RT ProExec

U.S. PROFESSIONAL & EXECUTIVE LIABILITY

INSURANCE MARKET REPORT

APRIL 2025

MARKET OVERVIEW

Overall, the professional and executive liability insurance market can be characterized as soft. However, there is significant variation by coverage line. Some lines and industries are seeing harder market conditions due to regulatory and litigation trends, and within those lines, we may see rate increases ahead.

CYBER

Following increased capacity and competition, the cyber marketplace has been in a soft market cycle. Prices have fallen, additional capacity is available, and we are seeing flexibility around controls that were considered must-haves just 18 months ago.

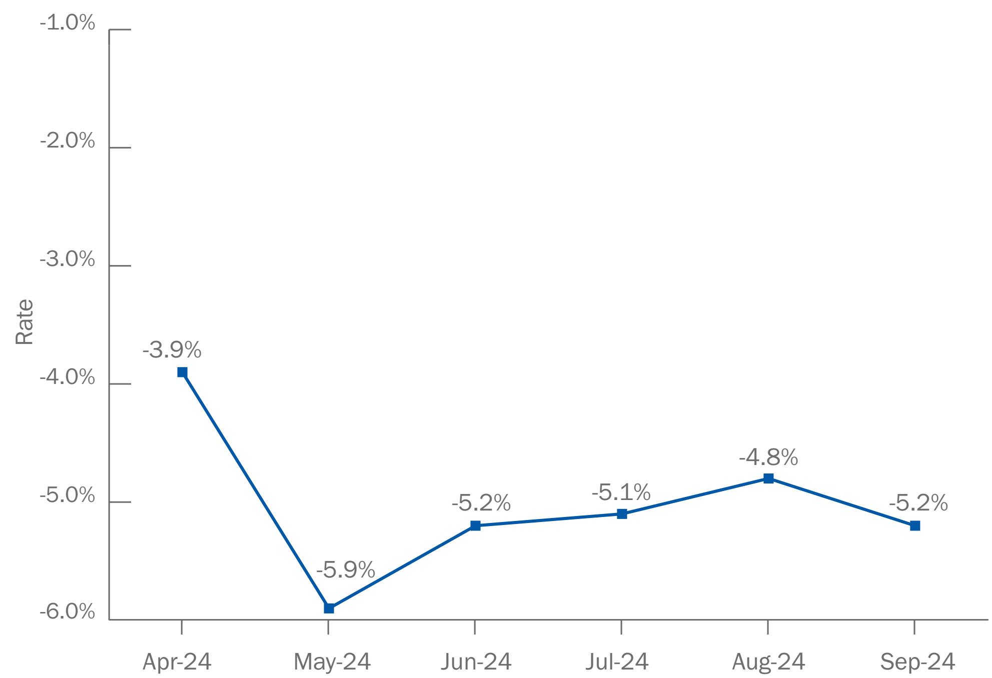
This is somewhat surprising because claims continue to increase. Claim severity continues to be a challenge. The 2024 Cyber Claims Study from NetDiligence[1] shows that the average cost of a business email compromise claim surged from $84,000 in 2022 to $183,000 in 2023. Other types of incidents are also costly. A 2024 report from BakerHostetler[2] shows that the average fraudulent wire transfer amount is $430,445 and the average ransom paid is $747,651.

First-party losses – namely, ransomware and cybercrime – continue to be the most damaging. Business interruption is also a threat. However, litigation over privacy concerns has also picked up, making third-party losses

New comprehensive data privacy laws take effect in eight states in 2025:

- Delaware
- Iowa
- Maryland
- Minnesota
- Nebraska
- New Hampshire
- New Jersey

PREMIUM RATE CHANGE - CYBER



Note:
1. Does not account for changes to terms & conditions or exposure units
2. Eliminates outliers

CONTACT

For more information, contact your local RT ProExec broker at rtspecialty.com more of a concern for underwriters. This is, at least in part, due to a wave of new data privacy laws.

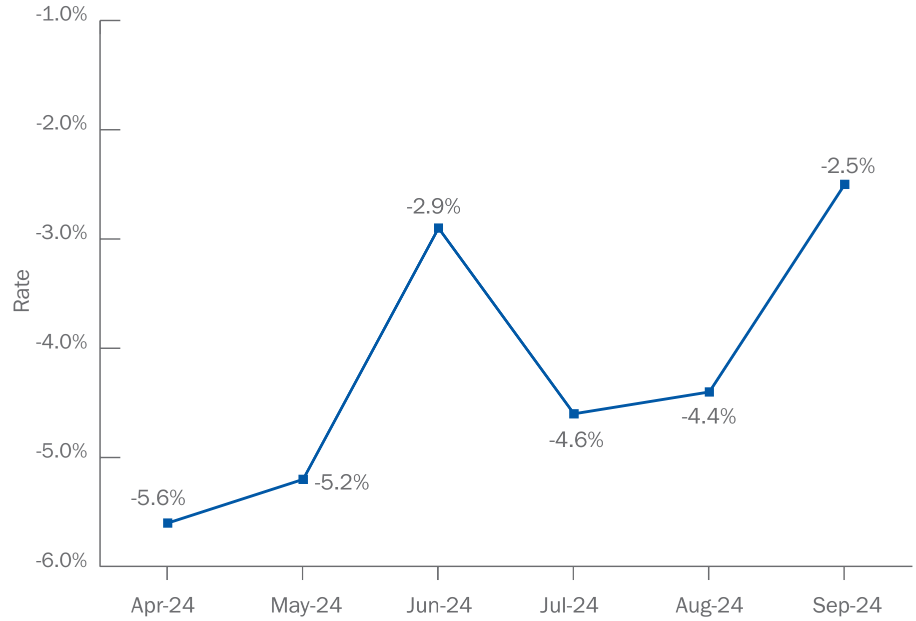
We anticipate that rates will level off or increase slightly in 2025. New capital may still be entering the market, albeit more tentatively. If prices begin to rise, it may not start as a broad market shift. Instead, it will likely vary by individual carrier, class or other risk factors.

Beyond rate changes, there has been increased focus on policy language adjustments to address claim exposures related to wrongful collection, Children's Internet Protection Act (CIPA), global infrastructure and war.

Cybersecurity remains critical. Practices need to evolve to keep up with new threats, including AI-powered attacks. To help manage evolving cyber risks, more carriers are rolling out their own security solutions.

Although the market is still soft, given the risks involved and the overall state of the market, it is critical to place business with trusted carriers and underwriters who have good paper, a stellar reputation, expert claims handling, great service, and comprehensive coverage. Look for trading partners who can get creative when needed.

PREMIUM RATE CHANGE - DIRECTORS & OFFICERS - PRIVATE



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EPL

Employment practices liability (EPL) insurance has followed a hard to soft market fluctuation over the past three to four years – similar to what we have seen with directors and officers (D&O) insurance. However, EPL claims have recently become more challenging, making the line less profitable for carriers, so rates are currently holding steady.

Loss frequency has historically been the leading concern for EPL claims, but with social inflation, class action activity and nuclear verdicts, severity loss dynamics have emerged as well. This is most prominent in the most litigious states, such as California, New York, and Florida. However, with large populations moving out of these states and into others in recent years, historically "sleepy" states like Illinois and Texas are starting to see increasing EPL claims activity.

EPL rates were up just 0.3% on average in the third quarter of 2024.
Source: CIAB[4]

The EEOC[5] received 81,055 new discrimination charges in fiscal year 2023. This represents more than a 10% year-over-year increase.

Looking forward, we expect to see some carriers pushing moderate increases in select regions (such as Southern California) or classes (such as healthcare and real estate).

PRIVATE D&O

Overall, soft market conditions appear to be prevailing, although we may be nearing the bottom of the cycle due to the cost of capital and the increasing cost to defend claims. We hear that claims frequency is up. Newer entrants will always create potential strategies for price savings, but many established markets have held their ground on material decreases in the recent renewal cycle.

Many believe that merger and acquisition activity is likely to increase with the new administration, which may create more opportunities for new business on both the public and private side and bolster the D&O market overall. Economic uncertainty has been a concern for a long time now, but it does not appear to be having a significant impact – at least not yet.

Global IOS Activity by IPO Proceeds
- 2020: $271.3 billion
- 2021: $459.9 billion
- 2022: $184.3 billion
- 2023: $126.1 billion

Regulatory matters are impacting claims for both private and public companies. Other claims tend to arise from customers and competitors – often involving commercial disputes, product and service-related liability, and employee and intellectual property poaching.

Regardless, the market is still soft and there is plenty of new capacity, especially in the $25K+ premium space. It is not uncommon to see renewals receiving 5 - 10% rate reductions without competition.

Underwriter appetite is broadening to include less desirable business, such as accounts with poor financials, a high hazard class, or a poor claims history. Carriers have recently been willing to write risks that would have been outside of their appetite a couple of years ago. Rate decreases will likely level off as the market stabilizes, but good accounts should be in an attractive position.

PUBLIC D&O

The D&O market continues to remain favorable for companies both seeking D&O coverage as new buyers and renewing their existing programs.

The proliferation of new capacity within the marketplace has created a supply and demand imbalance, in which premiums continue to decline and policy terms and conditions continue to expand. This has led to a favorable D&O environment for insureds that has lasted well over two years, with further decreases in the low single digits expected for 2025.

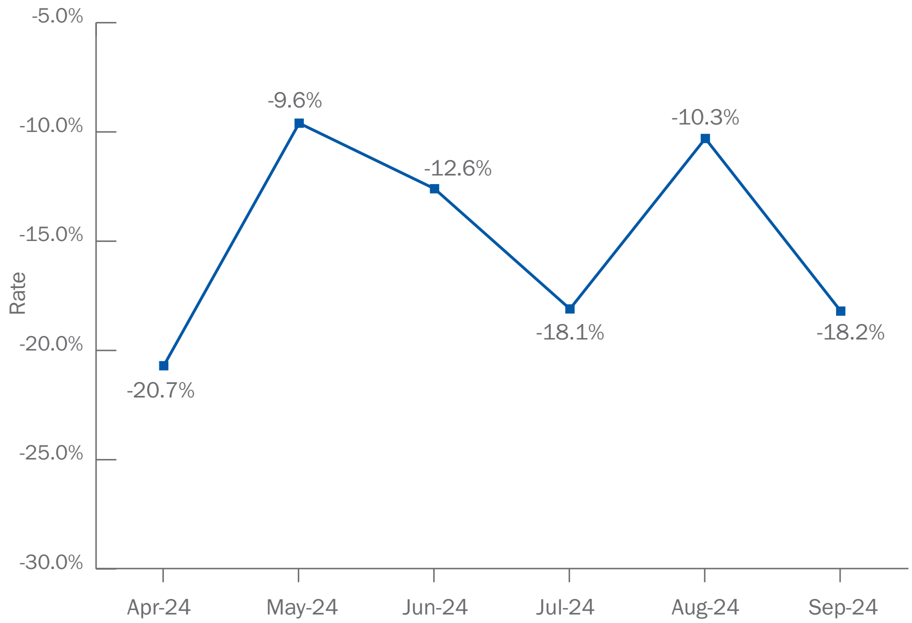
The continual decline of premium within the D&O space has led some carriers to move toward rating inadequacy in portions of their books, making it likely that they will begin stepping away from layers they deem underpriced in 2025. While we have begun to see pockets of this behavior transpire within the public D&O space, a number of carriers are still willing to write the layers that other carriers are exiting.

Looking forward, underwriters are hoping for a more active IPO market in 2025 – similar to that of 2021 – which will provide new business opportunities and temper ongoing competition. However, only time will tell whether this happens.

For context, total global IPO proceeds in 2021 was $459.9 billion, according to EY6 data, whereas it was only $52.2 billion in the first half of 2024.

For the time being, competition among carriers remains fierce. It would be prudent for insureds to expand coverage while conditions are favorable.

PREMIUM RATE CHANGE - DIRECTORS & OFFICERS - PUBLIC



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MISCELLANEOUS PROFESSIONAL LIABILITY

The miscellaneous professional liability (MPL) market appears to be stable, as it has been for several years now. Profitability and an abundance of capacity have created a competitive marketplace.

Overall, the feedback from our top markets indicates that MPL books are continuing to perform well. However, there are some difficult sub-classes for certain markets that carriers either avoid or write more cautiously, such as real estate or insurance agents. In general, there is no shortage of competition. Wholesale-only MPL markets have surged. Keeping up with the new entrants and their appetites will be vital to success.

The market is toughening considerably for difficult risks. When placing such risks, it's crucial to pay attention to differences in sublimits and policy language. This is where carriers tend to set themselves apart and show their flexibility to tailor coverage for the insured. When reviewing coverage, pay attention to:

- The consumer protection sublimit (TCPA/FCRA/FDCA) for collection agents
- Contingent bodily injury or property damage sublimits or full limits for weapons training consultants or school safety consultants
- Full limits discrimination for property managers
- True worldwide cover (no restriction on where claims can be brought) for insureds with heavy foreign exposure

FINANCIAL INSTITUTIONS

In the financial institutions (FI) market, rates have remained flat or decreased modestly during renewals across the asset management space. There is opportunity to decrease retentions and enhance coverage. Increases are rare, but they may occur in response to substantial exposure changes or claim activity.

Conditions have been more difficult for real estate investors due to macro conditions, such as tenant health and interest rates. Underwriters are scrutinizing the Insured's real estate portfolios with particular emphasis on properties with occupancy issues and/or challenges involving the insured's ability to service their debt. Insurance companies have experienced difficulties stemming from bad faith claims and nuclear verdicts. FI EPLI claims, in particular, are driving large losses. We are seeing some reduced capacity on primary D&O for public financial institutions, but new capacity is entering the space and helping to keep excess placements aggressive.

ARCHITECTS & ENGINEERS

The architects and engineers (A&E) space has remained stable, without any notable shifts.

Capacity continues to be limited in the long tail project specific (PSPL) segment. Going forward, the demand for project capacity will depend on overall infrastructure spending and private investments in large projects, such as mixed-use, residential, large commercial buildings and stadiums.

Overall, most new entrants into the market are focused on the small to midsize business segment. With new capacity, rates in this market have been relatively stable year over year.

We have not seen any notable new markets emerge for large A&E firms. Markel has exited the space, while Ironshore has limited its appetite. Overall, large A&E firms should expect a small rate increase, unlikely to exceed 5%.

HUMAN SERVICES

The human services sector of the professional and general liability marketplace has experienced hardening market conditions and drastically increased dependance on the excess and surplus lines market.

Several classes of business in the sector are experiencing particularly challenging market conditions, including:

- Adoption and foster care
- Residential and inpatient, including ID/DD group homes and at-risk youth or juvenile justice programs
- Substance abuse, detox, and addiction medicine

Statute of Limitations Trends for Child Sexual Abuse (CSA)

- 51 U.S. jurisdictions have no criminal statute of limitations for some or all CSA claims.
- 22 U.S. jurisdictions have no civil state of limitations for some or all CSA claims.
- 33 U.S. jurisdictions have a revival or window law for expired state of limitations for some or all CSA claims.
- 12 U.S. jurisdictions had new SOL reform laws or resolutions go into effect in 2024.

Hardening market conditions are the result of several factors. Legislative reform in multiple states has amended or removed the statute of limitations for sexual misconduct liability litigation, which has resulted in increased demand for monoline sexual misconduct liability markets to offer additional limit capacity. There has also been a sharp increase in non-renewals and limit reduction or compression from the admitted markets that insured a significant portion of human services organizations on a package basis.

SENIOR CARE

The marketplace for senior care facilities has seen several new entrants over the past 18 to 24 months. These new entrants have offered increased capacity as well as increased competition, moderating premium and retention increases on primary placements across the sector.

The excess marketplace has seen a continued effort from carriers to reduce limit capacity, in most cases restricting total limits to $5M per carrier in the excess tower. Although pricing increases have been more stable than in previous years, there is still concern from carriers regarding the sharp increase in nuclear verdicts across all jurisdictional venues in the United States – even those that traditionally were not high-severity risks.

ALLIED/MISCELLANEOUS FACILITIES

The allied/miscellaneous facilities marketplace is projected to remain stable for the foreseeable future. This sector has a plethora of legacy carriers as well as a large number of new entrants, which provide a surplus of capacity and high levels of competition to tamper any pricing increases. While the space is largely stable, there are a few areas within the allied healthcare sector to watch for adverse development and legislative changes, including GLP-1s, medical weight loss services, and correctional healthcare.

HOSPITALS

The hospital segment has been challenging. Overall, carriers are offering U.S. hospitals reduced limit capacity. We have also seen a more concerted effort in markets – both abroad and domestically – to incentivize increased retention structures. These changes are largely triggered by several trends that carriers are monitoring closely, including:

- Drastically increased severity and frequency, particularly in some jurisdictions
- Concern around batch claims
- Sexual misconduct liability exposures

THE RT PROEXEC ADVANTAGE

RT ProExec is a leading specialty insurance practice focused exclusively on Executive, Professional and Transactional Liability. We provide cutting-edge product knowledge, innovative placement methodologies and exceptional service to support retail clients and their insureds.

Why should you collaborate with us?

We help retailers retain existing clients, win new prospects and grow their portfolios. While expert assistance from a wholesale broker can provide a notable competitive advantage anytime, it is particularly crucial during disrupted markets.

RT ProExec offers:

- Market Leading Scale and Depth
- Dedicated Industry Verticals
- Proprietary and Exclusive Products and Enhancements
- Creative Problem Solving
- Robust Educational Resources and Services
- Claims Advocacy and Support

Sources:

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