MarshMcLennan Agency

Q2 2025 U.S. Business Insurance Market Observations

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A business of Marsh McLennan

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Overview

Welcome to Marsh McLennan Agency's Q2 2025 U.S. Business Insurance Observations report. Let's jump right in.

Despite significant loss activity in the first quarter, our colleagues at Guy Carpenter expect reinsurer performance to stay strong for the rest of 2025. They project that capital will grow by 5% to 7% by the end of the year. "More capacity will continue to moderate pricing, give clients more diversification of reinsurance partners, and provide better solutions to protect earnings," said Dean Klisura, president and CEO of Guy Carpenter.

This is positive news for the U.S. insurance industry, as long as other factors don't broadly disrupt the current order.

In May, the Financial Times reported that market chaos could threaten to upend the global order. "The current U.S. administration's tariffs are part of a broader program of economic nationalism and using such tools to pursue geopolitical objectives," said Lisa Quest, co-head of the government and public institutions practice for Europe at Oliver Wyman.

A study published in January by Oliver Wyman and the World Economic Forum estimates that fragmentation could cause annual economic losses between $600 billion and $5.7 trillion. At the high end, that could wipe out 5% of global GDP—twice the economic impact of the 2020 coronavirus pandemic.

"It is not just the actual cost, but it is the cost of uncertainty and the impact on trust," says Quest. "Many of these markets operate on the basis of stability and trust, and there will be an additional cost that comes from losing that trust."

Recent drops in U.S. stock prices, a sell-off in treasuries, and a falling dollar suggest that uncertain policies are shaking investor confidence and driving capital out of American assets.

Swiss Re Institute reported in July that global inflation-adjusted GDP growth is expected to slow to 2.3% in 2025 and 2.4% in 2026, down from 2.8% in 2024.

As U.S. trade deals continue to change, Suzanne P. Clark, president and CEO of the U.S. Chamber of Commerce, sent a letter asking the administration to address the effects of tariffs. She outlined three ways to prevent lasting harm to small businesses. Clark noted, "We must work together to avoid a recession and to realize America's economic potential.

We offer optionality and solutions.

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

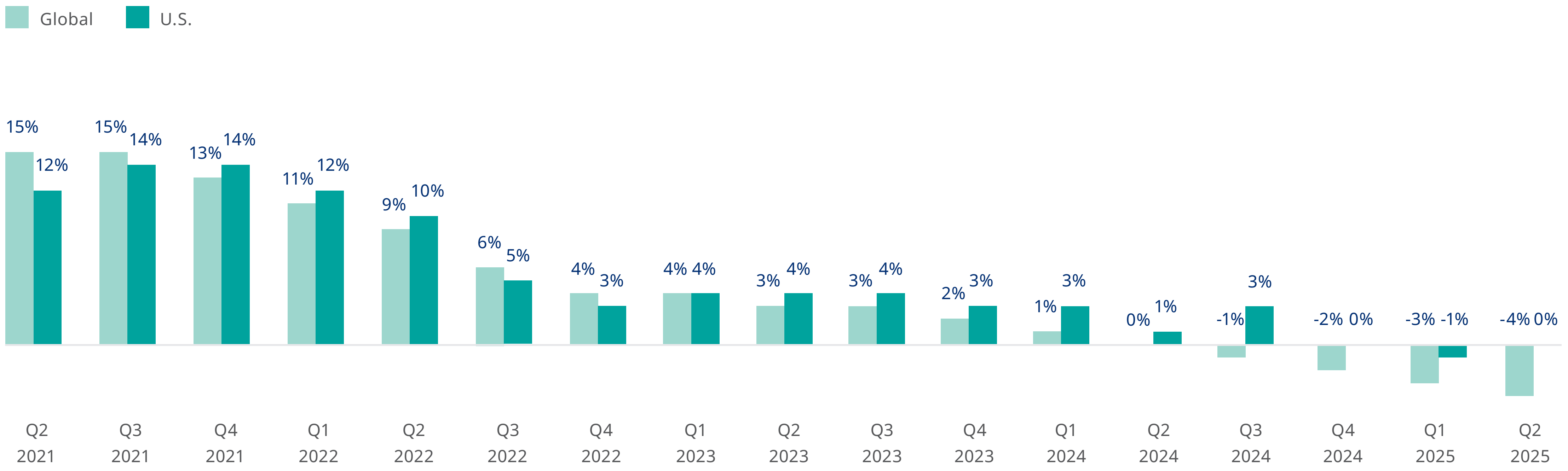
MMA remains committed to supporting our clients through the shifting realities ahead. We'll work with you to develop strategies to help you achieve the best outcomes.

Your future is limitless.℠

Q2 2025 U.S. business insurance market observations

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

U.S. composite insurance pricing change



Source: Marsh Specialty and Global Placement

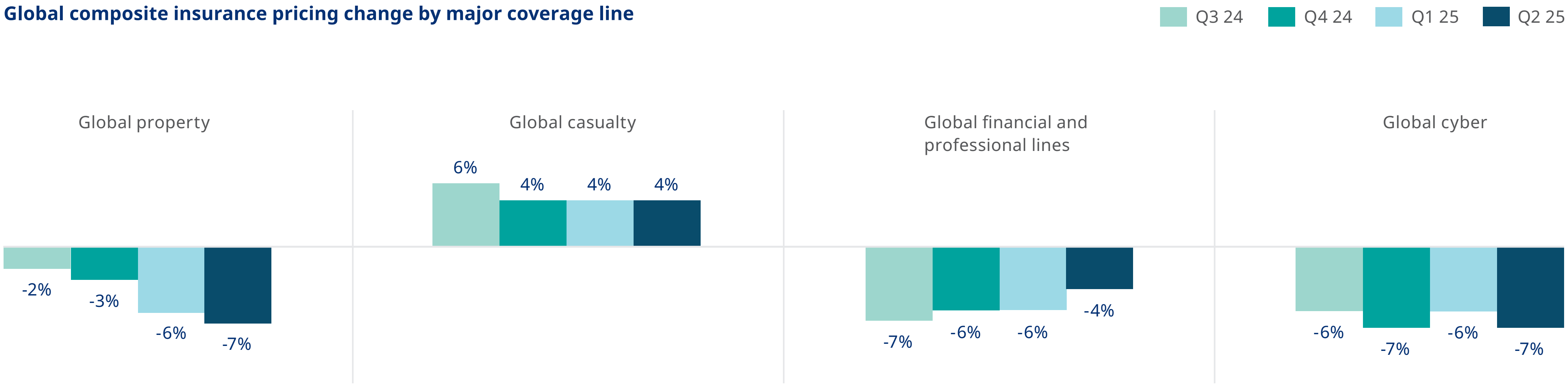
Property rates **fell by 7%** globally year over year and by 9% in the U.S.

Casualty rates **rose by 4%** worldwide and stayed steady compared to the previous two quarters. In the U.S., rates increased to 9%, mainly driven by excess and umbrella rates.

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

Cyber insurance rates **dropped by 7%**, worldwide, but only declined by 3% in the U.S.

Global composite insurance pricing change by major coverage line



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

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Property coverages

Property

Property rates continued to stabilize through Q2 2025, supported by abundant capacity to help streamline and restructure programs.

Rate trends

The Marsh Q2 2025 U.S. Property Insurance Index shows that rates **fell by an average of 9%** for the second straight quarter.

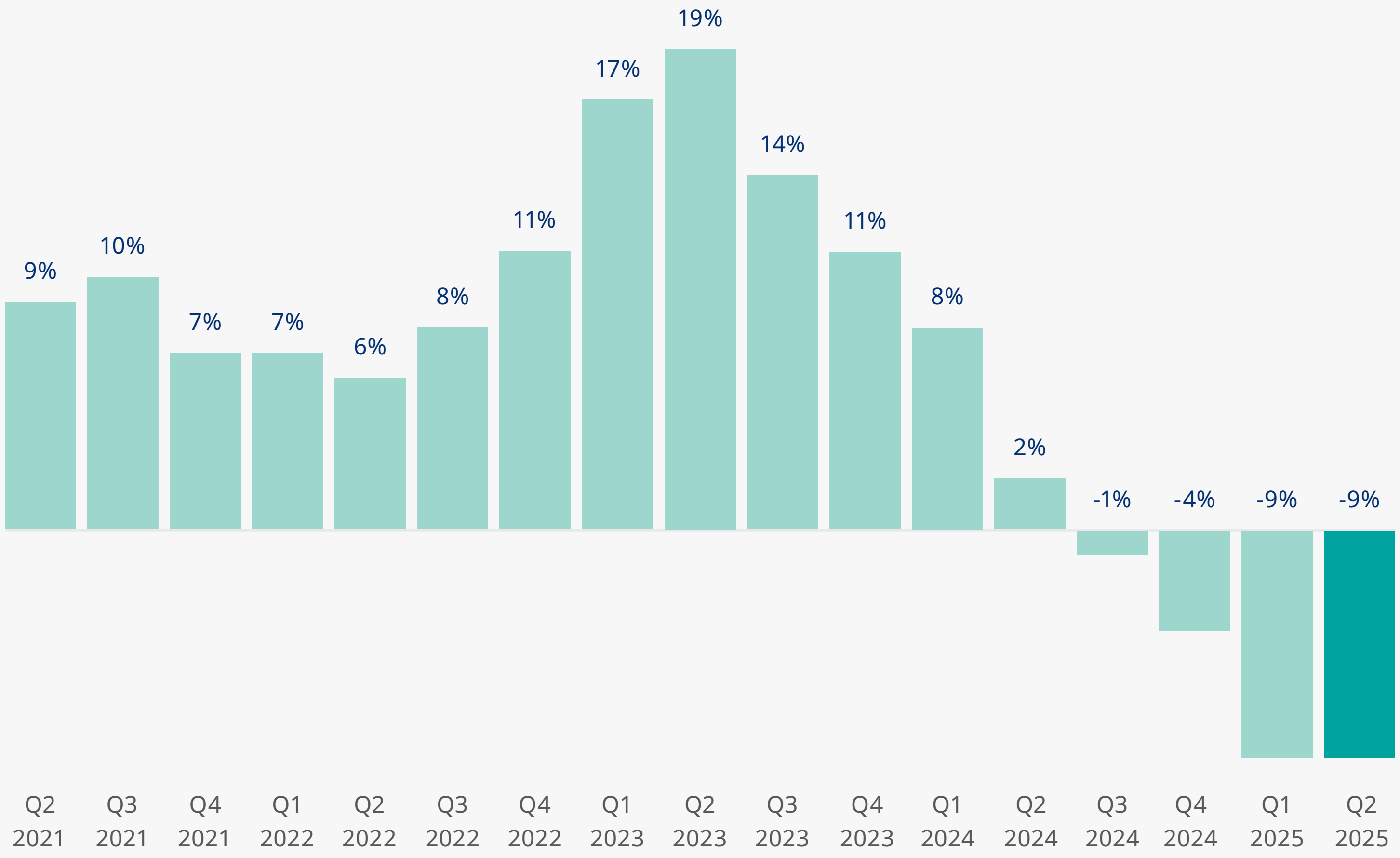
Conditions and observations

- There is abundant capacity in the property market, which should help many insurers manage losses more effectively.
- The property market continues to improve, although there's still a divide between single-carrier placements and layered programs.
- Generally, single-carrier placements have moved into rate-neutral or rate-negative territory. However, there are always exceptions depending on risk control compliance and loss history.
- Larger rate reductions are possible in the complex shared and layered market. When placements involve bigger premiums, economies of scale can significantly reduce rates.
- Shared and layered placements can be streamlined by using existing capacity more effectively and adding new capacity.
- Terms and conditions are continuing to improve. Insureds are seeing lower catastrophe deductibles, higher sublimits, and more options for blanket coverage.
- Streamlining capacity also helps reduce non-concurrent terms and conditions by involving fewer insurers.
- The London and U.S. excess and surplus lines (E&S) markets remain essential for creating complex placements. They are especially active in handling more challenging business classes, such as habitational and recycling risks.
- These same markets are also tested by admitted markets that want to deploy larger capacity on catastrophe-exposed shared and layered placements.
- Discussions about valuation adequacy have mostly eased, as many insureds have now addressed these concerns. Still, buyers should stay vigilant and ensure their valuation methods align with current construction trends and market expectations.

Conditions and observations continued

- MMA continues to benefit from several proprietary facilities.
- Strikes, Riots, and Civil Commotion (SRCC)
  - SRCC losses have grown since 2017, reaching a total of $10 billion. In comparison, terrorism losses over the same period amount to about $1 billion, according to data analytics and risk assessment firm Verisk. Latin America and South Africa have seen insured losses similar to those from natural disasters.
  - As civil unrest becomes more unpredictable and global, the insurance industry can no longer see SRCC risk as a secondary concern.
  - Insurers are expected to approach this risk more cautiously, avoiding risk concentration and poorly priced coverage.

U.S. composite insurance pricing change – property



Source: Marsh Specialty and Global Placement

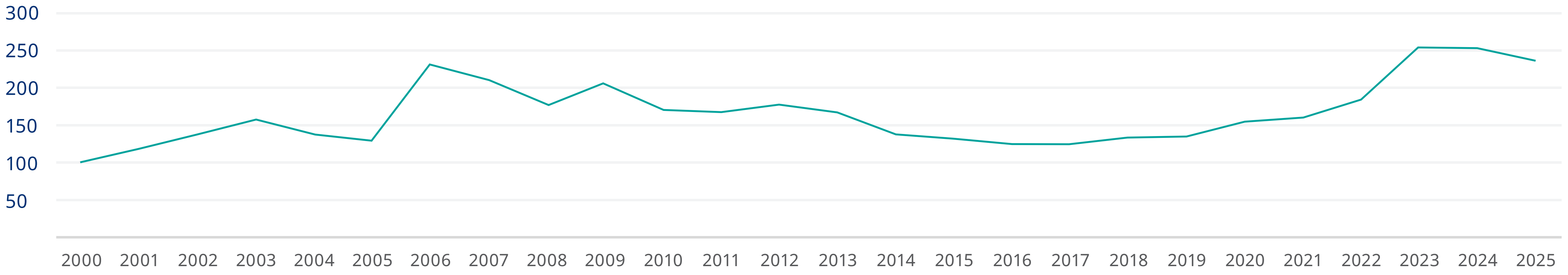
The Property Reinsurance View by Guy Carpenter

Property catastrophe reinsurance rates have dropped 8.1% globally after the April and mid-year renewals, according to Guy Carpenter’s latest property catastrophe reinsurance rate online indices. In the U.S., the index has declined by 6.7%.

While global prices are still 57% higher than their lowest point in 2017, reinsurance prices are now more attractive. This allows insurers to offer more capacity and better attachment points than in many years.

U.S. property catastrophe rate on line index

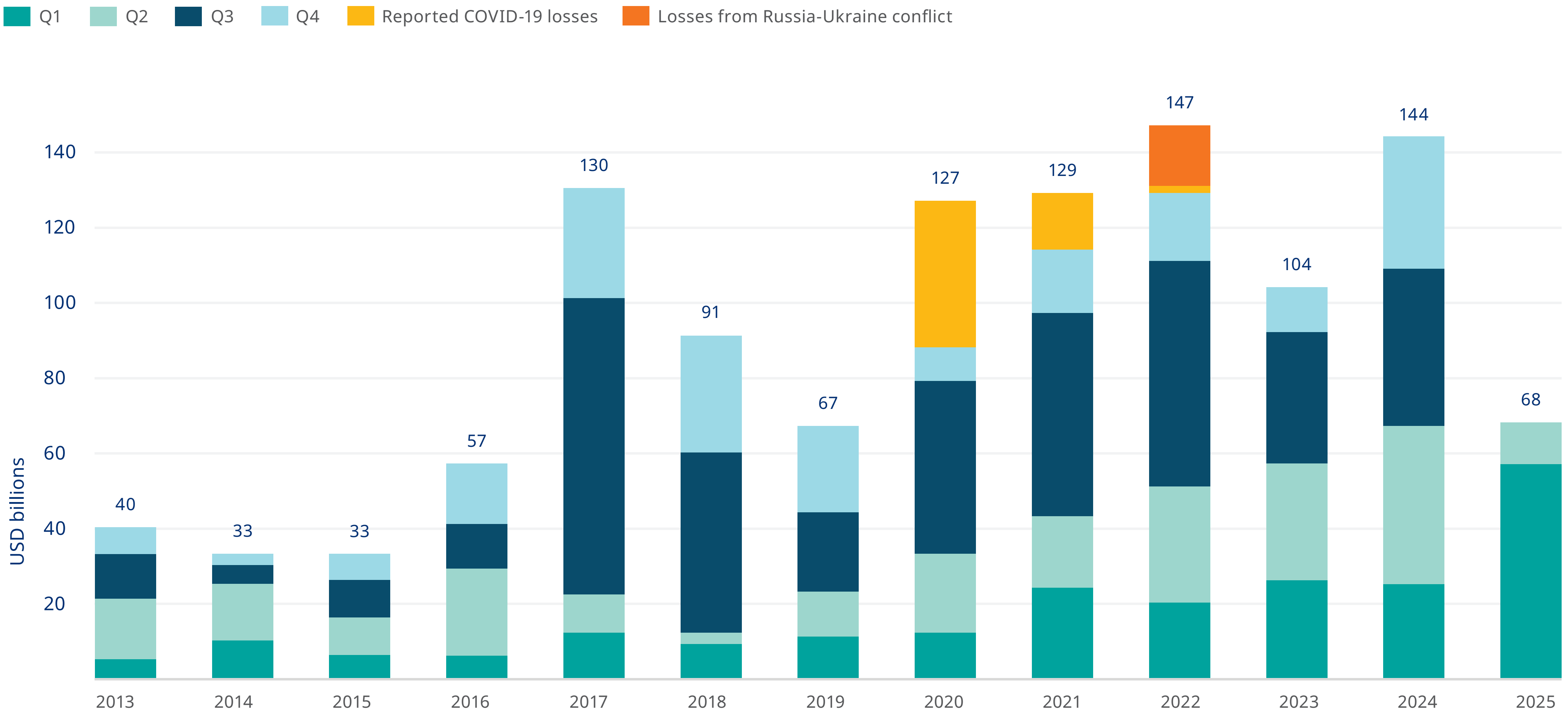
2000–July 1, 2025*



** The Guy Carpenter US ROL Index is a measure of the change in dollars paid for coverage year-on-year on a consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving methods of measuring risk and changes in buying habits, as well as changes in market conditions.*

Source: Guy Carpenter

Significant insured losses 2013 to 2025



Source: Guy Carpenter Renewal Resource Center – [July 1, 2025 Reinsurance Renewal]

Billion-dollar weather and climate disasters

Bloomberg has been reporting on the climate change insurance crisis for some time. The latest headline highlights why NOAA's billion-dollar disaster list provides a crucial metric for tracking rising damages from extreme weather, which is becoming an increasingly costly problem in the U.S. Moving forward, the federal government will no longer keep track of these events. While insurers often report on significant losses in detailed periodic reports, these summaries can't replace the NOAA database. Data from 1980 will stay archived, but recent disasters like the Los Angeles wildfires and the March tornado outbreak will no longer be tracked. Without NOAA's insights, the public and officials may be less likely to support critical resilience measures that could help reduce future losses.

In 2024, there were 27 billion-dollar disasters, the second-highest number after 2023's 28 events. With this upcoming hurricane season—which is expected to be more active than average—losses could begin soon, even if NOAA doesn't record them.

As five former directors of the National Weather Service stated in an open letter, cutting funding and staff from NOAA's work that is improving forecasting and warnings could ultimately put more lives at risk. Meanwhile, NOAA is changing its reporting to focus on "select significant climate anomalies and events in the U.S."

U.S. selected significant climate anomalies and events

According to NOAA, summer began with a widespread heatwave in June. Dry conditions affected the Northwest, while the central and southern U.S. experienced wetter weather.

According to preliminary estimates from AccuWeather, a multiday severe weather outbreak across the central U.S. in May caused an estimated $9 billion to $11 billion in total damages and economic losses.

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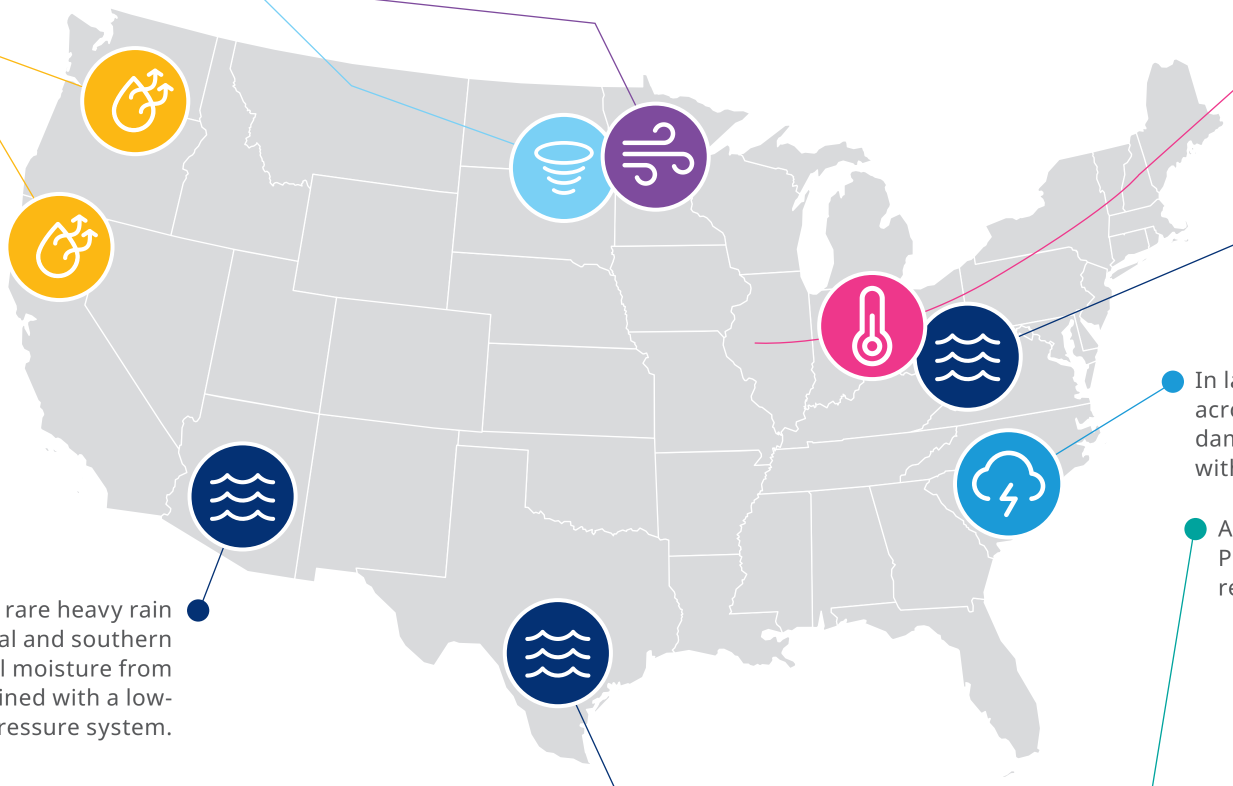
U.S. Selected Significant Climate Anomalies and Events - June 2025

- Derecho
- Drought
- Flooding
- Heat Wave
- Reduced Air Quality
- Severe Weather
- Tornado Outbreak
- Wildfire

Parts of north-central CA and south-central WA recorded no measurable rainfall for the entire month.

On June 20, a powerful EF-3 wedge tornado struck near Enderlin, ND, resulting in three fatalities. The same system evolved into a derecho on June 21 that swept across northern MN, causing widespread wind damage and leaving thousands without power.

On July 1, about 32.4% of the contiguous U.S. was in drought, an increase of about 2.8% since the beginning of the month.



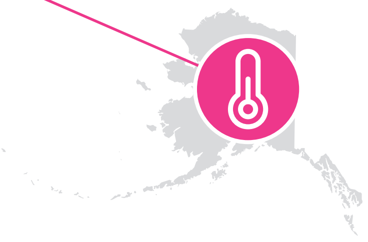
A widespread late-June heatwave impacted millions across the central and eastern U.S. Several Northeast counties exceeded their previous June daily maximum records by more than 2°F.

On June 14-15, heavy rain triggered major flash flooding in northern WV, resulting in widespread damage and multiple fatalities.

In late June, a system of severe storms swept across the Southeast, producing widespread damaging winds and large hail up to 1.75 in., with notable impacts in SC and NC.

A significant Saharan dust plume affected PR in early June, leading to hazy skies and reduced visibility.

In June, Fairbanks, AK swung from cold, with the first 70°F day of the year—it's latest on record—to warm, bringing a rare 80°F streak as well as extensive lightning and wildfires.



In early June, rare heavy rain fell across central and southern AZ as tropical moisture from TS Alvin combined with a low-pressure system.

In mid June, multiple brush fires fueled by strong winds burned hundreds of acres on Maui, HI, prompting evacuations and road closures.

The average U.S. temperature for June was 71.2°F, 2.8°F above average, ranking as the seventh-warmest in the 131-year record. The U.S. precipitation average for June was 3.22 in., 0.30 in. above average for the month.

On June 12-13, catastrophic flash flooding struck San Antonio, TX, with over 6 in. of rain, causing record river rises, widespread water rescues and multiple fatalities.

Due to the timing of reporting, the July 4th flood events across central Texas aren't yet shown on the map above. It's important to recognize this event, along with others, and consider the damage caused.

Source: www.ncei.noaa.gov/news/national-climate-202506

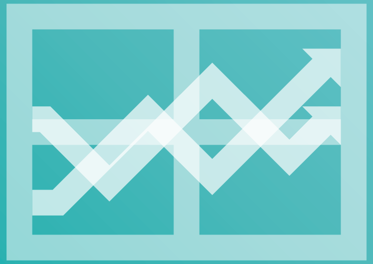
U.S. spending on climate damage nears $1 trillion per year

That was a striking headline from the June 17 Insurance Journal article. Over the twelve months ending May 1, the U.S. has spent nearly $1 trillion on disaster recovery and other climate-related needs, according to an analysis released in Q2 by Bloomberg Intelligence. This amount equals about 3% of the country's GDP. The new report, "The Climate Economy: 2025 Outlook," uses data from dozens of public sources to show the scale of disaster-related spending, totaling $18.5 trillion worldwide since 2000.

States urged to reclaim disaster risk management from FEMA.

According to Jonathan Clark, managing director of Guy Carpenter, insurance doesn't cover about 40% of economic losses from natural disasters. He says this protection gap exists partly because states rely on federal funding after disasters rather than taking proactive risk management steps. "States, in my opinion, have basically ceded their entire risk management capability to the federal government," said Clark. "They rely completely on debt and post-event financing to protect against problems, and that's just all falling back on taxpayers." Guy Carpenter has talked to many states about improving their disaster risk management but has found few that have allocated resources for this. Most states don't buy natural catastrophe coverage but depend on FEMA assistance after disasters.

The takeaway: Proactive risk management at the state level could lessen the burden on taxpayers and encourage citizens to protect themselves from natural disasters better.



The U.S. has spent nearly $1 trillion (3% of GDP) on disaster recovery and other climate-related needs over a 12 month period.

FEMA's Building Resilient Infrastructure and Communities (BRIC)

According to the Associated Press, hundreds of communities nationwide are now searching for new funding for critical infrastructure projects after losing $3.6 billion in federal disaster prevention money. This shortfall leaves many areas more vulnerable to floods, tornadoes, and other natural disasters.

The BRIC program was created to help communities proactively prepare for disasters and climate change. Research shows that every dollar invested in disaster preparedness saves about $13 in damages, cleanup, and economic impact.

- Since 2011, 95% of Americans live in a county that has experienced a federally declared weather disaster.
- About $185 million meant for Louisiana has disappeared with the program's cancellation.
- Two-thirds of the top 15 states receiving FEMA funds lean Republican.

"This is a generational set of infrastructure projects that would set us up for the next hundred years, and it just—poof—went away," said Erin Burris, assistant town manager of Mount Pleasant, North Carolina.

Communities across the political spectrum now face tough choices: abandon important disaster prevention projects or raise residents' costs. Meanwhile, twenty states have filed a lawsuit against FEMA, challenging the elimination of the disaster mitigation grant program.

FEMA review council

The U.S. president has appointed Chubb CEO Evan Greenberg to the FEMA review council, which is tasked with reforming and streamlining the agency. There's even discussion about potentially eliminating FEMA altogether.

In April, Jonathan Clark, managing director at Guy Carpenter, spoke on a panel at the ClimateTech Conference, where he noted that states have transferred much of their risk management to the federal government. This shift has increased the financial burden on taxpayers. Clark explained that few states have budgets for risk transfer. "Most of them aren't buying cat-related exposure. They're just relying on dollars coming from FEMA, and that's got to change," he said.

Speaking at the same event, Daniel Kaniewski, managing director of public sector at Marsh McLennan, emphasized that disaster resilience should be a shared priority. However, he added that insurers can't handle the financial burden alone. Kaniewski said resilience "must be our collective North Star, whereby we reduce the physical and financial impacts of disasters and transfer these risks off the backs of disaster survivors and the federal balance sheet."

We'll keep track of the review council's progress and share updates in future reports.

Another year of extreme flooding

So far in 2025, deadly floods have affected many parts of the country. The most significant flash floods in Texas have killed more than 120 people (as of this writing). AccuWeather, reported in the Insurance Journal, estimates losses between $18 billion and $22 billion. These figures include damages to homes, businesses, campgrounds, and recreational facilities, and disruptions to supply chains and logistics. The estimate also covers financial losses from extended power outages and road closures. Additionally, the figures account for tourism losses, infrastructure damage, and long-term physical and mental health care costs for survivors and families who lost loved ones.

First Street's latest report, High Water, High Stakes: FEMA, Flood Risk, and the NFIP, highlights two significant consequences for the 13 million properties nationwide facing substantial flood risk without enough coverage. First, property values are likely to fall. Second, severe flood damage without insurance could cause a rise in credit losses for banks.

Top 5 takeaways

from First Street's latest report

1 FEMA Cuts Threaten National Resilience

Eliminating or restructuring FEMA would disrupt disaster response, flood mapping, and mitigation funding, undermining resilience for 22,594 communities as climate risks escalate.

2 NFIP Stability is Critical for Mortgage Markets

The NFIP covers 4.7 million policies totaling $1.28 trillion in property value, anchoring mortgage eligibility in flood zones and preventing credit market disruptions.

3 13 Million Properties Lack Flood Insurance

First Street data shows 13 million high-risk properties are underinsured or uninsured, including 10 million outside SFHAs and 3.2 million within, exposing homeowners and lenders to sudden financial shocks.

4 Flood Risk Materially Impacts Property Values and Credit Risk

Rising flood hazards, insurance costs, and insurance availability concerns reduce home values, lengthen sales cycles, and increase foreclosure risk, creating material financial impacts for homeowners, lenders, and local housing markets.

5 Private Market Cannot Fully Replace NFIP Coverage

White private insurers now cover 12% of all flood insurance policies while the NFIP covers the rest, 5% of current NFIP policies (about 235,000 properties) are too risky for the private market, meaning if the NFIP were to be dissolved, hundreds of thousands of homeowners would be uninsured.

As the primary flood insurance source in the U.S., the NFIP currently encompasses 4.7 million policies across 22,594 communities, amounting to $1.28 trillion in property coverage.

Source: First Street - High Water, High Stakes: FEMA, Flood Risk, and the NFIP

Wildfire outlook for the balance of 2025

The Claims Journal sees the Los Angeles wildfires in late 2024 and early 2025 as a turning point for the insurance industry. They warn that “wildfire is no longer a seasonal or rural phenomenon.” Ongoing drought conditions indicate that many states could face more severe wildfires throughout the rest of 2025.

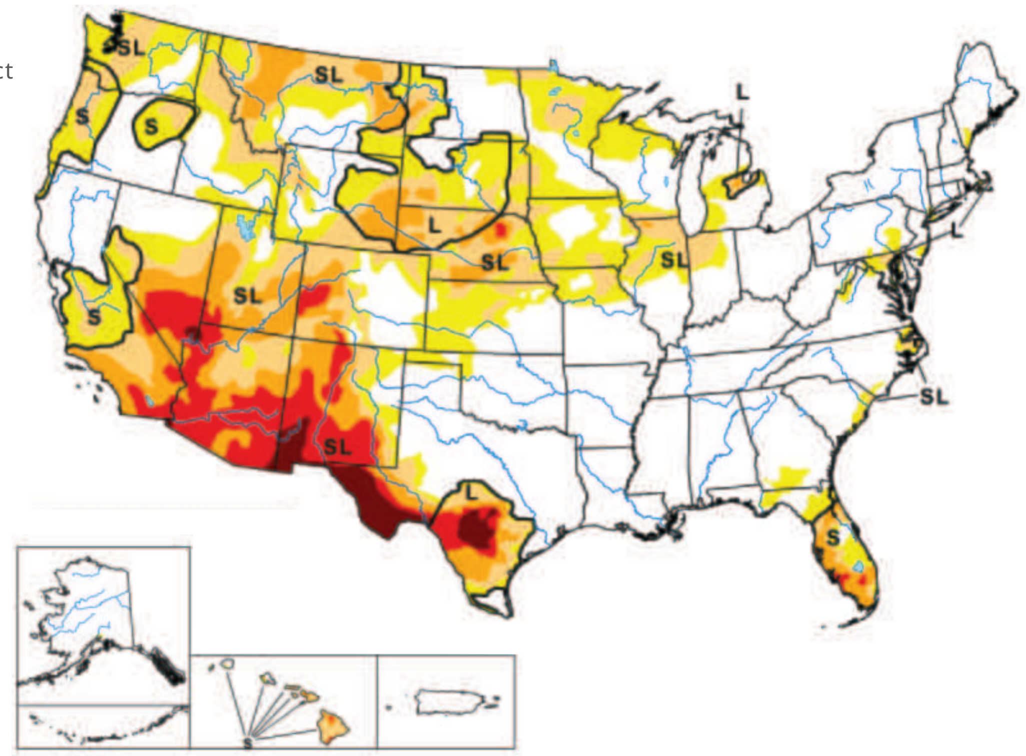
U.S. Drought Monitor – June 3, 2025

Impact type

- — Delineates dominant impact
- **S** Short-term, typically < 6 months (e.g. agriculture, grasslands)
- **L** Long-term, typically > 6 months (e.g. hydrology, ecology)

Intensity

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



Source: droughtmonitor.unl.edu

Verisk’s analysis of the 2025 Los Angeles wildfires, “Property Risk Through the Lens of Reconstruction Costs,” highlights drought and high winds as the main factors that led to more than 18,000 structures being destroyed or damaged. The estimated reconstruction cost for the Eaton and Palisades fires is $7.7 million. The total impact is significant when combined with the overall loss estimate of $63 million, which covers residential, commercial, and industrial property losses, including automobiles, building contents, time element coverages, demand surge, and debris removal.

Extreme heat

A recent report from Swiss Re found that extreme heat can be more deadly than floods, earthquakes, and hurricanes combined. It attributes nearly half a million deaths each year worldwide to extreme heat events. These events also affect wildfires, healthcare systems, infrastructure, and agriculture. The risks extend beyond physical damage and now include casualty liability risks as well.

Companies and institutions are already facing legal action for failing to address heat-related harm. For example, a 2021 lawsuit involved a U.S. plaintiff seeking $52 billion from fossil fuel companies for losses caused by climate change-driven extreme weather. As extreme heat worsens, litigation is likely to increase, which could lead to higher liability claims for insurers, in addition to property risks.

Flood claim trends

Rising property flood damage claims cost and frequency

The rising frequency of property flood damage claims, coupled with the impacts of climate change, underscores the importance of proactive risk management and appropriate insurance coverage. As climate change continues to alter weather patterns and intensify storms, the risk of flooding becomes increasingly significant. It is crucial to act before it's too late. By understanding the factors driving the increase in flood damage claims and taking proactive measures, individuals and organizations can better protect their properties from the destructive consequences of flooding.

Increased frequency of claims

In recent years, the frequency of property flood damage claims has continued to rise, driven by climate change, shifting weather patterns, and increased urbanization in flood-prone areas. These elements have led to a surge in claims for flood-related damages, including water intrusion, structural damage, and business interruption losses. This trend highlights the critical importance of proactive risk management and securing appropriate insurance coverage to mitigate the impact of flooding effectively.

Impact of climate change

Climate change is expected to significantly impact flood risk and related insurance claims. Rising sea levels, changing precipitation patterns, and more intense storms can increase both the frequency and severity of flooding events. As global temperatures continue to rise, shifts in weather patterns and an increase in extreme weather events are likely. These changes can lead to more frequent and intense rainfall, elevating the risk of flooding. Additionally, rising sea levels contribute to a higher likelihood of coastal flooding and storm surges.

Rising claim costs

The increasing costs associated with commercial property flood damage claims have become a growing concern for insurers and property owners. Flood damage can be extensive, leading to substantial repair and restoration expenses and additional costs related to business interruption. Floodwater can cause severe structural damage to commercial properties, including foundations, walls, flooring, and electrical systems. The force of the water can compromise structural stability, often necessitating extensive repairs or even complete reconstruction.

Technology-driven claims handling

Insurers are using technology to streamline and improve the claims handling process, delivering numerous benefits for insurers and policyholders. This includes using drones for aerial assessments, satellite imagery for damage evaluation, and digital claims reporting and communication platforms. These technological advancements can expedite claims processing and enhance accuracy. Additionally, digital platforms enable real-time communication and play a vital role in facilitating efficient claims management.

Increased focus on resilience and risk reduction

Insurers and property owners increasingly recognize the importance of resilience and risk reduction measures to mitigate the impact of flooding. This includes implementing flood-resistant building designs, elevating critical equipment and utilities, and using flood barriers or flood-proofing techniques. Emphasizing resilience and risk reduction can help manage claim costs and limit the extent of flood damage, resulting in reduced severity, lower claim costs, and potentially faster claim settlements.

As property flood damage claims become more frequent, our experienced claims professionals are here to help you proactively protect your organization. Meet with one of our specialists to smoothly navigate the claims process and learn more about how we can support you.

Cargo/inland marine

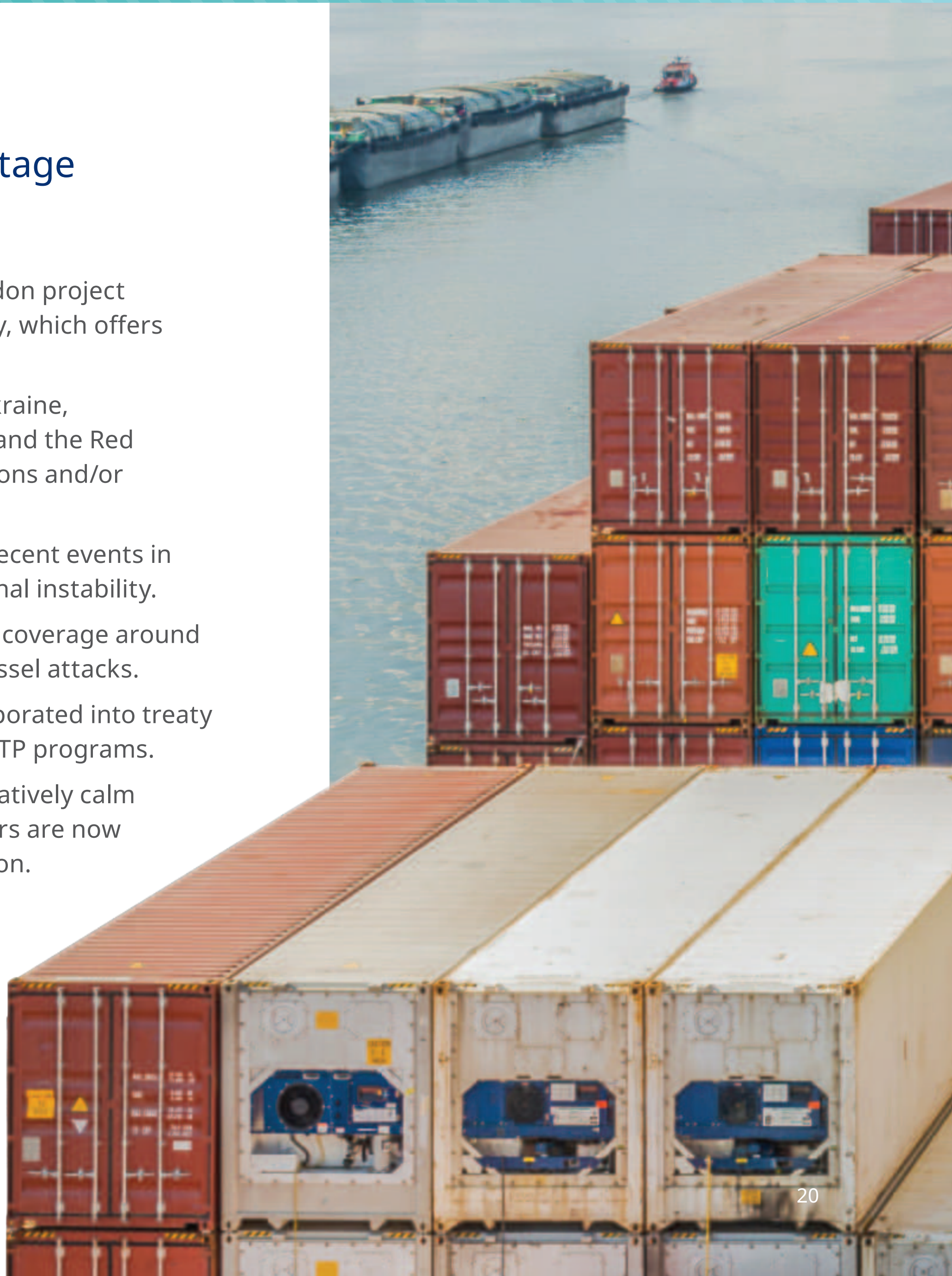
The cargo stock throughput (STP) market remains stable, with no shortage of new capacity entering the market.

Rate trends

- Rates continue to trend **flat to -10%** at renewal for well-managed risks.
- For new submissions, rate decreases of **-5% to -10%** are possible as insurers show a renewed interest in writing new business.

Conditions and observations

- Rate adequacy has primarily been achieved, providing a foundation for a stable market. Many insurers are now looking to expand their portfolios in this sector.
- The absence of major catastrophe losses supports the current competitive market conditions.
- STP conversions continue to favor insureds when considering property and STP programs together.
- For top-tier insureds, more deductible options are now available, along with long-term agreements (LTAs).
- MMA has access to up to 30% of guaranteed, proprietary capacity on London placements.
- MMA also has access to the Marsh London project cargo and delay-in-startup (DSU) facility, which offers a substantial limit.
- The regions of the Black Sea, Russia, Ukraine, Belarus, Crimea, Israel, the Gaza Strip, and the Red Sea remain subject to territorial exclusions and/or coverage upon application.
- Insurers are paying close attention to recent events in Iran, which could lead to broader regional instability.
- Insurers are closely examining war risk coverage around the Red Sea following several recent vessel attacks.
- The Five Powers Clause has been incorporated into treaty renewals and applied to all cargo and STP programs.
- While the first half of 2025 has been relatively calm regarding significant STP losses, insurers are now focusing on the Atlantic hurricane season.



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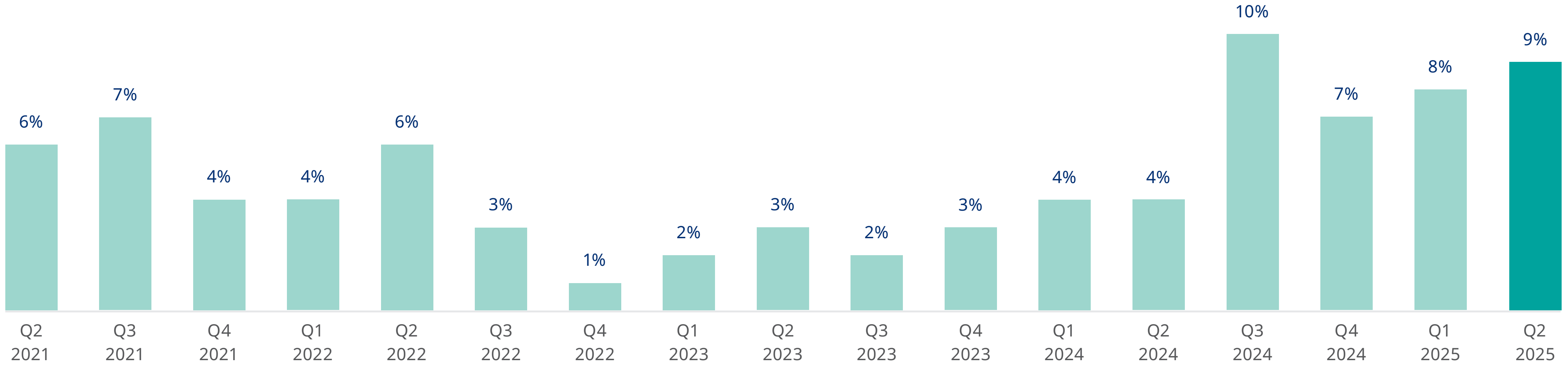
Casualty coverages

"Automobile and umbrella insurance continue to experience moderate increases, but even these lines are down from the first quarter," said Richard Kerr, CEO of Novatae Risk Group, which owns MarketScout. He added, "Workers' compensation pricing held flat in Q2, as did employment practices liability."

U.S. composite insurance pricing change – casualty

According to the Marsh Q1 2025 U.S. Casualty Insurance Index, overall pricing increases averaged **9%**, up 1% from the prior quarter. Excluding workers' compensation, rate increases averaged **12%**.



Source: Marsh Specialty and Global Placement

Automobile/fleet

Rate trends

Average rate **increases ranged from 8% to 9%**, with higher double-digit increases for businesses with heavy trucks and adverse claims experience. Ongoing claims frequency and severity keep the commercial automobile market in a challenging phase, especially for smaller fleets.

Conditions and observations

- Insurers are pressuring to add liability deductibles and/or raise physical damage deductibles in areas with high loss frequency concerns.
- Rising repair costs and insurance premiums are putting pressure on budgets. At the same time, an ongoing shortage of qualified drivers, distracted driving, and the continued rise of nuclear verdicts are adding to the challenge. Even organizations for whom transportation isn't a core focus need to strengthen their efforts to implement risk mitigation strategies. A strong safety program could include:
  - Motor vehicle record (MVR) tracking
  - Employee training and monitoring programs
  - Regular preventive maintenance
  - Use of technology such as:
    - Telematics
    - Advanced driver assistance systems
    - Back-up and 360-degree cameras
    - Tire pressure monitoring systems
    - Electronic stability control features in vehicles
    - Night vision and pedestrian detection systems
- Future tariff uncertainty remains a concern for underwriters, as the potential to increase automobile repair costs looms large in an already challenging insurance area.
- Autonomous vehicles pose unique risk assessment challenges for insurers, such as determining liability in the event of an accident, since risk may shift from the driver to the vehicle manufacturer.
- Vehicles are increasingly dependent on technological advances. Connected vehicles that collect data must stay compliant with state data collection laws while offering the benefit of proactively avoiding collisions and enhancing overall road safety.
- Monoline automobile markets are now almost nonexistent.
- Securing hired and non-owned automobile coverage continues to be challenging.

General liability

Rate trends

Rates are averaging **increases of 2%** or more for risks with losses and product liability exposures. In some cases, flat renewal pricing is achievable.

Conditions and observations

- Guy Carpenter reported that general liability loss frequency continues declining, but severity increases.
- Coverage restrictions for general liability are still expanding, including exclusions for per- and polyfluoroalkyl substances (PFAS), biometric restrictions, and cyber exclusions. These exclusions can vary by industry, especially for risks related to sexual abuse and assault.
- Industries like real estate and not-for-profit or social services are facing coverage reductions for risks such as assault and battery, abuse and molestation, firearms, and animal-related issues.
- Other sectors facing challenges include cryptocurrency, NFTs, and cannabis.

Umbrella/excess

Rate trends

- In the umbrella and excess liability market, rates increased by an average of **15%**.

Conditions and observations

- The excess casualty market has largely stabilized, with competition helping to keep rates in check. Program creativity and proactive marketing will be important throughout the rest of 2025.
- Some new players have entered the market to increase capacity. Still, most are capping limits at $5 million to $10 million layers, which is prompting the need to develop more complex coverage towers.
- Underwriters continue to be concerned about contingent automobile liability for hiring third-party truckers.
- There has been no change in the underlying risks and the U.S. litigation environment.
  - This CNBC report highlights that Marsh McLennan's John Doyle and Chubb's Evan Greenberg are calling for reforms to address rising litigation costs. In the Wall Street Journal, they described third-party litigation funders in the U.S. as a "parasitic force driving jury awards into the stratosphere and adding hidden costs throughout the economy." They argue that the favorable tax treatment given to litigation funders shouldbe reined in, especially since plaintiffs can face federal tax rates as high as 37%. The U.S. Chamber of Commerce estimates that tort litigation costs the U.S. economy about $529 billion annually.
  - Recent figures support these concerns. According to Marathon Strategies, in 2024 alone, there were 135 jury verdicts exceeding $10 million. Forty-nine of these exceeded $100 million, and five surpassed $1 billion. The median nuclear verdict has jumped from $21 million a decade ago to $51 million today. In total, awards in 2024 totaled more than $31 billion.

Year	2013-2022	2023	2024
Nuclear verdicts	1,288 (cum.)	89	135
Total awarded	Unavailable	$14.5 billion	$31.3 billion
Median award	$21 million	$44 million	$51 million
>$100M verdicts	115	27	49 (5 over $1B)

Source: Marathon Strategies 2025 Edition of Corporate Verdicts Go Thermonuclear

  - No industry or region is immune. In 2024, 55 industries were affected, with the healthcare sector most impacted by social inflation. Explore more by sector.
  - A new playbook, "Apex," offers a four-prong legal strategy for countering nuclear verdicts. This 222-page guide is described as the first of its kind, written for the defense on how to avoid runaway jury verdicts.

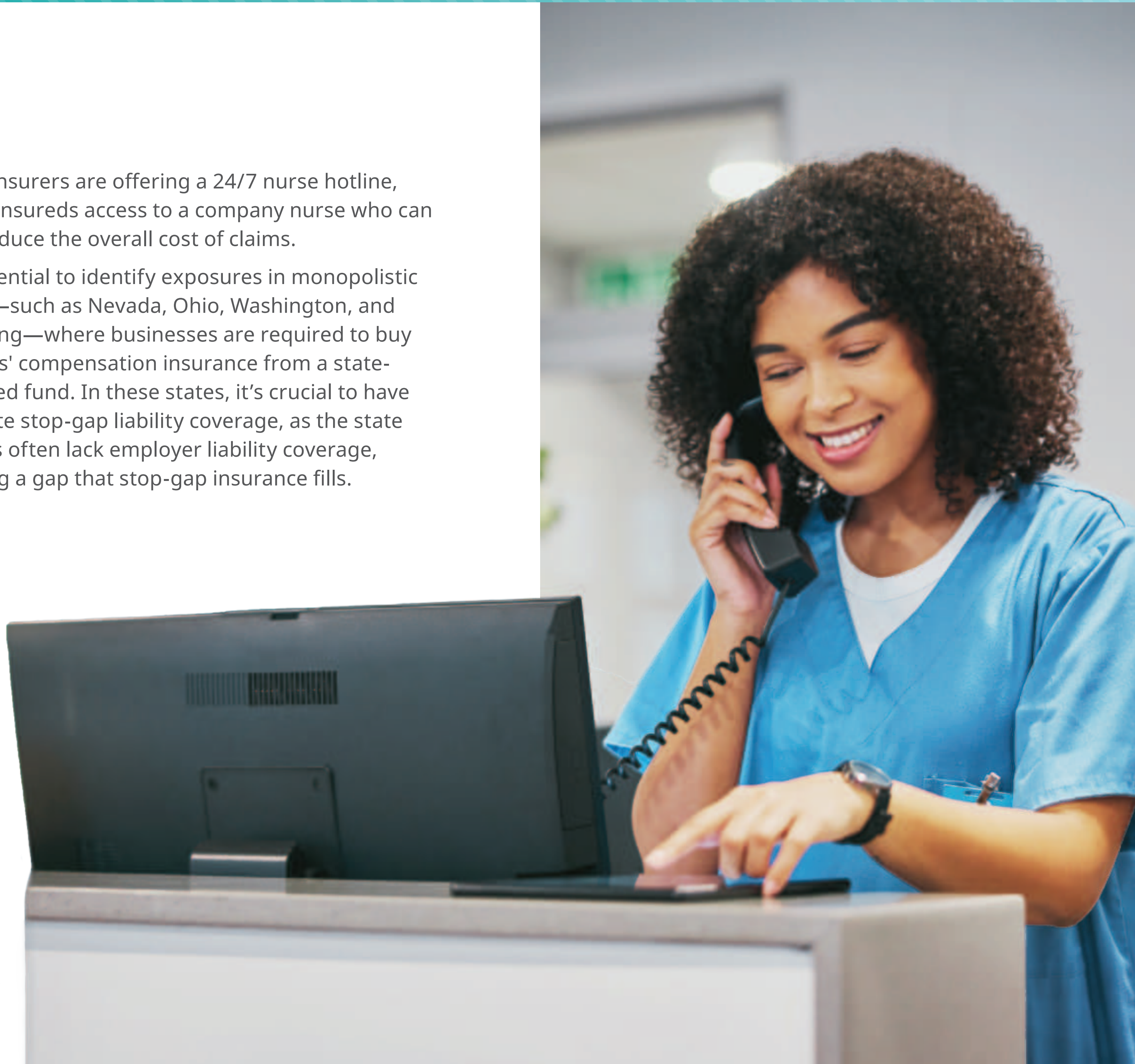
Workers’ compensation

Rate trends

Average rates **decreased by 1-3%**.

Conditions and observations

- The U.S. workers’ compensation market had another strong year, with a combined ratio of 86% for 2024, marking the 11th consecutive year of underwriting profitability, according to the National Council on Compensation Insurance (NCCI) annual report. However, NCCI warned that economic headwinds could threaten insurers if consumer spending declines, core inflation rises, and unemployment increases. The report noted that the economy contracted in the first quarter of 2025 for the first time since 2022. NCCI described Q1 2025 as an outlier, citing winter weather, the Los Angeles wildfires, and a surge in pre-tariff import/export activity as factors that hampered economic growth.
- Workers’ compensation remains a key tool for moderating general and automobile liability lines.
- Competition from regional and specialized insurers is robust, with new programs providing additional capacity.
- Some insurers are offering a 24/7 nurse hotline, giving insureds access to a company nurse who can help reduce the overall cost of claims.
- It’s essential to identify exposures in monopolistic states—such as Nevada, Ohio, Washington, and Wyoming—where businesses are required to buy workers' compensation insurance from a state-operated fund. In these states, it’s crucial to have separate stop-gap liability coverage, as the state policies often lack employer liability coverage, creating a gap that stop-gap insurance fills.

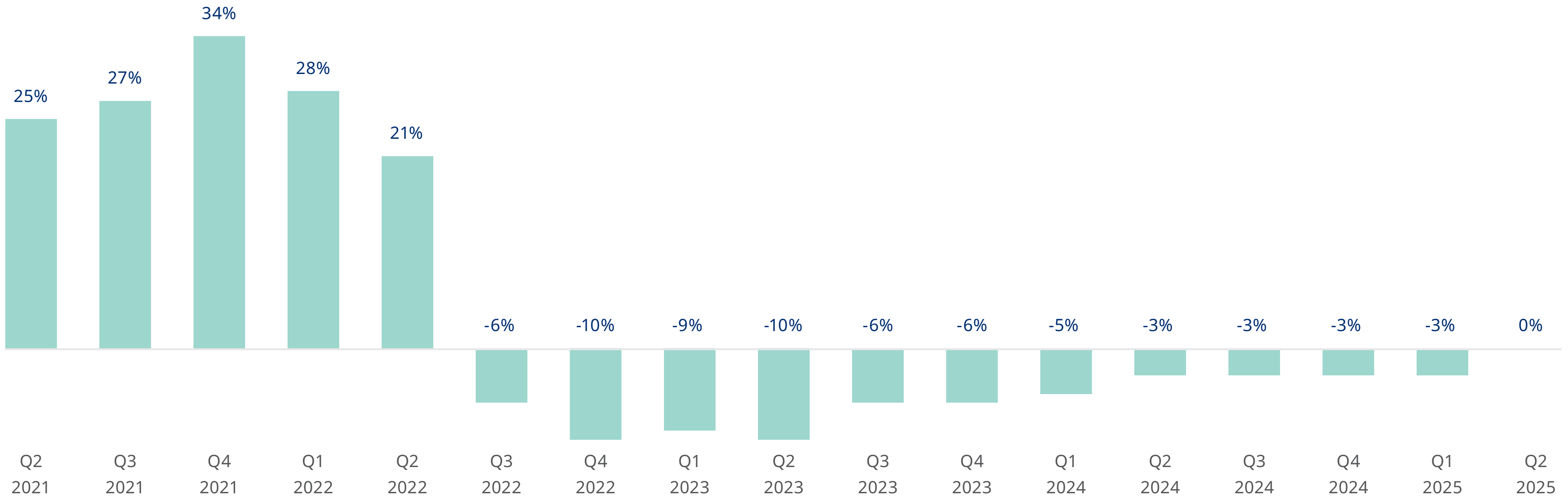


03

Management and executive liability coverages

According to the Marsh Q1 2025 U.S. Management and Executive Liability Insurance Index, average pricing **decreases remained flat** (excluding cyber).

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



Source: Marsh Specialty and Global Placement

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

Rate trends

Directors’ and officers’ (D&O) liability rates continued to decline, averaging between **-1% and -5%**. While some insurers are attempting to reverse this trend, overall, marketing efforts are still leading to rate decreases. Excess rates are generally in line with primary pricing.

Conditions and observations

- Competition has become more intense in excess ABC layers.
- Regulatory changes are creating uncertainty for the marketplace.
- Carriers remain interested in dropping down onto towers, helping to maintain competition at lower attachment points.
- Market appetite remains strong for first-time public D&O opportunities, such as IPOs and spin-offs, with all insurers having an equal chance to win.
- Self-insured retentions for many smaller public companies are still higher than insureds prefer.
- Rate lock guarantees, which are subject to specific conditions, such as loss ratios, are becoming more widely available.
- Carriers may consider expanding coverage for securities investigations and shareholder activism, though additional premiums could apply.
- Securities class action frequency analysis:
  - In 2024, 229 new cases were filed, unchanged from 2023.
  - Standard cases (Rule 10b-5, Section 11, Section 12) increased for the second year, with 214 filings—accounting for over 93% of total filings.
  - There were 13 filings related to artificial intelligence (AI), alleging that companies overstated their AI use or effectiveness.
- Securities class action severity analysis:
  - In 2024, total settlements accounted for $3.8 billion, close to the inflation-adjusted $4.0 billion in 2023.
  - The median settlement value was $14.0 million, consistent with inflation-adjusted figures from 2022 and 2023.

18% of securities class action settlements were $50 million or more in 2024.

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

Rate trends

- Rates remain stable, with pricing generally in the **flat to -5% range**. However, insurers are starting to demonstrate more discipline on excess layers.
- The private D&O marketplace has experienced nine consecutive quarters of declining prices, significantly reducing the need for insureds to switch their primary D&O insurer at renewal.
- Exceptions for organizations still experiencing rate increases include:
  - Companies undergoing financial distress, such as non-bankruptcy liquidation or Chapter 11 or 7 protection.
  - Organizations sensitive to high-interest-rate environments.
  - Insureds involved in active litigation.
  - Certain challenging industries, such as healthcare, fintech, and cryptocurrency.

Conditions and observations

- As with public D&O, regulatory developments in the private D&O market are creating uncertainty.
- Competition has tightened in the excess ABC layers.
- Insurers are willing to expand coverage by adding enhancements or removing exclusions for insureds with favorable risk profiles.
- Insurers are actively working to understand the emerging risks associated with AI.
- Insurers that traditionally focused on the public D&O market are increasing their activity in the private space, motivated by the ongoing softening of D&O costs for public companies.
- Economic volatility and uncertainty—driven by potential tariff issues, supply chain disruptions, rising interest rates, and an uptick in Chapter 11 and Chapter 7 filings—are prompting underwriters to scrutinize financial statements more closely.
- For larger organizations, insurers often limit antitrust coverage to a $1 million sub-limit.
- Some insurers are becoming more competitive on allied healthcare accounts, offering full-limit antitrust coverage with low or no co-insurance. While regulatory risks remain sub-limited, many insureds can secure lower retentions and co-insurance obligations.
- Rate locks guarantees are subject to specific conditions, such as loss ratios, but are becoming more widely available.
- Three-year policy terms are often available for new business when the risk is loss-free.
- Key areas of claims activity include consumer class actions, breach of contract, major shareholders, financial distress, antitrust, and tortious interference.
- New D&O claim triggers include inadequate responses to cyber events, third-party interruptions, and increasing costs associated with carbon reduction efforts.
- Key risk profile considerations:
  - Global companies are dealing with evolving regulatory complexities.
  - Insurers are closely monitoring insureds' governance practices.
  - Terms can be challenging for high-risk or financially distressed businesses, with increasing creditor and bankruptcy exclusions. Conducting early policy reviews with restructuring specialists is essential.

Employment practices liability (EPL)

Rate trends

Insurers are continuing to offer **flat to low single-digit rate decreases** for accounts with favorable loss histories and no significant exposure changes. However, concerns remain about the upward pressure on self-insured retentions and the use of multiple retention structures.

Conditions and observations

- Emerging trends include:
  - The new administration has issued hundreds of executive orders, many affecting labor and employment.
  - The appointment of the new EEOC chair has shifted the agency's focus.
- The insurer's appetite for new EPL business and program maintenance remains strong. However, markets have expressed concern about significant increases in the frequency and severity of claims.
- Companies are increasingly considering purchasing wage and hour insurance alongside EPL coverage or as standalone policies. Standard EPL policies don't cover this exposure.
- Underwriters remain reasonably disciplined on EPL when there is a significant loss frequency.
- Most insurers are focusing more on retention adequacy than on rate changes.
- Some insurers use a bifurcated approach to retention, applying higher retentions for higher-wage earners.
- In 2024, the EEOC saw a 9.2% increase in discrimination charges, following a 10% rise in 2023 and a 20% increase in 2022. Additionally, the EEOC resolved 132 merit lawsuits, resulting in over $40 million in total monetary recoveries—a 74% increase from 2023.
- There is a noticeable shift in EPL pricing driven by new EEOC guidance on workplace harassment, pay transparency, and enforcing the Pregnant Workers Fairness Act (PWFA). Some insurers are attempting to offset these increases by offering discounts on bundled coverage lines.
- U.S. economic uncertainty, a higher interest rate environment, tariff concerns, and declining consumer confidence all increase the risk of layoffs. If claim activity continues to rise, it could support insurers' efforts to raise rates.
- A few carriers now offer defense-only sublimits for exposure to the Biometric Information Privacy Act (BIPA). However, these are typically not automatic and may require targeted underwriting or supplemental applications.
- Placing a new leveraged ESOP is challenging due to limited market appetite.
- EPL coverage for law firms is considered a difficult segment for insurers, with many firms treating this business class as outside their risk appetite altogether.
- Organizations looking to minimize risk are purchasing wage and hour insurance, either alongside EPL or as standalone coverage. Standard EPL policies don't cover this exposure.

With positive market developments, now is the time to review and update your coverage to ensure it addresses today's evolving risks.

Crime

Rate trends

While insurers are pushing for price increases, there has been **minimal rate movement** for insureds with stable exposures and a strong loss history year over year. However, more challenging business segments—such as large volumes or money transfers, revenues over $1 billion, or significant overseas exposures—continue to see small to moderate rate increases. Technology, private equity, and other difficult business classes may also face rate hikes.

Conditions and observations

- Insurers continue to observe a steady flow of fraudulent impersonation and social engineering losses, reinforcing discipline around sub-limits' imposition.
- Attacks targeting “other property” through fraudulent impersonation and social engineering are on the rise. Many markets' coverage grants only respond to the loss of money or securities.
- Insurers have a small but growing appetite to provide standalone excess coverage for fraudulent impersonation and social engineering.
- Insurers remain hesitant to insure digital assets and cryptocurrencies. However, with a shift in federal attitude toward the industry, demand for coverage of this asset class is expected to increase.
- Capacity across all risk classes remains abundant. The recent exit of specific financial lines insurers has had little material impact, and appetite for commercial crime in the London market is reemerging.
- Market pricing remains stable, with flat renewals becoming the norm. For low-risk accounts, there may be opportunities to achieve modest premium reductions.
- Deductible adequacy is now more important than pricing.
- According to the IC3, social engineering and business email compromise losses totaled $1.8 billion in 2019. The $2.9 billion in losses in 2023 represents a 61% increase over the past five years.
- Outside social engineering fraud, crime coverage for high-revenue companies and those with significant foreign exposure continues to be underwritten with low scrutiny.
- Excess social engineering coverage is widely available at competitive prices.

Fiduciary

Rate trends

Rates in the fiduciary marketplace have stabilized, with **minimal rate movement**, particularly for small to medium-sized organizations.

Conditions and observations

- Retentions can vary widely by insurers for companies with larger 401(k) assets.
- 2024 saw another year of record settlements, with 53 cases (up from 42 in 2023). In some cases, defense costs outpaced actual settlement amounts.
- The need to supplement applications with risk mitigation and prevention measures remains strong, especially regarding fee structures. Underwriters are looking for capped fees for the record keepers, advisors, and plans.
- Market interest in newly formed ESOPs remains limited.
- Fiduciary liability coverage for public entity risks is becoming increasingly difficult to place.

Errors and omissions (E&O)

Rate trends

The market is relatively stable, with modest rate increases averaging 1%.

Conditions and observations

- Capacity remains abundant across both admitted and non-admitted markets.
- Newer markets are offering lower retentions and premiums to remain competitive, but may lack experience with ERISA litigation.
- Insurers are adjusting their rates to better align with long-term loss trends, positively impacting pricing in the primary market layer and attracting new insurers to the E&O space.
- Retentions are a key focus, with sizable plans typically maintaining retentions between $1 million and $5 million.
- The claims environment in the E&O marketplace remains active. Organizations must adopt robust risk management practices, including thorough contract reviews, quality control procedures, and ongoing employee training.
- Concerning litigation trends include:
  - Plans with assets under $250 million have been targeted, but most cases continue to involve larger plans.
  - Plaintiffs' allegations have become more creative, including claims related to healthcare fees, tobacco surcharges, forfeitures, and pension risk transfers.
- The dismissal of several BlackRock target date fund claims with prejudice and smaller settlements represents a positive litigation outcome.
- The E&O marketplace continues to monitor emerging risks such as cyber liability, data breaches, and technologies like AI and blockchain. Insurers are developing specialized coverage options to address these evolving threats. AI underwriting questions are becoming increasingly common.
- E&O policies are being tailored to address emerging risks and evolving client needs. Insurers are offering broader coverage options, including cyber liability, technology errors and omissions, and privacy-related exposures.
- The lawyer's professional liability market still provides ample capacity; however, firms specializing in real estate transactions, intellectual property, and mergers and acquisitions continue to face challenging placement conditions. Additionally, real estate development E&O remains particularly difficult to place.

04

Cybersecurity and data privacy

Competition continues to intensify, with rates decreasing and many markets offering favorable terms and conditions, including lower retentions and shorter waiting periods. This competitive environment allows insureds to access higher limits, which are increasingly important in a rising threat environment.

Rate trends

According to the Marsh Q2 2025 U.S. Cyber Insurance Index, **rates decreased by an average of 3%**, with mid-size organizations experiencing an average decrease of 4%. This marks the ninth consecutive quarter of rate reductions.

Conditions and observations

- The market is showing more consistent pricing across insurers.
  - Well-established insurers are maintaining pricing discipline on the primary coverage layer, with average prices remaining relatively flat. Slight reductions are still observed in risks without material changes in exposure at renewal.
  - Excess layers continue to attract strong interest from insurers, and competition often results in premium reductions.
- Social engineering limits of $250,000 remain widely available, along with excess social engineering coverage from most markets that offer it readily and competitively. This coverage continues to be important given the prevalence of phishing and business email compromise.
- We are starting to see renewed focus from some underwriters on identity access and management (IAM), privileged access controls, and the recommendation to continue pursuing a "zero trust architecture" to reduce the impact of these social engineering tactics.
- Policy wording related to privacy regulations and data collection continues to evolve, with some insurers imposing updated exclusions while others are willing to provide affirmative coverage. Wrongful collection coverage remains a significant competitive advantage, and underwriters are still willing to offer both full limits and sublimits, often requiring additional information from the insured.
- Generative AI landscape:
  - The underwriting process continues to emphasize cyber hygiene and continuous improvements, with emerging influence on data practices and the use of generative AI.
  - The insurance industry is in the early stages of addressing generative AI risks. Currently, only a few new products are available, including standalone policies, endorsements, and clarifying language.
  - Coverage typically focuses on model error, regulatory exposure, and AI use or development liability.
  - The market is exploring evolving areas to address potential generative AI risks.
  - For more information, read "Two years after ChatGPT: The evolving world of generative AI, risk, and insurance."
- Claims volume continues to be influenced by privacy data concerns, supply chain disruptions, and ransomware incidents.

Conditions and observations continued

- Concerns for catastrophic and systemic risks remain, and the Israel-Iran conflict, ongoing hostilities between Russia and Ukraine, and tensions between the U.S. and China further heighten these.
  - While not a new approach, more insurers are introducing policy language and strategies to limit exposure to potential catastrophic cyber losses from war risks, nation-state cyber operatives, and cloud provider vulnerabilities. Ongoing work is to clarify terminology in policy forms, as ambiguity can arise. For example, while war exclusions are standard in cyber policies, "war" is rarely explicitly defined.
  - These concerns could influence rates and underwriting strategies in the latter half of 2025 and into 2026, depending on the actual occurrence or escalation of these larger events.
- Tech E&O risks:
  - The tech E&O market remains attractive to insurers due to sector growth; however, evaluating exposures across small to large organizations remains challenging.
  - Underwriters are expected to inquire about operational technology (OT) controls and the segregation of OT from IT, especially given recent increases in OT-related losses.
  - It's important to ensure Tech E&O policies include all relevant cyber enhancements, as insurers often offer separate policy forms for blended Cyber/Tech products versus standalone cyber coverage.

Current cyber threat trends

- **70% of the ransomware targeted small and mid-size businesses.**
  Source: SentinelOne
- **Phishing attacks increased by 1,265%, driven by the growth of generative AI.**
  Source: SentinelOne
- **The average data breach cost in 2024 was $4.88 million, the highest on record.**
  Source: IBM
- **68% of breaches involved a human element in 2024.**
  Source: Verizon
- **88% of cybersecurity breaches are caused by human error.**
  Source: Stanford
- **The average cost of a ransomware recovery in 2024 was $2.73 million.**
  Source: Sophos
- **75% of organizations experienced at least one ransomware attack last year.**
  Source: Infosecurity Mag
- **Phishing was the leading infection vector, identified in 41% of incidents, making it the most common initial attack vector.**
  Source: IBM

Cyber claim trend insights

Business email compromise can lead to fraudulent wire transfer risk.

Business email compromise (BEC) leading to fraudulent wire transfer fraud is a common type of cyber loss that typically triggers notification under a company's cyber insurance and/or crime policy. While one or both policies may cover the loss, along with contributions from other affected parties, disputes over excess amounts can arise, with parties often pointing fingers to determine responsibility.

Consider this common scenario: Party A's email system is compromised, giving a third-party threat actor (TA) access to sensitive information. The TA, impersonating Party A, socially engineers Party B into misdirecting payment to the TA's account instead of Party A. Party B's funds are lost, and Party A remains unpaid. Who is liable in this situation?

Courts are increasingly relying on certain comparative fault principles to allocate liability. The allocation will consider the actions and omissions of all parties involved. Factors that may be regarded as determining how liability should be apportioned include, but are not limited to:

Security measures: It is essential to review the effectiveness and adequacy of each party's security measures. This evaluation will consider whether the compromised party had implemented viable, industry-standard cybersecurity protocols to prevent unauthorized access. A typical example is multifactor authentication.

Third-party involvement: Intermediaries and service providers' actions (or inactions) are also considered, as they can significantly impact liability apportionment. IT Managed Service Providers (MSPs) that deliver technology services to business clients should be particularly mindful of exposures in these disputes. Factors to consider include holding MSPs accountable for negligence, breach of contract, consumer fraud, and other theories of liability. For example, failure to secure an email system or detect a security incident may be a proximate cause of its client's wire fraud loss.

Due diligence/reasonable care: Authentication and verification efforts—or the lack thereof—are closely examined, particularly efforts to verify the legitimacy of the payment instructions received from the compromised email account. Allegations of negligence may include claims of inadequate security measures and the absence of proper authentication and verification procedures. Demonstrating that secondary communication channels, commonly referred to as "out-of-band verification," were used can be helpful, especially when contrasted with ignoring obvious "red flags" or warning signs.

For any loss where an organization is uncertain whether its system has been compromised or suspects that protected information may be involved beyond the direct loss, it is recommended that notice of an incident be provided under a cyber insurance policy. As noted above, doing so can support liability defenses and facilitate further apportionment to third parties. Refer to our best practice FAQ for additional recommendations.

05

Additional trends and observations

Aviation

Rate trends

We are seeing minimal rate movement, with **decreases of 5%** or more on clean risks.

Conditions and observations

- There is heightened market competition, with new insurers entering the sector.
- Overall underwriting appetite across the market continues to grow.
- Although the ongoing pilot shortage has eased somewhat, it still affects insureds, leading to extended underwriting processes and negotiations regarding pilot warranties.
- Supply chain issues persist due to inflation, significant loss events, and geopolitical uncertainty.
- To minimize general aviation insurance costs, it is important to initiate the renewal process promptly and highlight your organization's commitment to comprehensive pilot training and safety.

Environmental

Rate trends

Average rates ranged from **-5% to +5%** for contractors' pollution liability, **-2% to +10%** for contractors' pollution liability combined with contractors' professional liability coverage, **-5% to +5%** for site pollution, and **flat to +15%** for combined-form liability.

Conditions and observations

- The market remains highly favorable, even more so than in Q1 2025. Capacity is readily available and easily accessible.
  - Insurers are actively pursuing new business, and accounts marketed at renewal may experience coverage enhancements and significant premium reductions.
  - Since Q3 2024, excess capacity for combined form business has been replenished with new insurers entering the market and existing insurers expanding their appetites.
  - Premiums for site pollution have also decreased noticeably this term. While insurers still require full underwriting information to assess pre-existing conditions or coverage for existing contamination, the availability of on-site or subsurface testing may encourage insurers to offer broader coverage than in previous years.
- A noticeable rise in third-party silica, dust, and related respiratory issues was observed in Q1 and Q2 of 2025, with many insurers declining to offer affirmative coverage for companies with potential silica products on site.
- Coverage for per- and polyfluoroalkyl substances (PFAS) was more widely available this quarter as the market continues to adjust following the Presidential election.
  - Coverage was accessible for contractors working with PFAS and sites with known contamination where the insured was not the responsible party. However, securing coverage for products containing PFAS remains challenging.
  - On May 14, the EPA announced it would continue regulating PFOA (perfluorooctanoic acid) and PFOS (perfluorooctane sulfonate)—two types of PFAS—generally moving forward with regulations similar to previous measures. Some insurers may use this to decline to offer coverage, while others in the environmental insurance market are still actively offering PFAS coverage with underwriting considerations.

International

Rate trends

- Renewal rates have remained stable for international placements, particularly for liability programs. Property rates are increasing slightly, while coverage limits are decreasing.
- The government contractor space is shrinking rapidly due to recent budget cuts to USAID and other government agency contracts.
- Renewal pricing for business travel accident, kidnap, and ransom coverage remains stable and offers good value.
- Employee health and benefits activity is increasing for U.S.-based employer benefit plans covering overseas employees, with competitive rates and terms.
- Defense Base Act (DBA) rates continue to decline.

Conditions and observations

- Global mergers and acquisitions are increasing for U.S. and European-based companies, leading to higher demand for international coverage, including placements within the U.S.
- It's essential to understand your markets, as many countries, such as Argentina, Brazil, India, Japan, and South Korea, require premiums to be paid before coverage becomes effective. Know before you go.
- Foreign direct investment (FDI) continues to grow, with European and Asian clients exploring investment opportunities in the U.S. Keep an eye on your "local" or regional activities.
- Lloyd's of London remains a preferred market for more challenging exposures, including business travel accident, kidnap and ransom, and foreign general and employers' liability coverage.
- Always review your policy, as many European insurers exclude the U.S. and Canada in their standard global territorial coverage wording.

Small commercial market insights

The small commercial insurance market continues to stabilize in 2025. Competition remains strong in certain segments, such as light manufacturing, which can lead to improved pricing and terms.

The changing tariff landscape is causing concern among many small businesses about future profitability and growth. A letter from the U.S. Chamber of Commerce outlined three ways the administration can help companies of all sizes:

1. Granting automatic exclusions for any small business importer.

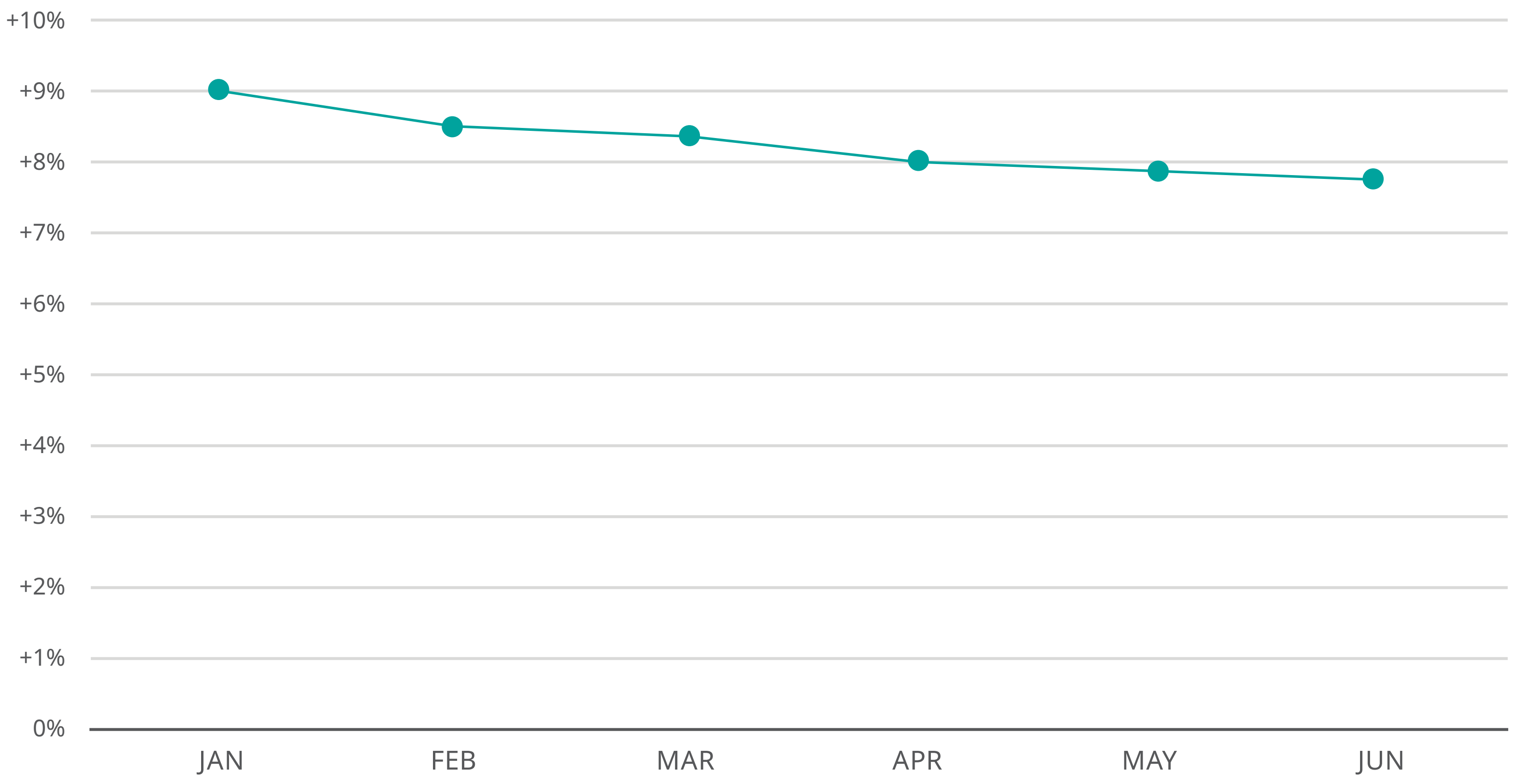
2. Establishing a process for companies to apply for exclusions if they can demonstrate that tariffs threaten employment for American workers.

3. Exclusions should be provided for all products that cannot be produced in the U.S. or are not readily available.

Rate trends

The IVANS Index reports average Business Owner Policy (BOP) increases of **7.74%**, down 0.45% from the previous quarter.

IVANS Index premium renewal rate change trend – last 6 months



Below are baseline trends from IVANS. Umbrella/excess liability rates have moderated, general liability rates have increased by one percentage point, and property rates have risen again due to increased claims frequency and severity, social inflation, and the higher rebuilding costs following events.

8.19%
Property
(a 0.56% increase from the prior quarter)

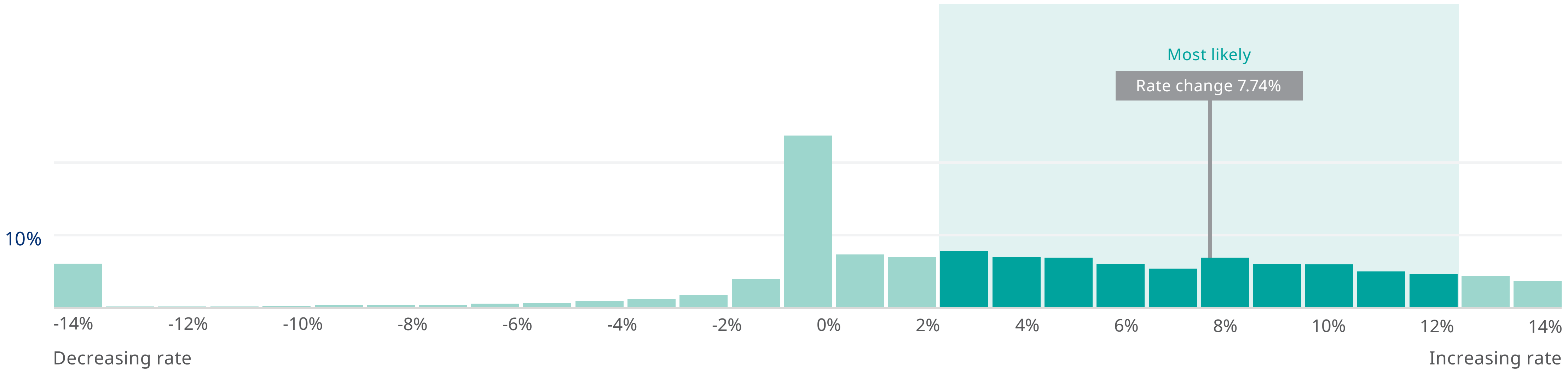
4.79%
General liability
(a 1.08% increase from the prior quarter)

8.42%
Automobile liability
(a 0.36% decrease from the prior quarter)

8.69%
Umbrella
(a 0.59% decrease from the prior quarter)

-1.61%
Workers' compensation
(a 0.07% increase from the prior quarter)

IVANS Index premium renewal rate change distribution – June



Conditions and observations

Property:

- Inflation and supply chain challenges are driving up reconstruction costs, which contribute to increased claims payouts. As a result, meaningful rate reductions remain highly nuanced by region.
- Non-renewal activity continues, especially for aged buildings, even after complete rehabilitation and transformation. Some insurers may consider coverage for older buildings if the insured has a clean loss history, but higher premiums are typically associated with these risks.

General liability:

- Despite insurer interest in securing new business, many insureds can expect renewal increases of 7% to 10%, with insurers continuing to restrict certain endorsed coverage options.
- Coverage for assault and battery remains difficult to obtain.

Automobile liability:

- Unless an insurer provides other lines of coverage, standalone hired and non-owned automobile liability coverage remains costly and difficult to secure.
- Non-renewal activity and the availability of monoline markets are still problematic as automobile insurers continue to recalibrate their risk appetite.

Umbrella/excess liability:

- Portfolio diversification will remain a key focus for insurers in the small commercial space.
- Implementing more complex layered programs is necessary to maintain manageable pricing and ensure adequate insured coverage.

Workers' compensation:

- Overall pricing remains steady in a competitive market, though wage inflation can increase costs for some insureds.
- Insurers have indicated that workers' compensation loss reserves are gradually declining in strength, which may necessitate a recalibration at some point.

Management and executive liability:

- The cyber, D&O, and professional liability market has continued to improve and become more competitive, allowing many insureds to avoid rate increases or secure modest increases.
- Supplemental applications now require detailed and comprehensive information.

Trade credit insurance (TCI)

The market remains stable following demand in Q1 for TCI and a slight uptick in claim activity. Looking ahead, the market appears steady but cautious. Competition has maintained attractive pricing for new coverage, although underwriters are exercising greater discipline. There are positive signs in coverage cases and the continued ability to write new policies. Developments related to tariffs are still being monitored—if escalations occur, pricing and capacity could tighten in late 2025.

Rate trends

Although new U.S. tariffs raised credit concerns, most insurers avoided knee-jerk pricing responses, choosing instead to monitor the situation closely. To date, tariffs haven't significantly affected the economy or insurers' ability to write new policies.

The Consumer Price Index has remained relatively unchanged over the past three months, helping insurers remain steady yet cautious in their underwriting stance.

Month-over-month change by category

Cereals and bakery products	1.1%
Fuel oil	0.9%
Electricity	0.9%
Tobacco	0.8%
Other food at home	0.7%
Car insurance	0.7%
Medical commodities	0.6%
Energy services	0.4%
Hospital services	0.4%
Food	0.3%
Food at home	0.3%
Fruits/vegetables	0.3%
Food away from home	0.3%
Shelter	0.3%
Owners' equivalent rent	0.3%
Services less energy services	0.2%
Rent	0.2%
Medical care services	0.2%
All items	0.1%
All items ex food and energy	0.1%
Commodities ex food and energy	0.0%
Dairy	-0.1%
Alcoholic beverages	-0.1%
Car maintenance	-0.1%
Transport services	-0.2%
Beverages	-0.3%
New vehicles	-0.3%
Physicians services	-0.3%
Meats/poultry/fish/eggs	-0.4%
Apparel	-0.4%
Used cars/trucks	-0.5%
Energy	-1.0%
Utility gas	-1.0%
Energy commodities	-2.4%
Motor fuel	-2.6%
Gasoline	-2.6%
Airline fares	-2.7%

Year-over-year change by category

Utility gas	15.3%
Car insurance	7.0%
Energy services	6.8%
Tobacco	6.3%
Meats/poultry/fish/eggs	6.1%
Car maintenance	5.1%
Electricity	4.5%
Owners' equivalent rent	4.2%
Shelter	3.9%
Food away from home	3.8%
Food away from home	3.8%
Services less energy services	3.6%
Hospital services	3.6%
Beverages	3.1%
Medical care services	3.0%
Food	2.9%
Physicians services	2.9%
All items ex food and energy	2.8%
Transport services	2.8%
All items	2.4%
Food at home	2.2%
Used cars/trucks	1.8%
Dairy	1.7%
Alcoholic beverages	1.5%
Other food at home	1.4%
Cereals and bakery products	1.0%
New vehicles	0.4%
Commodities ex food and energy	0.3%
Medical commodities	0.3%
Fruits/vegetables	-0.5%
Apparel	-0.9%
Energy	-3.5%
Airline fares	-7.3%
Fuel oil	-8.6%
Energy commodities	-11.6%
Motor fuel	-11.9%
Gasoline	-11.9%

Source: The North Report by Dan North, June 23, 2025

Conditions and observations

- **Capacity:** The trade credit market experienced a spike in submissions during Q1. As a result, insurers are becoming more cautious in their underwriting approach. Even large retailers have faced TCI capacity constraints, with insurers often requiring more detailed financial information on exposures as concerns about potential economic changes persist.
- **Renewed confidence:** In early 2025, major insurers reinstated TCI coverage for ASOS suppliers, signaling improved confidence and a stabilization of claims exposure within the retail segment.
- **Claims are steady and increasing:** Many TCI carriers are experiencing increased claims activity. In Q1, the largest insurer noted that its TCI claims were returning to expected levels after being elevated in late 2024, citing a “continued normalization of claims activity.”

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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