specialty solutions

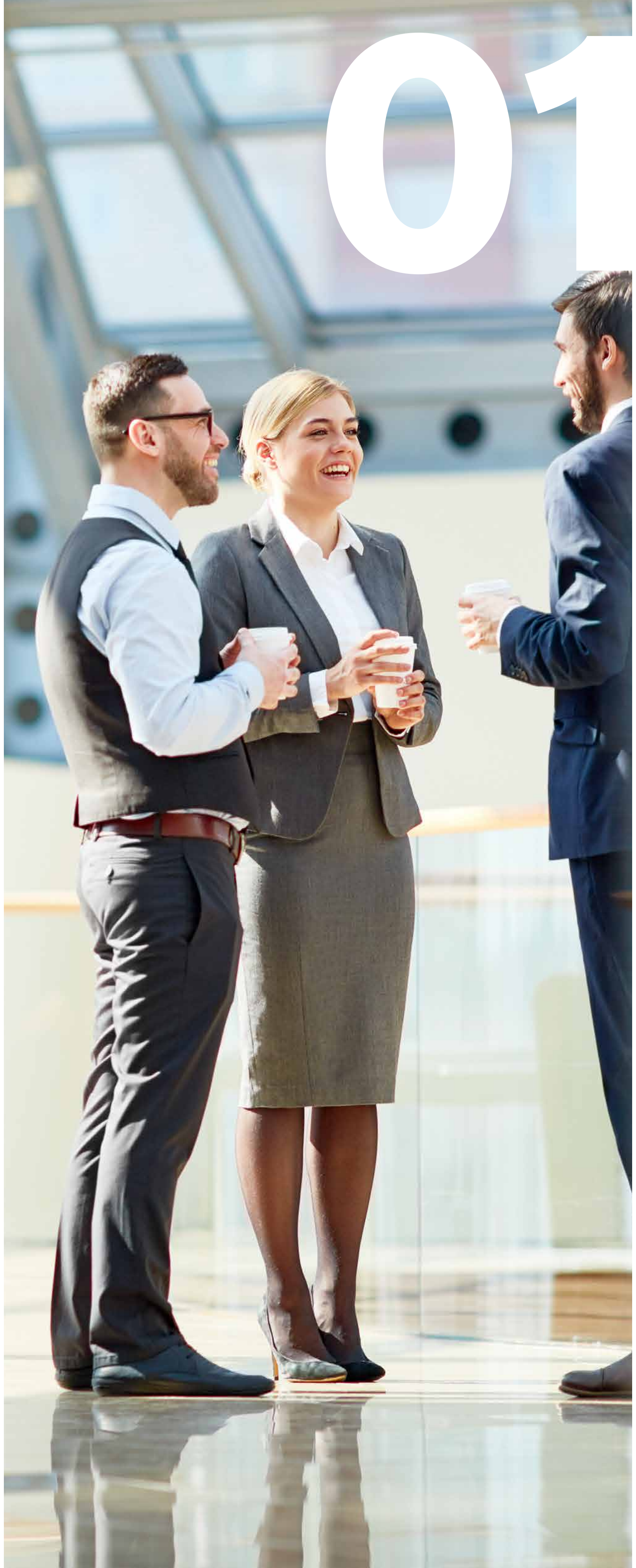
2025 Broker Playbook: Critical Industry Insights

The insurance industry is continually evolving. As risks multiply and client expectations soar, brokers must adapt to stay competitive.

2025 promises to be a year filled with both challenges and opportunities. By understanding and proactively addressing industry challenges, brokers can fill crucial coverage gaps, build better protection for clients, and unlock exciting growth opportunities.

Don’t be caught off-guard as the new year starts. Keep a finger on the pulse and deliver innovative, tailored risk management solutions that meet evolving client needs.

What five challenges will shape insurance brokers’ strategies in 2025? What do brokers need to do to support their clients in the year ahead? Read on to find out.



CHALLENGE #1: UPDATING INSURANCE TO VALUE

In 2025, producers may consider helping clients assess and update their business' insurance to value (ITV) to ensure adequate coverage and protection in good times and bad.

WHAT YOU NEED TO KNOW:

Insurance to value (ITV) isn't the property value itself, but the cost to replace or repair if loss or damage occurs. In the past two years, costs have increased and timelines to repair or replace property are getting longer and longer.

This is driven by several factors, including supply chain disruptions and labor shortages contributing to delays, and inflation driving up the cost of materials and services. With these factors at play, businesses need to keep their ITV current.

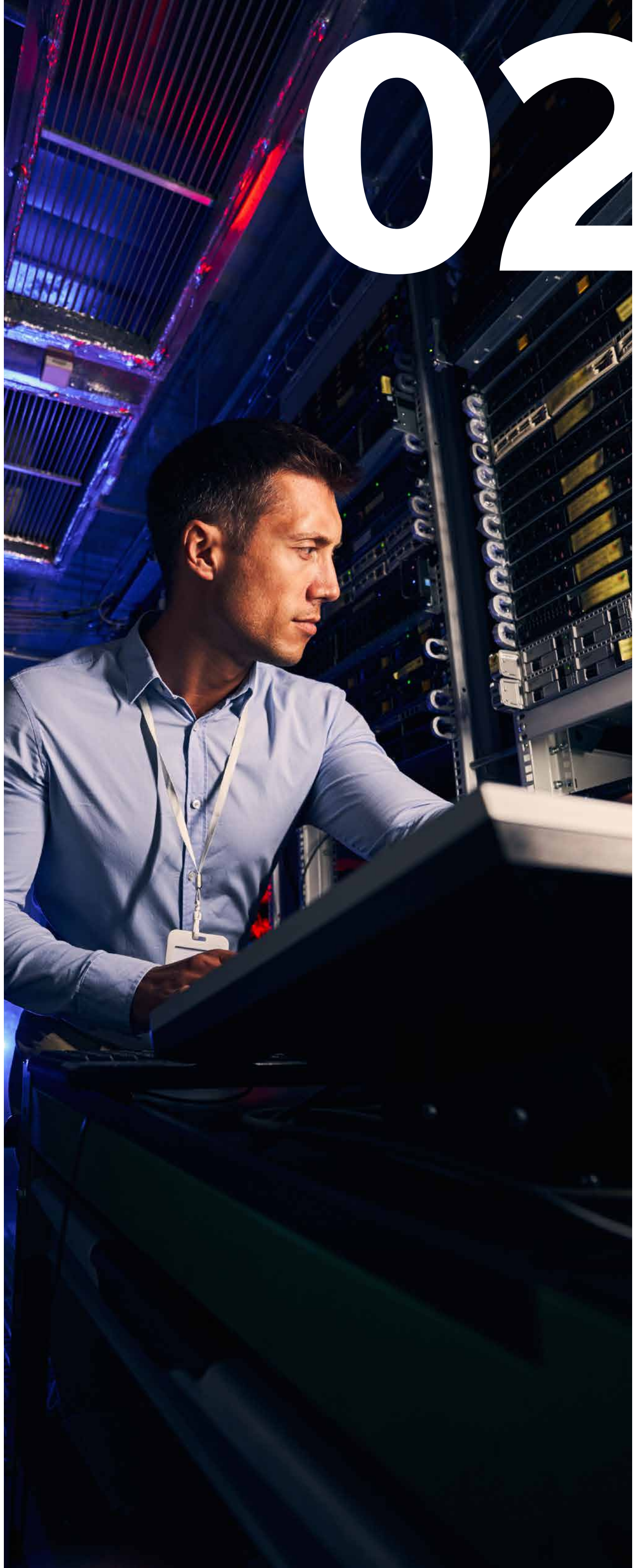
With increasing natural disasters and more frequent and severe weather events, accurate valuations are crucial. If a property is completely damaged, and the limit of insurance is less than the replacement cost, the customer will simply not have enough insurance to cover the entire loss.

What's more, if a coinsurance clause applies, an under-insured customer may be impacted by a coinsurance penalty. This means that even without a total loss, the customer would not collect the full amount for damages.

RISK ADVISORY INSIGHTS:

Brokers can consider working with clients to update or re-evaluate property values, repair costs, and turnaround times for re-builds so they can appropriately gauge their business income, impact to operations and extra expense exposure. Also, consider any requirements for climate-resilient building materials if the business is in an at-risk zone.

Brokers can consider encouraging clients to carefully review property values when selecting property limits in their policy and can work closely with carrier partners to make sure the correct current values are reflected. Additionally, consider speaking with clients about product options they might not have previously considered. One example is the importance of having flood insurance, even if they are not in a designated flood risk zone, as flooding can still pose significant threats due to unexpected weather patterns or infrastructure failures.



CHALLENGE #2: DEFENDING AGAINST RISING CYBER ATTACKS

Cyber attacks are becoming more frequent and sophisticated, putting businesses of all sizes at risk. Make sure your clients are protected in 2025.

WHAT YOU NEED TO KNOW:
The insurance industry has yet to experience the full impact of claims activity and losses from 2024's large-scale, systemic cyber attacks such as CDK, Change Healthcare, and CrowdStrike. Moreover cyber attacks show no sign of slowing in the coming year. According to Cybersecurity Ventures, global cybercrime costs will reach $10.5 trillion USD annually by 2025.

$10.5 TRILLION USD

Annual global crime costs by 2025

Every business faces some cyber-related exposure and insurance producers should consider the risks and measures to safeguard against them. Developments to be aware of:

- The most frequent types of cyber attacks include ransomware, phishing and social engineering, and data breaches
- Artificial Intelligence (AI) is being leveraged by attackers to automate and amplify cyber threats, and by defenders to detect and respond to attacks
- Governments are enacting stricter data privacy and security laws, increasing clients' liability exposure
- Beyond financial loss, cyber attacks can cause reputational harm to businesses, which clients must protect against

RISK ADVISORY INSIGHTS:

Help your clients navigate the evolving cyber risk landscape by working with an expert in cyber insurance, ensuring your clients have access to cyber insurance solutions tailored to their business' needs. Consider the rate environment and whether it may be a good time to get coverage for businesses that were previously hesitant.

Consider advising clients on the broader implications of cyber risks. Present them with risk management tools such as customized insurance policies that address both immediate financial loss and long-term recovery. Explore options that cover ransomware, business interruption, and regulatory fines.

Cyber regulations vary considerably depending on your location, so producers can help clients by confirming that insurance policies align with regulations in the country where your client operates. For example, businesses must understand their obligations under data privacy laws like GDPR (General Data Protection Regulation) and CCPA (California Consumer Privacy Act). Certain cyber insurance policies cover legal costs and fines related to non-compliance.

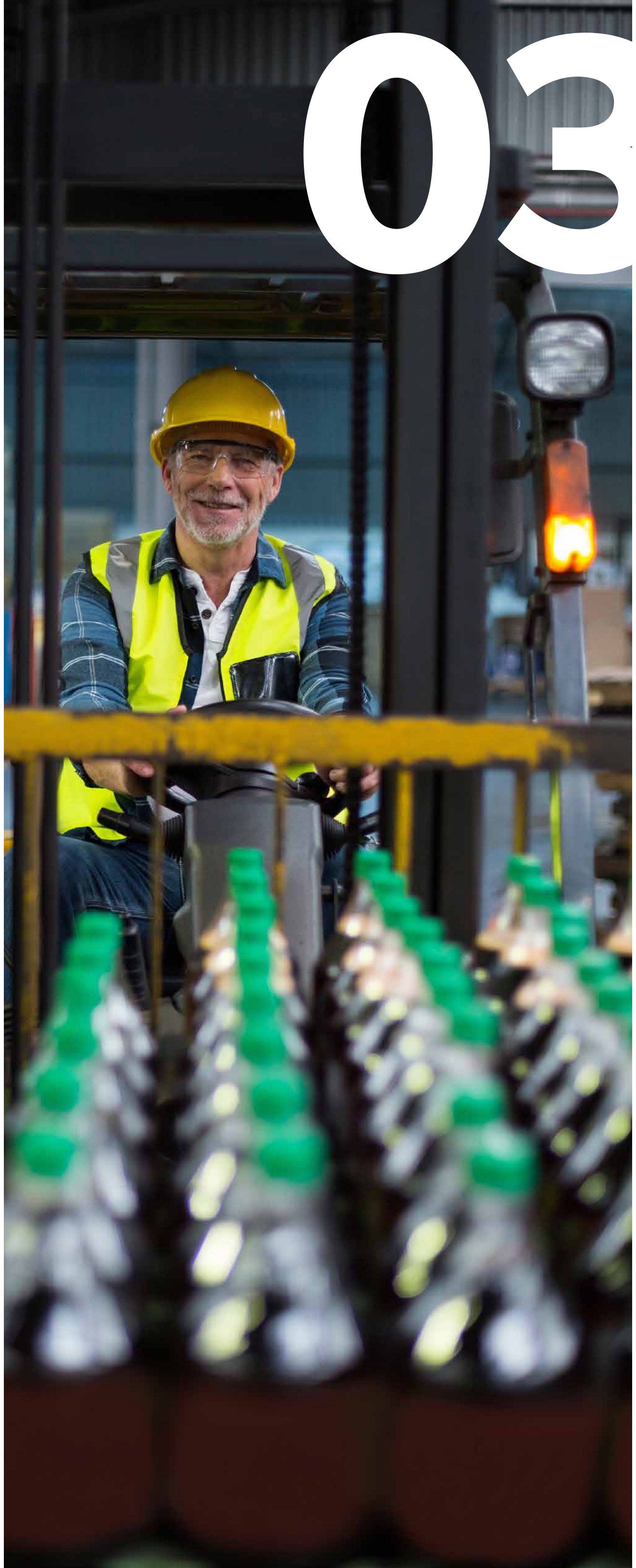
Cyber insurance policies are nuanced and often feature exclusions or sub-limits for key risks like social engineering. Work closely with your clients to make sure they understand these exclusions and can mitigate any potential exposure through targeted risk management.

For businesses seeking additional guidance on improving their cybersecurity posture, Cybersecurity & Infrastructure Security Agency (CISA) offers tools, resources, and services for organizations of all sizes to implement cyber best practices.

If a cyber incident does occur, your clients will need to be ready. Work with them to develop incident response plans and continuity plans that include clear protocols for responding to cyber incidents, including communication plans, coordination with insurers, forensic investigations, and contacting customers. Make sure clients know how to file a claim quickly in the event of an attack.

Implementing cybersecurity best practices and safety protocols is a strong and effective form of risk control for businesses in this environment. These include, but are not limited to:

- **Regular cyber risk assessments** to identify & mitigate vulnerabilities
- **Multi-factor authentication (MFA)**
- **Endpoint detection and response (EDR)**
- **AI-driven cyber security tools** that detect and respond to threats in real time
- **Security training** to help employees recognize common cyber threats
- **Secure, encrypted off-site backups** for important records and data
- **Automatic software upgrades** and patch/vulnerability management
- **Assess and vet third-party vendors & software suppliers**



03

CHALLENGE #3: PROTECT AGAINST SUPPLY CHAIN DISRUPTIONS USING INSURANCE

Businesses that expect the unexpected are better prepared. Contingent business interruption coverage is a must-have in 2025, helping to keep things running amidst supply chain delays and other unplanned events.

WHAT YOU NEED TO KNOW:
Supply chain issues continue to affect businesses, particularly with specialized equipment, machinery, electronics and furnishings driving up costs and extending the waiting time for delivery. These will continue into 2025 due to:

GEOPOLITICAL TENSIONS | Geopolitical tensions such as trade restrictions and regional conflicts will remain a major disruptor for global supply chains. Key regions that serve as manufacturing hubs or critical points of transit face heightened risks.

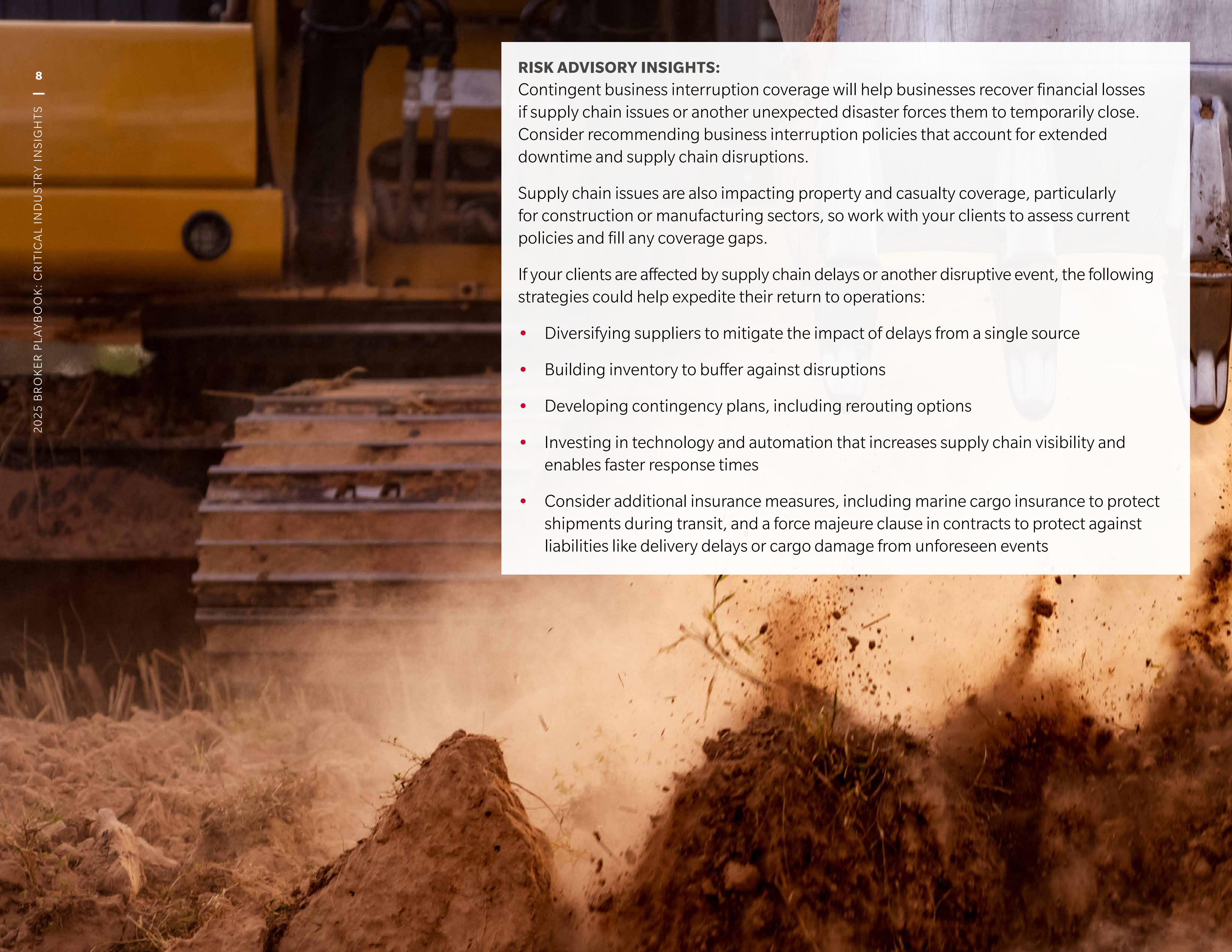
POWER OUTAGES | Not having access to internet or SAS (Statistical Analysis System) providers completely shuts down the import and export industry.

DROUGHT CONDITIONS | Weather, for example, drought conditions in Panama that limit access to the canal and cause delays due to necessary rerouting.

LABOR SHORTAGES | Ongoing labor shortages intensified by the "great resignation" that began in 2021. We will also likely see labor disruptions in early 2025, which will cause delays on shipments, port congestion, and interrupt operations.

CARGO THEFT | Cargo theft increased by 600% between November 2022 and March 2023 and is likely to continue in 2025.

As these issues grow, operational risks increase for many industries. Every delay and every factor at play lengthens the period to restore back to full operating condition.



RISK ADVISORY INSIGHTS:
Contingent business interruption coverage will help businesses recover financial losses if supply chain issues or another unexpected disaster forces them to temporarily close. Consider recommending business interruption policies that account for extended downtime and supply chain disruptions.

Supply chain issues are also impacting property and casualty coverage, particularly for construction or manufacturing sectors, so work with your clients to assess current policies and fill any coverage gaps.

If your clients are affected by supply chain delays or another disruptive event, the following strategies could help expedite their return to operations:

- Diversifying suppliers to mitigate the impact of delays from a single source
- Building inventory to buffer against disruptions
- Developing contingency plans, including rerouting options
- Investing in technology and automation that increases supply chain visibility and enables faster response times
- Consider additional insurance measures, including marine cargo insurance to protect shipments during transit, and a force majeure clause in contracts to protect against liabilities like delivery delays or cargo damage from unforeseen events

04

CHALLENGE #4: ADAPTING TO MORE FREQUENT AND EXTREME WEATHER EVENTS

Severe weather events will lead to more catastrophe losses in 2025. Prepare accordingly.

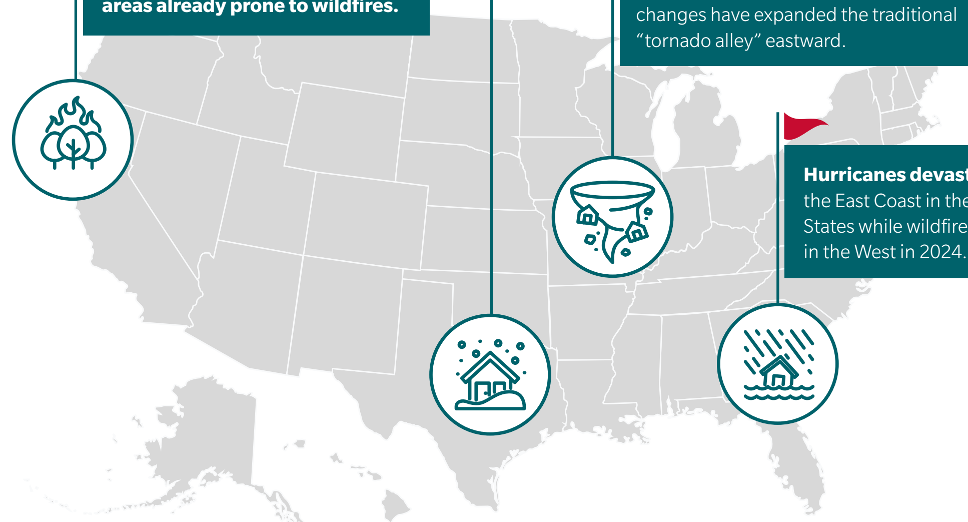
WHAT YOU NEED TO KNOW:
The increased frequency and severity of extreme weather events have led to consistent catastrophe losses, sometimes in surprising areas not prone to such incidents.

Temperature extremes have resulted in freezing temperatures in areas where construction/insulation aren't designed for such extremes, (i.e. the 2021 Texas freeze).

Unusually warm weather resulting in rapid snow melts leading to flooding, and **extreme heat contributing to areas already prone to wildfires.**

Warm water and air temperature changes have expanded the traditional "tornado alley" eastward.

Hurricanes devastated the East Coast in the United States while wildfires raged in the West in 2024.

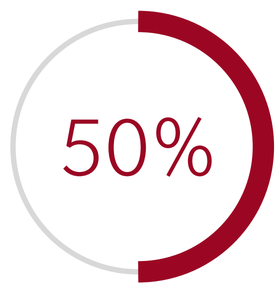


In 2023, the United States experienced $79.6 billion in natural catastrophe losses. This was the fourth year in a row that global insured losses from natural catastrophes exceeded $100 billion. The number of global catastrophe losses has caused property reinsurance costs to climb in recent years, especially for those already affected by losses. U.S. property catastrophe reinsurance rates rose by as much as 50% in January 2024 for policies previously hit by natural catastrophes. Property reinsurance alone increased by 35% in 2023. Casualty reinsurance costs are also increasing, influenced by the rising frequency and severity of claims. At the mid-2024 renewals, U.S. casualty reinsurance rates increased by up to 15% for loss-affected accounts and up to 10% for no-loss accounts.

Frequent and severe weather events are expected to continue in 2025, potentially escalating insurance claims related to property damage and business interruption.

$79.6 BILLION

in natural catastrophe losses
(U.S. 2023)

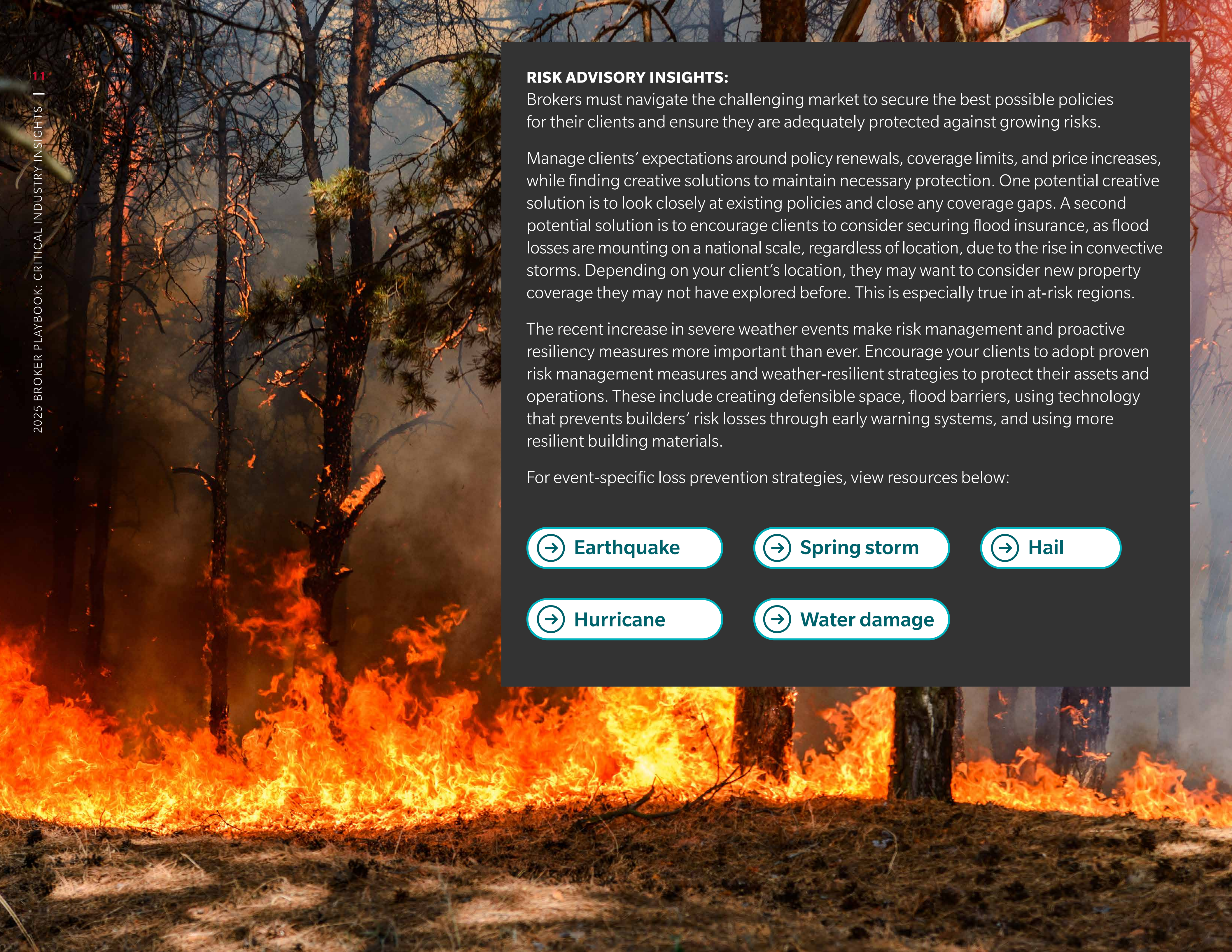


U.S. PROPERTY CATASTROPHE REINSURANCE RATES

Rose as much as 50% in January 2024 for policies previously hit by natural catastrophes

U.S. CASUALTY REINSURANCE RATES

Increased by up to 15% for loss-affected accounts (up to 10% for no-loss accounts)



RISK ADVISORY INSIGHTS:
Brokers must navigate the challenging market to secure the best possible policies for their clients and ensure they are adequately protected against growing risks.

Manage clients' expectations around policy renewals, coverage limits, and price increases, while finding creative solutions to maintain necessary protection. One potential creative solution is to look closely at existing policies and close any coverage gaps. A second potential solution is to encourage clients to consider securing flood insurance, as flood losses are mounting on a national scale, regardless of location, due to the rise in convective storms. Depending on your client's location, they may want to consider new property coverage they may not have explored before. This is especially true in at-risk regions.

The recent increase in severe weather events make risk management and proactive resiliency measures more important than ever. Encourage your clients to adopt proven risk management measures and weather-resilient strategies to protect their assets and operations. These include creating defensible space, flood barriers, using technology that prevents builders' risk losses through early warning systems, and using more resilient building materials.

For event-specific loss prevention strategies, view resources below:

- Earthquake
- Spring storm
- Hail
- Hurricane
- Water damage

CHALLENGE #5: NAVIGATING SOCIAL INFLATION

Social inflation has impacted every part of the insurance industry with liability coverage. It will continue to affect business in 2025.

WHAT YOU NEED TO KNOW:

Social inflation is the increase in insurance claims costs that outpace economic inflation. In the U.S., liability claims increased by 57% over the past decade. Social inflation in the U.S. rose to 7% in 2023, a 20-year high, and U.S. commercial casualty insurance losses grew by an average annual rate of 11% within five years, reaching $143 billion in 2023.

What's driving it? Plaintiffs seeking larger monetary relief for their injuries, driving up litigation costs. Claimants are retaining counsel earlier following accidents, driving additional treatment and increasing the cost of claims. The growing prevalence of nuclear verdicts (extremely high damage awards exceeding $10 million) in liability lawsuits is also pushing up the costs of claims settlements.

As claims grow due to social inflation, pressure on reinsurance or capacity affects the broader insurance market.

In 2025, social inflation will remain a critical issue for brokers as it influences liability exposures, coverage costs, and risk management strategies for clients across industries.

RISK ADVISORY INSIGHTS:

Brokers and their clients should keep a close eye on developments related to social inflation. Help your clients understand how it impacts insurance policies and is driving up liability costs across industries. Serve as an advisor to help your clients navigate this escalating legal landscape.

Evaluate whether your clients have adequate liability coverage, particularly in sectors prone to litigation, such as healthcare, transportation, and manufacturing.

Protect clients from tomorrow's risks.

Emerging threats and risks will grow in severity and complexity in 2025. Brokers who focus on filling in coverage gaps, risk management, and forward-thinking strategies will not only protect their clients but also strengthen their value as trusted advisors in an ever-changing landscape.

Stay nimble, stay innovative, stay ahead.

The foregoing is a summary of general industry challenges and risk analysis techniques for producers to consider as part of their comprehensive risk advisory practice. The material in this note is not intended to replace or supplement individual risk analysis and due diligence to be performed by the producer.

About Intact Insurance Specialty Solutions

Intact Insurance Specialty Solutions is a marketing brand for the insurance company subsidiaries of Intact Insurance Group USA LLC, an indirect subsidiary of Intact Financial Corporation (TSX: IFC), the largest provider of property and casualty (P&C) insurance in Canada, a leading provider of global specialty insurance, and, with RSA, a leader in the U.K. and Ireland. Our business has grown organically and through acquisitions to over $22 billion of total annual premiums. The insurance company subsidiaries of Intact Insurance Group USA LLC include Atlantic Specialty Insurance Company, a New York insurer, which wholly owns Homeland Insurance Company of New York, a New York insurer, Homeland Insurance Company of Delaware, a Delaware insurer, OBI America Insurance Company, a Pennsylvania insurer, OBI National Insurance Company, a Pennsylvania insurer, and The Guarantee Company of North America USA, a Michigan insurer. Each of these insurers maintains its principal place of business at 605 Highway 169 N, Plymouth, MN 55441, except The Guarantee Company of North America USA, which is located at One Towne Square, Southfield, MI 48076. For information about Intact Financial Corporation, visit: intactfc.com