



2024 Insurance Market Update

Rocky Mountain RIMS

February 15, 2024



INSURANCE MARKET UPDATE

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AON



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THURS
DAY

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2023 Review & 2024 Macro Market Insights



Market Conditions – 2023

<p>General market conditions have been challenging for 5+ years</p> <p>Loss volatility and increased interest rates lead to retrocession capital flowing elsewhere</p>	<p>A conservative market environment continued as uncertainty related to economic and social inflation, rising loss costs, geopolitical tensions, and a slow supply chain recovery continued</p>	<p>Climate change concerns weighed heavily into natural catastrophe risk underwriting amidst a backdrop of significant global events</p>	<p>January 1, 2023 (U.S. & Europe) Reinsurance market drove very hard Nat Cat conditions due to a systemic change in losses – “double, double, half”</p>	<p>April 1, 2023 (APAC / Japan) The re-pricing of catastrophe risks seen at 1/1 continued at April 1, although outcomes were moderated by local market dynamics, and a more measured approach taken by many reinsurers</p>
<p>June 1 / July 1, 2023 (FL & AU) Cat losses in the first half of this year suggest the burden of high frequency catastrophe events has now shifted toward insurers, with fewer ceded losses for the reinsurance market. Bolstered by rate increases and higher interest rates, reinsurer return on equity in the first quarter of 2023 averaged around 17.5 percent, compared with a six-year average of just under 6 percent</p>	<p>Inflation remained a key factor driving demand, with increased claims cost now being felt across property and casualty lines - Having strategically held off buying additional limit at January 1, insurers with earlier inception dates returned to the market at mid-year to purchase additional limit</p>	<p>Sophisticated modeling and risk quantification tools are increasingly being leveraged by both risk managers and underwriters to better understand and quantify risk</p>	<p>Alternative risk transfer continued to emerge as ever important levers in achieving companies’ financial risk management goals</p>	<p>Insureds are now more reliant on alternatives to the admitted market such as captives and the E&S market</p>

2024 Outlook

Continued uncertainty around the impact of climate change, inflation, litigation funding and geopolitical risks on ultimate loss costs

These unknowns are keeping potential new investors on the sidelines, despite the expectation that most reinsurers will easily cover their cost of capital in 2023

January 1, 2023 (U.S. & Europe)

In a marked change from a year ago, most reinsurers entered the renewals with ambitions to grow in property catastrophe reinsurance and the market was therefore more consistent in its approach to pricing and terms

But even beyond the property catastrophe segment, reinsurance pricing was flat to modestly up on a risk adjusted basis across most lines of business

Some reinsurers adopted a tougher stance ahead of the January 2024 casualty treaty renewals, against a backdrop of prior-year reserve deterioration and concern for adverse litigation trends

Others recognized the earnings potential of improving primary casualty pricing and higher interest rates

Appetites therefore varied, but ultimately capacity was ample

General casualty excess of loss business renewed, on average, at mid-single digit risk-adjusted rate increases. There were no significant changes to program limits, retentions or terms and conditions

US regional insurers are currently navigating the most challenging segment of the reinsurance market

Following a difficult 2023 renewal for property reinsurance, renewals for regional insurers at this 1/1 were more settled, with discussions focused on finding a market clearing price rather than capacity at any price

However, renewal outcomes still varied greatly

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National Property

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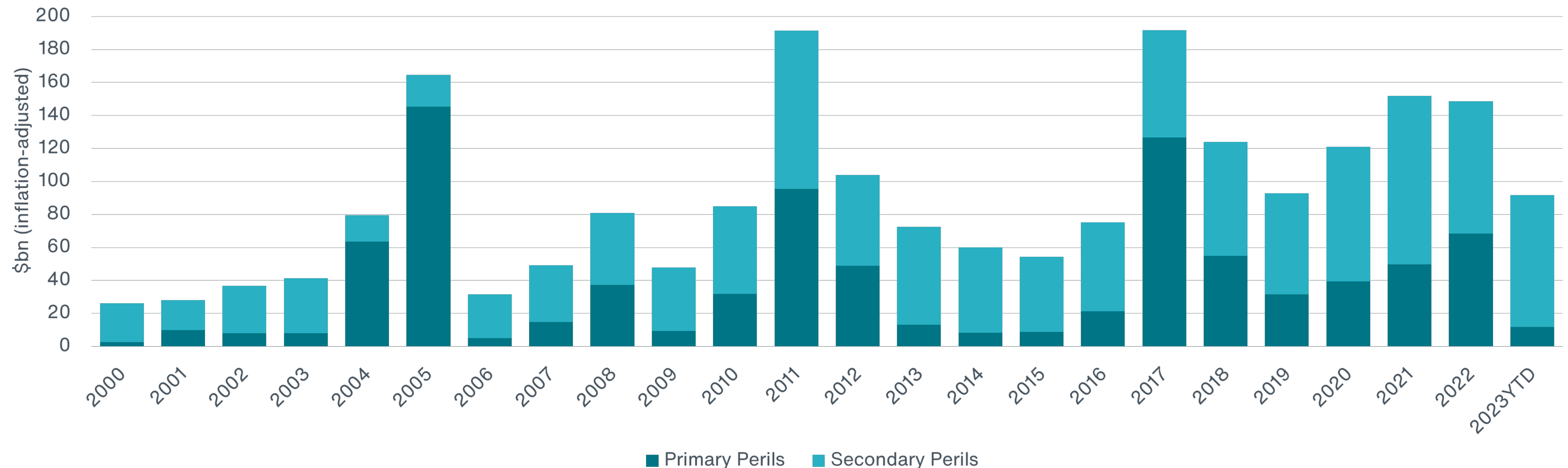
2023 Property – Year in Review

- Reinsurance Treaty Renewals in 2023 increased dramatically for most insurance companies (40-60%) with reduced capacity and narrowed terms
 - Hurricane Ian was the event that seemingly pushed things to a breaking point
- Interest rates elevated significantly pushing alternative capital away from the insurance industry, limiting capacity available to clients
- Significant rate pressure in first half of the year before moderating some by year end
 - Q4 of 2023 marked the 25th consecutive quarter of positive rate movement
- Larger catastrophe exposed accounts and loss sensitive accounts saw the largest rate increases
- Continued rate differentiation between desirable risks and challenged risks
- Continued tightening of terms & conditions (Named Wind, SCS, SRCC, Freeze, Water Damage, etc..)
- Continued push from markets on valuation with margin clauses being introduced on some risks
- Timing Challenges – Many programs not being filled out until very late in the renewal process
- Market losses remained at elevated levels as the extremes continue to be more extreme

Global Insured Natural Catastrophe Losses

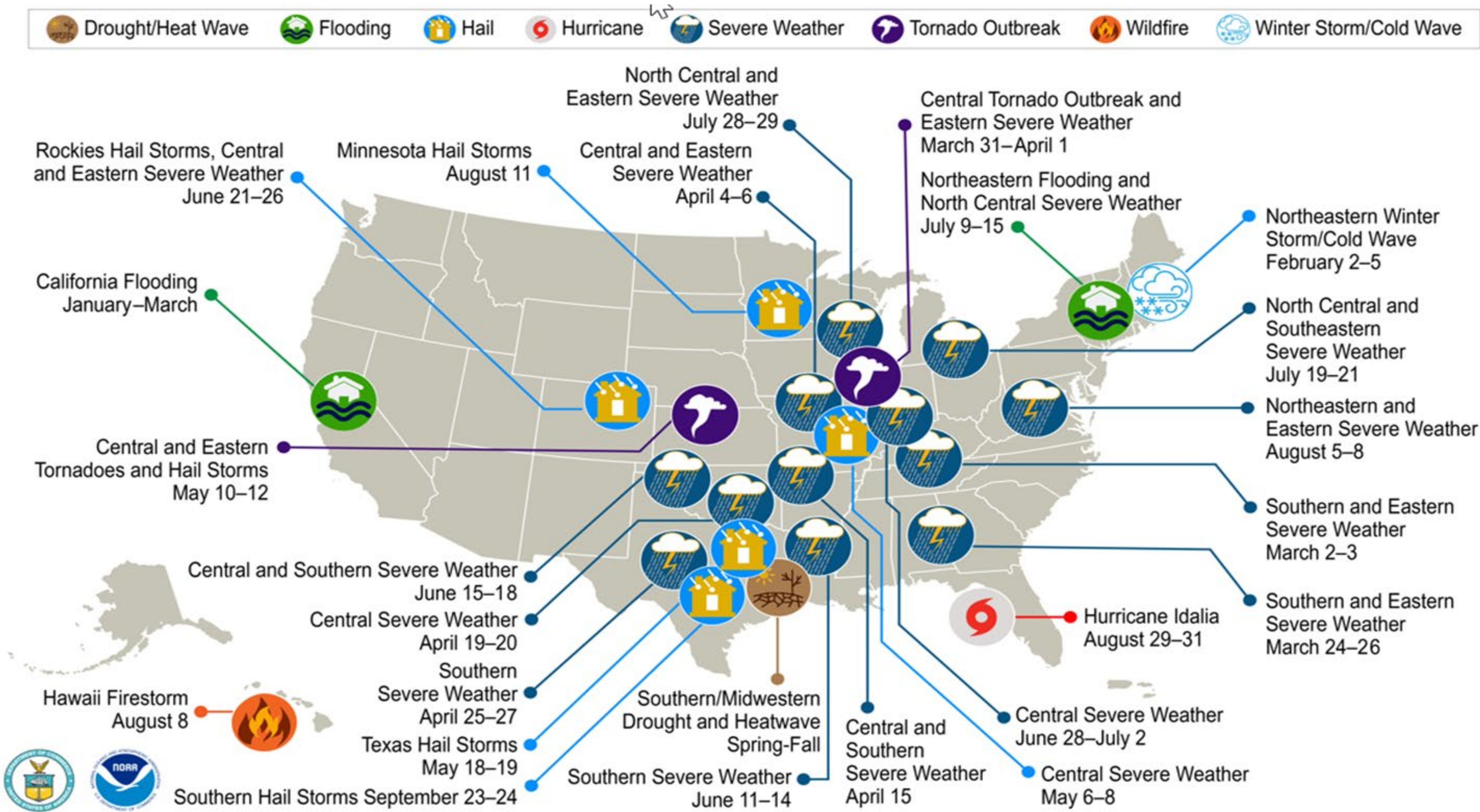
2023 losses approaching \$100B but largely driven by retained secondary peril events

- Insured losses stood at \$92B, including a record \$55B of severe convective storm (SCS) losses in the U.S. (60% of the total)
- Tropical storm and hurricane formation has been above average but associated insured losses have been relatively low
- This year has featured a record number of \$1B+ losses (34 and counting)



- 21st Century Average - \$84B
- Average Since 2017 - \$130B

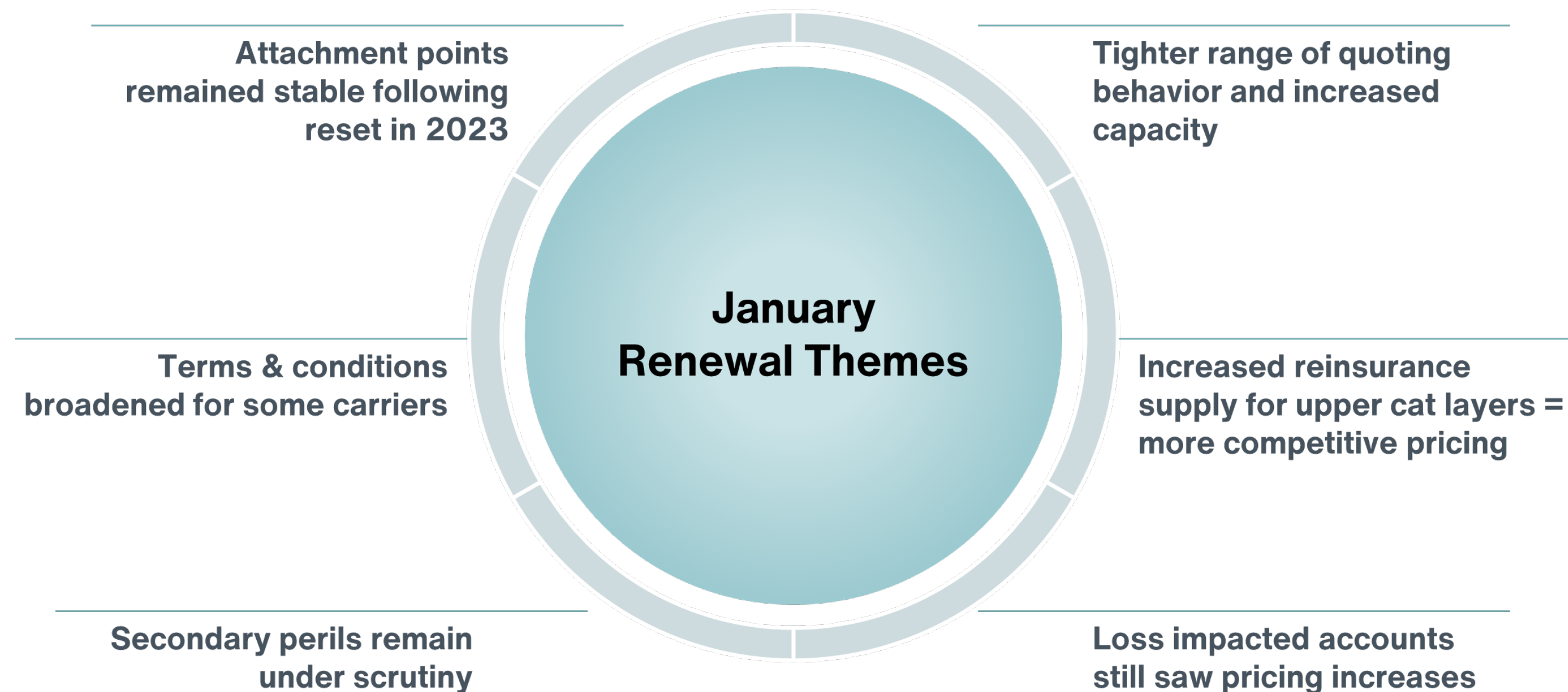
U.S. Billion Dollar Weather & Climate Events in 2023



This map denotes the approximate location for each of the 25 separate billion-dollar weather and climate disasters that impacted the United States through October 2023.

January 1, 2024 Property Reinsurance Treaty Renewal Outcome

Orderly renewal with capacity available at stable pricing



Increased reinsurer appetite led to ample capacity at stable pricing

Coverages broadened for some treaties

- Named Perils / Natural Perils / HU & EQ only layers shifting to All Perils
- Expanded coverage for
 - Terrorism
 - SRCC

Oversubscriptions driven by reinsurers' appetite to grow, especially on middle and upper layers

Increased appetite for frequency/aggregate covers

National Property Market Overview

- Property rate increases moderated in Q4 2023 and we expect rate pressure will continue into 2024, but at more reasonable levels.
- There will continue to be rate differentiation:
 - ♦ 0-7.5% increases for desirable accounts/occupancies;
 - ♦ 7.5+% increases for loss-challenged or less desirable occupancies;
 - ♦ 15+% rate increases for loss-challenged and Nat-Cat-exposed accounts.
- Value reported coverage restrictions and margin clauses will continue to be pressed by underwriters with valuation adequacy concerns.
- More pressure on Wind/Hail/Convective Storm % deductibles due to increased SCS activity.
- Continued use of captives for higher retentions and program/coverage challenges.
- More ART (Alternative Risk Transfer) transactions including parametric and structured solutions

Rate Change

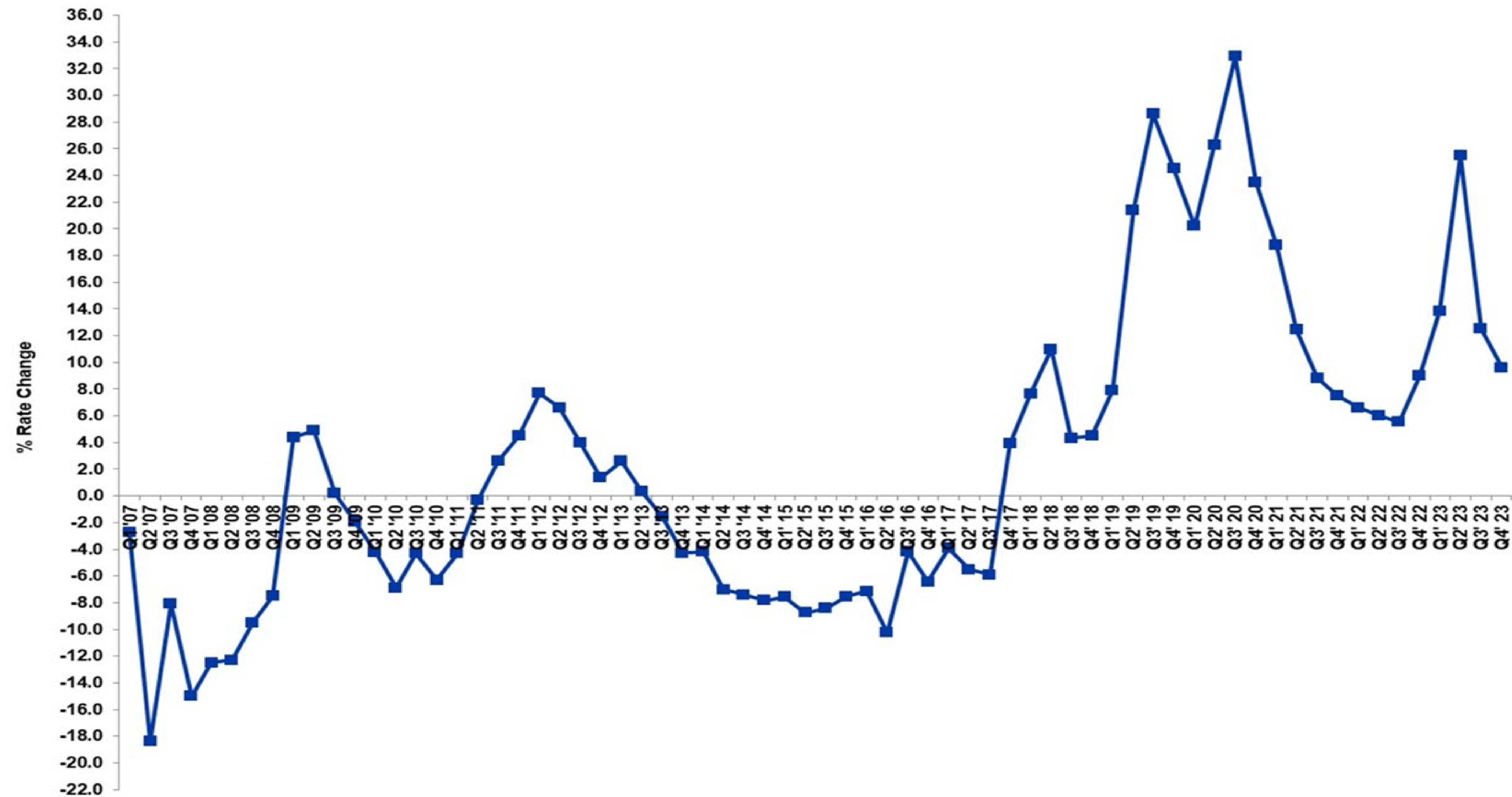
9.61%

Q4 Property rate increase
(Down from 12.5% in Q3 23 and
25.5% in Q2 23)

Avg. % Change in Rate (Peril)	
Non-CAT	10.08%
Tier I Wind	11.13%
CA EQ	11.08%
All Accounts	9.61%

Avg. % Change in Rate (Program Structure)	
Shared and Layered	10.58%
Single Carrier	8.45%
All Accounts	9.61%

Quarterly – Year over Year Change in Rate



Property Valuations

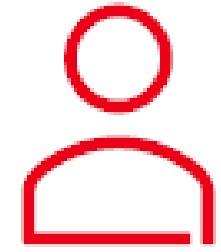
2023 Recap

- The overall percentage exposure change for Q3 was +7.7%, down from +10.1% in Q2. Building values were reported at +9% while Inventory values were +9.4%. Business Interruption values decreased to +4.4% in Q3 from +13% in Q2 while Equipment values decreased from +19% in Q2 to +8.2% in Q3, likely reflecting the moderation in inflation rates over the quarter. The number of value-reported limitations, margin or occurrence limit clauses applied to accounts remained steady from Q2 to Q3, 35% of accounts versus 37%, respectively.
- Property value changes vary by client and occupancy class, e.g., higher inventory and BI values in certain sectors (retail, manufacturing, warehousing).
- The number of value-reported limitations, margin or occurrence limit clauses applied to accounts remained steady from Q2 to Q3, 35% of accounts versus 37%, respectively.

2024 Guidance

- The Core Consumer Price Index rose 0.3% and 3.9% on year-on-year basis in January, against the forecast of 0.2% and 3.7%. Underwriters may continue to have an expectation of higher property and business interruption values but easing inflation rates over the past 12 months may signal a lessened expectation on valuation increases.
- FM Global posted a 1.5% Trend Factor for Buildings and a 3.8% Trend Factor for January of 2024. Mortensen and Engineering News record showed 2% increases in Building Trends while Marshall and Swift reported a 1% decline in Building Trends.
- Reporting the same values from the previous renewal will continue to raise a “red flag” to underwriters.
- Clients should be prepared to explain their values and the methodology used to calculate the values across criteria.
- Underwriters may impose value reporting limitations – “margin clauses” and “location / occurrence limit of liability” endorsements.
- If account has losses, markets will be looking closely to how values fared in the loss

Alternative Risk Transfer (ART)

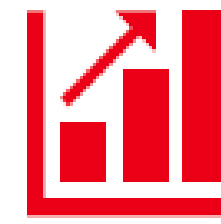


A distinctive discipline

Experienced team focused on alternative risk transfer (ART) solutions.

- Improves risk transfer risk/reward outcomes
- Linked to Aon's global depth of resources & Risk Capital strategies

Three focus areas:



Parametric Solutions

Event-based risk transfer:

- Trigger-based solutions to provide liquidity & strategic capital
- Addresses the “protection gap” and other coverage gaps
- *Focus: natural catastrophe & weather risk financing & other emerging perils*



Structured Solutions

Indemnity-based commercial insurance:

- Multi-year, loss sensitive risk funding & transfer
- Captive reinsurance solutions
- *Focus: navigating P&C hard market challenges*



Innovation and Development

Capital agnostic solution model supports other initiatives:

- Alternative capital convergence
- Strategic risk advisory
- Legacy solutions
- Emerging risk product development

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National Casualty

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Primary Casualty Market Headlines Q4 2023



Introduction of **market competition** continues to yield **favorable renewal** results.



Workers' Compensation renewals averaged a - **1.1% rate reduction** as the favorable WC market landscape continued.



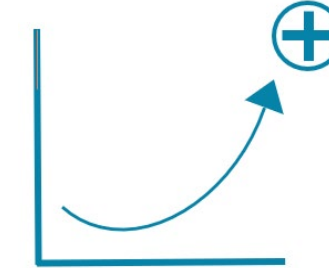
Markets have leveraged **other coverage lines** to **help retain or win** the primary casualty.



Clients continue to explore alternative forms of collateral. Creative solutions are paramount.



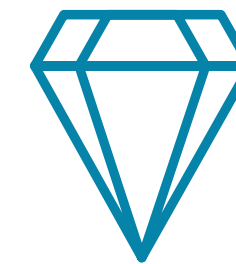
Inflation trends have led to even greater **monitoring of actuarial reserves** as well as clients increasingly exploring **Loss Portfolio Transfer** solutions.



Most client exposures have increased, **but an economic slowdown could** have negative impact on rates if exposures begin to be impacted.



Carriers continue to evaluate **coverage grants, retention thresholds and attachment points** on more challenging risk profiles.



Exploration and utilization of **Buffer and Structured programs**, especially for risks with large fleets, has risen to help support increased attachment points of lead umbrella programs.

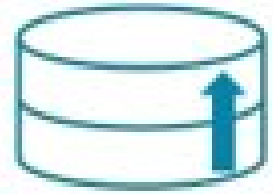


Current inflationary environment continues to **impact wages, medical costs and benefit levels** for WC.

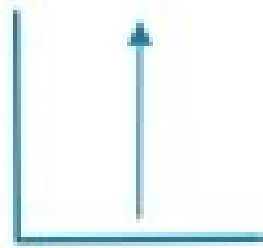


Well-funded and highly organized Plaintiffs Bar continues to negatively impact verdicts and settlements.

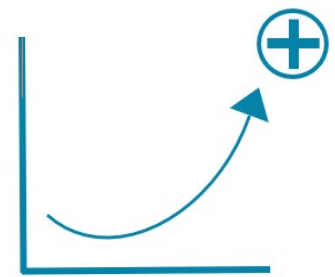
Umbrella / Excess Liability Casualty Market Headlines Q4 2023



The Umbrella / Excess market remained relatively stable. However, we have mounting concerns of market deterioration as upward rate pressure momentum continued in Q4 2023 as renewals experienced an average rate increase for the fourth consecutive quarter.



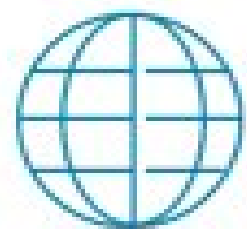
Median Top 50 U.S. Verdicts have rebounded and approaching pre-covid levels. 2022's median value was \$48.7MM as compared to 2019's \$49.65MM.



60% of Lead Umbrella and 64% of Total Umbrella / Excess Liability renewals experienced a renewal rate increase in Q4 2023.



Automobile Liability wrongful death claim averages continue to increase - average in 2023 was \$30MM compared with \$23MM in 2016 - thus putting continued pressure on structure, attachment points and pricing.



Carriers continue to monitor capacity deployment.

While we have experienced carriers reduce previously deployed capacity, we have also successfully secured increased capacity - often on a ventilated basis as carriers try to reduce overall exposure to a single loss.



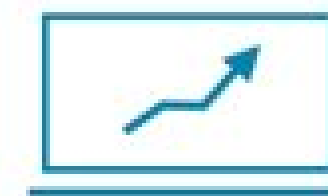
Increased exploration and utilization of structured, buffer and other ART & captive solutions, especially for risks with large fleets and 3rd party Hired & Non-owned exposure, to help support increased attachment points of lead umbrella programs.



Litigation Finance continues to rise thus increasing potential exposure to larger / nuclear awards.



Carriers continue to focus on several critical and emerging risks including biometric privacy, forever chemicals (e.g., PFAS), Microplastics, wildfire, Traumatic Brain Injury (TBI), etc.



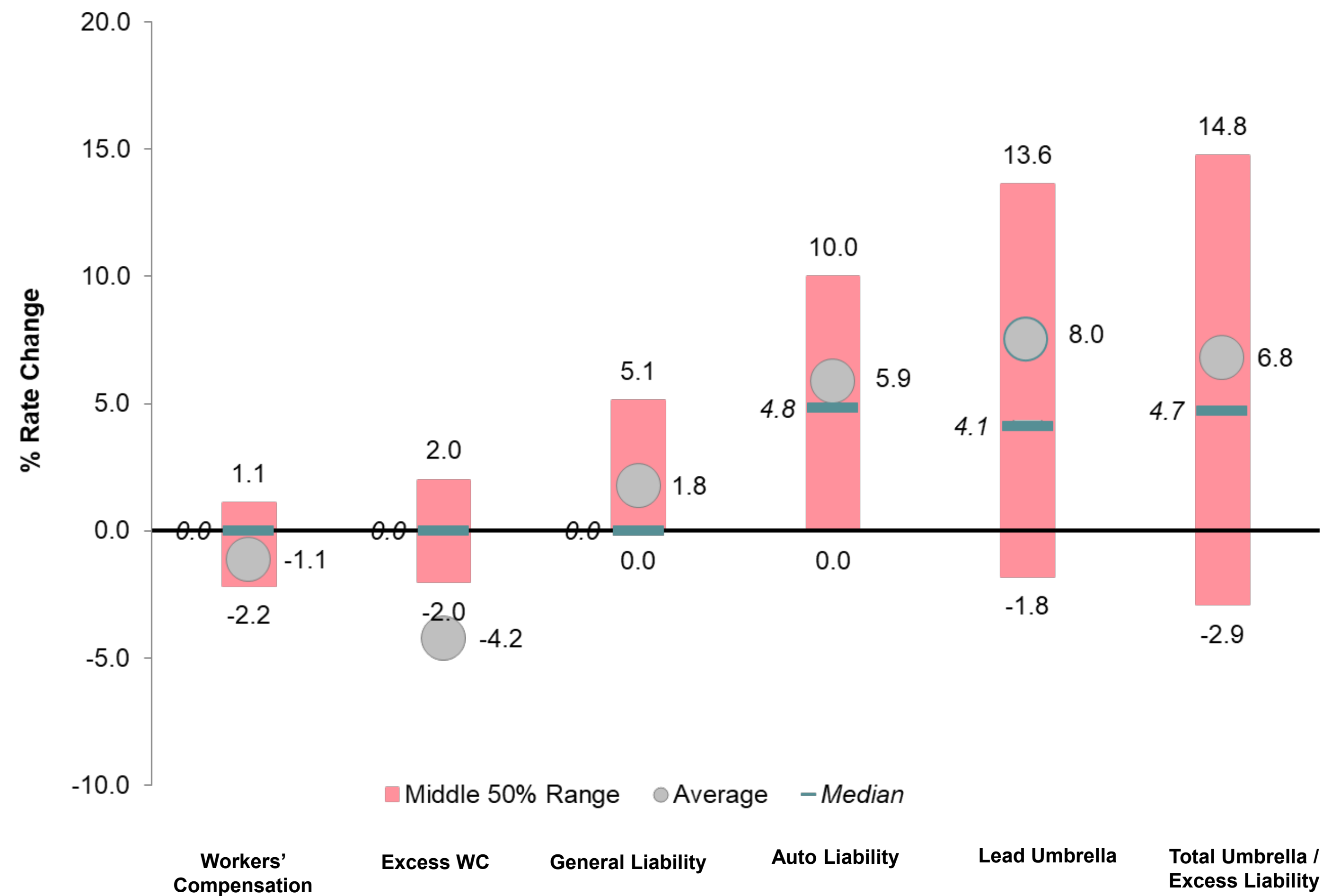
Carriers are closely monitoring annual excess claim trends of 8-10%. Assuming a 9% trend, the same claim that settled in 2010 for \$20MM would be valued at \$61.3MM in 2023.



Average verdict size for lawsuits above \$1MM involving a truck crash has increased nearly 1,000% from 2010 to 2018, rising from \$2.3MM to \$22.3MM.

Q4 2023

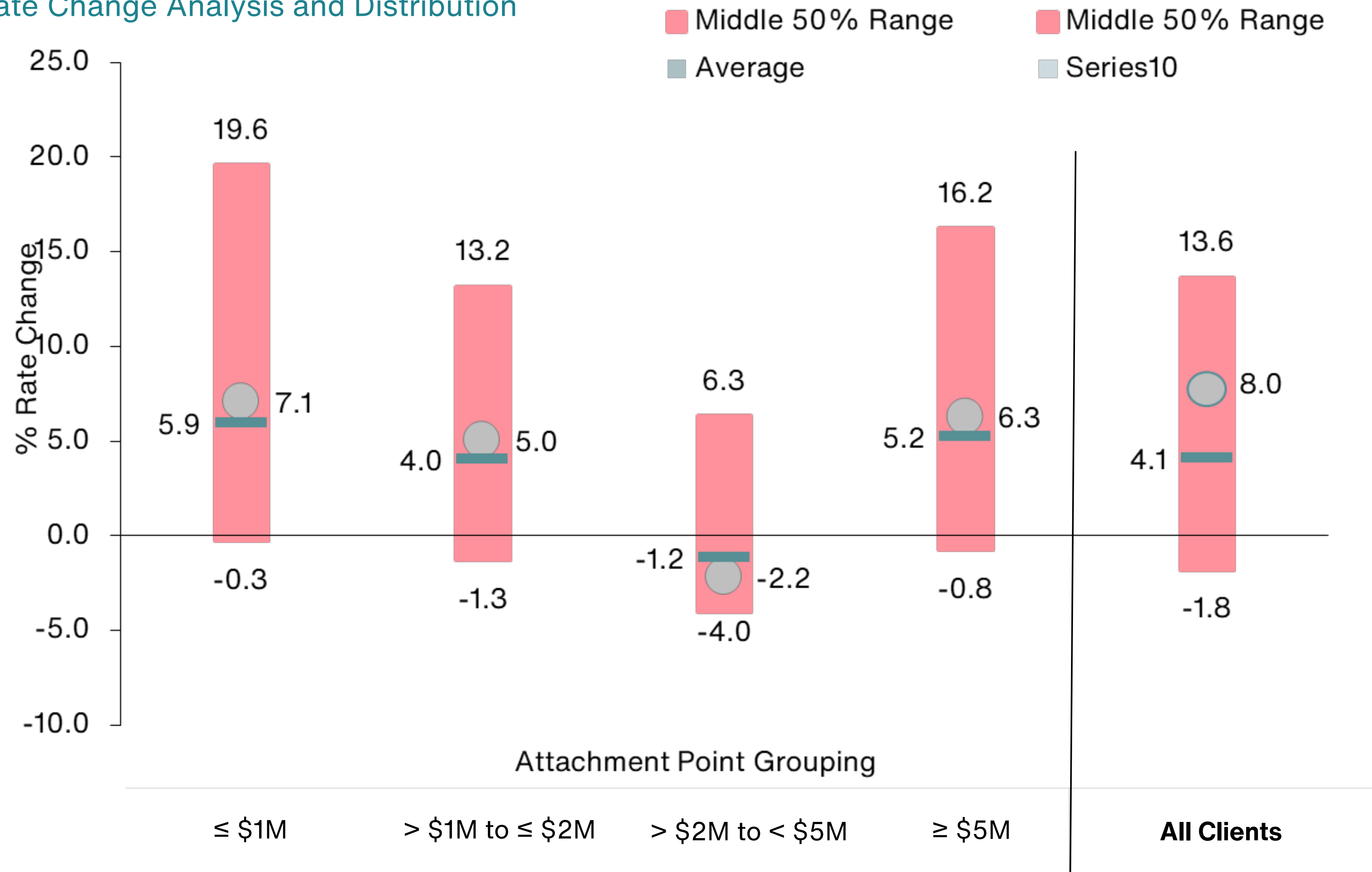
Year-Over-Year Rate Change Summary by Product



• Reflects year-year rate change by line of business for Aon's National Casualty clients during Q4 2023

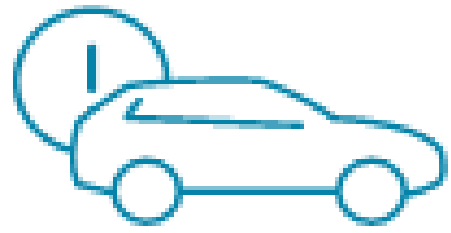
Lead Umbrella

Q4 2023 Rate Change Analysis and Distribution



• While the red bars depict the middle 50% range, the Average and Median values are based on the whole data set and not just the Middle 50% range

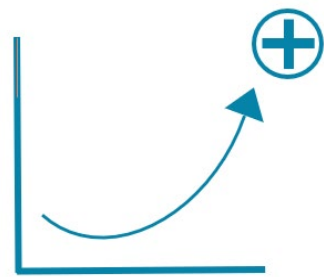
Examples of Large Casualty Loss Verdicts



Tractor-trailer struck by van resulting in fatality. Trucking company found liable as a result of inadequate driver training. **\$247MM** in damages.



Customer assaulted on premises resulting in severe injuries and **traumatic brain injury**. **\$91MM** in damages awarded.



Army veterans awarded **\$110MM** due to defective ear plugs. **\$30MM** in compensatory damages and **\$80MM** in **punitive damages**.



Employee assaulted customer resulting in fatality. Employer liable for damages in the amount of **\$337.5MM** as a result of faulty hiring practices.



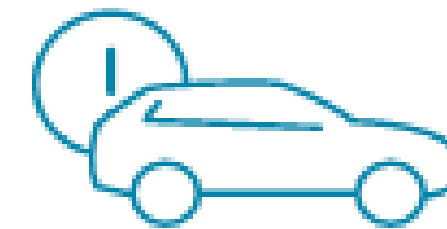
Company agreed to pay **\$55MM** in penalties prior to facing criminal prosecution as a result of causing two **wildfires**.



Cancer survivor successful in suit against chemical company for continuous exposure to **PFAS**. **\$40MM** in damages awarded.



School district liable for **sexual abuse & molestation** claim resulting in damages of **\$102.5MM** amongst 2 plaintiffs.



Driver of rear vehicle failed drug test following rear-end collision. Trucking company found liable for faulty hiring policies. **\$101MM** in damages.

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Middle Market



Property Market Overview Themes: Q4 Results and Q1 Trends



Pricing

Property continues trend of rate increases but has moderated compared to Q4. We expect rate to be Flat to 10% in 2024.



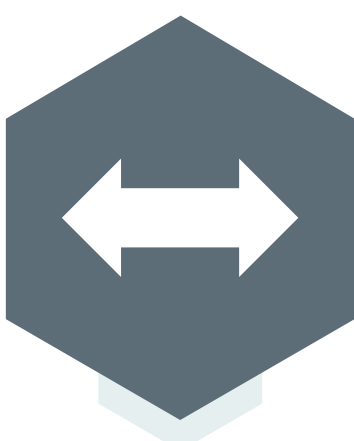
Limits

Most clients maintaining limits



Retentions

Clients maintaining the same deductible/ retention



Coverage

No material change in traditional “all-risk” property coverage. Coverage extensions and Property Valuation are being further scrutinized



Capacity

Continues to be adequate. More challenging for Nat-Cat

- Average Q3 Property rates continue to trend upwards in single digits to mid-teens. Exposure changes are still impacting pricing. Accounts with losses, heavily CAT exposed or in difficult occupancies continue to see higher average rate changes.
- **Outlook:** For 2024, the most desirable risks to underwriters should see rates of flat to +10%; loss-challenged and less desirable risk accounts should expect +10% or greater; Accounts that are predominantly natural catastrophe exposure should expect +10 or greater. Florida only accounts will still face capacity challenges and may still need to be prepared for +20 or greater.

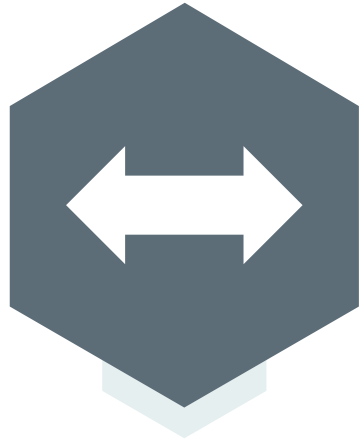
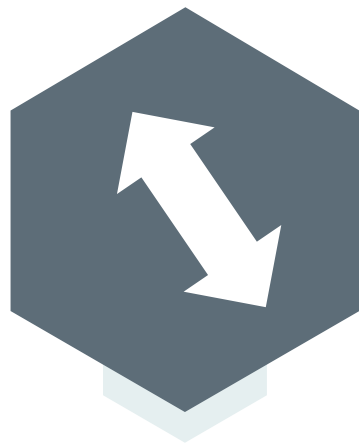
- Majority of clients continue to purchase the same limits
- **Outlook:** We do not anticipate clients to actively seek to increase limits. Clients should be reviewing their current limits to ensure adequate coverage with inflationary pressures and more complex business interruption scenarios. Adequate limit availability will continue to exist for most accounts. We expect and see constriction in available Nat-Cat limits going forward as insurers and reinsurers evaluate climate, exposure size and their perceived ability to be profitable underwriting Nat-Cat risks.

- Most insureds are renewing the same deductibles/retentions. Many insureds are considering higher deductibles/retentions to offset upward rate pressure.
- **Outlook:** Retention increase is now more the result of a client controlling costs as opposed to being forced by insurers. The introduction of separate deductibles for secondary perils could develop given the impact secondary perils contributed to 2021 – 2023 global insured losses.

- Underwriter pressure on proper valuations will not disappear, but with inflation moderating it should be less of an issue for clients that have addressed their values over the past five years. Supply chain management and contingent business interruption remain at the top of each underwriter's question list
- **Outlook:** We expect terms and conditions will be stable and some increased competition may lead to some improvements for some clients compared to a market last year that had very little flexibility as respects coverage.

- Pricing and capacity challenges have moderated. We expect this moderation to continue, largely due to increased capacity from reinsurance markets, and less-than-significant loss events to-date in the Atlantic Basin. Clients can continue to expect aggressive efforts on the part of insurers for shared and layered accounts with desirable occupancy classes, nominal CAT and profitable historic loss ratios. Accounts with poor loss experience and/or Nat-Cat exposures may be challenged in gaining access to adequate capacity
- **Outlook:** Anticipate a competitive environment on the part of insurers for risks with desirable occupancy classes, nominal CAT and profitable historic loss ratios. Expect reduced capacity on accounts with poor loss ratios. Capacity for Florida Windstorm (due to Hurricane Ian), Severe Convective Storm and Wildfire may be problematic. Capacity for California Earthquake continues to be challenging. Pressure is also being seen with exclusions for Strikes, Riots & Civil Commotion due to treaty restrictions.

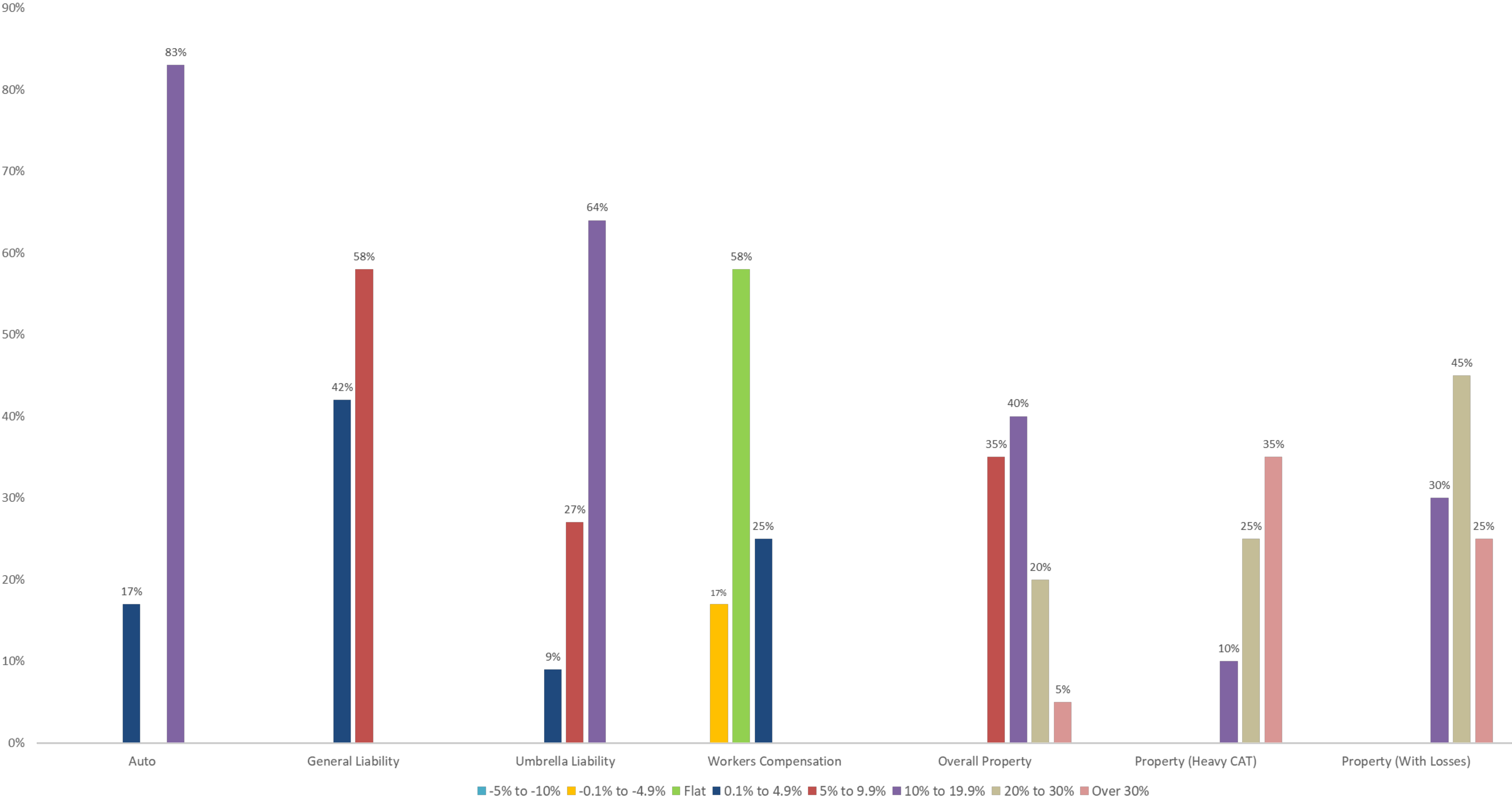
Casualty Market Overview Themes: Q4 Results and Q1 Trends



Pricing	Limits	Retentions	Coverage	Capacity
Rate change varied depending on coverage. Upward rate pressure accelerating in GL, Umbrella / Excess Liability and Auto	Maintaining limits	General stability given minimal incentives to change, however, this is not true for accounts with poor loss history and/or challenging exposures	Enhancements available on a case by case basis. Carriers remain focused on securing greater details associated with critical and emerging risks, including, but not limited to biometric privacy, forever chemicals (e.g., PFAS), Microplastics, wildfire, Abuse & Molestation, Traumatic Brain Injury (TBI), etc.	Primary capacity is at near historic levels. Umbrella/Excess capacity continues to be more than adequate for most classes, but carriers are choosing when to deploy their full limits.

- WC is Flat to 5%; Moderate GL rates increases of 1% to 10%; Auto rates slightly hardened up 10% to 20%; Umbrella and Excess Liability continued to see the greatest pressure, with most insureds experiencing 10% to 20% increases. We continue to trade in a “two-tiered” market whereby challenged risk classes, adverse loss experience and / or programs with lower primary attachment points have experienced greater than average rate increases.
 - **Outlook:** Upward rate pressure accelerating in GL, Umbrella/Excess Liability and Auto. WC will hover around Flat to 5%
- The predominant outcome is to renew the same limit as expiring.
 - **Outlook:** We expect most insureds to renew as expiring and to see continued buying of additional limits in a limited number of situations (exposure growth, risk specific issues, etc.)
- Most clients maintained deductible / retention levels and umbrella attachment points.
 - **Outlook:** This trend will continue with the exception of accounts with poor loss history and challenging exposures. These accounts will be under pressure for change.
- Coverage / program design enhancements are available; insurers continue to restrict coverage for established and emerging risks
 - **Outlook:** Reasonable coverage / program design enhancements continue to be achievable; underwriter scrutiny around emerging risks will continue; more focus will be seen regarding accumulation of limits at risk on a potential single loss scenario. On GL, more attention being paid to the treatment of defense costs. Excess casualty industry loss trends continue to deteriorate. Automobile Liability single plaintiff outcomes continue to increase (\$5MM + average) putting pressure on structure, attachment points and pricing. Carriers anticipate overall growth in excess loss reserves in the 8% to 10% range due to a combination of medical inflation, increased legal costs, and growth in litigation awards and settlements. As such, risk differentiation is more important than ever, including providing a deep understanding to underwriters of safety techniques and technology deployment, as well as lessons learned in prior litigated claims. Carriers are often proactively seeking deeper connectivity with customer internal and external counsel and may provide improved terms where they believe there is strong alignment on approach to litigation.
- Most clients can buy adequate Umbrella / Excess liability limits but pricing or capacity challenges continue for larger towers.
 - **Outlook:** While there are multiple new market entrants, initial capacity deployed will continue to be less than total advertised. Market consolidation and loss activity trends may continue to impact excess limits as markets manage total capacity deployed on individual risks as well as loss challenged classes.

4th Quarter Summary by Line of Business



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Management Liability



Public Company D&O Market Update

Market Conditions in Q1'24: Still competitive but showing signs of tightening

Exposures	Capacity	Coverage	Retentions	Pricing
<ul style="list-style-type: none"> Continued risk issues - regional bank stress, inflation, supply chain, geopolitical, equity values / performance / volatility, and event-driven litigation. Derivative lawsuits continue to rise in frequency as settlements rise in severity (e.g., MSG, Charter Communications, Viacom CBS) 2018-2020 accident years remain a concern 2023 Federal Securities Class Actions frequency and severity trended above historical norms 	<ul style="list-style-type: none"> Primary market stable – Excess market robust but showing signs of leveling (some exiting D&O all together) Over \$1 billion in D&O capacity with three primary access points in U.S., Bermuda and London Insurers remain disciplined about capital deployment, but competition is intense particularly in excess 	<ul style="list-style-type: none"> Overall stable - Broad coverage remains available Innovative coverage is a focus; SEC investigation costs, CISO coverage, etc. New SEC rules on executive compensation clawback are guiding into a new insurance solution 	<ul style="list-style-type: none"> Overall stable; decreasing for some (e.g., newly public companies) Remain elevated in high-risk segments; large market cap companies Do not expect to see a downward trend in the near future 	<ul style="list-style-type: none"> Expect continued soft conditions in Q4 - certain insurers now pushing back on decreases, particularly in the high excess layers where rates have fallen materially in the past 12 months Newly public companies continue to experience material decreases due to elevated price levels

Private and Nonprofit D&O Market Update

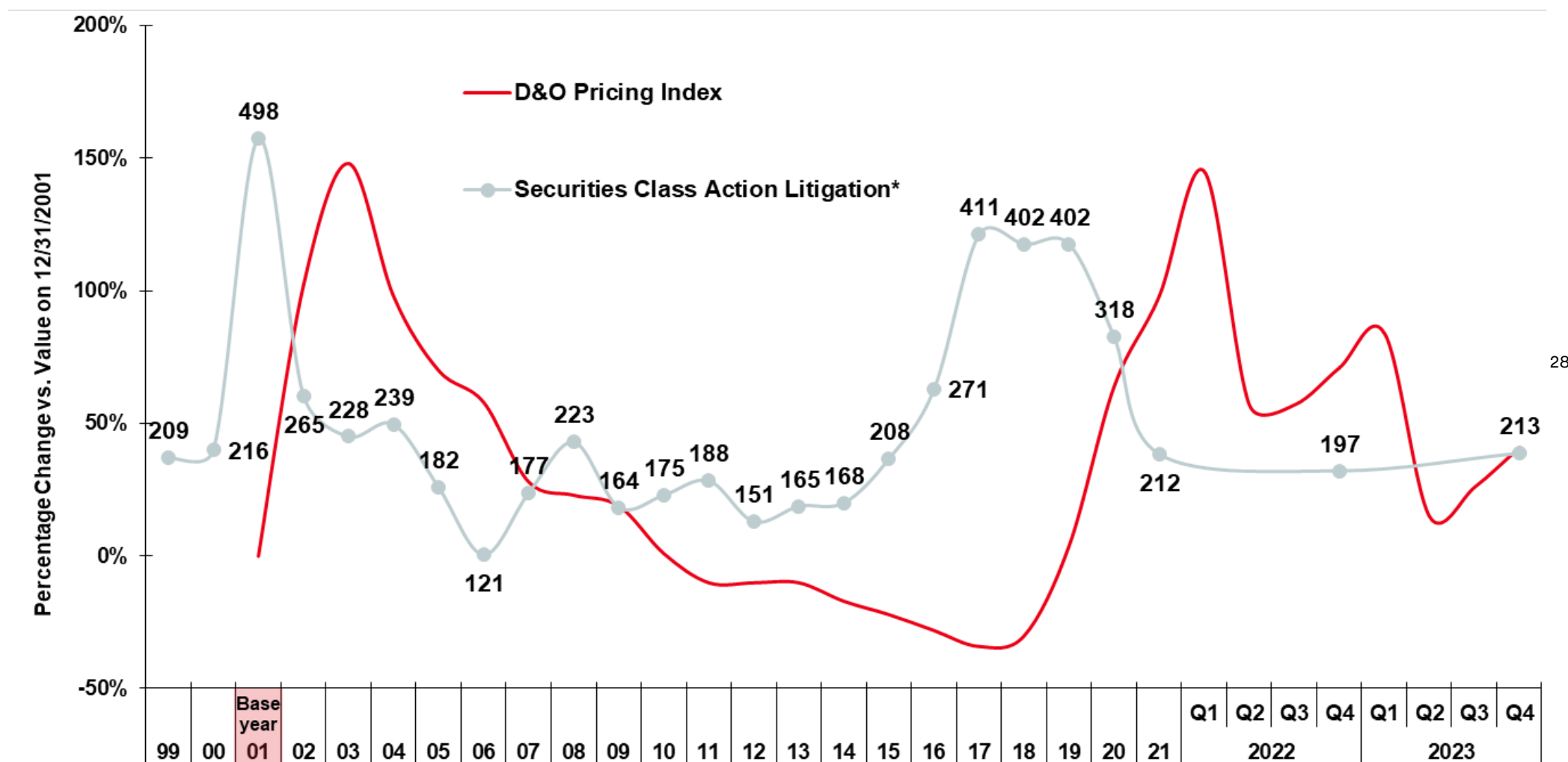
Market Update

Exposures	Capacity	Coverage	Retentions	Pricing
<ul style="list-style-type: none"> • Return to work procedures, retaliation, accommodations, and privacy • Insurers continue to monitor loss trends and may ask underwriting questions related to past COVID-19 vaccine mandates. • #MeToo Movement, Diversity, Equity & Inclusion / Social Justice Response • AI Hiring Tools / Website Accessibility • Bankruptcy concerns / Financial distress • Antitrust litigation • Cyber as D&O Exposure • Social Engineering • Excessive Fee Fiduciary Liability litigation. • Escalating Defense Costs 	<ul style="list-style-type: none"> • Insurers continue to evaluate available capacity amid uncertain economic times. • Primary limits are typically limited to \$5M and financially distressed risks may see further reductions in capacity. • The London insurance market has reduced the capacity available to U.S. clients. Excess capacity remains obtainable, and some new entrants are alleviating capacity constraints overall. • Clients are impacted by RIFs/layoffs, financially distressed clients, or those with significant headcount in CA may see a reduction in primary limits. 	<ul style="list-style-type: none"> • Enhanced coverage remains available for most clients through Aon's Private & Nonprofit panel of Insurers. • Larger clients, over \$1B in revenue, may see D&O entity coverage limitations (removal or entity exclusions), depending on individual risk profile. • Potential D&O coverage limitations (sub-limits or exclusions) may apply to Antitrust and Governmental Funding. • EPL coverage limitations relating to the capture of confidential employee information and statutes are common. • A Social Engineering sub-limit is available for many clients upon completion of an additional underwriting questionnaire. 	<ul style="list-style-type: none"> • Retentions are generally stable, except for companies or organizations in higher risk industries (i.e., healthcare, higher education, life sciences and technology), those with adverse loss history, or clients experiencing financial distress. • Specific higher D&O retentions and coinsurance for certain types of Claims including Antitrust, Government Funding and Regulatory may apply. • Virtually all Insurers are now mandating higher retentions for Excessive Fee or all forms of Mass/Class Claims. • Higher EPL retentions may apply to clients with employees in CA, those undergoing RIFs/layoffs, and to high-wage earners in some industries. 	<ul style="list-style-type: none"> • Price increases range on primary from low single-digit increases to single-digit decreases. Clients with positive risk stories, in favorable industries, and no major exposure increases see more advantageous pricing. • Excess program pricing continues to be lower than primary placements, often resulting in single-to-double digit decreases, depending on the current increased limit factor. • Higher risk industries such as healthcare, higher education, life sciences and technology are experiencing some increases and fewer decreases overall. • Clients with significant growth, M&A activity, employees in CA or adverse loss experience will likely see higher-than-average price increases.

Directors and Officers Market Dynamics

Federal SCA Frequency vs. Aon D&O Pricing Index

1999 – Q4 2023 | Base year: 2001 = 1.00



*Stanford Law School's Securities Class Action Clearinghouse as of February 1, 2024.
These totals include IPO Allocation, Analyst, and Mutual Fund filings.

**as of December 31, 2023; Stanford Securities Litigation Analytics

2023 SCA Filings**

199

Total filings falls slightly below historic norms. Mature public companies, healthcare, industrials and financial industries lead the filing categories, while operational problems are cited more often than missed earnings/projections

2023 Rate of Litigation

3.3%

1997 – 2022 average: 3.9%
(Number of core filings relative to the number of U.S. listed companies); defense costs remain exorbitant. Source: Cornerstone Research; Securities Class Action Filings – 2023 Year in Review

Total Pricing

-14.4%

Q4 Pricing YOY change for same clients renewing same limit and retentions, excluding certain post-IPO and deSPAC clients.

Primary Pricing

-10%

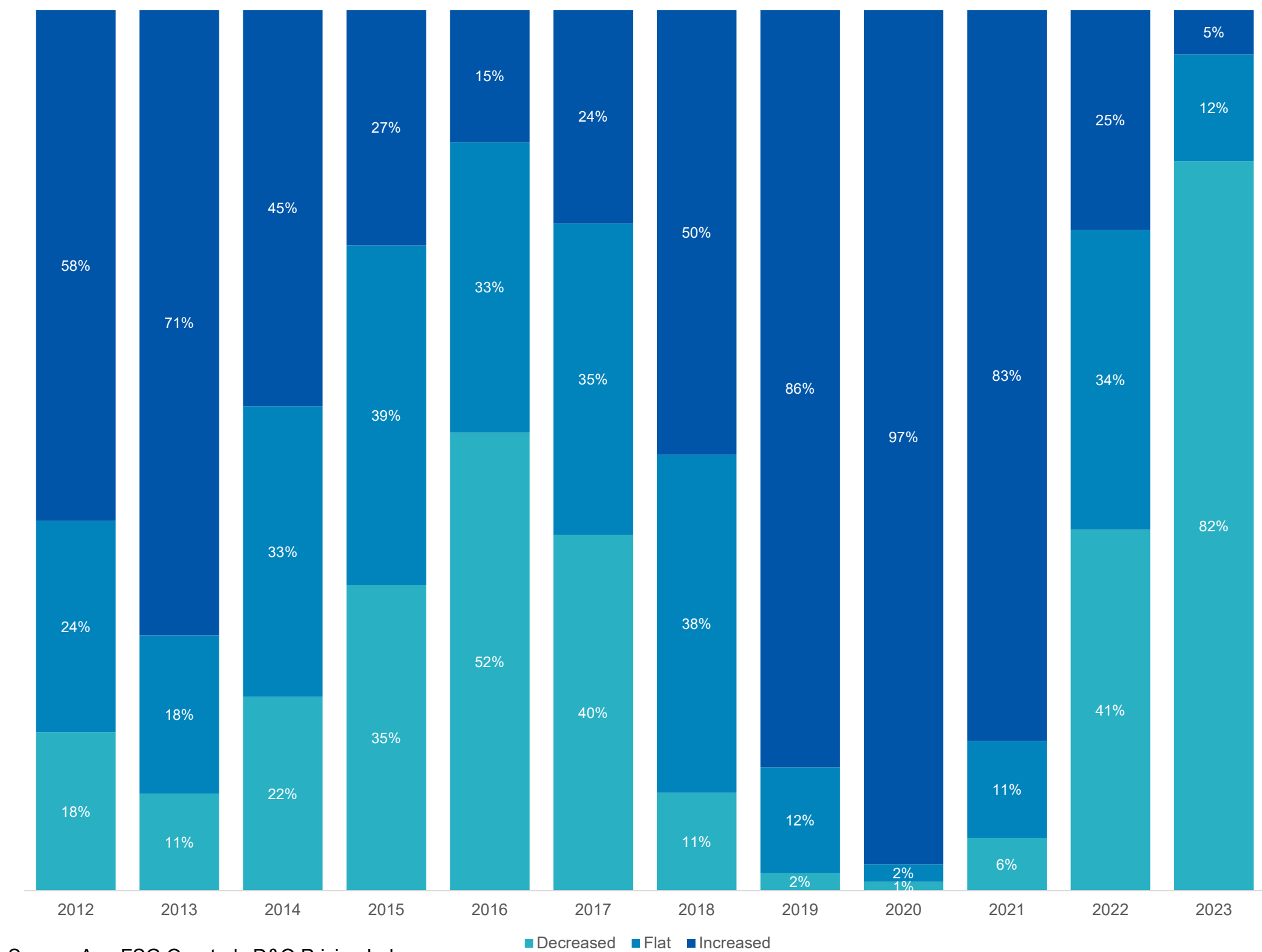
96.8% of clients renewed with the same insurer and 82.1% of clients renewed with same limit and same retention in 4Q23. Pricing index impacted by outliers in the IPO and deSPAC space.

Directors and Officers Market Dynamics

Pricing Trends

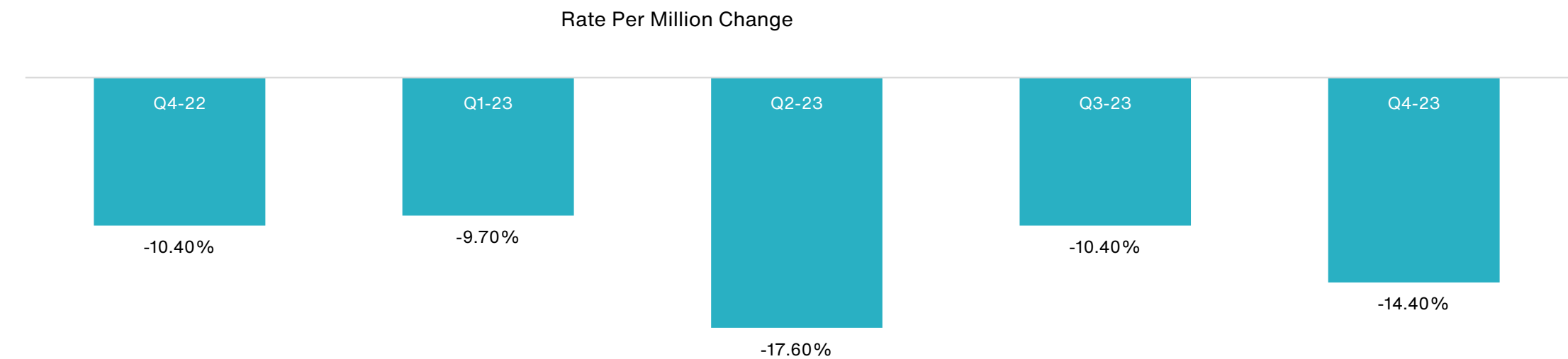
Primary Price Change Distribution

Same Clients Renewing with the Same Limit and Deductible



Quarterly Public D&O Pricing Changes – All Layers

Average Year-over-Year Change (Same Clients / Same Limits / Same Deductibles or Attachment Points in both periods)



D&O Pricing Data Highlights

- **Primary Layer:** Stable in Q4 with 96% of clients renewing with the incumbent insurer. Opportunities to enhance coverage are available from insurers seeking to retain risks.
- **Excess D&O Program:** Continues to yield decreases, at a pace greater than the primary layer. Heading into the 2024, we expect the gap between primary and excess to shrink as the excess market has experienced almost 2 years of meaningful decreases.
- **Notes:**
 - Client specific industry, growth, claims activity, and changes in risk profile should be considered and may yield different results.
 - Newly public clients are seeing much greater decreases than established companies, largely due to relatively elevated historical pricing

Fiduciary Liability

2024 Market Update

Exposures

- Excessive Fee Litigation: remains the top concern of insurers as increased frequency and severity is requiring insureds to complete supplemental application questions focused on fee issues
- Employer Stock Drop Cases: Insurers remain wary, as SCOTUS has ruled that ESOP plan fiduciaries are not entitled to a presumption of prudence when investing in employer securities
- Private ESOP Valuation Claims: Insurers are closely evaluating private company ESOPs with a focus on stock price valuation, leveraged transactions and DOL investigations
- Additional insurer concerns:
 - Mortality Table Litigation: allegations that Defined Benefit plans use outdated mortality tables to calculate non-single life annuities, thereby depriving plan participants of the appropriate level of benefits
 - COBRA Notice Litigation: allegations that group health plan sponsors failed to provide adequate notice to plan participants of the right to purchase continued coverage following an employee's job loss
 - Plan Forfeiture Litigation: allegations that plan sponsors of 401(k) plans inappropriately used sums received from "plan forfeitures" – that is, account balances forfeited by workers who left the company before they were vested in those sums
 - ESG Litigation: breach of fiduciary duty suits have recently been filed against at least one private and one public sector employer alleging that retirement plan investment decisions were made with political rather than financial aims

Capacity

- Ample, highly-rated capacity remains available
- Fiduciary Liability markets have reduced limits offered on any one program; primary limits rarely exceed \$10M with several markets willing to offer no more than \$5M
- AIG and Chubb continue to lead majority of programs, and together they have approximately 30% of the market; however, AIG's participation on primary has decreased due to their stance on retentions (see below)
- Travelers, AXIS, Berkshire Hathaway, CNA, Hartford and AXAXL also have a significant market presence
- Allianz, Euclid and Swiss Re have demonstrated interest in writing primary

Coverage

- Commercial Insureds: overall coverage / remains stable (but see Retention discussion below)
- Financial Institution Insureds: exclusions or sublimits may apply to excessive fee / proprietary fund claims
- Higher Education: some insurers are imposing absolute exclusions for excessive fee claims
- Settlor capacity coverage is now standard among primary insurers

Retentions

- Excessive Fee Claims – All Industry Sectors:
 - Virtually all Insurers are now mandating much higher retentions for Excessive Fee or all forms of Mass/Class Claims
 - Some Insurers also impose (or offer) Co-Insurance for Excessive Fee Claims
 - Other Insurers are now offering Insureds the choice between low sublimits for Excessive Fee Claims, or significantly higher retentions for all forms of Mass / Class / Derivative claims
- Many insurers continue to require a higher retention for employer securities claims

Pricing

- Full Year 2021 Pricing (Year-over-Year Change; Same Clients in Both Periods)
 - Public – Primary/1st Excess Increases by Quarter: Q1 – 31.3%/36.0%; Q2 – 30.1%/23.3%; Q3 – 28.7%/31.2%; Q4 – 22.1%/24.7%
 - Private – Primary/1st Excess Increases by Quarter: Q1 – 28.2%/85.9%; Q2 – 11.4%/26.6%; Q3 – 12.2%/26.1%; Q4 – 20.8%/26.1%
- Full Year 2022 Pricing (Year-over-Year Change; Same Clients in Both Periods)
 - Public – Primary/1st Excess Increases by Quarter: Q1 – 18.5%/15.5%; Q2 – 12.8%/17.2%; Q3 – 7.6%/6.0%; Q4 – 1.9%/2.8%
 - Private – Primary/1st Excess Increases by Quarter: Q1 – 10.3%/25.1%; Q2 – 9.0%/13.0%; Q3 – 12.4%/12.3%; Q4 – 4.9%/8.0%
- YTD 2023 Pricing (Year-over-Year Change; Same Clients in Both Periods)
 - Public – Primary/1st Excess Change by Quarter: Q1 – 1.3%↑/0.8%↑; Q2 – 0.7%↓/1.5%↓; Q3 – 0.2%↑/1.4%↓
 - Private – Primary/1st Excess Change by Quarter: Q1 – 0.6%↑/3.4%↓; Q2 – 2.6%↑/1.8%↓; Q3 – 1.7%↑/1.7%↓
- Aon anticipates that pricing should continue to stabilize in 2024 for several reasons: (a) rate increases imposed over the past 18-24 months; (b) large excessive fee or mass/class retentions (as retentions have been the avenue that insurers have cited as most appropriate for managing the excessive fee exposure); and (c) recent competition for primary/low excess layers created by several new market entrants
- Guaranteed renewals and 2-year deals are becoming increasingly difficult to obtain

5

Cyber

AON



Cyber Liability Q1 2024 Market Dynamics

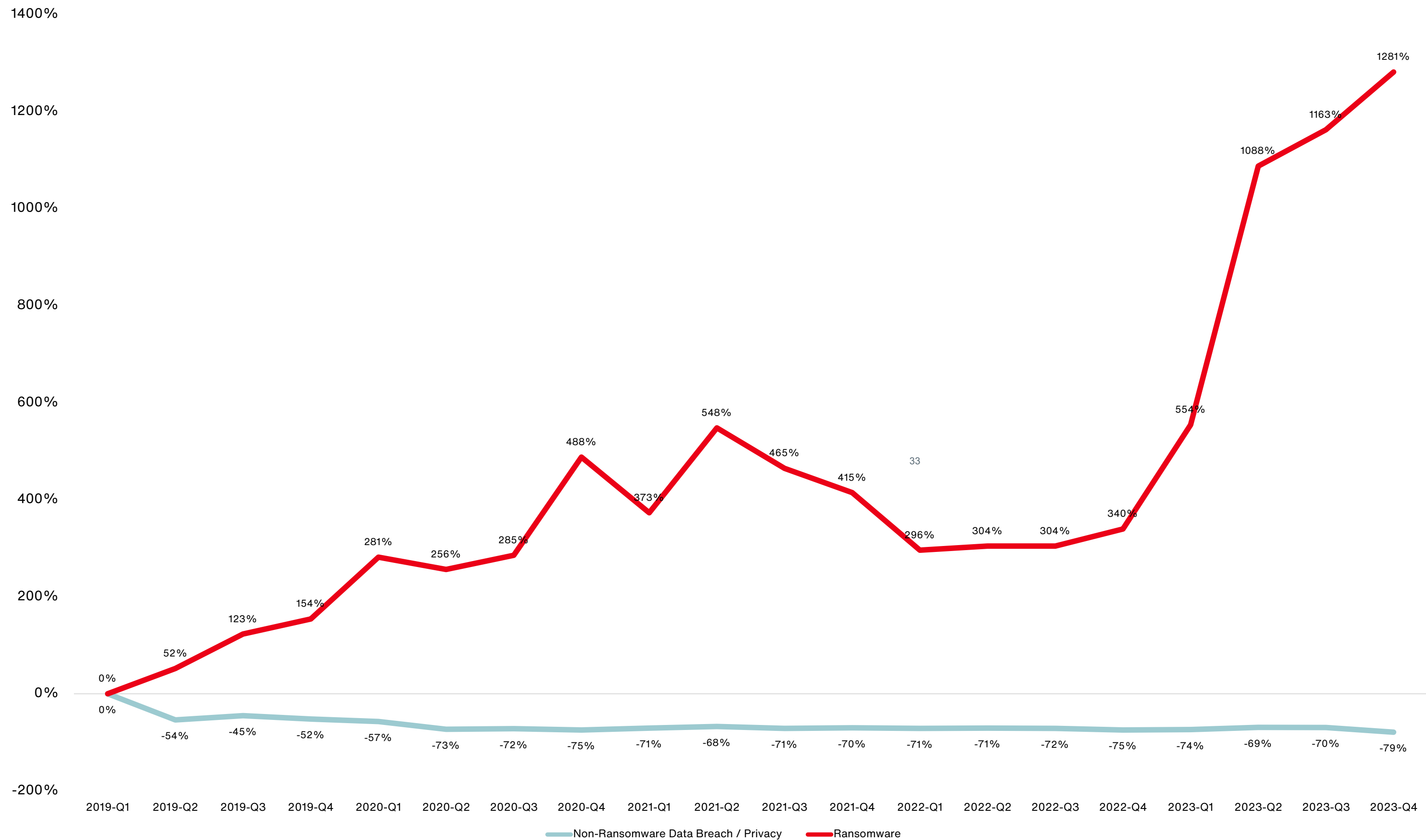
<div>Pricing</div> <div>Primary: (Consistent)</div> <div>Excess: (Consistent to Decreasing)</div>	<div></div>	<div>Overall</div>	<div>Buyer friendly market conditions was the theme of the cyber market in 2023. Greater competition and more capacity drove incumbent insurers to maintain their renewals and potentially expand their participation. As pricing continued to decelerate for excess layers, more insureds have opted to purchase additional limits, using data and analytics to support their decision.</div>
<div>Capacity / Limit</div> <div>(Improving)</div>	<div></div>		<div>Risk differentiation will remain important to insurers, and insurers will price for that differentiation accordingly. Insurers still seek a significant amount of underwriting data and best-in-class network security controls, but underwriters now also focus on understanding and ensuring best-in-class privacy controls.</div>
<div>Underwriting / Process</div> <div>(Rigorous / Consistent)</div>	<div></div>		<div> <ul style="list-style-type: none"> Looking ahead – depending on the class of business, year-over-year improvement of controls, and previous market corrections – Q1 2024 should yield further buyer-friendly market results, with the majority of the savings coming from the high excess layers. </div>
<div>Retentions</div> <div>(Consistent)</div>	<div></div>		<div> <ul style="list-style-type: none"> As we look forward to what may be a volatile market over the next 3-5 years, identifying the right long-term insurer who understands your risk, <u>has a proven track record of paying claims</u> and is willing to customize policy wording to address your exposures and incident response strategies is critical. </div>
<div>Coverages</div> <div>(Consistent to Restricting)</div>	<div></div>		<div> <ul style="list-style-type: none"> Pricing for large market companies will stabilize in Q1 of 2024. Competition and new capacity in the primary middle market segment as well as the national account excess layers segment continue to drive pricing down. </div>
<div>Claims & Loss</div> <div>(Increased Frequency)</div>	<div></div>	<div>A Look Ahead</div>	<div> <ul style="list-style-type: none"> Systemic risk is a top concern for insurers. They continue to evaluate, scrutinize, and in some instances restrict coverage offered for critical infrastructure, systemic and/or correlated events, and war. Certain insurers restrict coverage on either a generalized or event specific basis. Privacy related losses are mounting, and they are severe. Insurers are increasing underwriting scrutiny related to privacy exposures and data collection (including biometric information, pixel tracking and new privacy/consumer protection regulations). </div>

Exceeds Norms

Meets Norms

Below Norms

Cyber Incident Rates Indexed to Q1 2019



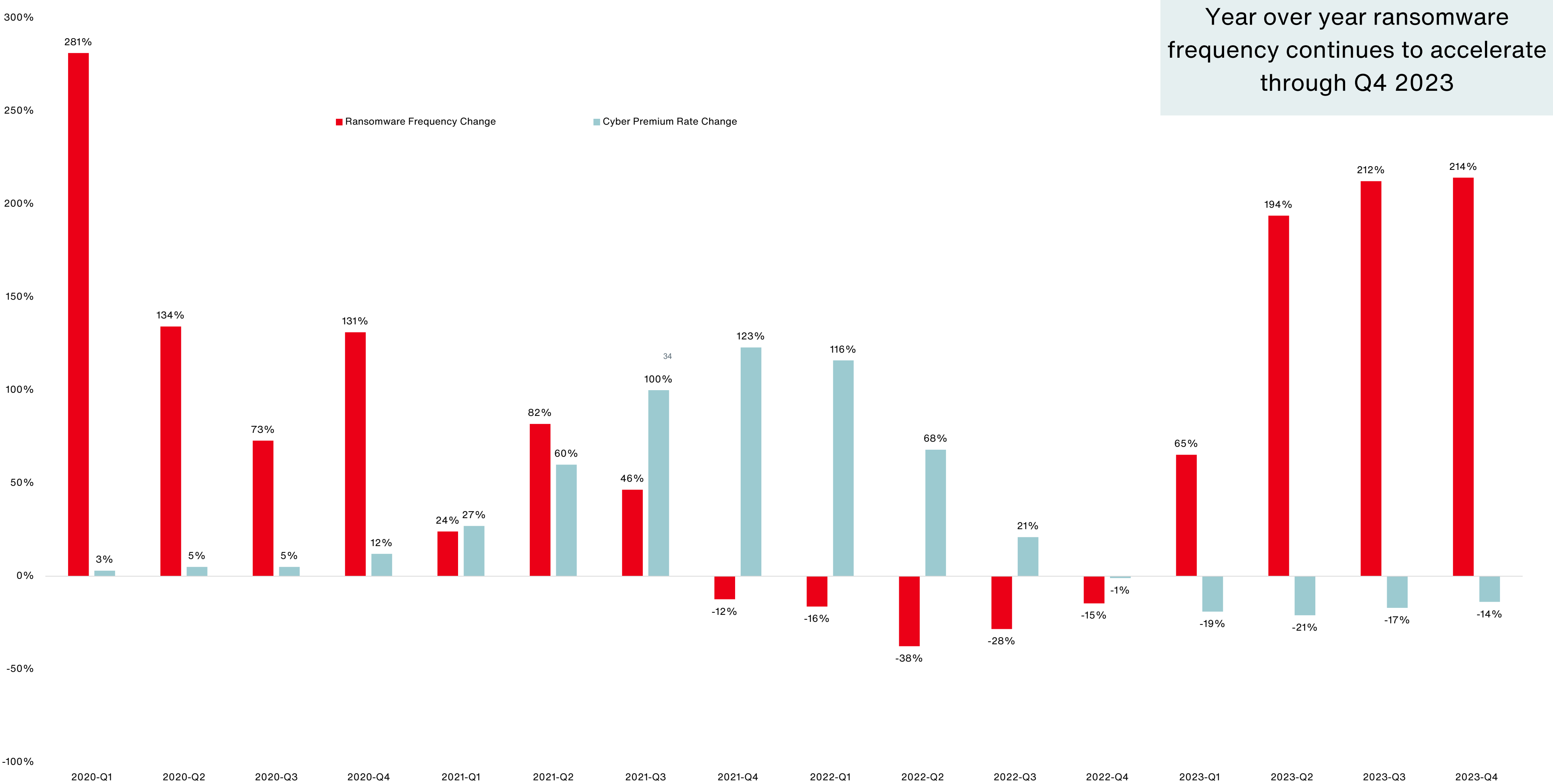
Key Observations:

- Ransomware activity has continued to **accelerate through Q4 2023**
- **Ransomware Events are up 1,281%** from Q1 2019 to Q4 2023
- Compared to Q3 2023:
 - Ransomware Events are up 9%
 - Non-Ransomware Data Breach/Privacy Events are down 32%
- The most commonly impacted industries by Ransomware in Q4 2023 were:
 - Business Professional Services
 - Manufacturing
 - Healthcare
 - Real Estate / Construction
 - Education
 - Public Entities

Source: Risk Based Security, analysis by Aon. Data as of 1/1/2024; Claim count development may cause these percentages to change over time

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Ransomware Frequency & Cyber Premium Rates: Y-o-Y Change



Source: Risk Based Security, analysis by Aon. Data as of 1/1/2024; Claim count development may cause these percentages to change over time

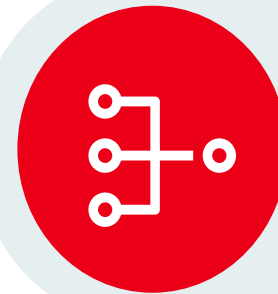
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Cyber Key Controls

Marketplace Minimum Expectations



Multi-Factor
Authentication (MFA)



Endpoint Detection
and Response (EDR)



Phishing Exercise /
Cyber Awareness Training



Vulnerability Scanning & Patch
Management



Secure RDP / VPN



Incident Response Plan /
Ransomware Exercise



Access Control /
Service Accounts



Disaster Recovery / Backups



Email Filtering & Security
(DMARC / DKIM)



Zero Day Vulnerabilities
and Supply Chain Risks

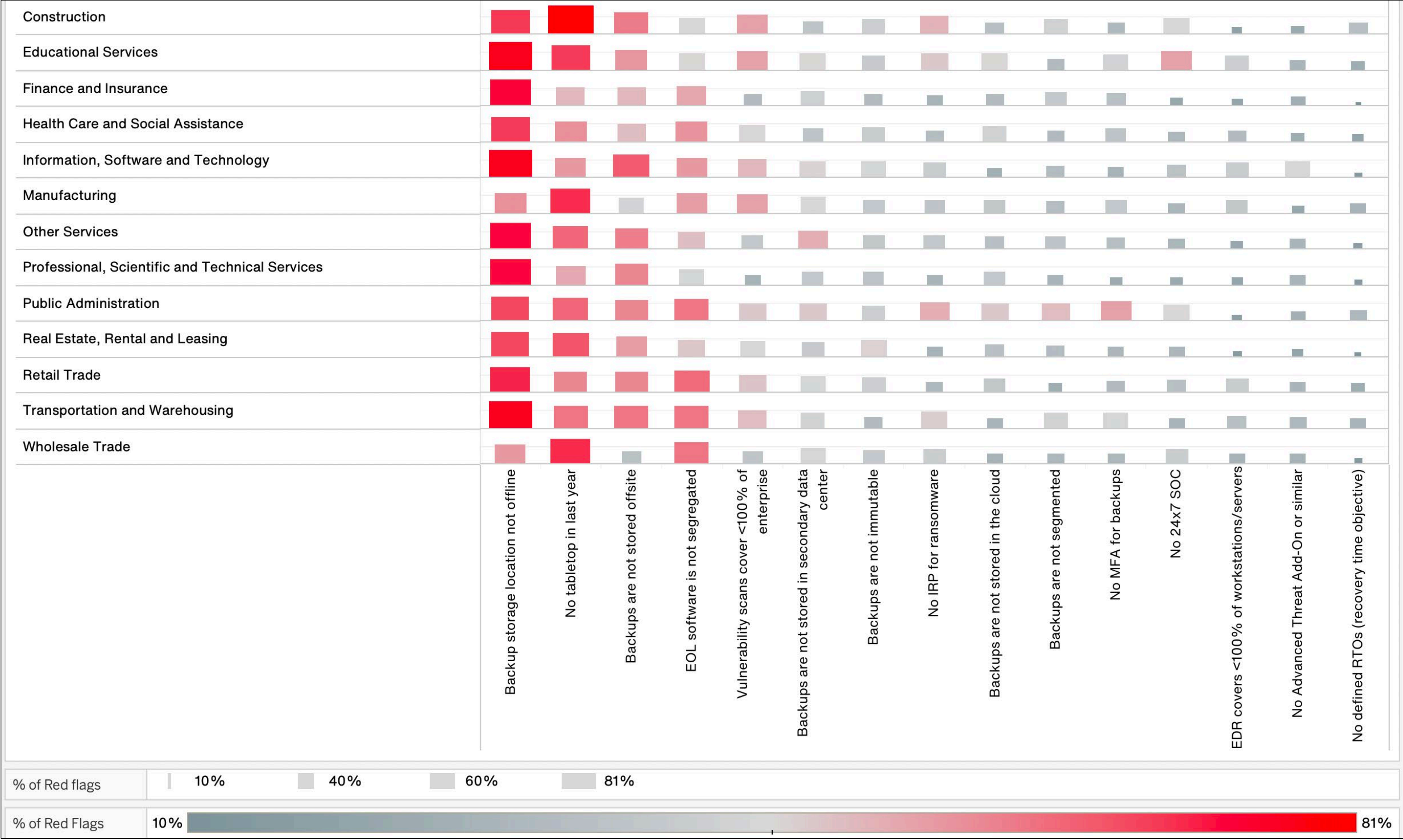


Network Segmentation /
Network Monitoring



M&A DD
and Integration

Top 10 Control Concerns by Industry

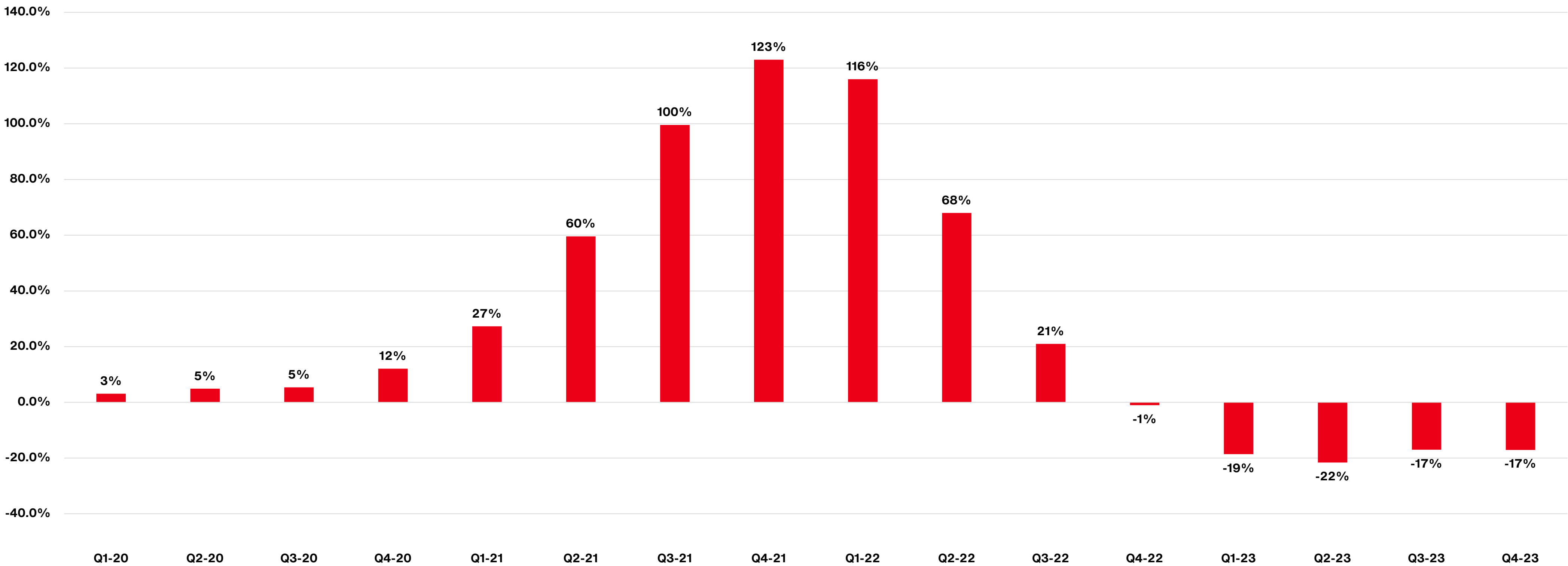


Source: CyQu's Ransomware Supplemental Application data

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2020-2023 Cyber Premium Changes by Quarter

Average Year-over-Year Change (Same Clients)



Cyber Insurance – Major Market Topics Q1 2024



Markets are reviewing exclusionary language related to war, cyber terrorism, and state-backed attacks

- As we quickly approach the anniversary of the March 31st, 2023, Lloyd's LMA compliant war exclusion that expressly addresses the cover provided for cyber-attacks carried out by states ([Market bulletin \(lloyds.com\)](#)) we are seeing US domestic insurers starting to implement similar wording concepts leading to further dislocation of the market on this topic
- Other markets continue to revise definitions of cyber terrorism to ensure it does not apply to war or military actions.
- There remains a lack of consistency in the market with this policy provision, and many insurers still negotiate the language on a deal-by-deal basis.



Privacy Litigation is here to stay: Data Collection, Pixel & Biometrics

- Throughout 2023, insurers saw increased claim activity around [Meta Pixels / Pixel tracking due to a wave of privacy suits stemming from such activities](#). [The healthcare space seems to be the most prominent industry where insurers are seeing claim activity](#), but these suits are coming from all industries. Based on the increased claim activity, we are starting to see insurers (such as Beazley and Brit) ask specific questions around company's procedures around this topic.
- Learn more about the use of online tracking technologies by HIPAA covered entities and business associates [here](#).
- CPRA: an amendment to CCPA - [What's the Difference Between CCPA & CPRA | Bloomberg Law](#)
- BIPA: We are continuing to see increased regulatory security around privacy and cyber protection, especially around BIPA. Most recently there has been another BIPA claim that has hit a number of Insurers in the marketplace. The Illinois federal jury found that BNSF Railway Co. violated BIPA, resulting in a [\\$228 million award to a class of more than 45,000 truck drivers](#).



Ransomware Events are back on the rise

- Ransomware activity has continued to outpace Non-Ransomware Data Breach / Privacy Event activity. Compared to Q3 of 2023 ransomware events were up 9% and up 1,281% from Q1 2019.
- Recently in Q4 the hacking group [Scattered Spider exploited multiple organizations using MITRE ATT&CK tactics](#) to launch ransomware and data exfiltration events against primarily larger organizations.



SEC Public Company Cybersecurity Disclosure Rules

- On July 26, 2023, the United States Securities and Exchange Commission ("SEC") adopted final rules related to public companies' cybersecurity disclosure obligations
- For the 10 K disclosures, disclosures will be due with annual reports for fiscal years ending on or after December 15, 2023
- For Form 8 K disclosures, the disclosures will be due beginning the later of 90 days after the date of publication in the Federal Register, or December 18, 2023.
- Insureds should consider reviewing their incident response plans to ensure that the new disclosure rules are reflected in those plans. In addition to assessing incident response risk management, companies will need to assess their corporate governance in connection with cybersecurity. The new 10-K disclosure rules will prompt companies to assess among other things.



Artificial Intelligence

- **AI and ML-driven Attacks:** cybercriminals are increasingly leveraging artificial intelligence and machine learning to automate and scale their attacks, enabling them to bypass traditional security measures and target a larger number of victims.
 - [IS YOUR COMPANY APPROACHING AI INTELLIGENTLY?](#)
 - [How boards can get smart about A.I.](#)
- Coverage Considerations:
- **Software Copyright Infringement:** many software development AI tools are trained on open-source code – this can be considered unlicensed use and copyright
- **Standard Copyright / Trademark / Name Infringement:** media works produced by AI tools can infringe on copyright / trademark / name protections for other works the AI tool was trained on
- **Increased Data / Record Count:** training AI systems requires large data sets that can increase data liability exposure
- **Technology E&O:** failure of technology services or technology products - powered by AI tools - to perform as-expected for customers.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance

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