European Market Trends

Q2 2024 Update

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

Rating trends are for guidance only and rates achieved will depend on individual circumstances. All figures are compared against our Q1 2024 remarks.

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European Market Trends Summary

Q2 2024

The European commercial lines insurance market continues to exhibit **stability**, with **signs of softening** in certain lines of business throughout the second quarter. This trend aligns with the overall movement observed since late 2023, characterized by a stable or two-tiered market. For well-managed risks with favorable data and loss ratios, capacity remains sufficient and accessible. However, challenges persist for higher-risk sectors, particularly those with catastrophic exposures or more complex underwriting requirements.

Overall, **continental Europe's capacity** remains sufficient with strategic international expansion of insurers across the region, reflecting a broader trend towards global market engagement and seizing new growth possibilities. While insurers are eager to grow and invest, especially in markets with favorable risk profiles, the allocation of this capacity is marked by a disciplined focus reflecting **comprehensive market dynamics and risk considerations**.

A spotlight on some lines of business:

- The **Property** market is in a growth stage after several years remediation of portfolios. There is eagerness for new business, especially towards retention which is a key driver to meet growth ambitions. The large and complex market is experiencing a growth in capacity for new and existing insurers. Carriers are investing in the mid-market and selecting specific markets to meet targets with good loss ratios and limited Natural Catastrophe (Nat Cat) exposure. Carriers are more likely to underwrite well managed risks, showing the importance of good risk quality. However, there is still a lack of appetite and less capacity for certain occupancies, high Nat Cat exposed accounts, or submissions lacking detailed information.
- In the **Casualty** market, insurers remain focused on growth. Ambitious insurer growth targets have created an increasingly competitive space for target occupancies which in turn unlocks rate reductions. Underwriting discipline and careful risk selection continues to yield positive results. Budget concerns are also likely to create further competition among insurers as we close in on year end, leading to further downward pressure on rates. Consequently, some insured parties are benefiting from rate reductions as a result. However, for difficult sectors, especially with significant US exposure and loss impacted renewals, capacity remains limited. Insurers continue to express ongoing concern regarding both economic and social inflation on a global scale.
- **Financial, Professional and Executive risks (FINEX):** The directors' and officers' (D&O) market is continuing to soften, and we see no signs of stabilization. The cyber market is also softening as is the financial institutions (FI) market. We are also starting to see the stable professional indemnity (PI) market beginning to soften. There is enough capacity in the Western Europe market where most carriers are looking for growth.
- In **Construction**, there is expected deceleration of growth in the industry across the region. Output is expected to recover in 2025 but with high interest rates and inflation harming investment.
- In **Trade Credit**, economic challenges such as recessions in Europe, high interest rates, and limited liquidity, appetite for credit is expected to tighten further in 2024. Despite slightly declining premium rates and competition for new business, there is ample capacity, particularly for sectors such as pharmaceuticals and food & beverage.
- Across the **Crisis Management** market which includes terrorism/political violence, special crime, contingency, piracy and accident & health, insurers' focus continues to be on multiple geo-political and socio-economic factors. Hostilities in certain regions including Ukraine and the Middle East, alongside worsening security conditions and the political dynamic of '2024: the year of elections', are contributing to changes in policy terms and rates. There is ample capacity across crisis management lines, but we are seeing some territorial limitations, reductions in individual line sizes, and premium hikes due to increased claims frequency and security risks.

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Europe Rate Trends 1/2

Q2 2024

Rate Trends

COUNTRY / GLOB	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	Stable with increases	Stable	Stable	Stable	Slight Decrease	Stable	Stable	Stable	Slight decrease	Slight Increase	Slight Increase	*Follows European trends. See next slide*	Stable with increases	Increase	Stable	Stable to Slight increase	Stable	Slight decrease
Switzerland	Slight increase	Slight increase	Stable	Slight Decrease	Slight Decrease	Slight Decrease	Stable	Stable	Stable	Slight increase	Slight decrease	*Follows European trends. See next slide*	Stable with increases	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Poland	Stable	Slight increase	*Follows European trend*	Slight increase	Stable	Stable	Slight Decrease	Stable	Slight decrease	Stable	Slight increase	*Follows European trends. See next slide*	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	Slight decrease	Slight increase	Slight decrease	*Follows European trends. See next slide*	Stable (excl. war)	Increase	Slight decrease	Stable to Slight increase	Stable	Requests for rate reduction
Denmark	Stable with increases	Stable	Stable	Stable	Slight Decrease	Stable	Stable	Stable	Stable	Stable	Stable	*Follows European trends. See next slide*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Property: increase Cyber: stable
Norway	Slight increase	Stable with increases	Stable	Decrease	Decrease	Slight Decrease	Stable	Stable	Slight decrease	Stable	Stable	*Follows European trends. See next slide*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Sweden & Finland	Stable to Slight increase	Slight increase	Stable	Slight Decrease	Decrease	Slight Decrease	Decrease	Stable	Slight decrease	Stable	Stable to Slight increase	*Follows European trends. See next slide*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Property: increase Cyber: decrease

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Europe Rate Trends 2/2

Q2 2024

COUNTRY / GLOB	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 with slight decrease for best risks	Stable	Stable	Decrease	Decrease	Slight Decrease	Slight Decrease	Stable	Slight decrease	Stable	Slight increase	*Follows European trends. See below*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable to Slight increase	Slight increase
Luxembourg	Stable	Stable with increases	Stable with increases	Decrease	Decrease	Slight Decrease	Slight Decrease	Stable	Stable	Stable	Stable	*Follows European trends. See below*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Belgium	Stable	Stable with increases	Stable	Slight Decrease	Slight Decrease	Slight Decrease	Stable	Stable	Slight decrease	Stable	Slight increase	*Follows European trends. See below*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable	Slight increase
Netherlands	Slight Decrease	Stable	Stable	Decrease	Decrease	Slight Decrease	Stable	Stable	Slight decrease	Stable	Stable with decreases	*Follows European trends. See below*	Stable (excl. war) with decreases	Stable	Stable	Stable to Slight increase	Stable	stable, with some increase
Italy	Slight Decrease	Stable with increases	Slight increase	Decrease	Slight Decrease	Decrease	Slight Decrease	Stable	Slight decrease	Slight increase	Stable to Slight increase	*Follows European trends. See below*	Stable (excl. war)	Increase	Stable	Stable to Slight increase	Stable to Slight increase	Slight increase
Portugal	Stable	Stable	*Follows European trend*	Slight Decrease	Stable	Slight Decrease	Stable	Stable	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 increases	Slight Decrease	Decrease	Slight Decrease	Slight Decrease	Stable	Slight decrease	Stable	Stable with decreases	*Follows European trends. See below*	Stable	Increase	Slight Decrease	Stable to Slight increase	Stable to Slight increase	stable, with some increase

Natural Resources					
Upstream Oil & Gas	Downstream Oil & Gas & Chemicals	Power & Utilities	Mining & Metals	Renewables	Liabilities
Stable with decreases	Stable with decreases	Stable	Stable	Slight increase	Slight increase; larger increases for offshore and marine

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.

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The European Property Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues

- Market is back in a growth stage after several years of hardening. We see a more commercial approach; one can call it ‘selective aggression’. There is **eagerness for new business** especially towards ‘selected risks’ and **retention** is a key driver to meet growth ambitions.
- Carriers are investing in the **mid-market** and looking at **selected countries** to meet their targets.
- For Large & Complex risk, **capacity** is becoming increasingly **available** but comes at a price for certain risks or sectors, with focus on catastrophe exposures, Contingent Business Interruption (CBI) by understanding the supply chain, Strikes, Riot and Civil Commotions (SRCC) considering the geopolitical situation and loss leading accounts.
- In the **Reinsurance** market capital is available and has been less on the forefront of conversations versus previous quarters.
- Return of **Long-Term Agreements** and roll-over possibilities in certain markets.
- **Quality of data** for submissions very important including **risk engineering**, **loss runs** – frequency and severity, **inflation** – accurate values, clear **T&C,** etc.
- Demonstrating progress on **risk quality recommendations** and availability of **survey reports** important for the market.
- Underwriting driven by risk selection and a disciplined deployment of capacity – meaning **quality of submission** and **clarity of placement strategy** are key to success.
- As economic environment changes it remains important to **consider alternative ways** to achieve client objectives such as use of captives, tailored coverage, deductible levels, limits and sub-limits to true exposure as well as alternative risk transfer solutions. **Risk & Analytics** can give the insights to our client and make help them to make **data driven decisions**.

Pricing / Rates

- **Rate decreasing**; rates are decreasing in various countries. Only countries where hard market was less or loss leading accounts still face slight increases but in general decreases for occupancies within appetite during the last quarter due to more competition. Market **differs per country** and in some European countries more carriers are needed to place a risk 100% leading to increases also due to losses occurred which changes the (local) market appetite. However, for non-Nat Cat exposed with minimal losses the market is favorable and competitive tension is creating pressure on price.
- Challenging renewals are still likely to occur where the occupancy is not within appetite, there is heavy catastrophe footprint, loss leaders or if there is lack of information available.

Capacity

- **More capacity** available due to growth mindset of insurers and new markets entering. However, there is still a lack of appetite for certain occupancies, high Nat Cat exposed accounts or submissions lacking detailed information. All driven by a **disciplined deployment** of that capacity.
- Nat Cat appetite still low and insurers **reluctant** to add Nat Cat exposure to their portfolio. In general markets review the deployment of capacity on a global portfolio level. It is recommended for those accounts with high or increasing Nat Cat exposure to **approached** the market **as early as possible.**
- Nat Cat remains a focus area, both modelled and **non-modelled** scenarios. For example, new modelling tools for US Catastrophe and pending new law in Italy on Nat Cat add to uncertainty, limitation in capacity and potentially increase in pricing.
- Capacity available also **CBI** – getting better **insights and understanding of the supply chain** is key to increase capacity.
- To get the best result for our client, especially Large & Complex, it is highly recommendation to adapt the **Total Market Approach** and include both local, international and Fac markets in a strategic way to get access to all markets in an early stage (right risk, right market).

Coverage / T&C

- Amending T&C or limits and deductibles as well as Nat Cat and CBI capacity remains challenging however on individual cases market showed more flexibility.
- Insurers seem to settle with existing exposure after remediation but not keen to take on additional Nat Cat exposure for large and complex risk.
- **SRCC** continues in the spotlight globally.
- Underwriters also focus on ‘**non-modelled**’ exposures i.e., Flood, Wildfire or Hail besides the “regular” Nat Cat
- **Global supply chain** issues are still front of mind but companies are trying to mitigate the exposure. It is important to discuss with our clients and make sure purchased cover fits their need and that Indemnity Periods reflect a realistic re-build time to ensure insureds have adequate coverage.

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The European Casualty Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• Insurers struggling to meet ambitious 2024 income targets. • Increasingly competitive space for most occupancies which are unlocking rate reductions. • ‘Flat’ renewals increasingly the norm with reductions re-appearing due to enhanced competition for new business. • Ongoing insurer concerns remain around social and economic inflation (on cost of claims) and US exposures, in particular. • Increasing pressure on local teams for new business growth. • Positive underwriting results. Consistent increases in capacity and competition. • Strategic use of facultative reinsurance to help manage the ‘de-risking’ vs growth challenge. • Early engagement required with market (both direct and reinsurance) on more difficult risks in order to deliver ‘relevant’ placement solutions (price and coverage). • Expectations of increasing insurer competition with corresponding downward pressure on rates as we close in on year end.
Pricing / Rates	• Some Regional variations but in general moderate rate increases. • Typically rate increases of flat (to -5%). • Pricing typically reflective of limits afforded on more difficult industry sectors and need to secure covers such as Pure Financial Loss, PI and recall. • Increasingly, 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. • Facultative reinsurance being actively used to manage net capacity exposures. • 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. • Excess US Auto remains challenging area – many European insurers looking to increase attachment point (often through reinsurance). • 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.

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The European FINEX D&O Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• Availability of abundant capacity continues to drive competition in the Western European D&O market. The influx of new capacity beginning in early 2022 still creates competition and yielded rate deceleration throughout 2022, 2023 and 2024. We are still seeing rate decreases continuing in H1 and H2 2024 as well. The Full Year Class Action report from Nera shows that 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	• D&O rates are continuing to go down in Europe following the trend that started in 2022 and continued through 2023 and now in 2024. • There are select signs of stabilization in a few countries where rates are beginning to flatten out or accounts are renewing with lower decreases. The size of the rate movements vary by country in the region. The exception is Poland where we see signs of slight increases. • 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	• 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. • We estimate that you can find 350M € D&O capacity in the Western European insurance market, outside of the London market.
Coverage / T&C	• 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.

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The European FINEX Cyber Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• The market remains soft in Western Europe for large accounts. • The market is stable for SMEs, but underwriting strategies can vary from country to country. • Some countries are seeing increased competition between insurers and greater capacity is being offered. • Despite better terms and conditions, insureds are not buying more capacity because of high prices and premium savings. In some countries, there are new buyers or buyers returning to insurance. • The market is preparing for upcoming regulatory changes (such as the NIS 2 directive, which European Union member states must transpose into national law by mid-October).
Pricing / Rates	• For primary, rates can vary country to country, and continue to decrease up to 15%. • For excess, rates also continue to decrease. Up to 20/30% for big programs or top excess. • Thanks to competition between insurers, negotiations have made it possible to obtain several quotes for the same layer and better conditions.
Capacity	• Capacity continues to increase in some markets (from 5 to 10 million euros by insurers), and we are seeing carriers attaching lower on towers. • New entrants continue to drive competition and are more aggressive in some countries. New players often offer excess capacity. • Compared with previous years, insurers are looking to grow and are adopting a more commercial approach.
Coverage / T&C	• In terms of wordings, the market is now fairly stable. • In WE countries, the ransomware cover is now provided without any sublimit or coinsurance (with a few rare exceptions). • Coverages that had disappeared in recent years are making a comeback: CBI, bricking, system failure. • War exclusions: Insurers can be flexible (only non-Lloyd's insurers, local insurers). Placements with Munich Re's war exclusion help secure big towers. WTW Cyber AcuView war exclusion will be helpful.

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The European FINEX FI Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• Insurance market conditions are more favorable for Financial Institutions, 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	• The general market has softened considerably with less focus from insurers on risk in favour of new business. • We now see slight rate decreases as well as bigger decreases in most countries. A few countries continue to have stable rates on this industry.
Capacity	• New capacity entering into the marketplace and established insurers having aggressive new business targets, is maintaining downward pressure on pricing, and capacity remains plentiful. • 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	• 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 initiates are being more closely scrutinized by underwriter.

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

Current Conditions and short-term perspectives

Q2 2024

Professional Indemnity (PI)

- 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 (EPL)

- 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 be lower in severity. Still, the frequency of Social Engineering losses most concerning to carriers.

Mergers and Acquisitions (M&A)

Overview / Issues

- The demand for transactional risk insurance remains resilient despite the challenging environment. Clients continue to seek protection with W&I insurance on deals across all key industry sectors, increasingly supplemented by tax and contingent liability insurance.

Pricing / Rates

- The rates continue decreasing in Western European countries. Insurers are very aggressive in their quotes offering rates below 1% for operational deals, something that used to be reserved for Real Estate or renewable deals.

Capacity

- Still new MGUs and insurers opening lines to cover TR risks. The most recent ones are Devonshire Underwriting and Chubb that have re-open their line on this business.

Coverage / T&C

- The trend continue being reducing the number of specific exclusions- condition of assets exclusion is now possible to be covered by many insurers as well as pollution if clean DDs are available.

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The European Construction Market

Current Conditions and short-term perspectives

Q2 2024

Overview / Issues	• Signs of deceleration of growth expected in the construction industry and activity in 2024 across the region, but output then expected to recover in 2025 but with high interest rates and inflation hampering investment. 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.

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The European Trade Credit Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	Trade Credit is the main product line for WTW's Financial Solutions Global Line of Business. • Following a period of low claims level, trade credit insurers experience a gradual increase in bankruptcies towards more normalized levels. While frequency claims have been increasing since 2023 and are now close to pre-COVID levels, severity claims are remaining below average, and insurers continue to enjoy below-average loss ratios. • Overall, major trade credit insurers are recording combined ratios around the 70%-80% 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. • Trade credit is widely used by our corporate clients as a tool for obtaining additional financing from banks or factoring companies.
Pricing / Rates	• Premium rates are 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. • Overall premium base in the trade credit insurance market is eroding due to slightly negative price effect at renewal and negative-to-stable insured volumes.
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 for the rest of 2024.
Coverage / T&C	• We see continued 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.

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The European Crisis Management Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• Effects of current Israel/Gaza conflict with possibility of wider escalation continue to drive rates especially in the middle east (limited capacity resulting in large premium increases) in conjunction to heightened SRCC outlook globally with a number of countries going into an election year. • Insurers paying and reserving for the continuation of the largest losses in the market's history due to the crisis in Ukraine. • Clarity needed on exclusionary languages whether Terrorism exclusions extends to SRCC coverages on property policies offered by certain European Carriers. • Accident & Health market buoyant with new capacity providers entering a saturated market. Increasing pressure on (re)insurers due to the conflict in the Middle East and Ukraine. No major losses across sub-classes with the exception of Contingency which has experienced significant losses across outdoor festivals for three years running. • Kidnap & Ransom rates are largely stable with some moderate increases of +5-10% in response to greater claims frequency/severity, heightened geo-political tensions/security risks. • 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	• 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 +10%; Terrorism/Political Violence wide variety of rates - a two-tier approach with flat to 10% increases in most territories other than the Middle East (multiples) and countries with a known history of volatility (20%+). Maritime Piracy rates increasing by up to 20% due to increased pirate activity in the Indian Ocean, Red Sea and Gulf of Guinea.
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. • 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 monitor Israel/Gaza conflict closely. 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.

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The European Natural Resources Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• 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. • Positive prior underwriting results, ambitious growth targets for insurers and new capacity is driving increased competition and insurer selection for buyers. • Downstream market has seen no major losses so far in 2024 – insurers starting to fiercely compete for market share and leadership position. • Offshore Contractor class under the spotlight following a number of 2024 rig losses which erode the premium base for this class. • The fallout of the Baltimore Bridge incident and the impact on the marine/upstream liability market is being closely watched. • Mining: Recent market losses have overturned the profitability built in previous years for the specialized mining markets. • ESG remains a focus but insurer stances are becoming more clearly established with little change anticipated in the immediate future. • 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 favorable rating levels. Some areas of the portfolio such as subsea construction have seen significant reduction in market appetite and available capacity.
Pricing / Rates	Depending on risk profile, loss record and premium income: • Upstream: market continues to soften - Tier 1: -7.5% to flat, Tier 2: flat, loss affected risks: increases. • Downstream: reductions now a given for Tier 1 risks, otherwise flat, with up to 5% for loss affected risks. • Power: flat for clean, Nat Cat exposed business +5% to +10% and above for loss affected risks. • Mining : small reductions to flat for the best risk, +5% for Tier 2 and +15% for loss exposure, Nat Cat exposed or poor ESG record placements • Renewables: single digit increases, higher if Nat Cat capacity required. • Liability: +2.5%-+5% increases - before any adjustment is made for exposure changes or losses and/or attachment points - but Baltimore bridge incident driving larger rises in offshore and marine liability rates.
Capacity	• Upstream: continues to be stable with some new entrants, however capacity deployment for more challenging risks in the portfolio (subsea construction, standalone wells) is decreasing further. • Downstream: Stable with leadership appetite increasing. • Mining: Stable with some new entrants expected and increased pressure from local markets in mining jurisdictions • Liabilities: slight uptick in overall capacity following the emergence of new entrants and existing carriers increasing their maximum line size. • 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
Coverage / T&C	• Most clients have now had independent asset valuations undertaken resulting in lesser focus by insurers – where these have not been recently updated, insurers are punishing insureds. • Continued use and tightening of BI volatility clauses on Downstream energy, Power and Mining . • Increase in minimum deductible levels for offshore construction, particularly subsea. • PFAS and Climate Exclusions now filtering through into package policies as well as standalone liability placements. • Softening stances from insurers on discounts (upstream: LTAs with credits and filtering in of softer credits such as NCBs and RIBs into downstream markets which have historically been reluctant to offer these). • Liability market remains focused on conditions and non-standard broad wording will reduce available capacity, but insurers are starting to consider reasonable arguments for coverage broadening in specific instances.

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The European Surety Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• Surety company portfolios are coming under claims pressure due to rising insolvencies, notably as construction firms contend with higher interest rates, elevated inflation for wages and raw materials, as well as continuing labor 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. • European Central Bank (ECB) ➢ Cut interest rates in June for first time in five years to stimulate economic growth despite wider central bank strategies, especially in US;. ➢ Recovering from recession may be impeded by EU wide elections generating further uncertainty on political landscape, notably France; ➢ EU government’s inflation management remains core and the positive impact of stable prices will assist many industries, not least construction and heavy engineering; both large surety users.
Pricing / Rates	• Premium rates have generally been stable in many European markets, despite the increasing interest rates, reflecting constant supply of capacity. • Notable markets with moderate rate firming are the DACH region (Germany, Austria and Switzerland) Ireland and Italy. • Europe wide SME sectors starting to seeing some pricing increases reflecting volume of insolvency & resulting claims.
Capacity	• Despite the economic risk, underwriting capacity has remained constant over the last three years. • The market is cautiously competitive, although many underwriters have dropped growth ambitions focusing on profit.
Coverage / T&C	• 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.

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The European Aviation & Space Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• The current pricing/rate environment is positive for our clients, predominantly driven by the excess availability of capacity. That said to what extent we are seeing positive results varies across the aviation sub-classes. • Insurers remain focused on claims deterioration in historically loss active accounts. • The Russia-Ukraine litigation between insurers and lessors is expected to progress this summer. There are warning signs that there could be trouble ahead should the factors rear their head as we enter the second half of 2024.
Pricing / Rates	• Airlines: Insurer competition to participate on airlines with acceptable loss records and modest growth in exposures continues, making unit cost discounts of circa 10% achievable in the current climate. • Aerospace: Flat market environment on accounts with moderately increasing exposures. Accounts with loss deterioration or larger exposure growth could still see increases. 2024 has seen a return to prevalence of long-term agreements, with insurers seeking to offer competitive structures to lock in shares and pricing. • General aviation: For Hull & Liability there are divergent behaviors i.e. Business jets where there is less available capacity is not responding as aggressively as lower value turbine Fixed Wing business. Rotor Wing in general is particularly competitive with new entrants looking to secure a share and existing markets seeking to retain if not extend their participation, with the competitive tension driving pricing reductions across the board.
Capacity	• Airlines: Capacity levels remain strong with a number of market participants attempting to grow their net written premiums in order to “feed” the increased costs of their own reinsurance protections. With significant potential claims remaining unreserved/unpaid though, these attractive conditions may be a bubble waiting to burst, but one which airlines are able to take advantage of in their upcoming renewals. • Aerospace: Capacity remains buoyant and surplus on placements demonstrating strong claims performance. Insurers are now more often taking the opportunity to offer greater shares within their management guidelines and in some cases are willing to offer more competitive pricing in order to secure a larger participation. Whilst no ‘new’ aerospace capacity, changing market appetite (TMK, Allianz, Fidelis) and refocus on growing Aerospace book (Allianz, Everest) is also driving availability of capacity. • General aviation: See Pricing / Rates box above.
Coverage / T&C	• Automatic termination following nuclear event: positive developments in getting more Insurers to support preferred clauses (IUA 07-001 and LIIBA AV003) to allow continuation of AVN52E/G coverage following a hostile nuclear detonation. While market remains fragmented it is moving in the desired direction. • Discussions at London Market committees regarding development of PFAS (Forever Chemicals) exclusion for aviation placements. • Aircraft leasing sector continues to see imposition of aggregate limits applicable to Hull All Risks coverage (the inclusion of first party aggregate limits is normally restricted to Hull War coverage).

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The European Marine Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• Although Ukrainian/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. Regarding the Baltimore Bridge incident, despite the relevant situation in the region and the claims estimations, markets will be able to absorb such catastrophic loss, especially the P&I market.
Pricing / Rates	• Hull and Machinery rating remains stable for Q2. Risks with good records over the year are getting minor rate reductions (or bigger ones if a new marketing is done with new carriers, usually more aggressive). Distressed business and small fleets remain challenging to place. • Cargo rating remains stable to soft for new business in Europe. Risks 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. • P&I maintain moderate increases for renewals between 5 and 7.5% as average. • Cargo War – some markets looking to reinstate coverage, others are not, 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. The placement of large hull fleets is spread on different markets globally: UK – Scandinavia – France – Singapore; each of them have a separate approach and separate capacities and ratings for their share of the same risk. • Cargo capacity remains relatively stable overall, very much depending on geopolitical developments, 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.

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The European Facultative Reinsurance Market

Q2 2024

Current Conditions and short-term perspectives

Overview / Issues	• **Property**: • Reinsurance markets have started to deploy larger shares on selected occupancies while cautiously entering those placements considered distressed in previous quarters. Key highlight being the slowly softening of the market in certain lines of business and occupancies. • There is still a high demand for reinsurance across different classes following the results of different treaties on 1st January and 1st April meaning their deployed capacity has reduced and reinsurance is an option to insurance companies to maintain shares on complex placements. • Additionally, Nat Cat carves out and capacity keep being highly requested following extreme events that have not been usual in the second quarter of the year. Therefore, facultative support has been sought to alleviate exposures.
Pricing / Rates	• **Property**: Following Q1, this quarter continue to follow the trend of markets achieving flat renewals in non distressed placements. For those with complex occupancies such as waste or pulp and paper, rates keep being driven by high rate on line structures. Overall, there is a trend of rates slightly reducing which is expected to continue, especially with the entrance of new capacity for complex risks. • **Casualty**: Rates do keep ranging from flat to +10% on average; The rate increases keep being driven mostly by social inflation and claims costs. Double digits increases on accounts with heavy US exposure. • **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 Nat Cat environment. Nonetheless, rates can be seen as very competitive compared to any other region internationally given the large offering of capacity from carriers. • **Financial lines**: • D&O – Still very much pressure on this line of business, rates to drop around 7% while increases of lines are offered or new capacity is available. • PI – Market rates do also see pressure on market rates, stabilizing across the product with slightly reductions on rate. • 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 similar to D&O of around 7% can be observed.
Capacity	• **Property**: Increase of capacity given by new reinsurance players, mainly driven by new MGAs. This reinforce the trend from previous quarters where there is available reinsurance markets not only in soft occupancies but complex ones as well. • **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. Some of our specialist reinsurance markets are showing new resistance to product recall cover. Increased concern over heavy US automobile liability exposure. • **Construction**: Quota share projects remain a preference within reinsurers and there is an increase of capacity needed for midterm projects due to the long period of some constructions that go beyond treaty guidelines.
Coverage / T&C	• **Property**: New capacity in the market have helped reinsureds to alleviate the pressure for certain traditional markets requests on wordings, helping to soften T&Cs. Nonetheless, there is still a high focus on unamended FAC Certificates unless than pre-agreed. • **Casualty**: Increased concern over PFAS exposure with exclusions tighter exclusions being applied on more exposed risks

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