

The strategic horizon:

How mining & metals companies can optimize international liability programs

Market conditions remain favorable, with capacity growth continuing to outpace demand.

Key takeaways

- Capacity growth continues to outpace demand, creating strong competition among insurers and putting downward pressure on rates.
- Global mining liability capacity now exceeds $1.2 billion, but insurers continue to apply a technical, risk-engineering-led underwriting approach
- Successful outcomes still depend on strong risk data, quality engineering information and specialist insurer expertise

The international liability market for mining has continued to soften over the past 12 months, trending in line with the dynamics of the broader general liability market. This has been driven by an increase in capacity available, with several carriers entering or reentering the mining liability market and others relaxing restrictions around tailings storage facilities (TSFs), underground exposures and certain geographies.

While concerns around social inflation, prior loss deterioration and insufficient reserving persist, a surplus of available capacity is driving competition and downward pressures on rates.

For well risk-managed mining clients with little-to-no prior loss activity, mid-single digit rate reductions are the typical starting point, with larger decreases available on smaller, less complex programs where sufficient capacity is available to place the program limit multiple times over.

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However, caution remains for those placements with exposure in the U.S., with insurers looking to ringfence and rate the premium associated with U.S. exposures separately.

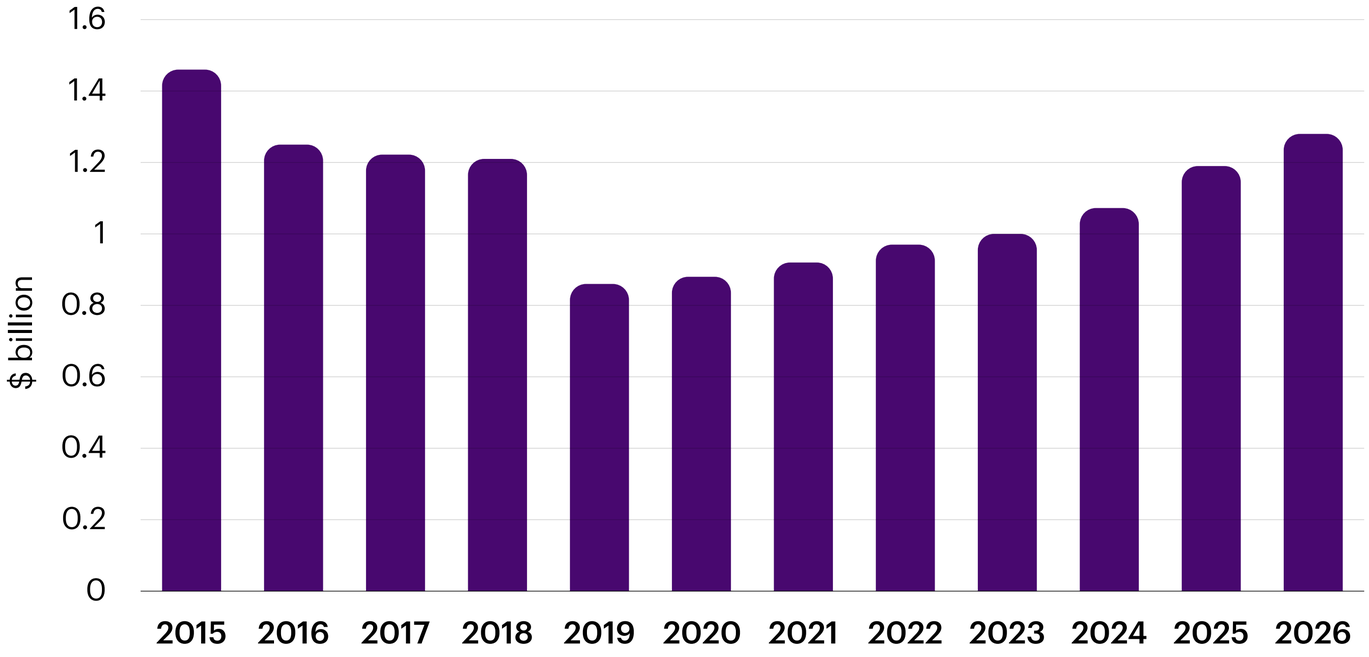
Capacity in rebound: Is capacity back to pre-Brumadinho levels?

Published global international mining liability capacity is estimated to have increased for an eighth successive year, now exceeding $1.2 billion, which surpasses levels before the Brumadinho tailings dam failure. But while capacity has increased, the broader market dynamics have not returned to the pre-Brumadinho state. Placements are more widely syndicated across a greater number of carriers, underwriting has become more technical and risk engineering-led (particularly in relation to TSFs) and the underlying market pricing is at a higher, albeit more sustainable, level.

While working capacity is a smaller subset of total published capacity due to underwriting restrictions for certain exposures and line size management strategies, capacity generally remains abundant for even the largest mining liability programs.

The most notable increase in working capacity has been for mining companies with coal exposures. While

Estimated global mining liability capacity



Source: Willis

capacity remains restricted, a shift in insurers' approach to the application of ESG guidelines, in line with global geopolitical trends, has led to an increase in capacity available. A well-articulated ESG strategy, as well as being able to distinguish between a portfolio's metallurgical and thermal coal mix where relevant, remains the key to unlocking the total pool of capacity available.

Focus areas for liability underwriters

Despite the absence of a major catastrophe mining liability loss impacting the global market for several years, primary loss activity from more traditional worker-injury style claims persists, leading to continued underwriting scrutiny in this area. Greater underwriting focus is also expected to be placed on exposures that were traditionally perceived as ancillary to mining operations, such as rail and pipelines, following an increase in liability incidents in these areas over the past few years.

TSFs

The greatest area of underwriting focus for liability insurers, however, continues to be TSFs. Up-to-date and high-quality risk engineering information continues to be



> For many liability insurers, mining remains an attractive sector due to the comparatively high rate-on-line of placements compared to other, lower hazard occupancies.



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critical in securing the best possible outcome from the market. There is also increasing scrutiny on a company's strategy to achieve conformity to the Global Industry Standard on Tailings Management (GISTM), which is widely regarded as the best-in-class standard for tailings governance and management.

While the frequency of global TSF-related incidents has not necessarily declined since Brumadinho, recent losses have been more isolated and concentrated within regional insurance programs, resulting in a comparatively limited impact on the international liability market.

Given the technical complexity of mining risks, a lead-follow dynamic amongst insurers continues to persist in the international liability market. A credible primary lead insurer, with established expertise and risk engineering capabilities, continues to be pivotal to unlocking excess capacity, particularly for complex multi-site and multi-territory placements. Although some newer entrants may place less emphasis on detailed technical information than long-standing lead markets, this approach should be treated with caution. Transparency and the consistent provision of high-quality risk information are central to securing the best outcome and maintaining a sustainable long-term panel.

Environmental Impairment Liability

Growing scrutiny of sustainable environmental management in mining has also driven increased interest in environmental impairment liability (EIL) as a complementary risk transfer mechanism for environmental liabilities. EIL policies can be broad and offer several coverage benefits beyond those available under traditional general liability, and property damage and business interruption policies. Careful program design will ensure that policies interact effectively and maximize the overall coverage benefit.

It's an ideal opportunity to consider program restructures

As well as increasing the potential limits available, the growing availability of capacity also provides mining companies with the opportunity to challenge their existing program design, market composition and retention structure. This is particularly acute where programs were previously shaped by necessity more than design.

Partnering with a specialist broker with deep mining expertise, strong insurer relationships and full access to the international liability market will be critical to capitalizing on market trends. Successful renewals

require early and sustained engagement with insurers, supported by annual market roadshows and the provision of comprehensive, up-to-date risk data and engineering information. A specialist broker is key to bringing these elements together to build the optimal, sustainable and resilient long-term risk transfer program.

The international liability market for mining continues to be favorable for well-risk-managed mining companies, with surplus capacity driving competition and downward pressure on rates. This presents an opportunity to not only achieve pricing efficiencies but also to optimize the program structure, insurer composition and the overall resilience of the placement. The key challenge for buyers today is no longer how to access capacity, but how best to optimize its deployment.

To find out how to harness market trends to build long-term resilience, contact:



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> While stronger balance sheets are generally driving a trend towards higher retentions, insureds now have greater flexibility to structure programs to better meet their risk transfer strategy.



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