Q2 2023

Global Market Insights Report

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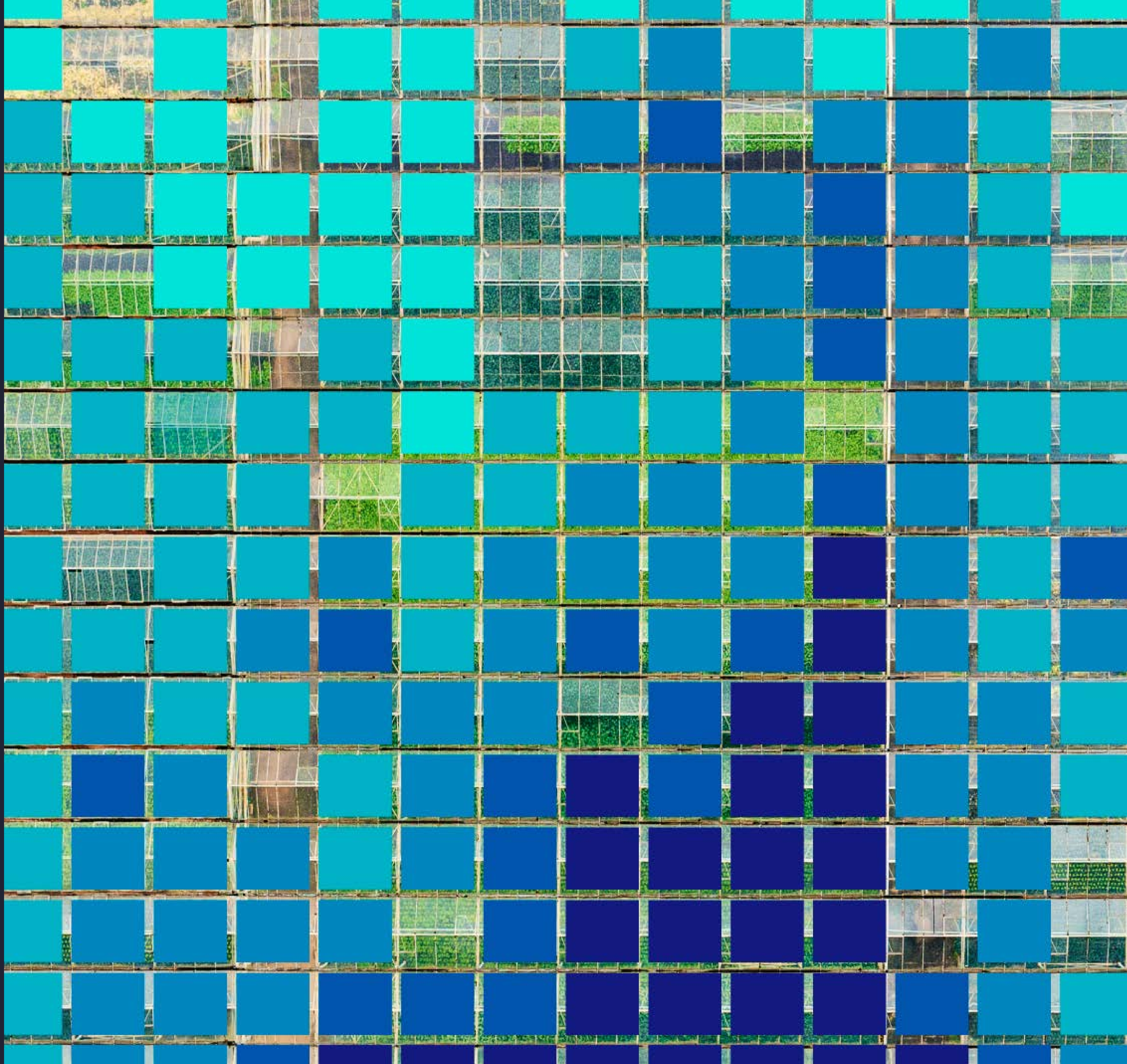
Introduction



1 Catastrophic weather events led to extraordinary losses and market conservatism

Andy Marcell

Chief Executive Officer
Risk Capital and
Chief Executive Officer
Reinsurance Solutions

The first half of 2023 proved monumental for natural catastrophe risk — especially, climate-related events — as economic losses stemming from natural disasters globally reached $194 billion — well above the first half average of $128 billion for the 21st century. Key events contributing to the record-breaking total include:

- **$91 Billion**: The earthquakes in Turkey and Syria, making economic losses in the EMEA region an unprecedented $111 billion.
- **$35 Billion**: Severe convective storm (SCS) activity in the United States, which was responsible for at least 13 individual billion-dollar events, setting a new 1H record.
- **$7.2 Billion**: Two back-to-back, billion-dollar disasters, which impacted the North Island of New Zealand within a three-week period in the first quarter, remnants of Cyclone Gabriele and severe flooding in Auckland.

These and other climate-related catastrophes have had myriad impacts around the world, across many parts of society and business, including on insurers who have paid $53 billion in losses from natural disaster events in 1H 2023, some 46 percent above the 21st-century average of $36 billion. And this extraordinary loss amount is limited to Property insurance. If climate-related litigation gains traction, Liability losses could also have a material impact on (re)insurers' profitability and the industry as a whole. Just as the Property market has shifted to become more conservative to address these climate developments — with price increases, capacity contraction, and coverage clarifications — the Liability market could likewise experience a shift as organizations turn to their insurance — especially, General Liability, Public and Products Liability, and Directors and Officers Liability — to cover their climate-related liabilities.

US Supreme Court Decision Could Have Broad Implications

In April, the US Supreme Court declined to consider five cases filed by fossil fuel companies arguing that climate change-related tort claims should be heard in federal, rather than state, courts — a decision that could lead to a sharp increase in state court litigation. (State courts are widely considered more plaintiff-friendly in such cases.)

The number of climate change-related cases against fossil fuel companies and organizations in the plastics, food and agriculture, finance and transport sectors had already risen notably. Over 1,200 cases were filed in the last eight years, as compared to 800 cases filed between 1986 and 2014*. Outside the US, Non-Governmental Organizations and individuals represent almost 90% of the claimants, whereas within the US, governments, companies, and trade associations make up a higher proportion of claimants.

It is clear that the potential consequences of climate-related litigation could reach far beyond the fossil fuel industry, and the cost of climate change losses to the insurance industry may reach well beyond the Property market.

*Sabine Center for Climate Change Law, Grantham Research Institute on Climate Change and the Environment

In this quarter's Global Market Insights report, we see clearly the impact of Natural Catastrophe losses on market behaviors. Key findings this quarter include:

A conservative market environment continued in Q2 as uncertainty related to economic and social inflation, rising loss costs, global tensions, and a slow supply chain recovery continued. Insurers remained committed to adapting their appetite, capacity deployment, coverage language, attachment points and pricing to manage their portfolio performance while focusing on targeted growth for lower-hazard, quality risks, and products such as Directors and Officers and Cyber where portfolio performance targets have been achieved and coverage terms and conditions have been clarified.

Despite more orderly mid-year reinsurance renewals which led to a modest reprieve in reinsurance pricing and terms and conditions relative to the January renewals, **Natural Catastrophe-exposed Property risks continued to experience a volatile and challenging market environment**. Climate change concerns weighed heavily into Natural Catastrophe risk underwriting amidst a backdrop of Canadian wildfires burning across 20 million acres, several geographies experiencing record-breaking heat waves, rain and flooding, record high sea surface temperatures, and an updated Colorado State University prediction of a higher-than-average number of Atlantic tropical storms and hurricanes during the upcoming 2023 season. Reported property and business interruption values and valuation methodologies remained under scrutiny. Sophisticated modeling and risk quantification tools were increasingly leveraged by risk managers and underwriters to better understand and quantify risk.

Demand continued to grow for innovation around risk transfer, and **alternative solutions gained prevalence amidst an increasingly complex, interconnected and data-enabled risk environment**. Alternative Risk Transfer, Structured Insurance, Cross-Industry Facilities, and Captives served as ever-important levers in achieving companies' financial and risk management goals. Further, parametric products gained momentum, especially for heavily Natural Catastrophe-exposed risks. To accelerate the delivery of index-based solutions, Aon established a global center of excellence for parametric initiatives and products and named a global leader, Cole Mayer, to reinforce our commitment to supporting clients in making better decisions.

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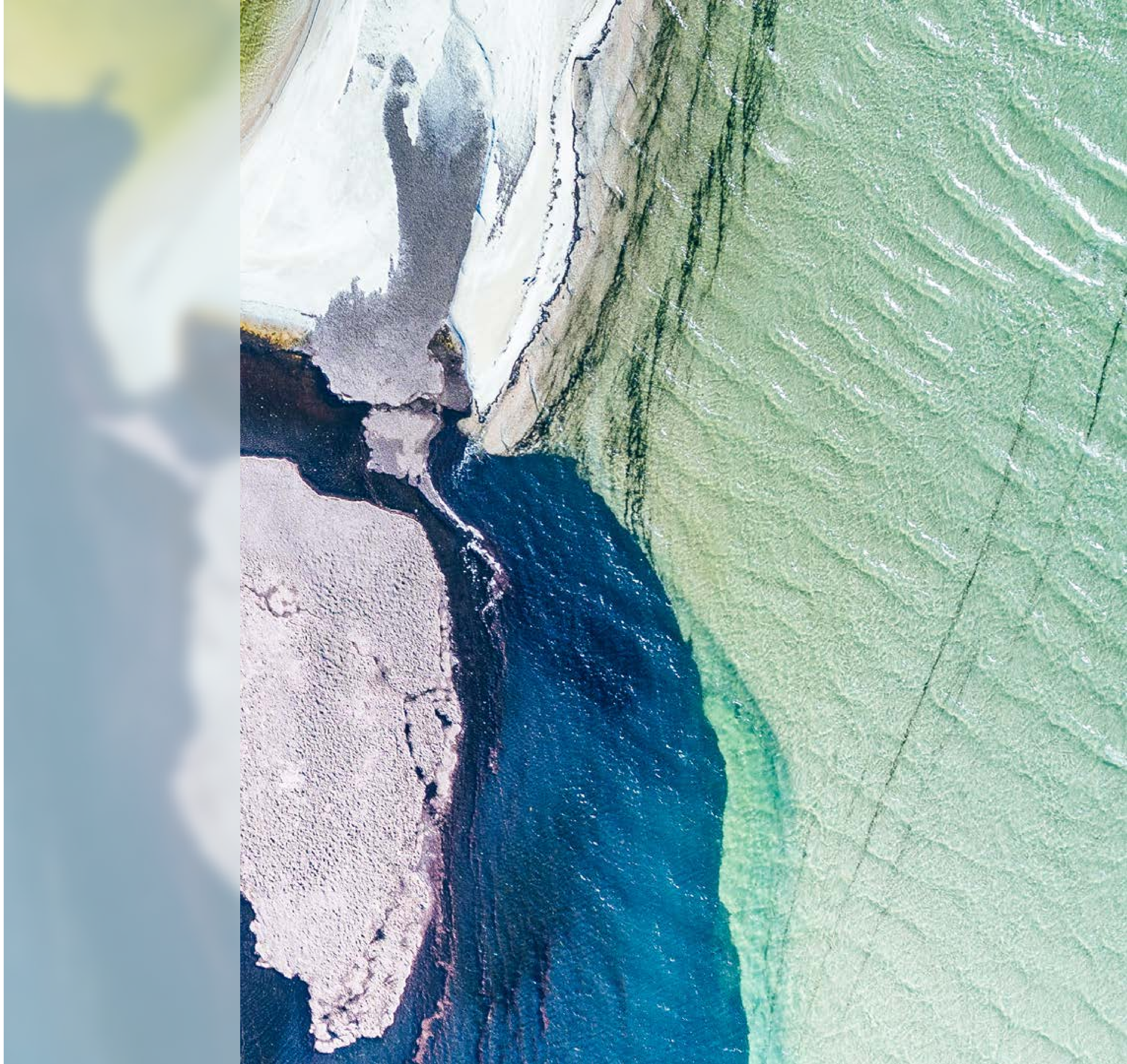
Introduction

As climate risk and frequency of catastrophic events continues to increase, Aon is leveraging resources from across the firm to support clients. Our climate risk advisory is focused on building a holistic, end-to-end approach to risk modeling and management, from scoping the exposure to communicating and executing strategies. We are using forward-looking diagnostics for a range of climate scenarios, applying climate hazard data to individual asset locations to understand key geographies at risk today and in the future. Our advanced data and analytics, our academic collaborations, and our 30+ years of experience applying a toolkit of catastrophe and climate models enables us to inform decision-making and to deliver myriad alternative and traditional risk transfer options such as insurance-linked securities, parametric solutions, facultative reinsurance via corporate captives, and enhanced policy language. Our advice goes beyond analyzing the results of any single approach. We help organizations as they develop holistic risk programs to navigate the inherent uncertainty of climate change.

I am pleased to introduce you to this quarter’s Commercial Risk market insights where you can learn more about the important issues shaping today’s insurance market.



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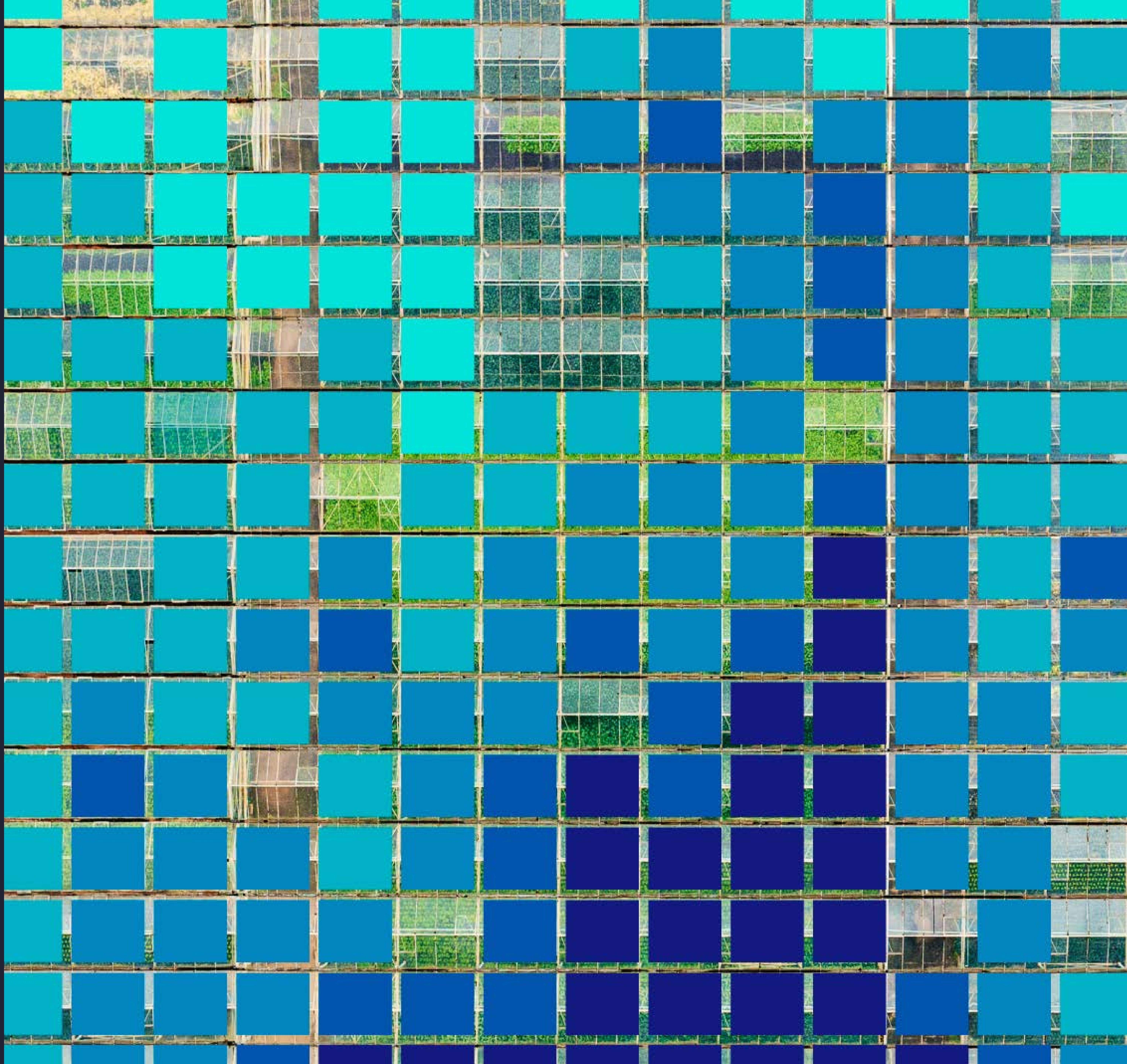
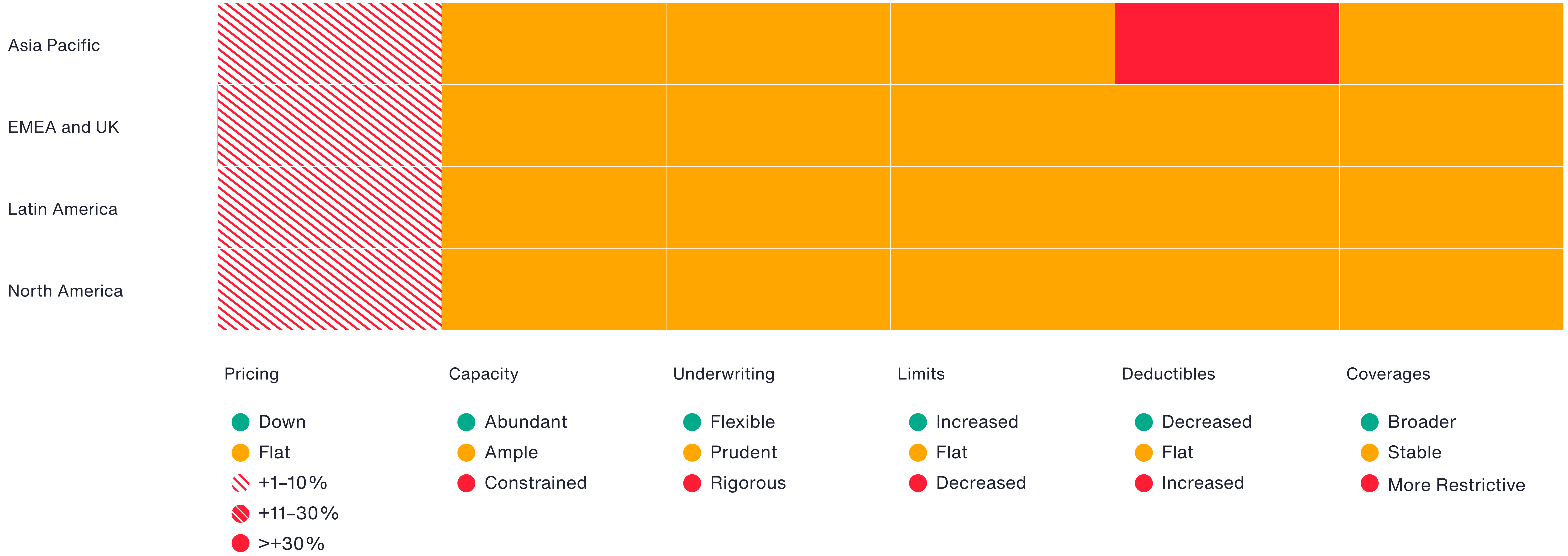
Global Insurance Market Overview



2 Q2 **Market Dynamics**



Pricing

Upward pressure continued across most of the portfolio, although flat and decreased pricing could be achieved in areas targeted for insurer growth such as Directors and Officers, Cyber and well-performing, low-hazard risks. Property pricing remained volatile due to concerns related to inflation, reinsurance costs, climate-related events and Natural Catastrophe exposures.

Capacity

Capacity remained sufficient across most products and risk types and increased in some parts of the market such as Directors and Officers and Cyber. Capacity for Natural Catastrophe-exposed Property risks was constrained — and expensive — driving greater use of alternative solutions including index-based products, self-insurance and captives.

Underwriting

Insurers remained focused on risk selection through disciplined underwriting supported by robust and detailed risk information. Property underwriters continued to scrutinize valuations and Natural Catastrophe exposures. Controls and security measures remained in the spotlight for Cyber risks. In-person underwriting meetings helped build relationships while virtual discussions remained a valuable and efficient approach for bringing experts to the table.

Limits

Limits were pressured upward as inflation continued to increase exposures, as well as verdicts/settlements. Natural Catastrophe sub-limits were scrutinized and reduced, particularly in lower attachment layers. Cyber limits could be increased in some cases; however, Ransomware limits experienced downward pressure. More layers/market participants were often required to achieve full tower limits.

Deductibles

While deductible options continued to be explored as a mechanism for reducing premium costs, deductible amounts remained generally stable with the notable exceptions of Property placements — especially those with heavy Natural Catastrophe exposure — as well as challenging risk types, poor performing risks, and risks deemed to have insufficient controls, which experienced upward pressure.

Coverages

Coverages remained stable and broader terms could be achieved in cases where insurers sought growth and used coverages as a differentiator. For example, broader terms could be achieved for Cyber, where cyber security maturity was demonstrated. Restrictions remained prevalent for Ransomware, Political Violence, and Strikes Riot and Civil Commotion. Property terms and conditions continued to tighten to address concerns related to valuations.

2 Q2 **Product Trends**

2 Q2 Product Trends

Automobile

High repair costs, driven largely by inflation, together with increasing accident frequency and rising settlement values created a moderate-to-challenging environment as insurers remained focused on achieving profitability through selective underwriting and price increases.

Casualty/Liability

The market remained stable despite continued social and claims inflation, with 'targeted' versus 'non-targeted' risks experiencing divergent market conditions. Challenging risk types, US-exposed risks (on non-US placements), risks with adverse loss experience and programs with low deductibles or attachment points experienced stringent underwriting, tight capacity and price increases, while lower-hazard and well-performing risks experienced more moderate, and sometimes favorable, market conditions. Insurers remained focused on critical and emerging risks including biometric privacy, forever chemicals (e.g., PFAS), diacetyl, wildfire, and Traumatic Brain Injury, and looked closely at the treatment of defense costs. The trend to require increases to US Automobile Liability attachment points (for multinational risks) continued. Creative solutions and alternative forms of collateral proved valuable as economic uncertainty continued.

Cyber

Insurer loss ratios improved and new capacity continued to enter the market, perpetuating the softening trend experienced in Q1. Insurers increased line sizes, expanded appetite and removed some restrictive terms applied during recent past renewals. At the same time, underwriting remained rigorous, and focused on risk maturity and controls, with particular attention to biometric information collection and disclosures, Operational Technology, Supply Chain Risk, and the geopolitical environment in Eastern Europe. Insurers continued to scrutinize coverage offered for critical infrastructure, systemic, correlated events, and impose restrictions on either a generalized or event specific basis. For non-IT dependent business interruption/ system failure, certain insurers imposed sub-limits, added co-insurance provisions or in some case were no longer willing to provide coverage.

Directors and Officers

Pricing continued to decrease. Abundant capacity and a more stable securities litigation environment served to create competitive market dynamics for most clients. However, the increase in new insurers entering the D&O marketplace decelerated markedly. Insurers remained focused on economic uncertainty, ESG, cyber, inflation, geopolitical risks, and ongoing supply chain challenges. Aon closely monitored new regulatory disclosures rules related to cyber and climate.

Marine

Market conditions remained generally stable. After plateauing in 2022, the Hull market has experienced a slight softening driven by increased competition, especially from the London market. Underwriting rigor has increased for fishing and RoRo/passenger vessels sectors, with these sectors seeing the least market appetite in a market with an abundance of appetite for the majority of other well-performing Hull risks. In the *Cargo* space, capacity remained ample and price increases were generally modest, even despite inflation driven exposure growth. Coverage restrictions previously imposed were re-considered. Higher risk industries such as cars, life science and retail and risks with heavier Natural Catastrophe exposure faced more challenging conditions driven largely by reinsurance. The *Ports and Terminals* market was focused on risk selection via rigorous and conservative underwriting of comprehensive information including contracts and survey reports. Capacity remained stable and co-insurance was prevalent. The *Protection and Indemnity* market experienced moderate price increases and a contraction of coverage as a result of investment losses and the impact of claims inflation.

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Q2 Product Trends

Professional Indemnity

While rising loss costs and increasing exposures pressured pricing upward, targeted new capacity entered the market which served to dampen increases, creating a moderate pricing environment overall. Risk differentiation in underwriting became more pronounced and superior outcomes were largely dependent on the quality and robustness of underwriting information including details around risk improvement measures. Use of public sources of information gained traction in underwriting, and clients became more proactive in conducting media searches to better understand what information is out there before meeting with insurers.

Property

The market divergence between ‘targeted’ and ‘non-targeted’ risks further expanded. Insurers competed to retain well-performing risks and risks in lower-hazard occupancies and demonstrated a healthy appetite for growth. Natural Catastrophe-exposed risks and risks in higher-risk occupancy types faced a more conservative, volatile, and challenging environment including limitations on appetite and capacity, as well as further rate increases driven by ongoing concerns related to inflation, reinsurance costs, climate-related events and Natural Catastrophe exposures. Alternative program structures and solutions were important levers in achieving overall program goals. Across the portfolio, scrutiny of insured values continued, with insurers applying margin clauses or coinsurance penalties where valuations were deemed inaccurate or under-reported. Underwriting rigor remained strong, with complete and updated submissions — including loss reports, valuation methodology details, and responses to recommendations — required.

2 Q2 Aon Advice to Clients

In Q2, we saw once again that proactive market engagement and the use of data-driven risk insights builds trust and credibility, can attract more capital and favorable pricing, terms and conditions, and is key to optimizing risk transfer strategies. Working with your Aon Team, be prepared to:

Start the Renewal Process Early

With the heightened focus on risk selection and a growing reliance on data and modeling, underwriting is taking longer, especially for challenging and Natural Catastrophe-exposed Property risks, which may take up to six months to solution. Allowing additional time will position you to describe your story in detail — including changes in business or operating models — and respond to any queries that may arise, building underwriter trust and confidence in your risk. It is also increasingly important in parts of the market, like Natural Catastrophe-exposed Property, where insurers' 2023 capacity maximums may be met as year-end approaches. Be sure to set and manage timing expectations amongst key stakeholders and decision-makers.

Leverage Data-Driven Insights to Inform Your Risk Strategy

Advances in technology have enabled the robust identification and quantification of risk. Utilize risk modeling solutions and re-examine loss scenarios to inform decisions, evaluate trade-offs and identify risk management practices that can be improved to build greater resilience. Reconsider policy terms and conditions, risk retention thresholds, attachment points, indemnity periods and sub-limits. Work with your Aon Team to explore alternative solutions like Parametric Products, Alternative Risk Transfer, and Captives.

Scrutinize and Update Your Asset Values

Inflation, a slow supply chain recovery, rising labor costs, and other factors have driven up costs and extended timelines, creating a significant underinsurance risk which could have myriad direct and indirect consequences. In partnership with Aon's Business Interruption, Contingent Business Interruption and Asset Valuation teams, conduct a thorough review of your asset values and valuation methodologies. Secure appraisals and conduct PML studies. Leverage Catastrophe Modeling solutions to highlight exposed profiles and loss drivers. Develop a property risk improvement strategy and be prepared to make required investments.

Clearly Articulate Your ESG Strategy

Risks related to ESG, which can arise from myriad complex, interconnected factors, continue to create volatility and uncertainty for insurers and the risk community at large. Underwriters remain focused on organizations' ESG maturity and their plans for achieving disclosed targets. Include in your submission the details related to your ESG strategies, including investments you are making in cyber governance, Diversity, Equity and Inclusion initiatives, and energy transition. Engage with Aon to measure and benchmark your transition to a net-zero future, using Aon's Transition Performance Index.

Engage with your Aon Team to learn more about each of these recommendations.

Q2 **Claims Trends**

Support Available to Protect Against Ransomware Group CLOP (TA505) Attacks

A recent cyber attack that targeted MOVEit Transfer Software — a widely used software that is often integrated into firms' supply chains — has affected numerous organizations around the world. The attacks are being attributed to CL0P ransomware group, also known as TA505. This series of cyberattacks may have been two years in the planning, using a zero-day vulnerability, CVE-2023-34362, in the MOVEit Transfer software. The attacks — which gave cyber criminals unauthorized access to companies' data including payroll information — were sophisticated, and involved several stages including initial access, execution, persistence, privilege escalation, defence evasion, discovery, lateral movement, collection, command and control, and exfiltration.

The impact of the situation is escalating due to demands for ransom money to prevent the release of stolen data. Press reports at the time of writing suggest approximately 100 firms across Europe, Asia, USA, Brazil, and UK have been affected. It is expected this list will continue to grow.

To combat such attacks, Cybersecurity and Infrastructure Security Agency (CISA) has published mitigations that organizations can take to improve their overall security posture in response to TA505 activity, see: #StopRansomware: CL0P Ransomware Gang Exploits CVE-2023-34362 MOVEit Vulnerability | CISA

If your firm has been affected by this attack, we recommend you consult with your Aon representative who will work with you to identify if any insurance policies you have in force could offer support and protection and to determine if any of the breach response services provided by Aon Stroz Friedberg could aid your business.

Canadian Wildfires Have Health, Economic and Insurance Implications

In Canada, as of June 30, 2023, 3003 fires have burned 7,974,000 hectares (19,704, 183 acres) and there are 487 active wildfires, 253 of which were deemed "uncontrolled" (see here for a map of the wildfires). The provinces of Alberta and British Columbia were experiencing 95 and 99 active wildfires, respectively. Roughly 126,000 people were evacuated from their homes, with the hardest hit being the indigenous communities in remote parts of the country. Resources around the world have been engaged to mitigate the myriad impacts of the fires. Smoke from the wildfires has caused air quality alerts across Canada, US, and Europe and has especially impacted many populations with various health concerns.

Although poor air quality has been one of the most severe and far-reaching impacts of the wildfires, they also pose a significant risk to nearby water systems. Rainstorms that follow a large wildfire can flush significant quantities of sediment, ash and contaminants into lakes, streams, rivers, and reservoirs, negatively impacting a community's water supply.

As well, there are far-reaching economic impacts. The wildfires have prompted some Canadian oil and gas companies to curb production and cease or reduce drilling where the fires were in close proximity to their pipelines. This has increased the cost of crude oil in the market and may continue to do so.

In addition to significant health and economic concerns, the wildfires also carry insurance implications. Canadian brokers and insurers alike have indicated that the wildfires could impact pricing and capacity in fire-hit areas, and have renewed their call for the implementation of comprehensive risk prevention measures. Aon Claims Consultants are working diligently with clients and insurers who have been impacted by the wildfires. For example, to provide immediate relief to the most heavily impacted clients, Aon continues to work with insurers to issue advance payments under appropriate insurance policies. Please contact your Aon representative for questions about how Aon can help.

Class Action Litigation Arrives in the European Union

In 2020 the European Union embarked on a legislative change to enhance consumers' rights to secure collective redress across all 27 EU Member Countries. Then, in June 2023, a new law, the EU Representative Action Directive (RAD) took effect which allows collective redress procedures for customers across all EU Member Countries through class action litigation. The RAD also allows litigation funding providing it is permitted by the applicable local law. (Funders; however, must avoid conflicts of interest and must not divert the action from the protection of the collective interests of consumers.) The legislation will apply to all actions filed on or after June 25, 2023.

While a major influx of US-style class actions is not generally expected, this new framework does make it easier to bring large-scale litigation affecting wide-area consumer groups which could result in an increase in claims for Aon's clients.

The new legislation will take time to settle as each member state needs to determine which organizations are Qualified Entities (QE) (only organizations designated as a QE by a Member Country can bring collective actions.) Each member state also needs to elect whether their country will operate based on an opt-in system (where each consumer registers to be represented by the QE) or an opt-out system (where all consumers are automatically included in the class unless they explicitly opt out).

In addition, other elements need to be considered as they may vary between countries. For example, the shifting of certain legal costs to the losing party will be handled in accordance with local laws. This will offer an element of comfort for prospective defendants as it may help deter meritless claims. Also, certain EU countries impose statutory caps on the quantum of recoverable costs which may influence where plaintiffs commence actions.

While this new law is pro-consumer, it clearly may have significant impacts on the claims environment in the EU. Aon is closely monitoring this situation.

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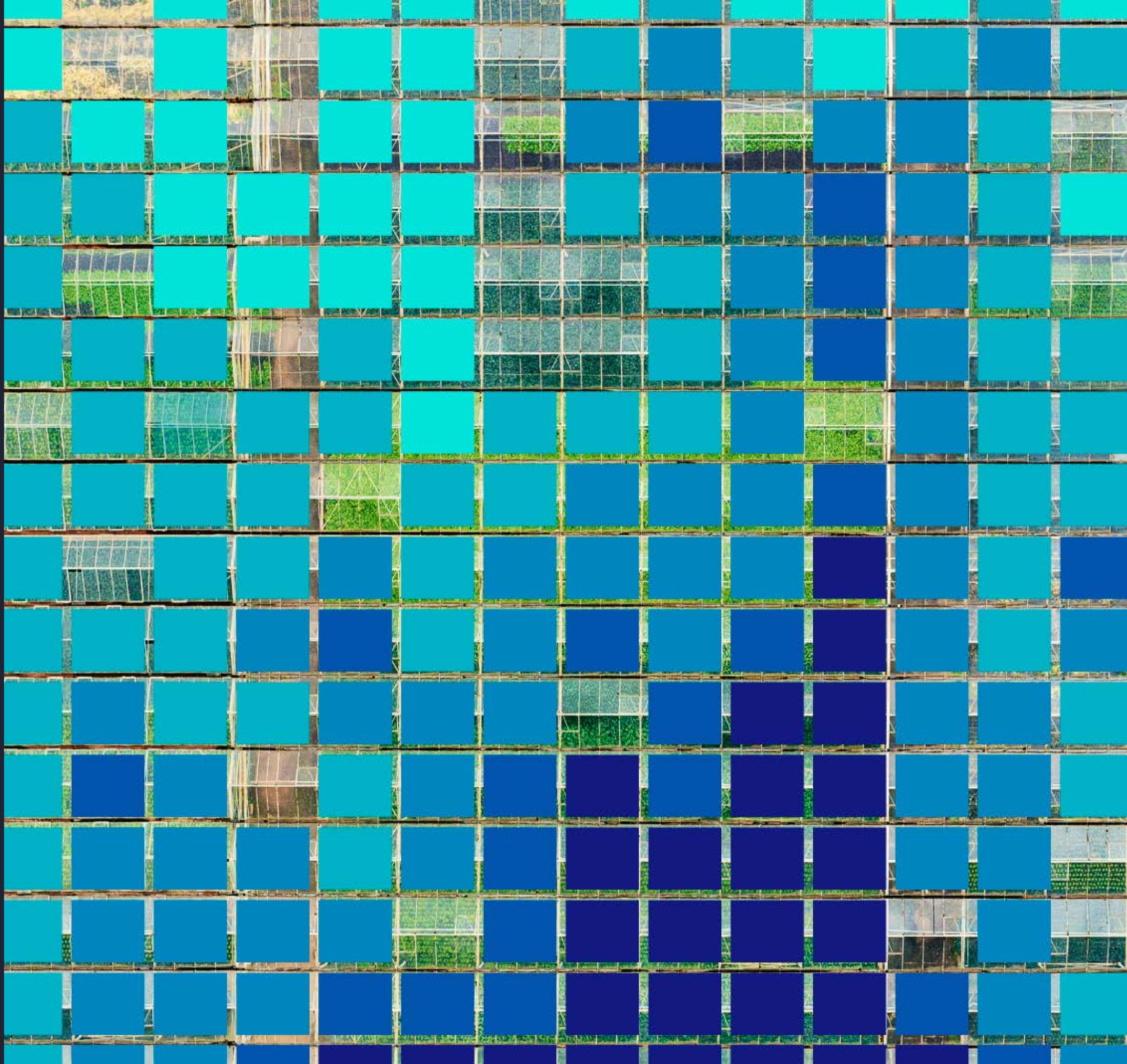
Regional Overviews



3 Q2 Regional Trends: **Asia Pacific**

Increased demand for solutions was met by insurers focused on retention and targeted growth

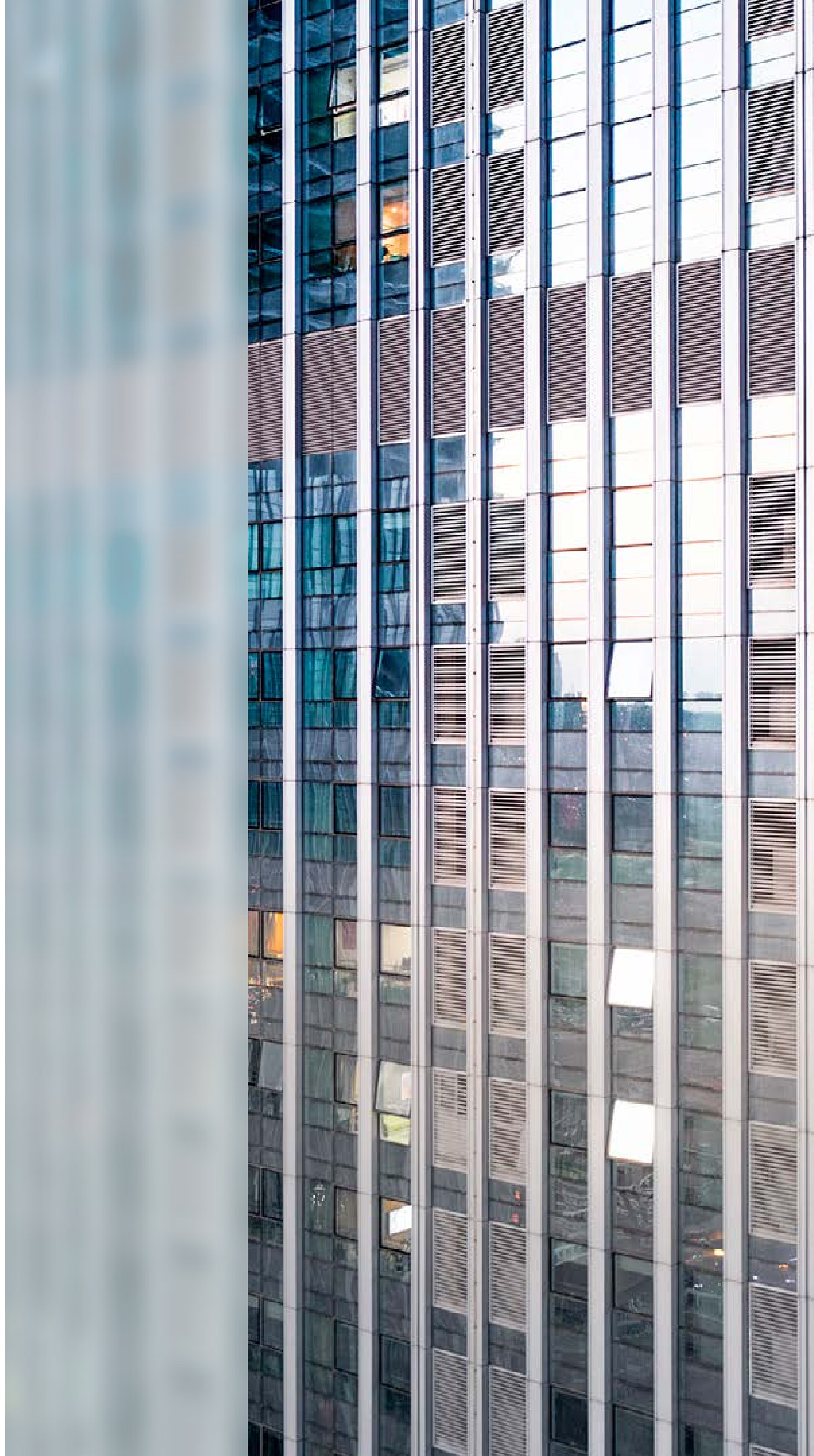
"As Insurers look to pass on reinsurance retention uplifts, buyers continue to push for new ways to manage this gap between their own retention capability and capacity availability. We have seen a strong uptake in the purchase of parametric solutions and other captive enablement structures to bridge this gap allowing for more sustainable long term risk transfer."

Ben Rolfe

Head of Commercial Risk Solutions, Australia

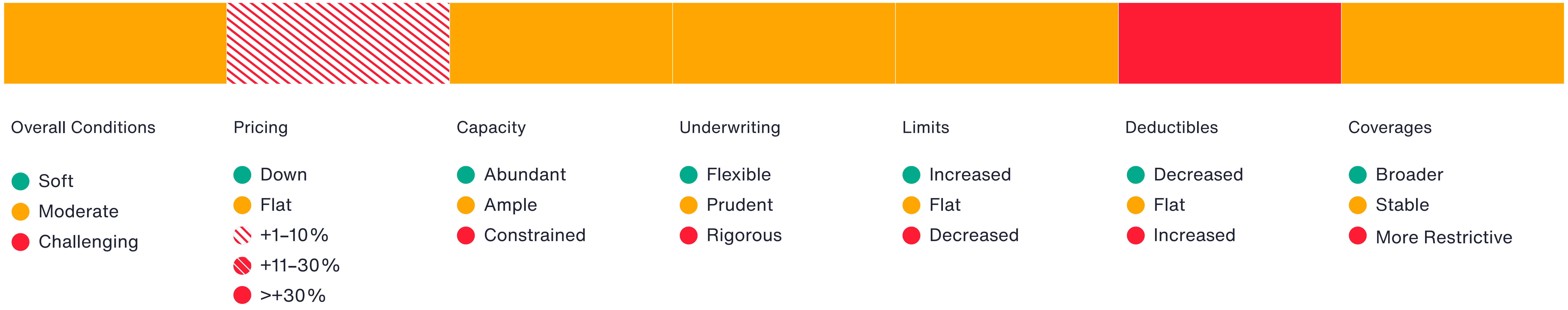
Regional Overview

- A two-tiered market continued. In appetite, well-managed risks experienced generally favorable conditions while less-preferred risk types and poor-performing risks experienced a more challenging environment.
- With economies and travel now largely open across the region, businesses continued to expand and in turn sought to enhance and broaden their insurance solutions. Insurers generally responded favorably; enhanced solutions were available, especially for in-appetite, well-performing risks.
- Capacity continued to enter the market through new insurers as well as an expansion of appetite from insurers seeking to diversify. This new capacity was largely focused on longer-tail lines such as Casualty and Professional Indemnity.
- The implementation of the Australian treasury-proposed mandatory climate reporting requirements is scheduled to begin on July 1, 2024, keeping Australia in step with New Zealand on climate regulation and helping companies and investors maximise economic opportunities in the shift to clean energy and management of climate risk.



Q2 Regional Trends: **Asia Pacific**

Market Dynamics



Pricing: +1-10%

The pricing environment was moderate across most lines with a few notable exceptions. Increased competition led to softer market conditions for Cyber, Directors and Officers and middle market risks, while challenges continued for higher-risk sectors, risks with adverse claims experience, and Natural Catastrophe-exposed Property risk.

Capacity: Ample

Capacity was sufficient across most products and risk types and new capacity entered the market in areas targeted for growth. A notable exception was Professional Indemnity, where insurers were conservative in their capacity deployment, especially for higher-risk professional activities.

Underwriting: Prudent

Insurers demonstrated flexibility and a willingness to negotiate, particularly on Auto and Directors and Officers risks, while Cyber, Casualty and Professional Indemnity, as well as non-preferred and loss-active risks experienced a more conservative and rigorous environment, and extensive underwriting information was required. Scrutiny of asset values continued.

Limits: Flat

Limits were generally stable with the notable exceptions of Natural Catastrophe Property, where aggregates continued to be imposed, and Cyber, where insureds looked to re-invest in higher limits.

Deductibles: Increased

Insurers sought to increase deductibles to address the impacts of inflation, to reduce their exposure to attritional claims and to manage their Natural Catastrophe exposure.

Coverages: Stable

Coverages remained generally stable and broader terms could be achieved for Cyber, where cyber security maturity was demonstrated. Insurers carefully monitored their exposure to bushfire liability, worker-to-worker risk and contractual liability in Casualty and coverage terms tightened to address valuation concerns in Property.

3

Q2 Regional Trends: **Asia Pacific**

Product Trends

Q2 Regional Trends: **Asia Pacific**

Product Trends

Automobile: Moderate

The market experienced offsetting factors. New capacity has increased competition, pressured pricing downward and enhanced coverage flexibility despite inflation driving up repair costs, increasing the cost of claims and affecting insurer profitability. The convergence of these factors led to moderate market conditions in Q2.

Casualty/Liability: Moderate

Insurers sought targeted portfolio growth while continuing to limit capacity and employ stringent underwriting practices for hazardous industry sectors. Rate increases continued across-the-board as the impact of claims and social inflation had a profoundly negative impact across entire portfolios.

Cyber: Soft

Having satisfactorily de-risked their portfolios over the last 24 months, insurers have shifted their focus toward targeted growth. Most insurers have increased line sizes, expanded industry appetite and removed some of the restrictive terms applied during the challenging market period. Underwriting rigor and scrutiny remained strong; however, organisations demonstrating a commitment to cyber security experienced a more accommodating underwriting environment and broader terms — as well as higher limits — could be achieved.

Directors and Officers: Soft

Favorable market conditions continued, driven by an influx of new capacity from existing insurers as well as new market entrants. Competition was healthy as a lack of capital market activities continued to reduce opportunities and pressure insurer growth. Pricing was down, especially for risks which had experienced significant recent adjustments; however, it remained firm for distressed and loss-active risks. Appetite remained limited for US IPOs, SPACs and DeSPACs, and risks related to digital assets. Insurers were more amenable to considering higher limit deployment, especially on preferred risks.

Marine: Moderate

The *Hull and Machinery* market experienced increased competition from London markets, leading to price decreases. The *Protection and Indemnity* market experienced moderate price increases which most clubs had previously announced as a result of meaningful investment losses and the impact of claims inflation. The *Cargo* market experienced flat renewals with some modest increases (and more significant increases on poor-performing risks). Local insurers — focused on retention and growth — provided favorable terms and significant capacity. Coverage language that had been recently narrowed could often be expanded. The *Ports and Terminals* market was focused on risk selection via rigorous underwriting of comprehensive information including contracts and survey reports.

Professional Indemnity: Moderate

Inflated claims costs and additional exposures continued to pressure the Professional Indemnity market, even despite cumulative years of portfolio remediation strategies. The two-tier market continued: while there was renewed appetite for insureds whose professional activities were considered low-risk, insureds with higher-risk activities continued to experience challenging market conditions, including significant price increases and restricted capacity.

Property: Moderate

Pricing and capacity pressure continued, with divergent outcomes for 'targeted' and ‘non-targeted’ risks. Signs of insurer competition emerged for non-Natural Catastrophe exposed risks and lower hazard occupancies. Conservatism continued for high-hazard (including Natural Catastrophe-exposed), poorly managed, and claims-affected risks. In these cases, availability of capacity remained challenged. Coverage terms continued to tighten to address valuation concerns.

Q2 Regional Trends: **EMEA and the United Kingdom**

Moderate conditions continued, with stability emerging in new pockets

"Pricing inconsistencies were evident in the results: pricing across a number of lines continued to increase, albeit muted, whilst other lines experienced dramatic reductions."

Terence Williams

Chief Broking Officer
Commercial Risk Solutions
EMEA

"Whilst market capacity generally remained ample and insurers sought growth, underwriting discipline continued. Aon continued to work with clients to develop thorough underwriting information and to differentiate their submissions in the marketplace."

Angela James

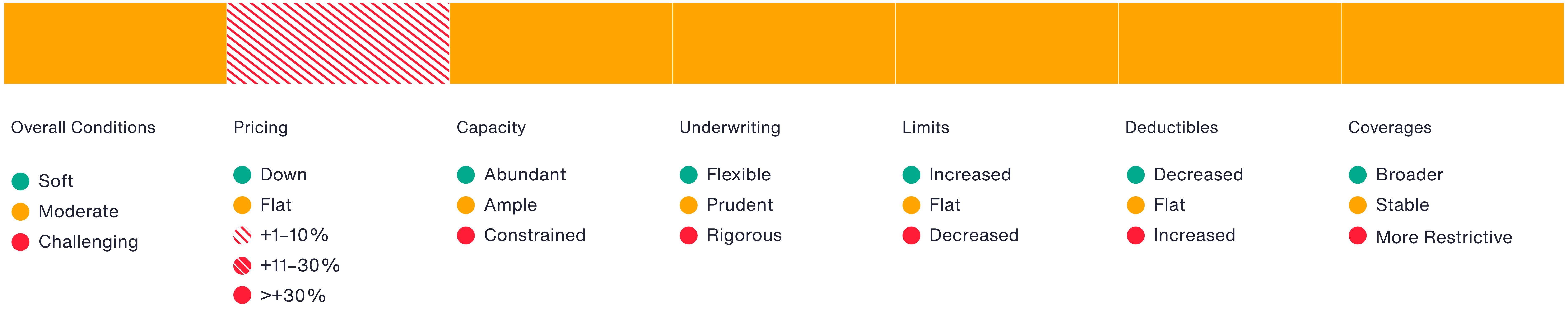
Chief Broking Officer
Commercial Risk Solutions
UK

Regional Overview

- After a prolonged period of challenging market conditions characterized by high rates and restricted capacity, the Cyber and Directors and Officers markets moderated. D&O, in particular, improved materially, especially for mid-sized companies and financially well-positioned companies. The D&O market overall has become soft in Southern Europe.
- Increased frequency and value of claims continued to create challenges in the Automobile market, which was characterized by continued rate increases and underwriting scrutiny.
- Insurers remained focused on rating adequacy and exposure management on Critical Natural Catastrophe, particularly risks with exposures in the US.
- Multi-line programs became more common as insureds sought to improve efficiency and reduce insurance spend while insurers looked to broaden their relationships with clients.

3 Q2 Regional Trends: **EMEA and the United Kingdom**

Market Dynamics



Pricing: +1-10%

Pricing was generally flat with the key exception of Automobile renewals which experienced rate increases. Across the rest of the portfolio, increases were generally inflationary or focused on risks with challenging profiles.

Capacity: Ample

Capacity was ample across-the-board. New insurers entered the Casualty market in Southern Europe, making the market more competitive than it had been in the past.

Underwriting: Prudent

Underwriting was prudent, with greater rigor applied to Cyber risks, where extensive underwriting information was required. In Southern Europe, insurers demonstrated flexibility and a willingness to negotiate, particularly on D&O risks.

Limits: Flat

Expiring limits were achieved in most cases. Increases to US Automobile Liability attachment points (for multinational clients) were mandated. In Iberia, the D&O market demonstrated more flexibility for increased limits.

Deductibles: Flat

Deductibles were generally flat, although there was increased focus on Automobile deductibles in Germany (due to tax reasons), and Construction Professional Indemnity deductibles in the Netherlands.

Coverages: Stable

Insurers scrutinized and, in some cases, restricted certain extensions, especially for challenging risks and industries. In Iberia, D&O coverages were broadened as insurers became more flexible. For Casualty, insurers remained focused on exposures such as PFAS, diacetyl, wildfire and repetitive head injury.

Q2 Regional Trends: **EMEA and the United Kingdom**

Product Trends

Q2 Regional Trends: **EMEA and the United Kingdom**

Product Trends

Automobile: Challenging

Market conditions remained challenging, due to inflation-driven increases in repair costs which, together with increasing accident frequency, continued to escalate claims costs. Appetite narrowed as underwriters became more selective, including requiring extensive underwriting information. Well-performing, in-appetite risks experienced more moderate conditions.

Casualty/Liability: Moderate

The moderation of market conditions that began in 2022 continued in Q2 across most of the region, although insurers remained cautious, especially around risks with US exposure. Driven largely by aggressive insurer growth targets, in-appetite risks saw healthy competition and Long-Term Agreements could be achieved. Some new capacity entered the market while capacity restrictions driven by Head Office decisions and treaty reinsurance conditions were imposed in limited cases. Inflationary price increases continued, with larger increases imposed on larger risks. Insurer approaches on sanctioned territories remained inconsistent.

Cyber: Moderate

The landscape became more competitive as capacity increased from new market entrants and incumbent players deploying larger limits. At the same time, insurers continued to monitor their management of global aggregate capacity with concerns around systemic risk impact. Underwriting remained rigorous, with particular concern around biometric information, Operational Technology, Supply Chain Risk, and elevated risks related to geopolitical events in Eastern Europe. The trend to sublimit or require co-insurance for non-IT dependent business interruption/system failure grew, and some insurers discontinued offering this coverage.

Directors and Officers: Soft

Market conditions continued to improve. Competition was healthy as capacity increased, mostly through expanded line sizes. Price reductions were available and retention decreases could be achieved, especially on risks with no claims, as well as for larger risks with no US exposure. Limit increases and coverage enhancements were generally available. Long Term Agreements were revisited and Any One Claim limits were available for some risks. Underwriting discussions were dominated by ESG-related questions and concerns related to potential impacts of the economic downturn.

Marine: Moderate

Market conditions varied based on risk profile, industry, insurer appetite and country. Across the board, moderate price increases were common. Conditions in the *Cargo and Marine Liability* market were relatively moderate. New capacity mobilized but remained limited in some cases such as automotive and retail risks.

The *Hull* market experienced a disparity between the continent and London markets with continental Hull insurers remaining moderate while the London markets softened. New, highly specialized vessels have pushed the market boundaries on sum insured. Risks involved in the transportation of Electric Vehicles and Batteries experienced some capacity constraints. Exclusionary clauses were applied as required by reinsurance.

Professional Indemnity: Moderate

Market conditions were generally moderate but showed signs of improvement in preferred classes. Poor performing and larger risks tended to experience challenging market conditions, with material price increases and capacity constraints.

Property: Moderate

The market was two-tiered, with limited appetite and significant price increases for difficult occupancies, Natural Catastrophe-exposed risks and poor-performing risks, while softer occupancies and well-performing risks experienced healthier insurer appetite and more moderate pricing. Capacity was generally sufficient for most risks. Underwriting remained focused on Natural Catastrophe and Contingent Business Interruption exposures.

3

Q2 Regional Trends: **Latin America**

Caution and conservatism continued in anticipation of June 30th reinsurance renewals

"The Q2 market remained cautious on Property, with increased pricing and more restrictive terms and conditions. Directors and Officers was volatile but substantial decreases could be achieved on well-performing risks. Cyber underwriters maintained stringent requirements related to controls, safety and remediation measures; however, appetite expanded as insurer interest in taking advantage of the high Rate on Lines continued. Client caution remained elevated in anticipation of potential impacts from the upcoming treaty renewal season."

Natalia Char

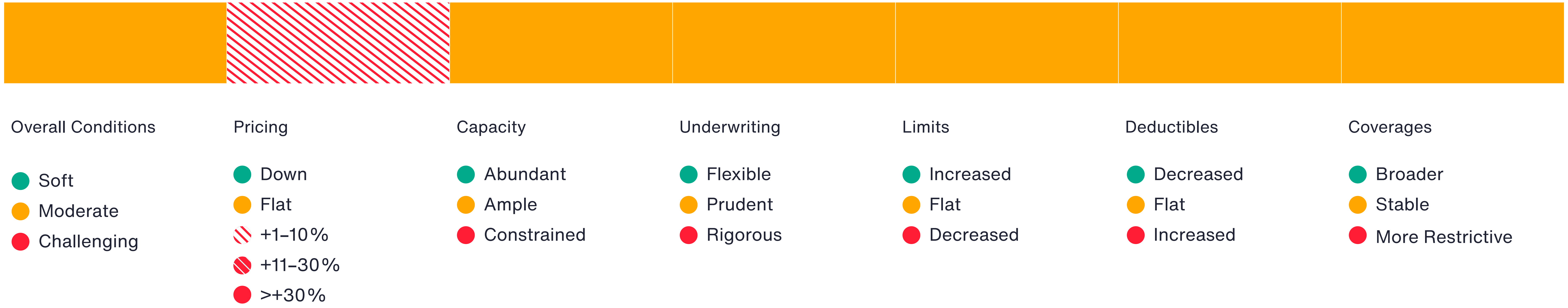
Head of Commercial Risk Solutions
Latin America

Regional Overview

- The market remained generally stable, with challenges continuing on volatile and poor-performing risk types while in-appetite and well-performing risk types experienced more favorable market conditions.
- Conservatism increased as the June 30th reinsurance renewals approached, given the capacity constraints and tightening of terms and conditions that had resulted from the January 1st Reinsurance renewal season — especially on Natural Catastrophe-exposed Property risks and other challenging risk types.
- The Political Risk environment remained moderate in Q2; however, insurers were conservative and monitored this space carefully for potential volatility.
- Insurers were selective, especially related to high-hazard industries. Underwriters remained focused on risk quality and risk controls, and ESG was prevalent in underwriting discussions, with underwriters actively questioning clients' governance and policies.

3 Q2 Regional Trends: **Latin America**

Market Dynamics



Pricing: +1-10%

The effects of the January 1st treaty renewal season became more pronounced in Q2, especially for Natural Catastrophe-exposed risks, while Casualty renewals experienced flat to modest increases and the Auto market continued to experience the impacts of inflation and supply chain challenges. Cyber pricing moderated, with some price decreases. D&O pricing continued to decrease in pockets.

Capacity: Ample

While capacity remained generally sufficient, it 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: Prudent

The underwriting environment remained disciplined, with an emphasis on loss history, risk quality, and risk controls, especially for Cyber risks. Securities such as MFA and encryption have been broadly mandated. Property underwriters kept quotes open for shorter periods of time which forced quick decision-making by clients.

Limits: Flat

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

Deductibles: Flat

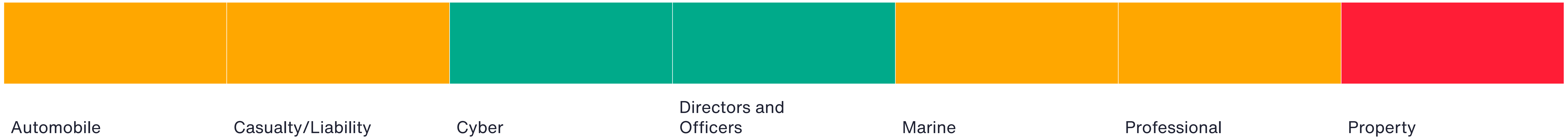
Expiring deductibles were achieved in most cases. With competition, Cyber coinsurance could often be eliminated.

Coverages: Stable

Coverages remained generally stable, with continued restrictions on Ransomware and Political Violence, and increasing mandates around Strikes Riots and Civil Commotion.

Q2 Regional Trends: **Latin America**

Product Trends



Market Conditions

- Soft
- Moderate
- Challenging

Q2 Regional Trends: **Latin America**

Product Trends

Automobile: Moderate

Market conditions remained moderate. Most renewals experienced price increases, driven by inflation, rising car values, and poor loss ratios but appetite was healthy for well-performing risks and capacity was abundant for most risks, with the exceptions of non-preferred, high-exposed or poor performing risks. Underwriting remained conservative.

Casualty/Liability: Moderate

Market conditions remained generally stable across pricing as well as terms and conditions. Capacity was available for the SME and corporate segments and insurer risk appetite remained healthy. High-hazard risks and those in the chemicals, agribusiness and energy industries — especially those with poor performance — experienced more stringent underwriting, tighter capacity and higher pricing.

Cyber: Soft

New capacity entered the market at competitive rates, especially in the excess layers, which served to drive down incumbent pricing, leading to some discounting. At the same time, underwriting remained stringent and rigid and risk controls were scrutinized.

Directors and Officers: Soft

Capacity from new excess and reinsurance markets drove increased competition and substantial decreases could be achieved on well-performing risks. Appetite was healthy as underwriters sought retention and growth amidst an expanding market.

Marine: Moderate

Cargo market conditions remained favorable as a result of strong performance and adherence to stringent loss control practices. Exposures grew due to inflation, yet pricing remained generally flat. The *Hull and Machinery* market experienced more challenging conditions, but capacity was stable. Underwriting rigor strengthened and insurers requested detailed information, especially on poor performing risks. The *Ports and Terminals* market was moderate. Capacity remained stable and co-insurance was prevalent. Underwriting remained conservative for critical risks such as gas and chemical cargo.

Professional Indemnity: Moderate

Pricing for most Professional Indemnity lines remained moderate. Medical Malpractice market conditions varied widely based on loss history and retentions, and few insurers had an appetite for new business. Architects and Engineers remained challenging, with limited appetite and very few insurers deploying capacity in Latin America.

Property: Challenging

The market remained volatile and challenging as insurers continued to respond to the impacts of the January 1st treaty renewals and anxiously awaited the June 30th reinsurance renewals. Rate increases were common, especially for Natural Catastrophe-exposed risks and risks that had not experienced recent adjustments. Strikes Riots and Civil Commotion mandates increased in most countries. Insurers kept quotes open for shorter periods of time which forced quick decision-making by clients.

Q2 Regional Trends: **North America**

Moderate market conditions continued, with challenges on Natural Catastrophe-exposed Property and a further softening of Cyber and Directors and Officers

"For some time now, social and economic inflation, rising interest rates, natural catastrophe losses, and exchange rates all contributed to putting additional pressure on insurers and reinsurers. However, as valuation scrutiny has served to address widespread undervaluation concerns, insurer pricing has been adjusted in underperforming segments of the portfolio, and interest rates have stabilized, a more moderate marketplace has emerged."

Brian Wanat

Chief Broking Officer
Commercial Risk Solutions
United States

"There is optimism in the market as we reach the mid-year point with insurers in general looking for growth opportunities with a particular focus on well-performing risks."

Russell Quilley

Chief Broking Officer
Commercial Risk Solutions
Canada

Regional Overview

- Challenges continued in the Property market, with price increases, valuation scrutiny, and capacity contraction; risks in susceptible geographies (e.g., Natural Catastrophe-exposed) and higher-risk industries experienced the most acute and significant market challenges.
- Appetite expanded for Directors and Officers, and capacity continued to increase. Insurer growth-focus, together with fewer opportunities due less IPO, SPAC, and M&A activity, created a growing imbalance of supply and demand, leading to a further softening of the D&O market for publicly traded companies.
- The Cyber insurance market continued to soften as headwinds subsided due to improved insurer loss ratios and increased capacity availability. Rate decreases were common, especially in Excess layers as new capacity disrupted incumbent towers.
- Interest rates stabilized in Q2; however, insurers and reinsurers closely monitored the short-term effects on their bond portfolios. Longer term, higher interest rates and improved investment income are expected to continue to reduce pressure on underwriting profit.
- Insurers continued to monitor plaintiff activity for further increases stemming from a well-funded plaintiff's bar with a boost from litigation financing, trial attorneys and plaintiffs with better technology and data, and juries more focused on social responsibility.

3

Q2 Regional Trends: **North America**

Market Dynamics

Overall Conditions
- Soft
- Moderate
- Challenging

Pricing
- Down
- Flat
- +1–10%
- +11–30%
- >+30%

Capacity
- Abundant
- Ample
- Constrained

Underwriting
- Flexible
- Prudent
- Rigorous

Limits
- Increased
- Flat
- Decreased

Deductibles
- Decreased
- Flat
- Increased

Coverages
- Broader
- Stable
- More Restrictive

Q2 Regional Trends: **North America**

Market Dynamics

Pricing: +1-10%

The pricing environment was moderate across most lines with a few notable exceptions. Cyber, Directors and Officers and middle market risks experienced competition-driven softer market conditions, including price decreases. Property — especially, Natural Catastrophe-exposed risks — experienced significant price increases which varied based on risk size, geography and industry.

Capacity: Ample

Demand outweighed supply in Property, especially for Natural Catastrophe-exposed risks, requiring some buyers to self-insure (e.g., captive utilization continued to increase). As insurers cut back capacity in Property, they sought to redeploy it in other areas (e.g., long-tail lines). New entrants continued to deploy capacity in the financial lines space, which had fewer opportunities due less IPO, SPAC, and M&A activity, leading to lower tower pricing. Cyber loss ratios have been healthy which continued to attract more capital.

Underwriting: Prudent

Incumbent insurers were prudent in their underwriting due diligence, and most sought to wrap up renewals early and easily. In-person interaction regained prevalence while virtual underwriting remained a valuable and efficient underwriting approach when needed. Property underwriters continued to quote late — sometimes less than one week pre-renewal — further stressing a process already challenged by significant price increases and valuation scrutiny. Quoting delays stemmed from slow underwriting escalation processes as well as underwriter attempts to gain negotiation strength.

Limits: Flat

Inflation continued to drive up exposures and loss costs, pressuring limits upward, although many placements renewed flat or near flat. Natural Catastrophe sub-limits were scrutinized and reduced, particularly in lower attachment layers.

Deductibles: Flat

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.

Coverages: Stable

Coverages remained stable and broader terms could be achieved in cases where insurers used coverages as a differentiator. Property terms and conditions tightened to address concerns related to valuations and civil unrest and Aon teams continued to negotiate with underwriters on Strikes Riot and Civil Commotion as well as valuations language.

Q2 Regional Trends: **North America**

Product Trends

Q2 Regional Trends: **North America**

Product Trends

Automobile: Moderate

Large losses, inflation and adverse claim trends continued to create a moderate-to-challenging environment as insurers remained focused on achieving profitability and continued to impose modest price increases. Single plaintiff claim settlements continued to increase (>$5MM average) putting pressure on program structure, attachment points and pricing. Capacity was generally sufficient; however, some insurers often offered coverage only in conjunction with other supporting products. Coverage and program design enhancements remained achievable.

Casualty/Liability: Moderate

Market conditions remained generally moderate, although challenging risk classes, risks with adverse loss experience, and programs with low deductibles or attachment points experienced challenging conditions. General Liability renewals experienced flat pricing. Workers Compensation market conditions continued to be competitive, with modest price decreases. Lead Umbrella and Total Umbrella/Excess Liability programs experienced price increases trending toward double digits. Insurers remained focused on critical and emerging risks including biometric privacy, forever chemicals (e.g., PFAS), wildfire, and Traumatic Brain Injury (TBI), and looked carefully at the treatment of defense costs. Creative solutions and alternative forms of collateral proved valuable as economic uncertainty continued. Availability of competitive Buffer and Structured programs increased. The recent banking crisis has had minimal impact on collateralized programs as exposed insurers quickly mobilized to support clients in swapping Letters of Credit issued by impacted financial institutions.

Cyber: Soft

Market conditions continued to become more competitive following the trend that began in late 2022, as headwinds subsided due to improved insurer loss ratios and increased capacity availability. The new capacity that entered market in prior quarters continued to impact incumbent towers and drive pricing down in the excess layers. Risk differentiation — including class of business, year-over-year improvement of controls, and previous market adjustments — remained a key price driver. Insurers continued to increase underwriting scrutiny related to privacy exposures and data collection, including biometric information, pixel tracking, and new privacy/consumer protection regulations. Increased privacy litigation and enforcement of privacy and data protection regulations continued. Faced with upward trends in ransomware claims activity, insurers sought to stabilize and protect their portfolio performance from systemic loss events that could jeopardize profitability. Identifying the right long-term insurer who understands your risk and is willing to customize policy wording to address your concerns and response strategies remained critical to achieving superior outcomes.

Directors and Officers: Soft

The market remained competitive, with pricing down significantly, driven largely by increased supply as insurers continued to seek growth, combined with a reduction in new buyers (IPOs and deSPACS), creating fewer opportunities. Client industry, growth, claims activity and changes in risk profile factored heavily into pricing results. Newly public companies going through their first or second renewal continued to experience material premium decreases, while established public companies experienced flat to moderately decreased pricing. Notwithstanding the pricing dynamic, public companies faced challenges related to a heightened risk environment driven by economic and other macro conditions such as higher interest rates, inflation, regional bank impacts, supply chain challenges, growing geopolitical and cyber risks, and an active regulatory framework. Securities Class Action claims activity was a topic of underwriting discussion as it increased year-to-date in 2023 despite decreases in 2021 and 2022, as were ESG disclosures as derivative litigation relating to ESG and DEI showed no signs of subsiding.

Q2 Regional Trends: **North America**

Marine: Moderate

Overall, Marine market conditions remained moderate. In the *Cargo* space, various industries such as cars, life science and retail were more challenging but there remained ample capacity. For logistic solutions, market conditions were challenging, and capacity was constrained. The *Hull and Liability* market remained moderate, with higher risk types experiencing more challenging market conditions. While some insurers continued to focus their appetite and scale back capacity on Excess *Marine Casualty* placements, other insurers were able to fill the gaps.

Professional Indemnity: Moderate

Market conditions, including pricing, were generally moderate. New capacity entered the market; however, primary capacity was limited. Some excess insurers remained focused on implementing pricing adjustments. Coverage terms and conditions remained stable.

Underwriting was focused on large loss trends. Risk differentiation became more pronounced, and it was more important than ever that clients describe measures they have taken to improve their risk profile. Media sources have become a key source of underwriting information and clients have begun conducting their own media searches to better understand what is out there before meeting with insurers.

Property: Challenging

Market conditions remained challenging and volatile. While insurers actively sought to retain quality risks, especially those in less challenging occupancies, Natural Catastrophe-exposed risks, poor-performing risks, and risks in higher-risk occupancy types faced a more challenging environment. Such risks tended to experience reduced appetite and capacity availability, and significant rate increases due to ongoing concerns related to inflation, reinsurance costs, and weather-related events. Underwriting rigor remained strong and scrutiny of insured values continued, with insurers applying margin clauses or coinsurance penalties where valuations were deemed inaccurate or under-reported. While as of quarter-end, the Canadian wildfires were not expected to result in a significant loss to (re)insurers, the scale of wildfire activity and potential impacts was a significant concern for insurers who increasingly called for the implementation of comprehensive risk prevention measures. Across all Property risks, complete and updated submissions — including loss reports, valuation methodology details, and responses to recommendations — were required. Underwriting and delays were common. Aon urged clients to begin planning at least four to five months prior to renewal and to work closely with their Aon Team to leverage risk modeling tools to better understand and quantify risk.

Clients were encouraged to explore options with incumbent and new program insurers, including considering alternative terms and conditions as well as program structures (limits, deductibles, retentions). Innovative solutions such as Parametric Insurance, Alternative Risk Transfer, Structured Insurance, Captives, and Stock Throughput coverage for significant inventory exposures also served as important levers in achieving risk objectives.

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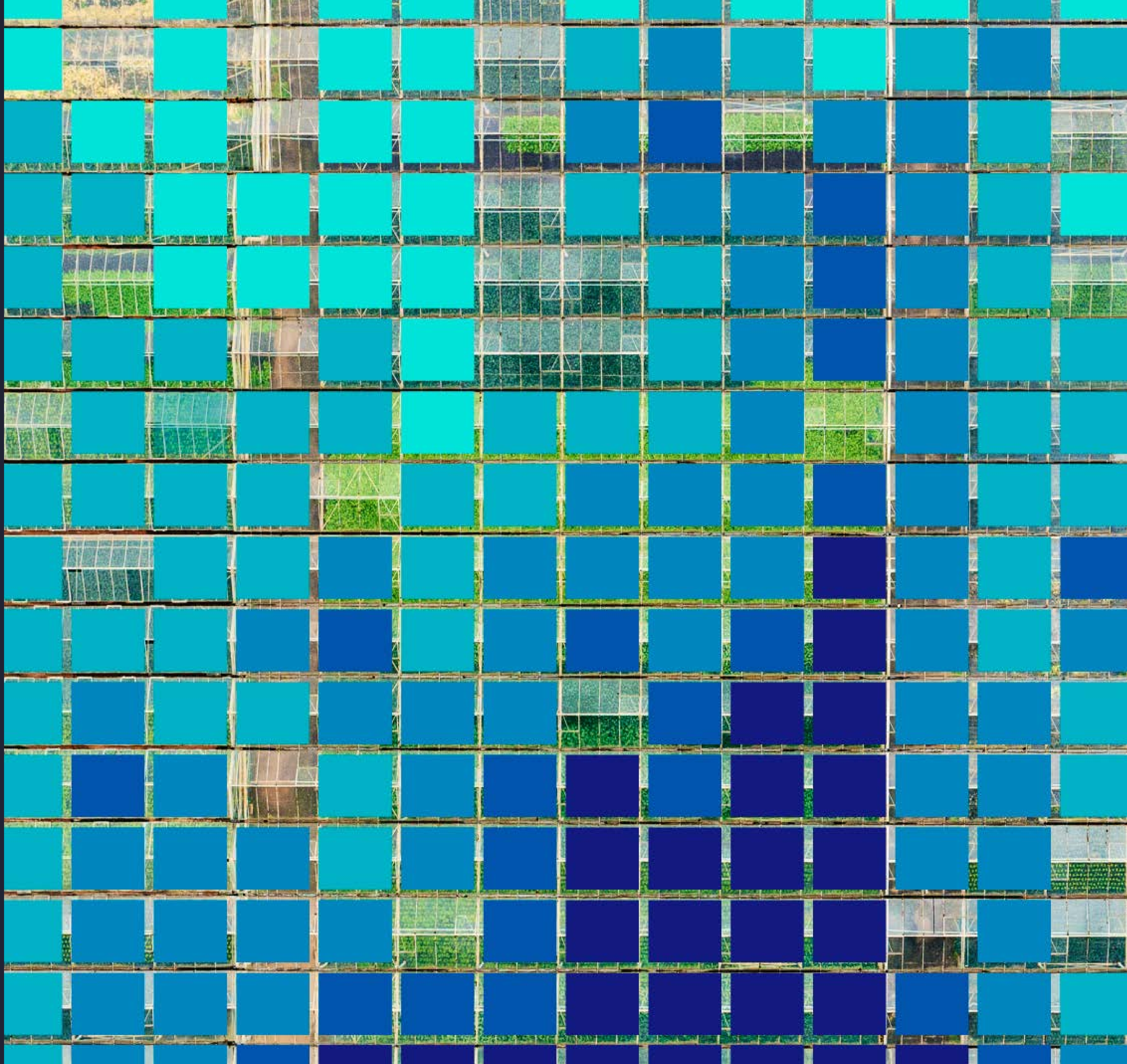
Contacts



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