



Market Update

Q3 2025

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McGriff Specialty Market Update

For more than a century, McGriff has delivered customized insurance and risk management solutions to help businesses and organizations navigate their most complex challenges.

That’s the mission behind the **McGriff Specialty Market Update**. Here we distill key trends, highlight emerging risks and opportunities, and offer context to support strategic, long-term planning.

Informed decisions require clear, credible insight. Clients trust us to know their business, regardless of sector – that’s why each edition of Market Update features industry reports grounded in research, experience, and a forward-looking perspective.

And since McGriff is part of Marsh McLennan Agency (MMA) and the broader Marsh McLennan family, we’ve partnered with our colleagues from the world’s leading risk advisor to provide a comprehensive analysis of the [P&C landscape](#).

By sharing our collective insights transparently and consistently, we aim to equip our clients with the knowledge they need to move forward with confidence.

[Enjoy this edition of the McGriff Specialty Market Update.](#)

Overview

Property/casualty prices, according to the Q3 2025 [Marsh Global Insurance Market Index](#), are declining, reflecting a continuing softening trend in rates for commercial property, professional and financial lines, cyber, and workers' compensation. Automobile liability and excess casualty are the outliers, with continued rate pressure in a litigious environment.

Although insurance rates are declining across most business lines, John Doyle, president and chief executive officer of Marsh McLennan, cautions that the overall **cost of risk continues to rise**. There is a growing disconnect between softening premiums and rising underlying exposures, with several "big pressure points" driving this imbalance, according to Doyle. They include a potentially slowing global economy, falling interest rates, increased exposure to extreme-weather losses, surging liability costs in markets such as the U.S., and mounting healthcare expenses.

Even so, Doyle noted that, **without significant shifts in large-loss catastrophe activity or the broader economic environment**, "we anticipate insurance and reinsurance market conditions seen so far this year will likely continue in 2026."

In fact, increased competition is driving reinsurers to look for profitable ways to deploy capacity, contributing to a softening market. In a September article in [Artemis](#), Guy Carpenter's CEO of EMEA and Global Capital Solutions, Laurent Rousseau, stated that alternative capital within the reinsurance market "has not reached its full capacity," and he anticipates further growth of ILS (insurance-linked securities) and capital-backed capacity.



Economic Headwinds To Watch

According to the [Peterson Institute for International Economics \(PIIE\)](#), the global economy is expected to face several headwinds in 2026 as the effects of recent policy and market shifts take hold. While still positive, growth is projected to slow as countries grapple with the consequences of higher tariffs, ongoing supply chain realignments, and tighter labor markets.

PIIE also points to rising fiscal pressures, slowing productivity gains, and the uneven global rollout of new technologies that could weigh on growth. Although the U.S. economy remains relatively resilient, driven by innovation and capital spending, it is expected to cool as the stimulus from AI and infrastructure investment normalizes. The institute cautions that, without more coordinated policy responses and targeted reforms, 2026 could mark the beginning of a more prolonged period of slower global expansion.

Consumer sentiment dropped in September to 55.1 from 58.2 in August, according to the [University of Michigan Survey of Consumers](#), due to worries over high prices and the labor market. “Weakening consumer views of labor markets are not necessarily a problem for consumer spending if they do not expect to be personally affected. But in fact, responses to multiple survey questions all show that the financial outlook for consumers has deteriorated as well. These trends suggest that, for many consumers, robust spending will be difficult to maintain going forward,” said economist Joanne Hsu, director of the University of Michigan’s Survey of Consumers.

About 65% of consumers also expect unemployment to rise in the year ahead, up from 57% in July 2025 and 35% a year ago. Nearly 70% of consumers expect inflation to exceed any income gains in the year ahead, up from less than 60% in September 2024.

We Offer Optionality and Solutions.

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. It allows insureds to adapt to changing risks and market conditions, enabling organizations to customize policies better to meet their specific needs, 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 negotiate better terms in a competitive market.

We remain committed to supporting our clients through the shifting realities ahead and will work with you to develop strategies to help you achieve the best outcomes.

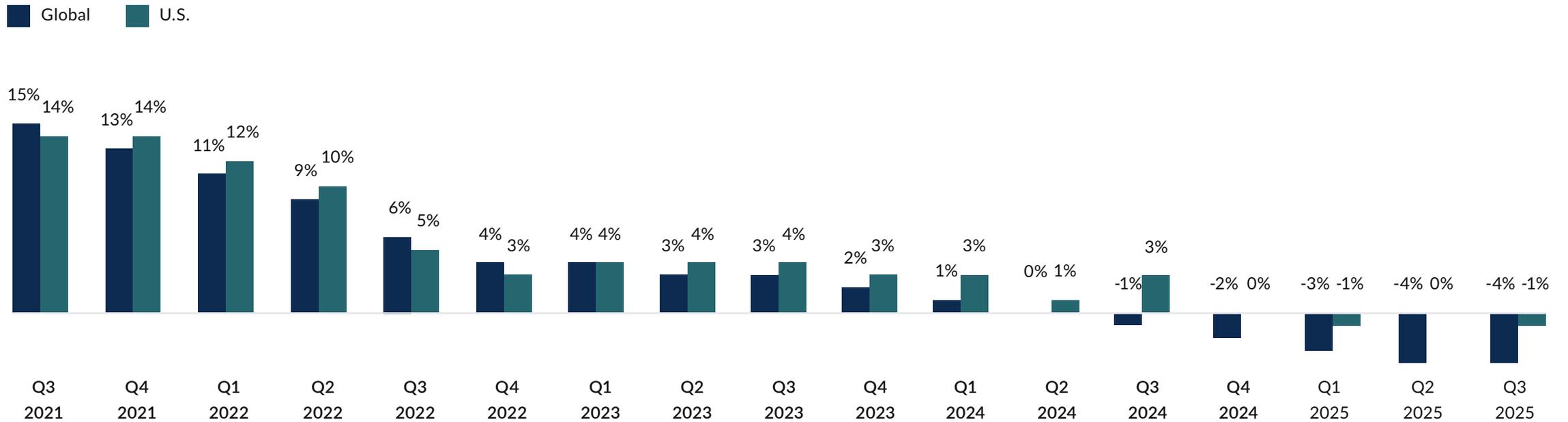
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Q3 2025 U.S. Business Insurance Market Observations

The global composite rate tracked in the [Marsh Global Insurance Market Index](#) decreased by 4% in Q3 2025, as in Q2, marking the fifth consecutive quarter of steady declines. U.S. composite commercial insurance prices decreased by 1%.

U.S. Composite Insurance Pricing Change



Source: Marsh Specialty and Global Placement

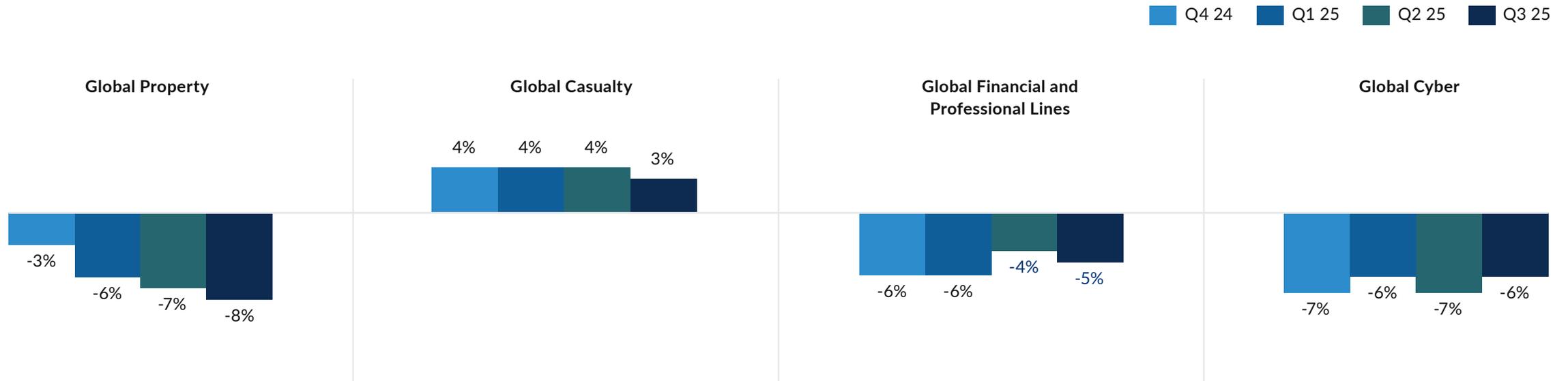
Global property rates **fell by 8%** year over year and by 9% in the U.S.

Global casualty rates **rose by 3%**, a slight decrease in rate acceleration compared to the previous three quarters. In the U.S., commercial insurance rates rose 8% (down slightly from 9% in Q2), primarily driven by excess/umbrella and commercial auto lines. Excluding workers' compensation, the increase was 11% in the U.S.

Rates for financial and professional lines **decreased by 5%** globally, but remained flat or declined moderately in the U.S.

While cyber insurance rates **dropped by 6%** worldwide, they declined by only 1% in the U.S.

Global Composite Insurance Pricing Changes by Major Coverage Line





Property Coverages

Property

Property rates softened in Q3, supported by ample capacity and proactive insurer competition.

Rate Trends

- The Marsh Q3 2025 U.S. Property Insurance Index shows that rates in the U.S. **fell by an average of 9%** for the third straight quarter.
- Rates for single-insurer placements (under \$1 million) are trending down, on average, between 3% and 5%.
 - Layered programs (over \$1.5 million) are seeing rate reductions of 10% to 20%. These complex programs are experiencing greater reductions than single-insurer placements due to increased capacity, competitive layering, and more latitude for downward repricing. Some former shared and layered placements have moved to direct, single-insurer placements.
 - Premiums for packaged business (property coverage included with other coverage lines) continue to increase at an average of 3%.



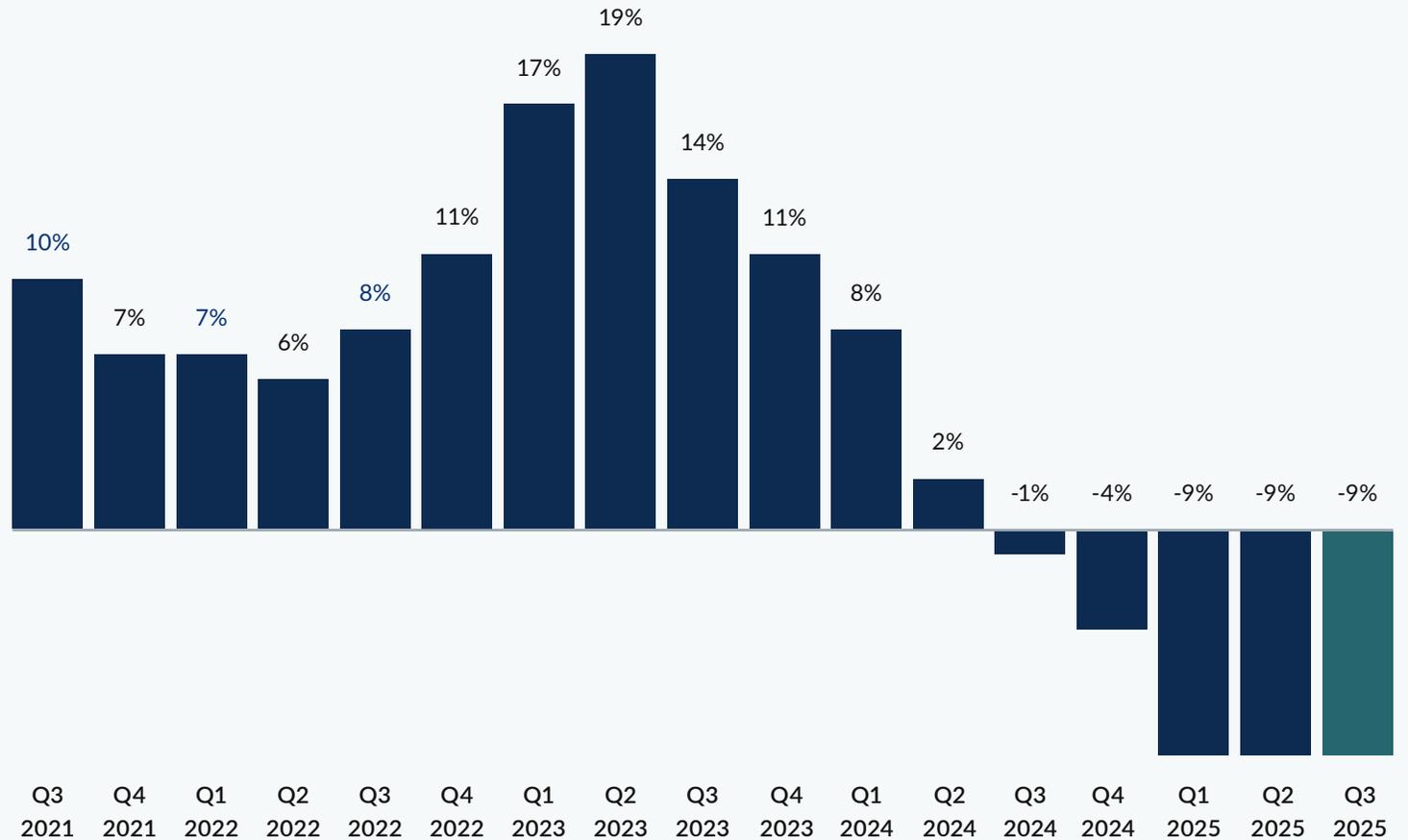
Conditions and Observations

- The property market remains favorable for buyers, with downward momentum continuing. Current conditions are expected to continue through 2026, absent a \$125+ billion (re)insured CAT event that would give capital providers pause for thought and potentially redress (re) insurer dynamics.
- Today's market reflects abundant capacity, aggressive competition, and now three relatively benign hurricane seasons in a row. This is the first time in 10 years that the U.S. has reached mid-October without a single hurricane making landfall, despite early predictions of another active hurricane season.
- Rate adequacy, increased focus on valuations, and tightened terms and conditions (e.g., wind/hail deductible percentages) applied from 2019 to 2023 contributed to a more stable and profitable underwriting environment. Additionally, insurers are benefiting from favorable treaty reinsurance pricing, which has lowered their expenses, enhanced primary property profitability, increased capacity, and fueled competition.
- With more insurers eager to participate in shared and layered placements, brokers can drive better policy terms and conditions.
- Risk selection discipline is also under pressure as more insurers seek growth through greater market share in a softer environment.

Conditions and Observations (cont.)

- Excess capital continues to flow into both London and the U.S. markets, with new MGAs and alternative capital provision expanding competition.
- Valuation pressure continues to ease as most insureds have addressed their property values over the past years, except for occasional outliers. Also, engineering is still required for more complex risks, and updated appraisals are necessary.
- Markets have yet to relax critical wind deductibles, although severe convective storm deductibles are beginning to ease.
- The excess and surplus (E&S) lines market remains a good fit for habitational risks or CAT-exposed risks. Rates are generally competitive, particularly for accounts with larger schedules. Wood frame construction remains more challenging.

U.S. Composite Insurance Pricing Change – Property



Guy Carpenter Reinsurance View: A Focus on Growth

As we head into January 1, 2026, renewals, the property reinsurance market continues its softening trend. According to our colleagues at [Guy Carpenter](#), reinsurers, buoyed by strong results and adequate rates, are looking to grow their property CAT books and remain engaged across insurers' portfolios. Price decreases are likely to continue as renewal terms and conditions broaden.

As reinsurers push for growth, now is the time for insurers to optimize their reinsurance protection. "Cedents are coming to the market with more leverage than they've had in years..." said Kathy McCann, managing director and U.S. deputy segment leader at Guy Carpenter, during sessions and interviews at the annual meeting of the American Property Casualty Insurance Association, as reported in [Business Insurance](#).

With reinsurers profitable and competing in the market, insureds will see **more capacity, steadier terms, and softer pricing**, especially on catastrophe-driven property.

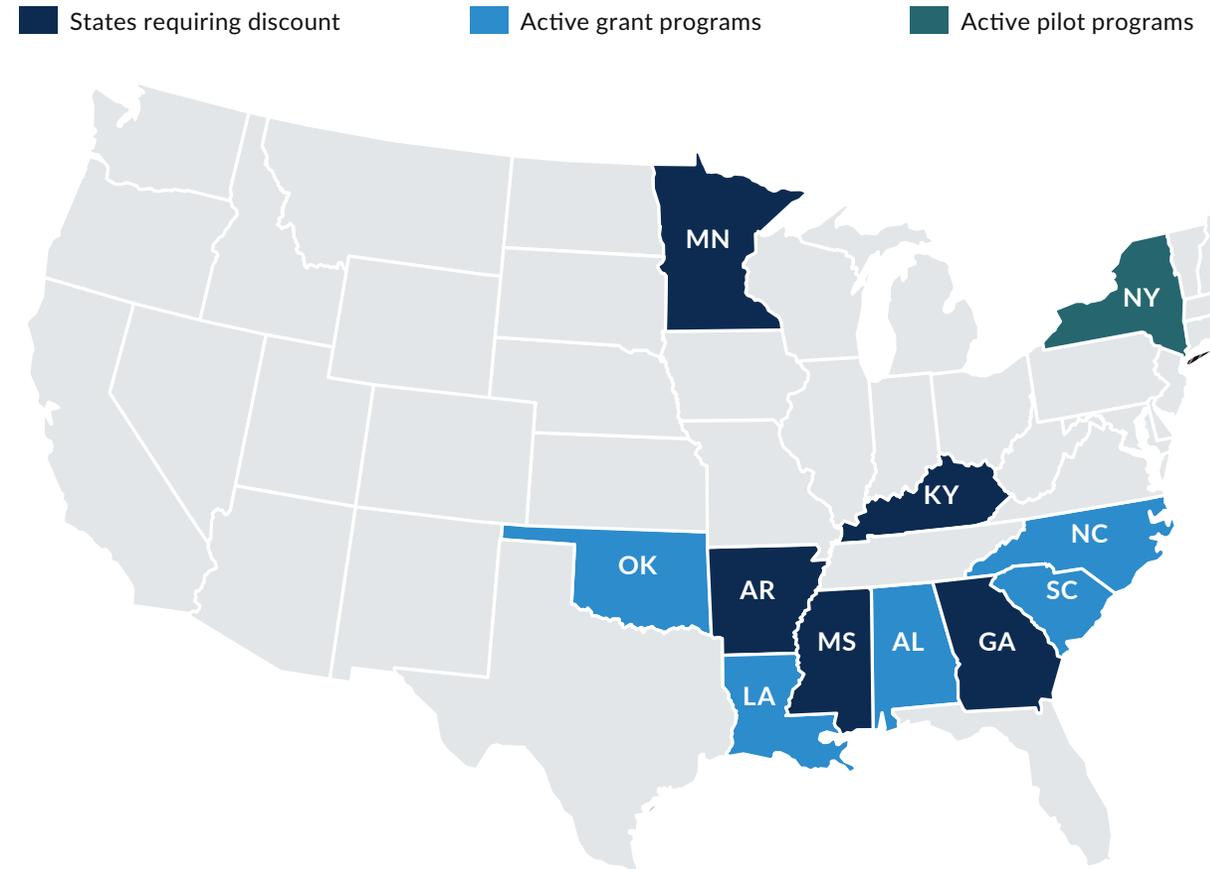


Resiliency Laws Growing at the State Level

Across the country, states are stepping in to fill the gap left by uncertain federal funding, creating their own frameworks to strengthen communities against climate-driven disasters. The article, “Nat cats: Which states are taking resiliency seriously?” in [Insurance Insider](#) highlighted several state-level programs, including the following:

- Alabama’s “Strengthen Alabama Homes” provided more than 7,000 grants for fortified roofs. Louisiana, Mississippi, Oklahoma, and North Carolina have similar programs designed to reward property owners who harden their homes against wind and hail.
- Many states are leveraging federal pass-throughs, such as FEMA’s “Safeguarding Tomorrow Revolving Loan Fund,” which is channeling hundreds of millions of dollars to resilience projects in North Dakota, Iowa, Michigan, New York, Virginia, New Jersey, South Carolina, and Tennessee. These funds are backing infrastructure hardening, flood mitigation, and community-scale protection efforts that reduce insured losses over time.
- California is advancing more complex resilience frameworks, legislating CAT-bond authority for the state FAIR Plan, establishing a public wildfire loss-data repository, and creating commissions dedicated to home and community hardening.

Which states require insurance discounts for fortified homes?



These actions mark a shift toward state-driven resilience mandates, linked building codes, and public financing to promote mitigation before, rather than after, a catastrophe strikes.



20 Years Later: Lessons Learned from Hurricane Katrina

Hurricane Katrina ranks among the defining catastrophes in U.S. history, causing \$225 billion in economic losses and \$104 billion in insured losses (based on 2024 prices). Guy Carpenter's "[Hurricane Katrina - A 20th Anniversary Retrospective: From Losses to Resilience](#)" examines how the storm changed the way experts think about catastrophe modeling, insurance program structures, and public policy. The disaster also generated decades of resilience investments, transforming how risk is managed along the Gulf Coast.

Katrina revealed the need to model storm surge and rainfall explicitly and to distinguish between wind and water losses, according to Guy Carpenter. It exposed the fragility of outdated flood defenses and the immense social and economic cost of inadequate mitigation. In its wake, insurers, reinsurers, and governments adopted a more data-driven and structural approach to resilience, including raising levees, upgrading drainage systems, tightening building codes, and expanding NFIP participation. The improved New Orleans levee system and the adoption of IBHS FORTIFIED® building standards have since reduced loss severity in subsequent events, such as Hurricane Ida (2021).

Building a Culture of Resilience

Post-Katrina reforms extended beyond physical defenses. Cities invested in modern drainage and stormwater networks (Houston's SWAT program, Miami's green-infrastructure plan), while coastal states advanced wetland restoration, floodplain zoning, and elevation standards to curtail exposure growth. These measures now influence catastrophe modeling and underwriting, producing lower modeled losses, greater market stability, and premium incentives for risk-reduced properties.

Guy Carpenter notes that climate change is introducing new compounding stressors, such as rapid intensification, extreme rainfall, and sea-level rise, which demand continuous model recalibration and the integration of resilience data into pricing.

Coverage gaps remain, especially in inland areas, where flood insurance uptake remains low.

The key takeaway is that sustained investment in resilience pays long-term dividends, lowering tail risk, improving portfolio performance, and making catastrophic exposures more insurable.

Climate and Sustainability

Marsh's 2025 Climate Adaptation Survey analyzed responses from over 130 risk managers globally, revealing critical insights into how businesses view climate adaptation as part of their resilience efforts.

According to the survey, while 78% of surveyed organizations face climate-related risks such as flooding, heat, and water stress, 50% of businesses are not using cost-benefit analysis to justify adaptation investments. Moreover, 40% of businesses that responded to Marsh's survey said their organization lacks sufficient funding for effective climate adaptation. Other business priorities, a lack of knowledge and understanding about future climate scenarios, and competing interests for limited resources overshadow climate initiatives.

Amy Barnes, head of Climate and Sustainability Strategy and global head of Energy & Power at Marsh, said, "Our research shows organizations consistently underinvest in climate adaptation relative to the severity of their identified risks. There is clearly an urgent need for organizations to adopt a holistic approach to climate risk, integrating asset-level and system-level assessments and embedding climate adaptation into enterprise risk management frameworks. As climate hazards continue to intensify, proactive resilience planning is essential to safeguard assets, maintain revenue streams, and protect long-term business viability."



Los Angeles Wildfires: The Costliest Natural Disaster in the First Half of 2025

According to [Munich Re](#), global natural disaster losses in the first half of 2025 totaled more than \$131 billion, slightly lower than in 2024. Of this amount, \$80 billion was insured. Wildfires and storms caused 88% of overall losses and 98% of insured losses, said Munich Re.

The greater Los Angeles area wildfires in January are estimated to cost \$53 billion, of which \$40 billion is insured. This is the first time wildfires have caused such extensive damage, stretching from Malibu to Pacific Palisades to Altadena and other areas. A prolonged dry phase and powerful Santa Ana winds ignited sparks across the landscape, setting one structure after another ablaze. The initial fire in the Palisades, now known to have been human-caused, continued to smolder underground even after being extinguished by firefighters, and it was exacerbated by natural conditions.

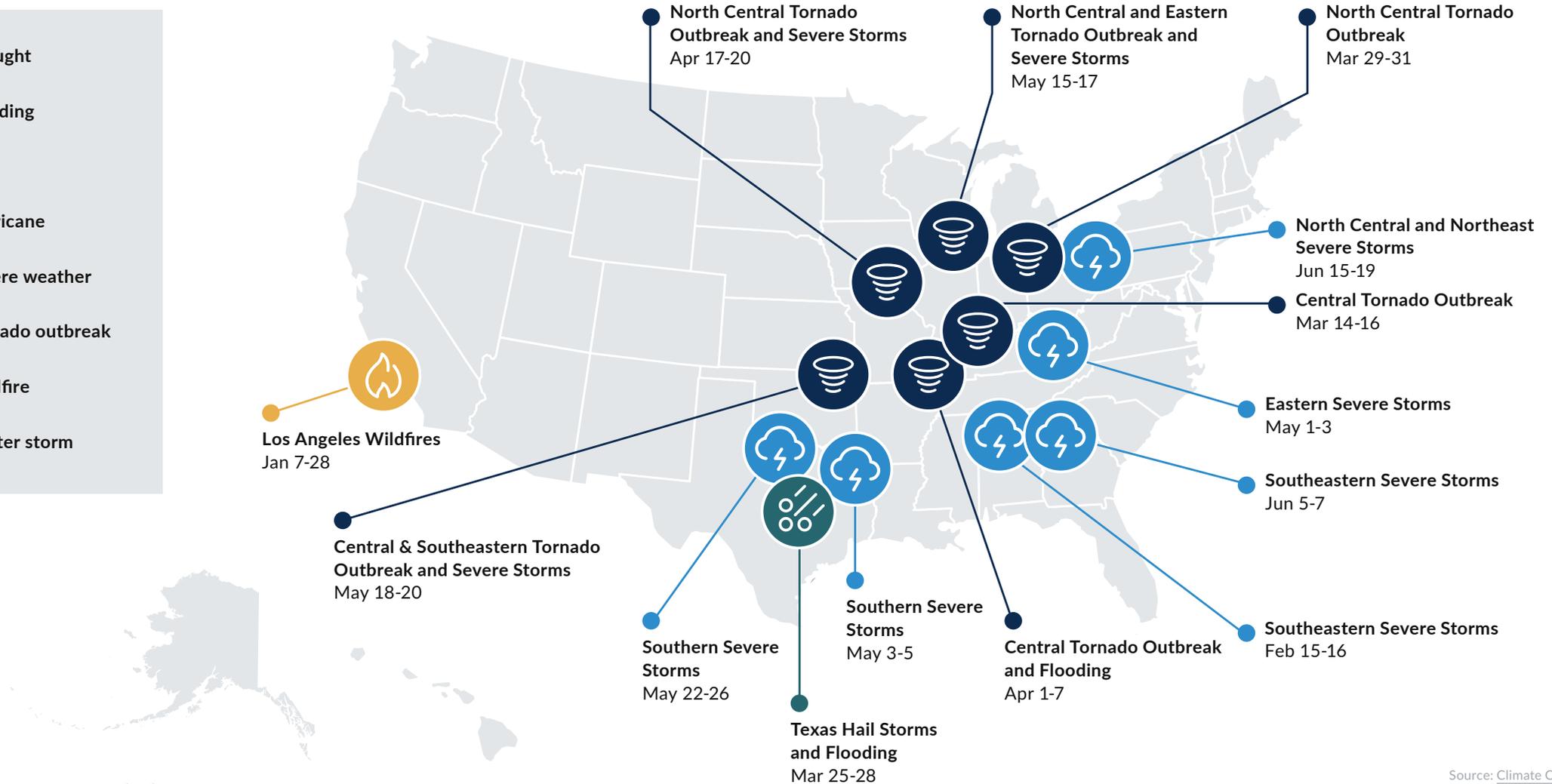
Nonprofit to Bring Back Billion-Dollar U.S. Disaster Tool

NOAA's National Centers for Environmental Information (NCEI) stopped updating its Billion Dollar Weather and Climate Disasters report. The tool provided a consistent methodology over decades, incorporated proprietary and non-public data from insurance and government sources, and served as a transparent and trusted benchmark for loss tracking.

Nonprofit [Climate Central](#) announced in August that it will be reviving the key federal database, according to [Bloomberg](#). Dr. Adam B. Smith, the former NOAA climatologist who spearheaded the database for more than a decade, has been hired to manage it for Climate Central.

Climate Central plans to expand the scope of the original database to include disasters as small as \$100 million. It will also calculate losses from severe hailstorms in the Midwest and Mountain West, as well as individual wildfires, rather than reporting only seasonal regional totals.

U.S. 2025 Billion-Dollar Weather and Climate Disasters by Climate Central

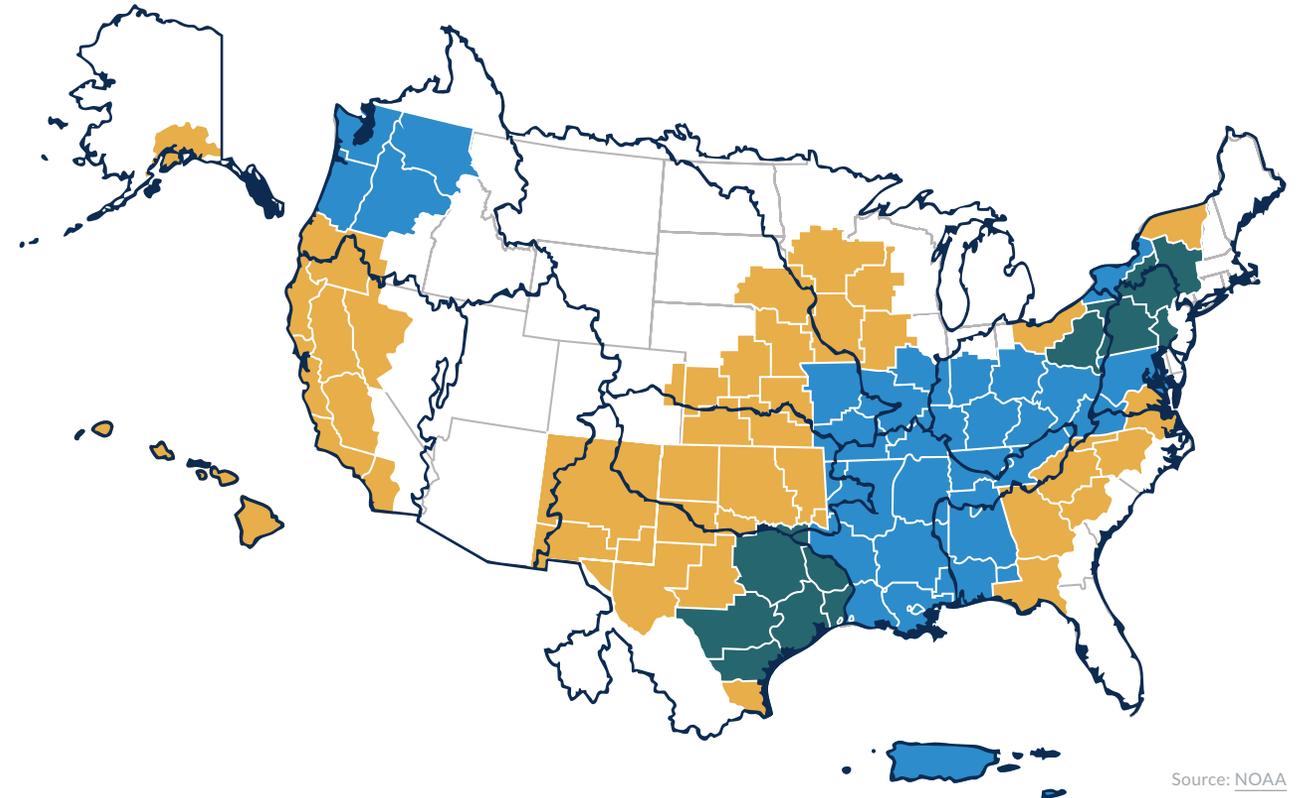


NOAA Expands Flood Inundation Mapping Tool

Flooding is the most frequent severe weather-related threat and the country's costliest natural disaster, according to [NOAA](#). As a result, the agency is expanding its Flood Inundation Mapping (FIM) tool to cover 60% of the U.S. population, up from 30% in 2024. FIM provides high-resolution, street-level flood visuals to improve warning accuracy and emergency response. The tool will now cover Hawaii and the West Coast; areas in South Central Alaska, including the Cook Inlet, Kenai Peninsula, Copper River, and Prince William Sound watersheds; the Southwest and Great Plains; the Great Lakes; and the interior Southeast.

Implementation of NWS Flood Inundation Mapping Services

The National Weather Service's National Water Center is working in coordination with NWS River Forecast Centers, Weather Forecast Offices, and other Federal Partners to release forecast flood inundation mapping services to the Nation.



Source: NOAA



The Rise of Flash Flooding in 2025

The National Weather Service issued more than 3,600 flash flood warnings across the U.S. in the first half of 2025. Flash floods occur when exceptionally intense rainfall accumulates over short periods faster than the landscape can absorb or channel it, causing water to rise abruptly and dangerously. In 2025, many parts of the U.S. east of the Rockies have seen at least 50% more precipitation than normal over several months, while warm, moisture-laden air and a sluggish jet stream have fueled slow-moving, high-intensity storms, according to [EarthSky](#). When heavy rain falls over saturated soils, steep terrain, urban areas, or poorly drained surfaces, runoff overwhelms streams, drains, and river channels—and flash flooding can develop with little warning.

Communities in Texas, New Mexico, West Virginia, and New Jersey have experienced deadly floods, while other states, including New York, Oklahoma, Kansas, Vermont, and Iowa, have seen flash flood damage.

The Future of FEMA and NFIP

The current administration is considering eliminating FEMA and has cut its staff by 2,000, stating that states and communities should take responsibility for disaster recovery. In addition to creating the FEMA Review Council, which is composed of a 12-member board to present a report on overhauling or eliminating the agency, bipartisan legislation was introduced to “return FEMA to its core purpose of empowering states to lead and coordinating the federal response when needed.”

Legislation focuses on the following*:

- Making FEMA a cabinet-level agency instead of housing it within the Department of Homeland Security.
- Emphasizing mitigation projects that lessen the impact of natural disasters.
- Streamlining processes that have become too complex over the years.
- Adding flexibility so states can choose the type of housing or other support that best helps their residents following a natural disaster.

Source: [Government Executive](#)

The Future of FEMA and NFIP (cont.)

At the same time, the National Flood Insurance Program (NFIP), administered by FEMA, lapsed on September 30, 2025, on the heels of the government shutdown, and isn't issuing new coverage or renewing policies (however, for existing policyholders, claims will still be paid as long as funds remain available). NFIP provides **\$1.3 trillion** in flood insurance to **4.7 million** policyholders in **23,000 communities** across the country.

As reported in *Insurance Journal* on November 10, "two U.S. Congressmen introduced H.R. 5848, the NFIP Retroactive Renewal and Reauthorization Act, a bill that would reauthorize the NFIP through 2026 and include a retroactive renewal period for policyholders whose coverage expired during the government shutdown." As of this writing, questions remain. Read more [here](#).

The lapse in NFIP authorization could be an opportunity for private insurers, according to [AM Best](#). [The National Association of Realtors \(NAR\)](#) estimates that 1,400 real estate closings could be delayed each day.

In its report, "US Government Shutdown May Require Private Insurance to Compensate for Lack of NFIP Coverage," AM Best senior industry analyst Christopher Graham noted that policyholders who shift to private insurers during the shutdown could remain with their new providers due to convenience or inertia.

Direct premium written (DPW) for private residential flood insurance nearly doubled from 277,000 policies in 2020 to approximately 569,000 by 2024, according to [Fitch Ratings](#).

The Future of FEMA and the NFIP

Daniel Kaniewski, U.S. Public Sector leader at Marsh and former FEMA Deputy Administrator, shared that FEMA serves as a crucial backstop, but they are not a first responder nor a substitute for flood insurance. He emphasizes the value of resilience, which requires action from both the public and private sectors, including:

- Preparedness, insurance, and hazard mitigation investments.
- Innovative private and parametric flood products that help communities recover faster.
- Strong building codes and smart land-use and zoning decisions.
- Policy reforms to strengthen FEMA programs, reinstate mitigation grants, and modernize the NFIP.

"Resilience isn't just about bouncing back. It's about building the infrastructure, incentives, and financial protections that help communities stand stronger in the face of risk," said Daniel.



Cargo/Inland Marine

The cargo and stock throughput (STP) market mirrors property trends, with rates generally soft to flat, depending on account complexity and size.

Rate Trends

- Standard cargo accounts (1 or 2 insurers with >\$25,000 in premium) are seeing **flat rates to 7.5% decreases, possibly even 10% decreases** in some cases.
- **Accounts** with losses may experience modest rate increases, but each account will be underwritten on its own merit; **new submissions** can expect to achieve **rate decreases of at least 5% to 10%**, typically via a thorough marketing effort.
- Larger or more complex STP programs are experiencing greater flexibility and potential reductions due to multi-insurer competition and economies of scale.
- The more premium and insurers involved, the more competitive the pricing.

Conditions and Observations

- Capacity in the London and domestic markets continues to expand, with strong competition among insurers as new MGAs and traditional insurers enter the cargo space and seek growth.
- Markets are more open to “optionality,” allowing brokers to negotiate flexible deductible structures. Insurers are offering coverage enhancements.
- Buyback options for malicious cyber-attacks are now available both in London and in the domestic market.

With capacity continually being deployed, the market is expected to remain soft heading into 2026, barring any significant loss activity.

Casualty Coverages

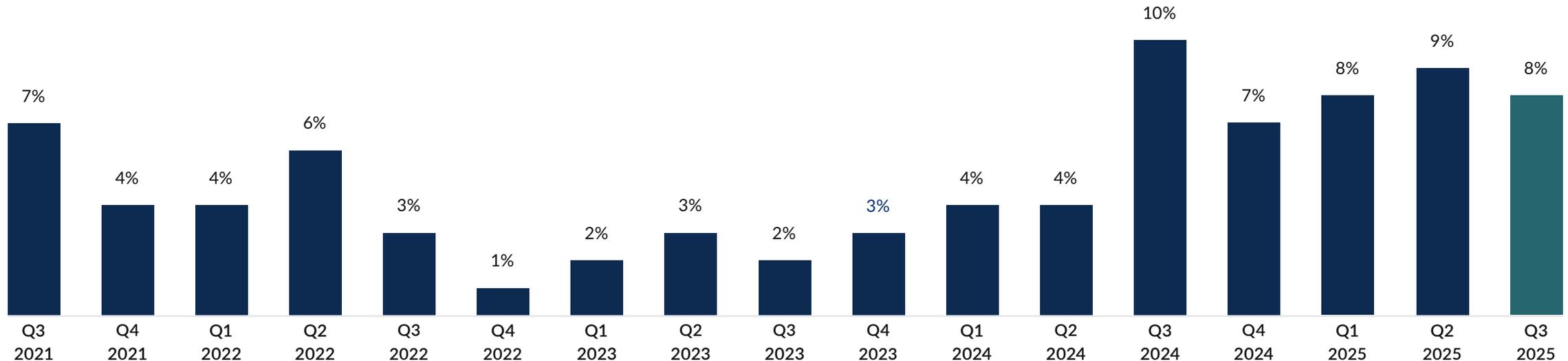
Casualty

Commercial automobile and umbrella/excess liability markets in Q3 continued to see the largest rate increases, while the workers' compensation market remained stable.

Pricing influences capacity and leads to some limitations on terms and conditions—a normal part of the market cycle. We appear to be in a transitional excess casualty market over the next 12 to 18 months, as lower interest rates allow more capital to flow into reinsurers, putting additional pressure on overall pricing (as supply increases while demand remains steady).

U.S. Composite Insurance Pricing Change – Casualty

According to the Marsh Q3 2025 U.S. Casualty Insurance Index, overall pricing increases averaged 8%, down 1% from the prior quarter. Excluding workers' compensation, the increase was 11% in the U.S.



Automobile/Fleet

Rate Trends

Average rate increases are at **7%**, with large fleets carrying adverse loss experience still facing the steepest adjustments. Smaller fleets and well-performing large accounts are also experiencing upward pricing pressure, as carriers work to keep pace with escalating loss severity. “Adverse loss development has been a constant drain on commercial automobile results and is getting worse,” said David Blades, associate director at [AM Best](#).

Conditions and Observations

- According to an AM Best report, “[Stuck in Reverse: Commercial Automobile Losses Keep Mounting](#),” commercial automobile losses “continue to burden the overall property and casualty industry, accounting for more than \$10 billion in net underwriting losses over the past two years.”
- The industry has experienced underwriting losses in commercial automobile for 14 consecutive years. Total underwriting losses in 2024 were \$4.9 billion; over the past 11 years, the average annual underwriting loss has been slightly over \$2.9 billion, according to AM Best.
- The market continues to be impacted by social inflation and outsized liability verdicts in vehicular accidents, supply chain constraints, rising repair costs, and technology challenges. According to a study by [Marathon Strategies](#), the trucking and automotive industries faced a combined 15 multi-million-dollar verdicts last year, totaling jury awards of more than \$1.4 billion.
- Carriers are seeking higher liability and physical damage deductibles, particularly where claim frequency is evident.
- Monoline commercial automobile markets are scarce for those seeking stand-alone solutions.
- Non-owned and hired automobile markets are also contracting, with higher minimum premiums and tighter underwriting standards.
- Contingent automobile liability exposures from hiring third-party truckers remain a concern for underwriters.
- Underwriters are increasingly relying on CAB and SAFER reports for large fleet assessments and risk selection.
- A robust fleet safety program, including the use of telematics, remains critical to mitigate pricing pressure. Carriers not only expect fleets to implement telematics but also to use its data and insights to take corrective actions.
- Tort reform could improve long-term outcomes, but any positive effects have yet to materialize in current pricing or claims trends.



General Liability

Rate Trends

Rates are averaging **increases of 4% or more**, depending on the industry, such as habitational risks and accounts involving cryptocurrency and NFTs.

Conditions and Observations

- Carriers are showing greater interest in writing new business and, in some cases, offering more favorable terms than incumbents.
- Polyfluoroalkyl substances (PFAS) exclusions in general liability have become standard due to legal and regulatory scrutiny.
- Terms and conditions continue to be reduced or excluded in certain industries, including real estate and habitational sectors. Exclusions include assault and battery, abuse and molestation, and human trafficking.
- Some markets are requiring higher deductibles on premises-driven risks.

Umbrella/Excess

Rate Trends

In the umbrella and excess liability market, rates increased by an average of **15%**, primarily driven by commercial automobile. Accounts with large automobile fleets or extensive automobile operations are facing double-digit increases.

Conditions and Observations

The U.S. umbrella and excess casualty micro-cycle has shown early signs of moderation after a prolonged hardening cycle, according to an article published in Insurance Insider earlier this year. Following steep rate hikes that began in 2019–2020 and reaccelerated in late 2023 amid worsening claims trends, the pace of increases has now slowed, particularly in the higher excess layers. Average rate changes that previously reached double digits and exceeded 20% have eased into the single-digit range for many accounts.

Capacity has improved slightly, although a few carriers are expanding limits. The lead umbrella space remains challenging, with limited competition and continued rate increases in the low- to mid-teens. Even so, the market remains disciplined as carriers continue to be cautious about social inflation and claims severity.

- The umbrella/excess market is expected to remain in a transitional phase over the next 12 to 18 months.
- Competition is picking up after the first excess layer (\$5 million excess of \$5 million, \$5 million excess of \$10 million, and \$10 million excess of \$10 million). However, carriers continue to reduce limits in construction, habitational, and more challenging manufacturing risks.
- Nearly all carriers in the primary automobile market are purchasing facultative reinsurance for limits above \$1 million, with only a few retaining as much as \$2 million net. This cautious underwriting stance is extending into the umbrella/excess market, where capacity and pricing remain under pressure for those with significant automobile exposure.
- Favorable pricing is occurring where there's limited automobile exposure, strong workers' compensation, and good general liability loss history.
- If interest rates decline, reinsurance will become more attractive to investors, drawing in additional third-party capital, expanding available capacity, and ultimately putting downward pressure on pricing.

Nuclear Verdicts and Tort Reform

Nuclear verdicts (\$10 million+), third-party litigation funding, and social inflation continue to impact the frequency and severity of casualty-related claims. Tort reform efforts in states such as Florida, Georgia, Louisiana, and South Carolina, among others, are expected to bring some long-term relief, although this will take time.

- In 2022 and 2023, Florida enacted legislation to reduce frivolous lawsuits and curb predatory litigation. Governor DeSantis signed into law bills that eliminated one-way attorney fees and fee multipliers in insurance litigation, modified the definition of “bad faith” practices, and provided more precise standards for calculating medical damages in injury cases. Insurance rates in Florida have declined since these reforms were implemented.
- Earlier this year, Georgia’s Governor Kemp signed into law a bill that bans hostile foreign powers from exploiting consumers and legal proceedings, stabilizes insurance costs for businesses and consumers, and increases transparency and fairness. You can find more detailed information on specific policy areas impacted by legislation [here](#).
- Louisiana’s Governor Landry, in May, signed the “[largest tort reform legislation in the state’s history](#).”
- Also in May, South Carolina Governor McMaster signed [legislation](#), effective January 1, 2026, that narrows joint-and-several liability so only defendants found 50% or more at fault may be held fully responsible. It restores the “empty chair” defense by allowing non-parties to be added to verdict forms under certain conditions. Additionally, the legislation removes gross negligence and certain alcohol exceptions from full-liability status and introduces a new liquor liability risk mitigation program.



Workers' Compensation

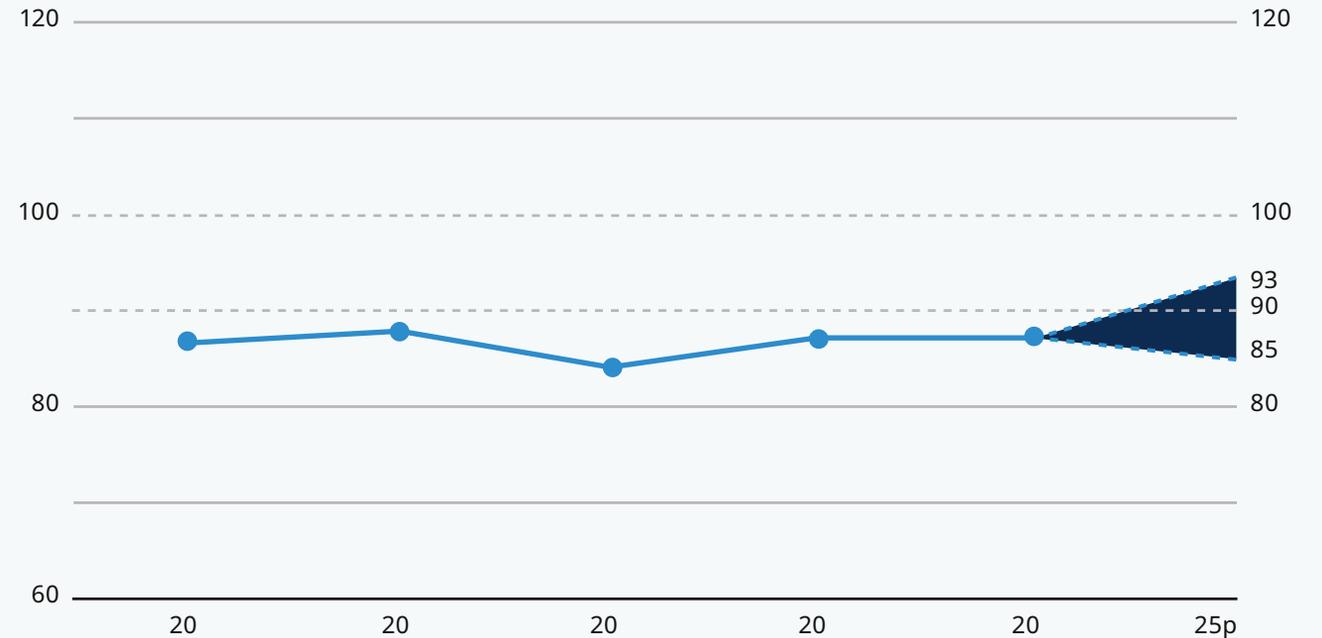
Rate Trends

Average rates **decreased by 1%**.

Conditions and Observations

- The workers' compensation market continues to be steady, softening, and highly competitive among carriers.
- Combined ratios for workers' compensation in 2025 are projected to range from 85% to 93%, reflecting continued underwriting discipline and favorable claims experience, according to the NCCI.
- Bundling workers' comp with general liability and commercial automobile enhances the overall attractiveness of a risk to carriers. Carriers continue to leverage workers' compensation to write other lines of coverage.
- Clients who keep their NCCI workers' compensation modification below 1.0 benefit from more favorable overall pricing.
- Claims frequency continues its downward trend, supporting ongoing profitability in workers' compensation.

WC Combined Ratio-Projection for 2025 – Private Carriers – All States





Market Updates by Industry

Auto Dealers

The Auto Dealer insurance market remains challenging as we head into 2026.

The Auto Dealer insurance market remains tough in late 2025, with rising Commercial Auto rates and lawsuits, modestly softening Property rates, and increasing Cyber premiums post-CDK incident. Dealers face inventory and financing pressures due to declining used vehicle values and buyers “upside down” on COVID-era purchases. Despite challenges, creative insurance solutions and stronger loss control offer hope.



Commercial Auto/General Liability

Commercial Auto insurance is the most challenging line for auto dealers, with rising rates and costly, frequent lawsuits. Dealers who implement risk management practices like set test-drive routes and driver policies improve their position, while others face higher claims and premiums. General Liability rates are also pressured by slip-and-fall claims now starting in the seven figures.



Property

The Property insurance market for auto dealers continues to soften, although not as dramatically as in other industry sectors. While renewing with an incumbent carrier typically provides only modest relief, switching to a new program can yield better rates. Some larger operations are turning to captives as a way to stabilize costs and exert more control. For most dealers, the softening trend is positive, but it isn't a game changer.



Cyber

The CDK Global cyberattack is now largely resolved, with claims paid or nearly finalized. The next phase is hitting renewals. Cyber premiums for dealers are now up 10% to 20% on average for those with losses.

Larger dealerships with clean records can find more favorable options, but those with claims can expect steeper increases. With dealerships' reliance on SaaS platforms and digital retail tools, underwriters are scrutinizing cyber controls more closely, making proactive governance a must.





Inventory & Financing Pressures

Inventory availability is no longer the issue it was during the COVID-19 pandemic, but financing and depreciation are creating new challenges. Many consumers are “upside down” on vehicles purchased at inflated prices during the pandemic, owing more on their loans than the car is worth. This over-capitalization is slowing both used and new vehicle sales, creating a snowball effect on dealer profitability. Larger dealer groups have the ability to be more creative and can leverage their relationships/ buying power, but the smaller 1-2 location dealer groups will feel the squeeze most acutely.



Tariffs

Earlier in the year, tariffs generated significant anxiety, but this has largely subsided. Dealers are now focused more on managing current inventory challenges than on future trade policies. Still, tariffs remain a wild card and could resurface quickly as a profitability headwind depending on political and economic developments.



Loss Control & Risk Management

One constant theme looms large: loss control pays. Dealers who invested in dedicated risk management resources – whether employing internal specialists or contracting outside partners – are starting to reap real benefits. Better claims management, clearer communication with insurers, and stronger risk narratives at renewal are helping them stand out in a tough market. For lean dealerships, this investment may seem difficult to justify, but the long-term benefits are proving clear.



Looking Ahead

As 2026 nears, the Auto Dealer insurance market faces mixed trends: Auto and Cyber rates are rising, Property is soft, and liability risks remain high. Inventory and financing will affect dealers’ risk tolerance, especially smaller ones. The good news is that creative solutions are on the horizon: captives, alternative programs, and proactive risk management are opening doors for groups willing to think differently. MMA and McGriff Specialty are creating tailored programs to offer stability. Dealers embracing innovation and loss control are best positioned for upcoming market changes.

Construction

The U.S. Construction insurance market remains a tale of mixed conditions as 2025 winds down.

Some insurance lines are stable or softening, while others face pressure from litigation, labor shortages, and economic uncertainty. Contractors adapt to higher costs and complex projects, while insurers focus on underwriting discipline and capacity.



Inflation, tariffs, and labor shortages are reshaping risks and stressing subcontractors.

Commercial Auto

Commercial Auto remains heavily impacted, with contractors facing double-digit renewal hikes due to rising verdicts, distracted driving, and repair costs. Some have reduced fleets by offering stipends for personal vehicle use, creating new non-owned auto risks. Underwriters now require continuous MVR monitoring, sufficient Personal Auto coverage, and better risk transfer. Without tort reform, these pressures will continue.



Dash cams and telematics are becoming standard, with some carriers mandating forward-facing cameras.

General Liability

General Liability is steady, with contractors facing 5% to 10% renewal increases. Key stress areas include residential construction, New York risks, and street-and-road contractors with frequent job site losses. Wildfire coverage is challenging for utility and transmission work, often included in primary but excluded from excess programs.

State	Sum of Verdicts	Number of Verdicts	Top Sector
Nevada	\$8,549,830,238.00	4	Beverages
California	\$6,904,889,220.00	17	Movies & Entertainment
Pennsylvania	\$3,426,287,105.00	12	Fertilizers & Agricultural Chemicals
Texas	\$3,040,874,354.00	23	Technology Hardware, Storage & Peripherals
New York	\$2,131,060,960.37	7	Construction & Engineering
Missouri	\$1,153,700,000.00	4	Health Care Equipment
Delaware	\$1,032,986,860.00	7	Oil & Gas
Louisiana	\$733,140,104.00	3	Life & Health Insurance
Illinois	\$654,000,000.00	4	Internet Software & Services
Florida	\$538,121,550.25	7	Hotels, Restaurants & Leisure
Massachusetts	\$526,931,142.00	4	Health Care Equipment
Washington	\$336,351,205.00	4	Air Freight & Logistics
Oregon	\$292,444,176.00	3	Pharmaceuticals
Maryland	\$266,000,000.00	1	Pharmaceuticals
New Jersey	\$227,292,312.00	3	Pharmaceuticals

Source: Marathon Strategies



Excess Liability

Excess capacity has continued to erode since our review in the Spring Update. Carriers that once put up a \$25 million investment are now offering closer to \$10 million, creating a need for quota-share towers with more participants. Minimum premiums and attachment points remain under pressure, while nuclear verdicts continue to drive pricing across the board. Umbrella and lead Excess placements remain the toughest positions to fill.



Builder's Risk

Builder's Risk capacity is available but used cautiously, with large catastrophe-prone projects favoring shared placements. Flood risk is heavily scrutinized, and leak detection devices are encouraged. Deductible buy-down options have improved. Data center construction is booming, straining specialized trades and limiting resources for schools, hotels, and other sectors.



Surety

The surety market is steady but showing early pullback signs. Core contract work is normalizing, but subcontractors are facing stress from peak backlogs and inflation. Balance sheets are improving but need more progress. Labor shortages of 600,000+ workers are straining delivery and raise default risks. Tariffs and immigration enforcement have increased costs and delays. Data centers, infrastructure, and healthcare remain strong; multi-family and office projects slow. Private equity ownership has lowered surety capacity, complicating placements. The market may slow further in 2026 without interest rate cuts.



Workers' Compensation

Workers' Comp remains one of the few stable lines. Rates are flat to slightly up, and the line remains profitable for most insureds. While medical cost inflation is being closely monitored, it has not yet significantly impacted pricing. Claims frequency has ticked up slightly, but overall, capacity is plentiful and terms remain favorable.



Contractors Equipment

Contractors Equipment insurance remains stable and competitive, particularly for insureds with good loss history. Theft continues to be a major concern, with widespread job site theft affecting equipment and materials. Even contractors with cameras and security in place face challenges in fully mitigating this risk.



Contractors Professional & Pollution Liability

Both insurance lines are stable with ample capacity. Professional Liability favors progressive design-build models, while lump-sum agreements face more scrutiny. Claims have risen slightly but haven't changed market appetite. Contractors Pollution Liability remains in demand, though PFAS exclusions are emerging mainly for owned sites, with overall placements largely unaffected.



Looking Ahead

Construction remains strong, led by infrastructure, healthcare, and data centers. Insurance markets are stable but tight in Auto and Excess lines. Surety has improved with revenue growth, but subcontractor stress, labor shortages, and tariffs persist. Well-capitalized contractors are getting support, while those with cash flow issues or needing to rely on private equity may face bonding challenges. The outlook is cautiously stable.

Cyber

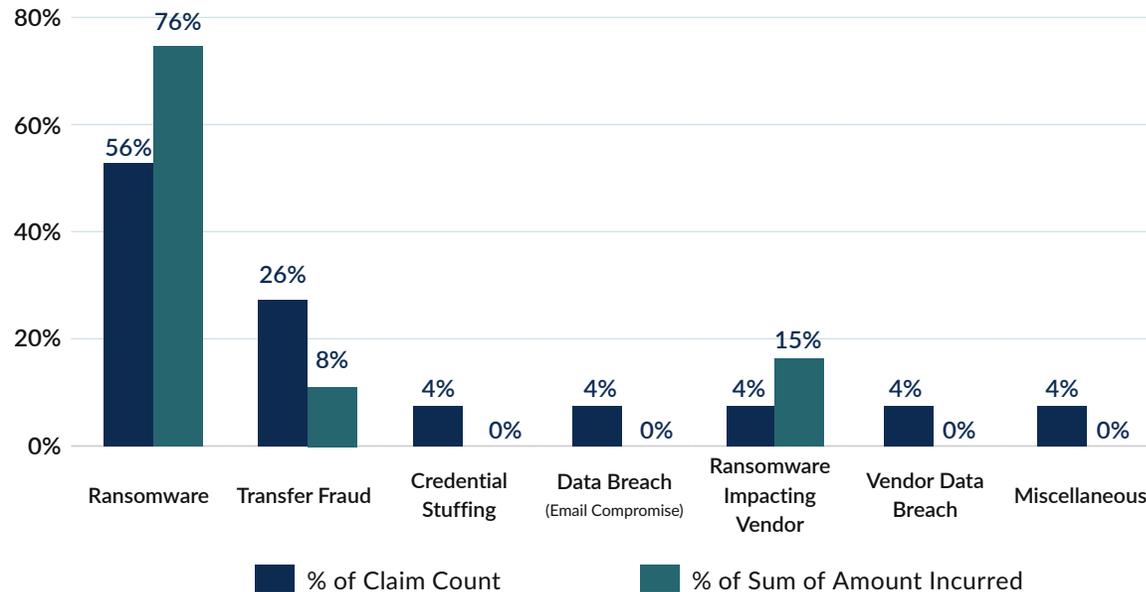
The Cyber insurance market remains favorable for buyers as 2025 draws to a close, but pressure is building.

The Cyber market offers stable pricing and strong capacity, with renewals expected to flatten in 2026 except for tougher classes. Healthcare faces higher pricing and some market withdrawals from offering Cyber insurance for healthcare altogether. Privacy litigation and class actions add long-tail losses, increasing underwriter caution.

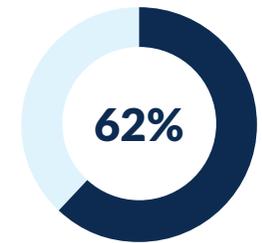
Ransomware Trends

Ransomware attacks and cyber extortion continue to be the defining risk. Attacks increased by 126% in Q1 2025 compared to the same period in 2024. Threat actors are increasingly using data exfiltration as a form of leverage, shifting from “lock-and-halt” disruption to threats of disclosure. At the same time, the rise of ransomware-as-a-service (RaaS) and AI tools has enabled attackers to move faster – in 20% of cases, data is exfiltrated within an hour. In addition, according to Resilience, ransomware attacks continue to drive the majority of financial losses in Cyber insurance claims.

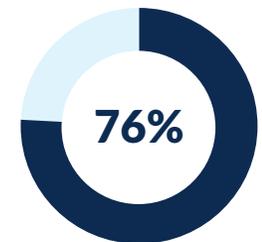
H1 2025 Cyber Claims: Cause of Loss*



*Source: Resilience
**Source: Check Point



North America accounted for 62% of global activity for ransomware attacks.*



In the first half of 2025, ransomware accounted for 76% of incurred losses.

Privacy & Class Action Litigation

Website tracking and data collection are driving litigation, with plaintiffs using laws like VPPA, BIPA, and wiretap statutes against companies lacking clear consent or opt-outs. These claims target improper data handling, not breaches. Nineteen U.S. states have strict privacy laws, and global businesses face complex, conflicting regulations, risking fines and reputational damage.

1,500

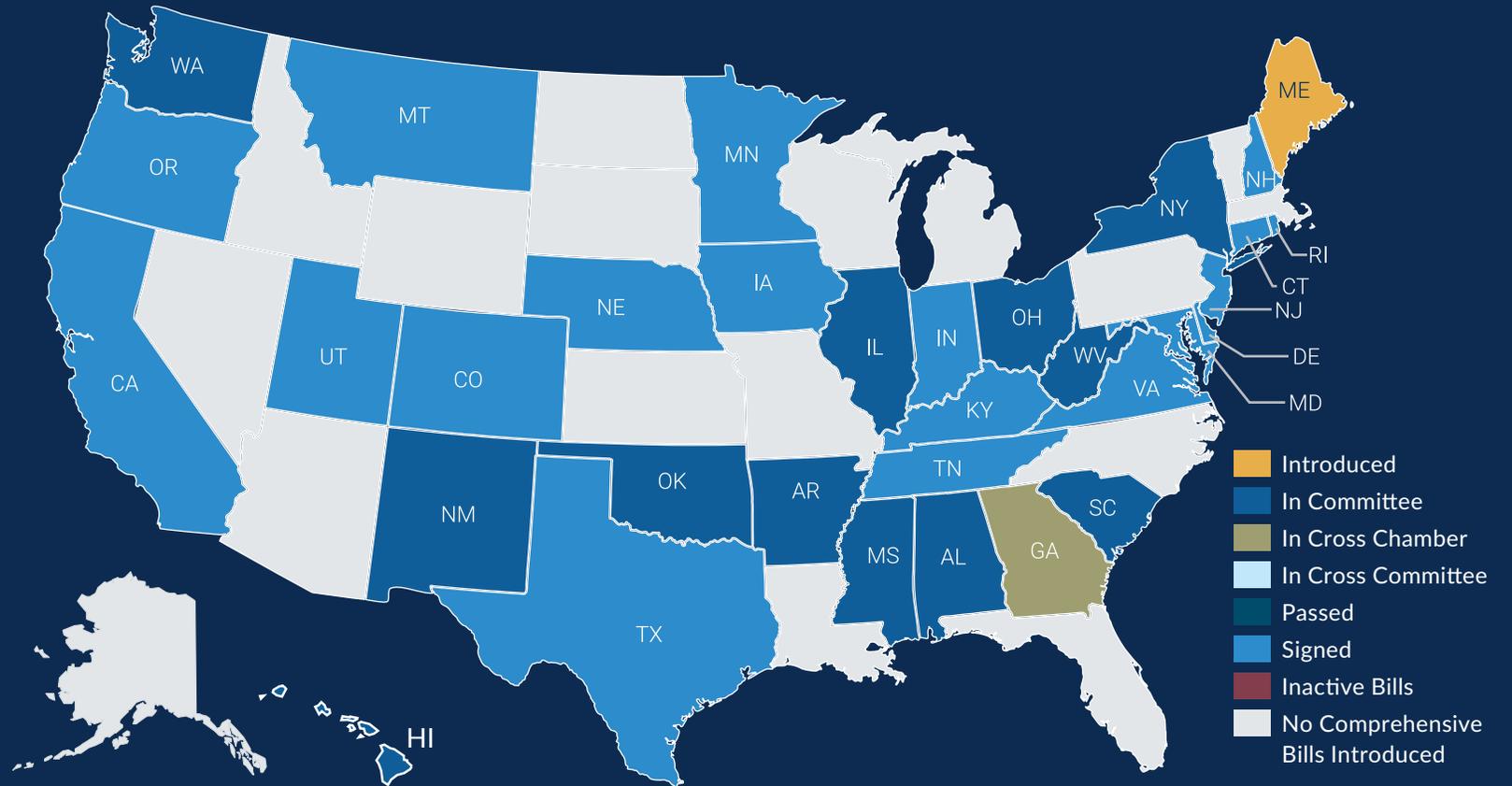
Nearly 1,500 data breach class actions were filed in 2024

40%

40% of the class actions that were filed were granted certification, up from just 13% in 2023.

Settlements have reached record levels, with Meta (\$1.4 billion), AT&T (\$177 million), and Marriott (\$52 million) among the largest. These cases often settle years after the original breach, creating long-tail exposure for carriers.

U.S. State Privacy Legislation Tracker 2025



Source: iapp
Last updated 24 Mar. 2025



AI in Cybersecurity

Artificial intelligence (AI) has become a double-edged sword. Businesses are using AI to strengthen their defenses, but attackers are leveraging it to craft highly convincing phishing emails, automate malware deployment, and operate more quickly than traditional detection can keep up. The result is a new level of sophistication in social engineering and ransomware campaigns.

According to CrowdStrike's 2025 Threat Hunting Report, 78% of enterprises experienced at least one AI-specific breach this year. AI-generated phishing campaigns achieved a 54% success rate compared to 12% for traditional attempts.

Regulators are also moving quickly. Colorado enacted the first U.S. law regulating high-risk AI, while the EU's AI Act is set to take effect by 2026 with fines as high as 7% of global revenue for violations. Businesses need to consider not only cyber risks but also the compliance and ethical use of AI.

Coverage & Terms

Cyber coverage remains broad, but there are a few important areas companies should consider:

- **War/Systemic Risk Exclusions:** This is a continuing focal area, and insureds should carefully review the wording at renewal.
- **Wrongful Collection Coverage:** This isn't included in most policies but is increasingly requested as litigation tied to data collection grows.
- **Business Interruption:** Case law is slowly developing, clarifying how cyber business interruption losses should be measured.

Looking Ahead

The Cyber insurance market remains strong for buyers but faces pressure from rising ransomware losses, privacy litigation, and cloud risks. Pricing may stabilize in 2026. Insureds should invest in risk controls, adapt to regulations, and review policies carefully to stay ahead amid increasing threats and AI risks.

Public Company Directors and Officers Liability (D&O)

The Public D&O market continues to tread gently along a softening path.

Pricing remains flat to modestly down, with average decreases in the low single digits. Capacity is abundant, and new entrants are coming into the market, adding to the paper mix. While carriers continue to voice concerns about profitability, competition is keeping pressure on rates.

Market Conditions & Renewal Terms

Renewals are mostly flat to 5% increases, with insureds gaining broader coverage like entity investigation. Softening is expected to continue into 2026, despite carriers maintaining thin margins.

Increased Capacity

New capacity is entering the market, fueling competition. Leading this influx is MSIG USA, the U.S. subsidiary of MS&AD Insurance Group, a top global P&C carrier with an A+ rating.

Emerging Risks

Claims activity remains consistent, with litigation levels steady rather than rising. Still, escalating defense costs continue to weigh heavily. Additionally, new risks are drawing attention at underwriting meetings.

Artificial Intelligence

AI has become a critical issue due to productivity, ethical, and liability concerns. The August 2025 California lawsuit linking AI to a death highlights new risks like fraud and criminal misuse. Upcoming laws, such as Colorado's AI bill, will add complexity in 2026. Underwriters are closely examining AI governance, disclosures, and accuracy of companies' AI claims to combat AI-washing.

Digital Asset Treasuries

Digital asset treasuries involve businesses investing in cryptocurrencies, often linked to de-SPAC transactions. As more public companies hold crypto assets, underwriters are closely examining governance, valuation, and custody risks. Key concerns include volatility, liquidity, hacking, AML/CTF, and counterparty exposure, making this a new focus for D&O coverage.

IPO Market

\$100 Million

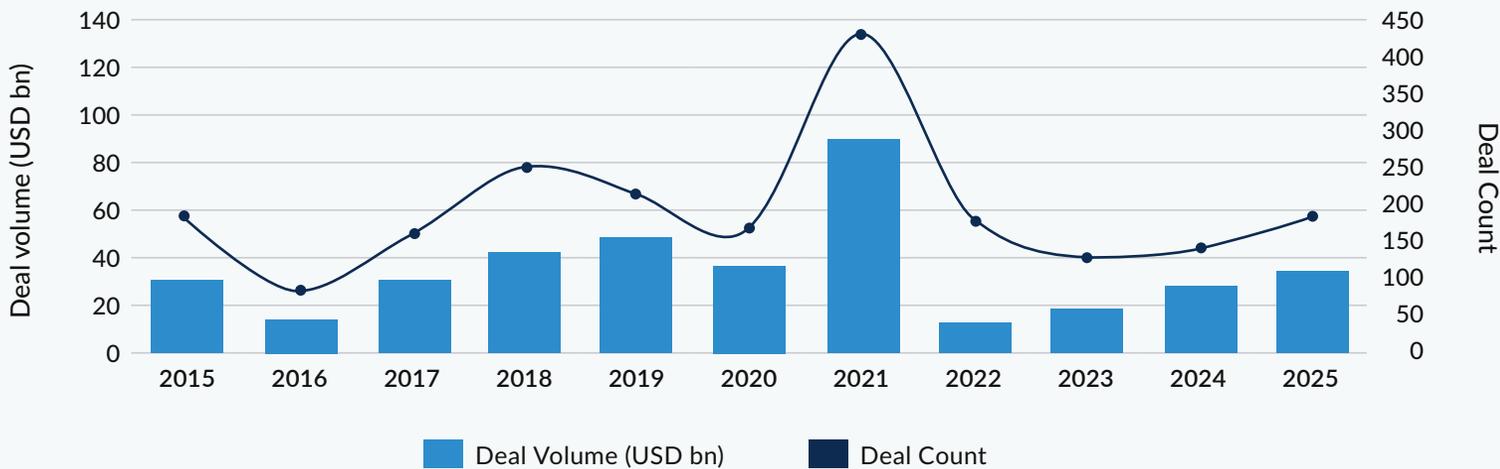
The IPO pipeline accelerated in Q3 with the most \$100 million offerings since 2021.

60 IPOs

60 IPOs have been launched so far in the third quarter, raising a combined \$14.6 billion.*

* Investor's Business Daily

North America IPO (Ex-SPAC) Deal Volume & Count (YTD)



Data correct as of 16-Sep-25
Source: Dealogic

Robust D&O capacity is available for these IPOs, and insurers are re-entering this historically profitable line. Pricing has eased, with IPO coverage now more affordable than in past cycles – in some cases 30% to 40% below where it stood just a few years ago. This shift reflects both competition and underwriters' eagerness to capture pockets of premium amid a shrinking pool of public companies.

Macroeconomic & Regulatory Considerations

Tariffs remain a key underwriting question, even if their impact won't be clear until 2026–27 when company guidance can be measured against outcomes. Underwriters are focused on whether management guidance is accurate and transparent.

Meanwhile, ESG and DEI have faded as front-line underwriting issues. Companies are still making carbon-neutral commitments, but enforcement has eased and rollbacks in DEI have reduced scrutiny in this area.

Looking Ahead

Competitive pressure will keep renewals favorable in the near term. Still, the landscape of risk is shifting. AI governance and digital asset exposure are at the forefront of underwriting conversations. Companies should be prepared not only to defend their balance sheets against traditional securities litigation, but also to navigate these new frontiers of liability.

Energy

The Power and Midstream Property insurance market remains competitive.

The Renewables market remains highly favorable for buyers, driven by strong capacity, competition, and positive underwriting. Insureds who clearly articulate risks and show resilience benefit most. The Upstream market is stable with softening rates, minimal hurricane impact, and strong reinsurance, maintaining favorable conditions into 2026.

Power and Midstream

Property Insurance

- Power and Midstream market softening continued into fall 2025
- Ample capacity, strong reinsurance, and low losses create a buyer's market
- Nearly all risks are oversubscribed, a focus on loss-free, well-engineered accounts
- London market highly competitive due to new underwriters and returning reinsurance capital
- Well-engineered assets benefit from rate cuts, flexible deductibles, and multi-year deals
- CAT-exposed and wildfire-prone assets face stricter scrutiny
- Strong maintenance and partnerships lead to better coverage and extended indemnity periods (up to 18 months)

Excess Liability

- Excess Casualty market remains stable with ample capacity for well-managed risks
- Pricing mostly flat, with some rate reductions outside California
- London and U.S. markets favor Midstream business; Bermuda seeks modest rate increases
- Wildfire exposure causes caution, especially in California, with some carriers declining coverage
- Attachment strategies shifting to higher attachment points, reflecting portfolio management
- Auto Liability faces challenges rising self-insured retentions and stricter collateral requirements
- Increased collaboration among brokers, actuaries, and carriers to address Auto Liability issues



Overall Power and Midstream Outlook



Renewables

The Renewables market is softening more sharply than conventional power, with high competition and oversubscription for most non-CAT-exposed risks. Appetite is growing for solar, onshore wind, and battery storage, attracting new and traditional underwriters. Loss-free, non-CAT projects are seeing significant rate cuts, while higher-risk projects are facing stricter scrutiny and pricing. Markets are now more willing to offer capped CAT deductibles for large solar projects. Delays in replacing main power transformers remain a key risk, but insureds with spares and OEM partnerships are getting better terms and longer indemnity. Broker-led risk differentiation is crucial in this crowded market.

Upstream

Highlights



Reinsurance and Capacity

Despite concerns in late 2024 that reinsurers would push for rate increases and structural adjustments at the January renewals, the reinsurance market remained stable. The anticipated hardening did not materialize. As a result, windstorm capacity remains steady year over year, and non-wind risk Property markets have begun to soften due to ample capacity. Additional capacity has also entered the Liability market, contributing to improved insured conditions.



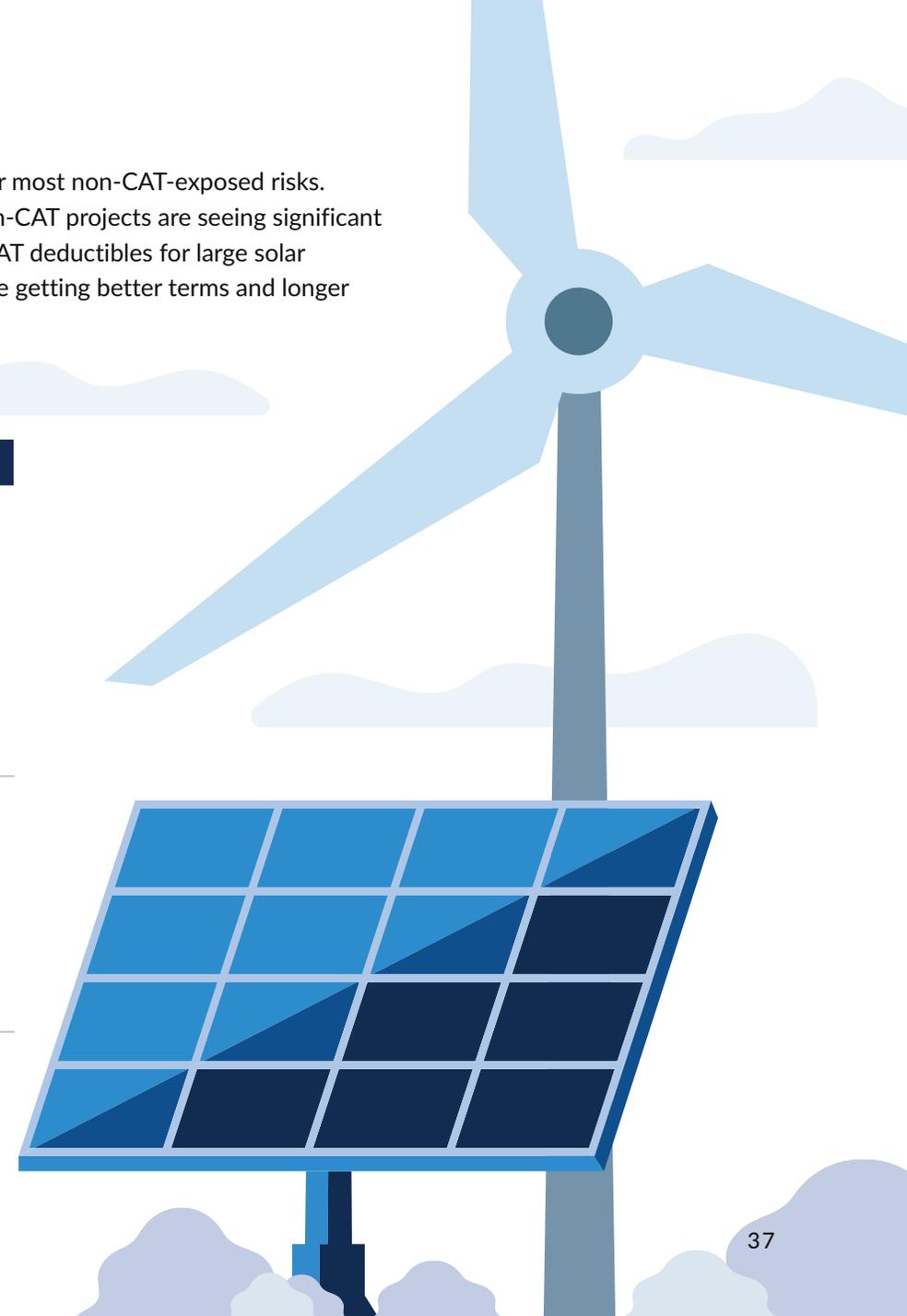
Property and Well Control

Upstream property and well control accounts have benefited from a softening market, particularly those without recent losses. Clean accounts generally are seeing renewal reductions ranging from 5% to 10%. Ample capacity continues to be available in the U.S. and London markets. Even with Travelers' previous exit from the oil and gas well control space, alternative markets have filled the gap without causing disruption.



Hurricane Impact

Hurricanes Helene and Milton, discussed last fall, did not impact the offshore energy sector. Offshore losses were minimal to nonexistent.





Upstream Casualty

The offshore General Liability and lead Excess market remains challenging, particularly for small to mid-sized accounts. The JH Blade facility, previously a significant source of affordable offshore capacity, collapsed again in January 2025. While a replacement facility is expected to provide quotes soon, pricing pressures remain.

- Smaller accounts, specifically those paying less than \$75,000 in premium, are facing increases, sometimes doubling previous costs.
- Minimum premiums are expected to rise to \$100,000–\$150,000.
- Larger accounts already carrying significant premiums will be less impacted, though some cost adjustments are still expected.



Excess Casualty Outlook

Beyond the primary and lead layers, the Excess Casualty market benefits from added capacity, particularly from London. For placements over \$25 million in limits, competition is helping to stabilize pricing, with most accounts seeing flat renewals or modest increases of up to 5%.



Automobile Liability

Accounts with significant automobile exposure continue to face premium pressure. Auto Liability insurance, especially for fleets of over 250 units, remains challenging to place and is experiencing 20% to 30% rate increases. Nuclear verdicts are a primary driver of this trend. While a few states, including Florida, Georgia, and Texas, are beginning to explore tort reform, any measurable impact on insurance costs is still likely several years away.

Telematics is now considered a best practice for insureds with vehicle fleets. Underwriters require in-person and/or phone-based loss control visits before quoting new or renewal accounts.



Political and Regulatory Environment

While the current administration has moved toward deregulation, the impact on the Upstream Energy insurance market has been minimal. Most regulatory changes under discussion, such as adjustments to financial assurance rules, affect Surety rather than general Property or Liability coverages. Broader political developments have not yet influenced the core upstream market.

Environmental

The Environmental insurance market continues to be a stable and competitive sector.

Rates remain largely steady, capacity is available, and carriers are actively seeking well positioned risks. While some pressure points have emerged, such as mold claims and aging storage tanks, the market overall remains favorable for insureds.



Carriers seek modest 3%–5% rate increases, but competition keeps renewals flat or better. Appetite is strong across Contractors Pollution Liability (CPL), Pollution Legal Liability (PLL), and transactional coverages.



Carrier capacity is available but with reduced limits, often \$15 million or less. Mosaic's growth in the Energy sector is helping lower premiums for oil and gas accounts.

Policy Structure Trends

Multi-year Environmental policies, typically 3–5 years for operational risks and up to 10 for legacy coverage, remain popular for locking in favorable terms amid a light regulatory climate. PFAS (per- and polyfluoroalkyl substances) coverage varies, with exclusions, sublimits, or limited event protection. Carriers are cautious but competitive, so insureds should shop broadly.

Claims & Coverage Challenges

Mold claims, especially in residential and hospitality sectors in humid areas like Florida, are causing higher losses, leading to tighter underwriting, narrower coverage, and lower sublimits. Some carriers exclude renovation-related mold entirely. Coverage for older underground storage tanks is also shrinking, with fewer carriers offering it and high deductibles common. Clients are turning to state cleanup funds or self-insurance as carrier appetite declines.

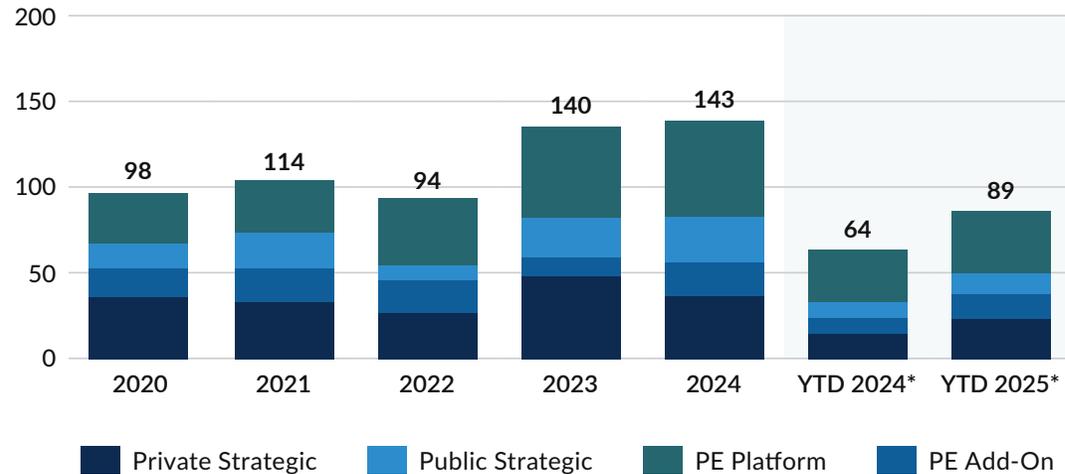


Transactional Activity & Regulatory Climate

Transactional Environmental coverage deal flow remains strong in M&A despite uncertainty, though deals take longer to close. State enforcement stays active despite looser federal rules, keeping diligence vital. Capstone Partners reports a 28.1% year-over-year surge in Industrial & Environmental Services M&A, driven by regulatory support and rising demand for key services.

Industrial & Environmental Services Market M&A Surges Amid Regulatory and Critical Services Demand Tailwinds

(Number of Transactions by Buyer Type)



Year to date (YTD) ended July 2
Source: Capstone Partners

Innovation & AI

Artificial intelligence (AI) continues to be discussed more frequently in the Environmental space, with carriers experimenting behind the scenes on how AI can improve risk modeling, report analysis, and compliance tracking. While its role is still evolving, AI is expected to become a more practical tool for underwriting and claims support in the near future.

Looking Ahead

Carriers are using creative approaches to address complex Environmental risks and attract new business. Insureds are encouraged to explore the market for coverage options, including innovative solutions like layered programs and specialty products, such as costly but limited cost caps for environmental cleanup overruns.

Marine

The Marine insurance market has entered a distinct softening cycle across multiple lines as new capacity enters both the London and U.S. domestic markets.

Underwriters, particularly in London, are competing aggressively for well performing accounts, which has led to modest rate reductions in most segments. However, heightened loss severity, geopolitical instability, and inflationary repair costs continue to shape underwriting discipline and terms.

Hull & Machinery

The Hull & Machinery market is softening most among marine lines. Underwriters focus on maintenance, discipline, and loss control. Rising shipyard labor and steel costs lead carriers to require higher deductibles for older or high-risk vessels.

5–7.5%

London premiums down 5%–7.5% due to overcapacity and competition

+2.5%

U.S. and Scandinavian rates are flat to +2.5%, reflecting cautious pricing

Protection & Indemnity (P&I)

The P&I sector remains firm relative to other lines, primarily due to persistent claims inflation and reinsurance costs following significant events such as the MV Dali/Baltimore bridge collapse.

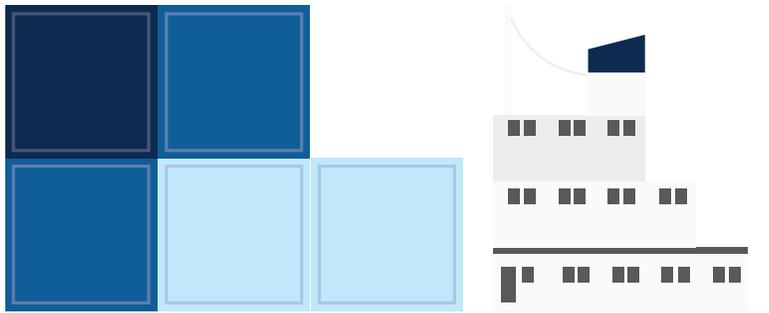
P&I Clubs are also reevaluating pollution and personal injury retentions, with more rigorous scrutiny on vessel maintenance, crew training, and voyage routing through high-risk corridors.

+2.5%

U.S. P&I Clubs: Rates are trending +2.5% to +5%

5%

International Group Clubs: Increases are averaging about 5%, particularly for operators with crew injury or pollution losses





Marine Liability

The Marine Liability market is stable but split between primary and excess layers. U.S. primary rates are flat to +2.5%, while excess rates are up +5% due to nuclear verdicts, inflation, and reduced appetite for high limits. The London market is more competitive with broader terms and lower attachment points. Carriers are closely reviewing commercial auto exposures, often requiring higher attachment points or separate buffer layers.



Marine Cargo

The Cargo sector remains a buyer's market, especially for non-catastrophe-exposed business. Increased competition and expanded capacity have led to rate moderation and broader terms across both London and domestic platforms. However, exposure to global conflict zones, especially in the Red Sea and Black Sea regions, has increased war risk surcharges and prompted rerouting of shipments. Cargo underwriters are also tightening clauses related to cyber interference, GPS spoofing, and sanctions compliance for vessels with opaque ownership structures.



Inland and Brown Water Market

Loss control pays off. Dealers investing in risk management—internally or externally—are seeing benefits like improved claims handling, better insurer communication, and stronger renewal positioning. Though challenging for smaller dealerships, the long-term gains are clear.



War Risk and Geopolitical Tensions

War risk premiums remain volatile and elevated.

- Strait of Hormuz: Up roughly 60% within a week following heightened tensions.
- Israeli Ports: Rates have tripled, now averaging 0.70–1.0% of vessel value.
- Red Sea/Eastern Mediterranean: Premiums range from 0.25% to 0.30% of vessel value, with additional restrictions on coverage.

In response, shipowners are rerouting voyages around the Cape of Good Hope, which increases voyage time and fuel costs but mitigates exposure to conflict-prone corridors.



Looking Ahead

Competition among underwriters is expected to continue in 2026, particularly in the London market. Brokers and insureds should lock in long-term, multi-year policies and favorable pricing now before any market correction.

For marine operators, shipowners, and logistics providers alike, capacity is plentiful, pricing is attractive, and now is the time to secure multi-year stability.

Public Entities

The market for Public Entities insurance, as we head into 2026, is best described as flat.

Property and Cyber insurance rates are declining, while Liability and Workers' Compensation see slight increases. The market is more stable overall, but public entities still face unique risks from property valuations, liability, and law enforcement and education exposures.

Property

Property insurance is softening, with most public entities seeing 5% to 10% rate decreases if they have no recent losses. Carriers emphasize accurate valuations and appraisals, warning that underreporting values may lead to reduced coverage and tougher renewals. Buyers are benefiting from a calmer Property market at year-end, especially in light of a hurricane season that saw no storm make landfall in the U.S., a rare occurrence in recent history.

Liability



General Liability is trending slightly upward, generally in the +5% to 10% range. The story is mixed: Accounts with clean experience are holding flat, while entities with claims are seeing meaningful increases.



Law Enforcement Liability remains one of the toughest classes, with very few carriers willing to write the risk. Carriers continue to heavily scrutinize accounts for **Public Officials' Liability, School Leaders' E&O, and Employment Practices Liability (EPL)**.



Loss severity and frequency of claims are driving up the cost of **Educators Legal Liability**. Among the top drivers of claims, according to United Educators (UE), are sexual misconduct, discrimination, and wrongful termination; slips, trips, and falls; accidents causing injury or damage; and vehicle claims for general liability.

Source: United Educators

Sexual Misconduct

Excluding employment-related harassment and high-profile claims related to mass serial abusers, UE saw sexual misconduct claims:



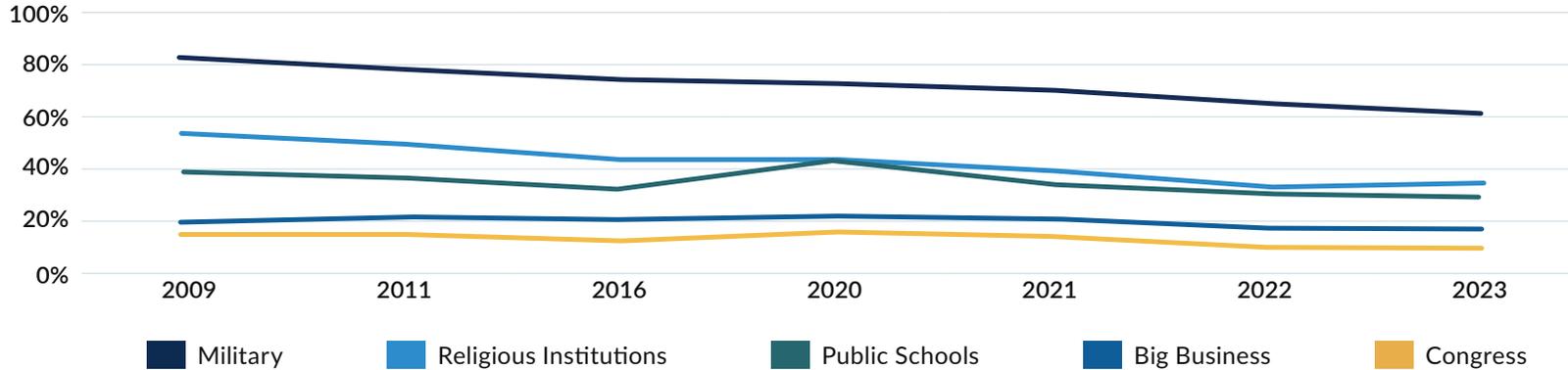
Grow **3x faster** than all other claims types over the last 15 years



Comprise 30% of all claims over the past few years

Trust in institutions, education included, is on the decline. Juries, according to the UE, are likely to be biased against institutions and their insurance companies and award large verdicts in order to send a message to these institutions or because they believe the defendants can afford to pay. Additionally, a recent survey on behalf of Swiss Re shows that fewer Americans believe there are “too many lawsuits” and fewer view damages as excessive – an attitudinal change that could fuel even more nuclear verdicts (\$10 million and up).

Confidence in Large Institutions



Source: Gallup 2021,2023 by way of United Educators

Public Sentiment Increasingly Favors Plaintiffs

Fewer Americans now believe there are too many lawsuits filed in the United States:



Source: Claire Wilkinson, Business Insurance

Cyber Liability

Improved cybersecurity practices at many government agencies are contributing to lower premiums, and the frequency of large public sector cyber claims has been lower than anticipated. Still, municipalities remain prime targets, and experts warn that the current soft pricing could reverse quickly if a wave of new losses emerges.

10%-20% ↓

Cyber insurance in the Public Entities sector is seeing some of the biggest decreases across all lines, often 10% to 20% rate reductions.

Auto & Workers' Compensation

Auto continues to rise, with rate increases reflecting higher repair costs, distracted driving, and litigation exposure. Workers' Compensation, by contrast, is relatively stable, with most increases in the the 5% to 10% range.

What to Watch



AI Governance

Cities and schools are rapidly adopting AI tools to boost efficiency, but face challenges in governance, data accuracy, and public trust due to inconsistent policy adherence. To address this, clear ownership, regular risk assessments, and transparent monitoring are needed. Treating governance as a core capability will build trust and reduce risks.



School & Public Safety

School shootings and active assailant events continue to pose significant liability risks for districts and municipalities. As of September 23, 2025, there have been 53 school shootings in the U.S., with 27 on college campuses and 26 on K-12 grounds, resulting in 19 deaths and at least 84 injuries.*



Federal Policy Shifts

Public entities face rising liability risks as DEI policies shift. Scaling back DEI may trigger discrimination claims, while continuing them risks reverse discrimination challenges. Legal and risk management guidance is essential to minimize employment liability.



Catastrophe Modeling Gaps

In May 2025, NOAA announced it will stop updating its “Billion-Dollar Weather and Climate Disasters” database after December 2024, raising concerns about future catastrophe model calibration. Organizations like the Insurance Information Institute and Client Central have pledged to continue data tracking (see [p. 13](#)).

Source: Gun Violence Archive, Education Week, and Everytown for Gun Safety

Looking Ahead

The fall 2025 environment for Public Entities insurance is best described as cautiously stable. Public entities are benefiting from softening in Property and Cyber, while managing modest increases in Liability and Auto. As social inflation, nuclear verdicts, and shifting public sentiment continue to put upward pressure on claims, underwriting will remain tight.

With only a handful of carriers willing to cover critical exposures like Law Enforcement and Public Officials’ Liability, program structure and market access are essential. Accurate property valuations, continued investment in cyber controls, and proactive liability management remain the keys to strong outcomes as we move into 2026.



Real Estate & Hospitality

The Real Estate and Hospitality insurance market is ending 2025 in two different directions.

The Property insurance market has shifted firmly into a soft market, with increased capacity driving strong competition in program structure, pricing, and coverage, supported by insurers' and reinsurers' resilience to major catastrophe losses. The Casualty market on the other hand remains challenging, marked by higher rates, reduced capacity, and growing social inflation pressures. These contrasting dynamics highlight the industry's cyclical and segmented nature, offering insureds budget relief on Property insurance while facing difficulties renewing General Liability and Umbrella coverage. The key challenge is to capitalize on favorable Property market conditions while managing the tough Casualty market environment.

Property

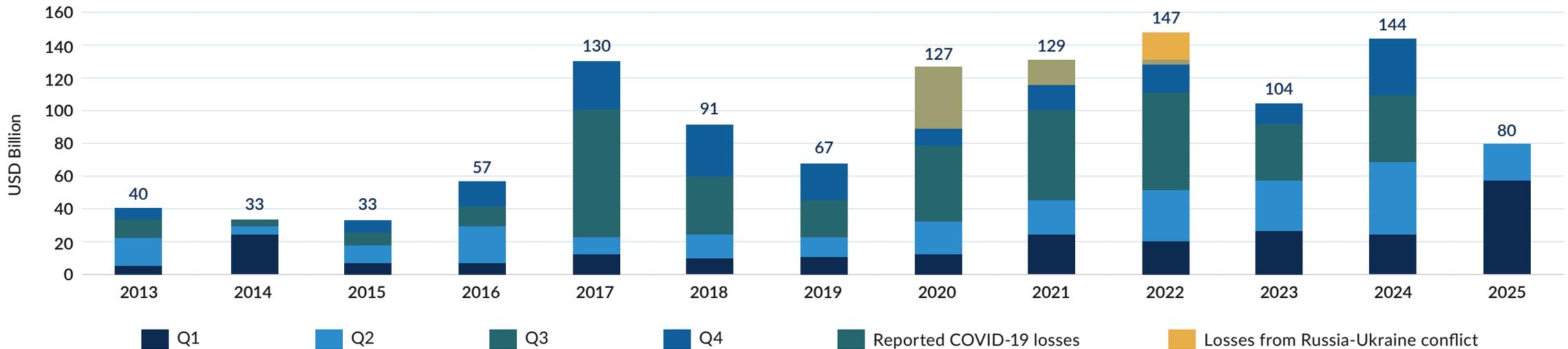
The current Property market is soft, with rates steadily **declining** into negative territory. Most insureds, especially those with shared and large layered property coverage, are seeing rate reductions.

The entry of new market players has intensified competition, especially in the shared and layered segments where multiple carriers vie for large premium accounts. This has **increased** capacity, accelerated pricing flexibility, and led to better terms and conditions for insureds.

Reinsurance Capacity & Market Losses

Reinsurance capacity remains strong as reinsurers continue to profit. In the first half of 2025, catastrophe losses totaled \$80 billion, an amount reinsurers can absorb with no effect on their capital. Over the past five years, insurable losses have consistently exceeded \$100 billion, indicating this high loss level is becoming a trend. Barring any significant losses before the end of the year, the reinsurance market is expected to continue softening, with reinsurer supply exceeding demand by nearly 20%.

Significant Insured Losses 2013 to 2025



*Significant Insured Losses (Est. losses > USD 100M) includes NFIP estimate. Figures are not adjusted for inflation. Losses from COVID as reported by publicly traded cohort of 90+ companies. Russia and Ukraine conflict losses as estimated by S&P Global. Data updated as of July 16, 2025. Source: PCS, PERILS, GC, and various other sources by way of Guy Carpenter.

Looking Ahead

The capital surplus is creating favorable renewal terms and increasing competition in the primary insurance market, resulting in a buyer-friendly environment as long as the supply imbalance persists. External factors have had less impact, e.g., the 2025 hurricane season was unusually quiet, boosting insurer confidence. Additionally, construction costs, which influence claims severity, have stabilized or slightly decreased, with property valuations flat or down about 1%.



Casualty

The Casualty outlook stands in sharp contrast to the Property market. Casualty insurance remains extremely challenging, with insurers pressing for higher rates, restricting capacity, and tighter underwriting standards. Rising claim frequency and severity from social inflation, nuclear verdicts, and aggressive plaintiffs are driving losses up. Slip-and-fall claims often exceed \$100,000, with transportation and multifamily sectors heavily affected. Tort reforms may help long-term but will take years. Insurers are becoming more selective, exiting sectors like habitational and hospitality. Brokers and clients are turning to excess and surplus markets, captives, and higher retentions, making alternative insurance structures a key focus in executive discussions.

- General Liability and Automobile Liability continue to be the **most stressed coverage lines**.
- Lead Umbrella limits are compressing from **\$15 million to \$10 million** and even further in the more distressed hospitality, multifamily, and habitational space.
- Carriers are now requiring additional coverage lines to be packaged together.
- Capacity in Umbrella and Excess Liability is **shrinking**.

Rate increases are the norm, with hospitality, multi-family, and habitational risks facing the steepest hikes.

- Higher insurance layers are shrinking, with large **\$25 million capacity** blocks becoming uncommon. Despite this reduced capacity, premiums are not falling accordingly, so insureds often pay the same price for less coverage.

Looking Ahead

Real Estate and Hospitality insureds are seeing a buyer-friendly Property market but a tightening Casualty market. Property premium cuts may offset rising Casualty costs, but expect tough negotiations, stricter terms, and higher retentions. Success requires strong brokers, innovative programs, and alternative insurance options. Buyers benefit short-term from Property relief but must prepare for Casualty challenges.

Restaurant

While Property insurance rates in the restaurant sector have begun to stabilize, liability and employment-related exposures remain challenging as litigation, nuclear verdicts, and social inflation drive claim costs higher.

Capacity for certain coverages, particularly Liquor Liability, Auto, and Sexual Abuse and Molestation, is tightening, prompting carriers to impose stricter underwriting standards and, in some cases, exclusions.



Property

Restaurant property insurance rates have improved, but wind and hail deductibles are more common due to frequent severe storms. Swiss Re reports \$31 billion in SCS losses in early 2025. Favorable rates apply to restaurants with strong risk profiles.



Liability

General Liability rates are rising due to higher claim frequency and severity, with carriers tightening appetite in the restaurant sector. Liquor Liability coverage is limited or withdrawn in many markets. Sexual abuse claims are increasing, leading carriers to restrict or exclude coverage.



Auto Liability and Delivery-Related Risks

Auto Liability for delivery risks is difficult, expensive, and limited to very few markets. Nuclear verdicts continue to pressure rates and terms. Motor vehicle accidents accounted for 16 nuclear verdicts in 2024, according to Marathon Strategies.



Employment Practices Liability

The restaurant industry faces ongoing sexual harassment claims, including recent lawsuits against Boss Man Tacos, Taco Bell franchises, and Chuck E. Cheese for harassment and retaliation. To combat this, restaurants must prioritize staff training, proactive oversight, and a culture of accountability with clear policies and consistent monitoring to prevent and address misconduct.



Looking Ahead

Underlying risks tied to liquor liability, sexual abuse and molestation, employment practices, and delivery operations are areas of concern. Restaurants must continue proactive risk management efforts to protect their coverage position and minimize potential financial losses in an evolving claims environment.

Senior Care

The Senior Care industry is nearing the end of the year with a perceived sense of optimism.

The senior living sector has made significant progress since the COVID-19 pandemic despite ongoing regulatory, inflationary, and labor challenges. M&A activity is surging, attracting new investors like private equity and REITs, which brings both growth and challenges such as disrupted continuity and increased underwriting scrutiny, leading to higher premiums and stricter terms. Persistent issues include economic pressures, staffing shortages, regulatory changes, evolving demographics, and rising claim costs due to social inflation. Despite this, senior care providers remain resilient, adapting creatively. The industry balances caution with confidence, presenting strong opportunities for partners and clients moving forward.



General Liability/Professional Liability

The GL/PL market is dynamic, with rates stabilizing due to industry growth and more insureds. Well-performing operators with strong risk controls and experienced ownership are favored. New insurers are aggressively priced below established carriers, raising sustainability concerns that some may lack resources for large losses. Underwriters now price for claim severity, driven by rising claims in assisted living and memory care, where severity has surpassed skilled nursing for the first time. Falls, elopements, medication errors, and abuse allegations contribute to this trend. Clear, strong account positioning is crucial to secure favorable terms.



Excess Liability

Excess Liability remains challenging, with pricing tied closely to risk quality. High-risk accounts pay premiums, while loss-free, high-quality risks find competitive options as new markets enter. Rising claim severity increases focus on loss history, venue, ownership, and coverage terms. Large insureds struggle to secure high limits from a single carrier. New capacity fuels competition but raises concerns about carrier commitment and long-term claims payment. Exclusions and coverage language are closely scrutinized to avoid gaps.





Property Insurance

The Property insurance market is complex and selective due to hybrid healthcare and habitational risks, limiting carriers. Underwriters focus on building features, ownership, location, and loss history. M&A and improvements affect underwriting. Despite challenges, competitive opportunities exist for preferred risks. MMA and McGriff Specialty use strong relationships to secure favorable renewals and monitor market changes.



Commercial Auto

Commercial Auto is a challenging line for Senior Care due to high liability from resident transport. Insurers have tightened appetite and raised rates to address increased risks and social inflation from nuclear claims.



Workers' Compensation

Senior Care providers have ample Workers' Compensation capacity. Insureds should remain aware of how their actions impact premiums by controlling claims and maintaining a safe environment for their employees. Carriers are emphasizing return-to-work programs and formal safety training for all staff.



Cyber Liability

Cyber Liability has stabilized after a 2022 push for stronger cybersecurity, including multi-factor authentication and improved IT security. Senior Care organizations have enhanced their cyber practices, addressing vulnerabilities from financial and health data. Providers with strong controls now benefit from ample capacity and favorable rates in a competitive market.

M&A Market: Momentum Behind the Industry

M&A activity in Senior Care is thriving, with 733 deals in the past year. Easing interest rates and new capital partners, including private equity and REITs, are driving activity amid strong demographic demand. While new development is limited, acquisitions and consolidation, especially in the middle market, remain key growth strategies. M&A is expected to continue driving expansion into 2026 and beyond.

What to Watch

Staffing challenges are evolving. Reliance on agency staff has eased, but changing immigration and demographics limit low-wage worker supply, pushing wages up. Operators are adapting by investing in retention, training, alternative staffing, and leveraging immigration trends to build a diverse, sustainable workforce.

Looking Ahead

The Senior Care industry heads into 2026 with a full head of steam. In summary: Property markets may continue to stabilize, especially if we emerge from 2025 without any new catastrophic claims between now and year-end. GL/PL trends should continue to be watched closely as unfavorable claims trends continue to gain momentum across the country. And M&A activity is expected to stay strong as demographic demand surges.

Transportation

The Transportation insurance market continues to face the same headwinds it has for several years: nuclear verdicts, stubborn inflation, and shrinking capacity.

Carriers stay selective in Commercial Auto and Excess Liability due to legal challenges. Though tort reforms in Florida and Georgia are easing claims, insureds should expect tough negotiations, selective underwriting, and the need for strong, data-driven risk control.

Commercial Auto

Carriers continue to struggle with profitability in the Commercial Auto market and are keeping a tight grip on how much capacity they're willing to deploy. Economic inflation, social inflation, and nuclear verdicts have contributed to these underwriting losses, driving liability claim costs sharply higher.



13 Years

Consecutive underwriting losses with combined loss ratios remaining above 100%, despite 55 straight quarters of rate increases.

64%

Claim severity is up 64% since 2015. Moreover, the Transportation sector is among the top targets for nuclear verdicts in wrongful death and negligence cases, according to Marathon Strategies.

Source: Conning 2025 Commercial Auto Study

Nuclear Verdicts by Industry (2024)

Sector	Sum of Verdicts	Number of Verdicts
Products Liability	\$13,837,687,688.00	32
Antitrust	\$5,102,500,000.00	3
Intellectual Property	\$4,444,477,588.00	25
Fraud	\$2,138,057,282.37	6
Motor Vehicle	\$1,289,753,403.00	16
Trade Secrets	\$1,125,652,202.00	5
Wrongful Death	\$725,731,498.25	8
Breach of Contract	\$617,732,955.00	6
Breach of Fiduciary Duty	\$519,180,000.00	2
Labor and Employment Law	\$398,132,590.00	8
Worker/Workplace Negligence or Safety	\$374,932,163.00	8
False Claims Act	\$150,000,000.00	1
Banking Law	\$140,000,000.00	1
Premises Liability or Negligence	\$134,434,208.00	5
Negligence	\$111,650,000.00	2
Bad Faith	\$101,000,000.00	1
Defamation	\$39,300,000.00	2
Civil Procedure	\$37,900,000.00	1
Insurance	\$18,000,000.00	1
Railroad Accident	\$15,000,000.00	1
Assault	\$10,016,600.00	1

Source: Marathon Strategies

Tort reform is a positive development, with Florida's reforms showing early success in speeding claim settlements. Georgia has implemented similar changes, and Louisiana is under close watch. While it's early to judge, this trend is promising.

Excess Liability

Excess capacity is tightening, with coverage limits dropping from \$5 million to about \$2.5–\$3 million, causing more fragmented towers and higher costs. Pricing varies by loss history, with clean fleets having more options and those with major claims facing steep Excess layer costs. Alternative risk programs are gaining popularity, offering multi-year policies with fixed base rates adjusted for loss experience. These programs provide cost predictability and potential financial rewards for good safety performance through renewal credits or return premiums.

Workers' Compensation

Workers' Comp is one of the few stable lines in Transportation. Rates are flat to up about 3%, and carriers still see it as a desirable business. In fact, many carriers require writing both Workers' Compensation and Commercial Auto policies. They don't want to write monoline Auto coverage, especially in tough classes. Capacity is plentiful, and carriers remain aggressive in competitive situations.

Telematics

As mentioned in our Spring Update, telematics remains a prerequisite for market access. But it's no longer enough to have the technology. Insurers are inquiring about how fleets utilize the data. They want to see driver training tied directly to what the telematics reveal, such as speeding, lane departure, and braking behavior. Fleets that can demonstrate they are acting on the insights the data provides are positioned far better for renewal.

Logistics Risks

Cargo theft remains a persistent issue. Food and beverage now account for over 20% of all cargo thefts, with alcoholic beverages, energy drinks, and meat products as the primary targets. Impersonation and fraud are common tactics in cargo theft, prompting insurers to check if freight brokers verify motor carrier identities. While increased broker competition is positive, liability risks like negligent hiring persist, with courts testing freight broker responsibilities.

884

Supply Chain Thefts across the United States and Canada in the second quarter of 2025, representing a 13% increase compared to the same period in 2024 and a 10% increase from the first quarter of 2025.

2025 Cargo
Thefts and
Incidents

180

Food and Beverage Product Theft saw substantial growth, with 180 reported incidents representing a 68% increase from Q2 2024.

53

Metal Theft experienced the most dramatic increase, nearly doubling with a 96% year-over-year surge.

Source: CargoNet (a Verisk company)



CargoNet's Supply Chain Risk Trends

884 Theft Incidents Reports

\$61,686,565 Total Loss Value

Top 3 Targeted States - Represent 53% of all theft in Q2 2025



Source: CargoNet, a Verisk Company

On October 3, 2025, the Supreme Court agreed to hear *Montgomery v. Caribe Transport II, LLC*, focusing on freight broker liability for accidents involving hired carriers. The case centers on whether negligent hiring and vicarious liability claims are preempted by the Federal Aviation Administration Authorization Act (FAAA). A decision is expected by mid-2026.

Top Targeted Location Type



Warehouse/
Distribution
Centers



Truck Stop

Top Targeted Commodity Type



Food and
Beverage



Household
Goods

M&A Activity

M&A activity in 2025 has been slow due to economic uncertainty and high interest rates, with motor carrier bankruptcies rising amid soft freight rates. The slowdown may be temporary, with activity likely to increase if capacity tightens and the economy improves.



Looking Ahead

The Transportation insurance market is tough, with hard Commercial Auto and Excess Liability lines, frequent nuclear verdicts, and limited capacity. Tort reform may help but will take time. Fleets using telematics and proactive risk management see better results, and brokers like McGriff who align with the right carriers are making a positive difference.

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