



# *Insurance Market Update*

*December 5, 2024*

# Introductions



## Boynton Smith

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Boynton is a Senior Vice President with McGriff Insurance Services, having joined the firm in 1994. During his career, he has specialized working with large complex accounts. Boynton leads efforts on the Property and Casualty team including strategic client advice, program review and design, marketing negotiations, carrier relationships, claims handling and program management. Boynton has worked with clients ranging in size from Fortune 1000 companies to clients with over 15,000 locations, to customers with business in numerous foreign countries. He has extensive experience with real estate and hospitality clients including those with coastal risk and other insurance challenges. He partners with clients as a vital member of their team, providing best in class risk transfer programs and risk management services that positively impact their organizations.

Boynton resides in Atlanta with his wife and two daughters. He is active in the greater Atlanta community and currently serves on the board of Shepherd, Center, Trinity School and as an elder at Peachtree Presbyterian Church. He enjoys family vacations, ski trips, golf and college sports in his free time.



## Harris Howell

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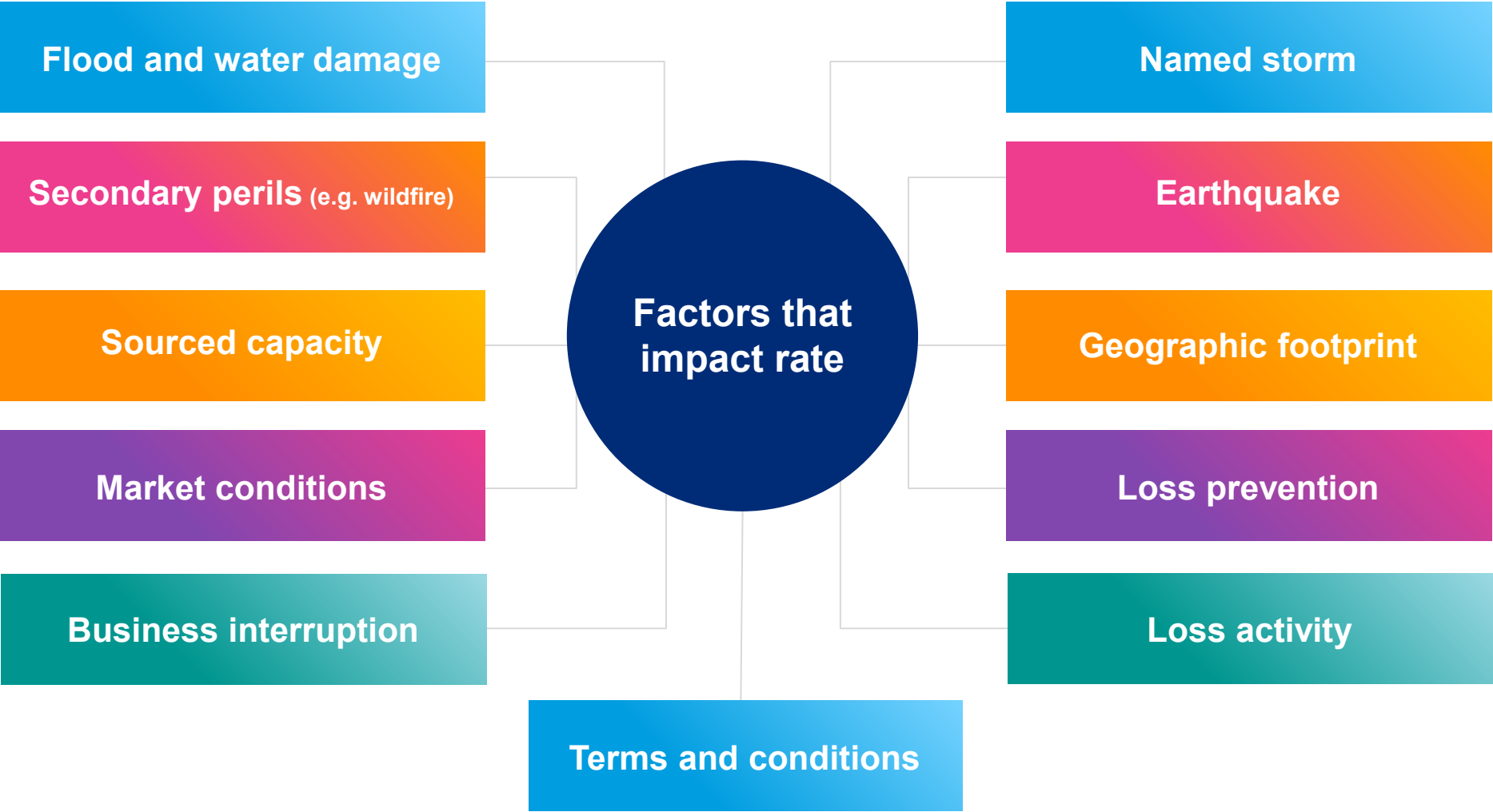
Harris Howell is a Risk Management Advisor within the Commercial Account Division at McGriff. Prior to joining McGriff he was Lead Underwriter within a specialty division of Chubb (NYSE: CB) that services large corporate and middle market segments for difficult-to-place risks for Directors & Officers/Management Liability Insurance. Since joining McGriff in 2018, Harris leads efforts on the Property and Casualty team including strategy implementation, program review and design, market negotiations, carrier relationships and claims handling. Harris specializes in complex insurance and risk transfer programs in specific industry verticals including commercial real estate and heavy construction. He partners with clients as a vital part of their team, providing best in class risk transfer program and risk management services to positively impact their organizations. He takes pride in learning about his clients' business and how McGriff can make a difference and help them achieve their goals.

Harris is designated as a Commercial Lines Coverage Specialist (CLCS) and is an active volunteer within The ALS Association Georgia Chapter. He resides in Atlanta and holds a BBA in Risk Management & Insurance and Commercial Real Estate.



# Market dynamics

Rating factors impacting your insurance costs



# State of the Property Market

2024



## Natural Disasters

The increase in costly disasters have made catastrophe insurance a much riskier investment. Secondary perils such as convective storms are becoming more prominent and harder to model appropriately



## Stabilizing Market

Carriers are aggressively pursuing new business. Flexibility in terms and rates are softening. 2023 rate hikes pushed carriers to a profitable level in 2023.



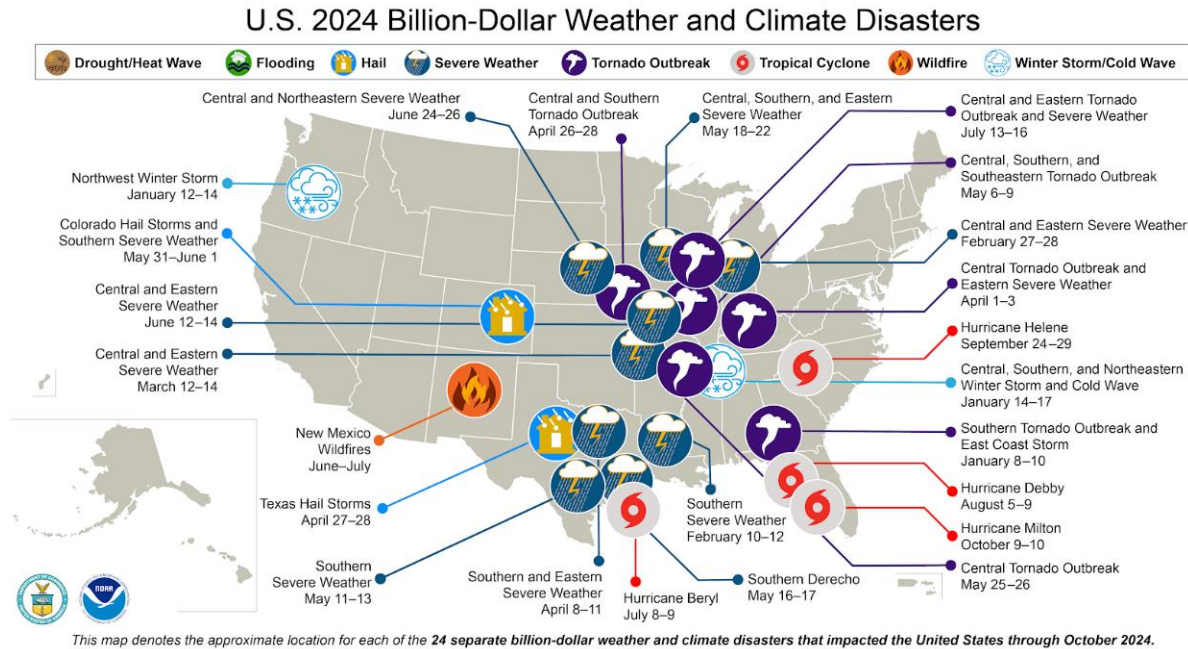
## Reinsurance

Treaty renewals have been more organized than 2023



## Inflation

Building replacement cost inflation trends have stabilized. FM Global and M&S report YOY flat to single digit increases.



Hurricane Milton and Helene est. at \$30B - \$60B. Market impact still in process

Est. 2023 Insurable Losses \$120B

H1 2024 nat cat insured losses 62% above 10-year average

H1 2024 Severe Thunderstorms contributed an Est. \$42bn (70% of nat cat losses)

## Current Market Conditions

- Continued signs of a **softening market** as property carriers reported **profitability in 2023**
- Increased **capacity** enters the marketplace after steady reinsurance renewals and ambitious growth goals, **driving competition** among carriers
- RMS v23** expected to be utilized in **more widely**
- Valuations** are still top of mind, but less scrutiny from carriers as inflation cools
- Data is Key**, adequate values, exposures updates and secondary characteristics are vital
- Convective storm** exposures will continue to see **terms & conditions adjustments**

Source: NOAA

[FM Cost Outlook | CBRE](#)

[US Home Price Insights – February 2024 | CoreLogic®](#)

[Swiss Re pegs H1 2024 nat cat insured losses at \\$60bn | The Insurer](#)



# Three trends impacting property rates in 2024


# 01

## **The rise of secondary perils**

Secondary perils are emerging as silent giants in the risk landscape.

# Understanding the three key insurance market trends for 2024 is vital for property stakeholders seeking to navigate the complexities of this unprecedented era and emerge more resilient.

These three trends are:

**01** 

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**An increase in losses driven by historically non-modeled secondary perils**

**02** 

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**Reinsurance costs**

**03** 

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**Underinsured properties**

Together, these challenges underscore the need for a proactive approach to reassessing risk exposure and coverage expectations.



## The challenge

### Multiple losses for a recycling business

A business specializing in lead recycling in Texas suffered approximately \$4 million in damages after being hit by two fires in the same month. The first and more damaging fire ignited on the exterior of one facility during the compaction process. The \$3.1 million claim included building damage, inventory loss, and business interruption. One week later, a second facility suffered another fire. Even though this facility was leased, the \$750,000 fire coverage responsibility was transferred to the owners. Unfortunately, an expired statement of values from the previous policy term was mistakenly used. This resulted in the exclusion of business and personal property coverage.

[Go to page 22](#) to read how this claim was solved.

With [tornado frequency increasing in the Southeast](#), the prevalence of [hailstorms in the Great Plains](#), [flooding from coast to coast](#), and the impact of [wildfires on the West Coast](#), secondary perils are emerging as silent giants in the risk landscape. Historically, inadequate modeling capabilities for these events have left the market vulnerable. Now, their combined impact surpasses that of primary perils.

Primary perils—or more predictable events such as hurricanes, earthquakes, and other major catastrophes—are typically less frequent. However, they can have a greater impact and cause significant financial loss.

On the other hand, secondary perils typically generate low- to medium-size losses and are often overlooked and underestimated. To do so now, though, could be disastrous.

**According to [AM Best](#), secondary perils account for a larger share of losses than primary perils, with individual secondary peril events resulting in losses upwards of \$10 billion.**

Inflation has compounded this issue as replacement and repair costs rise. This, in turn, impacts the pricing of reinsurance. Some insurers may push for increased rates to accumulate more capital to offset these incremental losses. Others are choosing to withdraw from underwriting these exposures entirely.



## Flood risk rising

Flooding is a prime example of a high-impact secondary peril growing in frequency and severity for business owners. In the U.S., flooding remains the number one loss leader. Critically, as flood patterns shift globally, flooding is not limited to a particular season or location.

The flood insurance market is also shifting away from government initiatives such as the National Flood Insurance Program (NFIP). This is driven in part by urbanization, which has the altered natural flow of water and created unique challenges for some regions.



**Regardless of the coverage options available, only 17% of global flood losses between 2007 and 2021 were insured.**

The growth of the private flood insurance market is not merely a numerical change. It represents a qualitative need for stronger coverage and options, particularly for commercial properties.

Unfortunately, this is an omission many can no longer afford. In fact, 20.8 million U.S. properties have an [80% or better chance of flooding by 2053](#).

[AM Best analysis](#) highlighted that a significant portion of the economic losses from the February 4-6 atmospheric river event in California will likely go under or uninsured due to low take-up of flood insurance. Accuweather estimated the [preliminary flood damage](#) at \$9–11 billion.

The flood insurance gap is similar for commercial risks as well. [When California represents 12% of the U.S. population but only accounts for 4% of the NFIP policies](#)—and is the second largest state behind Florida buying flood insurance from the private market—the colossal delta is obvious.



The impact on businesses doesn't end when the property is finally dry, either. Business risk is not merely about cleanup. It's also about how swiftly an insured can rebound and resume operations after a flood. Business interruptions such as extended power outages become touchpoints that define a company's ability to navigate these waters.

Additionally, the [Federal Emergency Management Agency](#) announced it is tripling its funding to promote disaster management and climate resilience through low-interest loans. This move underscores the increasing need to embrace preventive measures to mitigate the impact of flooding on the most vulnerable communities.



## NFIP versus private market options for primary commercial flood

### Standard NFIP coverage

Building limits of \$500,000

Contents limits of \$500,000

30-day waiting period

Business income coverage unavailable

### Private market coverage

Building and contents combined limits up to \$10 million

Often a limited waiting period (e.g., seven days)

Business income coverage often available


# 02

## **A more balanced reinsurance market**

As more optimism enters the reinsurance market, we can expect a gradual return of appetite and capacity.



In 2023, the industry witnessed the toughest property reinsurance market in decades. Policy structures changed, causing retentions to increase as a byproduct.

 **It's estimated that pricing increased up to 50% in 2023—the largest jump in a single year since Hurricane Katrina in 2005.**

Because of the spike in cost for available capacity, insurers were faced with the prospect of cutting their limits in conjunction with absorbing higher retentions and premiums increasing. Over the last few years, active secondary perils and changes in reinsurance structures also left insurance carriers covering losses on their balance sheets instead of passing them back to reinsurers.


However, the volatility experienced in the 2023 reinsurance market seems to have stabilized. The reported total median risk-adjusted price increases were in the single digits following treaty renewals from the first of this year. As more optimism enters the reinsurance market, we can expect a gradual return of appetite and capacity.

Another positive factor in the marketplace is the types of coverage considered. For January 2024 treaty renewals, reinsurers could consider previously excluded or restricted perils, including terrorism and strikes, riots, and civil commotion.

As the market continues to improve and reinsurance appetites return, increases will trend down. Even coverage rates in Florida, which increased 250% since 2017, will be mostly caught up in 2024. Reinsurers adjusted their rates in 2022 and 2023 to make up for years of large catastrophe losses.

Of course, there is no way to perfectly predict the frequency or severity of losses that may come from primary or secondary perils in 2024. It would take quite a bit for red flags to be raised.

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 **As we enter a more buoyant market, it would take a single insured event resulting in more than \$75 billion in losses to temper the cautious optimism in reinsurance.**

# Responding to property insurance trends in 2024



# Property hard market opportunities

Fact-based decision-making analytics and data management

# 1

## Data quality

- Identify any missing data and strive to ensure data quality is as accurate as possible
- Make sure underwriters are working with accurate information

# 2

## Cost drivers

- Understand past losses
- Map out loss scenarios
- Prioritize and address key loss control recommendations from the carrier(s)

# 3

## Valuations

- Validate building, equipment, and business interruption values through multiple benchmarks
- Question inflationary factors (sometimes over 10%) from carriers to be sure they are justified

# 4

## Analytics

- Re-analyze risk tolerance threshold
- Enable financial awareness to drive long-term capital risk decisions
- Utilize a robust asset valuation methodology, especially for unique equipment

# Risk management practices can serve as the compass.

As the market continues to grapple with emerging complexities and perils, risk management forms the foundation for all property owners to build resilience.

The critical elements of risk management include:

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**01** Market cycle awareness

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**02** Accurate risk assessment

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**03** Data utilization

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Together, these practices can help by guiding insurers, reinsurers, and property owners through a landscape marked by the frequency and severity of losses and the changing dynamics of market cycles.



# Market cycle awareness

Recognizing the cyclical nature of insurance is fundamental to making informed policy decisions.

This awareness allows stakeholders to position themselves strategically. It affords them the ability to be aware of challenges and opportunities while adapting risk management strategies accordingly.

Choosing brokers and partners that know the market well is key. Strategic partners will take that further by sharing industry knowledge and being upfront about all current challenges. Especially during difficult renewals, transparency allows property owners and operators to anticipate outcomes, engage in seamless collaboration, and align on these strategic components:

## Compelling underwriting submissions

Understanding the market and the current high level of underwriter scrutiny allows businesses and their brokers to communicate their stories more effectively. More than ever, applications should be well organized, complete, and present accurate data. They must highlight all risk attributes, insights from site inspections, a detailed loss history, and any concerns.

## A strong relationship with your insurer(s)

Direct, face-to-face client participation in underwriter meetings allows insureds to convey their story directly to the marketplace. Every risk is unique and an insured's direct involvement can go a long way in creating trust and confidence with domestic and global insurance carriers.

## Prioritization of quality over cost

The best solution isn't always the cheapest. Making quality a top priority can reduce market volatility over time. In a softer market, focusing on obtaining the right product rather than the cheapest becomes even more critical.



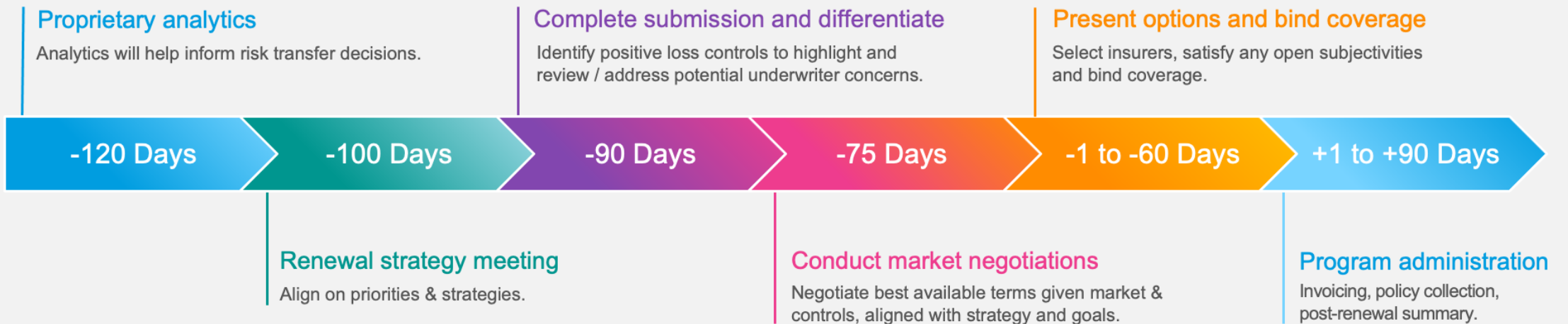
## Stability

Long-term partnerships with insurers who have weathered difficult times provide stability and consistency. This perspective helps mitigate market volatility by avoiding a scenario where one insurer replaces many, potentially leading to increased instability.

## A seamless go-to-market timeline

Transparency starts pre-renewal (at least 120 days in advance) and extends through the life of the policy, allowing for more informed decisions.

### Renewal Strategy Timeline



## The four categories of risk assessment:



### Data quality assurance

- Collaborate with underwriters to build risk assessments on precise and up-to-date information.
- Identify and rectify any missing data, ensuring accuracy in your risk profile.
- Perform regular reviews to maintain the highest standards of data quality.



### Informed analytics

- Differentiate your company's risk profile to insurance carriers leveraging advanced property assessments and risk modeling resources and robust asset valuation methodologies, especially for unique operations and equipment.
- Re-evaluate your risk tolerance so your strategy evolves with your changing exposures and insurance market conditions.
- Use a financial approach evaluating the trade-offs of retaining risk to your balance sheet versus transferring risk to insurance carriers, empowering informed and strategic insurance program decisions aligned with your long-term capital risk goals.



### Cost efficiency

- Analyze past losses and current exposures to inform strategies that actively reduce overall risk.
- Map out potential loss scenarios to prioritize key recommendations from carriers and optimize your risk management investments.
- Negotiate reasonable coverage to ensure terms align with your business needs.



### Comprehensive valuations

- Validate building, equipment, and business interruption values using multiple benchmarks, third-party valuation tools, and risk scores.
- Challenge inflationary factors automatically applied at renewal to ensure values presented by carriers are justified.
- Perform ongoing reviews for annual adjustments and continued risk management effectiveness.



### Blue[i] Property Analytics

Marsh's Blue[i] Property Analytics transforms the risk management game by providing a dynamic digital platform with on-demand insights. It simplifies the property risk assessment process, establishing a singular place to view risks and exposures, quantify them, and assess mitigation, retention and transfer options. The platform offers the capability to feed data from hazard scores, natural catastrophe modeling, and risk finance optimization directly into other analytics solutions. With this, you can get critical insights as well as analytics and modeling results in real time. These range from the world of insurance to the world of risk management.



# Diversifying your risk management portfolio

In a transitioning market, having direct access to carriers is crucial.

The right broker, especially one who specializes in your industry and understands your risk portfolio, is the key to ensuring you are well-represented in the marketplace and your business's unique needs are addressed.

They can secure not only your primary coverage but also identify additional considerations for risk transfer, including:



Captives



Parametric insurance



Shared and layered programs



Self-insurance



## The solution

### Multiple losses for a recycling business—solved!

Despite the challenges posed by multiple losses, proactive risk management measures and diligent oversight enabled the business to navigate these complex insurance claims successfully. Through investigation, an error in the first facility's resolution was identified and an additional \$24,000 in personal property coverage and \$250,000 in debris removal coverage was secured. The corrected coverage ensured fair compensation for damages, illustrating the importance of attention to policy details and effective risk transfer strategies.



## Captives

A captive is an “insured owned” insurance company that allows organizations to assume all or some portions of their own risks, sometimes with similar risk-affiliated entities. Captives are particularly valuable for those seeking alternatives to the traditional insurance market. They are often formed in response to challenging market conditions and come in three primary types: single-parent captives, group captives, and hybrid (or “cell”) structures.

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### Single parent captives

**Structure:** A single-parent captive is essentially self-insurance, as the entity seeking insurance forms and controls its own insurance company under its organization. Because this involves the establishment of a separate legal entity, this can take several months.

**Best fit:** These are best suited for organizations seeking full control over their risk management strategy. They’re ideal for larger corporations with substantial risk exposure and financial capacity. They allow for customization and tailoring of insurance solutions to specific needs.

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### Group captives

**Structure:** Group captives involve self-insurance like the single-parent captive, with multiple insureds instead of just one. Each insured has a share in and contributes to the captive entity. Setting up group captives takes time and effort.

**Best fit:** Group captives are well suited for industries where predictable risks are shared among multiple entities, providing economies of scale. This is especially the case for casualty insurance.

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### Hybrid captives

**Structure:** Hybrid captives, or cell structures, involve a sponsoring company that has already set up the sponsor entity. Individual cells can then be linked to the central entity by a common sponsorship with shared administrative services and operational costs while remaining legally segregated. Hybrid structures offer a quicker and more cost-effective onboarding process than other captives. Marsh’s proprietary ReadyCell™, an AI-powered risk financing solution, enables organizations of all sizes to quickly form their own insurance company and take greater control of their risk management.

**Best fit:** Hybrid captives are ideal for those seeking a balance between the control of a single-parent captive and the cost efficiency of a group captive. It’s a flexible option for organizations with varying risk levels.

## Is a captive right for your organization?



**Are your business risks challenging** or costly to insure, or even uninsurable in the commercial market?



**Does your organization adopt a strategic approach** to managing risk, exposures, and the overall cost of risk, rather than solely focusing on acquiring insurance at the lowest price?



**Are you willing to invest time and effort** in building long-term relationships with insurance partners to improve your risk profile?



**Are you willing to utilize your captive** even if the commercial marketplace is soft?



**Are you seeking improved compliance,** better premium control, and an enhanced customer experience, particularly for third-party unrelated risks such as warranty and independent contractors?



**Are you prepared to regularly evaluate** your captive strategy and its alignment with evolving business goals?



**Are your peers utilizing captives** for similar risks? Do you want insights that can be gained from benchmarking against industry standards, company sizes, and regional practices?



## What are other alternative risk transfer options to consider?

### Parametric insurance

Parametric insurance pays out a predetermined amount based on the occurrence of a specific peril rather than on actual losses. While not a comprehensive solution for all property exposures, a parametric policy can enhance the robustness of a property program, typically in conjunction with traditional risk transfer.

However, when the cost to insure certain catastrophe perils is too punitive or unavailable, a parametric offering can be an excellent tool to consider. Since the payout is predetermined and not based on actual losses sustained by an insured, parametric policyholders must carefully consider and address certain challenges to ensure coverage aligns with their needs. Businesses would need to tailor their risk management strategies to complement traditional insurance with parametric insurance effectively to fill potential gaps in coverage.

### Self-insurance




Self-insuring certain aspects of risk involves a strategic approach to managing expected losses. By personally covering loss events that occur frequently, are expected, and can be budgeted and planned for, a business will defer its risk transfer to larger items. Businesses that self-insure are typically more engaged in finding innovative ways to mitigate risk since they are solely responsible for them.

This proactive strategy encourages a focus on risk prevention that can lead to long-term savings. For example, installing hail-resistant structures or advanced sensors for water losses can be more cost-effective than relying solely on insurance during an event. Self-insurance is another example for consideration, either in the form of larger deductibles/retentions or by taking a self-insured portion of a shared and layered program.

### Shared and layered programs

Although the market shows signs of recovery on a macro level, there are still numerous instances where an insured should consider a shared and layered

property placement. This is opposed to a single carrier writing their risk on a 100% ground-up basis. The typical drivers of a shared and layered program are when:

-  An occupancy class is particularly challenging.
-  An account has a considerable spread of critical catastrophe exposures on a large portfolio of assets.
-  A risk has been heavily impacted by severity or frequency of losses.

At the height of the hard market, many insureds were forced into a shared and layered program. This stemmed from incumbent insurers cutting back capacity and either only wanting to take a smaller lead share of a placement or retracting completely as they looked to de-risk their portfolio. Insurance brokers can help draw the parameters for programs that involve multiple carriers, including typical minimum premium requirements.

02

## Casualty coverages





# Market dynamics

What characteristics define a hard market?



## Macro headwinds



Rising inflation  
(economic and social)



Rising  
interest rates



Ongoing war  
in Ukraine



Supply chain  
disruptions



Climate  
change anxiety



Global natural  
catastrophe loss activity

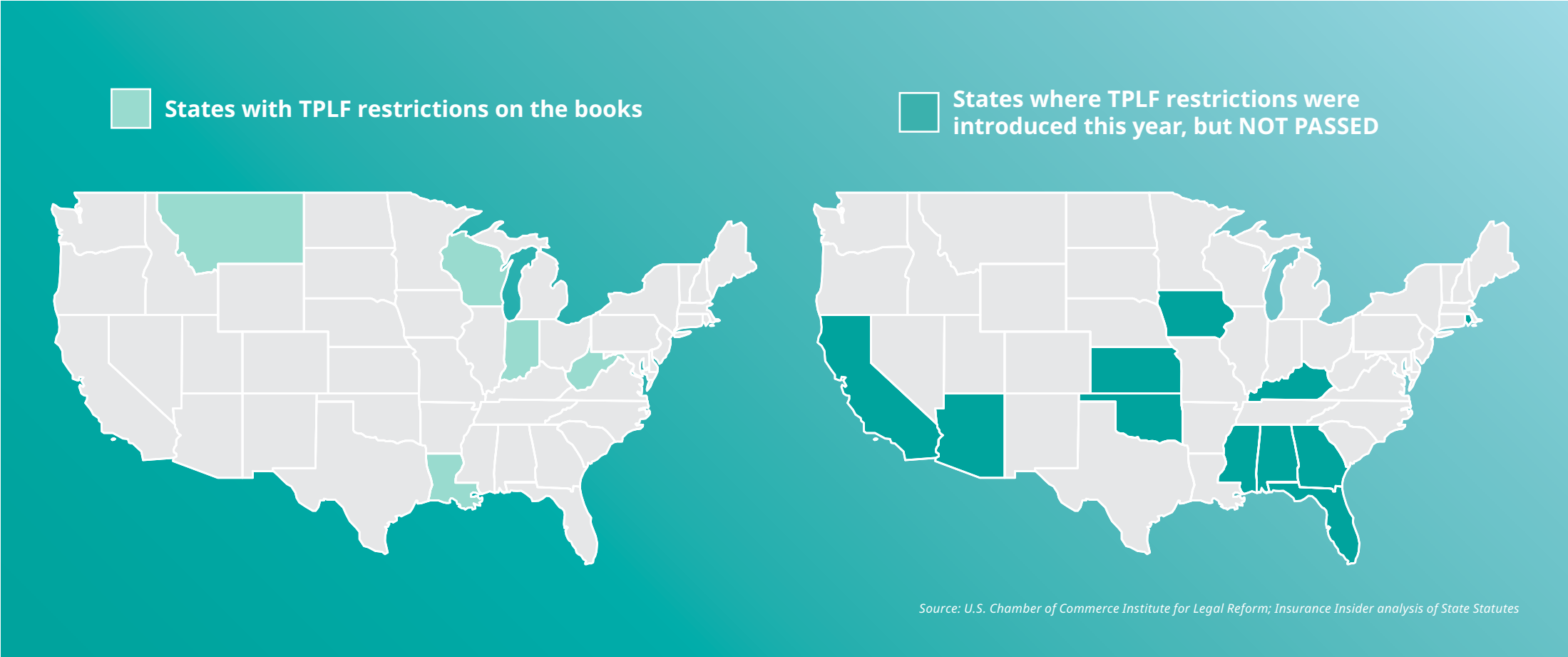


Constrained  
reinsurance capacity



Lack of  
new capital

Third-party litigation funding (also known as legal abuse or social inflation) is in focus as it is driving up settlement costs and leading to significant increases in insurance company reserve adjustments. States are introducing laws either aimed at curbing or adding transparency to the practice, with more potentially to follow.



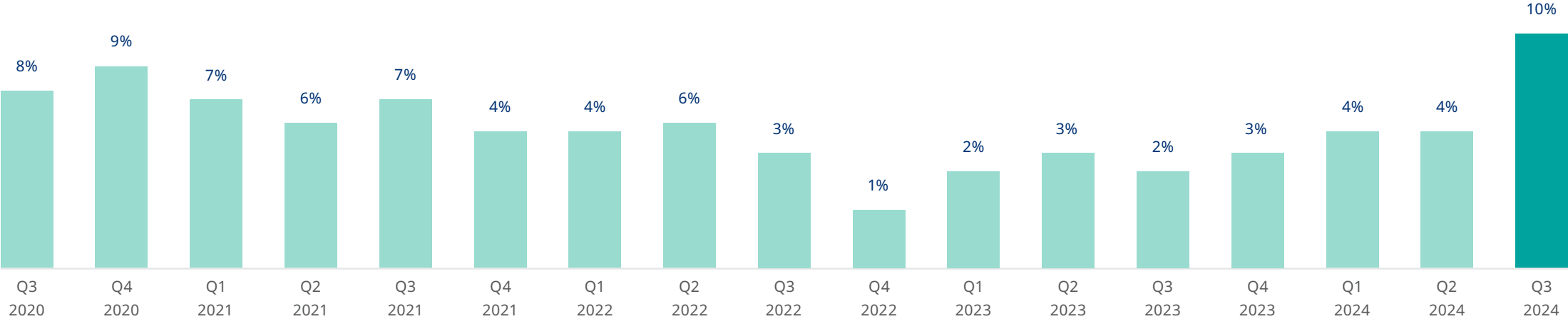
Social inflation has increased U.S. liability claims by 57% in the last decade, with its impact on casualty claims growth set to outweigh the industry earnings benefit from higher interest rates in one to two years, according to Swiss Re.

Opponents say litigation funding increases the length and ultimately the cost of legal cases, while supporters claim it levels the playing field for individuals going up against powerful organizations. At a minimum, the insurance industry agrees that transparency is needed when otherwise disinterested financiers are behind the scenes funding false claims, leading to disproportionate claim settlements. But is transparency enough?

Even more troubling, reported by The Insurer, is that “they have also raised concerns that foreign parties are funding litigation to gain access to confidential data made available during lawsuits.” Opponents including the American Property Casualty Insurance Association (APCIA) and the [U.S. Chamber of Commerce](#) have voiced their concerns and are pointing out many flaws. Additionally, we recently published details about [trucking industry verdicts](#).

### U.S. composite insurance pricing change: casualty

According to the Marsh Q3 2024 U.S. composite casualty insurance index, pricing increases averaged **10%** (a 6% jump over the previous quarter). Excluding workers’ compensation, rate increases averaged 14% (double the trend in the prior quarter). The shift in the casualty market we anticipated is taking hold.



Source: Marsh Specialty and Global Placement

## Automobile/fleet

### Rate trends

Average rate increases were **8%** and with double-digit increases for businesses with heavy trucks and/or adverse claims experience.

### Conditions and observations

- Key market drivers remain unchanged: inflation, supply chain disruptions, technology challenges, an increase in fatalities, and an uptick in excessive jury verdicts.
- There is continued resistance across the marketplace to quote limits over \$1 million, creating challenges for the higher primary limit requirements from umbrella and excess markets.
- Underwriters are concerned about contingent auto liability when insureds are hiring third-party truckers.
- Trucking and hired non-owned risks continue to present challenges, and underwriters are enforcing new driver requirements such as a minimum of three years of driving experience and a minimum age of 23.





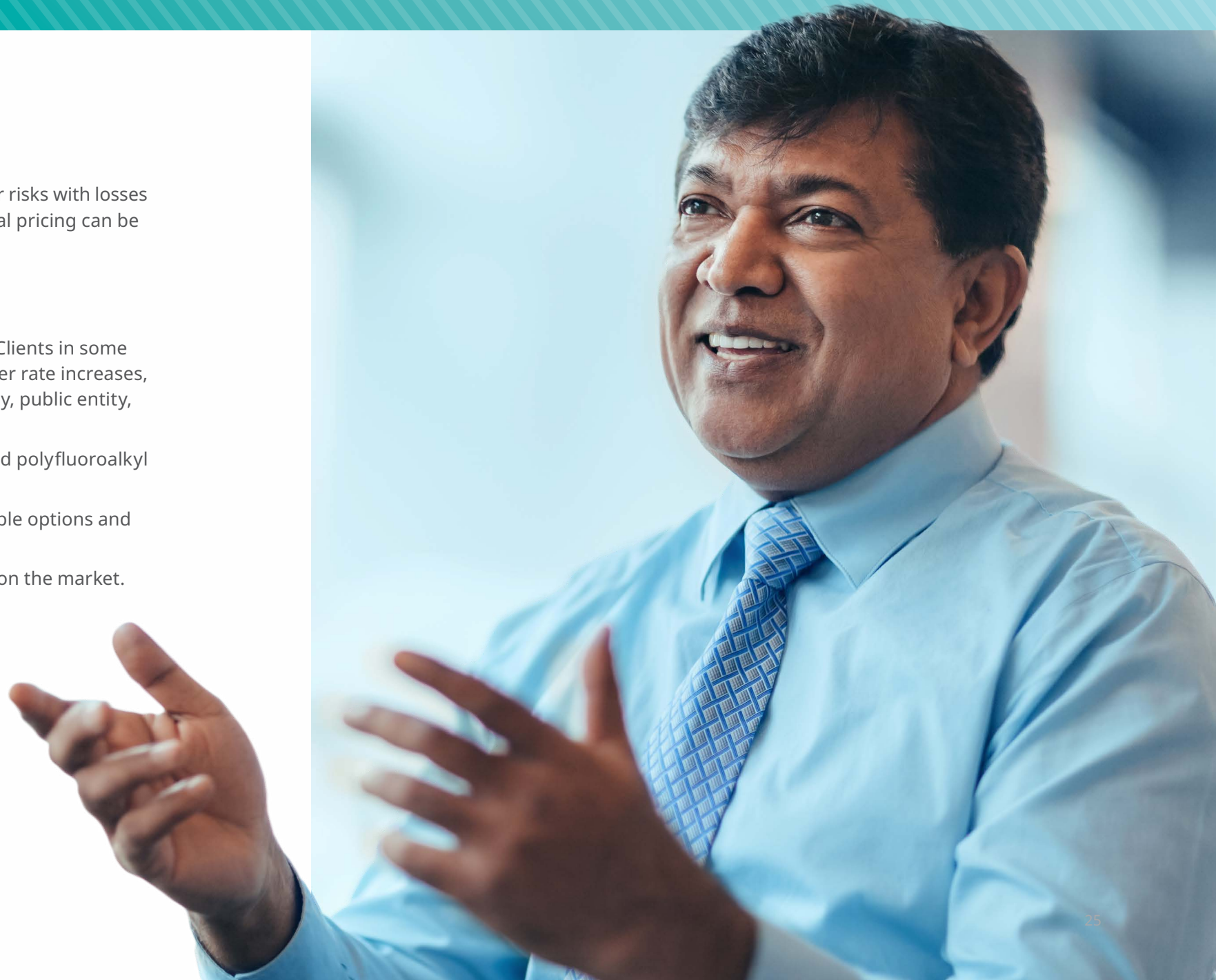
## General liability

### Rate trends

Rate increases are averaging **4%** and higher for risks with losses and/or product liability exposures. Flat renewal pricing can be achieved in some instances.

### Conditions and observations

- General liability rates remained consistent. Clients in some industry classes generally experienced higher rate increases, including real estate, habitational, hospitality, public entity, and education.
- Insurers' concerns are increasing for per- and polyfluoroalkyl substances (PFAS) exposures.
- Insurers continue to quote multiple deductible options and capacity remains favorable.
- Global instability continues to put pressure on the market.



## Umbrella/excess

### Rate trends

- In the umbrella and excess liability market, risk-adjusted rates tracked by the Marsh Global Insurance Market Index increased **21%** compared to 10% in the prior quarter. Where there was no program structure change, rates increased 20% and 5%, respectively.
- Rates on umbrella programs with favorable loss experience and low-hazard exposure increased in the 10% to 15% range, while those with adverse loss development and exposure concerns typically saw program changes and rate increases of 30% and higher.

### Conditions and observations

- We continue to see carriers reduce their capacity on more difficult exposures, including some segments of construction and manufacturing.
- We were previously experiencing limit reductions from \$10 million to \$5 million in past years. Now there are instances of \$10 million limits being reduced to \$2 million to \$3 million.
- Some insurers focused on limiting or excluding coverage in such areas as per- and polyfluoroalkyl substances (PFAS), biometric, sexual molestation liability, endocrine disruptors, and Israel/Palestine and Russia/Ukraine conflicts.
- The cumulative loss cost trend has outpaced rate increases over the past five years.
- Legal system abuse (aka social inflation or litigation finance) is beginning to complicate the ability to obtain affordable coverage with adequate limits, with many excess/umbrella markets requiring at least \$10 million in primary limits before they will quote. Third-party funding of lawsuits is leading

to a disproportionate number of nuclear verdicts (typically defined as awards exceeding \$10 million); large and small organizations alike are experiencing the accelerated litigation costs and it is greatly impacting insurance affordability.

- For some perspective, the Institute for Legal Reform published "[Tort Costs in America: an Empirical Analysis of Costs and Compensation of the U.S. Tort System](#)." The institute discovered that tort costs grew at a faster rate than GDP even prior to the 2020 pandemic, negatively impacting consumers, businesses, and the economy.
  - While legal system abuse is a global issue, Swiss Re analysis estimates that the U.S. ranks No. 1 with a 52% share of activity.
  - The U.S. regulatory framework recognizes that a lack of transparency of third-party funded lawsuits is a key area that needs to be addressed. There are many proponents of legal reforms who all agree that defendants should have a right to know when a third-party firm is financing a lawsuit against them.
  - Insurers continue to monitor and reevaluate capacity on individual risks due to this U.S. litigious environment, and reinsurers press for reduced volatility.
- Increasing underwriter scrutiny is driving umbrella and excess underwriters to require an inordinate amount of detail in marketing submissions, including incumbent insurers at renewal.



## Workers' compensation

### Rate trends

Rates generally remained flat or in negative territory, with decreases of around -2%.

### Conditions and observations

- Carrier appetite for workers' compensation remains high for insurers, although there is growing concern about increasing reserves and rising medical costs.
- Workers' compensation can still be leveraged to temper general and automobile liability rate increases.
- Market is seeing continued competition from regional and specialized insurers, with new programs providing additional capacity.



04

**Cybersecurity and  
data privacy**



A staggering 75% of U.S. executives ranked cyberattacks as their top business risk in a September study from PricewaterhouseCoopers. That's ahead of margin pressure affecting earnings (70%), geopolitical tensions (68%), and AI legal and reputational risks (63%).

There's certainly a common thread across these concerns that point back to economic pressures. When an organization has fewer resources to protect against and respond to cyber threats, and inflation leads to insufficient staff, cybersecurity improvements may not get the warranted attention required for an organization to remain resilient. In another example, generative AI's ability to produce convincing deepfakes adds to the cyber risk environment, as do bad actors from political foes. All of these risk concerns are interconnected.

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### Rate trends

While pricing can be inconsistent, U.S. **rates decreased an average of 4% to 5%** in Q3 2024, and more for risks that can demonstrate year-over-year security control improvements.



## Conditions and observations

- More insurers are aggressively quoting and binding accounts without full multi-factor authentication (MFA) in place, but they limit coverage and will only increase sublimits mid-term if the insured fully implements MFA.
- Competition remains strong, with rates decreasing and many insurers willing to increase capacity and provide options for lower self-insured retentions. Insureds benefit, allowing them to purchase more adequate limits.
  - Thirteen percent of Marsh clients increased their total limits in August 2024 and eighteen percent were able to reduce self-insured retentions.
- As policy wording continues to evolve, some carriers are imposing updated exclusions related to war, privacy regulations, and data collection.
- Marsh observed a 16% increase in cyber claims reported through Q2 2024.
- Supply chain and third-party cyber risks are a growing threat.

**60%**

of organizations work with more than 1,000 third parties.

**71%**

of organizations report their third-party network contains more vendors than it did three years ago.

**73%**

of organizations have experienced significant disruption caused by a third party, whether it be a data breach or ethical violation.

**73%**

of organizations say their third parties have more access to organizational data assets than three years ago.

**80%**

of organizations report their third-party diligence questionnaires have increased in recent years.

Please review our top [twelve security controls](#) being requested by insurers.



# Helping you achieve what is possible



# Questions



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