

Markets in Focus

Q2 2025

REAL ESTATE

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& Market Update

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INTRODUCTION

The real estate industry in 2025 is undergoing transformation and emerging opportunities while showing resilience against disruptive forces.

As inflationary pressures ease and real estate markets get stronger, investment in real estate will drive moderate improvements in 2025. Although the 10-year Treasury yield will remain relatively high, which would usually discourage borrowing and investment, the improving fundamentals of the market are strong enough to keep investment activity growing.

As investor confidence increases, they have the opportunity to purchase at attractive prices and secure long-term returns that have not been available in years.

At the beginning of the year there was anticipation the Federal Reserve would lower interest rates within the first two quarters of 2025, but hope has been dampened as the Fed adapts a cautious, a wait-in-see approach regarding rates. While inflation is cooling, concerns about tariff's impact on inflation and the overall economy remain which has caused some volatility in the industry.

In the office market, increased leasing activity, and a projected shortage of prime spaces by year-end is marking a gradual recovery. There is an anticipated 5% increase in leasing volume in 2025, driven by increased return-to-office mandates and a focus on high-quality, amenity-rich office spaces. According to CBRE, smaller tenants looking for between 10,000 and 20,000 sq. ft. will account for more than half of the total leasing volume.

The retail sector is also undergoing a dramatic revival, particularly in suburban and Sun Belt regions. Notably, retail is projected to have the lowest vacancy rate of any commercial sector, leading to higher asking rents. Grocery-anchored centers and necessity-based retail are attracting institutional investment due to their resilience and consistent demand.



PROPERTY

- + Commercial property and business interruption continue to moderate.
 - + Some stability occurred in Q4 as new capital entered the market and insurer profitability.
- + In terms of property, capital providers are optimistic, pursuing growth and driving competition.¹

GENERAL PRICING ESTIMATES

Non-CAT exposed property with a favorable loss history	Down 3% to 10%
CAT exposed property with a favorable loss history	Down 5% to 15%

CASUALTY



General Liability

- + General liability rates continue to be challenging in the marketplace.
- + Social inflation still remains a factor driving up litigation costs, and jury awards and claims settlements.²
- + Georgia's sweeping tort reform was enacted and signed by the governor in April 2025.
- + Tort reform advocates hope Georgia and Florida's example will lead to greater reforms nationwide, but changes across states is likely to depend on influence of differing advocacy groups.



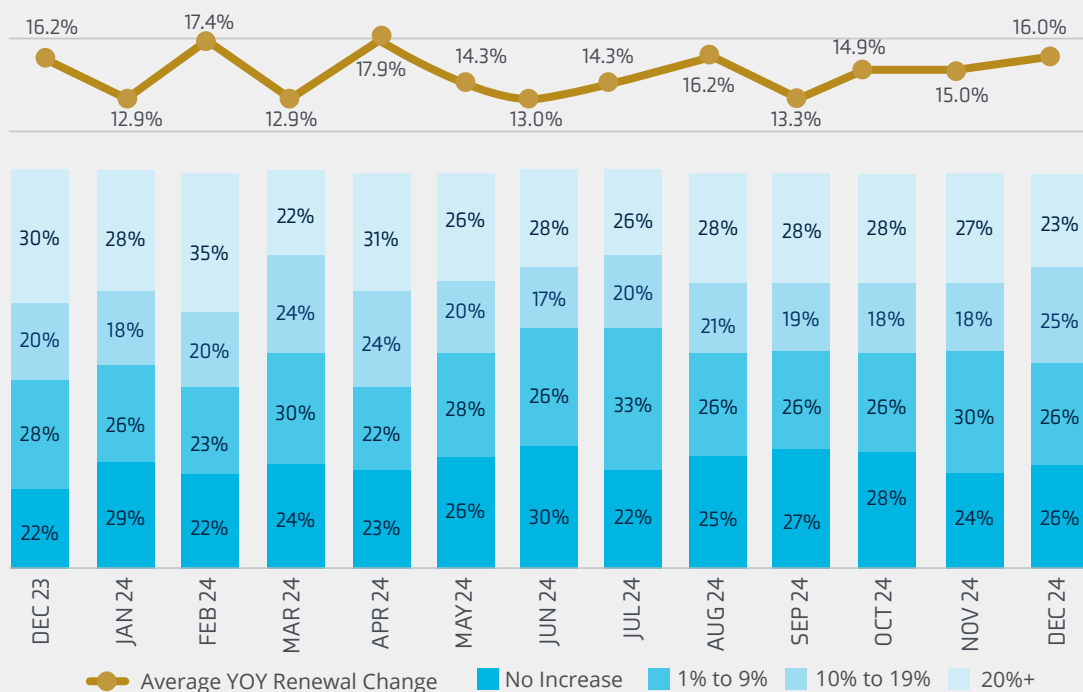


Excess Liability

- + In Q1 2024 umbrella premiums were 7.0% but jumped back up to 8.7% in Q4, the highest average increase in the quarter, only lagging commercial auto.³
- + The excess and umbrella markets continue to harden, though areas with high litigation risks continue to experience higher rates.
- + The increase in larger nuclear verdicts continue to affect underwriting and make securing excess coverage a challenge for some businesses.⁴
- + Umbrella average rate was 9.03% in February 2025, down from January 2025 average rate of 9.47%.⁵

EXCESS + UMBRELLA REDY® INDEX JANUARY 2025 MONTHLY RENEWAL PRICING ANALYSIS

Source: REDY® Index Property Q4 2024⁶



GENERAL PRICING ESTIMATES

General Liability

Up 10% to 25%

Umbrella & Excess Liability

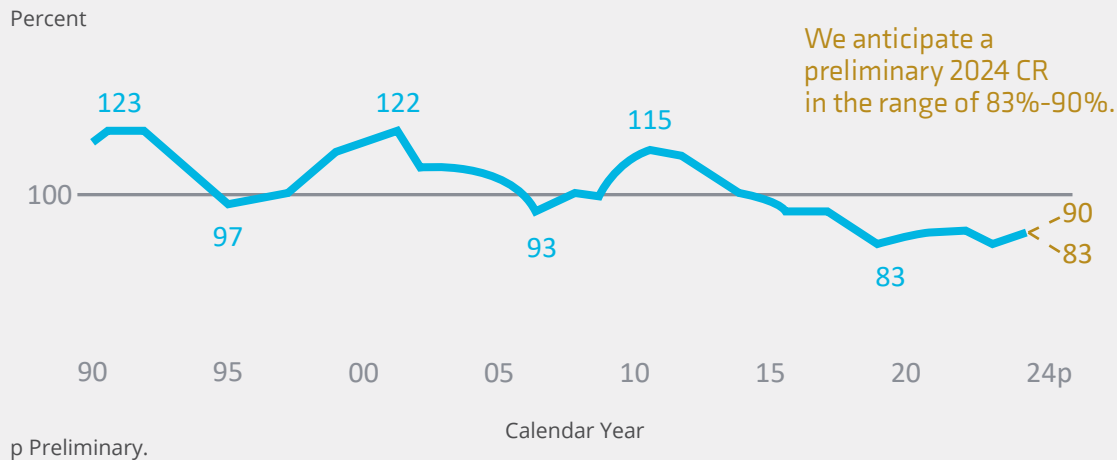
Up 10% to 25%



Workers' Compensation

- + Workers' compensation continues to drive profitability for the industry as rates have been decreasing steadily for over 15 years, due to improved injury results. While the line is profitable, some carriers are filing separate line-item surcharges/credits with regulatory agencies to have more underwriting flexibility in pricing.
- + Rates continue to go down based on lower frequency and severity/cost of injuries. Workers' compensation rates decreased 1.55% in February.⁷
- + There is significant capacity available and the workers' compensation market remains competitive as insurers pursue business. Standard lines carriers are increasingly moving into the specialty workers' compensation space, using other product lines to mitigate potential losses.⁸
- + The expected continuing stability of workers' compensation could help to level out the carriers' more volatile results in other lines, such as general liability, property and commercial auto.

WORKERS' COMPENSATION (WC) NET COMBINED RATIO (CR) PRIVATE CARRIERS



Source: NCCI Workers Compensation Net Combined Ratio⁹



Auto

- + Driver shortages, repair costs, and supply chain issues all drove up the frequency and severity of commercial auto claims in 2024.¹⁰
- + Q1 2025 commercial auto premiums continued to trend upward with an increase of 6.7%, marking one of the most significant rate hikes of the quarter, according to a new report by MarketScout.¹¹
- + Rising loss severity and larger jury awards and settlements, particularly in cases involving commercial vehicles, are major drivers of this poor performance.
- + Commercial auto pricing will remain high, and underwriting will remain disciplined in order for insurers to achieve price adequacy in a challenging market.¹²

GENERAL PRICING ESTIMATES

Workers' Compensation	Down 9% to 15%
Auto	No Change to Up to 9% + if large fleet and/or poor loss history



EXECUTIVE RISK

*** Cyber



- + Cyber premiums decreased an average of 1.8 percent in Q4 2024, the lowest drop recorded for this line.¹³
- + There continues to be increased underwriting capacity and competition among carriers for U.S. for cyber business.



Directors & Officers (D&O)

- + The current pricing environment continues to be a story of “supply and demand.” New capacity has entered the market but IPOs and de-SPAC transactions have declined.
- + The downward pressure we saw on pricing (and retentions) over the last year and a half has slowed down, but capital remains plentiful and competitive.
- + D&O Federal Securities Class Action (FSCA) claims increased in 2023 and 2024, with a 13% increase from 2022 to 2024.
- + 88 FSCA settlements were approved in 2024 versus 83 in 2023, and 52% of these settlements included a derivative action with a median settlement value of \$18.6 million.
- + In 1Q 2025, D&O claim activity increased, with 67 total FSCA claims filed. On an annualized basis, this would total 268 filings, which would represent a 20.7% increase year-over-year.

MAJOR CLAIMS IN THE SECTOR

+ WILDFIRE | PROPERTY DAMAGES \$36 MILLION VERDICT

A jury awarded a total of \$36 million to seven Oregon properties owners affected by 2020 wildfires and claimed that PacifiCorp's decision not to de-energize its power lines contributed to the fires. This verdict brings the reported total in cases against PacifiCorp to over \$300 million.¹⁴

+ TOXIC MOLD | NEGLIGENCE \$6.6 MILLION VERDICT

A Nevada court found a California-based property company negligent in fixing water issues that resulted in growth of toxic mold in a multi-family building and awarded \$6.6 million to a family for current and future injuries caused by their exposure.¹⁵

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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 more critical than ever in this disciplined market.



HIGHLIGHT CYBER SECURITY & PROACTIVE RISK MANAGEMENT

IMA has a team solely dedicated to managing cyber risks. They offer expert assistance, including coverage analysis, economic 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 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

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HR INSIGHTS

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