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Insurance \\ Risk Management

2025 RIA Insurance Outlook

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2024 Review

Criteria	Professional Liability ("E&O")	Cyber
Underwriting	Underwriting has remained relatively consistent over the last 12 months, with carriers now willing to use information included in ADVs to streamline the application process	Streamlined application process with rating primarily a function of revenues, cyber security controls (MFA, encrypted / segmented back-ups, employee training) and a website / domain scan for vulnerabilities
Capacity	Capacity continues to be robust from a combination of long-time carriers and more recent entrants, driven by the attractive loss ratios that carriers have enjoyed in recent years	Capacity continues to be robust for RIAs seeking $1m-$5m in limits due to the participation of numerous carriers in the space
Pricing	Pricing continues to be attractive, as renewals typically include flat premiums, as well as potential reductions for larger policies that have not been marketed in the last 3+ years	After several years of meaningful pricing increases, we saw generally flat pricing for insureds with a strong cyber security posture and no claims
Claims	With the strong financial markets of the last couple of years, performance-related claims have remained somewhat muted, while trade error claims have remained manageable	Claim activity remained elevated, and continued to be almost always a function of human error / business email compromise with the majority of claims dollars attributable to forensics and system rectification costs post breach

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2025 Outlook

- E&O
  - We currently see no signs that the favorable market conditions of the last 12-24 months will reverse in the coming year
  - That being said, we could see higher claims and ultimately reduced capacity/increased pricing if the lofty financial market valuations come under pressure
  - Additionally, volatility/uncertainty is likely elevated with the new administration, although regulatory focus/claims may be softer (e.g. digital assets)

- Cyber:
  - While underwriting standards are higher than they were several years ago, we expect the capacity and availability of coverage to remain robust as new entrants continue to enter the market and the underwriting process becomes even more streamlined
  - We expect Cyber claim activity to remain high, although meaningfully enhanced underwriting requirements of the last couple of years could moderate frequency and severity of claims
  - Current market conditions are favorable to insureds who have solid cyber security controls in place, and despite the aforementioned claims activity, we expect pricing to remain stable in 2025

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CCO Checklist

- Attached to this document is our recently completed CCO checklist, which serves as a roadmap for CCOs as they manage their professional liability insurance programs

- Whereas there are certain coverages that are reasonably standard (e.g. General Liability, Workers' Compensation), there is no such standardization with E&O, D&O, and Cyber, such that coverage gaps can exist if the policy is not structured properly

- Additionally, all the major custodians now require E&O and three separate theft coverages, and certain subtleties in the policy can effectively eliminate compliance with the coverage requirements' intent

- Examples of coverage issues that we've seen in our E&O policy reviews include missing trade error coverage, limited/no coverage for alternative assets, and missing coverage for a private fund managed by the RIA

- Examples of coverage issues that we've seen in our Cyber policy reviews include onerous tech requirements from the RIA for coverage to respond, wire transfer coverage extending only to RIA money and not client money, and strict callback requirements for wire transfer coverage to respond

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About Windermere

- Windermere is a full-service insurance brokerage headquartered in Charlotte, NC with offices in Hilton Head and Pawleys Island, SC
- Based on 2023 revenue, Windermere is among the top 1% of independent insurance brokers in the US
- Windermere's three primary lines include Business Insurance, Private Client, and Life & Health, all of which serve clients on a national basis
- Windermere maintains several industry specializations, including Real Estate, Financial Institutions ("FI"), and High Net Worth Private Clients
- Within FI, the primary coverages offered include Professional & Management Liability insurance, as well as the full range of standard business insurance coverages and Benefits
- Windermere is an approved insurance provider for many of the major RIA custodians, including Schwab, Fidelity and Pershing, all of which now have insurance requirements for its advisory firms

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Industry and Product Focus

- Windermere started its FI focus in 2014, and has developed a nationwide client base representing a broad range of FI market segments

- The types of targeted FI include investment advisory and asset management firms, single and multi-family offices, trust companies, broker-dealers, and non-bank lenders

- Coverages offered include Errors and Omissions ("E&O"), Directors and Officers ("D&O"), Cyber, Employment Practices ("EPLI"), Crime/Financial Institution/Investment Company Bonds, ERISA Bonds (First and Third Party), and Fiduciary Liability

- Windermere has access to all of the carriers that are active in the FI space, including AmTrust, AIG, Allianz, Axis, Beazley, Berkley, CapSpecialty, Chubb, CFC, CNA, Everest, Great American, Hanover, Hartford, Lloyds of London, Markel, Nationwide, Sompo, Travelers, and XL, among others

- In additional to superior market access, Windermere has dedicated claims personnel as well as deep relationships with many carriers, thereby providing invaluable claims advocacy and leverage

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