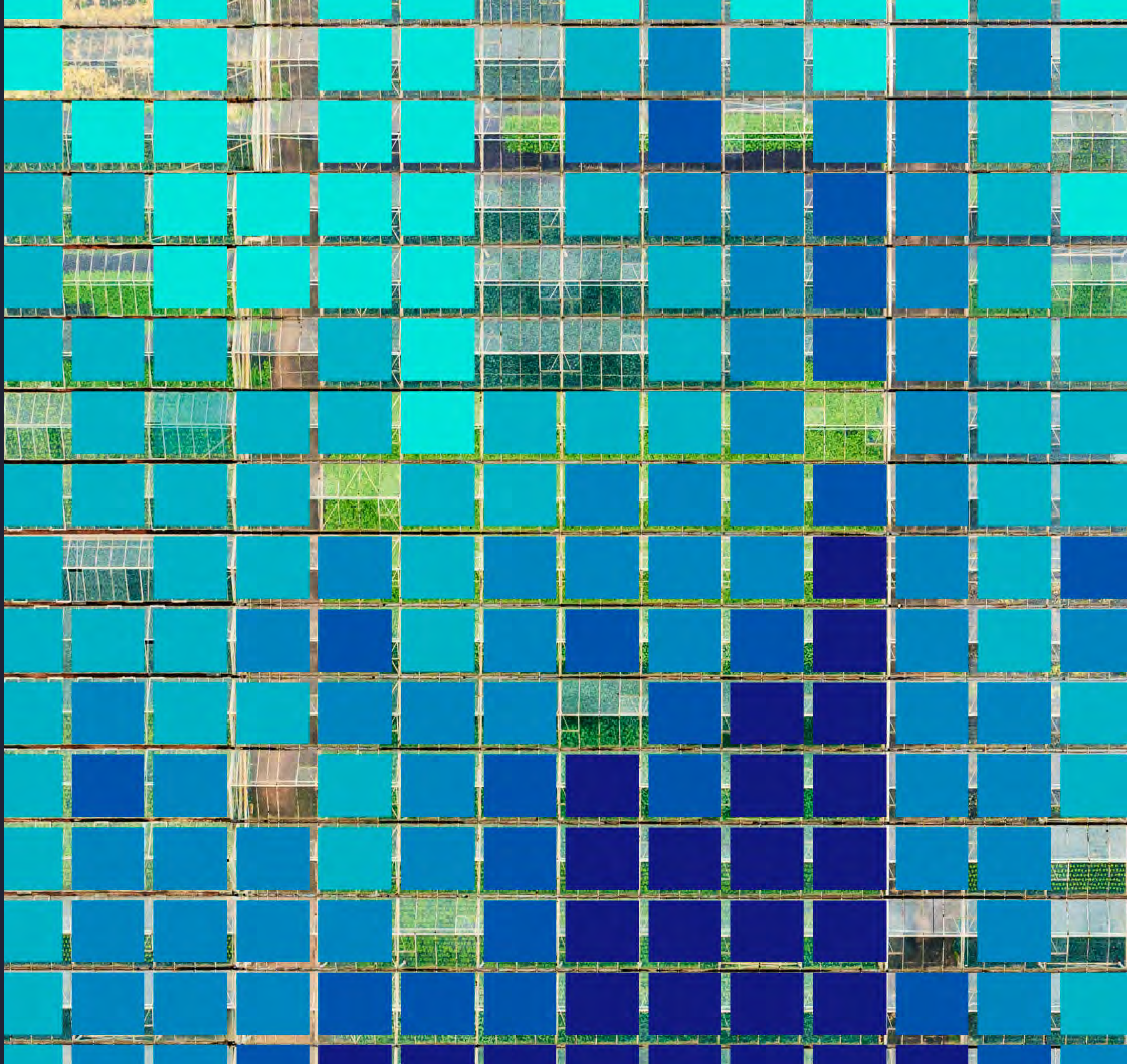
Q3 2023

Global Insurance Market Insights

Contents

1

Introduction



1

A Complex Macroeconomic Environment Continues to Shape Risk Strategies and Market Responses

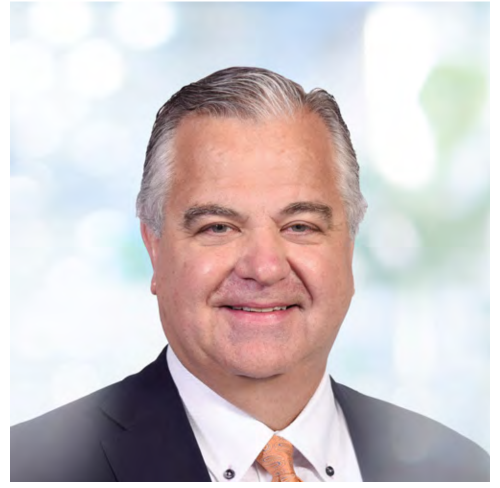
2023 has been shaped so far by geopolitical turbulence and climate-related events, but also economic resilience in the face of persistent inflation. Humanitarian concerns are at the forefront of global priorities for society at large, but lingering concerns about financial solvency following failures in the banking sector continue for many business leaders. Beyond these foundational concerns, cyber/ransomware threats, the shifting labor market, and technological advances such as Artificial Intelligence (AI) are weighing on the minds of people from every corner of the world, including business leaders who are guiding their firms in these changing times. Indeed, the results of Aon's recent Global Risk Management Survey of about 3,000 business leaders around the world pointed to cyber risk, business interruption, supply chain disruption, and failure to attract/retain talent as some of their top concerns. While each of these risks poses unique challenges, their increasing inter-connectedness and severity calls for a further evolution of risk transfer approaches that leverage rapidly developing datasets and sophisticated modeling to identify a combination of traditional and innovative solutions that holistically meet each firm's individual risk tolerances and objectives.

Aon's global team of experts can help, whether you are navigating the traditional insurance market, seeking alternative capital solutions or need specialized support such as terrorism products or supply chain management advice. This quarter's report describes some of the important developments in the Q3 insurance market and includes special features (on topics such as Generative AI and "Nuclear Verdicts") to help you navigate the complexities and challenges of today's risk and insurance environment.

In summary, key Q3 insurance market trends include:

- A complex macro environment shaped insurer confidence and strategies. Economic resilience, gradual improvements in global supply chains, and a global construction boom served to bolster insurer confidence, while geopolitical instability, persistent social and economic inflation, and climate-related concerns created uncertainty and conservatism. Use of data, analytics and modelling gained further momentum in informing insurer strategies and optimizing capital deployment.
- While the Q3 insurance market continued to moderate as insurers sought to balance growth with profitability, divergent conditions continued for favored versus challenged risks.
  - Favored and well-performing risk types, including significant portions of the Financial Lines market, experienced an expansion of underwriting appetite, an increase in available capacity from new and established insurers, and healthy competition, driven largely by insurers' return to profitability, an interest rate driven boost in insurer performance, and confidence that coverage language had been (re) aligned with insurer intent.
  - Higher-risk, natural catastrophe-exposed, and claims-impacted risks, as well as those not demonstrating mature risk management practices, experienced the most significant price increases and capacity constraints, driven largely by natural catastrophe-driven volatility, a challenging early-2023 reinsurance market environment, and rising legal settlement amounts (e.g., "nuclear verdicts").
  - Across all risk types, the underwriting environment was disciplined and focused on risk differentiation. Superior results were achieved through early engagement with insurers and robust, differentiating submission details including valuation methodologies, risk control practices, improvements implemented, and lessons learned from past claims.

> "On behalf of our global team of Commercial Risk professionals, I am pleased to introduce you to our Q3 Global Insurance Market Insights.

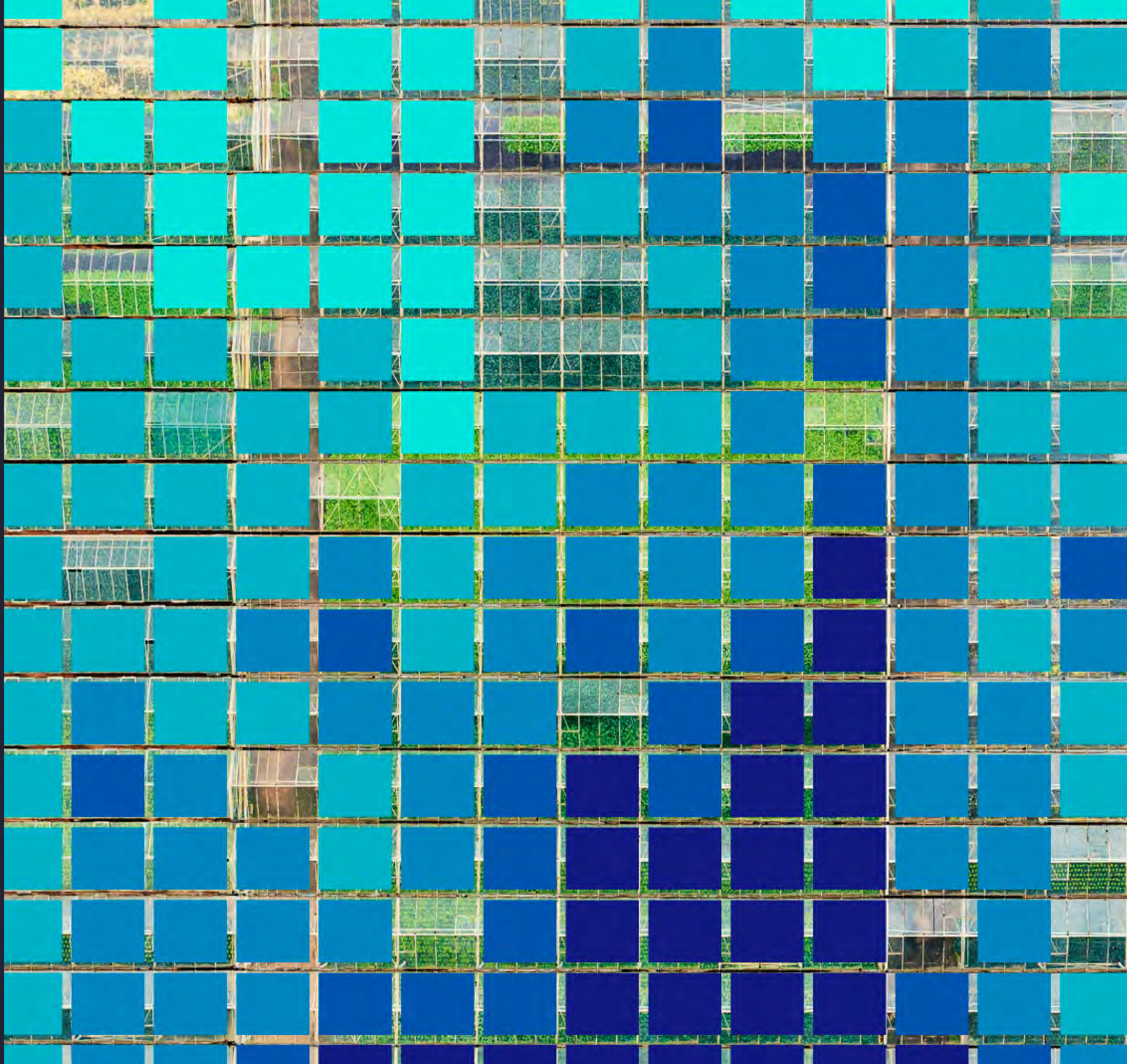


Joe Peiser

Chief Executive Officer
Commercial Risk Solutions

2

Spotlight Features



2 Spotlight Feature: **Navigating the Challenges of the Year-End Property Market**

Q4 has historically been an important time for the Property insurance market, as the peak reinsurance renewal season approaches, and the Atlantic hurricane season runs its course. This Q4 brings with it the additional complexities of persistent inflation, a slow supply chain recovery, and continued property and business interruption valuation concerns, along with geopolitical volatility. Insurers continue to adapt and respond to the dynamic Property risk landscape by refining their appetite, coverage language, and underwriting practices, and by working with Aon to develop approaches and solutions to meet clients' evolving risk needs.

Addressing Underinsurance Will Remain A Top Priority for Insureds and Insurers Alike

Driven largely by inflation, a slow supply chain recovery, and rising labor costs, property and business interruption values have increased materially. Insurance to value remains a top priority on risk management and underwriting agendas, as underinsurance has proven to lead to longer, more challenging claims adjustment processes and lower than ideal settlement values.

Insurers have responded by:

- Requiring detailed descriptions of valuation methodologies.
- Imposing coinsurance / valuation limitation clauses / margin clauses where valuations are deemed under-reported or inaccurate.
- Flagging renewals with reported values matching values from the previous year.

To navigate this challenge, Aon recommends that clients work with their Aon team to:

- Reassess their valuations (e.g., by engaging professional appraisers), and conduct PML studies.
- Be prepared to explain their values and the methodology used to calculate them.
- Recalibrate their indemnity periods.
- Review Coinsurance and Average Clauses in policies as these present specific risks.
- Consider using proxy exposures that are less susceptible to inflationary impacts.

Spotlight Feature: **Navigating the Challenges of the Year-End Property Market**

Geopolitical Events Will Trigger Underwriting Rigor and Coverage Clarifications

Current geopolitical events and civil unrest have had profound and widespread humanitarian and economic impacts – both immediate and long-term. Businesses may face a loss of revenue from damaged property and inventory, as well as from business interruption from direct or indirect causes (e.g., supplier and customer disruptions). There is also an increased risk of cyber attacks. Due to the widespread nature of these events, insurers have sought to limit their exposure through myriad actions.

Insurers have responded by:

- Clarifying their intent (e.g., further limiting or excluding coverage) related to Strikes Riots and Civil Commotion (SRCC), Terrorism, War, Political Violence, Cyber and Sanctions.
- Adjusting their appetite to limit exposure in affected geographies and excluding affected geographies on existing placements.
- Implementing rigorous underwriting practices related to coverage terms and extensions, loss history, Business Interruption redundancy measures, and local political outlooks.

To navigate this challenge, Aon recommends that clients work with their Aon team to:

- Review policy language, limits, sub-limits and deductibles related to Cyber, Terrorism, War, Political Violence and Civil Unrest. Look closely at Sanctions Clauses and provisions related to physical loss or damage to property, business interruption and extra expense, as well as Ingress/Egress and Contingent Time Element (CTE).
- Consider purchasing specific coverage for Political Risk, Special Risks, Cyber, War, Terrorism, SRCC, Travel, and Accident and Health.
- Consider Alpha – Aon's global facility for Terrorism and Political Violence coverage.

Reach out to your Aon Team and to your insurer(s) if your covered location(s) or operation(s) have sustained damage or if you believe business interruption has occurred.

Supply Chain Risk Will Continue to Impact Contingent Business Interruption (CBI) Coverage

In today's highly interconnected and complex risk environment, supply chain risk from a supplier location and its potential to disrupt business is a major concern among business leaders and risk managers. The aggregation of business risk can be difficult to quantify resulting in poor visibility into risk severity. Lack of information on the supplier's facility attributes and protection leads to information gaps in the underwriting of the CBI risk.

Insurers have responded by:

- Limiting CBI coverage at supplier locations due to lack of supply chain visibility and low confidence in their ability to quantify the exposure.
- Requiring detailed property underwriting information related to named suppliers / customers.

To navigate this challenge, Aon recommends that clients work with their Aon team to:

- Map their supply chain to understand the revenue dependency on supplier locations.
- Conduct a business interruption impact assessment for critical suppliers to quantify the exposure to the company from a loss at a supplier facility.
- Select critical supplier locations for property loss prevention risk assessments. The construction, occupancy, protection, and exposures (COPE) information detailed in the report will provide the underwriter with information needed to underwrite the CBI risk.

2

Spotlight Feature: **Navigating the Challenges of the Year-End Property Market**

Global Reinsurance Capital has Rebounded but Nat Cat Pricing Will Remain Materially Elevated

The reinsurance market capital increase in H1 2023 was principally driven by retained earnings, recovering asset values and new inflows to the cat bond market. Reinsurers' underwriting and operating returns have improved year-to-date due to increased insurer rates and portfolio retentions, tighter peril scope in terms/conditions and improved investment income.
As economic inflation cools, reinsurers are shifting focus to social inflation that can impact high value claims costs and reserving implications for insurers.

(Re)Insurers have responded by:

- Maintaining a highly disciplined and rigorous Nat Cat underwriting approach.
- Offering additional supply based on a flight to quality and more name brands during June/July 2023 renewals.
- Acting cautious, but responsive, to insurer needs for frequency coverage as we enter 2024 renewals.

To navigate this challenge, Aon recommends that clients work with their Aon team to:

- Consider alternative capital solutions such as the catastrophe bond market.
- Differentiate your portfolio with a custom view of risk and strong data to be prepared to challenge reinsurers' broad assumptions.
- Directly address reinsurers' concerns on the impact of inflation on your portfolio and loss experience.
- Use market data to guide placement decisions in the quickly evolving market.
- Measure and quantify rating agency impact of program/structure changes on Best's Capital Adequacy Ratio (BCAR) during the placement.

2 Spotlight Feature: **Generative AI — Emerging Risks and Insurance Market Trends**

Generative Artificial Intelligence (AI) – a type of artificial intelligence that has the ability to create material such as images, music or text – is already a proven disruptor and its adoption is growing at an explosive rate. As Generative AI changes the way companies do business, it is creating new risks and new causes of loss that impact not only the companies themselves but also their business partners such as third-party vendors and digital supply chains. Recent events and court cases highlight the developing forms of risks associated with Generative AI, including copyright, trademark and patent infringement, discrimination, and defamation. Bearing in mind that there is an important difference in the risks – and risk management approaches – associated with model creation versus model usage, some examples in this emerging risk field include:

1 Data Privacy and Confidential Information

The training of large language models (LLMs) like ChatGPT and Bard requires the digestion of vast amounts of data, which may – depending how the model is trained – include sensitive data such as personal data or proprietary client data. Generally, LLMs do not have the ability to "unlearn", meaning that, if sensitive information is input into these models, it is very difficult to remove or correct this information.

For example, an anonymous group of plaintiffs filed a suit in the United States against a leading AI company and a leading technology firm alleging that the AI company misappropriated private and personal information belonging to millions of people by using publicly available data from the Internet to develop and train its generative AI tools. The plaintiffs allege that this use case constituted theft, misappropriation, and a violation of their privacy and property rights. The complaint also includes claims for violations of the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act (CFAA), various state consumer protection statutes, and a number of common law claims.

2 Unreliable Model Training

Generative AI is only as good as the information on which it was trained. Data used in AI learning may be from questionable sources or quality, which may lead to inaccurate or otherwise unreliable outputs. Plausible sounding but entirely fictitious outputs can be generated.

For example, a New York lawyer asked AI to write a brief for a dispute his firm was handling. The AI model invented authoritative sounding – but actually non-existent – case law to support the brief. Ultimately, the court sanctioned the lawyer for the error-riddled brief.

3 Unintended AI Actions

From hiring decisions to healthcare and loan application vetting, AI may make incorrect conclusions or decisions, and where human oversight is ineffective, create risk to organizations either directly or through their subcontractors.

For example, the US Equal Employment Opportunity Commission recently settled a case wherein a firm they prosecuted elected to pay $365,000 to more than 200 job applicants who alleged age discrimination after being rejected by AI hiring software.

4 IP/Confidential Information/Trade Secrets

As generative AI models bring forward new concepts, ideas and designs, they may have borrowed heavily from other sources without permission and may infringe patents or bury others' protected work product in their learning.

For example, a leading image-generating media company filed a complaint against an AI firm alleging that the firm illegally used images from the media company's library to train its own model, which would compete with the plaintiff's. The media company claimed copyright infringement, trademark infringement, trademark dilution, and unfair competition, amongst other assertions. The case, which remains pending as of this writing, seeks damages and an order to destroy models related to the allegations. The media company has since launched a competing image generating model.

2

Spotlight Feature: **Generative AI — Emerging Risks and Insurance Market Trends**

Insurance Market Trends

The insurance market's understanding of generative AI-related risk is in a nascent stage. This developing form of AI will impact many lines of insurance including Technology Errors and Omissions / Cyber, Professional Liability, Media Liability, Employment Practices Liability among others, depending on the AI's use case. Insurance policies can potentially address artificial intelligence risk through affirmative coverage, specific exclusions, or by remaining silent, which creates ambiguity.

Insurers are defining their strategies around this rapidly changing risk landscape, including:

- Clarifying coverage intent / addressing "silent AI coverage" through revised policy language related to AI risk.
- Building out their underwriting requirements which are already very robust. While underwriters are just beginning to ask questions, the process has the potential to become burdensome and prolonged with the many potential applications that could be created and deployed.
- Developing creative AI products and solutions (e.g., a leading insurer has developed a product that provides a performance guarantee based on an AI risk assessment).
- Expanding their technology-based talent competencies – either organically or through partnerships and / or acquisitions – to support underwriting and pricing through technical assessments and monitoring.

Spotlight Feature: **Generative AI — Emerging Risks and Insurance Market Trends**

Managing AI Risk

While the productivity gains of generative AI are easily recognizable, organizations should take great care and conduct regular risk assessments as they embrace this new world. Aon suggests that organizations work with their Aon team as well as technology experts, attorneys and consultants to set policies and establish a governance framework that aligns with regulatory requirements and industry standards. As respects organizations' use of AI, some components of that framework may include:

- Routine audits of your AI models to ensure that algorithms or data sets do not propagate unwanted bias.
- Ensuring an appropriate understanding of copyright ownership of AI-generated materials.
- Developing and implementing this same framework into a mergers and acquisitions checklist.
- Mitigating risk through the implementation of B2B contractual limitation of liability, as well as vendor risk management.
- Insertion of human control points to validate that the governance model used in the AI's development aligns with legal and regulatory frameworks.
- Conducting a legal, claims and insurance review and considering alternative risk transfer mechanisms in the event of the insurance market begins to avoid these risks.

Bloomberg Research forecasts the generative AI market will grow to $1.3 trillion over the next 10 years – up from $40 billion in 2022. As firms race to share in that growth, they would do well to stay focused on the potential risks and issues that will arise along the journey.

Global Risk Management Survey Risk Ranking

Artificial Intelligence rose a massive 32 places – from number 49 to number 17 in the future risks ranking of Aon's most recent Global Risk Management Survey, with Human Resources respondents placing it eighth, while participants from India and the UK ranked it their seventh and third top future risk, respectively. This signals that while organizations recognize AI's economic potential and are embracing new technologies to fuel growth, they also recognize the potential cyber security, legal, operational and human-capital risks it brings.

2

Spotlight Feature: **Social Inflation and "Nuclear Verdicts"**

As social inflation continues, "nuclear verdicts" – unusually high jury awards that exceed what could be defined as reasonable expectations – have been making headlines. Primarily but not exclusively a US issue due in large part to the broader legal environment in that country, the costs involved for clients and insurers are such that the impact can be felt across the market. The upward trend in verdicts is now one that shows no signs of abating. Juries, sympathetic to plaintiffs and cynical about the motives of big business, seek to punish what they perceive as corporate wrongdoing. Financial settlement values that were once only seen in class actions or multi-claimant litigation are now frequently seen in single claimant cases.

Several factors contribute to social inflation and "nuclear verdicts", including:

- The broader economic environment.
- Mistrust of large companies and a perception of "deep pockets".
- Normalization of excessive enrichment; e.g., mega lottery winnings, outsized celebrity and executive salaries.
- Direct and aggressive litigation strategies adopted by plaintiffs' attorneys, which often serve to incite jurors.
- Social attitudes and jury selection demographics; e.g., with the influence of social media, some younger adults may have a different perspective and perception of social justice than prior generations.
- Increased litigation funding activity.

Steps You Can Take

If you are an actual or potential defendant, it is important that you engage early with your insurer and Aon to:

1. Assess your insurance coverage.
2. Determine a resolution strategy.
3. Leverage all available relationships.

Further, your counsel may recommend that you:

- Access relevant available data on relevant cases, settlements and involved parties including plaintiff lawyers.
- Engage early with the plaintiff to explore settlement opportunities in good faith.
- Demonstrate that all appropriate investigations have taken place.
- Identify and present credible, empathetic witnesses.
- Present corporate values and social responsibility metrics.
- Continue to explore settlement opportunities throughout the process.

2 Spotlight Feature: **Social Inflation and "Nuclear Verdicts"**

Insurance Market Trends

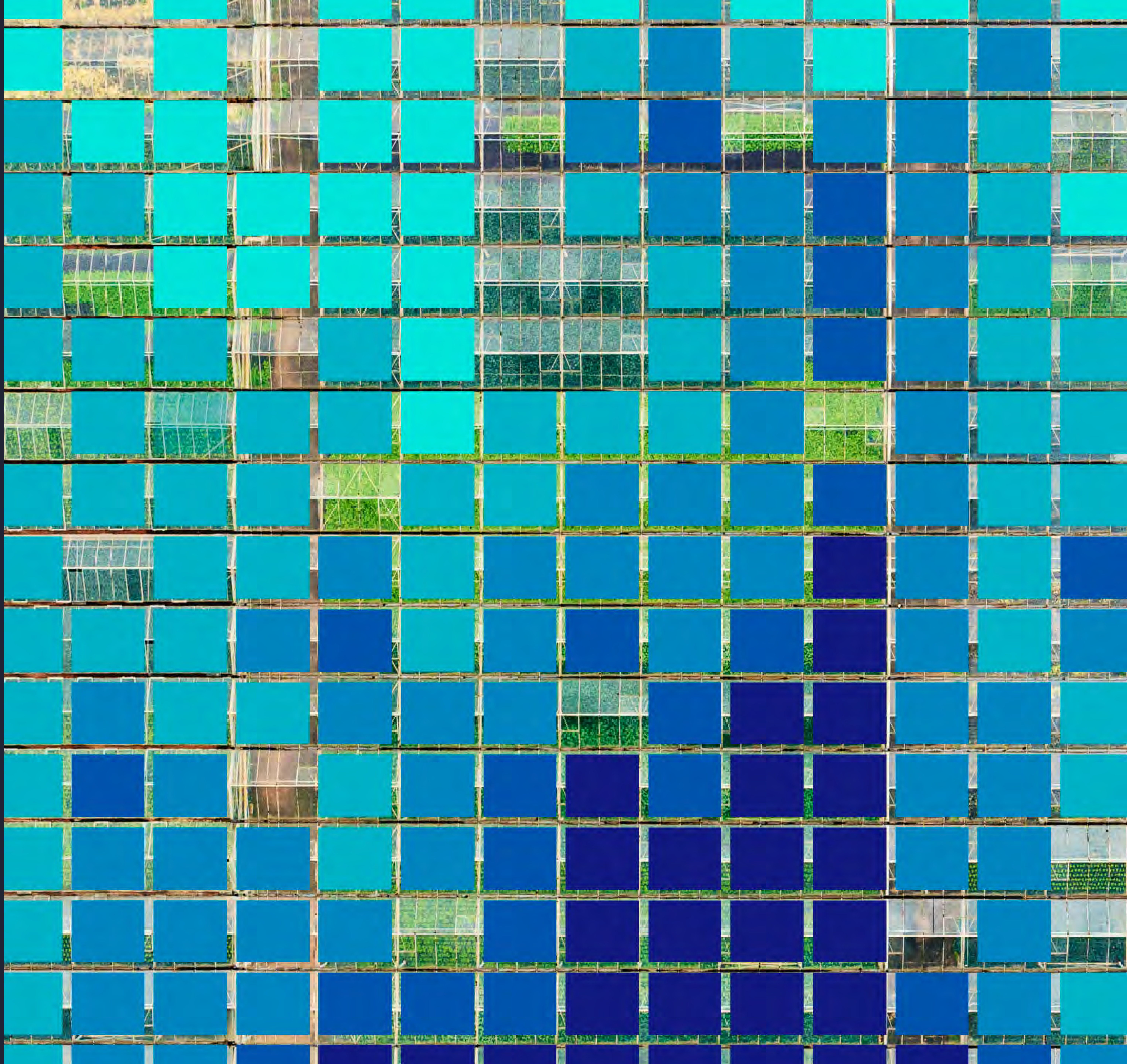
This is one issue in which insurers are engaged in efforts to counteract the plaintiff bar and litigation funders. Zurich North America, by way of example, has created a specific team – Claims Judicial and Legislative Affairs – to focus on the challenges involved. Along with counterparts from other insurers, this team is building an industry coalition bringing together all relevant participants i.e., insurers, brokers, defendant law firms and policyholders to advocate for tort reform in the most relevant and impactful US jurisdictions.

Aon supports these efforts on behalf of our clients.

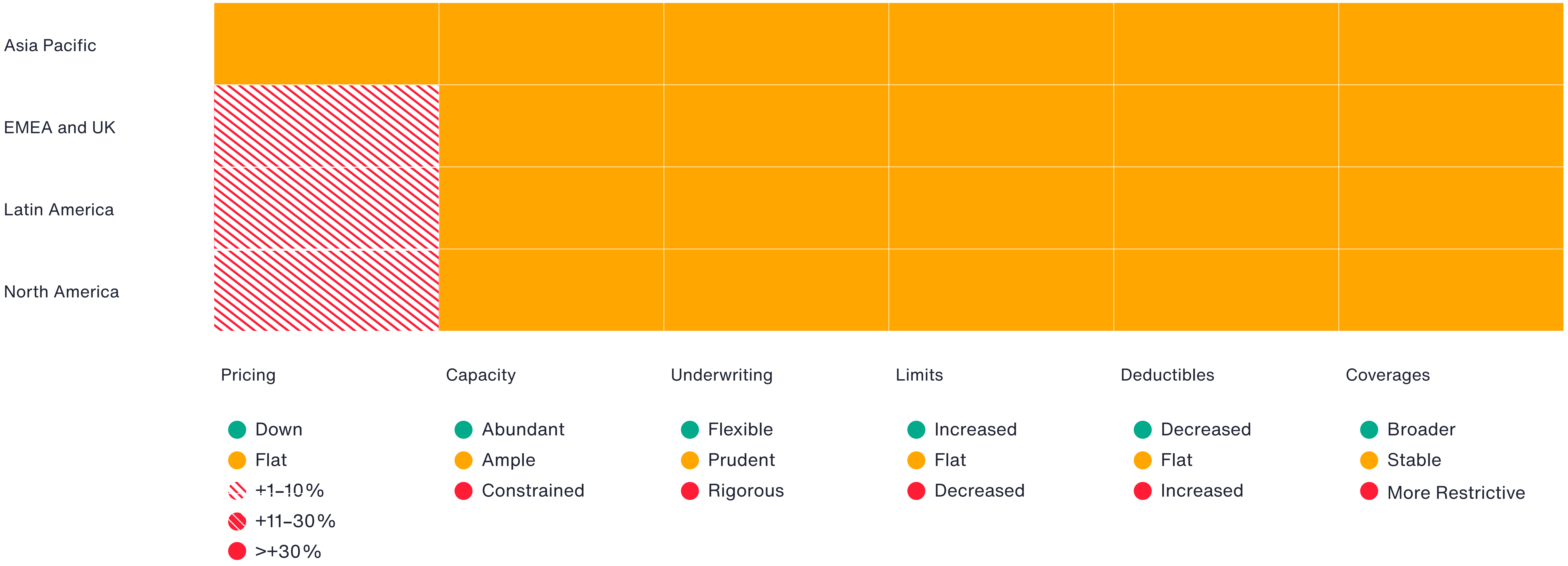
Aon clients interested in learning more about the topic or about participating in relevant industry forums should contact Mike Merlo, Chief Claims Officer, US and Bermuda at mike.merlo@aon.com or their Aon Account Executive.

3

Global Insurance Market Overview



3 Q3 **Market Dynamics**



Q3 **Market Dynamics**

Pricing

Adverse claims trends pressured pricing upward across Auto and Casualty, while Cyber and Directors and Officers experienced a softening market as incumbent insurers sought to retain and grow their portfolios. Property pricing remained volatile due to concerns related to inflation, high reinsurance costs, climate change and Natural Catastrophe exposures. USA-exposed risk (on non-USA placements) remained challenged.

Capacity

Capacity was sufficient across most products and risk types as established insurers expanded their appetite, and other insurers (re)entered markets targeted for growth. Capacity for Natural Catastrophe-exposed Property risks remained constrained – and expensive – driving continued use of alternative solutions including index-based products, self-insurance and captives.

Underwriting

As insurers focused on profitable growth, underwriting stringency gave way to flexibility, but discipline continued. Underwriters focused on individual risk profile, controls and performance. Risk quality and differentiation remained a top priority. Use of data and analytics to support decision-making continued to gain prevalence. Superior results were achieved through early engagement with insurers and robust submission details, including descriptions of valuation methodologies, risk control practices, improvements implemented, and lessons learned from past claims.

Limits

Most placements renewed with expiring limits and sub-limits; however, Property limits were pressured upward by economic inflation, which, together with social inflation and "nuclear verdicts", also impacted Auto and Casualty limits. Larger limits were available on Cyber and Directors and Officers placements as clients sought to restore limits reduced in recent years. Detailed descriptions of Property valuation methodologies were required.

Deductibles

Expiring deductibles were achieved on most placements, although increases and minimum deductibles were required on some poor-performing risks and higher-risk sectors. Decreases were available on some well-performing classes and risks but were often declined by clients due to incommensurate additional premiums.

Coverages

Coverage enhancements, supported by quality underwriting data, were available in areas targeted for growth as insurers continued to leverage coverage terms as a differentiator. Some exclusions (e.g., Communicable Disease, War and Territory restrictions) remained non-negotiable.

3 Q3 **Product Trends**

Q3 **Product Trends**

Automobile

A convergence of factors led to moderate-to-challenging market conditions. Costs continued to climb, driven by inflation, large verdicts and settlements, global supply chain disruptions, increasing accident frequency, labor shortages, and advanced automotive technologies; however, the availability of alternative solutions and healthy insurer appetite for well-performing risks served to dampen market impacts and price increases. The underwriting environment was disciplined; underwriters focused on portfolio sustainability and client risk management practices, especially for heavy risks. Innovative automotive technologies served to enhance underwriting approaches and product offerings.

Casualty / Liability

Moderate market conditions, characterized by flat to modestly increased pricing, disciplined underwriting, and focused but healthy appetite continued across most of the portfolio, despite insurer concerns related to economic, social and claims inflation – including "nuclear verdicts", litigation funding, US Auto attachment points, large auto/heavy fleet exposures, biometric privacy, diacetyl, "forever chemicals" (PFAS), wildfire, and Traumatic Brain Injury. Challenging risk types, US-exposed risks (on non-US placements), risks with adverse loss experience and programs with low deductibles or attachment points experienced a more challenging environment characterized by stringent underwriting, conservative capacity deployment and material price increases in some cases.

Cyber

Despite increasing complexity and frequency of ransomware incidents and ongoing privacy-related losses, softening market conditions continued as growth-focused insurers expanded their appetite and capacity across the market. Underwriting requirements eased slightly as insurer understanding of Cyber risk further matured while insureds presented stronger security controls. Concerns related to systemic and supply chain risk continued to mount. Focus on privacy controls continued, with specific attention on biometric data and pixel tracking, as well as new privacy/consumer protection regulations. Underwriters continued to evaluate and scrutinize coverage offered for critical infrastructure, systemic and/or correlated events, and war.

Directors and Officers

Softening conditions continued despite a complex backdrop of elevated risks including geopolitical instability, inflation, financial market fragility, equity market volatility, supply chain challenges, increasing litigation funding, and an evolving regulatory framework. Capacity from new and established insurers continued to increase in a growth-focused market with very few new buyers (IPOs, deSPACs, etc.), which created healthy competition and favorable client pricing outcomes. Underwriting remained disciplined, especially related to listed risks, cryptocurrencies, pharma and oil/coal related exposures, although underwriters demonstrated some flexibility in coverage terms and conditions for targeted risks. Alternative structures (e.g., higher retentions, coinsurance, quota shares, and alternative capital solutions such as captives) continued to serve as useful levers.

Property

The market divergence between "targeted" and "non-targeted" risks continued. Risks in higher-hazard occupancy types, or that were Natural Catastrophe exposed or claims impacted, experienced conservative, challenging and volatile market conditions which were driven by increased reinsurance costs, Natural Catastrophe losses, inflation, and ongoing supply chain challenges. Well-performing risks and risks in lower-hazard occupancies experienced a more favorable environment characterized by increased line sizes and healthy competition; however, a focus on profitability continued. Across the portfolio, underwriting was disciplined, and scrutiny of insured values continued. Updated valuations and detailed descriptions of valuation methodologies were required. Margin clauses or coinsurance penalties were mandated where valuations were deemed inaccurate or under-reported. In response to the volatile geopolitical environment, underwriters further limited or excluded coverages related to Strikes Riots and Civil Commotion (SRCC), Cyber, Terrorism, War and Sanctions, and implemented wider geographical exclusions.

3

Q3 **Regional Trends**

Asia Pacific

- Demand for alternative risk transfer solutions has increased, highlighted by the growing number of feasibility studies undertaken by Aon in relation to Captives, Parametric Insurance and Discretionary Mutual Funds. Organizations continued to re-evaluate their approach to managing risk and sought solutions to help smooth pricing and coverage volatility to elevate their confidence in navigating on-going uncertainty.
- Insurance premiums increased modestly due to opposing market forces – increased competition and a focus on profitable growth tempered rate increases, while rising inflation and valuation scrutiny increased exposures resulted in moderate premium increases.
- Capacity improved as insurers competed to retain and grow their portfolios in targeted areas where rates and scope of coverage were viewed as adequate.
- Casualty emerged as the most challenged line of insurance relative to other classes. Insurers continued to push rate increases to remediate against several years of poor performance.
- The bifurcation across product lines and different countries further increased – where pricing and capacity, in particular, experienced a softening trend in one market but a hardening trend in another. The following geographic pages demonstrate this with a greater mix of reds and greens than prior quarters.

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%					

Q3 **Regional Trends**

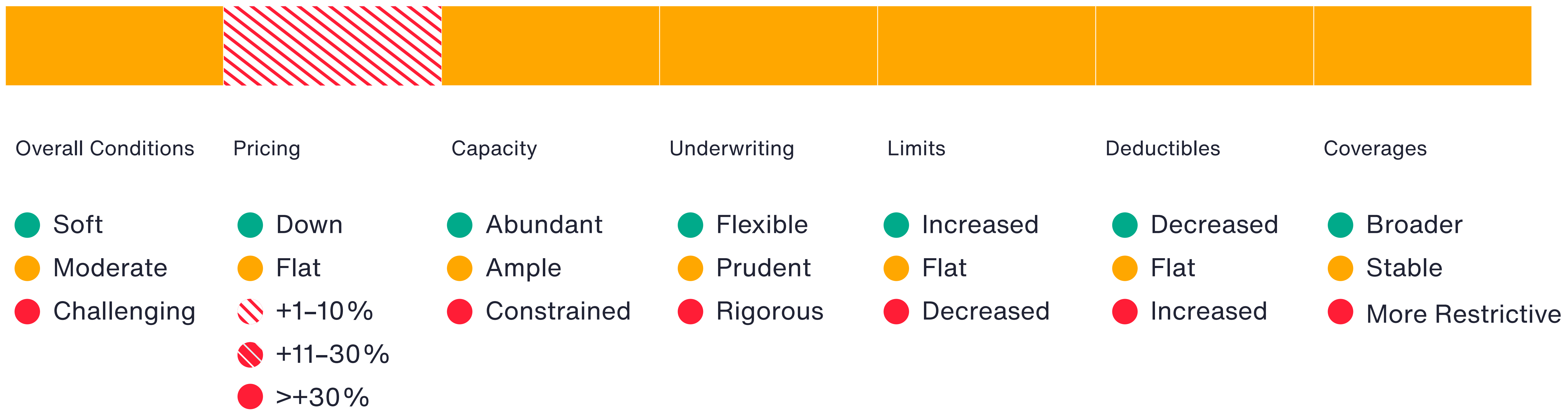
EMEA and United Kingdom

- Insurers remained sharply focused on the impacts of social and economic inflation amidst rising claims costs and reserves, increasing valuations, and pressured profits.
- General market conditions continued to moderate with the notable exceptions of poor-performing and US-exposed risks as well as risks with Natural Catastrophe exposure. Such risks generally experienced significant price increases, capacity constraints, limited terms and conditions and often sought alternative solutions to achieve program objectives.
- The Directors and Officers, Professional Lines and Cyber markets continued to soften, characterized by underwriting flexibility, increased appetite – including for lower attachment points – and robust capacity deployment.

Q3 **Regional Trends**

Latin America

- Mid-year treaty renewals served to further moderate the market. Pricing varied by line of business and risk attributes, while capacity – from local and international (re)insurers – was generally stable. The underwriting environment remained disciplined, with an emphasis on loss history, risk quality, and risk controls. The Cyber market experienced the most rigorous underwriting environment. Further limitations related to cyber risk, the Russia/Ukraine conflict, and Hours Clauses (for Strike, Riot, and Civil Commotion, Terrorism and Political Risk coverages) were imposed.
- A positive economic outlook and expected growth, especially in the Construction and Infrastructure sector, drove insurance market optimism; however, insurers remained cautious related to political and economic risks and instability.
- Driven largely by Inflation and continued supply chain challenges, property values continued to rise, and as a result, valuations remained under scrutiny, and limit increases were mandated in some cases.



3 Q3 **Regional Trends**

North America

- A moderate and dynamic market environment continued as insurers sought to balance growth with profitability. Pricing remained modestly up, and established insurers expanded their appetite and capacity in well-performing segments. Underwriting continued to be individualized to the risk profile. A focus on year-end targets is expected to accelerate an expansion of appetite and capacity.
- Social Inflation and “nuclear verdicts” continued. Insurers monitored 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.
- Property market challenges continued, with persisting rate increases, valuation scrutiny and capacity contractions largely driven by reinsurance costs and Natural Catastrophe concerns. Climate change remained a key insurer concern. Risks in susceptible geographies (e.g., Natural Catastrophe-exposed) and higher-risk industries experienced the most acute and significant market challenges.

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%					

Q3 Aon Advice to Clients

Evolve your insurance paradigms

Think strategically about insurance as a form of “rented capital” and consider it in your firm’s capital allocation strategy. Capital allocation is no longer limited to retirement planning and budgeting; business leaders’ approach to capital allocation has changed as theories have evolved and as tools of business have matured. In the modern business world, C-suite leaders understand that capital allocation – to distribute and invest financial resources to maximize stakeholder profits – is the core function of their job. Through this new, more strategic lens, firms can utilize insurance as a way to free up other sources of capital that can be deployed to drive growth and profit. Banks have been focused on capital optimization for a long time and now, with AI, the Internet of Things (IoT) and advances in technology that have enabled the robust identification and quantification of risk factors, the shift can happen more broadly.

Scrutinize and carefully manage your geopolitical risk

Review policy language, limits, sub-limits and deductibles related to Cyber, Terrorism, War, Political Violence and Civil Unrest. Look closely at Sanctions Clauses and provisions related to physical loss or damage to property, business interruption and extra expense, as well as Ingress/Egress and Contingent Time Element (CTE). Insurers are implementing further limitations and exclusions – you may want to consider purchasing specific coverage for Political Risk, Special Risks, Cyber, War, Terrorism, SRCC, Travel, and Accident and Health. Talk to your Aon Team about Alpha – Aon’s global facility for Terrorism and Political Violence coverage.

Reach out to your Aon team and to your insurer(s) if your covered location(s) or operation(s) have sustained damage or if you believe business interruption has occurred.

Start the renewal process early

Underwriters are evaluating more information than ever. In addition, while escalations and referrals have decreased in some parts of the market, they remain common and often require longer lead times. Start the renewal process early to ensure you have sufficient time to tell your story and respond to queries, and to provide underwriters sufficient time to properly evaluate and price your risk.

Differentiate your risk

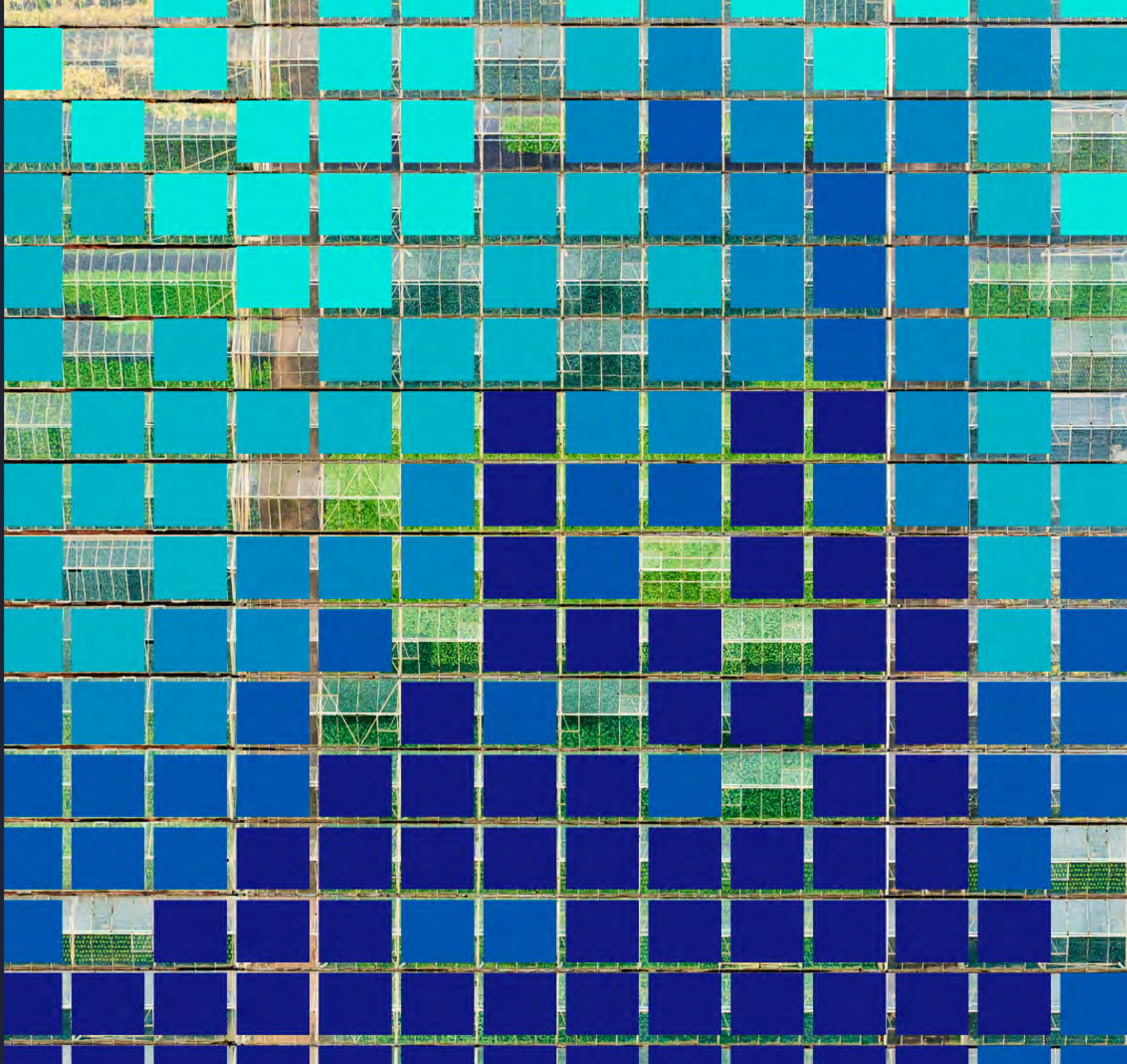
Insurers are focused on risk quality, and risk differentiation is key to achieving superior outcomes. Leverage available data to provide robust, quality underwriting information including property valuation methodologies, risk modelling, risk improvements, lessons learned from past claims and actions you are taking to build resilience. Provide access to experts from across your organization. Step up in-person engagement where appropriate.

Update values and other exposures

Inflation, rising labor costs, and supply chain disruptions have driven up property and business interruption values while social inflation and changes in companies’ operations and geographic footprints have impacted liability risk. Work with your Aon team and across your organization to conduct a thorough assessment of your exposures and valuation methodologies and ensure that sums insured, indemnity periods, limits and deductibles are up-to-date and aligned. This will help guard against underinsurance and avoid insurer-imposed limitations such as margin and coinsurance clauses.

4

Geographic Trends Q3



Asia Pacific Executive Summary

Executive Summary

- Demand for alternative risk transfer solutions has increased, highlighted by the growing number of feasibility studies undertaken by Aon in relation to Captives, Parametric Insurance and Discretionary Mutual Funds. Organizations continued to re-evaluate their approach to managing risk and sought solutions to help smooth pricing and coverage volatility to elevate their confidence in navigating on-going uncertainty.
- Insurance premiums increased modestly due to opposing market forces – increased competition and a focus on profitable growth tempered rate increases while rising inflation and valuation scrutiny increased exposures resulted in moderate premium increases.
- Capacity improved as insurers competed to retain and grow their portfolios in targeted areas where rates and scope of coverage were viewed as adequate.
- Casualty emerged as the most challenged line of insurance relative to other classes. Insurers continued to push rate increases to remediate against several years of poor performance.
- The bifurcation across product lines and different countries further increased – where pricing and capacity, in particular, experienced a softening trend in one market but a hardening trend in another. The following geographic pages demonstrate this with a greater mix of reds and greens than prior quarters.

Asia Pacific Executive Summary

> Amidst a backdrop of on-going uncertainty and volatility, buyers are wanting to partner with insurers who can demonstrate pricing and coverage consistency year on year. Large clients, in particular, have grown wary of fluctuating insurer appetite and are driving demand for alternative risk transfer solutions and long-term insurance arrangements – to insulate against market cycles and to achieve greater stability and certainty over the long term.

Tracy Riddell

Head of Placement, Property and Casualty Australia

> In Asia, we observe markets and products where softening conditions are apparent, whilst in other markets' rates and capacity continue to harden, particularly as increased costs on natural catastrophe exposed risks flows from reinsurers to direct insurers. Cyber market conditions are significantly more moderate, with increasing options for lead insurers for primary programs for insureds with good cyber security maturity.

Paul Young

Head of Commercial Risk, Asia

4 **Asia Pacific** Regional Market Dynamics

Pricing

Ongoing inflation and rising loss costs pressured pricing upward across Property, Auto and Casualty, while Cyber and Directors and Officers experienced a softening market as incumbent insurers sought to retain business.

Capacity

Capacity was sufficient for most risk types and coverage lines, although some challenges were experienced by Casualty / Liability and Natural Catastrophe-exposed Property placements as insurers reduced limits, particularly for USA-related exposures.

Underwriting

Insurers remained focused on profitable growth but demonstrated more flexibility with tailored coverages in Directors and Officers for listed insureds with well supported requests. Underwriting discipline was more rigorous in Property as insurers looked to manage their Natural Catastrophe exposures.

Limits

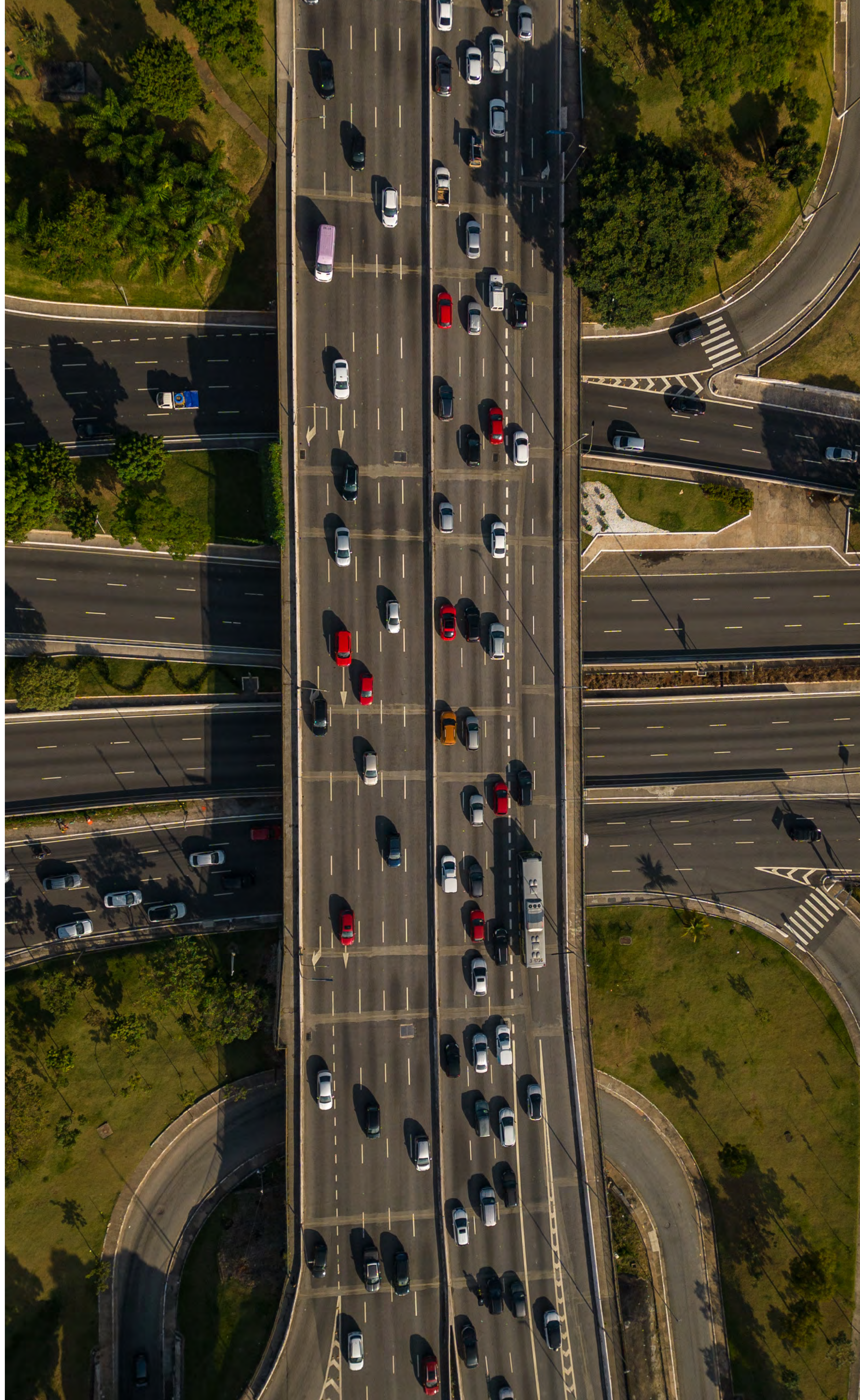
Limits were generally flat despite inflationary pressure in Property, Auto and Casualty classes. A notable exception was Cyber, where insureds increased their limits following loss limit reviews and insurers were also willing to increase their line sizes.

Deductibles

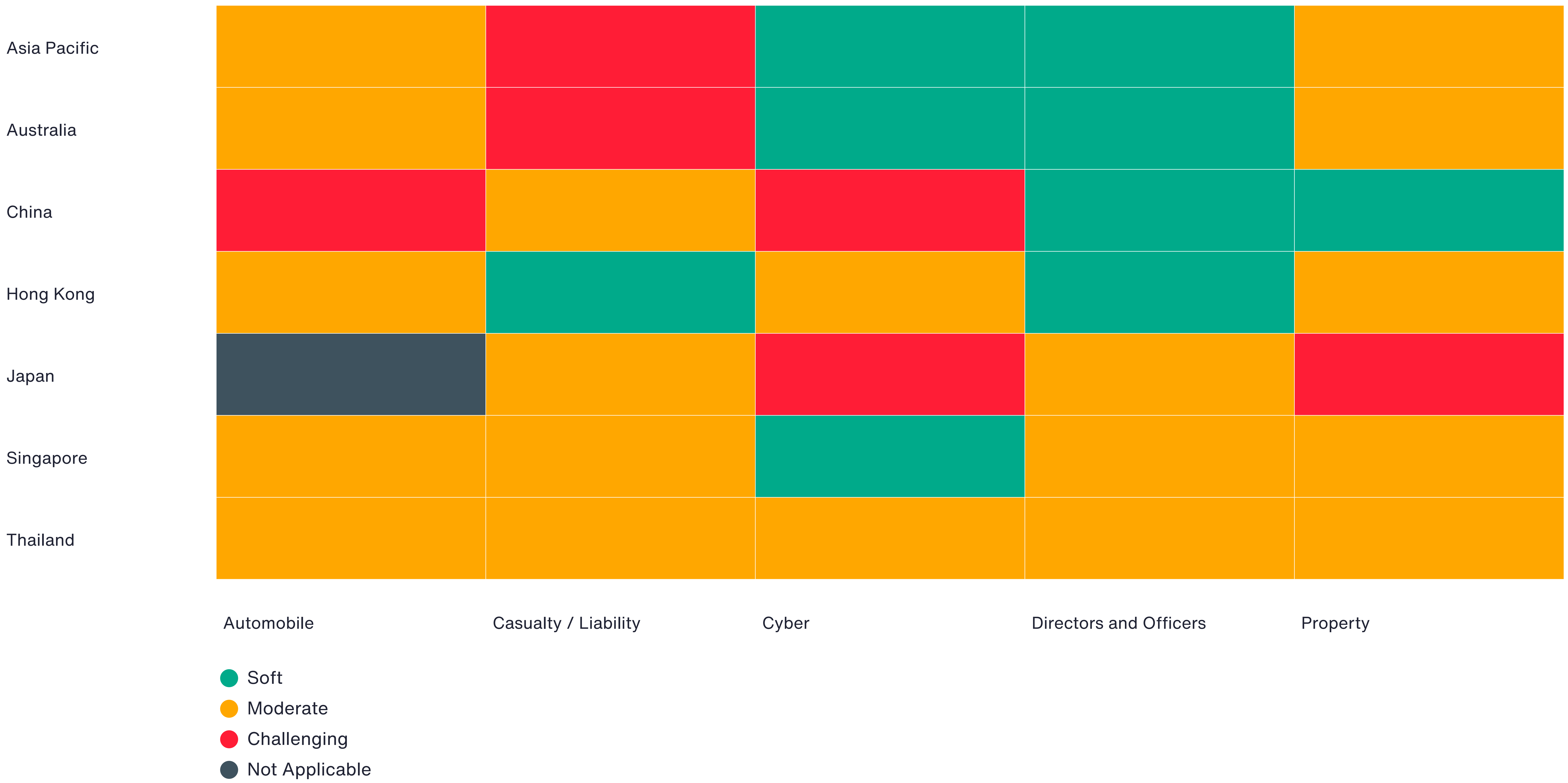
Deductibles were generally flat except for Auto and Casualty classes where insurers imposed minimum deductibles across trending loss areas.

Coverages

Coverage was stable across most lines but more restrictive in Casualty, with a particular focus on "non-traditional" coverages such as Professional Indemnity, Pure Financial Loss and Aviation exposures. Broader coverage was available in Cyber as insurers removed restrictions imposed over the last few years.



4 **Asia Pacific** Product Trends



Automobile

Increased repair and spare parts costs caused by global supply chain disruptions continued to impact the market, leading to a disciplined underwriting environment focused on portfolio sustainability and risk management, especially for heavy motor and high hazard activities involving fleet.

Casualty / Liability

Poor performance continued to impact the Primary market while inflation had a marked impact across both Primary and Excess layers. Rate increases were prevalent across the portfolio and insurers remained focused on limit management and increased scrutiny in relation to “non-traditional” General Liability coverages. Problem areas continued to include sexual misconduct, bushfire liability, frequency-exposed business, large worker-to-worker risk, and mining, especially thermal coal and tailings dam exposures. Insurers also looked carefully at contractual liability and asked questions around indemnities and hold harmless clauses. Minimum underlying policy limits were reviewed with particular focus on USA and Canadian Automobile and Workers Compensation.

Cyber

Market conditions shifted favorably for insureds despite a number of high-profile cyber incidents impacting organizations in the region. Underwriters continued to differentiate insureds according to their cyber security maturity with certain risk management “non-negotiables” remaining consistent for the last two years.

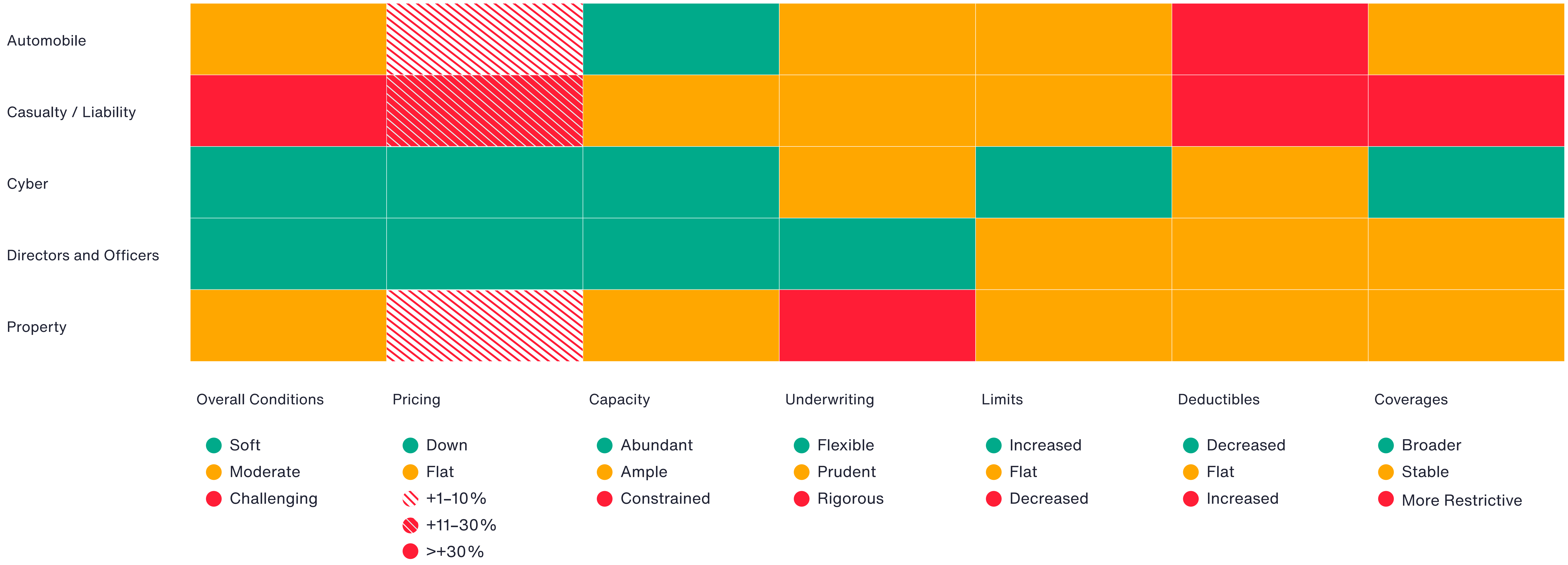
Directors and Officers

Despite an underlying volatile risk landscape, market conditions remained favorable for buyers. New capacity and growth aspirations of incumbent insurers improved competition and choice for listed companies in most sectors.

Property

Market conditions remained challenged for high hazard, catastrophe exposed, claims impacted and poorly risk managed placements. New business and target risks benefited from increased competition and an easing of capacity constraints.

4 **Australia** Market Dynamics



Automobile

Increased repair and spare parts costs caused by global supply chain disruptions continued to impact the market leading to a disciplined underwriting environment focused on portfolio sustainability and risk management, especially for heavy motor or high hazard business activities involving the fleet. There was a growing trend to provide risk management services to improve overall claims performance of risks insurers want to retain long term. New entrants into the Australian market increased competitive tension for fleets with good risk management and sustainable loss ratios. Pricing remained flexible for well-performing risks, with increases generally below inflation, while poor-performing risks experienced more significant increases and in some cases were required to modify their deductible structure. Most risks renewed with expiring policy conditions, although insurers scrutinized risks in industries not aligning with their ESG guidelines. Meanwhile, electric / hybrid vehicle uptake is progressing slowly although insurers have not shown any bias or variations in coverage for this vehicle type. Looking ahead, insurers will remain cautious of the increased technology and adoption of Electric Vehicles as excess structures and policy conditions will be assessed for potential exposure related to cyber malware and third-party property damage caused by technical issues. Vehicle battery replacement and modern technology service repairs will be a focus for insurers trying to balance profitability on accounts that have more claims severity due to luxury/tech-enabled vehicle models insured under fleet arrangements. Nonetheless, businesses are still purchasing vehicles and renewing leases at a high rate and this growth in fleet size is expected to create demand from insurers for well performing risks.

Casualty / Liability

Poor performance continued to impact the primary market while claims inflation had a marked impact across both primary and excess layers. Rate increases were prevalent across the portfolio and minimum pricing on excess layers came under review, in line with insurers cost of capital requirements. Insurers focused on limit management, and in some cases, reduced deployed limits and required ventilation when layering. “Non-traditional” General Liability coverages such as Professional Indemnity, Pure Financial Loss, and Aviation came under scrutiny, and restrictions continued to be mandated related to cyber and data risks. Blanket exclusions have become more common for silica and PFAS, irrespective of perceived exposure. Some insurers undertook portfolio reviews for risks with USA exposure, often resulting in re-rating, as well as limits reductions and amended US Auto attachment points. Limits and Maximum Foreseeable Loss reviews increased in frequency; however, most limits renewed as per expiring. Building underwriter trust through ongoing relationships, transparency and granular exposure details proved critical to achieving superior market results. New business appetite and capacity remained strong for well-performing risks, although significant price reductions were not necessarily achievable. Looking ahead, a continued rate push is expected to continue through 2023 with insurers focused on underwriting profitable risks, as the combined ratio is still under threat from loss development, IBNR & IBNER. Rating structures will cater for prior losses as social inflation as well as general inflation will continue to have a profound effect. Proportionate premium increases should be expected in line with increased turnover/exposure as the liability market continues to build momentum and improve portfolio quality. It will remain important to partner with the right insurers that will accommodate changing and additional exposures as the business evolves.

Cyber

Despite a spate of high-profile cyber incidents which have impacted millions of Australian organisations and individuals, market conditions were favourable. Insureds demonstrating a continued improvement in cyber security and maturity experienced moderate premium reductions, while those requiring more focus on cyber security saw generally flat pricing. Market capacity increased markedly; local capacity was abundant, while global market capacity has returned to previous levels. As underwriters' understanding of risks has matured, some insurers have become more flexible on certain controls, however the baseline adopted during 2020-2022 remains consistent. Insurers were prepared to increase line sizes and remove previously applied sub-limits for risks demonstrating cyber security maturity. Increasingly, insureds are undertaking cyber impact analysis to better understand their cyber risk profile which often leads to limit increases, especially off the back of high-profile events and changing regulatory landscape. Coverage restrictions applied in recent years continued to be removed, and in some instances, coverage enhancements could be achieved. Enhancements were precipitated by a contraction of cyber cover within other lines of insurance, and a significant uptick in Cyber Impact Analysis to help identify cyber risks and specific coverage that may be required to support the risk profile. Looking ahead, underwriters are expected to continue to focus on quality of underwriting information and cyber risk maturity. While the market has trended positively in 2023, insurers are expected to proceed cautiously and adjust as needed due to continued frequency and severity of cyber-attacks both globally and locally.

Directors and Officers

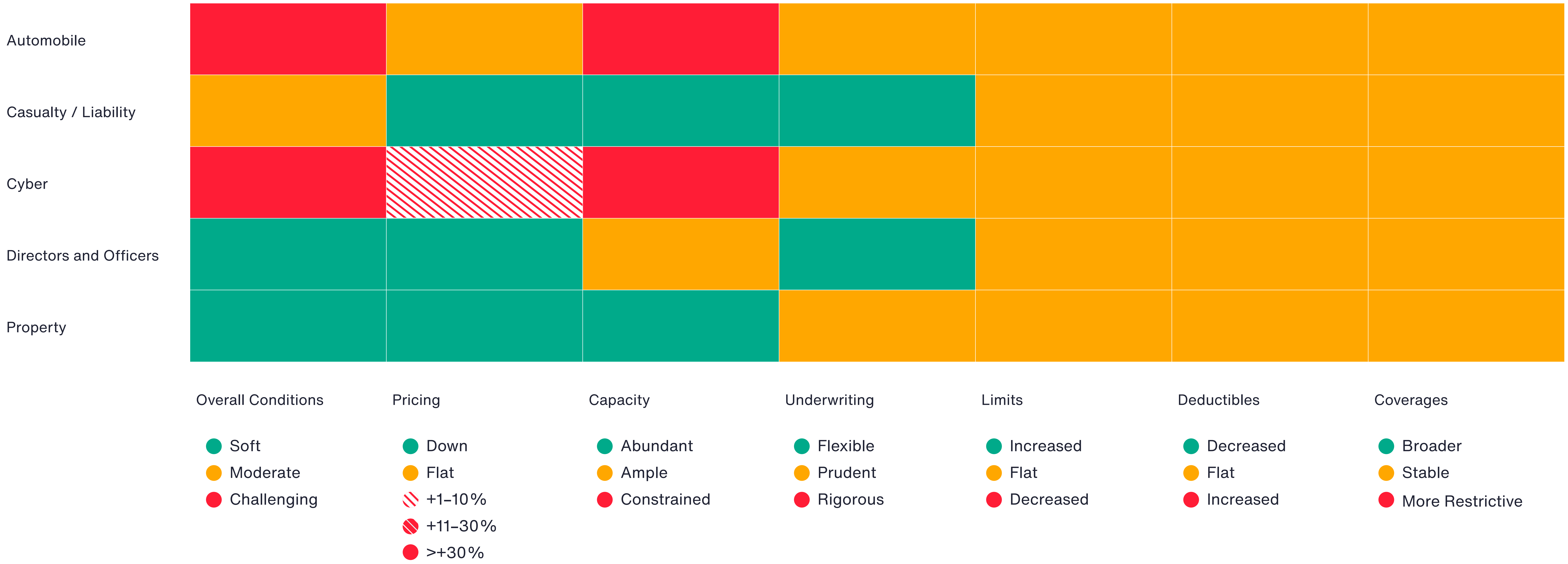
Favorable market conditions continued in Q3, despite an underlying volatile risk landscape. Listed companies in most sectors benefitted from strong competition, downward pricing pressure, and buyer choice as new capacity entrants sought to build profitable Australian portfolios amidst a backdrop of incumbent insurers with ambitious growth targets. More limited insurer appetite for private companies and companies in challenged risk sectors led to more moderate market conditions in this space. Insurers increasingly explored technology-based solutions to grow their market share of mid-market private risks. Underwriters remained cautious and disciplined in the selection of risk profiles that met their criteria, given the underlying active claims environment and evolving ESG risk landscape; however, they demonstrated flexibility in their willingness to reconsider “follow form” language, offer lower attachment positions and larger line sizes, and tailor their offerings in response to well-supported requests. Limits remained largely unchanged, following rigorous limit reviews by insureds in recent years driven by the cost and availability of capacity and supported by Aon's data and analytics and D&O Decoder loss modelling. In the current, more competitive environment insureds have tended to retain the savings to contain costs as more challenging economic conditions continue to impact certain sectors. Minimum deductible requirements remained largely unchanged for securities entity claims, with some flexibility emerging in relation to company reimbursement claims, especially where Insurers faced competitive pressure. While coverage terms remained relatively unchanged, a number of incumbent and new insurers have expressed interest in developing meaningful primary portfolios and have recently released, or are working towards releasing, their own new or refreshed primary policy wordings. Looking ahead, improved market dynamics are expected to continue to drive positive outcomes for insureds through the remainder of 2023.

Property

The market remained challenging in a number of areas. Price increases continued; however, some clients that have differentiated their risk quality and have proven a positive approach to insurer mitigation requests experienced superior results. Capacity constraints eased for risks perceived to have benign exposure while catastrophe-exposed risks remained challenged. Underwriting was rigorous, onerous, and slow. Single-threaded authority points often resulted in late delivery of terms. Pressure on limits eased relative to earlier in the year. Looking ahead, the Australian summer will drive forward-looking market trends.

A benign natural catastrophe season is expected to accelerate the two-speed market wherein new business and target risks will be fiercely competitive and insurer retention will be pressured as a result. A summer punctuated by significant cat events would likely create greater market conservativism and significant pressure on natural catastrophe limits, deductibles and pricing.

4 **China** Market Dynamics



Automobile

Market competition remained limited due to regulatory requirements related to insurer premium growth. Top insurers retained well-performing risks while smaller insurers were reluctant to write poor-performing new business due to strictly supervised tariff rates and coverage terms. The market was further complicated by requirements to "Buy Insurance Where You Are"; some risks in small cities experienced challenges securing enough limit or finding an insurer with appetite for their risk type. Looking ahead, capacity constraints are expected as Automobile market capacity may be fully deployed by the end of the year. Although the Supervision Bureau encourages clients to buy auto insurance from smaller insurers, most clients are expected to continue to prefer top insurers which can provide broad service. Insurers will continue to use technology to help quantify risk.

Casualty / Liability

Appetite and competition strengthened for lower risk, well-performing mid- to large-sized risks, and favorable loss experience often led to enhanced negotiation outcomes including desirable terms and conditions. Smaller risks experienced less underwriting flexibility and flat renewal pricing. Looking ahead, insurer appetite is expected to continue to tighten on higher risk exposure types while strengthening in the smaller risk space.

Cyber

Market conditions remained challenging; however, they improved from recent quarters. Price increases further 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 prudent. 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 further improves.

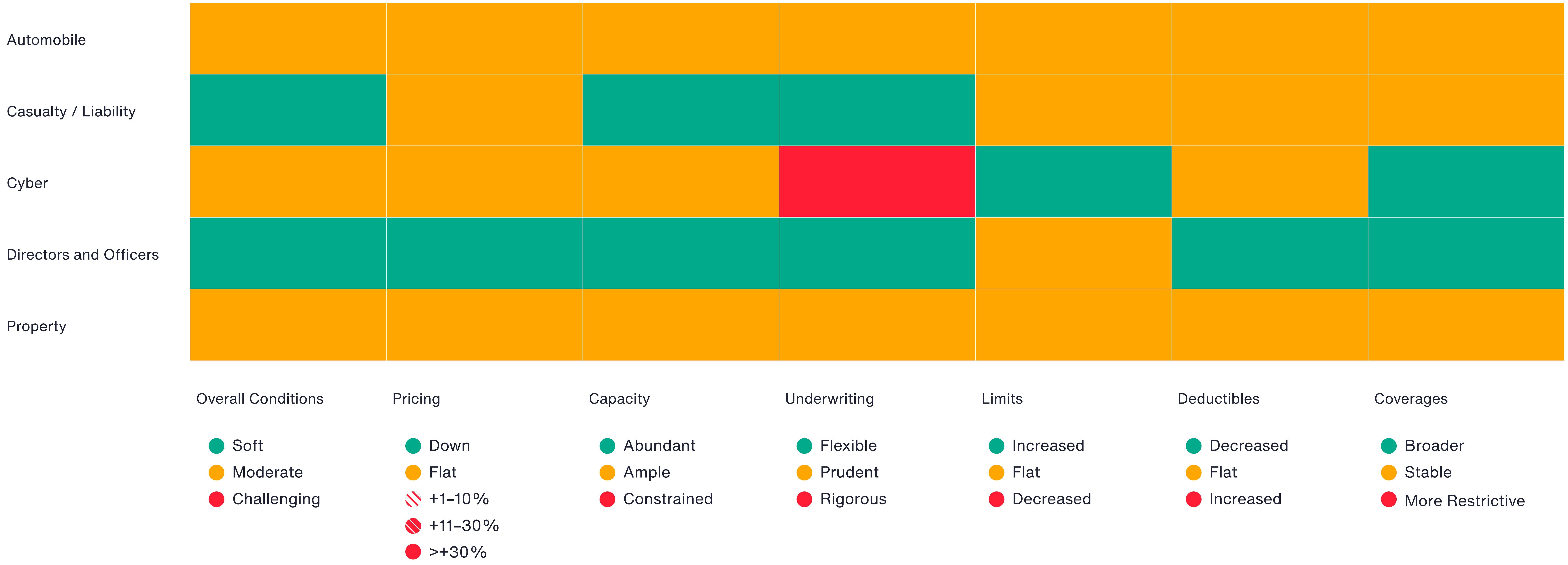
Directors and Officers

Market conditions softened across both US listed risks and non-US listed risks. Pricing decreased significantly, especially for US listed D&O, and more capacity was available across-the-board. Though concern related to China Securities Class Action losses continued, underwriting became more flexible and accommodating as insurers sought to achieve growth targets. Looking ahead, the current, more favorable market conditions are expected to continue.

Property

Poor losses from flooding in the North and a recent Typhoon in the South have elevated insurer caution related to natural catastrophe risk while a focus on portfolio performance has led to fierce competition for low-hazard, high quality risks. The competitive environment drove downward pricing pressure. Underwriting focused on risk selection and detailed information was required. Underwriters were disciplined, but rigorous and rigid on poor performing and higher risk exposures. Looking ahead, current market conditions are expected to continue.

4 **Hong Kong** Market Dynamics



Automobile

Prior to typhoon Saola and the "Black Rainstorm'" in early September, in general, insurers were highly competitive; however, during the remainder of the quarter, they assessed potential losses, with little immediate (Q3) impact on pricing or capacity. Flat pricing, or slight reductions, could be achieved on well performing risks. Capacity was sufficient for the market at large, but Commercial Vehicle Fleet Programs experienced constraints. Underwriting was generally disciplined but more conservative on non-standard extensions and requests for coverage enhancements. Looking ahead, current market conditions are expected to continue, with healthy competition on well-performing risks; however, this may change as insurers assess and quantify the damages and losses from typhoon Saola and the "Black Rainstorm". Early engagement and proactive negotiation with insurers will remain important to achieving superior outcomes.

Casualty / Liability

Market conditions were generally unchanged. In general, insurers sought targeted portfolio growth and competed aggressively for well performing risks. Price decreases could be achieved for some well-performing local programs while the impacts of global inflation on expenses and claims costs saw instances of less favorable pricing on regional and global programs. While capacity was generally abundant, risks in hazardous industries experienced constraints. Some underwriters used coverage extensions as a differentiator in areas targeted for growth. Looking ahead, healthy competition is expected to continue on local and well-performing risks.

Cyber

The market continued to moderate, and softening signs were seen in Q3. Competition increased for both new and renewal business, leading to sufficient market capacity and downward pressure on pricing. Modest to moderate reductions could be achieved for most claims-free risks. Underwriting remained cautious and diligent. Several insurers sought to improve their underwriting process through the support of technical cyber risk engineers. Insurers remained cautious in their line size deployment but demonstrated greater flexibility. Underwriters used coverage extensions as a differentiator in areas targeted for growth. Looking ahead, the cyber risk landscape is expected to remain volatile. Insurers will watch carefully as 2023 loss trends develop and may modify their positions accordingly.

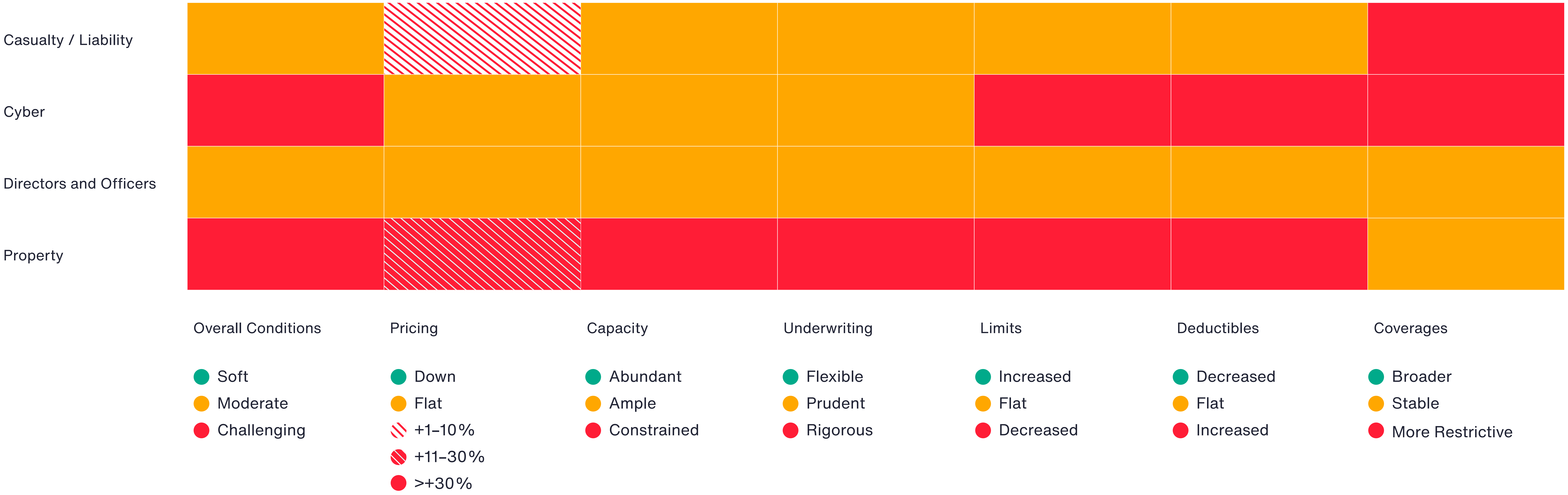
Directors and Officers

A soft market environment continued, characterized by abundant – and growing capacity – and fierce market competition resulting from a lack of new business (caused by the economic slow-down). Notably, rate reductions were achieved on some US-listed risks and significant reductions were not uncommon. This was driven largely by competition from the local, regional and overseas capacity. New markets entered this space and some existing markets relaxed their underwriting guidelines, leading to an increase in available capacity across both Primary and Excess. Underwriting became more flexible, and the process became easier for insureds, especially new business. Incumbent insurers tended to be more conservative in their price reductions, generally renewing flat unless competition was introduced. Insurers demonstrated flexibility in considering sublimit increases. As market competition has increased, many insurers have become more flexible in removing the specific exclusions that were imposed during the hard market. Looking ahead, insurers are expected to remain growth focused, and favorable market conditions are expected to continue. Insurers will monitor economic developments and may modify their positions accordingly.

Property

Local market conditions were moderate overall as insurers assessed the potential losses from Typhoon Saola and the “Black Rainstorm”. Pricing remained favorable for well-performing risks while multinational programs experienced a more moderate environment, with Natural Catastrophe risks continuing to drive technical pricing considerations. Capacity was generally sufficient for most risk types with the exception of multinational programs with Natural Catastrophe exposures. While expiring limits were common, inflation-driven limit increases were achievable in most cases. Natural Catastrophe sub-limits were imposed for global programs. Deductible decreases were available for well-performing, non-Catastrophe-exposed risks in most cases. Underwriting scrutiny was applied to risks based in Ukraine, Russia, Eastern Europe and Myanmar, and coverage for related exposures was limited. Looking ahead, as the “Black Rainstorm” has been described as a “once-in-500 years” event, it is expected that some insurers may review their guidelines for basements and slope. Referral underwriting for multinational programs is expected to remain rigid and demanding.

4 **Japan** Market Dynamics



Casualty / Liability

Well performing risks continued to experience healthy competition, flexible underwriting, and a stable market environment; however, market conditions became more challenging in specific areas. While expiring pricing could be achieved on Primary placements, Umbrella and Excess pricing increased - especially for placements with large limits and US exposures – driven largely by reinsurance. Coverages remained generally stable with two exceptions: Umbrella and Excess placements experienced some coverage restrictions, and PFAS exclusions were imposed on risks with PFAS exposure. Capacity was sufficient; while some insurers withdrew capital, other growth-focused insurers readily filled any gaps. Looking ahead, current market conditions are expected to continue.

Cyber

International insurers remained highly cautious in their underwriting, and some have effectively withdrawn completely from the market for new business. The appetite of domestic insurers generally remained healthy and price increases continued to decelerate. Across all insurers, underwriting was rigorous and conservative. Coverages and limits remained generally stable; any exclusions or reductions were applied on a case-by-case basis. Low deductibles were available from some local insurers while international insurers often required more significant deductibles. Looking ahead, current market conditions are expected to continue.

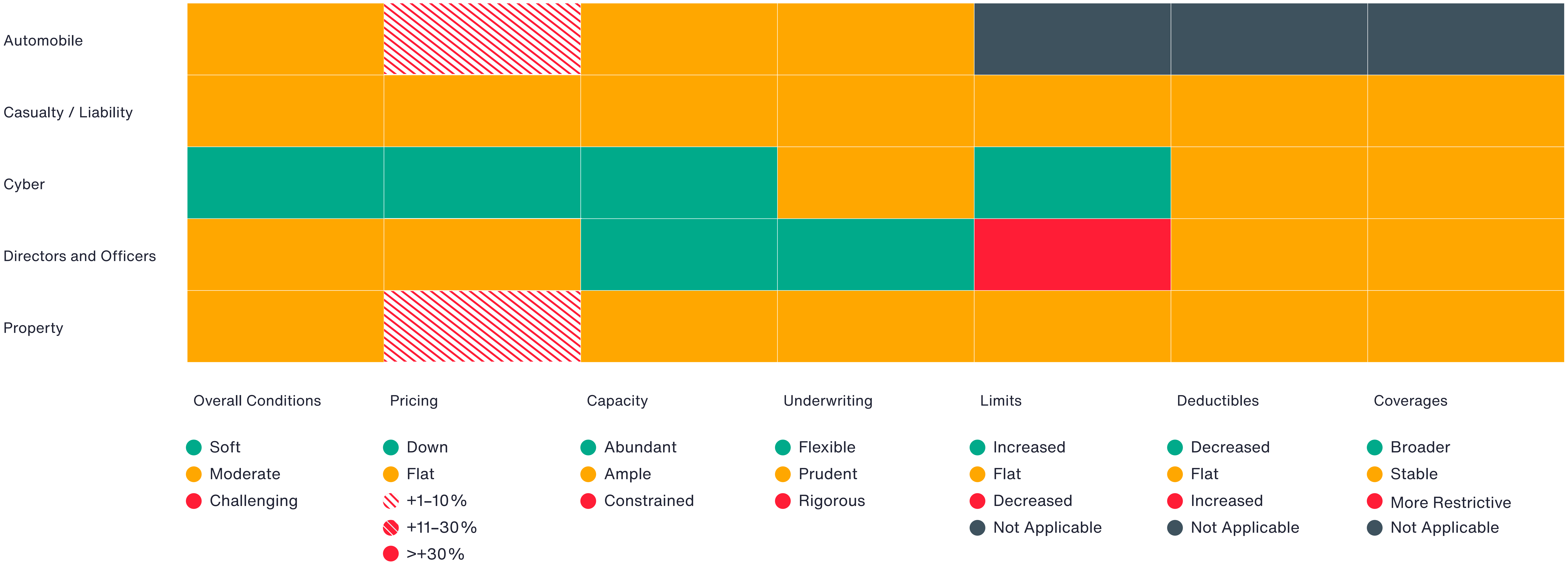
Directors and Officers

Pricing continued to decelerate, pointing to a market softening trend. International insurers generally offered more competitive pricing than domestic insurers. Capacity was sufficient. Underwriting was disciplined, but underwriters did not generally require additional information or questionnaires. Expiring coverages, limits and deductibles were achieved in most cases. Looking ahead, competition is expected to continue to strengthen in this space.

Property

Market conditions remained challenging, driven largely by reinsurance and a continued focus on improving portfolio performance. Capacity was limited for earthquake and flood, and there was an observed trend to limit fire capacity. Underwriting was sensible and insurers demonstrated flexibility for preferred risk types while many took stricter positions on higher risk industries such as renewable energy (especially solar, biomass and wind power) and warehousing. Such risks were declined or offered only on a limited basis. Underwriters tended to decline risks that did not accept deductibles. Expiring terms and conditions could be achieved in most cases. Looking ahead, current market conditions are expected to continue.

4 **Singapore** Market Dynamics



Automobile

Ongoing inflation, supply chain challenges, rising accident frequency, increasing verdict amounts, and new automotive technologies continued to pressure pricing upward. At the same time, insurer growth ambitions served to create competition and temper increases. While underwriting was generally disciplined, insurers leveraged flexible underwriting as a differentiator for in-appetite risks. Fleet safety controls, driver training and driver selection remained key underwriting concerns. Underwriting guidelines were impacted by a focus on ESG targets. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

Following mandates implemented at recent renewals, the Q3 market environment was moderate, with flat pricing generally achievable on most risks. Capacity remained sufficient; however, constraints continued for pure financial loss, errors and omissions, product recall extensions and US- and Canada-domiciled operations. Risks in hazardous industry sectors experienced robust and stringent underwriting. Limit increases could be achieved on some well-performing, in-appetite risks. Coverage terms and conditions were stable, and broader coverages could be achieved for well-performing risks. Looking ahead, the impact of inflation, interest rates and litigation rates will continue to dominate underwriting discussions; however, where adjustments were already made at recent renewals, further adjustments would be expected only on a case-by-case basis.

Cyber

Market conditions remained challenging, although rate increases moderated slightly depending on industry and cyber security posture. Underwriting scrutiny remained heightened. Capacity increased slightly, and insurers demonstrated more appetite on excess layers and high attachment points. Ransomware controls remained a key topic of underwriting focus. Coverage restrictions continued to be applied, as did sub-limits and co-insurance, especially as respects ransomware. Looking ahead, driven by a challenging risk landscape with ongoing cyber threats, market conditions are expected to remain challenging. Insurers are expected to remain conservative in their strategies, coverage terms, and deployment of capacity.

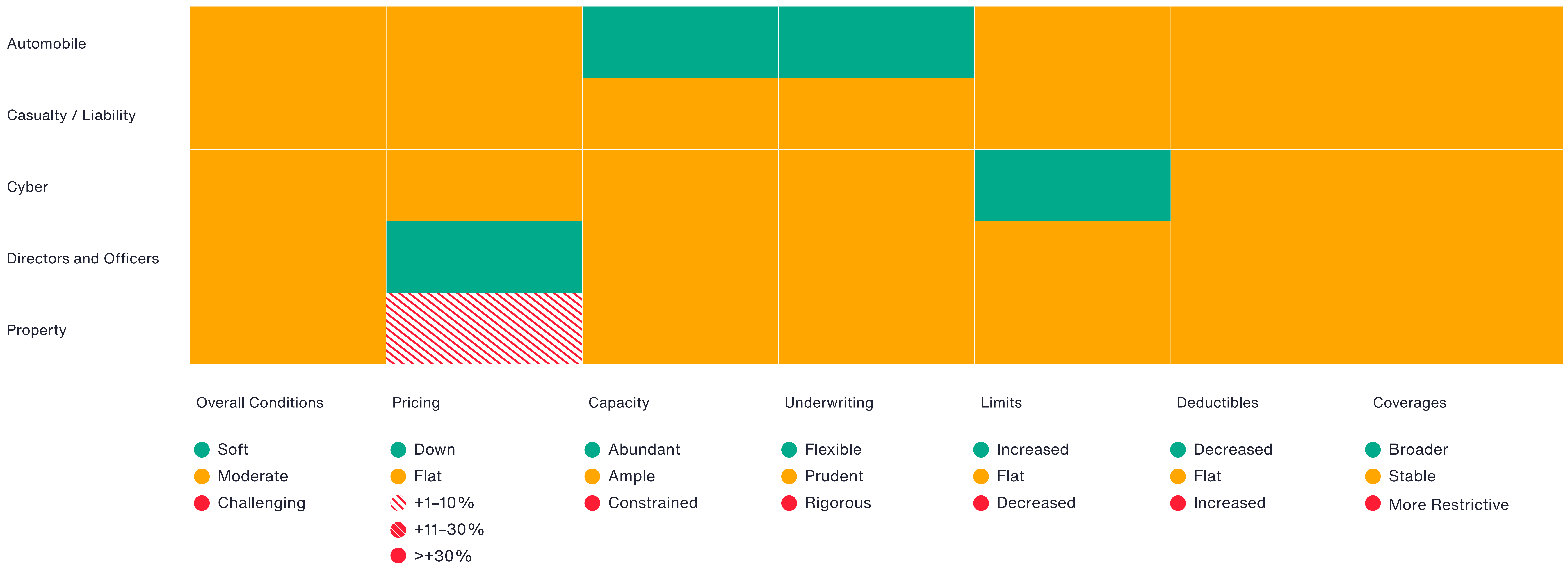
Directors and Officers

Market conditions further stabilized, especially for well-performing sectors. Price increases continued but tempered significantly. Market cap growth was a key pricing consideration. Underwriting was more flexible; however, queries related to the events in Eastern Europe, as well as ESG activities, continued. Capacity was sufficient as new insurers – mostly focused on mid-to-high excess of loss positions – entered this space. Deductibles remained elevated for higher-risk segments such as US-listed, SPACs, de-SPAC, and IPOs. Looking ahead, current, stable market conditions are expected to continue.

Property

Market conditions remained generally unchanged. Asset valuations remained under scrutiny amidst increasing inflation. Pricing remained moderate, with notable increases for risks with adverse claims experience and Natural Catastrophe exposure. In the non-CAT space, Insurers' reinsurance arrangements also served to pressure pricing upward. Capacity was sufficient, and some growth-focused insurers were amenable to writing non-preferred risks that were well-managed and had good claims history. Underwriting remained prudent; quality underwriting submissions and proactive risk management were key to achieving superior results. Coverage restrictions continued for contingent business interruption, non-damage business interruption and affirmative cyber. Looking ahead, the economic environment, natural catastrophes, and reinsurance costs are expected to continue to impact claims and operating costs and influence market conditions.

Thailand Market Dynamics



Automobile

Market conditions remained competitive for this tariff-rated product. Flat pricing was generally achievable. Local market capacity was sufficient. Appetite for Electric Vehicles, especially trucks, remained limited, and insurers offering coverage did so at elevated pricing, citing the high cost of replacing the battery, as well as a lack of loss experience necessary to develop rates. Underwriting was generally flexible; however, information regarding the condition of each vehicle was required before coverage could bind. Some insurers started to develop new coverage wordings to differentiate themselves. Looking ahead, new underwriting guidelines are expected to be introduced in 2024. Insurers are expected to remain growth-focused which will lead to continued healthy competition, despite the current economic conditions.

Casualty / Liability

Market conditions remained moderate. Pricing overall was flat, but rate reductions could be achieved for some well-performing risks. Poor-performing risks experienced price increases and, in some cases, limited terms and conditions. Local capacity was sufficient for lower-risk types; however, complex, higher-risk (especially, offshore risks), or loss-active risks required reinsurance support, often at elevated pricing. Underwriting remained sensible; detailed information and a completed questionnaire was a prerequisite for insurers to quote. Expiring coverages, limits and deductibles were achieved for most risks; however, poor-performing risks experienced upward deductible pressure. Looking ahead, current market conditions are expected to continue.

Cyber

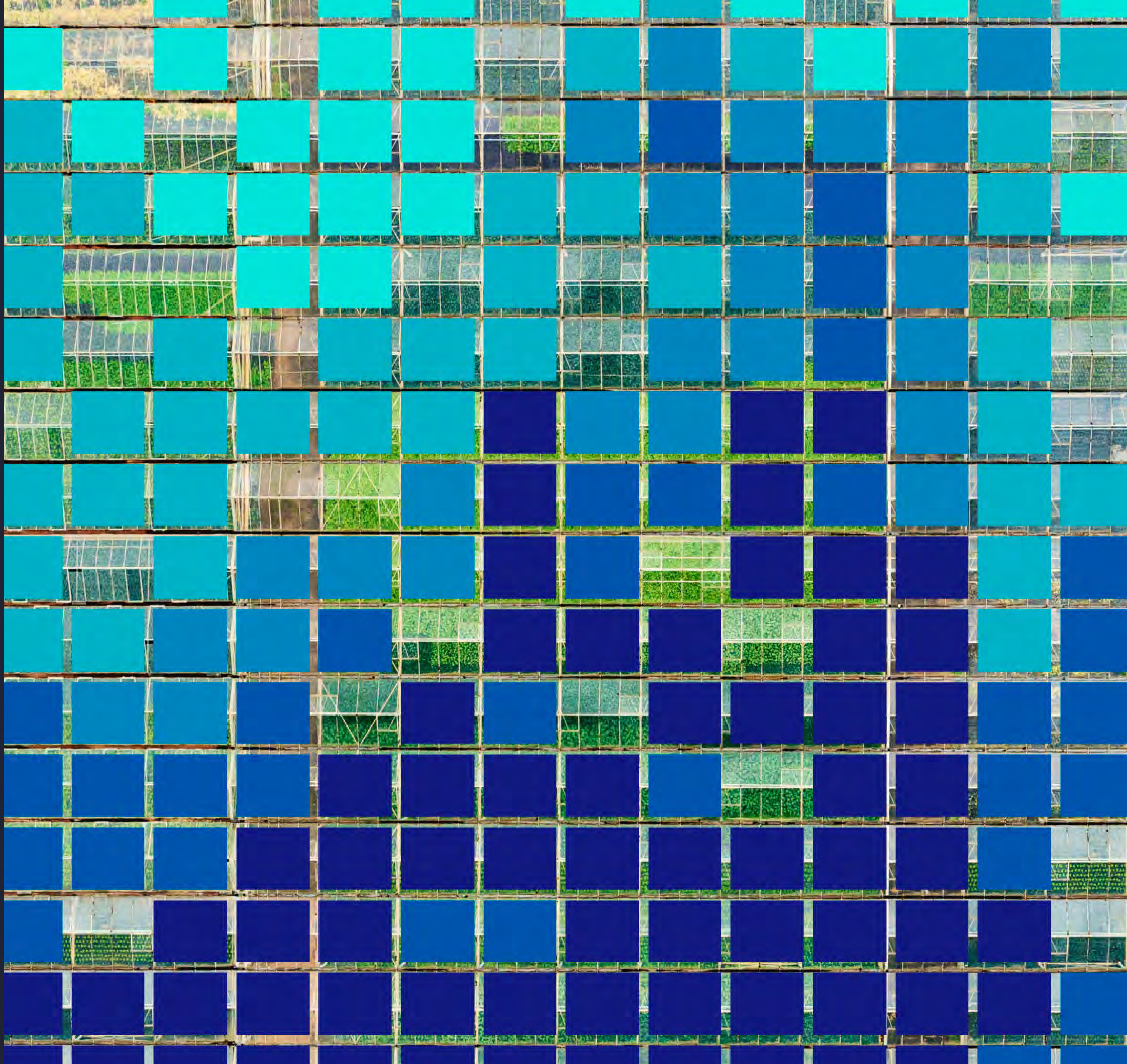
Market conditions continued to improve as a result of previous market adjustments, as well as insureds' improvement of risk controls. Flat renewals were achieved in the Primary market, while reductions were applied to many Excess layer placements, except where prior market actions had not been taken. Insurers were focused on sustainable growth and were cautious in their appetite and capacity deployment. After a prolonged period of increased scrutiny around ransomware common vulnerabilities, privileged access management and operational technology, underwriting has become more effective and focused as insurer understanding of risk has matured. Underwriters were open to considering increases in limits and sub-limits. Following adjustments made in recent years, expiring deductibles were achieved in most cases, particularly as insurers sought to align the Asia region with other geographies. Coverages further moderated, with improvements available in some cases where a focus on security and risk improvement was demonstrated. For example, Ransomware restrictions eased where key controls were demonstrated. Looking ahead, market conditions will be affected by cyber threat activity to the extent that losses materialize.

Directors and Officers

As previously elevated concerns related to corporate management of pandemic resilience plans subsided, the market further moderated. Pricing further softened, with flat to discounted pricing generally available for most risk types. Appetite was healthy. Capacity was sufficient; however, insurers were cautious in deploying it on complex risks. Underwriting rigor eased, especially related to pandemic/crisis management. Underwriters were open to considering limits and sub-limits increases with Excess layer arrangements. Looking ahead, current market conditions are expected to continue with a continued favorable trend for well performing risks.

Property

Market conditions moderated from earlier in the year, in the immediate aftermath of the 2023 treaty renewals. Price increases continued on higher risk profiles and poor-performing risks, but insurers demonstrated flexibility on some well-performing risks. Portfolio reviews became more common, and insurers adjusted their rates based on risk quality. Capacity for low hazard, well-performing risks remained sufficient, with reinsurance available to support most quality high hazard risks. Terms and conditions could be enhanced, in some cases, at the same pricing structure. Although inflation continued, limits were not generally adjusted. Underwriting remained disciplined, with detailed risk information and documentation risk improvement recommendation responses required. Looking ahead, insurers are expected to monitor the impact of the flooding in Thailand.



EMEA and United Kingdom Executive Summary

Executive Summary

- Insurers remained sharply focused on the impacts of social and economic inflation amidst rising claims costs and reserves, increasing valuations, and pressured profits.
- General market conditions continued to moderate with the notable exceptions of poor-performing and US-exposed risks as well as risks with Natural Catastrophe exposure. Such risks generally experienced significant price increases, capacity constraints, limited terms and conditions and often sought alternative solutions to achieve program objectives.
- The Directors and Officers, Professional Lines and Cyber markets continued to soften, characterized by underwriting flexibility, increased appetite – including for lower attachment points – and robust capacity deployment.

“As the UK insurance market posts profits, many insurers are seeking to capitalise on the current pricing environment, striving for profitable growth. This has led to greater stability in most lines of business.

Angela James

Chief Broking Officer
Commercial Risk Solutions,
United Kingdom

“The market trends that gained traction earlier in the year, continued through Q3. Conditions were generally moderate, with Financial and Professional lines experiencing a more buyer-friendly landscape, including healthy competition, well-supplied capacity and price reductions.

Terence Williams

Chief Broking Officer
Commercial Risk Solutions,
EMEA

EMEA and United Kingdom Regional Market Dynamics

EMEA and United Kingdom
Regional Market Dynamics

Pricing

A pricing disparity continued as some less attractive risks saw minimal appetite and significant increases while targeted risks were often over-subscribed and discounted. Notably, auto fleets – even those that were well performing – experienced rate increases while Professional Lines, Cyber and D&O placements experienced a favorable pricing environment.

Capacity

Capacity was sufficient across much of the region, with healthy appetite and line size deployment for Cyber, D&O and middle market Casualty. Notable exceptions included complex and Natural Catastrophe-exposed risks and the South African market, where international capacity was required.

Underwriting

Underwriting eased but remained prudent, while scrutiny and rigor continued on Natural Catastrophe, complex and poor-performing risks. Underwriters focused on risk quality and looked carefully at risk management and mitigation measures taken.

Limits

Limits and sub-limits remained broadly unchanged, although some larger limits were available in Cyber and D&O as a result of the competitive environment. Some reductions were imposed in Auto, Liability and Property, especially for Natural Catastrophe-exposed risks.

Deductibles

Expiring deductibles were achieved across much of the portfolio, bar complex risks and occupancies, which experienced increases. Some deductible reductions could be achieved on Cyber placements.

Coverages

Expiring coverages were achieved across much of the portfolio. PFAS remained a key focus on Liability policies, and War / Systemic Events concerns continued on Cyber placements. Enhancements were achievable on D&O policies.

4 **EMEA and United Kingdom** Product Trends

Automobile

Market conditions were challenging, driven by rising accident frequency, and increasing claims costs due to inflation, higher labor costs, advancing technologies (which drive up repair costs), and supply chain challenges. Insurer profits were pressured, leading to re-focused appetite and price increases. Well-performing, in-appetite risks experienced more favorable conditions and flat-to-modestly increased pricing could be achieved, especially where competition was introduced. Underwriting was prudent but more conservative and focused on profitability.

Casualty / Liability

Appetite was healthy and underwriting was flexible for non-USA exposed, middle market risks, as insurers competed to gain market share, while large, complex and USA-exposed risks experienced more challenging conditions, including price increases and limited capacity (often requiring London market and international reinsurance capital). Underwriters scrutinized and sought to exclude PFAS and microplastics exposures. Pressure to increase Excess Automobile Liability attachment points on US risks continued. Long term agreements remained available.

Cyber

Insurer growth goals led to a continued softening trend, despite ongoing ransomware activity and a reported overall increase in the frequency of cyber incidents. Competition was healthy, appetite expanded, larger limits were deployed, and price decreases were available, the extent of which was based on individual risk profile. Underwriting remained rigorous, although an updated security roadmap was sufficient on some renewal placements. Systemic and supply chain risks remained key underwriting concerns.

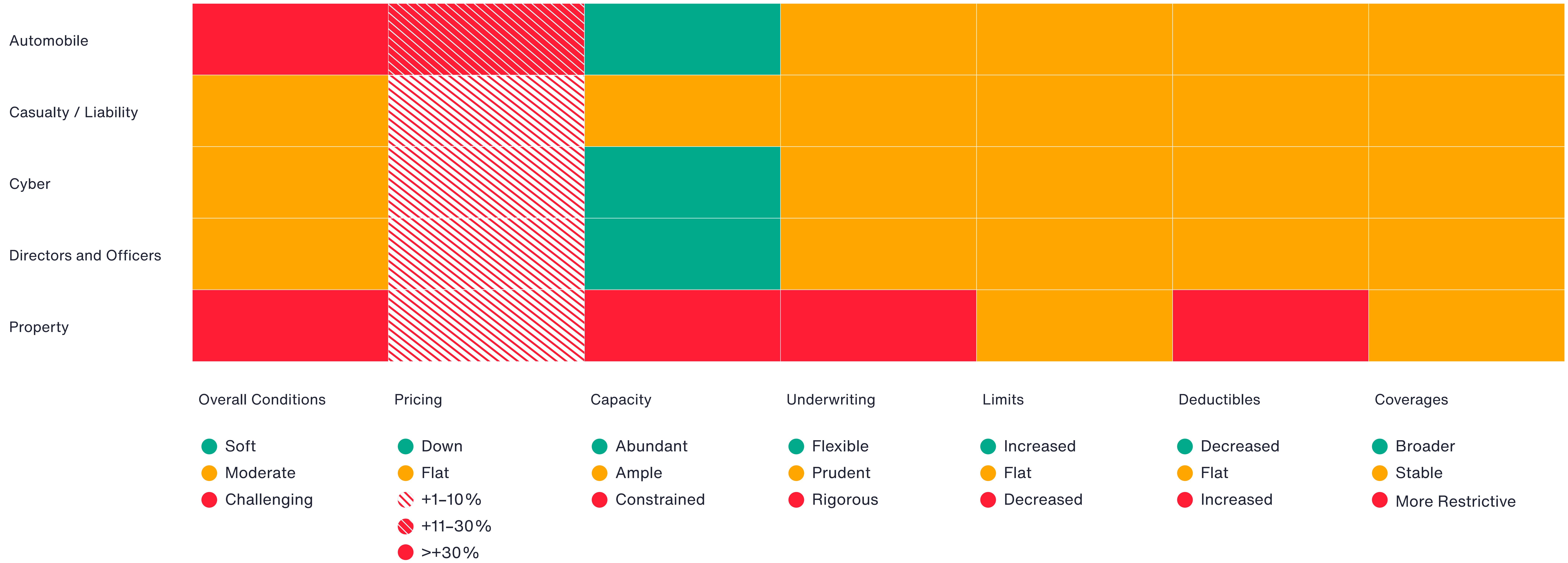
Directors and Officers

The competitive market trend that began earlier in the year continued in Q3 as new insurers entered the market and some that had previously withdrawn returned. Price reductions could be achieved on most placements; however, underwriters remained prudent on USA risks, as well as cryptocurrencies, pharma and oil/coal related exposures. The continued lack of M&A activity and IPOs meant fewer opportunities for insurers and greater competition as insurers sought to retain their portfolios.

Property

The Property market transition continued. While insurers remained focused on rating adequacy and Natural Catastrophe capacity management, they also sought profitable portfolio growth through targeted appetite and disciplined underwriting. Rate increases continued, but they were generally moderate for most risks, although heavy industry and Natural Catastrophe-exposed risks experienced a more challenging pricing environment. Capacity remained generally sufficient as new insurers entered the market, and competition increased. Detailed underwriting information and early engagement remained key to achieving superior outcomes, and alternative strategies served as important levers when necessary.

4 **D-A-CH** Market Dynamics



Automobile

Market conditions remained challenging, caused by inflation-driven rising claim costs (e.g., higher repair costs, delayed delivery of vehicle parts) as well as insurer focus on improved technical performance. Some insurers demonstrated less willingness to consider the broader business relationship (e.g., ancillary lines of cover) when assessing client risk. Appetite was focused and underwriting was stringent, although well-performing risks experienced a more flexible environment. Price increases varied across the region, with Austria and Switzerland experiencing moderate increases while Germany experienced more significant increases, even on well performing risks. Capacity remained abundant, although insurers deployed it selectively. Limits remained stable while deductible increases and loss aggregates were commonly recommended and used as a mechanism to balance price increases. Insurers continued to adapt coverage language to changing technologies and client demand for solutions, especially related to e-mobility. Some insureds seeking premium relief considered reducing their comprehensive coverage. Looking ahead, across most of the region, current market conditions are expected to continue. Appetite will remain focused and heavy or poor-performing risks will experience challenges. Some moderation is expected in the Switzerland market as pricing reaches more sustainable levels.

Casualty / Liability

Market conditions were moderate overall, while mid-sized risks – a key focus of insurer growth targets – experienced more favorable conditions, with flat-to-modest price increases. Larger, complex, poor-performing and US-exposed risks experienced a challenging market. In general, capacity remained sufficient, although some insurers reduced their maximum capacity and tended to prefer co-insurance solutions and/or smaller shares, particularly for US-exposed risks and risks in the automotive sector. New insurers entered the Swiss market, creating competition, particularly in the Excess space. While underwriting was prudent, large and complex risks experienced a more stringent environment. Product Recall, Product Liability and US Auto Excess Liability experienced the most rigid and challenging underwriting environment. Detailed risk reviews were often conducted, even for well-performing risks. Cyber and PFAS exclusions were commonly required, and the market for specialized solutions e.g., for Environmental Impairment Liability (EIL) and Contaminated Product Insurances (CPI) was very limited. Deductibles remained stable; however, some complex risks with low deductibles experienced deductible increases. Deductible options were explored by some clients as a mechanism for reducing premium increases, although few clients opted to actually increase them. Looking ahead, in the short term, appetite will remain strong for mid-sized risks with low complexity, as insurers continue to seek growth in this space. Technical underwriting will continue, particularly for large and complex risks. As pricing becomes more sustainable and economic optimism increases, market conditions may moderate.

Cyber

The market has improved materially but in Q3 it remained somewhat unpredictable due to continued claims escalation. Most risks experienced modest price increases; however, flat pricing could be achieved on some high-quality risks, particularly in the Excess layers. Capacity increased as international insurers have become more active. Underwriting continued to mature; it remained strict but was more focused on risk quality rather than risk type. Risk control requirements included widespread MFA (Multi-Factor Authentication), employee training, vendor due diligence, well-tested Business Continuity Management procedures with a reliable backup strategy, and effective governance of decision-makers. Failure to meet underwriting quality standards frequently resulted in reduced limits or coverage scope. On the other hand, increased limits and coverage expansions could be achieved for some high-quality risks. Coverage expansions available included coverage for non-IT providers (albeit with limitations), contract penalties, and no restrictions on ransom payments. At the same time, exclusions for systemic risks such as infrastructure and war became more prevalent. Deductibles remained stable despite insurers offering a higher pricing offset than in prior years. Looking ahead, while current market conditions are expected to continue, they will largely depend on claims development. In any event, risk quality will remain critical to achieving superior results.

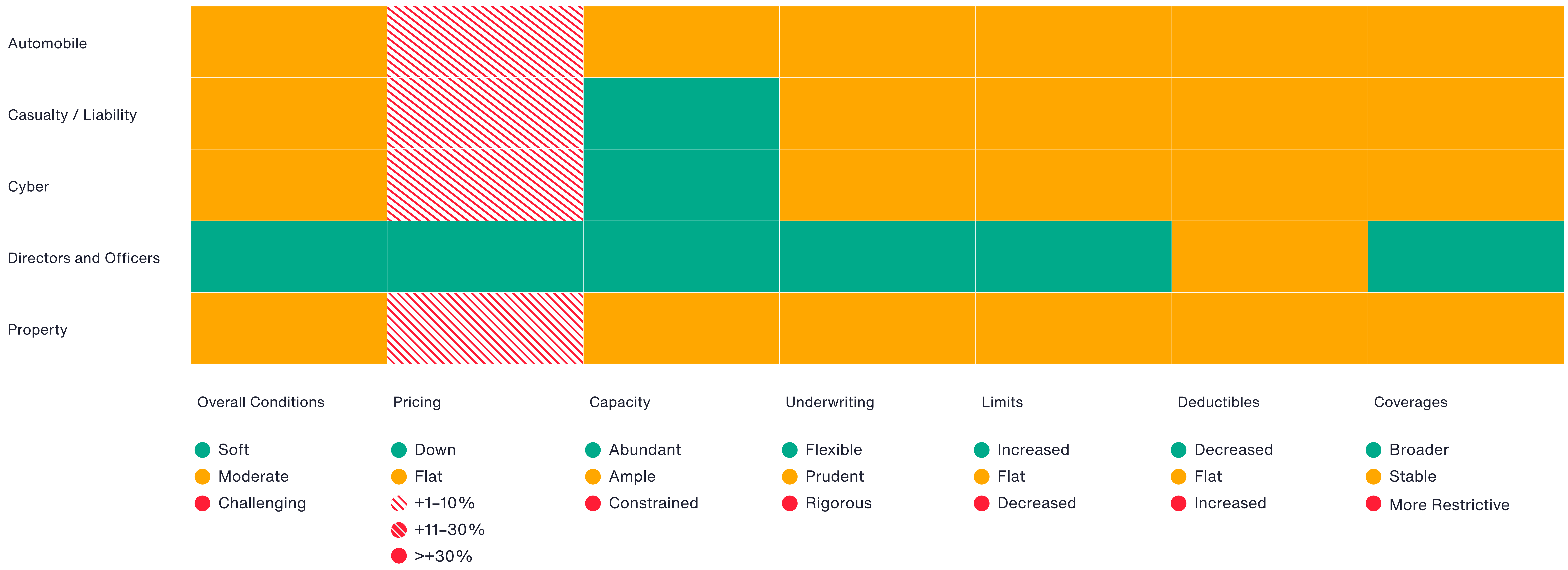
Directors and Officers

Increased competition stemming from insurers' focus on profitable growth, along with their expanded appetite and re-entry into the market, led to a more favorable market environment, especially for small and mid-sized clients. Large and complex risks; especially, financial institutions, life sciences, retail, travel, and crypto risks, as well as US-listed/exposed risks, experienced challenging market conditions characterized by conservative pricing, capacity and terms offered. Flat pricing could be achieved for many small and mid-sized risks while modest, inflation-driven price increases continued across the rest of the portfolio. Capacity increased as new insurers entered the market and was sufficient for most risks bar crypto-related business, coal-fired power plants and similar higher-risk profiles. Underwriting remained disciplined and new business faced higher scrutiny and underwriting rigor. ESG, fraud avoidance, cyber risks, and geographic-related risks were common discussion themes. Enhancements could be achieved on some risks; e.g. extended reporting periods. Looking ahead, current market conditions are expected to continue. Insurer competition for mid-sized risks with low complexity is expected to remain healthy as insurer growth targets continue in this space. Technical underwriting will continue, particularly for large and complex risks.

Property

Market conditions remained challenging, even for well-performing risks as insurers focused on improving their performance and reducing portfolio volatility through underwriting, capacity management, and reinsurance. Pressure to write new business was limited as inflation drove organic growth. Modest rate increases were common, and rates were applied against larger exposure values leading to increasing overall premiums. Larger risks experienced more market appetite and competition. Overall, capacity was constrained as insurers sought to reduce their shares, especially for heavy industries such as waste, power, and chemicals. Underwriting was rigorous and thorough, and discussions were dominated by topics such as Natural Catastrophe risk, geopolitical events, inflation, and risk quality. In an effort to minimize potential effects of underreporting, focus on coinsurance clauses sharpened. Deductibles were under pressure and poor-performing, higher-risk occupancies (e.g., waste, power and chemicals) faced increases. Increased indemnity periods were required for business interruption due to longer anticipated outage and reconstruction timeframes. Parametric solutions proved important levers for achieving some client risk management objectives. Long Term Agreements were available for some risks. Exclusions continued to be required for cyber and infectious disease. Looking ahead, appetite for large, high-premium risks is expected to expand as capacity enters the market and new growth targets are established; however, insurers will remain focused on reducing volatility through cautious underwriting and capacity deployment.

4 **Iberia** Market Dynamics



Automobile

Rising accident frequency, combined with increasing claims costs due to high inflation, continued to pressure profits, leading to price increases and a contraction of appetite. Underwriting was prudent but more conservative, and profitability was prioritized over premium growth. More detailed underwriting information was required. Coverage terms were scrutinized but expiring terms were generally achievable. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

Moderate market conditions continued. Flat-to-slightly-decreased pricing could be achieved for some well-performing risks while inflation and rising exposures created upward pressure across much of the market. Capacity was abundant as new insurers entered the market and established insurers expanded their appetite to write excess layers or to provide co-insurance in primary layers, even for traditionally challenging risk types such as rail, auto and pharma. Appetite for single-insurer large limit primary placements was limited, but co-insurance was available as an alternative. Underwriting discipline increased, especially for loss-active risks, with additional information required and greater conservatism in analyzing and proposing terms and conditions. Looking ahead, increasing capacity is expected to drive further competition; however, this may be dampened by ongoing uncertainty due to inflation, geopolitical events, and other macro issues.

Cyber

The market continued to moderate from the previous challenging conditions. Although insurers continued to require extensive underwriting information, price increases further decelerated, and coverage restrictions relaxed, particularly for companies demonstrating risk maturity. Appetite from insurers and MGAs strengthened. Insurers demonstrated greater flexibility related to Ransomware coverage and sub-limits. Looking ahead, as new capacity continues to mobilize, competition will further strengthen, leading to a more buyer-friendly market environment.

Directors and Officers

The market was characterized by abundant capacity and healthy, growth-focused competition amongst local insurers – especially in the Excess space – with limited reinsurance or London market capacity required. Most Primary renewals saw contained reductions in pricing while Excess layers had larger reductions. Underwriting remained disciplined, and comprehensive information was required, especially related to sanctioned countries and ESG positions; however, underwriters demonstrated greater flexibility in terms of operations, activities, and risk type. Focused on differentiation, insurers showed a willingness to increase sub-limits and enhance coverage terms; however, territorial and cyber limitations generally were not reconsidered. Looking ahead, current market conditions are expected to continue, although insurers will continue to monitor potential economic changes and their impact on the risk environment.

Property

Moderate conditions continued, but varied widely based on risk type, size, and quality, as well as loss history and the extent of Natural Catastrophe exposure. Larger risks experienced favorable market conditions characterized by healthy insurer appetite (especially, across Spanish insurers) and modest rate increases. Smaller risks – especially those with complex operations and activities – experienced a more challenging market environment. Capacity remained sufficient for most risks but was limited for higher risk profiles such as Food, Waste, and Natural Catastrophe exposed risks. Underwriting was rigorous and focused on risk engineering and risk quality. Updated submissions – including updated valuations – and complete loss records were required. Modelling of natural catastrophe-exposed risks was leveraged by referral underwriters in accepting and pricing risk. Contingent Business Interruption coverages remained limited, and risks with photovoltaic (PV) panels installed on a combustible roof were scrutinized. Insurers continued to require war exclusions related to the events in Eastern Europe, limitations of margin clauses, and average-coinsurance clauses; the reinstatement of “soft market clauses” remained limited. Looking ahead, given the recent market adjustments, the focus on portfolio growth, and the increasing appetite amongst Spanish insurers for Portuguese risks, a competitive environment is expected to continue.

4 **Italy** Market Dynamics

Automobile

Driven by inflation, rising spare parts costs, and claims cost escalation, market conditions became modestly challenging, characterized by rate increases and more stringent underwriting. Rate increases were modest but were applied even to well-performing risks. Capacity remained sufficient but insurers deployed it conservatively. Underwriting was rigid, especially for poor-performing risks. Expiring coverages, limits and deductibles were achieved in most cases, with the key exception of Natural Events deductibles which generally were pressured upward due to climate change concerns. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

A fiercely competitive environment continued with soft pricing and abundant capacity. Key exceptions were higher risk sectors such as automotive and life science and significantly US-exposed risks. New insurers entered the market offering capacity on Excess layers. The underwriting process was prudent, with greater rigor applied to programs with US losses. Underwriters continued to scrutinize US Auto Liability attachment points. There was a growing trend of clients exploring limits and deductibles increases for US exposures. Coverage restrictions related to sanctions and PFAS were broadly applied. For life science risk, Opioids and Impurities risks were scrutinized and exclusions were applied. Looking ahead, current market conditions are expected to continue.

Cyber

Market conditions continued to stabilize.
Modest increases were achieved in most cases, although flat pricing was available for some preferred risks with strong controls. Capacity was sufficient for most placements. Underwriting remained rigorous, stringent, and centralized, with minimal local authority. Expiring coverages, limits and deductibles were achieved in most cases. Looking ahead, current market conditions are expected to continue.

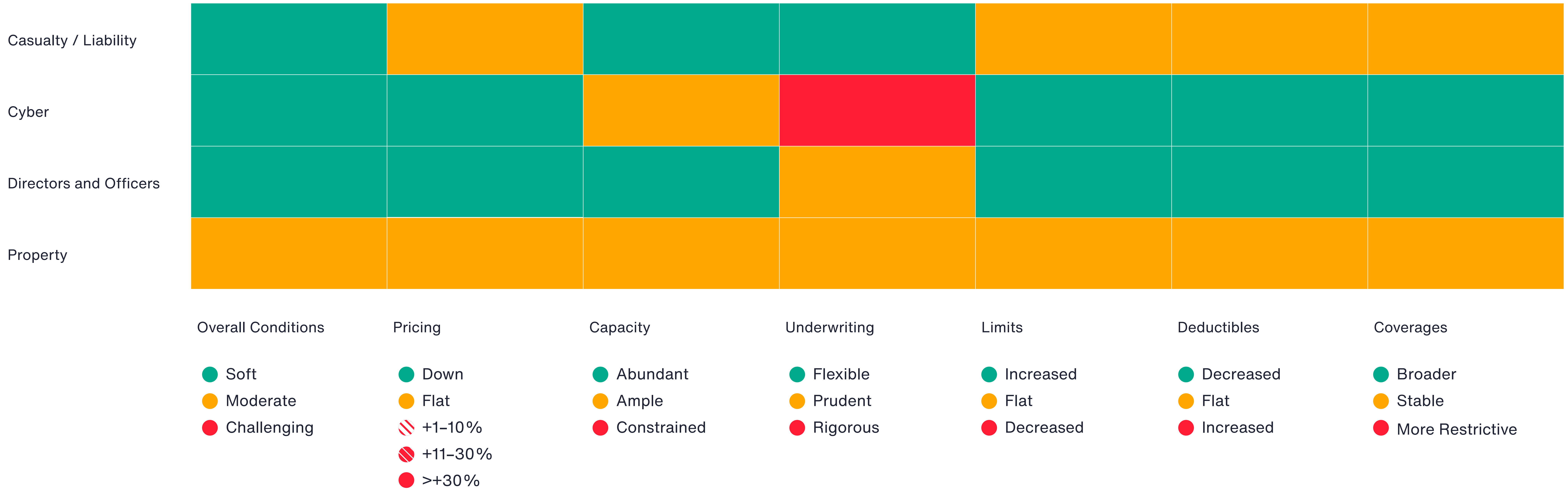
Directors and Officers

The market continued to become more favorable as insurer performance further improved. Price reductions were achieved on most placements. Capacity continued to increase. Many insurers that had withdrawn from the D&O space have returned to the market, enhancing competitiveness. Appetite was healthy and insurers were growth focused; however, underwriters remained prudent, and were rigorous in their review of US risks. Looking ahead, market conditions are expected to further improve.

Property

Insurers evaluated July's atmospheric events and May's floods in Emilia Romagna, with the direct damage and business interruption impacts still unknown.
In Q3, market conditions were moderate. Capacity was sufficient, although insurers signaled potential decreases in an effort to reduce portfolio volatility. Underwriting remained prudent with atmospheric events becoming more prevalent in underwriter discussions, and business interruption exposures coming under scrutiny. Looking ahead, atmospheric events guarantees and business interruption exposures are expected to come under further scrutiny and market conditions may be affected by an evaluation of the impacts of the atmospheric events and floods in Emilia Romagna.

4 **Middle East** Market Dynamics



Casualty / Liability

The market was soft, characterized by flat pricing, abundant capacity and flexible underwriting across most segments and risk types. Modest discounts were achieved on well-performing risks, while risks that grew significantly or performed poorly saw flat pricing to modest increases. Market Capacity was abundant as key local markets renewed their treaties without any capacity reduction, as reinsurers who withdrew from the market in recent years expanded their appetite and capacity deployment, and as markets in the Dubai International Financial Centre continued to support the large regional risks with significant capacity. Underwriting was flexible but cautious as insurers seeking to understand the underlying risk demanded detailed underwriting information such as geographical breakdown of turnover, impact of inflation and supply chain issues on turnover and productivity, units produced turnover (rather than the selling price of units), etc. Such underwriting details served to avoid or mute premium increases in cases where the turnover substantially increased without a commensurate increase in business activity / risk. Expiring deductibles, limits and sub-limits were achieved in most cases. Coverages were stable with exclusions applied only on a case-by-case basis. Looking ahead, the ongoing oil price boom is expected to spur economic activity in the region especially in countries like the Kingdom of Saudi Arabia and U.A.E. Positive economic trends may attract more reinsurance capacity, leading to a more competitive market.

Cyber

The softening of the market continued. Pricing became more competitive, particularly on Primary placements, where significant premium decreases could be achieved. Primary capacity was generally stable while Excess layer capacity continued to increase. As some London market wholesale placements returned to domestic markets, London insurers have turned their attention to emerging markets, with the Middle East being a top priority. The sharp shift in underwriting rigor and due diligence that occurred during the hard market continued in Q3; however, insurers demonstrated greater flexibility in increasing some sub-limits (e.g., Ransomware, Cyber Extortion) or removing them altogether, as well as in reducing deductibles, particularly on larger risks. Coverages broadened across-the-board as insurers added back extensions such as Hardware Repair and Replacement Costs, Claims Preparation Costs and Criminal Reward Fund coverage that had been removed in recent years. Looking ahead, although capacity has increased for Middle East-domiciled risks and the market remained broadly favourable, on a global basis the threat environment remains significant, and claims are continuing at a steady state. Against this backdrop, pricing and capacity will be closely monitored by insurers and may be adjusted accordingly.

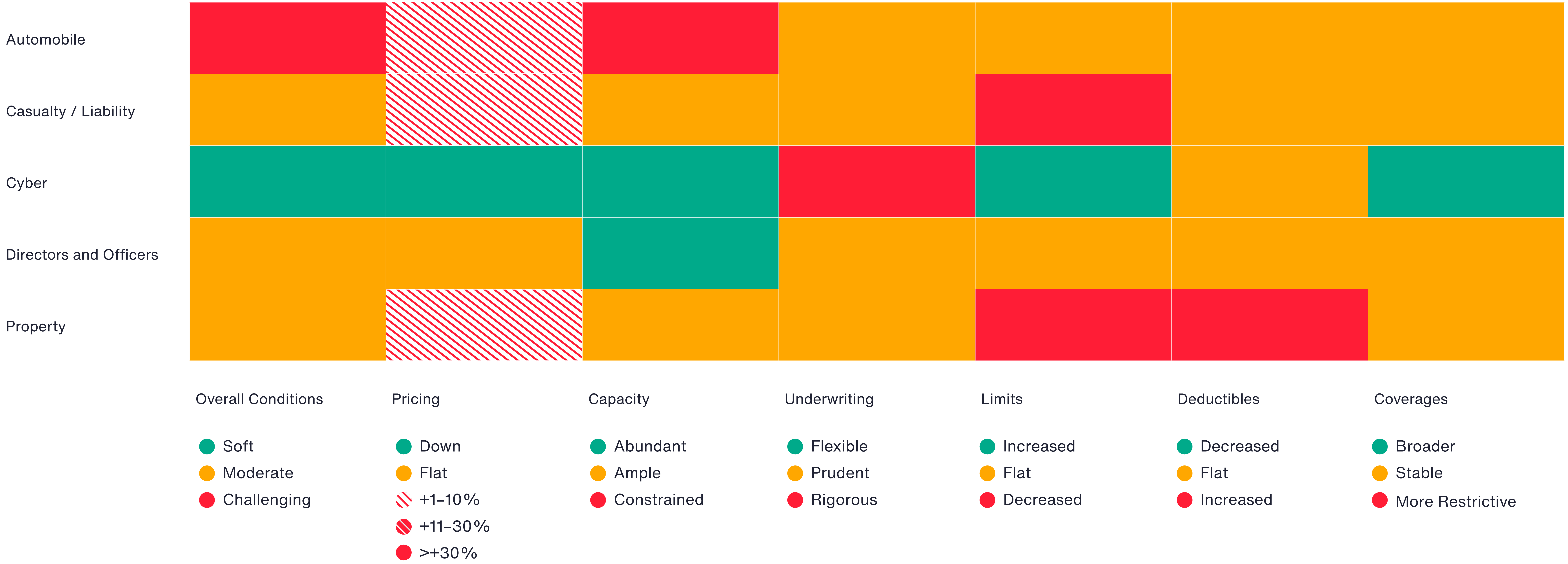
Directors and Officers

The market remained in a soft cycle. Pricing remained competitive and significant decreases were common. Local, Far East and London market capacity remained abundant. Underwriters remained vigilant with a sharp focus on insureds' financial performance. Given the buoyancy of the current economic environment in the region, the number of start-ups continued to increase, and insurers required evidence of robust business plans in order to support such risks. There remained a number of insureds with full or partial sovereign ownership; some insurers remained willing to underwrite such risks (despite the unavailability of financials), but at a premium. Insureds continued to take advantage of reduced premiums by reinvesting savings into increased limits, and underwriters demonstrated flexibility in accommodating such increases in limits and sub-limits. Some deductible decreases were available for risks in targeted industries. Coverages remained broad, with insurers facing competition willing to include additional extensions at renewal to retain business. Looking ahead, market conditions are similar to those which existed prior to the most recent hard market. Insurers are watching trends closely and prepared to adjust as needed.

Property

Despite continued concern related to Natural Catastrophe exposures, overall market conditions were moderate. Citing increased frequency of windstorm and flood related losses, insurers sought rate increases; however, such increases were contained by introducing coinsurance solutions and additional insurer capacity. Capacity increases stemmed from the re-entry of a number of international insurers who had exited the region in recent years when the region was not deemed to be an area of significant profitable growth. After a number of large global losses, it is clear that the Middle East market is now becoming, once again, more attractive due to the limited impact of Natural Catastrophe exposures in the territory. Underwriters remained cautious as they focused on this profitable growth, requiring more extensive underwriting information than was previously required.
Coverage enhancements could be negotiated in most cases, but underwriters were conservative in the limits and sub-limits offered. Deductibles were pressured upward – especially, where risks had an element of Natural Catastrophe exposure – but expiring deductibles were achieved in most cases. Looking ahead, current market conditions are expected to prevail.

4 **Netherlands** Market Dynamics



Automobile

Market conditions remained 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, frequency and severity of bodily injury claims / verdict amounts continued to rise. Pricing is based on risk performance. While increases are common, flat pricing, or modest decreases, could be achieved on some well-performing fleets. Capacity remained constrained, and insurer appetite for rental vehicles, delivery fleets, and electric vehicles was limited, despite growing demand in this space. Underwriting was prudent as insurers remained focused on risk selection. Looking ahead, current market conditions are expected to continue due to ongoing inflation. The underwriting environment will remain disciplined as insurers continue to seek profitable risks. Appetite for electric vehicles is expected to remain limited.

Casualty / Liability

Moderate market conditions continued, with ongoing challenges for poor-performing industries such as healthcare, energy, chemicals and food/feed. Price increases continued, driven by social inflation and increasing turnover. New capacity entered the market; however, lead market line sizes continued to contract. Underwriting was cautious; detailed underwriting information was required on all risks, even renewals. Underwriting discussions focused on implementing exclusions related to Pure Financial Loss, PFAS, climate change, and USA exposure, and some USA-exposed risks experienced mandatory limit reductions. Looking ahead, insurers are expected to continue to focus on reducing portfolio volatility through de-risking, especially related to USA-exposed risks.

Cyber

Market conditions softened as capacity continued to expand through new market entrants and expansion of appetite across established insurers, driving price decreases which were significant in some cases. Appetite strengthened across the portfolio, although insurers tended to target Excess layers more aggressively. Underwriting remained rigorous and focused on cyber risk controls. Quotes were difficult to secure for risks not demonstrating maturity in this area. Limit increases were common, and Ransomware sub-limits were removed. Expiring deductibles were available nearly across-the-board; however, many insureds chose to increase them. Ransomware coverage limitations were removed; however, War clauses remained, creating a competitive opportunity as insurers sought to differentiate. Looking ahead, current market conditions are expected to continue.

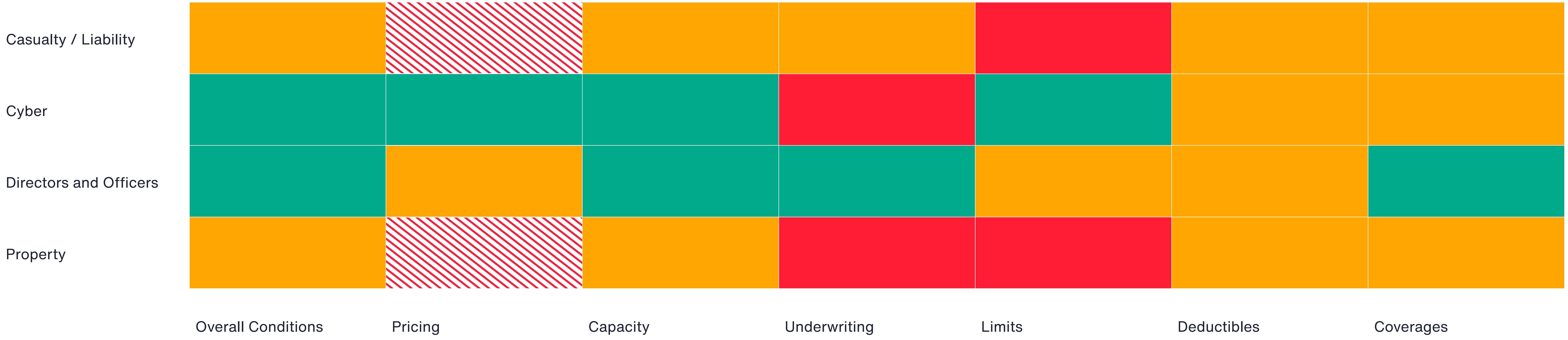
Directors and Officers

Moderate market conditions and flat renewal pricing continued for most risks while larger risks with attractive premium levels saw healthy appetite, strong competition, and significant price reductions. Challenged risk types (e.g., retail, pharma) experienced continued price increases and some capacity limitations. Underwriting was disciplined and detailed information was required, especially related to ESG targets. Expiring coverages, limits and deductibles were achieved in most cases. Looking ahead, some continued softening of the market is expected.

Property

Moderate market conditions continued, characterized by adequate capacity, disciplined underwriting, and generally moderate price increases. Natural Catastrophe-exposed risks, distressed risks, as well as risks related to Food, Feed, Recycling, Energy, and Waste-to-Energy, experienced capacity limitations and significant price increases. Quality of risk and risk management maturity were key underwriting considerations. Limits – especially accumulation of risk – were scrutinized. Detailed, quality underwriting information was required to maintain current Contingent Business Interruption coverage limits and had a favorable impact on pricing. Some insureds chose to increase their retentions to offset rate increases, and insurers imposed deductible increases on some poor-performing risks. Broad coverage remained generally available, although insurers scrutinized Contingent BI, cumulative risk, and risks with solar panels. Looking ahead, insurers will continue to monitor the ongoing poor performance across the Natural Catastrophe portfolio. Insurer focus on risk management and quality will continue to sharpen.

4 **Nordics** 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

Casualty / Liability

Market conditions were moderate. Rate increases continued but decelerated, especially for Primary placements. Appetite was strong for risk types and industries targeted for insurer growth; however, underwriting was disciplined and focused on risk selection, and local authority remained limited. Automotive, Recall (auto and non-auto) and Life Science/Pharma risks were scrutinized. Insurers sought to reduce / sublimit their exposure to Data Liability and GDPR, given the cyber component of such risks. Upward pressure on US Auto attachment points continued. While local capacity was sufficient for most risks, London market and international reinsurance capacity was leveraged for large limit programs and risks with heavy US exposure. Fewer insurers offered large primary limits. Deductible decreases could be achieved on some well-performing risks. Captives remained an important risk transfer tool.

Cyber

The favorable environment that emerged in the second half of 2022 continued in Q3 as insurers remained focused on portfolio growth. Healthy competition in both Primary and Excess layers resulted in price decreases for most risks. Insurers demonstrated an appetite for lower attachment points. Underwriting remained rigorous, but less rigid for clients well-positioned to share their security narrative. Insurer concern over biometric information collection and disclosures grew due to an uptick in class action suits resulting from improper collection, use or retention of such information. Operational technology and supply chain risk continued to be heavily scrutinized by underwriters, and the need for quality data collection and presentation at renewal remained key. Increased limits were available, especially for risks with strong security controls. In addition, insurers were more flexible in lifting Ransomware sub-limits (subject to controls).

Dependant Business Interruption continued to be restricted to IT vendors only or sub-limited for Non-IT vendors. Exclusions for war, infrastructure, and widespread events remained common. Updated war exclusions were introduced, and the language remained inconsistent across the global cyber insurance marketplace. Analysis and discussion of infrastructure exclusion updates, specifically for the digital environment, were important as the outsourcing of technology and security to third party providers remains a key strategy for many clients. Insurers remained cautious about the potential for cyber disruption emanating from the war in Ukraine. Looking ahead, additional new capacity is expected to become available, further softening the market conditions, especially in the Excess market. Assembling the right team and investing the right resources across the organization will continue to prove helpful in achieving superior renewal outcomes.

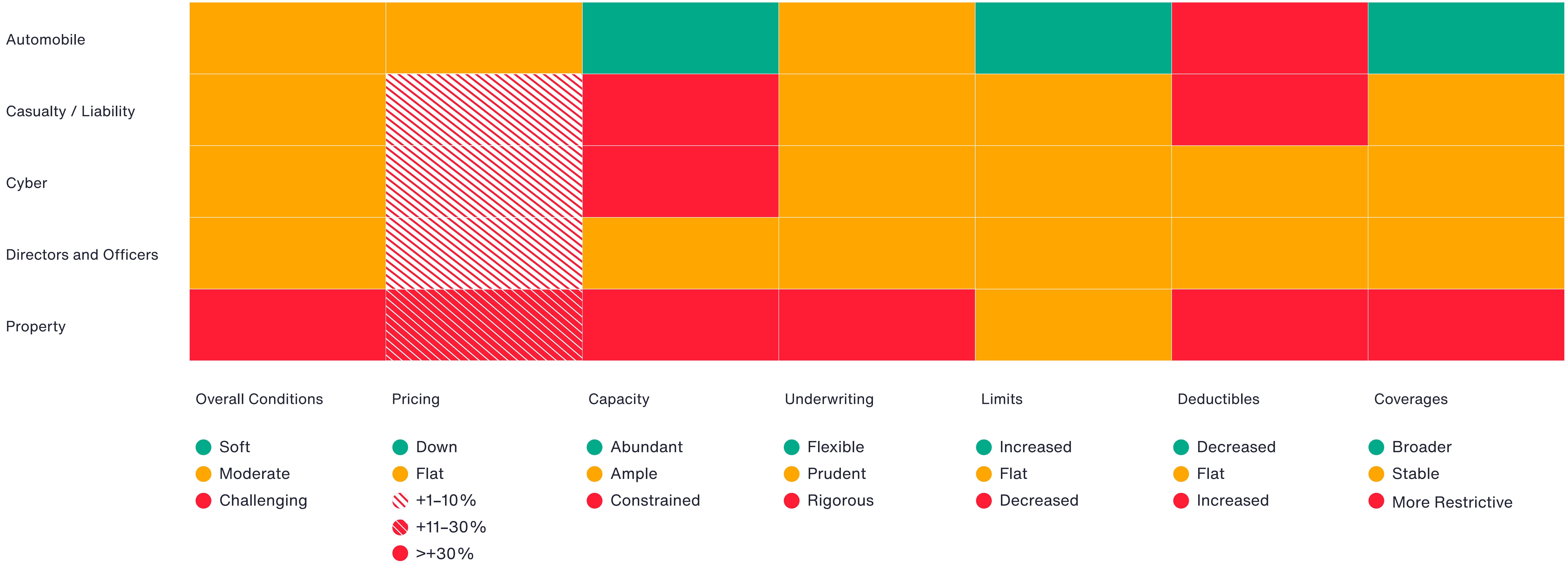
Directors and Officers

A buyer-friendly market continued. While per-risk capacity deployment remained generally consistent, overall market capacity increased as new MGAs entered this space and established insurers increased their deployment. As insurer ESG focus sharpened, appetite was limited, and capacity was constrained for oil-related exposures. Other areas facing restricted appetite included crypto-currency, construction, and industries directly affected by the economic downturn, inflation and increased interest rates. Financial and long-term solidity, as well as a clear and transparent ESG strategy, remained key areas of focus for underwriters. Flat pricing was achieved on Primary layers, even where the risk profile had increased, and some reductions were achieved in the Excess layers. Insurers demonstrated an openness to coverage enhancements, including re-negotiating increased Excess limits for Non-Executive Directors. Looking ahead, current market conditions are expected to continue, with increased downward pressure on excess rates.

Property

Divergent market conditions were experienced by "targeted" versus "non-targeted" risks, based on occupancy, risk profile and loss history. Insurers competed on well-risk managed, loss-free, low-hazard risks while high-risk, loss active and higher-risk occupancies experienced a more challenging environment. Pricing was volatile, with upward pressure on higher-risk occupancies and loss-active risks and a flattening of rate across preferred risks. Capacity was carefully deployed. It remained sufficient overall, but challenging risk profiles (e.g., waste-to-energy, food, warehousing, metals, chemicals, mining and pulp and paper, as well as Natural Catastrophe-exposed risks) that required high limits faced constraints and elevated pricing. Alternative program structures and solutions remained important levers for achieving superior outcomes. Underwriting was selective and disciplined. Detailed, quality underwriting information, including evidence of risk improvement measures and detailed key suppliers information, was important. Asset valuations were scrutinized, and average clauses were applied with greater frequency. Some insurers reduced volatility through portfolio line size management. Strike Riot and Civil Commotion and Terrorism coverage sub-limits were reconsidered due to geopolitical events. Looking ahead, faced with recent large losses and as the treaty renewal season approaches, Nordic insurers are expected to carefully consider their capacity deployment. Insurer focus on clients' ESG positioning is expected to further sharpen.

South Africa Market Dynamics



Automobile

Motor insurance remained one of the country's largest insurance segments, and premium continued to increase, although insurer margins were weak. Motor claims remained the biggest claim category by value due to:

- Supply chain challenges / lack of availability of parts, components and spares
- Higher labor costs
- A weakening Rand (importing of spares)
- Changing weather patterns, hail and flooding
- Deteriorating road infrastructure
- Increased sophistication of vehicle theft, particularly targeting keyless technology

Telematics played an increasing role in measuring and pricing risk. Insurer appetite was healthy and capacity was abundant. Underwriting was disciplined as insurers scrutinized accumulation of risk exposures. Quality underwriting information remained a key enabler of superior renewal outcomes. Own Damage limits and Motor Third Party limits remained consistent despite higher vehicle values. The competitive market environment led to coverage extensions (e.g., car-hire, locks and keys) at no additional premium. Coverage for Theft and Hijack experienced mandatory deductible increases on a case-by-case basis, and insurers required multiple early warning theft and tracking devices to be installed in some cases. Looking ahead, uninsured vehicles will remain a challenge due to the difficulty of recovering claims costs from third parties. The South Africa Insurance Association is working with the Road Traffic Management Corporation to reintroduce Motor Third Party Liability, which would have significant impacts in the Motor insurance space. Digital transformation will continue where leading players are already moving decisively on their direct digital sales channels while also boosting agent productivity through better digital tooling and customer self-service.

Casualty / Liability

A stabilization trend emerged. Modest price increases continued, driven largely by inflation, combined with increased litigation and reinsurance costs. Higher risk industries and risks with adverse loss ratios experienced more significant price increases. Capacity overall remained stable, although per-risk deployment remained limited. Insurers demonstrated a strong preference for coinsurance, layering and ventilation. Industries such as mining, automotive, and State-Owned Entities experienced capacity limitations. Underwriting remained disciplined as insurers sought to improve their portfolio performance. Detailed and timely information, especially related to risk management approach, remained key. Mining risks experienced a stringent and rigorous environment related to Environmental and Tailing Storage Facilities reports. Insurers reviewed their policy language for PFAS and clarified wordings. Appetite was limited for product recall, contamination and guarantee coverages. Coverage was restricted for Rip and Tear (i.e., reduced limits at increased premiums). Certain insurers imposed Grid Failure Exclusions because of the country's ongoing electricity crisis. While limits remained stable, sub-limits were imposed on coverages related to spread of fire, tailings storage facilities, pure financial loss, statutory legal defense costs, and incidental medical malpractice. Deductible increases were proposed by insurers seeking to manage attritional losses. Looking ahead, current market conditions are expected to continue.

Cyber

Following a prolonged period of challenging conditions, the market environment softened, lagging some other parts of the world due to the timing of South African market renewals relative to reinsurance treaty renewals. Modest price increases continued in Q3, with higher-risk industry sectors such as Healthcare and Financial Institutions still experiencing higher than average increases as insurers have sought to distribute price increases over multiple years. Market capacity remained stable as limit constraints were previously introduced following the implementation of the Protection of Personal Information Act, as well as COVID-19 impacts and the mobilization of the workforce. A shift in underwriting was clear. Requirements eased and were more targeted as insurers learned over the past few years what information is useful to underwriting, and its effect on claims. Larger risks experienced deductible pressure. Looking ahead, market conditions are expected to further improve as South Africa markets catch up with the rest of the world.

Directors and Officers

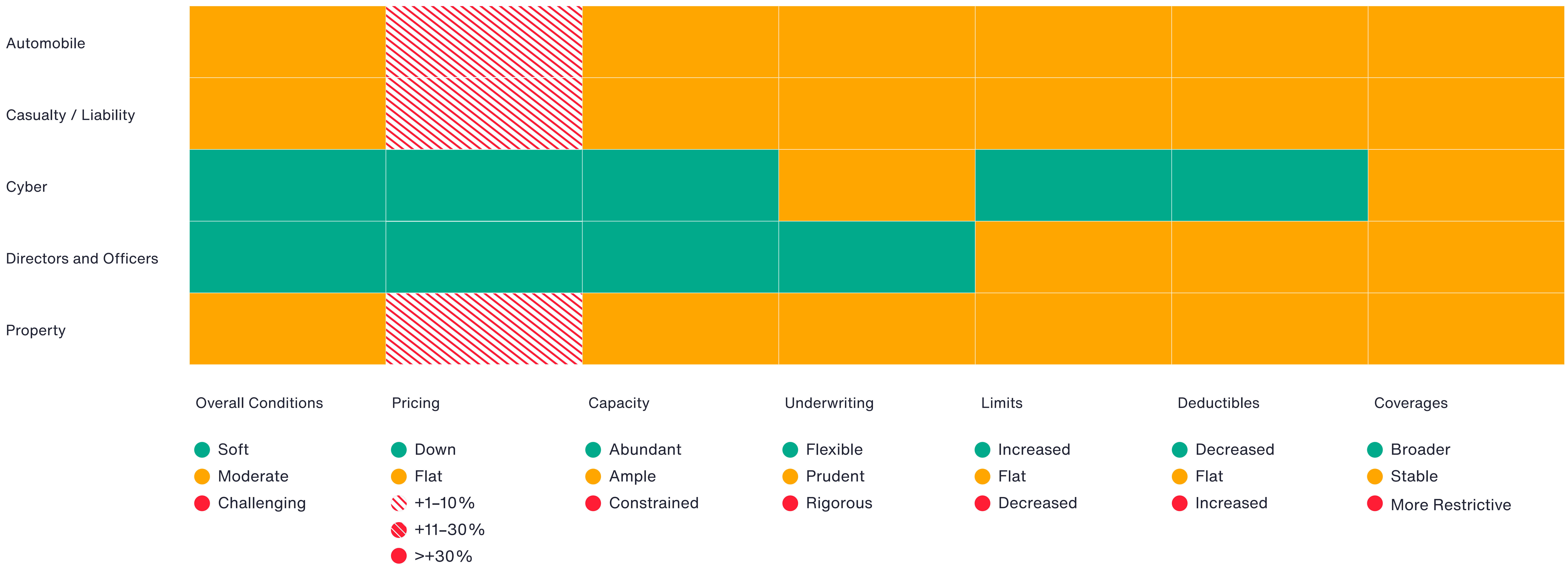
Market conditions showed an improvement as pressure across each of price, capacity and coverage all eased to varying degrees. Negotiations were more robust with the ability to engage Insurers on placement strategy and program restructuring was possible – a reprieve from the take-it-or-leave-it messaging of the past few years. Pricing moderated consistent with inflationary levels. Distressed occupancies such as state-owned enterprises, mining, heavy manufacturing and others where adverse loss ratios have been experienced saw more significant price increases (where capacity could be obtained at all). Notably, rates have not decreased as much as those in the international markets due to generally lower local market pricing levels.

Local capacity has seen a marked improvement, with Excess insurers putting up more capacity than the primary lead in some instances. Capacity in respect of ESG exposed risks continued to contract; however, underwriters were more willing to assist with evidence alternative business strategies (e.g. mining companies investing in renewable energy projects). Detailed and timeous information, and a focus on risk management, remained key to securing superior outcomes. Underwriters were cautious in removing exclusions related to Insolvency, Bribery and Corruption, State Capture and Silent Cyber, requiring additional underwriting information. Looking ahead, current market conditions are expected to continue.

Property

The market was challenging. Poor portfolio performance, together with increased treaty charges within the South African market, led to material rate increases across renewal portfolios while insurer growth-focus led to more aggressive (e.g. flat to modestly increased) new business pricing. Capacity deployment of international insurers contracted; however, capacity was sufficient for quality risks. Underwriting was rigorous as insurers implemented more granular information requirements such as geo-coordinates, evidence of property valuations, detailed Business Interruption calculations and completion of specific questionnaires. Coverage restrictions and sub-limits were imposed, especially related to Natural Catastrophe exposed risk. The effects of Eskom load shedding and potential risk of a grid collapse have triggered the addition of Grid Collapse exclusions. Deductible increases were required, especially on poor-performing and poorly managed risks and punitive deductibles were imposed where required risk improvements were not addressed. Minimum deductibles were imposed by some insurers. Looking ahead, current market conditions are expected to continue.

4 **United Kingdom** Market Dynamics



Automobile

Appetite for well-performing risks remained healthy and flat pricing could be achieved, especially where competition was introduced. Less attractive risks experienced limited appetite and price increases. Underwriting became more disciplined; routine requests were often handled as an accommodation rather than business as usual, and referral underwriting became more layered and onerous. Insurers applied more scrutiny to coverage language and claims decisions. Demonstrating an accurate and robust understanding of risk and exposures, and responding timely to requests for additional information, proved critical for achieving superior results. Expiring deductibles were achieved in most cases; however, some insureds increased them to offset premium increases or to demonstrate the strength of their risk management practices. EV's attracted higher deductibles due to the increased costs in claims. Looking ahead, market conditions are expected to continue.

Casualty / Liability

Market conditions remained moderate. Market competition was healthy, driven by insurer growth focus, new market entrants, and the continued movement of underwriters between insurers. While some favorable risk types experienced flat renewal pricing, modest rate increases were prevalent across the broader market. Long term agreements remained available. Underwriting remained disciplined, with escalation often required for complex risk types or risks with US exposures, especially large fleets. US Auto attachment points remained a key area of concern. Specific product exposures were scrutinized, especially PFAs, with detailed underwriting information required and a growing trend to exclude them. Underwriters looked carefully at deductible levels in light of the inflationary environment. Limits also came under review, due to trends in US court awards. Climate change litigation and the forthcoming Protect Duty (Martyn's Law) were key underwriting concerns. Capacity remained sufficient but there was a trend for insurers to reduce their deployment and require ventilation. Looking ahead, modest market conditions are expected to continue, including challenging conditions for US-exposed or otherwise complex risk types.

Cyber

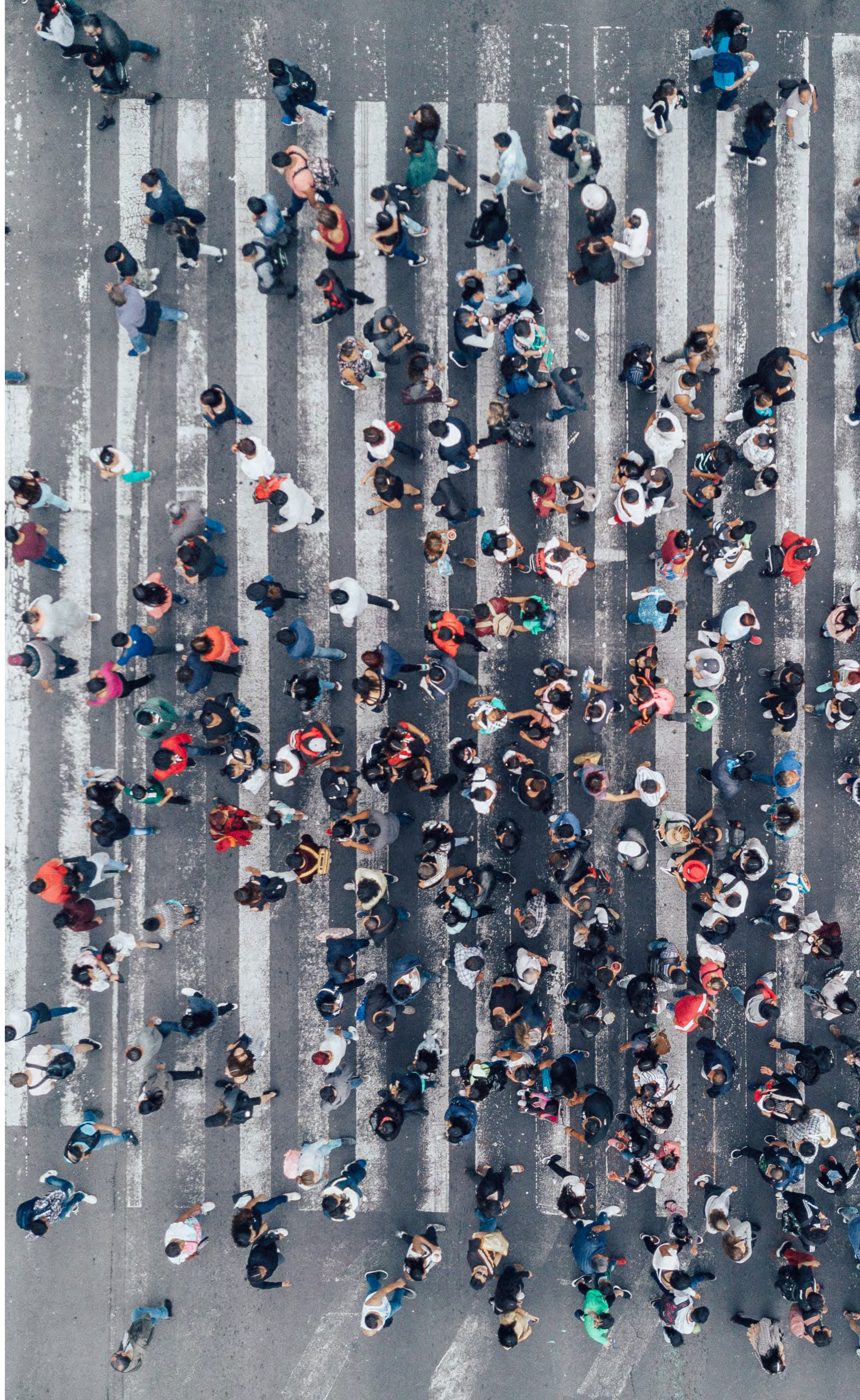
Across all segments, insurers' ambitious 2023 growth targets have led to larger line sizes, new market entrants, and a continued overall softening of the market. Significant rate decreases were achieved in Q3 on most placements, based on individual risk profile. Larger risks experienced the most significant savings in the Excess layers. Despite material rate decreases, actual premium savings has been less due to client revenue (exposure) growth. Underwriters continued to focus on cyber risk posture and were flexible in offering larger line sizes or ventilated capacity, as well as deductible decreases, particularly for smaller risks that had previously experienced large increases. Underwriters demonstrated more flexibility in adding Non-IT Dependant Business Interruption coverage and imposed new coverage restrictions only in specific cases where warranted by claims activity. The LMA-approved versions of the War exclusion were utilized. Looking ahead, current market conditions are expected to continue as insurers seek to meet their year-end growth targets. In renewal planning, insureds will be well-served to focus on key insurability factors and to communicate detailed risk profile information to the market. Long term programme resilience should be considered when setting program limits and deductibles.

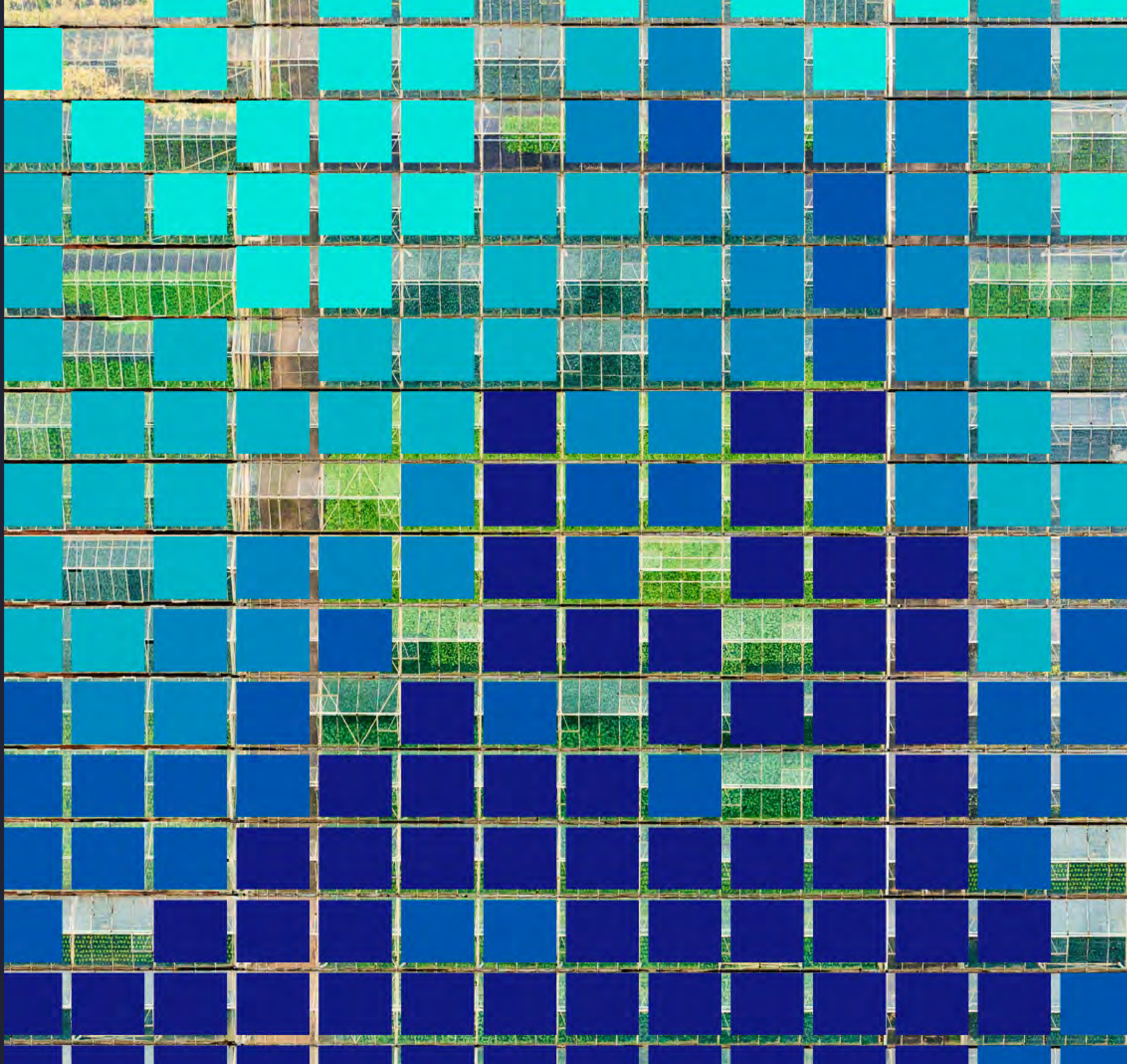
Directors and Officers

A buyer-friendly market continued. Insurers competed aggressively in a market with fewer opportunities due to the continued lack of M&A activity and IPOs. Price decreases continued, the extent of which varied based on sector, competition and adjustments previously applied. Increased line sizes were available but did not reach previous highs. Capacity was abundant, and some insurers sought to expand their relationship to ancillary lines (Employment Practices Liability, Crime, Pension Trustees Liability). ESG profile was a consideration in capacity deployment. As insurers sought ways to add value and differentiate, underwriting was more flexible, and enhancements (e.g., related to "Any One Claim" limits and Long-Term Agreements) were achievable on a case-by-case basis. Looking ahead, the softening trend is expected to continue.

Casualty / Liability

Moderate rate increases and sufficient capacity availability continued across much of the market as insurers sought profitable growth; however, heavy industry and Natural Catastrophe-exposed risks (particularly in the USA) continued to experience a more challenging market environment. Other factors determining market conditions included occupancy, risk quality, risk management, loss history, attachment point and quality of underwriting information. Capacity was sufficient for most risks as some established insurers sought to deploy more capacity and new entrants emerged. Challenged risk types required wider insurer engagement and broader market access. Underwriting remained disciplined, and detailed information was required, including documentation of how clients have addressed the ongoing inflationary environment (professional valuations etc) and evidence of risk quality, investment and progression. Referral underwriting was less prevalent as some underwriting authority shifted back to the country-level. In the current inflationary environment, professional valuations have become more common and often result in reconsideration of current or future limit amounts. Natural Catastrophe and Contingent Business Interruption limits remained under scrutiny. Retention levels were reviewed by clients, especially where there was an interest in exploring alternative risk financing and risk transfer solutions. Coverage terms related to Strike Riot Civil Commotion (SRCC), Natural Catastrophe (both primary and secondary perils, both USA and Rest of World) and Contingent Business Interruption faced increased scrutiny driven by treaty renewals, industry losses and accumulation of exposure. Looking ahead, current market conditions are expected to continue.





Latin America Regional Executive Summary

Executive Summary

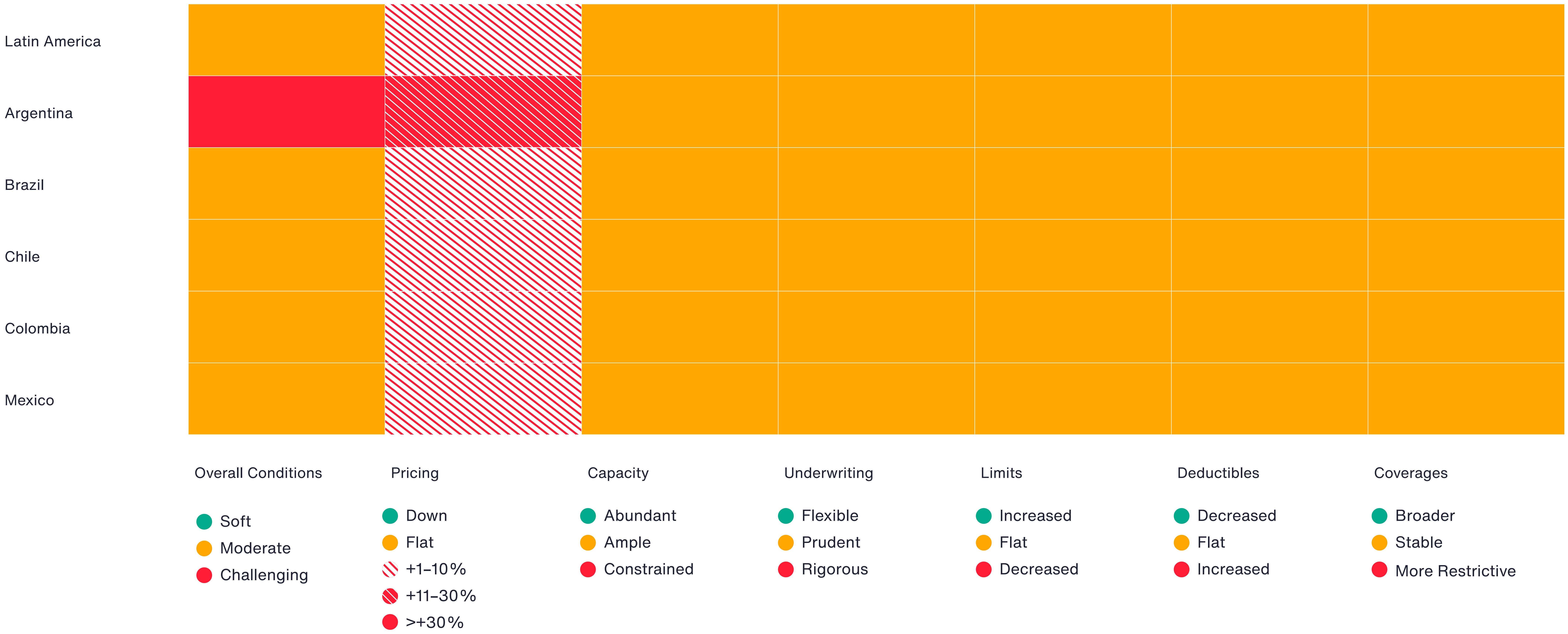
- Mid-year treaty renewals served to further moderate the market. Pricing varied by line of business and risk attributes, while capacity – from local and international (re)insurers – was generally stable. The underwriting environment remained disciplined, with an emphasis on loss history, risk quality, and risk controls. The Cyber market experienced the most rigorous underwriting environment. Further limitations related to cyber risk, the Russia/Ukraine conflict, and Hours Clauses (for Strike, Riot, and Civil Commotion, Terrorism and Political Risk coverages) were imposed.
- A positive economic outlook and expected growth, especially in the Construction and Infrastructure sector, drove insurance market optimism; however, insurers remained cautious related to political and economic risks and instability.
- Driven largely by Inflation and continued supply chain challenges, property values continued to rise, and as a result, valuations remained under scrutiny, and limit increases were mandated in some cases.

> To achieve superior results in this dynamic and rapidly evolving insurance market, clients need to embrace strategies that allow them to adapt to today's political, environmental, digital, and regulatory challenges, and implement robust risk management plans to support those strategies.

Andrea Aguilar

Head of Strategy and Broking
Commercial Risk Solutions,
Latin America

4 **Latin America** Regional Market Dynamics



Latin America Regional Market Dynamics

Pricing

The region generally experienced moderate pricing conditions. Cyber pricing moderated, with some price decreases available where sound risk controls and maturity were demonstrated. Significant discounts were achievable in the D&O space as new Excess insurers entered the market and aggressively deployed capacity; however, economic and social inflation continued to modestly pressure primary placements. Natural Catastrophe-exposed Property risks that had experienced performance-driven favorable pricing saw significant rate increases as treaty reinsurers sought to level rates. In addition, higher rates were charged where property valuations were in question. The Casualty market saw discounts on smaller risks placed with local insurers, while modest increases on some larger, more complex risks.

Capacity

Capacity remained stable overall, with some exceptions. Based on current pricing levels, Property capacity increased, with small and mid-sized risks able to secure competitive local capacity while larger risks sought reinsurance capital, and experienced limitations on CAT-exposed risks, in some cases leading to reduced limits purchased or transitioning to alternative solutions like parametric insurance. Engineering reports were key. D&O appetite and capacity increased in the Excess layers. Cyber capacity remained limited and captive solutions were explored more frequently. Risk quantification exercised proved valuable in limit setting. Some regional reinsurers reduced their Casualty capacity following the treaty renewals and other insurers – particularly Lloyds markets – stepped in to fill gaps.

Underwriting

The underwriting environment remained disciplined, with an emphasis on loss history, risk quality, and risk controls. Cyber information requirements remained a key challenge for many clients who found the requests for IT/OT infrastructure details, as well as full five-year history and engineering reports, onerous. Given that most cyber incidents in the region have originated from vendors or other third parties connected to client networks, underwriters focused on Business Continuity Planning (BCP) and third-party due diligence. Non-supported software was a key concern, as vulnerabilities have been exploited by bad actors. MFA was effectively required to secure coverage. D&O insurers focused on global exposures, US listed risks, and risks related to sanctioned countries, and imposed War exclusions with greater frequency. Property underwriting remained disciplined and, as underwriters looked to the El Nino season, secondary Natural Catastrophe perils were a top priority following recent events like the New Zealand floods, the Hawaii wildfires, and the US convective storms.

4 **Latin America** Regional Market Dynamics

Limits

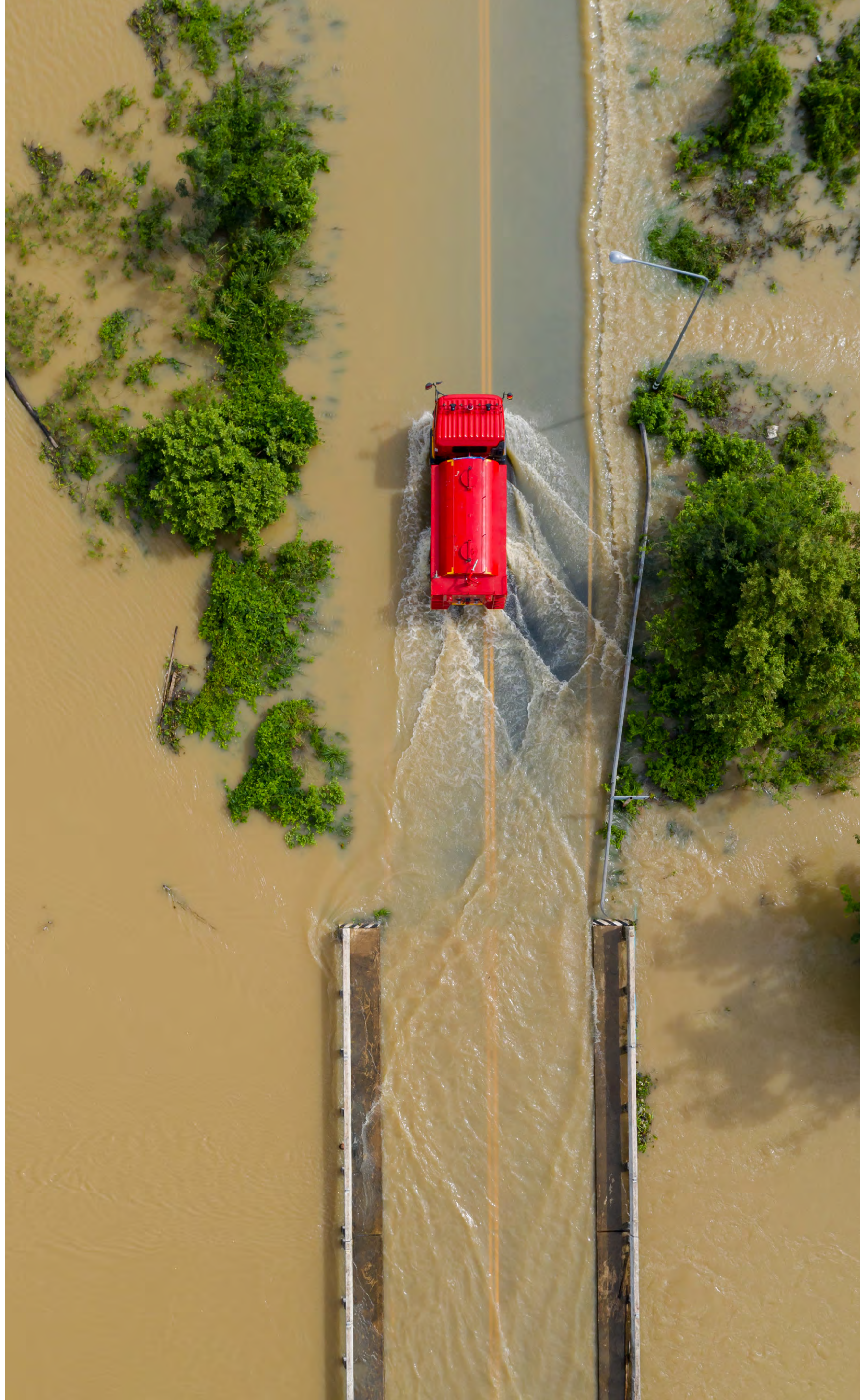
Expiring limits could be achieved across most of the portfolio. Even where insurers reduced their line sizes, others were available to fill any gaps. Driven by inflation and current pricing levels, insureds are looking to restore – and in some cases, increase – limits reduced in recent years. Reviews of property valuations prompted limits increases. Contingent Business Interruption (CBI) and non-physical damage CBI limits were scrutinized, and Terrorism and Strike Riot and Civil Commotion markets required more detail related to business continuity plans and risk mitigation measures to grant CBI coverages.

Deductibles

Expiring deductibles were maintained in most cases. Clients considered increasing deductibles but opted against it in most cases as the cost savings was deemed incommensurate with the increased risk. In the Property market, El Nino flood exposure remained a key topic of deductible-related discussion. Deductibles for Cyber ransomware and systemic events saw upward pressure as incidents continued to occur across the region. Some insurers proposed coinsurance for ransomware coverage, but gained very little momentum as new insurers entered the market and competition increased. In the D&O market, Side C deductibles for US listed companies were pressured by primary insurers.

Coverages

Following the July 1st treaty renewal season, coverages generally moderated, although further limitations related to cyber risk, the Russia/Ukraine conflict, and Hours Clauses (for SRCC, Terrorism and Political Risk coverages) were imposed. Strike, Riot and Civil Commotion (SRCC) and Communicable Disease continued to be excluded from most policies. D&O insurers were open to considering broader terms and conditions.



4 **Latin America** Product Trends

Automobile

While market conditions remained moderate overall, challenges persisted, driven by increased accident frequency and severity, a growing number of thefts of parts and cars, an inflation-driven increase in labor costs, and an increase in the cost of inputs (parts and spare parts) due largely to shortages. Price increases continued and underwriting rigor strengthened; however, EV underwriting conditions improved somewhat, despite ongoing concerns related to higher total losses (compared to traditional vehicles). Trucks and heavy equipment experienced limited appetite and a challenging environment.

Casualty / Liability

Market conditions remained stable, but conditions varied widely based on risk complexity, industry and loss history. Poor performing and higher exposed risks (e.g., warehousing, transportation, manufacturing, construction, mining, energy, highway, and chemicals) faced a challenging environment, including limited appetite and significant rate increases. Market conditions for oil and gas risks were dynamic based on local regulations and coinsurance was generally required due to limited appetite and capacity. Tour Operators faced a material lack of appetite.

Cyber

Cyber attacks and related losses continued to create broadly challenging market conditions; however, signs of a market moderation emerged as some insurers began introducing flat or reduced pricing for risks that demonstrated maturity and strong risk protection measures. Cyber information requirements remained a key challenge for clients who found the requests for IT/OT infrastructure details, as well as full five-year history and engineering reports, onerous.

Directors and Officers

Driven by healthy appetite, additional capacity from local and reinsurance markets, and increasing competition, market conditions continued to soften, especially for excess layers where significant rate decreases could be achieved when competition was introduced. Primary placements maintained current pricing levels as insurers remained focused on improving portfolio performance. Complex, higher risk types such as cryptocurrency companies, oil and gas companies, mining companies, external auditors, SPACs and US-exposed risks experienced a rigorous and rigid underwriting environment, and some capacity limitations.

Property

Challenging market conditions continued, with significant rate increases, especially for loss-affected risks, driven largely by reinsurers. Catastrophe losses in the first half of 2023 were higher frequency / less severity, meaning that fewer losses were ceded to the reinsurance market. Driven largely by reinsurance treaties, underwriting rigor further strengthened, and scrutiny remained elevated, especially related to property valuations, recognizing the impact of inflation on insured values. Some new capacity entered the market; however, insurers continued to manage their accumulation risk through capacity management strategies, including selective deployment of capital and use of coinsurance.

4 **Argentina** Market Dynamics

Automobile

Increasing inflation and continued devaluation of the Argentine peso created a challenging market environment. Increasing repair costs and ongoing supply chain disruptions served to further increase loss and expense costs. Capacity was sufficient with the exception of risks associated with civil liability and poor-performing risks. Underwriting remained sensible and diligent. Inflation-driven increases in limits were common. Variable deductibles subject to minimum and maximum amounts became more prevalent. Expiring coverage terms and conditions were achieved in most cases. Looking ahead, following the Presidential elections, insurers may be challenged to adapt to economic changes.

Casualty / Liability

Moderate market conditions continued, with expiring coverages, limits and deductibles generally achievable. Modest price increases were common, driven largely by inflation. Capacity was sufficient for most risks; where it was limited, reinsurance capacity was available to fill any gaps. The underwriting environment was disciplined as appetite for higher risk industries narrowed. 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 continued demand for Cyber coverage, the local market remained limited, contracting to two insurers and leaving most risks to be placed in the reinsurance market. Through a robust underwriting process, risk maturity and controls for most clients was deemed insufficient. Capacity was constrained and was expensive. Coverages, limits and deductibles were stable. Looking ahead, market conditions are expected to remain challenging until the economy improves and clients' cyber risk management practices further mature.

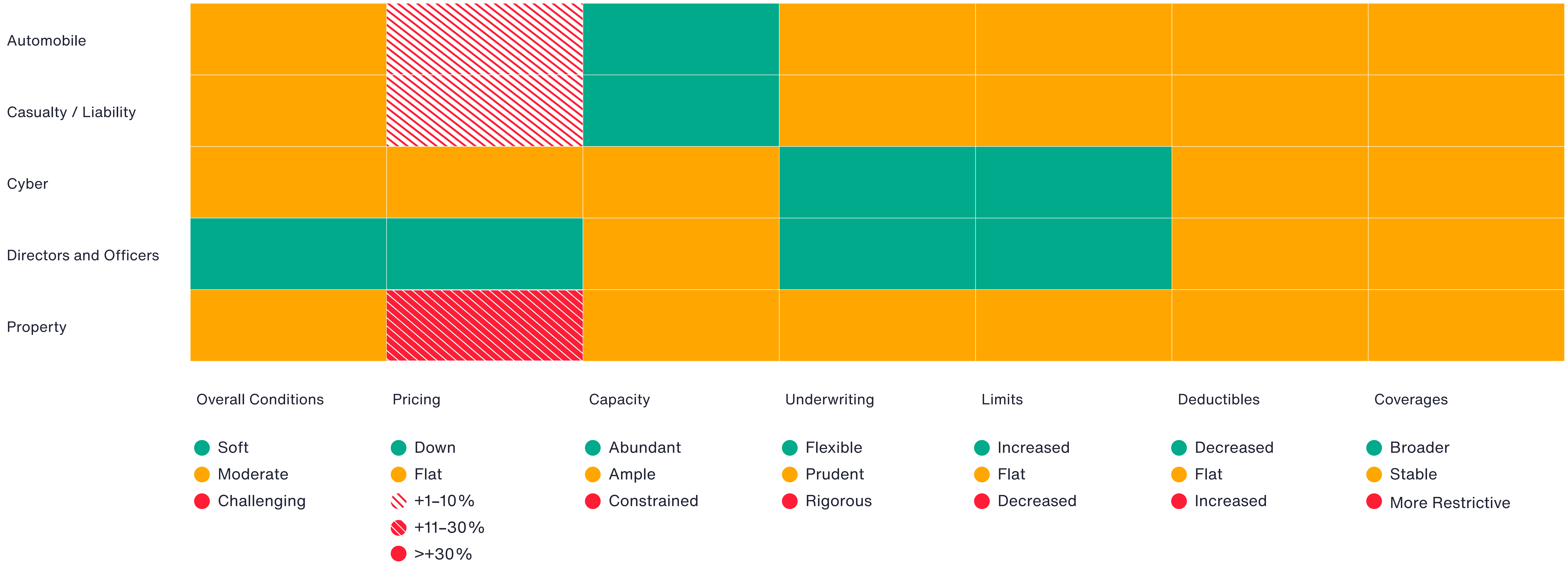
Directors and Officers

Local market conditions tended to be more favorable than international / London market conditions; however, due to rising inflation, significant price increases remained common. Local market capacity was sufficient for most risks. Underwriting was disciplined in light of the economic and political context (inflation and Q3 Presidential elections). Limits remained stable.
Side C deductible increases were required for some US-exposed risks. Expiring coverages were achieved in most cases. Looking ahead, current market conditions are expected to continue, but insurers may seek to adapt some of their practices following the Presidential elections.

Property

Converging factors led to challenging market conditions. Rate increases were imposed for some risk types / activities, and a new premium tax, which insurers passed on to clients, served to exacerbate the increases. Capacity contracted, especially for composite panel construction risks. In addition, some reinsurers have narrowed their appetite to write risks in Argentina due to concerns with money transfers. Underwriting was information-intensive. Expiring limits, deductibles and coverages could be achieved in most cases. Looking ahead, challenging market conditions are expected to continue.

4 **Brazil** Market Dynamics



Automobile

Market conditions showed signs of improvement, driven by economic recovery and improved ability to source parts and electronic components. Modest inflation-driven rate increases were imposed on well-performing risks while poor-performing risks experienced more significant increases. Local capacity was sufficient for most risks and reinsurance was available to fill the gaps on risks in more difficult sectors. Underwriting focused on profitable growth as insurers sought to balance their portfolios. Expiring limits were common; however, logistics risks experienced some reductions. Insurers offered greater flexibility in reducing deductibles. Trucks and electric buses experienced some restrictions of terms and conditions due to the lack of parts and specialized labor required to repair these vehicles. Looking ahead, market conditions are expected to further improve. Robust risk information will remain fundamental for achieving superior outcomes.

Casualty / Liability

Insurers remained focused on a return to profitability, creating a moderate market environment; however, conditions varied widely based on industry, loss history, market segment, 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. Capacity was generally abundant, with limitations applied to higher risk industries. Underwriting was disciplined and rigorous, especially related to Product Liability, Product Recall and Employers Liability as an additional coverage. Coverage terms were 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

Market conditions improved; capacity continued to flow in – especially from reinsurers – as a result of improved Cyber portfolio performance and increased insurer confidence in client risk posture and maturity. Challenges related to the use of new technologies continued, as did discussions related to War and Terrorism and Systemic Risks coverage language. Flat pricing could be achieved on most risks, with Primary placements experiencing some modest upward pricing pressure while Excess layers saw a downward trend. Local capacity remained tight but considerably better than in prior years and capacity gaps could be filled by reinsurers. Capacity was deployed carefully. The underwriting process was more flexible, especially for small and mid-sized risks. Larger risks tended to experience a higher level of scrutiny. Underwriters reconsidered the ransomware coinsurance clause. Increased limits were generally available, especially in the Excess layers. Deductibles plateaued previously and some insurers have withdrawn coinsurance. Insurers updated their coverage language to adapt to lessons learned from significant past losses. Coverages continued to improve with clearer and more efficient wordings. Looking ahead, a soft market is expected, arising from better client postures and cyber hygiene, a more controlled claims landscape, a more informed underwriting process and increased local underwriting authority.

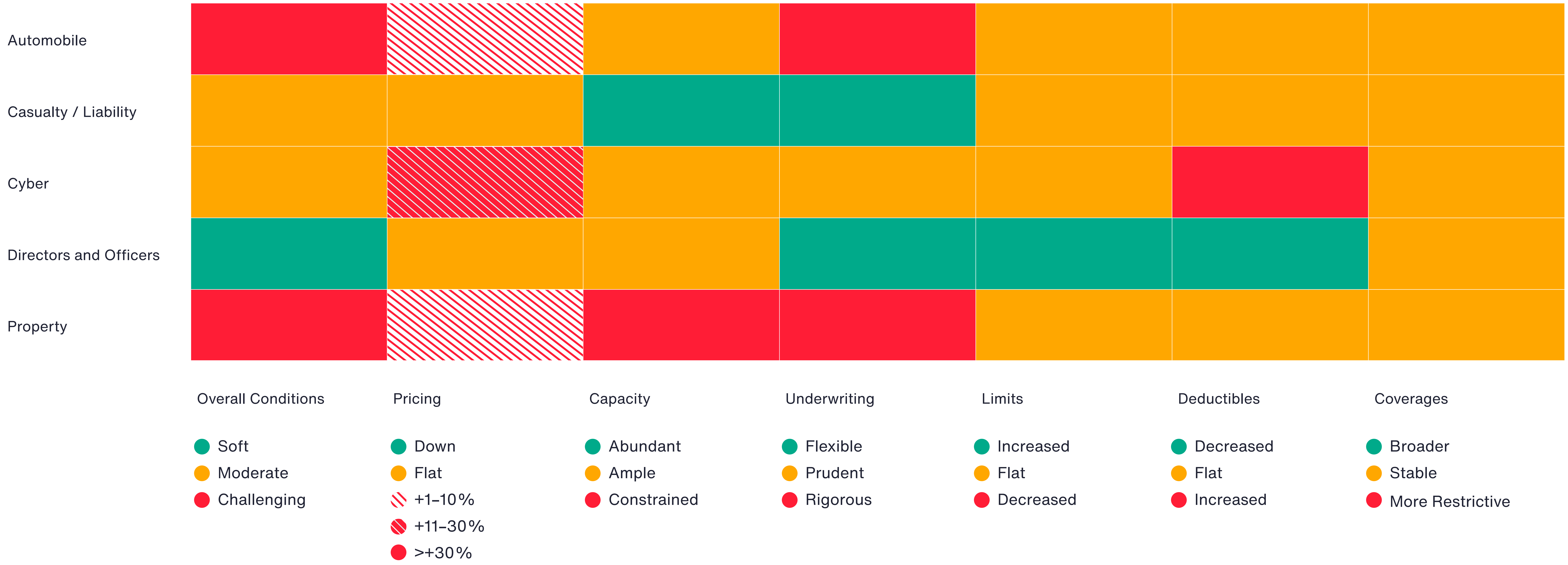
Directors and Officers

Market conditions continued to trend favorably. Price decreases continued as new insurers entered the market and existing insurers increased their line sizes, driving healthy competition in a retention- and growth-focused market. Increased limits and sub-limits were available, although a general business focus on cost reduction minimized client uptake. Coverages remained stable as insurers continued to expand their guidelines; however, quality information and claims history were key to securing superior terms and conditions. Despite overall favorable market conditions, complex, higher risk types such as cryptocurrency companies, oil and gas companies, mining companies, external auditors, SPACs and US-exposed risks experienced a rigorous and rigid underwriting environment, as well as limited appetite and capacity. Underwriting concerns generally focused on the economy, ESG, cyber risk, inflation, geopolitical risks, ongoing supply chain challenges and the events in Eastern Europe. Looking ahead, a continued softening of the D&O market is expected; however, it could be impacted by developments with the banking crisis, the bankruptcies and insolvencies trend, and the impacts from the recent review of decisions by the Brazilian Court which may require insurers to re-open prior claims.

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. Complex and high hazard risks such as energy, pharma/chemical, pulp/paper, rubber, and logistical warehouse, as well as placements requiring high limits where local capacity is insufficient, experienced the most challenging conditions. Some key insurers tightened their local underwriting guidelines, while treaty renewals imposed new restrictions and increased pricing, even for renewal placements. Inflation prompted a wave of pricing reviews. Insurers became more cautious and conservative in their capacity deployment. Underwriting remained stringent and rigorous, especially concerning risk management improvements. Recent survey reports and recommendation status for complex and high hazard risks are mandatory. As replacement costs have increased, insurers have required increases to limits which have had the impact of increasing premiums. Expiring deductibles were achieved in most cases; however, poor performing risks experienced mandatory increases aimed at controlling insurer exposure. High hazard and complex risks were also subject to global guidelines, which may require deductible increases. Natural Catastrophe exposed risks also faced deductible adjustments for specific coverages. Negotiations related to Strikes, Riots, and Civil Commotion, Contingent Business Interruption and Natural Catastrophe coverages became more challenging due to rising claims costs. Looking ahead, current market conditions are expected to continue. Robust, detailed underwriting information will serve as a potential differentiator to help elevate underwriter risk confidence and achieve superior placement results. Starting the placement process early will also remain critical.

4 **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, which reduced on average but remained escalated. Pricing continued to increase but moderated somewhat from earlier in the year. Capacity was generally sufficient for most risks, although insurers remained conservative and restrictive in their deployment related to Robbery and Terrorism. Underwriting was rigorous, slow, and data driven. Coverages, limits and deductibles renewed “as is” in most cases. Looking ahead, current market conditions are expected to continue.

Casualty / Liability

The market was generally moderate, with healthy appetite and rate reductions available for well-performing risks while large, complex and poor performing risks experienced capacity limitations and price increases, although they were generally modest. Reinsurance continued to be an important source of capacity, particularly where local appetite was limited. Underwriters were flexible and accommodating, especially for favorable risk types. Looking ahead, current market conditions are expected to continue.

Cyber

The market moderated somewhat from earlier in the year as London market appetite expanded and capacity increased, at least, for risks meeting the minimum requirements of the market. Pricing remained elevated in light of continued claims activity across the portfolio; however, claims-free risks generally experience superior pricing than the market at large. As insurer participation continued to decrease, more insurers were required to maintain full tower limits. Underwriting was cautious but insurers demonstrated flexibility on risks with sound security posture and controls. Deductible increases continued to be imposed. Looking ahead, while the market has trended positively, insurers are expected to proceed cautiously and adjust as needed due to continued frequency and severity of cyber-attacks both globally and locally.

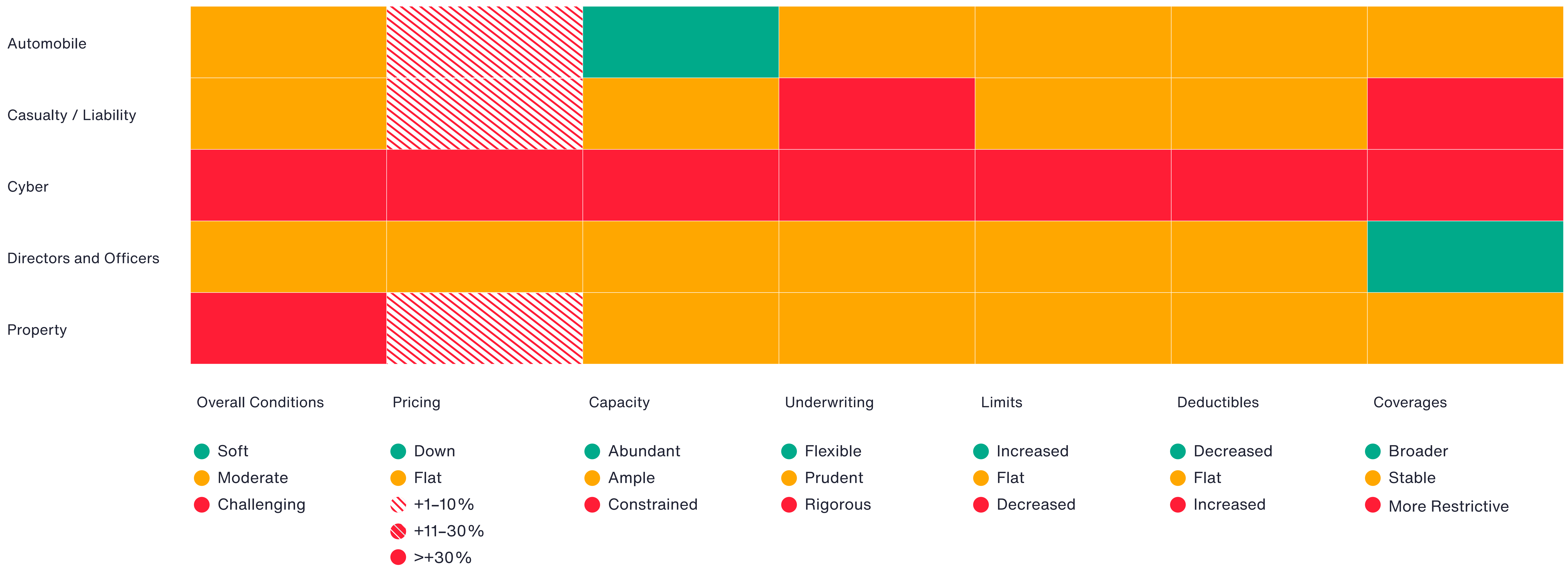
Directors and Officers

Moderate market conditions continued in Q3. Pricing was flat as competition further strengthened amidst healthy market appetite and increasing capacity. Underwriting became more flexible and accommodating, although listed risks continued to experience more rigorous underwriting. Increased limits and decreased deductibles were generally available in the market, especially for well-performing risk types. Expiring coverages were achieved in most cases. Looking ahead, current market conditions are expected to continue.

Property

Market conditions remained challenging. Significant rate increases continued to be proposed by incumbent insurers; however, where competition was introduced, more moderate increases could be achieved. Insurers continued to reduce accumulation risk through capacity management strategies, including selective deployment of capital. Underwriting was increasingly stringent and selective, with detailed documentation of risk management measures required. Expiring coverages, limits and deductibles could be achieved in most cases; however, coverages related to Contingent Business Interruption remained under scrutiny. Looking ahead, current market conditions are expected to continue.

Colombia Market Dynamics



Automobile

Market conditions were moderate-to-challenging, characterized by continued price increases which were driven by currency challenges, the impact of high inflation on vehicle values, and continued supply chain disruption – all of which contributed to claims cost escalation. Capacity was abundant for voluntary policies and light vehicles but was more limited for mandatory policies and higher-risk commercial vehicles like rental and passenger. Underwriting was prudent. Expiring limits, deductibles, terms and conditions could be achieved in most cases. Traditional – rather than usage-based – products remained prevalent. Looking ahead, current market conditions are expected to continue, and data-driven insights will gain further importance in supporting client decision-making.

Casualty / Liability

Market conditions remained moderate but varied based on whether capacity could be sourced locally. Price increases were common as risk profiles grew, even despite the current economic environment.
Local capacity remained limited; however, reinsurance capacity was sufficient. Referral underwriting was common, particularly for larger, complex risks, but tended to be slower and less flexible on terms and conditions. Expiring limits and deductibles were achieved in most cases. Coverage restrictions were imposed in some cases, especially related to Silent Cyber, Product Liability, and Employers Liability for hazardous risks. There were challenges related to the mandatory wording required by the government in infrastructure policies. Looking ahead, insurer appetite for General Liability is expected to expand in response to global insurer mandates, potentially creating additional competition and more favorable market conditions.

Cyber

Challenging market conditions persisted as insurer portfolio performance faced continued challenges stemming from inadequate pricing in earlier years as insurers sought to grow in this space. Significant premium increases continued in the face of rising expert fees, inflation, growing frequency and severity of losses. Local capacity remained very limited, and insurers indicated that further reductions may be forthcoming, especially in first party coverage. All underwriting was performed by senior regional underwriters but started to shift to global underwriters. Business interruption sub-limits and ransomware coverages were scrutinized and restricted in some cases. Deductible increases were mandated as insurers looked to insureds to invest – both in losses and cybersecurity controls – before transferring risk. Looking ahead, given the current loss environment, insurers will continue to evaluate their positions in the Cyber market, including their coverage terms and the level of insureds' participation in mitigation and administration measures.

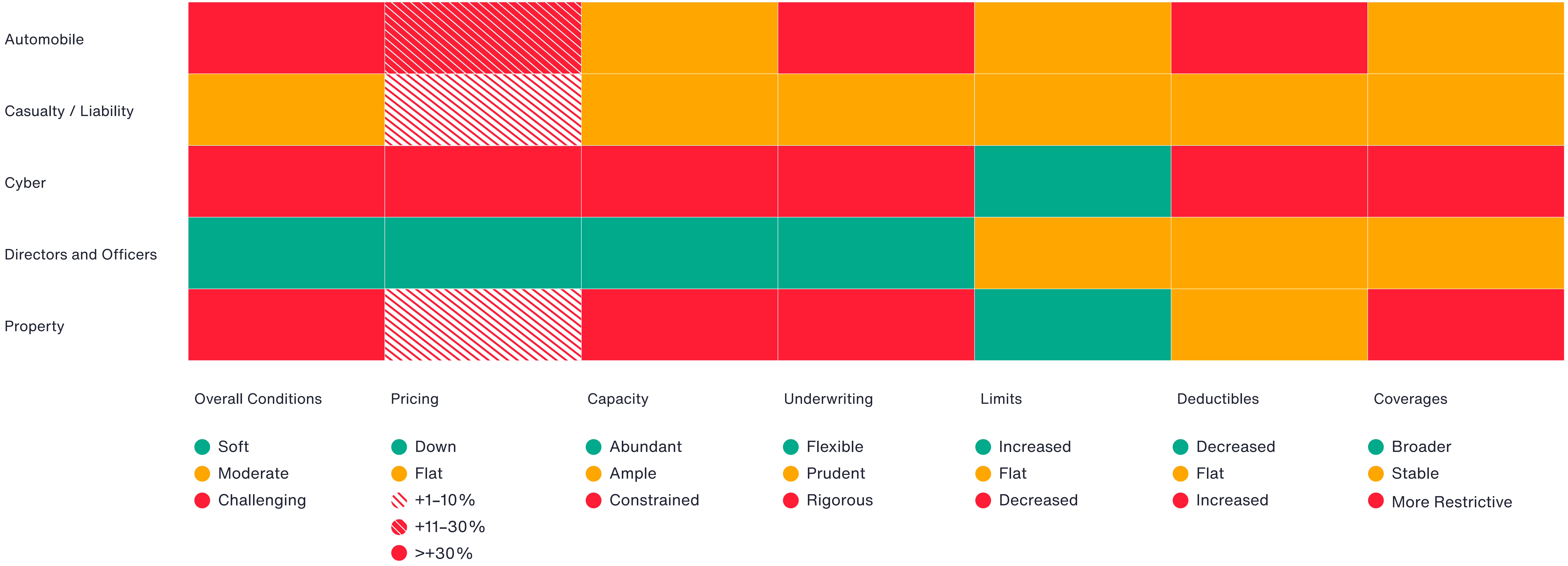
Directors and Officers

In general, the D&O insurance landscape moderated. Appetite expanded and competition increased, both in local capacity and in reinsurance, improving outcomes for insureds. Expiring pricing was achieved on most placements, recognizing adjustments made in prior periods aimed at returning insurers to a position of profitability. Insurers were growth-focused and keen to increase their capacity on larger and more complex risks. Local underwriting authority increased for commercial risks, however, where government capital participated, referral underwriting was required. Limit increases and coverage enhancements could be achieved with the key exceptions of cyber, reputational risk and claims made by the government. Looking ahead, further moderation is expected.

Property

The market remained challenging. Pricing increased across both local and reinsurance markets although at a decelerated rate. Flat or discounted renewals were not available. Due to the political situation in the region, coverage for malicious acts of third parties and political risk continued with restrictions and increases in premium prices. Asset values – especially, machinery – increased, requiring additional market capacity, which was generally available, but more insurers were required to participate to achieve full tower limits. 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.

4 **Mexico** Market Dynamics



Automobile

Significant rate increases continued as the combined market index exceeded the level from the same period in 2022. Factors contributing to elevated pricing include increases in:

- Accident frequency and severity of losses
- Parts costs, driven largely by shortages
- Labor costs, driven by inflation
- Vehicle theft (and consequential accidents)

Capacity varied by vehicle type, with cars and pick-up trucks experiencing sufficient capacity while trucks and heavy equipment experienced more limited appetite and capacity. Underwriting was rigorous, with detailed information required, such as unit descriptions, travel routes, and the type of merchandise / cargo being transported. Type C Cargo faced additional scrutiny and information requirements, including a minimum of three years loss history. Deductibles rose, especially related to truck theft, which saw 30% deductible levels versus the typical 5-10%; however, installation of GPS equipment led to some underwriter flexibility. In addition, insurers leveraged Advanced Driving Assistance Systems (ADAS) to modify pricing based on driving habits. Looking ahead, the auto insurance market is expected to remain dynamic as technology and driving behaviors change. Current market conditions are expected to continue, and insurers will continue to streamline their claims processes to take greater advantage of advancing technologies.

Casualty / Liability

Market conditions were moderate, and varied widely by sector, with oil and gas, mining, chemicals, auto parts, and hospitality / tour operators experiencing the most challenging conditions. Moderate price increases continued. Local capacity was sufficient for small to mid-sized risks while reinsurance capacity was leveraged for larger risks. Challenging risk types experienced limited appetite and notable capacity constraints. Coinsurance was often leveraged, with more insurers required to achieve full tower limits. Underwriting was disciplined in general but more stringent and rigorous on challenging risk types. Deductible decreases could be achieved in some cases. Looking ahead, current market conditions are expected to continue. The regulatory environment is expected to drive positive changes in the Environmental space.

Cyber

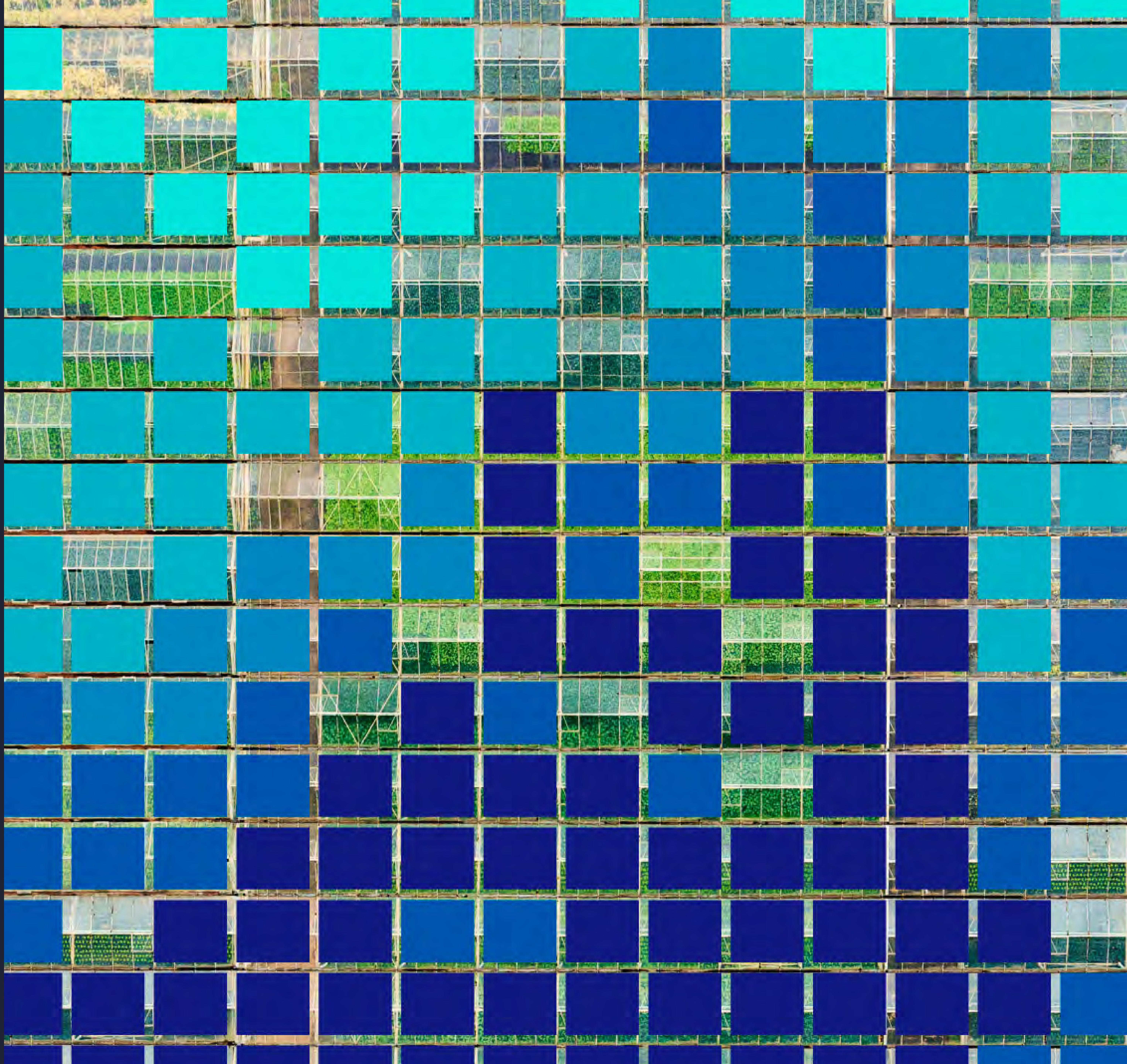
Despite improvements in the broader Financial Lines market, the Cyber market remained challenging. As Cyber risk and insurance gained importance in risk management strategies, client needs for coverage and increased limits exceeded market appetite and capacity. Losses continued to increase, and insurers, seeking profitability, imposed significant price increases. Capacity remained limited and coinsurance or excess schemes were required to achieve limits exceeding USD 5Million. Underwriting scrutiny intensified with strict analysis of technical information. 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 and Officers

While insurers remained focused on portfolio profitability, favorable market conditions continued for private D&O, as insurers competed for business, while listed companies experienced a more moderate environment. Local market capacity was abundant. Underwriting became more flexible and accommodating, with underwriters generally willing to increase sub-limits on certain coverage extensions. For example, 70-80% of the maximum liability limit was available for Employment Practices Liability. Side B deductibles could be reduced to nil for some private D&O risks, and coverage language related to corporate resilience could be expanded in some cases. Limits remained stable; however, increases could be achieved in some cases. Looking ahead, current market conditions are expected to continue as insurers compete for profitable growth.

Property

Market conditions remained challenging. Rate increases continued, driven largely by inflation. In addition, reinsurer scrutiny of CAT-exposed risks led to significant rate increases for well-performing risks that had enjoyed long-term favorable pricing. Capacity was constrained as many insurers reduced the amounts they deployed, and some transitioned to proportional sharing; however, additional capacity became available from some insurers which had previously limited their appetite for complex risks. Underwriting information was critical; in many cases, insurers would only consider a risk if five years of loss experience and engineering reports were included in the submission. Property valuations remained under scrutiny. Limit increases – driven by inflation and client investments – became more common, while deductibles remained stable as premium reductions were deemed incommensurate with proposed increases. Strikes, riots and civil commotion exclusions and limitations remained common. Looking ahead, current market conditions are expected to continue.



North America Regional Executive Summary

Executive Summary

- A moderate and dynamic market environment continued as insurers sought to balance growth with profitability.
  Pricing remained modestly up, and established insurers expanded their appetite and capacity in well-performing segments. Underwriting continued to be individualized to the risk profile. A focus on year-end targets is expected to accelerate an expansion of appetite and capacity.
- Social Inflation and nuclear verdicts continued. Insurers monitored 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.
- Property market challenges continued, with persisting rate increases, valuation scrutiny and capacity contractions primarily driven by reinsurance costs and Natural Catastrophe concerns. Climate change remained a key insurer concern. Risks in susceptible geographies (e.g., Natural Catastrophe-exposed) and higher-risk industries experienced the most acute and significant market challenges.

"

Signs of a more stable Property market have emerged. Publicly traded D&O capacity remained abundant relative to demand. Some high-profile claims activity in the Cyber space has hit the business news headlines. Excess Casualty seemed to be one area of consensus in the industry in terms of concerns about pricing and litigation system abuse. Many are calling for a more unified industry front against the plaintiff bar citing out-of-control verdicts and judgements on top of legal fees and litigation funding.

Brian Wanat

Head of Commercial Risk Solutions, North America

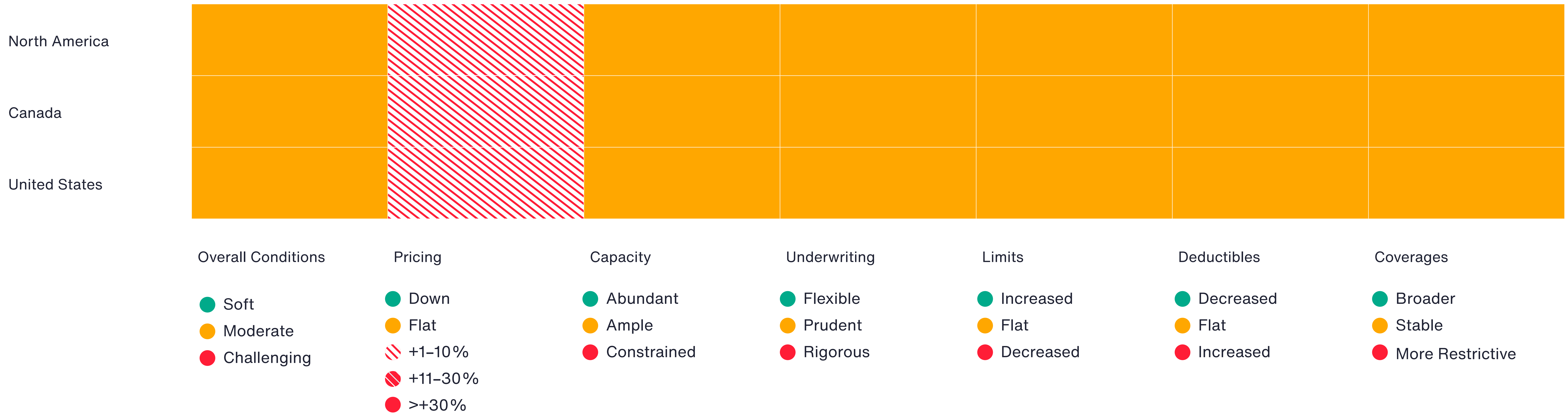
"

As we look to 2024, we expect the market to continue to crest and move into a downward direction. Throughout 2023 we have seen the market move away from several of the trends experienced in the years prior. Insurers are again looking to grow and, in each quarter, this appetite for growth evolves. Canada has benefited from both London and Domestic capacity remaining aligned in strategy to expand their footprints and are competing to retain and grow their positions. This will benefit our clients in 2024.

Russ Quilley

Chief Broking Officer Commercial Risk Solutions, Canada

4 **North America** Regional Market Dynamics



North America Regional Market Dynamics

Pricing

Modest-to-moderate price increases continued, with a few notable exceptions. Cyber and D&O experienced a continued softening of rates driven by healthy competition while Property – especially, Natural Catastrophe exposed risks – saw rate increases which varied by risk size, geography, industry and performance.

Capacity

Capacity was sufficient as established insurers expanded and shifted their appetite (by redeploying capacity reduced in one line to another line), and new insurers entered targeted markets that had demonstrated sustained, healthy performance.

Underwriting

Underwriting was generally more flexible but remained disciplined based on individual risk profile, controls and performance, with conservatism continuing in pockets. Use of data and analytics to support decision-making continued to gain prevalence.

Limits

Given current pricing levels in D&O and Cyber, there was an uptick in insureds opting to restore limits reduced in recent years. In other lines, upward limit pressure continued due to rising exposures and loss costs, although many placements renewed flat or near flat. Detailed descriptions of Property valuation methodologies were required, and valuation limitation clauses / margin clauses were mandated with greater frequency.

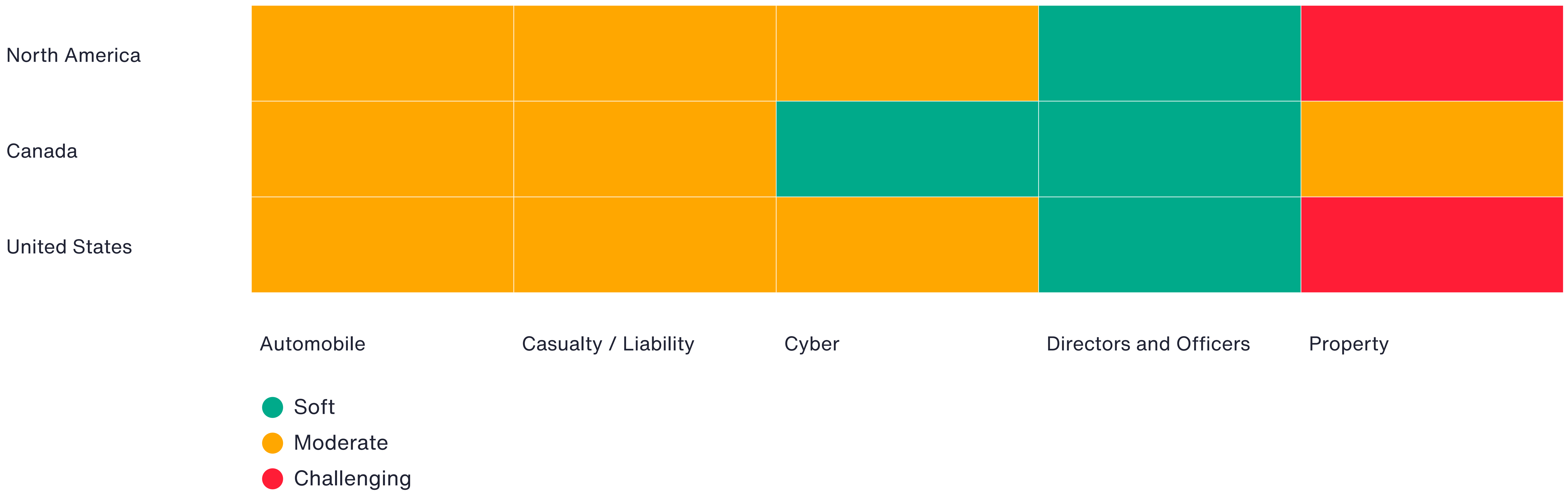
Deductibles

Expiring deductibles were achieved in most cases. While decreases were available, the additional premium was deemed by clients as incommensurate in most cases. Underwriters shifted “Freeze loss” deductibles from a Per Occurrence basis to a Per Location basis.

Coverages

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

North America Product Trends



Automobile

Insurers are focused on risk-specific issues, adverse loss experience and challenged risk profiles in a moderate environment driven by continued inflation, large verdicts / settlements, reinsurance challenges, and emerging technologies.

Casualty / Liability

The market for primary General / Product Liability, as well as Umbrella and Excess Liability, remained generally stable, with modest price increases and continued focus on social inflation (and litigation funding) and lead Umbrella attachment points.

Cyber

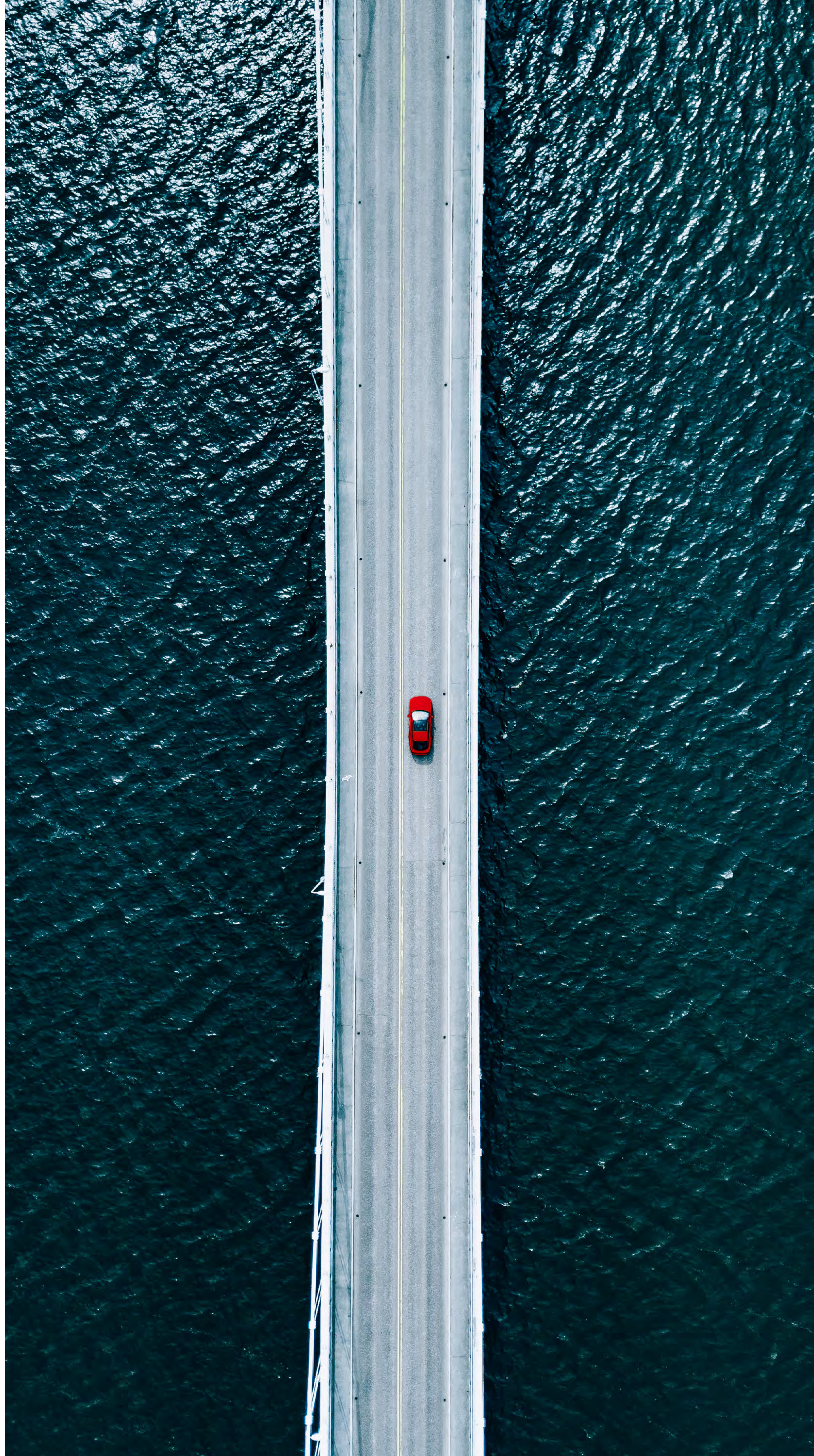
Softening conditions continued despite increasing ransomware incidents and privacy-related losses. Insurers focused on systemic risk and privacy controls, with specific attention toward biometric data and pixel tracking, as well as new privacy/consumer protection regulations.

Directors and Officers

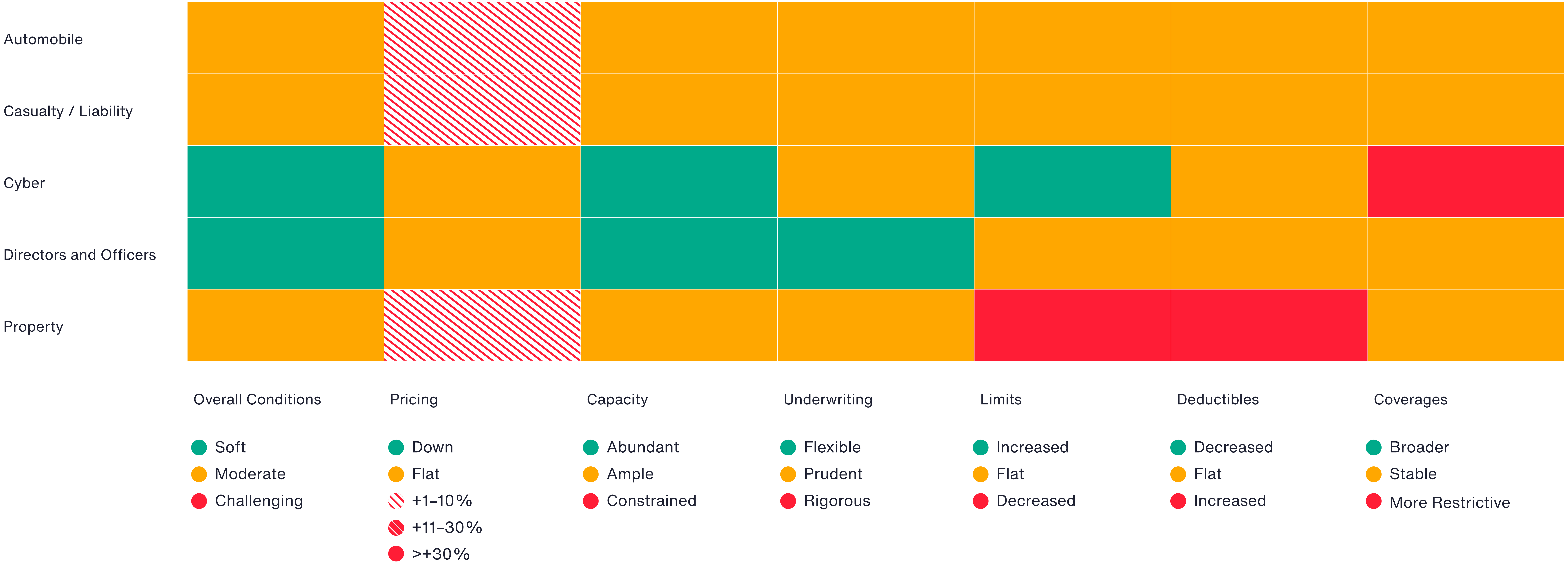
Softening conditions continued despite a complex backdrop of elevated risks (e.g., geopolitical risks, inflation and interest rates, regional banking impacts, supply chain challenges, equity market volatility, litigation funding and other trends, and an active regulatory framework). Abundant market capacity combined with a lack of new buyers (IPOs, deSPACs, etc.) continued to weigh on pricing. Insurers closely monitored limit aggregation on any single risk and continued to limit their capacity for high-risk segments. Alternative structures (e.g., higher retentions, coinsurance, quota shares, and alternative capital solutions such as captives) continued to serve as useful levers.

Property

Market conditions remained challenging and volatile, driven largely by increased reinsurance costs, increased catastrophe losses (particularly, convective storm-related), climate change concerns, inflation, and ongoing supply chain challenges. Rate increases continued, and varied based on myriad factors including risk quality, occupancy, and Natural Catastrophe exposure. Detailed descriptions of valuation methodologies were required, and valuation limitation clauses / margin clauses were mandated with greater frequency.



4 Canada Market Dynamics



Automobile

Moderate market conditions continued. While most insurers sought inflationary increases on well-performing risks, more substantial increases were required on risks with losses. A focus on growth led to healthy appetite and capacity amongst established insurers, while pricing reviews were conducted as insurers sought to restore profitability. There were no new entrants to the market, and the field was particularly narrow for Excess placements. Underwriting flexibility varied based on specific risk type and performance, with heightened rigor on challenging risk types such as large fleets, US-exposed, long-haul, and fleets with heavy commercial units. Auto attachment points of $5M were required on some Umbrella placements, and limit was readily available from Excess Auto insurers when needed. Expiring deductibles were achieved in most cases; however, some risks with adverse loss experience opted to increase deductibles to offset premium increases. Looking ahead, a moderate-to-challenging insurance market is expected, driven by increasing vehicle thefts, emerging technologies which drive up claims costs, and the effects of the change in Direct Compensation Property Damage which essentially eliminates subrogation rights.

Casualty / Liability

Moderate market conditions continued on Commercial General Liability and Umbrella lines, while Excess layers experienced a softening trend. Renewal outcomes were favourable overall, especially where competition was introduced. Poor-performing risk types continued to experience a more challenging market environment. Excess capacity expanded, allowing some layers to be combined, while Umbrella capacity was reduced on some large US-exposed risks (especially, large Auto exposures) with claims. Some smaller insurers demonstrated flexibility in underwriting; however, complete underwriting information including sample contract agreements, complete underlying exposure information, and loss runs were broadly required. Expiring coverages were generally achieved; however, PFAS exclusions were mandated and Forrest / Prairie Fire Fighting Liability coverage enhancements were scrutinized. Looking ahead, current market conditions are expected to continue.

Cyber

Well-performing risks generally meeting insurers' cyber security control requirements experienced favorable market conditions; however, appetite, pricing and capacity tended to be more conservative on higher risk types such as public sector, education, cannabis, and liquor lottery and gaming. The past focus on rate adequacy across portfolios has yielded sustainable pricing levels. While flat pricing was achieved in most cases, introducing market competition tended to pressure pricing downward. Market capacity increased, both through larger line sizes and new market entrants (e.g., MGAs, insurers and Lloyds syndicates). Underwriting became more flexible; however, critical controls remained a top priority for insurers and coverage reductions such as coinsurance or Ransomware sub-limits were imposed on some risks failing to demonstrate maturity or a roadmap for improvements. Infrastructure, War and systemic risk-related exclusions were mandated. Looking ahead, insurers will continue to monitor and remediate ransomware-related exposure and a levelling out of current market conditions is expected.

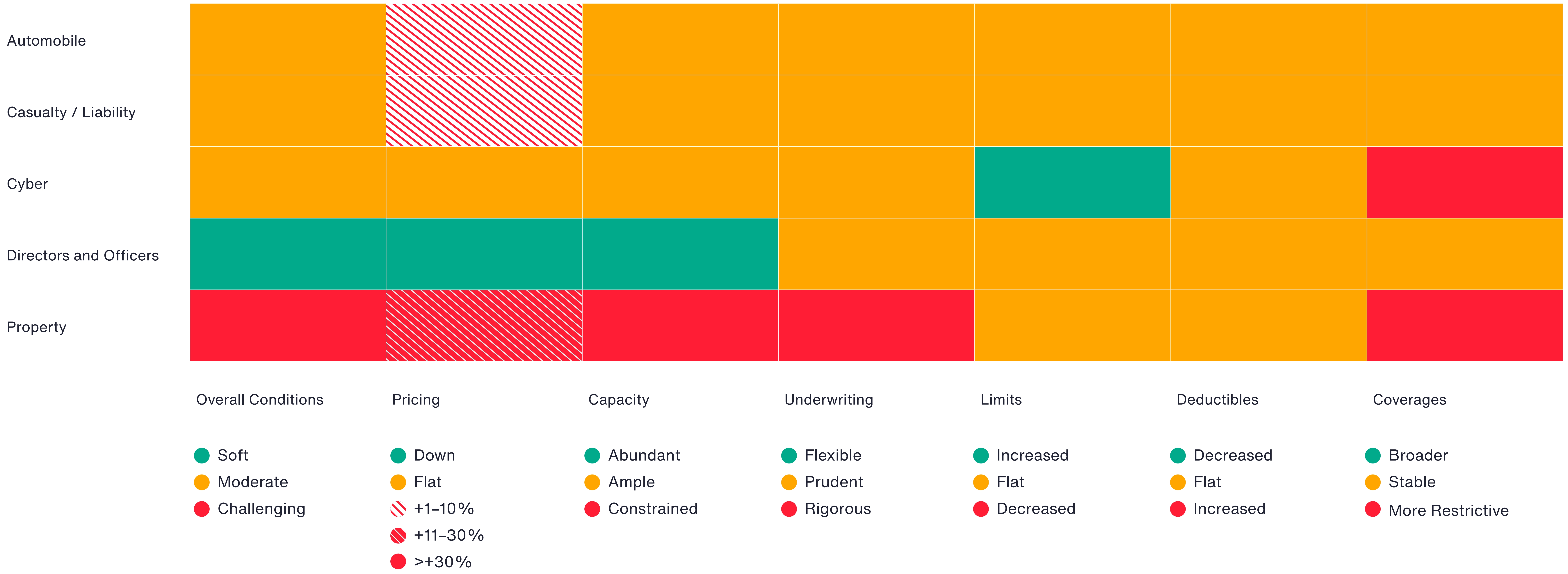
Directors and Officers

Overall market conditions continued to improve and become more predictable for insurance buyers. Capacity was abundant as new insurers entered the D&O space, and some established insurers offered more capacity in larger towers. Although pricing was generally flat, some decreases were achievable on both Excess and Primary placements. While underwriting continued to become more flexible, pockets of more conservative underwriting remained. Coverages were generally stable on Public D&O while coverage enhancements and withdrawal of exclusions could be achieved on private and not for profit placements. Looking ahead, if the general economy remains stable, current market conditions are expected to continue.

Property

Market conditions remained moderate, despite several ongoing factors such as inflation, increased losses from natural catastrophes, supply chain shortages, a drop in skilled labor and increasing costs of reinsurance, which continued to impact market stability. Modest price increases continued across much of the portfolio, although flat pricing could be achieved on some small, well-performing risks, especially with competition. While higher-hazard occupancies remained relatively challenging, there was generally more capacity available as new insurers entered the market and established insurers sought growth. Appetite expanded and competition strengthened, especially in desirable classes such as manufacturing and commercial real estate, in some cases resulting in improved terms and incumbent sign-downs. Underwriters continued to focus on risk quality and emphasize the importance of valuations, and remained diligent in following up on inspection recommendations. There was increased focus on risk modelling for Catastrophe exposed risks. Looking ahead, current market conditions are expected to continue. Valuations will continue to be an important part of the discussion with insurers.

4 **United States** Market Dynamics



Automobile

Moderate market conditions continued, and discussions were dominated by claim trends. While rates generally increased moderately, Primary Automobile Liability programs with larger Combined Single Limits (CSL) experienced some rate volatility due to insurers' utilization of, and market dynamics associated with, facultative reinsurance. The two-tiered market continued, whereby insurers focused on risk-specific issues, adverse loss experience and challenged risk profiles. Underwriters continued to carefully evaluate risk differentiation - including telematics and other vehicle safety and driver training initiatives. Overall, ample Primary Automobile Liability capacity remained available, but the utilization of “Buffer” and Alternative Risk Transfer (ART) programs increased as insureds sought to manage optimal Umbrella / Excess attachment points and overall Total Cost of Risk. Aon’s proprietary LiFT facility remained an important lever in securing additional capacity and "topping off" Excess towers when desired. Client demand for restoring limits that may have been reduced in recent years has not materialized at the pace expected. Looking ahead, the Primary Automobile Liability market could become increasingly more challenging due to the continued inflationary impact on open claims, headwinds posed by recent large verdicts / settlements and availability of facultative reinsurance.

Casualty / Liability

As a result of continued claim trends and recent “nuclear verdicts”, insurers continued to closely monitor lead Umbrella attachment points, with some carriers “socializing” the potential implementation of actions (e.g., non-renewals, mandatory increased attachment points, or corridor features) on structures deemed to have low attachment points – especially on risks with large auto / heavy fleet exposures. Rates increased modestly overall; however, the two-tiered market continued as insurers remained focused on risk specific issues and sought larger than average rate increases on risks with adverse loss experience, challenged risk profiles and on Umbrella / Excess programs with lower Primary attachment points. Overall, Primary and Umbrella / Excess liability capacity remained stable; however, some lead Umbrella insurers reduced or have contemplated the reduction of their deployed capacity. In contrast, some Excess insurers agreed to deploy more of their available capacity, but oftentimes ventilated their limits to protect against vertical exposure to a single loss. Aon’s proprietary LiFT facility remained an important lever in securing additional capacity to "top off" Excess towers when desired. While primary retentions remained stable, in an effort to help mitigate increased rates and / or to create sustainable Umbrella and Excess Liability program structures, corridor deductibles were utilized or “socialized” on lead Umbrella programs more frequently.

Underwriting remained robust; insurers continued to scrutinize emerging risks as well as growing risks. Insurers continued to leverage coverage terms as a differentiator, and coverage enhancements, supported by quality underwriting data, remained available. Insurers continued to monitor and exclude critical emerging risks (PFAS) as well as track emerging trends such as biometric privacy, with some insurers seeking coverage limitations or exclusions. Looking ahead, market conditions for General Liability are expected to remain moderate; however, the Umbrella / Excess Liability environment will be monitored closely, due to the inflationary impact on open claims and headwinds posed by recent large verdicts / settlements.

Cyber

Buyer friendly market conditions continued, with greater competition and more capacity available as incumbent insurers sought to maintain their renewals and potentially expand their participation. Risk differentiation remained important to insurers, although many insureds have already improved their security controls to a level that aligns with underwriting expectations. Insurers differentiated insureds and priced accordingly. Privacy-related losses are mounting, and they are severe. Previously, insurers sought a significant amount of underwriting data and best-in-class network security controls, but now the underwriting focus has shifted back to understanding and ensuring best-in-class privacy controls, with a specific focus on biometric data and pixel tracking, as well as new privacy/consumer protection regulations. Systemic risk remained a top concern for insurers. They continued to evaluate, scrutinize, and in some instances restrict coverage offered for critical infrastructure, systemic and/or correlated events, and war. Certain insurers restricted coverage on either a generalized or event specific basis. As pricing continued to decelerate for Excess layers and the severity of cyber loss exposures remained high, more insureds have opted to purchase additional limits, using data and analytics to support their decision. Looking ahead, depending on the class of business, year-over-year improvement of controls, and previous market adjustments – a buyer-friendly market is expected to continue. As we look forward to what may be a volatile market over the next 3-5 years, identifying the right long-term insurer who understands your risk and is willing to customize policy wording to address your exposures and incident response strategies is critical.

Directors and Officers

Despite elevated risks (e.g., geopolitical risks, inflation and interest rates, regional banking impact, supply chain, equity market volatility, litigation trends and an active regulatory framework), D&O pricing eased in 2022 and continued to do so thus far in 2023. Abundant capacity supply, combined with a lack of new buyers (IPOs, deSPACs, etc.) continued to impact pricing. Newly public companies going through their first or second renewal continued to experience deductible reductions and material premium decreases, while established public companies experienced flat to modestly decreased pricing. Capacity continued to expand, with new entrants – most of which were focused on mid/high-excess attachments – being increasingly active. Insurers continued to closely monitor limit aggregation on any single risk and maintained their reduced capacity for high-risk segments. Limits were generally flat, but some insureds opted to increase their limits using reinvested premium savings. Underwriters remained concerned with the rise of Event-Driven Litigation (Cyber breaches; #MeToo; COVID-19 claims; Board Diversity; ESG). Broad coverage remained available. Alternative structures (e.g., higher retentions, coinsurance, quota shares, and alternative capital solutions such as captives) continued to serve as useful levers. Looking ahead, competitive dynamics will continue to strengthen, and the market will remain favorable. Insurers; however, will closely monitor results and profitability.

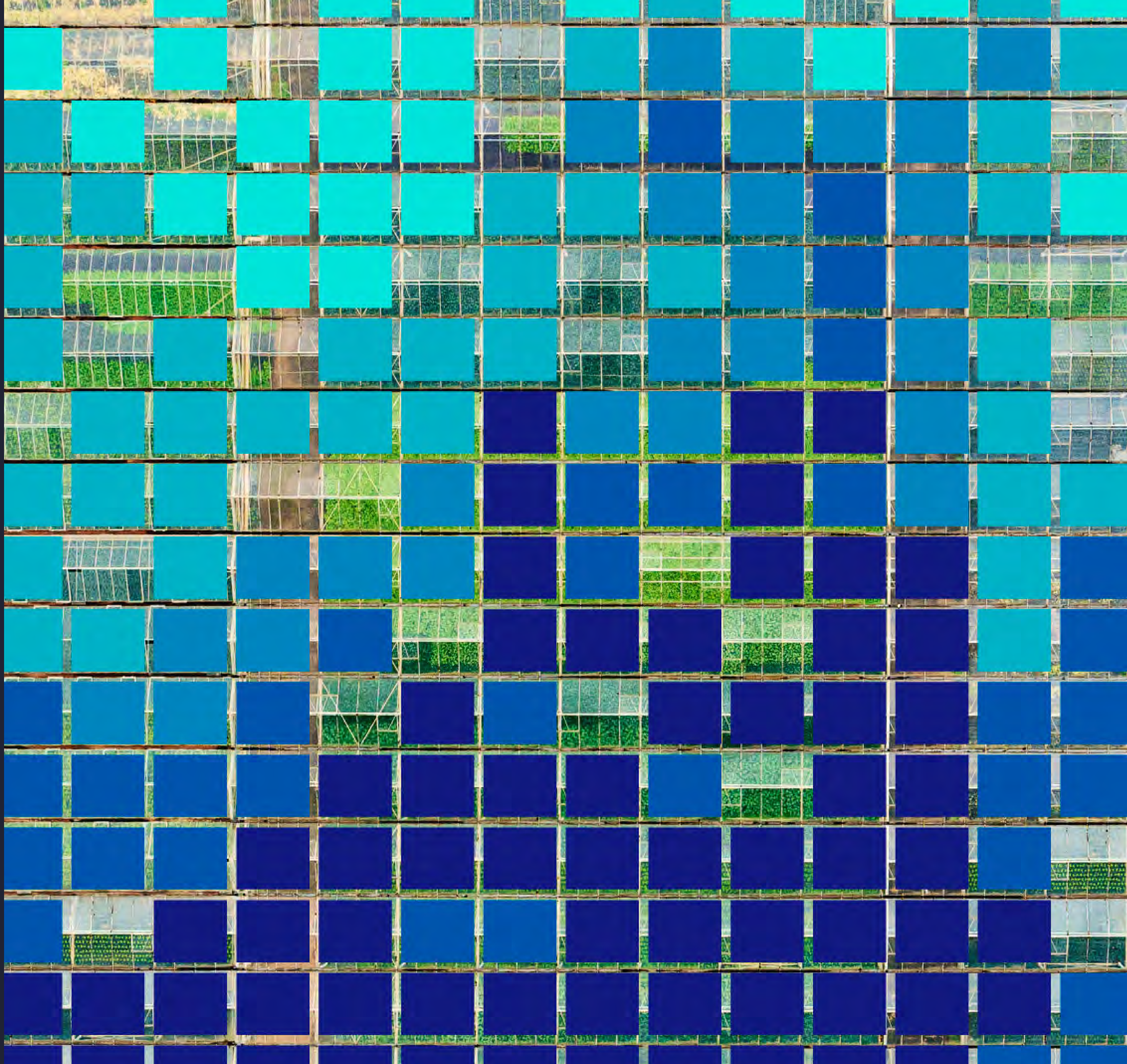
Property

Q3 saw continued average rate increases. Market conditions remained challenging and volatile, driven by increased reinsurance costs, increased catastrophe losses (particularly, convective storm-related), climate change, and inflation. While insurers actively sought to retain quality risks (especially those in less challenging occupancies), non-preferred risk types such as Natural Catastrophe-exposed risks, poor-performing risks, risks in higher-risk occupancy types, and, especially, risks with significant exposure in Florida, faced a more challenging environment. Property insurance buyers were faced with significant increases in their total cost of risk due to the compounding effect of increased rate together with increased insured values (due to ongoing valuation scrutiny and inflation). Global reinsurance capital was down approximately 10% from its 2021 peak leading insurers to further adjust their appetite to better manage exposure amidst rising reinsurance costs and increased reinsurance retentions. While capacity deployment was conservative, insurer participation decreases decelerated from the participation reductions of the past 12 months. Capacity was constrained for Critical Wind, Flood and Earthquake, as well as for challenging occupancies such as pulp and paper, molten metals and glass, food processing, and frame habitational. Difficult treaty renewals meant insurers retained more risk, which resulted in a sharper underwriting focus and greater underwriting discipline. Detailed descriptions of valuation methodologies were required, and valuation limitation clauses / margin clauses were mandated with greater frequency. Failure of insureds to address critical risk improvements led to rate increases, deductible changes, coverage limitations, and even capacity reduction. CBI coverage continued to be carefully underwritten, and concern related to supply chain vulnerabilities remained elevated. Moody's RMS released an update to its North Atlantic Hurricane Model, and client portfolio testing pointed to an increase in modelled loss estimates, with vulnerability being the primary driver of change. The impact of these changes on Q3 renewals varied by risk geography, year built, COPE, etc. Considering recent inflation and increased business interruption values, limits were reviewed for adequacy, with larger limits generally available for Non-CAT coverage. "Freeze losses" such as Winter Storms Uri and Elliot hit Commercial Property Insurers particularly hard; they affected many clients at multiple locations in multiple states. Underwriters now view such losses as catastrophic events and have pushed to shift "Freeze loss" deductibles from a Per Occurrence basis to a Per Location basis. In addition, there was a shift in Convective Storm deductibles from dollar amounts to percentages. In light of current events and in anticipation of the 2024 Presidential elections, underwriters continued to tighten their approach to SRCC.

Non-physical BI coverage also continued to be scrutinized. Looking ahead, challenging market conditions are expected to continue but may decelerate somewhat following previous actions taken. Underwriting rigor will remain strong.

5

Q3 Summary



5

Q3 Summary

1

The Property market showed signs of stabilization although Nat Cat risks remained challenged

2

Industry leaders took steps forward in their fight against social inflation and “Nuclear Verdicts”

3

The Directors and Officers and Cyber markets continued to become more buyer friendly

4

Underwriting was disciplined and risk differentiation gained further importance

5

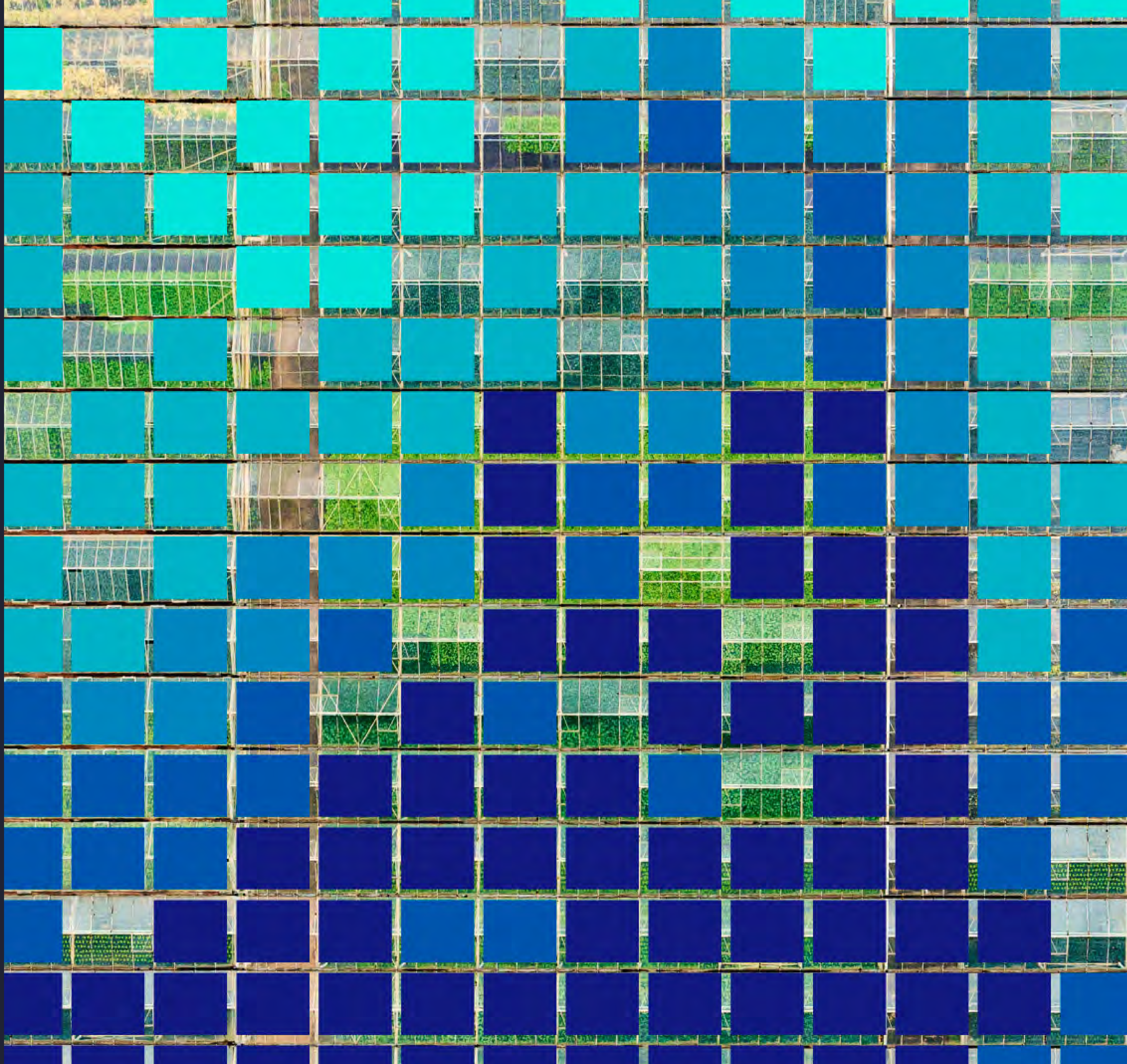
Insurer growth focus sharpened as year-end targets approached

6

Insurers implemented swift actions in response to escalating geopolitical conditions

6

Contacts



For Report Inquiries

Cynthia Beveridge
Global Chief Broking Officer
Commercial Risk Solutions
Aon
cynthia.beveridge@aon.com

Neil Harrison
Global Chief Claims Officer
Commercial Risk Solutions
Aon
neil.harrison@aon.com

Rhonda Jenn
Global Colleague Analytics Leader
Commercial Risk Solutions
Aon
rhonda.jenn@aon.com

Joe Peiser
Chief Executive Officer
Commercial Risk Solutions
Aon
joe.peiser@aon.com

View the Report on the Web

https://www.aon.com/en/insights/reports/global-insurance-market-insights/

About

Aon plc (NYSE: AON) exists to shape decisions for the better—to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

aon.com

Follow Aon on Twitter and LinkedIn. Stay up-to-date by visiting the Aon Newsroom and sign up for News Alerts here.

Registration number: 00210725
Register Office:
The Aon Centre
The Leadenhall Building | 122 Leadenhall Street | London EC3V 4AN.

Tel: +44 (0) 20 7623 5500