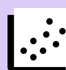
A tipping point: International liability markets balance stability and innovation

In 2023, market dynamics were pointing to a new equilibrium for mining placements in the international liability market. Twelve months on, competing dynamics continue to create a tug-of-war between supply and demand as the market gently shifts its focus from rate to coverage as a means of addressing developing exposures.

While insurers continue to pursue rate increases where possible, overarching ambitions to retain desirable business and increase gross written premium (GWP) act as a meaningful counterbalance.

The big picture

The casualty insurance market has achieved profitability for a second consecutive year after an 8-year stretch in the red


Rates may be reaching their peak, attracting more capacity and encouraging existing market participants to make full use of maximum line sizes

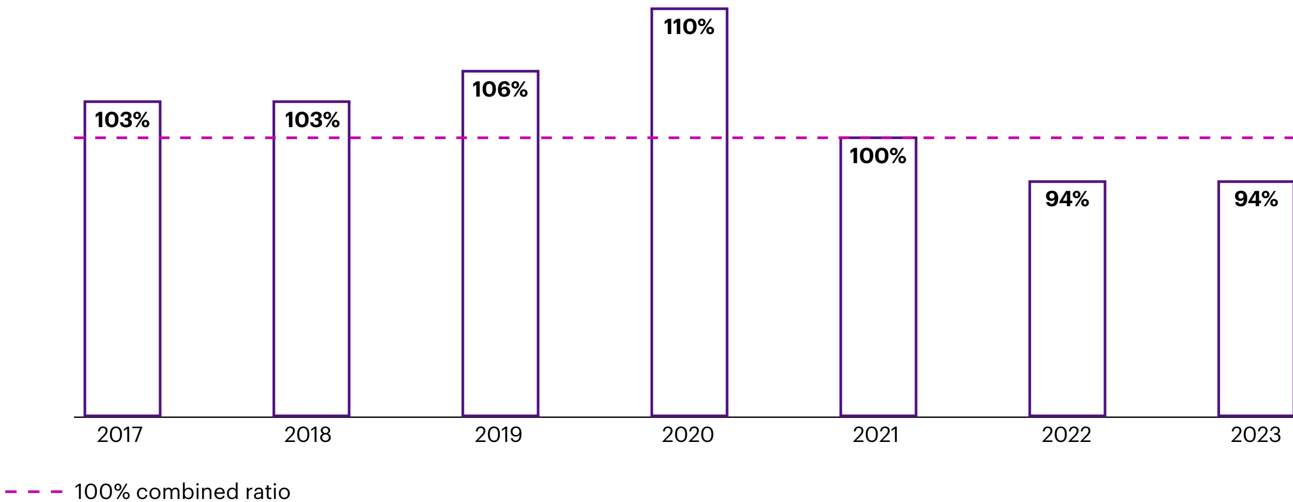
Social inflation has resulted in claims increasing in frequency and quantum

Exposures such as tailings dams, ESG and geographic location of the risk continue to meaningfully impact underwriting decisions

Figure 1:

Lloyd's results 2023: Casualty insurance segment

Aggregate combined ratio reported by Lloyd's casualty segment since 2017.



- - - 100% combined ratio

Source: Lloyd's annual report

Casualty markets remain profitable for a second year

But potential headwinds are tempering insurer appetite

Last year, Lloyd's of London reported[1] a return to underwriting profitability for the casualty insurance segment the first time in eight years. This has been achieved for a second consecutive year[2], with the absence of major mining loss events contributing to an aggregate combined ratio of 94% for the casualty segment.

While these results are undeniably positive, the corporation accompanied the data by pointing towards growing concerns around how both economic and social inflation are leading to greater uncertainty around underwriting reserves in the casualty market.

Rates may be reaching their peak

And underwriters are in a balancing act

After consecutive years of compound rate increases, recent stability is attracting capacity to the sector and encouraging existing participants to increasingly make full use of maximum line sizes, which is further increasing pressure on rates. Underwriters are walking a tightrope of pushing for rate increases where deemed necessary, without jeopardizing positions on programs that they are keen to retain.

This dynamic is resulting in a bifurcation of rates:

- Where program limits are lower, insurers are targeting flat to +2.5% rate increases as a base position before factoring in exposure changes, with greater competition opening the door to potential rate reductions if the risk has run well and a comprehensive underwriting submission is available.
- For larger programs, where capacity is in scarcer supply, the impact of supply and demand is resulting in default base rate positions of up to +5% with flat renewals generally tending to be the best achievable outcome.

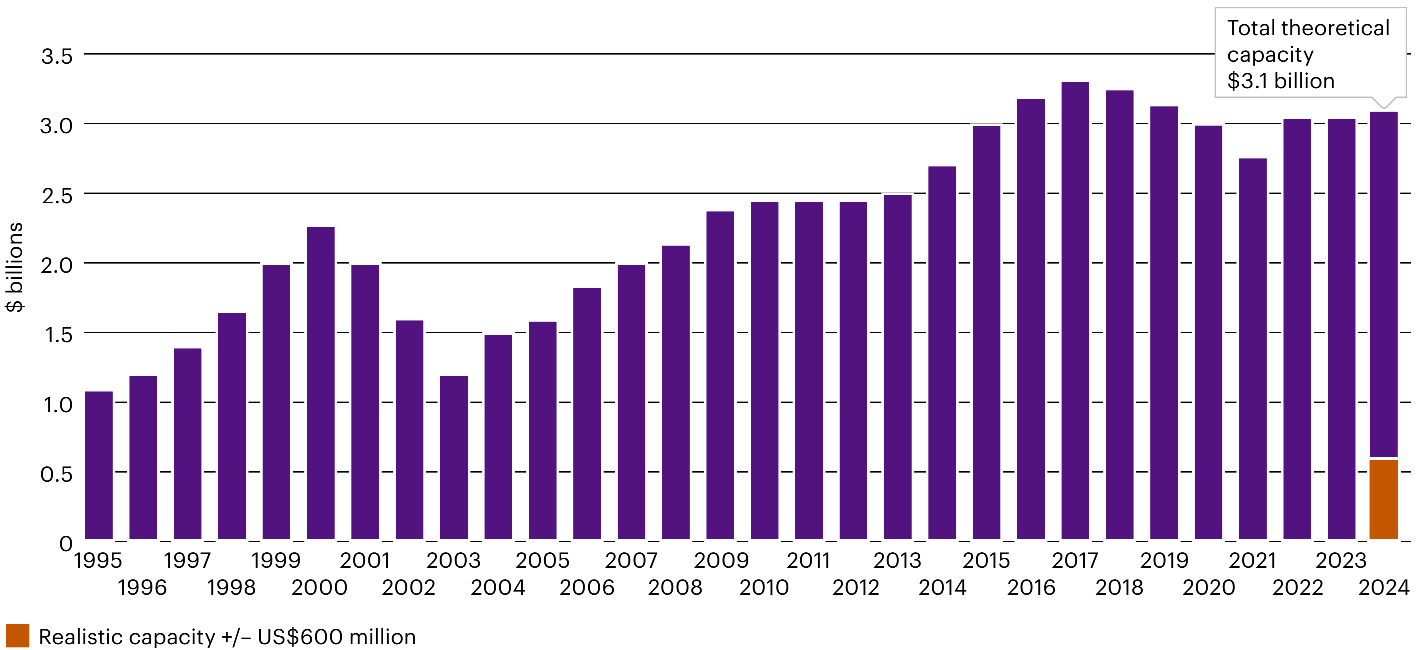
Double-digit rate increases are now typically reserved for accounts with either unfavorable claims activities or significant U.S. exposures which may not have been adequately factored into pricing previously.

While there is some variation in rate expectations, the divergence is perhaps smaller than may be the case for other sectors. The underwriting of risks in the mining sector is technical, with a greater reliance on risk engineering and pressure to stick to minimum rates. This is coupled with a strong lead-follow dynamic, with a handful of insurers often adopting lead positions on programs and others preferring to follow a recognized lead that has already undertaken the necessary risk assessment due diligence prior to quoting.

[1] https://www.lloyds.com/about-lloyds/investor-relations/financial-performance/financial-results/archive
[2] https://www.lloyds.com/about-lloyds/investor-relations/financial-performance/financial-results

Figure 2:

Global liability capacity



Realistic capacity +/– US$600 million

Source: WTW

There has been a small uptick in global liability capacity

Indicating that (re)insurers are proceeding with caution
Whilst the total headline global liability capacity has only marginally increased from $3.05 billion in 2023 to $3.1 billion in 2024, we estimate that the realistic capacity for mining risks has increased by a slightly larger, albeit still modest, percentage from $550 million to $600 million.

The marginal uptick in capacity is likely to be reflective of a growing desire from the market to support the energy transition. That said, numerous international liability insurers continue to avoid the mining sector. Whether several years of compound rate increases, improved risk management and profitable underwriting performance is enough to (re)attract more non-participating insurers into the mining space remains to be seen. However, the prospect of this occurring is not unforeseeable.

Meanwhile, factors including attachment points, territories, tailings dams and, ultimately, scale of mining operations, continue to have a significant bearing on limits available. The end result is a marketplace that is palpably governed by the laws of supply and demand. These pressures are resulting in a large divergence in marketing strategies for programs of single-site mining operators versus large global mining companies.

Claims trends are putting reserving under the spotlight

Social inflation pressures emerge
In addition to economic inflation, the international liability market has also had to contend with social inflation. Despite an absence of major mining losses to the London insurance market in recent years, increasing social media pressures and third party litigation funding are driving an uptick in the frequency and quantum of claims.

The increase in loss awards more generally has called into question the adequacy of reserving and there is a general sentiment in the market that reserving may have been inadequate for several years. This is underlined by recent strengthening of casualty reserves by some key market participants and there are concerns that if the tail deteriorates further, the last few years of pricing corrections would not be sufficient to prevent a reset of pricing models.

Markets are reacting to changing risks

Different exposures have weight to impact underwriting decisions

Although the momentum for corrective rate adjustments is waning as the market reaches a more balanced equilibrium, changing market dynamics continue to impact underwriting decisions.

Tailings dams: Following several large catastrophes over the past decade, there is continued market scrutiny on safety standards. Markets expect a complete set of information per tailings storage facility, including but not limited to:

- Dam characteristics and raise method
- Roadmap to conformity to jurisdictional standards ideally being the Global Industry Standard on Tailings Management (GISTM)
- Frequency of inspections
- Details of any outstanding maintenance
- Independent reports, with a focus on stability analyses.

Previous expectations focused on dam safety inspection (DSI) and dam safety review (DSR) reports. More recently, the requirement has modulated to include annual and/or quarterly reports provided by the Engineer of Record (EOR) and/or Independent Tailings Review Board (ITRB), often in place of DSIs and DSRs which underwriters acknowledge may be undertaken less frequently.

ESG: Like tailings dams, ESG is not a new phenomenon. Insurers remain motivated to look more favorably upon clients that are armed with strong ESG credentials and a compelling climate transition plan to help differentiate themselves from their peers. Where buyers do not meet minimum ESG requirements, there have been instances of insurance capacity being withdrawn by insurers.

A spotlight on coal: This stance, stemming predominantly from investor pressures, is having the greatest impact on insureds within the coal industry. The limited supply of capacity has created an alternative market dynamic, as insureds are effectively subjected to a 'coal tax' from insurers. However, where rates are pushed too high, insureds are opting to retain risk rather than be beholden to opportunistic pricing.

For some mining classes, such as lithium, the market is finding its feet as it ultimately trades off water usage concerns with the benefits of an economy less reliant on fossil fuels. Nevertheless, the short-term impact on pricing is likely to remain limited with insurers turning to coverage exclusions or outright declinatures as a means of managing this exposure.

Regional pressures: Risk location continues to influence how mining risks are perceived by the market. A higher concentration of catastrophe events in countries such as Brazil have reduced capacity for mining operations located in Latin America, limiting the amount of competitive pressure compared to risks located elsewhere.

Looking ahead, operations located in Turkey are likely to come under greater scrutiny following the heap leach mining disaster earlier this year. In Australia, the increased frequency and severity of worker-to-worker claims and broad interpretation of mental anguish claims in the courts, are causing insurers to respond with higher deductibles.

Elsewhere, whilst exposure to the U.S. is generally incidental for the international liability market, where U.S. exposure is present, close consideration is paid to this, particularly where auto fleets are to be included in cover.

Underwriters recalibrate overall mining exposures: This includes an increase in worker fatalities and serious injuries across the mining industry, with a perception that this is at least in part caused by a post-COVID-19 loss of experienced workers within the industry. This in turn is leading to fewer challenges to health and safety hazards, and issues regarding the integration and supervision of contractors.

Underwriters are also turning their attention to emerging exposures such as those posed by battery fires due to the increased electrification and automation of on-site vehicles, as well as exposures highlighted by recent losses such as heap leach slip, underground fire, mine shaft failure, mine collapse and subsidence.

Meanwhile, the market continues to homogenize its position on poly- and perfluoroalkyl (PFAS) substances (typically focusing on the risk posed by firefighting foam being used underground and in processing plants) and climate change (predominantly with regards to coal), with exclusions becoming increasingly standardized.

Preparing for the year ahead

There's a smarter way to risk

An increase in overall risk quality and rate adequacy, combined with higher GWP targets, has rebalanced the negotiation table and created an environment where insureds can differentiate themselves to secure more favorable renewal terms.

The headlines are positive, but the undercurrent of social inflation, ESG and evolving mining exposures is creating a counterforce. The market will continue to adjust its stance and, at times, shift its focus.

In the meantime, insureds can position themselves for success by:

- **Thinking strategically about risk placement strategies.** Engaging with the market earlier can enable mining companies to better understand how current market dynamics may potentially impact their insurance program, and develop a compelling underwriting submission, including key exposure information and reports (incorporating a clear ESG strategy).
- **Capitalizing on evolving insurer appetite and available terms.** In pursuing optimal outcomes, insureds must balance the benefits of alternative (and sometimes more competitively priced) capacity with long-term insurer relationships in order to smooth out pricing volatility and maximize the value of insured-insurer partnerships.
- **Unlocking opportunities through data-driven insights.** Access to sophisticated data and analytics tools will be critical in testing the resilience of existing strategies and identifying opportunities to optimize placement strategies as the sector evolves at pace.

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