Markets in Focus

Q1 2026

REAL ESTATE

Insurance Pricing & Market Update

MARKET OUTLOOK

Insurance market conditions are playing an important role in defining real estate market performance in 2026. Prices are expected to moderate, catastrophe risks intensify, and investment income normalizes. Across the industry, analysts expect written premiums to begin to improve in 2026. According to Fitch Ratings, the P&C insurance market outlook is neutral. They cited solid statutory performance and favorable reserve development.[1] Industry combined ratios improved in 2025, however projections for 2026 suggest a modest deterioration in 2026 for many large insurers, driven by competitive pricing, rising loss costs, and sustained exposure to climate-related events.[2] These dynamics will impact insurance lines — including commercial property, and specialty coverage — where non-catastrophic weather events are driving higher frequency losses and increasing volatility in coverage terms.

In 2025, commercial real estate experienced changes across every market segment. While traditional sectors faced unique challenges emerging segments focused on technology, sciences, and sustainability showed strength. Overall, commercial real estate continued a five year, downward trend in CAGR, yet sentiment is upbeat for 2026.

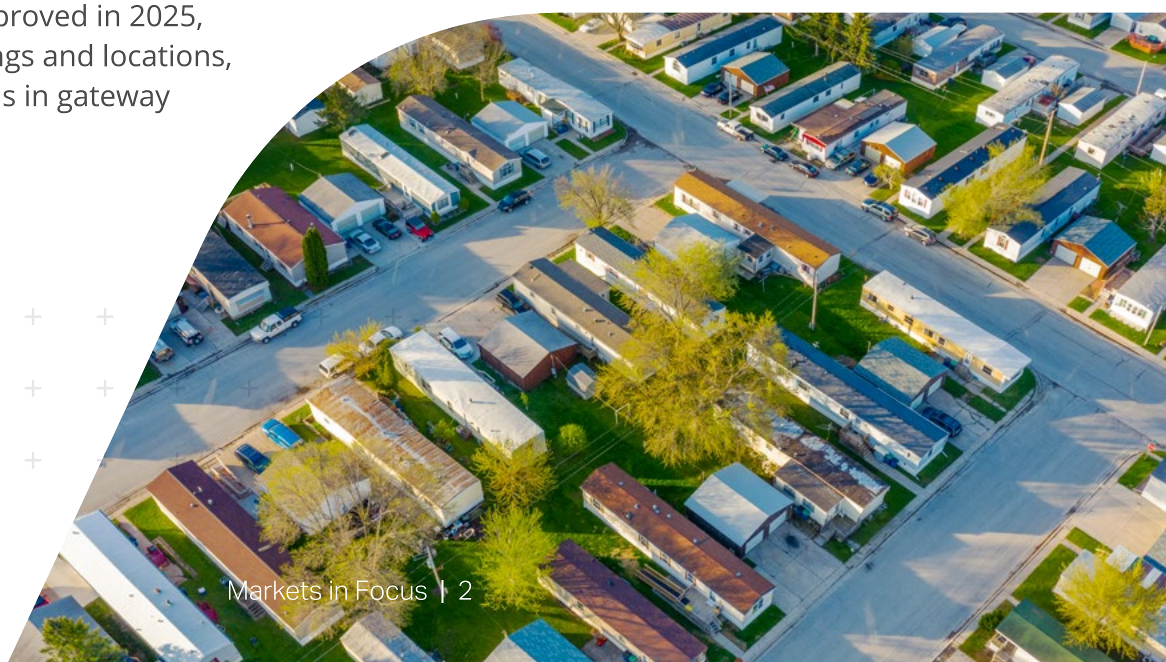
Office space occupancy improved in 2025, especially in top tier buildings and locations, though occupancy demands in gateway markets is up.

Retail continues to rebound from pandemic lows, with restaurants and groceries exceeding expectations as are suburban spaces, but urban locations and malls are down.

E-commerce is expected to boost occupancy over the next few years. The multifamily sector sits at a crucial intersection of housing demand, investment opportunity, and economic indicators.[3] Nationally, from Q12024 to Q12025, multifamily vacancy rates are up while rent growth remains flat. Over 17% of rental properties in major US cities are owned by institutional investors.

Emerging sectors and specialized property types are increasingly shaping the future of commercial real estate. Properties for technology and sciences saw increases in demand and rent, led by data centers. Green-certified buildings now make up one-fifth of new developments. Sefl-storage facilities rents increased.

Commercial real estate construction performed unevenly in 2025 and this trend expected to continue. The pipeline of office construction is at its lowest in 10 years while industrial starts continue to increase, particularly in the southwest, and demand and pricing is strong in logistic hub locations.



PROPERTY

Insurance-linked securities

+ Insurance-linked securities (ILS) market has a significant amount of capacity and competing interests, more than a softening market alone. With ILS reducing rates there is heavy investment in CAT bonds going on in 2026. At the same time, there is an influx of money across all lines with property at the top.

+ Treaties are estimated to be down 10-20%, costing insurance carriers less and ultimately making it favorable for insurance lines.

Underwriting

+ Strong underwriting practices will continue into 2026 as the standard. Carriers will desire to grow, which will require a balance between underwriting practices and risk appetite. Catastrophe prone areas will be reviewed holistically as rates have moderated with these lines after several years of significant rate increases.

+ Excess markets are at all-time high as a result of the money being invested into the market.

+ A key trend continuing into 2026 for commercial properties is the adoption of water sensing systems. Insurers are moving beyond recommending emergency response plans—they now expect fully integrated sensing solutions to proactively detect and mitigate water-related risks.

General Liability

+ General liability will continue to see rate increases. Rates will be contingent on risk profile and vary by client.

+ Litigation funding continues to grow with limited transparency across the litigation system.

Excess Liability

+ Excess coverage is at an all-time high and continues to be difficult. Capacity remains constrained, leading some owners to reduce umbrella and excess limits to control costs.

+ Nuclear verdicts stemming from commercial auto coverage lines are having a significant impact on umbrella and excess liability lines.

+ Coverage will continue to be secured through various layers and carriers to reach the total coverage limits needed. There is a moderation with limits, typically around $5M with a mix of carriers between admitted and surplus carriers.

Assault and Battery

+ Assault and battery continues to be a difficult line of coverage with habitability exclusions increasing.

Workers’ Compensation

+ The market remains soft, with loss ratios remaining profitable in most states.
+ Insurers are more selective in their appetite for risk, by industry, with a stricter auditing application upon policy expiration.
+ Insurers are asking companies to ensure their independent contractors have workers' compensation insurance, which can result in significant and unexpected claims at audit and impact modifications for three years.
+ In addition, insurers are asking companies to perform due diligence on debit modification factors during M&A activities, as it can impact premiums and experience ratings after the merger.

Cyber

+ Cyber insurance capacity remained abundant, with insurers backing more cyber MGAs focused on small and mid-market organizations.
+ Policy language is tightening around third-party exposures, vendor responsibilities, and breach response.
+ Risks continue to extend beyond traditional IT, requiring greater specificity in endorsements, conditions, and exclusions.

Directors and Officers (D&O)

+ The private D&O market has seen three years of soft conditions, with insured-friendly pricing and enhanced terms.
+ Historically low rates make this an ideal time to secure higher limits at affordable costs.
+ Surplus capacity—driven by established carriers doubling down and new entrants is keeping pricing competitive and preventing rate increases.
+ Well-underwritten companies (strong financials, low claims, favorable industry) can expect premium savings, enhanced terms, or both.
+ Even less favorable risks can still obtain reliable coverage, often with minimal premium increases or higher retentions.
+ For risks marketed in the past 12 months, pricing is already competitive and likely to remain flat.

Claims

- There has been a steady increase in habitability claims in affordable housing. Most habitability claims seem to occur in California, with notable activity in New York and other jurisdictions. These claims often begin with one tenant engaging a plaintiff attorney, who then canvasses the property to recruit additional plaintiffs. Affordable housing has seen a steady rise in such lawsuits, driven by aging properties, delayed repairs, and increased tenant awareness of legal options. Common issues include water leaks leading to mold, rodent activity, and general wear and tear on older buildings. Because one complaint often uncovers others, habitability has become an easy target for plaintiff attorneys.

GENERAL RATE ESTIMATE

Non-CAT exposed property with a favorable loss history	Down 5%-7%
CAT exposed property with favorable loss history	Down 15% to 20%
General Liability with favorable loss history	Up 8%-9%
General Liability with non-favorable loss history	Up 15%-30%
Umbrella & Excess Liability	Up 10% to 15%
Workers' Compensation	Down 10% to Flat

GUIDANCE

BEGIN THE RENEWAL PROCESS EARLY

Partner with your broker early to prepare for any challenges and increase greater renewal success within market conditions.

PARTNER WITH INDUSTRY EXPERTS

It is important to work with your broker's industry experts who understand the business and the market. Collaborate with a team that can best represent your risk holistically and partner with you.

PRIORITIZE PROACTIVE RISK MANAGEMENT

Work with your broker to develop a comprehensive program that includes coverage analysis, benchmarking, contract reviews, and threat assessments. Highlighting your organization's commitment to risk management.

OPTIMIZE COVERAGE ACROSS LINES

Review all lines of insurance to ensure comprehensive protection. Balance cost savings with adequate coverage to avoid underinsurance that could expose your organization to significant financial risks.

ENGAGE IN STRATEGIC RISK MANAGEMENT

Work closely with your leadership team to align insurance decisions with your organization's broader risk management strategy. This ensures that coverage supports your business goals while safeguarding against unforeseen challenges.

CONTRACT REVIEW

Working closely with your contract review team adds value to your overall risk management program by ensuring the indemnity language is market standard and doesn’t expose you to unforeseen losses that may not be insurable. Risk transfer can be improved when having these discussions.

Sources:

1 Marcom, Tana, and Gombicki, Gerry. (2025, December 5). *U.S. P/C Insurance Sector Outlook Neutral for 2026*. Fitch. www.fitchratings.com/research/insurance/us-p-c-insurance-sector-outlook-neutral-for-2026-05-12-2025

2 Jacobs, Tom, and Figuracion, Kris Elaine. (2006, January 6). *US P&C 2026 Outlook: Competition revs up, pricing slows on road ahead*. S&P Global. https://www.spglobal.com/market-intelligence/en/news-insights/articles/2026/1/us-p-c-2026-outlook-competition-revs-up-pricing-slows-on-road-ahead-96093698

3 Mehta, Sharad. (2025, October 22). *80+ Commercial Real Estate Statistics: Market in Motion (2025)*. REsimpli. https://resimpli.com/blog/commercial-real-estate-statistics/#:~:text=The%20life%20sciences%20sector%20saw,for%20the%202024%20academic%20year

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