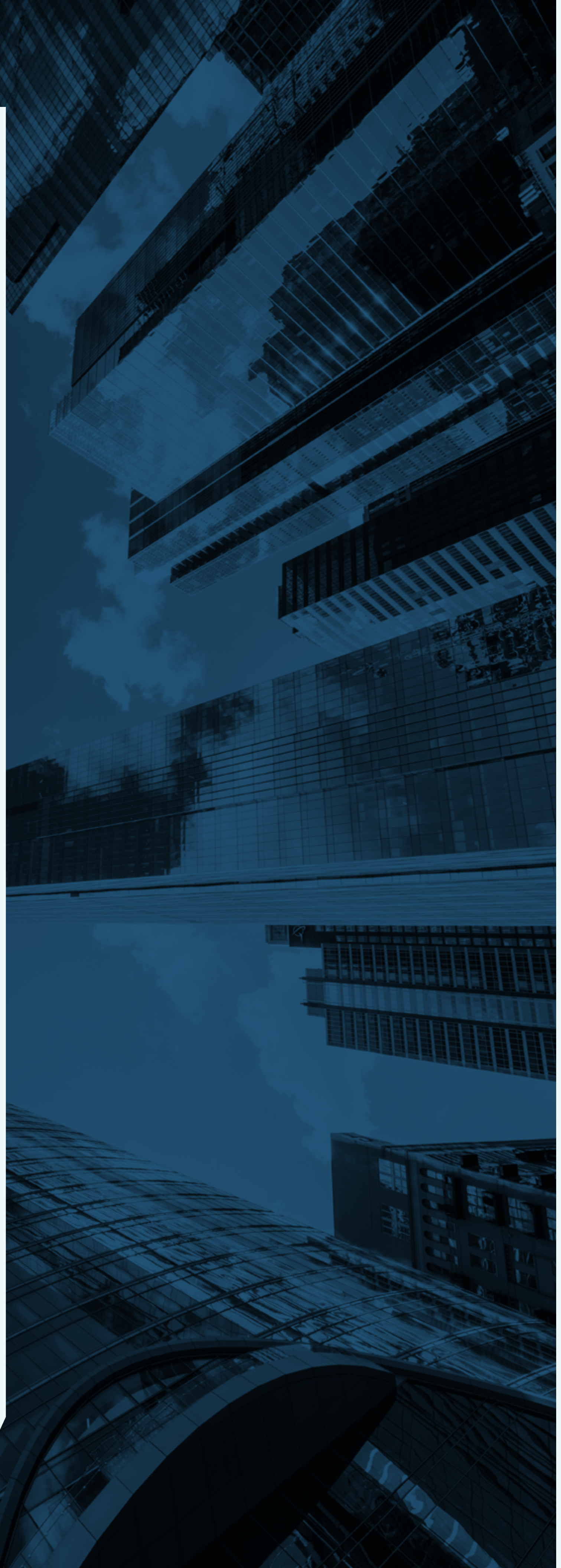
State of the Market

2025 Outlook

Table of Contents



Overview

Shift to E&S Markets Continues

Property

Casualty

Professional Lines

As we anticipate 2025, capturing the nuances of an ever-changing market remains a challenge. Some industries are seeing a competitive rate environment and better underwriting conditions, while others are contending with the exact opposite.

This comprehensive State of the Market report presents expert analyses from Amwins specialists on the factors shaping these market conditions. They provide critical insights into rate trends, capacity and shifting coverage patterns across multiple lines of business, industries and risk specialty practices in the United States, London and Bermuda.

Our goal is not merely to predict market trends but to uphold our commitment to you. With five core divisions, 100+ underwriting programs and a worldwide reach, our dedicated practice groups, brokers and underwriters have the expertise, knowledge and relationships of the firm at their fingertips — giving you a distinct advantage.

We are committed to delivering the best products and services available, regardless of prevailing trends and market conditions, and to help you navigate the challenges and changes that lie ahead.

We help you win.

Shift to E&S markets continues

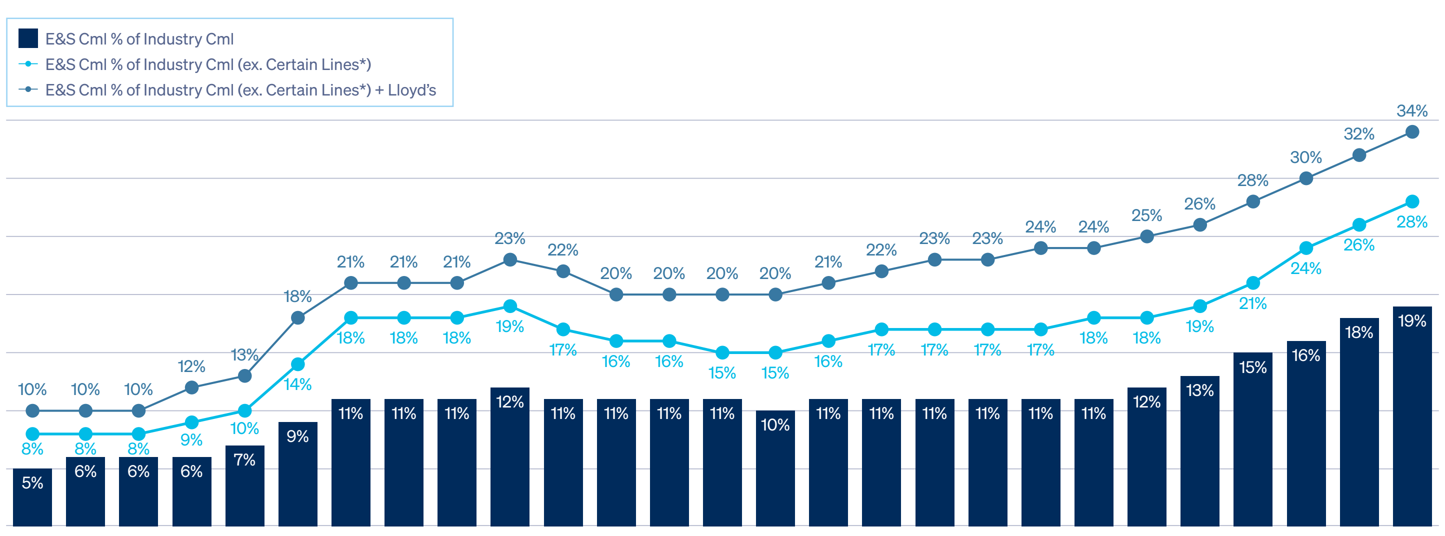
The Excess & Surplus (E&S) insurance market has experienced notable growth over the past six years, driven by a confluence of factors that have reshaped the risk landscape and expanded demand for specialized coverage. Earlier this year, **Dowling & Partners** reported that an estimated 34% of U.S. commercial business is E&S while **AM Best** reported the U.S. surplus lines market produced more than $115B in premium in 2023.

One of the key drivers of this growth is the commitment carriers have to the model. In 2003, there were only four carriers with wholesale strategies. That number grew to 13 in 2022, with more than $35B in direct premiums written (an increase of more than 11.5x).

E&S insurers have the ability to craft customized policies and respond quickly to market changes.

Secular shift, yet massively understated

E&S Commercial DPW % of Total U.S. Commercial



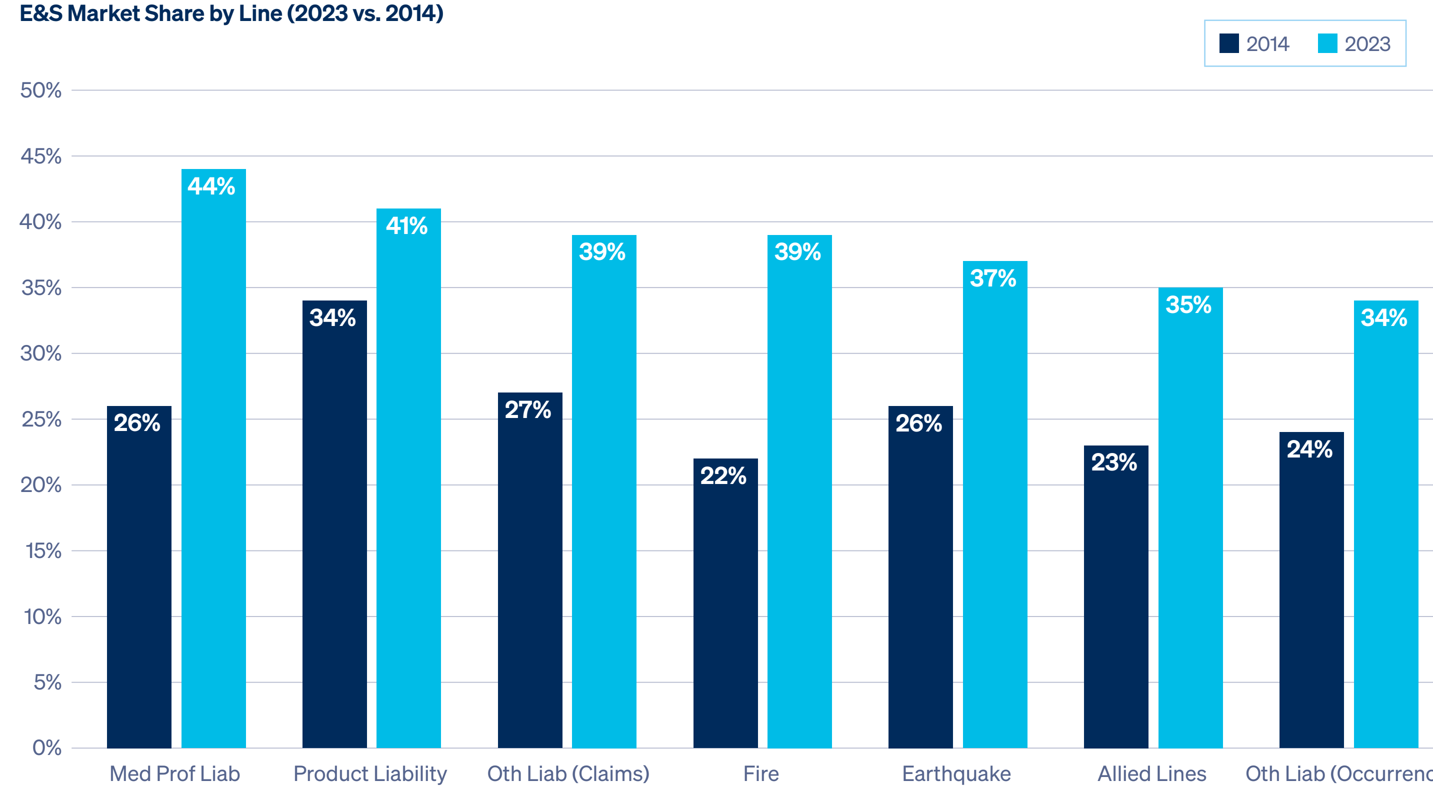
Source: Amwins and Dowling Hales Research, S&P Capital, D&P Analysis
Note: *CMP, Cml Auto, W/C, Flood, Crop Excluded

This is especially true as small and mid-size business risks have grown in complexity and size, as has the level of risk in certain lines of business. Increased casualty risk has been primarily driven by social inflation and technology advancements while growing property risk can be attributed to the increasing severity of natural disasters like hurricanes and wildfires. The E&S market, with its flexibility and capacity for innovation, has stepped in to address these gaps effectively.

Another driving factor is the market's expertise in underwriting complex and non-standard risks. E&S insurers have the ability to craft customized policies and respond quickly to market changes – making them appealing to the growing number of clients seeking coverage for unique exposures.

E&S Market Share Growth in Select Lines of Business

E&S Market Share by Line (2023 vs. 2014)



Source: Amwins and Dowling Hales Research, S&P Capital, D&P Analysis

At Amwins, we've harnessed the power of data through **Amwins DNA** to build capacity and create new and exclusive products and programs – ensuring that we find the best solutions for our clients and their insureds.

Be on the Lookout

The future of the E&S insurance market is positive, with several factors likely to sustain its growth trajectory:

- Continued innovation in product development to address emerging risks
- Expansion into new and underserved markets
- Leveraging technology and data analytics to enhance underwriting accuracy and efficiency
- Ongoing adaptation to changing regulatory landscapes

With a strong foundation and a forward-looking approach, the market is well-positioned to continue its upward trajectory.

Property

The property market continues to be fragile; however, is softening overall. We will be presenting a more in-depth analysis of the property market in Q1 2025.

Financial impact of back-to-back hurricanes

Hurricanes Helene and Milton couldn't have been more different. While both were significant weather events that caused a lot of property damage, Helene was primarily an inland flood event with initial loss estimates of $6B to $12B and Milton was more of a wind event with loss estimates ranging from $15B to $30B.

After making landfall as a Category 4 hurricane in Florida, Helene worked its way north, dropping more than 30 inches of rain in areas of western North Carolina. Not traditionally considered a hurricane impact or flood zone, the Insurance Information Institute has estimated that only 1% of homeowners in NC who sustained flooding from Helene were insured. As a result, state and local governments are expected to bear the brunt of the losses and have begun to apply for and receive federal funding from FEMA for cleanup and restoration efforts.

Milton made landfall as a Category 3 hurricane near Siesta Key, FL, after making a southward turn that avoided what could have easily become one of the worst CAT events in U.S. history. Initially slated to make landfall in the Tampa area, much of the damage that did occur was focused on less populated areas on the west coast of the state and will likely be attributed to the homeowners' market. We expect that – at the very least – Milton will serve as **a reinsurance event** for Florida domestics but overall will not affect the balance sheets of most reinsurers.

Overall trends still ring true

Despite pending losses from Hurricanes Helene and Milton – as well as other named and severe convective storms (SCS) this season – the property market has continued to soften overall. New capacity continued to enter the space in 2024, forcing existing markets to become more flexible with their pricing and overall appetites. Many carriers also increased their line sizes, making layered and shared deals easier to place.

Rates arguably remain softer on the East Coast than the West as well as for insureds with large TIV overall. Small TIV accounts and loss affected policies, however, continue to face challenges, and we expect that the market will remain stable or even experience a small uptick in rate.

While the possibility exists that the combination of Helene and Milton may affect the property market to some extent in 2025, it is still too early to be certain of the exact impact. For now, we view the 2024 hurricane season as an earnings event, rather than a balance sheet event, for the vast majority of carriers.

Most early reports agree with our assessment, indicating that there is enough capacity in the marketplace to make **losses manageable for most carriers.** But there are others that point to the potential argument that water damage from Helene was the result of wind-driven water from Milton and the fact that **insurers often feel pressure after major storms to pay claims** that wouldn't typically be covered.

Regardless, as claims move through the system and projections of financial impacts become a reality, Milton will be considered one of the top 10 costliest hurricanes in U.S. history. However, the lack of absorption by the reinsurance marketplace has not resulted in a loss of carrier profits and we expect the market will continue to soften.

Renewal Pricing Trends – Property Renewals, Rolling Quarterly

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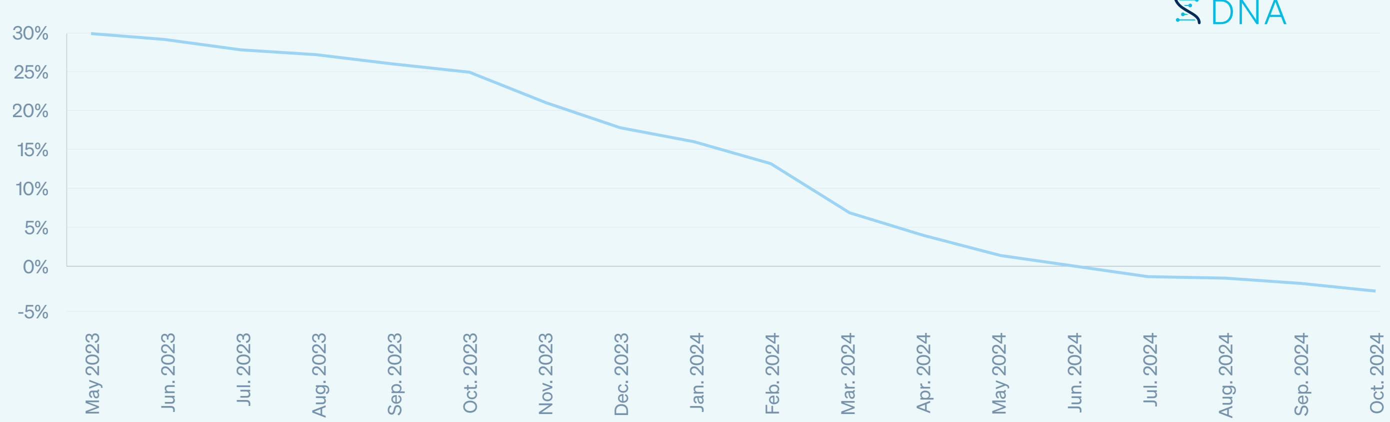

London

London remains an important market in this class (across both primary and excess layers) and there is no sign that market appetite for writing new opportunities is likely to diminish in 2025. So far, 2024 has been a profitable year for the vast majority of carriers and although the pricing peak has come and gone, the view of many underwriters is that there are still adequate margins to retain this profitability.

There is no doubt that the rating environment has become much more favorable for clients after many years of hardening terms, particularly for those insureds unaffected by Hurricanes Helene and Milton and, although it is still too early to evaluate how the reinsurance market will react at the end of year renewals, the expectation is that any savings made at the January 1, 2025 renewals will be passed on by the primary carriers.

While there are only a handful of new entrants in the London market, the MGA and follow form environment is vibrant and the majority of Lloyd's syndicates and London company markets have expressed a willingness to grow in 2025 – particularly if terms and conditions remains relatively favorable. It is expected that any improvement in terms for insureds will first and foremost come in the form of premium savings; however, all elements of the program (including sublimits and coverages) will likely form part of the broker/underwriter negotiation going forward.

The conversations around valuations have not disappeared but general consensus within London is that much of the remedial work has been done and as long as acceptable price per square foot is being proposed from the outset, the focus will return to the normal underwriting criteria of occupancy, risk management, loss history, pricing and capacity deployment. The implementation of RMS 23 has been slower than anticipated; however, general belief is that this is producing higher technical pricing outputs and could potentially be set at odds with the softening rating environment.

Bermuda

Current conditions are putting pressure on the Bermuda market. In 2024, Bermuda carriers have been quoting on average flat to 5%-10% rate decrease, with many accounts seeing flat premium renewals where TIV has increased. Distressed accounts, on the other hand, have seen rate increases to ensure rate adequacy.

Bermuda is having success with CAT driven placements that are being restructured or have significantly grown year over year. Underwriters have not seen a significant impact on their books as a result of hurricanes Helene and Milton.

Insight provided by:

- **Kayla Bridgewater** – VP, Amwins Bermuda
- **Toby Colls** – Managing Director, Worldwide Property, Amwins Global Risks
- **Alan Mooney** – CEO – Amwins Bermuda
- **Harry Tucker** – EVP and Amwins' National Property Practice Leader
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Be on the Lookout

Since Hurricane Ian in 2022, many reinsurers have imposed higher attachment points on carriers for catastrophic coverage. This has caused a **shift in how these storms have affected the insurance market** compared to the past. Experts now believe it will take a series of combined events – both large and small – to result in a slight hardening of the market or a slowdown in the softening of the market overall.

Insurance markets are continuing to absorb the majority of losses caused by hefty SCS losses and it would likely take a catastrophic event – or a series of small events – with damages in excess of $100B to move the market substantially.

Casualty

Market conditions

The casualty insurance market remains in a state of adjustment as we move into 2025. Loss development continues to be driven by a host of challenges ranging from social inflation to the overall complexities of the legal environment. It's clear that current rate increases are here to stay for the foreseeable future.

There is optimism among carriers about the rate environment, driving a sustained push for rate across their portfolios. However, some uncertainty looms over reinsurance treaty renewals, with cautious sentiment stemming from loss development issues from 2019 to 2022.

While capacity remains available, carriers are selective, especially with auto-exposed risks. The focus on middle-market business, with premiums ranging from $25,000 to $100,000, continues to grow and will likely maintain a competitive edge through 2025.

Challenges

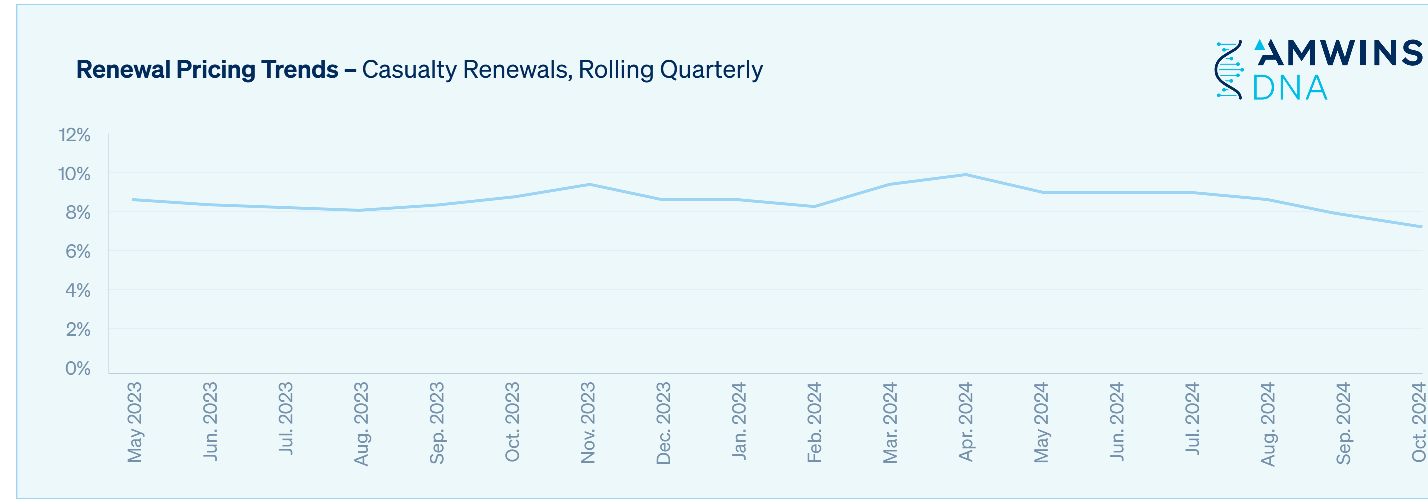
Traditional carriers continue to face competition from recent market entrants, leading them to emphasize their financial strength, claims handling and long-standing presence in the E&S space. This competition is driving concerns about adverse selection and the ability to maintain a diverse and profitable casualty portfolio.

Primary general liability is a particular pain point, with key markets implementing higher retentions, stricter terms and pricing increases for frequency-driven classes due to rising claims costs.

Submission management also remains a significant challenge, as submission activity continues to grow in the double digits. Most carriers now rely on broker relationships to help identify opportunities and are experimenting with AI-driven prioritization to manage the flow of submissions within their target appetite.

Be on the Lookout

Excess layers have retained strong rate relativity, with the percentage cost of an excess layer continuing to hold firm relative to the layer beneath it. As capacity continues to be monitored in the excess spaces, we are seeing a regained focus on tightening appetite in the primary layer.



A tough legal environment

Social inflation continues to be a significant concern for carriers and reinsurers, particularly in states with plaintiff friendly legal venues, such as **Georgia, Pennsylvania and California**. At the heart of this issue is not only nuclear verdicts but third-party litigation funding, which has introduced new complexities to the legal landscape. The issue isn't simply the existence of litigation funding itself, but the disclosure (or lack thereof) in individual court cases, which can skew the playing field and contribute to the rising cost of claims. **Indiana, Louisiana and West Virginia** enacted reforms at the state level this year to address litigation funding, and legislation was recently introduced at the federal level for more transparency in **federal** cases. While these are encouraging developments, more states will need to address the issues of litigation financing and tort reform before we see any meaningful impact to the casualty market.

New capacity is still entering the market and we're seeing more innovative approaches to finding solutions.

Capacity

Unlike the property market where there is a growing sense of confidence among carriers and rate stabilization for many sectors, carriers within the casualty market cannot yet claim with certainty that their book is stable and prepared for the future.

Over the past few years, many carriers have reduced line sizes and shifted their mix of exposure from long-tail to shorter-tail risks. While these measures have provided some relief, they have not fully addressed the underlying issues, leaving few carriers willing to say they feel fully confident in their casualty portfolios.

That being said, there are some players within the market that are becoming more aggressive, hoping to capitalize on current rate conditions. However, the overall market is not yet stable enough to inspire broad optimism. On the positive side, solutions are being found and capacity is available, though it often comes at a higher cost than clients desire.

While the market is far from perfect, it isn't entirely pessimistic. The ongoing inflow of investment and new entrants signals that there is still enough appeal in the market to sustain optimism for the future, even if caution is warranted.

Be on the Lookout

New capacity is still entering the market, both on the direct carrier and MGA sides, and we're seeing more innovative approaches to finding solutions. Programs aggregating homogeneous, profitable business or creative risk structures where insureds take on more financial participation are helping to provide coverage where it's most needed.

Carriers are beginning to explore new pockets of opportunity in the middle market, particularly in classes like commercial construction. With reduced uncertainty in these sectors, more competition is emerging, and markets are finding ways to shift their focus to these relatively stable segments in an attempt to balance their books against more distressed areas.

London

London is poised to become a more visible player in the casualty market over the next year, especially in challenging sectors like transportation and real estate. With new syndicates and capacity entering the space, London-based insurers are expected to help fill gaps in towers, particularly for harder-to-place risks.

With this increased presence, London will be able to offer solutions where capacity has been tighter – making it an attractive option for excess placements and difficult-to-place risks such as standalone sexual abuse and molestation (SAM) coverage.

Bermuda

While most insureds are still seeing rate increases, the pace of these increases has slowed, and average rate increases are now in the 5% to 7% range. For tough classes or accounts with adverse loss experience higher rate increases can be expected.

The market in Bermuda continues to evolve with the addition of two new entrants in the last 12 months, both operating under the MGA model. This has increased the number of traditional casualty insurance markets in Bermuda to 20. These new entrants have primarily served to fill gaps in towers as a result of capacity reductions from incumbent markets in recent years.

As with domestic markets, Bermuda carriers are continually seeking to balance their books to manage the effects of social inflation and nuclear verdicts. Carriers are also continuing to see the impact of litigation funding and adjusting their capacity offerings as a result.

Average capacity offered now ranges from $5M to $10M. In some cases, Bermuda markets will offer up to $25M or more depending on the class and position in the tower. Exposure to multiple claims from the same event that affect more than one client is an ongoing issue for carriers and will impact the amount of capacity on a given account.

Bermuda continues to be a go-to market for creative, alternative risk transfer solutions as an increasing number of insureds seek out alternative risk management solutions as guaranteed cost premiums continue to rise. The use of retention vehicles, such as captives, in a casualty tower has also become more common for middle market clients seeking a longer-term solution to manage increasing deductibles and self-insured retentions.

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Be on the Lookout

Retailers should brace for a more aggressive push in primary rate increases over the next 12 months. While excess rates have remained in the mid-teens for several years, primary rate adjustments have lagged (in the low-to-mid single digits). This disparity is unsustainable, especially as primary rates drive the structure of the tower.

We expect to see primary rate increases hit double digits in 2025 as capacity continues to focus more on excess rather than primary coverages. Rate relativity remains strong, with the percentage cost of excess layers maintaining their relationship to the layers beneath them.

The longer tail nature of casualty claims means that loss latency will continue to be an issue. Property losses are typically easier to quantify and predict, while casualty remains more unpredictable, often with delayed impacts. The tail on casualty business continues to grow and carriers are increasingly on the lookout, especially as primary rates push higher than they have in recent years.

Professional Lines

The professional lines market is entering a period of transformation as carriers adapt to new opportunities and challenges. As growth and innovation stay top of mind, we're seeing notable trends emerge.

Carriers are beginning to prioritize the diversification of risk portfolios. Many are exploring smaller risk where they traditionally worked with larger ones, and carriers who commonly dealt with smaller risks are moving upstream. Additionally, markets are starting to explore previously untapped sectors, such as healthcare D&O.

Enhanced offerings with additional digital security services and preventative options are also emerging, aimed to differentiate the carrier beyond mere policy language. Some markets are even tapping into independent revenue streams from these services, reflecting a broader trend towards diversification.

The importance of data and transactional efficiency is also becoming increasingly recognized. Markets are investing in advanced technologies, such as artificial intelligence (AI) and application programming interfaces (APIs), to streamline online portals and improve user experiences. This technological focus not only enhances efficiency but also positions carriers to better compete with emerging insurtechs.

Strategy and specialization

In the realm of distribution, a clear distinction is being made between wholesale and retail strategies. While some markets remain open to retail business, there is a clear focus on differentiating wholesale appetite and transactional speed. This strategic approach allows carriers to better cater to the needs of their wholesale channels.

As the market shifts, specialization is becoming key. Carriers are keen on carving out niches in areas like telemedicine and real estate development. The current soft market climate drives innovation, with an emphasis on managing limits for tougher risks.

Insight provided by:

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- **David Lewison** – EVP and Amwins' National Professional Lines Practice Leader

Be on the Lookout

In this competitive environment, markets are striving to win deals while being mindful of the lessons learned from past market cycles. There is a push to remain competitive; however, many carriers are reluctant to chase excessive price decreases that could jeopardize long-term stability.

Recognizing the importance of strong partnerships, markets are hiring more underwriters and prioritizing service and relationship building. This focus on collaboration ensures that carriers can respond effectively to time-sensitive situations, fostering trust and reliability with their brokers.

D&O

The Directors and Officers (D&O) marketplace remains competitive as a result of excess capacity and new market entrants. This influx of new players prioritizing private D&O coverage is raising the levels of competition across the board – management liability is currently being offered by more than 85 markets and signs point to ongoing growth.

Capacity and pricing

New capacity is flooding an already saturated marketplace, creating significant downward pressure on rates. As a direct consequence of this intense competition, insurers are increasingly offering price reductions to fend off marketing efforts from rival carriers. Many incumbents find themselves in a position where they must offer competitive pricing and favorable terms just to retain business.

The dynamic pricing landscape also reflects a broader shift in how insurers assess risk. Established carriers are reevaluating their pricing strategies to respond to the new competitive reality, leading to overall rate decreases across an assortment of targeted profitable segments.

Coverage limitations

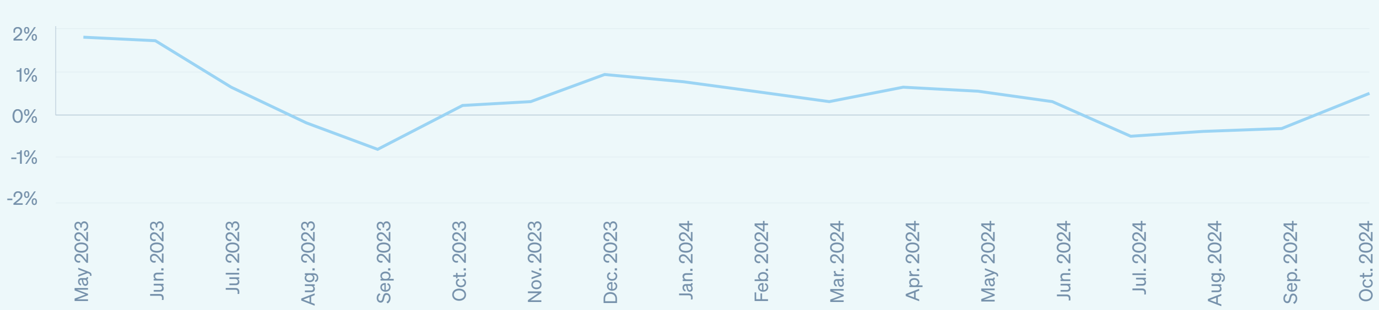
The continuous entry of new players — particularly MGAs and insurtechs — has reshaped traditional underwriting practices and contributed to the softening of the market. These new entrants are leveraging technology and data analytics to enhance their underwriting capabilities, further intensifying competition. As advancements continue to be made and technologies mature, these tools are likely to play a more critical role in risk assessment and claims management.

At the same time, most underwriters are actively expanding their coverage options to attract business. Insurers recognize the need to differentiate themselves in a crowded market, leading to enhancements such as lower self-insured retentions (SIRs) and higher sublimits for various coverages. This broader approach allows carriers to appeal to a wider array of potential clients.

However, there are some outliers. We have seen emerging limitations focused on claims related to biometric data. Insurers operating in states like Illinois and California have become more cautious, imposing specific exclusions tied to these risks.

Renewal Pricing Trends – Professional Lines Renewals, Rolling Quarterly

AMWINS DNA



Economic impacts

Social and economic inflation are both significant factors for the D&O sector. Rising claims costs, driven by increasing verdicts and settlements, complicate the underwriting landscape. Additionally, businesses are grappling with rising operational costs associated with inflation, which can lead to greater financial instability and an uptick in claims.

The current economic climate, powered by inflationary pressures and higher interest rates, has also led to an increase in bankruptcies. Companies facing maturing credit facilities may find bankruptcy their only viable option, raising the potential for claims under D&O policies.

A key consideration for policyholders is to avoid accepting creditor or bankruptcy exclusions during renewals. Such exclusions can expose individual directors and officers to personal legal liabilities if the company cannot indemnify them. Some markets are open to discussing terms that allow for greater coverage, even for companies emerging from bankruptcy, provided there is a compelling narrative for recovery.

Unique risks and nuanced solutions

Despite increased competition overall, there are still sectors facing challenges. In California, for example, the appetite for private D&O coverage, especially policies that include Employment Practices Liability (EPL), remains somewhat constrained. Insurers are narrowing coverage while simultaneously setting higher retentions which complicates the insured's ability to secure more favorable terms.

Building strong relationships with underwriters is becoming critical for brokers and clients alike.

Public D&O coverage for Special Purpose Acquisition Companies (SPACs) also presents a unique risk as insurers have a limited appetite for this type of risk. A more nuanced underwriting approach is required as regulatory challenges and heightened scrutiny continue to make the landscape more complex.

Addressing these challenges comes down to prioritizing a narrative that points to robust risk management strategies. By effectively communicating their risk profiles and growth plans, stakeholders may negotiate better terms – even in more competitive segments.

London

In London, pricing has continued to soften, with both primary and excess layers seeing reductions due to strong market competition. While the rate of decrease in excess layers has slowed compared to previous years, there's enough capacity to maintain relatively stable pricing across most accounts. No significant shifts have been reported within policy exclusions; however, claims trends are expected to play a key role in shaping the market's development over the coming years.

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- **Corey Turner** – SVP, Amwins Brokerage

Be on the Lookout

While we expect the D&O landscape to remain competitive in the near future, there are signs that market stabilization may be on the horizon. Claims development trends indicate a potential shift in the balance of risk and reward, which could lead to a recalibration of underwriting practices.

EPL

The Employment Practices Liability (EPL) insurance market is currently experiencing a softening phase, characterized by decreased rates and increased competition. While tougher conditions were previously evident, the influx of new market entrants has intensified pricing pressures, resulting in more competitive rates across various classes and regions. However, this more competitive landscape isn't without challenges, as inadequate policy coverage may become the norm in the bid for new clients.

We continue to observe dips in pricing as insurers move to increase capacity, thereby capturing more business. Notable changes to coverage limitations have not occurred on a broad scale, but exclusions are becoming more common. A prime example of this is the **Biometric Information Privacy Act** (BIPA), when it's not dealing with exclusions it's facing defense sublimits.

In 2024, employers faced challenges with employee re-engagement. This, combined with social and economic inflation, has added complexity to the risk landscape. Additionally, technological advancements, including the use of AI for candidate screening, have raised concerns about discrimination and liability.

Looking ahead to 2025, retailers should focus on securing comprehensive coverage while remaining vigilant about emerging risks. Ensuring robust policy terms will be crucial for navigating this transitional market.

Insight provided by:

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Insurance Agents

The insurance agents' market is undergoing a period of significant softening, driven largely by increased capacity and a competitive landscape that is suppressing pricing. The influx of new capacity, particularly from managing general agents (MGAs) with experienced underwriters, is reshaping the dynamics of pricing and coverage. While the market is softening with declining rates and increased capacity, agents must remain proactive in addressing emerging risks and securing the best possible terms for their clients.

Capacity and pricing

The market is seeing an influx of new capacity in D&O coverage, primarily through MGAs entering the space. These underwriters are seasoned professionals with strong ties to the market, and their new capacity has created competition that is driving prices down.

The capacity is largely being deployed in excess placements for larger private companies, with some venturing into primary coverage and alternative products. Established market players have adapted to the wholesale distribution strategy by better deploying their capacity, leading to higher limits being offered—often reaching $10M. This heightened competition is also bringing about premium reductions for primary placements, with key carriers aggressively competing to secure business.

The result is a softening market, with 5% to 10% discounts on renewals becoming commonplace. Retentions are decreasing, and underwriters are more willing to offer enhanced coverage to maintain pricing levels. In particular, mid-sized and smaller private companies are benefiting from reduced prices and coverage improvements, especially if they present a favorable risk profile. Even without a compelling risk narrative, many are still seeing lower costs and broader coverage options.

The non-profit segment, however, remains more challenging than the private sector due to historically lower premiums and adverse loss trends. Insurers are finding themselves offering more coverage while accepting less premium in this space, making it a tougher environment for underwriting profit.

Coverage limitations and changes

While coverage limitations have not been widespread, there are notable exceptions. The introduction of biometric information privacy exclusions in states like Illinois and California is one area where coverage is becoming more restrictive.

Additionally, some carriers are tightening exclusions related to insolvency for placements with carriers that have questionable financial health. Concerns are particularly prevalent on the West Coast, where the California FAIR Plan and certain cyber carriers are viewed with skepticism. Insolvency-related exclusions are increasingly being applied to reduce exposure to high-risk accounts, especially in areas like non-standard auto insurance and social services.

A positive trend has been the reemergence of coverage options that were scaled back during the pandemic. More carriers are now offering defense outside the limits, which provides a valuable buffer for policyholders in the event of a claim. Aggregate deductibles are also becoming more common, providing insureds with a more predictable claims experience.

Emerging risks and challenges

The current market stability is being tested by a confluence of risk factors. Volatile pricing in property, casualty, auto and cyber lines is creating uncertainty for agents and brokers. Placing homeowners' insurance in California remains difficult, especially in high-risk brush zones, while the Florida and Hawaii condo property markets are undergoing significant corrections that could expose E&O policies to new liabilities.

Further complicating the landscape are the risks associated with complex business arrangements, such as third-party administrators (TPAs) and captive insurers. These arrangements have been involved in claims where conflicts of interest arise due to the interconnectedness of the agent, TPA and insurer. The claims severity and regulatory scrutiny in consumer-friendly jurisdictions can present significant exposure for E&O insurers.

Political factors are also adding a layer of complexity. Election cycles have increased scrutiny on placements involving politically sensitive industries. Agents are being pushed to secure coverage for clients in these high-profile sectors, which can be challenging given the already contentious regulatory environment.

Insight provided by:

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– **Tom Tehan** – EVP, Amwins Brokerage

– **Steve Vallone** – EVP, Amwins Brokerage

Be on the Lookout

The market is expected to remain competitive, with pricing continuing to soften due to the abundance of capacity. However, the risk landscape is evolving and insurers are likely to focus on underwriting discipline as volatility persists in certain sectors. Agents should be vigilant about the financial stability of carriers, particularly for placements involving property in high-risk areas or complex multi-party arrangements.

Lawyers Professional Liability

The Lawyers Professional Liability (LPL) market continues to navigate a complex landscape characterized by high claim severity, evolving underwriting practices and shifting capacities. Despite these challenges, the market remains competitive, driven by the entrance of new players and underwriters with specialized expertise. These dynamics are forcing legacy carriers to reconsider their pricing strategies and adjust to maintain traction in both primary and excess layers of coverage.

Increased competition

Competition to win both new and renewal business within the LPL market has grown as more experienced underwriters enter the scene. As a result, law firms with strong claims histories and effective risk management practices are often able to negotiate favorable terms.

The push for higher rates and increased retentions is most pronounced among firms with significant claims experience, particularly those operating in high-risk sectors with insufficient risk management controls.

As underwriters seek ways to manage rising claims costs, they are scrutinizing each firm's risk profile more closely. This includes assessing not only claims history but also risk management practices and the firm's overall stability.

Capacity and pricing

Capacity remains a critical focus for LPL underwriters as they look to balance growth and profitability. Many law firms have seen significant revenue growth in recent years, and underwriters are using this metric to assess retention adequacy. Although increases in retention are not directly proportional to revenue growth, underwriters are paying close attention to this trend. Retention adequacy has become an essential factor in mitigating the increased claims severity that many LPL markets are experiencing.

In response to the rise in claim severity, particularly claims reaching the excess layers, excess underwriters have begun adjusting their pricing models. To manage long-term profitability, some carriers have reduced capacity, particularly in excess layers. These strategic adjustments are critical in maintaining a healthy portfolio amid rising costs.

Additionally, defense costs for legal malpractice claims have been steadily increasing, with rates rising between 2% and 10%. This presents a challenge for underwriters, as they must find ways to offer competitive terms while managing the escalating costs of defending claims.

Coverage limitations and exclusions

While core coverage in LPL policies remains relatively stable, underwriters are increasingly scrutinizing ancillary coverages and emerging risks. Many policies now include sublimits for trial attendance, disciplinary proceedings and subpoena assistance, often outside the standard liability limits.

Extended reporting periods (ERPs) are increasingly limited to between 36 and 60 months, with true unlimited ERPs becoming rare. These subtle shifts reflect the market's growing caution amid the environment of rising claim severity.

In addition to traditional risks, LPL underwriters are now focusing on emerging risks associated with new technologies and modern work practices. Law firms' use of AI, indemnification agreements in outside counsel guidelines and the balance between remote work and office return are under heightened scrutiny.

Further, cyber risks such as ransomware and social engineering have become significant concerns for underwriters. As a result, many are moving toward excluding these exposures from LPL policy forms, opting instead to address them through standalone cyber coverage.

Insight provided by:
– **Bill Schmitt** – SVP, Amwins Brokerage

Be on the Lookout

As we head into the first quarter of 2025, retailers must be prepared for an evolving underwriting landscape. The influx of new capacity could lead to shifts in underwriting appetites, with some carriers tightening their risk selection processes while others remain open to new business that aligns with their guidelines. The focus on rate increases, particularly for renewals, will continue as underwriters seek to maintain profitability in an environment of rising defense costs and claims severity.

For law firms, it will be essential to maintain open communication with their LPL underwriters, particularly when dealing with succession planning, lateral hires, expanding practice areas or taking on more demanding clients. These changes can significantly impact a firm's risk profile, and proactive communication is crucial to ensuring adequate coverage is in place.

Media

The media insurance market continues to display distinct trends across different regions, with Bermuda remaining a stable choice for coverage and pricing while the domestic landscape presents a more challenging picture.

Companies' expanding online presence, encompassing websites, blogs and social media, has amplified their exposure to media-related risks, heightening the importance of well-structured insurance coverage.

Understanding the potential gaps that may arise from a change in coverage, and carefully considering policy limits and supplemental coverage needs, will be key factors in managing risk effectively in 2025.

Capacity and pricing

The media insurance market in Bermuda has maintained strong capacity and consistent pricing, with insurers offering reliable options for companies seeking stable coverage in a sector where exposures are becoming increasingly complex.

Domestic carriers have entered the space with attractively low initial pricing, leading some clients to shift coverage for what seems like a better deal. However, such decisions often come with hidden trade-offs, as these providers may not offer comprehensive coverage, and accounts with any claims activity may face non-renewal. This pattern has highlighted the critical need for clients to select insurance partners capable of supporting them over the long term, including during challenging times.

Coverage limitations and exclusions

Coverage terms in the media insurance sector have not seen substantial changes this year, with limitations and exclusions remaining relatively stable across the market. This steadiness can be seen as a positive, allowing brokers to continue offering similar policy structures without having to navigate frequent adjustments. That said, the lack of dramatic shifts should not lead to complacency; insurers may still enforce exclusions or limitations that can materially affect the scope of coverage, particularly in areas such as copyright infringement, defamation and data breaches.

Insight provided by:
– **Christina Allen** – VP Marketing, Amwins Bermuda

Be on the Lookout

Increasing litigation in the space suggests a potential need for higher coverage limits. Given the evolving risk landscape, particularly with companies' growing digital footprints, ensuring that policy limits align with potential exposure levels is crucial. Clients may underestimate the full extent of their media-related risks, including reputational harm and legal expenses, which can have lasting impacts on their business.

Another important consideration is the potential need for complementary coverage, such as cyber insurance. Media exposures often intersect with cybersecurity risks, given the reliance on digital platforms for content distribution and engagement. A media claim could involve a breach of data or a significant cyber event that, if not adequately covered, could lead to serious financial implications. Agents should explore whether bundling media coverage with cyber insurance or other relevant policies could provide a more comprehensive solution to clients. By guiding clients to look beyond initial pricing and focusing on long-term protection, brokers can help ensure that businesses remain resilient in the face of media-related challenges.

The appeal of lower premiums can be strong, but when clients make coverage changes based solely on cost, they risk sacrificing essential protections. Media insurance is a field where unforeseen claims can quickly escalate, affecting a company's financial stability and reputation. Clients should recognize that price alone is not always a true indicator of value, especially in a litigious environment where coverage gaps can lead to significant losses.

Real Estate Developers

The real estate developer market remains active, driven by shifting economic conditions and evolving project demands. The rise in submissions for logistics and distribution projects indicates growth potential in this area and retailers should be prepared for increased demand for coverage.

As development activity steadily continues, the sector faces some ongoing challenges, including fluctuating material costs, regional regulatory pressures and heightened litigation risks. These factors continue to influence coverage options and drive strategic adjustments across the market.

Segment trends

Real estate development continues to expand, particularly in the residential space, driven by housing shortages and expectations of easing monetary policy. Demand for residential projects remains strong; however, commercial development is still under pressure. While there are positive signs as companies encourage employees to return to office settings, the persistence of hybrid work preferences keeps the sector from fully rebounding.

The miscellaneous professional liability (MPL) led insurance approach is favored for developers who contract out design and construction tasks, with coverage largely supported by numerous markets. In contrast, specialized real estate developer forms offer more extensive coverage for firms with in-house design and construction capabilities. These forms address the broader risk profile of integrated firms, positioning them well to manage complex projects and associated liabilities.

Capacity and pricing dynamics

Capacity has grown in recent years, driven by new entrants to the market, and is expected to continue into 2025. This ongoing influx of new capacity has placed downward pressure on pricing, though the extent varies based on the specific coverage approach, and we expect policy terms and language will be altered significantly as a result.

The evolving claims landscape has prompted some carriers to increase rates and retentions, particularly for developers with higher-risk exposures. Florida has emerged as a particularly challenging region due to rapid development and ongoing concerns about construction quality amid frequent storm activity. In addition, New York City's stringent labor laws continue to complicate coverage placements for construction-related risks.

Limitations and exclusions

Coverage limitations and exclusions have seen minimal changes recently, but ongoing challenges persist. Developers must be vigilant about named insured language due to the complex organizational structures and numerous entities involved in large projects. Many carriers rely on special-purpose vehicle (SPV) wording to streamline named insured lists, but this can inadvertently create coverage gaps if entities are not properly aligned.

Emerging challenges and risks

Economic inflation remains a concern, as high costs for materials affect claims costs and continue to outpace the Federal Reserve's target inflation rate, impacting the affordability of housing and overall project budgets. Additionally, social inflation has intensified litigation risks in the residential sector, particularly for class-action lawsuits against developers.

The commercial office sector faces distress due to changing work habits, which has complicated the placement of general liability policies for projects in this space. Conversely, developers focusing on rental properties may find opportunities as housing affordability remains challenging, pushing more people towards renting rather than buying.

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- **Trey Waldrep** – VP, Amwins Brokerage
- **Augie Yost** – VP, Amwins Brokerage

Be on the Lookout

A standard D&O policy is often limited in coverage compared to a well-structured Real Estate Fund E&O/D&O form, creating an opportunity for brokers to provide enhanced value in this space.

As the market matures, it will be essential for retailers to stay informed about emerging trends, new capacities and coverage intricacies to effectively support their clients. Working closely with expert partners will be key to navigating this specialized segment in the coming year.

Reinsurance

Insight provided by:

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- **Lee Jon Ellis** – Director, Binders, Amwins Global Risks
- **Tom Jakob** – Director, Worldwide Property, Amwins Global Risks

Property

As we look to the January reinsurance renewal season, rates are expected to remain stable overall, with the potential for lower premiums on accounts without losses. This is in large part due to market corrections following an intense period of hardening throughout 2023.

The restructuring of reinsurance programs to raise attachment points while tightening event definitions and hours clauses has shifted reinsurance protection away from frequency protection and towards severity coverage. While repricing has been a significant part of that, reinsurers are still telegraphing a refusal to negotiate on retention levels as they assume less exposure for more premium and primary insurers shoulder the bulk of catastrophe losses.

We also don't expect Hurricanes Helene and Milton to have a material impact on the market.

Facultative property reinsurance

Treaty renewals in 2024 were more organized than in 2023, bolstering most markets' confidence and ability to quote capacity – even in high hazard CAT zones. At the same time, there continues to be limited appetite for attritional business and a focus on secondary perils.

The market has begun to soften with supply starting to outweigh demand on direct placements. Renewals in Q2 saw double digit reductions as a result and there has been less flexibility in terms and conditions. For example, the average/margins clauses that were added in 2023 have been removed from a large proportion of 2024 renewals.

However, **facultative demand remains strong** as it enables markets to fill gaps in treaty programs and decrease markets' overall net retention.

London

At the peak of last year's hard market, London made it clear that the 2024 business plan would include a renewed focus on providing capacity to the property market. As a result, the facultative market has seen increased competition and a new downward pressure on rates as Lloyd's looks for new and creative ways to book premium.

The facultative reinsurance market is typically slower to react to these shifts in pricing and we saw a disconnect between direct and reinsurance pricing. This resulted in relatively expensive reinsurance capacity being more difficult to sell, as direct rates fell at a faster rate than reinsurance rates.

Reinsurers are still telegraphing a refusal to negotiate on retention levels as they assume less exposure for more premium and primary insurers shoulder the bulk of catastrophe losses.

Casualty

Social inflation continues to play a key role in the commercial insurance sector, impacting U.S. exposure around the world. A **recent report by the Institute for Legal Reform** shows that from 2010 to 2019 the median aberration verdict increased by 27.5% from $19.3M to $24.6M. When combined with the rise of third-party litigation funding, these tactics have driven **capacity reduction on individual accounts.**

In general, research suggests social inflation could be causing losses to increase faster than general inflation by 2% to 3% per year. And, as a result, reinsurers are either holding the line on rate or implementing slight increases just to keep up.

Facultative casualty reinsurance

The facultative reinsurance casualty market is in a state of transition. E&S capacity is more readily available to casualty risks as new carriers and MGAs have entered the space, and carrier treaty renewals at 1/1, 4/1 and 5/1 were more organized than in 2023, bolstering the direct markets' confidence and ability to quote capacity.

As a result, competition for large facultative placements is significant in less distressed areas of the casualty marketplace. However, for some of the more difficult to place accounts, facultative reinsurance is in demand, with reinsurers eager to retain renewals as well as write new, profitable business.

Treaty reinsurance

Increased retentions and the rise of losses due to secondary perils has seen many insureds bear the brunt of 2024 property losses. Reinsurers, however, have benefited from reductions in coverage and increased deductibles. Conversely, this redistribution of loss in 2024 has had a negative impact on insurer balance sheets and therefore some recalibration for 2025 is expected (provided projections of loss from Hurricanes Helene and Milton remain minimal).

Casualty rates are set to increase in 2025 and concerns from global reinsurers about adequate reserves juxtaposed against the rise of nuclear verdicts paint a concerning picture. We expect there will likely be a reduction in available capacity as some reinsurers exit the segment.

Be on the Lookout

Most industry experts agree that Hurricanes Helene and Milton will have a muted impact on the reinsurance market. While not expected to raise rates, any potential market reductions are expected to slow. The storm's likely low impact on reinsurers will likely strengthen their resolve around retention levels.

Reinsurance markets appear to be more attentive to SCS losses than wholesale or retail markets. However, with unparalleled access to modeling and data, they can pivot quickly and find new fronting capacity when carriers may not be able to.

The rise of **economic inflation has slowed**; however, operational costs and claims have been affected, complicating accurate risk assessment. Similarly, advancements in AI and data analytics are reshaping the marketplace and directly impacting how risks are priced.

On a global scale, one of the biggest concerns for 2025 is socioeconomic systemic loss arising from increased political violence and civil unrest. As new risks and exposures emerge, both financial and societal, insurers will need to consider the level of protection they are willing to offer.

Construction

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Builder's risk

While the number of new entrants into the market has slowed from last year, most regions are still enjoying surplus capacity fueled by both carriers and London Syndicates. The exceptions to this are Florida, Coastal Louisiana and Coastal South Carolina, where capacity had already been more difficult to come by before the effects of Hurricane Helene are fully realized. The New York market has improved from last year, with relative stability and renewals seeing mostly flat pricing to 10% increases.

Overall, there is ample capacity producing downward trends on pricing. We are also seeing the beginning of softening deductibles and relaxed project-lifecycle conditions, including guaranteed extensions, occupancy and escalation. There are some moves from markets to protect their capacity; for instance, in London, many markets are cutting back limits on layered deals, such as from $10M to $7.5M or $5M. However, this has not had a significant impact on the market.

Casualty

Strong capacity exists in primary GL markets for straightforward placements and lower hazard classes with good loss history should look for flat to low single digit renewal rates this year – except in New York where markets are still looking for 5% to 10% renewal increases. Tougher classes (demolition, curtain wall, foundation and scaffolding, as well as excess capacity on frame for-sale residential construction in construction defect states) do have fewer options, but coverage can still be readily found.

In excess, there is increased competition for layers between $5M and $10M, and towers of $50M or more should at worst see flat premiums. As in primary layers, flat to low single digit renewal pricing is common, compared to double-digit increases a year prior.

Auto liability is a challenging line, as it is in other segments. Both economic and social inflation continue to drive up auto claims costs, especially in litigious venues such as Texas, Florida, California, New York and Washington. Heavy auto fleet contractors in particular are looking for higher auto attachments.

Professional lines

The professional liability market in the construction space is stable and competitive. Historical classes such as condos, unique energy risks (solar facilities, battery plants, geothermal sites, etc.) and integrated project delivery (IPD) continue to be challenging, especially in Florida and New York, which are loss leaders for the markets. Capacity remains available for Architects & Engineers as well as Contractor' coverage. And despite a few new entrants to the market over the past few years, pricing is relatively unchanged. Social inflation continues to play a role in underwriting costs; however, most agree that those increases have already been baked into renewal pricing.

Be on the Lookout

Falling interest rates should drive even stronger interest in home sales, and developers and builders are already responding with more new construction starts. Be aware that some of the larger general contractors are starting to require subcontractors to carry TRIA (Terrorism Risk Insurance Act) coverage. Get ahead of carriers making wholesale changes to their book, especially carriers who play in a lead capacity space.

Energy

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Since 2023 the energy market has begun to see signs of recovery. However, catastrophic events and ongoing technological advancements that complicate coverage, particularly in the power and solar markets, have slowed progress. Conversely, the professional and property lines have begun to experience some relief.

Downstream energy

Following historic highs in 2023, premiums within the downstream energy property sector have stabilized. With fewer significant losses and limited natural disasters, insurers have become more profitable and, when combined with ample supply, this has created a more favorable environment for insureds.

The financial burden of rising insurance costs is still a concern, especially as the frequency and severity of SCS increase. The 2024 windstorm season was particularly active, and wildfires have already burned **significantly more acreage** than in 2023. The market's response to these conditions remains uncertain, especially in the wake of hurricanes Helene and Milton.

The downstream energy property market is showing signs of softening, with projected rate decreases between 2.5% and 7.5%, a welcome change after last year's increases of up to 30% for insureds with substantial losses. Meanwhile, the downstream casualty market has experienced a significant number of claims over the past 12 months, leading to continued pricing increases amid limited market capacity.

While the rates in the downstream property sector have begun to decrease from their highs, the rates in casualty have turned the other direction. Markets have continued to decrease capacity and that, combined with new losses, has accelerated the pace at which rates have grown over the past six months. We expect this trend will continue into 2025.

Power dynamics

The casualty market within the power sector is experiencing shifts as major players exit, leaving gaps for new entrants to fill. While some stabilization has occurred, the sector hasn't softened as quickly as other areas. The demand for power is escalating due to factors like population growth, climate change and cryptocurrency mining, as well as the rise of electric vehicles and AI. This surge in demand is outpacing the existing supply infrastructure, emphasizing the need for robust partnerships.

Battery storage installations are also increasing and insurers are becoming more accommodating for proven technologies with strong loss controls. However, new technologies lacking established loss mitigation strategies face a challenging insurance landscape.

Solar power growth

The boom in solar energy installations has been fueled by technological advancements and further investments in clean energy. However, increasing hailstorm severity poses a growing risk to solar farms, which are often located in exposed areas. The potential for significant hail-related losses is a major concern as more high-value assets come under threat.

Midstream sector challenges

While downstream energy property is stabilizing, the midstream sector faces increased competition from new facilities and ongoing M&A activity. Regulatory constraints have slowed large M&A transactions – smaller transactions are now the norm.

The casualty market remains challenging due to rising claims and nuclear verdicts, which drive up premiums while reducing available capacity. The excess energy market is continuing to harden, with rates pushing 10% to 15% across the board on loss free accounts.

Capacity appears to be tightening, often reducing lead capacity to $5M or less, with instances where a lead $10M or $15M policy is reduced to $5M for a similar premium. For auto-heavy accounts, there is a growing necessity for buffers or lower limits, typically in the range of $2M to $3M. These changes stem from the rise in adverse claims, leaving the potential for opportunity as terms and limits tighten.

Upstream capacity constraints

The upstream energy market is grappling with demand and supply challenges, particularly for traditional energy sources like coal and gas. Texas and Louisiana remain critical jurisdictions for energy accounts, but overall market conditions are tightening, complicating coverage availability.

Environmental, social and governance (ESG) pressures are constraining supply, leading to rising material costs. Furthermore, two major insurers have significantly reduced their presence, exacerbating capacity issues and driving up pricing.

Professional lines and cyber market trends

In professional lines, D&O insurance rates are favorable, with solid capacity available. Companies with strong financials may even see aggressive pricing and double-digit rate decreases. Conversely, debt-leveraged insureds could face challenges as underwriters focus on financial stability.

Premiums continue to decrease significantly in the cyber insurance market despite rising claims activity. Underwriters are optimistic about renewals, although challenges persist with ransomware and an uptick in class action lawsuits related to data privacy.

London

While the London market is beginning to show signs of a slight softening, the overall landscape remains challenging due to rising claims and costs. Social inflation remains a growing issue, as court-awarded payouts have risen significantly. Insurance policies that once required $5M in coverage may now need up to $15M.

Environmental

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The environmental market continues to be stable on balance. Although some carriers have exited the space, new entrants have offset their departure, helping to limit drastic rate swings or notable new exclusionary language and keep conditions competitive overall.

Specific classes or regions

Environmental clients are generally enjoying soft market conditions, but there are exceptions. In the nonhazardous solid waste market, policy terms, conditions and pricing have tightened, with some markets no longer writing business due to adverse experience. In Texas and Louisiana, several carriers have restricted their appetite to limit exposure to contractors operating in industrial facilities as well as the oil/gas sector. Some carriers have also pulled back on downstream energy risks.

Auto is problematic across this segment. Accounts with heavy fleets, such as recycling, hydrovac or soil remediation, are facing very limited options, particularly in excess coverage. The cause is the same as in commercial auto in general: social inflation, litigation funding and other factors behind nuclear verdicts are driving up loss costs.

Capacity and pricing

For monoline pollution products (CPL, Site Pollution and Contractors E&O/Pollution), the market is robust with flat pricing. Contractors' pollution liability is competitive, with more than 50 markets willing to write the coverage, including annual practice policies or OCIP/CCIP pollution wraps and project policies. Several carriers are offering up to five-year policy terms on site pollution.

In combined form GL/Pollution/Professional/Products, several markets have cut capacity and raised rates, depending on the location and services of the risk being insured. In excess, while numerous markets will offer unsupported coverage, several have pulled back on limits offered, requiring more carriers to build the same tower. Typically, 5x primary are the highest limits available, and sometimes less if the carrier offers companion auto to go with the program. In supported excess, several markets have pulled back limits offered, with some now only offering short leads or no excess at all when they write GL/Pollution and auto.

Limitations and exclusions

Like the emerging trend last year, PFAS (perfluoroalkyl or polyfluoroalkyl substances) exclusions are increasingly mandated by carriers; however, there are markets willing to modify or remove the exclusion for contractors and consultants who are working on cleanups. Additionally, a few markets are willing to provide coverage for an insured's site if they can demonstrate that they have little to no exposure to PFAS chemicals. Wildfire coverage is also becoming more difficult to obtain dependent on the insured's location and operations.

Additional impacts affecting clients

The EPA finalized its designation of perfluorooctanoic acid (PFOA) and perfluorooctane sulfonate (PFOS) as hazardous substances under section 102(a) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). This gives the EPA enforcement power against responsible parties that manufactured these chemicals as well as certain federal facilities and other industrial parties. Ethylene oxide (EtO) continues to remain as a potential issue to monitor as well.

The EPA's environmental justice initiative, which focuses on cleanup efforts in low-income and disadvantaged communities, is leading to increased fines and scrutiny for accounts operating in these areas. Additionally, non-governmental organizations, often backed by third party litigation funding, are increasingly filing lawsuits against alleged polluters.

Be on the Lookout

There are several new entrants to the market that will offer combined form GL/Pollution/Excess, while others are focused on Site Pollution/Contractors Pollution/Contractors Professional/Pollution. Given the wide variations in coverage forms, careful analysis is needed to assess the quality of these products and any lurking limitations or exclusions.

Healthcare

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Hospital margins have improved over the past year: the median YTD operating margin reached 5% in May 2024, a substantial increase compared to just 0.7% in May 2023. However, long-term financial challenges persist. Greater labor and supply expenses, as well as rising patient acuity requiring longer hospital stays, continue to challenge facilities. Private equity's growing role in healthcare also adds to regulatory scrutiny of pricing and care quality.

Despite current buyer-friendly market conditions overall, care facilities should focus on operational efficiency and partnering with well-capitalized entities to mitigate risks. Attention to revenue diversification and reducing reliance on government funding will also be important.

Specific classes and regions

Urban hospitals have seen financial improvement recently, but rural hospitals remain in distress due to severe financial issues, with many at risk of closure. Higher labor and supply costs, along with structural workforce shortages, are key drivers.

Physician groups, nursing homes and allied health facilities also face ongoing financial pressures. Physician groups in particular are grappling with the administrative burden of the prior authorization process, which impacts physician burnout and patient outcomes.

Nursing homes are struggling with labor shortages and operational pressures; however, insurance pricing for skilled nursing accounts in friendly legal venues is starting to decline. In long-term and senior care, better risks should be able to find stable or slightly favorable pricing where competition is increasing. However, others will find it difficult to obtain attractive terms, particularly for risks with an adverse loss history or those in litigation-prone venues.

Capacity and pricing

As losses continue to outpace premiums, underwriters would like to obtain renewal increases. However, market competition overall is instead producing flat premiums to single digit decreases and this trend is expected to continue into 2025. Premium pressure is not being driven by new capacity but, rather, increased competition (particularly on larger accounts) as established markets try to increase market share. The exception is excess liability, where capacity continues to be limited and care facilities can expect to see umbrella increases of 30% or more.

Limitations and exclusions

Reinsurers continue to push for SAM limitations or exclusions. As a result, primary markets are pulling back on limits and/or offering coverage only via a limited supplemental abuse endorsement. Obtaining affirmative coverage for SAM in excess layers is difficult. Underwriters also maintain their push for hired and non-owned auto exclusions.

As more carriers without tailored healthcare forms enter the market, buyers and retailers should be cautious about lower premiums that may signal limited coverage or financial risk from newer, less established carriers. They must also evaluate whether a carrier is financially stable and has a strong track record for paying claims.

Additional impacts affecting clients

As in other sectors, social inflation in healthcare is leading to increased severity of claims and higher losses, driving claims costs up significantly and keeping pricing and terms from improving even more than they already have. The list of litigation hotbeds for healthcare providers continues to grow as states that used to be less litigious are now becoming more active.

In this environment, the concern is that carriers chasing market share will not be able to sustain pricing, and insureds will be faced with steep increases in the near future, which can be harder on a care facility's business than long-term stable pricing.

Be on the Lookout

While larger healthcare organizations, such as hospitals and health systems, typically work with reputable healthcare carriers and are willing to potentially pay a higher premium to ensure they get the most comprehensive coverage, the number of competitors in this space has grown, continuing to drive premiums down. It's important to recognize that not all carriers offer specialized healthcare forms, and cheaper prices may come with reduced coverage or exclusions.

Healthcare organizations' financials have improved significantly; however, they are not yet out of the woods and financial solvency needs to be sustained. Increased scrutiny regarding private equity ownership in healthcare facilities is likely to continue, and labor shortages and rising supply costs remain ongoing concerns.

Public Entity

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Legal, technological and actuarial factors are playing a key role in the growth of the public entity landscape. Understanding these shifts is crucial for public entities and insurers to effectively manage risk and adapt to changing conditions. Key trends and dynamics are emerging across areas such as casualty, property, crime and cyber insurance, with important considerations for the coming year.

Property

The public entity property insurance market experienced some relief in 2024, with increased competition driving rate decreases for well-managed, loss-free accounts. This trend was most evident in primary and lower excess layers, while high excess layers remain constrained. Catastrophic events, however, continue to pose significant challenges, underscoring the importance of data collection and modeling advancements.

Hurricane Milton brought significant damage across the Gulf Coast, particularly in coastal areas while Helene was more impactful in non-coastal regions of the Southeast. While claims are still coming in and the full impact remains uncertain, early indications suggest that the extent of losses will be lower than those from Hurricane Ian in 2022. High winds, heavy rainfall and storm surge caused widespread destruction, with some areas still recovering from previous storms. Although Milton will likely be among Florida's costliest hurricanes, the market is not expected to face the same level of disruption experienced after Ian.

Overall trends continue

Requests for higher limits, enhanced coverage and lower deductibles have increased as entities look to bolster financial protection. Enhancements to a program's terms and conditions are another way to improve a program in the current market. Focusing on changes other than pricing will help incumbent markets navigate the renewal versus being solely a price-driven transaction. There is potential to remove/adjust vacancy endorsements, roof valuation endorsements and margin clauses to ensure more consistent coverage across the panel of markets.

The integration of RMS 23 alongside RMS 21 modeling is providing insurers and public entities with a better understanding of potential impacts, which is crucial given increased storm activity. Understanding the impacts of RMS 23 versus RMS 21 is vital as you look to build a successful renewal strategy.

Strategic renewal approaches

Successful renewals hinge on employing specialized strategies, such as reconfiguring insurance programs, engaging with new markets and fostering strong underwriter relationships. This approach is particularly important in navigating the complexities of high excess layers, where capacity remains limited.

We expect the January 1 reinsurance market will reflect the impacts of Hurricanes Helene and Milton. At what level, remains to be seen.

Successful renewals hinge on employing specialized strategies.

Casualty

The casualty sector continues to contend with an increasingly challenged legal environment, limited lead layer market alternatives and constantly evolving liability exposures. Factors such as ongoing policing reforms, tort protection and immunity erosions, reviver statutes for abuse claims and overall staffing shortages have adversely impacted liability loss severity trends and ultimate claim values, particularly for law enforcement, street and road design, as well as auto risks.

Trends and dynamics

While there are signs of stabilization in premiums, retentions and limits for best-in-class risks, the market still faces challenges with excess layers. Social inflation and nuclear verdicts continue to drive up costs and historical payback considerations are being re-evaluated while pressure for increased intervening layer premium relativities increase total costs of risk transfer.

Geographic diversification efforts have led to varied rate changes across regions, making it essential for insureds to present complete and detailed submissions to secure favorable terms.

Litigation funding and risk management

Third-party litigation funding is increasingly influencing claim values and litigation patterns. As a result, underwriters are scrutinizing submissions more closely, and actuarial involvement in pricing determination has become more significant. Risk management innovations, such as predictive analytics and incident reporting technologies, are becoming critical tools for mitigating exposures and controlling loss costs.

Cyber

The cyber insurance market for public entities remains cautiously optimistic despite increased claims activity, particularly from ransomware and e-crime incidents. While rates have mostly remained stable, carriers are concerned about aggregation issues, as highlighted by incidents involving major firms like CrowdStrike. Public entities with robust cybersecurity practices can still secure competitive terms, but those lacking controls like Multi-Factor Authentication (MFA) may face limited options and sub-limits.

Carriers are emphasizing cybersecurity services for policyholders, including training and risk assessments.

Claims trends

The frequency of ransomware demands and e-crime claims continues to rise, with hacker groups becoming more aggressive. To counteract these risks, carriers are emphasizing cybersecurity services for policyholders, including training and risk assessments. Pools remain a popular option for public entities due to lower premiums and retentions compared to standalone policies.

Future projections

Looking ahead, the market may see changes following reinsurance renewals, which could lead to rate adjustments. Continued threats, including large-scale cyberattacks and email compromise incidents, are anticipated in 2025. As markets narrow their distribution to specialists with niche expertise, new entrants will likely focus on smaller public entities or limited distribution channels.

Crime

The crime insurance market for public entities remains a niche sector with a limited number of carriers specializing in areas such as faithful performance of duty coverage. The coordination between cyber and crime coverage for e-crime claims remains challenging, as overlapping policy provisions can create gray areas in coverage.

Underwriting considerations for 2025

Expect more underwriting questions related to e-crime exposures and employee training practices. Carriers may introduce exclusions to address these risks, making it critical for insureds to maintain both crime and cyber e-crime coverage to avoid coverage gaps.

Bermuda

The Bermuda market continues to be an important source of property and casualty capacity for public entity clients, particularly where capacity is needed to fill gaps in a tower.

The property space has become softer with clients seeing flat renewals or in some cases, rate decreases in the 5% to 10% range. The impact of Hurricanes Helene and Milton are yet to seen, but this will become clearer through the January 1 reinsurance renewal season.

Casualty rate increases are still the norm but are now more likely to be single digit, except for accounts with adverse loss history. Markets in Bermuda have had the most success filling gaps in towers with small amounts of capacity deployed.

Be on the Lookout

Property: High excess layers will remain a challenge as market capacity struggles to keep up with demand. Keep an eye on new entrants and advances in catastrophe modeling, as these can provide better pricing opportunities and improved coverage terms.

Casualty: Watch for continued shifts in the legal landscape, particularly in states undergoing policing reforms or enacting new legislation. Expect more scrutiny from underwriters, especially regarding third-party litigation funding's impact on claim values.

Cyber: We anticipate potential rate increases and stricter underwriting guidelines following January's reinsurance renewals. Stay vigilant about ransomware trends and reinforce cybersecurity measures, including employee training and endpoint protection.

Crime: Look for more detailed underwriting requirements around e-crime exposures and anticipate potential exclusions as carriers refine coverage terms. Maintaining comprehensive crime and cyber policies will be essential to mitigating risk.

Real Estate

Insight provided by:

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- **Corey Alison** – EVP and Amwins' National Real Estate Practice Leader – Casualty
- **Bob Black** – EVP and Amwins' National Real Estate Practice Leader – Property
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Property segment trends and pricing

What a difference a year makes

It was in October, November and December 2023 that our real estate (property) brokers first began to experience the marketplace shift from five years of a prolonged hard market to the initial stages of rate moderation and program oversubscription. Just one year later, and despite 24 weather/climate disasters through October 2024 causing losses of $1B or more per event (including hurricanes Beryl, Debby, Helene and Milton), the marketplace is firing on all cylinders with carriers heavily focused on account retention, premium growth and profitability maximization. While year-end underwriting may be playing a part in the fourth quarter, ongoing conversations with carrier management and underwriters alike point towards more of the same as we head into 2025.

Increased supply of capacity and resulting increased competition

Unlike the past five years when capacity was constrained, supply of capacity is once again generally plentiful via the domestic, London, Bermuda and global reinsurance marketplaces.

Increased capacity is directly proportional to increased competition; therefore, competition within the real estate (property) space has increased meaningfully throughout 2024 and is likely to accelerate in 2025 outside of one or more substantial industry altering loss events. There are numerous explanations for this, including but not limited to:

- New carrier and MGA entrants, of which there have been many
- MGAs in general having more PML available for deployment in 2024 as compared to 2023; this trend is anticipated to continue or accelerate in 2025
- Many Lloyd's syndicates have secured increased stamp capacity for 2025
- Increased line sizes from incumbent carriers
- Incumbent and new carriers offering additional capacity via ventilation vs. a single line in the expiring program
- Incumbent carriers not wanting to lose renewals and therefore downwardly adjusting pricing as necessary to secure renewal orders
- Many carriers receiving instructions from their management teams to grow, with 2024 budgets contemplating rate upside while the reality generally has been rate downside on average
- Carrier appetite expansion, including carriers either re-entering the multifamily space after sitting on the sidelines for a period of time or finding lower attachment points to now be within target
- Availability of ample deployable global reinsurance capacity for deployment via an increased number of fronts
- Oversubscription (or substantial oversubscription) returning for mid-sized, large and very large layered & shared real estate placements leading to pricing decreases, with outlier/predatory expiring pricing being replaced with lesser expensive capacity this year

Elimination of certain expiring layers via the use of stretch layers is another explanation for increased competition in the market. The most common examples of this are stretch primary layers, such as stretching a $5M primary layer to $10M, or a $10M primary layer to $25M, or a $25M primary layer to $50M. Each of these approaches eliminates or partially eliminates very expensive expiring first buffer layers. However, the expiring layering structure isn't necessarily the most appropriate layering structure given current market conditions. Work with your wholesaler to explore alternative program design, thereby removing apples-to-apples comparisons and forcing carriers to provide a fresh-look for any given opportunity.

As the calendar flips to 2025 and assuming there are no additional substantial losses for the remainder of 2024, many carriers are anticipating that 2024 will be a profitable year. Carriers are receiving "free lift" from interest earned on cash deposits, a lift that was non-existent for years in the near zero interest rate environment. At the same time, January 1, 2025, reinsurance renewals are generally anticipated to be smoother than January 1, 2024, and substantially smoother than the five years prior to that.

Terms and conditions

In times of market softening, and especially on the heels of five years of hard market conditions that fostered increasing amounts of non-concurrency within real estate (property) programs, now is the time to work closely with your wholesaler to streamline programs and eliminate as much non-concurrency as possible within any given real estate placement. Attention to detail and pre-planning renewal objectives and strategy are paramount, as is selecting a wholesaler that will aggressively and tirelessly work to optimize program concurrency and program design for you and your client. Key areas of focus include but are not limited to:

- Every renewal and new business opportunity should be reviewed on its own merits as every account has its own history, unique risk characteristics and story.
- Many programs were split into pieces for a variety of reasons during the hard market. This marketplace may present the opportunity to re-combine an insured's assets into a master program; therefore, full transparency with your wholesaler on the overall opportunity with any given insured will allow for all potential outcomes to be explored.

- As the marketplace softens, insureds that were self-insuring portions of their program via captives or other means may choose to resume buying insurance for those portions of the placements.
- While valuation is still very important to underwriters overall, this is no longer the hot button issue it has been. That being said, underwriters will be carefully scrutinizing undervalued and meaningfully undervalued accounts.
- In instances of a program loss limit, now is the time to revisit the size of the program loss limit, securing more program limit when appropriate.
- To the extent blanket limits were lost during hard market conditions (or a margin clause was removed or minimized), work closely with your broker to regain blanket limits when possible (or to increase the size of the margin clause). Depending on the adequacy of the reported valuation, an upward valuation adjustment may be required.
- Ensure named storm, flood and earthquake coverage is carefully reviewed in the event that coverage for one or more of those perils were lost or minimized during hard market conditions.
  - **NOTE:** Lenders may increase their focus on flood coverage considering the magnitude of flooding associated with Hurricane Helene.
- Transition to a broader policy form when possible.
- Expand coverage wherever possible, including the elimination (or loosening) of restrictive terms and the elimination of (or increased size of) meaningful program sublimits.
- Optimize each program's AOP deductible (and Plus Aggregate when applicable) contemplating the unique loss history, risk characteristics and risk tolerance of each client.
- In select instances, it may be possible to secure a lower named storm deductible than expiring. Balance sheet protection is provided when named storm deductibles can be reduced.
- In select instances, it may be possible to negotiate away or reduce freeze and/or water damage deductibles as compared to expiring.

Rate change guidance

It's imperative to contemplate that the dynamics and account characteristics associated with any given account are unique, meaning the actual results achieved for any given insured may vary widely. That being said, and excluding the potential outliers noted below, the combination of available capacity and magnitude of hungry carriers has resulted in downward pricing pressure throughout 2024.

Barring one or more industry changing loss events, or enough individual events of magnitude that collectively shock the system, or the occurrence of unforeseen loss events of magnitude that cause pause within the real estate (property) marketplace (such as the widespread freeze losses experienced in the past couple of years), ongoing downward pricing pressure is anticipated.

- For loss free (or low loss) best-in-class accounts that become meaningfully oversubscribed:
  - Renewal results ranging from -5% to -17.5% (or more) are not uncommon for medium, large and very large TIV layered and shared real estate (property) placements that are having their first renewal since the five consecutive year hard market ended.
  - **NOTE:** In the event a placement has already been renewed once since the hard market ended, the starting point rate and many other factors come into play in determining the most likely magnitude of rate change for the next renewal.

Be on the Lookout

Real estate (property) accounts that weren't aggressively marketed in 2024 by a retailer/wholesaler with full market access and true expertise in the space are almost certainly not optimized from a pricing/terms/conditions perspective.

Large TIV multifamily and real estate accounts that are currently placed in the admitted marketplace may now be better suited for the E&S marketplace as E&S carriers in many instances have become competitive more quickly when compared to admitted carriers.

Certain markets/MGAs have begun to offer long-term policy periods (e.g., 1/1/25 to 5/31/26). For CAT exposed accounts, additional months beyond the standard 12-month policy period are generally priced using an AOP rate. Expiration dates are generally no later than May 31 as carriers/MGAs prefer to include one full hurricane season within a policy period.

With submission flow at or near an all-time high, quality submissions continue to matter. Underwriters gravitate to detailed and highly organized submissions.

Renewal quotes in many instances are being released by carriers one to two weeks earlier than was the case during the prolonged hard market.

- For loss affected accounts that become oversubscribed:
  - Renewal results ranging from +10% to flat rate (or better) may be achievable; however, the loss specifics and actual magnitude of loss (punishing or not punishing) will certainly factor into the final result.
- Single carrier/MGA real estate (property) placements of various TIV sizes are likely to experience flat rate to -15% (or more) rate changes in instances where the incumbent carrier/MGA is motivated to secure a renewal.
  - **NOTE:** Non-incumbent carriers/MGAs may price an account even more aggressively. That being said, it is important for an insured to consider that carrier continuity and "premium in the bank to pay for future losses" will be lost in the event that coverage isn't renewed with the incumbent carrier.
- Any and all available deductible, coverage, terms and conditions improvements for a given placement are in addition to the rough rate change guidance noted above.

We must also consider the following potential outliers:

- Aggressively priced accounts that are jettisoned from the admitted marketplace which are now being subject to E&S pricing/terms/conditions
- Distressed accounts (i.e., accounts suffering substantial loss in the current policy year or accounts with an outsized average annual loss over time)
- Small TIV accounts (i.e., binding facility type accounts with TIVs of $5M to $7.5M and below)
- Accounts with a high wildfire score
- Substantially undervalued accounts
- Lesser construction and old construction age accounts located in close proximity to the ocean/gulf
- Protection class 9 or 10

Be on the Lookout

Frequent communication and expectation setting with your insureds is critical, including detailing the strategies, approaches and market access that will be explored/tested during the marketing effort.

In times of market softening, it can be tempting to eliminate certain carriers from a carrier panel; when possible, maintaining a broad/diverse carrier panel pays dividends when the marketplace once again hardens or losses are sustained by a given insured.

The Fed Funds rate is anticipated to further decline over the next 12 to 24 months. The larger and quicker the rate decline, the larger the amount of buy/sell activity you will likely see in the real estate (property) space.

Partnering with a wholesaler like Amwins who has full market access, including access to new markets/MGAs, limited distribution markets/MGAs and exclusive markets/programs, as well as London, Bermuda and global reinsurance marketplaces, is as important as ever.

Amwins knows the real estate (property) market inside and out. As we begin to see more defined trends, we will keep you informed!

Casualty segment trends and pricing

GL remains the most challenging space for real estate. Rate increases of 10% to 15% will continue into 2025 on most accounts, if losses haven't deteriorated. If there is an increase in loss activity year over year, increases may exceed 15%. Capacity remains tight, especially for the first $5M of coverage. For accounts needing coverage in excess of $5M, we have seen expanding competition helping to reduce increases occurring in the lead. The average excess limits carried by property owners continues to shrink in response to pricing increases overall.

Social inflation has led to a significant rise in claims costs, especially for commercial lines. Higher legal fees, larger settlements and more frequent litigation are all negatively impacting premiums and forcing stricter underwriting guidelines. As a result, we have seen some insurers limiting their exposures in high-risk areas such as California, Texas, Georgia, Florida and New York, thus making it harder for insureds to find affordable coverage.

Continued loss development and lack of successful risk management has also made the single-family home space particularly challenging. While some of these accounts were placed in the standard market over the past several years, there are very few legacy carriers that will consider new accounts in this space. We anticipate a shift upwards in both retention and rate, which could ultimately shift these accounts into the E&S markets.

We have also seen an increase in the amount of information needed to quote. As an example, the years of loss runs required have increased to seven from five in most cases, with some requiring up to 10 years. Underwriters are looking for a complete submission up front, and without one, the account is pushed to the side.

Coverage limitations and exclusions

There has been an uptick in markets pursuing schedules for 1,000 units and below, with sublimits on assault and battery (A&B) as well as sexual abuse and molestation (SAM). However, carriers are still battling the question of whether it is better to fully exclude A&B on risk-prone accounts or offer a small limit. The common belief is that sublimited coverage on smaller schedules can be more predictable and efficient in the case of a claim – rather than excluding the coverage, which could lead to even more legal challenges.

While we haven't seen any emerging risks in the real estate segment, more emphasis has been placed on firearms exclusions in states with a frequency of A&B issues as well as human trafficking and habitability – regardless of location.

There has been an uptick in markets pursuing schedules for 1,000 units and below.

Professional lines trends and pricing

In the last four years, we have seen the professional lines market soften and that trend appears as if it won't be changing any time soon. Average (and minimum) premiums are down year over year, with retentions reaching historic lows, and it is an opportunistic time for first-time buyers or insureds with general partnership exposure who continue to purchase traditional private D&O policies.

Current market conditions have been driven in part by property investments performing relatively well (no doubt helped by the low interest environment we saw prior to the first Fed rate hike in March 2022), which in turn has resulted in fewer losses. At the same time, we have seen new carriers entering the market looking to write attractive business, but also creating an oversupply of limit capacity in the real estate-oriented management liability marketplace.

Additionally, there was some concern that we might see a greater number of properties defaulting, due to the higher interest rates. However, it would seem as though most credit facilities were extended and so the loss profile in this space really hasn't changed. For now, the laws of supply and demand seem to suggest the soft market is here to stay.

Be on the Lookout

Many carriers are utilizing technology and AI-powered resources to increase their ability to evaluate data on specific locations prior to issuing quotes.

Technology offers the benefit of quicker market analysis of risks, but also more in-depth scrutiny of individual locations, whether by scrubbing the internet or evaluating crime scores. As markets begin to utilize AI more, the relationships between brokers and carriers – along with the ability to address accounts creatively – has never been more important. At Amwins, we emphasize the value of underwriters that understand each account should stand on its own.

Transportation

Insight provided by:

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The transportation insurance market continues to face significant challenges amid an evolving landscape characterized by economic pressures, shifting carrier appetites and increasing loss severity. While some sectors show signs of resilience, the overall environment remains tough for many insureds, particularly within the trucking industry.

Overall segment trends

The transportation sector is grappling with persistent headwinds, including low freight rates, increasing insurance costs and an ongoing driver shortage that suppresses growth opportunities for trucking companies. These factors have created a difficult operating environment for many, and while there is some hope for improved freight rates, significant obstacles remain.

The primary auto insurance market is hardening, with carriers scaling back their appetites and focusing on rate increases for renewals. However, the entrance of new capacity over the past few years has moderated some rate hikes, particularly in the preferred trucking space, where competition remains healthy. For risks that do not qualify for this market, finding coverage has become considerably more challenging.

In Business/Specialty Auto, carriers are scrutinizing auto exposures closely, with some exiting the auto line, especially in specialized classes like non-emergency medical transportation (NEMT) and last mile delivery. These exits have created gaps in coverage, requiring insureds to seek out more specialized brokerage partners that can help to provide broader cover.

Specific classes and regions

There is significant tightening in tougher states such as California, Georgia and Texas, where rate hikes are most pronounced. The introduction of New Jersey's new $1.5M minimum financial responsibility limit in July 2024 has added complexity, prompting varied carrier responses. Some carriers require excess coverage for accounts with even minimal exposure in the state, while others have exited the market entirely.

The increase in loss severity has driven changes across the board, with claims that were once considered minor now costing significantly more due to higher property damage expenses, medical inflation and increased attorney involvement. Immediate and thorough claims reporting is essential to managing these rising costs, as delayed reporting can exacerbate losses.

Retailers can help insureds navigate these challenges by working with transportation specialists who have a deep understanding of the market and can craft strategies that leverage risk management practices, telematics and other technology-driven safety solutions.

Capacity and pricing

Despite tough conditions, capacity remains relatively strong in the commercial auto space, though turnover is high, with new entrants quickly replacing defunct programs. The average rate increase across the market is 8% to 10%, with distressed accounts facing significantly higher hikes.

High levels of carrier turnover, along with pressure to improve profitability, are driving capacity fluctuations. Social inflation and the rising costs associated with litigation continue to exacerbate loss trends, forcing carriers to adjust underwriting strategies based on historical data and client-specific risk profiles.

Insurers are increasingly factoring in technological investments when evaluating risk, providing premium discounts or incentives for companies that adopt such measures. Those who invest in advanced risk management practices and technologies — such as telematics, collision avoidance systems and real-time driver monitoring — are more likely to secure favorable terms.

Coverage limitations and emerging issues

As mentioned above, the most notable coverage development in 2024 was New Jersey's increased financial responsibility limits, which now require bigger commercial vehicles, including trucks over 26,000 lbs., certain passenger vehicles and those carrying hazardous materials, to have at least $1.5M in insurance coverage. Smaller commercial vehicles, between 10,001 and 26,001 lbs., also need to meet this new insurance rule. The market is closely monitoring how other states may follow suit.

The rise in electric truck adoption poses a growing challenge for insurers. The high costs associated with electric vehicles, including repair expenses and parts availability, have made carriers hesitant to insure these vehicles without higher retentions or shared costs with manufacturers. Additionally, a lack of claims experience with electric trucks complicates underwriting.

Inland marine

The inland marine market is experiencing notable shifts within the transportation sector, driven by economic factors like rising equipment costs, lower freight rates and a constrained driver pool. These pressures have led to more selective underwriting practices, particularly in the auto physical damage (APD) segment, where loss frequency and severity have increased. To address these challenges, insurers are requiring stronger risk management practices, including enhanced driver training and safety protocols.

While capacity remains robust, pricing is increasingly account-specific, with better terms available to insureds who invest in risk management technologies. Carriers are also actively developing their inland marine portfolios, attracted by the profitability of this segment. Retailers navigating this complex market should focus on understanding coverage nuances, leveraging technology and fostering strong relationships with specialized brokers to optimize outcomes.

Additional impacts on clients

Social inflation is a significant contributor to rising loss costs, as increased litigation and higher settlements inflate claim expenses. Economic inflation, while less of a factor this year compared to previous years, still impacts repair costs, cargo values and replacement expenses for vehicles and equipment.

The transportation industry has historically been slow to adopt technology, but insurers are now prioritizing risk data and technology adoption as part of their underwriting criteria. Investments in electronic logging devices (ELD), safety cameras and vehicle telematics can not only improve safety but also result in better insurance terms.

London

The London transportation market continues to exhibit characteristics of a moderately hard market. Rates remain steady for small to medium-sized fleets, while there has been a slight reduction in pricing for larger trucking operations. Despite the competitive landscape, which is fueled by a high volume of submissions, underwriters remain cautious.

Driver experience is a significant concern, with risks involving a high percentage of inexperienced drivers often being declined. Underwriters place considerable emphasis on detailed driver information, including name, date of birth, hire date and years of U.S. commercial driving experience, to assess risk accurately. Additionally, increased loss frequency in Illinois has led to higher rates for risks domiciled in the state, reflecting ongoing concerns about claims activity in that region.

Be on the Lookout

The transportation insurance market is expected to see further rate increases, particularly in primary auto, as insurers continue tightening underwriting guidelines to address profitability pressures. There is a growing focus on safety investments, with companies lacking advanced safety technologies potentially facing difficulties in securing coverage or higher premiums.

Carriers are increasingly incentivizing insureds to share telematics data, which can result in better pricing and terms, making it essential for retailers to educate clients on these programs. Additionally, potential labor disruptions due to ILA negotiations on the East and Gulf Coasts could significantly impact the transportation sector, affecting supply chains and coverage needs.

With the rise of electric trucks, retailers should help insureds evaluate their coverage options and explore partnerships with manufacturers to manage the risks associated with new technologies.

Cyber

Insight provided by:

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- **Chris Francis** – Director, Amwins Global Risks
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The cyber insurance market is facing increased competition and evolving risk dynamics. Pricing trends indicate a notable shift, with renewal business seeing flat to declining rates and new business encountering aggressive pricing strategies from carriers eager to capture market share.

The overall market can be categorized into three distinct categories:

1. **New entrants:** Fresh carriers with no legacy risks aggressively seeking market share through competitive pricing.
2. **Seasoned players:** Established carriers with more than 10 years in the cyber space, leveraging their portfolio and relationships to maintain competitiveness and manage legacy risks.
3. **Middle-tier insurers:** Entities facing pressure to clearly define their offerings, often opting for specialty-focused distribution strategies.

This mix of new entrants and ample capacity suggests that soft market conditions are likely to persist into the foreseeable future while prompting a shift towards more differentiated offerings.

Upcoming reinsurance renewal dates, particularly January 1 and April 1, are expected to provide critical insights into market direction as we move further into 2025.

Capacity and pricing trends

Capacity continues to grow, with many carriers willing to offer limits previously thought unattainable. Contractual requirements for coverage are also on the rise, with firms increasingly mandated to carry higher limits. However, pricing remains competitive, with reductions observed across various segments, particularly in the wake of enhanced security protocols.

Emerging players and changing market dynamics are influencing capacity trends. For instance, while underwriters are generally open to a wide array of industries, they remain cautious about sectors such as healthcare, where regulatory complexities may drive tighter underwriting guidelines.

Impacts of cyber disruption

High-profile cyber incidents, such as those involving CDK Global, CrowdStrike and Change Healthcare, were anticipated to shake up the market significantly. However, the overall impact has been somewhat muted, affecting only a small segment of the cyber insurance landscape. Insurers heavily invested in these sectors or with substantial books of affected clients faced adverse effects while the broader market remained relatively stable.

These events highlighted the need for insurers to assess risk portfolios critically. While catastrophic events in other sectors, such as natural disasters, can drive significant changes in pricing and availability, the cyber sector appears more resilient. This resilience may be due, in part, to improved risk management practices among organizations, resulting in fewer significant losses impacting the overall market.

Ransomware continues to plague organizations across various sectors. Despite rising claims, the cyber insurance marketplace has yet to respond meaningfully to this persistent threat, potentially due to improved risk controls among a wider array of insureds. However, a large segment of commercial enterprises remains uninsured for cyber risks, presenting an ongoing challenge for carriers.

Sector-specific dynamics

Certain sectors are experiencing pronounced challenges.

- Healthcare remains a challenging class with fluctuating market responses based on security postures and claims histories.
- Manufacturing is seeing a wide range of coverage options as some entities struggle while others are viewed as emerging opportunities for carriers.
- Small and Medium Enterprises (SMEs) have seen rising minimum premiums due to historical underpricing, leading to significant increases in costs for smaller businesses.

Biometrics are also becoming a growing concern as businesses increasingly rely on this technology for security and efficiency. High-profile data breaches have prompted insurers to adapt their risk assessment and underwriting processes while the regulatory landscape surrounding this area is becoming more complex.

Geopolitical and economic influences

The dynamics of modern warfare have expanded beyond traditional battlegrounds into the digital realm, leading to an uptick in state-sponsored cyberattacks. Microsoft's recent Digital Defense Report indicated a rise in such attacks, with motivations shifting from mere disruption to espionage and information gathering.

The implications for businesses are profound. Hacktivism, where groups aim to disrupt entities that oppose their social or political views, is becoming increasingly prevalent and the potential for increased attacks during periods like the recent election calls for heightened vigilance and robust security measures across all sectors.

Social inflation continues to affect the cyber industry, with rising operational costs potentially impacting how companies prioritize security investments. This financial pressure can lead to reduced security measures, ultimately broadening the attack surface for cybercriminals.

Be on the Lookout

Advancements in technology, particularly AI and machine learning, are reshaping the cyber threat landscape. As threat actors adopt these tools for more sophisticated attacks — such as deep fakes — insurers are grappling with how to adjust coverage accordingly. Some insurers are stepping up to offer affirmative coverage for emerging threats, while others struggle to adapt.

While the current buyer-friendly environment is expected to persist, it may be tempered by emerging geopolitical tensions. Organizations should continue to be proactive in building robust cybersecurity frameworks, which may influence underwriting practices.

With numerous variations of cyber insurance available, clients must navigate the complexities of coverage agreements. Working with specialized brokers will be critical in ensuring adequate protection and claims support.

Digital

Insight provided by:

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Digital platforms, like **Amwins InstantQuote (Amwins IQ)**, are being introduced across the industry as retailers and wholesale brokers seek to streamline transactions and boost efficiency. API capabilities are being developed faster than ever before; however, the shift from traditional workflows to online quoting platforms has been slow.

Single insurer/single product platforms provided by insurers and MGAs are giving way to platforms that offer choice and better odds of receiving a bindable quote at the end of the digital experience.

Evolving insurer perspectives

As insurers seek out more ways to optimize processes, the difference between essential and desired information is becoming clearer. Systems that were previously fraught with excessive questioning have been pared down to focus on critical security controls and preparedness.

The adoption of third-party data has been crucial in helping developers make informed updates without burdening applicants. AI is also being leveraged, often tasked with performance analysis, risk classification and document processing.

Capacity and pricing trends

Cyber insurance rates saw astronomical highs throughout 2020 and into 2021 but have been on a steady decline since. Though some groups have experienced rate spikes due to an increase in hacker activity, digital platforms are leveraging improved data and loss information to make targeted pricing adjustments. This allows for real-time market responses rather than relying on information from annual renewals. Brokers can now focus on finding the best available deals among multiple options rather than fixating on isolated rate increases.

Ransomware no longer a market driver

The ransomware epidemic that peaked in 2020 has had lasting effects on the cyber insurance landscape. While incidents continue, the market has stabilized. Insurers have pushed for enhanced security measures, such as multifactor authentication (MFA) and secure backups, to mitigate effects which has also led to better risk profiles. As panic has subsided, pricing has begun to decrease. Brokers are also leveraging platforms such as Amwins IQ for rapid price comparisons to secure the best options for their clients.

Coverage limitations and exclusions

Enhanced security measures at the insured level have improved risk profiles overall, but the threat of **social engineering losses** and other types of attacks remain. To manage against these risks, underwriters are implementing sublimits and a baseline of security standards. Other lines of coverage, such as EPL and miscellaneous professional liability, exhibit more stability, though they are not immune to economic fluctuations.

In the digital space, most buyers tend to opt for smaller limits, making large settlements less impactful for insurers focused on low-limit offerings. Economic inflation appears largely baked into pricing as businesses have adjusted to inflationary pressures over the past few quarters.

Looking ahead

As more entities launch online quoting platforms, a potential risk arises from a mismatch in readiness among buyers and brokers. While early adopters may experience fatigue from the demands of development work, they are not exiting the market. Instead, they are adjusting their expectations as the digital landscape evolves. In short, this strategy is here to stay and has become a question of how it will evolve not if it will last.

For retailers and agents to stay competitive, it's become paramount to leverage online quoting platforms – especially more robust and capable options like **Amwins IQ**. Expediency and accuracy are already favored traits of those seeking business, so staying ahead of the game and utilizing the most capable technologies is only going to provide an edge.

Habitational

Insight provided by:

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- **Craig Russell** – EVP, Amwins Brokerage

Overall Segment Trends

Well into 2024, many habitational markets had been setting aggressive growth goals for their underwriters and increasing their appetite for business, including frame construction accounts. This additional capacity helped reduce rates from peak levels set just the year before. However, the full impact of Hurricanes Helene and Milton on the habitational market remains to be seen. You can learn more about our expectations for the property market as a whole **here.**

Specific regions and classes

As we moved into Q4 2024, large, heavily syndicated placements had been seeing the best outcomes in premium relief, while transactional placements involving one to three carriers received more modest changes. CAT-exposed accounts experienced significant rate reductions, although individual accounts with unfavorable underwriting characteristics or poor loss history were still being heavily penalized with both high rates and retentions, with limited markets willing to take on that business.

In Florida, several Citizens takeout companies have been approved, increasing competition and driving pricing lower. Non-coastal areas have also seen a return of appetite for program business.

Capacity and pricing

The past year saw multiple new entrants into the habitational market, with those carriers undercutting expiring premiums and putting pressure on existing markets to lower rates to retain or gain market share. This added capacity also led to higher primary limit availability for both coastal and non-coastal accounts, often eliminating the need for one or more excess layers and generating anywhere from a 30% to 50% overall premium decrease on large master policies.

Due to insured valuation increases in the last few years, carriers have been more accepting of retaining valuations at renewal rather than demanding another jump. They have also been more flexible on minimum premiums, coinsurance requirements and deductibles.

In addition to pushing carriers for better rates and term in this market, retailers should carefully review accounts for updated information to obtain the best deal from underwriters. Replacing roofs, updating HVAC systems, adding impact-resistant glass and other changes can all result in significant improvements at renewal.

Limitations and exclusions

We are seeing a few markets move from a traditional wind/hail deductible to a "weather" deductible that applies to a broader set of perils. Retailers should be aware that different carriers use different definitions for this policy term.

Some carriers are also pushing to sublimit water damage in high rises/older buildings, and **EIFS (synthetic stucco) remains an underwriting concern.**

Be on the Lookout

As carriers get more aggressive on writing habitational business, standard underwriting checks and balances are still important. Work with your clients to ensure that nothing is missed or overlooked when reviewing a new policy.

The impact of the 2024 storm season has yet to be felt for coastal properties. For non-coastal properties, expect higher capacity, which should continue to produce lower premiums and encourage growth of new programs.

Hospitality

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- **Michelle Yuko** – EVP, Amwins Brokerage

Across the Southeast, hospitality properties—especially hotels—are still viewed as challenging risks, with exterior-entry motels and properties featuring synthetic stucco (EIFS) experiencing heightened scrutiny. Coastal properties and aging structures are especially affected, with underwriting teams hesitant to provide robust coverage options, often limiting capacity for wind and other peril exposures.

Newly constructed hotels generally benefit from more favorable terms, with competitive pricing and a higher willingness among carriers to accommodate additional capacity where warranted. However, older and rundown properties, continue to face a tougher underwriting landscape.

Regional insights

Within the Southeast region, Florida and Louisiana remain focal points. While recent hurricanes have not significantly influenced immediate property rate increases, they appear to have tempered potential rate decreases, keeping premiums largely flat. Louisiana, known for its complex risk profile, presents an even steeper challenge when coupled with hotel exposure. Across coastal regions, carriers generally remain cautious, maintaining limited capacity for high-risk locations with substantial wind or flood exposure.

Pricing and capacity

The hospitality property market has shown a moderate increase in carrier engagement. More quotes are becoming available, offering some accounts an opportunity for negotiation. The market remains stringent on properties with elevated risks, especially those with frame construction or EIFS materials, which typically have coverage exclusions. Retailers may find new opportunities by leveraging multiple quotes, helping insureds achieve more favorable terms and pricing as market competitiveness grows.

Key exclusions

In terms of coverage, **EIFS exclusions remain prevalent** given its association with water and mold issues. Negotiating these exclusions upfront has become essential to avoid complications at claim time, especially for hotels with extensive EIFS in their construction.

Additional structural factors, such as aluminum wiring and outdated FP (Federal Pacific) panels in older buildings, can also present coverage hurdles. Some carriers will require updates or upgrades to these components as a condition of coverage, particularly in high-risk, coastal regions.

Recent building updates, especially roof and window replacements, have also become central to carrier risk models. For retailers, obtaining verified building update information can prove to be critical, as this can improve risk scores and potentially reduce premiums.

Be on the Lookout

The hospitality property market appears poised for a gradual increase in carrier competitiveness, particularly on newer and updated properties. Retailers should stay attuned to emerging opportunities for leveraging multiple quotes to drive down premiums and negotiate terms more effectively. Additionally, proactively confirming key building updates with insureds—particularly in roofing and windows—can help optimize coverage options and ensure clients have the protection they need.

Life Sciences

Insight provided by:

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- **Ed Fussell** – Casualty Broker, Amwins Global Risks
- **Joe Hare** – SVP, Amwins Brokerage
- **Norman Ives** – Cannabis Practice Leader, Amwins
- **Megan Kramer** – VP, Amwins Brokerage
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The life sciences market continues to soften with new entrants and increased capacity from existing insurers. The soft market is expected to continue into 2025 with rates likely to flatten or show small increases toward the latter half of the year.

The insurance market for cannabis and hemp operations has to date functioned somewhat independently from the broader property and casualty market but is now starting to resemble traditional classes more closely. The anticipated federal rescheduling of cannabis in 2025 could trigger a major step forward in the maturity of the cannabis industry, resulting in a greater focus on coverage in what has been a historically price-driven segment.

Specific classes or regions

Life sciences

Over the past year, contract research organizations (CROs) have been settling claims quickly due to the risk of reputational harm. Although the market does continue to soften overall, these claims have caused an increase in self-insured retentions as losses have approached or reached policy limits.

Additionally, class action lawsuits around previously benign products have raised new underwriting concerns, resulting in new, targeted exclusions based on this litigation. As a result, brokers are forced to re-engineer larger placements to ensure the best outcome for insureds.

Cannabis

The cannabis property insurance market is seeing more activity in states with established cannabis operations, such as California and Colorado. However, newer markets such as New York, New Jersey, Minnesota and Michigan are beginning to grow rapidly due to the expansion of legalized cannabis, creating opportunities for builders' risk placements that can lead to full cover on all lines once the project is done. Working with a cannabis operator before they begin selling product to the public can help a retailer establish a longer lasting relationship that follows the licensing-to-operating lifecycle.

The two dominant sources of property claims for cannabis operations are fire losses due to high-pressure sodium (HPS) lighting and theft. The severity of theft claims, especially those targeting larger operators, is increasing, and insurers expect more rigorous risk management as a result. Coverage requirements may include safe and vault regulations to prevent theft claims and insureds that demonstrate proactive risk mitigation strategies will likely see more favorable renewal terms.

In GL, cannabis has had a relatively low rate of claims, helping overcome some historic reticence toward this class by the market. Cannabis is also growing beyond the dispensary model. Expansion in the **cannabis beverage industry** has presented increased need for GL coverage and opportunity for retailers, with forecasts projecting a market increase to $2B by 2026 and over $8B by 2032.

Capacity and pricing

Across life sciences, property and GL rates have been competitive with markets pushing to win new business. Capacity is strongest for easier-to-place accounts with a large emphasis on a retail broker distribution model. Therefore, the wholesale market's value is often found in placing accounts that require more negotiation due to wholesalers' stronger carrier relationships and deeper understanding of the subject area.

Workers' compensation and cyber have been soft markets for this segment. However, excess rates have started to climb, and that is anticipated to continue throughout 2025. D&O rates for life science companies have seen decreases across the board, predominantly because defendants prevail more frequently than in other industries when it comes to security class action suits.

In cannabis, property rates have mostly stabilized after years of rate reductions driven by competition, although markets continue to price large accounts aggressively to obtain business. Particularly in the small business segment, several new programs have focused on streamlining processes using technology, albeit commonly offering less robust coverage.

In GL, cannabis has seen an expansion of capacity along with rate decreases, primarily due to additional competition for new business. With several new casualty markets entering the cannabis space in the last two years the rate structure has continued to erode.

Limitations and exclusions

Starting in 2023, markets have routinely placed acetaminophen exclusions appropriately on risks with over the counter (OTC) manufacturing and/or distribution exposure. Also, some PFAS exclusions can be found, but not with great consistency.

Several exclusions and limitations have become more prominent in the cannabis property market. These include exclusions for water damage (often caused by irrigation systems) and wildfires—especially in regions such as the western U.S., where cannabis cultivation is vulnerable to environmental risks.

Most if not all cannabis property programs also exclude coverage from storm surge associated with hurricanes like Helene and Milton. Retailers should also be aware of the potential for "habitability exclusions" associated with employee housing and advise insureds accordingly to avoid coverage gaps.

In GL, while there has been no trend toward new exclusions; policies must still be carefully reviewed for any "impairment" or "health hazard" language, as well as exclusions for illegal activity under which cannabis operations may still technically fall.

Additional impacts affecting clients

Social inflation is a growing concern in this segment, with indemnity payouts as well as legal fees increasing at alarming rates. The major litigation within the life sciences space has been kept mostly to costs and expenses as lawsuits struggle to demonstrably link allegations to tangible outcomes.

MedTech-enabled products have been at the forefront of the life sciences manufacturing market for the last five years, but these are taking a back seat to peptides and personalized medicines. The insurance market needs to pay close attention to these new products given how widespread their use will become. Side effects, whether long-term or lesser known, will be the targets of plaintiff lawyers.

Be on the Lookout

The DEA recently held a public hearing on the proposed rescheduling of cannabis from a Schedule 1 to Schedule 3 narcotic. If approved, the move will not federally legalize or regulate cannabis and may further complicate the regulatory patchwork under which cannabis companies operate.

Intoxicating hemp **THC beverages are a disruptive trend in cannabis**, as the products are increasingly sold in mainstream liquor and grocery stores. Many non-cannabis businesses now have cannabis exposures and must be proactive to ensure proper coverage.

As more cannabis operators move into renovated buildings instead of new builds, properties should be insured to value (ITV) to avoid coinsurance penalties.

It's important to understand how to appropriately schedule medical providers, both employees and independent contractors, for organizations like CROs or those that perform genetic/medical testing. If there is a component of direct or indirect patient care, the insured may need to also have healthcare professional coverage in place – especially given the different state fund requirements.

Working with an established operator, prioritizing long-term relationships and focusing on risk management is key. This consistency will enable improved coverage options and offer more strategic advice for emerging risks.

Marine

Insight provided by:

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Marine market

The marine industry, which had been in a hard phase since 2017 due to challenges such as the Decile Ten initiative by Lloyd's and capacity constraints, is experiencing a transformative phase and showing signs of softening.

This shift is driven by an influx of new capacity, increased competition and broader underwriting appetites. New entrants, particularly in the form of MGAs, geopolitical challenges and insurers' growth ambitions have also been significant contributors to this trend, impacting pricing discipline across various marine classes, including hull and machinery, war risk and builder's risks.

Capacity, pricing and coverage developments

Marine insurance rates are generally trending downward across most classes. The increased capacity and number of insurers in the market have led to rate reductions that are expected to continue well into 2025. Specific market segments, such as U.S. liabilities, have seen fewer discounts; however, the pressure to secure business in a competitive landscape has resulted in broader underwriting appetites overall.

Coverage limitations and exclusions are relatively stable, with some markets offering more comprehensive coverage as a way to differentiate themselves. Despite these trends, there is still caution in certain areas, such as war risks, where geopolitical factors continue to influence the extent of coverage offered.

U.S. markets are still stringent on capacity with a handful of markets lining down on existing accounts at renewal and playing catch up to the rest of the market. Higher capacity and higher risk accounts continue to be shared between multiple markets. The U.S. market, more specifically underwriters, are trying to find a balance now between capacity and price.

Economic inflation continues to drive up the costs associated with handling claims, impacting the marine insurance market. Underwriters face increasing pressure to meet corporate demands related to these higher expenses, while insureds struggle with the rising cost of premiums year after year. In certain segments, the ability of insureds to afford coverage is being tested, leading to greater pushback against carriers during renewals. This is resulting in increased pressure on the market to keep premium hikes more modest, even as insurers deal with higher claim costs and losses. The balancing act between rising costs and premium affordability remains a key challenge for the industry.

Emerging risks

While coverage limitations have not changed drastically, geopolitical tensions are having a notable impact. The Russia-Ukraine war continues to affect the war market, where coverage terms are evolving in response to the conflict. In addition, the increasing complexity of relations within the Persian Gulf and Middle East may lead to further scrutiny and adjustments in underwriting practices.

Emerging risks, such as renewable energy exposures, are becoming more prevalent, with insurers adapting to cover wind farm support vessels and other related maritime assets. The slow but steady rise of autonomous vessels is also creating new considerations for underwriters, though the impact is still limited due to the relatively small number of these types of vessels in operation.

Particular attention is needed for electric and autonomous vehicles, as well as the increasing use of lithium batteries, which pose growing safety and underwriting concerns. As these technologies become more prevalent, insurers will need to navigate the unique risks they present, such as fire hazards associated with lithium batteries and liability complexities for autonomous operations. Additionally, the London market's loosening restrictions could provide new opportunities for filling coverage gaps, especially for challenging placements like cargo/stock throughput programs (STP), docks and marine excess.

Cargo market

The cargo insurance market has been transitioning from nearly two years of flat market conditions into a softening phase. This shift began in the second quarter of 2024, and the outlook indicates that rate reductions will likely continue into 2025.

Presently, single-digit rate reductions are common for clean renewal business, hovering around 5% with the potential to reach as high as 10% depending on the nature of the risk and the level of competition.

The market has become increasingly competitive, with brokers and underwriters vying for business, leading to the current downward

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pressure on rates. For standard risks, reductions are easier to secure, while more challenging or specialized classes, such as pharmaceuticals, may still face resistance in achieving rate cuts. The degree of reduction largely depends on the available capacity in the London market for a given type of risk.

Increasing capacity and broader appetite

The primary driver behind the softening cargo market is the significant influx of new capacity. Several MGAs and new insurers have entered the market, increasing competition and adding to the downward pressure on rates.

In addition to new capacity, existing markets have expanded their teams and underwriting capabilities, contributing to the heightened competition. As a result, insurers are broadening their underwriting appetites to include more challenging risks that they might have previously avoided, including produce, fresh fruit, cars and other historically difficult classes.

Changes in coverage

With increased competition, some underwriters are starting to consider broader coverage offerings. While exclusions for complex risks remain, there is an expectation that coverage wording will become more flexible over the next few quarters. This trend is driven by the need for insurers to distinguish themselves in a crowded marketplace, leading to wider coverage terms to attract business.

Delegated authority arrangements, such as binders, facilities, consortiums and MGAs, have made a comeback, giving brokers and insureds more options. This includes some markets offering 100% lines on accounts with limits up to $50M, which signifies the insurers' aggressive push for growth and willingness to take on substantial exposures.

Despite the softer market conditions, CAT appetite remains stable, with no significant changes in coverage limitations across the board.

Inland marine

The inland marine segment is also experiencing a shift towards more favorable market conditions for insureds. Rate reductions and capacity growth are influencing trends across various inland marine coverages, including STP. The inland marine market has become an attractive alternative to traditional property programs, particularly for risks with heavy stock exposures.

With property insurers still exhibiting some caution in underwriting stock-heavy risks, carving out stock exposures for separate inland marine policies is a viable strategy. As the inland marine market continues to trend towards rate decreases, this approach allows brokers to craft more competitive programs for clients while leveraging the softer conditions.

Technological advancements

Similar to the broader cargo market, delegated authority arrangements in the inland marine space are on the rise, enabling MGAs and consortiums to provide coverage that aligns with clients' unique needs. There has also been an uptick in automatic capacity, driven by advancements in technology, though the inland marine segment has not seen as significant a shift towards AI-driven underwriting. Traditional broker-underwriter relationships still play a central role, given the nuanced nature of inland marine risks.

Contractors' equipment

The contractors' equipment sector is experiencing robust growth, driven by ongoing infrastructure projects, rising equipment costs and technological advancements. Inflation and supply chain disruptions have led to increased prices for purchasing and replacing equipment, prompting higher premiums as contractors seek coverage for higher-valued assets.

The need for specialized coverage is also on the rise, especially in industries like construction and renewable energy, where advanced and costly machinery requires tailored insurance solutions. Insurers are adapting by offering policies that account for the unique risks associated with these sectors.

Technological impact

Technology is playing a significant role in shaping the market, with the adoption of telematics and GPS tracking increasing among contractors. These technologies provide real-time data on equipment usage, location and maintenance needs, allowing insurers to better assess risks. As a result, contractors who invest in technology may benefit from more favorable pricing due to reduced theft and accident risks.

Climate-related risks continue to present challenges, as severe weather events such as floods, wildfires and hurricanes become more frequent. Insurers are adjusting rates and coverage terms to account for the increased risks posed by natural disasters, particularly in regions with high construction activity.

Claims activity

Increased claims activity has been noted, particularly for theft, damage and accidents involving large, expensive machinery. The heightened frequency of claims has led insurers to tighten underwriting standards, especially for equipment in high-risk areas.

Additionally, the market faces a decline in qualified equipment operators, driven by an aging workforce, inadequate training programs and the high demand for skilled labor. This shortage can result in project delays, higher labor costs and equipment misuse, all of which contribute to increased insurance claims.

Market shifts

The increased reliance on rental equipment adds complexity, as coverage needs to account for shared risks between contractors and rental companies. With rising construction costs and tighter project timelines, contractors often opt for rented machinery, making it crucial to clarify insurance responsibilities and ensure adequate coverage.

The shift toward renewable energy has led to higher demand for equipment used in green projects like solar installations and wind turbine maintenance. These specialized tools come with unique risks, and insurers are still adjusting to the evolving landscape, often resulting in higher premiums and more conservative underwriting.

Be on the Lookout

As the marine insurance market continues to soften, competition is likely to intensify. Brokers and insureds should be prepared for further rate reductions and an expansion in capacity, with at least three new entrants expected to join the market next year. However, it will be important to maintain strong relationships with established and supportive markets to navigate potential pitfalls associated with rapidly changing conditions.

The London market, having faced challenges in recent years, is now regaining its competitive edge across various classes. Retailers should watch for declining rates and consider London as a viable option for marine insurance placements, especially for specialized or hard-to-place risks.

Sexual Abuse and Molestation

Insight provided by:

- **Philip Carbone** – EVP, Amwins Brokerage
- **Joe D. Carlson** – VP, Amwins Brokerage
- **April Salvas** – Principal Underwriter, Business Risk Partners

With increased media attention and growing social awareness putting a spotlight on sexual abuse and molestation (SAM), more victims are coming forward with allegations and filing suit. Insurance carriers have paid significant amounts on claims in recent years and, as a result, market availability for SAM coverage continues to shift against buyers.

Carriers had historically provided SAM as part of GL coverage either explicitly or by virtue of it not being excluded, often with full limits on both primary and excess. Additionally, because of occurrence-based GL forms, carriers are paying today for historic claims that were not contemplated in underwriting or pricing long-expired policies.

SAM coverage has become increasingly sublimited or excluded altogether on GL forms, requiring entities at risk to purchase standalone coverage. For buyers, the sticker shock can be immense. As part of a package policy, coverage may be $500 or less, whereas monoline coverage typically starts at $5,000.

Specific classes or regions

Government contract requirements for SAM coverage are commonplace, affecting clients in government-driven markets such as Washington, D.C. in particular. We are also seeing more SAM-related contract requirements in California for entities providing services to school districts with some clients facing difficult insurance placements due to the high limit requirements of those contracts.

In general, education is a high-demand area for coverage, including schools (private, public, charter and Montessori), daycares (in-home, commercial and franchised operations), and colleges (private and public). However, daycare packages are frequently being nonrenewed due to claims, as are foster care operations where most markets only offer excess coverage.

There is also growing demand in the NEMT space due to vendor contract requirements. And the social/human services sector also has admitted markets cutting limits or completely excluding coverage after underpricing the coverage for years, pushing buyers to the E&S space.

Capacity and pricing

Admitted carriers are slashing limits or significantly reducing SAM coverage in both primary and excess. Several speciality carriers have nonrenewed all or significant portions of high-risk business, such as churches and educational organizations. Where coverage is offered by those markets, pricing is skyrocketing – often more than 100% over expiring levels.

Despite the growing demand for monoline coverage, there are only a few players in this space. Coverage comes with high minimum premiums, low limits and often without excess availability.

Limitations and exclusions

In addition to blanket SAM exclusions on GL, some markets purporting to offer SAM coverage will exclude physical abuse on their policy form. Coverage may also be limited to first-party-on-third-party claims, versus a more holistic coverage that adds third-party-on-third-party claims. The latter coverage is particularly important for group homes, social services organizations and residential risks, but is increasingly difficult to obtain.

Additional impacts affecting clients

There is continued social pressure for states to extend or remove the statute of limitations for abuse lawsuits, as has been done in California and New York. Not only does this create added risk for organizations, but it also increases the ultimate cost of claims. According to research from Praesidium, for claims reported in the first nine years after an incident, the average settlement is $19.3M. For claims reported more than 10 years after, the amount more than doubles to $43.9M.

For clients, better risk management, including hiring and training practices related to sexual abuse and molestation, generally leads to more favorable pricing and limit availability. Underwriters want to see that organizations understand their risk exposure and are being proactive in preventing abuse.

Be on the Lookout

Demand for SAM coverage is increasing and will only continue as public sentiment—and nuclear verdicts—grow. However, carriers offering SAM coverage are very selective regarding who they work with on these placements. Knowledge of this limited market and established relationships with underwriters are essential to success in placement.

Wildfire

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Recent wildfires have become larger and more complex. The Park Fire near Chico, CA, burned over 429,000 acres and was only 100% contained after nine weeks. To date, nearly 8 million acres have been burned as a result of wildfires, and extreme fire events are projected to increase by 50% by the century's end, driven by climate change and changes in land use.

Given the nature of these events insurance rates remain competitive but high, largely due to significant capacity being provided by Lloyd's. E&S markets remain active, offering coverage options in states like California and Nevada where limited capacity as well as high deductibles have become the norm for admitted markets.

Evolving coverage structures

To adapt to evolving risks, the market is innovating its coverage structures:

- **Traditional all-risk coverage:** This includes wildfire coverage through multiple carriers, featuring diverse deductible structures. Programs like Wildfire Defense Insurance Services (WDIS) also offer services such as private firefighting and wildfire monitoring to help reduce potential loss.
- **Parametric insurance:** This customizable policy is triggered when an insured suffers a loss within predetermined parameters due to wildfire or smoke.
- **California Fair Plan (CFP):** The CFP has increased its coverage limits to $20 million. This standalone policy can be paired with a Difference in Conditions (DIC) wrap-around product for comprehensive protection.

You can learn more about the rapid evolution of the wildfire insurance marketplace in our recent market outlook.

Looking ahead

Technological advancements are continuing to improve early detection. AI-equipped fire lookouts can quickly report smoke and fire to local authorities, especially in remote areas. Insurers are also utilizing various assessment tools (like Riskmeter, Zesty and ISO) to gauge exposure and inform underwriting decisions. Where assessment tools indicate minimal exposure, insurers may be more willing to offer coverage at better rates.

Rates have increased significantly for commercial properties within the CFP, and now, depending upon the wildfire risk, E&S carriers are providing better coverage and more competitive rates than in the past, bringing their pricing closer to the premiums that CFP is offering, for their stripped-down coverage.

MGA Marketplace

Insight provided by:

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Growth and market interest

Estimated **MGA premium written by U.S. insurance companies grew by 13% in 2023**, outpacing the property-casualty market's growth of 10%. And, as we **predicted last year**, the delegated space has continued to be in high demand both from an MGA and carrier capacity standpoint.

Carriers want to work with best-in-class MGAs, aiming for partnerships that offer a diverse product range to meet the rising need for specialized coverage and underwriting expertise. These scaled partnerships provide not only stability but also promote long-term sustainability.

Amwins has cemented itself as a significant contributor to this burgeoning market, representing more than 12% of non-owned MGA premium distributed across 120 programs.

Product development

An MGA's nimbleness is part of its competitive advantage and is why many have focused on product incubation. Amwins differentiates itself by leveraging its robust data to inform product development and quickly bring new programs to market.

Access to data also compels carriers to delegate capacity – even in a challenging market. The transportation market is one example where Amwins has been able to sustain capacity despite ongoing market disruptions. Similarly, the **casualty market is hardening** and double-digit rate increases are becoming the norm. Amwins has been able to secure the necessary authority and development of new products has increased.

Our average market relationships span well over a decade and our robust data allows us to anticipate market moves and develop products that support our clients as they profitably grow their business. It's also worth noting that while it hasn't been broadly adopted across the marketplace, Amwins is the only delegated underwriting authority to earn **AM Best's PA-1 score**, the highest assessment rating – distinguishing our underwriting controls and results as well as our control environment, financial status and quality of staff from other delegated entities.

Alternative risk

From a **property perspective**, the market has changed since this time last year. Where capacity was once hard to find, capital is flowing more freely and now there is now a surplus – even with pending claims from Hurricanes Helene and Milton that are not expected to alter the capital levels in the market. There has also been a rising interest in **parametric structures**, which provide tailored solutions that can complement and compete with traditional forms of catastrophe cover.

At the same time, we have also seen a growing demand for what we refer to as "structured deals" or captive-type solutions for large, complex casualty risks, specifically in the transportation and construction segments. Reinsurers are increasingly looking for ways to deploy capacity directly to MGAs, giving them the opportunity for a closer relationship with the client.

London

Lloyd's syndicates grew their business by only 1% in 2023. Despite this limited growth, we have seen an influx of talent enter the MGA space. Driven by the desire to build long-term, sustainable capacity centered around what syndicates are calling Portfolio Solutions, the attraction of the MGA space is higher than it's ever been.

The flow of capacity into these solutions depends on the product line, with cross-class capacity providing more leverage for MGAs that can provide a wide variety of options. Consistency of results is also key for long-term stability. With data and technology at the core of demonstrating loss ratios of these portfolios, the speed of developing new programs and solutions is greatly reduced.

Portfolio solutions/Strategic capacity

As referenced above, more and more carriers are creating Portfolio Solutions teams (cross class capacity). Amwins labels this is as Strategic Capacity and has completed several of these arrangements supporting our underwriting, brokerage and product development business teams.

As cross-class portfolio solutions grow, so too does the demand for capacity. Amwins Amplify is an automatic and exclusive A-rated follow-form capacity that leverages London syndication and centralized data for specific lines of coverage, including property and marine cargo, as well as hull and war.

Our dedicated, in-house team oversees the full portfolio and manages the entire process from start to finish. This includes broker engagement, capacity management, quote/bind/issue, CAT modelling, etc. Our best-in-class data and insights support consistent follow capacity, giving clients greater consistency and certainty around pricing and placement.

Be on the Lookout

Thanks to technological investments and robust data tools, MGAs' insights have more than kept pace with the times. As access to next-level data increases, so too do clients' expectations for advanced analytics. The year ahead will provide an opportunity for sophisticated MGAs to leverage their expertise and resources to create efficiencies, monitor portfolios and enhance underwriting performance.

Claims

Insight provided by:

- **Jason Kunert** – EVP, Head of Claims, Amwins

Claims inflation has been a silent force shaping the insurance landscape over the past decade and we believe that trend will continue as insurers pay out ever-growing settlement values.

This inflationary pressure has been felt across various sectors of insurance, leading carriers to increase premiums, tighten terms and conditions, and restrict coverage limits. The rising number of outsized jury awards, often in excess of $10 million, is a particular source of concern. The acceleration of these nuclear verdicts since the onset of the COVID-19 pandemic is outpacing economic inflation.

Claims inflation

This escalation in settlement values is partially due to court backlogs during the pandemic, which led to changes in plaintiff tactics and social inflation. While courts were shut down, cases were either settled or backlogged. As courts reopened, insurers and their clients were forced to face reality – jury awards that quickly returned to pre-pandemic levels and drove up settlement values. A ripple effect was felt across jurisdictions and reverberated throughout the industry.

Plaintiffs' lawyers also began to employ tactics such as the "reptile theory" to create sympathetic juries. Designed to scare jurors into lashing out with inflated damage awards, this theory encourages lawyers to overtly imply that the jury should be afraid of the plaintiff and will suffer a similar loss if the defendant isn't harshly punished.

Combined with the rise of third-party litigation funding and plaintiff bar advertising, these tactics have driven social inflation. Defendants are not only facing increased verdict amounts, but it has also become harder for cases to be settled out of court.

The rise of 'judicial hell holes'

The role of legal trends and judicial attitudes are also driving the prevalence of outsized jury awards. Certain jurisdictions have gained a reputation for being particularly plaintiff-friendly.

According to the **most recent U.S. Chamber of Commerce ILR update**, when combined, California, Florida, New York and Texas yield half of the nation's nuclear verdicts. These so-called 'judicial hellholes' can pose significant challenges for insurers, as verdicts tend to be larger and more unpredictable.

This escalation of settlement values has impacted insurance premiums and coverage terms. Carriers have responded by adjusting pricing and terms and conditions, including implementing exclusions or sublimits for certain risks that were once considered standard.

Tort reform

Claims litigation continues to evolve. In the past, defendants could present a linear stream of events. Now they must tell a story and engage the jury while still presenting the facts of the case in a structured manner.

At the same time, **laws like those Florida enacted in 2023**, are expected to have an impact on nuclear verdicts. Only time will tell how effective these new laws will be. Prior to their passing, Florida courts were flooded with cases that are still cycling through the system. There's no precedent as to how long it may take before significant impacts from this type of legislation are felt.

Be on the Lookout

For retailers, navigating these changes requires a keen understanding of the jurisdictional nuances and a proactive approach to risk management. Strategies like studying crime grids, understanding loss history and ongoing consumer education will be vital to mitigating the impact of claims inflation on policyholders.

Repair costs and replacement costs, particularly in property and transportation lines, are rapidly rising. Labor costs have been impacted by higher wages as well as advancing technology that takes more time to repair. Parts and material costs have been impacted by long-term supply chain issues. This directly relates to rising consumer frustration, a sentiment that carries into the courtroom and impacts jury awards.

Noneconomic compensatory damages remain significantly influential in nuclear verdicts. In six out of the 10 years utilized in the most recent ILR study, **the cumulative amount of noneconomic damages surpassed the combined total of economic damages and punitive damages.** Ultimately this trend threatens to impact rising costs across the economy.

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