White Paper

2023 - 2024

DiotSiaci

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Editorial

We are pleased to share with you our White Paper 2023-2024 where we analyze and interpret the main trends in the corporate insurance and reinsurance market. We have looked at each line of business and mapped out the key facts that will influence the upcoming renewals, including developments in pricing, availability of capacity, changes in underwriting policies and emerging points to consider.

In addition, our teams have provided you with a number of special reports on issues that we strongly believe will shape the future, and on which we are proud to share our insights and proposals.

First, the international network. At a time when the deployment of international programs has to adapt to varied regional trends, a very marked increase in compliance issues, geopolitics that are pushing towards greater protectionism, and also insurers who are generally keen to standardize local coverage, Diot Siaci Global Partners, through its unique and singular approach, guarantees you a comprehensive overview of your activities and the best local standards, together with total commitment to the implementation of your strategy and the delivery of mutually defined service level agreements.

We then turn to all the possibilities offered by a disciplined and pragmatic use of the data you entrust to us. Whether it's facilitating and improving the reliability of your feedback or returning your data to you with a tenfold increase in the possibilities for analysis, we want to use our digital offerings to improve quality of administration, risk management and customized advice, in a market where quality and accuracy of underwriting data is more than ever a key differentiator.

Analytics is one of our core competencies, and we are continually strengthening our teams in this area to ensure that our services act as a powerful lever for structuring and placing your risks, including through alternative market players, parametric solutions, and financial risk transfer vehicles.

We are also investing in the opportunities offered by Artificial Intelligence, whether it's the use of predictive models, language processing or image processing, we wished to demonstrate how we are harnessing the power of AI to bring you innovative solutions.

This White Paper will give us the opportunity to rediscover two teams that complement our organization and facilitate our holistic approach to risk coverage. You can read how our 2RS team is reinventing its leadership in captive consulting and management in the context of the creation of French captives. And finally, how our facultative reinsurance teams work day by day to negotiate and obtain the best from the markets around the world.

Last but not least, a subject that was close to our hearts this year: ESG. We would like to share with you an analysis of the implications of the changing regulatory framework for the risk community and the practical actions we can take to work with you in this area, whether it's influencing the sustainability of insurance coverage, encouraging improvements in the carbon performance of assets and operational processes, or protecting directors and companies in the turbulent context of climate change.

Our 2023-2024 issue of the White Paper is resolutely focused on levers for business development and major advances in risk management. The teams at Diot-Siaci, a leading broker in France and Europe, are mobilized to work alongside you and support you in your growth.

Florence Louppe

Managing Director Diot-Siaci Corporate Solutions

Artificial Intelligence

Stanislas Legait, Analytics & Alternative Risk Transfer Director
Kezhan Shi, Head of Actuarial and Data Science
Marguerite Saucé, Actuary & Data Scientist

Artificial intelligence (AI) is the ability of a computer system to mimic human thought processes, such as learning, problem-solving and decision-making, using algorithms and data models.

According to the European Parliament, artificial intelligence is any tool used by a machine to "display human-like capabilities such as reasoning, learning, planning, and creativity."

The history of artificial intelligence dates back to the 1930s with the pioneering work of Alan Turing. However, it is only recently that AI has really exploded and begun to explore new frontiers. Several key factors have contributed to this revolution.

First of all, the growing availability of data is a key element that has propelled AI towards new horizons. With the advent of the Internet and the increasing digitization of information, a huge amount of data has become accessible. These rich and varied data are essential for training AI models and enabling them to learn from real-life examples. Advances in data collection, storage and accessibility have therefore played a major role in the rise of AI.

Secondly, computing capacity has increased considerably over the years. Technological advances have enabled the development of increasingly powerful computers and distributed computing infrastructures. This has made it possible to pçrocess vast amounts of data and run complex AI algorithms in a reasonable amount of time.

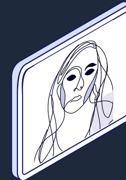
Lastly, the mathematical models used in AI have become considerably more sophisticated. One of the most remarkable recent developments is the emergence of transformer models. These models, such as the famous GPT-3 or 4 language model, have revolutionized many fields, from image recognition to more advanced text comprehension and generation.

Although the insurance industry is making progress in adopting AI, it is important to note that the stage of development can vary between companies and regions. Some players are far more advanced than others in integrating these technologies, depending on their needs, resources, and business strategies.

Using AI at Diot-Siaci to Deliver for our Clients

Three fundamental technical pillars

Diot-Siaci recognizes the richness and diversity of artificial intelligence techniques and the many applications they offer. That is why our Analytics team, consisting of 8 highly qualified actuaries and data scientists, has the skills and tools needed to solve client and business use cases using AI. We focus on three key technical pillars: predictive models, natural language processing, and image processing. This means we are able to develop innovative, customized solutions to meet the specific needs of our clients in the insurance industry and beyond.

Predictive analysis	*Language processing*	 *Image processing*
Supervised and unsupervised learning from internal structured data enriched with external data to improve predictive performance	Analysis of texts used in different business contexts to gain a deeper understanding of the client and their account	Analysis of the images collected (scanned documents) at the various stages in the life of the policy to gain a better understanding of the risk
Quantitative marketing		
Prospect targeting and customer segmentation	Client feedback and levels of satisfaction	Analysis of images of insured risks
Claims management		
Detection of major losses	Analysis of descriptions of losses	Analysis of scanned documents

- The first pillar relates to predictive models based on structured data. Using machine learning algorithms, these models can predict and evaluate different scenarios by exploiting logically organized information.
- The second pillar is natural language processing which makes it possible to understand, analyze and generate texts and conversations intelligently. This paves the way for more natural interactions and applications such as document understanding, sentiment analysis and conversational chatbots.
- Lastly, the third pillar relates to image processing which enables the visual analysis of images and videos to extract information and detect specific objects, shapes or patterns.

These technical pillars form the solid foundations on which Diot-Siaci's Analytics team builds to exploit the potential of AI and create innovative solutions.

Examples of how AI Can Be Used

Use Cases Adapted to AI

By exploiting these three technical pillars, several examples of the application of IA can be illustrated in different fields of activity, such as:

- In marketing, predictive models can be used for up-selling and cross-selling by identifying additional products or services that may be of interest to existing clients. The targeting of potential clients can also be improved through the use of predictive models. Natural language processing can be applied to analyze client feedback and assess their levels of satisfaction, providing a better understanding of client needs and preferences.

- In the field of underwriting and policy management, predictive models can be used to analyze risks and policy clauses to provide the most suitable coverage and personalize offerings based on the specific needs of each client. Similarly, visit reports can be processed through the use of AI by automating some manual tasks, such as data collection and analysis. In this way, brokers and insurers can make the best use of their time and improve their responsiveness in the process of advising, placing, and managing policies.

- In claims management, predictive models can be used to detect major losses (see example below), enabling rapid, targeted intervention. Analysis of policy wording and descriptions of losses can provide valuable information to better understand the nature of losses, identify explanatory factors and detect any anomalies. Furthermore, the analysis of scanned documents speeds up claims management by automating the classification, extraction, and validation of relevant information.

Focus on a Use Case: Detection of Major Losses

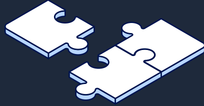
Detecting major insurance losses is a crucial process for forward planning and taking appropriate action. It involves determining if a reported loss is likely to have serious financial consequences, even though its final cost is not yet known. To do this, we analyze the available data, such as information on previous losses and changes in their assessment over time, details of the current loss (bodily injury, physical damage, description by the claims administrator, satellite images, etc.). Predictive Machine Learning models are then used to identify patterns, trends, and anomalies that indicate the potential severity of a loss.

Collecting meaningful data, particularly on historical losses, is a crucial step in this process. Diot-Siaci's claims management system is a valuable source of information, containing the characteristics of past and current losses, such as type, location, amounts, together with descriptions written by claims administrators. We benefit from a very large quantity of information to exploit, thus guaranteeing the robustness of the model.

We improve the quality of loss data through an iterative process incorporating Artificial Intelligence methods and supplement them using external databases (financial, geographical information, etc.). The model is then trained and evaluated to measure its performance in real-life situations, thus validating its performance. The model, put into production and integrated into the claims management process, can detect open claims that have the potential to be significant.

Detecting major losses has multiple benefits for all players in the insurance value chain: policyholders, brokers, and insurers.

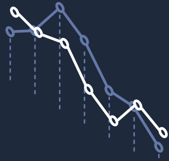
For Diot-Siaci, this takes the form of:



Efficient Resource Management

The detection of major losses enables resources to be allocated efficiently to help clients monitor and assess their losses.

Risk Reduction



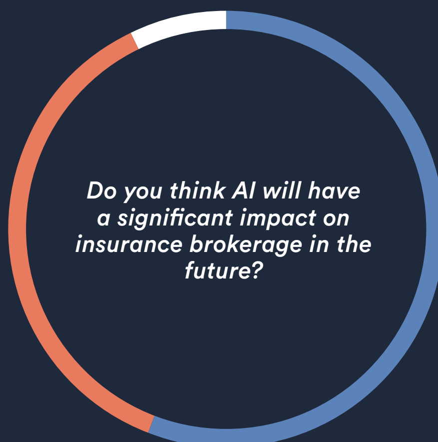
By understanding the major losses that occur in a specific sector or region, Diot-Siaci can advise its clients on the measures to be taken. This analysis also provides essential information on risks and market trends (benchmarking and fine-tuned portfolio analysis) such as the factors behind major losses, which can be used to improve safety measures, strengthen prevention, and set up more appropriate insurance policies with the aim of reducing risk.

Impact of AI and Change Management Support

A questionnaire on AI was recently sent out to the 1,200 employees of Diot-Siaci Corporate Solutions. The results and conclusions are as follows:

Impact of AI

An overwhelming majority of Diot-Siaci employees surveyed (93%) believe that artificial intelligence will have a (more or less significant) impact on their work, highlighting a strong interest in AI. However, the magnitude of this impact remains uncertain for half of them.



56% I think AI will have some impact, but I'm not sure how much.

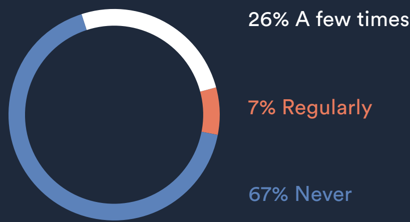
37% Yes, I am convinced that AI will have a significant impact on insurance brokerage in the future.

7% No, I don't think AI will have a significant impact on insurance brokerage.

Change Management Support

On the other hand, 67% of people say they have never used ChatGPT (the most widely used AI tool in the world), so we can highlight something of a delay in the actual use of AI compared to their expressed interest, necessitating a need for support in driving the changes that AI is introducing into our businesses.

Have you ever used ChatGPT (either personally or professionally)?

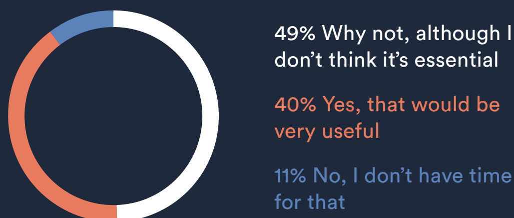


Training Programs

Being aware that on the one hand AI will have a significant impact on the industry and their work in the future, and that on the other their use and mastery of AI tools is still fairly restricted, almost 90% of employees would like AI training. Half of them, however, consider that it is not absolutely essential.

Training courses will address not only the use and development of AI tools in a business-oriented context, but also all the limitations and considerations to be taken into account when using external tools (IT security, data protection, compliance with legislation, etc.).

Would you like further training on the practical use of artificial intelligence in insurance brokerage?

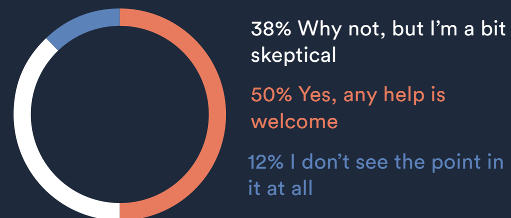


Integrating AI into Business Applications

888% of Diot-Siaci employees who responded to the questionnaire would like an intelligent virtual assistant to help them in their work. More than a third, however, were not convinced that such an assistant would be very useful to them.

This 88% rate demonstrates a high level of receptiveness among employees to the use of AI tools.

If you could have an intelligent virtual assistant to help you in your insurance brokerage work, would you want it?



It is important to develop AI models that are adapted to client needs or that increase the productivity of our teams, but it is even more important to integrate them into business applications, in order to spread this know-how throughout the whole company. At Diot-Siaci, we understand the importance of connecting the results of our models to the applications used by our teams and our clients. By integrating these models into tools such as CRM and customer areas, we can offer better advice, personalized customer care and an optimized customer experience. What's more, our employees can access all the AI applications we have developed (such as tools for automatic policy comparison, automatic database creation based on standardized reports, or automatic creation of reports and dashboards).

This integration means we can fully exploit the advantages of AI and the latest developments delivered by Diot-Siaci, to meet the specific needs of our clients and continually improve our service offering.

Property Damage

Matthieu Romet, Director of Property Damage, Prevention and Political Violence

General Market Trends

Almost 5 years after the start of the market recovery, which saw several waves of tightening of terms and conditions together with a reduction in available capacity, the European damage market is showing signs of easing. This can be seen in:

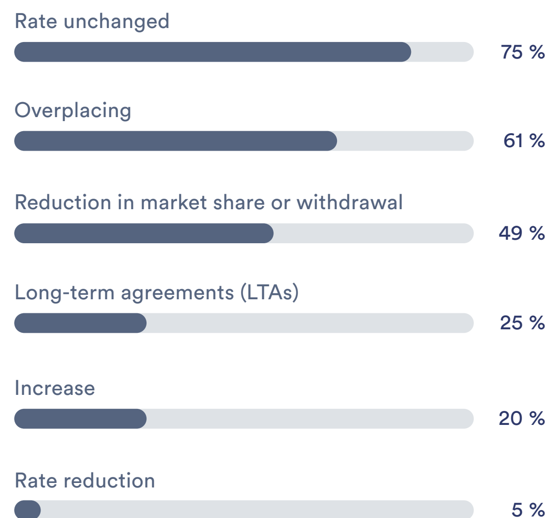
- the appearance of some pricing reductions for accounts demonstrating significant technical (prevention, retention, etc.) or statistical merit. These reductions are generally in single digits and include real estate business where premium rates per m² have remained unchanged in spite of economic inflation. They may be higher for accounts that have been subject to very high increases in recent years following an isolated peak in claims, and where the claims and/or prevention situation has improved;
- the return of an appetite among insurers and the arrival of new capacity;
- numerous situations of "overplacing" despite reductions in market share or even withdrawals by some players;
- the return of long-term agreements (LTAs).

Internal Benchmark for Diot-Siaci Corporate Solutions' Damage Department

2023 renewals (January 1 to July 1)(sample 80+ accounts - Capital €760 billion - Premiums (excl. taxes) transferred €377 million)

Average rate increase: 4% (the sum of the sample's average premiums has therefore increased by this percentage, plus the application of economic inflation).

The following percentages represent the proportion of accounts showing this result:



Even so, the market remains highly disciplined, as can be seen from:

- the extensive technical and statistical documentation required by insurers to analyze new business or the renewal of existing business;
- the ever-increasing demands of insurers in terms of risk prevention;
- long response times, reflecting the depth of the analysis and the complexity of the internal validation processes ("referrals");
- a strong reaction from insurers as soon as a technical or statistical deviation is detected,
- continued aversion to high-risk activities (waste, wood, surface treatment, food processing, manufacturing, use or recycling of lithium-ion batteries, high-rise storage not protected by sprinklers, automated storage, etc.);
- unease around sensitive coverage, due to its presumed volatility and/or large footprint: natural events, supplier failure coverage (CBI), strikes/riots for exposed risks (city centers, shopping malls or public premises or social housing), cyber, communicable diseases, etc.;
- a trend towards increasing policyholder retention. The possibility of setting up captives in France, and the development of "structured deals" (virtual captives), show that the market is adapting and seizing the opportunity created by this constraint.

Market Capacity

Market capacity, which was estimated at €5.5 billion in 2020 before the start of the "capacity crisis", fell overall by 30% to just under €4 billion in 2022. The easing of the market, combined with the arrival of new players at the end of 2021 and again in 2022, and the return to the market of some insurers who had been less active in recent years, have resulted in an estimated 10% increase in capacity since last year, bringing cumulative capacity to around €4.5 million.

Developments in Coverage

Insurers and reinsurers remain apprehensive when it comes to coverage with a high impact on their portfolio, due to their potentially systemic dimension. From this point of view, nothing has really changed since last year, except that the riots at the end of June/beginning of July 2023 in France should boost the efforts to reduce the limits of "Strikes, Riots and Civil Commotion" (SRCC) coverage. This type of insurance is, however, consubstantial with Damage coverage, both historically in the French market (the famous "P13bis" appendix) and in terms of the link between riots and the risk of fire or explosion, a basic constituent of Damage insurance.

Overall, the sensitive types of coverage for the damage market are as follows:

- Natural events, with claims setting new records year on year, reinforced by climate change. These figures are rising in France (€10.6 billion in France in 2022, including €6.4 billion for hailstorms from late May to early July. The total cost in France was on average €2.3 billion in 2021 and €3.6 billion between 2016 and 2020, compared with an average of €1.2 billion in constant euros between 1984 and 1989).
- Strikes/Riots as explained above;
- Physical damage resulting from cyber events;
- Failures by suppliers, service providers and clients;
- Inability to access premises;
- Communicable diseases.

Pricing Trends

As explained above, we are seeing an easing of the market to some extent, but it remains highly disciplined.

The question is: "What has been the impact of the very large increases in reinsurance treaties in 2023, following the negotiations between ceding companies and treaty reinsurers at the end of 2022?" We note that the feared "surcharges" in 2023 due to the unprecedented increase in reinsurance treaties negotiated at the end of 2022 have been slight, if they happened at all. However, the Treaty increases were almost 50%, combined with reductions in coverage for the ceding companies (use of aggregates from the first euro, withdrawal of drought coverage, withdrawal of free reinstatement on excesses, etc.). This had not been seen in 20 years.

Our analysis is as follows:

- insurers were unable to apply these increases on January 1, 2023, because negotiations took place too late in the last quarter of 2022 (impact of Hurricane Ian in the USA at the end of the third quarter of 2022, negotiations between Treaty reinsurers and the ceding companies hardened between the Monte-Carlo meetings at the beginning of September and Baden Baden at the end of October);
- the "goose that lays the golden egg" effect: insurers generally shied away from a policy of rate correction in 2023. They feared an erosion or even an imbalance in their portfolios, which are now healthy and high quality after all these years of hard market conditions. What's more, premiums are being influenced by the effect of economic inflation.

We might wonder if this correction has simply been pushed back to 2024. This is not what we have taken from the first renewal negotiations for January 2024, nor is it our aforementioned analysis of the balance of power.

An Increasingly Hard Market in the USA

While our highly disciplined European market is easing off, despite the annus horribilis of 2022 in terms of climatic events in France and cost increases in reinsurance treaties, the US Damage market has hardened again, with double-digit increases.

This is due to the major impact on insurers of Hurricane Ian in the third quarter of 2022, whose financial weight for the markets is estimated at over $60 billion (the second biggest hurricane in history in terms of financial impact, after Katrina in 2005 and before Sandy in 2012), as well as the weight of convective storms (tornadoes, hailstorms, localized torrential rain, etc.) in the first half of 2023 (estimated at over $25 billion, compared with the record year of 2022 at $39 billion).

This situation may have an impact on the negotiations of international programs with significant exposure in the USA, particularly for insurers dependent on the rating of their local US entities. In our view, the degree of dependence of insurers on their US entities is an important criterion to take into account in investment strategies.

The Diot-Siaci Property Damage Division works with you to provide you with solutions tailored to your needs: definition and negotiation of insurance contracts, implementation of policies in France and abroad, claims management and the implementation of preventive measures.

With an ongoing search for innovative coverage and structures: supply chain disruption, Nat Cat excess, and parametric climate solutions in conjunction with the Analytics & ART team, alternative arrangements, Political Violence and Terrorism coverage, and packaged solutions in Renewable Energies.

The added value of Diot-Siaci's Property Damage department is based on the following principles:

- We continually put forward proactive proposals in the search for optimized solutions and our advisory role includes risk analysis, knowledge of your environment and scheme optimization,
- The implementation of holistic placement strategies using the insurance and reinsurance markets, and parametric and Political Violence and Terrorism insurers.
- Our actions are part of a continuous improvement process, a guarantee of quality.
- Prevention, claims management and dedicated tools: thanks to our experience built up over the years, we know how to make your day-to-day life easier.
- The Analytics & ART, prevention and reinsurance teams are involved in our market analyses and placement strategies.

Key Figures Department

65 specialists

400+ clients

Almost €400 M
premiums under management

9,000
claims per year

Matthieu Romet,
Director of Property Damage,
Prevention and Political Violence

Terrorism & Political Violence

Stéphanie Dussaussois, Practice Leader, Terrorism & Political Violence

General Market Trends

The Terrorism and Political Violence market continues to absorb the shock of the outbreak of war in Ukraine and the resulting sharp increase in reinsurance treaties (from 40% to over 200/300% with increased levels of retention for ceding companies). After years with no large claims, this market was also hit by a number of "Strike/Riot" events, each of which generated more than a billion euros in insured damage and losses (Chile, Colombia, Black Lives Matter in the USA, etc.). Added to this were the movements in France in the first half of 2023 following the demonstrations against pension reform, and the riots at the end of June/beginning of July.

There are two distinct trends:

- on the one hand, the Terrorism market which, thanks to many years with no major claims, is stabilizing with some opportunistic players. Insurers are seeking to balance their Terrorism and Political Violence portfolio as long as the exposures in question are not located in an area of high cumulative commitment (such as Manhattan, Washington, London or Singapore);
- on the other hand, the Political Violence market (coverage of strikes, riots and civil commotion, war, civil war, rebellion, revolution, insurrection, and coup d'état), continues its upward trend, but with more moderate increases than at the end of 2022). This market is suffering from both the consequences of the war in Ukraine and the risk of riots, which is still on the rise.

Insurers remain cautious for the end of 2023, particularly in Latin America and Africa.

Overall, we are seeing an upward trend due to the increase in capital resulting from inflation, the activity of each individual client, and the geographical areas they are looking to cover.

And a downward trend for some players who, having seen their treaties sharply increased last year, may act opportunistically to generate a volume of premiums that will enable them to break even. This strategy is something of a headlong rush that could be stopped in its tracks if the claims experience of the portfolio were to deteriorate.

Market Capacity

On the whole, insurers have maintained their capacity and are looking to expand their portfolios, with some players going on the offensive.

Insurers generally manage to renew their existing capacity but may find it difficult to deploy new capacity in sensitive countries (Taiwan, Saudi Arabia, and Egypt).

Small-scale coverage can still be found in Sudan despite the civil war situation.

Market appetite remains cautious for retail and hospitality risks, and there is not much demand in mining.

Developments in Coverage

The outbreak of war in Ukraine led to a level of underwriting discipline which remains stable for 2024.

Underwriting discipline maintained:

- on allocated capacity:
  - for certain types of risk (retail, hospitality, mining, etc.),
  - For certain types of coverage (Strikes and Riots),
  - For certain countries (Taiwan, Saudi Arabia, Egypt, Lebanon, etc.).

Insurers are now keeping a close eye on their cumulative commitment.

- Reductions in coverage:
  Systematic exclusion of Russia, Ukraine, Belarus, and Moldova.
  - Exclusion of Non-Damage Business Interruption
  - Restrictions for the following types of coverage:
    - Supplier shortages limited to named suppliers
    - Coverage limited to designated sites
    - Inability to access/denial of access to premises
  - Abolition of long-term agreements

Pricing Trends

Long-term policies coming up for renewal have not yet felt the impact of the market downturn and may see sharp increases for those that include Political Violence coverage.

On the other hand, policies that have already undergone a pricing adjustment may be renewed on more favorable terms, with more moderate increases depending on each individual client's activities and exposures.

Following the reductions in capacity seen in 2022/2023, certain Terrorism and Political Violence programs may now group a number of co-insurers together, bringing about a more conservative pricing trend.

Focus on Riots and Civil Commotion in France

Contrary to initial fears, it was not the strikes against pension reform that triggered riots in France in 2023, but the death of a teenager during a police check.

The market estimates the damage caused by the riots at the end of June at between €690 million and €1 billion.

In France, as these events are generally included in Property Damage treaties, the vast majority of claims are covered by these policies.

Nevertheless, the Political Violence market could suffer rebound consequences if reinsurers analyze the risk of riots in France globally, with the following possible outcomes:

- a reduction in "Strike/Riot" capacity in Damage policies, for the most exposed activities such as distribution, catering, banks and post offices, social housing and city-center real estate, public and/or famous buildings, street furniture, etc.
- and an increase in the cost of excess "Strikes/Riot" capacity in France, driven by the Political Violence programs.

Stéphanie Dussaussois,
Practice Leader, Terrorism & Political Violence

Third-Party and Environmental Liability

Audrey Bernard, Executive Director, Third-Party and Environmental Liability

General Market Trends

Appetites remain restrained and approaches rigorous but the pursuit of retention and the desire to underwrite new business are there and suggest a more dynamic 2024 renewal campaign on the part of insurers in the French market.

Moreover, the increase in co-insurance over the last few renewals, including on the lead lines of Third-Party Liability insurance programs, means we can look forward to healthy competition for alternating lead insurers while all terms and conditions (premium, deductible/retention, limits and coverage) have been revisited during the hard market of recent months/years.

Additional capacity from new entrants and opportunism from players in the London market are contributing to the same trend on excess lines.

Even if underwriting discipline remains, and some business sectors and types of coverage are proving more complex, with particular attention being paid to high exposures in the USA or to accounts that have experienced losses, optimism is the order of the day.

The quality of underwriting information and a personalized approach to each risk remain essential in order to benefit from this lull, as does forward planning to meet the requirements of insurers whose internal processes continue to grow longer and more complex.

In fact, insurers' underwriting teams use a wide range of internal contacts (engineers, legal experts, actuaries, and technical advisors) as well as their own pricing models.

These models are not always consistent from one insurer to another, and the parameterization can be challenged from our point of view. Against this backdrop, Diot-Siaci's Analytics & ART teams work alongside our technical teams to discuss insurers' pricing approaches using complex computational analysis, actuarial methods, and data science approaches.

Moreover, cross-functional approaches and comprehensive relationship management remain key levers for insurers who are always seeking technical profitability.

In short, after several years of portfolio remediation and systematic review of each account by insurers, the horizon is becoming brighter!

Market Capacity

There are two trends: the first relates to business with significant US exposures, for example, from 15% to 20% of the group's total turnover, bearing in mind that turnover is not the only applicable criterion. In this scenario, the monitoring of the capacity deployed by insurers remains intense, and sometimes leads to some reductions in capacity if the process has not already been undertaken, or if the growth of US exposures (internal growth or through acquisitions) has a significant impact on the balance of the account, or if the claims experience in this region has developed unfavorably.

The second relates to business where US exposure is deemed to be medium to residual, or where the insured group has no presence in the United States, or still underwrites totally separate capacity for its US entities. In this scenario, capacity is stable if any necessary capacity adjustments have already been made during previous renewals.

Generally speaking, it should be noted that new players are continuing to establish themselves in the European market and bring capacity to the French market, notably certain Lloyd's syndicates. Other players are seeking to deploy their capacity differently, and to (re)conquer lower lines in co-insurance, or even on a lead insurer basis in certain business sectors.

Furthermore, the trend observed in recent years of the almost systematic use of coinsurance continues, whether for lead or excess lines, as does the appetite of facultative reinsurers to participate in the placement of risks.

Lastly, specific types of coverage such as non-consequential financial loss, First Party coverage and Professional Liability are still subject to greater capacity constraints, but the use of co-insurance makes it possible to maintain reasonable capacity.

Developments in Coverage

The most recent renewals reflect an increasingly uniform and global approach by insurers, which is particularly ill-suited to the insurance of corporate risks, and notably out of step with French insurance law.

Indeed, with the emergence of certain risks (notably those linked to the use of certain products such as PFAS or climatic risks), insurers and reinsurers are seeking to introduce exclusions whose wording is far from formal and limited, not to mention the excessive use of the terms "directly and indirectly" and endless lists, even if some insurers are reviewing their positions, particularly in light of case law on the subject.

We've come a long way from the saying, "If it's well understood, it will be clearly expressed"!

Varied approaches to the wording and positioning of Territoriality and Sanctions clauses remain, whether in the preamble to the policy, in the purpose of the coverage, in the exclusions or in the insured scope; similarly, insurers remain restrictive when it comes to covering exposures in Russia, Belarus and Ukraine.

The subject of Automobile Liability attachment points in the USA remains an important one, whatever the clients' business sector, requiring maximum documentation of exposure and highlighting the preventive actions taken in this area. The use of local buffer layers in the US domestic market or in alternative markets ensures that the budgetary balance of other insured entities in the rest of the world is not adversely affected.

It should be noted that the development of quota share reinsurance treaties reduces underwriting flexibility in terms of wording and tends to reinforce this trend towards the standardization of Third-Party Liability insurance policies (cf. LMA clauses in the London market or ISO form clauses on the American market).

Pricing Trends

Premium increases are slowing, and the quest for market share by a majority of insurers is contributing to pricing competition, particularly on excess lines.

Insurers continue to monitor changes in turnover or any other indicator of variation in the insured risk, as well as the impact of economic and social inflation.

Under these conditions, it is important to maintain a high level of information granularity on the actual evolution of the insured risks, and to objectify any increase in activity: price effect versus volume effect, currency effect, energy costs, etc.

It is also important to highlight any technical, operational, contractual and legal preventive action that can help mitigate the insured risks.

Naturally, the claims experience has an impact on each renewal on a case-by-case basis, and the persistence of nuclear verdicts and class actions in the USA makes it more difficult to pool rates and compete for certain accounts or sectors of activity.

We are also seeing a continued increase in the number of reinsurance captives handling Third-Party Liability risks, as well as an increase in some existing retentions. The pricing impact of such developments is measured in terms of the total cost of the risk and includes financial elements other than insurance premiums alone (fronting costs, collateral, etc.).

Lastly, long-term policies are making a comeback, mostly on a two-year basis. They usually include a clause for reviewing the premium at the intermediate term and clauses linked to changes in turnover, business, claims experience, the legislative/regulatory environment or reinsurance.

Focus Environnement

Given the importance of environmental issues and their impact on corporate obligations - for example, the European Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) which will apply progressively from January 2024 - the introduction of environmental insurance policies is a way of supporting sustainable growth.

The market remains dynamic and competitive.

The range of insurers remains constant, and new entrants are considering setting up in France to strengthen their offering of environmental products to businesses.

Available capacity is stable and allows sufficient coverage limits to be deployed to meet the expressed needs. This capacity can be underwritten on an annual basis, on a stretch basis or as part of multi-year policies.

Coverage continues to be adapted to the emergence of new risks through the inclusion of new exclusions or sub-limits on certain exposures (notably PFAS again) as well as geographical restrictions, including in Russia/Belarus/Ukraine. The majority of insurers are offering engineering services as part of their coverage offering, in particular through visits to insured sites.

The pricing trend for environmental policies remains positive, and the large number of players able to offer comprehensive insurance solutions, including through the introduction of integrated local policies, means that premiums remain attractive. This should encourage businesses to take out this specific coverage, which is essential in case of environmental damage affecting third parties, biodiversity or company property.

A listening approach and day-to-day investment to provide efficient insurance solutions tailored to the needs of our clients, including the delegation of certain tasks to our teams, such as the management of claims subject to deductibles and retentions.

In-depth knowledge of our clients' business to provide ongoing support in the analysis of their risks and the management of their claims.

Recognized experience and technical expertise in the field of Third-party Liability facilitating the continuous improvement of coverage and optimal management of claims.

Longstanding and day-to-day interaction with the Major Risks market and the French market players, combined with frequent contact with the European and London markets.

Department Key Figures

78 specialists

265 clients

€290 M
in premiums under management

35,000
claims handled per year

2 centers of consulting expertise

- Production : 31 specialists
- Claims : 46 specialists

More than 15
captive programs

More than 153
international programs and
1,548 integrated local policies

Audrey Bernard,
Executive Director,
Third-Party and Environmental Liability

Motor fleets

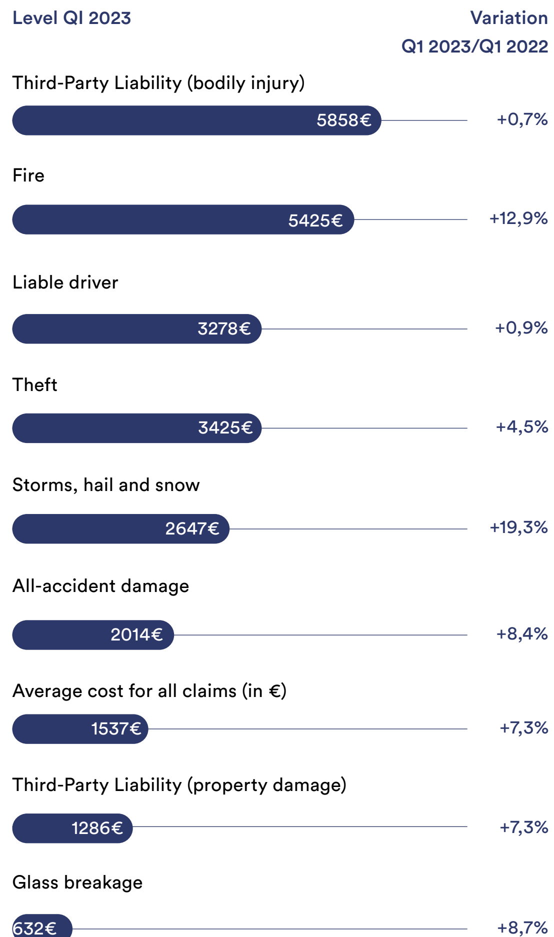
Claude Thomann, Director, Motor Fleets
Manuela Bourgeois, Manager, Key Account Production Department

General Market Trends

In recent years, motor fleet insurance has undergone a technical turnaround and insurers are now particularly keen to balance the results of the automotive business line over the long term.

This upward trend in rates is set to continue for the 2024 renewal campaign, given the evolution of claims experience in France. While claims frequency, excluding the hail event of June 2022, is relatively stable, the claims experience is marked by:

- The rise in average damage costs due to inflation in hourly labor costs and spare parts, also impacted by shortages (up 8.5% on average for repairs in 2022). This rise continued in the first quarter of 2023, with a particularly high variation in average costs compared with the first quarter of 2022 (see comparison by type of claim below).
- Exceptional hailstorms in 2022, the cost of which has been estimated at €1.2 billion for motor insurance, out of a total estimated at €6.4 billion for all Non-Life lines, according to the French insurers' federation, France Assureurs.
- Events linked to the riots in France at the end of June will also, to a lesser extent, have an impact on 2023 claims.



Market Capacity

The offering in the motor fleet market has been significantly reduced:

- Several competitors have withdrawn from the market in 2023 or limited their underwriting capacity to “traditional” fleets (Transport For Own Account).
- Major players in the field of motor risks are not, however, offering more capacity.

For certain activities with high claims frequency and/or intensity (Public Transportation of Goods, Public Passenger Transportation, Transportation of Dangerous Materials, etc.), the number of insurers is particularly limited.

Developments in Coverage

A major development in compulsory Third-Party Liability insurance will take place in the 2nd quarter of 2024* with the abolition of the green card for registered vehicles. Police checks will be carried out using only the database of insured vehicles, (“Fichier des Véhicules Assurés” or FVA).

However, a summary document from which an accident report can be produced in the event of a claim must be provided for each vehicle when it is insured or if the insurance policy is added to during the year. This document is valid for an unlimited period of time and will be accepted as proof of insurance for 15 days from the date of issue.

** The date of entry into force of April 1, 2024, put forward by the public authorities, is to be confirmed.*

Pricing Trends

Inflation in repair costs, combined with a reduced offering in fleet insurance, will inevitably lead to price increases at the 2024 renewals with large, personalized increases for fleets with worsening results, and increases linked to the economic situation for fleets with balanced technical results.

It should be noted that pricing pressure will be stepped up for risks that are not attractive to insurers (rental, transportation, and substandard risks).

The key to negotiating with the markets will be to strive to put forward arguments in favor of prevention, analyze the causes of claims and their frequency with the support of Diot-Siaci’s Analytics team, and encourage and promote the implementation of anti-inflation measures and/or measures leading to a less carbon-intensive economy. We are thinking in particular of the use of recycled parts which we encourage through approved garages (see more details below).

Anti-inflation repair package = Approved repairers + Recycled parts (for insured or self-insured damage)

How to combat inflation in the cost of repairs?

- By having your (insured or self-insured) repairs carried out by approved repairers, you benefit from regulated hourly rates and additional services (courtesy car, cleaning, and repair warranties).
- Using recycled parts which on average cost 50% less than new parts. At a time of raw material shortages, which add to production times, the use of recycled parts can speed up vehicle repairs.

Our specialists will refer you to a selection of our partners for your vehicle repairs: approved repairers, glaziers and experts.

What are Recycled Parts?

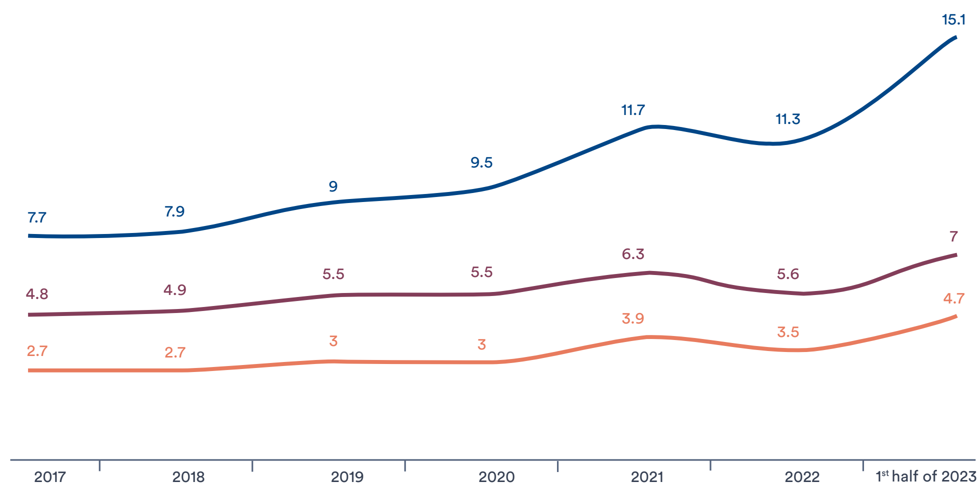
Recycled parts are used parts that come from an identical vehicle and meet the same requirements as new parts. Parts that affect a car's safety cannot be recycled and the main recycled parts are bodywork parts (23.6% of tailgates are replaced by recycled parts, 19.3% of front doors, and 17.8% of rear doors), 7.8% of headlamps and 9.5% of rear lights.

More and more recycled parts are being included in investigation reports. In the first half of 2023 (source SRA):

- 15.1% of investigation reports included at least one recycled part among those needing to be replaced*
- 4.7% of replaced parts are recycled
- 7% for vehicles that are 5 years old or more

** Auto body mechanics must offer to use recycled parts whenever possible (Article L. 121-117 of the French Consumer Code).*

Indicators Showing the use of Recycled Parts



Rate of investigation reports with at least 1 recycled part

Share of recycled parts/total parts replaced - vehicles that are 5 years old or more

Share of recycled parts/total parts replaced

Source SRA: all claims investigation reports where the vehicle can be repaired, excluding theft, vandalism, glass breakage, fire and natural disasters for cars and LCVs under 3.5 tons.

Our goal is to design a solution that best meets the needs of each of our clients for all their automobile risks in terms of insurance, self-insurance, and associated services. Assisting and supporting our clients with their self-insurance arrangements currently represents more than a third of the Motor Fleets department's activity. This is complemented by the selection of the best partners: approved repairers, experts, prevention specialists, start-ups within the automotive ecosystem, auto glaziers, and more.

73 specialists

650 clients

50 000 claims

handled per year (1/3 corresponds to helping our clients manage their self-insurance arrangements)

Over 400K

vehicles at head office and 500K in the group nationwide

Claude Thomann,
Director, Motor Fleets

Financial Risks

Alexandra Gavarone, Director, Financial Risks
Stéphanie Bournoville, Deputy Director - Maxence Le Garrec, Director, Claims unit

Industrial and Commercial Companies

François Giorgetti / Alexandre Sabatier, Manager, Industrial and Commercial Companies

General Market Trends

After a three-year period devoted to turning around the profitability of the Financial Risks market (substantial increases/tightening of conditions for all policyholders), we are now entering a period of stabilization, or even a favorable market for policyholders.

This return to competition can be explained by:

- The arrival of new players in the French market;
- The willingness of some insurers, usually those involved in top excess lines, to lower their attachment point again;
- The strengthening of some insurers' commitments in order to maintain or grow their portfolios.

Market Capacity

- **Directors' and Officers' liability**: we have seen a general increase in insurers' capacity.
  - In primary lines: €15 million as standard with the possibility of obtaining coverage amounts of €20/25 million per insurance period.
  - In excess lines: an increase in capacity from €10 million to €15/20 million.
- **Fraud:** insurers remain cautious about this type of risk. The few remaining players are offering capacity of between €10 million and €15 million per insurance period. A few insurers have informed us they will be entering this risk as a primary line in the near future, probably in 2024.
- **EPL:** stable capacity of between €10 million and €15 million, depending on exposure, particularly in the United States.

Developments in Directors' and Officers' Liability coverage

Deductibles

Vigilance in terms of the deductible applicable to corporate entities when they assume liability for defense costs in place of individuals (Side B).

Some insurers are currently aligning themselves with the American practice of the "presumptive indemnification clause", which tends to consider that the company (the policyholder) must assume liability for the financial consequences in place of its directors **in all cases** where the law authorizes or does not formally prohibit this.

As a result, the Side B deductible would apply automatically. The amount of the deductible would be claimed as a reimbursement from the policyholding company, if the insurer had paid the defense costs as they arose.

In France, the legal context is not clearly defined with regard to the possibility and/or obligation of the company assuming liability for the financial consequences (or is based on criteria developed by case law, notably that of the company's defense of its employees). The insurer can therefore decide alone on the application of the clause, even though payment by the company could constitute a conflict of interest.

It is therefore essential that the coverage clause should return to its original purpose, i.e. to reimburse the policyholding company, and only apply in cases where this company has actually covered the financial consequences of the claim against the director.

Long-term Agreements

A return to the possibility of setting up two-year agreements, sometimes with successive premium reductions each financial year.

Activities/Geographical Location

Insurers continue to demonstrate their desire to exclude certain activities or geographical locations.

We are now in a position to negotiate the removal of the Russia/Belarus exclusion clause when the client is not exposed.

For programs requiring several levels of excess, we negotiate a single exclusion clause with all insurers, and in most insurance programs, a single sanction clause. This ensures greater consistency in the event of a loss.

Pricing Trends

We are seeing a return to competitiveness, particularly in excess lines and for the majority of risks: EPL (Employment Practices Liability), Directors' Liability and Fraud.

We have been able to negotiate premium reductions of between 10% and 20% for some of our clients whose exposure and expiration conditions justified it. On accounts that meet insurers' underwriting appetites and where there have been no claims, we can obtain premium reductions of up to 30%.

Outlook for 2024

After 3 years of bullish conditions, the market would have been expected to stabilize. Nevertheless, we expect the January 2024 renewals to see the return of a highly competitive market, with premium reductions and a strong incentive for excess insurers to lower their attachment point.

We continue to monitor the volatility of market cycles which are becoming less and less spaced out over time.

As a result, pricing opportunities will have to be weighed against the choice of a partner insurer offering a full range of services (claims management, roll-out of an international program, financial rating, etc.) in addition to proven experience in financial lines.

Financial Institutions

Sébastien Vayssier, Manager, Financial Institutions Business Unit

General Market Trends

The Financial Institutions market is generally stable, both in terms of capacity and budget. It should be noted, however, that insurers are attempting to raise deductible levels.

Underwriting appetites remain unchanged. Only cryptocurrency-related activities remain a complicated subject to place.

Market Capacity

- **Directors' and Officers' Liability:** we are seeing a general increase in insurers' capacity:
  - in primary lines: €15 million as standard
  - in excess lines: capacity increases from €10 million to €15 million
- **Professional Liability and Fraud:** stable capacity (average of €5 million to €10 million per insurer)

Developments in Coverage

We have not seen many fundamental changes to coverage wording but several insurers are proposing to rework their combined Directors' and Officers' Liability/Professional Indemnity policies.

Combined wordings remain standard for asset managers.

The "cryptocurrency" exclusion and special provisions for Cyber (as an exclusion or "affirmative coverage") remain a subject of discussion with insurers.

We take particular care to ensure the proper **structuring of Professional Liability and Cyber policies.**

Pricing Trends

Most policies were renewed unchanged but some specific accounts benefited from reductions.

Competition between insurers and the return to a softer market have enabled some policyholders to increase their program limits.

Outlook for 2024

The return of competition between insurers should lead to reductions at January 1, 2024 (unless there is an increase in claims experience).

Cyber

Sébastien Hager, Manager,
Cyber Business Unit

General Market Trends

The reversal in the Cyber insurance market seen in 2021 was due largely to the increase in claims recorded by insurers. This situation highlighted the imbalance in their portfolios following years of attempting to win clients and pricing models that had not factored in these new risks.

At the beginning of 2023, conditions were stabilizing, particularly in the large corporate market. Several factors explain this phenomenon:

Companies have continued their efforts to improve their cybersecurity; insurers have taken corrective measures, particularly in terms of rates, to rebalance their portfolios; deductibles have been raised; and the number of claims has fallen sharply in 2022 among large groups.

In fact, while risk exposure remains high, with cybercrime in all its forms putting increasing pressure on companies, the claims/premiums ratio for French insurers was limited to 22.3% in 2022 (source: LUCY report, 2023). However, this loss ratio conceals disparities depending on company size.

Large companies, which account for 83% of premiums, reflect a loss ratio of only 16%. This is the result not only of a stronger focus on prevention, but also of an increase in the proportion of self-insurance in the form of retention and captives.

Mid-caps and SMEs, with loss ratios of 51% and 100% respectively, remain subject to restrictive market conditions.

Regulatory developments, such as the NIS2 directive, are also guiding companies' cybersecurity efforts, and levelling the playing field for prevention.

As a result, investments are continuing: according to Kaspersky's IT Security Economics, French companies are likely to see double-digit growth over the next 3 years.

As of July 1, 2023, we have seen a softening of the market, with favorable consequences on the triptych of capacity, premiums and coverage. Our renewals have often been negotiated with fairly significant premium reductions, or even improved coverage. This is a sign that the market has become less unfavorable to policyholders, but it should be stressed that this is not so much a downward trend as the easing of a tense market, and that we must remain cautious in the face of a very volatile market, highly sensitive to changes in claims experience, particularly as it is based on a still limited volume of premiums and is dependent on large companies.

In fact, cybercrime continues to evolve, against a backdrop of geopolitics (relations between world powers, armed conflicts) and technological developments (RaaS standardization, AI-assisted coding), which are beneficial to hackers.

Market Capacity

New entrants are stimulating competition and improving the level of capacity available in the French market to the benefit of large companies; the number of primary-line players remains limited, however, and the choice is narrowing under the constraints of international programs integrating local policies, but we are seeing the return and arrival of insurers with a renewed appetite for excess participation.

High deductible levels for large groups remain the norm, especially as some of them have placed part of their Cyber risks in a captive to limit market pressure. However, we have succeeded in lowering the deductibles of some of our clients and/or in setting up differentiated deductibles for significantly smaller subsidiaries.

Developments in Coverage

We are seeing stability in the coverage offered by the market: pressure is still strong on ransomware coverage, which is limited by insurers if prevention measures are deemed insufficient. In addition, the threat of systemic risk raises specific questions during the underwriting process, to qualify or even quantify exposure characterized by suppliers, data concentration or vulnerability management.

Lastly, we are monitoring the strengthening of war exclusion clauses, which some insurers want to extend to cover cyberattacks, or state in clearer terms, so as to exclude certain conflict zones from their policies.

Let's not forget that the provisions of the French Orientation and Programming Law (known as LOPMI) which make compensation by the insurer conditional on the filing of a complaint, have forced companies to review their processes in the event of a loss, but remain vague when it comes to application.

Pricing Trends

Current market conditions make it possible to aim for a conservative round of renewals with identical terms. But in light of the mid year renewals, depending on the accounts, the quality of the cybersecurity system, the involvement of excess insurers and the conditions that had been imposed, we are aiming at reductions of between 10% and 20%.

Transactional Insurance/M&A

Héloïse Husson, Head of Transactional Risks

The M&A sector continued to face some major changes in the first half of 2023. Banks have become more cautious, particularly in the wake of recent events that have significantly altered the geopolitical landscape. Moreover, digitalization and decarbonization are now primary risks for many players, regardless of their size or capacity. Consequently such risks are receiving particular attention, with the rise of ESG Due Diligence.

So many factors explain why M&A activity has not been in the spotlight on mega-deals, on the decline since their peak in 2021. We can therefore assume that M&A activity may be sustained in France and Europe by a mid-cap market that is basically sound.

By analogy, the M&A risk insurance market, which includes Warranty & Indemnity (W&I) as its standard solution, saw a drop in the number of closed transactions in the first half of this year. However, having definitively shed its niche status, and in line with its strong growth on the continent in recent years, transactional insurance is now a must-have for major transactions, and the insurance market is regularly approached about acquisition or divestment opportunities (even if these do not always come to fruition). This is evidenced by the pronounced interest shown by large law firms, with the growth of departments specializing in these areas. Although W&I is still preferred for mid-to-large cap deals, it is also being used for lower-value deals, illustrating the growing availability of this product for all M&A players.

Buyers and sellers recognize the added value of M&A insurance, which offers buyers the comfort of financial protection from a third-party insurer when negotiating the deal, and sellers the possibility of selling a target with minimum exposure to the risks of the warranties being requested.

Market Capacity

The W&I market and its players have reviewed their positions and strategies, both strategically and in terms of their capacity. While insurance veterans such as AIG and TMHCC still enjoy well-established exposure and status, the rise of numerous MGAs has, on the whole, reshuffled the cards.

MGAs have built up a specialized workforce tailored to their business, preferring to focus on certain sectors or geographical zones. This strategy has enabled them to demonstrate their expertise in certain deals and establish themselves as benchmark players in certain jurisdictions.

The recent global strengthening of underwriting teams has made it possible to handle the increased demand for policies, while at the same time encouraging the development of customized products. Traditional insurers (insurance companies) have also become more cautious, both in terms of capacity and in the case of large-cap deals requiring risk syndication with several insurers. Indeed, some insurers are reluctant to position their total capacity on the primary line, preferring to spread it over several layers of the insurance tower. Capacity for traditional W&I coverage remains very deep (theoretically exceeding one billion euros), as our team was able to demonstrate to the benefit of one of our clients on a transaction this year. When it comes to fundamental warrenties coverage or environmental risks, specific Title or Top-up solutions are also available to meet clients requirements in this area.

Developments in Coverage

The impact of Covid-19 seems to have permanently faded. Sectors such as logistics are still benefiting from the same level of appetite from the market while the hotel and retail sectors have regained their former glory and are now enjoying the same level of interest as before the pandemic.

Lastly, we are seeing the widespread use of clean exits and, in parallel, the development of Sell-Side W&I insurance that can be managed and underwritten on a soft or hard staple basis by some insurers. Even if there is an appetite for this type of business, more stringent due diligence requirements form part of the process.

Pricing Trends

Historically at their lowest at the end of 2021, with rates of 1% for the first 10 million for operational deals and 0.70% for real estate deals, premium amounts were readjusted slightly upwards during 2022 to reflect the increase in demand and effective risk-taking on these accounts. In 2023, it is possible that claims experience in both the US and Europe will accentuate a trend towards higher premiums, linked in particular to the influx of W&I business underwritten in 2021 and early 2022. However, room for maneuver remains limited, as both competition and the arrival of new capacity seem to be showing no signs of slowing.

Diot-Siaci's M&A department is always very active in real estate transactions and has worked on transactions with high-value operational targets this year (such as infrastructure deals). Transaction values of the deals in which our team was involved ranged from €40 million to €3.5 billion. Diot-Siaci made its mark by setting up the tallest insurance tower ever built in Europe, bringing together and coordinating capacity from 17 insurers MGAs specializing in W&I.

Department Key Figures

6 business units: Corporate/ Financial Institutions/ Cyber/ M&A/Administration/Claims

More than €125 million in premiums placed across all the department's expertise, including €50 million in Cyber

500 clients in the portfolio, including over 100 Cyber key accounts

More than 500 claims currently being handled

25 specialists with over 15 years' experience

Alexandra Gavarone
Director, Financial Risks

Construction

Raimundo Silva, Director
Rémi Porte, Deputy Director
Christine Mariaux, Manager, Industries Production
Anaël Martin, Manager, Corporate and Engineering Production

General Trends

With the pandemic, geopolitical tensions and soaring energy and materials prices, the construction sector has been severely tested in recent years.

Today, it has a new lease of life.

Investment, particularly in the energy and nuclear sectors, is on the rise. We are seeing more public works, particularly in the hospital sector and in preparation for the Olympic Games, among others, that offer interesting prospects for companies.

New international markets are opening up, particularly in Africa and the Middle East, where the construction sector is booming.

Unfortunately, this trend does not apply to everyone. Real estate development, weakened by the rise in interest rates, is experiencing a sharp slowdown, with a significant drop in sales volumes.

Even so, and although there are still many challenges to be met - inflation is still with us and regulations are increasingly restrictive (reuse, renewable energies, etc.) – there is a real upward trend.

Despite this impetus from rising investment, the construction insurance market remains cautious.

Inflation persists, with long-term repercussions on premiums and claims costs.

The latest regulatory and case law developments relating to eco-construction are raising fears of an increase in the cost of claims.

Nevertheless, the overall dynamic remains positive. Insurers have regained their appetite, particularly for major projects, and innovative and/or alternative solutions continue to develop (digitalization, new taxation scheme introduced at the beginning of the year for captive development, etc.).

Against this backdrop of an ever-changing market, brokers have a vital role to play in finding insurance solutions to support their clients.

Market Capacity

Overall market capacity remains stable for Construction “All Risks” policies. The trend towards a reduction in the shares underwritten individually by insurers continues, with more frequent use of co-insurance.

For Contractor’s Liability policies, average cumulative capacity available remains constant at around €500 million, but is still insufficient for major projects.

The market remains highly reluctant to cover certain risks, particularly in the fields of renewable energies, innovative techniques, and geotechnical engineering in Decennial Liability.

Developments in Coverage

Construction/Erection "All Risks"

The drafting of Cyber and Pandemic clauses remains a sensitive issue, with some insurers refusing to adhere to the standard clauses of their peers.

There is also a tendency for insurers to rewrite FINC (financial interest) clauses.

Particular attention is still being paid to Nat Cat. In addition to capacity reductions, which have been a general phenomenon for several years, the increase in deductibles continues to grow.

Lastly, it is becoming more difficult to obtain coverage of anticipated Business Interruption losses with insurers no longer willing to underwrite without supporting business plans.

Third-Party/Decennial Liability

There have been no major changes to liability coverage in 2023.

Coverage amounts remain limited and de-capping is difficult to obtain.

The market is still not offering any real coverage in relation to energy performance, despite the fact that this is a key concern for businesses.

In terms of Decennial Liability, the market remains cautious in the face of the changes inherent in new construction methods, and while assessments of new techniques make it easier to buy back the exclusion of so-called non-standard techniques, support for the development of photovoltaic activity, the use of bio-sourced materials or reuse, remains insufficient for companies' needs.

Pricing Trends

The French construction insurance market is continuing the upward trend begun in 2020, mainly in long-tail risks: Contractor's Liability, and Decennial Liability.

Inflation is still with us, and the latest developments in regulations and case law mean that insurers are likely to see an increase in the cost of claims burden over the long term.

Rates for Construction / Erection "All Risks" policies will follow the same upward trend in particular due to recent natural disasters (Morocco and Libya).

Our teams are made up of a wide range of multidisciplinary profiles (insurance specialists, legal experts, and engineers). Our team members come from various complementary professional backgrounds (insurers, professional federations, brokers, and companies) which means they have a thorough understanding of the construction industry. Using our skills and expertise, we analyze your risks, and with our knowledge of the market, can handle the most complex situations in France and abroad.

Our aim is client satisfaction. Faced with new risks and constant changes in regulations and their application, the relationship with our clients is based on our rigor and a spirit of mutual trust that makes it possible to establish long-term partnerships.

92 specialists

450 clients

€190 M
in premiums under management

More than 22,000
claims handled per year

Raimundo Silva,
Construction Director

Real Estate

Olivier Descamps, Managing Director, Diot-Siaci Real Estate
Pierre Garrigue, Sales Director and National Expertise Sector Manager Real Estate

General Trends

2023 has been marked by contrasting trends across risks and business sectors.

In damage insurance, a very strong recovery is continuing in public real estate. This is due in particular to reduced competition in the sector, as well as to a number of players who have withdrawn and/or become extremely selective. There has been a sharp increase in the number of unsuccessful calls to tender, due either to a lack of responses or prices deemed to be exorbitant.

Insurers are increasingly imposing their policy wording, and public operators seem to have little room for negotiation.

In private real estate, the recovery measures implemented in recent years appear to be bearing fruit. While the impact of inflation is still being felt, insurers' appetite is growing. However, we must remain vigilant with regard to climatic events and social unrest, particularly in the case of retail businesses with premises at street level.

Construction insurance rates for public buildings are holding steady, despite a much reduced number of insurers.

In private property, insurers' appetite for real estate and business premises remains strong. The property development market has been severely affected by the rise in interest rates, which penalizes the marketing and financing of programs and has led to a significant slowdown in new building projects. At the same time, developers continue to face weak competition between insurers in the single-family housing sector, and rising rates.

Insurers also tend to increase their rates in line with inflation. However, on long-tail risks, the effects of inflation are greatly tempered by the sharp rise in interest rates. It should also be noted that this rise in rates is bringing insurers unhoped-for financial income on risks underwritten prior to 2023.

Market Capacity

Currently, we are witnessing a contrasting evolution of market capacity in the real estate sector. While the capacity for damages in public real estate is clearly decreasing, it is experiencing a significant increase in the private real estate sector. However, in the field of construction, the market capacity remains stable, even though the number of players is very low, in both public and private real estate.

Developments in Coverage

In damage insurance, and particularly for public buildings, insurers are reluctant to embrace innovation.

In construction insurance, insurers are beginning to take into account the needs of project owners arising from environmental regulations. On the subject of reuse in particular, it is worth noting that technical divisions are relaxing the conditions for accepting certain materials from the reuse sector.

We are also seeing the emergence of specific coverage for reuse assessors.

Pricing Trends

In terms of pricing, the public real estate sector is seeing a noticeable increase for damages, whereas in private real estate, the pricing dynamics remain stable. In the construction field, even though the market capacity remains constant for public real estate, it shows signs of an increase for private real estate.

Focus on Reuse

The reuse of building materials involves recycling materials for their original purpose. The challenge of reuse is to limit the waste generated by the construction industry (42 million tons, of which less than 1% is reused).

As members of the "Booster du Réemploi" innovation group, the Diot-Siaci Real Estate teams have been working for almost 3 years to alleviate the insurance hurdles associated with the reuse of construction materials. Faced with a twofold technical difficulty (how to insure a reused product as if it were new) and a legal one (disappearance of some liability claims for damages), insurers have always considered reuse to be a non-standard technical process.

This means that reuse is often excluded from builders' Decennial Liability coverage, if they have it, and requires specific analysis if it is to be covered by a Contractor's Liability policy.

Diot-Siaci Real Estate works with its clients to set up programs that integrate reuse and provides practical support in lifting legal and technical restrictions, using a proven methodology for projects involving the reuse of materials.

We specialize in the comprehensive support of our clients for all risks related to real estate, including damages, civil liability, construction, fraud, and cyber risks. With recognized technical expertise in France and Europe, we offer specialized advice to public housing operators and deeply understand our clients' activities. This allows us to offer them tailor-made guarantees, adapted to their needs, and to ensure responsive management that aligns closely with their concerns. Our differentiation is based on our ability to directly handle 90% of claims thanks to our management delegations, as well as our advanced Business Intelligence tools, providing our clients with accurate monitoring of their programs.

Department Key Figures

Turnover : **€10 M**

45 specialists

450 clients

€100 M in premiums placed

25,000 claims handled per year

Olivier Descamps,
Managing Director,
Diot-Siaci Real Estate

Analytics

Stanislas Legait, Analytics & Alternative Risk Transfer Director

Structure and Differentiation

At Diot-Siaci, we firmly believe that data analytics is a powerful lever to provide our clients with the best possible service and help them understand the processes involved in risk management and the structuring and placement of their risks in the markets.

That is why the Analytics & Alternative Risk Transfer Division was created in March 2022. This team is made up of eight specialists in statistics and actuarial and data science. It is centered around three fundamental and differentiating aspects:

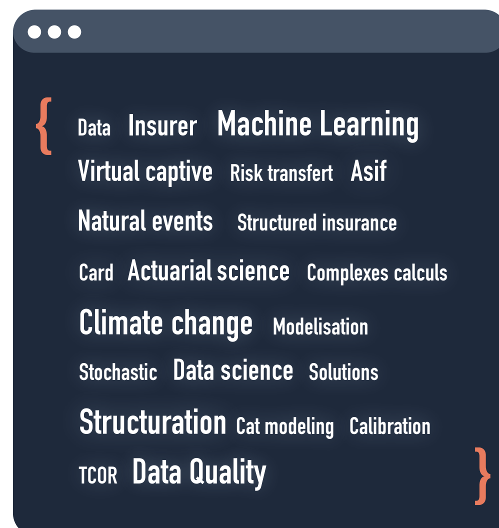
1 Intrapreneurship: a new team to respond to our clients' current needs and challenges, using the most effective data science and actuarial tools and approaches: for example, we have developed a value proposition to analyze our clients' physical risks as they stand today and in the future on the basis of IPCC scenarios. This service is based on data science algorithms and enables us to work with our clients to produce the regulatory publications required under the European CSRD (Corporate Sustainability Reporting Directive).

2 Agility: our organization adapts iteratively to the needs expressed by our clients. Our decision-making center in Paris gives us great flexibility, responsiveness and speed of execution for our clients. We invest and develop customized solutions to meet the needs of our clients.

3 Business knowledge: from an organizational point of view, our team forms an integral part of the business lines in order to promote communications with our colleagues in the technical departments. These day-to-day exchanges enable the Analytics & ART teams to fully understand the background to the client's situation, which is necessary if we are to make meaningful use of the data available to us.

Key Services Provided

The team's organization and the services provided have evolved greatly as a result of regular interactions with our clients and the needs that have been communicated to us. The word cloud below summarizes the needs most frequently raised during our interactions with clients over the past year.



It is on the basis of these client needs that the Analytics & Alternative Risk Transfer Division has developed the following key services:

1 Statistical analysis and complex calculations. This also includes predictive analysis (claims pathology using machine learning, triangulation, and benchmarking).

2 Actuarial and algorithmic (Artificial Intelligence) support to provide our clients with an insightful overview of their risks. The team has worked on a number of Artificial Intelligence projects, and a special focus on this subject is included in the Artificial Intelligence section of this White Paper.

3 Consulting and assistance in Cat Analytics and climate change (in collaboration with our partners).

4 Alternative Risk Transfer: promoting parametric solutions and establishing a link between DSCS's direct brokerage and 2RS's specialization in ART (Alternative Risk Transfer) engineering and captive management. We also conduct structured insurance and reinsurance placement analysis, such as virtual captives, on behalf of our clients.

The Founding Pillars of Value Creation

Data analytics is centered around 3 main pillars:

1 Analyzing the data to obtain a better understanding of the risk by looking at insured values, claims history, an assessment of exposure, and scenarios (potential losses and losses already suffered in the past in the same category of risks). This analysis is further enhanced by the use of market data.

2 Processing these data using actuarial and artificial intelligence approaches. For multi-line risks, actuarial methodology and tools are essential. In addition, machine learning technologies and algorithms have evolved significantly over the last decade, allowing for more detailed analysis than was previously possible.

3 Reporting back on the analysis of these data in the form of actionable levers for Risk Manager clients to make their decision-making process as informed as possible:

- Specific, innovative assessments of the total cost of risk (TCOR) for each insurance line and from a multi-line perspective. For insurance lines with significant retention, the actuarial methodology generates meaningful, detailed results in order to provide a better understanding of the volatility of the risks being retained or transferred.
- Optimization of risk transfer: whether it is to explore the possibility of setting up a self-insurance scheme (such as a virtual captive) or to analyze the parametric insurance of natural event risks.
- By creating an Analytics division, Diot-Siaci has further strengthened its capacity to:
- Challenge the amount of risk transfer to insurers, particularly for long-tail insurance lines with a significant provisioning component.
- Carry out an in-depth analysis of the insurer's pricing in certain lines, particularly where the rate is highly dependent on the loss experience or where it is adjusted when changes are made to the level of retention.
- Conduct studies on climate change, in compliance with regulatory requirements (TCFD/CSRD).
- Work with our clients in the quantitative analysis of natural events (Cat Analytics) in collaboration with our partners.
- Alert our clients to the imminent risk or occurrence of natural events (earthquakes, tropical storms, and river flooding in France).

We firmly believe that analytics is a powerful lever to provide our clients with the best possible service and help them understand the processes involved in risk management and the structuring and placement of their risks in the markets.

The value proposition of the Analytics and Alternative Risk Transfer department is adapted to all types of companies, regardless of their size and activities. We have an extremely wide range of databases, resources and actuarial and data science tools at our disposal, making it possible for us to address quantitative analysis issues on a wide range of topics: climate transition, optimization of the overall cost of risk through an innovative approach, statistical studies, Cat Analytics in project management assistance and, lastly, alternative risk transfer through the study and implementation of structured retention schemes and parametric insurance.

Stanislas Legait,
Analytics & Alternative Risk Transfer Director

Facultative Reinsurance

Doha Tabouri, Director, P&C Facultative Reinsurance

General Trends

The reinsurance industry wants the market to remain hard and disciplined. Recent reinsurance renewal cycles - particularly the last one - have shown that reinsurers prefer stable results to larger, but volatile, potential profit margins.

The reinsurance and direct markets are at a crossroads. In the direct market, mid-2023 saw renewals with no rate increases, or even with rate reductions for the most deserving risks, depending on the underlying risk results; as well as long-term agreements, which is a sign of some easing in the direct market.

Reinsurance will continue to be in high demand to meet the ever-increasing need for capacity, as insurers continue to seek more stable results, and protecting their balance sheet remains a top priority.

Reinsurance capacity will remain available if reinsurers consider that it is accepted at the right price level and at a level that produces good results despite the increased volatility of events in recent years, whether systemic or not (secondary perils).

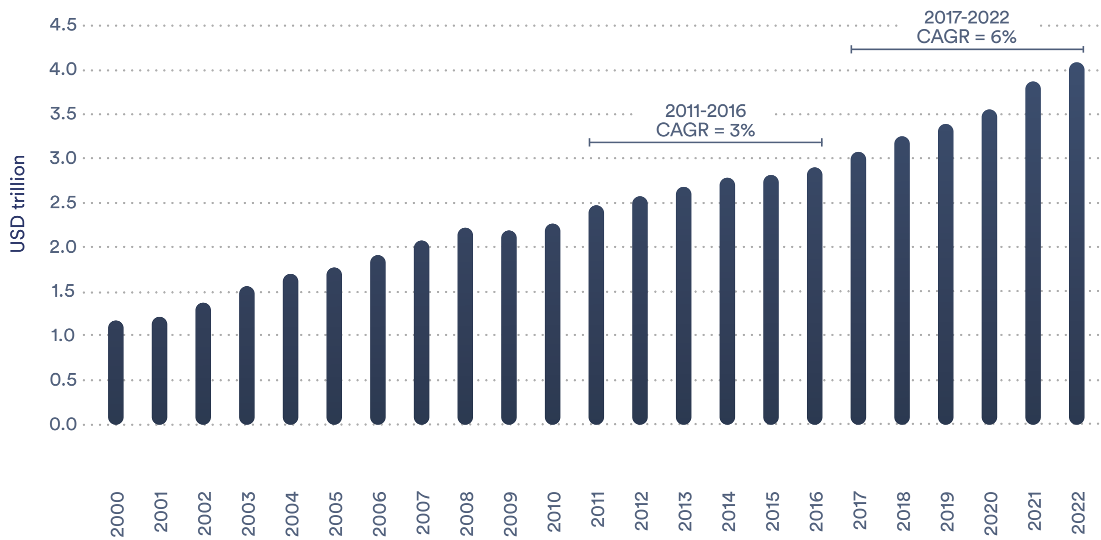
Available capacity will be allocated to:

- a better cost of capital (technical price),
- a higher level of intervention by reinsurers after retention of higher underlying lines retained by the direct market and/or deployment of alternative retention solutions such as parametric insurance for Natural Hazard risks, captives, etc.

From a general standpoint, reinsurance results are better as a result of the upgrading/"clean-up" of portfolios over the past few years (addition of explicit exclusions, refusal to aggregate in underlying non-reinsured lines, higher levels of treaty retention and pricing, higher overall premiums collected, etc.) and a lower level of claims transferred to reinsurance as of the middle of 2023.

Reinsurance has also integrated tools making it possible to improve risk modeling through technological advances (AI, big data) that support more accurate risk pricing, particularly for emerging risks and secondary perils.

Global Non-life Insurance Premiums 2000 to 2022



Source : SWISS RE

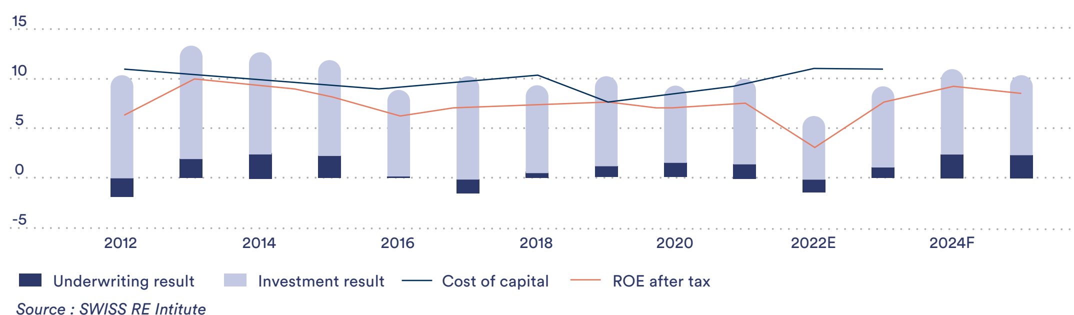
Classification of Primary Events and Secondary Perils - Swiss RE Institute

	"Primary" perils	"Secondary" perils
Frequency of events	• Natural catastrophes that tend to occur less frequently, but which have high loss potential and intensity • include side effects	Natural catastrophes that can occur relatively frequently and typically generate low- to-medium-sized losses
Event Monitoring by the Reinsurance sector	• These risks are traditionally well monitored/modeled by the Insurance/Reinsurance markets. • Secondary effects are not always modeled at the same time as the originating primary peril	• Less extensive and less frequent monitoring than for primary perils • The level of modeling remains low – Technologies currently being developed
Examples	• Tropical cyclones (including tropical cyclone-induced inland flooding and storm surges) • Earthquakes (including tsunamis, liquefaction and fires following earthquakes) • European winter storms	• Severe convective storms (including thunderstorms, hail and tornadoes) • floods • drought • wildfires • snow • freeze • landslides and rockfalls

Reinsurance Market Capacity and Trends

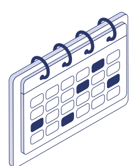
The outlook for reinsurance remains promising, with the largest reinsurance groups remaining more cautious when it comes to risk selection, but their long-term view of catastrophe risks tends to be influenced by greater risk diversification, size, and financial flexibility, with positive results.

Global P&C Financial Performance, % of NPE (ROE, CoC % of equity)



For the upcoming renewals, reinsurers are announcing the maintenance of strict underwriting discipline with:

- pricing conditions in line with technical prices, in order to maintain profitable results and meet the need to control the volatility of results scrutinized by the retrocession and financial markets (investment and pension funds),
- reluctance to enter into long-term agreements, which is one of the differences compared to the Direct market,
- limitation of coverage with systemic volatility (Strikes, Riots and Popular Uprisings, Supplier Failure, and Natural Hazards) with an aggregate on reinsured lines. The new annus horribilis of 2022, followed by a historically busy first half of 2023 in the USA due to tornadoes and Severe Convective Storms, typical of non-modeled Secondary Events,
- inflation-adjusted asset valuation, which makes it possible to better calibrate compensation limits in direct contracts,
- the requirement for better knowledge of reinsured exposures (quality of underwriting information).



It is important to take into account developments in treaty renewals at the Rendez-Vous de Septembre in Monte-Carlo and the Baden-Baden meeting, events in which our specialist reinsurance entity - LSN RE - participates.

A few points to bear in mind from the reinsurance markets at the Rendez-Vous de Septembre in Monte-Carlo:

- Demand for reinsurance should continue to outstrip supply, which will help maintain prices, although without reaching the same levels of increase as last year.
- Reinsurers' underwriting discipline was significantly intensified last year, with higher deductibles and stricter exclusions. This discipline will continue this year.
- As a result, cedants should begin to clean up their portfolios and seek greater diversification.

The P&C Facultative Reinsurance team is a placement support structure for accessing continental and international reinsurance markets.

The specificity of the Facultative team is to serve our clients directly alongside the direct placement teams.

The Facultative team has a dual reporting relationship :

- To LSN RE Walbaum, which allows it to benefit from market leverage thanks to the synergy with Treaty reinsurance as well as access to LSN RE's actuarial tools.
- To the Analytics, Consulting, Solutions and Placements Department (ACSP) of Diot-Siaci Corporate Solutions (DSCS), which enables on-boarding with the technical teams of the various insurance lines. This also means we can respond efficiently and comprehensively to our clients' needs in terms of coverage and 360° marketing.

The Facultative team provides clients with:

- Placement and structuring solutions for complex arrangements
- Market intelligence (benchmarks, market watch, etc.)
- Pricing guidelines
- Innovation
- Access to specialized markets such as substandard risks, excess markets, etc.
- Cross-functionality within the group by seeking expertise and experience to meet clients' expectations

Doha Tabouri
Director, P&C Facultative Reinsurance

Digital, Data Intelligence and Consulting

Nicolas Zusslin, Digital Lab Director

All companies need dependable, meaningful and up-to-date information in order to make strategic, informed decisions to achieve their objectives.

With this in mind, Diot-Siaci's digital teams have built a suite of digital solutions around our data warehouse which centralizes, qualifies and exploits all client data.

Our Digital & Consulting unit brings together business experts, actuaries, data scientists and consultants specializing in insurance to carry out reviews and risk modeling using solutions tailored to each area of activity to achieve the objectives set by our clients.

Digital

An offering to help you achieve your objectives, combining digital tools and business expertise:

- Simplify your day-to-day administration:
  - View your policies, invoicing and claims data, updated daily to include information from the previous day
  - Submit your claims online
  - Manage your specific risks using dedicated management tools (Motor Fleets, Construction, Clinical Trials, Vessels, and Storage)
- Manage your risks:
  - Collect your insurance information: Property damage & business interruption data and Cyber questionnaires
  - Exploit your data using our benchmarks
  - Access your reports, updated in real time and tailored to each line of coverage (Financial Lines, Third-Party Liability, Damage, Construction, and Transport)
- Anticipate your risks:
  - Map your risks -> Link to Arengi
  - Track visits and prevention recommendations
  - Benefit from predictive analysis of your insurance risks (Data Analytics, Cat Analytics, and Alternative Risk Transfer) -> Link to Analytics

From AI to Business Applications

Artificial intelligence (AI) and machine learning models have unquestionably revolutionized the way we approach complex problems and extract meaningful information from data.

AI, with its ability to automate complex tasks and deliver data-driven insights, raises high hopes and expectations. This is possible when AI is used effectively in real-life scenarios by integrating business tools and applications.

Integrating AI and machine learning models into business applications then offers a multitude of benefits:

- Improved efficiency: automated processes using AI reduce human errors and speed up tasks, greatly improving operational efficiency
- Informed decision-making: insights provided by machine learning models can inform strategic decisions, based on reliable data rather than guesswork
- Continuous adaptation: by integrating AI into business processes, companies can adapt much more quickly to market developments.

AI and machine learning models open up a world of possibilities and their real value emerges when these technologies are successfully integrated into client and broker business applications. It is by meeting these technical, cultural and organizational challenges that companies will be able to take full advantage of intelligent automation and decision-making based on reliable, integrated data for continuous innovation.

The future belongs to those who master the art of integrating AI into the very fabric of their day-to-day activities.

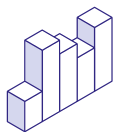
Data Intelligence

Justine Fidan, Head of Data Intelligence

Enhance and Qualify Data for Decision-making Analysis

The Data Intelligence unit, consisting of data experts, exploits data from Diot-Siaci's information systems and designs dashboards and reports for our clients. The Power BI data visualization tool is part of our digital suite and centralizes all of our clients' data for "all-in-one" real-time management.

Because ensuring reliable, high-quality reporting is part of our DNA, we have developed automated data controls and KPIs integrated directly into our tools.



Customer reports

- Can be customized to meet specific client requirements
- Use of external sources to ensure data reliability and enhance our analysis and your reports
- Integration into our digital suite

Design of internal management tools

- Monitoring of data quality
- Production of activity dashboards

The Data Unit Means:

- A wealth and diversity of data from our information systems
- Data harmonization in our data warehouse for more reliable processing
- More than 50,000 files sent each year to feed our clients' tools

Our Dashboards and Reports

Our Power BI data visualization platform makes it possible to aggregate, analyze and visualize data from multiple sources. Powerful, flexible and interactive, it offers complete autonomy in analysis and decision-making. It is automatically updated on a daily basis and can be accessed directly from the digital suite.

Data collection

- summaries of developments
- explanatory analysis
- monitoring of data input

Site monitoring

- geographical representations
- characteristics
- correlations with at- risk areas

Claims monitoring

- seasonality
- analysis by criteria (circumstances, populations, etc.)
- prevention

Operational monitoring

- file reviews
- document tracking
- data quality

RMIS / GRC Consulting & Solutions

Gilles Proust and Benoît Bougnoux,
ARENGI Partners

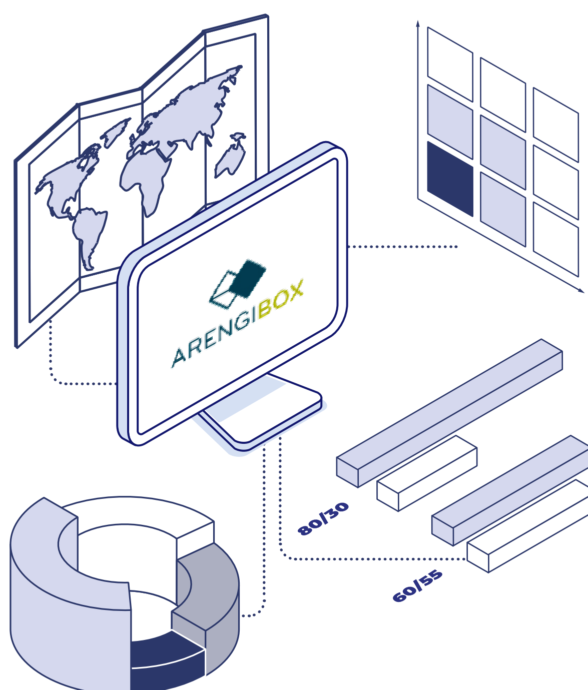
Founded in 2010, ARENGI is a consulting and software publishing firm specializing in risk management. Characterized by its business model based on highly senior consultants (led by the four founding partners), ARENGI boasts significant experience, both in terms of business expertise with over 300 projects delivered by our consultants, and in terms of the variety of business sectors, sizes and types of organizations served.

Its key areas of activity include:

- risk analysis - including risk (and opportunity) mapping - on all types of projects, from Executive Committees covering an entire Group to more specific analysis, on a theme, a project, a site, etc.,
- assistance in setting up risk management functions covering governance, organization, processes and training/coaching of risk managers,
- assessment of risk management systems, including maturity benchmarking where appropriate, and definition and support for the implementation of roadmaps designed to revitalize, improve and strengthen the risk management function,
- Sapin 2 compliance programs - mapping of corruption and influence-peddling risks, assessment of legal compliance measures in light of the latest developments in the guidelines of the French Anti-Corruption Agency,
- business continuity management, including Business Impact Analysis and definition of continuity strategies,
- non-financial reporting by supporting risk management and CSR functions in cross-functional analysis (CSRD double materiality) or more specific types of analysis such as climate change risk and opportunity mapping within the ESRS E1 / IFRS S2 framework.

As both a consultant and publisher of the ArengiBox platform, ARENGI is able to provide advice and tools to facilitate the activities carried out as part of an assignment, to promote and secure the exchange of information, and structure approaches while making them sustainable.

ARENGI, the leading consulting firm dedicated to risk management and governance, assists companies and the public sector in the design, implementation, review and assessment of governance and risk management systems.



Data Protection
- GDPR

Internal Control
- COSO 1 - SOX - LSF

Internal Audit
- Normes IIA 2300 à 2500

Anti-corruption
- Sapin 2 - ISO 37 001 - RECOS AFA

Risk & opportunity management
- COSO 2 - ISO 31 000

EHS
- ISO 45 001

CSR
- Duty of care- TCFD - DPEF - CSRD - GRI - SFDR

Quality
- ISO 9001 - IATF 16 949

Legal

IT
- ISO 27 001 - EBIOS

Project Management
- ISO 21 500 - PRINCE 2 - PMBOK

Insurance

For further information: www.arengi.fr
www.arengibox.com

Captives and Self-Insurance Solutions

Rosy Laurent, Chief Operating Officer, 2RS
Licensed Manager – Actuary, member of the French Institute of Actuaries

The hardening of conditions in the commercial and corporate risk insurance market over the last 5 years has prompted many companies to review their coverage and placement strategies.

The captive, primarily a reinsurance entity belonging to a company or a group whose business is not insurance, has been one of the risk management tools most often used to offset these changes in insurance conditions.

Market Trends

Even if pricing increases on certain insurance lines are tending to stabilize, or even decrease, companies, after having been subject to hefty price increases and significant restrictions in coverage over the last 5 years, are now more open to self-insurance through the use of a captive.

In 2023, a large number of companies continued to underwrite certain risks through their captive. Those who had not yet invested in this risk management tool expressed an interest in carrying out a feasibility study with a view to implementing it at a later date.

Feasibility studies enable us to assess the suitability of investing in the creation of a captive and must be adapted to each company's profile and risks.

At 2RS, almost all of the 80 captives we manage in Europe (in France, Luxembourg, Malta, etc.) have adapted and optimized their captive underwriting programs over the last three years and this trend is set to continue in 2023. Moreover, around twenty groups have asked us to carry out a feasibility study for the creation of a captive and initial underwriting of risks by 2024. To date, the rate of conversion of a feasibility study into a captive is over 80% for both French and Luxembourg domiciles.

The French Captive Scheme

Encouraged by the introduction of the French captive scheme, many French groups are considering whether to set up a reinsurance captive based in France to manage their risk in the current economic climate.

With the creation of the Provision For Resilience (PPR), companies can now set aside 90% of the underwriting result of certain classes of business underwritten by the captive in a tax-deductible "equalization reserve" up to a certain ceiling.

This reserve helps the Group to smooth out peaks in claims, anticipate more accurately results and optimize the capital required, encouraging many companies of all sizes to take an interest in setting up a captive, whereas in the past they did not consider it useful or attractive. Indeed, only large groups were interested in setting up a captive, which is no longer the case today.

There are still transitional self-insurance solutions using standard or structured reinsurance which can also be looked at while waiting for the supervisory authority approval, or for the purpose of "testing" this new self-insurance approach.

The captive, a Risk Management Tool

Captives Can Be Used to Optimize Retention Management in Insurance Programs

In practical terms, as a result of price increases on certain types of coverage, companies have preferred to increase their retention in order to reduce or to maintain at an acceptable level the premium to be transferred to the insurance company for the purchase of capacity at the same terms as in previous years.

If the company increases its retention, it can either impose a higher deductible on its entities, which can create some internal operational problems, or bear this increase itself. If the company has a captive, it can then transfer this "additional" risk to its captive.

In the long term, this means that a group that owns a captive will be able to "steer" the retention of its insurance programs in line with the requirements of the insurance market, without having to be subject to them.

Other Advantages of a Captive from a Risk Manager's Point of View

For the Risk Manager, whose objective is to optimize the group's risk management, the captive has many other advantages, such as:

- Financing the risks of the group,
- Increasing its insurance capacity by covering risks for which it is difficult to find capacity in the insurance market, and which are often subject to exclusions; this is especially true for risks covering specific activities,
- Accessing the reinsurance market to finalize a placement when the insurance market does not respond favorably,
- As a consequence, leveraging the risk retention, before transferring it to the insurance and/or reinsurance market,
- Taking an active role in the risks' prevention,
- Enabling the development of new coverages,
- Managing the Group's international risks through claims management adapted to specific activities and practices in different countries,
- Mutualizing and diversifying the Group's risks within the captive, etc.

Coverage Underwritten in Captives in 2023

The most common classes of business underwritten by captives today remain Property Damage and Third-Party Liability. Since 2022, almost all of the captives managed by 2RS have been looking into the possibility of underwriting cyber coverage in response to the withdrawal of insurance market. This is because on one hand, insurers have difficulty to price the risk due to a lack of statistical information and, on the other hand, they have heavily suffered from losses related to the explosion of ransomware claims that during the Covid period.

Companies use their captive in two different ways to cover cyber risk. They can either protect the increased retention of the group's program or supplement the capacity purchased on the insurance market by taking in the captive a Top Excess layer which enables greater capacity to be financed if claims level is high.

Financial lines are also among the new capacity underwritten in captives in 2023, but to a lesser extent, as well as the growing exposure to natural disasters and ESG risks which are creating additional demand for insurance.

As with traditional insurers, for each of these solutions the captive's solvency requirements have to be met and the capital required in the captive to be adjusted. This advice is provided by 2RS specialists who carry out the necessary actuarial works and provide the assessments required to adjust the captive's capital.

About Captives

A captive is an insurance or reinsurance company belonging to an industrial, commercial or service group, which insures, almost exclusively, the risks of that group.

A reinsurance captive is best suited to meet the needs of corporate Groups as it is relatively easy to set up, flexible in its management and less demanding in regulatory terms than an insurance captive..

The minimum capital required to set up a reinsurance captive in the European Union is €1.3 million, compared with €2.7 million for an insurance captive.

The technical management of a reinsurance captive is generally entrusted to a professional captive manager such as 2RS, which, thanks to its leading position in Continental Europe, has the experience and the structure needed to advise its clients on the optimization of the programs to be underwritten in the captive, while complying with the regulatory solvency requirements of the supervisory authorities.

RISK & REINSURANCE SOLUTIONS S.A.
DiotSiaci Group

Risk & Reinsurance Solutions (2RS), Continental Europe's leading captive management company, is part of the Diot-Siaci Group. 2RS advises its clients on the creation, management, and optimization of their captives and provides consultancy services.

This wide range of skills in the insurance brokerage environment gives the Diot-Siaci Group an excellent foothold in the business risk insurance market.

2RS is based in Luxembourg, with subsidiaries in France, Malta and Switzerland, and is also represented in Ireland.

2RS is the leading captive manager in France, managing almost half of all French captives.

Rosy Laurent
Chief Operating Officer, 2RS
Licensed Manager – Actuary, member of the French Institute of Actuaries

DiotSiaci

Marine Cargo

Pierre Deleplanque, Director, Marine, Cargo & Specialties
Rémi Djochgounian, Deputy Director, Marine Cargo

General Trend

A new outlook after three years of hard cycle

In September 2022, against an unfavorable economic and geopolitical backdrop, we saw the beginnings of a cycle inversion after several years of hard market conditions. One year on, we can see that we are indeed entering a soft cycle in the European market, but also across all the major insurance markets, in London and on the continent.

Nevertheless, this cycle reversal remains gradual, far less brutal than the transition to the bull market that we saw from 2019 onwards, a sign that insurers are still paying close attention to the sustainability of their underwriting policy.

The main reason for this change in trend is the return to overall profitability in the Marine Cargo insurance market, partly as a result of tighter underwriting policies.

The global Cargo premium increased by 8.3% in 2022 compared with 2021, to $20.5 billion [Source: IUMI]. This significant growth has not only been driven by the tightening of pricing policies, but has also benefited from the global context of rising prices and exchange rate effects.

Will this have a lasting impact on underwriting results? IUMI notes a return to more balanced market loss ratios with 2022 being the best year since 2015 in Europe in terms of loss ratio (<50%) although we will need to wait at least one more year to confirm this trend through triangulation.

The confirmed improvement in underwriting results has therefore changed the strategy of many players, who have put sales growth and market share gains back at the heart of their underwriting strategy.

This change in market context is also bolstered by the arrival, each year, of ambitious new players, further intensifying competition within the European markets.

Lastly, the Marine Cargo insurance market also continues to benefit from the dynamism of growing world trade and inflation, despite the impact of interest rates on the economy and the geopolitical context.

A Global but Multi-speed Trend

However, a closer look at this new cycle reveals a variable geometry, depending on the business sector and the risk profile. Sectors targeted by insurers to support their growth are benefiting fully from this trend reversal, notably the Middle Market and large industrial companies (international programs). In the trading and logistics segments, the easing is less marked due to a reduced appetite for risk and/or underwriting bans that reduce competition between players and the possibility of finding a reliable alternative.

The characteristics of this new cycle can be defined as follows:

- Renewed underwriting appetite
- Return of premium reductions if policy statistics permit
- Easier coinsurance placements

Not included in this list are coverage conditions which are increasingly seen as benefiting insurers following the hard cycle, and insurers are now pushing for greater policy standardization, synonymous with greater inflexibility when it comes to wording negotiations.

Lastly, the war in Ukraine only delayed this new trend by a few months, as the impact of additional premiums covering War Risks largely faded with the significant reduction in flows to be insured in the region, with a few exceptions.

Insurers have also adapted to this new geopolitical situation by setting up strict framework agreements for their clients, and underwriting policies that are as prudent as they are demanding, with compliance now an essential part of their internal underwriting procedures.

Market Capacity

The very first indicator of a return to more favorable market conditions for policyholders is the increase in capacity available in the market. There are two types of capacity:

- Lead insurer capacity: more possible alternatives than ever before
- Coinsurance capacity: easier placements

Despite increasing capacity requirements and the pro rata strategy applied by insurers, the capacity available in the market means that placements can be completed more easily than was the case two or three years ago. And even though it is sometimes impossible to complete a co-insurance placement in the one market alone, it is easy to cross the various European borders to attract capacity based abroad, in France, Belgium, Germany or the UK in particular.

This increase is the result of changes in underwriting policies, as well as the arrival of new capacity in the market. It should be noted that several underwriting agencies are offering new capacity, including Lloyd's who want to penetrate the European Marine Cargo market without investing in a local structure.

Despite this trend, we have seen that accounts are still moved relatively infrequently, which may seem counter-intuitive in view of the favorable market conditions. In reality, calls for tender are less synonymous with a change of insurer than during the hard market years, as "defending" insurers have more room for maneuver and flexibility, particularly in terms of rates, to retain policies where they are subject to competition.

Lastly, for some more complex segments and risks, such as war/political risks or excess line placements, it is still necessary to turn to placements in the London market.

Pricing Trends

Although market conditions are more favorable to policyholders, the pricing procedures and policies of the hard market continue to apply. What is changing is the underwriter's ability to soften an actuarial position to counter the competition or win new business.

The pricing of a risk is always the result of much more precise analysis of exposures than was previously the case, particularly static risk exposures which many insurers price without reference to the policy's underwriting results.

The downward trend is therefore more pronounced for purely Marine Cargo risks, with relatively low coverage limits in the industrial segment.

Complex risks are however benefiting from a relaxation in rate negotiations, but to a lesser extent, and it is rare for a policyholder to escape a rate increase, on a like for like basis, where the statistical results justify it, even after a call for tenders has been launched.

Although insurers are keen to return to growth in Marine Cargo insurance, profitability targets remain high, with the various executive committees putting considerable pressure on the technical line, where it is easier for a group to disinvest than in other insurance lines. We have seen this for over ten years, with many major players entering and leaving the market.

Lastly, although there is no real upward or downward trend in the application of retentions, the use of reinsurance captives is a solution that may be appropriate, depending on the type of claims experience. This is all the more true in a context where policyholders are increasingly improving the management of their supply chain risks, and in a legal and fiscal environment that is more and more favorable to captives for instance with the 2023 Finance Law in France.

Developments in Coverage

In line with what we have observed in terms of pricing trends, we are seeing greater flexibility in negotiations on coverage conditions.

However, when it comes to policy wording, a number of points are now difficult to negotiate, with the policyholder having more leeway over their pricing policy than over the scope of coverage, which is governed by guidelines that, if exceeded, open the door to internal approval processes that are sometimes complex and where approval can be difficult to obtain.

In line with an approach increasingly focused on the detailed analysis of exposures, insurers frequently try to reduce their exposures by applying sub-limits, annual aggregates, or global or dedicated deductibles.

Insurers are also becoming more demanding in terms of the quality of underwriting data, particularly in relation to the mapping of static risks (GPS coordinates, values, visit reports, Nat Cat exposure, etc.), as standards are increasingly aligned with Property damage insurance.

Lastly, whether in London via the Joint Cargo Committee or COMAT in France, insurers are standardizing many underwriting practices, which requires more negotiation when a policyholder wishes to deviate from market conditions. We saw this with the Misappropriation clause in the UK market in 2018, for example, and are currently experiencing it with the joint approach of insurers in the French market to War Risks.

As a shipper (manufacturer, distributor or trader in raw materials), carrier, freight forwarder, logistics coordinator or banker, your business develops against a constantly changing international backdrop. Faced with higher volume flows, an unstable economic, geopolitical and social environment, increasingly complex local legislation and international regulations, it is essential to clearly define the perimeter of your supply chain risks, whether in transit or storage, to determine the insurance solutions that are appropriate for your risks in the Marine and Cargo insurance market.

Resources that are unique on the market with a team of almost 120 experienced specialists with more than a third of them dedicated to claims handling.

They have a range of different profiles, former maritime lawyers, safety engineers, marine insurance experts, management of international programs, etc. They are all renowned for their extensive knowledge of the market, its players and its changing legal obligations.

Our premium service culture and our broad experience of marine issues in a range of business sectors including agri-food, distribution, industry, construction, aeronautics, chemistry, energy and luxury give us an in-depth understanding and knowledge of your business, products and risks.

We design tailor-made solutions that are both economically and technically effective. Your satisfaction is our priority, which is why we undertake to provide you with a high-quality service across the globe, on a daily basis.

2nd Shipping and Marine Cargo broker in Europe and **3rd** worldwide

More than $700 M in annual premiums placed (Shipping + Marine Cargo)

More than 75,000 insurance certificates per year

135 employees in the Marine and Cargo Division in France and **more than 200** employees across our **18** Marine offices.

Significant delegated claims authorities

Around 25,000 claims and remedies handled each year

Pierre Deleplanque, Director, Marine, Cargo & Specialties
Rémi Djochgounian, Deputy Director

DiotSiaci

Ship's Hull, P&I

Mauro Iguera, CEO Europe Diot-Siaci International
Pierre Deleplanque, Marine, Cargo & Specialties Director
Bertrand Faurisson, Executive Director - Marine

General Market Trend

While the global fleet continues to age, there was no decline in its steady growth in 2022.

The average insured value per vessel has increased significantly since 2021, driven by very significant newbuildings in the container, ro-ro and wind service segments. In 2023, it seems that it is the construction of tankers and bulk carriers that will be taking over in the shipyards.

In terms of technological innovations, autonomous ships are gaining more and more legislative and regulatory recognition around the world, including France. New fuels - ammonia, hydrogen, LPG - and wind-assisted propulsion systems are being put through an ever-increasing number of commercial tests.

Losses continue to follow a downward trend even if there is a notable exception with fires and explosions, particularly on container ships and ro-ro vessels where the lithium-ion batteries used in electric vehicles are implicated.

However, a number of cyclical or structural factors could reverse the trend:

- Booming inflation in the cost of steel,
- Return to "pre-pandemic" activity,
- Increase in natural disasters
- And of course the geopolitical situation.

In terms of marine insurance, we would describe the market trend in 2023 as "wait-and-see".

There are many uncertainties both with regard to the impact of inflation on the cost of claims (if they remain at a low level the impact should be limited), the war in Ukraine (which has not led to a shortage of war risk capacity) and the increase in reinsurance costs in 2023 due to the increase in natural disasters.

In addition, it is still difficult to measure the feasibility and obviously the impact on claims that will potentially be generated by the changes that shipowners need to make to decarbonize their fleets with numerous alternative technologies (LNG, solar, nuclear, hydrogen, fuel cells, wings, sails, kites, etc.).

In this context, the "Hull and Machinery" market remains stable for the second year running with underwriters looking for small increases in line with inflation but usually willing to renew "as expiring" if there have been no claims. Some of the leading underwriters have run a comparison of claims costs, and particularly spare parts, between 2023 and 2022 and are seeing an increase of between 15% and-20%.

On "Shipbuilding Risks", shipyards continue to seek stability with, for the largest of them, the creation of reinsurance captives, giving them even more room for maneuver.

When it comes to "LOH", the Nordic market is still the largest with the main leaders being NHC, Gard, Skuld and The Swedish Club. Capacity providers such as Alandia, Codan and S-Insurance complete the panel.

With regard to “War Risks”, many shipowners claimed payments for their vessels as a “Total Loss” due to the “detention” in Ukraine - for a period of more than a year (or 6 months depending on the terms of the policy). Following sometimes complex negotiations, amounts below the insured value were paid out by the War Risks insurers by relinquishing ownership of the vessel to the shipowner, although it was still trapped in Ukraine.

Nevertheless, the War Risks market remains very active, particularly due to the significant additional premium generated for voyages to Russia and many insurers have not hesitated to underwrite risks on their own account (without reinsurance) for voyages to the Black Sea.

In the “P&I” market and according to information available to date, a reduction in claims and an increase in premiums have helped the seven major P&I clubs improve their average combined ratio from a deficit ratio of 108.4% in 2021 to a profitable ratio of 98.2% in 2022. Only Britannia and the UK P&I Club recorded combined deficit ratios in the last year. Trading in Russia remains a hot topic and is still a headache for the market and the compliance of each Club, especially in the oil sector.

Market Capacity

The trend towards stability noted above for “Hull and Machinery” risks is also probably the result of the emergence of new capacity (particularly SMABTP in France) and/or the increase of existing capacity. The rise in rates in recent years has restored commercial dynamism to many players without them having to commit to the aggressive pricing cuts that had previously worked to their detriment.

Starting from very different positions before Covid, all the international markets have taken different paths in their return to profitability but are now aligned, with aggressive sales positioning driven by the desire to acquire larger shares.

This is slightly less true for “Shipbuilding Risks” where the UK market has detected a desire to withdraw from a market deemed too volatile and, thanks to its indispensable capacity for the largest risks, is making the necessary adjustments to limit this withdrawal.

Overall, “War Risks” capacity remained more or less unchanged with many insurers (mainly in London) demonstrating an opportunistic appetite. Nevertheless, more cautious insurers such as GAREX in France reduced their available capacity in certain areas.

In the “P&I Clubs” market, the merger of the North of England and the Standard Club (NorthStandard) is now complete. At this stage, there are no other known mergers in progress. This merger has not had any particular impact on the market.

Outside of the IG, the “P&I fixed premium” market continues to concentrate with the merger between Hydor and EF Marine announced in August 2023.

Developments in Coverage

Overall, there were no developments in coverage in 2023, but it is nevertheless subject to increasingly stringent compliance and sanction clauses. The Nordic Marine Insurance Plan of 2013 has evolved towards the 2023 version with, as is the case every 4 years, an update and clarification of conditions and comments (often for a better understanding and application of the coverage) following consultation between shipowners, insurers and brokers in the Scandinavian market.

In shipbuilding, the most extensive coverage is more difficult to obtain than before and requires in-depth technical discussions with insurers as well as contractual adjustments.

War risk coverage is becoming increasingly restrictive, particularly with respect to seizure, detention, etc. for which the probationary period has been extended from 6 to 12 months. More generally, travel to areas with greater risks (Black Sea, etc.) is subject to restrictions on a case-by-case basis.

Should we expect any developments in the future? At the last reinsurance treaty renewals, it was difficult to find reinsurers to cover "War P&I". Will this trend be more pronounced in 2024; will it have an impact on War Risk policies in 2024?

Rules related to the combatting of global warming are apparently being gradually inserted into the marine insurance chain, but nothing has really been imposed to date, with the exception in some policies of the introduction of the "Poseidon Principles for Marine Insurance" whose primary purpose is to collect data.

Pricing Trends

Over the past 12 months, the Hull and War Risk insurance markets have remained fairly stable with the exception of P&I which saw a general increase in premiums of around 5% to 15% in February 2023 depending on the Club.

Hull and Machinery Policyholders with positive results obtain either renewals on an unchanged basis or cyclical increases below inflation (between 2.50% and 5%). Accounts with a high level of claims or specific technical risks are likely to face significant price increases and/or greater retention by the policyholder.

War Risks Despite the heavy losses linked to the war in Ukraine, annual premiums have not increased significantly. Additional Premiums for travel (mainly to the Black Sea area) remain very volatile. Since the war, the rates quoted for listed/excluded areas have been much more disparate between markets with some insurers (mainly UK agents) being particularly aggressive in their pricing.

P&I After several very favorable years for shipowners, there has been an upward trend for 3 years from most P&I Clubs. These increases can be explained by the deterioration of technical and financial results, the increase in reinsurance costs and inflation in some claims paid under the International Group's joint reinsurance agreements.

The current improved technical results for all International Group Clubs would take us to smoother 2024 renewals where, once again, we expect general increases to be the trend but at lower levels (i.e. 5%-7.5% on average) compared to February 2023. We should probably see a move towards stabilization or reductions in 2025.

Diot-Siaci Group specializes in marine insurance (Hull, P&I and Construction). Cambiaso Risso Group, Cap-Marine, Fender SA, Trident Special Risks and Leonhardt & Blumberg, subsidiaries, brands or branches of the Group have a shared offering and now operate in the main marine insurance centers around the world (United Kingdom, France, Italy, Norway, Greece, Germany, Turkey, Singapore, New York, Switzerland, United Arab Emirates, and Monaco):

2nd marine and cargo broker in Europe,
3rd worldwide

More than $700 M in annual premium placed
(Hull, P&I, Construction and Cargo)

More than 13,500 insured vessels

135 employees in the Marine and Cargo Division in France and **more than 200** employees across our **18** Marine offices.

Around 25,000 claims processed annually

Mauro Iguera, CEO Europe Diot-Siaci International et Bertrand Faurisson, Executive Director - Marine

Aviation

Christophe Lot, Aviation Director

The entire aviation market continues to be impacted by the B737 Max claims, the consequences of the Russia/Ukraine crisis and the tightening of reinsurance conditions. The first effects seen since the first half of 2023 have been a reduction in capacity and a marked hardening of the War Risks excess market. Over and above this, we are currently seeing market stability and a clear upward trend.

Market Capacity

Market capacity remains stable. Risk selectivity remains dominant with a reduced appetite or specific exclusions for certain highly exposed regions.

Renewals in the first half of 2023 confirm something of a recovery in risk appetite in traditional segments, without specific coverage extensions. This trend is particularly noticeable in the Product Liability (Aerospace) and General Aviation segments, for European risks where there have been no claims.

The traditional insurers are holding onto their market share, with new capacity confirming their co-insurance positioning.

Developments in Coverage

Aviation policies continue to focus on traditional, market-standard coverage. Insurers are reluctant or particularly vigilant when underwriting specific new extensions if they are not already included in existing programs.

Pricing Trends

The beginning of 2023 saw a slight upward trend. This observation is confirmed across the Aerospace (aviation products), Professional Liability and General Aviation segments, with greater pricing pressure in the Airline segment where insurers are more inclined to seek technical profitability.

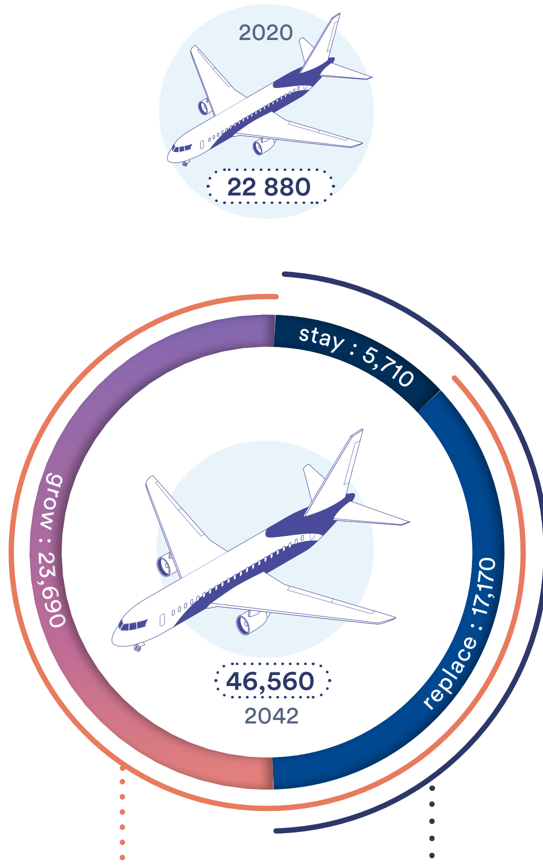
The War Risks market, on the other hand, is going through a period of major upheaval with a combination of sharp price increases and a shrinking market as some traditional insurers withdraw from this market.

Aerospace Market Focus : Between an Upturn in Aviation Production and a Fragile Insurance Market

In the post-Covid era, leading manufacturers Airbus and Boeing anticipate a doubling of the aircraft fleet over the next 20 years. According to Boeing, 48,575 planes will be in service in 2042 compared with 24,500 last year. All manufacturers combined, production is expected to reach 42,595 aircraft, half of which will be used to replace existing aircraft and the other half to absorbing growth in demand.

By 2042, the Group anticipates a worldwide fleet of 46,560 aircraft, double the 22,880 in service in 2020.

Number of Aircraft



40,850 new deliveries 2023-2042 :

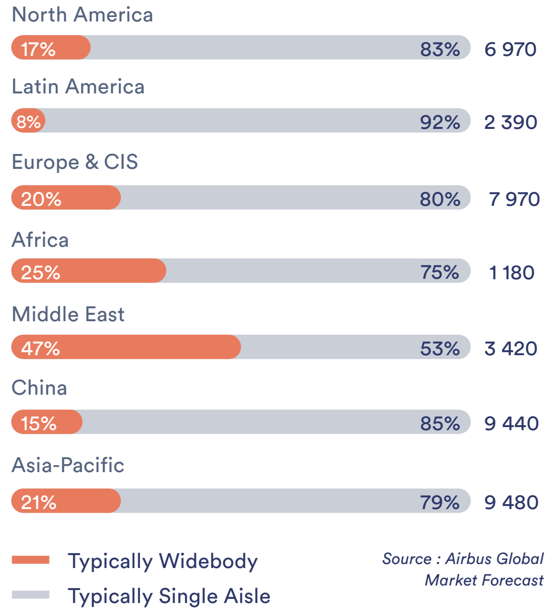
- 58% for growth
- 42% for replacement

22,880 aircraft in-service beginning of 2020 :

- 25% will stay in-service (including 2020-22 deliveries)
- 75% will be replaced

Source : Airbus Global Market Forecast

Geographical Breakdown of New Deliveries Forecast for the Period 2023-2042:



According to Airbus, this upturn in production is based on a 3.2% increase in the freight market but above all on average annual growth of 3.6% in world passenger traffic over the period due mainly to the strength of the Middle Eastern and Asian markets (India and China), which are looking to buy medium- and long-haul aircraft, particularly with a single-aisle fuselage.

Against this backdrop of industrial dynamism, the main challenge for risk placement in the aviation market lies in the hardening of the War Risks market (Hull and AVN52 excess liability).

The consequences of the Russia/Ukraine situation and the grounding of aircraft (400) continue to raise the possibility of a potential claim of USD 10 billion (i.e. less than 3% of total premium income). The main lessors have begun legal proceedings for payment of the claims, with the first court decisions in the UK and Ireland expected from June 2024. This defavorable situation is increased by the recent attack in Soudan.

This defavorable situation is increased by the recent attack in Soudan. This situation is subject to potential termination in some circumstances. At this stage, it has led to a net hardening of the War Risk market, combining a near doubling of premiums with a reduction (or withdrawal) of commitments. In the AVN 52 excess segment, maximum available capacity fell from USD 2 billion in 2021 to USD 1.4 billion in 2023.

The market context therefore calls for a two-fold recommendation for future renewals: on the one hand, a review (and, if necessary, a reworking) of the way in which insurance programs are structured according to exposures and contractual commitments, and on the other, a securing of placements (through the use of line slips or the setting up of long-term agreements (LTA).

Determining, analyzing and defining the placement strategy

Our dedicated team of specialists is on hand to determine, analyze and define with you the best placement strategy. It also manages the process for rolling out your aviation insurance programs, including internationally.

Consulting and operational management

Our team of technical experts works on a daily basis to propose and set up effective solutions, manage your policies and claims and provide consulting services. We are by your side every step of the way.

Christophe Lot
Aviation Director

Jewelry, Watches, Diamonds

Alain Spruyt, Director Jewelry and Art

The diamond and jewelry industry has been significantly impacted by the pandemic. While everyone was confined to their homes, there was an unexpected surge in bicycle and sports equipment sales, as well as home expansion and renovation. Despite the humanitarian sadness caused by the pandemic, the economy surprisingly boomed, including the diamond industry. With people having more time at home and limited options for spending on travel, holidays, and dining out, many turned to buying luxury items like diamonds, watches, and jewelry.

Some of our clients we've had for decades experienced their best years during the pandemic, selling more than they ever imagined. However, for us as a broker, the situation was not without challenges. We had to review and adjust our clients' policies as their business dynamics changed due to travel restrictions, limited exhibitions, and shipping issues. Despite their booming businesses, our income took a hit.

The pandemic also prompted some key clients to rethink their long-term strategies in light of various changes in the diamond industry, including shifts in rough and polished tenders, alternative financing methods, and changes in business locations. Many of our clients managed to adapt to the situation by becoming prominent suppliers to top jewelry brands, which had seen mega profits during the pandemic. They forged partnerships and created exclusive items and events, and we were privileged to insure these unique developments.

However, as with any economic cycle, what goes up must come down. As the pandemic's effects waned, the demand for luxury items decreased. Bike stores were left with excess inventory, and inflation and rising interest costs dampened the construction and renovation industry. People shifted their spending priorities away from luxury items like diamonds and jewelry.

In the face of these challenges, Driesassur, with its offices in key diamond locations worldwide, had to navigate through the industry's ups and downs. Fortunately, we emerged strong and optimistic about the next two years. While our competitors struggled and lost clients, we grew alongside ours, attracting new accounts and building a promising pipeline. Our reputation as a top player in the industry is solidified, and we have established long-term partnerships with London Brokers and Lloyd's underwriters.

Our success is attributed to our exceptional team, whom I coach and work with daily, both locally and internationally. Together, we are confident in facing future challenges and driving further development and growth in the diamond and jewelry insurance specialty.

Manufacturers and retailers have different needs when it comes to insurance.

While manufacturers hold large amounts of precious materials in their workshops, ship goods or participate in trade shows and have their representatives travel around carrying valuables, jewelers receive and store large volumes of goods and need to secure their points of sale.

We take into account the specificities of each business to develop customized insurance solutions. This means you can choose different modular coverage based on your risks. Your policy is not fixed and you can make changes to it at any time as your business evolves.

By visiting your premises, our experts can advise you on the preventive measures to be taken for maximum security and to anticipate any losses.

- +150 employees worldwide
- +10 languages spoken by our team
- 7 offices across the globe
- 80% of De Beers customers insured

Driesassuris a leading broker for the diamond and jewelry trade and fine art insurance worldwide

Alain Spruyt,
Director Jewelry and Art

Fine Art

Gloria Rolland, Fine Art Director, EMEA

Since 2021, the art market has been regaining momentum, confirming its increasing attractiveness. Online sales continue to progress (+6% in 2022), while the overall market stabilizes with global growth of 3% in 2022, marked by record-breaking sales.

Our art professional clients are increasing their participation in fairs and collaborating with prominent museums or art centers worldwide, all while facing conjunctural challenges. Rising costs, especially in transportation sector, and geopolitical uncertainties demand a proactive approach in risk management, but they can also present an opportunity for innovation in business models. As a specialized broker, we ensure that the art insurance market remains competitive in the years to come, to best support our clients in protecting their activities.

We are also seeing genuine dynamism among collectors, both individuals and businesses, which calls for specific risk management due to the increasing value of their art assets. Contemporary art, design objects, and luxury watches require our utmost efforts to optimize coverage against the risks of theft, loss, or damage, serving passionate and demanding clients.

Geographically, the art market remains predominant in the United States, where prestigious exhibitions and sales take place. Our clients have intensified their investments and presence in this region, particularly through the opening of new exhibition and storage spaces. However, this concentration poses challenges for insurers, who must tailor their capacities and reinsurance programs to address specific risks associated with this region, such as natural disasters. Although China's art market is experiencing a slight decline due to regulatory policies in the country, a significant portion of our clients expanded their activity in this key market.

Within our International Fine Art & Design division at Diot-Siaci-Driesassur, we protect artworks and collectibles wherever they may be. Thanks to our international partnerships in Africa and the presence of our group in Europe, the United States, the United Arab Emirates, and Asia, we support our clients to contribute to the preservation of artistic and cultural heritage worldwide.

With offices in Switzerland, France, Belgium, Italy and the United States, we support our clients worldwide, including the United Kingdom, China and Africa, through our international network.

Based on an in-depth analysis of your needs, we advise you and seek the most appropriate insurance solutions for you. Because your business or your collection evolves, we make sure the coverage provided under your policy supports you in these developments.

Our offering includes a network of art experts, know-how in international logistics, support in regulatory aspects, and expertise in claims management.

Gloria Rolland,
Fine Art Director, EMEA

Credit Insurance, Bonds and Financing

Philippe Puigventos, Chairman of Diot-Siaci Crédit

General Market Trends

While global growth is slowing and business insolvencies are forecast to rise sharply, indicators are holding up well, with the exception of a few sectors hard hit by rising interest rates and falling consumer spending.

The overall performance of credit insurers over the first half of the year has meant a level of risk appetite being maintained, as we expected, but this trend needs to be monitored very closely, based on the evolution of the claims experience encountered over the coming months.

Market Capacity

After the Covid crisis, credit insurers freed up capacity due to the strong economic recovery and rising commodity prices, against a backdrop of excessively low levels of claims.

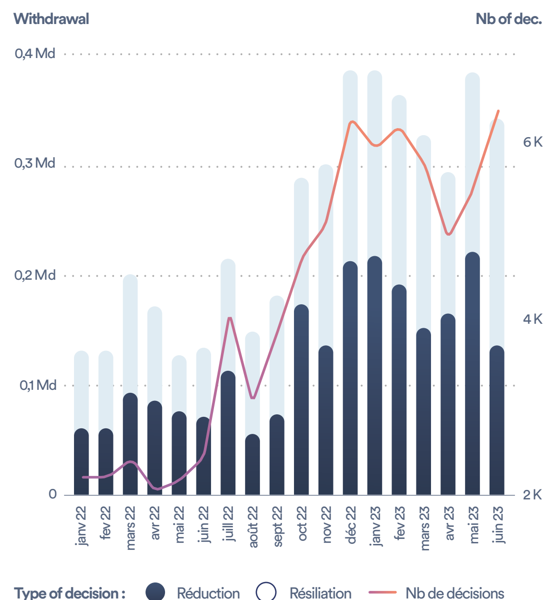
With monetary tightening by central banks resulting in a decline in global growth and an increase in insolvencies since the beginning of 2023, credit insurers' capacity is becoming scarcer, mainly in the countries or sectors most affected by this slowdown.

Developments in Coverage

Diot-Siaci Crédit publishes a quarterly barometer based on:

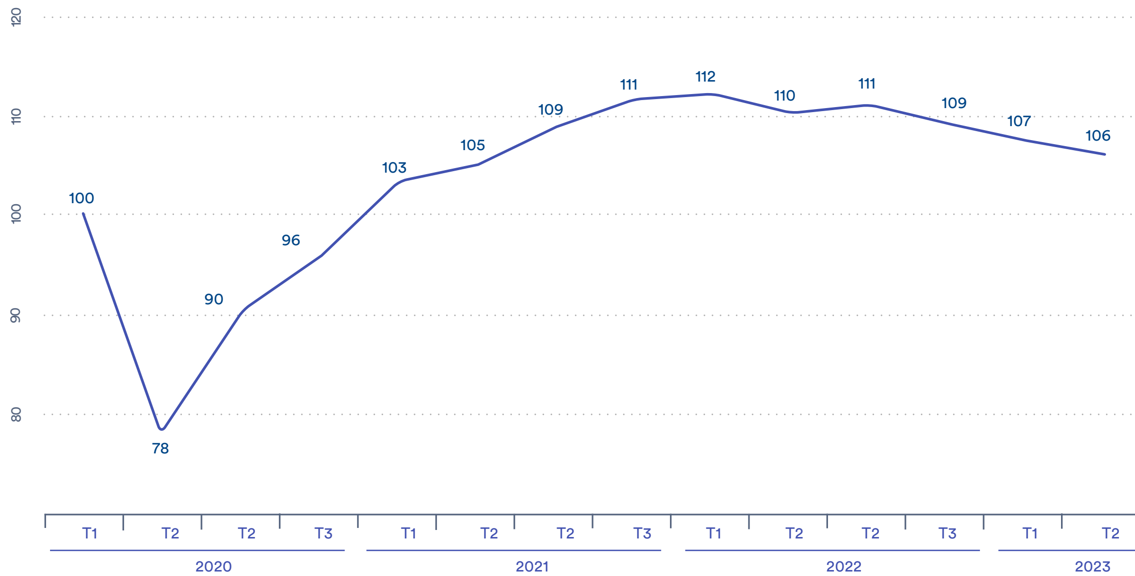
- The withdrawal rate, which measures reductions and terminations of coverage,
- The satisfaction rate, which measures the coverage provided against the needs expressed

Level of withdrawal by credit insurers



We are seeing an acceleration in the pace of withdrawals, as expected, in the wake of the publication of the 2022 financial statements.

Corporate accounts have been impacted by rising costs, higher interest rates, and supply difficulties.



Credit insurers are providing coverage to companies while integrating prevention of the risk of non-payment over a 6-9 month horizon.

Following a sharp rise over the 2020/2022 period, the satisfaction rate is gradually eroding with each successive quarter.

While this trend reflects insurers' desire to stop operating in "fits and starts" mode, they are nonetheless gradually tightening their underwriting policy in line with the changing economic situation and the significant rise in the level of insolvencies.

Some sectors are still spared, however, and the construction and distribution sectors are dictating the overall evolution of this curve.

Pricing Trends

Despite the economic slowdown and a number of large claims in the credit insurance sector at the beginning of 2023, particularly in Brazil, insurers' loss ratios remained positive at the end of the first half of 2023. Indices may quickly turn negative, given exposures in certain sectors that are more affected by the current economic situation.

Thanks to their strong interim results, pricing trends remain stable.

Diot-Siaci Crédit is France's leading broker specializing in credit insurance, bonds and financing. Internationally, it draws on the most powerful network of agents (ICBA + 600 specialists in over 50 countries), enabling us to support major groups in their international development.

We have 115 specialists on our teams and use high-performance technological tools to deliver high-quality reports to our clients. These tools are based on APIs developed with insurers, making it possible for us to monitor over 100 billion euros of coverage. Thanks to this monitoring, we publish the market's only quarterly barometer on credit insurance.

Our teams are committed to providing innovative, high-performance solutions to meet market trends and the needs of our clients in the credit insurance, bonds and financing markets.

Philippe Puigventos,
Chairman of Diot-Siaci Crédit

DiotSiaci

FOCUS

E.S.G.

(Environment, Social and Governance)

Elisabeth Rafael Barão, Head of CSR
Audrey Bernard, Executive Director, Third-Party & Environmental Liability
Benoît Bougnoux, Partner, Arengi
Frédéric Durot, Managing Director Global P&C
Stanislas Legait, Director of Analytics & ART
Mickaël Robart, Global Head of International Financial Lines & Cyber Practice

Introduction

Environmental, social and governance (ESG) priorities have become a key factor in the way companies plan and operate their strategy. While these companies are communicating more widely on their ESG plans, they are still struggling to define the performance criteria that will enable them to monitor the evolution of their ESG strategy and compare it with other players in their sector. However, these criteria were initially developed with a single bias, that of the financial performance to be presented to markets and investors, with the financial sector having initiated the first "green" projects as early as 2006. Nonetheless, these initiatives, which did not involve national or European public authorities, proved highly popular with investors, who were increasingly keen to invest in the "green" sector.

Since the 2015 Paris Agreement at COP21, governments and regulators have been keen to develop corporate transparency in terms of the publication of extra-financial information for better control and monitoring of their risks linked predominantly to climate change, and the associated social risks which motivated the European Commission's Sustainable Finance Action Plan in 2018.

ESG: The Insurance Industry, Between Risk Selection and Innovation

Investments by insurance companies

Directive 2019-208 SFRD - "sustainable" investments supplemented by numerous acts

A sector in transformation and the risk of its disappearance

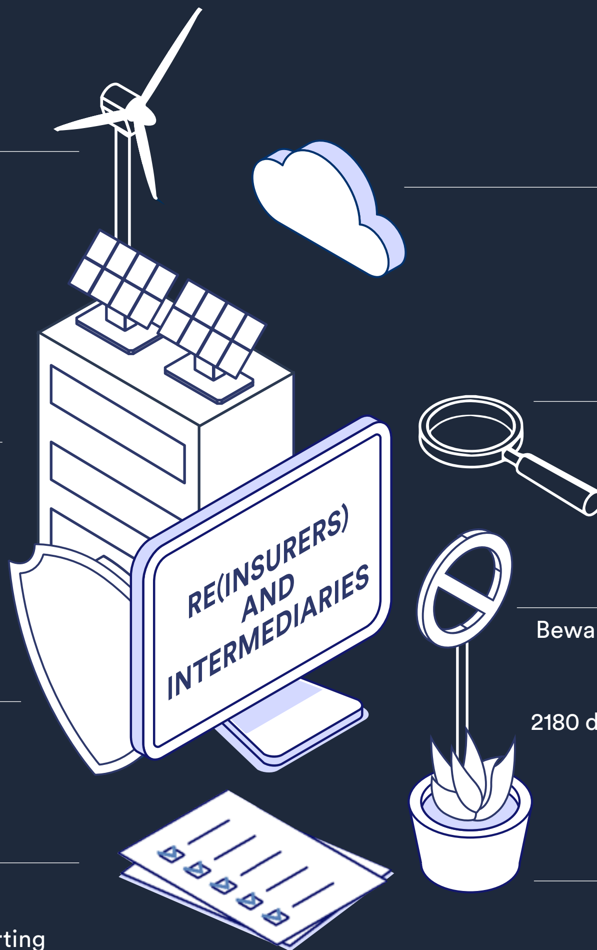
Pacific Gas and Electric, first corporate bankruptcy linked to climate change

Adaptation of insurance policies

New risks - e.g. D&O

Corporate

Establishment of extra-financial performance reporting (Strengthening of SFDR and CSRD reporting requirements)



Parametric insurance

From an ESG perspective, the insurance industry can be an ESG player

Duty of care

Towards a strengthening of obligations for certain players

Greenwashing and climate litigation

Beware of misleading commercial practices

2180 disputes in progress, including 22 involving French players

Actuarial and accounting aspects

Recurrence of events and aggravation of risks

If this transition involves major financial risks, which could even lead to the disappearance of certain players, the role of players in the insurance industry, and one of its drivers, the insurance intermediary, must from now on lay the foundations for the management of support for companies in their transition by developing services to help qualify their risk exposures, to enable them to anticipate and mitigate them and transfer the burden.

Paradigm Shift from CSR to ESG: Greater Ambition and Scope for Action for Brokers and Risk Managers, with a Move from a Systematic to a Systemic Approach

Sustainable development issues have become increasingly important in recent years, moving from the concept of Corporate Social Responsibility (CSR), which took off in the mid-2000s based around 3 pillars (Environmental, Social and Economic), to ESG (Environment, Social and Governance), which gradually took hold 10 to 15 years later. This evolution is as much the result of the introduction of a regulatory framework as of a growing awareness on the part of economic players.

The evolution has essentially meant moving from a vision based on a framework (Global Compact, launched by the UN at the World Economic Forum in Davos in 1999) to a much more integrated dimension in which corporate governance has a major role to play, but also in the regulatory field.

The conceptual evolution from CSR to ESG has meant moving from a "systematic" to a "systemic" approach, underpinned by a regulatory, conceptual and methodological corpus based on:

- integration into the overall economic system and macro- and microeconomic governance;
- the development of regulatory requirements aimed not only at identifying a company's impact on its environment (as the law on New Economic Regulations in France, known as the NRE, called for as early as 2001, with an extra-financial appendix for companies listed in France and in the USA, the so-called "SOX" (Sarbanes-Oxley) Act of 2002 imposed strict transparency rules on all listed companies in the USA) but also, and above all, the risks weighing on a given economic agent as a result of these transitional issues.

The insurance sector is particularly exposed in 3 ways depending on the role:

- employers and operators of facilities in the tertiary sector that may be affected by climate transition, exposed to environmental, societal and social challenges, and having to adapt or even rethink their governance;
- financial investors, particularly insurers and reinsurers. Brokerage firms are less exposed in this respect. This is the issue of Socially Responsible Investment (SRI);
- insurers or players involved in insuring or reinsuring: the role of insurance (and reinsurance) is key to supporting the economy. The sustainability of this sector is therefore key in terms of ESG, as are the strategic choices made by these sectors in an attempt to steer placements in a direction favorable to the sustainability of our system. The insurance sector is also subject to strong constraints, with contradictory injunctions between short-term economic interests and the longer-term interests of the choices made. The role of brokers in advising and guiding investments is also key.

How is Diot-Siaci preparing for this transition? What kind of client-focused organization do we want to develop? What added value will we offer you? These are just some of the questions that this document aims to answer. To do this, we will present:

- the current regulatory situation and its implications,
- the impact of ESG for Diot-Siaci as an employer and operator of tertiary sites,
- key initiatives and challenges as a placing broker,
- our risk analysis and management consulting initiatives.

The Current Regulatory Situation and its Implications

Following on from the SFDR (Sustainable Financial Disclosure Regulation) in November 2019, the Taxonomy Regulation in June 2020, the CSRD (Corporate Sustainability Reporting Directive) and the upcoming CSDDD (Corporate Sustainability Due Diligence Directive) are pursuing the regulatory construction that determines the obligations imposed on companies established in EU territory in terms of sustainability, i.e. the treatment of environmental, social and governance (ESG) issues.

The CSRD, adopted on December 14, 2022, and its delegated acts (European Sustainability Reporting Standards - ESRS) will drive major changes in sustainability reporting. It will be implemented in several waves, starting in January 2025 for the 2024 financial year for companies already subject to the NFRD[1] (Non-Financial Reporting Directive), which has been replaced by the CSRD.

At the time of writing this white paper, the reporting standards, submitted to the European Commission by the European Financial Reporting Advisory Group (EFRAG) in November 2022, are still being finalized following a consultation period ending on July 7, 2023. The delegated act enshrining the ESRS in law, as well as a guide to points of interpretation, are still awaited.

While the regulatory framework (including transposition into national law) has not yet been definitively established, the issues at stake in this change of regime have already been clearly identified:

The Scope of Applicability

with almost 50,000 companies affected by 2028, compared with around 12,000 under the old regime (NFRD or Non-Financial Reporting Directive) - this means that mid-caps and SMEs will be subject to obligations, albeit less stringent for SMEs, but involving a new compliance burden for these organizations, that are, on the face of it, not as well equipped as the large groups.

A Change in the Scale of Sustainability Reporting

both in terms of the number of topics covered (10 topics divided between Environment, Social and Governance[2]) and the depth of information to be provided, particularly in quantitative terms (for example, on the consequences of ESG issues for the company and how they are taken into account in corporate strategy).

Double Materiality

as a gateway, a grid for reading and selecting ESG issues - impacts, risks or opportunities - to be covered in the reports. This means covering material issues for third parties and the environment (impact materiality) and/or for the company's revenues, costs, cash flow or balance sheet (financial materiality). The assessment of the materiality of these issues borrows heavily from the concepts of risk mapping and must, according to the standards, if not be integrated, at least be consistent with the company's risk management. In practice, however, this poses a number of challenges, as the approaches derived from the standards or their interpretation can be complex and specific, with different assessment criteria depending on the type of issue under consideration, and a guiding principle of transparency that does not necessarily coincide with the company's risk management objectives.

A Change in the Reporting Time Horizon

with materiality and the consideration of impacts, risks and opportunities having to be measured using the new standards, not only in the short term (1 year), but also in the medium (5 years) and long term (more than 5 years, or even 10 years for climate-related issues). This means that a company may have to cover the consequences of rising water levels linked to climate change on its industrial assets, its value chain and its location strategy.

1. Companies listed on a regulated market in the European Union, with over 500 employees, a balance sheet in excess of €20 million or turnover in excess of €40 million.

2. Corresponding to 10 thematic reporting standards: Environment: Climate, Pollution, Water & Marine Resources, Biodiversity & Ecosystems, Circular Economy; Social: Employees, Employees in the Value Chain, Affected Communities, Consumers & End-Users; Governance: Business Ethics)

The Connectivity of Quantitative Information with the Accounts

in particular in relation to the financial consequences of ESG risks and opportunities (in terms of the balance sheet, revenues, costs, and future cash flows) and their treatment. This represents a major paradigm shift, which in practice translates into unusually greater involvement of finance departments in the preparation of reports.

The Prospect of a Move to Reasonable Assurance

for the verification of reporting by Independent Third-Party Bodies (ITB). While the verification of reporting will initially be carried out under a “limited assurance” regime, the wording of the directive provides for a transition to “reasonable assurance” 6 years after its entry into force, i.e. January 2029. Sustainability reporting, and the work, processes and tools underpinning it, will therefore be subject to a level of audit diligence similar to that for accounting reporting. Major changes are therefore to be expected, for example in the structuring of internal control of processes and tools contributing to the production of ESG information, or the probable emergence of a specialized audit line.

At the same time, other standards and legislation are developing outside the European Union. These include: IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and S2 (Climate-related Disclosures), published by the IFRS Foundation and, within that body, the ISSB (International Sustainability Standards Board). Unlike the CSRD, the IFRS is based solely on financial materiality.

The S1 and S2 standards will apply from 2024, at the discretion of the authorities in each country.

- the draft “climate disclosure rule” of the US Securities and Exchange Commission (SEC), expected in the last quarter of 2023 for application in the 2024 financial year;
- ongoing work on international frameworks and recommendations, in particular by the Taskforce on Nature-related Financial Disclosures (TNFD), following a similar path to the now well-known Taskforce on Climate-related Financial Disclosures (TCFD).

Three observations can be made with respect to these developments:

- a rationalization of international standards and frameworks is underway, with the IFRS foundation having absorbed and/or taken over the work of the various pre-existing bodies: CDSB, IIRC, SASB, VRF, and TCFD;
- a similar situation exists between the European CSRD and the IFRS or other frameworks (TCFD in particular), as reporting standards have been harmonized. A European issuer reporting under the CSRD regime is therefore also likely to comply with the main international standard, including IFRS S1 & S2, TCFD, and TNFD;
- on the other hand, harmonization work still needs to be carried out between Europe and the international standards mainly driven by the IFRS foundation on the one hand, and the texts to be published in the United States on the other, beginning with the one dealing with climate reporting. FPIs (Foreign Private Issuers), i.e. non-American companies listed in the United States, must therefore remain vigilant, as the SEC has already warned issuers of potential differences in treatment between investors on the two sides of the Atlantic, linked to possible differences in reporting requirements or format. We cannot rule out the possibility of history repeating itself, with the continued coexistence of distinct frameworks for sustainability reporting, along the lines of the IFRS and the US GAAP for financial statements.

The Impact of ESG for Diot-Siaci

CSR is one of the key priorities of our 5-year strategic plan: Horizon 2027. Our vision of a sustainable and peaceful future, enshrined in our mission statement, demonstrates our determination to become a trusted benchmark in terms of CSR.

In response to our stakeholders' growing expectations in terms of CSR and the transparency of our extra-financial performance, we have decided to step up the pace on all fronts, and in particular that of our own Corporate Social Responsibility (CSR), by making this one of the pillars of our strategy over the next five years.

Climate change is contributing to social, economic and environmental crises, which are having a major impact on our insurance business. At the same time, changes in society and technology, particularly those related to work and inequalities, are accelerating, even catalyzing, these crises and the transformations that accompany them.

That is why we wanted to deliver a strong response to this emergency with practical commitments in the 4 areas below, reflecting the expectations of our internal and external stakeholders:

- to be a responsible, inclusive and caring employer to protect our employees,
- to be a supportive and community-minded player,
- to help our clients achieve sustainable growth while maintaining the rigorous ethical standards befitting a regulated profession,
- to reduce the environmental impact of our activities and preserve biodiversity.

All of these objectives contribute to making Diot-Siaci a company committed to society, and to its clients, so that they can continue to innovate while controlling and limiting the risks of their own activities.

At the heart of our strategy, which positions our Group as the leading European player with global reach in its sector, are our values: entrepreneurial spirit, excellence, trust, and community.

These values are supported by our employees and shareholders and are expressed in our commitments, making our CSR approach an integral part of our global corporate strategy.

Initiatives and Challenges in our Role as a Broker

As a broker, we are fully involved in the CSR ESG strategy of our clients, but also of our risk-bearing partners, in that we are subject to constraints in our placement business, but also have opportunities to take initiatives and make our role meaningful.

Challenges: we are facing a number of constraints brought about by climate transition:

- The temptation for insurers to withdraw from risks deemed to be aggravated, although they are advantageous in terms of climate transition: we need to challenge insurers by reminding them of the need for an ethical ESG policy, while emphasizing the importance of compliance with prevention standards and best practices to our clients. There are many examples, and they can be understood within the strict framework of the insurance economy:
  - difficulties or even refusal to insure photovoltaic panel installations due to the increased risk of damage to the buildings on which they are installed;
  - the consequences of forest fires, for which some P&C insurers, and many liability insurers, are imposing exclusions or restrictions on coverage.
- The growing number of Natural events claims linked to climate change (convective phenomena, cyclones, frost/snow, floods, drought, etc.) is having a major impact on the insurance economy and on the way brokers operate. Brokers must be able to grasp technical and actuarial issues and identify alternative solutions. To achieve this, Diot-Siaci has invested heavily in Analytics & ART, reinsurance, and the technical skills of its brokerage teams.

Our Key Initiatives

as a broker, it is difficult to withdraw from certain sectors, as some insurers are doing (exclusion of coal, and for some, oil, imposition of exclusions for certain operations, such as Arctic drilling, recently seen on the market). We need to support the economy as a whole, and to this end we are taking the following initiatives:

Sustainability of Insurance Coverage

We put a great deal of effort into promoting the sustainability of companies through risk analysis, by seeking alternatives together with innovative placement solutions, and the introduction of self-insurance vehicles.

The cases of “Business interruption” and “Cyber insurance” are revealing.

- Promoting and managing Business interruption coverage is a tangible way of promoting social responsibility by helping to maintain jobs following a loss. Business interruption insurance is an effective remedy against redundancies, enabling the company to recover economically from a major loss.
- Promoting Cyber Insurance: over and above the protection of personal data, the link between Cyber Security and environmental objectives is growing stronger. Cyberattacks can be the cause of “environmental disasters”, and certain sectors are highly exposed, such as the chemical, nuclear, energy, water and waste treatment industries, which have therefore been subject to more stringent cyber security obligations through NIS and subsequent directives and the military programming laws in France (known as LPM) since 2013. In addition, the digitalization of organizations and the associated securing of infrastructures is an integral part of strategies to meet environmental objectives, in that it helps reduce the impact on the environment by, for example, cutting fossil fuel-consuming travel, but also by reducing the space required on company premises through the development of teleworking, which must
- Diot-Siaci has developed a 360° approach, using proprietary tools and partnerships with lawyers, cybersecurity experts, and loss adjusters, to support our clients in the analysis, mapping and quantification of risks - essential prerequisites to any placement of a Cyber Insurance program - as well as remediation, loss calculation and optimized settlement through insurance or its transfer via alternative solutions such as captives.
- With regard to Third-Party Liability coverage, documentation of our clients’ exposures and risk prevention measures are of paramount importance: faced with the insurers’ lack of appetite for renewable energy, the emergence of new exclusions (wildfire or the AMAP zone in the Arctic region) and the withdrawal of certain types of coverage linked to natural events (buy-back where the insured is at fault), Diot-Siaci works with its clients to gather underwriting information, objectify their risks and communicate on their contractual prevention policies. This approach is also reflected in the vigilance of our technical teams in negotiating sufficiently formal and limited exclusions, their territorial scope, and the adaptation of coverage limits or insurance schemes.
- With regard to Environmental Risks coverage, Diot-Siaci works with its clients to achieve sustainable growth, in particular by advising on and placing specific insurance policies covering environmental damage to third parties, company property, and biodiversity. This support continues in the event of environmental losses, the proper management of which is essential in the context of the strengthening of the obligations being imposed on companies (CSRD directive and applicable ESRS standards to be phased in by 2024).
- In Third-Party Liability, generally speaking, the climate crisis has fueled a global rise in climate litigation, i.e. claims arising from the failure to mitigate climate change. This finding is supported in particular by a 2022 study by the London School of Economics and Political Science. It is worth noting that the United Nations Environment Program (UNEP) has just published a report on climate litigation in the context of duty of vigilance, entitled “Global Climate Litigation Report: 2023 Status Review”. Based on cases underway up to December 31, 2022, there has been a significant increase

in climate litigation worldwide: 2,180 in 2022 compared with 884 in 2017. 70% of all litigations were filed in the United States, while only 1% were filed in France. For the future, the report predicts an increase in litigation relating to climate migration, as well as cases involving liability following extreme weather events.

Incentives to Improve the Carbon Performance of Assets

- Development of so-called "green" coverage to support policyholders following a loss, to help them finance any adaptation measures they may wish to take, or that they may be required to take under the regulations.
- For motor fleets, the development of, and incentives to use, networks of approved garages, including bodywork, mechanical, and glazing, not only allows us to monitor the quality of employers, but also to better control the use of recycled parts, the use of which is gradually increasing in the French market (see specific focus in the "Motor fleets" section).
- In Construction and Energy, our teams work with our clients to find the best coverage for their renewable energy projects: The development and operation of renewable energy projects present numerous risks that do not necessarily meet the "appetite" of insurers on the market: photovoltaic power plants, wind farms, biogas plants, methanization, geothermal energy, hydraulic dams, etc. By making our know-how and our ability to create insurance solutions available to our clients and their investors, Diot-Siaci contributes to the sustainability and integrity of each operation, taking into account its specific features and characteristics, including their impact on the natural environment and relations with stakeholders. In addition to the financial security provided by insurance, which underpins the viability of any sustainable investment, Diot-Siaci's support is also reflected in the contribution of our expertise and networks in the event of a claim, thus promoting greater resilience of organizations and the environment.
- In the Construction sector, we promote innovation by finding solutions to insure reuse: the reuse carbon footprint in the building industry is excellent. But when it comes to decennial insurance, the reuse of materials comes under the heading of Non-Standard Techniques, which are difficult to insure. This paradox limits the spread of this good practice. Diot-Siaci pays particular attention to these issues, and by combining information and prevention campaigns and our partnerships with insurers, we promote the introduction of protective solutions and the development of reuse.
- For the real estate sector, our combined solutions encourage the rehabilitation of wasteland and contribute to the goal of Zero Net Artificialization: the asbestos removal and environmental liability insurance solutions implemented by Diot-Siaci help limit the artificialization of land by limiting the risks for developers and project owners faced with the decontamination of plots designated for redevelopment and reuse.

Improving the Carbon Performance of Operational Processes

Remote expertise: we promote remote expertise wherever possible to reduce the carbon footprint of expertise operations.

Protecting Directors and Companies Against the Turbulent Backdrop of Climate Transition

We are developing solutions that support companies and/or their directors:

- Environmental liability: we have developed coverage extensions to insure liability risks.
- Environmental Warranty & Indemnity insurance for asset disposals in merger/acquisition operations: we offer "transactional" insurance coverage with players able to support these operations, including for environmental risks that come to light during due diligence (including historical site pollution).
- Liability of listed companies and their directors in their capacity as issuers of securities in the event of legal action being taken against them for non-compliance with their ESG commitments: in addition to breaches of financial regulations, we have worked with insurers to expand their coverage to include the consequences of legal action relating to companies' extra-financial communications.

- Liability of the company and its directors in their capacity as employer in the event of a claim for breach of employment regulations: the company's management can be supported and, in the event of a conflict, the insurance of employment-related claims, when prudently implemented, can resolve conflicts that are detrimental to the company's image and the achievement of its ESG objectives. Insurance therefore becomes a tool for internal conflict mediation.
- Liability of banks and investment funds relating to the distribution of ESG products, including in case of false or misleading "environmental claims": the notion of group complaints and professional negligence needs to be reviewed, in particular to ensure that the traditional exclusion of failure to perform does not apply to the ESG objectives of banks and investment funds.

Our Role as a Risk Analysis and Management Consultant

To support our clients in their risk management and extra-financial reporting, our Analytics & ART team has developed a value proposition on the analysis of exposure to climate-related natural events, such as natural disasters and gradual environmental changes.
The CSRD (Corporate Sustainable Reporting Directive) sets out a mandatory reporting framework on the risks and opportunities associated with climate transition, which applies to listed companies and large corporations in Europe. One of the reporting obligations is to look at the physical risks affecting the company and its value chain.

We therefore propose to analyze and quantify current and future risks, based on IPCC scenarios over several time horizons. To this end, we have developed a partnership with Munich Re, who provides us with its tool for assessing current and future risks. We also use open source data, such as those from the IPCC. The risks analyzed include earthquakes, floods and storms in the present, and heat waves, droughts and temperature trends in the future.

We have developed an algorithm that compares the exposure of our clients, using the geolocation of their sites, with the information collected on the various risks, and produces a database with over 200 indicators for each site, as well as a report providing a detailed, visual analysis for the sites to be prioritized, i.e. those most exposed in terms of hazard and insured value.

The double materiality analysis described in the ESRS 1 standard is the backbone and gateway to reporting under the CSRD regime, borrowing heavily from Enterprise Risk Management (ERM). In particular, it requires alignment and consistency with the company's risk mapping and management systems. Capitalizing on its expertise and experience as an ERM specialist, Arengi works with Risk Managers, Finance Divisions and CSR Divisions to support them on both methodology and substance, particularly in terms of assessing the financial materiality of ESG impacts, risks and opportunities.

There is no shortage of challenges - just to mention a few examples of feedback from recent assignments:

- the alignment of risk/finance and CSR language and culture;
- the management of a certain level of methodological complexity induced by the requirements of CSRD / ESRS 1 and Independent Third-Party Organizations (audit firms), anticipating the verification of reporting elements to be published in January 2025.

More specifically, Arengi is involved in analyses at the boundaries of pre-identified ESG topics - for example, risks and opportunities linked to low-carbon transition, within the climate change / ESRS E1) topic - on the formulation and configuration of scenarios, likely to feed the modeling carried out by Diot-Siaci's Analytics experts.

Diot-Siaci Global Partners The Diot-Siaci International Network

Our Expertise in the Management of Global Programmes

The Diot-Siaci Global Partners network consists of selected partners with whom we have long-standing relationships in every continent.

Like Diot-Siaci, our partners are independent brokers who are among the leaders in their markets in each country or geographical area.

Our partners are selected on the basis of demanding criteria, including technical expertise, knowledge of local and international markets, and the operation of global programmes. The resources they are able to deploy and the quality of their services are decisive factors in their selection, in order to meet our requirements and Diot-Siaci standards.

The objective of providing the highest level of service is the essential value that unites us through a shared commitment to excellence and client satisfaction.

Co-brokerage agreements and a global service charter contractualize our mutual commitments.

These commitments define :

Ces engagements définissent :

- The roles of each party according to a precise operating procedure
- Our expectations in meeting client needs worldwide
- More generally, the rules and tools for administering global programmes (communication, management and reporting).

The International Coordination Team

Each coordinator is responsible for all the insurance lines that we manage for our clients. This ensures personalized and optimized management through a global approach and excellent knowledge of specific needs, whatever the situation.

The cross-functional approach and close proximity of the coordinators to the Account Managers and technical teams means that the specialists can be rapidly consulted on all issues. This ensures direct, fluid and efficient communication with clients, insurers and local brokers, thus providing major added value in the management of the most sophisticated programmes, covering all administrative, technical and accounting issues, from the simplest to the most complex.

The coordinators closely monitor all phases of the process from policy issuance to premium payment. The terms and conditions of local policies are analysed with our local partners. Negotiated terms and conditions are checked for compliance with local market practice and best practice.

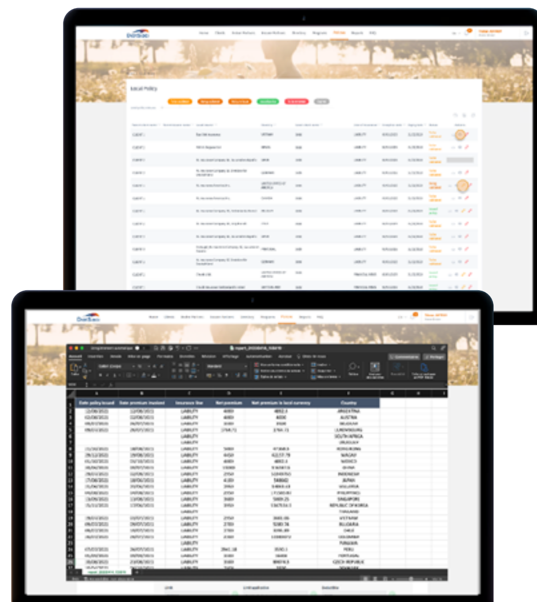
GlobalNet - a Unique IT Management Tool

Diot-Siaci's GlobalNet management tool has been specifically developed to facilitate the transmission of instructions, the verification of policies and the monitoring of premium payments.

GlobalNet consolidates all information and documents online, giving a global view of your international programmes in real time and enables us to:

- generate and follow detailed instructions
- consult summaries and originals of local policies
- streamline exchanges within the international network
- quickly and easily obtain an overview of programmes and their status
- generate reports.

With simple, efficient online access, GlobalNet offers immediate visibility of the deployment status of the programmes, while preserving total data confidentiality and integrity, from instruction to premium payment.



Founded over 25 years ago, Diot-Siaci's international team of 34 multilingual employees is based in Paris and covers all the operational Business Lines of Diot Siaci Corporate Solutions.

Team members have an average of 12 years' experience in deployong, managing and administering global insurance programmes.

450 programs

Present in over 170 countries

+ 6000 local policies

+ 30 international specialists in Paris

Roderic Upton,
Director, International Coordination and Network
Mélanie Joubert, Deputy Director

DiotSiaci

UK Trends in Light of the Ongoing Global Transition

The global prevalence of sustainability has resulted in significant legislative, strategic, and operational shifts in the past few years. This includes the growing implementation of Environmental, Social, Governance (ESG) standards to set targets as well as assess and monitor an entity's performance across various sustainability dimensions. The following trends have been identified, which further examine these shifts in the UK.

Fragmented Legislative Landscape

UK regulations concerning sustainability are segmented across an array of domestic and EU-derived laws[1]. Given the lack of standardisation and absence of a standalone law governing the varying dimensions of sustainability, there are a host of regulatory bodies, in addition to the UK government, enforcing different requirements and guidelines, such as[2] :

- Financial Conduct Authority (FCA)
- Financial Reporting Council (FRC)
- Environmental regulators (Environment Agency, the Scottish Environment Protection Agency, and Natural Resources Wales)

1/2. ICLG (2023). Environmental, Social & Governance Law UK 2023. Retrieved from ICLG website (click here).

Examples of Disclosure Requirements

1 *Streamlined Energy Carbon Reporting (SECR)* – requires companies to report on their energy consumption, as well as carbon footprint and emissions in their annual reports[3].

2 *Task Force for Climate-Related Financial Disclosure (TCFD)* – the FCA mandates certain companies and LLPs to disclose their climate-related financial information in their annual reports. The reporting entities must disclose information such as governance arrangements, risk management approach, principal risks and opportunities, consequences, effectiveness and resiliency, key performance indicators (KPIs) and targets[4].

3 *UK Corporate Governance Code (CGC)* – requires premium listed companies to report on their governance and operates on a 'comply or explain' basis[5].

4 *Diversity statement* – requires listed companies to report on the fulfilment of the diversity targets enforced by the FCA, as well as publish numerical diversity data, sources of data, and methodology of collection in their annual reports[6].

Given the lack of reporting standardisation, the UK government is looking to enforce a set of disclosure standards, the "UK Sustainability Disclosure Standards (SDS)", which will be based on the SDSs issued by the International Sustainability Standards Board (ISSB)[7] . The UK SDSs will "form the basis of any future requirements in UK legislation or regulation for companies to report on risks and opportunities relating to sustainability matters, including risks and opportunities arising from climate change" [8].

Shifting Business Priorities

Given the current global accessibility of information and public knowledge, transparency, and reporting on sustainability issues, the changing stakeholder expectations and requirements have become a board-level concern. This is especially the case for public companies.

The increasing awareness and consciousness about the environmental and social impact of businesses has had significant implications on the trajectory of growth and development, operations, and processes. Businesses are not only focusing on protecting their surroundings, but also creating value. The following are examples of business areas, which have evolved with the integration of sustainability considerations into business strategy and decisions.

- Procurement: ensuring alignment of sustainability targets and objectives with suppliers has become a priority for businesses, due to the significance of the wider environmental and social impact of their supply chains. Establishing sustainable partnerships, which promote environmental stewardship and social responsibility, is becoming a form of best practice. Such trends have been observed in broker/insurer selection processes, as clients are requesting information on their insurance partners' sustainability commitments and efforts, both internally and externally, across the environmental, social and governance dimensions, prior to selection.

3. Brightest (2023). UK Sustainability Reporting Requirements in 2023. Retrieved from here

4. ICAEW (2023). TCFD and related UK reporting regulations. Retrieved from here

5. Financial Reporting Council (2018). UK Corporate Governance Code. Retrieved from here

6. https://www.davispolk.com/insights/client-update/new-diversity-and-inclusion-reporting-requirements-uk-listed-companies

7/8. Gov.UK (2023). UK Sustainability Disclosure Standards. Retrieved from here

- Insurance arrangements: businesses are increasingly requesting insurance solutions that not only contribute to their sustainability commitments, but also reward their sustainability efforts, commitments, and capabilities, through increased capacity, reduced premium rates, and/or enhanced terms and conditions.
- Products and services: businesses are critically assessing the impact of the provided products and services, across their lifecycle, and evolving their offering to ensure sustainability throughout the value chain.
- Day-to-day operations: businesses are factoring sustainability considerations into their day-to-day decisions, in terms of where, how, and what is used to conduct business. Energy consumption, energy sources, water consumption, waste management, source of materials, disposal of materials, travel options and sustainable alternatives etc. These decisions are all material to the overall impact. That said, the social element is as equally important, i.e. ensuring employees are treated fairly, are protected, and are given the opportunity to progress and develop. Internal initiatives and processes promoting diversity, equity and inclusion are prevalent.

Integrated Risk Management Approaches

Sustainability is often linked to environmental preservation and continuity; however, this concept encompasses various other factors that could impact the long-term existence of entities. Businesses are adopting a holistic view of sustainability, with recognition of its significant impact on their processes and procedures, as well as fulfilment of their strategic objectives. More companies are adopting an Enterprise Risk Management (ERM) approach, which identifies, assesses, and mitigates sustainability risks alongside other potential risks.

Achieving corporate resiliency in times of continuous disruption and change has become crucial for ensuring long-term operational continuity and growth. Hence, more businesses are developing an integrated risk management approach, as risks are interconnected and do not exist in silos. Such approach will support businesses in understanding their everchanging risk landscape, as well as the internal and external factors that could impact it. This will consequently enhance their internal resiliency against unexpected, potentially catastrophic, circumstances.

Transitioning Insurance Markets

Given the global uptake and growing significance of sustainability across sectors, the insurance market is undergoing a transitional shift in priorities and strategic objectives. The market is facing increasing pressure from varying stakeholders, such as regulators, investors, clients, and even employees, to adopt sustainable practices. The pressure exacerbates as carriers become further exposed to activist scrutiny and pursuit. Insurance carriers are integrating sustainability considerations into their decision-making processes, underwriting activities and investment approaches. However, the current trends vary across market players, as each carrier exhibits a different level of maturity along the transition journey. There are various ongoing efforts to reform existing insurance products to offer sustainable solutions, ultimately contributing to the insureds' own sustainability targets and aspirations.

Whilst it is not a common theme in the market, a selected number of insurers are offering additional capacity, reduced rates and/or enhanced terms to businesses with established sustainability practices and effective ESG guidelines. Using third-party ESG rating agencies or internally developed rating tools throughout the underwriting process, to assess the sustainability and performance of businesses, has also been observed across a number of insurers. High scoring businesses may receive additional capacity for specific lines of insurance, or capacity under established ESG syndicates.

Another evolving approach is offering clients sustainable indemnification options, such as promoting the use of sustainable materials for remediating property damage or replacing total loss vehicles with hybrid or electric alternatives. Insurers are increasingly seeking opportunities contributing to the global energy transition, such as supporting businesses across renewable energy projects' lifecycle. In addition, providing risk management services to identify, assess, and mitigate the impact of sustainability risks, as well as supporting insureds in their own transition, are also on the rise.

There are inconsistencies across the market in how sustainability risks are assessed and addressed. Some have developed a referral system for businesses within sectors deemed as "high risk" or "sensitive", by which the outcome determines the level of risk the insurer is willing to assume, if any.

Lastly, sustainability is playing a core strategic role in building an insurer's investment portfolio. Some markets are using a portion of premiums for investing in sustainable opportunities, which also contributes to the insureds' sustainability aspirations, as they become indirect contributors to the development and execution of "green projects".

Assessing the impact of sustainability related risks have been proven to be difficult, especially when examining social and governance factors. Hence, the market is continuously looking for new methods and metrics to track performance and quantify the overall potential impact. For example, Lloyd's has recently partnered with Moody's Analytics, to develop a new solution to quantify the level of greenhouse gas (GHG) emissions across the carriers' underwriting and investment portfolios. This solution aims to support carriers in meeting their reporting obligations, through adopting an enhanced assessment criteria[9].

In brief, the trends in the UK market will continue to evolve in line with the implementation of sustainability considerations across sectors, driven in high proportion by the shifting legislative landscape and the growing sophistication in client expectations around ESG and sustainability.

9. Lloyd's (2023). Lloyd's and Moody's to develop an emissions accounting solution through the Lloyd's Lab. Retrieved from here

Closing statement

Frédéric Durot, Managing Director Global P&C and Edouard Marron, Managing Director Global Specialty

Companies are being confronted with an increasingly interconnected, globalized and volatile macroeconomic and geopolitical environment.

Businesses are facing new challenges, and the need to adapt to the ever-changing risks to which they are exposed is real: carbon footprint reduction, natural events, cyber-attacks, and the physical and financial risks associated with climate change. The diversity and changeable nature of these risks mean we must constantly adapt to new regulations, in particular by implementing new social and environmental governance systems.

This transformation is taking place against a backdrop of post-Covid global inflation and the economic consequences of international tensions. The diversity and complexity of this landscape is having a major impact on risks, prevention and insurance arrangements, whether in terms of transfer or self-insurance. More than ever, the role of the broker is crucial in helping companies understand these risks and their implications. Diot Siaci Corporate Solutions offers practical and meaningful solutions to assist clients, regardless of their size, business sector or geographical location.

Rising interest rates, higher material prices and significant increases in energy costs are having a global financial impact that varies from industry to industry. The international insurance market has not been spared, and it is essential to master the data required for sophisticated analysis in order to remain relevant, efficient and competitive in terms of both pricing offerings and conditions.

In spite of variations across the different insurance lines and regional markets around the world, some trends are emerging:

- Property Damage, mainly influenced by the increase in exposure and claims for natural events, is experiencing an uneven situation in Europe and the UK, between risks considered attractive and those that continue to be subject to surcharges driven by the unprecedented upsurge in reinsurance treaties at the end of 2022.
- The Third-Party Liability market is stable in terms of capacity but is seeing a moderate increase in rates and the development of underwriting rejections for certain activities or risk types (PFAS).
- Construction capacity remains stable but rates are increasing on average by double-digits.
- Financial Lines offer a broader spectrum, with a stable market and pre-COVID capacity in the UK but remain under pressure with moderate rate increases in continental Europe and sensitivity to claims intensity.
- Motor fleets are also suffering from inflation in the average cost of claims and deteriorating road safety indicators.

Overall, we are seeing a disciplined market, keen to reduce portfolio volatility, with excellent results enabling some insurers to secure their positions, with significant efforts on certain risks and the return of LTAs.

In this context, we have decided to modify our operational organization in order to:

- Highlight the specialization of our value propositions through two Key Account business units.
- Promote Diot Siaci's centers of excellence (Nuclear, Energy, Construction & Real Estate, Financial Lines, etc.).
- Strengthen our Analytics capabilities with a team of actuaries and data scientists to understand the most complex risks.
- Develop our presence in international markets with a platform in the London market, the development of alternative risk transfer and the strengthening of our reinsurance activities.
- Develop consulting initiatives with a dedicated department.
- Support and enhance the availability of our technical and commercial teams.

Frédéric Durot, Managing Director Global P&C and Edouard Marron, Managing Director Global Specialty

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and at https://www.diot-siaci.com/

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