreases for banks and credit unions with strong risk profiles. Directors and officers (D&O), bankers professional liability (BPL) and employment practices liability (EPL) have historically been the main drivers in overall pricing, and all three remain stable. Cyber liability and cyber crime (FI bond) continue to be a focus, and the market for cyber liability has experienced a softening period following the hard market conditions prior to 2023.

The bank insurance market is expected to remain stable and may see a slight softening in 2025. Profitability has been a significant challenge for banks as the elevated interest rates have increased funding costs and squeezed net interest margins. Recent cuts in interest rates, with an additional drop of 50 basis points expected in 2025, should boost loan demand and stimulate earnings. Underwriting will continue to focus heavily on credit concentration (CRE in particular), capital ratios and bank funding sources (i.e., attention to brokered deposits). Excess capacity remains plentiful, which should continue to put pressure on excess pricing.

The market is slowly showing signs of expansion due to increased competition and pressure by newer insurers, especially on excess capacity. After relatively consistent coverage and terms since 2020, an increase in overall primary appetite and overall competition has led to coverage enhancements on strong risks. Although there is still uncertainty surrounding the underwriting factors mentioned above and the potential for increased litigation, we expect enhancements of coverage terms and conditions to be more available. This will primarily be driven by the competitive bid process and an increased appetite for primary risk.

Retentions remain stable but have not trended downward. Increased competition has continued to pressure-test this trend but did not have a material effect in the second half of 2024. While specific deals may warrant retention decreases, we do not expect any material or consistent downward movement until claims frequency sees a notable dip. Retentions are expected to stay at current levels. Certain banks may be willing to entertain higher retention options if premium deltas warrant a change. Most carriers will make that trade if requested but are not expected to view the market as broadly warranting retention decreases in the coming year.

Overall, claims activity remains elevated. Claims for BPL errors and omissions (E&O), EPL and D&O remain the loss leaders in the commercial bank space. FI bond claims related to computer systems fraud (e.g., social engineering, diverted wire transfers), check forgery and unauthorized signature have been on the rise over the last two years. Social engineering claims also continue to impact banks, their vendors and their customers. Recent suits against two financial services groups have elevated carriers' focus on D&O exposures. Mergers and acquisitions (M&A) should remain muted but could tick up as banks are forced to reevaluate loan portfolios and capital levels, potentially driving claims volume.

### **Investment Management**

We continued to achieve positive renewal results in the second half of 2024 for many of our investment manager clients, and we expect that trend to continue heading into 2025. While the current soft market is not necessarily seeing price adjustments as significant as we have seen in the past, this is likely because recent price increases prior to the market environment turning soft were also somewhat muted. The investment management space remains relatively profitable for carriers, and we expect that markets will continue to compete aggressively to write these types of risks.

Insurers are showing increasing willingness to provide lower retentions as well as decreasing increased limit factors (ILFs) on excess layers. Where a year or so ago first excess ILFs were typically in the high 60% or low 70%, we are generally achieving ILFs that can dip into the 50% range currently. Willingness to take lower retentions and ILFs is seen more broadly for smaller investment managers, with the larger firms (\$50B+ assets under management [AUM]) staying more consistent to prior cycles. In addition, the broadest terms are generally available to a larger group of clients. While there has not been any revolutionary expansion of coverage brought to market by any insurer lately, most are now willing to provide significant enhancements such as informal investigation and interview coverage for most risks. We also do not see as many restrictions to coverage around EPL or proprietary fund fiduciary liability coverage as we had seen in the recent past. We continue to see underwriters exhibit appetite for risks with nonstandard investment strategies as well. Whereas previous-



ly only a limited number of markets may have been willing to quote strategies that included exposure to cryptocurrency, private credit or highly leveraged strategies, the markets are more willing to provide creative solutions for these risks presently.

With competition so fierce in this space, we are eager to see the annual growth figures for both 2024 and projections for 2025 at our carrier partners, in particular some of the newer entrants. Given that a number of new insurers have entered the market in the past few years, it remains to be seen if the shrinking premium pool will be deep enough for all to hit their growth targets. A shrinking of capacity or potential systemic claim issue are perhaps the only way that the demand for investment management risks will diminish for the foreseeable future.

Perhaps the biggest area of potential change in the investment management space is on the regulatory oversight front. With the change in administration in Washington, and the expected lessening of regulatory scrutiny, it is anticipated that we may see a decrease in claims frequency if not severity. The list of risks for investment managers remains lengthy regardless of the regulatory climate, and it will take some time to walk back regulatory requirements in any case. Our clients should remain vigilant in their compliance efforts. Inflation, both social and actual, will continue to impact claim severity.

### Insurance Companies

Primary pricing for insurance company financial lines placements remained stable in the second half of 2024. Pricing is highly dependent on class of insurance company, retention levels and recent claims activity. The excess market has proven softer than primary due to a combination of newer entrants and overall market competition. Retentions have remained the focal point for carriers writing this class of business; in particular with ICPL coverage. Overall, retentions have remained flat with certain pockets of potential decreases (for select subclasses or the right risk profile) as well as pockets of increase (e.g., specific to bad faith or sales and marketing claims). Retentions on the other financial lines coverages remain flat with potential for downward movement in certain circumstance.

Capacity deployed in this space has also remained stable, with carriers showing consistent interest in insurance company programs while remaining selective in their underwriting. The primary market was limited, particularly for insurance company professional liability (ICPL) coverage, as it was throughout 2024 and prior. Dependent on class of insurance company, however, carriers have shown a willingness to consider higher limits (mostly excess) for the right risks. Excess capacity is readily available in most cases, with excess participations targeted due to historically elevated pricing in this space.

Carriers in the FI market in general continued to entertain coverage improvements in 2024. That has mostly translated to

the insurance company space, again with heightened focus/hesitancy to amend coverage on ICPL exposures. Market conditions continued to warrant an emphasis by NFP on areas of improvement in coverage. Carriers monitored the underlying performance of their insurance company clients and kept an eye on certain key trends, including but not limited to applications of artificial intelligence in the space, P&C client performance (e.g., exposure to catastrophe-prone geographies, increased replacement costs), and bad faith exposure driven by state-by-state interpretations and potential nuclear verdicts.

The global marketplace saw a slowdown of new entrants in 2024. We saw corrective action being taken by certain carriers on their insurance company portfolio, while also seeing a handful of legacy insurers becoming more competitive in this space for certain targeted subclasses. ICPL remains a barrier to entry on the primary level. Excess carrier appetite remains strong and London continues to be an important market in this space.

Claims trends in the insurance company space were consistent throughout 2024. The volume of insurance company claims was stable, with costs continuing to trend upward. The majority of claims activity stemmed from bad faith claims-handling matters.

### Loan Portfolio

Pricing on the real estate portfolio continues to rise, driven by primary carriers retreating from residential markets, limited reinsurance capacity and higher replacement cost values. These challenges are further compounded by the impact of catastrophe losses. Mortgage impairment rates continue to remain stable for now. Auto loans have experienced elevated delinquency rates in recent months. Pricing on the auto lenders' single-interest side appears to be stabilizing following previous increases driven by these trends.

In the less-significant institutions space, **deductibles are on the rise**. The once-popular \$0 deductible option is **gradually being phased out**, with larger lenders opting for **higher deductibles** to assume more risk and reduce costs.

Separate deductibles per coverage type are also being introduced to better manage losses. In real estate, lenders are prioritizing catastrophic loss mitigation over small repairs, further driving up deductibles. Larger lenders, particularly those in the CRE sector, are expected to adopt even higher deductibles to counter escalating rates.

Carriers are maintaining strong interest in mortgage hazard and impairment insurance, especially as they analyze investor schedules. On the auto side, however, rising delinquencies and

defaults are prompting carriers to scrutinize portfolios more closely. While appetite for mortgage-related coverages remains stable, carrier interest in auto portfolios is becoming more selective, reflecting loss trends and escalating delinquency rates.

Auto-related loss trends are shaping carrier appetites. The frequency and severity of claims show no signs of slowing, suggesting further adjustments to rates and underwriting practices. Some markets are pulling back from auto portfolios due to persistent delinquency challenges.

Physical damage claims in auto insurance are increasing, driven by the rising costs of replacement parts. Skip claims remain a challenge as delinquency rates climb and skip-tracer find rates decline, hindered by industrywide staffing shortages. Additionally, high car payments and unaffordable premiums are putting financial strain on borrowers, contributing to an uptick in filed claims. In the real estate sector, claim activity is being driven by higher delinquency and foreclosure rates.

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## Financial Institutions – 2025 Outlook

The global insurance marketplace is expected to remain competitive in 2025, after exhibiting stable and (in some cases) downward rate pressures in 2024. The anticipated changes in regulatory approach due to the administration change in Washington will likely be viewed favorably by the market, with the anticipation of a potential decrease in associated claim activity. NFP expects carrier stances on retention and coverage to remain consistent heading into 2025 as well, and we will continue to push on those factors while softer market conditions persist.

The bank insurance market is expected to remain stable and may see a slight softening in 2025. Profitability has been a significant challenge for banks as the elevated interest rates have increased funding costs and squeezed net interest margins. Recent cuts in interest rates, with an additional drop of 50 basis points expected in 2025, should boost loan demand and stimulate earnings. Underwriting will continue to focus heavily on credit concentration (CRE in particular), capital ratios and bank funding sources (i.e., attention to brokered deposits). Excess capacity remains plentiful, which should continue to put pressure on excess pricing.

As the investment management space is traditionally one of the more profitable parts of underwriters' books, we expect appetite for these risks to continue to drive premium savings. As we move into the first half of 2025 and budgetary pressures persist, the expectation is that underwriters will continue to chase these deals with diminishing premiums.

With respect to insurance companies, we expect the 2024 pricing trends to continue into 2025. Pricing is expected to

remain steady on primary and competitive on excess, with savings achievable on the right underwriting profiles and particularly on excess attachments. On the underwriting side, ICPL remains the biggest focus, with a keen eye on appropriate retention levels and the potential for increasingly large claims payment activity specific to this coverage.

For loan portfolio coverage, moderate rate increases are expected to persist in the real estate sector as the market adjusts to shifts in primary markets, the impact of catastrophic events and the potential for an economic recession. In auto insurance, rates are projected to continue climbing due to growing losses and rising delinquency rates. Carriers are responding by pursuing higher rates and deductibles to mitigate anticipated losses.

Claims volume across NFP's FI portfolio in 2024 surpassed 2023 activity levels, and we expect more of the same in 2025. The FI portfolio saw the bulk of its claim activity from EPL and cyber/FI bond coverages, while overall E&O activity slowed. Fraud-related claims such as social engineering, business email compromise and check-fraud claims will remain prevalent, and we strongly recommend all FIs remain vigilant in their awareness of, protection against, incident response plans for and employee training specific to these types of attacks.



















Regulatory enforcement activity will be a key area of focus in 2025, given the impending changes associated with an administration change in Washington. The expectation is that there will be a push for less "regulation by enforcement" and an increased focus on protection of individuals. A shift in view on digital currency could also have a significant impact in the FI space, along with the already-evidenced pullback in focus on diversity, equity and inclusion and on environmental, social and governance initiatives. In addition, the rapid advances being made in artificial intelligence – both as a proactive tool for our clients and as an ever-enhanced fraud tool for bad actors – could change the risk landscape over the coming year. It is yet to be seen how these changes will impact claims activity into 2025, but we will be monitoring these topics and more very closely as such changes are enacted.



## Commercial Banks

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -10% to 10%	Financial lines pricing remained stable with some decreases for banks and credit unions with strong risk profiles. Historically, D&O, BPL and EPL have been the main drivers in overall pricing, and all three remained stable. Cyber liability and cyber crime (FI bond) continue to be a focus, and the market for cyber liability has experienced a softening period following the hard market conditions prior to 2023.	 -5% to 5%	The bank insurance market is expected to remain stable and may see a slight softening in 2025. Profitability has been a significant challenge for banks as the elevated interest rates have increased funding costs and squeezed net interest margins. Recent cuts in interest rates, with an additional drop of 50 basis points expected in 2025, should boost loan demand and stimulate earnings. Underwriting will continue to focus heavily on credit concentration (CRE in particular), capital ratios and bank funding sources (i.e., attention to brokered deposits). Excess capacity remains plentiful, which should continue to put pressure on excess pricing.
 <b>Limits</b>		With the appropriate underwriting information, we continued to see some carriers more willing to offer larger limits on bank programs in some cases. Some key sublimits remain prohibitively low (e.g., social engineering fraud on the financial institution [FI] bond) as claims frequency remains an issue.		We expect this trend to continue into next year, with capacity increases on both excess and primary. Some key sublimits will likely remain restricted as some specific types of claims continue to exhibit higher frequency.
 <b>Retentions</b>		Retentions remain stable but have not trended downward. Increased competition has continued to pressure test this trend but did not have a material effect in the second half of 2024. While specific deals may warrant retention decreases, we don't expect any material or consistent downward movement until claims frequency sees a notable dip.		Retentions are expected to stay at current levels. Certain banks may be willing to entertain higher retention options if premium deltas warrant a change. Most carriers will make that trade if requested but are not expected to view the market as broadly warranting retention decreases in the coming year.
 <b>Coverage</b>		We recently exited a five-year sustained hard market and, as a result, the market has shown signs of expansion with an increase in overall primary appetite. With an increase in carrier interest in commercial bank risk, it has led to a competitive marketplace, resulting in broadened terms and conditions. Since the end of Q2 2024, coverage terms and conditions have broadened through competitive carrier negotiations.		Although there is still uncertainty surrounding the underwriting factors mentioned previously (CRE, marijuana-related business, crypto) and the potential for increased litigation, we expect enhancements of coverage terms and conditions will continue for strong risks. This will primarily be driven by the competitive bid process and an increased appetite by primary insurers.
 <b>Carrier</b>		Since Q2 2020, several notable carriers that have occupied primary positions in the bank market have taken a more conservative stance on quoting new business. That said, most traditional bank markets remain committed to the space. This, combined with new capacity entering the market over the past 12 – 24 months, has led to increased competition.		Volatility in the market has led to a reshuffling of the carrier mix on many bank programs over the last several years. While not expected in the near term, we do think newer carriers will stand ready to be opportunistic in entering the bank space or dropping down on programs should capacity be needed.
 <b>Claims</b>		BPL, EPL and D&O claims remain the loss leaders in the commercial bank space. FI bond claims related to computer systems fraud (e.g., social engineering, diverted wire transfers), check forgery and unauthorized signature have been on the rise over the last two years. Social engineering claims also continue to impact banks, their vendors and their customers.		Overall, claims activity remains elevated. Mergers and acquisitions should remain muted but could tick up as banks are forced to reevaluate loan portfolios and capital levels, potentially driving claims volume. From a fraud perspective, social engineering and business email compromise claim volume continue to trend upward. We have seen an uptick in de novo institutions in the organization stage.

## Investment Management

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -15% to 0%	<p>We continued to see softening pricing in the investment manager space. While decreases are not as severe as we have seen during some previous soft market cycles, for risks that have not been marketed in some time or that demonstrate significant improvement in risk profile, substantial decreases have been achieved in many cases. For asset managers with AUM of \$50B or higher, rate changes are closer to flat in many cases.</p>	 -15% to 0%	<p>As the investment management space is traditionally one of the more profitable parts of underwriters' books, we expect appetite for these risks to continue to drive premium savings. As we move into the first half of 2025 and budgetary pressures persist, the expectation is that underwriters will continue to chase these deals with diminishing premiums.</p>
 <b>Limits</b>		<p>We have seen underwriters' willingness to deploy capacity for investment advisory risks continue to expand, particularly for the E&amp;O/D&amp;O part of the exposure. We have seen more interest from the markets in providing larger limits lower on programs, as well as renewed desire to provide ventilated limits on larger programs.</p>		<p>We continue to expect that carriers will be willing to provide growing capacity in this part of the market. In addition, we have seen fewer restrictions on providing EPL and fiduciary capacity to investment adviser risks (at least when blended with the E&amp;O/D&amp;O), and do not expect that to change in the coming months.</p>
 <b>Retentions</b>		<p>Retentions have continued to come down on many risks, especially for those that have carried higher retentions through recent renewals. Insurers are quoting new risks with aggressively low retentions in many cases. Again, for asset managers with AUM of \$50B or higher, retentions have stayed closer to expiring.</p>		<p>Retentions have been moving lower, and this trend is expected to remain, including with respect to retentions for EPL and proprietary fund fiduciary coverage. As pricing approaches minimum premiums, carriers will look to compete in other ways, including with lower retentions, particularly on those asset managers below the \$50B+ AUM threshold mentioned previously.</p>
 <b>Coverage</b>		<p>We have seen carriers willing to offer their broadest coverage to a wider swath of the investment adviser space. While we have not seen any revolutionary coverage enhancements hit the market recently, more clients are being offered enhancements like informal investigation and interview coverage that were previously only offered to clients with more pristine risk profiles.</p>		<p>We expect that carriers may look to further push the envelope regarding enhanced coverage in the coming months. This space is extremely competitive, and as such markets will need to find new ways to differentiate their product offerings.</p>
 <b>Carrier</b>		<p>The investment management space is generally over-subscribed with markets. As this part of carriers' books remains relatively profitable, most carriers already have a product offering and are looking to compete on most risks.</p>		<p>Given the competition in the marketplace, we are eager to see the annual growth figures for both 2024 and projections for 2025 at our carrier partners. It remains to be seen if the shrinking premium pool will be deep enough for all to hit their growth targets. As a result, it would not be a surprise if the roster of available markets starts to shrink in the next 12 months.</p>
 <b>Claims</b>		<p>Regulatory expansion and a general litigious environment has continued to push claims frequency higher. In addition, inflationary pressures continue to weigh on the overall cost of claims to our clients.</p>		<p>Given the upcoming administration change in Washington, and the expected resulting diminished focus on regulatory oversight, we are hopeful that claims frequency, at least on the regulatory side, will start to abate.</p>

## Insurance Companies

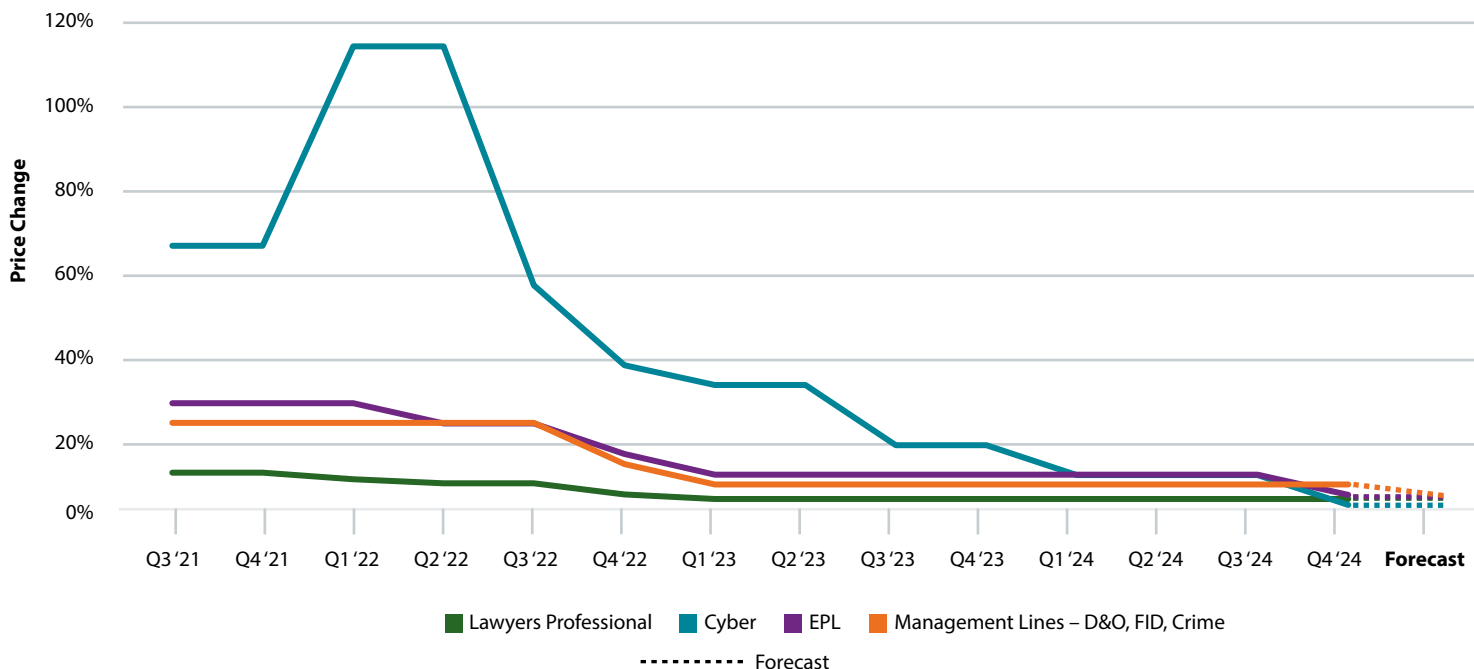
METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -10% to 5%	<p>Primary pricing for insurance company financial lines placements remained stable in the second half of 2024. Pricing is highly dependent on class of insurance company, retention levels and recent claims activity. The excess market continued to be softer than primary and is reflected in the lower of the indicated pricing range, due to a combination of newer entrants and overall market competition.</p>	 -10% to 0%	<p>We expect the 2024 pricing trends to continue into 2025. Pricing is expected to remain steady on primary and competitive on excess, with savings achievable on the right underwriting profiles and particularly on excess attachments.</p>
 <b>Limits</b>		<p>Capacity deployed in this space also remained stable. The primary market is limited (particularly for ICPL coverage) but, dependent on class of insurance company, carriers have shown willingness to consider higher limits (mostly excess) for the right risks. Excess capacity is readily available in most cases, with excess participations targeted by certain carriers due to historically elevated pricing in this space.</p>		<p>Underwriting and capacity deployment are expected to be more of the same in 2025. Carriers will continue to show interest in potentially larger excess layers but will remain selective on primary, particularly with ICPL capacity. Limits for supporting lines of coverage such as EPL and fiduciary liability will remain viewed as complementary to the main D&amp;O and ICPL exposures.</p>
 <b>Retentions</b>		<p>Retentions continued to be one of the most (if not the most) important factors for the carriers writing this class. Retention levels have proven stable, with carriers willing to entertain lower retentions for the right risks. We have seen pockets of increased retentions that are industry- and coverage-specific (e.g., increased bad faith retentions for auto insurers; life insurers seeing higher retentions specific to sales and marketing).</p>		<p>Looking ahead to 2025, our expectation is for retention levels to remain a key focus for the carriers. ICPL will be the main point of focus, with consideration for slight softening for select classes but more commonly flat or increased retentions for certain exposures. Retention levels could see softening for the non-ICPL financial lines.</p>
 <b>Coverage</b>		<p>No significant changes to coverage were apparent in the second half of 2024 specific to insurance companies. Carriers in the FI space in general continued to be more willing to discuss coverage improvements and enhancements.</p>		<p>Coverage is projected to maintain stability for 2025, with carriers continuing to be willing to entertain amendments if warranted on the right risks. It will be important to continue to focus on key areas of coverage to ensure policies will respond appropriately in a claims scenario. Funds transfer/social engineering will remain a focus on bonds.</p>
 <b>Carrier</b>		<p>The primary market remained limited in the second half of 2024. Select carriers have undergone re-underwriting of their insurance company portfolios while others are selectively targeting certain risk profiles. ICPL remains a barrier to entry on the primary level. Excess carrier appetite remains strong, and London continues to be an important market in this space.</p>		<p>While there is always the possibility of underwriter movement, we project carrier appetite to remain stable in 2025. Carriers will remain selective on primary lines with certain pockets of targeted aggressiveness. Excess capacity providers will remain abundant. That said, we will continue to monitor performance of some of the newer entrants given the crowded excess marketplace.</p>
 <b>Claims</b>		<p>Claims trends in the insurance company space were consistent throughout 2024. The volume of insurance company claims was stable, with costs continuing to trend upward. The majority of claims activity stemmed from bad faith claims handling matters.</p>		<p>The D&amp;O claims environment will be one to watch, given the incoming regulatory regime changes and uncertain (but relatively active for insurance companies) M&amp;A space. Bad faith will remain the main ICPL concern. Carriers will monitor the potential for nuclear verdicts based on state-by-state bad faith interpretations, as well as trends with third-party litigation financing.</p>

## Loan Portfolio – Lenders Single Interest, Mortgage Impairment, Mortgage Hazard

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 5% to 10%	<p>Pricing on the real estate portfolio continued to rise, driven by primary carriers retreating from residential markets, limited reinsurance capacity and higher replacement cost values. These challenges are further compounded by the impact of catastrophe losses. Mortgage impairment rates continue to remain stable for now.</p> <p>Auto loans have experienced elevated delinquency rates in recent months. Pricing on the auto lenders' single-interest side appears to be stabilizing following previous increases driven by these trends.</p>	 5% to 10%	<p>Moderate rate increases are expected to persist in the real estate sector as the market adjusts to shifts in primary markets, the impact of catastrophic events, and the potential for an economic recession.</p> <p>In auto insurance, rates are projected to continue climbing due to growing losses and rising delinquency rates. Carriers are responding by pursuing higher rates and deductibles to mitigate anticipated losses.</p>
 <b>Limits</b>	 —	<p>Mortgage hazard property insurance limits up to \$5M remain the standard, while mortgage hazard liability limits of \$1M per occurrence and \$2M annual aggregate are typical. However, capacity is available for higher limits to accommodate commercial lenders' needs.</p> <p>Lenders single-interest standard limits sit at \$100,000 limit per collateral type, while the amount financed can exceed this limit. As car values continue to increase, we are seeing limits closer to \$150,000.</p>	 —	<p>No significant changes are anticipated in the residential real estate sector. However, commercial properties are expected to experience increases, driven by continued market volatility.</p> <p>We continue to see increases on our lenders single-interest side of the book, with limits up to \$150,000 to \$250,000, depending on the type of collateral.</p>
 <b>Retentions</b>	 —	<p>Mortgage hazard property and flood deductibles remained stable, with deductibles ranging from \$1,000 to \$10,000 typically being available and higher deductibles being available, depending on the insured's size and risk appetite.</p> <p>Lenders single interest typically runs at a \$0 deductible, but with the rising cost of collateral/repair, we have seen these deductibles range from \$0 to \$10,000.</p>	 —	<p>Higher deductibles are expected to remain a trend, particularly in the CRE sector with higher limits, as a way to offset rising rates.</p> <p>In lenders' single-interest policies, deductible increases are anticipated to continue, with the \$0 deductible option gradually being phased out. Additionally, offering separate deductible options for each coverage type is under consideration to better manage losses.</p>
 <b>Coverage</b>	 —	<p>Coverage availability and terms remained stable.</p>	 —	<p>Coverages will continue to remain standard with no material changes.</p>
 <b>Carrier</b>	 —	<p>Insurers remain highly engaged in mortgage hazard and mortgage impairment, with a strong focus on evaluating investor schedules.</p> <p>On the auto side, insurer interest is increasingly scrutinized as rising borrower delinquencies and defaults prompt closer analysis.</p>	 —	<p>Carrier interest in mortgage-related coverages is expected to remain steady.</p> <p>On the auto side, carrier appetites are closely tied to loss trends. With claim frequency and severity showing no signs of slowing, adjustments in appetite and rates are anticipated. Additionally, some markets are showing reduced interest in auto portfolios due to the ongoing rise in delinquencies.</p>
 <b>Claims</b>	 —	<p>Real estate claims frequency and severity continue to remain stable.</p> <p>Auto claims continue to see a high volume of physical damage and skip claims as auto delinquencies continue to rise.</p>	 —	<p>Real estate claim frequency and severity are expected to remain stable.</p> <p>In contrast, auto claims are projected to persist at elevated levels in both frequency and severity. With auto delinquencies reaching all-time highs, increases in physical damage and skip claims are anticipated.</p>

# Law Firm Practice

*Lawyers Professional Liability (E&O), Cyber for Law Firms, Employment Practices for Law Firms, Management Lines for Law Firms (D&O, Fiduciary and Crime)*



## Law Firm Practice – H2 2024 Summary

### 2024 Law Firm Trends

- Artificial intelligence and generative AI were hot topics in 2024 and will remain so in the coming year. Law firms that do not integrate legal AI for tasks like document review and drafting are likely to fall behind their competitors. Insurers will keep a close eye on trends related to how AI impacts law firms from a risk management standpoint.
- Cybersecurity threats facing law firms are evolving and will remain a significant concern in the months and years to come. From electronic attacks to phishing and spoofing schemes, law firms must enhance their vigilance to protect against these risks.
- The severity of malpractice claims against law firms has reached unprecedented levels. While the frequency of reported claims has remained stable, the increasing size of these claims is drawing heightened attention from insurers.

### Cyber for Law Firms

The cyber insurance market for law firms saw notable improvements for policyholders in the latter half of 2024, largely due to increased market capacity. Cyber insurance rates have stabilized and are beginning to decline, even as law firms continue to face persistent cybersecurity threats. Ransomware, phishing and spoofing attacks remain significant challenges as these firms work to safeguard client data.

### Employment Practices for Law Firms

Employment practices liability (EPL) coverage for law firms remained stable in the second half of 2024, with rates holding steady. This trend is expected to continue into 2025. Law firms will need to focus on key areas such as diversity, equity and inclusion; long COVID-19; employee engagement and the dynamics of remote work.

### Other Management Lines (D&O, Fiduciary and Crime)

In the second half of 2024, insurers concentrated on limit and retention structures to promote risk-sharing. Claims activity in these segments was influenced by social engineering and business email compromise. Pricing increases during this period continued to vary, ranging from 0% to 10%.



## Law Firm Practice – 2025 Outlook

### Lawyers Professional Liability (E&O)

The lawyers professional liability market remains highly competitive as we enter 2025. The influx of new capacity over recent years has contributed to a more dynamic market environment. Insurers will continue to prioritize limits management for their portfolios while seeking to increase them. Rates are relatively stable for firms with clean loss histories, but this may not hold true for those with adverse track records. Generative AI and cybersecurity will remain major areas of concern for law firms. The trend of increasing claims severity is expected to be a significant topic for underwriters. Consequently, firms with substantial claims may face rate hikes exceeding 20%.

### Cyber for Law Firms

The cyber insurance market for law firms is expected to remain stable in 2025, with most firms seeing relatively flat renewals. This positive shift is driven by new insurers entering the market and a steady improvement in cybersecurity practices across the legal industry. However, law firms are still considered a high-risk sector, and only a select group of insurers are willing to consider them. Claims stemming from ransomware attacks, business email compromises (BEC), data breaches and more are expected to remain prevalent, emphasizing the ongoing need for enhanced cybersecurity standards across the board. Overall, while law firms may benefit from slightly more favorable renewal terms, the industry will continue to prioritize strong cybersecurity defenses to manage persistent threats effectively.

### Employment Practices for Law Firms



















In 2025, the EPL insurance market is expected to see largely flat pricing, with minimal increases or decreases for most policyholders. However, insurers will likely show limited appetite for certain high-risk industries or companies with a history of claims. Coverage options may also vary based on geographical limitations, as certain regions with higher litigation rates may face stricter underwriting. On a positive note, policy language is expected to improve, offering clearer terms and more precise definitions of covered events, which will help policyholders better understand the scope and limitations of their coverage.

### Other Management Lines (D&O, Fiduciary and Crime)



















In 2025, the management liability insurance market for law firms is expected to experience flat pricing, with premiums holding steady for most firms. However, insurers are showing limited appetite for writing policies in this sector due to the high-risk profile associated with law firms. This caution is driven in part by a high volume of claims related to funds transfer fraud and social engineering, which continue to be significant challenges for the industry.





















## Lawyers Professional Liability (E&O)

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 3%	The market remains competitive, with rates nearly flat closing out the second half of 2024. Law firms with a clean loss history will see favorable rates, while firms with substantial losses could see their rates impacted more adversely.	 0% to 3%	Pricing is expected to continue to remain stable heading into 2025. Increased capacity has helped lead to a healthy market environment.
 <b>Limits</b>		Most carriers are capping primary limits at \$5M, with a few still willing to offer \$10M. Quota share options continue to rise in popularity. Excess limits are still widely available up to \$10M in capacity, depending on attachment point.		A conservative approach to primary limits is expected to continue, as is the increased utilization of quota shares to manage carrier risk.
 <b>Retentions</b>		Carriers have increasingly focused on matching the size of the retention with revenues and size of firm, particularly in the middle market to large firm space.		More carriers are expected to shift their focus to revenue and attorney count to determine adequate retention for firms.
 <b>Coverage</b>		Coverages for this line of insurance have remained relatively stable. Some carriers continue to increase add-in coverages, with low sublimits (subpoena, crisis management) becoming standard.		Artificial intelligence continues to be a talking point as carriers are beginning to wrap their arms around this technology and how it relates to their policies issued. We will be monitoring this trend throughout 2024.
 <b>Carrier</b>		Market capacity continues to increase within the lawyers professional liability space, with new carriers entering the space.		We expect the addition of new capital and capacity in the market to slow down heading into 2025 compared to the significant growth in the prior few years.
 <b>Claims</b>		Severity of claims continues to rise, driven by higher defense costs and larger deals with more sophisticated clients. Frequency has stabilized or decreased due to the slow-down in litigation and related areas.		Carriers are still uncertain if they will see claims if an economic downturn takes place. Severity of claims is expected to continue to increase.



















## Cyber for Law Firms

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 Flat	The cyber market overall remains stable resulting from new market entrants and increased cybersecurity across the board. However, law firm claims activity has not slowed down which has led to a limited carrier appetite for this class. Law firms can expect relatively flat renewals.	 Flat	The cyber insurance market for law firms is expected to remain stable in 2025, with most firms seeing flat renewals. New entrants in the market will continue to improve pricing. However, limited carrier appetite for law firms will reduce the ability to leverage the market.
 <b>Limits</b>		Many carriers decreased limits available on primary or refused to increase limits to meet law firm demands. This resulted in the need for more participants to meet client demand for limits.		We expect carriers to continue to manage limit capacity, particularly on primary.
 <b>Retentions</b>		Upward pressure on retentions continues, particularly when firms lack requisite controls or have experienced claims activity.		Retentions will remain stable for firms that have the proper controls in place. New entrants in the market are driving down retentions to gain market share.
 <b>Coverage</b>		Ransomware coverage is closely scrutinized and often sublimited or eliminated if control requirements are not met. Multifactor authentication is a standard requirement for coverage, and firms unwilling or unable to implement this requirement will see reduced coverage. Endpoint detection and response (EDR) is a more common requirement.		Continued mandatory requirements for multi-factor authentication, backups, encryption and more is expected for all size firms. EDR will be required for mid- to large-size law firms.
 <b>Carrier</b>		Underwriting guidelines are tightening, and a reduced carrier appetite for the class of business was common as activity targeting law firms increased.		Expect continued emphasis on minimum requirements for data security and cyber controls. Law firms continue to be a less desirable class of business as cyber carriers continue to tighten underwriting guidelines and requirements.
 <b>Claims</b>		Increased ransomware and BEC claims against law firms continue to become public. Several hacking incidents involving large firms heightened concerns about increased claims.		Claims activity is expected to continue to increase, and the cost of investigation and remediation is expected to continue to rise.

## Employment Practices for Law Firms

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 5%	Rates have stabilized, but claims activity (discrimination, wage disparagement, deprivation of career opportunities, etc.) and firm growth still warrant rate increases. Law firms with no claims can expect a flat renewal.	 0% to 5%	Carriers will continue to issue increases based on claims activity and firm growth. Markets that will consider law firms will continue to provide competitive pricing if there is a clean loss history.
 <b>Limits</b>		Carrier requirements for limits have not changed.		Carrier requirements for limits will continue to stay consistent.
 <b>Retentions</b>		Retentions are increasing, particularly in difficult geographical areas (California, New York and New Jersey).		Retentions are likely to continue to remain high in certain geographical areas (California, New York and New Jersey).
 <b>Coverage</b>		Carriers without specific law firm-targeted forms are pulling back on coverages, such as failure to make partner. Other restrictions in coverage, including sublimits for wage and hour claims, workplace violence and more are standard in the marketplace.		Continued focus on reducing or eliminating coverage for trending loss leaders.
 <b>Carrier</b>		There is still a limited number of carriers that will write EPL coverage for law firms.		The same limited number of carriers will continue to offer EPL coverage for law firms.
 <b>Claims</b>		Claims frequency and severity are still on the rise due to discrimination, wage disparagement, deprivation of carrier opportunities and more.		Law firms will continue to experience claims relating to discrimination, disparagement, wage and more.

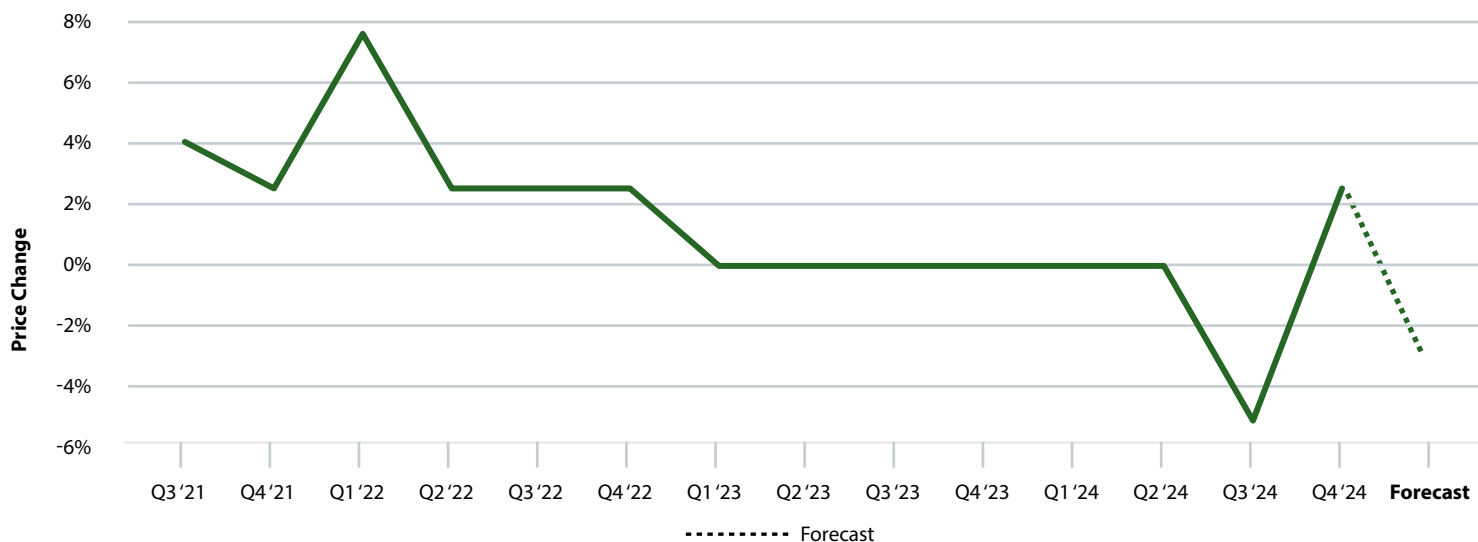
## Management Lines for Law Firms (D&O, Fiduciary and Crime)

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 10%	Pricing increases in these lines of business have begun to stabilize, but concerns remain due to cybercrime issues.	 0% to 5%	Management liability pricing should remain flat, but claims/company growth still warrant increases. Cybercrime claims will continue to affect pricing (crime).
 <b>Limits</b>		Carriers have focused on managing limits capacity and ventilating exposures in the large law firm segment, which is where we see most of the demand for these coverages.		No change in limits expected after previous adjustments, although we may see more sublimits implemented in certain areas.
 <b>Retentions</b>		Carriers continue to monitor retention adequacy and take corrective action where needed, particularly where employee count is high, and policies/procedures are not fully implemented.		Retentions will continue to be monitored, particularly where there are past claims or where policies/processes are inadequate.
 <b>Coverage</b>		Crime, directors and officers, and fiduciary liability for law firms remains stable. Still, some adjustments are being made in fiduciary and crime where sublimits and exclusions are being implemented to address increase in claims related to cybercrime and excessive fee litigation (fiduciary).		Coverage expansion is not anticipated.
 <b>Carrier</b>		The market has continued to stabilize with no real shifts in participants or appetites.		Market is expected to remain relatively stable, with no real shifts in participants or appetites.
 <b>Claims</b>		Cybercrime (social engineering, funds transfer fraud, etc.) has resulted in increased claims counts and severity in these lines.		Severity is expected to increase in these lines, as projected settlements and related defense costs are expected to rise. Cybercrime claims will continue to be prevalent.



# Life Sciences

## Product Liability



## Life Sciences – H2 2024 Summary

Market conditions for life science clients remained relatively stable in H2 2024. However, we're closely monitoring some subsectors as increased claims activity is continuing to push rate within those subsectors.

We are continuing to see carriers take a more strategic approach with respect to restricting coverage or quoting rate increases to subsectors with increased claims activity on a more lasered approach — asking clients where they've paid losses on their behalf. The focus on coverage restrictions continues to be on cyber language, impurities exclusions and acetaminophen exclusions.

Favored and well-performing risks, including significant sectors of the life sciences space, continued to experience an expansion of underwriting appetite and increased in available capacity from new and established insurers and healthy competition.

Claims-impacted risks continued to experience the most significant price increases, coverage restrictions and capacity constraints.

Across all subsectors, the underwriting environment continued to be disciplined and focused on risk differentiation. Superior results were achieved through early engagement with insurers and robust, differentiating and in-depth submissions (including risk control practices) — lessons learned from prior claims and in-person meetings with the insureds.



















## Life Sciences – 2025 Outlook

Introduction of market competition continues to yield favorable renewal results. Most client exposures have increased, but recessionary slowdown could have negative impact on rates if exposures begin to be impacted. Inflation continues to drive premium increase requests with underwriters, especially out of London. However, with competition, the impact has been minimal.

Carriers continue to evaluate coverage grants, retention thresholds and attachment points on more challenging risk profiles. Carriers also continue to monitor capacity deployment. While a few carriers have reduced previously deployed capacity, we have also successfully secured increased capacity — often on a ventilated basis to protect against vertical exposure to a single loss.

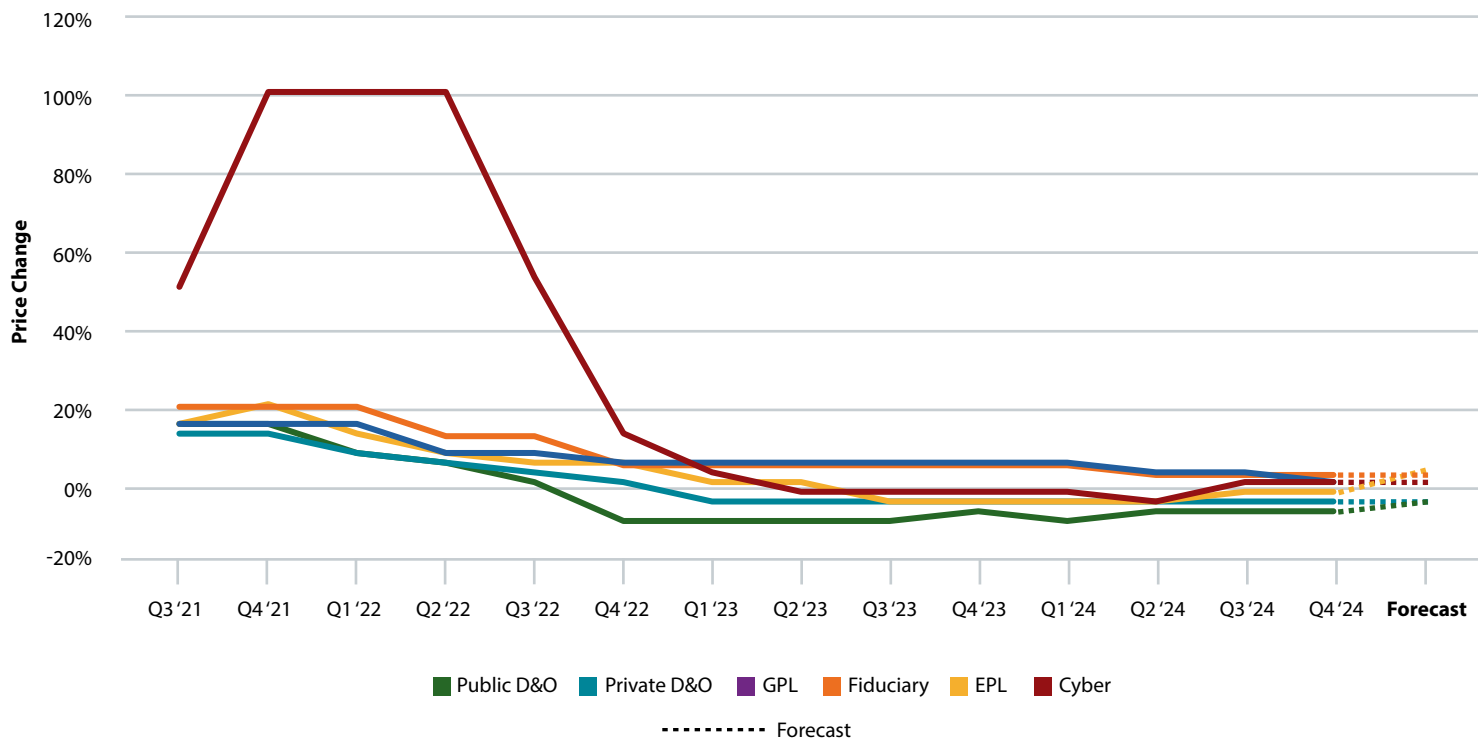
The excess market remains stable as there is plenty of capacity for most of our clients; we continue to track market variances. Some clients have increased excess liability limits as additional and/or more efficient capacity became available. Carriers continue to focus on several emerging risk, including biometric privacy, forever chemicals (e.g., PFAS), acetaminophen, etc. Litigation finance continues to rise, thus increasing potential exposure to larger and nuclear awards. Markets have leveraged other lines of coverage to help retain or win the primary products placement.

## Product Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 5%	Pricing was mostly stable but increases could be seen. Markets continued to push for rate with limited success. Overall, primary layer pricing was more volatile than excess layer pricing — especially for insureds with losses and higher risk products. Due to the increase in the number of life science insurers, more competition could be seen on the excess layers. Bermuda carriers had more pressure to increase rates than US excess carriers.	 -5% to 0%	Pricing continues to improve, and reductions are anticipated to slow as new technologies and claims develop.
 <b>Limits</b>		Capacity was available domestically, in the UK and Bermuda.		New/expanded capacity is in the process of entering the space with about \$75M coming in 2025.
 <b>Retentions</b>		Retentions remained stable and varied. Insureds with increasing premiums or loss activity may increase retentions to offset premium increases.		Retention will continue to remain stable. Insureds with increasing premiums or loss activity may increase retentions to offset premiums.
 <b>Coverage</b>		Coverage remained stable with exceptions. Breadth of coverage stabilized. Minor enhancements were incorporated into programs. Opioid exclusions or limitations remained on programs. Blanket nitrosamine exclusions remained and are being expanded to cover other impurities (benzene and azidos/azides are the two most used). Insurers continued to review their list of exclusions and make modifications.		Carriers continue to focus on several emerging risks, including biometric privacy, forever chemicals, acetaminophen, etc.
 <b>Carrier</b>		Capacity remained stable with exceptions. Primary coverage for certain segments (contract research organizations, orthopedics, lifestyle treatments, opioids) remained limited but sufficient. Markets right-sized their capacity deployment and are in maintenance mode.		Markets have right-sized their capacity deployment and are maintaining positions.
 <b>Claims</b>		Plaintiff litigation funding continued to increase and facilitated the pursuit of more complex litigation.		Increasing trial settings continue as the court systems addresses the backlog. Carriers are monitoring these exposures and outcomes.

# Management, Cyber and Professional Liability

Public Company D&O, Private and Not for Profit Company D&O, General Partnership, Fiduciary, Employment Practices, Cyber



## Management, Cyber and Professional Liability – H2 2024 Summary

Cyber and financial lines markets are still soft, with plenty of capital and capacity in the marketplace. There’s growing caution about excess layers in financial lines. Insurers are becoming more hesitant about excess layers, evaluating rates and increased limit factors more closely than in prior quarters.

### Directors and Officers Liability

The availability of abundant capacity continues to influence competitive market dynamics. However, insureds who previously enjoyed significant premium reductions in 2024 may start to see these decreases tapering off in 2025.

### Employment Practices Liability

Increased competition is keeping the employment practices liability (EPL) market stable. However, an increase in claims and employee-friendly regulations can lead to higher rate increases for those with significant loss histories, specifically in California, Texas and New Jersey.

### Fiduciary Liability

Despite conflicting positive and negative risk developments and some carriers remaining cautious, a few carriers with increased appetites are creating improved market conditions for this line of coverage.

### Fidelity/Crime

Pricing remains stable and competitive, primarily due to the profitability of this product line.

Cyber

Despite an evolving cyber threat landscape in Q4 2024, the cyber insurance market has remained stable. This stability persists even as the industry faces challenges such as:

Increased Cyber Threats:

- A slight increase in ransomware activity, with attacks growing by 2.3%\* compared to the previous quarter
- Major vulnerabilities affecting widely used software systems
- Advanced technologies and AI assisting with the execution of cyber attacks
- Increased privacy claims related to pixel tracking and the Biometric Information Privacy Act

Market Dynamics: The market’s resilience can be attributed to:

- Intense competition and capacity among cyber insurers
- Insurers’ focus on retaining renewals
- Aggressive growth targets set by the insurance carriers



















This competitive environment has led to more favorable conditions for insurance buyers, including stabilized rates and increased capacity.

Management, Cyber and Professional Liability – 2025 Outlook





















Directors and Officers Public Company (Primary)	-10% to Flat
Directors and Officers Private/Not-For-Profit (Overall)	-10% to Flat
Side A/DIC	-10% to Flat
Employment Practices Liability (Primary)	Flat to +5%
Fiduciary Liability	Flat to +5%
Crime	-5% to +5%
Cyber	-5% to +5%
General Partnership Liability	-5% to +10%

## Public Company Directors and Officers Liability



















METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -15% to 0%	Rates continued to decrease from prior year and prior quarter given the abundance of capacity in the marketplace for publicly traded directors and officers (D&O). Rate decreases peaked in Q4 and have begun to level off, but we are still seeing larger decreases for companies coming off year one and two of IPO or de-special purpose acquisition company (SPAC) transactions.	 -10% to 0%	While there is continued pressure on pricing given the abundant capacity, we expect the rate of decreases to level off into 2025. For 2023 we did see an increase in federal securities class actions along with an increase in settlement amounts. The reemergence of the transactional liability market and, notably, IPOs in 2024 may offset the supply and demand pressure we have seen in the past 18 months.
 <b>Limits</b>		Similar to our expectations at the beginning of the year, insurance carriers have been maintaining their average limits deployed for over two years. In the first half of the year, we did see incremental limit tranches increase, with expiring tranches of \$2.5M moving to \$5M and some \$5M moving to \$10M after major reductions in limit during the hard market cycle. Carriers are still limiting capacity in certain industries, especially on difficult risk profiles such as digital assets, cannabis, IPOs and SPACs.		We expect carriers to maintain and, in some cases, increase their capacity over the next 12 months, using the “more limit, potentially more premium” philosophy.
 <b>Retentions</b>		We are starting to see more decreases on retentions given the competitive marketplace.		We expect to continue to see some decreases in retentions over the next year. Certain risk exposures and industry classes will still see higher retention levels, such as IPOs, SPACs, digital assets and cannabis.
 <b>Coverage</b>		Breadth of coverage is stable in comparison to prior year and quarters.		Barring any unexpected event-driven occurrences, we expect the breadth and scope of coverage to remain largely unchanged, with a renewed focus on expanded entity investigation coverage options. Entity investigations coverage is making a bit of a comeback.
 <b>Carrier</b>		Capacity continues to be abundant in the public D&O market, which continues to put downward pressure on pricing and retentions. New entrants chasing deals is driving this trend.		Insurer capacity remained stable in 2024, and we expect this to continue into 2025.
 <b>Claims</b>		Securities class action filings were up slightly in 2024. In 2024 there were 222 securities class action filings, up from 212 in 2023.		We expect claims volume to increase in connection with increased SEC and FTC scrutiny, new regulations in the Insider Trading Prohibition Act, cyber disclosures and with the continued focus on environmental, social and governance. Uncertainty in the economy has the potential to lead to increased stock market volatility and bankruptcies.



## Private and Not for Profit Company Directors and Officers Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -10% to 0%	<p>The private and nonprofit company sectors continued to improve throughout 2024. Pricing adjustments continue to be made directly in response to events related to industry sector, loss history, financial position and regulatory factors. The length of the hard market and increased competition is having an impact on the overall market. We have also seen new entrants in the market and a renewed interest from legacy insurers that want to grow this portfolio to help offset the impact of the public D&amp;O marketplace. However, for financially distressed risks and risks in certain industries (such as cannabis, digital assets, etc.), above-average rate increases and higher retentions still exist.</p>	 -10% to 0%	<p>Pricing is expected to remain stable and continue to improve in certain areas heading into 2025, given the amount of capacity in the marketplace for clients with good risk profiles. We do expect to see a rise in bankruptcies and restructurings, causing underwriters to scrutinize financial metrics in greater detail than they have historically.</p>
 <b>Limits</b>		<p>Carriers continue to maintain limit capacity. We are seeing stabilization due to corrective action taken over the last 24 months during the hard market. The more challenged the risk profile, the less limit that client will be offered.</p>		<p>Similar to the publicly traded segment, we do expect carriers to increase limits (e.g., \$5M to \$10M) for those companies with strong risk profiles given the pricing economics we are seeing in this space.</p>
 <b>Retentions</b>		<p>We saw carriers generally maintain their retention levels, but in some cases there were some decreases throughout the quarter given the increased competition in the market.</p>		<p>We expect to see retentions remain the same and, in some cases, decrease given new capacity interested in writing more business.</p>
 <b>Coverage</b>		<p>As competition has increased, insurers have been expanding coverage as a differentiator. High-risk industries and emerging industries are still seeing more restrictions and exclusions being put on their programs.</p>		<p>Anticipate insurers continuing to expand coverage to differentiate their offerings, including expanded antitrust and entity coverage offerings.</p>
 <b>Carrier</b>		<p>We continue to see the emergence of new market capacity in the private company sector. The post-pandemic appetite for established business with less than \$100M in revenues is becoming a carrier focus.</p>		<p>The emergence of new capital will be driven by technology and application programming interface enablement. We will begin to see significant efficiencies and increased competition as carriers strive to be first-to-market with technology.</p>
 <b>Claims</b>		<p>Claims volume remains flat, while defense costs and other claims elements are in an upward trajectory, which is increasing overall claims activity and expense trends.</p>		<p>We expect claims volume to remain flat, but defense costs and other claims elements are in an upward trajectory, which is increasing overall claims activity and expense trends. Given the current and expected macro environment, we do expect more claims as a result of bankruptcies.</p>





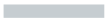
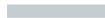












## General Partnership Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -5% to Flat	The general partner liability (GPL) market for insureds with no losses or significant fundraising stabilized, with most insureds seeing flat to very modest rate decreases. Excess layers continues to show diminished rate pressure due in part to an increase in excess-only market capacity.	 -5% to 10%	2024 saw a number of very large GPL losses emanating from the large and mega-cap private equity sectors. We expect insurers to seek rate and retention increases across their portfolio as profitability in the line of business is eroded.
 <b>Limits</b>		Overall capacity remained strong within the GPL marketplace, although some carriers are looking to pare back \$10M and \$15M layers.		As a result of the large losses mentioned above, we expect some carriers to manage limits and some excess markets to exit the space entirely.
 <b>Retentions</b>		Retentions have generally remained stable year over year, with some firms seeing material increases in response to significant fundraising or claims activity. The EPL retentions are being raised by some carriers to be in line with GPL retentions in response to an increase in material EPL litigation at the general partner level.		Firms who have had low retentions while assets under management have increased can expect to see retentions adjusted at renewal.
 <b>Coverage</b>		Breadth of coverage is stable, with a focus on broadening regulatory and investigations coverage. Carriers are looking to address their employment practices-related exposure by increasing retentions.		Subject to unexpected event-driven occurrences, we expect the breadth and scope of coverage to remain unchanged.
 <b>Carrier</b>		The market of primary insurers in the US remains stable. New excess capacity has entered the market but has not materially impacted pricing.		We expect capacity to remain largely stable with some high excess players leaving the space as a result of losses sustained in 2024.
 <b>Claims</b>		There were multiple significant GPL claims that eroded towers in excess of \$200M in limit in 2024. Many of these claims relate to portfolio company bankruptcies. Overall enforcement actions taken by the SEC were down 25% in 2024. However, the agency obtained orders and judgements for an all-time high of over \$8.1B in disgorgement and penalties. The SEC continued its focus on off-channel recordkeeping; the failure to establish, maintain and enforce policies relating to material nonpublic information; and noncompliance with the Marketing Rule for investment advisors.		While it is difficult to predict where the SEC will focus its efforts under new leadership, we can look back at Jay Clayton's SEC for some guidance. We expect overall enforcement actions to be reduced and calculations for disgorgement to be pared back. We also expect the SEC to concentrate its attention on retail investor protections against offering frauds, insider trading and market manipulation. Lastly, we expect a reduction in "sweeps" and investigations relating to environmental, social and governance while the agency focuses on AI regulation and creating a crypto-friendly regulatory environment.

## Fiduciary Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 5%	<p>Fiduciary liability rates continued to stabilize as we passed the anniversary (renewals) of the larger correction taken to address excessive fee litigation. Insurance carriers are focused on plans with assets greater than \$100M, where previously the threshold was much higher. Employee stock ownership plans will see even greater rate increases along with those that have challenged risk profiles.</p>	 0% to 5%	<p>Markets will continue to monitor developments and trends with excessive fee litigation and other exposures that are challenging their profitability. Size of plan assets is a key factor that will impact pricing. Employee stock ownership plans and those companies with challenged risk profiles will continue to see even greater rate increases.</p>
 <b>Limits</b>		<p>Given the reduction in limits during the hard market, we're starting to see a stabilization, particularly on programs that have seen structure changes over the past year. We are still seeing carriers reduce capacity on programs that still have higher limits (\$10M+), even in historically consistent and solid client relationships given the claims environment (especially excessive fee litigation) for this line of coverage.</p>		<p>We expect limit deployment for fiduciary liability will remain stable.</p>
 <b>Retentions</b>		<p>Carriers are largely maintaining their retentions due to the claims environment mostly being driven by excessive fee litigation. In the first quarter we did see some modest increases on the excessive fee/class action retentions.</p>		<p>We expect retention levels to remain stable for the remainder of the year.</p>
 <b>Coverage</b>		<p>Carriers are trying to reduce their potential exposure to these excessive fee and expense claims. This is usually attempted or achieved by adding a sublimit, a separate retention or coinsurance and by using exclusionary wording for these claims.</p>		<p>We expect this trend to continue toward more restrictive policy wording and coverage based on all the recent claims activity.</p>
 <b>Carrier</b>		<p>There is no expectation of a shift in market leadership among the carriers.</p>		<p>There is no expectation of a shift in market leadership among the carriers.</p>
 <b>Claims</b>		<p>Courts have begun to push back against conclusory allegations in the excessive fee cases and have rejected suits that compare administrative fees without also comparing the services rendered for those fees. Although this a positive development, there has been no letup in case filings, and plaintiffs continue to present theories of liability. Also, evolving plan-related cyber exposures and new Department of Labor enforcement initiatives keep us concerned.</p>		<p>We expect more of the same into 2025. Given the push for higher retentions to address the excessive fee litigation trend, we feel this has helped the industry mitigate their claim exposure, and we expect that trend to continue.</p>

## Employment Practices Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -5% to 5%	<p>In 2024, EPL remained relatively stable. Concerns over reductions in force from current economic conditions have not yet materialized like we initially thought might happen. Carriers are closely watching return-to-office policies, the state of the economy and changes in policy from the new presidential administration that could potentially lead to future claims. California and New York exposures continues to be a challenge for the industry, with much higher retentions and pricing than any other state.</p>	 0% to 5%	<p>Markets will continue to monitor the news and economic trends and will adjust accordingly.</p>
 <b>Limits</b>		<p>Limits remained stable in 2024.</p>		<p>We expect limit deployment for EPL will remain stable for the remainder of the year and into 2025.</p>
 <b>Retentions</b>		<p>Carriers are and will continue to make adjustments on a state-by-state (New York, New Jersey and California) and risk-specific basis, primarily influenced by legislation and loss trends.</p>		<p>We continue to expect a consistent monitoring of regulatory trends, resulting in retention adjustment to persist throughout the year, especially if claim activity picks up in the next 12 months.</p>
 <b>Coverage</b>		<p>We continued to see event-driven restrictions being introduced around the Biometric Information Privacy Act, Genetic Information Protection Act and Pay Transparency Act. Carriers are beginning to present uniformity in approach as well as restricting the scope of coverage countrywide.</p>		<p>We expect the breadth and scope of coverage to remain largely unchanged.</p>
 <b>Carrier</b>		<p>There is no expectation of a shift in market leadership among the carriers. We do, however, expect to see a slight uptick in capacity, especially with carriers that offer EPL insurance as a blended product with the D&amp;O liability.</p>		<p>Some developing appetites are likely to emerge as carriers see opportunity to gain market share and utilize efficient technology in the small/medium enterprise space.</p>
 <b>Claims</b>		<p>There has been increased volume in connection with employee claims and third-party discrimination claims. Defense costs and other elements are in an upward trajectory, which is increasing overall claims activity and expense trends.</p>		<p>Return-to-work endeavors may clash with a workforce that has quickly become accustomed to work-from-home arrangements, and accommodations to work remotely may spawn more claims. We expect claims volume under the Fair Labor Standards Act and wage and hour statutes to continue to increase.</p>

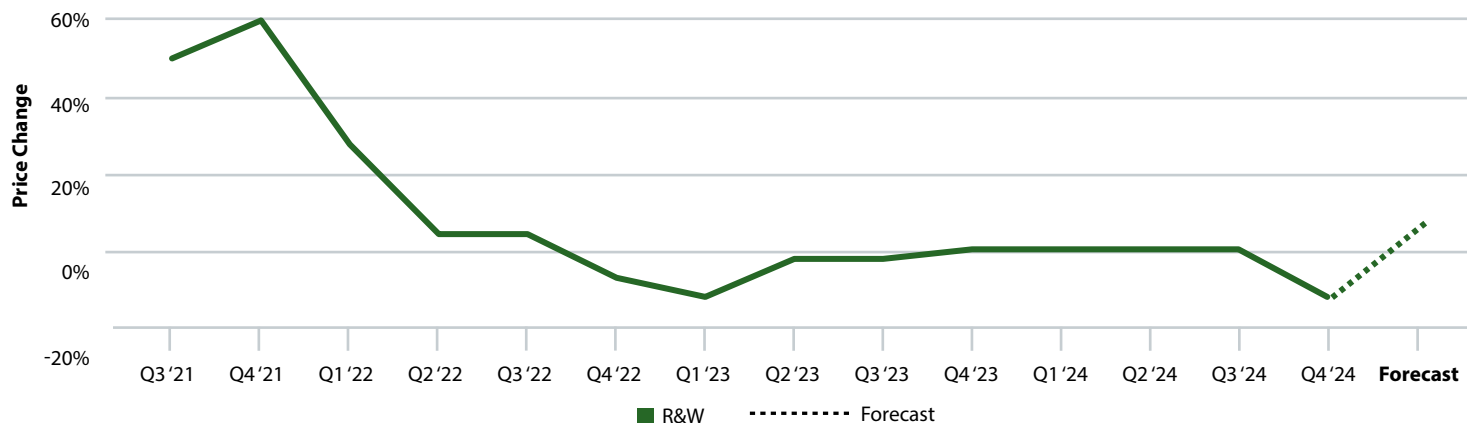
# Cyber

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -5% to 5%	<p>For H2 2024, the insurance market continues to show signs of stabilization in premium rates. However, organizations lacking robust ransomware protection measures may still face potential rate hikes. Those demonstrating strong cybersecurity controls, particularly against ransomware threats, are more likely to benefit from this stabilizing premium trend we saw through 2024. Capacity is abundant in the market. This abundant capacity and competition in the insurance market has led to a notable reduction in increased limit factors for excess layers. This competitive environment has resulted in substantial premium reductions, especially for policies with high coverage limits.</p>	 -5% to 5%	<p>Ransomware, privacy regulation and systemic or catastrophic cyber risk continue to be concerns for clients and carriers. While premiums have decreased due to market competition, ransomware-related claims remain frequent. The increase in claims frequency is a reminder that even with premium reduction opportunities, the cyber soft market may not carry out into 2025, and we are expecting a stabilized pricing market.</p>
 <b>Limits</b>		<p>More carriers deployed \$10M in capacity for clients willing to take on higher retentions and who implemented strong cybersecurity controls. Most of our clients still purchase in blocks of \$5M. In some cases, clients are reinvesting their savings at renewal into higher limit purchasing.</p>		<p>Carriers will continue to strategically deploy capacity for accounts that maintain favorable cyber hygiene. First-party cyber insuring agreements will be limited or unavailable when cyber controls are not optimal. Clients who want to mitigate decreases to dependent business interruption should prepare to demonstrate strategic initiatives to mitigate vendor dependency and risk.</p>
 <b>Retentions</b>		<p>The market has stabilized, leaving retentions secure. Clients that can showcase strong cyber hygiene may be able to take advantage of reduced retentions and waiting periods.</p>		<p>Given increased competition and capacity, we expect retentions to remain in line with the previous quarter and be relatively stable.</p>
 <b>Coverage</b>		<p>Carriers continue to reduce or exclude ransomware coverage when controls are not favorable. Many carriers look to address aggregation concerns by amending policy language. Notable market changes include affirmative cyber war, web tracking, biometric and wrongful collection exclusions. Reduced coverage for contingent business interruption is also common.</p>		<p>Trend continues toward more restrictive policy wordings and coverages, especially around wrongful collection and systemic events. Clients will need to focus more on cyber hygiene controls (particularly multifactor authentication, endpoint detection and response, email filtering, secured/tested backups and privileged access management solutions), as well as media and biometric information handling to gain coverage. We expect continued focus on war exclusion language and other trending litigation, particularly around privacy law.</p>
 <b>Carrier</b>		<p>Carriers continue to make cybersecurity hygiene a key component to offering coverage. However, increased players in the market have provided clients with optimal controls more opportunities to reduce premium. Coverage will be pared down when controls are lacking. Multifactor authentication, endpoint detection and response, and backups are critical components in the underwriting process. More carriers have made investments in offering clients assistance on implementing key controls and in rectifying vulnerabilities to drive better risks across their portfolio.</p>		<p>Carriers will emphasize the requirement for quality ransomware and cybersecurity controls. Use of noninvasive scans (BitSight, SecurityScorecard and Cyence) during the underwriting process will continue, and questions about findings and potential issues (e.g., open ports) will need to be remediated. Additional questions around vendor management, business continuity plans and employee training will continue to be part of the underwriting process. We expect to see an increase in capacity due to additional carriers entering the market.</p>
 <b>Claims</b>		<p>Despite organizations implementing enhanced measures to bolster their cybersecurity, ransomware attacks continue to increase. The cyber market faces ongoing challenges in navigating the complex landscape of cyber risks. Insurers are struggling to develop effective strategies for managing claims and losses potentially arising from state-sponsored cyberattacks. Simultaneously, they're grappling with emerging exposures related to data privacy violations, the increasing use of artificial intelligence and the implications of new SEC cybersecurity regulations. These multifaceted issues are forcing insurers to reassess their underwriting approaches and policy terms in an ever-evolving digital risk environment.</p>		<p>Cyber claims activity is expected to continue to remain frequent as bad actors become more creative at ways to trick employees into complying with rogue tasks or into mistakenly clicking on links or downloading information. And widespread events are demonstrating how connected we are and how impactful events can be (e.g., the widespread outage of auto dealer software in 2024). With the fast pace of transactions and the help of AI, it has become harder to detect many phishing schemes. Further, D&amp;O-like claims may continue to make their way further into the cyber world. We have already seen the SEC make its first move with new legislation requiring public companies to disclose details of a cyber breach. Further, we have seen the SEC initiate litigation against organizations for misleading users around their cybersecurity posture. More regulatory bodies and states are focused on data privacy, and we expect to see more lawsuits in this area.</p>



# Private Equity

R&W Insurance



## Private Equity – H2 2024 Summary

Representations and warranties (R&W) insurance submission flow picked up considerably in the second half of 2024, with NFP seeing approximately 50% more submissions as compared to the first half of the year. Time from submission to binding has remained longer than pre-pandemic timeframes, as buyers have tended toward more robust due diligence processes and potential tax law changes reduced sellers' urgency to receive funds in 2024. Average deal size remained lower than historical averages, reflecting the trend of longer hold periods and more add-on acquisitions.

Premiums continued to decrease in the second half of 2024 for most deals, with an average rate-on-line of approximately 2.5% as compared to approximately 2.7% in H1 2024. Primary rates for larger deals (over \$1B) have remained steady in the high 3% range, but with excess layers blended rates remain in the 2.3% to 3.1% range (depending mainly on aggregate limit sought). Claims frequency and severity have increased over the past few years and continued to do so in 2024. This seems to support rate increases over time; however, we did not see that materialize in 2024 as competition among insurers remained fierce. Appetite across industries is broad, with more willingness to entertain historically difficult industries, such as healthcare, financial institutions and vice industries. Smaller transactions (even as low as \$5M in enterprise value) in particular, have become easier to insure at economically viable prices.

While two new carriers started writing R&W insurance in 2024, some capacity providers have decided to pull back from the R&W space, signaling that the current buyer's market may be slowing or coming to a close. Interest rate decreases in 2025 will likely facilitate increased demand for R&W, also pointing toward a more balanced market for carriers.



















## Private Equity – 2025 Outlook

If the trends we saw in the second half of 2024 continue, the outlook for R&W insurance for 2025 looks to be moderately optimistic as compared to the past two years. Interest rate decreases, along with a potentially pro-growth regulatory environment, will likely increase the overall amount of mergers and acquisitions (M&A) activity in 2025. Prominent private equity leaders and other asset managers have predicted substantial growth in the number and value of acquisitions in 2025.

If additional capacity providers decide to pull back from the R&W market, we may see premiums increase for the first time since 2021. Some of the larger R&W carriers have been openly advocating for higher premiums and discussing whether the current rate environment is sustainable given the frequency and severity of recent claims. However, given the number of carriers and the competitive landscape, we do not expect retentions to significantly increase from 2024 levels. The days of retentions at or above 1% of deal value are likely behind us. While some markets may try to increase rates and retentions to account for increased claim frequency and severity, there are a number of markets willing to keep pricing and retentions down as they try to gain or retain market share.

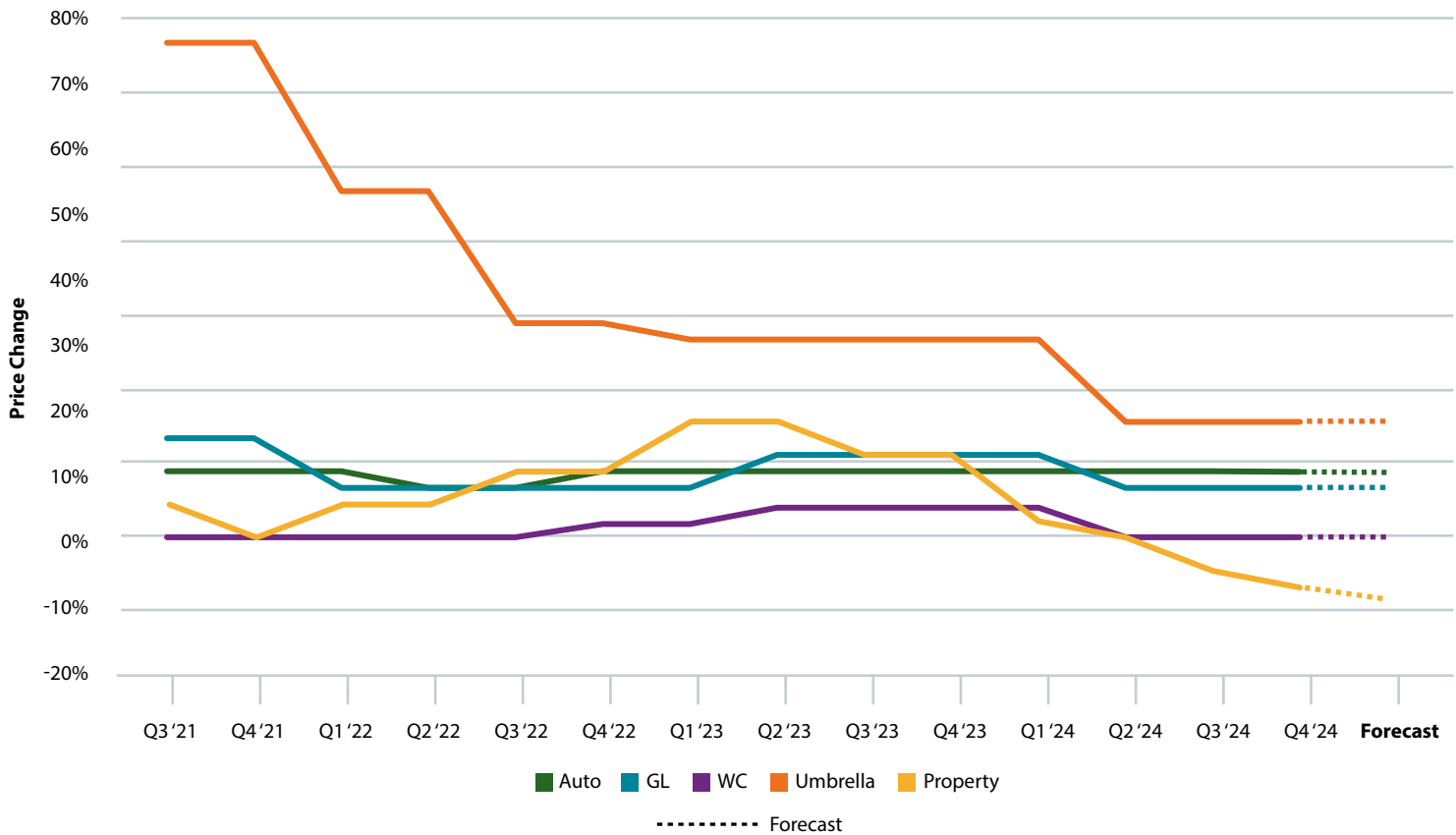
There were two new R&W insurers that opened in 2024 but, given their rough entry into an insured-friendly market, it would be surprising to see a similar trend for 2025. After a few failed attempts in 2024, there are rumors of potential consolidation of current R&W insurers in 2025, which may lessen competition over time.

## R&W Insurance

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -15% to -10%	While R&W insurance submission flow ticked up in H2 2024, pricing continued to slowly decrease. While pricing varied from market to market, overall pricing for a customary policy decreased slightly in H2 2024. Rates are as low as they have been in several years.	 5% to 10%	Pricing over the next 12 months will depend on the health and level of activity of the broader economy and M&A market. We expect premiums to increase slightly through 2025 as deal activity picks up.
 <b>Limits</b>		Insurance carriers have been more cautious on the primary limit offerings, and there has been no significant change to the limits being offered by most carriers. Most primary R&W carriers can offer a \$30M limit policy for any particular transaction, and we are able to add excess layers to support multi-billion-dollar aggregate limits.		While some capacity providers may exit the market, we believe that most carrier limit profiles will remain unchanged.
 <b>Retentions</b>		Initial retentions on R&W policies continued to decrease in 2024. We saw retentions as low as 0.4% of enterprise value on deals over \$200M. Smaller transactions saw decreases as well, with most under 1%. More markets are now willing to offer nil retentions for true fundamentals.		We do not have reason to believe that policy retentions will change materially. Policy retentions have decreased or remained stable on R&W insurance in recent years.
 <b>Coverage</b>		As a general matter, breadth of coverage was stable in 2024. One coverage area that came into focus in 2023 and remained in focus in 2024 is the specific “fraud” remedy language in the policy. Many insurers were initially not willing to negotiate on this point; however, more and more were willing to accept it as we moved through 2024.		We do not have reason to believe that policy coverage will change materially over the next 12 months.
 <b>Carrier</b>		The ANV facility was up and running in Q3 2024. As of Q4 2024, there are now 29 domestic carriers.		Rumors of carrier consolidation and capacity provider pullback suggest we may have fewer carriers in the R&W market by the end of 2025.
 <b>Claims</b>		Over the past several years, R&W insurance claim severity and frequency has increased steadily. Some markets report a slight increase in claim frequency, while others report that frequency has not changed materially. However, severity continued to increase for most insurers.		We do not have reason to believe that claims volume or severity will change significantly over the next year.

# Real Estate

*Auto Liability, General Liability, Workers' Compensation, Umbrella Liability, Property*



## Casualty – H2 2024 Summary

Market conditions in 2024 remained relatively stable throughout the year. Signs of market hardening are looming (increasing rates and insurers reluctant to offer guaranteed cost options). As well, risks in poor jurisdictions (New York, Georgia and Florida) and the significant challenges posed for non-renewed habitational risks continue to create distress.

Competition for favorable accounts has increased, but not consistently across all types of real estate. General liability rates have stabilized at flat to single-digit rate increases for favorable accounts, with consistent coverage terms and conditions. Auto continues to take regular rate increases (10% to 15%), which are expected to continue indefinitely as this line continues to be a loss leader for insurers.

Umbrella/excess capacity continues to be deployed cautiously, with upper \$25M layers now being reduced to \$10M

to \$50M and with regular increases of 10% to 15% for even well-performing accounts. This is a function of carriers keeping up with loss trends and due to a growing supply/demand imbalance in the intermediate and high excess layers. Increasing the number of excess insurers required due to reduction in capacity is contributing to additional cost at renewal, spurring more requests for benchmarking to evaluate adequacy of limits purchased. Risk purchasing groups have also continued to reduce overall tower capacity, although still offering the most competitive avenue to high excess limits.

Advantageous criteria in the marketplace continues to be constant:

- Office occupancy, followed by retail, hospitality and industrial – although retail and hospitality are no longer seen as quite as appetizing as in the past. Significant or 100% habitational accounts garner very limited interest.
- Mixed portfolios are generally favorable, with no more than 10% habitational exposure.

- Significant workers' compensation premium to balance more volatile general liability.
- Limited or no locations in problematic jurisdictions such as New York, Georgia, Florida or Texas.
- Newer construction (1990s or newer).

#### Credible and engaged management:

- Strong third-party contracts favoring insured and backed up with certificates of insurance.
- Consistent and demonstrable capital improvements and resolution of any risk management concerns.
- Proactive engagement on claims and sound safety/maintenance practices.

#### Critical or no-go criteria for admitted marketplace:

- Heavy or 100% habitational – very few to no admitted markets are writing new habitational accounts of any size. An incumbent insurer offering reasonable renewal terms is nearly always the most competitive option for an insured. Nonrenewals by admitted markets usually result in nonadmitted-only solutions.
- New York City exposure, even non-habitational occupancies, due to labor law and sidewalk liability claims. Georgia is also becoming very problematic:
  - Punitive gang act/laws assign liability to building owners for injuries in high crime areas.
  - Commonly used precedent to award treble damages and express-track to a jury determination.
- Florida follows behind the above two states for difficult jurisdictional environment, with Mississippi closely tracking.
- Hotels are being utilized to serve nontraditional populations such as homeless or newly arrived immigrants.
- Adverse loss history, particularly crime-related, such as assault/battery, weapons, etc.
- Significant percentage of subsidized or student housing.
- Use of armed security.

Keen underwriting continues, especially for risks falling somewhere in between the most advantageous and automatic declinations, as underwriters seek only very well-qualified new business. Heavy workloads result in underwriters struggling to evaluate risks under tight deadlines. Providing the most thorough and well-organized information up front is critical:

- Timely, thorough and quality submission, including supplemental applications, are especially critical to allow enough time for loss-control visits if needed.
- Executed third-party contracts demonstrating strong indemnification obligations and insurance requirements in favor of building owner/property manager.
- Loss summaries with details on larger and/or open claims as heavy scrutiny of loss history continues.

- Use of analytics to understand risk retention versus premium trade-offs up front.
- Clear and realistic guidance on pricing/coverage goals.
- In-person underwriting meetings where appropriate and/or useful if client has a compelling or unusual presentation or circumstances.

#### The nonadmitted market continues to perform erratically:

- Last-minute nonrenewals or refusal to write certain portions of a risk still occur, leading to urgent scrambles for less-than-favorable solutions.
- Difficult risks may find only one or two renewal options, usually with several adverse exclusions.
- Obtaining primary quotes and building entire excess tower is now nearly always within days of expiration or even post-expiration with backdating required.

Exclusions continue to be the preferred method of dealing with the potential of any catastrophic loss potential or uncontrolled exposure, generally without much negotiation. The more information that can be provided about an insured's internal training, policies and protocol around high-profile risk areas such as abuse/molestation, human trafficking and more, the more leverage for potential softening or removal of certain exclusions.

#### Adverse coverage restrictions, depending on occupancy and/or risk profile:

- Assault/battery
- Cannabis or controlled substances
- Habitability
- Animals/pets
- Firearms/weapons
- Sexual molestation/misconduct
- Human trafficking
- Discrimination
- Contractor-related, particularly New York
- Sidewalk liability (New York)
- Vermin

#### **Umbrella/Excess Liability**

Umbrella/lead excess placements in H2 2024 continued to be challenging as the traditional working layer of primary auto and general liability has now expanded to \$2M to \$3M, due to social inflation and claims severity/frequency. We have experienced seven consecutive quarters of increasing umbrella rates, with 73% of umbrella/excess placements increasing at renewal, many significantly.

The layer immediately excess the primary liability continues to be the most critical and volatile:

- For insureds in the admitted market, supported lead umbrella offerings remain by far the most competitive and a critical advantage. Admitted unsupported lead umbrellas

are offered by only a few insurers, all of which require a minimum attachment of \$2M/\$4M, adding to the overall cost.

- Close tracking with primary rate increases, with little to no competitive leverage in the first excess position.
  - Lead capacity has steadily shrunk from the relatively common \$25M capacity offering to the new norm of \$5M to \$10M maximum.
  - More requests from incumbents to be moved up to a higher attachment point in the tower.
- Nonrenewed lead umbrellas continue to result in significant increases for all insureds due to scarcity of stand-alone lead umbrella markets. Nonrenewed habitation-dominated risks very often must use three insurers to achieve the first \$10M of excess coverage at very steep and opportunistic pricing, often with adverse exclusions.
  - The \$15Mx\$10M layer continues to draw competitive attention in most occupancies other than habitation.
  - High excess capacity remains reasonably accessible after the \$25M attachment point; however, it's often limited to \$10M to \$15M.

### Workers' Compensation

Market has remained stable with the average renewal rate around minus 4%. Reductions are most likely for well-performing accounts that can provide added premium to round out other casualty lines but require marketing to several interested insurers to produce the best results.

### Automobile

Liability rates continued to increase year over year, although generally no more than 10% to 15%. As well, physical damage premiums and deductibles continue to increase due to escalating costs of car repair/replacement. Insureds in real estate tend to own a few private passenger vehicles and/or light trucks used locally for general maintenance, and well-performing accounts do not constitute a large portion of overall premium spend. Hospitality shuttle van exposure continues to be carefully underwritten, due to the catastrophic potential of multiple passengers.

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## Property – H2 2024 Summary

As a welcome change to many insureds, property rate decreases continued to gather steam throughout the closing quarters of 2024. This was despite an active North Atlantic hurricane season which saw two large hurricanes cause significant loss to the industry (the Hurricane Helene loss estimate is between \$6B and \$12B, with the Hurricane Milton loss between \$15B and \$30B) alongside continued loss activity from severe convective storms.

Based upon renewal activity during Q3 and Q4, we saw the below high-level rate variables with renewal and new business placements:

- -15%+ to flat rate change for desirable accounts/occupancies (including those with natural-catastrophe [nat-cat] exposure)
- Flat to 5%+ rate change for less desirable occupancies

Historically, loss-challenged accounts are still being underwritten from a profitability perspective, so rates on these can still be volatile

The above rate trends have been buoyed through greater accessibility and competition among incumbent and new carriers offering additional and/or new capacity at modest pricing. Program structure realignment has also played a big part to fueling significant cost savings through stretching traditionally compressed primary layers into longer stretches (e.g., from primary \$5M to primary \$10M or primary \$25M) and thus eliminating expensive “buffer” layer capacity. London continues to be aggressive with deploying more competitively priced capacity (both non-nat-cat/nat-cat) resulting in larger expansion/replacement of incumbents. Even some accounts with nat-cat exposure are reaping the benefits of a “buyers market” either through affordable increased cat limits, decreased cat deductibles and/or reduced rates.

Valuations continue to be analyzed by carriers but nowhere near at the same levels as done previously. Typically, increasing real and business property values by an “inflationary trending factor” is enough for underwriters to accept, with market pressure even resulting in some accounts having punitive valuation subjectivities modified (i.e., margin clause percentage increased) or removed completely.

Terms and conditions that were heavily restricted during past renewal cycles are being somewhat relaxed, resulting in broader coverage afforded to insureds. Examples include moving coverage from a company policy form to a broker manuscript policy form, increased policy loss or coverage extension sublimits and removal of higher water damage deductibles to be aligned with the “all other perils” deductible.

Towards the end of Q4, some underwriters were receptive to discussions around long-term agreements tied to loss performance during the policy term for profitable accounts, something not seen in the property marketplace for quite some time.

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## Casualty – 2025 Outlook

Significant changes are not anticipated for 2025:

- Stability for well-performing, favored real estate classes of business is anticipated to continue, with mild rate increases and consistent terms/conditions.
- Nonrenewals will continue from regional insurers as legacy losses develop and impact these incumbent insurers that otherwise would have stayed on the risk historically.



- The latest trend of insurers carving out problematic jurisdictions or exposures from master programs at renewal will continue, particularly for New York and Georgia locations. Stand-alone placements with less favorable premium, higher deductibles and more adverse exclusions will follow.
- Specialized programs or risk purchasing groups appetite remains exceedingly narrow, demanding and particular in terms of acceptable risk profile and increased number of insurer-specific applications and required data. Overall available tower limits will continue to be pressured.
- Favorable occupancy/well-performing insureds can anticipate single-digit rate increases, while more challenging real estate risks will remain in jeopardy of 15% rate increases or nonrenewals of primary or lead umbrellas.
- Insurers anticipate 8% to 10% growth in excess loss reserves due to medical inflation, increased legal and investigative costs, and growth in litigation awards and settlements, which will negatively impact rates.
- Labor shortages compounded with greater-than-normal marketing activity will continue. Expanded underwriting scrutiny results in additional applications and details requested from insureds, with primary pricing often not available with ample time to explore excess liability options, is a routine occurrence, particularly in the nonadmitted space. Providing timely, coherent and detailed submissions will increase likelihood of a reasonable turnaround to quote.
- Insureds will continue to explore and quantify alternative structure options, inclusive of various retention thresholds and alternative risk transfer solutions (captives, buffer programs, second loss coverage, etc.) to ensure optimal results.

## Property – 2025 Outlook

The 2025 outlook for property-related lines of business is trending in a totally different direction from that forecast only 12 months ago, despite large weather-related loss transfers absorbed by property carriers, including Hurricane Helene and Hurricane Milton. Given the robustness of where the property marketplace is today, we fully expect the positivity outlined in the Real Estate H2 Summary to continue well into 2025 and beyond.

As the property marketplace continues to garner further positive momentum, many insureds will be the benefactors of such healthy competition among underwriters, fueling dynamic changes to account rates and pricing, terms and conditions, and program structures not seen in recent history. Key reasons fueling such favorableness include:

- New capacity offered from new property carrier entrants (both direct and through managing general agents).
- Increased capacity from incumbent property carriers,

including significantly expanded stamp capacity for many Lloyds syndicates.

- Management pressure on underwriters to maintain/grow their book of business; such goals dictate downward pricing in order to secure renewal/new binding orders.
- Expansion of carrier account appetite, particularly traditionally tougher occupancies such as multifamily and hospitality.


















The above has allowed NFP property brokers to restructure many programs to better streamline capacity and thereby improve overall costs. This has been achieved through stretching capacity (e.g., from primary \$5M to primary \$10M or \$25M and eliminating traditionally expensive “buffer” layers) and by replacing expensive capacity in layered programs through oversubscription (i.e., replacing expensive capacity with cheaper). We’re anticipating this same trend to continue, particularly for Q1 and Q2 account renewals which are now subject to the changing marketplace.

Many insureds can expect to see corrections and/or improvement of terms and conditions that were heavily scrutinized and restricted over the past several account renewal cycles. Examples may include transitioning to a broad broker manuscript policy form from a carrier company form, eliminating or increasing punitive valuation clauses (i.e., margin clauses and/or scheduled limits), or increasing certain coverage extensions sublimits. Some underwriters are now even receptive to consider long-term agreements tied to loss activity for profitable accounts, something not seen in the property marketplace for quite some time but something we’re expecting to see increase throughout 2025 as a way for carriers to protect their renewal book of business. Note that real property valuation is still being flagged by underwriters but is not being audited to the same level as it has been in the past.

With continued moderation of rates expected to continue in 2025:

- Accounts with desirable occupancy types can expect -17.5%+ to flat inclusive of any natural catastrophe exposure.
- Accounts with tougher occupancy classes could potentially see some moderate rate relief.
- Loss-challenged accounts will continue to be underwritten for profitability; thereby, expect some rate volatility experience to remain, particularly in Q1 into Q2.





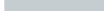
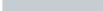

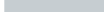
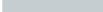









## Auto

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 5% to 15%	Other than hospitality accounts, which often utilize shuttle vans for guest transportation, most real estate owner/operator auto fleets are small, consisting of private passenger vehicles and light trucks used for local maintenance purposes. Renewal rates have stabilized between 5% to 15% for well-performing accounts.	 5% to 15%	Moderate rate increases will continue over the next 12 months. Hotel shuttle van exposures will be carefully underwritten, particularly regarding staffing and experience of drivers, due to the significant risk for potentially catastrophic claims. Shuttle routes providing 24/7 service and/or that transport guests to nearby attractions other than the airport are also subject to in-depth underwriting.
 <b>Limits</b>		The combined single limit of \$1M remains standard for automobile liability. Umbrella markets requiring an attachment point of \$2M/\$4M/\$4M may be problematic for some auto liability carriers and necessitate the placement of a buffer layer for umbrella/excess liability placement.		Trend of requiring \$2M/\$4M/\$4M attachment points from the umbrella market is still not widespread, although a useful tool in providing ventilation for otherwise interested carriers. Significant fleet exposure will limit the number of carriers willing to provide lead umbrella or low excess layers.
 <b>Retentions</b>		Physical damage deductibles and premiums continue to steadily increase as the cost of repair/replacing automobiles continues to rise. Some insurance carriers routinely are quoting with \$5,000 deductibles. Retentions for automobile liability are not common for real estate clients due to light fleet exposure and limited vehicle usage.		No widespread change expected in the next twelve months.
 <b>Coverage</b>		Automobile coverages are largely statutorily driven, but there are extensive broadening endorsements available which vary from carrier to carrier. Since most serious claims arise from third-party bodily injury scenarios, coverage enhancement endorsements are not generally difficult to obtain.		Availability of reasonably broad automobile liability and physical damage coverages are anticipated to continue over the next 12 months.
 <b>Carrier</b>		Insurers are still offering automobile coverage in conjunction with other casualty lines without issue. Monoline automobile coverage, especially for clients with adverse loss experience, is difficult as stand-alone markets for these risks are severely restricted. Small regional carriers may still provide options through nonadmitted markets and/or traditional direct writers such as Progressive and State Farm.		Monoline auto markets will continue to be scarce due to the lack of additional casualty premium needed to balance the potential for severe losses.
 <b>Claims</b>		The automobile liability claims continue to present very significant exposure to carriers, as severe claims can result from a single occurrence, both from owned and nonowned auto exposure. Distracted and/or stressed driving continue to contribute considerably to accidents, and hospitality risks with guest shuttle vans carry the risk of multiple passenger injuries.		Flat to reduced rates are not anticipated in the foreseeable future, given the inherent danger and potential for severe losses that driving presents overall across industries.

## General Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 0% to 15%	<p>Insureds with well-performing office/retail/industrial portfolios are renewing with 0% to 10% increases. Hospitality accounts with favorable loss history are also experiencing stable rates, depending on the class of hotel. Well-performing habitational accounts are taking higher percentage increases, up to 15%, with poorly performing risks continuing to experience 30%+ increases. Nonrenewed habitational accounts are subject to significant increases of 30% to 50% and higher due to lack of admitted markets.</p>	 0% to 15%	<p>Well-performing non-habitational/hospitality accounts should have reasonably stable renewals due to market competition for this sector. Incumbents still retain considerable advantage and occasionally will seek to negotiate a renewal well in advance to keep the risk out of market. More difficult risks such as alternative-use hospitality and nonrenewed habitational accounts will continue to struggle to find feasible market options.</p>
 <b>Limits</b>		<p>\$1M/\$2M/\$2M remained the standard limit offering. Per-location aggregate limits have stabilized, usually with policy caps. Sublimiting assault/battery and/or sexual abuse/molestation (as opposed to remaining silent) or including defense within the limits has become more common, particularly for habitational/ hospitality risks.</p>		<p>Umbrella carriers requiring a \$2M/\$4M/\$4M attachment are the norm only for admitted insurers writing unsupported lead umbrellas. Nonadmitted excess liability insurers still are not providing attractive credits for attaching at a \$2M/\$4M/\$4M general liability limit — instead simply providing very short layers excess in the traditional \$1M/\$2M/\$2M.</p>
 <b>Retentions</b>		<p>Significant casualty retentions for real estate are still utilized mainly by larger accounts with the financial ability and risk management wherewithal to manage risk or cases of poor loss performance. Higher retentions regardless of loss experience are being deployed for habitational risks and/or alternative use in hospitality.</p>		<p>Retentions are expected to remain heavily dependent on class of business and/or loss history although, in general, first-dollar coverage options continue to diminish as insurance carriers struggle to stabilize healthy profitability margins. Small retentions of \$10,000 to \$15,000 are becoming more common tools to engage insured participation in managing risk.</p>
 <b>Coverage</b>		<p>Adverse exclusions (communicable disease, abuse/molestation, assault/battery, New York labor law, human trafficking, habitability, etc.) remain widespread, particularly for habitational and hospitality risks. Negotiation to remove certain exclusions is possible only in highly competitive situations and/or for an increase in premium. Removal of geographically driven exclusions in some classes of business (e.g., New York City) are nearly impossible to achieve.</p>		<p>Reducing coverage via exclusions, driven primarily by class of business, crime score or specific loss profiles, is expected to be a continuing trend with little negotiating ability, particularly for those real estate occupancy classes that continue to suffer such type losses, mainly habitational and/or hospitality.</p>
 <b>Carrier</b>		<p>Carriers have not significantly changed appetite, seeking new business opportunities mainly in favorable office/retail/mixed-use occupancies. Best-in-class hospitality operations are also of interest for many carriers, but Class B establishments are not favored. Neither are any hotels with alternative use. Carriers for habitational risks continue to constrict, especially for the larger middle market size portfolios and older garden-style/frame construction. At this point, nonrenewed habitational accounts are nearly universally finding replacement coverage only in the nonadmitted marketplace.</p>		<p>While there has been some new carrier capacity entering the market, these tend to be very specific in appetite. Overall, primary market options have not significantly expanded and are not anticipated to do so soon, especially for the more difficult occupancies.</p>
 <b>Claims</b>		<p>General liability claims and carrier-combined ratios are continuing to be driven by adverse litigation trends exacerbated by long-term inadequate pricing. Concern over potential high payouts for violent crimes or catastrophic "deep-pockets" losses for which the insured is tapped to participate continue to drive underwriting focus.</p>		<p>While carriers continue to deploy capital for well-performing, favorable classes of real estate business, generating limited competition for some insureds, claim frequency and severity of settlements continue to increase, dampening robust recovery overall.</p>

## Workers' Compensation

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -5% to 5%	<p>The workers' compensation market has remained stable over the past few years, subject to state of operation, industry and loss experience. There have been signs of slight market cooling recently, but not to the point of establishing a trend just yet.</p>	 -5% to 5%	<p>Rates should continue to be relatively stable, although with mild increases due to uptick in claims driven by labor shortages, particularly in the hospitality sector. Continuing inadequate staffing with less-skilled employees will lead, over time, to increased workers' compensation losses and premiums.</p>
 <b>Limits</b>		<p>Workers' compensation limits are statutory, so not defined by the broker or carrier. The standard limit of \$1M for the employer's liability component of coverage has remained available without issue.</p>		<p>No changes foreseen.</p>
 <b>Retentions</b>		<p>Guaranteed-cost workers' compensation policies remain common in the real estate sector and widely accessible. Larger and more sophisticated clients with the interest and ability to control claims costs by utilizing strong risk management practices continue to pursue large retention programs. Hybrid or structured programs (Sompo, Strategic Comp) are also attractive options that provide certainty in ultimate cost while providing potential for return premium during well-performing years.</p>		<p>No changes foreseen.</p>
 <b>Coverage</b>		<p>Workers' compensation coverages are standard regardless of carrier, with few broadening endorsements (e.g., blanket waiver of subrogation and voluntary compensation). Coverages for workplace-related injuries and loss of income are set by state statute, and exclusions are common across the marketplace. There have been no significant coverage changes or trends developing over the last 12 months.</p>		<p>No changes foreseen.</p>
 <b>Carrier</b>		<p>Insurer interest in workers' compensation remains strong, with some carriers looking to lead with sizeable workers' compensation exposures/premiums in the real estate sector to bolster the often more-challenging general liability performance.</p>		<p>Workers' compensation remains largely a profitable line of business, and we anticipate continued strong carrier support for the foreseeable future despite a potential increase in claims activity over the next 12 months.</p>
 <b>Claims</b>		<p>Retail and business/leisure travel have long recovered and/or continue to increase post-pandemic, with claims activity by now approaching prior normal claims levels for these occupancies. Increased claims may result from labor shortages and lack of training in many service-related occupancies.</p>		<p>Labor shortages of experienced hospitality workers may contribute to an increase in claims. Lingering questions around working remotely and safe return to work will continue, creating potential for increased claims activity.</p>

# Umbrella Liability

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 10% to 25%	<p>For incumbent markets willing to renew, lead umbrella placements have settled into relatively stable pricing, with normal increases of 5% to 15%. Commercial risks (retail, office and light industrial) have the lowest increases and most stability. Nonrenewed lead umbrella placements (unsupported habitational and/or poorly performing risks) lead to severe pricing correction. Flat lead umbrella pricing is not yet occurring; the best renewal result might be a 5% to 7% rate increase. Carriers often disregard underlying pricing as a benchmark of what its own capacity should cost and price accordingly. For stable renewals, 10% increases are the norm; for nonrenewed accounts, 40%+ is typical.</p>	 10% to 25%+	<p>Competition for lead umbrella options of all classes will remain limited as this layer is perceived as a working layer and underwritten conservatively. Insurer options for habitational risks are anticipated to remain extremely limited, with corresponding opportunistically high premiums. Increasing competition excess of \$10M or \$15M will contribute to continuing competition and to providing some pricing relief in upper excess layers.</p>
 <b>Limits</b>		<p>Primary carriers that also provide lead umbrella coverage hold considerable advantage in the marketplace. \$10M lead umbrellas are most common in the admitted space for favorable occupancies. Habitational and poorly performing risks are experiencing splintering of once-intact lead \$10M umbrella layers into two or three carriers, which drives up the cost of the overall excess tower considerably. Insurers are still reducing total capacity offered, with \$25M layers offered only for the most favorable of insureds and usually only at a \$25M attachment point. Purchasing additional limits is still price prohibitive.</p>		<p>We expect current trends to continue for the next 12 months, with increased capacity and competition occurring in the higher excess layers (excess of \$15M).</p>
 <b>Retentions</b>		<p>Minimal standard retentions still apply. Carrier pricing not impacted heavily with primary retention increases.</p>		<p>We expect current trends to continue for the next 12 months.</p>
 <b>Coverage</b>		<p>Most adverse exclusions are being driven by occupancy, insured-specific loss history, crime scores, etc. Assault/ battery and sexual abuse/ molestation exclusions are widespread for habitational risks, and we are seeing more exclusions for firearms, discrimination, animals and habitability. Human trafficking remains a significant concern for hospitality risks, but the exclusion can be negotiated with evidence of robust training and prevention programs.</p>		<p>Coverage restrictions will persist throughout the next year. Formal safety and risk management plans around assault, sexual abuse and human trafficking are key in negotiating exclusion removal. Account-specific claims, including violence and bodily injury, will drive introduction of new exclusions.</p>
 <b>Carrier</b>		<p>Lead umbrella limits for new business opportunities are deployed very cautiously, and usually only in conjunction with primary placements. Supported lead umbrella placements are nearly universally more competitive than unsupported carrier pricing. Risk purchasing groups continue to be exceedingly selective with renewals and new business; however, they continue to offer very competitive options when interested in an account. Reliance on crime scores as an underwriting tool and guideline is becoming frequent. Insurers offering unsupported lead umbrellas require underlying general liability limits of \$2M/\$4M/\$2M and underlying automobile limits of \$2M combined single limit.</p>		<p>Carrier appetites are reactive to loss trends. With no sign of slowing claim frequency and severity, we expect the current course to persist through the year. In areas where appetite is static, we anticipate capacity to fluctuate.</p>
 <b>Claims</b>		<p>Three major claim trends continue to contribute to current market pressures:</p> <ol style="list-style-type: none"> <li>1) Social inflation, which drives rising claim payouts, loss ratios and insurance costs</li> <li>2) Significant increase in claim severity, settlement awards and nuclear verdicts</li> <li>3) Litigation financing</li> </ol>		<p>Claim trends will continue through the next twelve months, especially with the use of litigation financing.</p>



## Property

METRICS	H2 2024 YOY CHANGE	H2 2024 COMMENTARY	12 MONTH FORECAST	12 MONTH FORECAST COMMENTARY
 <b>Pricing</b>	 -15% to Flat	<p>Property rate decreases continued to gather steam throughout the closing quarters of 2024. This was despite an active North Atlantic hurricane season which saw two large hurricanes cause significant loss to the industry (Hurricane Helene loss estimate was between \$6B and \$12B; Hurricane Milton's lost estimate was between \$15B and \$30B) alongside continued loss activity from severe convective storms.</p> <p>Based upon renewal activity during H2, we saw the below high-level rate variables with renewal and new business placements:</p> <ul style="list-style-type: none"> <li>-15%+ to flat rate change for desirable accounts and/or occupancies (including those with nat-cat exposure)</li> <li>Flat to 5%+ rate change for less desirable occupancies</li> <li>Historically loss-challenged accounts are still being underwritten from a profitability perspective so rates on these can still be volatile</li> </ul>	 -17.5% to Flat	<p>As the property marketplace continues to garner further positive momentum, many insureds will be the benefactors of such healthy competition among underwriters, with the desire to retain existing business while driving growth for new business growth goals fueling dynamic changes to account rates and pricing.</p> <ul style="list-style-type: none"> <li>-17.5%+ to flat rate change for desirable accounts/occupancies (including those with nat-cat exposure)</li> <li>-5% to 5%+ rate change for less desirable occupancies</li> </ul> <p>Historically loss-challenged accounts continuing to be underwritten from a profitability perspective, so rates on these may remain quite volatile, particularly for upcoming renewals in Q1 and Q2</p>
 <b>Limits</b>		<p>Due to many insureds experiencing renewal program cost savings, some have decided to reimplement higher program loss limits to better match their risk exposure that may have been lowered as a cost saving measure in past renewals. Some have also instated higher cat loss sublimits due to more affordable cat capacity funded by such savings. Some insureds are also seeing margin clause percentages increased (or added to a previously scheduled policy) or even removed completely.</p>		<p>We expect higher program loss limits and/or nat-cat sublimits to remain a major consideration to insureds as the property marketplace continues to soften.</p>
 <b>Retentions</b>		<p>Creative deductible solutions (such as introducing a plus aggregate) are becoming more commonplace during renewal marketing strategy discussions, particularly for loss-sensitive accounts. Stand-alone deductible buydown programs are also becoming more commonplace due to affordability, with insureds happy to transfer risk to a carrier based upon lender contractual obligations. Pressure on removing or reducing water damage deductibles to be aligned with the "all other perils" deductible is also becoming evident.</p>		<p>We expect significant pressure to remain on underwriters to consider revising key program retentions to help protect their incumbent book of business. However, loss-sensitive accounts may still see pressure to increase (or maintain higher than market) retentions given carriers are still underwriting for profitability.</p>
 <b>Coverage</b>		<p>Certain coverage extension sublimits that were previously reduced or excluded are now beginning to be increased or included such as civil/military authority ingress/egress and service interruption. Some underwriters are also willing to adopt a broker manuscript policy form which traditionally affords broader coverage than a carrier policy form.</p>		<p>Due to expected continued market moderation, we anticipate highly pressurized renewal environments to fuel coverage enhancements.</p>
 <b>Carrier</b>		<p>The second half of 2024 saw significant and plentiful capacity availability, either through new carrier entrants or incumbents offering increased expiring renewal line(s). London, Bermuda and US excess and surplus lines carriers continue aggressive marketing as an alternative to traditional domestic capacity. Single-peril carrier options, particularly around high-hazard flood, has also increased with some carriers exploring new revenue streams to help build new business revenue towards meeting aggressive growth goals.</p>		<p>We expect desirable and profitable accounts to be significantly overlined with capacity and carrier options. We're also expecting accounts with significant nat-cat exposure to potentially consider stand-alone peril placements (e.g., California Earthquake) as another way to take advantage of a softening property marketplace. Carriers may also be more motivated to offer long-term agreements to protect their existing book of business.</p>
 <b>Claims</b>		<p>Advocacy for carrier claims still faces ongoing challenges, largely due to rising loss estimates and reported losses stemming from prior events, particularly the unknowns associated with Hurricane Helene and Hurricane Milton.</p>		<p>Anticipated to persist, especially as more certainty around loss estimates begins to solidify from recent hurricane activity.</p>

# Meet the Experts

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