



Marsh McLennan
Agency

Q4 2025 U.S. Business Insurance Market Observations

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Overview

According to the [Q4 2025 Marsh Global Insurance Market Index](#), rate moderation across the property and casualty market continued, with pricing trending downward in most major lines. Rate softening remains in commercial property, professional and financial lines, cyber, and workers' compensation, while automobile liability and excess casualty continue to face upward pricing pressure driven by ongoing litigation trends.

"January 1, 2026, reinsurance renewals indicate a significant decrease in catastrophic property rates, among other lines of coverage," underscored Adam Balentine, president of Marsh McLennan Agency's National Business Insurance. "The downstream impact of this means that we should expect a much 'softer' rate environment in property, specialty lines, and international casualty markets—where capacity and appetite open up, rates continue to decline, and terms and conditions are negotiable. U.S. casualty lines are still expected to be an outlier in the soft market, especially in certain industries where nuclear verdicts and legal system abuse have deteriorated insurers' profitability."

The cost of risk continues to rise

While the insurance landscape has generally improved for buyers, the cost of risk continues to rise, as John Doyle, president and CEO of Marsh, noted in our previous update. In his [interview](#) at the World Economic Forum (WEF) Annual Meeting 2026 in Davos with Alan Murray, president of the WSJ Leadership Institute, Doyle emphasized that today's risk environment is shaped by geopolitical fragmentation, accelerating technological change, and climate volatility—all of which are placing increasing pressure on global trade and corporate balance sheets. Marsh is a strategic WEF partner.

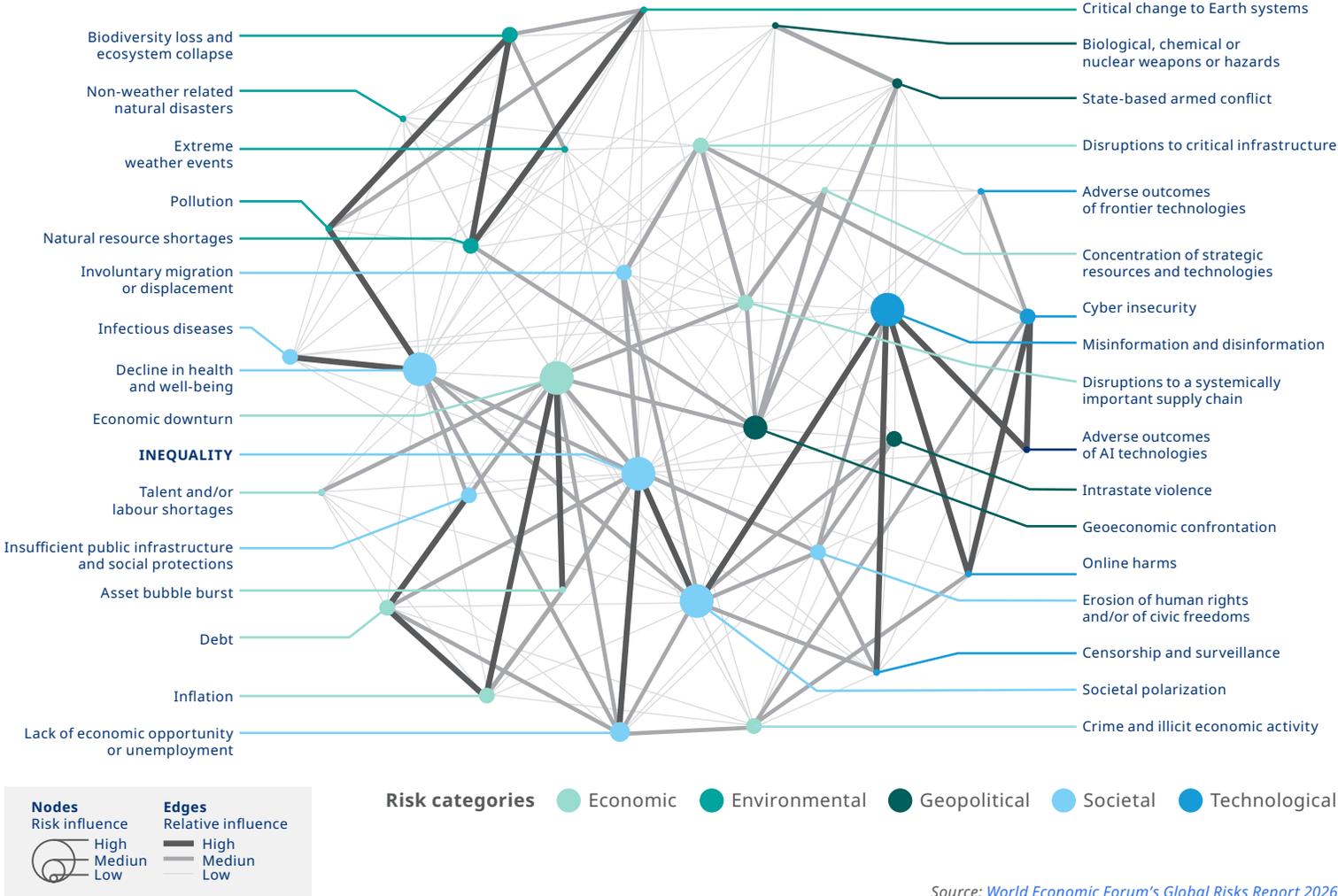
Doyle noted that geopolitical uncertainty continues to heighten concern over supply chains and trade flows, while cyber threats, amplified by AI, are becoming more frequent and consequential. At the same time, climate-related events are no longer episodic shocks but a persistent source of loss, with insured weather-related losses exceeding \$100 billion annually in recent years, according to industry reports. Despite these headwinds, Doyle expressed cautious optimism about the economic outlook, citing continued investment, resilient demand, and AI-driven productivity as key supports heading into 2026.

“There is a lot of complexity in the world right now—geopolitics, climate, cyber—but the economy has been remarkably resilient. I’m relatively optimistic for a good year ahead, even as these risks continue to evolve,” said Doyle.

Top global risks

The [World Economic Forum’s Global Risks Report 2026](#) describes a global risk environment characterized by interconnected, compounding threats rather than isolated events. In the near term, geopolitical fragmentation, misinformation, cyber insecurity, and extreme weather are already creating tangible disruption across economies and societies. Over the longer horizon, climate-related risks, ecosystem degradation, AI-driven disruption, and resource constraints will move to the forefront, reshaping the global operating environment. The report emphasizes that the pace and scale of these risks are accelerating faster than traditional governance and risk management frameworks can adapt.

Global risks landscape: an interconnections map



Source: [World Economic Forum’s Global Risks Report 2026](#)

2-year outlook (2026-2028)

- **Geoeconomic confrontation:** After a year of heightened uncertainty over trade policy, there is growing recognition of the escalating use of economic and political instruments such as sanctions, regulations, capital restrictions, and weaponization of supply chains—as tools of geoeconomic strategy.
- **Misinformation and disinformation:** The rapid spread of false or manipulated information, increasingly enabled by AI, is undermining trust in institutions and markets.
- **Societal polarization:** Deepening social and ideological divides are weakening governance and amplifying other risks, including misinformation and instability.
- **Extreme weather events:** More frequent and severe events are causing immediate economic losses, infrastructure damage, and business interruption.
- **State-based armed conflict:** Ongoing conflicts continue to threaten global security and generate spillover effects across energy, commodities, and logistics.
- **Cyber insecurity:** Cyber risk remains a persistent near-term concern, with growing exposure tied to digital concentration and third-party dependencies.
- **Inequality:** Economic and social disparities are intensifying pressure on institutions and reducing overall resilience.
- **Erosion of civic freedoms:** Shrinking civic space and regulatory uncertainty are complicating operating environments in multiple regions.
- **Pollution:** Acute and chronic pollution are driving health, environmental, and regulatory challenges worldwide.
- **Involuntary migration or displacement:** Conflict, climate impacts, and economic instability are driving population displacement and straining public systems.



10-year outlook (2026-2036)

- **Extreme weather events:** These are the most severe long-term risks, with escalating frequency and far-reaching economic and societal consequences.
- **Biodiversity loss and ecosystem collapse:** Degradation of natural systems threatens food security, water availability, and economic stability.
- **Critical changes to Earth systems:** Large-scale environmental shifts could accelerate climate impacts and undermine long-term resilience.
- **Misinformation and disinformation:** Continued erosion of trust poses long-term risks to governance, markets, and social cohesion.
- **Adverse outcomes of artificial intelligence:** AI-related risks are rising sharply over time, driven by governance gaps, misuse, and unintended consequences.
- **Natural resource shortages:** Water stress and competition for critical resources increase economic volatility and geopolitical tension.
- **Inequality:** Persistent inequality remains a structural risk that limits societies' ability to respond to shocks.
- **Cyber insecurity:** Cyber risk will remain embedded over the long term as digital dependence deepens.
- **Societal polarization:** Ongoing polarization undermines collective action and slows responses to global challenges.
- **Pollution:** Long-term environmental and health impacts continue to drive regulatory and economic pressure.



Global risks ranked by severity, short term (2 years) and long term (10 years)

Short term (2 years)



Long term (10 years)



Risk categories ● Economic ● Environmental ● Geopolitical ● Societal ● Technological

Source: [World Economic Forum's Global Risks Report 2026](#)

Getting ahead of 2026's top risks to build resilience

With 2026 underway, Marsh leaders are signaling a clear shift in how risk must be understood and managed. In a [Risk in Context](#) podcast discussion, Marsh experts emphasized that today's most significant risks—geopolitical disruption, climate impacts, cyber threats, and supply-chain fragility—are no longer isolated issues and are increasingly producing real-world operational and financial consequences.

According to James Crask, global head of Multinational Clients at Marsh Consulting, resilience is no longer optional. "Resilience has never been more important than it is now." Risks once modeled in theory are now materializing as tangible disruptions across industries and geographies.

Geopolitical risk: a structural shift, not a cycle

Christopher Coppock, head of Geopolitical and Macroeconomic Risk Analysis at Credit Specialties at Marsh, noted that geopolitical risk has become a permanent feature of the business environment rather than a temporary phase. Ongoing conflicts, election volatility, and trade policy uncertainty continue to reshape global commerce.

“The world has changed,” Coppock said. “If the way you’re managing geopolitical risk hasn’t changed, that’s something businesses need to rethink.”

He noted that tariff levels, policy intervention, and economic uncertainty are at historic highs, increasing pressure on supply chains, counterparties, and cross-border operations. Companies are increasingly reassessing political risk and trade credit strategies to preserve stability and support continued investment.

Climate risk: adaptation takes center stage

Nick Faull, head of Climate and Sustainability Risk at Marsh, explained that while extreme weather events are not new, their frequency, severity, and interconnected impacts are accelerating. Chronic risks such as heat stress and water scarcity are becoming more prevalent alongside floods and wildfires.

“Climate adaptation is no longer a future concern; it’s a current business issue,” Faull said, noting that resilience investments can directly influence insurability and pricing.

“Every dollar invested in resilience and preparedness saves \$13 in long-term costs,” Faull added, citing industry research.

Cyber risk: from digital to physical

Payal Patel, Global Cyber Strategy leader at Marsh, underscored that cyber risk continues to evolve rapidly, extending beyond data breaches into operational and physical disruption. The rise of artificial intelligence, third-party dependencies, and cyber-physical convergence is reshaping exposure profiles.

“When it comes to cyber, it’s not an ‘if’; it’s how prepared you are for when the event happens,” Patel said.

She highlighted growing risks related to data integrity, privacy regulation, and systemic third-party outages, particularly involving cloud and IT service providers. Cyber incidents are increasingly capable of shutting down facilities, disrupting supply chains, and damaging physical assets.

Supply chains: the common thread

Across all discussions, supply chains emerged as the central point where geopolitical, climate, and cyber risks converge. Crask noted that many upstream risks remain poorly understood, limiting organizations' ability to respond proactively. Improved visibility, scenario planning, and continuity strategies will be critical as insurers develop new solutions to address supply chain disruptions.

“If you can't see risk, you can't measure it—and you can't manage it,” Crask observed.

Looking ahead

The consensus from Marsh's experts is clear: 2026 will reward organizations that move from reactive risk management to proactive resilience planning. Insurance remains a critical component, but it must be paired with strong governance, preparedness, and cross-enterprise coordination. Companies that invest now in understanding interconnected risks will be better positioned not only to withstand disruption but also to identify opportunities in a more complex global landscape.

We offer optionality and solutions

Optionality, or the flexibility to choose what works best for managing organizational risks, is significant in today's U.S. property and casualty insurance market. It enables insureds to adapt to changing risks and market conditions by customizing policies to better meet their specific needs, improve coverage, and control costs. Optionality helps improve resilience, competitiveness, and the ability to navigate uncertainty in a dynamic insurance environment. Insurers are responding with long-term agreements and strategic options that support Marsh McLennan Agency (MMA) in negotiating more favorable terms in a competitive market.

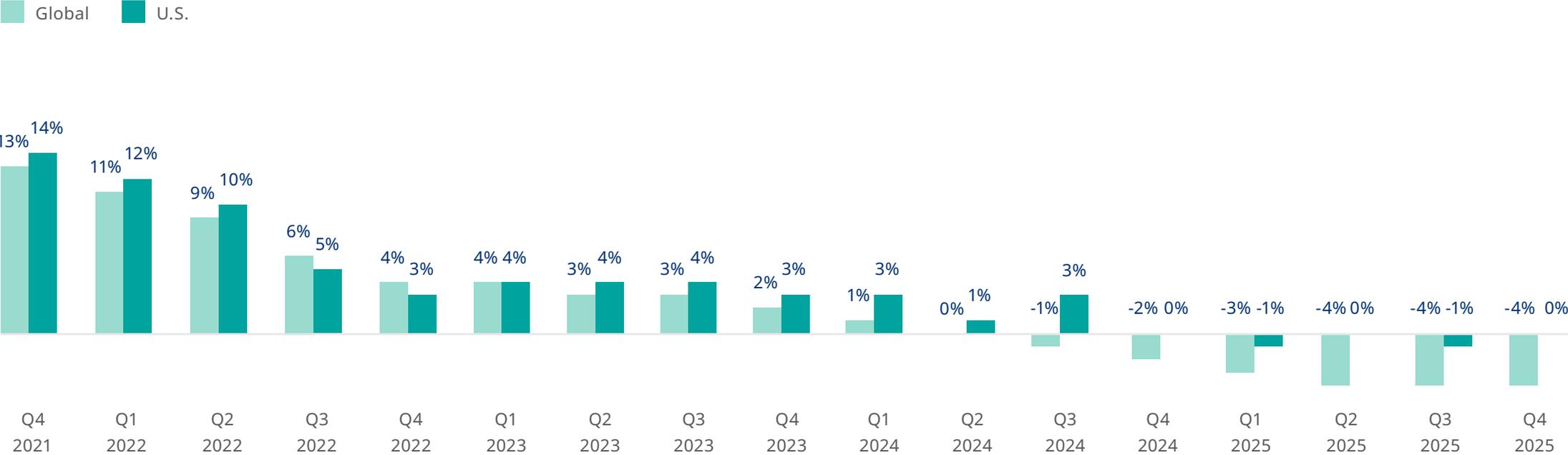
We remain committed to supporting our clients through the shifting realities ahead and will work with you to develop strategies to help you achieve the best outcomes.

Your future is limitless.^{5M}

Q4 2025 U.S. business insurance market observations

The global composite rate tracked in the [Marsh Global Insurance Market Index](#) **decreased by 4%** in Q4 2025, continuing the trend from Q3, and marking the sixth consecutive quarter of steady declines.

U.S. composite insurance pricing change



Source: Marsh Specialty and Global Placement

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

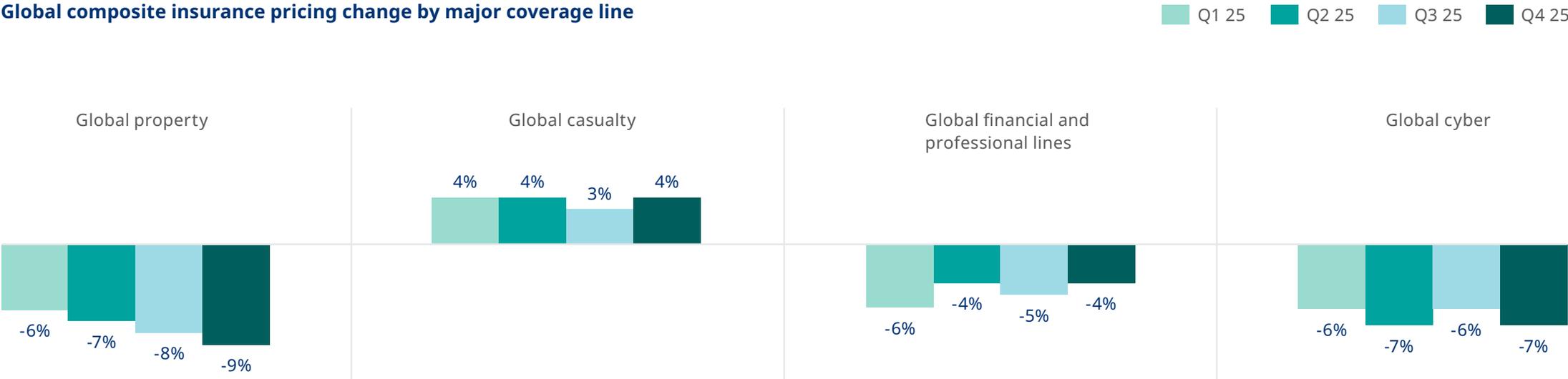
Global casualty rates **rose 4%**, showing a slightly higher acceleration than in the previous quarter. In the U.S., casualty insurance rates increased 9% (up from 8% in Q3), primarily driven by excess/umbrella and commercial

auto lines. Excluding workers' compensation, the U.S. increase was 12%.

Rates for financial and professional lines **decreased 4%** globally but remained flat in the U.S.

Cyber insurance rates **dropped 7%** worldwide and 3% in the U.S.

Global composite insurance pricing change by major coverage line



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

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Property coverages



Property

Property rates continued to improve in Q4 2025, creating opportunities for better pricing and program terms.

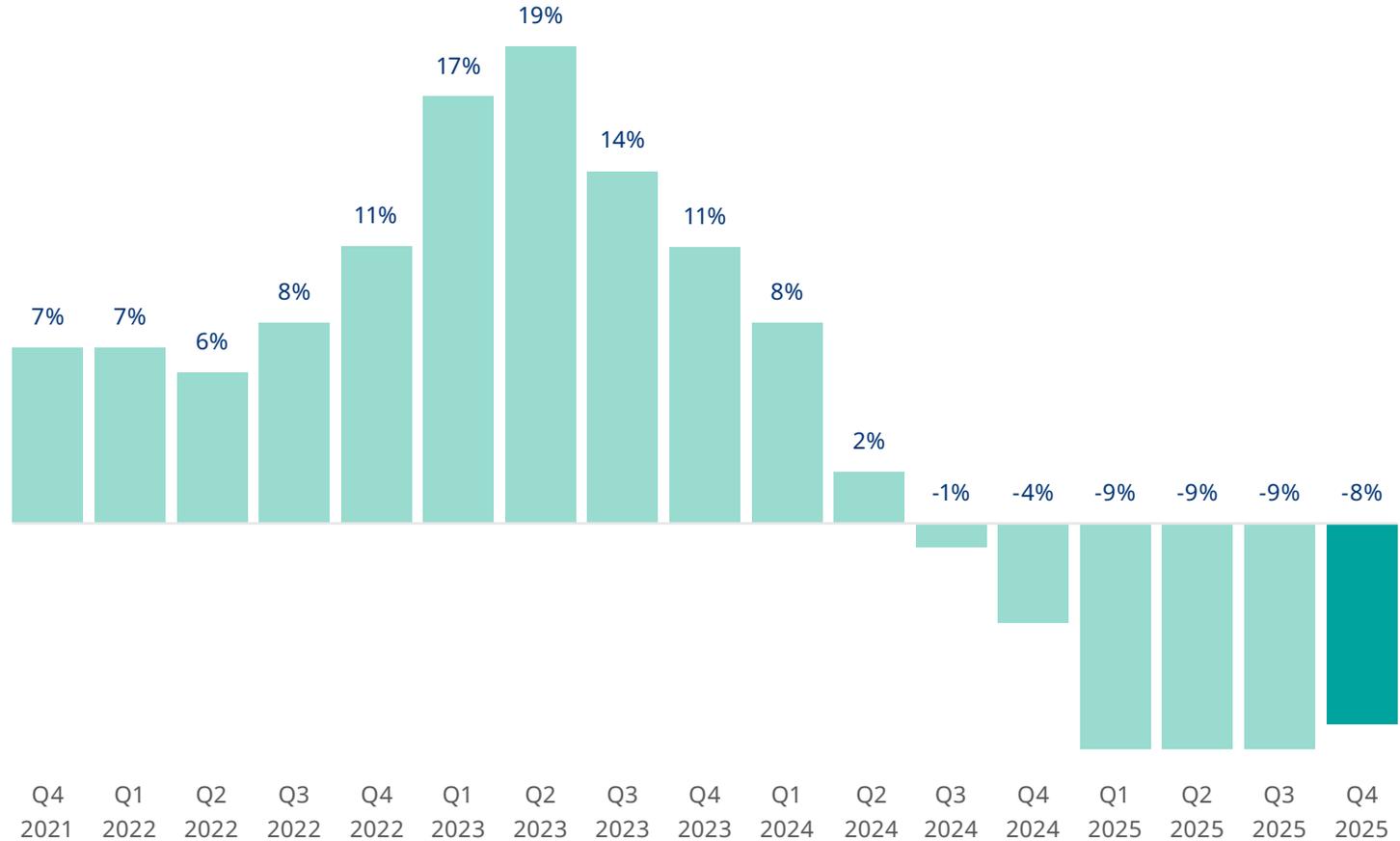
Rate trends

- The Marsh Q4 2025 U.S. Property Insurance Index shows that rates in the U.S. for **catastrophe-exposed property fell by an average of 1%**, while rates for **non-catastrophe-exposed** property dropped by **8%**.
- The downward rate trend has been further influenced by double-digit rate reductions on the January 1 U.S. reinsurance treaty portfolios, another year without major surplus-eroding catastrophe losses, continued new capital entering the marketplace (typically in the excess and surplus lines space), and renewed growth pressure in 2026 for many insurers.
- Improved performance in the property segment over the past three years has also benefited from direct insurers taking higher attachment levels in catastrophe reinsurance treaties and a strategic rebalancing of reinsurers' portfolios, according to [AM Best](#).
- We expect Q1 2026 to bring 15+ new entrants across the U.S., Bermuda, and London markets.
- These factors are reinforcing a highly competitive, buyer-favorable environment.

Conditions and observations

- Rate reductions are driven more by market overcapitalization than by improvements in loss experience. Simply put, greater rate reductions can be achieved on accounts with premium spend exceeding \$2 million when multiple insurers participate. Introducing new capacity can help drive rate reductions and enable more strategic deployment of existing capacity across the placement.
- The depth of rate reductions depends heavily on deal size and structure. Property placements can broadly be categorized as follows:
 - Single-carrier admitted placements (generally under \$1.5 million premium) are trending toward flat to modest rate decreases. These placements typically have less catastrophe exposure and are already subject to competitive rates.
 - For single-carrier placements where premiums exceed \$2 million, competition can be introduced if required, both through alternative single-carrier offerings and in shared and layered markets.
 - More complex, shared and layered programs (with premium spend over \$2 million) are achieving greater reductions as more capacity competes for limited participation.

U.S. composite insurance pricing change – property



Source: Specialty and Global Placement

Conditions and observations (cont.)

- The continued influx of new capital into the market may begin to affect underwriting discipline. Risk selection criteria may loosen as more insurers compete to write business. With substantial deployment capacity, underwriters are expanding appetite across most occupancy classes and loss profiles, increasing insurability regardless of asset type, catastrophe exposures, or historical loss performance. Capacity is somewhat “agnostic” in the current environment as it needs to find a home.
- Terms and conditions have softened more slowly than pricing. While some modest improvements are emerging, markets remain firm on critical catastrophe deductibles (wind, hail, earthquake, flood), although early signs suggest incremental easing may develop as competition intensifies.
- Valuation and COPE (construction, occupancy, protection, and exposure) data scrutiny has decreased as many accounts have now been re-underwritten.
- Admitted markets haven’t yet returned to writing complex or competing on distressed shared and layered risks, although isolated instances of more aggressive single-carrier competition are occurring for preferred occupancies. Tougher classes, such as manufacturing and food processing, remain largely within layered or specialty structures.

Significant natural disasters that exceed loss projections could reduce capacity and lead to market stabilization or retrenchment. However, many predict that insured or reinsured losses would need to exceed \$150 billion to have a meaningful market-turning impact.





The reinsurance view from Guy Carpenter

Strong reinsurer appetite drives excess property catastrophe capacity

Plenty of reinsurance capacity led to accelerated softening in pricing across many lines, including property, during the January 1, 2026, renewals, according to a report by our colleagues at [Guy Carpenter](#). “Despite global trade tensions and increased regulatory scrutiny, reinsurers have grown capital due largely to strong retained earnings. This has allowed clients to benefit from lower prices and a wider range of innovative solutions to meet their rapidly evolving needs,” said Dean Klisura, president & CEO of Guy Carpenter.

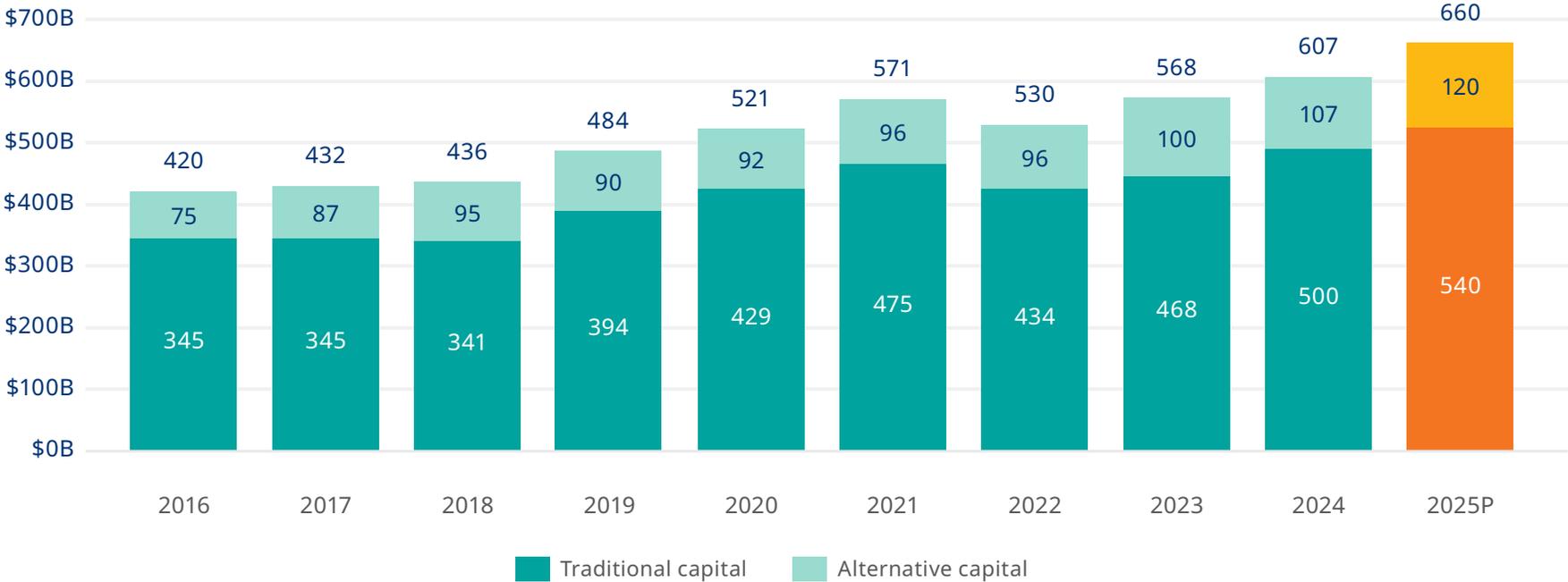


According to Guy Carpenter, 2025 was another strong year for reinsurers, with projected returns of 17.6%, following 16.4% in 2024 and 21.9% in 2023. For the third consecutive year, these returns are expected to exceed reinsurers' cost of equity by a comfortable margin, an average of 8.6 percentage points.

While returns are forecast to remain above the cost of equity in both 2026 and 2027, the margin is expected to narrow to an average of 6.9 percentage points. This gradual decline reflects rising competition and the continued buildup of excess capital in the reinsurance market.

Profitability Continues to Drive Growth in Dedicated Reinsurance Capital

Dedicated reinsurance capital reaches another all-time high

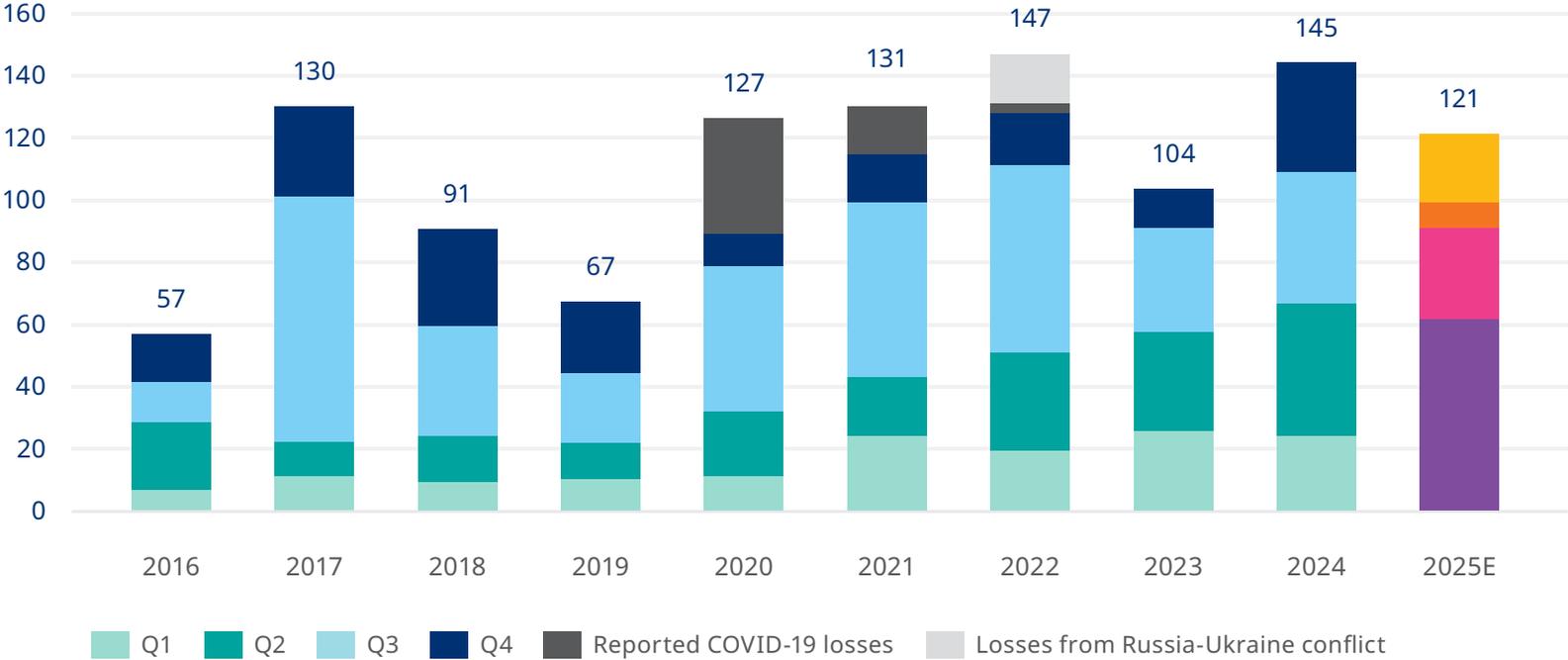


Source: [Guy Carpenter](#)

Total industry losses for 2025 are projected at \$121 billion, 18% below the five-year inflation-adjusted average, according to Guy Carpenter. Insured loss activity leveled off after an elevated first quarter, with below-average losses experienced during the second half of the year. California wildfire losses (approximately \$40 billion) and severe convective storms (SCS) were major drivers of insured losses.

California wildfires accounted for 33% of total insured losses, and SCS accounted for approximately 47% of total losses. However, despite these losses, the reinsurance market was not adversely affected. Reinsurers also continue to benefit from high attachment points, as evidenced by their lower share of catastrophe losses.

Insured losses in 2025 are driven by US wildfire and SCS



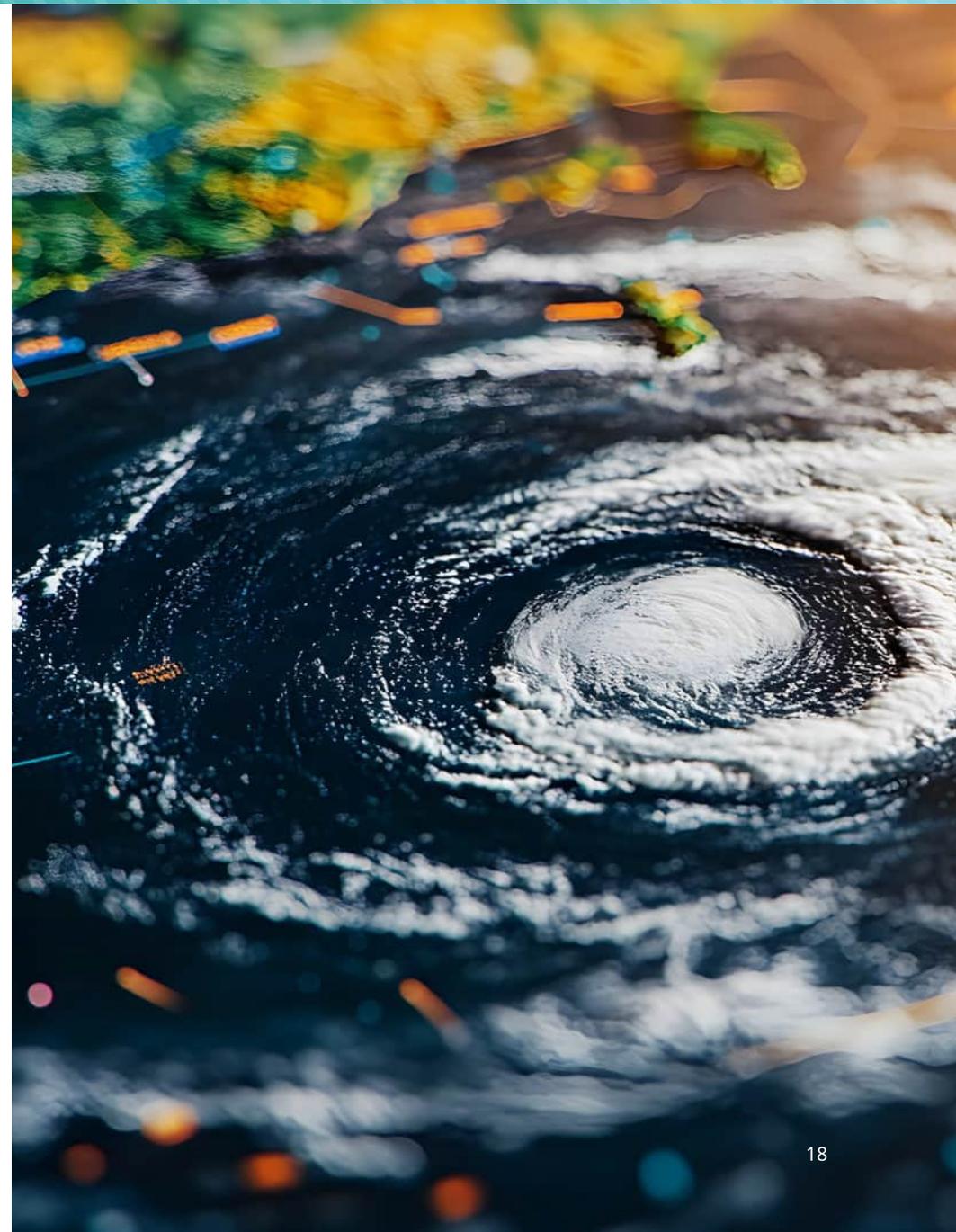
Source: [Guy Carpenter](#)

Insured natural catastrophe losses have exceeded \$100 billion for six consecutive years

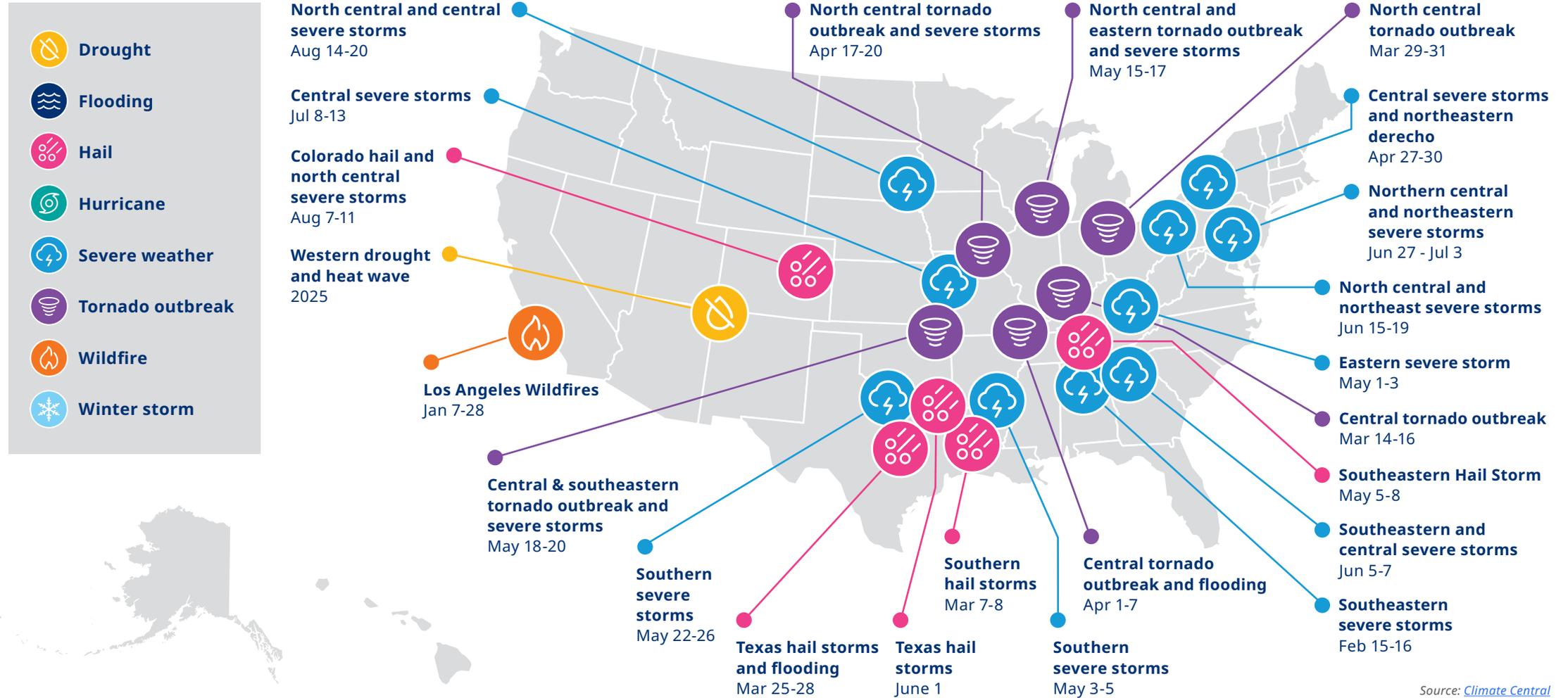
A [Swiss Re](#) report confirmed that in 2025, catastrophe losses once again surpassed \$100 billion, driven by the Los Angeles wildfires and severe convective storms. Hurricane Melissa was the costliest hurricane of 2025, with estimated insured losses of up to \$2.5 billion in an otherwise benign season.

As mentioned in our Q3 2025 U.S. Business Insurance Market Observations, nonprofit [Climate Central](#) restored continuity to a critical national dataset after NOAA discontinued tracking in 2025. Climate Central is now providing comprehensive, inflation-adjusted historical data on disaster costs. Its most recent map shows the U.S. experienced \$23 billion in weather and climate disasters in 2025.

The frequency of catastrophic events has accelerated significantly, according to Climate Central, increasing from three per year in the 1980s to 20 per year over the past decade. In addition, the average time between billion-dollar disasters has plummeted to just 10 days in 2025, down from 82 days in the 1980s, straining community resources for responding, recovering, and preparing.



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

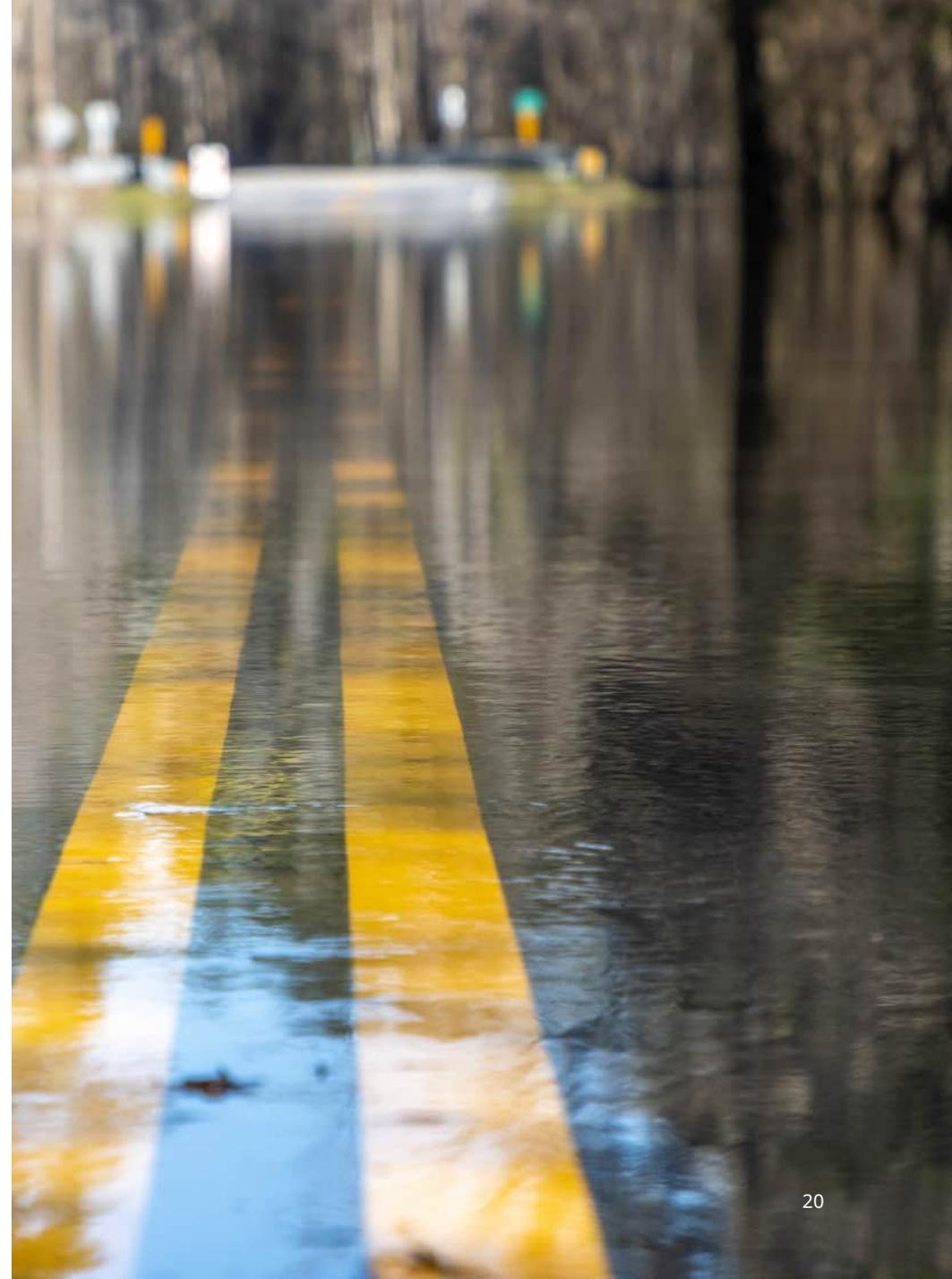


Source: [Climate Central](#)

Flood risk continues to increase worldwide

According to First Street's [Defining the Globe's Flood Risk](#), flooding represents one of the largest and fastest-growing climate threats to the built environment. First Street's research shows that climate change—evidenced by sea-level rise, heavier rainfall, and more frequent extreme weather—is rapidly expanding flood exposure beyond traditional flood zones. As a result, far more commercial assets are at risk of physical damage than many owners, insurers, and governments currently account for.

- Over \$18 trillion in global property value is already at risk from flooding, making flood one of the most financially significant natural hazards for commercial real estate.
- New estimates show that roughly one in four people worldwide face a substantial risk of flooding today, underscoring that flooding is not a property-specific threat but a systemic driver of risk across markets.

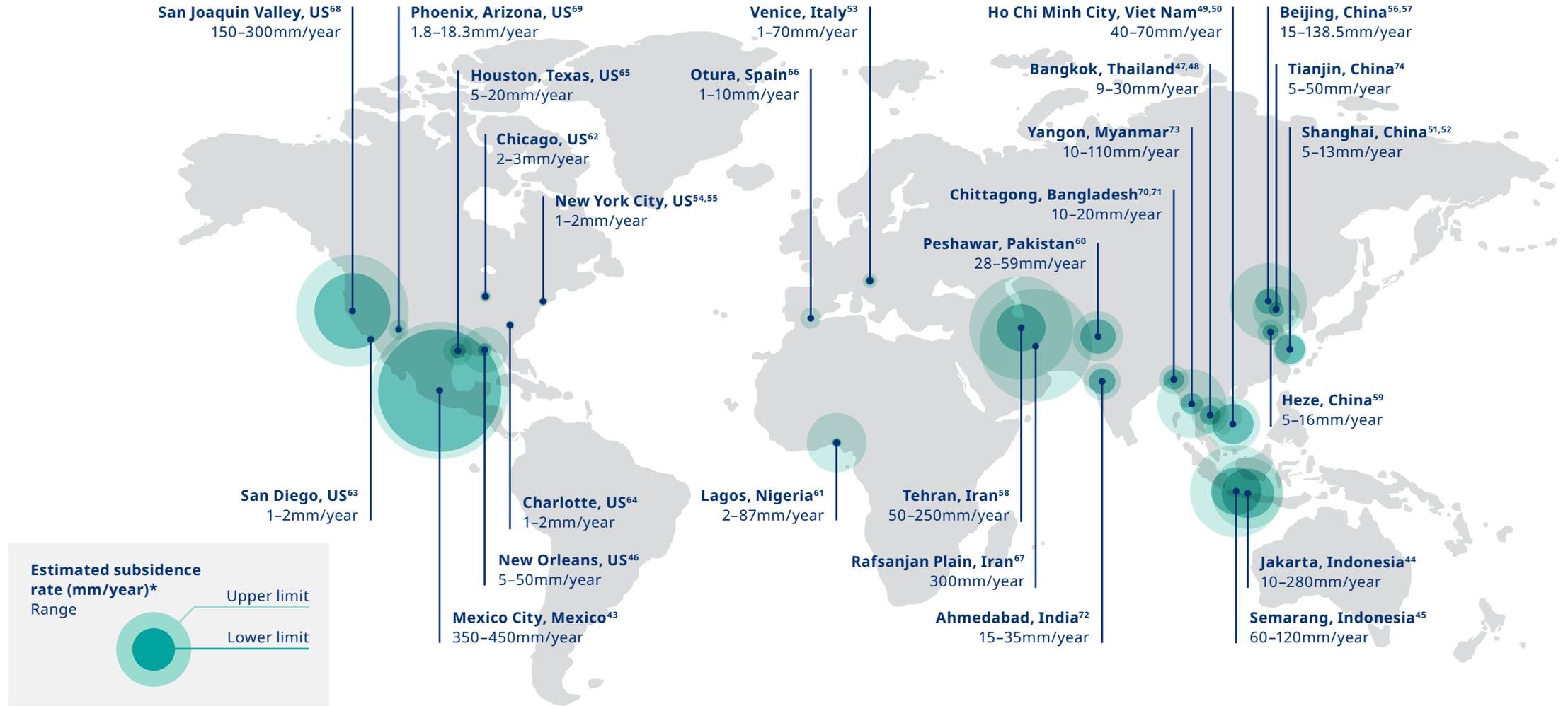


Land subsidence and flood exposure

According to the World Economic Forum's (WEF) [Resilient Economies: Strategies for Sinking Cities and Flood Risks](#) report, land subsidence, commonly referred to as "sinking cities," is a rapidly intensifying but underrecognized global threat. Driven largely by excessive groundwater extraction, rapid urbanization, and unsustainable land use, subsidence affects an estimated two billion people worldwide and places trillions of dollars in economic activity at risk. When combined with sea-level rise and extreme weather, subsidence transforms long-term climate challenges into immediate threats to infrastructure, property, and human safety. Buildings, utilities, and transportation networks weaken, flood exposure increases, and the foundations of urban economies are steadily undermined.



Examples of cities with areas experiencing subsidence



Source: [World Economic Forum's Resilient Economies: Strategies for Sinking Cities and Flood Risks](#)

*Multiple sources. The data was gathered from different sources and may vary based on measurement methodologies and time. This highlights the need to collect and update data. Note: Land subsidence rates can vary spatially within cities, across regions and globally. Thus, reported rates do not indicate uniform sinking risks for an entire city; rather, they highlight that specific areas within a city are experiencing land subsidence, and it varies.

Land subsidence and flood exposure (cont.)

From an economic perspective, the WEF report shows that subsidence accelerates property damage, infrastructure failures, and business disruption. Governments face rising repair costs and strained public services, while the private sector confronts declining asset values, operational risk, and supply-chain instability. Flooding in subsiding regions compounds these losses, increasing insurance protection gaps and creating the risk of stranded assets in highly exposed urban areas.

The social, health, and environmental consequences are equally severe. Subsidence amplifies flood frequency, displaces residents and businesses, and disproportionately affects vulnerable populations in low-lying or informal settlements. Health risks increase from waterborne diseases, toxic exposure, and prolonged damp conditions, while long-term stress and displacement erode community well-being. Environmentally, sinking land threatens wetlands, estuaries, and other ecosystems that serve as natural flood buffers, accelerating erosion and biodiversity loss. These cascading effects are often undermeasured, so the full costs of subsidence are likely far higher than current estimates indicate.

Case studies from cities such as Tokyo, Shanghai, Rotterdam, and Jakarta demonstrate both the scale of the challenge and the consequences of inaction. Where subsidence is not addressed, flood risk intensifies, infrastructure deteriorates, and long-term economic viability is compromised. The report ultimately frames land subsidence as a core issue of urban resilience, warning that, without early, coordinated action, cities face escalating costs, stranded assets, and deepening social disruption.

Strategies for sinking cities and flood risks

Drawing from the WEF report, effective responses to land subsidence and flood risk center on integrated, long-term resilience rather than isolated fixes:

- **Treat land and water as strategic assets:** Manage groundwater, soil, and ecosystems as finite resources essential to economic stability, public safety, and environmental protection, rather than as inputs to be consumed without limits.
- **Strengthen governance and regulation:** Implement enforceable groundwater controls, zoning, and building standards; align local, regional, and national policies; and create accountability for compliance across public and private sectors.
- **Adopt systems-based, integrated planning:** Address subsidence, flooding, climate change, infrastructure, and urban development together, rather than as separate challenges, to prevent risk from shifting across sectors.
- **Invest in resilient infrastructure:** Prioritize long-term investments in drainage, flood defenses, water supply systems, and nature-based infrastructure such as wetlands, green roofs, and permeable surfaces that absorb stormwater and reduce erosion.
- **Use data, monitoring, and technology:** Deploy satellite monitoring, groundwater sensors, and risk modeling to track subsidence, inform zoning and construction decisions, and guide capital allocation.
- **Promote cross-sector collaboration:** Coordinate governments, insurers, infrastructure operators, developers, and communities to share data, align incentives, and co-invest in mitigation and adaptation.
- **Shift from reactive to preventive investment:** Prioritize mitigation and adaptation before damage occurs, recognizing that prevention is significantly more cost-effective than post-disaster rebuilding.



Resiliency plans across the country

According to [Pew](#), several states stepped up their disaster resilience efforts in 2025:

- **Connecticut:** Created a Severe Weather Mitigation Council and passed laws requiring communities to factor disaster risk into planning, invest in resilience, and strengthen infrastructure.
- **Florida:** Committed \$150 million through the Resilient Florida Program to improve flood management, drainage systems, and wastewater infrastructure.
- **Hawaii:** Implemented a “green” tourism tax expected to raise \$100 million annually for resilience projects such as firebreaks, erosion control, and infrastructure upgrades.
- **Massachusetts:** Launched the ResilientMass Metrics framework and awarded over \$31 million in grants to help municipalities plan and implement climate resilience projects.
- **New Jersey:** Updated land-use and development standards to address inland and coastal flooding, with new coastal flood rules expected this year.
- **North Carolina:** Launched a statewide Extreme Heat Cohort to help communities identify heat risks and apply the state’s Heat Action Plan.
- **Rhode Island:** Established the Resilient Rhody Infrastructure Fund to finance stormwater mitigation, floodproofing, coastal protection, and urban green space.
- **Vermont:** Released its first Resilience Implementation Strategy, outlining prioritized actions and funding needs to strengthen statewide climate resilience.
- **Virginia:** Appointed its first Chief Resilience Officer, staffed the Office of Commonwealth Resilience, and announced \$67 million in grants and loans for community resilience.
- **Wisconsin:** Added \$2 million to its Pre-Disaster Flood Resilience Grant program to help communities assess flood risks and implement natural flood-mitigation solutions.



After the wildfires: resiliency remains a focus

A year after devastating wildfires tore through parts of Los Angeles County, communities in Altadena and Pasadena are shifting from recovery to rebuilding, with a sharper focus on creating stronger, more resilient homes and businesses designed to better withstand future wildfire threats.

The [Insurance Information Institute \(Triple-I\)](#), working alongside state and local officials, continues to encourage homeowners to rebuild smarter rather than simply replace what was lost. The emphasis is on reducing future losses as climate-driven disasters grow more frequent and severe.

“As families rebuild after an incredibly difficult year, many are looking at ways to not only restore what was lost but to build back stronger,” said Sean Kevelighan, CEO of Triple-I. “Climate-resilient construction can help protect homes and communities from future wildfire risks.”

Key 2026 resiliency initiatives in California

- **California's Wildfire & Forest Resilience Task Force:** The task force is developing a 10-Year Roadmap to Resilience that includes regional plans, quantified goals, and frameworks to align federal, state, tribal, local, and private efforts.
- **Federal & State Funding:** A new [bipartisan bill](#) proposes a \$1 billion annual FEMA grant program for community wildfire hardening, while California extends fast-track rules for wildfire safety projects through May 2026.
- **Building & Insurance Codes:** California is [updating insurance laws and encouraging smarter rebuilding with resilient materials](#) (such as non-combustible Zone 0 buffers) to reduce future losses. New state laws are enhancing consumer protection and claim payouts.
- **Insurance Institute for Business & Home Safety (IBHS):** Homeowners in California, Oregon, Nevada, and New Mexico are pursuing certification through the IBHS's [Wildfire Prepared Home](#) program. Homes may qualify for either a base or enhanced designation, which includes measures such as the following:

FEATURE	BASE DESIGNATION (RETROFITS)	PLUS DESIGNATION (NEW CONSTRUCTION)
Zone 0 (0-5 ft)	5-foot noncombustible buffer (no plants/mulch)	5-foot noncombustible buffer + covered gutters
Roofing	Class A fire-rated roof	Class A fire-rated roof
Vents	1/8-inch metal mesh or ember-resistant vents	Ember-resistant vents
Exterior	6-inch vertical ground clearance	Noncombustible siding (stucco, fiber-cement)
Windows	Standard	Multi-pane fire-resistant windows

Source: [Triple-I](#)

Emerging risk: civil unrest

- Civil unrest in response to activity by the United States Immigration and Customs Enforcement (ICE) is increasing the frequency and severity of protest-related property damage. Commercial buildings in high-density urban areas are increasingly exposed to vandalism, broken glass, fire, and structural damage.
- Even when insured perils like riot, civil commotion, and vandalism apply, coverage gaps may remain (e.g., glass endorsements, waiting periods, civil-authority triggers), posing a growing risk to coverage adequacy and policy wording for property owners.

Cargo/inland marine

The Cargo market in 2026 continues on a positive trajectory for clients.

A combination of a lack of natural catastrophe losses and increased global market capacity—from both new and existing insurers—has created favorable conditions for buyers, reflected in the terms available for insurance.

The market supports rate reductions, whether from incumbent insurers or remarketing exercises. Similar to the property market, small single-digit rate reductions can be achieved on single-carrier placements, while greater reductions are possible when multiple insurers participate, providing opportunities to restructure layering and generate pricing benefits.

Conditions and observations

- Capacity continues to grow across both the London and domestic markets, with heightened competition as new Managing General Agents (MGAs) and established insurers enter the cargo segment seeking expansion.
- Insurers are showing greater flexibility in program structure, allowing increased “optionality” in deductibles and offering targeted coverage enhancements.
- Coverage buybacks for malicious cyber events remain available in both the London and domestic markets.



02

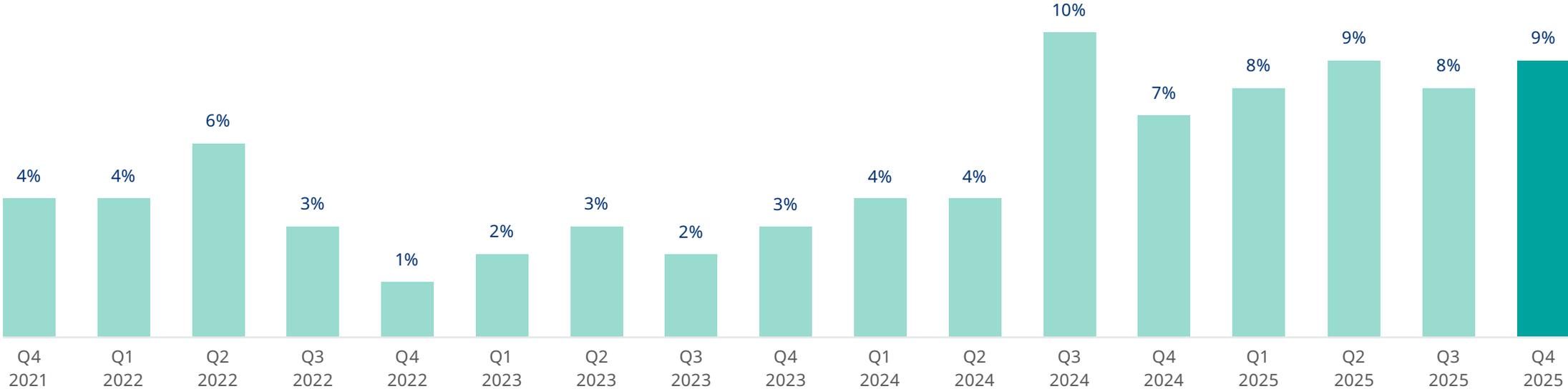
Casualty coverages



General liability average rate increases continue to trend downward, depending on the class of business, risk, and jurisdiction. Meanwhile, the commercial automobile and umbrella/excess liability markets in Q4 2025 saw the largest rate increases. Overall, the workers' compensation market remained a positive outlier, with continued rate decreases.

U.S. composite insurance pricing change - casualty

According to the Marsh Q4 2025 U.S. Casualty Insurance Index, overall pricing increases averaged **9%**, up 1% from the prior quarter. Excluding workers' compensation, the U.S. increase was 12%.



Source: Specialty and Global Placement

Overview

Casualty insurance continues to be shaped by rising claim severity, social inflation, and a challenging legal environment. Long-tail losses, larger verdicts, and litigation funding continue to pressure insurers' results, leading to selective underwriting, tighter program structures, and differentiated outcomes by risk quality, class, and jurisdiction.

Well-managed accounts with strong safety, documentation, and loss performance can still access capacity and more moderate pricing, while higher-hazard industries and loss-prone risks face tougher pricing and terms. Looking ahead to 2026, commercial auto and umbrella/excess remain among the most challenging lines due to severity and legal trends; general liability shows broader stabilization with pockets of pressure; and workers' compensation continues to stand out for profitability and capacity, albeit with emerging cost drivers that merit vigilance, according to [AM Best's Market Segment Outlook](#).

Automobile/fleet

Rate trends

- Rates for commercial auto in Q4 2025 continued to rise at an average rate of **9%**.
 - Small fleets and favorable loss-experience accounts may have seen lower single-digit rate increases, while larger fleets, heavy-truck fleets, and poor-loss-experience accounts incurred double-digit rate increases well above the average.

Conditions and observations

- Rising auto liability claim severity and litigation continue to push costs upward, particularly for serious accidents, leading insurers and reinsurers to apply pricing pressure and tighter underwriting.
- Social inflation and nuclear verdicts, particularly in trucking, are driving multimillion-dollar claims, with litigation funding and aggressive tactics pushing more cases to trial.
- Larger or higher-exposure fleets and those with poor loss experience may face structural changes in their programs, such as higher deductibles and larger rate increases, as insurers adjust the amount of risk they retain.
- Companies with strong claims management and safety performance are better positioned to maintain favorable terms, as insurers increasingly use analytics to reflect the impact of operational improvements.



General liability

Rate trends

Rate increases in Q4 2025 averaged **2%** or more. Certain classes of risk, including high-hazard premises and products liability, experienced significantly higher rate increases, as did accounts with poor loss experience.

Conditions and observations

- Loss-hazard and loss-free accounts saw softened rate increases after years of sharp rate hikes.
- General liability claims are taking longer to resolve and costing more, especially from prior years, making insurers more cautious in pricing and structuring coverage.
- Higher-risk businesses, such as habitational and hospitality, may face stricter terms, including increased deductibles, narrower coverage, or additional underwriting questions, along with higher pricing, as insurers evaluate each account individually rather than applying broad market averages.
- Certain “litigation-heavy” states and venues can also prompt underwriters to raise rates or decline risks solely based on location.



Umbrella/excess

Rate trends

Average rates in the umbrella and excess liability market increased by **13%** in Q4 2025, primarily driven by commercial automobile. Specific industry classes and accounts with poor loss experience saw even higher rate increases.

Conditions and observations

- Pricing is highly segmented by hazard level. Low-hazard risks saw 5% to 10% increases, while higher-hazard classes routinely experienced 15% to 30%+ increases.
- Capacity remained constrained, with ongoing pressure in the primary and umbrella layers, making it difficult to secure limits, especially for higher-risk construction, habitational, and complex liability exposures.
- Coverage also tightened, with underwriters increasingly adjusting terms, exclusions, and conditions, which can be as impactful as premium increases.
- Attachment points and underlying loss experience for primarily automobile liability losses are continuously reviewed by underwriters. If higher attachment points are not feasible, carriers may require a corridor retention (i.e., self-insured retention within the umbrella layer). Heavy fleets or tough general liability risks may consider structured programs to create higher attachment points.





The reinsurance view from Guy Carpenter

Casualty reinsurance market for January 1, 2026, renewals

According to a report by [Guy Carpenter](#), casualty reinsurance renewals for January 1, 2026, showed nuanced outcomes based on structure, historical results, and the scale of the outward portfolio renewals.

- Capacity was deployed cautiously, with ongoing commercial auto losses continuing to weigh on insurer results.
- Reinsurers rewarded insurers that performed well on actual versus expected losses, focusing on portfolio quality, performance, and structure rather than broad expansion. They emphasize maintaining underwriting discipline, including managing adverse loss development and social inflation/nuclear verdict impacts.
- There were no major changes in terms and conditions.
- Reinsurers continue to address losses from prior years and are seeing early claims activity in recent accident years, leading to more conservative assumptions about loss development over time.
- Rising claim severity drives market behavior, prompting reinsurers to strengthen pricing models and lengthen development expectations rather than relying on short-term trends.
- Data and analytics play a central role in underwriting decisions, as reinsurers evaluate how underwriting discipline and claims practices affect long-term results.
- Pricing pressure remained in excess-of-loss programs, with reinsurers considering higher attachment points and annual aggregate deductibles to better manage volatility.
- Treaties are increasingly reviewed on a case-by-case basis, with newer market participants often showing greater flexibility than long-established reinsurers that have absorbed prior-year losses.



The continued rise of nuclear verdicts

Social inflation—the impact of shifting legal attitudes, litigation funding, and broader jury expectations on claim costs—continues largely unchecked, with nuclear and thermonuclear verdicts becoming increasingly common. According to the most recent analysis of corporate litigation by [Marathon Strategies](#), 135 lawsuits in 2024 alone resulted in nuclear verdicts of \$10 million or more. These verdicts were rendered by juries in 34 states and 77 courts, contributing to the rising cost of casualty insurance.

Additionally, *Marathon Strategies' Corporate Verdicts Go Thermonuclear: 2025 Edition* reports that verdicts continue to increase in both frequency and magnitude. So-called “thermonuclear verdicts,” awards exceeding \$100 million, nearly doubled in 2024.

	VERDICTS GREATER THAN \$100 MILLION	VERDICTS GREATER THAN \$1 BILLION	MEDIAN VERDICT
2023	27	2	\$44M
2024	49	5	\$51M

Source: [Marathon Strategies](#)

A 2025 [Swiss Re study](#) on behavioral social inflation offers a clear snapshot of evolving U.S. jury attitudes. The research showed a pronounced shift in sentiment toward plaintiffs, with growing implications for insurers and businesses.

For example, only 56% of respondents believe there are too many lawsuits in the U.S., down from 90% in 2016. At the same time, 76% said damages awarded in lawsuits are either “too low” or “about right,” up from 58% in 2016. The study also found that 85% of respondents believe large corporations prioritize profit over safety, underscoring the effectiveness of plaintiff strategies such as “reptilian tactics,” which appeal to jurors’ sense of public safety rather than focusing on specific fault. This sentiment was expressed by only about half of respondents when considering small and mid-sized businesses.

Support for punitive damages remains strong: 79% agree they are the best way to deter misconduct by large corporations, and 67% support their use against smaller companies. Other research cited in the study suggests punitive thinking increasingly influences even compensatory awards, with injury severity, rather than company size, becoming the primary driver of verdicts.

Additional [Swiss Re analysis](#) highlights that jury makeup is also a key factor. Panels increasingly dominated by younger jurors tend to favor larger awards, introducing greater volatility even in cases with otherwise defensible liability.

Impact of third-party litigation on businesses

[New research](#) from The Perryman Group estimates that third-party litigation funding (TPLF) imposes an annual cost of \$35.8 billion on U.S. businesses, fueling increased litigation, skewing the civil justice system, and contributing to higher insurance premiums. The study concludes that the growing use of TPLF has created an increasingly unbalanced legal environment with broader economic consequences.

“An overly aggressive tort environment is a drain on both the economy of a state and the country as a whole. In addition, such an environment is harmful to economic development by decreasing attractiveness for desirable corporate locations and expansions,” said the authors of the report. They added, “Third-party litigation funding distorts the civil justice system, a crucial institutional framework in America, causing misallocation of society’s scarce economic and human resources. A significant portion of this burden is borne by U.S. households through reduced earnings and higher inflation.”

Under TPLF arrangements, outside investors finance lawsuits in exchange for a portion of any settlement or verdict. According to the report, this financial incentive encourages plaintiffs and attorneys to pursue larger, more aggressive claims, thereby increasing verdict sizes and settlement demands.

The \$35.8 billion estimate reflects direct economic losses attributed to TPLF, including reduced job creation, lower business investment, diminished tax revenues, and higher costs passed on to consumers. Perryman’s analysis also points to broader ripple effects, estimating that more than 454,000 fewer jobs are created annually and approximately \$54.2 billion in lost gross product across the U.S. economy.

THE ANNUAL LOSSES IN US BUSINESS ACTIVITY DUE TO THIRD-PARTY LITIGATION FUNDING			
Total Expenditures (Billions of 2024 Dollars)	Gross Product (Billions of 2024 Dollars)	Personal Income (Billions of 2024 Dollars)	Employment (Jobs)
-\$106.723	-\$54.232	-\$34.452	-454,448

Source: [The Perryman Group: The Impact of Third-Party Litigation Funding on US Business Activity and Consumers](#)

The report finds that the impact spans nearly every major industry sector, with business services, retail trade, financial activities, and manufacturing bearing the greatest losses. Perryman describes the result as a “hidden affordability burden” that ultimately shows up in everyday expenses, wages, and monthly household bills.



“Judicial Hellholes”

According to the [American Tort Reform Foundation’s \(ATRF\) Judicial Hellholes® program](#), eight jurisdictions were named to its 2025–2026 list, identifying areas where laws and legal procedures are frequently applied in an unfair or unbalanced manner:

- 1. Los Angeles:** City courts saw a \$1 billion verdict in 2025, along with fraud allegations tied to litigation practices and the use of novel liability theories that expand defendants’ exposure. The jurisdiction also continues to see ADA and other no-injury lawsuits, as well as challenges to arbitration.
- 2. New York City:** Courts are experiencing high volumes of litigation, including large verdicts, expanded product liability theories for technology companies, and significant levels of no-injury and asbestos-related lawsuits.
- 3. South Carolina Asbestos Litigation:** ATRF cites actions by the overseeing judge, including corporate control disputes, receiver appointments involving international entities, relaxed causation standards, and sanctions, as well as instances in which courts have increased jury awards.
- 4. Louisiana Coastal Litigation:** The first coastal litigation case to go to trial resulted in a nine-figure verdict, and ongoing litigation involving claims related to environmental and coastal impacts continues in the courts.
- 5. Philadelphia Court of Common Pleas:** Philadelphia’s Complex Litigation Center continues to attract mass tort filings nationwide, including asbestos cases, as courts allow forum shopping and take expansive approaches to medical liability.
- 6. St. Louis:** The courts are seeing out-of-state ADA filings targeting small businesses, large verdicts, and disputes involving the admissibility of scientific evidence and post-trial judicial review of jury verdicts.
- 7. Cook, Madison, & St. Clair Counties (Illinois):** ATRF identifies these counties as centers of baby formula litigation and asbestos claims, noting increased filings from outside jurisdictions and the presence of no-injury lawsuits and large verdicts.
- 8. King County & Washington Supreme Court:** Washington courts have reinstated a large verdict, expanded standards for scientific evidence and asbestos liability, and are seeing new litigation involving climate-related claims, particularly in King County.





Workers' compensation

Rate trends

Average rates in Q4 2025 **decreased by 1%**.

Conditions and observations

- Overall, workers' compensation market conditions remained comparatively stable for standard accounts, with strong competition.
- U.S. private-sector employers reported 2.5 million nonfatal workplace injuries and illnesses in 2024, a 3.1% decline from 2023, according to a recent report by the [U.S. Bureau of Labor Statistics](#). This marks the lowest total recorded for this data series since 2003. The year-over-year decline was largely driven by a 26.0% reduction in illness cases to 148,000, including a 46.1% drop in respiratory cases to 54,000—the lowest level reported since 2019. These findings are based on estimates from the Survey of Occupational Injuries and Illnesses (SOII).
- Workers' compensation loss costs and rate changes have trended downward for over a decade, with modest decreases still expected, although the pace of decline has slowed, according to [NCCI](#). There is no imminent reversal of the downward trend at this time, though NCCI continues to monitor potential disruptors such as changes in frequency trends or accelerating medical inflation.
- According to an [NCCI survey](#) of 100 carriers, top-of-mind issues include:
 - The financial health of the system and rate adequacy
 - Economic uncertainty
 - Medical costs and inflation
 - A changing workforce and workplace
 - Growing attention to artificial intelligence (AI)
- Some carriers still require workers' compensation coverage for submissions to consider other product lines.

03

**Management and executive
liability coverages**



According to the Marsh Q4 2025 U.S. Management and Executive Liability Insurance Index, rates remained **flat**.

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



Source: Specialty and Global Placement



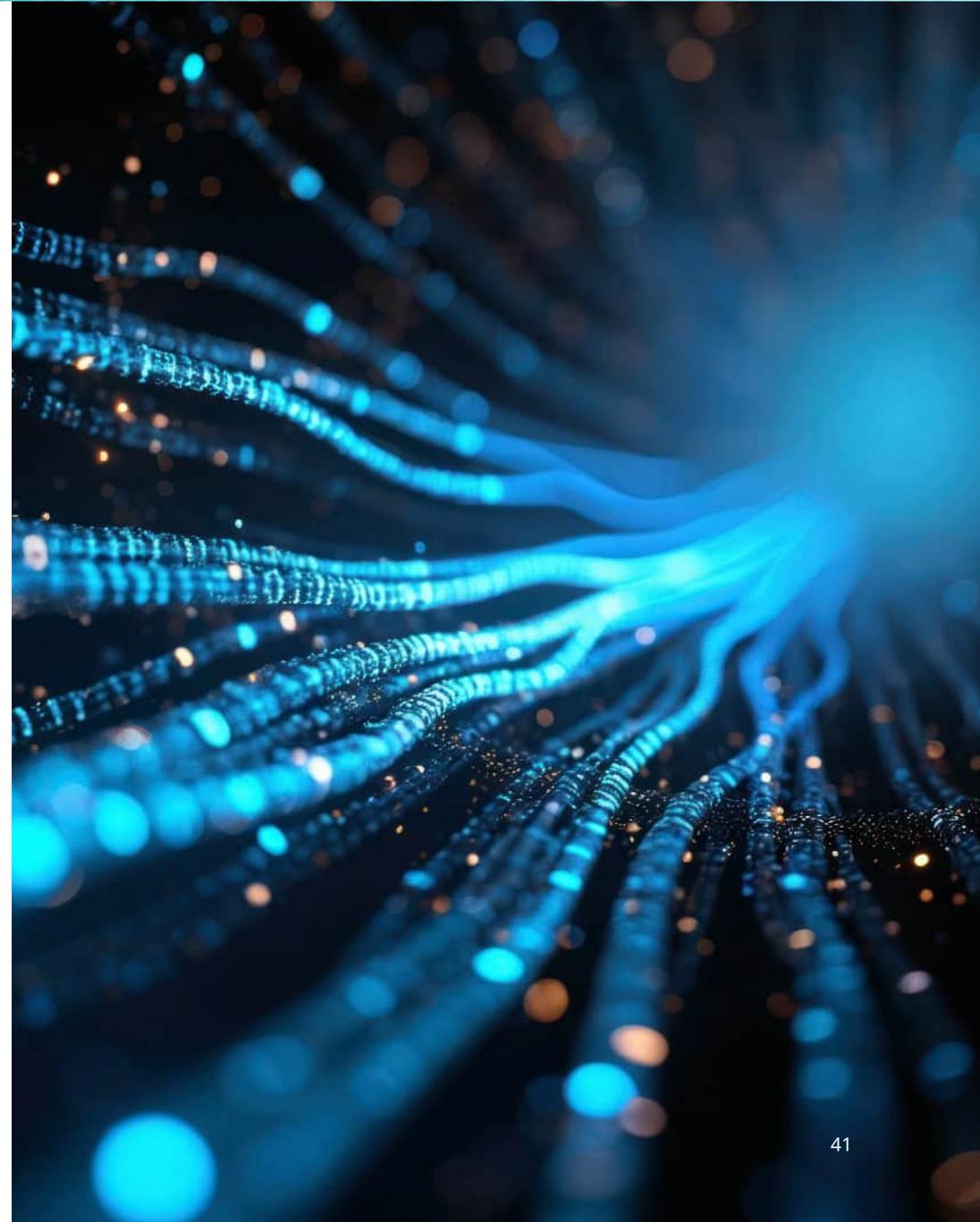
Public directors' and officers' (D&O) liability

Rate trends

- Overall public D&O liability rates remained **flat**, though the market is being closely watched for potential shifts. Regional differences exist:
 - In the Southwest, primary rates are transitioning to flat-to-mid-single-digit increases, with newer market entrants offering small reductions to gain market share. Lower excess layers generally trended flat, while mid and high excess layers are seeing single-digit increases becoming the norm. Some insurers are beginning to withdraw if prices fall below their guidelines.

Conditions and observations

- Capacity remains ample but several market consolidations and exits over the past year signal disruption.
- Market consolidation and exits are driven by factors including a rapid softening of conditions after the 2020 hard-market peak and a slowdown in capital markets activity following the 2021 surge in IPOs and SPACs, reducing new public-company programs and premiums.
- Buyers are likely to continue benefiting from favorable D&O pricing in the near term, though macroeconomic, geopolitical, geophysical, and climate-related risks could accelerate a market cycle shift.



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

Emerging risks

- The claims environment remains a key focus. Core filings rebounded in 2023-2024 and were slightly down in 2025 but not enough to change carrier posture significantly.
- Tariffs and macroeconomic volatility are creating disruption and uncertainty for public companies and underwriters. Key points from the [D&O Diary](#) include:
 - Tariff enforcement risk has increased, as the Trump administration has prioritized tariff compliance, employing both civil tools—including the False Claims Act (FCA)—and criminal prosecutions to address alleged tariff evasion.
 - Regulatory actions can trigger follow-on D&O claims, with FCA and criminal investigations often leading to securities class actions or shareholder derivative lawsuits.
 - Tariff-related securities litigation is already emerging, with allegations that companies overstated tariff compliance or downplayed the financial impact of tariffs, sometimes described as “tariff-washing.”
 - Legal and economic uncertainty remains elevated, driven by a pending Supreme Court decision on certain tariffs and the administration’s stated intent to continue aggressive enforcement regardless of the outcome.
 - Tariff impacts may intensify in 2026, as pre-tariff stockpiles unwind and economic tailwinds from AI investment potentially fade.
 - Industries most exposed include import-dependent retailers, manufacturers reliant on foreign inputs, automotive and auto-parts suppliers, and agriculture, all of which may face heightened D&O scrutiny.
- AI remains an uncertain risk, with underwriters remaining cautious due to the technology’s evolving and not fully understood ramifications. An uptick in AI-related claims could prompt a faster response than with more familiar exposures. Key observations from the [D&O Diary](#) include:
 - Much of the AI-related corporate and securities litigation to date has focused on so-called “AI-washing” claims. Companies are accused of overstating their AI capabilities or the role AI plays in their growth prospects. Recent lawsuits allege that companies misled investors by exaggerating AI-driven revenue opportunities or masking traditional or questionable business practices as AI innovation.
 - More recently, a new category of AI-related litigation has emerged, shifting the focus from overstated benefits to understated risks. These cases allege that companies failed to adequately disclose how AI adoption—either by competitors or platform partners—could negatively impact traffic, revenue, or business models, signaling a potentially expanding litigation risk tied to both AI promotion and AI disruption.



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

Rate trends

Similar to public D&O, private D&O rates remained **flat**, creating a **favorable market for insureds** with abundant capacity. However, some insurers, depending on the region, are withdrawing from certain risks if pricing falls below their appetite, particularly in the excess layers.

Conditions and observations

- Coverage remains competitive and often broad, especially for straightforward risks.
- Competitive pressure can shift quickly; while the market is currently soft, incumbent insurers may regain leverage as competition eases.
- Insurers are expected to continue using of supplemental applications tied to emerging exposures, seeking additional disclosures on newer risk areas such as governance practices, financial controls, and evolving operational risks beyond the standard D&O application.

- Entity investigation coverage remains available with a \$1 million sublimit at no additional premium.
- Defense costs of \$1 million outside the limit continue to be available for small and mid-sized accounts.
- More carriers are willing to quote naked tail coverage.
- Solid coverage with acceptable pricing remains available for de novo companies.
- AI uncertainty also exists in the private D&O market, with potential emerging risks and significant liability as AI shifts from a futuristic concept to a core boardroom governance issue.

Emerging risk trends

- Private D&O is frequently packaged with Employment Practices Liability (EPL), which is the area most likely to experience hardening.





Employment practices liability (EPL)

Rate trends

Rates in the EPL market remained **flat or close to flat**.

Conditions and observations

- The year ended with overall flat EPL rates, barring meaningful changes in employee count or loss experience. However, EPL may be the first area to show modest hardening within the private management liability package.
 - A few carriers are pushing for modest increases of approximately 5%.
- Some markets are pulling back on offering sublimits for wage-and-hour risks with moderate to high employee counts, regardless of jurisdiction.
- Markets are taking varying approaches to evolving pay transparency laws, offering affirmative unlimited coverage, defense costs only, or remaining silent.
- There is increased availability for California exposures, sometimes without higher retention.
- Opportunities to reduce mass-class and high-wage earner retentions remain available on certain accounts.
- Exclusions for BIPA or similar biometric privacy laws continue to be added to address risks involving employees in states where these laws apply.

Emerging risks impacting employees and the EPL market

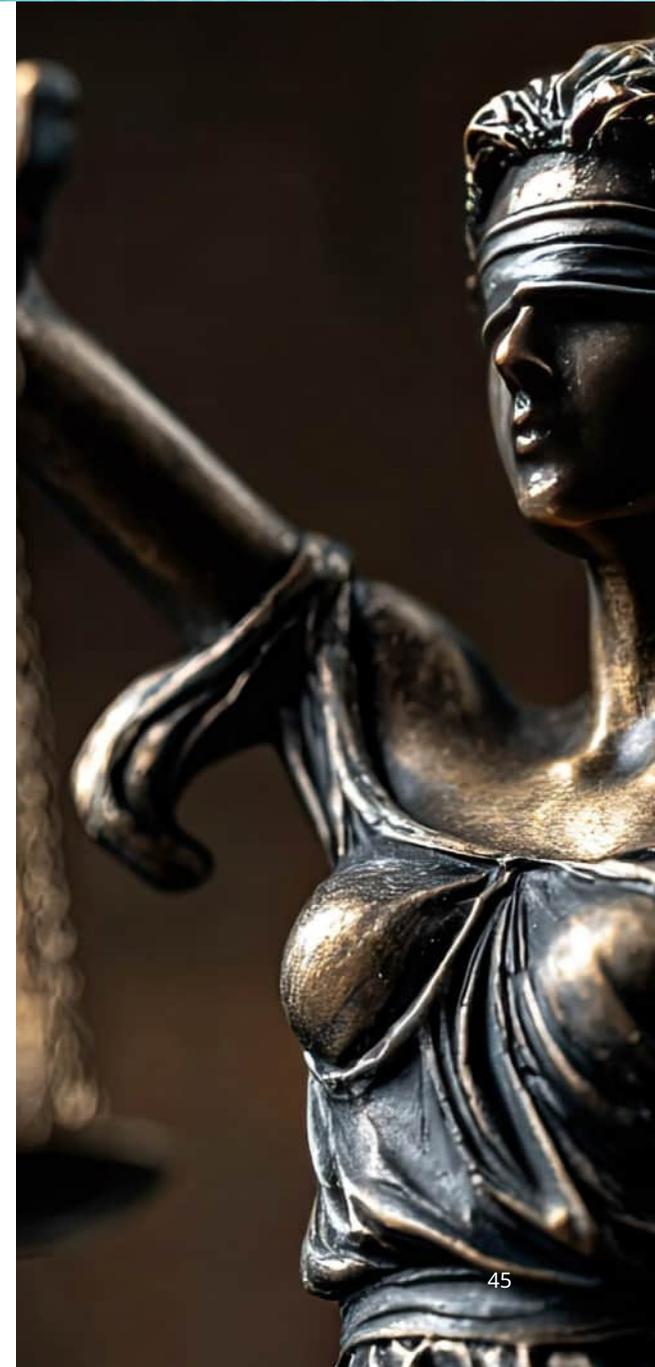
- [SHRM](#) has identified the top workplace issues for 2026, highlighting **evolving workforce compliance** amid a changing legal environment as a key emerging risk. Key factors include:
 - Executive orders, recent Supreme Court decisions, shifting enforcement priorities at the U.S. Equal Employment Opportunity Commission (EEOC), and evolving state laws are creating uncertainty over inclusion and diversity (I&D) initiatives and anti-discrimination practices. Employers are navigating how to maintain inclusive workplaces while managing growing legal and reputational risk, as clearer alignment between anti-discrimination requirements and organizational inclusion goals becomes increasingly important.
 - While I&D remains a strategic priority for many organizations, practices once widely accepted are now facing heightened scrutiny. Employers should closely monitor how the U.S. Department of Justice implements the Strategic Enforcement Plan under Executive Order 14173, including potential expansion of the Civil Rights Fraud Initiative.

- At the same time, the Office of Federal Contract Compliance Programs is advancing proposed regulatory changes, and the EEOC is expected to pursue more systemic litigation, revise regulations under the Pregnant Workers Fairness Act, and finalize updated Harassment Guidance. These developments signal increased compliance risk.
- To manage this evolving landscape, organizations should regularly review workplace policies, communicate clearly with employees, and stay informed on federal and state developments. Proactive monitoring and timely adjustments will be critical to reducing risk, maintaining compliance, and supporting inclusion objectives.

DEI and reverse discrimination

- According to recent guidance from the U.S. Equal Employment Opportunity Commission (EEOC), certain workplace diversity, equity, and inclusion (DEI) policies may raise potential issues under Title VII. The EEOC has also provided information on how employees can file discrimination or harassment charges if they believe a DEI-related policy adversely affected them. (See [What You Should Know About DEI-Related Discrimination at Work](#) and [What To Do If You Experience Discrimination Related to DEI at Work](#).)
- This guidance signals increased scrutiny of DEI-related employment practices, particularly where policies or programs could be viewed as influencing hiring, promotion, compensation, or other employment decisions based on protected characteristics.
- In a notable development, EEOC Chair Andrea Lucas publicly encouraged individuals to file reverse discrimination claims, a rare step that may indicate a shift in enforcement emphasis.
- This development suggests a broader application of Title VII protections, with enforcement attention expanding beyond groups traditionally viewed as disadvantaged to include any individual alleging discrimination based on characteristics.
- Given evolving enforcement priorities, employers are advised to proactively review DEI policies to ensure they are structured and implemented in compliance with Title VII and do not result in employment decisions based on protected traits.
- Clear documentation, consistent application, and legal review of DEI initiatives are increasingly important to mitigate regulatory, litigation, and reputational risks as EEOC guidance and enforcement continue to evolve.

Source: [Stinson](#)



Fiduciary

Rate trends

The fiduciary market in Q4 2025 remained **stable**, with pricing generally **flat**.

Conditions and observations

- Where plan fees have increased, premium increases may follow.
- Excessive-fee claims have expanded beyond large institutions, increasingly targeting mid-sized and smaller plans, broadening fiduciary exposure across the market.
- Carrier responses vary by plan size: plans with assets over \$1 billion face large retentions (\$1 million to \$5 million or more) on excessive-fee and mass class claims, while mid-sized and smaller plans are experiencing heightened underwriting scrutiny and selective tightening of terms.
- The scope of claims is widening, with excessive-fee-style allegations extending beyond 401(k) plans into welfare and voluntary benefit programs, including increased scrutiny of vendor pricing and consultant oversight.





Crime

Rate trends

Crime insurance remains **stable**, with fewer major swings in results or claim trends.

Conditions and observations

- Social engineering and employee theft remain the primary crime exposures, with losses driven by both external fraud and internal misuse of authority or access.
- Social engineering and computer-related crime continue to evolve, with bad actors increasingly targeting third-party vendors that provide bill pay, invoicing, and payment services. These attacks often involve compromised credentials, altered payment instructions, or fraudulent system access, resulting in frequent losses that are difficult to detect.
- Coverage for these losses is not uniform; many crime policies may not respond to computer-related fraud involving third-party hosted systems unless the definition of “computer systems” explicitly includes vendor platforms.
- Coverage for “other property” social engineering losses may be available, but availability, definitions, and limits vary by carrier and are often subject to sublimits, making policy wording and structure especially important.
- Foreign operations add complexity to underwriting, as insurers assess local payment controls, vendor verification practices, and regional fraud patterns, which can result in different retentions or terms for U.S. versus non-U.S. exposures.
- Looking ahead, market focus will center on how carriers approach social engineering coverage, including whether “other property” extensions are expanded or restricted, and how sublimits or limit stacking are applied for larger or more complex insureds.





Errors and omissions (E&O)

Rate trends

- The market continued to see **flat to slight increases**, with **ample capacity** for straightforward “vanilla” risks.
- Lawyers professional liability and architects and engineers (A&E) E&O pricing remained generally flat.
- Miscellaneous E&O rates remained flat or decreased by less than 5%, assuming similar year-over-year revenues.

Conditions and observations

- Underwriters prefer clear exposures; complicated or non-traditional risks can trigger underwriting discomfort and lead to declinations.
- There are fewer available markets for medical malpractice E&O due to carrier consolidation.
- AI is frequently discussed, but feedback suggests it’s not yet materially influencing pricing or terms in many E&O placements; it remains more of a “watch list” than a loss-driven factor at this time.



04

**Cybersecurity and
data privacy**



Overview

According to a new report from our colleagues at Guy Carpenter, [Cyber 2025 – A Year in Review](#), the cyber insurance market is maturing, yet many organizations remain underinsured or unaware of their full cyber exposures, leaving a significant share of potential losses outside the insurance ecosystem. Guy Carpenter notes that closing this protection gap will require continued evolution of coverage, stronger buyer education, and more sophisticated risk modeling as cyber threats expand in scale and complexity.

Guy Carpenter cautions that emerging risks—such as AI-enabled attacks, systemic cloud outages, and supply-chain-driven cyber events—are set to reshape loss dynamics. Recent incidents, including ransomware attacks and major technology outages, have demonstrated how cyber shocks can cascade across ecosystems, often generating substantial economic losses that don't translate into insured claims.

The report also highlights a renewed rise in cyber liability exposures, especially in the U.S., as third-party claims tied to data handling, regulatory compliance, and downstream business interruption increase.

Despite a buyer-friendly pricing environment in 2024 and 2025, reinsurers remain disciplined, rewarding strong underwriting and portfolio performance while applying greater scrutiny to underperforming programs. Guy Carpenter expects this differentiation to intensify into 2026, reinforcing best practices and risk management across the cyber insurance market.

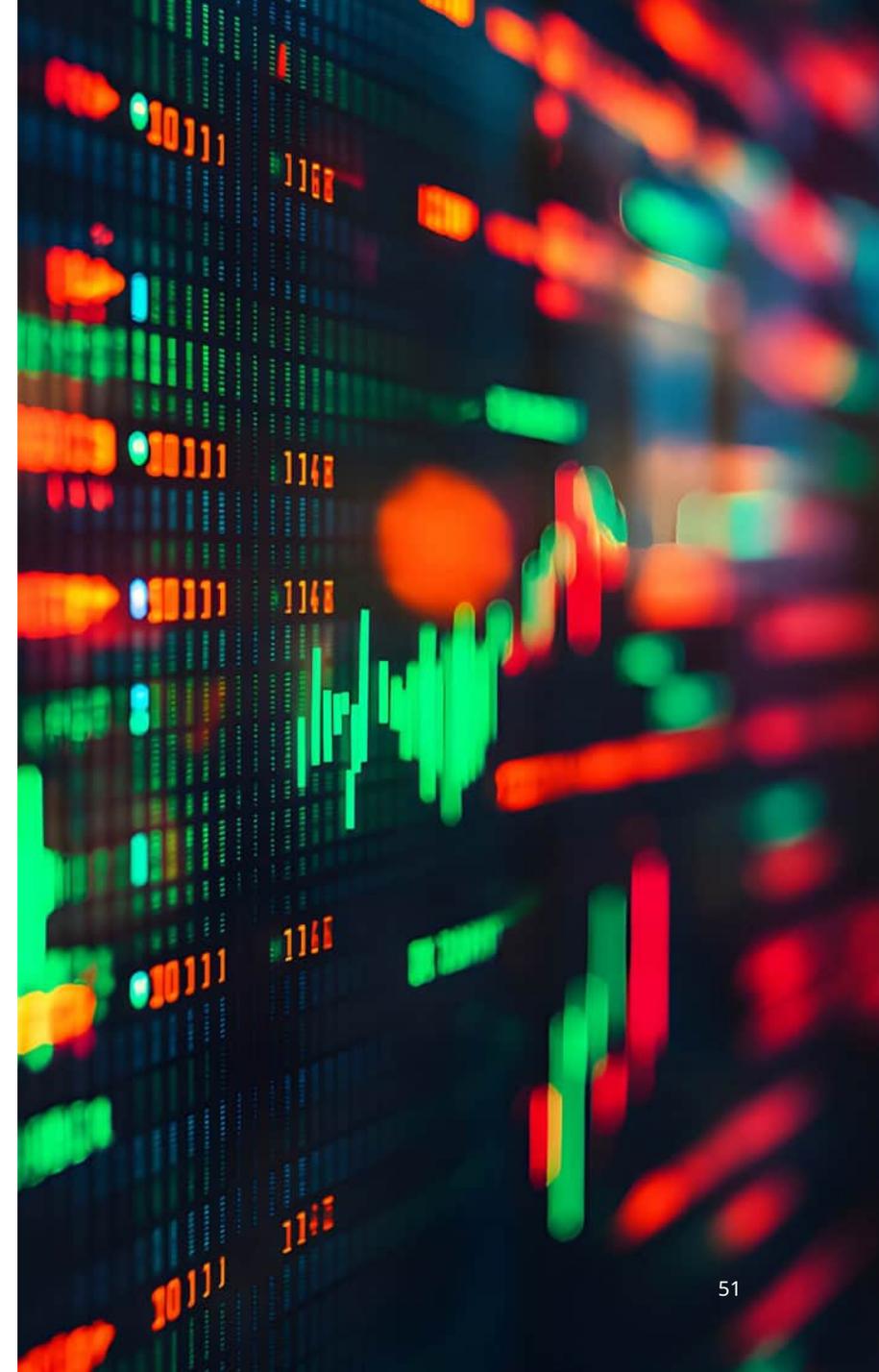


Rate trends

The Marsh Q4 2025 U.S. Cyber Insurance Index shows **rates declining by an average of 3%**, marking the 11th consecutive quarter of rate reductions.

Conditions and observations

- The cyber market remains highly competitive, with abundant capacity continuing into Q4 2025, and no broad-based upward rate movement observed.
- Overall conditions closely mirrored Q3, reinforcing that cyber remains a buyer-friendly market across most industries, as insurers continue to pursue growth across their portfolios.
- While overall pricing pressure remains downward, some carriers are seeking firmer pricing in select industry classes where exposure concentration or systemic risk is a concern, most notably healthcare and certain manufacturing segments. Healthcare remains a challenging business segment, requiring premium adequacy.
 - According to IBM's [Cost of a Data Breach Report 2025](#), the global average cost of a data breach fell 9% year over year to \$4.44 million, the first decline in five years, due to faster detection and containment aided by AI. However, the U.S. average rose 9% to a record \$10.22 million, driven by higher regulatory fines and increased detection and escalation costs.
 - The IBM report also shows that the healthcare industry remained the costliest sector for data breaches, with an average breach cost of \$7.42 million, marking the 12th consecutive year the industry has ranked highest. Although this represents a notable decline from \$9.77 million last year, attackers remain highly focused on healthcare due to the value of patient personally identifiable information (PII), which can be exploited for identity theft, insurance fraud, and other financial crimes. Healthcare incidents also took the longest to detect and contain, averaging 279 days—more than five weeks longer than the global average.



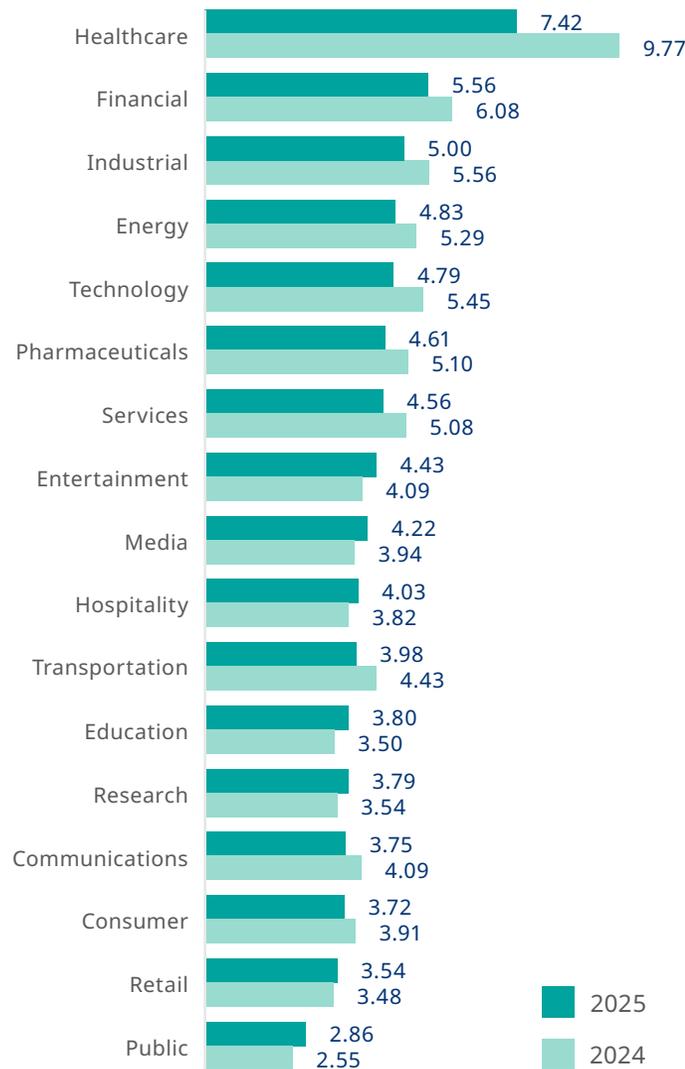
Conditions and observations (cont.)

- The reinsurance market is showing increased creativity and willingness to evolve, exploring new ways to support cyber risk transfer beyond traditional structures as exposures continue to change.
- Reinsurers continue to support the market with sufficient capacity, reinforcing overall stability and sustaining competitive conditions despite ongoing claims activity. However, as the Guy Carpenter report indicates, a protection gap remains, and emerging risks must be addressed.
- Looking ahead to 2026, carriers expect continued competition but with greater scrutiny on portfolio performance, as ongoing attritional losses gradually erode books despite overall market health.

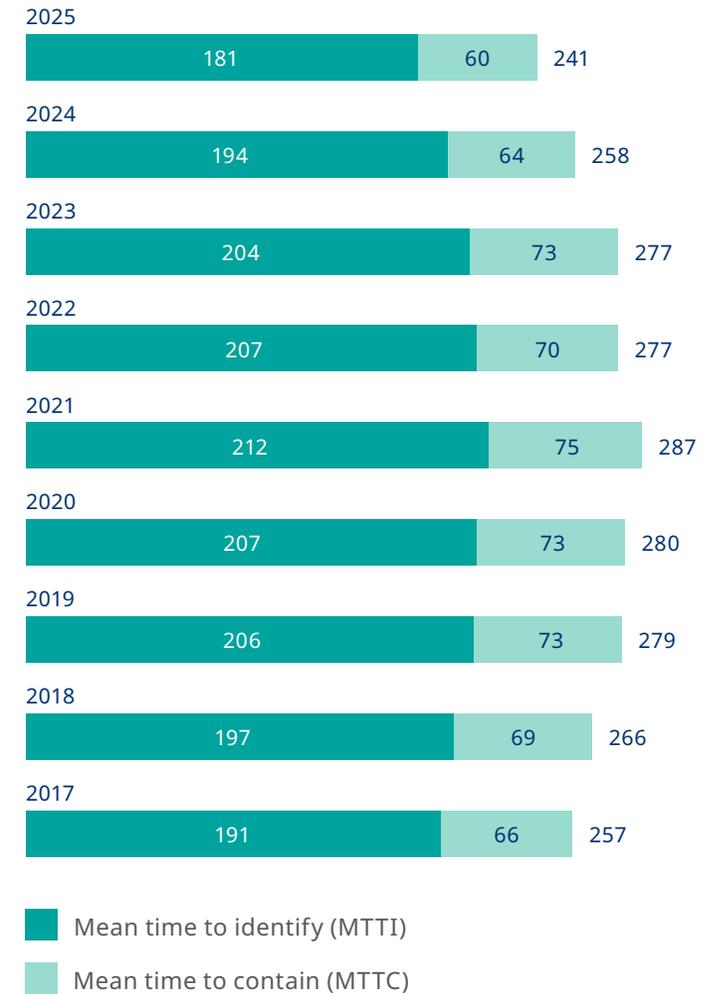
Emerging risks and considerations

- Generative AI is increasingly shaping the threat landscape, with industry data showing a growing share of claims involving AI-enabled phishing, impersonation, and fraud.
- Underwriters are placing greater emphasis on data collection, data use, and privacy practices, including wrongful collection and non-breach privacy exposures, particularly where generative AI tools are involved.
- Organizations are encouraged to focus on privacy hygiene and third-party data-sharing controls, especially when working with technology vendors or AI platforms that access or host sensitive data.

Measured in USD millions



Measured in days



Source: [IBM Cost of Data Breach Report 2025](#)

A closer look at the impact of AI and cyber risks

- According to the latest [World Economic Forum’s Global Risks Report](#), “adverse outcomes of AI technologies” rank as the fifth-most impactful risk over the course of a decade.

Global risks ranked by severity, short term (2 years) and long term (10 years)

Short term (2 years)

1	Geoeconomic confrontation
2	Misinformation and disinformation
3	Societal polarization
4	Extreme weather events
5	State-based armed conflict
6	Cyber insecurity
7	Inequality
8	Erosion of human rights and/or of civic freedoms
9	Pollution
10	Involuntary migration or displacement

Long term (10 years)

1	Extreme weather events
2	Biodiversity loss and ecosystem collapse
3	Critical change to Earth systems
4	Misinformation and disinformation
5	Adverse outcomes of AI technologies
6	Natural resource shortages
7	Inequality
8	Cyber insecurity
9	Societal polarization
10	Pollution

Risk categories ● Economic ● Environmental ● Geopolitical ● Societal ● Technological

Source: [World Economic Forum’s Global Risks Report 2026](#)

- AI is expected to significantly expand the cyber risk landscape over the next several years, according to [Moody’s](#). Threats are projected to evolve from AI-driven data poisoning, deepfakes, and increasingly sophisticated phishing schemes toward more advanced risks, including AI-enabled malware, autonomous cyberattacks, and faster exploitation of system vulnerabilities.
- [Moody’s](#) also notes that geopolitical tensions, cybersecurity threats, and regulatory fragmentation are expanding the risk profile of artificial intelligence. Shifting geopolitical dynamics are reshaping access to chips, computing power, and data infrastructure, often requiring multinational organizations to maintain separate AI environments across regions. At the same time, deeper integration of AI into core operations is heightening exposure to cyber incidents and operational disruptions. Divergent regulatory frameworks—from the EU’s AI Act to China’s licensing regime—are increasing compliance costs and complicating global AI deployment.
- IBM’s [Cost of a Data Breach Report 2025](#) reports that 16% of breaches involved AI, with attackers leveraging generative AI to scale and enhance phishing and social engineering.
 - AI-generated phishing accounted for 37% of these attacks, while deepfake impersonation attacks made up 35%.
 - The extensive use of AI in organizations’ security stacks reduced breach costs by an average of \$1.9 million. AI-powered security tools help reduce alert volume, identify at-risk data, detect breaches early, and enable faster, more precise responses.

Claim trend: business email compromise (BEC)

What is business email compromise?

Business email compromise (BEC) is a form of cyber fraud in which criminals impersonate trusted individuals or compromise legitimate email accounts to trick employees into sending money or sensitive information. [According to the FBI's Internet Crime Complaint Center](#) (IC3), reported losses from BEC have increased over recent years, indicating the ongoing risk to organizations. In 2024, the [Federal Trade Commission](#) (FTC) reported that consumers lost nearly \$3 billion from imposter scams.

These attacks are highly targeted, often difficult to detect, and can result in significant financial losses.

Key characteristics:

- Relies on social engineering rather than malware
- Exploits trust in executives, vendors, or professional advisors
- Often bypasses traditional cybersecurity controls

Common BEC attack methods

Attackers use a variety of techniques to make fraudulent requests appear legitimate, frequently tailoring them to an organization's structure and workflows.

Typical BEC scenarios:

- **Executive impersonation:** Urgent payment requests appearing to come from senior leadership
- **Vendor or invoice fraud:** Fake invoices or altered payment instructions
- **Compromised employee accounts:** Legitimate email accounts used to send fraudulent requests
- **Attorney or advisor impersonation:** Requests tied to confidential or time-sensitive matters
- **Data-focused fraud:** Attempts to obtain payroll, tax, or customer data rather than funds

How organizations can reduce BEC risk

While BEC attacks are difficult to prevent entirely, strong controls and awareness can significantly reduce exposure.

Risk mitigation best practices:

- Enable multifactor authentication (MFA) on email and financial systems
- Require verbal or secondary verification for wire transfers and payment changes
- Limit access to financial systems using least-privilege principles
- Conduct regular employee training focused on social engineering red flags
- Use email security and filtering tools to detect spoofing and impersonation

Insurance coverage considerations

Coverage for BEC-related losses varies by policy type and wording, making it critical to understand how different forms respond.

Potential coverage sources:

- **Cyber insurance:** May respond under social engineering or invoice manipulation coverage
- **Crime insurance:** Can address direct financial theft but may exclude related response costs
- **Policy nuances:** Coverage often depends on whether deception, system compromise, or unauthorized access can be proven

Why early reporting matters

Prompt notification following a suspected BEC incident can significantly impact both recovery and coverage outcomes. Early reporting:

- Preserves access to insurer-approved breach response resources
- Improves coordination between legal, IT, and claims teams
- Reduces the risk of coverage disputes related to delayed notice or unauthorized vendors



05

Additional trends and observations



Aviation

Rate trends

Loss-free, desirable fixed-wing and products/completed operations accounts generally see **>5%** decreases in rating.

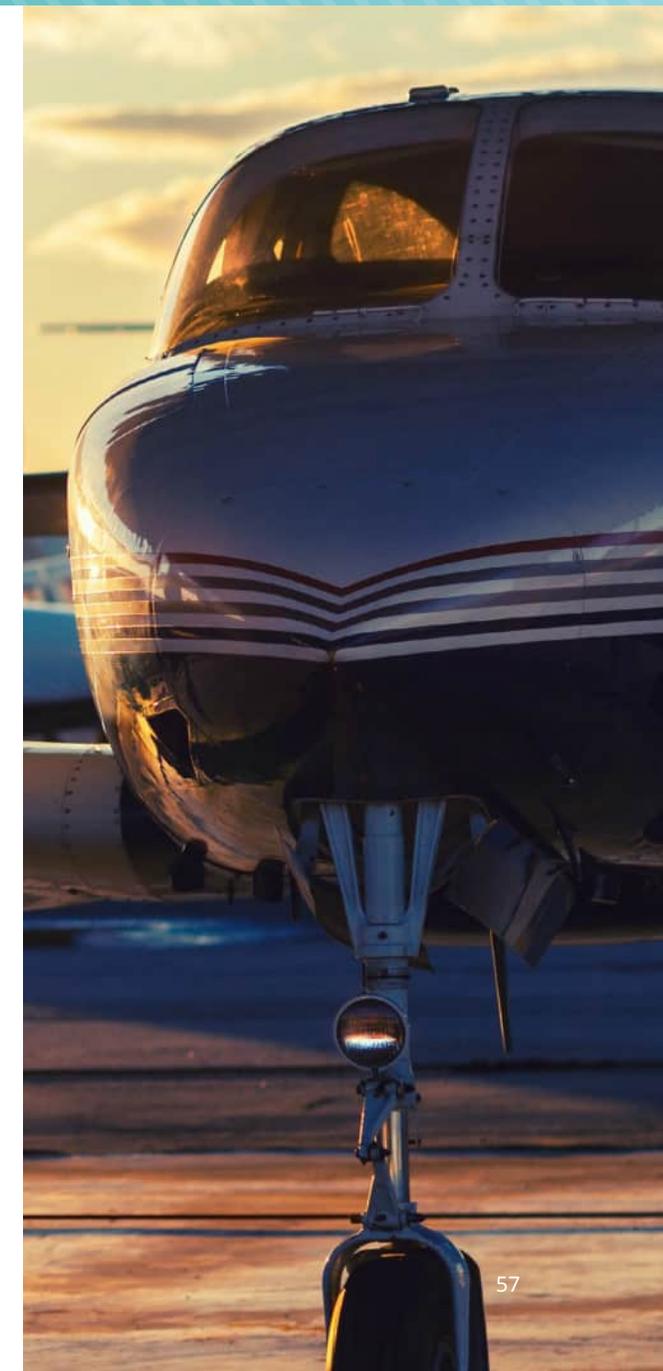
Conditions and observations

Reinsurance

- Treaty pricing for general aviation, particularly corporate and business aviation risks, is generally **flat to slightly down**, reflecting stable loss experience and adequate capacity.
- Reinsurance treaty pricing continues to increase for airlines, with renewals generally up **20% to 25%**, according to Guy Carpenter, consistent with recent Marsh Market Insights indicating increases of **15% to 20%**.
- Treaty terms and conditions remain largely unchanged, with minimal structural or coverage adjustments observed across both airline and general aviation placements.
- Reinsurance capacity remains sufficient across both airline and general aviation segments, supporting differentiated pricing outcomes by class of business.

General aviation

- Pricing for general aviation remains competitive, with market conditions continuing to soften.
- Carriers are increasingly taking 100% participation on select larger risks that were previously layered during the hard market, while median accounts continue to be written on a full-participation basis.
- While rate reductions are readily available, ancillary coverage enhancements typically require negotiation.
- Excess auto and employer's liability (EL) attached to aviation general liability placements are being underwritten more conservatively.
- Underwriters continue to require strong pilot qualifications and are closely scrutinizing pilot age, particularly for turbine aircraft with pilots over age 70.
- Insuring hangars and service buildings remains more challenging, with fewer markets showing appetite for these higher-risk exposures, particularly in coastal regions. Peril-specific (wind) deductibles have become more prevalent.



Environmental

The environmental insurance market remained competitive but increasingly nuanced, with overall rate stabilization and selective softening continuing through Q4 2025. Pricing trends vary by coverage type, with contractors' pollution liability and site pollution generally flat to modestly favorable, while combined-form and professional-inclusive placements reflect wider ranges depending on risk profile and loss history.

Despite these stable conditions, underwriting activity is elevated, driven by heightened regulatory scrutiny, emerging contaminant exposures, and increased transaction-related demand. As a result, while capacity remains available and competition persists, carriers are applying greater diligence and segmentation to environmental risks.

Rate trends

Average rates for Q4 ranged from **5% to 0% (flat)** for contractors' pollution liability; **-5% to +15%** for contractors' pollution liability with professional liability coverage; **-5% to -10%** for site pollution; and **-5% to +20%** for combined-form liability.

Conditions and observations

- The environmental market remains active and competitive, with continued softening across primary layers depending on risk class and coverage type. However, the market is extremely busy, especially around key renewal dates.
- Underwriters report an influx of submissions due to increased client awareness and an uptick in mergers, acquisitions, private equity involvement, and transactions using environmental liability insurance for risk transfer.
- Contractors' pollution liability remains the most aggressive coverage, with new carriers entering the combined CPL/professional space regularly.
- Site pollution coverage remains favorable; however, heightened regulatory and litigation risks—especially related to PFAS, silica, glyphosate, and ethylene oxide (EO)—are driving carriers to adopt more proactive underwriting and claims management approaches. A full submission is required to receive favorable terms, and coverage may be difficult to obtain in locations where these contaminants are present or have been historically present.
- The popularity of combined-form liability (including general liability) and monoline products pollution is increasing as additional focused-peril restrictions and pollution exclusions are added to general liability policies.
- New carriers are entering the combined-form and monoline products space. While some reports indicate that excess liability coverage for autos has become more challenging, carriers responded more favorably to excess placements in Q4 2025 than in Q3.

International

Conditions and observations

- **Territory restrictions:** Many U.S.-based insurers with international underwriting authority are narrowing territorial coverage definitions and increasingly requiring referrals for travel to regions previously considered low-risk. While the London market continues to demonstrate a broader risk appetite, escalating global tensions make it prudent to confirm carrier acceptance for all international travel exposures, regardless of underwriting source.
- **Inbound foreign investment:** European and multinational investment in the U.S. is accelerating. In several cases, foreign-based companies are fully relocating operations to the United States, converting their former home countries into branch offices within global insurance programs issued from the U.S.
- **Rate environment:** Pricing remains generally stable across foreign package, controlled master program (CMP), business travel accident (BTA), and kidnap and ransom (K&R) coverages. General liability (GL), employers' liability (EL), and automobile liability rates are softening for quality accounts, while property rates have increased modestly.
- **Coverage evolution:** BTA and K&R rates remain stable, with both products expanding in scope to include broader emergency response, evacuation, and crisis management services.
- **Local admitted requirements:** Several European countries are introducing legislation mandating locally issued policies for certain operations. While general liability coverage is typically required when establishing local operations, some jurisdictions are increasingly mandating professional lines such as directors' and officers' (D&O) and cyber liability. Third-party automobile liability coverage is required in most countries, with limited exceptions in parts of the developing world.
- **Premium payment requirements:** In many Near and Far East jurisdictions, "cash before cover" remains a standard requirement. Countries such as India, Japan, and South Korea require premium payment prior to policy binding and coverage inception. This necessitates early binding and timely premium remittance to avoid coverage gaps.

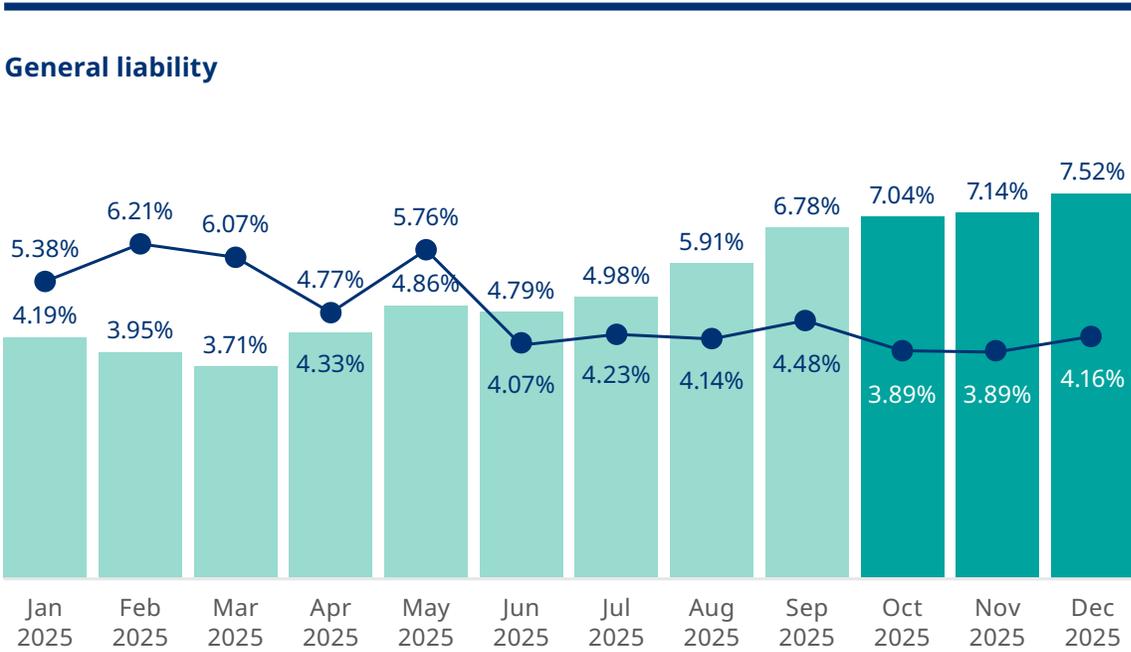


Small commercial market insights

Overview

Average premium renewal rate changes increased year over year across all major commercial lines of business except workers' compensation, according to the most recent IVANS Index™. In Q4 2025, renewal rate changes rose for general liability, commercial property, and umbrella compared to Q3 2025, while commercial auto, business owners policies (BOP), and workers' compensation experienced declines.

General liability closed the year with its highest average premium renewal rate increase, climbing sharply from 3.95% in Q1 2025 to 7.23% in Q4 2025. Overall, average renewal rate changes in 2025 were lower across most lines than in 2024, with general liability and umbrella the only lines to post higher increases. Umbrella consistently recorded the highest average premium renewal rate changes among all major lines throughout 2025.

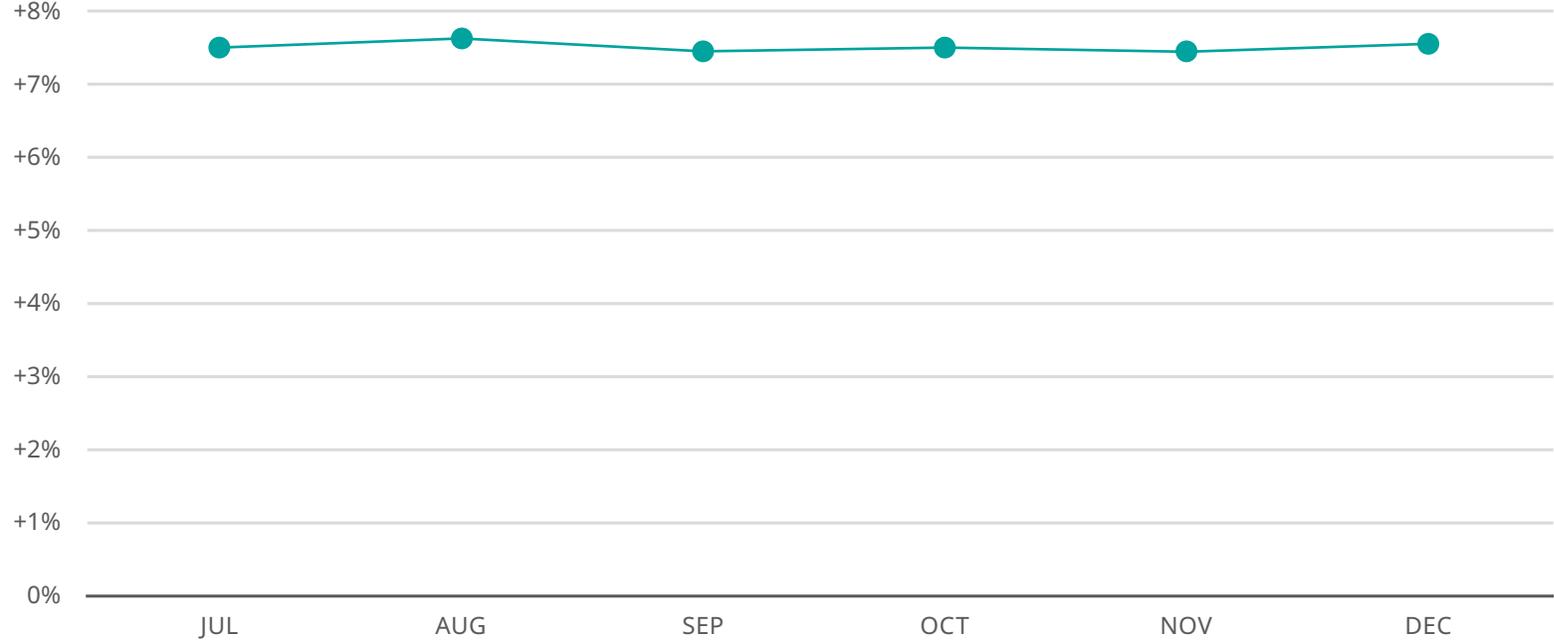


Source: IVANS

Rate trends

The IVANS Index™ reports a premium renewal rate change for BOP averaging 7.52% in Q4 2025, with a quarterly high in December at 7.58% and a low in November at 7.46%. The average premium renewal rate change for the quarter decreased slightly from 7.55% in Q3 2025.

IVANS Index premium renewal rate change trend – last 6 months

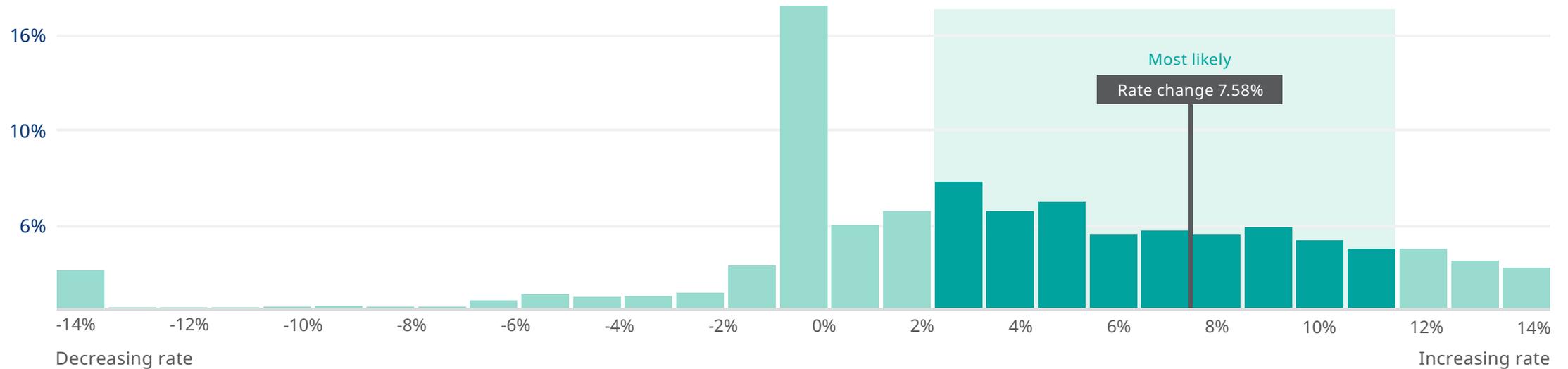


Source: IVANS

Below are baseline Q4 trends from IVANS. Umbrella/excess, general liability, and property rates have shown an uptick, while automobile and workers' compensation rates have shown decreases.



IVANS Index premium renewal rate change distribution - December



Source: IVANS

Conditions and observations

Property:

- Although the average increase is lower, clients in some regions are seeing premium increases of 15% to 30%.
- Age-of-building restrictions remain in place, even for fully renovated properties, with continued non-renewals as carriers reassess portfolios. However, some carriers are easing restrictions and reconsidering previously declined submissions when supported by clean loss history and higher premiums.

Business owners policy (BOP):

- Clients continue to see renewal increases, with some accounts up to 10%.
- While renewals are typically automatic, carriers are issuing them later than expected, sometimes less than 30 days before expiration.
- Some carriers are expanding their appetite and pushing smaller premiums through online portals to support quick issue and bind.

General liability:

- Underwriters are requesting additional supplemental information and releasing quotes close to expiration. Having preferred carrier status and strong carrier relationships enables Marsh to enhance client renewal communication and outcomes.

Automobile liability:

- Stand-alone hired non-owned auto (HNOA) remains challenging and costly to place, with many carriers opting not to renew due to appetite shifts or poor loss ratios.
- Carriers may consider HNOA when writing other lines and will review scheduled auto placements 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:

- Ongoing restrictions remain for certain classes, including temporary staffing, construction, and transportation.
- Carriers are opening additional classes to drive new business, particularly in the first quarter.

Executive and Management liability:

- D&O renewal pricing in some areas of the small commercial market continues to increase.
- Management liability supplemental applications remain lengthy and burdensome for insureds.
- Cyber pricing has improved, with carriers adopting a more aggressive approach at renewal.

Impact of tariffs on small businesses

Tariffs have hit small businesses particularly hard, given their thin margins and limited capacity to absorb cost increases compared to larger companies. The impact of tariffs in 2026 will depend on how businesses navigate an environment characterized by on-and-off tariffs.

Additionally, the [U.S. Supreme Court is reviewing whether tariffs imposed under the International Emergency Economic Powers Act \(IEEPA\) were legally authorized](#). If the Court determines that the government lacked authority to impose those tariffs under IEEPA, the tariffs would be invalid. The federal government may be required to refund tariff revenue already collected from importers, potentially totaling billions of dollars. This decision could have significant implications for trade policy, federal revenues, and businesses that paid those tariffs.

Trade credit insurance (TCI)

Rate trends

Trade credit insurance rates in Q4 2025 remained unchanged despite increases in claims and severe bankruptcies in the U.S.

Conditions and observations

- According to [Allianz's Economic Outlook Research 2026-2027: Stretching the Limits](#), global GDP growth remains resilient in the near term, forecast at 2.9% in 2026 and 2.8% in 2027, following strong 3.0% growth in 2025, driven primarily by the U.S. and China. Key highlights include:
 - Growth momentum has exceeded prior expectations, driven by strong carryover effects, adaptive trading strategies, and continued investment despite geopolitical disruptions. However, downside risks remain elevated, particularly from geopolitical fragmentation, policy uncertainty, and financial market volatility.
 - The U.S. economy is increasingly “running on two speeds,” with AI and the information and communications sector contributing more than half of GDP growth in 2025.
 - Trade-war impacts have been less severe than expected, aided by tariff reductions, exemptions, and targeted trade deals.
 - Export growth in China continues to outperform expectations, supported by frontloading, tariff circumvention, market-share gains, and a weaker currency.
 - The eurozone outlook remains moderate, with GDP growth projected at 1.1% in 2026, constrained by structural challenges.



Trade credit insurance (TCI) (cont.)

Corporates and credit risk

- According to the Allianz report, corporate earnings remain strong, particularly in the U.S., supported by AI investment and sectoral divergence.
 - Despite solid balance sheets, refinancing risk is rising as borrowing costs remain elevated for weaker accounts.
 - Global insolvencies are expected to rise by ~3% in 2026, following a +6% increase in 2025, with the largest pressures in North America and parts of Europe.
 - The persistence of elevated insolvency levels, well above pre-pandemic norms, underscores heightened counterparty risk, especially in trade-exposed sectors.

Implications for trade credit insurance

- Continued economic resilience masks underlying credit stress, particularly among highly leveraged firms and sectors exposed to geopolitical disruption.
- Rising insolvencies and uneven regional performance reinforce the importance of active credit monitoring, buyer diversification, and limit management.
- Trade credit insurance remains a critical risk management tool as companies navigate late-cycle conditions, fragmented trade flows, and increasing default risk.
- The environment favors disciplined underwriting, with a heightened focus on sector concentration, supply-chain exposure, and buyers' liquidity resilience.

Source: [Allianz's Economic Outlook Research 2026-2027: Stretching the Limits](#)

Saks Global Chapter 11 filing

Chanel and Kering (owner of Gucci) have emerged as the largest unsecured creditors in the [Saks Global Chapter 11 bankruptcy](#), with claims of approximately \$136 million and \$60 million, respectively. The filing includes \$3.4 billion in debt, with roughly \$712 million owed to the top 30 unsecured creditors, highlighting the scale of exposure among luxury brands.

The bankruptcy involves the consolidated operations of Saks Fifth Avenue, Neiman Marcus, and Bergdorf Goodman, representing one of the most significant disruptions in U.S. luxury retail. Other impacted brands include LVMH, Valentino (Mayhoola), Richemont, Zegna, and Burberry.

This bankruptcy underscores the critical role of trade credit insurance for luxury brands and suppliers extending large unsecured receivables to department store partners. The concentration of exposure among a small group of high-end retailers increases the risk of significant losses in the event of financial distress.



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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