AON

Q1 2023

Global Market Insights Report

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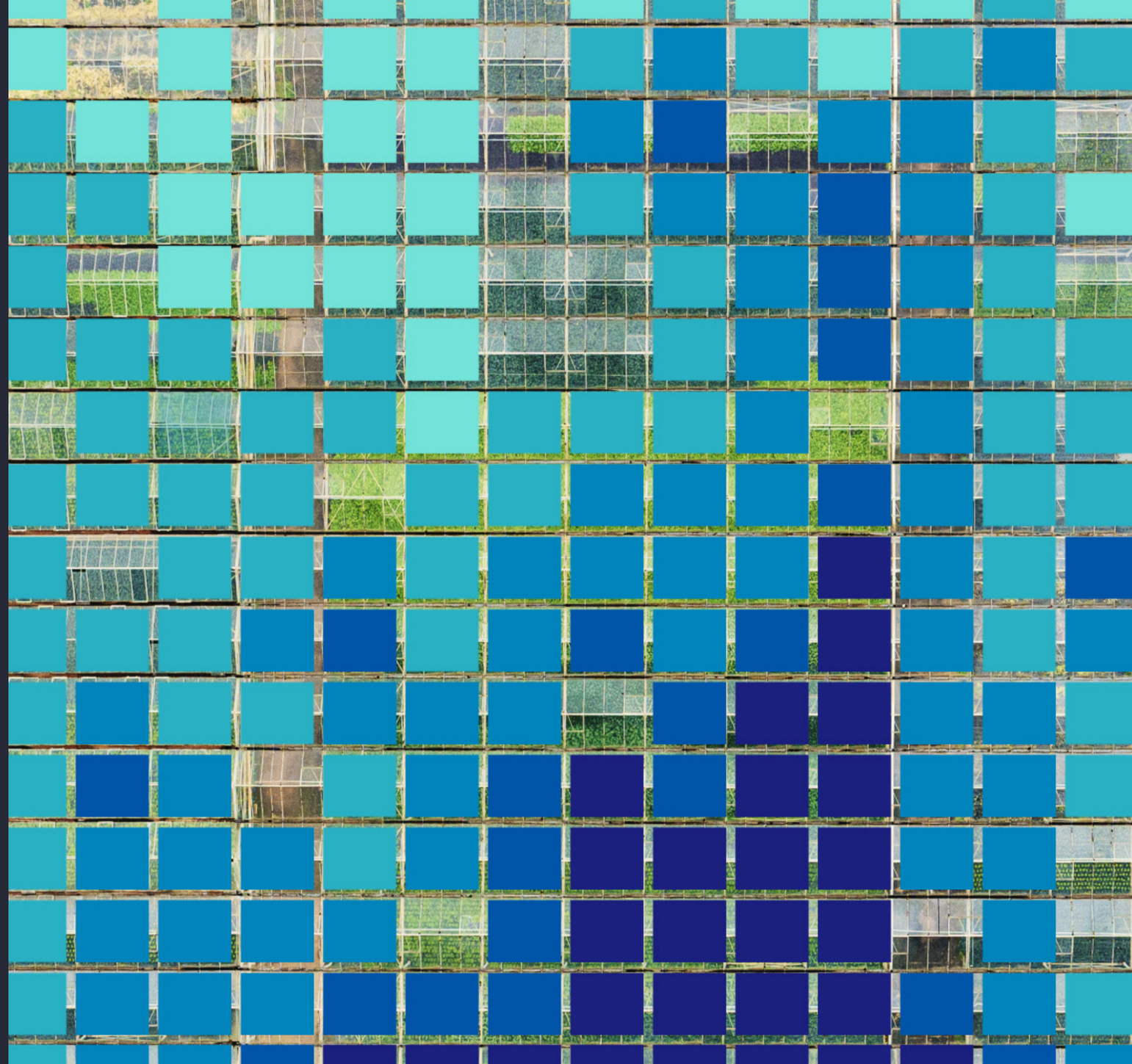
Introduction



1 Introduction

Treaty renewals and bank failures created volatility and increased uncertainty while insurers continued to seek targeted growth in well-performing parts of their portfolios

We've recently seen a shock to the banking sector and the largest bank failures since the 2007-2008 Global Financial Crisis. The quick and unanticipated failures of SVB and Signature Bank in early March created wariness of bank fundamentals and quickly turned attention to other banks with perceived balance sheet or risk management weaknesses leading to Credit Suisse's failure and sale to UBS. At the core of this crisis of confidence remains some fundamental issues that are not entirely resolved, as evidenced by First Republic Bank's failure last week, and thus leads many to believe that more volatility in the banking sector could still lie ahead. While the impact from these events may most acutely impact US regional banks, we have already seen and expect to continue to see cascading impacts globally. Two critical and interrelated issues pertain to:

- Asset and Liability risk management: as interest rates have increased, long-dated, low interest rate assets and investments on bank balance sheets are worth less and could generate losses if sold to raise needed liquidity.
- Uninsured deposits: higher interest rates and concerns over uninsured deposits have caused depositors to reevaluate their banking partners and move excess deposits to other banking (or non-banking) institutions to maximize yield and deposit protection...putting further liquidity and funding pressure on regional banks.

As governments and regulators turn their attention to these issues to restore confidence in global banking systems, regional and mid-sized banks will experience heightened scrutiny around their business models, sources of liquidity, balance sheet strength, operational resilience, executive compensation and risk management practices. And as always, with volatility and heightened regulatory scrutiny, will also come heightened insurance underwriting scrutiny. This market trend, and others related not only to financial institutions but also to the market at large, are highlighted in this quarter's report.

1 Introduction

Key findings include:

- Precipitated by a confluence of events and conditions, including stubborn inflation (exacerbated by the events in Eastern Europe), a challenging 2022 storm season, ongoing climate change concerns, and pressure from investors to improve portfolio performance, the January 1st treaty renewals were the most delayed, complex and difficult in decades, introducing significant volatility into the market – especially for Natural Catastrophe exposed Property risks and Specialty risks impacted by war and inflation. The market for such risks was characterized by significant price increases, reduced capacity availability, and modified coverage terms and conditions, particularly around valuations.
- While the market environment was challenging for Natural Catastrophe Property, as well as higher-risk sectors and occupancies, US-exposed risks (on non-US placements), and risks with adverse claims experience, insurers continued to expand their appetite and compete to retain and grow their portfolios in targeted areas where rates were viewed as adequate, and the scope of coverages had been clarified. Most notably, the Directors & Officers market experienced a continued moderation – with abundant capacity and price decreases available in some major markets – and Cyber market headwinds continued to subside.
- Amidst the backdrop of recent bank failures, and evolving regulatory scrutiny on the banking sector, Management Liability and Financial Lines insurers reassessed their exposure to banks and depositors overly exposed to vulnerable banks. Regional US banks experienced rate and retention increases, and insurers signaled more disciplined underwriting and further capacity assessments.

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In the Spotlight: Bank Failures we highlight a few key risk and insurance market trends and solutions that banks, and bank customers (for example, early-stage tech companies), will need to consider to navigate this period of volatility and be positioned to take advantage of opportunities when presented. Because the events in the banking sector are happening against a complex backdrop of global macroeconomic, geopolitical, and climate challenges that have impacted the risk environment and precipitated the need for innovative solutions, the Spotlight: Parametric Solutions takes a closer look at how Aon is bringing creative concepts like Parametric insurance to life for clients.

Continue reading to learn more about how the risk environment continues to evolve - for financial institutions and society at large - and the ways the insurance market responded in Q1 to meet the ever-changing needs of our clients.

1 Spotlight: **Bank Failures**

Navigating today's complex and dynamic financial risk landscape requires a robust approach and multifaceted solutions.

As companies continue to grapple with the direct and indirect impacts of the recent events in the banking sector, myriad solutions - from traditional insurance to capital management solutions to IP, M&A and Human Capital consulting - are available to help them navigate this period of volatility and be positioned to take advantage of opportunities when presented.

Spotlight: **Bank Failures**

Traditional insurance

The evolving risk landscape calls for stress-testing the robustness of insurance programs.

With recent bank failures spotlighting banking industry volatility, financial institutions – indeed, all companies that rely on the banking industry to conduct business – should be mindful of the impact that such volatility is having on the insurance underwriting process. For example, management liability and other financial line insurance underwriters already are asking financial institutions and non-financial institutions alike about whether their deposits are too concentrated with any particular bank. For companies that are overly exposed to a given bank, a failure of that bank could spell disaster, and potentially could fuel shareholder claims alleging that the companies' directors and officers did not conduct adequate due diligence of their banking partner. As for financial institutions, in particular, insurance underwriters already are probing such institutions' internal controls and strategies with respect to asset liability risk management and customer diversification (e.g., are the institutions overexposed to customers in volatile industries?).

While insurers are working to assess whether their financial institution clients are the next SVB or Credit Suisse, they also are taking note of the evolving risk and exposure landscape. Examples include:

- President Biden's recent call on U.S. legislators to give regulators greater authority to claw back compensation from and otherwise penalize bank executives who have engaged in mismanagement
- Enhanced scrutiny of insider sales among directors and officers of financial and other institutions, particularly against the backdrop of recent amendments to SEC Rule 10b5-1
- Shareholder litigation and reported government probes involving SVB and Signature Bank in the wake of their respective recent collapses

These are amongst a litany of other recent instances of financial institutions settling shareholder and government claims for substantial amounts, funded at least in part by insurance. Against the backdrop of these kinds of exposures, the insurance market for financial institutions has begun to tighten. Among other actions, insurers of such institutions have refused to agree to rate decreases (notwithstanding softer market conditions leading up to SVB's collapse, insurers have pushed for rate and retention increases, and have been reconsidering their own exposure to particular financial institutions). Although it is premature to predict exactly how financial institution insurance market trends will unfold over the coming months, one thing is clear already: the negotiation of pricing, retention, and other terms of such insurance already is becoming increasingly protracted and, accordingly, financial institutions should ensure that they have sophisticated brokers beginning these negotiations early and managing such negotiations through proactive communication with all insurers involved.

How Aon Can Help:

Financial institutions can benefit from stress testing the robustness of their insurance coverage. Key coverage terms related to evolving exposures include regulatory investigation coverage; run-off provisions, including any pre-determined triggers for run-off; insured/entity vs. insured exclusions and exceptions to such exclusions; provisions governing the order of payments; and provisions concerning potential bankruptcy of the institutions.

Spotlight: **Bank Failures**

Intellectual Property Solutions

Leveraging Intellectual Property solutions may provide access to additional capital and flexibility.

We are seeing a tightening of financial conditions and bank lending following recent events, leading to a potential credit crunch. The ability to value and insure IP on a borrower's balance sheet can enable banks positioned to take advantage of this dislocation to engage with the high growth community and offer them more creative and effective funding solutions than were previously available. Events over the last month have demonstrated the over-reliance of the venture community on a small number of banks; it is only natural that founders and investors will now have to consider alternatives. Growth companies burning through cash and challenged for funding in the current environment will be more active in the market creating opportunity for many entities, ranging from established venture funds through to new forms of capital seeking to lend against IP.

How Aon Can Help:

IP is often a company's most significant asset and an essential component of corporate value. Aon applies a comprehensive approach to IP across a client's IP portfolio by applying our three pillars of strategy, valuation, and risk.

Deal sourcing, Transaction and Investment Strategies Advice

M&A readiness positions companies for opportunities

M&A opportunities will continue to present themselves as vulnerable banks seek to maximize liquidity and adapt their business models. For the banks in question, this could entail a sale of the whole business or sale (carve out) of some of the loan book or other assets / business divisions. Enabling parties undertaking bank-to-bank M&A to work at speed to secure the broadest insights into the target business will be critical to ensuring optimal outcomes.

Clients of the challenged/failed bank impacted by a reduction in liquidity or credit availability will likely look to third parties to support M&A investment and financing, or otherwise potentially be targets for acquisition themselves – particularly considering record levels of capital ready to be deployed by private equity.

This could lead to a spate of venture capital buyouts or investment, or an increase in private equity financing and recapitalizations.

For those considering buyouts or investments, due diligence will provide visibility into the transaction, including confirming the underlying insurance, cyber risks and people position of the target. When assessing tech start-ups, analysis should be undertaken to accurately value IP-rich companies to articulate and maximize value on any sale or investment. Transactional insurance products can also offer protection for buyers, including for litigation, tax and other identified risks. These and other balance sheet liabilities can potentially be ringfenced to mitigate risk for buyers/investors.

How Aon Can Help:

With complex, time-critical and highly specialized M&A and finance deals, Aon can offer expertise around deal sourcing, transaction processes and investment strategies. Specialist M&A, capital, and credit professionals bring experience in times of financial uncertainty with the potential to unlock greater opportunities at all stages of the deal lifecycle.

Spotlight: **Bank Failures**

Human Capital Solutions

Prioritize human capital perspectives on the Board's Risk Committee agenda.

For those banks directly impacted by this crisis, there are a number of critical considerations. Banks will need to consider how they can retain critical staff as they wind down operations through special retention incentives and post-wind down transition support. They will also need to examine clawback provisions in executive compensation agreements - and clawback pay, where appropriate. For banks whose wholesale funding costs have increased and there is a particular need to conserve cash, they will need to identify critical staff, conduct attrition risk assessments, and construct an optimal total rewards package that conserves cash.

Insolvencies highlight that human capital failures are often at the heart of risk management issues. Human capital perspectives should be a critical part of the board's risk committee. Part of this process needs to include a review of executive compensation structures and clawback provisions to ensure they discourage excessive risk-taking. Clients of failed banks need to begin planning for liquidity challenges in the future as venture lending becomes scarce. This includes compensation programs that emphasize long-term incentives, carefully stewarding cash compensation and evaluating the cash implications of cash settled long-term incentive programs.

How Aon Can Help:

Aon's Human Capital Solutions team applies its expertise and workforce data to help clients tackle transformational projects across rewards, talent assessment and performance analytics.

Credit Risk and Capital Management Solutions

Accessing Credit Solutions from the (Re)insurance Markets can Bolster Resiliency through Credit Cycles

The recent events are another reminder that shocks to the banking system are inevitable during fiscal and monetary cycles. As financial conditions continue to tighten, credit deterioration is a mounting concern. This is thus another opportunity for banks to round out and maximize their credit risk management tool kit with solutions from the (re)insurance markets.

How Aon Can Help:

With complex, time-critical and highly specialized M&A and finance deals, Aon can offer expertise around deal sourcing, transaction processes and investment strategies. Specialist M&A, capital, and credit professionals bring experience in times of financial uncertainty with the potential to unlock greater opportunities at all stages of the deal lifecycle.

Aon has been focused on supporting mid-sized and regional banks well in advance of the recent volatility. To learn more about the tools and solutions we can leverage to help clients navigate these challenges please reach out to your Aon Team.

Spotlight: **Parametric Solutions**

Parametric Insurance Solutions are Simplifying Risk Transfer, Providing Rapid Liquidity and Flexibility

Complicated times call for creative solutions. The events unfolding across the financial institutions landscape have introduced market volatility and required immediate attention to mitigate risk, as highlighted in the Spotlight: Bank Failures section. These events are happening against a complex backdrop of heightened uncertainty related to high inflation, geopolitical tensions, ongoing cyber threats, and the increasing frequency and severity of natural catastrophes. Organizations must remain steadfast in their commitment to resilience across the entirety of the firm's risk environment. In addition to providing solutions to help address direct and indirect banking-related risks, Aon is supporting clients as they navigate the challenges of the risk landscape at large, including helping them explore and leverage solutions such as data-driven decision frameworks, risk transfer capacity, and innovative concepts like parametric insurance.

Parametric insurance is a solution that deconstructs traditional risk transfer by unlocking capacity via an independent event-based trigger, suitable when 3rd party data sources exist that can serve as a proxy for a risk event. With this solution in place, when the event occurs, the independent data responds, triggering the policy, giving the insured quick access to capital. Parametric solutions are particularly well suited for risks associated with natural catastrophe and weather perils, but innovations in this space are expanding these concepts into new areas.

This creative take on risk transfer allows for a different type of performance from insurance where the solution becomes very simple and straightforward, the claims process happens much faster (payment within weeks of the triggering event), and clients see greater strategic capital value in the liquidity provided by the solution.

To help illustrate, following are four examples of parametric insurance solutions in action.

Spotlight: **Parametric Solutions**

Cases in Point

- **Addressing climate uncertainty:** A manufacturer with operations located on the Gulf of Mexico was concerned about the increasing frequency and severity of climate-change impacted hurricane activity, while also frustrated by prior claims experiences from traditional insurance, which did not address their needs. To better enhance resiliency and unlock liquidity in a future crisis, the client purchased a parametric insurance policy designed to provide capital quickly in future hurricane scenarios, with coverage triggered based on National Hurricane Center data.
- **Mitigating increased retentions due to traditional market instability:** A western Canada-based real estate client was required to take higher property retentions due to restricting capacity in the traditional marketplace for their earthquake exposure. To address the risk of exceeding risk-bearing capacity, the client purchased a parametric solution to hedge the growing retained exposure to an earthquake based on published by the United States Geological Survey.
- **Navigating emerging risks and "secondary perils":** A client developing renewable energy assets in Texas encountered several challenges including a lack of sufficient capacity to address risks related to secondary perils like tornados and economic damages if the construction of the assets was delayed due to weather events such as excess precipitation. Both of these dynamics were addressed with parametric insurance solutions - parametric capacity, to address the need for tornado risk coverage, and a solution to offset exposure to weather-related construction delays. With these solutions in place, the client is better positioned to respond to demands to support the buildout of renewable energy capacity.
- **Mitigating the protection gap and "grey swans" from natural catastrophe events:** A California-based technology company was concerned about the broad economic damages they may face from the myriad impacts of an earthquake on employees, local infrastructure, and their own operations. Rather than leaving this "protection gap" to chance, the client purchased a parametric insurance solution to generate rapid liquidity from an event, providing flexibility to act as needed during a time of crisis, including providing financial assistance to support return-to-work efforts.

Not only have clients benefitted via the performance of these solutions, but parametric insurance improves risk transfer for all parties to the transaction by drawing a crucial distinction between volatility and uncertainty. In the case of parametric insurance, the capacity is focused on risks insurers can understand – highly volatile fortuitous events backed by data, such as the frequency of a hurricane at a given location. By contrast, uncertain events where no data exists (for example, the post-event litigation environment) may be more sustainably addressed with other capital solutions. We see this intersection of volatility and uncertainty as a central dynamic impacting risk transfer markets today, where parametric solutions provide the "missing link" to help grow risk transfer and reduce the protection gap.

At Aon, our teams' progressive thinking and creativity is at the heart of our collaboration with clients to support their decision-making and help them effectively navigate the challenging risk landscape. Aon's global alternative risk team and parametric network is available to discuss specific client needs and our approach to developing customized solutions. While parametric coverages may seem complex as a new solution, the process and outcome for clients is quite simple.
Please reach out to your Aon Team to learn more.

Michael Gruetzmacher

Head of Alternative Risk Transfer and Innovation

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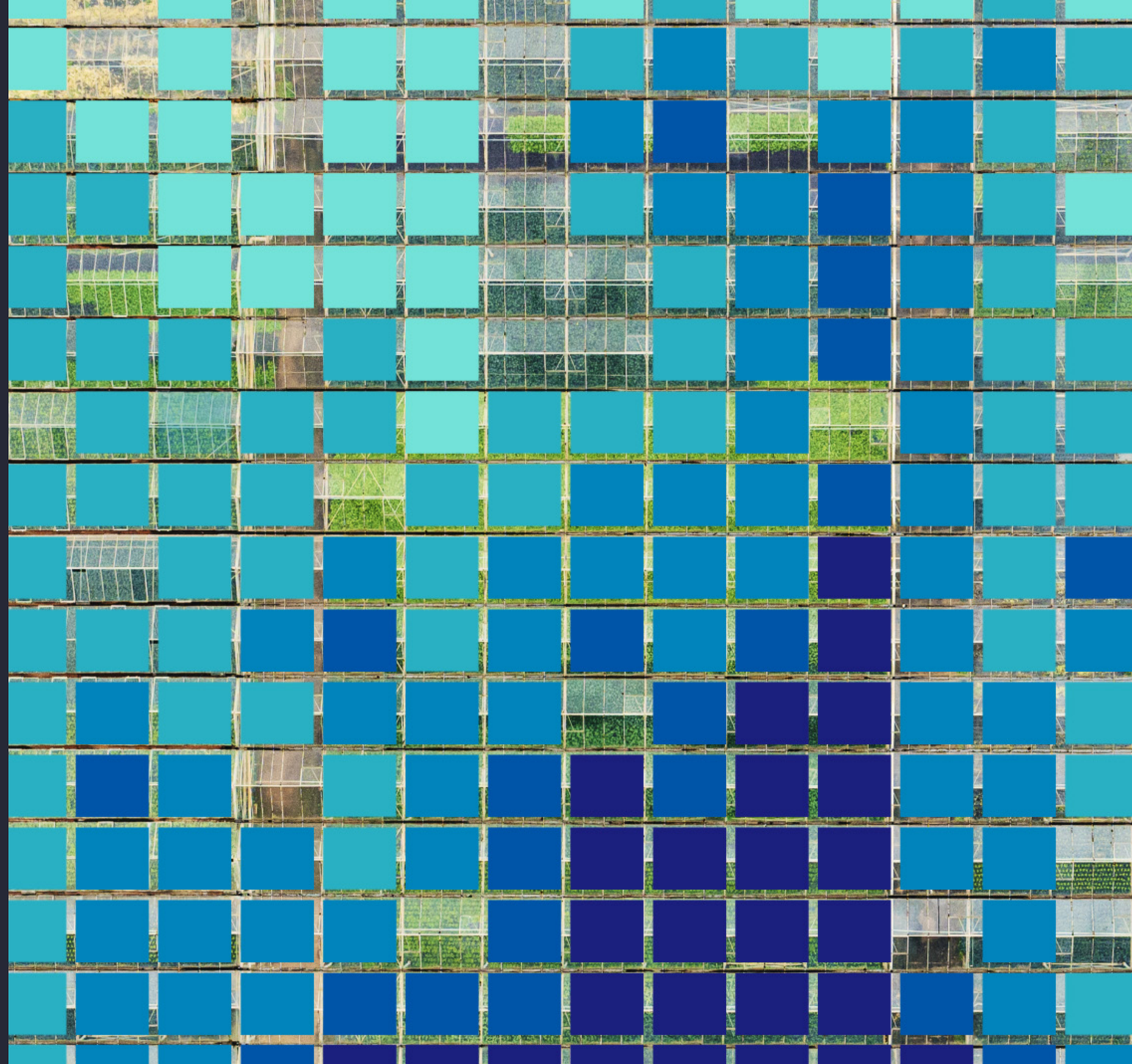
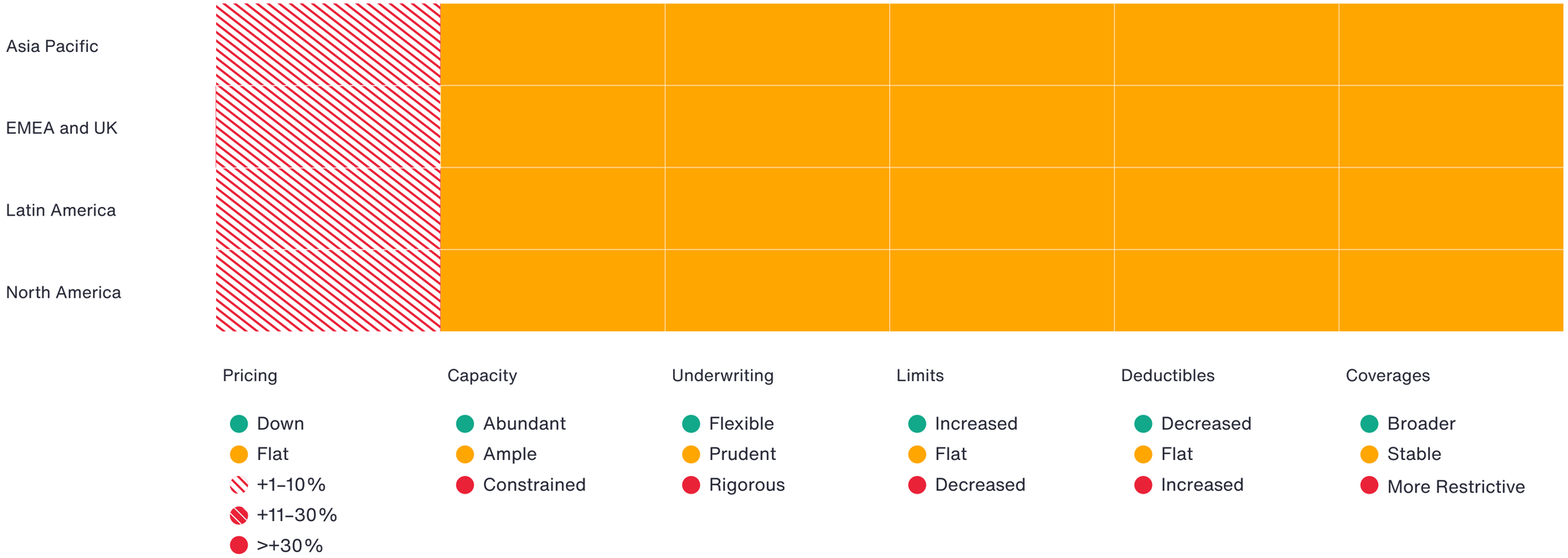
Global Insurance Market Overview



Q1 Market Dynamics



Q1 Market Dynamics

Pricing

Ongoing inflation and rising loss costs – together with surging reinsurance pricing and contraction of reinsurance capacity – served to pressure pricing upward, though a strengthening of insurer profitability and pressure to achieve growth targets served to dampen increases and drive targeted decreases. Notable exceptions included Natural Catastrophe exposed Property, as well as higher-risk sectors, US-exposed risks (on non-US placements), and risks with adverse claims experience, which experienced increases that were in some cases significant.

Capacity

Capacity remained sufficient across most products and risk types and increased in some parts of the market. Notable exceptions – driven largely by reinsurance treaties – included Property, especially for risks with heavy Natural Catastrophe exposure, and risks with high hazard exposures.

Underwriting

Insurers remained focused on profitable growth and retention of well-performing risks and continued to expand their appetite in targeted areas. Underwriting was generally more flexible but remained disciplined and based on individual risk profile, controls and performance. The impacts of global inflation, combined with other factors, continued to drive up loss costs, and scrutiny of asset values and methodologies continued. Detailed information, even for well-managed and well-performing risks, was critical to achieving superior placement results.

Limits

Limits were pressured upward as inflation continued to increase exposures, as well as verdicts/settlements, and supply chain challenges impacted Business Interruption modelling. At the same time, changes to reinsurance treaties prompted some limit and sub-limit reductions (e.g., Natural Catastrophe sub-limits, particularly in lower attachment layers).

Deductibles

Deductibles remained generally stable despite insurer-proposed increases. Property placements – especially heavily Natural Catastrophe exposed risks – experienced mandatory increases and, in some cases, were transitioned to percentage deductibles. Increases were also required for some challenging risk types, poor performing risks, and risks deemed to have insufficient controls.

Coverages

Restrictions implemented in recent years were reconsidered in some cases, although the reinstatement of “soft market clauses” was limited. Following 1/1 treaty renewals, and as valuation concerns continued, Property terms and conditions faced ongoing pressure, especially where a clear valuation methodology was not evidenced. New Natural Catastrophe related restrictions were imposed for certain events. Insurers remained focused on limiting their Cyber exposure and continued to clarify Cyber-related coverage language. Exclusions related to the events in Eastern Europe remained.

Q1 Regional Insights

Asia-Pacific

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

- At the time of writing, New Zealand weather events are estimated to have cost insurers in the region $2billion, putting additional strain on local natural catastrophe reinsurance treaties. The southern hemisphere summer was otherwise relatively benign.
- Following the January 1st treaty renewals, insurers continued to review the impact of cost and retention changes across their portfolios, which were estimated to have a notable impact on combined ratios, driving continued scrutiny around Natural Catastrophe perils with a particular focus on unmodelled perils.
- Despite pressured performance, insurers remained focused on retention and profitable growth, creating an interesting disconnect and driving further polarization of capital deployment. Notable examples included mid-sized and SME risks, as well as D&O placements, which saw a strong alignment of capacity, while Natural Catastrophe exposed risks and more challenging Liability and Professional Indemnity profiles remained significantly challenged.
- Due to strained underwriting performance, many domestic insurers – especially those without a proper international business arm - have reduced their international capacity and shifted their appetite and focus toward local businesses and exposures with which they are more familiar.

Q1 Regional Insights

EMEA and the United Kingdom

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

- Market conditions were generally moderate across most countries and products, with the notable exceptions of:
  - Property risks – especially Natural Catastrophe exposed – remained challenging as insurers sought to manage their exposure through selective capacity deployment and scrutiny of key areas of coverage.
  - As insurer performance improved, the D&O market further improved, with abundant capacity available in some countries, and pockets of price reductions.
  - After a prolonged period of challenging Cyber market conditions, the environment continued to moderate in Q1. While price increases remained the norm, they decelerated. Underwriting rigor and scrutiny; however, did not abate.
  - Appetite and competition for mid-market Casualty risks was healthy.
  - Pricing for US-exposed risks was challenging – especially for Auto Liability, Casualty and Property.

Q1 Regional Insights

Latin America

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

- A challenging treaty renewal season sent waves across the market, resulting in upward pricing pressure, a refinement of appetite, targeted withdrawal of capacity, and some deductible mandates.
- Social unrest in certain countries led to volatility, caution and conservatism in the Political Risk market.
- The focus on risk quality and risk controls intensified, and detailed underwriting information – including descriptions of controls and complete loss history – was required to achieve superior renewal outcomes.

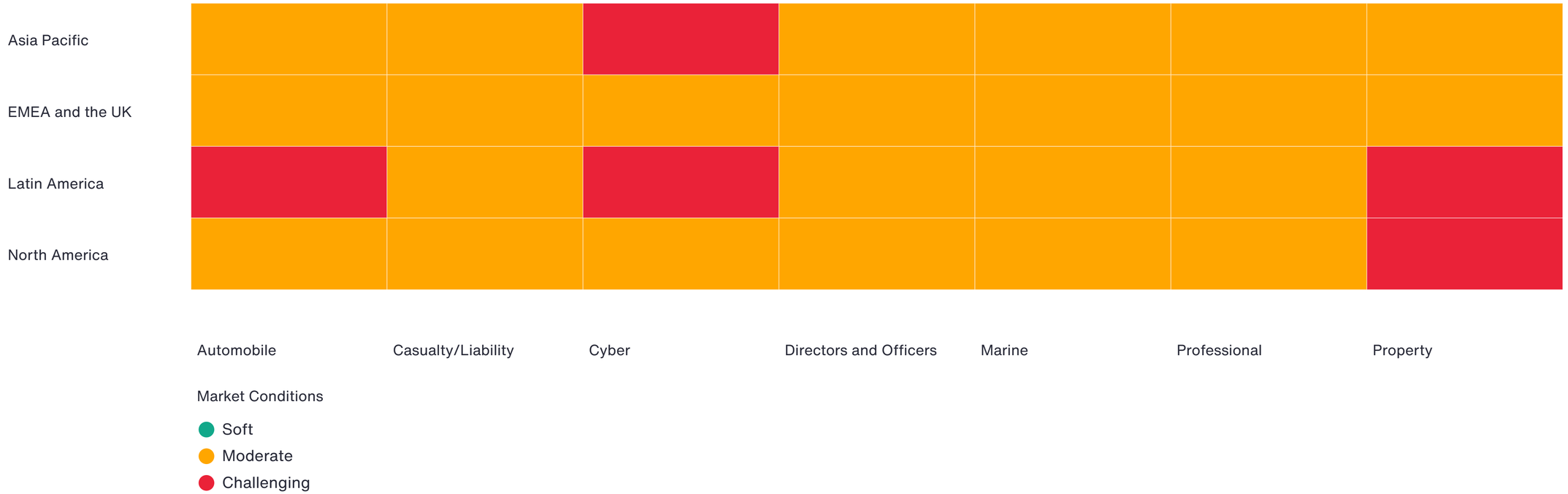
Q1 Regional Insights

North America

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

- The remediation measures taken by insurers in recent years served to improve portfolio performance and create a more competitive environment, which gained momentum in Q1 as insurers focused on profitable growth. Despite a more favorable environment, underwriting remained disciplined (and based on individual risk profile), and insurers were strategic in their capacity deployment.
- The Property market was very challenged in Q1 due to 2022 storm activity and surging reinsurance costs following the January 1 2023 reinsurance renewals, which were the most difficult in decades. The market was characterized by significant price increases, reduced capacity for Natural Catastrophe exposed risks, mandated coverage adjustments, including some related to indemnity periods and insured values, and renewals that came down to the wire due to delayed underwriting decisions.
- Loss cost trends in Casualty and Professional lines remained a concern for underwriters as rate increases remained modest while loss costs trended significantly higher.
- While publicly traded D&O was highly competitive at the outset of the year, the events involving Silicon Valley Bank (SVP), Signature Bank and Credit Suisse created a wave of caution as insurers questioned whether further weaknesses would materialize in the Financial Institutions sector or in other industries like technology.
- Intermediaries were cautious and exercised heightened due diligence in the wake of the discovery of a situation where an Indiana-based MGU was binding business to a non-rated insurer after it lost its Lloyd's capacity.

Q1 Market Trends by Product



Q1 Market Trends by Product

Automobile

A confluence of factors such as inflationary pressure, supply chain challenges, rising accident frequency, increasing verdict amounts, and new automotive technologies served to increase loss costs and pressure pricing upward while competitive forces and the growing availability of Alternative Risk Transfer solutions served to dampen increases. While insurers leveraged flexible underwriting as a differentiator for in-appetite risks, underwriting remained generally prudent with a focus on fleet safety controls, driver training and driver selection. Insurer focus on ESG targets sharpened, impacting underwriting guidelines.

Casualty / Liability

A two-tiered market became more pronounced as preferred risks experienced a modestly favorable environment characterized by increased capacity, healthy competition and flat pricing while out-of-appetite risks (determined by industry, individual risk performance, presence of US exposures, and the need for reinsurance) often experienced limited appetite and material price increases. Topics such as claims inflation, large losses, and emerging risks such as PFAS and biometric privacy factored heavily into underwriting discussions, and policy clarifications were applied. Detailed and complete information remained key to achieving superior placement results and minimizing follow-up queries.

Cyber

Headwinds continued to subside as insurer loss ratios improved, confidence and appetite grew, and capacity continued to enter the market. Price increases generally decelerated, with risk differentiation remaining a key price driver. Underwriting remained rigorous, with extensive underwriting data documenting best-in-class network security and privacy controls required. Insurers continued to scrutinize coverage offered for critical infrastructure, systemic and/or correlated events, and war, with certain insurers restricting coverage on either a generalized or event specific basis. Lloyd's insurers were required to implement an LMA-complaint cyber war exclusion.

Directors & Officers

The market transition that began in 2022 continued in Q1 2023. Improved rate adequacy served to strengthen insurer appetite, bringing new capacity into the market and improving competition. Underwriting remained focused on risk differentiation and emerging issues such as ESG, as well as the continued challenges associated with supply chains, inflation, cyber governance, and the potential impacts of recent banking failures. Risks falling within appetite experienced increased underwriting flexibility, including the reconsideration of coverage restrictions imposed during the hard market as insurers sought to differentiate based on coverage terms.

Marine

In the Cargo market, rising reinsurance costs and geopolitical concerns served to create moderately challenging conditions characterized by moderate price increases, a rigorous underwriting environment – especially related to Natural Catastrophe exposed risk, supply chain disruptions, aggregated values, and spoilage – and a refocusing of appetite. Capacity was generally sufficient, with some new capacity entering the market.

The Liability market was moderate; price increases remained modest, and capacity was generally sufficient. Social inflation remained a significant underwriting discussion theme.

The Hull market was stable, with pricing hovering near flat and reductions available in some cases, especially when competition was introduced. Capacity remained sufficient, with some constraints for large fleets and challenging vessel types. Underwriting was flexible for well-performing, in appetite risks.

The Logistics market was moderate. Capacity was stable, and generally sufficient. Insurers focused on profitability, but flat pricing could be achieved. Limit increases were commonly requested and generally available. Coverage restrictions related to virus, bacteria, and fungi, as well as events in Eastern Europe continued, and some insurers expanded their exclusion to all perils for shipments to/from and within Russia, Ukraine and Belarus.

Q1 Market Trends by Product

Property

Following a complex and challenging treaty renewal season characterized by decision-making delays, significant rate increases, a notable pull-back of capacity, and mandatory coverage adjustments – especially related to indemnity periods and insured values (e.g., required margin, average, and coinsurance clauses) and Political Violence coverages – market conditions were strained in Q1, especially for Natural Catastrophe exposed risks. Adding to the challenges were the continued impacts of inflation, supply chain complexities, and the events in Eastern Europe. Targeted Natural Catastrophe limits were in some cases difficult to achieve (and expensive). Alternative program structures and solutions were important levers to achieving overall program goals. While well-performing local risks with nominal Natural Catastrophe exposure in desirable occupancy classes experienced healthy appetite and some increases in local underwriting authority, underwriting rigor remained strong across the portfolio, with complete and updated submissions – including loss reports, valuation methodology details, and responses to recommendations – required.

Professional Indemnity

Competing forces had offsetting market impacts. While competition increased as insurers focused on profitable growth, insurer concern related to the economy, cyber risk, and the events in Eastern Europe created uncertainty and elevated conservatism. The outcome was a generally stable market – with Lawyers Professional and Accountants Professional risks experiencing moderate conditions while Consulting Professional and Construction Professional experienced a more challenging environment with some significant price increases. Capacity was generally sufficient for most risks but shifted in some markets – with new insurers entering while others reduced their lines.

Q1 Aon Advice to Clients

Address Your Evolving Risk Profile and Objectives

Economic and geopolitical related factors have likely impacted your risk profile, and market conditions may have evolved your risk strategy and transfer objectives. Challenge and re-set your risk tolerance, appetite and strategy, and align your risk management programs accordingly. Leverage risk appetite modelling to ensure optimal value of insurance. Work with your Aon team to review policy terms and conditions, risk retention, attachment points, indemnity periods and sub-limits, and re-examine loss scenarios. Given the renewed scrutiny on banks and related financial industry companies, this is a good time to reevaluate your Management Liability program, paying particular attention to bankruptcy-related and Side A provisions, the preamble language and scope of the exclusions, the priority of payments provisions, change in control provisions, the entity or insured-vs-insured exclusion, as well as the definition sections of “claim”, “loss”, “notice” and any investigation coverage.

Leverage a Robust Approach to Managing Your Property Risk

The Property market – especially for Natural Catastrophe-exposed risk – is challenging, and valuations remain under scrutiny. It has never been more important to evaluate your asset valuation methodologies and ensure accurate values, in partnership with Aon’s Business Interruption, Contingent Business Interruption and Asset Valuation teams. Leverage Catastrophe Modeling solutions to highlight exposed profiles and loss drivers. Develop a Property risk improvement strategy and be prepared to make required investments. Traditional risk transfer continues to play a vital role in achieving risk management objectives; however, in challenging markets and risk situations where capacity is limited – such as Natural Catastrophe Property – alternatives may provide greater flexibility and some pricing relief. Work with your Aon team to explore a range of solutions including Parametric insurance, Alternative Risk Transfer, Structured Insurance, Captives, Cell Companies and Stock Throughput for significant inventory exposures.

Increase Underwriter Confidence in Your Risk

Superior placement outcomes are achieved through underwriter confidence and trust. Engage throughout the year to bring insurers along on your journey and differentiate your risk. Communicate transparently and often – in person, when possible – and provide access to relevant experts across your organization. Likewise, build relationships across insurer stakeholders. Start the renewal process early and define clear objectives. Tap into available data to provide robust, quality underwriting information including property valuation methodologies, risk modelling, risk control and mitigation practices and actions you have taken from past recommendations. Demonstrate positive momentum and evidence of ESG investments.

Conduct Due Diligence on Your Counterparties

Following the recent situation whereby a US-based MGU was binding business to a non-rated insurer after it lost its Lloyd’s capacity, it is evermore important to conduct due diligence on your counterparties – especially MGAs and MGUs. Be cautious, skeptical and judicious. Remember the adage: If it sounds too good to be true, it may very well be.
Have a Plan

Q1 Claims Trends

Disputes Related to Seizure of Aircraft may have Broader Implications

A dispute of seismic proportions is heading to trial in London's High Court following a recent hearing whereat the judge agreed with insurers to consolidate claims made by aircraft and engine leasing firms against their respective Insurers. The claimants are collectively seeking in excess of $5billion from their respective insurers under either all-risks, or war coverages purchased from various insurers. Insurers have denied the claims, arguing that the seizure of the aircraft and engines by Russia following the sanctions imposed by western governments does not constitute physical loss, or that the aircraft and engines are no longer subject to lease agreements, or that sanctions imposed by governments prevent Insurers from providing coverage. The outcome will have significant implications for the Aviation sector and policyholders and policymakers. If the policyholders prevail, a $5billion plus impact to insurers and reinsurers could have a wider impact on rates and coverages beyond the Aviation sector. If Insurers' defense on the grounds of 'sanctions' succeeds it will raise interesting considerations for future events and risk mitigation.

Parametric Solutions are Expediting Claims Payments to Clients

Parametric policies are gaining traction with clients driven by certainty and speed of claim settlement. In recent years, for example, some clients in Asia have benefited from quicker loss payouts following natural catastrophe events. Parametric products have been tested on both earthquake and typhoons with an overwhelming positive client experience. Claims settlements occurred in less than 45 days from the trigger events' occurrence. This was significantly faster than some insurers' claims performance on traditional products, for the same event.

Speed and frictionless claims adjustment is a powerful draw, especially for clients where cash flow is vital to their business. While clear benefits have accrued to some clients, pre-purchase loss scenario testing may be prudent to compare outcomes as to value and timing of funds. For example, from a claims perspective, a hybrid structure may be optimal for some larger clients operating in natural catastrophe zones. Utilizing a parametric policy as a local 'primary/first response' layer may secure early cash flow to alleviate short term post loss financial pressure, while a conventional placement above that handles more complex challenges like business interruption loss calculations.

Insurers do not perform equally at the point of claim. While past experience is no guarantee of future performance, it does provide meaningful insight. If a parametric solution isn't the right choice for you today, an evaluation of the claims performance of each prospective Insurer as a key part of the provider selection process is highly recommended. Your Aon Claims professional can help.

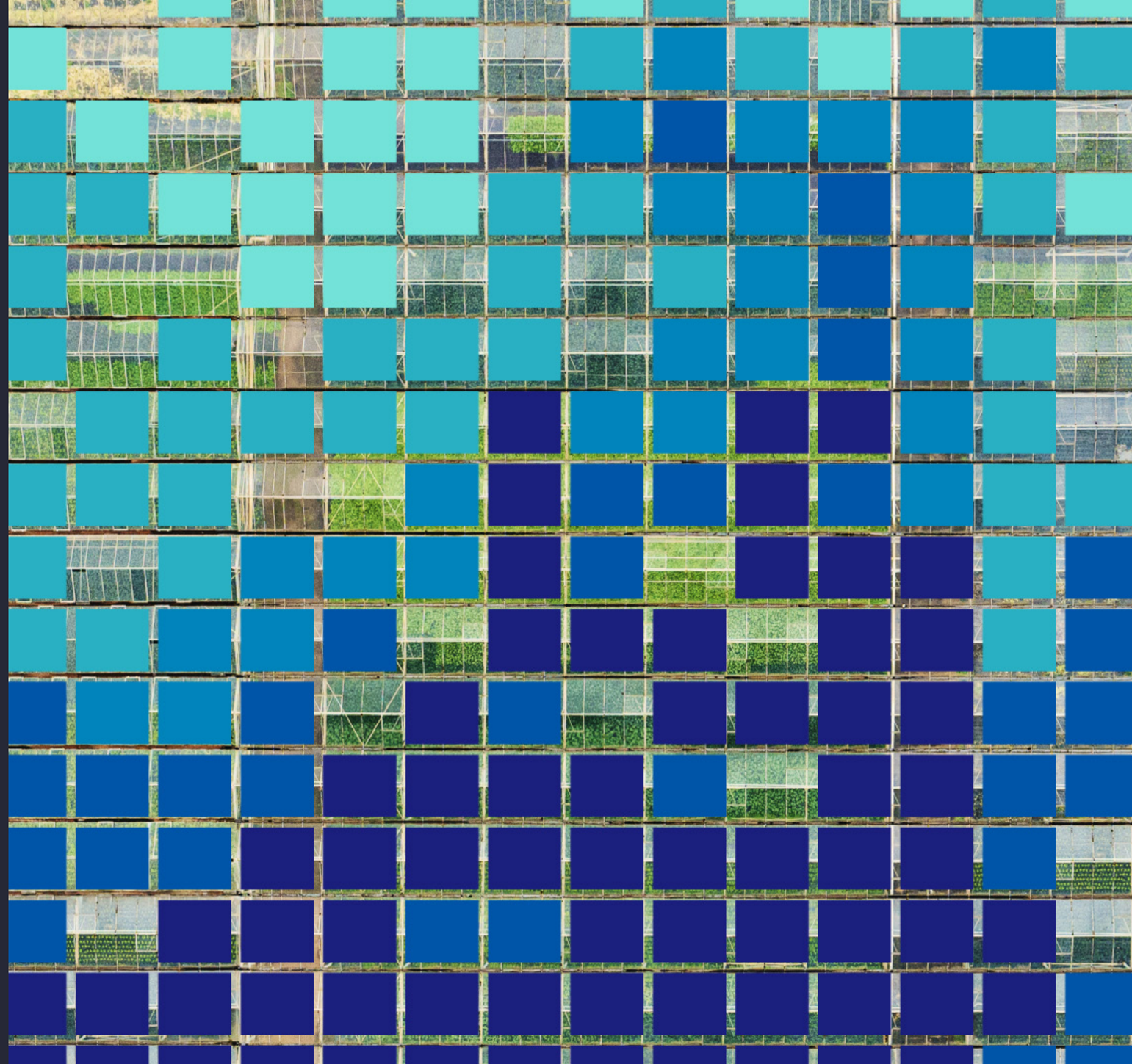
Average Claims Costs are Rising Amidst Inflation and Supply Chain Complexity

The world continues to face social, economic and political challenges in what seems an ever-increasing scale of magnitude. The conflict in Ukraine, rising tensions surrounding China, and ongoing natural catastrophes are just some of the factors that cast shadows on the future.

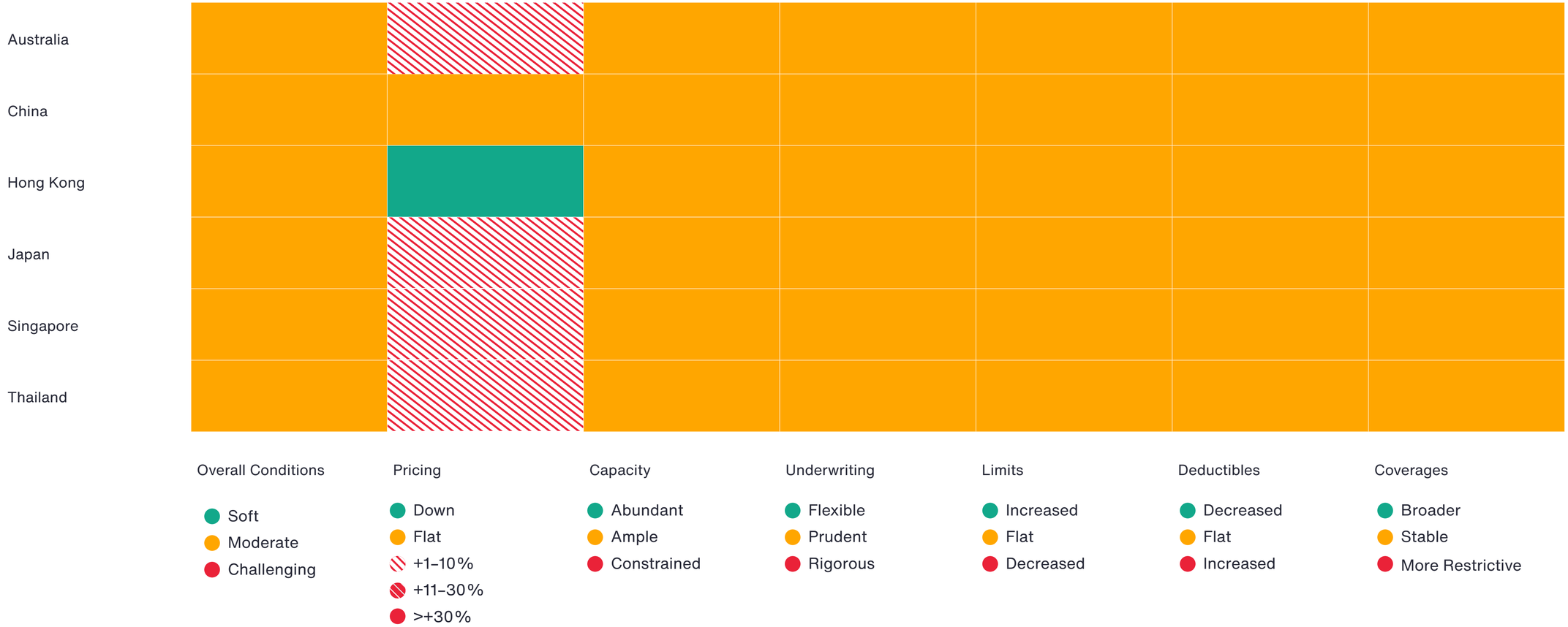
Claims inflation is reported to have risen in excess of 8% over the last year, driven by myriad factors including core YoY inflation, supply chain challenges, and social inflation characterized by increasing litigation, more plaintiff-friendly legal decisions and larger compensatory jury awards (especially in US Courts), with some notable recent awards exceeding total limits available. In the Property space, insurers' ability to remediate losses quickly is being hampered by the reduced availability and increased cost of goods and services throughout the supply chain. At the same time, claims adjustments are constrained as insurers focus on disclosed property values compared to post-loss values. Many insurers are looking hard at their policy language to ensure the claims benefits are aligned with policy wording and underwriting.

3

Asia Pacific



Asia Pacific Regional Market Dynamics



Asia Pacific Q1 Regional Market Dynamics

Pricing

While pricing varied depending on product and geography, in general, the pricing trajectory stabilized despite the highly anticipated January 1 treaty renewals. Challenges continued for higher-risk sectors, risks with adverse claims experience, and Natural Catastrophe Property exposed risk.

Capacity

Capacity was sufficient across most products and risk types. As global insurers sought to balance their book away from the US, capital (re)entered the local market – particularly, in the D&O space - and competition increased. This included alternative capital, such as parametric solutions, finally starting to make headway.

Underwriting

Insurers started to become more flexible in their underwriting approaches as they looked to differentiate and grow in areas within appetite. At the same time, non-preferred and loss-active risks experienced a more conservative and rigorous underwriting environment. Scrutiny of asset values continued as the impacts of global inflationary pressure continued to drive claims inflation. In long-tail lines, underwriters were pressured to demonstrate flexibility around premium adjustment mechanisms by paying less attention to client turnover and applying more weight to non-inflation-linked-exposures to minimise unwarranted rate increases.

Limits

Limits remained largely stable; however, valuations remained under scrutiny - and limits were adjusted to reflect inflation, continued supply chain delays and updates to business interruption modelling for a post-COVID environment.

Deductibles

Deductibles remained stable despite pressure from insurers to increase them due to inflation. Client acceptance of proposed increases has been low as premium discounts for increased deductibles were deemed incommensurate with the additional exposure to the client. There was a growing ground swell of buyers demanding greater credit for taking on larger retentions against the backdrop of a market once more looking for premium growth.

Coverages

Coverages remained generally stable and, in some cases, restrictions implemented in recent years could be removed or modified. Property placements saw a tightening of coverage such as average/co-insurance provisions when a clear valuation process was not evidenced. Lack of clarity around underwriting intent in Cyber clause language remained a concern for many insureds.

Australia Market Dynamics

3 **Australia** Market Dynamics

Automobile

Market conditions remained moderate-to-challenging. Price increases were in line with inflation, with further increases added to loss-impacted placements, due to rising claims costs and continued supply chain issues. Pricing for high hazard and heavy motor vehicle fleets was exposure-driven. Insurer focus on ESG targets sharpened, and underwriting guidelines were modified to achieve ESG goals. Insurers leveraged flexible underwriting as a differentiator for in-appetite risks while loss-active risks experienced a more conservative and rigorous underwriting environment. Retention-focused underwriters offered greater incentives such additional fleet unit adjustment costs. Minimum deductibles continued to increase as insurers sought to reduce attritional losses. Looking ahead, Taiwan-China tensions may lead to further delays in semi-conductor chips, impacting car supply and, in turn, affecting the ability of insurers to service claims. Claims impacted risks will experience more challenging market conditions. Client focus on structuring their policies to achieve the optimal balance between coverage and pricing is expected to increase.

Casualty/Liability

Insurers sought growth but remained cautious as they continued to focus on pricing adequacy and coverage terms in the face of social inflation and other loss-increasing factors. Rates increased across the portfolio – with poor performing risks experiencing the most significant impacts - and reviews of minimum pricing on excess layers. Premium increases rose in proportion with increased turnover/exposure as insurers focused on longer-term portfolio sustainability. Insurers reviewed capacity, and in some cased reduced it, especially where there were USA exposures. Aimed at de-risking their portfolios, some insurers sought to reposition to smaller risks; however, capacity remained generally sufficient. Referral underwriting became more prevalent for some industry sectors and insurers raised questions related to contractual exposures, indemnities and hold harmless clauses- highlighting the importance of quality submissions and granular information. Limits remained stable, although many insureds conducted limit profiling exercises to reaffirm limit setting rationale that had in many cases been decided in a soft market. Challenges continued around sexual misconduct, bushfire liability, frequency exposed business, large worker to worker risks and mining - especially, thermal coal – and some coverage reductions were mandated. Looking ahead, insurers will remain focused on disciplined underwriting aimed at maintaining profitability across the portfolio. There will be an enhanced focus on partnering with the right insurer that can grow with a client over the longer term, meaning sustainable pricing levels will need to be set.

Cyber

The Australian Cyber market remained limited with the majority of larger or more complex risks requiring substantial capacity from global markets. The challenging global market conditions seen in recent years continued to moderate in Q1. Although underwriting remained rigid and underwriters continued to require extensive, detailed risk information, price increases generally decelerated, and coverage restrictions relaxed, particularly for companies demonstrating strong cyber risk controls. The overall trend was a strengthening of appetite and capacity. Key underwriting concerns around systemic correlated events, territorial scope, and war continued but were largely unchanged from previous reports.
Looking ahead, current market conditions are expected to continue.

Australia Market Dynamics

Directors & Officers

The market transition that began in 2022 continued. While the claims environment remained active, improved rate adequacy served to broaden insurer appetite which brought new capacity into the market – particularly from London insurers - and improved pricing outcomes for many insureds, especially on low attachment excess layers. Incumbent insurers sought to maintain their participation on programs, and portfolio growth gained importance, especially for risks not providing entity cover for securities class actions (Insuring Clauses AB only). Risks falling within appetite experienced increased underwriting flexibility while larger and more complex risks saw greater underwriting rigor, especially in the areas of emerging risk (ESG, including Cyber governance) and economic factors including supply chain, debt profiles, and inflationary impacts. Securities Class Action activity remains an ongoing concern for insurers and the legislative and claims environment is being closely monitored. Capacity retractions at prior renewals led to rigorous interrogation of the adequacy of limits and the appropriateness of ring-fencing of limits between insuring clauses, especially for purchasers of entity securities coverage ("Side C"). This process has been supported by Aon's data and analytics including detailed benchmarking and loss modelling via the Aon Decoder. Notwithstanding the additional capacity now available within the market, most risks renewed at expiring limits. Insurers were more open to coverage negotiations on wordings to secure preferred programme positions. Looking ahead, a further easing of market conditions is expected; however, ongoing economic and claims volatility will continue to be in focus for insurers as they reassess their budget projections and future appetite.

Marine

As post pandemic related issues in the supply chain continued to ease, market conditions improved. Capacity was strong across the broader cargo market, but for Stock Throughput, larger risks with high static limits experienced challenging local market conditions and often needed capacity from Singapore and London markets. Well performing risks experienced small increases, while under-performing risks experienced more significant increases. Natural Catastrophe exposed locations faced a rigorous underwriting environment in light of the events occurring across Australia in last 6 months. Capacity in the transit market was sufficient. Appetite was healthy, with most insurers open to writing strong lead positions or offering up larger follow positions. Demand for Stock Throughput coverage strengthened; however, only a handful of insurers offered true Manufacturers Output (MOP) risks and the market was very narrow where expanded polystyrene (EPS) exposure was present. Underwriting became more rigorous as respects static risk, particularly for storage sites located in Natural Catastrophe exposed locations. Requests for site surveys as well as significant amounts of COPE information was required in order to persuade insurers to consider underwriting the risk. Deductibles on standalone cargo risks remained steady; however, in the Stock Throughput market, deductible increases were imposed, particularly for Natural Catastrophe exposed locations with separate retentions for flood and fire losses. The Communicable Disease exclusion and Cyber Exclusion remained on all Cargo and STP placements. In addition, 'Blocking and Trapping' exclusions were introduced, and sub-limits pertaining to expediting expenses and additional expenses became more common. Looking ahead stand-alone cargo rates are expected to remain steady, with a potential easing of rates expected later in the year, barring any significant GA or container losses between now and then. The market for static risk may become slightly more challenging, especially for risks with locations exposed to Natural Catastrophes.

Professional Indemnity

Professional Indemnity experienced a two-speed market. While a stabilization occurred for some sectors, challenges continued for others. Preferred risk types experienced increased competition and flat renewals while more challenging risk types – especially those with poor loss experience – saw capacity constraints and significant premium increases with new program capacity priced disproportionately higher than existing capacity. London markets showed an increased appetite

Australia Market Dynamics

for Australian business but were very cautious in the deployment of that capacity and have not shown interest in re-entering the market for more challenged industries. Across the board, insurers were disciplined as they sought to stay ahead of losses – both new claims and the development historical claims. Insurers focused on the sustainability of their portfolios and careful consideration was given to individual client circumstances and exposures, including claims history. Contractual risk management remained an area of focus, including indemnities, fitness for purpose terms, and subcontractor management. Submission quality was critical to achieving superior outcomes.. Deductibles remained under scrutiny, although several years of upward pressure has seen deductibles start to moderate. Insurers continued to refine their positions on Silent Cyber. Looking ahead, current market conditions are expected to continue.Portfolio sustainability will remain top of mind, resulting in strong underwriting discipline and a focus on risk selection. Submission quality will be key for all, but especially challenged, risks.

Property

Insurers sought growth but were cautious as their flight to profitability continued. Following a challenging Treaty renewal season, insurers faced pressure to properly price and manage their portfolio Catastrophe aggregates with estimated impact of these renewals still being quantified. The two-tier market continued with diverging pricing outcomes for preferred and non-preferred risks. Non-catastrophe exposed, low hazard occupancies experienced a favorable market, where pricing reached alignment to technical pricing adequacy while high hazard or poorly risked managed and claims affected risks experienced more challenging market conditions. Line sizes were under review as insurers managed natural catastrophe aggregation and exposures across portfolios. Capacity remained sufficient although tight for challenging risk types such as Waste Management, Food & Beveridge, and Coal as well as for some Cat-exposed geographies. Insurers also increasingly challenged valuations, supply chain exposures and Business Interruption methodologies and imposed co-insurance/average provisions in the absence of a clearly defined valuation approach. Insurers exited certain industries and risk types due to local and global portfolio remediation. Flood definitions were expanded to incorporate pluvial flood – surface water vs escape from water course – something that buyers should be wary of in carrier selection. Looking ahead, insurers are expected to continue to impose modest rate increases and will deploy Natural Catastophe aggregate conservatively.

3 **China** Market Dynamics

3 **China** Market Dynamics

Automobile

Despite an interest in portfolio growth, regulatory requirements related to insurer premium growth led to a focused appetite of the top insurers on preferred risk types such as EVs and business vehicles, leaving a limited market for less-preferred risk types such as taxis, concrete mixers, and trucks. In the past, less preferred risk types could be insured through insurers in urban cities; however, the "Buy Insurance Where You Are" regulation has left these risks with limited or no risk transfer options. Pricing, policy wordings and deductibles were determined by regulation; however, various limit options were available to meet the needs of insureds. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

Competition was fierce and appetite was healthy for mid-sized, well-performing risks. Capacity remained at or near historic levels. Underwriting was flexible and accommodating. Overall limits were generally stable. By contrast, the Product Recall market continued to tighten. Local insurers had limited appetite and international insurers tended to reduce sub-limits. Deductible increases were imposed for complex or critical products. Looking ahead, market competition is expected to increase for small and medium sized risks while complex and critical products are expected to continue to experience a tight market environment.

Cyber

Market conditions remained challenging; however, they improved slightly from recent quarters. Price increases decelerated. Appetite and capacity remained generally limited, although it expanded slightly as more insurers showed interest in increasing their capacity or starting to test the water. Underwriting remained rigorous and stringent. Centralized referral underwriting continued. Insurers managed their exposure through limit management strategies. Ransomware restrictions were common. Looking ahead, current market conditions are expected to continue until performance in this space improves.

Directors & Officers

Market conditions improved for non-US listed risks, while US-listed risks remained challenged. Price increases, when imposed, generally decelerated. Capacity remained sufficient but tended to shift; it was reduced on US-listed risks and increased on local risks. Though concern related to China Securities Class Action losses continued, underwriting became more accommodating as insurers sought to achieve growth targets. Looking ahead, current market conditions are expected to continue.

Marine

Overall market conditions remained stable. Most risks renewed with flat to modestly increased pricing. Underwriting remained flexible for Marine Cargo, but more reserved and prudent for Transporter's Liability and Hull, especially for special vessel or special risks like windfarm installation vessel or wet towage. Limits, deductibles and coverages generally renewed "as is". Looking ahead, current market conditions are expected to continue, with the notable exception of Hull of Windfarm Installation Vessel, which may experience market improvements as facultative reinsurers' appetite for this risk type strengthens.

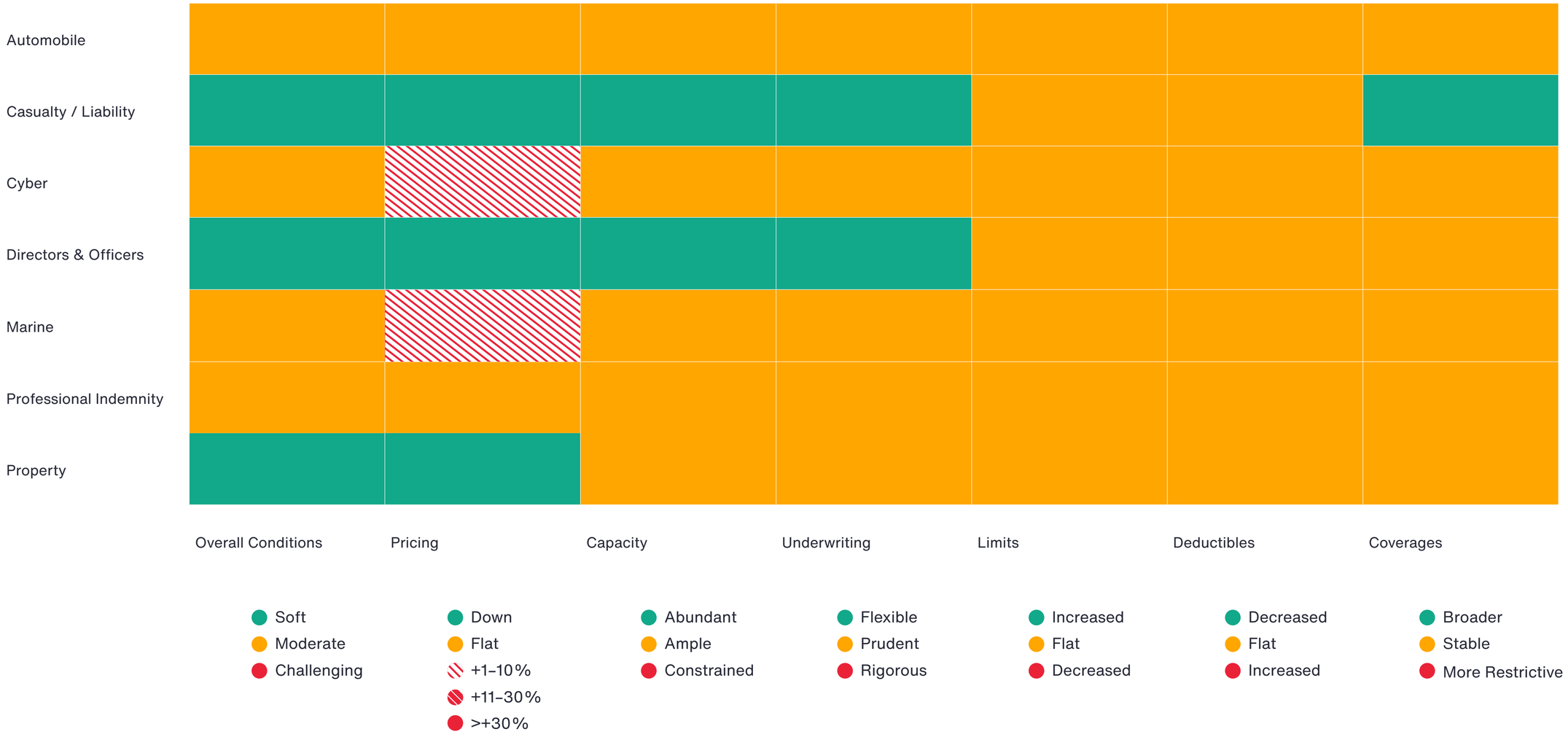
Professional Indemnity

The market varied widely by industry and risk type. In general, pricing remained flat and appetite was healthy as local insurers competed for well-performing risks. Capacity was sufficient; however, appetite was limited for certain challenging risk types like accountants. Capacity management strategies were leveraged to limit exposure. Looking ahead, current market conditions are expected to continue, with exceptions for challenging industries and risk types.

Property

While flat pricing could generally be achieved, market conditions became more challenging following the January 1st treaty renewals. Appetite and capacity deployment was conservative, and poor performing, less-preferred risk types experienced a limited market and challenging market conditions. Looking ahead, current market conditions are expected to continue.

3 **Hong Kong** Market Dynamics



3 Hong Kong Market Dynamics

Automobile

As insurers aggressively competed for new business, market conditions remained moderately favorable. Flat pricing could generally be achieved, especially where incumbents faced more aggressive pricing from competing insurers. While for fleet risks appetite remained limited and underwriting was rigorous, overall market capacity was generally sufficient and underwriting was prudent. Deductible increases were leveraged to help offset price increases on poor performing risks. Looking ahead, a competitive market is expected to continue as insurers seek profitable growth. When appropriate, early and proactive remarketing will remain important to achieving favorable outcomes.

Casualty / Liability

Market conditions were favorable as insurers sought to retain and grow their portfolios. Appetite expanded beyond regional and global risks to mid-market multinational risks, and insurers shifted to a product / industry focus (e.g., clinical trials, Construction Liability) as a way to differentiate. Price reductions were common and capacity continued to expand. Underwriting was flexible and local authority was robust. Limit and deductible options were available. Insurers offered to quote on additional lines of coverage as a differentiator and growth strategy. Looking ahead, current market conditions are expected to continue.

Cyber

Market conditions started to stabilize. Competition increased for both new and renewal business, creating downward pressure on pricing. Flat renewal pricing was achieved for well-performing low-risk industry types while larger and more complex risks experienced moderate increases. Insurer appetite increased for lower attachment points and primary layers, and capacity deployment was healthy in that space. In addition, new players entered the market with an appetite for excess layers. The underwriting process remained rigorous and time-consuming. Insurers required the implementation of several key controls prior to considering cover. Expiring limits were achieved in most cases, although a few insurers reduced their line sizes. Coverage expansions were available in some cases; for example, where ransomware restrictions were previously imposed, many insurers demonstrated a willingness to provide options for restoring it (for an additional premium). Looking ahead, as insurers seek to achieve growth targets, competition will increase and market conditions will further improve across pricing, capacity, underwriting, and coverage terms and conditions.

Directors & Officers

The softening trend that began in late-2022 continued, and in Q1, market conditions were favorable, driven largely by an influx of new D&O insurers and expanded appetite amongst traditional market players. A new renewal option was introduced: multi-year placement / Long Term Agreement (LTA), as a differentiator and a mechanism for retaining large corporate risks. Securities class action related to liquidation emerged as a key underwriting concern for risks in the US, and US-listed exposures remained under scrutiny and generally experienced low limit deployment at a high price. Looking ahead, healthy competition is expected to continue, potentially creating a further softening of market conditions.

Marine

Following three years of price adjustments, technical rating returned to a more sustainable level. Insurers focused on retention and profitable growth. Well performing risks in the standard P&C market experienced flat pricing to slight increases at renewal; however, pool clubs continued to seek price increases in order to balance their books. Appetite and capacity were healthy. Looking ahead, modestly favorable market conditions are expected to continue as insurers seek to retain their core business and grow in targeted areas. There will likely be more flat renewals, and competitive forces will drive price reductions on well performing risks.

3 **Hong Kong** Market Dynamics

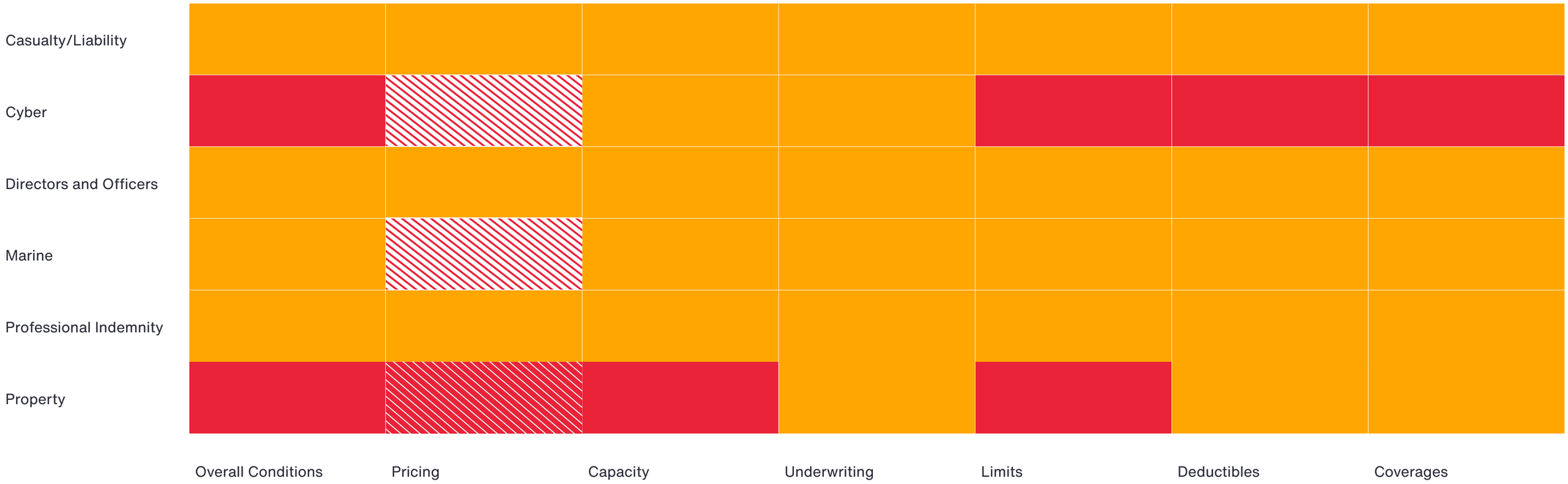
Professional Indemnity

The market transition that began in Q4 of last year continued into Q1 as insurers became more growth-focused. Driven largely by competitive forces, flat renewals were achieved on most placements, with the best outcomes generally achieved when alternative quotations were provided by competing insurers. Insurers reviewed their capacity and some provided enhanced authority to local underwriters to increase their capacity. Client requests to restore limits that had been adjusted downward in recent years increased. Looking ahead, insurers are expected to seek to recover business lost during the recent hard market. This, combined with increased appetite from Singapore underwriters, is expected to create a more favorable and competitive environment in Q2 and beyond.

Property

Market conditions across much of the local market were competitive. Price decreases were common, driven by improved loss experience, the mobilization of new capacity, fierce competition amongst incumbent insurers seeking to retain their portfolios, and new insurers aggressively seeking to grow their market share. Notably; however, pricing did not decrease at the same rate it had climbed during the hard market cycle. Multinational programs experienced a more moderate environment, with pricing mostly flat, and any increases or decreases generally small and largely dependent on Natural Catastrophe exposures, risk controls, loss trends and prior pricing adjustments. Capacity was generally sufficient for most risk types with the exception of multinational programs with Natural Catastrophe exposures. Flexible underwriting was leveraged by insurers as a differentiator for in-appetite risks while loss-active risks experienced a more conservative and rigorous underwriting environment. Looking ahead, current market conditions are expected to continue with a possible further softening. Appetite will remain strong for mid-sized risks with low complexity, as insurers continue to seek growth in this space.

Japan Market Dynamics



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

3 **Japan** Market Dynamics

Casualty / Liability

Market conditions remained stable. Local insurers were generally more competitive and growth-focused than international insurers. Most placements renewed at expiring pricing although incumbent (mainly international) insurers sought to increase rates on US exposed or poor performing risks. Rate reductions could be achieved in some cases where there was competitive pressure. Capacity from international insurers remained sufficient, and any gaps left by incumbent insurers reducing their participation were filled by local insurers seeking growth. Underwriters were prudent but flexible, especially for well performing risks and large risks where there was competitive pressure. While Silent Cyber has been clarified, most insurers have yet to clarify their positions on PFAS. Looking ahead, current market conditions are expected to continue.

Cyber

International insurers remained highly cautious in their underwriting; appetite was very focused, significant price increases continued, and coverage restrictions were imposed. Domestic insurers became more conservative in their underwriting, but appetite remained relatively healthy, and insurers continued to offer less restrictive coverage at more modest pricing. Extensive, detailed information was required to support the rigorous underwriting process. While expiring limits were achieved in some cases, international insurers mandated reductions based on risk type, experience and maturity. Low deductibles were available from local insurers while international insurers required more significant deductibles. Looking ahead, current market conditions may temper somewhat as insurers become more comfortable with the past program adjustments made and the profitability of their portfiolios.

Directors & Officers

Market conditions remained stable, with continued price deceleration. Flat renewal pricing was achieved on most risks, with international insurers generally offering more competitive pricing than domestic insurers. Capacity was sufficient for most risks. Underwriting was prudent, with minimal additional information requested from insureds. Expiring coverages, limits and deductibles were achieved in most cases. Looking ahead, a further stabilization is expected, with greater competition potentially improving pricing for insureds.

Marine

Overall Cargo market conditions were moderate – with flat rates and sufficient capacity, with the key exceptions of storage risks and energy sector cargo (amid rising geopolitical tensions in Russia and China). These risks experienced a generally more challenging underwriting and placement environment. Rates increased in the Hull & Machinery and Protection & Indemnity markets, driven partly by international risk trends. Looking ahead, concern is growing that market conditions may become more challenging due to geopolitical and war-related risks.

Professional Indemnity

Market conditions were moderate but stable. Most Professional Indemnity coverage is provided through programs and facilities, making the market relatively rigid and narrow. However, capacity is sufficient for most risks and flat pricing, coverages, limits and deductibles were achieved for most placements. Underwriting was cautious and no new requirements were introduced within association programs and facilities. Looking ahead, current market conditions are expected to continue.

Property

Market conditions remained challenging – even for well-performing risks – as insurers focused on improving their portfolio performance. Rate increases were mandated for many risks. Capacity was limited for earthquake and flood, as expected, and there was a growing trend to also limit fire capacity. Underwriting was sensible and insurers demonstrated flexibility for preferred risk types. Common deductibles continued across most insurers, although low or no deductible options were available for an additional premium. Expiring terms and conditions could be achieved in most cases. Looking ahead, based on recent rate revisions and treaty renewal outcomes, insurers are expected to continue to focus on profitability

3 **Singapore** Market Dynamics

3 **Singapore** Market Dynamics

Automobile

Following poor portfolio performance in 2022, insurer cautiousness was elevated in Q1. Despite this, only modest price increases were achieved for most placements. Capacity was sufficient for most risks. Underwriting became less flexible, with little room for coverage enhancements. Incumbent insurers tended to be more accommodating that non-incumbents. Looking ahead, current market conditions are expected to continue but may become more challenging as the further impacts of losses from 2022 are realized.

Casualty / Liability

Market conditions remained stable; however, inflation remained a key concern due to its impacts on the cost of claims and expenses. Modest price increases continued. Capacity constraints continued for pure financial loss, errors & omissions, product recall extensions and for US- and Canada-domiciled operations. Underwriting was selective for challenging risk types and poor performing risks, for which detailed underwriting information was often required. Limit increases were agreed on some well-performing, in-appetite risks. Coverage terms and conditions were stable, and broader coverages could be achieved in some cases. Looking ahead, the impact of inflation, interest rates and litigation rates will continue to dominate underwriting discussions; however, given that adjustments were already made at recent renewals, the need for additional adjustments will be diminished.

Cyber

A challenging market environment continued amidst ever-evolving threats; however, signs of a moderation continued to emerge. Price increases remained the norm, but past adjustments were taken into consideration when establishing the current level of increase. Capacity expanded as new insurers entered the market, although most new capacity was focused on excess layers. Underwriting was prudent for smaller, less complex risks but more stringent and rigorous for larger, complex risk types, and underwriting questions varied from insurer to insurer. Multi Factor Authentication compliance has become a minimum standard for insurers to provide indications. Coverages stabilized; however, there was a growing trend to exclude coverage for known vulnerabilities and outside service providers. Looking ahead, cautious optimism has returned to the market, though social inflation may drive pricing. Terms and conditions are expected to remain stable. New insurer-insured relationships will take time to develop as insurers build confidence with new risks and exposures.

Directors & Officers

The abundant availability of capacity has led to stable-to-soft market conditions, with flat pricing and flexible underwriting. Listed, higher-risk (e.g., crypto, fintech, SPAC, De-SPAC) or poor performing (e.g., unhealthy financials) risks experienced limited market appetite and greater underwriting and pricing conservatism. Flat limits and deductibles were achieved for most risks. Coverage was stable except exclusions were mandated for the events in Eastern Europe. Also, Financial Insolvency language was required where insureds faced headwinds on cashflow. Looking ahead, current market conditions are expected to continue with the notable exception of Financial Institutions / Financial Services risks, given the unfolding bank crisis.

Marine

Driven by local insurers' portfolio retention goals, the cargo market was moderate to favorable, with many risks renewing at expiring pricing and terms. New opportunities were targeted with aggressive pricing. Coverages that were narrowed in recent years were expanded again. There was also a growing willingness to quote on risks which were previously out of appetite only a year or two ago. Underwriting authority shifted back to in-country underwriters who were keenly focused on profitable growth targets. As profitability remained a top priority, significant increases were not uncommon on poor performing risks, especially if they involved perils relating to static risk. Actuarial review remained mandatory for risks with premium levels above circa USD 1m. Limits and deductibles remained largely stable; however, there was slightly more flexibility compared to recent years with regard to Non-Catastrophe exposed storage deductibles. Looking ahead, current market conditions are expected to continue.

3 **Singapore** Market Dynamics

Professional Indemnity

Market conditions stabilized from the prior period of volatility, driven by a stabilization of economic conditions and the return of business operations / activity. Capacity increased for most sectors; while constraints persisted in the Construction and Property Valuers sectors. Underwriting was prudent for smaller, less complex risks while the environment was more flexible for larger risks and Special Project Professional Indemnity policies. “As is” coverages, limits and deductible were achieved for most risks. Looking ahead, a more conservative environment may be experienced as the impacts of social inflation and events in the banking sector further materialize and the effect from the Financial Service industry spreads. These factors may cast a more cautious revenue outlook for many sectors causing more prudent and conservative underwriting and pricing.

Property

Market conditions remained stable. Risks with strong loss control that were properly valued, loss-free and not Natural Catastrophe-exposed experienced near flat pricing and sufficient capacity while risks with Natural Catastrophe exposures or challenging loss history or risk profiles experienced significant rate increases, limited appetite, and reduced line sizes in some cases. Quality and timely underwriting submissions were key to obtaining superior terms and conditions. Expiring limits were achieved in most cases and increases were available, subject to insurer underwriting guidelines. Increased Natural Catastrophe limits were scrutinised and subject to insurer technical rate adequacy. Following adjustments made in recent years, coverages stabilized. Looking ahead, insurers will continue to focus on issues impacting profitability such as inflation, supply chain challenges, increased secondary-peril losses such as flood, wildfires, convective storms and hail, and the challenging reinsurance environment. Risks with strong risk controls, and a favorable loss history and risk profile will attract insurer interest and capacity.

Thailand Market Dynamics

3 **Thailand** Market Dynamics

Automobile

Market conditions remained highly competitive for this tariff-rated product. Local capacity was abundant, with few exceptions for higher risk profiles, which required reinsurance support. Underwriting was flexible and accommodating – even out-of-appetite classes were supported if combined with a preferred risk class. Insurers used service as a differentiator. Coverages, limits and deductibles remained stable. Looking ahead, current market conditions are expected to continue in this tariff rated product where the majority of insurers have robust capacity available.

Casualty / Liability

Market conditions remained moderate. Flat pricing was achieved for most risks, except poor-performing risks which experienced rate increases. Capacity remained stable. Insurer appetite was limited for USA and Canada risks and in some cases, insurers focused on only Thailand risks. Reinsurance support was needed in these cases. “As is” coverages, limits and deductibles were achieved for most placements. Looking ahead, most treaty renewals have passed so current market conditions are expected to continue.

Cyber

As a result of improved risk management, loss frequency and severity from ransomware attacks has decreased, and in turn, the challenging insurance environment showed signs of improvement. Rate increases continued nearly across the board, but they were materially less than in prior years and, in some cases where significant adjustments were previously made, near flat renewals could be achieved. Insurers continued to exercise caution in their risk selection and capacity deployment, particularly on new business, and appetite and capacity for excess placements was healthier than for primary placements. After two years of increased scrutiny around ransomware, common vulnerabilities and operational technology, required underwriting information is similar from insurer to insurer. Attacks to critical infrastructure and potential for systemic risk events remained top concerns for underwriters and insurers continued to clarify their wording for some risks like widespread events. Looking ahead, the improved market conditions of Q1 are expected to continue.

Directors & Officers

Market conditions remained generally moderate, with modest – and decelerating – pricing combined with healthy appetite and capacity for both primary and excess placements. Underwriting was prudent; however, greater rigor was applied for some risks and industries where management decision-making during the pandemic or related to the geopolitical events in Eastern Europe was questioned. Cyber and digital asset related risks, in particular, were scrutinized and more detailed information was required. Detailed program reviews were conducted for merger and acquisition related transactions, and on any risks where exposures had materially increased. As a result of the changing D&O risk environment clarifications to policy language were implemented. Looking ahead, current market conditions are expected to continue.

3 **Thailand** Market Dynamics

Professional Indemnity

Moderate market conditions continued and varied based on the nature of the professional work provided. Modest price increases were the norm. Appetite and capacity was healthy for both primary and excess placements. Underwriting remained prudent, although some risks experienced additional information requirements related to cyber and digital assets, as well as some territorial involvement. Coverages, limits and deductibles remained stable and extensions were available on a case-by-case basis. Looking ahead, current market conditions are expected to continue.

Property

Market conditions remained challenging, driven by the impacts of treaty renewals on appetite, capacity and pricing. Pricing increased significantly, especially for natural catastrophe excess placements, as well as for risk types that had performed poorly in the past such as plastic, rubber, wood and paper, where facultative reinsurance support was needed. Such risks also experienced more restrictive terms and conditions. Across all risk types, insurers required extensive underwriting information including survey reports and evidence of risk improvements. Underwriters carefully considered special clauses and wordings as they sought to limit their exposure and to confirm that insurer intentions were properly reflected in the coverage language. Limits remained generally stable; however, some insurers signed down their share due to reinsurance treaty requirements. Looking ahead, market conditions are expected to remain challenging, driven largely by the impacts of treaty limitations.

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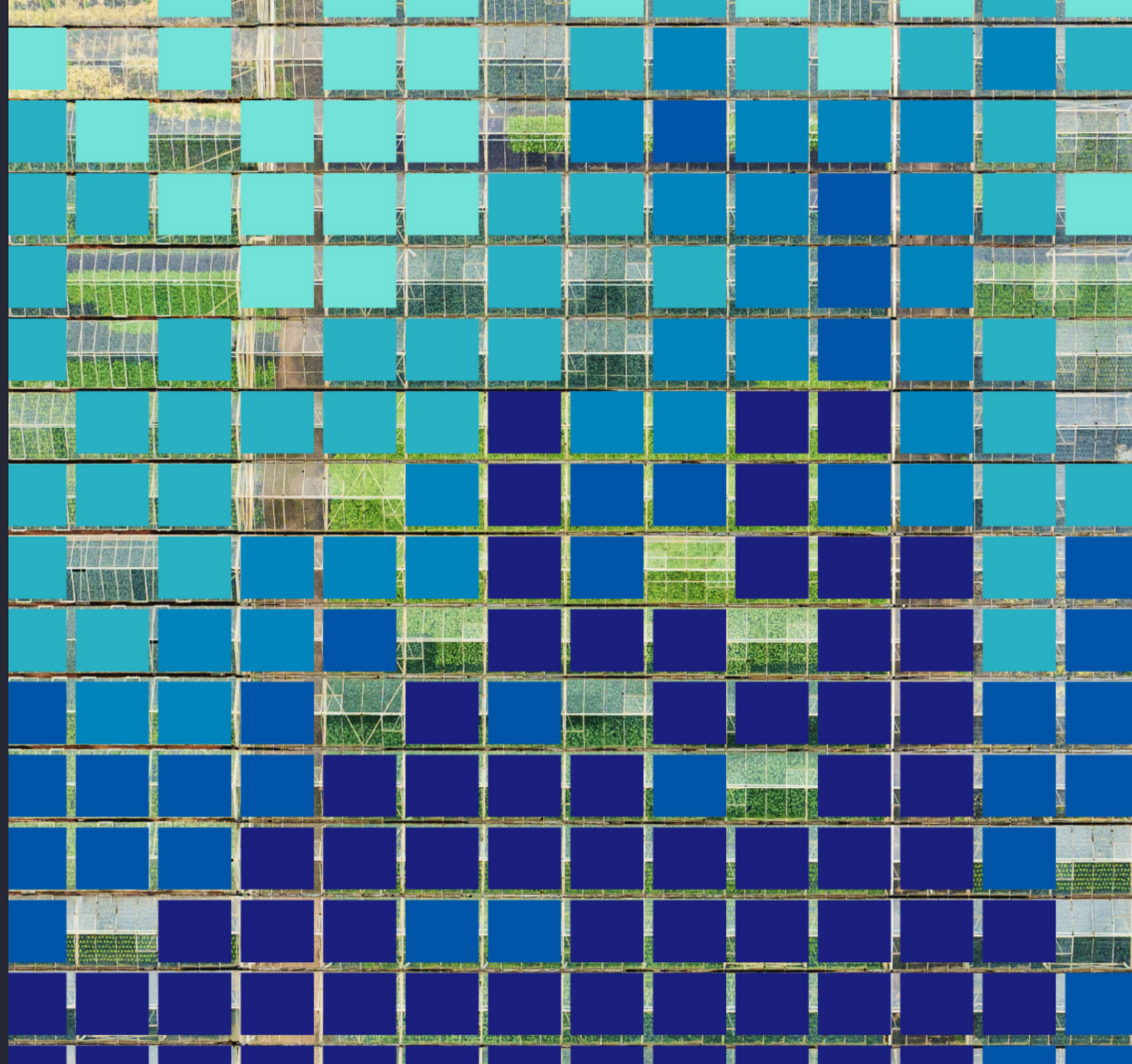
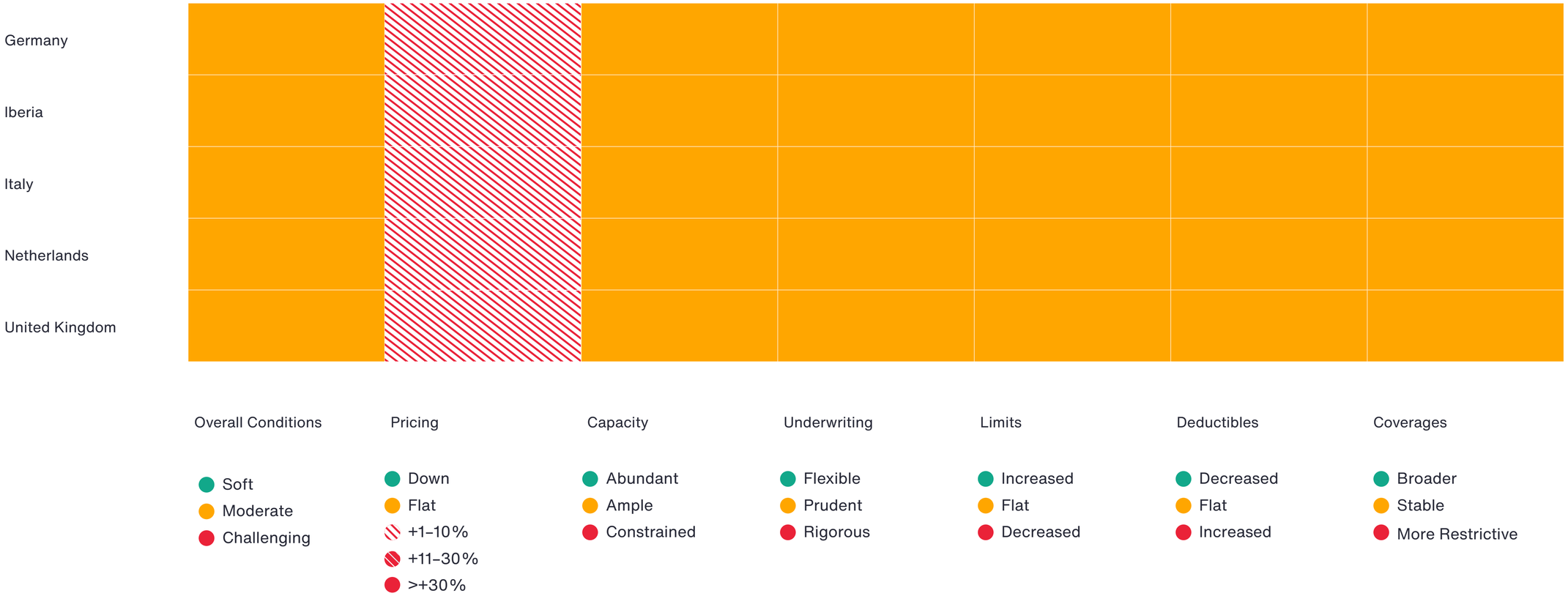
EMEA and the United Kingdom



EMEA and the United Kingdom Regional Market Dynamics



EMEA and the United Kingdom Regional Market Dynamics

Pricing

Modest to moderate price increases continued across all countries; however, Natural Catastrophe and US exposed risks experienced more significant increases while decreases were reported in pockets.

Capacity

Capacity was sufficient for most risks. While Cyber stabilized in most countries, Property capacity for challenging occupancies and Natural Catastrophe-exposed risks remained under scrutiny. Insurers were cautious in their capacity deployment for complex and poor performing risks.

Underwriting

Underwriting remained disciplined and was focused on risk selection. Detailed information was critical to achieving superior placement results. Cyber risks continued to experience a rigid and rigorous environment; however, it moderated somewhat from 2022.

Limits

Given the adjustments made in recent years, limits in Q1 remained stable; however, changes to reinsurance treaties prompted some limit and sub-limit changes.

Deductibles

Deductibles remained generally flat across most of the region with the notable exception of Germany which experienced upward pressure in some key products. Deductible increases remained an important lever to help offset premium increases.

Coverages

Coverages remained stable. While restrictions imposed during recent renewals could, in some cases, be reconsidered, exclusions related Cyber, Pandemic and events in Eastern Europe remained.

Germany Market Dynamics

Germany Market Dynamics

Automobile

Market conditions remained challenging, driven by continued impacts from inflation and associated rising repair costs, as well as from the geopolitical events in Eastern Europe. Modest price increases continued. While capacity was sufficient for most risks, those with poor historical performance or heavier exposures experienced limited appetite and capacity. Underwriting flexibility was demonstrated for some well-performing risk types. The market adjusted limits and deductibles upward based on rising vehicle values. Coverage extensions continued to adapt to changing technologies, including e-mobility and integrated vehicle technology. Looking ahead, continued rising claims costs will likely impact pricing.

Casualty / Liability

Market conditions were moderately favorable for mid-sized risks while larger and more complex risk types (e.g., automotive suppliers, medical products, chemical, significant US exposure) experienced a more challenging environment, including conservative pricing, underwriting, capacity deployment and terms offered. Inflation, Product Recall, Product Liability, and US exposures were key areas of concern and tended to dominate underwriting discussions. Capacity remained stable and was available for most risks despite de-risking and line re-sizing across certain insurers. Insurer appetite guidelines were applied rigidly for new risks. A number of client industries and coverages experienced mandatory deductible increases to comply with insurer requirements. Looking ahead, current market conditions are expected to continue. Appetite will remain strong for mid-sized risks with low complexity, as insurers continue to seek growth in this space. Underwriting scrutiny will remain on a technical level, particularly for large or complex risks. Inflation and US claims are expected to continue to drive rate increases.

Cyber

As insurers returned to the Cyber market, capacity and competition increased and conditions shifted to become more favorable, especially for smaller and mid-sized risks. Underwriting moderated, except for complex risks, which continued to experience a conservative and rigorous environment, especially for primary coverage, where extensive underwriting information was required and risks failing to meet minimum standards were difficult to insure. Most risks renewed with expiring limits; however, increases were available in some cases, especially on Excess layers. Coverages remained stable, even as insurers conducted coverage reviews for complex risks. New War and Cyber Operations exclusions were introduced in some cases. Looking ahead, current market conditions are expected to continue, and may slightly improve. Risk appetite is expected to increase as insurers seek growth again. Underwriting will continue to be restrictive, especially for large or complex risks. Despite inflation, increasing competition in this space is expected to temper any material rate increases.

Directors & Officers

As a result of increasing competition, market conditions for mid-sized risks shifted materially to become modestly favorable, while large and complex risks continued to experience challenging conditions. Most risks experienced price increases, largely driven by inflation as well as specific risk attributes. Capacity was sufficient for most risk types, with the notable exception of complex risks such as de-SPACs, automotive suppliers, companies with crypto-related business, and risks with material US exposure. Underwriting remained stringent. Deductible decreases could be achieved for Side C in some cases. Coverages remained stable, even for risks with poor financials, as insurers focused on retention and growth. Looking ahead, current market conditions are expected to continue. Appetite will remain strong for mid-sized risks with low complexity, as insurers continue to seek growth in this space. Underwriting scrutiny will remain on a technical level, particularly for large or complex risks.

Germany Market Dynamics

Marine

Following a prolonged period of challenging market conditions, the market stabilized. Modest price increases continued. Capacity remained stable with the key exceptions of automotive and ESG-negative risks. The trend to leverage data to inform underwriting decisions continued. Deductibles remained consistent and nil/low deductibles were generally not available. Coverage restrictions were common for Cyber, Pandemic, and the events in Eastern Europe. Looking ahead, moderate market conditions are expected to continue and risk differentiation will become more important in underwriting and pricing.

Professional Indemnity

Market conditions were moderate to favorable, depending on the profession. Competition thrived, capacity was abundant, and - driven by 2022 BRAO Reform/German Federal Lawyer´s Act - rates decreased for Law Firms as insurers sought to retain and grow their portfolios. By contrast, Accountants and Auditors experienced a narrowing of appetite and capacity limitations, as well as price increases. Underwriting was flexible regardless of profession; however, large risks with notable claims experience saw significant underwriting rigor and scrutiny. Limits and retentions remained generally flat and coverage extensions could be achieved in areas targeted for insurer growth. Looking ahead, current market conditions are expected to continue.

Property

Market conditions remained generally challenging for mid-sized risks while the environment for larger, more complex risks was more moderate and dependent on individual risk and claims history. Insurers were conservative in terms of pricing, capacity deployment and coverages offered. Underwriting was selective and driven by risk quality. Looking ahead, current market conditions are expected to continue.

Iberia Market Dynamics

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

Iberia Market Dynamics

Automobile

Underwriting profits remained challenged in this product, as claims costs rose due to inflation combined with an increase in claims frequency. This led to a more conservative environment, with modest price increases and a contraction of appetite and capacity for poor performing risks and higher risk types such as ride sharing and new mobility (VTC). Profitability was prioritized over premium growth. Looking ahead, with some exceptions related to non-preferred risk types and those with high claims frequency, current market conditions are generally expected to continue. Auto will remain one of the products that insurers leverage to retain global clients.

Casualty / Liability

Market conditions remained stable, with notable exceptions for specific risk types. Due to inflation, reinsurance treaties, and changes in Spanish accident legislation, most risks - even those that performed well – experienced modest price increases. Poor performing risks experienced more significant increases. Capacity was abundant as a result of new market entrants (in Spain), most of which focused on excess layers rather than primary coverages. Underwriters were cautious and requested detailed underwriting information, including in most cases at least five years of loss information. Limits and deductibles were generally flat, with occasional exceptions related to specific risk types or risk performance. Exclusions for the events in Eastern Europe and PFAs were standard in the market. Looking ahead, current market conditions are expected to continue.

Cyber

The challenging market conditions seen in recent years continued to show signs of moderating. Although insurers continued to demand extensive underwriting information, price increases generally decelerated, and coverage restrictions relaxed, particularly for companies demonstrating risk maturity. Appetite strengthened (but remained limited for life science, healthcare and critical infrastructure risks) and capacity increased slightly for targeted risk types, although insurers preferred to write at high attachment points. Underwriting related to territorial scope, war, and material damages remained rigid but became more flexible on coverages and the application of exclusions; in some cases, restrictions were softened or removed. Where risk maturity was deemed insufficient, limit reductions were imposed. Mandatory increases were imposed on both general deductibles and time deductibles for Business Interruption. Looking ahead, current market conditions are expected to continue.

Directors & Officers

The market moderation that began in 2022 continued. Market conditions varied between primary and excess, with the former seeing a moderate environment – including flat pricing and sufficient capacity – while the latter experienced a favorable environment, with price decreases, abundant capacity, and healthy, growth-focused competition amongst insurers, especially for in-appetite, well performing risks. Appetite expanded – in both primary and excess layers - and there were more insurers, and capacity, in this space. That said, many insurers continued to prefer coinsurance for large limit programs. Underwriting became more flexible and enhanced coverage terms and Long Term Agreements were achievable in some cases; however, stringency continued as respects territorial restrictions for war and cyber exclusions. Insurers were cautious when underwriting Financial Institutions and risks with complex loss histories. Limit and sub-limit increases were generally achievable. Looking ahead, the moderation trend is expected to generally continue; however, insurers will continue to closely monitor the events in Eastern Europe, the unfolding bank crisis, and the state of the economy, and will adjust course as needed.

Iberia Market Dynamics

Marine

Market conditions were moderate. Inflation drove up claims costs, leading to modest price increases, except for poor performing risk types which experienced more significant price increases. Capacity was abundant for Cargo & Marine Liabilities as new Insurers entered the local market but was notably constrained on Hull & Machinery and Builder's Risk. Insurers focused on retention and profitable growth and underwriting was prudent. Limits remained generally flat, despite requests amongst certain sectors for increased Marine Liability limits. Coverages remained stable; War and Communicable Disease exclusions continued to be mandated. Looking ahead, current market conditions are expected to continue.

Professional Indemnity

Market conditions remained moderate, with a few exceptions for specific risk types. Pricing remained flat to slightly upward to adjust for inflation and its impacts on claims costs. Capacity remained sufficient, except for poor performing risks, which experienced constraints. Underwriting was prudent for most risks, but more conservative and rigorous on complex or poor-performing risks. Most placements were renewed with "as expiring" coverages, limits and deductibles, with a few exceptions for specific risk types. Looking ahead, current market conditions are expected to continue.

Property

Conditions varied widely based on risk type, size, and quality, as well as loss history and the extent of Natural Catastrophe exposure. Underwriting was rigorous and stringent, with updated submissions and complete loss reports required, and significant pressure on updating values (and corresponding limits) to reflect inflation. Modeling remained critical for Natural Catastrophe exposed risks, most of which were referred to home office for approval. Inflation-driven price increases continued. Capacity was sufficient for most risks; however, challenging risk types such as Food, Waste, and those with Natural Catastrophe exposure experienced constraints. Coverage limitations related to the events in Eastern Europe were imposed, and valuation-related clarifications were applied (e.g., removing or limiting margin clauses, implementing average-coinsurance clauses.) The reinstatement of "soft market clauses" remained limited. Looking ahead, current market conditions are expected to continue. Insurers are expected to continue to seek profitable growth and the environment for well performing risk types will become more competitive.

Italy Market Dynamics

Italy Market Dynamics

Automobile

Driven by positive insurer performance, market conditions were moderate, with flat to modest price increases. Insurer capacity contracted but remained generally sufficient. Underwriting was prudent as insurers remained focused on risk selection. Aggregate deductibles were more common. Capacity remained stable but with harder conditions. Underwriters had a more rigorous approach and were more selective. Coverages remained stable and limits and deductibles renewed “as is”. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

The market remained competitive as insurers sought growth; however, appetite remained focused and market conditions were less favorable for Automotive and Life Sciences industry risks and risks with significant US exposures. New local excess layer capacity entered the market. Underwriting remained prudent, with sanctions and PFAS restrictions broadly applied, as well as mandates for increased attachment points of US Auto Liability placements. Deductibles were stable overall; however, significant US exposure drove some increase mandates. Looking ahead, a competitive market environment is expected to continue as insurers continue to seek growth with the key exceptions of higher risk sectors and risks with significant US exposure.

Cyber

Market conditions remained challenging although pricing decelerated and increases moderated materially. Capacity remained tight but was sufficient for most risks. Underwriting was rigorous, stringent and centralized. Insurers continued to deploy limit management strategies to limit their exposure. Coverages remained stable with no new across-the-board restrictions imposed. Looking ahead, while market conditions are expected to remain challenging, growing competition will drive a further improvement in the previously volatile, stressed environment.

Directors & Officers

The market showed clear signs of significant moderation as insurer performance improved. Modest price reductions became the norm. Appetite expanded as insurers focused on profitable growth. Many insurers that had withdrawn from D&O began re-entering the market and others increased their capacity. Underwriting remained prudent but was more rigorous for US risks. Limit, deductible and coverage changes that were imposed in recent years remained in effect. Looking ahead, favorable market conditions are expected to continue.

Marine

Market conditions were moderate as insurers sought growth in this market. Pricing was generally flat and reductions could be achieved for well-performing risks. Capacity was sufficient for most risks but was limited on risks with very high exposure values. Underwriting was prudent and detailed risk and exposure information was required. Most placements renewed with “as is” limits, deductibles and coverages. Looking ahead, current market conditions are expected to continue.

Italy Market Dynamics

Professional Indemnity

Market conditions were moderately challenging, driven largely by the withdrawal of capacity in recent years. Appetite was narrowly focused and growth targets tended to focus on Medical Professional Civil Liability. Most placements experienced significant price increases while structured portfolio solutions remained more competitive. Capacity remained stable; however, placement limits tended to decreas due to overall market constraints. Underwriting became more rigorous related to events in Eastern Europe as well as for certain higher risk activities and positions. Looking ahead, a tightening of the Professional Indemnity market is expected, driven largely by challenges in the financial markets and the banking space.

Property

2022 saw mixed results across insurers which then determined Q1 behaviors. Insurers with favorable 2022 performance sought cautious growth in Q1 while others were more conservative and focused on improving results. Modest price increases were imposed on most risks. Appetite and capacity was limited for challenging occupancies, but strengthened for lower-risk types, which were oversubscribed in some cases. Portfolio reviews were common. Limits were generally stable; however, Business Interruption values and limits were scrutinized and adjusted where deemed necessary. Looking ahead, favorable market conditions are expected for preferred risk types while others may experience more a moderate environment.

Netherlands Market Dynamics

Netherlands Market Dynamics

Automobile

Market conditions were challenging, as a result of rising repair costs (including parts and labor) driven by inflation as well as a transition to electric vehicle fleets, which are more expensive to repair and replace. In addition, third party liability losses rose across the portfolio, leading to some capacity restrictions. Underwriting was prudent as insurers remained focused on risk selection. Aggregate deductibles have become more common. Looking ahead, as insurers continue to prioritize profitable performance, underwriting and risk selection will be conservative, and market conditions will remain challenging.

Casualty / Liability

Market conditions remained moderate, although challenges continued for poor-performing industries such as healthcare, energy, chemicals and food/feed. Price increases continued, driven by social inflation and increasing turnover. While capacity was sufficient, insurers were cautious about how it was deployed and reluctant to offer full capacity on primary layers. For excess placements, ventilation was often required. Underwriting discussions focused on implementing exclusions related to the events in Eastern Europe, PFAS, climate change, and USA exposure. Other coverages remained generally stable; however, client requests increased for additional coverages like PFL, mantling/ dismantling, and extended products liability. Looking ahead, current market conditions are expected to continue.

Cyber

The market began to transition, especially on excess layers and for larger risks, where new capacity entered the market, bringing greater competition. Line sizes could be increased for in-appetite risks targeted for insurer growth. Significant price increases continued on Primary placements, with some exceptions for well-managed, in-appetite risks. Across both primary and excess, underwriting remained rigorous and extensive information was required. Coverages remained stable; War clauses and Systemic Risks language was mandated, with increased standardization of these wordings. Coverage for ransomware was available again. Deductible increases imposed at recent renewals were maintained. Looking ahead, As cyber resilience continues to grow, the market is expected to continue to respond favorably with market conditions continuing to moderate.

Directors & Officers

Moderate market conditions continued. While still not soft, pricing continued to become more competitive, especially on excess layers that had experienced significant adjustments in the past for which decreases could be achieved in some cases. Capacity expanded and was abundant, especially relative to the recent past. Coverages, limits and deductibles remained stable. Looking ahead, current market conditions are expected to continue.

Marine

The Cargo market remained stable and highly dependent on individual risk performance. Flat rates could be achieved in most cases, although premiums grew due to increased turnovers, driven largely by growing inflation and raw materials costs, which also served to drive up limits. Capacity was sufficient for General Cargo while Automotive and Stock risks experienced constrained capacity due to the accumulation risk. Exclusions were introduced for goods shipped to and from Russia, Ukraine and Belarus. The Hull market experienced moderate conditions as insurers experienced reinsurance mandates and inflationary impacts; however, new capacity entered the market through new and existing insurers so flat pricing could be achieved in most cases. Underwriting was technical and focused on individual risk performance. Looking ahead, the "Five Powers Exclusion Clause“ is expected to be introduced to the Cargo market and mandated in some cases by reinsurers. Inflation will continue to pressure sums insured. More competition may lead to downward rate pressure.

Netherlands Market Dynamics

Professional Indemnity

Market conditions for Construction Professional Indemnity were impacted by rising inflation, increased (construction) supply costs, and pressure from reinsurers, which drove up pricing. Capacity shifted – with new insurers entering while others reduced their lines – and was tight but sufficient for most risks. Key exceptions included Single (construction) Projects where higher limits were requested as well as large, complex risks, which experienced some constraints. Detailed underwriting information was required, and the underwriting process was rigorous. Coverages, limits and deductibles remained stable in most cases. Looking ahead, current market conditions are expected to continue.

Property

Market conditions remained generally moderate, characterized by modest price increases and sufficient capacity while Natural Catastrophe and Political Violence risks experienced a challenging environment, with more significant price increases and constrained capacity. Underwriting remained disciplined and thorough, and discussions were dominated by topics such as Natural Catastrophe losses, geopolitical events, inflation and asset valuations. Insurers imposed margin clauses or values limitation clauses if values were insufficiently substantiated. Political Violence restrictions were widely imposed. Looking ahead, insurers will continue to seek to balance their growth objectives against challenging treaty renewal terms, which will likely result in a continuation of the moderate market environment.

United Kingdom Market Dynamics

United Kingdom Market Dynamics

Automobile

Despite expectations of a challenging market environment, which had been driven by ongoing claims inflation and supply chain issues, the market was competitive and growth-focused. Lower risk profiles attracted the most favorable pricing and, in some cases, rate reductions were achieved. Capacity remained stable and broadly sufficient. Underwriting was sensible with most insurers preferring to write risks within appetite. Actuarial input has played a larger role in non-conventional placements. Underwriters required greater lead time to evaluate risks and referral underwriting became more prevalent amongst some insurers. Deductible increases were explored with greater frequency – especially in the SME space – as a mechanism to offset premium increases. Some insurers began increasing windscreen deductibles due to rising repair / replacement costs stemming from technologies contained within them. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

Market conditions were stable. Rate increases were proposed across-the-board, although they were tempered by healthy competition – especially for in-appetite risks – that was driven by insurer growth focus, new market entrants, and the continued movement of underwriters between insurers. While capacity was generally available, it remained limited for some complex risk types. Underwriting rigor strengthened as insurers continued to seek improvements in portfolio performance. Inflation, as well as US-exposed risk, remained key underwriting discussion themes. Insurers continued to exclude PFAS. Insurers applied risk specific underwriting (rather than a blanket approach) in the application of restrictions related to sanctioned territories. Looking ahead, current market conditions are expected to continue, with modest price increases and a spotlight on US-exposed or otherwise challenging risk types.

Cyber

Insurer focus shifted to profitable growth, generating significant competition and more options which resulted in improved placement outcomes, the extent of which varied by segment, sector, cyber security controls, and claims history. Large and complex risks experienced modest price reductions while smaller and mid-sized risks experienced a range of outcomes: risks with insufficient controls saw double digit increases while stronger risk controls led to more favorable pricing results. Capacity increased as new insurers entered the market. Local underwriters had more autonomy as compared to 2022, when referral underwriting / global sign-offs were required more frequently. Infrastructure exclusionary language continued to tighten and, although progress has been made toward transitioning to a more consistent approach for War and Cyber Operation exclusions – with LMA sign off still required – the transition continued to evolve. Although systemic risk remained a concern for insurers, particularly within the mid-market space, most insurers avoided sub-limits and opted instead to limit coverage through restrictive policy language. Looking ahead, with increased competition and insurer growth focus, market conditions are expected to continue to become more favorable; however, given the dynamic nature of the cyber threat landscape, a shift in losses would certainly impact this expectation.

Directors & Officers

Market conditions remained favorable as insurers competed fiercely to retain and grow their portfolios. Price decreases continued, the extent of which varied widely by sector, competition, and adjustments previously applied. Marked discounts could be achieved in many cases where the insurer had the opportunity to provide capacity elsewhere on the program / across lines of business. Capacity remained stable. Insurers were more open to discussing their maximum line size, although few increased their deployment. As insurers sought ways to add value and differentiate, underwriting became more flexible, and enhancements (e.g. in the form of deletion of exclusions) were common at 'first quote' stage and others could often be negotiated. Some clients who had reduced their limits in the hard market expressed interest in buying back to pre-pandemic levels. Peer analysis became even more important as clients sought to support their limit and deductible purchasing decisions. Looking ahead, current market conditions are expected to continue at least up until Q3, 2023 – a full renewal cycle past the initial market turn, barring further impacts from the recent challenges in the banking sector.

Marine

The Marine market varied from product to product. In the Liability space, the market remained somewhat challenging, with modest price increases, sufficient capacity, prudent underwriting, and “as is” coverages, limits and deductibles. Marine Cargo remained stable, with any potential softening being offset by rising reinsurance costs. Most risks renewed between flat and modestly up; however, risks with heavier Natural Catastrophe exposures experienced more significant increases driven largely by reinsurance. Capacity was sufficient and increased as new insurers entered the market; however, some risk types such as auto and retail continued to experience limitations on capacity. Deductibles remained stable although some clients opted to increase them to reduce premium spend. Underwriting discipline continued as respects coverage terms and conditions. Exclusions related to the events in Eastern Europe continued. The Marine P&I market remained moderate, with modest price increases, sufficient capacity and prudent underwriting. Marine Hull remained relatively stable. Pricing was generally flat. Small pricing reductions could be achieved when competition was introduced. Capacity increased as new insurers entered the market but it remained restricted for some vessel types where there was less market appetite (e.g., fishing vessels/RoRo passenger vessels). Underwriting was flexible for well-performing risks where tonnage is within appetite. Looking ahead, current market conditions are expected to continue.

Professional Indemnity

Increased competition driven by new market entrants and a general shift to a growth agenda helped to further moderate pricing and signal the return of a flat market in most Professional Lines classes, with rate adequacy remaining a key area of focus. Capacity levels increased and capacity was available to meet the needs of the vast majority of risks. Insurers remained wary about the macroeconomic outlook and inflationary environment; risks with crypto, "silent cyber", sanctions, fire safety and banking exposures were subject to increased underwriting rigor. Demand for limits remained relatively stable, although clients were mindful of inflation and the devaluation impact this may have over the longer-term. Insurers remained concerned about the potential inflationary impact on retentions. Clients tended to view the premium discount available from increased retentions tended to be as incommensurate with the level of additional client financial exposure. The war in Ukraine has heighted the focus and reliance on Sanctions and Territorial Clauses while The Building Safety Act 2022 has resulted in the introduction of Fire Safety Cladding Exclusions. Looking ahead, current market conditions are expected to continue.

Property

Modest price increases continued. Capacity was sufficient for most client needs, although Excess layers experienced some pressure. T he two-tiered market continued, driven by a number of factors. New market entrants, growth targets and increased competition drove improved outcomes for “softer” occupancy, well-managed risks with quality underwriting information, while conditions remained challenging and unpredictable for tougher occupancy risks such as food, waste, heavy industry and energy, and risks with significant Natural Catastrophe exposures. Underwriting remained disciplined with the demands around information remaining high, particularly where inflationary adjustments and evidence of risk quality, investment and progression were concerned. With the return of growth plans, the need for Head Office referrals decreased with more authority and decision-making now resting at the country level. Limits were broadly stable but the trend for clients to explore higher limits as a consequence of inflation increased, and higher limits were generally achievable.

Natural Catastrophe deductibles were pressured. Coverage concerns continued related to Strikes Riot & Civil Commotion (SRCC), Natural Catastrophe (both primary and secondary perils, for the USA and Rest of World) and Contingent Business Interruption extensions, with greater scrutiny driven by treaty renewals, industry losses and insurer focus on accumulation of exposure. Looking ahead, current conditions – including the two-tiered market - are expected to generally continue; however, there are certainly areas of challenge and unpredictability. Where new entrants are driving competition, results are likely to outperform the market average. However, challenges are expected to continue related to the impact of treaty results, natural catastrophe exposure, Excess layer pricing and heavier occupancies. Having a clear broking strategy, wide insurer engagement and superior risk information continue to be the recommended approach in mitigating their impact.

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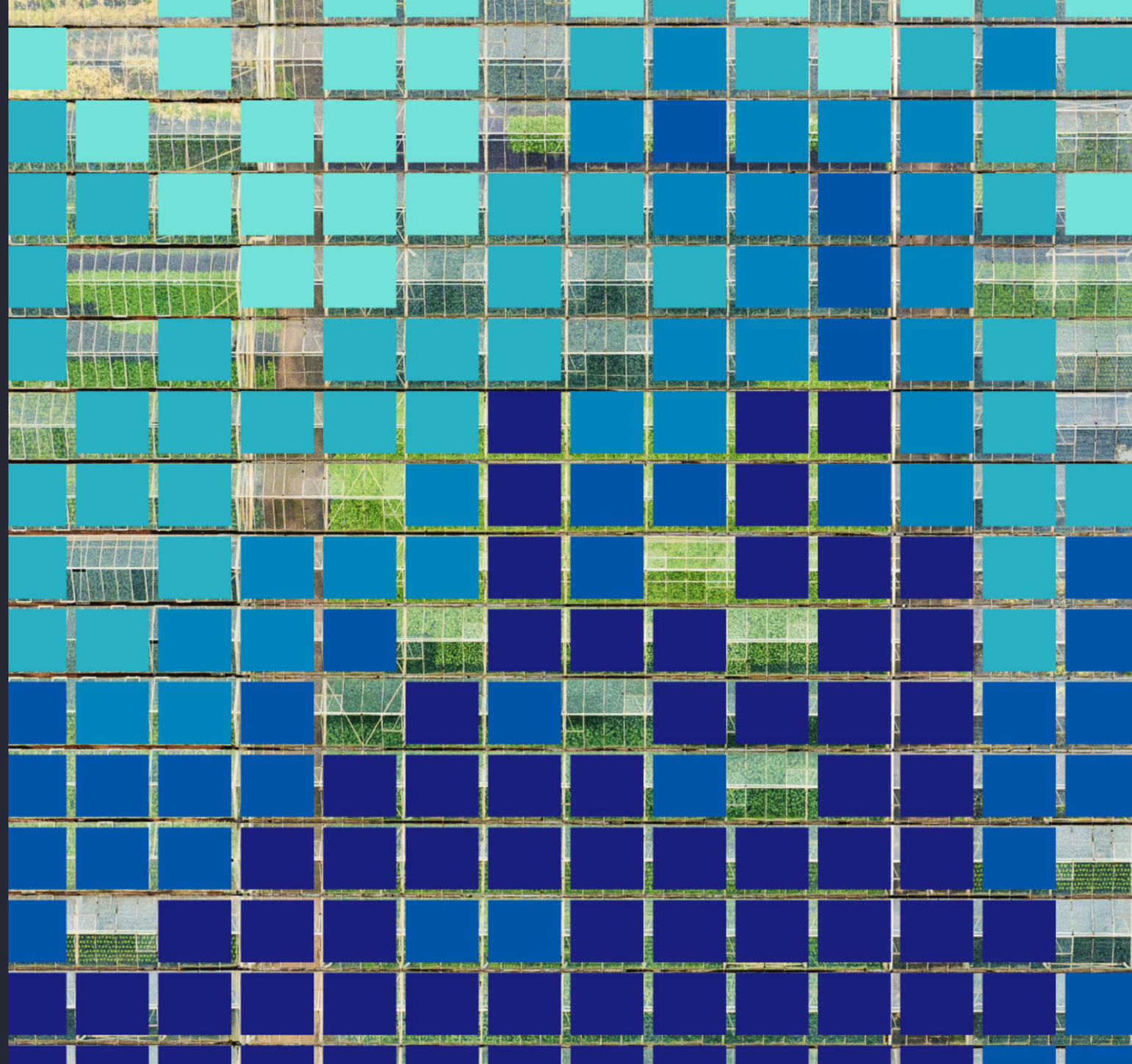
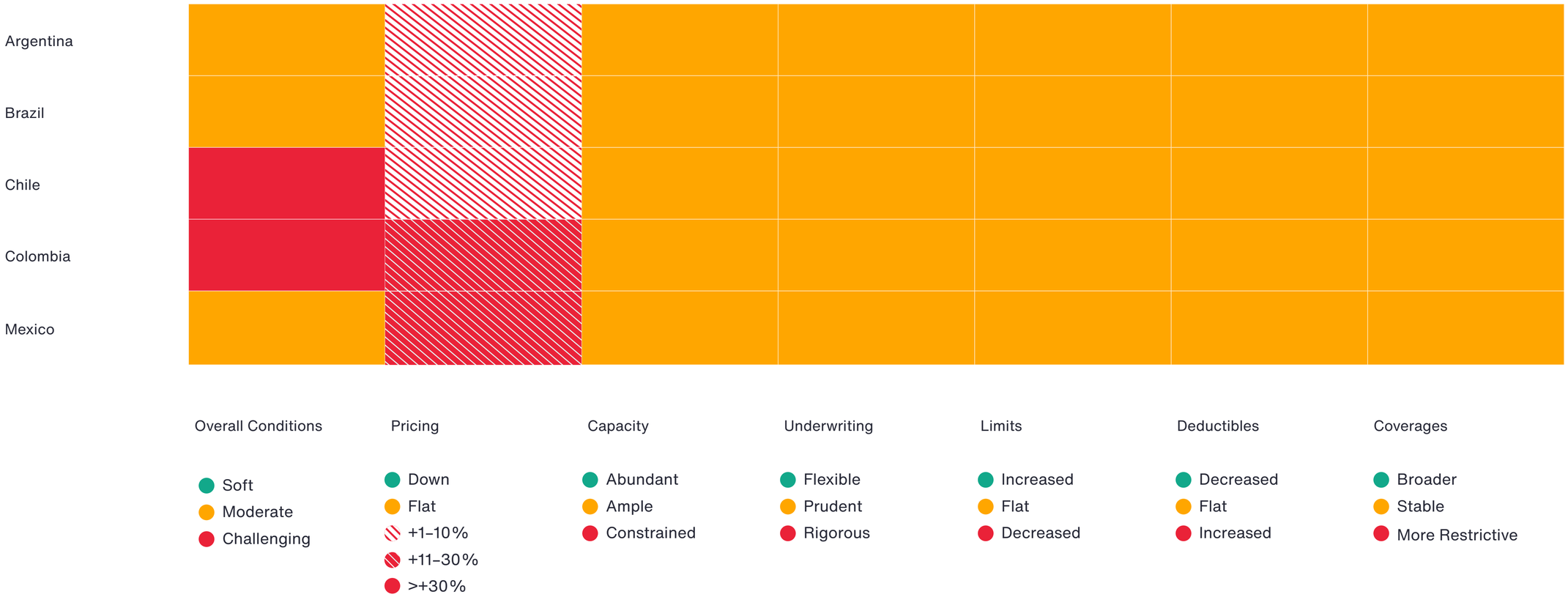
Latin America



Latin America Regional Market Dynamics



Latin America Regional Market Dynamics

Pricing

A challenging treaty renewal season pressured pricing upward, with Natural Catastrophe-exposed Property risks experiencing the most challenging conditions. Cyber pricing showed some stabilization. Auto and Casualty experienced modest price increases, driven largely by inflation and ongoing supply chain challenges. In the D&O market, price decreases were available for some in-appetite, well-performing risks.

Capacity

Capacity remained generally sufficient but was limited in some cases based on territory and type of coverage, with Property - especially Natural Catastrophe-exposed risks – as well as certain industry types facing notable constraints.

Underwriting

The underwriting environment remained disciplined, even for well managed and well performing risks. Detailed loss information was required across all products. Underwriting caution regarding ESG practices and Cyber was elevated. Referral underwriting was leveraged as needed and tended to be slower and more stringent than the market at large.

Limits

Most risks renewed with flat limits with the notable exceptions of Natural Catastrophe Property and Cyber Ransomware. In some cases, to achieve full tower limits, participation was spread across more layers / insurers.

Deductibles

Expiring deductibles were achieved in most cases with the key exception of Cyber risks, as well as poor-performing risks.

Coverages

Coverages remained generally stable; however, coverages related to Ransomware and Natural Catastrophe remained limited. Also, as social unrest continued in some countries, restrictions were imposed for Political Violence and Strikes Riots and Civil Commotion.

Argentina Market Dynamics

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

Argentina Market Dynamics

Automobile

Even as inflation accelerated and anticipation related to the Q3 presidential elections continued to grow, market conditions remained generally stable. Price increases continued, driven largely by increased costs of labor and parts, and ongoing supply chain challenges. Capacity was constrained, especially for larger risks, and those which performed poorly in the past. Underwriting remained prudent, although some challenging risk types experienced a rigorous and rigid environment. Limits continued to increase but did not keep pace with inflation. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

Moderate market conditions continued, with expiring coverages, limits and deductibles generally achievable at modest price increases. New business in areas targeted for insurer growth experienced flat pricing or, in some cases, modest reductions. Capacity remained sufficient; even for challenging risk types reinsurance capacity was available. Underwriters remained somewhat conservative, and restrictions were imposed on underperforming risks and higher exposure industries. Limits and deductibles were generally stable, although the trend to modify them for local currency and inflation gained traction. Looking ahead, current market conditions are expected to continue.

Cyber

Despite growing demand for Cyber coverage, the market remained very limited, and appetite was narrow. Significant rate increases continued as the market matured and risk complexity remained high. Capacity for local risks was very limited, and only available for risks with full underwriting detail and acceptable security measures. Deductibles were stable, with a specific, additional Ransomware deductible often required. Underwriting was centralized, with minimal local authority. Looking ahead, market conditions are expected to ease somewhat as the Cyber market continues to mature. Security measures such as Multi Factor Authentication will play an evermore important role in securing coverage.

Directors & Officers

Market conditions remained moderate. As insurers sought profitable growth, flat pricing could be achieved in most cases, and reductions were available for in-appetite, well performing risks. Capacity was generally sufficient; however, distressed risks, large risks, and challenging risk types experienced limited capacity availability. Underwriting rigor and responsiveness varied widely by insurer with insurers who leverage referral underwriting tending to be slower and more stringent. Limits, deductibles and coverages remained stable. Looking ahead, current market conditions are expected to continue.

Marine

The market varied by Marine line. The Cargo market was soft, with local capacity available for most risks, with the notable exceptions of fresh food and electronics. Some limits were increased. By contrast, the Protection & Indemnity and Marine Liability market conditions were challenging – with price increases and a more rigorous underwriting environment - driven primarily by a lack of local capacity and the need to leverage reinsurance solutions for most risks. Looking ahead, current market conditions are expected to continue.

Argentina Market Dynamics

Professional Indemnity

The market environment was moderate. Flat pricing was achieved in most cases; however, construction and banking risks experienced more significant price escalation. Appetite was healthy and capacity was sufficient, except for construction and banking risks. Underwriting was rigorous and stringent. Limits, deductibles and coverages were generally stable. In some cases, deductible decreases could be achieved. Looking ahead, current market conditions are expected to continue.

Property

The market was two-tiered. Industrial risks experienced a cautious market. Capacity was reduced, requiring greater reliance on reinsurers. Price increases were common, averaging in the single digits although risks with buildings constructed using composite panels experienced more significant – and sometimes severe – increases, along with mandates to increase deductibles. Underwriting was slow and information-intensive. Despite local insurers reducing their shares, expiring limits were achieved by leveraging reinsurance and coinsurance. On the other hand, non-industrial risks experienced a generally favorable market with sufficient capacity and flat pricing on average – with some reductions available for preferred risks. Looking ahead, current market conditions are expected to continue.

Brazil Market Dynamics

Brazil Market Dynamics

Automobile

Challenging market conditions persisted as inflation and rising parts costs continued to pressure insurer profitability. Poor performing risks and those with challenging exposures experienced the greatest impacts, including significant price increases and restricted capacity. Well performing and less complex risk types experienced more modest rate increases and sufficient capacity. Due to poor portfolio performance in 2022, insurers in Q1 focused on improving their performance, which led to more conservative underwriting, with flexibility demonstrated only on preferred risk types. Expiring coverages, limits and deductibles were achieved in most cases; however, some limitations were imposed for Logistics risks, Electric Vehicles, and on risks where a lack of parts and specialized labor had impacted claims costs. Looking ahead, insurers will continue to seek to improve performance. Detailed underwriting information will become even more important for achieving superior placement results.

Casualty / Liability

Insurers remained focused on a return to profitability, creating a moderate market environment; however, conditions varied widely based on industry, loss history and the need for facultative reinsurance. Industries such as warehousing, transportation, manufacturing, construction, mining, energy, highway, and chemicals experienced the most challenging environment, largely driven by the long-tail nature of losses. Smaller and less complex risks experienced more favorable market conditions. The underwriting environment remained disciplined, with greater rigor applied to Product Liability, Product Recall and Employers Liability as an additional coverage. Coverage terms remained stable; however, some contraction occurred for Product Recall and Product Liability for automotive, raw material, chemicals, pharmaceuticals and food and beverage risks. Looking ahead, current market conditions are expected to continue. Underwriting rigor is expected to strengthen, with detailed underwriting information required to secure superior outcomes.

Cyber

Despite signs of improved market performance, and a material increase in appetite and competition, the Q1 environment remained challenging. Price increases continued as insurers sought to recover from the losses of 2021 and 2022. Underwriting rigor remained strong; underwriters strictly adhered to stringent guidelines and required extensive, detailed risk information. Alternative limits were explored to help offset premium costs. Deductibles have stabilized following the adjustments made in recent years. Looking ahead, new capacity is expected to promote greater competition, which will likely lead to more moderate market, although significant price increases are expected to continue. Underwriting caution will remain elevated.

Directors & Officers

Market conditions continued to trend favorably. Appetite expanded and capacity increased across primary and excess layers – even for large and complex risks, providing more alternatives and a competitive pricing environment. Underwriting became generally more flexible. Key exceptions included Brazilian companies with US exposure (ADR or direct listed), companies involved in bankruptcy or judicial reorganization, or with governance / financial concerns, financial institutions, oil & gas companies, mining companies, and companies with operations or exposure in Eastern Europe , and companies with material claims history. These risks types continued to experience more challenging market conditions and conservative underwriting. Detailed, quality risk information remained critical to achieving underwriting flexibility and superior outcomes. Looking ahead, favorable market conditions are expected to continue but may be impacted by the important macro events, potentially leading to more conservative underwriting and pricing. An increase in Judicial Recovery has drawn insurer attention due to the potential impact on D&O policies and will impact underwriting as insurers seek more robust financial information from clients.

Brazil Market Dynamics

Marine

The Hull & Machinery market has remained stable for a prolonged period. Large fleets that require high limits leveraged the facultative reinsurance market, which tended to be more expensive and complex. Well performing risks experienced modest price increases while complex or poor performing risks experienced more significant increases. Capacity remained sufficient across the H&M market. Despite a rise in claims, pricing remained flat for most risks as insurers sought to retain their portfolios, although challenging risk types such as food (agribusiness), e-commerce and solar panels experienced more significant increases. The Marine Cargo market was more challenging due to a lack of infrastructure and investments as well as complexities in key segments such as electronics, pharmaceuticals, and food, which served to increase insurer underwriting scrutiny and elevate caution around capacity deployment and pricing. Lack of a local market for Protection & Indemnity risks drove all placements through reinsurers. Across all Marine products, underwriting was conservative, and extensive underwriting detail was required, especially where losses had been experienced; however, with robust information and when risk maturity was demonstrated, underwriting flexibility increased. Looking ahead, local P&I appetite is expected to expand and as a result, capacity is expected to increase. Detailed underwriting information and evidence of risk maturity will remain crucial for achieving successful placement outcomes. The political environment and related uncertainties is expected to create further market conservatism.

Professional Indemnity

Market conditions were stable overall, with ESG investments favorably impacting insurer risk perceptions and leading to superior placement results. While flat renewal pricing could be achieved in most cases, risks with poor loss history, material growth, or high susceptibility to litigation generally experienced price increases. The local market was narrow, with very few insurers, and capacity deployment remained stable: sufficient for architects and engineers, media and information technology risks, and tight for accountants, lawyers, notaries, financial institutions and insurance broker risks. Underwriting was flexible, but underwriters exercised heightened diligence and were more rigorous in their analysis, often seeking detailed information to better understand client activities and risks – especially, challenging risk types. Following mandatory increases in insured participation in losses in 2022, deductibles stabilized in Q1. Looking ahead, current market conditions are expected to continue.

Property

Market conditions continued to vary depending on client industry, claims record, exposure type, and risk management maturity, as well as insurer local underwriting authority. Conditions remained challenging for complex and high hazard risks including energy, heavy chemical, pulp & paper, and logistical warehouses, especially where high limits were required and local capacity was limited. Treaty renewal terms drove up pricing and tightened underwriting guidelines which narrowed insurer appetite and risk acceptance. In addition to treaty impacts, inflation drove widespread pricing reviews. Capacity remained stable; however, insurers were highly cautious in how they deployed it, resulting in capacity constraints as insurers sought to limit their exposure. Detailed underwriting information – including recent survey reports for high hazard risks – was mandated. Expiring deductibles were achieved in most cases; however, increases were mandated for poor performing risks. Underwriting discussions related to Strikes, Riots, & Civil Commotion, Contingent Business Interruption and Natural Catastrophe risks were challenging. Looking ahead, current market conditions are expected to continue. Robust, detailed underwriting information will become even more important to boost underwriter confidence and serve as a differentiator. Starting the placement process early will remain important.

Chile Market Dynamics

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

5 **Chile** Market Dynamics

Automobile

Market conditions remained challenging, driven largely by poor performance – especially related to Robbery and Terrorism claims – as well as the impacts of rising inflation on claim costs. Most risks – even those that performed well – experienced rate increases. Capacity was sufficient, barring restrictions imposed on Robbery and Terrorism, and certain parts of the country where most insurers will not deploy capacity. Underwriting was rigorous, slow, and data-driven. Coverages, limits and deductibles renewed "as is" in most cases. Looking ahead, market conditions are expected to remain challenging as insurers continue to focus on improving portfolio performance.

Casualty / Liability

Market conditions remained challenging for poor-performing and / or higher-hazard risks such as energy, power and storage facilities, which experienced capacity constraints and limited appetite. Well performing, in-appetite risks experienced a more favorable market environment. Price increases were common across much of the portfolio. Reinsurance continued to be an important source of capacity, particularly where local appetite was limited. Underwriting referrals were common. Looking ahead, current market conditions are expected to continue.

Cyber

Market conditions remained challenging due to continued claims activity and stressed portfolio performance. Significant price increases were imposed nearly across the board. Faced with claims severity, insurers further tightened capacity deployment to limit their exposure. Underwriting remained complex and underwriting guidelines were updated to adjust for attack frequency. Current program limits could be maintained but participation was spread across more insurers. Deductible increases continued to be mandated, and coverage restrictions were imposed. Looking ahead, current market conditions are expected to continue.

Directors & Officers

Market conditions moderated, the extent of which depended on risk profile and performance. In general, most risks experienced slight price increases – down from the more significant increases experienced in 2022 – sufficient capacity, and stable coverage terms, limits and deductibles; however, listed risks experienced more challenging conditions. Insurers remained selective, and local underwriting authority remained limited. Looking ahead, current market conditions are expected to continue.

Marine

Market conditions were moderate and stable. Flat pricing could be achieved for well performing risks with lower risk profiles, while larger and more complex risks experienced modest rate increases. Capacity increased and was sufficient for most risks. Underwriting was prudent in general, but local insurers were more rigorous and rigid for challenging Cargo risks such as Agribusiness and Fresh Fruits / Food. Most risks renewed with flat limits and deductibles; however, increased limits were available for some well performing risk types. Looking ahead, current market conditions are expected to continue.

5 **Chile** Market Dynamics

Professional Indemnity

The market was limited, and complex, and market conditions varied widely depending on the type of risk (e.g., industry, activity and in the case of projects, location). Price increases were generally modest, with more significant increases in the financial sector. Capacity was available for many risks but was constrained for difficult risk types or poor-performing risks, with engineering projects experiencing the most limited capacity. Underwriting was cautious and somewhat conservative dependent on risk type. Coverages, limits, and deductibles remained stable. Looking ahead, business segment / risk type will remain a key factor in underwriting and placement outcomes. In general, a moderate outlook is expected.

Property

Following the treaty renewal season, market conditions were challenging. Price increases were imposed, although they were generally modest. Appetite and capacity contracted. Facultative reinsurance was an important lever for securing large tower limits and served to reduce the reliance on the more restrictive and limited CAT treaty capacity. The underwriting environment was stringent and rigorous, and each risk was reviewed and re-underwritten. Limits were maintained, but additional insurer participation was required. Expiring coverage terms were achieved in most cases. Looking ahead, appetite and capacity are expected to remain stable while pricing is expected to move in conjunction with global market.

Colombia Market Dynamics

Colombia Market Dynamics

Automobile

Market conditions were challenging, characterized by significant price increases which were driven by currency challenges, the impact of high inflation on vehicle values, and continued supply chain disruption. Capacity remained generally sufficient, except for higher-risk commercial vehicles like rental and passenger. Underwriting was rigorous and slow; TCOR analysis played an important role. Expiring terms and conditions could be achieved in most cases. Traditional – rather than usage-based – products remained prevalent. Looking ahead, market conditions are expected to remain challenging. Insurer negotiations are expected to remain challenging and slow. Data-driven insights will continue to support client decision-making.

Casualty / Liability

Market conditions generally moderated; however, challenging conditions continued for complex risk types such as those in the oil and gas section, as well as poor performing lines of coverage such as Product Liability. Flat pricing could be achieved for most risks; however, modest increases were applied to complex risks where capacity and competition was limited. Underwriting was rigorous and detailed information was required. Coverage restrictions and limit reductions were imposed in some cases, such as Employer's Liability. Looking ahead, the market is expected to become more challenging, driven largely by global economic conditions.

Cyber

Market conditions remained challenging. Rates continued to increase steeply, driven by continued poor performance, including the latest cyber attacks on the health industry which impacted some insurance programs. Complex risk types like energy, financial institutions, fintech, utilities, technology, education and health experienced the most challenging conditions, as did risks where controls were deemed by underwriters as insufficient. Local capacity remained constrained but capacity from international (re)insurers was available to meet the needs of most risks. Underwriting was rigorous and stringent, and most risks were referred. Insurers continued to manage deductibles upward, including waiting periods and coinsurance for Ransomware and Business Interruption. Looking ahead, current market conditions are expected to continue.

Directors & Officers

Market conditions were moderate, even amidst economic uncertainty, as well as increased pressure from shareholders and third parties on Directors and Officers to enhance decision frameworks. Despite these factors, appetite and competition was healthy, which served to dampen price increases for most risks, with the key exceptions of oil & gas risks, start-ups, government risks, and some ADRs. Looking ahead, current market conditions are expected to continue.

Marine

The market remained challenging due to rising losses as well as increases in reinsurance contracts, specifically for transportation risks and sabotage & terrorism cover. Rates increased significantly, even for well performing risks. Capacity was sufficient to meet demand, although Stock Throughput required capacity from the reinsurance market. Underwriters were cautious, even for well performing and well managed risks, but they remained solutions-focused and offered alternatives, even in the face of tightening conditions. Through negotiations, expiring coverages, limits and deductibles could generally be achieved. Looking ahead, market conditions are expected to remain challenging due to external pressures and supply chain challenges.

Colombia Market Dynamics

Professional Indemnity

Challenging market conditions continued, especially for industrial risks such as architects and engineers for heavy work and infrastructure, as well as financial institutions (for Professional, Medical Malpractice and Tech PI). Capacity was limited and price increases were imposed. Insurer appetite was refined as insurers focused on profitability, especially for complex risks. Looking ahead, current market conditions are expected to continue.

Property

The market was challenging, with continued price escalation, albeit generally modest, except for risks that required facultative reinsurance, which experienced more significant price increases and adjustment of technical conditions. Terrorism coverage also experienced more severe conditions, with significant price increases, mandatory deductible increases and limit reductions, and reduced capacity. General market capacity remained ample - both locally and in the facultative reinsurance market. Underwriters were prudent in their risk analysis and required evidence of improved risk controls. Additional subjectivities and guarantees were included in quotes and compliance periods were notably short. Looking ahead, current market conditions are expected to continue, and may become more challenging if global inflation continues to rise.

Mexico Market Dynamics

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

Mexico Market Dynamics

Automobile

Inflation and rising claims costs in 2022 pressured the Q1 market. Price increases continued. Appetite became more focused, although capacity remained abundant. Underwriting remained prudent and tended to be more rigorous and conservative for new business generally and for poor performing renewals. Limits and deductibles were stable, although risks with a high frequency of losses experienced upward deductible pressure. Looking ahead, inflation and rising costs will continue to pressure pricing upward. Underwriting discussions may become more strained as insurer appetite further focuses.

Casualty / Liability

Market conditions were modestly challenging and varied widely by sector, with oil and gas, chemicals, mining, auto parts and hospitality experiencing the most challenging conditions. Driven largely by inflation, moderate price increases were common. Capacity remained stable and was sufficient for most risks, with reinsurance and/or coinsurance leveraged for some challenging risk types. Underwriting remained disciplined but was more rigorous for risks in challenging sectors. Alternative limits and deductibles were explored to offset premium increases. Looking ahead, current market conditions are expected to continue; however, automotive parts manufacturers and environmental risks are expected to become more challenging due to regulations related to hydrocarbons.

Cyber

Challenging market conditions continued. Insurer appetite remained limited, but capacity was generally sufficient for most risks. Significant rate increases continued, driven by regional and global losses in recent years. Coinsurance or excess schemes were leveraged for most placements with limits greater than USD 5Million. Underwriting scrutiny intensified with strict analysis of technical information. Limit increases were explored – and generally available in the market – but were seldom implemented due to budget constraints. Deductible increases were common, and many insurers required coinsurance for Ransomware. First party coverage experienced coverage contraction and was sub-limited in some cases. Looking ahead, current market conditions are expected to continue.

Directors & Officers

The market transition that began in 2022 gained momentum, but conditions varied by risk type. Privately held firms experienced a favorable market, with generally soft pricing. Publicly held firms experienced a moderate market, with generally flat pricing. Challenging firms such as ADR II and ADR III experienced a more challenging market, with price increases. Competition strengthened amongst the major insurers, even as insurers remained focused on profitability. Local market capacity was abundant. Underwriting became more flexible and sub-limits for some key coverage extensions could be increased. Exclusions related to COVID-19 could, in some cases, be removed. Market conditions are expected to further improve, especially for in-appetite risks.

Marine

Driven by a significant increase in Cargo theft claims, market conditions became challenging, with significant price increases, especially for for poor performing risks. A large number of insurers participated in the market, and capacity was sufficient for most risks. Underwriting was stringent and rigorous. In some cases, increased security measures were mandated. Despite rising inflation, limits remained stable while rising losses drove up deductibles. Coverages remained stable with the key exception of Stock Throughput, which required support from reinsurers as it is no longer available in the local market. Looking ahead, a disciplined underwriting environment is expected to continue and insurers will remain focused on individual risk underwriting.

5 **Mexico** Market Dynamics

Professional Indemnity

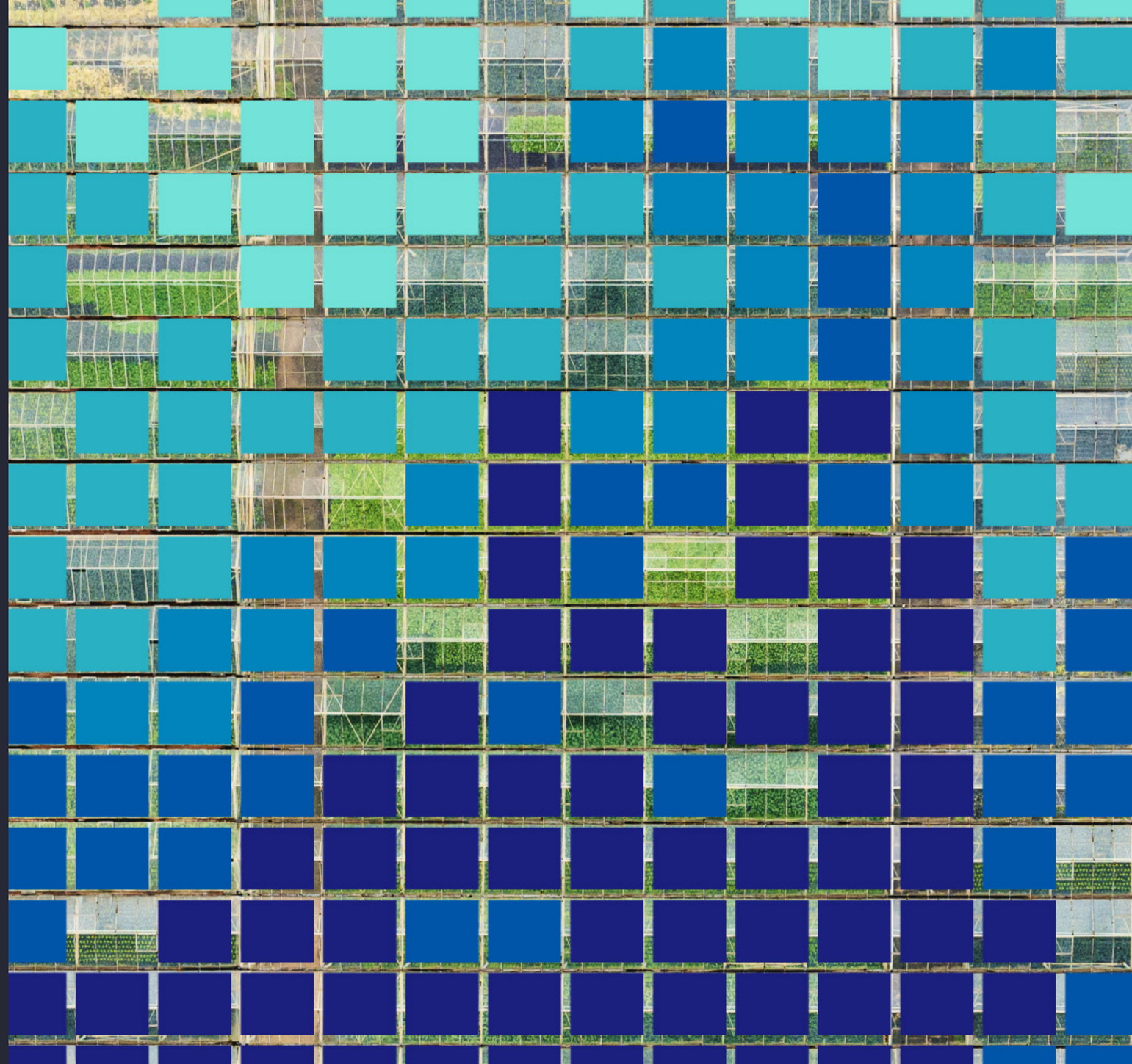
The market remained moderate and varied widely dependent on risk type and activity. Modest price increases were common across the board, driven largely by inflation. Capacity was generally sufficient, with key exceptions such as lawyers and accountants, due to poor performance of these risk types. Coinsurance was common to achieve full tower limits. Underwriting was conservative and adhered strictly to underwriting guidelines. Referral underwriting was required for miscellaneous professional activities and restricted enterprises. New coverage language related to Cyber was introduced for Technology companies. Looking ahead, current market conditions are expected to continue, although insurers will keep a watchful eye on potential changes and opportunities associated with upcoming political elections in the country.

Property

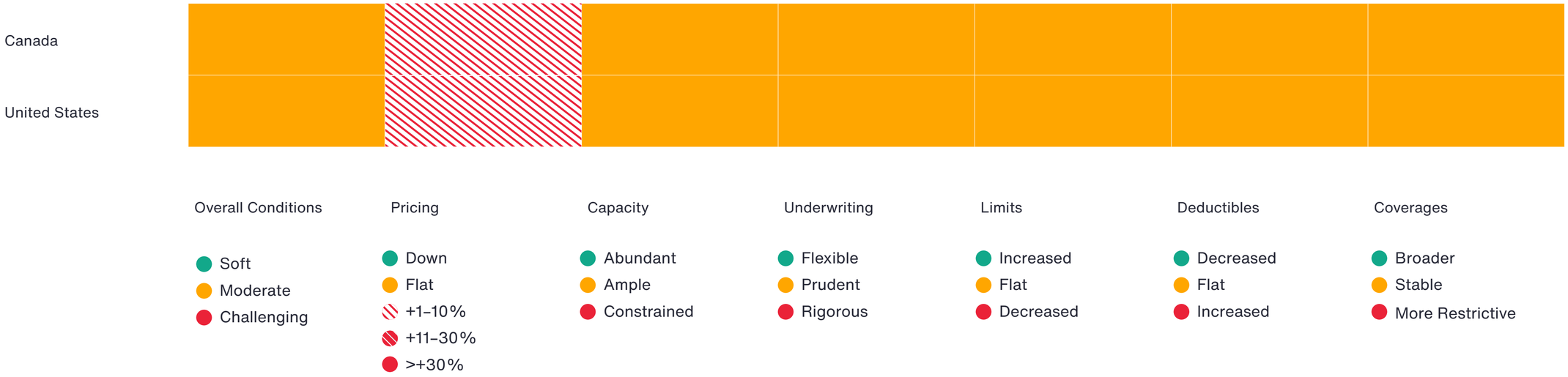
Market conditions were challenging. Price increases continued, driven largely by inflation and reinsurance treaties. Insurers remained cautious in their capacity deployment and tended to reduce capacity at renewal, especially for risks lacking engineering reports. Proportional participation was leveraged as needed. Underwriting scrutiny remained strong, especially related to valuations, and detailed loss history and risk engineering reports were mandated. Well-performing CAT-exposed risks which previously experienced relatively favorable market conditions saw the most significant rate impacts due to pressure from reinsurance treaties. Limit increases were common, driven by inflation and rising loss costs. Strikes, Riots and Civil Commotion was commonly excluded, limited, or subject to a higher deductible. Looking ahead, current challenging market conditions are expected to continue.

6

North America



North America Regional Market Dynamics



North America Regional Market Dynamics

Pricing

Stubborn inflation, rising loss costs – especially related to Natural Catastrophe Property, Casualty, and Professional Lines – surging reinsurance costs and reinsurance capacity pullback, and uncertainty related to the events in the banking industry served to pressure pricing upward, while improved profitability and pressure to achieve (insurer) growth targets served to dampen increases. The overall impact was a general continuation of the pricing deceleration that began in 2022, with D&O experiencing the most favorable conditions while Natural Catastrophe exposed Property experienced the most challenging conditions.

Capacity

Capacity remained sufficient across most products and increased in some areas targeted for growth. Key exceptions included Property – especially for risks with heavy Natural Catastrophe exposure – as well as risks with 'high hazard exposures' such as carbon intense industries. Such risks experienced a material reduction in available capacity, driven largely by insurer reactions to 2022 storm activity and surging reinsurance costs.

Underwriting

Insurers remained focused on profitable growth and retention of well-performing risks and continued to expand their appetite in targeted areas. Underwriting was generally more flexible but remained disciplined based on individual risk profile, controls and performance. Property underwriting was less responsive and timely than the market at large, creating additional stress in an already challenged Property market.

Limits

Inflationary pressures continued to increase exposures, as well as verdicts/settlements, pressuring limits upward. Natural Catastrophe sub-limits were scrutinized and reduced, particularly in lower attachment layers.

Deductibles

Deductibles remained generally stable with the notable exceptions of Property placements – especially those with heavy Natural Catastrophe exposure – as well as poor performing risks, and risks deemed to have insufficient controls. Percentage deductibles became more common in the Property market.

Coverages

Coverages remained stable with broader terms achieved in cases where insurers leveraged coverage as a differentiator. This included reconsidering restrictions imposed during recent renewals. Property terms and conditions tightened to address concerns related to Natural Catastrophe exposures, business interruption indemnity periods and reported values.

Canada Market Dynamics

Canada Market Dynamics

Automobile

Moderate market conditions continued. While price increases remained modest, the transition in some parts of the country to Direct Compensation for Property Damage (DCPD) led to continued pricing conservatism as subrogation of no-fault losses is no longer permitted. Capacity remained sufficient and Insurers were eager to write new business. Underwriting remained prudent with a focus on safety controls, driver training and driver selection. Insurers sought to package coverages which brought greater flexibility in pricing and overall negotiations. Looking ahead, a moderate to slight softening is expected.

Casualty / Liability

Competition on Primary programs varied; large global risks experienced healthier appetite and more competition than smaller, domestic risks. Pricing was flat to modestly up. The Excess market experienced more competition, and price reductions could be achieved as insurers sought to achieve aggressive growth targets. Insurers remained selective on where to deploy capacity, which has not returned to pre-COVID levels. Appetite for Excess layers improved, but at lower attachments than in prior quarters. Ventilation opportunities created additional capacity. Underwriters continued to require detailed and complete information, which reduced follow up queries. PFAS exclusions continued to be mandated. Some risks with significant wildfire exposure experienced a reduction in sub-limits or, in severe cases, exclusion of coverage. Looking ahead, insurers are expected to become more growth focused; however, they will likely remain selective with little change in appetite. Large global risks are expected to experience more competition on Primary, as premium levels and deductible levels are deemed within insurer targets.

Cyber

Market conditions continued to moderate. Insurer confidence returned and where insureds were able to demonstrate strong critical cyber security controls, competition was fostered, resulting in a stable to decelerating rate environment. Risks with control gaps, losses in the last 3-5 years or which are operating in a high-risk industry experienced a more challenging pricing environment. New entrants – both local and global insurers – served to increase capacity in both Excess and Primary programs. Insurers also expanded their limits deployed on a single risk. Underwriting remained rigorous; a base application and supplemental ransomware questionnaire were required for most risks. In addition, other supplementals to gather information about emerging risks such as meta pixel exposure and new zero-day vulnerabilities were leveraged as underwriters deemed necessary. Insureds were required to demonstrate strong responses to areas of questioning or risk being denied or receiving subpar terms and conditions. Even when competition drove down pricing; deductibles remained generally stable. Minimum retention requirements based on revenue bands that had been established by insurers continued. Coverage restrictions were imposed for War (clarifying coverage for state sponsored attacks), Infrastructure (clarifying coverage for events resulting from outages of modern-day infrastructure) and Catastrophic losses (applying sub-limits for widespread losses). Looking ahead, market conditions are expected to remain moderate. Insurer optimism and confidence will cautiously increase, barring any significant cyber events.

Directors & Officers

The market transition that began in mid-2022 continued – and accelerated for some risks – and conditions became increasingly favorable. Pricing varied based on risk type, with private and not-for-profit risks hovering around flat for Primary and trending upward for Excess. Public companies experienced price decreases on Primary and Excess, with Excess layers seeing the most significant downward trend. Capacity was abundant for most risks, as new insurers entered the market and established insurers increased their deployment. Key underwriting themes continued from prior quarters: ESG and financial strength dominated discussions, and economic uncertainty brought greater focus on debt and EPL. Some coverage restrictions imposed during the hard market environment were reconsidered. Looking ahead, current market conditions are expected to continue.

Canada Market Dynamics

Marine

Market conditions were moderate. Insurer appetite was healthy. Pricing increased – with poor performing risks experiencing the most significant adjustments while reductions could be achieved on some loss-free risks. Capacity remained stable. Underwriting remained prudent and referral underwriting was common. Limits remained generally consistent, although increased limits were available for Project Cargo/Delay in Start Up. Deductibles remained flat, with the notable the exception of increases in Natural Catastrophe deductibles for Stock Throughput risks. Cyber coverage buy-back options were available in some cases. Looking ahead, current market conditions are expected to continue.

Professional Indemnity

Insurers remained concerned regarding inflation and claims cost escalation; however, competitive forces served to keep pricing in check for both renewal and new business. Modest price increases were the norm while pricing decreased for well performing, in-appetite risks. Capacity was sufficient, with several new entrants; however, there was limited appetite for (construction) project-specific policies, oil and gas, mining, marine works, waste to energy projects, high rise residential, and heavy civil exposures. Underwriters strictly followed ESG and other underwriting guidelines. Underwriting rigor remained strong. Limits, deductibles and coverages remained stable. No additional systemic coverage exclusions were implemented. Looking ahead, current market conditions are expected to continue.

Property

Market conditions were generally moderate, with healthy competition – especially on large, well-performing risks. While price reductions were generally not achievable – even when there was competition – increases were modest. Capacity was sufficient for most risks, although there was a tendency to limit Natural Catastrophe exposure through sub-limits and proportional sharing. Valuations remained a significant topic; both the quantum over last year and the overall client philosophy around values remain critical considerations. Risk control and quality of data remained key factors in achieving superior placement outcomes. Loss of experienced underwriting talent at some insurers has led to increased underwriting stringency and a compliance-driven focus. Deductibles remained flat with the notable exceptions of Water Damage on residential risks and increased pressure on Wind/Named Storm. Looking ahead, current market conditions are expected to continue.

United States Market Dynamics

United States Market Dynamics

Automobile

Claim trends continued to dominate underwriting discussions. While the loss environment remained challenging, coverage grants were achievable as renewal pricing yielded moderate rate increases for insurers. A two-tiered marketplace continued, whereby insurers focused on risk-specific issues and sought larger-than-average rate increases on risks with lower attachment points, adverse loss experience or challenging risk profiles. Capacity was generally sufficient across both Primary and Excess, and underwriters continued to carefully evaluate risk differentiation including telematics and other vehicle safety and driver training initiatives. Looking ahead, the market may become more challenging due to continued inflationary impacts on open claims and headwinds posed by recent large verdicts / settlements.

Casualty / Liability

The market for primary General / Product Liability, as well as Umbrella and Excess Liability, remained generally stable, with pricing trending upward. Primary programs experienced modest increases while Lead Umbrella and Excess Liability programs saw moderate increases. By contrast, Q4 2022 saw flat pricing to slight rate reductions. Coverage enhancements, supported by quality underwriting data, remained available. Insurers continued to monitor and exclude critical emerging risks (PFAS), having already addressed territorial challenges (Russia & Belarus). Other emerging trends include a focus on biometric privacy, with some insurers seeking exclusions or coverage limitations. Looking ahead, current market conditions are expected to continue. However, the Umbrella / Excess Liability environment is being closely monitored as rate pressure could re-emerge due to the inflationary impact on open claims and headwinds posed by recent large verdicts / settlements.

Cyber

Market conditions continued to be more buyer-friendly, following the trend that began in late 2022, as headwinds subsided due to improved insurer loss ratios and the introduction of new capacity. Primary pricing for larger risks ranged from slight decreases to modest increases while competition and new capacity in the middle market segment and excess space continued to pressure drive pricing downward. Risk differentiation remained a key price driver. While insurers sought a significant amount of underwriting data and best-in-class network security controls, the underwriting focus shifted back to understanding and ensuring best-in-class privacy controls were present with a specific focus on biometric data and pixel tracking. Insurers continued to scrutinize coverage offered for critical infrastructure, systemic and/or correlated events, and war, with certain insurers restricting coverage on either a generalized or event specific basis. Lloyd's insurers were required to implement an LMA complainant Cyber War Exclusion. Looking ahead, depending on the class of business, year-over-year improvement of controls, and previous market corrections – Q2 market conditions are expected to be more favorable compared to Q2 2022.

United States Market Dynamics

Directors & Officers

Competitive market conditions continued, with an abundance of capacity both domestically and internationally; oversubscription was common. Insurers competed aggressively on rate, especially in Excess layers, resulting in overall price decreases ranging from the high single digits to low double digits, especially with strategic and global marketing efforts. Certain characteristics, such as newly public companies in the last 24 months, achieved the most significant savings while more mature risks, including Fortune 250 companies, saw less significant reductions. Continued depressed public offering activity created a void for new business opportunities pressuring incumbent insurers to compete with new market entrants to maintain their portfolios. Discussions arose around the banking crisis developments and potential losses, as well as the increased litigation risk resulting from increased M&A, decreased valuations, etc., adding to the 'risk in the system' narrative. Underwriting remained focused on risk differentiation and emerging issues such as ESG, as well as the continued challenges associated with supply chains, inflation and the potential impacts of recent banking failures. Insurers continued to closely monitor limit aggregation on any single risk. While retentions remained generally stable, some segments such as post-public transitions that experienced a higher retention reaction in 2020 and 2021 saw favorable adjustments to more normalized ranges. Retention levels shifted to become more of a policyholder choice. Insurers sought to distinguish the breadth and scope of coverage by offering more competitive terms on critical coverage areas (conduct exclusions, severability, Side A expansion) and maintaining board derivative demand sub-limits. Looking ahead, underwriting is expected to remain rigorous and may tighten as the banking crisis develops and related litigation unfolds. But new market entrants will continue to provide competitive alternatives in Excess layers, which will serve to dampen any upward pricing pressure. Underwriters will continue to identify metrics to evaluate ESG exposure. The return of the capital markets and public transaction activity - whether in the form of traditional IPOs or DeSPAC transactions - remain areas of increased uncertainty.

United States Market Dynamics

Marine

Cargo

Conditions were moderate across the Cargo market, characterized by moderate price increases, partly driven by increased reinsurance costs, and sufficient capacity. Risk types such as autos, retail store exposures, food/beverage and pharma/life Science experienced a challenging market environment, especially related to temperature sensitivities and shelf-life concerns. Following poor performance for heavy CAT exposed Stock Throughput risks, and as a result of rising reinsurance costs, such risks experienced significant price escalation. Stock limits increased over the past two years as supply chain issues forced increases in available stock-on-hand. Seeking more balance, Cargo insurers reviewed their international cargo exposures relative to the amount of stock and some declined "stock-heavy" risks. Large domestic inland transit exposures were no longer enough for Cargo insurers to quote a predominantly static exposure program (London was an exception but sought appropriate premium levels). Seeking premium relief, some Property clients explored moving inventory exposures into the Cargo market, with benefits most likely for risks with stock/inventory being a significant portion of overall TIV.

Most excess stock capacity is sourced from London markets. Insurers remained concerned with supply chain disruption and aggregated cargo values at ports and interchange points. Spoilage losses were a major concern. Losses continued for ships losing containers overboard as well as fires on board container ships / RoRo vessels. Most insurers imposed full exclusions for shipments to/from/via Russia, Ukraine and Belarus and the 5 Powers Exclusions were added to cargo programs.

Hull & Liability

Hull & Liability rate increases moderated compared to the last three renewal cycles. Clean Hull risks renewed between flat and modestly upward, clean Primary Liability renewals trended modestly upward, and clean Excess Liability placements renewed with generally modest increases reaching the low single digits. (Presuming "as is" renewal exposures.) Social inflation continued to be a major factor for US Marine Liability placements when underwriters evaluated rating adequacy. The market saw some new entrants, along with a number of underwriters looking to grow their current portfolios, which increased competition in the market. Coverages remained constant with no new market-wide exclusionary wording being introduced. Deductible levels remained as-is barring poor loss experience where alternate deductible levels were sought to bring the account back to a profitable level and/or mitigate premium increases.

Logistics

The Logistics market continued to show positive signs of a potential improvement. Capacity stabilized. Pricing hovered around flat, with reductions achievable on well-performing, growing risks and increases – some significant – on poor-performing risks. Most logistics service providers who did not increase their limits in recent years sought limit increases. Virus, bacteria, and fungi exclusions continued to be required, and some insurers were more stringent in their restriction of geographic territories, excluding coverage for all perils, not just War and SR&CC, for shipments to/from and within Russia, Ukraine and Belarus. Some insurers, however, were willing to quote 'on application' and negotiate on a case-by-case basis. Supply chain issues and expanded operational scopes (e.g., final mile, white glove, and manufacturing) created a growing need for innovative solutions and additional capacity.

United States Market Dynamics

The Shipper's Interest (SI) market pricing hovered around flat, with some reductions for well-performing risks. Capacity was sufficient. Concerns related to the availability of satisfactory third party administers continued to be a concern as shipper's interest claims can have a high frequency and require speed of payment. The Logistics Errors & Omissions market was challenging with regard to international customs brokerage operations. Standalone Warehouse Legal Liability coverage started to improve, with modest price increases being the norm. A new Aon Excess facility has helped to create some much-needed competition in the Excess Logistics Liability market.

Looking ahead, current market conditions are expected to continue. Impacts of the events in Eastern Europe, supply chain challenges, and social inflation will continue to factor into underwriting discussions and placement outcomes.

Professional Indemnity

The market remained generally stable, characterized by modest rate increases, sufficient capacity, and very little pressure on retention levels. More specifically, Lawyers Professional Liability (LPL) pricing decelerated, with flat to modest increases for most risks and capacity was stable. Accountants Professional Liability (APL) experienced stable conditions, except for regional and national firms which saw single digit increases. Significant claim activity drove capacity downward and pressured retentions upward for firms in this segment. Pricing for consulting firms saw more significant increases, although higher Excess capacity gradually increased during the quarter. The recent failures of FTX and Silicon Valley Bank have begun to impact the underwriting process. Concerns emanating from these two events and general economic uncertainty have underwriters asking more questions but not yet taking noticeable action on a broad basis. Claim notifications remain significantly lower than historical norms but increasing severity remains an issue. Claims related to digital assets and SPAC's remain a serious concern for underwriters despite limited reported matters to date. Underwriter focus on exposure to sanctions persists, especially in the London market, but only a few insurers have added language to address the potential exposure. Looking ahead, underwriting is likely to be more rigorous as the impact of the FTX and SVB failures evolve and economic uncertainty persists; however, market trends are expected to continue in a similar direction in the short-term. Rate change in the LPL market is expected to continue to decelerate, with price decreases becoming more frequent, especially for firms with less than 100 attorneys. APL rates are expected to trend upward, including for very large firms who have not been experiencing rate increases. Pricing and available capacity in segments of the high Excess market could begin to be more challenged as insurers assess the potential of catastrophic claims from deteriorating conditions in the financial markets and overall economy.

United States Market Dynamics

Property

Market conditions deteriorated, stemming from myriad factors:

- Unsatisfactory portfolio performance: Six years of underwhelming returns amidst above average catastrophe losses (capped by Hurricane Ian) together with losses from secondary perils such as wildfires, convective storms, floods and hail.
- Investment losses: 40-year record inflation together with rising interest rates has led to investment losses.
- Difficult Treaty renewals: The reinsurance market faced its most challenging January 1 renewal period in a generation as the market experienced a fundamental shift in pricing, capacity and risk appetite, especially for catastrophe risk. A double-digit decline in global reinsurer capital was estimated.

While competition continued for risks in desirable occupancy classes, nominal catastrophe exposure and profitable historic loss ratios, rate increases were none-the-less experienced for such risks. Risks with Natural Catastrophe / Florida exposures, poor loss experience, and/or in challenging occupancies such as frame habitational, food, industrial and warehousing experienced challenging conditions including significant rate increases sometimes exceeding 50%. Capacity for Florida Windstorm, Severe Convective Storm and Wildfire was constrained, and targeted Natural Catastrophe limits were often difficult to achieve (and expensive). Underwriters continued to scrutinize reporting of insurable values, with many insurers applying margin clauses or coinsurance penalties when valuations were deemed inaccurate or underreported.

Underwriting was less responsive and timely than the market at large, creating additional stress in an already challenged Property market. Terrorism market conditions remained firm as the events in Eastern Europe continued. Looking ahead, current market conditions are expected to continue. In their recently released North American hurricane forecast, Tropical Storm Risk anticipated below-norm activity for 2023, projecting two intense hurricanes, six hurricanes and twelve named hurricanes. Their initial forecast is for weak El Niño conditions to develop through August-September.

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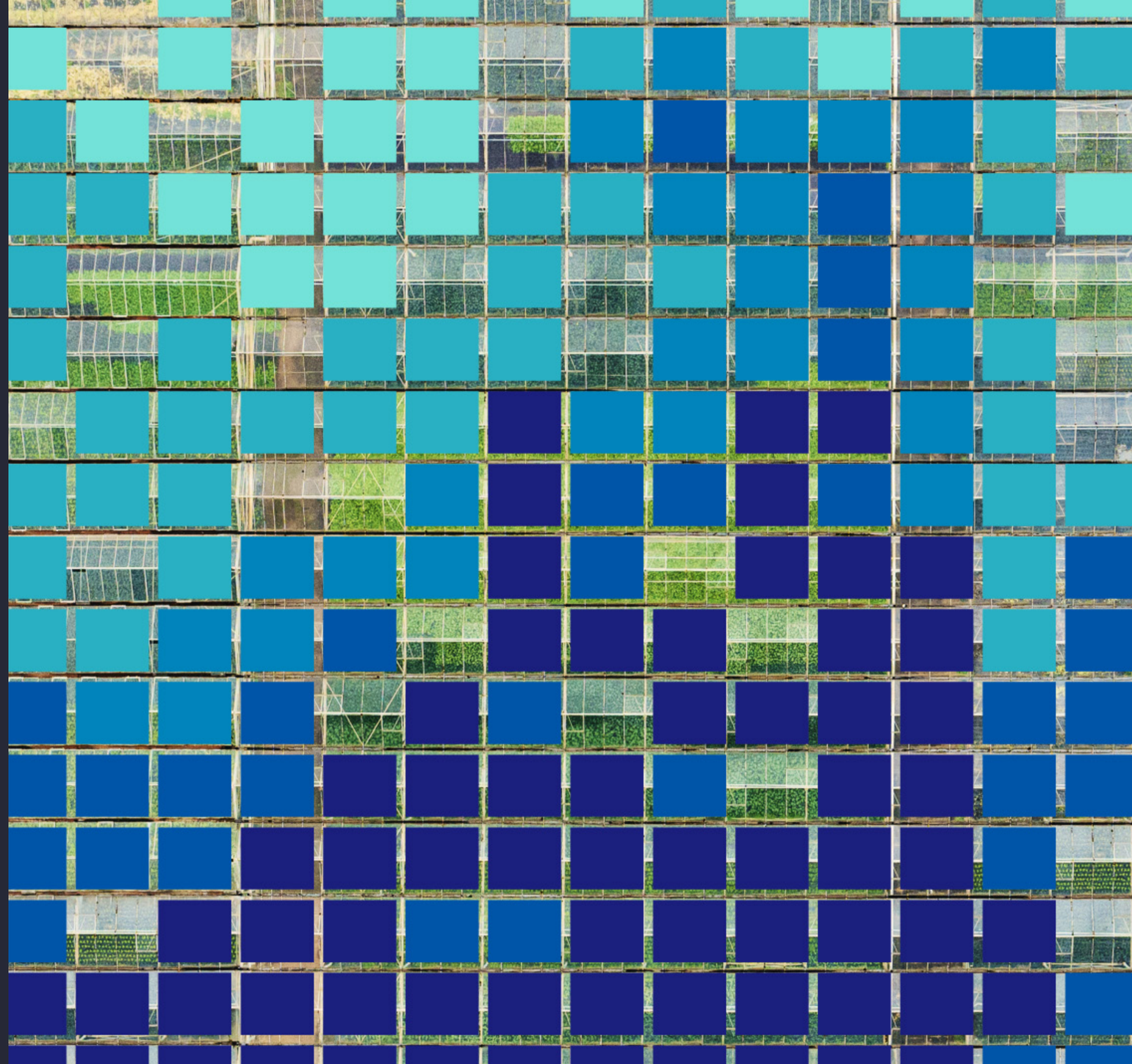
Key Aon Contacts



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