Insurance Market Report — March 2024

Foreword

While challenges within the commercial property market continue, many clients will be relieved to find a more stable property marketplace at this year's renewal, but are likely to see continued rate increases.

We are not out of the woods yet and many of the challenges clients have faced in their renewals are likely to continue for the near future. Our brokers will continue to emphasize the importance of providing detailed risk submissions well ahead of renewal discussions.

The casualty market is currently stable. However, there are concerning claims trends with social inflation and nuclear verdicts that all are monitoring.

Within commercial auto, the rising cost of repairs and liability payouts is raising questions about the adequacy of carriers' prior year reserves, an issue that could play out in pricing and coverage trends moving forward.

Cyber claims activity is picking up again, with malicious actors leveraging AI to carry out increasingly targeted and sophisticated attacks. Volatility of pricing is likely to remain a feature as the market continues to mature.

Defying prevailing market trends, we see fewer constraints within the public D&O market as capacity and competition remain plentiful. However, the easing of rates may ultimately prove unsustainable.

At a glance

Property:
Property buyers are seeing continued increases, even after the severe constraints of the past two years. That said, creative solutions must be considered as not all renewals will be straightforward, and double-digit rate increases are set to continue.

Casualty:
A sensible market is emerging, with median rate increases largely stabilizing. Insurers are closely monitoring the impact of social inflation, nuclear verdicts, and rising medical costs. Against a backdrop of rising loss costs, commercial auto carriers are facing up to potential adverse prior-year reserve development.

Cyber:
The cyber insurance market continues to mature as claims activity has increased in frequency and severity. Hackers are leveraging AI as they wage more sophisticated and targeted attacks.

D&O:
Plentiful capacity continues to affect supply-demand dynamics within public D&O; but the market appears to have found a landing point for now. Settlement verdicts continue to grow in size, with directors facing a number of emerging exposures.

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Key Trends

Property: Slight easing of capacity constraints, but no time for complacency

- Property premium rates hardened by an average of 14.4% in the fourth quarter, showing a slight moderation after rates hardened by a median of 16.5% in Q3 and 17.8% in Q2 2023.
- Year-on-year, Q4 rate increases remain higher than the same period of the previous year (10.3%).
- Close to 80% of clients experienced an increase on their renewal price in the fourth quarter of 2023.
- While the market is plateauing at mid-teen rate increases, it is important to continue to explore all the options. There will be tough renewals ahead, and clients should prepare for potential double-digit increases in premium rates.

"A lot of our clients may hear the message that the market is moderating and the pace of rate increases has decelerated. But the expectation that you may get the same renewal as everyone else shouldn't be there.

We need to continue to deploy those harder market strategies because there will be some tough renewals out there. Not everyone is going to have the same result, and there's still some displacement with carriers. Some property carriers are still continuing to re-underwrite their book."

Martha Bane, Executive VP, Managing Director, Property Practice, Gallagher

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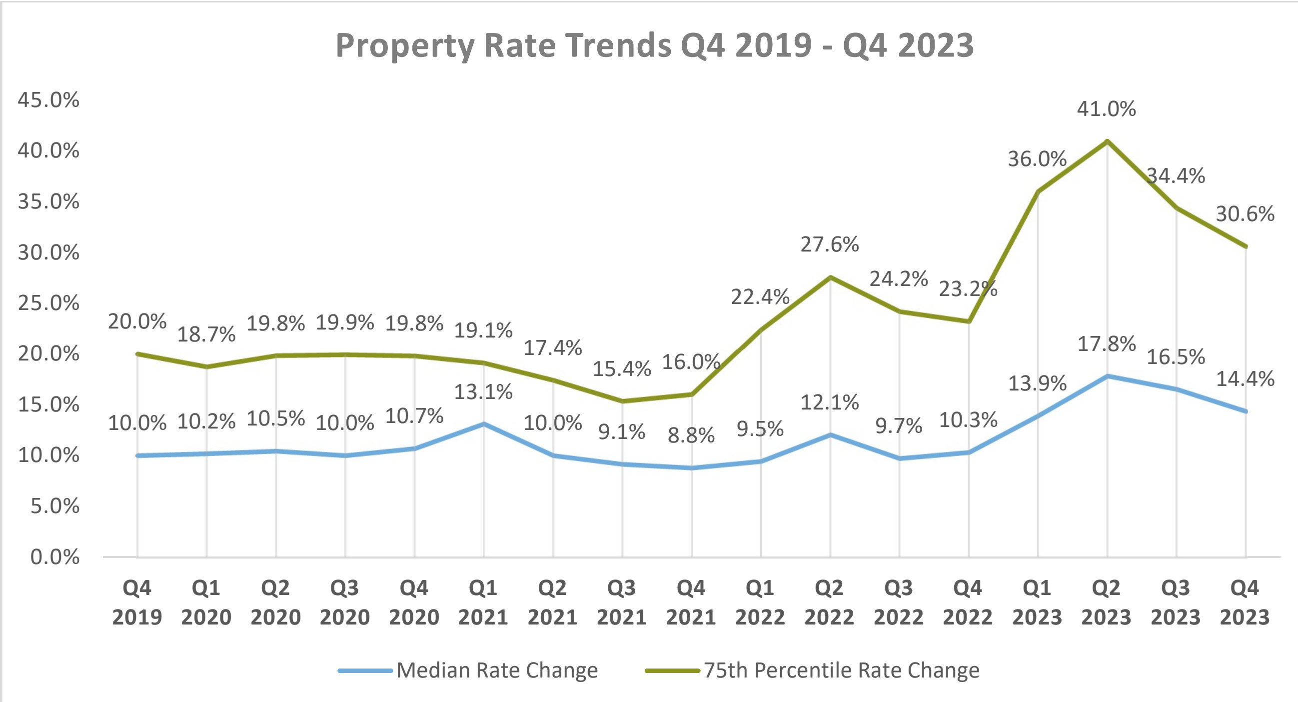

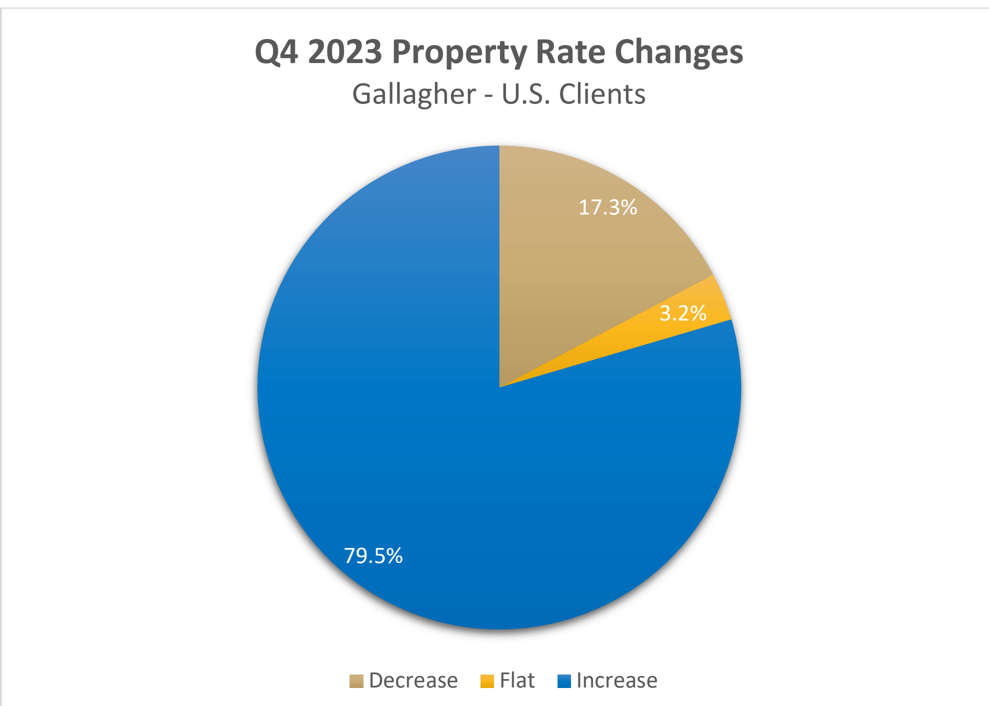

OUR METHODOLOGY

Gallagher Drive® is a premier data and analytics platform that uses both the change in premium and total insured values (TIVs) to calculate the rate change each month. The rate change is broken down by class of business and focused on the renewals within the mid-market and large account space.

The approach and methodology gives a representation of the actual rate change, not just the premium change.

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Casualty: Single-digit rate increases for now, exposures still up

- We continue to see single-digit increases within most casualty classes, with general liability rates up by a median average of 4.5% and by 8.1% for umbrella business and 8.3% for commercial auto in Q4 2023.
- Social inflation and nuclear verdicts should drive further rate increases going forward. However, there continues to be a greater choice of markets at renewal.
- Carriers are closely monitoring legal settlements relating to emerging risks, including those involving PFAS “forever chemicals” and biometric (BIPA) privacy breaches.
- Inflation continues to drive up the cost of auto repair and liability claims, and rating agencies are voicing concern over the potential for adverse reserve development[1].

> “This marketplace is continuing to stabilize. January 2024 casualty treaty renewals were more favorable than originally anticipated. Carriers have benefited from moderate rate increases for the most part and high single-digit rate increases on auto umbrella excess business. The combination of moderate rate increase and exposure increases makes for a healthier marketplace, where premiums are still up near double-digits.”
>
> **Bill Baker, VP of Strategic Growth, Gallagher**

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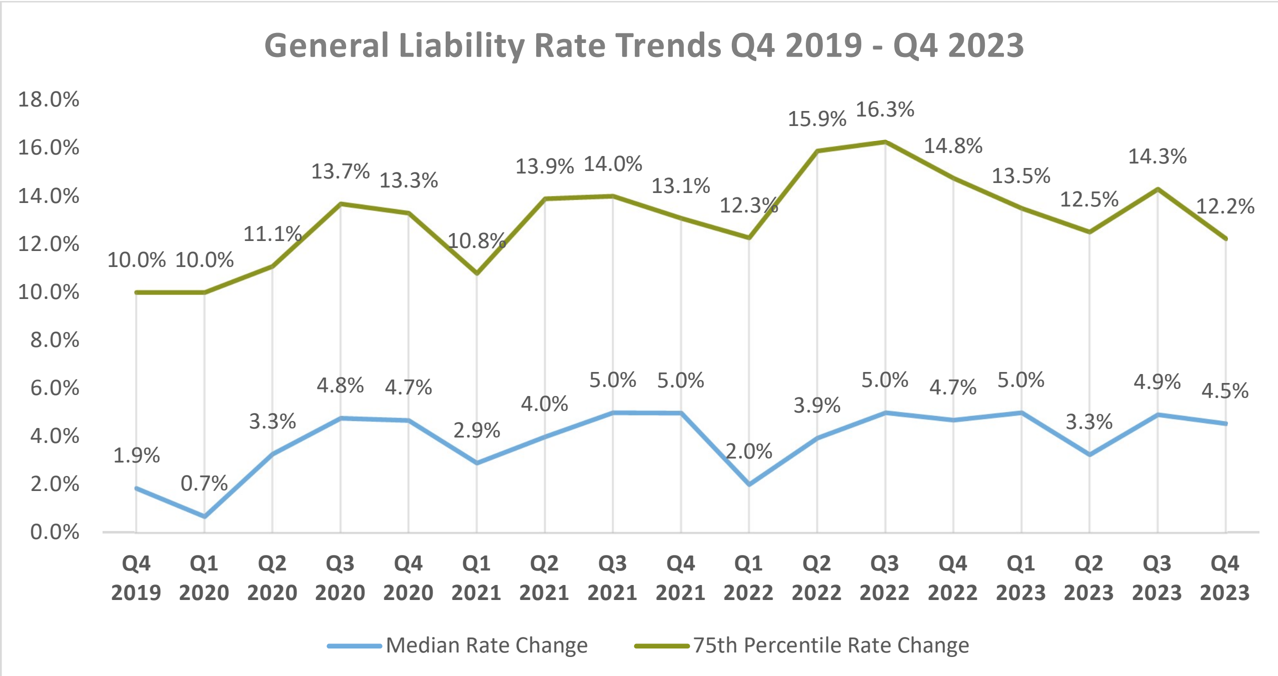
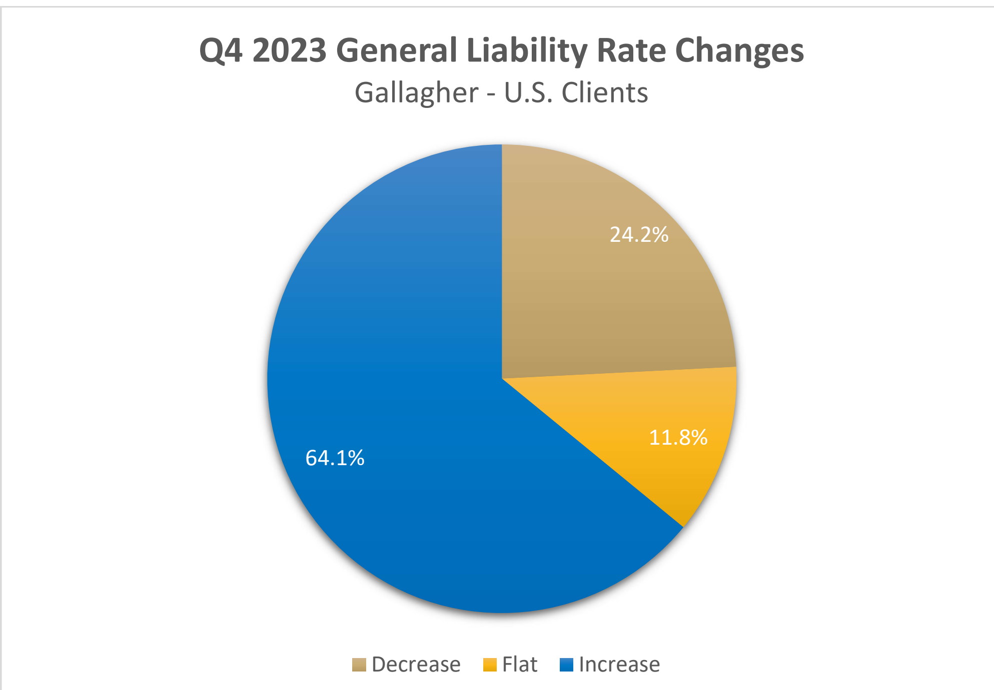
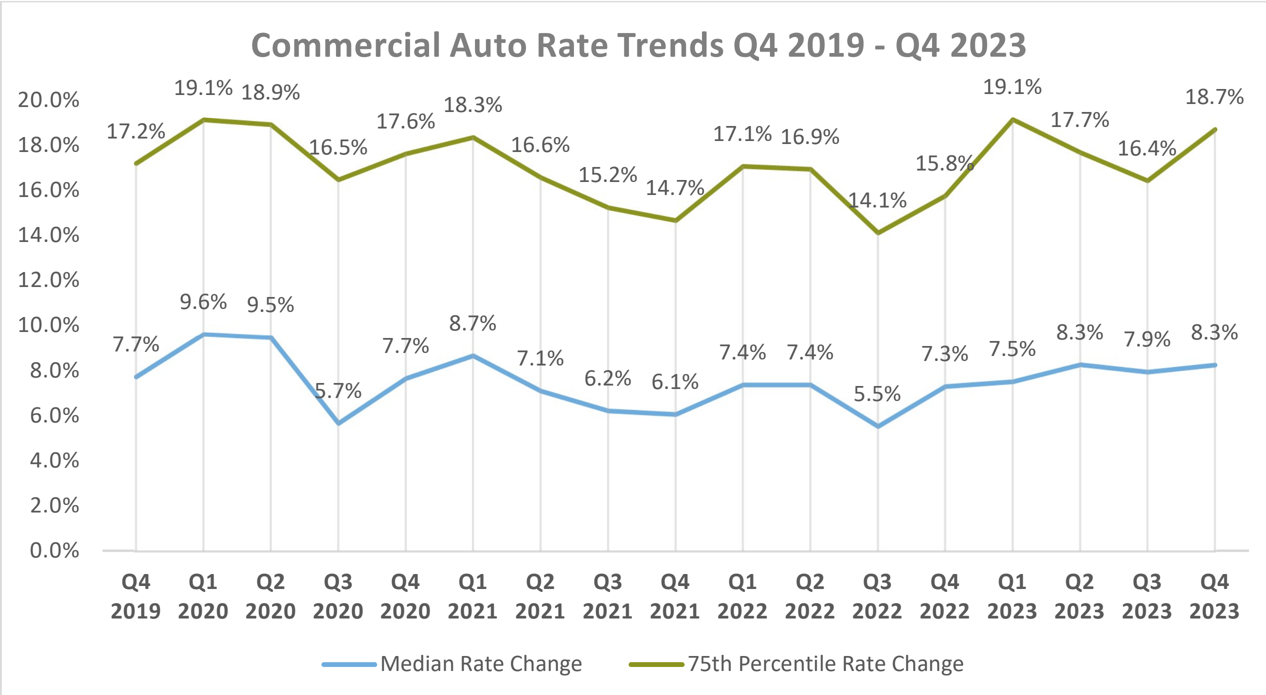
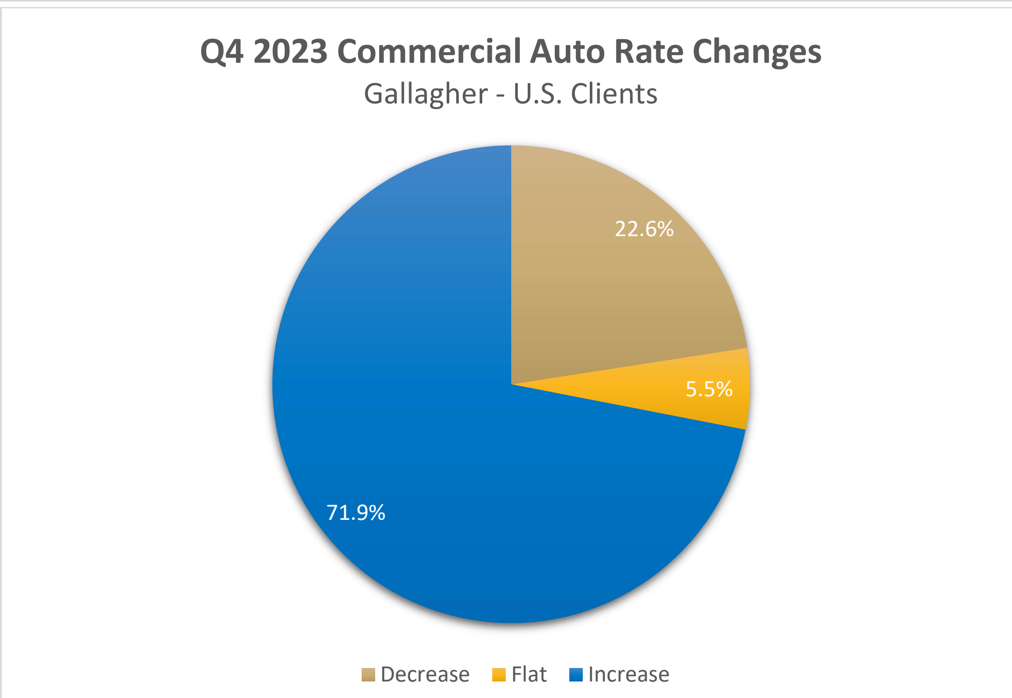





Commercial Auto Rate Trends Q4 2019 - Q4 2023
20.0%
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
17.2%
19.1%
18.9%
16.5%
17.6%
18.3%
16.6%
15.2%
14.7%
17.1%
16.9%
14.1%
15.8%
19.1%
17.7%
16.4%
18.7%
7.7%
9.6%
9.5%
5.7%
7.7%
8.7%
7.1%
6.2%
6.1%
7.4%
7.4%
5.5%
7.3%
7.5%
8.3%
7.9%
8.3%
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Q4 2021
Q1 2022
Q2 2022
Q3 2022
Q4 2022
Q1 2023
Q2 2023
Q3 2023
Q4 2023
Median Rate Change
75th Percentile Rate Change


Q4 2023 Commercial Auto Rate Changes
Gallagher - U.S. Clients
22.6%
5.5%
71.9%
Decrease
Flat
Increase

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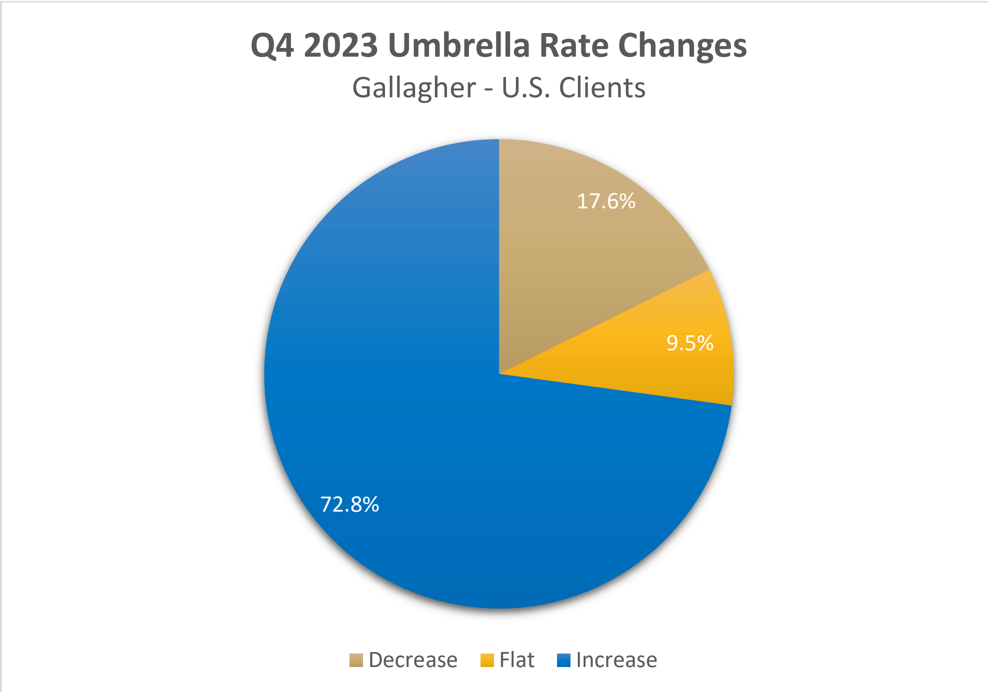

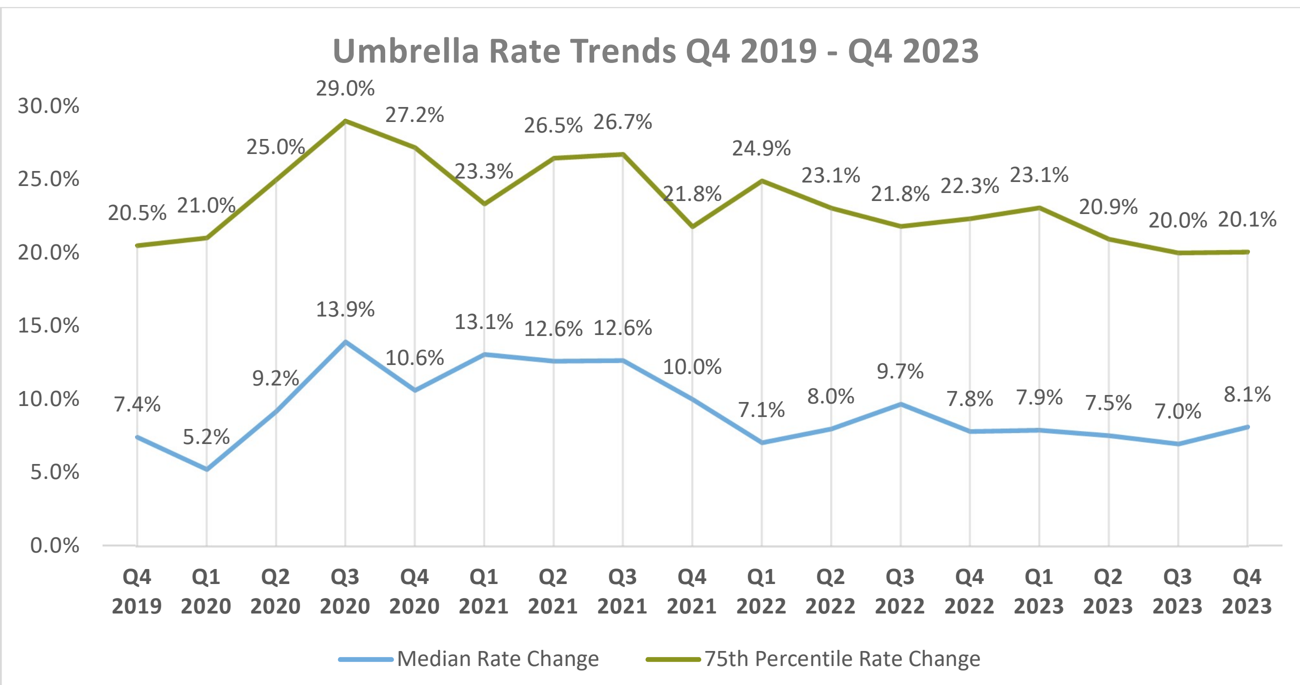

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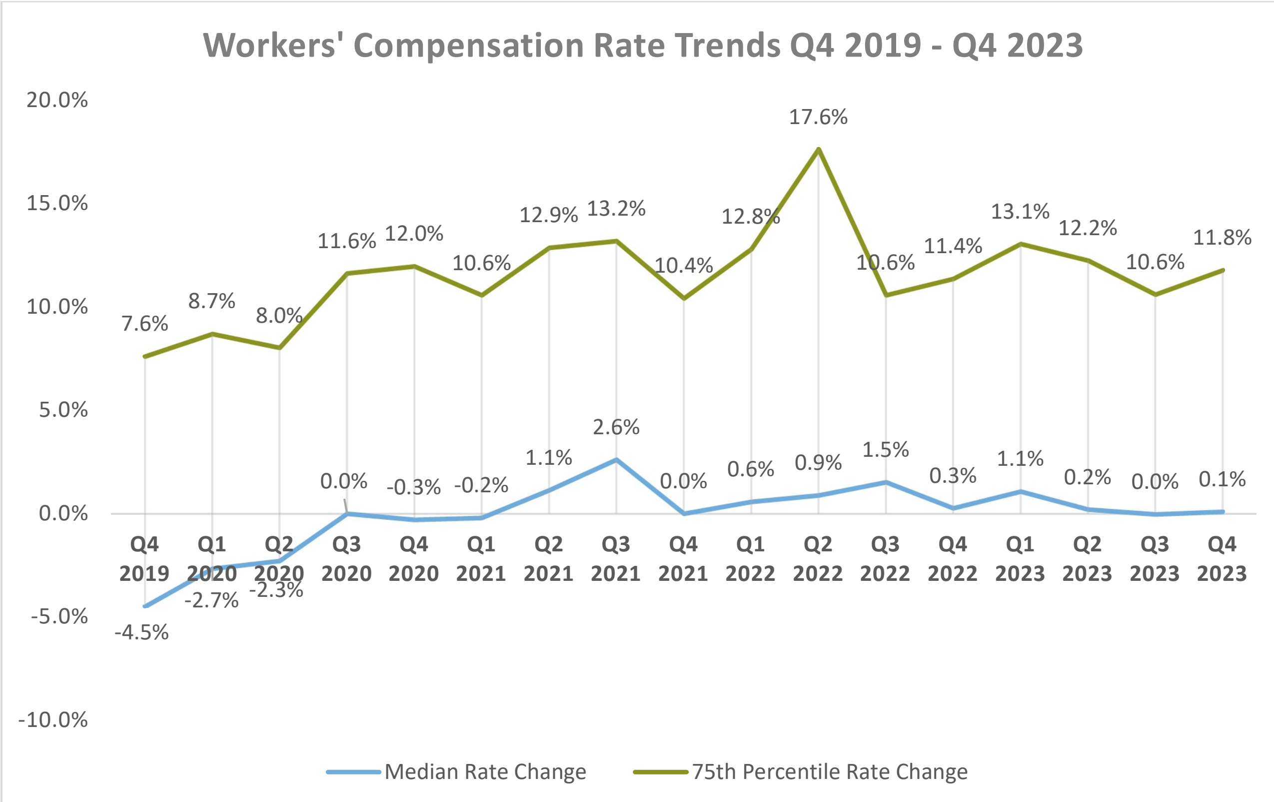

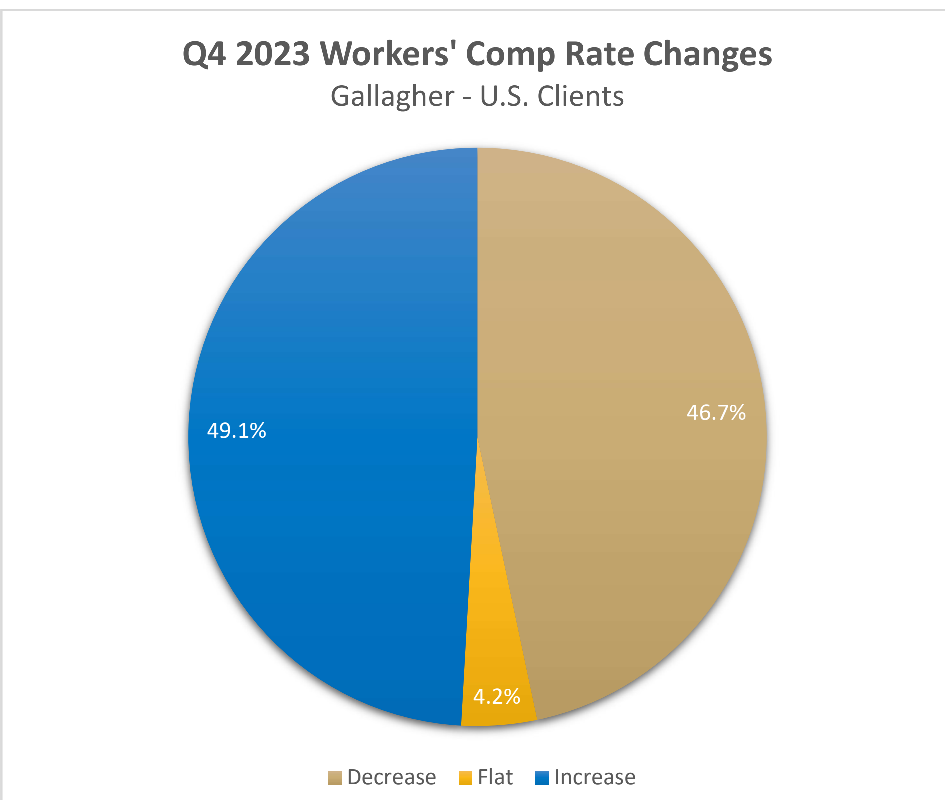

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Directors and Officers: Supply for public D&O continues to outstrip demand

- 68.4% of clients continue to see a lower rate on their renewal, although rates may have bottomed out for mature public companies. The entry of over 30+ new markets into the sector over the past three years is driving rate softening.
- For private D&O, rates remained flat during Q4, spelling an end (for now) to the lowering level of increases of the past three years.
- Settlement verdicts continue to grow in size, with directors facing emerging exposures, including liabilities involved in generative AI and event-driven litigation, such as ESG-related claims.
- Meanwhile, the SEC has approved new rules requiring publicly listed companies to disclose a cyber attack within four days of the company determining the breach was material to investors. This has clear implications for senior managers.

"For both private company D&O, the market has stabilized a bit, but the majority of public D&O clients continue to enjoy rate reductions. The issue is that we just have so much capacity competing for the business despite the ongoing potential for severity losses."

Jennifer Sharkey, Managing Director, Executive & Financial Risk Practice, Gallagher

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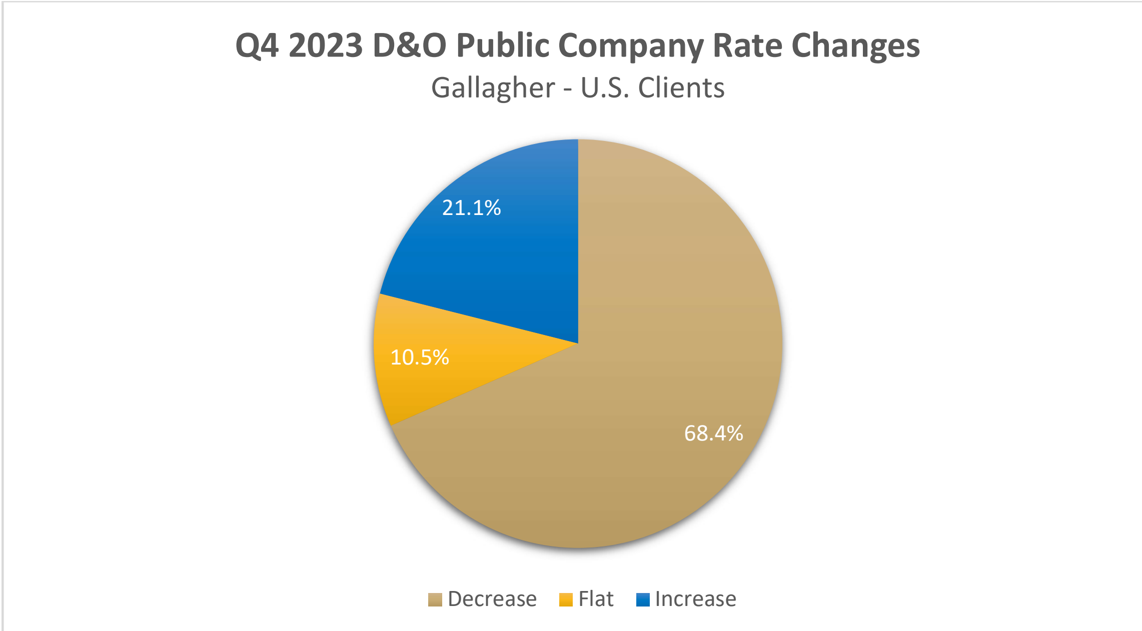

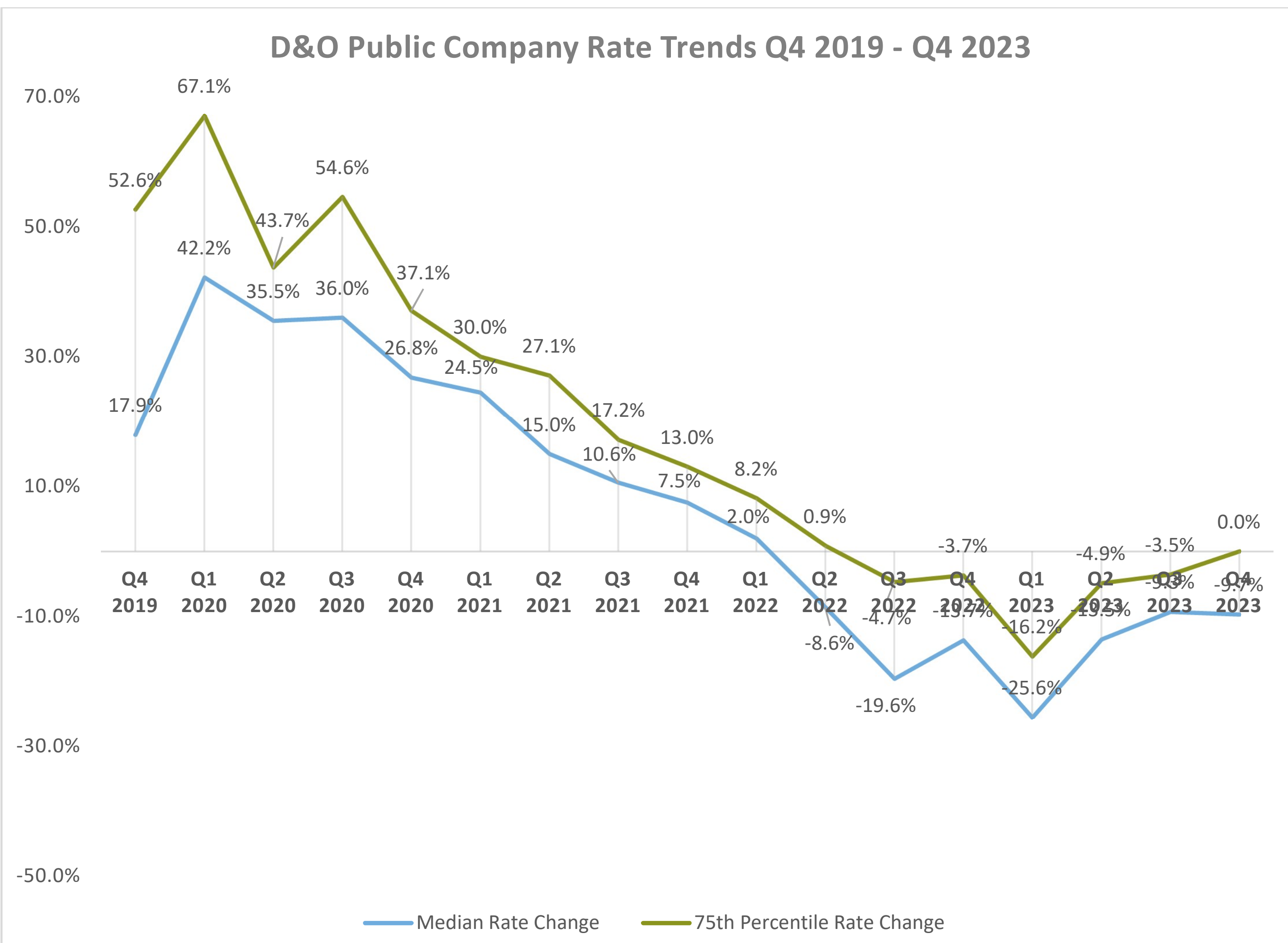

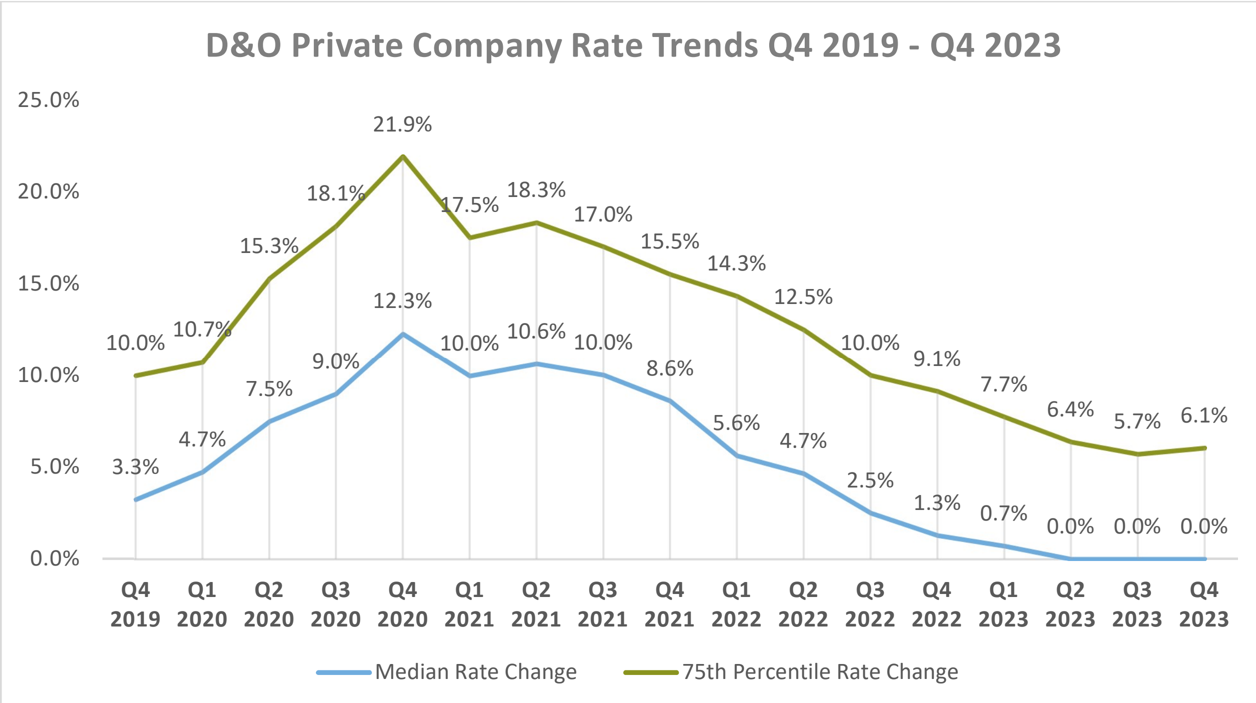
D&O Private Company Rate Trends Q4 2019 - Q4 2023
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
21.9%
18.1%
17.5%
18.3%
17.0%
15.5%
15.3%
14.3%
12.5%
12.3%
10.0%
10.7%
10.6%
10.0%
9.1%
9.0%
7.7%
7.5%
8.6%
6.4%
5.7%
6.1%
3.3%
4.7%
5.6%
4.7%
2.5%
1.3%
0.7%
0.0%
Q4 2019
Q1 2020
Q2 2020
Q3 2020
Q4 2020
Q1 2021
Q2 2021
Q3 2021
Q4 2021
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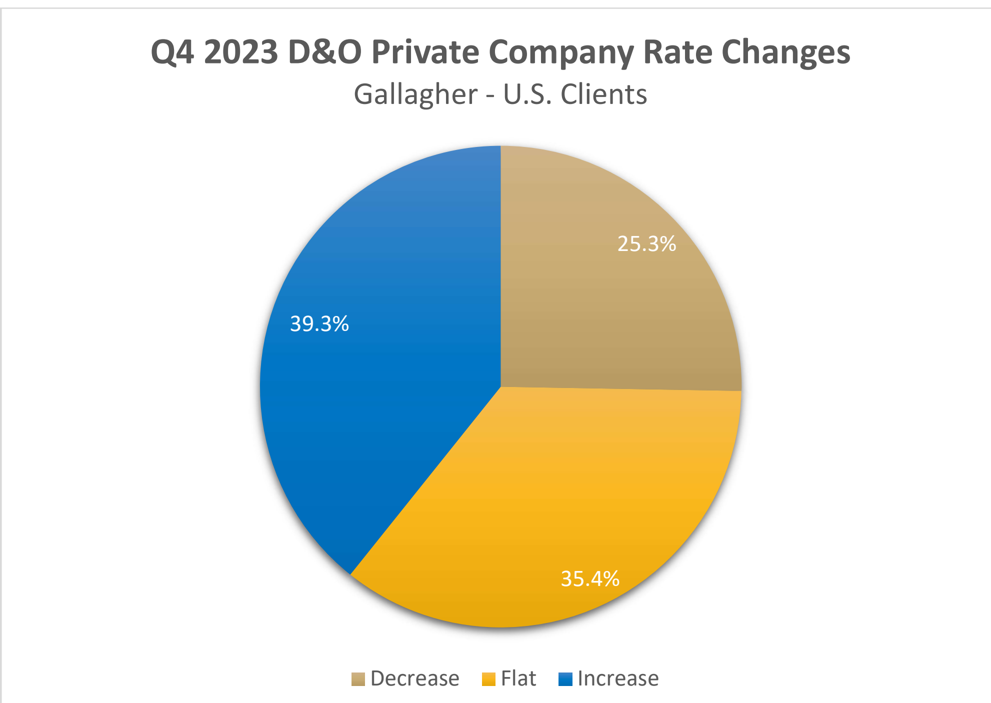
Q4 2023 D&O Private Company Rate Changes
Gallagher - U.S. Clients
25.3%
39.3%
35.4%
Decrease
Flat
Increase

Cyber: Still a volatile class

- Median cyber insurance rates remained largely flat through 2023 after declines during 2022, reflecting an uptick in claims and underwriters' evolving risk appetite.
- As a somewhat unpredictable class of business, the pricing cycle within cyber is more volatile than what we see in some more established classes of business.
- Cyber intrusions continue to grow in sophistication, with hackers targeting digital supply chains and increasingly leveraging AI to carry out social engineering, ransomware and phishing attacks.
- Insurance buyers with a sophisticated approach to cybersecurity will benefit from greater resilience, as well as access to more capacity and better terms and conditions.

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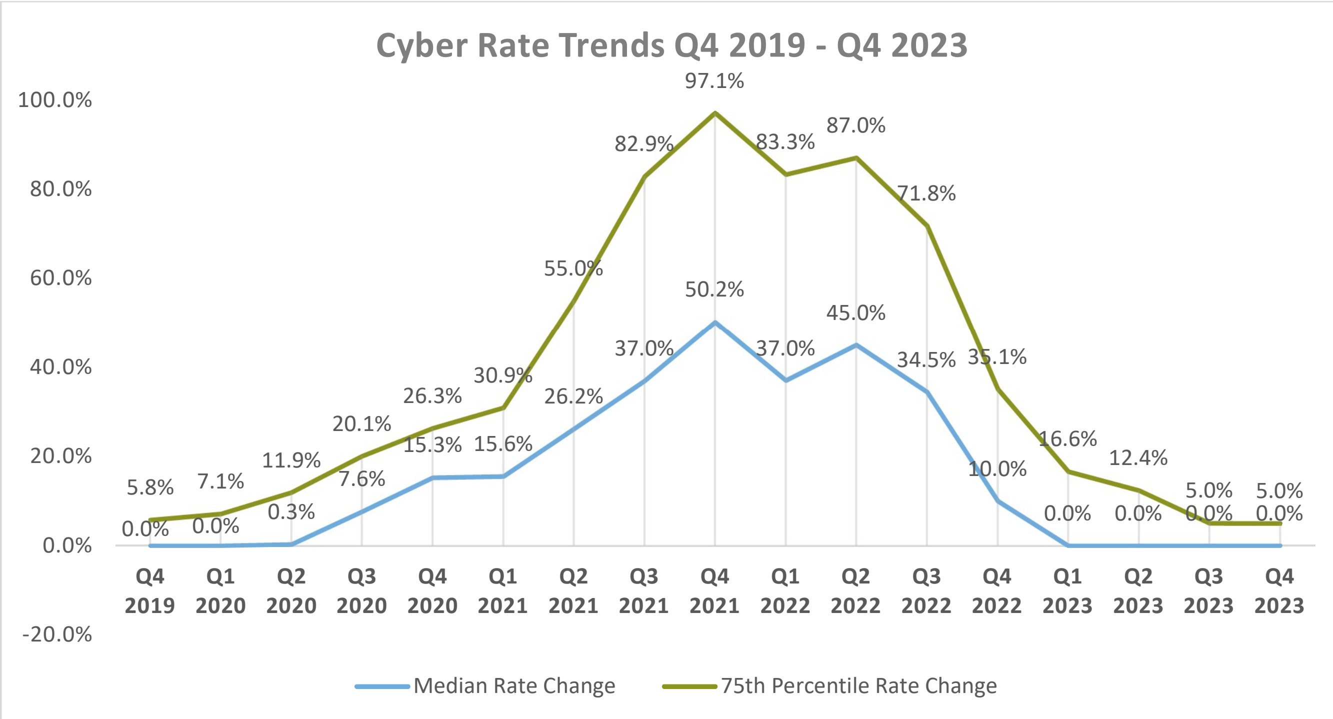

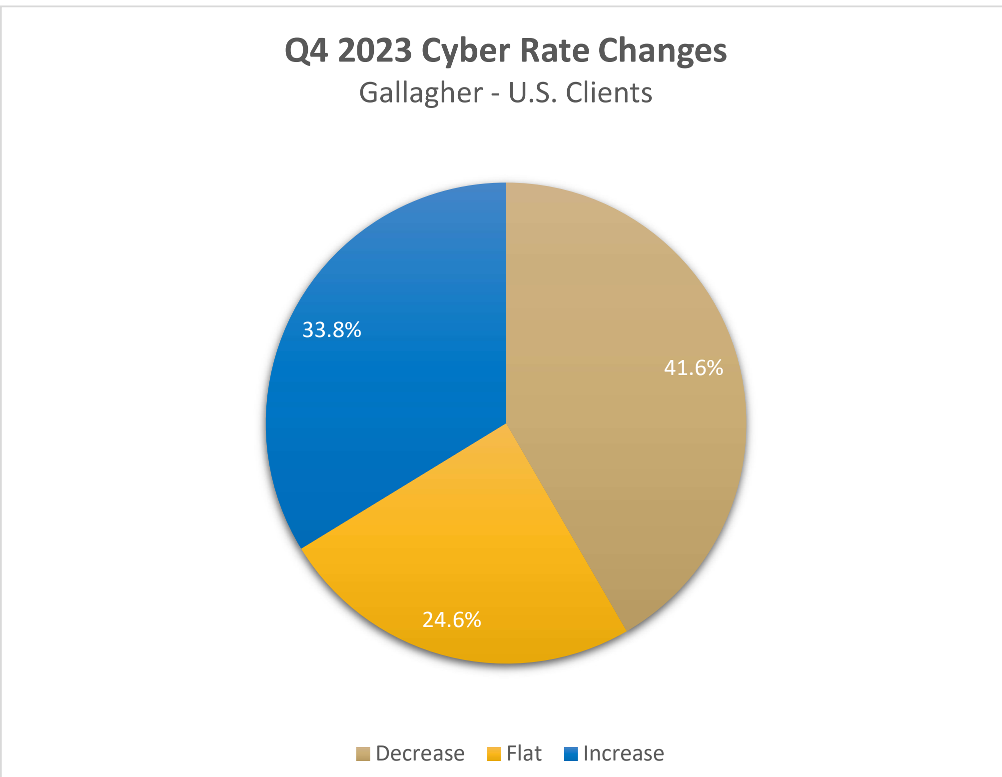

Conclusion: Continuing demand for creative buying strategies

The latest market update offers a snapshot of ongoing challenges across the P&C commercial space.

The primary pinch points are most acute within the property market — where median rate increases continue to be in the double-digits for many clients. The market is less constrained than it was this time a year ago, but it is likely to be another tough renewal season in 2024. This is particularly likely for clients who have not had a significant restructuring of their property program.

Clients, brokers, and carriers are working collaboratively to find creative solutions where there are capacity constraints, and we can expect this approach to continue.

Linton B. Puckett
Vice President
Market Relations

Mark Stachura
Regional Vice President
Market Relations & Placement

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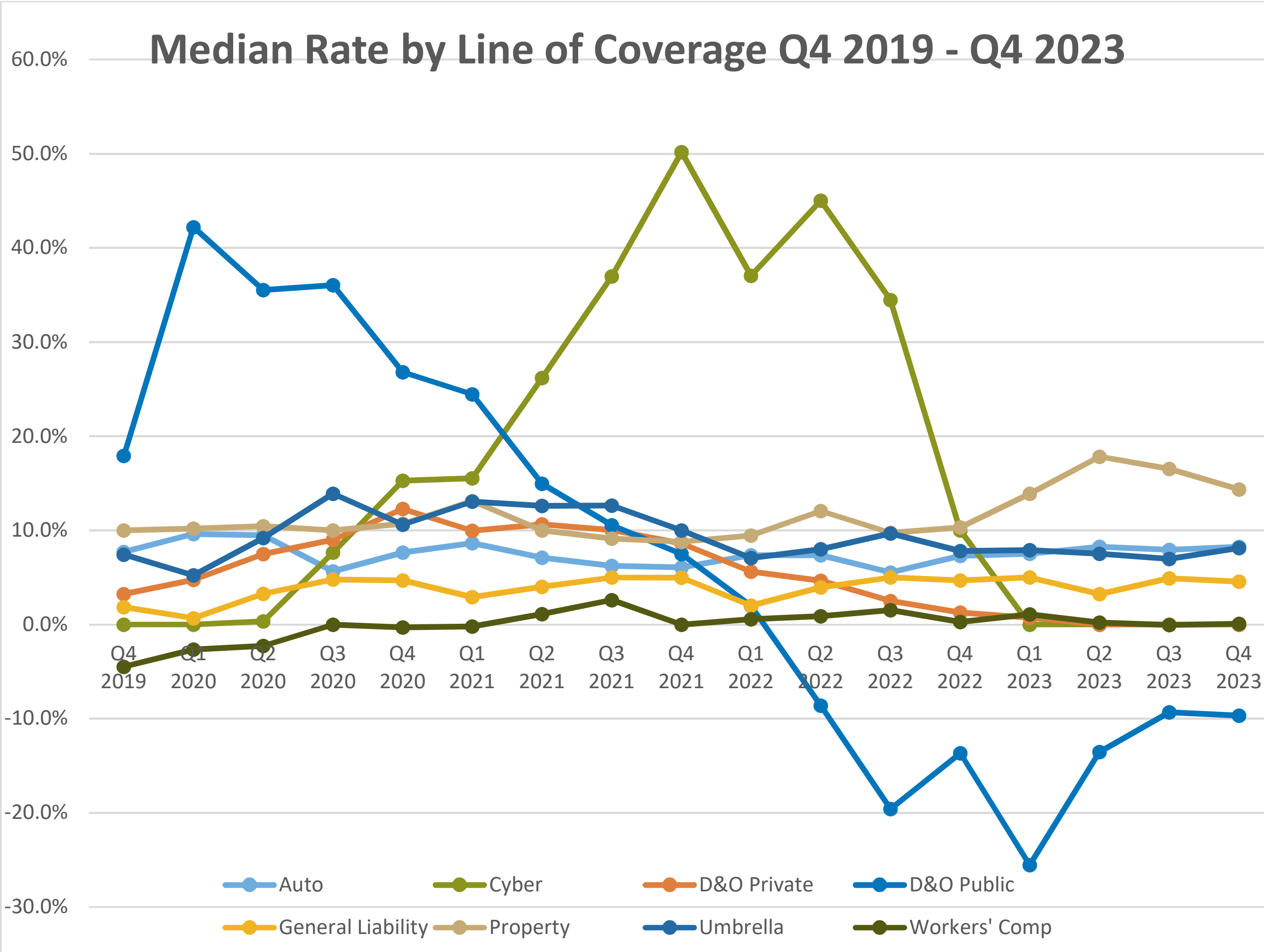

Source: Gallagher U.S. Clients

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About our data

Gallagher Drive® is our premier data and analytics platform that combines market condition, claims history, and industry benchmark information to give our clients and carriers the real-time data they need to optimize risk management programs. When used as part of **CORE**360®, our unique comprehensive approach to evaluating our clients' risk management program, Gallagher Drive creates meaningful insights to help them make more informed risk management decisions, find efficient use of capital and identify the top markets with the best solutions for their risks.

Rate changes in this report were calculated by using the changes in premium and exposure of Gallagher clients renewing in Q4 2023.

[1] Inflation Boosts US P/C Insurers' Reserve Risk in Casualty Lines. FitchRatings (12 January 2024).

*Source: Gallagher Drive US Client Data, July 2023-September 2023. The median is the value separating the upper half from the lower half data sample (or the middle value). Seventy-fifth percentile rate is the average of the top 25% of Gallagher clients' accounts that received the highest rate increases. Due to the variability that we're seeing in this market and specific account characteristics, individual rates may vary.