AON

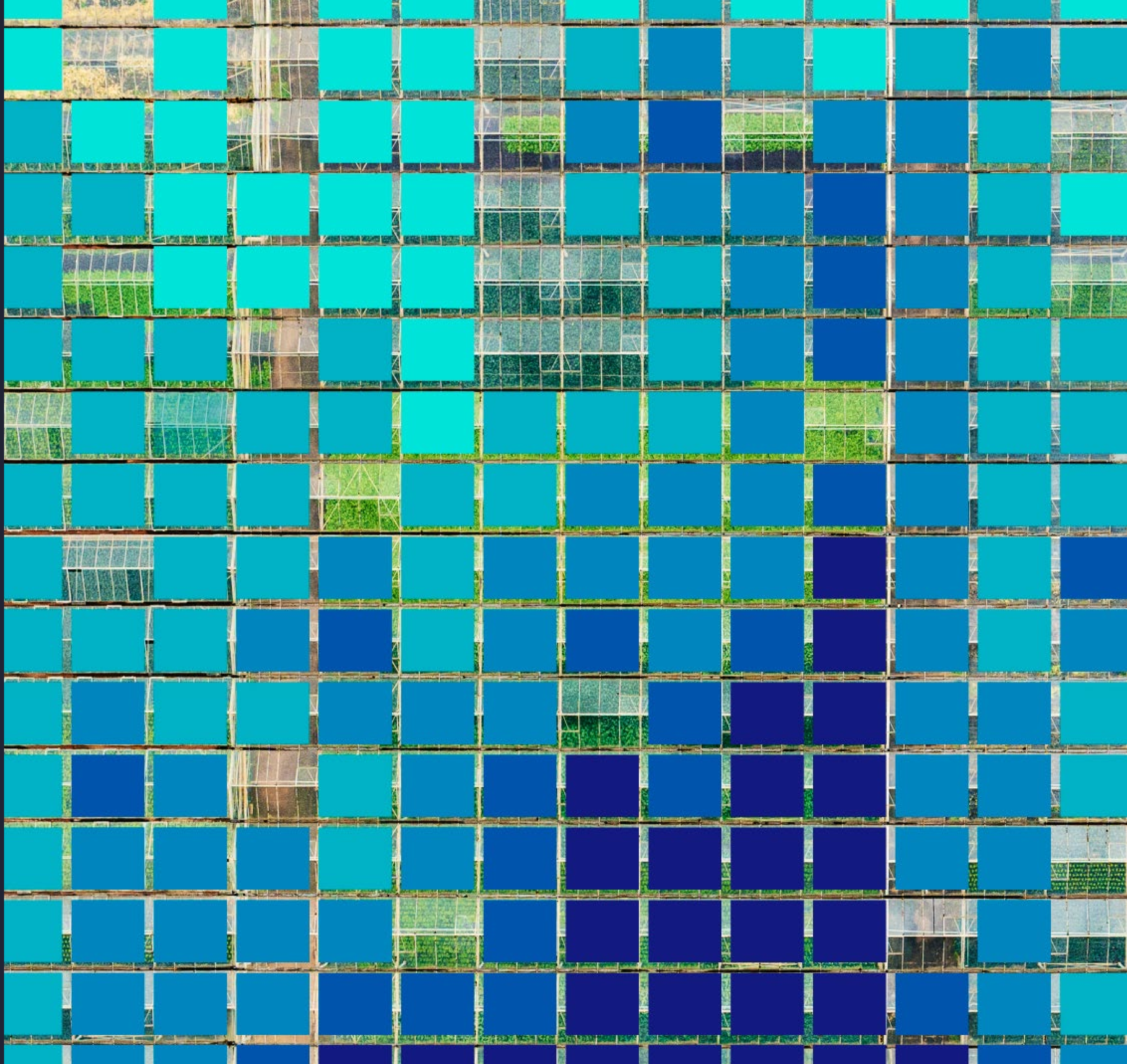
Q1 2024

Global Insurance Market Insights Report

Contents

1

Introduction



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Positive Performance in 2023 Fueled Insurer Growth Ambitions but Underwriting Remained Disciplined

After a prolonged period of adjustments to their appetite, capacity strategies, pricing models and coverage terms, many insurers returned to profitable positions in 2023, leading to healthy appetite, more underwriting flexibility, the availability of coverage options, and abundant capacity across much of the market, especially for preferred risk types. This positive insurer performance created tailwinds in the first quarter of 2024, which saw ambitious insurer growth targets amidst a competitive, well capitalized market environment.

While growth was positioned as a top insurer priority, we also saw insurer strategies shift toward building more sustainable partnerships with insureds through risk differentiation strategies, including selecting, pricing, and solutioning risks to support longer-term profitability and program stability. In the short run, this may mean that some risks will transition to new structures or providers, while over the longer term, insureds will benefit from increased program stability and stronger insurer relationships. While traditional "class" underwriting will continue, we expect risk differentiation to gain momentum as a mechanism to promote a sustainable alignment of solution-to-risk.

Q1 also saw a continued shift in insurance industry and corporate perceptions of alternative risk solutions such as parametric, captives and facilities. Historically, alternative risk solutions were seen primarily as a way to fill gaps left by traditional insurance. Now, with the explosive growth of data, and the availability of innovative analytic solutions, alternative risk solutions have become an integral component of effective risk transfer and financing strategies. Indeed, corporate risk strategies now commonly include traditional insurance, reinsurance, and alternative solutions, informed and enabled by myriad data-driven insights.

Amidst these broad market trends, specific changes in the Property, Liability and Directors and Officers (D&O) markets emerged in Q1:

- Driven largely by improved performance and favorable January 1st treaty renewals, the Property market showed material improvement, with capacity generally available and targeted rate decreases by quarter's end.
- As insurers turned their focus toward a longer-term view of portfolio performance, Directors and Officers underwriting caution strengthened, and price decreases decelerated in some geographies. This was largely driven by insurer concerns related to legacy claims as well as ongoing risks including insolvency filings, increasing securities class actions, and rising legal costs and settlement values.
- Globally, underwriting concern grew related to social inflation resulting from large legal verdicts as financial settlement values that were once only seen in class actions or multi-claimant litigation are now frequently seen in single claimant cases. While US outcomes have historically made the headlines, the social inflation phenomenon is broadly expected to impact more geographies and accelerate in severity.

Against the backdrop of continued economic uncertainty, geopolitical instability, large-scale climate-related events, and shifts in the labor market, and despite anticipation of potential impacts from the late-quarter collapse of the Francis Key Scott Key Bridge in Baltimore, Maryland, the insurance market demonstrated continued resilience through Q1. And there is good reason for continued optimism. Early reports of April 1st renewals indicate that insurer competition, especially for Property, is increasing, which is welcome news for our clients. In 2024, the industry's rapidly growing data and insights will gain further momentum in informing organizations' risk transfer strategies and enabling innovative solutioning. At the same time, risk differentiation strategies will help brokers and insurers match existing and new solutions with the right risks, meeting clients' evolving needs while enabling stronger relationships.

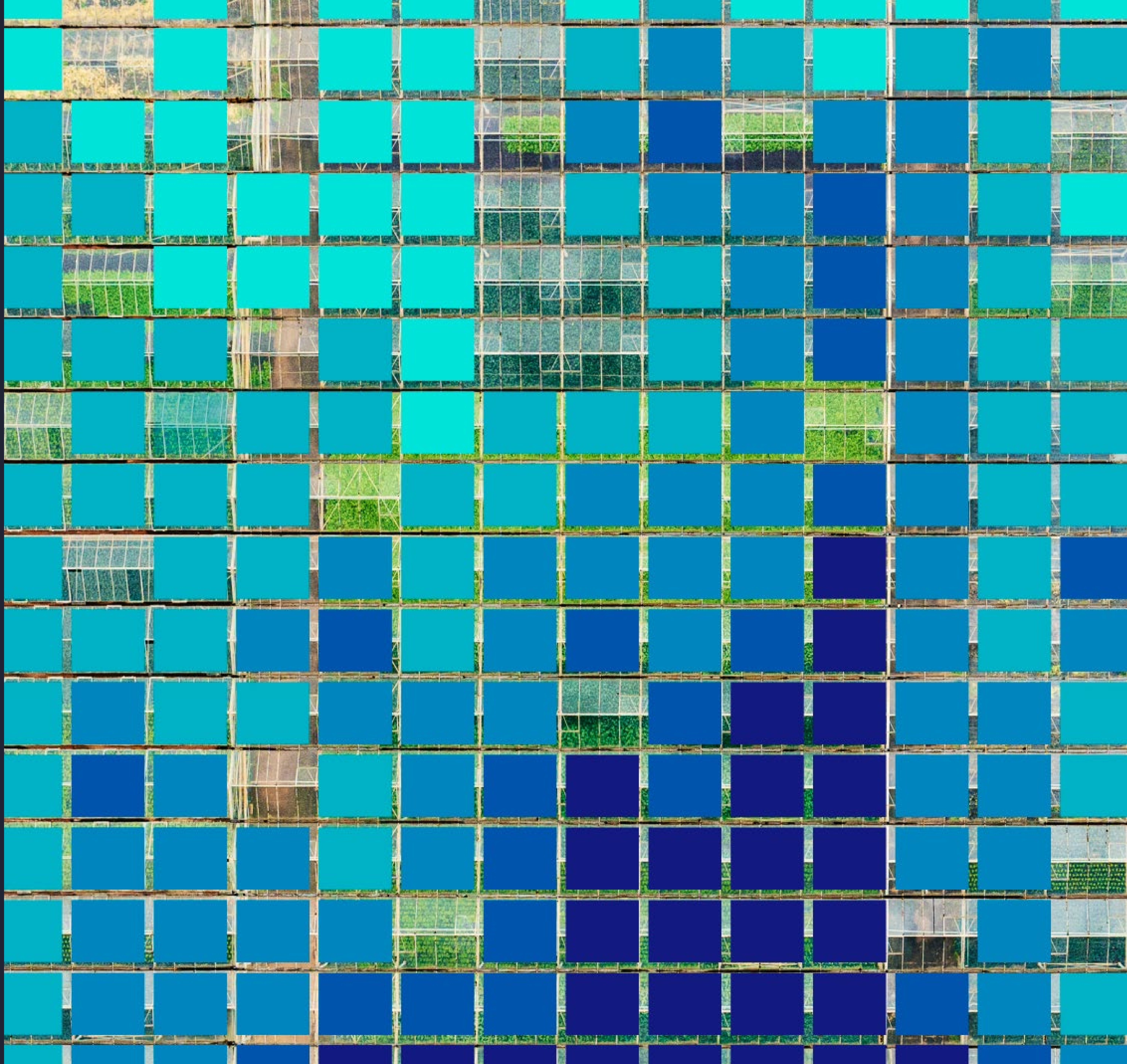
On behalf of our global Commercial Risk team, we hope you find the information in our Q1 Global Insurance Market Insights of value, and we stand ready to help you further.

Joe Peiser

Chief Executive Officer
Commercial Risk Solutions

2

Global Insights



Q1 Global Insurance Market Dynamics

	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
Asia Pacific	Flat	Ample	Prudent	Flat	Flat	Stable
EMEA	+1-10%	Ample	Prudent	Flat	Flat	Stable
Latin America	+1-10%	Ample	Prudent	Flat	Flat	Stable
North America	Flat	Ample	Prudent	Flat	Flat	Stable
Pacific	Flat	Abundant	Prudent	Flat	Flat	Stable

Pricing

While inflation and insurer focus on longer-term profitability continued to pressure pricing upward, robust capacity and healthy competition served to dampen any increases across much of the market. Modest increases or flat pricing became increasingly common with some reductions available, particularly for Cyber and Directors and Officers placements. Where significant increases had been mandated during recent renewals, underwriters showed greater flexibility on current quarter pricing. As insurers sought to match appetite with risk, risk differentiation became a more pronounced strategy and insurers priced accordingly.

Capacity

Insurer growth targets, together with favorable reinsurance renewals, led to a further expansion of insurer appetite and an increase in capacity from established insurers and new market entrants. Preferred and well-performing risks experienced an abundance of capacity, including oversubscription in some cases, while some challenging risk types such as auto fleet risks and non-US domiciled risks with significant US liability exposure continued to experience limitations. Appetite for alternative solutions such as captives, facilities and parametric solutions continued to strengthen.

Underwriting

Underwriting was disciplined as underwriters sought to differentiate risk quality and increasingly relied on data and modeling to focus their appetite and maintain profitability. Targeted risk types with a compelling risk management narrative and favorable loss record achieved superior outcomes. In the face of rising litigation trends, US liability and auto fleet exposures remained key areas of underwriting focus, and some underwriters limited their exposure through buffer layers, corridor deductibles, and ventilation strategies.

Limits

Despite continued inflation, increasing exposures, and concerns related to nuclear verdicts, most placements renewed with expiring limits; however, some limits were increased through expanded insurer participation on targeted risks. In some cases, insureds chose to decrease their limits in exchange for a premium reduction. In the scattered instances where insurers imposed limit reductions, co-insurance and alternative solutions were leveraged to fill any gaps.

Deductibles

Expiring deductibles were available for most placements; however, in some cases such as natural catastrophe property risks, US liability risks (especially on non-US domiciled risks) and programs where risk improvement recommendations had not been satisfied, deductibles and attachment points were carefully (re)considered. Insurers leveraged buffer layers, corridor deductibles and upward shifts in their tower positions to manage their exposures. Deductible options continued to be explored by insureds seeking to optimize program design.

Coverages

Most insurers sought to differentiate through expanded coverage and enhancements for quality risks, especially where competition was strong, and in some cases, such enhancements were available for no additional premium. Per-and polyfluoroalkyl substances (PFAS) exclusions were widely imposed on liability risks – often, regardless of confirmed PFAS exposures. Communicable disease and territory restrictions were generally not considered for renegotiation. Wildfire related language was scrutinized. In some markets, co-insurers imposed verbose endorsements to Property policies that served to complicate the loss adjustment process.

2

Industry Efforts to Address Social Inflation:

In our Q3 2023 edition, we reported on an insurance industry initiative focused on identifying potential political, legislative, or administrative actions that could be taken to mitigate the adverse impacts of social inflation on policyholders and insurers. Since then, industry stakeholders met in November 2023, with over 200 participants (up from 60 in 2022) in attendance, and additional virtual meetings have been held which specifically address issues arising in the states of Florida, Georgia, New York, California, and Pennsylvania.

The partners joining the coalition include insurers (Zurich, Liberty, Travelers, Chubb, AIG, Swiss Re, USAA, Allstate, Allianz, American Family, Amica, AXA, Axis Capital, Berkshire, BHS Specialty, Brit Insurance, CNA, Defardins Insurance, DSP Insurance, EMNC Insurance Companies, Farmers, Nationwide, Pure Insurance, Munich Re, Progressive, QBE, Selective, State Farm, The Hanover, The Hartford), as well as major brokers, including Aon, together with several clients who have joined the effort.

The next in-person event will be at Travelers headquarters in Connecticut in October 2024.

Q1 **Global Insurance Product Trends**

	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property
Asia	Moderate	Moderate	Moderate	Soft	Moderate
EMEA	Challenging	Moderate	Soft	Soft	Moderate
Latin America	Challenging	Moderate	Soft	Soft	Challenging
North America	Moderate	Moderate	Moderate	Soft	Moderate
Pacific	Moderate	Challenging	Soft	Soft	Moderate

Automobile

The market remained moderate-to-challenging, driven by poor loss ratios as accident frequency remained high and costs were pressured by inflation, supply chain issues and the higher cost of enhanced technology components. Insurers continued to impose rate increases and higher deductibles on claims-impacted risks while well-performing risks generally experienced more modest increases – primarily inflation-driven – and some flat pricing, especially when competition was introduced. Telematics and other vehicle safety and driver training initiatives remained useful underwriting levers. Buffer layers, corridor deductibles and alternative risk solutions gained traction as insurers sought to manage their exposure and insureds sought cost-effective solutions.

Casualty / Liability

Pressured by inflation, increasing claims frequency, and ongoing social inflation resulting from large legal verdicts – particularly in the US – that shows no signs of abating, insurer agendas were focused on sustainable pricing, placement structure and coverage terms. Rate increases were common, alongside deductible increases and a tightening of coverage, particularly on claims-impacted risks. Some Umbrella and Excess insurers increased minimum premiums, introduced corridor features, reduced their capacity deployment, requested higher tower positions, and in some cases, exited the Umbrella / Excess market. Underwriting was generally prudent but more rigorous on non-US risks with US exposures, risks with complex and critical products, environmental risks, and risks with pronounced ESG components such as oil, gas and coal. Notwithstanding, insurers were willing to differentiate individual risks, offering more favorable pricing and terms to targeted, well-performing risks with quality underwriting submissions.

Cyber

Capacity was abundant and pricing was flat-to-soft. Amidst a more favorable pricing environment, organizations that had previously opted not to insure their cyber risk, have reconsidered, and many that reduced their limits in the hard market chose to increase them, using data and insights to support their decisions. Many large and multinational clients now require that stakeholders in their value chain purchase Cyber coverage. Certain insurers restricted coverage with respect to systemic risk while others increased underwriting scrutiny related to privacy exposures and data collection (including biometric information, pixel tracking and new privacy/consumer protection regulations, and supply chain vendor risk management).

Directors and Officers

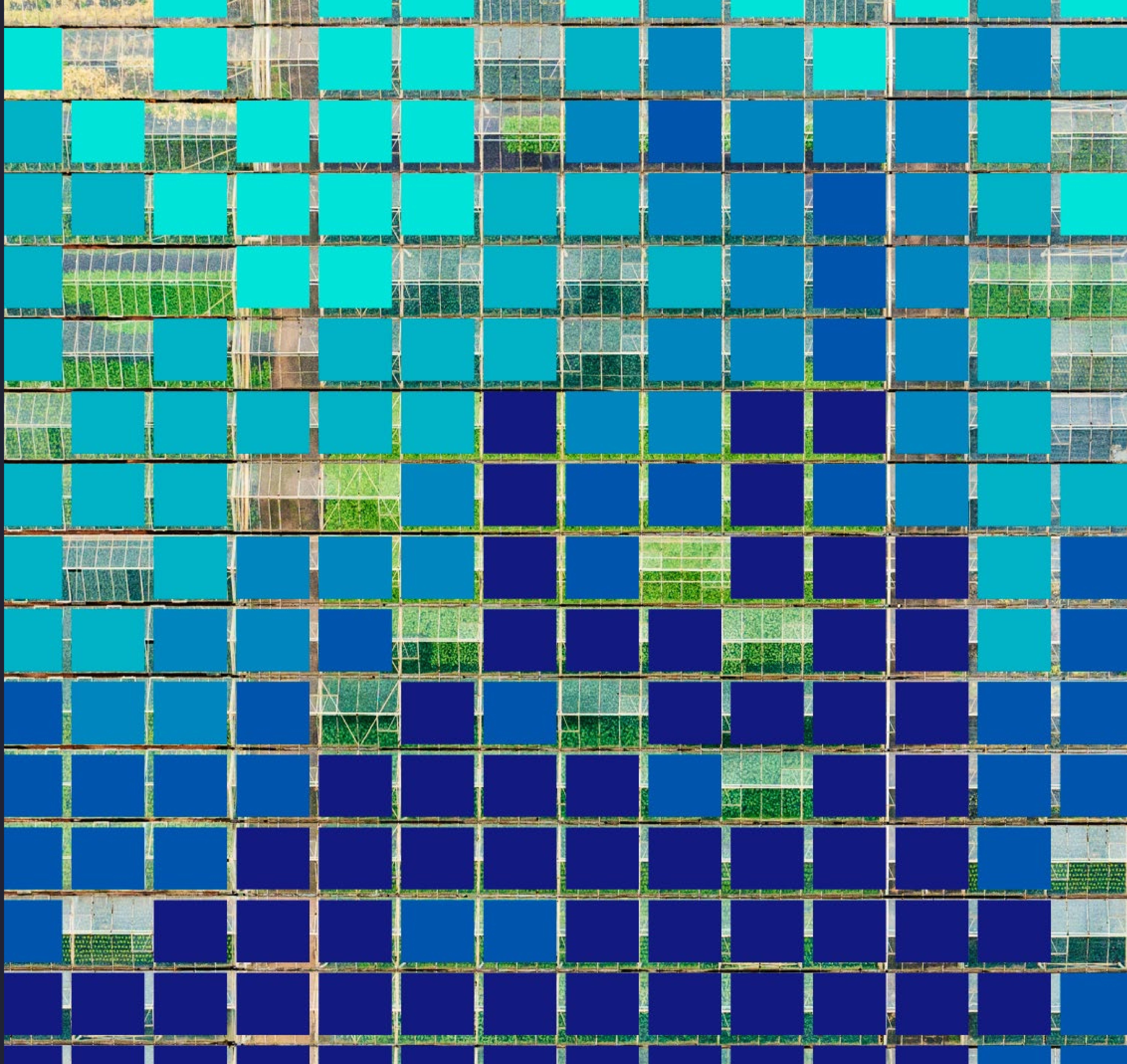
Capacity remained abundant and competitive pricing continued amidst a market that was generally growth-focused, with demand down due to a prolonged period of decreased transactional activity from IPOs and M&A. That said, underwriting caution strengthened related to legacy claims as well as ongoing risks including insolvency filings, increasing securities class actions and rising legal costs and settlement values. Other issues percolating include ESG risks (e.g., disclosures; greenwashing), cyber security risks, inflation uncertainty and the potential impacts of regulatory changes. As a result, across much of the market, the pricing environment tempered, and price decreases decelerated. Following the material price reductions of the past 18 months, insurers may shift their focus to a longer-term view of portfolio performance in the second half of the year.

Property

Driven largely by improved performance and favorable January 1st treaty renewals, the Property market in Q1 showed marked improvement from the challenging and volatile conditions of past quarters. While risks in higher hazard occupancies or with poor loss records continued to experience moderate rate increases, lower-hazard occupancy and well-engineered risks saw a further deceleration of rate increases in a trend that gained traction as the quarter progressed. By quarter-end, modest decreases were available for targeted risks. As insurers turned their focus toward growth, many desirable-to-average risks – including some with natural catastrophe exposure – experienced over-subscription at renewal. Across all risk types, underwriting remained prudent as insurers sought to maintain profitability and build relationships. Terms and conditions remained generally unchanged; however, enhancements to outlier wordings were available in some cases. Use of alternative solutions gained further momentum.

3

Geographic Trends



3

Q1 Asia Market Overview

Executive Summary

- Across the region, market conditions were mixed, with renewal outcomes varying by line of business. Natural catastrophe property risks remained challenged. Financial Lines saw a general softening.
- Despite a robust international insurer presence in the region, opportunities remained for new entrants, particularly in niche products such as Cyber, Crypto, and Transaction Solutions. Capacity was sufficient as new insurers began writing specialty products either directly or through MGAs (which allowed insurers to reduce their entry costs).
- Reinsurers sought premium and retention increases through the January 2024 renewal cycle with increased treaty costs driving increases in the direct market.
- On 3 April 2024, a 7.4 magnitude earthquake struck the east coast of Taiwan. Damage assessments are still being undertaken. Taiwanese corporates, particularly in the technology and life sciences sectors, generally tend to purchase property damage and business interruption insurance. Due to the location of the quake, we anticipate moderate Property losses for insurers (and their reinsurers); these come after significant COVID pandemic claims and will further negatively impact profitability. If Business Interruption coverage is triggered, these losses could be significant given the tightness of supply chains and global demand.

The diversity inherent in the region continued to be exposed, with insurers struggling to provide consistency across either the different geographies or products. Market conditions remained challenging for natural catastrophe exposed property risks, where insurers continued to seek rate increases, as they are not positioned to absorb higher treaty reinsurance costs. The market for property risks that are not natural catastrophe exposed, and much of the balance of the market in general, has moderated or softened.

Paul Young

Head of Commercial Risk
Asia

Q1 **Asia Market Dynamics**

	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
Asia	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable
China	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
Hong Kong	Moderate	-11-20%	Ample	Prudent	Flat	Flat	Stable
Japan	Moderate	+1-10%	Ample	Prudent	Decreased	Increased	Stable
Singapore	Moderate	Flat	Ample	Flexible	Flat	Flat	Stable
Thailand	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable

Q1 Asia Market Dynamics

Pricing

Pricing varied widely based on product line and geography, with competition tending to pressure pricing downward, especially for risks with favorable loss histories. Flat renewal pricing was generally available except where exposures leaned toward property in natural catastrophe zones; in such cases, insureds experienced rate increases.

Capacity

Across the region, capacity was generally sufficient for most risks; however, challenging risk types and some geographies experienced capacity limitations, particularly for natural catastrophe-exposed property risks. Singapore saw new international market entrants focused on growth.

Underwriting

Underwriting was prudent as underwriters sought to differentiate risk quality, offering favorable terms mostly to preferred risk types. Underwriting was more conservative and stringent for US exposures and higher-risk profiles.

Limits

Overall, expiring limits were available on most placements. Some client-selected decreases were observed as clients sought premium savings. In scattered cases where insurers reduced limits, co-insurance was leveraged to fill the resulting gaps. Limit increases were available on preferred risks.

Deductibles

Overall, most placements renewed with expiring deductibles, with the notable exceptions of natural catastrophe property risks and client-selected deductible increases (to achieve premium savings). Deductible increase options were often declined by insureds because the premium savings were deemed incommensurate with the additional risk.

Coverages

Overall, expiring terms and conditions were available on most placements and in some geographies and products, broader coverages were available, often for no additional premium. Per-and polyfluoroalkyl substances (PFAS) exclusions were imposed on liability risks regardless of confirmed PFAS exposures.

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Q1 **Asia Product Trends**

	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property
Asia	Moderate	Moderate	Moderate	Soft	Moderate
Australia	Soft	Moderate	Moderate	Soft	Moderate
China	Moderate	Soft	Moderate	Soft	Soft
Hong Kong	Moderate	Moderate	Moderate	Soft	Challenging
Japan	Moderate	Moderate	Moderate	Soft	Moderate
Singapore	Soft	Moderate	Moderate	Soft	Moderate
Thailand					

Q1 Asia Product Trends

Automobile

Moderate conditions continued across most of the market. Capacity was sufficient as current price levels were deemed sustainable. Commercial vehicles experienced a challenging environment in some parts of the region, as did EVs, due to the high cost of spare parts and batteries, which continued to drive up loss ratios.

Casualty / Liability

While concerns related to increasing liability risk and exposures continued, capacity in the region remained abundant, leading to moderate market conditions. Complex and critical products/risks, as well as large-limit placements with US exposure, experienced a more challenging market environment. Coverage for pure financial loss remained difficult to secure. Preferred risk types, including food, agribusiness and beverage / plant-based meats, experienced strong appetite and healthy competition.

Cyber

Clients meeting underwriting standards experienced healthy competition, especially in excess layers, as some new capacity entered the market. Risks not meeting minimum standards; however, experienced limited appetite. Rate increases were not experienced (other than on a risk adjusted basis), with rate decreases far more common across the region. India was an exception, in part influenced by a cycle time lag. Many insureds sought to reinvest premium savings through the purchase of larger limits, which were generally available in the market, including restoring previously sub-limited coverages. While underwriting standards remained rigorous, the process has become easier and smoother, and excess layer insurers have become more targeted in their risk governance queries.

Directors and Officers

Significant overcapacity from both new and established markets, combined with limited growth opportunities due to the slow IPO market, led to healthy competition and favorable pricing. It was common for insureds to use their premium savings to reduce their deductibles, raise their limits, or improve their policy terms. Underwriters remained concerned about rising global litigation trends and focused on limit management through program ventilation strategies.

Property

Policies that could be placed in domestic markets saw moderate market conditions as local insurers tended to price more competitively than international insurers (which follow global rating guidelines and underwriting philosophies). Larger placements and natural catastrophe-exposed risks experienced a more challenging environment, driven largely by poor loss performance and high reinsurance costs. China’s relatively favorable natural-catastrophe loss performance and smooth treaty renewals supported a moderate environment, even despite ongoing pressure related to the macroeconomic and social environment.

3

Q1 Asia Advice to Clients

- Continue to start the renewal process early. Allow time to tell your story and differentiate your risk.
- Maintain good risk management hygiene. Comply with all risk recommendations on a timely basis.
- Update asset values regularly. Engage all relevant internal stakeholders to support the accurate presentation of risks.
- Leverage data, analytics and modeling. Use Aon's advanced analytic tools to set risk tolerance, identify risk transfer / financing options, and support presentation of risk to insurers.

Q1 Asia Geography Overviews

China

- Risk complexity has continued to grow, and the risk landscape has become increasingly volatile. Clients are engaging with Aon and insurers to identify any protection gaps, raise their risk awareness, form new data partnerships, and provide information about their needs to support innovative solutioning.
- Most domestic insurers shifted their focus from top line growth to profitability in response to declining investment returns.
- Underwriting was disciplined on Chinese risks with interest abroad due to reduced treaty capacity for such risks.

Hong Kong

- The market environment was competitive as insurers sought to retain current risks and grow their portfolios. Insurers were particularly competitive on coverage for small cap US IPOs. More insurers established growth plans in the facility and SME space. New capacity entered the Crypto space as well as the Medical Malpractice space.
- While preferred risks were often over-subscribed, less desirable risks, e.g., product recall and Myanmar risks, experienced limited appetite and capacity.
- Many clients chose to take advantage of the current favorable market environment by reviewing coverages and limits, especially those that were reduced when market conditions were challenging. Increased limits and coverage enhancements were generally available. On financial lines, due to the weakened economic environment, the majority of clients chose to keep premium savings rather than reinvest in program enhancements.

Japan

- While poor performance over the past decade was the key driver of continued property market hardening, even well-performing risk types experienced conservatism and strict underwriting as many insurers continued to reevaluate their existing pricing, coverage and capacity.
- Insurers continued to sharpen their focus toward preferred risk types; however, even preferred risks faced market challenges, in a trend that is expected to accelerate due to the divestiture of cross-shareholdings under the guidance of the Financial Services Agency.
- The Cyber market continued to move toward flat pricing, driven by the healthy appetite of domestic insurers; however, underwriting remained rigorous across all insurers.
- Aon recommends that Japanese corporates re-evaluate their risk management, risk tolerance, and risk retention strategies by leveraging data-driven modelling and scenario analysis.

Q1 Asia Geography Overviews

Singapore

- The market continued to adjust to the evolution of risk over the past 12-24 months. Auto, for example, has experienced a significant uptick in activity and loss levels. As a result, insurers have tightened their appetite, capacity deployment, underwriting and pricing approaches as they aim to achieve and maintain a sustainable portfolio.
- Singapore property risks experienced a moderate market, with local insurers pricing more competitively than international insurers (which follow global rating guidelines and/or underwriting philosophies). Warehouse and cold storage risks continued to experience a challenging market environment. Clients have become more aware of the importance of adequate insured values and remained attentive to updating their declared values to keep up with inflation.
- Superior placement outcomes were achieved through early planning and thorough preparation, e.g., collecting renewal information at least 90 days prior to renewal, providing quality underwriting information, and where possible, adhering to the risk recommendations in survey reports.

Thailand

- A continued tightening of treaty reinsurance terms has led to a lack of market appetite – especially across domestic insurers – for more hazardous occupancy property risks and those with poor loss experience.
- Pricing increased and underwriting became more rigorous for property risks in general.
- In the post-COVID environment, more and more domestic clients are seeking to purchase risk transfer products on-line. There is an opportunity for greater tech-enablement

Solution Spotlight:

In Thailand, Battery Electric Vehicle Insurance policy wording has been agreed by Office of Insurance Commission and such wording has been mandated to be applied by underwriters.

3

Q1 EMEA Market Overview

Executive Summary

- The 2023 buyer-friendly cyber market conditions continued into Q1 2024. Increased competition and the availability of more capacity helped served to sharpen insurer focus on retention and encourage participation expansion. At the same time, the increase in frequency of incidents prompted clients to consider long-term goals for their cyber insurance strategy and to ensure that their cyber insurance strategy was complementary to their overall cyber resilience strategy.
- The Directors and Officers market remained favorable; however, as the landscape grows increasingly complex with ESG disclosure requirements, cyber disclosures, and an increase in collective actions across the region, underwriting may become more conservative in the upcoming months.
- Insurers remained concerned related to the growing frequency and severity of Casualty losses from US exposures. Insurers were also concerned about the potential impact on claims of the new laws and regulations anticipated across the region. Against this backdrop, competition strengthened for Casualty risks that did not have US exposures or exposures in high-risk industries such as pharmaceutical, chemicals or mining. Risks in such industries experienced challenging market conditions including capacity limitations, coverage restrictions and increasing deductibles and/or premiums.
- Property market pricing remained moderate and pressure to increase retentions eased. Insurers focused on growing balanced portfolios. In light of previous adjustments to rate and retention levels, the 1/1 treaty renewals were broadly more positive than past renewal.

The year started as it finished. We continued to see insurers focus their attention on risk quality, creating opportunities for clients to differentiate in an effort to secure an optimal result.

Terence Williams

Chief Broking Officer
Commercial Risk Solutions
EMEA

Q1 EMEA Market Dynamics

	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
EMEA	Moderate	+1-10%	Ample	Prudent	Flat	Flat	Stable
D-A-CH	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
Iberia	Moderate	+1-10%	Abundant	Prudent	Flat	Flat	Stable
Italy	Moderate	+1-10%	Ample	Rigorous	Flat	Flat	Stable
Middle East	Moderate	Flat	Ample	Prudent	Flat	Increased	Stable
Netherlands	Moderate	+1-10%	Abundant	Prudent	Increased	Flat	Broader
Nordics	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable
South Africa	Moderate	+1-10%	Constrained	Rigorous	Flat	Flat	Stable
United Kingdom	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable

Q1 EMEA Market Dynamics

Pricing

Insurer positions on rate at renewal varied widely based on risk type and claims experience. Following adjustments imposed in recent years, modest increases or flat pricing became increasingly common, with more significant price increases largely reserved for loss-impacted risks or risks with wider challenges such as heavy industry segments, poor risk quality or specific peril exposures. Cyber and Directors and Officers pricing remained favorable for insureds, and reductions were common. The Auto market remained hard in several countries across the region.

Capacity

Capacity – from established insurers, new market entrants and reinsurers – was broadly sufficient to meet most clients' needs, with the notable exception of fleet risks, and the South Africa market.

Underwriting

Even as market conditions generally improved across much of the market, underwriting remained disciplined, and detailed risk information was required. Insurers became more focused on risk differentiation.
South Africa faced a more rigorous environment, particularly related to property valuations and business interruption calculations.

Limits

Despite continued inflation and increasing exposures, limits remained generally flat in Q1; however, increases were available in certain geographies and for certain risk types.

Deductibles

Expiring deductibles were available for most placements; however, increases were imposed in some cases, e.g., where risk improvement recommendations had not been implemented, where natural catastrophe exposure was high, and on loss-impacted / distressed risks and risk types. Deductible options were commonly explored by clients as a mechanism to optimize program design and spend; decisions were based on whether premium credit was deemed commensurate with additional risk.

Coverages

In line with the overall market moderation, most insurers continued to demonstrate flexibility in terms of coverage enhancements, especially on quality risks, and in parts of the market where competition was strong. Coverage restrictions continued for loss-impacted perils and exposures including secondary perils, Contingent Business Interruption and per-and polyfluoroalkyl substances (PFAS). Close insurer engagement and high-quality underwriting details were important to securing enhancements.

Q1 EMEA Product Trends

	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property
EMEA	Challenging	Moderate	Soft	Soft	Moderate
D-A-CH	Challenging	Moderate	Soft	Soft	Moderate
Iberia	Challenging	Soft	Soft	Soft	Moderate
Italy	Challenging	Soft	Moderate	Soft	Challenging
Middle East	Moderate	Soft	Soft	Soft	Soft
Netherlands	Not Applicable	Moderate	Moderate	Moderate	Moderate
Nordics	Moderate	Moderate	Soft	Soft	Challenging
South Africa	Moderate	Moderate	Moderate	Moderate	Challenging
United Kingdom	Moderate	Moderate	Soft	Soft	Moderate

Q1 EMEA Product Trends

Automobile

The Auto market remained challenging across much of the region, driven by increased loss ratios stemming from higher accident frequency and rising claims costs due to natural catastrophe events, inflation, and supply chain challenges. Price increases continued across large portions of the market, although some reductions could be secured on consistently well-performing risks. Reinsurance treaties followed last year's stance where increases were sought.

Casualty / Liability

Smaller domestic risks in benign industries experienced favorable conditions, with insurers – both established and new market entrants – competing to retain their renewals. While original positions often included rate increases, aggressive growth targets ultimately meant rate reductions for in-appetite risks. For larger and more challenging risk types, local capacity reductions required international insurer participation to complete placements. While the general outlook improved, US exposures remained a key concern and such risks were scrutinized. Per-and polyfluoroalkyl substances (PFAS) also remained a key underwriting concern, with most insurers excluding this exposure.

Cyber

As cyber incidents such as ransomware and privacy events have continued across the region and globally, cyber risk management strategies have come under scrutiny; however, Cyber insurance rates in Q1 continued to trend downwards, and capacity was abundant, as insurers sought to achieve ambitious growth targets. Risks with best-in-class controls experienced the most significant savings. Systemic risk remained a top concern for insurers, and they continued to evaluate, scrutinize, and in some instances, restrict coverage offered for critical infrastructure, systemic and/or correlated events, and war. Some clients faced restricted coverage on either a generalized or event-specific basis. Privacy-related losses continued to mount, especially for US-exposed risks, and insurers increased underwriting scrutiny related to privacy exposures and data collection (including biometric information, pixel tracking and new privacy/consumer protection regulations).

Solution Spotlight:

CEDAR, Aon's Cyber MGA by Aon Underwriting Managers (AUM), is designed for clients with turnovers of $100m -$2b and offers up to EUR/USD 20M of A+ rated Lloyds' capacity.

Contact your Aon Team to learn more.

Q1 EMEA Product Trends

Directors and Officers

D&O market conditions remained favorable and price reductions continued; however, insurers started to assess (reduced) pricing versus increased exposures, with key points of discussion being the increase in insolvencies, ESG strategies and execution, cyber security postures, and the impact of regulatory changes, e.g., the latest “failure to prevent” offense under the Economic Crime and Corporate Transparency Act 2023 which focuses on fraud. (This regulation is expected to give the Serious Fraud Office more identification power and make it easier to name companies for fraud committed by their employees.) With an increase in the number of security class actions this year and a significant increase in settlement values, it will be necessary to keep a watchful eye on potential market changes.

Property

Driven by positive insurer results, new 2024 insurer growth targets, and capacity from new market entrants, market conditions continued to improve. Capacity was generally sufficient and rate pressure eased. Price increases continued, although flat renewals – and even reductions – could be achieved on risks where competition was significant. Despite a general market improvement, a more challenging market continued across heavy industry segments, specific perils/risks (contingent business interruption, natural-catastrophe, and secondary perils), inflation-impacted risks, and risks with poor risk quality. Waste was the most scrutinized industry sector across EMEA, and insurers had limited appetite and capacity availability for such risks. Structured solutions and parametric gained prevalence as insureds sought to support their retention strategies or close the protection gap.

Q1 EMEA Advice to Clients

- Start renewal planning discussions early. Doing so ensures that you can develop high quality submissions and engage proactively with the market. Consider Plan B strategies and alternative solutions.
- Evaluate cyber coverages, limits and deductibles. In today's favorable Cyber market environment, Aon recommends that clients reconsider their Cyber insurance programs, including re-entering the insurance market if applicable. Clients should leverage data and analytics to evaluate limit adequacy, especially as pricing continues to decelerate for excess layers.

Solution Spotlight:

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

Contact your Aon Team to learn more.

Q1 EMEA Advice to Clients

- Set long-term goals for your risk transfer strategy. Identify the right long-term insurer – one that understands your risks, has claims philosophies that align with your needs, and that supports policy wording customization to address relevant exposures and incident response strategies.
- Adjust your budgets to recognize the potential for the D&O market to shift. With an increase in the number of security class actions this year and a significant increase in settlement values, it will be necessary to keep a watchful eye on changing market dynamics as a result of increased social inflation.
- Get to know your primary insurer and their claims manager. Connect in person at least once a year if possible. Keep an alternative primary insurer in mind.

Tip: While conditions have generally improved, a robust broking strategy remains key to delivering successful outcomes. Essential components include:

1. Insurer engagement (Structured engagement with incumbent and new insurers)
2. Information (Robust details across key exposures and areas of insurer concern)
3. Time (Engaging early to allow for each phase of the renewal)
4. Alternative solutions (Exploring alternative solutions and program design)

Q1 EMEA Geography Overviews

D-A-CH

- In a growth-focused environment, capacity overall was generally sufficient, coverage terms remained stable, and modest price increases continued. Underwriting was disciplined but varied by product.
- The property insurance market has moderated after years of rate increases. In Q1, insurers offered flat renewals and long-term agreements on risks where the current rate level was deemed sustainable. Rate increases, together with some capacity reductions, continued for poor-performing and lower-quality risks.
- The Liability market was moderate. Modest price increases were common, but flat renewal pricing was available for preferred risk types. Underwriters remained concerned related to per-and polyfluoroalkyl substances (PFAS) risk due to uncertainty regarding the insurability of PFAS and potential future liability claims.

Iberia

- The Spanish market experienced abundant capacity as new insurers and MGAs entered the market. Competition was healthy, with additional insurers quoting lead positions. The market was favorable across most products including D&O, Professional, Cyber, General Liability and preferred Property placements. Motor fleet coverage remained the most challenged class of business. Combined financial lines products have become more common.
- The Portuguese market saw growing interest from international insurers, leading to a moderate market environment for most risks with the notable exceptions of wood, transportation and motor. Pricing of local compulsory policies was pressured due to increasing third party service costs. Clients evaluated options including captives for PDBI portfolios and parametric solutions.

Italy

- Losses from 2023 natural-catastrophe-events (valued at +3bn Euro of insured losses), combined with prolonged insurer profitability challenges, had a material impact on the local Property SME market. Insurers broadly reviewed their Property portfolios, revised terms and conditions, and deployed capacity more conservatively.
- Competitive / alternative Property terms were difficult to achieve and were only available to risks with detailed underwriting information and favorable loss history.
- Mandatory natural catastrophe coverage for corporates is being introduced as of December 31st 2024, which is expected to create a surge in demand.

Q1 EMEA Geography Overviews

Middle East

- Market conditions generally trended toward soft, with most risks experiencing price reductions, underwriting flexibility and sufficient (and increasing) capacity in a competitive market environment. Key exceptions included Crime, Political Violence and Marine Cargo placements, as well as risks affected by the instability in the Red Sea. Underwriters were more cautious when underwriting risks in loss-impacted segments.
- Cyber and D&O markets remained soft amidst a well-capitalized market. Incumbent insurers sought to retain renewals and expand their participation by offering price reductions and coverage enhancements.
- Sabotage, Terrorism, and Political Violence coverages, as well as Marine Cargo, War, and Strikes Riot and Civil Commotion coverages, experienced a challenging pricing and capacity environment due to political instability in the region. Many insurers shifted their appetite away from these coverages or reduced their exposure through higher deductibles and coverage restrictions.

Netherlands

- Property and Marine market conditions were moderate, with sufficient capacity and some rate decreases driven by insurer growth ambitions.
- While the General Liability and Financial Lines market environments were broadly moderate, risks with US liability exposures experienced challenging market conditions.
- The Cyber market was moderate in general but more growth-focused and competitive on excess layers and in the mid-market segment. Rate reductions were available for some well-managed risks with favorable loss history.
- The insurability of energy transition related risks remained challenging. Insurers sought extensive data and historical information to calculate pricing and assess the risk. In many cases, however, the availability of such data and information was limited.
- Food and beverage risks experienced a challenging environment with limited capacity.

Nordics

- Portfolio re-underwriting led to decreased line sizes and, in some cases, declinations to quote, especially for higher-risk occupancies and on loss active placements. Moderate rate increases, higher deductibles, and firmer risk management requirements were imposed on some risks, which created opportunities for global insurers to engage or increase their line sizes. Alternative program structures and solutions were key tools to achieving program objectives.
- Challenges continued for natural catastrophe exposed property risk. Amongst other measures intended to limit their exposure, insurers imposed natural-catastrophe sub-limits. Timely placement completion was a challenge on some high-risk occupancies and loss active risks.
- Underwriting was selective and disciplined. Detailed submission information was required, including up-to-date details of exposures and risk management measures, as well as documentation of assessments of values by external consultants or proper value indexation.
- Market conditions for Directors and Officers coverage remained favorable. Competition was healthy as new insurers entered the market with broad appetite and established insurers sought to increase their line sizes.

Q1 EMEA Geography Overviews

South Africa

- Capacity from local and global insurers was limited, and placement challenges continued, especially for global programs and for risk types that were not in appetite / preferred.
- The requirement to provide granular information such as geo-co-ordinates and value splits between property damage and business interruption remained burdensome and challenging for some clients.
- Inflation impacted underwriting and claims processes.
- Natural-catastrophe related coverage restrictions / exclusions were applied to specific locations (e.g., KwaZulu-Natal).
- Grid Collapse exclusions (Eskom loadshedding risks) were embedded in underwriter placement terms.
- Alternative Risk Transfer mechanisms, valuation services, and business interruption analysis have become common useful levers in navigating the property market.

United Kingdom

- Across most major classes, the general trend was one of market moderation or improvement. Price increases were limited to specific cases, with flat renewal rates becoming increasingly common and some reductions available for targeted risk types.
- Capacity increased from both direct insurers and reinsurers, and was sufficient for most risks. Capacity came from established (re)insurers looking to expand as well as new market entrants.
- Both insurer and reinsurer results improved as a result of the underwriting strategies deployed in recent years and the positive impact of the wider macroeconomic landscape (notably, investment income). As results improved, new growth targets emerged across the market which increased competition and positively impacted client outcomes in targeted areas.
- Class-specific challenges continued across heavy industry sectors, lower-quality risks, and specific exposures / perils such as: contingent business interruption, secondary natural catastrophe perils, US auto and liability exposures, and per-and polyfluoroalkyl substances (PFAS). Such risks and exposures were best addressed via close insurer engagement, exposure analysis and the through detailed underwriting information.

Q1 Latin America Market Overview

Executive Summary

- Client demand for Cyber coverage continued to increase and insurers stepped up. However, robust underwriting requirements have proven difficult to meet for most clients.
- Facultative reinsurance has become more prevalent, driven by increasing natural catastrophe events (e.g., in Mexico and Argentina) and adverse losses.
- Insured property values remained under scrutiny.
- Significant pricing increases in recent years, combined with improved loss performance, brought tail winds for Directors and Officers, Marine and Casualty renewals. Some terms and conditions were also renegotiated.
- Due to poor performance in recent years, risks in the mining, power, oil & gas, pharma, and agrochemicals (glyphosate and atrazine) industries faced continued challenges related to terms and conditions, pricing and capacity.

The frequency of natural catastrophe events has increased across the region, fueling ongoing challenging property market conditions. This environment calls for creative and efficient solutions, particularly when insurance programs exceed automatic treaty local market capacity and require facultative reinsurance. There has never been a greater need for alternative risk transfer solutions, including parametric solutions and captives.

Andrea Aguilar

Head of Strategy and Broking
Commercial Risk Solutions
Latin America

Q1 Latin America Market Dynamics

	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
Latin America	Moderate	+1-10%	Ample	Prudent	Flat	Flat	Stable
Argentina	Moderate	Flat	Abundant	Flexible	Flat	Flat	Stable
Brazil	Moderate	Flat	Abundant	Prudent	Increased	Flat	Stable
Chile	Moderate	+1-10%	Constrained	Prudent	Flat	Flat	Stable
Colombia	Moderate	+1-10%	Ample	Prudent	Flat	Flat	Stable
Mexico	Challenging	+1-10%	Constrained	Rigorous	Flat	Increased	Stable

Q1 Latin America Market Dynamics

Pricing

Modest price increases continued as insurers evaluated portfolio-wide performance, i.e., improved performance across D&O, Casualty and Marine did not offset poor performance in Auto and natural catastrophe-exposed property.

Capacity

Capacity varied widely by risk type and performance, with preferred risks seeing abundant capacity while poor performing risks experienced constraints.

Underwriting

Underwriting was disciplined for complex and poor-performing risks, especially Property and Auto, while some flexibility was demonstrated for preferred placement types and areas targeted for growth, such as D&O.

Limits

Expiring limits were available for most placements and, in some cases, such as where exposures had increased or where reductions were imposed in the past, limit increases were available.

Deductibles

Expiring deductibles were available for most placements.

Coverages

Most placements renewed with expiring coverages. Insurers seeking to differentiate were more likely to reduce pricing than to enhance or broaden coverages.

Q1 Latin America Product Trends

	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property
Latin America	Challenging	Moderate	Soft	Soft	Challenging
Argentina	Moderate	Moderate	Challenging	Soft	Moderate
Brazil	Moderate	Moderate	Soft	Soft	Challenging
Chile	Challenging	Moderate	Challenging	Soft	Moderate
Colombia	Moderate	Challenging	Soft	Soft	Moderate
Mexico	Challenging	Moderate	Soft	Soft	Challenging

Q1 Latin America Product Trends

Automobile

High losses and poor insurer performance in Chile and Mexico, combined with significant impacts from currency devaluation in some countries, has created a challenging market environment across parts of the region. Many clients sought out Aon's TCOR analysis to quantify and benchmark costs and inform management decisions.

Casualty / Liability

As they focused on growth, insurers from outside the region pressured local and regional insurer pricing downward, and 'flat' pricing was achieved for most renewals. Capacity was abundant, both on a direct and reinsurance basis. Deductible increases were common as underwriters sought to offset the effects of inflation and rising frequency of losses. While the market was moderate overall, oil and gas and coal risks experienced a more challenging market environment as insurers became more rigorous and conservative on matters related to ESG. Local insurers limited their appetite and capacity deployment on Environmental Liability and Product Recall, driving more into reinsurance markets.

Cyber

While pockets of challenging conditions continued, new capacity flowed into the market from reinsurers while direct insurers also expanded their appetite, creating buyer-friendly market conditions – including flat-to-soft pricing and deductible decreases – for many risks. Demand grew as more clients sought to purchase Cyber coverage for the first time or to increase their limits, following high profile incidents which served to raise awareness of cyber risks. Many large and multinational clients have begun requiring that stakeholders in their value chain evidence cyber coverage. Underwriters were more demanding regarding clients' cyber hygiene.

Solution Spotlight:

Aon's Cyber Loop is a model for sustained cyber resilience that recognizes the importance of stakeholders – from risk and insurance managers to IT-OT managers – coming together to embark on the resilience journey to make holistic decisions around cyber risk.

To learn more about Aon's Cyber Loop, contact a member of your Aon Team.

Q1 Latin America Product Trends

Directors and Officers

Capacity expanded across reinsurers and local direct insurers, further increasing competition and causing soft market conditions to continue. New market entrants sought to build their portfolios quickly. Underwriting remained rigorous, particularly around matters related to ESG, given the region's focus on the exploiting and exporting of commodities and related climate and environmental concerns. Side C deductibles, especially for US listed risks, experienced continued pressure.

Solution Spotlight:

As part of Aon's commitment to helping clients make better decisions, we are preparing to introduce the D&O Analyzer in the region. The Analyzer models potential losses and simulates insurance program options and total cost of risk, enabling clients to make more informed, data driven decisions to optimize the value of their insurance.

To learn more about Aon's D&O Analyzer, contact a member of your Aon Team.

Property

With the increasing frequency and severity of natural catastrophe events such as Hurricane Otis, US wildfires, and flooding, natural catastrophe-exposed risks experienced capacity limitations. Programs exceeding automatic treaties that required facultative reinsurance experienced the most challenging market conditions. Some countries in the region experienced restrictions to the maximum number of coinsurers per property placement, which resulted in the need for more facultative reinsurance in order to complete some programs. There is strong demand for alternative solutions for certain risk segments such as the forestry industry, the salmon industry (where biomass capacity is limited), motor fleets, and other parts of the market experiencing capacity contraction due to treaty restrictions and/or poor performance.

Q1 Latin America Advice to Clients

- Allow sufficient time to tell your story and react to changes. Continue to focus on providing high-quality underwriting information and starting the renewal process early to anticipate and mitigate any changes in terms and conditions which may potentially impact TCOR, e.g., inclusion of facultative reinsurance in the program structure.
- Pay special attention to asset valuation and limits. Valuations remain under scrutiny.
- Consider alternative risk transfer options. Explore captive vehicles and parametric solutions, especially when traditional risk transfer mechanisms are unable to satisfy all program objectives (e.g., full limits and/or coverage unavailable in the traditional insurance market).

Solution Spotlight:

As alternative risk transfer solutions gain momentum across the region many clients are turning to Aon's Captive Feasibility Analysis to answer questions such as:

- What value can a captive provide to my organization?
- What would a captive structure look like for my risk and exposure profile?
- What business should my captive write?
- Where should my captive be located?
- How should my captive be operated?

Contact your Aon Team to learn more.

Q1 Latin America Geography Overview

Argentina

- Property market pricing increased, and capacity contracted due largely to catastrophic events (winds and floods) that occurred in late-2023. Appetite and capacity for risks using composite panels (e.g., food and beverage, pharma, logistics) was limited.
- The market was limited for Cyber, and participating insurers maintained rigorous underwriting with onerous information requirements.
- Abundant Marine capacity and a competitive landscape continued to drive down marine pricing.
- Casualty insurer appetite was limited for pharma, public service distributors, agrochemicals (glyphosate and atrazine) and energy risks.
- D&O market appetite was limited for US-listed companies.
- Auto insurers, having experienced poor loss ratios in 2023, were more conservative in their underwriting appetite, capacity deployment and pricing.

Brazil

- Risk differentiation in terms of loss history and risk quality, together with robust underwriting information, was key to achieving superior placement outcomes.
- Insurers absorbed more risk under their treaty structures, leading to greater market conservatism.
- Terms and conditions could be renegotiated on well-performing risks and products such as D&O that had experienced a tightening of terms and conditions in recent years.
- Capacity challenges were experienced for:
  - The wholesale trade credit market.
  - Distressed clients and segments, and financial bonds, in the surety market.
  - Upper middle market property risks with higher exposures and distressed property risks such as warehouses.
  - Crop coverage.

Chile

- The Property market remained challenged, with significant rate increases for loss-active risks and capacity challenges for natural catastrophe-exposed risks. Property valuations remained under scrutiny. Underwriting was rigorous and robust underwriting information, including risk engineering surveys, was key to achieving superior terms and conditions.
- Cyber and Auto capacity was somewhat constrained; underwriting was rigorous and onerous.
- The D&O market experienced healthy competition, robust capacity, flexible terms and conditions and favorable pricing from both local and reinsurance markets.

Q1 Latin America Product Trends

Colombia

- As insurers achieved profitable pricing levels, the market further moderated. Insurers were focused on risk selection and sought well-managed risks, looking carefully at insureds' risk control and management, and ESG investments.
- Capacity was abundant for most risks but limited for challenging sectors such as mining, power, and oil & gas which required international market capabilities.
- Economic impacts have caused a contraction in industries such as infrastructure and oil & gas, which has led to insurer conservatism for risks in these industries.
- Auto appetite was strong, and underwriters focused on identifying solutions to meet client needs. Pricing remained moderate with some decreases available for well-performing risks.

Mexico

- The aftermath of Hurricane Otis has further highlighted the need for accurate and up-to-date declaration of total insurable values and the purchase of insurance-to-value, and also brought to light the importance of broad and comprehensive coverage terms.
- Due to reinsurance treaty conditions and impacts from Hurricane Otis, Property market capacity was constrained, and underwriting was rigorous, often requiring survey visits, historic loss records and other detailed information. Large and complex risks, as well as beachfront and coastal risks, experienced the most challenging market conditions.
- Rising loss costs caused by ongoing inflation, supply chain challenges, and increased accident frequency have continued to create challenging Auto market conditions.
- Insurers have reduced their limits and are focusing their appetite at higher attachment points. Coinsurance arrangements, leveraging supplementary facultative reinsurance capacity, have become increasingly important.

Solution Spotlight:

In Mexico, Aon's Hybrid Automobile Insurance Solution, comprised of an administered fund plus risk transfer, is now available and can be combined with Aon's full suite of risk and loss control.

Talk to your Aon Team to learn more.

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Q1 North America Market Overview

Executive Summary

- As insurers sought to balance their 2024 growth agendas with caution related to portfolio sustainability, appetites and attitudes toward individual and portfolio risk continued to shift, as did capacity deployment and attachment points. Insurers turned to careful risk selection and selective capacity deployment to support sustained performance.
- Targeted and well-performing risks experienced favorable market conditions while challenged risks saw continued price increases (although more moderate than in recent years) and some targeted capacity limitations.
- Momentum accelerated for alternative solutions including parametric solutions, structured insurance, facilities, panels, and captives as the risk environment continued to grow more complex, data-enabled, and interconnected, as natural catastrophe-exposed risks continued to dominate underwriting agendas, and as C-suite perceptions shifted from traditional views of the insurance mechanism toward a more strategic view of insurance as a form of 'rented capital' to be included in a firms' capital allocation strategies.

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We may be at a pivotal moment. There seems to be some rotational momentum in the marketplace. Property rates and valuations have appeared to peak so that the rotation is gaining momentum in the buyer's favor. In the Casualty space, anything with wheels continues to be problematic in terms of losses. Competition is more fervent, and differentiation remains key.

Brian Wanat

Head of Commercial Risk Solutions
North America

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The 2024 market faces many of the same challenges as observed in 2023, resulting in a complex and dynamic marketplace. Overall, we are seeing an expansion in capacity and appetite signaling that the market is transitioning into a more competitive space; however, the focus on underwriting and risk selection will prevail as insurers strive to maintain profitability.

Russ Quilley

Chief Broking Officer
Commercial Risk Solutions
Canada

3 Q1 North America Market Dynamics

	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
North America	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable
Canada	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable
United States	Moderate	Flat	Ample	Prudent	Flat	Flat	Stable

Q1 North America Market Dynamics

Pricing

Driven largely by insurer growth agendas, flat-to-slightly-decreased pricing was available for many targeted and well-performing risks, especially, in the Cyber, Directors and Officers, and Property markets; however, where significant decreases had already been realized at past renewals, underwriters were more conservative in current quarter pricing. Less preferred and challenged risks experienced price increases, although such increases materially decelerated from the same period in 2023. Risk differentiation remained important to insurers, and insurers priced for that differentiation accordingly.

Capacity

Insurer growth targets led to an expansion of capacity from established insurers and new market entrants. Preferred and well-performing risks experienced an abundance of capacity including oversubscription in some cases, while more challenging risk types continued to experience constrained capacity. Canadian insurers limited their capacity for US-exposed risks.

Underwriting

Underwriting remained disciplined as insurers sought to maintain profitability across their portfolios. Risk differentiation was a top priority for insurers and underwriters increasingly relied on data, insights and modeling to support their decision-making.

Limits

Most placements renewed with expiring limits, although inflation and concerns related to nuclear verdicts pressured some limits upward. Limits also increased as insurers sought to expand their participation on targeted risks.

Deductibles

Most placements renewed with expiring deductibles; however, challenged risks experienced upward deductible pressure and attachment point scrutiny. Insurers leveraged buffer layers, corridor deductibles and upward shifts in their tower position to manage their exposure.

Coverages

Insurers continued to leverage coverage terms as a differentiator, and coverage enhancements, supported by quality underwriting data, were available. Some exclusions (e.g., per-and polyfluoroalkyl substances (PFAS), communicable disease and territory restrictions) remained effectively non-negotiable. Wildfire related language came under scrutiny.

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Q1 North America Product Trends

	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property
North America	Moderate	Moderate	Moderate	Soft	Moderate
Canada	Moderate	Moderate	Moderate	Soft	Moderate
United States	Moderate	Moderate	Moderate	Soft	Moderate

Automobile

The two-tiered market environment continued in Q1, with smaller fleets experiencing inflationary increases – or less when competition was introduced – and some underwriting flexibility, while risks with large fleets, challenging profiles or adverse loss experience saw a more challenging environment. Risk differentiation, including the use of telematics and other vehicle safety and driver training initiatives, remained key. Utilization of buffer layers, corridor deductibles and alternative risk transfer programs continued to be explored and implemented as insureds sought to manage attachment points and total cost of risk.

Casualty / Liability

Inflationary pressure, nuclear verdicts, and a goal of achieving sustainable pricing continued to dominate insurer agendas. There was growing concern relating to the Umbrella and Excess marketplace as some large insurers continued to make significant changes to their portfolio, including increasing minimum premiums, introducing corridor features, managing capacity deployment, requesting to be “moved up” within a tower or entirely exiting the Umbrella / Excess space. Canadian insurers restricted capacity for Canadian risks with significant US exposures.

Cyber

Buyer-friendly market conditions continued, characterized by healthy competition and abundant capacity as incumbent insurers sought to retain renewals and potentially expand their participation. With more favorable market conditions for excess layers, more insureds opted to purchase additional limits, using data and analytics to support their decision. Risk differentiation remained important to insurers, and insurers priced for that differentiation accordingly. Insurers continued to seek a significant amount of underwriting data and best-in-class network security controls, but underwriters also expanded their focus on understanding and ensuring best-in-class privacy controls. Insurers reviewed exclusionary language related to war, cyber terrorism, and state–backed attacks and remained concerned about systemic risk and privacy related losses.

Directors and Officers

Healthy competition continued as capacity remained abundant; however, some insurers were less open to price decreases, particularly in the high excess layers where rates had fallen materially in the past 18 months. Newly public companies continued to experience a favorable environment. For program stability, some insurers sought to decrease average limits deployed. Retentions could be reduced for some risk types, mostly in areas where retentions had previously increased due to client-specific exposures. Coverages remained robust and unchanged for most insureds. Risk issues such as regional bank stress, inflation, supply chain challenges, geopolitical volatility, equity values/performance/ volatility, and event-driven litigation were challenging. Derivative lawsuits continued to rise in frequency as settlements rose in severity (e.g., MSG, Charter Communications, Viacom CBS). 2023 Securities Class Action claims activity decreased materially in 2021 and 2022 but was up slightly in 2023.

Property

Q1 North America Product Trends

Insurers' 2023 return to profitability, coupled with more favorable 1/1 treaty renewals, prompted a notable market shift in Q1. While early in the quarter, favored risks such as lower-hazard occupancy, well-engineered, and non-natural catastrophe exposed risks saw a further deceleration of price increases, by mid-to-late quarter, it was common for such risks to experience flat-to-modestly-decreased pricing. As insurers turned their focus toward growth, many desirable-to-average risks – including those with natural catastrophe exposure – experienced over-subscription at renewal. Despite the marked shift, risks in higher hazard occupancies or with poor loss records continued to experience moderate rate increases. Across all risk types, underwriting remained prudent as insurers sought to maintain profitability. Terms and conditions remained relatively unchanged; however, enhancements to some outlier wordings were available in some cases. While some insureds continued to consider increased retentions as a cost mitigation tool, more considered alternative structured solutions. Deductible increases had been mandated for severe convective storms on risks with heavy exposure in tornado-prone areas, but such mandates were omitted from some late-quarter negotiations.

Q1 North America Advice to Clients

- Differentiate your risk. Insurers are managing their portfolio performance through careful risk selection and selective capacity deployment. Demonstrate that your risk is best-in-class by illustrating the proactive, risk-focused culture of your firm and the strength of your risk management and loss control approaches.
- Utilize data, analytics and modelling. Such tools have become essential to assess risk and inform decisions around risk retention thresholds, attachment points, indemnity periods, and policy limits, sub-limits, and terms and conditions and can help you determine which alternative solutions such as captives, parametric and facilities to leverage to achieve the firm's risk and capital allocation objectives.
- (Re)consider your relationship with the London market. As the market is transitioning to become more buyer-friendly, you may want to (re) consider, together with your Aon Team, the role the London market might play in your organization's placements. It can be a long-term investment in your risk management strategy as London capacity typically remains available during more challenging market conditions.

Q1 North America Geography Overview

Canada

- As insurers continued to expand their appetite and seek growth opportunities, capacity expanded and underwriters demonstrated more willingness to negotiate.
- Underwriters remained heavily focused on risk selection and quality and sustained profitability.
- London insurers remained a strategic partner for the Canadian market and were communicating strong growth targets for 2024 as the market moderated following the remediations conducted by insurers in recent years.

United States

- Insurer 2024 growth ambitions led to some appetite and capacity expansion; however, underwriting remained disciplined and risk differentiation was a key insurer pricing strategy.
- As economic and social inflation continued, and nuclear verdicts regularly featured in media headlines, insurers remained conservative in managing their Auto and Casualty exposure through the use of targeted capacity deployment, minimum premiums, corridor features, and tower attachment points.
- The Property market saw a marked shift, with flat-to-modestly-decreased pricing available (especially later in the quarter). Many desirable-to-average risks – including those with natural catastrophe exposure –experienced over-subscription at renewal. Despite the marked shift, risks in higher hazard occupancies or with poor loss records continued to experience moderate rate increases.

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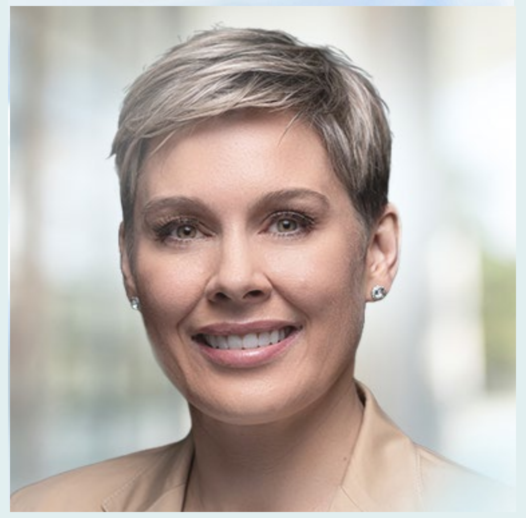
Q1 Pacific Market Overview

Executive Summary

- The affordability of insurance for risks in natural-catastrophe exposed locations was again at the top of the political agenda. Rising weather-related claims frequency alongside inflationary pressures continued to drive insurance pricing, particularly in the personal lines space.
- After a rebalancing of portfolios, the majority of insurers in Australia sought to use this new baseline to grow their portfolios in the short term. Certain risks are "in appetite" across most of the market, driving deeper inequity between risks that are in and out of favor with capital providers.
- In New Zealand, the Property market continued to present challenges for insureds specifically in relation to Wellington Earthquake and Flood for certain areas of Hawkes Bay and Auckland. The 2023 Auckland Anniversary floods and Cylone Gabrielle are noted as the two costliest weather events on record for New Zealand at USD7.1 billion in economic losses raising questions around the robustness of loss models and rate adequacy for secondary perils. Learn more in Aon's Reinsurance Market Dynamics report.
- Climate change activists turned to the courts to hold accountable those perceived as contributing to climate change. A recent landmark judgement in NZ (Smith v Fonterra & Ors) made it harder for corporates to use the summary strike-out procedure to avoid lengthy/costly trials.

> **Lack of market alignment in property clause language is showing signs of fueling claims inflationary pressure with each co-insurer requiring separate legal representation in large claims. Clarity from common coverage language is critical as insurers look to stay relevant and keep expenses in check.**



Tracy Riddell

Head of Placement
Property & Casualty
Commercial Risk Solutions
Australia

Q1 Pacific Market Dynamics

	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages
Pacific	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
Australia	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
New Zealand	Challenging	+1-10%	Constrained	Rigorous	Flat	Flat	Stable

Q1 Pacific Market Dynamics

Pricing

Commercial lines pricing was flat overall, pressured by inflation and insurer focus on sustainable performance. Natural-catastrophe exposed property risks and liability risks with material US exposures experienced the most significant price increases. Meanwhile, risks deemed “in appetite” by insurers, e.g., having minimal natural catastrophe exposures and good claims experience and being well-managed, attracted increased competition which led to price reductions.

Capacity

Capacity was abundant as new entrants and re-entrants boosted competition in the mid-market space. Large, complex and more challenging risk profiles drove demand for alternative risk transfer solutions to insulate against market cycles and provide greater stability over the long term. Property capacity was constrained in New Zealand and there was a greater flow of premium to London markets.

Underwriting

Underwriting remained prudent with referrals and escalations impacting timely delivery of terms and frustrating insurance buyers. Insureds with a compelling risk management narrative, healthy loss record and benign exposures achieved superior outcomes.

Limits

Limits remained generally flat, but increases were available for well-performing and benign risks.

Deductibles

Following several years of portfolio-wide adjustments, expiring deductibles were achievable for most placements, with the notable exception of claims-impacted risks as insurers looked to move away from frequency losses.

Coverages

Expiring coverages were generally available; however, on some large and complex placements, co-insurers imposed verbose endorsements that complicated the loss adjustment process in the event of a claim.

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Solution Spotlight:

Take up rates of parametric solutions have grown dramatically over the past 12 months, especially for distressed perils and locations. The benefits of parametric solutions include cashflow / liquidity stemming from quick payouts, broader coverage / fewer exclusions than traditional property insurance, and flexibility as to how loss proceeds are utilized.

To learn more, contact your Aon Team.

3 Q1 Pacific Product Trends

	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property
Pacific	Moderate	Challenging	Soft	Soft	Moderate
Australia	Moderate	Challenging	Soft	Soft	Moderate
New Zealand	Moderate	Moderate	Soft	Soft	Challenging

Q1 Pacific Product Trends

Automobile

The Auto market continued to be impacted by increased costs of repairs and delays in spare parts caused by global supply chains. Insurers remained prudent and continued to impose rate increases and higher deductibles on claims impacted risks while demonstrating flexibility on well-performing risks. The adoption of electric vehicles – with enhanced technology components – increased average replacement costs.

Casualty / Liability

Casualty insurers continued to implement changes to their portfolios to improve performance, including rate increases, higher deductibles, and reduced coverages on underperforming risks. Notwithstanding, insurers were willing to differentiate individual risks, rewarding those with quality submissions and healthy risk profiles. Meanwhile the New Zealand Casualty market remained moderate due to the absence of bodily injury exposure and ample capacity.

Cyber

Market conditions remained favorable despite a spate of high-profile cyber incidents impacting millions of Australian organizations and individuals over the last five years. Insureds demonstrating ongoing commitment to cyber security improvements saw premium reductions, abundant capacity and broader coverages.

Directors and Officers

Favorable market conditions continued following six consecutive quarters of price decreases. New capacity and growth aspirations of incumbent insurers continued to drive competition for listed companies in most sectors.

Property

The Property market showed signs of improving after years of adjustments intended to address increased reinsurance costs, natural-catastrophe volatility, and profitability challenges resulted in improved performance and more moderate market conditions. Some areas remain challenged like Wellington Earthquake and Flood in certain areas of Hawkes Bay and Auckland, New Zealand. In Australia, in-appetite risk types started to experience a more growth-focused, competitive environment. Incumbent insurers were generally unwilling to provide rate reductions, but it may be a matter of time before increased price competition serves to change their position on this.

Q1 Pacific Advice to Clients

- Leverage consulting and analytics: Use strategic consulting and analytics to refine your risk tolerance, adjust your risk transfer strategies, and analyze risk financing solutions as well as to differentiate your risk profile at renewals.
- Describe your valuation methodology: Clearly articulate your replacement cost valuation approach and how you adjust for inflation to avoid Average (co-insurance) Clauses.
- Reassess your business interruption exposure: Supply chain challenges resulting from the pandemic, the events in Eastern Europe, and the recent attacks in the Red Sea continue to create inflationary pressure for raw materials, critical equipment, and component parts. Understand your business interruption exposure with Aon's triple point survey to quantify property damage values, prioritise risk improvements and assess your business interruption methodology.
- Allow sufficient time: Start the renewal process early and focus efforts on quality information to attract insurers and encourage competitive tension.

Q1 Pacific Geography Overview

Australia

- To accommodate the mandate to join the Personal Lines Cyclone Reinsurance Pool by the end of 2023, a number of Australian insurers allocated natural catastrophe capacity to personal lines which constrained capacity for commercial clients in peak cyclone areas.
- The El Nino event, characterized by drier and hotter conditions in the Pacific Ocean, continued to weaken and conditions are expected to return to neutral in April or May, according to the Bureau of Meteorology.

New Zealand

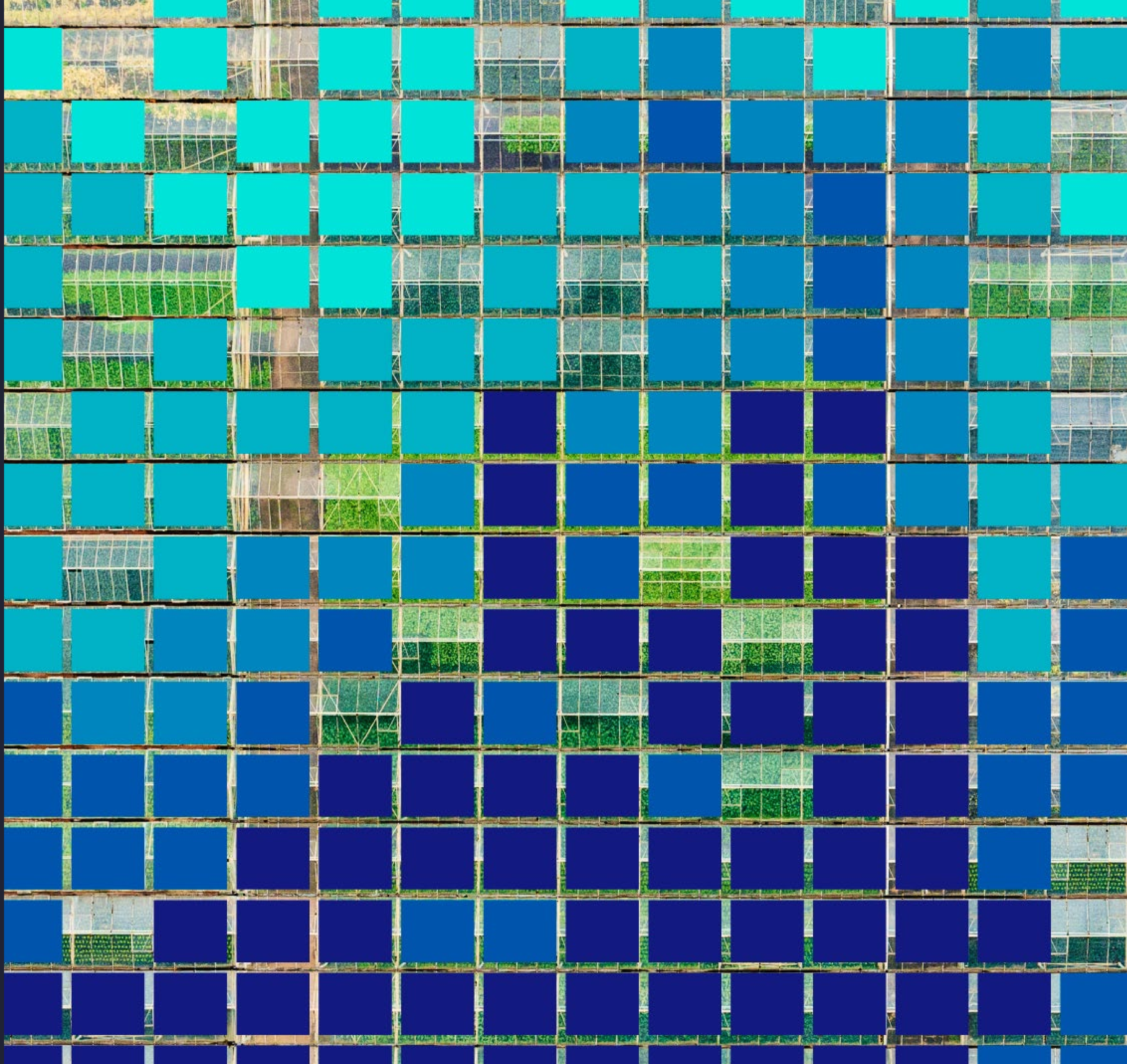
- Apartment owners in Wellington faced soaring Earthquake insurance premiums in high-rise strata blocks which are not restricted to quake-prone or older buildings. This was exacerbated by the requirement to purchase full loss limit policies, making Earthquake coverage unaffordable for many owners.
- The challenged Property market has prompted an increased number of inquiries and quotes for parametric solutions as C-suite leaders and risk managers become increasingly reliant on alternative forms of risk transfer solutions.

Solution Spotlight:

Following the collapse of The Catholic Church Insurance Company in 2023, hundreds of community-based entities found themselves without cover in segments challenged by insurance availability given their specific coverage needs. Aon worked closely with the major Diocese around Australia to ensure critical cover was maintained via specialized Property, Casualty and Financial Lines facilities, delivering a soft landing for 832 schools and 588 parishes.

4

Conclusions



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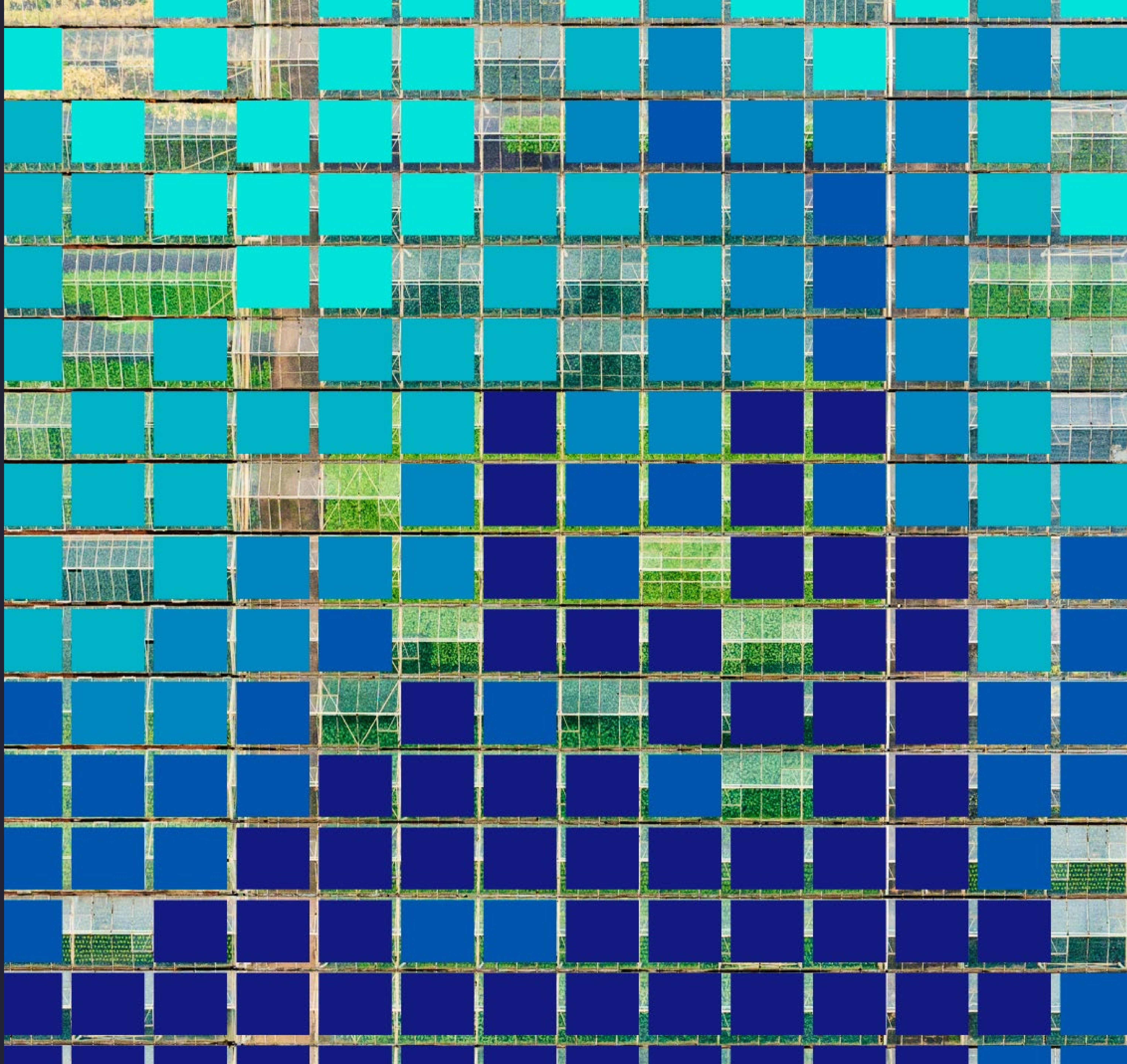
Conclusions

The market moderation that began in 2023 continued into the first quarter of 2024 amidst a broadly **growth focused market environment** characterized by **healthy appetite and abundant capacity** availability. Insurer strategies were focused on risk differentiation and preferred risks with robust underwriting information generally experienced the most favorable outcomes.

Organizations' reliance on **data and modeling to enable risk decisioning** – from quantifying risk, to structuring risk transfer, to identifying more creative and flexible alternative solutions such as parametric and captives – **strengthened momentously**.

Social inflation – including **nuclear verdicts and rising settlement values** – has become a global underwriting concern as financial settlement values that were once only seen in class actions or multi-claimant litigation are now frequently seen in single claimant cases. While US outcomes have historically made the headlines, the social inflation phenomenon is broadly expected to impact more geographies and accelerate in severity. Sensitivity to social inflation continued to become more pronounced across broad portions of the Auto, Liability, and Financial Lines markets and manifested as conservatism in **insurer appetite, underwriting, coverage terms, and pricing for some US-exposed risks.**

5
Contacts



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Aon plc (NYSE: AON) exists to shape decisions for the better —to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues in over 120 countries and sovereignties provide our clients with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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