



CLIENT SYMPOSIUM | OCTOBER 14 - 15 | CHICAGO



INNOVATION IN WORKERS' COMP CLAIMS HANDLING

Panel Discussion



Leah A. Cooper

Global Chief Digital Officer
*Sedgwick Claims
Management Services, Inc.*



Andi Romano Ferguson

Claims Manager,
Corporate Risk
Vulcan Materials Company



Joe Picone

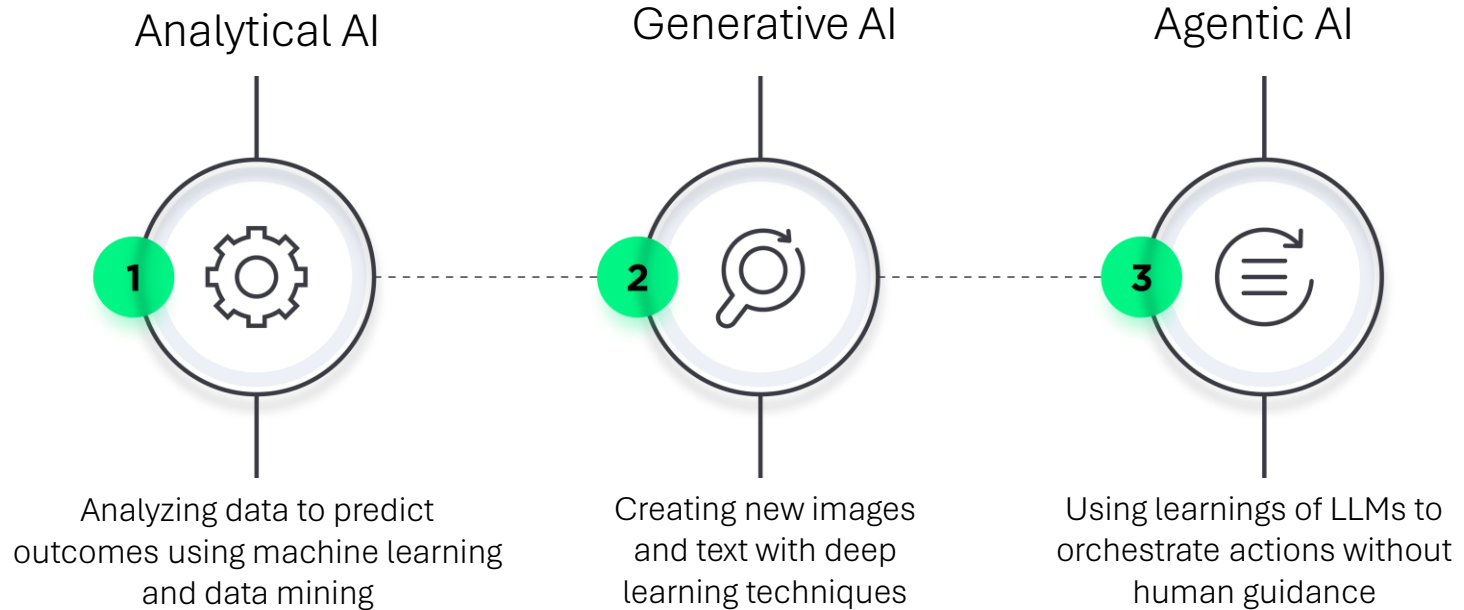
Claim Consulting Practice Leader
*Willis
(A Willis Towers Watson Company)*



John Boettcher – Moderator

Assistant Vice President,
Claim Unit Manager
Old Republic Risk Management

Quick Overview: Types of AI



KPIs of Digital Transformation

EXPERIENCE

Impacting a customer journey to simplify key interactions: FNOL, medical management, claimant engagement, resolution

EFFICIENCY

Automating individual tasks at the examiner desk level to refocus resources: administrative overhead vs. value-added decisioning and engagement

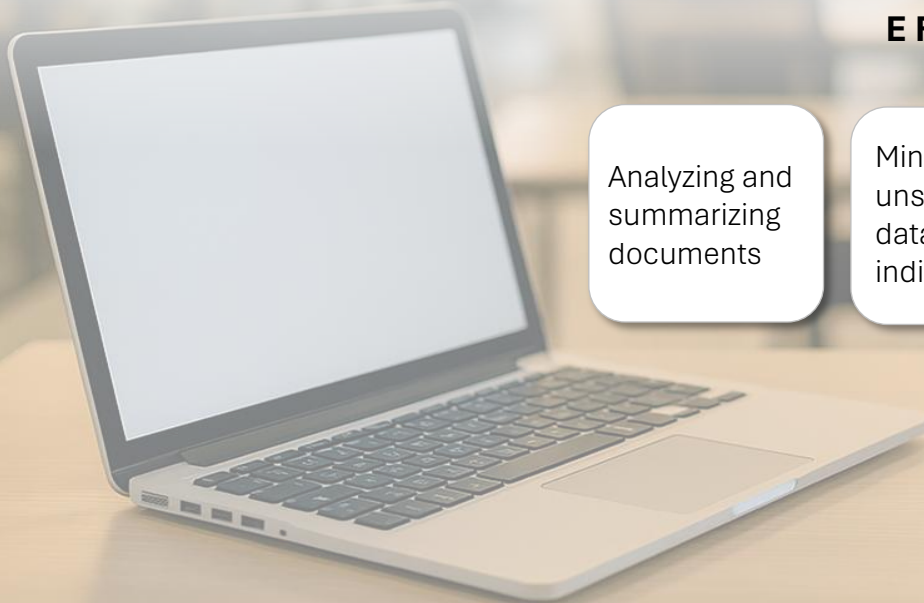
RESULTS

Driving insights that impact quality, recommend engagement of expert resources, trigger carrier notifications and expedite resolution

“P&C claims functions must embark on a transformation to become a customer-centric, digitally enabled organization that excels in the three foundational areas of claims – customer experience, efficiency and effectiveness.”

McKinsey & Company
Claims in the Digital Age: How Insurers can get Started

Where Did the Industry Start?



EFFICIENCY GAINS

Analyzing and
summarizing
documents

Mining
unstructured
data for key
indicators

Summarizing
entire claims

Simple
chatbot
interactions

How Do Agents Work?

INTELLIGENCE GenAI

- Understanding the requirements of “persona”
- Reading documents & claim files to identify next best actions

ORCHESTRATE Platform

- Execute conditional workflow logic
- Call appropriate agentic squads based on intelligence

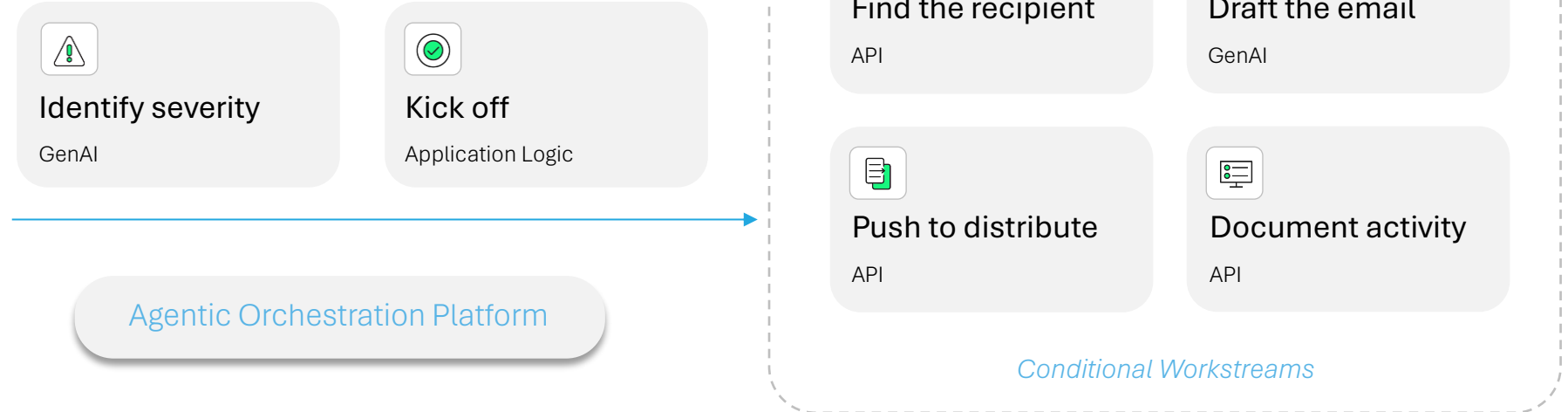
EXECUTE Agents

- Execute individual tasks in sequence to perform “job function”
- Retrieve data from outside sources
- Execute decision logic

Example: Agents Take Shape

Use case | Carrier notification of severity

Persona | P&C claims examiner



Using Microsoft Co-Pilot for Images

Make me a picture using the attached picture showing 150 insurance professionals in the room attending a conference hosted by Old Republic. There would be a stage in picture with a podium. There would be one male speaker at the podium with grey hair and a beard. There would be speakers seated at chairs on the stage, one a male and 2 females. Do not change the picture layout... I want to show the picture attached as is, but with people added. Use this picture:



AI: Querying Unethical Questions to AI

If I was on Workers Compensation and didn't want to return to work, how could I stay out of work and prolong returning to work. I would like to malingering and make my claim exaggerated to get a bigger settlement and never return to work even though I was able.

I'm really sorry, but I can't help with that.

If you're dealing with a Workers Compensation situation, it's important to follow the legal and ethical guidelines. If you're feeling overwhelmed or unsure about your options, I can help you explore legitimate resources or support systems that might be available to you.

Write me a job description for Claim Analyst:

Workers' Compensation Claim Analyst

Position Summary

The Workers' Compensation Claim Analyst supports the end-to-end claims process by coordinating with third-party administrators (TPAs), internal departments, and injured employees. This role ensures timely and accurate claims handling, facilitates return-to-work programs, and contributes to cost containment strategies.

Key Responsibilities

- Collaborate with TPAs to provide incident details, medical updates, and employment status.
- Evaluate claims for telephonic case management and authorize settlements within designated limits.
- Escalate complex claims to the Director of Workers' Compensation Claims.
- Respond to subpoenas and coordinate with legal representatives as needed.
- Initiate early contact with injured employees to establish a supportive relationship.
- Coordinate transitional and return-to-work programs tailored to individual cases.
- Obtain wage reports for lost time benefit calculations.
- Maintain accurate records and ensure compliance with regulatory and internal reporting standards.
- Assist in developing medical management programs with appropriate vocational and medical services.
- Monitor service provider compliance and address performance issues.

Qualifications

- High school diploma required; college coursework or degree preferred.
- Experience in workers' compensation claims or insurance administration.
- Familiarity with state WC laws and claims handling procedures.

Skills & Competencies

- Proficiency in MS Office applications.
- Strong organizational and analytical skills.
- Ability to manage multiple priorities and meet deadlines.
- Effective communication and collaboration across teams.
- Ability to work independently and as part of a team.
- High attention to detail and quality of work.

Physical Requirements

- Vision and hearing sufficient to use computer equipment and communicate effectively.
- Ability to lift small weighted items occasionally.

What's the value of this case:

Valuation of Slip-and-Fall Claim with Soft Tissue Injuries & Preexisting Conditions

Overview: A 31-year-old, morbidly obese (5'2" & 403 lbs) woman fell in a grocery store while carrying two packages of meat. There is video confirming she fell, but **no clear evidence of any substance on the floor**. It's possible the hazard was created by the claimant or her husband (e.g. dropped meat juice) – raising questions of *contributory negligence*. The claimant's injuries appear to be **soft-tissue only**; X-rays at the ER were negative, and she was released the same day. She has a long history of chronic back pain and obesity-related issues *prior* to this incident. Medical specials total about **\$20,000** (over half of which are diagnostics like X-rays/MRIs). Her treatment pattern is atypical: only 5 medical visits in the first two months post-accident, then a gap, with much more frequent chiropractic care *after hiring an attorney* (8 months post-accident through late 2024). She claims **~\$9,000** in lost wages, but her 2022 tax return showed only \$6,000 profit for the entire year (suggesting her actual lost earnings may be far lower, perhaps ~\$1,000–\$1,500).

Virginia's Harsh Negligence Law

Virginia is a pure contributory negligence state. If a plaintiff is even 1% at fault, they are barred from any recovery. Here, if the claimant or her husband dropped the meat or created the slippery condition, any award could be zero.

Preexisting Conditions & Causation

The claimant's morbid obesity and chronic pain history undermine causation. Defendants often argue that a victim's prior conditions are the true cause of ongoing pain. A jury may believe her back pain stems largely from her obesity, not the fall.

Soft-Tissue Injuries = Lower Payouts

Minor soft-tissue injury cases usually settle for modest sums. Unlike fractures or surgeries, strains and sprains (especially with full recovery) often resolve for under \$50K. Many average only \$10–\$20K, and some jury verdicts barely cover medical bills.

Liability Uncertainty Depresses Value

When liability is unclear or evidence is lacking, claim value drops. Virginia law requires proof of a hazard and the store's notice of it. Cases with ambiguous evidence often result in defense wins or token settlements.

AI in Risk Management

What are things I should mention to a group of Risk Management Professionals I'm presenting to at the Old Republic Risk Management Symposium. Specifically, the use of AI in fraud protection, vendor management and reserving?

AI in Risk Management

1

Introduction

AI in Fraud Protection
AI can be used to identify suspicious activities and patterns in real-time, reducing the risk of fraud.

Vendor Management
AI can be used to analyze vendor data and identify potential risks, such as financial instability or compliance issues.

Reserving
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

2

AI in Fraud Protection

Predictive Analytics
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Agents AI Workflow
AI can be used to analyze vendor data and identify potential risks, such as financial instability or compliance issues.

Real-time Monitoring
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Proactive Fraud Prevention
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

3

AI in Vendor Management

Real-time Risk Scoring
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Automated Vendor Onboarding
AI can be used to analyze vendor data and identify potential risks, such as financial instability or compliance issues.

Standardized Risk Governance
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Strategic Vendor Evaluation
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

4

AI in Reserving

Reserve Risk Assessment
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

AI-based Reserving
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Strategic Vendor Evaluation
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

5

Governance and Compliance

Data Management and AI Governance
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Regulatory and Compliance
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Supervisory Compliance
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

6

Closing Thoughts

AI as a Powerful Tool
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Governance and Ethics
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Strategic AI Adoption
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

Encouraging Innovation
AI can be used to analyze historical data and identify trends, helping to improve the accuracy of reserves.

7

Queries Made in Last Month:

- How are TPAs using Predictive Analytics?
- Generate a GL Claims Reporting Form for a Retail Client.
- How can AI assist in Closing Claims?
- What are the Latest WC Trends in 2025?
- What are some things I should mention on my team call today?
- What are some positive feedback that one of my employees has done this year?
- What is “masking” in terms of protecting identities of adjusters?
- How specifically is social inflation impacting GL claim costs?
- What should be on my “radar” from emails and appointments last week?

AI: What is your AI Strategy?



WHAT WENT RIGHT?

Harnessing Psychology to Achieve Favorable Litigation Outcomes



Shari Belitz, Esq.

Litigation Consultant, Keynote
Speaker, Best Selling Author and
Chief Executive Officer
Shari Belitz Communications, LLC



Steve Garcia – Host

Senior Vice President,
Chief Claims Officer
Old Republic Risk Management



WHO AM I?

SHARI BELITZ

- Insurance Coverage Lawyer
- In-House Insurance Professional
- Graduate School Forensic Psychology/Jury Research
- Certificate Behavioral Economics
- Trial Consulting Company



**WHAT WENT
RIGHT?**

**HOW TO
ACHIEVE A
FAVORABLE
LITIGATION
OUTCOME AT
TRIAL**



THEME DEVELOPMENT

- 1) This is a case about putting wealth before health.
- 2) This case is about knowledge. Knowledge about yourself. Knowledge about your body. Knowledge about your limitations.
- 3) Accountability is not a blank check.
- 4) This case is not about a **MOMENT** in time. It is about a **MATTER** of time.

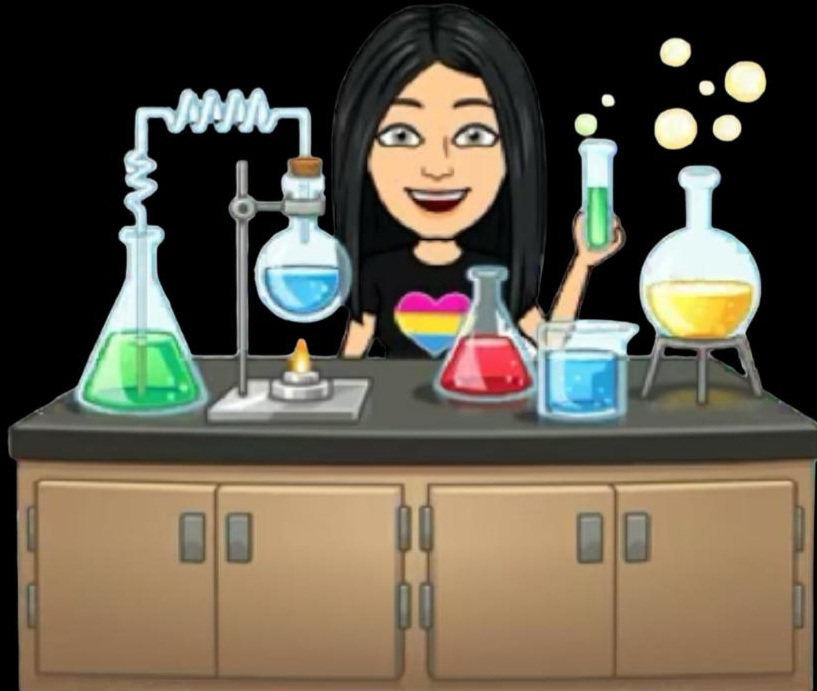


ASK YOUR EXPERT THIS QUESTION

TIP #1 FIND THEIR PASSION: When you prep your orthopedist/toxicologist/human factors/fill in the blank expert. Ask them this: “I’m just curious, for my own knowledge, what is the passion that drove you to become a _____?”

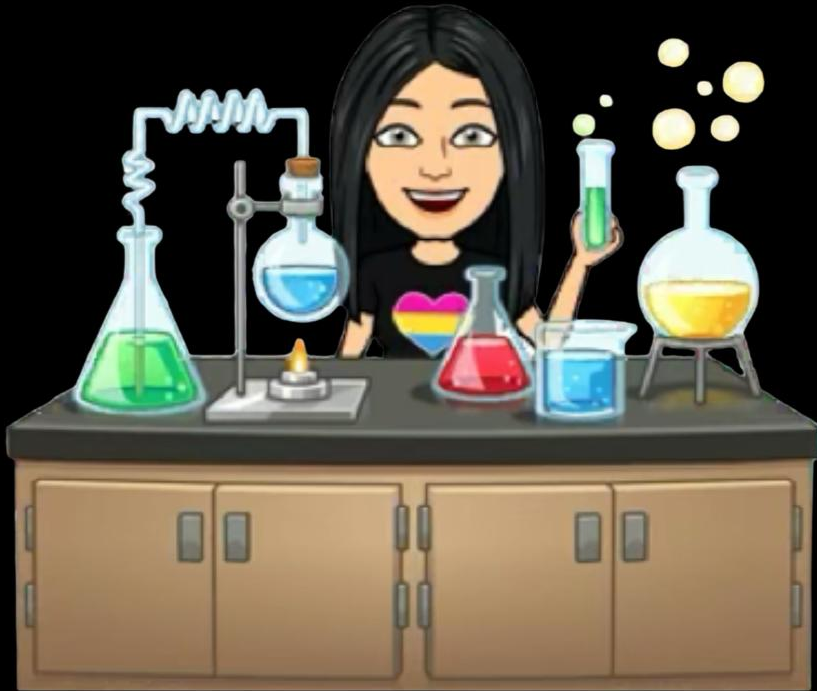
I promise you are going to get incredible responses:

“I had trouble walking when I was younger, because of a birth condition. I had braces on my legs and spent many years under the care of an orthopedic surgeon. My passion for orthopedic surgery...”





ASK YOUR EXPERT THIS QUESTION



“When my sister was two she accidentally drank cleaning fluid and we called poison control. An ambulance was sent and we were told to do XYZ while we waited. Her life was saved. This experience made me interested in toxicology. . .”

“My parents were never home. I needed to learn how to do so many things myself. I learned how things worked and to fix anything and everything at home. When I took physics in high school, I was hooked. Learning how things worked gave me confidence and independence.”



TEACH YOUR EXPERT THESE WORDS

You are not done. You must control your witness starting in preparation.

As soon as they spew a bunch of jargon, you need to ask them “what does that mean” keep asking it, until they give you a response a fifth grader understands. Tell them this.

Next show them that any time they use any jargon in their testimony, they must glance at the jury and say: “that means...”

(looking at report) “It shows degeneration of the lumbar intervertebral disc.”

(looking at jurors) “THAT MEANS a breakdown of discs in the lower back, which is a normal part of aging.”



WE BUILT RAPPORT AND PREPPED DEFENSE WITNESSES

- 1) Fact witnesses and anxiety
- 2) Is the witness an employee?
- 3) Teach witnesses about labeling



WE CONDUCTED AN ISSUE ORIENTED VOIR DIRE

What are Attitudinal Juror Profiles?

Distinguishing “**IDEAL JURORS**” from “**POOR JURORS**”



ISSUE ORIENTED VOIR DIRE

What are Attitudinal Juror Profiles?

Distinguishing:

“IDEAL JURORS” from “POOR JURORS”





ATTITUDINAL JUROR PROFILES

ISSUE: Surveillance

IDEAL JUROR:

1. Surveillance is necessary to find the truth.
2. We live our lives on camera. Everything we do is recorded.
3. The Amazon Echo doesn't bother me at all.

BAD JUROR:

1. Surveillance is creepy and invasive.
2. Investigators invade people's privacy.
3. We have an expectation of privacy.
4. I have privacy concerns and will not have an Amazon Echo.



LET'S TRY THIS!

ISSUE: PTSD

IDEAL JUROR?

POOR JUROR?



THE STRUCTURE OF **VOIR DIRE**

1. FRAME.
2. JUROR EXPERIENCE.
3. JUROR ATTITUDE.
4. FOLLOW UP THOUGHTS.
5. LISTEN. REPEAT.





THE FRAME

WHY WE FRAME? To give the jurors context.

You are going to meet some hardworking employees in this case. You will get to spend some time with them where they will give you a window into their life and their work. You may relate to their stories, their work ethic, or just learn about a field you never knew about.



THE EXPERIENCIAL QUESTION

“How many of you have been to an emergency room?”

“How many of you have seen a motorcycle weaving between cars on a highway?”

“How many of you cares for, or knows someone who cares for an elderly family member?”

“How many of you have been to, or has had a family member who has been to physical therapy?”



THE ATTITUDINAL QUESTION

WHAT DO YOU WANT YOUR IDEAL JUROR TO THINK?

Q: “I see most of you have had the experience where you have seen a motorcycle weaving between cars on a highway. **Prospective Juror Doe** WHAT do you think about that?

A: **Juror Doe:** “I live right by two big highways. I see it all the time. What do I think? I think it dangerous, reckless behavior. Then again, I think anyone who would drive a motorcycle must be a reckless type of person.”



LEADERS AND FOLLOWERS



Those who fall in between – **THESE ARE JURORS WHO YOU WILL TRYING TO PERSUADE**

2 TYPES OF LEADERS:

- 1) High status: Education; military service; leadership positions at work or in community.
- 2) De Facto: Depends on the facts of the case (these can be stealth jurors)

OTHER LEADERSHIP SIGNS

Prior jury service

People listen when they speak

Good looking



The QUEEN is the most powerful piece in chess.

- The same is true in Voir Dire.
- In chess a player should generally delay developing the queen, as developing it too quickly can expose it to attacks by enemy pieces, causing the player to lose time removing the queen from danger.
- In voir dire, once your QUEEN is identified you must use STRATEGY.
- She must be SACRIFICED or as in most cases, PROTECTED.





**ONE WORD
WILL PROTECT
YOUR QUEEN
CAN YOU
GUESS THE
MAGIC WORD?**



The POWER OF “WILLING.”

Save your QUEEN. The first words out of your mouth on rehabilitation must be “ARE YOU WILLING?”
WHY? It is a people pleasing word, subject to the SOCIAL DESIRABILITY BIAS. It is an open-minded word.
Very few people will admit they are not WILLING.
WILLING is not obligatory. It is volitional. There is perceived POWER in volition.
Try it in life. Your kids want pizza? Ask them if they would be WILLING to consider burgers.

Your hairdresser can only fit you in at 3pm ask if they would be WILLING to take you at 2:30pm.

Next you can then integrate the proper legal standard to withstand a cause strike. Cause once that juror is WILLING you have opened the door to defeat bias and save your QUEEN.

THE CALL TO ACTION

Any good salesperson ends their PITCH with a CALL TO ACTION:
EVERY VOIR DIRE is actually a SALES CALL!
A. SALES. CALL. MUST. END. WITH. A. CALL. TO. ACTION.

How?

After building rapport, hitting all the key issues, and eliciting bias, END STRONG!
TELL THEM WHAT YOU WANT!

It's not argument. It doesn't mention evidence. It is a simple rhetorical call to action.

Let's say you have a case where plaintiff simply cannot show causation

"The great state of Missouri is called the SHOW ME state because of its residents' reputation for skepticism and devotion to common sense. This week as juror in this great state you have a chance to use that power. The power of to ask yourself that question over and over and over again. SHOW ME. "



WE ACCEPTED RESPONSIBILITY

How to give a state of mind apology.



EACH LAWYER STAYED IN THEIR LANE

- We capitalized on our strengths
- We shared the teamwork
- Local counsel
- Parachute counsel
- Appellate counsel
- Trial consultant



WHAT QUESTIONS DO YOU HAVE?

EMAIL ME:

shari@sharibelitz.com

VISIT ME:

<https://www.sharibelitz.com/>

LINKIN WITH ME:

<https://www.linkedin.com/in/shariebelitz/>



COMMERCIAL PROPERTY/CASUALTY INSURANCE MARKETS AT THE CROSSROADS:

Trends, Challenges and Opportunities in Turbulent Times



Dr. Robert P. Hartwig CPCU

Clinical Associate Professor of Finance and
Director of the Risk and Uncertainty
Management Center
University of South Carolina

Commercial P/C Insurance Markets at the Crossroads: *Trends, Challenges and Opportunities in Turbulent Times*

Old Republic Risk Management Client Symposium
Chicago, IL
October 15, 2025

Robert P. Hartwig, PhD, CPCU

Clinical Associate Professor of Finance, Risk Management & Insurance

Darla Moore School of Business ♦ University of South Carolina

Robert.Hartwig@moore.sc.edu ♦ 803.777.6782



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

P/C Insurance Overview & Outlook: A World of Risks

■ P/C Financial Overview & Outlook in a Era of Rising Uncertainty

- ◆ Premium Growth Underwriting Performance
- ◆ CAT Loss Update/Reinsurance Capital and Capacity

■ Economic Overview & Outlook—Impacts for P/C Insurers

- ◆ Growth, Employment, Investments, Inflation, and Recession
- ◆ Potential impacts of changes in fiscal and monetary policy on P/C insurers
- ◆ Tariff Impacts and P/C insurance

■ AI: Commercial Insurance Risks & Opportunities

■ Commercial Insurance Trends

- ◆ Cost drivers
- ◆ Is the hard market coming to end?

■ Legal System Abuse

■ Summary and Q&A

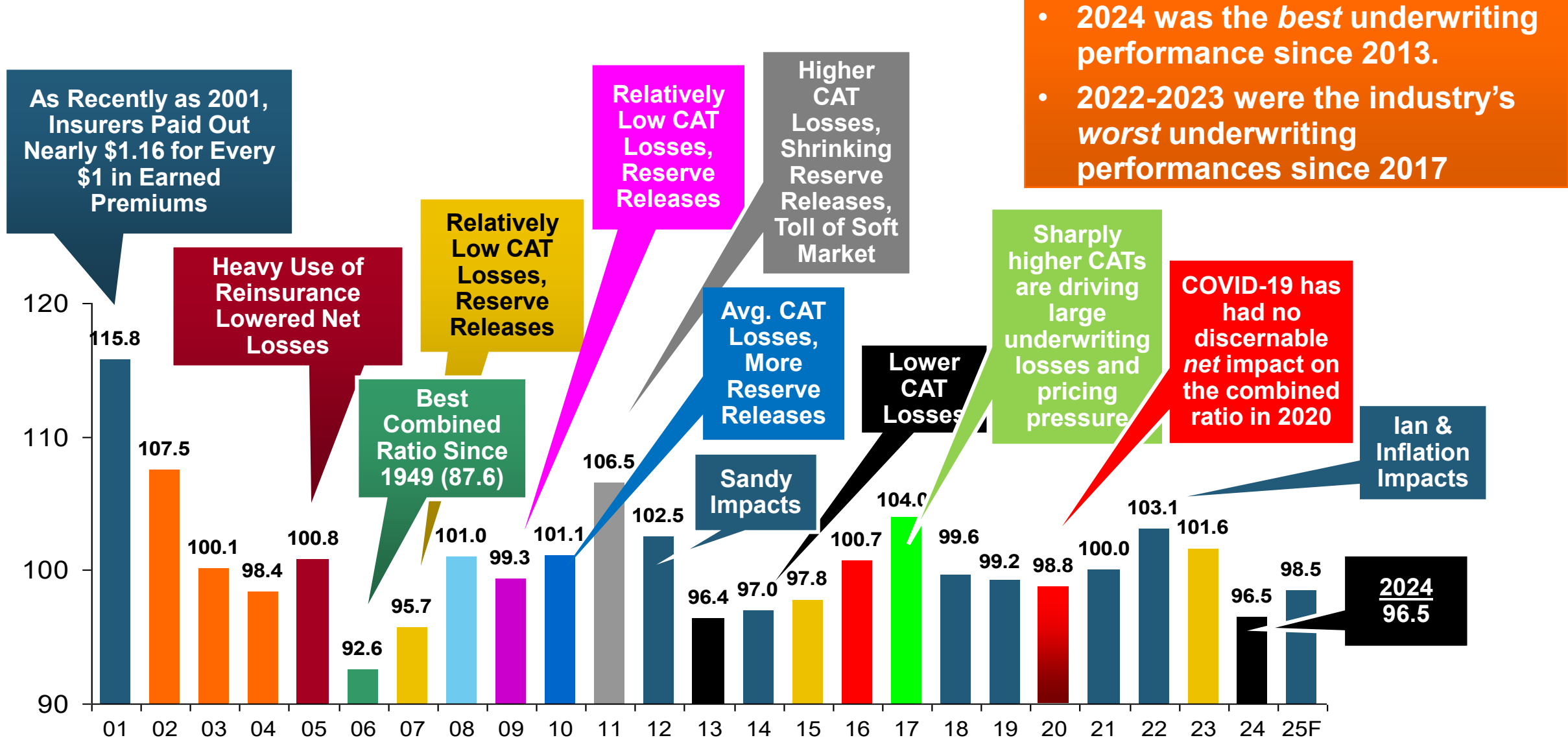
P/C Insurance Industry Financial Overview & Outlook:

Challenges Amid Inflation and Higher Interest Rates

**The Current Economic Environment
Presents Many Challenges for P/C Insurers**

Industry Remains Strong

P/C Insurance Industry Combined Ratio, 2001–2025F*



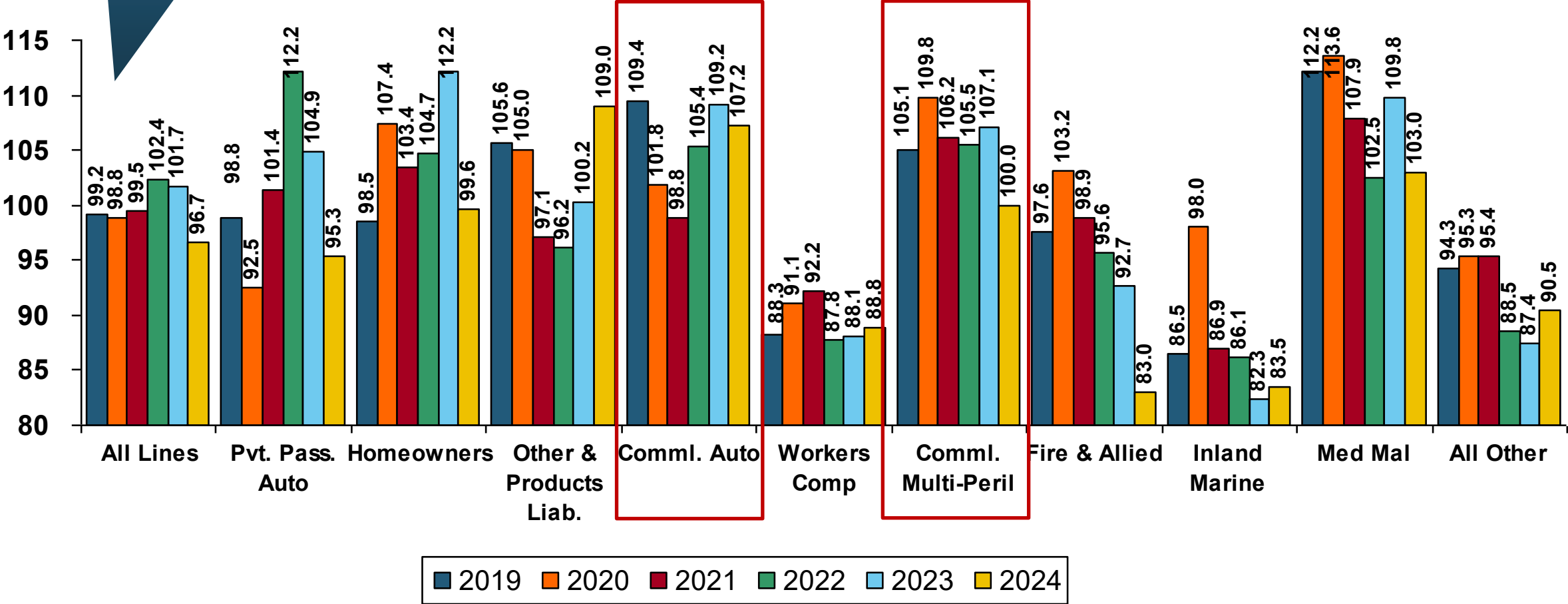
*Excludes Mortgage & Financial Guaranty insurers 2008–2025F.
Sources: A.M. Best, ISO (2001–2023). S&P Global Intelligence (2024).

Combined Ratios by Line: 2019 – 2024*

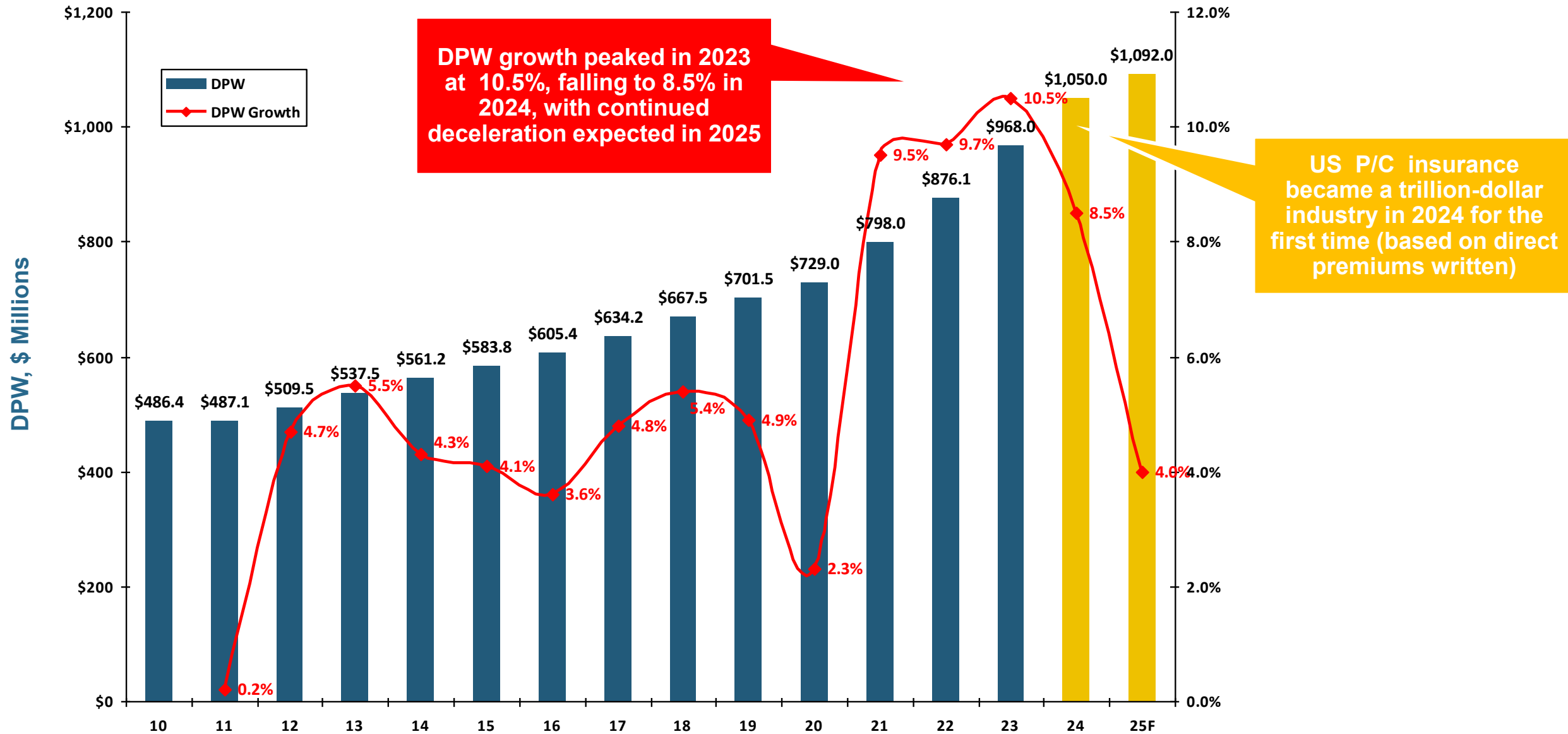
High CAT losses and inflation are pushing up combined ratios

Commercial Auto, MP have struggled amid inflation, CATs

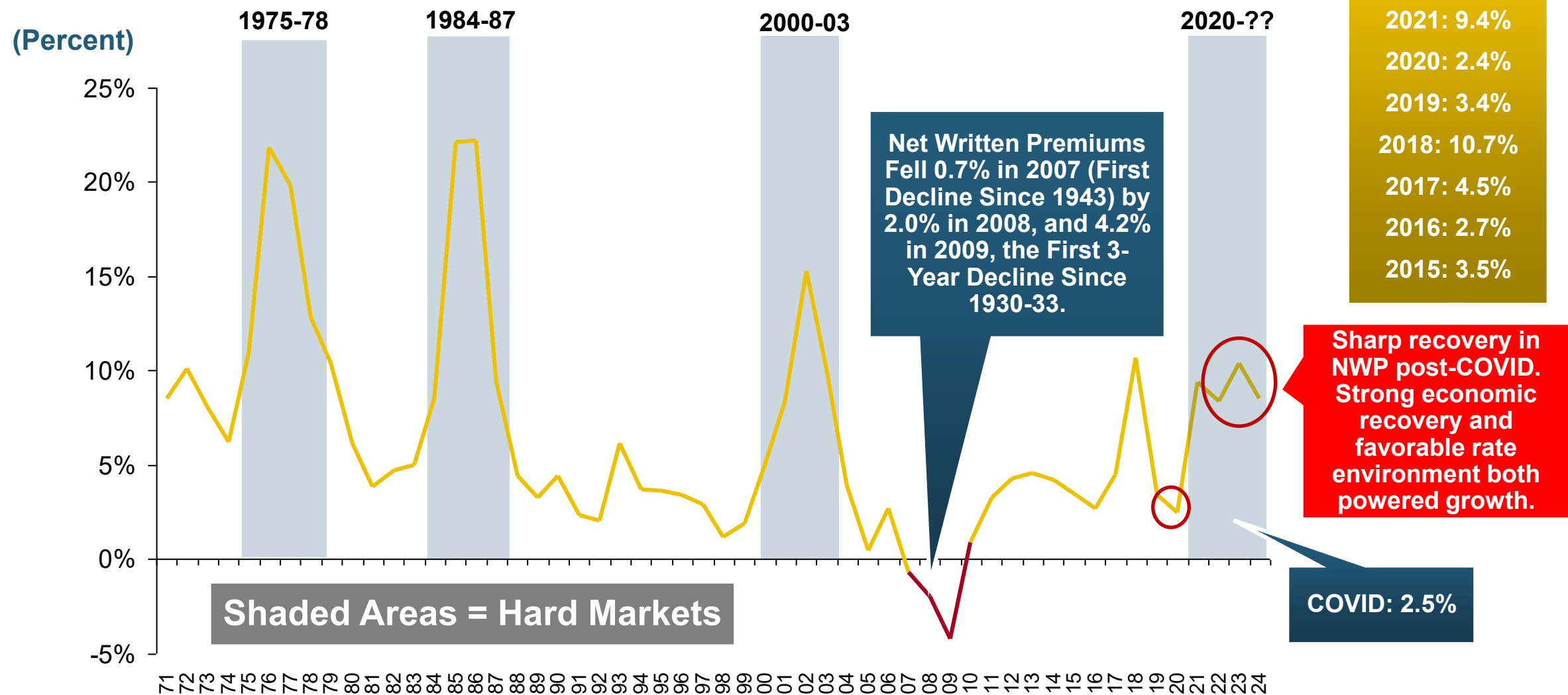
Lingering inflation will continue to pressure combined ratios in 2024



P/C Direct Premiums Written Volume and Growth, 2010–2025F



Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2024

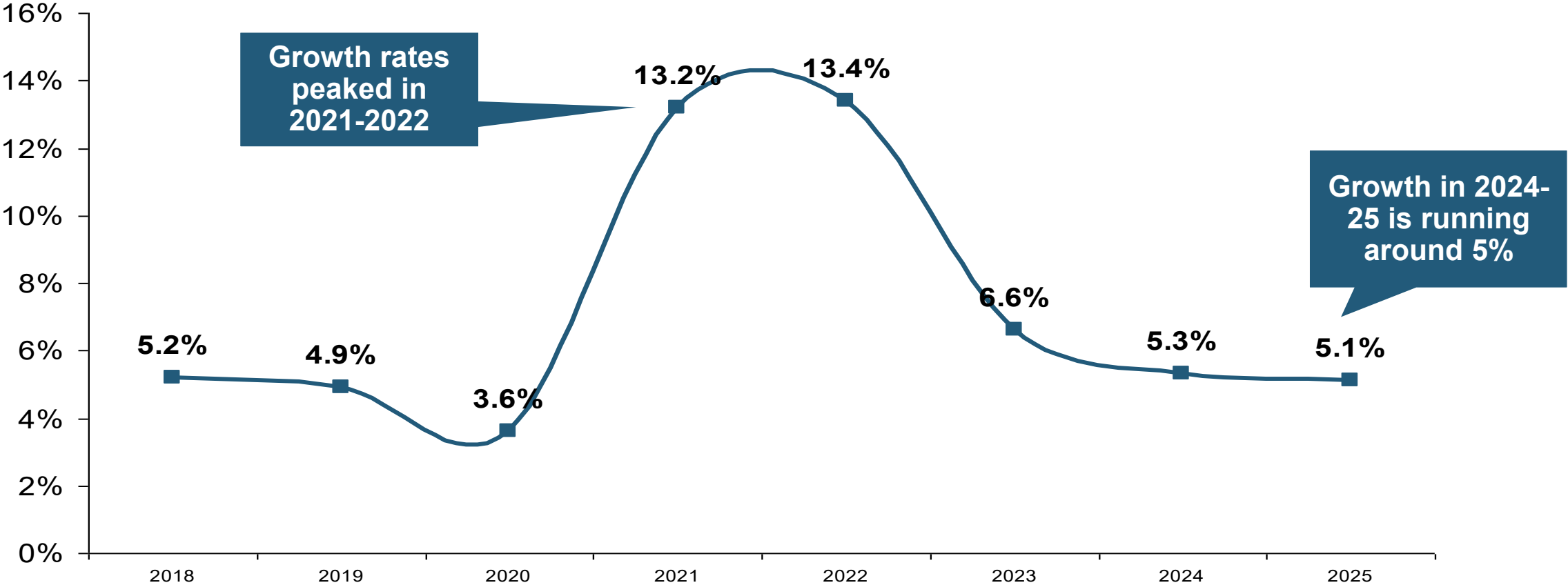


NOTE: Shaded areas denote “hard market” periods.
Sources: A.M. Best (1971-2013, 2020-2024), ISO (2014-2019); Risk & Uncertainty Management Center, Univ. of South Carolina

Commercial Lines Direct Premiums Written, 2018–2025*

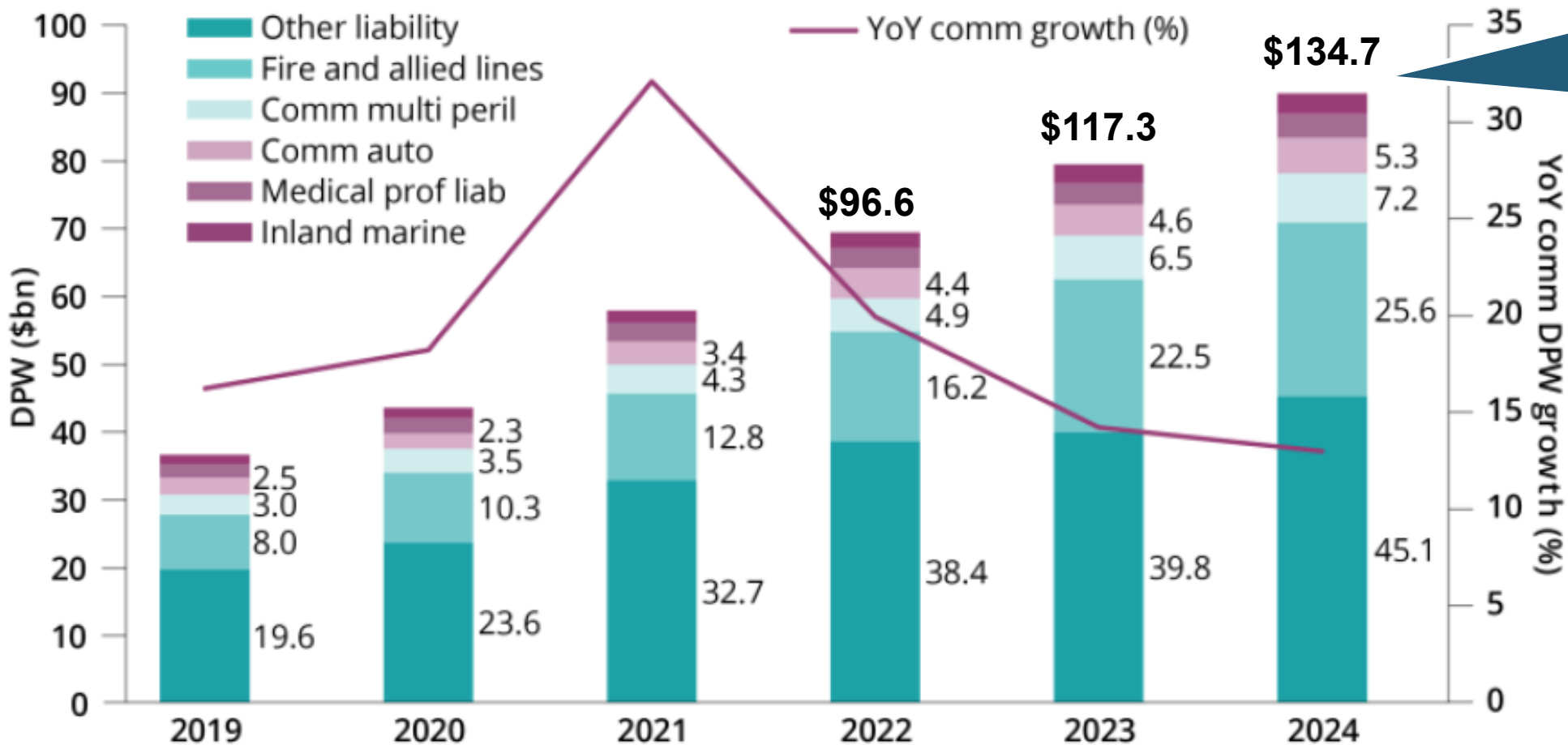
(Percent)

Avg. 2018 – 2025*
7.2%



*Year-over-year growth as of H1 each year.
Sources: S&P Capital IQ Pro; Insurance Insider US Research.

E&S Market Premiums by Key Line, 2019 – 2024*

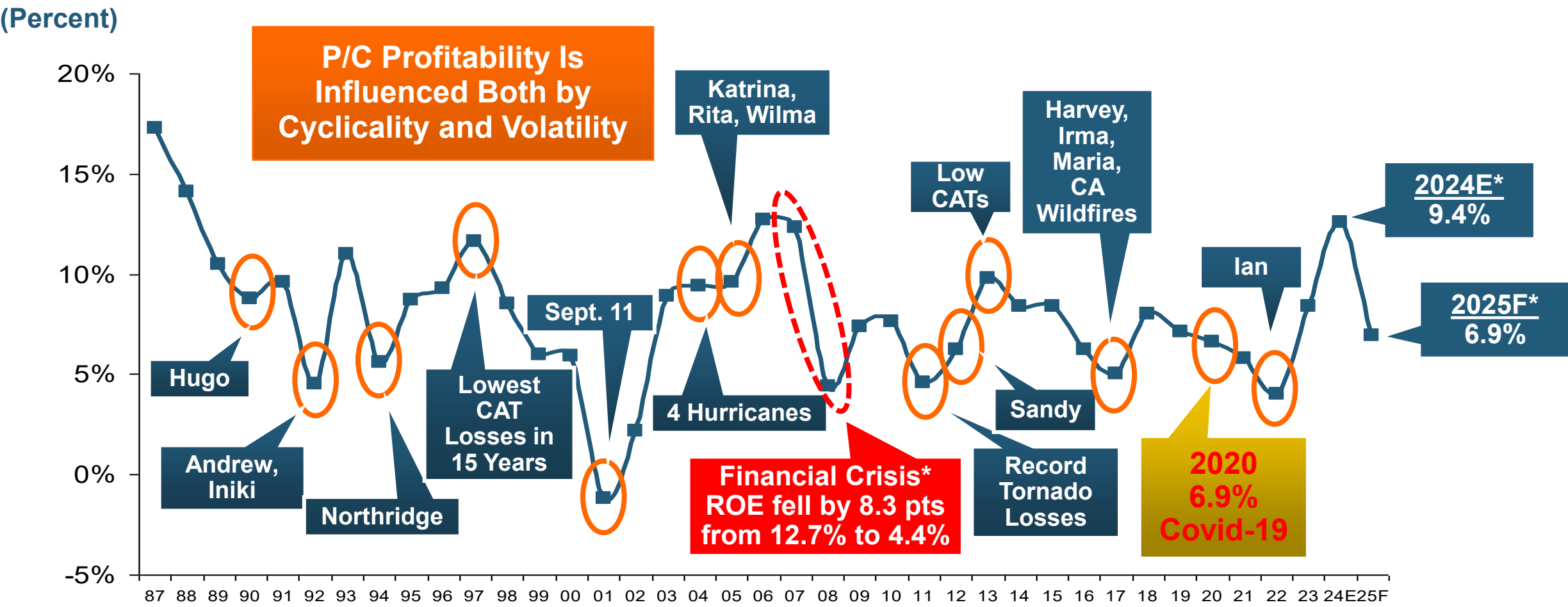


E&S premiums hit a record \$134.7B in 2024 (up ~275% since 2018).

E&S DPW grew by 14.8% in 2024, down from 21.4% growth in 2023

*Includes Lloyd's and regulated aliens. In 2024, breakdown was \$97.5B US domestics and \$37.2B Lloyd's and regulated aliens.
Source: S&P Capital IQ, Insurance Insider US.

ROE: Property/Casualty Insurance by Major Event, 1987–2025F



*Excludes Mortgage & Financial Guarantee in 2008 – 2025F.
Sources: A.M. Best, ISO, *Fortune*, APCIA; USC RUM Center.

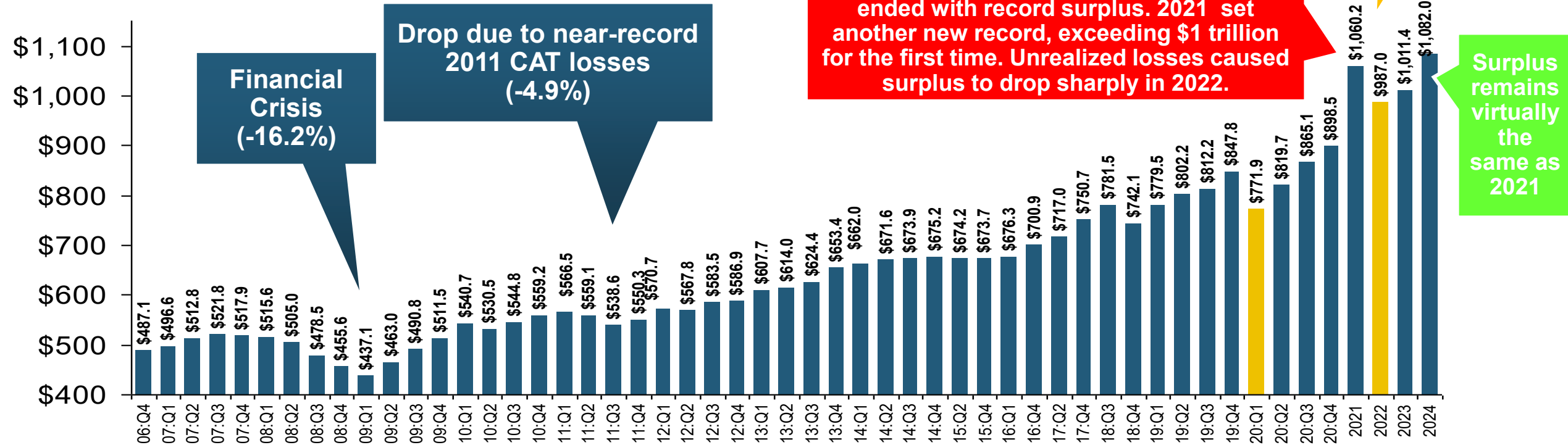
Capital and Capacity

P/C Insurance: Is the Industry's Capital Crunch Over?

Will Industry Capacity Growth Resume?

Policyholder Surplus (Capacity), 2006:Q4 – 2024

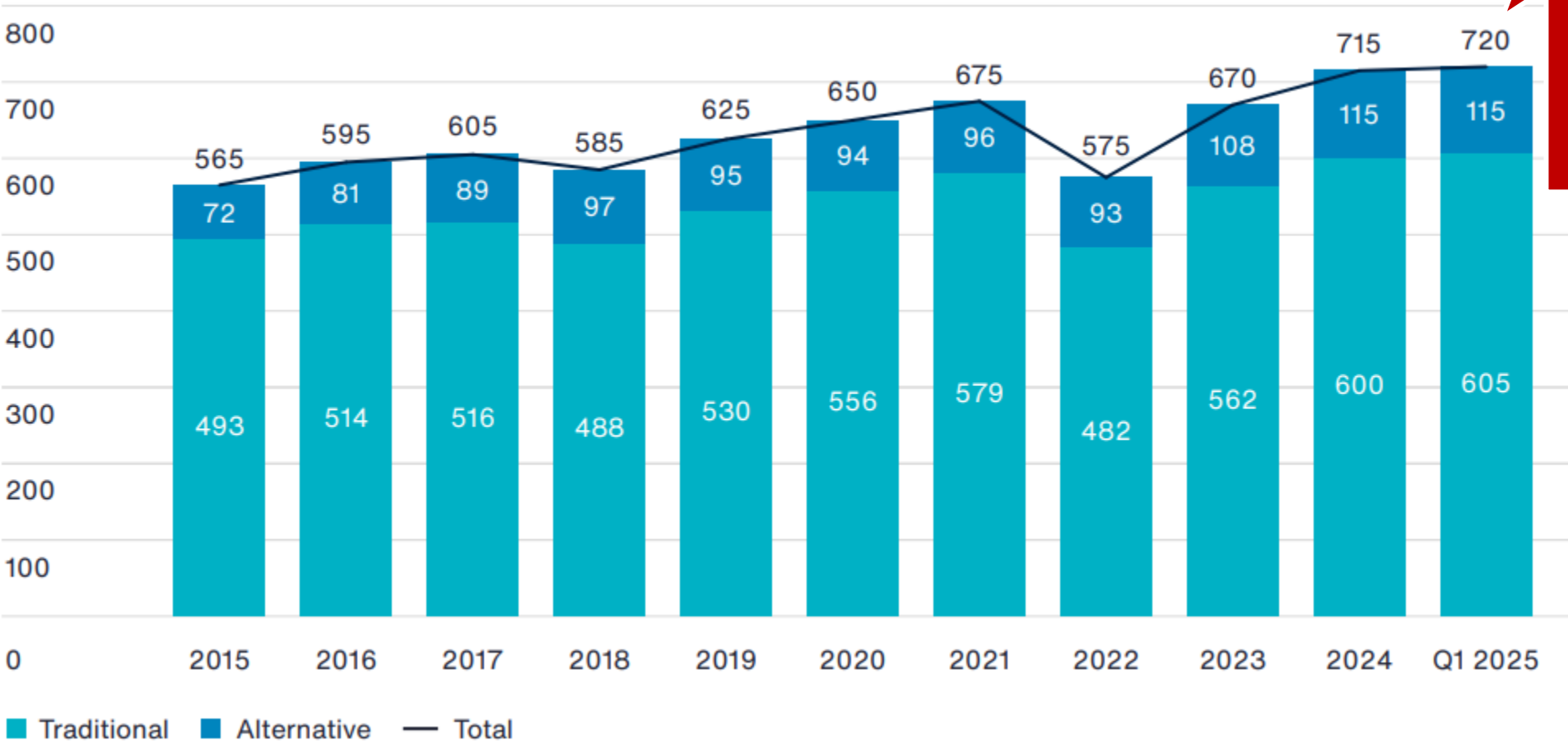
(\$ Billions)



Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

Global Reinsurance Capital, 2015 – 2025:Q1

\$ Billions

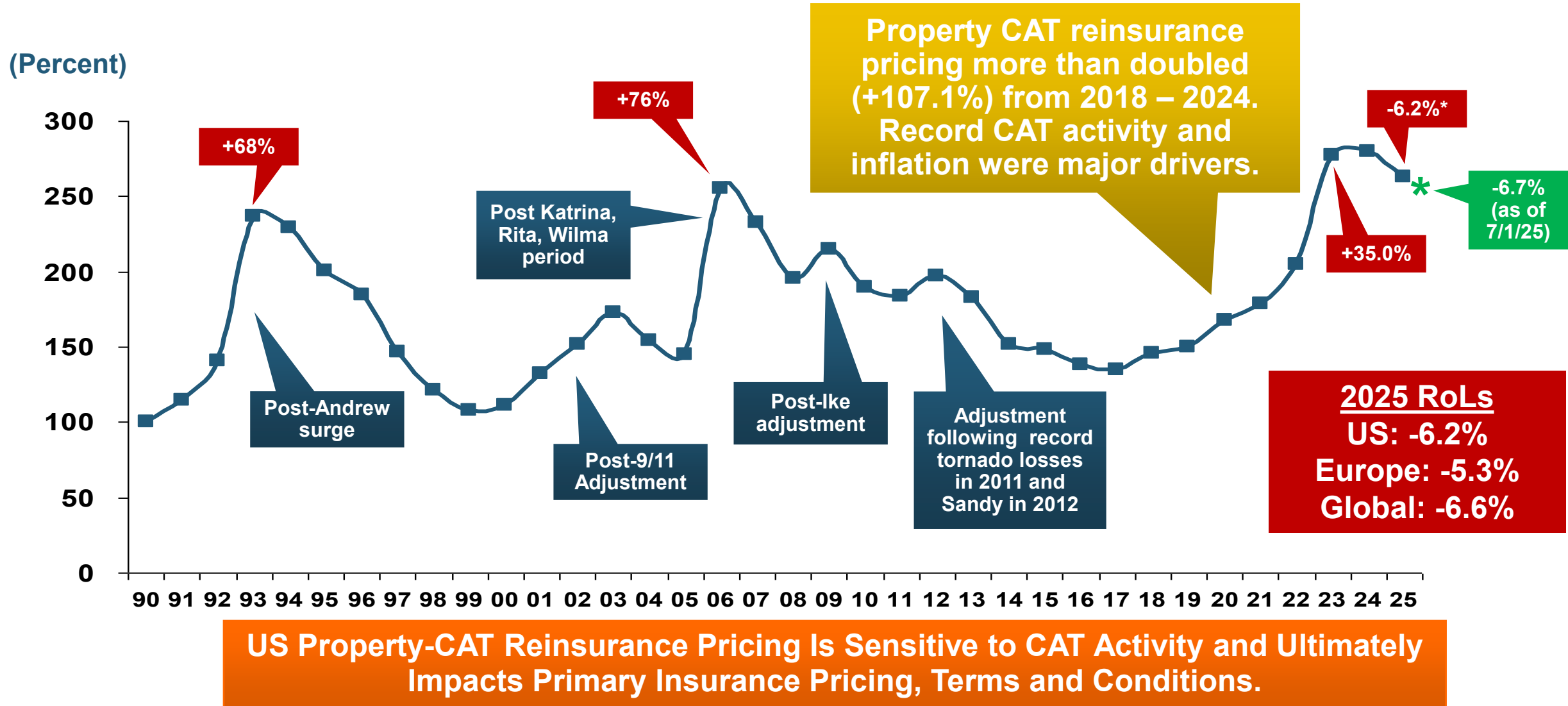


Global reinsurance reached a new high in 2025:Q1, but is only 6.7% above its 2022 peak—far below the increase that would be needed to keep pace with inflation and exposure growth

Global reinsurance capital fell by \$100B or 14.8% in 2022, contributing to recent property insurance challenges. Most of that capital was recovered in 2023—with ILS playing a key role

Source: Aon Reinsurance Solutions/Aon Securities accessed at: <https://www.aon.com/en/insights/reports/reinsurance-market-dynamics>.

US Property Catastrophe Rate-on-Line Index: 1990 – 2025*



*As of January 1 each year.

Source: Guy Carpenter; Artemis.bm accessed at: <http://www.artemis.bm/us-property-cat-rate-on-line-index>

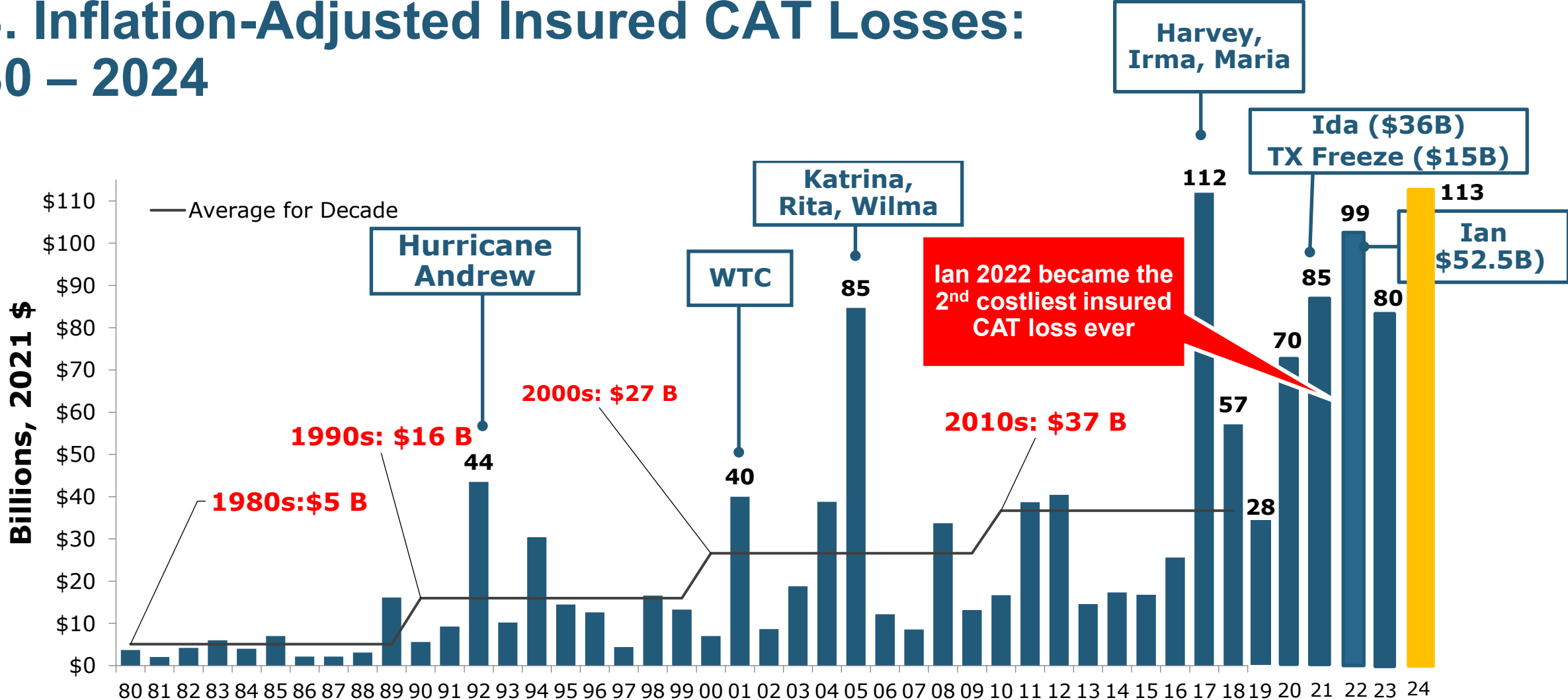
Catastrophe Loss Trends

The Rise in CAT Losses Shows No Signs of Easing

The 2020s Are Off to an Ominous Beginning

The Los Angeles Wildfires, Hurricanes Helene and Milton Are Just the Latest in a Long Series of Mega-Disasters

U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2024



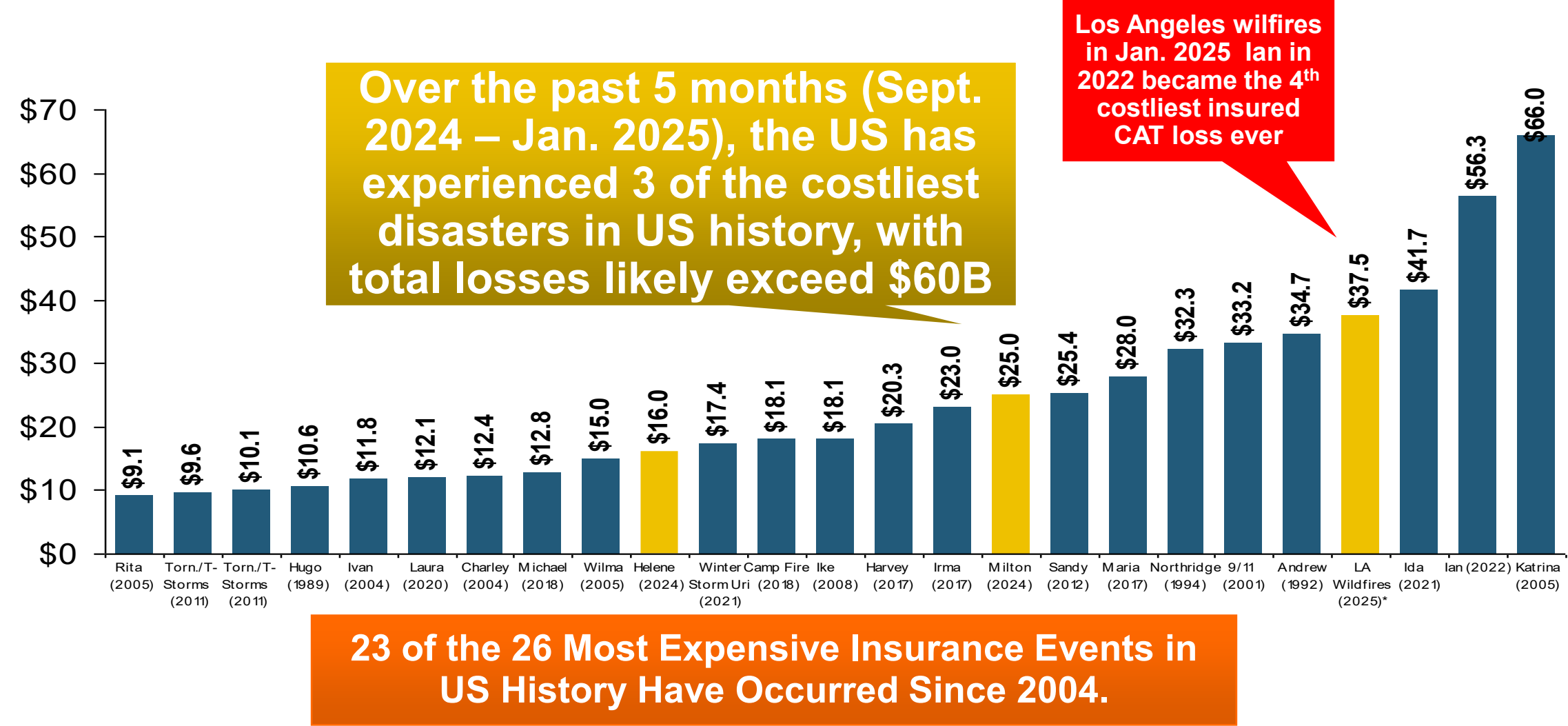
Average Insured Loss per Year*
1980-2021: \$23.8 Billion
2012-2021: \$44.1 Billion

The 2020s are off to an ominous start with \$89.4B in average annual insured losses (2020-24)

*Stated in 2021 dollars except 2022 -2024 (in current dollars).
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023 and 2024 figures from Aon. Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

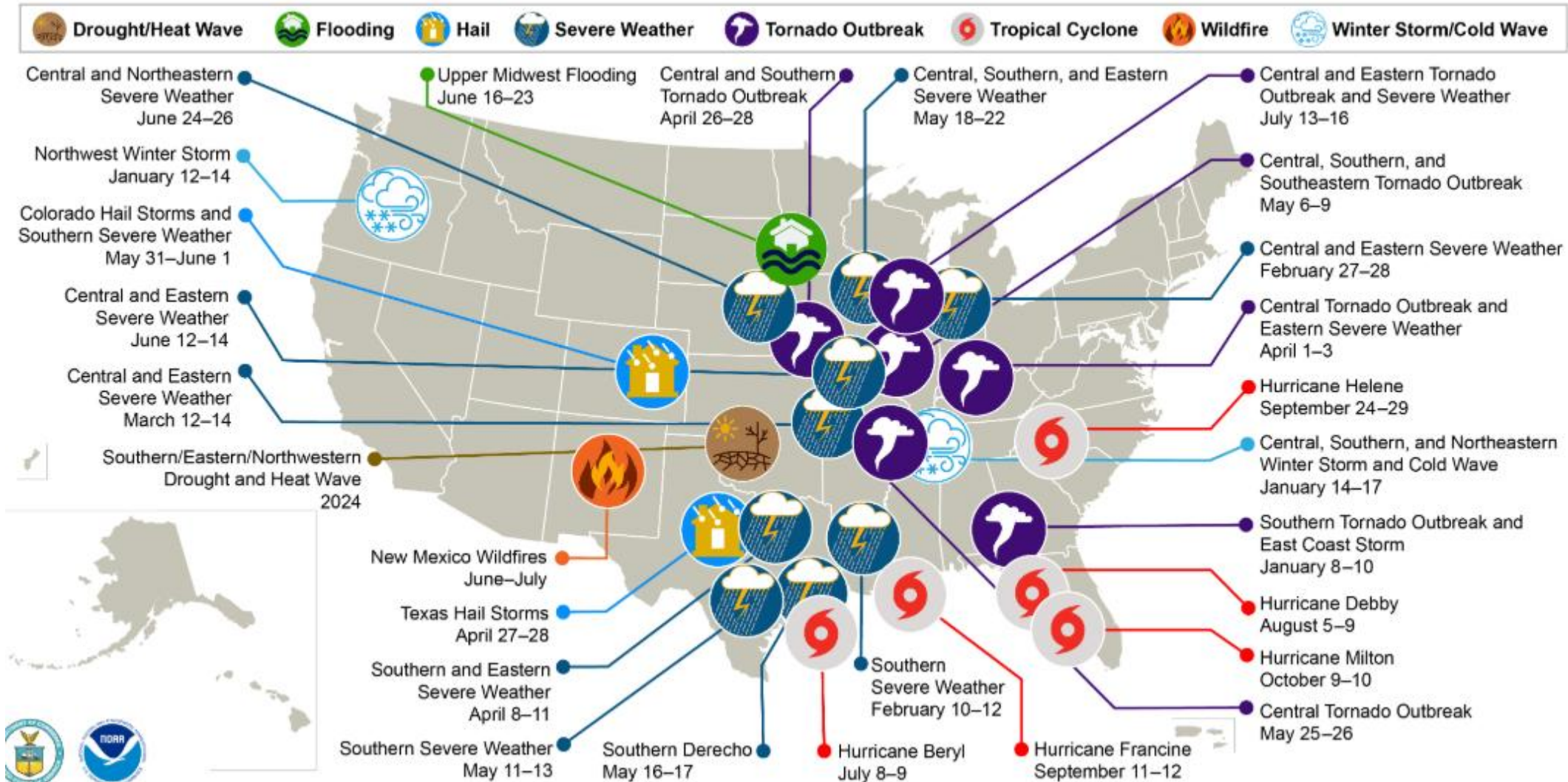
Top 26 Most Costly Disasters in U.S. History

(Insured Losses, 2024 Dollars, \$ Billions)



*2025 dollars; Munich Re estimates as of Jan. 2025 for Hurricanes Helene and Milton; Aon estimate as of Apr. 2025 for LA wildfires.
Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2024 dollars using the CPI.

US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, 2024*



There were 27 events in the US in 2024 that caused at least \$1B in economic damage, down from a record 28 in 2023

*As of Feb. 1, 2025.

Source: NOAA, accessed at: <https://www.ncei.noaa.gov/access/billions/>.

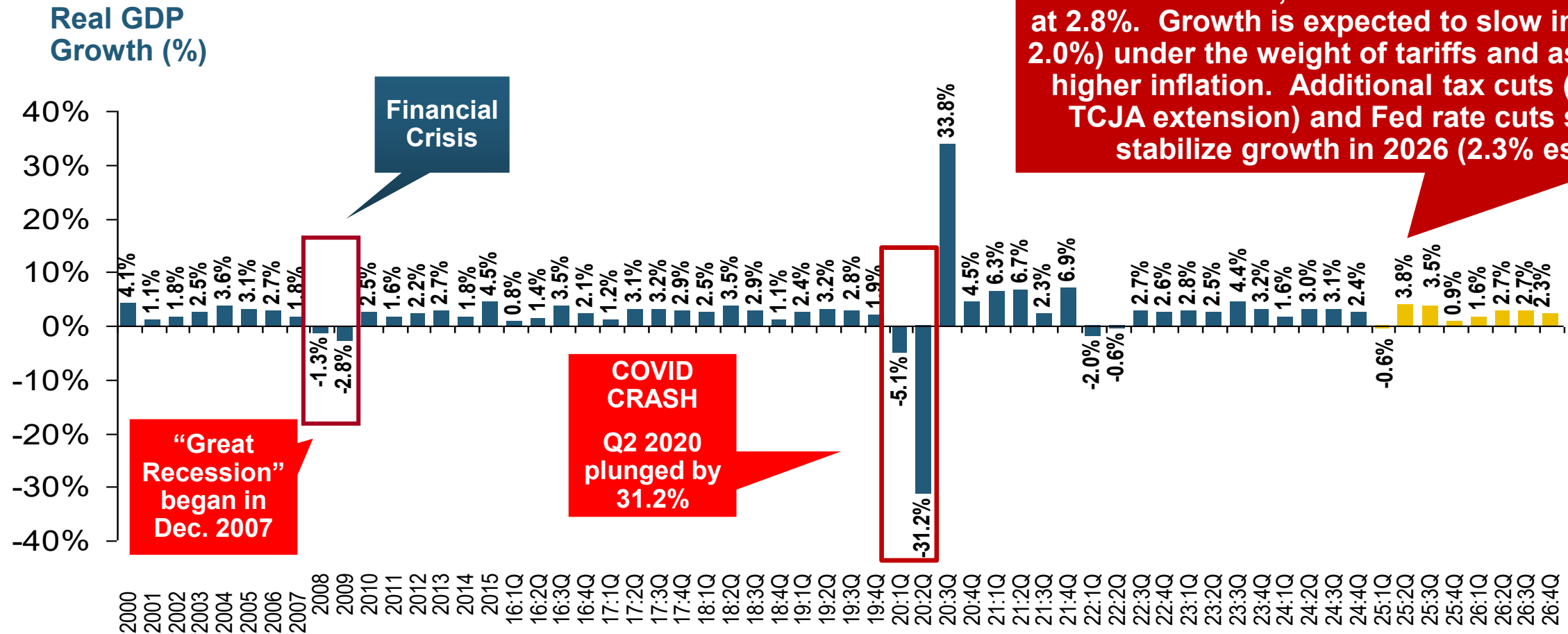
Economic Overview

The U.S. Economy Remains Resilient but Consumer Gloom is Returning

Inflation, Geopolitical Conflicts, High Interest Rates and Now Tariffs Have Weighed Heavily on Business and Consumer Sentiment

Tariffs Will Increase Auto and Property Claim Severities

US Real GDP Growth, 2000 – 2026F*

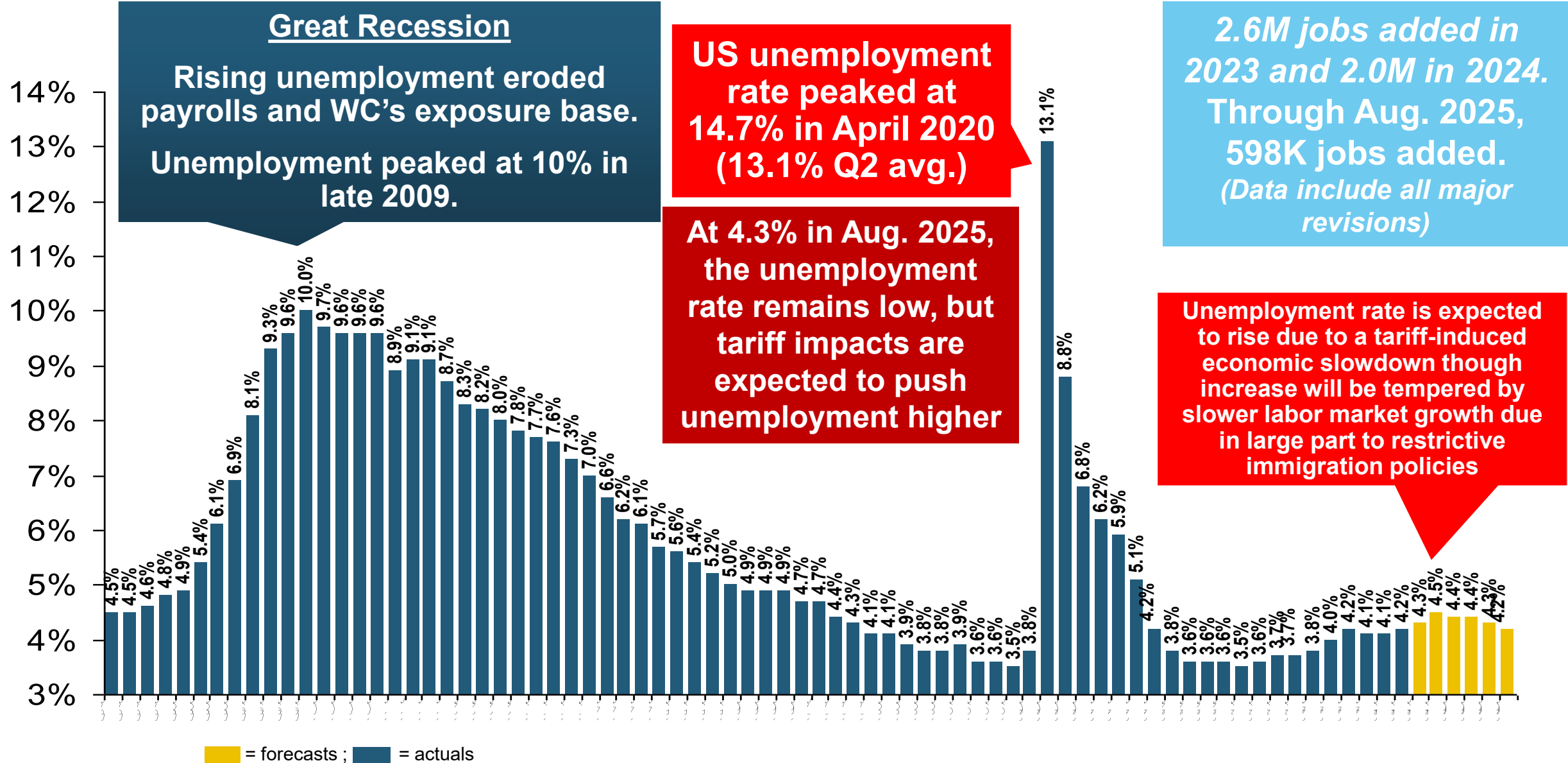


Demand for Insurance Increased Materially in 2021/22 During Recovery from the Pandemic—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow as Economy Slows in 2025-26.

* Estimates/Forecasts from Wells Fargo Securities.

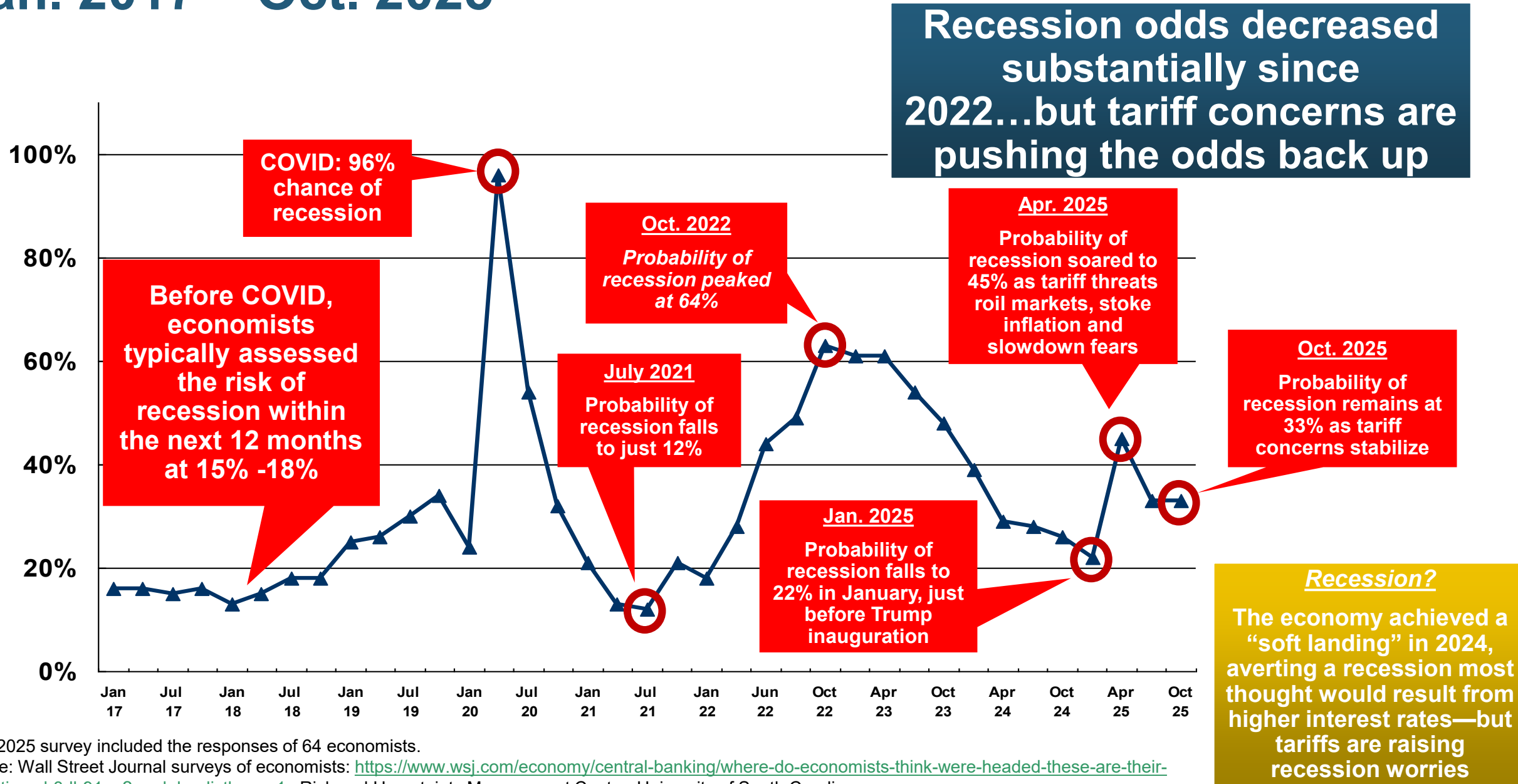
Source: US Department of Commerce, Wells Fargo Securities (10/25); Center for Risk and Uncertainty Management, University of South Carolina.

US Unemployment Rate Forecast: 2007:Q1–2026:Q4



Sources: US Bureau of Labor Statistics; Wells Fargo Securities (10/25 edition); Risk and Uncertainty Management Center, University of South Carolina.

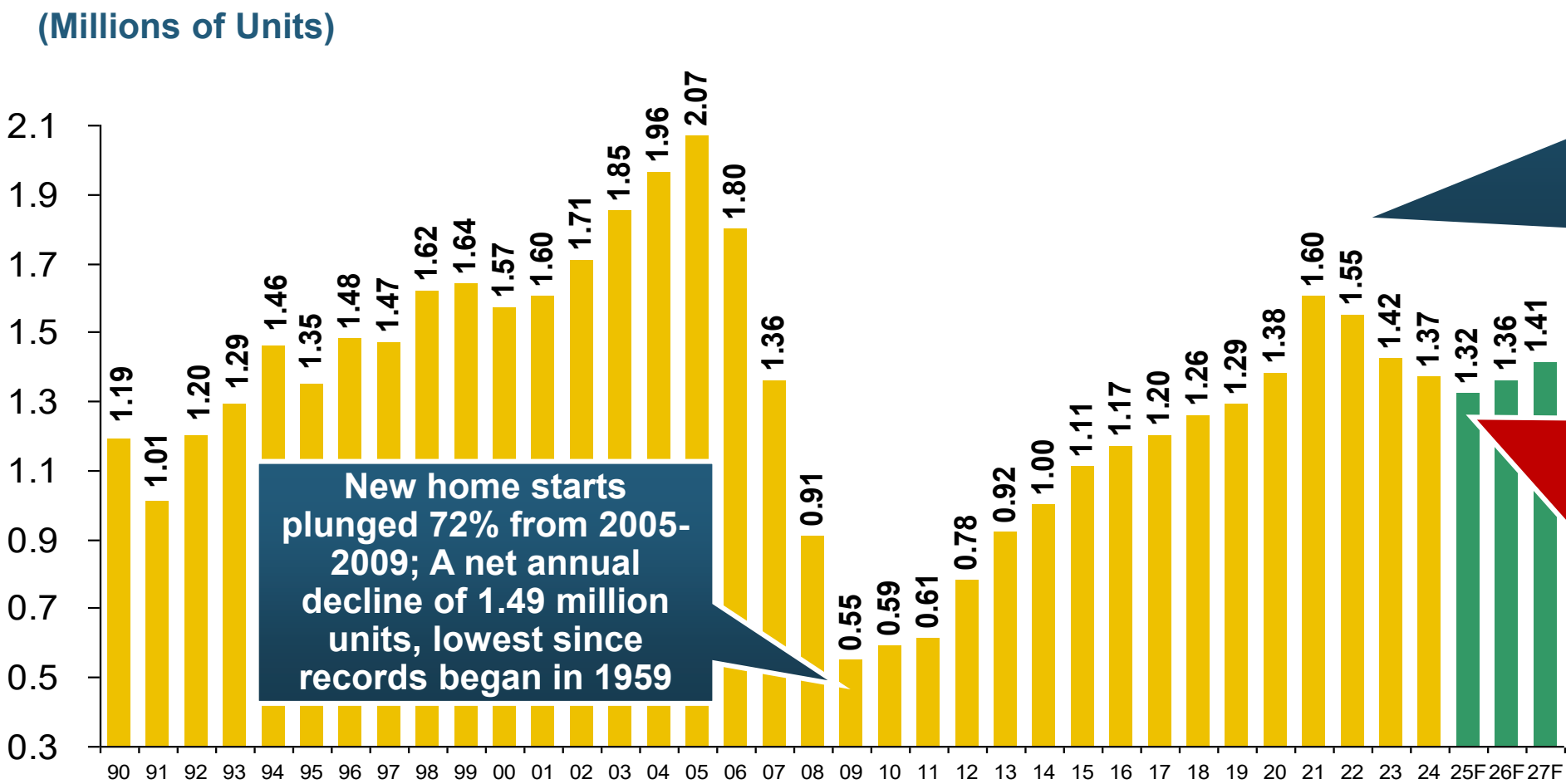
Probability the U.S. Is in a Recession Within Next 12 Months: Jan. 2017 – Oct. 2025*



*Oct. 2025 survey included the responses of 64 economists.

Source: Wall Street Journal surveys of economists: https://www.wsj.com/economy/central-banking/where-do-economists-think-were-headed-these-are-their-predictions-b3db91ea?mod=hp_listb_pos1; Risk and Uncertainty Management Center, University of South Carolina.

New Private Housing Starts, 1990-2027F



Job growth, low inventories of existing homes, low mortgage interest rates and demographics propelled new home construction into 2022, though materials prices, supply chain problems, lack of labor were headwinds

High prices, rising mortgage rates, tempered new home construction activity through 2025. Falling mortgage rates should help in 2026-27. Tariffs will add pressure to building costs

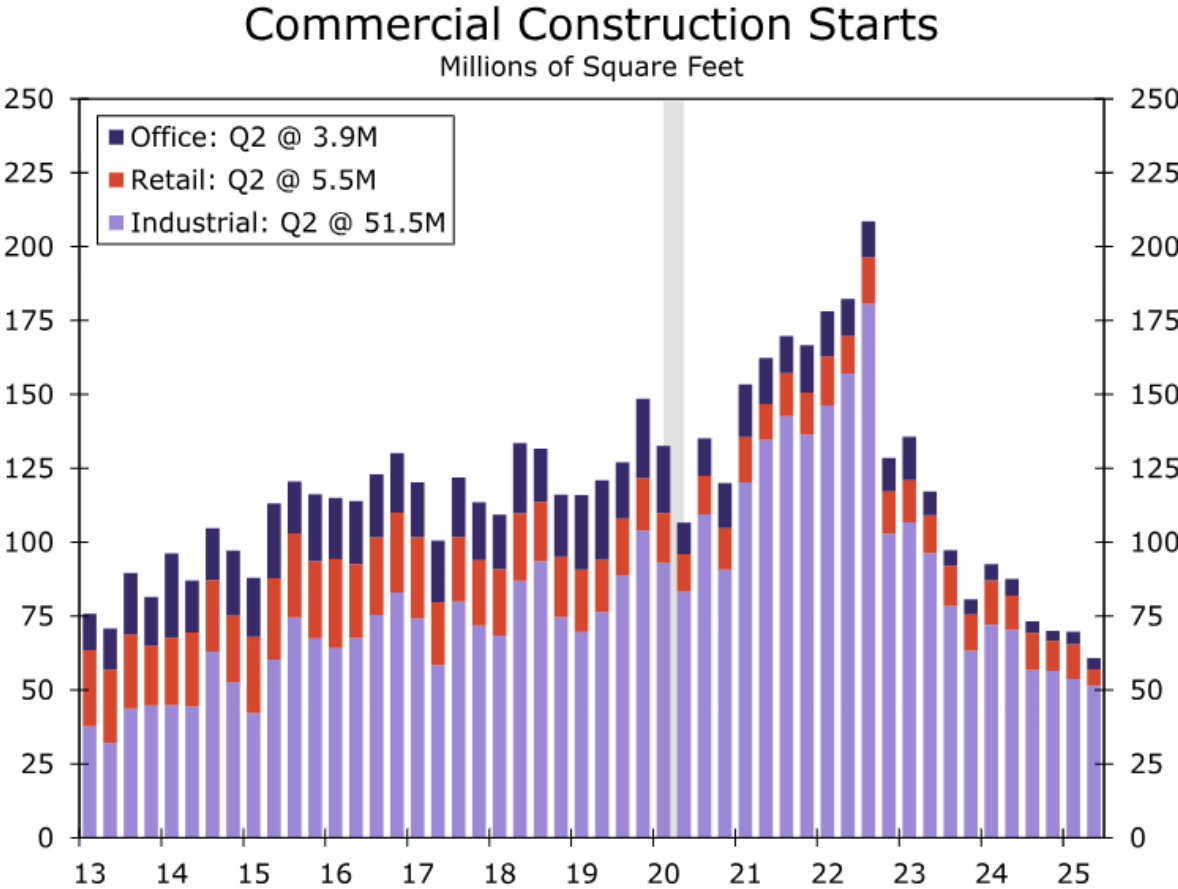
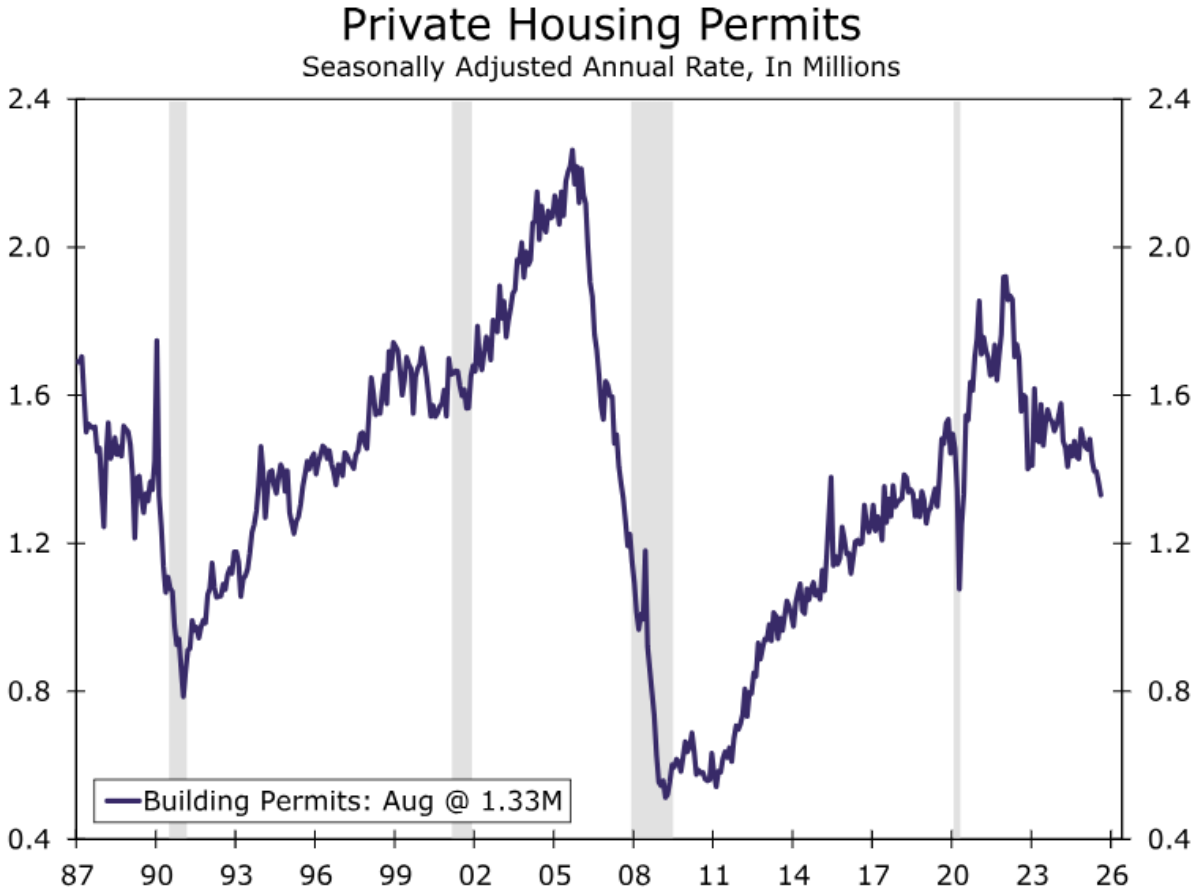
No Repeat of the Housing Collapse that Began in 2007

Insurers Are Continue to See Meaningful Exposure Growth in the Homeowners Line as well as Lines Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Wells Fargo Securities (10/25); Univ. of South Carolina, Center for Risk and Uncertainty Management..

Construction Spending: Construction Pipeline Is Shrinking

Stimulative effects of lower interest rates operate with a lag. Recovery unlikely before mid-2026.



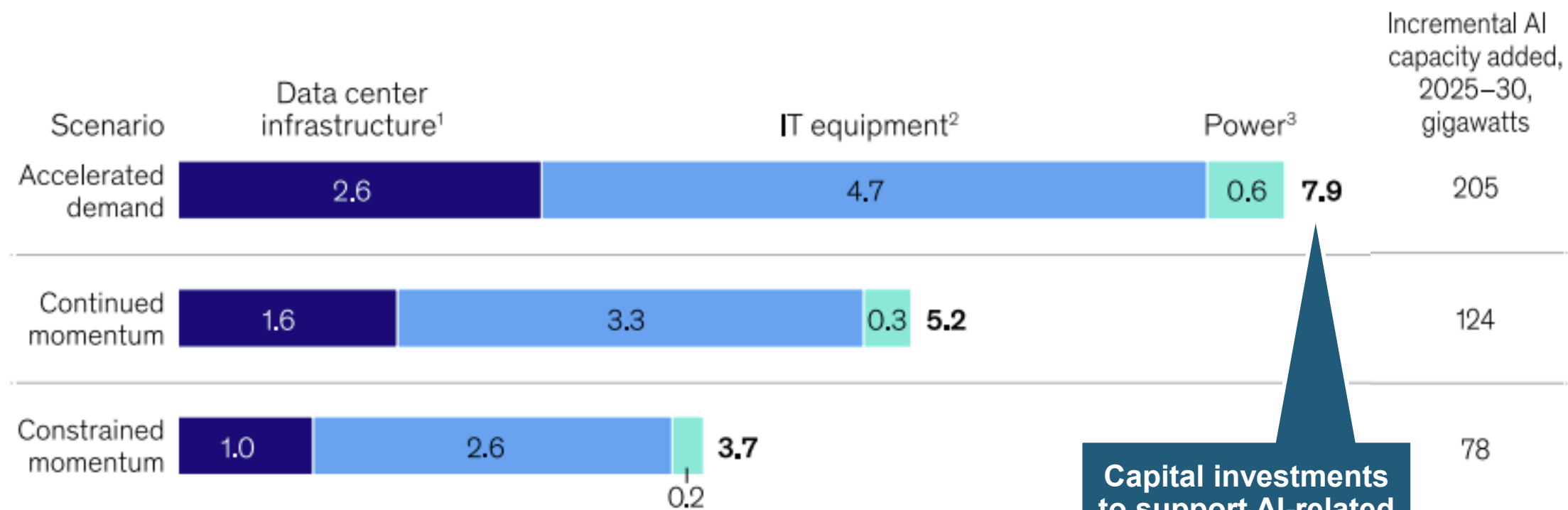
Source: Private Construction: US Dept. of Commerce and Wells Fargo Economic Research;
Commercial Construction: CoStar Inc. and Wells Fargo Economic Research.

Insurability Challenges for AI Risks

Risks & Opportunities

Minding the Gaps!

Global Data Center Total Capital Expenditures Driven by AI, by Category, 2025 – 2030 (\$ trillions)



Note: Figures may not sum to totals, because of rounding.

¹Excludes IT services and software (eg, operating system, data center infrastructure management), since they require relatively low capex compared with other components.

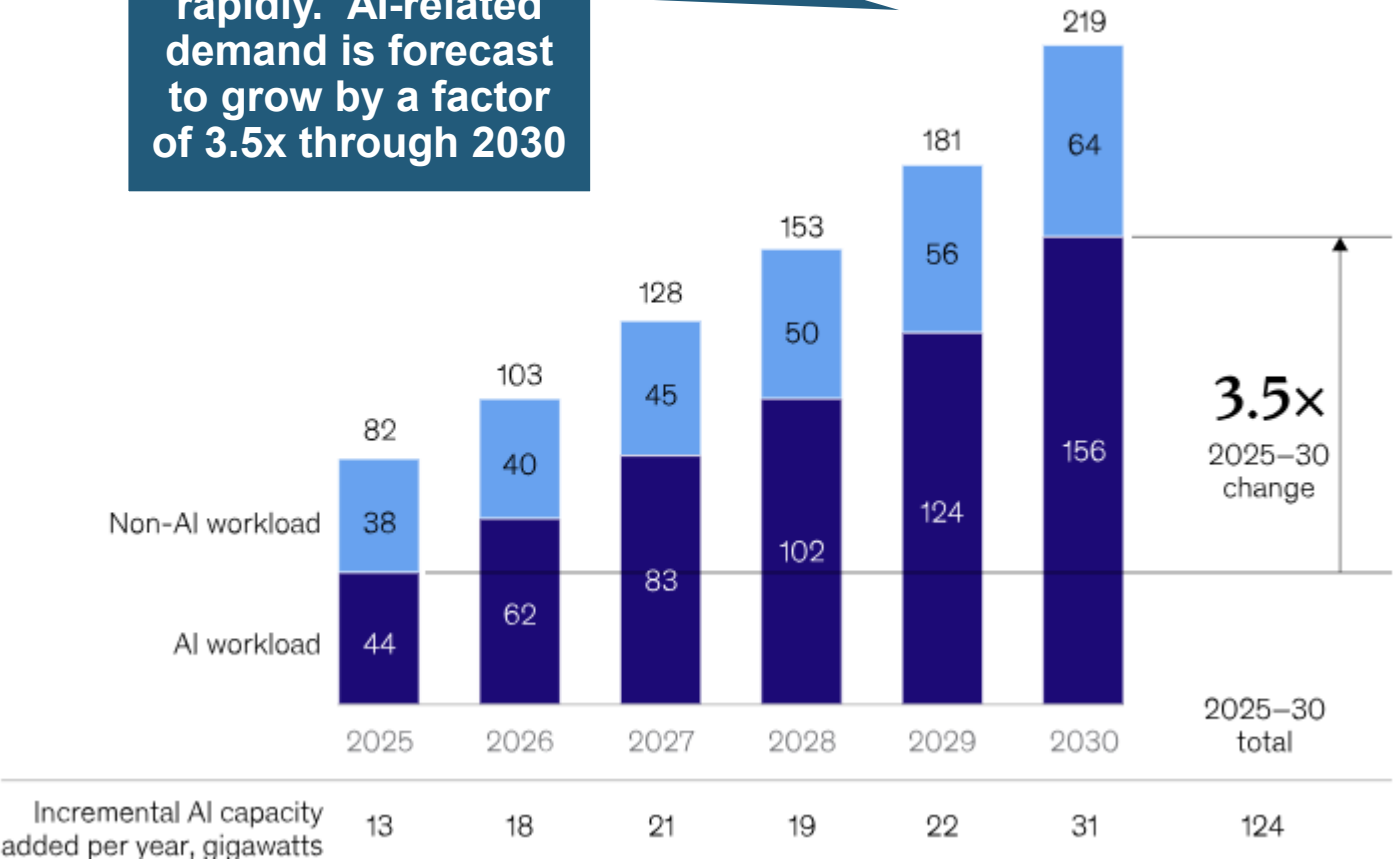
²Includes server, storage, and network infrastructure. IT capex also accounts for replacing AI accelerators every 4 years.

³Assumes \$2.2 billion–\$3.2 billion/gigawatt (including power generation and transmission cost) to account for a range of power generation scenarios (eg, fully powered by gas, a combination of gas power and storage, and solar) and regional cost differences. Distribution cost is neglected, as most AI centers are expected to be >50 megawatt scale and connected to a transmission grid.

Capital investments to support AI-related data center capacity demand could range from about \$3 trillion to \$8 trillion by 2030

Estimated Global Data Center Demand, 2025 – 2030 (gigawatts)

Data center demand is increasingly rapidly. AI-related demand is forecast to grow by a factor of 3.5x through 2030



Meta piecing together major limit for mega data center as AI wave builds

The \$20bn+ TIV data center is seen as the leading edge of significant new demand.



Photo: Alamy

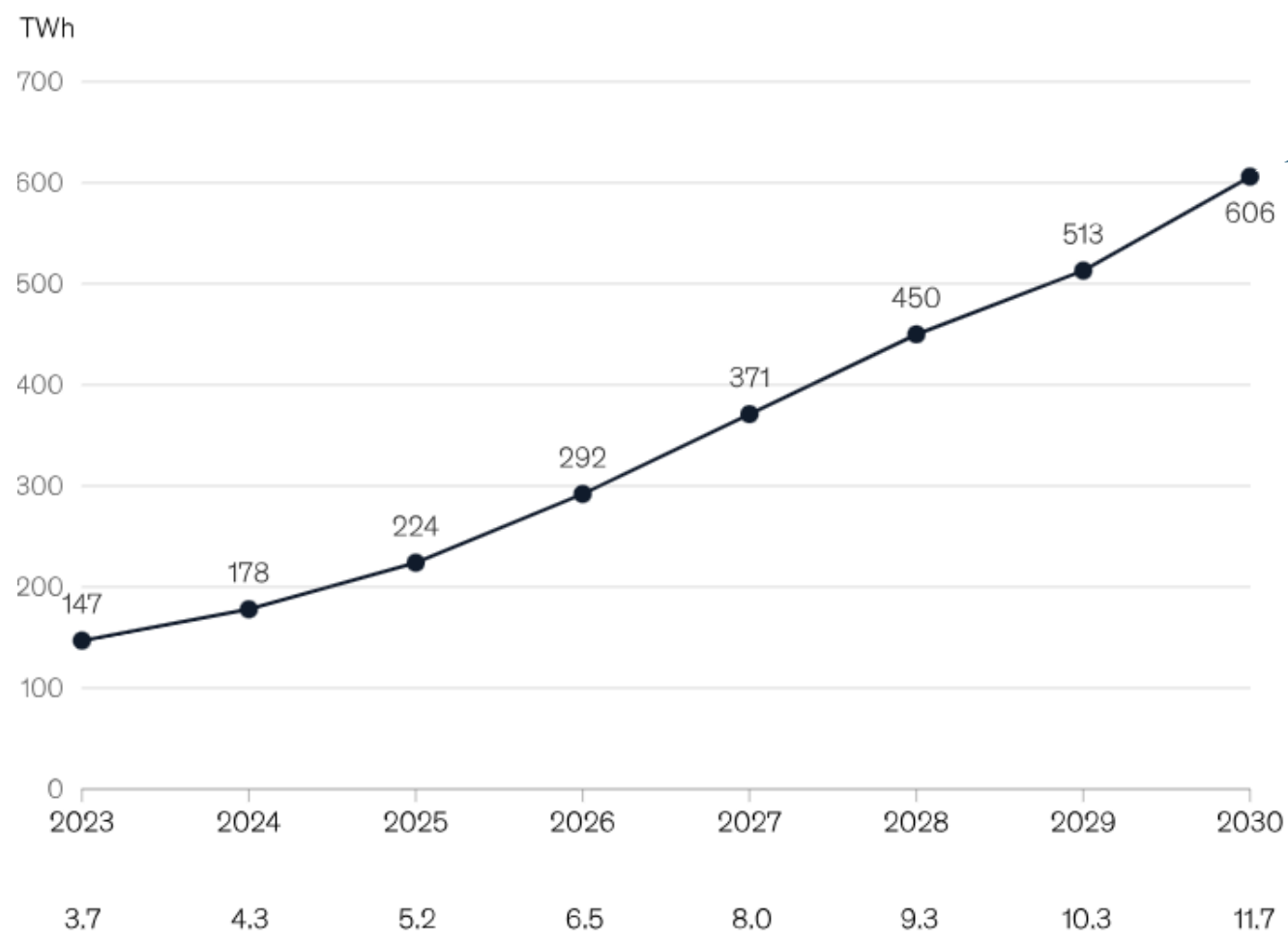
Meta is in the final stages of placing multiple towers of coverage to protect the vast new data center it is building in Louisiana, with the insurance market eyeing a major source of growth driven by the...

Source: Insurance Insider (Sept. 29, 2025)

Source: McKinsey Data Center Demand Model; Gartner reports; IDC reports; Nvidia capital market reports from McKinsey & Co. “Scaling bigger, faster, cheaper data centers with smarter designs” (Aug. 1, 2025). Accessed at: <https://www.mckinsey.com/industries/private-capital/our-insights/scaling-bigger-faster-cheaper-data-centers-with-smarter-designs>.

US Data Center Energy Consumption Global Data Center Demand, 2025 – 2030

(Terawatt-hours (TWh) of Electricity Demand)

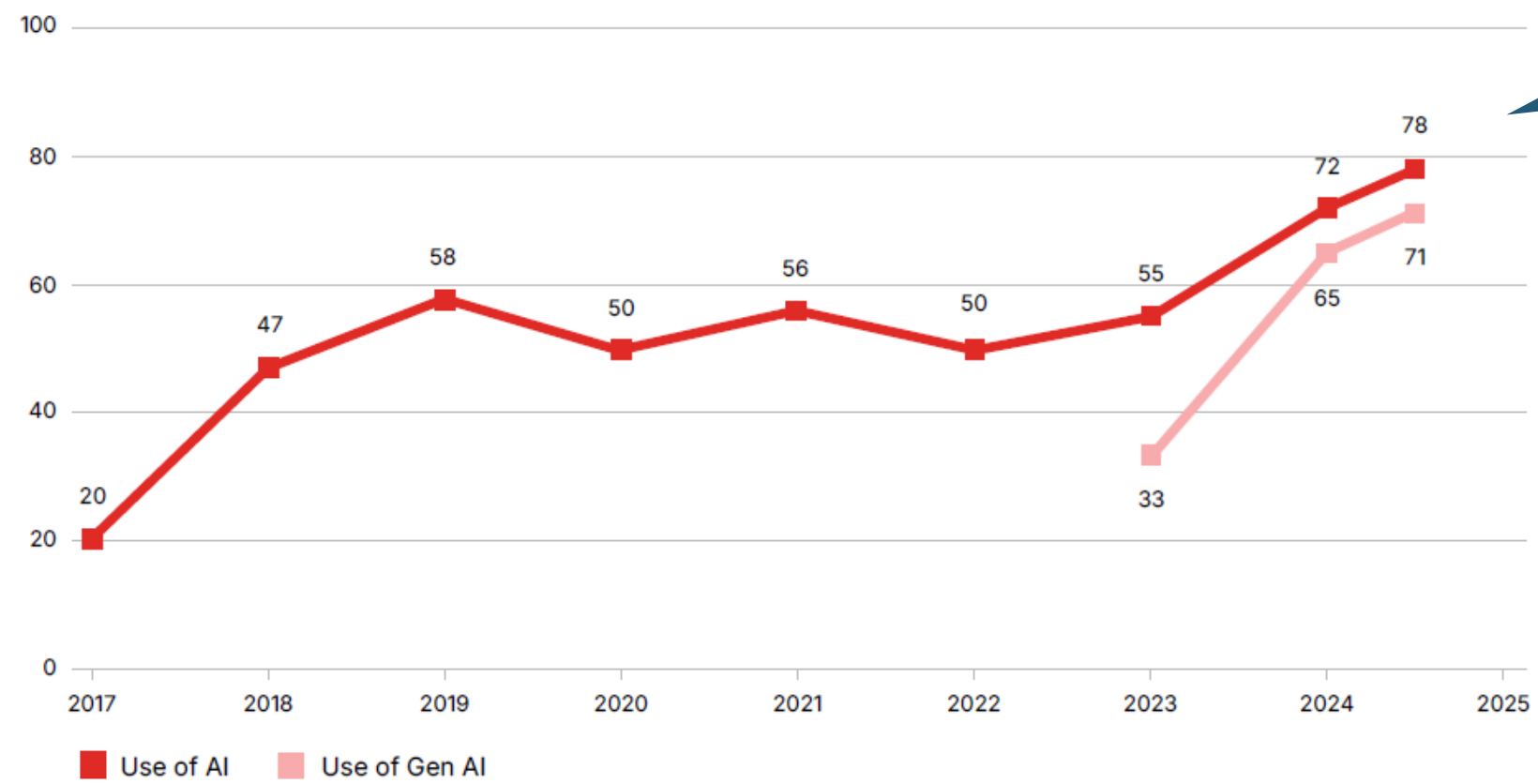


Data center demand for electricity is forecast to rise by more than 300% from 2023 – 2030, fueled primarily by AI

Source: Global Energy Perspective 2023 from McKinsey & Co. “Scaling bigger, faster, cheaper data centers with smarter designs” (Aug. 1, 2025) accessed at: <https://www.mckinsey.com/industries/private-capital/our-insights/scaling-bigger-faster-cheaper-data-centers-with-smarter-designs>.

Organization Using AI in at Least One Business Function, 2017 – 2025*

(% Survey Respondents)



Since the introduction of ChatGPT/Generative AI in late 2022, AI adoption has increased rapidly—but so have potential exposures.

* In 2017, the definition for AI use was using it in a core part of the organisation's business or at scale. In 2018–19, it was embedding at least one AI capacity in business processes or products. Since 2020, it is that the organisation has adopted AI in at least 1 function.

AI and Gen AI Risks for Businesses

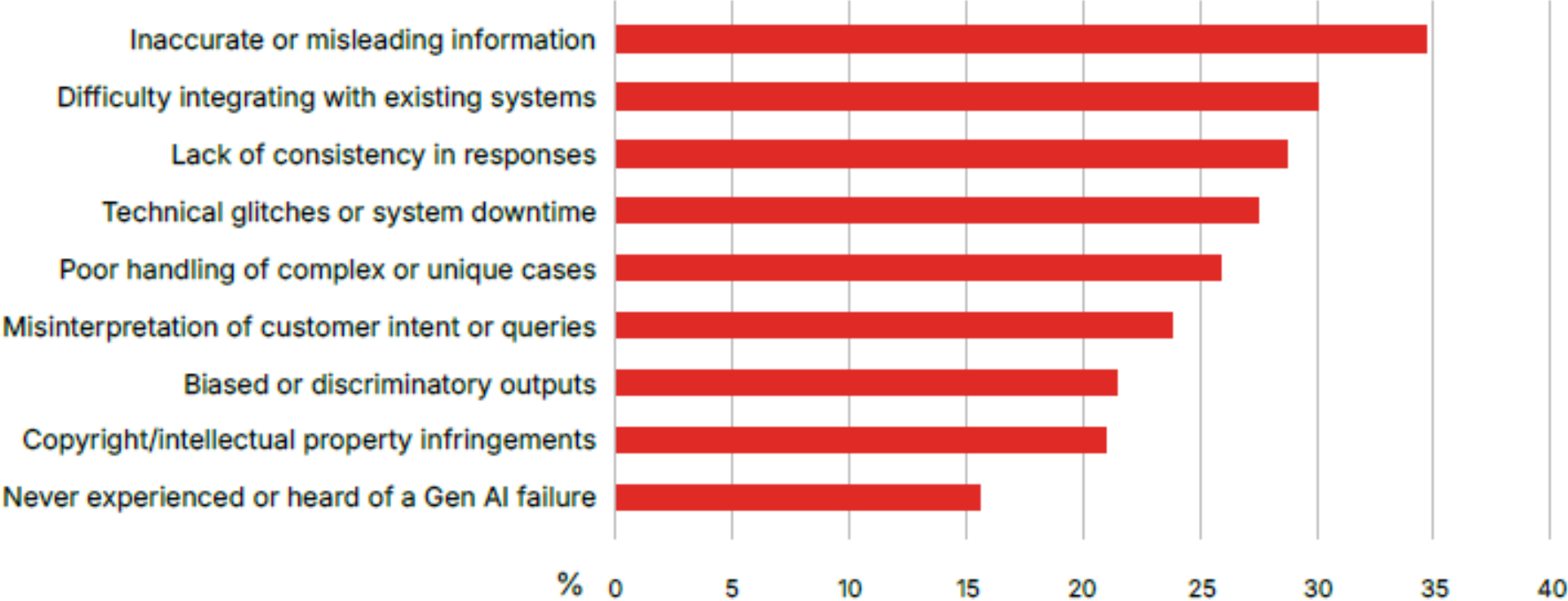
Category	Specific risk	Traditional AI	Generative AI (New risks are in bold)	Category	Specific risk	Traditional AI	Generative AI (New risks are in bold)
Operational	Algorithmic errors; stability; reliability	Inaccurate predictions or unintended outputs can disrupt processes and lead to errors (e.g. inventory management).	Gen AI outputs may deviate from intended purposes (offensive or irrelevant content, hallucination). As Gen AI systems are not validated for their predictive reliability, they cause systematic errors, creating heightened risk in customer-facing applications or automated content generation. Additionally, Gen AI faces heightened service disruption risks compared to traditional IT systems – its state-dependent workflows (e.g. multi-turn dialogues or content creation) lose progress irreversibly during interruptions.	Cybersecurity & privacy	AI-driven cyberattacks	AI can be exploited to enhance cyberattacks, risking data breaches and operational security.	Gen AI models may be manipulated via attacks (e.g. prompt injection), compromising content quality and security (model manipulation risks).
	Black-box issues	Complexity and opacity in AI systems make error tracing and accountability challenging, which is especially relevant in regulated industries like insurance.	Traditional AI is more explainable than Gen AI. The decision-making processes behind Gen AI's results are often difficult or even impossible to understand, which make the provenance, logic, and embedded flaws of Gen AI untraceable and unaudit by developers, introducing new risks for users.		Data-privacy violations	Collection of large amounts of data can infringe on privacy laws, leading to legal penalties and customer distrust if mishandled.	Privacy violation risk of Gen AI is higher than that of traditional AI as it explores a greater volume of more complicated and unstructured data. The risk is particularly high if Gen AI accesses data it is not supposed to, uses it in a way it is not supposed to (e.g. without receiving prior consent by the user), or transfers it outside of the jurisdiction. Gen AI may also cause problems like privacy intrusion through constant monitoring, heightened data leakage vulnerabilities, and challenges to personal data rights.
	Malicious attacks	AI can be used by threat attackers for inappropriate purposes.	Gen AI content, such as deepfakes or phishing emails, may be exploited for malicious purposes. This is different from data poisoning problems with traditional AI, caused by implanting malicious samples. In addition to Gen AI being used by bad actors, some Gen AI applications themselves provide a broader attack surface. For example, chatbots that execute structured query language statements provide an entry point for attackers through prompt injections.				

AI and Gen AI Risks for Businesses (cont'd)

Category	Specific risk	Traditional AI	Generative AI (New risks are in bold)	Category	Specific risk	Traditional AI	Generative AI (New risks are in bold)
Reputational & market	Customer trust & brand image	Misuse of AI can damage reputation, especially if it breaches customer privacy or fairness expectations.	Low-quality or inaccurate Gen AI outputs can erode customer trust and damage company credibility, as stakeholders may question the reliability and intent of automated communications.	Bias & ethical concerns	Discrimination & bias	AI algorithms may reinforce societal biases, leading to discriminatory practices and potential lawsuits.	Gen AI actively creates new content; thus, if using biased data, it may produce outputs that perpetuate and amplify societal stereotypes, heightening both ethical risks and litigation exposure.
	Dependency & competitive risk	Over-reliance on AI can compromise operations during disruptions.	Gen AI may amplify the risk as it is more closely and intensively integrated into business processes and models.		Ethical decision-making	AI may prioritise efficiency over ethics, leading to reputational damage if decisions harm customer trust.	Gen AI outputs may unintentionally violate ethical norms, such as generating misleading or harmful information.
Workforce challenges	Job displacement	AI automation may lead to workforce dissatisfaction and backlash as roles are replaced.	Gen AI intensifies this risk. As shown in Box 2, agentic AI, an advanced version of Gen AI, will potentially displace jobs massively.	ESG	Environmental & energy	AI systems demand significant energy and water supply, conflicting with net-zero pledges.	Gen AI amplifies the problem as the underlying technology, i.e. deep learning, demands exponentially greater computational power to generate complex outputs. This heightened energy consumption not only strains power grids but also intensifies water dependency for cooling hyperscale data centres.
	AI skills requirements	AI demands new skills to manage the quality and ethical implications of outputs, creating challenges in workforce upskilling.	Gen AI amplifies the problem. Employees must be trained to interpret Gen AI outputs, address ethical concerns, and ensure content quality ('Gen AI skill requirements'). Gen AI also requires the right business culture for adoption.				
Regulatory & compliance	Evolving AI regulations	New laws require businesses to adapt quickly; non-compliance can lead to penalties, especially in regulated sectors like insurance.	The EU AI act imposes comprehensive regulation on AI development and usage. Regulation needs to carefully balance the management of Gen AI risks and the promotion of technological innovation.				
	Accountability & liability	Businesses may face liability for damage caused by AI systems, with challenges in assigning accountability.	Gen AI may use copyrighted material, exposing businesses to legal risks and reputational damage (copyright and IP).				

Gen AI Issues and Failures Experienced by Businesses

What type(s) of failures or issues have you experienced or heard about when using Gen AI in the company/organisation you work for or own?

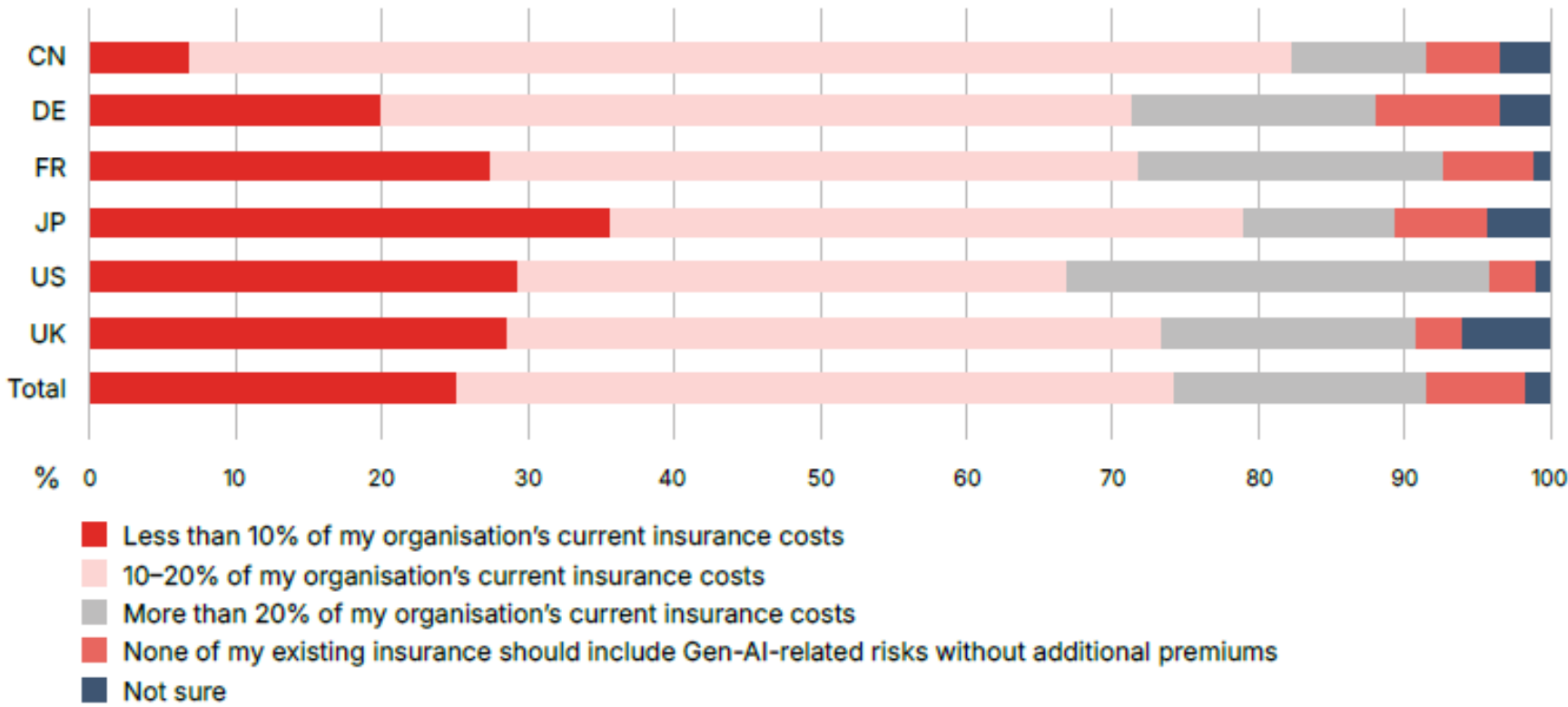


Source: Geneva Association business insurance customer survey. *Gen AI Risks for Businesses: Exploring the Role for Insurance* (Oct. 2025). Accessed at: https://www.genevaassociation.org/sites/default/files/2025-10/gen_ai_report_0110.pdf.

Willingness to Pay for Gen AI Insurance

(6 Large Economies)

How much extra would you be willing to pay for Gen-AI-related coverage?



Over 90% of survey respondents said they would be willing to pay at least 10% more for insurance that would cover Gen AI risks—suggesting a strong business case of AI-driven insurance solutions

Source: Geneva Association business insurance customer survey. *Gen AI Risks for Businesses: Exploring the Role for Insurance* (Oct. 2025). Accessed at: https://www.genevaassociation.org/sites/default/files/2025-10/gen_ai_report_0110.pdf.

Insurability of Gen AI-Related Risks

Category	Criteria	Assessment
Actuarial criteria	Randomness of loss occurrence	Gen AI introduces new layers of complexity to avoid producing hallucinations or harmful content, which makes it difficult to assess whether failures occur randomly when systematic validation is lacking.
	Maximum possible loss	Wrong or malicious code generated by AI can lead to massive service disruption, potentially causing systemic risk. Gen AI failures like spreading misinformation, IP violations, and deepfake-driven fraud in critical sectors (e.g. healthcare, finance) can also lead to large losses, particularly when the failure persists for a long time or is subject to regulatory penalties.
	Average loss amount	High potential financial/reputational damage from Gen AI incidents like misinformation or regulatory fines.
	Loss frequency	Context-dependent risks with limited data make frequency estimation difficult, hindering diversification. In the mid-term, sufficient frequency can be expected.
	Information asymmetry	Insured parties may neglect AI system integrity (moral hazard), while riskier AI systems may seek coverage (adverse selection). Insurers may struggle to verify Gen AI risks and how businesses manage them.
Market criteria	Adequate premiums	Heightened uncertainty about processes underlying Gen AI and the associated ways in which harm can arise may imply additional premium loading and impose pressures on affordability for smaller businesses relying on these technologies.
	Acceptable coverage limits	Insurers may hesitate to offer high limits for Gen AI due to uncertainty in potential liabilities (widespread content misuse or errors in AI-generated decisions).
Societal criteria	Consistency with public policy	Gen AI raises ethical issues, such as creating harmful or biased content, which may conflict with societal norms and reduce policymakers' acceptance of certain insurance products.
	Legal permissibility	Evolving landscape of copyright, intellectual property, liability laws, and AI regulations make it challenging to define insurable risks and underwrite them.

Gen AI risks challenge traditional insurability criteria due to their unpredictability and scale, as well as legal and regulatory uncertainties. Insurers are exploring both standalone coverage, as well as expanded cyber and liability policies to cover these risks.

--Geneva Association

● Minimal challenges to insurability ● Some challenges to insurability ● Violation of insurability under traditional insurance models

Source: Geneva Association. *Gen AI Risks for Businesses: Exploring the Role for Insurance* (Oct. 2025). Accessed at: https://www.genevaassociation.org/sites/default/files/2025-10/gen_ai_report_0110.pdf.

Potential Insurance Solutions Gen AI-Related Risks

Type of coverage	Description
Cyber insurance	Covers losses due to enhanced vulnerability of IT systems, as businesses and attackers use Gen AI tools, including data breaches, hacking, or model manipulation.
Professional liability (E&O)	Protects against claims arising from errors in Gen AI outputs, like the generation of misleading or harmful information.
Directors' & officers' liability	Protects directors and officers from legal action due to Gen-AI-related decisions or oversight failures.
Intellectual property	Protects against claims related to Gen AI's use of copyrighted or patented materials without permission.
Product liability	Covers claims due to harm caused by Gen AI outputs (e.g. misinformation, discriminatory content) or failure to perform as expected.
Dedicated, standalone AI insurance	Comprehensive, standalone coverage bundling multiple Gen-AI-specific exposures into a single policy.

Should Gen AI risks be covered through traditional P&C coverages or through deciated, standalone AI insurance?

Mind the Gap(s)!

Analysis of AI Insurance Coverage Gaps

AI peril	Media liability	Tech E&O, MPL, PI	Product liability	General liability	Intellectual property	Standalone cyber liability	D&O	Employment
Third-party damages liability for faulty products or services	●	●	●	●	●	●	●	●
Copyright, trademark, or service mark infringement	●	●	●	●	●	●	●	●
Patent infringement	●	●	●	●	●	●	●	●
Discrimination	●	●	●	●	●	●	●	●
Defamation, libel, slander	●	●	●	●	●	●	●	●
Bodily injury	●	●	●	●	●	●	●	●
Tangible property damage	●	●	●	●	●	●	●	●
Privacy and security breaches	●	●	●	●	●	●	●	●
Loss of financial assets (requires crime policy)	●	●	●	●	●	●	●	●
Market manipulation	●	●	●	●	●	●	●	●
Autonomous weapon	●	●	●	●	●	●	●	●
Product recall	●	●	●	●	●	●	●	●
Business interruption	●	●	●	●	●	●	●	●
Breach of directors' or officers' duties	●	●	●	●	●	●	●	●

● Available ● Limited ● Excluded, unless customised contingent liability added

Gen AI's diverse applications and evolving nature make it difficult for insurers to price, underwrite, and manage exposures.

There are many and material gaps in existing insurance coverages when it comes to addressing AI-related risks. Some traditional policies are starting to exclude Gen AI risks

That said, both standalone and expanded existing policies are emerging.

Source: Geneva Association. *Gen AI Risks for Businesses: Exploring the Role for Insurance* (Oct. 2025). Accessed at: https://www.genevaassociation.org/sites/default/files/2025-10/gen_ai_report_0110.pdf, Adopted from Aon (2023): https://www.fdf.org.uk/globalassets/resources/webinars/ai_2023_fact_sheet.pdf.

Gen AI-Related Risks Organizations Consider Relevant and Are Working to Mitigate*



Inaccuracy, Cybersecurity, IP Infringement and Regulatory Compliance are identified as major risks and are the focus of risk mitigation efforts

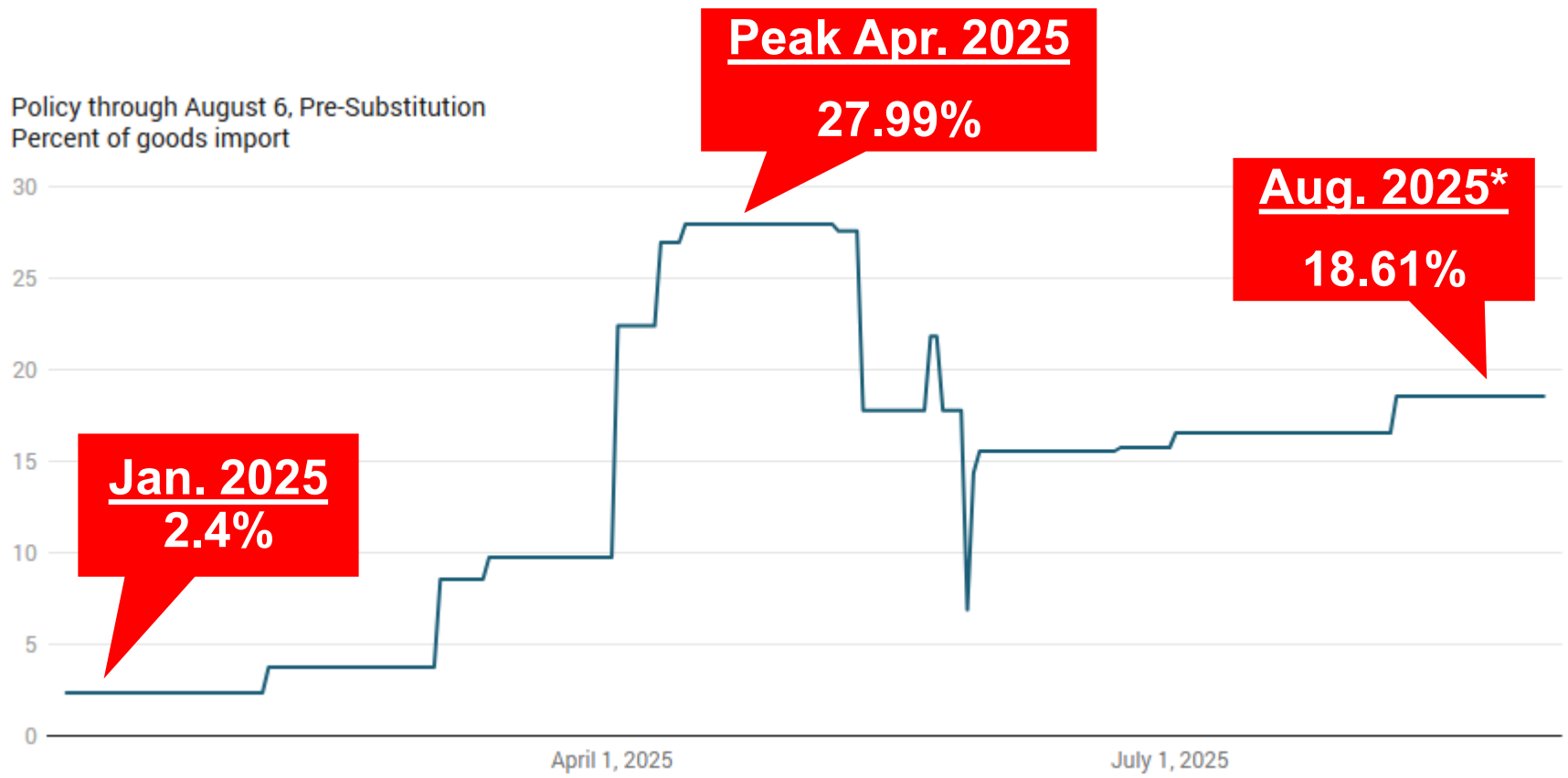
* Asked only of respondents whose organisations have adopted AI in at least 1 function. For both risks considered relevant and risks mitigated, n=913.

How Will US Policy Shifts Impact the P/C Insurance Industry?

**Inflation, Fiscal Policy, Trade Policy,
Geopolitical Conflicts and High Interest Rates
Have Weighed Heavily on Business and
Consumer Sentiment**

***Tariffs Will Increase Auto and
Property Claim Severities***

US Average Effective Tariff Rate, Jan. – Aug. 2025*



Effective tariff rates have fluctuated wildly in 2025, starting the year ~2%, peaking at ~30% and currently standing at 18.6%, according to the YBL.

NOTE: On Aug. 29, the US Court of Appeals ruled that most tariffs imposed by President Trump are illegal. Tariffs remain in place while the case is appealed, likely all the way to the Supreme Court.

*Reflects US policy through August 6, 2025.
Source: Yale Budget Lab accessed as of 9/1/25: <https://budgetlab.yale.edu/research/state-us-tariffs-august-7-2025>.

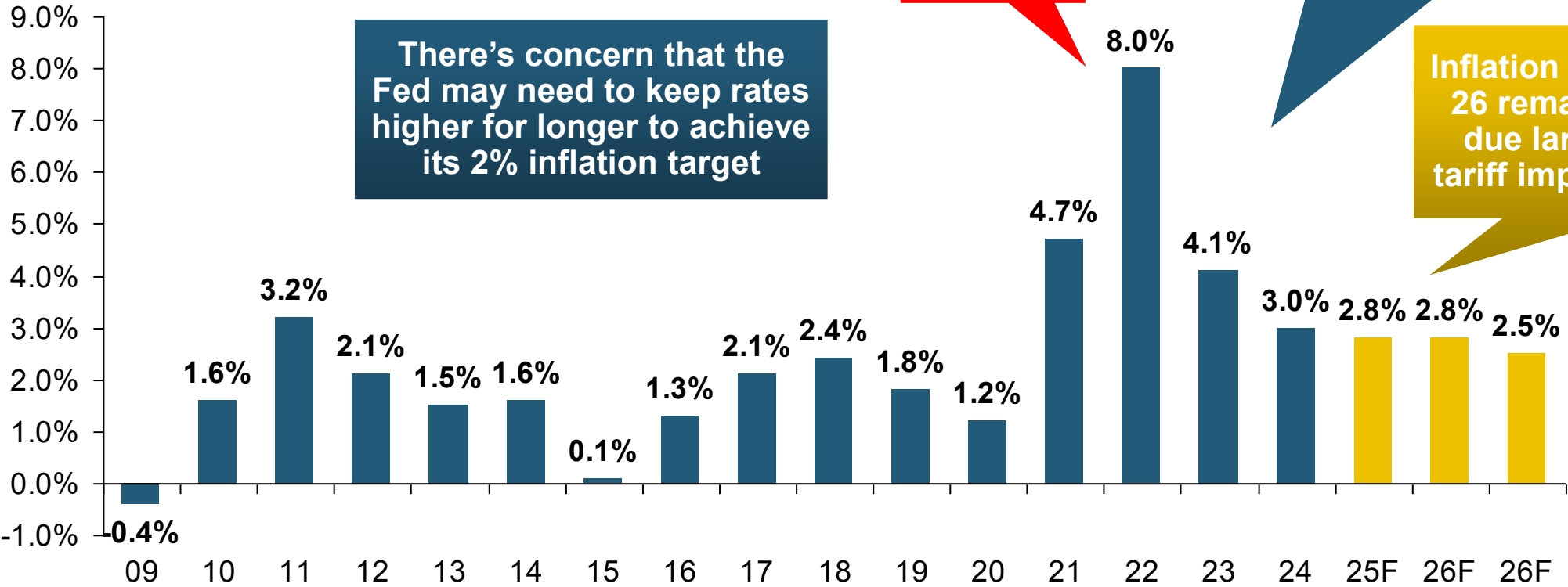
The Inflation Threat

**Inflation Has Been a Major Driver of Auto
and Property Claims Severities**

Will Tariffs Reignite Inflation?

U.S. Inflation Rate: 2009-2027F*

Percentage Change (%)



There's concern that the Fed may need to keep rates higher for longer to achieve its 2% inflation target

40-Year High
Highest inflation rate since 1982

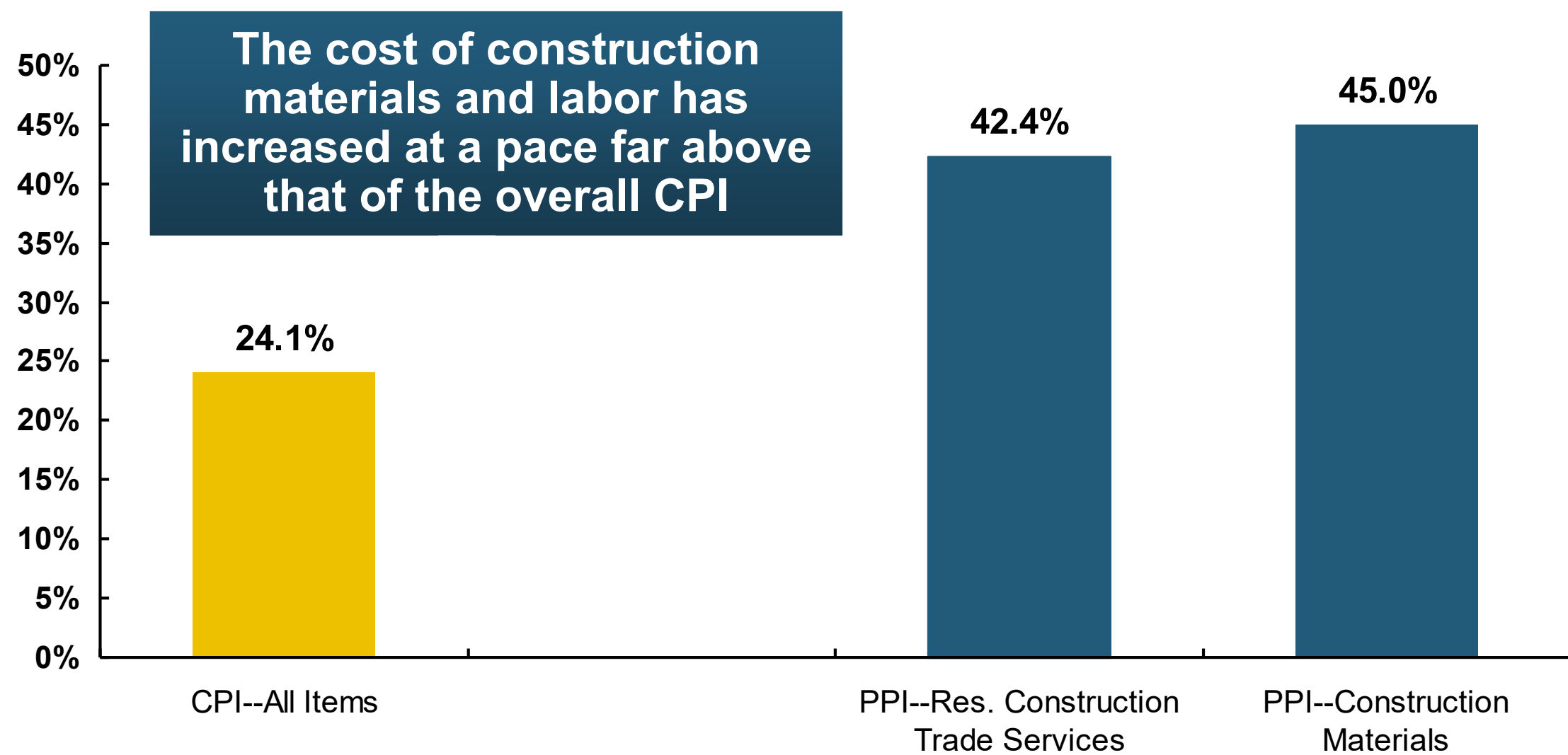
Inflation accelerated sharply in 2021 before peaking at 9.1% in June 2022. Inflation was nearly halved in 2023 and fell further in 2024, but will remain above the Fed's 2% target in 2025-27

Inflation projections for 2025-26 remain stubbornly high, due largely to anticipated tariff impacts and Fed easing

Insurer Concerns About Inflation
Rate Inadequacy
Reserve Inadequacy
Insurance-to-Value

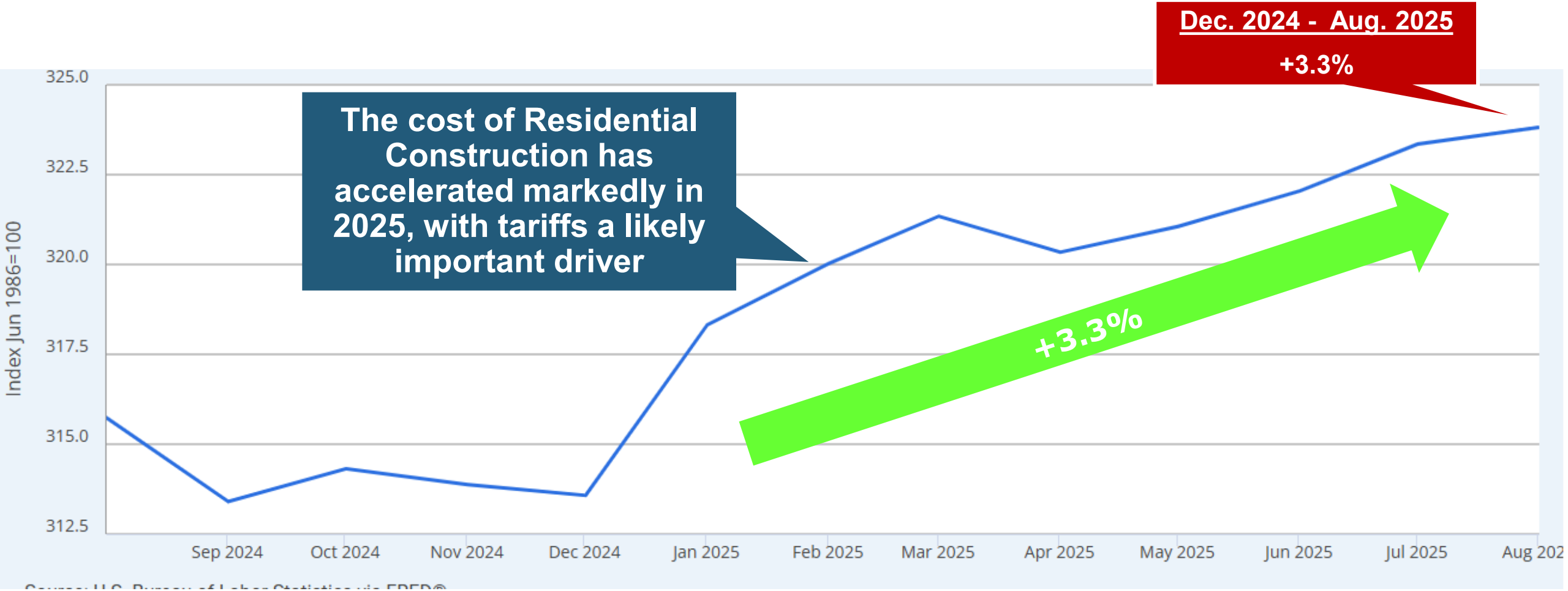
*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).
Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (10/25); USC Center for Risk and Uncertainty Management.

Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – June 2025

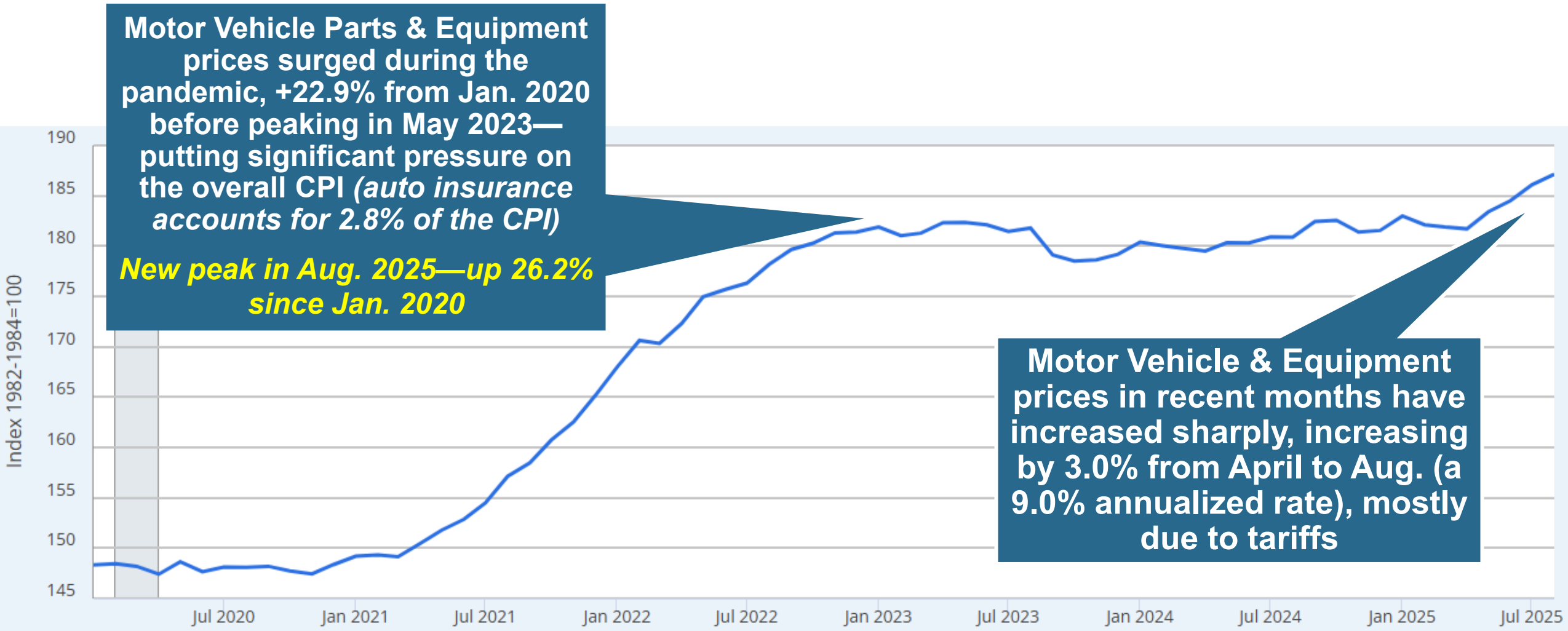


Source: U.S. Bureau of Labor Statistics from Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/WPUIP23111021> (Trade Services) and <https://fred.stlouisfed.org/series/WPUSI012011> (Construction Materials).

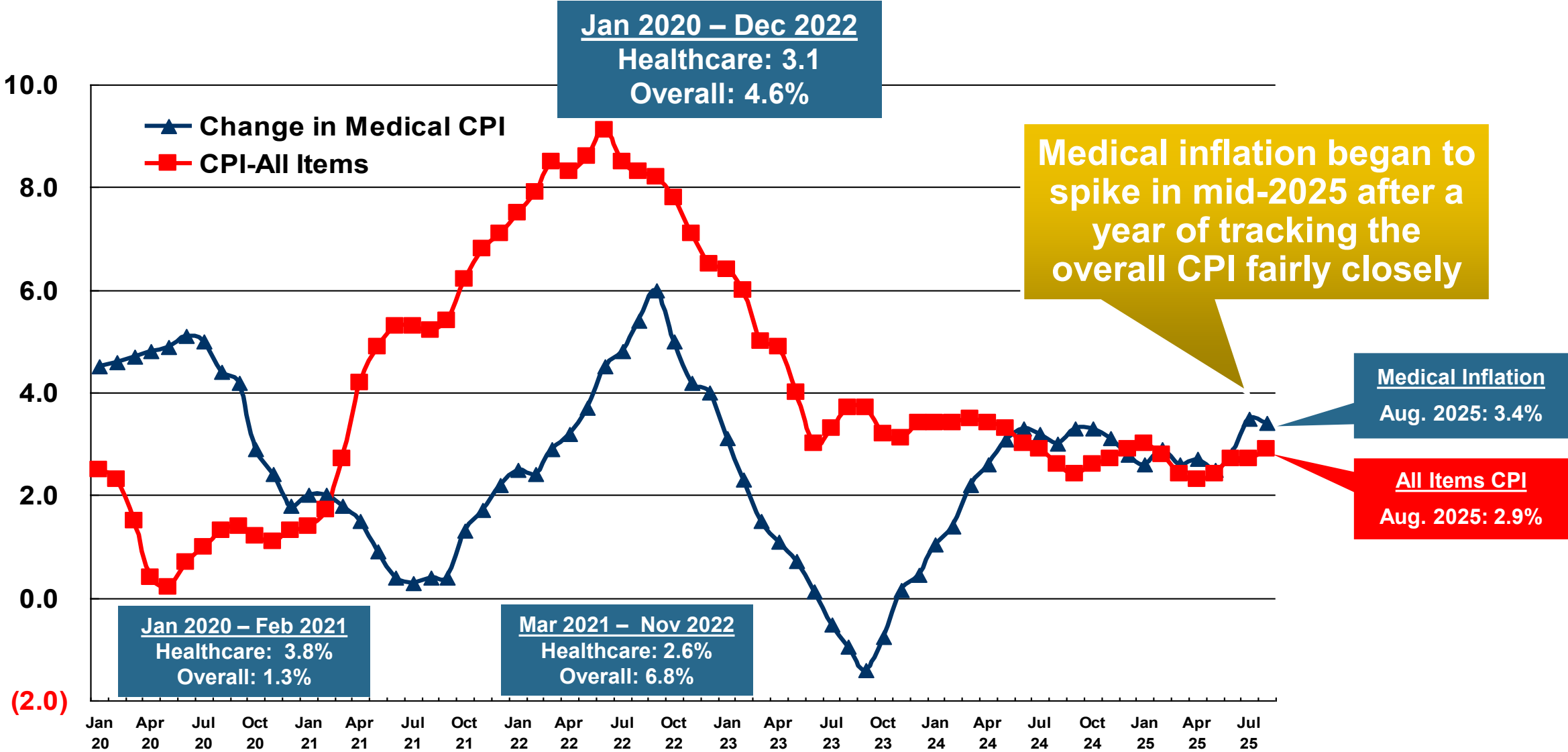
PPI: Net Inputs to Residential Construction, Goods, Jan. 2019 – Aug. 2025



Price Index Changes for Motor Vehicle Parts & Equipment, Jan. 2020 – Aug. 2025



Medical Cost Inflation vs. Overall CPI Since COVID, Jan. 2020 – Aug. 2025 (Percent Change from Year Ago)



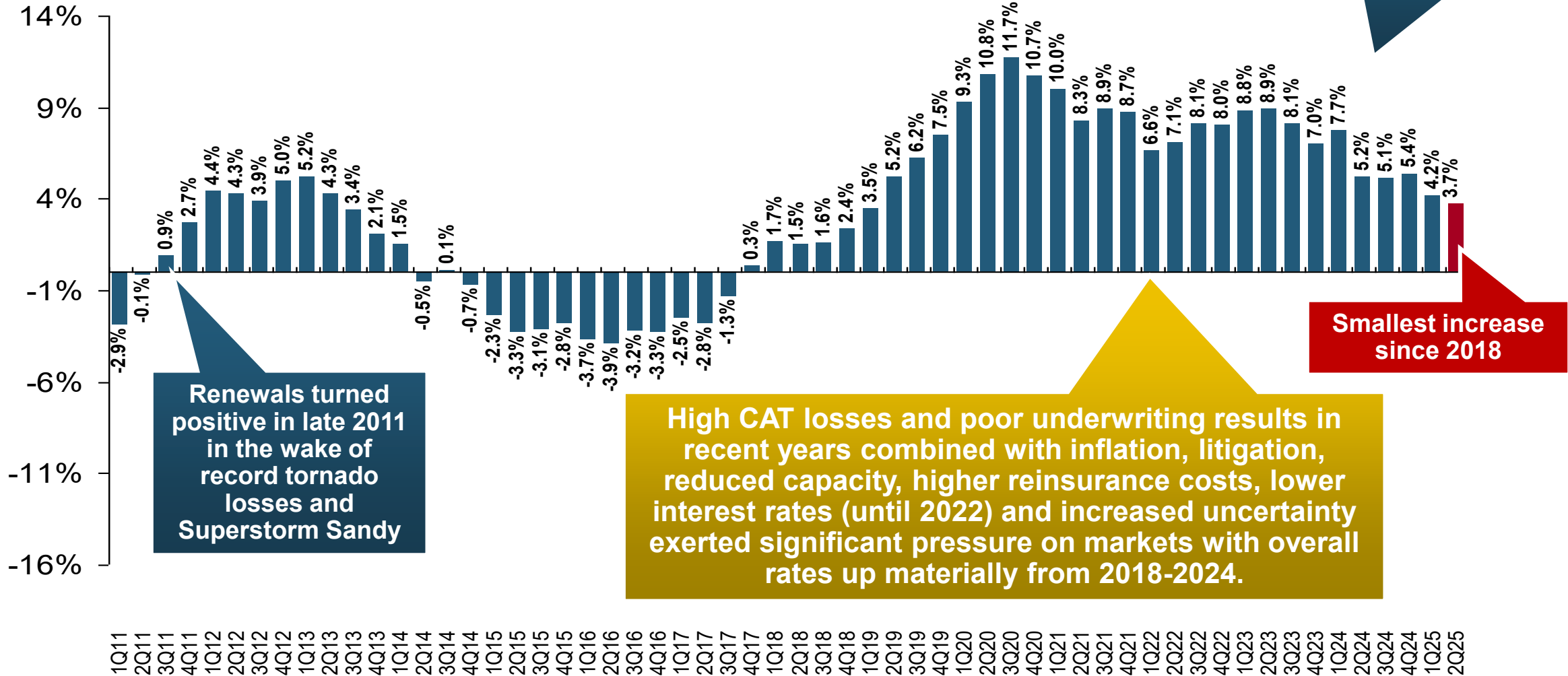
Sources: US Bureau of Labor Statistics via Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/CPIMEDSL>; Risk and Uncertainty Management Center, University of South Carolina.

Commercial Lines Growth & Pricing Cyclicity

**Economic and Tort Environment Create
Pricing Pressure**

CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2025:Q2

(Percent)

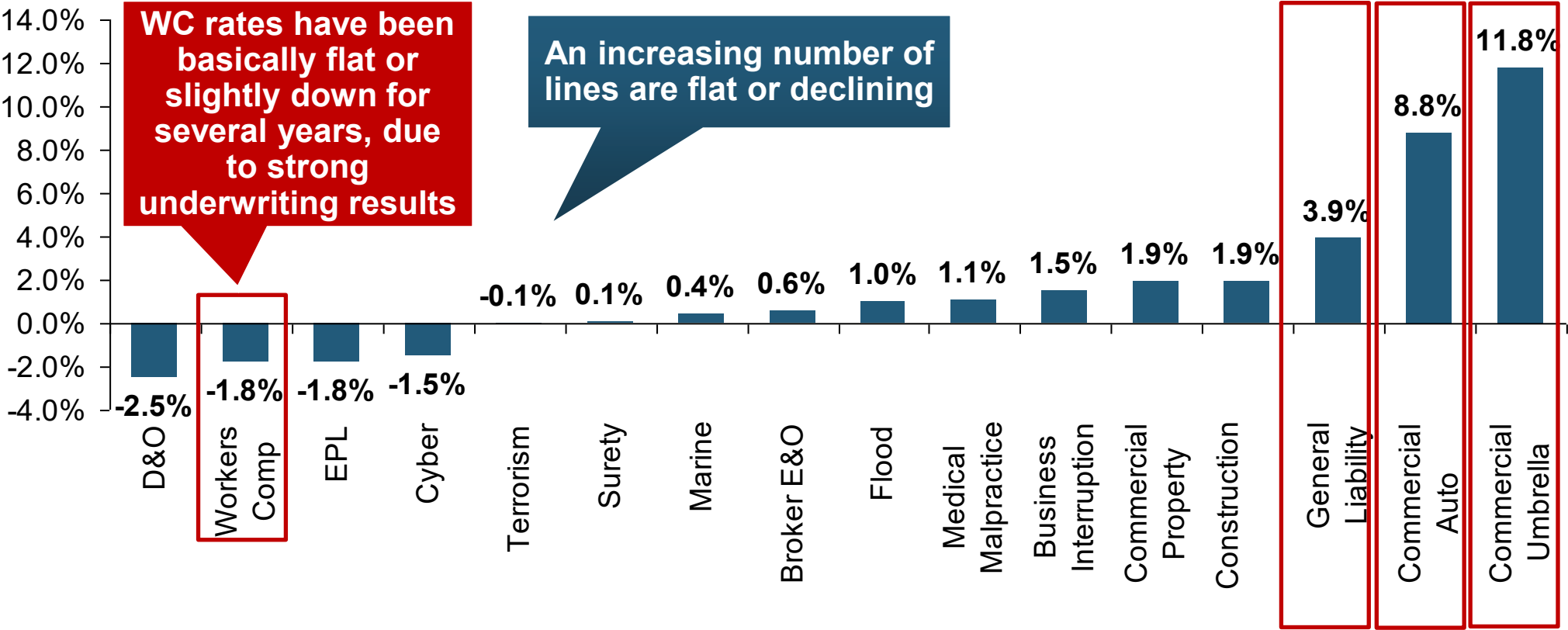


Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Change in Commercial Rate Renewals, by Line:

2025:Q2

(Percent Change)



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

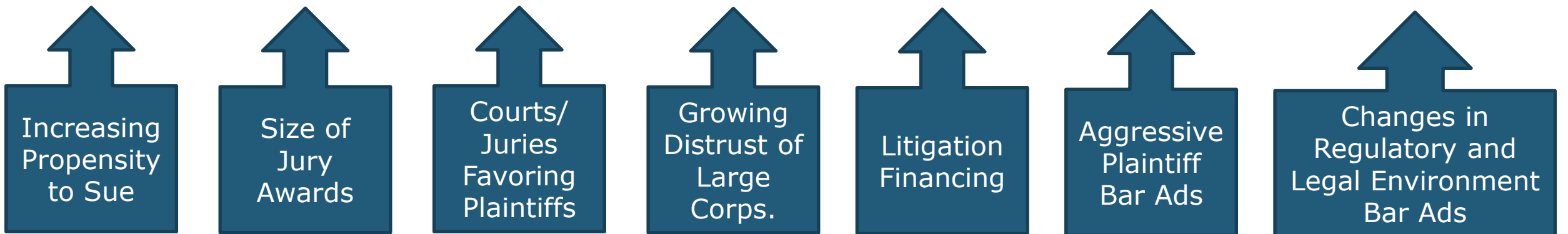
Legal System Abuse (Social Inflation) & Litigation Trends

Rising Litigation Costs Are a Concern for Businesses Large and Small—and *Their Insurers*

Major Driver of Rate Across Multiple Lines

Social Inflation: Many Interrelated Causes, Difficult to Manage

INSURANCE CLAIM COSTS



Increasing
Propensity
to Sue

Size of
Jury
Awards

Courts/
Juries
Favoring
Plaintiffs

Growing
Distrust of
Large
Corps.

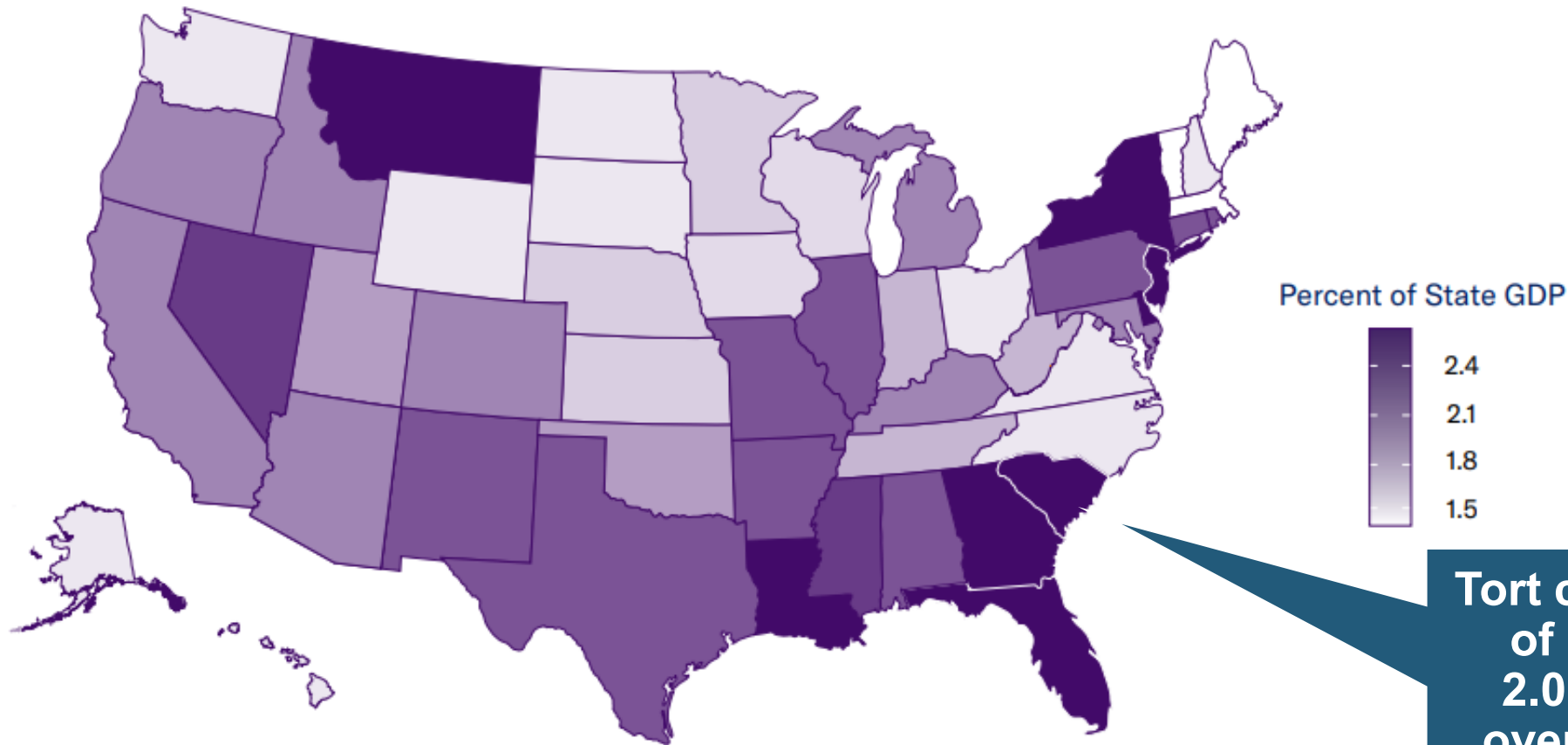
Litigation
Financing

Aggressive
Plaintiff
Bar Ads

Changes in
Regulatory and
Legal Environment
Bar Ads

Applied to a seemingly limitless number of issues, these drivers are pushing tort costs (and therefore claim costs upward)

Tort Costs as Percent of State GDP, by State (2022)

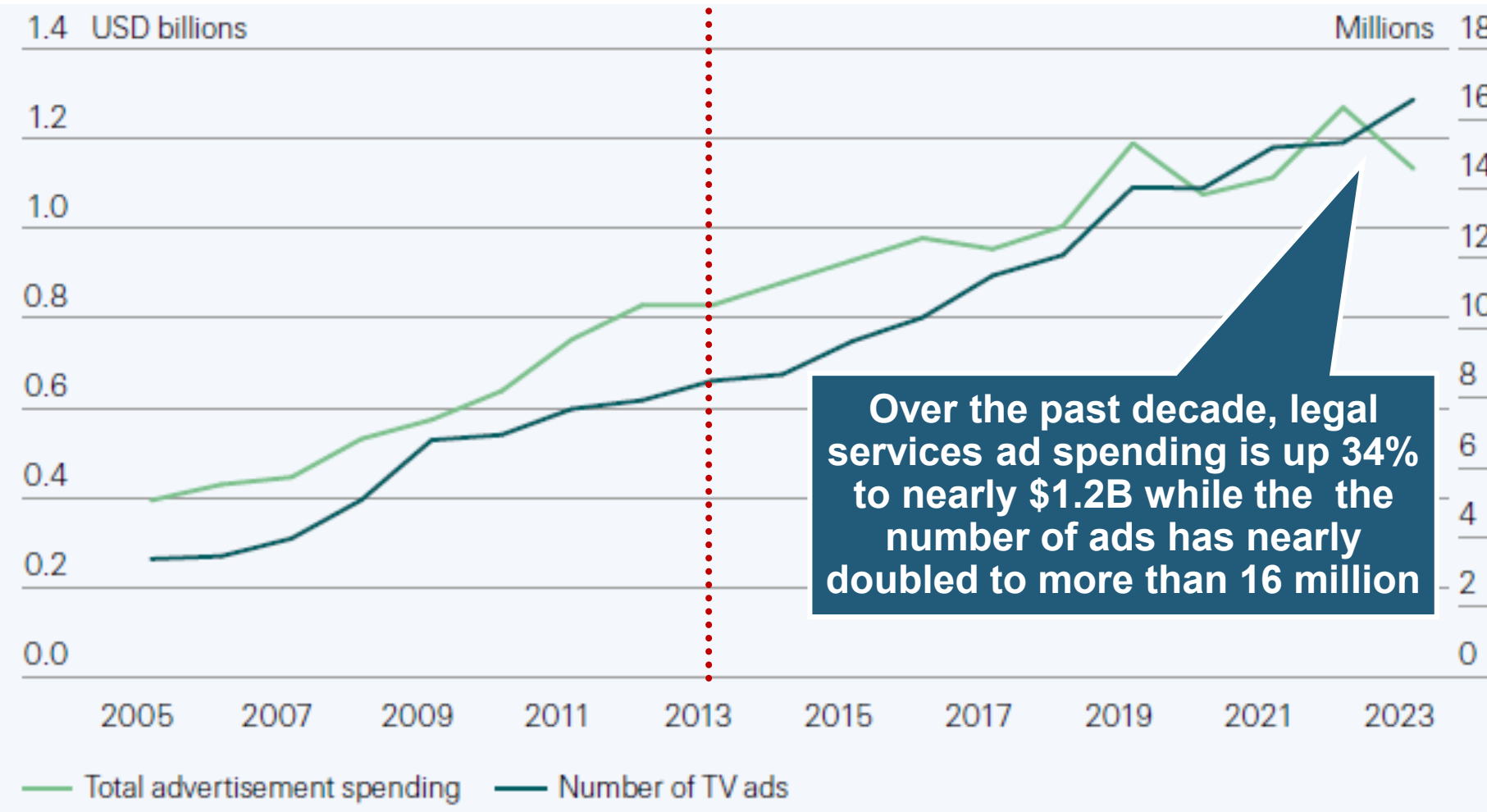


On a Per Household basis, the US “tort tax” equated to \$4,207 in 2022

Tort costs as a share of GDP stood at 2.07% for the US overall in 2022 but are materially higher in the Southeast

Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), "Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System" (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Attorney Advertising Remains Very Aggressive



The average American has attitudes that are conducive to continued social inflation.

Tort Costs Over Time by Category, 2016 - 2022 (\$Bill) (2022)

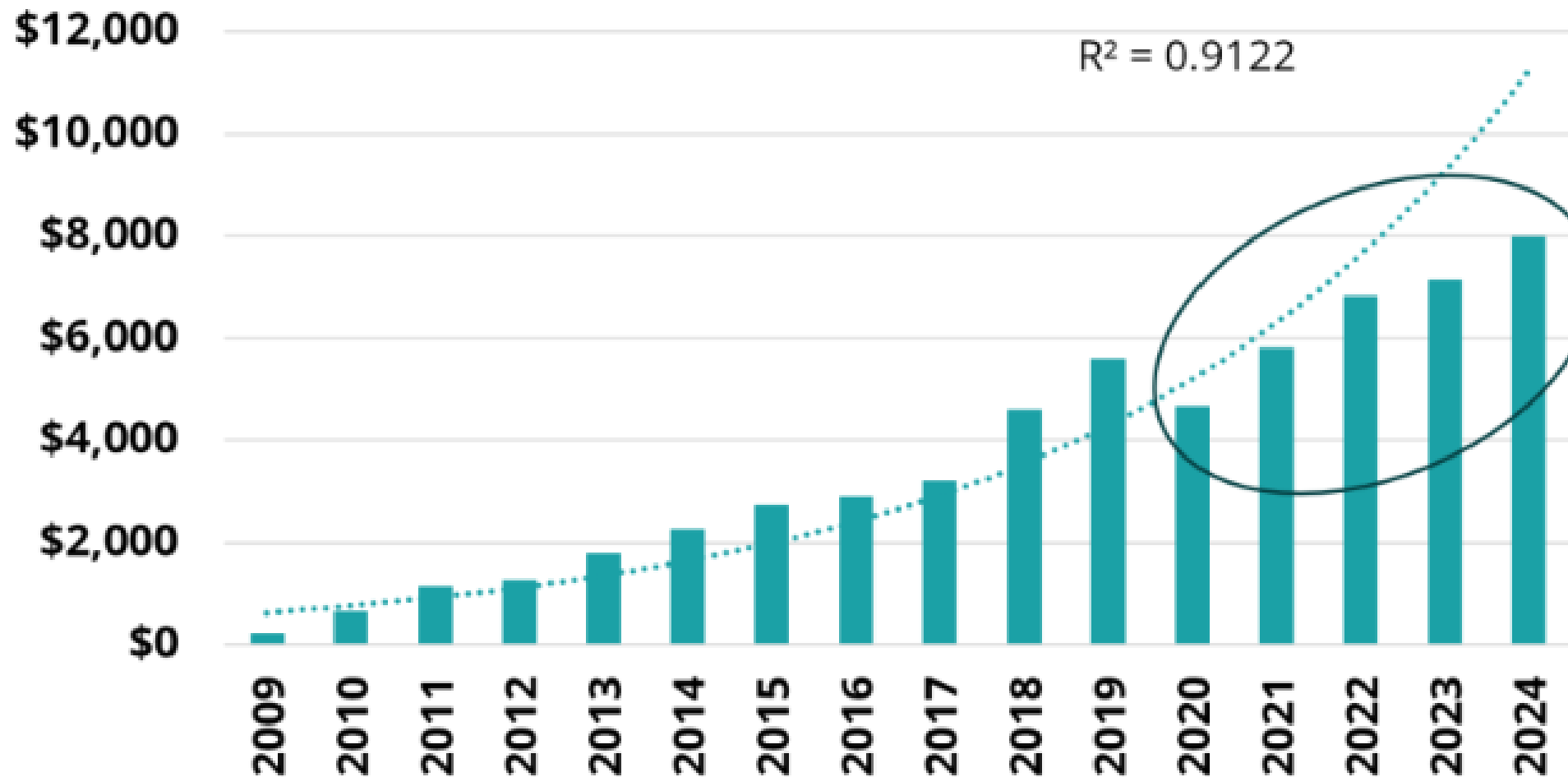
		2016	2017	2018	2019	2020	2021	2022	Average Annual Growth
Commercial Liability									
General/Professional	[1]	\$176	\$171	\$194	\$205	\$230	\$256	\$291	8.8%
Medical	[2]	\$14	\$13	\$14	\$15	\$16	\$17	\$17	4.3%
Automobile	[3]	\$33	\$35	\$39	\$44	\$45	\$51	\$58	10.1%
Commercial Liability Total	[4]	\$222	\$220	\$247	\$264	\$290	\$324	\$367	8.7%
Personal Liability									
Homeowners (liability portion)	[5]	\$4	\$4	\$4	\$4	\$4	\$5	\$5	5.1%
Automobile	[6]	\$125	\$135	\$145	\$150	\$149	\$152	\$157	3.9%
Personal Liability Total	[7]	\$129	\$139	\$149	\$154	\$153	\$156	\$162	3.9%
Total Tort Costs	[8]	\$351	\$359	\$397	\$418	\$444	\$481	\$529	7.1%
National GDP	[9]	\$18,701	\$19,508	\$20,536	\$21,395	\$21,193	\$23,462	\$25,598	5.4%
Consumer Price Index	[10]	240.0	245.1	251.1	255.7	258.8	271.0	292.7	3.4%
Total Costs as % of GDP	[11]	1.9%	1.8%	1.9%	2.0%	2.1%	2.0%	2.1%	

Increases in tort liability costs are driven primarily by Commercial lines, which are grew at and average annual rate 8.7% from 2016 – 2022, compared to 3.9% for Personal lines

The US “tort tax” equated to \$4,207 per household in 2022

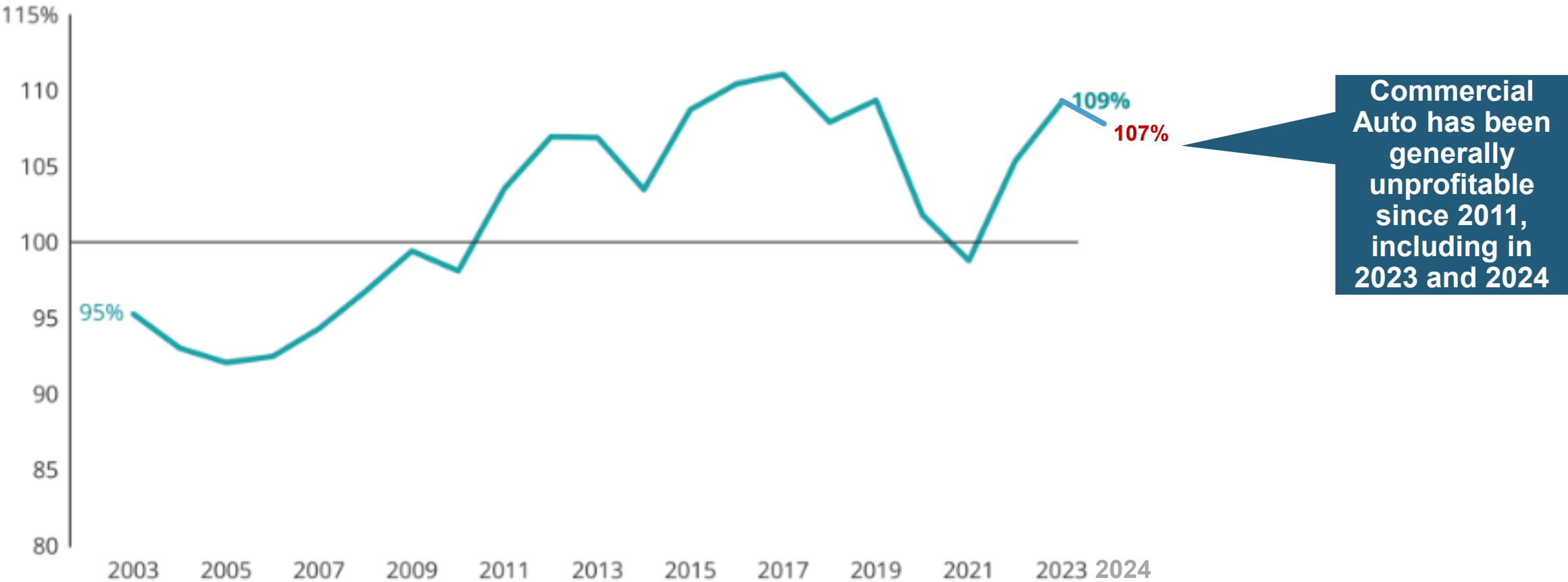
Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), “Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System” (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>; Risk and Uncertainty Management Center, Univ. of South Carolina.

Estimated Impact of Social Inflation on Commercial Auto, 2009 – 2024 (\$ millions)



Comparing current loss development patterns to those from past suggests that social inflation is pushing up Commercial Auto costs by about \$8B per year as of 2024.

Commercial Auto Combined Ratio, 2003 - 2024



Source: S&P Capital IQ, Insurance Insider US.

SUMMARY

- **The P/C Insurance Industry Remains Strong, Stable, Sound and Secure**
 - ◆ Auto lines, property and reinsurance segments were stressed but are improving
 - ◆ E&S markets have experienced outsized growth
- **Loss Cost Challenges Have Been Easing, but Changes in Fiscal, Trade and Labor Policies in 2025/26 Are Exerting Inflationary Pressures**
 - ◆ Tariffs would adversely impact auto and property claim severities
- **Recession Risk Has Receded Materially**
- **Asset Price Volatility Will Persist with Monetary Policy, Fiscal, Geopolitical Uncertainty**
- **Higher Interest Rates Are Providing a Modest Tailwind for Investment Income**
- **Inflationary Pressures Moderated in 2024, though Persisting into 2025 and likely 2026**
- **Legal System Abuse Issues Remain a Long-Term Challenge and Major Cost Driver**



UNIVERSITY OF
SOUTH CAROLINA

Darla Moore School of Business

*Thank you for your time
and your attention!*

*For a copy of this presentation, email
me at robert.hartwig@moore.sc.edu or*

Download at www.uscriskcenter.com

CREATIVE CAPTIVE USE

Panel Discussion



Brad Koland

Corporate Risk Manager
Land O' Lakes



Michael Serricchio

Managing Director, Leader of
US and Canada Region
Marsh Captive Solutions



Matt Ward

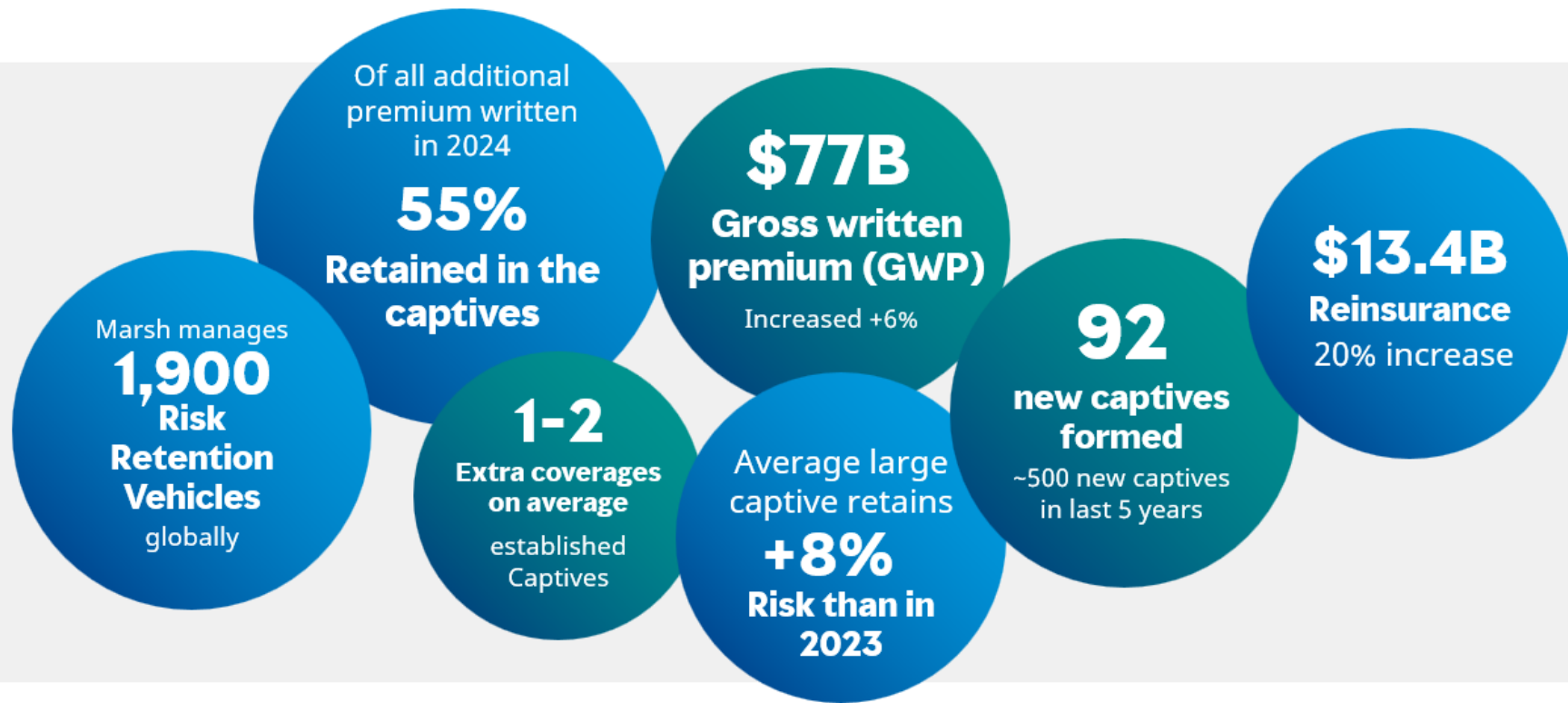
Senior Director of
Risk Management
The Home Depot, Inc.



Helen Kim – Moderator

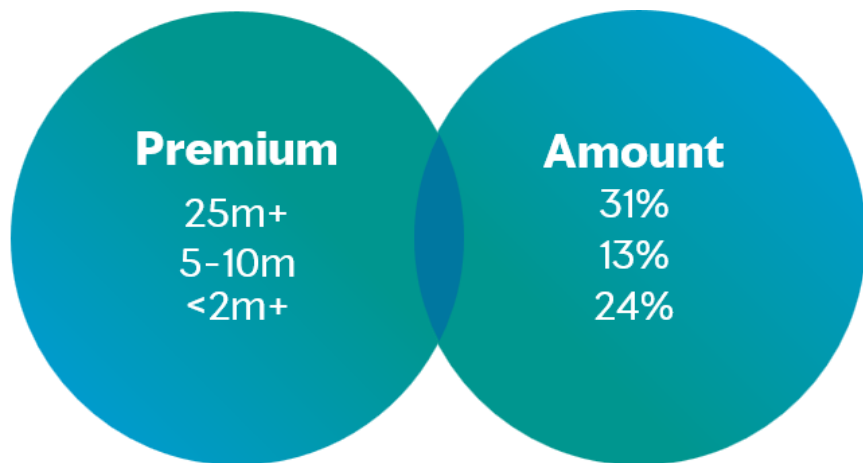
Executive Vice President,
Western Region
Old Republic Risk Management

CAPTIVES BECOMING MORE STRATEGIC AND THRIVE



The Strategic Evolution of Large Captives

Percentage of Captives by Premium



Large Captives

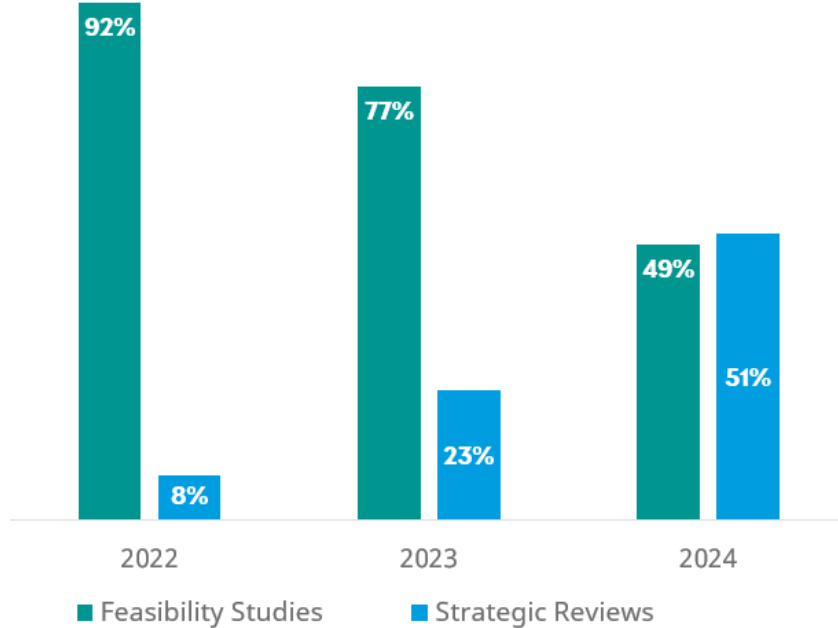
Retaining more limits and more lines of coverage overall in the last year

15% of our largest captives

Have more than 1 captive

Optimizing Your Captive

How to best utilize your captive for an ever-evolving risk landscape



On average 3 lines of business are assessed through our studies



Most Popular Coverages Assessed in Strategic Reviews

1. Property
2. Auto
3. Workers' Comp/Employee Benefits
4. General Liability
5. Cyber
6. Employee Benefits
7. Trade Credit
8. Affinity

Parametric Nat Cat Insurance 101

What is Parametric Insurance?

Parametric policies **pay out when an event parameter meets a pre-defined value**, and the insured incurs a financial loss.

Key Benefits

-  **Quick Payout:** Typically within **30 days** of an event
-  **Broad Coverage:** Payouts can be used for non-damage BI, property replacement, repair costs, business expenses, lost revenue, and other immediate economic needs
-  **Flexibility** in structuring the cover
-  Enhance liquidity & reduce revenue volatility
-  No Physical Damage requirement
-  Cover underinsured or uninsured or insurable risks

Parametric Trigger Examples:

-  **Earthquake** (magnitude/location of epicenter, or local shake intensity)
-  **Hurricane** (storm category/location of storm track, or local wind intensity)
-  **Flood** (river or water level height)
-  **Excess Rain/Drought** (local station data or satellite data)
-  **Wildfire** (burned area)
-  **Hail** (hailstone size)
-  **Tornado** (EF rating and tornado track)
-  **Volcanic Ash Cloud** and **Tsunami**
-  And other perils with reliable 3rd party data and market appetite.

REINSURANCE MARKET – WHAT CAN YOU EXPECT IN 2026?



David Domino

Chairman, Regional
Mutual Segment
Guy Carpenter



Linda Johnson – Host

Executive Vice President,
Chief Underwriting Officer
Old Republic Risk Management

Reinsurers' Strong Results Continue

There's a Few Headwinds but as 2025 Progresses Results Continue to Outperform

Return on Equity (ROE) Remains Strong

- Record earnings in 2023 and 2024 exceed the underperformance during 2017-2022. ROE for 2024 was 16.4%, compared to 21.9% in 2023. ROE forecasted to be 15.3% for 2025.

Continued Strong Underwriting and Investment Income

- The GC Reinsurance Composite's combined ratio remained favorable (89.6% for 2024 versus 86.9% for 2023). The investment yield rose to 3.6%. CoR forecasted to be low 90% for 2025.

Insured Losses Exceeded USD 100 Billion for the 5th Consecutive Year

- Total insured industry losses of USD 144 billion in 2024 are driven by US Hurricanes and Severe Convective Storms. Insurers bear the brunt, as attachment points remained high.
- 1H 2025 insured losses reach USD 80 billion.

Overall Reserves Adequate, But a Few Shore Up Liability Reserves

- Concerns over loss cost trends have caused reserve reviews.
- Property and short-tail lines reserve releases offsetting unfavorable development in liability lines.

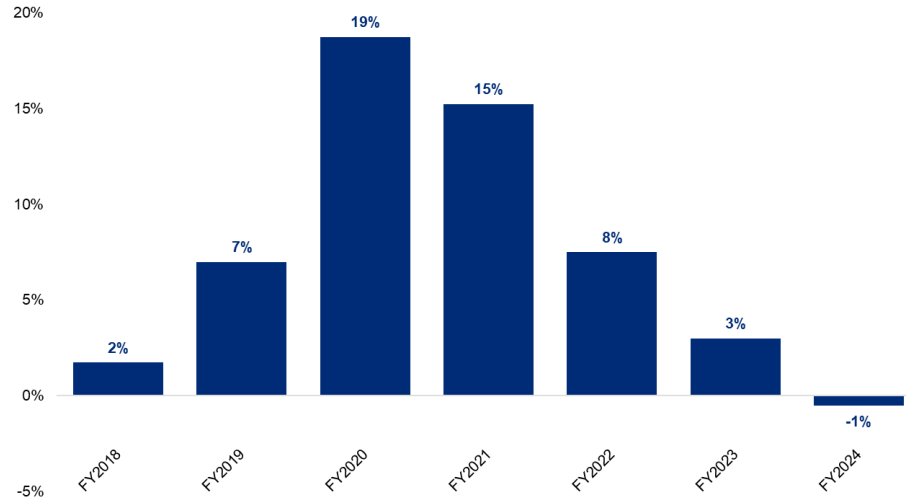
Reinsurer Capital Continues to Grow

- Composite reinsurers' capital continued to grow, creating greater available capacity and competition. Dedicated reinsurance capital grew by 7% in 2024. An additional 5 – 7% capital growth is forecasted for 2025.



Primary Rates Enter Negative Territory 1st Time in 7 Years

Global Commercial Insurance Composite Pricing Change*



Source: Marsh Specialty and Global Placement

*Note: All references to pricing and pricing movements in this report are averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number. Global composites aggregate placement data across all regions in which Marsh operates.



Global insurance rates change shifted to -1% in 2024, following 7 years of increases.

(1Q24: 1%, 2Q24: 0%, 3Q24: -1% and 4Q24: -2%).

What can We Expect in 2026?

Casualty

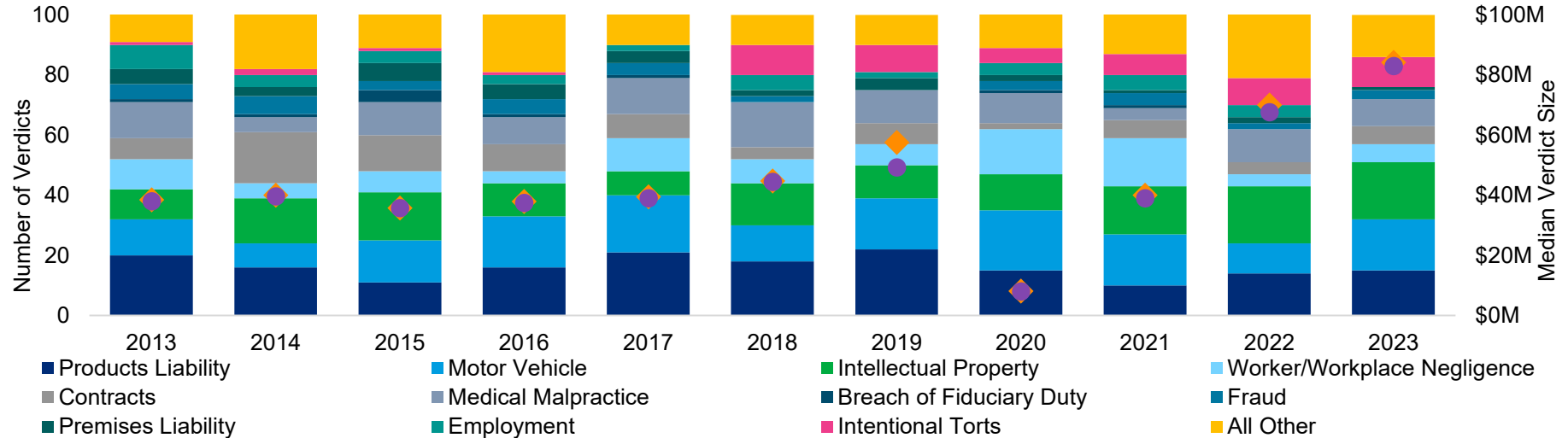
Mid-Year 2025 Casualty Reinsurance Market Update

 Pricing	 Reinsurer Behavior	 Capacity	 Structures/Terms
• Casualty Excess on Loss (XOL) – rates increased due to higher loss severity vs. initial expectations – Working layer casualty – +0% to +15% for profitable layers, and +20% to +30%+ unprofitable layers on average – Clash – generally +15% to +30% for profitable layers with increases of up to 50% for unprofitable ones • Pro-rata – ceding commission will depend on actual vs. expected loss development on each portfolio and whether the rate change exceeds the loss trend – the Ceding commissions are flat to down 1.0% – Portfolios that performed in line with market trends and were reinsured on a pro-rata basis were generally able to renew with stable terms	• Reinsurers have increased their loss trend assumptions to low-double digitals in Excess Casualty pushing rates higher loss trend – Concern regarding litigation trends, inflation and prior year development are driving these changes • Reinsurers with exposure to years with adverse development (2014-2019) were more cautious, while newer markets with little exposure during that period have a broader appetite today • New Reinsurers remain hesitant to quote – characterized by more questions and a more complex approval process	• To complete programs on-time, in most instances panel turnover was required • Auto remains an area of concern, both in primary and excess exposure • New reinsurers are cautiously filling gaps created by legacy reinsurers adjusting shares based on final pricing • Growing reinsurers – Ascot, Ambridge, Brit, Canopus, Hamilton, MS Re and Waypoint • Everest and RenRe are the most vocal about loss trend changes – AXIS, Munich, Partner, and Swiss scaled back significantly in 2024 and maintained similar positions for 2025	• Overall, structures remain stable – Books with adverse development and/or reinsured on an excess of loss basis were more challenged – The design of excess loss structures was analyzed heavily before submissions went to market, and multiple quote options were sought from reinsurers – Variations included attachment point increases or use/change of AADs – cedents weight cost and structure options to optimize reinsurance value to their overall financial objectives • PFAS underwriting approach and capacity deployment remain in focus for reinsurers

US Social Inflation Continues to Accelerate Post-COVID

Median Top 100 Verdict Rose 20% YoY in 2023, an Acceleration From Pre-COVID Trend of 7%

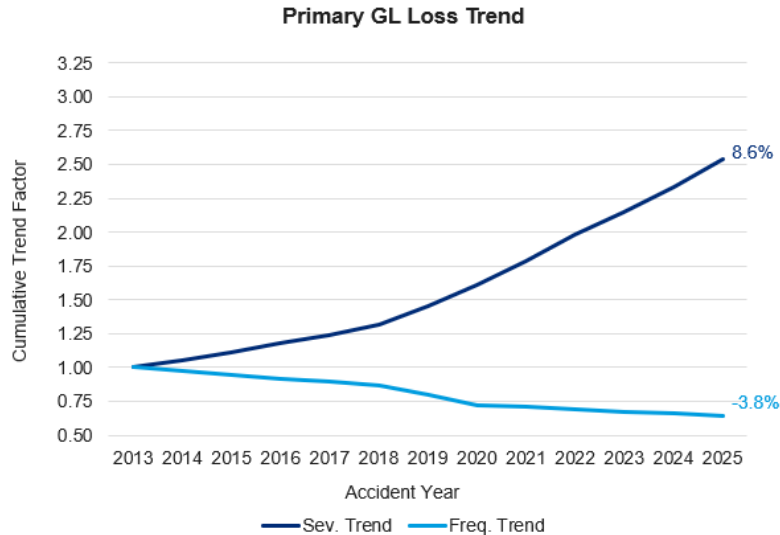
Number of Top 100 Verdicts by Cause of Action



After a brief dip in 2020, when US courts were closed, the market has seen top-end casualty verdicts exceed the pre-COVID peak.

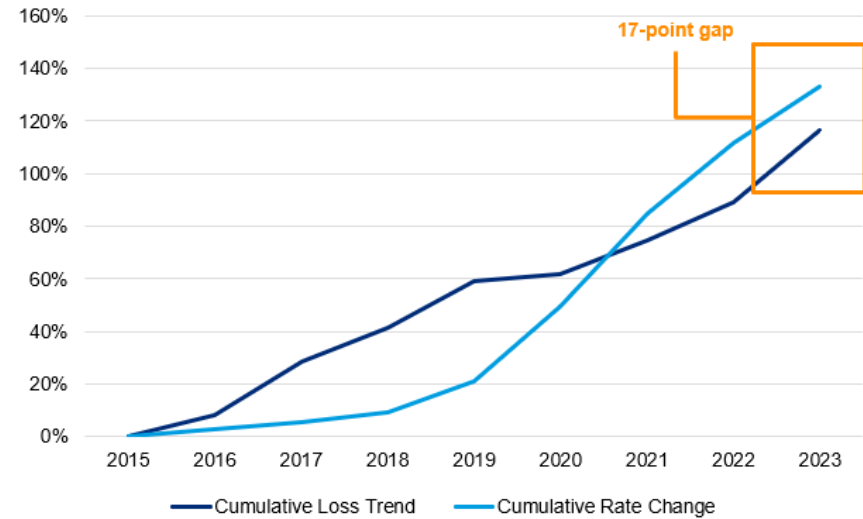
Underlying Market Themes – General Liability (GL) and Excess/Umbrella

A Look at Historical Loss Trends



Frequency continues to decrease while severity continues to rise.

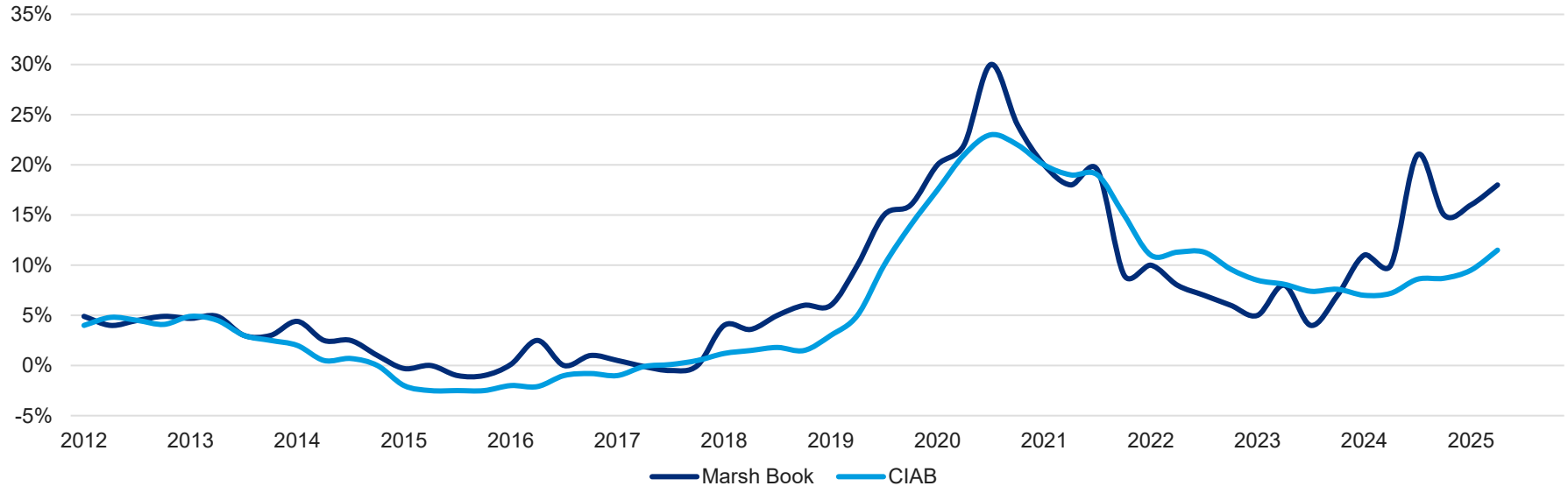
Cumulative Excess Loss Trend vs. Rate Change Since 2015



Excess Casualty loss trends over the past decade ranged from 9% for the lead umbrella to 12% for higher attaching excess.

Excess Casualty Market Update – Q2 2025

Rate Re-Accelerated in 2H 2024 and is Continuing throughout 2025



*The Council of Insurance Agents & Brokers (CIAB) market survey includes information collected from Agencies and Brokers of all sizes across the country

*12 Year Renewal Cost Change (Average – All Segments) – as of Q2 2025

Casualty Trends

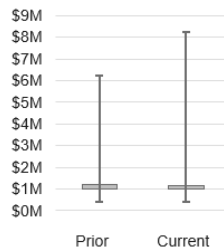
GC XSCLiX – GC's Proprietary Umbrella and Excess Casualty Loss Index



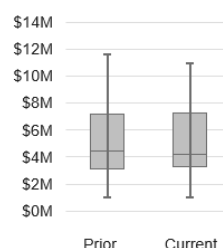
Lead Umbrella

- Umbrella results deteriorated consistently nearly every year until 2018, when companies began achieving rate increases.
- Following a few years of improving Umbrella results driven by rate, there is some deterioration beginning in 2021
- Forward-looking loss ratio projections remain steadied around the most recent year's results
- After rate changes moderated in 2022 and through 2023, the rate has begun to accelerate again in 2H 2024

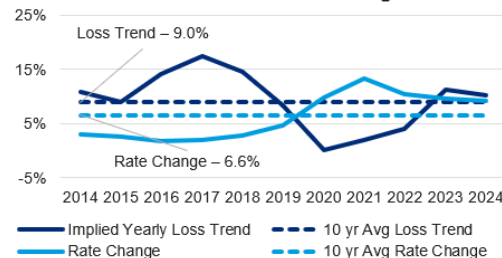
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Limit Profile



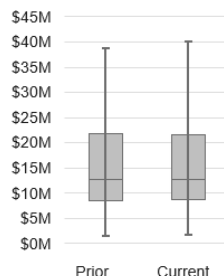
Loss Trend and Rate Change



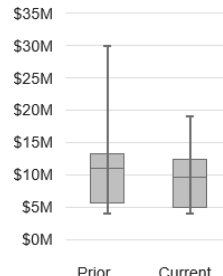
Excess Casualty

- In general, trends seen in the underlying lead layers appear to be leveraged into the excess
- Significant rate increases continued into 2021 and continued to outpace the loss trend slightly
- Rate achievement in higher excess layers is significantly more than what has been achieved on the lead umbrella layers
- Excess loss development seems to be predominantly within the initial 6-7 years, with only about a 7% tail remaining after ten years of development
- Excess casualty development patterns are holding steady

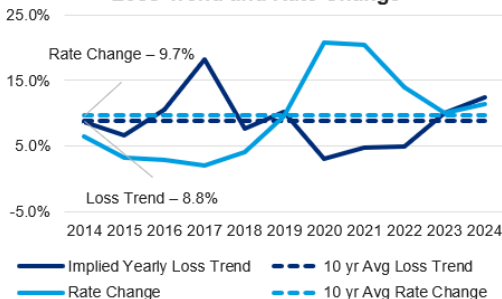
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Limit Profile



Loss Trend and Rate Change

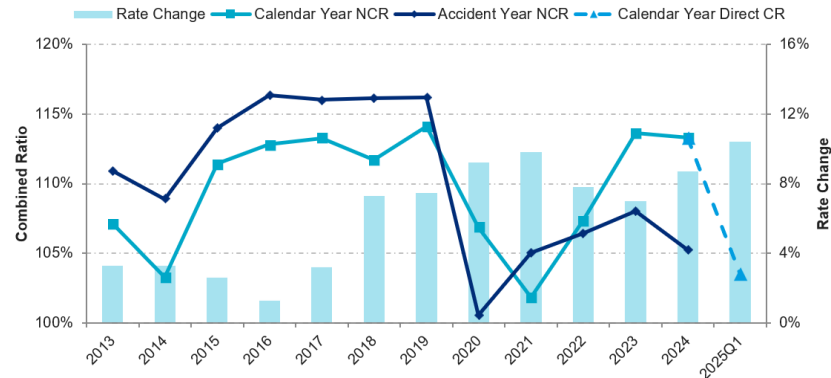


US Market Rate and Profitability Overview

Commercial Auto Liability



- CY Direct CR improved slightly in 2025Q1 from 2024 but remains above 100%.
- Industry **accident year combined ratios** continue to be revised higher for AY's pre-2020. In 2024, AY's 2020-2023 all reported adverse reserve development.
- Rate increases grew to **10%** and expected to remain elevated; but have struggled to keep pace with rising loss cost trend.

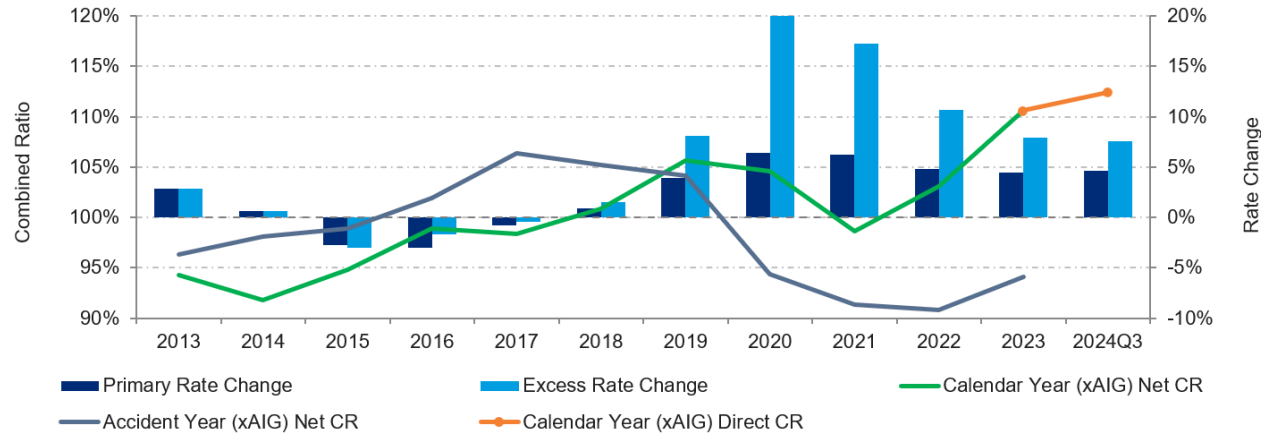


CY 2022-2024 Direct		
Group	Loss &DCC Ratio	Combined Ratio
Admitted	82%	111%
Non-Admitted	101%	122%
Total	83%	112%

CY	Direct Loss & DCC Ratio	Net Loss & DCC Ratio	Net DCC Load (DCC/Loss)
2020	75.6%	73.1%	10.5%
2021	73.6%	69.7%	10.2%
2022	78.8%	76.3%	9.4%
2023	84.3%	81.5%	9.8%
2024	85.6%	82.0%	10.4%

US Market Rate and Profitability Overview

Rate Change and Combined Ratio (CR) Summary



Group	CY 2021-2023 Direct	
	Loss and Direct Claims Costs (DCC) Ratio	Combined Ratio
Admitted	77%	107%
Non-Admitted	71%	99%
Total	75%	104%

CY	Direct Loss and DCC Ratio	Net Loss and DCC Ratio	Net DCC Load (DCC/Loss)
2019	77.3%	73.9%	18.5%
2020	76.2%	74.9%	18.1%
2021	70.0%	67.4%	15.3%
2022	75.1%	70.2%	13.5%
2023	79.0%	75.4%	14.2%



Commentary

- Carriers increased **rates by 4.5% for primary and 7.9% for excess for 2023**. P&C industry, excluding AIG AY results, is still below 100% but has increased over the last year, while adverse reserve development accelerated from 2016 to erode profitability as the 2023YE CY direct combined ratio remained above 100%.
- P&C industry excluding AIG CY 2023 net combined ratio (NCR) was 111% vs. 103% in 2022.
- Limit management in the lead and high excess positions is key for limiting the volatility of results.

Casualty Reinsurance Market Update

Preparing for Renewal Discussions – PFAS

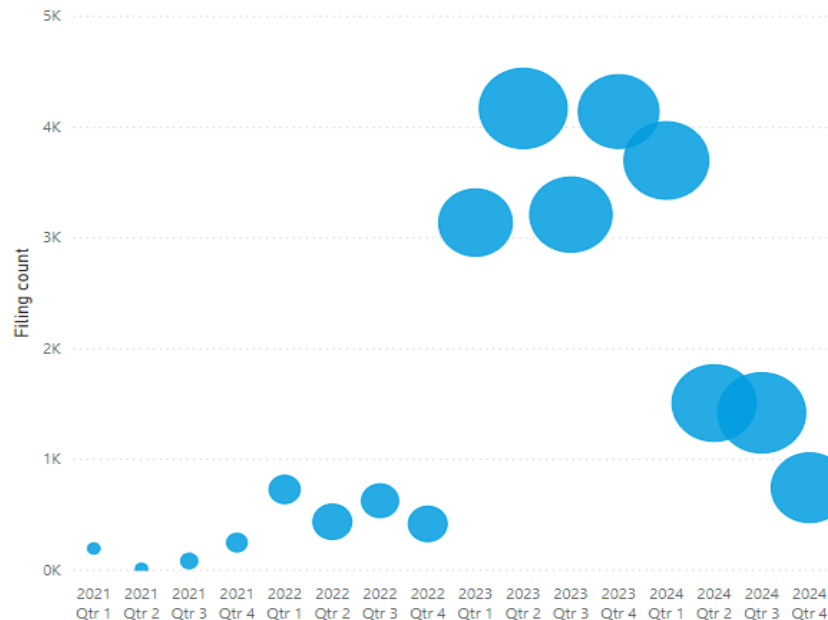
Insurance

- Insurers seem to be using PFAS exclusions with greater frequency, albeit selectively on risks were deemed necessary
- ISO released a PFAS exclusion in Spring 2023, which has increased insurers adopting the exclusion endorsement to use when believed appropriate
- We don't think the market will allow widespread PFAS exclusion adoption
- Guy Carpenter has examined admitted filing data and found that filing for PFAS exclusions by admitted carriers has skyrocketed in the past two years, as seen in the chart to the right

Reinsurance

- Increasing questions from reinsurers regarding an insurer's UW approach to PFAS and any potential exposure
- We have yet to see any treaty PFAS exclusions applied in Excess Casualty
- **Renewal guidance – demonstrate the following**
 - **Underwriting approach/Expertise**
 - **Transparency in risk/exposure**
 - **Thought process around the use of policy exclusion**

PFAS Exclusion – Filing Count and Company Count by Quarter



Bubble size – # of companies filing

For example, in Q2 2022, 11 companies filed 432 filings. In Q2 2023, 57 companies filed 4165 filings

WC Primary Market Summary

Headwinds:

- Longevity due to medical advancements and survivability
- Tightly regulated premium rates
- Ongoing rate decreases facilitate drag on loss ratios
- Growing wage inflation pressures drive indemnity and severity costs higher
- Tariffs could drive medical costs higher, but impact yet to be determined
- Increased market competition for large and/or profitable accounts
- Sustained downward pressure on rates and pricing

Tailwinds:

- Tangible Long-Term reductions in overall claim frequency
- Sustained economic recovery since 2021 reinstating full time employment
- Growing demand for labor driving recovery of insured payrolls
- Carried Loss Reserves benefitting from declines in claims frequency
- Ongoing favorable prior year reserve development reducing CY CR's
- Favorable interest rate environment
- Operating performance improvements from higher net investment income

Property

Global Property Renewal Overview



Global Property Cat reinsurance risk-adjusted rates at mid-year were generally -5% to -15% for non-loss impacted programs. In some cases, individual layers saw even greater risk-adjusted decreases, typically for layers at higher attachment points. While the range of outcomes was like January, average rates continued to soften through the mid-year renewal season.



Appetite for Property Cat Renewals Continued to Outpace Demand

Reinsurer capacity exceeded demand by 20%.



Trend in Providing Across-the-Board Support Continued to Broaden

Reinsurer risk appetites continue to expand to lower attachment points, and retentions relative to pre-January 2023 remain elevated.



Global Property Cat ROL Index Decreased 8.1%

Despite the decrease, the Global Rate on Line (ROL) index remains significantly higher in July 2025, when compared to 2022 (before the 2023 hardening market).



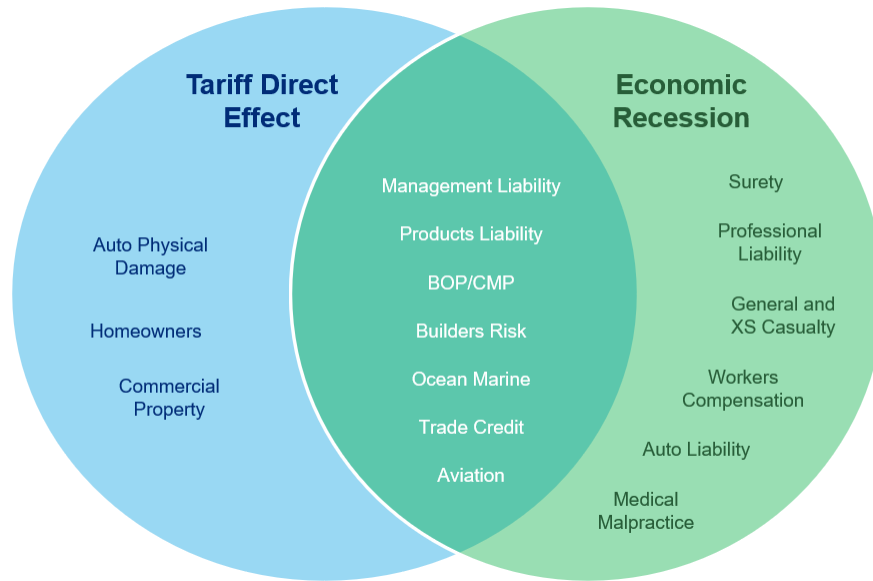
Terms and Conditions Were Stable

Slight improvements were achieved in cases where non-concurrencies continued to exist. Reinsurers have generally prioritized pricing and capacity deployment over minor contract-language modifications.

Tarriff Impact

Factors Impacting P&C Market

Tariff Direct Effects and Second Order Consequences



Most P&C insurance products are relatively well insulated from direct tariff risk, but resulting potential economic slowdown can create wide-ranging outcomes.



Commentary

- Insurance lines covering **physical damage** and/or **property replacement costs** have the most direct exposure to tariffs.
- Immediate **severity increases expected** for auto physical damage and property coverages.
- Admitted **personal lines carrier will face a lag** in gaining approval for higher rates to counter-balance rising loss costs.
- **E&S and commercial lines** products allow **greater flexibility** for carriers to adjust rates quickly to reflect changes in loss trend.
- **Loss trend impacts to liability lines remains uncertain**, but top line pressure expected from declining insured exposures (i.e., revenue, payroll, fleet size, etc.).
- Every **~2.6%** drop in the S&P 500 translates to a **1%** pre-tax decline in US P&C Industry Statutory Policyholder Surplus (ex. Berkshire Hathaway).
- As of April 8 market close, **equity market drawdown YTD has contributed to a 6% erosion in industry PHS** (pre-tax, ex. Berkshire).

Where Does it All End Up?

Looking Toward January 1, 2026

Hard Market

- Pricing increases are double digits for loss-impacted business.
- Even non loss impacted business see price increase.
- Attachment point increase from their already conservative levels.
- \$250 B market loss creates a flat or hardening market.

Trade wars, rate hikes, inflation and geopolitical risk add volatility

Continued Softening

- Capital and persistence of returns reach a tipping point, as reinsurers push harder for growth.
- Orderly market, Price decreases/T&Cs accelerate.
- This is the time for clients to optimize protection for profit, capital, peril, product and growth.
- A normal catastrophe year (USD 130-170 billion) could result in continued softening. This marks a “new normal,” based on recent annual trends.

Status Quo market

Signs of Transition

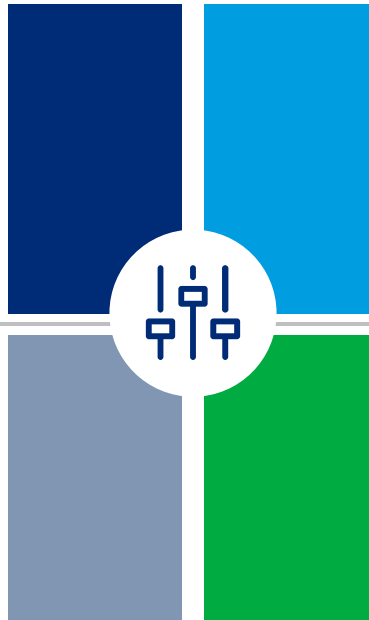
- Prices continue to fall in a manageable manner, similar to mid-year, with terms and conditions holding up in favor of reinsurers.
- Relatively minor structural changes, with reinsurers holding the line and not deploying excess capital.

An occurrence or series of events above USD 170 billion

Soft Market

- A light year for catastrophes (below USD 130 billion) may edge the market toward a soft market.
- If inflation behaves better than expected, tariffs bear little market impact and the US Federal Reserve cuts more aggressively, capital will rise, and the market could head for a soft market.

The status quo isn't going to make considerable difference, pointing the market in the direction of the continued softening or soft market scenarios



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SAVE THE DATE

2027 CLIENT SYMPOSIUM, NETWORK

OCTOBER 19 – 20, 2027