MARSH

MARSH RISK MANAGEMENT RESEARCH
FEBRUARY 2015

MARKET PERSPECTIVE

CANADA INSURANCE MARKET REPORT 2015

Contents

EXECUTIVE SUMMARY

Following are some key takeaways from Marsh's *Canada Insurance Market Report 2015*.

MAJOR COVERAGE LINES

Property and Casualty

- After the record level of catastrophic activity seen in Canada in 2013, one would have thought Canadian insurers would be looking to apply some "firmer" underwriting discipline in 2014, while increasing both rates and premium levels in an attempt to recoup some of the record losses they suffered — this did not occur.
- Overall, it was still very much a "buyers' market" in Canada in 2014 with an inconsistent overall approach to general property and casualty business across the country.
- In 2015, we will continue to see a reasonable level of competition from insurers in the general liability market.
- Marsh expects personal auto rates to remain relatively stable across the country, but we do expect insurers to be pushed to follow through on the Ontario government's promise to reduce rates by 15%.
- For 2015, the property insurance market should remain stable for most small to midsize accounts. Towards the end of 2014, a few insurers were trying to move rates upwards in the 5% range for this segment, but there is enough competition and capacity for this business overall that we could well end up seeing moderate decreases across the board this year.

Financial and Professional

- The entrance of Berkshire Hathaway into the Directors and Officers (D&O) insurance market with its appetite for tougher risks and ample capacity is expected to drive increased competition in 2015.
- Private companies and those with Canadian securities exposure continue to benefit from an abundance of capacity and stable premium rates.
- Companies with deteriorating risk profiles will likely see a push for increased retentions.
- Some organizations are continuing to look to the D&O policy as a backstop to director and/or officer liability for pollution matters. Overall transfer of risk must be carefully considered in conjunction with more primary sources of coverage (for example, environmental insurance policies).

Cyber

- The market for network/information security, and privacy (cyber) insurance remained stable in 2014.
- We expect underwriters to focus on securing more detailed information from prospective insureds in an attempt to better quantify cyber exposures, including details of lessons learned from past losses, technology dependence, critical outsourcing arrangements, and the amount of confidential information held or processed.
- Demand for cyber coverage is expected to increase in 2015 and companies purchasing coverage are likely to seek higher limits as they continue to utilize technology, collect large amounts of data, and outsource significant parts of their operations.

SPECIALTY COVERAGE LINES

Aviation

- Losses in the global airline segment are at historic lows, and this combined with excess capacity in the marketplace is continuing the downward pressure on pricing.
- Current pricing levels are expected to continue in 2015 due to the continued abundance of capacity and the aviation industry's reasonable loss profile.

Energy

- Oversupply of capacity and absence of significant losses in both onshore and offshore property spaces continue to exert significant downward pressure on pricing.
- Environmental liability coverage continues to be a focus in light of loss issues and public and media attention.

Environmental

- The environmental insurance market in Canada continues to grow with more than a dozen players now offering coverage for a variety of risks. As a result, rates have remained generally flat year over year for environmental coverage.
- New entrants into the environmental insurance market will likely want to stay away from more challenging risks, including transactional placements with longer terms, which could result in higher pricing.

Marine

- The marine insurance market continues to see the entry of new capacity, providing companies with alternative options and highly competitive terms.
- We anticipate that the marine insurance market will continue to see the introduction of new capacity along with some expansion/broadening of coverage in 2015.
- As the market becomes saturated, some market consolidation through acquisition may take place in an effort to shore up pricing and create growth.

Small and Midsize Business

- Increased interest in the small and midsize enterprises (SME) market among insurers is driving greater competition and will likely keep rates stable in 2015.
- Some companies may see rate increases related to catastrophe risks not previously factored into pricing.

Trade Credit

- The insurance market for trade credit insurance is expected to remain stable in Canada in 2015. However, this capacity is not expected to impact the buyer limits as insurers tend to have similar views on these difficult and well-known limits.
- We anticipate an increase in primary demand for the product.

Political Risk and Terrorism

- There is expected to be downward pressure on political risk and terrorism insurance rates in 2015, due in part to increased capacity.

Note: For specific insurance market and risk trends by industry, see the "Industry Specialties" section of this report.

MAJOR COVERAGE LINES

Property and Casualty

INSURANCE MARKET CONDITIONS

Market Commentary

In our *2014 Canada Insurance Market Report*, we commented that "the market appears uncertain as to how to move forward." After the record level of catastrophic activity seen in Canada in 2013, one would have thought Canadian insurers would be looking to apply some "firmer" underwriting discipline in 2014, while increasing both rates and premium levels in an attempt to recoup some of the record losses they suffered — this did not occur.

A wholesale change in the market never materialized despite some small pockets of tougher trading conditions for some market segments. That said, there was an emphasis on the part of insurers to better manage their own overall flood exposure with some adjustment seen in both rate and retentions, especially in 100-year flood zones across the country. Overall, it was still very much a "buyers' market" in Canada in 2014 with an inconsistent overall approach to general property and casualty business across the country.

As in 2013, Canada was not without catastrophic loss activity in 2014, but it was nowhere near the scale experienced previous year. A very cold winter produced more than its fair share of claims in a number of provinces. The Prairies experienced a number of localized flood events during the winter months, and some major storm and hail activity also produced some sizable losses during the summer. Ontario had wind and rain, as well as storm and tornado events, during the summer and late fall/early winter of 2014. In addition, the Maritimes did experience some hurricane activity during what was overall a very quiet 2104 storm season, but no single event was on the scale or produced the type of loss numbers seen the previous year.

Globally, losses from natural disasters were at a five-year low, although the number of events was fairly close to the 10-year average. The most costly events were severe thunderstorms and related weather in Europe in June, and the spring storms and tornado losses n the US.

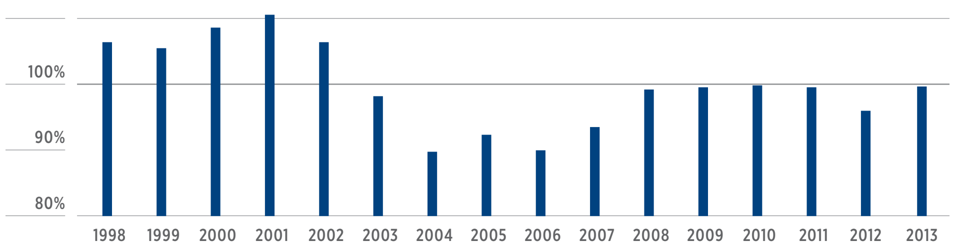
Although this relatively quiet year with respect to major losses should produce reasonable underwriting results for most Canadian insurers, what was unusual in 2013, especially for Canada, was the withdrawal by some major insurers from select market segments. Arch Canada exited the energy and technical lines segment, while Axis Canada withdrew from the Canadian property segment. Although neither insurer wrote significantly large books of business in these sectors, their withdrawal does highlight how difficult it is for some of the smaller insurers to make sufficient returns for shareholders in some segments in Canada. We may see more of this kind of activity in the future.

On the other hand, capital continued to be abundant in North America and some of that flowed into Canada. In 2014, AWAC Canada officially started to underwrite Canadian risks as Starr Tech became a licensed Canadian insurer, and Berkshire Hathaway became more active in Canada with a local team of underwriters that began to underwrite here in December. In fact, the ratio of available capital/capacity to written premiums is about 2.5 to 1.

All this will add to the available capacity here for 2015 and allow soft market conditions to continue.

In addition, the increased merger and acquisition activity on the part of insurers and insurance brokers that we saw in the latter half of 2014 is expected to continue in 2015. The first deal of the year took place less than a month into 2015, when it was announced that XL would be acquiring Catlin. Both XL and Catlin have solid Canadian operations, so this deal that could result in some reduction in overall capacity in the Canadian marketplace.

FIGURE 1 | **CANADIAN PROPERTY AND CASUALTY INDUSTRY**
COMBINED RATIO
Source: AM Best Company; ISO and the Insurance Information Institute. Presented by Marsh Canada Limited.



Moreover, reinsurance and treaty costs also continue to be more competitive year over year. Most markets with December reinsurance renewals saw significant reductions and we understand that the major reinsurers typically saw double-digit reductions on many lines, including property and engineering, catastrophe, trade credit, and much third-party business. Plenty of capacity was available for all North American catastrophe exposures (wind, earthquake, and flood) and we anticipate these savings will be passed on to clients rather than retained by the insurers themselves.

After a period of moderating or flattening of the rate credits offered by the markets, this abundance of capacity could possibly lead to a new round of rate reductions. Insurers will try to keep these reductions in the range of 4% to 7%, but for best-in-class risks, rate reductions could well be steeper.

We won't see this scenario in all market segments however. Underwriters will continue to look closely at accounts with attritional losses. Also, rail, pipeline, and in particular, pollution-type exposures will be subject to stricter management oversight by most insurers. Smaller market segments like refining, oil sands, and some power and mining exposures will continue to be rated accordingly as well.

British Columbia and Quebec earthquake exposures will also be looked at carefully; and, while rates may moderate a bit from some of the increases we have seen over the past two to three renewal seasons, attention will still be paid to retention levels. Habitational risks will also continue to be a difficult class for some insurers, and thus the availability of reductions, particularly on the property side, will be much more limited.

For Canadian accounts with global exposures, we believe US catastrophe pricing should remain competitive, with reductions available for both wind and earthquake exposures for many risks.

What is becoming very important around the world is local compliance with respect to both admitted and non-admitted placements. In some instances, ensuring local compliance affects the time needed to put these programs in place, as well as the capacity some markets can offer.

RISK TRENDS

General Liability Market Reasonably Competitive

In 2015, we will continue to see a reasonable level of competition from insurers in the general liability market. The smaller mid-market segment — $25,000 to $100,000 in premium — will be particularly competitive and could well see the highest level of reductions. For large accounts, reductions will be fairly modest as underwriters feel that they have already factored in appropriate credits for the types of exposures facing these accounts.

For environmental, aviation, and marine insurance the market remains very competitive and further reductions will be available for best-in-class accounts.

Government Pressure for Auto Rate Reductions

The personal automobile class is very much driven by overall results on a province-by-province basis. Overall, Marsh expects rates to remain relatively stable across the country, but we do expect insurers to be pushed to follow through on the Ontario government's promise to reduce rates by 15%.

For large fleets, auto rates will remain competitive but will be very much driven by individual account loss ratios.

Overall, automobile remains the largest product line segment in Canada so results can significantly influence insurers' overall results and impact how they underwrite other segments.

Property Rates Will Remain Stable

There remains plenty of capacity and a number of insurers that want to grow their property insurance.

On a number of occasions in the past few years, we have heard underwriters and reinsurers in this segment comment that rates have fallen below their technical rates for this type of risk. Despite this fact, the market remains soft and rates continue to move downwards.

For 2015, the property insurance market should remain stable for most small to midsize accounts. Towards the end of 2014, a few insurers were trying to move rates upwards in the 5% range for this segment, but there is enough competition and capacity for this business overall that we could well end up seeing moderate decreases across the board this year.

For accounts in the upper middle market, as well as large real estate and large risk-managed, industrial and technical-driven accounts, competition and loss record, will drive results, but the market in Canada will be very competitive in 2015.

For many companies, the reunderwriting of catastrophe exposures, in particular flood exposures, took place in 2014. So while this activity will stabilize somewhat in 2015, we believe we will continue to see some markets look at their overall aggregate exposures and make adjustments to lines and capacity offered, particularly in parts of Eastern Ontario, Quebec, and the Vancouver area. Locations in 100-year flood zones will continue to see pressure on retentions rather than rates, as will certain parts of mainland Vancouver and Vancouver Island, where some insurers will look to increase earthquake retentions.

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Financial and Professional Executive Risk

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

The insurance marketplace for D&O insurance has changed very little over the past year. That said, the entrance of Berkshire Hathaway into the market with its appetite for tougher risks and ample capacity is expected to drive increased competition in 2015.

Private companies and those with Canadian securities exposure continue to benefit from an abundance of capacity, which results in a highly competitive marketplace and stable premium rates. Companies with deteriorating risk profiles, however, will likely see a push for increased retentions.

RISK TRENDS

Overabundance of Capacity

There is an overabundance of "young" capacity in the marketplace, which is helping keep rates low. Emphasis should still be placed on claims-handling experience, rating, underwriting flexibility, and overall experience in the marketplace.

Pollution Liability

Many organizations are continuing to look to the D&O policy as a backstop to director and/or officer liability for pollution matters. Many insurers are offering very narrow coverage, but overall transfer of risk must be carefully considered in conjunction with more primary sources of coverage (for example, environmental insurance policies).

Increase in Merger Objection Claims

Merger objection claims against both target and acquiring companies are becoming increasingly common in the US. These claims tend to be high volume, low severity matters and are best addressed through appropriate retentions.

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Cyber Risk

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
CYBER	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

The market for network/information security, and privacy (cyber) insurance remained stable in 2014. No significant additional capacity is expected to enter the marketplace in 2015 (some insurers are waiting for rates to trend further upward before entering the market); in fact, we anticipate that capacity for some industries (for example, retail) may contract slightly. That said, Lloyd's is expected to make a stronger push into the Canadian cyber insurance market, which should help keep the market competitive for most companies looking to pursue coverage.

We expect underwriters to focus on securing more detailed information from prospective insureds in an attempt to better quantify cyber exposures, including details of lessons learned from past losses, technology dependence, critical outsourcing arrangements, and the amount of confidential information held or processed.

Demand for cyber coverage is expected to increase in 2015, and companies purchasing coverage are likely to seek higher limits as they continue to utilize technology, collect large amounts of data, and outsource significant parts of their operations.

RISK TRENDS

Increasing Dependence on Technology

As organizations continue to embed technology (including the use of various cloud and mobile platforms) into many, if not all, facets of their operations, new attack vectors and technological vulnerabilities emerge. With this increased dependence comes a multitude of risks for organizations, both directly and via their technology supply chains.

Fluid and Dynamic Marketplace

Despite significant growth in the standalone cyber insurance market, it is still very small relative to the overall property and casualty market. This fact, combined with a number of recent high-profile breaches, has resulted in a fractured marketplace in which both appetite and capacity is constantly evolving.

Rapidly Evolving Threat Landscape

Aligning an organization's cyber security and governance framework with the rapidly evolving threat landscape remains a top challenge for senior management and the board. While prevention is the best defense, a more realistic goal is cyber resiliency — the ability to recover with minimal damage when vulnerabilities are acted upon.

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INSURANCE MARKETS BY SPECIALTY

Aviation

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
ENVIRONMENTAL	DECREASE 0% TO 10%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
AVIATION	DECREASE 10% TO 20%
AVIATION HULL WAR	INCREASE 10% TO 20%
CRIME	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%
MARINE	STABLE -5% TO +5%
MARINE CARGO	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

Losses in the global airline segment are at historic lows, and this, combined with excess capacity in the marketplace, is continuing the downward pressure on pricing. For general aviation buyers — the largest sector of the Canadian aviation market — the abundance of domestic capacity, coupled with the aggressive growth plans of some insurers and new entrants into the marketplace, ensured that the rate reduction trend continued in 2014.

Current pricing levels are expected to continue in 2015 due to the continued abundance of capacity and the aviation industry's reasonable loss profile.

RISK TRENDS

Differentiation Challenges

In the current insurance marketplace, it will be difficult for companies with good loss ratios to differentiate themselves from companies with poor loss ratios in terms of aviation coverages.

Attritional Losses

As a result of ongoing rate reductions, insurers are reviewing attritional losses that were once considered "part of the business" in greater detail.

Losses More Difficult to Process

In the current low-rate environment, insurers are taking a more aggressive approach to claims management.
As a result, claims falling into the "grey zone" are being denied more often than in the past.

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Energy

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	DECREASE 10% TO 20%
PROPERTY (NON-CAT-EXPOSED)	DECREASE 10% TO 20%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	INCREASE 0% TO 10%
ENVIRONMENTAL	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	INCREASE 0% TO 10%
CRIME	INCREASE 0% TO 10%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

Oversupply of capacity and absence of significant losses in both onshore and offshore property spaces continue to exert significant downward pressure on pricing. Capacity continues to flow into the market through reinsurance, new markets, and additional investment from existing markets.

Contingent business interruption insurance is becoming increasingly important for energy companies; however, insurers are keenly aware of aggregated exposures and are sub-limiting capacity accordingly.

Environmental liability coverage continues to be a focus in light of loss issues and public and media attention. In addition, cyber risk protection products are developing to better suit the needs of the energy industry.

RISK TRENDS

Price of Oil

The significant drop in the price of oil in the fourth quarter of 2014 is beginning to impact the industry at large. A reduction in activity in the sector will undoubtedly affect the amount of premium placed into the market, which will compound the existing tension between insurers' growth targets and downward pressure on rates. Specific economic fallout from the drop in commodity prices is already being seen. Drilling programs are being re-evaluated, and in many cases, cuts have already been made to 2015 budgets. In addition, the flow of international investment into Canada is beginning to abate both because of commodity price reductions and frustrations surrounding the political will to move projects forward.

Oil by Rail

The industry is continuing to face increased scrutiny with respect to the transport of oil by rail. The impact of Lac Megantic tragedy continues to develop within the liability insurance industry. Canadian, UK, and Bermuda insurance markets continue to monitor Lac Megantic specifically, and industry loss data, generally. In addition to loss experience, exposure continues to expand as rail is used by producers as an alternative to bottlenecked pipelines. In the meantime, insurers are assuming that the chain of potential exposure will reach back to the producer and are accordingly requesting more detailed information from all constituents in the chain.

Liquid Natural Gas

Numerous liquid natural gas (LNG) projects continue to advance, albeit slowly in most cases, through the early development stages. Permitting, licencing, and political issues are impeding progress almost without exception. That said, markets are keen to write this risk and we believe the insurance market will be accommodating as Canadian projects advance through to actual construction.

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Environmental

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
ENVIRONMENTAL	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

The environmental insurance market in Canada continues to grow, with more than a dozen players now offering coverage for a variety of risks. As a result, rates have remained generally flat year over year for environmental coverage.

In 2015, even more insurers are expected to enter the environmental insurance marketplace in Canada; however, their appetites for risk will continue to vary. More competition and choice will keep premiums in check and possibly result in decreases from some insureds at renewal. New policies with specialized coverage grants will also broaden the appeal of environmental liability insurance.

New entrants into the environmental insurance market will likely want to stay away from more challenging risks, including transactional placements with longer terms, which could result in higher pricing. The number of claims made will likely continue to rise due to the relatively high level of transactional activity and more stringent standards. In addition, demand for contractors' pollution liability coverage for medium/large construction projects is expected to continue to grow, particularly in those instances where government is involved.

RISK TRENDS

Stringent Clean-up Standards

Changes in clean-up standards across the country will result in an increase in the number of environmental insurance claims, which may make it harder to obtain this coverage moving forward.

Urban/Suburban Infill

Shifting development patterns towards urban/suburban infill — the use of vacant property within a built-up area for further construction or development — will result in increased potential for environmental risk for developers.

Creative and Aggressive Regulators

Environmental regulators are becoming more creative and aggressive in their efforts to find parties to pay pollution remediation costs. In particular, they are willing to go after individual directors and officers for these costs if the company itself is in bankruptcy or otherwise unable to pay. This trend may impact the availability of certain types of insurance, including environmental and D&O.

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Marine

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
MARINE HULL	DECREASE 0% TO 10%
MARINE LIABILITY	STABLE -5% TO +5%
OCEAN CARGO	DECREASE 0% TO 10%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

The marine insurance market continues to see the entry of new capacity, providing companies with alternative options and highly competitive terms. Although the rate reductions achieved over the past five years on renewal business is beginning to level off for business that underwriters see as a new opportunity, the competition is aggressive.

We anticipate that the marine insurance market will continue to see the introduction of new capacity along with some expansion/broadening of coverage in 2015. Packaging across multiple lines will remain an active marketing strategy for larger insurers, while the niche players will work to carve out specialized risks, increase capacity, and broaden their offering. As the market becomes saturated, some market consolidation through acquisition may take place in an effort to shore up pricing and create growth.

RISK TRENDS

Fixed Market Protection and Indemnity (P&I)

Fixed market alternatives to the traditional P&I clubs continue to gain ground and some are able to offer liability limits upwards of $500 million, strengthening their ability to move business away from the clubs. The clubs meanwhile continue to charge general increases; however, they are less than in prior years. The Group reinsurance will fall by about 20% in 2015. They are also diversifying into other lines, such as hull, which the fixed market traditionally offers, as a means of improving their value proposition.

Mega Vessel Cargo Exposure

New cargo vessels capable of carrying in excess of 18,000 twenty-foot equivalent units (TEUs) are fantastic for moving cargo cost effectively with less impact on the environment, but also represent a massive accumulation of values in the event of a loss. If the average container is carrying US$25,000 in cargo, the accumulated value of cargo onboard one of these new vessels could exceed US$450 million. The increased volume of containers on a given vessel also introduces complexities such as dealing with general average claims, and could create an unexpected accumulation of values for cargo underwriters insuring several different clients with cargo on the same vessel.

Crew Qualification

Staffing marine operations continues to be an industry challenge, and where there is high crew turnover or inexperienced crew, there is an increased risk of loss. Underwriters are going to greater lengths to know and better understand the management behind the vessels that they are insuring.

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Small and Midsize Businesses

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	INCREASE 0% TO 10%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%
MARINE	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

Typically, small and midsize enterprises (SMEs) have lower concentrations of physical assets in a single location, which limits most insurers' reliance on reinsurance for this market segment. This partially insulates the SME market from the pricing swings that result from fluctuating global reinsurance markets and uncertainty due to pending treaty renewals that are driven by larger catastrophic losses. Increased interest in the SME market among insurers is driving greater competition and will likely keep rates stable in 2015. However, some companies may see rate increases related to catastrophe risks not previously factored into pricing.

RISK TRENDS

D&O Liability

Challenging macroeconomic conditions are putting pressure on SMEs' financial stability, which is increasing interest in D&O coverage for private companies to mitigate potential insolvency. Interest in private company D&O is also increasing. This increase is due in part to the inclusion of employment practices liability extensions that can help insulate companies from defence costs, settlements and/or judgments against them for "wrongful dismissal," or discrimination allegations that may arise out of actions, such as downsizing and layoffs.

Contractors and Consultants Liability

An increase in requests for professional liability insurance for small firms providing services as contractors and/or consultants for large professional service firms is being seen. This trend appears to be due to a desire of larger firms to outsource rather than hire full-time staff for project-based work.

Slip and Fall Coverage

Increasingly, it seems that slip and fall events are resulting in litigation, which in turn is leading to an increase in reported losses under commercial general liability policies across a number of industries.

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Trade Credit

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
TRADE CREDIT	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

The Canadian marketplace is attractive to new entrants, and several insurers have secured local licenses or are attempting to do so in the near term. With this new capacity, the trade credit insurance market is expected to remain stable in Canada in 2015. However, capacity is not expected to impact buyer limits as insurers tend to have similar views on difficult and well-known limits.

We anticipate an increase in primary demand for the product. Many Canadian companies see the benefits of the product, which extend well beyond loss transfer to increasing sales volume, financing, credit information, lengthening terms of payment, third-party buyer reviews, etc.

RISK TRENDS

Unavailability of Coverage

Certain countries and buyers/ counterparties remain uninsurable, for example, Russia.

Frequency of Loss

Some countries and sectors continue to have heightened levels of risk with a higher frequency of claims, which is impacting both availability of coverage and rates.

Falling Oil and Gas Prices

Lower oil and gas prices have led to increased counterparty risk in the energy sector. However, insurers continue to view the energy sector as an area for growth. This trend is expected to continue throughout 2015.

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Political Risk and Terrorism

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
POLITICAL RISK AND TERRORISM	DECREASE 0% TO 10%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

There is expected to be downward pressure on political risk and terrorism insurance rates in 2015, due in part to increased capacity. This increased capacity, and the availability of more private sector solutions (for example, outside of the Export Development Canada) are driving competitive pricing for political risk and terrorism insurance coverage. In addition, primary demand for political risk and terrorism insurance is expected to rise in 2015.

RISK TRENDS

Unavailability of Coverage

Certain countries remain uninsurable, for example, Russia, the Ukraine, etc.

Uncertainty of Government Programs

The risk of the US government electing not to extend extend the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) in December, 2014 has led many companies to source standalone terrorism insurance coverage.

Increased Risk and Awareness

Demand for political risk and terrorism insurance coverage continues to rise. In addition, companies are increasingly looking to private sector insurers.

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INSURANCE MARKETS BY INDUSTRY

Communications, Media, and Technology

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
MARINE CARGO	DECREASE 0% TO 10%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

There is significant overcapacity in the casualty insurance marketplace for companies in the communications, media, and technology industries, driven in part by new entrants that are creating coverage and premium competition. As a result, little change in coverage, retentions, rates, or premiums is anticipated in 2015.

Underwriters are paying more attention to modelling catastrophic exposures for property, in particular flood and earthquake, which is resulting in higher retentions in some areas. In addition, some insurers are clarifying that cyber risks are excluded from crime and commercial general liability coverages for communications, media, and technology companies.

RISK TRENDS

Increased Mergers and Acquisitions (M&A) Activity

Companies not traditionally thought of as technology firms are developing products and services for social media, mobile banking, and the "internet of things." This convergence is driving increased M&A and the need for enhanced insurance coverage.

Big Data

Increased interest in big data, coupled with a rise in the amount of information stored "in the cloud," is resulting in an increase in the amount of attention paid to privacy and cyber security. Communications, media, and technology companies are focusing on analyzing contractual liabilities, managing third-parties who have access to information and establishing crisis management and incident response plans.

Cloud Computing

Increased usage of the cloud for data storage has led communications, media, and technology companies to conduct more detailed business interruption and contingent business interruption exposure analyses to determine the revenue or expense impact of technology outages or software failures.

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Construction

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
SURETY	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
WRAP-UP LIABILITY	STABLE -5% TO +5%
BUILDERS RISK	STABLE -5% TO +5%
PROFESSIONAL LIABILITY	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

Construction companies are likely to see the trend toward generally flat surety bond rates continue into 2015. New entrants into the construction insurance marketplace, particularly from the US, combined with the traditional domestic insurers are expected to drive an increase in available capacity. Commercial/large contract surety bonds, public-private partnership placements, and liquidity bonds are expected to drive growth in the construction insurance market.

Construction insurance rates are expected to remain stable for the foreseeable future. Capacity is readily available in the market, largely driven by foreign entrants from London and the US.

RISK TRENDS

Changing Project Delivery Approaches (Public-Private Partnerships)

Increasingly governments at all levels are partnering with private sector organizations to develop large and complex infrastructure projects. Given the financial and other benefits of this approach, it is a trend that is likely to continue in 2015 and beyond.

Challenges Facing Middle-Market Construction Firms

The recent decline in the price of oil is driving some uncertainty regarding the prospects for growth in middle-market construction projects. A potential slowdown will drive increased losses and potential business failures for mid-market construction firms.

Expanded Use of Surety Bonds

With recent changes in the economic environment, surety bonds are becoming an attractive alternative to letters of credit for securing performance obligations (for example, those related to reclamation, etc.) Surety bonds free up cash associated with traditional letters of credit.

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Financial Institutions

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY	STABLE -5% TO +5%
CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	DECREASE 0% TO 10%
PROFESSIONAL LIABILITY	STABLE -5% TO +5%
FINANCIAL INSTITUTION BOND/ COMPUTER CRIME	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

In 2015, upward pressure on rates is expected to continue, but mostly within the primary layers. For institutions with good loss experience and stable and/or improved risk profiles, excess rates should continue to remain competitive. Side A D&O rates should also remain competitive as there is an abundance of D&O capacity in the marketplace. However, E&O coverage will continue to present challenges for financial institutions and insurers will continue to seek rate and deductible increases to reduce their exposure.

RISK TRENDS

Cyber Risk

Hackers gaining access through the online credentials of vendors has helped raise awareness of the fact that while certain functions or operations of the organization can be outsourced to vendors, the risk to the organization cannot be outsourced. In addition, the increased adoption of bring-your-own-device (BYOD) programs and the use of social media have further complicated the cyber and privacy risks faced by organizations as they can lead to serious brand and reputational risks. We believe cyber risk products will continue to be actively pursued by financial institutions in 2015 and beyond.

Increased Regulation

Increased regulation and the cost of compliance will continue to pose challenges for Canadian financial institutions in 2015. Worldwide regulatory activity has continued unabated and for institutions purchasing D&O and/or E&O insurance, coverage enhancements for regulatory investigations will continue to evolve and will vary from insurer to insurer.

Risk Mapping

The efficacy of the insurance program around the traditional and evolving forms of risk to the organization is paramount. Over the past few years, there has been an increase in the use of scenario risk mapping among our financial institution clients to help identify coverage weaknesses, enhance payment certainty, and support internal governance initiatives. One of the positive outcomes of such an analysis is a closer alignment between operational risk and insurance risk, a key driver for many financial institutions.

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Forestry

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	DECREASE 0% TO 10%
PRIMARY CASUALTY	DECREASE 0% TO 10%
EXCESS CASUALTY	DECREASE 0% TO 10%
DIRECTORS AND OFFICERS (D&O)	DECREASE 0% TO 10%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%
MARINE	STABLE -5% TO +5%
MARINE CARGO	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

Overall, property insurance rates for the forestry sector are expected to remain stable in 2015; however, there may be rate increases for other lines of cover in 2015. Deductibles are also expected to continue to increase. Revenues for many companies are increasing due to improved market conditions, which is leading some casualty underwriters to reduce rates while maintaining premium levels.

After a complete withdrawal by domestic insurers from primary sawmill business in 2011-2012, some return of capacity from Canadian insurers has become apparent. However, the majority of Canadian sawmill insurance business is still written by European insurers. Larger integrated companies with pulp and paper assets continue to be more favoured by underwriters despite fairly limited capital reinvestment in many of these operations.

RISK TRENDS

Coverage Costs

Continued higher rates for property insurance coverage due to limited competition will cause continued cost pressures for forestry companies. Costs associated with loss prevention, particularly dust management, will also contribute to overall risk management expenses.

Directors and Officers Pollution Exposure

Recent trends to hold individual directors and officers personally responsible for pollution events has resulted in increased interest in excess Side A Difference in Conditions (DIC) D&O policies.

Limited Capacity

Despite the fact that forestry is a respected coverage class for domestic property insurers, there is limited local capacity for commercial property insurance for forestry risks. Most capacity will continue to be provided by the London market.

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Health Care and Life Sciences

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	INCREASE 0% TO 10%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
CLINICAL TRIAL LIABILITY	DECREASE 0% TO 10%
MEDICAL MALPRACTICE	INCREASE 0% TO 10%
PRODUCT LIABILITY	STABLE -5% TO +5%
CLINICAL TRIAL LIABILITY	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

The insurance market for health care risks is expected to remain stable in 2015. Underwriters will continue to increase their focus on risk management practices in an effort to help mitigate potential claims. Risk management practices to promote patient and/or resident safety are expected to be of particular interest. The marketplace for medical malpractice liability is relatively limited in Canada, but we did see some new capacity created in 2014 and we expect this trend to continue in 2015.

There has been a flood of new insurance capacity entering the Canadian marketplace targeting life sciences companies, primarily via Lloyd's and the London market. In 2015, the market is expected to remain soft due to the abundant capacity. Prices will continue to drop and coverage enhancements will be offered in order to maintain premium levels in what is becoming a smaller industry pool within Canada.

RISK TRENDS

Network Security Breaches

The risk associated with network security breaches continues to be of significant concern to health care providers, and they are actively exploring ways to transfer this growing risk to insurers.

Regulatory Risk

Senior care organizations are now obligated to meet regulatory requirements with respect to risk control items such as fire protection and incident management practices in order to maintain their licenses to operate. These new requirements are driving increased demand for risk management tools and strategies.

Merger and Acquisition Activity

The life sciences industry continues to experience significant merger and acquisition (M&A) activity, with many Canadian firms being purchased by foreign companies. This M&A activity is expected to continue throughout 2015.

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Manufacturing

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
MARINE	STABLE -5% TO +5%
MARINE CARGO	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

Manufacturers are likely to see generally flat property insurance rate trends continue in 2015. But a reduction in the amount of capacity for commercial property insurance in the manufacturing sector is expected, along with increasing deductibles. Property insurance rates for catastrophe-exposed areas will likely continue to trend upward; however, incumbent carriers want to keep good risks on their books and may offer more favourable rates to retain these risks.

RISK TRENDS

Increased Competition in Primary Markets

The Canadian economy is expected to continue its slow recovery in 2015. However, increased competition in primary markets could lead to a decrease in foreign and US sales for manufacturers.

Attracting and Retaining Labour

A looming shortage of skilled workers presents a significant risk for Canadian manufacturers. Overcoming the skills gap and attracting and retaining talent are critical priorities for manufacturing companies.

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Mining

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	DECREASE 0% TO 10%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	INCREASE 0% TO 10%
AVIATION	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
ENVIRONMENTAL	INCREASE 0% TO 10%
MARINE	STABLE -5% TO +5%
MARINE CARGO	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

Since October 2013, there have been four high-profile environmental incidents in the North American mining sector, three in the summer of 2014 alone. As a result, insurers require more detailed underwriting information, particularly as it relates to tailings storage facilities.

Competition in the commercial property insurance market for mining risks, as well as a good year as it relates to losses should keep pricing soft in 2015. For liability coverage, increased scrutiny with respect to environmental cover may lead to stricter policy language and coverage terms. However, pricing increases are not anticipated.

RISK TRENDS

Cost Containment and Capital Discipline

Shrinking miner profitability will lead insurers to question if operators are reducing their focus and spend on loss control and best practices.

Commodity Price Decreases

Reduced business interruption values will lower underwritten premium.

Country, Social, and Environmental Licenses

Uncertainty and instability in many parts of the world will make it challenging for mining companies to obtain political risk, terrorism, environmental, and other similar types of insurance.

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Power and Utilities

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	INCREASE 0% TO 10%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	INCREASE 0% TO 10%
EXCESS CASUALTY	INCREASE 0% TO 10%
ENVIRONMENTAL	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
BOILER AND MACHINERY	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

The market continued to see modest upward pressure on property and casualty rates in 2014. Underwriters required enhanced underwriting detail for issues, including dam construction and safety, management of pollution liability exposures, and planning for crisis management and recovery.

Overall, we expect market conditions for power and utilities risks to remain stable in 2015, including availability of capacity, rates, retentions, and risk appetite. Underwriters will select and renew risks with increasing care. However, as climate change, natural catastrophe perils, and aging infrastructure will impact underwriting results.

This increased scrutiny will be particularly true where British Columbia earthquake exposure is part of the risk. In addition, in the wake of recent flood losses, underwriters will require enhanced information (for example, flood maps), along with confirmation that temporary and permanent structures are designed to withstand the threat of flood.

RISK TRENDS

Cyber Risks

Regulators and insurance underwriters are expected to enhance their focus on cyber risk as it relates to power and utilities companies. We anticipate that they will seek confirmation that power generators, transmitters, and distributors have assessed their vulnerability to cyber attacks and have implemented mitigation strategies and demonstrated compliance with regulatory standards where they apply.

Aging Infrastructure

The inexorable decay of power and transmission facilities has already prompted significant investment in new-build and refurbishment projects, which should spur competition within the insurance marketplace. As a result, technical underwriting will be even more important than in recent years.

Catastrophe and Climate Change

The increasing frequency and severity of losses attributed to catastrophe perils and climate change will result in increasingly higher deductibles and a tightening of capacity. Underwriters will seek greater assurances that power and utility installations can withstand these events to higher tolerance levels.

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Public Entities and Education

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	DECREASE 0% TO 10%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%
MARINE	STABLE -5% TO +5%
MARINE CARGO	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

Insurers are looking carefully at their capacity for Canadian catastrophe risks, especially in British Columbia and flood and windstorm zones. Aggregation is limiting capacity in catastrophe-exposed areas, but competitive rates and terms are still available.

Casualty loss experience especially in the municipal space has resulted in driving up both premiums and retention levels. Insurers' actuarial analysis has become a critical part of the underwriting process.

The London market is competitively pricing Canadian primary versus excess positions, and we continue to see new insurers entering the Canadian casualty insurance market. European insurers are beginning to increase their share of the Canadian market in this sector.

In addition, we are seeing a new trend toward broadening the availability of cyber risk cover, as well as a limited addition to general liability policies. Obtaining abuse liability coverage continues to be a challenge in the public entity and education space. The London markets will only consider writing this cover on a claims-made basis; however, domestic insurers will still consider it on an occurrence basis following underwriting of the public entity's protocols.

RISK TRENDS

Cyber Risk

Public entities and educational institutions are dependent on the ever-greater technology networks they are developing. As a result, data security and privacy risks continue to increase in importance, particularly as they relate to intellectual property, health care regulations, identity theft, and other first- and third-party risks.

Climate Change

Public entities and educational institutions in natural catastrophe-exposed areas are experiencing increased claims activity, which is leading to increased deductibles and could result in increased rates, and/or a reduction in capacity available in 2015.

Aging Infrastructure

Government funding to public entities is challenging improvements or expansion to infrastructures, especially in the municipal space, which has impacted the severity of claims related to climate change.

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Real Estate

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	INCREASE 0% TO 10%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
ERRORS AND OMISSIONS (E&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
ENVIRONMENTAL	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

The market for non-CAT-exposed commercial property insurance is expected to remain competitive in 2015 due to an abundance of capacity.

Following the 2013 flood losses in Canada, property insurers continue to take a more conservative approach to flood exposure. They are underwriting flood risks with more scrutiny and looking to apply higher dollar deductibles, or in some cases, percentage deductibles for properties in perceived flood zones.

US environmental insurers, some of which may establish offices in Canada, will help to counter some of the more recent "conservative" underwriting we see from other insurers.

Overall, we expect the insurance market for real estate risks to remain flat through 2015. However, companies that are not employing risk management best practices and those with high loss ratios will likely experience rate increases.

Overall, we expect the insurance market for real estate risks to remain flat through 2015. However, poorly risk-managed companies and those with high loss ratios will likely experience rate increases.

RISK TRENDS

Climate Change

Real estate companies in natural catastrophe-exposed areas are experiencing increased claims activity, which is leading to increased deductibles and could result in increased rates, and/or a reduction in capacity available in 2015.

Brownfield Development

Environmental claims related to brownfield development are increasing in frequency and, as a result, insurers are becoming more conservative in their underwriting. Coverage terms and conditions from some of the newer entrants may moderate this trend.

Cyber Risks

Increased losses resulting from cyber and privacy breaches, along with a growing awareness that cyber risks extend beyond the scope of traditional information technology, are expected to lead to an influx of buyers into the cyber insurance market.

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Retail/Wholesale

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
PROPERTY (CAT-EXPOSED)	STABLE -5% TO +5%
PROPERTY (NON-CAT-EXPOSED)	STABLE -5% TO +5%
PRIMARY CASUALTY	STABLE -5% TO +5%
EXCESS CASUALTY	STABLE -5% TO +5%
DIRECTORS AND OFFICERS (D&O)	STABLE -5% TO +5%
CRIME	STABLE -5% TO +5%
MARINE	STABLE -5% TO +5%
MARINE CARGO	STABLE -5% TO +5%

The above represents the typical rate change at renewal for average/good profiles.

Market Commentary

Overall, insurance market conditions for the retail/wholesale industry were stable in 2014. Companies are seeing increased deductibles for catastrophe-exposed areas and geographical aggregations. However, given an abundance of capacity, it is expected that competition will result in favourable renewal terms for most companies. Companies with property in areas that are catastrophe-exposed may see some reduced capacity along with the rise in deductibles.

RISK TRENDS

Data Breaches

Insurers are paying close attention to cyber risk procedures for retailers following several high-profile data breaches in 2014. As a result, retailers could see increased rates for cyber coverage.

Claims Management

As losses continue to increase in the retail/wholesale sector, and along with them legal expenses, insurers will be seeking increased premiums to cover the costs.

Global Expansion

As Canadian retailers seek growth, they are increasingly looking globally for opportunities. This trend will change the risk climate for these companies while increasing exposures and regulatory requirements.

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Transportation and Logistics

INSURANCE MARKET CONDITIONS

COVERAGE	RATE CHANGE Q4 2014
TRANSPORTATION/FLEET	INCREASE 0% TO 10%
MOTOR TRUCK CARGO	INCREASE 0% TO 10%

The above represents the typical rate change at renewal for average/good risk profiles.

Market Commentary

Overall, the marketplace for transportation fleet insurance is expected to continue to push for annual premium increases from 2% to 10% in the near term. Capacity remains abundant for primary automobile and excess/umbrella markets, including risks with high US exposures. Additional increases in insurance capacity may prevent individual insurers from any sustained attempts to increase rates in 2015 for companies with good loss ratios, particularly when competition is introduced at renewal.

Offshore group captives will continue to grow, targeting good fleet risks. In addition, telematics/usage-based insurance is expected to enter the Canadian fleet marketplace in the near future, with the potential for premiums to be adjusted based on the on-road driving performance data of the fleet.

RISK TRENDS

Driver Shortage

Facing demographic and regional challenges, a shortage of qualified drivers continues to challenge the Canadian transportation industry. Factors, such as an aging workforce, gender imbalance, and competition from other industry sectors, have been reflected in driver recruitment and retention initiatives. The future professional truck driver will need to be better trained and have a higher education level than today's drivers in order to cope with the evolving technologies being installed on vehicles to improve safety and productivity.

Broker/Freight Forwarding Liability

Companies are being included in lawsuits based on negligent hiring of carriers moving freight. When hiring a carrier, shippers must be able to prove due diligence — having a certificate of insurance and a copy of the carrier's registration on file is not enough.

Contractual Liability

The liability expectations placed on marine intermediaries and transportation companies continues to increase, forcing companies in the business of handling cargo to seek higher limits and broader coverage terms to meet those contractual obligations. Where insurance coverage is not available on reasonable commercial terms, decisions must be made about whether or not to accept, modify, or reject the contract.

Claims Handling

Theft and hijacking continue to be significant problems in the transportation/marine industry, and as technology gets smaller and food values increase, the value exposed in any particular transit is increasing. As claims amounts increase, underwriters may take a harder line on coverage limitations and are more frequently seeking coverage counsel for advice. As a result, working with insurers that understand marine and transportation risks is becoming increasingly important.

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About Marsh

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