

The background of the entire page is a photograph of a harbor scene. In the background, a long bridge with multiple tall, white, A-frame piers spans across the water. In the foreground and middle ground, several sailboats with white hulls and masts are anchored. The water is a deep blue-grey. The entire image is covered with a semi-transparent teal overlay.

# C3

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2025

## State of the Market & Industry Insights Report

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# Letter from the Chairman

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With evolving market conditions, technological advancements, and various environmental and geopolitical factors at play, the dynamic insurance industry involves continual analysis and an innovative approach. In this, C3's State of the Market and Industry Insights Report, our experts offer advice on future trends to keep your business prepared and proactive as we navigate shifts in the coming year.

In our comprehensive report, you'll find specific analysis on observations, trends, and insights as they relate to particular industry landscapes; 2024 market conditions and 2025 predictions; and clear recommendations for high net worth clients. We have granular observations and insights from numerous industries including: commercial, employee benefits, construction, cyber, life and financial services, life sciences, personal lines, retail and apparel, surety, and transportation.

With a finger on the pulse of what's to come, our experts seek to adeptly position your business in both strategy and risk mitigation. Leaning on its wealth of experience, expertise, and a deep commitment to our clients, our team and report can help design an outlook for 2025 industry specific landscapes and the best ways in which to serve you, our clients and partners.

On behalf of all of us at C3, I thank you for your continued trust and partnership as we look forward to 2025 and the opportunities it presents. We appreciate the chance to work together, build relationships, and bring you peace of mind for your insurance needs.



**Jamie Reid**

C3 Insurance Chairman

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2025

# Benefits Insights

# 2025 Benefits Insights

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The projected increase in employer healthcare costs in San Diego for 2025 reflects a national trend of rising expenses. Overall, according to the National Surveys, employer-sponsored healthcare costs are expected to rise by around 5.8% to 9%, with slightly higher increases for companies in the middle market size. Factors driving these costs include inflationary pressures, the high demand and cost increase for specialty drugs and increased use of GLP1 weight loss drugs, and increasing provider expenses. Locally, provider contracting and state-based policies and new coverage required can play a factor. Employers are actively considering changes to benefit structures, such as alternative funding options, cost-sharing strategies and wellness incentives, to offset these rising costs and maintain affordable options for employees.

In 2025, employee benefits strategies are evolving to address cost management, employee well-being, and personalized experiences.

## Top Healthcare and Employee Benefit Trends Anticipated for 2025:

### Stop Loss Captives

Small to midsize companies are increasingly using stop loss captives to explore self-funding. This option provides a collaborative approach to managing large claims, making self-funding more feasible for some small to midsize companies.

### Minimum Premium Plans

These plans are gaining popularity as they simplify self-funding for midsize companies and provide a flexible way to balance costs and benefits.

### Steered Care Strategies

Known as the “Right Time, Right Place, Right Care” approach, these plans guide employees to high-quality, cost-effective providers. By empowering employees with the information needed to make informed healthcare choices, these plans financially benefit both employees and companies.

### Perks and Voluntary Benefits

Personalizing benefits through perks programs and voluntary options addresses diverse employee needs and enhances the employee experience.

### Enhanced Employee Communication

Multi-channel communication strategies help ensure employees are informed about their benefits, understand how to use their benefits, and know how to access important resources available to them.

### Technology and AI Integration

Leveraging AI and other technologies will streamline processes, improve the employee experience, and ensure seamless operation between technology and HR processes.

### Wellness Comeback, But Different

Wellness is beginning to gain attention again after taking a back seat during COVID and post-COVID times. Making sure wellness programs embrace technology, are remotely accessible, and meet diverse needs will be important.

As companies navigate 2025, these trends underscore the importance of balancing cost control with a personalized, employee-centered approach to benefits. Embracing these strategies will allow organizations to remain competitive, manage rising costs, and support their workforce's well-being.





## Top Employee Benefit Trends in San Diego: Enhancing Well-being and Competitiveness in a Vibrant Market

The employee benefits landscape in San Diego, California, has been evolving in recent years, mirroring broader national trends while also responding to unique regional needs. As a city with a thriving job market driven by sectors like biotechnology, technology, tourism, and defense, San Diego has been particularly receptive to innovative approaches to employee benefits. Employers here recognize that a comprehensive and competitive benefits package is vital not only for attracting top talent, but also for maintaining employee satisfaction and retention in a highly competitive market. Here's a look at some of the top employee benefit trends in San Diego for 2025.

### Mental Health and Wellness Programs

As in many other parts of the U.S., mental health has become a priority in San Diego workplaces, driven by its recognition as an integral part of overall well-being. Given the pressures of urban living and work demands, employers in San Diego are prioritizing comprehensive mental health support. Popular offerings include access to teletherapy, mental health apps, Peer Support Programs, Caregiver and End of Life Support Services and Enhanced Employee Assistance Programs (EAPs) that include mental health support. Some employers have taken this further by promoting mindfulness programs, stress management workshops, and yoga classes. In addition, many San Diego companies are expanding paid time off (PTO) and encouraging employees to use this time for mental health days, fostering a healthier work-life balance.

### Remote and Hybrid Work Flexibility

San Diego is well known for its lifestyle appeal, and since the COVID-19 pandemic, local companies have continued to leverage flexible work policies. Hybrid and fully remote work options remain popular in sectors where they are feasible, such as technology, finance, and biotech. Flexible work arrangements are especially appealing for employees who want to avoid long commutes in traffic-heavy areas. San Diego employers have found that these options increase productivity, expand their available talent pool and are a key retention factor, especially as housing costs rise and employees seek more control over where they live and work.

## **Comprehensive Health and Wellness Benefits**

The focus on holistic health benefits in San Diego has led to an increase in wellness-centric programs that go beyond traditional health insurance. Companies are introducing preventive health screenings, lifestyle spending accounts, and subsidized memberships for fitness centers or technology-forward wellness platforms that can be delivered globally in multiple languages. A unique aspect of wellness benefits in San Diego includes outdoor-focused activities, with many employers organizing nature retreats, hiking excursions, and ocean wellness activities that leverage the city's beautiful natural surroundings.

## **Personalized Benefits and Employee Choice**

One emerging trend in San Diego's benefits landscape is the personalization of employee benefits. Recognizing that a one-size-fits-all approach may not be effective for a diverse workforce, many companies are allowing employees to choose from a variety of additional benefits and perks to design a package that is suited to their needs.

## **Professional Development and Continuing Education**

San Diego's highly skilled workforce values opportunities for personal and professional growth, and employers are responding with robust educational benefits. Professional development programs, tuition reimbursement, and access to certification courses are some of the ways employers are investing in their workforces. Given the presence of world-renowned institutions in the city such as UC San Diego, USD, and SDSU, these benefits are highly appealing for those looking to continue their education while working. Furthermore, companies are increasingly offering in-house training on emerging skills, especially in tech and biotech, to keep their teams competitive in evolving industries.

## **Student Loan Assistance and Financial Wellness Programs**

Student loan assistance programs are becoming increasingly popular among San Diego employers, particularly as younger employees join the workforce with significant educational debt. To address this issue, some companies are providing student loan repayment assistance or matching contributions to employees' student loan payments. Additionally, financial wellness programs, including budgeting workshops, financial planning resources, and retirement planning sessions, are becoming more common. With San Diego's high cost of living, these benefits support employees in managing their finances more effectively and reducing the stress associated with financial challenges.

## **Sustainability and Eco-Friendly Initiatives**

In a city known for its commitment to environmental stewardship, employers are increasingly incorporating eco-friendly benefits into their packages. These initiatives include subsidies for public transportation, bike-to-work programs, and electric vehicle charging stations at office locations. Some companies are even offering "green stipends" to employees who choose sustainable commuting options or work from home, further supporting San Diego's goal of reducing carbon emissions. Sustainability-focused benefits align with employees' values and demonstrate a commitment to environmental responsibility and appeal to San Diego's socially conscious workforce.

## **Pet Insurance and Pet-Friendly Workplaces**

Pet ownership is high in San Diego, and companies have started to take note by offering pet insurance as part of their benefits package. This benefit provides financial relief for employees with pets and demonstrates a commitment to supporting employees' lives outside of work. Some employers also permit pets in the workplace, provided the environment allows for it, creating a relaxed and enjoyable workplace atmosphere. Pet insurance and pet-friendly policies have become an attractive feature for prospective employees, especially younger workers.

## **Volunteering and Community Engagement Opportunities**

San Diego's companies are increasingly offering paid time off for volunteering or participating in community service activities. These opportunities allow employees to engage with and give back to the community, aligning with the values of the city's socially conscious population. By supporting community involvement, employers not only boost employee morale, but also strengthen their company's reputation as a socially responsible organization.

## Focus on the Employee Experience

The employee experience remains one of the most important aspects on which companies can continue to focus. From pre-employment to offboarding and everything in between, understanding the impact to employees, how each process is currently running, and how to improve is critical. Employers must make sure they have the right technology and all is working in the intended manner for a positive employee experience.

## Final Thoughts

The employee benefits landscape in San Diego reflects a commitment to holistic well-being, flexibility, and community engagement. With a mix of competitive, innovative, and socially conscious benefits, companies are better positioned to attract, retain, and support a talented workforce in this vibrant city. For employers, investing in these benefits is an investment in a thriving and satisfied team - a true competitive advantage in San Diego's dynamic job market.



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The background of the entire page is a teal-colored image. The top half shows a sky with soft, white clouds. The bottom half shows the surface of the ocean with gentle, white-capped waves. The text is centered in the middle of the image.

**2025**

# Commercial Insights

# 2025 Commercial Insights

## California Insurance Market Update: Pricing Trends and Drivers by Line of Coverage

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### General Liability

In California, the GL market faced moderate rate increases in 2024. Rising litigation costs, driven by social inflation and an active plaintiff-friendly legal environment, have resulted in higher premiums. The economic landscape and inflationary pressures have further compounded claims expenses.

#### 2025 Outlook and Predictions

GL rates in California are anticipated to increase moderately in 2025, as underwriters, given the state's heightened litigation risk, take a conservative approach. To manage premiums, clients should implement robust risk mitigation and loss control programs, particularly if operating in high-risk sectors.

### Auto Liability

The auto insurance market in California has been notably strained by the rising costs of repairs and medical expenses, alongside severe accident frequency tied to traffic density and urban driving conditions. California's regulatory environment has added pressure to rate increases, making this line particularly challenging for insurers.

#### 2025 Outlook and Predictions

Auto Liability rates are expected to increase by an estimated 10-15% driven by ongoing repair cost inflation, litigation expenses, and regulatory constraints that impact rate adjustments. Clients are encouraged to adopt telematics, driver training, and other fleet management strategies to reduce exposure and control costs.

### Property

California's property insurance market has experienced substantial rate increases in 2024, driven by catastrophic weather losses including wildfires, inflationary rebuilding costs, reinsurance increases, and challenging regulatory conditions that limit insurer flexibility. Many carriers are now hesitant to provide coverage in high-risk wildfire areas, resulting in limited availability and tighter underwriting standards.

#### 2025 Outlook and Predictions

As we go to press, the Los Angeles fires are still raging and will have significant economic repercussions, with total economic losses estimated to exceed \$50 billion. Given this enormous loss, Property rates in California are expected to increase by 20-30% in 2025, with underwriters continuing to price climate risks and supply chain constraints into their models. Clients should work closely with their brokers to explore wildfire mitigation strategies, consider higher deductibles, or evaluate alternative risk transfer solutions to manage costs.

### Excess Liability

Excess Liability has been impacted by high-severity claims and California's litigation environment, which contributes to nuclear verdicts and elevated claim payouts. The market for high-limit excess coverage in the state has tightened, with insurers scrutinizing placements and reducing capacity.

#### 2025 Outlook and Predictions

Excess Liability pricing in California is projected to rise by 15-25% in 2025, given the ongoing concern over large verdicts and claims severity. Clients should consider restructuring coverage layers, evaluating retention levels, and collaborating with their brokers to optimize program structures and manage premium costs.



## Employment Practices Liability Insurance (EPLI)

The California EPLI market has remained challenging, with heightened risk of employment-related litigation stemming from strict state regulations, complex labor laws, and the evolving remote work landscape. California's plaintiff-friendly environment has driven up litigation frequency and severity in employment matters.

### 2025 Outlook and Predictions

EPLI rates in California are expected to increase by 10-15% in 2025 as social inflation and regulatory pressures continue to drive claims. Clients should strengthen workplace policies, provide updated training, and maintain strong documentation processes to help mitigate EPL risk.

## Workers' Compensation

The Workers' Compensation market in California has remained relatively stable in recent years due to regulatory oversight and a focus on workplace safety initiatives. However, the state's high cost of medical care and complex claims environment have exerted upward pressure on rates. Additionally, the increase in remote work has introduced new risks, including ergonomic injuries and mental health claims.

### 2025 Outlook and Predictions

Workers' Compensation rates in California are expected to see a moderate 3-5% increase in 2025. Factors such as rising medical inflation, claims severity, and evolving workplace dynamics contribute to this trend.

To mitigate these increases, clients are advised to enhance workplace safety programs, manage remote work risks, and work closely with their brokers on return-to-work initiatives.

## Market Conditions at the End of 2024 and Predictions for 2025

The California insurance market remains in a hardening cycle, with most lines experiencing rate increases. Factors unique to California, such as wildfire risk, regulatory constraints, and a high-frequency litigation environment, have contributed to tighter underwriting standards and higher pricing. These trends are expected to persist through 2025, impacting a broad range of coverages.

## Predicted Increases in 2025 for California:

**General Liability:** +5-10%

**Auto Liability:** +10-15%

**Property:** +20-30%

**Excess Liability:** +15-25%

**EPLI:** +10-15%

**Workers' Compensation:** +3-5%

## Recommendations for California Clients

### Risk Management and Loss Control

Work with your agency's loss control group to focus on implementing proactive safety programs and risk assessments, particularly in wildfire-prone and high-litigation sectors, to control potential premium hikes.

### Claims Review and Documentation

Work with your agency's claims advocates to ensure thorough documentation and review of claims reserves and resolutions to support smoother renewals and help avoid unexpected rate increases.

## Evaluate Deductibles and Coverage Limits

Consider higher deductibles or reduced limits, especially in high-cost lines like Property, where rates may be significantly higher.

## Strengthen Employment Policies

For EPLI, maintain strong documentation, provide employee training, and review compliance with California's complex labor laws to mitigate claims exposure.

## Enhance Workplace Safety for Workers' Compensation

Focus on both physical and mental wellness programs, particularly for remote workers, to minimize claims and manage premium costs.

## Start Renewal Discussions Early

With rate increases expected, begin renewal planning with your broker well in advance to explore alternative coverage options and negotiate terms.

By following these strategies and working in collaboration with their broker partner, California clients can work to reduce the impact of rising premiums and maintain effective insurance coverage through 2025 and beyond.



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2025

# Construction Insights



# 2025 Construction Insights

## Property and Casualty

Despite ongoing challenges, recent market adjustments have led to better insurer loss ratios and a more stable rate environment.

The US Property and Casualty (P&C) insurance industry registered its best first-quarter underwriting result in 2024 in over 15 years.

Strong premium gains and easing claims cost inflation contributed to a combined ratio of 94% and the industry combined ratio is forecast to be 98.5% in 2024 and 2025, down from 102% in 2023.

The market is currently confident and with sufficient capacity, appropriate attachment points, and a diversified portfolio, consensus is that global risk-adjusted reinsurance renewal rates have remained stable.

High-risk construction groups remain an exception to general industry trends due to an aversion for high-severity risks, which are often subject to higher rates and retention levels along with capacity limitations. Contractors in this segment will further explore alternative risk transfer methods and captive solutions.

## Property and Builders Risk

Reinsurers have been profitable, so primary treaties have softened. Underwriting and pricing may be more aggressive. However, catastrophic (CAT) activity is still poor. YTD 2024, the US has experienced 24 CATs incurring more than \$1 billion each.

Hurricane Helene sustained more than \$47 billion in estimated losses.

Hurricane Milton sustained more than \$34 billion in estimated losses.

Softening markets led to additional capacity, resulting in rate reductions in Commercial, Industrial, and Renovation





## Project-Specific Programs and Controlled Insurance Programs (CIPs)

Following a hard-market cycle, CIP is beginning to stabilize. This is largely due to the new norm of massive construction projects introduced into the insurance marketplace.

Coverage and limits remain readily available for most project types and carriers have been eager to favorably rate CIPs as an opportunity for growth in this new field.

Spending on data center and life science facilities construction has increased because of their desirable risks for the insurance marketplace. (As an exception, this does not apply to for-sale residential, coastal, mass timber, or wood frame builds.)

In general, a range of challenges could significantly impact the construction industry in 2025. However, despite obstacles, growth opportunities exist to help businesses thrive in the coming years. With reevaluation of company culture, exploration of new markets, and adoption of innovative practices, construction firms focussed on training and improved efficiency will remain competitive.

|                                  | Trend                                                                               | Range        |                                                           | Trend                                                                                 | Range                       |
|----------------------------------|-------------------------------------------------------------------------------------|--------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------|
| General Liability                |    | +5% to +15%  | Non-High Hazards Nat Cat Project Specific Builders Risk   |    | +5% to +10%                 |
| Auto Liability & Physical Damage |    | +10% to +15% | High Hazards Nat Cat Project Specific Builders Risk       |    | +10% to +20%                |
| Workers Compensation             |    | Flat to +5%  | Professional Liability                                    |    | Flat to +10%                |
| Umbrella (lead)                  |   | +5% to +15%  | Project Specific/Controlled Insurance Programs for Excess |   | Flat to +10%/<br>+5% to 30% |
| Excess                           |  | +10% to +15% | Subcontractors Default Insurance (SD)                     |  | Flat to +15%                |

## Macroeconomic Trends Anticipated to Boost Growth in 2025

### Federal Reserve 2024 Interest Rate Cut

The interest rate cuts in late 2024 could help reverse slower growth predictions for 2025, but not immediately. While the cuts are expected to increase demand for construction projects despite anticipated slowdowns in commercial property growth, strong construction hiring trends indicate a positive shift.

### California Infrastructure Investments

With heavy state investment in infrastructure - particularly in water systems, transportation upgrades, and housing developments - there will be a boom in public construction projects.

### California Affordable Housing Commitments

The state is devoted to solving its affordable housing crisis through public-private partnerships and incentives for developers. Expect support from government programs to help meet demand for low-cost homes.

## Other Construction Industry Trends Anticipated for 2025

### Labor Shortages

An aging workforce and the pandemic's impact has resulted in a labor shortage, meaning recruitment and retention problems, as well as higher wages. By 2035, nearly 40% of US construction workers are expected to retire. This looming talent gap makes it essential for construction leaders to focus on improving recruitment, retention, and skill development, as well as promote trade careers to younger generations and emphasize wellness and safety.

Contractors are focusing more on hiring practices and investing in training to ensure their teams have skills and resources to complete projects safely and efficiently.

While traditionally slow to adopt new technologies, the construction industry is now increasingly using tech solutions to tackle labor shortages through improved efficiency and better data capture. Larger contractors are leveraging technology and data analytics to reduce losses, improve performance, and manage risk more effectively.

### **Supply Chain and Inflation Issues**

Immediate impacts of pandemic-era supply chain crisis have eased, but construction companies are still dealing with product shortages, price increases, and global sourcing challenges. It will be crucial for companies to closely monitor how geopolitical, climate-related, and cyber events could disrupt supply chains and product timelines. Strengthening supply chain procedures and tracking potential risks will be essential to mitigate future disruptions.

Rising costs for materials will continue to affect the industry.

### **Urgency Around Technology Adoption**

With recognition of technology's role in managing business risks like cyberattacks, worker injuries, and equipment issues, affordable technological solutions are emerging to streamline operations, improve project logistics, and enhance safety.

As companies embrace innovation, they can attract workers with digital skills and create a tech-forward work culture.

More construction companies are using new technologies like Building Information Modeling (BIM), drones for site surveys, and augmented reality (AR) for project design to make projects more precise, efficient, and cost-effective.

### **Rising Litigation and Lawsuits**

An increase in lengthy lawsuits and rising legal costs is requiring construction companies to anticipate and plan for consequential financial risks, especially those involving workplace injuries or property damage. Rushed project timelines, financing gaps, and labor shortages can increase the likelihood of incidents.

### **Climate Resilience and Sustainability**

With risks such as wildfires and earthquakes, increased focus is on building homes and structures that can withstand natural disasters through incorporation of fire-resistant materials and earthquake-proof designs. California continues to prioritize sustainability with goals like Zero Net Energy (ZNE) for homes and stronger environmental laws.

Companies will need to focus on meeting consumer and regulatory demand with energy-efficient designs, sustainable materials, and eco-friendly certifications (e.g., LEED).

## **Recommendations for Clients**

Companies will need to adapt to a complex set of challenges in 2025 including workforce issues, supply chain disruptions, and evolving legal risks. However, with the right focus on technology, long-term planning, and talent development, businesses can seize opportunities for growth and success in a changing industry landscape.

Companies should invest in training, mentorship and apprenticeship programs, new career advancement opportunities, and automation to be better positioned for success.

Contractors will need to plan ahead, find alternative materials, or adjust fluctuating prices to keep projects on track in times of supply chain or material availability issues.

Construction leaders should consider developing a clear technology plan with both short- and long-term goals to drive efficiency, growth, and precision.



- Anticipate and address the financial risks of long lawsuits and rising legal costs to manage future legal challenges.
- Consider whether a captive insurance model is more beneficial than a traditional insurance model.
- Evaluate and apply various risk mitigation strategies such as Telematics and others to reduce potential claims.
- Assess contracts and contractual risk transfer as it may impact your company's risk of loss.

As the construction industry looks toward 2025, a range of challenges could significantly impact its future. Labor shortages and difficulties in recruiting talent are major concerns, as they continue to pressure project timelines and profitability. At the same time, supply chain disruptions and broader economic challenges are forcing companies to reassess their operational strategies. Despite these obstacles, there are also growth opportunities that can help businesses navigate these issues and thrive in the coming years.

Evolving business conditions should encourage construction leaders to reevaluate their company culture, explore new markets, adopt innovative practice, upskill employees and streamline succession planning.



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**2025**

# Cyber Insights

# 2025 Cyber Insights

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The Cyber Insurance sector is the fastest growing and most dynamic sector in insurance. It's driven by rapid technological advancements, evolving cyber threats, and changing business needs.

## Three key trends are shaping the future of cyber insurance:

1. The adoption of more sophisticated risk assessment methodologies
2. The widespread integration of artificial intelligence (AI) across various insurance processes
3. A growing convergence between cybersecurity measures and insurance coverage

These developments are not only reshaping how insurers evaluate and price risks, but also how they interact with their clients and the broader cybersecurity ecosystem

## Major Trends to Watch in 2025

### Market Stabilization and Pricing

1. Soft pricing trends continue, with some deceleration in rate increases.
2. Throughout 2023, cyber insurance premium rates decreased by an average of 17%.
3. The market is expected to stabilize in 2025, but with potential fluctuations.

### Underwriting Focus Shift

1. Greater emphasis is on identity and access management.
  - 47% of attacks leading to insurance claims are due to identity and privilege compromises.
  - Over 40% of insurers now require least privilege access controls.
2. There is reduced focus on traditional security measures.
  - There is less emphasis on endpoint detection and response tools.
  - Underwriters are shifting away from simplistic questionnaire-based underwriting.
3. AI integration in insurance will expand.
  - 50% of U.S. companies are using AI-supported threat detection to reduce premiums.
  - AI will enhance risk assessment, threat detection, and claims processing.
4. New risks and challenges will emerge.
  - AI-powered attack vectors alter the cyber risk landscape.
  - There is difficulty in quantifying systemic risks and aggregation risks.
  - Expect increased focus on the healthcare sector due to vast amounts of PII held.
5. Cybersecurity and insurance converge.
  - Cybersecurity companies will offer insurance along with warranties.
  - Cyber insurers will add cybersecurity controls as value-adds or requirements for coverage.
  - This trend is blurring the lines between insurance providers and security vendors.
6. Insurance requirements and assessments will increase.
  - Expect insurers to require ongoing evidence of effective security controls.
  - There will be increased focus on multi-factor authentication and identity governance.
  - Anticipate more detailed and frequent assessments of clients' security postures.



7. Competition and fresh capital may alter the market..

- Fresh capital entering the market will intensify competition.
- The potential for reinsurers to become more selective may change the competitive landscape.

These trends indicate a dynamic cyber insurance market heading into 2025, with a focus on more sophisticated risk assessment, integration of AI, and a closer relationship between cybersecurity measures and insurance coverage.

## Citations

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An aerial photograph of a construction site, likely a port or a large-scale infrastructure project. The image shows a large body of water, a rocky shoreline, and a large building under construction. The text "2025" is overlaid in a bold, orange font.

**2025**

# Life & Financial Services Insights



# 2025 Life & Financial Services Insights

## Life Insurance Market | High-Level

LIMRA is forecasting total U.S. retail life insurance premium to grow as much as 5% in 2025 as economic conditions and the regulatory landscape are expected to stabilize.

Setting aside regulatory disruption, which is not expected over the next few years, economic conditions have historically played a pivotal role in life insurance sales. Market downturns tend to suppress life insurance sales as consumers tighten their discretionary spending while periods of economic growth spur life insurance sales. Premium grew approximately 3% annually during the most recent expansion prior to the pandemic. LIMRA expects similar growth rates over the next few years.

## Life Insurance | Core Products

### Whole Life

Whole life insurance premium represents nearly 40% of the total market and is a favored product by both middle-income and mass affluent consumers. IRS Code 7702 fueled the 20% growth in late 2021 and early 2022, but sales normalized in the latter half of 2022 and 2023. LIMRA is predicting whole life sales to grow as much as 6% in 2025, especially if inflation continues to improve and consumer confidence grows.

### Indexed Universal Life

Indexed universal life (IUL) premium holds about a quarter of the life insurance market but has struggled following the implementation of AG-49B. Over the next few years, interest rates will play a significant role in this product line's performance, impacting IUL cap rates and profitability. LIMRA is forecasting IUL premium to grow as much as 4% in 2025.

### Term Life Insurance

A mainstay for the middle-income market, term life insurance outperformed historical growth trends in 2021 when consumer concerns about the pandemic and heightened interest in protection drove premium growth to 5%. These gains were reversed in 2022. Historically, annual term life sales averaged about 1% over the past two decades. While inflation and unemployment pose a greater risk to term sales, both have been trending in the right direction. As a result, LIMRA is forecasting term life to grow as much as 3% in 2025.





## 2025 and Beyond Trends

- Increased Technology Including AI Underwriting
- Longevity Planning with Vitality & Galleri
- No Exam Coverage
- Streamlined Customer Services/New Business

## Planning Opportunities

- TCJA Tax Cut Sunset
- Estate Tax Planning
- Policy Reviews: 1035 Exchange to Lower Cost Policies
- Business Valuation/Buy Sell



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2025

# Life Science Insights



# 2025 Life Sciences Insights

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The life sciences industry is undergoing rapid change. With evolving customer expectations, new competitors, technological advancements, and global budgetary pressures, many companies will adopt patient-centric models as patients expect personalized care and improved outcomes. Mass customization, enabled by continuous technological advancements, will characterize the market.

## 2025 Insurance Market Outlook

### **Property and Casualty Insurance (P&C) is stable and cautiously optimistic**

The life sciences insurance marketplace is expected to remain stable with low single-digit rate changes. Capacity for liability coverage will likely remain robust, supporting consistent availability of insurance solutions.

### **Directors and Officers Insurance (D&O) is beginning to stabilize**

After several years of large decreases, D&O carriers are beginning to be unable to support further reductions. But as the availability of capacity continues to drive a competitive market, those with favorable risks are experiencing flattened-to-reduced D&O premium outcomes.

**The rates for public companies are expected to be -5% to flat.**

**The rates for private companies are expected to be -10% to flat.**





## Major Trends in 2025

### Increasing Risk Complexity

Companies will face more complex risks such as clinical trial liabilities, cyber exposure, and international supply chain vulnerabilities that will require specialized and adaptive insurance solutions.

### Regulatory Compliance Pressures

Investment in risk management strategies that addresses intellectual property, data privacy, and evolving legal frameworks will be even more necessary given stricter global requirements.

### Evolving Insurance Products

Insurance offerings will be enhanced with more customized options including coverage for clinical trial operations, executive risks, and product liability, all able to scale as a company grows.

### Mergers and Acquisitions (M&A) Activity and Associated Risks

Due diligence remains an important mainstay for insurers in the life sciences sector to manage risks related to IP, tax liabilities, and regulatory concerns.

### Global and Digital Impacts

Geopolitical challenges and the rise of digital health innovations along with cyber risk management will be areas of focus for life sciences insurers.

## Recommendations for Life Sciences Clients

### Reduce D&O Overspending

Historically a major expense for life sciences companies, innovative tools now offer a far more accurate assessment of necessary D&O coverage based on in-depth analysis.

### Adopt Technological Innovations

Life sciences companies should expect to utilize technological advancements designed to assist with speed and efficacy when it comes to clinical trial insurance placement, cyber security, supply chain vulnerabilities, and more.



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2025

# Personal Lines Insights

# 2025 Personal Lines Insights

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## Observations, Trends, and Insights

### Increased Costs and Higher Scrutiny

- Premiums are up across the board, especially for high-value homes in wildfire zones. Insurers are digging deeper into high-value properties, and we're seeing some carriers put a cap on coverage for properties above certain values.

### More Tailored Coverage Needs

- High-net-worth (HNW) clients are looking for policies that cover more than the basics. Think broader liability limits and specialized protection for things like art collections and luxury cars and options like kidnap and ransom. The days of one-size-fits-all policies are gone.

### Strong Push for Risk Mitigation

- Insurers are prioritizing clients who take risk seriously. Measures like fire-resistant roofing, private fire response services, and advanced security systems are now must-haves to get the best rates - or, in some cases, to even get coverage at all.

### Be Prepared for Wildfires

- Know & understand your insurance coverage and availability. Review your policy to ensure you have adequate protection for your property and possessions. Confirm your dwelling coverage, personal property limits, and any additional endorsements you might need, such as replacement cost coverage. In high-risk wildfire areas, finding coverage can be challenging. Research your options early and work with an experienced agent to secure the right policy. Be aware of state-run insurance programs, like FAIR plans, if private insurance isn't available.
- Moratoriums are temporary restrictions on new or increased insurance coverage during a wildfire or other disasters. Avoid being caught off guard by securing or updating your coverage before wildfire season begins.
- Prepare a clear, actionable evacuation plan for your household. Know your local evacuation routes and have an emergency kit ready with essentials like water, food, medications, and important documents, including copies of your insurance policy.

## 2025 Insurance Market Outlook

### Selective Underwriting

- Carriers are becoming more discerning, especially with luxury homes in risky areas. Non-renewals are on the rise for properties without solid risk mitigation measures. Expect insurers to favor clients who show they are proactive about loss prevention.

### Higher Premiums and Tighter Coverage

- Premium hikes are likely to continue in 2025, with carriers getting more specific about what they'll cover - particularly for wildfire and earthquake risks. However, there are new options for customized coverage that better fit the HNW market.

### Concierge-Level Service Models

- Insurers catering to HNW clients are doubling down on concierge services. This means more personalized support for claims, risk assessments, and proactive loss prevention, with perks such as on-site evaluations and fast-tracked claims.
- Insurers are becoming more selective, enforcing stricter underwriting standards, raising premiums, and reducing coverage options, particularly in high-risk areas. Market availability is shrinking as fewer carriers offer policies, while existing policies often come with more exclusions, higher deductibles, or lower limits. These issues are



driven by rising claims costs, regulatory pressures, and reinsurance expenses, making it increasingly difficult for consumers to secure affordable and comprehensive coverage.

## Recommendations for High-Net-Worth Clients

### Step Up Risk Management

- Now is the time to assess your property's unique risks - especially for fire and earthquake. Measures like ember-resistant vents, sprinkler systems, and defensible space are increasingly essential. Private fire services are also a smart add if you are in wildfire-prone areas.

### Custom Coverage Review

- Go over your policies to make sure they are up to date and in line with your needs. That means covering everything from high-value homes to jewelry, fine art, and luxury vehicles. Review endorsements and consider an excess liability policy for extra protection.

### Leverage Concierge Services

- Tap into the concierge services your insurer offers. These services are geared toward protecting assets and managing claims efficiently. It is worth using these resources to get risk management advice and stay ahead of any issues.

### Stay on Top of Industry Changes

- The landscape is shifting fast. Partner with a good advisor who understands the nuances of the HNW market in California, and make sure you are aware of any regulatory or market changes that could impact your policies.

### Maintain Your Property with Regular Upkeep

- Keeping your house up to date is essential for preserving its value and functionality. Regular maintenance, such as cleaning the roof, trimming back trees, and addressing repairs promptly, ensures your property stays in top condition. These efforts not only enhance the overall appearance but also prevent costly issues down the line.

The bottom line is that this market is complex, but taking proactive steps with risk management, coverage reviews, and concierge services can help you stay protected and get the best terms possible.



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**2025**

# Retail & Apparel Insights



# 2025 Retail & Apparel Insights

The Retail and Apparel segment is ever evolving with consumer spending preferences. Consumer appetite has had a huge impact in the retail segment and the brands that are moving quickly with the implementation of AI, data monetization, and technology will become the industry leaders. This will potentially lead to a large amount of acquisitions in the future as the spend power and implementation of technology is needed sooner rather than later. Not everyone will be able to invest, largely in part because they are sitting on too much inventory due to Covid, inflation, and the economy.

## Marine Cargo

- A Stock Throughput policy covers your goods shipped from overseas. Whether it arrives at your third-party logistics (3PL) or goes straight to your retail locations, it is important that those items are insured at every step of the way.
- The global landscape has currently forced carriers to include an absolute exclusion for product coming from Russia, Ukraine, and Belarus. The volatility of those countries and the Red Sea means goods are better suited leaving from a different location.
- With the change in U.S. administration and President Elect Trump, it is important to pay close attention to what he will do from a tax standpoint on goods imported from China. As a retailer, it may be time to explore production in goods from other countries to avoid a potential margin minimizer.

## Employment Practices Liability Insurance

- The Retail segment is currently volatile because of a lack of spending on goods due to inflation and the political climate. Additionally, a large number of major retailers are laying off a decent amount of workforce and downsizing. It is imperative that management is prepared for post termination claims and that they have purchased EPLI coverage so that defense costs are kept to a minimum.
- Wage and Hour and DEI initiatives have cast a cloud over organizations. It is important that businesses implement proper protocols for clocking in and out and allowing employees to take work breaks so that they are not susceptible to class action lawsuits from employees. DEI guidelines and strategies need to be constantly reviewed with a labor attorney to ensure they do not unintentionally lead to reverse discrimination claims.





## Recommendations

### Embrace online shopping

- The retail market has greatly changed since the pandemic. With the presence of online shopping, it is imperative for businesses to bridge the gap between online and retail shopping.

### Invest in AI and technology

- With proper investments done correctly through AI and technology advances, there is potential for great success with consumers.

### Build client loyalty

- With practices such as lenient return policies and exceptional customer service, strong client loyalty has a lasting effect.

### Improve internal practices and protocols

- Although daunting, improving internal protocols and practices that enhance and clarify the employee experience build a positive company culture which in turn, decreases claims, saves on premium, and drives a better margin.



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2025

# Surety Insights



# 2025 Surety Insights

Supported by growth in the construction industry and trillion-dollar stimulus from the Infrastructure Investment and Jobs Act along with the Inflation Reduction Act, demand for surety bonds continues to expand nationally.

Surety bonds play a critical role in public works construction to guarantee infrastructure projects such as roads and bridges along with other growing sectors in the economy including energy, healthcare, and technology. In simple terms, a surety bond is an instrument to guarantee the completion of a project if a contractor defaults on the contract.

Surety bonds are underwritten by major insurance companies and represent over \$8 billion in direct written premium in the U.S. and over \$18 billion in premium, internationally.

With rising construction costs and supply chain disruptions, owners are relying on surety bonds to guarantee projects are completed timely and on budget.

## 2025 Insurance Market Outlook

- Outside of the construction industry, surety bonds have become an attractive alternative to bank issued guarantees or letters of credit, especially in the higher interest rate environment.
- In certain contract structures, surety bonds can effectively return cash to a party's balance sheet by securing the transaction with a surety bond rather than a cash deposit or bank letter of credit.
- Investors and developers are able to take on more deal flow with reduced cash outlay.



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**2025**

# Transportation Insights



# 2025 Transportation Insights

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## Impact of Proposition 103

- With the change in California's insurance laws from an "open competition" to a "prior approval" regulatory system, insurance companies are now required to submit an application for desired rate changes to the Department of Insurance (DOI). Proposition 103 restricts insurers from excessively raising rates. If rates increase more than 7% for personal lines or more than 15% for commercial lines, the Insurance Commissioner may deny or not respond to the increase.
- The marketplace has been impacted because the DOI has not been approving rate increases, resulting in insurers pulling back on quoting which has created an artificial supply and demand issue.

## Litigation Funding Impacting Nuclear Verdicts

- Private equity companies are buying out settlement rights of injured parties. They have more capacity to finance legal expenses and therefore, drive up settlement costs by taking cases to jury trial, or at least threatening to do so.

## Instability of Auto Lines

- Auto insurance continues to experience significant loss (relative to premium paid). This makes premium unsustainable at current pricing.

## AI Underwriting

- As AI is increasingly used for underwriting initial submissions, publicly available information such as U.S. Department of Transportation (DOT) safety score or contractor state license board information or even building demographics become increasingly important as they may deny coverage prior to any human interaction.



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