

funk forum

MARKET EDITION

July 2025



WORLD POLITICS 

New Tariffs, New Risks

NEW PATHS 

Systemic Approaches for the Market



THE GERMAN INSURANCE MARKET 2025

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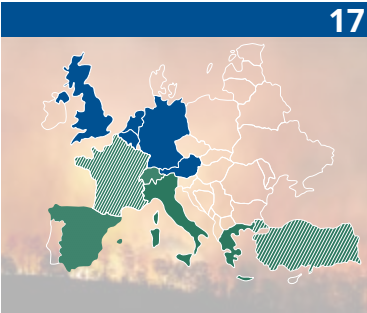
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Systemic Risks – and Solutions

Cyber incidents, pandemics, natural disasters and then a sudden blackout in Spain and Portugal: systemic risks already pose a transnational threat to the economy today and will be even more prevalent in the future. It is difficult, if not impossible, for companies to ensure complete protection. A discussion is currently taking place against this backdrop at both national and European level about a - possibly mandatory - public-private (re-)insurance solution for natural disasters and pandemic risks. Systemic risks must also be counteracted with resilience, preventative measures and consultation on state-supported structures.

New horizons and setting the course

It is already clear today that the challenges of the industrial insurance market cannot be conquered through individual solutions, but only through systematic and comprehensive action with a long-term vision. This is why companies have our risk management team by their side, working

with them to create the best negotiating conditions when purchasing insurance.

But how will things develop in the future? Where are risk trends heading, what might be coming? It's useful to have a risk consultant by your side who can bring together all the information, knowledge and networking threads with the aim of opening up new horizons for the best recommendations with the best possible overview.

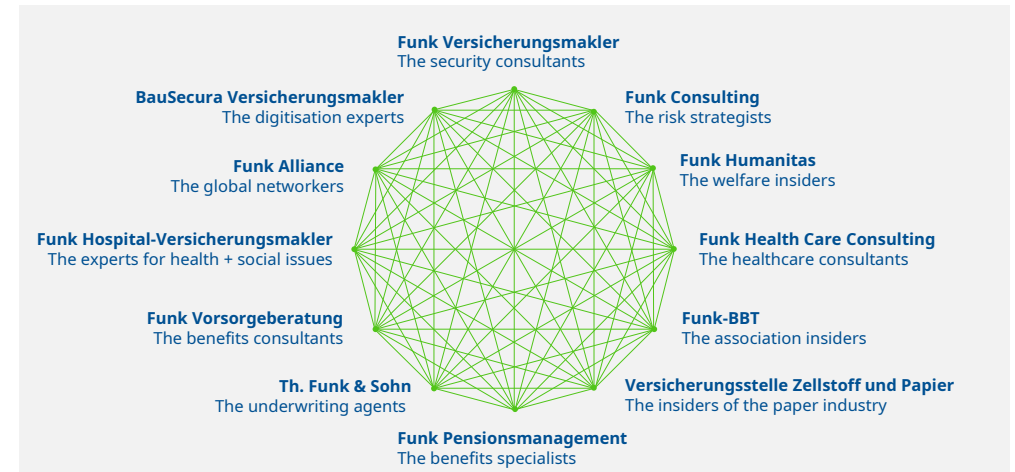
These are the guiding principles of corporate risk management, which not only encompass all laws, but also corporate goals, values and declarations of intent, visions and mission statements. We identify this as the corporate risk governance of our clients: a complex picture of legislation, social development, environmental, trend and safety assessments as well as our own corporate culture. The broker, who categorises risks, searches for suitable cover and represents the interests of the business, is at the heart of it all. But is this still up to date?



Ralf Becker
Managing Partner
of Funk



Streamlined expertise with the Funk network



New strategies and future successes

The traditional roles of customer, insurer and broker look at individual lines of business and collaborate with the aim of achieving a policy at a price that is acceptable to all parties involved. Yet this won't be enough in an industry that is undergoing major change. This is why Funk has pursued a strategic approach and offers a system of risk solutions for companies (see diagram). The endeavour begins with a foundation dedicated to risk research. This is followed by the translation of findings into domains for action as potential competitive advantages for our clients. In the role of risk engineer and consultant.

As a transformative underwriting agent. As a moderating broker in the value chain. As a topic and industry insider. As a companion with a regional understanding and tons more. Funk is now a system house for risk solutions and orchestrates the international Funk Alliance. We combine all of these competences in our client advisory services with the aim of tapping into synergies for companies.

It's no longer just a matter of "brokering" things. It's about joint engineering along the value chain. Let's open dialogue about it. Discourse paves new paths. New paths open up market success. So that we can preserve values for the future.

Yours, Ralf Becker



PREMIUM*



CAPACITY*

Property Insurance

Following several years of intensive restructuring measures and a noticeable reduction in available capacity, we are now seeing a stabilisation of the industrial property insurance market. This development is evident in several indicators: the pace of premium increases has eased considerably, risk-related adjustments are more differentiated and capacities are perceived as more stable overall. Individual insurers are also signalling increased interest in new business again – especially when it comes to well-protected risks. Bearing in mind this context, the willingness to write multi-year contracts with a term of up to two years is also increasing provided certain conditions are met.

Conversely, the situation is different for insufficiently protected risks and business types that are difficult to insure and have a structural backlog in risk management. Both premiums and capacities remain under considerable pressure here.

Europe as a new danger zone

The global increase in natural disasters running parallel to this development

has significantly increased the relevance of insurance against natural hazards in general and in international insurance programmes. While traditional danger zones - such as North and Central America hit by many hurricanes or the Pacific region with its tsunamis - continue to stay the centre of attention, regions that were previously considered less at risk are now also coming under the spotlight. Europe in particular has grown increasingly affected by extreme weather events. We have seen a response in the form of insurance reforms such as the introduction of statutory insurance obligations against natural hazards (e.g. in Italy and Greece) as well as significant increases in compulsory contributions for natural hazards in existing insurance systems (e.g. in France and Turkey). You can find out more on page 17 of this issue.

The availability of high-quality risk data is becoming a key factor for successful placement in this environment, notably in the case of serious industrial risks. Established preventive measures such as fire protection, process safety and general loss prevention are recognised by insurers and are positively reflected in cover concepts and premiums.

Location-based analyses

Risk transparency and the continuous optimisation of prevention measures are now regarded as increasingly important for the placement of risks, especially if the improvement measures are implemented as an integral aspect of active risk management. In unison to this, location-based analyses and assessments of natural hazards are shifting into focus. In this context, different assessment approaches can occasionally yield divergent results which may influence pricing and capacity availability depending on the reinsurance market and loss prevention. Suitable value distribution also performs a pivotal role in successful placement in the market environment.

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How Funk makes the difference

We offer technical advice on implementing and prioritising fire protection measures as well as natural hazard analyses. We also support companies in developing bespoke solutions aimed at making them more attractive to insurers.



More about natural hazards:
funk-gruppe.com/hochwasser

* We will see different methods from the insurers, see explanations on this page.



PREMIUM



CAPACITY

Liability Insurance

The liability insurance market persists as challenging, albeit there are somewhat initial signs of an easing in individual segments. Insurers are particularly concerned about the US market. Significantly rising claims payments and the increase in class actions point to the fact that risks with US exposure remain under pressure.

New regulations on PFAS

The issue of PFAS (perfluoroalkyl and polyfluoroalkyl substances) likewise continues to cause uncertainty, since these chemicals are used in a plethora of industries. Despite there having been irritation in the past concerning the assessment and exclusion of PFAS claims, there are currently signs pointing to a slight easing of the situation.

The way forward will predominantly depend on how reinsurers behave in the anticipated renewal. These assume a pivotal role in the assessment and pricing of risks. Primary insurers are still largely reluctant to introduce blanket exclusions, with the exception of the US market.

The German Insurance Association published a non-binding model condition for dealing with PFAS in contractual clauses in April: Claims resulting from PFAS should first be excluded across the board. Individual agreements are possible in a further step, which clearly define under which conditions and in what scope cover for PFAS compounds applies.

This development has come to be the subject of intense debate. Funk expresses a critical view of blanket exclusions and instead endorses a differentiated approach, one that takes into account the respective risk situation and facilitates viable solutions. This could improve risk transparency over the long term – however, a final decision on how PFAS should be handled can only be expected after a binding regulation by the EU (e.g. through a complete ban, partial bans or restrictive applications).

Emerging competition and multi-year contracts

Competition is once again picking up in individual market segments, culminating in premiums falling slightly, particularly in lower-risk sectors. US risks together with the handling of PFAS, on the other hand, are subject to intensive monitoring by insurers.

Multi-year contracts without an additional premium surcharge are now also possible for selected risks.

The situation for industries such as pharmaceuticals, medical technology, chemicals as well as automotive suppliers remains challenging. There is still a shortage of insurance capacity in these areas and the risk appetite of insurers remains limited.

EU Product Liability Directive

The implementation of the new EU Product Liability Directive into national law is being followed very closely. The directive brings with it increased liability potential for the companies affected and is also expected to have an impact on insurers' claims ratios in the future.

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How Funk makes the difference

We will review the sums of the policy for you if necessary, taking into account developments on the US liability market. We would be happy to coordinate tenders where practical.



More about PFAS:
funk-gruppe.com/pfas

More about product liability:
funk-gruppe.com/produkthaftung



PREMIUM



CAPACITY

Technical Insurance

The market for traditional risks looks set to remain largely stable in 2025. A clear movement can be observed in construction insurance. Insurers now also consider torrential rain in their risk assessment. The assessment is based on location. Many insurers set maximum compensation limits for a negative rating, which can be low. The increase in extreme weather events is prompting restrictions in the coverage concepts. Preventive measures and structural protection precautions are now seen as increasingly important for the insurability of such projects. Despite this, the interest of insurers in underwriting technical risks remains high.

New risk bearers compensate for reduced capacities.

Easier investments

We now see signs of relief in investment in the construction industry in 2025 following a phase of restraint that is currently influencing all technical insurance segments. Legal adjustments, subsidy incentives along with the streamlining of bureaucracy are paving the way for many construction projects. This is not only revitalising the construction sector, but is also having a positive impact on

the insurance business in the field of construction and installation insurance. As project activity increases, so does the need for bespoke cover concepts and qualified advice. A negative trend can be seen here, however, owing to the decline in state subsidies for photovoltaic systems.

Changing risk appetite

In light of the growing importance of ESG (environmental, social, governance), the risk appetite of insurers is also shifting. They are developing clear guidelines for their underwriting processes – what we see as

relevant here, for example, are stationary battery storage systems, which are at the centre of the energy transition. The global market is growing rapidly against this backdrop. Our firm has therefore developed a customised insurance concept for battery storage systems that combines an understanding of technology with ESG expertise.

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How Funk makes the difference

Our engineers specialising in technical insurance support companies through risk analysis and assist them should they wish to lodge a claim. We are following the development of insurance for construction projects in flood and heavy rainfall areas, among other matters, and are examining alternative solutions, such as parametric insurance. Such policies can cover not only natural hazards but also loss of income from renewable energies. Smaller photovoltaic systems can also be insured directly online via Funk Experts.



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



PREMIUM



CAPACITY

Construction Project Business

The construction industry continues to be confronted with structural challenges, which are predominantly characterised by persistently high interest rates and constantly high construction prices. New construction projects driven by project developers and investors are experiencing a noticeable decline, with project business stagnating at a low level. The profitability of planned projects is becoming increasingly difficult to achieve under these framework conditions.

A continuing reluctance to invest is also evident in residential construction. The Federal Institute for Research on Building, Urban Affairs and Spatial Development predicts a real decline in construction volume of 0.8 per cent in 2025. The reason for this lies predominantly in the high construction costs in conjunction with the current interest rate trend. In light of the continuing high demand for housing and the trend towards stable or falling interest rates, residential construction activity is expected to once again grow towards the end of 2025. A slight market upturn can also be seen in the office, commercial and utility building sectors. The demand for assistance with the insurance aspects of public tenders remains high.

Demand for combined construction and liability insurance remains stable, with the

insured construction sums sustained at a consistently high level. Slight increases in premiums have been witnessed over recent months. Specialised cover concepts are gaining increasing importance. These include, notably, cover for shutdowns in the case of temporarily interrupted projects as well as follow-up cover for restarting after longer construction interruptions.

More sustainable construction

The use of ecological building materials and renewable energy sources to generate heat and power (e.g. wind farms or solar thermal energy) is gaining in importance. Modular construction as industrial series production continues to be popular, given that it is considered cost-effective and sustainable. There is increasing demand for insurance solutions for such innovative construction methods.

There's little change in the number of reported claims in the area of construction and third party liability claims. The crisis we are experiencing as a result of climate change means that extreme weather events are increasing in intensity and frequency, leading to costly damage scenarios.

New insurers taking the lead

There are signs of a change in roles on the German market between the traditional management insurers and newer market players, who are increasingly offering and pursuing management roles. This has resulted in sufficient capacity being available. Insurers are, however, primarily underwriting small shares of project cover along with an increase in conditions and obligations. Large consortia have established themselves.

We assume that the need for information pertaining to the placement of major projects will hold at a high level. The focus on loss prevention measures and risk monitoring is going to increase. The complexity and scope of building technology will continue to experience growth and become a greater focus of risk assessment for construction projects.

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How Funk makes the difference

We oversee tenders throughout the market in an effort to secure construction projects so that we can offer attractive premiums. We also regularly engage with insurers and the industry with the aim of developing innovative cover concepts and preventive measures.



PREMIUM



CAPACITY

Marine Insurance

Insurers are paying more attention to clients' risk management activities and to clear and well-structured risk information when assessing risks. Marine insurers keep on being very inclined to underwrite businesses that are performing well. In the case of businesses suffering losses, statements on planned preventive measures are extremely helpful.

The risk resulting in significant disruption to maritime supply chains remains very real. Around 90 per cent of international trade is orchestrated via the oceans. Events such as the temporary loss of access to the Suez Canal in the Red Sea, as a consequence of attacks by the Houthi militia

on merchant shipping, spark far-reaching consequences for numerous companies.

Claims due to delays

Such cases do not usually involve claims arising from damage to goods, but from delays and financial losses. The consequential loss and financial loss clauses contained in Funk policies are only effective if carriers, freight forwarders or other transport companies are responsible for the damage.

The correct treatment under tax law of additionally insured

risks in transport policies continues to prove highly relevant in the German transport insurance market. New findings are constantly emerging as a product of ongoing tax audits of insurers. Funk is keeping a close eye on developments. Our team wants to ensure that the necessary adjustments to our policies and premium statements are implemented as quickly as possible. The objective is to ensure that the special cover contents contained in Funk policies and at the same time the tax-exempt conditions in accordance with § 4 Para. 1 No. 10 of the German

Insurance Tax Act (VersStG) are retained for our clients. In doing so, the premium burden (net premium) should remain unchanged.

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How Funk makes the difference

We provide advice on compiling the necessary risk data so that we can achieve attractive terms and conditions. The Funk Risk Academy also provides support in the analysis and prevention of supply chain risks. The separate conclusion of transport business interruption insurance can act as one way of insuring identified risks.



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



Motor Insurance



PREMIUM



CAPACITY

Motor insurance is the strongest line of business when we consider sales in property/casualty insurance. The premium volume totalled around €33.9 billion in 2024. The majority of this, at €29.1 billion, could be attributed to private customer business. In contrast, the corporate and fleet business accounted for €4.8 billion.

The year 2024 was characterised by losses for most insurers overall. The premium income mentioned above was offset by claims expenses totalling €31.2 billion. The situation in the corporate and fleet sector is particularly tense: premium income of €4.8 billion was offset by claims payments totalling €4.7 billion. When you take the operating expenses into account, this results in a loss-making business for the insurers.

Repair costs are having an impact

The causes of this development lay in the continuing rise in prices for replacement parts and hourly rates, specifically in the area of electromobility. There was also an increase in claims events caused by natural hazards, including hail or flooding as well

as stricter regulatory requirements from the financial supervisory authorities. Taking this into account, 2024 was characterised by massive premium increases for the 2025 insurance year. Fleets burdened by claims costs were particularly hard hit. The respective business situation faced by insurers and the reorganisation of the business also played an important role.

The situation experienced by many motor insurers in terms of earnings has improved, owing to the reorganisation measures of recent years, which have had a positive effect. Some insurers are now reopening their doors after focussing primarily on their existing business in recent years, which is increasing capacity. Premium increases cannot yet be ruled out for 2026, however, as repair costs continue to rise. Claims events caused by major natural hazards will also play a role here. What's more, the individual claims experience of a fleet is also likely to continue to be of central importance.

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How Funk makes the difference

We optimise deductibles by conducting alternative calculations. We save costs by optimising processes. We also use our many years of experience in claims management to achieve sustainably reduced claims costs.



PREMIUM



CAPACITY

D&O Insurance

The buyer-friendly trend in the D&O market continues. This development brings about greater flexibility in negotiation in favour of D&O clients. Premiums can be moderately reduced in individual cases on the one hand, and protection for managers can be further optimised by reintroducing tried-and-tested clauses and integrating innovative ones on the other.

Facebook judgement has consequences

Areas that were previously uninsured, such as immaterial damage as a result of data protection breaches, which have become the focus of public attention in the light of the recent "Facebook judgement" by the Federal Court of Justice, have also found their way into high-quality policy conditions almost everywhere. However, sublimits are applicable in some cases. Since immaterial claims for damages do not involve compensation for financial disadvantages, these claims were not previously covered in a traditional D&O policy.

Regulatory hurdles

The challenges that lie ahead for company management are generally on the rise due to new legislation. This includes, for

example, the Supply Chain Due Diligence Act (LkSG), the Whistleblower Protection Act (HinSchG), the Association Sanctions Act (VerSanG) and the Corporate Stabilisation and Restructuring Act (StaRUG). ESG requirements are turning out to be significantly less manageable. There are also ongoing uncertainties such as inflation, refinancing and insolvency pressure, not to mention geopolitical uncertainties. In spite of all this, a turnaround or even an end to the positive trend in D&O insurance is not currently in sight.

Competition is getting things moving

The reasons for this are likely to lie in the revitalised growth targets of insurers along with the competition, which is also increasingly being spurred on by new market players. Even though the range of international insurance programmes on the German D&O market was limited to a few market participants for a long time, an increasing number of risk carriers are now venturing into this area. Even the risk carriers that were traditionally established as excess insurers in the past are progressively turning their focus towards basic insurers and now offer their own, often very far-reaching concepts. Some insurers are also offering higher capacities

again, usually well-vented, in layered programmes.

We expect that many insurers will renew the majority of their portfolios with conditions remaining unchanged. Premium reductions are possible in some cases and it may also be possible to conclude multi-year contracts with the prospect of realising a certain discount for the second year. Industry or loss-related exposed connections as well as complex programme structures and companies in financial difficulties are excluded from this. Insurers take a particularly critical view of the construction, infrastructure and automotive sectors, including their suppliers, and price them accordingly.

We recommend taking a long-term approach to planning and not switching insurers at short notice because of small savings. Stability is an asset that's worth protecting, especially in D&O insurance.

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How Funk makes the difference

We provide ongoing information regarding important topics such as the recourse to fines against managers, which is currently the subject of much discussion. The question as to whether companies can take recourse against their management for anti-trust fines has not yet been resolved.



More about the Facebook judgement:

funk-gruppe.com/datenleck

Cyber and Fidelity Insurance



PREMIUM



CAPACITY

How Funk makes the difference

Our active portfolio analysis means that we are able to identify outliers when it comes to premiums, deductibles or necessary information security measures at an early stage and take targeted countermeasures. The use of premium tools, benchmark analyses and market screenings, as well as the form of risk assessment, help us to work towards an optimum price-performance ratio. This approach allows us to put necessary adjustments into practice more efficiently and quickly for our customers.



Interview regarding cyber crime:
[funk-gruppe.com/
cybercrime](https://funk-gruppe.com/cybercrime)

The cyber insurance market remains challenging. The Federal Office for Information Security characterises the current threat situation as "worrying" and "rapidly evolving". Reports indicate an "immense" increase in attacks, which can lead to "serious consequences" and "considerable damage". This assessment is confirmed by the perception of industrial customers.

Some market participants speak about a soft market, an assessment that we cannot currently agree with in this vague form, in spite of the fact that the market environment is currently more customer-friendly as opposed to previous years. A more differentiated approach is required. Risk quality in particular remains the decisive factor.

The number of insurers and underwriters offering cyber capacities is on the rise. The capacities provided are also increasing. Capacities of EUR 25 million per insurer were easily available before the hard market phase, which were then reduced to up to EUR 5 million. There are typically 10 to 15 million euros, though sometimes significantly more. Many established providers remain cautious, however.

Competition is improving

The requirements for IT security, particularly in the area of ransomware protection, remain at a high level. One reason for this is the claims-cost ratio, which averaged 99.5 per cent from 2021 to 2023 according to the German Insurance Association. Premiums and deductibles have more than doubled in many cases during this period. These adjustments were necessary from the perspective of the insurers so as to be able to continue to offer cyber policies. Recent developments such as AXA Versicherung's withdrawal from the market and the insolvency of the underwriting company Cogitanda confirm that the market remains highly volatile. We are observing an improved competitive situation for our customers following this consolidation phase. This leads to lower premiums and deductibles in individual cases – not in general. Restrictions on cover can also be cancelled in many cases.

Fidelity insurance is currently characterised by a resilient market landscape. The emergence of new insurers on the market is stimulating this consistency – in favour of policyholders.

Insurers are becoming more flexible

The current timing is thought to be favourable for the acquisition of new or expanded insurance capacities. Premiums are currently at a level that is largely commensurate with the risk. The current competitive situation is facilitating access to insurance solutions, given that insurers are no longer exclusively embarking on a zero-tolerance strategy with regard to cyber resilience. Instead, they are growing more reliant on joint operations with IT security service providers and are showing more flexibility when it comes to implementing requirements. This enables customers to either initiate the necessary measures once the contract has been concluded or to benefit from the advantages of cooperation.

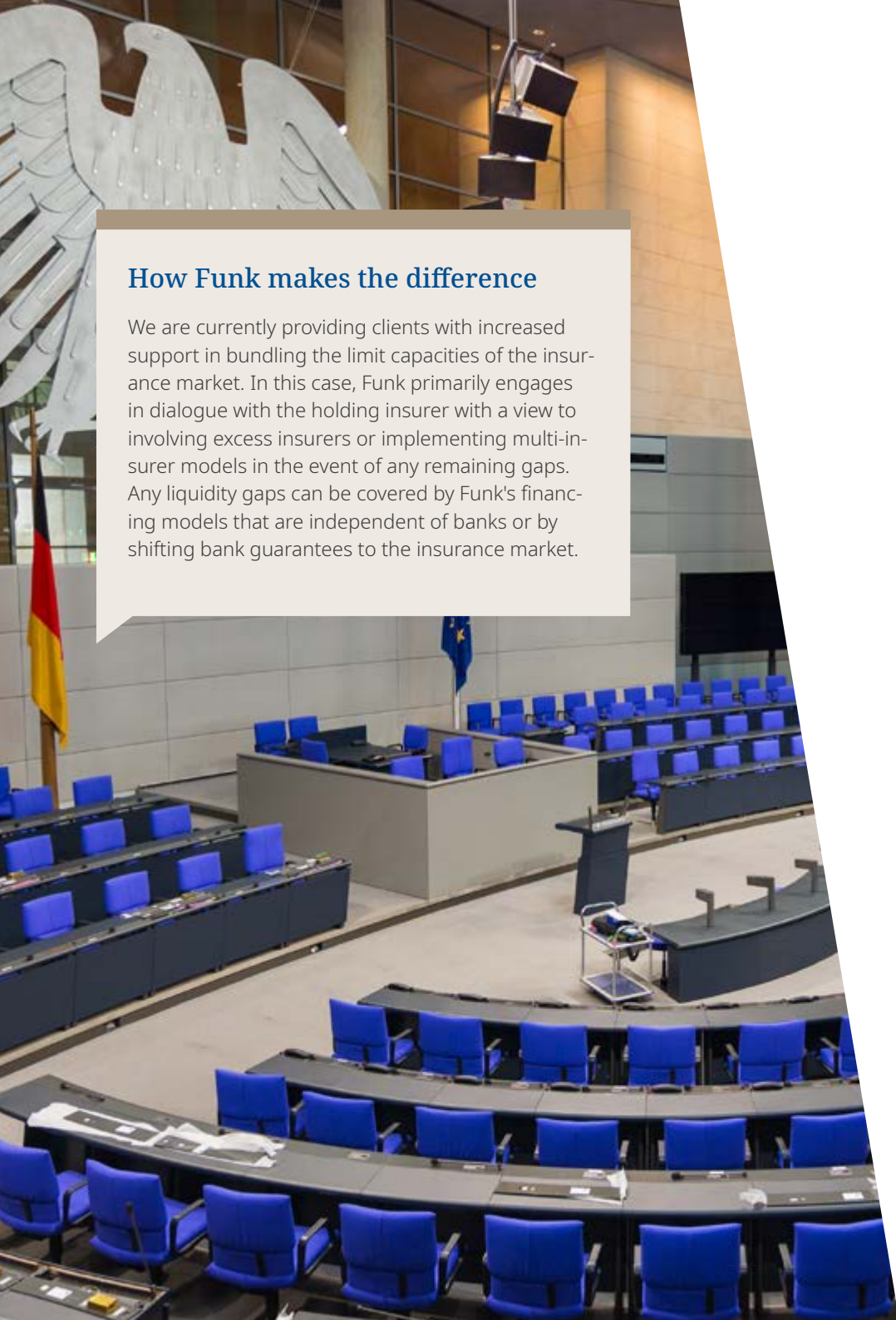
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How Funk makes the difference

We are currently providing clients with increased support in bundling the limit capacities of the insurance market. In this case, Funk primarily engages in dialogue with the holding insurer with a view to involving excess insurers or implementing multi-insurer models in the event of any remaining gaps. Any liquidity gaps can be covered by Funk's financing models that are independent of banks or by shifting bank guarantees to the insurance market.

Credit Insurance



PREMIUM



CAPACITY

The situation facing the German credit insurance industry is currently extremely challenging. Insurers are up against a challenging economic environment, and the spring report by the German Council of Economic Experts also predicts stagnation in 2025. One reason for this is the inconsistent and unpredictable customs policy of the USA (see P. 18). The economy of Germany, which is particularly export-orientated, is suffering as a result.

On top of that, existing geopolitical developments, in particular war risks and the resulting uncertainties, cause further barriers to trade. Examples of this include the Gaza conflict, the ongoing war in Ukraine, piracy in the Horn of Africa and the impact on the security of supply chains.

Political decisions have consequences for the market

Many experts see the economic stimulus package adopted by the German parliament as a potential driver of inflation, since strong growth in demand is being met by a limited supply of executive capacity. Interest rate hikes by the European Central Bank could be another consequence. Any such hikes in interest rates could severely affect companies' financing and, consequently,

their liquidity, echoing 2020 and subsequent years, which in turn would have an impact on their credit rating.

These developments are increasingly reflected in the weakening credit ratings of individual sectors and companies. As outlined in a forecast by credit insurer Allianz Trade, the number of insolvencies will rise by a further 10 per cent in 2025, after having seen an increase of more than 16 per cent last year. Credit insurers are adjusting their risk premiums and limiting their capacities in response.

Hopes remain that insurers will fulfil their economic responsibility to cover a much higher volume of supplier credit compared to bank loans and (continue to) perform individual checks. This also enables them to make a valuable contribution to the liquidity and debtor management of their policyholders.

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PREMIUM



CAPACITY

Accident Insurance

We have seen a slight upward trend in premiums in 2024 after years of relative stability. This can be attributed to various factors, including increased costs for insurance benefits and a change in risk awareness.

The contribution limit for flat-rate premiums for group accident insurance has been scrapped as of 2024. Contributions have since been able to be paid at a flat rate of 20 per cent, without having to comply with a threshold amount regulation. This change streamlines administration and offers more flexibility in how contracts are structured and how insurance sums are adjusted.

Skills shortage leads to more benefits

Companies in the industrial sector are responding to the lack of skilled labour by increasingly taking measures to ensure their employees' protection and expanding their benefits. As a result, demand for occupational accident insurance is increasing.

Growth of up to 7.2 per cent is forecast for this segment in 2025. There is a chance

that demand for occupational accident insurance could continue to rise, particularly if companies continue to invest more in protecting their employees in order to position themselves better in the battle for the best minds.

Keeping older employees

It is likely that the slight upward trend in premiums will persist. The driving forces behind this are the continuing cost increases in the healthcare sector, possible adjustments to loss reserves and the change in the risk landscape. Demographic change can also have an impact on premiums in occupational group accident insurance. The shortfall of young skilled workers is compelling companies to retain older employees for longer and draw on their experience. An older workforce may well increase the risk of certain types of accidents, which subsequently may well have an impact on premiums.

The digitalisation of insurance processes will continue to progress and facilitate more efficient administration and processing of insurance claims. This could reduce costs.

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How Funk makes the difference

We conduct regular reviews of the customised insurance contracts and adjust them if necessary. Employers looking to further expand their employee benefits are also welcome to contact Funk Vorsorge. Company pension schemes or a health budget can provide a noticeable increase in employer attractiveness.



More about Funk Vorsorge:
funk-gruppe.com/vorsorge



PREMIUM



CAPACITY

Legal Protection Insurance

Companies are being faced with increasing legal and economic complexity. This is also reflected in white-collar criminal proceedings. The potential for large-scale legal action can increase significantly as a result. The legal protection insurance market is therefore characterised by price increases with exposed risks and unchanged capacities.

Suspected white-collar crime is an offence that continues to be vigorously pursued in Germany. The risk within a company of employees and managers becoming involved in criminal investigations has steadily increased over the years. Should it come to pass that the company might be faced with criminal prosecution, for example in criminal tax proceedings, in the event of data protection breaches or by foreign authorities, the policyholder also enjoys comprehensive insurance cover as a legal entity.

This insurance cover, that also protects both individuals and companies in addition to the executive bodies, constitutes a sensible supplement to D&O insurance. This is why legal protection insurance has now become an indispensable part of insurance cover for companies.

Changes to remuneration

The federal council passed an amendment to the German Lawyers' Fees Act in March 2025, which is going to have a noticeable impact: Legal services will become more expensive. The value-based fees will increase by six per cent, while the fixed fees will rise by nine per cent. This change signals a significant challenge for legal expenses insurers. This development could have an impact on the calculation of premiums and rates in the medium term.

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How Funk makes the difference

Legal advice or representation is often required ahead of preliminary proceedings being initiated. The importance of clarifying facts as soon as an offence is suspected is increasing. The company management is even obliged to investigate any indications of unlawful behaviour in a company. Our exclusive terms and conditions also include these preventive benefits.



More about the terms and conditions:

funk-gruppe.com/bedingung



How Funk makes the difference

Funk M&A and Tax Solutions' experienced team of fully qualified lawyers provides comprehensive advice on the placement of transaction insurance policies. This includes traditional transaction advice as well as the placement of tax insurance, both within and outside the transaction context.

M&A Insurance



PREMIUM



CAPACITY

The M&A year 2024 was characterised by numerous economic challenges. The combination of a high inflation rate, a notable rise in interest rates and an uncertain economic outlook has spurred a sharp slowdown in M&A activity in contrast to previous years. This held not only true for the absolute number of successfully completed transactions, but also for transaction volumes, which dipped significantly below the previous year's figures. This low level of M&A activity has set in motion a historically low premium level for the Warranty & Indemnity (W&I) insurance segment. This has now progressively stabilised or is undergoing a slight upturn in individual cases. W & I insurance is used to cover the risks associated with the warranties and representations made in the purchase contract.

Deal flow on the rise

There are ever-increasing signs that the M&A market environment will ease in 2025. In specific terms, the first cautious interest rate cuts by central banks are driving a slight increase in deal flow. We foresee moderately rising premiums in the W&I insurance segment over the next twelve months. We expect that investors will continue to have a very risk-averse attitude in view of the increased acquisition costs and will increasingly put their faith in protection instruments such as W&I insurance to secure their investments.

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New Legal Dynamics in Europe

The increase in extreme weather events is not only raising awareness of natural hazards in international insurance programmes - it is also increasingly leading to specific regulatory changes. New legal obligations to insure against natural hazards such as floods, earthquakes and fires are emerging, particularly in Europe.

Our map provides geographical transparency: Which countries use compulsory insurance? Where are premiums rising? And what kind of models do state-regulated systems pursue?

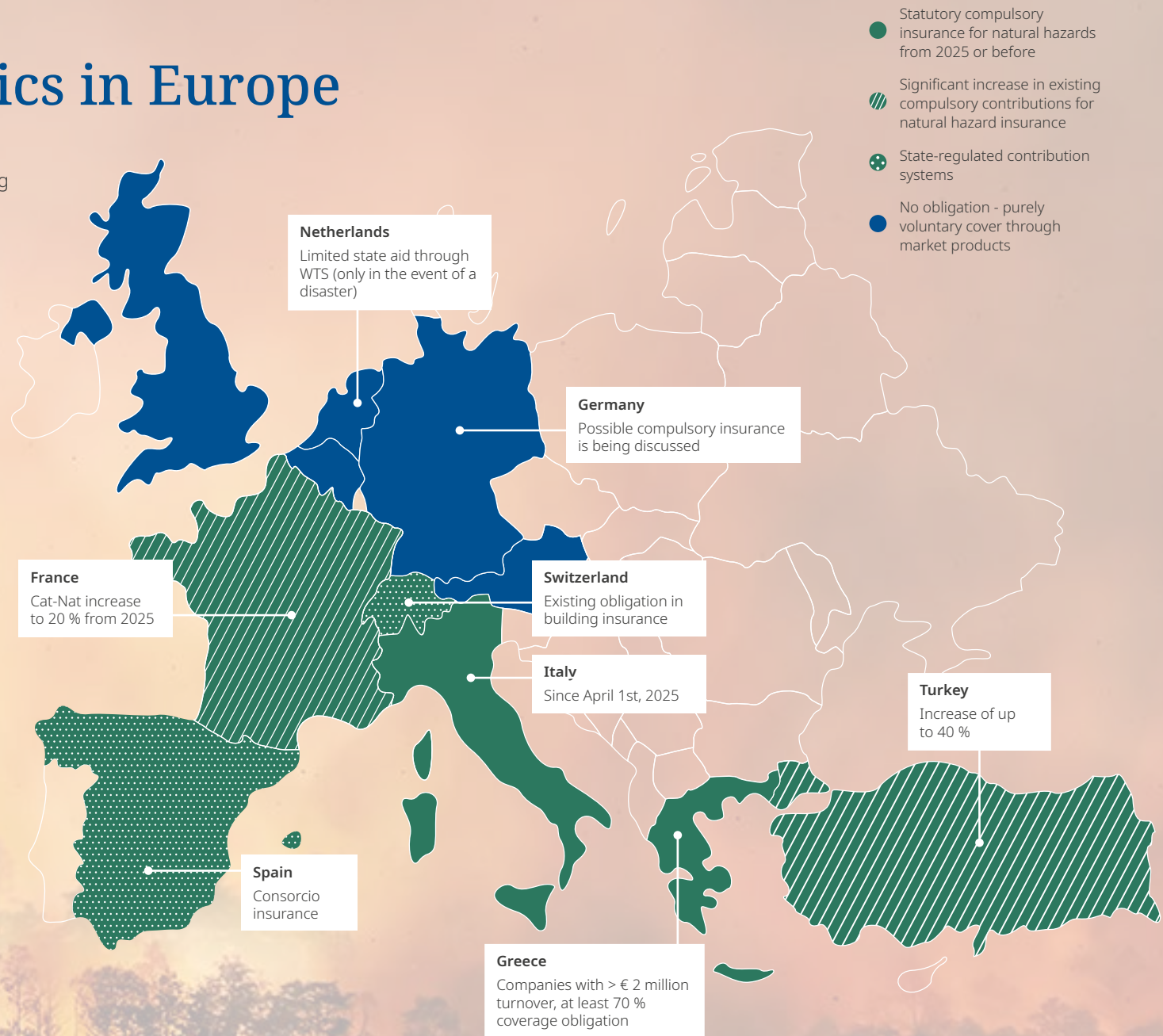
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More about insurance obligations
and current developments:
funk-gruppe.com/programme



Tariffs as a Strategic Risk

Global trade will be increasingly characterised by political interests owing to the US tariffs announced at the beginning of 2025 and the foreseeable reactions of the EU and China. This means higher costs for companies, disruptions in the supply chain – and a growing need for hedging.

The SME sector is insecure

The average tariff rate on imported goods in the USA currently stands at 11.5 per cent already – the highest level of US tariffs since the Second World War. It is above all the export-strong German SMEs from the machinery and plant, chemical and electronics industries that are being hit particularly hard. Companies are reluctant

to invest in new facilities and locations as well as their own growth.

This uncertainty is putting the brakes on the German economy as a whole and is also affecting the insurance industry. There needs to be a reassessment of business interruption, property and third-party liability insurance in particular. The reason: sinking insurable values, potentially higher claims costs and the associated increase in provisions are making profitable underwriting more difficult.

Companies without direct foreign trade also find themselves vulnerable, because if tier 2 or tier 3 suppliers fail, a very real threat of production stoppages exists. Transparency in global supply chains is also decreasing –


caused by intermediaries or new routes, for example. This can have a negative impact on overall quality and safety.

Clean regulation for robust protection

Clearly defined contracts with suppliers are therefore essential. Many so-called force majeure clauses (regulations addressing acts of God) do not apply in the event of customs-related interruptions. Companies should check whether responsibilities, quality standards and contractual authorisations are clearly regulated – also with regard to how insurable they are. Companies capable of demonstrating

strong contract and risk management not only improve their insurability, but also their negotiating position with insurers.

Tariffs today are not only a cost factor, but also a strategic risk. Those who are quick to react, adapt contracts, create transparency in the supply chain and regularly review their insurance cover are able to emerge from the crisis stronger than before.

 Further information and top 10 recommendations for action: funk-gruppe.com/zoelle

Tariffs & business risks

- **US tariffs from 2025:** Up to 11.5 % on imports, historic high since 1943
- **Industries affected:** Plant and mechanical engineering, chemicals, electronics
- **Risks:** Higher costs, delivery issues, business interruptions
- **Insurance:** Review of cover, values and liability limits
- **Recommendation for action:** Adapt supply contracts, bolster risk management, increase transparency

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