# 2026
## Commercial Property & Casualty
# MARKET OUTLOOK

Forecast Insights From USI National Practice Leaders

# Contents

We created this publication to empower you with **timely, actionable insights into the evolving insurance landscape.**

By distilling complex market trends and regulatory changes into clear guidance, our Outlook helps organizations anticipate challenges, seize opportunities, and make informed decisions to protect their assets and drive growth.

Our commitment is to deliver expertise and clarity that enable our clients to navigate risk with confidence."

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*Strategic Client Solutions & Risk Advisory*
USI Insurance Services

# Market Update & Rate Forecast

To view historical rate index charts (trajectory of rates 2018-present), click on a product line below:

| PRODUCT LINE | SECOND HALF 2025 | FIRST HALF 2026 (PROJECTION) |
|---|---|---|
| **PROPERTY** | | |
| Non-CAT Property w/ Minimal Loss History and Favorable Risk Profile | -10% to Flat | -10% to Flat |
| CAT Property w/ Minimal Loss History and Favorable Risk Profile | -30% to -10% | -20% to -5% |
| CAT or Non-CAT Property w/ Unfavorable Loss History or Risk Profile | -15% to +5% | -15% to +5% |
| **CASUALTY** | | |
| Primary General/Product Liability | Flat to +10% | Flat to +12.5% |
| Primary Auto Liability w/ Fleet Less Than 200 & Good Loss History | Flat to +5%[1, 2] | Flat to +7.5%[1, 2] |
| Primary Auto Liability w/ Fleet Less Than 200 & Poor Loss History | +15% to +30%[1] | +20% to +40%[1] |
| Primary Auto Liability w/ Fleets in Excess of 200 | +5% to +10%[1, 2] | +5% to +20%[1, 2] |
| Excess Auto Buffers | +40% | +40% |
| Workers' Compensation Guaranteed Cost | -5% to +7%[3] | -5% to +7%[3] |
| Workers' Compensation Loss Sensitive | -5% to Flat[3] | -5% to Flat[3] |
| Umbrella & Excess Liability (Middle Market) | Flat to +10%[4] | Flat to +15%[4] |
| Umbrella & Excess Liability (Risk Management) | Flat to +20%[4] | Flat to +20%[4] |
| **INTERNATIONAL** | | |
| International Liability | Flat to +3% | Flat to +5% |
| International Property, CAT Exposure | +15% to +20% | +10% to +15% |
| International Property, Non-CAT Exposure | Flat to +5% | Flat to +5% |

View all Historical Rate Index charts here

| PRODUCT LINE | SECOND HALF 2025 | FIRST HALF 2026 (PROJECTION) |
|---|---|---|
| **ENVIRONMENTAL** | | |
| Environmental Combined General Liability/Pollution | -5% to +5% | Flat to +8% |
| Excess Combined General Liability/Pollution | +5% to +15%[5] | -15% to +5% |
| Environmental Contractors' Pollution | Flat to -10% | -10% to +5% |
| Environmental Pollution Legal Liability | -10% to -5%[4] | -10% to -5%[4] |
| **AVIATION** | | |
| Aviation | -10% to -5%[4] | -10% to -5%[4] |
| **EXECUTIVE & PROFESSIONAL RISK** | | |
| Public Company Directors & Officers (D&O) Liability — Overall | Flat to +5% | Flat to +7.5% |
| Private Company and Not-for-Profit (NFP) D&O Liability — Overall | -2.5% to +5% | Flat to +5% |
| Employment Practices Liability (EPL) | Flat to +10% | Flat to +10% |
| Fiduciary Liability | Flat to +5% | Flat to +5% |
| Crime | Flat to +5% | Flat to +5% |
| Kidnap & Ransom | Flat | Flat |
| Professional Liability/Errors & Omissions (E&O) | Flat to +10% | Flat to +10% |
| Transactional Risks — Representations & Warranties Insurance (RWI) | Flat to +10% | Flat to +10% |
| Cyber (Network Security & Privacy) | -5% to Flat[6] | Flat[6] |
| Technology E&O | -5% to Flat[6] | Flat[6] |

1 Geographical radius of operations will impact pricing.
2 Including need for primary limits up to $2M.
3 Dependent on state.
4 In some cases, depending on class of business, historical losses and limits purchased. Factors in contraction in limits.
5 If heavy truck exposure, increase can be higher than 15%, especially in certain geographies.
6 Subject to adherence to core cyber, privacy and governance tools, controls and risk management.

# Property

## Developments Since 2025 Mid-Year Addendum

After unusually high natural catastrophe (CAT) losses for the first half of 2025, surpassing an estimated $80B globally, the property insurance industry was trending to eclipse $150B in insured CAT losses in 2025, which would have equated to the highest loss year since 2017. While all eyes were on the tropics at the start of the second half of 2025, the major hurricanes we would expect to impact the U.S. never materialized or veered offshore, resulting in a much more positive result for the remainder of the year.

Although global insured CAT losses are still expected to surpass $107B in 2025, the market dodged the large $50B to $100B natural disaster events typically seen in Q3 or Q4 that could have produced $200B in insured CAT losses for the year.

Renewals continued to see further rate improvement in the second half of 2025, with single insurer placements seeing single-digit rate decreases or rates remaining flat, while shared/layered placements saw larger relief of 10% to 30% or more off expiring rates. Difference-in-condition policies (or excess CAT policies) for perils such as flood and earthquake also saw steep rate decreases, amounting to as much as 25% to 35% off expiring rates.

In the Midwest, deductibles for CAT perils, such as severe convective storm and flood, held steady or even increased as insurers continued to manage their exposure to these perils. In contrast, named storm deductibles showed some improvement for inland locations where insurers were more willing to reduce these compared to expiring terms. Wildfire remained a closely monitored peril, where wildfire risk scoring, distance to exposed areas or recent burns, defensible space, and risk mitigation dictated the insurability of the location.

Insurers continued to scrutinize frame apartments with sprinkler systems designed to NFPA 13R standards, frame apartments built prior to 1995, wind-exposed locations with older roof coverings, subsidized housing, and food manufacturing risks.

## Trends to Watch: First Half of 2026

### Rate Softening Expected to Continue

With a lower-than-anticipated loss year in 2025, available capacity, and favorable treaty renewals expected, property market conditions are expected to remain competitive through the first half of 2026. Property rate decreases will expand across the single-carrier insurer space, where we have seen moderate rate movement over the past 18 months. Competition from other single-carrier insurers, programs or shared/layered placements will apply more pressure to reduce rates and improve terms. The shared/layered space will continue to see rate softening, most notably on high-quality risks with minimal losses.

More competition will provide an opportunity for insureds to increase policy limits and CAT limits, secure more favorable deductibles, improve terms and conditions, and remove or minimize harmful exclusions, conditions or warranties on policies. For insureds with higher deductibles than preferred, increased capacity allows for opportunities to buy down those deductibles or use parametric coverage to minimize retentions. Although insurers are still selective in risk appetite and quality, this also provides insureds an opportunity to reduce the number of separate placements by combining more locations onto one master policy.

## A Stable Reinsurance Market With Record Inflows of Capital

Even as the property market continues to soften, an influx of capital in the reinsurance sector provides ample capacity to support insurers' needs. Both traditional capital and alternative capital (e.g., insurance-linked securities, sidecars, catastrophe bonds) achieved record levels of funding in 2025, with alternative capital accounting for an estimated $121B, or approximately 19%, of all dedicated reinsurance capital.

The returns provided by the sector are still attractive, with property rates remaining adequate and a quiet hurricane season fueling favorable loss ratios. Therefore, the flow of capital is expected to continue until rate adequacy becomes challenged, large-scale CAT events contribute to elevated combined ratios, or macroeconomic pressures restrict the amount of available capital in the market.

Given the stability and state of the reinsurance market, treaty renewals are expected to be widely favorable for insurers. Current rates, attachment points, and terms reinsurers are attempting to hold will be challenged, and the competitive environment will undoubtedly erode some of the insulation reinsurers enjoyed during the hard market.

This competitive environment will once again expose reinsurers to CAT losses that have largely been absorbed by insurers through higher attachment points on their treaties and by insureds through higher deductibles for CAT perils. While higher combined ratios are expected to lower profitability for reinsurers, they possess strong balance sheets and have available surplus to weather the softening or increased loss activity.

## Valuations Retreat, But Tariff Impacts Uncertain

While the impact of tariffs on valuations remains to be seen, replacement cost figures have remained elevated since 2022. Stubborn inflation — created by raw material and labor cost increases, labor shortages, and supply chain delays — has retreated slightly from 2024, but questions remain on how much and for how long these increased costs can be absorbed before being passed on to consumers.

As of July 2025, commercial reconstruction costs in the U.S. were up 4.4% YOY. Minnesota, Wyoming, Nebraska, Kansas, Missouri, Illinois, Georgia, Maine, and Rhode Island saw increases of 7.27% or more, while Alaska, Texas, Kentucky, West Virginia, Virginia, Pennsylvania, New Hampshire, New Jersey, Delaware, and Maryland saw increases between 3.42% and 4.48%.

Material costs increased 2.81% during the same period nationally, with concrete composite and interior trim composite increasing the most (4.7% and 3.7% respectively). Equipment replacement costs are up 4.1%, with HVAC equipment, parts or duct work expected to increase anywhere between 5% and 20% due to tariffs imposed. Hourly billable labor costs also increased, up 5.03% nationally, with drywall installers/finishers having the largest increase at 5.4%, followed by plumbers and HVAC mechanics, both at 3.9%.

Insureds are encouraged to update their values annually and keep a close eye on potential impacts from tariffs or other economic pressures, such as labor availability, demand surge from recent events like the California wildfires, or other increases in material costs. Adequately valued properties can help minimize complications following a claim, such as inadequate limits, limited payouts from conditions like coinsurance, or keeping up with demand surge in areas such as Los Angeles due to wildfire.

**Capital will continue to flow into the reinsurance sector** until rate adequacy becomes challenged, CAT events continue to elevate combined ratios, or macroeconomic pressures restrict available capital.

## New Capacity and Program Offerings Continue to Expand

Since the hard property market peaked in mid-2023, a flurry of new capacity has entered, attempting to capitalize on the increased rates, deductibles and profitability. Money has poured into the reinsurance and insurance market from traditional and alternative sources seeking promising returns on equity, with various products launched by insurers, managing general agents, wholesalers and retail brokers, all trying to create exclusive products to increase market share. These products include follow facilities (arrangements where an insurer or reinsurer agrees to automatically "follow" the underwriting decisions of a lead insurer on certain risks) for shared/layered programs, sidecars, shared limit programs, and multiline programs targeted at specific industries.

Although these new products have created some opportunities for insureds to save on premiums, buyers need to proceed with caution, as not all products are created equal and could leave insureds in unfortunate circumstances after large loss events. **When evaluating these programs, insureds need to understand the following:**

## Proceed With Caution: Newly Launched Insurance Program Offerings

### 01 Is this program providing dedicated limits for the policy, or are the limits shared among multiple insureds?

If shared, does the program provide details on the distribution of total insured values in the portfolio, how CAT limits are selected or managed, or how loss payments will be handled after a large CAT loss impacting multiple insureds? Many of these programs come with little transparency on whether the limits provided are adequate for the insureds participating. Also, loss payment clauses typically highlight that payments will be made "proportionately" across all participants, bringing into question whether any limits, let alone adequate limits, will be available to pay losses following a claim.

### 02 What is the financial strength of the insurer being used?

It's common to see "A" ratings with minimal surplus available compared to other options in the market. This calls into question the ability of the insurer to pay claims, especially after large loss events caused by CAT perils.

### 03 Are there any loss funding requirements at inception to pay for expected losses during the policy term?

Is this loss fund shared among multiple insureds or protected from losses generated by others? If shared, what happens once the fund is exhausted and needs to be replenished?

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### Will lenders or other third parties accept the proposed program?

Aggregate deductibles higher than lenders are willing to accept, regulatory restrictions, inferior financial ratings of the insurers, sharing of limits, and limits that are too low for the exposure at hand increase the risk for these programs to be unacceptable, and can create compliance headaches after binding.

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### How long has the program been in existence?

Is this a new program with little experience? Is the program funded by alternative capital looking to make a quick return on investment, then exit?

Once the above questions are answered, the expected premium savings with these programs can become less attractive. Insureds are encouraged to ask questions, demand transparency, and consider how the nuances of these programs could leave them exposed to uncovered losses or unexpected cash outlays at midterm.

# How USI Can Help

The property market is competitive, and opportunities remain for insureds to lower their total cost of risk, expand coverage, and improve terms and conditions. With an increased focus on using data and analytics to design an efficient, cost-effective program, **USI helps organizations with their property insurance and risk management in several ways:**

- **Optimize program design.** Leveraging various underwriting tools and data, we identify and quantify exposures to loss, enabling you to purchase the right amount of coverage while meeting your budget and third-party requirements.
- **Enhance risk management.** By aggressively marketing renewals to all viable markets for your risk profile, we help ensure the best possible terms and rates.
- **Improve coverage.** We identify where you can improve coverage, limits, deductibles, clauses, or exclusions to ensure you have the best possible protection.
- **Compare programs for informed decisions.** We provide side-by-side comparisons of different insurance program limits, deductibles, terms, and premiums, which allows you to make well-informed decisions about your property insurance and risk management.

To learn how USI can help your organization navigate the transitioning property insurance market and make sure you receive the best possible coverage and rates while effectively managing risks, contact your USI representative or email us at pcinquiries@usi.com.

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# Casualty

## Developments Since 2025 Mid-Year Addendum

The second half of 2025 saw continued stabilization across most casualty lines, with capacity remaining adequate and rate increases generally moderating for well-managed risks. However, segmentation intensified, with high-risk sectors and accounts with adverse loss histories or in certain geographies facing stricter underwriting and elevated premiums.

Social inflation persisted as a key challenge, driving up claim costs and reserve strengthening across liability lines, especially automobile liability. Legislative and regulatory developments, particularly in workers' compensation and auto liability, introduced new complexities for employers. Litigation financing and juror sentiment, which increasingly favors the plaintiffs resulting in large jury verdicts, continued to impact loss ratios and market predictability.

These social inflationary forces are now beginning to impact insureds with smaller vehicle fleets and smaller general/product liability exposures. This will lead to greater uncertainty and more conservative underwriting across a broader set of small commercial, middle market, and large risk management accounts. More insurers and reinsurers are calling for broader tort reform, noting that without such reform, rates will continue to rise for a wider range of insureds.

The trend of insurers increasingly requiring bundled programs — combining general liability, workers' compensation, auto, and umbrella/excess — to enhance profitability and streamline coverage solutions is accelerating. Insureds that invested in loss control, safety initiatives, and data-driven analytics were best positioned to secure favorable terms and mitigate adverse market trends.

## Trends to Watch: First Half of 2026

### Workers' Compensation

Workers' compensation (WC) remains a bright spot for most insurers, with sustained profitability for both guaranteed-cost and loss-sensitive programs, despite rate reductions for most insureds over the past several years. Although claim severity is up slightly, claim frequency is down due to improvement in safety measures implemented by insureds.

Losses from previous years have not increased as much as expected, allowing insurers to release some of the reserves originally set aside. According to Insurance Business America, 2025 combined ratios for WC are expected to remain favorable (85% to 93%), marking the 12th consecutive year of combined ratios under 100% for private carriers.

Market capacity remains high, and markets are aggressively competing for WC premium dollars, often mandating the WC line to be included in order to write the liability lines. This competition is resulting in modest rate reductions for both guaranteed-cost and loss- sensitive programs in most U.S. states. It remains to be seen how much rates can drop in certain states before profit margins are adversely affected and rates begin to level out.

In September 2025, California — home to the largest payroll and workforce in the U.S. — raised WC rates by nearly 9% for the first time since 2015, anticipating a 123% combined ratio for the 2024 policy year. The Workers' Compensation Insurance Rating Bureau of California cited several drivers of higher claim costs: increases in medical loss development, medical costs, and claim frequency, particularly the impact of cumulative trauma claims.

California's magnitude of increase is not expected to occur in other states. However, some states are also experiencing an uptick in claim severity, rising medical costs, an aging workforce, longer duration of care, medical advances, and wage inflation — all contributing to a gradual increase in claim costs and reducing the profitability of WC.

Employers in high-risk industries, such as construction and manufacturing, should anticipate greater coverage restrictions and heightened scrutiny of safety protocols. Legislative trends to expand presumptions for mental conditions have waned, but regulatory changes in key states

may influence rate adequacy and coverage terms. Proactive claims management, accurate payroll classification, and continuous improvement in safety and wellness initiatives will be essential to secure optimal renewal outcomes.

### Commercial Automobile

Unlike the favorable results for workers' compensation, the commercial auto market has experienced more than $10B in net underwriting losses over the past two years, according to AM Best, and this is up significantly relative to prior years. Tort reform efforts in states such as Georgia, Louisiana and Florida may provide some relief on litigation costs, but social inflation and adverse reserve development will keep upward pressure on rates for medium- to high-risk insureds.

Commercial auto insurers have been unable to offset increasingly severe liability losses driven by social inflation. Escalating replacement costs, attributed to technological advancements and higher labor costs for repairs, are also affecting auto physical damage coverage. These factors are contributing to ongoing adverse loss development. For instance, the average loss severity for commercial auto liability claims has more than doubled since 2015, at an average annual rate of more than 8%.

For smaller fleets with favorable loss histories, rates are expected to stay somewhat stable, either remaining flat or increasing modestly. Larger fleets and accounts with recent losses will continue to face cautious underwriting and higher premiums, particularly in long-haul trucking and high-risk transportation sectors.

Insurance cost and availability have become top concerns for fleet operators, and insurers are deploying capacity selectively, especially for fleets of more than 200 vehicles. Insureds should focus on driver safety, telematics adoption, and early engagement with underwriters to navigate capacity constraints and secure competitive terms.

Higher rates are impacting program structure and design, with more buyers assuming more risk by opting for higher deductibles in the primary layers. Some markets are driving this increase and requiring more profitable lines like WC to be bundled with automobile liability to reduce volatility.

### General/Product Liability

General and product liability lines show signs of stabilization overall. Many insureds are achieving flat renewals or less severe rate increases, particularly in segments that have reached rate adequacy. Sufficient capacity and moderate competition for new business are returning to retail, as well as certain manufacturing and service sectors.

However, not all risks within these segments share the same outlook. Challenging risks continue to face elevated rates, tighter coverage terms, and reduced capacity. Assault and battery exposures are driving these challenges in certain geographies and high-profile product liability events. While bundled programs offer convenience and potential cost savings, insureds should carefully review terms to ensure coverage aligns with unique exposures. Insureds should leverage benchmarking, contractual risk management, and loss control investments to highlight strengths and secure favorable outcomes.

Similar to automobile liability, an increasing number of insureds are moving into loss-sensitive programs and assuming a larger portion of the risk to offset premium volatility.

**Social inflation will remain a challenge for liability lines, as it continues to drive up claim and litigation costs — leading insurers to adjust pricing and policy structures accordingly.**

## Umbrella/Excess

Umbrella and excess liability lines are expected to remain steady for middle-market buyers, with rates flat to up 10%. Certain risk management accounts may see increases up to 20%, depending on prior loss history and class of business.

Social inflation and reserve strengthening will continue to challenge underwriting predictability, particularly for more hazardous transportation and habitational risks. Larger jury verdicts are pushing excess liability layers to pay more claims, driving rate hikes. While capacity is adequate, it's deployed more selectively for some insureds, especially those with greater automobile liability exposures, habitational risks, and certain manufacturing risks. Quota-share structures are often needed to secure adequate limits at competitive premiums.

The continued drive for higher underlying primary attachment points will also increase in 2026 for these industries. Insureds with loss history or a high number of vehicles or hazardous products now typically see a $5M primary attachment point. Well-managed, lower-risk accounts — those without loss history or hazardous exposures — can still secure attachment points below $5M, especially in the middle market, where rate increases are more moderate and capacity remains available. Accounts with minimal losses may obtain a $2M attachment point if their fleet size is below 250 and general liability and product exposures are moderate.

To optimize cost and coverage, insureds should start renewal preparations early, engage in side-by-side comparisons of program structures, and consider higher retention levels or alternative risk financing solutions.

## What Is Social Inflation?

Rising insurance claim costs due to societal and legal trends, including increased litigation, larger jury awards, and broader definitions of liability

### Which Lines of Coverage Are Most Affected?

Auto liability
D&O
Environmental
General liability
Product liability
Umbrella and excess
Workers' compensation

### Which Industries Are Most Affected?

Aviation
Healthcare
Public entities & higher education
Retail
Social services
Transportation

# How USI Can Help

## General/Products and Umbrella Liability

Organizations and brokers should stay alert and take proactive measures to secure favorable outcomes. Solutions can address issues like rate hikes, reduced capacity, and tighter coverage terms. In the current market, USI advises to:

1. **Ensure policy limits, terms and conditions are sufficient** — especially in the face of adverse loss trends — by having USI perform a benchmarking analysis, review coverage, and analyze litigation trends in your industry.
2. **Start renewal preparations early.** Create a comprehensive plan and begin discussions with markets at least 150 days before renewal. Discuss capacity reductions, per-million pricing, and new exclusions like infectious diseases.
3. **Focus on key risks that concern underwriters.** Highlight your risk profile's strengths, such as loss control investments, safety measures, contractual risk management, and capital expenditures.
4. **Start early discussions with markets to build relationships.** Identify minimum limits for umbrella coverage early on, and consider self-insuring above required limits. Compare umbrella/excess limits with peers to ensure adequate coverage.
5. **Use analytics** to evaluate risk financing alternatives.
6. **Evaluate the costs and benefits** of higher retention levels, quota-share participation in umbrella/excess programs, swing plans with loss-dependent costs, and multiyear single-limit policies within insurance programs.

## Workers' Compensation

Insureds and brokers should proactively identify factors that will secure the best renewal terms related to program structure, pricing, and coverage. Some key strategies:

1. Verify payroll information is correctly categorized by classification codes to avoid errors in premium calculations.
2. Ensure **experience modification** factors are accurately calculated to reflect loss history.
3. Proactively manage claims to control premium costs and foster continuous improvement in safety and loss prevention.
4. Inform underwriters about any changes related to wellness promotion and measures taken to protect workers from **occupational injuries**. Communicate changes in claims handling initiatives that can reduce claim duration.
5. Be prepared to selectively market the account, tailoring the submission to highlight strengths and risk management efforts.
6. Have a comprehensive understanding of the advantages and disadvantages of loss-sensitive deductible program structures.
7. Present objective evidence to the insurer to **minimize rate increases** and secure more favorable renewal terms.
8. Assess **pre-loss** safety measures and **post-loss** claims handling. Collaborate with brokers and insurers to optimize results.
9. Collaborate with your broker to harness proper loss and financial analytics to determine risk capacity at various retention levels.
10. Reassess applicable collateral alternatives, premium levels at various retentions, and loss allocation methodologies to optimize **cost-effective risk management.**
11. Evaluate utilization of **independent contractors** and assess their impact on workers' compensation costs and losses.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

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# International

## Developments Since 2025 Mid-Year Addendum

The global commercial insurance landscape continued to evolve in the second half of 2025, shaped by persistent geopolitical instability, regulatory tightening, and climate-driven volatility. Property rates remained flat or decreased in most regions, except for territories exposed to natural catastrophes, where loss activity and inflationary pressures drove selective rate increases and capacity constraints. Casualty rates stabilized, with small increases in select markets, as insurers responded to shifting risk profiles and regulatory changes.

The transition from direct to indirect taxation accelerated, with several countries introducing new or higher insurance premium tax rates. Local insurance regulations became more stringent, with governments leveraging the insurance sector to enforce corporate registration, anti-money-laundering, and client identification requirements. These changes often delayed coverage binding and policy issuance, requiring insureds to adapt their renewal strategies and documentation processes.

Supply chain vulnerabilities intensified, as protectionist trade policies and regional conflicts disrupted global operations. Insurers responded by reassessing coverage for businesses with international exposures, placing greater emphasis on risk mitigation and contingency planning. The rise in climate-related events prompted further adjustments to coverage and pricing models, as carriers sought to address the more frequent and severe natural disasters.

International property and casualty markets are expected to remain stable, with no major rate increases in the first quarter of 2026. This is based on the expectation that reinsurance results will remain strong in the near term and prices will decline at the January 2026 renewals.

## Trends to Watch: First Half of 2026

### Geopolitical Risk and Regulatory Complexity

Geopolitical instability will remain a defining factor for international insurance programs in 2026. Organizations should anticipate ongoing regulatory changes, including new documentation requirements and evolving compliance standards. Early engagement with local and global carriers will be essential to navigate fragmented legal landscapes and avoid coverage delays.

Tariffs have created uncertainty for companies in many industries, impacting cross-border sales and new operations as well as investment plans. The uncertainty surrounding these economic factors is negatively impacting the purchase of insurance, which is putting pressure on increased competition and the lowering of rates.

While economic uncertainty is bad for insureds in terms of planning and investment, it's improving competition and lowering rates from a pricing standpoint — though this may not be sustainable long-term if insurer profitability is compromised. Until there is stabilization on imposed tariffs, we expect this trend to continue in 2026.

### Advanced Risk Mitigation and Data Analytics

Insurers are increasingly leveraging analytics and AI to assess and manage geopolitical and climate risks. Insureds that invest in advanced risk assessment tools and transparent risk profiles will be better positioned to secure competitive terms and avoid coverage gaps. To stay ahead of regulatory and market developments, insureds should meet with broker partners and local carriers each quarter.

### Climate-Related Adjustments and Catastrophe Exposure

Climate-related events will continue to impact property and casualty rates, particularly in catastrophe-prone regions. Insurers are expected to update pricing and coverage to reflect new risks. Organizations should check if their catastrophe limits, business interruption, and supply chain coverages offer enough protection.

### Supply Chain and Political Risk Management

Heightened supply chain vulnerabilities and protectionist policies will require organizations to reassess their risk management strategies. They should also analyze exposures related to single-source suppliers, transit risks and political instability, and consider alternative program structures to maintain coverage continuity.

### Centralized Program Structures and Global Coordination

Centralized international insurance programs can reduce premiums, offer consistent coverages, and reduce redundancies compared to managing separate local policies. To optimize program terms, it's advisable to prepare early for renewals, develop clear action plans, and have ongoing discussions with both incumbent insurers and new markets. Maintaining active engagement with brokers will help organizations anticipate and respond to local regulatory changes and operational risks.

**International P&C markets should remain stable, with no major rate increases in Q1 2026.**

## How USI Can Help

USI has a dedicated international practice that coordinates our clients' multinational insurance placements and proactively collaborates on risk solutions to provide maximum protection.

By moving to a centralized program, clients can achieve overall premium savings, maintain concurrency and consistency of coverage, and eliminate coverage redundancies and potential gaps. This is accomplished by:

- **Preparing early for renewal,** developing an action plan, and dialoguing with both incumbent and new markets at least 150 days in advance.
- **Reviewing alternative program structures** to ensure optimal limits, cash flow, retention level, cost, and collateral perspectives.
- Reviewing and confirming that all necessary admitted (local) **insurance is purchased in alignment with local regulations**, while also partnering with umbrella coverages to eliminate duplication of coverage.
- Continually engaging with our **network of international broker partners** to understand changes in local coverages, requirements, and laws related to insurance that could impact ongoing operations. In addition, we suggest quarterly check-ins to get ahead of any new expansions into a new country or risk.

For additional information, contact your USI representative or pcinquiries@usi.com.

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# Environmental

## Developments Since 2025 Mid-Year Addendum

The environmental insurance market continued its dynamic evolution in the latter half of 2025, marked by heightened regulatory activity, increased litigation, and expanding carrier appetite for integrated products. Contractor pollution liability (CPL) remained highly competitive, with new entrants driving broader coverage options and sustained premium reductions for small and midsize businesses. Integrated casualty products — which combine CPL or pollution legal liability (PLL) with general liability — gained further traction, providing contractors and organizations with comprehensive solutions for diverse risks.

Claims for unknown contamination surged, especially in urban redevelopment and brownfield projects. However, the market continues to remain soft, and competitive terms can be achieved.

More companies are seeking pollution insurance for emerging risks, such as perfluoroalkyl and polyfluoroalkyl substances (PFAS), microplastics, and ethylene oxide. Coverage exclusions for PFAS became more prevalent, and the excess market continued to contract, with most carriers offering lower limits and requiring multilayered placements.

As organizations faced growing scrutiny from regulators, investors and the public, corporate responsibility and environmental stewardship moved to the forefront. Severe weather events drove up mold claims and remediation costs, raising deductibles and premiums for at-risk sectors. Social inflation continued, with larger jury awards and broader liability definitions affecting profits and risk models.

## Trends to Watch: First Half of 2026

The environmental marketplace is now over $3B in annual premiums, and competition is expected to be fierce in 2026 with many new entrants. We may see new coverage and product innovations for emerging issues related to greenwashing, carbon capture, and 45Q tax credits. New risks may also arise to differentiate the offerings.

### Regulatory Expansion and Site-Specific Coverage

Environmental regulations are expected to intensify, with more jurisdictions mandating site-specific PLL insurance for redevelopment, M&A, and urban construction projects. Organizations should prepare for heightened underwriting standards and more frequent policy assessments and revisions to address emerging contaminant risks.

### Emerging Contaminants and Coverage Exclusions

Insurers will continue to focus on PFAS and other emerging contaminants, with coverage exclusions becoming standard except for minimal exposures. Businesses should review their operations for contaminant risks and consider options like captives or alternative insurance structures.

### Integrated Products and Competitive Pricing

The market for integrated environmental and casualty products will continue to expand, offering bundled solutions for general liability, pollution, and product liability. Small and midsize businesses can take advantage of competitive pricing, but it's important for buyers to review policy details, including terms, limits, and exclusions, to ensure full protection.

### Rising Claims and Social Inflation

Claims for mold, unknown contamination, and toxic tort liability are projected to rise, driven by weather volatility and growing redevelopment activity. Social inflation will continue to affect claim severity and litigation costs, leading insurers to adjust pricing and policy structures accordingly.

### Corporate Responsibility and Risk Modeling

Organizations must demonstrate environmental stewardship in risk management through proactive mitigation, strong due diligence, and transparent reporting. Advanced risk modeling, like scenario analysis and Monte Carlo simulations, will guide decision-making and help quantify potential liabilities.

### Strategic Risk Management and Broker Collaboration

To navigate regulatory changes, secure optimal coverage, and manage total cost of risk, organizations must engage early with brokers and carriers. Leverage data analytics, risk maps, and benchmarking to inform renewal strategies and highlight environmental risk management strengths.

# How USI Can Help

**To help your organization navigate PFAS liability, USI can:**

- Estimate value of limits and review insurance coverage, including historical and current general liability, pollution liability, and directors and officers (D&O) liability.
- Assess risk, including both direct and downstream liabilities, and identify key contracts (those who have indemnity or should be indemnified).
  - Do any existing or former products contain PFAS? If so, what are the sales figures, and when and where were they sold?
  - Is your exposure to PFAS from products, construction or premises?
- Identify potential defenses if tagged with liability — is there a legal expert providing advice on regulations and compliance?
- Analyze jurisdictions that may create greater risk (e.g, toxic tort liability).
- Examine current and future mitigation strategies and controls.
- Assess due diligence protocols for acquisitions of companies or properties now that PFOA and PFOS are on the hazardous substances list under CERCLA.
- Explore creative coverage solutions for PFAS either through environmental insurance or an alternative risk solution such as a captive.

In addition, we can help you:

- Create an environmental profile to identify exposures associated with operations, which helps quantify and qualify the impact on the organization to determine appropriate risk management and insurance solutions.
- Deliver formal and customized risk maps to identify the frequency and severity of fines and penalties for noncompliance, spill events, known and unknown remediation, and toxic tort liability.
- Create sophisticated risk model platforms for significant liabilities, using Monte Carlo analytics to look at a range of probabilities and forecast potential liabilities over an extended period.
- Develop effective environmental risk insurance strategies for acquisitions or divestitures of businesses and/or real estate to facilitate transactions and protect corporate assets.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

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# Aviation

## Developments Since 2025 Mid-Year Addendum

The aviation insurance market remained competitive through 2025, with new underwriting capacity and carrier entrants driving favorable conditions for most buyers. Accounts with strong loss histories continued to benefit from multiple competitive quotes, improved supplementary coverages, and more flexible approaches to pilot and operational requirements.

This buyer-friendly momentum is expected to continue into the first half of 2026 as new capacity continues to enter the market. While pricing has eased for many buyers, USI is monitoring some concerning trends.

## Trends to Watch: First Half of 2026

A wave of new managing general underwriters (MGUs) is entering the aviation insurance space — many of whom don't have deep experience in the segment. They are under pressure to grow quickly and deliver returns to their capacity providers, which increases volatility. Softer rates are also making it harder to maintain long-term underwriting profitability, while supply chain issues, inflation, tariffs and labor shortages are all driving up aircraft repair costs. Lastly, social inflation — larger settlements and jury awards in liability cases — are putting even more pressure on carrier profits and risk models.

### Capacity and Competitive Market Dynamics

New insurers should keep aviation market capacity and pricing strong into 2026. Buyers with favorable risk profiles and loss histories will continue to see opportunities for better premiums, coverage and terms. However, carriers will remain selective, particularly for risks with recent large losses or exposures in high-accident sectors.

**While aviation insurance pricing has improved, USI is monitoring some concerning trends.**

### Claim Costs and Social Inflation

Rising claim costs — driven by accident frequency, supply chain delays, and inflation — will prompt underwriters to closely monitor loss trends and adjust pricing models. Social inflation will remain a challenge, with jury awards and settlements influencing liability coverage terms and capacity deployment.

### Technological Integration and Risk Assessment

Adoption of AI, telematics, and flight data recording systems will accelerate, enabling underwriters to better predict risks and incentivize safety improvements. Aviation buyers should expect more requests for operational data and transparency, as carriers leverage technology to differentiate offerings and refine underwriting.

### Advanced Air Mobility and Specialized Coverage

The continued development of AAM and eVTOL aircraft will drive demand for aviation insurance solutions. Insurers anticipate significant growth in this area, and are waiting on multiple companies to complete FAA certification in the next 12 to 36 months. The evolution of this new market segment will prompt development of coverage terms that address the unique risks presented by these technologies and operational models.

### Supply Chain and Operational Resilience

Aviation organizations should reevaluate their business interruption exposures and contingency plans in light of ongoing supply chain issues. Buyers should review policy terms related to extra expenses for rental aircraft, temporary parts, and spare parts coverage, and anticipate repair delays and ensure adequate protection against operational disruptions.

### Strategic Renewal Preparation and Broker Collaboration

To secure optimal coverage and pricing, aviation buyers must proactively engage with brokers and underwriters and prepare early for renewals. To strengthen their risk profile and marketability, they should focus on submission integrity, emphasize safety and training protocols, and be open to underwriter and loss control visits.

# How USI Can Help

USI works closely with our aviation clients to develop a comprehensive risk management strategy tailored to their unique exposures and focused on mitigating their cost of risk.

To achieve a favorable coverage outcome:

- Start the renewal process as early as possible to allow time for renewals to be fully marketed and to schedule virtual meetings with underwriters.
- Consult with USI's national aviation team to help guide the process. The team suggests ways to improve submission integrity and timelines, and advocates on your behalf.
- Provide detailed information that allows us to better understand your company's risk management situation and needs.
- Submit fully completed applications and questionnaires.
- Highlight your company's focus on safety and pilot training protocols, especially training that goes above and beyond Federal Aviation Administration (FAA) requirements.
- Be open to underwriter and loss control visits.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

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# Executive & Professional Risk

## Developments Since 2025 Mid-Year Addendum

The global market for executive and professional risk continued to evolve. Competition helped maintain steady overall rates and coverage options, though increased risks emerged in certain areas.

- Economic and geopolitical risks — especially tariffs, rising bankruptcies, and AI's likely impact on jobs — are causing underwriters to be more cautious. This could result in tighter underwriting standards, more selective capacity deployment, higher premiums, or narrower coverage terms for certain risks. Insureds may need to provide more detailed financial and operational disclosures, demonstrate strong governance practices, and engage earlier in the renewal process to secure favorable terms.
- Cyber-related exposures evolved as attackers found new, more sophisticated ways to infiltrate organizations. Social engineering threats like deepfakes and intricate phishing techniques plagued cyber and crime (fidelity) underwriters. While larger organizations generally improved their cyber defenses, small and midsize firms with fewer resources remained vulnerable.
- Professional liability (errors and omissions) insurance had less capacity, particularly for healthcare, educational organizations, and certain financial services firms.
- Liability claim defense costs continued to rise, made worse by concerns about more litigation funding for lawsuits.

### Directors & Officers Liability (D&O)

Global D&O markets remained stable, although some insurers pulled out of D&O in 2025. Securities claims — currently the leading risk for publicly traded companies — held steady in 2025, which kept D&O liability premiums and coverage terms for public companies competitive. The private and not-for-profit D&O market also remained competitive, even as these organizations faced continuing D&O threats from anti-trust, tortious interference, breach of fiduciary duty, and regulatory claims.

### Employment Practices Liability (EPL)

EPL claims continued to be frequent and complex, driven by economic uncertainty, workforce reductions, and evolving labor regulations. Higher retentions for claims in certain regions (notably California), and for claims involving highly compensated employees became more common, as insurers sought to maintain profitability. Social inflation has led to a significant rise in legal and defense costs, challenging the long-term profitability of EPL carriers. Annual liability claim costs due to social inflation grew by an estimated 7% in 2024, marking the highest annual increase in the past two decades, according to the Swiss Re Institute.

### Fiduciary Liability

The market remained stable, but insurers are concerned about recent U.S. court rulings that have made dismissals harder, as well as increasing discovery costs and claim severity.

### Crime (Fidelity)

Crime insurance premiums held steady, but underwriters expressed growing concern over social engineering and cyber-enabled fraud exposures. Sublimits for business email compromise and funds transfer fraud remained standard, while full limits were available for select insureds with robust controls. International organizations faced increased documentation requirements and regulatory oversight, particularly in anti-money-laundering compliance.

### Kidnap & Ransom (K&R)

K&R coverage remained broadly available, with no material changes in pricing or terms. However, geopolitical instability and regional conflicts led to heightened risk assessments and increased demand for crisis response services.

### Professional Liability/Errors & Omissions (E&O

The E&O market saw little change in overall capacity, but underwriters scrutinized sectors affected by technological disruption, regulatory change, and social inflation — including healthcare, education fintech, and certain financial services.

### Transactional Risks/Representations & Warranties Insurance (RWI)

RWI rates stabilized after prior lows, as claim frequency, severity, and increased litigation funding led to selective underwriting and rate increases. M&A activity remained robust in some regions, but carriers responded to regulatory scrutiny and geopolitical uncertainty by tightening terms and requiring enhanced due diligence.

### Cyber/Technology E&O

Cyber insurance competition remained strong, but ongoing claims and losses — especially from ransomware and business email compromise — led to scrutiny of insureds' security controls. International organizations faced new regulatory requirements for data protection and incident response, with carriers demanding adherence to best practices and critical security frameworks.

**Economic and geopolitical risks — especially tariffs, bankruptcies, and AI's impact on jobs — have caused underwriters to be more cautious.**

## Trends to Watch: First Half of 2026

As we move into the first half of 2026, executive and professional risks are expected to remain at the forefront of strategic risk management for organizations. Insurers will continue to refine their approach to underwriting, pricing, and coverage, focusing on regulatory compliance, litigation trends, and technological disruption. The following sections highlight key trends and considerations that will shape the risk environment in the months ahead.

### D&O

Governance protocols and financial performance are the two leading areas of D&O underwriting scrutiny. More bankruptcies (the highest since 2010) will likely have underwriters questioning debt levels and cash flows. Underwriters will also question the impact of AI on business operations and stakeholder disclosures.

Tariff-related uncertainties will also continue. A major stock market correction that results in a spike in securities claims, or an increase in bankruptcies among larger companies or financial institutions, could embolden D&O underwriters to increase premiums.

Large healthcare organizations ($1B+ in revenue) may see a push for higher-than-average premium increases from leading insurers.

### EPL

EPL claim defense costs will likely continue to rise, especially in regions with economic turmoil or workforce reductions. Wrongful termination and discrimination claims may increase, prompting carriers to adjust retentions and coverage terms.

Organizations should review employment policies and ensure compliance with evolving labor laws. Remote work arrangements add complexity to HR practices, which could inflate risk. Some states may seek to take on traditionally "federal roles" that were previously overseen by the EEOC.

### Fiduciary Liability

Recent legal decisions will continue to shape underwriting and claim trends, particularly around prohibited transactions and plan governance. Organizations should anticipate closer scrutiny of retirement and benefit plan documentation and consider benchmarking governance practices against industry standards.

### Crime (Fidelity)

Social engineering and cyber-enabled fraud exposures will continue, with carriers maintaining sublimits and requiring robust controls. Excess social engineering coverage is available for organizations with favorable risk profiles. Organizations should align crime and cyber policies (both of which typically provide social engineering coverage), clarify coverage triggers, and review incident response protocols to address emerging threats.

### K&R

Crisis response and risk assessment services will continue to be in demand due to geopolitical instability and regional conflicts. In response, carriers may refine their underwriting criteria to more precisely assess and differentiate risk levels. This refinement could enable insurers to offer a broader range of tailored coverage options — such as modular endorsements or enhanced limits — for organizations that meet specific security or preparedness standards, even in high-risk regions.

### E&O

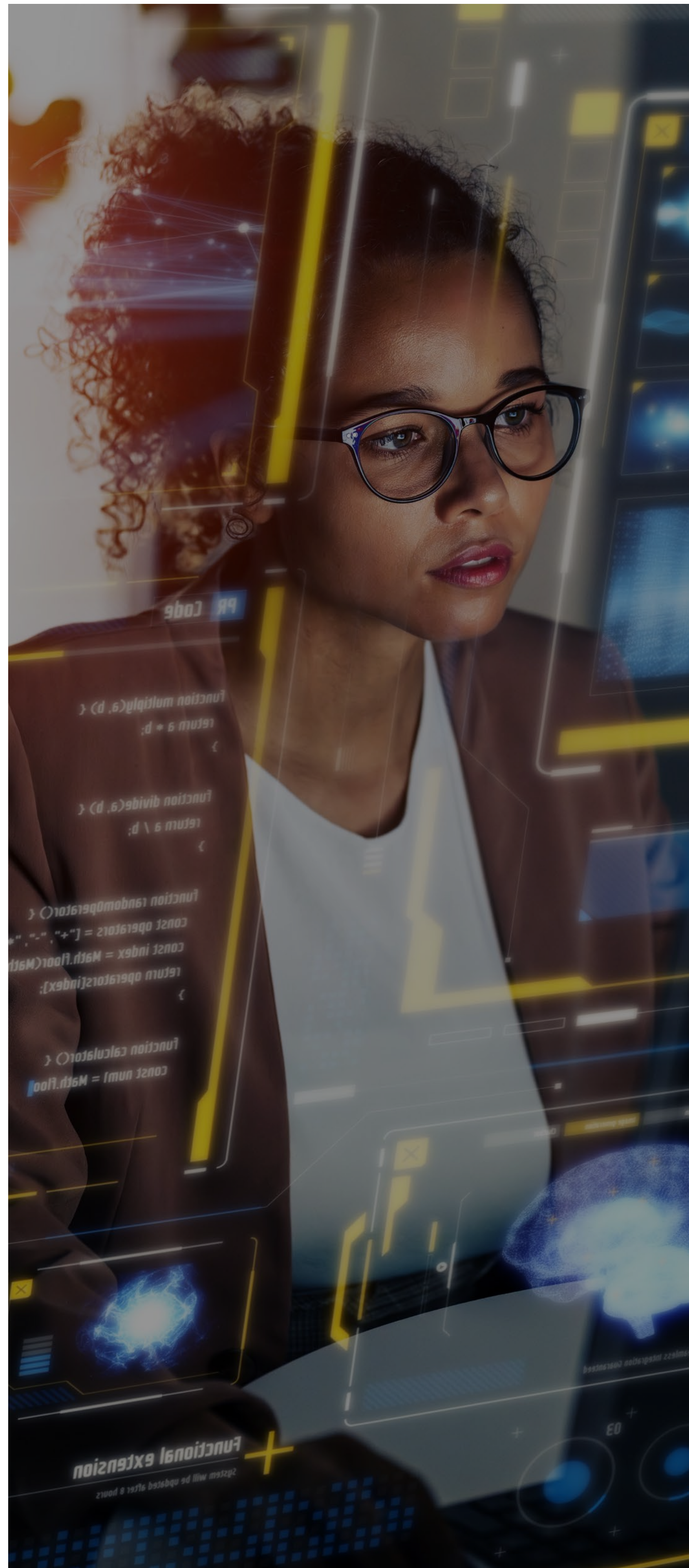
AI-related risks and cross-border service delivery may prompt carriers to update coverage terms and exclusions, particularly for professional services, consulting, and technology firms. Professional services firms should monitor regulatory developments and invest in risk management strategies to address evolving exposures. This will likely result in modest increases for some firms.

### RWI

Transactional risk insurance will remain competitive, but carriers will likely respond to increased claim frequency and regulatory scrutiny by tightening terms and requiring enhanced due diligence. Organizations should prepare for more rigorous underwriting and consider alternative risk transfer solutions for complex transactions. An increase in M&A activity could also cause underwriters to become more selective.

### Cyber/Technology E&O

Cyber insurance should remain competitive, but insurers will continue to demand adherence to critical security controls and best practices, especially in response to rising ransomware and business email compromise (including social engineering) incidents. Organizations should monitor regulatory changes, invest in security enhancements, and prepare for increased scrutiny during renewal negotiations.



# How USI Can Help

## For All Lines:

- Start the renewal process early (at least 120 days prior to expiration).
- Prepare a risk profile analysis and review it to determine perceived (by underwriters) strengths and weaknesses.
- Set appropriate and realistic expectations based on risk profile.
- Use analytical tools, including benchmarking, to determine an optimal program structure (limits, retention, amount of dedicated Side A coverage).
- Evaluate captive solutions, where appropriate.
- Market all layers and access multiple insurer channels and marketplaces (geographies).
- Negotiate coverage grants and navigate coverage restrictions via USI's proprietary solutions.
- Ask primary insurers for options, including multiple retention options.
- Opine on the historic claims-paying performance of current and prospective insurers.

## D&O Liability

- Encourage reducing governance risk by:
  - Establishing and maintaining sound board and committee reporting protocols.
  - Making sure that boards closely monitor mission-critical operations and risks, particularly cyber-related risks.
  - Instituting tests to see how effective a board's oversight governance is performing.
  - Encouraging the addition of federal forum selection clauses to organizing documents, specifying that the federal court is the exclusive jurisdiction for litigation brought under applicable securities laws.
- Prepare organizations for tariff-related underwriting questions, focused on:
  - Financial impact, including impact to retirement and benefit plans.
  - Operational impact, including reductions in force.
  - Governance-related risks, including disclosures and guidance to investors.
  - Preparation for cyberattacks from countries most impacted by tariffs.
  - Preparation for social engineering fraud attempts that use tariff-related topics as a hook.
  - Impact to M&A plans.
- Detect and reject tariff-specific exclusions, if proposed.
- Monitor any capacity (limits offered) reductions by insurers.

For additional information, contact your USI representative or email us at pcinquiries@usi.com.

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# Industry Updates

**Our industry experts offer insights into current trends, challenges, and developments across various sectors to guide you in making informed decisions.**

## Agriculture

- **Climate volatility modeling:** Insurers are deploying advanced climate models to assess drought, flood, and wildfire risks, enabling more precise underwriting and parametric coverage. This leads to fairer pricing and more tailored coverage. It also enables faster, simpler payouts through parametric insurance, which pays based on specific climate triggers rather than traditional claims processes.
- **Supply chain risk mapping:** Disruptions in agricultural exports are prompting insurers to offer risk maps and contingent business interruption coverage.

## Architects & Engineers

- **Rising claim severity and social inflation:** Insurers are concerned about claim severity and, as a result, are increasing rates for errors and omissions (E&O) coverage.
- **Emerging risks from technology and project delivery methods:** Evolving technologies and project structures are introducing new exposures, including AI tools and design-build/progressive design-build.
- **Coverage limit pressures and capacity constraints:** As project sizes and complexity grow, firms are being asked to carry higher professional liability limits. However, insurers are tightening underwriting standards, and capacity is limited.

## Aviation

- **Capacity and competitive market dynamics:** Aviation market capacity will remain high with competitive pricing through 2026, thanks to new carrier entrants. Buyers with strong risk profiles and loss histories can expect premium savings and better terms, while carriers will still be selective with higher-risk accounts.
- **Claims costs and social inflation:** Higher claim costs from more accidents, supply chain disruptions, and inflation will lead underwriters to tighten loss tracking and revise pricing. Social inflation will continue to affect liability coverage terms and capacity.
- **Technological integration and risk assessment:** AI, telematics, and flight data systems will become more common, allowing underwriters to predict risks more accurately and encourage safety. Aviation buyers should anticipate more requests for operational data as carriers use technology to stand out and enhance underwriting.

## Construction

- **Tariff-driven cost inflation:** Replacement cost increases due to tariffs on imported materials are reshaping property valuations and builder's risk pricing.
- **Third-party-funded auto liability claims:** These claims are driving up insurance costs by fueling larger settlements and prolonged litigation, especially for companies with large vehicle fleets. This has led to higher premiums for auto and umbrella liability coverage, with some carriers pulling back capacity or tightening underwriting terms. To mitigate these impacts, construction firms are adopting tailored risk control strategies, restructuring coverage and limits to reflect actual exposure, and exploring alternative risk financing methods such as large deductible plans with aggregates, which have shown measurable savings.
- **Project delay insurance:** Coverage for delays due to supply chain or labor shortages is expanding, with dynamic pricing based on real-time project data.

## Distributors

- **Inventory risk analytics:** AI tools are helping distributors model theft, spoilage, and transit damage risks, improving loss mitigation and underwriting accuracy.
- **Cyber-physical convergence:** As warehouses become more digitalized, insurers are combining cyber and property coverage to address risks that span both physical and digital realms — like a cyberattack that disables automated systems

and causes physical damage. For insureds, this bundled approach simplifies coverage, reduces gaps, and can lead to faster, more coordinated claims handling when hybrid threats occur.

- **Fleet risk optimization:** Telematics and predictive analytics are being used to reduce auto liability exposure for delivery fleets. A 100-unit motor carrier using USI's Fleet Safety Program with telematics saw a 61% reduction in auto claims costs and a 52% drop in accident frequency within one year — demonstrating how predictive analytics can significantly lower liability exposure and insurance spend.

## Education

- **Climate resilience and extreme weather response:** As climate volatility intensifies, educational institutions face unprecedented disruptions from wildfires, floods, and extreme heat — risks that were once considered rare. In response, schools are adopting resilience strategies such as heat protocols, mental health support for eco-anxiety, and infrastructure upgrades. Insurers are beginning to reward these efforts with resilience-based underwriting and enhanced coverage options, making this a critical new area of risk management.

- **Campus safety risk mapping:** To respond more proactively, educational institutions and insurers are using geospatial tools to assess risks from violence, natural disasters, and infrastructure failure. For insureds, this enhances preparedness and can support more accurate underwriting and risk mitigation strategies. Insurers may offer premium credits or tailored coverage for institutions that demonstrate robust safety planning.

- **Insurance gaps in study abroad and international programs:** Schools are rapidly expanding international programs — but many are discovering gaps in coverage for political unrest, medical evacuation, and liability abroad. This emerging exposure is prompting insurers to offer bundled international risk products that combine travel, health, and crisis response coverage. For insureds, this provides more comprehensive protection for students and staff overseas while reducing administrative complexity and reputational risk.

## Energy

- **Rising liability pressures demand smarter risk strategies:** Auto and umbrella/excess liability pressures are accelerating in the energy sector, with rising claim severity and shrinking insurer capacity creating new challenges for risk management. These shifts mean higher costs and tighter underwriting, making proactive strategies more important than ever. For energy companies, large fleets and high-hazard operations amplify exposure — so now is the time to explore innovative loss-control solutions and alternative risk financing to secure coverage and protect the bottom line.

- **Dramatic property rate softening is reshaping the risk landscape:** Property insurance rates in the energy sector are softening — sometimes dramatically — creating a rare window for insureds to maximize value. This shift opens the door to expand coverage, enhance program structures, and reduce costs, all while reinforcing protection for high-value assets and complex operations.

- **Power generation projects surge:** The power generation development pipeline is accelerating, driving a wave of construction activity that will dominate 2026. For insureds, this means new exposures tied to complex projects and evolving technologies — making proactive risk planning essential. Energy companies should act now to secure builder's risk and project-specific coverage while capacity remains available and pricing competitive.

## Entertainment & Media

- **Private equity disruption in sports:** New waves of private equity and family office investment are reshaping professional and youth sports, introducing operational and liability risks for entertainment and media partners. These deals often move fast, leaving gaps in due diligence and post-acquisition risk controls. Insurers are responding with tailored transactional risk coverage, such as R&W insurance to protect stakeholders.

- **Policy shifts and legal volatility:** The legal environment around sports is rapidly evolving due to NIL rules, abuse verdicts, and government initiatives promoting youth activity. These shifts increase liability for sponsors, media firms, and sports organizations. Insureds are adapting with broader abuse coverage, NIL-specific endorsements, and updated compliance protocols to stay ahead of regulatory change.

- **Technology-driven content and betting risks:** Streaming, AI-generated content, and sports betting platforms are creating hybrid risks involving intellectual property (IP), defamation, cybercrime, and fraud. These exposures are new and growing, prompting insurers to revise media liability policies and bundle cyber and business interruption coverage. Risk managers are adopting these bundled solutions to protect digital assets and manage reputational risk.

## Financial Services

- **Deepfake and synthetic identity fraud:** Financial institutions are seeing a sharp rise in fraud involving deepfakes and AI-generated identities, which are now used to bypass biometric security and impersonate executives. This evolving threat exposes firms to new cyber and crime risks. Insurers are responding with endorsements that address digital impersonation and synthetic fraud, while underwriters are tightening controls around authentication and internal protocols.

- **Tokenized assets and digital custody:** As tokenized securities and blockchain-based assets gain traction, financial firms face new risks tied to digital custody, smart contracts, and regulatory uncertainty. This trend is expanding rapidly as traditional institutions enter the digital asset space. Insurers are offering bespoke coverage for token custody, theft, and compliance exposures, often bundled with cyber and professional liability protections.

- **Climate stress testing and portfolio exposure:** Regulators are now requiring financial institutions to conduct climate stress tests on portfolios, reflecting growing concern over stranded assets and extreme weather losses. This evolving mandate increases reputational and compliance risk for banks and asset managers. Insurers are responding with ESG-focused D&O enhancements and climate risk modeling tools to support disclosure and governance.

## Healthcare

- **Medical malpractice analytics:** Predictive analytics are being used to assess malpractice risk, improving underwriting and loss prevention.

- **Telehealth liability coverage:** As virtual care expands, insurers are updating professional liability policies to include telemedicine risks.

- **Pandemic preparedness parametrics:** Parametric insurance tied to public health triggers is gaining traction for hospitals and care networks.

## Hospitality

- **Improved property insurance market:** The property insurance market continues to soften, with rates and terms improving for most hotels and resorts, though properties with wildfire exposure remain an exception.

- **Social inflation and rising casualty costs:** The casualty market has no signs of softening, as social inflation and rising litigation costs contribute to increased underwriter scrutiny, reduced appetite, and restrictive terms for hospitality risks.

- **Emphasis on safety protocols and procedures:** In today's hospitality insurance market, it's imperative to have robust safety training and preventive measures to address human trafficking, sexual abuse or molestation, and assault and battery concerns.

## Industrial Services

- **Workforce safety tech:** Wearables and IoT sensors are being used to monitor worker safety, reducing workers' comp claims. For one USI client, implementing wearable safety tech and IoT sensors led to a 55% reduction in injury frequency and a 62% drop in total incurred workers' comp claims. This translated into $376,000 in savings over two mature policy years, demonstrating the significant financial impact of proactive safety technology.

- **Environmental liability modeling:** Insurers are deploying scenario models to assess pollution and hazardous material risks. This evolving approach helps underwriters better quantify potential exposures from contaminants like PFAS, mold, or unknown toxins, which are increasingly driving claims. As a result, insureds can expect more tailored coverage options, but also greater scrutiny of historical and current operations, prompting many to adopt proactive risk evaluations and explore alternative risk transfer solutions like captives.

- **Fleet risk optimization:** Telematics and predictive analytics are helping industrial service fleets reduce auto liability exposure. A 100-unit motor carrier using USI's Fleet Safety Program with telematics achieved a 61% reduction in auto claims costs and a 52% drop in accident frequency within just one year. This demonstrates the measurable financial and safety impact of integrating telematics and predictive analytics into fleet operations.

## Manufacturing

- **Supply chain contingency coverage:** Disruptions from geopolitical and climate events are driving demand for contingent business interruption (CBI) insurance. To stay protected, manufacturers should assess their reliance on single-source suppliers, and evaluate whether their current CBI limits reflect the true financial impact of potential disruptions.
- **Cyber-physical convergence risk:** As factories digitalize, insurers are bundling cyber and property coverage to address hybrid threats. Organizations should evaluate whether their current policies leave gaps between cyber and property exposures, and consider integrated coverage that streamlines claims and protects against operational disruptions.

## Marine

- **Market capacity at historic highs:** Capacity has returned to both U.S. and London markets after a multiyear hardening cycle. Combined with a very low U.S. hurricane season, we are seeing rate decreases in hull, marine property and ocean cargo lines.
- **International Group Agreement (IGA) club claim results deteriorating:** The IGA clubs have seen claims increase as a result of severity and inflationary costs. Medical expenses are rising, and large losses such as the Baltimore bridge collapse have affected loss ratios.
- **Excess liabilities lines remain challenged, but some flattening:** Excess liability underwriters continue to be wary about offering coverage in the lower limits (up to $10M). However, rates have flattened, and that trend should continue.

## Professional Services

- **AI liability expansion:** As firms adopt generative AI, insurers are revising E&O policies to address algorithmic risks, including coverage for AI-generated content that may lead to defamation, discrimination, or regulatory violations. Insureds should review their current E&O policies to ensure they include AI-related exposures, and consider implementing internal controls and documentation practices to support defensibility in the event of a claim.
- **Remote work risk mapping:** Professional services firms — such as law, accounting, and consulting — face unique challenges from remote work. Client confidentiality, intellectual property, and compliance requirements make distributed workforces riskier than in other sectors. Insurers are evaluating exposures tied to home offices, including liability for client interactions and heightened data security concerns. Firms must review remote work policies for professional liability implications, implement strong cybersecurity measures, and document home office safety standards. Insurers are adjusting professional liability and cyber policies to reflect these risks, and may offer risk management tools or premium incentives to firms that proactively address them.

## Public Entity

- **Infrastructure deterioration and deferred maintenance risk:** Aging infrastructure and delayed maintenance pose growing risks for municipalities and campuses, especially under budget constraints. Insurers are more vigilant due to rising claims and high-profile failures. Documenting maintenance plans and upgrades can help insureds show risk mitigation, potentially earning premium incentives or enhanced coverage.
- **Litigation funding and social inflation in public sector liability:** Litigation financers are targeting public entities, driving up nuclear verdicts and legal costs — especially in civil rights, employment, and abuse cases. Insurers are tightening terms and raising retentions. Proactive legal protocols and risk audits can help reduce exposure and manage liability.

## Real Estate

- **Technology-enhanced underwriting:** As real estate transactions accelerate, insurers are adopting digital tools to streamline underwriting and meet operators' demand for flexibility. This includes automated data collection, predictive analytics, and real-time risk modeling. For insureds, this means faster quoting and potentially more tailored coverage — but also a need to ensure data accuracy and transparency in submissions.

- **Vacancy risk coverage:** While not new, vacancy-related risks are intensifying due to rising office vacancies and tenant turnover. Insurers are tightening terms — often limiting coverage to 90 days, or excluding certain perils like vandalism or water damage. Insureds should proactively manage building occupancy and maintain safeguards (e.g., heating, alarms) to preserve coverage and avoid exclusions.

- **Smart building cyber policies:** With the rise of IoT-enabled buildings, insurers are bundling cyber and property coverage to address digital vulnerabilities like network breaches or system failures. For insureds, this means evaluating whether their policies cover exposures such as payment system hacks, privacy breaches, and regulatory fines. Coordinating cyber and property policies can help close gaps and reduce uninsured losses.

## Retail

- **Cyber-physical convergence risk:** Retailers face hybrid threats as digital systems (like IoT and cloud platforms) increasingly control physical operations. Cyber incidents can now trigger physical damage and business interruption, creating complex exposures. Insurers are responding with bundled cyber property policies and real-time risk monitoring tools.

- **Social inflation and litigation risk:** Retailers are seeing more high-dollar liability claims due to broader negligence standards and aggressive legal tactics. This trend drives up premiums and increases the need for stronger legal defense and higher coverage limits. Solutions include expanded umbrella policies, captive programs, and proactive claim strategies.

- **Non-payment risk:** Any retail business that grants credit to a customer is exposed to the risk of nonpayment. Businesses typically only insure their physical assets, leaving one of their largest assets unsecured: accounts receivable, which typically represent at least 40% of assets. Trade credit insurance can help protect accounts receivable, strengthen credit management, and safeguard cash flow against customer defaults.

## Social Services

- **Building out excess layers for sexual abuse and molestation (SAM):** Stricter underwriting now requires high attachment points and more complex program structures. This trend is evolving rapidly, with insurers reducing line sizes and demanding peer benchmarking, quota-share layering, and self-insurance to maintain adequate protection. Risk issues include limited capacity, pricing volatility, and the need for tailored submissions that clearly differentiate risk quality.

- **Volunteer risk management platforms:** Digital tools help organizations assess and mitigate risks tied to volunteer activities. Nonprofits face volunteer-related risks, including potential liability for injuries or misconduct, labor law violations, data breaches, and reputational damage. However, opportunities are also available in increased capacity, skill-based contributions, and community engagement. To mitigate risks, organizations should have clear policies, conduct background checks, provide adequate training, secure proper insurance, and avoid misclassifying volunteers and employees.

## Transportation

- **Rising insurance costs and availability:** Insurance premiums for trucking have surged 36% over eight years, driven by increased claim severity and persistent litigation. This trend squeezes margins and makes coverage harder to obtain, especially during a freight recession. Insureds should invest in safety technologies, join industry associations, and document risk management efforts to negotiate better rates and maintain insurability.

- **Economic pressures and freight recession:** The trucking sector is experiencing a prolonged freight recession, stagnant rates, and rising operational costs, compounded by tariffs and regulatory uncertainty. These economic headwinds reduce profitability and limit investment in safety and compliance, which may increase claims.

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## How We Can Help

To help clients navigate complex business challenges, USI shares expert insights and key solutions through our Executive Series. Our cross-functional teams work to provide timely information on new and evolving topics in risk management, employee benefits, personal insurance and retirement. We then share tailored solutions to successfully guide your organization, enhance insurance coverage, and control costs. For additional information and resources, please visit our Executive Insights page: usi.com/executive-insights