Q4 2023

Global Insurance Market Insights Report

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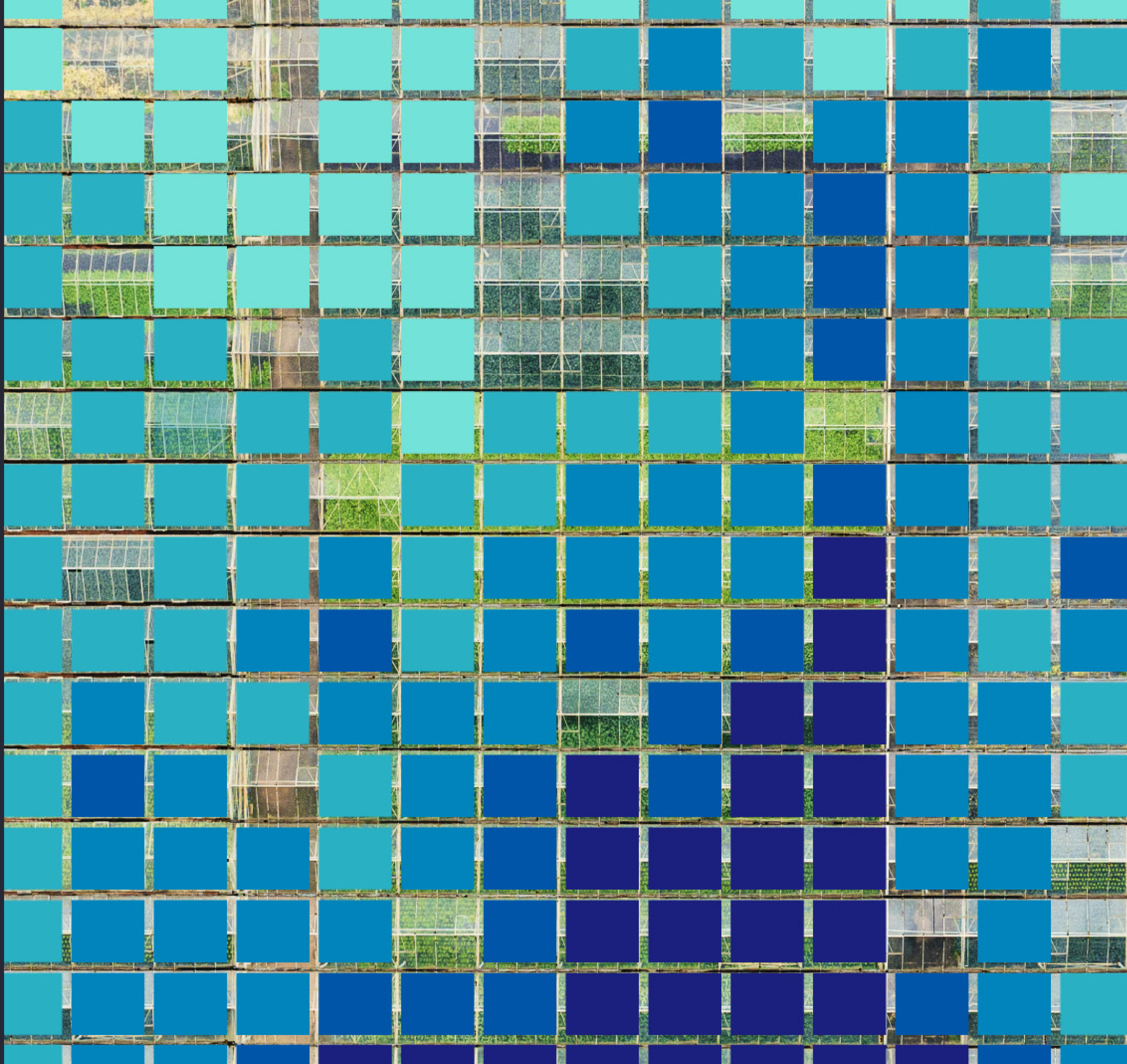
Introduction



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2023 Can Best Be Summarized with a Single Word: Resilience.

Resilience amidst economic volatility fueled by spikes in interest rates and inflation. Resilience despite geopolitical instability, social unrest, and humanitarian crises spanning multiple continents. Resilience in the face of devastating natural disasters and mounting climate concerns. While every community, business, and economy has forged their own unique journey, resilience has been a common denominator.

Resilience shaped the risk and insurance community in 2023 as well. Economic inflation, a slow supply chain recovery, rising labor costs and persistent natural disaster activity pressured property loss costs and extended recovery periods. Social inflation, "nuclear verdicts", and litigation funding drove up liability losses – especially related to U.S. exposures. New automotive technologies and distracted driving continued to alter the auto risk landscape. The regulatory environment became more complex and focused on addressing matters related to insurer solvency, cyber incident disclosures, and the use of generative Artificial Intelligence, amongst many other issues.

Over the course of the year, insurers responded to these and other dynamics of the risk and insurance environment by implementing their own resiliency measures, some of which impacted insurance market conditions. They undertook various measures, including refocusing their appetite, adjusting their underwriting policies, shifting their pricing models, streamlining their organizations, and aligning with business partners who share their values.

These market dynamics played out decidedly in the final quarter of 2023. We saw healthy appetite, underwriting flexibility, the availability of coverage options, and abundant capacity for well-performing, preferred risk types, as insurers sought to meet year-end performance targets. By contrast, challenging risk types and areas not targeted for insurer growth faced greater underwriting scrutiny, higher pricing and had fewer options. Across all risks, robust underwriting information and risk differentiation were key drivers of superior renewal outcomes, and evidence of investment in corporate responsibility initiatives continued to positively impact underwriting decisions.

Looking ahead, we expect many of the economic, geopolitical, and humanitarian events that shaped 2023 to continue to evolve in 2024, and new trends to emerge, creating challenges as well as opportunities. In this edition of Aon's Global Insurance Market Insights report, we highlight five trends to watch in the short to medium term, including:

1. Cyber attackers will continue to exploit vulnerabilities and adapt their methods to sidestep controls, gain unauthorized access to systems, and exfiltrate information from corporate infrastructures. In addition, insider risk stemming from IT layoffs, companies' use of AI and other emerging technologies, and an increase in class action and other civil and criminal lawsuits related to data protection and privacy will likely pose new challenges.

2. The energy transition will require significant investment in infrastructure, new technologies and process enhancements as demand for cleaner energy sources increases. Government policy – including subsidies and tax advantages – will serve as a key enabler of investments. Supply chains will be vulnerable to increased reliance on certain raw materials, new technologies and manufactured goods. Higher interest rates and inflation will create challenges to raise and deploy capital for investment in new assets.

3. Core inflation will remain subject to volatility stemming from geopolitical instability and changes in economic policy. At the same time, the scourge of social inflation will likely continue unabated creating more volatility for corporations and an invisible tax on consumers.

4. The worker-driven market will continue as unemployment rates remain at record lows, prompting employers to adapt their growth agendas to recognize the need for competitive benefits and accommodating work environments. Worker upskilling and reskilling will be prioritized in workforce planning strategies.

5. Demand for parametric covers will continue to increase as organizations seek 1) quick liquidity after a disruptive event, 2) to address gaps in traditional insurance cover and 3) to cover non-traditional risks (non-damage business interruption, contingent exposures, and many more).

Learn more about these complex, interconnected trends and their potential impacts on the risk and insurance environment in the "2024 Trends to Watch" section of this report.

Resilience has helped organizations weather the challenges of 2023. In 2024, it will become a fundamental enabler of business strategies. Investing in resilience – including robust risk strategies – has never been more important.

On behalf of our global team of Commercial Risk professionals, I am pleased to introduce you to our Q4 Global Insurance Market Insights.

Joe Peiser

Chief Executive Officer
Commercial Risk Solutions

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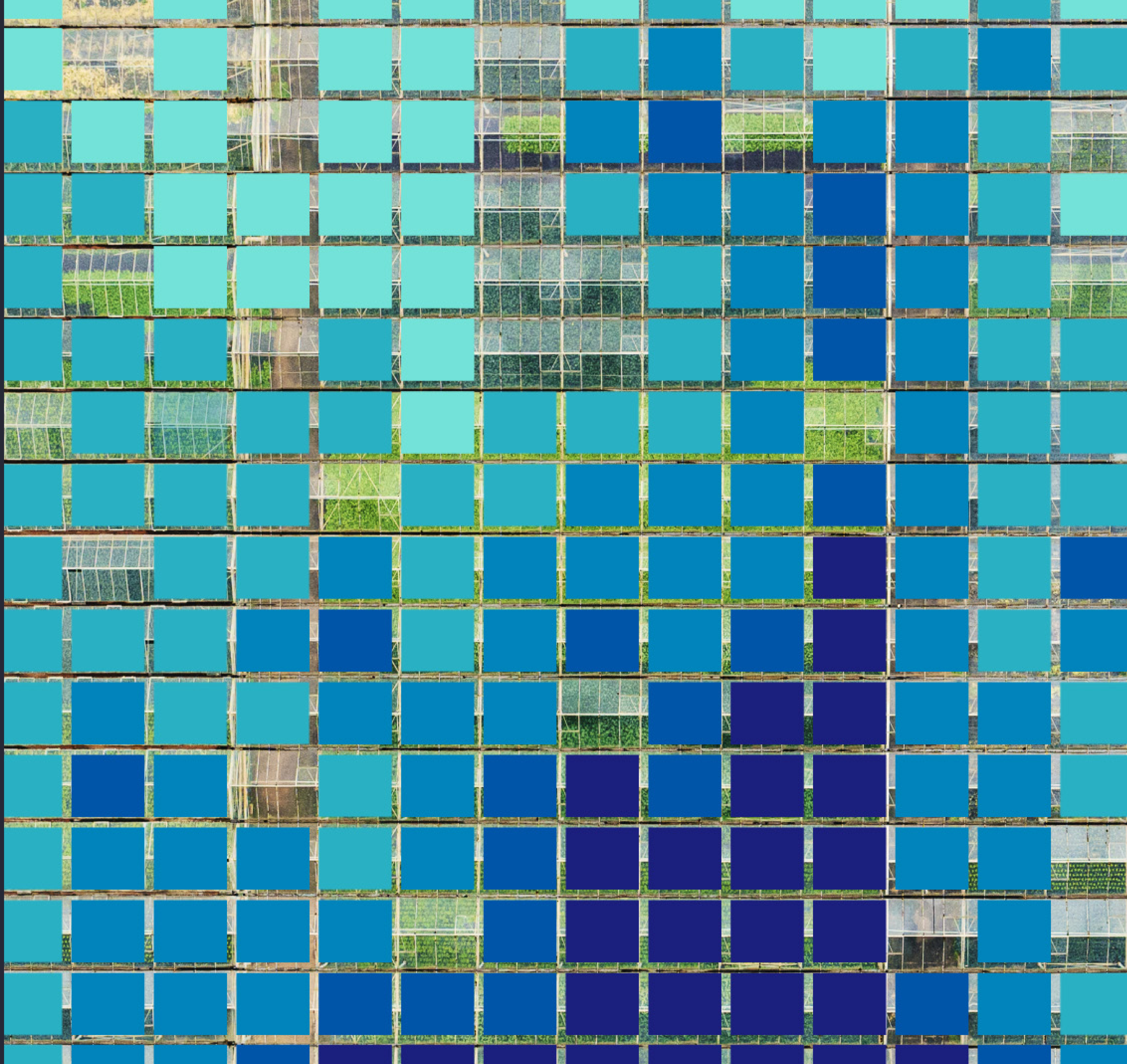
Trends to Watch



2 Cyber Attackers Will Continue to Exploit Vulnerabilities and Adapt Their Methods

Background

2023 saw an increase in actions by two main groups: 1) nation-states, which leveraged cyber to achieve high-level political and military objectives, and 2) financially motivated opportunistic criminal cyber threat groups, who evolved their attack methods and strategies to impact victims. Also over the course of 2023, the threat landscape shifted as did response approaches.

For starters, a higher level of accountability has impacted the cybersecurity landscape, including increased focus on the United States Securities and Exchange Commission “materiality” reporting requirements, and criminal and other legal actions against Chief Information Security Officers related to breach management, reporting, or disclosures and transparency regarding the current cybersecurity status of an organization. These events have generated discussions at senior leadership levels, resulting in increased conversations related to how to characterize and convey a company’s current cybersecurity status, ownership of decisions related to obtaining and maintaining a secure status, and incident response disclosures (e.g., the extent and incident management components of a response to an incident).

In 2023, we also saw attackers gain unauthorized access to systems by stealing credentials and impersonating employees’ identities to corporate helpdesks to bypass Multifactor Authentication / identity management. Additionally, we saw threat actors using zero-day vulnerabilities – especially on systems exposed to the internet – to gain initial access to the environment and to exfiltrate voluminous files from corporate infrastructures.

Delays in attack recognition were also common in 2023. Aggregating several years of ransomware threat actor skillset trends into a single profile has resulted in risk modeling and defender preparations focused on detecting and responding to an "average" ransomware threat actor. But defenders can be slow to catch on to new attack processes that do not fit into the “average” ransomware threat actor profile, especially if the defenders do not have a broad view of the attack landscape. This often resulted in delayed recognition of an attack. One example of this during 2023 was a threat actor’s frequent use of social engineering calls to various Help Desk staff resulting in password and Multifactor Authentication device resets intended for privileged users.

From a risk transfer perspective, insurers experienced an uptick in ransomware losses in 2023 compared to 2022, with ransomware events increasing in each quarter. In fact, there was a 205% increase in ransomware incidents in Q3 of 2023 compared to Q3 of 2022. In addition to seeing an increased frequency of events, a number of high severity ransomware incidents hit insurers’ books.

Trends to Watch

Cyber threats continue to be the number one risk on business leaders' minds, and there have been many lessons learned over the years related to which controls to prioritize and implement to mitigate a cyber-attack, e.g., a robust patch management process, endpoint detection and response, and Multifactor Authentication. Many cyber-attacks observed in recent years; however, have sidestepped cyber controls as attackers, leveraged basic and sophisticated attack methods to take control over systems and information, causing many business disruptions and brand damage. Looking ahead, we see five important trends developing:

Ransom and extortion pressure strategies will intensify

Threat actors will innovate and utilize asynchronous paths to apply extortion pressure to encourage victim companies to pay ransom and extortion demands. The evolution of how threat actors attempt to extort funds from victims started with conversations in chat rooms and email and has progressed to include aggression and targeted harassment of employees, customers, and board members. Other pressure strategies are expected to intensify, so companies need to be prepared for what may be an uncomfortable and potentially unruly situation.

Insider risk may increase

Companies may experience increased insider risk as employers enforce return-to-office requirements and as economic challenges and layoffs in the Information Technology security industry continue to impact staff. Ransomware threat actors have and will continue to recruit company staff and pay for their credentials for remote access to facilitate an attack.

Accountability requirements will drive investments

Cyber accountability, including regulation and representation of security controls/response, may require an increased investment in cyber security. Companies will need to demonstrate cyber security progress.

New technologies will demand new risk management measures

As companies adapt and explore AI and other emerging technologies, new challenges will emerge related to cyber security, data privacy and governance. Investment in and commitment to risk management around new technologies will be critical to manage risk effectively.

Litigation — especially related to data privacy — will increase

In addition to the cyber events themselves, resulting litigation, specifically relating to data protection and privacy, will continue to increase. In 2023, Aon observed an increase in class action and other civil and criminal lawsuits resulting from cyber events. It is critical for companies to educate themselves – initially and continuously – on how cyber security and cyber incidents can create increased risk and how that risk can evolve over time. For example, for the first time ever, the United States Securities and Exchange Commission filed a complaint against a corporation and a named individual for fraud and internal control failures.

Given recent increases in the frequency and severity of ransomware events, Cyber insurance appetite, underwriting, and pricing is expected to moderate from the buyer-friendly market conditions experienced in 2023. Companies should continue to invest in cyber resilient risk mitigation strategies which include risk transfer, cyber defense in-depth, and incident prevention and preparation activities.

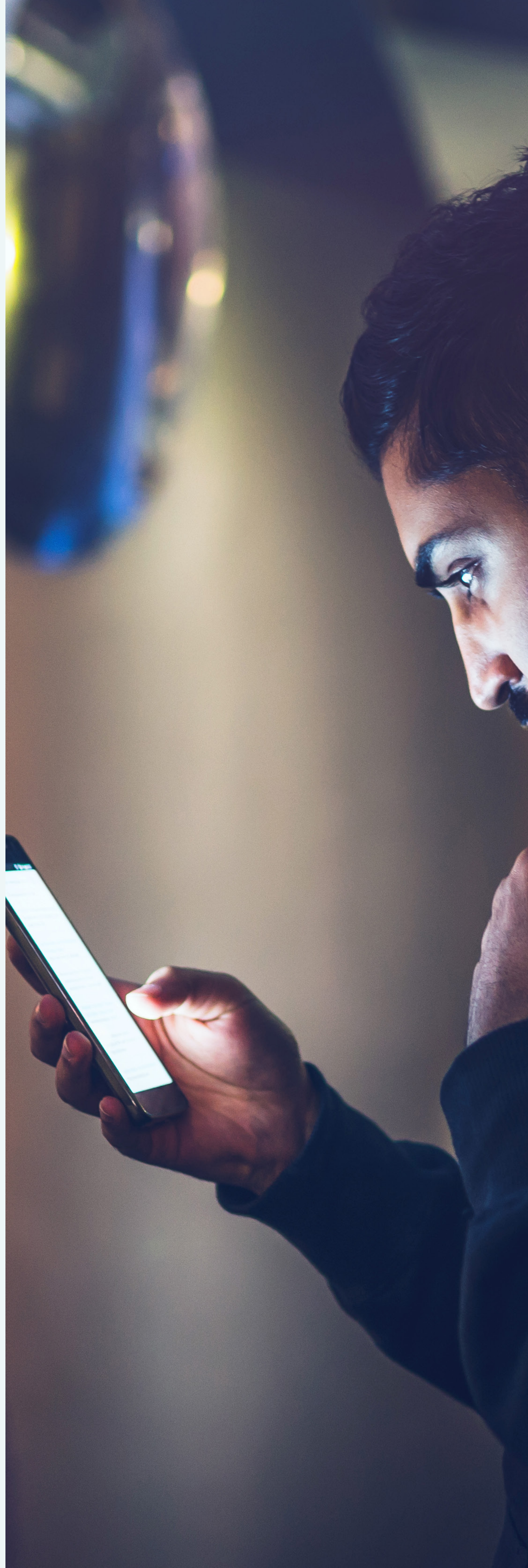
How Aon Can Help

As the cyber threat landscape rapidly evolves, Aon continuously pioneers innovative cyber risk mitigation and risk transfer solutions to protect organizations of all sizes. Our in-depth experience and end-to-end, reliable security consulting and cyber risk management offerings can help:

- Ensure that clients are better able to quantify and reduce exposure to cyber risks by enabling maximized returns on security investment.
- Identify and implement risk transfer solutions that are bespoke to each clients' cyber risk exposure.
- Mobilize an industry-leading response to a cyber incident.
- Educate clients about how cyber risk directly impacts insurability.
- Enhance best practices related to risk management.

Aon's Cyber Solutions collaborates with organizations at every stage of their risk journey to make better decisions and manage their total cost of risk. With decades of experience, our global team of risk professionals can help you make decisions with clarity and confidence. Aon's risk management framework: Identify, Assess, Mitigate, Transfer, and Recover can be entered at any point to achieve company-wide cyber resilience at scale and be better positioned for insurability and business continuity.

To learn more, please reach out to your Aon team.



2 Energy Transition Efforts Will Accelerate Amidst Global Population Growth and Growing Demand, Requiring Major Investment

Background

The term "energy transition" has existed for decades, and refers to a significant, foundational change to the supply of energy and energy consumption behaviors. The current energy transition is driven by a recognition that global greenhouse-gas emissions must be drastically reduced to limit the effects of climate change. The primary focus is on shifting the world's socio-technical system away from one based almost exclusively on the production and consumption of fossil fuels towards a system in which renewable energy sources such as wind power and solar power contribute more to the global energy supply.

Since the Paris Agreement in 2015, 196 countries have agreed to reach carbon neutrality by 2050. Governments, industry sectors, organizations, and communities in every corner of the world have established carbon reduction goals, commitments, and investment strategies. No two transition journeys for these stakeholders are alike, and each is faced with competing demands related to each of the fundamental principles of the "Energy Trilemma":

- **Security** — maintaining a resilient infrastructure to reliably meet current and future demands and minimize supply disruptions
- **Affordability** — providing access to affordable and abundant energy (electricity, gas and fuel)
- **Sustainability** — the transition of energy systems toward mitigating and preventing environmental harm

Each of these factors must be evaluated and balanced according to the priorities and resources of each stakeholder.

Trends to Watch

The present-day energy transition has had many profound and widespread impacts, including on trading relationships, local economies, the jobs landscape, and political outcomes, to name a few. With 2023 being the hottest year on record and as the critical threshold of 1.5 degrees Celsius approaches, geopolitical and societal pressure to tackle climate change is mounting. While the global population and demand for natural resources continues to grow, energy transition efforts have accelerated, as have actions to manage related risks.

Some of the important trends to watch in 2024 and beyond include:

Access to capital will be required to enable the massive investment in infrastructure, technology and processes

The energy transition will continue to require a massive investment in infrastructure, new technologies and process enhancements as demand for cleaner energy sources increases. Most estimates range from $100 trillion to $300 trillion which equates to an annual investment of 2-8% of global GDP between now and 2050. Companies will need access to capital and favorable government policy and regulations. Subsidies and tax advantages will serve as key enablers. For example, the US Inflation Reduction Act – the largest climate investment ever – has earmarked $370 billion in funding for clean energy projects, pollution controls, tax breaks on electric vehicles, and solar and battery manufacturing. Companies will compete for capital for continued investment in transition projects, technologies and assets.

Supply chains will continue to be challenged by weather and geopolitical events

Recent hostilities in the Red Sea, coupled with severe drought in Panama, highlight how serious and interconnected these risks are to global supply routes. Demand for critical and rare minerals such as lithium and cobalt as well as copper and aluminum will grow as reliance on new technologies such as renewable electricity, batteries, electronics and EVs increases. Access to materials and the infrastructure to support the transport and distribution of materials and products will also challenge new supply chain sources.

The regulatory environment will play a significant role in attracting investment

Globally, 2024 is an important election year and governments may be judged on how they support the transition in energy. Government policy remains critical to attracting investment and maintaining continued interest in the sustainable development of new energy supply. Political stability and legislative support are necessary to continue incentivizing and accelerating investment in energy transition. Private and public collaboration will continue to drive innovation.

Insurers will be faced with competing demands and the need to innovate

Insurers have modified their appetite and underwriting practices in accordance with their corporate responsibility strategies. Many will continue to face competing priorities and demands, including balancing shareholder pressures with trying to understand and underwrite emerging risks and technologies such as offshore wind, solar, hydrogen and carbon capture and storage. Renewable energy assets are exposed to natural catastrophe perils and will need access to insurance capacity to enable and protect the capital committed to new investments. Changing risk profiles and risk tolerance requires new applications of traditional insurance and continued innovation of products and facilities.

How Aon Can Help

While every energy transition is a unique journey, collaboration and collective action are the only path forward to achieving meaningful global impact. Through our team of 500+ Natural Resources risk experts, together with Aon specialists from various disciplines ranging from climate to supply chain to parametric to reinsurance, Aon can help you achieve your corporate responsibility and decarbonization goals and address associated risk through enterprise risk management practices and workforce frameworks.

We provide tailored advice and analytics to help clients understand and quantify their specific risks, make better risk mitigation, retention and transfer decisions, and ensure business continuity through post-loss consulting. We develop comprehensive and bespoke risk management and finance programs using our proprietary data and solutions such as customized policy language, the Aon Client Treaty and parametric solutions to help clients address risk – including those that are emerging and difficult to insure.

Aon can help you accelerate your transition while reducing cost and volatility. For more information, please reach out to your Aon team.

2 Core Inflation Will Remain Subject to Volatility

Background

While the specifics differ by geography and by sector there is no doubt that economic uncertainty is and will remain a key issue for all businesses. The almost daily press coverage of forward-looking statements from noted economists, as well as recent surveys of C-suite business leaders, confirm and reiterate that this trend will continue through 2024.

At the forefront of the uncertainty, much of which is the result of the ongoing geopolitical environment, are interest rates and inflation. Each of these economic factors has had far-reaching impacts across governments, industries, and society at large. Stakeholders in the insurance chain such as insurance buyers, insurers, service providers and regulators have not been spared. For clients, and particularly, corporate risk managers, there are challenges, opportunities, and obligations as they seek to meet risk mitigation, risk finance and risk transfer goals in such an environment:

- **Challenges** in quantifying and managing the impact of inflation, and social inflation, on loss costs
- **Opportunities** to evaluate and implement alternative approaches to the financing of risk
- **Obligations** to ensure the adequacy of sums insured

Addressing these and many other facets of the risk manager's role requires an appropriate, frequent and dynamic level of communication with executive leadership to ensure C-suite understanding of insurance market dynamics and to manage their expectations with regard each of the above issues.

Trends to Watch

As mentioned above, uncertainty in the interest rate and inflationary environment is expected to continue into 2024. More specifically, Aon expects that:

Inflation will be susceptible to volatility

Inflation, at the time of writing, is moderating in many parts of the world but remains high and is always subject to volatility and changes in governmental economic policy. Amongst other impacts, shifts in inflation and interest rates will affect insurer appetite and pricing. Such changes may be implemented hastily by insurers, leaving risk managers, and their brokers, with very little time to respond in the face of compressed renewal periods. Sums insured and policy limits will need to respond to changes in economic environment. It is at the time of a claim that any underinsurance will be most relevant, but it is at the time of placement when the issue must be addressed.

Social inflation will expand its reach

Social inflation is a phenomenon that will likely impact more geographies and will accelerate in severity. By definition, this means that related loss costs will continue to increase, pressuring Excess Casualty and Liability lines of coverage most significantly.

Organizations will have more options and innovative solutions

With higher interest rates comes higher investment returns, and with more available data comes greater certainty. With these dynamics at play, traditional insurers will face additional competition from new providers of risk capital and from innovative solutions such as parametric programs. While not relevant to all classes of risk, or to all sectors, such sources and solutions allow risk managers to build new and more resilient long-term strategies. The captive insurance market, including protected cells, will continue to play an important role.

How Aon Can Help

Aon can partner with clients in addressing each of these issues. Each organization has a unique risk profile, risk tolerance, growth outlook, business strategy and loss history. Generic advice and commentary is therefore of limited value, but in partnership with your Aon account team, we urge all clients to undertake:

- An immediate assessment of sums insured and values. Aon has expertise in asset valuation and business interruption valuation.
- A considered assessment of risk tolerance. Aon provides consultative solutions and models to assist in this essential activity.
- An early start to risk finance program design, including insurance renewals. Aon will analyze and assess the applicability of the new and innovative sources of risk capital and program structures mentioned above in light of a company's overall financial and capital strategies.
- A diligent approach to relationships. Aon will provide insight on the performance of potential insurers, and other providers of risk capital, in key areas including claims payment.
- A detailed risk financing implementation. Aon will assist in the implementation of any insurance or broader risk financing program, with specific focus on any changes in service providers, retention levels and policy wordings.
- A dynamic review through the year. Aon will monitor the efficacy of any programs and approaches as we continue to engage on changes in risk profile and in the macro-economic environment. Aon helps organizations make better decisions about risk... *every day.*

To learn more, please reach out to your Aon team.

2 A Tightening Labor Market Will Drive a Recalibration of People Strategies and a Focus on Reskilling and Upskilling

Background

In 2023, despite lagging economic growth in many parts of the world, many advanced economies enjoyed unemployment rates at or near historic lows. The U.S. had unemployment rates not seen since the 1960s and the OECD reported the lowest rates for the Euro Area on record.

Aging workforces and technological shifts have contributed to the labor market tightening and created challenges for employers. As seasoned employees have retired, a wealth of experience has exited the workforce, creating a skills gap. Simultaneously, technological advancements have necessitated a workforce capable of navigating digital landscapes which has challenged conventional skill sets. Employers have grappled with the imperative to attract tech-savvy talents while preserving knowledge.

Remote work has also posed challenges – as well as opportunities – for employers. The COVID-19 pandemic shift to remote work has only partly reversed for many office-based jobs. Companies that have embraced remote work have been able to expand their available talent markets. Organizations no longer tethered to a physical location can tap into a global pool of skilled professionals. This democratization of talent acquisition, however, has also introduced a new challenge. As businesses cast their nets wider, they find themselves in a heightened competition for skilled workers. The once-local talent pool is now a global arena, intensifying the need for companies to offer competitive incentives, flexible arrangements, and attractive benefits. Remote work's dual effect of expanding opportunities and fostering fierce competition underscores the evolving landscape of talent acquisition.

Trends to Watch

A convergence of trends – from low unemployment to an aging workforce to widening skills gaps – have affected the workforce overall, as well as the relationship between companies and their employees. Against this backdrop, we expect two important trends to further develop in 2024:

The worker-driven employment market will pressure businesses to recalibrate their people strategies

The employment market has shifted to become decisively worker driven, and this trend is expected to continue for the foreseeable future. Employers will need to continue to adapt their growth agendas to attract and retain talent, recognizing the need for competitive perks and accommodating work environments. With persistently low unemployment rates, skilled workers will hold the upper hand, enjoying a plethora of job opportunities. This transition marks a departure from traditional employer-centric dynamics, empowering workers to negotiate better compensation, benefits, and work arrangements. As the pendulum continues to swing towards a worker-driven market, businesses must recalibrate their strategies to align with the evolving expectations and preferences of the modern workforce.

A focus on reskilling and upskilling will be needed

Technological shifts have further tightened many parts of the labor market, while threatening to fundamentally transform other roles. Artificial Intelligence (AI) and digital advancements have rendered routine tasks susceptible to automation. Consequently, roles focused on repetitive tasks will continue to be subject to displacement. At the same time, emerging technologies will continue to create a demand for new skill sets, driving a further surge in opportunities for workers with skills in AI, analytics, data engineering, software development, and related areas.

Given the overall tightness in the labor market, simply hiring for needed skills is often not an option. Companies will respond to this dynamic with an increased focus on reskilling and upskilling. Reskilling is helping workers acquire the skills they need to transition to a new role. Upskilling is training workers to keep up with changes in their current role. By proactively addressing the skills gap, organizations will enhance their workforce's versatility and resilience in the face of technological shifts, ensuring they remain competitive in a rapidly changing landscape.

Moving from a "role-based" to a "skills-based" conception of work has also increased companies' organizational agility and ability to respond to technological change. Instead of thinking about workers as people with specific roles, a "skills-based" conception of workers and jobs focuses on the skills required to perform specific roles. As skill requirements change, workers can either be upskilled to keep up with the change, or reskilled to move to a role that is a better fit. Workforce planning will be used to identify emerging skills gaps so that learning and development resources can be mobilized, and talent acquisition efforts can be appropriately targeted.

While hard skills are critical and often the focus of responding to technological change, soft skills should not be overlooked. Too often, a lack of soft skills is what holds workers back from making a real impact in their organization. Effective communication, emotional intelligence, and adaptability are crucial components for a workforce navigating the dynamic landscape of the future. A holistic focus on both hard and soft skills ensures that companies not only keep pace with technological change, but also cultivate a versatile, resilient workforce.

How Aon Can Help

Aon offers myriad solutions - from skills gap analysis to compensation benchmarking - to help employers navigate the talent landscape in 2024 and beyond. For example, Aon recently helped a global insurance company develop a workforce skills strategy for their underwriting teams — from underwriter assistants through senior roles. Aon's SkillsGraph is a skills benchmarking database containing over 100 million job postings aligned to Aon's Radford and McLagan job taxonomies. Most companies in the industry already use these job taxonomies for compensation benchmarking, so it was easy to quickly align their roles to skills data from their peers and competitors. SkillsGraph showed them where they were leading, as well as where they were lagging, in upskilling their workforce. Understanding skills trends for underwriter roles enabled the company to anticipate their future needs and plan their talent investments.

As noted, soft skills can play a key role in improving workforce effectiveness. Aon offers a range of customized assessment tools which can be used to precisely identify those employees who have the soft skills to continue to grow in their current role, as well as those who could take on new challenges in a new role. Assessments ask employees or applicants to answer questions, solve puzzles, or respond to scenarios.

Those responses are scored using rigorous, scientifically validated rubrics to identify each person's soft skills, personality, or cognitive abilities, depending on the goals of that specific assessment. Each individual can receive a personalized report describing their strengths and areas for improvement. These reports can be used to help managers and employees plot that person's next move in their career. At the organizational level, these data can inform workforce planning and learning and development to help the company reach its strategic goals.

A focus on soft skills can also be used to help mitigate risk. Many jobs require good judgement and the ability to manage risk. This is as true for underwriters as it is for heavy machinery operators. Assessments can identify workers who are more likely to follow organizational / safety procedures and less likely to have costly accidents. Lower risk drivers are even found to consume significantly less fuel, contributing to further savings. Aon's assessment solutions are used worldwide and taken by over 30 million people every year.

To learn more, please reach out to your Aon team.

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Demand for Parametric Covers Will Increase as Confidence Grows

Background

Gone are the days of static revenue streams and simple supply chains; today, businesses operate within a dynamic and complex landscape. At the same time, we see increased asset values in high hazard areas, amplified shareholder attention on risk management, and a challenging traditional insurance landscape. This confluence of factors begs for a broader, more creative suite of risk management tools.

Nowhere is this need more pronounced than in the climate and natural catastrophe space; economic losses from global natural disasters in 2023 are estimated at USD 380 billion of which only USD 118 billion was insured. This translates to a "protection gap" of 69%. This is money out of businesses', public entities' and consumers' pockets to cover losses not transferred or efficiently managed. Historically this protection gap was relegated to simply being a cost of doing business, but this is no longer the case; we now have an additional tool to attack this uninsured gap: parametric risk transfer.

The parametric concept (triggering a payout based on an independent third-party index) is not new; these covers have been structured and placed since the 1990s in the weather trading and catastrophe bond markets. While these instruments used to be reserved for large (re)insurers and sophisticated energy traders, we are now finding new and innovative ways to apply them in the corporate and public entity space. The market learned over time that utilizing a pre-agreed, third-party trigger allows for a combination of quick payout (within days or weeks of the event), broad use of the claims funds (any financial loss associated with the event) and flexible, tailor-made structures designed to solve specific problems. This potent combination helps organizations address a wide variety of risks that had previously gone unaddressed.

In 2017 the parametric market hit a significant inflection point with the trifecta of Hurricanes Harvey, Irma and Maria. These storms came after a relatively calm few years of hurricane activity, and many corporates and public entities in the Caribbean and U.S. saw very large, complex traditional insurance claims that sometimes took years to adjust. In conjunction with the traditional claims challenges, we saw 1) substantial disruption in the traditional property market (both in terms of price and capacity availability), 2) improvement in data sources that can get more granular and in turn lead to better structured parametric covers, 3) broader education and awareness around the topic of parametric solutions and 4) more capital providers coming into the space to provide quality and dependable capacity. This recipe of ingredients has led to consistent and sizable increases in pipeline and executed parametric transactions globally through today.

Trends to Watch

As we look into 2024, the trends that took shape the past few years are likely to continue, and in some cases, get more pronounced. In Aon's 2023 Global Risk Management Survey we saw consistent themes; both business interruption and supply chain / distribution failure were both among the top ten risks noted by risk managers today. As for future risks, cash flow / liquidity risk was noted as a top ten risk. These are risks that contribute significantly to the protection gap, and they can be directly addressed via parametric mechanisms. From our vantage point we see four important trends developing in 2024:

Demand for parametric solutions will increase

Demand for parametric covers from corporates and public entities will continue to increase to provide quick liquidity after a disruptive event, to address gaps in traditional insurance cover (deductibles, sub-limits, exclusions, etc.) and to cover non-traditional risks (non-damage business interruption, contingent exposures, and many more).

Confidence in parametric solutions will grow

Parametric solutions have now been tested in claims events around the world and are behaving as expected, which will lead to a much higher comfort level in going down the parametric road.

The market will see an influx of capital

Capacity will continue to flow into the space, both from established players increasing their capabilities and new players arriving on the scene. This will include both traditional capital sources (insurance and reinsurance companies) as well as non-traditional (e.g., insurance-linked securities funds). The result of this capital influx will be not only more competition on programs but also smarter and more effective structures for clients.

The industry will innovate new solutions

Innovation across the sector will increase, both within established perils (such as natural catastrophe and weather) and in new perils (e.g., cyber, marine cargo, and a wide variety of other indices).

Now that there is a general understanding of parametric solutions as viable – and often vital – tools in the risk management toolbox, the 2024 discussions with clients will explore at a deeper and more granular level how parametric solutions best fits with other tools to create a more optimal risk management strategy.

How Aon Can Help

Historically, corporates and public entities leveraged tools such as traditional risk transfer, financial markets, cash reserves, and projected government assistance to manage risk. At their essence each of these tools are a means of providing different levels of liquidity when adverse events occur.

To provide an example, the natural catastrophe risk management toolbox might look something like this:

Traditional Insurance	Credit Revolver, Debt Issuance	Government Assistance	Cash on Balance Sheet

Each of these tools, or sources of liquidity, have different costs, benefits, and tradeoffs. At Aon, we are in the business of helping our clients expand that toolbox, and parametric risk transfer is an effective additional tool to add to the mix.

Traditional Insurance	Credit Revolver, Debt Issuance	Government Assistance	Cash on Balance Sheet	Parametric Risk Transfer

The question then becomes, how do these tools work together and how do we optimize the toolbox to fit an organization's risk appetite? This is precisely where Aon works intimately with the client to explore, through analytics, modeling, and scenario analysis, how these tools would work together for a particular peril or risk. Here's an example of that process in practice:

A large retail operation ships its goods exclusively through one port to access a key market. This port is heavily earthquake exposed. If a large earthquake disrupts operations at the port, the retailer would need to utilize another port along the coast (if one is available), incurring significant extra expense and likely loss of profit due to the delay. There are several tools available to address this risk:

- **Traditional Insurance:** The company purchases traditional earthquake insurance; however, it does not cover supply chain disruption at key infrastructure hubs.
- **Government Assistance:** While there may be some government assistance available for events causing direct damage, most programs do not cover loss of profit or extra expense.
- **Cash Reserves or Debt Issuance:** The company's weighted average cost of capital (taking both the cost of debt and equity into account) is quite high (substantially higher than the upfront premium for a parametric policy); as such, the cash could be used to address this risk, but there are likely much more capital-efficient uses for it.
- **Parametric Solution:** A parametric solution could be structured to respond to shaking at the port itself (custom-designed to address this risk specifically). Once triggered, the policy is designed to pay the company within days or weeks of the event, and these funds could be used for any financial loss resulting from the event. These losses could include (but aren't limited to) loss of profit resulting from delayed shipments or extra expense to utilize another port.

Risks are becoming more complex, more frequent, and more severe. This is why it is essential that businesses and public entities not only have access to a wide variety of tools to manage this risk but also understand how these tools work together to create the most resilient risk management program. At Aon this is what we do with our clients every day, and we look forward to helping your organization do the same.

To learn more, please reach out to your Aon team.

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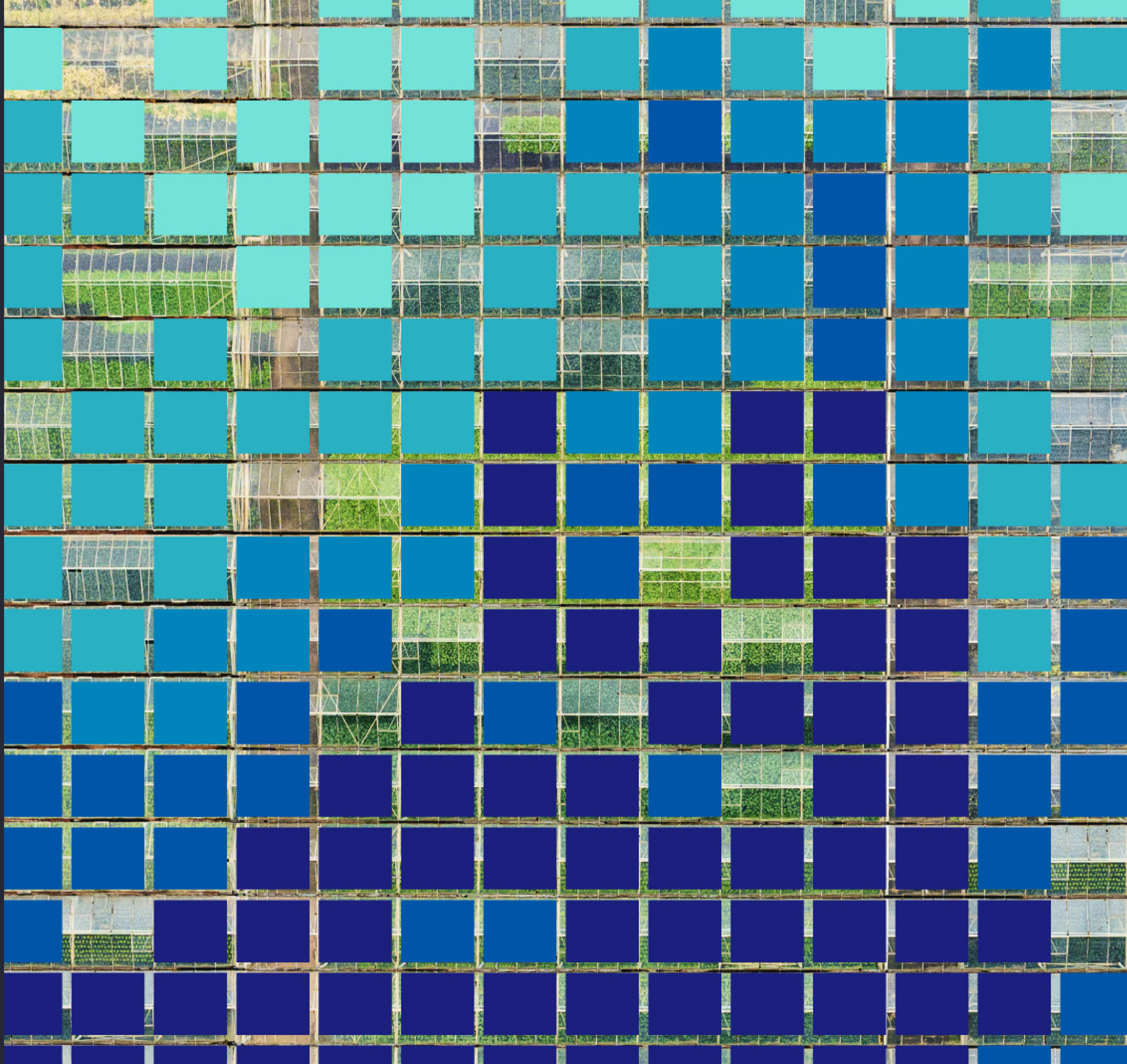
Global Insights



Q4 **Global Insurance Market Dynamics**

Pricing

Pricing was pressured by inflation but remained moderate. Challenged risk profiles and risks with adverse loss experience such as Natural Catastrophe-exposed Property risks and Liability risks with significant U.S exposures experienced more significant price increases.

Capacity

As established insurers expanded their appetite and new insurers entered markets targeted for growth, well-performing risks experienced healthy competition and abundant capacity. Some risks with challenging profiles or adverse loss experience saw capacity limitations and many sought alternative risk transfer solutions.

Underwriting

While underwriting remained disciplined as respects valuations, risk quantification, and matters related to corporate responsibility, insurers' year-end growth targets led to more flexibility and client options, particularly for preferred risk types. Robust underwriting information and risk differentiation supported superior renewal outcomes.

Limits

Expiring limits were available across most placements. Some insureds sought to reinvest their premium savings in increased limits. Increased limits were often available for well-performing risks and for products experiencing strong insurer appetite for growth (e.g., Cyber and Directors & Officers).

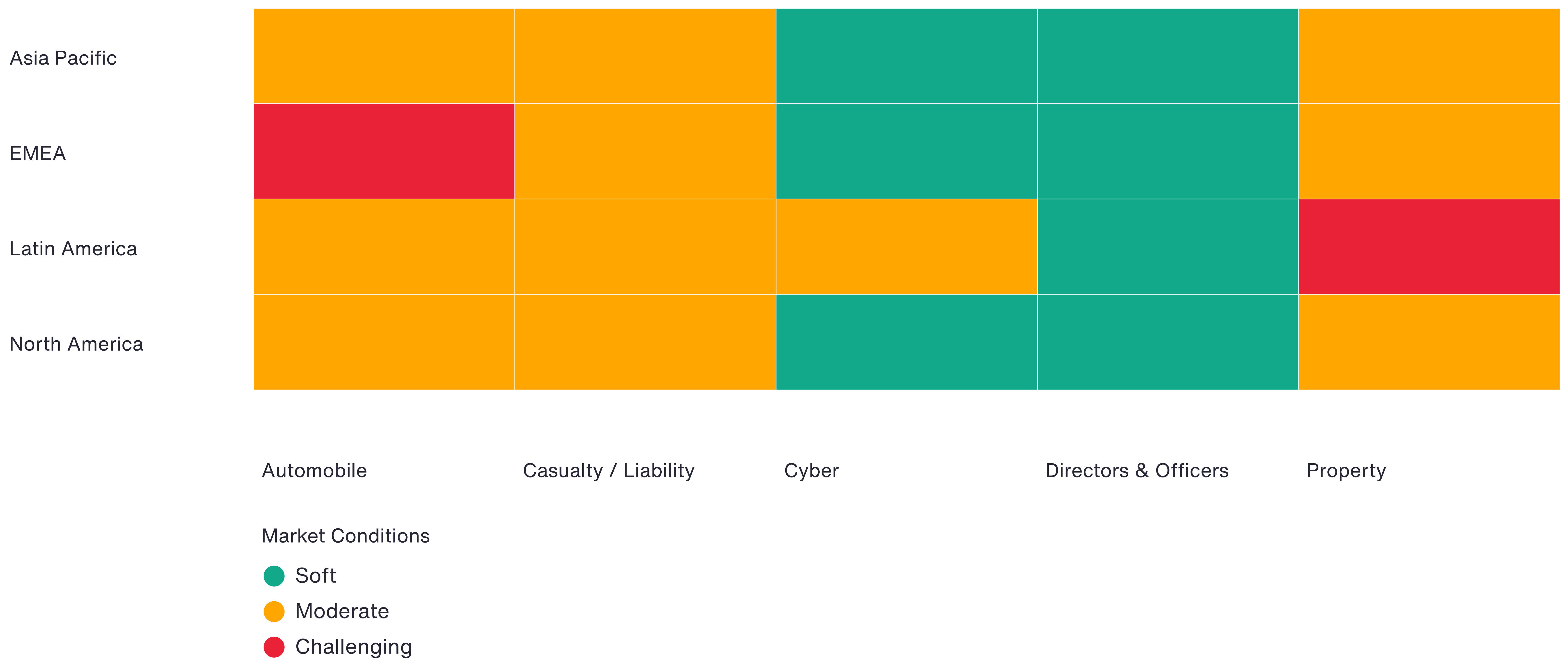
Deductibles

Expiring deductibles were achieved across most placements. Some insureds sought to reinvest their premium savings in deductible decreases. Such decreases were often available for well performing risks and for products experiencing strong insurer appetite for growth (e.g., Cyber and Directors & Officers).

Coverages

Insurers continued to leverage coverage terms as a differentiator, and coverage enhancements, supported by quality underwriting information, remained available for some risks. Some restrictions (e.g., related to Communicable Disease, Coverage Territory, per-and polyfluoroalkyl substances (PFAS), and Strikes Riot and Civil Commotion) remained effectively non-negotiable.

Q4 **Global Insurance Product Trends**



Automobile

Insurer appetite and capacity deployment was dampened by claims inflation stemming largely from higher parts and labor costs, increased accident frequency, ongoing supply chain disruptions, and increasing use of costly-to-repair automotive technologies. Underwriting remained disciplined and focused on risk management and overall portfolio sustainability. Risk differentiation, including the use of telematics and other vehicle safety and driver training initiatives, remained important.

Casualty / Liability

Challenged risk profiles, risks with adverse loss experience, and Umbrella and Excess programs with lower Primary attachment points, experienced moderately challenging market conditions including rate increases, underwriting scrutiny, and capacity limitations. Well-performing, in-appetite risks experienced a more growth-focused environment, including some downward price movements. Social inflation and U.S. exposure – and the potential for “nuclear verdicts” – was a key underwriting consideration and cost driver. Underwriters became more conservative in their per-and polyfluoroalkyl substance (PFAS) mandates.

Cyber

Despite ongoing cyber incidents, buyer friendly market conditions continued, with robust competition and abundant capacity as incumbent insurers sought to retain their renewals and potentially expand their participation, while newer entrants competed aggressively as they sought to develop their Cyber product. Underwriting requirements remained consistent, particularly related to cyber security and other risk management practices. Privacy-related losses remained a key insurer concern, with a specific focus on biometric data and pixel tracking, as well as emerging enforcement of privacy/consumer protection regulations. War and systemic risk also remained a top concern for insurers, and they continued to evaluate, scrutinize, and in some instances restrict coverage offered for critical infrastructure, systemic and/or correlated events, and war. Risk differentiation and evidence of best-in-class security / privacy controls were key to achieving superior renewal results.

Directors and Officers

Buyer-friendly market conditions continued, driven largely by abundant capacity from new and established insurers combined with a lack of new buyers (IPOs, deSPACs, etc.), as well as insurer focus on achieving year-end growth targets. Many insureds sought to reinvest their premium savings in deductible decreases, limit increases, and wording enhancements, which were available for some risks. Rising event-driven litigation and limit aggregation were key underwriting concerns.

Property

Insurers sought profitable portfolio growth through pricing adequacy, targeted appetite, and disciplined underwriting. Modest-to-moderate rate increases continued for most risks while heavy industry and Natural Catastrophe-exposed or otherwise challenged risks, as well as Sabotage, Terrorism, and Political Violence coverages, experienced a more challenging pricing environment. Insurers remained focused on Natural Catastrophe capacity management; however, overall capacity remained generally sufficient as some insurers sought to expand their participation. Detailed underwriting information – including descriptions of valuation methodologies – and early engagement remained key to achieving superior renewal outcomes.

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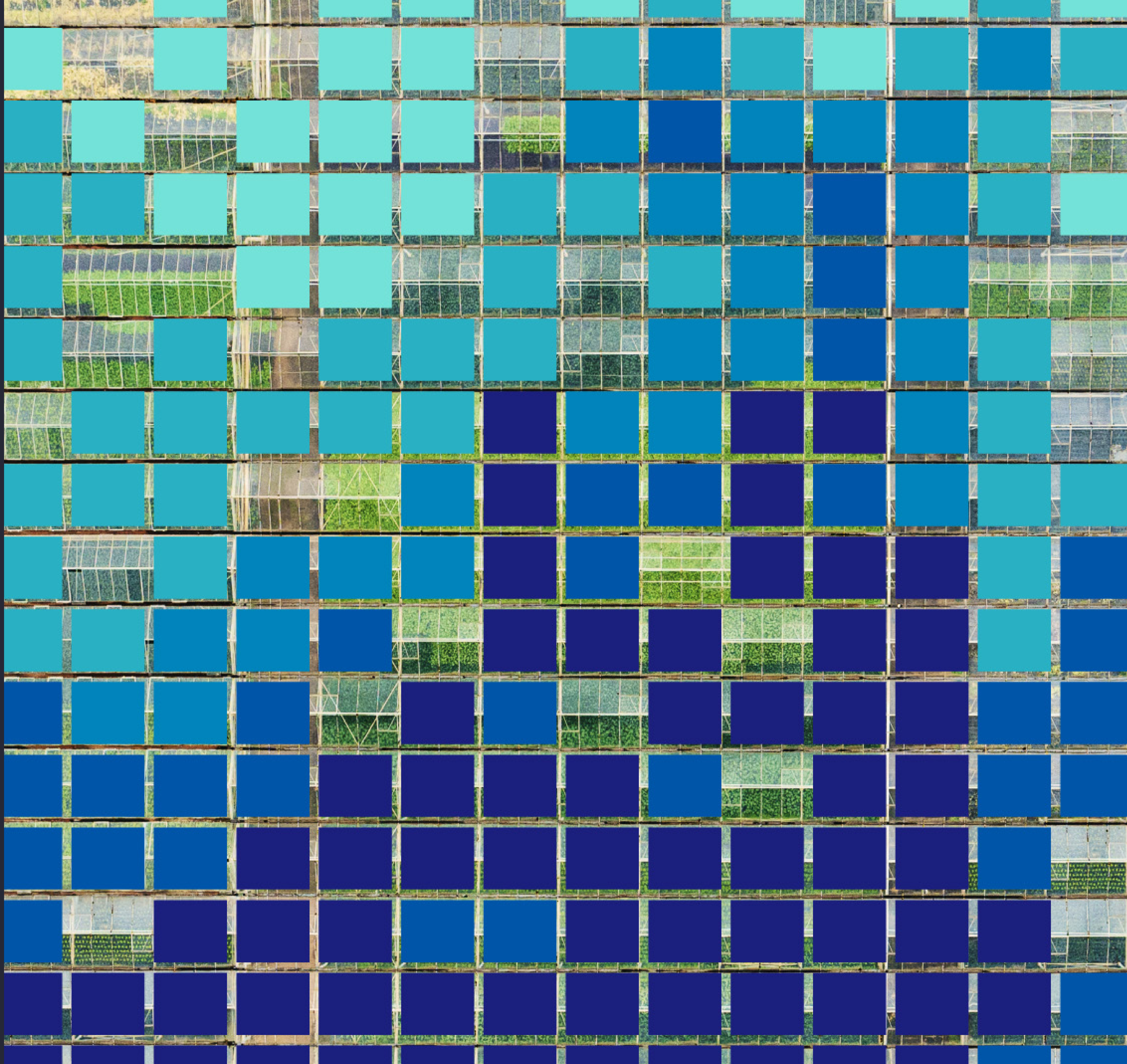
Regional Insights



Q4 **Asia Pacific Market Overview**

> Underinsurance remained a top priority due to persistent inflation, slow supply chain recovery and rising labor costs. Clients are encouraged to stay diligent around property and business interruption values.

Tracy Riddell

Head of Placement, Property & Casualty, Australia

> There was clear evidence of a bifurcating market, with conditions still hardening in Natural Catastrophe exposed areas, but softening in most Financial Lines and mid-market Property programs that were retained in domestic insurance markets.

Paul Young

Head of Commercial Risk, Asia

Executive Summary

- Across the region the market has increasingly bifurcated as certain products, locations and segments continued their hardening trend while others – where rates were deemed adequate and insurers were focused on growth – were in a softening cycle.
- Following almost six years of insurer measures to improve profitability, client organizations continued to look at ways to maximize their captive and self-insurance mechanisms while newly growth-focused insurers faced a relevancy challenge with clients now less receptive to risk transfer.
- Throughout the year, insurers had mixed success in passing on the increased costs and higher retentions that were required by their reinsurers in the 2023 treaty renewal cycle. The more orderly 2024 reinsurance renewal cycle that played out in Q4 is expected to allow greater (direct) insurer flexibility into 2024.

Market Dynamics

Pricing

Pricing was moderately up in Australia and China, while Hong Kong, Singapore, and Thailand remained flat. A more challenging price environment was experienced in Japan, where rate increases averaged between 11-20%, as well as on Casualty placements and Natural Catastrophe exposed Property risks.

Capacity

Capacity was generally abundant in Australia, China, and Hong Kong and ample in Japan, Singapore, and Thailand. New capacity / market entrants provided welcome competitive tension in the mid-market space for lower-risk profiles while larger and more challenging risk profiles drove demand for alternative risk transfer solutions and long-term arrangements to insulate against market cycles and support greater stability and certainty over the long term.

Underwriting

Underwriting was prudent throughout the region with the exception of China where insurers demonstrated greater flexibility. Escalations remained common and often resulted in late delivery of terms. Insureds having a compelling risk management narrative, a clean loss record, and benign exposures achieved superior outcomes.

Limits

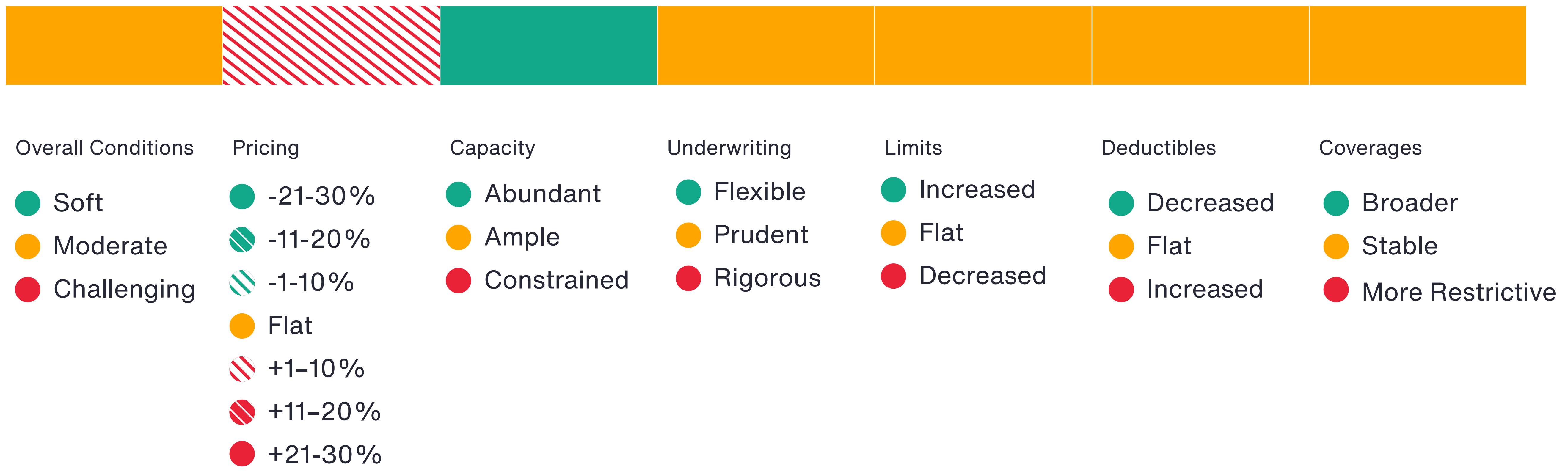
Limits trended downward in Japan but remained generally flat for the rest of the region.

Deductibles

Deductibles trended upward in Japan but remained generally flat for the rest of the region.

Coverages

Expiring coverages were achieved on most placements with the exception of Japan where coverage restrictions were imposed.



Product Trends

Automobile

Market conditions were moderate overall across the region, with the notable exception of Hong Kong, where conditions softened due to a highly competitive market environment. Moderate claims inflation related to rising spare parts and service labor costs continued, driven largely by ongoing global supply chain disruptions. Underwriting remained disciplined and focused on risk management and overall portfolio sustainability.

Casualty / Liability

Overall market conditions were challenging in Australia (due to deteriorating loss tails) and Japan, and moderate elsewhere. Well-performing, well-managed, and lower-risk placements experienced favorable market conditions while those with challenging risk profiles, e.g., U.S. exposed risks, were more likely to face greater scrutiny, more stringent underwriting, and rate increases.

Cyber

Despite ongoing cyber incidents across the region, market conditions were moderate-to-soft; however, underwriting was disciplined and rigorous, particularly with respect to cyber security and risk management practices. Insureds demonstrating continued improvement in cyber security and maturity often experienced superior market outcomes.

Directors and Officers

Buyer-friendly market conditions prevailed across the region as strong competition pressured pricing downward and enabled more options for clients as new entrants and incumbent insurers competed for business.

Property

Market conditions were moderate overall, and pricing was favorable for in-appetite risks. Japan experienced challenging market conditions as insurers were cautious in their deployment of capacity and coverage, and conservative in their pricing. To accommodate the mandate to join the Personal Lines Cyclone Reinsurance Pool by the end of 2023, a number of Australian insurers allocated Natural Catastrophe capacity to Personal Lines which served to increase premiums for Commercial clients in peak cyclone areas.

Q4 **EMEA Market Overview**

> Pricing varied considerably across products and segments and pricing uncertainty continued to dominate conversations. Whilst NatCat and related risks remained the dominant pricing considerations, risks that were seen as more benign were most likely to experience price reductions.

Terence Williams

Chief Broking Officer, Commercial Risk Solutions, EMEA

Executive Summary

- Inflation continued to pressure pricing amidst generally moderate market conditions, although Natural Catastrophe-exposed Property and otherwise challenging risk types, including life science, chemicals, automotive parts, and mining risks, experienced a more challenging market environment.
- Social inflation continued to impact Casualty pricing for risks around the world, but this was most prominent for U.S. exposed risks. Underwriting rigor for U.S. Auto exposures further strengthened as insurers sought to assess and limit their exposure; robust and detailed information was required, and coverage restrictions were mandated.
- Cyber and D&O markets continued their softening trend and market conditions were generally buyer-friendly, characterized by premium reductions and enhanced coverages.
- Auto market conditions were impacted by increasing claims costs. Battery fires and high replacement costs associated with Electric Vehicles were key underwriting concerns.

Market Dynamics

Pricing

Overall market pricing was flat but varied widely by risk and product. Natural Catastrophe-exposed and otherwise challenging risk types experienced the most significant price increases while Cyber pricing softened. Inflation was a key topic of pricing discussion.

Capacity

While capacity was generally sufficient, appetite for middle market and poor performing risks was limited. Capacity increased in the Middle East as a result of international insurers' growing interest in the region.

Underwriting

Corporate responsibility concerns continued to gain importance in underwriting, which remained generally disciplined but was more flexible for Cyber and Financial Lines placements. Scrutiny of Property exposures further strengthened amidst ongoing Natural Catastrophe concerns, particularly following flooding in Italy earlier in the year.

Limits

Expiring limits were achieved on most placements, with increases available on some risks; especially, Cyber and Directors & Officers placements, as insureds reinvested their premium savings in program enhancements.

Deductibles

Expiring deductibles were achieved on most placements, with decreases available on some risks; especially, Cyber and Directors & Officers placements as insureds reinvested their premium savings in program enhancements.

Coverages

Most placements renewed with expiring coverage terms and conditions, including exclusions for per- and polyfluoroalkyl substances (PFAS) and war. South Africa risks experienced coverage limitations, especially on Property and Liability placements.

Overall Conditions	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
Soft	-21-30%	Abundant	Flexible	Increased	Decreased	Broader
Moderate	-11-20%	Ample	Prudent	Flat	Flat	Stable
Challenging	-1-10%	Constrained	Rigorous	Decreased	Increased	More Restrictive
	Flat					
	+1–10%					
	+11–20%					
	+21-30%					

Product Trends

Automobile

Inflation and rising claims costs continued to drive up pricing and impact insurer risk appetite and capacity deployment. In addition, recent flood and hail events in Italy led to a strengthening of underwriting scrutiny and rigor. Battery fires and high replacement costs associated with Electric Vehicles were key underwriting concerns and underwriters carefully evaluated client exposures and risk management approaches.

Casualty / Liability

Divergent market conditions were at play, based on risk size, complexity and exposure. Domestic risks with revenues less than €2 billion and minimal U.S. exposures experienced ample capacity and competitive tension in a market focused on profitable growth. Multinational risks with significant U.S. exposures, as well as risks in heavy industries such as life science, chemicals, automotive parts and mining experienced capacity reductions, pricing pressure, and reconsideration of terms and conditions – all largely influenced by U.S. "nuclear verdicts" and social inflation. PFAS also came to the forefront of underwriting discussions as many insurers sought to apply blanket exclusions.

Cyber

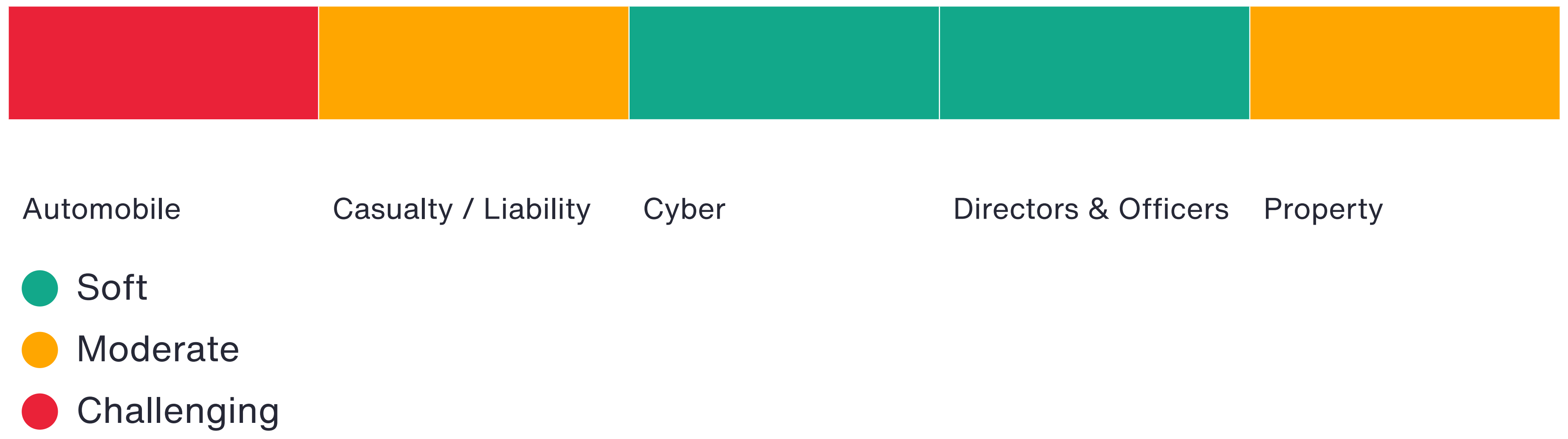
Despite increased ransomware activity, insurer appetite was strong and capacity was abundant. As year-end approached, insurers seeking to utilize remaining capacity competed more aggressively and the market continued to soften across the region. While underwriting remained disciplined, insurers reduced their information requirements; however, evidence of key security controls remained a fundamental requirement to obtain coverage. War and systemic risk remained key underwriting considerations.

Directors and Officers

Market conditions remained buyer friendly. As the downward pricing trend continued, many insureds sought to reinvest premium savings in deductible decreases, limit increases, and wording enhancements. Such improvements to terms and conditions were key levers in response to rising defense costs and class action settlements. The events of 2023 in the financial institutions sector did not have a materially negative impact on insurance market conditions.

Property

The Property market transition continued. While insurers remained focused on rating adequacy and Natural Catastrophe capacity management, they also sought profitable portfolio growth through targeted appetite and disciplined underwriting. Rate increases continued, but they were generally moderate for most risks, although heavy industry and Natural Catastrophe-exposed risks experienced a more challenging pricing environment. Capacity remained generally sufficient; competition strengthened, and some insurers continued to expand their local presence in the region. Detailed underwriting information and early engagement remained key to achieving superior market outcomes, and alternative solutions served as important levers when necessary. Certain territories, typically those with fewer local insurers or that had experienced recent large Natural Catastrophe events, saw a more challenging environment across both pricing and capacity.



Q4 **Latin America Market Overview**

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The market was cautious, and the underwriting environment was disciplined as insurers sought to offset the adverse effects of inflation and high historical losses.

Andrea Aguilar

Head of Strategy and Broking, Commercial Risk Solutions, Latin America

Executive Summary

- A positive economic outlook and expected growth, especially in the Construction and Infrastructure sector, drove insurance market optimism; however, insurers remained cautious related to political and economic risks and instability in some countries.
- Market conditions were moderate overall, characterized by targeted price reductions and sufficient capacity for most risks. Coinsurance was an important lever for risks which experienced limited appetite and capacity.
- Insurers are closely monitoring Property losses following CAT events in the region such as Hurricane Otis in Mexico and hailstorms in Argentina.

Market Dynamics

Pricing

A moderate pricing environment continued across most countries and products with the key exceptions of large and complex risks (e.g., those in the oil & gas sector), risks with adverse loss experience, and products where losses were susceptible to inflationary impacts (e.g., Motor Partial Damage and Machinery Breakdown), which experienced more challenging pricing conditions. In Mexico, insurers reacted to Hurricane Otis by imposing price increases as well as higher retentions and coinsurance, and by applying limitations related to hydro-meteorological risks and beachfront in general.

Capacity

Capacity was abundant, with significant support from treaties which rolled over automatically. Very few placements experienced capacity constraints.

Underwriting

Insurers remained cautious on poor-performing risks, and insured values were scrutinized. While underwriters demonstrated some pricing flexibility, they were less accommodating when considering coverage enhancements, even to restore coverages restricted during the hard market. Risks in the manufacturing sector experienced underwriting rigor related to risk management and engineering.

Limits

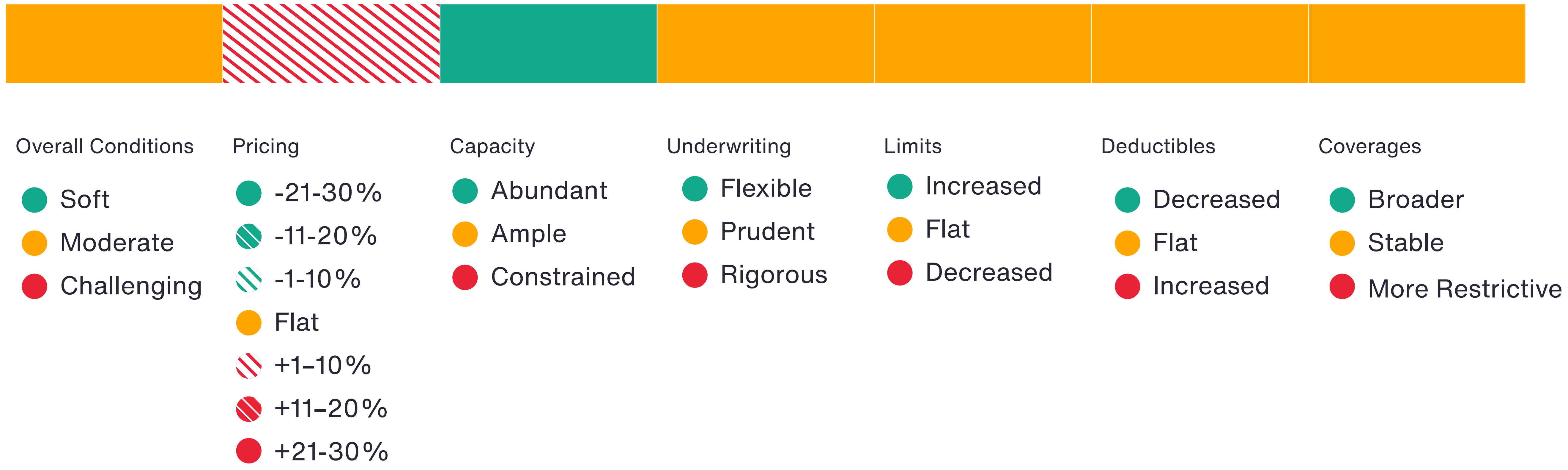
Expiring limits were achieved across most of the portfolio, and, where exposures had increased, limit increases were available accordingly.

Deductibles

Expiring deductibles were achieved in most cases and reductions could be achieved on some larger placements that had experienced significant increases in the past. Many beachfront locations in Mexico experienced significant deductible and coinsurance increases due to concerns related to Hurricane Otis.

Coverages

While expiring coverages were achieved in most cases, demand for Cyber solutions continued to grow and more solutions became available. Demand for additional Natural Catastrophe-related coverages also grew, although insurers – especially, those impacted by Hurricane Otis – were conservative in offering expanded coverages. Exclusions related to Communicable Disease and the events in Russia and Ukraine continued, and insurers remained focused on Hours Clauses related to Strikes Riots and Civil Commotion, Terrorism and Political Risk coverages.



Product Trends

Automobile

Insurers continued to respond to the impacts of inflation on average claim costs, particularly related to partial damage claims. Increased accident frequency also continued to drive insurer conservatism in some segments; however, market impacts were muted by a decrease in theft frequency in some territories.

Casualty / Liability

Conditions were generally moderate across the region with price reductions available on some risk types. Coinsurance was an important lever for risks which experienced limited appetite and capacity.

Cyber

Cyber-attacks and related losses continued to create challenging market conditions for some risks; however, the market moderation that began earlier in the year continued for risks that demonstrated maturity and strong risk protection governance.

Directors and Officers

Driven by healthy appetite, additional capacity, and increasing competition the softening market trend continued, with some price reductions and broadening terms and conditions.

Property

Significant rate increases continued for large and complex risks (e.g., those in the oil & gas sector) and risks with adverse loss experience. Underwriting scrutiny remained elevated, especially related to property valuations, recognizing the impact of inflation on insured values. In Mexico, insurers reacted to Hurricane Otis by imposing price increases, higher retentions, and coinsurance, and applying limitations related to hydro-meteorological risks and beachfront in general.

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Q4 **North America Market Overview**

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Climate-related risk continued to be a headline for the industry, but the growing availability of data and sophisticated modelling will help the risk and insurance community develop and implement innovative solutions including parametric programs and captives.

Brian Wanat

Head of Commercial Risk Solutions, North America

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In Q4 we saw insurers looking to achieve their year-end goals which created competition on best-in-class risks. Insurers have signaled that a focus on growth will carry into 2024 as they seek to expand their footprint and identify opportunities to create more comprehensive solutions for clients.

Russ Quilley

Chief Broking Officer, Commercial Risk Solutions, Canada

Executive Summary

- The market continued to moderate as, over the course of 2023, capital slowly returned, inflation eased, and interest rates positively impacted insurer performance. Q4 was characterized by ample capacity across most of the market. Insurers sought to balance growth with profitability, with a stronger emphasis on growth as year-end budget targets approached. There were a growing number of opportunities to simplify client programs, capture savings and generate competition.
- A two-tiered market continued, with targeted and well-performing risks experiencing favorable conditions while challenged risks saw continued price increases (although more moderate than in recent years) and some capacity limitations. Risk differentiation and quality underwriting information enabled clients to take advantage of opportunities in the market.
- Early concerns related to the January 1st treaty renewals faded as the relatively smooth renewal season played out. The rebound in profitability, rebuilding of capital positions and greater availability of retrocession capacity encouraged many reinsurers to display increased appetites.
- Many clients reassessed decisions made during the hard market and increasingly sought innovative approaches and solutions for reducing balance sheet volatility such as captives, Alternative Risk Transfer, and parametric products.

Market Dynamics

Pricing

Divergent pricing conditions continued, with growth-focused Cyber and Directors & Officers insurers offering buyer friendly pricing while challenging Property and Casualty risk profiles and risks with adverse loss experience continued to experience price increases. Property risks that were Natural Catastrophe-exposed and/or which required Sabotage, Terrorism, and Political Violence coverages experienced the most significant price increases. Robust underwriting information supported superior renewal outcomes.

Capacity

Capacity was ample as established insurers expanded their appetite and recent market entrants, notably MGAs, continued their drive for growth. Well-performing risks experienced the most competition and capacity while some poor-performing or challenged risk types – especially those with Natural Catastrophe exposure – continued to experience limitations.

Underwriting

Insurers sought to achieve their growth targets, leading to some underwriting flexibility and more options for insureds, especially related to Cyber and Directors & Officers placements. Insurers continued to leverage data and analytics to understand and quantify risk.

Limits

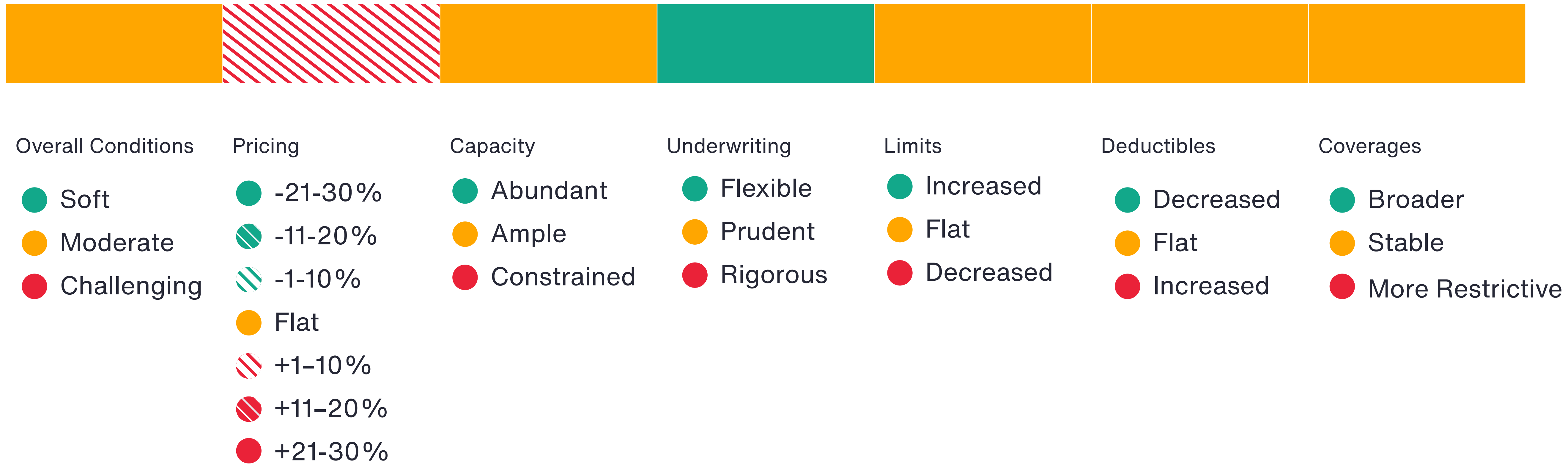
Most placements renewed with expiring limits, although an uptick in limits was observed as insureds reinvested their premium savings in increased limits, and insurers sought to expand their participation on targeted risks.

Deductibles

Most placements renewed with expiring deductibles. “Freeze loss” deductibles remained under scrutiny with some insurers seeking to transition from a Per Occurrence basis to a Per Location basis.

Coverages

Insurers continued to leverage coverage terms as a differentiator, and coverage enhancements, supported by quality underwriting data, were available. Some exclusions (e.g., Communicable Disease and Territory restrictions) remained effectively non-negotiable.



Product Trends

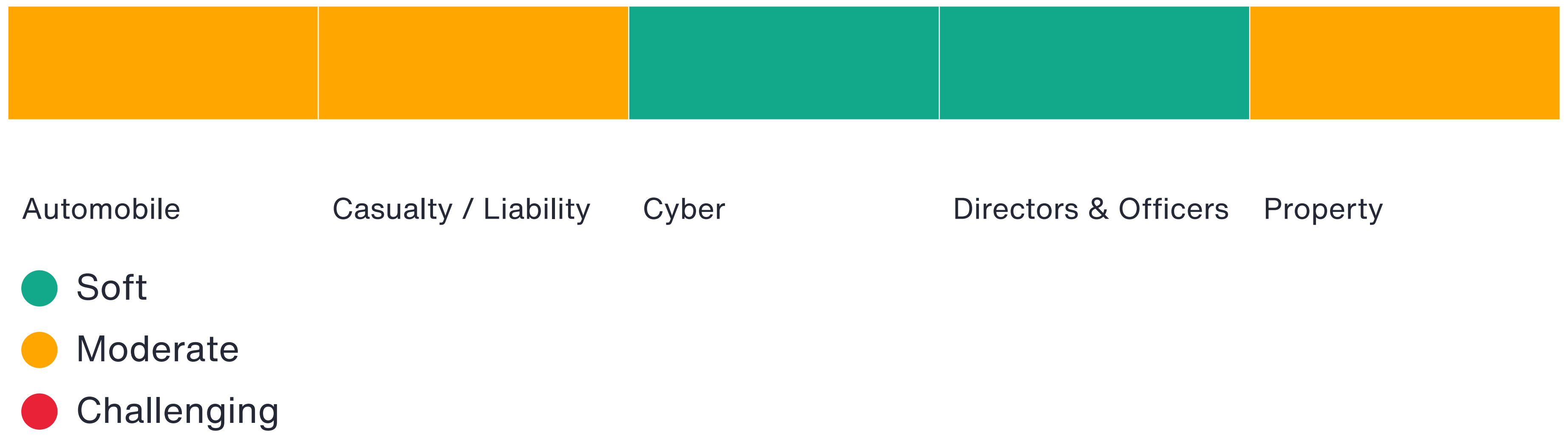
Automobile

A two-tiered market continued, with smaller fleets experiencing inflationary increases – or less when competition was introduced – and some underwriting flexibility, while risks with large fleets, challenging profiles or adverse loss experience saw a more challenging environment. Risk differentiation, including the use of telematics and other vehicle safety and driver training initiatives, remained key. Utilization of “Buffer” and Alternative Risk Transfer programs continued to increase as insureds sought to manage attachment points and Total Cost of Risk.

The market in Ontario, Canada, prepared to introduce the new OPCF 49 endorsement in January 2024. The endorsement offers the option of refusing DCPD (Direct Compensation Physical Damage). Aon has recommended that clients cautiously approach the decision of accepting this reduction in coverage and carefully weigh the premium offset.

Casualty / Liability

January 1st Casualty treaty renewals were orderly but still somewhat challenging as underwriters cited rate inadequacy and litigation system abuse, e.g., out-of-control verdicts and judgements in addition to high legal fees and litigation funding. Risks with adverse loss experience or challenging risk profiles, and Umbrella and Excess programs with lower Primary attachment points, experienced moderately challenging market conditions including rate increases and capacity limitations. Well-performing, in-appetite, and many Canadian risks experienced more favorable market conditions including some downward price movements. Some Canadian insurers previously focused on Primary and Umbrella expanded their appetite to Excess layers, and vice versa. Some insureds reinvested their premium reductions in purchasing larger limits.



Cyber

Buyer-friendly market conditions continued, with robust competition and abundant capacity as incumbent insurers sought to retain their renewals and potentially expand their participation and new market entrants sought to develop their Cyber product. Risk differentiation remained important to insurers and evidence of best-in-class privacy controls was key to achieving superior results. Privacy-related losses remained a key insurer concern, with a specific focus on biometric data and pixel tracking, as well as emerging enforcement of privacy/consumer protection regulations. War and systemic risk also remained a top concern for insurers, and they continued to evaluate, scrutinize, and, in some instances, restrict coverage offered for critical infrastructure, systemic and/or correlated events, and war.

Directors and Officers

Soft market conditions continued, driven largely by abundant capacity from new and established insurers, combined with a lack of new buyers (IPOs, deSPACs, etc.), as well as insurer focus on achieving year-end growth targets. Insurers were concerned about rising event-driven litigation. Limit aggregation was closely monitored. In addition to price reductions, broader coverage, deductible decreases and limit increases were available for some risks.

Property

Driven largely by increased capacity from insurers and reinsurers, the market continued to moderate in Q4, with modest price increases for targeted risk types (including most Canadian risks) and more significant increases for Natural Catastrophe-exposed or otherwise challenged risks, as well as for Sabotage, Terrorism, and Political Violence coverages. Detailed descriptions of valuation methodologies were required, and insurers continued to impose valuation limitation / margin clauses.

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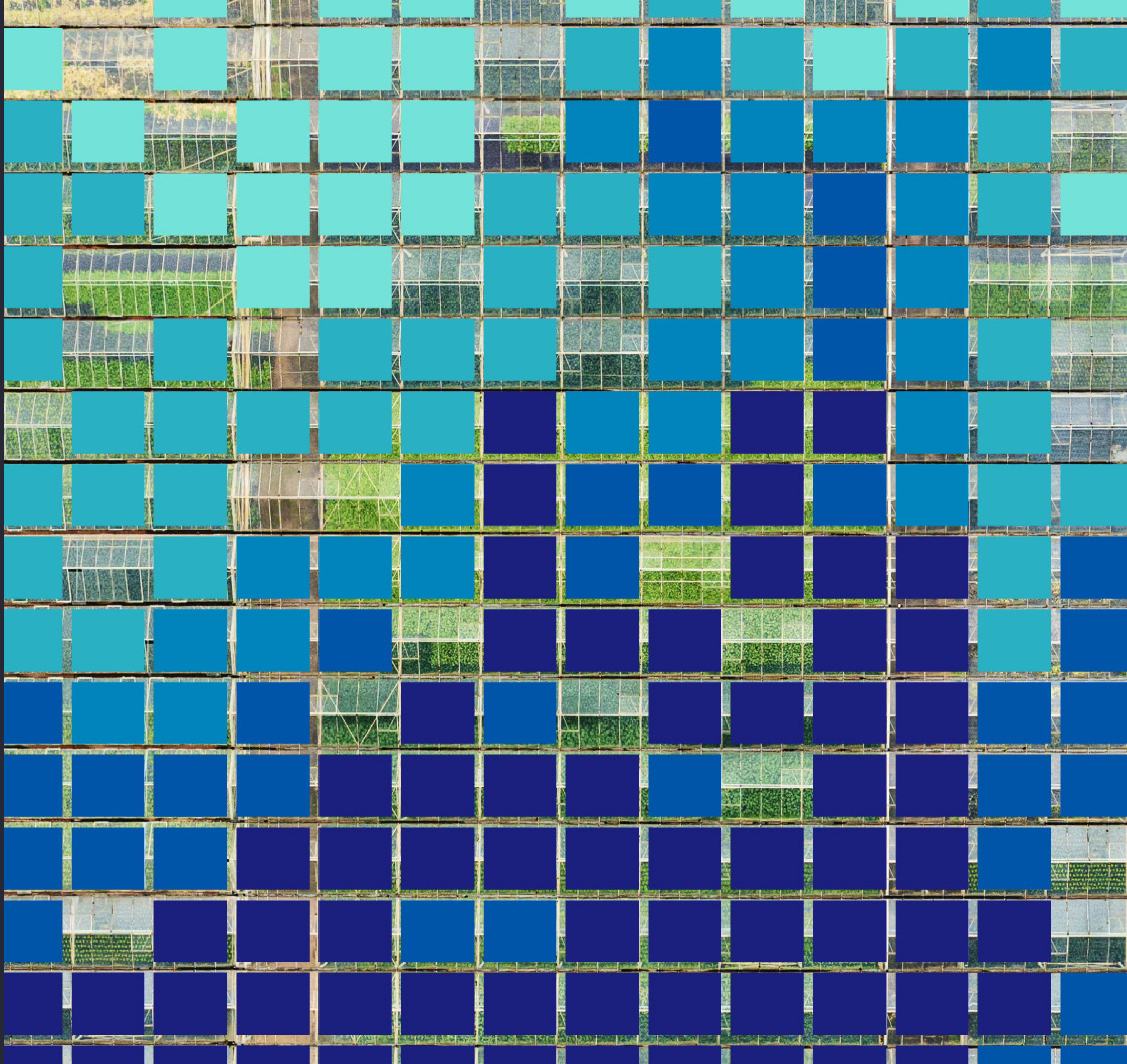
Conclusions



5 Conclusions

Pricing was moderate but remained pressured by economic and social inflation. Natural Catastrophe-exposed Property risks and Liability risks with significant U.S. exposures experienced ongoing challenges.

Insurers continued to focus their appetite and capacity deployment, creating healthy competition and options for preferred risk types. Alternative risk transfer solutions gained momentum across both preferred and non-preferred risk types.

While the underwriting environment remained disciplined as respects valuations, risk quantification, and matters related to corporate responsibility, it was characterized by greater flexibility as insurers' year-end growth targets approached.

While we welcome the pricing moderation and the increasing competition, we offer a note of caution. Most of the increased capital in the market is due to favorable results as opposed to an influx of brand-new capital. This indicates that there is some fragility to this market moderation. A single major catastrophe event in 2024 could lead to a return to very hard market conditions.

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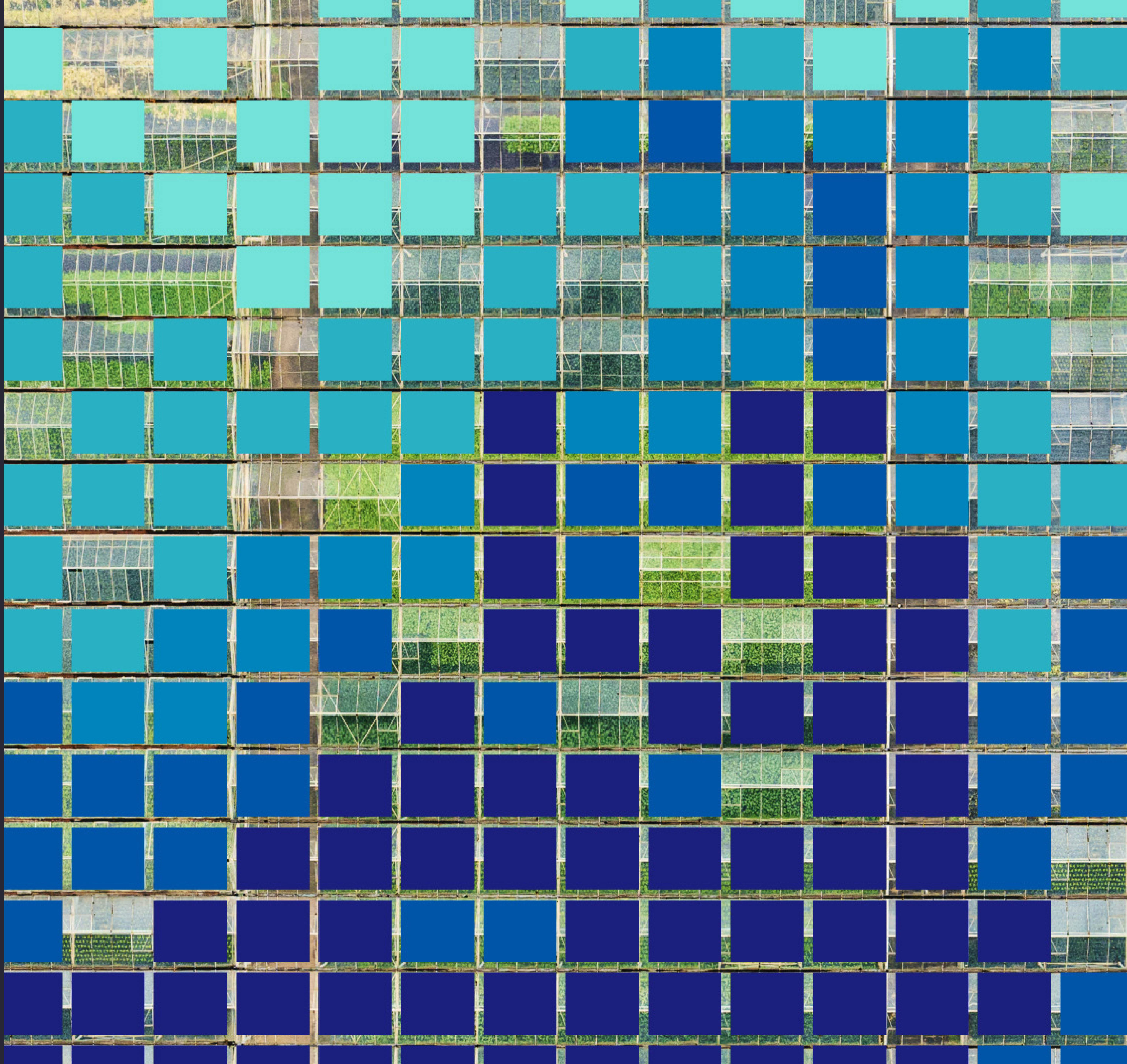
Contacts



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