European Market Trends

Q3 2024 Update

This update analyses our observations of the current European Commercial lines' insurance market which is based on the experiences of our WTW colleagues with our clients.

Rating trends are for guidance only and rates achieved will depend on individual circumstances. All figures are compared against our Q2 2024 remarks.

European Market Trends Summary

Q3 2024

The European commercial lines insurance market has demonstrated stability through the third quarter of 2024, with softening trends noted in specific sectors. Insurers must prioritize careful risk selection, particularly in higher-risk areas affected by natural catastrophes, while balancing growth ambitions with prudent underwriting practices to navigate the complexities of the evolving landscape.

<u>Market Overview:</u>

- **Continental Growth:** The overall market in Continental Europe is expanding, driven by heightened competition as insurers aim to attract new business while retaining existing clients. Capacity is increasing as both established players and new entrants seek opportunities in this favorable environment.
- **Property Market:** The property sector is recovering after years of portfolio adjustments, with insurers focusing on retention and targeting mid-market segments. However, underwriting remains cautious regarding natural catastrophe exposures.
- **Casualty Market:** Insurers are pursuing growth aggressively, leading to increased competition for preferred risks; on average, the market remains stable; however, there are increasing signs of rate reductions. As year-end approaches, budget pressures may intensify competition further.
- **Financial, Professional, and Executive Risks (FINEX):** The D&O market remains soft with no signs of stabilization, while competition in the cyber and financial institutions markets persists. The professional indemnity market is also beginning to soften.
- **Construction Sector:** Minimal growth is expected in 2024 due to low investor confidence in residential projects. However, EU funding will support infrastructure initiatives as construction firms expand internationally.
- **Trade Credit:** Economic challenges are tightening credit risk appetite, yet premium rates for renewals are slightly declining, especially in resilient sectors like pharmaceuticals and food & beverage.
- **Crisis Management:** Insurers are adjusting policy terms and rates in response to geopolitical instability and security risks, though overall capacity remains sufficient.

Europe Rate Trends 1/2

Q3 2024

COUNTRY / GLOB	Property	Casualty		FINEX				Aviation & Space	Trade Credit	Surety	Construction	Natural Resources	Marine	Crisis Management				Facultative Reinsurance
	Rate Trends																	
		GL	EIL	D&O	Cyber	FI	PI							Terrorism	A&H	K&R	Contingency	
Germany & Austria	Stable with increases	Stable	Stable	Slight Decrease	Slight Decrease	Stable	Stable	Stable with slight decreases	Slight decrease	Slight Increase	Slight Increase	*Follows European trends. See next slide*	Stable with increases	Slight increase	Stable	Stable to Slight increase	Stable	Stable
Switzerland	Stable	Stable	Stable	Slight Decrease	Slight Decrease	Stable	Stable	Stable with slight decreases	Slight decrease	Stable	Stable (excl. DSU)	*Follows European trends. See next slide*	Stable with increases	Slight increase	Stable	Stable to Slight increase	Stable	Slight increase
Poland	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable with slight decreases	Slight decrease	Stable	Slight increase	*Follows European trends. See next slide*	Stable with increases	Slight increase	Stable	Stable to Slight increase	Stable	Slight increase
Ireland	Slight increase	Decrease	Stable	Decrease	Slight Decrease	Decrease	Slight Decrease	Stable with slight decreases	Slight decrease	Slight increase	Slight decrease	*Follows European trends. See next slide*	Stable (excl. war)	Slight increase	Slight decrease	Stable to Slight increase	Stable	Requests for rate reduction
Denmark	Stable with increases	Stable	Stable	Stable	Slight Decrease	Stable	Stable	Stable with slight decreases	Stable	Stable	Stable	*Follows European trends. See next slide*	Stable (excl. war)	Slight increase	Stable	Stable to Slight increase	Stable	Property: increase Cyber: stable
Norway	Slight increase	Stable with increases	Stable	Decrease	Decrease	Slight Decrease	Stable	Stable with slight decreases	Slight decrease	Stable	Stable	*Follows European trends. See next slide*	Stable (excl. war)	Slight increase	Stable	Stable to Slight increase	Stable	Slight increase
Sweden & Finland	Stable to Slight increase	Slight increase	Stable	Slight Decrease	Slight Decrease	Slight Decrease	Slight Decrease	Stable with slight decreases	Slight decrease	Stable	Stable to Slight increase	*Follows European trends. See next slide*	Stable (excl. war)	Slight increase	Stable to Slight increase	Stable to Slight increase	Stable	Property: increase Cyber: decrease

Europe Rate Trends 2/2

Q3 2024

COUNTRY / GLOB	Rate Trends																	
	Property	Casualty		FINEX				Aviation & Space	Trade Credit	Surety	Construction	Natural Resources	Marine	Crisis Management				Facultative Reinsurance
		GL	EIL	D&O	Cyber	FI	PI							Terrorism	A&H	K&R	Contingency	
France	Slight decrease for best risks	Stable	Stable	Decrease	Decrease	Slight Decrease	Slight Decrease	Stable with slight decreases	Slight decrease	Stable	Slight increase	*Follows European trends. See below*	Slight decrease (excl. war)	Slight increase	Stable	Stable to Slight increase	Stable to Slight increase	Stable
Luxembourg	Stable	Stable with increases	Stable with increases	Decrease	Decrease	Slight Decrease	Slight Decrease	Stable with slight decreases	Stable	Stable	Stable	*Follows European trends. See below*	Stable (excl. war)	Slight increase	Stable	Stable to Slight increase	Stable	Slight increase
Belgium	Slight Decrease	Stable to Slight increase	Stable	Slight Decrease	Slight Decrease	Slight Decrease	Stable	Stable with slight decreases	Slight decrease	Stable	Slight increase	*Follows European trends. See below*	Stable (excl. war)	Slight increase	Stable	Stable to Slight increase	Stable	Slight increase
Netherlands	Slight Decrease	Slight Decrease	Stable with increases	Slight Decrease	Decrease	Slight Decrease	Stable	Stable with slight decreases	Slight decrease	Stable	Slight Decrease	*Follows European trends. See below*	Slight Decrease	Slight increase	Stable	Stable to Slight increase	Stable	Slight Decrease
Italy	Slight Decrease	Stable	Slight increase	Decrease	Slight Decrease	Decrease	Slight Decrease	Stable with slight decreases	Slight decrease	Stable	Stable to Slight increase	*Follows European trends. See below*	Stable (excl. war)	Slight increase	Stable	Stable to Slight increase	Stable to Slight increase	Slight increase
Portugal	Stable slight decreases	Slight decreases	Stable	Slight Decrease	Slight Decrease	Slight Decrease	Stable	Stable with slight decreases	Slight decrease	Slight decrease	Stable with increases	*Follows European trends. See below*	Stable	Slight increase	Stable	Stable to Slight increase	Stable	P&C: Stable
Spain	Stable with slight increases	Stable with slight increases	Stable with increases	Slight Decrease	Slight Decrease	Stable	Slight Decrease	Stable with slight decreases	Slight decrease	Stable	Stable with decreases	*Follows European trends. See below*	Stable	Slight increase	Slight Decrease	Stable to Slight increase	Stable to Slight increase	stable, with slight increases

Natural Resources					
Upstream O&G	Downstream Oil & Gas & Chemicals	Power & Utilities	Mining & Metals	Renewables	Liabilities
Decreases	Decreases	Decreases	Slight decreases	Stable	Slight increases; larger increases for marine and offshore liabilities

Legend:

- Increase / decrease: high single digit or double digit.
- Slight increase / decrease: mid to high single digit.
- Stable: low single digit increase or decrease, so no significant movement.

The European Property Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• The market has returned to a **growth phase** after several years of hardening. We observe a more commercial mindset, which could be described as "selective aggression." There is a strong desire for new business, particularly concerning "selected risks," and **retention** is crucial for achieving growth goals. • Carriers are investing in **Mid-Market** area and looking at **selected countries** to meet their targets. • For Large & Complex risk, **capacity** is becoming increasingly available but comes at a price for certain risks or sectors, with focus on **catastrophe exposures**, Contingent Business Interruption (CBI) by understanding the supply chain, Strikes, Riot and Civil Commotions (SRCC) considering the geopolitical situation and loss leading accounts. • In the **Reinsurance** market capital is available and has been less on the forefront of conversations versus previous quarters. • Return of **Long-Term Agreements** and roll-over possibilities in certain markets. • The **quality of data** in submissions is critical, encompassing **risk engineering**, **loss runs**—both frequency and severity, **inflation** with accurate valuations, and clear T&C. • Demonstrating progress on **risk quality recommendations** and availability of **survey reports** important for the market. • Underwriting is driven by risk selection and a disciplined approach to capacity deployment, emphasizing the importance of **quality submissions** and a **clear placement strategy** for success. • As economic environment changes it remains important to **consider alternative ways** to achieve client objectives such as use of captives, tailored coverage, deductible levels, limits and sub-limits to true exposure as well as alternative risk transfer solutions. **Risk & Analytics** can give the insights to our client and make **data driven decisions**.
Pricing / Rates	• **Rate decreasing**; rates are decreasing in various countries only countries where hard market was less or loss leading accounts still face slight increases but in general decreases for occupancies within appetite during the last quarter due to more competition. Market **differs per country** and in some European countries more carriers are needed to place a risk 100% leading to increases also due to losses occurred which changes the (local) market appetite. However, for non-cat exposed with minimal losses the market is favorable and competitive tension creating pressure on price. • Challenging renewals are still likely to occur where the occupancy is not within appetite, there is heavy CAT footprint, Loss leaders or if there is lake of information available.
Capacity	• **More capacity** available due to growth mindset of insurers and new markets entering. However, there is still a lack of appetite for certain occupancies, high CAT NAT exposed accounts or submissions lacking detailed information. All driven by a **disciplined deployment** of that capacity. • **CAT.NAT** appetite still low and insurers **reluctant** to add CAT.NAT exposure to their portfolio. In general markets review the deployment of capacity on a global portfolio level. It is recommended for those accounts with high or increasing CAT.NAT exposure to **approached** the market **as early as possible.** • CAT NAT remains a focus area, both modelled and **non-modelled** scenarios. For example, new modelling tools for US CAT and pending new law in Italy on CAT.NAT add to uncertainty, limitation in capacity and potentially increase in pricing. • Capacity available also Contingent Business Interruption (CBI) – getting better **insights and understanding of the supply chain** is key to get (more) capacity available. • To get the best result for our client, especially Large & Complex, it is highly recommendation to adapt the **Total Market Approach** and include both local, international and Fac markets in a strategic way to get access to all markets in an early stage (right risk, right market).
Coverage / T&C	• Amending T&C or limits and deductibles as well as Cat.Nat and CBI capacity remains challenging however on individual cases market showed more flexibility. • Insurers seem to settle with existing exposure after remediation but not keen to take on additional (Cat.Nat) exposure in L&C area. • Sanctions and Strikes, Riots, Civil Commotion **(SRCC)** continues in the spotlight globally. • Underwriters also focus on '**Non-Modelled**' exposures i.e., Flood, Wildfire or Hail besides the "regular" Cat.Nat. • **Global supply chain** issues are still top of mind but companies are trying to mitigate the exposure. Important to discuss with our clients and make sure purchased cover fits their need and that Indemnity Periods reflect a realistic re-build time to ensure insureds have adequate coverage.

The European Casualty Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Increasingly likely that insurers will fail to meet 2024 budget which is likely to increase insurer 'aggression' as we head to year end. • Rates are stable but increasing signs of reductions. Premium reductions more commonplace due to retention targets coupled with competition for new business. • Increasing numbers of accounts with reducing rates, especially on attractive risk occupancies where competition can be generated. • Concerns remain around social and economic inflation (on cost of claims) and US exposures, in particular. • Positive underwriting results leading to ambitious growth aspirations. • Strategic use of facultative reinsurance to help manage the 'de-risking' vs growth challenge. • Early engagement required with market (both direct and reinsurance) on more difficult risks to deliver 'relevant' placement solutions (price and coverage). • Expectations of further insurer competition with corresponding downward pressure on rates in Q4. • Insurers paying increasing attention to 'portfolio density with Insureds and looking to cross-sell across multiple lines of business.
Pricing / Rates	• Some Regional variations but in general stable to moderate rate reductions. • Typically rate increases of flat (to -10%). • Larger rate reductions seen where competitive tension is established. • Pricing typically reflective of limits afforded on more difficult industry sectors and need to secure covers such as Pure Financial Loss, PI and recall. • Increasingly, rate reductions being experienced (especially on more attractive, less exposed risks).
Capacity	• Capacity generally remains stable although insurers looking to manage capacity deployment through 'ventilation'. Some instances of insurers reducing capacity deployment where there is US exposure. • Deployment of large stretches of capacity becoming less frequent with increased insurer preference for more considered lines and co/re-insurance. • Facultative reinsurance being actively used to manage net capacity exposures on both primary and excess of loss layers. • Loss impacted renewals continue to be challenging with insurers restricting the capacity deployed on individual programmes. • Underwriting discipline maintained for difficult sector and exposure profiles (e.g., heavy chemical, life science, waste management). • US exposures causing ongoing concern due to continued trend of severity losses and court (injury) awards / class actions. • Increased concern towards levels of European awards and potential class action style litigation in certain territories.
Coverage / T&C	• Continued focus on 'non-core' casualty extensions – e.g., Recall, Medical Malpractice, Professional Indemnity and Financial Loss. Insurers looking to restrict cover through T&C's and/or reduction of capacity. • Excess US Auto remains challenging area – many European insurers looking to increase attachment point (often through reinsurance). • Continued focus on exclusionary language – e.g., cyber, chemical substances (e.g., PFAS's), Glyphosate, war / sanctions, climate change legislation and sexual abuse / molestation. • AI perspective – The European Commission is considering compulsory insurance and imposing strict liability, arising from the use of AI driving autonomous vehicles/ robots.

The European FINEX D&O Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Availability of abundant capacity continues to drive competition in the Western European D&O market. The Influx of new capacity beginning in early 2022 still creates competition and yielded rate deceleration throughout 2022, 2023 and 2024. We are still seeing rate decreases continuing in H2 2024. • The report, *Securities Class Action Filings—2024 Midyear Assessment*, found that plaintiffs filed 112 securities class actions in federal and state courts in the first half of 2024, an increase from the 103 class actions filed in the second half of 2023. The number of core filings—those without merger and acquisition (M&A) allegations—in 2024 H1 (110) was above the number of core filings in 2023 H2 (101) and the historical semiannual average (96).
Pricing / Rates	• D&O rates are continuing to go down in Europe following the trend that started in 2022 and continued through 2023 and now in 2024. • There are select signs of stabilization in a few countries where rates are beginning to flatten out or accounts are renewing with lower decreases. The size of the rate movements vary by country in the Continental European region. Several new and historic markets initially generated rate relief in the excess layers; however, as markets continue to seek growth, several insurers are providing alternative primary competition and leverage.
Capacity	• The return of capacity is due to established carriers increasing their capacity as well as new entrants opening offices across Europe. The new entrants are established carriers in other regions (e.g.UK, US and Asia) and are now looking to grow their business across Europe. • Carriers are increasing the limits again, and the limit deployment is back to pre hard market terms. The caveat is that carriers are using ventilation more when deploying larger limits. • We also see London syndicates and MGA´s showing a big appetite for Western European business. • We estimate that you can find 350M € D&O capacity in the Western European insurance market, outside of the London market.
Coverage / T&C	• Environmental, social, governance (ESG): Organizations continue to face pressures to address ESG from operational, cultural, and investment perspectives. Litigation and regulatory exposures have resulted in increased underwriter scrutiny into practices more broadly. • We see a broader appetite from carriers to write on WTW´s bespoke DARCstar wording for D&O.

The European FINEX Cyber Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Market remains soft in Western Europe for both large accounts and Middle Market. • As the market is preparing for upcoming regulatory changes (such as the NIS 2 directive, which European Union member states must transpose into national law by mid-October), WTW has co-written a white paper (available here) on the stacking of notification obligations imposed by European legislation (GDPR, NIS1, NIS2, DORA and CRA) in the context of a cyber incident.
Pricing / Rates	• Rates continue to decrease (from 10% to 25%). • Crowdstrike – despite some notifications to insurers, we have not seen any change in underwriting appetite. To the contrary, some insurers have reinforced the message of their ability to grow their book without impacting cover and prices.
Capacity	• For the last July renewals, we have been able to obtain reduction in deductible. • For large accounts, more and more captives involved in the structure of programs. • More capacity in the market as insurers are increasing their own capacity and clear and visible commitment to grow.
Coverage / T&C	• We launched our new Cyber Facility for Continental Europe, offering competitive prices and conditions to SMEs and Middle-Market Companies (with a turnover up to €500 million). • The facility offers a simplified insurance experience with a straightforward application process of only 6 to 8 questions, clients have directly access to quotes. The facility also gives access to pre-breach services, cybersecurity specialists provide actionable insights and proactive support to strengthen client’s business defenses continuously.

The European FINEX FI Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Insurance market conditions are more favorable for Financial Institutions, specifically for banks. • Continuous signs of market stabilisation on the FI market across Continental Europe. • Increased interest from insurance markets due to their growth targets.
Pricing / Rates	• The general market has softened considerably with less focus from insurers on risk in favour of new business. • We now see slight rate decreases as well as bigger decreases in most countries. A few countries continue to have stable rates on this industry.
Capacity	• New capacity entering into the marketplace and established insurers having aggressive new business targets, is maintaining downward pressure on pricing, and capacity remains plentiful. • The market is globally increasing its capacity, even for 1st layers policies. We are seeing a revival in the overall appetite for risks relating to financial institutions, for both primary and XS insurers.
Coverage / T&C	• Introduction of territorial exclusions, Belarus and Russia and adjustment of sanctions clauses. • Either affirmative Cyber cover or cyber exclusions across all FI lines of business. • BBB: Crypto insurance and non-fungible token exclusions are being introduced. • D&O: Insolvency exclusions on more distressed risks. • Environmental, Social, Governance (ESG), Diversity and Inclusion (D&I) and network security and privacy protocols and initiates are being more closely scrutinized by underwriter.

The European FINEX PI, EPL, Crime and M&A Market

Current Conditions and short-term perspectives

Q3 2024

Professional Indemnity (PI)

- The Professional Indemnity market is a stable market across Western Europe.
- Carriers are starting to increase their appetite to grow this line of business. This is showcased via specific growth initiatives by several European insurance markets.
- The interest from the insurance market spreads across both regulated and non-regulated professions including Construction.

Employment Practices Liability (EPL)

- Economic uncertainty.
- Competition keeping rate increases stable/modest.
- Social media movements leading to faster and higher settlements in US.

Crime

- Select market capacity in Europe.
- Most primary carriers prefer to limit their capacity to 10M€.
- Internal fraud (employee theft) continue to drive the largest losses for commercial clients.
- Computer fraud drives the largest losses impacting financial institution clients.
- While Social Engineering losses continue to be a major focus of underwriters, the losses tend be lower in severity. Still, the frequency of Social Engineering losses most concerning to carriers.

Mergers and Acquisitions (M&A)

Overview / Issues

- The demand for transactional risk insurance remains resilient despite the challenging environment. Clients continue to seek protection with W&I insurance on deals across all key industry sectors, increasingly supplemented by tax and contingent liability insurance.

Pricing / Rates

- The rates continue decreasing in Western European countries. Insurers are very aggressive in their quotes offering rates below 1% for operational deals, something that used to be reserved for Real Estate or renewable deals.

Capacity

- Still new MGUs and insurers opening lines to cover TR risks. AVIVA is relaunching their M&A practice and new markets are expected to come.
- They continue hiring new underwriters across Europe, in particular in Southern Europe.

Coverage / T&C

- The trend continue being reducing the number of specific exclusions- condition of assets exclusion is now possible to be covered by many insurers as well as pollution if clean DDs are available.

The European Construction Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Minimal growth for construction activity in region in 2024 dragged down mainly by the residential sector due to weak investor and consumer confidence but output then expected to recover in 2025 but with high interest rates and inflation hampering investment. • EU funding will remain a key source of support for construction activity, with a proposed EUR807 billion spent on reforms and projects, which will contribute to infrastructure, energy and utilities projects as main focus. • European construction groups continue to be the most internationalized with 63% of their sales obtained outside their domestic markets, many insurers follow their cross border offering capacity and expertise. • Response times improving and underwriting hubs emerging across region will mature teams and give more consistent responses, leveraging specialized sector knowledge and making less boundary restrictions.
Pricing / Rates	• Pricing levels seem to be hitting the top end now in most countries, consistently seen signs of stabilization in the last few quarters, there is now more confidence in successfully negotiating flat or slight discounts rates but we are experiencing higher rates in the low double digits particularly when there is a need for additional reinsurance or those with Nat-Cat and secondary perils exposure. • For Decennial/ IDI and Project Specific Professional Liability pricing remain stable but with some increases though after many years of continued hard market we are seeing less volatility and more predictable responses.
Capacity	• Self sufficient region with ample capacity and new entrants, MGAs and well established traditional insurers utilizing more our their own capacity means availability in the local and regional market is close to levels seen at the top of the last soft market in 2019. • As competition and pressure to grow is mounting though nevertheless insurers are still following strict underwriting guidelines. • In large and complex desperate need of markets that have the technical expertise to lead particularly on heavy civils and those carrying large sums insured and limits on CAR (EAR), (IDI) and (PSPI). • New capacity for “Open Covers” and annual facilities but seek to reserve their capacity for group clients with a “portfolio view”. • New “early stage” interest from insurers at these pricing and coverage levels to enter new products and this will hopefully attract new capacity and improve coverage/ T&C. • Volatility in some sectors and territories due to recent large losses and lack of Nat-Cat capacity is opening new opportunities in some countries dominated historically by local insurers.
Coverage / T&C	• A conservative overall view and disciplined technical approach to underwriting is still being taken across region. • Quality underwriting information is paramount to gather the right momentum and brokers now more than ever can play a valuable role in presenting the risk through offering analytical data to guide markets towards the most appropriate solution and program design that meets all stakeholders expectations. • Coverage offered has been stable although less so when it comes to tunnelling, drilling, offshore submarine cable laying or high technology renewables where the industry seems to be moving fast and some insurers still need to keep pace to offer acceptable terms. • Strict modelling for Nat-Cat and secondary perils such as hail and flood as a consequence of losses in 2023 and ongoing in 2024 is still being adopted and limits offered and expensive.

The European Trade Credit Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	Trade Credit forms part of WTW's Financial Solutions Global Line of Business. • Following a period of low claims level immediately after the pandemic crisis, Trade Credit insurers have experienced a gradual increase in bankruptcies towards more normalized levels. While frequency claims have been increasing since 2023 and are now above pre-COVID levels, severity claims are remaining below average, and insurers continue to enjoy Loss Ratios. • Overall, major Trade Credit Insurers are recording combined ratios around the 70%-80% mark and remain very profitable. • Insurers remain selective on buyers with lower financial ratings and on certain sectors with higher claims level, such as the construction or retail sectors. • We expect credit appetite to continue to tighten into early 2025, given the recession observed in several European countries, interest rates remaining elevated and more limited access to liquidity for European companies. • Trade Credit is widely used by our corporate clients as a tool for obtaining additional financing from banks or factoring companies.
Pricing / Rates	• Premium rates are trending slightly lower in major European markets, thanks to low losses in the market. • Competition remains strong on new business from uninsured clients, particularly in sectors where losses have historically been moderate. • Overall Premium base in the Trade Credit Insurance market is eroding due to slightly negative Price Effect at renewal and contracting insured volumes.
Capacity	• Ample capacity is still available in the market, particularly for new business enquiries from uninsured clients. For instance, Risk appetite remains strong on the pharmaceuticals and food & beverage sectors. However, as noted above, we think credit appetite will remain constrained into early 2025.
Coverage / T&C	• We see continued demand for top-up cover, where additional coverage is required in addition to the credit limit issued by the primary insurer. This has been exacerbated by reduction of credit limits from the primary insurer in certain sectors, where a top-up limit is required to continue trading. It is worth noting that specialized insurers have responded to this need by offering additional cover.

The European Crisis Management Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Effects of current Israel/Gaza conflict with possibility of wider escalation continue to drive rates especially in the middle east (limited capacity resulting in large premium increases) in conjunction to heightened SRCC outlook globally with a number of countries going into an election year. • Insurers paying and reserving for the continuation of the largest losses in the market's history due to the crisis in Ukraine. • Clarity needed on exclusionary languages whether Terrorism exclusions extends to SRCC coverages on property policies offered by certain European Carriers. • Accident & Health market buoyant with new capacity providers entering a saturated market. Increasing pressure on (re)insurers due to the conflict in the Middle East and Ukraine. No major losses across sub-classes with the exception of Contingency which has experienced significant losses across outdoor festivals for 3 years running. • Kidnap & Ransom rates are largely stable with some moderate increases of +5-10% in response to greater claims frequency/severity, heightened geo-political tensions/security risks. • Piracy in the Indian Ocean and Red Sea is an area of particular concern with a significant increase in attacks against commercial shipping.
Pricing / Rates	• Terrorism and Political Violence no longer offering 'No Claims Bonus'. • All insurers conducting full 'fresh-eye' reviews against model and risk price rather than historic premiums. • Further local/regional reactive pricing changes expected as different security risk environments fluctuate. • General trend per product: A&H flat; Contingency flat; Special Crime (K&R) flat to +10%; Terrorism/Political Violence rates in Europe seeing a slight relaxation with typical flat to +5%; Maritime Piracy rates increasing by up to 20% due to increased pirate activity in the Indian Ocean, Red Sea and Gulf of Guinea.
Capacity	• Reduction in line size deployment on individual risks, especially in high-risk territories, heavily aggregated locations and for policies with wider Political Violence perils, insurers holding out for the best rate for capacity. • Overall capacity has increased in 2024 due to new entrants (both Lloyd's and MGAs). • No shortage of capacity across A&H and K&R markets. Contingency market capacity is healthy for event cancellation/non-appearance but reducing for prize indemnity.
Coverage / T&C	• Reduced appetite for Denial of Access, Contingent Business Interruption and Automatic or Miscellaneous Coverage extensions as insurers push to improve exposure monitoring, strongly driven by treaty restrictions imposed on them. • Increasing deductibles in volatile territories and higher risk occupancies. Valuations require inflationary consideration. • Insurers pushing direct, indirect or blanket territorial exclusions or restrictions for Russia, Belarus and Ukraine. Insurers monitor Israel/Gaza conflict closely. Greater number of Accident & Health insurers considering Medical Expense and Repatriation cover in Ukraine. • Appetite for multi-year agreements limited for Terrorism & Political Violence. Multi-year agreements remain widely available for Kidnap & Ransom. • Contingency wordings are being amended to accommodate evolving perils such as concerts and tours being cancelled due to mental health issues.

The European Natural Resources Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues

- Both upstream and downstream 2024 loss activity at historic low with no headline losses and only limited attritional loss activity – setting insurers up for a highly profitable year in 2024.
- This is spurring increased competition of share, especially on the most favoured business in the portfolio, and resulting rate reductions.
- Continued focus on risk quality with loss prone sectors such as offshore construction becoming increasingly difficult to place.
- Power: absence of headline losses in 2023 and 2024 combined with increase in capacity from new entrants is driving rate softening with greater pressure on leaders to offer improved terms from the beginning.
- Liability market showing distinct differentiation between international and US casualty risks due to recent significant loss activity, Baltimore Bridge incident will impact marine/offshore liability rating across all territories.
- Mining: Rates softening for most risks, especially where local capacity is putting pressure on lines.
- Renewables market rates flattening due to increased competition as energy insurers trying to broaden their book and new leaders are emerging.
- Market segmentation is increasing with a clear flight of capacity to the best risks, which continue to be significantly oversubscribed, whilst smaller, less desirable risks are getting harder to place and attract less favourable rating levels. Some areas of the portfolio such as subsea construction have seen significant reduction in market appetite and available capacity.

Pricing / Rates

Depending on risk profile, loss record and premium income:

- Upstream: market continues to soften - Tier 1: --5 to -10%, Tier 2: flat to -5%, loss affected risks: increases depending on 5year performance.
- Downstream: softening accelerates - Tier 1: -10% to -15%, Tier 2: -5%, Loss affected risks depend on loss quantum.
- Power: -5% to -10% on non Nat Cat exposed, Flat to -5% Nat Cat exposed business, flat to +10% for loss affected risks.
- Mining : -5% for Tier 1, flat for the rest unless loss exposed. Recent US windstorm losses may divert non-specialist mining capacity to vanilla US risks and harden mining rates as a result.
- Renewables: flat if not Nat Cat exposed, increases in Nat Cat still being passed through to direct clients.
- Liability: International placement: low to mid single digit increases, US exposures: larger increases of +10-20% due to loss activity, marine/upstream risks: larger increases due to Baltimore bridge loss.

Capacity

- Upstream: continues to be stable with some new entrants and new leaders emerging, however capacity deployment for more challenging risks in the portfolio (subsea construction, standalone wells) is decreasing further.
- Downstream: Stable with leadership appetite increasing.
- Mining: Stable with some new entrants expected and increased pressure from local markets in mining jurisdictions. Recent US windstorm losses may divert non-specialist mining capacity to vanilla US risks and harden mining rates as a result.
- Liabilities: slight uptick in overall capacity following the emergence of new entrants and existing carriers increasing their maximum line size. A dichotomy still persists with certain large Company insurers reducing line sizes. Whilst the overall capacity available is stable, buyers are now benefiting from increased insurer selection.
- Nat Cat availability remains restricted across all occupancies.
- Emergence of specific Energy Transition syndicates offering additional capacity for green risks such as AXIS Syndicate 2050 and Hiscox ESG Syndicate.

Coverage / T&C

- Most clients have now had independent asset valuations undertaken resulting in lesser focus by insurers – where these have not been recently updated, insurers are punishing insureds.
- Continued use and tightening of BI volatility clauses on Downstream energy, Power and Mining.
- Certain markets (e.g. Munich Re, AIG, Starr) looking to introduce Heap Leach Pad clauses on Mining policies for 'clarity' due to two large Heap Leach pad failures in the last 12 months.
- PFAS and Climate Exclusions now filtering through into package policies as well as standalone liability placements.
- Softening stances from insurers on discounts (upstream: LTAs with credits and filtering in of softer credits such as NCBs and RIBs into downstream markets which have historically been reluctant to offer these).
- Increasing trend towards long term agreements on liability policies favoured by both clients and markets to provide stability.
- Liability market remains focussed on conditions and non-standard broad wording will reduce available capacity but insurers are starting to consider reasonable arguments for coverage broadening in specific instances.

The European Surety Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Surety company portfolios are coming under claims pressure due to rising insolvencies, notably as construction firms contend with higher interest rates, elevated inflation for wages and raw materials, as well as continuing labor shortages. • Across most European markets large surety using industries like manufacturing & construction are seeing output continue to decline. • Underwriting capacity continues to be increasingly selective. • European Central Bank (ECB) ➢ Three back to back reductions in interest rates have reflected the success of reduced inflationary factors however further reductions maybe necessary to stimulate economic growth, as current outlook is weaker than target. ➢ EU government's inflation management remains core and the positive impact of stable prices will assist many industries, not least construction and heavy engineering; both large surety users.
Pricing / Rates	• Premium rates have not reacted to ECB interest rate changes and have generally been stable in many European markets,, reflecting constant supply of capacity. • Notable markets with moderate rate firming are the DACH region (Germany, Austria and Switzerland) & Ireland. • Europe wide SME sectors starting to seeing some pricing increases reflecting volume of insolvency & resulting claims.
Capacity	• Despite the economic risk, underwriting capacity has remained constant over the last 3 years. • The market is cautiously competitive, although many underwriters have dropped growth ambitions focusing on profit.
Coverage / T&C	• Renewed attention to risk tenor and supply of timely financial reporting from portfolio clients. • Continued appetite for bank guarantee replacement opportunities for qualified credit risks. • Underwriting attention to Indemnity recourse agreements is a continuing pattern.

The European Aviation & Space Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Airlines: Absence of catastrophe losses coupled with increasing exposures means airline insurers continue to be profitable. This is despite aircraft repair inflation, social inflation and insurers' reinsurance premiums rising. • Leasing: Trials in UK, US and Ireland taking the stage, with several private mediations between insurers and lessors happening in the background. Market will likely be affected on an insurance/reinsurance basis within Q1/Q2 2025. • Aerospace: Increasingly positive market for buyers as insurers look for premium income as 2024 draws to a close. • General Aviation: Outlook for the short to mid term remains positive in view of the buoyant capacity available across the GA landscape thus creating a preferential pricing environment, however the various sub segments of our industry, namely Hull War and AVN52E, are potentially volatile.
Pricing / Rates	• Airlines: Profitability is producing airline All Risk rating discounts with rates stabilising for the airline War sub-sectors. • Leasing: Pricing currently stable on both Hull &Liability and Hull War, with some small reductions available. • Aerospace: Flat market environment on accounts even where exposures are increasing by double digit percentage points. Accounts with loss deterioration or larger exposure growth could still see increases. 2024 has seen a return to prevalence of long-term agreements, increasingly on a flat basis. Both lead and composite reductions are now possible, in the event of desirable risk or claims improvement. • General Aviation: We anticipate a further acceleration of price reductions in the GA Hull and Liability arena as we come towards the close of the calendar year as competition + budget requirements exacerbate the existing pressures on insurer behaviours. AVN52E and Hull War likely to remain relatively flat in the short term but a watchful eye is required here.
Capacity	• Airlines: Surplus capacity throughout the aviation marketplace is providing welcome competition for airline renewals and a favourable renewal environment. For airlines operating flights to geopolitical focus areas, we recommend carefully considering which insurers are best placed to support your business for the year ahead. • Leasing: Mixed strategies from insurers: some considering withdrawing capacity, due to low profitability and high legal expenses linked with the Russia-Ukraine litigation, others targeting a re-entry in the leasing market (so offering new capacity), because of peak pricing and protecting subjectivities. • Aerospace: Capacity remains buoyant and surplus on placements demonstrating strong claims performance. Underwriters are now more often taking the opportunity to offer greater shares within their management guidelines and in many cases are willing to offer more competitive pricing in order to secure a larger participation, this has accelerated in Q4, with an increasing number of markets chasing premium income. • General Aviation: Excess capacity has been a constant of the GA market in recent history and we anticipate this to remain in the short to mid term.
Coverage / T&C	• Automatic Termination following nuclear event: we continue to see positive developments in aligning Insurers around preferred clauses (IUA 07-001 and LIIBA AV003) to allow continuation of AVN52E/G coverage following a hostile nuclear detonation. Market fragmentation remains but movement continues in the right direction. • Aviation Insurance Clauses Group (AICG) publish London Market UAV wording (AVN146) and associated endorsements (AVN147-AVN156).

The European Marine Market

Q3 2024

Current Conditions and short-term perspectives

Overview / Issues	• Although Ukrainian/Russian trade continues to be a major focus for marine insurers, the dangers of passing through the Gulf of Aden is of more concern due to Houthi rebels successfully targeting international shipping. The impact being that the majority of shipowners are now avoiding the area by routing to Europe via Cape of Good Hope. Attacks on ships in the Red Sea, combined with geopolitical tensions affecting shipping in the Black Sea and the impact of climate change on the Panama Canal, have given rise to a complex crisis affecting key trade routes. Regarding the Baltimore Bridge incident, despite the relevant situation in the region and the claims estimations, markets will be able to absorb such catastrophic loss, especially the P&I market.
Pricing / Rates	• Hull and Machinery rating remains stable for Q3. Risks with good records over the year are getting minor rate reductions (or bigger ones if a new marketing is done with new carriers, usually more aggressive). Distressed business and small fleets remain challenging to place. • Cargo rating remains stable to soft for new business in Europe. Risks with positive loss records and high turnover increases possibly benefiting from discounts. • War, substantial additional premiums being charged for Gulf of Aden transits irrespective of whether the shipowner has had any connection or previous trade with Israel. • P&I maintain moderate increases for renewals between 5 and 7.5% as average. • Cargo War – some markets looking to reinstate coverage, others are not, leading to high Aps being applied or clients having to find solutions outside of the traditional European markets (for both bulk and containerised cargoes).
Capacity	• Hull Capacity remains stable. The placement of large hull fleets is spread on different markets globally: UK – Scandinavia – France – Singapore; each of them have a separate approach and separate capacities and ratings for their share of the same risk. • Cargo capacity remains relatively stable overall, very much depending on geopolitical developments, although new entrants within the Cargo markets (especially MGA's) targeting areas where rate remediation over recent years has made the entry point significantly more attractive, with overall appetite starting to increase once again – the main caveat to this being Cargo War.
Coverage / T&C	Cargo, Hull and Machinery - no new developments. • New Oil Price Cap rules: the Price Cap Coalition countries will be implementing changes around the attestation and information/record-keeping obligations imposed on insurers and shipowners/operators, we anticipate regulators will look more closely at the level of due diligence conducted by service providers such as insurers on their counterparties. In particular, we anticipate that in line with the more stringent Price Cap requirements, regulators may require insurers to produce evidence of their due diligence on insured with tankers which could perform Price Cap-related voyages. • LMA3200- Sanction suspension Clause - an alternative to LMA3100 to assist with its application in jurisdictions not subject to English or US law. The clause works to suspend coverage in instances whereby coverage would expose the insurer to sanctions under UK, EU or US sanctions laws or regulations or UN regulations. • Partial lifting of sanctions against oil and gas sector of Venezuela.

The European Facultative Reinsurance Market

Q3 2024

Overview / Issues	• **Property**:
	  • Reinsurance markets remain deploying larger shares on various occupancies (mainly non heavy occupancies) while still cautiously entering those placements considered distressed. Market has entered a softer stage depending on the occupancy.
	  • Given the soft market transition in different activities, reinsurance across different classes have seen an increase on demand to boost upfront shares or maintain capacity on complex placements.

Pricing / Rates	• **Property**: This quarter continue to follow the trend of markets achieving flat renewals and some discounts in non distressed placements. For those with complex occupancies such as waste or pulp and paper, rates keep being driven by high rate on line structures, especially those affected by losses. Overall, there is a trend of rates slightly reducing which is expected to continue, especially with the entrance of new capacity for complex risks.
	• **Casualty**: The market is softening, and competition on the “right” accounts (good claims experience, not heavily exposed to the US) is generating rate reductions. Otherwise, rates ranging from flat to +10% on average, mostly driven by social inflation and claims costs, particularly when US domiciled exposure is concern. More challenging occupancies can experience sharper increases.
	• **Construction**: Rates keep increasing in existing projects/extensions due to the increase of costs plus the element that reinsurers have a larger exposure to the project on a more volatile CAT environment. Nonetheless, rates can be seen as very competitive compared to any other region internationally given the large offering of capacity from carriers.
	• **Financial lines**:
	  • D&O – Still very much pressure on this line of business, rates to drop while increases of lines are offered or new capacity is available.
	  • PI – Market rates do also see pressure on market rates, stabilizing across the product with slightly reductions on rate.
	  • FI – Market remains stable as per previous quarters, however, all Finex products are seeing pressure on rate.
	  • Cyber – Increase of available capacity due to new reinsurers entering the product, consequently a decrease in rates similar to D&O can be observed.

Capacity	• **Property**: Capacity keeps increasing by new reinsurance players, mainly driven by new MGAs as per previous quarters. This capacity is not only in vanilla occupancies but also on complex ones such as pulp and paper across all Europe. • **Casualty**: Market capacity remains relatively stable, with specialist markets tending to deploy more conservative line sizes depending on the occupancy. Very limited appetite for challenging activities such as coal mining and coal-fired power plants, as ESG profiles are directly impacting market appetite. Increased concern over heavy US exposure, particularly automobile liability.
Coverage / T&C	• **Property**: New capacity in the market have helped reinsureds to alleviate the pressure for certain traditional markets requests on wordings, helping to soften T&Cs. Nonetheless, there is still a high focus on unamended FAC Certificates unless than pre-agreed. • **Casualty**: Increased concern over PFAS exposure with exclusions tighter exclusions being applied on more exposed risks.

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