

Q2 2025

Markets in Focus

PROPERTY & CASUALTY

Insurance Pricing
& Market Update



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INTRODUCTION

The first quarter of 2025 saw a softening of market conditions as most lines of business experienced lower premium increases and some recorded decreases. While premiums across all account sizes rose an average of 4.2%, marking the 30th consecutive quarter of increases, this was a notable 22% decrease from Q4 2024, when premiums increased 5.4%.¹ Due to increased competition and flexibility from underwriters, medium-sized accounts slowed the most, growing just 3.6%, a 42% decrease from Q4 2024.

Catastrophic (CAT) losses continue to rise, with 2024 global losses of \$137B on par with the 5% to 7% growth rate seen since 2017.² North America accounted for nearly 80% of losses in 2024 due to the region's exposure to secondary perils such as floods, wildfires, earthquakes, and convective storms, which are primary drivers of coverage losses.³ The year began with the CAT Los Angeles wildfires, with losses currently estimated at \$40B, of which \$30B is in residential claims. Swiss RE estimates this would generate around a 200% loss ratio for homeowners' insurers in California. There have been several outbreaks of severe convective storms this winter and spring, including one occurrence that spawned an E3 tornado that touched down in St. Louis on May 16, killing five people and causing damage to 5,000 buildings.⁴

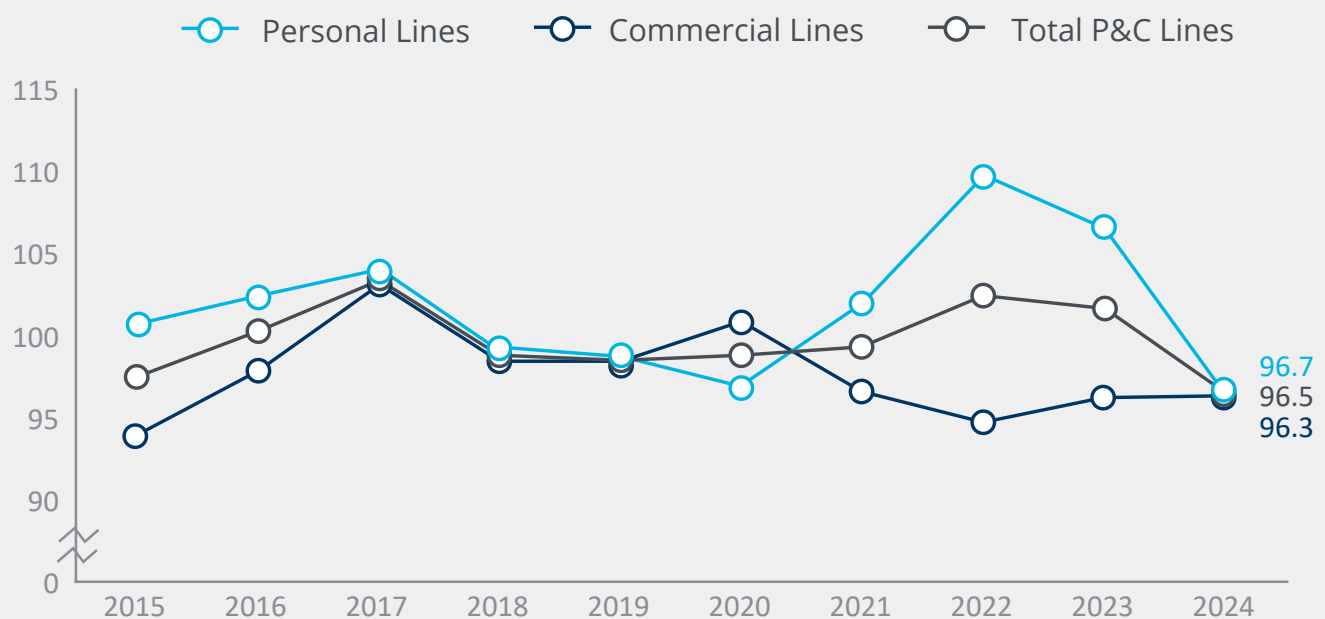
In April, Georgia passed comprehensive tort reform with two bills, SB 68 and SB 69,⁵ which will significantly impact organizations doing business in the state, filing lawsuits in the state, and third-party funding of lawsuits.



This legislation follows similar laws enacted in several other states and mirrors the comprehensive statutes passed by Florida in 2023. Over the past few years, states have been taking up the issue, and the outcomes vary according to state legislature prerogatives, political atmosphere, and timing.

Along with Georgia and Florida, Indiana and West Virginia enacted cap limits and other tort reforms. At the same time, Colorado and New Hampshire increased damage caps in 2025. But the progress is more muddled than successful, as several states have plodded through legislation sessions without enacting any legislation, whether limiting or raising caps or whose governors successfully vetoed bills. The results in Florida should buoy the hopes of tort reform advocates, as the state saw a marked decline in nuclear verdicts since enacting its legislation.

U.S. P&C INDUSTRY'S ANNUAL COMBINED RATIO (%)



Source: S&P Global P&C Industry⁶

The U.S. property and casualty industry 2024 reached its lowest net combined ratio in over a decade, posting a net combined ratio of 96.5%, its best annual performance since 2013.⁷

This is a significant improvement from 2023, when the industry's realized a combined ratio of 101.6%.

The improvement comes from better underwriting results in personal lines, which saw a 10% year-over-year improvement. By contrast, commercial lines decreased slightly in the same period.

Overall, improvement in underwriting may fluctuate as the impacts of tariffs create a challenging environment for the P&C insurance industry, driving higher costs, evolving risks, and market changes while presenting opportunities for innovation and adaptation.

MARKET OUTLOOK

PROPERTY

- + Commercial property rates increased 2.6% in Q1 2025, one of the quarter's lowest increases of overall lines.⁸
- + Signs of stability started in Q4 2024 as new capital entered the market and insurer profitability.
- + Property owners continue to assume more catastrophe risk through percentage deductibles.⁹
- + From 2019 to 2023, percentage deductibles rose significantly as rates tripled or quadrupled, but the market has since stabilized, and percentage deductibles have reduced.¹⁰
- + Capital providers are optimistic, pursuing growth and driving competition for the property line of coverage.¹¹
- + Tariff impacts continue to bring uncertainty for commercial property lines. Insurers are prepared to offset rising claims costs with increased premiums.
- + The change in costs for building materials will impact overall construction costs through builders risk policies, and the potential for greater business interruption claims.

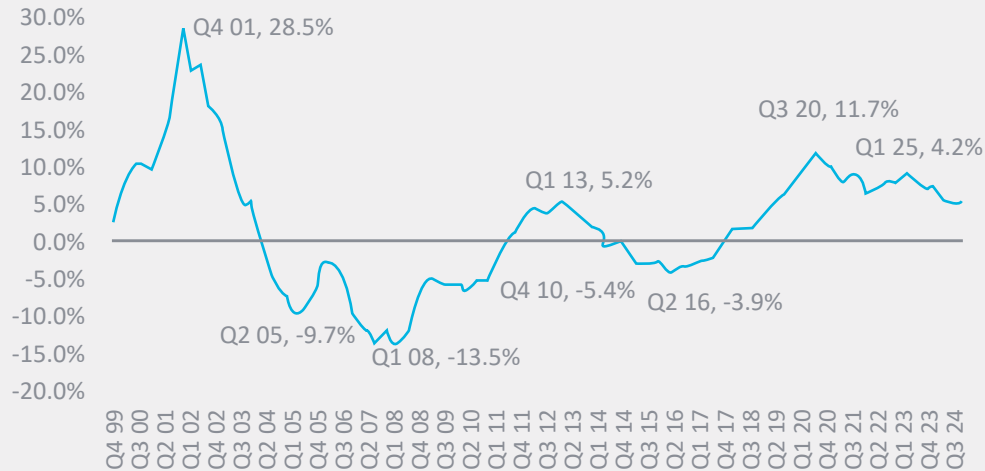


GENERAL RATE CHANGE ESTIMATES

Middle Market	Down 5% to Up 8%
Large / National / Shared & Layered Accounts	Down 10% to 35%

The rate change projections provided above serve as general guidelines. Actual renewal outcomes may vary and could fall outside these projected parameters. Several account specific exposures and risk profile factors can significantly impact results, including but not limited to: Unfavorable loss history, Catastrophe exposures (such as windstorm, convective storm, flood, earthquake, wildfire), Occupancy type, Global programs, and Other underwriting considerations.

AVERAGE PREMIUM CHANGE, Q4 1999-Q1 2025



Source: CIAB Commercial Property/ Casualty Market Index Q1 2025¹²

CASUALTY



General Liability

- + General liability rates are declining as February averaged 3.95%, down from 4.19% in January.¹³
- + Social inflation remains a factor driving up litigation costs, jury awards, and claims settlements.¹⁴
- + Georgia is expected to enact stricter tort reform legislation this year, following similar measures passed by Florida in 2023. However, the legislation's impact will likely take some time to affect claims costs.
- + Tort reform advocates hope Georgia and Florida's example will lead to greater reforms nationwide, but changes across states are likely to depend on the influence of differing advocacy groups.

GENERAL RATE CHANGE ESTIMATES

General Liability

Up 4.2% to 9%



Workers' Compensation

- + Workers' compensation decreased an average of 2.6%, the largest of any P&C line.
- + Workers' compensation continues to drive profitability for the industry as rates have decreased steadily for over 15 years, due to improved injury results.
- + Carriers have begun filing separate line-item surcharges/credits to have more underwriting flexibility in pricing.
- + The workers' compensation market remains competitive as insurers pursue business with significant capacity available.
- + Standard line carriers are increasingly moving into the specialty workers' compensation space, using other product lines to mitigate potential losses.¹⁵
- + Profitability and continuing stability of workers' compensation are helping level out more volatile results in other lines.



Auto

- + Commercial auto prices remain the highest of all lines, increasing 10.4% in Q1 25.
- + Loss severity and larger jury awards and settlements in commercial vehicle cases are the primary drivers affecting the line's poor performance.
- + For insurers to achieve price adequacy in a challenging market, auto underwriting will remain disciplined.¹⁶

GENERAL RATE CHANGE ESTIMATES

Workers' Compensation	Down 2.6%
Auto	Up 10.4%



Excess Liability

- + Umbrella premiums continue to increase by 9.5% in Q1 2025, which is followed by an 8.7% increase in Q4 2024.¹⁷
- + Concerns over third-party litigation funding are contributing to higher umbrella rates.¹⁸
- + The increase in larger nuclear verdicts continues to affect underwriting, making securing excess coverage challenging for some businesses.¹⁹
- + As coverage prices increase in upper towers in coverage, organizations are looking to pull back on full coverage limits.

GENERAL RATE CHANGE ESTIMATES

Umbrella & Excess Liability

Up 9.5%

EXECUTIVE RISK

*** Cyber



- + Rates remain competitive and flexible, but carriers look at third-party contracts for risk exposure.
- + Claims have continued to increase over the past 12 months, with ransomware and social engineering most prevalent.
- + Third-party-related cyber-attacks accounted for 31% of all claims and 24% of material losses.²⁰
- + Organizations with strong IT security and compliance with privacy policies benefit from a stable and insured-friendly market.
- + Carriers are starting to limit their exposure to data/privacy claims if insureds do not outline a clear strategy.
- + Third-party vendor exposure is the number one cyber threat.

Directors & Officers (D&O)

- + The market is seeing new capacity, and the pricing environment continues to be one of "supply and demand."
- + IPOs and de-SPAC transactions have declined.
- + Capital remains plentiful and competitive, while downward pressure on pricing and retentions has slowed down.
- + D&O Federal Securities Class Action (FSCA) claims increased by 13% from 2022 to 2024.
- + 52% of 88 FSCA settlements in 2024 included a derivative action with a median settlement value of \$18.6 million.
- + D&O claim activity increased in 1Q 2025, with 67 total FSCA claims filed on pace for a year-over-year increase of over 20%.

GENERAL RATE CHANGE ESTIMATES

Cyber	Down 2.1% to Flat
D&O Liability	Down 1.7%

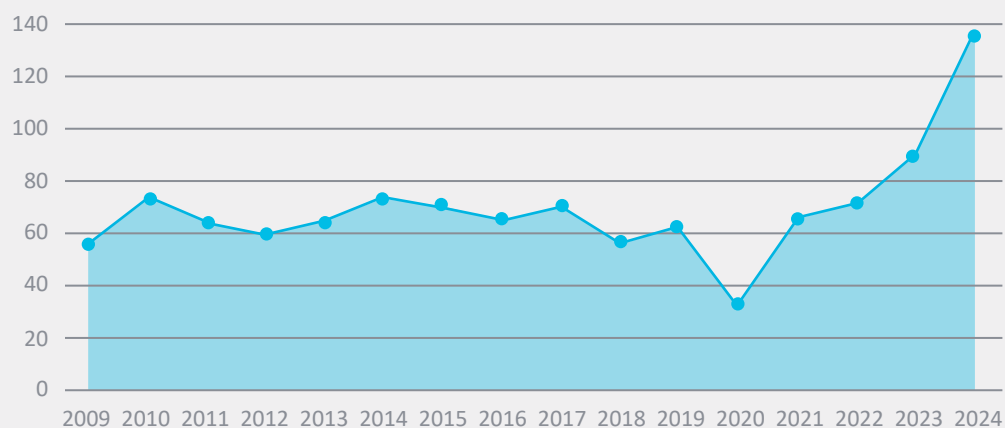


MAJOR CLAIMS IN THE SECTOR

In 2024, nuclear verdicts—those exceeding \$10 million—against corporate defendants surged to a record high of 135 cases, marking a 52% increase from 2023 and the highest number since 2009.²¹ These verdicts totaled \$31.3 billion, a staggering 116% increase in one year. The median verdict climbed to \$51 million, up from \$44 million in 2023. A wide array of industries were impacted by beverages, movies, entertainment, fertilizers, and agricultural chemicals, among the hardest hit. These verdicts spanned 34 states and 77 courts, with Nevada leading due to significant product liability cases. Meanwhile, after comprehensive tort reform, Florida saw a decline, dropping from the second to the tenth position in nuclear verdict rankings.

- + 135 nuclear verdicts of at least \$10M were awarded in 2024, a 52% increase from 2023.
- + 55 industries saw a nuclear verdict, up from 48 in 2023.
- + Social influencing factors include corporate mistrust and desensitization to large numbers, and Millennial and Gen Z jurors are more pro-plaintiff.²²

NUMBER OF CORPORATE NUCLEAR VERDICTS: 2009-2024



Source: Marathon Strategies Corporate Verdicts Go Thermonuclear²³



BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any changes to increase 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 more critical than ever in this disciplined market.



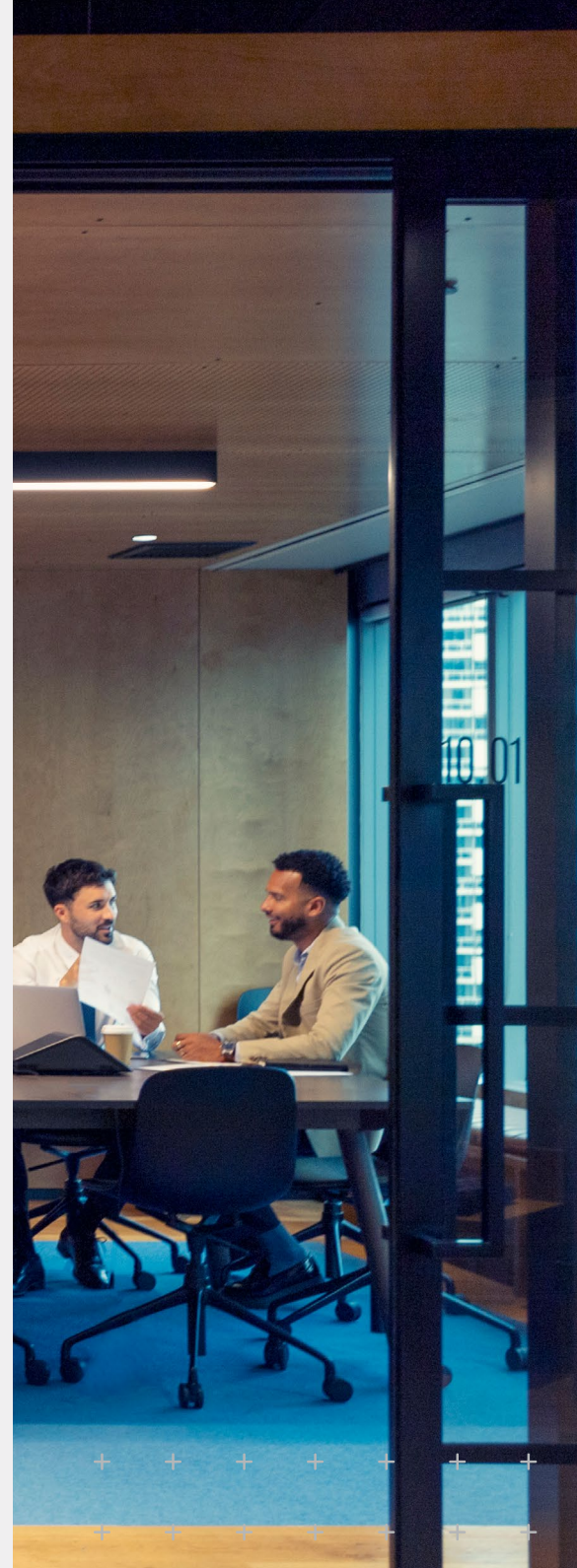
HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

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



CONTRACT REVIEW

Our contract review team adds 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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KEEP READING

MARKETS IN FOCUS

INSURANCE INSIGHTS

HR INSIGHTS

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