



City of Warrenville  
RE: 2025-2026 Insurance Renewal  
November 11, 2025

Gallagher is pleased to present this year’s terms for the city’s Property, Casualty, and Workers Compensation renewal. Our team is extremely satisfied with the premiums, terms and conditions presented in the proposal despite the ongoing difficult market conditions.

The insurance marketplace for public entities in Illinois has been stabilizing for the past year and we anticipate this trend to continue into next year. The primary cost drivers causing rates to increase for public sector risks can be categorized into some of the following areas:

- Catastrophic weather-related losses throughout the country.
- Larger Workers Compensation payments and settlements
- Auto Liability and Physical Damage claims continue to rise for the fifth consecutive year.
- Employment Practices and Law Enforcement Liability claim payments are increasing.
- Higher litigation and settlement amounts.
- Medical expenses continue to increase for all liability and Workers Compensation claims.

The Public Entity insurance marketplace will continue to correct itself. We are optimistic that the worst may be behind us. We will continue to keep you aware of emerging trends throughout the year.

The City has performed well from a risk management perspective in FY2025.

**Exposure Comparison:**

Exposure	Expiring 2024-2025	Renewal 2025-2026	% Change
Total Insured Values	\$35,078,789	\$36,924,356	5.26%
Contractors Equipment	\$3,209,085	\$3,491,360	8.80%
Number of Vehicles	63	67	6.35%
Vehicle Values	\$3,859,241	\$4,106,959	6.42%
# of FT Employees	75	77	2.67%
Total Payroll	\$9,428,014	\$9,710,856	3.00%

The City’s exposures have increased across the board which has impacted with renewal premiums.

In spite of the overall exposure changes and an increase in certain claims, we were able to obtain a slight decrease (-0.21%) in renewal premium. This renewal is better than what we see in the marketplace for cities and villages in Illinois.

## Premium Comparison

Line of Coverage	Expiring 2024-2025	Renewal 2025-2026	% Change	\$ Change
Property	\$46,664	\$52,946	13.46%	\$6,282
Package	\$123,351	\$139,095	12.76%	\$15,744
Equipment Breakdown	\$4,545	\$4,840	6.49%	\$295
Crime	\$1,793	\$1,765	-1.56%	-\$28
Cyber	\$13,227	\$13,272	0.34%	\$45
Fiduciary	\$6,845	\$6,828	-0.25%	-\$17
Work Comp	\$398,471	\$374,408	-6.04%	-\$24,063
Agency Bill Admin Fee	\$0	\$500	N/A	\$500
<b>TOTAL</b>	<b>\$594,896</b>	<b>\$593,654</b>	<b>-0.21%</b>	<b>-\$1,242</b>

The City of Warrenville has received a \$15,105 safety grant from your Workers Compensation carrier, IPRF (Illinois Public Risk Fund). The City and its' appropriate staff have committed a strong effort to reducing both severity and frequency of losses.

We appreciate the City's work in providing timely renewal information and schedules and look forward to continuing our relationship with the City of Warrenville.

We wish everyone a safe and healthy end to 2025!

Your Gallagher Team,

*Rich Stokluska*

**Rich Stokluska, ARM**  
Area Senior Executive Vice President

*Kate Reens*

**Kate Reens**  
Client Service Supervisor

## "2025 Insurance Market: Opportunities Rise Amid Moderating Rates and Increased Competition

The 2025 insurance market offers many opportunities, especially for clients who have faced difficulties in tough conditions. Thanks to strong insurer profits and solid capital positions, carriers are once again competing with greater capacity. The outcome? A more active market and better prospects for buyers everywhere.

### Key observations:

- Rate increases on certain lines continue to moderate for most buyers.
- The current market is becoming more competitive, especially in previously stressed segments. This is particularly true for large property insurance, where abundant capacity and increased competition are leading to rate decreases.
- Insurers are generally pursuing growth with disciplined underwriting, but the market is becoming more segmented, featuring many different micro-markets based on client size, product, industry, and geography. Each of these micro-markets presents its own opportunities and challenges.

### Market Opportunities for Buyers:

#### 1. Reinvest Savings into Risk Resiliency

- Recognize the cyclical nature of the insurance market and reinvest premium savings into proactive risk prevention and mitigation efforts/initiatives.
- Strengthen internal risk controls, safety programs and loss prevention strategies — such as third-party engineering assessments and telematics — to improve long-term insurability and pricing leverage.
- Enhance organizational readiness for disruptive events by investing in business continuity strategies such as emergency response planning and supply chain risk management.

#### 2. Refine Program Design and Risk Financing

- Broaden coverage terms by negotiating fewer exclusions, expanding definitions (e.g., insured, claim, occurrence), and broader territorial scope.
- Secure multi-year deals to lock in favorable pricing and terms for 24-36 months, especially in D&O and Property where capacity is plentiful.
- Consolidate fragmented placements to maximize scale, streamline operations and enhance pricing and service.
- Re-evaluate retentions to match current pricing trends and decrease volatility.
- Implement deductible buy-downs in property and casualty to make lower-layer pricing more competitive.
- Add buffer layers to reduce pricing volatility and improve excess tower structures.

#### 3. Expand Alternative Risk Transfer

- Leverage the evolution of captives from specialized to mainstream solutions, now accessible to a broader/wider range of clients.

- Offer parametric solutions for exposures such as natural disasters or supply chain issues where traditional coverage might not be sufficient.
- Structure blended or multi-line/multi-year programs to attain pricing stability and capital efficiency.

#### **4. Strengthen Strategic Carrier Engagement**

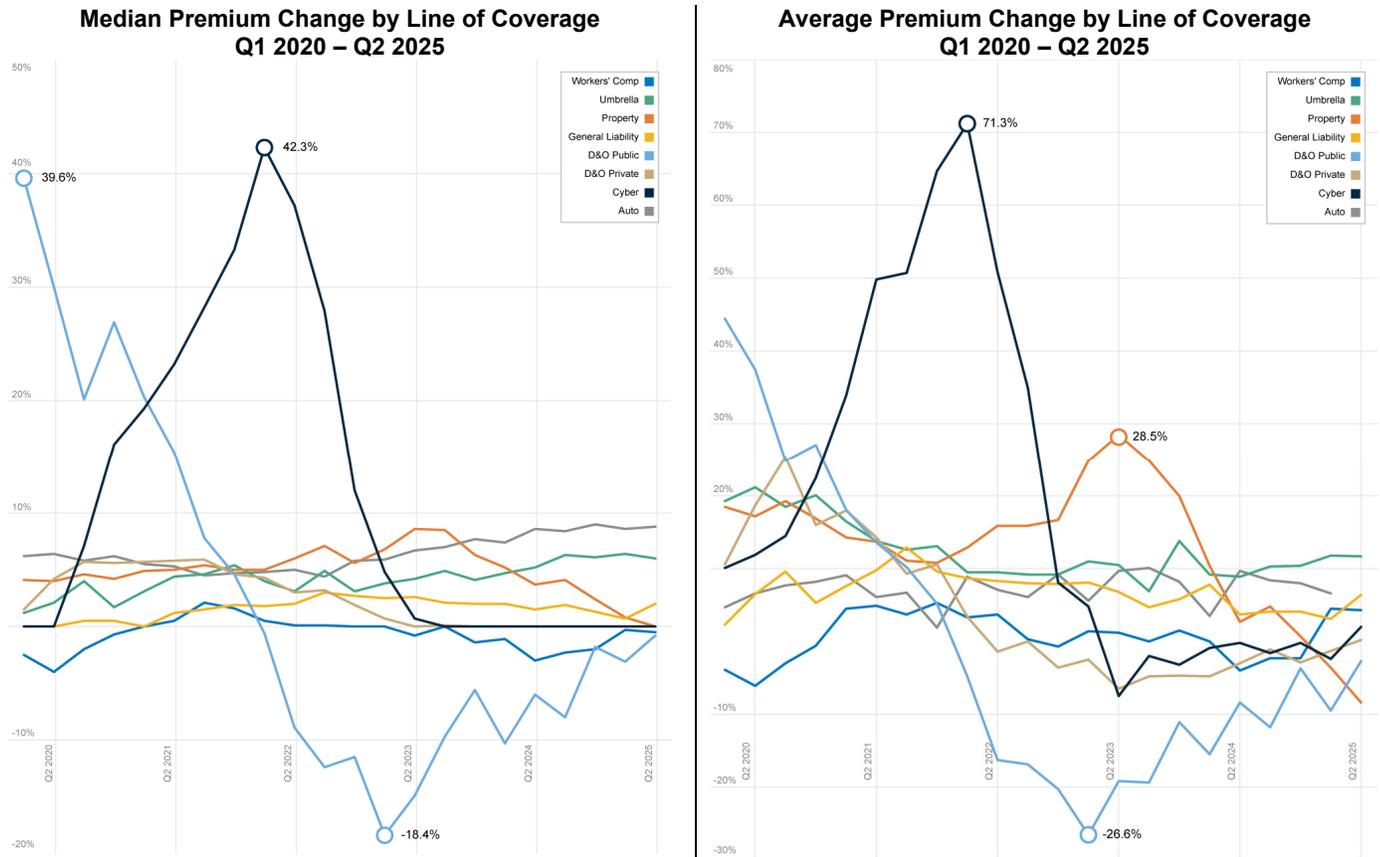
- Re-engage with carriers re-entering previously exited lines to access new capacity and competitive terms.
- Negotiate value-added services such as risk engineering, claims advocacy, and analytics support as part of the placement.
- Establish long-term partnerships with key insurers to promote stability and flexibility in future market cycles.

#### **Challenges and considerations**

Strong carrier earnings have a significant influence on current market dynamics, and the length of this favorable environment remains uncertain due to multiple headwinds. These include slowing rate increases, rising loss costs, less favorable or even adverse prior-year reserve development, potential economic issues such as tariffs, inflation, and declining investment income, along with the risk of major disruptions. Catastrophe losses could quickly shift insurer risk appetite and the competitive landscape.

#### **Recommendations for buyers:**

- Recognize the cyclical nature of the market and prioritize strong, long-term partnerships with insurers and providers such as brokers, TPAs, etc.
- Clients should maintain close communication with their broker to understand potential shifts in carriers' capacity, pricing and appetite.
- Understand the increasing segmentation of the market into the micro-cycles specific to size, product, industry and geography.
- Prioritize providing comprehensive and timely data to their broker, as this is paramount for achieving favorable outcomes. For less attractive risk profiles, engage in transparent discussions about both strengths and weaknesses.
- Explore alternative risk transfer options, as they might provide broader and more flexible coverage compared to standard markets.



## What we're monitoring: Five Trends

As we progress through the first half of 2025, several key trends are shaping the insurance landscape, influenced by major catastrophe events, technological advancements, geopolitical challenges, and economic uncertainty. We are closely monitoring five significant areas:

- Interest Rate Impact:** Higher interest rates are allowing carriers to generate significant investment income, boosting overall market performance. If interest rates fall, investment income may decrease over time, putting pressure on earnings and possibly leading to rate increases.
- Excess & Surplus Market Growth:** The E&S market is expanding, defying trends where businesses moves back to admitted markets. Indicators like premium growth and submission activity show ongoing expansion. Carriers are growing and encouraging clients to stay by using innovative strategies that offer more flexibility and freedom from existing market rules. Clients should understand this shift allows carriers to set their own terms and prices, but it may also result in less favorable conditions and limited leniency. Non-admitted carriers benefit from increased flexibility, helping them establish necessary prices. The market is expected to remain dynamic, with carriers investing heavily in their E&S capabilities to structure programs effectively for pricing and coverage.
- Social Inflation:** In a May article published in *The Insurer* titled [Tort Reform Picks Up Steam in the Southeast](#), it stated that across the United States, tort reform has gained momentum in state

legislatures due to concerns about the economic impact of litigation on businesses. States like Florida, Georgia, Louisiana, and South Carolina have passed laws to address frivolous lawsuits, nuclear verdicts, and liability costs. These reforms aim to promote fair civil justice, increase transparency in third-party litigation funding, and improve product liability laws. While these changes have a positive effect on risk management, plaintiff's attorneys may try to expand liability theories.

- **Property market relief:** The property market is experiencing decreased premium rates and abundant catastrophe capacity, fueled by insurer profitability and competition. Despite an estimated \$40 billion wildfire loss, property treaty reinsurance renewals exceeded expectations, providing rate relief to catastrophe-driven programs. Quality submissions and current property valuations remain essential for securing favorable terms in this dynamic environment.
- **Investment in AI increases while attitudes on risk lag:** Companies must actively invest in managing the surge in AI adoption, even as perceptions of associated risks fall behind. AI-related threats, such as model drift, data poisoning, and flawed outputs, present significant risks across industries like healthcare and finance, potentially causing substantial losses. There are increasing concerns that these AI-related losses could become the next "silent cyber," affecting traditional insurance lines such as employment practices liability, medical malpractice, and product liability. Furthermore, as the regulatory landscape tightens with state and federal rules addressing AI-driven discrimination and emerging issues, organizations need to align their risk management strategies with the fast pace of AI innovation.

The evolving property and casualty insurance market presents a prime opportunity to work with an experienced broker to strengthen your risk management strategy. The key trends discussed above highlight the need for proactive planning to navigate emerging risks and opportunities. By staying ahead of these changes, you can secure optimal coverage, manage liabilities, and align with future market demands.

**Mark J. Stachura**  
Head of Broking, Central Zone

**Linton B. Puckett**  
Vice President  
Market Relations Leader

## Property

The property market is currently favorable to clients, a situation not seen in nearly seven years, marked by abundant capacity across domestic, London, Bermuda, and global reinsurance capital markets. Insurers have increased their risk appetite and capacity, resulting in lower prices compared to the peak of the hard market. Property treaty reinsurance renewals have been more favorable than expected, despite a significant wildfire loss earlier in the year. The ample property catastrophe capacity and falling premium rates are driven by insurer profitability and the desire to retain existing clients and support growth.

Catastrophe-driven layered and shared programs, which previously faced significant rate increases, are now benefiting the most from current market conditions, with oversubscription driving competition and resulting in significant rate relief. Single-carrier placements are also experiencing benefits, although results vary by geography, size, and competitive market conditions. While single-carrier and standard market placements have been slower to adapt, some continue to impose modest rate increases, particularly for placements non-renewed by standard markets.

This favorable market presents an opportunity to reduce or eliminate non-concurrent terms and conditions that arose during hard market conditions. Although property valuation is less of a pressing issue, maintaining current valuations is crucial to avoid surprises during claims or if market conditions shift unfavorably. Quality submissions remain important, and presenting a complete risk profile to the markets is essential for success.

Here is what else we are seeing in the property market today.

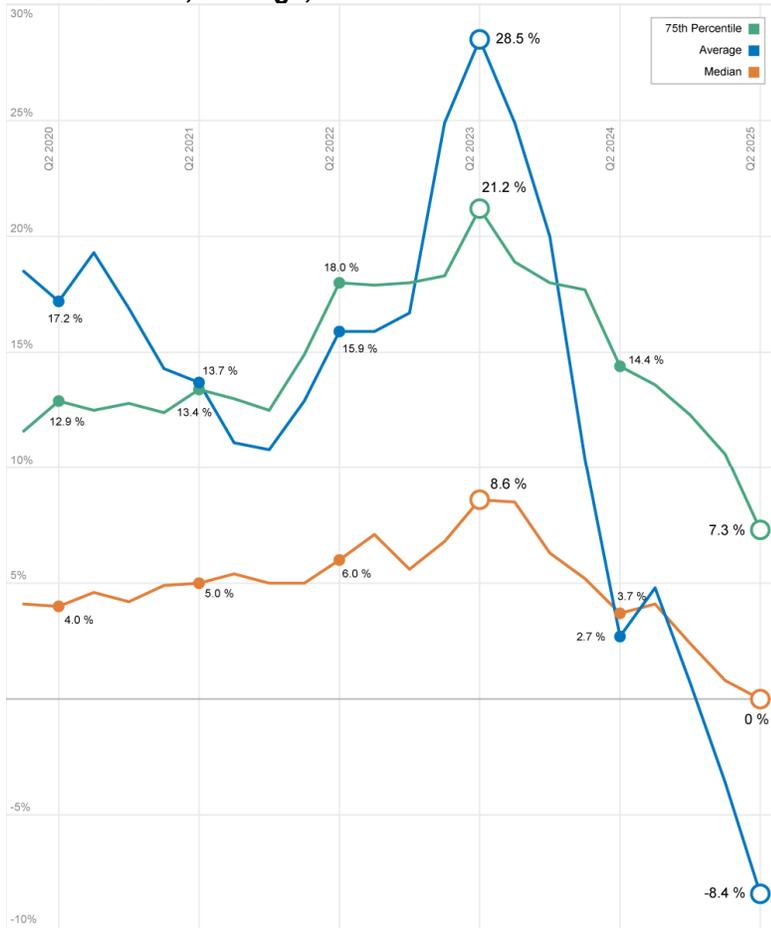
- According to the first half of the year 2025 Gallagher Re Natural Catastrophe and Climate Report, the cost of property reinsurance decreased by an average of 10-15% during the June 1 and July 1 renewal periods, which included the Florida market. However, not all areas saw the same reduction, as some specific regions had different pricing changes.
- Property catastrophe capacity remains abundant, with premium rates falling despite wildfire losses, driven by insurer profitability and the goal of retaining existing clients and supporting continued growth. (Source: Gallagher Re Natural Catastrophe and Climate Report)
- In early 2025, US natural disasters resulted in \$151 billion in global economic losses and \$84 billion in insured losses, mainly caused by wildfires and convective storms. There were 14 billion-dollar events, primarily in the US, the fewest since 2019.
- Whenever possible, insureds should take advantage of the current favorable environment to improve their commercial property coverage by increasing coverage limits and improving deductibles where possible. Non-concurrent terms and conditions can be lessened or eliminated, and in certain instances, outsized hard market deductibles can be reduced.
- While property valuation seems less of a hot-button issue, keeping property valuations current is critical to avoiding unpleasant surprises when a claim occurs or if market conditions shift and become less favorable.

- Catastrophe-driven layered and shared property programs that bore the brunt of rate increases over the recent years are benefitting most from rate decreases after enduring high increases during the hard market peak. Recently, single-carrier placements and standard businesses, initially slow to react, are now more open to reducing rates to maintain or grow their portfolios.
- Severe convective storm (SCS) losses continue to be a leading cause of insured losses in the United States. Unlike hurricanes or earthquakes, SCS events occur more frequently across a wide geographic region and can be challenging to model. Carriers are trying to manage their exposures to severe convective storms, as damage caused is almost on par with primary perils like hurricanes and earthquakes. This represents a significant change in how they approach risk assessment and pricing. We see standard markets moving away from that business and shifting toward the E&S markets. Policyholders now share more of the risk by taking higher deductibles and potentially limited coverage.
- Although insurance rates have decreased, insurers are exercising discipline with deductibles, terms, and conditions, showing restraint despite increased market capacity. New capacity is entering the market, especially from MGAs, but there is caution regarding the quality and financial stability of these new entrants. Additionally, the current favorable market conditions could quickly change if a significant catastrophe event occurs. (Source: Insurance Insider)

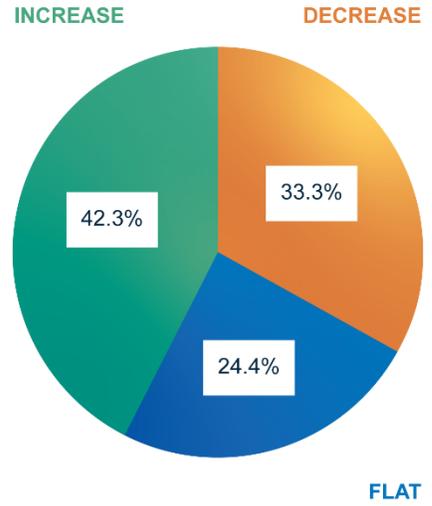
## **Navigating the Market Effectively by Improving Your Risk Profile**

- As these less predictable, larger events occur, the more clients understand their exposure to a particular peril and can take steps to address it. This could include loss mitigation, pre-disaster planning, or hardening of their assets. Essentially, it's about protecting assets and your business. Understanding what can happen in different geographic areas and addressing those risks specifically with better data and action.
- The extent to which an insured will benefit from current market conditions depends on their risk profile and claim history. Specific industries and types of property are challenging regardless of market conditions. Quality submissions continue to matter, and presenting a complete risk profile to the markets is essential.

**Property Premium Change  
Median, Average, and 75<sup>th</sup> Percentile Over Time**



**Q2 2025 Property  
Gallagher – US Clients**



“We’re in a client-friendly property marketplace. There continues to be plentiful capacity in the market, with a willingness to offer rate reductions almost across the board, especially for layered and shared catastrophe-driven programs.”

**Martha Bane**

Executive Vice President, Managing Director  
Property Practice

## Casualty

### The Market Overview: Casualty remains challenging amid broader market softening

Although certain pockets of the commercial insurance market are softening, third-party liability lines continue to face persistent and rising loss trends. This keeps casualty insurance a major challenge for most buyers.

### Key Factors Influencing the Market

Several drivers are shaping the current commercial casualty insurance market:

#### *Social Inflation and Litigation:*

Insurers continue to face negative outcomes in liability lines, driven by large verdicts and aggressive legal tactics that push loss costs far beyond typical economic inflation. A major challenge for insurers is that they can no longer rely on historical loss data to accurately forecast future trends, complicating their efforts to develop precise pricing models for the risk.

#### *Commercial Auto Challenges:*

This line remains a difficult placement and the primary source of underwriting losses for the industry. Rate increases continue to be significant for almost all insureds, driven by severe accidents, high repair costs, and a persistent driver shortage. This segment shows no signs of substantial improvement.

#### *Umbrella and Excess Liability:*

While overall market capacity remains adequate, underwriters are deploying it cautiously. They carefully manage the limits they offer on any single risk and often require higher attachment points for coverage to take effect. Clients of every size are affected by this trend.

\* For large risk management accounts, building a coverage tower that previously needed five carriers might now require 10-15, as each insurer offers smaller limits.

\* Many middle-market clients, especially those with favorable loss histories, have not yet faced these significant capacity reductions, but that trend is expected to change as market discipline continues.

#### *Ongoing & Emerging Risks:*

Underwriters are adopting a more rigid stance on complex exposures. They now commonly use more restrictive language and outright exclusions for risks such as abuse and molestation, human trafficking, PFAS, and assault and battery—often applied proactively even to clients without obvious exposure. At the same time, carriers are working to evaluate their potential exposure to several rapidly evolving risks, including artificial intelligence (AI), nanotechnologies, and autonomous vehicle systems.

#### *Workers' Compensation:*

This line continues to be a top performer and remains attractive to buyers. Insurer profitability and strong reserve positions have maintained a competitive environment, with most clients seeing flat or declining

rates. This stability is supported by positive underlying trends, including a 5% drop in lost-time claim frequency in 2024, extending a significant long-term improvement.

## Insights by Line of Coverage

Here's a more detailed look at some key commercial casualty lines:

**Commercial Auto:** Expect continued upward pressure on premium rates in the +7 to +15% range. Businesses with fleets of any size — especially those with Hired and Non-Owned Auto (HNOA) exposure — must demonstrate best-in-class safety protocols, including a relentless focus on driver safety programs, telematics and careful fleet management.

**General Liability:** Premium rates remain in the low-to-mid single +1 to +10 range. Underwriting remains stringent, particularly for high-risk industries like construction and hospitality.

**Workers' Compensation:** This remains the most stable and competitive casualty line. Most buyers can expect rate changes between -5% and +2%. Its consistent profitability makes it an attractive line for insurers, often used as leverage in negotiations for entire accounts.

**Umbrella and Excess Liability:** This coverage line poses significant challenges, especially for clients with prior loss histories and complex exposures. To secure appropriate limits and the best available terms, it is crucial to submit strong underwriting packages that clearly highlight your risk profile. Current rate guidance falls within the 5-15% range.

## Navigating the Market Effectively by Improving Your Risk Profile

In this evolving market, proactive risk management and a strategic approach to your insurance plan are more crucial than ever.

**Focus on Loss Control:** Implementing and maintaining robust fleet safety programs and loss prevention measures can significantly improve your risk profile, leading to more favorable insurance terms.

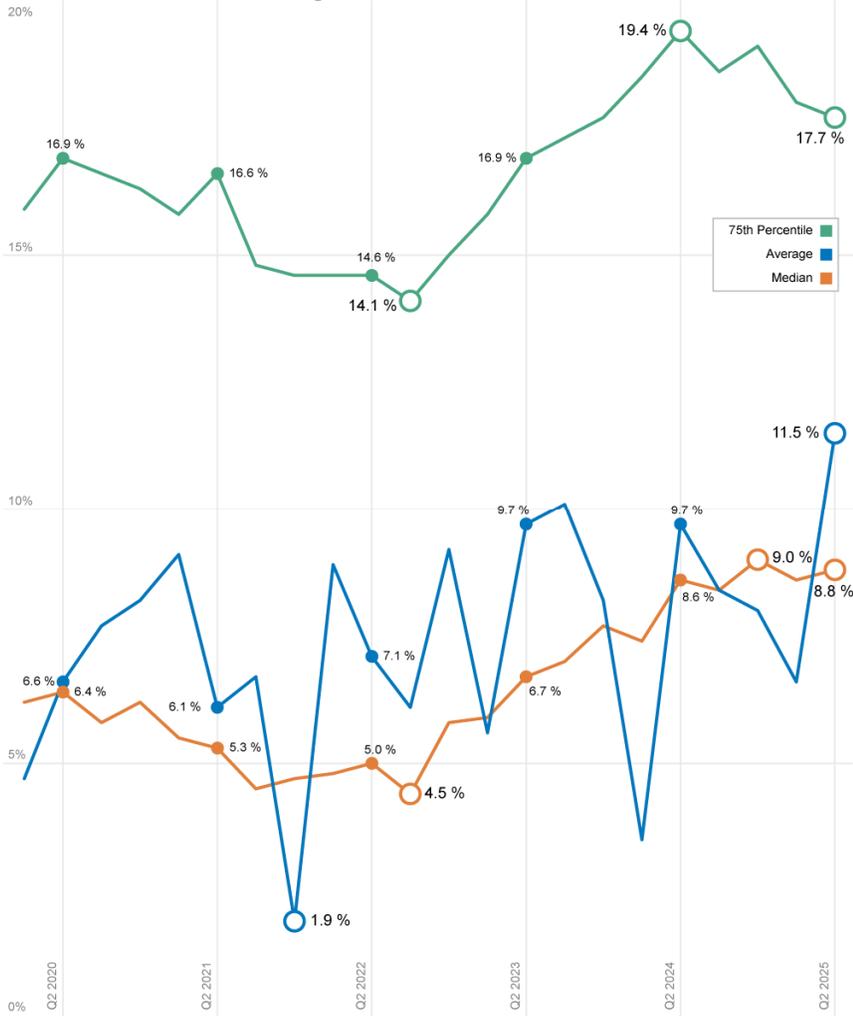
**Provide Comprehensive Information:** Detailed and accurate information about your business operations, risk management practices, and loss history is crucial for underwriters to accurately assess your risk.

### Sound Renewal Practices include:

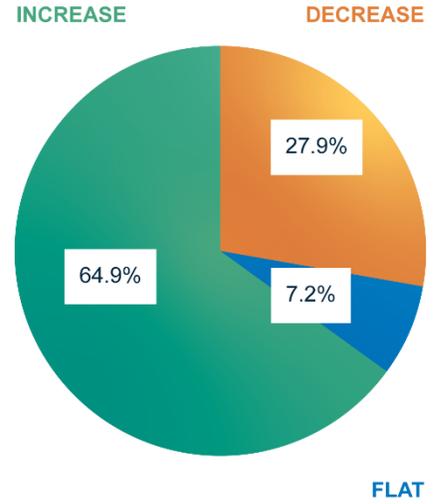
- ✓ Start renewal early, seek multiple options
- ✓ Provide robust data points, safety initiatives and tell your story
- ✓ Data is critical for Auto lines – drill down on details (type of auto, radius, locations, total mileage, telematics, MVR's)
- ✓ Review more relative exposure basis – i.e. mileage vs. fleet size
- ✓ Invite carriers out to meet risk team (see operations/safety)
- ✓ Access full market: retail and wholesale, look for Auto specialty markets
- ✓ Explore different deductible levels and potentially corridor deductibles
- ✓ Entertain a three-year structured solution

Although the moderation of premium rate increases in certain lines offers some relief, the underlying factors driving the casualty market will persist throughout 2025. We are committed to staying ahead of these trends and providing you with the guidance and support needed to enhance your risk profile, which can result in a decrease in your overall cost of risk.

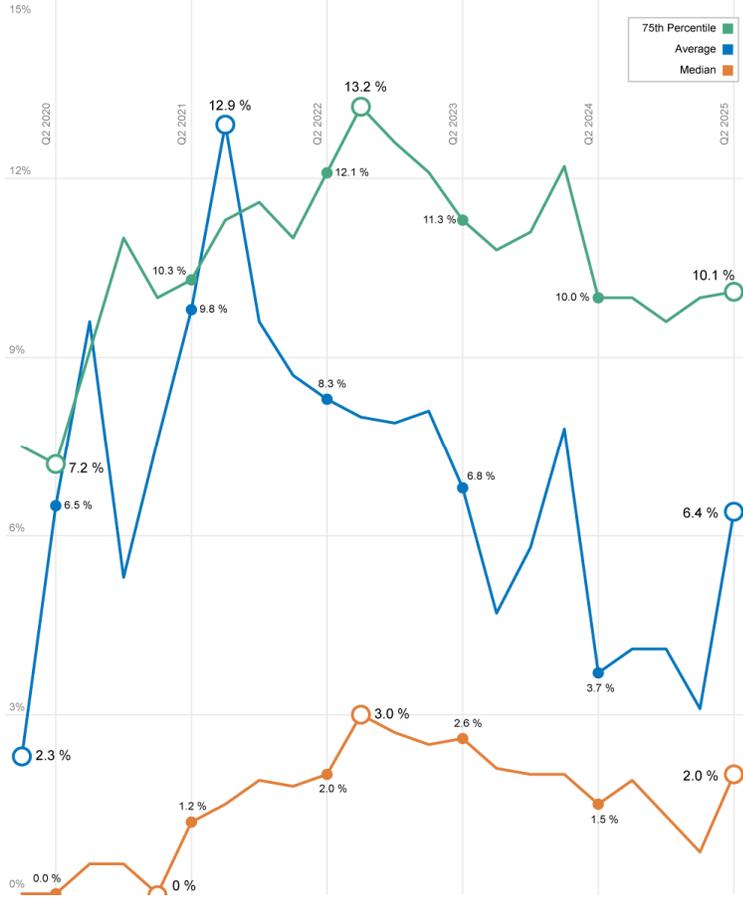
**Commercial Auto Premium Change  
Median, Average, and 75<sup>th</sup> Percentile Over Time**



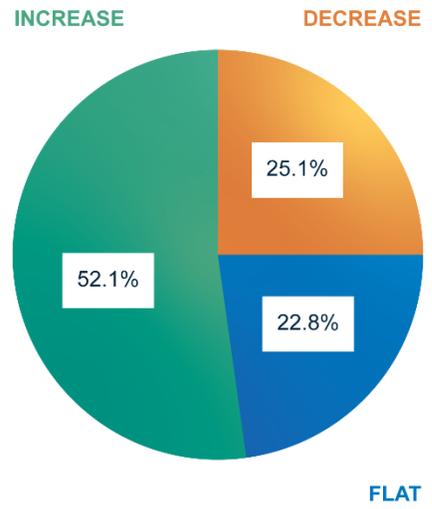
**Q2 2025 Commercial Auto  
Gallagher – US Clients**



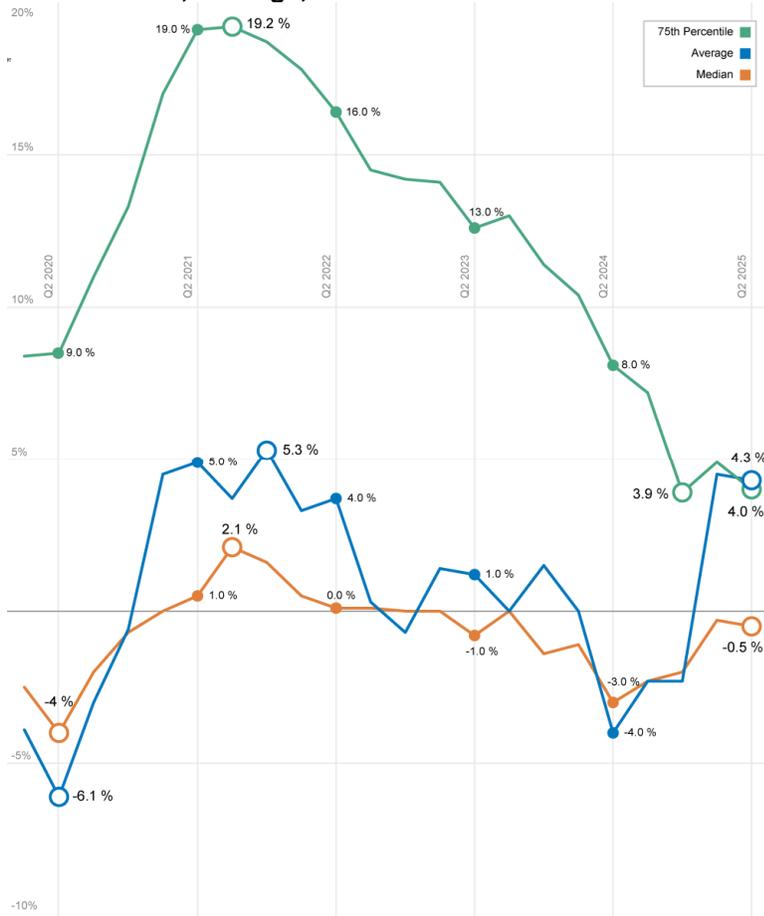
### General Liability Premium Change Median, Average, and 75th Percentile Over Time



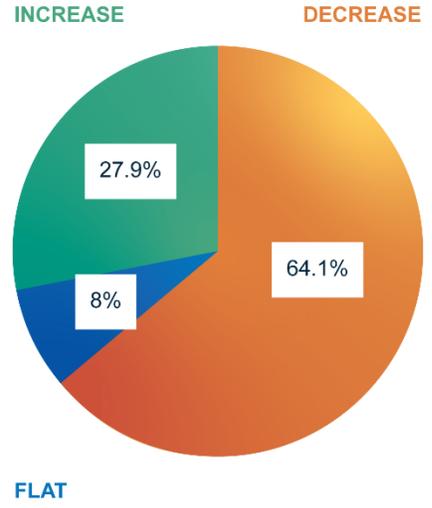
### Q2 2025 General Liability Gallagher – US Clients

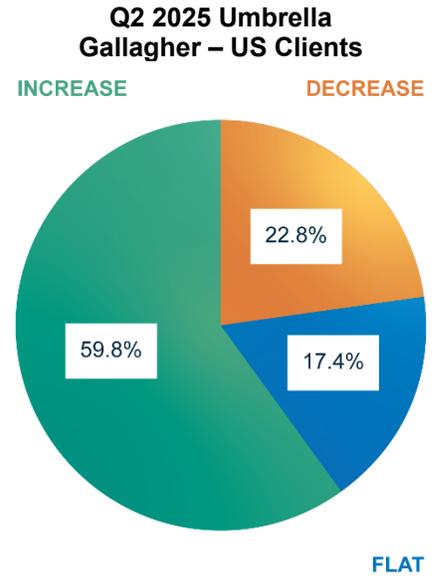
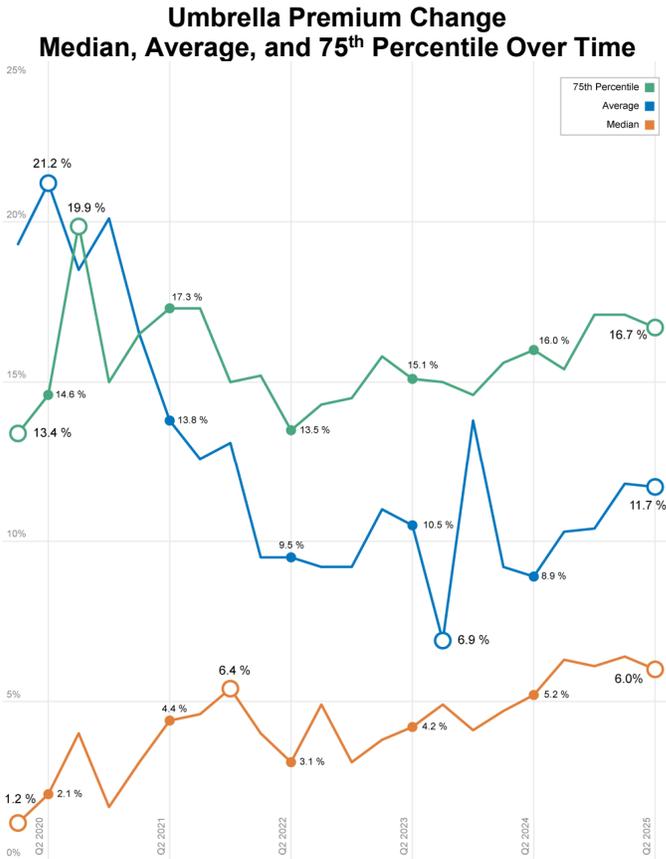


### Workers Compensation Premium Change Median, Average, and 75th Percentile Over Time



### Q2 2025 Workers Compensation Gallagher – US Clients





“Lead umbrella rates continue to rise in the mid-teens, with \$5 million lead limits now standard and \$10 million-plus tranches becoming increasingly rare. However, the excess casualty market has become slightly more competitive over the past few quarters, with rates stabilizing after peaking in the fourth quarter of 2024. Some insurers have completed remediation and are cautiously seeking growth, while new entrants are expanding options in the mid-to-high-excess layers. Nevertheless, any moderation in the broader casualty market could be short-lived in an environment with uncertain inflationary pressures. Some of these unknown inflationary pressures include:

Social inflation (example, nuclear verdicts, litigation funding)

- Macroeconomic inflation (example, wage growth, healthcare costs)
- Tariff-driven inflation (example, auto repair, healthcare, and construction materials)

These inflationary factors may push casualty loss cost trends upward further, challenging insurers’ ability to adequately price premiums to risk.”

**Mark J. Stachura**

Head of Broking - Central Zone

## Directors & Officers (D&O)

The D&O Insurance market continues to evolve, with shifting trends in competition, capacity and underwriting strategies shaping the landscape as we move through 2025. The overall environment remains favorable for insureds, and the market is competitive in terms of pricing, with ample capacity available for all executive risk coverages. However, there is a developing trend of rate stabilization and flat renewals for specific risk profiles and industry sectors, especially in the higher excess layers. Insurers are still offering coverage enhancements to retain and attract new business. Some insurers are cautious about the rating environment, given loss trends in open claims. As we enter the second half of 2025, we believe the plaintiffs' bar will continue its 2024 pattern of bringing a steady stream of cases against mature public companies across all industries. Softer pricing may negatively impact the near-term financial performance of D&O insurers, as the reduced premium base struggles to support future claims amidst emerging or expanding risks. With the slowdown in IPO and SPAC activity and as we move farther away from the effects of the COVID-19 pandemic, the larger concern for investors is how artificial intelligence will influence and impact public companies and private companies. In addition, tariffs and economic uncertainty contribute to a capital shortage, leading to mergers, insolvencies, and layoffs.

In the public marketplace, the scarcity of new business and IPOs has intensified competition among existing public companies' insurers, resulting in better terms for the same premiums and a focus on improved coverage. D&O insurers have been offering more capacity, especially leveraging Side A placements. However, while some insurers are actively pursuing new business, others in 2025 are taking a firmer stance on renewal pricing and are willing to walk away if rates are insufficient. IPO activity is gradually evolving in the market and remains a key area for insurers. Competition is fierce, with offerings of increased capacity, competitive premiums, and retentions that differ significantly from what was seen during the 2020-2022 IPO placement era. Broker competition in the public D&O market remains intense, primarily due to the declining number of new public companies. Additionally, economic conditions within certain industries have led to an increase in bankruptcies and merger and acquisition transactions in both the private and public sectors.

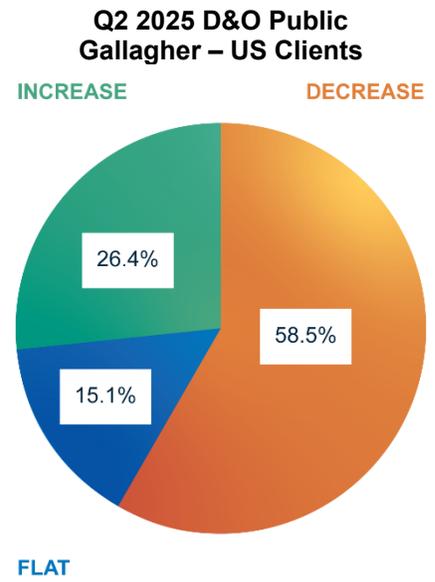
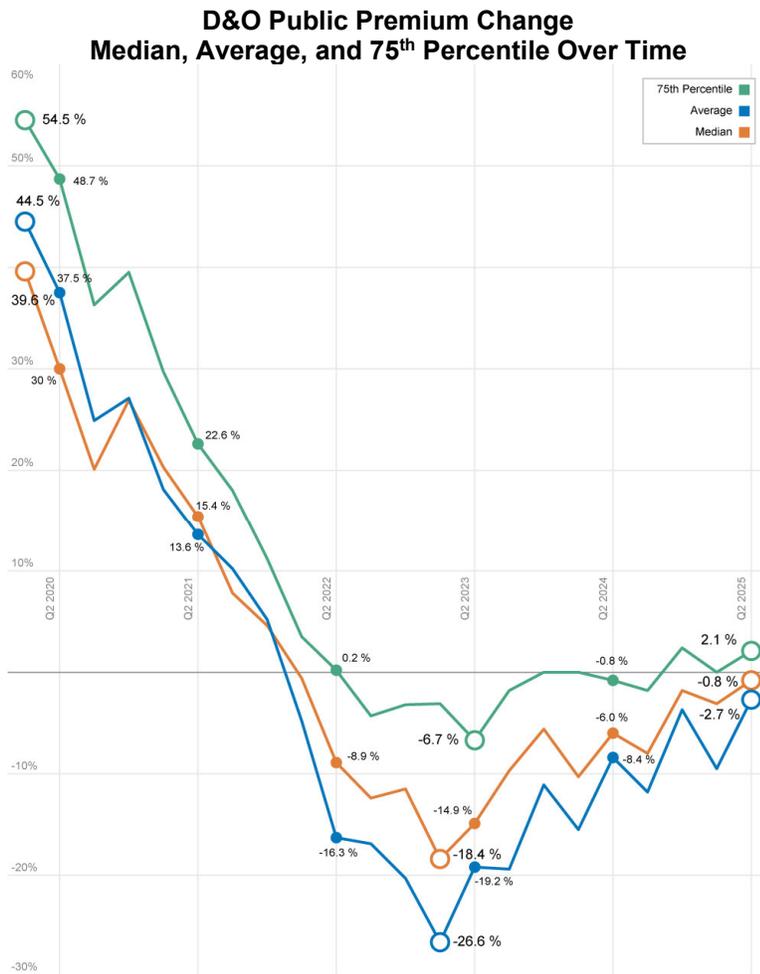
Established public company D&O markets aim to maintain stable rates, while new entrants continue to offer more competitive prices to gain market share. Rates remain competitive despite rising securities class actions and settlement amounts (Source: [Woodruff Sawyer — 2025 D&O Databox Mid-Year Report](#)). In 2024, approximately 225 securities class-action claims were filed — up from 215 in 2023 — and about 90 claims were settled last year for an average of \$43 million. The number of federal and state court securities class action lawsuits that activated D&O policies increased for the second consecutive year, reaching the highest level since 2020, with 225 filings.

On the private company side, ample capacity remains, and the marketplace is competitive in rates, with expanding terms and conditions. The number of private company insurers continues to grow with offerings from MGAs and other insurer facilities.

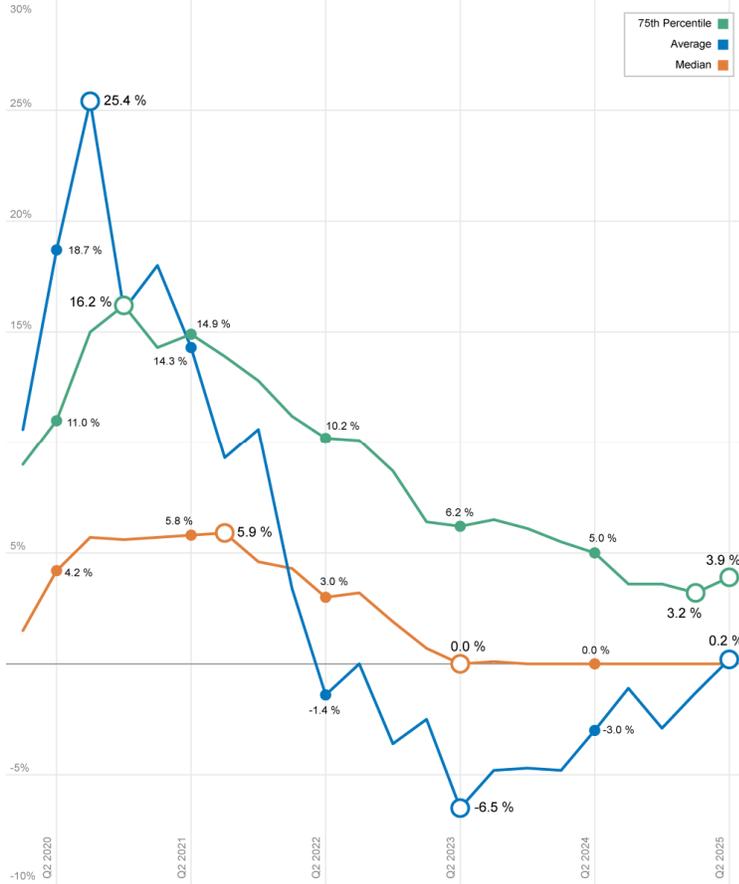
### Managing the Evolving D&O Marketplace

- **Stay ahead of risk:** Evaluate opportunities to expand coverage, such as entity investigations coverage. Ensure your protection keeps pace with evolving risks.
- **Reduce or buy down retentions:** Lower your retentions now to position your business for premium advantages in future hard markets.

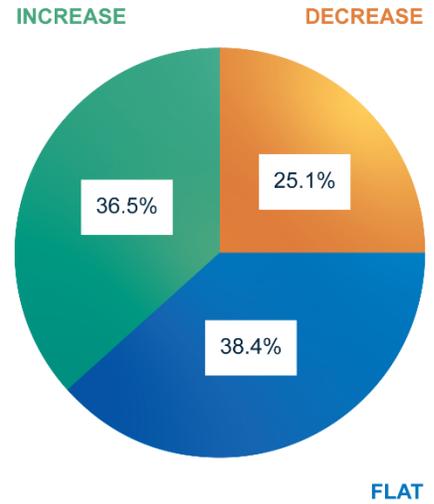
- **Consider higher limits:** Reevaluate your coverage and explore higher limits given competitive market conditions.
- **Be transparent:** In the current buyer's market, it pays for insureds to discuss their strengths and weaknesses with underwriters at renewal openly. When they do, underwriters are often willing to write policies for companies with higher risk profiles at competitive rates.
- **Lean into data:** Continue to analyze your data, benchmark performance, and strategically secure multi-year deals on the private side.
- Assess what risk to retain in the design of your insurance programs – Side ABC/Side A.



**D&O Private Premium Change  
Median, Average, and 75<sup>th</sup> Percentile Over Time**



**Q2 2025 D&O Private  
Gallagher – US Clients**



“The D&O landscape is evolving as economic uncertainty, regulatory pressures, and emerging litigation risks reshape the market. While competition remains strong, insurers are becoming a bit more selective and paying close attention to the litigation trends. Early engagement and strategic planning are essential for securing the most comprehensive D&O Programs available in the marketplace.”

**Jennifer Sharkey**

Managing Director  
Executive and Financial Risk Practice

## Cyber Insurance

The cyber market has been a buyer-friendly one for the past two years, and that trend is continuing due to increased capacity and new entrants in the space.

Cyber insurance renewal trends indicate flat to slightly declining rates, with some clients experiencing price increases due to losses. Here is what else we are seeing in the cyber market today.

- Claims activity remains steady, with ransomware and social engineering attacks occurring regularly. However, there are signs that fewer victim organizations are paying extortion demands compared to previous years. Additionally, claims related to wrongful data collection, such as pixel tracking and biometrics, have increased. Many class actions are ongoing, which tend to be lengthy and costly. As a result, underwriters often exclude these claims but may ultimately decide to cover them, subject to underwriting review. Brokers must help identify exclusionary language and advise clients effectively to show they either lack wrongful data collection exposure or have taken steps to manage the risk.
- Supply chain issues continue to be a major concern, especially for software providers. The past few years revealed multiple cyber incidents where even strong organizational controls might not have prevented a cascading loss for those organizations that relied upon these key players in the supply chain. The underwriting community faces difficulties in managing these risks because it cannot continually evaluate vendors deep within the supply chain. As a result, some cyber insurance carriers are imposing requirements for insureds to have a direct contractual relationship with the victim in the supply chain to cover an insured's contingent business interruption coverage. Others are limiting coverage for contingent business interruption coverage to IT providers only and excluding coverage for losses stemming from attacks on other third-party vendors.
- We're now facing new and more challenging threats in cybersecurity. Cybercriminals are now using advanced deepfake technology to deceive people. Threat actors use artificial intelligence and deep-learning techniques to manipulate real media to create synthetic media. They can copy someone's voice, such as a CEO, and create fake but realistic-sounding voicemails and videos. In these scenarios, cyber criminals might instruct someone in the accounting department to send a large sum of money for a fake deal quickly. This form of social engineering is far advanced than traditional attacks, where phishing emails were easier to identify due to poor spelling and grammar.

[Link to Cyber Risk Webinar Series about Social Engineering by Deepfake Technology](#)

## **Navigating AI Risks: Challenges and Insurance Implications for Organizations**

- As organizations rapidly leverage AI to harness vast new efficiencies, several potential threats may emerge, including but not limited to data bias, liability related to intellectual property, privacy liability and regulatory risk.
- While widespread AI-driven losses are not yet common, they may impact several insurance policies. The nature of these losses may trigger several policies, including but not limited to cyber, errors & omissions, product liability, medical malpractice, employment practices and other policies.
- Organizations can implement several strategies to manage AI risk. These include establishing a strong AI governance program, emphasizing transparency, ensuring data quality, improving security measures, maintaining human oversight, following ethical principles, and promoting continuous monitoring.

[Link to Risk Bulletin: AI Risk Amplified — Self-Learning Platforms | AJG United States](#)

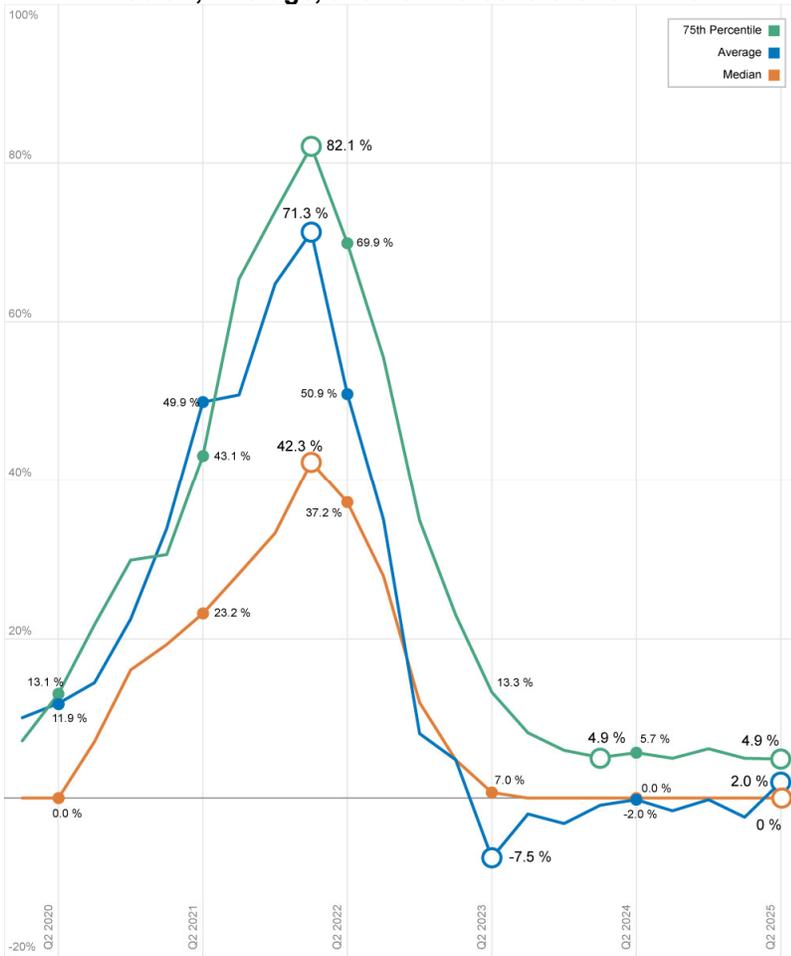
## **Navigating the Market Effectively by Improving Your Risk Profile**

Improving a company's cyber risk profile is crucial for safeguarding sensitive data, financial assets, and reputation in today's digital landscape. As cyber threats grow increasingly sophisticated, a robust cyber risk profile protects against data breaches and unauthorized access, ensuring compliance with stringent data protection regulations. By proactively addressing vulnerabilities and implementing effective security measures, companies can minimize financial losses, operational disruptions, and reputational damage. A strong cyber risk profile also enhances customer trust and investor confidence, providing a competitive advantage and contributing to long-term sustainability.

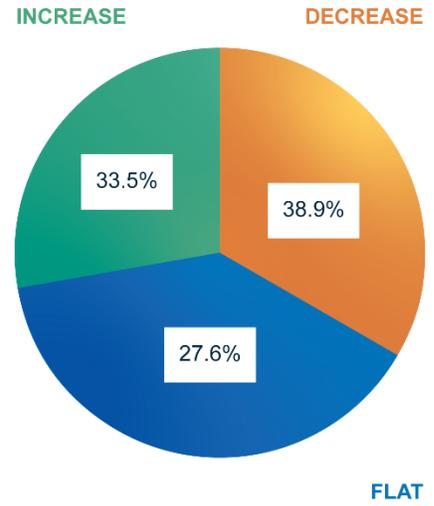
One way to ensure your company is prepared is by engaging Gallagher's Cyber Risk Management Team, which helps companies improve their risk profile by acting as an extension of their IT staff. The team works on several strategies, including addressing human error, which accounts for 80-90% of malicious incidents. By addressing cybersecurity issues stemming from inadequate technology, processes, and employee training, this team helps organizations enhance their defenses. Services include internal penetration testing, network assessments, phishing training, and tabletop exercises that simulate real-life scenarios, ensuring companies are cyber-ready before facing underwriters.

[Link to White Paper: Tips for Managing Your Cyber Security](#)

**Cyber Premium Change  
Median, Average, and 75<sup>th</sup> Percentile Over Time**



**Q2 2025 Cyber  
Gallagher – US Clients**



"In a cyber market characterized by increased capacity and fierce competition, organizations face the dual challenge of navigating emerging risks and evolving cyber insurance products. As pricing remains suppressed, companies must proactively enhance their cyber risk profiles to safeguard sensitive data, ensure compliance, and maintain operational resilience amidst complex and rapidly advancing threat landscapes."

**John Farley**

Managing Director  
Cyber Liability Practice

## About the authors

Linton “B.” Puckett is responsible for the leadership of Gallagher’s National Market Relations practice. In this role, B. is responsible for developing and managing strategic relationships with carriers and intermediaries in Gallagher’s US Brokerage division. B. leads Gallagher SmartMarket, our platform that couples data with a dedicated engagement model to enhance carrier relationship strategies. B. also leads Gallagher’s Client Advantage strategy, which partners with carriers to bring proprietary products and solutions to clients.

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## About our data

Gallagher Drive® is our premier data and analytics platform that combines market conditions, claims history, and industry benchmark information to give our clients and carriers the real-time data they need to optimize risk management programs. When used as part of **CORE360**®, our unique, comprehensive approach to evaluating clients’ risk management programs, Gallagher Drive creates meaningful insights to help them make more informed risk management decisions, find efficient use of capital, and identify the top markets with the best solutions for their risks.

\*Source: Gallagher US Client Data, January 2020-June 2025. The median represents the middle value that separates the upper half from the lower half of the data sample. The 75<sup>th</sup> percentile premium is the average of the top 25% of Gallagher clients’ accounts that experienced the highest premium increases. Please note that individual premiums may vary due to market variability and specific account characteristics.

