MarshMcLennan Agency

Q3 2025 U.S. Business Insurance Market Observations

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Overview

According to the Q3 2025 Marsh Global Insurance Market Index, property/casualty prices are generally declining, continuing a trend of softening rates across several lines, including commercial property, professional and financial lines, cyber, and workers' compensation. The exceptions are automobile liability and excess casualty, which continue to experience rate pressure in a litigious environment.

Although insurance rates are declining across most business lines, John Doyle, president and chief executive officer of Marsh McLennan, says the overall cost of risk is still rising. There's a growing disconnect between softening premiums and rising underlying exposures, with several "big pressure points" driving this imbalance, according to Doyle. These include a potentially slowing global economy, falling interest rates, increased exposure to extreme-weather losses, rising liability costs in markets such as the U.S., and mounting healthcare expenses.

Even so, Doyle noted that, without significant shifts in large-loss catastrophe activity or the broader economic environment, "we anticipate insurance and reinsurance market conditions seen so far this year will likely continue in 2026."

In fact, increased competition is driving reinsurers to look for profitable ways to deploy capacity, contributing to a softening market. In a September article in Artemis, Guy Carpenter's CEO of EMEA and Global Capital Solutions, Laurent Rousseau, stated that alternative capital within the reinsurance market "has not reached its full capacity," and he anticipates further growth of ILS (insurance-linked securities) and capital-backed capacity.

Economic headwinds to watch

According to the Peterson Institute for International Economics (PIIE), the global economy is expected to face several headwinds in 2026 as the effects of recent policy and market shifts take hold. While still positive, growth is projected to slow as countries grapple with the consequences of higher tariffs, ongoing supply chain realignments, and tighter labor markets.

PIIE also points to rising fiscal pressures, slowing productivity gains, and the uneven global rollout of new technologies that could weigh on growth. Although the U.S. economy remains relatively resilient, driven by innovation and capital spending, it is expected to cool as the stimulus from AI and infrastructure investment normalizes. The institute cautions that, without more coordinated policy responses and targeted reforms, 2026 could mark the beginning of a more prolonged period of slower global expansion.

Consumer sentiment dropped in September to 55.1 from 58.2 in August, according to the University of Michigan Survey of Consumers, due to worries over high prices and the labor market. “Weakening consumer views of labor markets are not necessarily a problem for consumer spending if they do not expect to be personally affected. But in fact, responses to multiple survey questions all show that the financial outlook for consumers has deteriorated as well. These trends suggest that, for many consumers, robust spending will be difficult to maintain going forward,” said economist Joanne Hsu, director of the University of Michigan’s Survey of Consumers.

About 65% of consumers also expect unemployment to rise in the year ahead, up from 57% in July 2025 and 35% a year ago. Nearly 70% of consumers expect inflation to exceed any income gains in the year ahead, up from less than 60% in September 2024.

We offer optionality and solutions.

Optionality, or the flexibility to choose what works best for managing organizational risks, is important in the current U.S. property and casualty insurance market. It allows insureds to adapt to changing risks and market conditions, enabling organizations to customize policies to better meet their specific needs, improve coverage, and control costs. Optionality helps improve resilience, competitiveness, and the ability to handle uncertainty in a dynamic insurance environment. Insurers are responding with long-term agreements and strategic choices, which support Marsh McLennan Agency (MMA) in working with insurers to negotiate better terms in a competitive market.

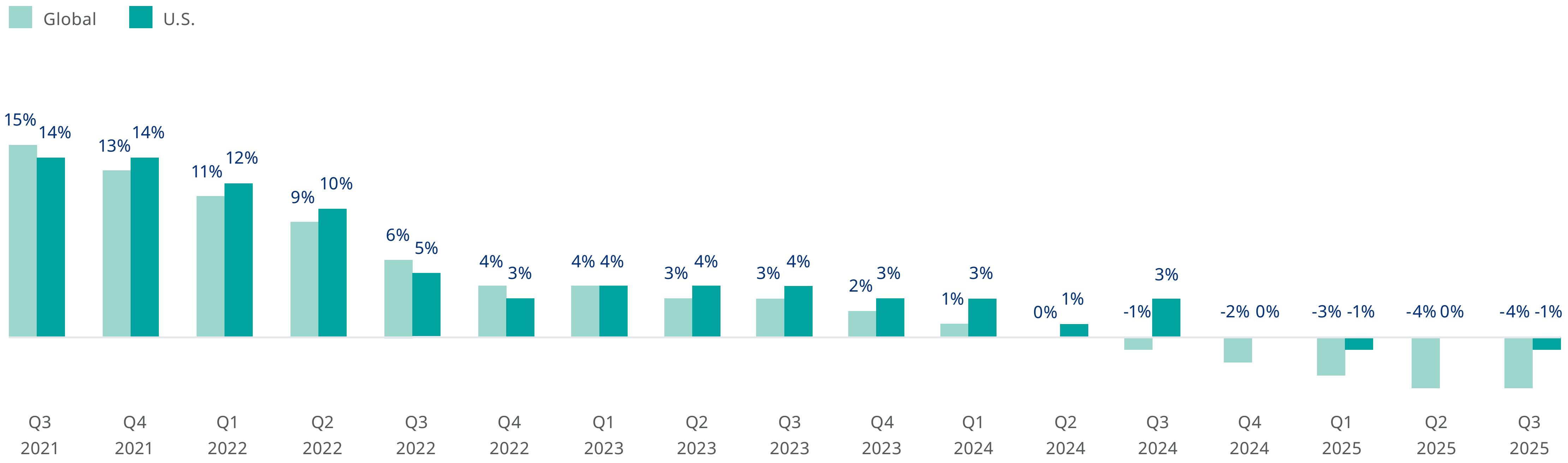
We remain committed to supporting our clients through the shifting realities ahead and will work with you to develop strategies to help you achieve the best outcomes.

Your future is limitless.SM

Q3 2025 U.S. business insurance market observations

The global composite rate tracked in the Marsh Global Insurance Market Index **decreased by 4%** in Q3 2025, as in Q2, marking the fifth consecutive quarter of steady declines. U.S. composite commercial insurance prices **decreased by 1%**.

U.S. composite insurance pricing change



Source: Marsh Specialty and Global Placement

Global property rates **fell by 8%** year over year and by 9% in the U.S.

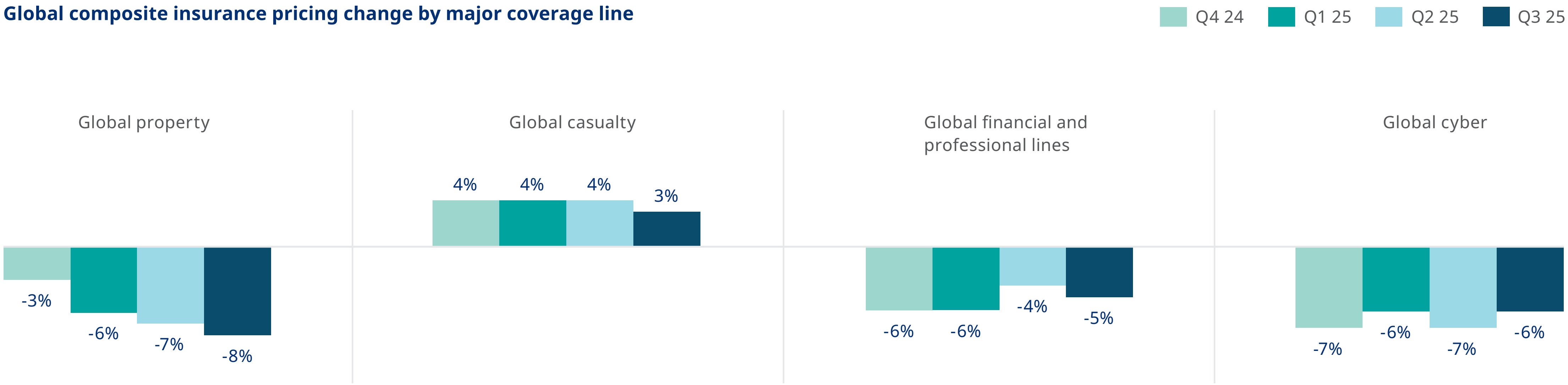
Global casualty rates **rose by 3%**, showing a slight slowdown in rate acceleration compared to the previous three quarters. In the U.S., commercial insurance rates rose 8% (down slightly from 9% in Q2), primarily driven by excess/umbrella and commercial automobile lines.

Excluding workers' compensation, the increase was 11% in the U.S.

Rates for financial and professional lines **decreased by 5%** globally but remained flat or declined moderately in the U.S.

While cyber insurance rates **dropped by 6%** worldwide, they declined by only 1% in the U.S.

Global composite insurance pricing change by major coverage line



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

01

Property coverages

Property

Property rates softened in Q3, supported by ample capacity and proactive insurer competition.

Rate trends

- The Marsh Q3 2025 U.S. Property Insurance Index shows that rates in the U.S. **fell by an average of 9%** for the third straight quarter.
- Rates for single-insurer placements (under $1 million) are trending down, on average, between 3% and 5%.
- Layered programs (over $1.5 million) are seeing rate reductions of 10% to 20%. These complex programs are experiencing greater reductions than single-insurer placements due to increased capacity, competitive layering, and more latitude for downward repricing. Some former shared and layered placements have moved to direct, single-insurer placements.
- Premiums for packaged business (property coverage included with other coverage lines) continue to increase at an average of 3%.

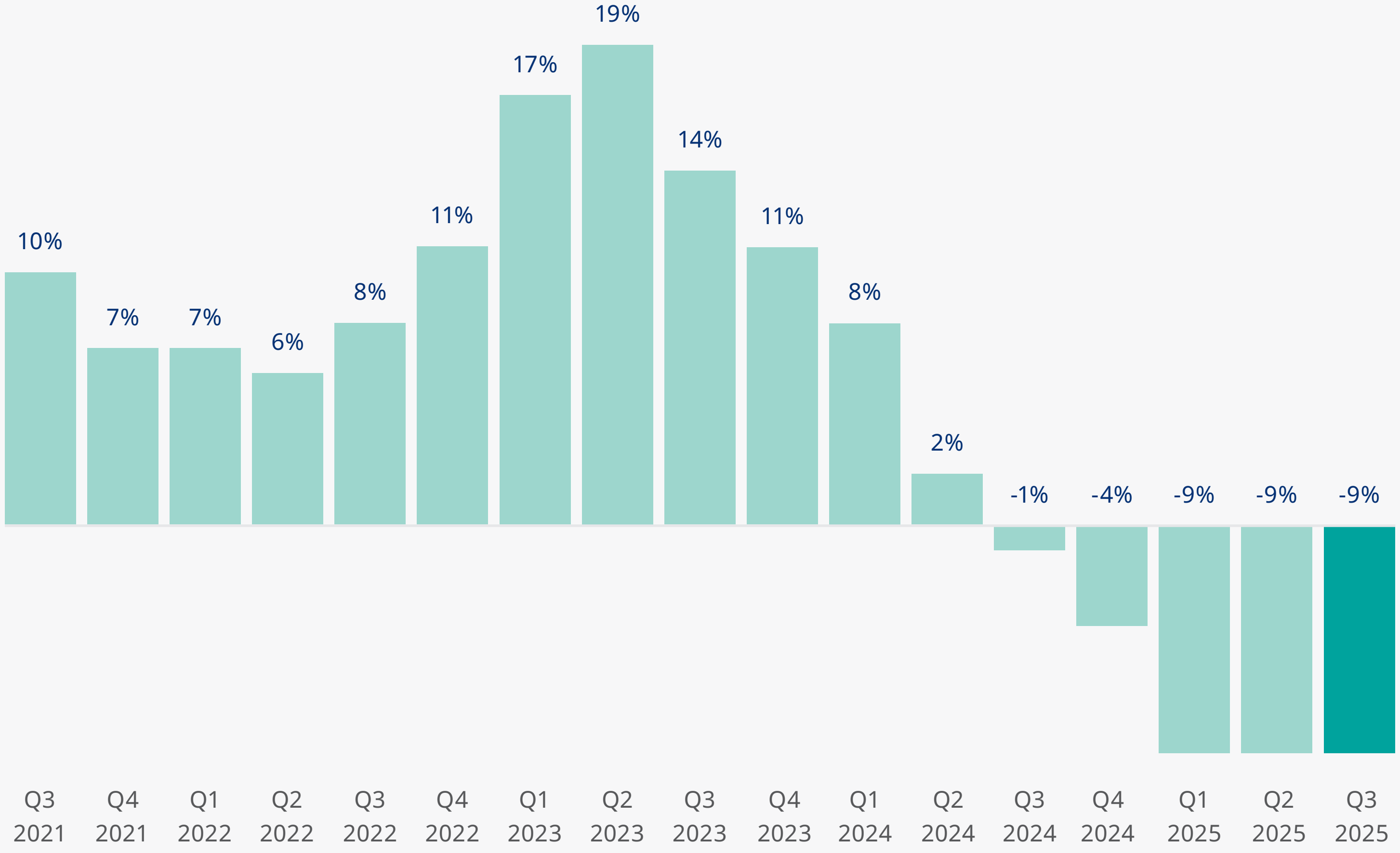
Conditions and observations

- The property market remains favorable for buyers, with downward momentum continuing. Current conditions are expected to persist through 2026, unless there is a $125+ billion (re)insured CAT event that causes capital providers to reconsider and potentially shift (re)insurer dynamics.
- Today's market reflects abundant capacity, aggressive competition, and three consecutive relatively mild hurricane seasons. This is the first time in 10 years that the U.S. has reached mid-October without a single hurricane making landfall, despite early predictions of another active hurricane season.
- Rate adequacy, increased focus on valuations, and tightened terms and conditions (e.g., wind/hail deductible percentages) applied from 2019 to 2023 have contributed to a more stable and profitable underwriting environment. Additionally, insurers are benefiting from favorable treaty reinsurance pricing, which has lowered their expenses, enhanced primary property profitability, increased capacity, and fueled competition.

Conditions and observations (cont.)

- With more insurers eager to participate in shared and layered placements, brokers may be able to negotiate better policy terms and conditions.
- Risk selection discipline is also under pressure as more insurers seek growth through greater market share in a softer environment.
- Excess capital continues to flow into both London and U.S. markets, with new MGAs and alternative capital providers increasing competition.
- Valuation pressure continues to ease as most insureds have addressed their property values over the past years, except for occasional outliers. Engineering assessments are still needed for more complex risks, and updated appraisals remain necessary.
- Markets have yet to relax critical wind deductibles, although severe convective storm deductibles are starting to ease.
- The excess and surplus (E&S) lines market remains a good fit for habitational or CAT-exposed risks. Rates are generally competitive, particularly for accounts with larger schedules. Wood-frame construction remains more challenging.

U.S. composite insurance pricing change – property



Source: Marsh Specialty and Global Placement

Guy Carpenter reinsurance view: A focus on growth

As we head into January 1, 2026, renewals, the property reinsurance market is continuing its softening trend. According to our colleagues at Guy Carpenter, reinsurers, buoyed by strong results and adequate rates, are looking to grow their property CAT books and remain engaged across insurers' portfolios. Price reductions are likely to continue as renewal terms and conditions broaden.

As reinsurers push for growth, now is a good time for insurers to optimize their reinsurance protection. "Cedents are coming to the market with more leverage than they've had in years...," said Kathy McCann, managing director and U.S. deputy segment leader at Guy Carpenter, during sessions and interviews at the annual meeting of the American Property Casualty Insurance Association, as reported in Business Insurance.

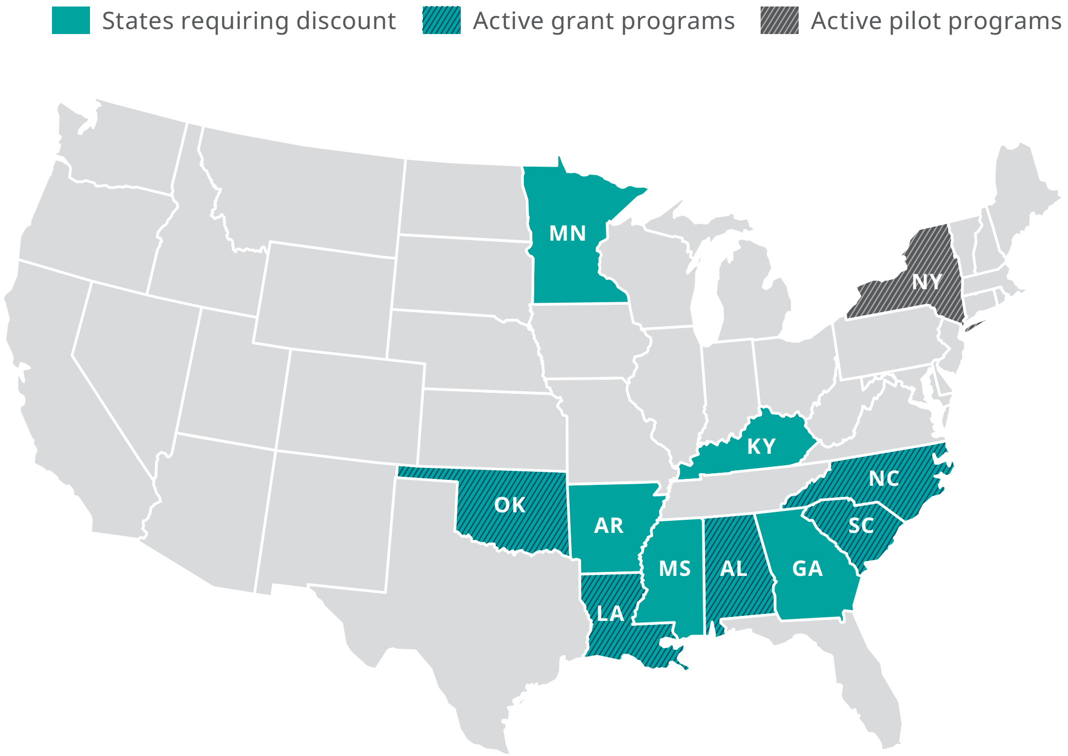
With reinsurers profitable and competing in the market, insureds can expect more capacity, steadier terms, and softer pricing, especially on catastrophe-driven property.

Resiliency laws growing at the state level

Across the country, states are stepping in to fill the gap left by uncertain federal funding, creating their own frameworks to strengthen communities against climate-driven disasters. The article, “Nat cats: Which states are taking resiliency seriously?” in Insurance Insider highlighted several state-level programs, including the following:

- Alabama’s “Strengthen Alabama Homes” program has provided more than 7,000 grants for fortified roofs. Louisiana, Mississippi, Oklahoma, and North Carolina have similar programs designed to reward property owners who harden their homes against wind and hail.
- Many states are leveraging federal pass-throughs, such as FEMA’s “Safeguarding Tomorrow Revolving Loan Fund,” which is channeling hundreds of millions of dollars to resilience projects in North Dakota, Iowa, Michigan, New York, Virginia, New Jersey, South Carolina, and Tennessee. These funds support infrastructure hardening, flood mitigation, and community-scale protection efforts that reduce insured losses over time.
- California is advancing more complex resilience frameworks by legislating CAT-bond authority for the state FAIR Plan, establishing a public wildfire loss-data repository, and creating commissions dedicated to home and community hardening.

Which states require insurance discounts for fortified homes?



These actions mark a shift toward state-driven resilience mandates, linked building codes, and public financing to promote mitigation before, rather than after, a catastrophe strikes.

Source: Insurance Institute for Business and Home Safety

20 years later: Lessons learned from Hurricane Katrina

Hurricane Katrina ranks among the defining catastrophes in U.S. history, causing $225 billion in economic losses and $104 billion in insured losses (based on 2024 prices). Guy Carpenter's "Hurricane Katrina – A 20th Anniversary Retrospective: From Losses to Resilience" examines how the storm changed the way experts approach catastrophe modeling, insurance program structures, and public policy. The disaster also generated decades of resilience investments, transforming how risk is managed along the Gulf Coast.

Katrina revealed the need to model storm surge and rainfall explicitly and to distinguish between wind and water losses, according to Guy Carpenter. It exposed the fragility of outdated flood defenses and the high social and economic costs of inadequate mitigation. In its wake, insurers, reinsurers, and governments adopted a more data-driven and structural approach to resilience, including raising levees, upgrading drainage systems, tightening building codes, and expanding NFIP participation. The improved New Orleans levee system and the adoption of IBHS FORTIFIED® building standards have since helped reduce loss severity in subsequent events, such as Hurricane Ida (2021).

Building a culture of resilience

Post-Katrina reforms extended beyond physical defenses. Cities invested in modern drainage and stormwater networks (Houston's SWAT program, Miami's green-infrastructure plan), while coastal states advanced wetland restoration, floodplain zoning, and elevation standards to reduce exposure growth. These measures now influence catastrophe modeling and underwriting, resulting in lower modeled losses, greater market stability, and premium incentives for properties with reduced risk.

Guy Carpenter notes that climate change is introducing new compounding stressors, such as rapid intensification, extreme rainfall, and sea-level rise, which require continuous model recalibration and the integration of resilience data into pricing.

Coverage gaps remain, especially in inland areas, where flood insurance uptake is still low.

The key takeaway is that sustained investment in resilience may help lower tail risk, improve portfolio performance, and enhance the insurability of catastrophic exposures.

Climate and sustainability

Marsh's 2025 Climate Adaptation Survey analyzed responses from over 130 risk managers globally, revealing important insights into how businesses view climate adaptation as part of their resilience efforts.

According to the survey, while 78% of organizations face climate-related risks such as flooding, heat, and water stress, 50% of businesses are not using cost-benefit analysis to justify adaptation investments. Moreover, 40% of respondents said their organizations lack sufficient funding for effective climate adaptation. Other business priorities, limited knowledge about future climate scenarios, and competing demands for resources often overshadow climate initiatives.

Amy Barnes, head of Climate and Sustainability Strategy and global head of Energy & Power at Marsh, said, "Our research shows organizations consistently underinvest in climate adaptation relative to the severity of their identified risks. There is clearly an urgent need for organizations to adopt a holistic approach to climate risk, integrating asset-level and system-level assessments and embedding climate adaptation into enterprise risk management frameworks. As climate hazards continue to intensify, proactive resilience planning is essential to safeguard assets, maintain revenue streams, and protect long-term business viability."

Los Angeles wildfires: The costliest natural disaster in the first half of 2025

According to Munich Re, global natural disaster losses in the first half of 2025 totaled more than $131 billion, slightly lower than in 2024. Of this amount, $80 billion was insured. Wildfires and storms caused 88% of overall losses and 98% of insured losses.

The greater Los Angeles area wildfires in January are estimated to have caused $53 billion in damage, of which $40 billion is insured. This is the first time wildfires have caused such extensive damage across areas stretching from Malibu to Pacific Palisades, Altadena, and others. A prolonged dry phase and powerful Santa Ana winds ignited sparks across the landscape, setting one structure after another ablaze. The initial fire in the Palisades, now known to be human-caused, continued to smolder underground even after firefighters extinguished the visible flames, and it was worsened by natural conditions.

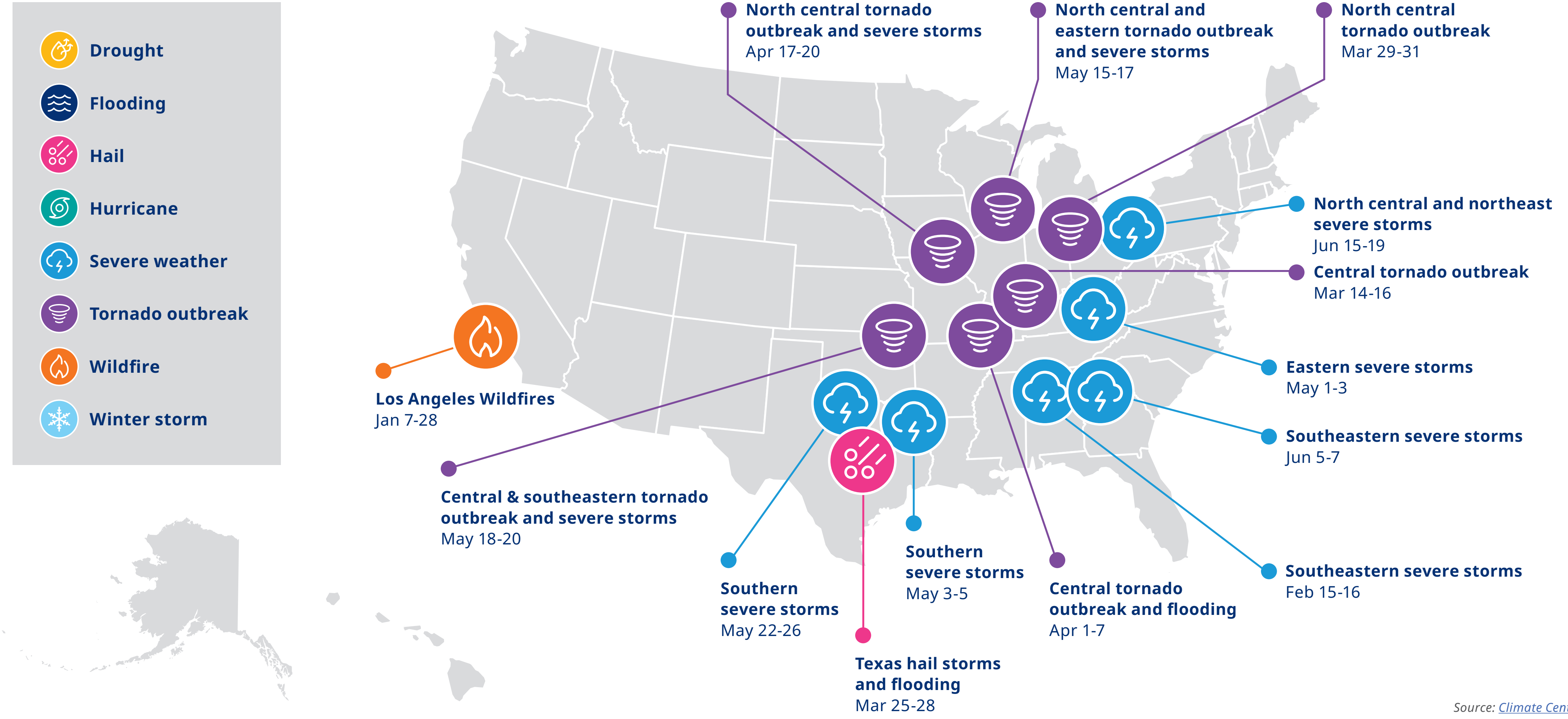
Nonprofit to bring back billion-dollar U.S. disaster tool

NOAA's National Centers for Environmental Information (NCEI) has stopped updating its Billion Dollar Weather and Climate Disasters report. The tool provided a consistent methodology over decades, incorporated proprietary and non-public data from insurance and government sources, and served as a transparent and trusted benchmark for tracking losses.

Nonprofit Climate Central announced in August that it will revive the key federal database, according to Bloomberg. Dr. Adam B. Smith, the former NOAA climatologist who led the database for more than a decade, has been hired to manage it for Climate Central.

Climate Central plans to expand the scope of the original database to include disasters with losses as low as $100 million. It will also calculate losses from severe hailstorms in the Midwest and Mountain West, as well as individual wildfires, rather than reporting only seasonal regional totals.

U.S. 2025 billion-dollar weather and climate disasters by Climate Central



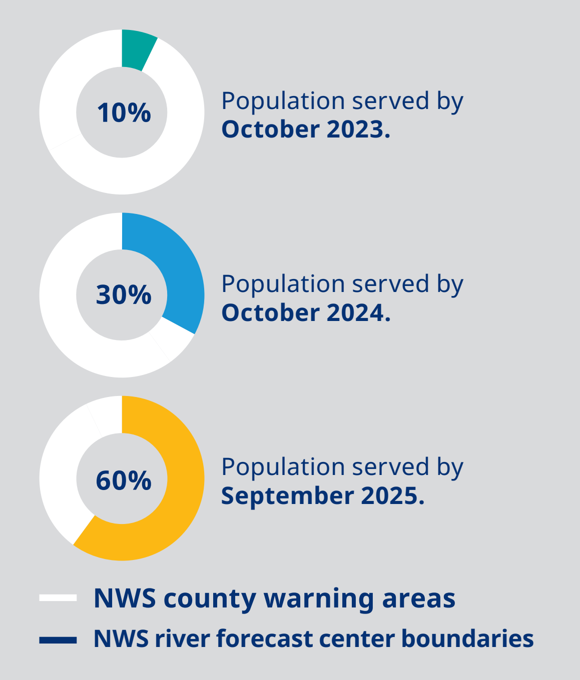
Source: Climate Central

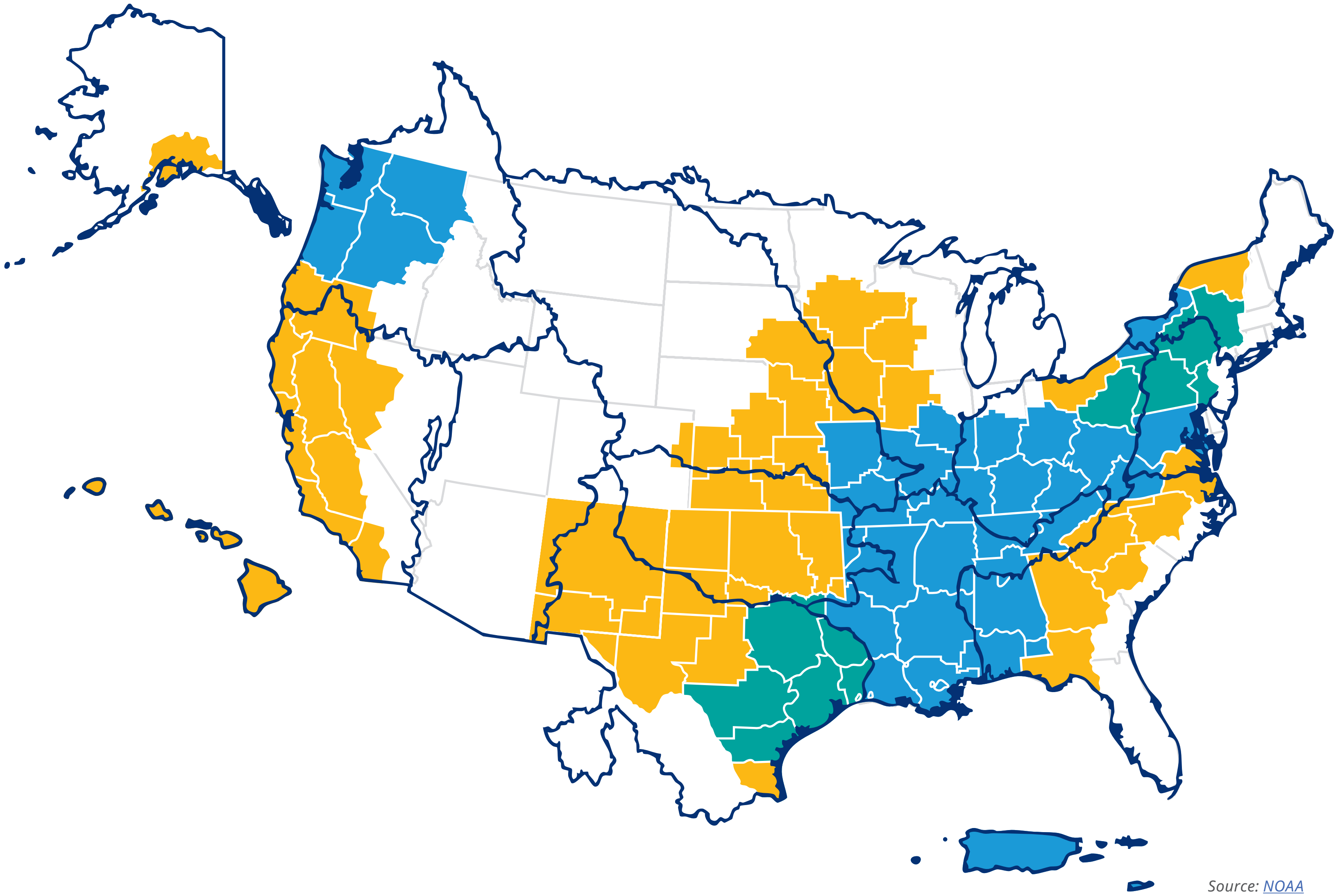
NOAA expands Flood Inundation Mapping tool

Flooding is the most frequent severe weather-related threat and the country’s costliest natural disaster, according to NOAA. As a result, the agency is expanding its Flood Inundation Mapping (FIM) tool to cover 60% of the U.S. population, up from 30% in 2024. FIM provides high-resolution, street-level flood visuals to improve warning accuracy and emergency response. The tool will now cover Hawaii and the West Coast; areas in South Central Alaska, including the Cook Inlet, Kenai Peninsula, Copper River, and Prince William Sound watersheds; the Southwest and Great Plains; the Great Lakes; and the interior Southeast.

Implementation of NWS Flood Inundation Mapping Services

The National Weather Service's National Water Center is working in coordination with NWS River Forecast Centers, Weather Forecast Offices, and other Federal Partners to release forecast flood inundation mapping services to the Nation.





Source: NOAA

The rise of flash flooding in 2025

The National Weather Service issued more than 3,600 flash flood warnings across the U.S. in the first half of 2025. Flash floods occur when exceptionally intense rainfall accumulates over short periods faster than the landscape can absorb or channel it, causing water to rise abruptly and dangerously. In 2025, many parts of the U.S. east of the Rockies have seen at least 50% more precipitation than normal over several months, while warm, moisture-laden air and a sluggish jet stream have fueled slow-moving, high-intensity storms, according to EarthSky. When heavy rain falls over saturated soils, steep terrain, urban areas, or poorly drained surfaces, runoff overwhelms streams, drains, and river channels—and flash flooding can develop with little warning.

Communities in Texas, New Mexico, West Virginia, and New Jersey have experienced deadly floods, while other states, including New York, Oklahoma, Kansas, Vermont, and Iowa, have seen flash flood damage.

The future of FEMA and NFIP

The current administration is considering eliminating FEMA and has cut its staff by 2,000, stating that states and communities should take more responsibility for disaster recovery. In addition to creating the FEMA Review Council—a 12-member board tasked with presenting a report on overhauling or eliminating the agency—bipartisan legislation was introduced to "return FEMA to its core purpose of empowering states to lead and coordinating the federal response when needed." The legislation focuses on the following*:

- Making FEMA a cabinet-level agency instead of housing it within the Department of Homeland Security
- Emphasizing mitigation projects that reduce the impact of natural disasters
- Streamlining processes that have become too complex over the years
- Adding flexibility so states can choose the type of housing or other support that best helps their residents following a natural disaster

Source: Government Executive

At the same time, the National Flood Insurance Program (NFIP), administered by FEMA, lapsed on September 30, 2025, following the government shutdown, and isn't issuing new coverage or renewing policies. However, existing policyholders' claims will still be paid as long as funds remain available. NFIP provides **$1.3 trillion** in flood insurance to **4.7 million** policyholders in **23,000 communities** across the country.

As reported in the Insurance Journal on November 10, "two U.S. Congressmen introduced H.R. 5848, the NFIP Retroactive Renewal and Reauthorization Act, a bill that would reauthorize the NFIP through 2026 and include a retroactive renewal period for policyholders whose coverage expired during the government shutdown." As of this writing, questions remain. Read more here.

The lapse in NFIP authorization could create an opportunity for private insurers, according to AM Best. The National Association of Realtors (NAR) estimates that 1,400 real estate closings could be delayed each day.

In its report, "US Government Shutdown May Require Private Insurance to Compensate for Lack of NFIP Coverage," AM Best senior industry analyst Christopher Graham noted that policyholders who shift to private insurers during the shutdown could remain with their new providers due to convenience or inertia.

Direct premium written (DPW) for private residential flood insurance nearly doubled from 277,000 policies in 2020 to approximately 569,000 by 2024, according to Fitch Ratings.

The future of FEMA and the NFIP

Daniel Kaniewski, U.S. Public Sector leader at Marsh and former FEMA Deputy Administrator, shared that FEMA serves as a crucial backstop, but is neither a first responder nor a substitute for flood insurance. He emphasizes the value of resilience, which requires action from both the public and private sectors, including:

- Preparedness, insurance, and hazard mitigation investments
- Innovative private and parametric flood products that help communities recover faster
- Strong building codes and smart land-use and zoning decisions
- Policy reforms to strengthen FEMA programs, reinstate mitigation grants, and modernize the NFIP

"Resilience isn't just about bouncing back. It's about building the infrastructure, incentives, and financial protections that help communities stand stronger in the face of risk," said Daniel.

Cargo/inland marine

The cargo and stock throughput (STP) market mirrors property trends, with rates generally soft to flat, depending on account complexity and size.

Rate trends

- Standard cargo accounts (1 or 2 insurers with >$25,000 in premium) are seeing **flat rates to 7.5% decreases, possibly even 10% decreases** in some cases.
- **Accounts** with losses may experience modest rate increases, but each will be underwritten on its own merit. **New submissions** can expect **rate decreases of at least 5% to 10%**, typically via a thorough marketing effort.
- Larger or more complex STP programs are experiencing greater flexibility and potential reductions due to multi-insurer competition and economies of scale.
- The more premium and insurers involved, the more competitive the pricing.

Conditions and observations

- Capacity in the London and domestic markets continues to expand, with strong competition among insurers as new MGAs and traditional insurers enter the cargo space seeking growth.
- Markets are more open to "optionality," allowing brokers to negotiate flexible deductible structures. Insurers are offering coverage enhancements.
- Buyback options for malicious cyberattacks are now available in both London and domestic markets.

With capacity continually being deployed, the market is expected to remain soft heading into 2026, barring any significant loss activity.

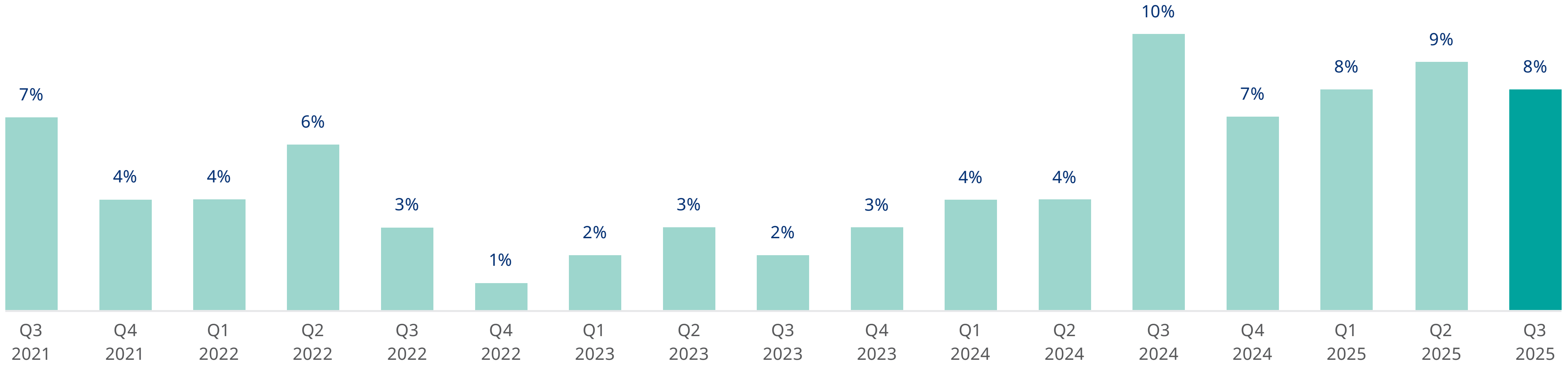
02

Casualty coverages

Commercial automobile and umbrella/excess liability markets in Q3 continue to see the largest rate increases, while the workers' compensation market remains stable. Pricing influences capacity and leads to some limitations on terms and conditions—a normal part of the market cycle. We appear to be in a transitional excess casualty market over the next 12 to 18 months, as lower interest rates allow more capital to flow into reinsurers, putting additional pressure on overall pricing (as supply increases while demand remains steady).

U.S. composite insurance pricing change – casualty

According to the Marsh Q3 2025 U.S. Casualty Insurance Index, overall pricing increases averaged **8%**, down 1% from the prior quarter. Excluding workers' compensation, the increase was 11% in the U.S.



Source: Marsh Specialty and Global Placement

Automobile/fleet

Rate trends

Average rate increases are at **7%**, with large fleets carrying adverse loss experience still facing the steepest adjustments. Smaller fleets and well-performing large accounts are also experiencing upward pricing pressure, as carriers work to keep pace with escalating loss severity. “Adverse loss development has been a constant drain on commercial automobile results and is getting worse,” said David Blades, associate director at AM Best.

Conditions and observations

- According to an AM Best report, “Stuck in Reverse: Commercial Automobile Losses Keep Mounting,” commercial automobile losses “continue to burden the overall property and casualty industry, accounting for more than $10 billion in net underwriting losses over the past two years.”
- The industry has experienced underwriting losses in commercial automobile for 14 consecutive years. Total underwriting losses in 2024 were $4.9 billion; over the past 11 years, the average annual underwriting loss has been slightly over $2.9 billion, according to AM Best.
- The market continues to be impacted by social inflation and outsized liability verdicts in vehicular accidents, supply chain constraints, rising repair costs, and technology challenges. According to a study by Marathon Strategies, the trucking and automotive industries faced a combined 15 multi-million-dollar verdicts last year, totaling jury awards of more than $1.4 billion.
- Carriers are seeking higher liability and physical damage deductibles, particularly where claim frequency is evident.
- Monoline commercial automobile markets are scarce for those seeking stand-alone solutions.
- Non-owned and hired automobile markets are also contracting, with higher minimum premiums and tighter underwriting standards.
- Contingent automobile liability exposures from hiring third-party truckers remain a concern for underwriters.
- Underwriters are increasingly relying on CAB and SAFER reports for large fleet assessments and risk selection.
- A robust fleet safety program, including the use of telematics, remains critical to mitigate pricing pressure. Carriers not only expect fleets to implement telematics but also to use its data and insights to take corrective actions.
- Tort reform could improve long-term outcomes, but any positive effects have yet to materialize in current pricing or claims trends.

General liability

Rate trends

Rates are averaging **increases of 4%** or more, depending on the industry, such as habitational risks and accounts involving cryptocurrency and NFTs.

Conditions and observations

- Carriers are showing greater interest in writing new business and, in some cases, offering more favorable terms than incumbents.
- Polyfluoroalkyl substances (PFAS) exclusions in general liability have become standard due to legal and regulatory scrutiny.
- Terms and conditions continue to be reduced or excluded in certain industries, including real estate and habitational sectors. Exclusions include assault and battery, abuse and molestation, and human trafficking.
- Some markets are requiring higher deductibles on premises-driven risks.

Umbrella/excess

Rate trends

In the umbrella and excess liability market, rates increased by an average of **15%**, primarily driven by commercial automobile. Accounts with large automobile fleets or extensive automobile operations are facing double-digit increases.

Conditions and observations

The U.S. umbrella and excess casualty micro-cycle has shown early signs of moderation after a prolonged hardening cycle, according to an article published in Insurance Insider earlier this year. Following steep rate hikes that began in 2019–2020 and reaccelerated in late 2023 amid worsening claims trends, the pace of increases has now slowed, particularly in the higher excess layers. Average rate changes that previously reached double digits and exceeded 20% have eased into the single-digit range for many accounts.

- Capacity has improved slightly, although a few carriers are expanding limits. The lead umbrella space remains challenging, with limited competition and continued rate increases in the low- to mid-teens. Even so, the market remains disciplined as carriers continue to be cautious about social inflation and claims severity.
- The umbrella/excess market is expected to remain in a transitional phase over the next 12 to 18 months.
- Competition is picking up after the first excess layer ($5 million excess of $5 million, $5 million excess of $10 million, and $10 million excess of $10 million). However, carriers continue to reduce limits in construction, habitational, and more challenging manufacturing risks.
- Nearly all carriers in the primary automobile market are purchasing facultative reinsurance for limits above $1 million, with only a few retaining as much as $2 million net. This cautious underwriting stance is extending into the umbrella/excess market, where capacity and pricing remain under pressure for those with significant automobile exposure.
- Favorable pricing is occurring where there’s limited automobile exposure, strong workers’ compensation, and good general liability loss history.
- If interest rates decline, reinsurance will become more attractive to investors, drawing in additional third-party capital, expanding available capacity, and ultimately putting downward pressure on pricing.

Nuclear verdicts and tort reform

Nuclear verdicts ($10 million+), third-party litigation funding, and social inflation continue to impact the frequency and severity of casualty-related claims. Tort reform efforts in states such as Florida, Georgia, Louisiana, and South Carolina, among others, are expected to bring some long-term relief, although this will take time.

- In 2022 and 2023, Florida enacted legislation to reduce frivolous lawsuits and curb predatory litigation. Governor DeSantis signed into law bills that eliminated one-way attorney fees and fee multipliers in insurance litigation, modified the definition of "bad faith" practices, and provided more precise standards for calculating medical damages in injury cases. Insurance rates in Florida have declined since these reforms were implemented. According to a July report from the Florida Chamber of Commerce, litigation in the state has dropped by 30% following the legislation, and automobile insurance costs are falling.
- Earlier this year, Georgia's Governor Kemp signed into law a bill that bans hostile foreign powers from exploiting consumers and legal proceedings, stabilizes insurance costs for businesses and consumers, and increases transparency and fairness. You can find more detailed information on specific policy areas impacted by legislation here.
- Louisiana's Governor Landry, in May, signed the "largest tort reform legislation in the state's history."
- Also in May, South Carolina Governor McMaster signed legislation, effective January 1, 2026, that narrows joint-and-several liability so only defendants found 50% or more at fault may be held fully responsible. It restores the "empty chair" defense by allowing non-parties to be added to verdict forms under certain conditions. Additionally, the legislation removes gross negligence and certain alcohol exceptions from full-liability status and introduces a new liquor liability risk mitigation program.

Workers' compensation

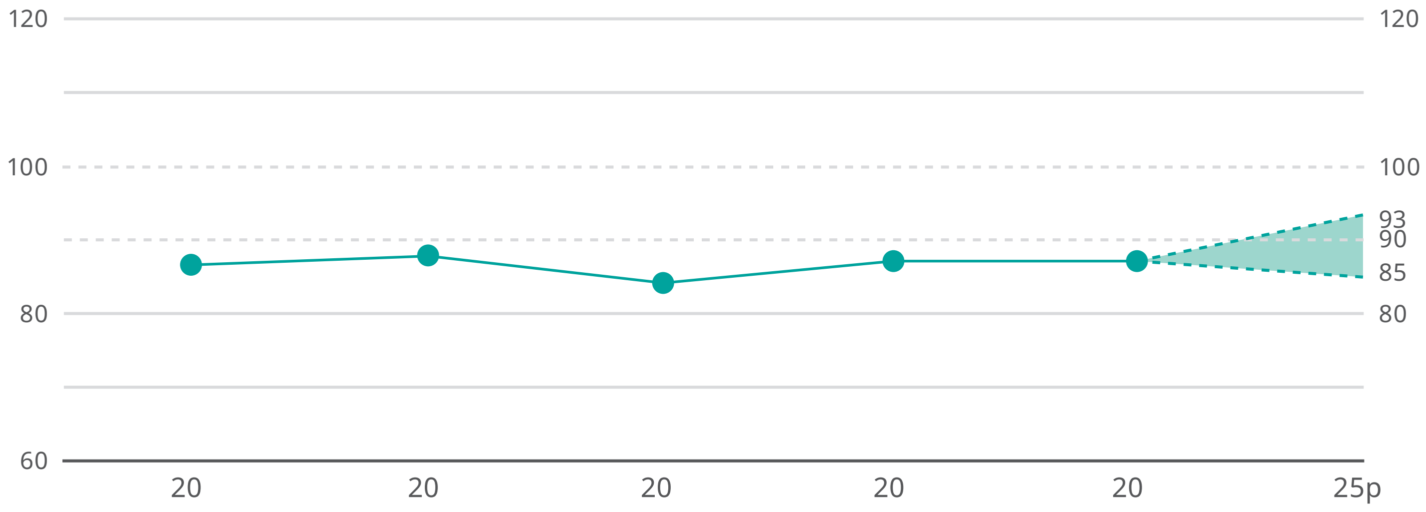
Rate trends

Average rates decreased by **1%**.

Conditions and observations

- The workers' compensation market continues to be steady, softening, and highly competitive among carriers.
- Combined ratios for workers' compensation in 2025 are projected to range from 85% to 93%, reflecting continued underwriting discipline and favorable claims experience, according to the NCCI.
- Bundling workers' compensation with general liability and commercial automobile enhances the overall attractiveness of a risk to carriers. Carriers continue to leverage workers' compensation to write other lines of coverage.
- Clients who keep their NCCI workers' compensation modification below 1.0 benefit from more favorable overall pricing.
- Claims frequency continues its downward trend, supporting ongoing profitability in workers' compensation.

WC combined ratio–projection for 2025 – private carriers–all states



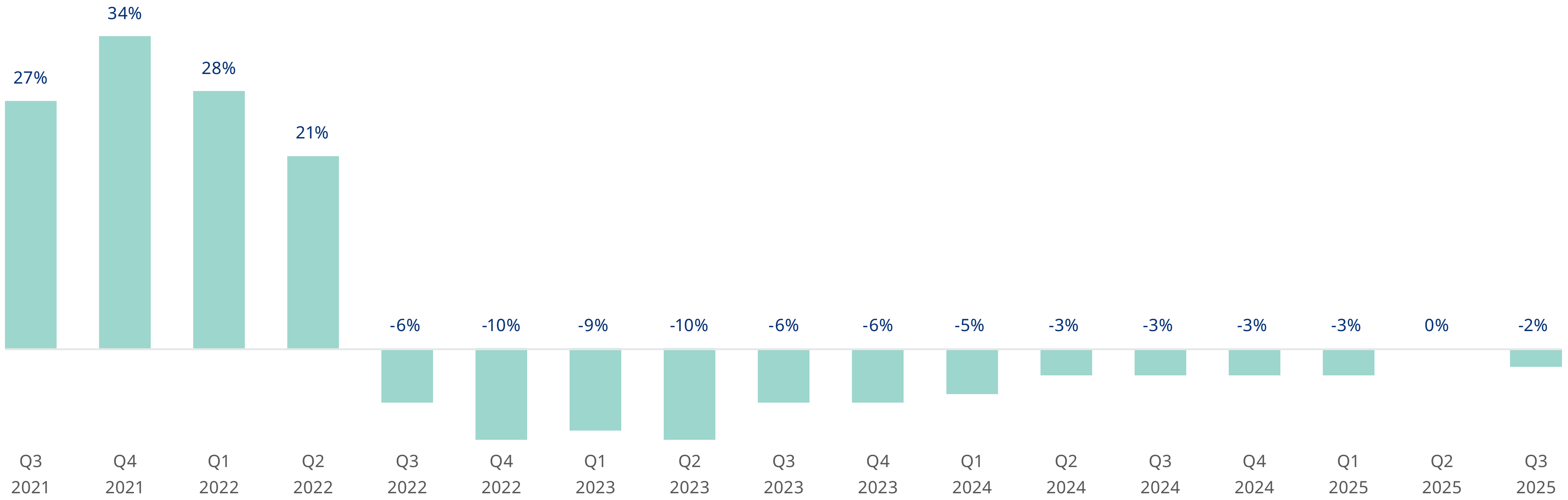
Source: NAIC

03

Management and executive liability coverages

According to the Marsh Q3 2025 U.S. Management and Executive Liability Insurance Index, rates are **flat or modestly decreasing, averaging -2%**.

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

Public directors' and officers' (D&O) liability rates remain **stable and largely flat** but are showing early signs of firming.

Heading into 2026, after multiple quarters of flat or decreasing premiums for renewals and rate fatigue in the marketplace, clients may see small rate increases (approximately 3% to 5%). However, abundant capacity and competitive markets are, for the most part, keeping renewals largely flat, with regional variations:

- Texas and the South-Central regions are experiencing upward rate pressure.
- Coastal and Northeast markets remain flat to slightly down, mainly due to more conservative pricing.

Conditions and observations

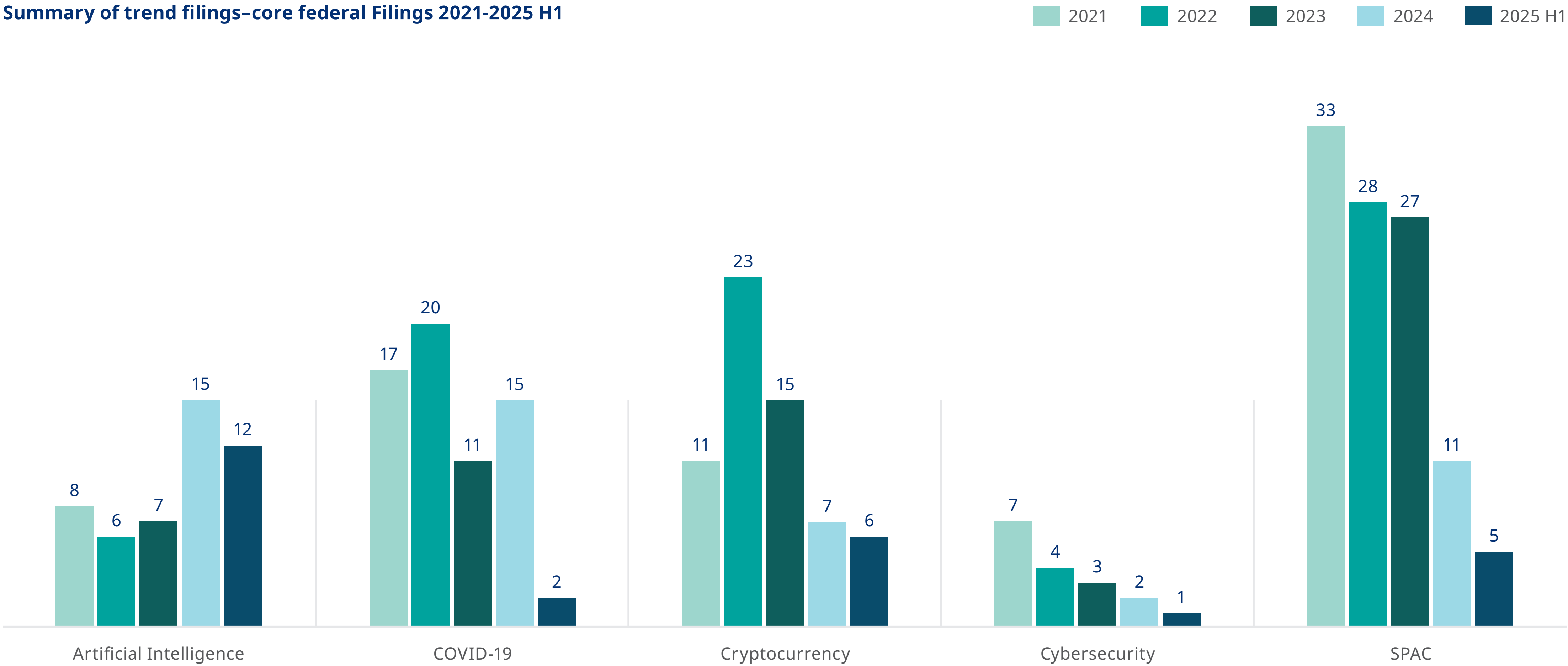
- New entrants have entered the market since 2022. In cases of aggressive quoting, it is often new entrants or smaller, lesser-known insurers seeking to gain market share.
- Insurance buyers and their brokers are leveraging competitive pressure to maintain favorable terms, even as larger insurers test small rate increases.
- Entity investigation coverage remains available, typically at a small additional premium and with flexibility around structure and coverage breadth.
- Competition generally still exists in excess layers and is more likely lower in the excess tower. Improvements to pricing, especially for coverage, may be well received by insurers. Some insurers may offer premium concessions or limited sublimit drop-downs to secure participation in the tower.
- Total federal and state securities class action filings have held steady since 2021, averaging about 210 to 225 core filings per year. In the first half of 2025, there were 111 core filings, while M&A-related cases remained at historic lows of fewer than five per half-year, according to Cornerstone Research's 2025 Mid-Year Assessment—Securities Class Action Filings.

Emerging risks

AI-related securities litigation is evolving, with a growing number of shareholder claims. These filings involve companies that develop AI models, produce AI infrastructure, or use AI in their business operations. The allegations concern AI itself, such as misrepresentations or failures to disclose AI-related risks. Cases also include claims tied to machine learning, autonomous driving, and other AI applications.

- According to the Cornerstone Research 2025 Mid-Year Assessment—Securities Class Action Filings, there were 12 AI-related filings in the first half of the year, on pace to surpass the 15 filings in 2024.
- Layoffs and activist shareholder pressure contribute to D&O and EPL exposure, particularly when public companies miss guidance or restructure operations.
- Public companies continue to face evolving exposures from tariffs, interest rate volatility, and labor cost inflation.

Summary of trend filings–core federal Filings 2021-2025 H1



Source: Cornerstone Research 2025 Mid-Year Assessment—Securities Class Action Filings

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

Rate trends

- Rates generally remain **flat and at aggressive pricing levels** within a flexible appetite environment.
- No meaningful firming has been observed outside of individual risk circumstances. There is more than adequate capacity in the market.

Conditions and observations

- Insurers seek to be very competitive on pricing and are generally open to offering broader terms.
- Many insurers are shifting their book growth focus from public to private companies due to a more favorable market environment and profit outlook.
- Declinations from insurers are not uncommon when pricing is below acceptable levels and occur more frequently in excess layers.
- $1 million in defense costs outside the limit (shared among all coverages) remains available for small and mid-sized accounts.
- The soft market is allowing for broader coverage and additional sublimits, such as entity investigation, to be included.
- M&A activity is increasing, fueled by a more business-friendly regulatory environment that has relaxed scrutiny on acquisitions.
  - More insurers are now willing to quote stand-alone runoff ("naked tail") coverage, reflecting greater flexibility and competition for post-transaction exposures.
  - The uptick in consolidations is increasing change-in-control exposures, underscoring the importance of how D&O policies respond during ownership transitions. For a change in control at our client, absent an insurer waiver, conversion to run-off (i.e., the cessation of ongoing wrongful act coverage) is automatic. The need for tail coverage versus an insurer-approved waiver of conversion to run-off will need to be reviewed with the client. The following change-in-control situations require additional information to make informed decisions:
    - Mergers/acquisitions (insured is acquiror): Evaluate applicability of automatic coverage thresholds
    - Sale of > 50% of voting stock
    - Emergence from bankruptcy (produces a change in control)
    - Public company spin-off of a subsidiary via IPO or tax-free spin-off
    - Creation of a new subsidiary (automatic coverage?)
    - Adding a new professional service (under an E&O policy)

Emerging risks

Private firms continue to face meaningful risks, as outlined in a report by Munich Re:

- Economic volatility and balance-sheet stress are key risk drivers. Private firms under strain—taking on debt, missing targets, or undergoing restructuring—can trigger D&O claims, including those related to bankruptcy or fiduciary exposure.
- Private companies dominate the employer base, making them highly exposed to employment claims, risks of layoffs, generational conflict, and employee fraud or dishonesty during economic stress.
- Third-party litigation financing, aggressive venue selection, and jury anchoring contribute to outsized verdicts and elevated liability risk for private directors and officers.
- Regulatory and fiscal uncertainty is heightened by shifting trade policies, new statutes, enforcement changes, and instability in capital markets, all of which increase D&O risk profiles for private companies.

Employment practices liability (EPL)

Rate trends

The EPL market is **stable and competitive**, though in certain risk characteristics, insurers may push for modest rate or retention increases, depending on a client's geographic location and claims history.

Conditions and observations

- Wage and hour claims remain an ongoing challenge:
  - Domestic sublimited coverage is available for defense costs; however, no stand-alone wage and hour full-limit (including indemnity) coverage is currently available.
  - Bermuda markets offer wage and hour solutions, but at very high premiums and retentions.
- Claims activity related to wrongful termination and discrimination remains steady, but class actions tied to wage and hour and retaliation issues continue to drive EPL litigation.
- Biometric exclusions in policies are becoming standard.
- Social inflation and jury sympathy toward employees are escalating EPL settlements and verdicts, especially in large accounts. According to SOMPO, the cost of employment litigation has risen significantly since 2021. Key SOMPO findings include:
  - Pre-pandemic employment litigation awards generally tracked with employee compensation, with damages based largely on actual and projected lost wages. From 2015 to 2019, punitive and other exemplary damages accounted for about 30% of total awards. In contrast, between 2020 and 2023, they rose dramatically to 62%, surpassing compensatory damages and signaling a shift toward more punitive jury behavior.
  - While a very low percentage of employment litigation goes to trial, the threat of punitive damages can meaningfully raise settlement values.

Impact of social inflation on damage awards

$229M
In peak damages 2015-2019

30%
In punitive and other exemplary

$598M
In peak damages 2020-2023

62%
In punitive and other exemplary

Source: Sompo

Emerging risks impacting employees and the EPL market

- **Pay transparency laws** are emerging as a major new exposure—now being legislated at the state and local levels.
  - Employees can more easily identify pay gaps, which may lead to discrimination and class-action claims.
  - EPL policies may cover only damages for discrimination, not civil penalties or wage and hour violations, so coverage is limited or uncertain.
  - Marsh continues to push back on exclusions for pay transparency, sublimits, and coverage denials, seeking the broadest possible application of EPL coverage.
  - Employers should proactively implement compliance programs to align pay practices with legal requirements and maintain thorough documentation of compensation decisions and policies. Clients should consult their legal counsel for advice specific to their circumstances.
- **The EEOC's directive to close disparate impact charges** by September 30, 2025, could trigger a rise in lawsuits within 90 days.
  - Employers must report EEOC charges promptly to maintain coverage, as late notice could lead to claim denials.
- **Allegations of wage fixing in the agriculture and energy industries:** Energy industries are generating class actions and regulatory investigations. These claims are typically excluded under EPL policies as antitrust matters, with potential coverage falling instead under the D&O policy, which is rarely offered broadly for the entity and often has narrow defense-cost limits and high retentions.
  - Clients should review their policies for any exclusions and sublimits related to antitrust coverage.
- **Layoffs and reduction-in-force (RIF)** activity are expected to increase EPL claims in 2025–2026, particularly for public companies with layoffs due to missed earnings guidance. Clients who have had a RIF in the last year should provide, when requested in the application, the following to their EPL insurer to ensure the best results:
  - Date, number of affected employees, and state(s) where layoffs will occur.
  - What percentage of employees impacted by the RIF received severance and signed a waiver? For an expected RIF, will affected employees be offered severance in exchange for a waiver?
  - Advise the insurer if an adverse impact analysis to determine the RIF's effect on protected classes (based on race, sex, age, etc.) has been conducted.

Crime

Rate trends

Crime insurance rates continue to remain **overall stable**, with more competitive terms and capacity, though rates may rise in specific industries, such as technology, fintech, and private equity.

Conditions and observations

- Social engineering fraud continues to be a meaningful and frequent source of claims.
- The London market continues to introduce innovative crime products.
- Stand-alone social engineering fraud policies are being introduced in the marketplace.
- Limits for excess social engineering fraud coverage have increased.
- Accounts with higher revenues (over $1 billion) or significant foreign exposure continue to face underwriter scrutiny.
- Multi-year options, including three-year policies, remain available, generally for smaller-sized risks.

Fiduciary

Rate trends

The fiduciary market remains stable, producing **flat to slightly decreased premiums**. Flat renewals are the norm.

Conditions and observations

- Retentions are rising for certain exposures, particularly excessive fee and mass class action claims.
- Accounts with plan assets ≥ $250 million are seeing significantly higher separate retentions for excessive fees or class actions.
- Regulatory activity could alter the market in the future, but for now, conditions remain stable. What to watch for:
  - Private equity investments as 401(k) options raise potential suitability and monitoring concerns.
  - Courts are scrutinizing fiduciary oversight and investment selection processes more closely.
  - Growing attention to AI integration in health claims management under ERISA plans. Potential exposures relate to lack of human oversight in AI-based claim decisions and insufficient data governance by TPAs.
  - Stricter guidance on AI use, transparency, and fiduciary responsibility.

Claims trend: ERISA and AI

As health insurers and third-party administrators accelerate the integration of artificial intelligence (AI) and machine learning into claims management, utilization review, and prior authorization processes, the landscape is evolving rapidly. While these technological advancements promise increased efficiency, they also introduce significant new risks for employers and plan sponsors governed by ERISA. Staying ahead of these developments is critical to safeguarding fiduciary responsibilities and maintaining trust.

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What we're seeing

- **Litigation and class actions:** Courts are increasingly scrutinizing AI-driven claims decisions, with plaintiffs alleging violations of ERISA fiduciary duties. Claims often focus on the lack of individualized review and insufficient oversight, and some cases are progressing through litigation, signaling a potential legal shift.
- **Regulatory scrutiny:** Federal and state regulators are stepping up guidance on AI use, emphasizing transparency, human oversight, and nondiscrimination. This regulatory environment is expected to tighten further, requiring proactive compliance.
- **Data oversight gaps:** Many employers lack visibility into how their claims vendors deploy AI and the governance measures in place. This lack of transparency creates blind spots that could expose plans to legal and operational risks.

Implications for employers and plan sponsors

The adoption of AI in claims processing presents a complex challenge. Under ERISA, fiduciaries are obligated to exercise prudent oversight—delegating claims handling to vendors does not absolve this duty. Relying heavily on automated decision-making can inadvertently increase claim denials and appeals, strain HR and benefits teams, and risk reputational damage if employees perceive the process as unfair or biased.

Moreover, there is heightened legal exposure: systematic disadvantages or a lack of individualized review in AI-driven processes could lead to allegations of fiduciary breach. This risk extends beyond health plans to encompass a wide array of ERISA-governed programs, including retirement, disability, and other employee benefit plans. To mitigate these risks, proactive governance, continuous monitoring, and transparent practices are essential. Demonstrating diligent oversight not only reduces legal exposure but also reinforces a commitment to fair, compliant claims administration.

Recommended actions

Employers and plan sponsors should take decisive steps to manage AI-related risks effectively:

- **Engage vendors transparently:** Request detailed explanations of where and how AI is used in claims decisions, along with performance metrics such as denial and reversal rates.
- **Establish oversight:** Develop and document governance processes to monitor outcomes, especially in categories with high denial volumes. Regular audits and reviews are vital.
- **Prioritize human oversight:** Ensure adverse determinations include meaningful clinical evaluation and individualized reasoning rather than relying solely on automated decisions.
- **Strengthen contractual protections:** Incorporate audit and indemnification clauses, as well as transparency requirements for AI deployment, into vendor agreements.

By proactively implementing these measures, employers and plan sponsors can effectively navigate the evolving AI landscape and safeguard against legal and operational risks. Demonstrating diligent oversight and transparency not only ensures compliance with ERISA fiduciary duties but also reinforces trust with participants—ultimately protecting the integrity of your plans and fostering confidence in your claims processes.

Errors and omissions (E&O)

Rate trends

- The E&O market is **flat or averaging a slight rate increase**, with plenty of capacity.
- There is ample capacity for lawyers' professional liability, and pricing is generally flat.

Conditions and observations

- The E&O market is closely monitoring emerging risks, such as artificial intelligence and blockchain. Insurers are developing specialized coverage options to address these evolving risks.
- Securing E&O coverage for property managers or real estate developers in the residential sector remains challenging.

04

Cybersecurity and data privacy

The cyber market remains strong and continues to favor buyers, even in an evolving risk environment. Insurers are offering improved coverage flexibility, competitive pricing, and an expanded appetite for AI-related technology services, along with significantly improved quote turnaround times.

Clients are encouraged to continue improving their knowledge of cyber hygiene, vendor risk management, identity access control, and data lifecycle management. There is also increased focus on tabletop exercises and incident preparedness to test both operational and insurance program responses.

MMA's Cybersecurity Advisory Services team recently joined forces with vendor risk management partners to discuss the importance of businesses understanding the risks associated with tracking tools like pixels and cookies that help with marketing and analytics. Regulators are increasing scrutiny of these tools, which are facing legal challenges. Watch the webinar replay here.

Rate trends

The Marsh Q3 2025 U.S. Cyber Insurance Index shows **rates declining by an average of 1%**, marking the 10th consecutive quarter of rate reductions.

Conditions and observations

- Competition continues to accelerate as rates decrease, with insurers willing to increase capacity and provide options for lower self-insured retentions (SIRs).
- Market stabilization has clients evaluating their current program structures and increasingly purchasing higher limits.
- According to a Moody's survey of 102 companies, insurers worldwide continue to prioritize and require cybersecurity controls. Many insurers expect improvements year over year.
- Ransomware remains a major cyber threat, but the way claims are handled is changing. Insurers and regulators are increasingly discouraging "data suppression" payments, which are made solely to cyber thieves to prevent the release of stolen information. Paying the demands does not relieve an organization of its legal duty to notify affected parties or regulators of a breach.
  - Insurers and reinsurers are closely monitoring loss ratios due to the continued uptick in ransomware claims.
- Third-party and systemic cyber risks persist due to client dependency on vendors and technology partners, especially for middle-market firms.
  - According to a recent SecurityScorecard study, 35.5% of all breaches in 2024 were attributed to attacks on third parties. This includes vendors that offer IT services, cloud platforms, and software solutions.
  - 41.4% of ransomware attacks involved third-party access, with the C10p ransomware group responsible for the largest share, primarily exploiting file transfer and remote access software.
- **Wrongful collection and privacy risks:**
  - Insurers are expressing increasing concern about wrongful collection or the sharing or use of personal data.
  - The market response to wrongful collection coverage remains inconsistent, with insurers adding new underwriting questions on data classification, tracking, and consent management.
  - It's important to be aware of the various state comprehensive and industry-specific privacy laws with which businesses need to comply:
    - Understand where and how data is being used.
    - Measure potential loss.
    - Mitigate risk and make transfer decisions based on risk tolerance.
    - In addition to state laws, be aware of global regulations.

Conditions and observations (cont.)

- Marsh's Website Tracking Risks Client Advisory provides guidance on how third-party tracking technologies can expose organizations to privacy, regulatory, and litigation risks. It also outlines steps to mitigate those exposures through compliance, controls, and insurance review. The advisory provides the following:
  - How third-party tracking tools can unintentionally expose organizations to privacy and regulatory violations, including the Health Insurance Portability and Accountability Act (HIPAA), the Family Educational Rights and Privacy Act (FERPA), the Children's Online Privacy Protection Act, and other evolving privacy regulations
  - Common tracking methods, such as session replay and pixel technology, and how they can capture sensitive user data
  - Mitigation strategies, including consent banners, vendor agreements, and regular website audits
  - Importance of reviewing cyber and privacy liability policies for potential coverage gaps

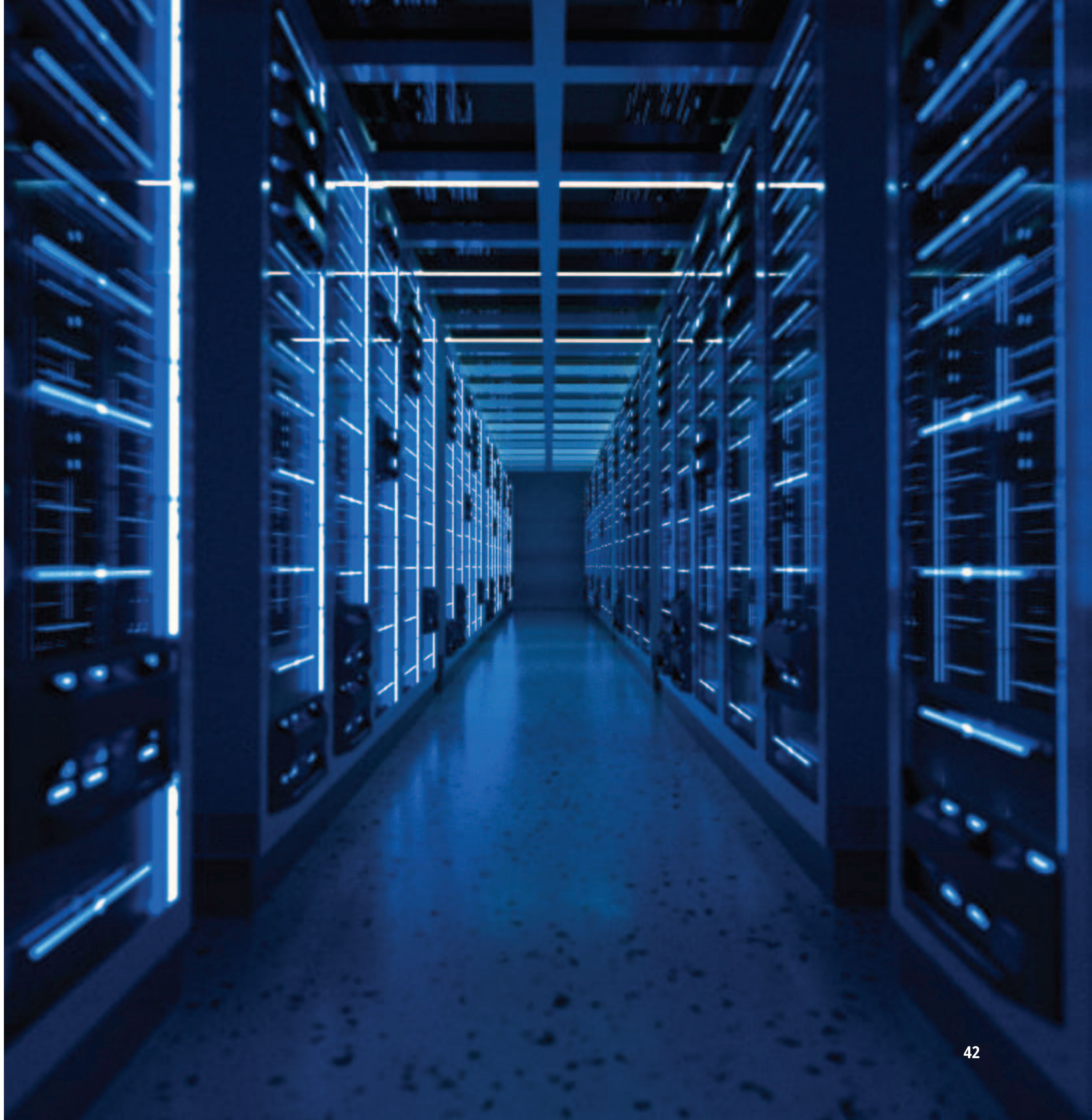
- **Generative AI:**
  - Business owners are demonstrating growing demand for insurance protection against risks related to generative AI (GenAI), with many willing to pay more for this coverage, according to a survey by the Geneva Association.
  - Addressing generative AI-related exposures may be a matter of assessing the extensions of risks you already understand, and your insurance products may already cover. Consider looking at the generative AI landscape as an evolution, rather than a revolution as stated in a recent Marsh Business Insurance article.
  - AI-related exposures can often be addressed under existing technology errors and omissions (E&O) or policies that combine tech E&O and cyber rather than through stand-alone AI policies.
  - Insurers have introduced endorsements extending coverage to AI-related incidents, including regulatory issues under the European Union's AI Act and risks like data poisoning.
  - The market is also exploring second-generation policies designed for AI developers, offering performance guarantee coverage.

Current cyber threat trends

- **835 data compromises in Q3 2025 led to approximately 23 million victim notices.**
  Source: ID Theft Resource Center - ITRC
- **Of the 835 data compromises, 691 were attributed to cyberattacks, 46 to system and human error, 19 to physical attacks, and 33 to supply chain attacks.**
  Source: ITRC
- **Ransomware activity reached a new record in Q3, rising 36% from the same period in 2024, with 270 publicly disclosed attacks. Healthcare was the most targeted industry.**
  Source: Industrial Cyber, Black Fog
- **Microsoft accounted for 40% of all phishing impersonations in Q3, followed by Google and Apple.**
  Source: Check Point
- **Cybercrime costs are projected to reach $10.5 trillion in 2025.**
  Source: DeepStrike

Tech E&O

- Recent high-profile events underscore the importance of integrated coverage that addresses cyber liability, business interruption, and professional liability exposures.
- Underwriters are increasingly asking about operational technology (OT) controls **and** segregation from information technology (IT) to evaluate whether a company's industrial systems (such as manufacturing or process control equipment) are adequately isolated from its IT network, given the risk of OT losses.
  - Prior cyber incidents have shown that attacks originating in IT can spread into OT environments, causing costly physical damage, business interruption, and safety hazards.



Cyber claim trend insights

Understanding, measuring, and managing third-party cyber risks.

60% of organizations work with more than 1,000 third parties	**71%** of organizations report their third-party network contains more vendors than it did three years go	**73%** of organizations have experienced significant disruption caused by a third party, whether it be a data breach or ethical violation	**73%** of organizations say their third parties have more access to organizational data assets than three years ago	**80%** of organizations report their due diligence questionnaires have expanded in recent years

Source: OneTrust

As businesses expand their digital ecosystems, relying on cloud vendors, managed IT providers, and SaaS platforms, their exposure to vendor-based vulnerabilities has grown dramatically. Many organizations now engage with hundreds or even thousands of third parties, and more than 70% report that those vendors have greater access to data than ever before. Measuring this exposure requires mapping the entire vendor ecosystem, including “fourth-party” dependencies—the vendors of your vendors—and quantifying the operational and financial impact if a critical service provider experiences a breach or outage.

These risks manifest in multiple ways:

- A ransomware attack against a cloud service provider can halt operations for all dependent clients, triggering contingent business interruption and recovery costs.
- A payroll processor’s breach might expose employee data, forcing the client company to notify affected individuals and regulators despite no compromise of its own systems.
- Vulnerabilities in file-transfer or remote-access software can cascade through supply chains, spreading disruption far beyond the initial target.

Each example highlights a central truth: an organization’s cyber resilience is only as strong as its weakest vendor.

Recommended actions

To manage and reduce third-party cyber risk, we recommend clients implement the following:

- **Prioritize critical vendors:** Identify which third parties are essential to operations, revenue, and data security.
- **Conduct due diligence and continuous monitoring:** Evaluate vendor cybersecurity practices as you would your own operations before onboarding and monitor performance regularly.
- **Quantify exposure:** Use financial and operational modeling to estimate potential losses from vendor-related incidents.
- **Strengthen contractual protections:** Require vendors to maintain cyber insurance, adhere to defined security standards, and provide prompt incident notification.
- **Include suppliers in incident response planning:** Test business continuity and breach response through tabletop exercises simulating vendor outages or attacks.
- **Ensure insurance alignment:** Review cyber policies to confirm coverage for contingent business interruption and supply-chain-related losses.

05

Additional trends and observations

Aviation

Rate trends

We continue to see meaningful **rate reductions** in Q3 for accounts with clean loss records over the last five years.

Conditions and observations

- Despite several high-profile losses in the first half of 2025, plenty of capacity is available. This bodes well for continued market stability and orderly January 1 renewals, according to Guy Carpenter.
- Increased capital and reduced reinsurance rates are creating new aviation markets and enabling existing markets to remain competitive by offering overall rate reductions.
  - Reinsurers are leveraging cedant relationships to maintain or expand their market share, and there is growing interest in aviation from some specialty reinsurance markets (Guy Carpenter).
- Uncertainties surrounding aircraft losses tied to the Russia-Ukraine conflict were partially resolved by a UK High Court ruling in June, though discussions between reinsurers and clients are expected to continue (Guy Carpenter).
- Owner-flown turbine aircraft are seeing significant premium relief due to increased capacity and market competition.
- Single-pilot operations of turbine aircraft are also seeing more favorable conditions on hull values in the $5 million to $10 million segment on a 100% basis.
- Increased competition for non-critical aviation product liability is bringing rate relief.
- Markets are becoming more selective when a client's risk profile shifts, whether it's an inexperienced pilot taking the helm as a new captain or operations extending into higher-risk or non-U.S. territories.
- While much of the aviation market is softening, insuring property located on airport premises, such as hangars and service buildings, remains more challenging, with fewer markets showing appetite for these higher-risk exposures.

Environmental

The environmental market is extremely favorable, with positive conditions expected to continue through 2026. It's a good time to consider purchasing coverage, increasing limits, or negotiating restrictions in current coverage.

Rate trends

Average rates ranged from **-5% to 0% (flat)** for contractors' pollution liability; **-5% to +15%** for contractors' pollution liability/professional liability coverage; **-5% to +5%** for site pollution; and **-5% to +15%** for combined-form liability.

Conditions and observations

- Insurers are aggressively pursuing business. Accounts marketed at renewal could see an increase in coverage and a significant reduction in premium.
  - Excess liability capacity for combined-form business was noticeably easier to access in Q3, even for accounts with large fleets, heavier exposures, or losses. Many direct markets were willing to readily deploy capacity again, and wholesale brokers were utilized less to achieve the same or better results at renewal. As a result, many accounts were able to afford higher excess limits at a reduced premium or better terms than in previous years.
  - Environmental insurers are holding firm on requiring more underwriting information up front, and clients should plan to provide an enhanced submission to receive the most favorable terms.
  - The market for contractors' professional liability, when combined with pollution liability, has noticeably softened again, with new insurers working to offer coverage by the end of the year.
- Coverage for silica dust and related respiratory issues remains difficult to find. General liability insurers are adding exclusions for silica or non-renewing accounts with exposure, and many environmental insurers are declining to offer affirmative coverage for companies with potential silica products on site.
- Per- and polyfluoroalkyl substances (PFAS) coverage remains available and is expected to continue into next year, even for accounts with PFAS in products, on-site, or encountered in operations.

International

Conditions and observations

- Global insurers are becoming more conservative, with waning interest in underwriting tougher liability risks. However, London remains a vibrant market for hard-to-place exposures, including in Israel, Ukraine, and various African countries.
- Foreign direct investment (FDI) remains strong, with a growing number of international firms expanding into the U.S. through new plant construction, acquisitions of existing facilities, and the establishment of sales operations.
- There is an uptick in global cargo/stock throughput programs as insureds store products or supplies in foreign warehouses for local or regional sales or service efforts.
- European-based carriers are becoming more active with U.S.-based global accounts.
- Regulations are tightening globally for professional lines coverages, requiring "local" policy issuance, particularly for cyber.
- Coverage territories on foreign package and business travel accident (BTA) policies are becoming more restrictive due to various global conflicts.

Small commercial market insights

The small commercial insurance market continues to stabilize in Q3 2025, with property rate increases moderating. This is good news for insureds after several years of a hard market. The casualty market, particularly general and excess liability, remains challenging due to social inflation, which is driving up claims costs, verdicts, and settlements. In contrast, the workers' compensation and cyber liability markets continue a softening trend.

Impact of tariffs

Businesses of all sizes have adjusted to the tariff environment by raising prices and renegotiating with suppliers. Many large retailers have proven resilient, showing minimal impact on profitability or growth forecasts, according to an article in CNBC.

However, the article notes that small businesses are feeling the strain of increased tariffs more acutely. With thinner margins, less diversified supply chains, and limited leverage with vendors, they have fewer options to offset rising costs and protect profitability.

According to the small businesses CNBC interviewed, owners expect to manage higher costs from tariffs by raising prices but only if it doesn't lead consumers to buy less, which most are already starting to see.

Government shutdown

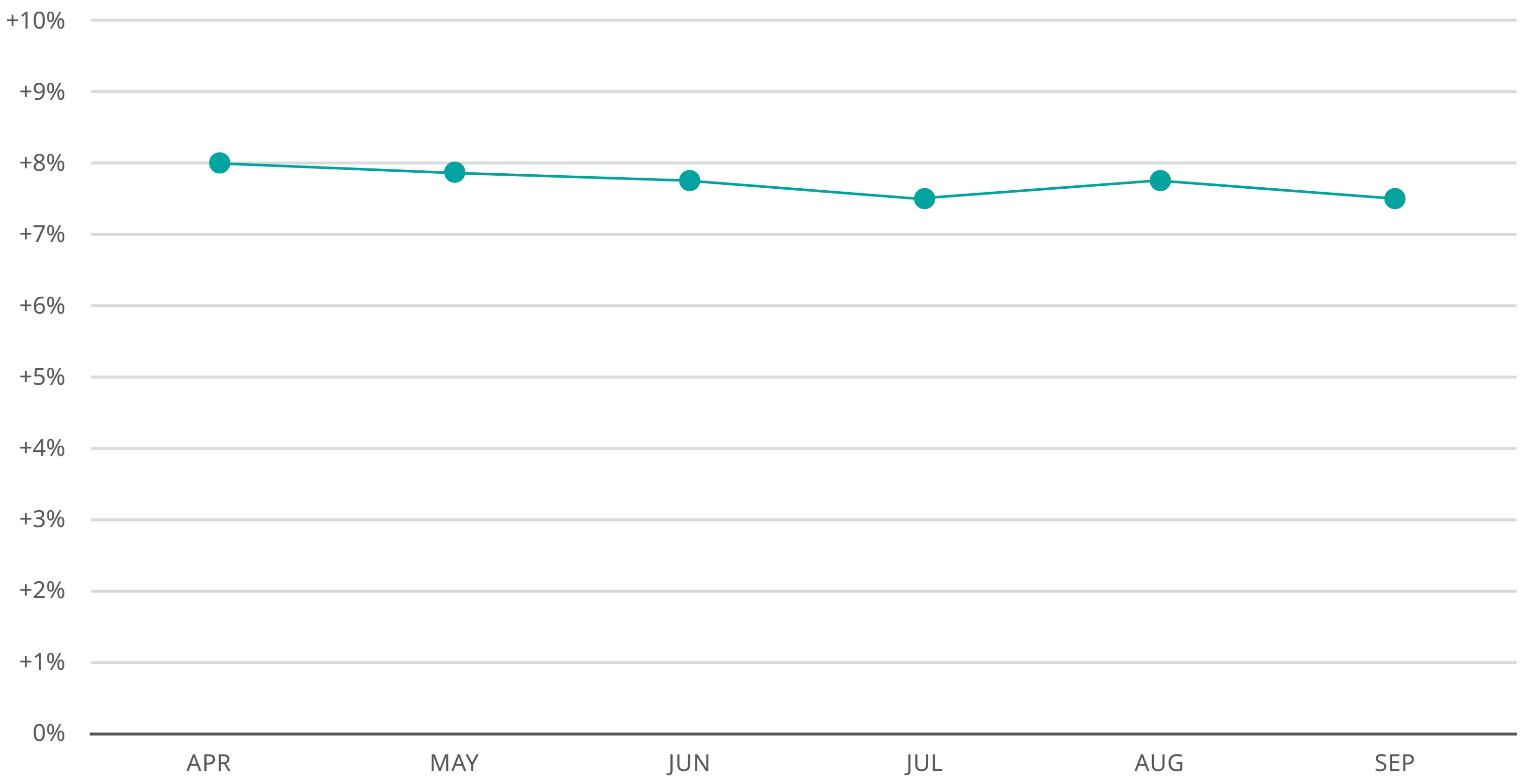
The U.S. Chamber warned in mid-October that the federal shutdown is inflicting deep and lasting damage on small businesses and broader economic growth. Neil Bradley, the Chamber's executive vice president and chief policy officer, says, "The government shutdown is harming small businesses and costing American economic growth that can't be recovered."

Companies are already reporting delayed permits, canceled contracts, and disrupted client flow, while regulatory backlogs and job-flow interruptions are accumulating into a ripple effect that will slow growth beyond the immediate shutdown window.

Rate trends

The IVANS Index reports average business owner policy (BOP) rate increases of **7.46%**, down 0.28% from the previous quarter, reflecting a modest softening trend.

IVANS Index premium renewal rate change trend – last 6 months



Below are baseline Q3 trends from IVANS. Umbrella/excess and general liability rates have shown an uptick, while property rates have decreased.

7.11%
Property
(a 1.08% decrease from Q2)

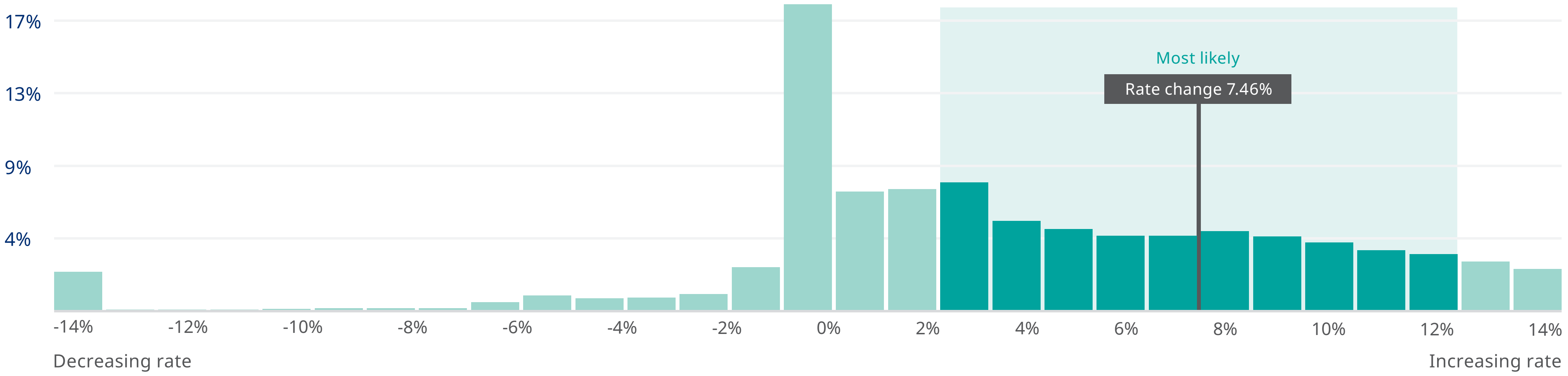
6.78%
General liability
(a 1.99% increase from Q2)

7.65%
Automobile liability
(a 0.77% decrease from Q2)

9.12%
Umbrella
(a 0.43% increase from Q2)

-1.32%
Workers' compensation
(a 0.29% increase from Q2)

IVANS Index premium renewal rate change distribution – September



Conditions and observations

Property:

- While the overall market is experiencing a deceleration in rate increases and there is more capacity, coastal property remains difficult to place, especially with admitted insurers.
- Insurers are beginning to relax some of their building age restrictions and are reconsidering previously declined submissions for risks that have clean loss histories and can support higher premium levels.
- Property mortgage lenders in certain areas, such as Florida, are imposing strict guidelines that can be difficult to meet.

General liability:

- Clients are still being impacted by rate increases. In addition, underwriters are requiring additional supplemental applications to review and provide quotes close to expiration.
- Insurers' appetite is shrinking for trade contractors working on multifamily housing or tract homes.
- Insurers continue to exclude assault and battery (A&B) coverage for HOAs and restaurants.

Automobile liability:

- Clients continue to be impacted by increases, including for schedules under five units.
- Stand-alone HNOA (hired and non-owned automobile) is challenging and expensive to place, with insurers continuing to non-renew this line of business due to changing appetite or poor loss ratios. Insurers are willing to entertain HNOA coverage if they write the other lines of coverage and will also consider some scheduled automobile on a case-by-case basis.

Umbrella/excess liability:

- Insurers remain cautious about sitting over commercial automobile exposures and are charging significantly higher premiums when they do.

Workers’ compensation:

- Overall pricing remains steady in a competitive market.
- We continue to see restrictions for certain classes of business (temporary staffing, construction, transportation, etc.) while insurers continue to open up other classes of business in an effort to increase business by year-end.

Management and executive liability:

- Supplemental applications for management liability quotes are lengthy and require broker assistance with insureds.
- Cyber pricing continues to soften, with insurers more aggressive at renewals.

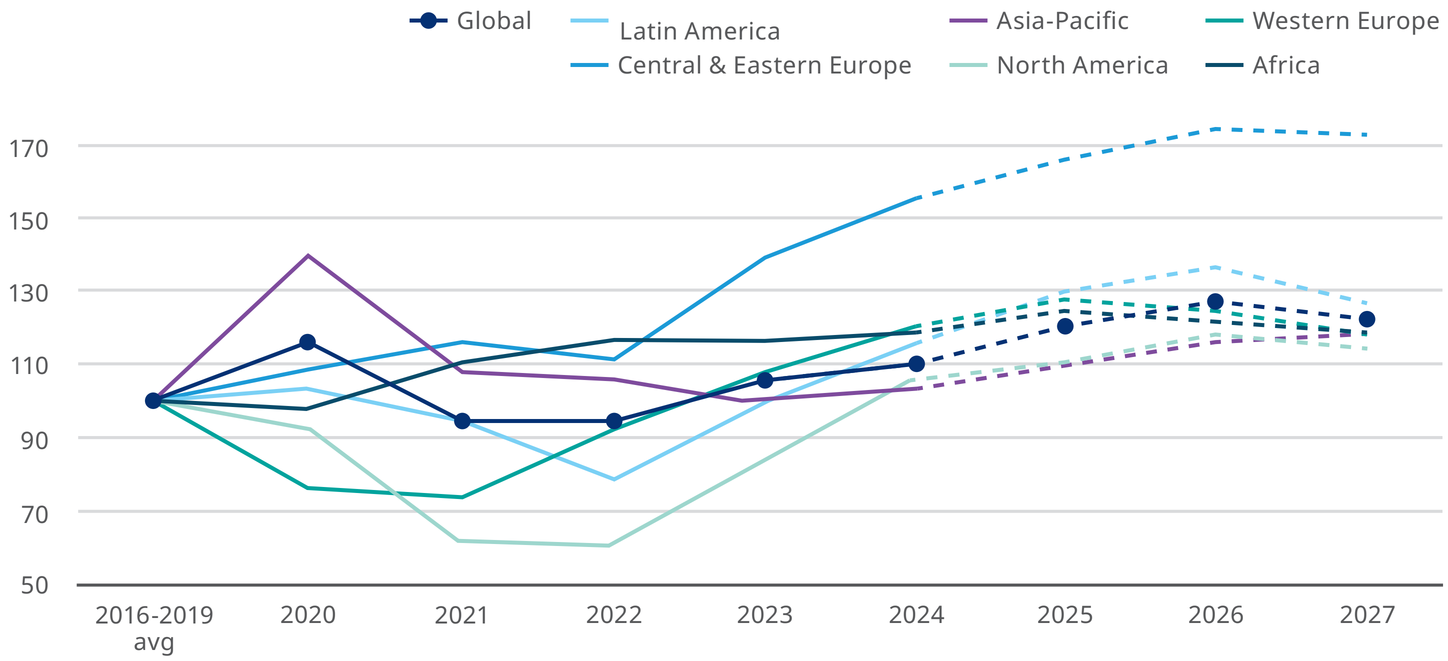
Trade credit insurance (TCI)

Trade credit insurance rates in Q3 remain **flat** for the time being, driven by market competition. The push for retention and new business in the TCI market is high, viewed as a way to mitigate losses from earlier in the year.

Conditions and observations

- The broader market for trade credit insurance is forecast to grow strongly, reaching $13.34 billion in 2025 (up ~9.3% from 2024), according to one study.
- However, insurers are noting increasing numbers and sizes of claims (e.g., leading insurers have reported double-digit increases in claim counts and amounts).
  - In North America (including the U.S.), increasing insolvencies and rising non-payment risk are driving stronger demand; for example, one major carrier reported a ~41% increase in insolvency rates.
- Regulatory changes, trade tensions, and an evolving global credit environment add complexity and increase firm underwriting on buyer risks. This effect has increased the cost of associated fees outside of the premium.
- Carriers are redeploying coverage away from the weakest credits and toward more diversified portfolios; granular exclusions are expected, as are higher use of deductibles and retention changes.

Global and regional insolvency indices, yearly level, basis 100: 2016-2019 avgerage



Source: Allianz Trade Global Insolvency Report

Technology investment:

- Continued digital adoption is improving business accessibility while automating key operations, such as underwriting and claims.
- Carriers are deploying new products to support growth for both new and current clients.
  - New products are emerging, such as e-commerce/ B2B Buy Now, Pay Later (BNPL) and embedded payments.
  - Integrated API coverage is becoming more common.
  - Single-transaction (STCI) and single-situation coverages are now being offered by the largest carriers.

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.

Special thanks to our MMA Business Insurance market trends contributors:

Adam Adamson, Makeleta Berry, Nick Bertke, Alisa Bishop, William Cilente, Kelly Ciprian, Lisa Dickinson, Mike Dower, Tim Gallagher, Julianne Graves, Ryan Hale, Mike Henning, Hannah Hoeflinger, Ryan Hurtado, Eyad Kabbani, Angela Lee, Ann Longmore, Darleen Madden, Tarra Moxley, Aaron Newton, Mario Paez, David Parker, Karen Parker, Cindy Rains, Beth Romanowski, Matthew Ross, Dawn Simmons, Jay Shelton, Kyle Sperl, Cindy Stauffer, Cory Watson, Kayla Wheatley, Kyle White, Joe Williams, Matthew Wright, and Lydia Zaharia.

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