Insurance Market Summary for Life Sciences Companies

Gallagher

Supplement to Gallagher General Market Conditions

Winter 2026

Life Sciences

The Gallagher Life Sciences Industry P&C Insurance Market Update complements our broader view of the Gallagher insurance market conditions report. This supplement will give insights into what pharma, biotech, med device, CRO, CMO and related companies are experiencing with insurance carriers. The risk transfer market is being driven by several factors, including general inflation, higher interest rates, capital market effects, regulatory impacts and social inflation. With the report and consultation from your Gallagher representative, we can help optimize your risk financing objectives.

Directors & Officers Liability

1. The D&O market is beginning to stabilize for life sciences companies. The trend of seeing double-digit reductions is tapering off. Expectations for 2026 would be flat renewals, with the expectation that the London market and a few other new market insurers might be more aggressive on early-stage companies.

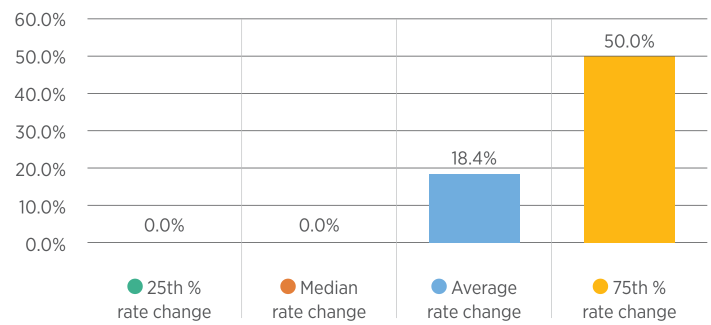
2. In the last few weeks, we've seen some major consolidation of insurers, reducing capacity in the marketplace.

3. Life sciences companies are still the most frequently sued industry class, with over 30% of claims filed this year in the life sciences sector. The 2024 dismissal rates for life sciences companies are at 59%.

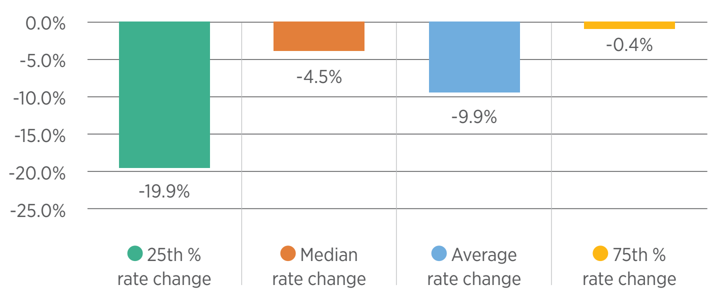
4. The SEC remains focused on public disclosures made by life sciences companies.
   One large case that is noteworthy:
   On September 5, 2025, the US Securities and Exchange Commission (SEC) announced a $1.25 million settlement with a biopharmaceutical company, finding that the company made false and misleading statements regarding the results of cardiovascular safety analyses of their drug candidate.

Current rate trends are as follows:

D&O Private Rate Trend — November 2025



D&O Public Rate Trend — November 2025



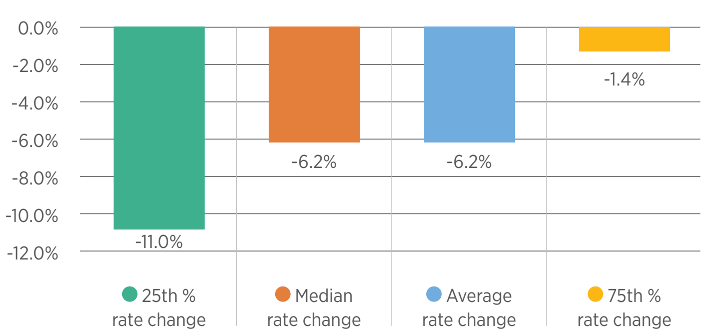
Life Science Property Risks

In general, the property portion of life science renewals follows the trend in the overall property market, which is experiencing decreases depending on prior renewals. (Prior renewals with larger rate increases are seeing larger rate decreases depending on the risk.)

Market changes from 2024 to Q3 2025 are as follows:

- R&D space — The same with a fair amount of capacity readily available. Median renewal rates are down 6.2%. If aggressively marketed and the account incurred consecutive year increases, the rate credit could be much higher.
- Commercial space — If loss-free or minimal losses, with no significant engineering issues, renewal rate likely -10% to flat. If there are engineering issues or aggregation issues for third-party CMO suppliers or 3PL, the rate could be higher or limits potentially restricted.
- If there is any Florida or Tier 1 wind exposure, most markets are utilizing RMS 23 version that has a significant negative impact on wind probable maximum losses. Special attention will need to be devoted to this exposure to avoid price increases or capacity reductions. If adjustments are made in prior years, rate reductions are achievable.
- Underwriting discipline remains in the areas of CBI coverage/supply chain, warehouse/DC storage risk mitigation via sprinklers, storage height monitoring, etc.; utility interruption, spoilage, change in controlled environment coverage, etc.; and flammable liquids storage with proper protection.

Property Rate Trend — November 2025

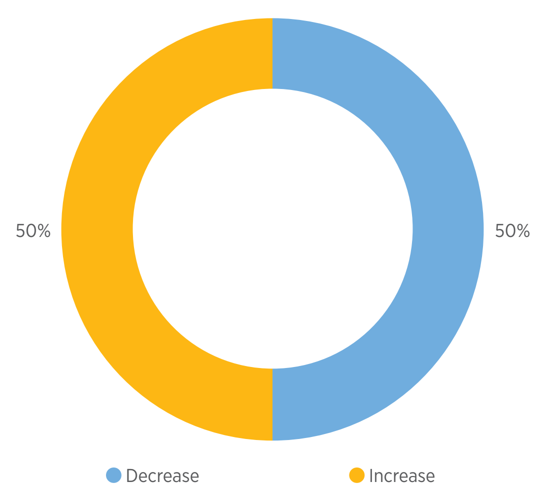


- Underwriters looking for % deductibles for tornado and hail in some markets (vs flat AOP deductible). Others are willing to convert from % to flat deductibles.

For non-commercial life science companies (still in the R&D stage), many of those risks are covered via a commercial package and are seeing low double-digit rate decreases with potentially more if marketed. There is still plenty of capacity and competition in this space.

The environment is very different for commercial life science companies that have products approved by the FDA. Average renewals in this space are experiencing rate decreases ranging from flat to -10% (potentially a higher decrease if marketed and having good protections). The higher rate decreases typically require full marketing with positive risk engineering, loss history and redundancy with robust backup inventory. The insured will likely have to retain % deductibles where there is CAT exposure. There are fewer companies willing to write commercial LS property business versus the smaller R&D space where capacity is available and rate decreases tend to be less, according to our property teams and the Gallagher Drive database.

Property Rate Change Distribution — November 2025

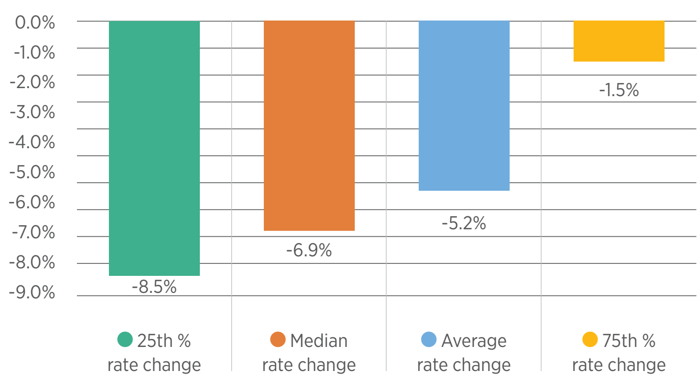


Life Sciences Workers' Compensation

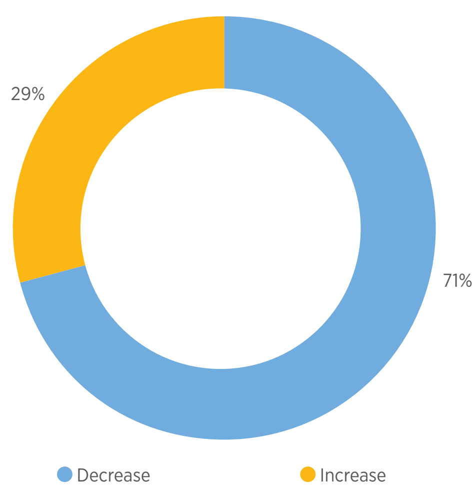
Workers' compensation has been the industry's most consistently profitable line of business since 2012. According to AM Best, US worker's compensation posted an 88.8% combined ratio for 2024, which is almost eight points better than the industry combined ratio of 96.6. The overall industry combined ratio has increased capacity on most of all coverage lines. Workers' compensation is essentially acting as a "profit leader" for LS insurance carriers to offset the more challenging commercial property and liability lines. The exception is the California WC market due to the tougher statutory and litigious environment.

The median rate decrease is 6.9%; superior risks in the 25th percentile are seeing rate decreases of 8.5% through Q3 2025. The 75th percentile shows very modest rate decreases of 1.5%.

WC Rate Trend — November 2025



WC Rate Change Distribution — November 2025



Life Sciences Cyber

Cyberthreats have been a growing concern in the economy for the last few years, nudging businesses to forge a strong defense against the attacks. The geopolitical instability in some regions also shifted the focus of cyberthreat actors, and as a result, the severity and frequency of cyber attacks reduced. After several years of rising premiums and capacity constriction, the cyber insurance market over the past year has surprised many as softening conditions rippled through the marketplace.

Key observations from 2025

We observed an uptick in cyber claim activity with an unexpected and significant resurgence of ransomware attacks. Amidst the rising cyberthreats, two factors drove the risk landscape — increasing geopolitical tension and the unregulated adoption of artificial intelligence. Several state-funded cyberthreat actors carried out cyber espionage, targeting critical infrastructure and intellectual property.

While loss trends ticked higher, softening market conditions continue for attractive cyber risks. This posed a particular challenge to cyber insurance carriers competing to maintain and grow their client base while maintaining profitability.

Constantly evolving ransomware attacks remain the most active mode of cyberthreat. Cyber attackers have launched high-profile attacks on prominent vendors with broad customer bases, causing potentially extensive losses. These attacks may lead cyber insurers to increase their focus on companies' exposure to network outages at key supply chains and other providers. Life sciences companies dependent on key supply chain providers may be asked for more extensive information during their cyber insurance renewals.

Heightened regulatory risk could exacerbate cyber claims frequency and severity. While our focus is on the state and federal level regulators in the US, regulatory risks may extend to other territories and are influenced by other global privacy regimes.

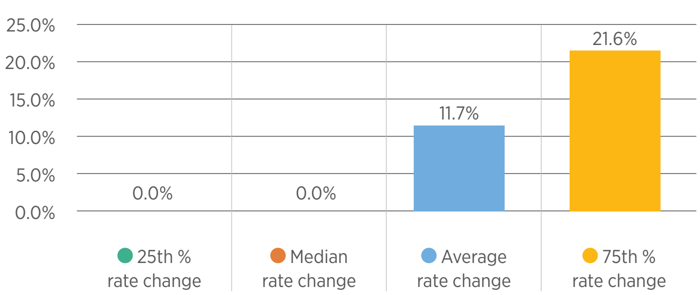
Evolution of cyber insurance products

The cyber insurance marketplace will continue to evolve in 2026 and reflect dynamic change as technology and the threat landscape advance. Cyber carriers may consider revising their policy wording to exclude war and systemic risks. Carriers may also constrict coverage for regulatory investigations, settlements, fines and penalties. In addition, some cyber carriers may look to exclude claims stemming from specific privacy laws, such as BIPA.

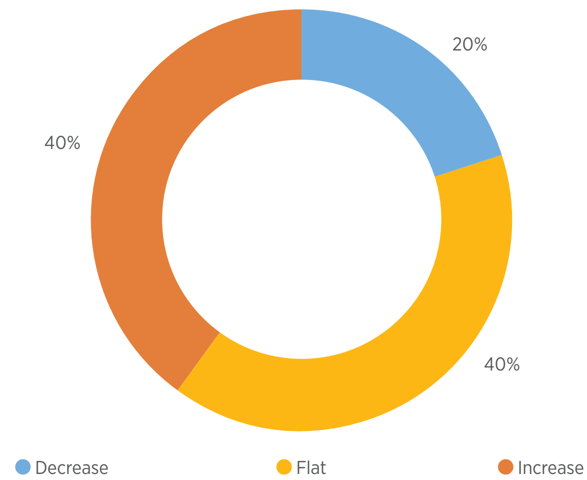
Despite the changing cyberthreat landscape, we expect the cyber insurance market to follow the trends of the past several years and continue its expansion in 2026 and in the years to follow. As we look forward, we see a cyber market that has matured to a level where both applicants and providers of cyber insurance have gained valuable insight into how threats manifest into claims and generally understand the minimum-security controls required to help prevent and mitigate their effects.

Rates are quite risk dependent, as our Gallagher Drive data indicates. The least favorable risks in the 75th percentile have rate increases up to 21.6%, while the median risks are seeing flat 0.0% renewals through November 2025.

Cyber Rate Trend — November 2025



Cyber Rate Change Distribution — November 2025



GL Including Product Liability

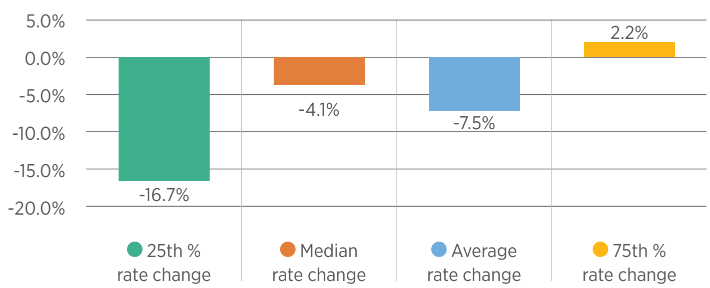
General and product liability rates are decreasing for 52% of accounts, and the remaining 48% of accounts are seeing modest or flat rates in this third-party risk segment.

- The market rates are down 4.1% for the average risk and only up 2.2% for the 75th percentile risks, which is below general inflation at the time of this report of 2.9% for the CPI. The best 25th percentile rates are down 16.7%, usually due to product class or favorable loss experience.
- Market capacity and favorable combined ratios are driving the current market. Cautionary but stable underwriting remains for certain higher-risk classes like pediatrics, opioids, GLP-1s and Class III medical devices from well-established product liability markets.
- Carriers are showing more interest and price flexibility in previous higher-risk areas such as biologics and generics, as evidenced in the 25th percentile decrease of 16.7%.
- Clinical trial pricing remains very competitive due to the profitable segment. The market-wide claims experience in this class is still extremely low, making it an extremely attractive target to write for carriers.

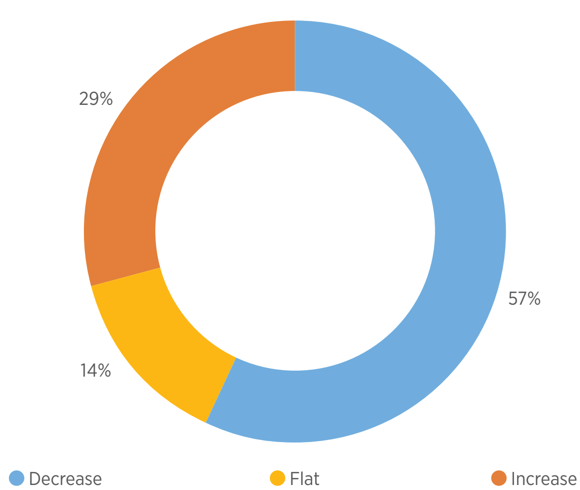
- Class III Medical devices continue to maintain stiffer pricing and capacity availability as they are the notorious loss leaders in this space, led by implantable devices, life-sustaining devices and elective surgical devices, lasers, etc. Preemption only exists in pre-market approval devices. This leaves the class very vulnerable to loss severity and loss expectancy.
- AI integration into medical devices, telemedicine and clinical trials for both R&D, diagnostics and post-market surveillance is growing rapidly, which puts pressure on traditional product liability markets to integrate with technology professional liability exposures. The long tail for liability is a factor for this claim made policy sector.

Overall, markets are competitive and are willing to compromise in the face of competition and better understanding of individual products and their risks.

GL Rate Trend — November 2025



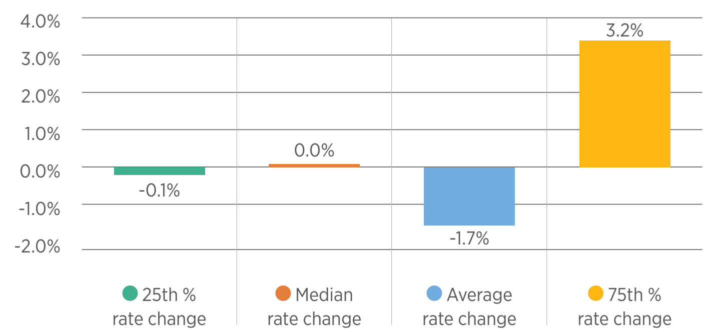
GL Rate Change Distribution — November 2025



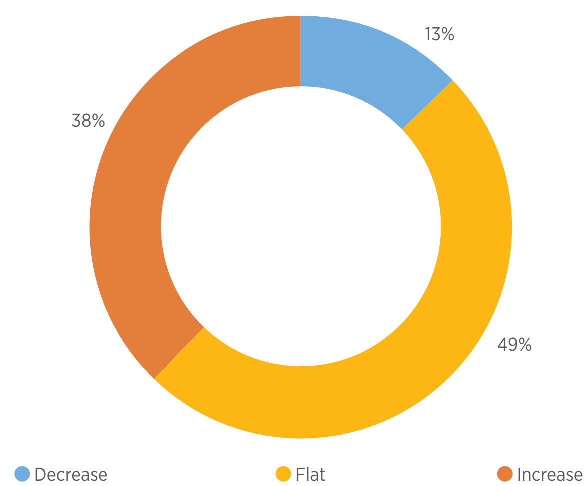
Umbrella Rate Trend

Umbrella excess of underlying GL (excluding products), auto, workers' comp coverage B, etc. is an outlier in the general market. More accounts are receiving modest rate changes versus the general market, which is driven by the underlying auto liability market — which filters to the umbrella market for severe claims and jury awards. Capacity is available, and stable rates remain for good risks, as evidenced by flat rates for the best 25th percentile of accounts.

Umbrella Rate Trend — November 2025



Umbrella Rate Change Distribution — November 2025

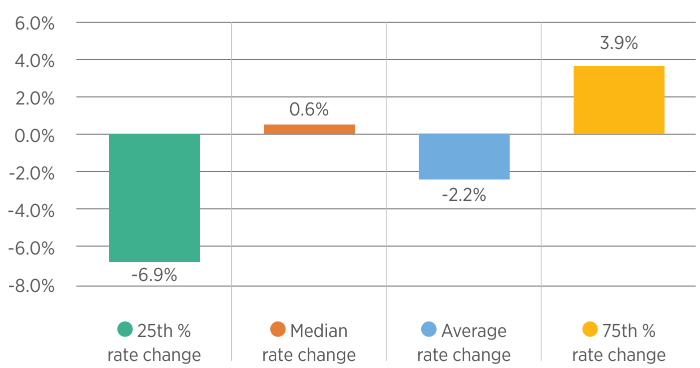


Auto Liability Rate Trend

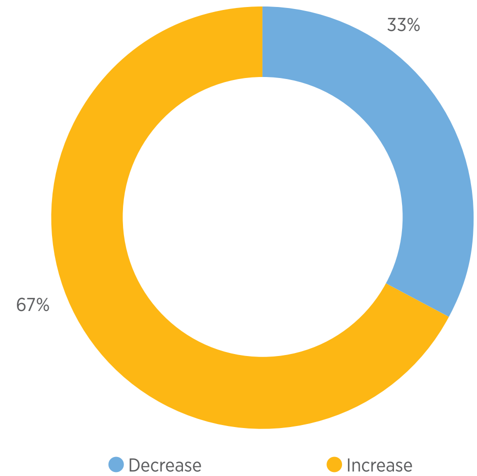
Automobile liability is seeing rate decreases of 6.9% for the best 25th percentile and a median rate increase of 0.6%. The rate increases continue to exceed other P&C lines due to the unprofitability of this sector caused by inflationary loss costs, large casualty awards and trending general inflation factors. It is very important to demonstrate high levels of fleet safety, driver training and engaged management of automobile exposure to keep costs down.

The worst 75th percentile showing rate increases up to 3.9%. Demonstrating risk controls and loss aversion is key to underwriters giving the most favorable terms for accounts exposed to favorable, unprofitable or loss-prone accounts.

Auto Rate Trend — November 2025



Auto Rate Change Distribution — November 2025



About Our Data

Gallagher Drive® is our premier data and analytics platform that combines market conditions, claims history and industry benchmark information to give our clients and carriers the real-time data they need to optimize risk management programs. When used as part of **CORE**360®, our unique comprehensive approach to evaluating our client's risk management program, Gallagher Drive creates meaningful insights to help them make more informed risk management decisions, find efficient use of capital and identify the top markets with the best solutions for their risks. Rate changes in this report were calculated by using the changes in premium and exposure of Gallagher clients renewing in Q1 of 2023. Due to the variability that we are seeing in this market and specific account characteristics, individual rates may vary. Please contact your Gallagher broker advisor for client- and SIC-specific data.