Beazley Logo

Report

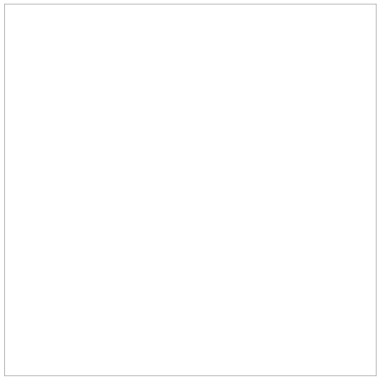
2024 Risk & Resilience predictions

December 14, 2023

Winds of Change: Time for Specialty Insurers to Step Up

In less turbulent times, price when purchasing insurance has often been prioritised. Now we are seeing a shift in attitude, which is endorsed by more than a third of the business leaders we surveyed as part of our Risk & Resilience research, who are planning to explore specialty insurance options that integrate risk and crisis management, in recognition of the mounting challenges they face.

With 33% of global business executives foreseeing they will be operating in a high-risk environment in 2024, as an industry now is the time for us to step up and support them.



Adrian Cox
CEO of Beazley

Extreme weather will continue to impact the property market

The days of the “secondary” perils, such as hail, tornado, floods, wildfires etc. are quickly ending. Increasingly, such risks are joining the ranks of the key “primary” perils, such as hurricanes, named storms and earthquakes, as extreme weather conditions continue to be more

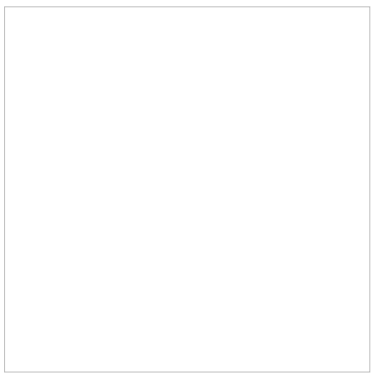
frequent and severe. While exposure changes and inflation have played a significant role in driving losses up this year, there is no denying that climate change is also a key driver of this upward loss trend. The situation is reflected in our Risk & Resilience research with 28% of global business leaders we surveyed predicting climate change will be the biggest environmental risk they face in 2024, up from 18% at the beginning of 2023.

Looking to 2024 we expect the impact of natural catastrophes to continue to change the property insurance landscape. As the property risk shifts from being commoditised to specialised, we anticipate further market consolidation and continued withdrawals from segments of the property market. The insurers that remain, and continue to underwrite profitably, will strengthen their pricing, underwriting tools and catastrophe modelling, and focus on upskilling underwriting experts in the art of anticipating the unforeseen.

Richard Montminy
Global Head of Property Risks, Beazley

Tip of the cyber ‘AI-ceberg’

The growth of generative AI and its use for both good and ill will continue to be the ‘unknown known’ risk in 2024. On the back of this rapidly developing technology, our **Risk & Resilience** research reveals that concern over cyber risk will continue to dominate business executives’ risk agendas (27% state cyber will be their key risk in 2024). Based on the growth we see, we anticipate that the cyber market will triple in size over the next three to four years. To meet this demand we need a dynamic cyber market, which includes effective solutions for catastrophe risk to enable the supply of quality capacity to the cyber (re)insurance market to increase, and meet the growing demand for cover.



Paul Bantick
Group Head of Cyber Risks, Beazley

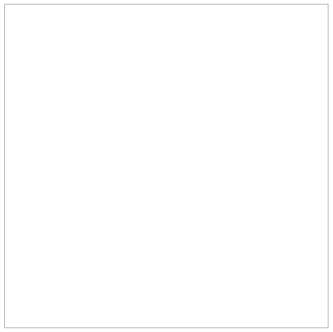
Employee and reputation risks will continue to dominate

As we look to 2024, business leaders' ability to manage employer risk remains high on their risk agenda (concern doubled this year to 22%, from 11% in 2021 according to our **Risk & Resilience** research).

This is no surprise as employee risk emerging from today's 'culture wars' is likely to accelerate next year as divisive elections take place in the US, UK and Europe.

Employee risk is intrinsically linked to reputational risk, which according to our research is also set to increase in 2024. With reputational risk much in evidence with several high-profile investigations this year, this threat topped the ranking as the risk that most concerned Risk Managers at a recent webinar we ran with RIMS in the US.

When you add social inflation and nuclear jury verdicts into the mix, boards need to focus on resource allocation, flexibility, and ensuring the tone from the top is appropriate. Getting this right will be the difference between success or the erosion of trust and lasting, or even fatal, damage to their organisations' reputations.

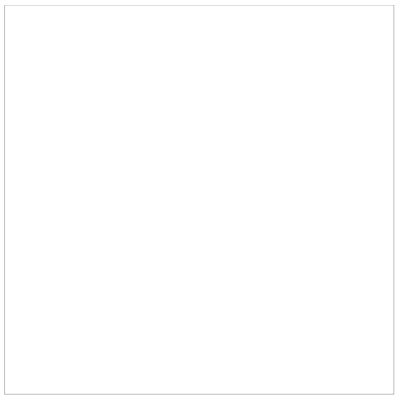


Bethany Greenwood
Group Head of Specialty Risks

Long-term energy transition will come more into focus for early adopters

A fifth (22%) of global business executives were focused on energy transition risk in our Risk & Resilience research in 2023, yet just 9% predicted this risk would be a significant concern next year. While progress is being made towards realising longer-term goals of weaning economies and industries off their reliance on fossil fuels, it would be premature to suggest that the risk of failing to do so has been mitigated. For industries such as marine, the scale of the long-term energy transition challenge means these early adopters focused on transition require the support of the insurance sector.

Progress will be incremental and the innovations required to enable mariners and other industries to meet their 2050 energy transition goal will require active engagement from insurers in 2024. Securing short-term solutions such as logistics and digitisation efficiencies remains, understandably, the focus in 2024 for most but this is increasingly moving towards a longer-term transition.



Tim Turner
Group Head of MAP Risks

Cyber catastrophe bonds will play an increasingly important role

The last 12 months have seen the creation of the market for cyber insurance-linked securities, following the first-ever cyber catastrophe bond that we launched back in January 2023. We hoped that this would lead to growing interest in these transactions, bringing in the additional capacity needed to meet the growing demand for cyber insurance from businesses and society. So, it has been pleasing to see other cyber catastrophe bonds get off the ground this year. As we look to 2024, we predict that we will see an increase in the number of cyber bonds launched as the market evolves, grows, and moves more mainstream.

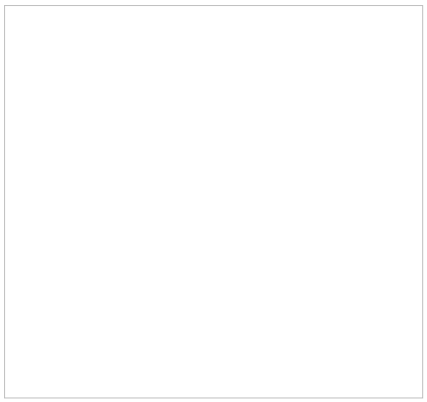
Paul Bantick
Group Head of Cyber Risks, Beazley

Geopolitical instability, elections and the economy remain in the spotlight

Geopolitical instability will continue to dominate headlines, boardroom agendas, and the focus of many businesses and nations globally. As we enter 2024, our Risk & Resilience research shows that nearly a quarter of businesses surveyed (24%) believe that geopolitics will be a key risk that they must navigate. The ongoing war in Ukraine, the conflict in Gaza, and the potential for flare-ups in the Straits of Taiwan and Hormuz means this belief is highly prescient.

Alongside geopolitical risk, ongoing economic uncertainty continues to be a key source of concern for one in four (25%) global executives. The economic environment and heightened risk of insolvencies across supply chains have prompted greater awareness of trade credit insurance and the security it confers, and I anticipate that this is an area that will continue to grow next year.

The rampant global inflation that dominated 2023 shows signs of dissipating, but political risk will remain in the spotlight. Food and energy costs are likely to stay persistently high, which may prompt local and national unrest in developing countries, government defaults, and the seizure of foreign assets, particularly from newly installed populist regimes.



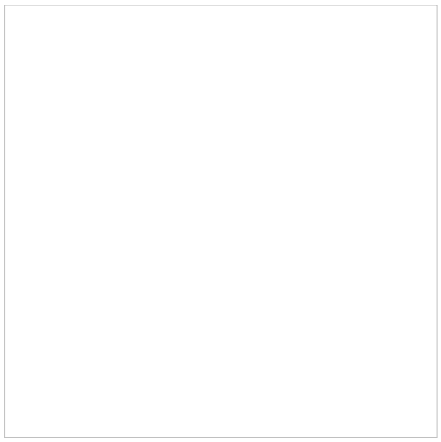
Roddy Barnett
Head of Political Risk & Trade Credit, Beazley

The complexity of ESG regulations set to increase next year

From the Sustainable Finance Disclosure Regulation (SFDR) to the Sustainability Disclosure Requirements, the alphabet soup of Environmental, Social and Governance (ESG) compliance, disclosures and frameworks will continue to increase. Our **Risk & Resilience** research shows that concern over ESG risk remains elevated going into 2024 with over a fifth (22%) of global business leaders continuing to rank it as a top concern. At an industry level, business leaders in the financial services sector felt most exposed with unease over ESG risk jumping from 17% in 2023, and predicted by 23% to be a bigger issue in 2024.

In 2024, international firms face the spectre of a presidential election in the US with an uncertain outcome on which way the ESG regulatory wind will blow. Meanwhile, the EU continues to accelerate with its own ESG regulatory plans and the Corporate Sustainability Reporting Directive (CSRD) comes into force from 1st January 2024. Resulting in approximately 49,000 firms being subject to EU sustainability reporting requirements next year.

For firms stuck in the middle of this asymmetrical evolution of ESG rules, the complexity and scope of new and emerging regulations are likely to be high on their risk agenda next year. The divergence in the approach taken by global regulators will inevitably lead to complications in compliance and the potential for legal challenges down the line, along with inevitable D&O liability claims.



Gerard Bloom
Head of International Specialty Lines, Specialty Risk, Beazley

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