WHITE PAPER

2022

DiotSiaci

SUMMARY

PROPERTY DAMAGE

General trends

After three renewal campaigns marked by double-digit price hikes and significant capacity withdrawals, the upswing has begun to stall for renewals in the first half of 2022. Economic inflation and double-digit increases in the cost of reinsurance treaties have kept the anticipated premium increases to single digits, whether through pricing increases or revaluations of capital bases.

Three factors characterize the current market:

1. **Underwriting discipline** with the growing power of the insurers' Technical divisions, but also their Legal divisions. These Legal divisions have entered the game due to the numerous Covid Business Interruption claims that revealed certain legal flaws in the policies;
2. **Insurer participation remains at lower levels than before the market** recovery due to **an aversion to volatility** with regard to:

- **systemic risks** such as natural, health or cyber events, supply chain disruption, or political violence;
- **major or aggravated risks** with three adverse risks which mark the current period:
  - automated storage systems, especially horizontal picking systems such as Ocado, Autostore or Miniload, where the configuration favors fire propagation;
  - photovoltaic panels on rooftops due to fire and weather risks;
  - units for the manufacture, storage or use of lithium-ion batteries.

  The management of these risks requires robust Prevention support for our clients.

3. **Economic inflation** (see focus below).

We are, nevertheless, seeing signs of an end to the crisis:

- **Price increases slowing down or even coming to a standstill**
- **Arrival of new capacity**: four new players have entered the French market and the rise of BHSI, which arrived at the end of 2019. This influx of capacity is typical of all hard market exit phases
- **Return of competitiveness in the middle market**
- **Overplacing:** many overplacing situations have been seen since January 2022
- **Long-term agreements:** the return of 2 to 3-year agreements
- **Increase in financial interest rates** that may lead to profit leverage for carriers.

Market capacity

Market capacity, which was estimated at €5.5bn in 2020 before the "supply crisis" began, has been reduced by 30% overall to just under **€4bn**, keeping the market in a situation of theoretical overcapacity. **There remains the problem of triggering capacity on volatile exposures.** While the move towards a reduction in shares that began in Q2/Q3 2020 has continued into 2022, **it now appears to be stabilizing, with some insurers even increasing their participation slightly. We do not anticipate a decline in individual capacity for 2023**, and we may even see an increase in global capacity due to the arrival of new players, which could represent around €100m of additional capacity overall.

Developments in coverage

Insurers and reinsurers are tending to reassess the following types of coverage. Diot-Siaci is committed to combatting the move towards excluding or downgrading coverage:

- Physical damage following a Cyber event: under pressure from Treaty reinsurers, the markets are increasingly unanimous in excluding physical damage following a cyber attack except in the case of fire or explosion. However, this extension is not always granted for all cyber acts to which our clients may fall victim. The reasons for this are as follows:
  - Neither the Cyber line nor any other line sufficiently covers the physical damage resulting from these acts, leaving the insured in a coverage hole.
  - The feared physical damage scenarios in case of a cyber attack are a disruption, which for a number of reasons, will lead to a physical damage situation.

For this last reason, we are convinced that physical damage exclusion clauses will not hold up legally if a claim is made. At most, proportional rules would apply to take any aggravation into account.

- Reduction, or even exclusion, of coverage of "Strikes, Riots, etc." in some countries.
- Increasing restrictions on "supplier failure" coverage (in particular unnamed and/ or tier 2 suppliers or higher) and "denial of access" including for "administrative" reasons.
- Emergence of:
  - "Wildfire / Bushfire" limits on exposed accounts due to the 2020 and 2021 loss experience on this peril;
  - hail, following the recent events in France;
  - energy supply shutdown: faced with potential energy shortages, in the context of the war in Ukraine, an exclusion of consequences of potential gas cuts has been appearing for few weeks through reinsurance markets. If we do understand the exclusion of Non Damage BI (both ND_BI & ND_CBI), the physical damages which would arise in case of such gas shutdown may definitely remain insured. This reasoning would be the same for shutdown of any other fuel or electricity power supply.

Pricing trends

We are seeing some renewals at unchanged premium rates but this impression of pricing stability is misleading with increases of a few percent offsetting economic inflation as well as the sharp rise in the cost of reinsurance treaties.

The first half of the year did not see any losses with an individual impact of more than $10 billion (unlike 2021 with Uri in Texas), many secondary events led to a higher trend than that of the already very eventful first half of 2020. It is worth remembering the hailstorms in France from May 20 to 23, then June 2 to 5 and finally June 18 to July 4 for an estimated total of €3.9 billion (which is considerable). On an international level, there was the earthquake in Japan (Honshu in March: $2 to $4 billion), the winter storms in Western Europe (February: $3.2 to $5.4 billion), the April flood in South Africa and the drought in Brazil, all of which gave rise to more than $1 billion each.

For the Half 2 to date, the Hurricane Ian in South East of USA has had a strong impact end of september. The insured loss are estimated from 30 to more than 40 M$, that does rank Ian as one of the most costly hurricane of the history for insurance markets. That may well encourage Treaty reinsurers to increase their rates, more than outed in Monte Carlo early september.

THE PROBLEM OF ECONOMIC INFLATION

Inflation is high, almost 6% in France in July 2022 over one year. We were already seeing this phenomenon at the end of 2021 due to the shortage of raw materials and the overheating of the economy as we emerged from pandemic.

The sustainability of this phenomenon is a hot topic given the proactive policy of the central banks which are sharply raising their interest rates in order to curb consumption and contain inflation.

However, this situation impacts in a number of ways on Property insurance even though this is a so-called «short» line where inflation has less of an impact when it comes to extrapolating losses over the medium or long term.

This phenomenon affects Property insurance in a number of ways:

- A direct impact on the insurance economy arising from the increase in insured values, with no change in the level of the premiums payable by the insured population, which is detrimental to the policyholder.
- An increase in losses and the volatility of these losses for insurers, which is detrimental to them, especially in a period when volatility is precisely the sworn enemy of risk carriers.
- Economic pressure on companies due to the increase in bank interest rates and the negative impact on their margins. That leads to a reduction of leeway for general management to tolerate new increase of premium, but also to invest for both new project or fire protection systems.
- Increased pressure from risk carriers on risk representation. Capital valuation had already been on the market's radar since the start of the hard market in late 2018. This episode of inflation, coupled with the occurrence of losses in the market which revealed deficiencies in capital reporting, is causing insurers to tighten up their requirements in respect of capital reporting discipline.

Faced with this situation, Diot-Siaci works alongside its clients to:

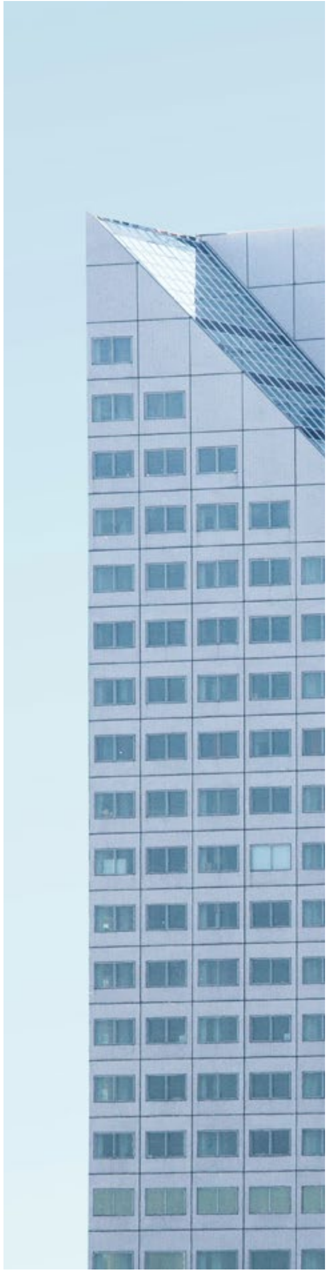
- Assist them (using digital tools) and advise them on capital reporting, a discipline that needs to be improved across the board.
- Defend contractual benefits: waiver of the average rule, value fluctuation clause.
- Negotiate with insurers to mitigate the effects of inflation. It should be noted that, for good risks, the application of market indexes above inflation (IRI +10,7% in october 2022) must be compensated, at least in part by pricing adjustments, to curb the mathematical inflation of premiums.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

Diot-Siaci's Property Damage Division will work with you to provide solutions to suit your needs: definition and negotiation of insurance contracts, implementation of policies in France and abroad, claims management and implementation of prevention measures.

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



How do we assist and support you?

We work with all companies who care about protecting their property and their results, across all business sectors.

We customize our response to protect the assets and operations of large companies, mid-caps, SMEs, and professionals.

What can we offer you?

We provide a risk analysis and placement service as well as the administration of your insurance programs covering property damage and consequential operating losses that may result from any random peril such as fire, explosion, machinery breakdown, theft and vandalism, acts of terrorism, etc. We also cover the financial consequences of these events.

What makes us different?

In the immediate but also the long-term interests of our clients, we demand high technical and financial standards with respect to the markets, but above all from ourselves, while maintaining a partnership with the risk carriers. We are passionate about the efficiency of the solutions delivered, but also their durability, to guarantee the most sustainable underwriting possible, as the volatility of insurance conditions and doubts over insurability are counterproductive for the Insured.

Our organization combines a Property Damage sector under the responsibility of Matthieu Romet with the support of the Prevention, Analytics and Reinsurance teams of the ACSP Division, where the Property Damage team is based. This support is provided across all technical lines.

No. 2 in the French market on the SBF120 and leader in some sectors, including Distribution, with strong positions in some industries: renewable and conventional energy, the nuclear sector, agri-food, logistics, and automobile and railway construction.

85 employees including 68 in Property (Production and Claims) and 8 Prevention engineers	400 clients	Approximately €400 million in premiums collected	500+ policies ranging from mid-caps to many CAC 40 accounts

Frédéric Durot
Director of Analytics, Consulting, Solutions and Placements

Matthieu Romet
Director of Property Damage

ANALYTICS & ALTERNATIVE RISK TRANSFER

Organization and services provided

At Diot-Siaci, 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 structuring and placement of their risks.

That is why the **Analytics & Alternative Risk Transfer Division** was created in March 2022 as part of the new Diot Siaci Corporte Solutions (DSCS) organization. This division, consisting of 8 statisticians, actuaries and data scientists, is managed by Stanislas Legait and is part of the new Analytics, Consulting, Solutions and Placements Division (ACSP).

This division works on all the issues faced by our clients in the field of P&C and Marine.

The Analytics & Alternative Risk Transfer division provides the following services:

- Statistics and complex calculations.
- Actuarial and algorithmic (artificial intelligence) support to provide our clients with an insightful overview of their risks.
- Consulting and assistance in Cat Analytics and climate transition (through our partners).
- ART: promoting parametric solutions and establishing a link between DSCS's direct brokerage and the services provided by 2RS which specializes in ART engineering and captive management.

Stanislas Legait
Director of Analytics & Alternative Risk Transfer

The founding pillars of value creation

Analytics is centered around 3 pillars:

1. **Analyzing the data** to obtain a better understanding of the risk by means of insured values, loss history, exposure assessment, and scenarios (potential losses and losses already suffered in the past for 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: for multi-lines, actuarial methodology and tools are required. In addition, machine learning technologies and algorithms have evolved significantly over the last decade, allowing for more detailed analysis than what was previously possible.
3. **Reporting back on the analyses of these data** in the form of actionable levers for the Risk Manager client 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 viewpoint. For insurance lines with significant retention such as property damage, 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 (in collaboration with 2RS) or to analyze the parametric insurance of natural event risks.

Moreover, by creating an Analytics division, Diot-Siaci has further strengthened its capabilities to:

- Challenge the amount of risk transfer to insurers, especially for long-duration insurance lines with a significant reserving 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 when the retention level is adjusted.
- Assist our clients in the quantitative analysis of natural events (Cat Analytics) in collaboration with our partners.
- Improve corporate risk management (risk anticipation and management, mapping, and prevention) in collaboration with our partner Arengi and the prevention teams in the ACSP Division.

THIRD PARTY AND ENVIRONMENTAL LIABILITY

THIRD PARTY LIABILITY

General trends

The trends seen at previous renewals remain unchanged with the continuation of a conservative underwriting approach in the Third Party Liability market.

Nevertheless, in the face of the robust portfolio remediation in recent years, we are seeing a relative softening for 2023 renewals, in an environment that remains risk-averse: "Softening in hardening"!

As insurers still consider the profit and loss results (combined ratios) of the Liability line too fragile in a difficult global context (inflation and volatility inherent in systemic and geopolitical risks), the careful monitoring of portfolios and the maintenance of profitability objectives persist.

The Liability insurance market is still reacting to a combination of factors: an increase in reinsurance treaties, rising economic and social inflation, a strengthening of regulatory constraints, and an unfavorable trend in claims experience in some business sectors or geographical areas.

Major losses such as fires, the proliferation of class actions and "nuclear verdicts" in the USA (meaning verdicts whose amount is disproportionate to the actual damage caused), recurring incidents in certain sectors of activity such as the agri-food sector (contamination) or the automotive sector (withdrawal actions), the increase in the average cost of claims, or the recognition of new types of damage, are not softening the insurers' position.

This is reflected in ever-growing insurance budgets, and shrinking capacity and reductions in coverage, together with an increase in self-insurance.

We are seeing the continuous monitoring of exposures deemed volatile by insurers, as well as a demand for increasingly in-depth underwriting information. The use of liability engineering is becoming more and more frequent and necessary if more favorable terms and conditions are to be obtained, particularly in certain sectors of activity (automotive or agri-food, for example but also energy, utilities, mobility, and chemicals).

Our role as a broker in this context is decisive in supporting, understanding, analyzing, including through actuarial studies, and negotiating in the insurance and reinsurance markets in the best interests of our clients.

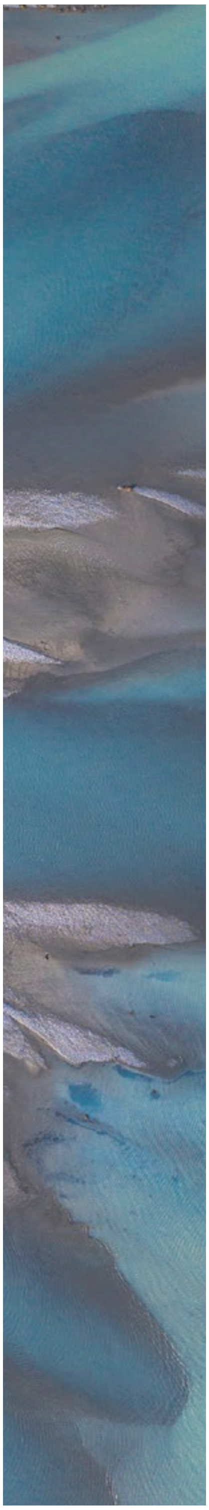
Market capacity

Despite theoretical capacity that remains significant and new players entering the French market (including Everest Insurance, the Volante Group, and VHV), insurers are pursuing their policy of adjusting their practical capacity and redistributing their shares.

This trend applies to all lines of insurance programs.

With regard to large accounts, the scarcity of offerings in lead lines, or even lead excess, persists, as well as the systematization of co-insurance.

The facultative liability reinsurance market remains active, but it is still difficult to find fronters for this additional capacity.



Developments in coverage

The systematic review of wordings and coverage continues and is reflected in the almost automatic introduction of new exclusions (PFAS, opioids, pandemics, and wildfires) or the elimination of certain exclusion buy-backs (intellectual property and specially patents) or the insurers' continuing deliberations on the design of Third Party Liability and Cyber coverage.

Damage-type coverage (prevention, recall or removal/refitting costs incurred by the insured) has been reduced, as has Non-Consequential Financial Loss and Professional Liability coverage.

Moreover, the upsurge in American automobile Liability claims has led to a significant increase in the attachment points of Master policies for this specific risk.

It is still worth noting that insurers are paying particular attention to financial interest clauses (FINC) and Sanctions and Territoriality clauses in relation to the continuing conflict in Ukraine, which strengthens their very cautious position on these matters. The majority of insurers in the French market are enforcing a total exclusion in Russia, Belarus and Ukraine, going further than the Sanctions regime for reasons of image and reputation.

Lastly, some insurers are once again agreeing to long-term policies, but most often with stricter exit/renegotiation clauses than in the past (low thresholds in terms of loss ratio or turnover variation), and even pre-pricing increases in the intermediate term.

As a result, we are selective about whether or not to recommend LTAs to our clients.

Pricing trends

The insurers' upward pricing policy persists, including for accounts where no claims have been made, and remains high for accounts which have incurred losses. It is, however, less systematic and more measured.

This trend applies to both lead lines in insurance programs and excess lines, with capacity costs (rate on line) rising as insurers pass on all or part of the increase in their reinsurance treaties on the one hand, and economic and social inflation on the other.

The actuarial models used by insurers incorporate these variables and model both the development of the ultimate loss experience, the evolution of turnover - including an aggravation factor for North American and UK exposures - and their internal costs such as reinsurance.

This upward pricing trend may result in higher premiums and/or more self-insurance, either in terms of deductibles or captive retentions.

The growing use of co-insurance across all lines of Liability programs, including lead lines, also results in price inflation which calls into question the legitimacy of insurers in refusing differentiated conditions and imposing an alignment of premiums; this remark also applies to policy wording, with each insurer keen to apply their own vision and drafting of certain clauses such as Sanctions, FINC or Territoriality clauses, and the practice of co-insurance becoming more widespread on Liability insurance schemes.

FOCUS

Given the context described above, it is reasonable to question the appropriateness of continuing or maintaining the consolidation of Liability insurance programs, whether in terms of geographical scope or types of coverage/activities.

After several decades of integrating North American risks into Liability insurance programs, insureds' exposures in the USA/Canada are becoming an obstacle to underwriting for the majority of insurers operating in the French market and are responsible for a portion of present and future pricing increases, as well as for a whole host of exclusions and practices specific to this geographical zone. Is the most appropriate solution to maintain territoriality including the USA/Canada from the first euro whatever the cost, or to isolate all or part of these risks and return to local underwriting and making adjustments to the attachment point of the Master program? The goal remains to maximize pooling in international programs without jeopardizing the overall economics of the policy.

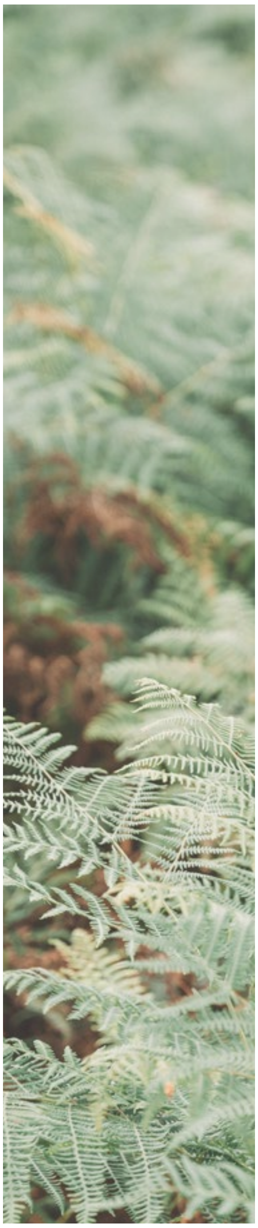
This approach can also be applied to certain types of coverage and/or activities whose inclusion in the global Liability insurance program can sometimes restrict the appetite of certain insurers and so reduce the scope of possibilities.

This is particularly true for professional liability exposures, for which the insurance offering is increasingly limited in terms of players and capacity, making placements very difficult where this risk is predominant - or even closely linked to cyber exposure - or making it necessary to isolate this specific coverage - using a sub-limit or a dedicated policy - where the exposure is less central or where there is a shortage of combined offerings (Professional Liability/Cyber for example).

This shift in the market and scarcity of supply affects other sectors such as health (clinical trial insurance and medical liability), agri-food for recall and contamination coverage, and the automobile sector, regardless of the Insured's place in the contractual chain.

This situation raises questions about a generalist insurers' market versus specialist or niche insurers, and about the ability of insurance players to adapt to the needs of industry, given that insurers' underwriting models and processes are so far removed from their policyholders' operational organizations and business models.

This escalates our search for alternative or, at the very least, supplementary program structures and capacity, particularly in facultative reinsurance through our LSN Ré Walbaum structure, an integral part of the Diot Siaci Corporate Solutions direct placement teams.



ENVIRONMENT

General trends

The Environmental Risks insurance market remains relatively competitive. Despite this favorable trend, the underwriting of coverage tailored to the exposures and activities of manufacturers, both in amounts and in scope, is not guaranteed.

Market capacity

Market capacity is stable, although there are some fluctuations in underwriting by environmental insurers as specialist underwriters move in and out of the market.

Developments in coverage

Coverage is relatively sustainable in spite of a capillary effect in terms of exclusions and clauses from other insurance lines, in particular Third Party Liability; this is reflected in PFAS, pandemic or Cyber exclusions as well as Sanctions, FINC or Territoriality clauses, similar to those applied elsewhere.

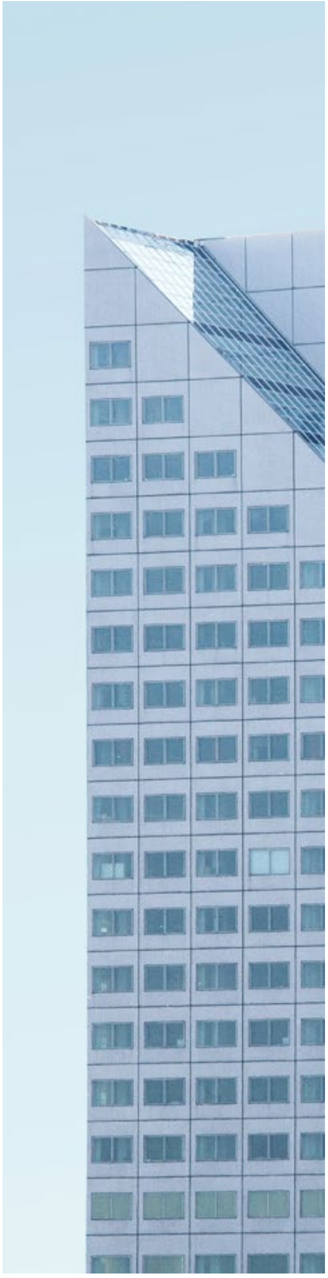
The underwriting of long-term policies whether on an annual basis or on a stretch basis (capacity smoothed over the underwriting period) persists and contributes to competition between insurers. It should be noted that some insurers in the market are now less inclined to grant stretched capacities.

Pricing trends

Pricing trends remain mostly favorable in an environment that still distinguishes between Assurpol-affiliated insurers and those offering stand-alone solutions such as AGCS, AIG, AXA XL, Berkshire Hathaway Specialty Insurance, Chubb, Liberty, and Scor.

Accounts that have suffered losses or are deemed by environmental insurers to be highly exposed are experiencing more difficult market conditions.

DIOT-SIACI'S EXPERTISE



What is our operational technical expertise?

Multidisciplinary Production and Claims teams providing our clients with a service driven by excellence and experience in the ongoing pursuit of continuity of service and delivery of our technical expertise.

How do we assist and support you?

Availability and efficient organization to best serve the operational interests of our clients upstream through our day-to-day advice and the placement of their insurance programs, and downstream in the defense of their interests should they be implicated in liability actions.

What can we offer you?

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.

What makes us different?

Our ability to challenge ourselves and think outside the box, together with our cross-functional approach to our clients' needs for a 365-degree view of their risks, not forgetting our consistent focus on reliability through the use of high-performance digital tools.

73
specialists

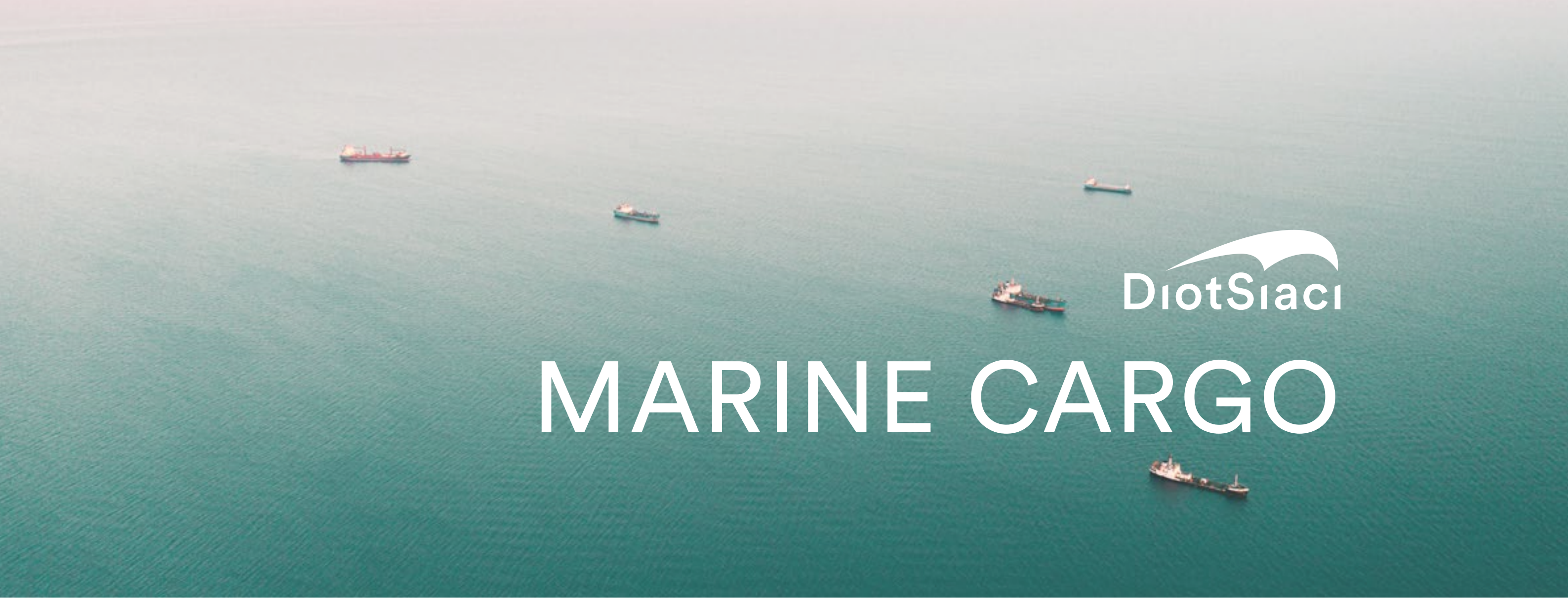
260
clients

€272 million
premiums under
management

45,000 claims
handled per year

2 areas of consulting expertise:
Production: 26 specialists
Claims: 46 specialists

Audrey Bernard
Third Party and
Environmental Liability
Director



MARINE CARGO

Key trends

Despite the particularly unstable economic and geopolitical context, the Marine insurance market continues its transition from the hard market we have been experiencing since 2021 to a “flat” market with some signs of a more competitive market that could be seen for the first time in certain sectors in 2022, especially in mid-caps and the middle market.

This cycle change is principally due to a return to positive underwriting results from 2019 on a global level and in the French market (Gross L/R < 60% in 2019 and 2020 – and the Gross L/R is close to 50% in 2021 which would be the best results for the market in the last 10 years - Source IUMI).

These good results are reflected in a significant hike in global premiums (up 8% between 2021 and 2020) which can be explained by multiple factors, including exchange rates and the impact of hard cycle increases.

This significant improvement in underwriting results, which remains to be confirmed in light of the still uncertain impact of the war in Ukraine on the marine cargo market, is allowing insurers to make premium growth and market share gain the new priority for the January 1, 2023 renewal.

The Marine insurance market is also benefiting from certain positive economic external factors crucial for the sector. World trade is growing, even if it remains uncertain due to the volatility of commodity prices, the impact of rising interest rates and the end of the stimulus measures put in place to ease the emergence from the COVID crisis. At the same time, strong investments in port infrastructure, mainly in the United States and to a lesser extent in Europe, are bringing about an increase in shipping capacity and, lastly, many sub-activities are returning to their pre-Covid crisis level.

However, we cannot really talk about a generalized soft market as underwriting standards remain high, especially in terms of coverage conditions.

Underwriting procedures are more and more subject to advanced actuarial analyses taking into consideration natural disasters and more generally including climate change in the equation. In addition, the market is affected by a growing and emerging sensitivity to reputational damage while insurers are adopting ESG principles, which include environmental and social criteria.

As we saw in 2021, the underwriters’ technical approach remains highly advanced either in the analysis of the risks or the scope of the coverage provided and it is becoming clear that a return to pre-Covid soft market practices is no longer possible.

It is in pricing and underwriting appetite that the difference can be made, as the market is once again diverging on these two aspects.

Market capacity

Rising prices, particularly in commodities, are the main factor in global growth, with a lower level of growth in volume: this inflation then generates a greater need for capacity due to the increase in the total shipped values on the same means of transport or held in storage.

However, we observe that the recent increase in available insurance capacity in the market can absorb this growth in insured value and can be seen as an indicator of change of cycle.

On the European market, we can highlight the arrival of new marine cargo capacities (Berkshire and QBE among others), but also in the London market where syndicates are taking over significant shares in the cargo market by writing large lines, particularly as lead insurer and very often at 100%.

This increase in capacity of course makes it easier to place co-insurance. After 3 years of hard market and remediation plans, some insurers are now looking to increase their share as much as they can as long they remain in line with their underwriting guidelines.

In fact, we observe that most tenders do not result in a change of lead insurer, despite the competition, which implies that insurers have to acquire premium growth mainly through participation in co-insurance.

In this respect, as highlighted in our previous annual reports, leading capacity, although it has increased over the last 2 years, remains scarce compared to the capacity available for co-insurance, and more particularly in complex segments such as commodities and large industrial accounts involving the management of international programs, high exposures in storage, and complex risks.

In these complex segments, outside the London market, we usually only find 5 or 6 potential leading players in the continental market, while more than 25 insurers can underwrite a share as coinsurers.

Developments in coverage

Between available capacity, pricing trends and scope of coverage, it is clearly the conditions of coverage that are struggling to come out of the hard market It is in fact easier for insurers to make an effort on their pricing policy than to extend their guidelines or bypass their underwriting rules to write a new risk.

In line with the new actuarial approach to marine risks, insurers are seeking to reduce the MPL (Maximum Possible Loss) and compartmentalize risks by applying sub-limits, annual aggregates, or dedicated deductibles for a certain number of clauses and risks.

Some insurers in London and France are also looking to rewrite certain clauses that tend to cover high-intensity claims, in particular the Misappropriation clauses and storage extension clauses, outside the normal course of transit.

In addition, following the war in Ukraine, the underwriting policy for War risks has changed significantly, with an initial phase of termination of war risk coverage and stricter approaches to at-risk zones, which are subject to significant additional War risks premiums or territorial exclusions that can be bought back under certain conditions.

Pricing Trends

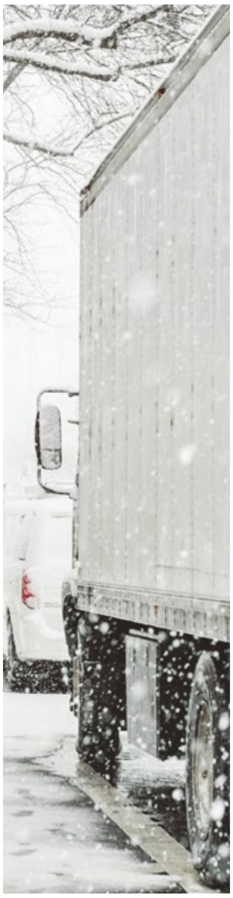
In both the large corporate and middle market segments, we have reached a plateau in terms of post-hard market pricing trends: with identical conditions and scope of coverage, price increases are no longer automatic and are only applied if the loss record justifies them.

Moreover, it is becoming less and less rare to see premium reductions when insurance tenders are launched, of course only where the claims statistics allow it, especially in the middle market segment, as the number of potential lead insurers is greater.

The context is therefore more promising as we reach the end of 2022 than in 2021, although insurers are still maintaining a cautious pricing policy for sensitive risks.

This prudent position is also driven by the increase in the number of general averages and levels of contribution that can reach 50% of the saved values. 2021 was marked by the general averages declared on the vessels Ever Given in March 2021 and NYK Delphinus and X-Press Pearl in May 2021, with the latter finally being declared a total loss. As a result, insurers are no longer considering General Averages to be exceptional events that can be spread over several years in the claims statistics, but as recurrent cases for which provisions weigh fully in the claims pattern.

It should be noted that profitability targets are much more ambitious than ever. The calculation of loss ratios have become more complex, taking into account actuarial approaches which add new variables to the calculation of the final combined ratio, particularly in relation to Nat Cat and accumulation risks in storage.



A CLIMATIC AND GEOPOLITICAL ENVIRONMENT IMPACTING THE SECTOR

Although cargo insurance is primarily concerned with covering goods in transit, static risks associated with pre- and post-transit storage also generate MPL exposure for insurers.

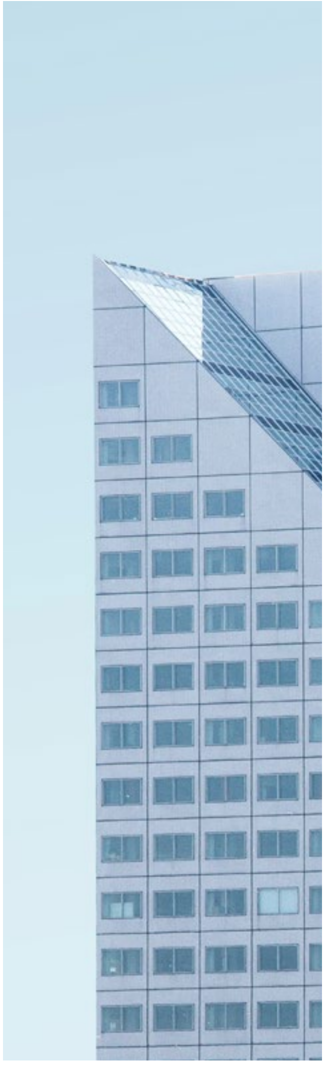
Apart from the general averages (Maersk Honam in 2018, for example), the main “market losses”, meaning those affecting a large part of the insurance market, occur more often during the storage phases where exposure to natural hazards is more significant due to the intensity of certain events (flooding in South Africa in 2022, for example) and the increase in the frequency of disasters impacting all parts of the world.

In 2021 and 2022, significant losses were recorded following the earthquake in Honshu, Japan (March 2022), storms Dudley and Eunice in Europe (February 2022) and storm Uri in 2021, and the floods in South Africa, Australia and China.

Climate change and its impacts in terms of Nat Cat exposures is therefore a major challenge for the marine cargo insurance sector and insurers are now including this long-term variable in their underwriting strategy, which is likely to reduce the soft cycles and intensify the hard ones.

Finally, cargo insurers must also adapt to the new geopolitical situation as the events in Ukraine have had a profound impact on logistics and maritime transportation, combining issues in terms of exposure to war risks and a new compliance context with complex and constantly evolving international sanctions.

DIOT-SIACI'S EXPERTISE



What is our operational technical expertise?

The Marine Cargo division supports you to secure your international trade and protect your supply chain.

How do we assist and support you?

We work with you to help you understand, analyze and better define your needs in terms of cargo insurance. The Diot-Siaci teams, who benefit from significant negotiation capacity in the marine cargo insurance markets, can guide you towards the best solution and handle the placement of your tailor-made program in France or in the international insurance market. Thanks to extensive delegated claims authorities granted by insurance companies, our claims teams are responsible for the management and settlement of your claims, and can also negotiate and secure claims recoveries from liable third parties where feasible.

Your insurance program is managed by a dedicated team who provides you with a global and comprehensive overview of your cargo policies around the world. This approach means we can support you in a flexible, proactive and efficient way on a day-to-day basis.

What can we offer you?

Extensive experience in complex international logistic issues in various sectors such as the food industry, distribution, construction, aeronautics, chemistry, energy, luxury goods, trading & commodities.

110 specialists with diverse profiles and backgrounds: underwriters, lawyers, legal experts, prevention engineers, and experts in Marine insurance and the management of international programs.

What makes us different?

We design tailor-made, cost-effective and high-level solutions and are always looking for innovative solutions to improve insurance structures and scope of coverage.

A proactive, multi-market and international placement policy, with the aim of guaranteeing our placements, diversifying our offerings and increasing our theoretical capacity.

110 staff members in the Marine Cargo division in France (Marine Cargo)

3rd Marine broker worldwide

More than US$600 million in annual premiums placed (Marine)

More than 75,000 insurance certificates per year (Marine Cargo)

Significant delegated claims authorities in France

Around 25,000 claims handled per year (Marine Cargo)

Pierre Deleplanque
Marine, Cargo & Specialties Director

Rémi Djochgounian
Deputy Marine Cargo Director

FINANCIAL RISKS

Directors' and Officers' Liability

After 3 years given over to the recovery of portfolio profitability and a review of coverage, large accounts were generally renewed on the basis of stable budgets in the second half of 2022. We have seen some increases of around 5% on large programs where there have been no claims and which have already been subject to remedial measures, due to the impact of competition generated by the arrival of new capacity (MGAs or new players in the segment) and the desire of the market leaders to increase their exposure in order to maintain or grow their portfolio.

For Q1 of 2023 we predict:

- Confirmation of the stabilization of pricing conditions (with case-by-case reductions of around 5% without the impact of inflation on this downward trend),
- the willingness of several major insurers to increase their capacity up to €25m in cross-sectional terms beyond an average attachment point of €50m,
- a potential increase in the capacity of lead insurers from €10m to €15m,
- the return of long-term agreements, the terms of which remain to be set and the interests of policyholders to be validated on a case-by-case basis in a bear market.

Lastly, we continue to pay close attention to so-called Side B deductibles which some insurers are sometimes attempting to integrate/apply more extensively than in the past.

Insurers remain highly vigilant regarding the need for and the terms of rolling out local policies in international programs. The leading players are therefore maintaining upward pressure on local premiums with restrictions related to the current conflict in Ukraine. The exclusions linked to this conflict have become widespread in Master programs (local policies no longer available in Russia, Belarus and Ukraine and the exclusion of Russia, Belarus and even Ukraine from the Master program). This situation will require an analysis of the need for local placements independent of the Master programs. The importance of compliance issues arising from the various sanctions programs complicates the renewal process, particularly in the absence of harmonized positions or processes across the markets.

Restrictions on coverage relating to the financial failure of companies could be inserted, which should only affect the subsidiaries or JVs of large groups.

Cyber

Over the last three years, lead insurers have been looking for ways to control claims and prepare for the developing impact of this risk on their portfolio. Over and above the premium increases that are essential for the most exposed players, and often systematic with no reduction in excess rates, insurers have imposed underwriting processes in terms of information and technical requirements that are sometimes difficult to meet. At the same time, insurers have repositioned their commitments, reduced to €10m, at attachment points often close to the maximum losses incurred in Europe, i.e. €30m or €50m depending on the size, activity and quality of the risk.

Analysis

- A supply crisis in a volatile market in search of stability that is facing an exceptional acceleration of the threat of systemic events and the ever-increasing frequency of ransomware attacks.
- Maximum capacity, which was around €150m in 2022, including the "competitive" contribution of the London market, could increase again by January 1, 2023.
- Capacity per insurer remains limited to between €5m and €10m in lead lines and seeking an alternative provider is difficult due to the lack of players.
- Difficulty placing lead excess lines, with very low-level reductions in premiums (90% to 100%).
- Some new players (MGAs) should gradually offer excess alternatives on good risks.
- Premium levels remain high, often forcing companies to reduce the amount of coverage taken out, due to lack of budget, if lead line premiums are significantly increased.
- The minimum deductible required has doubled on average for major risks, making it possible to maintain similar coverage with a premium increase that does not usually exceed 50%. For major risks, the average deductible is €10m. Deductibles for mid-caps are now €1m or €2m depending on the risk.
- The more frequent use of insurance captives to absorb deductibles has no impact on overall program budgets.

The decrease in capacity purchased due to a lack of budget for insurance, and which could be reallocated to cybersecurity, seems to be creating an unintended upward effect on premiums. Major risks now expect excess insurers with high attachment points to return to the lead line to share the risk with the long-standing European market leaders: AIG, Beazley, Chubb and AGCS. The decision of major risks to reduce their capacity should contribute to this development or at least to a decrease in premium rates above €30m attachment points, including deductibles.

There is perhaps a virtuous effect in this gloomy landscape in that applicants for insurance who do not meet the insurers' requirements have had to postpone their purchasing decision, preferring to review their investments in order to improve their cyber resilience. The service offering from cybersecurity providers, whether or not it is integrated with insurance, has become inconsistent and unclear. Initiatives integrating artificial intelligence and the use of benchmark data marketed by the major international cybersecurity players to quantify, analyze and manage exposure should be able to support insurers' offerings in the future. Above all, these tools should enable a degree of confidence to be established in the organization's understanding of its own risk, which would make it possible to reduce the burden of questioning by insurers and re-balance the discussion on the need for and purpose of insurance by simplifying the underwriting process.

Ransomware claims increased sharply in the second quarter of 2022 and the Russian-Ukrainian conflict led Lloyd's to introduce an exclusion for state-sponsored cyber attacks. ANSSI, the French cybersecurity agency, issued a warning as early as January 1, 2022 regarding this more worrying ransomware risk in terms of sovereignty and stability in an uncertain economic climate. We expect this exclusion to become more generalized and will therefore seek consensus on questions of burden of proof or the claims management process and the maintenance of coverage by insuring the cost of interventions by forensic experts, whether or not they remove the doubts over the origin of the attack.

Finally, there remains the question of the insurability of the ransom. Some insurers had expressly excluded the ransom from their coverage. On September 7, 2022, the French Treasury published a press release on the main conclusions of its report on the development of cyber insurance. Among the measures being considered, it stated that, subject to filing a complaint, cyber ransomware would be insurable.

Transactional Risk Insurance M&A

The insurance market for risks related to merger and acquisition transactions and Warranty & Indemnity (W&I) insurance has developed strongly in recent years on the continent, first in the Nordic countries, then in Germany and more recently in Spain and lately in Italy.

France is no exception, even though specific features still leave the option of preferring traditional escrow or even earn-out solutions.

The market has also become more structured in France, where new entrants have been able to prove themselves after many years during which the French market was limited to two or three insurers.

Market capacity

Until recently, the French market was concentrated on the few original, long-standing players, such as AIG or TM HCC. In recent years, we have seen many MGAs develop in Europe and create multidisciplinary teams of experts in several jurisdictions, including France. While new players have appeared this year, we have also seen some insurers withdraw from underwriting this type of risk, sometimes transferring their capacity to MGAs. In total, more than 12 insurers and MGAs are authorized to underwrite cross-border transactions involving a French seller or buyer, or even transactions involving only French parties. Underwriting teams have become more specialized and additional resources have been recruited by all insurers to meet the increased demand for policies in 2022. There is no doubt that this increase in supply and competition has prompted players to develop customized solutions, demonstrating an ability to adapt and innovate.

Theoretical capacity has exceeded a billion euros for traditional W&I coverage and could exceed this figure for basic warranties using specific solutions such as Title or Top-up insurance.

Most insurers remain willing to deploy capacity in excess of €20m per deal and it is possible to see placements in excess of €100m carried by only one or two insurers, particularly for pure real estate deals.

Developments in coverage

Covid-19 has had no real impact on the scope of coverage, but insurers have refocused their appetite on the least affected sectors or even those that have benefited from the pandemic (such as logistics). In contrast, the tourism and hotel sectors and the automotive and retail industries are being underwritten with greater caution and stringency.

We are seeing widespread cases of clean exits and, at the same time, the relative return of Sell Side transactions underwritten by certain insurers. On the other hand, there may be increased vigilance in terms of due diligence quality, and greater use of deductibles and de minimis clauses.

Pricing trends

At a record low at the end of 2021, with rates of 1% for the first €10 m for operational deals and 0.70% for real estate deals, premium amounts were readjusted slightly upwards during the year to reflect the increase in demand and actual risk taking on these accounts. It is possible that both the American and European claims experience will accentuate this trend in the future. The rates charged by certain leading insurers are on the rise. However, room for maneuver remains limited as competition and the arrival of new capacities do not appear to be slowing down.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

The diversity and the technical and legal plurality of our teams, combined with our experience mean the Diot-Siaci Financial Risks teams can assist and support all our clients whatever the business, size or risk profile.

How do we assist and support you?

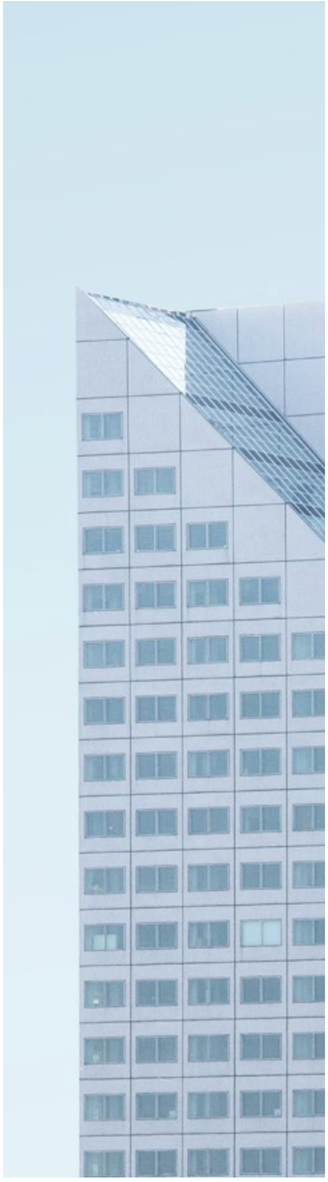
Our aim is client satisfaction. Faced with new risks and constant changes in regulations and techniques, our relationship with our clients is based on our rigor and mutual trust that makes it possible to establish long-term partnerships.

What can we offer you?

Dedicated technical teams. Proven negotiation and administration methods in both production and claims.

What makes us different?

- Robust experience and expertise
- Our capacity for innovation
- The synergy of the Production/Claims teams



4
business units

Cyber • Financial Institutions • M&A • Corporate (Key Accounts/ Upper Middle and mid-caps)

500 clients in the portfolio, including more than 100 large Cyber clients and 250 SMEs

€125m in premiums placed, including €40m in cyber

500+ claims handled per year

18 specialists

Alexandra Gavarone
Director of Financial Risks France

Mickaël Robart
International Practice Leader, Financial Risks

DIGITAL & BUSINESS INTELLIGENCE

Innovation and Digital have always been drivers for Diot and Siaci, so the coming together of our companies was an obvious move for the Digital teams, given the close affinity of their shared goal:

“How to give our clients a simple and effective overview of their insurance data to ensure maximum protection for their business?”

The quality of the data coming from the management tools is reliable and their use is controlled by the flows that feed the Reports, the MySCS Extranet and the ArengiBox RMIS platform.

All of our digital solutions are evolving and adapting to the challenges of tomorrow while preserving the values that make Diot-Siaci the leading broker in France:

- Independence of data processing, thanks to our own Data Warehouse which makes it possible to integrate external data and cross-fertilize information to carry out advanced risk analysis.
- Expertise of the Digital teams, which include Data Scientists, Actuaries, Business Experts and Project Managers specialized in insurance, to provide a business-focused overview of solutions, analysis and risk modelling.
- Innovation in the development of our digital solutions through collaborations with companies specialized in their sector to integrate the most advanced data processing and exploitation tools into our ecosystem.

The Diot-Siaci teams are developing an innovative ecosystem around a data warehouse that centralizes and exploits the growing masses of data.

Nicolas Zusslin
Director Digital Lab

MySCS Extranet

Centralize and manage your insurance information for better governance of your risks

How to centralize your risks for smooth, sustainable management of your data?

The MySCS Extranet is a portal that brings together your insurance data. **Secure** and compliant with **regulatory** standards, it allows you to optimize the governance of your risks through a simple, fluid interface.

Facilitate the capture and sharing of information

Spend more time on data analysis

Harmonize practices and reporting

Easily accessible from a PC, tablet or smartphone via a 24/7 internet connection.

A **secure portal** that centralizes your insurance data on a day-to-day basis.

The data entered by your administrators are available in the MySCS **extranet within** 24 hours.

High **quality of service**: configuration assistance, support, reporting and continuous service innovation.

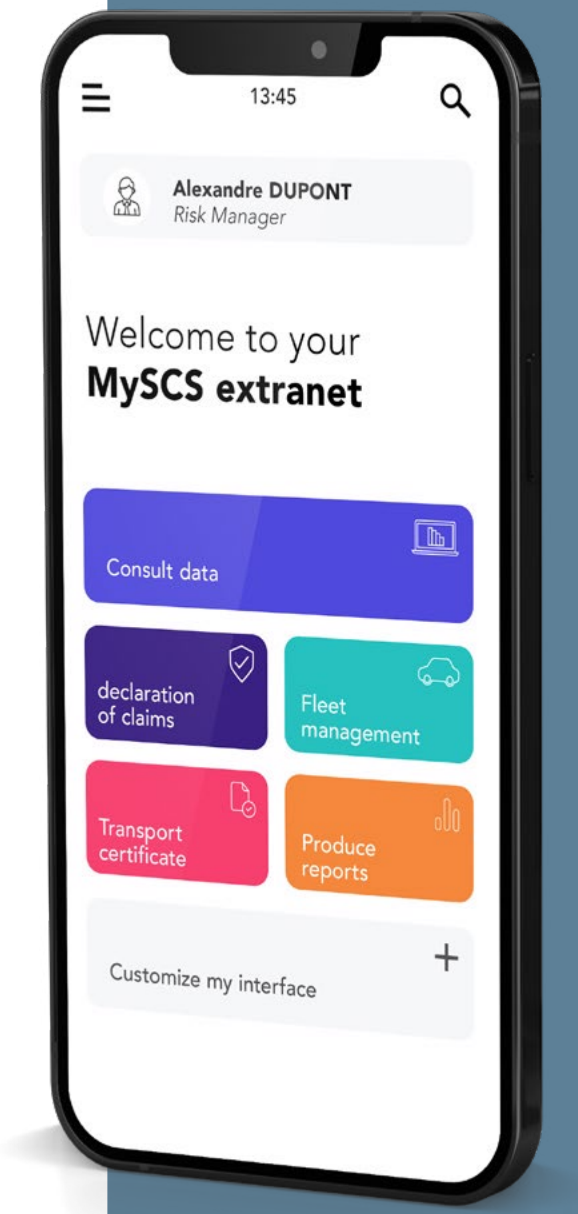
Customized access based on the **user profile** (Subsidiaries, Policies, Coverage tables)

MySCS in a few figures

24,000 +
logins per year

30,000 +
operations performed per year

2,800 +
users



ArengiBox

ArengiBox, the digital platform for risk and insurance management.

For our clients looking for a solution that is both innovative and integrated in their ecosystem, ArengiBox is the SaaS platform for GRC/RMIS launched in 2014 by our partner ARENGI, a unique market player acting as a consultant and a publisher of risk management solutions.

Through the integrated implementation of its various modules, the ArengiBox platform covers a wide range of functionalities, such as:

- dynamic presentation of risk management and internal control processes (mapping, action plans, indicators, documentation of control activities, audit, consolidation & reporting).
- complete digitalization of insurance program management: policy management (premiums & claims), data collection, collaborative monitoring of prevention visits and recommendations, management of construction sites, data analysis and consolidation, etc.

Advantages of ArengiBox:

- Easy and flexible configuration ("no code" tool) making it possible to adapt quickly to client specificities;
- Ergonomics facilitating the user experience;
- Scalability via a roadmap shared and enriched by a dynamic and growing community of clients (more than 100 to date);
- Connectivity supporting integration into the client's digital ecosystems.

Diot-Siaci, as part of its partnership with ARENGI, markets its own version of the RMIS ArengiBox, integrating its own parameters resulting from its expertise in insurance management and a native connection with its management systems. This means Diot-Siaci can provide its clients with a high-level, turnkey and flexible RMIS allowing them to streamline and optimize their management process and leverage structured, comprehensive and dynamic insurance data.

ARENGI is the number one consulting firm dedicated to risk management and governance. ARENGI supports businesses and the public sector in the design, implementation, review and evaluation of governance and risk management systems.

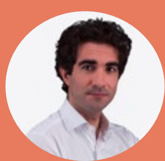
Consulting

Founded in 2010, ARENGI is a consulting firm and software company specialized in risk management. ARENGI stands out for its intervention model based on senior consultants with long-standing experience (led by the four founding Associates) and enjoys an extremely high level of business expertise (with more than 300 projects completed by our consultants). ARENGI works in a very wide range of business sectors and with a variety of companies and organizations of all types and sizes.

Its main areas of intervention cover:

- Risk analysis — including risk (and opportunity) mapping — on all scopes from the performance of the Executive Board's role covering an entire group to more specific analysis on a theme, project, site, etc.;
- Assistance with setting up risk management functions, covering aspects of governance, organization, processes, training/coaching of risk managers;
- Assessment of risk management systems, including where applicable a maturity benchmark component, drafting and support for the roll-out of roadmaps geared towards boosting, improving and strengthening risk management;
- Compliance programs with the French Sapin 2 Law — mapping of corruption and influence peddling risks, assessment of legal compliance systems regarding the latest developments in the guidelines of the French Anticorruption Agency (AFA);
- Business continuity management, in terms of business impact analysis and the drafting of continuity strategies,
- Non-financial reporting, through direct contribution to wording, and/or indirect contribution by conducting specific analyses — in particular the mapping of risks and opportunities related to climate change (TCFD framework) or ESG.

Both a consultant and publisher of the ArengiBox platform, ARENGI is able to provide resource-based consulting to facilitate activities conducted as part of an assignment, to promote and secure information exchanges and to structure and ensure the long-term operation of an approach.



Benoît Bougnoux
Associé ARENGI

For further information: www.arengi.fr

CONSTRUCTION & ENERGY

General trends

The recovery momentum in construction sector activity, which began in 2021 is being tempered by inflation. This is because the end of the Covid-19 crisis and geopolitical tensions are creating a gap between demand, which is rising, and supply, which is struggling to keep up.

Difficulties in sourcing building materials together with rocketing energy prices is slowing down building projects and increasing construction costs. The global market is once again under pressure.

At the same time, the required changes in regulations bring about new constraints leading to different construction methods and ways of operating to which the sector must adapt (reuse, renewable energies, etc.).

The insurance market is suffering the same fate, as inflation will have repercussions on premiums and claims costs over time.

Despite the renewed appetite of insurers for major projects and the development of innovative and alternative solutions (digitization, analytics, captives, etc.), economic uncertainties weigh on the sector and it will be several years before we see a return to pre-Covid-19 levels.

The complexity of the global economic context and the variety and speed of change will create a positive dynamic in which brokers will play a more decisive role than ever before with the "ultra-specialization" of their expertise to generate added value for their clients.

Market capacity

Overall market capacity remains stable, particularly for Construction "All Risks" policies, but the trend towards a reduction in the share underwritten by each individual insurer is intensifying.

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

The market is still very reluctant to cover certain risks, particularly in the field of Decennial Liability for renewable energy, innovative techniques and geotechnical activities.

Developments in coverage

In recent years, technical and regulatory developments have forced insurers to adapt:

- Construction / Erection "All Risks": coverage extension required for activities located outside of the construction site: this type of coverage is increasingly common due to assembly sites linked to industrial construction methods.
- Liability/Decennial Liability Policies: ER 2020*/ Performance commitment (energy savings and production)

  As with TR 2012* on the reduction of greenhouse gas (GHG) emissions, we can expect insurers to offer specific coverage for ER 2020. This may be either coverage of non-attainment of regulatory performance or expected production. This coverage is still generally limited and often designed to avoid the decennial liability scheme which can still be used in case of irregularities.

  Most insurers are still ruling out coverage of actual performance despite growing demand in the market.

**ER: Environmental regulation*
**TR: Thermal regulation*

Pricing trends

The French construction insurance market continues the bullish policy it began to pursue in 2020 and 2021.

The surge in the cost of building materials could not be foreseen by insurers due to its scale and speed (on average: wood up 35%, structural steel up 27%, concrete sand up 21%).

This increase in the cost of raw materials has an immediate bearing on the financial impact of claims and will probably continue to do so over time.

Following on from the increases in 2020 and 2021, we are seeing a stabilization of pricing for Construction/Erection "All Risks" and Contractor's Liability policies in 2022. To date, the cost of materials has created uncertainty as to whether this pricing stabilization will continue in 2023.

PARTNER OF THE "BOOSTER DU RÉEMPLOI" REUSE PROJECT, ER 2020

Diot-Siaci participates in the innovation groups of the "BOOSTER DU RÉEMPLOI" initiative which brings together some forty contractors who are involved in reuse on a practical level in their operations.

We bring our technical expertise to alleviate the legal and insurance hurdles associated with the reuse scheme that are shaking up both technical certainties and the usual mechanisms of liability and remedy across the chain of players in the construction process.

With 46 million tons of waste produced each year in France, the construction industry is the most polluting. In comparison, household waste represents 30 million tons of waste per year. More and more of this waste is recycled, however less than 1% is "re-purposed" or reused.

ER 2020 sets the new mandatory construction rules for construction permits beginning January 1, 2022.

The sector is preparing to move towards a mass uptake of reuse. The extension of Producer's Liability to manufacturers of construction materials should bring about a significant increase in potential reuse players and sources, with the creation of eco-organizations accelerating the phenomenon.

However, insurers remain cautious due, among other things, to:

- the lack of perspective on re-purposed materials,
- the qualification of re-purposed products, the chain of responsibility and the problems of remedy.

Insurers are careful not to adopt a position of principle on this subject. Nevertheless, the required coverage can be obtained on a case-by-case basis.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

The diversity and the technical and legal plurality of our teams, combined with our experience, mean the Diot-Siaci Construction teams can assist and support all clients, whatever the nature, size, complexity or location of their projects.

How do we assist and support you?

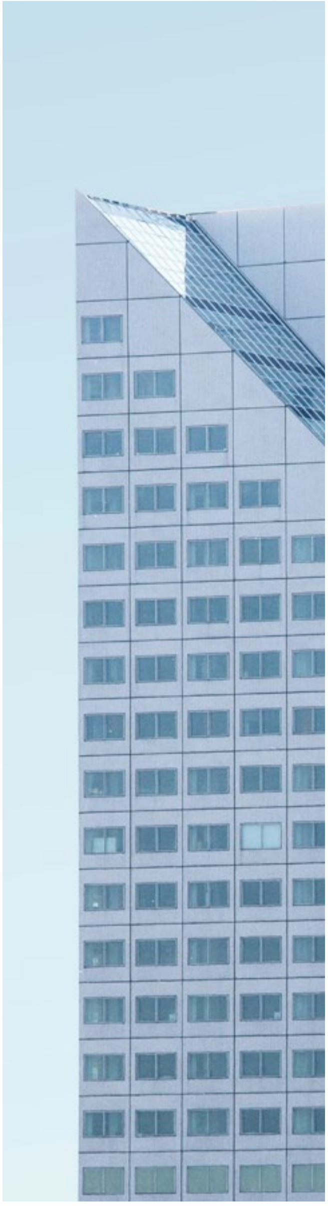
Our aim is client satisfaction. Faced with new risks and constant changes in regulations and their application, the relationship with our clients is based on our rigor and a spirit of mutual trust that makes it possible to establish long-term partnerships.

What can we offer you?

Dedicated technical teams. Proven negotiation and administration methods in both production and claims. High-performance systems and tools for meaningful analysis. Comprehensive knowledge of the construction industry.

What makes us different?

- Experience, technical, legal and contractual skills and expertise.
- Reliable data from the wide variety of our client base, the insurers and markets allow us to offer the most competitive terms and conditions at any given time.
- A modern vision of the insurance sector and an in-depth knowledge of the construction industry and its insurers.
- High-performance tools/management/control and reliability of data.
- A vision of tomorrow's brokerage in pragmatic areas.
- Specific coverage.



2 operational business units combining Production and Claims

105 specialists

450 clients

€ 185 million premiums under management

+22,000 claims handled per year

Edouard Marron
Director of Construction & Energy

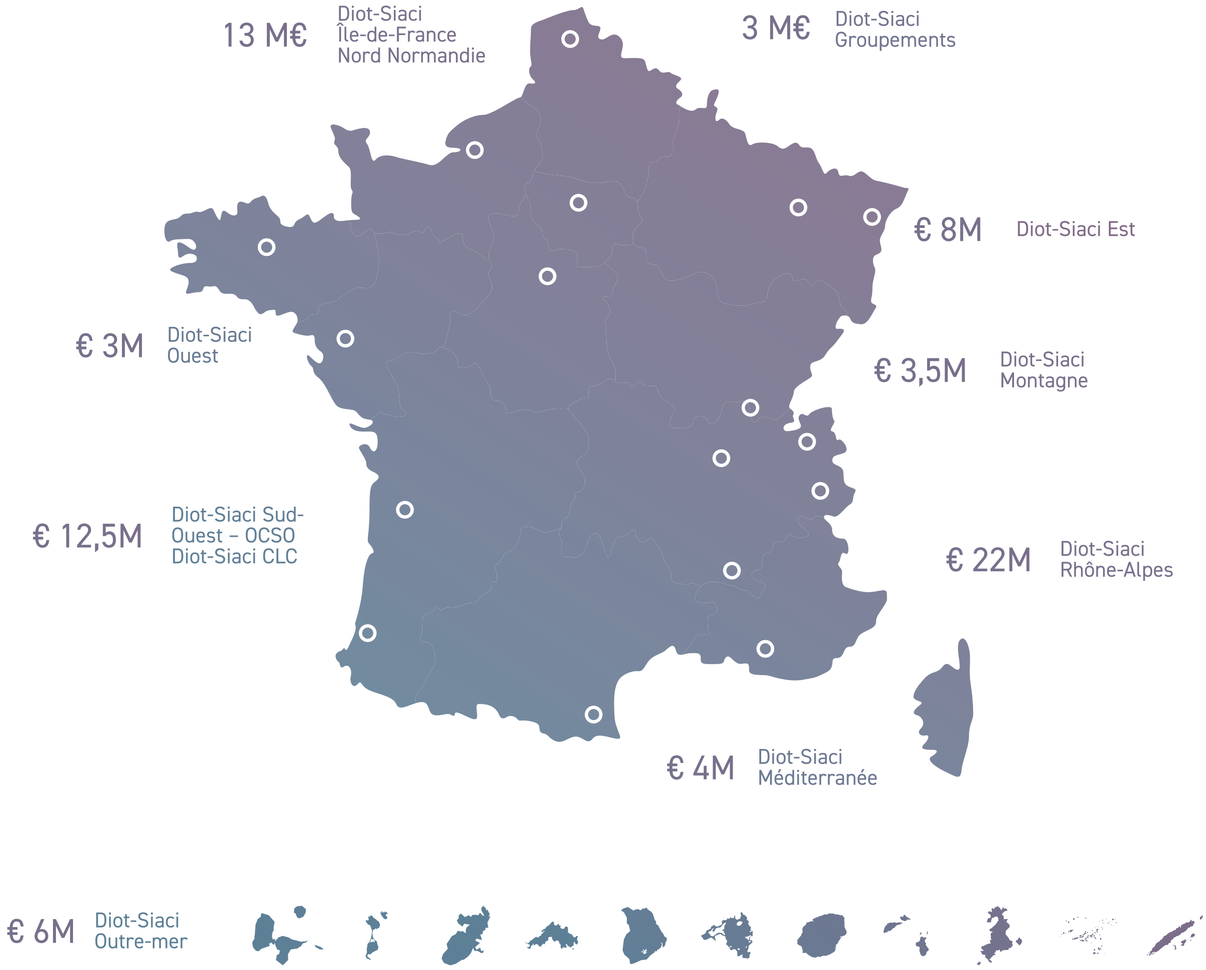
Anne-Marie Dausse
Deputy Director

Additional contributors to this White Paper: Pierre Garrigue, Director of Sector Development I Vesna Ilic, Director of Operations I Raimundo Silva, Director of Construction and Industries Operational Unit

MIDDLE MARKET

Diot-Siaci Corporate Solutions has created a Middle Market France division that covers all companies with turnover of less than 500 million euros, operating throughout France.

The Diot-Siaci Corporate Solutions Middle Market division is organized in 9 regions covering 100% of the country, which reflects the Group's desire to be close to all of its clients.



DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

Each region has a full range of business skills (commercialization, applications for insurance, administration, and claims) enabling it to provide operational management and a decision-making center that is as close as possible to the client, while seeking optimal efficiency, which may lead us to pool certain functions.

We have a global vision of our clients and cover P&C and Life and Health risks.

How do we support you?

All the regional Diot-Siaci teams offer local support and advice on all insurance issues, in France and abroad, by providing coordinated access to all the skills, services and expertise of a leading insurance brokerage group in Europe.

What makes us different?

Organizational principles: a balance between local and central models

Diot-Siaci's Mid-Market services are based on a subtle balance between local and central models. They continue the tradition of an entrepreneurial model that has existed and been recognized in the regions for many years and which will be all the more effective with the support of the skills of a market-leading group.

Autonomous regions with a strong sense of responsibility for the development and quality of service delivered to all our clients, with the ability to take initiative and place business.

Complementarities between regions and with major accounts based on the comparative advantage coming from expertise acquired on specific risks.

National platforms to pool the development and management of specific markets with a view to delivering expertise and optimizing processes.

"Product facilities" made available to all regions and managed in a centralized and optimized manner.

What can we do for you?

Our goal is to offer regional companies of all sizes the benefit of Diot-Siaci's skills and expertise across all insurance lines (DSCS, PSC, Trade Finance, MSH, and Specialties) while remaining available at a local level.

Some of our regional specialties

Diot-Siaci has many regional specialties, particularly in Lyon with the Jewelry Department since the takeover of Dufaud in 2016. As a long-standing leader in this market, we have built up a relationship of trust with companies over many years.

Thanks to its presence throughout France, Diot-Siaci is also developing specific expertise by drawing on the fabric of the local economy. For example, a subsidiary in Bourg-Saint-Maurice is dedicated to mountaineering insurance.

In the Bordeaux region, a specialty line covering the wine and agriculture sector is being developed.

In addition, some regions have developed sector specialties that are benchmarks for the entire group: private passenger transportation at Diot-Siaci Méditerranée and biotech/clinical testing at Diot-Siaci Ouest.

450 specialists

17 offices

€ 75M in turnover

Jean-Marc Voisin
Executive Director Middle Market France

DiotSiaci

SHIP'S HULL, P&I AND SHIPBUILDING RISKS

General trends

At the beginning of this summer of 2022, almost all segments of maritime transport seem to be performing at historically high levels (container ships, bulk carriers, oil tankers, chemical tankers, gas carriers, and offshore wind turbines) despite - or thanks to - the war in Ukraine and the macro-economic repercussions it is causing. At the same time, many shipowners are looking at the best ways to tackle energy transitions with multiple, but still uncertain, technological choices, requiring significant and unavoidable investments.

With regard to marine insurance, an important distinction must be made this year between our different markets.

The "**Hull and Machinery**" market as well as the related risks (Safe Arrival and Operating Losses) are showing a certain stability both in terms of capacity and pricing levels.

In the "**Shipbuilding risks**" market, we are seeing clients withdraw from the London market as much as possible in favor of the Nordic market, whose stability is valued for long-term risks.

The "**War Risks**" market is obviously very troubled by Russia's aggression towards Ukraine.

The "**P&I**" market is marked by continued difficult results for P&I Clubs (with combined ratios above 100% for all Clubs), the merger of two of the largest P&I Clubs, and the concentration and/or withdrawal of certain fixed premium P&I players.

Market capacity

Having taken over from London in 2021 as the world leader in "Hull" insurance, the Scandinavian market has maintained its leadership in 2022. With the arrival in 2021 of new syndicates on the Lloyds market, London is showing a renewed and sometimes very competitive appetite, but nevertheless without managing to dethrone the Scandinavians.

The "**Hull**" insurers in the French market (mainly AXA XL, ALLIANZ GC&S, SCOR, HELVETIA and GENERALI), Italian (SWISS RE, SIAT, etc.) and continental (ERGO, BALOISE, MS AMLIN, etc.) have regained a certain commercial momentum and appetite for new business, taking back market shares that had been lost over the last two years.

In shipbuilding, other than for the largest cruise ships (> 1.5 billion) where this is more difficult, the market has sufficient capacity to meet current projects, particularly in the military arena.

With many ships currently stranded in the Sea of Azov and the Black Sea (but also goods in warehouses or on board ships), war risks insurers are highly exposed to major losses. Capacities are therefore tighter where the amount of capital to be insured is high and/or the risks are more exposed geographically or over time.

The ongoing merger of the NORTH and STANDARD P&I Clubs should not negatively affect the P&I market capacity obtained as part of the International Group, but it will reduce the choice from 13 to 12 P&I Clubs. At the beginning of this summer of 2022, the NHC just announced its withdrawal from P&I (fixed premium), having failed to achieve positive results after fourteen years of existence.

Developments in coverage

Overall, there were no developments in coverage in 2022, but it is nevertheless subject to increasingly stringent compliance and sanction clauses.

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 regard to seizure, detention, etc., for which the probationary period is often extended from 6 to 12 months. More generally, travels to areas with increased risks (Black Sea, etc.) is subject to restrictions on a case-by-case basis.

Rules in connection with the fight against global warming are apparently being gradually inserted into the marine insurance chain, but nothing has really been imposed to date, with the possible exception of the refusal by certain insurers to cover risks considered to be incompatible with environmental protection.

Pricing trends

After significant increases for 3 to 4 years, the insurers' pricing discipline continues to rule out any decreases although Hull and Machinery premiums have nevertheless stabilized across all markets in 2022. Many accounts with very good underwriting results have been renewed on an unchanged basis, but with some increases of 2.5% to 5%, either due to a technical adjustment (premiums deemed technically too low), or in anticipation of current inflation, which will de facto lead to an increase in the price of repairs. Hull accounts which have experienced losses continue to see very significant increases.

For shipbuilding, rates remain high, but stable.

While basic war risk premiums have remained relatively stable and still competitive, additional premiums for travel, especially to Russia in general and the Black Sea in particular, have jumped dramatically and are difficult to negotiate.

The P&I Clubs have imposed very significant across-the-board increases in premiums (and often deductibles) in 2022 (between +5% and +15%) and given both the continued negative underwriting results, as well as the declining financial results in the first quarter of 2022, we fear the increases will continue in 2023.

With the return of inflation in most countries and the significant losses that could be generated – primarily for war risks - by the Russian-Ukrainian crisis, and the increase in natural disasters, particularly in Europe, we fear an increase in reinsurance costs in 2023 with its inevitable consequences on marine and non-marine insurance.

Bertrand Faurisson
Director of Hull, P&I
and Shipbuilding Risks — France

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

With extensive experience in the maritime sectors: shipping, marine works, shipyards, and marine and cargo services; Diot-Siaci's marine teams design customized, economically and technically efficient solutions both in France and around the world.

How do we assist and support you?

With an in-depth understanding and knowledge of the maritime industry, its products and challenges, with more than 13,000 insured vessels and 3,500 claims handled, we offer a support service drawing on hundreds of cases and thousands of events of all kinds. Our claims services support our clients in the active management of their claims.

What can we offer you?

More than 200 specialists with extensive technical, geographical and contractual experience in the world of marine insurance.

Unique resources in the market with dedicated, loyal, multinational men and women and decades of proven experience with over €500 million in premiums placed annually.

What makes us different?

- Leading team in the worldwide Hull, Shipbuilding Risks and P&I insurance market thanks to the successful merger between Cambiaso Risso (Italy), Cap-Marine (France) and Fender S.A. (Greece).
- Our international experience and the wide range of our technical, legal and contractual skills and expertise.
- With a presence in 14 countries, we have an extensive specialized network through which we can make international placements via direct access to the world's major marine insurance markets, France, Italy, London, Scandinavia, Continental Europe, and Asia.
- The management of reliable data relating to developments in our clients' activities and loss experience or the underwriting appetite of insurers and their financial health using high-performance tools.
- (High-performance) tools/management/control and reliability of data.

Cap-Marine, a member of the Diot-Siaci Group, is set to continue its strong growth in the field of "Hull, P&I and Shipbuilding Risks" marine insurance both in France and internationally for the 6th consecutive year.

More than 200 specialists

More than 13,000 vessels insured

More than €500 million in premiums placed

Over 3,500 claims handled

In marine insurance, the Diot-Siaci Group, through its lines and subsidiaries (Cambiaso Risso, Fender and Cap-Marine) is present in 14 countries.

POLITICAL RISKS

Market trends

2022 has been marked by profound economic changes. The Political Risk market is closely linked to the international economic climate due to the nature of the risks covered in respect of contracts and investments.

Supply chains are severely disrupted, trade flows are being adversely affected by the Russian-Ukrainian crisis and there are significant trade tensions between the major powers of China, Russia and the United States. Russia is moving closer to India and China, creating an antagonistic economic climate, compounded by a rise in populism around the world, for example in Brazil, Italy and the Philippines.

In addition, following Russia's invasion of Ukraine, international sanctions have been enacted, further destabilizing the global economy and the Political Risk market.

This combination of factors could adversely affect the underwriting conditions of the market, particularly for "Investment" insurance policies (CEND: Confiscation, Expropriation, Nationalization & Deprivation) and policies that cover export contracts.

Capacity and developments in coverage

Rising interest rates and spiraling inflation are affecting underwriting appetite in this market. Financial instability and overall uncertainty are limiting the inclination of insurers, who have now become increasingly cautious before offering cover.

The market is in a wait-and-see situation in the face of an economic climate that is deteriorating with each passing month. Despite an economic recovery in 2021, the consequences of Covid-19 and the Russian-Ukrainian conflict increase the risk of insolvency for many companies in all industries. With companies having received financial support from the state during the pandemic, and that state support due to be withdrawn, the risk of insolvency is now greater.

The consequence of this situation could be a reassessment of the capacity available in the market and more limited underwriting on credit and political risks across the board; expected increase in non-payment claims. It is now difficult to find capacity for a growing number of countries that could be impacted by the Russian-Ukrainian crisis and its consequences, such as food and energy crises, as is the case in Europe and Africa. Capacity has become scarce for some risks, including investment cover, in several countries such as China.

Political risk coverage is not subject to major changes. However, more stringent underwriting conditions (the insured's reputation and financial profile, the priority of the contract or investment for the host country, as well as the tools for monitoring the contract by the insured) will need to be met for the underwriting of Political and Commercial Risk policies. For all new coverage, the market requires the inclusion of pandemic and cyber exclusions as well as an international sanctions clause in the policy wording.

Lastly, it is worth noting the arrival of a new player in the market at the end of March: SCOR, which brings additional capacity.

Pricing trends

Risk and Credit Committees have become increasingly important as underwriting has come under more internal scrutiny. Given the complex international economic context, we expect to see a small to moderate increase in Political Risk rates. However, some risks are not linked to pricing issues, but more to insurability or capacity issues. This trend has its roots in the global geopolitical tensions and the fragmentation of the international economy. As a result, the insurability of "pure" Political Risks (embargo, sovereign debt default & license cancellation) has become more conditional due to the economic difficulties faced by some countries in the current crisis.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

Our team is solution-oriented in the placement of our clients' complex risks. We are organized in "project" mode and coordinate with the other teams of the group to avoid silos and provide 360° cross-company coverage. Our in-depth knowledge of the Paris, London and Singapore markets means we can obtain the most comprehensive coverage at the best possible price. Claims are managed throughout the entire process by the team.

How do we assist and support you?

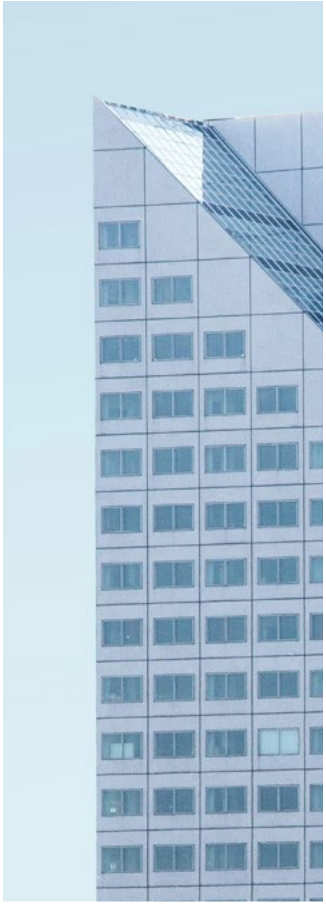
We devote our time and resources to understanding our clients' needs, their business activity, and the economic risks associated with credit risks in a world of constant change and increasing geopolitical and regulatory threats.

What can we offer you?

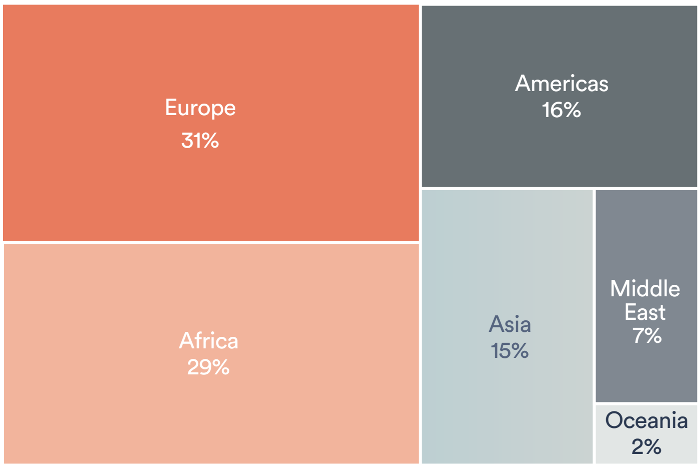
Dedicated and recognized technical teams. Proven methods of negotiation, placement and administration in both production and claims. Preferential access to markets. Expertise in the Political Risk market.

What makes us different?

We provide assistance and support throughout your operations to determine the strategy to adopt and ensure the best possible coverage and claims payment. Specific negotiated coverage.



Geographic distribution of insured assets



€400 billion in insured assets

35% of CAC 40 companies are clients

Coverage in 124 countries

Emmanuelle Biehler-Marghieri
Director Political Risks

POLITICAL VIOLENCE & TERRORISM

Market trends

2022 has been marked by the Russian-Ukrainian conflict that started on February 24, 2022 with the military operation conducted by Moscow. The war at the gates of Europe has resulted in a systemic change in the Political Violence & Terrorism (PVT) market, comparable to the attacks of September 11, 2001. This armed conflict is in fact creating an unsettled economic climate, disrupting trade flows, supply chains and the availability of natural resources. These tensions could fuel a return of strong social protests.

For the past three years, the PVT market has been experiencing a tightening of underwriting conditions. Due to the general increase in social protests, the number of claims due to political violence such as riots and civil unrest has risen considerably around the world. The Russian-Ukrainian conflict is now generating a significant number of war claims for all market players. These developments mark the beginning of a sustained hardening of market conditions. Although a wide range of coverage remains available, there has been a reduction in underwriting appetite for certain types of risks, such as strikes, riots, civil commotion and war.

Capacity and developments in coverage

The insured economic losses related to the Russian-Ukrainian conflict are estimated at more than 5 billion US dollars. As "war" coverage in the PVT market cannot be terminated, the insurers are obliged to compensate the insured for their losses. Due to the size of the economic losses resulting from future claims, we are seeing a reduction in available capacity and underwriting appetite.

A reduction in the coverage provided by the PVT market is therefore to be expected. It is no longer possible to cover Belarus, Russia and Ukraine. Moreover, insurers are paying particular attention to developments in the conflict and its possible spillover into other neighboring countries. The escalation of tensions between China, Taiwan and the USA is accentuating this trend. Due to the armed conflict in Ukraine, insurers are being forced to reconsider their war risk aggregates and will no doubt limit their capacity for these risks.

The hardening of the market is leading to a rethink of underwriting and policies. In this respect, Diot-Siaci works with its clients to find optimized coverage limits based on ongoing risk analysis. It should be noted that insurers are becoming extremely vigilant when it comes to declaring insured values so that they can better manage their «strikes, riots and popular movements» and «war» aggregates. Lastly, in the context of a hard market, Non-Damage Business Interruption coverage will almost certainly be sub-limited and coverage of the "unnamed suppliers" type will probably be excluded at the next round of renewals.

The geopolitical environment is influencing the renewal of insurance and reinsurance policies, as some insurers are no longer able to underwrite or have left the market, following the example of WR Berkeley. Insurers renewing their reinsurance treaties at January 1, 2023 have already started working on the terms of renewal with their reinsurers. However, these terms will not be known until later because of the recent volatile developments in the PVT market. This uncertainty will undoubtedly affect the renewal of policies expiring on January 1, 2023. Solutions to be envisaged to offset the reduced appetite of insurers could be to increase deductibles or the involvement of a reinsurance captive for events such as strikes, riots, civil commotion, and war.

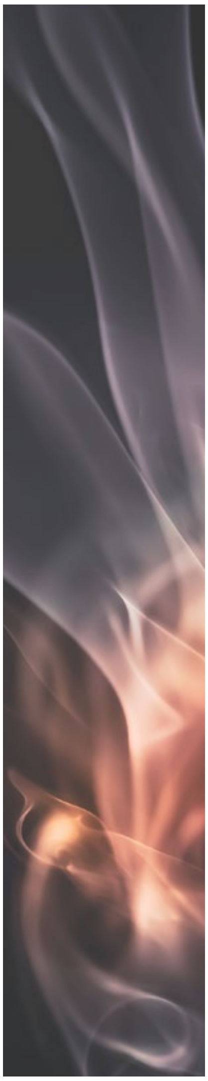
The PVT market is a "catastrophic" risk market. In recent years, it has been increasingly affected by the recurrence of claims paid out in Chile, Colombia, Senegal, South Africa, Hong Kong, USA, and France. The facilities set up in London could also be reworked in order to provide a better framework.

Pricing trends

Premium rates are likely to increase by an average of 50% to 100%, possibly even more, as claims are settled, if conditions remain stable. This pricing increase will depend on the economic sectors, particularly the retail sector which has been heavily and recently affected, as well as the geographic scope of coverage.

Technical pricing based on coverage and country risk is no longer valid as insurers have reverted to a premium rate calculated purely on the real cost of capacity.

Ultimately, the Political Violence & Terrorism insurance programs will undergo significant changes.



INFLATION

Due to the Russian-Ukrainian conflict and tensions in the supply chains, most national economies are facing an inflationary spiral (+9.1% in the euro zone in August 2022). Although the central banks have taken action by raising key interest rates (an increase of 1.25% by the ECB in September 2022), this phenomenon could persist over the months to come. This trend raises fears of a global economic recession with severe societal consequences that could impact the Political Violence & Terrorism market.

This crisis in the supply of commodities (oil, gas, food and water resources) which is causing a global rise in prices, could lead to an increase in social unrest, particularly in import-dependent areas.

Unprecedented national political crises could result from commodity crises if state structures no longer meet the economic needs of the population.

In this context, the Diot-Siaci Political Risk Department:

- Assists and supports our clients by monitoring the economy to be in the best possible position to manage the consequences of a downturn in the situation in insured countries.
- Optimizes placement solutions, offering different options at the next round of renewals of “Political Violence & Terrorism” programs.
- Works in collaboration with the group’s Property & Casualty teams and the International Department teams to negotiate contractual clauses with insurers to limit the effects of the crises, and in particular the effects of inflation.

Emmanuelle Biehler-Marghieri
Director Political Risks

DIOT-SIACI'S EXPERTISE

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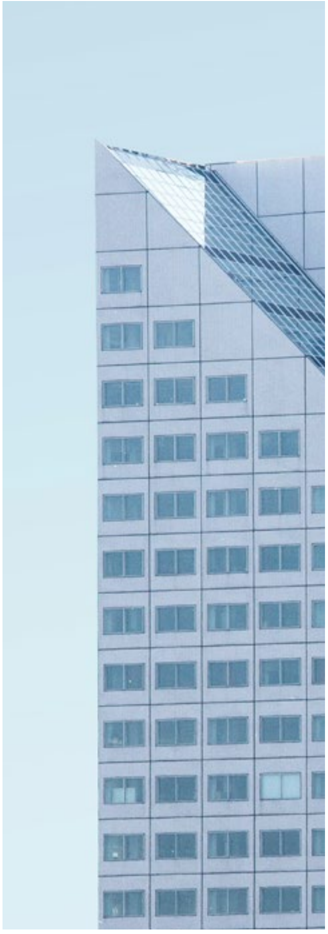
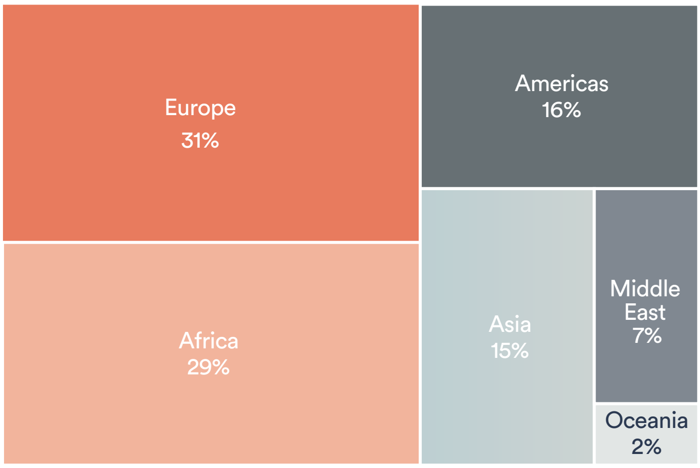


Geographic distribution of insured assets



€400 billion in insured assets

Coverage in 124 countries

35% of CAC 40 companies are clients

FACULTATIVE REINSURANCE

General trends

Reinsurers are keen to maintain a disciplined underwriting policy in order to sustain the margins generated over the last few years through a higher level of transfer volume and premium increases in a hard market.

Reinsurance will continue to be used to a large extent to meet the ever-increasing demand for capacity, and will have to respond to 3 major challenges at the next round of renewals:

- Inflation
- Capacity demand for natural events
- Uncertainty around the consequences of the war in Ukraine which could accentuate the effects of inflation

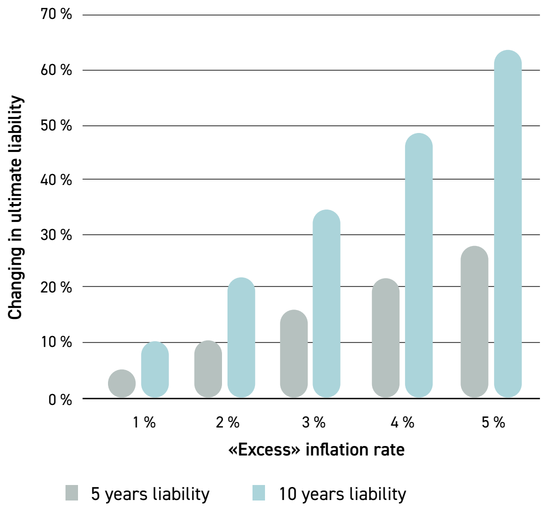
Inflation

The primary effect of inflation is the increase in the cost of claims (reserved and unknown) for reinsurers.

The question of inflation will arise more in non-proportional reinsurance arrangements than in proportional arrangements, even though in the latter, the reinsurers will have to ensure that inflation is taken into account in the renewal terms (in particular the indexation of values with market indices such as the French Industrial Risks Index, FFB, etc.).

The subject of inflation will be approached differently depending on whether short or long-tail lines are being covered. For long-tail lines with claims that may be settled several years after the occurrence of the loss, the effects of inflation are longer. Reinsurers on non-proportional transfers will be more demanding in terms of provisions in the insurance contract to limit the potential effects of inflation over time (indexation clauses, stabilization).

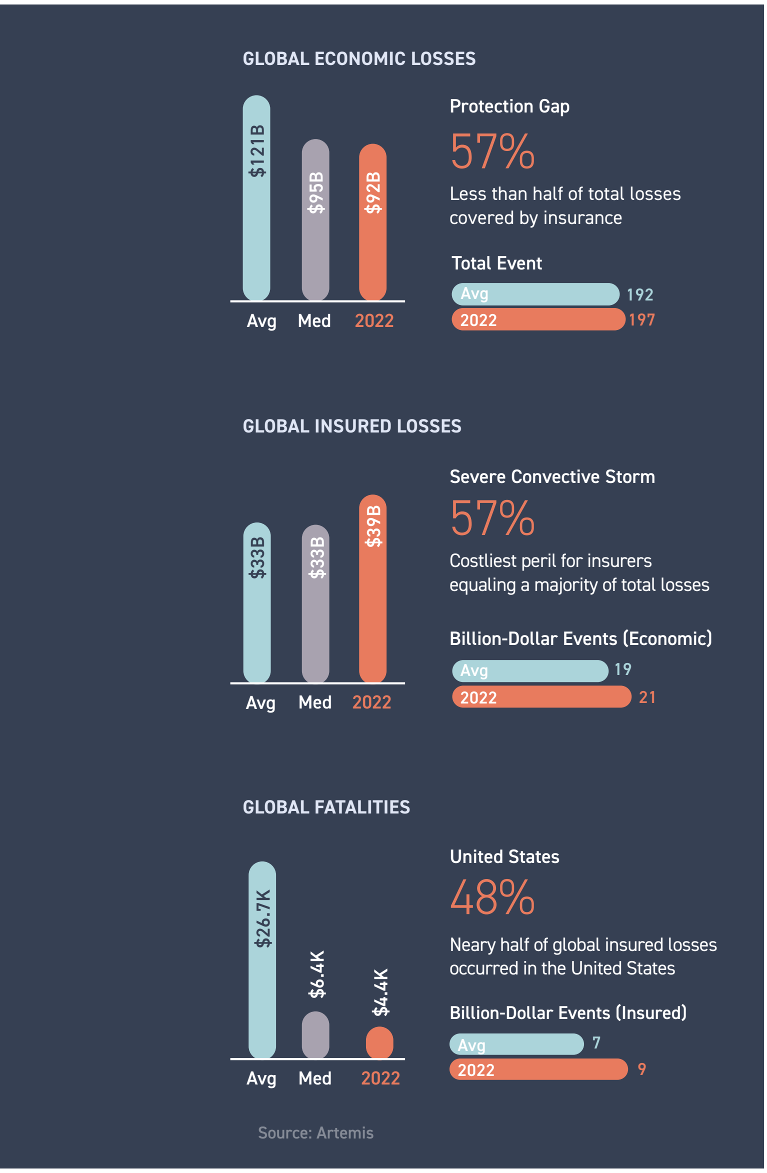
Excess inflation can cause significant damage to claim reserves



Doha Tabouri
Head of Facultative Reinsurance

Higher capacity demand for natural events

Following several consecutive years, global insured losses for natural catastrophes totaled $39 billion in the first half of 2022, around 18% above the 21st century average with reinsurers reducing their appetite for catastrophe exposure at the June and July 2022 renewals.



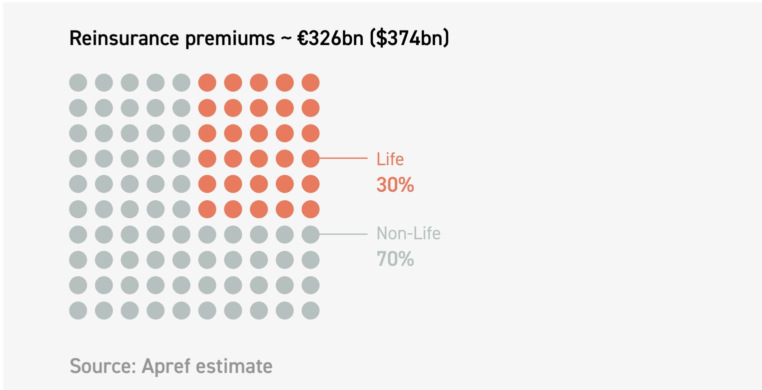
For the first time since the U.S. hurricanes of 2004 and 2005, natural catastrophe capacity contracted significantly, and some reinsurers have been unwilling to underwrite certain risks depending on the region (floods, wind, etc.), in response to mounting pressure from investors to address earnings volatility and reduce catastrophe exposures.

War in Ukraine

Analysts report that the ongoing Russian-Ukrainian conflict could result in losses seven times greater than the final loss amount for the 2001 attacks on the World Trade Center (WTC) and four times the initial WTC reserve. Loss reserving and the impact of this war on global inflation are major factors in the upcoming transfer renewals, particularly for certain lines such as aviation, cyber, credit/bonds, specialty lines (Political Violence & Terrorism) and transportation.

Reinsurance market capacity and trends

The reinsurance market remains stable with significant concentration and increasing transfer volume despite the Covid-19 crisis.



For the upcoming renewals, reinsurers have declared:

- Their inability to continue to accept long term agreement
- Increased vigilance on coverages with systemic volatility (strikes, riots and popular uprisings, supplier failure, natural events, etc.) to ensure these coverages are properly sub-limited with an annual stop loss
- A halt to the underwriting of certain lines of business (Cyber)
- Requirement for inflation to be systematically taken into account in the pricing policy or in the contractual provisions of the transfer

The Monte Carlo Rendez-vous held in September* 2022 have confirmed that reinsurance market is hardening at the same extent as the direct insurance market did back in 2018/2019. It's important to note that the hurricane season will also impact the upcoming renewals of cat nat treaties and available capacity.

(*The Monte Carlo Rendez-vous is a RI market event gathering the Treaty Reinsurance Markets, the RI brokers and the insurers to discuss the 01.01 treaty renewals)

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

Reinsurance including:

- Facultative P&C
- Treaties:
  - P&C
  - Personal Insurance (Health, Life & Disability, Savings)
  - Specialties (Aviation, Marine, Cyber)
  - Regulated Professions' Third-Party Liability

How do we assist and support you?

The P&C Facultative Reinsurance team is a placement support structure dedicated to direct teams to access the continental and international reinsurance markets.

The specificity of the Facultative team is to serve direct clients and not insurers. The Facultative team benefits from an operational link to the direct lines but also a functional link to LSN RE Walbaum which allows it to benefit from market leverage thanks to the synergy between treaties and facs, LSN RE's actuarial tools.

The Facultative team provides clients with:

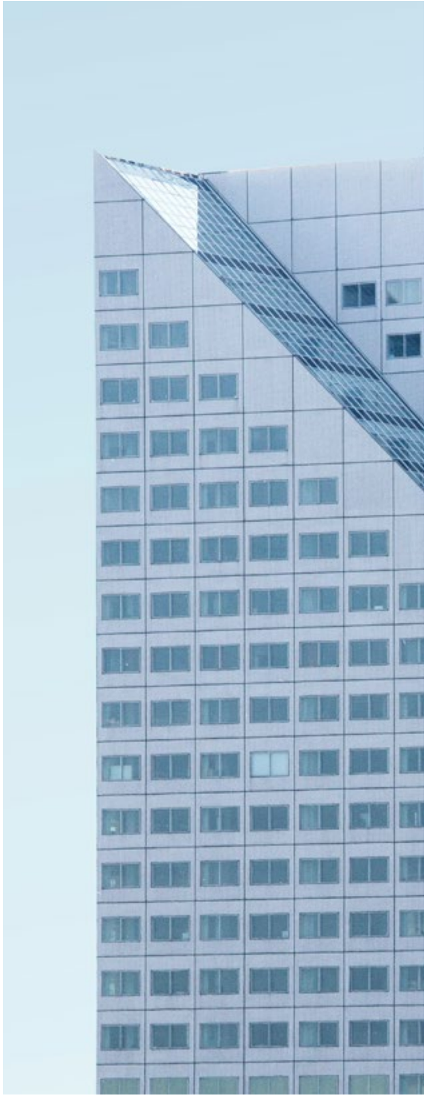
- Placement and structuring solutions for complex arrangements
- Market intelligence (benchmarking, market watch, etc.)
- Pricing guidelines
- Innovation
- Access to specialized markets such as excess markets covering substandard risks
- Cross-functionality within the group making it possible to source the expertise and experience required to meet client expectations

What can we offer you?

Dedicated specialists and global knowledge of the reinsurance market.

What makes us different?

- Our experience and technical expertise in treaty and facultative reinsurance
- Our agility and availability at the service of clients and direct teams
- A cross-functional structure within the group
- Innovation



LSN Ré Walbaum - The Group's reinsurance brokerage subsidiary

15 employees

Premiums placed in 2021 :
53 % : Non-life
47% : Life, Accident and Health

€4,6 M turnover in 2021

CAPTIVE AND ALTERNATIVE RISK TRANSFER SOLUTIONS

Market status and capacity

Captives continued to play a necessary role in clients' insurance placements in 2022. We can confirm that self-insurance remains one of the ways for policyholders to adapt in a market that certainly remains hard, but with a tendency to stabilize on a high plateau. The trend of the past two years has continued this year with captive-owning groups utilizing this tool as an essential negotiating lever in the placement of their insurance programs.

Underwriting Policy

In terms of feasibility studies, it is the Damage and General Liability lines that are seeing the highest number of requests for captive creation studies. However, in 2022, cyber risk is involved to a greater degree in captive thinking. This is because the insurance market is being confronted with the difficulty of measuring this relatively recent and evolving risk, with exposure to high-intensity claims and a limited history that makes statistical or actuarial modelling impossible.

In a context where insurance companies that write lead lines are increasingly selective, the captive can provide a partial response to the current problem of underwriting cyber risk and plays a role in financing these lines that are considered expensive and too limited.

The latest report on cyber risk by the French Treasury suggests that captives can even provide an appropriate solution in the pooling of claims and that a provisioning mechanism would allow for the smoothing of high-impact claims over time, making captives the most suitable risk financing tool for exceptional risks.

Unsurprisingly, 2RS has remained in high demand in 2022 to implement new programs, including in cyber risk, and conducts feasibility studies for groups that do not have a captive tool.

The relevance of Captive and Alternative - Risk Transfer Solutions

Placement difficulties and pricing are encouraging companies to think of new ways of managing their risks. In 2021, the effects of the health crisis encouraged captives to offer coverage of communicable diseases and the resulting business interruption. In 2022, market restrictions on cyber risks are pushing them to offer alternative solutions.

Against this backdrop, alternative risk transfer via a captive is more relevant than ever and is proving to be advantageous compared to so-called traditional solutions. The market now deems the pandemic risk difficult to insure and there is reduced capacity on cyber risks.

The main difference between a captive and ART solutions (parametric insurance and structured reinsurance) is that a captive uses its own capital rather than that of a third party.

Registration of captives in France

The ACPR – the French Prudential Supervision and Resolution Authority - approved two additional captives in 2021, bringing the total number to eight in France, three of which are managed by 2RS, following an almost 20-year drought in the creation of captives in the country.

2RS is the leading manager in mainland Europe in terms of the number of captives and the only independent captive manager in France.

Over these two decades, while nothing prevented companies from creating a captive in France, market, tax and regulatory conditions did not encourage their registration in the country.

In France, the equalization reserve (a mechanism whereby a technical reserve is set aside and is tax-deductible) remains strictly limited to natural catastrophe risks and credit insurance.

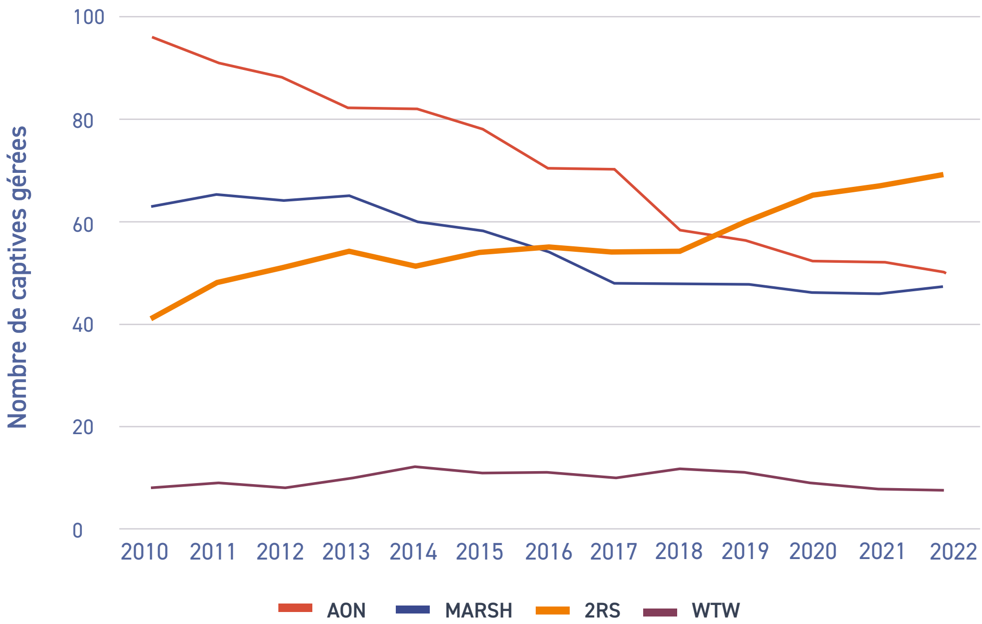
The amendment to the French Finance Act aims to extend this equalization reserve to all risks, including cyber, as is the case in Luxembourg. This long-awaited mechanism would encourage the development of captives in France; however, this amendment did not see the light of day in the 2021 Finance Act. The eyes of all market players are fixed on 2023 or, if fortune smiles on them, before the end of 2022.

As for the equalization reserve, the French Finance Ministry, has announced that the reference point was the Luxembourg provisioning mechanism and that it intends to introduce a similar or even better mechanism if the bill is passed.

However the bill evolves, France must be considered as a potential captive location and is mentioned as an option in several feasibility studies where economic players are not waiting for the amendment to set up their captive there. All indications are that the will is there as, since 2021, the ACPR has exempted captives from submitting certain regulatory reports to facilitate their management. To date, we have not received any formal requests to repatriate a captive to France, but some options are being explored.

Luxembourg has 196 captives, with one third of them originating in France.

Captives managed in Luxembourg
Main captive management companies



Captives:
a long-term solution?

A captive is part of a short, medium and long-term risk management plan. The subsidiary requires significant capitalization to ensure the structure's solvency under Solvency II regulations and high-level capitalization ensures the durability of captive tools.

The hard market will undoubtedly soften at some point. However, the management of retentions will remain a strategic and tactical means of continuing to influence the insurance market over the long-term and accessing the reinsurance market.

The captive provides the Risk Manager with a real risk management tool, broadens their field of action and gives them control over prevention.

About 2RS

Risk And Reinsurance Solutions (2RS), a subsidiary of DIOT-SIACI in the field of consulting and management services for captives and Alternative Risk Transfer programs, is the leading captive management company in mainland Europe.

Located in Luxembourg, 2RS also has offices in France, Malta, Zurich and is represented in Ireland.

2RS is the first and only independent captive management company operating in France.

Ignacio Calderon
Director of Studies,
2RS

DiotSiaci

MOTOR FLEET

General trends

Motor fleet insurance has been seeing a gradual underwriting recovery since the end of 2018 with the application of a new market doctrine: motor insurance is no longer a loss leader and must contribute to profitability in the same way as other insurance lines.

This fundamental shift, which has since been implemented by all insurers in the market, is not weakening for the 2023 renewal campaign. Introduced for structural reasons, it persists in a market affected by a number of economic events with significant impacts.

- The COVID health crisis, despite its impact on the 2020/2021 loss ratio, is not likely to change this trend. It is still thought to have had a one-off effect, while the market is focused on the search for long-term structural stability.
- On the other hand, with the economic recovery that followed, the COVID crisis kick-started a period of inflation that heavily impacted the automotive ecosystem, leading to shortages of parts which could not be resolved in the short term.
- The Ukrainian crisis intensified this phenomenon in 2022, with a particularly marked impact on the automotive sector.
- The spring and summer weather events have, to date, also worsened the 2022 balance sheet.

Market capacity

The legal constraints around compulsory third party liability motor insurance do not encourage the emergence of challengers whose numbers remain very limited and who maintain a cautious approach fostered by the reduction in supply.

It is always worth noting:

- no variation in the capacity offered by the major players in automobile risks from one year to the next, due to the very nature of the risk,
- the number of players remains particularly limited in activities with a high risk of loss.

Developments in coverage

The legal requirements for motor vehicle insurance are hampering innovation and creativity.

We can see that the phenomenon of large accounts opting for self-insurance on contractual coverage and/or the implementation of high deductibles which greatly reduce the volume of premiums being transferred to insurance companies is beginning to significantly affect medium-sized fleets.

Pricing trends

Despite the positive 2022 renewals for corporate clients with balanced underwriting results, the new inflationary situation points to the ongoing pursuit of a price effect in 2023. This phenomenon has already been announced by the majority of insurers in the market.

It should be noted that pricing pressure continues to increase on risks that do not appeal to insurers (rental, transportation, and substandard risks). The increasing scarcity of supply weighs heavily on the balance of power in negotiations, with most room for maneuver sitting with the major intermediaries in the market (due to the weight of their portfolio with the insurers).

THE IMPACT OF NEW MOBILITY AND (TELE)WORKING PRACTICES

Do you know how your employees are getting around with the growth in new ways of commuting and teleworking?

The French Mobility Orientation Law 2019, which applies in particular to Motorized Personal Mobility Devices (MPMDs), and the boom in teleworking accelerated by the health crisis, have had a major impact on the means of transportation your employees are using.

However, you should be aware that all of your employees' work-related journeys can affect your company's third party liability **OR its third party liability motor insurance.**

This is because MPMDs include motorized land vehicles which are subject to compulsory automobile insurance, which is by definition excluded from general third party liability coverage. This is for example the case of electric scooters or gyro-motorcycles, but not electrically assisted bicycles.

It is this distinction that is important to grasp in order to map the company's usage and vehicles and make the necessary changes to the General Liability or Motor Liability coverage. A mobility policy is also a key tool to help keep this issue of liability boundaries under control.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

Diot-Siaci has been a major player in the Motor Fleet insurance market for over 30 years, working with the largest French fleets.

We assist and support our clients with the coverage of their 500,000 vehicles, and manage almost 50,000 claims per year.

How do we assist and support you?

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.

What can we offer you?

We provide assistance and support based around 2 pillars:

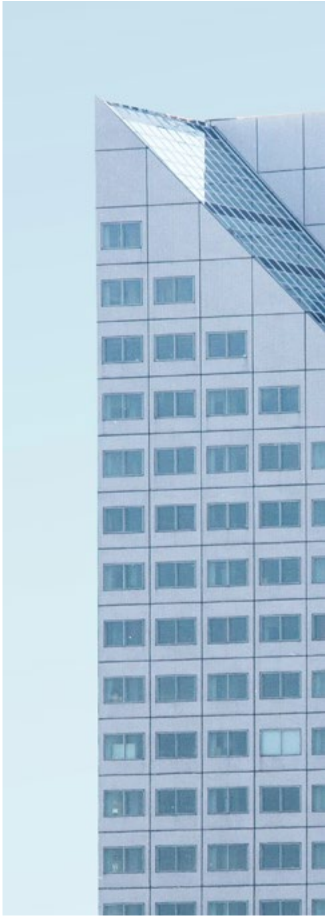
- Our people, with teams of dedicated specialists made up of employees trained in-house (3-year process) or recruited in the market from brokerage firms, insurance companies, and fleet managers.
- Our digital services, with a full range of tools available to risk managers, fleet managers, and employees.

What makes us different?

Our greatest pride is the loyalty of our clients, often over several decades, and some for more than 30 years.

Based on this history of partnership and continuity, we have developed a service offering focused wholly on the personal relationship with our clients. Each member of the team is identified by name, can be reached directly on their phone or by email, and benefits from the support of a partner and their local management (team of less than 10 employees).

Florent Lebigot
Director of Motor Fleets



65 specialists

645 clients

More than 400,000 vehicles at head office and 500,000 for the Group nationwide

50,000 claims handled per year

REAL ESTATE

General trends

In the large real estate investment market, the hardening that began in 2020 and 2021 has carried on into 2022, particularly when it comes to placing damage insurance.

In the public sector and for social housing landlords, supply has been reduced to a few players, leading to unprecedented price increases during calls for tenders after years of continuous decline.

Specifications are scrutinized in minute detail and the "dreams" of a few consultants are crushed by a catalog of increasingly drastic reserves.

It is true that the implementation of the IRSI agreement in mid-2018 has led to a rise in the number of claims, particularly for water damage, with, in the end, not that many ways of countering them technically as all of these claims are honored from the 1st euro (with no deductible). Social housing landlords are also affected by this situation and are attempting to form a group to start discussions with insurers and make changes to at least part of this agreement, which does not work in their favor.

Increasingly frequent and severe natural events have also had a strong impact on the pricing increases seen in recent months.

In the private sector, particularly for large real estate companies and managers of French property investment funds (SCPI), the trend is also very bullish with an increasingly rigorous examination of the composition of portfolios and technical measures by asset category, which did not often happen previously. In fact, with regard to commercial leases, insurers are highly exposed by the reciprocal waiver of remedy clauses and insist on being informed of the prevention/protection arrangements made by the occupants.

The other major innovation is the renegotiation by all insurers of riders, with each of them using their own clauses to ensure the definitive exclusion of the uncontrolled risks which were massively exposed during the health crisis (no-damage loss of rent and cyber).

Market capacity

In both the public and private sectors, capacity has been reduced in damage insurance, and sub-limits are increasingly making an appearance, particularly in costs and losses. Very large property portfolios which could sometimes be placed at 100% with certain US insurers now require extensive co-insurance, which makes them more complicated to place.

Developments in coverage

As insurers want to get back to basics, coverage upgrades are a thing of the past. The underwriting of real estate risks is becoming very technical again, with very marked attention being paid to portfolios spread across a range of locations, with the imposition of more and more sub-limits.

Pricing trends

The market remains bullish with a very significant impact from inflation and indexation that will probably be around 10% in 2023.

Hopefully, a return to greater competition will reverse this trend in the years to come.

FOCUS ON TAXATION

According to article 1001 of the French General Tax Code [extract below], fire tax is set as follows:

> Paragraph 1 For fire insurance:
>
> 7% for fire insurance relating to non-exempt agricultural risks; the following are, in general, deemed to be agricultural insurance risks: the insurance of all risks of natural or legal persons exercising exclusively or primarily an agricultural or agriculture-related profession, as these professions are defined by articles L722-9 and L722-28 of the French rural and maritime fishing code, as well as the insurance of the risks of the members of their families living with them on the farm and of their personnel and the insurance of risks which are, by their nature, specifically agricultural or agriculture-related;
>
> 24% for fire insurance provided by departmental funds;
>
> 30% for all other fire insurance;
>
> However, the rates of the tax are reduced to 7% for fire insurance for property which is permanently and exclusively assigned to an industrial, commercial, craft or agricultural activity, as well as the administrative buildings of local authorities.

With respect to the assets of real estate landlords (excluding housing), a stricter reading of the tax rules may have consequences on the level of insurance taxes applied to Multi-risk Building policies.

This is because the tax authorities now require insurers to apply article 1001 literally and therefore to justify the 7% exemption.

This means that insurers are asking (or will ask) their policyholders to justify the “permanent and exclusive” use (article 1001 of the GTC) of the insured property for an industrial, commercial or craft activity, or for the administrative buildings of local authorities.

In practice, the policyholder will have to obtain this certificate from their tax office and send it to their insurer (via their broker) if the fire tax is to be maintained at 7%.

Otherwise, the tax will be 30%, which will increase the final amount (including tax) of the insurance premium.

We, of course, work alongside our policyholders to avoid any overzealous application of the tax doctrine, which would mean, in particular, too great a break from practice. It is true that in a context of rising insurance prices over the last 4 years, and economic inflation since the beginning of 2022, this is really not the time for policyholders to be subject to such a sharp increase in fire taxes.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

A center of expertise dedicated to public and private real estate companies.

A dedicated consulting activity for public housing operators.

Recognized experience and technical expertise in the placement of large real estate programs in France and Europe (FPS).

How do we assist and support you?

An in-depth knowledge of our clients' activities for ongoing support in the analysis of their risks and the management of their claims.

What can we offer you?

Responsive local administration with the production of technical notes, market reports and insurance manuals.

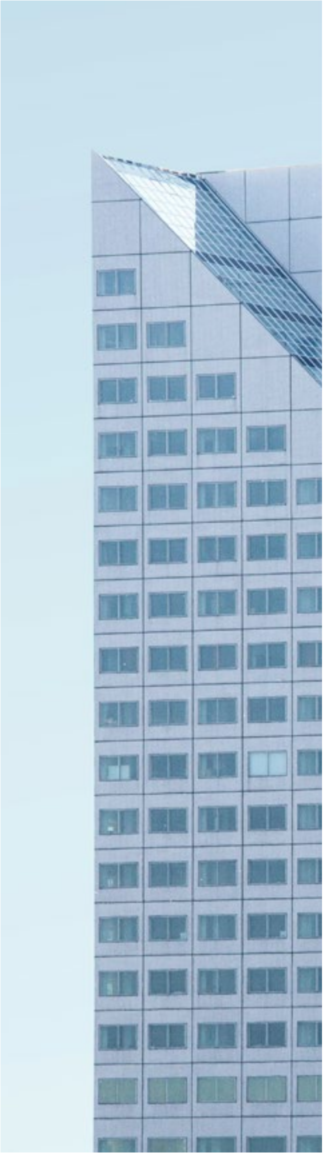
Organization of information meetings for clients' operational teams

BI tools developed over several years providing clients with an accurate overview of the results of their programs.

What makes us different?

Proposals for schemes and coverage adapted to our clients' exposure, particularly for high-frequency risks.

Delegation of claims management making it possible for us to become directly involved in 90% of the claims handled.



€8.5 million in turnover

45 specialists

450 clients

€100 million in premiums placed

25,000 claims handled per year

Olivier Descamps
Director of the Real Estate Department

DiotSiaci

DATA INTELLIGENCE

Our aim is to enhance the value of data for decision analysis

Consisting of data experts at all levels, the Data Intelligence department produces all P&C and Marine data and designs, among other things, the dataviz tools provided to the client. These tools are available as packaged, customized offerings and centralize all the client's data for «all-in-one» real-time management. Our tools are also supplemented with external data from our numerous partners to broaden the fields of analysis and offer the most accurate overview possible.

Because providing reliable and quality reporting is part of our DNA, automated data and KPI controls are integrated into all of our tools.

The Data business unit means:

A wealth and diversity of data collected from all systems

Harmonization of data in our dataware for easier utilization

More than 50,000 files sent each year to feed our internal tools and those of our partners

Key services and scope of the department

Client reports:

- Standard and integrated into the offerings from each line
- Customized to the specificities of the client
- Integrated into client extranet areas

Data warehouse enrichment:

- Regular use of external sources to improve data reliability and expand our analysis and reporting capabilities
- Consolidation and reuse of any new data source in the company

Design of internal management tools:

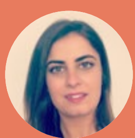
- Monitoring of quality of service and administration
- Monitoring of information and quality of data

Data evangelism:

- Data-themed events and awareness-raising actions for operational staff: the importance of accurate data input
- Post-checks to ensure data reliability and facilitate managerial feedback loops

Technology watch:

- For the continuous improvement of our offerings
- To stay ahead of the competition



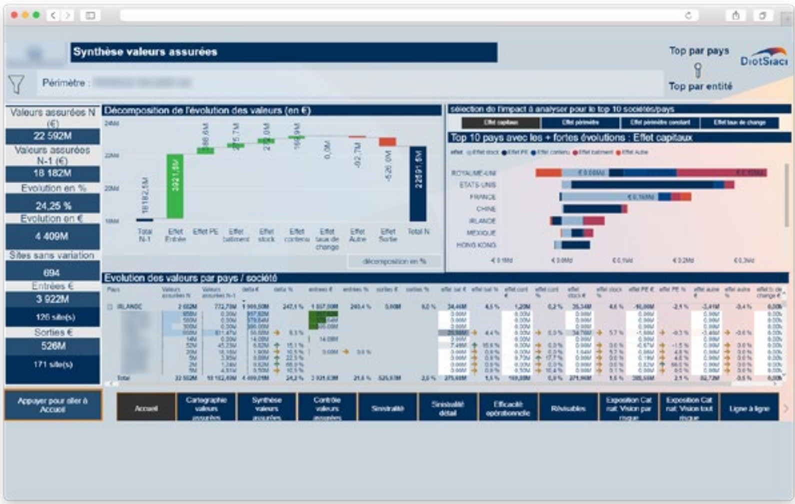
Justine Fidan
Data Intelligence Manager

Our client solutions:

Our Business Intelligence solution 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. Updates are automatic and daily with access directly from the client area.

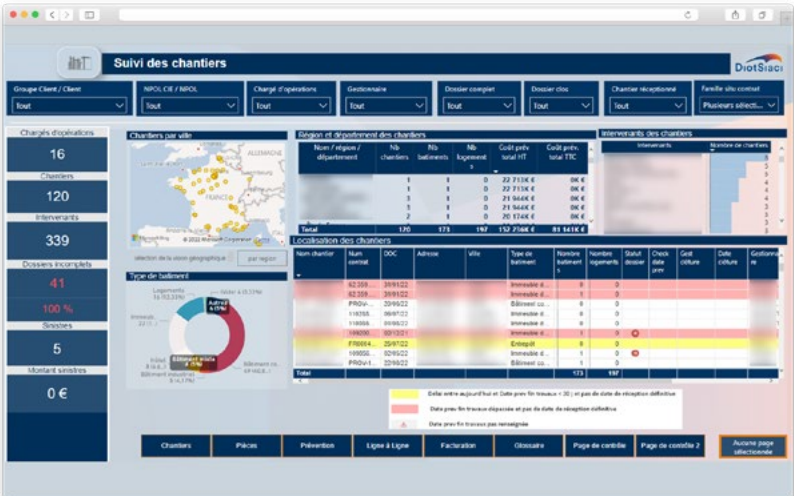
Data collection

- Summaries of developments
- Explanatory analyses
- Monitoring of data input



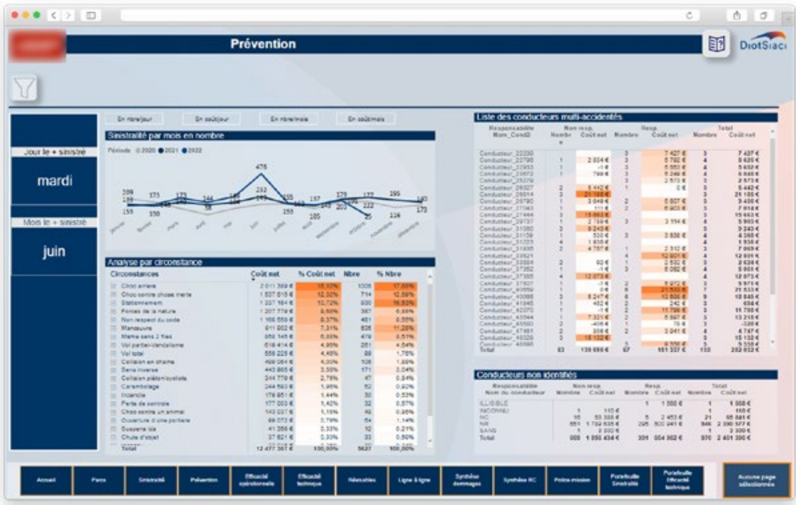
Site monitoring

- Geographical representations
- Characteristics
- Correlations with at-risk areas



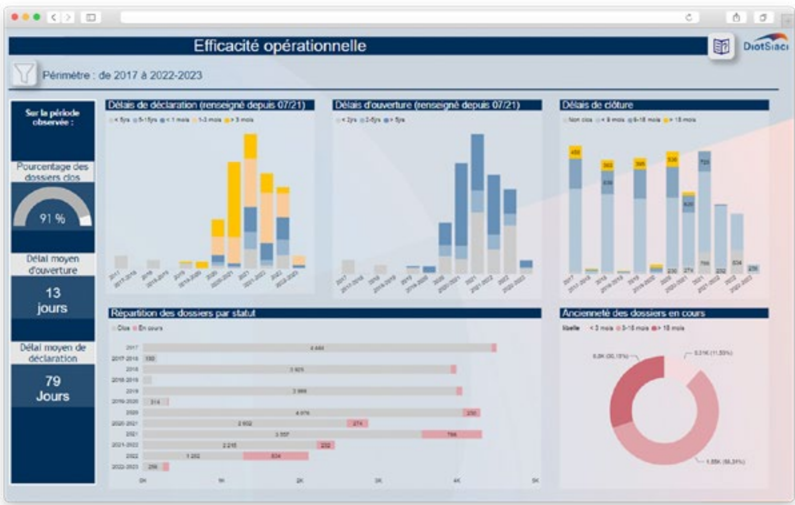
Claims monitoring

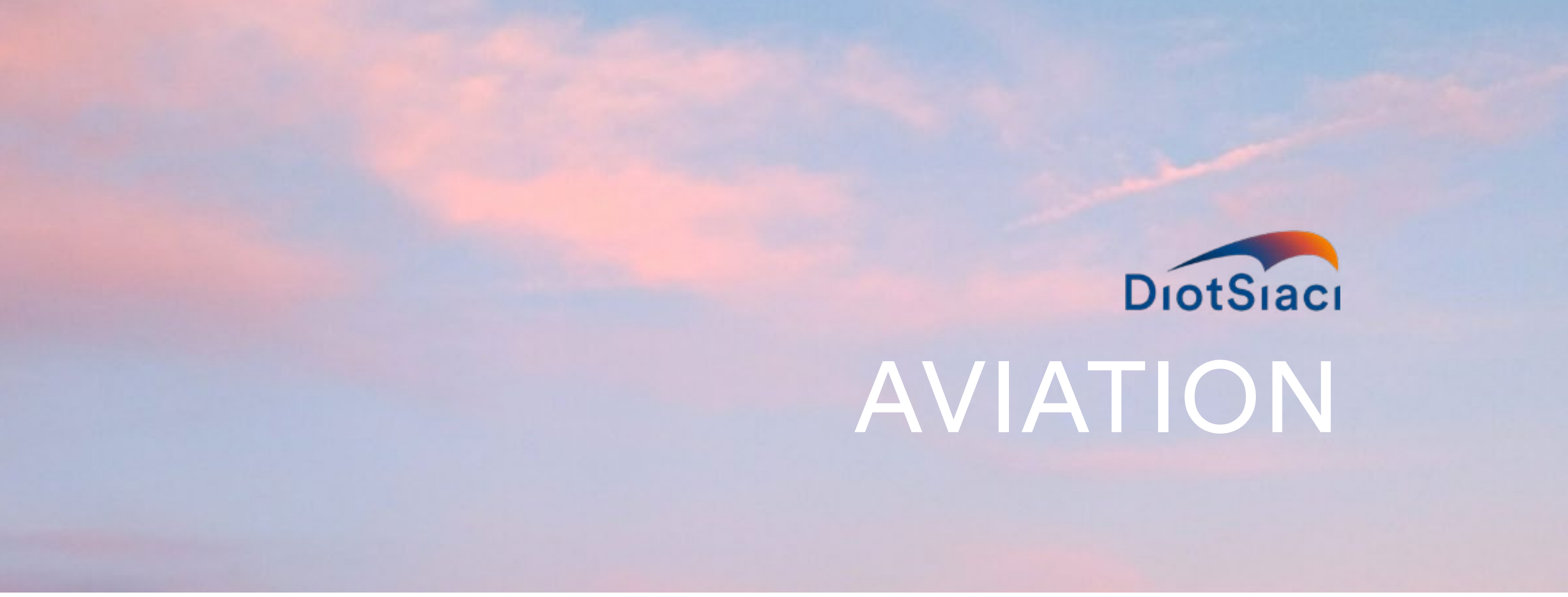
- Seasonality
- Analysis by criteria (circumstances, populations, etc.)
- Prevention



Operational monitoring

- File reviews
- Document tracking
- Data quality





AVIATION

General trends

Although the start of 2022 was marked by a slowing of the market hardening, we are seeing a return to a cautious approach on the part of insurers and uncertainty in underwriting strategy projections, particularly in the wake of the geopolitical situation in Ukraine/Russia.

Already heavily impacted by the consequences of the B737 Max disaster and the Covid-19 crisis, the aviation market is suffering the effects of the war in Ukraine and the sanctions/counter-sanctions measures adopted by the West and Russia. In March 2022, Russia allowed domestic airlines to take possession of and register leased aircraft, i.e. those owned by foreign aircraft lessors. In fact, the grounding of this fleet in Russia, whose total value would represent between $10 and $15 billion, would trigger claims under the coverage taken out by the lessors and the occurrence of a particularly severe loss.

Market capacity

Risk selectivity and in-depth analysis of the claims experience remain determining factors in underwriting appetite. The first half of 2022 revealed a certain recovery in risk appetite in traditional segments, particularly Product Liability (Aerospace) and General Aviation for European risks and risks where no losses have occurred.

Overall, there is still overcapacity in the market despite some withdrawals, particularly in the War Risks market due to the Ukraine/Russia crisis. The traditional insurers are maintaining their shares, but few new players are appearing in a particularly uncertain environment.

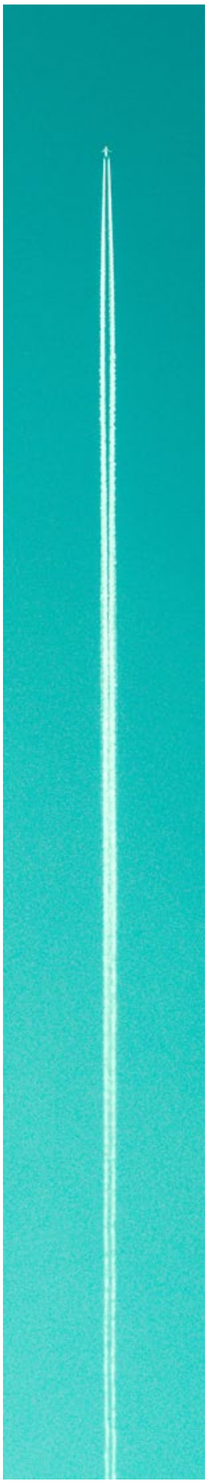
Developments in coverage

The refocusing of aviation policies around traditional, market-standard coverage continues. Insurers are reluctant or particularly vigilant when writing new specific extensions if they are not already included in existing programs.

Pricing trends

The end of 2021 and the beginning of 2022 saw a net slowing down in pricing increases, a trend that is currently being confirmed with a market that has almost stabilized. It should be noted that we are seeing a return to a more dynamic market within the General Aviation segment with slightly lower rates (for large fleets and those where no claims have been made).

The projection for the second half of 2022 remains very uncertain in terms of reinsurance treaty renewals and the long-term effects of the crisis in Ukraine could already be having an impact on year-end renewal conditions.



RUSSIA/UKRAINE: IMPACT ON THE AVIATION MARKET

Almost 500 leased aircraft were in Russia when the Russians invaded Ukraine on February 24, 2022. Under the Russian decree of March 14, the Russian government allowed its airlines to re-register the aircraft belonging to Western lessors. By April 2022, only 41 aircraft out of the 500-strong fleet had been removed from Russia *(source: Cirium)*.

Breakdown of the leasing market in Russia (April 2022)

Source : IBA

On March 24, Lloyds warned that the Russian invasion would have a "major" impact on the market. In fact, the grounding of this fleet in Russia would trigger claims under the lessors' contingent policies representing the total value of these aircraft, i.e. between $10 and $15 billion.

Despite the lengthy claims procedures to be expected, the largest reinsurers in the market are already anticipating the financial fallout of this crisis. The reinsurer Scor is said to have set aside €85 million to cover compensation "for the conflict in Ukraine", the same may be true for Munich Re (€100 million) and Swiss Re (US$283 million). Even if the market is preparing to bear the consequences of the war, it is still too early to determine its precise impact on the next round of renewals at the end of the year.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

The Aviation department operates across all areas of expertise in the sector: aeronautical industry and subcontracting, ground handling, general aviation, airports, and airlines. The experience, technical skills and responsiveness of the dedicated aeronautical teams means we can provide specialized assistance and support including advice, placement and monitoring in the management of risks in France or abroad.

How do we assist and support you?

Given the specific nature of the sector, we provide threefold assistance and support: technical expertise, market knowledge and responsiveness. These three elements are essential to meet the needs of our clients and be as close as possible to their business and their risks in order to offer solutions that are constantly adjusted in line with their development and the evolution of their exposures.

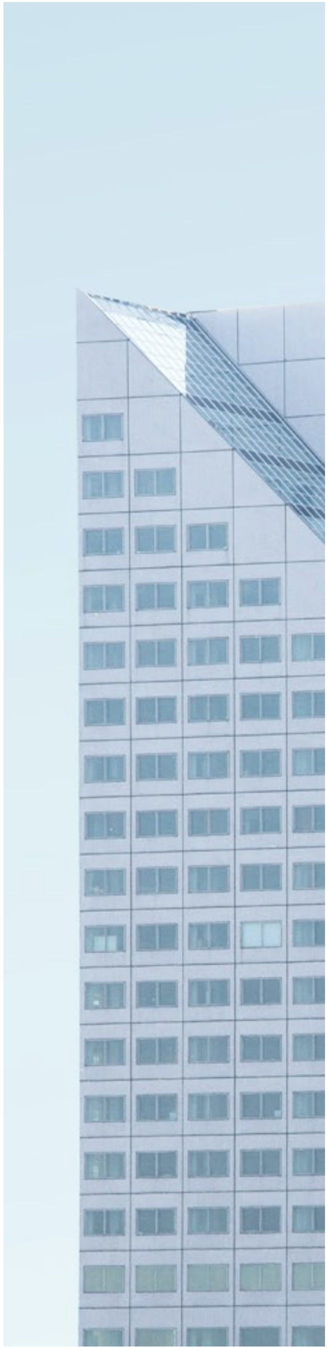
What can we offer you?

A specialized team and technical support on a day-to-day basis.

Our presence in the market provides us with access to the entire global market, in complete independence.

What makes us different?

- Our organizational flexibility: an experienced, adaptable and responsive team
- Our knowledge of the insurance market
- Specific, personalized assistance and support to clients
- Placement tools for the aeronautical market (lineslips)
- **A vision of the broker's business that is specialized and adapted to current developments in the Aviation market: a threefold approach "experience, technical skills, and responsiveness" .**



80+
clients

€10 million premiums
under management

Christophe Lot
Aviation Director

DiotSiaci Crédit

TRADE CREDIT, BONDING, FINANCING

General trends

While business failures are predicted to rise sharply, the liquidity provided by the major developed countries in their economies has supported growth in those states, boosted global trade and demand for logistics, and led to skyrocketing international freight costs.

The Russian-Ukrainian war and the new waves of Covid with factory closures in China have strongly destabilized activity, bringing growth forecasts down as a result of strong inflation on agricultural and non-agricultural commodities, leading to an increase in interest rates by central banks.

Growth has begun to slow and the scenario of a recession is fast approaching. This rise in the number of business failures in France and internationally, and the increases in interest rates, will weaken countries and companies with high levels of debt.

On the other hand, the energy crisis could have major consequences in the event of a blackout next winter, which could further weaken growth.

Market capacity

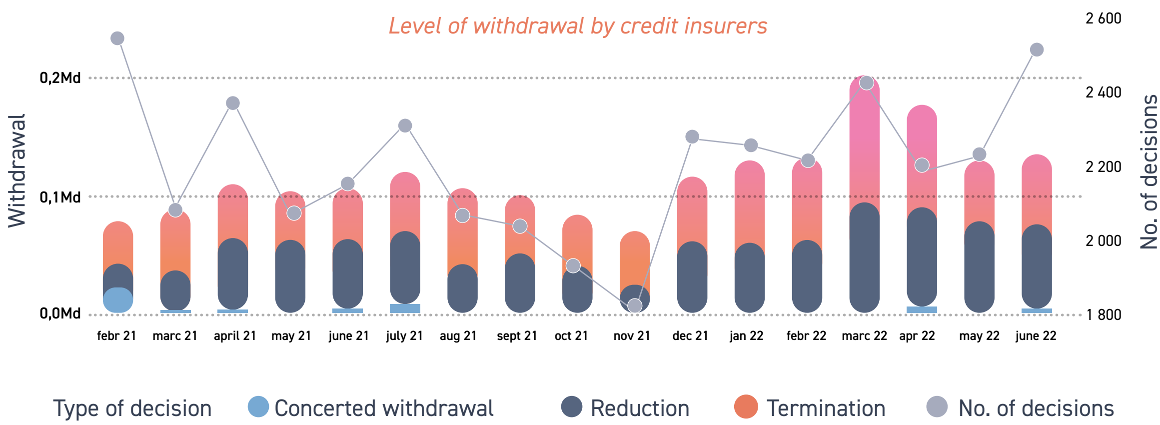
The level of risk appetite among credit insurers has been very high since mid-2020 and this type of environment could challenge the doctrine that has dominated for more than two years. The main indicator to follow will be the evolution of the level of corporate failures to determine the capacity of credit insurers to continue their support.

Developments in coverage

Diot-Siaci Credit publishes a quarterly indicator based on:

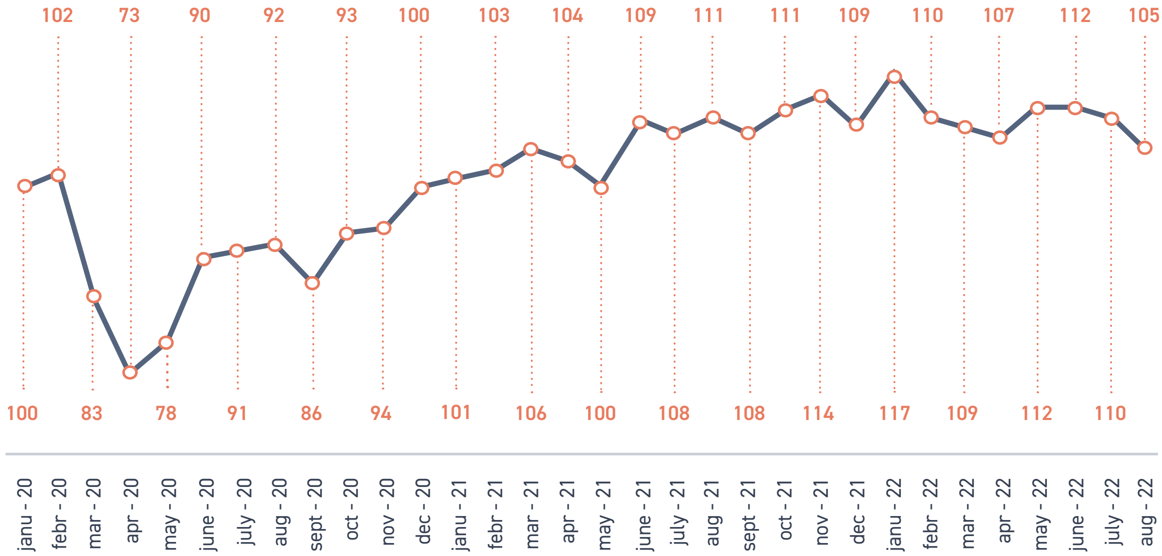
- The withdrawal rate, which measures reductions and terminations of coverage.
- The acceptance rate, which measures the coverage provided against the coverage requested, adjusted for withdrawals.

Level of withdrawal by credit insurers



We saw an upward trend in withdrawals on the part of credit insurers in the first half of 2022. Unsurprisingly, it is the very small businesses that are beginning to show obvious signs of difficulty.

Satisfaction rate: 100 index in Jan 2020



Credit insurers provide coverage with integrated risk prevention over a 6-9 month period.

Since the summer of 2020, the level of risk appetite on the part of credit insurers has continued to rise.

In the first half of 2022, the rate rose slightly, largely due to the inflationary effect and the growing need for coverage to cope with the rise in the price of commodities and energy.

However, we saw a sharp decline in our index in August 2022 (-5pts) due to the impact of restrictive responses in the energy sector.

Pricing trends

Given the low level of claims, the global credit insurance market has been trending downwards on premium rates since the beginning of 2021.

Buoyed by strong growth in their turnover and a very low claims rate, companies are trying, no doubt before an increase in claims and therefore in rates, to negotiate new, more favorable conditions by freezing rates over time or negotiating clauses that are more difficult to put in place.

Depending on the force of the downturn, claims could start with higher frequency before moving to higher intensity, which would mean a reversal of the trend in premium rates.

Philippe Puigventos
Chairman of
Diot-Siaci Crédit

About Diot-Siaci Credit:

Diot-Siaci Credit, through the merger of the Diot and Siaci groups, has become the leading broker in France specializing in credit insurance, bonds and financing. It is supported around the world by the most powerful network of agents (ICBA - more than 600 specialists - 50 countries) which means we are able to assist and support large groups in their international development.

We have a team of 115 specialists and draw on high-performance technological tools to deliver quality reports to our clients. With web services that give us access to the coverage issued by insurers to clients, we are able to track more than 100 billion euros of coverage.

In an increasingly uncertain environment, our teams are mobilized to provide effective and innovative solutions in corporate financing and by using the insurance market to place bonds.

WWW.INFO.DIOT-SIACI.COM

SIACI SAINT HONORE

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DIOT

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