

A hand is pointing at a laptop screen that displays various financial data, including a candlestick chart and a table of market information. The background is a blurred image of the same scene. The text is overlaid on a white rectangular area on the left side of the image.

European Market Trends

Q4 2023

This update analyses our observations of the current European Commercial lines' insurance market. This update is based on the experiences of our WTW colleagues with our clients.

Rate trend figures are for guidance only and rates achieved will depend on individual circumstances. All figures are compared against our Q3 2023 remarks.

The fourth quarter confirmed **the stabilization for the commercial lines' insurance market in Europe** and we are expecting this to continue throughout 2024. Nevertheless, the reinsurance market should continue to be monitored as reinsurance renewals will directly impact the outlook for both international and local insurance companies. We are in fact in what we would term a **stable hardened market or two-tiered market** (i.e.: risks with a focused broking strategy, good loss ratios and/or good quality data, can be managed as expected, however, there is another class of risks pertaining to specific industries that remains very challenging to place and find capacity for).

Overall, there is enough capacity in the continental European markets for most products and industries for our broking teams to place their risks, thanks to a mix of local or European well-established insurers and new international players. In fact, the **European insurance industry has attracted significant capital in 2023**. The trend to expand insurer operations continues beyond their main or original markets such as the UK and/or the US, with a more international presence - especially within continental Europe. The movement towards international expansion reflects the strategic response to changing market dynamics and a desire to capitalize on new growth opportunities.

Few specific highlights to flag:

- **Property: the market has recovered**, and focus is back on growth. Key growth area will be in the Middle Market area with limited Natural Catastrophe (Nat-Cat) exposure and good loss ratios. For the Large & Complex area capacity is still challenging especially for certain volatile risks or sectors, with focus on catastrophe exposures (not only in the US but also in Europe), CBI by understanding the supply chain, Strikes, Riot and Civil Commotions (SRCC) considering the geopolitical situation and loss leading accounts in general. Markets seem less stressed for well managed risks, demonstrating progress on risk quality. This focus on risk quality is for certain markets reflected in a contractual commitment to a Risk Improvement Plan as this is sometimes the only way to place the risk.
- **Casualty: the market has returned to profit** due to the positive effects of remediation. Maintenance of underwriting discipline and risk selection has led to consistent positive underwriting results. Increasing competition with insurers focus on top-line growth, is leading to downward pressure on rates, with some insured's experiencing rate reductions. However, for difficult sectors, especially with US exposures and loss impacted renewals, capacity remains limited. Insurers showing continued concern towards both economic and social inflation. These trends expected to continue into 2024.
- **FINEX: D&O market has continued to soften**, and we see no signs of stabilization yet and there is enough capacity in the Western Europe market where most carriers are looking for growth. The FI market is more stable although rates are going down there as well. **The Cyber market is also softening** which we see across the region.
- **Construction: there is an expected deceleration of growth in the construction industry and activity in 2023 and towards 2024** across the region where we still encounter increase cost of materials and shortage in specialized labor force. The residential sector remains weak impacted by high interest rates and low demand. In the public sector, however, spending in infrastructure, investments in the energy and technology sectors remain key activity drivers. There continues to be signs of stabilisation and expect flat and even slight discounts for domestic placed programs and projects. However, the large and complex market is experiencing higher rates in the low double digits particularly where there is a need for additional reinsurance or those with Nat-Cat and secondary perils exposure.
- In the **Trade Credit** market, following a period of low claims level, insurers anticipate a gradual uptick in bankruptcies, moving towards more normalized levels. While frequency claims have been increasing in 2023 and are nearing pre-COVID levels, the severity of claims remains below average, resulting in insurers maintaining low loss ratios.

Europe Rate Trends 1/2

Q4 2023

COUNTRY / GLOB	Rate Trends																	
	Property	Casualty		FINEX				Aviation & Space	Trade Credit	Surety	Construction	Natural Resources	Marine	Crisis Management				Facultative Reinsurance
		GL	EIL	D&O	Cyber	FI	PI							Terrorism	A&H	K&R	Contingency	
Germany (+Austria)	Slight increase	Slight increase	Stable	Slight Decrease	Slight Increase	Slight Decrease	Stable	Stable with increases	Slight decrease	Slight Increase	Slight Increase	<i>Follows European trends. See next slide</i>	Stable with increases	Increase	Stable	Stable to Slight increase	Stable	Slight Increase
Switzerland	Increase	Slight increase	Stable	Decrease	Slight Decrease	Slight Decrease	Stable	Stable with increases	Stable	Slight increase	Stable to Slight increase	<i>Follows European trends. See next slide</i>	Stable with increases	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Poland	Slight increase	Slight increase	<i>Follows European trend</i>	Stable	Stable	Slight Decrease	Stable	Stable with increases	Stable	Stable	Slight increase	<i>Follows European trends. See next slide</i>	Stable with increases	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Ireland	Slight increase	Slight Decrease	Stable	Decrease	Slight Decrease	Decrease	Slight Decrease	Stable with increases	Slight decrease	Slight increase	Slight decrease	<i>Follows European trends. See next slide</i>	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Requests for rate reduction
Denmark	Stable with increases	Stable with increases	Stable	Decrease	Decrease	Slight Decrease	Stable	Stable with increases	Stable with increases	Slight increase	Stable	<i>Follows European trends. See next slide</i>	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Norway	Stable with increases	Stable with increases	Stable	Slight Decrease	Slight Decrease	Stable	Stable	Stable with increases	Stable with increases	Stable	Stable	<i>Follows European trends. See next slide</i>	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Sweden / Finland	Slight increase	Slight increase	Stable	Slight Decrease	Decrease	Slight Decrease	Stable	Stable with increases	Stable with increases	Stable	Stable to Slight increase	<i>Follows European trends. See next slide</i>	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Property: increase Cyber: decrease

Europe Rate Trends 2/2

Q4 2023

COUNTRY / GLOB	Rate Trends																	
	Property	Casualty		FINEX				Aviation & Space	Trade Credit	Surety	Construction	Natural Resources	Marine	Crisis Management				Facultative Reinsurance
		GL	EIL	D&O	Cyber	FI	PI							Terrorism	A&H	K&R	Contingency	
France	↗ Stable for LA, increase for MM	↗ Slight increase	▬ Stable	↓ Decrease	↓ Decrease	↘ Slight Decrease	N/A	▬ Stable with increases	↘ Slight decrease	▬ Stable	↗ Slight increase	Follows European trends. See below	▬ Stable (excl. war)	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ Slight increase
Luxembourg	▬ Stable	▬ Stable with increases	▬ Stable with increases	↘ Slight Decrease	▬ Stable	↘ Slight Decrease	▬ Stable	▬ Stable with increases	▬ Stable	▬ Stable	↗ Slight increase	Follows European trends. See below	▬ Stable (excl. war)	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ Slight increase
Belgium	▬ Stable with increases	▬ Stable with increases	▬ Stable	↘ Slight Decrease	▬ Stable	↘ Slight Decrease	▬ Stable	▬ Stable with increases	▬ Stable	▬ Stable	↗ Slight increase	Follows European trends. See below	▬ Stable (excl. war)	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ Slight increase
Netherlands	▬ Stable with increases	▬ Stable with increases	↗ Slight increase	↘ Slight Decrease	▬ Stable	↘ Slight Decrease	▬ Stable	▬ Stable with increases	▬ Stable	▬ Stable	▬ Stable	Follows European trends. See below	▬ Stable (excl. war)	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ Slight increase
Italy	↑ Increase	↗ Slight increase	↗ Slight increase	↓ Decrease	▬ Stable	↓ Decrease	▬ Stable	▬ Stable with increases	▬ Stable	↗ Slight increase	↗ Stable to Slight increase	Follows European trends. See below	▬ Stable (excl. war)	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ Slight increase
Portugal	↗ Slight increase	▬ Stable	Follows European trend	↘ Slight Decrease	▬ Stable	↘ Slight Decrease	▬ Stable	▬ Stable with increases	↘ Slight decrease	▬ Stable with increases	▬ Stable with increases	Follows European trends. See below	↗ Slight increase	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ P&C: increases
Spain	↗ Slight increase	↗ Slight increase	↘ Stable with decreases	↓ Decrease	↘ Slight Decrease	↓ Decrease	▬ Stable	▬ Stable with increases	↘ Slight decrease	▬ Stable	▬ Stable	Follows European trends. See below	▬ Stable (excl. war)	↑ Increase	▬ Stable	↗ Stable to Slight increase	▬ Stable	↗ Slight increase Cyber: decrease

Natural Resources					
Upstream Oil & Gas	Downstream Oil & Gas & Chemicals	Power & Utilities	Mining & Metals	Renewables	Liabilities
↗ Slight increase	↑ Increase	▬ Stable with increases	▬ Stable with increases	▬ Stable with increases	▬ Stable with increases

- Legend:**
- Increase / decrease: high single digit or double digit.
 - Slight increase / decrease: mid to high single digit.
 - Stable: low single digit increase or decrease, so no significant movement..

The European Property Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues

- Market has been **less stressed** for well managed risks; we even see some minor discounts in certain markets for high quality and well managed risks with low claims experience. As insurers are looking for growth mainly in Mid-Market area on accounts with limited Cat.Nat exposure and good loss ratios.
- For the Large & Complex area **Capacity still challenging** for certain risk or sectors, with focus on catastrophe exposures, CBI – understanding the supply chain -, SRCC considering the geopolitical situation and loss leading accounts.
- **Reinsurance** market seems to be stabilized and has been less on the forefront of conversations versus previous quarters.
- **Loss ratio** – large losses or severe frequency losses driving increased attention for deductible levels, pricing and capacity.
- Key to consider alternative ways to achieve client objectives such as increased retentions, use of captives, tailored coverage, limits and sub-limits to true exposure as well as alternative risk transfer solutions.
- **Inflation** – still present and need to be addressed in the sums insured.
- Underwriting bandwidth still challenging – meaning **quality of submission** and clarity of placement strategy are key to success.
- Demonstrating progress on **risk quality recommendations** and availability of **survey reports** can be a **differentiator** in the market.
- Return of **Long-Term Agreements** and roll-over possibilities in certain markets.
- **ESG** is increasingly part of the underwriting review process and the areas in scope can be very broad.

Pricing / Rates

- Rate increases continued during last quarter, although most single digit and even flat in some cases. For non-cat exposed with minimal losses slight renewal increases expected. However distressed renewals are still likely to occur where the occupancy is challenging, there is heavy CAT footprint, or the incumbent market is realigning its portfolio.

Capacity

- As capacity and CAT appetite are being unpredictable and potentially volatile, it is recommended that the market is **approached as early as possible**. CAT NAT is a focus area, both modelled and **non-modelled** scenarios.
- Recommendation to approach both local, international and Fac markets in a strategic way to get access to all markets (right risk, right market).
- Capacity available also due to growth mindset insurers and new markets entering. However, there is still a lack of appetite for certain occupancies, high CAT NAT exposed accounts or submissions lacking detailed information.
- Contingent Business Interruption (CBI) – getting better **insights and understanding of the supply chain** is key to get (more) capacity available.

Coverage / T&C

- **Global supply chain issues** are creating longer lead times for materials and equipment meaning longer rebuild times. For Gross Earning policies this will lead to increased claims quantum. For Gross Profits policies it is key to ensure that Indemnity Periods reflect a realistic re-build time to ensure insureds have adequate coverage.
- Strikes, Riots, Civil Commotion (**SRCC**) continues in the spotlight globally.
- **Deductible adequacy** continues to be a focus area as markets seek to avoid attritional losses.
- Underwriters besides the “regular” Cat.Nat also focused on **Non-Modelled** exposures i.e., Flood, Wildfire or Hail.
- **Accurate values** are essential due to increases in building material and transportation / labour costs.

The European Casualty Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues

- Consistent signs of stabilizing within marketplace with insurers focused on growth.
 - Increasingly competitive space for target occupancies can unlock rate reductions.
 - Reinsurance treaty renewals continue to throw uncertainty – prior year loss development greater than expected and ‘nuclear’ jury verdicts in NA (and other parts of the world) are putting a strain on the severity of casualty losses. Added to persistent social and economic inflation, (re)insurers are increasingly asking if these are being properly measured and priced for.
 - Increases limited and reductions re-appearing due to enhanced competition for new business as insurers return to profit and focus on top-line growth – a trend that is remained consistent throughout 2023 (and will likely persist in 2024).
 - Continued insurer concerns around social and economic inflation (on cost of claims) and US exposures in particular.
 - Insurer regional / global referrals on major / complex risks (often time consuming and cumbersome).
 - Positive underwriting results. Consistent increases in capacity and competition.
- = **‘Two-tiered market’** – challenged risks classes vs. more attractive, well managed risks.

Pricing / Rates

- Some Regional variations but in general moderate rate increases.
- Typically rate increases of flat to +5%.
- Pricing increases are typically reflective of limits afforded on more difficult-to-secure covers such as Pure Financial Loss, PI and recall.
- In some cases, rate reductions being experienced (especially on more attractive, less exposed risks).

Capacity

- Capacity generally remains stable although insurers looking to manage significant participations through ‘ventilation’ on renewals. Some instances of insurers reducing capacity deployment where there is significant US exposure.
- Deployment of large stretches of capacity becoming less frequent with increased insurer preference for more considered lines and co/re-insurance.
- Loss impacted renewals continue to be challenging with insurers restricting the capacity deployed on individual programmes.
- Underwriting discipline maintained for difficult sector and exposure profiles (e.g., heavy chemical, life science, waste management).
- US exposures causing ongoing concern due to continued trend of severity losses and court (injury) awards / class actions.
- Increased concern towards levels of European awards and potential class action style litigation in certain territories.

Coverage / T&C

- Continued focus on ‘non-core’ casualty extensions – e.g., Recall, Medical Malpractice, Professional Indemnity and Financial Loss. Insurers looking to restrict cover through T&C’s and/or reduction of capacity.
- Continued focus on exclusionary language – e.g., cyber, chemical substances (e.g., PFAS’s), Glyphosate, war / sanctions, climate change legislation and sexual abuse / molestation.
- AI perspective – The European Commission is considering compulsory insurance and imposing strict liability, arising from the use of AI driving autonomous vehicles/ robots.

The European FINEX D&O Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues	<ul style="list-style-type: none">• Competition in the Directors' and Officers' (D&O) market between insurers have been strong during the latter part of 2022 and has continued all through 2023.• Influx of new capacity beginning in early 2022 created competition and yielded rate deceleration throughout 2022 and 2023.• Heading into Q1 2024, we continue to see strong competition in the European insurance market, and we expect this to continue into next year.• Nera has just issued their report on Full Year Class Actions in the US. After a four-year decline, 2023 had an increase in new federal securities class action suits, with 228 new cases filed, a rise from the 206 cases filed in 2022. This was fueled by turmoil in the banking industry, filings in the finance sector more than doubled in 2023, comprising 18% of new filings. https://www.nera.com/content/nera/us/en/insights/publications/2024/recent-trends-in-securities-class-action-litigation--2023-full-y.html
Pricing / Rates	<ul style="list-style-type: none">• D&O rates are continuing to go down in Europe following the trend that started in 2022 and continued through 2023.• We see no signs of rates stabilizing yet. . Almost all risks are renewing flat or with a decrease.• There is a view in the market that the London market helps to drive down rates quicker in Europe.• The size of the rate movements vary by country in the region.• Several new and historic markets initially generated rate relief in the excess layers; however, as markets continue to seek growth, several insurers are providing alternative primary competition and leverage.
Capacity	<ul style="list-style-type: none">• The return of capacity is due to established carriers increasing their capacity as well as new entrants opening offices across Europe. The new entrants are established carriers in other regions (e.g.UK, US and Asia) and are now looking to grow their business across Europe.• Carriers are increasing the limits again, and the limit deployment is back to pre hard market terms. The caveat is that carriers are using ventilation more when deploying larger limits.• We also see London syndicates and MGA's showing a big appetite for Western European business.
Coverage / T&C	<ul style="list-style-type: none">• Environmental, social, governance (ESG): Organizations continue to face pressures to address ESG from operational, cultural, and investment perspectives. Litigation and regulatory exposures have resulted in increased underwriter scrutiny into practices more broadly.• We see a broader appetite from carriers to write on WTW's bespoke DARCstar wording for D&O.

The European FINEX Cyber Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues	<ul style="list-style-type: none">• Soft market is now back in Western Europe for <u>large accounts</u>.• The market is stable for <u>SMEs</u>. Prices are still considered as too high by clients, or the high level of deductible is the reason for first buyers not to buy. Without a minimal maturity on cyber security key controls, the market still refuses to quote.• No LTA but time to time we have been able to secure jumbo layers.• Despite better terms and conditions, insured do not buy more capacity due to high prices and premium savings.
Pricing / Rates	<ul style="list-style-type: none">• On Primary, it can vary country by country from Flat to a Decrease from 5% to a max of 20%.• On Excess, a few number of countries are seeing Flat renewals and the majority of all the others reported decreases in premium from 5% to 25%.• Thanks to insurers competition, negotiations have led to obtain several quotes for the same layer and better terms and conditions.
Capacity	<ul style="list-style-type: none">• Despite renewal savings, clients have chosen not to buy more capacity rather maintain their existing limits.• Increased capacity from some markets (from EUR 5 to 10m by insurers), and we see carriers attaching lower down on towers.• New entrants like Applied Financial Lines, Sompo, Resilience and Arch are driving competition and are more aggressive.• Compared to the past years, insurers look to grow and take a more commercial approach.
Coverage / T&C	<ul style="list-style-type: none">• In all WE countries, the ransomware cover is now provided without any sublimit or coinsurance (with some rare exceptions).• Coverages that have disappeared in the past years are now back: CBI, breaking, system failure.• War exclusion: Insurers may be flexible when it comes to war exclusions (non-Lloyd's insurers, local insurers). Placements with Munich Re war exclusion helps secure big towers.

The European FINEX FI Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues	<ul style="list-style-type: none">• Insurance market conditions are more favorable for Financial Institutions (FI), specifically for banks.• Continuous signs of market stabilisation on the FI market across Continental Europe.• Increased interest from insurance markets due to their growth targets.
Pricing / Rates	<ul style="list-style-type: none">• The general market has softened considerably with less focus from insurers on risk in favour of new business.• Overall, we see flat rates to slight decreases across the European countries.
Capacity	<ul style="list-style-type: none">• New capacity entering into the marketplace and established insurers having aggressive new business targets, is maintaining downward pressure on pricing, and capacity remains plentiful.• New capacity (established insurance markets in other regions) are entering the Western European FI market.• The market is globally increasing its capacity, even for 1st layers policies. We are seeing a revival in the overall appetite for risks relating to financial institutions, for both primary and XS insurers.
Coverage / T&C	<ul style="list-style-type: none">• Introduction of territorial exclusions, Belarus and Russia and adjustment of sanctions clauses.• Either affirmative Cyber cover or cyber exclusions across all FI lines of business.• BBB: Crypto insurance and non-fungible token exclusions are being introduced.• D&O: Insolvency exclusions on more distressed risks.• Environmental, Social, Governance (ESG), Diversity and Inclusion (D&I) and network security and privacy protocols and initiatives are being more closely scrutinized by underwriter.

The European FINEX PI, EPL, Crime and M&A Market

Current Conditions and short-term perspectives

Q4 2023

Professional Indemnity

- The Professional Indemnity market is a stable market across Western Europe.
- Carriers are starting to increase their appetite to grow this line of business. This is showcased via specific growth initiatives by several European insurance markets.
- The interest from the insurance market spreads across both regulated and non-regulated professions including Construction.

Employment Practices Liability

- Economic uncertainty
- Competition keeping rate increases stable/modest
- Social media movements leading to faster and higher settlements in US.

Crime

- Select market capacity in Europe.
- Most primary carriers prefer to limit their capacity to 10M€.
- Internal fraud (employee theft) continue to drive the largest losses for commercial clients.
- Computer fraud drives the largest losses impacting financial institution clients.
- While Social Engineering losses continue to be a major focus of underwriters, the losses tend to be lower in severity. Still, the frequency of Social Engineering losses most concerning to carriers.

M&A

- In Spain, Italy and France the M&A market is starting to stabilize in terms of deal volume and overall submissions and deal size.
- We are still waiting to see the increased M&A activity that has been expected for quite some time now. Sellers made the most of the quieter year to prepare their assets for divestment.
- Insurer interest remain strong. While many established carriers are in the market, newcomers are driving competition further.
- As a result of increased insurer competition, we are seeing downward pressure on pricing, policy retentions and also greater flexibility on exclusions.

The European Construction Market

Current Conditions and short-term perspectives

Q4 2023

Overview / Issues

- Sign of deceleration of growth expected in the construction industry and activity in 2024 across the region where we still encounter increase cost of materials and shortage in specialized labor force. Residential sector remains weak impacted by high interest rates and low demand, most activity expected through government funding commitments to deliver projects mainly in the infrastructure and utilities sector. We also expect large number of Energy projects mainly in the Renewable Energy sector like BESS and Solar which continue to be predominant in the region with both private, national and EU funding with the aim of reducing some country's dependence on foreign supplies and continuing their decarbonization plans. We are also seeing megaprojects in the technology sector including semiconductors, giga factories and datacenters and foreign investment in many countries across the region.

Pricing / Rates

- We continue to see signs of stabilization and expect flat and even slight discounts for “best of class risks” for the smaller and mid sized domestic placed programs and projects but for the large and complex with substantially increased construction values, we are experiencing higher rates in the low double digits particularly when there is a need for additional reinsurance or those with Nat-Cat and secondary perils exposure. For Decennial/ IDI and Project Specific Professional Liability pricing remain stable but with some increases though after many years of continued hard market we are seeing less volatility and more predictable responses.

Capacity

- We are still experiencing ample capacity and appetite from insurers on the small and medium sized domestic projects, annual programs and those in the Renewable Energy and Technology sector with healthy competition between local carriers. Co-insurance arrangements are still a common practice in some countries which avoid approaching more costly reinsurance markets by maximizing local retentions for both CAR and TPL.
- Many markets saw profitability in 2023 but maybe not to the levels expected and are now looking for further growth. To achieve this, we anticipate that more markets might consider taking a lead position rather than follow and possibly larger and less conservative participations than in past years and deploying closer to their full capacity. For large and complex risks, particularly projects with tunnelling and wet works, we still see fewer possible leaders than previously offering historically low shares.
- In line with global trends, we are starting to see MGA entrants to the market. Some countries are more reluctant to accept this capacity from negative past experiences in terms of continuity and solvency but in others some MGAs have become an important player.
- We continue to see a trend towards "portfolio view" underwriting as insurers. This is specifically notable on Decennial where we still face a limited number of markets offering capacity. Some insurers are now reserving their capacity for risks and insureds where they are able to participate on “multi line” basis, We are experiencing more appetite from insurers for annual covers not only for local/home base risks in Europe but also deploying capacity cross border following contractors and owners globally.
- Underwriters in the construction market in Europe are empowered at country level with high levels of authority depending on experience and expertise making them more autonomous, and hopefully facilitating more rapid responses. However, we are still suffering from vacancies and lack of talent compounded by a generational change.
- We are seeing recovery signs for appetite on Project Specific Professional Liability and capacity coming back into the market on the excess layer level but still experiencing lack of lead insurers available and continued increases in rates and deductibles in most type of projects but less in annual programs.

Coverage / T&C

- We continue to advise that for large and complex risks, longer response times throughout the placement and renewal processes can be expected as placements require more participants and insurers adopt a more conservative overall view and technical approach to underwriting requiring quality underwriting information.
- Through the treaty renewal feedback there are intentions and pressure for markets to increase deductible levels and impose further limitation and special attention to accumulation on Nat-Cat and secondary perils particularly hail and flood after experiencing large influx of these events and claims in 2023.
- Specific focus remains on tunneling, wet works, DSU (Delay in Start Up) or Nat Cat exposures, Defect and maintenance covers which are still being carefully considered and harsher limits imposed on relevant coverage, provisions and certain extensions, like automatic increase and storage clauses as well as indemnity periods.
- At these pricing levels, some Contractor's and Owners are considering higher self retentions and utilizing their captives to compensate for the lack of equilibrium they are facing between price, limits, deductibles and coverage.

The European Financial Solutions Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues

- Following a period of low claims level, Trade Credit insurers expect a gradual increase in bankruptcies towards more normalized levels. While frequency claims have been increasing in 2023 and are now close to pre-COVID levels, severity claims are remaining below average, and insurers continue to enjoy low Loss Ratios.
- Overall, major Trade Credit Insurers are recording combined ratios around the 70% mark and remain very profitable.
- Insurers remain selective on buyers with lower financial ratings and on certain sectors with higher claims level, such as the construction or retail sectors.
- We expect credit appetite to continue to tighten into 2024, given the recession observed in several European countries, interest rates remaining elevated and more limited access to liquidity for European companies.

Pricing / Rates

- Premium rates are stable or trending slightly lower in major European markets, thanks to low losses in the market.
- Competition remains strong on new business from uninsured clients, particularly in sectors where losses have historically been moderate.

Capacity

- Ample capacity is still available in the market, particularly for new business enquiries from uninsured clients. For instance, Risk appetite remains strong on the pharmaceuticals and food & beverage sectors. However, as noted above, we think credit appetite will remain constrained in 2024.

Coverage / T&C

- We see increasing demand for top-up cover, where additional coverage is required in addition to the credit limit issued by the primary insurer. This has been exacerbated by the increase of overall trade volumes and robust inflation observed across the board. It is worth noting that specialized insurers have responded to this need by offering additional cover.

The European Crisis Management Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues

- Increasing loss ratios in recent years from major events in Chile, Hong Kong, and South Africa, compound with market losses in Peru, Haiti, Ukraine and KSA.
- The Israel/Gaza conflict has triggered significant premium increases on Terrorism and Political Violence policies with assets in Israel and Lebanon.
- Insurers paying and reserving for the continuation of the largest losses in the market's history due to the crisis in Ukraine affecting the Political Violence market and other correlating War and Political classes, eroding multiple years' worth of premium.
- Accident & Health market buoyant with new capacity providers entering a saturated market. No major losses across various sub-classes therefore rates remain flat, appetite broadening, implementation of regional MGUs with London capacity.
- Kidnap & Ransom rates are starting to increase in response to greater claims frequency/severity, heightened geo-political tensions globally and increasing security risks post-pandemic – countries of greatest concern to insurers include Ecuador, Mexico, Venezuela, Nigeria, Iraq, Syria, DRC, Pakistan, Afghanistan, Israel, Ukraine, Ethiopia.
- Piracy in the Indian Ocean and Red Sea is an area of particular concern with a significant increase in attacks against commercial shipping.

Pricing / Rates

- Increases in insurer operational costs due to inflation being factored into premiums and passed on as rate increases.
- Terrorism and Political Violence no longer offering 'No Claims Bonus'.
- All insurers conducting full 'fresh-eye' reviews against model and risk price rather than historic premiums.
- Further local/regional reactive pricing changes expected as different security risk environments fluctuate.
- General trend: +10%-20%. Per product: A&H flat; Contingency flat; Special Crime (K&R) flat to +15%; Terrorism/Political Violence wide variety of rates - markets are adopting a two-tier approach with nominal 10%-20% increases in most territories other than the Middle East and countries going into an election with a known history of volatility. These territories are seeing increases of 30%+.
- Maritime Piracy rates increasing by up to 50% due to attacks by Houthi forces in Yemen and the re-emergence of Somali piracy in the Indian Ocean.

Capacity

- Reduction in line size deployment on individual risks, especially in high-risk territories, heavily aggregated locations and for policies with wider Political Violence perils, insurers holding out for the best rate for capacity.
- Despite the exit of Hardy CNA from the Terrorism and Political Violence market, overall capacity will increase in 2024 due to new entrants (Ark and Everest).
- No shortage of capacity across A&H and K&R markets. Contingency market capacity is healthy for event cancellation/non-appearance but reducing for prize indemnity.

Coverage / T&C

- Reduced appetite for Denial of Access, Contingent Business Interruption and Automatic or Miscellaneous Coverage extensions as insurers push to improve exposure monitoring, strongly driven by treaty restrictions imposed on them.
- Increasing deductibles in volatile territories and higher risk occupancies. Valuations require inflationary consideration.
- Insurers pushing direct, indirect or blanket territorial exclusions or restrictions for Russia, Belarus and Ukraine. Insurers continue to monitor Israel/Gaza conflict closely. Sub-limits imposed and/or certain perils excluded in Russia, Ukraine and Israel on Kidnap & Ransom policies. Greater number of Accident & Health insurers considering Medical Expense and Repatriation cover in Ukraine.
- Appetite for multi-year agreements limited for Terrorism & Political Violence. Multi-year agreements remain widely available for Kidnap & Ransom.
- Contingency wordings are being amended to accommodate evolving perils such as concerts and tours being cancelled due to mental health issues.

The European Natural Resources Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues	<ul style="list-style-type: none">• Property reinsurance renewals across the Natural Resources portfolio were relatively benign compared to 2023 with no major increases.• Liability reinsurances renewed with increases due to loss deterioration and social inflation – unclear to what extent these will be passed on to buyers.• Considerable improvement in Downstream loss ratios – midstream risks still plagued with significant loss activity and falling out of insurers' appetite.• Estimated USD 1.5bn Mining loss reserves are impacting the market environment.• Insurers continue to focus on adequacy of BI values and asset valuations where clients cannot evidence previous increases.• ESG and Nat Cat exposures remain critical issues in the market which restrict the availability of capacity.• Market segmentation is increasing with a clear flight of capacity to the best risks, which continue to be significantly oversubscribed, whilst smaller, less desirable risks are getting harder to place and attract less favourable rating levels.
Pricing / Rates	<p>Depending on risk profile, loss record and premium income:</p> <ul style="list-style-type: none">• Upstream: rating increases ranging from flat to +15% and above for loss affected programmes.• Downstream: reductions of up to -5% for the best international programmes, otherwise increases ranging from flat to +7.5% and above.• Power: flat for clean, non-Nat Cat business +5% to +10% and above for Nat Cat exposed or loss affected risks.• Mining : small reductions to flat for the best risk, +5% to +15% for less desirable placements.• Renewables: single digit increases, higher if Nat Cat capacity required.• Liability: +5% increases - before any adjustment is made for exposure changes or losses and/or attachment points – some placements now flat or reductions.
Capacity	<ul style="list-style-type: none">• Capacity levels remain buoyant and we are expecting further increases in Upstream capacity from 1/1/24.• New entrants in the downstream market increase overall capacity but not likely to challenge existing leaders.• Fresh capacity entering the Power market via MGAs and existing markets looking for increased line sizes.• Mining and Liability capacity remained stable compared to 2023.• Nat Cat availability remains restricted across all occupancies.• Emergence of specific Energy Transition syndicates offering additional capacity for green risks such as AXIS Syndicate 2050 and Hiscox ESG Syndicate.• Increasing appetite for Transition technologies such as Battery Energy Storage and Hydrogen with market leaders emerging.
Coverage / T&C	<ul style="list-style-type: none">• Where insureds cannot evidence that values have been recently reevaluated, focus on insured values remains key.• Increased use and tightening of BI volatility clauses on Downstream energy, Power and Mining.• PFAS and Climate Exclusions now filtering through into package policies as well as standalone liability placements.• Strengthening of Serial Loss/Defect Clauses for Renewable risks including BI (LMA5587/8).• Insurers seeking to add Munich Re 333 Hot Gas Path Depreciation Clause to Power placements.• Tightening of underground flood definitions on Mining risks following recent loss.• Long term agreements can increasingly be obtained in the Upstream and Liability markets.

The European Surety Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues	<ul style="list-style-type: none">• Clear evidence of the 'insolvency time bomb' after withdrawal of government C19 financial support, as the economies across Europe slow, insolvencies grow & inflationary pressures hit home.• ECB maintained interest rates at the 22-year record high seeking to control inflation, despite the economic strain it may generate.• Surety company portfolios are also coming under claims pressure due to rising insolvencies, notably as constructions firms contend with higher interest rates, elevated inflation for wages and raw materials, as well as continuing labour shortages.• Across most European markets large surety using industries like manufacturing & construction are seeing output continue to decline.• Underwriting capacity is being cautious and increasingly selective.
Pricing / Rates	<ul style="list-style-type: none">• Premium rates have generally been stable in many European markets, despite the increasing interest rates, reflecting constant supply of capacity.• SME sectors starting to seeing some pricing increases reflecting volume of insolvency & resulting claims.
Capacity	<ul style="list-style-type: none">• Despite the economic risk, underwriting capacity has remained constant over the last 3 years.• The market is cautiously competitive, although many underwriters have dropped growth ambitions focusing on profit.
Coverage / T&C	<ul style="list-style-type: none">• Renewed attention to risk tenor and supply of timely financial reporting from portfolio clients.• Continued appetite for bank guarantee replacement opportunities for qualified credit risks.• Underwriting attention to Indemnity recourse agreements is a continuing pattern.

The European Aviation & Space Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues	<ul style="list-style-type: none">• The Aviation market continues to be finely balanced with key factors in play including:• Russia/Ukraine – Western leased aircraft confiscated and re-registered in Russia• Rising reinsurance costs and desire to limit/restrict coverage• Increase Geopolitical volatility• Increases in the Boeing Max claims reserves in October 2022 and further increased in December 2023.
Pricing / Rates	<ul style="list-style-type: none">• The potential impact of the above issues is wide reaching, and we initially saw a renewed effort from insurers to increase premiums however rating across the sub-classes were stable with some increases where exposure growth and/or claims deterioration.• Should the status quo continue, we would anticipate insurers will continue to chase a small step change across their portfolios.• War insurance remains challenging with significant increases and for most clients we're now talking about year over year increases which are compounding.
Capacity	<ul style="list-style-type: none">• The level of available capacity continues to limit significant rate change.• SCOR and Chaucer both withdrew from aviation in 2023, but both withdrawals were more than mitigated by markets seeking to increase share and diversify their portfolios.• A significant shift in the market will only occur if we see capacity withdraw and/or markets restrict deployed shares.
Coverage / T&C	<ul style="list-style-type: none">• Automatic Reinstatement of AVN52E/G following nuclear detonation: IUA (International Underwriting Association) published IUA 07-001 clause (Primary AVN52 coverage) and IUA07-002 (Excess AVN52E/G coverage) on 24.11.23 to add to the suite of Automatic Termination options. We are hopeful that this clause gaining traction as in line with brokers' requirements and can be added to AV003 as a preferred clause. Conversations continue with some key Insurers such as GAUM and AXAXL to seek improved position from them.• War Notices: Situation in Israel led to the issuance of AVN52E/G and LSW555D notices. Initially these were to reduce the notice period from 7 days to 48 hours. As with previous notices issued with regards to Ukraine, Russia and Sudan, the content of the notices must be carefully reviewed and brokers must remain mindful of letters of undertakings issued to contract parties.• Hull War: "Grip of the peril" language in WTW template has been subject to much scrutiny from Hull War Insurers (notably Liberty) but should continue to be included.• Subjectivities: We continue to see a large number of following market subjectivities on leasing business (both all risks and war risks). Please refer to Subjectivities spreadsheet on intranet for guidance as it is important to push back on certain ones and ensure that those which are imposed are worded correctly.

The European Marine Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues

- Although Ukraine/Russian trade continues to be a major focus for marine insurers, the dangers of passing through the Gulf of Aden is of more concern due to Houthi rebels successfully targeting international shipping. The impact being that the majority of shipowners are now avoiding the area by routing to Europe via Cape of Good Hope. December 2023 saw the first reported hijacking of a vessel off the coast of Somalia since 2017. Attacks on ships in the Red Sea, combined with geopolitical tensions affecting shipping in the Black Sea and the impact of climate change on the Panama Canal, have given rise to a complex crisis affecting key trade routes.

Pricing / Rates

- Hull and Machinery rating remains stable on business with positive loss records, “as expiry” rates and small discounts achievable. Distressed business and small fleets remain challenging to place.
- Cargo rating remains stable, with those with positive loss records and high turnover increases possibly benefiting from discounts
- War, substantial additional premiums being charged for Gulf of Aden transits irrespective of whether the shipowner has had any connection or previous trade with Israel.
- Cargo War – some markets looking to reinstate coverage, others aren’t, leading to high Aps being applied or clients having to find solutions outside of the traditional European markets (for both bulk and containerised cargoes).

Capacity

- Hull Capacity remains stable. Generali now incorporated Cattolica business. Swiss Re operations to move to Dual.
- Cargo capacity remains relatively stable overall, although new entrants within the Cargo markets (especially MGA’s) targeting areas where rate remediation over recent years has made the entry point significantly more attractive, with overall appetite starting to increase once again – the main caveat to this being Cargo War.

Coverage / T&C

- Cargo, Hull and Machinery - no new developments.
- New Oil Price Cap rules: the Price Cap Coalition countries will be implementing changes around the attestation and information/record-keeping obligations imposed on insurers and shipowners/operators, we anticipate regulators will look more closely at the level of due diligence conducted by service providers such as insurers on their counterparties. In particular, we anticipate that in line with the more stringent Price Cap requirements, regulators may require insurers to produce evidence of their due diligence on insured with tankers which could perform Price Cap-related voyages.
- LMA3200- Sanction suspension Clause - an alternative to LMA3100 to assist with its application in jurisdictions not subject to English or US law. The clause works to suspend coverage in instances whereby coverage would expose the insurer to sanctions under UK, EU or US sanctions laws or regulations or UN regulations.
- Partial lifting of sanctions against oil and gas sector of Venezuela.

The European Facultative Reinsurance Market

Q4 2023

Current Conditions and short-term perspectives

Overview / Issues

- **Property:**
 - Pricing and rating slightly keeps increasing in certain regions that are driven by CAT perils, while in others they stabilize or even decrease.
 - Increase of reinsurance demand due to exhausted aggregates in the insurance side, especially for key perils related to natural hazards covers included in global programs.
 - Additionally, there has been a notable increase of reinsurance requests for complex occupancies such as waste, as certain binders and treaties renewing in Q4 are limiting those from their scope.

Pricing / Rates

- **Property:** markets continue to focus on ROLs, nonetheless for renewal rates, we have observed a very conservative approach as we are seeing flat to rate decreases for non-complex accounts. For those with a complex element to it, reinsurers do tend to apply a slight increase on rate.
- **Casualty:** Rates ranging from flat to +10% on average, mostly driven by social inflation and claims costs, particularly when US domiciled exposure is concern. More challenging occupancies can experience sharper increases.
- **Construction:** Rates keep increasing in existing projects/extensions due to the increase of costs plus the element that reinsurers have a larger exposure to the project on a more volatile CAT environment.
- **Financial lines:**
 - D&O – Rating continues to drop while increases of lines are offered or new capacity is available.
 - PI – Market rates do keep stabilizing across the product.
 - FI – Market remains stable as per previous quarters, no major changes.
 - Cyber – Increase of available capacity due to new reinsurers entering the product, consequently a decrease in rates can be observed.

Capacity

- **Property:** Increase of available reinsurance capacity, including complex risks – nonetheless, the capacity for those distressed risks come with a price driven by high ROLs.
- **Casualty:** Market capacity remains relatively stable, with specialist markets tending to deploy more conservative line sizes depending on the occupancy. Very limited appetite for challenging activities such as coal mining and coal-fired power plants, as ESG profiles are directly impacting market appetite. Increased concern over heavy US automobile liability exposure
- **Construction:** Quota share projects remain a preference within reinsurers, although some are starting to incline towards excess of loss in order to be above the CAT element, following different events across different European regions.

Coverage / T&C

- Reinsureds maintain focus on capacity ratings and reinsurance agreements/'Fac Certs'. Also, the focus remains on capital adjustment and limitation clauses, as well as new updated sanction clauses for reinsurers.
- Casualty: Increased concern over PFAS exposure and the prospect of tighter exclusions in light of Treaty renewals.

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