MINING

MINING INSURANCE
MARKET UPDATE

H1 2024

Gallagher
SPECIALTY

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A number of our divisions are among the market leaders; delivering global solutions for some of the largest and most complex risks that modern businesses and organisations face.

Our strong, well-established relationships in the London and international insurance markets are leveraged every day to obtain the most effective and innovative solutions for our clients.

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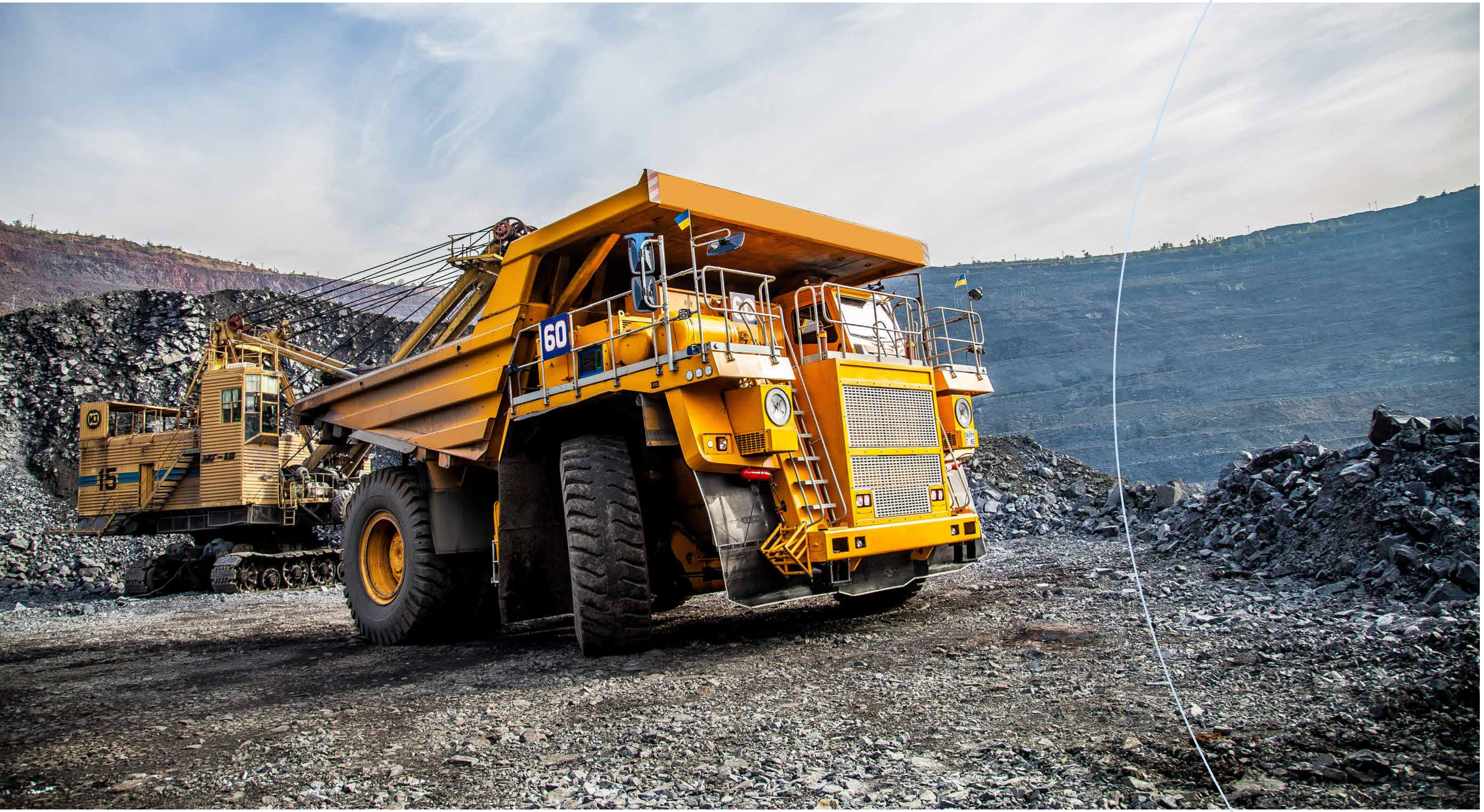
SUMMARY OF **2023**



The 2023 market environment was heavily influenced by an extremely volatile 1 January treaty renewal season. The 2022 trend of increasing rates in the Direct and Facultative (D&F) markets persisted, driven by reduced capacity, increased rates, and higher carrier retentions in the treaty space. Mining carriers sought to achieve rate increases across their portfolio, with movements ranging up into double digits, particularly on risks with high natural catastrophe exposures. By Q4 2023, the rating environment demonstrated increasing stability, assisted by a benign windstorm season, although significant claims activity meant that rate increases continued, albeit at a slightly reduced level in the high single figures.

While 2023 saw many carriers return to profitability, highlighted by Lloyd's achieving its strongest result since 2007 with a combined ratio of 84%,[1] closer examination reveals a more nuanced picture when assessing individual lines of business or specialist occupancies. While the market as a whole announced widely positive results, mining portfolios demonstrated a more mixed experience. For these teams, a profitable result proved more elusive as a result of significant claims activity in the mining sphere, with some dedicated mining portfolios failing to make an underwriting profit, with loss ratios over 100%.

New capacity entry into the mining space was limited in 2024, with Inigo being the primary noteworthy entrant.

[1]lloyds.com | Lloyd's reports outstanding performance in 2023 results.

2024 OVERVIEW

Q1 2024
The beginning of 2024 saw a continuation of the calmer rating trend evident in Q4 2023, with the environment increasingly stable. Several years of rate increases have seen individual risks achieve rate adequacy. While carriers are keen to safeguard the profitability of their portfolios, they are also seeking accretive growth as they look to expand their capacity offers on select, well-risk managed accounts. The current average rate movements were circa +5%. However, due to selective risk assessment on a case-by-case basis, some clients in Q1 enjoyed results below this trend. This was attributed to the reallocation of capacity and restructuring, resulting in flat rate renewals for accounts boasting favourable claims experiences and superior risk quality.

SUPPLY CHAIN, LOGISTICS, AND GEOPOLITICS
The complexity of international relations, global supply chains, and commodity markets can hardly be considered an emerging risk, but the volatility of the past two years has increased the potential for supply chain interruptions and resulting disruption to operations. From the well-publicised logistics concerns around access through the Suez Canal and the Strait of Hormuz, to the more recent closure at Baltimore's port, mining companies, as an essential industry, are operating in an increasingly challenging environment.

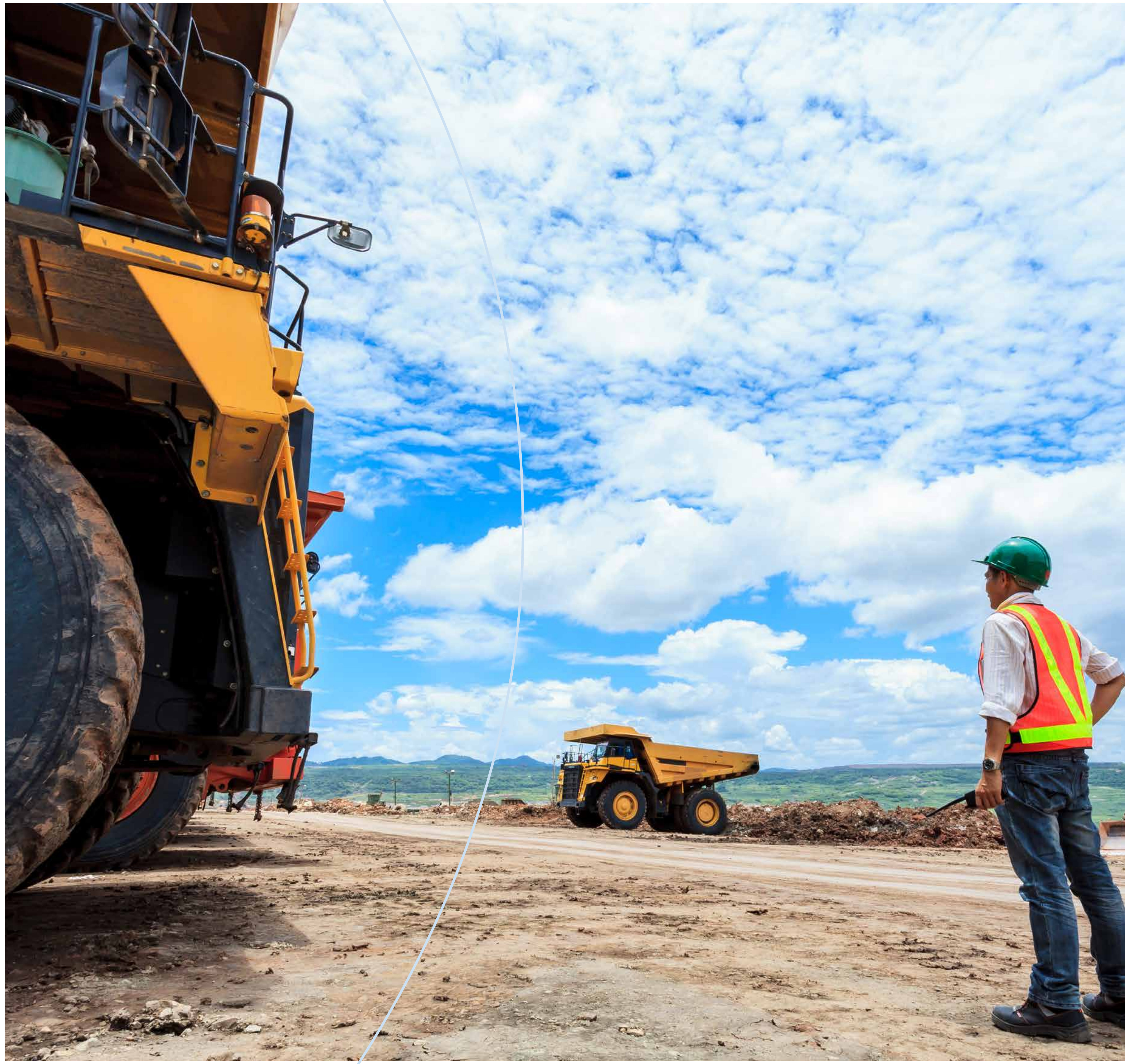
CYBER
While understanding of cyber exposure has developed over recent years, the changing environment and shifting makeup of threat actors require continued awareness. The early awareness of the threat to data and software needs to adapt to the growing threat to the operational landscape, and the potential for large physical impacts.

2024 — A FORWARD LOOKING PERSPECTIVE
The Q1 renewals provide a strong forecast for the rest of the year. Barring significant loss events in the mining market, we anticipate a stable renewal year with rates continuing to ease for loss-free, well engineered, and risk-managed risks. Although there are a number of mining carriers who were not profitable in 2023, with ratings at technically adequate levels, we expect that placements will continue to be assessed on individual merits. Additionally, there is adequate competitive tension as carriers seek to grow, which will continue to drive renewals at the current rating trends.

Underwriters will continue to focus on multiple elements of risk engineering and risk quality, heavily influenced by recent claim scenarios, with specific topics including:

- Critical spares
- Condition monitoring
- Structural integrity
- Supply chain security

These issues sit alongside those consistent from prior years, including tailings storage facilities (TSF) maintenance and monitoring, environmental, social, and governance (ESG), and accurate and up-to-date asset valuations. Carriers have also been reassessing certain wording elements, in particular flood definitions and either commodity price margins or Business Interruption (BI) volatility clauses.



AN UPDATE ON **COAL**

Coal risks continue to experience a niche market environment. A significant withdrawal of capacity over the last 6 years has resulted in demand outstripping supply, and the ratings for thermal coal therefore remain overly inflated. The last few years have shown increasing signs of stability as capacity availability has levelled out, although rates do continue to increase at and beyond the top end of the range experienced by non-coal producers. While many carriers maintain long-term exit strategies, for the short and medium term we expect current capacity levels to continue.

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CLIMATE CHANGE

Many mining companies already have a strong ESG focus and are aware of the importance of decarbonisation and are considering their ongoing operations in conjunction with these aims. It is, however, important not to overlook the physical risk of climate change, and the impact this is already having on mining operations globally. In short, the difference between mitigation and adaptation.

With available limits falling short of many clients' requirements, customers are increasingly taking proactive measures as they seek to future-proof their risk transfer methodologies including through the use of increased self-retentions, captive deployment, and alternative risk transfer. This proactive stance is exerting pressure on the traditional risk transfer market. Clients are increasingly seeking to remove more opportunistic support, where they are able to replace this capacity as part of their longer-term self-sufficiency drives.

Although messaging from D&F carriers suggests stability, there are early signs that the availability of treaty reinsurance capacity for coal may be starting to contract, with D&F insurers therefore having to reduce offered capacity in order to manage retained exposures. This trend is in its infancy but may drive capacity contraction faster than the upfront messaging might suggest.

Wider ESG credentials remain important criteria for carriers when assessing coal risks, whether it be a documented transition plan or efforts to reduce scope 1 and 2 emissions. Shareholder pressures on underwriting appetite remain so it is essential for underwriters to evidence a selective underwriting approach to thermal coal risks, with insureds' ESG credentials crucial.

DIRECTORS' & OFFICERS' (D&O)

In 2023 the D&O market saw a shift in favour of buyers, driven by ample capacity in the market coupled with a lack of new opportunities as a result of a decline in Initial Public Offerings (IPOs). This combination led to underwriters pursuing aggressive pricing strategies, and offering expanded terms to insureds. Many clients enjoyed a second year of renewal stability and softening rates from the London market.

Despite softening rates, there were a number of wider global challenges that impacted underwriting guidance in 2023. As we progress through 2024, these challenges persist; whether it be geopolitical tensions; regulatory challenges; or emerging risks. For the mining sector, ESG risks remain a key focus for D&O insurers, including greenwashing, greenhushing and social washing.

Despite these wider challenges, it is anticipated that continued robust market capacity, and inter-carrier competition, renewal rates for mining companies will remain favourable throughout 2024, with potential opportunities to broaden policy terms and conditions.

GENERAL LIABILITY

The last 12 months have seen a general easing of hard market conditions for International Casualty, however this trend has been partially offset by continued global inflation.

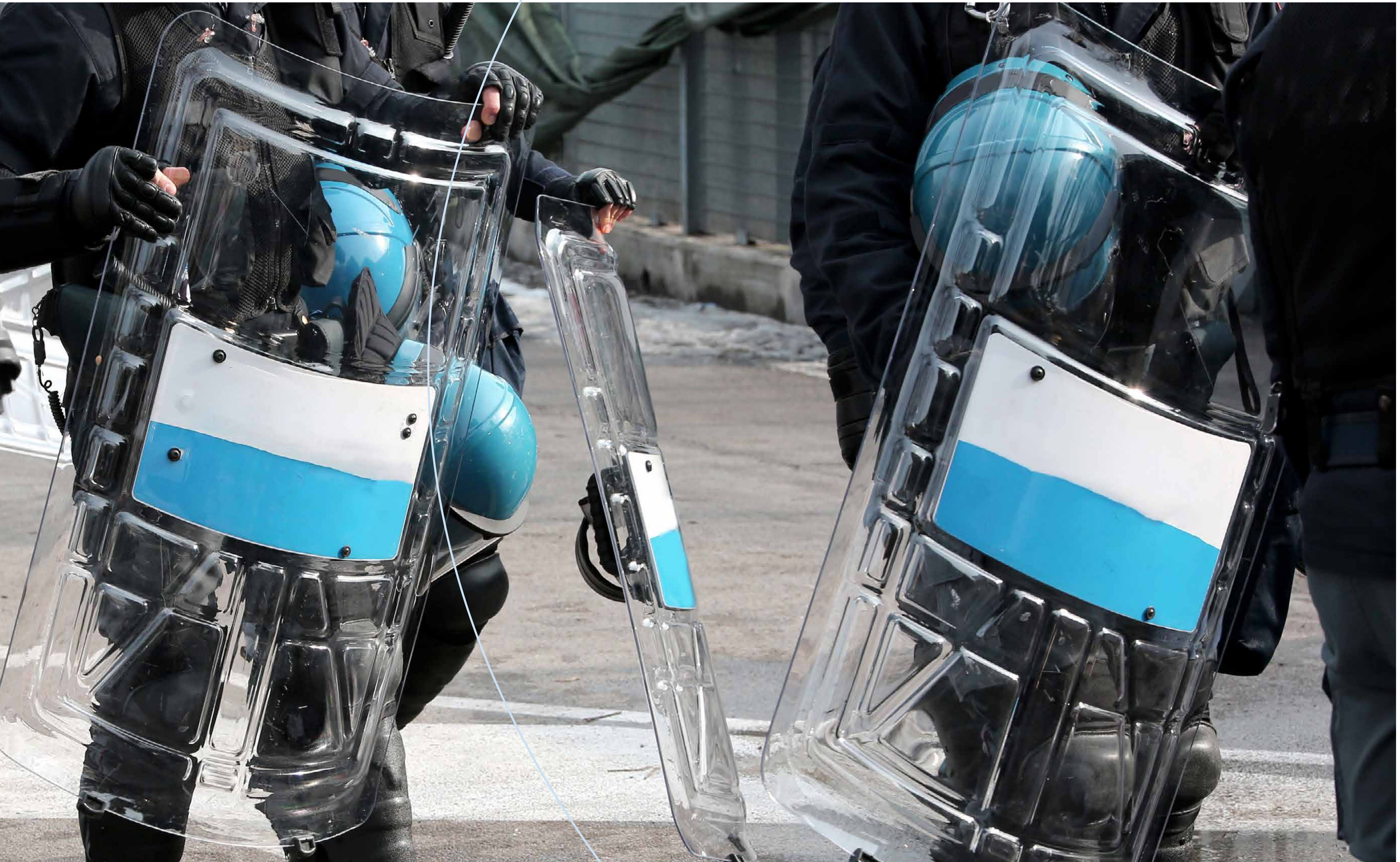
With new capacity entering the market in 2024, and broadening appetite amongst existing carriers as they return to certain territories and/or risks that were exited during the hard market, clients can anticipate a slight easing of rate increases following several years of upwards movement. Mining clients are also benefiting from this trend, in line with the broader International Casualty market.

While capacity is stable, carriers are continuously reviewing policy terms and conditions, and in particular seeking to limit their liability exposure to forever chemicals amid concern of their potential impact on humans. As a result, the application of a per- and polyfluoralkyl substances (PFAS) exclusion is becoming more frequent.

Finally, thermal coal risks remain out of appetite for a large proportion of the London market due to the Lloyd's of London's ESG commitment.

The positive news we have this year however, is there are two new entrants to the market, one of which is focused solely on African risks but both new markets can insure coal risks.

STRIKES, RIOTS AND CIVIL COMMOTION (SRCC) AND TERRORISM



After are lengthy period of soft market conditions the availability of aggregate and coverage in the SRCC market has deteriorated. Although amplified by Russia's invasion of Ukraine, political and civil unrest in territories such as South Africa, the USA, Peru and Mexico had 'aready' started to turn the tide on soft market conditions in the London market. This has been further compounded by increased treaty costs pushing up premiums for an already limited pool of aggregate, as well as the situation in the Middle East and the threat of further regional conflict.

The reduction in available aggregate has substantially impacted the mining industry. Underwriters view the industry as inherently high risk due to the frequency of labour group demonstrations, including strikes as a result of labour disputes, as well as fraught negotiations for fair wages, working conditions, or job security. Strikes are another threat to the mining industry, stemming from labour disputes, demanding fair wages, improved working conditions, or job security. When negotiations falter, tensions escalate, leading to labour strikes that paralyse mining operations and ripple through the economy. Civil commotion, fuelled by broader societal unrest or political instability, further exacerbates the industry's vulnerability.

With 2024 bringing elections in over 40 countries, there is potential for significant civil unrest this year and as such underwriters continue to assess mining risks with heightened scrutiny and caution.

LET'S **TALK**

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