2025

Commercial Property & Casualty
MARKET OUTLOOK

Forecast Insights From USI National Practice Leaders

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"This publication provides the expertise and firsthand knowledge of our property and casualty specialists, who help organizations like yours to stay abreast of industry trends, design and secure optimal coverage terms and pricing, and **solve critical insurance and risk management challenges every day.** We hope their insights and expertise will contribute to your ongoing success."

Renee Dube
Vice President, Property & Casualty Practice
USI Insurance Services

Executive Summary

The insurance market outlook for 2025 shows stabilization in several areas, with continued challenges and evolving risks across property, casualty, executive and professional risk, aviation, environmental, and international lines. Insurers are adapting to changing conditions, regulatory pressures and emerging threats, leading to a dynamic yet cautious market.

- **Property:** Showing signs of stabilization, with ample capacity available following favorable underwriting results on the insurance and reinsurance side. With natural catastrophe (CAT) insured losses around $135B globally in 2024 according to Swiss RE, policyholders can expect insurers to remain vigilant in risk selection and deductible levels, although some rate relief is expected for favorable risk profiles. It remains difficult to place certain risks, such as senior housing, affordable and subsidized housing, frame apartments, vacant properties, and those in foreclosure or receivership. Wildfire and severe convective storm exposure continues to impact capacity available. Rebuilding costs have stabilized as inflation subsides, with U.S. averages around +5% YOY.
- **Casualty:** Workers' compensation rates and premiums are continuing to decline overall, but at a much slower pace than prior years. The commercial auto market remains cautious about providing coverage, and the general liability market is facing legal challenges that are increasing settlement costs.
- **Executive & Professional Risk:** While still a competitive marketplace, underwriting apprehensions exist. Directors and officers (D&O) liability is still a key area of concern, with emerging risks related to securities class actions and deceptive claims related to artificial intelligence (AI). Healthcare and financial services are seeing continued regulatory challenges, while rising costs for employment practices liability and fiduciary liability claims may begin impacting all industries. Cyber incidents continue to be a significant threat, and professionals in various industries are grappling with the unknown effects of AI.
- **Aviation:** 2024 was stable, with ample capacity and more competitive pricing compared to 2018-2023. Buyers are experiencing price relief, though challenges remain for insurers as they balance competition with underwriting discipline. The market should remain favorable for buyers in the short term, as new entrants and established carriers compete to maintain portfolios.
- **Environmental:** Stable, with new entrant carriers potentially bringing creative coverage solutions in 2025. As regulatory scrutiny grows, securing coverage for per- and polyfluoroalkyl substances (PFAS), or "forever chemicals," has become more difficult. Environmental regulations worldwide are tightening, which is driving demand for pollution liability insurance and coverage for emerging risks in areas like construction and M&A.
- **International:** Experiencing mixed conditions, with property insurance rates remaining flat or declining in most regions except for CAT-exposed areas. Casualty rates have increased globally, driven by litigation costs and regulatory changes. Geopolitical risks, especially in the Middle East, Africa, and Central/South America, are prompting insurers to impose stricter coverage restrictions.

Organizations are encouraged to utilize risk control strategies to present their accounts favorably to insurance carriers, and to leverage all available tools to align asset values with industry standards. There are ample opportunities to positively influence insurance costs, coverage and risk quality. The "How We Can Help" sections in this report offer ways to strategically position yourself for future insurance market opportunities.

We wish you success and a prosperous new year!

Market Update & Rate Forecast

To view historical rate index charts (trajectory of rates 2018-present), click on a product line below:

PRODUCT LINE	SECOND HALF 2024	FIRST HALF 2025 (PROJECTION)
PROPERTY		
Non-CAT Property w/ Minimal Loss History and Favorable Risk Profile	-5% to Up 5%	-5% to Up 5%
CAT Property w/ Minimal Loss History and Favorable Risk Profile	-15% to -5%	-10% to Up 5%
CAT or Non-CAT Property w/ Unfavorable Loss History or Risk Profile	Up 10% to 20%	Up 5% to 15%
CASUALTY		
Primary General/Product Liability	Up 5% to 10%	Flat to 10%
Primary Auto Liability w/ Fleet Less Than 200 & Good Loss History	Flat to Up 5%*^	Flat to Up 5%*^
Primary Auto Liability w/ Fleet Less Than 200 & Poor Loss History	Up 20% to 30%^	Up 15% to 30%^
Primary Auto Liability w/ Fleets in Excess of 200	Flat to Up 5%*^	Up 5% to 10%*^
Excess Auto Buffers	Up 40%	Up 40%
Workers' Compensation Guaranteed Cost	-10% to Up 5%	-5% to Up 3%
Workers' Compensation Loss Sensitive	-7.5% to Flat**	-5% to Flat**
Umbrella & Excess Liability (Middle Market)	Flat to Up 12.5%***	Flat to Up 10%***
Umbrella & Excess Liability (Risk Management)	Up 5% to 20%***	Flat to 15%***
INTERNATIONAL		
International Liability	Flat to -5%	Flat to Up 3%
International Property, CAT Exposure	Up 5% to 12%	Up 15% to 20%
International Property, Non-CAT Exposure	Flat to Up 5%	Flat to Up 5%

PRODUCT LINE	SECOND HALF 2024	FIRST HALF 2025 (PROJECTION)
ENVIRONMENTAL		
Environmental Combined General Liability/ Pollution	-5% to Up 5%	Flat to 8%
Excess Combined General Liability/Pollution	Up 5% to 15%+****	Up 5% to 15%
Environmental Contractors' Pollution	Flat to -10%	-10% to Up 5%
Environmental Pollution Legal Liability	-10% to Up 5%	-10% to Up 5%
Aviation		
Aviation	Up 10% to 20%***	-5% to Up 5%***
EXECUTIVE & PROFESSIONAL RISK		
Public Company Directors & Officers (D&O) Liability — Overall	-10% to Flat	-5% to Flat
Private Company and Not-for-Profit (NFP) D&O Liability — Overall	-10% to Flat	-7.5% to Flat
Employment Practices Liability (EPL)	-5% to Up 5%	-5% to Up 10%
Fiduciary Liability	Flat to Up 10%	-5% to Up 5%
Crime	-5% to Up 5%	-5% to Up 5%
Kidnap & Ransom	Flat to Up 5%	Flat to Up 10%
Professional Liability/Errors & Omissions (E&O)	Flat to Up 10%	-5% to Up 10%
Transactional Risks (Representations & Warranties Insurance (RWI))	Flat to Up 5%	Up 5% to 10%
Cyber (Network Security & Privacy)	-10% to Flat	-5% to Up 5%
Technology E&O	-10% to Flat	-5% to Up 5%

^ Geographical radius of operations will impact pricing.
* Including need for primary limits up to $2M.
** Dependent on state.
*** In some cases, depending on class of business, historical losses and limits purchased. Factors in contraction in limits.
**** If heavy truck exposure, increase can be higher than 15%, especially in certain geographies.

View all Historical Rate Index charts here

Property

Developments Since 2024 Mid-Year Market Outlook

The property market continued to stabilize in the first half of 2024. Insurers realized favorable underwriting and investment results, marked by loss ratios 19% less than they were in the first half of 2023. Written premiums increased about 5% YOY, investment yields increased to 3.7%, and return on equity was nearly 10% for the property and casualty (P&C) industry.[1]

Despite insured losses reaching $60B globally in the first half of 2024, insureds found themselves absorbing a higher percentage of losses through increased deductibles, lower CAT limits, and lower policy limits implemented by insurers during the last few years of the hardening market.[2]

With the 2024 U.S. hurricane season initially slow to develop, the activity quickly escalated in late September, with Hurricanes Helene and Milton making landfall in Florida within a two-week period. Hurricane Helene made landfall as a Category 4 storm in Florida's Big Bend region, bringing severe storm surge across the Gulf Coast of Florida with devastating flooding in Georgia, South Carolina, North Carolina, and Tennessee.

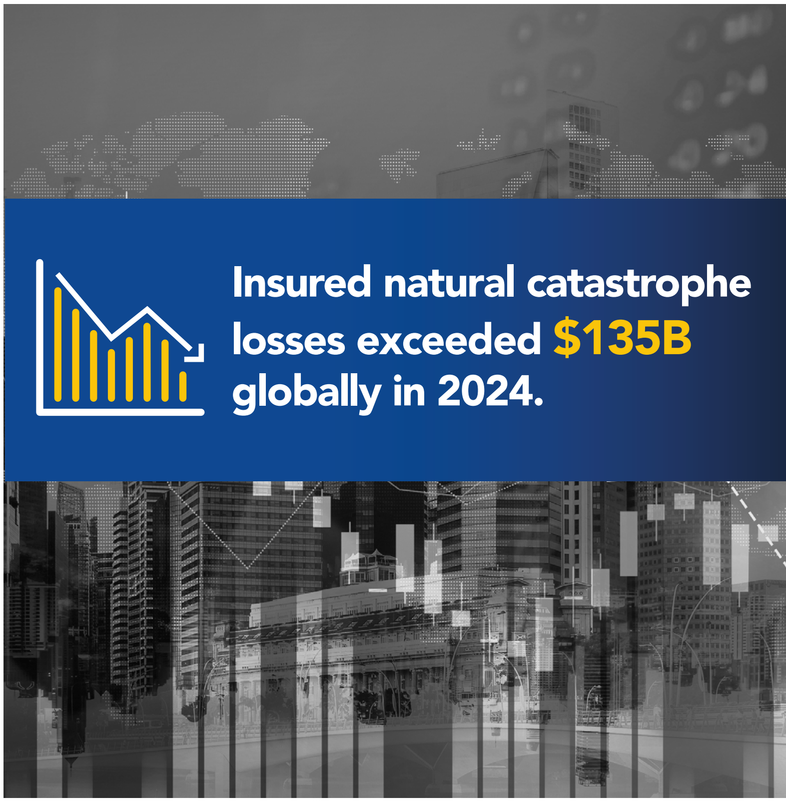
Helene caused unprecedented damage, with losses estimated between $30.5B and $47.5B, but insured losses are lower at $10.5B to $17.5B due to flood exclusions.[3] Hurricane Milton hit Florida as a Category 3 storm in October, resulting in expected insured losses of $22B to $36B, making it the largest loss driver for property insurance in 2024.[4,5]

With global insured catastrophe losses exceeding $100B for the fourth time in four years, insurers remained cautious in risk selection and maintaining current deductibles and rates on renewals, particularly for natural catastrophe exposures. Increased capital flow led to more competition in the property insurance market in 2024. Renewals saw rate decreases or slight increases, with shared/layered placements receiving rate reductions of 5% to 15% or more. Top-tier risks experienced rate decreases of 10% to 20%.

Even with increased competition and capacity in the market, we continue to see some difficulty placing certain risks, including:

- Senior housing
- Affordable and subsidized housing
- Wood frame apartments
- Vacant properties and those in foreclosure or receivership
- Wildfire-exposed risks
- Loss-prone accounts, and accounts with critical open recommendations not addressed

These renewals continued to see pressure on rate and terms, with most of these risks being placed in the excess and surplus market, which saw property premiums increase 33% over the previous year.[6] With less protection behind them due to higher treaty retentions, insurers are reluctant to absorb these losses, and therefore transfer the risk to the insured via higher deductibles and limited capacity.



Trends to Watch: First Half of 2025

Reinsurers to Hold the Line on Treaty Renewals

Despite the reinsurance market being well-capitalized with dedicated capacity nearing $620B — up 9% YOY — there is no expectation of reinsurers altering their positions and attachment points on the upcoming treaty renewals.[7] The increased retentions and favorable rates over the past few years have helped insulate the reinsurers from the midsize CAT losses, such as severe convective storms, and have been largely absorbed by the insurers, equating to record profits for property reinsurers. This change in reinsurance structure for insurers has provided less balance sheet protection, which ultimately resulted in increased deductibles for insureds for fire and natural catastrophe perils leading up to 2024.

As investors look for long-term return on capital, reinsurers are becoming more cautious about offering lower premiums or attachment points (the level at which reinsurance coverage kicks in) due to the increasing frequency of midsize catastrophic (CAT) events. With abundant capacity, downward pressure on rates, and increased demand from insurers for secondary catastrophic perils, such as severe convective storm and wildfire, reinsurers are split on what rate changes will take place on the upcoming treaty renewals, with 39% stating that price rises in this line would be sufficient to compensate for increasing loss trends, 36% saying they wouldn't, and 25% being unsure.[8]

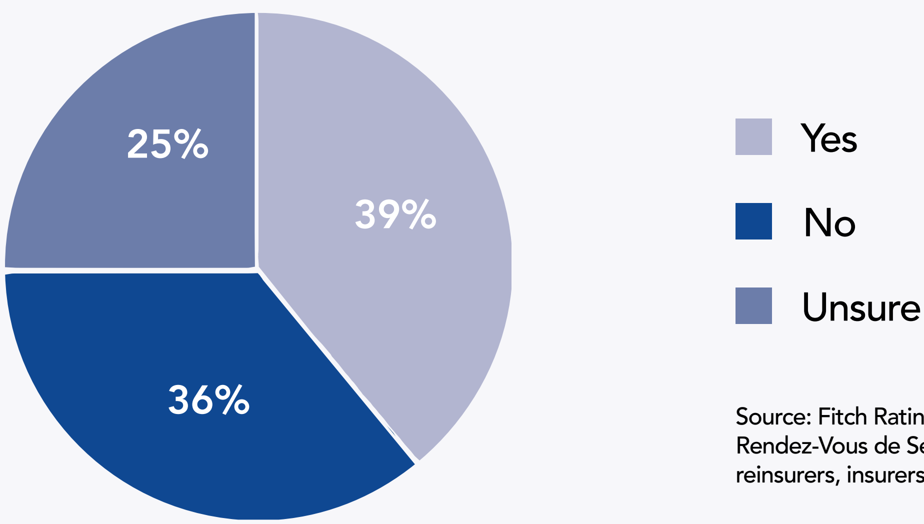
Given the expanded capacity in the market, it's uncertain how any increased treaty costs can be passed on to insureds. Regardless of rate change, insureds can still expect to see higher deductibles for fire and natural catastrophe exposures until insurers have more balance sheet protection from the reinsurance market.

Reconstruction Costs Remain Slightly Elevated

After the severe inflation spike and supply chain disruptions seen between 2020 and 2023, the cost of reconstruction of commercial buildings has returned to a more manageable level, with national replacement cost indices averaging around 5% YOY. Although the costs have decreased from the peak of nearly 20% YOY in 2021 after record inflation, supply chain disruptions, and labor shortages, we are still seeing elevated material and labor costs for certain commodities that are impacting commercial reconstruction prices.

Concrete block, rebar, steel deck, and steel studs remain elevated, with YOY cost increases of around 6% to 18% for these building materials. Meanwhile, drywall, lumber, galvanized pipe, and plywood have retreated, with the largest drop being 6.6% YOY. National average materials costs are up approximately 2%, with labor costs up 3.8% as of September 2024.[9]

Will price increases be sufficient to compensate for increasing loss trends in property-catastrophe?



Source: Fitch Ratings reinsurance online survey held during Rendez-Vous de Septembre 2024. There were 81 responses from reinsurers, insurers, and others with an interest in the market.

As renewals approach, it's crucial to review property values annually, taking into consideration geography, construction type, and special attributes of the building. During the hard market, many policies introduced valuation clauses like margin clauses, occurrence limit of liability, scheduling, and coinsurance, which affect recovery after a claim if valuations are insufficient. Not updating values annually may result in large, uncovered claims due to these clauses. As the market continues to shift, proper valuations will lead to fewer policy restrictions and better outcomes after a loss.

Continued Pressure on Wildfire-Exposed Risks

As discussed in our 2024 Mid-Year Market Update, wildfire exposure continues to complicate placements and cause concern for insurers. More than 8 million acres have burned across 10 states as of November 2024, which is 24% higher than the average between 2014 and 2023.[10] The Park fire in California was one of the largest in the state's history, burning more than 239,000 acres and destroying more than 700 structures while damaging 54 others. The Smokehouse Creek fire, burning more than 1,000,000 acres in Texas and another 70,000 acres in Oklahoma, was one of the largest in Texas history. Other notable wildfires include the New Mexico South Fork and Salt fires, causing an estimated $25M in damage, and the Watch fire in Arizona.

With insurers reducing capacity offered or refusing to write locations in these areas, insureds find themselves more reliant on the state-sponsored plans like the California FAIR Plan, the excess and surplus market, or wildfire parametric products. None of these alternatives come without risks to consider, including named peril coverage in programs like the FAIR Plan, premiums that could be multiples of the existing premium in the excess and surplus market, or problematic language within parametric policies that can exclude coverage for wildfires that start within the perimeter of the property.

Difference-in-condition (DIC) wrap policies can be used to fill in coverage gaps created by the FAIR Plan, but coverage gaps can still exist. Although some insureds in high-risk areas may have limited options, understanding the coverage offered, exclusions and triggers for claim payment is key. Since coverage between policies can vary drastically, we recommend requesting and reviewing a copy of the specimen policies prior to binding.

Alternative Risk Solutions Still in High Demand

Despite some increased competition and more favorable renewals in 2024, interest in alternative risk strategies or products has not faded. Insureds seek ways to control escalating costs and minimize market fluctuations. A recent poll found parametric solutions lead with 40% of the vote, structured solutions at 25%, captives at 21%, and complex risk offerings at 14%.[11] While many parametric products exist, some obstacles prevent wider adoption by insureds. The most noted obstacle was lack of available data and models, followed by lack of education on the products.[12] Lenders are also slow to approve of these products to replace or supplement traditional insurance of their borrowers, even if it may be the only available coverage for that specific property.

The insurance industry still has some work to do to not only accurately assess risk but also educate insureds and other stakeholders on the appropriate structure, triggers and usage of parametric products. Like insurance policies, no two parametric products are identical, with differing exclusions, payout schedules and triggers. A single sentence in the policy can mean the difference between a loss being covered or excluded, even if the cause of loss occurs at the location and triggers are met. Alternatively, some products are as simple as advertised, with sensors detecting flood depth or seismic activity from an earthquake on a specific building, which can eliminate or significantly reduce the post-loss inspection and claim processing time.

As the effects of climate change and the inability to obtain coverage in CAT-prone areas increase, the utilization and adoption of these products are expected to increase — but only if the advantages, triggers, and structure of these products can be clearly communicated and understood by the entire insurance community and related interested parties.

The property market shows signs of stabilization, with ample capacity available.

Escalating Vacancy Rates Create Coverage Challenges

Vacancy rates for office buildings hit a record 19.6% in 2023 due to remote and hybrid work, with a 24% vacancy rate expected by early 2026.[13]

While Class A office space remains in high demand in desirable locations with amenities, Class B and C offices have lower prospects of being repurposed. As these properties remain empty, insurers view them as higher risks due to potential losses from vandalism, leaking pipes, theft, glass breakage, and arson.

Insurers often limit coverage for vacant properties, and can exclude losses on these properties entirely. They often impose up to a 90-day period for coverage to apply, and exclude specific perils or apply higher deductibles after a loss. Insurers can also impose a protective safeguard, which is a condition of coverage that requires heat be maintained in the building, fire or burglar alarms remain operable, or even a regular watch service be maintained in some areas. Any one of these conditions can determine partial recovery from a loss, or a loss being completely excluded.

Once a building reaches less than 31% occupancy by square footage, these restrictions could be triggered following a loss. These properties often find themselves on stand-alone policies placed separately in the excess and surplus market with higher deductibles, lower policy limits, and increased rates, which can also impact adherence to lender requirements.

Identifying current occupancy rates by location well in advance of a renewal will allow for a more strategic approach to cover these properties and meet lender requirements.

Lithium Batteries Create New Hazards for Insureds

As the market share of electric vehicles (EVs) and other electronic modes of transportation grows, new hazards place properties and people at risk. Battery fires caused by thermal runaway while charging or from improper handling or use are on the rise. In the U.S., there have been 445 lithium-ion battery fires, 214 injuries, and 38 deaths.[14] Lithium battery fires generate intense heat and can be difficult to extinguish, risking uncontrolled spread that can cause severe damage to property.

EVs often weigh 30% more than gas-powered internal combustion vehicles due to their lithium battery weight.[15] Because of this, the risk of parking structures collapsing has increased. Parking structures that are old, have defects, or have not been properly maintained are at higher risk of collapse from the increased weight, as seen in the New York parking garage collapse in 2023, where a three-story parking garage collapsed due to unaddressed structural defects, despite various building code violations being issued.[16]

As consumers continue to adopt EVs, these hazards will increase and need to be carefully considered, planned for, and addressed by working with local fire departments, structural engineers, and fire protection specialists. For more protection strategies on these hazards, please refer to our recent article on this topic.

Building Conversions: A Difficult Risk to Place

With more vacant office properties, the pressure is on commercial real estate owners to repurpose these buildings to maximize returns. With $150B of commercial mortgages coming due in 2024 and another $300B due by the end of 2026, commercial office space owners are resorting to conversions to drive revenue and position themselves to navigate the wave of maturing debt.[17]

Since 2021, office-to-apartment conversions have skyrocketed 357%, producing over 55,000 new housing units.[18]

Cities have started offering incentives for developers to complete conversions, fueling the increased activity while solving the need for more affordable housing by bringing on additional inventory in the market. The most common conversion seen is office-to-apartment; however, office properties have also been converted into condominiums, medical space, hotels, or mixed-use.

Insurers remain vigilant in risk selection and deductible levels, but some rate relief is expected.

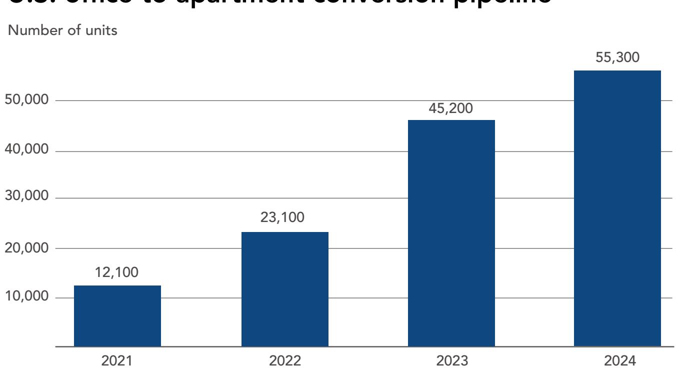
Completing major renovations with structural changes to accommodate another use is a major undertaking, and it also poses challenges from an insurance perspective. When placing these risks in the market, there are two separate issues to account for before securing coverage: the value of the existing structure and the value of the project.

First, the value of the existing structure must be covered to the appropriate replacement cost. Builder's risk insurance carriers often do not want to cover the value of the existing structure in addition to the cost of the project. Meanwhile, the existing property insurance carrier does not want to cover the building while it's under major structural renovations, causing an impasse that must be resolved before renovations commence.

Insureds looking to complete a conversion must start the insurance purchasing process well in advance of the project start date, given the time required to underwrite, additional information required, and limited appetite in the market for these structural conversions. For example, engineering reports will be required for the existing structure and for the work to be completed. The policy term will need to be carefully aligned with the planned schedule, all the way to temporary certificate of occupancy or certificate of occupancy, to ensure the entire project term is covered. Additionally, fire protection system details and any planned impairments will need to be outlined depending on the values of the existing structure at the project start.

These programs often require multiple insurers to build the necessary capacity and terms, which can take months, depending on total values at stake. Therefore, the key to insuring these projects is to allow adequate time for underwriting and placement.

U.S. office-to-apartment conversion pipeline



Source: ResiClub

Builder's Risk: Top Challenges and Opportunities

While the general building renovation insurance rates for non-CAT and non-frame constructions have improved, frame constructions and rehab projects remain challenging. Here are the top challenges that we expect builders to face in 2025:

- Renovations where over 50% of the existing structures are in place — This high-risk category continues to face rate and capacity challenges.
- Frame constructions — Insurers are scrutinizing these projects closely due to losses related to water and fire damage, structural collapse, discovery of hazardous materials, compliance issues, and other problems. Insurers now require extensive protective measures, such as closed-circuit television (CCTV), monitoring, water mitigation systems (such as shutoff valves and water sensors), and protective coatings for combustible materials. Typically, these projects require a shared, layered, or quota-share approach (in which multiple insurers each take on a percentage of the total risk). Despite these measures, rates for frame projects have not shown much relief. For smaller frame projects (under $25M), some direct and niche carriers still provide coverage without excessive requirements, but these opportunities are limited.
- Coastal projects with superior construction — Builders can obtain insurance for these projects, but pricing remains high and limits for wind and flood must be negotiated and modeled. Recent hurricane and flood events have driven up prices for coastal exposures. Water damage deductibles are higher for projects taller than three stories, but can be negotiated when water mitigation measures and protective equipment are in place. Wildfire, hail, freezing, and tornado risks continue to be hurdles to obtaining capacity and competitive terms.

While challenges receive the most attention, many builders will benefit from improving rates and terms. These builders will use superior constructions and be in non-CAT areas, but many will still face stricter warranties on security, water sensors, and fire protection. For projects with minimal CAT exposure, capacity is increasing depending on the level of delay and start-up exposure.

How USI Can Help

The property market is shifting from steady rate increases and reduced capacity to increased capital flow and competition, leading to lower rates and higher risk appetites. USI can help organizations navigate this transitioning market via several methods.

- We quantify and analyze your loss exposure through various underwriting tools and data, taking the guesswork out of securing adequate coverage.
- By aggressively marketing renewals to all viable markets for your risk profile, we help you obtain the best possible terms and rates.
- We explore various strategies and program structures to lower the total cost of risk.
- To help you get back coverage previously lost, we identify coverage, limits, deductibles, clauses and exclusions to target for improvement.
- We provide side-by-side comparisons of program limits, deductibles, terms and premiums to help you make informed decisions.

Key Benefits for Organizations

- When using quantified exposures to design insurance programs, organizations purchase the right amount of coverage to meet their budget and third-party requirements.
- By aggressively marketing renewals and exploring cost-effective strategies, USI helps organizations better manage their risks.
- Identifying and targeting areas for coverage improvement helps organizations obtain the best possible protection.
- Providing detailed comparisons of different insurance programs allows organizations to make well-informed decisions about their property insurance and risk management.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

USI PATH™: Revolutionize your approach to risk management | Learn More

[1,2] Swiss RE
[3] CoreLogic
[4] Reuters
[5] Moody's
[6] Insurance Business Magazine
[7,8] Reinsurance News
[9] CoreLogic
[10] National Interagency Fire Center
[11,12] Reinsurance News
[13] BOMA International
[14] SENECA
[15] Center for Transportation Research
[16] Associated Press
[17,18] Business Insider

Casualty

Developments Since 2024 Mid-Year Market Outlook

The second half of 2024 has performed as expected to date. Workers' compensation continues to be a mostly profitable line overall for most buyers, with declining claims frequency and moderate loss severity trends continuing to benefit the coverage line. However, headwinds are building as net profit margins are shrinking.

For commercial automobile, general/products and umbrella/excess liability lines, capacity remains adequate and rate increases are stabilizing overall for most insureds, with YOY rate increases slightly lower than in past years and in some cases flat.

However, deployment of capacity remains discretionary, and rising rate pressures persist for insureds that have experienced large losses within the past few years, as well as insureds in tougher classes of business such as transportation, habitational, certain manufacturing classes, and life sciences. Social inflationary forces causing increasingly large jury verdicts and settlements continue to create negative loss ratios, adverse reserve development and a less predictable underwriting environment for a growing number of insurers — which may put pressure back on rate increases in the coming quarters.

To fill the void of limited capacity, excess and surplus (E&S) insurers have increased their market share accordingly. E&S insurers offer insureds with less desirable or challenging risk profiles an alternative to markets that are reducing or eliminating this capacity. While offering capacity, E&S markets are not offering price relief, and rates are expected to increase for insureds seeking coverage with these markets.

To offset a prolonged period of rising rates and corresponding higher premiums, the trend of guaranteed cost buyers moving to loss-sensitive programs is rising. For insureds already on a loss-sensitive program, many are raising their deductible levels to take on more risk themselves and lower risk transfer costs.

Trends to Watch: First Half of 2025

Workers' Compensation

Pros: Workers' compensation (WC) rates and premium continued to decline overall, but at a much slower pace than prior years.

- **Combined Ratio:** The combined ratio for 2024 is expected to come in below 100% for the 11th consecutive year (anything below 100% indicates profitability for insurance companies), but the ratio will increase to a minimum of ~95% from 88% in 2023, according to Fitch.
- **Profitability:** WC remains profitable for most insurers that write on both a guaranteed-cost and loss-sensitive basis. The average rate in most states has decreased YOY, and the supply of capacity remains high with many markets, including new market entrants. This has resulted in rate and corresponding premium reductions in most cases, despite increasing payrolls (premiums are usually calculated based on the total payroll of a business).
- **Reserve Redundancy:** Insurers are carrying adequate reserve redundancy, although the pace of reserve releases is slowing.

Cons: The expected increase in the combined ratio to a minimum of 95% indicates that claim costs are rising relative to premium levels in an increasing number of states.

- **Claim Costs:** For premiums to decline or remain flat in the coming year, continued rate reductions must be matched or exceeded by declining claim costs. This trend is slowing down or reversing in many states.
- **Medical Severity Costs:** While the frequency of medical injuries remains low, higher medical severity costs and rising indemnity payments for wage replacement are contributing to a gradual rise in claim costs in many states.
- **Reserve Releases:** The amount of reserve release redundancies of many insurers is also dropping, reducing much of the cushion insurers could fall back on to supplement adverse loss development. As such, we will begin to see rates level off, or moderate rate increases in more states in 2025.

- **High-Risk Industries:** Industries like sawmills, recycling organizations, bridge builders, and heavy construction contractors face greater pressure and coverage restrictions for WC insurance due to their high-risk nature, rising injury rates, regulatory scrutiny, higher medical costs, and inadequate safety protocols, leading to increased claim costs and stricter coverage terms.
- **Legislative Trends:** A legislative trend to expand WC presumptions for mental conditions is waning.

Workers' compensation insurance remains profitable for insurers despite rising claim costs.

Commercial Automobile

Pros: Some challenges in recent years have shown signs of improvement.

- **Stable Market:** For many smaller fleets (fewer than 200 vehicles) with good loss histories, the market remains stable and rates are flat or increasing only slightly.
- **Driver Shortage:** The driver shortage has eased somewhat, spurred by technological advancements. This issue was the No. 1 concern for companies for five years in a row, but has dropped to No. 9, according to the American Transportation Research Institute (ATRI).
- **Tort Reform:** Tort reform is working toward reducing litigation costs in this market, which can lead to lower insurance premiums and greater coverage availability, especially for high-risk sectors like trucking. However, rising jury verdicts remain a top issue.

Cons: In many cases, deployment of capacity remains discretionary, meaning insurers are cautious about providing coverage.

- **Large Fleets:** This is especially true for companies with recent large losses or those with large fleets of 10,000 or more, such as long-haul truckers.
- **Insurance Costs:** Insurance cost and availability is the No. 4 issue according to the latest ATRI survey, whereas it didn't appear in the top 10 issues in the previous year.
- **Social Inflation:** Social inflation — rising jury verdicts and settlements — continues to drive adverse reserve development (when the reserves set aside by an insurer to cover future claims turn out to be insufficient), creating negative loss ratios and a less predictable underwriting environment. This trend may increase rates again in the coming quarters, particularly for high-risk insureds.

General/Products Liability

Pros: The general liability (GL)/products primary market continues to stabilize.

- **Rates:** Although rate increases still prevail for the majority, more insureds are obtaining less severe rate increases and flat renewals in industry segments that have achieved rate adequacy. Sufficient capacity exists, and moderate competition for new business has returned to GL/products for a growing number of sectors, including retail and certain segments of manufacturing.
- **Multiple Lines:** To increase profitability, the insurance market increasingly requires that GL insurance be combined with WC insurance and often other lines as well, including automobile liability, umbrella, and property. This can offer several advantages for insureds, including convenience, cost savings, integrated coverage

Trucking Industry Issue Ranking

1. Economy
2. Truck Parking
3. Lawsuit Abuse Reform
4. Insurance Cost/Availability
5. Driver Compensation
6. Battery Electric Vehicles
7. Compliance Safety Accountability (CSA)
8. Detention/Delay at Customer Facilities
9. Driver Shortage
10. Driver Distraction

Source: American Transportation Research Institute, Critical Issues in the Trucking Industry – 2024 solutions, access to risk management services, and more. However, buyers should carefully evaluate the terms and conditions of insurance packages to ensure they adequately address their unique risk exposures.

Cons: Despite calls for tort reform from a number of senior insurance leaders, the plaintiff's bar continues to have the upper hand, driving higher jury verdicts and settlements for both individual and class action lawsuits.

- **Litigation Financing:** Social inflationary pressures are not abating, nor is the practice of litigation financing to generate a revenue stream.
- **Challenging Risks:** Real estate and habitational risks continue to be challenging to place, and insurers willing to cover the risks are typically increasing rates from high single digits to low double digits. The focus on assault and battery exposures contributes to these sectors' challenges. An increasing number of markets are seeking to hold insureds accountable for their risk management programs and loss experience by moving away from guaranteed cost and requiring loss-sensitive program structures.
- **Foodborne Illness:** For food manufacturers, high-profile foodborne illness outbreaks, like those linked to McDonald's and Boar's Head, can lead to substantial changes in the products liability insurance landscape. Insurers may respond to these events by adjusting rates, tightening underwriting standards, and, in some cases, reducing capacity.

Umbrella/Excess

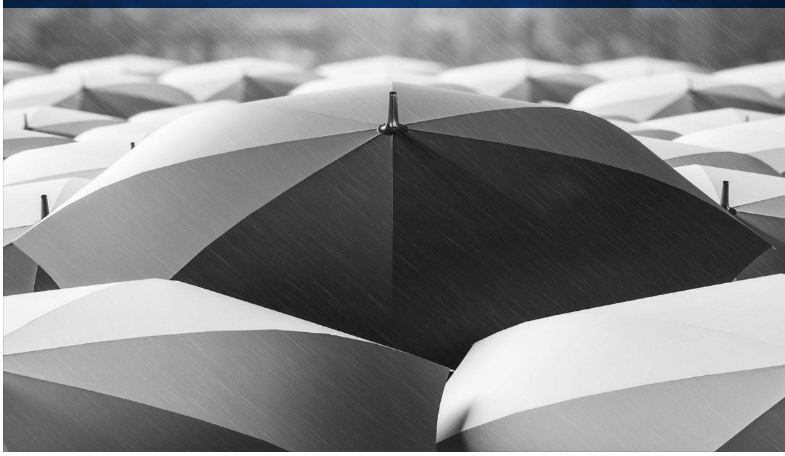
Pros: Generally, markets are still willing to negotiate on price, coverage, terms and conditions for many industry classes.

- **Rate Expectations:** Rates for middle-market buyers are expected to be flat to up 10%, and risk management buyers can expect flat to up 15%, depending on prior loss history and class of business.
- **Capacity Deployment:** Average capacity deployment is between $10M and $15M and higher if layers are ventilated.
- **Multiple-Line Benefits:** The combining of umbrella liability with other lines, including primary casualty and property, can often result in lower premium costs.

Cons: Overall capacity is sufficient, but a growing number of national markets are deploying capacity selectively or reducing capacity for insureds in certain industry classes including transportation and habitational.

- **Auto Premium Challenge:** If auto premium is greater than 50% of total underlying, it's even more challenging to place the umbrella/excess at competitive premiums with sufficient capacity. Social inflationary issues and inadequate loss reserves that need to be increased drive many of these challenges.
- **Social Inflation:** As social dynamics continue to evolve, navigating the complexities of social inflation will remain a challenge for umbrella/excess liability lines.
- **Reserve Strengthening:** Insurers are increasing their reserves to cover potential future claims, which reflects a less predictable underwriting environment and can lead to higher premiums and stricter coverage.

Insurers are selectively deploying umbrella and excess coverage.



How USI Can Help

General/Products and Umbrella Liability

Organizations and brokers should stay alert and take proactive measures to secure favorable outcomes. Solutions can address issues like rate hikes, reduced capacity, and tighter coverage terms. In the current market, USI advises organizations to:

1. **Ensure that policy limits, terms and conditions are sufficient** — especially in the face of adverse loss trends — by engaging with USI to perform a benchmarking analysis, review coverage, and analyze litigation trends in the insured's industry.
2. **Start renewal preparations early.** Create a comprehensive plan, and begin discussions with markets at least 150 days before renewal. Discuss capacity reductions, per-million pricing, and new exclusions like infectious diseases.
3. **Focus on key risks that concern underwriters.** Highlight your risk profile's strengths, such as loss control investments, safety measures, contractual risk management, and capital expenditures.
4. **Start early discussions with markets to build relationships.** Identify minimum limits for umbrella coverage early on and consider self-insuring above required limits. Compare umbrella/excess limits with peers to ensure adequate coverage.
5. **Leverage data analytics** to evaluate risk financing alternatives.
6. **Evaluate the costs and benefits of higher retention levels**, quota-share participation in umbrella/excess programs, swing plans with loss-dependent costs, and multiyear single-limit policies within insurance programs.

Workers' Compensation

Insureds and brokers should proactively identify factors that will secure the best renewal terms related to program structure, pricing, and coverage. Key strategies include:

1. Verify that **payroll information is correctly categorized** by classification codes to avoid errors in premium calculations.
2. **Ensure** experience modification factors **are accurately calculated** to reflect the insured's loss history.
3. Proactively **manage claims** to control premium costs and foster continuous improvement in safety and loss prevention.
4. **Inform underwriters** about changes related to wellness promotion and measures to protect workers from occupational injuries. Also communicate changes in claims handling initiatives that can reduce claim duration.
5. Be prepared to **selectively market** the account, tailoring the submission to highlight strengths and risk management efforts.
6. Have a comprehensive understanding of the **advantages and disadvantages of loss-sensitive deductible program** structures.
7. **Present objective evidence** to the insurer to minimize rate increases and secure more favorable renewal terms.
8. **Assess pre-loss safety measures and post-loss claims handling.** Collaborate with brokers and insurers to optimize results.
9. Collaborate with your broker to **harness proper loss and financial analytics** to determine risk capacity at various retention levels.
10. **Reassess applicable collateral alternatives**, premium levels at various retentions, and loss allocation methodologies to optimize cost-effective risk management.
11. Evaluate **independent contractor utilization** and assess impact on WC costs and losses.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

Return to the insurance rate forecasts

International

Developments Since 2024 Mid-Year Market Outlook

Globally, property insurance rates were flat, declining, or moderating in every region except for CAT-exposed territories. Caribbean property insurance rates have increased by at least 10% due to the 2024 hurricane season. The above-average number of named storms and major hurricanes has increased pressure on insurers, especially in P&C sectors exposed to coastal areas.

The heavy reliance on reinsurance to mitigate risks and manage claims may moderate the direct impact on primary insurers, but the overall reinsurance market faces rising pressures. This has already led to an increase in reinsurance rates, affecting insurance costs downstream and raising premiums.

International Casualty Lines

International casualty lines rates increased by 3% globally. The U.K., India, Middle East (except Israel), and Africa remained flat. Canada and China showed declines in casualty lines, mainly attributed to those markets coming out of the post-pandemic hard market. The overall increase in casualty rates was driven by several factors, such as rising litigation costs, evolving regulatory environments, and inflationary pressures that impacted claim payouts. European countries in particular have seen an increase in the frequency and size of litigation costs.

Regarding environmental and climate-related claims, the EU has implemented stricter regulations that increase the risk exposure for companies and casualty insurance providers. Countries like Germany and France, with aggressive stances on environmental regulations, have played a notable role in increasing rates due to higher risk levels in compliance costs.

Trends to Watch: First Half of 2025

Continued and new geopolitical conflicts across Africa and the Middle East will result in underwriters imposing coverage restrictions on all lines of business. Political instability in certain Caribbean and Central/South American nations has also raised alarm bells with insurance companies when they consider risks in certain locations. We have seen a reduction in property limits and outright exclusion of coverage in Israel, Sudan, and Haiti. Concerns over employee concentration levels located in countries and regions involved in hostile actions or war have resulted in limited appetite to provide foreign voluntary workers' compensation coverage.

Property insurance rates are flat or declining, except in catastrophe-exposed areas.

Casualty rates are increasing globally due to litigation costs and regulatory changes.

Geopolitical risks are prompting stricter coverage restrictions in high-risk regions.

How USI Can Help

USI has a dedicated international practice that will work with you to provide the optimal multinational insurance program. Our position is to function as our clients' international risk management arm. With our deep knowledge and passion for international business, we not only coordinate our clients' multinational insurance placements, but also proactively collaborate on risk solutions to provide maximum protection to our clients' balance sheets globally. In the event of an occurrence, we ensure the claim is covered and paid quickly.

USI utilizes global market reports, multinational carrier resources, and USI Preferred Broker network partners (especially in U.K./European markets) to monitor potential global issues and threats. Together, we offer creative solutions to cover clients' needs where a traditional approach may not be available.

USI has found that by moving to a centralized program, clients can save on premium, maintain concurrent and consistent coverage, and eliminate coverage redundancies and potential gaps. We do this by:

- Developing an action plan and dialoguing with incumbent and new markets at least 150 days in advance of renewal.
- Reviewing alternative program structures to ensure optimal limits, cash flow, retention level, cost, and collateral perspectives.
- Reviewing and confirming that all necessary admitted (local) insurance is purchased in alignment with local regulations, while also partnering with umbrella coverages to eliminate duplication of coverage.
- Continually engaging with our network of international broker partners to understand changes in local coverages, requirements, and laws related to insurance that could impact ongoing operations. In addition, we suggest quarterly check-ins to get ahead of any new expansions into a new country/risk.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

Return to the insurance rate forecasts

Environmental

Developments Since 2024 Mid-Year Market Outlook

The market remains stable, with a few new entrants potentially adding more creativity and capacity in 2025. However, underwriting scrutiny of per- and polyfluoroalkyl substances (PFAS) has intensified, particularly for companies producing products containing these "forever chemicals." Insurers are increasingly excluding PFAS coverage or raising premiums due to growing potential liability claims and regulatory actions.

Trends to Watch: First Half of 2025

As sustainability gains importance, the environmental insurance market is projected to grow 10% in 2025 due to increased demand and expanded coverage. Environmental risk awareness and stricter regulations drive this growth. Insurers are offering more comprehensive policies to meet new regulatory standards and public expectations.

Heightened environmental regulations and carbon reduction goals worldwide are boosting the need for site-specific pollution legal liability (PLL) insurance. This type of insurance protects businesses from pollution-related liabilities at specific sites, especially in sectors like M&A, brownfield redevelopment, and urban construction, where unknown contaminants pose significant risks.

- **Unknown contamination** — Insurers report that claims for unknown contamination have risen sharply in recent years as more companies undertake redevelopment projects on previously industrialized land. The unexpected discovery of these pollutants can lead to significant claim payouts, particularly in urban areas with a history of heavy industry.
- **Corporate responsibility** — This has shifted from a peripheral concern to a central business imperative. With stakeholders and investors increasingly valuing companies based on their environmental, social, and governance (ESG) criteria, firms are actively investing in sustainability initiatives. The need to protect against potential environmental hazards, including pollution events and natural disasters, is pushing businesses to secure environmental insurance as part of their risk management portfolios.
- **Mold** — Insurance claims for mold have become a growing concern, particularly in older buildings or those with water damage. These claims are common in real estate, hospitality, and healthcare sectors due to costly remediation and potential health liabilities. Insurers often face high cleanup expenses and liability claims, resulting in coverage restrictions, higher deductibles, and premiums for at-risk sectors.
- **Social inflation** — Rising insurance claim costs from increased litigation, higher jury awards, and broader legal definitions of liability challenge the environmental insurance sector. Social inflation stems from changing public attitudes, a litigation-friendly environment, and greater corporate scrutiny, especially in environmental issues. Environmental insurers will likely adjust CPL and PLL policy pricing to reflect the increased litigation risks and claim costs due to social inflation.
- **PFAS** — Coverage will be challenging except for de minimis exposures. Other emerging contaminants or environmental risks, such as 1-4 dioxane, ethylene oxide (EtO), nanomaterials, and microplastics, will also add to the challenges.

Tightening environmental regulations are driving demand for pollution liability insurance.

How USI Can Help

USI can take several actions to help clients navigate PFAS liability:

- Estimating value of limits and reviewing insurance coverage, including historical and current general liability, pollution liability, and directors and officers (D&O) liability.
- Assessing risk, including both direct and downstream liabilities, and identifying key contracts (those who have indemnity or should be indemnified).
  - — Do any existing or former products contain PFAS? If so, what are the sales figures, and when and where were they sold?
  - — Is your exposure to PFAS from products or construction or premises?
- Identifying potential defenses if tagged with liability — is there a legal expert providing advice on regulations and compliance?
- Analyzing jurisdictions that may create greater risk (e.g, toxic tort liability).
- Examining current and future mitigation strategies and controls.
- Assessing due diligence protocols for acquisitions of companies or properties now that PFOA and PFOS are on the hazardous substances list under CERCLA.
- Exploring creative coverage solutions for PFAS either through environmental insurance or an alternative risk solution such as a captive.

In addition, we can help clients with:

- Creating an environmental profile to identify exposures associated with operations, which helps quantify and qualify the impact on the organization to determine appropriate risk management and insurance solutions.
- Delivering formal and customized risk maps to identify the frequency and severity of fines and penalties for noncompliance, spill events, known and unknown remediation, and toxic tort liability.
- Creating sophisticated risk model platforms for significant liabilities, using Monte Carlo analytics to look at a range of probabilities and forecast potential liabilities over an extended period.
- Developing effective environmental risk insurance strategies for acquisitions or divestitures of businesses and/or real estate to facilitate transactions and protect corporate assets.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

Return to the insurance rate forecasts

Aviation

Developments Since 2024 Mid-Year Market Outlook

The aviation insurance market has stabilized in the U.S. for most classes of business. There is ample capacity across the aviation insurance market, with new entrants providing buyers with multiple options when choosing an insurance partner. In 2024, many aviation insurance buyers experienced price relief from the premium hikes experienced 2018-2023.

Globally, the industry is expected to reach a 20-year high of more than $8B in gross written premium (GWP) at the close of 2024.

This is driven in large part by post-pandemic growth in air transportation and price increases achieved 2018-2023. Additional lift has also come from significant price changes in the war hull segment.

Trends to Watch: First Half of 2025

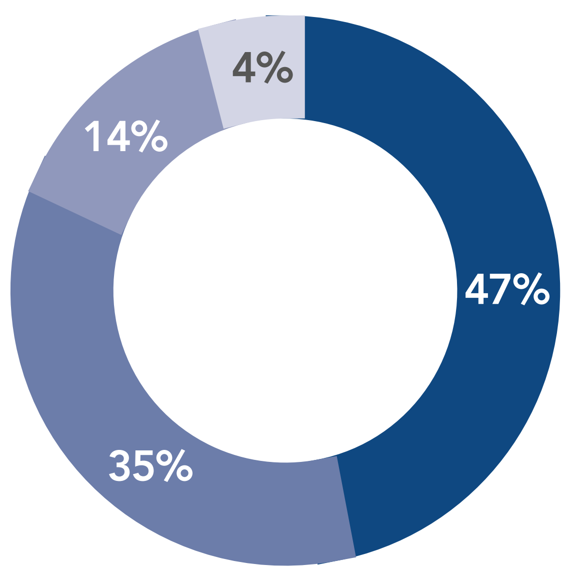
The aviation insurance market is stable as we start 2025. There are numerous challenges that will likely impact the health of the market throughout the year; however, most buyers should continue to see multiple options if they choose to market their account this year. New entrants are looking to write new business, and legacy carriers will continue to compete to maintain their portfolios with well-performing operators that demonstrate a commitment to safety and operational improvement.

Here are some of the challenges USI's aviation experts will be monitoring closely in 2025:

- **Russian confiscation of Western-leased airliners:** This confiscation of more than 500 foreign-owned and leased airliners has led to billions of dollars of claims being submitted from aircraft leasing companies to aviation insurers. These claims are currently being litigated in London courts and will likely see resolution in 2025. The settlement of these claims will likely have a continued impact on the contingent hull, war hull, and liability segments. It's unclear whether this impact will be spread across the broader global aviation insurance market at this stage.
- **Inflation and increasing costs:** Aviation claims for physical damage (hulls) costs are soaring due to inflation, lack of spare parts availability, labor shortages, and significantly increased repair times. The costs and time needed to repair even minor attritional physical damage claims have increased

2024 Aviation Insurance Market Share

- General Aviation 47%
- Airlines 35%
- Aerospace 14%
- Contingent 4%



Source: Allianz

dramatically since 2020. These increased costs will ultimately impact insurers' bottom-line results and necessitate rate adjustments to keep pace with the current cost of repairs.

- **War and instability:** The wars in Ukraine and Israel are creating significant instability in war facilities and war coverage providers. USI sees this category of aviation insurance as the most likely to experience continued rate increases and challenges in 2025. Excess war coverage that is purchased by airports and international aircraft operators are under the most pressure and will likely see this part of their programs increase by 10% or more.
- **Social inflation and increasing jury awards and settlements:** In recent years, aviation liability claim costs have continued to soar, as plaintiffs seek policy limit settlements and juries award high judgments to parties who have been injured in aviation accidents. This was evidenced by a 2022 jury award of $352M for an aviation ground handler who was injured while marshaling a United Airlines aircraft in Texas.

General Aviation

The post-pandemic pilot shortage has abated somewhat, and airline pilot hiring is expected to see reductions for most airlines. This will likely ease some of the pressure on general aviation operations to hire and retain pilots. Underwriters are continuing to maintain high standards for new and transition pilots in turbine aircraft, but are working with brokers like USI to offer flexibility.

Pilot age continues to be closely scrutinized, and older pilots may have trouble finding coverage. Additional strategy is needed for pilots over 65 years old on many general aviation placements.

Average renewal premiums are expected to be flat to down 5% for many loss-free aviation accounts, and accounts with increasing exposures or recent loss experience will likely see rate increases of 5% or more. The majority of U.S. carriers continue to prefer a "quota share" approach to fleet operators and large commercial accounts. We expect to see carriers compete for larger line sizes in 2025, and may see some carriers break from this strategy and begin to fully underwrite attractive and well-performing accounts.

Aircraft operators who operate internationally should expect additional scrutiny on the countries they are operating in. Most major aviation insurance carriers continue to add countries to the territory exclusion in the policy. Aircraft operators that purchase war limits above $100M will continue to see significant rate increases of 10% or more.

Manufacturers' Product Liability

- There is abundant capacity for noncritical aviation products liability manufacturers.
- Manufacturers with higher criticality products or poor loss history will continue to be under pressure to find competitive pricing and adequate capacity.
- Average renewal premiums are expected to be -5% or flat.

Airport and Municipality Coverage

- Airports that carry high limits of war liability should expect to see increases of 10% or more for war lines.
- Capacity and appetite for U.S. airports remains high with abundant competition.

How USI Can Help

USI works closely with our aviation clients to develop a comprehensive risk management strategy tailored to their unique exposures and focused on mitigating their cost of risk.

To achieve a favorable coverage outcome, USI suggests:

- Starting the renewal process as early as possible to allow time for renewals to be fully marketed and to schedule virtual meetings with underwriters.
- Consulting with USI's national aviation team to help guide the process. The team suggests ways to improve submission integrity and timelines, and advocates on your behalf.
- Providing detailed information that allows us to better understand your company's risk management situation and needs.
- Completing applications and questionnaires completely.
- Highlighting your company's focus on safety and pilot training protocols, especially training that goes above and beyond Federal Aviation Administration (FAA) requirements.
- Being open to underwriter and loss control visits.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

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Executive & Professional Risks

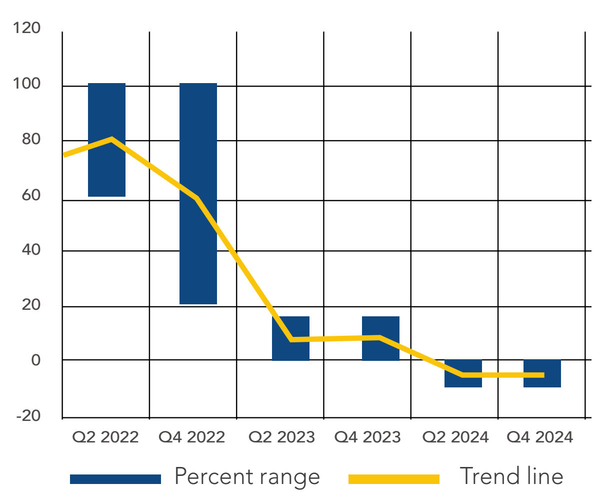
Developments Since 2024 Mid-Year Market Outlook

Availability of capacity and premium-reducing competition within the executive and professional risk marketplace continued in the second half of 2024.

- **Directors and Officers Liability (D&O):** Premiums for public, private, and not-for-profit organizations almost universally decreased. The market competitiveness extended to terms and conditions, making expanded coverage more readily achievable on both primary and excess bases. This included expanded coverage for regulatory investigation costs, higher limits for derivative demand response costs, and the ability to recoup a portion of the self-insured retention (SIR) if certain claims are resolved favorably.
- **Employment Practices Liability (EPL):** The market remained competitive despite the EEOC pursuing employment discrimination charges, especially around pregnancy and ADA violations. What hasn't impacted the market yet: Heightened employment-related privacy exposures from more genetic and biometric data collection, and a charged atmosphere around political and ideological affiliation.
- **Fiduciary Liability:** Overall, stability in the marketplace remained, particularly for insureds that showed attention to containing the costs of their retirement plan advisors and service providers. Despite high-profile events, the fiduciary liability marketplace is stable due to strong underwriting discipline, robust capital reserves, and ongoing demand for coverage.
- **Crime (Fidelity):** Premiums remained stable. Underwriters remained concerned about social engineering exposures, and sublimits for this type of loss remained the standard. Employers that implemented training for payment and procurement teams and recidivism strategies to stop chronic offenders obtained optimal results.
- **Kidnap & Ransom (K&R):** No material changes, but the targeted killing of a large company's CEO caused immediate concern in C-suites around the world.
- **Professional Liability/Errors and Omissions (E&O):** Premiums trended much closer to flat in many industry verticals. SIR reductions and terms and conditions' expansions also continued to evolve more favorably for insureds.
- **Transactional Risks (Representations and Warranties Insurance (RWI)):** Rates remained near all-time lows despite persistent claim frequency and severity. We saw a slight firming in rates in Q4. M&A transactions increased which we attritbute largely to the Federal Reserve's September interest rate cut.
- **Cyber/Technology E&O:** In July 2024, a leading cybersecurity firm suffered a large IT outage that disrupted business in virtually every industry. Despite this, cyber insurance competition remained strong, but the trajectory of softening flattened, meaning that premium decreases lessened.

Network Security & Privacy (Cyber)

Rate changes, year over year



Trends to Watch: First Half of 2025

- **D&O:** Federal securities class action (SCA) litigation is slightly increasing, with more claims involving false AI impact statements on businesses. As SCAs rise and premiums drop, some D&O underwriters may halt further premium decreases in 2025.
  - **Financial Services:** Without systemic risk events, the market should stay competitive. Financial institutions, with constant regulatory oversight, are always at risk of high-profile investigations and D&O liability claims.
  - **Healthcare:** Healthcare organizations see less competition due to heavy regulation. Anti-trust litigation and government-related claims, like False Claims Act (FCA) suits, remain significant D&O risks. The FCA's whistleblower provisions allow individuals to sue for fraud on behalf of the government.
- **EPL:** Costs to defend claims will likely continue to increase. The EEOC's focus on the rights of vulnerable workers could lead to more discrimination claims. Higher retentions for claims in California, claims by highly compensated employees, and/or class- or mass-action claims are common.
- **Fiduciary Liability:** Higher retentions for "excessive fee" claims are stabilizing profitability, but the focus of the plantiffs' bar on other factors create uncertainty. New risks also arise from the SECURE Act 2.0, which introduces changes to 401(k) distribution rules, disclosures, and testing procedures, with auto-enrollment and terminal illness payments set to begin in 2025. ESG investing faces legal challenges following the overturned Chevron Doctrine, potentially impacting fiduciary risk. State and local healthcare regulations, especially around abortion, could also complicate compliance. Other emerging litigation targets include alleged deficiencies in COBRA election notice requirements and claims related to pension risk transfers or buyouts.
- **Crime (Fidelity):** We expect social engineering and business email compromise (BEC) exposures to continue. Better alignment of coverage for these exposures between crime policies and cyber policies will be a 2025 focus. Considerations of whether insurers will provide coverage under both policies for the same insured, which policy pays first, and how retentions or deductibles apply in the event of a larger loss are critical.
- **Cyber/Technology E&O:** We expect 2025 to experience as many as, if not more, cyber incidents than 2024. The need for greater scrutiny of vendor-related risks will continue, as will the development of AI-related threats. The long-tail nature of cyber incidents may develop adversely into loss payments based on past cyber incidents. Because many small and midsize enterprises do not prioritize IT in the same way that larger organizations do, they may be more vulnerable to attacks. This is especially true for non-regulated industries where there are lower levels of adoption and implementation of critical IT/privacy controls, processes, and systems.
- **Professional Liability/E&O:** The impact of AI on virtually all professions and businesses is still unknown. While the proper adoption and use of AI could reduce risks for certain companies, overreliance on AI could result in erroneous counsel given to clients and other alleged wrongful acts like copyright infringement or invasion of privacy.
- **Transactional Risks (RWI):** We expect to see more premium transition during the first half of 2025, with rates remaining steady initially and increasing as we move through the year. We expect M&A deal activity to increase, particularly if interest rates decline further. Capacity should remain abundant with broad coverage terms available, and the underwriting process should remain insured-friendly. Underwriters' interest in writing RWI for smaller transactions continues to grow, despite persistent claim frequency and rising claim severity.

AI-related risks and securities class actions are impacting D&O liability.

How USI Can Help

For All Lines:

- Start the renewal process early (at least 120 days prior to expiration).
- Prepare a risk profile analysis and review it to determine perceived (by underwriters) strengths and weaknesses.
- Set appropriate and realistic expectations based on risk profile.
- Use analytical tools, including benchmarking, to determine an optimal program structure (limits, retention, amount of dedicated Side A coverage).
- Evaluate captive solutions, where appropriate.
- Market all layers and access multiple insurer channels and marketplaces (geographies).
- Negotiate coverage grants and navigate coverage restrictions via USI's proprietary solutions.
- Ask primary insurers for options, including multiple retention options.
- Opine on the historic claims-paying performance of current and prospective insurers.

D&O Liability

- Encourage reducing governance risk by:
  - — Establishing and maintaining sound board and committee reporting protocols.
  - — Making sure that boards closely monitor mission-critical operations and risks, particularly cyber-related risks.
  - — Instituting tests to see how effective a board's oversight governance is performing.
  - — Encouraging the addition of federal forum selection clauses to organizing documents, specifying that the federal court is the exclusive jurisdiction for litigation brought under applicable securities laws.

EPL

Insureds and their brokers should take a proactive approach in identifying distinguishing factors to secure the most advantageous renewal terms in terms of program structure, pricing and coverage. Here are key strategies to achieve this:

- Know evolving EEOC priorities, federal legislation, notable changes in state-focused enforcement strictures and emergent claims activity.
- Understand EEOC guidance regarding industry focus areas and the use of algorithms and AI in the hiring process.
- Prepare to respond to underwriting questions about HR and workplace training, biometric information collection practices, and any year-over-year changes to employee handbooks or HR manuals.
- Host and navigate successful underwriting calls with EPL underwriters and clients' HR, risk management and legal departments.
- Approach the broader marketplace (U.S., Bermuda, other) for additional and emergent EPL considerations including punitive damages wraps and wage and hour coverage.

Fiduciary Liability

- Prepare underwriting questions about plan service provider selection and comparison processes.
- Establish prudent processes for fiduciary decisions, documentation of the processes, and compliance with ERISA, DOL and IRS regulations regarding participant disclosures and government reports.
- Discuss emergent items, like the addition of a forum selection clause to plan documents and impact of M&A on plans and sponsors.
- Utilize risk management support from fiduciary liability insurers and USI resources.

Crime/Fidelity Bonds

- Understand transaction verification processes and procedures to thwart BEC risks. Insureds with advanced and thoughtful risk practices can differentiate their risk profile and secure more favorable terms.
- Look into potential coverage crossover with cyber insurance, helping clients understand differences and manage coverage applicability across different policies.

Professional Liability/E&O

- Discuss any minimum limit requirements by insureds' clients in managed service agreements and contracts.
- Provide curated, advanced underwriting questions, and help craft appropriate responses specific to operations.
- Track the most competitive insurers in the E&O space to understand their underwriting appetites and willingness to address risks creatively.
- Identify and highlight risk control and management differentiators across the insured's operations (including third-party (vendor) risk management)
- Examine the scope of professional services, as many firms have modified and diversified their offerings. Amend coverage terms as needed.

Cyber: Network Security and Privacy

- USI's comprehensive cyber risk control continuum includes services and solutions designed to assess a company's cyber hygiene/security stack and cyber risk exposures, and connect them with curated third-party providers that specialize in emergent cyber risks. Our Answerlytics™ and customized eRiskHub solutions can help you improve your cybersecurity and insurance marketability, pricing and terms.
- USI's Answerlytics Curated Providers (ACPs) know that the cyber threat landscape is increasing:
    - **Attack surface expansion —** Employers continue to rely heavily on cloud-based technology to allow for the greater utilization of remote environments. Cloud accounts can expose organizations to attacks when they are misconfigured or if vulnerabilities are allowed to persist.
    - **Identity system defense —** Identity-driven attacks often directly leverage compromised credentials to launch larger, more catastrophic attacks.

— **Supply chain concerns —** Bad actors have continued to bombard organizations that rely on a software supply chain and vulnerabilities caused by a) third-party software products that require privileged access; and b) third-party software products' requirement of frequent communication between a vendor's network and the vendor's software product located on customer networks.

— **Diversified attacks —** Cyber criminals utilize multiple attack surfaces including smishing, phishing and vishing to trick people. These bad actors target disgruntled employees and offer them nominal amounts for access to their credentials.

USI can connect you with the appropriate Answerlytics Curated Provider (ACP) that specializes in addressing identified cyber risk(s).

Technology E&O

- Evaluate full scope of operations, and seek to secure broad coverage with limited gaps.
- Act as nexus for an insured's finance, IT and legal/ compliance group to address technology E&O risks.
- As emergent technologies are widely adopted, review the need for additional limits of liability.
- Align the coverage in your insurance program between technology E&O liability and products liability/bodily injury/property damage to achieve maximum recovery of a loss.

Transaction Liability

Engage early in the M&A process to help identify the risk profile for the contemplated transaction.

- Review current market conditions and expected areas of coverage insurers are likely to raise for planned M&A transactions.
- Provide clarity and set expectations for the procurement process and timeline (the process is unlike most other insurance coverages).
- Provide a dedicated team of transaction liability specialists with 24/7 service availability.
- **Fiduciary:** Our specialized team can assist clients in highlighting the emergent areas of risk that underwriters will focus on, including nontraditional fiduciary considerations like evaluating third-party providers (TPPs) and cyber-related ERISA exposures.
- **Crime:** USI can help place coverage, including robust social engineering with physical goods coverage. We also offer third-party provider (TPP) vendor reviews, including verification and in-band procedures alignment and customization.
- **Professional Liability/E&O:** We provide TPP vendor reviews of representative service contracts. We liaise with your procurement, compliance, and risk management groups to allow for security processes, both technical (DMARC, DKIM, SPF alignment, etc.) and redundancy-based (out-of-band confirmation numbers established, passcodes for authorized user acknowledgment).
- **Transactional Risks:** We engage early in the process to identify the risk profile for the contemplated transaction, and identify areas of coverage insurers are likely to focus on. We help clarify and set expectations for the procurement process and timeline, as the process is unlike most other insurance purchases. We can also provide 24/7 service availability to transactional risk specialists.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

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Industry Updates

Our industry experts offer insights into current trends, challenges and developments across various sectors, to guide you in making informed decisions.

Agriculture

- **Property Loss Recommendations:** There is continued pressure on insureds to adhere to property loss recommendations on a timely basis. Underwriters have increased focus on risk characteristics (COPE information), especially for large property schedules, and often will look to limit exposure by moving to a loss limit structure. Strong cooperation with loss recommendations and positive risk characteristics provides an opportunity to leverage new capacity from a property insurance standpoint.
- **Outside Capital:** The agribusiness industry has become a target for outside capital via institutional investment vehicles, including private equity, pension funds and family offices. The influx of capital has created an uptick in M&A activity, which is reshaping the D&O liability risk profile.
- **Labor Costs and Technology:** With labor costs rising, organizations are leveraging technology to optimize supply chain operations, which is heightening cybersecurity risks and necessitating stronger network security controls and cyber liability insurance.

Architects & Engineers (A/Es)

- **Claims:** Economic and social inflation are driving up the cost and duration of claims.
- **Capacity Reduction:** Some carriers are reducing capacity to $5M or less, resulting in more excess placements and increasing total costs.
- **Higher Limits:** Firms are often required to carry higher limits due to the increasing complexity and scale of projects.

Aviation

- **Capacity:** The market has seen new capacity, with abundant capacity for most aviation operations. A competitive environment exists for operations with strong safety management systems in place and favorable claims experience.
- **Geopolitical Tension:** High levels of international geopolitical tension and ongoing claims associated with the Russia/Ukraine war continue to have a negative impact on war pricing.

Construction

- **Umbrella/Excess Liability:** Pricing and capacity are under enormous pressure from nuclear verdicts, auto liability exposures, and construction defect claims.
- **Property:** Market pressures impact capacity and pricing for CAT exposures on builder's risk programs.
- **Cyber:** Continued emergence of cyber liability exposures in the construction industry including the:

— Emergence of AI and reliance on mechanical means.

— 3D printing of materials.

— Record pace of new tech center construction.

— Exposure to cranes and heavy equipment.

Distributors

- **General/Product Liability and Auto:** These lines will continue to be major loss drivers for distributors.
- **Third-Party Hauling:** Due to increasing exposures, insurers want to see that the right controls are in place for insureds to mitigate losses and the risk of nuclear verdicts.
- **Third-Party Litigation Funding:** The increased use by plaintiff firms is resulting in distributors being named as defendants in products suits more frequently.

Education

- **Liability:** Coverage continues to be challenging due to the increased cost of claims.
- **Sexual Abuse and Molestation:** This continues to be challenged due to the extension of reviver statutes in many states.
- **Antitrust Coverage:** This is becoming problematic due to multiple class action claims against higher education institutions, as well as student athlete issues related to the changing landscape with NIL payments, athletic scholarships, and whether they should be considered as employees.

Energy

- **Power Demand:** After nearly 25 years of declining electricity demand, we expect it to increase significantly due to AI, cloud, data-centers, EVs, crypto, and the ongoing migration to e-commerce. This may lead to higher power generation costs, increased insurance premiums for energy-related risks, and the need for comprehensive risk management programs.
- **Renewables and Political Uncertainty:** Potential tariffs can increase costs and risks for renewable projects, while IRA credits can provide financial incentives. This dual impact may require adjustments to insurance coverage to account for higher project costs and potential delays due to tariffs.

Entertainment and Media

- **Private Equity Investment:** Increased investment in youth and professional sports is reshaping the industry. With more investment comes increased scrutiny for better governance, safety, and overall operational practices to reach profitability. Risk management has, and continues to be, at the forefront of protecting these organizations and ensuring their viability.
- **Climate Change and Active Shooter Impacts:** Weather events and active shooter threats are increasingly affecting the safety and viability of all sports. Event managers must ensure the safety of the public while attending these events, and be prepared in the event of an incident. The development of emergency response plans, as well as event cancellation coverage, are critical components of a risk management program.
- **Sports Betting Regulation:** The regulation of sports betting is creating new challenges and opportunities for risk management.

Financial Services

- **Cyber Risks:** Boards must ensure cyber programs are fit for purpose and limits are sufficient to mitigate risks.
- **AI Impact:** AI's role in decision-making and customer service raises new risk and insurance considerations.

Healthcare

- **Employee Recruitment and Retention:** Healthcare faces challenges in attracting and keeping skilled professionals due to high demand.
- **Increased Litigation Costs:** Legal expenses are rising as healthcare providers navigate complex regulations and lawsuits.

Hospitality

- **Property Market Impact:** Due to severe storms and water damage claims, expect property carriers to raise catastrophic (CAT) and water damage deductibles, limit wind/hail coverage, or reduce their interest in insuring hotels and resorts.
- **Casualty Market Trends:** In 2025, anticipate human trafficking exclusions, and sublimits for abuse/molestation and assault/battery. Strong risk management, maintenance checklists, and security procedures are crucial for favorable terms and coverage.

Manufacturing

- **Supply Chain:** Continued risks, disruptions, delays and elevated costs are expected due to several factors, including geopolitical tensions, labor shortages across the value chain, rising costs in raw materials and changes in government policy. A comprehensive risk management program focused on supply chain planning, transparency, and supplier collaboration will assist in mitigating losses and overall cost of risk.
- **Investment in Digital Technologies and Smart Operations:** Companies are continuing these investments to address elevated material and labor costs, an ongoing skills gap, and potential disruptions from geopolitical factors. Manufacturers should remain diligent in integrating cyber resilience into their organizational culture to help boost their own security, as well as the security of suppliers and vendors in their network.

Marine

- **Capacity and Appetite:** Both are increasing on almost all marine lines, with the Lloyd's and London markets leading the charge and the U.S. markets responding in kind.
- **Protection and Indemnity (P&I):** The IGA Clubs are seeking increases between 5% and 7.5%, driven by inflation and several large claims, such as the Baltimore bridge incident. The fixed P&I market and excess liabilities are generally flat, assuming acceptable loss ratios.
- **Rates and Trends:** Rates for hull and machinery and ocean cargo are softening slightly, with this trend expected to continue for the next 18 to 24 months. Marine general liabilities and excess are generally flat, but port/terminal property appetites are increasing, leading to significant savings.

Professional Services

- **Data Management and AI:** Many firms (especially law, consulting and accounting) continue to be targets for the data they hold. The untrained use of AI and how to effectively utilize it to provide correct advice are additional issues firms are attempting to manage. While cyber premiums have moderated, underwriter scrutiny continues to place pressure on internal controls.
- **Staffing Challenges:** Many firms are attempting to do more with less staff, causing mistakes to occur, impacting clients and resulting in professional liability claims. Despite stable rates, clients with poor loss history are seeing premium increases.

Public Entity

- **Law Enforcement Liability:** Placements continue to garner strong underwriting attention, with pricing and retention facing upward pressure.
- **Excess/Umbrella:** Challenges arise from capacity and the impact of larger verdicts, with certain jurisdictions seeing significant reductions in available capacity without tort reform.

Real Estate

- **Deferred Maintenance:** This has been a looming issue for several years, and insurance carrier demands are making the problem more acute. As operators consider catching up, some are beginning to see rebuilding as a more cost-effective option. Also, the decrease in office demand versus the housing shortage is causing office and retail operators to evaluate conversions of existing space. However, construction challenges can drastically increase the insurance burden. This has led to more rebuilds as well.
- **Social Inflation:** This has created tremendous volatility in liability markets, which has contributed to a slower-than-expected re-entry of capital and capacity into the market. Crime scores are now baseline underwriting information and a primary determinant of cost and capacity.
- **Property Schedules:** They are growing, and underwriting for property and liability can drastically depend on geography and risk characteristics. This has changed the approach of the market players. Comprehensive single-player programs are harder to find. More shared and layered programs are emerging, and splitting up programs with regional markets is once again becoming more prevalent.

Retail

- **Supply Chain:** Retail supply chains face various disruptions and risks, including issues like fluctuating demand, supplier delays, transportation bottlenecks, natural disasters, and geopolitical instability. Insurance can be utilized to mitigate these risks, covering aspects like inventory protection, business interruption coverage, and logistics insurance.
- **Cyberattacks:** As more people shop online, e-commerce crimes are on the rise. A distributed denial of service (DDoS) attack can cripple business servers, preventing customers from purchasing items. Cybercriminals can also target brick-and-mortar retailers by hacking into physical point-of-sale (PoS) systems. Cyber insurance protects retail business and covers damages in the event of a data breach.

Social Services

- **Fundraising:** Nonprofits must adapt to a rapidly evolving digital landscape to effectively engage audiences and maximize fundraising efforts. By focusing on digital marketing, personalized communications, AI tools, simplified donation processes, and audience preferences, organizations can create impactful strategies that resonate with supporters while driving meaningful change in their communities.
- **Cybersecurity Risks:** Nonprofits often hold data on donors, and these records may include sensitive financial information. A data breach may expose this information and put donors at risk. Ransomware and phishing attacks have become a constant threat. Stringent updating and focus on training while managing cyber hygiene is critical for 2025 and beyond.

Trucking

- **Driver Shortage:** Technological advances have eased the driver shortage as the trucking profession has become more attractive and manageable.
- **Litigation:** Rising jury verdicts remain a top issue despite tort reform efforts.
- **Insurance Cost and Availability:** Rising operational costs, increased litigation, and high-profile nuclear verdicts continue to impact the availability and cost of insurance.

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