Liabilities

International liability

Directionally positive, despite reserving concerns

For international markets, conditions are becoming more favorable, with undercurrents from claims and social inflation in the U.S. tempering meaningful softening globally.

Key takeaways:

- Regions with strong and growing local market capacity are seeing significant single-digit reductions for more straightforward accounts with smaller limits
- While total capacity has not changed meaningfully, the choice of market options has broadened
- Social inflation is pinching the excess layers in the tower, making the primary and upper layers of a program easier to place than the middle

With year-end renewals well underway, attention turns to what 2026 could hold for international liability markets. In some sectors and geographies, we are seeing a softening of market conditions, though this is inconsistent globally.

U.S. rating conditions remain distinct. In our separate U.S. section, we explore the rate increase trends and dig deeper into the direction of travel for the U.S. casualty market in 2026. For international markets, conditions are becoming more favorable, with undercurrents from claims and social inflation in the U.S. tempering meaningful softening globally.

Underwriters report three consecutive years of profit

Creating favorable conditions for rate moderation

Lloyds' underwriting results for the casualty sector show three years of recent profitability after seven prior years in the red. This positive trend has continued in the most recent Lloyds figures for six months (ending on 30 June 2025), albeit reduced on the prior period.

While it should be noted that Lloyds includes allied long-term classes such as directors and officers (D&O), and financial lines within its definition of casualty, and this is representative of the Lloyds market only, it acts as good barometer for the state of the international liability market.

Lloyd's annual results for the casualty sector:

Year	Gross written premium GBP million	Combined ratio %	Underwriting result GBP million
2014	4,959	98.1	74
2015	5,764	100.1	(5)
2016	7,131	102.7	(146)
2017	8,464	103.1	(189)
2018	9,094	102.9	(183)
2019	9,459	105.7	(390)
2020	9,067	110.3	(688)
2021	10,360	100.3	(17)
2022	12,987	93.7	536
2023	12,991	93.6	576
2024	13,403	90.8	890

(Restated) 6 months ended 30 June **2024**	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Underwriting result £m
Casualty	6,848	6,776	(3,835)	(2,266)	(269)	406

(Restated) 6 months ended 30 June **2025**	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Underwriting result £m
Casualty	6,995	6,981	(4,035)	(2,483)	(351)	112

Market capacity is stable

But buyers have more choice

The global market capacity remained relatively stable in 2025, but as we noted in our April Energy Market Review, this apparent stasis hides some significant movements:

- A number of major insurers have reduced their total line sizes to help spread risk and reduce their exposure to major cat events and/or have elected to purchase less treaty reinsurance
- In contrast, several new managing general agents (MGAs) and Lloyds syndicates are emerging or broadening their appetite into energy liability and in Bermuda, the entry of QBE and Mosaic at the end of 2025 will help to offset previous capacity contractions

- The continuing development of broker facilities has added additional capacity, enabling hard-to-place risks to be more readily completed
- While total capacity has not changed meaningfully, the choice of market options has broadened

All of this is positive news for insureds. But wise insurance buyers are not underestimating the value of a stable panel of trusted insurers that will work constructively with an insured in the event of a claim.

Reasons to be cheerful

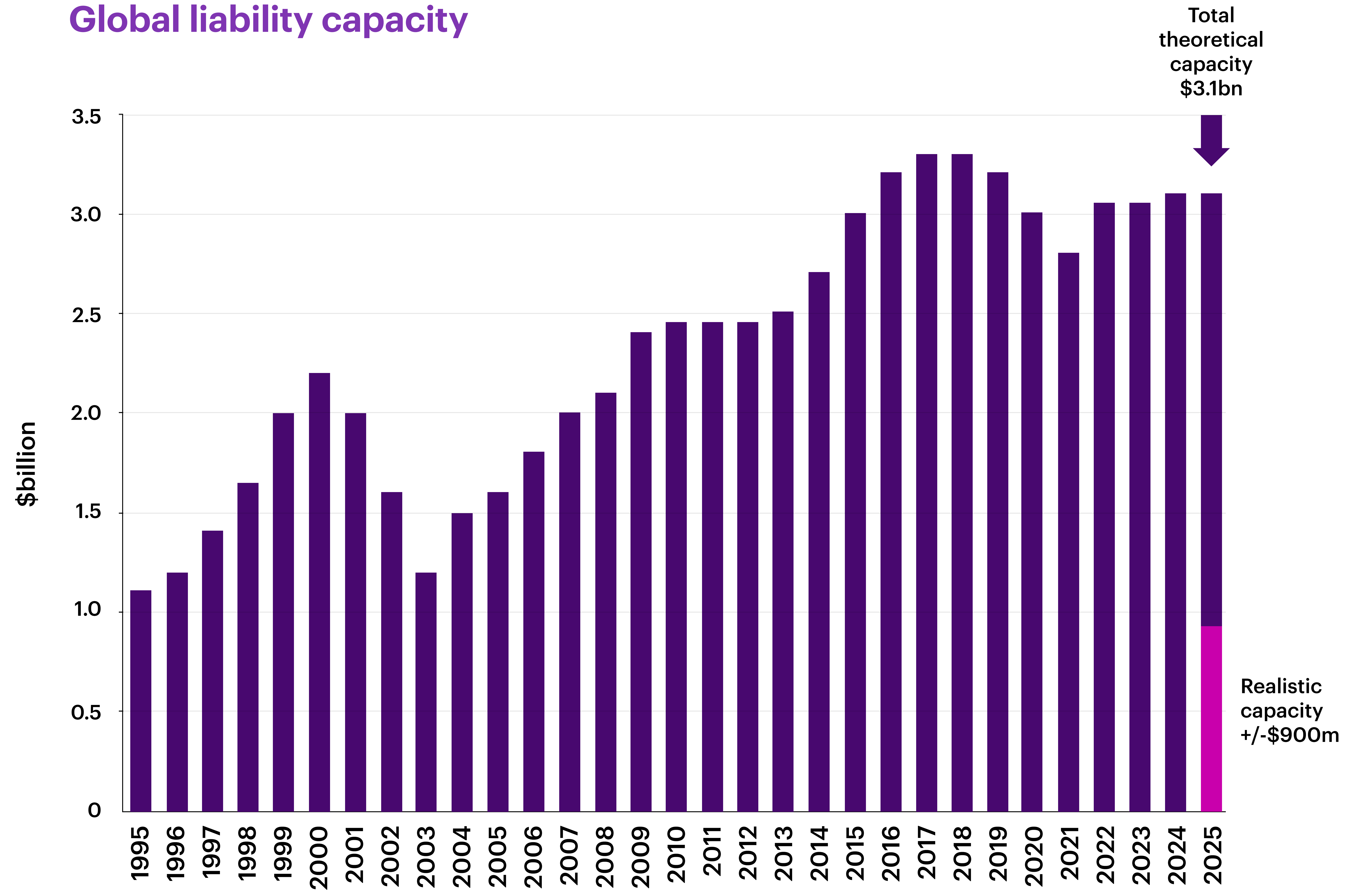
The rating environment is improving

Healthy capacity and generally positive loss ratios have helped to positively impact conditions and move the international market from a hard to a softening rating environment, in strong contrast to conditions in the U.S. casualty market.

Renewal experiences for international accounts can vary depending on the size, nature and geographic (and jurisdictional) location of an insured's business.

Regions with strong and growing local market capacity—most particularly, Australia, Canada and the Middle East—are seeing significant single-digit reductions for more straightforward accounts with smaller limits. In Asia, for

Global liability capacity



Source: Willis

example, insurers are maintaining a cautious stance, with limited line sizes and selective underwriting but the overall environment remains stable, and well-managed risks continue to attract competitive terms.

For complex accounts requiring significant limits and access to non-regional liability capacity, the norm has moved from small low single-digit increases to a default of flat pricing with low single-digit reductions achievable at renewal, where exposures justify. Rate adequacy remains a strong consideration, and insurers have more flexibility on accounts that are not already considered to be competitively rated.

Words of caution

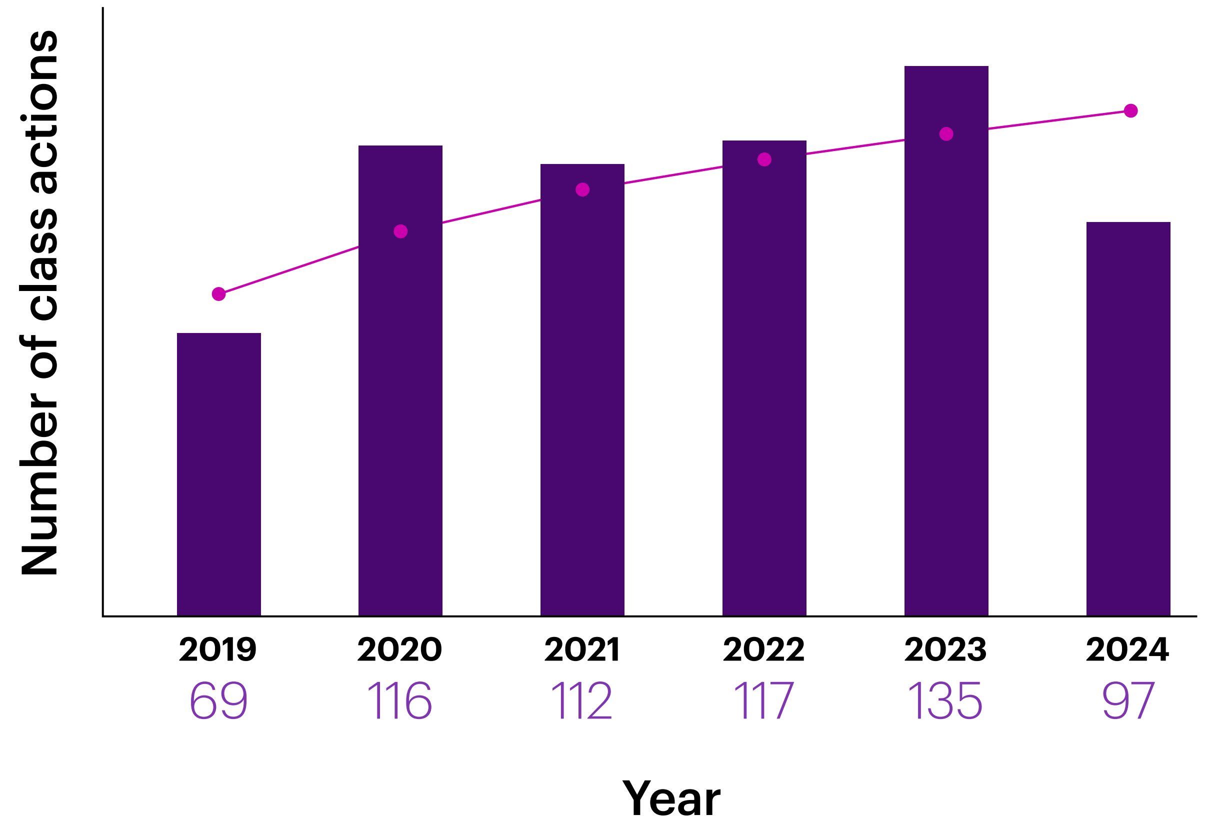
1. Europe: Regulations and class actions could have a knock-on effect on liability claims costs

In Europe, insurers are increasingly concerned about new legislation making it easier to bring a class action (EU Directive on Representative Actions for the Protection of the Collective Interests of Consumers) and directives such as the EU Product Liability Directive (EU) 2024/2853 which ease the burden of proof and make it easier to bring a product liability claim. Insurers are watching carefully their exposures, particularly European chemical and petrochemical companies.

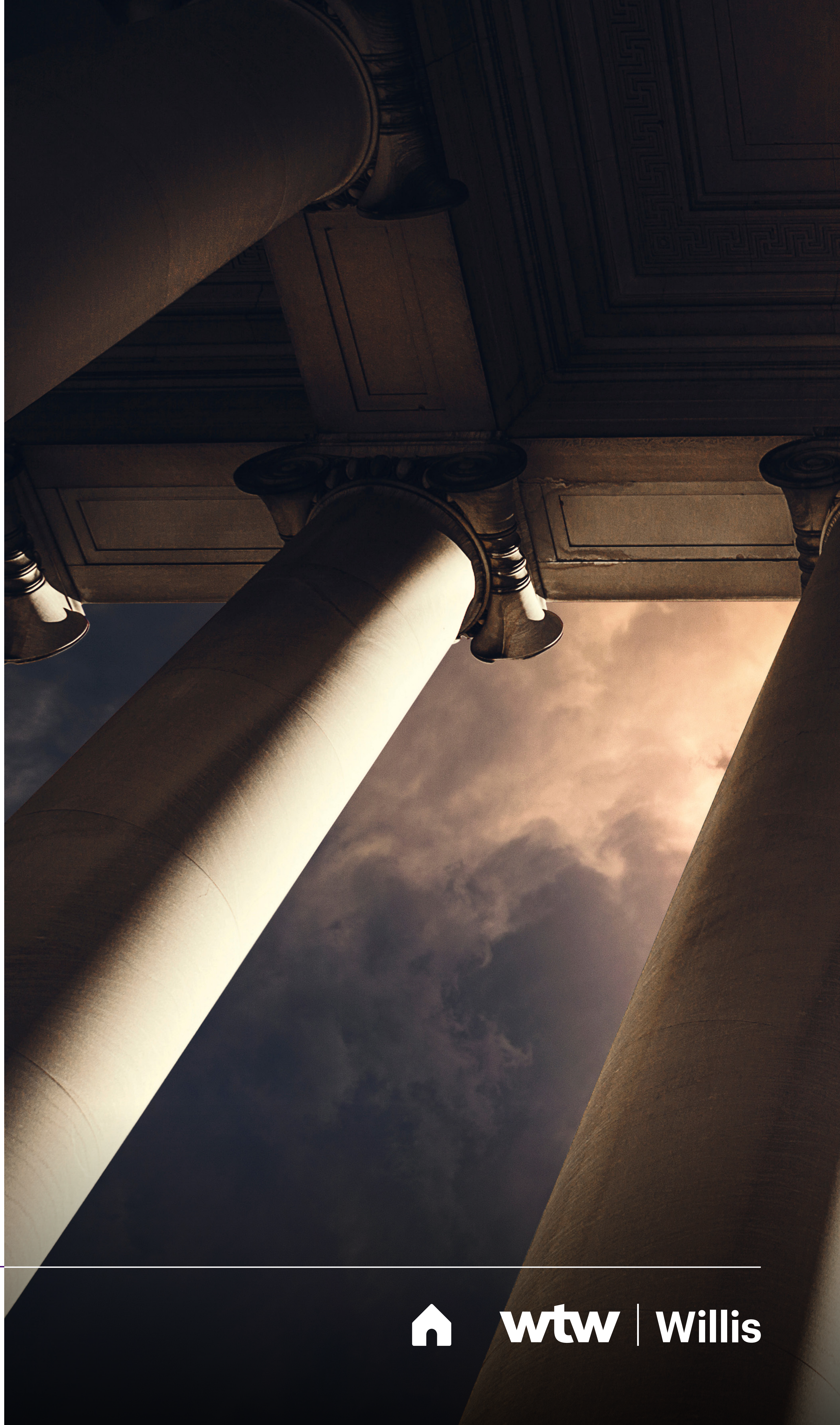
This issue was most recently highlighted by in a press conference prior to the October Baden-Baden Reinsurance meeting by Swiss Re who warned that this new class action legislation in Europe will lead to a "material knock-on effect" on liability claims costs.

This is further supported European Class Action Report released in August 2025 by international law firm CMS, which evidences the overall trending of class action growth over the past 5 years and the growth in product liability and personal injury class actions which doubled from 2019 to 2024.

European class actions



Source: CMS European Class Action Report 2025



2. U.S. exposures in international programs are "a very different beast"

Some of the largest losses for international insurers have been on accounts with U.S. exposures. Social inflation and nuclear verdicts in the U.S. continue to significantly increase the average level of awards.

In response, a number or insurers are reducing their lines on programs with significant U.S. exposures and applying differentiated pricing for the U.S.-exposed elements (in the region of 5 to 7.5%) versus the international element (flat or small reductions).

The liability layer cake

There's hollowing in the middle

Social inflation has increased liability claims in the U.S. by 57% in the past decade[1] and one insurer cited his experience of average bodily injury claims increasing from below $10 million in the past 10 years to up to $98 million currently.

The rise in average awards is regularly exposing middle and upper layers of a program that were previously considered to be catastrophe layers only. While primary premiums are more loss sensitive and still provide a profitable write, premiums on the mid to low excess layers for U.S. and U.S.-exposed international accounts have not kept track of these increasing exposures. As a result, capacity has contracted on the layers above $50 million and $100 million leaving the primary and upper layers of a program easier to place than the middle.

Looking ahead

With an eye on the past

A number of liability market leaders continue to voice their concerns regarding insufficiency of casualty reserving, most notably Convex chairman, Stephen Catlin, who commented at the Association of Lloyds members conference in October that consistent under reserving of the 2015 – 2019 years has led to a potential reserving gap of $100 billion - $200 billion. The question is when and how soon this could come back to haunt underwriters, and if so, would it turn the market away from its current trajectory?

The liability treaty renewal season in Q1 2026 is expected to be favorable. Despite concerns that the casualty tail will catch up with its head, the emergence of new MGAs, broker facilities and local capacity suggest no immediate change to the current positive rating environment.

Although buyers have an increasing range of options, both domestically and internationally, future-ready insureds are taking the opportunity to strengthen their programs with long-term relationship markets that will reduce volatility through future insurance cycles, and most importantly, continue to provide the broadest cover and support in the event of a claim.

To find out more, contact:

Mike Newsom Davis

Global Head of Liability,
Willis Natural Resources
mike.newsom-davis@wtwco.com

[1] Swiss Re Institute Sigma report No 4)

Disclaimer

WTW offers insurance-related services through its appropriately licensed and authorised companies in each country in which WTW operates. For further authorisation and regulatory details about our WTW legal entities, operating in your country, please refer to our WTW website. It is a regulatory requirement for us to consider our local licensing requirements. Please read more here.

The information given in this publication is believed to be accurate as of October 2025. This information may have subsequently changed or have been superseded and should not be relied upon to be accurate or suitable after this date. This publication offers a general overview of its subject matter. It does not necessarily address every aspect of its subject or every product available in the market and we disclaimer all liability to the fullest extent permitted by law. It is not intended to be, and should not be, used to replace specific advice relating to individual situations and we do not offer, and this should not be seen as, legal, accounting or tax advice. If you intend to take any action or make any decision on the basis of the content of this publication you should first seek specific advice from an appropriate professional. Some of the information in this publication may be compiled from third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such. The views expressed are not necessarily those of WTW.

Please read

This update analyses our observations of the current global market conditions for renewable energy insurance and the impact this has on insurance buyers. This update is based on our observations of the market for our WTW clients and is not a whole of market review.

Editor

Marie Reiter

Head of Global Broking Strategy, Natural Resources Global Line of Business, WTW
marie.reiter@wtwco.com

wtwco.com/social-media

FPS10316322M

wtwco.com