

Markets in Focus

PROPERTY & CASUALTY

Insurance Pricing
& Market Update

4 Market Overview

12 Major Claims

13 Guidance



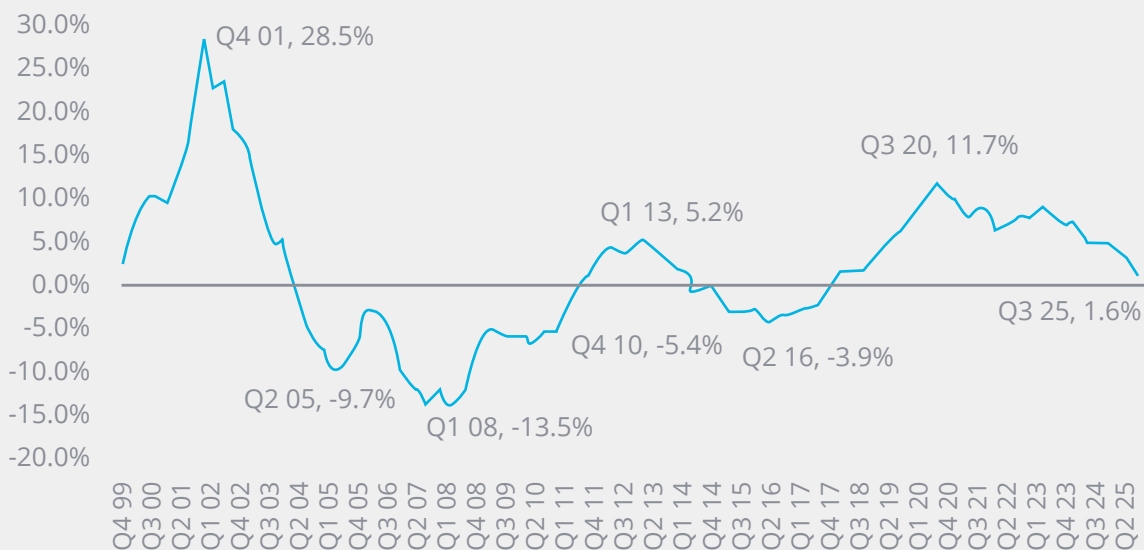
INTRODUCTION

OVERVIEW OF THE U.S. INSURANCE MARKET IN 2025

Market conditions are diverging by line of business, with overall premium growth slowing and capacity expanding. Q4 2025 will reflect a softening hard market across the P&C commercial lines sector. Despite these shifts, insurers continue to face elevated claims costs driven by inflation and social inflation, alongside persistent volatility from natural catastrophe events.

Some of the slowdown came from lines that have seen flat or decreasing premiums for several consecutive quarters: Cyber, D&O, employment practices, terrorism, and workers' compensation. Over the past year, commercial property rates have also softened, with increases slowing considerably from the first half of 2024.

AVERAGE PREMIUM CHANGE, Q4 1999-Q2 2025



Source: ciab.com/resources/soft-market-clear-in-q3-2025-according-to-the-council-of-insurance-agents-brokers-quarterly-p-c-market-survey¹

The year brought a paradox for risk managers: improving conditions in some areas while systemic challenges persisted in others. Natural catastrophe losses exceeded \$100 billion globally for the sixth consecutive year, yet the relatively quiet third quarter produced less than \$15 billion in insured claims—the lowest quarterly total since 2016.² This reprieve allowed the industry to post strong profitability, with a projected combined ratio of 99.2% for 2025,³ Though this would represent a deterioration from the 2024 results.

Casualty lines revealed deeper concerns beneath the surface. Products liability and other liability lines faced elevated losses, with direct incurred loss ratios climbing as social inflation continues to be an issue, forcing fundamental changes in how businesses approach liability risk. As noted, it is increasing litigation costs that have greatly affected umbrella rates but also availability, such as premiums for healthcare professionals in areas known for nuclear verdicts.⁴

While many casualty lines face a challenging environment, workers' compensation continues to be a bright spot, delivering continuous profitability, even with rate decreases. The stability of this line provided crucial budget relief for businesses navigating uncertainty in other lines.



FORECAST

Profitability and Growth

Profitability in the U.S. Property & Casualty insurance sector are forecasted to peak, with growth continuing to moderate. Expanded capacity—stemming from strong underwriting performance—is contributing to competitive pricing and easing rate momentum. Based on statutory data through the first half of 2025, projections show an average sector return on equity of 12% in 2025 and 10% in 2026. Premium growth is forecasted to decline to 3% next year as heightened competition follows this year's outperformance.

Federal Disaster Policy Changes

Federal disaster policy changes could fundamentally alter risk financing for many organizations. The proposed Fixing Emergency Management for Americans Act would increase FEMA's disaster threshold from \$1.89 to \$7.56 per capita, potentially shifting \$41 billion in recovery costs to state and local governments over sixteen years, according to The Urban Institute.⁵ Businesses may face reduced federal assistance for minor disasters, emphasizing the need for comprehensive property coverage and business continuity planning.

National and Geopolitical Factors

National and geopolitical factors add another layer of complexity across several industries, including pharmaceutical, energy, and manufacturing. The potential for continued tariffs-induced trade wars and instability could push up claims costs, affecting everything from property replacement values to supply chain coverage needs.⁶ As construction costs have surged in recent years, continued labor shortages, partly due to federal immigration policy, may pressure insurable values and replacement cost calculations for construction-industry companies.

Market Outlook for 2026

Pricing is expected to remain steady and insured-friendly for the first half of 2026, with average premiums renewing flat to -5% for clean risks. The second half of 2026 is uncertain, with macroeconomic factors like increased bankruptcies, regulatory confusion, and rising defense attorney costs potentially influencing market conditions.

MARKET OVERVIEW

PROPERTY

The property insurance market is showing signs of increasing competition, particularly in excess and surplus lines (E&S). E&S carriers will likely continue facing competition for catastrophe-exposed accounts, with rate decreases of roughly 10% becoming common, according to Business Insurance.⁷ This competitive dynamic may accelerate through the first half of 2026, creating opportunities for businesses to secure broader coverage terms and reduced pricing.

- + As rates have softened, the market has grown competitive and is seeing expanded capacity with an increase in capital.
- + Insurers' appetite is increasing for properties such as warehousing, food and beverage, and tech.⁸
- + Rates are easing in select regions due to lower-than-expected CAT losses in Q3 2025. However, underwriting remains disciplined in catastrophe-exposed areas, and accurate property valuation continues to be a priority. Global property losses from catastrophes in the first half of 2025 were estimated at \$70–\$90 billion.⁹

GENERAL RATE CHANGE ESTIMATES

| | |
|--|-----------------|
| Middle Market | Down 1% to Flat |
| Large/National/Shared & Layered Accounts | Flat to up 2.9% |



CASUALTY



General Liability

- + Rate increases are less frequent at the national level but remain elevated in jurisdictions with active plaintiff's bars.
- + Terms and conditions are becoming more flexible as reinsurers become more willing to protect programs, including lower attachment points and more frequent return periods.¹⁰
- + Social inflation remains a factor driving up litigation costs, jury awards, and claims settlements.
- + Tort reform efforts are producing mixed results across states.

GENERAL RATE CHANGE ESTIMATES

General Liability

Up to 2.7%





Excess Liability

Umbrella and commercial auto continue to see the highest rate increases among casualty coverages. Driven by a persistently challenging legal environment with large settlements and nuclear and thermonuclear verdicts, umbrella premium increases reached double digits, up over 4% in one year.

- + Current market conditions create opportunities for broader coverage, more favorable pricing, and greater program flexibility.
- + Surplus lines premiums written surged 13.2% year-over-year to \$46.2 billion in the first half of 2025.¹¹
- + Admitted markets are more competitive in medium- to lower-hazard areas, but the E&S marketplace remains significant in catastrophe-prone areas.¹²
- + Litigation, including third-party litigation funding and legal system abuse, is a primary factor behind umbrella rate increases.¹³
- + Third-party liability is a growing concern, especially in cases involving product deficiencies.
- + The excess market remains challenged, with carriers reducing limit capacity in response to sustained high claims costs.¹⁴

GENERAL RATE CHANGE ESTIMATES

| | |
|--|---------|
| Umbrella & Excess Liability | Up 5.5% |
|--|---------|





Workers' Compensation

- + Remote work has contributed to a substantial decline in injury frequency over the past five years, with up to 30% of employees working from home part- or full-time.
- + While the national market remains soft, California is showing signs of hardening. This trend is being fueled by rising medical costs and increases in advisory pure premium rates.
- + Insurers are including the payroll/job cost of uninsured independent contractors on the hiring company's premiums resulting in significant and unexpected audit costs.
- + Mergers and acquisitions are frequent and can impact blended modification factors after the merger. Companies should include modification factor reviews in their due diligence process.
- + The workers' compensation line continues to be profitable, with loss ratios remaining under 90% in most regions in the nation for both private and state-fund carriers, combined.
- + Insurers, upon audit, are closely scrutinizing class codes and rate assignments for accuracy and shifting payrolls into higher-rated codes, where indicated. This is resulting in large additional premiums for employers. Failure to cooperate with the carrier at audit is also resulting in large penalties and increased experience modification factors.
- + Rate reductions in 2025 averaged -6% across all industries. While pricing may vary based on industry and individual loss experience, the same or greater reductions can be expected for 2026.
- + Employers may face large additional premiums due to bonuses, buy-out bonuses, stock awards, and other remuneration being included in audits.

GENERAL RATE CHANGE ESTIMATES

Workers' Compensation

Down 1.9%



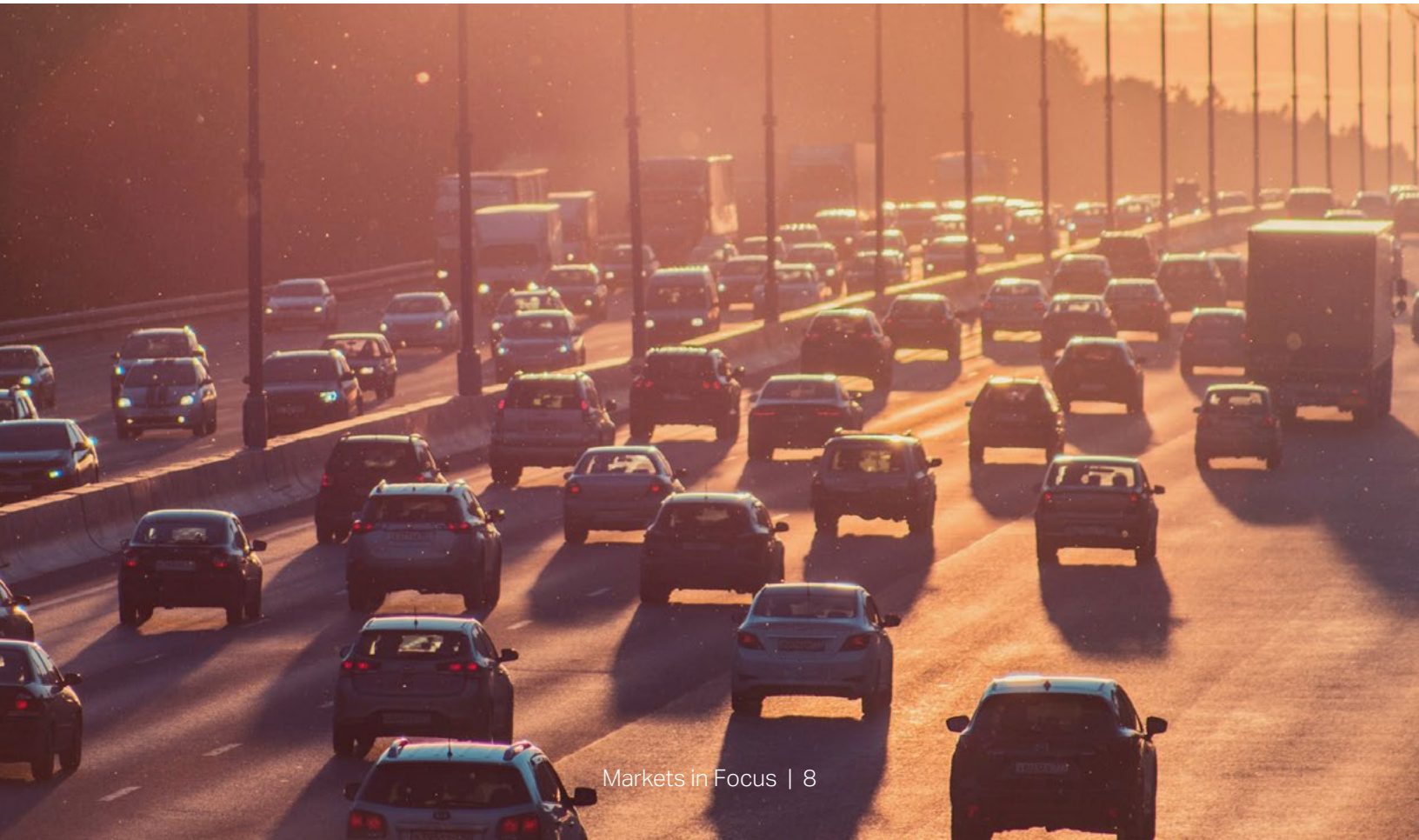
Auto

- + The auto insurance segment continues to experience upward rate pressure due to rising loss trends.
- + Both liability and physical damage rates are increasing, driven in part by nuclear verdicts.
- + Admitted marketplace commercial auto premium increases continue in 2025, but Q2 rate increases slowed compared to Q1.
- + Insurers are emphasizing fleet safety and telematics. Insureds with strong data quality and safety records are better positioned for favorable terms.
- + E&S marketplace auto premiums grew by 29.1% in the first half of 2025.¹⁵
- + Tariff impacts continue to prompt insurers to prepare to offset rising claims costs with increased premiums.
- + Hired and non-owned coverage is under increased scrutiny. Carriers now require extensive information, and the cost of this coverage has risen significantly.

GENERAL RATE CHANGE ESTIMATES

Auto

Up to 7.4%



EXECUTIVE RISK

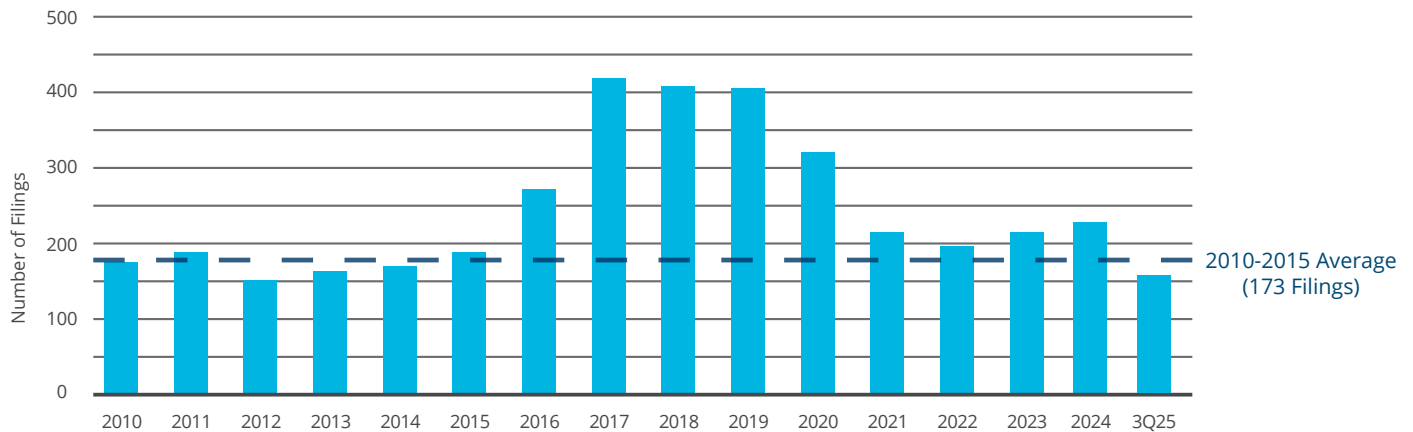


Directors & Officers (D&O)

Public

- + Although D&O litigation remains elevated over historical levels, overall market conditions remain favorable.
- + The downward pricing pressure has slowed down.
- + Capacity remains abundant, driven by competition among established carriers seeking to write more primary business and newer entrants seeking to gain traction.
- + Underwriters are increasingly prioritizing pricing discipline over growth.
- + Carriers remain cautious towards companies with near-term capital needs or a high likelihood of M&A.
- + Legacy policies may offer a foundation of coverage against AI claims, but new exclusions may narrow protections just as AI-related liabilities increase in frequency and complexity.¹⁶

Federal Securities Class Action Filings
(2010-3Q25)



Private

- + The private D&O market has experienced three consecutive years of soft market conditions, featuring insured-friendly pricing and enhanced terms.
- + Historically low pricing makes this a favorable time to purchase higher limits at affordable rates.
- + There remains a surplus of capacity, between mainstream players in this space “doubling down” and new players entering—former fringe carriers, new Insurtech firms, as well as MGA’s. The surplus capacity is mitigating any rate increases carriers would like to see, as carriers quoting private company Management Liability risk are competing for the same “piece of the pie.”
- + Currently and for the near future, companies that underwrite well— lack of claims, favorable industry, solid financials—should expect premium savings or enhanced terms, and sometimes both. For companies that don’t underwrite as well, dependable coverage can still be attained for small increases to premium or for no increase to premium in exchange for higher retentions.
- + Risks that were genuinely marketed in the last 12 months, pricing is already competitive and will likely stay flat.



*** Cyber



Technology-related risks are under increasing scrutiny. Third-party risk is a growing cyber concern as threat actors focus more attacks on exploiting vulnerabilities in interconnected networks such as supply chains and vendors that serve critical customer bases. As AI becomes more deeply embedded in core business operations, ethical concerns—particularly around bias, privacy, and security—will emerge. Without comprehensive federal AI regulations in the U.S., companies will continue to take the lead in establishing responsible AI practices to earn stakeholder trust and mitigate risk. Expect carriers to continue investing in tech to improve operations, service, and profits.

- + Abundant cyber insurance capacity persisted throughout the first half of 2025.¹⁷
- + Insurers are backing an ever-increasing number of cyber MGAs that usually focus on small and middle market organizations.
- + Insurers are tightening up language around third-party risk exposures, especially when it comes to vendor responsibilities, data handling, and breach response.
- + Tech E&O sits at the heart of contractual liability, SLA breaches, and AI/model-driven performance failure.
- + Manufacturers incorporating smart tech into their factories should look to cyber insurance policies that address new operational, technological, and strategic vulnerabilities.
- + Risks now extend beyond IT to include operational technologies (OT), IoT devices, cloud-connected assets, and supply chains—all of which demand greater specificity in policy endorsements, conditions, and exclusions.

GENERAL RATE CHANGE ESTIMATES

| | |
|-------|-----------|
| Cyber | Down 2.6% |
|-------|-----------|



MAJOR CLAIMS IN THE SECTOR

Liability challenges will likely intensify as tort reform efforts continue across multiple states. Between 2013 and 2022, the median nuclear verdict saw a sharp rise, reaching \$21 million, with some cases, particularly in product liability, seeing verdicts soar to even greater awards. In 2022, the median verdict in product liability cases alone peaked at an astounding \$36 million—a 50% increase compared to 2013.¹⁸ Florida, Texas, Georgia, Utah, and South Carolina have all enacted laws spanning a range of reforms from targeting procedural tactics and damage awards to sweeping systemic changes. Critics charge that these reforms may limit legitimate claims, but the overall impact of these reforms won't be immediately clear, especially as the reforms are enacted piecemeal across some states, while others, like Illinois, Oregon, New York, and California, have strengthened laws favoring plaintiffs. Nationwide, three case types made up two-thirds of nuclear verdicts in personal injury and wrongful death cases from 2013-2022: product liability (23.3%), auto accidents (23.2%), and medical liability (20.3%):

Mean & Median Nuclear Verdict by Litigation Type, 2013-2022

| Litigation Type | Mean | Median |
|---|-----------------------|-----------------------|
| Product Liability | \$215.9 Million | \$25.0 Million |
| Other Negligence | \$99.8 Million | \$20.0 Million |
| Intentional Tort | \$94.6 Million | \$28.6 Million |
| Auto Accident | \$46.4 Million | \$21.0 Million |
| Medical Liability | \$33.6 Million | \$19.6 Million |
| Premises Liability | \$32.5 Million | \$20.0 Million |
| Miscellaneous | \$31.5 Million | \$22.4 Million |
| All Personal Injury / Wrongful Death | \$88.9 Million | \$21.1 Million |

Source: Institute for Legal Reform: Nuclear Verdicts¹⁹

+ ASBESTOS | PRODUCTS LIABILITY | WRONGFUL DEATH \$966 MILLION AWARD

Decedent was exposed to asbestos via a company's product. She developed mesothelioma and passed away. Jurors awarded \$966 million.²⁰

+ NEGLIGENCE | PERSONAL INJURY \$106.4 MILLION AWARD

Plaintiffs were riding in a limo, which got into an accident; one plaintiff was rendered quadriplegic. The accident was caused by a construction zone that lacked proper warning signs. Jurors awarded \$104.6 million.²¹

+ MEDICAL MALPRACTICE | PERSONAL INJURY \$70.8 MILLION AWARD

Plaintiff had a stroke; however, the hospital did not conduct a CT scan, prescribing medication for a headache. Plaintiff experienced blood clots that led to a stroke, causing permanent damage to her brain and some paralysis. Jurors awarded \$70.8 million.²²



BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any changes to increase greater renewal success.



PARTNER WITH INDUSTRY EXPERTS

It is important to work with your broker's industry experts, who understand the business and the market when placing the specific risk. Collaborating with a team that can best represent your risk and partner with your operations is critical than ever in this disciplined market we are experiencing.



HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

IMA has a team solely dedicated to managing cyber risks. They offer expert assistance, including coverage analysis, financial loss exposure benchmarking, contract language review, in-depth cyber threat analysis, and strategic development of comprehensive, high-value cyber insurance programs.



CONTRACT REVIEW

Our contract review teams add value to our clients' overall risk management program by ensuring the indemnity language is market standard and doesn't expose our clients to unforeseen losses that may not be insurable.





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MARKETS IN FOCUS

INSURANCE INSIGHTS

HR INSIGHTS

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