8 August 2024

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MARKET-EDITION

145 YEARS

PROPERTY

LIABILITY

TECHNICAL

CONSTRUCTION

MARINE

MOTOR

D&O

CYBER

FIDELITY

CREDIT

ACCIDENT

LEGAL PROTECTION

M&A

GENERATE ENERGY SAFELY

Fire Risk Photovoltaics

RENEWAL TALKS

Towards Renewal, with Courage and Strength

THE GERMAN INSURANCE MARKET 2024

Renewal. One way or another.

Ralf Becker
Managing Partner
of Funk

As always, the world is changing. We are all now familiar with the challenges that will concern not only us, but also the next generations. From globalisation to digitisation, from geopolitical risks to green transformation to cyber attacks or unpredictable weather extremes as a sign of the climate crisis. The world is simply not simple. Don't let big trends make you feel powerless. Because we have the small trends, the ideas, the innovations, and the development for the better in our immediate world in our own hands – and thus contribute to change on a larger scale. If you still remember our previous Market Edition specials, then you know that we are firmly convinced that courage, well-connected cooperation and innovative strength are the factors that bring the world closer together. And not only the world, but also the realistic here and now. For example, how we go into contract renewal talks. With which approaches strategies and innovative ideas.

Distractions. Or Cornucopia of Risk Reduction.

No, we do not want to confront you once again with the challenges faced by industrial insurers and the effects these have on the general conditions, prices, and thus the annual renewal negotiations of contracts. In fact, the situation of industrial insurers has not yet improved overall. But there is also good news: only a few insurance lines are affected, such as fleet motor insurance or property insurance, which has always been quite challenging. Otherwise, we look to the insurers for a stable interest rate environment, constant solvency ratios, and a relatively strong capital base.

And we are looking at an insurance industry that is in the process of strategically realigning itself. One that no longer focuses just on simple transaction considerations, but also on intelligent and proactive risk management. This is the strength of risk analysts and consultants like Funk. Together with you and in conjunction with our best practice overview from many industries, we know how to demonstrate in negotiations how risks can be minimised. Instead of letting ourselves be driven to distraction, we open up the cornucopia of risk reduction. This requires a deeper dive into analysis and optimisation. Negotiation preparations in which no second of time nor costs are wasted. And that's an attitude that pays off. A real return on investment.

Outside the Box. Or Beyond the Horizon.

Insurers will have to deal with an increased risk situation on a permanent basis: after all, we live in a time of polyrisks. With analyses and intelligent strategies for claims limitation, interesting horizons for price negotiations can be opened up. No cloud cuckoo land: rather, a very pragmatic act of cooperation that benefits both sides. Let us look towards negotiation horizons that offer advantages for all parties involved. Insurers cannot ignore this logic either. At the same time, you as a company also benefit from an in-depth risk analysis. With more planning security, stable processes and perhaps even with a satisfied view of the results column of your financial controlling. Quite apart from the impact on client satisfaction, which is so important to us all. You see how there's not just one way of looking at renewals. With this joint preparation, you can enter the renewal phase more optimistically than in past years. Bold, connected and full of strength.

Ralf Becker

Effective Claims Management

When it comes to claims management, it is important to take action and, in an emergency, to make the right decisions quickly. Our experts know the special challenges with regards to claims within the industrial sector. On our website you will find an overview of our specialist teams and can see a number of real-world, practical cases.

funk-gruppe.com/schaden

Property Insurance

PREMIUM* CAPACITY*

In essential terms, the situation on the property insurance market is stabilising. The risk assessment of the insurers this year is more individual and risk-appropriate, and there are fewer flat-rate price adjustments. Insurers also attach great importance to fire protection, risk transparency, established claim prevention and reliable processes.

For well-protected risks, a return of risk appetite can be felt; moreover, insurers are rewarding higher retentions. Premiums remain the same or are increasing slightly. In the case of so-called heavy risks or a negative assessment of the risk situation, premiums can also increase somewhat more and capacities can be reduced. For suitable placement, risk quality and availability of information remain relevant this year as well. Insurers are increasingly attaching importance to the reliable updating of the sums insured and the preparation of value distributions.

In 2023, there were several major fire-claim events. In addition, there were claims due to natural disasters. Serious earthquakes occurred in Syria, Turkey and Morocco. In Slovenia, Austria and northern Italy, floods caused devastation. Greece had to deal with wildfires, and in Germany, Storm Denis raged. This trend continues in 2024: there were extensive floods in Germany, Brazil and northern Italy, and earthquakes in Japan. The latest floods in Bavaria and Baden-Württemberg alone will cost insurers around two billion euros, the German Insurance Association estimates. These events mean that there's not relief in sight in the area of natural hazard insurance. And the events show how important protective measures and claim prevention are. The discussion about compulsory insurance for natural hazards is now also on the agenda in Germany.

For some types of businesses, insurers are increasingly conducting preliminary ESG assessments. They are therefore requesting information on how companies are managing the transformation to more sustainable business practices. On this path, opportunities as well as risks can arise; for example, photovoltaic systems on factory roofs to produce green electricity can become a fire hazard (see article on p. 17). Here, it is all the more important to plan insurance coverage comprehensively.

Outlook

Claims from natural hazards will continue to increase, affecting both premiums and limits in this area. Individual premiums and capacities will primarily be influenced by loss prevention, risk management and the availability of information. For some companies, models for self-retention of risks, such as (virtual) captives or parametric coverage (see p. 18), are becoming more attractive and can complement traditional risk-transfer models.

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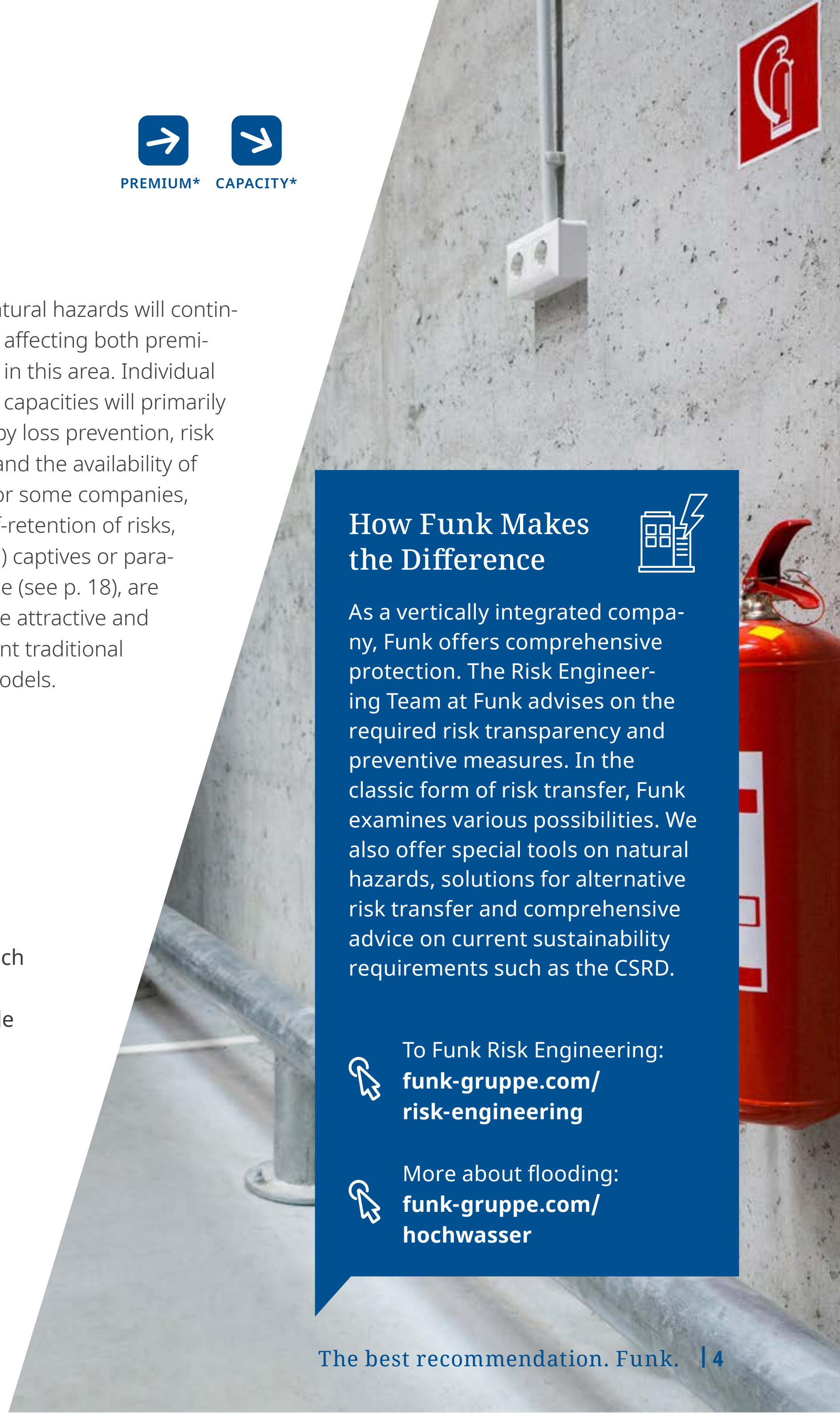

How Funk Makes the Difference

As a vertically integrated company, Funk offers comprehensive protection. The Risk Engineering Team at Funk advises on the required risk transparency and preventive measures. In the classic form of risk transfer, Funk examines various possibilities. We also offer special tools on natural hazards, solutions for alternative risk transfer and comprehensive advice on current sustainability requirements such as the CSRD.

To Funk Risk Engineering:
funk-gruppe.com/risk-engineering

More about flooding:
funk-gruppe.com/hochwasser

* We will see different approaches among insurers: see explanations above.

Liability Insurance

PREMIUM CAPACITY

The liability market is currently heterogeneous: in some industries, for example in mechanical engineering, more competition is once again noticeable. In individual cases, this also has a positive effect on premiums. In other industries, such as automotive suppliers, pharmaceutical companies, and medical device manufacturers, the market remains tense.

A major issue for liability insurers is the development of the US market and the continuously increasing damage awards there. The main drivers are the sharply increasing class-action lawsuits in recent years, supported also by so-called litigation funders. These funders provide capital to injured plaintiffs and receive a share of the proceeds if the case is successful in court. Similar developments are already visible in Europe, too (e. g., Wirecard, Diesel scandal). This is currently weighing on premiums.

After the previous contract renewal round saw some confusion regarding potential PFAS exclusions, the situation now appears to have calmed down. At present, there are no blanket PFAS exclusions on the German market. For US risks, it's quite the opposite: keeping PFAS coverage is challenging and requires case-by-case negotiations. PFAS are chemicals used in numerous industrial applications and are suspected of being harmful to health. As in the previous year, risk quality and transparency are very important in liability insurance. Detailed risk information makes a significant contribution to marketing individual risks.

Outlook

Currently, it seems that the market situation in the liability market will ease, and, at least in some areas, price competition may return. However, exposed risks are excluded from this, such as companies with a high proportion of US revenue. Here, the market will remain tense in the future.

The EU Product Liability Directive, which is currently being amended, is also relevant to the liability market. The new regulations are expected to apply from 2026. Its scope is set to include software and digital production files as products in the future. In addition to the manufacturer, distributors such as storage and shipping service providers, and, within strict limits, even retailers and operators of online marketplaces can be held liable regardless of fault. The new directive also includes provisions for easing the burden of proof. Companies may also be obliged to surrender evidence.

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How Funk Makes the Difference

We keep our clients informed of new developments in the insurance market, such as PFAS. You are also welcome to subscribe to our newsletter (see p. 19). Additionally, we provide highly individualised advice to our clients and assess which solutions are suitable in the context of insurance and risk management, such as self-retention models or total cost of recall analyses.

More about PFAS:
funk-gruppe.com/pfas

Technical Insurance

PREMIUM CAPACITY

This year, our clients can also expect largely stable premiums for traditional risks. With erection all risks insurance (CAR) and construction all risks insurance (EAR), however, we are seeing increased premium demands, limitations on coverage amounts, or coverage restrictions, particularly concerning natural hazards. This is because the claim rates in this area are still high, caused, among other things, by increased water damage in building construction projects. Some insurers have reduced their underwriting capacities in project business, but there continues to be strong interest in underwriting these coverages in the market.

The focus remains on insurance sums. Due to inflation-driven increases in repair costs, claims expenses in the area of machinery insurance have also risen significantly. Therefore, the originally agreed sums may no longer be sufficient. Some insurers are therefore scrutinising the sums insured under existing policies that were documented when the contract was concluded. There are demands for adjusting contracts to include annual updates of insurance sums as well as higher premiums. Policies with a smooth track record should still be able to continue under favourable conditions in 2024.

The political push for the expansion of renewable energy has led to a significant increase in demand for electronics and business interruption insurance for photovoltaic systems. In addition to insuring the systems themselves, companies should also consider potential impacts on property insurance as the systems may pose fire risks, and review preventive measures (see article on p. 17).

Outlook

Due to the increasingly severe impacts of the climate crisis, it is expected that the insurance market will gradually become more restrictive. Insurers will place greater emphasis on companies addressing preventive measures. Capacities will also be further reduced. Generally, there continues to be interest in underwriting technical insurance. This is evident, for example, in the fact that new risk carriers continually enter this market and are willing to provide capacity.

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How Funk Makes the Difference

In addition to traditional risk analysis and transfer services, Funk offers several specialised solutions. With the help of artificial intelligence, for example, fire risk in photovoltaic systems can be reduced. Smaller systems can also be insured directly through our online portal, Funk Experts.

More about Funk Experts:
funk-experts.de/pv-gewerbe

Construction Project Business

PREMIUM CAPACITY

The construction industry continues to face challenges due to the high interest rates affecting financing and the elevated construction costs. The project business is declining and profitability is often no longer available, so less is being built. Residential construction is also hardly economically feasible due to high interest rates and elevated construction costs. Thus, there is continued hesitation in residential construction, while at the same time, public pressure is growing to rapidly create affordable housing. A slight easing of the situation is noticeable in office and commercial buildings, public buildings, and utility infrastructure. The demand for accompanying public tenders is increasing.

Combined construction and liability insurance for building projects continues to be in demand, with construction sums remaining at a consistently high level. Premiums have also stabilised at a new high. The demand for specialised coverage concepts is increasing, such as coverage for halted projects and extension coverage for projects resumed after a long interruption.

Due to the climate crisis, extreme weather events are increasing in intensity and frequency and lead to cost-intensive claims scenarios. Nevertheless, the capacities of the insurers remain stable. They primarily underwrite small shares of project coverage, with an increase in requirements and obligations. Large insurance consortia remain the rule.

The use of ecological building materials such as wood, green steel and green concrete is increasing, as are renewable energy sources for heat and electricity generation such as wind farms, photovoltaic systems, solar and geothermal energy. Additionally, modular construction is increasingly used as an industrial series production method because it can be implemented more cost-effectively, quickly and sustainably. Insurers are cautious about these new building materials and methods because there is still limited data on claims, which makes assessment more challenging.

Outlook

In the placement of large projects, the need for information is expected to increase further. This is partly because the complexity and scope of building technology are expected to increase, particularly in combination with requirements for renewable energy sources for heating and electricity generation. This makes the risk assessment of construction projects even more complex.

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How Funk Makes the Difference

Despite the challenging conditions, Funk leverages its market power to secure favourable terms for clients: through regular tenders for combined construction and liability insurance for building projects, an attractive premium level can be achieved. Through close collaboration with insurers, we also achieve innovative concepts for coverage of halted and resumed projects.

Marine Insurance

PREMIUM CAPACITY

Political unrest and wars are currently leading to challenges in transport insurance. In connection with the war between Israel and the Islamist organisation Hamas, the Houthi militia, a political and military group, repeatedly attacks merchant ships believed to have Israeli connections in the Red Sea. The USA and the UK responded with an extensive military strike on Houthi positions in Yemen. All major container shipping companies avoid the Red Sea route, which normally accounts for about ten percent of world trade.

Due to the current situation, some transport insurers have terminated the war risks for a defined sea area in the Red Sea and the Arabian Sea in the contracts. Other insurers are still monitoring the development, whereby termination is possible at any time with due observance of a two-day period. In individual cases, the route across the Red Sea and through the Suez Canal is still used. After individual assessment, insurers are willing to reinstate war risks for certain declared transports.

The terminations of political risk and territorial exclusions for Russia, Belarus and Ukraine that began in 2023 remain in effect. In some cases, insurers are also willing to adjust the exclusions.

Regardless of these developments, the premium levels remain largely stable, while loss-prone contracts are adjusted on an individual basis. For transport risks with a good loss history, there is sufficient capacity available, and even premium reductions are possible.

The issue of insurance tax remains relevant, as the tax exemption for transport insurance applies only to cross-border transports. In the case of coverage extensions, companies must pay insurance tax on a pro rata basis. In this case, the bills of the premiums must be adjusted.

Outlook

Insurers are increasingly demanding detailed risk information. This development will intensify in the future. The background to this is the compliance requirements and internal technical insurance guidelines of the insurers. Capacity for special risks, such as storage risks, refrigerated goods risks, and land cargo risks, is expected to decrease in the future, as many insurers will stop underwriting these risks.

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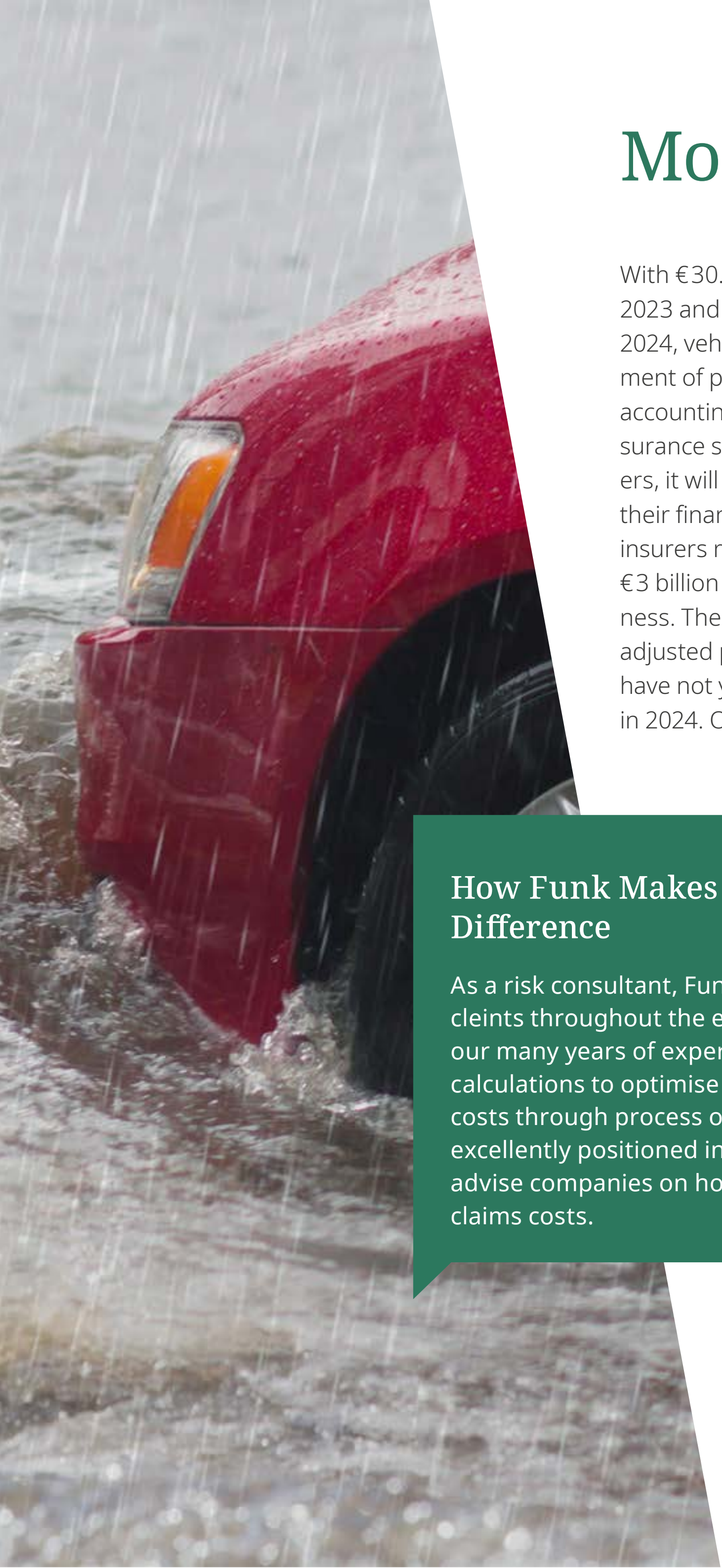
How Funk Makes the Difference

As the value of goods generally increases, originally agreed insurance sums may no longer be sufficient, leading to a risk of underinsurance. Funk is happy to assist in determining the appropriate sums. We continue to offer tailored claim prevention, dedicated large claim coordinators, and comprehensive risk management. Our team also negotiates reinstatements if needed and answers questions regarding insurance tax.

More about insurance sums:
funk-gruppe.com/unterversicherung



Motor Insurance

PREMIUM CAPACITY

With €30.4 billion in premium income for 2023 and a forecasted €33.6 billion for 2024, vehicle insurance is the largest segment of property and casualty insurance, accounting for 36 percent. If the motor insurance segment is not profitable for insurers, it will immediately reflect negatively in their financial statements. In 2023, German insurers reported a loss of more than €3 billion from their vehicle insurance business. The insurers have already significantly adjusted premiums. These efforts, however, have not yet been sufficient to break even in 2024. On the contrary: for 2024, a poor loss ratio is expected, resulting in an additional loss of at least €2 billion.

Of the estimated total premium income of €33.6 billion in 2024, approximately €5 billion will come from industrial motor insurance, i.e., fleet insurance. In the fleet business, the loss ratio was particularly high in 2023, and a very poor result is also forecasted for 2024.

The tense situation is leading insurers to raise premiums further. We expect that poorly performing fleets will face significant adjustments. Even for well-performing fleets, we anticipate a premium adjustment of 10 to 15 percent.

The reasons for the insurers' poor results are the same as last year: inflation, slightly rising claim frequencies, skyrocketing replacement part prices, and significantly increased workshop costs. Additionally, claims costs are driven up by significant natural disaster events, such as floods or hail. The comprehensive coverage segment is thus the problem area in motor insurance. In this context, the comprehensive claims for electric vehicles are significantly higher than those for vehicles with internal combustion engines. If e-mobility gains momentum again, further increases in premiums can be expected.

Outlook

There is still no light at the end of the tunnel. We expect that the motor insurance market will only stabilise in 2026, once the financial situation of insurers has improved.

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How Funk Makes the Difference

As a risk consultant, Funk supports cleints throughout the entire process. We use our many years of expertise, make alternative calculations to optimise deductibles, and save costs through process optimisation. We are also excellently positioned in claims management and advise companies on how to sustainably reduce claims costs.

D&O Insurance

PREMIUM CAPACITY

A rollercoaster ride – this is probably the most accurate description of the highly volatile D&O market. After nearly a decade of a soft market phase, characterised by broad conditions, ample capacity, and falling prices, the market began to shift upwards into a progressively hardening phase starting in 2021. The hard market phase reached its peak at the end of 2022, and now the market is moving "back to the future". The remnants of the hard market phase, particularly condition restrictions and high premiums, have already been largely revised by most insurers.

Given the current uncertainties such as inflation, refinancing and insolvency pressures, geopolitical uncertainties, and rising global tensions, this development may be surprising. Additionally, the challenges for corporate management are becoming significantly less manageable due to new legislation. Examples include the Supply Chain Due Diligence Act (LkSG), the Whistleblower Protection Act, the Corporate Sanctions Act, the Corporate Stabilisation and Restructuring Act, and sustainability issues.

One possible explanation might be found in the renewed growth targets of insurers, as well as the competitive pressure from new market entrants. Additionally, some insurers are once again offering higher capacities, typically ventilated in layered programs. Additionally, the economic impacts of the COVID-19 pandemic, such as the feared insolvencies, have not been as severe as anticipated.

It is expected that many insurers will renew a large portion of their portfolios under unchanged conditions. In some cases, premium reductions will even be achievable. While initially the reintroduction of multi-year contracts required a surcharge, and more recently allowed for extensions at a stable premium in the second year, this year there is a promising outlook for achieving a certain discount for the second year.

Still excluded from this are industry- or loss-related exposed connections as well as complex program structures and companies that have fallen into financial difficulties. The construction, infrastructure, and automotive industries, including their supplier sectors, are viewed sceptically by insurers and priced accordingly.

Outlook

The rollercoaster ride does not provide a clear indication of how the D&O market will develop in the long term. In general, it is advisable to avoid rash actions, such as switching D&O policies without necessity, merely to achieve small and short-term premium savings. Such insurer changes could backfire if the market hardens again. It is better to act sustainably and focus on continuity.

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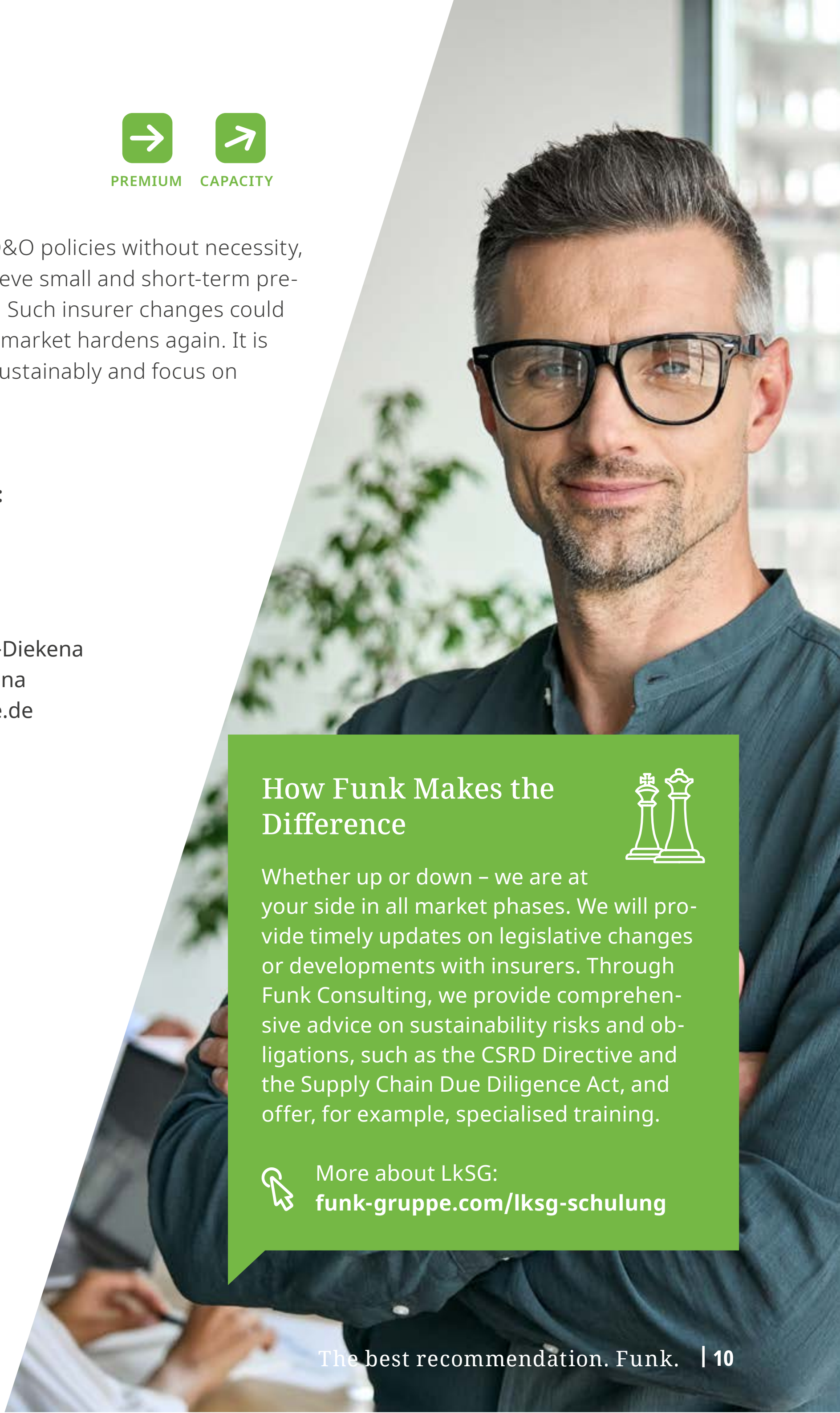

How Funk Makes the Difference

Whether up or down – we are at your side in all market phases. We will provide timely updates on legislative changes or developments with insurers. Through Funk Consulting, we provide comprehensive advice on sustainability risks and obligations, such as the CSRD Directive and the Supply Chain Due Diligence Act, and offer, for example, specialised training.

More about LkSG:
funk-gruppe.com/lksg-schulung

How Funk Makes the Difference

We communicate insurers' requirements for protection concepts promptly so that our clients can respond in a timely manner. If you are taking out cyber insurance for the first time, you can use a special analysis to gain an overview of possible gaps in the IT protection concept. The experts at Funk and selected partners provide comprehensive advice.

Cyber Insurance

PREMIUM CAPACITY

After the turbulence of recent years, the cyber insurance market is increasingly calm. The premiums, deductibles and requirements for information security remain largely stable. This is partly due to the nearly unchanged threat level, which remains very tense. On the other hand, the IT security measures required by insurers are showing results. An improved underwriting process has resulted in insured losses remaining manageable for insurers despite a significant increase in ransomware attacks in 2023. Not least, the increasingly improved ransomware protection measures by companies help in this regard, often preventing incidents from immediately leading to major losses. As a result, the cyber insurance business is becoming more profitable again. This attracts new providers to the market, and established providers are increasing their capacities. There is now more competition, particularly in the segments of companies with up to 250 million euros in revenue and those with over 1.5 billion euros in revenue. Premiums in these segments remain stable and have even decreased in some cases. The prerequisite is that the company meets the market requirements for cyber resilience. In the market segment in between, however, the insurance market remains tense, and the premium structure is very volatile.

Insurers largely maintain their zero-tolerance policy, especially for new business. Meeting the required information security measures remains a prerequisite for companies to obtain adequate insurance coverage. For existing contracts, insurers continue to impose requirements and associated penalties in the event of a claim.

At the same time, the new war exclusion is impacting the cyber-insurance market. The exclusions for situations of war are drawn from property insurance and are certainly not adequate for recognising new forms of warfare. On the other hand, due to their complex design and partly open wording, the clauses currently in circulation on the market raise almost more questions than they answer.

Outlook

How the market develops further depends on the future claims situation. There are many uncertainties: cyber risks are dynamic, very complex and difficult to predict because they depend, among other things, on human behaviour, technical progress and geopolitical events. If no major claims waves occur, the market is likely to stabilise further. In the USA, we are seeing a slight increase in premiums again due to claim trends. In Germany, new regulations such as NIS-2 and DORA are impacting the cyber insurance market. Insurers will consider these regulations in their risk assessment of companies, which may lead to new requirements for information security.

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Fidelity Insurance

PREMIUM CAPACITY

The coverage of financial losses caused by intentional wrongful acts committed by employees or external third parties is at the core of fidelity insurance.

In terms of fraud and embezzlement, in-house employees have so far posed the greatest risk. The development is now evident in the fact that fraud cases are now divided almost equally between internal and external perpetrators. However, the inner perpetrators tend to cause much higher amounts of damage compared to the outer perpetrators because they have better access to resources and information. According to current statistics from the Association of German Insurers, around two-thirds of the total claim is attributable to criminal employees, with only one-third caused by external persons. As a result, extensive internal control-mechanisms are becoming increasingly important, and this is also being examined much more intensively by insurers.

In the case of claims caused by third parties, we are seeing an increase in fraudulent orders. By means of a fake identity, goods are ordered with the intention of not paying for them. A new trend is the use of artificial intelligence. Criminals manipulate videos, create so-called deepfakes, and use them in their attacks on companies. They also use text-to-speech methods to change the voice on the phone so that it sounds like that of the supposed managing director or chief financial officer. As a result, identities are suddenly manipulated even more credibly in fraud schemes such as Fake President. Therefore, it is important to use attack simulations to thoroughly sensitise employees and address new developments arising from artificial intelligence.

Furthermore, cyber incidents are reported to the fidelity insurers, unless companies have taken out their own cyber insurance. However, compensation is hardly to be expected here, since the regulatory requirement of this cyber module provides for the existence of a targeted intervention. In current attacks, such as ransomware incidents, the required targeting is usually not present. Also, the service components of the fidelity insurers are not geared to cyber incidents. That is why the first insurers try to make a clear distinction from cyber insurance and remove the cyber component from the coverage. Full coverage can therefore only be presented with the fidelity insurer in combination with a separate cyber coverage.

Outlook

We expect that further insurers will remove cyber components from the policies in the short to medium term.

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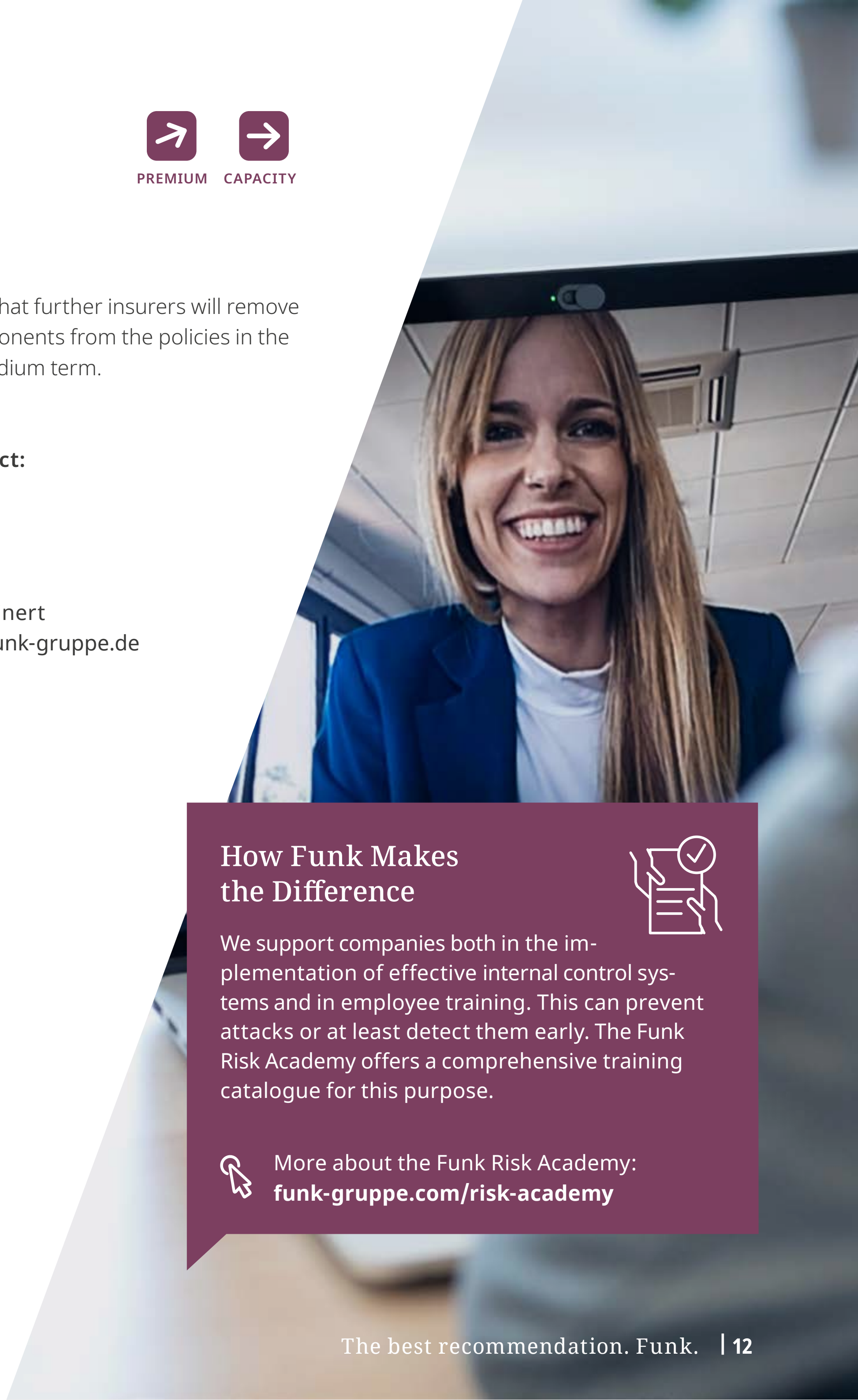

How Funk Makes the Difference

We support companies both in the implementation of effective internal control systems and in employee training. This can prevent attacks or at least detect them early. The Funk Risk Academy offers a comprehensive training catalogue for this purpose.

More about the Funk Risk Academy:
funk-gruppe.com/risk-academy

Credit Insurance

PREMIUM CAPACITY

The burdens on German companies have increased due to the removal of government support following the COVID-19 pandemic, as well as higher financing and procurement costs, which are noticeably reducing profitability. At the same time, global demand is falling. This leads to increasing insolvency figures. In Germany, the increase in corporate insolvencies, up 22 percent from 2022 to 2023, is significant – though it is coming from a historically low level. For 2024, a further, but somewhat weakened increase is expected.

The economic development can also be strongly influenced by geopolitical crises present or threatened. The war in Ukraine, tensions between China and the US, including Chinese military action against Taiwan, have the potential to lead to upheavals that negatively affect many companies.

Companies can currently extend their credit insurance contracts mostly on existing terms. In the case of higher previous losses or an unfavourable debtor portfolio, however, premiums are partly above those of the previous year. The credit-limit capacities are often still sufficient, but in individual cases they no longer fully cover the needs of companies. Here, it may make sense to supplement existing cover.

To remain supply-capable, many companies are currently opting for increased inventory levels. In combination with the increased prices for precursors, this leads to a high level of capital commitment – which in turn increases the need for liquidity. Depending on the scope of in-house sales, suppliers often require longer payment terms. At the same time, banks are more cautious when it comes to lending. Many companies are therefore opting for bank-independent solutions to diversify their financing and avoid dependencies.

Outlook

We are most likely to expect a constant to moderately rising price level and – depending on the respective portfolio – still-scarce capacities.

In Austria, there is also a new legal regulation that will have an effect on credit insurance: in the case of compensation payments from credit insurers, the applicable VAT had previously been reimbursed by the tax authorities. This is no longer the case. In order to avoid a higher effective deductible, companies should check the inclusion of VAT in the credit insurance coverage for Austrian domestic sales.

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How Funk Makes the Difference

Funk offers various options for liquidity procurement and provides comprehensive advice on current developments. For example, the risk of insolvency contestation, which is increasing.

More about liquidity: **funk-gruppe.com/liquiditaet**

More about VAT: **funk-gruppe.de/mwst**

More about insolvency contestation: **funk-gruppe.de/insolvenz**

Accident Insurance

PREMIUM CAPACITY

The premiums for group accident insurance are unchanged at a low level with still very far-reaching coverage concepts. As a result, the market remains relaxed.

Currently and in the future, we anticipate increased reporting requirements for policyholders regarding the modernisation of insurance tax law, along with a rise in administrative burdens for brokers and insurers. So far, only three of our insurers have called for a corresponding report and its associated implementation. The other insurers are currently still dealing with the issue internally. It is to be expected that these will follow the others. The law introduces changes that could have an impact on the individual contracts and could lead to a change in the calculation of insurance tax. Under certain conditions, there may be double taxation (border commuters) or insurance tax may no longer be applied.

A further change regarding the taxation of insurance contributions was announced in the Federal Law Gazette at the end of March and will take effect retroactively on 1 January 2024. The regulation is thus to be applied for the first time for the 2024 wage tax deduction. The purpose is to reduce bureaucratic obstacles and relieve employers of audit obligations. This has the following effects on group accident insurance with direct claims: contributions to group accident insurance provided by employers to their employees can be taxed by employers at a flat rate of 20 percent under Section 40b (3) of the German Income Tax Act (EStG), even if the average taxable amount (excluding insurance tax) exceeds 100 euros. The tax regulations for group accident insurance without direct claims by employees remain unchanged.

Outlook

It is not expected that there will be a noticeable change in underwriting behaviour. Changes in the circle of risk bearers have not been observed.

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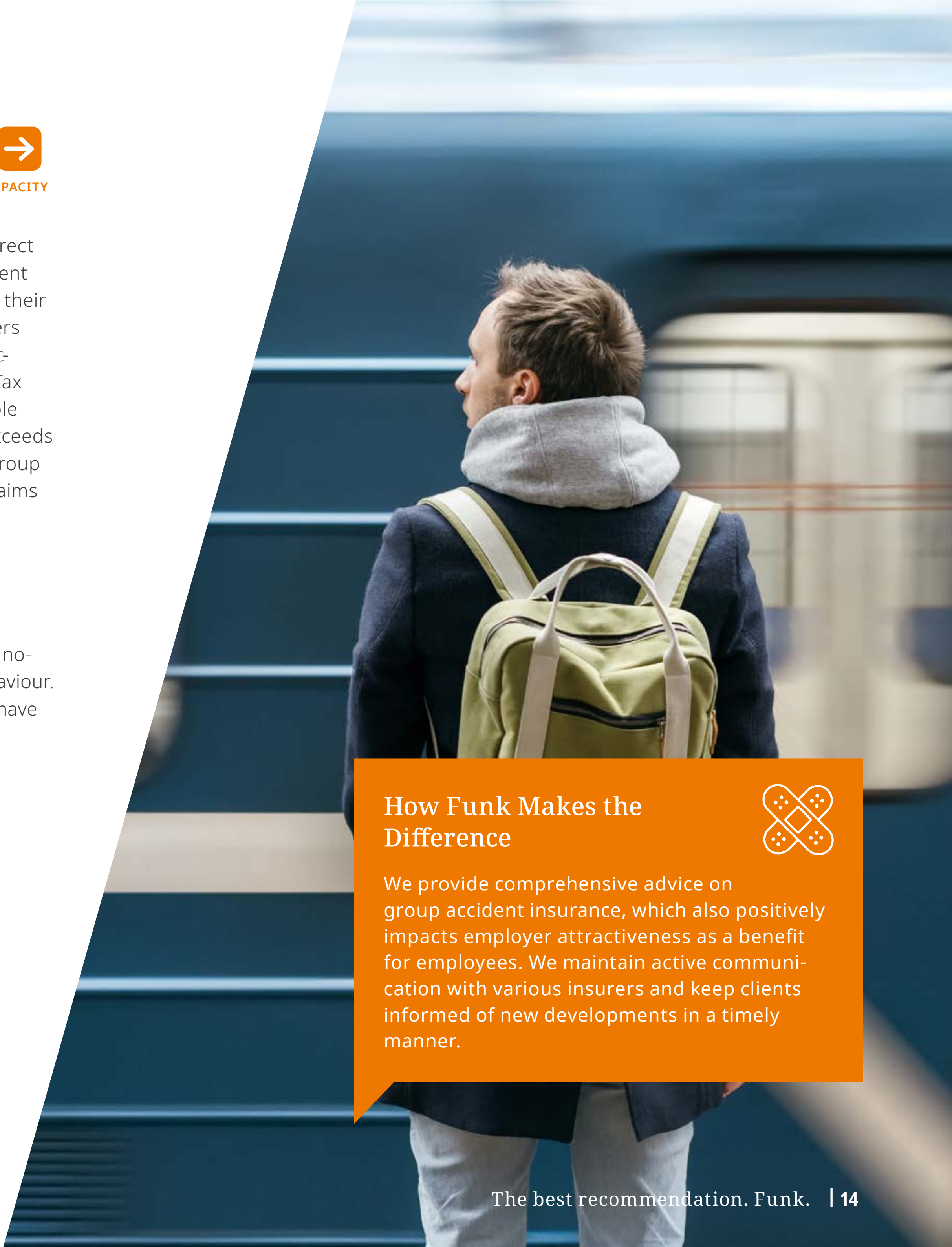

How Funk Makes the Difference

We provide comprehensive advice on group accident insurance, which also positively impacts employer attractiveness as a benefit for employees. We maintain active communication with various insurers and keep clients informed of new developments in a timely manner.

Legal Protection Insurance

PREMIUM CAPACITY

The trend of recent years continues: in criminal legal protection insurance, major loss events are increasing. Alongside premium increases for exposed risks, consistent capacities are being observed.

The Whistleblower Protection Act, which came into effect in 2023, is a crucial tool for detecting and investigating suspected cases and violations. Companies are obliged to set up internal reporting points. The aim of the Whistleblower Protection Act is to protect individuals who, in the course of their professional activities, receive and report information about violations. Even through reports via whistleblower systems or negative media coverage both domestically and abroad, there may be suspicion that the environmental claims made about one's own products or the company itself do not correspond to the actual facts.

The issues of Environment, Social, and Governance (ESG) are increasingly coming into focus for corporate and client decisions, as well as for national and European regulatory and enforcement authorities. In addition to legal risks, reputational risks also play a central role. There is no specific criminal offence of greenwashing. In this context, various criminal offences may be considered, such as fraud, investment fraud, subsidy fraud, tax evasion, illegal advertising, or misrepresentation. As with the suspicion of other compliance violations, it is also important to clarify the facts in a structured manner through internal investigations.

An efficient criminal legal protection insurance for companies provides support during internal investigations, even before the initiation of formal investigative proceedings due to suspected legal violations. Our exclusive terms and conditions take this into account.

Outlook

Sustainability in general (ESG) and sustainability reporting in particular (CSRD, see box) are gaining significance due to the increasing regulatory requirements. Even though these regulations are not directly binding for financially medium-sized companies, there is at least indirect pressure to implement them, as sustainability criteria are often considered when selecting business partners. This gives rise to additional risks from criminal and regulatory law, which could potentially lead to further premium increases.

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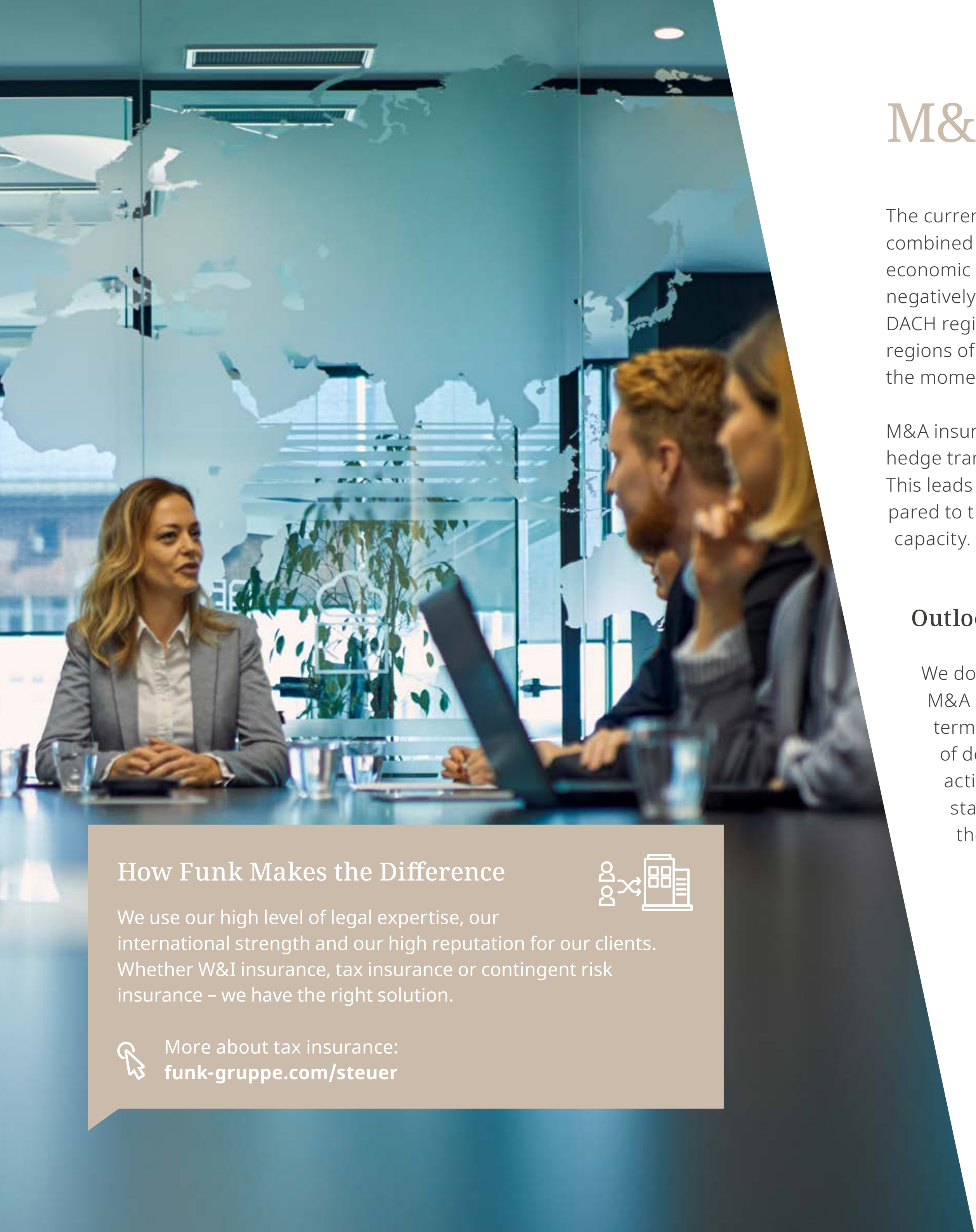
How Funk Makes the Difference

We support our clients individually and use our strengths in the market. We are currently working with the insurers on extensions to the conditions for criminal legal protection insurance, which are proven to be above the market standard.

More about CSRD:
funk-gruppe.com/csrd



How Funk Makes the Difference

We use our high level of legal expertise, our international strength and our high reputation for our clients. Whether W&I insurance, tax insurance or contingent risk insurance – we have the right solution.

More about tax insurance:
funk-gruppe.com/steuer

M&A Insurance

PREMIUM CAPACITY

The current interest rate environment, combined with the uncertain future and economic uncertainties, has significantly negatively impacted M&A activities in the DACH region in recent months. In other regions of Europe, especially in the UK, the momentum is higher.

M&A insurers are currently competing to hedge transactions active in the market. This leads to lower premium rates compared to the previous year and sufficient capacity.

Outlook

We do not expect the situation on the M&A market to change in the short term. Both the absolute number of deals and the respective transaction volumes are expected to stagnate at a moderate level in the coming months. We therefore expect a relaxed insurance market with good conditions and an increased willingness to innovate on the part of insurers. The historically low deductibles and numerous premium-neutral coverage improvements, the so-called enhancements, will also be retained until a possible interest rate reversal.

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GENERATE ENERGY SAFELY

Photovoltaics on the Factory Roof

Climate crisis, scarce resources, new laws: more than ever, companies are facing the challenge of operating sustainably. One measure that is easy for many to implement is the installation of photovoltaic systems. This can reduce the carbon footprint, reduce energy costs and reduce dependence on energy producers. However, there is a lot to consider in terms of insurance when implementing photovoltaic projects.

Possible Fire Load

"Photovoltaic systems are a potential source of ignition and represent a possible fire load on the roof," says Tobias Kahlo, Head of Risk Engineering at Funk. "Before companies install photovoltaic systems on production or administrative buildings, they should therefore carry out an insurance-related analysis." For an assessment from a property insurance perspective, certain risk information is required. Therefore, companies should take fire protection aspects into account at an early stage in the planning process and seek discussions with their insurance broker.

"In order to be able to give an underwriting assessment, information such as a true-to-scale site plan of the plant site, an occupancy plan of the photovoltaic modules and information about the buildings and their use are required," says Kahlo. Funk has its own Risk Engineering Team, which fully accompanies clients in the planning of photovoltaic systems, from the first checklist to the adjustment of the existing property insurance coverage. With Funk Beyond Insurance, innovative technology can also be used for claim prevention. Sensors can detect anomalies on photovoltaic systems at an early stage and thus prevent fires.

Check Insurance Cover

Since there are currently no industry-wide standards and approaches from insurers regarding fire protection requirements, it is also important to involve the current liability insurer early on. Additionally, it is important to determine whether, besides updating the property insurance, coverage under the Technical Insurance sector is also advisable, as it can address issues such as technical defects. Funk is happy to advise you on fire protection, preventive measures through Funk Beyond Insurance, and insurance matters. Get in touch with us!

Further information, such as the photovoltaic obligation in some federal states of Germany, can be found online:

funk-gruppe.com/pv

How Parametrics Complements Protection

The climate is changing so drastically that the economy is constantly facing new challenges. If it is dry for weeks and the Rhine river level drops too far, for example, inland naviga- tion will be massively impaired. Due to drought, crop yields are also lower, which is reflected in the prices of agricultural raw materials. In turn, heavy rain or storms can lead to property damage and business interruption.

Innovative solutions such as paramet- ric insurance are required here. "The exciting thing is that the compensation payment is not linked to a specific claim, but to specific parameters such as the height of a river level, the soil moisture, the storm intensity or the amount of precipitation," says Dr. Alexander Skorna, Managing Director of Funk Consulting. This makes parametric insurance a quite sensible extension or alternative to conventional property damage-based insurance.

Three real-life examples

- **Low water:** If the level on the Rhine or adjacent rivers is not high enough, ships can no longer be fully loaded. This results in additional costs for inland waterway transport. With the Funk solution, the insurance company pays contractually agreed low-water surcharges, so that cost increases in transport are compensated.

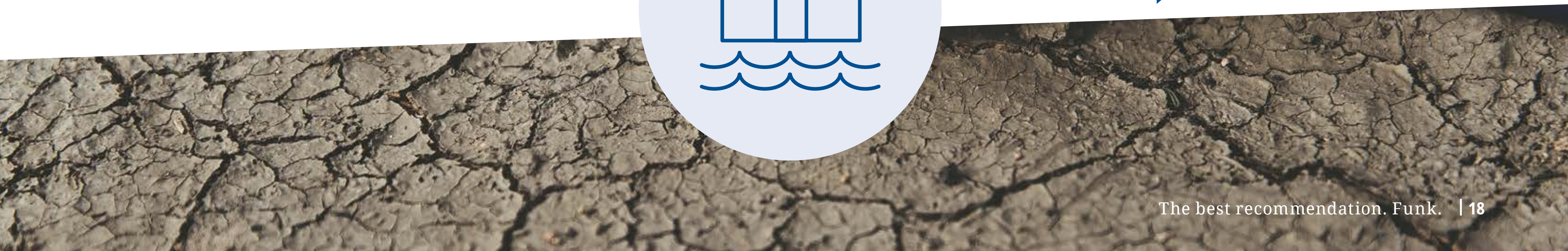
- **Earthquakes and hurricanes:** Para- metric insurance solutions can be an alternative to element-hazard insurance. For example, the consequences of earth- quakes in Turkey and Greece or hurricanes on the East Coast of the USA can be insured. Firstly, cover- age capacities for highly exposed risks can be offered, for which conventional insurance coverage is often insuffi- cient. Secondly, due to the precise modelling, premium savings are also possible compared to conventional elementary insurance.

- **Drought:** When it is very hot for an extended period of time, crop yields are lower and agricultural commodi- ties such as corn silage become more expensive. This leads to additional costs for operators of biogas plants. The parametric coverage of Funk compensates for the more expensive replacement of the raw material as well as the higher transport costs.

Alexander Skorna: "The climate crisis will chal- lenge us intensively over the next decades. A comprehensive risk and insurance management approach that takes climate aspects into account can thus become a crucial compet- itive advantage for companies". This is all the more important as the new CSRD now requires compa- nies to disclose their sustainability strat- egy. Funk is also happy to support you in this regard.

You can read more about sustain- ability reporting requirements in the context of the CSRD online:

funk-gruppe.com/csrd



Always Where You Need Us

Get in Touch with Us!

With 37 locations, including 15 in Germany, we are always to hand when our clients need us. We also have representatives in 100 countries, through our Funk Alliance network.

To find the personal contact partner in your region, simply head online:

funk-gruppe.com/standorte

About Funk

Funk is the largest owner-led insurance broker and risk consultant in Germany, and is among the leading brokerage firms in Europe. Founded in Berlin in 1879, the company now has 1,650 employees. As a full-service risk solution provider, Funk supports businesses from all industries with insurance and risk management, plus pensions.

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