MarshMcLennan Agency

Q1 2025 U.S. Business Insurance Market Observations

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Table of contents

Overview

In Q1 2025, casualty rates continued to exceed property rates, a reversal in the trend since Q1 2024. Automobile physical damage, while already trending toward double-digit rate increases for some time, is now under mounting pressure by the introduction of U.S.-imposed tariffs that will likely impact organizations with small and large fleets alike.

The insights from our sister company, Oliver Wyman's, recent articles for manufacturers, retailers and financial services firms underscore the critical need for U.S. business leaders to navigate the complexities of evolving trade policies and tariffs. Companies must adopt robust risk assessment and mitigation strategies to address the significant impacts of tariffs on supply chains and manufacturing operations. Agility and innovation in product sourcing and pricing are essential for retailers to maintain competitiveness in this challenging environment. The potential regulatory changes and trade policies associated with a second Trump administration will continue to shape the financial services landscape, highlighting the necessity for proactive strategies. Together, these insights emphasize the importance of strategic planning and adaptability for success in a dynamic economic landscape.

Oliver Wyman's Daniel Tannebaum assesses the geopolitical and economic implications of the new U.S. tariff policy in an interview with CBS News. U.S. automobile demand could contract by up to 10% after tariffs kick in. Analyst Fabian Brandt with Oliver Wyman discusses the impacts of U.S. tariffs on the automotive industry on CNBC.

Tariffs are likely to be "inflationary to the overall cost of risk," according to Marsh McLennan President and CEO John Doyle. Even if many of the tariffs are pulled back or lessened, the damage may be done in the eyes of insurers who bear the brunt if they make poor underwriting decisions when pricing insurance coverage, especially for property risks and automobile physical damage. Follow real-time analysis from Marsh McLennan.

The trade credit insurance imperative

Federal Reserve Chairman Jerome Powell recently discussed concerns related to tariff impacts that could lead to slower growth, higher unemployment, and faster inflation. The increased costs associated with tariffs drive a need for larger lines of credit and are increasing demand for trade credit insurance. This increased demand is depleting insurer capacity, but there are some additional market entrants that may provide relief. Sectors with supply chain disruption and elevated financial risks, such as food and beverage, automotive, and energy, should proactively look to secure trade credit insurance without delay before capacity becomes tougher to secure.

In today's complex business landscape, navigating tariff risks and adapting to evolving trade policies is essential for success. Business owners must develop a comprehensive understanding of how these changes can impact their operations and supply chains. Strategic planning and effective risk management are crucial in mitigating potential disruptions. Additionally, leaders need to carefully consider the trade-offs involved in tariff-related decisions, balancing cost, compliance, and competitive advantage to thrive in a dynamic global marketplace. Using the current 90-day tariff pause as a time to plan and build resilience is an important step for businesses. During this stage, you may consider following four additional steps to help you navigate the complexities of tariffs and their associated trade-offs. For more information, read Marsh's latest blog "Trade and trade-offs: Exploring possibilities for businesses".

Marsh McLennan Agency (MMA) remains steadfast in our commitment to support our clients through the ever-evolving challenges ahead. Learn how we can help you turn today's risk into tomorrow's advantage with our recent report 2025 Business Insurance Trends.

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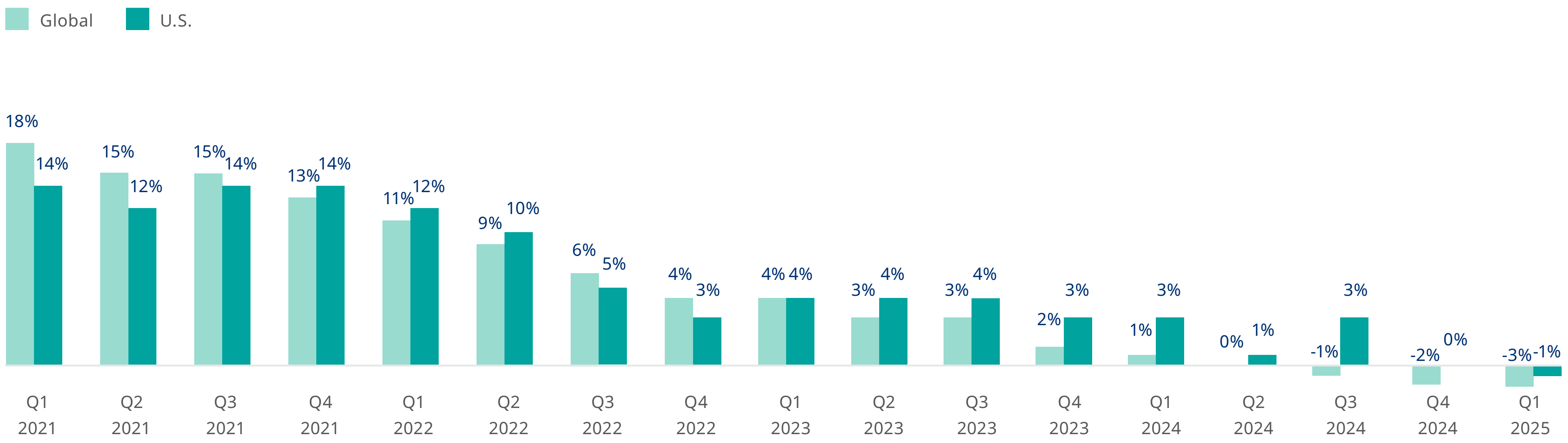
Q1 2025 U.S. business insurance market observations

Despite an increased risk environment, the global composite rate tracked in the Marsh Global Insurance Market Index **decreased by 3%** in Q1 2025, an acceleration from the 2% decline in Q4 2024. The U.S. composite commercial insurance prices also **decreased by 1%**.

U.S. composite insurance pricing change



Source: Marsh Specialty and Global Placement

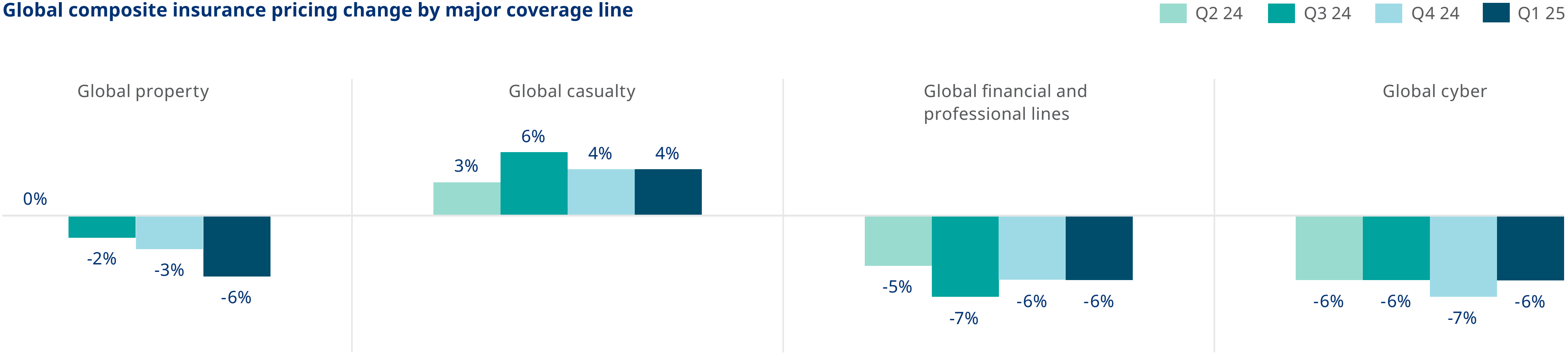
Property rates **declined by 6%** globally year-over-year, with the softening accelerating from a 3% decline in the previous quarter.

Casualty rates **increased by 4%** globally, remaining steady compared to the previous quarter. In the U.S., rates increased further by 8%, largely driven by excess and umbrella rates.

Financial and professional lines rates **decreased by 6%** globally, declining in every region for the eleventh straight quarter.

Cyber insurance rates **dropped by 6%**, with decreases seen in every region, as in the previous three quarters.

Global composite insurance pricing change by major coverage line



Source: Marsh Specialty and Global Placement; these rates reflect the segment mix of Marsh's client portfolio.

01

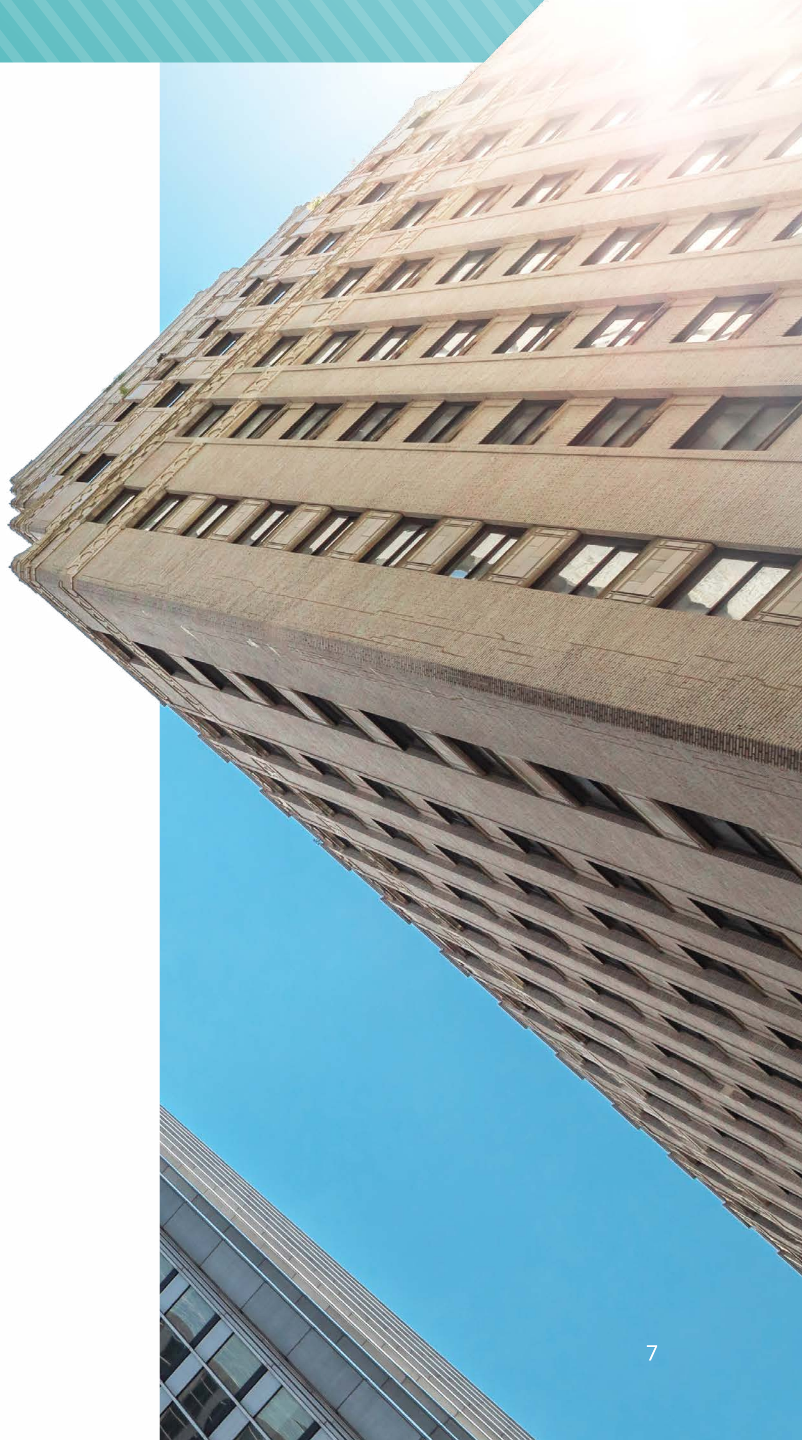
Property coverages

Property

Property rates continued to stabilize through Q1 2025; however, the property market remains sensitive to loss events and tariff volatility, which could raise rebuilding costs and disrupt supply chains.

MMA and Marsh advisory, along with Sentrisk™ Supply Chain Risk Mapping, including a new tariff simulator, can help you mitigate the impact of tariffs through:

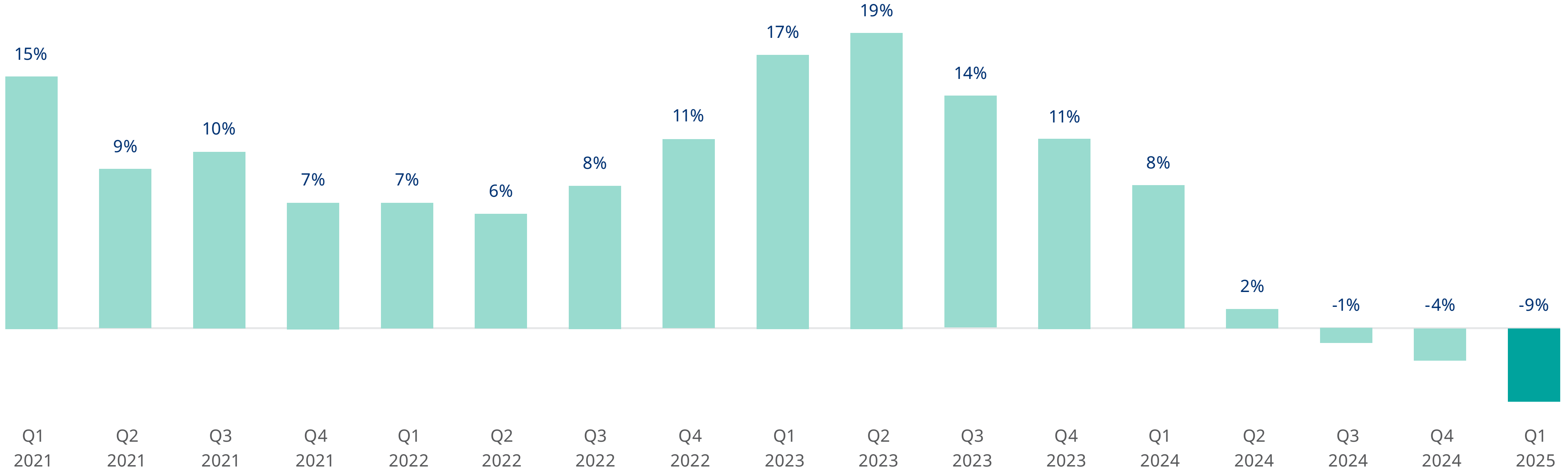
- Supplier sourcing strategies and risk management frameworks
- Business continuity and disruption planning
- Scenario planning and stress testing
- Supplier due diligence
- Product resilience design and supply chain rewiring



Rate trends

According to the Marsh Q1 2025 U.S. Property Insurance Index, rates **dropped by an average of 9%**.

U.S. composite insurance pricing change – property



Source: Marsh Specialty and Global Placement

Conditions and observations

- The property market continues to improve, although there is still a level of bifurcation.
- Single-carrier placements are still in positive rate territory, but this trend is declining as we approach the midpoint of the year.
- A degree of competition is entering this space due to renewed interest from existing insurers, but they tend to focus on softer occupancy classes.
- More aggressive outcomes can still be achieved with complex shared and layered property placements, especially when there is a high catastrophe-exposed risk profile.
- Along with the reduction in rates available in many cases, coverage terms and conditions are also improving. Even insureds in high-risk areas, including the Gulf and Atlantic coasts and California, are seeing rate decreases due to increased capacity from new capital entering the market and ongoing growth efforts from many existing insurers.
- Underwriting discipline will be a topic of discussion as we progress through Q2, with many insurers considering concessions on sub-limits, coverage definitions, and natural catastrophe deductibles to secure both new and renewal business.
- Many incumbent insurers are offering early renewal terms to retain business.
- Some insurers are now considering multi-year offerings.
- Insureds with high loss activity and poor submission quality continue to face more challenging renewals, although economies of scale are at play with more capacity available for buyers with larger premium spends.
- We continue to see non-renewals in the human services sector due to the nature of the properties, which are typically older, frame, and non-sprinklered buildings.
- Wind and hail deductibles in the Midwest have stabilized between 2% and 5%, and insureds can still obtain flat deductibles in some cases. Roof age and condition, along with overall building age, construction type, and value, are key factors in underwriting pricing.
- Some insurers are pushing harder for compliance with their critical loss control recommendations.
- The builders' risk market is showing signs of stability; however, underwriters continue to exercise strict discipline regarding project schedules, budgets, and overall risk analysis.

The reinsurance view by Guy Carpenter

Ample reinsurance property capacity

- April 1 continued to show a strong appetite from reinsurers for property catastrophe placements, with most programs oversubscribed.
- For loss-free programs, rate decreases were consistent with 1/1 programs, down 8% to 12%, despite the impact of California wildfires on the industry.
- Loss-impacted programs saw increases in the 10% to 20% range, along with greater scrutiny of wildfire contract language.
- Retentions generally remained stable from a dollar standpoint.

Billion-dollar weather and climate disasters

Wildfire out of bounds

The tumultuous wildfire events that took place in Southern California in January 2025 caused insured losses upwards of $50 billion (with significantly higher estimates of $250 billion to $275 billion in total insured, uninsured, and economic losses). While these wildfires are not expected to imminently affect property insurance capacity outside of California, the increasing risk of wildfires in areas typically not susceptible is a cause for concern. For example, leftover debris in North Carolina from Hurricane Helene last September fueled 63 wildfires, consuming more than 11,000 acres, and a fast-moving wildfire forced thousands of people to evacuate in New Jersey in April.

In a recent update from Artemis, the Los Angeles-area wildfires could influence property catastrophe pricing heading into the midyear reinsurance renewals, according to Goldman Sachs. This could impact lenders that often require proof of insurance to approve a mortgage. If insurance is not affordable or unavailable in certain areas, it could make buying or selling property in wildfire-prone areas more problematic.

We must find ways to cope. Risk mitigation, as in this example, can quickly pinpoint fire ignition points using AI-guided drones to potentially extinguish wildfires within minutes. Traditional firefighting methods risk human lives and demand solutions that can stop blazes before they become catastrophic disasters. Technology and tools like this may hold answers to otherwise impossible circumstances.

Typically, wet places are getting wetter, and dry areas are getting drier as the world warms. Fires in Q1 2025 in the West transitioned to storms and flooding in the East in early Q2 2025. When the rain does come to the West, the precipitation that falls has tended to be more extreme.

No way to plow through winter weather in the Gulf

AccuWeather estimated that the January winter storm along the Gulf Coast resulted in $14 billion to $17 billion in total damages and economic losses. Ten inches of snow fell in New Orleans, Louisiana, shattering the previous official record of 2.7 inches set in December 1963. Seven and a half inches fell in Mobile, Alabama, where such accumulations have not been seen in more than 60 years, according to the National Weather Service. Even the Jacksonville, Florida, airport recorded its first measurable snow since 1989, resulting in a top-five snowfall event for the area captured in the National Weather Service archives dating back to 1871. “The worst winter storm to hit the Gulf Coast in decades," said AccuWeather Chief Meteorologist Jonathan Porter. None of these southern cities are equipped to handle this type of event, as they lack plows and deicing equipment.

More energized storms and increased flooding

From April 2 to April 6, a rare weather system dumped 8 to 16 inches of rainfall across Arkansas, Missouri, Mississippi, Tennessee, Kentucky, Illinois, and Indiana. Some communities reported localized amounts of up to 20 inches of rainfall, leading to extreme flash flooding. Severe floods can be an indirect effect of warming air and increased moisture, said Jerald Brotzge, the state climatologist for Kentucky and director of the Kentucky Climate Center. When conditions cause a storm system to stall, it can drop large amounts of rain over the same area, increasing the risk of flooding.

Mark Jarvis, a meteorologist with the National Weather Service office in Louisville, Kentucky, described this early April storm as two-pronged. It brought tornadoes, high winds, and hail at the front end before stalling and dropping historic amounts of rainfall. Western Kentucky, which saw some of the storm’s most severe effects, was “in the bullseye of it,” he said. In a preliminary estimate from AccuWeather, these storms caused approximately $80 billion to $90 billion in total damage and economic loss, and this catastrophic event is on pace to become the third multi-billion-dollar weather disaster in 2025.

In Torrent’s 2025 State of Flood Report, we are reminded of two noteworthy concerns. One is that everyone has a stake in closing the flood insurance gap and that there is a close relationship between flood risks and extensive wildfire events. Additionally, the report noted that in 2024, the NFIP paid more than 56,000 flood claims totaling more than $1.4 billion. Much of this amount came from Hurricane Helene, which generated flood claims in six states. For comparison, in 2023, the NFIP paid nearly 16,400 flood claims totaling $968 million.

Tropical threats far from the coast

AccuWeather is forecasting three to six direct storm impacts on the U.S. during the 2025 Atlantic hurricane season.

	Named storms	Hurricanes	Major hurricanes	Direct U.S. impacts
Forecast 2025	13-18	7-10	3-5	3-6
Previous 2024	18	11	5	6
30-Year Historical Average 1990-2020	14	7	3	4

Source: AccuWeather

AccuWeather's hurricane experts highlight historical data revealing that when hurricanes and tropical storms move inland, they unleash catastrophic flooding and generate tornadoes. This phenomenon has been observed from New England and the Great Lakes all the way to the Plains, and at times, even drenching areas in the Southwest. The key takeaway is that hurricane season preparedness is not just for coastal states.

The financial burden of weather and climate disasters

The world's largest companies could face annual climate-related costs of $1.2 trillion by the 2050s, with extreme heat, water stress, and drought driving the majority of these costs, according to an analysis by S&P Global, as reported by Risk & Insurance. And they noted, "While dramatic events like wildfires capture public attention with their visceral imagery and immediate destruction, the report reveals that extreme heat, water stress, and drought will actually drive the majority of future climate-related costs for businesses."

The mounting trillion-dollar weather and climate-related costs facing organizations underscore the urgent need to translate climate risk awareness into concrete financial planning and adaptation strategies. MMA can help businesses assess risks; we are your ally in navigating increasingly complex operating environments. In the Marsh McLennan 2024 Business Responsibility Report: Perspective to Thrive, learn how to shape a more resilient future.

Cargo/inland marine

The cargo stock throughput (STP) market remains stable, with new capacity continuing to enter the market.

Rate trends

- Rates continue to trend **flat to -5%** for renewals, with losses driving higher increases.
- Rate decreases of **5% to 10%** can be achieved for new submissions.

Conditions and observations

- Severe losses from general average, natural catastrophe, and other perils are keeping underwriting leadership actively engaged in validating rate adequacy and the capacity offered.
- January 1, 2025, reinsurance treaty renewals were relatively stable, which bodes well for continued stability and competition as we move through the year.
- Underwriters want to better understand and rate for inflation and question how insureds factor inflation into the values provided for transit and inventory renewal exposures.
- STP conversions are still almost always favorable to the insured when looking at the property and STP programs on a combined basis.
- Multi-year STP offerings are now available to best-in-class insureds.
- The Black Sea, Russia, Ukraine, Belarus, Crimea, and Israel, and the Gaza Strip and Red Sea regions continue to be subject to territorial exclusion and/or coverage upon application.
- The Five Powers Clause has been incorporated into treaty renewals and applied to all cargo and STP programs.
- The outcome of the $4 billion Francis Scott Key Bridge collapse in 2024 is still to be determined. The Baltimore Sun reported in March that the incident has resulted in more than 50 lawsuits, including cases filed by the families of the six workers who lost their lives, parties shipping property, and companies claiming damages from the disaster's impact on the region's economy. It could be years before any of these lawsuits are resolved.

02

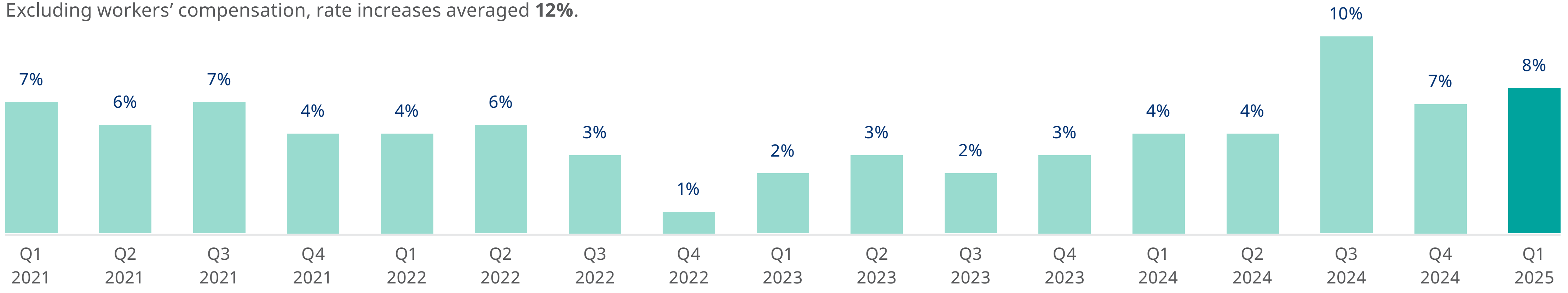
Casualty coverages

At Zywave's recent Casualty Insights Conference in New York, the casualty market was characterized as full of potential and keeping underwriters on their toes. Conference participants agreed that it's hectic, often stressful, and paradoxical.

Insurers are proposing alternative program structures for automobile and general liability coverage lines, including higher retentions that mid-size organizations have trouble adopting. The adverse U.S. litigation environment continues to greatly impact the rate environment for primary, and particularly umbrella and excess liability, coverages. Insurers are capping individual risk limit capacity at a maximum of $10 million as competition with primary carriers continues to wane. The competitive nature of workers' compensation coverage continues to assist in offsetting some of the rising costs for the other casualty lines of coverage.

U.S. composite insurance pricing change – casualty

According to the Marsh Q1 2025 U.S. Casualty Insurance Index, pricing increases averaged **8%**.
Excluding workers' compensation, rate increases averaged **12%**.



Source: Marsh Specialty and Global Placement

Automobile/fleet

Rate trends

Average rate **increases were 9%**, with higher double-digit increases for businesses with heavy trucks and adverse claims experience.

Conditions and observations

- Increased claims frequency and severity continue to keep commercial automobile insurance trapped in a hard market.
- Recently reported in the Wall Street Journal, insurers are warning that tariffs could cause their costs to shoot up, especially those connected with auto insurance.
  - Climate-related hikes in insurance costs have become a high-profile issue across the country. However, in recent years, insurers have also contended with higher costs resulting from inflation, particularly after the COVID-19 pandemic stressed supply chains.
  - Between 55% and 65% of U.S. car parts are sourced from Mexico, Canada, or China, according to Michael Zaremski, an analyst at the investment banking firm BMO Capital Markets.
- American Property Casualty Insurance Association CEO David Sampson said that personal automobile claims costs alone could increase by $30 billion to $60 billion over the next 12 months as a result of the tariffs.
- An escalation in claims severity will also have pricing impacts for primary and reinsurance layers, as the industry ultimately tries to pass the costs back to the consumer.
- Monoline automobile markets remain nearly non-existent.
- Hired and non-owned automobile coverage is challenging to secure.

General liability

Rate trends

Rates are averaging **increases of 3%** or higher for risks with losses and product liability exposures. Flat renewal pricing can be achieved in some instances.

Conditions and observations

- There has been an increase in coverage restrictions for general liability, including per- and polyfluoroalkyl substances (PFAS) exclusions, biometric restrictions, and cyber exclusions. Specific exclusions may vary by industry class, particularly for risks related to sexual abuse, human trafficking, and assault.
- Especially challenged segments include real estate (with an emphasis on habitational risks), hospitality, education, and public entities.
- Industries such as real estate and not-for-profit/social services are experiencing coverage reductions for assault and battery, abuse and molestation, firearms, and animal-related risks.

Umbrella/excess

Rate trends

- In the umbrella and excess liability market tracked by the Marsh U.S. Insurance Market Index, average risk-adjusted rates increased by **16%**.
- Rates for lead umbrella programs with favorable loss experience are trending upward by **12% to 15%**. Accounts with adverse loss development are seeing program changes, as well as rate increases exceeding **30%**.

Conditions and observations

- Limit deployment remains low due to claims costs fueled by third-party litigation funding and nuclear verdicts for primary and umbrella/excess coverage. Insurers are shifting away from concentrating capacity on single towers due to the increased frequency of severe claims. Most insurers prefer supported umbrella options, which limits the availability of stand-alone umbrellas.
- The increase in the frequency of severity claims has motivated markets to inflate the minimum price per million and the required layer attachment.
- Incumbent insurers are completely re-underwriting risks before offering renewal quotes and coverage terms.

Workers' compensation

Rate trends

Average rates **decreased by 3%**.

Conditions and observations

- Increased payroll and adequate workers' compensation insurance pricing have continued to keep pace with offsetting losses.
- Workers' compensation is frequently leveraged to temper general and automobile liability rate increases.
- Market competition from regional and specialized insurers is strong, with new programs offering additional capacity.
- Modest concerns are growing about increasing insurer reserves and rising medical costs, which may lead to potential rate increases in the future.

The reinsurance view by Guy Carpenter

Casualty market conditions remained largely stable.

- U.S. casualty reinsurance market conditions in April remained largely stable, with demand being met by adequate capacity when price and structural conditions were satisfied.
- To provide more detail, U.S. and U.S.-exposed general liability and excess/umbrella placements experienced continued reinsurance pricing pressure for excess-of-loss programs due to the impact of increased loss severity. For quota share, however, outcomes were tied to the amount of adverse development and the rate increases achieved. As a result, quota shares largely renewed flat, as cedents continue to increase rates, control limits, and showcase disciplined underwriting in the underlying market.
- More broadly, reinsurers continue to focus on areas such as social inflation, the increase in third-party litigation financing, geopolitical shifts, and the interest rate environment.

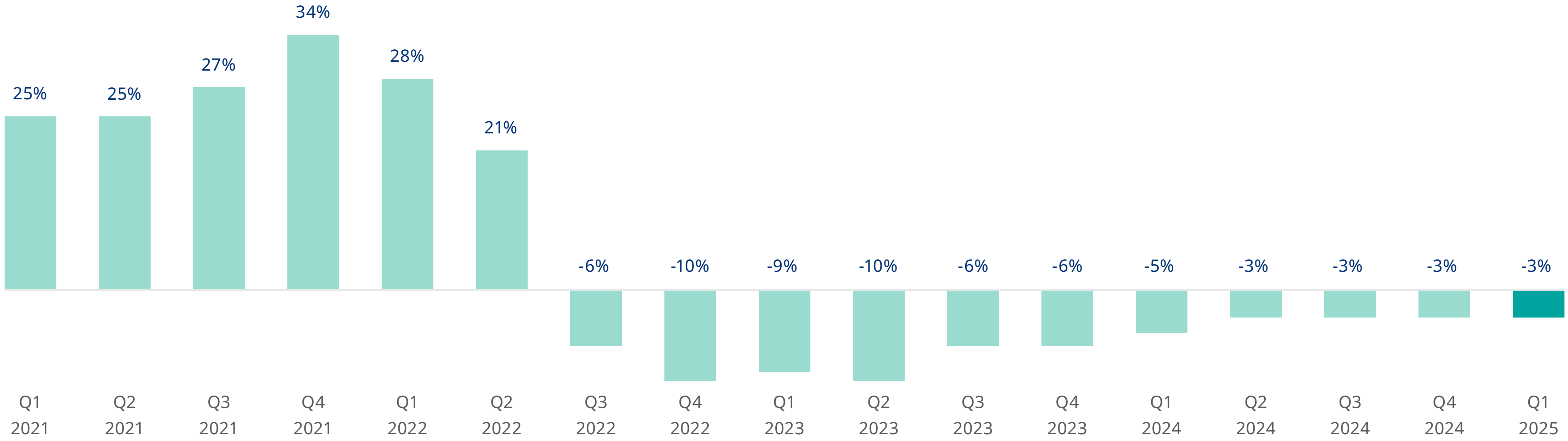
03

Management and executive liability coverages

According to the Marsh Q1 2025 U.S. Management and Executive Liability Insurance Index, average pricing **decreases remained at 3%** (excluding cyber) for the fourth consecutive quarter.

The market cycle for public D&O has been running on a July-June cadence for several years now. The second half of 2025 will be more telling than the first regarding where the market is actually heading. Litigation funding is adding pressure to private D&O coverage, while other management and professional liability lines are experiencing only modest rate movement. Underwriters are paying close attention to employment practices liability if economic headwinds persist.

U.S. composite insurance pricing change – management and executive liability



Source: Marsh Specialty and Global Placement

Public directors' and officers' (D&O) liability

Rate trends

Directors' and officers' (D&O) liability rates continued to remain in negative territory, averaging **-1% to -5%**. Excess rate decreases are generally in line with primary pricing. However, rate decrease fatigue continues to grow in the marketplace among insurers, and some are starting to walk away if marketing pushes prices too low for their appetite.

Conditions and observations

- We are seeing early indicators like those that precipitated the last firm market, including contraction in capacity and an increased frequency of core securities class actions, which is concerning for public D&O underwriters. Early momentum in transactional activity equates to higher premium levels, which may offset interest in existing and lower-priced public D&O accounts and could result in price firming.
- According to Dealogic, U.S. IPO transaction values are up 47% YTD (from a disappointing 2024). Merger and acquisition transaction dollar volume is up 16%, driven by five mega deals, while the number of transactions has fallen to a two-decade low. Certainly, the recent changing and uncertain tariff environment will cool growth on both fronts, at least temporarily.
- In Q1 2025, U.S. public company bankruptcy filings totaled 188, a significant rise compared to the same period in 2024. For 2025, year-to-date filings are up 24% over the same 2024 period. Upon emergence, these necessitate the need for run-off and typically go-forward coverage. Bankruptcies raise the likelihood of D&O claims.
- Insurers are eager to fill the recent capacity gaps left by isolated exiting markets, although these new entrants are selective about their capacity deployment.
- Periodically, insurers are opposing the drop in pricing seen over the past couple of years, leading to a renewed push for increases on mid- to higher-excess layers. For clients with a blip in their risk profile (e.g., stock drop, claims activity), we are seeing a push for modest single-digit increases even if the primary and/or low excess layers experienced flat renewal pricing or less of an increase.
- Entity investigation coverage generally remains available and often for no additional premium.
- Some insurers, including longstanding markets, are pushing back against the broader coverage emerging in the public D&O market by refusing to provide excess capacity over the expanded primary coverage.
- Following the opioid crisis, a product liability exclusion is periodically making its way into D&O policies. Such an exclusion should always be minimized with a securities claim carveback and, if available, a non-indemnifiable loss carveback.
- Startups are experiencing a certain amount of skepticism from D&O underwriters, although we are still able to obtain terms in this competitive marketplace.
- Insureds saw an 8% increase in core 10b-5 securities class actions in 2024, along with an increase in shareholder books and records requests, which can complicate renewals.
- The Securities and Exchange Commission (SEC) filed 583 total enforcement actions in 2024, while obtaining orders for $8.2 billion in financial remedies, the highest amount in history. Under the new SEC commissioner, Paul Atkins, and the current administration, SEC enforcement activity is projected to decline.

Private directors’ and officers’ (D&O) liability

Rate trends

Rates remain stable, with pricing generally in the **flat to -5%** range. As with public D&O, rate decrease fatigue continues to grow in the marketplace among insurers, and some are starting to walk away if marketing pushes prices too low for their appetite.

Conditions and observations

- More insureds have been purchasing higher limits overall, thanks to the price savings they have gained over the past two years.
- Non-incumbent underwriters are typically offering more aggressive pricing on marketed accounts, while incumbents are generally providing flat to slightly down renewal pricing. Underwriters are generally aggressive in pursuing new business opportunities.
- Not-for-profit entities are facing additional scrutiny regarding their funding sources.
- Similar to the public D&O commentary, private company bankruptcies are also on the rise, presenting an increased risk of D&O claims and inherently greater cost for D&O run-off coverage.
  - Economic volatility and rising interest rates are prompting underwriters to scrutinize financial statements more closely, particularly for highly leveraged companies.
  - Companies unable to access capital through IPOs or private capital markets are particularly vulnerable to insolvency.
- Start-ups are facing carrier skepticism, although they are still able to obtain coverage in this competitive marketplace.
- Entity investigation coverage is often available with a $1 million sublimit at no additional premium.
- Defense costs of $1 million outside the limit continue to frequently be available for small and medium-sized clients.
- We are starting to see more capacity, with insurers willing to offer $10 million limits on desirable risks.

Entrepreneurial plaintiffs’ attorneys are finding new avenues to address alleged harm. This trend in litigation funding is adding pressure to D&O coverage. Separately, private companies face bankruptcy risk and should protect their directors and officers with excess Side A-DIC coverage. Excess Side A-DIC pricing remains favorable, and the need for strong personal asset protection continues to grow.

Employment practices liability (EPL)

Rate trends

- Insurers continue to offer **flat to low single-digit rate decreases** for accounts with favorable loss history and no meaningful exposure changes. However, upward pressure on self-insured retentions and/or multiple retention structures is becoming more common.
- While California EPL rates have cooled somewhat, with many loss-free risks renewing flat, it remains a challenging jurisdiction for underwriters due to its litigious climate. Northern California retentions are showing slight softening.

Conditions and observations

- U.S. economic uncertainty, a higher interest rate environment, tariff uncertainty, and decreasing consumer confidence all contribute to an increased risk of layoffs. Subsequent increased claim activity should continue to support insurers' attempted rate initiatives.
- Underwriting concerns generally revolve around layoffs, high average salaries, and high turnover rates, among other factors. Industries of particular concern include healthcare, financial institutions, technology, and start-ups. States with adverse judicial environments or with employee-favorable laws include California, New York, and Illinois, to name a few.
- Not-for-profit organizations are expected to face pressures from reductions in government funding, leading to an increase in layoffs.
- EPL retention adequacy continues to be a focus for insurers, particularly in healthcare (physician-driven) and financial institutions (high-salary environment).
- Companies are scaling back their ESG and DE&I programs, creating an environment that may lead to potential employee dissatisfaction. This environment could increase claims for discrimination, retaliation, and wrongful termination.
- Overall, EPL coverage remains widely available, and most insurers are not pulling back on capacity.
- Opportunities for mass class retention reductions are often available.
- We are starting to see more capacity, with insurers willing to offer $10 million limits on desirable risks.
- It remains a challenge to get any third-party EPL coverage for lending institutions.
- Insurers continue to impose exclusions in response to the Illinois Biometric Information Privacy Act (BIPA).
- While EPL rates have moderated, wage and hour coverage remains especially challenging in California, Massachusetts, New York, and other jurisdictions. Capacity constraints for wage and hour defense costs are beginning to emerge.
- Higher retentions for class actions, high-wage earners and high-risk states such as California and New York are not uncommon.
- Insureds with overseas exposures should continue to anticipate heightened underwriting scrutiny.

Insureds are becoming more enthusiastic about using EPL loss control measures recommended by insurers to improve their risk profile.

Crime

Rate trends

While insurers are pushing for price increases, there has been **minimal rate movement** for insureds with unchanged exposures year over year and a favorable loss history. However, more challenging business segments that involve large volumes or transfers of money, revenues over $1 billion, and companies with significant overseas exposures continue to experience small to moderate increases. Technology, private equity, and other difficult classes of business may also face rate increases.

Conditions and observations

- Underwriting concerns are growing regarding social engineering losses, which are both pervasive in frequency and severity. Insureds with overseas exposures should expect heightened underwriting scrutiny, as this is an area where losses can also be problematic.
- The ongoing frequency and severity of social engineering fraud claims are making it increasingly difficult to secure modest coverage limits as low as $250,000.
- Social engineering coverage for "other property" remains limited but available. We are seeing clients with this exposure choose to move to insurers that can offer this coverage, which will hopefully drive expanded availability from the marketplace.
- The marketplace is narrower and more challenging for technology and fintech risks.
- Underwriters are apprehensive about offering multi-year policy terms, except for very small companies.
- Insureds with overseas exposures should continue to expect heightened underwriting scrutiny.

Fiduciary

Rate trends

The fiduciary marketplace has experienced **modest average rate decreases of 2%** now that excessive fee litigation has slowed since hitting a high point in 2022. A softer market exists for small to medium-sized organizations.

Conditions and observations

- We are starting to see more capacity, with insurers willing to offer $10 million limits on desirable risks.
- Tougher business classes include healthcare, financial institutions, and education.
- Settlor liability coverage (defense and indemnity) should be sought in all fiduciary liability policies, and many insurers are willing to provide it.
- We are seeing an increased need to supplement applications with risk mitigation and prevention measures, especially with respect to fee structures. Underwriters are looking for capped fees for the record keeper, advisor, and plan.
- There is limited market interest in newly formed ESOPs.
- There is an emerging trend in class action fee litigation against welfare plans.
- Employers who have their retirement plans through their PEO should consider standalone fiduciary liability coverage as well as an ERISA compliance bond.

Errors and omissions (E&O)

Rate trends

- The market is relatively stable, with **flat or minimal rate movements**. Insurers are placing increased emphasis on underwriting discipline and risk selection. They are closely evaluating the risk profiles of insureds, including their risk management practices, claims histories, and financial stability.
- Miscellaneous E&O rates remain flat or have **decreased by less than 5%**, assuming similar year-over-year revenue.

Conditions and observations

- The claims environment in the E&O marketplace remains active. It is essential for organizations to implement robust risk management practices, including effective contract reviews, quality control procedures, and ongoing training for employees.
- The E&O marketplace continues to monitor emerging risks such as cyber liability and data breaches, and technologies like artificial intelligence and blockchain. Insurers are developing specialized coverage options to address these evolving risks. AI underwriting questions are not uncommon.
- E&O policies are being tailored to address emerging risks and evolving client needs. Insurers are offering broader coverage options, including cyber liability, technology errors and omissions, and privacy-related exposures.
- Lawyers' professional liability:
  - Insurers continue to exercise caution when deploying lawyers' professional liability limits exceeding $5 million unless insureds are open to a quota share structure.
  - Some markets have been contracting, which could impact the competitive environment for primary coverage options; however, rates remain relatively stable.
  - Trust and estate work remains a significant area of concern, driven by notable increases in both claim severity and frequency.
  - Excess capacity remains readily available, and increased competition among carriers continues to enhance the terms offered.
- Architects' and engineers' professional liability:
  - Insurers in the architects' and engineers' (A&E) field appear hesitant to underwrite non-traditional risks, primarily due to a lack of underwriting flexibility and reluctance to develop customized or creative solutions.
  - Rates are flattening out a bit; however, certain disciplines remain challenging, while some insurers are still adjusting rates to better align with the marketplace.
  - Rate increases are expected on larger accounts in certain jurisdictions, such as New York, California, and Florida, as well as on difficult classes including structural and soil.
  - Accounts with a higher concentration of residential work, especially condominiums, remain challenging, as claims in this segment continue to be problematic for most insurers.

04

Cybersecurity and data privacy

Cyber insurance has proven to be an efficient risk transfer solution as more capacity enters the market and rate decreases continue. Higher rate decreases can be achieved through marketing efforts and continuous improvements in an insured's cyber hygiene.

Rate trends

According to the Marsh Q1 2025 U.S. Cyber Insurance Index, **rates decreased by an average of 4%**, marking the 8th consecutive quarter of reductions.

Conditions and observations

- The maturing cyber market remains competitive, with increased capacity resulting in rate reductions and enhanced coverage options, including higher limits and lower retentions.
- Insureds are leveraging premium savings to purchase higher limits, reduce retentions, shorten waiting periods, and broaden coverage.
- The underwriting process remains focused on cyber hygiene and continuous improvements, with an emerging influence on data business practices and the use of generative AI.
- Policy wording is evolving, with some carriers continuing to impose updated exclusions related to war, privacy regulations, and data collection and usage practices.
- Underwriters are closely scrutinizing the aggregation of exposures, emerging privacy compliance risks, and supply chain risks as claim activity continues to persist around ransomware, business email compromise, and social engineering fraud.
- Concerns for catastrophic and systemic risks:
  - Evolving risks related to privacy concerns and regulations, as well as fears of catastrophic and systemic risks due to the continued technological interconnectedness of organizations and perceptions of generative AI risk, are influencing underwriting.
  - As hostilities between the U.S. and China escalate, there have been alarming warnings that any U.S. support for Taiwan will lead to widespread cyberattacks on U.S. infrastructure, as reported in the Wall Street Journal. With the two superpowers locked in a historic trade war and sweeping job cuts within the U.S. National Security Agency, systemic risk concerns could be nearing an inflection point.
  - These concerns could impact rates and underwriting strategies in the latter half of 2025 and into 2026, depending on the actual occurrence of these larger events.
- Next wave of tech E&O risks:
  - The tech E&O market is attractive for insurers due to the sector's economic growth; however, exposures are difficult to evaluate for small to large organizations.
  - Operational technology (OT) systems control machinery, sensors, and other physical equipment, ensuring safety and availability, while IT handles data storage, processing, and communication. Underwriters are beginning to ask questions about OT controls and the segregation of operational technology from IT due to OT risks and loss increases.
  - Technology service providers that offer data security and breach forensic services are increasingly experiencing their own breaches that risk not only their own operations, but also their clients' whom they are charged with protecting. Tech E&O policy provisions need to be analyzed by coverage specialists in concert with the insured's general liability and cyber liability coverages, especially with respect to new or emerging exposures.

Cyber claim trend insights

Ransomware dominance continues:

Over the past two years, both the frequency and severity of cyber claims have risen, particularly among larger organizations in the U.S.

Ransomware incidents remain the primary driver of cyber insurance claims, accounting for a significant portion of losses. Companies face tough decisions on whether to pay ransoms, balancing potential operational impacts against the costs of recovery. Several cybersecurity companies have released Q1 2025 reports on the current state of ransomware, and there is consensus that the year so far has been a record-breaker, with a historic high in terms of new victims.

There has also been a significant increase in active ransomware groups due to the fragmentation of the ransomware landscape. The ease of entry, the rise of ransomware-as-a-service (RaaS), and the potential for high financial rewards have motivated many groups to splinter and rebrand to avoid detection, making it more difficult to track and mitigate the threat. The increase in attacks in Q1 2025 could be due to dwindling returns from attacks, as far fewer victims are paying ransoms despite the average payment remaining high. Ransomware groups may be making up for decreasing ransom payments by increasing their attack volume. There has also been a notable increase in third-party litigation related to ransomware incidents, with a 75% growth in such claims compared to previous years.

Increasing privacy liability claims:

There is growing complexity in privacy-related claims due to new regulations and legal interpretations, particularly concerning biometric data and personal information. Companies must stay informed about these evolving laws to mitigate risks. Cyber insurance coverage for wrongfully collected information (e.g., collecting and sharing personal information without proper consent) remains unsettled and often requires negotiation when placing a cyber insurance policy. Businesses need to have clear policies and procedures for data collection and ensure that they have proper consent before collecting any sensitive information.

CrowdStrike outage reflection:

The July 2024 CrowdStrike incident demonstrated that widespread events do not always occur as a result of a malicious attack. The incident arose from a faulty software update being sent to customers around the world, which specifically impacted workstations and servers. Thousands of businesses that use CrowdStrike were impacted, and thousands more were affected because their vendors or suppliers used CrowdStrike. Airlines, hospitals, banks, stock markets, governments, and others that used the software found themselves unable to function due to the global interruption.

Practical lessons that can be learned from this incident include the importance of implementing and rehearsing incident response plans. Additionally, procuring cyber insurance, in particular, a policy that includes dependent (or contingent) business interruption is important for businesses that contemplate experiencing periods of downtime due to cyberattacks such as this.

Cyber claim trend insights continued

Scrutiny of insurance applications and zero trust:

Cyber insurance carriers are becoming more rigorous in reviewing cyber insurance applications and are looking for robust management programs and security certifications. This includes scrutinizing third-party vendor relationships and ensuring vendors have their own cyber insurance or E&O policies. Carriers also prefer businesses that adopt a zero trust security model, which is a modern cybersecurity framework that assumes no user, device, or application should inherently be trusted, requiring strict authentication and authorization for every access request, regardless of whether they are inside or outside the organization's location.

05

Additional trends and observations

Aviation

Rate trends

We are seeing minimal rate movement and **decreases of 5%** or better on clean risks. However, pricing pressure on some risks could lead to increases in Q2 due to mounting challenges from recent aircraft accidents. New capacity entering the marketplace could, however, temper these potential price increases.

Conditions and observations

- The aviation insurance market is currently experiencing "sideways" and mixed sentiments. The most recent January 1 reinsurance renewals saw an overall decrease; however, with the vast public string of airline and corporate aviation claims in the U.S., there is a mixed sentiment. Airlines were previously receiving rate decreases but are now seeing increases. However, desirable claims-free turbine corporate jets are predominantly experiencing modest decreases to flat renewals. Meanwhile, the market awaits the global verdicts pending from the global lawsuits due to Russian-leased jets from Western owners.
- While there is a short-term reprieve from the pilot shortage, there is still a long-term pilot, mechanic, and air traffic controller shortage.
  - The corporate aviation pilot shortage has short-term eased as well, unfortunately due to airline furloughs.
  - Scheduling pilot training has become less difficult.
- While there is new capacity entering the aviation insurance market, there continue to be departures from the aviation insurance market as well. Several of the new entrants do not have the appetite or capacity to write business.
- Highly desirable turbine aircraft operators are often experiencing rating decreases.
- General supply chain issues persist.

Environmental

Rate trends

Average rates ranged from **-5% to +5%** for contractors' pollution liability, **0% to 20%** for contractors' pollution liability with contractors' professional liability coverage, 0% to 10% for site pollution, and **5% to 25%** for combined-form liability.

Conditions and observations

- The market continues to be extremely favorable. Capacity is readily available and easy to access. One exception is Q3 and Q4 2024 declining capacity for excess combined form coverage. This market is coming back around with the addition of new carrier entrants providing capacity and leverage, but it can still be challenging for accounts with losses, large fleets, and tougher exposures.
- Increased underwriting scrutiny continues for site pollution coverage, with carriers requiring due diligence documents and/or subsurface testing in order to offer pre-existing conditions coverage. Some legacy carriers appear to be considering their approach to site pollution coverage altogether and may be slimming their appetite in an attempt to remain profitable. Newer carriers to the environmental market have identified this trend and are offering very competitive terms in an attempt to pick up some of that business quickly.
- Monoline contractors' pollution liability remains extremely competitive but is expected to become even more so in the upcoming months.
- The potential pause on PFAS restrictions continues, with some carriers willing to offer coverage for services and locations known to involve or contain PFAS, including airports, sprinkler system installation and service, legacy manufacturing sites, transactional risk, and more, depending on the circumstances and information available. The next few years are a good time for clients to consider PFAS coverage.
  - However, most general liability carriers have PFAS exclusions available and are using them when PFAS is suspected to be an exposure. If coverage is excluded in the general liability, environmental coverage may be available to fill the gap.
- Indoor air conditions coverage, including mold, legionella, bacteria, viruses and communicable diseases, where previously difficult to place for real estate, hospitality, and healthcare, is finally softening. A per-door or larger deductible may be applied, but full limits are available from some carriers.

International

Rate trends

- Renewal pricing remains stable for international placements, with the exception of rising property rates.
- The government contractor space is in turmoil given the recent budget cuts to USAID and other government agency contracts.
- Renewal pricing for business travel accident and kidnap and ransom coverage remains stable.
- Many U.S.-based global carriers are tightening their territorial restrictions, adding more countries to their travel hazard risk lists.
- Defense Base Act (DBA) pricing continues to fall.

Conditions and observations

- Global mergers and acquisitions are picking up for U.S.-based companies, leading to an increase in insureds traveling and expanding into new markets.
- Foreign direct investment (FDI) continues to grow as European and Asian customers explore investments in the U.S. market.
- London (Lloyd's) remains a go-to market for tougher exposures (countries) for business travel accident, kidnap and ransom, and foreign liability coverage.
- Some European insurers are expanding their lists of countries (such as Lebanon and Syria) that they will exclude in their coverage territory wording.
- Many European carriers exclude the U.S. and Canada in their standard global policy territorial coverage wording.

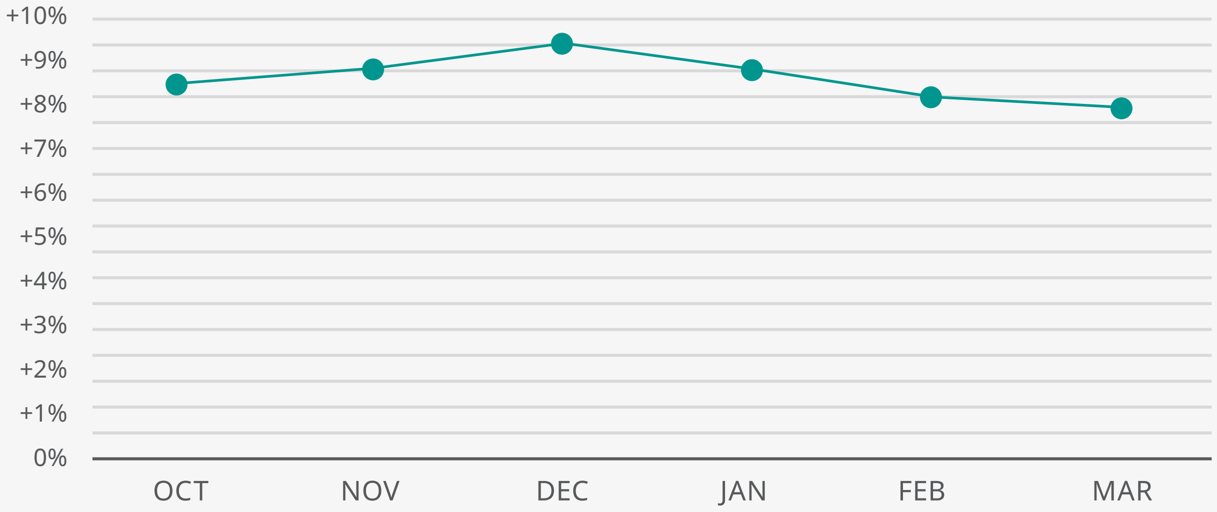
Small commercial market insights

The small commercial insurance market is generally showing signs of stabilization and improved conditions in 2025, though challenges remain in certain catastrophe-exposed areas. While some regions are experiencing rate stabilization and even slight rate decreases, others, particularly those prone to natural disasters, continue to face limited capacity and higher costs. Overall, the market is characterized by a mix of opportunities and challenges.

Rate trends

The IVANS Index is reporting average BOP increases of **8.19%** (down 1.40% from the previous quarter).

IVANS Index premium renewal rate change trend - last 6 months



Below are baseline trends from IVANS. Umbrella/excess liability rates continued to rise, albeit modestly. All other lines of coverage experienced decreases, especially in property coverage.

7.63%
Property
(3.57% decrease from the prior quarter)

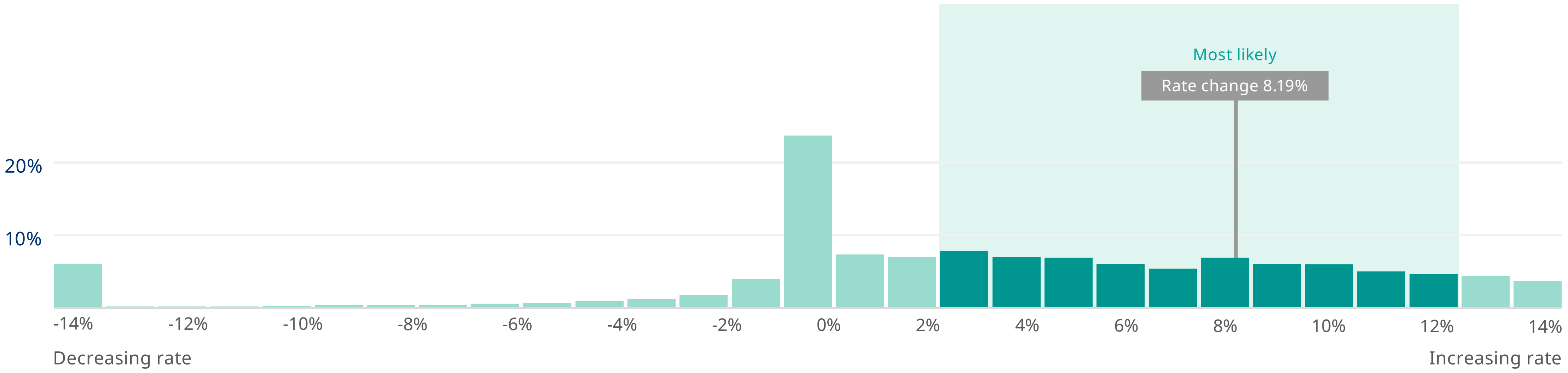
8.78%
Automobile liability
(1.21% decrease from the prior quarter)

3.71%
General liability
(0.45% decrease from the prior quarter)

9.28%
Umbrella
(0.19% increase from the prior quarter)

-1.54%
Workers' compensation
(0.09% decrease from the prior quarter)

IVANS Index premium renewal rate change distribution - March



Conditions and observations

Property:

- We continue to see significant non-renewal activity, and insurers are increasing renewal pricing by 20% or more. Additionally, insurers are restricting the type of building construction, age of building, and the like.
- Wildfire zoning and moratoriums, as well as challenges in the habitational space, persist.
- Some insurers are trying to create opportunities for lessors' risk to be more competitive, but coverage can still be difficult to secure.

General liability:

- Renewal increases are averaging 7% to 15% and restricting some endorsed coverage options.
- Assault and battery coverage is becoming difficult to obtain.
- It remains important for insureds to provide the additional level of underwriting detail quickly to avoid delays in their renewals.

Automobile liability:

- The market remains challenging for automobile liability coverage, with significant rate increases and minimal monoline market options.
- Non-renewal activity is still problematic, as the automobile market remains particularly difficult.

Umbrella/excess liability:

- As with larger and mid-sized accounts, the umbrella and excess market remains challenging, and pricing increases have not abated. This requires the use of more complex layered programs to keep pricing manageable and adequate coverage in place for insureds.

Workers' compensation:

- Overall pricing is holding steady in a competitive market; however, there are insurers that enforce fairly high minimum premium thresholds for certain classes of risks, such as staffing, trucking, and construction.
- Some carriers are willing to write monoline workers' compensation coverage.

Management and executive liability:

- The market for cyber, D&O, and professional liability has continued to improve and become more competitive, with many insureds able to avoid increases or obtain modest increases.
- Supplemental applications still require in-depth details.

Surety

The construction industry is once again facing turbulence, given the impending tariffs, which have the potential to affect material pricing and the overall supply chain. The exact timing of the tariffs is still unknown, but contractors can look to structure their contracts to address these issues. That said, clear and constant communication between owners, contractors, and suppliers is paramount.

According to Tiffany A. Herod and Joshua M. Pruett of Peckar & Abramson, P.C., in an article for the National Association of Surety Bonding Professionals, current contracts should be reviewed to assess contractors' rights to change orders and time extensions. These clauses can include:

- Force majeure clauses to avoid liability for delays and cost impacts based on unforeseen events.
- Contingency clauses that can act as a safety net, like unforeseen material price fluctuations.
- Flow-down clauses to ensure contractors are compliant with Immigration Customs and Enforcement (ICE) regulations, and new regulations relating to Diversity, Equity, and Inclusion.

Additionally, preemptive change orders can be considered to preserve claims when the amount of a claim and/or the total impact of a potential delay is unknown.

For federal construction contracts, the Federal Acquisition Regulation (FAR) directly addresses tariffs via clause 52.229-3. This clause allows contractors to adjust prices when new or increased federal, state, or local duties (such as tariffs) are imposed after a contract award. This article from McCarter & English, authored by Alex Major and Franklin Turner, explains how this would apply.

The complexities of navigating these economic policies within the framework of government contracts can be challenging, so contractors should consult with their legal counsel to understand their rights and the limitations imposed by tariffs.

Trade credit insurance (TCI)

In Q1, the retail markets grew well beyond expectations, ending March at 1.2% month-over-month growth. This helps retail underwriting, but capacity in TCI will likely be used or reduced. Overall capacity for coverage with insurers will continue to be an issue with fear of tariffs and policy demand.

Rate Trends

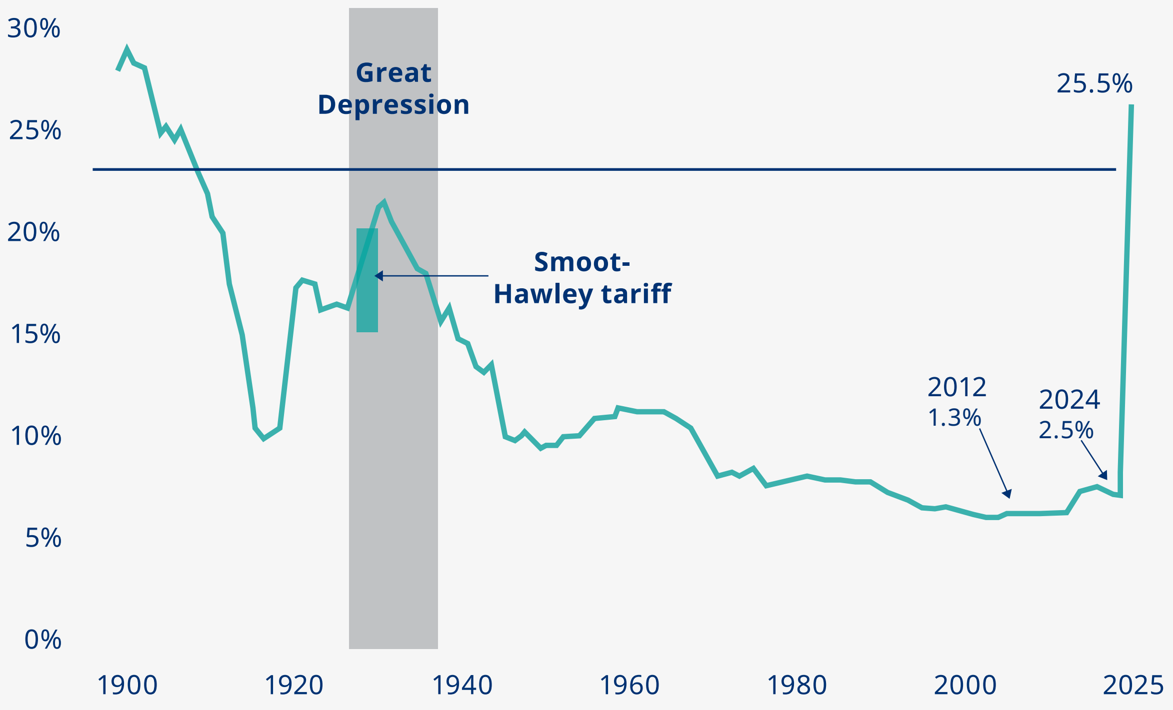
- Overall, the trend of tariffs increasing costs and the need for larger credit lines was prevalent in Q1. Insurers continue to report growth. Policies will become larger, and capacity will be a challenge due to demand; however, insurers in the U.S. are still eager to write business. Ideally, organizations looking for more or new coverage should do so proactively and without delay.

Conditions and observations

- **Capacity:** The trade credit market is seeing an increase in submissions, which will eat up capacity as insurers are reviewing exposure with more scrutiny.
- **Small insurers:** There are some new entrants into the market that are garnering more capacity to assist with larger lines on stronger credit, which is greatly needed heading into Q2.
- **Industry-specific demand:** Sectors like food and beverage, automotive, and energy are showing heightened interest in TCI due to their exposure to supply chain disruptions and financial risks.
- **Protectionism:** Rising needs for policies, particularly in the U.S., are prompting insurers to allocate more capital locally, which may lead to higher policy costs. These geopolitical factors are contributing to sustained high insurance prices. Tariffs are seeing higher needs for credit, which is in turn driving up the average cost of policies.

Federal Reserve Chairman Jerome Powell's recent speech included statements that tariffs could lead to slower growth, higher unemployment, and faster inflation.

Average U.S. effective tariff rate



Source: Dan North's "North Report"

Claims

Current trends in per- and polyfluoroalkyl substances (PFAS) claims

As we delve into the dynamic landscape of the insurance industry, it is crucial to identify and understand emerging trends. One significant area of concern in recent years has been the rise in claims associated with PFAS. Often referred to as "forever chemicals," these synthetic compounds have garnered considerable attention due to their environmental persistence and potential health risks.

1. **Heightened awareness and regulatory scrutiny:** There has been a notable increase in awareness regarding PFAS and their environmental implications. Regulatory agencies at both the state and federal levels are intensifying their examination of PFAS usage, resulting in stricter regulations and guidelines. This increased focus has led to a surge in claims from businesses facing allegations of PFAS contamination.

2. **Escalating litigation:** The legal landscape surrounding PFAS is evolving at a rapid pace. Numerous lawsuits have been initiated against manufacturers, distributors, and users of PFAS-containing products. Litigation trends related to PFAS are marked by a growing number of class actions, environmental contamination claims, health-related lawsuits, and product liability actions. As awareness of the risks associated with PFAS continues to expand, businesses must remain vigilant in understanding their potential liabilities and the shifting legal environment.

3. **Changes in insurance coverage:** With the rise in PFAS-related claims, insurance carriers are adapting their strategies. General liability and product liability policies are particularly affected, with many insurers implementing exclusions for PFAS-related claims. It is essential for businesses to conduct a comprehensive review of their insurance policies to identify any potential gaps in coverage regarding PFAS claims.

Conclusion

By staying informed about current trends and proactively addressing potential risks, businesses can navigate the complexities of the insurance landscape more effectively. Marsh McLennan Agency is dedicated to supporting our clients in overcoming these challenges, offering the expertise and resources necessary to manage PFAS-related risks effectively. By partnering with Marsh McLennan Agency, clients can enhance their claims management strategies and better safeguard themselves against the changing dynamics of PFAS litigation.

Note: Many of the rate trend graphics contained in this report are from Marsh McLennan and may not always include small- to middle-market data. All references to rates and rate movements in this report are averages unless otherwise noted. For ease of reporting, we have rounded all percentages regarding rate movements to the nearest whole number.

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