RISK strategies

STATE OF THE INSURANCE MARKET

2025 Outlook

Business Insurance | Employee Benefits | Private Client Services

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EXECUTIVE SUMMARY

Welcome to the *2025 Outlook* of the **Risk Strategies State of the Insurance Market Report**. This comprehensive report provides insights into the evolving dynamics of the global insurance industry, equipping businesses and individuals with the information necessary to adapt their risk management strategies.

Risk Strategies specialists in our industry and insurance product lines have collaborated to deliver the expertise and perspectives essential for addressing both the complexities and opportunities presented by the current market landscape.

After years of rising rates, the market appears to be stabilizing in many areas such as property, cyber, and management liability. However, casualty and homeowners remain in an unstable "hard market." In addition, rising pharmacy costs continue to impact the employee benefits landscape.

The shift in the insurance industry marks a dynamic period of change, with opportunities for innovation and growth despite its inherent complexities and systemic risks. By staying agile, data-driven, and proactive, you can strengthen your business resilience and confidently navigate an uncertain, rapidly evolving risk environment.

We have the following key observations for the insurance landscape.

MARKET CHALLENGES

Natural disasters: Increasingly severe and frequent climate-related events, such as wildfires, hurricanes, and floods, continue to present a critical challenge. The Los Angeles wildfires highlight the immediate and long-term implications for property insurers.

Social inflation: Escalating claim costs associated with nuclear verdicts and rising litigation expenses and funding weigh heavily on casualty and liability lines, further exacerbating claims severity.

Emerging risks: Technologies like artificial intelligence (AI) introduce new vulnerabilities and threats, while geopolitical tensions amplify uncertainties for global insurers.

Regional variations: While U.S. rates remain flat overall, property lines show mixed trends, with rate relief for some but higher premiums for catastrophe-prone areas.

RECOMMENDATIONS

Acknowledge the complexities of systemic risk: Recognize that numerous factors influence risk, both internal and external, seen and hidden, which evolve over time. A thorough understanding of these elements is critical to crafting effective strategies for risk mitigation.

Integrate insurance into strategic planning: Approach insurance as a fundamental component of the overarching business strategy rather than a routine policy renewal. Viewing it through this lens enables businesses to proactively address potential vulnerabilities and align coverage with broader organizational goals.

Align coverage with your long-term vision: Evaluate a broad spectrum of insurance options to identify the strategies that best support your business objectives. By aligning these choices with your vision, companies can make informed, resilient decisions that ensure longevity and adaptability.

Partner with an expert insurance broker: Engage with a specialized insurance broker who has deep expertise in the business industry and a thorough understanding of the unique risks. Choosing the right partner secures protection for what matters most and enhances an organization's assets and stability.

By taking these steps, you can develop a comprehensive risk management strategy that ensures both business continuity and future success.

INDUSTRIES

Agriculture

Architects & Engineers

Aviation

Cannabis

Dental

Education

Entertainment

Fine Art

Healthcare

Law Firms

Marine

Nonprofit & Human Services

Private Equity

Real Estate

Relocation

Transportation

Waste & Recycling

Wineries

AGRICULTURE

Crop insurance remains a critical aspect of risk management for U.S. farmers. While natural disasters are commonly considered significant threats, evolving trade dynamics, international supply-demand shifts, and volatile weather patterns have underscored the need for comprehensive protection. Rising input costs and narrow profit margins only amplify the necessity of robust crop insurance strategies to safeguard farm operations for future generations.

MARKET CONDITIONS

The 2025 growing season brings both challenges and opportunities, as farmers face sustained pressure on profitability. High production costs persist, driven by expensive seed, fertilizer, and climbing land rents. Non-land expenses for crops like corn are projected at $750 per acre, with total costs exceeding $1,050 per acre in many regions. These rising costs, coupled with narrow profit margins and declining market prices, make the selection of effective risk management more critical than ever.

On the market side, commodity prices for 2025 are mixed. The projected price for corn sits at $4.70 per bushel, showing a slight increase from 2024, while soybeans are forecasted at $10.54 per bushel, significantly lower than the previous year. Narrowing price margins continue to pressure farmer profits, underscoring the role of crop insurance in providing stability amidst market fluctuations.

Revenue protection (RP) insurance remains a key tool, offering safeguards against production losses and revenue shortfalls.

Rising input costs and narrow profit margins only amplify the necessity of robust crop insurance strategies to safeguard farm operations for future generations.

By guaranteeing a dollar amount per acre based on production history and commodity prices, RP ensures farms can weather unforeseen challenges, such as a volatile growing season or unexpected price drops.

Additionally, the enhanced coverage option (ECO) has garnered increased attention in 2025 thanks to a higher subsidy rate of 65%. This product provides revenue protection within a 95% to 86% coverage band with only a 5% deductible, allowing farmers to better manage small losses in pricing and yields. Subsidy adjustments have significantly reduced the cost of high-level coverage, making ECO a practical and attractive option for many producers. Additionally, a large suite of private products has given growers more choices and options for managing risk.

COVERAGE CONSIDERATIONS

Insurance premiums continue to decline into 2025 following reduced commodity prices. For instance, soybean-related premiums may see reductions due to lower price volatility, and corn policies reflect slightly higher guarantees for similar premium levels compared to 2024. This decline in costs provides farmers with the opportunity to expand their coverage portfolios without significantly increasing their insurance budgets.

The importance of a tailored approach cannot be overstated. Instead of selecting coverage based on premium costs, farmers should assess a range of factors, including production history, forward sales contracts, Farm Service Agency (FSA) programs, and county-specific trends. ECO and supplemental coverage option (SCO) products can be layered with RP policies to increase guarantees, particularly in high-risk scenarios.

To maximize efficiency, it's critical for producers to evaluate how county-based triggers, historical performance trends, and past outcomes of insurance products align with their unique operational needs. Utilizing tools like profit matrices, decision calculators, and regional benchmarks can help farmers assess the value of their investments in both federal and private insurance products.

Specialty crop and livestock producers should also consider targeted insurance products. Products like livestock risk protection and dairy revenue protection continue to play a vital role for livestock farmers, while innovative solutions for crops such as apples, grapes, and vegetables remain essential components of effective risk management strategies.

Farmers should assess a range of factors, including production history, forward sales contracts, Farm Service Agency programs, and county-specific trends.

RECOMMENDATIONS

Adopt a detailed, analytical approach to crop insurance decisions in 2025 to address ongoing financial pressures. A comprehensive strategy should include the following steps:

- **Assess costs and coverage needs:** Start with a detailed analysis of production costs, expected yields, and contracted commodity sales. Use this data to determine the most appropriate insurance coverage.
- **Understand county vs. farm-level trends:** Analyze how local county trends compare with individual farm performance to make data-driven decisions on coverage.
- **Consider advanced coverage options:** Evaluate products like ECO alongside traditional RP policies to enhance your coverage. Focus on how increased subsidies can make top-level coverage more affordable.
- **Leverage decision tools:** Use available calculators and risk evaluation tools to estimate premiums, guarantees, and potential payouts under different scenarios.
- **Evaluate specialty needs:** For farms with unique risks (e.g., specialty crops or livestock), explore tailored policies that provide the specific coverage required.
- **Reflect on financial performance:** Regularly assess financial health, focusing on whether input costs, market volatility, or production risks are affecting profitability. Ensure insurance strategies address these challenges effectively.
- **FSA programs:** While not crop insurance, FSA programs need to be considered more strongly for 2025 due to higher yields. The interaction between crop insurance and government programs such as agriculture risk coverage (ARC) and SCO needs to be evaluated closely.

For farms with unique risks, explore tailored policies that provide the specific coverage required.

ARCHITECTS & ENGINEERS

INDUSTRIES

The architects and engineers (A&E) professional liability insurance market has remained notably stable over the last two-and-a-half years, even as it faces evolving challenges. This stability is due in large part to sustained competition among insurers, which has offered relief to firms with robust risk management practices. These firms have been able to maintain or even reduce their premium rates, notwithstanding certain market pressures.

MARKET CONDITIONS

The A&E professional liability market is experiencing a period of stability. While there have been a few instances of some insurers either re-underwriting their books of business or even exiting the space, those actions did not have a major impact, and the larger market continues to be driven by competition. Even as claims frequency has leveled off, insurers continue to cite increased claims severity driven by social inflation, erosion of caps on punitive damages, tort reform rollbacks, litigation funding, distrust of corporations, an organized plaintiffs' bar, higher rates for defense attorneys, and increased cost of materials as factors that substantiate the need for increased professional liability rates.

But even as insurers would like to see a continuation of mid-single-digit rate increases on their books, there is enough competition that quality firms with favorable loss histories can continue to see "flat" renewals or even slight rate decreases. Firms with more claims, or those engaged in high-risk project types or disciplines, such as roads/bridges, condominiums, geotechnical engineering (Geotech) and structural,

The Architects & Engineers professional liability market is experiencing a period of stability.

risk higher rate increases if they are unable to articulate their strong commitment to risk mitigation by way of centralized quality assurance (QA) and quality control (QC) project-intake, contract and related protocols.

Recently there appears to be a divergence in the economic fortunes of architectural versus engineering firms. Whether attributable to the formerly rising interest rate environment throughout 2024, or the uncertainty over the impact on cost of building materials attributable to proposed tariffs, architectural billings have ebbed even as engineering firms' revenues continue to climb. Spending on water, transportation and other public infrastructure projects simply appears to be outpacing private development and therefore vertical construction. Even in a "flat" rate environment, when a firm's revenues are rising, the increased exposure gives rise to higher premiums, often muting underwriters' desire to charge substantially higher rates. If the divergence between architects and engineers' relative prosperity continues, the market may begin treating the professions differently from a rate perspective.

Recently there appears to be a divergence in the economic fortunes of architectural versus engineering firms.

For firms dealing with decreased revenues, it's increasingly important to partner with a specialist broker. During "The Great Recession," many firms' revenues in the current and prior fiscal years were down significantly, yet they were being underwritten based on a much higher historical three-year average. There is a wide divergence between professional liability insurers in terms of what they use as the underwriting "rate basis," but nearly all are consistent in their approach. If your firm's revenues are rising, approaching insurers that use a historical three-year average could be to your benefit. If revenue declines, you may want to engage carriers that look only at your "last complete fiscal year" in calculating rates.

OTHER LINES

Property and casualty lines other than professional liability tend to follow general, rather than industry-specific trends, but that has changed in recent years and continues to be seen in 2025. Traditional property and casualty (P&C) markets have written all but the largest A&E firms on business owners' policies (BOPs) that assumed design firms were contractually disclaiming general liability (GL) exposures such as job-site safety and responsibility for means and methods of construction.

Though the policies include GL coverage, the premiums are based on business property valuations rather than GL exposure, making them much less expensive than a commercial package and not subject to audit. However, more design firms have tendered claims alleging bodily injury or property damage to their GL insurers seeking a defense of such claims at what is typically a much lower deductible than would be the case on their professional liability policy.

This trend, together with the increased utilization of the design-build delivery method and design firms taking on exposures, caused insurers to scrutinize firms to ensure they are BOP eligible. If it's determined that a firm on a BOP has true GL exposures, the small projected rate increases would not be applicable and the costs of converting to a commercial package will be significant.

There's a dearth of insurers willing to deploy more than $5M of professional liability limit on a per-claim or aggregate basis.

CAPACITY

There's a dearth of insurers willing to deploy more than $5M of professional liability (PL) limit on a per-claim or aggregate basis. With the continuation of a hard project-specific market driving owners to insist that firms carry higher limits on their practice policies, excess and quota-share layers are becoming more common. Leading PL insurers have seen the shift to decreased capacity as an opportunity and have entered reinsurance treaties where they offer limits up to $10M or even $15M to qualifying firms. This allows them to attract business from well-managed firms that otherwise may have had to bind coverage with up to three different insurers to obtain the desired limits. Partnering with a specialist broker enables firms to target prospective insurers that align with their strategic risk management goals from a rate and a terms perspective.

RECOMMENDATIONS

- Layoffs and forced return-to-work policies could lead to employment practices liability (EPL) claims. Ensure adequate coverage is in place before acting. An area to watch is proximity bias. Proximity bias is the better treatment of physically closer (i.e., in-office) workers than remote workers.
- Use follow-form policies and clearly lay out claims administration protocols when securing excess liability coverage.
- Purchase extended reporting periods — or tail coverage — to cover the acquired firm's prior acts of liability when acquiring smaller firms through "assets only" acquisitions.

ARCHITECTS & ENGINEERS

- Maintain open and transparent communication with underwriters. Address any concerns or inquiries promptly. A collaborative relationship helps underwriters understand your risk management strategies and could result in more favorable underwriting outcomes.
- Submit a detailed renewal letter instead of, or in addition to, a standardized application in your underwriting submission.
- Provide a comprehensive overview of your operations and claims history. Offer details on risk management including updated policies and procedures including artificial intelligence (AI), IT improvements, claims prevention, and risk mitigation.
- Hold in-person meetings with underwriters for large and mid-sized firms.
- Consider working with managing general underwriters (MGUs), as they are a faster, more efficient way to secure additional insurance capacity. MGUs provide access to new capacity via specialized and experienced underwriting, streamlining the renewal process.

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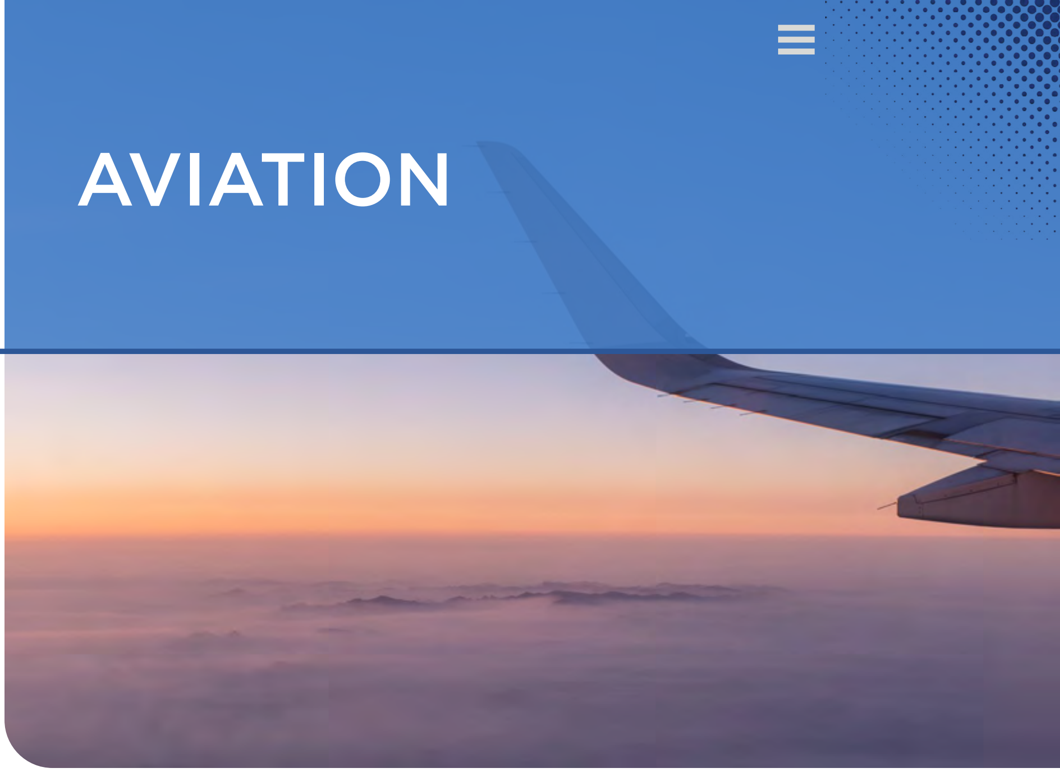
RATE FORECAST

Architects & Engineers		
Architects & Engineers	—	-5% to +5%
Architects & Engineers: Professional Liability	—	-3% to +5%
Architects & Engineers: GL and Property	↑	Flat to +10%
Architects & Engineers: Auto	↑	+3% to +10%
Architects & Engineers: Umbrella	↑	+3% to +12%
Architects & Engineers: Cyber	—	-7% to +3%
Architects & Engineers: Management Liability	—	-5% to +2%



AVIATION

With added capacity and booming appetites, most aviation insurers are offering flat rates to retain business, and lowering rates to attract business, meaning we could be nearing the end of a hard market. But reinsurance costs continue to soar from several challenges including inflation, repair and parts costs, fluctuating fuel prices, supply and demand, and unforeseen circumstances.

MARKET CONDITIONS

While rates continue to stabilize, aviation underwriting is more competitive than ever in general aviation (GA), a term covering a wide range of operations. Experienced underwriters move around the industry, changing carriers, and bringing new ways of doing business. These changes force new strategies and ways for insurers to model their competitive edge, further enhancing the long-term health of the aviation insurance industry. With more competition, there is more capacity and lucrative opportunities for current customers and newcomers in the aerospace industry.

As the year progresses, we're likely to see more reports surrounding new technologies with tools dedicated to the aerospace workplace and underwriting toolbox. As aviation technology and practices evolve, regulatory framework will need to adapt, and compliance requirements could impact coverage options.

Artificial intelligence (AI) driven systems to manage the increasingly complex air traffic will emerge. Satellite technology may provide more accurate and comprehensive tracking of aircraft to improve safety and efficiency, but navigation, airspace, and other surveillance systems may

As aviation technology and practices evolve, regulatory framework will need to adapt, and compliance requirements could impact coverage options.

be upgraded to control aircraft on the ground and in the air. Airports will incorporate smart technology to streamline operations, from automated check-ins and baggage handling to efficient passenger flow management.

Advancements in battery technology and alternative fuels, like sustainable aviation fuel (SAF) will make electric and hybrid aircraft more common – with the goal of reducing carbon emissions. Hydrogen fuel cells could become a primary source of power for commercial aircraft offering zero emissions alternative to traditional jet fuels. Aircraft manufacturers and innovators around the world are racing to design the next generation of aircraft supporting reduced emissions.

Autonomous drones may be able to execute complex filming sequences or fire mitigation without human intervention. Enhanced safety features improve collision avoidance and more durable batteries, and other advanced features could mitigate risk factors and add new drone operators to the spectrum.

However, new innovations present challenges with current compliance.

- Given the enormous capital demands and long-term investments needed to produce ground infrastructure we're a long way from newer technologies. Manufacturers have made progress in the aircraft themselves, but there's no ground infrastructure or regulations in place to support the energy and sourced fuels for operation.
- Safety is the top priority for GA and commercial airlines. Aviation insurance is heavily impacted by catastrophe (CAT) loss versus attritional loss, so stability and capacity are fragile when viewed realistically. Safety trends will remain ongoing to include investment in aircraft model specific training, aviation department training for ground crew and maintenance staff, as well as overall safety initiatives to enforce workplace safety.
- Aviation attrition continues to rise, driven by rising cost of aircraft components, global inflation, supply and demand, and retainment of talented and skilled repair crews. The industry also faces uncertainty due to multi-billion-dollar legal battles involving aircraft lessors, manufacturers, maintenance repair facilities, and third parties. Despite large losses suffered in the aviation industry over the past few years, the GA market remains profitable.

Advancements in battery technology and alternative fuels, like sustainable aviation fuel will make electric and hybrid aircraft more common.

While it's difficult to know how fast the market will develop, underwriting and claims will need new technologies to analyze risks and liabilities prioritizing access to safety and data to correlate premiums. With new and advanced air mobility technology – drones delivering cargo and other operations in research and development test phases, underwriters are already supporting these risks. Like trends in other sectors aviation insurance may move toward usage-based models, where underwriters base premiums on actual operation data rather than traditional metrics.

The aviation insurance industry is resilient yet cyclical, adapting to new exposures, technologies, and unforeseen events as they occur. The industry has long been at the forefront of advanced technology — from research and development to operational flight and management — and is poised to maintain stability in the new year.

The aviation insurance industry is resilient yet cyclical, adapting to new exposures, technologies, and unforeseen events as they occur.

COVERAGE CONSIDERATIONS

Several factors influence insurance buyers in the aviation sector, including:

- **New capacity:** There is a new aviation insurance presence, promoting new appetite, market share, and market capacity. Existing markets are also increasing market share and appetite, or at least working to preserve it, which leads to a more favorable insurance buying environment for clients.
- **High premiums for new aircraft:** While rates remain mostly stable in comparison to previous years, new aircraft deliveries result in premium increases. The values associated with the new aircraft (average $80M USD) are highly attractive to insurers and buyers.
- **Pilot training:** Choosing a flight school approved by the underwriters and accruing additional flight experience may help you achieve better rates. When in doubt, come prepared to discuss your plans to build experience and consult with an aviation insurance broker. They can provide invaluable insights and recommendations based on your circumstances and needs.

RECOMMENDATIONS

Aviation exposures are complex and have different risks from other types of businesses. Understanding these challenges is serious, so it's imperative to work with a specialty broker to review your exposures and

ensure compliance with the insurance company and the Federal Aviation Administration (FAA).

Risk mitigation techniques for the aviation industry include:

- **Enhanced risk management:** Safety is critical and requires ongoing methodical commitment. Establishing a written safety protocol or safety manual for standard operating procedures is critical. Ensure that staff are aware of and following such procedures, which may include keeping tools and equipment away from heavy traffic areas. Make sure that hazards are well understood.
- **Adequate insurance coverage:** Ensure the right insurance coverage is in place to protect assets.
- **Operational considerations:** Go beyond insurance policy requirements and invest in additional training such as upset prevention and recovery training (UPRT), the pilot proficiency program (FAA WINGs program), and model-specific associations. Obtaining additional ratings and certificates like instrument flight rules (IFR), airline transport pilot (ATP), and high-performance endorsements can reduce costs.
- **Be informed:** Know the policy. What does it cover, and are there any exclusions that prevent operations from being covered?

Obtaining additional ratings and certificates like instrument flight rules, airline transport pilot, and high-performance endorsements can reduce costs.

RATE FORECAST

Aviation		
Aviation: All Lines	—	-5% to +5%

CANNABIS

The cannabis industry was caught in the middle of an election year with a lot of uncertainty. Cannabis, although a frequent topic during the election cycle, has had little movement towards federal legalization. While it continues to expand into new states and verticals, the complex nature of the varying laws and rules by states will continue to be the status quo in 2025.

Since cannabis remains illegal federally, the same insurance specific issues such as coverage capacity and carriers playing in this space will continue to be an issue. Understanding the regulatory issues and the growing new verticals, such as THC infused beverages, will be key to businesses not only surviving, but thriving in 2025.

With new segments of markets and products rolling out in 2025, it should be a good opportunity for the industry to spread into new markets.

MARKET CONDITIONS

As of 2025, the cannabis insurance market is seeing some breathing room without many increases on the horizon as the market sees what will come from this most recent presidential election. A price sensitive market is on the horizon for all license holders who are starting to take a harder look at their bottom lines on most everything. With the investing world waiting to see what happens with cannabis this year from a legal scope, money is not being thrown into the industry like it once was. This should open the door for a more competitive experience between carriers.

Cannabis, although a frequent topic during the election cycle, has had little movement towards federal legalization.

The newest discussion is around the THC infused beverage space, especially from a risk management view. Businesses wanting to serve

food, alcohol, and THC infused products will face challenges with their current insurance options. This could be a new segment of the market that cannabis carriers need to keep momentum and growth.

Several factors influence insurance buyers in the cannabis sector, including:

- **Regulatory compliance:** The constantly shifting regulatory landscape creates uncertainty and potential liabilities, prompting businesses to seek more comprehensive insurance solutions.
- **Inflation and business costs:** Rising operational costs, including wages and raw materials, are impacting profit margins and increasing the financial risks for cannabis companies.
- **Rising claims costs:** The industry is witnessing an uptick in claims, particularly in product liability, due to incidents related to product contamination and consumer health impacts.
- **Market consolidation:** As the industry matures, consolidation among cannabis companies is creating larger entities with more complex insurance needs, driving demand for customized insurance solutions.

The potential reclassification of cannabis from a Schedule I to a Schedule III substance under federal law could positively impact the insurance market.

COVERAGE CONSIDERATIONS

The hardening market in the cannabis insurance industry will likely flatten and some may see decreases in certain areas of coverage.

The potential reclassification of cannabis from a Schedule I to a Schedule III substance under federal law could positively impact the insurance market. This change would align federal regulations more closely with state laws, potentially reducing legal uncertainties and enhancing access to banking services. Such a shift could lower operational risks for cannabis businesses, making them more attractive to insurers and leading to more competitive insurance offerings. This has been on the table for a while now with little progress.

The directors and officers (D&O) insurance market for cannabis businesses is likely to see modest increases in premiums, shifting from last year's forecast of a potential decrease. The following factors drive this change:

Despite regulatory challenges, the cannabis industry continues to grow.

- **Regulatory complexity:** As cannabis businesses expand, they face increased scrutiny from federal and state regulators. This complexity raises potential liabilities for directors and officers, making insurers cautious.
- **Litigation risks:** There has been an increase in shareholder lawsuits and regulatory investigations, particularly as the industry matures and companies go public. This elevates the risk profile for D&O insurance. The market has seen steady amounts of maturity even with the conversations revolving more around lines of coverage such as D&O.
- **Market growth:** Despite regulatory challenges, the cannabis industry continues to grow, with new markets legalizing, whether at the medicinal or recreational level.

Insurance rates for other cannabis-related lines are expected to increase more significantly than previously projected. Key factors contributing to this forecast include:

- **Property and theft risks:** There has been a 15% rise in property claims, as cannabis facilities face increased risks of fire and theft, influencing rate adjustments in property and casualty insurance lines.
- **Regulatory developments:** The evolving regulatory landscape and the potential rescheduling of cannabis at the federal level creates opportunities and uncertainties, influencing how insurers price risk across various lines.
- **Operational costs and inflation:** Rising costs, including inflation and increased wages, are putting pressure on cannabis businesses, translating into higher claims costs and influencing rate hikes. The constant struggle of expecting and not benefiting from tax breaks will also continue.

RECOMMENDATIONS

To navigate current market conditions, we recommend the following strategies:

- **Enhanced risk management:** Invest in comprehensive risk management and compliance programs to mitigate potential liabilities and improve attractiveness to insurers. Review tools with insurance brokers that can be implemented to help mitigate risk.

- **Diversify insurance coverage:** Explore a range of insurance products to cover various risks, including product liability, property, and cyber risks to ensure comprehensive protection. Not every coverage is right for every risk, all risks are unique.
- **Leverage industry expertise:** Partner with insurance providers and brokers specializing in cannabis to access tailored solutions and insights into best practices.
- **Monitor regulatory changes:** Stay informed about regulatory developments and adjust operations and insurance coverage accordingly to remain compliant and minimize risks.

Partner with insurance providers and brokers specializing in cannabis to access tailored solutions and insights into best practices.

RATE FORECAST

Cannabis		
Cannabis: Directors & Officers Insurance	↑	Flat to +5%
Cannabis: All Other Lines	↑	Flat to +10%

DENTAL

The dental industry — individual dentists, dental practices, and dental support organizations (DSO) — has witnessed a continued rise of insurance rates for property coverage, cyber liability, data breach, and professional liability (malpractice). The rise in premiums correlates with the rise of costs, goods, and services in many industries. Recent claims trends have impacted the cost and availability of property and cyber coverages.

MARKET CONDITIONS

Malpractice insurance premiums are on the rise, with some companies seeing double-digit increases due to market realizations and the increased payouts for dental malpractice claims. Additionally, state board complaints filed against dentists are at an all-time high leading to increased defense costs. Professional liability insurance policies for dentists and dental organizations are impacted by inflation just like everything else in the economy.

Cyber liability claims brought against dental practices have been on the rise due to the digitization of records and patient data. This transition to electronic records puts the dental industry at heightened risk of cyber risks in 2025 compared to any prior year. Practices should be aware of this growing risk and should be prepared to implement new safety measures to better protect their cyber exposure.

For dental offices in areas prone to catastrophic (CAT) weather events, securing property coverage could be difficult upon renewal. As major storms and other extreme weather events become more frequent, insurance carriers are seeing far greater losses than in previous years. This trend is pushing a rise in premium deductibles for property coverage.

Cyber liability claims brought against dental practices have been on the rise due to the digitization of records and patient data.

Increased labor costs and inflation for building supplies are impacting the dental industry as well. Like most industries the consistent rise in prices on many goods and labor will present a challenge but working with a specialty broker familiar with your risks can help mitigate a rise in premiums.

COVERAGE CONSIDERATIONS

Carriers and their insureds will experience similar challenges in providing and obtaining coverage. Many insurance companies are increasing premiums and deductibles to account for the market changes.

Utilizing the resources available to you through risk management and working with a broker who fully comprehends your risks as a dental practice or organization will help safeguard your business and finances.

Working with a dental-specific broker who has relationships with multiple carriers is vital to ensure a smooth renewal process.

RECOMMENDATIONS

Working with a dental-specific broker who has relationships with multiple carriers is vital to ensure a smooth renewal process. Since dental practices will have more than one line of coverage, there are different recommendations based on the coverage type. We suggest the following:

Malpractice insurance

- Complete risk management courses.
- Carefully consider patient selection.

Property insurance

- Create a policy that has deductibles that match the practice's financial situation.
- If there is no large reserve of cash, consider selecting a plan with lower deductibles in case of a claim.

Cyber liability and data breach

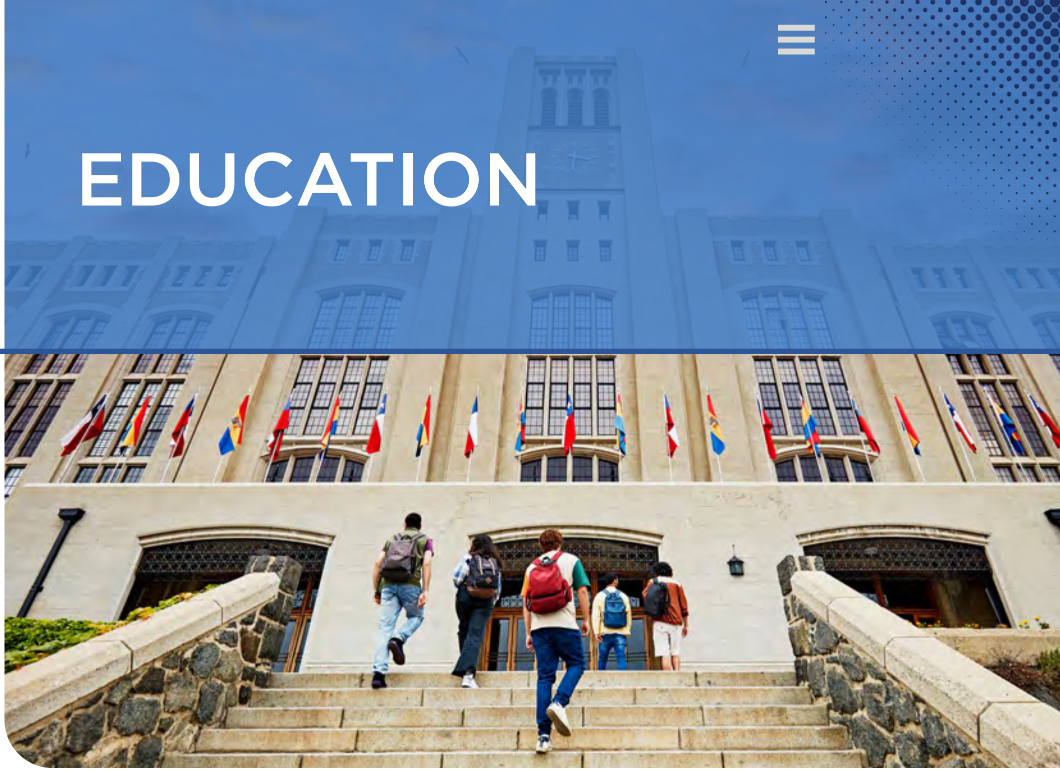
- Invest in adequate cyber training and cyber awareness for staff members
- Install multi-factor authentication (MFA) for all accounts.
- Invest in a password manager, however, do not use Google Chrome.
- If there are any changes in payments or finances, follow up with the business or individual.

RATE FORECAST

Dental		
Dental: Professional Liability	↑	+3% to +5%

EDUCATION

INDUSTRIES



Higher education faces critical challenges in 2025 and beyond, including demographic decline, financial pressures, increased competition, and shifting student expectations for flexible, career-focused learning. However, opportunities abound in addressing the needs of non-traditional students, leveraging digital transformation, expanding online offerings, and adopting data-driven, competency-based approaches.

To thrive, institutions will need to continue to innovate through flexible recruitment strategies, diversified program models, and investments in technology and cross-campus collaborations. These proactive adaptations will ensure their relevance and sustainability in an evolving landscape.

To thrive, institutions will need to continue to innovate.

MARKET CONDITIONS

Higher education institutions could face several potential risks and opportunities in 2025 perhaps extending into 2026.

Risks:

- **Demographic decline:** The number of traditional college-age students is projected to decline after 2025, potentially leading to enrollment challenges and financial strain for many institutions.[1]
- **Financial sustainability:** With the demographic shift, many institutions may face financial difficulties, potentially leading to program cuts or even closures.[2]
- **Increased competition:** As the pool of potential students shrinks, competition among institutions for enrollments will likely intensify.[2]

- **Changing student expectations:** Institutions that do not adapt to evolving student demands for digital experiences and flexible learning options may struggle to attract and keep students.[3]
- **Student activism:** While a longstanding tradition on college campuses, recent protests, particularly concerning First Amendment rights, have been highly dynamic and are expected to persist in 2025. This trend underscores the need for colleges and universities to carefully evaluate their policies to effectively navigate the evolving political landscape.

Opportunities:

- **Non-traditional students:** The projected 11% increase in degree-seeking students aged 25-34 between 2015 and 2025 presents an opportunity to expand offerings for adult learners.[4]
- **Digital transformation:** Institutions that invest in high-quality digital experiences can improve student satisfaction and potentially gain a competitive edge.[3]
- **Cross-campus collaborations:** Building partnerships and collaborations across campuses can help institutions share resources and expand their offerings.[3]
- **Data-driven decision making:** Using data analytics can help institutions make more informed decisions about programs, recruitment, and student support.[3]
- **Online and blended learning:** Expanding online and blended learning programs can attract a broader audience, including non-traditional and international students.[5]
- **Competency-based education:** Developing competency-based programs and focusing on skills development can help institutions better align with workforce needs.[6]

To navigate these risks and capitalize on opportunities, higher education institutions will need to be proactive, innovative, and adaptable in their strategies for recruitment, program offerings, and operational models. We help in developing strategic and enterprise risk management programs which can be extremely valuable in navigating the challenges ahead.

To navigate risks and capitalize on opportunities, higher education institutions will need to be proactive, innovative, and adaptable in their strategies.

K-12 schools, colleges and universities are suffering an increasing number of publicly reported large losses.

2025 HIGHER EDUCATION PROPERTY & CASUALTY INSURANCE LANDSCAPE

Property Insurance

- The property insurance sector is stabilizing, marked by moderate rate increases. Insurers focus on accurate property valuations and risk assessments, especially for institutions in disaster-prone areas. Precise property values are crucial for adequate coverage and favorable underwriting.

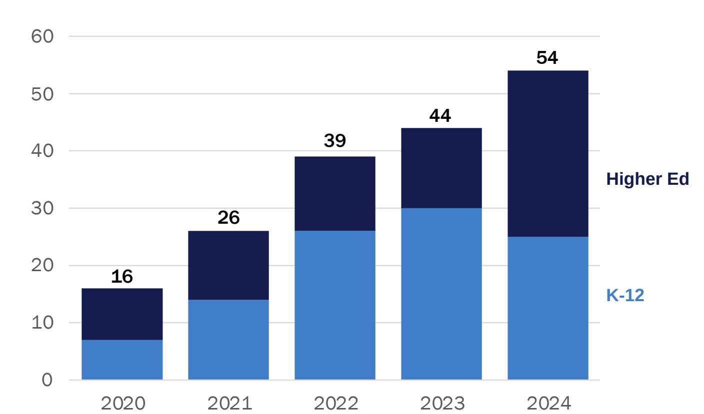
Casualty Insurance

- The casualty insurance market continues to adjust due to social inflation and complex legal environments, leading to rising liability claims and litigation costs. Insurers are adopting cautious underwriting practices and, in some cases, rate adjustments.

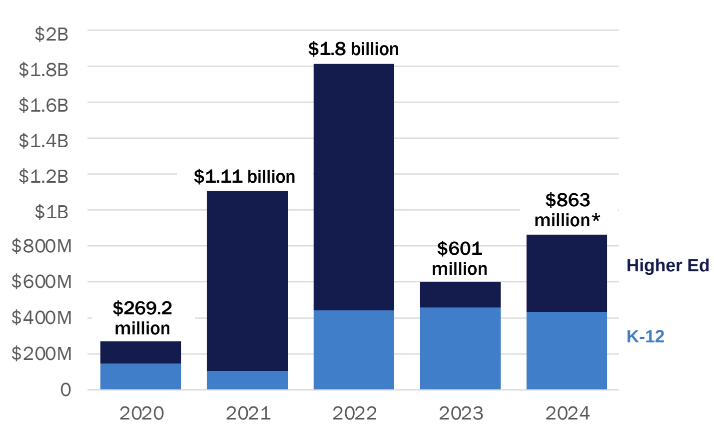
Large Losses Rising at K-12 and Higher Ed Schools

K-12 schools, colleges and universities are suffering an increasing number of publicly reported large losses of at least $2.5M, and those losses are becoming increasingly costly.

Number of Losses



Total Amount of Losses



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Collaboration with insurance professionals specializing in the education sector can provide tailored solutions.

Key Risk Exposures

- **Cybersecurity threats:** Educational institutions are prime targets for cyberattacks, necessitating robust cybersecurity measures like multi-factor authentication and incident response plans to mitigate financial and reputational damage.
- **Student mental health:** Growing concerns over student mental health issues can lead to increased liability claims. Institutions are encouraged to enhance mental health support services and implement proactive measures.
- **Regulatory and legal compliance:** Federal directives, such as the ban on diversity, equity, and inclusion (DE&I) programs in institutions receiving federal funding, introduce new compliance challenges. Non-compliance could result in financial penalties or loss of funding.
- **Enrollment fluctuations:** Declining enrollment numbers pose financial risks, affecting revenue streams and operational sustainability. Strategic planning and diversification of recruitment efforts are vital.
- **Campus safety and security:** Campus violence and safety incidents remain a concern. Comprehensive safety protocols and regular training can mitigate these risks and favorably influence insurance premiums.

Educational institutions should adopt a proactive risk management approach, including regular policy reviews, staying abreast of regulatory changes, investing in cybersecurity, and fostering a safe and supportive campus environment. Collaboration with insurance professionals specializing in the education sector can provide tailored solutions.

STUDENT HEALTH

Student wellbeing, including mental health remains the top priority as universities grapple with managing health plan costs. The average rate increase for the last three years has been close to 5%; however, we expect trends for 2025 to be higher.

According to the latest Risk Strategies Student Health Plan Benchmarking Survey, more than three-quarters of participating institutions indicated that improving student health plan communications was a priority, second only to managing costs. About a third of institutions made medical plan changes by increasing deductibles, copays, and out-ofpocket limits. Just under 20% of institutions made changes in pharmacy benefits by focusing on higher cost share for non-formulary and specialty drugs. Educational institutions continue to offer wellness with a strong focus on therapy visits, 24/7 crisis assistance, and psychiatry visits. Educational institutions continue to offer plans for dental and vision care, as standalone coverage and bundled with medical.

This approach targets comprehensive care within limited budgets. In the past year schools have explored alternative financing, such as self-funding to control costs and enhance risk management. Universities continue to adopt cost-effective healthcare solutions like telehealth and emerging virtual care programs.

When determining pricing, carriers are focused on the following:

- **Enrollment mix:** A high percentage of international versus domestic students is a favorable underwriting factor as international students tend to be lower utilizers of health coverage.
- **Health:** The overall health and medical claim history of enrolled students - a favorable risk profile involves a healthier student population with fewer expected claims.
- **Effective cost management practices:** These can include alternative and regional network opportunities and focusing on high-cost specialty drugs.
- **Claims reporting:** Understanding claim utilization can help monitor costs and trend drivers. The Risk Strategies education survey indicated that two-thirds of institutions considered data-driven decisions a priority.

Risk Strategies is concerned about coverage consistency. Variations in terms, benefits, and pricing across different states make it harder to achieve coverage equity for students.

Variations in terms, benefits, and pricing across different states make it harder to achieve coverage equity for students.

RECOMMENDATIONS

To navigate the complex insurance landscape, we recommend the following strategies for clients:

- Conduct a thorough assessment of risks across property, casualty, and student health. Identify vulnerabilities and opportunities for improvement and develop risk management strategies that align with institutional goals. Be alert to the emerging trends noted in the market conditions above.

- Work with a third-party appraiser and/or broker to ensure property values are accurate before the underwriting process. Carriers may share the cost of an appraisal. Brokers can also provide access to trusted data sources that support real-time property value estimates.
- Prioritize student wellbeing as a core component of insurance coverage. Seek insurance plans that offer comprehensive mental health support to ensure academic success and overall wellness. As a plan fiduciary, conduct a regular assessment of health plan vendors to ensure the most favorable benefits and rates.
- Establish cross-functional teams involving risk management, finance, student affairs, and other relevant stakeholders. Collaborative efforts yield comprehensive risk management solutions.

Prioritize student wellbeing as a core component of insurance coverage.

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INDUSTRIES

ENTERTAINMENT

The entertainment insurance industry anticipates some emerging trends will shape the landscape within content creation and live entertainment in 2025, including mergers and acquisitions (M&A), artificial intelligence (AI) integration/technological innovation, shifting consumer preferences, inflation, and security. Additionally, there are still traditional risks impacting the industry including extreme weather, social inflation, civil unrest/geopolitical instability, and labor strikes. The massive California wildfires at the start of 2025 impacted not only the personal lives of many Californians, but also the production and film industries.

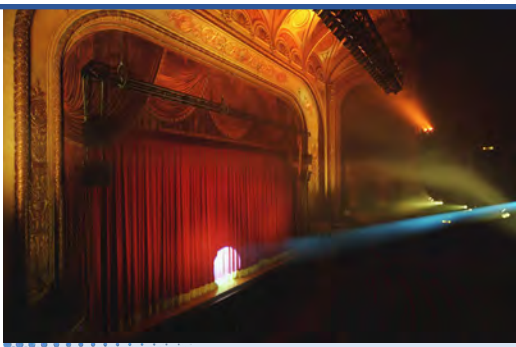
The film and television industry remains strong with a great deal of new production being greenlit. Coverage availability for specialty production insurance (PI) is very good with the existing markets; and there may be new players entering the PI market this year. We expect rates to remain essentially flat for 2025.

MARKET CONDITIONS

The entertainment insurance segment has generally recovered following the massive pandemic-related losses and shows stability and profitability for insurance companies, even in the face of entertainment union strikes and other macroeconomic factors. Several carriers entered the space on the commercial production side with aspirational views of extending coverage into other areas of content creation and theatrical business over the next 6–12 months. Rates are competitive for clients with positive loss profiles, limited auto exposure, and located/filming outside of catastrophe (CAT) zones/areas with extreme weather exposure. The overall limited size of the market creates challenges driving market rates down to the pre-pandemic levels. Large, highly desirable accounts

The entertainment insurance segment has generally recovered following the massive pandemic-related losses.

take advantage of scale and look to drive pricing and terms to a greater extent than small/medium sized firms. Insurers utilize a more disciplined underwriting approach and rigidity around certain coverage areas. The impact of the Los Angeles wildfires and corresponding associated losses to insurers writing this class of business will become evident over the coming months and may have impacts on pricing and potential coverage offerings going forward. It's not outside the realm of possibility that carriers take a more holistic view on emerging climate change-associated risks and underwrite accordingly.



The impact of the Los Angeles wildfires and corresponding associated losses to insurers writing this class of business will become evident over the coming months.

COVERAGE CONSIDERATIONS

The insurance marketplace for commercial production remains limited, and carriers remain disciplined on underwriting and profitability. Barring an unforeseen industry-wide claims scenario, macro-level exposure issues, or serious new carriers, we do not anticipate significant changes from the current rate environment. Carriers are looking to shore up policy terms and conditions and address deductibles or retentions, where necessary, on loss-driven accounts.

Rates have flattened for standard productions, but underwriting has become more stringent for audience participation/immersive productions and shows that contain higher-risk activities like strenuous choreography.

Specialty coverage (production, event cancellation, etc.) rates for film, TV, and contingency businesses have remained relatively stable. However, insurers are focusing on profitability and strict underwriting — most notably for performance disruption, non-appearance, and weather-prone cancellation risks.

- Licensing contracts with venues continue to be challenging, with requirements for shows to carry additional coverage and potentially higher limits, which increase premiums.
- For theater owners, the premiums associated with construction and renovation projects rose significantly for larger jobs where the incumbent carrier is unwilling to roll the coverage into the existing program. We anticipate this trend will continue due to limited capacity.
- Many performing arts venues have embarked on significant renovation projects in theaters. Construction on these facilities remains challenging and can impact premium. Contract reviews are vital to ensure proper wording. Make sure insurance requirements and indemnification clauses are in place.

- Live performances still see significant challenges in primary general liability and excess. New market appetite may result in an opportunity for accounts to be marketed, leading to price/coverage enhancements.
- In liability, carrier loss ratios have deteriorated due to claims frequency and severity. As a result, the market remains tough with large premium increases. We are aware of key carriers reserving up to eight-figure losses in this coverage sector.
- The venue marketplace has not faced the same challenges. However, rates depend highly on the type of event, size, and the loss experience of the individual client. For some types of events, market capacity and terms have not returned to pre-pandemic levels.
- Umbrella capacity remains limited with high limits difficult to obtain for Broadway and theatrical tours. For other classes of live performances and venues, rates continue to rise about 7.5% to 10%.
- Broadway show production budgets continue to rise, which has led to increased premiums for certain lines of coverage.
- The emergence of new capacity for events, live performances, and production could create a more competitive environment over the next 6 -12 months.
- The film and television industry remains strong with many new productions being greenlit. Coverage availability for specialty PI is very good, with the existing markets. There may be some new players entering the PI market this year, but we expect rates to remain essentially flat for 2025.

The film and television industry remains strong with many new productions being greenlit.

RECOMMENDATIONS

Navigate the current insurance landscape by aligning with an experienced specialty broker who is familiar with entertainment insurance and can adequately assess your coverage needs.

- Start renewals promptly and well in advance of policy renewal date.
- Prepare granular, detailed underwriting information.
- Be prepared to discuss exposure around both existing and emerging risks.

RATE FORECAST

Entertainment		
Entertainment: Commercial Production/ Advertising	↑	Flat to +5%
Entertainment: Film/TV	–	Flat
Entertainment: Broadway/Theater	↑	Flat to +5% except Umbrella at +7.5%
Entertainment: Contingency/Event Cancellation	↑	+2% to +5%+ depending on type of risk, geographic location, proximity to extreme weather, and coverage options.

FINE ART

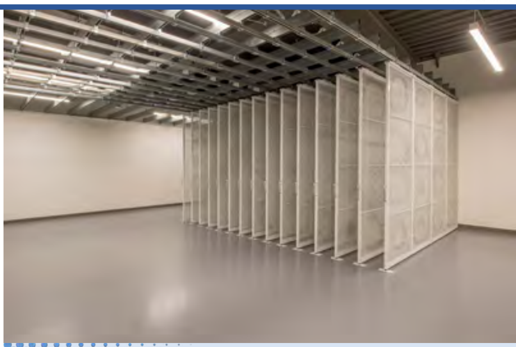
Overall art market sales are down, most notably in the auction segment. Two factors leading to this decrease in sales are the interest rate environment and geopolitical uncertainty, among others. In addition, the great wealth transfer plays a role — younger generations inheriting artwork are not as interested in caring for or amassing mega collections. Through this transition, more artwork is for sale, but a shift to catering to the next generation will continue, especially in luxury retail. After some speculation about waning sales at art fairs, the first reports from Frieze LA are positive, although sales reports from more recent art fairs are not as positive. Dealers report it takes more time to make sales, resulting in more inventory. Dealers need to prioritize proper valuation for owned and consigned artworks to ensure adequate coverage. Galleries are encouraged to review their limits and lists of covered art fairs and locations, especially for temporary locations.

Museums continue to mount high-valued shows, while some federally funded institutions are experiencing significant funding cuts; given the current political climate, this trend is likely to continue. In addition, museums face aging infrastructure concerns exacerbated by climate change.

MARKET CONDITIONS

Despite the devastating losses due to wildfires in Los Angeles, the fine art insurance segment remains appealing and profitable for insurance companies. Capacity and carriers continue to enter the fine art market segment, resulting in competitive rates for clients with few to no losses and located in non-catastrophic (CAT) locations. With multiple insurance

Despite the devastating losses due to wildfires in Los Angeles, the fine art insurance segment remains appealing and profitable for insurance companies.



Fine art warehouse facilities continue to face aggregation issues, especially in major art-centric geographies.

companies eager to deploy their capacity, highly desirable accounts can take advantage of this competitive climate. Those in CAT locations will experience significant insurance coverage challenges, more rigorous underwriting, higher deductibles, and increased rates. Clients with little to no risk mitigation techniques or with a difficult claim history will find it hard to attain comprehensive coverage and may not be able to secure coverage for susceptible perils such as wildfire, water damage, or loss caused by shipments not with a professional fine art packer/shipper. Underwriters are evaluating emerging climate change-associated risks. Coverage in CAT areas is exacerbated by the continued, rapid increase in art values, especially in California and Florida, where earthquake and windstorm aggregations are already nearing a tipping point.

Specific concerns for the fine art industry in 2025 include:

- When collections outgrow primary homes, main museum buildings, and gallery locations, much of the overflow artwork is stored. Fine art warehouse facilities continue to face aggregation issues, especially in major art-centric geographies. Skyrocketing art values are impacting newer locales, such as Aspen, where the ultra-wealthy house some of their large collections. It will be critical for clients to consult with their broker on warehouses vetted by insurers and less susceptible to weather-related losses.
- The focus on which art fairs are in demand with dealers and collectors continues to shift. Dealers are examining which fairs yield the best results.
- Museums need to seek specialist advice on how climate change will affect them. It is essential for museums to prepare for the future and ensure their collection and incoming and outgoing loans are protected.
- When planning outgoing loans, consider how the geopolitical environment could affect the destination facility.

Cyber events continue to occur in the art world. The interconnectedness of the art world becomes more apparent after a major cyber incident. Between the Gallery Systems cyberattack, Christie's hack, and recent Microsoft/CrowdStrike outage, the art world is becoming more aware of how cyber incidents can compromise sensitive information and affect their ability to do business.

COVERAGE CONSIDERATIONS

Underwriters require more information than ever to issue quotes. They are tightening requirements after paying significant claims on large private collections, shipping losses, express carrier claims, and incidents involving self-storage locations.

Appraisals for higher-valued items are a coverage requirement, as are full shipping details.

As the art world seeks ways to improve its environmental impact, some look to alternative shipping methods via ocean freight. Almost all forms of art are at greater risk of loss or damage when shipped by ocean freight due to a lack of climate control and transport delays caused by port congestion.

Most collections need to be reappraised every three to five years.

RECOMMENDATIONS

- **Stay on top of art values:** It is critical to understand the sum of values at each insured location. Most collections need to be reappraised every three to five years. To have the broadest collection coverage, underwriters will ask clients to commit to this schedule.
- **Prepare granular underwriting information:** This includes fire and burglary protection, as well as retrofitting, relative to all locations.
- **Ensure protection from CAT risk:** Consider reallocating some higher-valued works to non-CAT locations or hiring a consultant who can advise on loss mitigation practices. Disaster response and evacuation plans will be critical for those in CAT zones.
- **Gather all relevant shipping details:** Drill down on first- and last-mile shipment details and be prepared to relay these details to a broker/insurance company. The most common cause for claims is transit. As a result, underwriters expect specific shipping companies and details surrounding the artworks and travel arrangements.
- **Provide notice:** Give a broker plenty of notice prior to switching or moving into a new fine art warehouse to get the best possible coverage.
- **Consider political violence/full terrorism coverage:** When lending or consigning artworks or attending fairs in countries experiencing political unrest, diligence is crucial.

- **Procure cyber insurance:** All art world businesses and institutions need to purchase cyber insurance. Not only would a cyberattack affect the ability to work but revealing sensitive client and donor information through an attack could cause significant reputational harm.

All art world businesses and institutions need to purchase cyber insurance.

RATE FORECAST

Fine Art		
Fine Art	↑	Flat to +3%
Fine Art: High Risk	↑	+15% to +20%

INDUSTRIES

HEALTHCARE

Many factors, including changes in healthcare delivery, tort law, litigation environment, the rise of nuclear verdicts, social and economic inflation, and changes in reimbursement from fee-for-service to value-based care are impacting the healthcare industry. Additionally, patient volumes are down slightly year over year, and operating margins are improving. However, these issues are not across the industry. Generally, larger systems are faring better, while smaller, community-based hospitals face challenges.

We've identified several key factors that impacted market conditions for the healthcare industry in the first half of 2025.

Property & Casualty

MARKET CONDITIONS

- **Mergers and acquisitions (M&A):** According to Kaufman Hall the volume of health system mergers continues to trend upwards towards pre-pandemic levels with 72 announced transactions. Acquisitions across payer/provider lines have resulted in United Health Group (UHG) subsidiary Optum being the largest single employer of physicians in the U.S. CVS also employs many physicians through its Oak Street subsidiary. Regulators and legislators are increasingly scrutinizing private equity investments in healthcare. Several high-profile cases like UnitedHealth Group's $3.3B attempt to acquire Amedisys were blocked due to antitrust concerns and have received negative publicity, and several members of Congress are pushing for legislative change that would create higher barriers to entry for private equity. One such bill is the Health Over Wealth Act,

Patient volumes are down slightly year over year, and operating margins are improving.

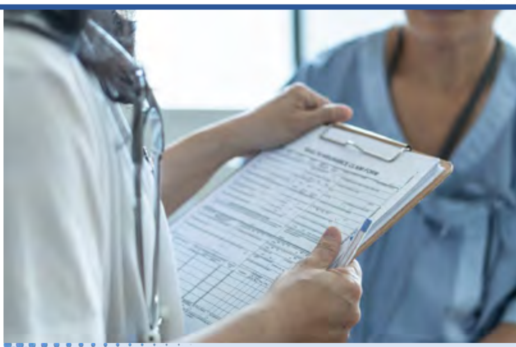
which aims to increase the transparency in private equity-backed healthcare ventures, proposing stringent regulations, reporting on debt and executive pay and limiting asset-stripping practices, as well as obtaining a license from the Department of Health and Human Services (HHS) before purchasing or investing in a healthcare entity.

- **Staffing shortages and burnout:** Staffing shortages continue to be a challenge for healthcare organizations, impacting the cost of labor, productivity, and burnout rates. *Healthcare IT Today* states that, in 2025, the U.S. is projected to face a shortage of 200K to 450K nurses, equating to a 10-20% gap in the workforce required for direct patient care. These shortages impact almost all clinical categories but continue to be most prevalent in nursing. During the pandemic, healthcare providers and hospitals turned to pro re nata nurses and travel nurses to maintain staffing levels, which led to a significant increase in labor costs. Shortages increase burnout among staff, leading to further strain. Many healthcare organizations are enhancing benefits and rewards. Investments in programs such as subsidized childcare and tuition reimbursement for key clinical staff can improve retention.

Staffing shortages continue to be a challenge for healthcare organizations, impacting the cost of labor, productivity, and burnout rates.

- **Cyber incidents:** Hospital and health system vendors continue to be targeted in cyberattacks, creating data breaches that ultimately affect healthcare organizations. In 2024, health systems across the U.S. reported that patients' protected health information was compromised due to data breaches at vendors they work with. In May 2024, a ransomware attack on St. Louis, MO-based Ascension forced Ascension to divert ambulances, close pharmacies, take critical IT systems offline, and resort to pen and paper to record patient information. The most significant cyberattack to date was against UHG's Change Healthcare in February 2024. As a result of this and other high-profile cases, ransomware attacks have become an enforcement priority for the U.S. Department of Health and Human Services (HHS). HHS is emphasizing the importance of safeguarding patient information and ensuring healthcare entities are prepared to protect these records from cyberattacks. Federal regulators recently fined a Pennsylvania-based healthcare system $950,000 and imposed a corrective action plan for potential Health Insurance Portability and Accountability Act (HIPAA) violations linked to a 2017 ransomware incident.

- **Artificial intelligence (AI):** The role of AI in healthcare continues to grow, driving advancements in diagnostics, treatment planning, and



operational efficiencies. However, this progress is paralleled by an increase in AI-driven risks within the cybersecurity landscape. As AI-driven cybercrime evolves and regulatory scrutiny surrounding AI practices increases, we expect the insurance market to devise a cohesive approach to address these challenges.

COVERAGE CONSIDERATIONS

Current trends are expected to persist with all available data indicating the market will continue to harden. The brief respite in claims during the pandemic is over, and we have seen claims frequency and severity resume where they left off. We anticipate incremental premium increases to continue for the foreseeable future to offset the risks of nuclear verdicts. Additionally, some carriers seek increases in self-insured retentions, and many are cutting back on capacity. This is becoming commonplace for many renewals.

- **Professional liability:** While the number of claims has bounced back to pre-COVID-19 numbers and remains stable compared to pre-pandemic numbers, the number of claims over $10M continues to rise. Medical malpractice payouts increase as more nuclear verdicts (+$10M), and thermonuclear verdicts (+$25M) are reached. This trend will continue and accelerate, leaving insurance carriers vulnerable to significant losses. If this risk grows, it may change underwriting and make acquiring coverage more difficult.

  The incidence and severity of sexual abuse and molestation (SAM) claims has increased significantly across the country, particularly with academic medical centers. The impact of these claims on the healthcare system from a financial and reputational perspective is substantial. For example, a 2021 obstetrics case involving 700 claimants in California for $1.1B, a 2021 gynecology case involving 79 claimants in NY for $71.5M, and a 2020 behavioral health case involving one claimant in IL for $535M. Carriers are restricting SAM coverage in a number of ways including increasing the hospital professional liability (HPL) retention by a multiple of the current retention, applying coinsurance, and/or reducing the limit.

  As nurse practitioners and physician assistants become more prominent in healthcare, medical malpractice markets seek more appropriate pricing that better aligns with the adapting roles, as we've seen in 2024, with significant rate increases for these policies. Similarly, we see an increase in per diem nursing and 1099 contract employees and recommend carefully considering these employees' coverage options.

We anticipate incremental premium increases to continue for the foreseeable future to offset the risks of nuclear verdicts.

Other areas coming under greater underwriting scrutiny are compounded GLP-1s (a class of drugs used to treat type 2 diabetes and, in some cases, obesity) and physicians doing 100% telemedicine work. While some carriers continue to cover these exposures, others are opting out which means there are limited carrier options and sometimes higher pricing in the excess and surplus lines market.

- **Excess liability/reinsurance:** The excess liability/reinsurance marketplace continues to change, with most carriers reducing their capacity. The number of carriers participating on an excess tower has doubled or in some cases tripled. Increasing the utilization of quota share arrangements and combining U.S. and international markets is necessary to build capacity. Additional carrier participation brings challenges. For example, since each carrier's coverage form/reinsurance certificate is different, maintaining consistent coverage throughout the tower becomes more difficult. In the event of a claim impacting multiple layers, communication with all carriers involved becomes time consuming and laborious.
- **Property:** Healthcare organizations faced pressure over the past couple years to increase property values due to inflationary pressures. The percentage increases required by carriers has moderated. Capacity is limited for catastrophic exposures and risks with a large concentration of frame construction. Carriers continue to seek higher deductibles, especially for wind/hail, due to increased convective storm activity. Organizations may need to layer policies from multiple insurers to secure sufficient coverage.
- **Cyber:** The cyber landscape continues to evolve rapidly. While capacity remains, ransomware attacks are resurging, raising insurers' concerns. Organizations with strong security controls are seeing stable rates; however, those with average to weak controls may experience rate increases. Ransomware claim activity persists, and business email compromise and funds transfer schemes are an ongoing issue. Insurers are also concerned about the potential for a systemic event where a threat actor infiltrates a cloud or other service provider, which then compromises customers' security.
- **Workplace violence:** Workplace shootings and violent attacks continue to be a concern for healthcare organizations. Healthcare workers are five times more likely to sustain workplace violence injuries than employees in other fields. Increasing claims from labor shortages is a growing concern as employers try to maintain the same

Organizations with strong security controls are seeing stable rates; however, those with average to weak controls may experience rate increases.

productivity levels despite employing fewer people. The growing aging workforce in healthcare contributes to larger workers compensation claims as older workers, when injured, tend to have more severe injuries.

- **Auto:** Many carriers are reluctant to offer stand-alone auto coverage for healthcare risks. Most auto carriers will only consider writing coverage with a supporting line of business. There continues to be a minimal appetite for ambulance/patient transport risks in the marketplace.

RECOMMENDATIONS

- Start renewals early to allow time for any obstacles or negotiations should unexpected challenges arise and have a broker review market options every few years.
- Develop enhanced benefit systems for providers, standalone coverage for allied healthcare providers, and clearly define coverage options for contract employees.
- Implement robust patient safety/risk management programs and use data analytics to determine what those programs should look like.
- Establish clear governance policies on how AI use will be monitored at a corporate level. Develop a clearly defined strategy for integrating AI, before implementation, ensure data infrastructure can support such initiatives. Invest in cloud computing, data analytics, and machine learning tools.
- Develop comprehensive safeguards, including security assessments and implementation of no-tolerance policies to promote a safer workplace for employees.
- Implement IT systems to meet pixel tracking requirements, ensuring compliance with healthcare regulations like HIPAA to protect patient data and be prepared to provide proof of proper protocols.
- Maintaining a good working relationship with brokers is critical. Carriers need to be aware of everything a practice is doing, otherwise there may be uncovered exposures.

Start renewals early to allow time for any obstacles or negotiations should unexpected challenges arise.

Managed Care and Accident & Health Reinsurance

MARKET CONDITIONS

There is ample capacity in the accident and health space in the medical excess and provider excess of loss market with some markets offering aggressive pricing, terms, and conditions. However, other markets are trying to price for current/future exposures and limiting risk through disclosure/lasering. Trends impacting the insurance and reinsurance market include:

- Increased Food and Drug Administration (FDA) approvals for cell therapies, gene therapies, and other extremely high-cost specialty drugs, higher than expected medical loss ratios for Medicare Advantage plans, and the continued push towards value-based care.
- Potentially significant impact on the government programs that rely on federal funding, e.g., Medicaid, ACA, etc.
- High-cost specialty pharmaceuticals, including cell and gene therapies. Regardless of category, the use of these high-cost drugs translates to increased insurance and reinsurance costs and the potential for the exclusion of members and drugs.
    - Spending on specialty drugs now represents over 50% of total pharmacy spending, even though only 2% to 4% of the population requires a specialty drug.
    - Specialty drugs generally fall into three categories: chronic condition management, acute condition management, and high-cost, one-course cures (i.e., gene therapies).
- Lack of access to timely and accurate clinical and cost data for underlying populations drastically impacts the ability to effectively direct members to the highest-quality, lowest-cost providers. This results in higher claims costs, higher premiums, and the likelihood that members will be excluded from coverage or coverage will be reduced for failure to disclose or report on a timely basis.

> There is ample capacity in the accident and health space in the medical excess and provider excess of loss market.

COVERAGE CONSIDERATIONS

Trends in the insurance and reinsurance space will continue into 2025 and beyond. The FDA is rapidly approving new therapies, and the pipeline of new treatments in clinical trials is substantial. There has been little success in controlling manufacturer pricing for these therapies, and there

is no sign of change. Consider a multi-pronged approach to reinsurance, where extremely high-cost/low-frequency gene therapies are carved out and addressed in a program specific to this exposure. This approach should translate to pricing stability across your risks and enable you to manage this emerging but volatile exposure.

Consider a multi-pronged approach to reinsurance, where extremely high-cost/low-frequency gene therapies are carved out and addressed in a program specific to this exposure.

RECOMMENDATIONS

- Understand the risks. Invest in tools and partner with vendors that can provide a line of sight to the exposures within the underlying population.
- Take advantage of the cost-containment solutions that many insurers/reinsurers make available.
- Ensure there are no hidden exclusions or limitations within the policy's body.
- Understand the obligations under any policy. Review all disclosure requirements to ensure they're being met. If they cannot be met, communicate this to the broker.
- Develop long-term partnerships with reinsurance/risk partners. While price will always be an important factor, there are many other considerations that play an important part in selecting the right reinsurance/risk partner, including: contract/policy language, claims payment, laser and disclosure philosophy.

RATE FORECAST

Healthcare		
Healthcare: Management Liability	↑	+5% to +10%
Healthcare: Managed Care E&O	↑	+10% to +15%
Healthcare: Managed Care, Accident & Health Reinsurance	↑	+8% to +20%
Healthcare: Physician Medical Malpractice	↑	+5% to +20%
Healthcare: Excess Liability	↑	+10% to +15%
Healthcare: Property/Non-CAT Exposures	↑	Flat/as expiring to +7%
Healthcare: Auto	↑	+5% to +10%
Healthcare: Workers' Compensation	↑	Flat to +5%
Healthcare: Primary Professional Liability	↑	+10% to +15%

LAW FIRMS

INDUSTRIES

Law firms' financial results in 2024 were excellent as billing rates rose and the economic conditions remained positive. Non-equity partner growth exceeded equity partner growth and de-equitizations and retirements contributed to a greater increase in profits per equity partner (PEP) compared to revenues. Competition for individuals with substantial books of business is fierce and has led to some firms upwardly adjusting their top pay tiers.

Returning to in-office work remains an issue and many firms now require four or five days a week. Others remain more flexible, primarily to improve their ability to attract and retain talent.

The early part of the year is typically a slower time for collections, but we expect good early 2025 revenue results due to law firms assisting clients with deciphering the impact of executive orders and the changes at federal regulatory agencies. Litigation should remain strong, and most predict an uptick in deal work by mid-year.

MARKET CONDITIONS

For 2025 lawyers' professional liability (LPL) insurance rates increases should be consistent with 2024. While there are no new entrants, domestic markets are competing to win law firm business. Carriers will provide broad terms and competitive pricing to entice firms to change insurers. Small and mid-sized law firms have renewal options and those with excellent loss experience should receive flat rate renewals on the excess layers from domestic insurers. Decreases may be obtained by switching insurers.

The early part of the year is typically a slower time for collecting bills, but we expect good early 2025 revenue results.

For larger firms, the number of potential primary lead insurers remains limited, but there is competition for business on lower to mid excess layers. Recent new capacity in London may join LPL program towers in 2025.

Insurers in the Bermuda market increased high excess layer pricing due to claims experience. Bermudian insurers historically wrote larger lines with little to no expectation of claims activity on their layers. We expect their reduced capacity and rate pressure to continue in 2025. One insurer exited the class in 2024, and another may exit in 2025. A new insurer has started underwriting and another may start later in the year, but they will not fill the overall Bermuda reduction in capacity.

COVERAGE CONSIDERATIONS

Small and midsized firms LPL policy wordings provide less breadth than large law firm wordings and broker input is important to negotiate terms to seek the broadest coverage available.

RECOMMENDATIONS

- Return to in-office work policies can lead to employment practices liability (EPL) claims. Ensure adequate coverage is in place before acting. An area to watch is proximity bias. Proximity bias is the better treatment of physically closer (i.e., in-office) workers than those who are remote.
- Use follow-form policies and clearly document claims administration protocols when securing support and excess professional liability coverage.
- Purchase extended reporting periods — or tail coverage — to cover the acquired firm's prior acts of liability when acquiring smaller firms through "assets only" acquisitions.
- Maintain open and transparent communication with underwriters. Address any concerns or inquiries promptly. A collaborative relationship helps underwriters understand your risk management policies and procedures and could result in more favorable renewal terms.

Use follow-form policies and clearly document claims administration protocols when securing support and excess professional liability coverage.

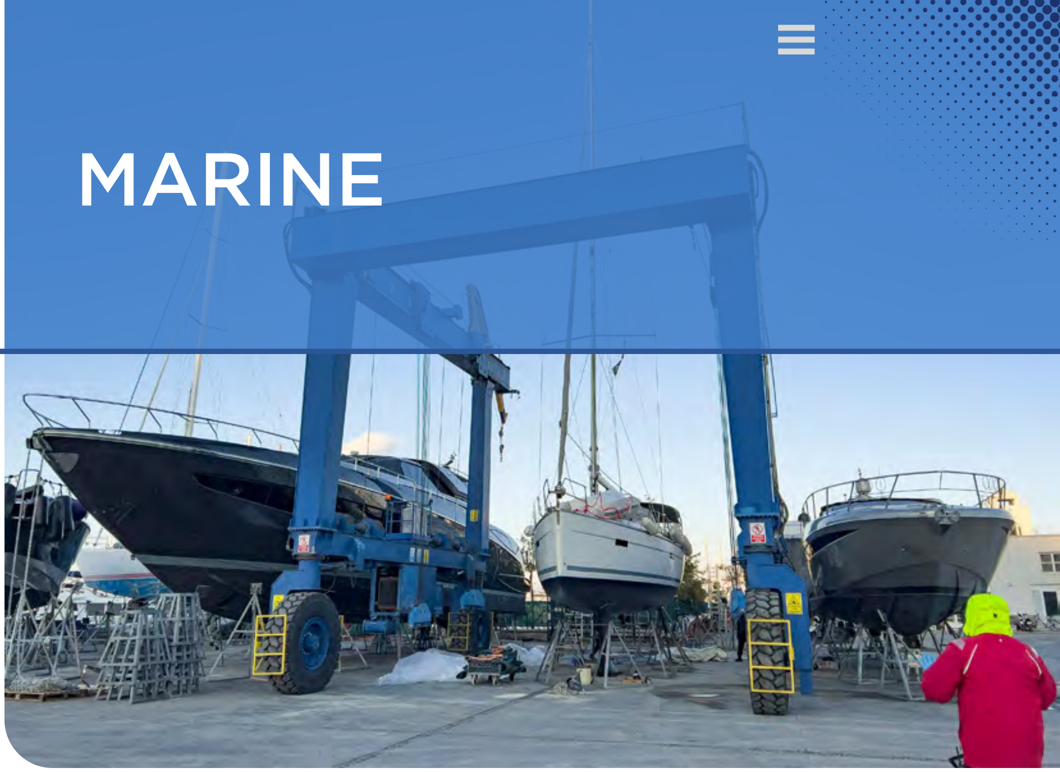
- Submit a detailed renewal letter instead of, or in addition to, a standardized application in your underwriting submission. Provide a comprehensive overview of business operations and claims history. Offer details on risk management including updated policies and procedures including AI, IT improvements, claims prevention, and risk mitigation.
- Hold in-person meetings with underwriters for large and mid-sized firms. An insurer stopped writing the class in 2024 and some have predicted at least one to exit in 2025. Meet with current and prospective insurers.
- Consider including managing general underwriters (MGUs) in insurance programs to secure additional insurance capacity. MGUs provide access to new capacity via specialized and experienced underwriting.
- Firms not requiring Bermudian capacity should consider additional LPL limits as domestic excess layer premiums remain competitive.

Consider including managing general underwriters in insurance programs to secure additional insurance capacity.

RATE FORECAST

Law Firms		
Law Firms	—	-5% to +5%

MARINE



Recreational Marine

In the first quarter of 2025, the marine property markets are showing signs of stabilizing. Carriers operating in the recreational marine space are seeking to reduce exposures in catastrophe (CAT) zones. The 2025 marine market is still seeing a slight uptick in increased rates, reduced limits, and limited terms and conditions, but far less so than in 2024.

While standard markets continue to write some marine business, the focus is on a larger, balanced, non-CAT portfolio. This market condition has resulted in the excess and surplus markets emerging as the most consistent option for coastal marine property exposures.

MARKET CONDITIONS

The recreational marine industry is seeing many smaller boats and yachts being sold, which is a continuation of the trickledown effect of the unusual boom of boat purchases during the COVID-19 pandemic. Inventory and capacity issues throughout the supply chain have eased, and demand is normalizing. There seems to be suggestions that larger yachts are realistically priced to sell and could be related to financing costs and increased interest rates.

COVERAGE CONSIDERATIONS

Recreational marine insurers continue to be laser-focused on the unfavorable loss trends from prior years, and CAT data modeling shows increased frequency and severity of storms. These factors result in reduced overall capacity, market consolidation, reduced limits of liability, and restricted terms and conditions across many coverage lines.

The 2025 marine market is still seeing a slight uptick in increased rates, reduced limits, and limited terms and conditions, but far less so than in 2024.

The impact of recent hurricane seasons is a major driver in the go-forward position for all involved in the marine industry insurance markets. The 2025 hurricane season is once again forecasted to be active and intense. National Oceanic and Atmospheric Administration (NOAA) analysis found [2024 to be the Earth's warmest year] in the organization's 175-year climate record. NOAA's annual global climate report revealed ocean and land surface temperatures 2.32 degrees Fahrenheit above twentieth century levels.

Liability limit restrictions in general, along with decreased capacity for excess liability and directors and officers (D&O) liability, are driving placement challenges and price increases for many marine risks. Underwriting guideline changes have resulted in a reduced appetite for insuring boat builders with less than five years of documented experience. Builder's risk policies for vessels under construction highlight the property and marine capacity shortages. In 2025, the marine marketplace continues to remain hard with fewer insurers participating in the market and more restrictive underwriting guidelines continuing for most business classes. However, some rate moderation for select marine businesses, especially those without coastal exposures, is beginning to occur for select accounts. The marine excess market will continue to experience rate pressure and tighter underwriting, especially if claims activity is present. Quota share and caps on limits offered are becoming much more common.

The impact of recent hurricane seasons is a major driver in the go-forward position for all involved in the marine industry insurance markets.

RECOMMENDATIONS

- Begin the insurance process early to have adequate time to successfully navigate the dynamic marine insurance marketplace.
- Plan longer lead times and higher premiums, particularly when looking to secure higher-limit policies.
- Work with an experienced marine broker who can create a custom insurance and risk management program through analysis of the existing insurance program, review of exposures and risk factors, and identification of current and future coverage needs.
- Look for insurer stability. Many insurers have tried and failed to penetrate the marine market. Align with a carrier with a long-term commitment to the marine industry.
- Dedicate time and resources to develop and implement risk control programs and loss prevention plans, including workplace safety and

education programs, expanded alarm systems, and detailed storm preparedness plans. This is critical to mitigate risks and reduce claims, and can contribute to potential premium considerations on the carrier side.

The marine cargo insurance market is softening, allowing for potential negotiations on policy deductibles.

RATE FORECAST

Recreational Marine		
Recreational Marine: Marinas & Marine Business	↑	+12% to 18%
Recreational Marine: Yacht Clubs & Sailing Orgs.	↑	+12% to 18%

Commercial & Ocean Marine - Marine Cargo

MARKET CONDITIONS

Importers and exporters face numerous risks in today's global marketplace, including:

Increased logistics costs: Cargo shippers are experiencing heightened costs due to war rating surcharges in regions like the Red Sea and Gulf, increasing costs downstream within the supply chain.

Impact of U.S. tariffs: Newly enacted tariffs by the U.S. government on established trading partners contribute to financial uncertainty for importers, exporters, manufacturers, and distributors. To mitigate the effects of U.S. tariffs, businesses should review their current insurance policies focusing on:

- **Valuation models:** Ensure accurate valuation to reflect true risk.
- **Inventory limits requirements:** Align limits with actual needs to avoid excess premium costs.
- **Annual exposure base:** Regularly assess exposure levels for proper coverage.

MARKET TRENDS

The marine cargo insurance market is softening, allowing potential negotiations on policy deductibles.

Cargo theft has seen a sharp rise, with 2024 experiencing a 27% increase in theft incidents compared to 2023, averaging over $202K in value per theft. This trend is expected to continue through 2025, with organized crime adapting their tactics.

RECOMMENDATIONS

To capitalize on favorable market conditions, Cargo owners should:

- **Start the renewal process early:** Initiate the renewal process 90 days in advance to ensure thorough vetting of all marine renewal documentation.
- **Collaborate with stakeholders:** Work closely with all parties involved to assess risk profiles and align current and future insurance needs.
- **Develop a targeted market strategy:** In this volatile environment the need to develop a strategy to navigate the competitive insurance landscape is critical to the buyer; careful planning, strategic market positioning and proactive risk management are essential for importers and exporters to navigate challenges and leverage opportunities in the current cargo insurance market.

In this volatile environment the need to develop a strategy to navigate the competitive insurance landscape is critical to the buyer.

RATE FORECAST

Commercial & Ocean Marine - Marine Cargo		
Commercial & Ocean Marine: Marine Cargo Insurance Rates	↓	-7.5% to -10%*
Commercial & Ocean Marine: Marine Inventory Rates	↓	-5% to -10%

*With variations based on product types and loss history
**Some catastrophe areas may see flat rates or increases of 5% or more

Ocean Marine & Bluewater

MARKET CONDITIONS

For Ocean Marine and Bluewater oceangoing ships, there is plenty of hull and machinery capacity in Scandinavia, London, and the Continental markets with additional capacity arriving by way of new managing general agents (MGAs) in Lloyd's of London. The additional capacity is putting downward pressure on rates. We continue to see 2.5% to 5% premium reductions for fleets with good loss records. Policy periods longer than

twelve months are not as widespread as anticipated. Current market players expect to see heavy pressure from the new capacity which needs to be fed.

War risk coverage is still available for Red Sea and Indian Ocean transits with pricing changing daily depending on conditions. U.S. and U.K. ships may still find it difficult to find coverage. The February 20, 2025, protection and indemnity (P&I) renewals were concluded in the 5% range as expected. Although most clubs are showing positive loss records, there is still concern over which direction the Baltimore Key Bridge liability case will take and how it will affect 2026. There have also been sizeable container ship losses as well as growing jury awards around the world which will affect the clubs' results going forward. The general economic uncertainty, interest rate cuts, and the many conflicts taking place around the world will weigh on investment returns.

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RECOMMENDATIONS

- Begin the renewal process at least 60 days before expiration.
- Explore 18-month policy periods.

RATE FORECAST

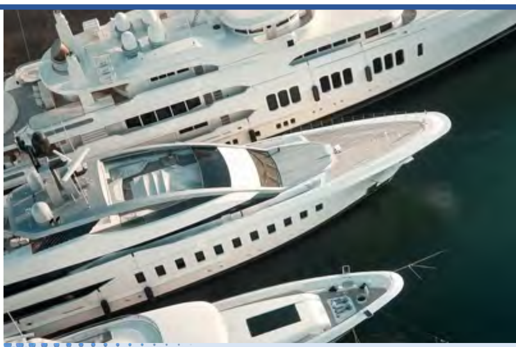
Ocean Marine & Bluewater		
Ocean Marine & Bluewater: Ocean Hull	↓	-2.5% to -5.0%
Ocean Marine & Bluewater: Ocean P&I	?	To be determined later in the year

Coastal Marine & Brown Water Marine

MARKET CONDITIONS

Hull and machinery and marine liabilities: The hull insurance market has settled down after five plus years of +10% annual rate increases. As expiry premium renewals are being obtained, with small reductions as well.

The P&I market is seeing increases slightly higher than the hull market with average quoted charges no higher than 7% increases year over year, primarily driven by underwriters' concern over crew injury claims. The marine liability market continues to have newly seen stability, as expiry pricing levels year over year. Underwriters' keen appetite for marine liability business fuels this relatively soft pricing.



Domestic vessel pollution markets such as the Water Quality Insurance Syndicate offer renewal ratings consistently as expiry.

All accounts with commercial auto or coastal property exposures are seeing steep premium rate increases due to the well documented nuclear jury verdicts and CAT storm losses.

The dwindling capacity in the excess reinsurance market is driving most marine excess renewals to experience considerable increases. Accounts with severe loss experience see pricing double, triple, and in some cases even higher increases than what was seen just three years ago.

A few new domestic marine facilities are seen as a positive force for future pricing moderation, along with the impact a perceived reduction in inflation may generate.

Litigation against corporate leaders was common throughout 2024 and continues into 2025, driving greater demand for strong directors and officers (D&O) coverage. Businesses and executives need more comprehensive protection now due to:

- Regulatory scrutiny
- High-interest rate environment
- Political/economic uncertainty amidst a new administration shareholder activism
- Securities class action lawsuits leveled off after a three-year period of decline
- Emerging risks like cyber incidents
- Intensified environmental issues
- Increased bankruptcy filings
- Banking industry turbulence

All accounts with commercial auto or coastal property exposures are seeing steep premium rate increases.

RATE FORECAST

Coastal Marine & Brown Water Marine		
Coastal Marine & Brown Water Marine: Hull	↓	Flat to minus reductions
Coastal Marine & Brown Water Marine: P&I	↑	+5% to + 7%
Coastal Marine & Brown Water Marine: Marine Liabilities	↑	Flat to + 3%
Coastal Marine & Brown Water Marine: Marine Excess	↑	+7% to +15%

INDUSTRIES

NONPROFIT & HUMAN SERVICES

For the first time in some years there is good news to report for the nonprofit industry. We are starting to see a general softening of rates in some key lines: most notably management liability, cyber and to some degree, property. However, the nonprofit insurance market continues to experience volatility in some key coverages, specifically, abuse, professional and umbrella lines. Carriers still struggle with proper pricing to fund anticipated future claim costs. The trend to restrict umbrella limits continues, with carriers typically offering sub-limits on abuse and professional liability.

MARKET CONDITIONS

Through the last quarter of 2024, and so far through the first quarter of 2025, we see softening rates in the property market. Some more difficult placements, due to high limits and proximity to water have seen competition from London and non-standard markets driving price combativeness. This trend will be challenged by the recent catastrophic (CAT) fires in California. Geographic location still plays a role in carrier appetite.

Carriers are changing some of their practices for property insurance. Some insurers are analyzing their density exposure in each area, this is most seen in urban environments for large property holdings. Other carriers no longer concentrate on correct valuations of the replacement cost of buildings. Instead, they apply annual inflation factors to valuations they have implemented in recent years.

Through the last quarter of 2024, and so far through the first quarter of 2025, we see softening rates in the property market.

It's recommended nonprofits who question their carrier's valuation reevaluate property values themselves, through professional appraisals to control this exposure and ensure insurance policies cover at least 80% of the property value.

Unfortunately, carriers struggle with adequate rate evaluation on other lines of coverage. Over the last several years many carriers have sought rate increases on the commercial auto line. While carriers experienced success with this approach, and are comfortable with current rates, those that waited are catching up.

Most significantly, umbrella liability is seeing rapidly rising rates, as carriers perceive this line of coverage to be actuarially complex to predict. Given the reasons above carriers continue to re-evaluate their exposure.

Most significantly, umbrella liability is seeing rapidly rising rates, as carriers perceive this line of coverage to be actuarially complex to predict.

The trend for carriers to offer lower limits to insureds on renewal continues. Carriers are reluctant to offer higher than a maximum of $5M in limits and sublimiting the abuse and professional lines to $2M to $3M in total. In some renewals, carriers do not offer any umbrella limits resulting in the need to seek limits from nonstandard carriers. This also occurs when insureds want higher than offered limits. The result is higher premiums and potentially more restrictive terms of coverage.

Unpredictable claim settlements, litigation inflation (i.e. claim defense costs), and litigation financing continue to plague the industry. While general liability rates remain flat to modest increases, there's still demand for rate on abuse and professional lines.

Even with these challenges, there are several bright spots for nonprofit clients in the management liability and cyber lines.

The 2024 trend continues and has even improved. Nonprofit directors and officers (D&O)/employment practices liability (EPL) renewals are seeing either flat premiums, or in many cases a reduction in premium. Carriers also continue to offer reductions in retentions to secure accounts.

Cyber liability is even more encouraging, with a very competitive market. Renewals are coming in at least flat, but in many cases with significant premium decreases. If you have not marketed this line of coverage, it should be considered. If you have not acquired coverage, it should be considered. Two factors are creating this competitiveness: increased capacity and enforcement of enhanced risk management oversight.

NONPROFIT & HUMAN SERVICES

RECOMMENDATIONS

For organizations to navigate these issues, it's recommended to:

- Continue to take a proactive approach to risk management.
- Focus on better claim oversight and working closely with insurance carriers.
- Make loss control key and include trend analysis, onsite inspections, and program policy review.
- Take advantage of the extensive risk management resources and claims advocates available through your broker.

Take advantage of the extensive risk management resources and claims advocates available through your broker.

RATE FORECAST

Nonprofit & Human Services		
Nonprofit & Human Services: Property - Average Risk	↑	+10%
Nonprofit & Human Services: Auto	↑	+10% to 12%
Nonprofit & Human Services: General Liability	↑	+5% to 10%
Nonprofit & Human Services: Abuse and Professional	↑	+15% to +20%
Nonprofit & Human Services: Umbrella	↑	+20% to +30%
Nonprofit & Human Services: Cyber	↓	Flat to -20%
Nonprofit & Human Services: Management Liability	↓	Flat to -15%

PRIVATE EQUITY

After a three-year decline in private equity (PE) activity due to elevated interest rates, high deal valuations, uncertainty around the 2024 presidential election, and market uncertainty, investment bankers were once again very optimistic about the state of the M&A market at the end of Q4 2024. But once again, they were wrong. The new presidential administration's pro-business approach and high levels of dry powder – or cash reserves set aside for potential investments – was expected to lead to increased merger and acquisition (M&A) activity in 2025. But the M&A market has three legs to the stool: corporate M&A where the above predictions were based on sound logic; venture which borrows less money; and private equity which we believe will be very challenged.

MARKET CONDITIONS

Private equity firms suffer from a lack of quality assets available in the market, interest rate uncertainty, lofty seller expectations for price and LP's who want distributions not capital calls after many years of light distributions. Finally, the PE-to-PE market which historically drove a lot of activity in the middle market ground to halt. While LP's want distributions, they want them at or above the valuations that the Funds are carrying them at on their financials. As buyers are dropping the prices they are offering, this disconnect has caused closed deal volume to plummet.

The directors and officers (D&O) market remains competitive and trending toward greater stabilization in the next 12 months. The pace of D&O premium decreases has slowed, as compared to the steeper price declines seen in 2022-2024. D&O underwriters closely watch securities class actions and several risk trends to determine the sustainability of the

On April 2, 2025, the Presidential Executive Order imposing tariffs on foreign trade and economic practices has had an immediate and sweeping impact on M&A activity.

soft market in the long term. These concerns are driven by rising litigation costs and the growing complexity of D&O risks as outlined below:

Environmental, social, and governance (ESG) and backlash: The new administration is rolling back initiatives mandating ESG disclosures related to diversity, equity, inclusion (DE&I) and climate risks, viewing these as unnecessary compliance burdens. In January 2025, two Executive Orders went into effect that restricted DE&I initiatives, particularly with respect to federal agencies, programs, contracts, and hiring. This has created uncertainty for private sector employers on how to move forward with their DE&I programs. Companies may follow suit in scaling back their DE&I initiatives which may lead to a renewed wave of discrimination lawsuits aimed at DE&I practices and policies that favor one group over another in compensation and hiring.

Artificial intelligence (AI): AI is rapidly reshaping the workplace, enhancing productivity, streamlining operations, and transforming job roles across various industries. AI technology has sparked increasing litigation and a complex regulatory environment, suggesting continued legal challenges and regulatory actions in the future. To date much of the AI litigation has involved “AI washing” where companies are overstating their AI capabilities. Going forward we expect to see more litigation involving failure to disclose AI risks and misuse of AI tools. AI related disclosure requirements have spurred actions from the Securities and Exchange Commission (SEC) for misleading investors about AI-enabled services. The EU passed a stringent AI law with severe penalties, and U.S. states like Colorado and California are enacting their own laws.

Securities and Exchange Commission: In 2025, the SEC’s enforcement priorities are expected to shift in several key areas which align with the new administration’s focus on deregulation and capital formation. The SEC may have a renewed focus on reducing regulatory burdens, adhering to established materiality standards, curbing perceived enforcement overreach, and generally adopting an enforcement agenda more favorable to corporations. A Republican-controlled SEC will likely favor smaller penalties and adhere tightly to disgorgement limitations set by the Supreme Court. Likewise, companies that undertake proactive remediation may receive more cooperation credit.

Cybersecurity and data privacy: As cyber threats become more sophisticated and pervasive, companies are under increased pressure to protect sensitive data and ensure compliance with a patchwork of federal and state data protection regulations. New lawsuits such as those

AI is rapidly reshaping the workplace, enhancing productivity, streamlining operations, and transforming job roles across various industries.

against CrowdStrike reflect evolving trends focusing on IT disruptions and self-inflicted malware issues rather than traditional breaches. The SEC may take a more conservative approach to corporate disclosures and cybersecurity cases, focusing on material financial impacts rather than speculative risks. This includes a potential re-evaluation of the SEC's approach to cybersecurity disclosure enforcement, moving away from regulation by enforcement and providing clearer guidance to companies.

Cryptocurrency Funds: The current administration is anticipated to significantly benefit digital asset fund managers and their portfolio companies. In January 2025, Executive Order 14178, titled "Strengthening American Leadership in Digital Financial Technology," was signed. This revoked previous directives and prohibited the establishment of a central bank digital currency. The order established a group tasked with proposing a federal regulatory framework for digital assets within 180 days. In parallel, the SEC created a new crypto task force to develop a sensible regulatory path for crypto assets. The administration's shift from enforcement actions to regulatory clarity was quickly evident. Notably, on January 23, 2025, the SEC rescinded SAB 121 which opens the door for banks to explore custody solutions along with other innovative use cases. In February, the SEC closed its investigation into Robinhood's crypto activities without pursuing an enforcement action and dropped accusations that Coinbase was operating an unregistered exchange and listing unregistered securities.

The current administration is anticipated to significantly benefit digital asset fund managers and their portfolio companies.

While these developments are positive for the crypto ecosystem, most traditional insurers remain hesitant to participate until clear regulatory guidelines are in place. Insurance options remain limited, with a small number of specialized insurers underwriting the majority of policies. Additionally, policy terms and conditions are generally more restrictive than those available to businesses in traditional industries.

The crypto industry is rapidly expanding, with numerous newly established digital asset managers and crypto-related companies seeking comprehensive insurance solutions. Clients are rounding out their insurance programs by purchasing additional policies, including cyber, crime, and kidnap and ransom insurance. As the number of policyholders and policies purchased increases, premiums may soften, and more favorable terms and conditions will become available.

MANAGEMENT LIABILITY UPDATE

Securities class action trends: Securities class actions represent the most significant severity risk for public company D&O insurers; therefore, underwriters closely watch these filings as an indicator of their loss experience and profitability. According to NERA, the number of federal court securities class action lawsuit filings in 2024 were 229, significantly elevated from 206 in 2022 and 212 in 2021. In addition, in 2024 the average settlement value was $43M, although slightly below the 2023 inflation-adjusted average settlement value of $46M, this was significantly elevated from prior years from 2019-2021.

Initial public offering (IPO) outlook: After three years of constrained IPO activity relative to historical averages, the IPO outlook in 2025 continues to be challenging given the current market volatility caused by the announced U.S. tariffs. As of April 2025, companies that were close to filing IPOs or launching roadshows are taking a wait and see approach and delaying their IPO until market conditions improve. IPO activity will likely focus on high-quality companies in sectors less affected by trade policy and where peer valuations remain strong. Companies that were planning IPOs will likely need to adjust their multiples and valuations to be attractive to investors in this current market environment.

As of April 2025, companies that were close to filing IPOs or launching roadshows are taking a wait and see approach and delaying their IPO until market conditions improve.

Insurer Capacity/Trends:

- There are opportunities for cost savings from newer market entrants who are looking to build market share. Established carriers are more likely to maintain rates where they feel they can maintain profitability.
- Competition amongst primary capacity providers continues to be strong – especially for those companies with strong financial performance and favorable loss history.
- Excess capacity remains plentiful. Many Insureds are taking advantage of lower excess rates to increase their policy limits year over year.
- Insurers are increasingly using data analytics and AI, enabling them to better assess and price risk and to tailor their offerings.
- Consider carrier multi-year deals with annual installments and refreshed annual aggregate limits, allowing clients to lock in rates and avoid lengthy underwriting and renewal processes.

Adopt a proactive approach to cyber risk management.

- D&O insurers are increasing the number of ancillary lines they offer – such as crime, employment practices liability, and fiduciary liability as they look to generate additional income and secure lines on the D&O program.
- Firms with crypto, cannabis, alcohol, and firearms exposures will continue to have a limited number of insurers willing to entertain the risk.

Representations and Warranties Update: The representations and warranties (R&W) market has been a roller coaster ride. By the end of 2021, the premium rate hit its high and capacity was limited amidst heavy M&A activity. Fast forward to 2023, and rates came down substantially due to more R&W capacity as well as the underwriting teams expanding headcount. For the first three quarters of 2024 rates remained lower. However, in the fourth quarter of 2024 carriers were divided on rates. The larger and more mature carriers began to increase their rates above 3% rate on line (ROL) due to the increase in claim payments. The smaller and newer players have maintained the lower ROL (2.5% or less) from 2023 and 2024. It remains to be seen if the larger players succumb to the pressure of their competitors and bring down their pricing or if they are willing to give up market share to maintain what they believe is a reasonable premium level to offset losses. The aforementioned will depend on if M&A activity picks up in 2025 from its anemic pace of 2023 and 2024. The consensus of the experts at the end of 2024 was M&A would pick up substantially in 2025 but at this point that prediction has not come to fruition.

RECOMMENDATIONS

- Take advantage of the current competitive D&O market conditions. Although pricing has stabilized, markets are willing to expand coverage and offer higher sublimits on antitrust and entity investigations.
- Adopt a proactive approach to cyber risk management:
  - Conduct regular risk assessments to identify vulnerabilities and assess the impact of a cyber incident on your company.
  - Invest in employee training to educate employees on cybersecurity best practices to avoid phishing and wire fraud.

- Ensure you have an updated Incident Response Plan to prepare for a potential cyber incident, including procedures for reporting claims and utilizing pre-approved vendors permitted by your cyber policy.
- Utilize breach counsel to maintain confidentiality during an investigation. In doing so, this will preserve attorney-client privilege for advice and strategic planning, protect sensitive information, and ensure effective legal representation.

Ensure you have an updated Incident Response Plan to prepare for a potential cyber incident.

RATE FORECAST

Our rate forecast for 2025 assumes exposures (assets under management, revenues, assets, employee count) are relatively stable year over year and a favorable loss history.

Private Equity		
Private Equity: Public D&O	↓	Flat to -10%
Private Equity: Private D&O	↓	Flat to -10%
Private Equity: General Partnership Liability (D&O/E&O for PE/VC)	↓	Flat to -5%
Private Equity: Cyber	↓	Flat to -10%

REAL ESTATE

INDUSTRIES

Challenges in the commercial real estate space continue to affect owners and operators, with the ongoing volatility of the insurance market adding to the uncertainty. Following a prolonged period of challenging renewals, rate increases, and restrictions in terms, property market conditions have improved considerably. This has become evident with most well-performing accounts receiving reductions and improved terms as property insurers have returned to profitable levels in the absence of market-changing catastrophic (CAT) events. Conversely, liability coverage remains challenging as insurers continue to underwrite at a deeper level with increased rates and tightening terms.

MARKET CONDITIONS

In 2024, there were 27 separate natural CAT events in the U.S. with losses exceeding $1B, which places 2024 as the fourth costliest on record, trailing 2017, 2005, and 2022 respectively. According to the National Oceanic and Atmospheric Administration (NOAA), this includes 17 severe storms, five tropical cyclones, two winter storms, one wildfire, and one flooding event. Despite the impact on insurer profitability, property market conditions in 2025 continue to improve, with reductions in rates becoming increasingly common for insureds with favorable loss records. Given the increase in competition, underwriters are more open to negotiation with greater flexibility of improvement in terms becoming increasingly common.

Following a prolonged period of challenging renewals, rate increases, and restrictions in terms, property market conditions have improved considerably.

Although market conditions are improving, insurers continue to focus on building valuations, loss mitigation efforts, and carefully tracking exposure accumulations — especially on the heels of the fires in Los Angeles in January 2025. While the conditions of the property market continue to show signs of improvement, it is still considered fragile — meaning a major catastrophic event could slow the trend. With respect to the California wildfires, the total amount of losses to insurers remains undetermined. However, given that most of the losses were sustained at private homes, it is not expected to impact the commercial real estate space in a meaningful way.

The liability market continues to be a challenging environment. Rates for general liability are up year over year, which are higher in the lead umbrella and excess liability portions of the overall placement. Lacking tort reform combined with continued nuclear verdicts have led to increased pressure for underwriters to seek rate increases. Crime scores are carefully evaluated, as are the jurisdictional legal dynamics. It is therefore imperative that clients collaborate closely with brokers to create a tailored marketing strategy for the renewal to achieve optimal outcomes.

While we're seeing encouraging movement in many areas of the country, the West remains an outlier due to capacity constraints, wildfire aggregation, and tightening underwriting guidelines.

While the conditions of the property market continue to show signs of improvement, it is still considered fragile — meaning a major catastrophic event could slow the trend.

COVERAGE CONSIDERATIONS

For the property market, it is important to use data analytics and enrichment tools to identify areas of concern that may lead underwriters to restrict terms. For example, it is also important to secure information from clients for older buildings on key items that may need updating such as heating, electrical, and plumbing. Staying proactive with this could avoid potential restrictions in coverage or higher deductibles. Given the recent wildfires in California, it is also important to understand what the wildfire scores look like and to make sure that any mitigation measures taken by the insured are well articulated to the marketplace.

RECOMMENDATIONS

- **Start the renewal process early:** Lead with analytics, and leverage technology that enriches exposure information to develop an appropriate narrative that will help execute a comprehensive go-to market strategy.
- **Partner with a specialty broker:** Work with a broker who has deep experience, resources, and knows the real estate space well. These factors can make all the difference in securing the right coverage and the most competitive rates the marketplace will support.

- **Focus on accuracy of data:** Ensure that robust information is included in the schedule of values. Incomplete and missing information will in many cases default to data that could have an adverse impact on modeling and therefore pricing.
- **Develop a loss control plan:** For clients with unfavorable loss history, it is important that loss control be engaged as a resource to help build a plan to mitigate future losses and that the plan is appropriately shared in the marketplace as part of the overall narrative.
- **Work with a trusted advisor:** For programs with high-hazard exposures such as wind, earthquake, flood, and wildfire, partner with a specialty broker, model the risk, and get guidance on sufficiency of limits, applicability of deductibles, and insight into what technical pricing underwriters will need.
- **Consider pre-underwriting a risk:** Before the submission goes to market, ask your broker if there are additional steps you can take to improve your risk profile.

Most importantly, ensure the risk is differentiated, a concise marketing strategy is followed, and the renewal process is started as early as possible.

For clients with unfavorable loss history, it is important that loss control be engaged as a resource to help build a plan to mitigate future losses.

RATE FORECAST

Real Estate		
Real Estate: Property - Soft Occupancies (Office, Retail, and Other Well-Protected Risk)	↓	-5 to -20%
Real Estate: Property - Tough Occupancies/ Non-CAT	↓	-5 to Flat
Real Estate: Property - Tough Occupancies/ CAT-Exposed	↑	Flat to +5% or greater
Real Estate: Liability - General Liability	↑	Flat to +10%
Real Estate: Liability - Auto	↑	+5% to +10%
Real Estate: Liability - Umbrella	↑	+5% to +15%
Real Estate: Liability - Excess Liability	↑	+5% to +15%
Real Estate: Liability - Workers' Compensation	—	Stable

RELOCATION

INDUSTRIES

The first quarter of 2025 reflects a continuation of trends that emerged in 2024 within the global relocation and household goods moving market. A combination of economic and housing market dynamics, along with ongoing uncertainty surrounding U.S. fiscal and immigration policies, continues to shape both domestic and international relocation activity.

While certain industry segments experienced short-term volume increases in quarter three 2024, early shipment data from January and February 2025 indicate signs of stagnation in relocation volumes.

MARKET CONDITIONS

Although U.S. mortgage interest rates remain relatively low from a historical perspective, they have risen significantly since 2019. Between 2022 and 2024, rates averaged 6.29%, a sharp increase from the 3.32% average recorded between 2019 and 2021. At the same time, housing inventory remains tight, keeping home prices elevated. These factors have led to fewer employees wanting to relocate and fewer corporations willing to absorb the rising costs associated with staff relocations.

Early shipment data from January and February 2025 indicate signs of stagnation in relocation volumes.

This reluctance to move has significantly impacted corporate relocations both domestically and internationally. While industries such as hospitality, finance, and manufacturing have maintained relatively stable corporate move volumes, the technology sector has experienced a sharp decline. From 2022 to 2024, some tech companies saw relocation volumes drop by as much as 85%, highlighting the sector's ongoing uncertainty when it comes to investing in their workforce mobility needs.

Several factors are expected to continue influencing overall relocation volumes, including housing shortages in major metropolitan regions across Europe - highlighted by demonstrations in Spain, Portugal, and Germany in April of 2024. Political instability and ongoing conflicts in Eastern Europe and the Middle East further compound these challenges.

Corporate relocations remain vital not only for individual companies but also for both local and global economies. In response, some employers are enhancing relocation packages, offering support for home buying and selling, flexible moving timelines, and financial assistance to attract and retain talent.

Traditionally, the peak relocation season runs from May to August. However, in 2024, we observed a shift, with high volumes beginning in July and extending into early October. It remains to be seen whether this was a one-time anomaly or an indication of a broader change in the moving season.

Technology and more flexible employment policies are impacting relocation volumes worldwide as well. Companies are recognizing the importance of offering tailored benefits that align with the unique priorities of employees in different regions around the world.

The U.S. domestic moving industry awaits the potential significant impact of the Global Household Goods Contract (GHC) which was awarded to the HomeSafe Alliance by U.S. Transportation Command (USTRANSCOM) at the end of 2021. While the program was projected to be fully operational by the summer of 2024, HomeSafe has only moved a few hundred shipments under the GHC so far instead of the tens of thousands that were anticipated. The overall success of the GHC is yet to be determined in the coming years.

Corporate relocations remain vital not only for individual companies but also for both local and global economies.

COVERAGE CONSIDERATIONS

Pressure on coverage rates to maintain manageable loss ratios persists. Clients with adverse loss ratios should assess whether the valuation basis for their shipments is adequate, considering that household goods costs have increased more than 20% in the past three years.

Underwriters are continuously reevaluating coverage levels for major loss categories such as mold and mildew remediation, which may result in reduced coverage offerings and/or caps.

Clients may wish to consider retaining more risk to obtain more favorable rates, which could positively impact their overall loss ratios.

RECOMMENDATIONS

As the number of qualified underwriters offering household goods and relocation coverage continues to shrink, clients should be aware that securing new markets for their insurance needs will become increasingly challenging. Maintaining a manageable net loss ratio will be critical to preserving existing relationships with underwriters. To achieve that, we recommend clients:

- Gather relevant shipment and claims data for both origins and destinations and apply targeted analytics to identify suppliers or trade lanes responsible for disproportionate losses.
- Implement mitigation strategies to reduce the frequency and severity of recurring damage or loss claims.
- Introduce a deductible or loss participation fee for service providers to lower direct claim costs.

Overall, the global relocation market is adapting to new economic realities and employee expectations by emphasizing flexibility, leveraging technology, and addressing regional challenges. Companies that succeed in this evolving landscape will be those that prioritize employee experience and adapt to the changing dynamics of the global workforce.

Maintaining a manageable net loss ratio will be critical to preserving existing relationships with underwriters.

RATE FORECAST

Relocation		
Relocation	↑	+4% to +6%

TRANSPORTATION

The commercial transportation sector faces challenges such as labor shortages, rising costs, settlement creep, and increased claim severity due to less experienced drivers. The hard insurance market continues to see significant premium increases across key coverage lines, driven by inflation, supply chain issues, and nuclear verdicts. To address these challenges, businesses are encouraged to adopt advanced safety technologies, maintain rigorous hiring practices, and explore alternative risk management strategies. Proactive risk management is essential for navigating these industry challenges and ensuring operational resilience.

MARKET CONDITIONS

The commercial transportation sector continues to expand, fueled by a sustained demand for last-mile deliveries driven by e-commerce growth and evolving consumer purchasing habits. However, the industry is still grappling with persistent labor shortages, compounding its challenges.

To meet customer expectations, some businesses have opted to prioritize immediate operational needs over long-term strategic goals, including safety regulations. This has led to instances where less qualified drivers are placed on the road, which raises risks related to claim frequency and severity. Such decisions have contributed to increased exposure to nuclear verdicts, complex litigation, and escalating medical expenses. Additionally, the rising costs of vehicles, advanced technologies, and replacement parts have further driven up the average claim cost.

Proactive risk management is essential for navigating industry challenges and ensuring operational resilience.

Driver classification remains a crucial topic, some companies continue to favor 1099 contractual agreements as part of the gig economy model to reduce payroll costs. However, this practice often results in higher turnover and a less experienced workforce, causing operational setbacks. Emphasizing employee retention as opposed to frequent hiring and training cycles offers cost benefits and helps mitigate potential disaster-related expenses. Businesses would do well to assess whether their driver classification policies align with long-term stability and risk management goals.

Businesses would do well to assess whether their driver classification policies align with long-term stability and risk management goals.

COVERAGE CONSIDERATIONS

The transportation insurance market remains hard, with significant increases in premiums persisting across key coverage lines. Physical damage has seen premium escalations reaching 18% to 25%, while umbrella liability premiums have risen by 12% to 30%. Auto liability has increased between 7.5% and 20% due in part because of settlement creep. This relatively new phenomenon is applied when a claim ultimately costs significantly more than it should have due to mitigating factors such as delay, legal pressure, and evolving medical treatment. This has been particularly adverse for the auto liability market.

The labor gap and reliance on less experienced drivers exacerbate claims trends, with auto liability claims not only occurring more frequently but also becoming more severe. The average severity of auto claims has escalated markedly, and while specific updated figures for 2025 are pending, the market continues to reflect a trajectory similar to prior years.

Inflation and supply chain challenges drive costs for physical damage repairs, replacement parts, and vehicle purchases, alongside an uptick in theft-related losses. These factors are collectively exerting upward pressure on property damage and liability insurance rates.

Further compounding issues, nuclear verdicts are increasingly influencing liability coverage costs. The growing prevalence of high-value claims, paired with industry-wide risks, keeps umbrella liability rates on the rise. However, recent advancements in fleet technology, particularly GPS systems and telematics solutions, are beginning to offer insights that may stabilize risk trends in the future as their implementation becomes more widespread.

RECOMMENDATIONS

To manage risks and contain rising costs, we recommend the following strategies:

- **Uphold rigorous safety standards:** Ensure adherence to strict hiring practices, particularly as motor vehicle records (MVRs) remain a key consideration for underwriters. Invest in advanced safety technologies such as collision avoidance systems, telematics, and in-cab cameras to enhance visibility and accountability, reducing exposure to future liabilities.
- **Monitor safety and fitness electronic records (SAFER) scores:** Businesses should aim to keep their Federal Motor Carrier Safety Administration (FMCSA) SAFER scores below the national average. Work closely with brokers or third-party consultants to address areas for improvement and maintain favorable ratings.
- **Exercise caution when managing costs:** Avoid cutting coverage as a means of cost control, which could lead to greater financial exposure. Instead, explore alternative options like captives, risk retention groups, or higher deductible programs to stabilize your organization's total cost of risk.

These strategies are vital for sustaining operations amid market headwinds while positioning businesses for resilience in the face of ongoing industry challenges. Firms that proactively address their risk and insurance needs will stand better prepared in this evolving market landscape.

Avoid cutting coverage as a means of cost control, which could lead to greater financial exposure.

RATE FORECAST

Transportation		
Transportation: Auto Liability	↑	+10% to +20%
Transportation: Physical Damage	↑	+20% to +25% (However, we are seeing increased deductibles to reduce the rate increase)
Transportation: Umbrella Liability	↑	+10% to +30% (Mainly following the primary auto increase)

WASTE & RECYCLING

The insurance market for waste and recycling companies continues to be challenging across most coverage lines due to limited capacity and rising claims frequency and severity. Factors such as increased auto liability and physical damage claims, nuclear verdicts impacting excess liability policies, and fires at facilities caused by improper disposal of lithium-ion batteries have led to restricted capacity, double-digit rate increases, and difficult placements. Insurers require higher attachment points and frequently limit their capacity.

MARKET CONDITIONS

The waste and recycling insurance market continues to face significant challenges due to:

- **Fire incidents:** The rise in facility fires has resulted in limited capacity for property coverage, substantial rate increases, and higher retentions. With the growing prevalence of lithium-ion batteries in consumer products, the risks at transfer and recycling facilities continue to escalate. This highlights the need for enhanced safety protocols, improved battery disposal practices and increased awareness among consumers and waste management professionals.
- **Auto liability and physical damage claims:** A nationwide driver shortage, distracted driving, more vehicles back on the roads, and increased vehicle repair costs have contributed to higher premiums.
- **Nuclear verdicts and high jury awards:** Plaintiff attorneys continue to target trucking companies alleging that cost-cutting measures and lack of training compromise safety. As a result, insurers are tightening their underwriting criteria for auto liability and excess liability.

The insurance market for waste and recycling companies continues to be challenging across most coverage lines due to limited capacity and rising claims frequency and severity.

Use enhanced driver training programs, hiring criteria, and fleet safety measures.

- **Carrier exits from the market:** After years of insurers withdrawing from the property market for waste and recycling facilities, capacity remains limited, particularly due to fire exposure. Fires at waste and recycling facilities are often caused by the improper disposal of lithium-ion batteries. According to Fire Rover, a fire detection and elimination solutions firm, in 2024, we saw the highest level of fire incidents since they began tracking them in February 2016. 2022 was the worst year for waste and recycling facility fires in the U.S. and Canada with 368 fire incidents.

COVERAGE CONSIDERATIONS

Given these market pressures, waste and recycling companies are facing:

- Limited capacity and higher premiums across multiple lines
- More difficult placements, particularly for property and excess liability
- Higher attachment points and stricter underwriting requirements
- A growing interest in alternative risk transfer strategies, such as high deductibles, single cell captives and group captives

RECOMMENDATIONS

To navigate these challenges, and present in the best possible light to insurers, companies should consider the following:

- **Strengthen safety and risk management initiatives:** Use enhanced driver training programs, hiring criteria, and fleet safety measures. Additionally, implement telematics and advanced driver-assistance systems (ADAS), to monitor driver behavior and support ongoing training.
- **Use safety assessment of function and the environment for rehabilitation (SAFER) scores:** Regularly review SAFER scores and document improvements in maintenance and driver safety.
- **Improve property conditions:** Invest in fire prevention technologies such as infrared cameras and heat detection systems to detect and identify fire risks before they become visible.

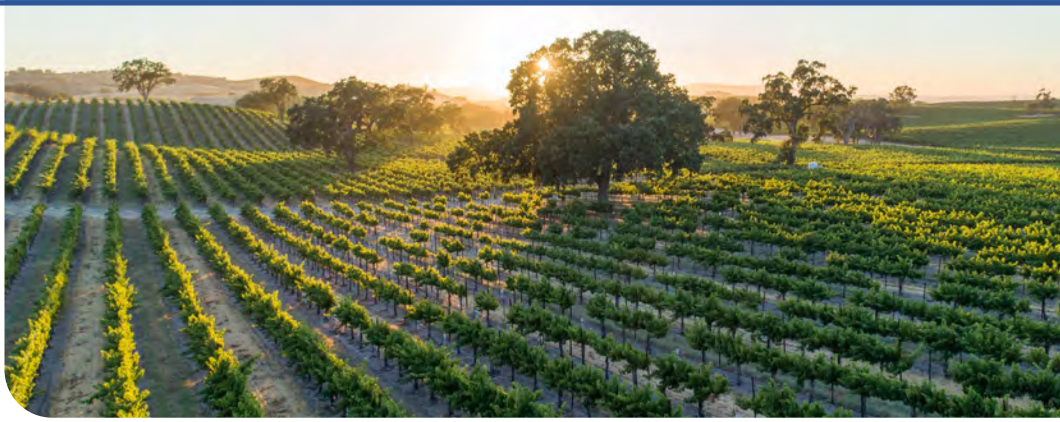
- **Mitigate environmental liability risks:** Address pollution exposures and incorporate environmental risk management into overall insurance strategy.
- **Explore alternative insurance solutions:** Assess the cost effectiveness of high deductible programs, single cell captives, and group captives.
- **Add risk management controls:** Implement additional controls to support alternative risk programs.

Assess the cost effectiveness of high deductible programs, single cell captives, and group captives.

RATE FORECAST

Waste & Recycling		
Waste & Recycling: Auto	↑	+10% to 30%
Waste & Recycling: Excess	↑	+10% to 40%
Waste & Recycling: Property	↑	+10% to +75%

WINERIES



The U.S. wine industry continues its restructuring, driven by shifting consumer preferences, economic pressures, and climate risks. While these challenges persist, they also present opportunities for wineries to innovate, enhance sustainability, and refine risk management strategies to ensure long-term resilience.

Though the wine industry spans many regions, trends shaping coverage and pricing are most evident in California and Western states, where concentrated vineyard acreage and production highlight rate pressure, coverage challenges, and heightened underwriting scrutiny in these high-exposure markets.

MARKET CONDITIONS

In today's environment, wineries face a dynamic and increasingly complex risk landscape. From navigating regulatory shifts and supply chain disruptions to managing climate-related exposures and operational volatility, the need for flexible and responsive insurance solutions is more critical than ever. As the industry evolves, aligning coverage with emerging risks is essential to safeguarding long-term success and business continuity.

- **Evolving consumer behavior:** The 2024 California wine grape harvest was the smallest since 2004, impacted by reduced acreage, heat waves, and declining demand. Gen Z and Millennials are reshaping the market, favoring diverse flavors, low- or no-alcohol options, and experiential wine tourism over traditional wine consumption. Direct-to-consumer (DTC) sales continue to be a challenge, requiring new engagement strategies.

In today's environment, wineries face a dynamic and increasingly complex risk landscape.

- **Debate over wine and wellness:** The Alcohol, Tobacco Tax and Trade Bureau have proposed mandatory disclosure of allergens used in wine production and require "Alcohol Facts" statement on the labels.
- **Economic pressure and bulk winery oversupply:** Despite record low demand for grape contracts, the average price per ton remains high due to multiyear contracts with escalation clauses. Rising production costs, labor shortages and industry consolidation are reshaping winery operations.
- **Climate risk and the insurance landscape:** The increasing severity of wildfires, floods and storms has made insurers more selective, leading to higher premiums and stricter coverage terms. Wineries must demonstrate proactive risk mitigation to improve insurability.

The increasing severity of wildfires, floods and storms has made insurers more selective.

COVERAGE CONSIDERATIONS

- **Package & Programs:** This market remains firm, with rates at +10%. It continues to be a challenge, particularly in wildfire prone areas.
- **Property:** The Property insurance market remains firm and restrictive, particularly for wineries. While some softening in commercial property rates has occurred, the January 2025 Los Angeles wildfires served as a stark reminder of the increasing impact of extreme weather.
  - Key takeaways:
    - **Market remains cautious:** Carriers are taking a more conservative stance on property exposures.
    - **Combined exposures raise concerns**:
      - Properties that include dwellings and hospitality (e.g., on-site homes, inns, event venues) alongside winery operations are viewed as higher risk.
      - These exposures are especially challenging in wildfire-prone regions.
    - **Stronger risk management is essential. Underwriters expect:**
      - Detailed loss control measures
      - Robust fire prevention systems
      - Clearly defined business vs. residential use areas
      - Adequate defensible space

Wineries should expect heightened scrutiny on risk management practices, including staff training and service protocols.

Wineries that proactively address these factors are better positioned to receive favorable coverage terms and pricing.

- **Liability Markets:** While more stable than property, the liability market is experiencing moderate rate increases, and presents its own challenges:
  - **Emerging product risks:** Alternative wine products and wellness-focused offerings introduce new liability exposures.
  - **Regulatory scrutiny:** Changing labels, advertising, and product liability regulations require vigilance.
  - **Coverage adequacy concerns:** Many standard policies may not fully address emerging risks.
  - **Nuclear verdicts and liquor liability:** The increasing frequency of nuclear verdicts in Liquor Liability cases—particularly those involving over-service, driving under the influence (DUI) charges, and social host liability—is driving up claim's severity. As a result, insurers are tightening underwriting guidelines, raising premiums, and reducing capacity for wineries with on-premises consumption.
- **Impact on liability rates and coverage needs:** Rising verdict sizes are also fueling the need for higher Excess Liability limits. Many wineries may find their existing coverage inadequate in the face of escalating jury awards, prompting a push for increased umbrella and excess limits to better protect against CAT claims.
- **Risk management and underwriting scrutiny:** Wineries should expect heightened scrutiny on risk management practices, including staff training and service protocols, as carriers look to mitigate exposure in 2025.
- **Business Interruption & Supply Chain Coverage:** Coverage remains available but with greater scrutiny of contingent business interruption risks and insured revenue projections.
- **Cyber & Management Liability:** This market remains stable with signs of softening in some areas as low as -15%.
- **Crop:** Government programs remain competitive, with new products being introduced to address risks like smoke exposure. While weather volatility and inflationary pressures persist, expanded offerings and underwriting innovation are helping to support market stability.

New capacity is still entering the market, and we are seeing more creative approaches to finding solutions.

RECOMMENDATIONS

The winery industry's transformation brings both challenges and opportunities. Wineries that innovate, manage risk proactively, and adapt to customer shifts will thrive. Now is the time for strategic planning and proactive insurance management to stay competitive.

- **Update and validate property valuations:** Work with brokers and carriers to ensure building and equipment valuations reflect replacement costs.
- **Strengthen CAT and wildfire resilience:** Implement defensible space strategies, upgrade fire suppression systems, and participate in insurer risk mitigation programs to improve coverage terms and unlock carrier capacity.
- **Evaluate liability coverage:** Ensure policies account for alternative wine products and evolving regulations.
- **Improve business interruption and supply chain strategies:** Assess vulnerabilities and refine coverage.
- **Leverage technology for risk assessment:** Underwriting today is data driven and insight led. Use digital monitoring of vineyards, automated inventory tracking, AI-driven risk assessments and CAT analytics to enhance underwriting discussions and secure better terms.

Wineries that innovate, manage risk proactively, and adapt to customer shifts will thrive.

RATE FORECAST

The rate trends depicted in this chart are particularly influenced by developments in California and the Western states, where a significant portion of vineyard acreage and wine production is concentrated.

Wineries		
Wineries: Package and Programs	↑	+10%
Wineries: Property	↑	+10% or higher
Wineries: Stock Throughputs	↓	-10% with improved terms and negotiable profit-sharing agreements
Wineries: Difference in Conditions	↓	-5% to -10%
Wineries: Admitted Market General Liability	↑	+5%
Wineries: Excess and Surplus Lines Market	↑	+5% to +10%
Wineries: Auto	↑	+12% or higher
Wineries: Umbrella and Excess Liability	↑	+15% or higher
Wineries: Workers' Compensation	↑	+5% to +10%
Wineries: Cyber and Management Liability	↓	-15%

NOTE: Wineries rate forecasts could be impacted by the January 2025 wildfire.

BUSINESS SOLUTIONS

- Captives
- Casualty
- Cyber
- Environmental Liability
- International
- Management Liability
- Property
- Risk Management
- Surety

CAPTIVES

The captive insurance market continues to thrive entering 2025, driven by ongoing economic pressures and flexible risk management solutions.

Despite some easing in commercial insurance premiums, businesses face persistent challenges from healthcare costs, legal verdicts, cyber threats, and climate-related risks. Captives are increasingly seen as a versatile tool for risk retention and transfer, with applications expanding beyond traditional areas into property coverage, excess liability, and innovative revenue-generating programs. This trend reflects a growing recognition of captives as a strategic asset for businesses seeking to optimize their risk financing and maintain control in an uncertain market environment.

MARKET CONDITIONS

Although there is an expectation for modest market relief in 2025, many opt to retain more risk in a captive insurance company. This allows them to choose the optimum point to transfer risk to third parties.

Although there is an expectation for modest market relief in 2025, many opt to retain more risk in a captive insurance company.

Workers' compensation (WC) and general liability (GL) risks continue to be foundational pieces for many captives. The commercial property insurance market is expected to show increased responsiveness to innovative risk management strategies this year. Following a challenging period marked by limited flexibility in pricing adjustments, the market appears to be shifting toward a more dynamic approach that rewards businesses willing to explore tailored risk solutions. If that materializes, captives will play a key role in the evolution, helping companies retain sizeable, yet manageable risks with carrier partners offering broader protection. This shift enhances cost efficiency and aligns with the growing demand for customized, client-focused solutions. A willingness to deploy meaningful capital to support this retention of risk is necessary.

Transportation auto liability rates continue to increase, specifically in excess markets, due to higher severity and frequency of nuclear verdicts. Companies continue to drive captive formations to better manage this risk as part of a comprehensive risk management program that includes employee training and technology. Greater control over their claims is critical to the success of a captive program.

As more businesses explore the benefits of captives as an alternative risk financing solution, there's been an uptick in the use of a captive to provide insurance backing to warranty programs, tenant damage, security deposit waivers, self-storage contents protection, and the like. When well run, these captives can potentially offer a revenue stream complementary to the core business. The medical stop-loss captive market is approaching maturity, bringing broader acceptance and understanding that can fuel growth. So long as there is continued focus on mitigating high-cost claims, we expect medical stop-loss captives to become mainstream with far wider adoption.

Parties that control large blocks of insurance business, such as managing general agents (MGAs), are utilizing captives to retain risks from their profitable books of business. As private equity continues its investment in this niche, we expect meaningful growth in this sector.

Captives remain a strong alternative to traditional insurance. We expect no material changes in the market.

Companies continue to drive captive formations to better manage this risk as part of a comprehensive risk management program.

RECOMMENDATIONS

Interested clients should become more knowledgeable about how captives are structured and how they can help manage risk, no matter the size of their business. From there, insureds are recommended to:

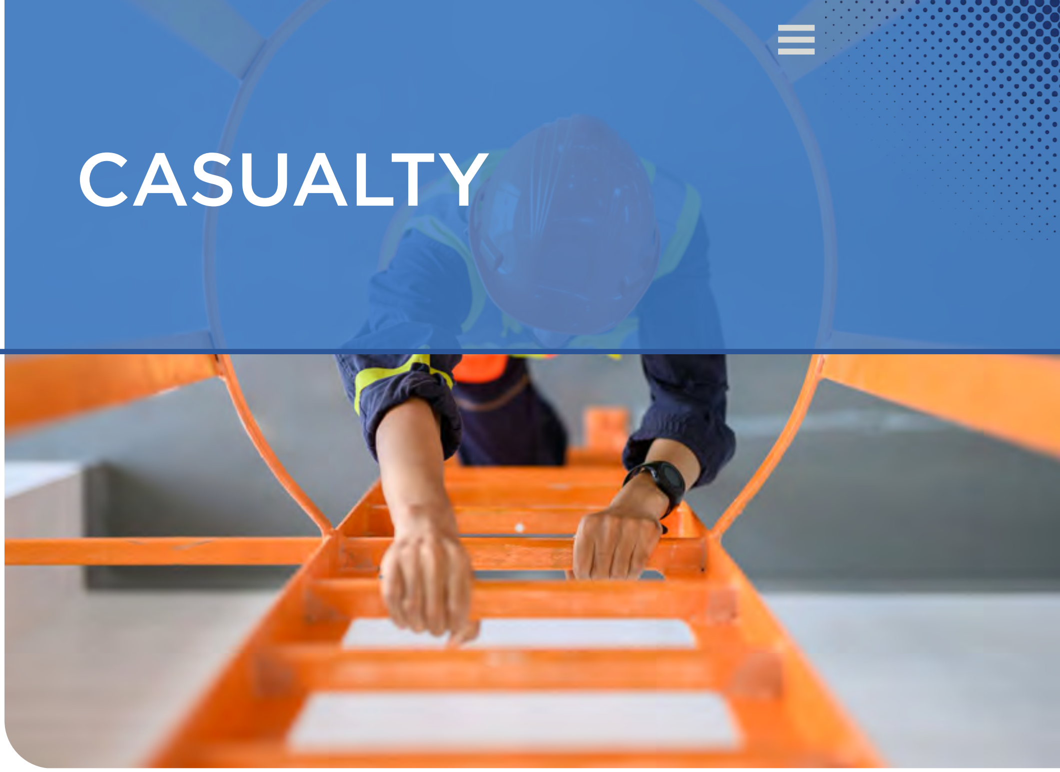
- Develop a list of major causes of loss that can adversely impact revenue.
- Identify insurance programs which are commercially available and those which are not.
- Retain a risk management consultant for guidance on possible ways to address these risks.

- Conduct a feasibility study to determine the expected return on investment of a captive program.
- Consider retention of risk and other techniques to develop the most cost-effective program.
- View the captive program through a long-term lens. Getting started early allows the accumulation of capital and surplus, allowing far more optionality in the future.

Conduct a feasibility study to determine the expected return on investment of a captive program.

BUSINESS SOLUTIONS

CASUALTY



2024 was a challenging year for the casualty market. Competition for business was more evident than in previous years for many risks, yet premiums still rose for clients in many industries. Geography and complexity of risk still play a critical role in the cost and availability of casualty programs today. Many clients can still expect substantial rate increases for auto and umbrella liability, while workers' compensation (WC) remains flat, and general liability (GL) rates will rise slower than in previous years.

MARKET CONDITIONS

We saw signs of increased competition in 2024 and expect that trend to continue in 2025 as insurers seek to grow profitably. There is no indication yet that insurers are seeking to return to the early 2000s, when adding market share via growth was driving pricing down for many clients. That practice is not expected to return until anxiety over a lack of actuarial predictability in large losses eases. Capacity for most clients remains available, albeit at potentially higher attachments, and with the need to use more insurers to complete a program.

Overall, 2025 may be a better year for clients in terms of their casualty placements, but loss trends will ultimately drive outcomes.

Geography and complexity of risk still play a critical role in the cost and availability of casualty programs today.

COVERAGE CONSIDERATIONS

Auto Liability

2024 saw the auto market continue to deteriorate in many sectors, as insurers struggled with frequency and severity of claims. Excluding the

COVID-19 related year of 2021, the widespread adoption of smartphones tracks with a 13-year run of unprofitability for commercial auto insurers. It has become expensive in several states to purchase coverage due to loss and judicial trends. Whenever possible, avoiding monoline auto placements will likely be the best way for clients to obtain the most cost-effective program. However, there are many situations where this is not possible due to the type of industry, including transportation and construction, or exposure where a stand-alone auto program is necessary. In these cases, it is imperative that clients provide full underwriting submissions with driver, loss and safety details. Rates are expected to rise between 5% and 25% based on industry and client loss experience, commitment to loss control, location, radius of operation, driver records, and other factors.

The widespread adoption of smartphones tracks with a 13-year run of unprofitability for commercial auto insurers.

Workers' Compensation

WC still remains profitable for most insurers in many industries. The severity increases experienced within auto and GL are mitigated by the regulatory nature of WC. Despite ever increasing medical costs, as well as a rise in real wages, we do not see any dramatic price hardening on the horizon. 2025 may not experience a rapid change in insurers' appetite for WC, but there are certainly signs that increased claim activity and changes to experience modification calculations could lead to higher premiums for small and medium clients. Large clients should continue to expect a reasonable renewal of their programs, especially if on a loss sensitive basis. Overall, rates will likely remain flat or within a few points up or down, depending on size and type of program, as well as loss experience.

General Liability and Umbrella

Clients have been informed about nuclear verdicts, social inflation and litigation funding, but these trends showed no signs of slowing in 2024 and will continue in 2025 with a few caveats. First, to offset the use of litigation funding companies, several jurisdictions are considering transparency laws that require a plaintiff to identify where they are getting the money to bring the suit. This could impact jury perspectives to better understand that an injured party relies on a giant investment company for financial support.

Second, states are addressing potential liability suit caps through additional tort reform. As jury verdicts reach unsustainable levels, increasingly, business leaders and politicians recognize the cost of doing business in a state could drive employers away. Another hope is that the consistent rise in liability premiums, coupled with higher attachment points and smaller umbrella limits, has helped insurers achieve a measure of protection against large claims, allowing them to mitigate premium increases in 2025 and 2026. 2024 saw the continued growth in the excess and surplus (E&S) lines market for GL and umbrella programs.

This ongoing shift from the direct retail market to the E&S market continues to impact clients in many ways and shows no sign of abating in 2025. Premiums are higher, insurer appetites are often narrower, and clients are faced with addressing ways to obtain coverage through alternative options. This shift has impacted many clients, but particularly those unable or unwilling to consider high deductible programs. However, this drive to E&S has had some positive impacts. Additional capacity via new entrants has in some ways stabilized programs in excess of $10M attachment points. Furthermore, London is still a viable and important option for certain clients to consider. The key is to maintain a reasonable timetable and allow for an increased number of insurers participating in an excess liability tower.

Premiums are higher, insurer appetites are often narrower, and clients are faced with addressing ways to obtain coverage through alternative options.

As individual umbrella limits have shrunk, the complexity of addressing claims between multiple insurers has risen, and the time frame allowed to respond has condensed. It is therefore increasingly hard for insurers and reinsurers to assess their profitability in the space or for a specific account because of this volatility. This may impact the cost and availability of umbrella liability for the near term as conservative underwriting will remain in vogue.

Prices may increase 3% to 10% for GL and 5% to 35% for umbrella depending on loss experience, industry, and risk improvements. Product liability rates have softened for much of the market, aside from a few tougher risks. Thanks to new capacity, rates will be flat or slightly up, outside of clients with large complex consumer exposures like critical auto, RVs, food, and chemicals.

Exceptionally challenging risks, industries and geographies

Several categories of risks face increased underwriting scrutiny:

- Habitational/residential/social services, real estate, and construction
- Several manufacturing sectors, such as sports equipment, chemicals, firearms, and pharmaceuticals
- Education and nonprofits due to sexual abuse and traumatic brain injury concerns

- Per- and polyfluoroalkyl substances (PFAS)
- Nonprofits, especially those with abuse or habitational exposures
- Transportation
- New York – auto, construction, real estate
- Georgia, New Jersey, Louisiana – auto

Package your business to avoid monoline coverage problems.

RECOMMENDATIONS

- Start the renewal process at least 90 to 120 days in advance, if possible.
- Package your business to avoid monoline coverage problems, such as standalone auto.
- Ensure your submission reflects your business as a high-quality risk. Include detailed information that tells your story.
- Prepare to employ additional insurers to complete your excess liability program.

RATE FORECAST

Casualty		
Casualty: Auto	↑	+5% to +25%
Casualty: Workers' Compensation	—	-5% to +5%
Casualty: General Liability	↑	+4% to +10%
Casualty: Umbrella	↑	+5% to +35%
Casualty: Products Liability	↑	0 to +5%*

**Higher for complex consumer risks*

CYBER

The cyber landscape continues to evolve rapidly, as new risks and exposures continue to emerge. This includes artificial intelligence (AI)-related risk, pixel tracking litigation, and prominent systemic events, such as the cyberattacks at CDK Global and Change Healthcare, and the Crowdstrike outage. While capacity remains, ransomware attacks are resurging, raising insurers' concerns.

MARKET CONDITIONS

Carriers maintain strict underwriting scrutiny. Organizations generally see a decrease in cyber premiums, at plus 20%. Those organizations with layered cybersecurity controls are experiencing premium decreases in excess of 20% and enhanced coverage options, adding back coverages available prior to the "hard market."

Insurers are keeping a close watch on AI. New AI tools help cyber risk management, but cybercriminals can also leverage AI to do harm. We see some carriers inquire about the use of AI and governance around it, especially with respect to some healthcare and marketing organizations. Companies using AI tools to improve cybersecurity may qualify for better rates and terms, and carriers are taking steps to offer affirmative coverage when it comes to AI.

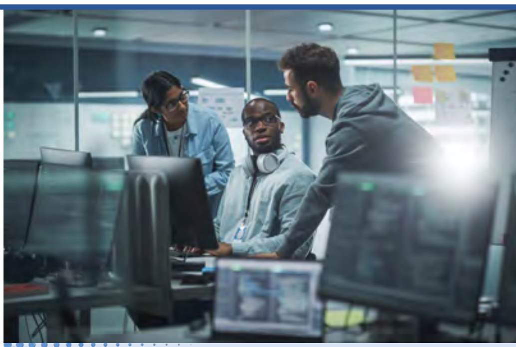
New AI tools help cyber risk management, but cybercriminals can also leverage AI to do harm.

RECOMMENDATIONS

Clients with better controls, policies, and procedures receive preferred rates and policy terms. Failure to implement the proper controls and safety standards set forth by the cyber insurance industry could result in declinations of quotes upon renewal from some carriers or significant rate increases from others. It is in a client's best interest to institute appropriate cybersecurity measures for their industry.

Begin your renewal process at least 120 days before your expiration, in addition to implementing the following safety protocols to secure your renewal and keep rate increases to a minimum:

- **Multi-factor authentication (MFA):** MFA uses a two- or more-authentication verification system to give users access to accounts, applications, virtual private networks (VPN), and more. MFA goes beyond a username and password for additional verification, mitigating cyber threats.
- **Endpoint detection and response (EDR):** EDR provides real-time visibility across all endpoint activity by detecting red flags, such as malicious behavior. Additionally, it can analyze endpoint data and respond to threats. EDR tools use AI technology to identify malicious behavior, and this is expected to increase.
- **Cybersecurity training:** Implement security training to help employees recognize common cyber threats, such as phishing scams, social engineering, poor password hygiene, and other risks. It is preferable that training tools use analytics to help organizations determine which employees require retraining with respect to identifying email scams and using weak passwords.
- **Data backups:** Perform frequent, secured, encrypted, and tested backups for important records and data to be stored offsite, including business contracts and licenses, meetings, patents, trademarks, shareholder stock records, and important documents.
- **Privileged access management (PAM):** PAM mitigates the risk of privileged access. The core capabilities of PAM include the discovery of privileged accounts across multiple systems, infrastructure, and applications, credential management for privileged accounts, credential vaulting, and control of access to privileged accounts.
- **Email filtering and web security:** Eliminating spam through a basic filtering system is a foundation of cybersecurity. Analyze emails for phishing and other red flags, before dumping them into a separate folder.



Implement security training to help employees recognize common cyber threats, such as phishing scams, social engineering, poor password hygiene, and other risks.

- **Patch management and vulnerability management:** These work together to unveil and prioritize risks based on their individual threat level, as well as amend risks by automatically upgrading software to its most recent version.
- **Incident response and business continuity plans:** Allows an organization's IT team to detect any red flags and provide the time necessary to respond and recover from incidents, such as service outages, cyberattacks, or data loss.
- **Layered approach:** Organizations should remember that cybersecurity is a layered approach, and part of an overall risk management plan. Cyber insurance is a critical part of risk management.

Cyber insurance is a critical part of risk management.

RATE FORECAST

Cyber		
Cyber: Entities with Good Controls	↓	-20%
Cyber: Entities with Layered Controls	↓	-20%+

BUSINESS SOLUTIONS

ENVIRONMENTAL LIABILITY

The environmental insurance market remains competitive, with new carriers entering the marketplace. The new carriers are aggressively pursuing new opportunities, which require incumbent carriers to be more competitive to compete with new competition. The new carriers are offering aggressive terms and conditions to build market share quickly and establish a prominent place in the environmental space. With all carriers, favorable terms and conditions can be obtained when presented with critical environmental assessment reports.

Environmental carriers remain cautious when there could be per- and polyfluoroalkyl compounds (PFAS) present. With established federal and state guidelines, insurance carriers are asking what due diligence has been performed around PFAS before they consider offering coverage. Regulators and law firms are now focused on ethylene oxide (EtO) in the healthcare industry. The product has been known to cause numerous health issues, including cancer.

Pricing has been competitive with the entrance of new carriers, and ten-year policy terms are still readily available. Environmental liability is a line of coverage that should no longer be ignored. Carriers report an increase in claims expenses, mainly due to increased social media coverage, aggressive law firms, emerging issues, and social inflation. Conditions such as mold, indoor air, legionella, and weather-related events have also been trending up. PFAS and EtO are expected to impact claims activity around environmental insurance due to the growing scrutiny by regulatory agencies.

Companies need to identify potential environmental factors that could impact their operations and balance sheets. Environmental insurance should be part of your risk management strategy in 2025 and beyond.

PFAS and EtO are expected to impact claims activity around environmental insurance due to the growing scrutiny by regulatory agencies.

It could be the largest liability because of strict joint and several liability statutes if brought into an environmental claim.

MARKET CONDITIONS

Last year, claims involving indoor air quality and mold were on the rise. For 2025, some carriers are pulling back from or limiting mold coverage on hospitality risk due to the rise in claims activity. It is expected that claims will continue to rise in 2026 even if federal enforcement is tempered, as individual states may continue to strictly enforce regulations.

The U.S. Environmental Protection Agency (EPA) announced on March 14, 2024, the final amendments to the National Emission Standards for Hazard Air Pollutants (NESHAP). In April 2025, the EPA announced the final rules regulating and reducing the impacts on air emissions under the Clean Air Act. The driving force behind the legislation was to reduce long-term medical effects from the use of EtO.

COVERAGE CONSIDERATIONS

Environmental carriers continue to offer coverage for PFAS for those organizations who have performed due diligence and determined they are not impacted with PFAS or have quantified the risk associated with the compounds. Coverage offerings may vary by carrier based upon their appetite for the risk. Underwriters fully need to understand the risks before offering PFAS coverage.

Settlements by DuPont, Chemours and Corteva will be used to cover the cost of PFAS remediation and monitoring of public drinking water. The money will be distributed to cities and towns affected by PFAS. Whether future settlements by other manufacturers of products containing PFAS compounds will provide financial relief to private industry remains to be seen.

If PFAS has been identified in the report, it may be difficult to obtain full or partial coverage. Clients should consider other methods of protection to cover the risk if they are brought into a regulatory action or liability suit. Other alternatives to consider are occurrence general liability policies put in place pre-1986, before full pollution exclusions were added to insurance policies. This approach may not be an option for new organizations. Another option may be self-funding through a single-purpose captive if they are brought into some regulatory action or toxic tort claim. Clients need to be prepared to address this exposure until

Environmental carriers continue to offer coverage for PFAS for those organizations who have performed due diligence.

there is more clarity around the impacts caused by PFAS and how state and federal regulators will address the concern in the future. The issue is not going away soon, and it is more likely the government will strengthen its position.

Natural disasters and weather-related events, such as floods, continue to adversely impact the insurance market. Proactively establish disaster contingency plans if your business is vulnerable.

Meticulous environmental due diligence is vital in mergers and acquisitions. Identify potential environmental risks in target companies to prevent surprises and strengthen your risk management strategies. Consider the use of environmental insurance products to mitigate risk.

Natural disasters and weather-related events, such as floods, continue to adversely impact the insurance market.

RECOMMENDATIONS

Navigating the current environmental insurance market effectively requires a proactive approach.

- **Conduct a comprehensive risk review to identify potential environmental exposures in operations, products, and locations.** Understanding these risks allows proactive risk management.
- **Engage with insurance brokers specializing in environmental insurance to ensure adequate and tailored coverage.** Policy language should be designed to address operational risks and contractual obligations.
- **Capitalize on specialized environmental programs offered by reputable carriers.** These programs provide coverage enhancements and competitive premiums, especially for contractors involved in construction projects.
- **Establish a clear exit strategy before starting remediation projects.** Understanding potential hurdles and regulatory re-opener actions will help plan and mitigate long-term liabilities. Consider the use of cost cap coverage to fence in unexpected remediation cost overruns.
- **Promote environmental awareness within the organization.** Implement safety, preventative and emergency response procedures, and environmental risk management practices to minimize potential liabilities.

RATE FORECAST

Environmental Liability		
Environmental*	—	-5% to +5%

**Market remains soft and extremely competitive on new placements. Renewals can expect on average –5% to +5% based upon policy term and complexity of risk.*

INTERNATIONAL

The London property and cargo/stock throughput markets are experiencing heightened competition driven by aggressive growth targets, increased stamp capacity, and an influx of new market entrants. Rates have seen reductions of around 5%, with some insureds achieving greater decreases by leveraging new capacity to create a more competitive process. This shift has disrupted the U.S. surplus lines market, as London capacity increasingly replaces domestic options, especially for accounts previously facing substantial price increases. These conditions, combined with expanded follow facilities, have established a more efficient market environment, particularly beneficial for insureds.

MARKET CONDITIONS

The London property market has benefited from more aggressive growth targets for existing syndicates, as well as an influx of new capacity into the market. The past several years of manageable catastrophic (CAT) losses, rate adequacy, and profitability have led to a more bullish outlook throughout the market. Managing general agents (MGAs) are adding to this momentum based on their view that it's the right time to get aggressive in the market and carve out market share. Rate reductions are in the –5% range, with some insureds seeing more significant decreases by leveraging new capacity to create a more competitive process.

Rate reductions are in the –5% range, with some insureds seeing more significant decreases by leveraging new capacity to create a more competitive process.

The increased market capacity is also driven by automatic follow facilities, which attach to and augment lead lines from traditional syndicates and markets. Some of these facilities are available in the open market, while select London brokers are expanding their proprietary, in-house follow facilities. The net effect is a more efficient process of filling out programs.

London markets have also begun to compete on smaller U.S. programs, where their cost of capacity was previously too high to compete with U.S. insurers. This shift in strategy has had a significant impact on the U.S. surplus lines market, with London capacity supplanting domestic capacity in many cases. The influx of these new London property markets has created a hypercompetitive rate environment for many accounts who experienced the most dramatic price increases over the past few years.

Competition in the London cargo/stock throughput market is also intense, driven by factors similar to the property market. Existing syndicates have increased stamp capacity, as well as substantially higher growth objectives. These factors, combined with new market entrants, create an extremely favorable market for insureds.

Existing syndicates have increased stamp capacity, as well as substantially higher growth objectives.

RECOMMENDATIONS

- Engage with a broker who understands the complexities of international insurance markets.
- Start the renewal process early, sending underwriting submissions out at least 90-120 days before the renewal date.
- Identify clear objectives for each program's renewal, so that marketing efforts can be focused and efficient. This includes reevaluating program limits and retentions to best align with improved market conditions.
- Complete outstanding risk control recommendations that are reasonable and achievable, highlight internal risk management programs that distinguish clients as best-in-class, and provide updates and estimated timelines for the completion of unfinished risk control recommendations.

RISK strategies

BUSINESS SOLUTIONS

MANAGEMENT LIABILITY

Litigation against corporate leaders was common throughout 2024 and continues into 2025, driving greater demand for strong directors and officers (D&O) coverage. Businesses and executives need more comprehensive protection now due to:

- Regulatory scrutiny
- High-interest rate environment
- Political/economic uncertainty amidst a new administration and shareholder activism
- Securities class action lawsuits leveled off after a three-year period of decline
- Emerging risks like cyber incidents
- Intensified environmental issues
- Increased bankruptcy filings
- Banking industry turbulence

Additionally, the Securities and Exchange Commission (SEC) introduced new regulations affecting the financial market and burdening companies and their directors and officers with the cost of compliance. The commission is focusing particularly on D&O and the management of large debt, which could lead to bankruptcies that impact local and global market volatility.

The commission is focusing particularly on D&O and the management of large debt.

MARKET CONDITIONS

Securities class-action lawsuits have flattened after a period of decline. In 2024, average securities class action settlement values were $43M, and the median settlement value was $14M for publicly traded companies. Defense costs continued to increase, and in 2024 they made up 27.4% of the settlement values. As a result, certain underwriting standards tightened, leading to higher premium rates for higher-risk companies. Companies in the financial institutions, real estate, communications/services, healthcare, telecommunication and technology sectors saw a significant increase in securities class action lawsuits.

The management liability insurance market remains soft, as we are now in the fourth year of a soft market.

COVERAGE CONSIDERATIONS

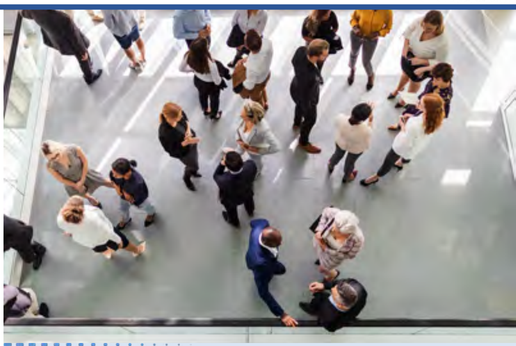
The management liability insurance market remains soft, as we are now in the fourth year of a soft market. Nevertheless, there's been a deceleration of rate decreases. Still, this market provides a favorable period for coverage renewal or purchase, as new market entrants continue to drive down rates and expand coverage terms. This, coupled with more traditional carriers focusing on retaining renewals they deem profitable, creates a buyer's market.

With a new presidential administration focused on de-regulation, pay special attention to new SEC regulations for the balance of 2025, and what areas (Crypto and Bitcoin) will have less regulatory oversight. This will affect management liability and cyber insurance. By focusing on compliance, companies can avoid legal and financial ramifications.

For the past five years, the government has focused on environmental, social, and governance (ESG) practices. During this time, insurers more heavily scrutinized companies' risk management practices and governance structures before extending coverage. The new administration has rolled back some ESG and diversity, equity, and inclusion (DE&I) initiatives, and some private companies have followed suit. Continue to review policies, identify conflicts of interest, and ensure transparent disclosure to stay abreast of regulatory challenges.

Business leaders need to monitor the fast-changing landscape of cryptocurrency and digital assets. Regularly evaluate these assets through the lens of both cyber and management liability — especially when engaging with third-party providers.

MANAGEMENT LIABILITY



Being vigilant of emerging risks and regulatory changes allows informed decision-making about insurance coverage and risk management strategies.

RECOMMENDATIONS

- **Understand insurance requirements:** Regularly assess risks and maintain open and transparent communication with insurers and brokers. Doing so will stave off potential issues.
- **Leverage favorable market conditions with stable rates and increased capacity:** Consider adding additional limits to your coverage or diversifying your insurance carriers. These moves can provide added protection in case of unexpected cyber threats or management liability issues.
- **Adhere to regulations:** Prioritize compliance with new SEC regulations, especially regarding cybersecurity disclosures and fair valuation practices. Investing in robust risk management strategies and controls can lead to better insurance terms and conditions.
- **Fortify cyber protection:** Small and mid-market companies are prime targets for cyberattacks, because criminals assume these organizations have fewer cyber controls. Bolster cybersecurity measures to help defend against threat actors.
- **Stay informed of industry trends:** Being vigilant of emerging risks and regulatory changes allows informed decision-making about insurance coverage and risk management strategies.

RATE FORECAST

Management Liability		
Management Liability: Private Company - Primary	↓	-5% to -15%
Management Liability: Private Company - Excess	↓	-10% to -30%
Management Liability: Public Company - Primary	↓	-10% to Flat
Management Liability: Public Company - Excess	↓	-10% to -30%
Management Liability: Financial Institutions - Primary	↓	-5% to Flat
Management Liability: Financial Institutions - Excess	↓	-5% to -15%
Management Liability: Employment Practices - Primary	↓	-10% to Flat
Management Liability: Employment Practices - Excess	↓	-10% to -20%
Management Liability: Fiduciary Liability - Primary	↓	-10% to Flat
Management Liability: Fiduciary Liability - Excess	↓	-10% to -20%

BUSINESS SOLUTIONS

PROPERTY

The improvement in the property insurance market continued into Q1 2025, despite back-to-back hurricanes in September/October 2024 and the Los Angeles area wildfires in January 2025. The favorable market environment is due to new capacity entering the market, increased competition among insurers, and better than expected January reinsurance renewals. Most clients should continue to see favorable outcomes in their 2025 property renewals, compared to the volatility that characterized the property market in 2023 and prior years.

MARKET CONDITIONS

Generally, the property market has improved for most clients. Even challenging occupancies, like frame habitational accounts, who experienced some of the most dramatic rate increases in prior years, are seeing rate decreases. This is due to increased competition in the surplus lines market via new capacity, increased competition from the London market, and more aggressive underwriting. Accounts of higher risk quality who experienced less volatility previously benefit from market conditions, but with less significant rate changes.

These market conditions are set against the backdrop of what was another active catastrophe (CAT) season in 2024 and the Los Angeles wildfires in January 2025. Swiss Re estimates CAT losses in 2024 will exceed $135B, the fifth straight year of CAT losses exceeding $100B. $100B plus in annual CAT losses appears to be the new normal. Despite this fact, rates have yet to be significantly impacted. Reinsurers remain profitable because of the dramatic restructuring of attachment points and capacity that took place in previous years.

Most clients should continue to see favorable outcomes in their 2025 property renewals.

The devastating wildfires in Los Angeles reinforced that wildfire is now a significant CAT peril the industry will have to contend with. Prior to this event, wildfire exposures had been subject to increased scrutiny and more conservative underwriting. This will certainly continue, rates for exposed properties will increase and capacity will be more closely managed. However, despite loss estimates ranging from $20B to $40B, this was mostly a personal lines event, so the impact on the broader commercial property market remains to be seen. To date, we have seen little to no impact on rate reductions in the broader, non-wildfire exposed market. Upcoming reinsurance renewals will provide additional clarity on the impact on market conditions moving forward.

In the first few months of 2025, rates continue to improve, with most renewals seeing rate decreases. These positive outcomes are typically driven by:

- Good risk quality
- Favorable loss experience
- Adequate property and business interruption values

The following factors continue to affect the property market:

- Depending on the 2025 hurricane season, total CAT losses this year could push $200B. An active hurricane season would create pressure on rate and capacity for southeast coast exposed properties, and potentially the broader market as well.
- Insurers continue to push for percentage deductibles for severe convective storm (SCS) perils in high and moderate hazard areas.
- Insurers remain focused on adequate insurance-to-value (ITV), although year-over-year indices have decreased significantly from post-pandemic highs.

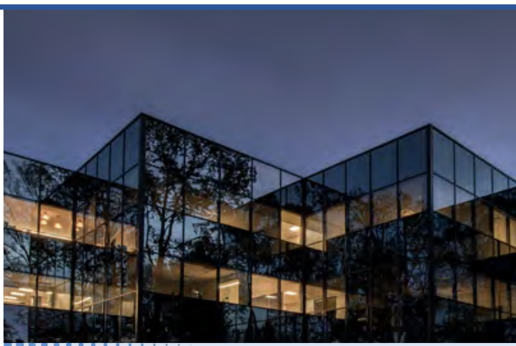
> In the first few months of 2025, rates continue to improve, with most renewals seeing flat rates or modest, single digit decreases.

COVERAGE CONSIDERATIONS

The improved market environment is expected to continue, with the caveat that conditions could deteriorate if the market is hit by significant hurricane activity and SCS losses as the 2025 CAT season unfolds. In the interim, clients should take advantage of the favorable market conditions:

- Absent a strong renewal offer from your incumbent insurer on a preemptive basis, conduct a thorough marketing effort to leverage the increase in capacity and competitive underwriting environment.

- If applicable, push to remove coinsurance provisions and occurrence limit of liability (OLL) endorsements at renewal, so blanket limits apply.
- If insurers won't delete OLL endorsements, increase margin clauses to 25%.
- Request increased sublimits.
- Consider parametric insurance as an alternative to or additional component of an existing risk transfer strategy to address challenges with specific catastrophe perils – earthquake, flood, hail, wildfire, and wind.



Have a comprehensive business continuity plan in place.

RECOMMENDATIONS

- Work with a qualified appraisal firm to ensure that building values are accurate.
- Start the renewal process as early as possible — 90 to 120 days in advance.
- Address and document compliance with outstanding property loss prevention recommendations.
- Keep track of capital improvement expenditures and budgets, so they can be used to demonstrate an ongoing commitment to risk improvement.
- Have a comprehensive business continuity plan in place.

RATE FORECAST

Property		
Property: High Quality Risk/No/Limited CAT/ Favorable Loss History	↓	-30%+ to Flat
Property: Poor Quality Risk/CAT/ Unfavorable Loss History	—	-25% to +10%

BUSINESS SOLUTIONS

RISK MANAGEMENT

Recent events highlight the escalating financial strain on organizations and the critical importance of proactive risk assessment and mitigation efforts.

As we progress through 2025, organizations face a dynamic risk landscape shaped by evolving climate patterns, escalating claims costs, and emerging systemic threats. This report provides an updated overview of these critical areas and offers strategic recommendations to enhance resilience and mitigate potential losses.

MARKET CONDITIONS

The increasing frequency and severity of natural catastrophes continue to challenge businesses globally. In 2024, insured losses from natural disasters reached approximately $140B, surpassing the ten-year average of $94B. This upward trend underscores the pressing need for robust risk management strategies.

In January 2025, Los Angeles experienced devastating wildfires, resulting in estimated losses between $30B and $40B. These events highlight the escalating financial strain on organizations and the critical importance of proactive risk assessment and mitigation efforts.

Increased Claims Costs

Several factors are contributing to rising claims costs across various industries:

- **Tariffs and Trade War Impacts:** We expect Tariffs and potential Trade Wars will have an initial impact on claims costs. Imported goods like steel, auto parts, and construction material costs are expected to rise having a direct correlation on higher costs of repair for auto and property claims and supply chain issues impacting business interruption claims. As repair costs or replacement cost values

increase, insurers will have higher claims payouts which will put pressure on premiums.

- **Social inflation:** Societal factors such as increased litigation and higher jury awards drive insurance costs and have been identified as a significant contributor to escalating liability claims. Litigation funding remains a main driver of legal cost and case volume, approaching $15B in assets with an annual growth rate of 8 to 12%. The fastest growing sector is commercial litigation, which includes business disputes, breach of contract cases, and class actions. In response, several states - including West Virginia, Wisconsin, Georgia, Florida and New York - are implementing or proposing stricter regulations, such as transparency and disclosure requirements, with some even considering outright bans on litigation funding.
- **Supply chain disruptions:** Ongoing global supply chain challenges led to increased costs for materials and labor, extending repair times and amplifying business interruption losses.
- **Technological integration:** The rapid adoption of advanced technologies, while beneficial, introduces complexities that can lead to increased operational risks and associated claims.

Systemic Risks

The interconnected nature of modern economies exposes businesses to risks that can disrupt entire industries:

- **Cyber and artificial intelligence (AI)-driven threats:** The integration of artificial intelligence into business operations has introduced new cybersecurity vulnerabilities. Sophisticated cyberattacks can disrupt operations, compromise sensitive data, and damage reputations.
- **Geopolitical instabilities:** Rising protectionism and geopolitical tensions contribute to market volatility and operational uncertainties. These factors lead to increased regulatory compliance costs and supply chain vulnerabilities.

The interconnected nature of modern economies exposes businesses to risks that can disrupt entire industries.

RECOMMENDATIONS

To navigate this complex risk environment, organizations should consider the following strategies:

- **Enhance risk assessment:** Implement comprehensive risk analysis frameworks to identify and quantify potential threats, enabling informed decision-making.
- **Strengthen supply chain resilience:** Diversify suppliers and maintain strategic inventories to mitigate the impact of supply chain disruptions.
- **Invest in cybersecurity:** Develop robust cybersecurity protocols and conduct regular assessments to protect against evolving cyber threats.
- **Foster organizational agility:** Cultivate a culture of adaptability to respond swiftly to emerging risks and changing market conditions.
- **Engage in scenario planning:** Utilize scenario analysis to anticipate potential systemic shocks and develop contingency plans accordingly.

By proactively addressing these areas, businesses can enhance their resilience and better position themselves to thrive in the evolving risk landscape of 2025.

Businesses can enhance their resilience and better position themselves to thrive in the evolving risk landscape of 2025.

BUSINESS SOLUTIONS

SURETY

The surety market has long been closely linked with the construction industry, playing a critical role in ensuring contractual obligations are met. Surety bonds are becoming increasingly important across various industries beyond construction. These sectors include healthcare, renewable energy, transportation, technology, among others. As financial strain continues due to tariff uncertainty, supply chain disruptions, labor challenges, interest rate pressure, and tightened bank credit, these sectors experience heightened demand for surety products to protect against potential performance failures and financial risks.

MARKET CONDITIONS

The publicly funded construction market continues to show resilience, supported by infrastructure investments at federal and local levels. However, several challenges threaten to slow its momentum. Tariffs on imported materials have driven up construction costs, leading to inflated project budgets and delays. Additionally, the surety market experienced increased loss activity, primarily due to project delays, cost overruns, and persistent labor shortages, all of which impact contractor performance. Rising material prices and extended lead times have further squeezed margins, elevating the risk of defaults. Despite these pressures, the market remains stable, bolstered by adequate—though slightly tightening—reinsurance capacity and the entry of new surety providers, which have sustained competition and prevented sharp rate increases.

Recent aggressive trade policies, including tariffs and renegotiation of trade agreements, have and will impact material costs and supply chains, leading to increased demand for supply and payment bonds.

The publicly funded construction market continues to show resilience, supported by infrastructure investments at federal and local levels.

Material pricing remains volatile, with increased costs for steel, aluminum and electrical components. These shifts heightened the demand for supply bonds and payment bonds to mitigate the risks associated with cost fluctuations and delayed shipments.

Another emerging consideration for contractors is the potential impact of the Department of Government Efficiency (DOGE), a new federal initiative. DOGE aims to streamline bureaucratic processes and reduce regulatory red tape, which could have significant implications for industries dependent on government contracts. If implemented successfully, DOGE could accelerate project approvals, improve government procurement efficiency, and improve the predictability of public-sector funding for infrastructure and renewable energy projects. However, concerns remain about the department's ability to execute these ambitious reforms and the potential for unintended consequences.

The renewable energy sector is another area where surety bonds are gaining traction. With government initiatives and private investments pouring into solar, wind, and other renewable projects, developers and investors are seeking surety bonds to guarantee performance and protect against default. These projects often involve complex regulatory frameworks and extended timelines, where financial or operational setbacks can have significant consequences. Surety bonds offer a means to safeguard against these risks and ensure that projects move forward, even in the face of economic or logistical challenges.

Surety bonds offer a means to safeguard against risks and ensure that projects move forward, even in the face of economic or logistical challenges.

Other Key Industries

Aside from construction, healthcare, and renewable energy, surety bonds are becoming more prevalent in several other industries, including:

- **Technology:** The technology industry increasingly relies on performance bonds to mitigate risk in large-scale software development or IT infrastructure projects. As contracts grow in complexity and scope, so does the need for security that ensures timely project completion.
- **Transportation and logistics:** Surety bonds are playing a larger role in transportation, where they help ensure compliance with government regulations for infrastructure projects, especially as the U.S. pushes for improvements in public transportation systems and the modernization of highways, bridges, and railroads.

- **Waste management and environmental services:** Regulatory compliance bonds in waste management are critical for ensuring that companies adhere to environmental laws and regulations. Given the increased public scrutiny on sustainability, these bonds help protect against the financial and environmental risks associated with non-compliance.

RECOMMENDATIONS

- With the current market challenges in mind, companies must adopt a proactive approach to surety bonding. Regardless of the industry, businesses should engage with knowledgeable surety advisors who understand the intricacies of the industry in which they operate and the broader market conditions affecting their specific bond needs. This approach can help companies navigate the complexities of contract terms, regulatory requirements, and financial risk management.
- For contractors, having a team of seasoned professionals – certified public accountants (CPA), financial advisors, and attorneys with industry-specific expertise - can be critical to maintaining solid financials and contracts. This ensures that when economic challenges arise, companies are well-positioned to withstand them without falling into default or breach of contract.
- Companies should be selective about the projects they pursue, whether in construction, renewable energy, or other industries. The key is to focus on core competencies and avoid projects outside their expertise that may carry higher risks. Businesses should also prioritize geographies where they have proven track records of success and operational efficiency, which can help mitigate the unpredictability associated with new or unfamiliar markets.
- In the construction sector and beyond, companies must be mindful of the labor challenges that continue to plague many industries. Establishing training programs to develop skilled labor from within can provide a steady talent pipeline, while partnerships with national organizations such as the Associated Builders and Contractors (ABC) or the Associated General Contractors of America (AGC) can offer access to broader talent pools.

Companies should be selective about the projects they pursue, whether in construction, renewable energy, or other industries.

- Finally, it's essential to prepare for a potential market downturn. While there are no guarantees, companies that are financially stable and have access to surety credit may find opportunities to grow or consolidate their positions when others are unable to perform. This type of foresight can prove to be a competitive advantage, allowing companies to thrive even in adverse conditions.

While there are no guarantees, companies that are financially stable and have access to surety credit may find opportunities to grow.

RATE FORECAST

Surety		
Surety Bonds: Contract	–	Flat
Surety Bonds: Commercial	↑	Flat to +2%

EMPLOYEE BENEFITS

EMPLOYEE BENEFITS

Employers in 2025 should prepare for rising pharmacy costs driven by GLP-1 drugs, specialty therapies, and evolving PBM strategies, requiring careful oversight and innovative cost-management approaches. Key trends include advancements in HR technology, emphasizing artificial intelligence (AI) for pay equity, learning, and engagement, alongside the growing focus on compliance with pay transparency and absence management regulations.

Employers are urged to prioritize holistic well-being programs addressing physical, mental, and financial health, while adapting to heightened scrutiny of benefits management and navigating regulatory complexities. Staying proactive and leveraging data-driven strategies will be crucial to balancing cost, compliance, and employee satisfaction.

MARKET CONDITIONS

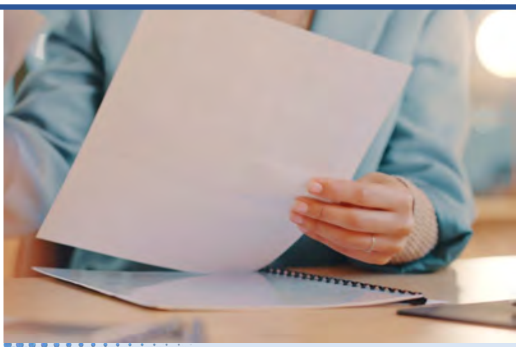
In 2025, employers should expect the following considerations when it comes to employee benefits programs.

- **Pharmacy's influence on cost trends:** Pharmacy innovation will continue with new opportunities for employers to offer more cost-effective treatments in higher cost drug categories by using competitively priced alternatives. Ongoing inquiries remain around GLP-1 drugs and their potential health benefits, which will likely lead to higher usage and a significant cost burden for employers.
- **Emphasis on fiduciary responsibility:** Legislation that increases scrutiny of, or highlights, the fiduciary responsibilities of, employers has led to a growing number of lawsuits. Although a high-profile case

Employers should prepare for rising pharmacy costs requiring careful oversight and innovative cost-management approaches.

(Johnson & Johnson) was dismissed, employers should be careful not to let their guard down.

- **Strong emphasis on HR technology:** With artificial intelligence (AI) integration ramping up for Human Resources (HR) teams, the need for increased and better technology will not only be needed to explore its use in key areas, such as pay equity/pay transparency, but also in learning and development, benefits administration, and employee engagement. Implementing any type of technology presents a challenge for most organizations and HR will need to explore the increasing demands of delivering related training.
- **Pay equity/pay transparency:** Pay is becoming an increasingly hot topic, and many employers are looking at how they measure up against their peers, driving up the need for better technology and AI to compare and benchmark pay data. Due to some regulation, employers have been able to provide better pay transparency. Most of this has been around hiring and posting jobs, but with the rise in the use of AI, pay information is becoming more accessible.
- **Growing regulatory impacts related to absence management:** Recognition of paid and unpaid leaves will continue, as well as expand into new areas such as menopause-related challenges, unsuccessful IVF treatment, managing behavioral health or burnout, among others. Given the complicated nature of this area, higher utilization of absence-specific data is projected as employers seek to understand the trends and patterns of their workforce. Multi-state employers will contend with emerging state-based paid family and medical leave legislation requirements (such as related required contributions in some states), as well as the availability of paid sick leave.



Pay is becoming an increasingly hot topic, and many employers are looking at how they measure up against their peers.

COVERAGE CONSIDERATIONS

- **Holistic well-being support:** With a rising emphasis on holistic well-being, employers need to consider comprehensive programs that address physical, mental, and financial health. This includes providing more robust financial planning resources to support retirement savings and financial insecurity, as well as mental health services and flexible work arrangements.
- **Pharmacy trends:** Significant consideration needs to be given to current and expected pharmacy trends. 45% of the total cost of all large claims comes from pharmacy spend, and it now exceeds 40%

of the total per member per month (PMPM) cost. These numbers will increase going forward. Key areas for employers to focus on include GLP-1 drugs (for diabetes, obesity, and moderate-to-severe obstructive sleep apnea in adults with obesity with the recently FDA-approved drug Zepbound), specialty pharmacies including biosimilars and cell and gene therapy (ultra-high-cost drugs), and fiduciary responsibility.

  - **GLP-1 drugs:** GLP-1s will continue to be a major driving factor, given the drug class has a significant pipeline with alternate formulations (oral) and multiple indications being studied.
  - **Biosimilars:** Several pharmacy benefit managers (PBMs) will announce their Humira biosimilar strategies through 2025. This is the first drug class where we expect PBMs to manufacture their own biosimilars. As more biologics become available as biosimilars, employers may have the potential to offer additional cost-effective treatments in higher-cost drug categories by using competitively priced alternatives.

- **Cell and gene therapies:** Ongoing approvals can be expected, with numerous therapies already Food and Drug Administration (FDA) approved, including the costliest therapy priced at $4.25M. Value-based arrangements are expected to be the core of the solution, complemented by stop loss insurance, clinical management, provider network management, and outcomes tracking to form a comprehensive solution. Some stop loss carriers are beginning to create care delivery and underwriting models to better manage the cost, clinical efficacy, and member experience related to these therapies. Emerging financial models that increase or improve disclosure and transparency on the cost of goods and services are anticipated.

- **Evolving contracting strategy:** The historic contracting strategy, where PBMs and retail pharmacies cross-subsidize costs between generics and brands, is being revised. This will increase the cost of brand name drugs and decrease the price for generics, which ties to transparency. The result will benefit some patients while increasing costs for others and will be a factor in stabilizing the business model for retail pharmacies. There may be greater focus on channel and site of service management between how gene therapies and specialty drugs are covered under either the medical plan or the PBM.

The historic contracting strategy, where PBMs and retail pharmacies cross-subsidize costs between generics and brands, is being revised.

RECOMMENDATIONS

- **Anticipate continued scrutiny of benefits management:** Employers (particularly large employers) should be aware of scrutiny and oversight of benefits management given the status and uncertainty of several agencies under the new administration, including the Federal Trade Commission (FTC), which has been investigating PBM practices. Employers should work with their PBM and benefits consultants to ensure that contractual language provides transparency, audit and disclosure, and includes appropriate audit scope and allowances.

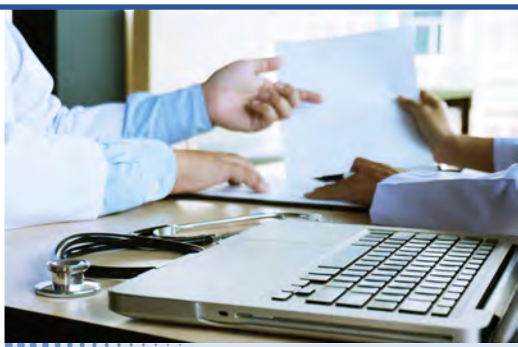
  Additionally, employers are advised to continue tracking the dizzying pace of health plan-related legislation, regulations, and rulings. Multistate employers should pay extra attention to local and regional litigation trends in various jurisdictions, particularly around absence management (leave) and pay equity/transparency. Reviewing your current programs to determine how and if they will integrate, as well as thinking through issues such as pay equity for employees on leave, is recommended.

- **Analyze opportunities to manage spend:** Employers are advised to look at all available possibilities to manage spend, including evaluating your current health plan financing model against alternative funding methods. Ultimately, it comes down to an employer's tolerance for risk and ability to effectively administer programs that help achieve their benefits strategy. Keep in mind, the smaller the organization, the higher the impact of cost volatility, with fewer options to mitigate future increases.

- **Keep a close eye on pharmacy and evaluate it regularly:** Given the rapid pace of innovation in pharmacy, employers should plan for a strategy that balances pharmacy cost while ensuring sustainable coverage and outcomes. For example, larger self-funded employers are beginning to require contracts that allow annual market checks to keep costs competitive. However, this may not be an option for all employers. Financial models based on true net acquisition costs are also emerging. The consulting community will require different financial and related analyses and tools to adopt these models. Discount rebate and dispensing fee guarantees will become less relevant. PBM value propositions will move away from cost of goods and services to clinical, operational, and member experience metrics.

Employers are advised to continue tracking the dizzying pace of health plan-related legislation, regulations, and rulings.

- **Benefits compliance remains a top priority:** Given the pace of change underway, health plan-related compliance will continue to evolve quickly, often with downstream impacts on many fronts. Employers should be aware that health and welfare benefits (along with retirement plan benefits) may be impacted due to the increasing scrutiny of worker classifications and resulting changes to plan eligibility. Anticipate a high touch will be needed throughout 2025, making compliance with federal, state, and local regulations both a challenge and a central focus for employers.



Given the pace of change underway, health plan-related compliance will continue to evolve quickly.

RATE FORECAST

Employee Benefits		
Employee Benefits: Medical	↑	+7% to +11%*
Employee Benefits: Prescription Drugs, Non-Specialty	↑	+9% to +12.5%**
Employee Benefits: Prescription Drugs, Specialty	↑	+6% to +16.5%
Employee Benefits: Stop Loss Premium, Leveraged Trend	↑	+15% to +20%

**Trend will vary regionally based on the healthcare delivery system and funding mechanism*
***Excludes GLP-1 drug coverage for weight loss*

PRIVATE CLIENT SERVICES

PRIVATE CLIENT SERVICES

The High-Net-Worth (HNW) insurance market faces ongoing challenges driven by severe weather events, regulatory complexities, and fluctuations in reinsurance terms. Navigating these dynamics requires innovation, adaptability, and strong partnerships between clients, brokers, and carriers.

Looking ahead to 2025, there's encouraging signs of market stabilization. While 2024 brought rising costs in property, auto, and excess liability, the reinsurance market is stabilizing, as insurers respond with strategic adjustments in rate, coverage, and risk selection, particularly in catastrophe (CAT)-prone areas. This shift allows for creative insurance solutions through the admitted and non-admitted market, for addressing risks in coastal and wildfire exposed areas.

Looking ahead to 2025, there's encouraging signs of market stabilization.

MARKET CONDITIONS

Key macro factors driving market conditions in 2025 include:

- **Regulatory environment:** Insurance regulators' primary responsibility is to protect consumers. From a regulatory perspective, 2025 will be a critical year in the insurance sector. Carriers need to manage greater risks, large scale loss events, and additional challenges while maintaining compliance with stronger regulatory demands. State insurance departments continue to address consumer concerns about sharp rate increases and coverage lapses, particularly in CAT-prone states with rising premiums. Increased frequency and severity of natural disasters, particularly wildfires, and hurricanes, are driving insurance costs and prompting regulatory actions. Carriers should anticipate more coverage denial moratoriums from state and federal

There were 27 separate billion-dollar weather and climate disasters that impacted the U.S. in 2024.

regulators in higher risk areas. California's moratorium on policy cancellations after the devastating January 2025 wildfires is a recent example. Increased awareness and education around mitigation efforts will be important to address the availability and affordability of homeowners' insurance.

- **Reinsurance:** Carriers purchase reinsurance to limit their loss exposure. Reinsurance is critical to offering stability and coverage availability in areas where there is a heightened risk of frequency and severity of natural disasters. The mid-year 2024 reinsurance renewals saw positive rate adjustments and term improvements. January 1, 2025, reinsurance renewals showed more of a return to normalcy after the challenging conditions of the past two years. Despite improved conditions, reinsurers continue to focus on maintaining disciplined underwriting to ensure profitability and long-term sustainability.

- **Excess and surplus lines (E&S):** Non-admitted insurance carriers, also known as E&S lines carriers, represent one of the fastest growing segments of the insurance industry due to its flexibility, innovative product approach, and customization. Non-admitted carriers are not subject to many of the same regulatory requirements as those writing business on an admitted basis. However, underwriting discipline is required for these hard-to-place risks. E&S, which is often the only solution for clients in some CAT-prone areas, can address specific coverage circumstances, and aligns well with clients with higher risk tolerance.

- **Catastrophe events:** According to the National Oceanic and Atmospheric Administration NOAA National Centers for Environmental Information (NCEI), there were 27 separate billion-dollar weather and climate disasters that impacted the U.S. in 2024. Comparing this data to prior years, there's a significant increase in severe storm activity. 2024 was also the warmest year on record for the contiguous U.S., the third wettest, and saw the second highest tornado count. In addition to the impact of severe weather events, natural disasters directly impact the availability and cost of building materials, fuel, and labor supplies needed to rebuild and repair damaged property.

Wildfires across the U.S. have become increasingly frequent, larger, and more destructive in recent years.

- **Severe weather risks and risk mitigation recommendations:** HNW families and individuals often own properties in some of the most weather-vulnerable areas. Conducting an annual review of exposures, risk tolerance, and coverage is essential to managing these risks effectively and safeguarding assets from the growing threat of CAT-events.

- **Flood risks:** Flooding is the most common and costly natural disaster in the U.S., resulting in billions of dollars in economic losses annually. According to the Federal Emergency Management Agency (FEMA), flooding accounts for 90% of all disaster-related damage and occurs in any state, at any time of the year. Regardless of location, everyone faces some flood risk. As flood threats grow, homeowners should reassess their exposure and incorporate flood insurance into their overall risk management and insurance strategy. Options are available through both the National Flood Insurance Program (NFIP) and private insurers. Exploring both is crucial, as coverage and pricing vary by risk and location. While the NFIP imposes strict limits on coverage, private carriers generally offer higher limits with fewer restrictions, providing more flexibility for high-value properties.

- **Wildfire risks:** Wildfires across the U.S. have become increasingly frequent, larger, and more destructive in recent years. The January 2025 wildfires are expected to be the costliest in U.S. history, with Bermudian reinsurer RenaissanceRe estimating an industry loss of $50B. Wildfire risks and warnings have also spread to new regions, including the East Coast and traditionally humid areas like Florida and Hawaii. To safeguard homes, creating defensible space and hardening properties through proven mitigation strategies is critical. These measures not only reduce the likelihood of destruction, but also enhance the property's appeal to insurance underwriters.

- **Hurricane risks:** The 2025 hurricane season, running from June 1 to November 30, is expected to be intense, continuing the trend of heightened activity in recent years. The 2024 Atlantic hurricane season saw above-average activity, including record-breaking late-season storms. Five hurricanes made landfall in the continental U.S., with two classified as major hurricanes. Hurricanes Beryl, Helene, and Milton all broke records with significant storm surges, extreme flooding, catastrophic rainfall, and/or widespread tornado outbreaks. Proactive planning and early action are essential to minimize risks, enhance home resilience, ensure safer evacuations, and support faster post-storm recovery.

Challenges and changing market dynamics are expected to persist across these lines of business throughout 2025.

- **Homeowners insurance:** The homeowner's insurance market remains strained due to severe weather patterns. This led some carriers to restrict capacity or exit CAT-prone areas. HNW carriers continue to prioritize well-mitigated risks and larger accounts. Favorable terms are often extended to properties implementing proactive mitigation measures, such as water leak detection systems, alarms, backup generators, and wildfire-resilient landscaping. For certain risks and locations, some carriers may begin requiring these mitigation measures to issue coverage. Clients without loss prevention measures in place may see peril specific coverage limitations or an outright declination. For locations where admitted coverage is not available, insureds can secure innovative solutions and coverage through the excess and surplus (E&S) market.
- **Auto insurance:** Auto insurance profitability has rebounded after experiencing profitability issues in the aftermath of the COVID-19 pandemic. Carrier personal auto loss ratio results fell briefly and sharply in early 2020, then swiftly deteriorated due to riskier driving behavior. Since 2020, significant rate increases necessary to offset inflationary pressures on losses have driven the improved results in personal auto. Moderate rate increases are expected to continue in 2025, driven by increased repair and labor costs, higher claim frequency/severity, supply chain issues, and the impact of severe weather events. Insurers are investing in advanced technologies expected to enhance underwriting, claims handling, and operational efficiencies. For example, AI-powered risk analysis models can process extensive data, including claims records and even social media patterns, to improve accuracy and streamline the underwriting process.
- **Excess liability:** Wealthier individuals are increasingly at risk of lawsuits, often seen as having "deep pockets" in today's litigious climate. Limits exceeding $10M continue to face significant underwriting scrutiny and pricing pressure in 2025. Families and individuals seeking higher limits may need to consider layering policies across multiple carriers to achieve adequate coverage.

Favorable terms are often extended to properties implementing proactive mitigation measures.

- **Yacht insurance:** The yacht insurance market faces continued disruption from escalating climate-related disasters. Geographical restrictions and capacity limitations remain prevalent in regions like Florida, Texas, the Gulf States, and California. Additionally, the integration of advanced materials, rigging systems, and onboard electronics into modern marine construction poses new complexities for underwriters navigating this evolving segment.

Partnering with a trusted insurance advisor to navigate the evolving personal insurance landscape is a vital aspect of effective risk management.

RECOMMENDATIONS

Partnering with a trusted insurance advisor to navigate the evolving personal insurance landscape is a vital aspect of effective risk management. Engaging with an advisor who provides proactive guidance, access to critical risk prevention resources, and innovative solutions ensures you maintain comprehensive coverage at all times of the year—not just during renewals or claims.

- **Schedule regular, in-depth coverage reviews:** Frequent and detailed discussions with your risk advisor enable you to make confident, informed decisions, particularly when planning major renovations or significant purchases.
- **Secure adequate umbrella limits:** Given rising litigation trends and increasing costs, comprehensive umbrella coverage has never been more essential. Work closely with your advisor to ensure your insurance program includes high limits of excess liability coverage. This may require layering policies across multiple carriers, which an expert advisor can help you secure.
- **Add flood insurance to your insurance portfolio:** With the increasing prevalence and cost of severe weather and flooding, flood insurance should be part of every homeowner's risk management plan. Explore coverage options with your advisor from both the NFIP and private carriers to ensure you secure the best coverage for each of your properties.
- **Consider cyber insurance:** Growing cyber threats and the increase of cyber-crimes emphasize the importance of securing personal cyber coverage. In many cases, a standalone cyber policy is necessary to obtain the protection and adequate limits needed to safeguard your family.

- **Consider collections insurance:** HNW individuals often hold valuable jewelry, fine art, wine, and other passion items as part of diversified investments. Standard homeowners' policies offer limited coverage for such items. Regular appraisals and customized collections insurance policies are necessary to ensure these assets are accurately valued and appropriately protected.
- **Consult before filing claims:** Always speak with your advisor prior to submitting insurance claims. Advisors can provide immediate support while helping you evaluate potential repercussions for your broader insurance portfolio.
- **Ensure timely premium payments:** Maintaining insurance coverage in high-risk areas can be challenging. Avoid risks of policy cancellations or non-renewals by making payments promptly.
- **Invest in proactive risk mitigation measures:** The Risk Strategies Private Client Risk Resource Center offers helpful checklists and resource guides to keep you informed and help you manage and mitigate your risk exposure.

Regular appraisals and customized collections insurance policies are necessary to ensure assets are accurately valued and appropriately protected.

RATE FORECAST

Private Client Services		
Private Client Services: Property (CAT)	↑	+10% to +50%
Private Client Services: Property (Non-CAT)	↑	Flat to +10%
Private Client Services: Excess Liability	↑	+10% or more
Private Client Services: Personal Auto	↑	+10% to +15%

RATE FORECAST

RATE FORECAST | INDUSTRIES

Architects & Engineers		
Architects & Engineers	—	-5% to +5%
Architects & Engineers: Professional Liability	—	-3% to +5%
Architects & Engineers: GL and Property	↑	Flat to +10%
Architects & Engineers: Auto	↑	+3% to +10%
Architects & Engineers: Umbrella	↑	+3% to +12%
Architects & Engineers: Cyber	—	-7% to +3%
Architects & Engineers: Management Liability	—	-5% to +2%
Aviation		
Aviation: All Lines	—	-5% to +5%
Cannabis		
Cannabis: Directors & Officers Insurance	↑	Flat to +5%
Cannabis: All Other Lines	↑	Flat to +10%
Dental		
Dental: Professional Liability	↑	+3% to +5%
Entertainment		
Entertainment: Commercial Production/ Advertising	↑	Flat to +5%
Entertainment: Film/TV	–	Flat
Entertainment: Broadway/Theater	↑	Flat to +5% except Umbrella at +7.5%
Entertainment: Contingency/Event Cancellation	↑	+2% to +5%+ depending on type of risk, geographic location, proximity to extreme weather, and coverage options
Fine Art		
Fine Art	↑	Flat to +3%
Fine Art: High Risk	↑	+15% to +20%
Healthcare		
Healthcare: Management Liability	↑	+5% to +10%
Healthcare: Managed Care E&O	↑	+10% to +15%
Healthcare: Managed Care, Accident & Health Reinsurance	↑	+8% to +20%
Healthcare: Physician Medical Malpractice	↑	+5% to +20%
Healthcare: Excess Liability	↑	+10% to +15%

Healthcare: Property/Non-CAT Exposures	↑	Flat/as expiring to +7%
Healthcare: Auto	↑	+5% to +10%
Healthcare: Workers' Compensation	↑	Flat to +5%
Healthcare: Primary Professional Liability	↑	+10% to +15%
Law Firms		
Law Firms	—	-5% to +5%
Marine | Recreational Marine		
Recreational Marine: Marinas & Marine Business	↑	+12% to 18%
Recreational Marine: Yacht Clubs & Sailing Orgs.	↑	+12% to 18%
Marine | Commercial & Ocean Marine - Marine Cargo		
Commercial & Ocean Marine: Marine Cargo Insurance Rates	↓	-7.5% to -10%*
Commercial & Ocean Marine: Marine Inventory Rates	↓	-5% to -10%**
Marine | Ocean Marine & Bluewater		
Ocean Marine & Bluewater: Ocean Hull	↓	-2.5% to -5.0%
Ocean Marine & Bluewater: Ocean P&I	?	To be determined later in the year
Marine | Coastal Marine & Brown Water Marine		
Coastal Marine & Brown Water Marine: Hull	↓	Flat to minus reductions
Coastal Marine & Brown Water Marine: P&I	↑	+5% to + 7%
Coastal Marine & Brown Water Marine: Marine Liabilities	↑	Flat to + 3%
Coastal Marine & Brown Water Marine: Marine Excess	↑	+7% to +15%
Nonprofit & Human Services		
Nonprofit & Human Services: Property - Average Risk	↑	+10%
Nonprofit & Human Services: Auto	↑	+10% to 12%
Nonprofit & Human Services: General Liability	↑	+5% to 10%
Nonprofit & Human Services: Abuse and Professional	↑	+15% to +20%
Nonprofit & Human Services: Umbrella	↑	+20% to +30%
Nonprofit & Human Services: Cyber	↓	Flat to -20%
Nonprofit & Human Services: Management Liability	↓	Flat to -15%

Private Equity		
Private Equity: Public D&O	↓	Flat to -10%
Private Equity: Private D&O	↓	Flat to -10%
Private Equity: General Partnership Liability (D&O/E&O for PE/VC)	↓	Flat to -5%
Private Equity: Cyber	↓	Flat to -10%
Real Estate		
Real Estate: Property - Soft Occupancies (Office, Retail, and Other Well-Protected Risk)	↓	-5 to -20%
Real Estate: Property - Tough Occupancies/ Non-CAT	↓	-5 to Flat
Real Estate: Property - Tough Occupancies/ CAT-Exposed	↑	Flat to +5% or greater
Real Estate: Liability - General Liability	↑	Flat to +10%
Real Estate: Liability - Auto	↑	+5% to +10%
Real Estate: Liability - Umbrella	↑	+5% to +15%
Real Estate: Liability - Excess Liability	↑	+5% to +15%
Real Estate: Liability - Workers' Compensation	—	Stable
Relocation		
Relocation	↑	+4% to +6%
Transportation		
Transportation: Auto Liability	↑	+10% to +20%
Transportation: Physical Damage	↑	+20% to +25% (However, we are seeing increased deductibles to reduce the rate increase)
Transportation: Umbrella Liability	↑	+10% to +30% (Mainly following the primary auto increase)
Waste & Recycling		
Waste & Recycling: Auto	↑	+10% to 30%
Waste & Recycling: Excess	↑	+10% to 40%
Waste & Recycling: Property	↑	+10% to +75%
Wineries		
Wineries: Package and Programs	↑	+10%
Wineries: Property	↑	+10% or higher
Wineries: Stock Throughputs	↓	-10% with improved terms and negotiable profit-sharing agreements

Wineries: Difference in Conditions	↓	-5% to -10%
Wineries: Admitted Market General Liability	↑	+5%
Wineries: Excess and Surplus Lines Market	↑	+5% to +10%
Wineries: Auto	↑	+12% or higher
Wineries: Umbrella and Excess Liability	↑	+15% or higher
Wineries: Workers' Compensation	↑	+5% to +10%
Wineries: Cyber and Management Liability	↓	-15%

**With variations based on product types and loss history*
***Some catastrophe areas may see flat rates or increases of 5% or more*

NOTE: Wineries rate forecasts could be impacted by the January 2025 wildfire.

RATE FORECAST | **BUSINESS SOLUTIONS**

Casualty		
Casualty: Auto	↑	+5% to +25%
Casualty: Workers' Compensation	—	-5% to +5%
Casualty: General Liability	↑	+4% to +10%
Casualty: Umbrella	↑	+5% to +35%
Casualty: Products Liability	↑	0 to +5%*
Cyber		
Cyber: Entities with Good Controls	↓	-20%
Cyber: Entities with Layered Controls	↓	-20%+
Environmental Liability		
Environmental**	—	-5% to +5%
Management Liability		
Management Liability: Private Company - Primary	↓	-5% to -15%
Management Liability: Private Company - Excess	↓	-10% to -30%
Management Liability: Public Company - Primary	↓	-10% to Flat
Management Liability: Public Company - Excess	↓	-10% to -30%
Management Liability: Financial Institutions - Primary	↓	-5% to Flat
Management Liability: Financial Institutions - Excess	↓	-5% to -15%
Management Liability: Employment Practices - Primary	↓	-10% to Flat
Management Liability: Employment Practices - Excess	↓	-10% to -20%
Management Liability: Fiduciary liability - Primary	↓	-10% to Flat
Management Liability: Fiduciary liability - Excess	↓	-10% to -20%

Property		
Property: High Quality Risk/No/Limited CAT/ Favorable Loss History	↓	-30%+ to Flat
Property: Poor Quality Risk/CAT/Unfavorable Loss History	—	-25% to +10%
Surety		
Surety Bonds: Contract	–	Flat
Surety Bonds: Commercial	↑	Flat to +2%

**Higher for complex consumer risks*
***Market remains soft and extremely competitive on new placements. Renewals can expect on average –5% to +5% based upon policy term and complexity of risk.*

RATE FORECAST | EMPLOYEE BENEFITS

Employee Benefits		
Employee Benefits: Medical	↑	+7% to +11%*
Employee Benefits: Prescription Drugs, Non-Specialty	↑	+9% to +12.5%**
Employee Benefits: Prescription Drugs, Specialty	↑	+6% to +16.5%
Employee Benefits: Stop Loss Premium, Leveraged Trend	↑	+15% to +20%

**Trend will vary regionally based on the healthcare delivery system and funding mechanism*
***Excludes GLP-1 drug coverage for weight loss*

RATE FORECAST | PRIVATE CLIENT SERVICES

Private Client Services		
Private Client Services: Property (CAT)	↑	+10% to +50%
Private Client Services: Property (Non-CAT)	↑	Flat to +10%
Private Client Services: Excess Liability	↑	+10% or more
Private Client Services: Personal Auto	↑	+10% to +15%

Risk Strategies is the 9th largest privately held U.S. brokerage firm offering comprehensive risk management advice, insurance and reinsurance placement for property & casualty, employee benefits, private client services, as well as consulting services and financial & wealth solutions. With more than 30 specialty practices, Risk Strategies serves commercial companies, nonprofits, public entities, and individuals, and has access to all major insurance markets. Risk Strategies has over 200 offices including Boston, New York City, Chicago, Toronto, Montreal, Grand Cayman, Miami, Atlanta, Dallas, Nashville, Washington DC, Los Angeles, and San Francisco.

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