Marsh

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Introduction

Demand for minerals and metals is soaring due to the pressures of industrial development in emerging markets, as well as progressing electrification and decarbonization. The mining sector's ability to provide the raw materials needed for renewable energy and other technologies makes it a foundational component in the energy transition and modern life. Mineral demand is expected to double by 2030; by 2040, demand for lithium, for example, could surge by 40 times, all of which emphasizes the urgency for the sector to scale up.

While this brings potential opportunities, it requires businesses and investors to consider new and heightened vulnerabilities — labor shortages, increased cyber exposures, intensified operational scrutiny, conflicts in Europe and the Middle East, and climate change adaptation, among many others.

Mining's strategic importance means it is no stranger to geopolitical risks. Over the last few years, however, we have seen a heightened trend in resource nationalism, export restrictions, environmental regulations, and trade disputes that have led to more complex operating conditions in some countries. In turn, this has opened the doors for onshoring and friendshoring mining development and mineral processing, as well as an increased focus on metal recycling as part of a circular economy.

As the sector grapples to meet and fund the expansion required, while also contending with various political, supply chain, and market risks, it does so from a strong position. History shows that the sector is resilient and innovative, with deep expertise and experience in managing and mitigating social, environmental, engineering, and political challenges. This resiliency is encouraged by recognizing that long-term investment is necessary to meet net–zero goals and to provide the minerals required for modern technologies, national security, and economic prosperity.

For their part, many mining companies have sought to improve energy efficiencies, adopt renewable energy sources, and implement new technologies to reduce carbon emissions and contribute to overall transition efforts. This is especially important as sustainability factors remain a priority for investors and other stakeholders, insurers included. While in the past, some mining projects have been beset by delays due to permitting issues, funding challenges, and technical risks, the drive for minerals and metals has brought forward government incentives and helped speed up mining permits.

The sense of urgency surrounding transformation means that companies which are agile enough to take advantage of opportunities, while factoring in risk exposure and risk management, may stand to sustain growth in volatile, but exciting, times.

GLOBAL MINING INSURANCE MARKET DEVELOPMENT

At the beginning of 2023, the global insurance industry had just emerged from one of the costliest years on record, driven by losses from natural catastrophes. For specialty carriers in the mining sector, this was exacerbated by risk losses ranging from large-scale fires, machinery breakdown, and conveyor and structural collapse — all leading to costly business interruptions. Many operations experienced unplanned shutdowns as a result of cyberattacks on their networks. This combination set the stage for what was anticipated to be yet another challenging year for miners seeking to transfer corporate risks into the insurance market.

Yet, despite these headwinds, by midyear 2023, we saw a gradual shift toward more stable market conditions and a less volatile stance than in previous years. The upward pressures on rates is still present, but the outcomes have been more predictable with increasing differentiation in risk quality. The severity of claims made in 2022, in conjunction with global inflation, led underwriters to hone in on property valuation, business continuity planning, and the structural integrity of aging assets.

As we head into 2024, indicators suggest that pricing for the mining sector in general may not reduce next year, with the exception of some smaller specialty classes.

Market conditions in key mining placement hubs

INTERNATIONAL PROPERTY MARKET

The **London** (re)insurance capacity for mining risks has continued to stabilize over the past 12 months. Several new entrants have come into the direct and facultative (D&F) space, offsetting the reduced capacity of other insurers. The D&F market remains challenging, and given significant losses in the United States, Canada, South Africa, Australia, and Chile, the sector's reputation as profitable is moderating.

Global mining insurers continue to diversify their portfolios to compensate for the reduction in coal clients by underwriting other commodities.

Within Lloyd's, each syndicate is responsible for deciding its criteria regarding sustainability, and this can require individualized effort and engagement. Despite competitive domestic markets, the London insurance marketplace remains attractive, with many clients preferring London market participation.

Underwriters continue to use challenging market conditions and constricting capacity as a means to reduce their business interruption (BI) volatility and look to impose clauses that focus on limiting exposure to changes in commodity prices and the subsequent effect on BI values. Due to changing supply and demand factors, there have been significant fluctuations in BI values in the past couple of years.

While many clients conduct a full review of their overall limits, some choose not to increase their purchase limits. One consequence of commodity price reductions is reduced BI estimates and maximum foreseeable loss (MFL) exposures.

In the past 12 months, many insurance claims have been conventional, such as loss or damage caused by flood, collapse, and fire. For this reason, there have been no substantial changes in approach to sub-limits/coverages following tailing storage facility (TSF) losses in 2023.

Capacity available to the mining sector remains stable from the majority of the **Bermudan** insurers, especially for existing clients. New business opportunities for insurers may experience increased scrutiny, with certain insurers focusing capacity on their core renewal portfolio. Rate trends are highly dependent on loss history; however, more competitive terms — with single-digit increases — are available for clients with a clean loss record and commitment to continuous risk improvement.

Underwriters continue to focus on the impact of supply chain constraints on clients as well as request more detailed information regarding the structural integrity of plant and equipment, given recent loss events affecting conveyors.

Key **European** insurers provide and maintain consistent capacity for property renewals. New business opportunities also receive a high level of capacity support where clients can demonstrate good risk management of assets and attention to improvements identified in recent surveys.

With current rating conditions representing historical highs, we are seeing a leveling off of pricing increases. Renewal rates increasingly reflect expiry rates with premiums adjusted to reflect changes in declared values. When presenting renewal and new account submissions, we recommend that clients seek to evidence the credibility of declarations based on recent appraisals or reasonable inflationary adjustments over prior declarations.

With the available capacity in the marketplace, we do not anticipate or expect to see a further increase in market rates looking ahead, much to the relief of insurance buyers. European reinsurers continue to support mining policyholders with consistent allocation and maintenance of capacity. Maintenance of this capacity will receive increased scrutiny, with clients reacting to historically high premiums via increased and expanded risk retention.

INTERNATIONAL CASUALTY MARKET

Lloyd's posted a 91.9% combined ratio in its 2022 results, a continuation of the positive trend. In effect, the cumulative rate increases over the past three years have brought pricing to sustainable levels, and, as a result, risk appetite and competition are improving.

Despite this, the overall market (and Lloyd's in particular) was impacted by substantial claims from the Russia-Ukraine war and Hurricane Ian, which affected available North American property capacity. The downturn in the investment market resulted in write-downs of approximately US$3.8 billion.

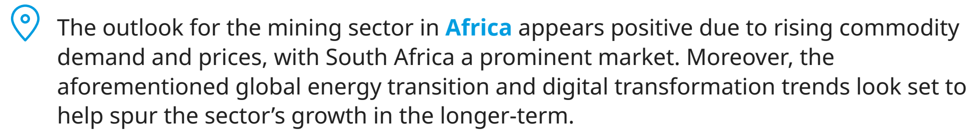
Investment losses, the effects of inflation, and increased personal accident injury awards impacted the actuarial modeling of long-tail classes. To this end, some of the more established insurers have increased reserves, and underwriters are looking to maintain rates at "sustainable levels" and pass along increased reinsurance costs to clients. In many instances, increases in exposure estimates exceed premium increases, so some clients may receive technical rate decreases even if average premiums increase.

At the same time, insurers are looking at how best to grow, focusing increasingly on risk selection and targeting particular accounts and portfolios. Clients with poor loss history or niche covers remain in the spotlight and continue to attract higher rate increases.

Environmental, social, and governance (ESG) performance is taking on increased significance, with insurers focusing on portfolio spread and risks that meet ESG criteria. While ESG assessment doesn't directly affect rates, renewal submissions increasingly feature relevant ESG information, including how clients plan to diversify business models and how they are transitioning towards a lower-carbon economy and sustainable product solutions.

US mining clients are a focus for international casualty renewals. The careful management of line size has been a dominant feature of mining risk-managed programs, and coverage terms and conditions continue to be a topic of discussion, especially with regards to COVID-19, cyber, and per- and polyfluoroalkyl substances (PFAS).

Domestic market conditions



The outlook for the mining sector in **Africa** appears positive due to rising commodity demand and prices, with South Africa a prominent market. Moreover, the aforementioned global energy transition and digital transformation trends look set to help spur the sector's growth in the longer-term.

Mining in Africa remains a sizeable and profitable market for global insurers, with several mining companies achieving flat premium rates at renewal. Where insurers were seeking premium increases, companies increasingly choose to increase self-insured retentions to mitigate the price increases while some opted to co-insure their risk.

Although there were a few property claims in the African mining insurance market in 2023, losses were not financially substantial compared to global claims. Most mining claims were linked to structural failures such as infrastructure collapsing, resulting in property damage and business interruption losses.

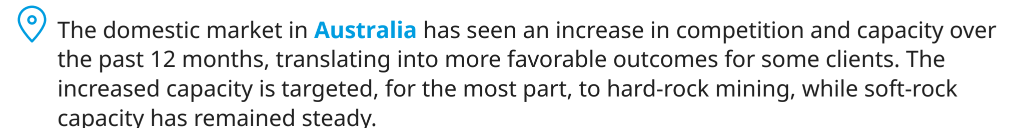
The property market for mining risks in South Africa continues to seek rate increases as treaty renewals became more challenging following non-mining natural catastrophe losses.

The most topical change in South Africa has been the inclusion of grid failure coverage if the national grid collapses. Given the expanding risk landscape, another trend is coverage differences between insurers. Catastrophe covers are also being removed or lower limits are being applied for risks such as flood. Inflationary pressures also drove price increases. However, capacity and competitive pressure from the international market, particularly the London market, minimized the impact of premium increases, with average increases of between 5% and 15% achievable for well-managed risks with low claims.

Thermal coal is still a key part of the South African mining industry. There is sufficient capacity for existing infrastructure, although — as a result of insurers' internal ESG protocols — only limited capacity is available for new mines or companies looking to change insurers.

The liability market remains stable, with a few key insurers locally participating on all mining programs. Underground fire protection and tailings storage facilities (TSF) remain a focus for many insurers, with the Jagersfontein and Petra Diamonds dam collapses reinforcing the importance of adherence to local tailings dam management laws and regulations. Insurers have started to exclude cover entirely for TSFs if third-party reports are not provided, or if the factor of safety (FOS) is not considered suitable. South Africa's major mining companies continue to work towards meeting the Global Industry Standard on Tailings Management (GISTM).

The terrorism and political violence market remains hard following the 2021 riots in KwaZulu-Natal. South African Special Risks Insurance Association (Sasria), the state-owned terrorism insurance fund of South Africa, continues to limit its exposure to R500 million (previously R1.5 billion), with limits in excess of this available at significant premium levels. As a result, mining companies are reconsidering the amount of cover purchased in line with loss expectations given their locations and the security measures in place to mitigate this risk.



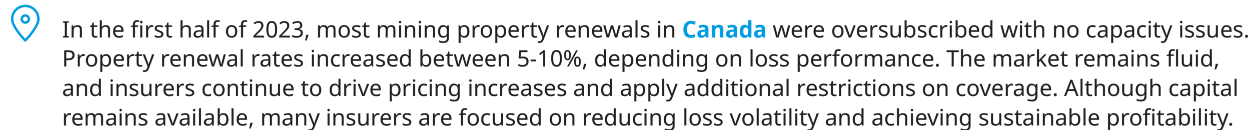
The domestic market in **Australia** has seen an increase in competition and capacity over the past 12 months, translating into more favorable outcomes for some clients. The increased capacity is targeted, for the most part, to hard-rock mining, while soft-rock capacity has remained steady.

Commodity price fluctuations and inflationary pressures have been an area of increased focus for Australian insurers. Many insurers insist that clients use an external company to undertake a professional insurance valuation and require proof that an ongoing review process is in place. Insurers may seek to impose coinsurance provisions into policies where independent validation of the declared values cannot be demonstrated.

Generally, insurers will look to impose either a commodity price cap or a BI volatility clause to manage exposure to commodity price fluctuations. Clients typically benefit from being able to share their BI calculations, including their commodity price assumptions.

Increased competition has meant that more insurers are willing to offer lead terms. Although we are yet to see rate reductions applied consistently across mining clients, those with favorable risk profiles have secured reductions. Clients who are up to date with risk recommendations may see more favorable outcomes, so we encourage all clients to invest time and effort when presenting their risks to the market.

Natural catastrophe (Nat Cat) exposures remain an ever-present driving force behind pricing. When domestic and/or global Nat Cat losses are significant, the flow-through effect on domestic insurers' pricing models can be detrimental and largely beyond the control of local underwriters. If the Nat Cat pricing within an insurer's treaty reinsurance program increases, these costs are often passed on to clients with exposures in Nat Cat-prone locations.



In the first half of 2023, most mining property renewals in **Canada** were oversubscribed with no capacity issues. Property renewal rates increased between 5-10%, depending on loss performance. The market remains fluid, and insurers continue to drive pricing increases and apply additional restrictions on coverage. Although capital remains available, many insurers are focused on reducing loss volatility and achieving sustainable profitability.

Differentiation by underwriters has seen clients with an unchanged, loss-free risk profile receive low single–digit increases, and attract more capacity and drive competition. Clients with significant losses or Nat Cat exposures typically experience above average increases. Excess insurers continue to increase attachment points, putting pressure on buffer layers.

The rate movement only reflects part of the story, however. A characteristic of the North American market is the accountability of underwriters to senior management and a focus on risk quality. Underwriters currently focus on underground and tailings dam risks with particular attention to recent engineering reports, tailings dam reviews, and demonstration of progress relating to risk recommendations.

Time invested in providing underwriters with a comprehensive risk management-focused presentation — including a full update on developments at the site, adherence to risk recommendations from prior year site visits, and the learnings from any loss events in the last 12 months — is a means of addressing underwriter concerns, especially when combined with a well-structured presentation to the market. Differentiating risk, providing a high level of detail, and explaining changes are even more important in today's market to sustain competitiveness.

Valuation remains a focal point for property insurers driven by concerns about inflation, supply chains, labor shortages, and loss experience in cases where adjusted loss amounts were above reported values.

In 2023, sustainability and a meaningful recognition of ESG practices significantly impacted the global insurance industry. Companies are encouraged to present sustainability credentials as part of insurance submissions to the market ahead of renewal in order to demonstrate engagement in the transition. At present, it is only necessary to establish an active commitment to allow underwriters to review the risk; however, we expect criteria relating to carbon emission reduction to develop over time.

Wildfire risk is now viewed or underwritten as a standard Nat Cat peril. While mining insurers have not yet taken an official position on wildfires, some domestic markets have issued moratoriums on specific Canadian postal codes whereby coverage is excluded for new clients and restricted to existing business.

We expect upward rate pressure due to wildfire exposure in 2024. Insured wildfire losses have been significant, so insurers will be looking to mitigate risk with more pressure on higher retentions concerning wildfires and suspending binding authority for risks that are vulnerable to weather-related losses and other catastrophic events.

For the international casualty market, since 2019, mining has been its own micro class and insurers are pressing for rate increases as a result of mining losses in the past three to four years.

The domestic Canadian casualty market continues to experience pressure on rates, capacity, and retention. It remains more challenging than the general casualty market from a capacity and pricing standpoint, with a focus on tailings management and pollution exposures.

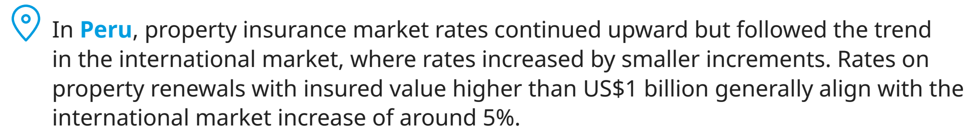
The market for liability risks is relatively small, particularly for companies with multiple and foreign-owned assets and local policy placement requirements. London syndicates have implemented high increases or exited the class. Insurers with capacity require thorough underwriting information, especially with respect to tailings facilities, and will only quote with the provision of third-party engineering reports.

The mining property insurance market in **China** continues to provide highly competitive rates and abundant capacity for domestic mining risks. For mining risks outside China, capacity is available for open-pit mines with Chinese ownership or interest. Appetite in underground mines and mines without Chinese interest continues to be limited.

In Latin America and the Caribbean (LAC), political and social instability, low growth rates, and the region's susceptibility to natural catastrophes have led to some volatility in the (re)insurance market.

While the region possesses vast potential and abundant natural resources, the mining sector has been affected by the rising cost of energy imports, high exchange rates, and government social spending. On the other hand, the Russia-Ukraine war and subsequent sanctions imposed on Russia have opened the door for several LAC countries to supply commodities to international markets.

Greater attention to risk awareness, the narrowing of significant insurance protection gaps, and low insurance penetration could see the LAC insurance market experience significant growth in the medium to long term. In the coming years, the total premium for the region is expected to surpass annual GDP growth. However, the market's growth prospects are vulnerable to political and social volatility, as well as external events. While market dynamics can change abruptly, opportunities remain to create new products and markets.



In **Peru**, property insurance market rates continued upward but followed the trend in the international market, where rates increased by smaller increments. Rates on property renewals with insured value higher than US$1 billion generally align with the international market increase of around 5%.

For clients with total insured value below US$1 billion, policies are placed through local treaties and facultative reinsurance insurers. The international market does not have appetite for underground exposure that many clients have. On average, for these clients, total rates have increased by up to 10%, with local rates rising higher than the international market.

Renewals for political risk coverage have become increasingly challenging as a result of Peru's socio-political situation between December 2022 and early 2023. Local and international insurers opted to exclude political risks from property renewals and instead introduced standalone policies for political risk. Premiums for such policies range from 30% to 200% greater than renewals in the first three quarters of 2022, depending on the location of the site and local community relations. Completing capacity has proven exceptionally difficult, with accompanying increases in deductibles. Underwriters are placing more emphasis on having comprehensive information on events and community interactions surrounding sites.

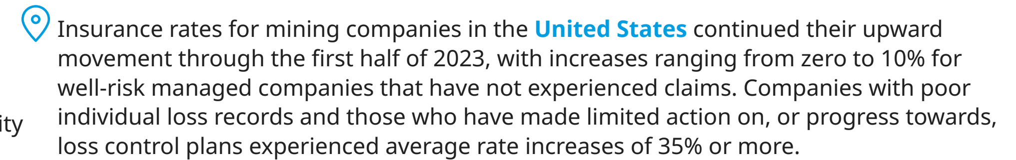
Certain lines of political risk coverage, such as social unrest and expropriation, are increasingly challenging to secure, while other lines of coverage, such as mine closure and professional liability, can be harder to obtain quotations for. This is often due to limited capacity or excessively high prices.

On marine cargo lines of business, replacing traditional marine cargo policies with stock throughput or species policies has improved results for renewals with flat rates or small discounts available for some.

For construction lines, mining projects (with total insured value more than US$200 million) are typically placed on the London market, where rate increases have been lower than 5%, compared to the sharp 50% to 100% increases seen in 2022.

On liability lines, compared to 2022, premiums increased moderately by approximately 7%. Securing coverage for tailing dams remains a challenge and it is imperative to present updated and detailed information, including stability reports.

The cyber insurance market is developing slowly as local mining companies enhance their cyber risk management practices. Underwriters have incorporated ESG and sustainability factors into their analysis while continuing to scrutinize exposures with detailed information on tailing dam reports, underground activities, fire protection, pit walls, pads, maintenance, and risk management, all of which remain critical for a successful placement.



Insurance rates for mining companies in the **United States** continued their upward movement through the first half of 2023, with increases ranging from zero to 10% for well-risk managed companies that have not experienced claims. Companies with poor individual loss records and those who have made limited action on, or progress towards, loss control plans experienced average rate increases of 35% or more.

Capacity for domestic clients continues to be sourced from insurers domiciled in the US, Bermuda, London, and Europe, with up to US$175 million of underground capacity and US$600 million of surface capacity available.

Coverage terms and conditions remain mostly consistent, with no additional pressure to restrict terms or increase retentions.

Directors and officers liability market

The directors and officers (D&O) liability market has experienced softer conditions since early 2022, following a challenging hard market between 2018 and 2021. Several new insurers entered the market in 2022 to take advantage of higher premium rates without the burden of a legacy claims portfolio. This new capacity has sparked increased competition in the D&O marketplace, which has continued to accelerate throughout the first three quarters of 2023.

D&O buyers across all industry sectors are achieving premium savings due to a more competitive landscape and insurers' willingness to defend their incumbent positions. Premium rate reductions vary according to the risk profile, claims history, and the company's financial health. For some companies with an improved risk profile — for example, companies that have successfully traded two or three years post initial public offering (IPO) — premium savings can be as dramatic as -50%. Meanwhile, for companies with a deteriorated risk profile and recurrent claims activity, premium reductions are more likely to be around -5%. Mining risks placed through the London insurance marketplace received double-digit D&O premium reductions on average for five consecutive quarters, according to Marsh UK data.

Despite the competitive dynamics of the D&O marketplace, insurers' information requirements remain high by historical standards. For the mining industry, underwriting tends to focus on the energy transition and environmental goals. Generally, companies that can demonstrate sustainable mining practices, good ESG credentials, and carbon-neutral innovations tend to be offered superior terms or coverage. Other focus areas may include employee and local community relationships and exposure to sanctioned territories.

Arguably, one of the most significant challenges for the D&O marketplace going forward is its latency and delayed reaction time to macro changes and developments that could result in a more volatile pricing environment for clients at certain times in the cycle. In the past, the liability tail of the D&O class has been long; as it becomes longer from certain loss examples in the marketplace, it is difficult to see how the market will collectively be capable of moderating in the near term, absent a number of unexpected shocks or scenarios arising.

As it stands, the weight of insurance capacity and new capital entering the market is notably greater than relative demand. With no signs of any let up in this trend, we expect the market to further soften during 2024 and potentially beyond.

Terrorism and political violence

The losses from the Russia-Ukraine war have fundamentally changed the political violence market, which provides standalone strikes, riots, and civil commotion coverage for mining risks, and rates have increased in every territory worldwide.

For sabotage and terrorism cover in low-risk countries, rates increased by approximately 10%. In contrast, rates increased by 30% to 150% in 2023 for full political violence with global exposure. There has been an increased focus on risk selection, with many insurers making significant changes to the balance of risks in their portfolios.

In addition to a global market hardening, losses at mines in Latin America have increased underwriter scrutiny of mining risks. Insurers have reduced line sizes, sought higher deductibles, and are less willing to provide contingent business interruption coverage for un-named customers and suppliers. Coverage is still available for named customers and suppliers.

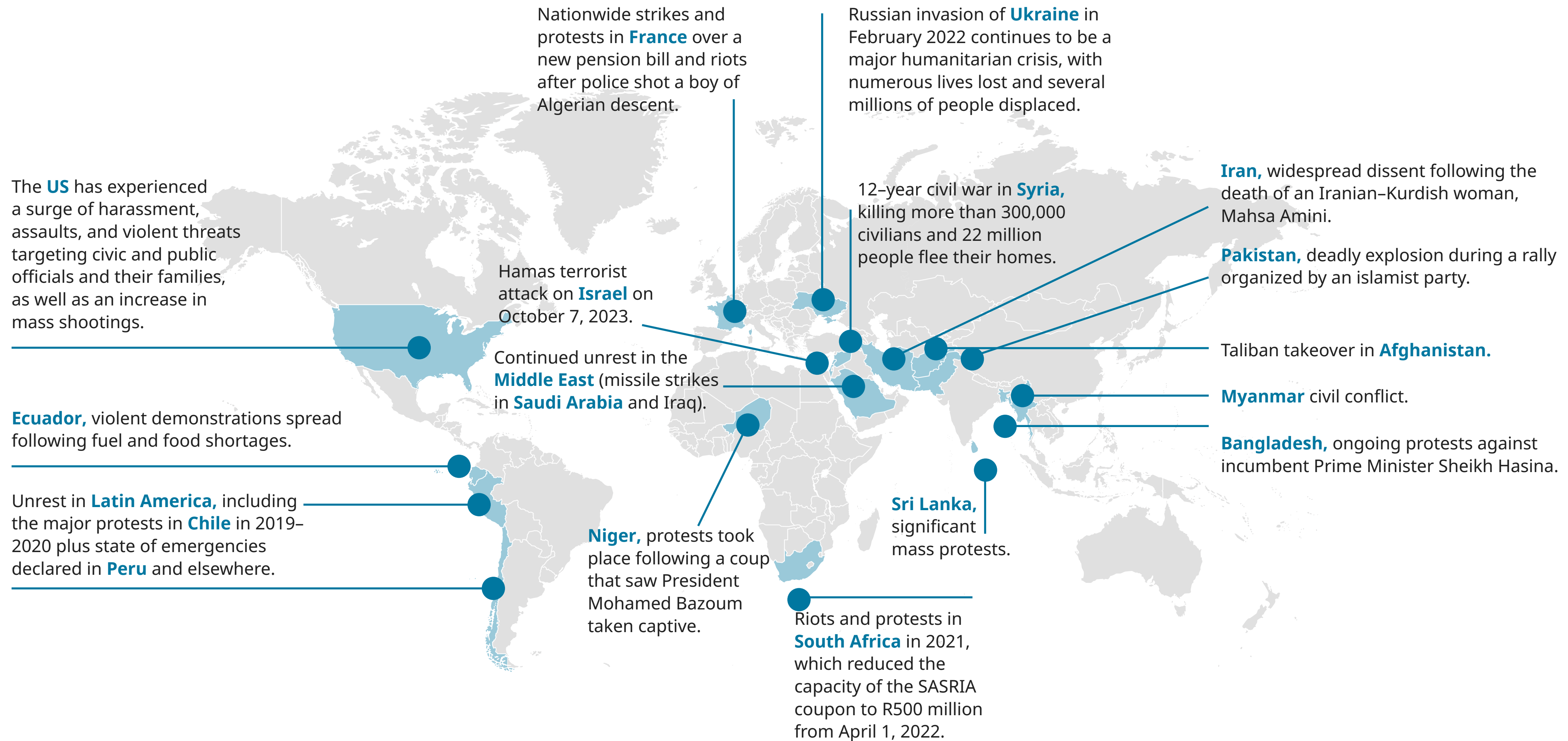
There has been a real focus from underwriters on loss history, incident history, and interaction with local communities surrounding mines (particularly in Latin America). A thorough understanding of events, dialogue, and resolution has helped finalize placements.

In addition, the full implications of the conflict between Israel and Hamas and the resulting geopolitical uncertainty remain to be seen, and the situation is being closely monitored by underwriters with regard to market impacts.

With the main political violence treaty renewal season at January 1, there is potential for a continuation of rate hardening and tightening of terms and conditions, although capacity is expected to remain stable.

Several other factors are impacting treaty renewals, including the following:

Ongoing terrorism and political violence events



Note: As of November 3, 2023, the following are countries under sanctions: Afghanistan, Belarus, Cuba, Iran, North Korea, Russia, Syria, Russia-controlled regions in Ukraine, and Venezuela.

Cyber market

The past two years have seen a rapid rate rise and a significant hardening in the cyber insurance market as a reaction to the escalating threat of ransomware and the rapid adoption of technology across all areas of business. The past 12 months have seen rate increases abate significantly into single and low double-digit percentages. Generally, organizations that can demonstrate strong technical cybersecurity and cyber risk controls have seen rate reductions at renewal, in some cases as much as 30%.

The quick transition of the market is due to several factors: new insurer entrants to the class bringing new capacity and increasing competition; insurers perceiving "rate-adequacy" and being more willing to write programs; clients investing in cybersecurity controls; improved cyber hygiene; and organizations' preparedness to discuss and present risk to insurers.

An emerging cyber risk for mining organizations is cybersecurity surrounding the use of autonomous vehicles. While autonomous vehicles can increase efficiency and reduce the risk of hazards, the technology can also increase the potential for an attack on the vehicle's operating system (or a system failure) that can lead to property damage or injury. Traditional cyber programs tend not to include such impacts, so attention needs to be given to coverage wording.

For heavy industries, such as mining, specialist cyber property damage and business interruption (PDBI) coverages should be considered. Industry-focused consortiums offer limits of up to US$250 million for cyber PDBI. In addition to autonomous vehicles, other risk areas for consideration in the sector include the following:

- Cyberattacks on industrial control/supervisory control and data acquisition (SCADA) systems can cause disruption and/or damage to machinery/infrastructure.
- Mining operations have ubiquitous and critical dependencies on electrical and water supplies, which are vulnerable to interference. Loss of energy can rapidly manifest as significant physical harm — the settling of solids in thickeners, tanks, and pipelines or the inability to decant excess water from tailings and water dams. Moreover, miners are highly dependent on standby systems for critical processes, such as furnace cooling or mine ventilation; therefore, a potential cyberattack represents a significant hazard.
- Electronic control systems are a fundamental feature of safety critical systems, ranging from shaft winders to remote control systems and telemetry used to manage and monitor haul truck operations. Moreover, ventilation, refrigeration, and fire detection and suppression systems are typically related to SCADA.
- To date, most ransomware attacks target business systems (IT rather than OT), but there are increasing examples of threat actors targeting systems to achieve a physical manifestation.

Cyber risk management is now firmly a board-level concern in almost every business. To increase a business's resilience to cyber impacts, it is crucial that it takes steps to do the following:

- Identify and quantify cyber risks across the enterprise and its key suppliers.
- Have a coherent strategy to manage, mitigate, and, where appropriate, transfer cyber risk.
- Understand how it will respond to a complex cyber event with a robust plan.

Specie market

In general, the specie insurance market has remained stable with plentiful capacity for precious metals insurance programs.

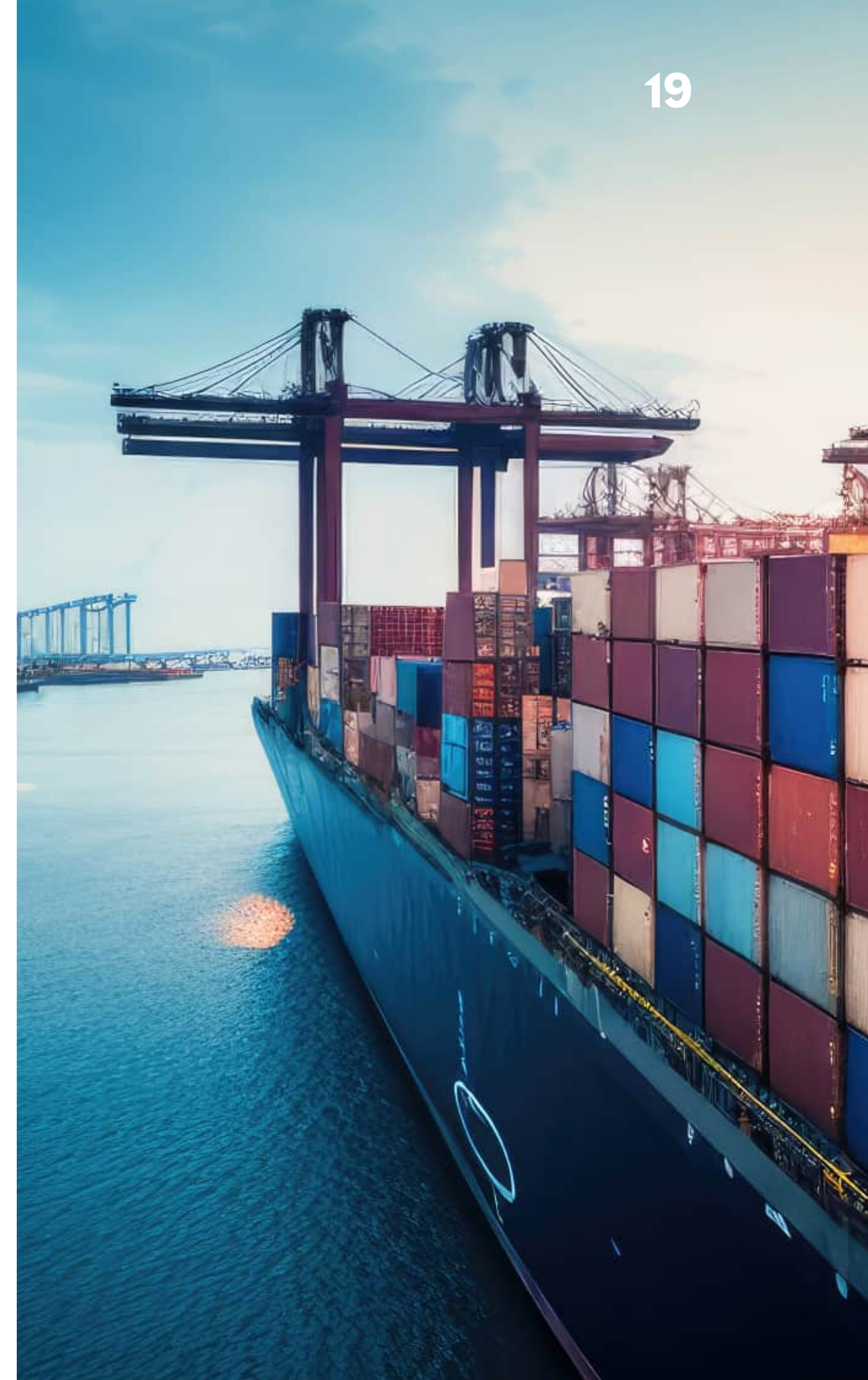
There is no sign that cost increases in the wider economy are feeding through into pricing. Limits in excess of US$3 billion are available in the London market for vault risks at a reasonable level, and there are a large number of options for mining and refining clients looking for primary coverage. Over the past 12 months, we have seen a slight softening in pricing conditions with a 2.5% average rate reduction across our portfolio.

Cargo market

Towards the end of 2022, cargo market rating increases slowed; so far in 2023, the rate changes have generally been flat to 5%. While insurers consider each risk on its own merits, continued inflationary pressures have seen some insurers look to achieve premium rises where possible, although additional capacity availability is keeping these rises in check.

New or returning insurers are entering the cargo insurance marketplace. These trends will help secure additional capacity and drive competition. We expect flat renewals to continue, with the occasional reduction in premium rate for specific risks. Higher commodity prices, larger inventory, and adequacy of policy limits still need to be considered in the values clients declare.

Many previous supply chain issues, such as crewing constraints, port blockages, and ship positioning, are now resolved, and clients have built more resiliency into their operations. Some clients that had previously stockpiled inventory on a “just in case” basis have now changed (or even reverted) to holding it on a “just in time basis”. This shift is partly driven by greater confidence in global supply chains in the last couple of years.



Construction market

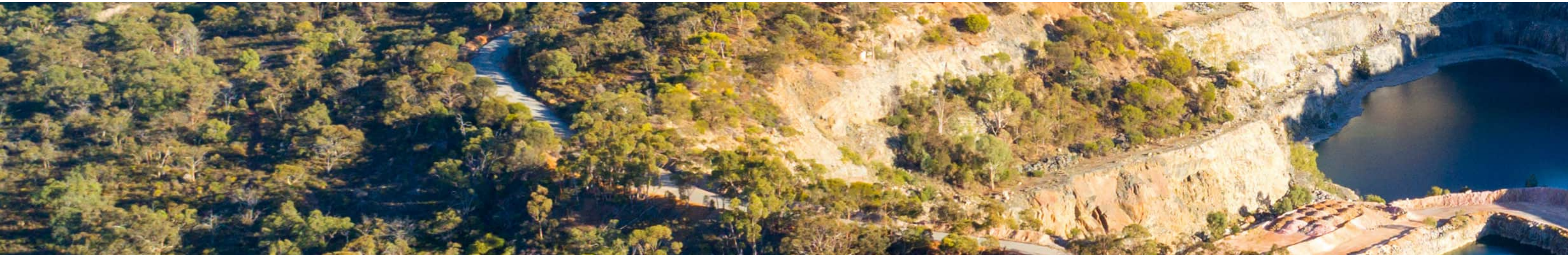
Global construction mining market conditions are not too dissimilar to those of 2022; capacity remains static despite increased pricing. Underwriters maintain strict underwriting controls and discipline and continue to be more careful when assessing projects and deploying capacity.

The growing interest in ESG factors reflects the view that related risks and opportunities may affect the market and should be considered. Linked to this is reputational risk, and depending on the type of project and location, insurers may request more detailed information to satisfy internal corporate governance requirements.

Another area of continued focus is Nat Cat. The devastation that Hurricane Ian brought to the US (one of the costliest weather–related disasters on record) has put the topic at the top of many insurers' agendas. The expectation of increased costs being imposed by reinsurance treaties became more apparent further into the year, with insurers recognizing risk location, client risk appetite, and, where applicable, lender's requirements and loss history when assessing terms and capacity deployed.

Inflation remains at the forefront of many insurers' minds, affecting new projects and those under construction. Midterm adjustments are being scrutinized, particularly where there is an increase in the sums insured, as significant increases are putting pressure on insurers to maintain line sizes without imposing restrictions.

Despite these factors, the sector remains attractive to insurers.

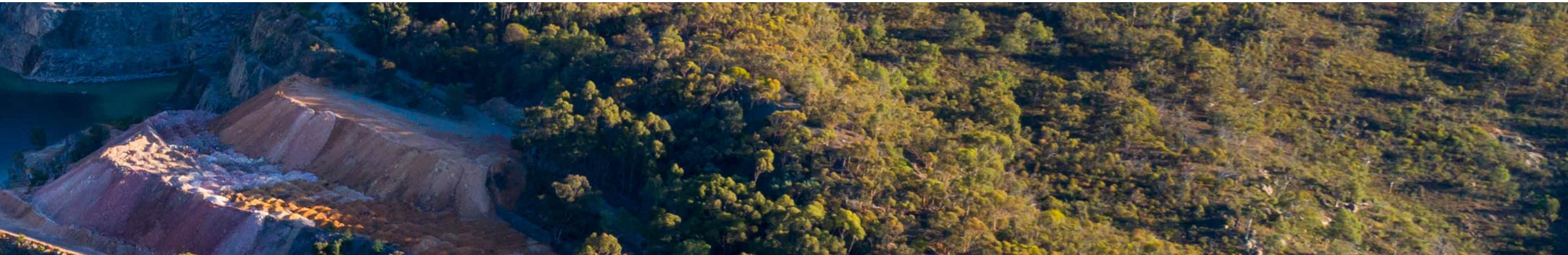


Reclamation bond market

For surety, underwriting appetite and capacity remain strong for the global mining industry despite evolving ESG metrics.

Coal is one exception to this, as ESG ratings have severely restricted surety capacity worldwide. Reclamation and rehabilitation of a mine site has historically proven to be a safe risk for mining companies as there has been limited loss activity among well-established companies. Pricing is a function of a company's credit quality and the quality of the asset requiring the bond; we do not expect pricing increases in the near term. There is ample capacity for larger, well-established, and financially sound companies with excellent operational records, a strong safety and compliance record, and solid relationships with federal and state authorities.

Surety costs have increased from inflationary pressures on bond amounts for closure bonds for the mining of most natural resources. In the coal sector, pricing has stabilized despite the number of underwriters willing to support coal continuing to decrease.



Political risk market

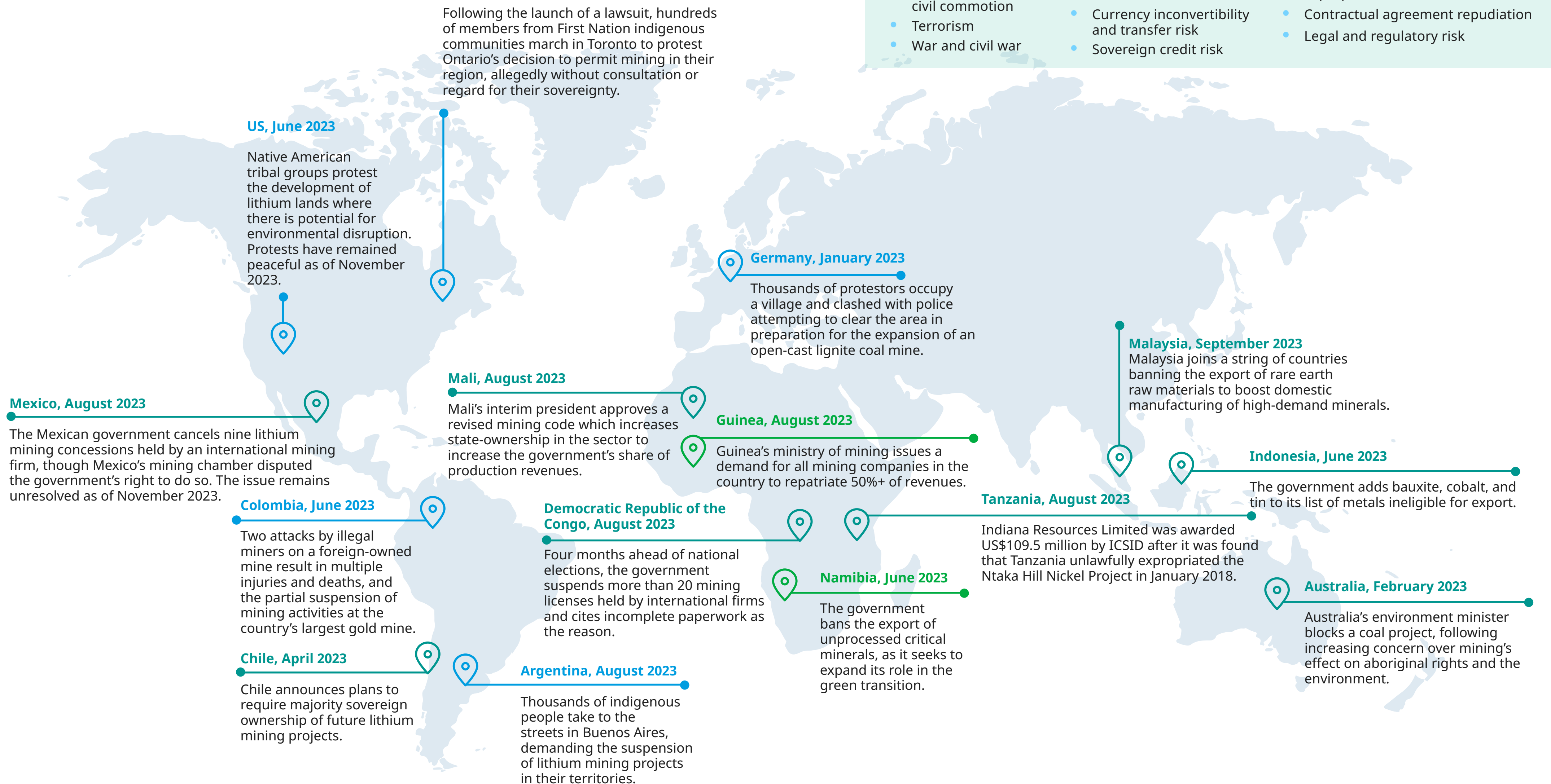
The mining industry, particularly in emerging markets, is susceptible to political risk exposures due to the sector's importance to host economies. Mining projects often represent a significantly large percentage of a host country's GDP, as well as a source of employment, and so can trigger government policy changes that may negatively affect foreign direct investment (FDI) through expropriations, license cancellations, and contract repudiations.

Rising debt burdens and the sustained strong demand for metals and minerals to support the world's growing energy needs, in traditional sources and renewables, has prompted many emerging market governments to renegotiate their share of mine profits or operating licenses.

Political risk exposures affecting the mining sector are now global and not restricted to one region, highlighting the importance for companies to understand, assess, and manage risks.

As both the frequency and severity of political risk events increase, political risk insurance (PRI) can help clients. We are seeing insurers take a positive but pragmatic approach to new opportunities, and even with existing portfolios, there is a preference to structure the PRI policy and focus on insuring three or four core countries rather than the traditional multi-country portfolio approach previously favored by insurers.

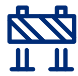
Mining risk events



Source: Publicly available information

Summary: Client considerations

A comprehensive insurance strategy for a mining company considers the following aspects:



Business interruption: A commodity price cap or a BI volatility clause may be implemented by insurers to manage exposure to commodity price fluctuations. To resist such clauses, policyholders can prepare to share their BI calculations, including underlying commodity price assumptions. This will help your broker and insurer to advocate for the avoidance of BI limitations and assist with setting policy limits.

Full assessment of risk: Completed quality and detailed underwriting submissions are necessary to conduct a full assessment of risk. This can help you, with an aim to achieve more favorable terms and capacity.

Engineering reports: Insurers typically require engineering reports under two years old, tailings dam reviews, and commentary/demonstration of progress to risk recommendations. Conveyors (inspection, maintenance, housekeeping) and critical equipment and sparing (mill gears, large motors, etc.) are receiving additional attention.

Valuations: Proactively addressing values and providing details on how they were calculated can promote a smoother underwriting process. Clients that haven't addressed values year-over-year for several years might face insurers' introduction of coinsurance clauses and/or margin clauses. Without current appraisal information, providing construction costs and information on how values are calculated can still be helpful.

Updating your insurance program and claims processes: You should review your property, natural catastrophe, business interruption, environmental, and related coverages to assess insurance protection.

Solutions

MineSight

Marsh's mining benchmarking tool, MineSight, utilizes innovative placement data and pricing analytics tools. It's designed to help companies better understand their risks and make informed insurance buying decisions in a sophisticated way.

We place risks for almost every base and precious metal or mineral for more than 120 mining clients from around the world, ranging from single-site operations to some of the world's leading multinational corporations. This gives us valuable insight into the coverage and pricing available to the global mining industry from the international insurance market. MineSight captures more than 100 data points, including historical and current market trends, premiums, retentions, exposure, and limits, making this a valuable benchmarking tool.

MineSight allows us to provide specific, in-depth benchmarking reports, giving you the data needed to help with deciding which insurance coverage option is the best fit for your business. To find out more, visit marsh.com or contact your usual Marsh broker.

Captives

Mining, metals, and minerals represent 1% of Marsh-managed captives, totaling US$691 million in premium and US$2 billion in surplus. The top domiciles are Bermuda, Singapore, Nevada, Barbados, and Dublin. Top coverages include all risk, medical stop loss, third-party liability, marine/cargo, and supply chain. Emerging opportunities exist for climate change-related risks, such as lack of access to water for mining operations, weather events, and natural catastrophes.

To learn more about captive insurance, visit www.marshcaptivesolutions.com or contact your local Marsh representative.

Industry–specific facilities

We are continually identifying new ways to deliver capacity and are committed to providing innovative and sustainable placement solutions to Marsh mining clients worldwide. We offer specially negotiated facilities that aim to promote an efficient quotation and placement process for your risks.

Fast Track

Marsh clients have exclusive access to Fast Track, an innovative insurance solution that offers up to 10% pre-arranged capacity from Lloyd's of London insurers, across all in scope lines of insurance, for placements in all regions of the world.

Terrorism and political violence facility

The impact of terrorism and political violence events can cause your business to have difficulties buying sufficient limits at economic prices in exposed territories. Our terrorism and political violence facility enables speedier quotation, risk transfer solutions, and reduced premiums. The facility offers up to US$750 million per insured using superior A+ rated security.

Property quota share facility

Property risks span a wide spectrum, from building damage caused by a fire or flood to natural catastrophes and disruptions in the supply chain. Our property facility is designed to help minimize exposures and recover quickly. It offers up to US$60 million per insured using superior A+ rated security.

Special risks (kidnap & ransom) facility

Security risks are rapidly evolving, and crisis incidents can happen anywhere and anytime. Our special risks (kidnap and ransom) facility provides access to experienced response consultants, broad coverage, and swift quote/bind documentation. The facility offers up to US$50 million per insured using superior A+ rated security.

Detailed information on the above facilities is available from your usual Bowring Marsh contact or from fleur.giraud@marsh.com.

*Marsh offers a range of proprietary insurance solutions, each of which is designed to address the profile-specific risks of our clients. We receive compensation for creating, administering, and/or providing services to insurers for these solutions. The compensation is not specific to individual policies and is in addition to any other fee or commission Marsh earns. Use of a solution is subject to the sole discretion of Marsh's client.

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