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Insurance Marketplace Realities

2026

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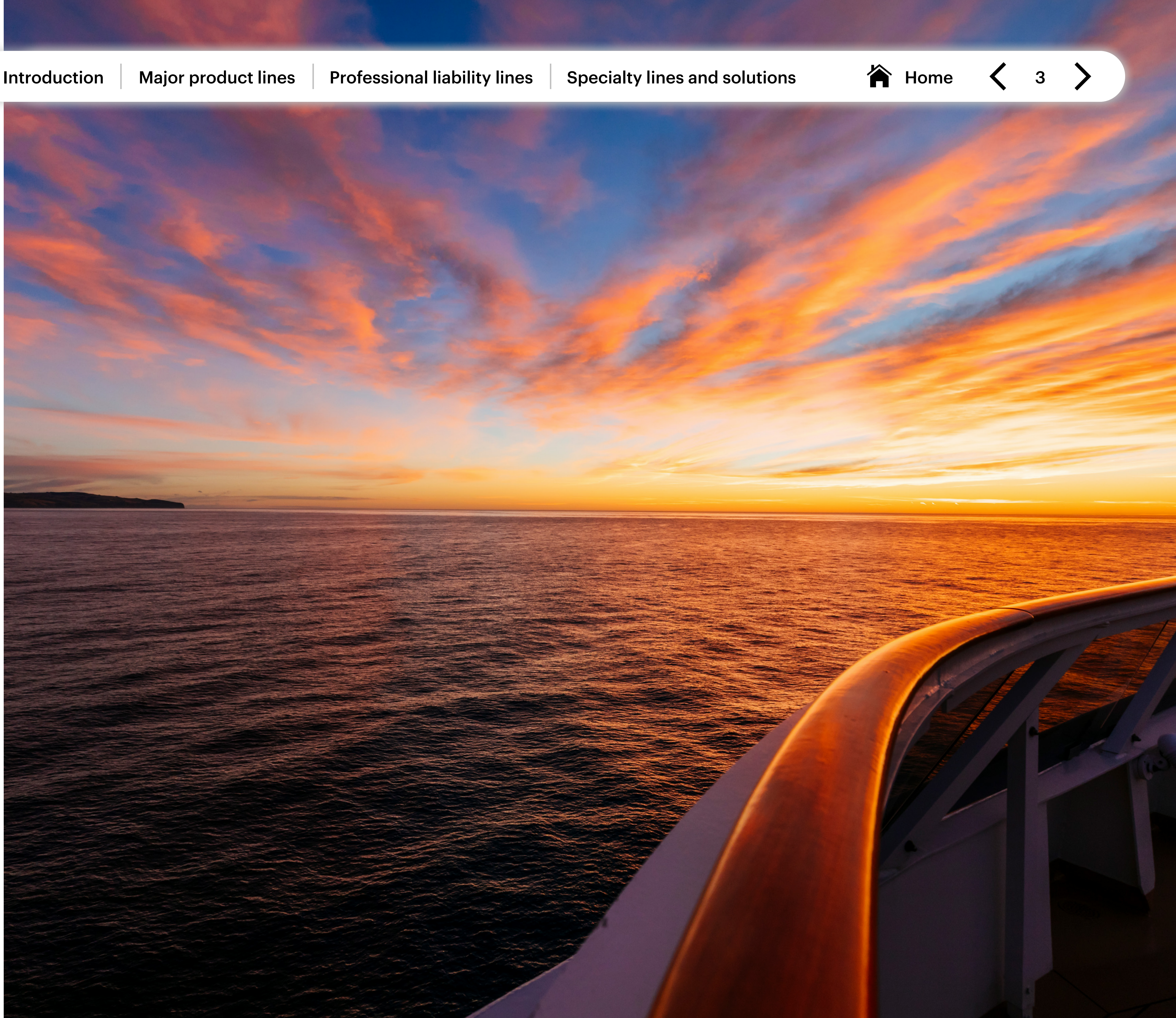
Introduction



Executive summary

As we step into the final stretch of 2025, the commercial insurance industry finds itself at a unique and promising inflection point. After years of navigating volatility — from pandemic fallout to inflationary surges and geopolitical uncertainty — we are now approaching a clear and stable horizon. With capital abundant, technological advancements accelerating and risk insight tools more powerful than ever, the industry is poised for progress.

At the heart of this transformation is artificial intelligence (AI). AI is no longer a vision for the future; it's a force actively reshaping our industry today. From the boardroom to the underwriting desk, AI-enabled tools are unlocking deeper insights, driving more informed decision making and expanding the very definition of insurability.

We see this in emerging infrastructure-supporting data centers, where new insurance products are being tailored to match the scale and complexity of an AI-powered digital world. And we see AI in our own investments — such as Willis,' a WTW business, proprietary Auto Liability Risk Index, seamlessly embedded into our Broking Platform — helping clients quantify auto-risk with more accuracy, speed and foresight.

Equally powerful is the infusion of capital into the market. With industry surplus surpassing $1 trillion and reinsurance capital exceeding $725 billion, there is a strong appetite for innovation. This capital abundance is not just stabilizing — it's energizing. It allows carriers and brokers alike to pursue bold, client-focused solutions.

That's exactly what we aim to do with the launch of Gemini, our global follow facility. Gemini helps mitigate uncertainties — including the often-cyclical nature of risk — by creating consistency and scale in how risk is placed. It is a clear example of how strategic innovation, backed by smart capital, can deliver better insurance products (and capacity) for clients worldwide.

Today, nearly every commercial line of insurance — aside from excess casualty — finds itself in soft-market territory. For buyers, this creates a rare window of opportunity: expanding coverage, enhancing structural positions and reexamining your portfolio through the lens of a broader and more flexible market. It's also a strategic moment to align with markets and partners who are equally focused on building long-term resilience and value.

The horizon is indeed clear — but clarity doesn't mean complacency. The conditions we enjoy today can shift rapidly. A turbulent close to hurricane season, a globally coordinated cyber event, or unexpected financial market disruptions could darken the skies ahead. That's why the opportunity in front of us demands both vision and vigilance.

We invite you to explore this 2026 edition of Insurance Marketplace Realities, where we examine the key risk drivers and market dynamics shaping today's insurance landscape — both at the line of business level and across industries. In this issue, you'll also find timely insights from Harris R. Wiener, Head Coverage Officer for WTW North America, who revisits a fundamental aspect of liability coverage — clearly defining "Who is an Insured." We hope this edition makes things clearer about today's environment and gives you the knowledge to handle it confidently.

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The power of clarity — Why the words matter — Vol. 2

"Who is an insured?"...An important question indeed

"Who is an insured?" is not just a section heading in most liability policies, but also a fundamental question at the heart of an initial coverage analysis. Consideration of what entity or organization an insurer owes coverage to is essential to policy review and analysis of a potential or actual claim. This wording is the proverbial entryway into the four corners of the policy: get it wrong and you are locked out. Yet, subtle policy language differences can impact the answer to the question, who is an insured?

Introduction

In today's corporate environment, it is commonplace for a parent company — often the First Named Insured on a policy — to have a multitude of interrelated subsidiaries and affiliates, many of which are not wholly-owned, including joint ventures and limited liability companies (LLC). These complex corporate structures can make it difficult to discern what entities are insured by a liability policy, especially in light of varying coverage terms and endorsements. And particularly when considering coverage of limited liability companies and joint ventures, policy language must be carefully analyzed and compared to the actual corporate structure to ensure that coverage expectations are satisfied.

Central to the question of coverage is who is seeking it? Essentially, whether "you" are an insured is the first step of claim analysis: does the entity seeking coverage have the right to any coverage at all — that is a question that needs to be answered, even before the specifics of a claim are considered. Without clearing the hurdle of being an insured, a defendant facing a lawsuit cannot seek defense and indemnity from a carrier. Moreover, without confirmed insured status, many entities would be in breach of contractual obligations and would be forced to absorb the cost of claims onto their balance sheet. For these reasons, it is vital for corporate policyholders to analyze their liability insurance program in light of their intricate corporate structure and coverage needs.

Examples of policy language

There is a standard provision in many primary and umbrella liability policies which states, "No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations." This language has two results. First, any partnership, joint venture or LLC that is a separate corporate entity from the Named Insured is not a covered entity. Thus, if claims are asserted against such an entity, the policy will not provide defense or indemnity. And second, even the First Named Insured is not covered for liability arising from the conduct of such an entity. So, if the First Named Insured is sued based on the actions of a joint venture or an LLC, it will not have coverage for its own liability.

However, many policies utilize a "Broad Form Named Insured" endorsement, which are neither listed in the Declarations of the policy nor specifically scheduled by name. Under this endorsement, as long as the elements are satisfied, an entity is a "Named Insured" and entitled to full coverage rights under the policy. But the exact terminology is important. For example, some policies state that the following constitutes a Named Insured:

- Any subsidiary or acquired company or corporation (including subsidiaries thereof) and any other legal entities (including joint ventures, limited liability companies and partnerships) in which:
  a. Any Insured named as the Named Insured on he Declarations Page has more than 50% ownership in; or
  b. Any Named Insured or its subsidiaries have the written contractual responsibility of placing insurance for each such entity; or
  c. Any Named Insured or its subsidiaries exercise management or financial control

Based on the above, any of a., b., or c. satisfy the definition. And c. actually includes two options: management or financial control by a Named Insured or its subsidiaries. Thus, any entity, including a partnership, joint venture or LLC, will be an insured as long as one of these elements is met.

Conversely, some Broad Form Named Insured endorsements look similar to the above, but they in fact require both management and financial control or even management control, financial control and a contractual obligation to place insurance. This is potentially a significant difference, if a legal entity is majority-owned but not managerially controlled by the First Named Insured.

And in fact, some carrier endorsements are even broader, providing Named Insured status to:

- Any organization, partnership, joint venture or limited liability company that has an ownership interest in a scheduled premises or project to which this insurance applies and does not qualify as a Named Insured under [other provisions], but only with respect to liability for such ownership interest in the scheduled premises or project

We can see how much more expansive this language is — an entity that only partially owns a scheduled project or location, even if it is a minority share, is a full Named Insured under the policy. The limitation at the end of the provision above prevents that entity's other exposures from being covered under the policy. So, if this provision is included in a Broad Form Named Insured endorsement, all owners of projects will understand that they are covered for losses arising out of those projects — even if they are minority owners and even if they are not subsidiaries of the First Named Insured.

Potential implications

The failure to secure an expansion of the Named Insured definition can have significant implications, especially for entities where regular operations are not conducted in the name of the First Named Insured parent company. For example, a real estate owner may have a parent Holdco as the First Named Insured, with each property owned by a separate LLC, which LLC is ultimately (that is, indirectly) owned by the Holdco. If the Holdco is sued based on its own alleged fault, there are no issues as the Holdco is the First Named Insured — coverage will be afforded. But, what if the Holdco is sued based on the actions of the immediate property owner LLC? Or, if the immediate property owner LLC is named in the suit? Without a Broad Form Named Insured endorsement added onto the traditional GL policy, and assuming the LLC is not specifically scheduled as a Named Insured, then the base form language will apply: “No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.”

These potential issues go even further when considering the rights afforded to Named Insureds to extend additional insured status by contract. Consider a situation where an LLC agrees by written contract to add one of our clients as an additional insured on the LLC’s general liability policies, which policies typically allow additional insureds to be added where required by written contract with a Named Insured. Our client will be counting on that LLC’s liability coverage to respond with defense and, if necessary, indemnity in the event of a claim. And with the Broad Form Named Insured endorsement, the LLC as a Named Insured has the right to add the client as such an additional insured. However, in the absence of such endorsement, the LLC is not a Named Insured — and thus, it does not have the right to add contractual partners as additional insureds. Our client will not be entitled to coverage from the insurer, which will likely lead to additional litigation. Our client could be forced to sue the LLC for breach of contract, the LLC’s insurer for denying coverage and even the LLC’s parent company for its failure to ensure that the LLC and its contractual partner are covered by the policy. These issues present threats to business continuity, relationships with vendors, clients and partners and increased costs to resolve claims.

These issues were thrown into stark relief in the insurance litigation that arose in the aftermath of the September 11 attack. At issue was whether the commercial general liability policy issued to First Named Insured "World Trade Center Properties LLC" also conveyed Named Insured status on subsidiary LLCs formed to lease the Twin Towers and other World Trade Center buildings. The subsidiary LLCs were obligated, by contract, to provide insurance coverage for various entities, including the Port Authority, which were to be added as additional insureds on the CGL policies. But these subsidiaries were not the First Named Insured and the First Named Insured did not have a contractual relationship with the purported additional insureds. “The issues regarding the Port Authority’s [. . .] insurance status were vigorously litigated in motions and discovery proceedings and at conferences.” *In re September 11th Liab. Ins. Coverage Cases*, 243 F.R.D. 114, 117 (S.D.N.Y. 2007). Ultimately, what controlled the dispute was a Broad Form Named Insured endorsement that listed as named insureds:

- World Trade Center Properties, LLC c/o Silverstein Properties, Inc. and any subsidiary company as now formed or constituted, and any other company over which the named insured has active control so long as the named insured or any subsidiary company has an ownership interest of more than 50% of such company

Id. at 119-120. Because the LLCs were subsidiaries or controlled by First Named Insured World Trade Center Properties LLC, the federal court held that "the Broad Form Named Insured endorsement would give them 'Named Insured' status, which, in turn, would confer 'Additional Insured' status on the Port Authority." *Id.* Coverage was confirmed by the carrier, and ultimately, the court.

Conclusion

As in all insurance coverage issues, there can be daylight between the understanding of the various parties — insured, broker and insurer — and what the actual terms of the policy provide. While the various Broad Form Named Insured endorsements can seem similar at first glance, minor but significant differences can lead to vastly different coverage conclusions. And a policyholder that assumes its corporate structure aligns with policy language without careful investigation could be faced with an unfortunate surprise.

For these reasons, it is important that brokers, policyholders and underwriters have a mutual understanding as to what coverage is intended and what the terms of a liability policy provide as to what corporate entities are designated as insureds. As always, the devil is often in the details and as this segment is titled, the words matter.

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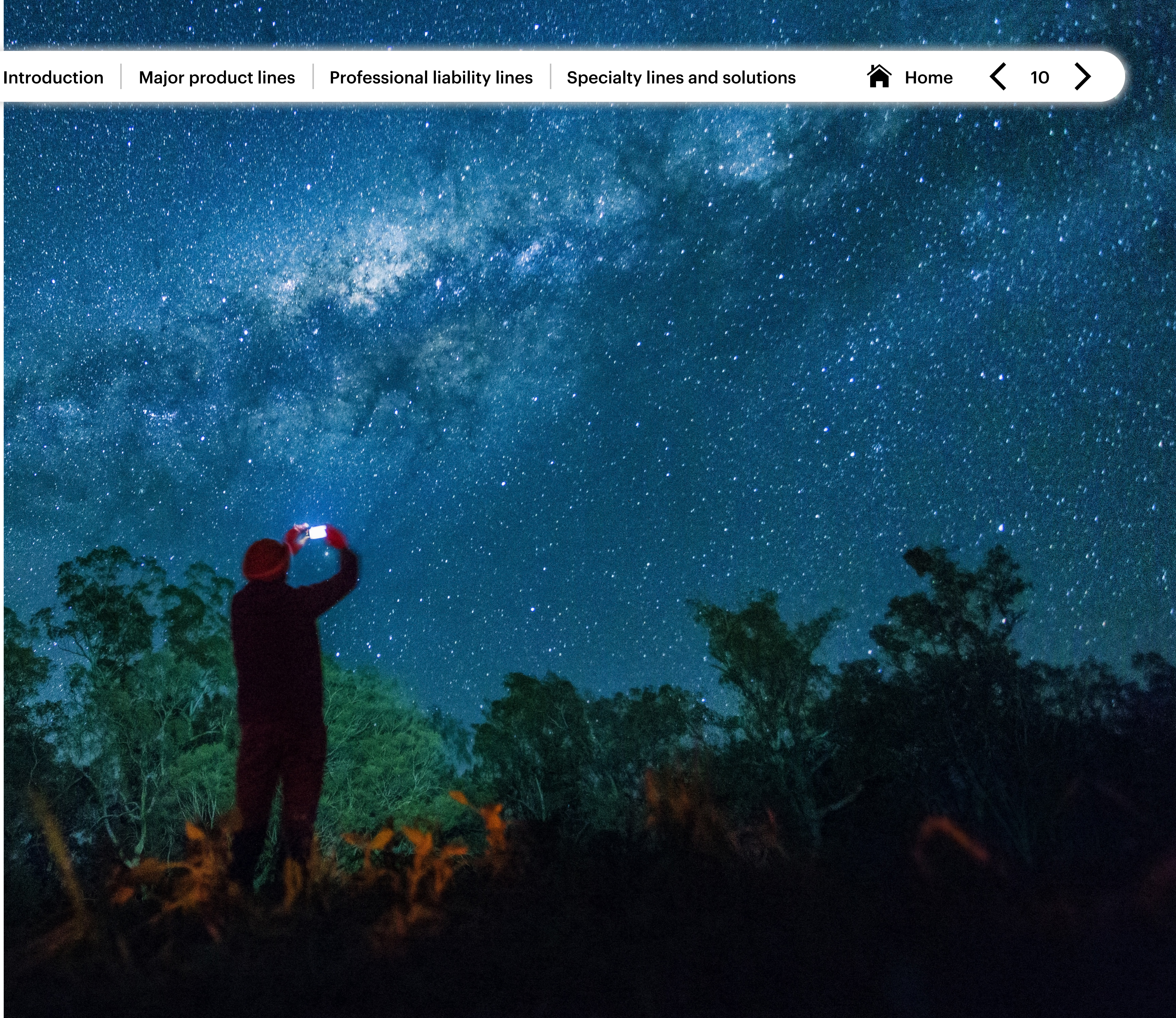
Major product lines



Click each square to go directly to that **major product lines.**

Property

Casualty

Middle Market

Canada

Bermuda

Property

Rate predictions

Non challenged occupancies/Non CAT

–10% to –5%

Single carrier programs

–5% to flat

Challenged occupancies/CAT exposed

–20% to flat

Shared and layered programs

–20% to flat

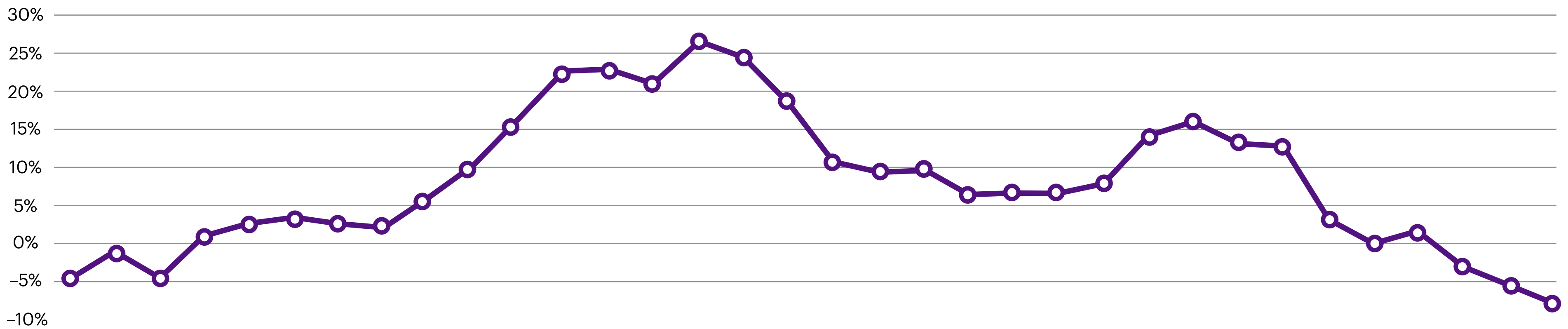
*Individual accounts may experience variable rate changes relative to guidance, depending on specific metrics and the combination of exposure and program structure characteristics.

Property

Key takeaway

Softening market: Rates continue to trend downward, with average Q2 2025 renewal rates declining by 8% compared to a 5.5% decrease in Q1. This accelerating trend is most pronounced for multi-carrier, shared and layered placements. Single-carrier programs are also experiencing increased downward pressure, with the first average rate decrease recorded in several years at –3.77%. The overall market trajectory has clearly reversed from the multi-year challenging period that lasted from Q1 2018 through Q1 2024, as evidenced by the chart below.

Quarterly average (%) rate change



	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Average rate change	–4.8%	-1.2%	-4.6%	0.9%	2.5%	3.3%	2.5%	1.9%	5.9%	10.3%	16.5%	22.6%	22.8%	21%	26.5%	24.4%	18.3%

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Average rate change	10.6%	9.3%	9.5%	6.4%	6.6%	6.5%	7.7%	14.1%	16%	13.1%	12.7%	3.1%	-0.1%	1.5%	-3.2%	-5.5%	-8%

Source: Willis Natural Catastrophe Review: Specialty insights, lessons learned and outlook, January – June 2025

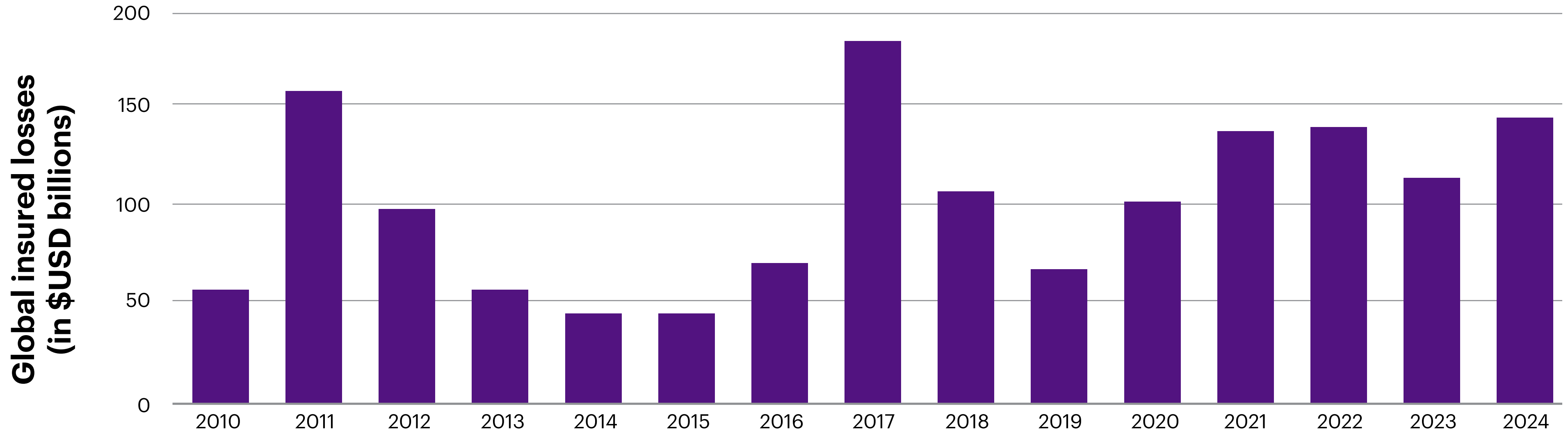
Risk appetite: Insurers can be leveraged to expand capacity, lower deductibles, increase critical CAT limits and broaden coverage through customized manuscript policy language for attractive, broadly marketed and oversubscribed risks and programs.

CAT event impact: The Q3 and Q4 2025 outlook, as well as projections into 2026, remain heavily contingent on the Atlantic hurricane season or other large, unforeseen CAT events. Significant events could quickly reverse the current softening trend.

Property

Key takeaway

Major 2024/2025 CAT events: Approximately $75 billion in combined losses from Hurricanes Helene, Milton and the January Los Angeles wildfires did not slow market competition or the ongoing rate softening trend. Worldwide, insured losses from natural catastrophes now consistently exceed $100 billion per year, as shown in the chart below. Events in 2025 indicate this trend will likely continue for at least another year, with severe convective storms (SCS), wildfires, flooding and freeze events increasingly driving global losses.



Source: Willis Natural Catastrophe Review: Specialty insights, lessons learned and outlook, January – June 2025

Treaty reinsurance: The treaty reinsurance market remains pivotal. Despite major 2024 catastrophe losses, risk-adjusted rates in 2025 softened further, prompting primary insurers to expand coverage. Increased capital from the ILS/CAT bond market heightened competition, boosting direct property capacity expected by Q3 2025. Retail insurers, however, largely failed to secure lower attachment points, increasing exposure outside industry-wide events. These favorable 2025 renewals follow a stabilizing 2024 market — marked by flat to modest rate increases and steady attachments — in sharp contrast to 2023's tighter capacity and steep rate hikes.

Property

Key takeaway

Valuation discipline: Replacement cost inflation has eased significantly from COVID-pandemic highs, with year-over-year increases now in the low single digits or even showing outright deflation, according to key indices referenced in the chart below. Accurate replacement cost valuations, through recent appraisal or valuation studies, remain the optimal tool for determining replacement cost.

Index	2017	2018	2019	2020	2021	2022	2023	2024	2025
ENR — building cost index	3.3%	3.3%	1.74%	3.96%	13.94%	9.4%	2.9%	1.9%	2.8%
FM Global — US industrial buildings average	1.2%	5.2%	1.73%	1.42%	18.40%	11.1%	1%	1%	-0.6%
RSMeans — 30 city average	4.0%	5.5%	2.05%	1.71%	15.83%	12.1%	1.9%	1.3%	0.1%
Marshall and Swift — US Average	2.7% to 3.7%	3.2% to 6.0%	0% to 1.3%	3% to 6.1%	16% to 24.5%	11.1%	1.04%	1.2%	2%

Source: Willis US Property State of the Market, Q2 2025

Risk management: Accurate location data, BI worksheets, business continuity planning and robust CAT modeling and engineering data remain critical to securing optimal capacity and pricing outcomes.

Coverage terms

- Leveraging competitive market dynamics and strong carrier relationships, renewal strategies should focus on expanding coverage and potentially lowering deductibles, as increased competition limits insurers' ability to impose restrictive terms
- Pressure for higher deductibles and reduced coverage persists in wildfire-prone regions following the significant losses from the January 2025 Los Angeles area wildfires
- Margin clause limitations mostly removed (since Q3 2024) except for significantly undervalued assets
- Coverage for properties under construction remains challenging, while communicable disease and cyber exposures remain largely excluded
- Challenging coverages such as SRCC, CBI and service/cloud business interruption are becoming increasingly available

Fall 2025/first half 2026 market considerations

- Insureds must carefully evaluate the trade-offs and future value of maintaining incumbent relationships versus moving to new markets. Long-term incumbents with a record of profitability may reduce volatility at future renewals when losses occur or market conditions change, while new carriers lack legacy premium and relationship history to help smooth rate and coverage fluctuations
- Hurricane season: Above-average activity is predicted; a major hurricane landfall in a highly risk-concentrated region could quickly tighten market conditions
- Tariffs: New U.S. tariffs may affect post loss rebuilding costs and supply chain timelines
- Alternatives to traditional risk transfer: Parametric solutions and captive strategies should remain under consideration to complement traditional placements
- Data quality: Strong submission data is increasingly key to differentiation and securing best terms

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Casualty

Rate predictions

General liability
+2% to +10%

Auto liability
+8% to +20%

Workers compensation
–3% to +2%

Umbrella/Excess
+5% to +20%

Umbrella liability — High hazard/challenged class
+10% to +20%

Umbrella liability — Low hazard/moderate hazard
+7.5% to +15%

Excess liability — high hazard/challenged class
+10% to +15%

Excess liability — Low hazard/moderate hazard
+5% to +12%

Casualty

Casualty factors influencing rate, coverage and capacity

General liability	Auto liability	Workers' compensation	Umbrella liability	Excess liability
• Nuclear verdicts, due to desensitized jury pools and the lack of tort reform, lead to continued increases in the severity of awards • Concern from reinsurers over large loss development • Reinsurer rate forecast is 7.5% to 20% • Carriers are seeing increased litigation involving emerging issues • Carriers are being dilligent about deal structure, which can impact premium outcomes	• Early 2024 estimates from NHTSA suggests the fatality rate from auto accidents continues to decline • Large truck verdicts: 300% increase over seven years • U.S. commercial auto has produced a combined ratio above 100% in 13 of the last 14 years including 108.5% in 2024 • Reinsurer rate forecast is 10% to 30% • Insureds are stressed to take higher retentions on the primary	• Profitable combined ratio to 10 years straight • Aging workforce and new workforce entrants can contribute to claim severity trends • Changing workforce including telecommuters and gig workers • Medicall wage inflation is driving up medical costs • Medical technology advancements are increasing treatment costs and reducing mortality	• Supported leads can often yield more favorable outcomes. 48% of WTW large and complex clients purchase a supported lead • Risk-specific underwriting remains, with more attention being paid to traditionally less hazardous risk • Increased utilization of alternative risk structures, especially with respect to auto exposures • Increased use of reinsurance and self-insurance devices, including captives and co-insurance	• While new capacity has entered the market, overall excess limits deployed continue to shrink as carriers manage overall exposure to loss • New carrier capacity (largely MGA-driven) helps mitigate capacity cuts and drives increased competition in the excess • Insurers remain focused on achieving pricing adequacy for the capacity deployed • Increased use of reinsurance

Source: WTW Q2 2025 State of the Casualty Market

Casualty

Key takeaway

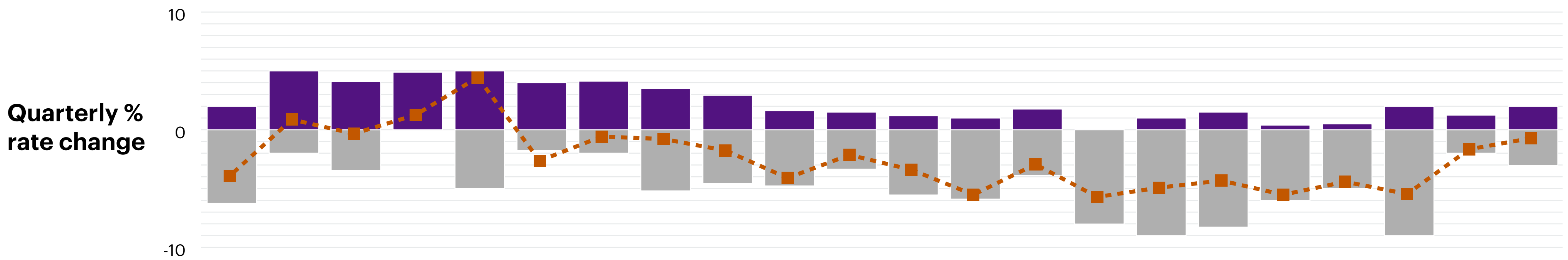
The Fall 2025 Insurance Market Report highlights mixed performance across the casualty insurance sector. While the industry overall improved, ending 2024 with a combined ratio of 96.6% and a $22.9 billion underwriting gain, casualty lines saw continued scrutiny. General liability posted a $14 billion underwriting loss with a combined ratio of 121%, a sharp increase from the previous year. Auto liability also remained unprofitable, though its combined ratio slightly improved to 113%. In contrast, Workers' compensation maintained profitability and helped offset broader liability losses, despite a continued, but slowing, decline in renewal rates.

The second quarter of 2025 saw continued upward pressure on casualty renewal rates. General liability rates rose by an average of 4.4%, with a notable portion of accounts receiving increases above 10%, reflecting growing caution around emerging risks and nuclear verdicts. Auto liability rates surged by 14.9%, marking the 36th consecutive quarter of positive rate movement. Lead umbrella and excess liability lines also remain firm, with average rate increases exceeding 12% and with over a quarter of lead umbrella programs experiencing restructuring due to capacity constraints.

Insured are increasingly turning to alternative program designs to manage rising costs and limited capacity. These include buffer policies, quota-share retentions, captive layering and other structured risk transfer strategies. The market is becoming more selective, applying pricing pressure even to traditionally lower-risk profiles. Litigation trends continue to drive costs, with tort expenses growing at an annual rate of 8.7%, outpacing GDP growth. Reinsurance rates have risen significantly and insureds are relying more heavily on Bermuda and London markets for coverage, as well as the utilization of broker-led facilities.

Emerging risks such as PFAS, glyphosate, talcum powder, sexual assault and molestation claims, pandemic-related exposures, wildfires, traumatic brain injuries and mass tort litigation are contributing to higher rates and reduced coverage availability. Entities in these sectors often face structural program changes and increased retentions. Additionally, trade policy developments, including tariffs, are expected to further disrupt supply chains and increase liability costs. Overall, the market remains challenging, with a clear divide between standard and high-hazard risks.

Workers' compensation

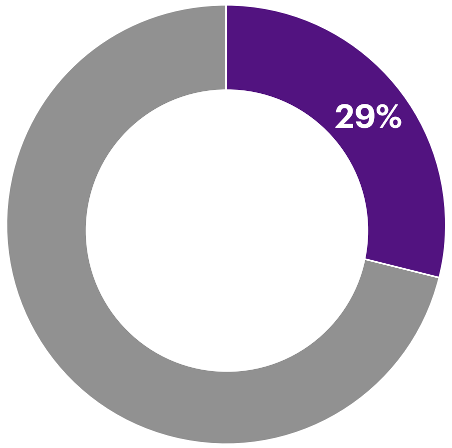


	Q1–20	Q2–20	Q3–20	Q4–20	Q1–21	Q2–21	Q3–21	Q4–21	Q1–22	Q2–22	Q3–22	Q4–22	Q1–23	Q2–23	Q3–23	Q4–23	Q1–24	Q2–24	Q3–24	Q4–24	Q1–25	Q2–25
75th Percentile	2.00	5.00	4.10	4.89	5.00	4.00	4.13	3.50	2.93	1.63	1.50	1.20	1.00	1.76	0.00	1.00	1.50	0.40	0.51	2.00	1.25	2.00
Worker's Compensation	−3.89	0.89	−0.32	1.29	4.46	−2.62	−0.56	−0.77	−1.75	−4.08	−2.12	−3.38	−5.50	−2.92	−5.69	−4.90	−4.30	−5.50	−4.40	−5.44	−1.64	−0.7
25th Percentile	−6.25	−2.00	−3.47	0.00	−5.00	−1.78	−2.00	−5.20	−4.58	−4.78	−3.36	−5.55	−5.90	−3.90	−8.02	−9.00	−8.28	−6.00	−5.00	−9.00	−2.00	−3.03

Source: Willis C.I.A data

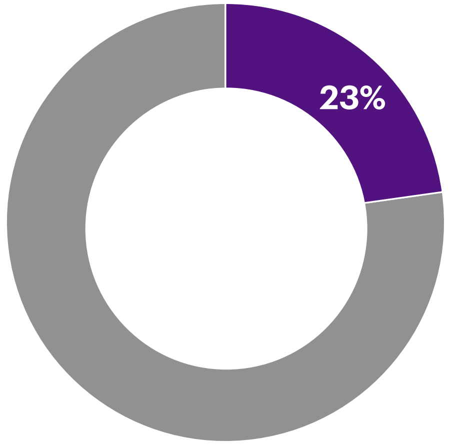
Workers' compensation continues to be a standout performer in the casualty insurance landscape. Willis' loss-sensitive clients have experienced 16 consecutive quarters of rate decreases, with an average reduction of –0.7% in Q2 2024 and further declines anticipated into 2025. This prolonged soft market is underpinned by strong underwriting results and reserve redundancy, but emerging pressures — such as medical inflation and interest rate shifts — could signal a turning point depending on the regulatory environment.

Market performance and profitability continues to show strength with combined ratios in 2024 of 86%, marking the eighth consecutive year below 90%. Net written premiums have declined by 3% in 2024, driven by rate reductions despite payroll growth. Reserve strength for the industry maintains a $16 billion reserve redundancy, reinforcing the financial health of the workers' compensation market.
In Willis' recent data, 29% of renewals went to market.
Of the 29%, 23% of those renewals moved carriers, signaling a small percentage of carrier changes occurring.



Programs going to market

29% of Q2 2025 WC programs went to the market, slightly up from the Q2 2024 total of 28%. The 5-year average (Q2 2020 – Q2 2025) is 28%.

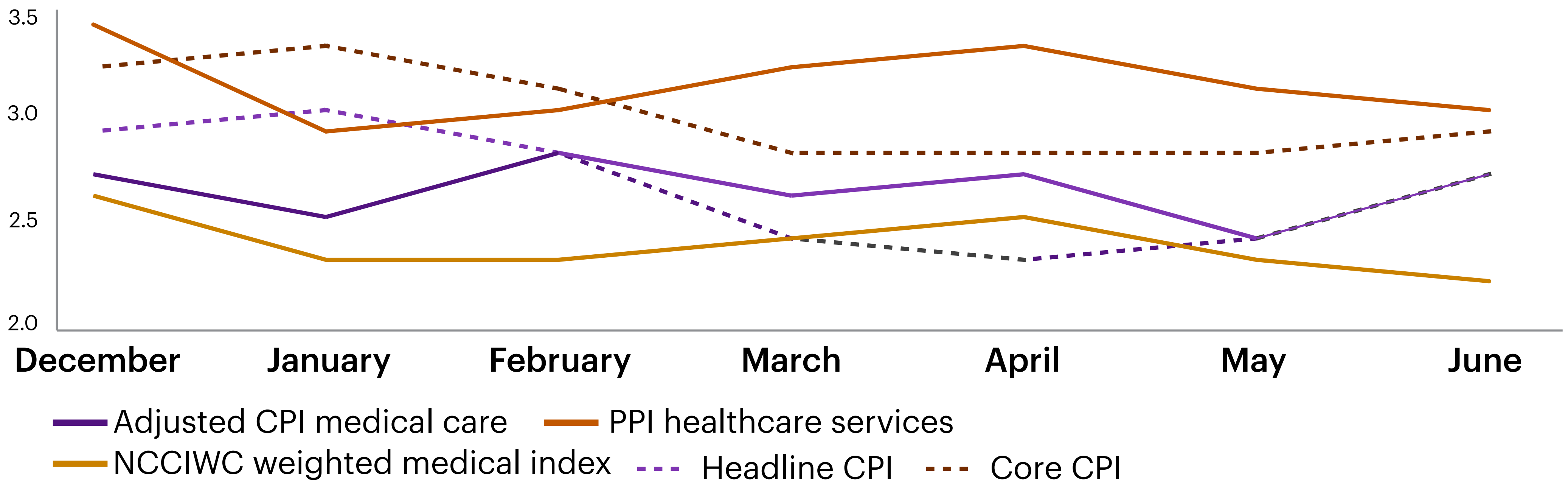


Marketed programs that moved

23% of Q2 2025 WC programs moved from incumbent carrier when marketed, down from the Q2 2024 total of 32%. The 5-year average (Q3 2020 – Q2 2025) is 27%.

Source: NCCI Metrics

Medical inflation



Source: NCCI medical inflation insights July 2025

NCCI's July 2025 Medical Inflation Insights report highlights medical price growth decelerated to 2.2% Q2 2025, with a 2.3% increase in its weighted medical price index for 2024, compared to 2.9% in 2023. Medicare and Medicaid physician care price changes have been smaller in 2025, contributing to slower growth in the largest area of workers' comp medical spend. They have forecast a 2.6% price increase for 2025, while CPI continues to decelerate to 2.7% in July 2025, suggesting continued softening. In the most recent CPI report, "medical services" saw a marginal increase to 3.5% among core services, contributing to the overall core CPI rise. As the impact of tariffs on medical equipment and drugs is unknown, these may push prices higher later in the year, potentially adding pressure to medical inflation.

Investment returns

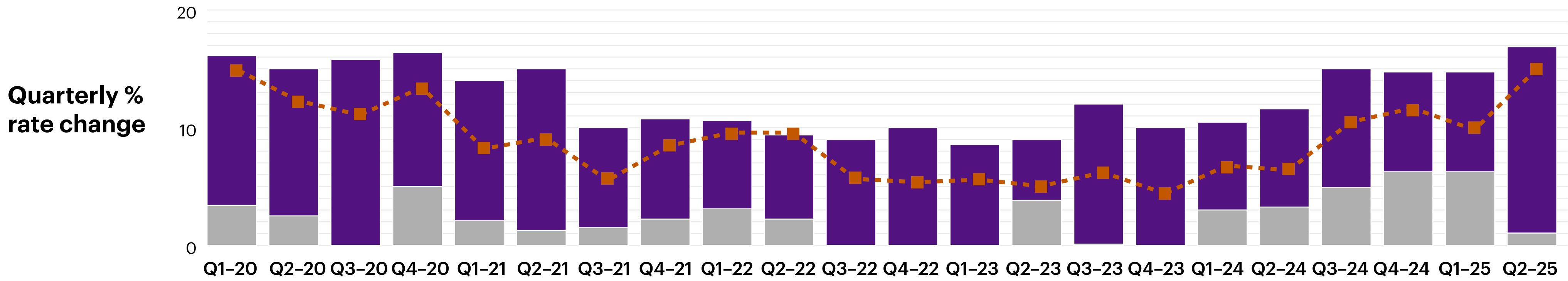
Workers' compensation investment gains on insurance transactions (IGIT) reached 9% in 2023, outperforming the broader P&C industry average of 8%.

The federal government reaffirmed its plan for two rate cuts in 2025, targeting a federal funds rate of 3.75% to 4% by year-end. In a recent speech in Jackson Hole, Federal Reserve Chairman, Jerome Powell suggested a deviation from their 2% inflation target, signaling potential rate cuts in the near future, which could impact the long-tail nature of workers' compensation costs. The anticipated interest rates for the remainder of 2025 may be lower than 2023 levels, however, they remain attractive for insurers managing longer-tail liabilities.

Outlook

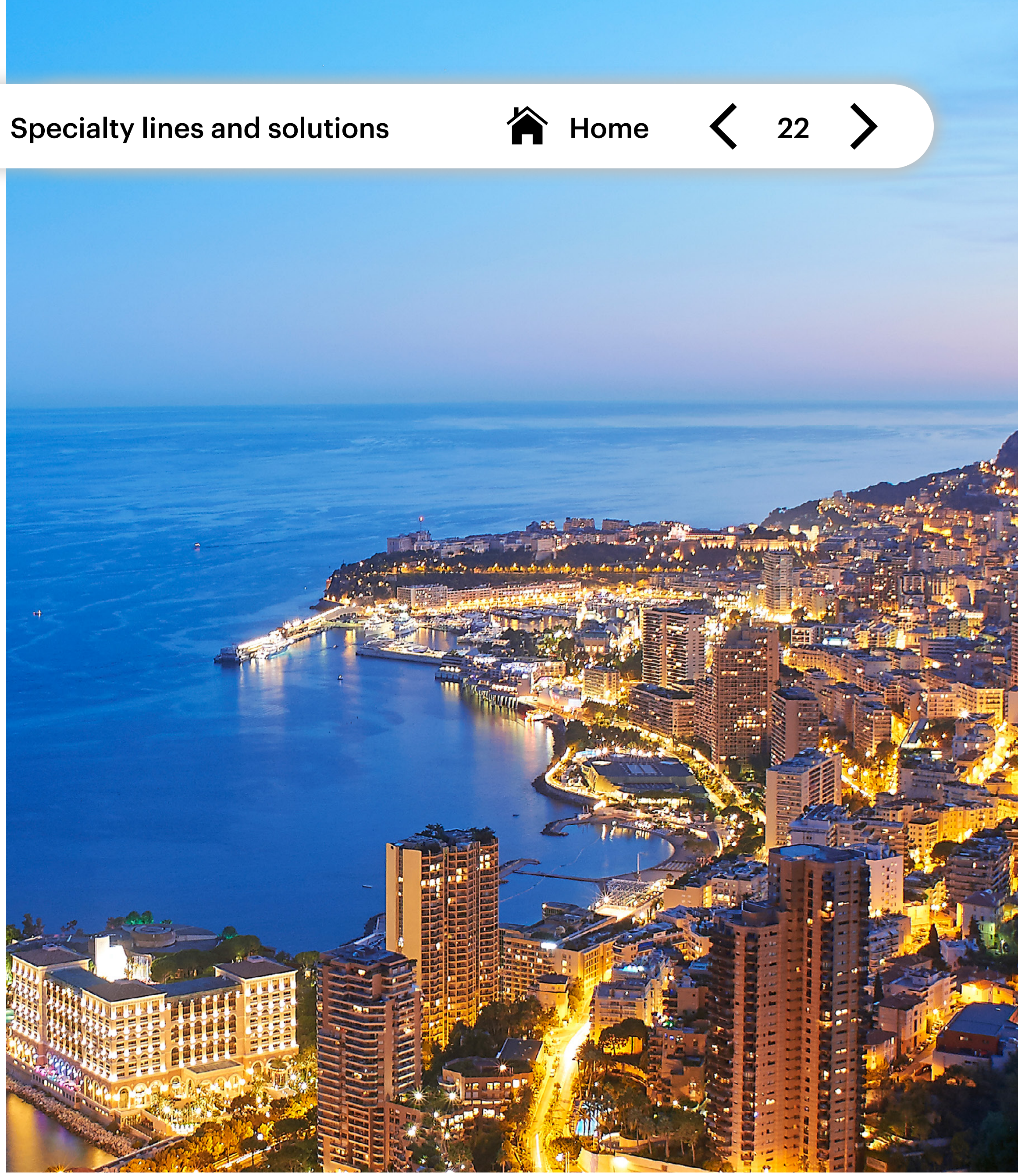
While the third-party liability landscape continues to see challenges, workers' compensation remains the most profitable line in the P&C sector and has been a stabilizing force to help insurers manage their overall casualty portfolio. Continued rate reductions may compress margins, and external factors such as inflation, interest rates and geopolitical risks could shift the dynamics. The "anchor" of workers' compensation continues to assist in managing overall rate changes from the pressures of the liability lines of coverage.

Auto liability



	Q1–20	Q2–20	Q3–20	Q4–20	Q1–21	Q2–21	Q3–21	Q4–21	Q1–22	Q2–22	Q3–22	Q4–22	Q1–23	Q2–23	Q3–23	Q4–23	Q1–24	Q2–24	Q3–24	Q4–24	Q1–25	Q2–25
75th Percentile	16.13	15.00	15.80	16.39	14.00	15.00	10.00	10.75	10.60	9.38	9.00	10.00	8.55	9.00	12.00	10.00	10.45	11.60	15.00	14.73	14.73	16.88
Automobile liability	14.99	12.30	11.10	13.44	8.23	9.16	5.54	8.50	9.60	9.60	5.67	5.39	5.60	5.05	6.22	4.43	6.80	6.40	10.50	11.68	9.84	14.96
25th Percentile	3.39	2.50	0.00	5.00	2.09	1.25	1.50	2.23	3.10	2.23	0.00	0.00	0.00	3.83	0.10	0.00	3.00	3.25	4.90	6.25	6.25	1.04

Source: WTW Q2 2025 state of the casualty market



The commercial auto liability marketplace is under sustained pressure, with the 2024 combined ratio reaching 113%, signaling deep, persistent unprofitability. This marks the 36th consecutive quarter of unprofitability, with the average rate for Q2 being +14.9%. While claim frequency has remained relatively stable, severity is surging at 8–12% year-over-year, driving overall loss costs upward. Bodily injury settlements are rising sharply, reserves are tightening and nuclear verdicts/jury awards exceeding $10 million are becoming increasingly common. These outsized verdicts have reshaped claims dynamics, forcing insurers to reassess reserving strategies, settle more aggressively and pursue significant rate increases. Simultaneously, catastrophe losses from weather events regularly surpass $100 billion annually, adding volatility to already stressed portfolios.

To offset these pressures, insurers are pursuing double-digit rate filings across multiple states, while written and earned premium growth reflects both inflation-driven pricing adjustments and shifting market appetite. Reinsurance costs have surged in response to loss volatility and social inflation, pushing liability premiums higher and further straining underwriting margins. This challenging market is being reshaped not just by loss experience but also by systemic changes in litigation, technology and economic forces.

Litigation and social inflation are core drivers of the current environment. The rise of litigation financing and increasingly sophisticated plaintiff tactics, such as reptile theory strategies, are influencing jury behavior and driving verdict inflation. Extended claim settlement timelines, higher attorney involvement and a cultural distrust of corporations and insurers have all combined to create an environment where multimillion-dollar jury awards are no longer outliers but a growing expectation in major liability cases. As a result, we have seen jurisdictions such as Florida, Georgia and Iowa begin to put Tort Reform bills in place that include regulations to mitigate the socially inflated court rulings.

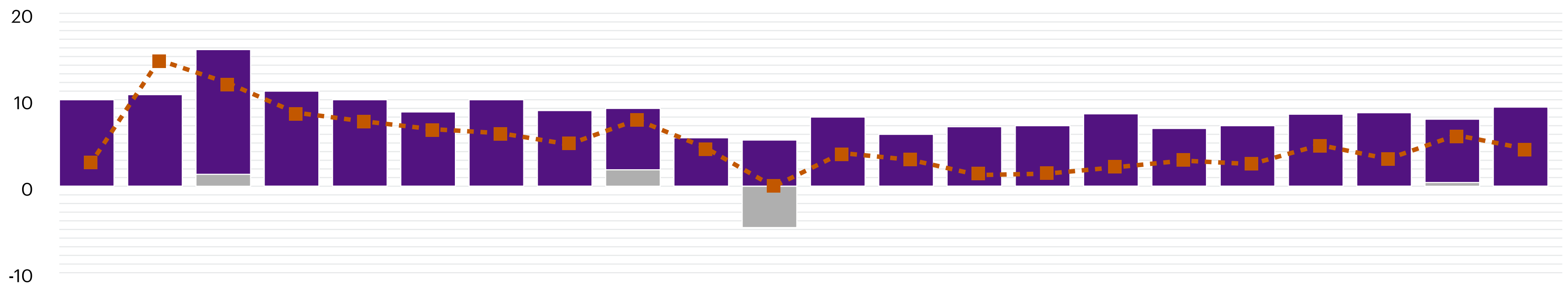
Meanwhile, the vehicles themselves have become more expensive to repair and replace. Advanced Driver Assistance Systems (ADAS), electric vehicle technology and rising manufacturer suggested retail prices (MSRPs) have pushed repair costs up by 20–50%, leading to higher total loss thresholds. Electric vehicles, in particular, introduce unique underwriting challenges, from battery replacement risk to repair complexity and even cyber vulnerabilities. These dynamics compound claims uncertainty and create challenges for carriers trying to price risk accurately. A small but growing trend in this space is the increased use of “Usage-Based Insurance” (UBI) Adoption. This telematic driven pricing has been gaining traction in the marketplace as it allows insureds to receive personalized auto premiums based on the driver’s real-time performance and safety.

Macroeconomic conditions have only intensified these headwinds. Inflation in auto parts, labor and medical expenses continues to outpace overall CPI, driving higher loss costs across the board. Increased driver exposure miles, tied to economic growth, add more opportunities for catastrophic accidents, and fatality rates remain elevated compared to pre-2020 levels. Tariffs on imported auto parts, raw materials, and EV batteries are another layer of inflationary pressure, cascading through supply chains and further increasing repair and replacement costs.

Altogether, the commercial auto market is facing a perfect storm of rising claim severity, social inflation, litigation risk and economic pressures. Nuclear verdicts have fundamentally altered the risk landscape, shifting the balance of power in claims negotiations and driving aggressive pricing strategies. As carriers strengthen reserves, tighten underwriting and raise premiums to manage volatility, insureds face a market environment where proactive risk management, safety programs and litigation avoidance strategies are more critical than ever.

General liability

Quarterly % rate change

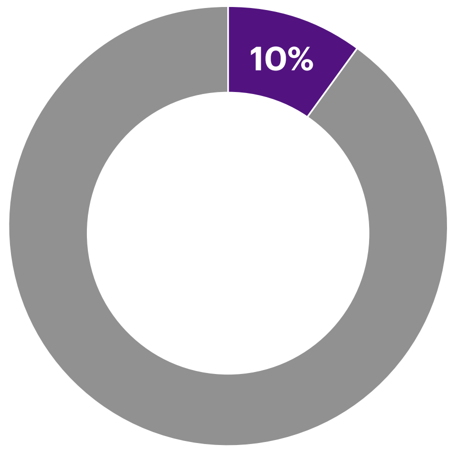


	Q1–20	Q2–20	Q3–20	Q4–20	Q1–21	Q2–21	Q3–21	Q4–21	Q1–22	Q2–22	Q3–22	Q4–22	Q1–23	Q2–23	Q3–23	Q4–23	Q1–24	Q2–24	Q3–24	Q4–24	Q1–25	Q2–25
75th Percentile	10.00	10.59	15.80	11.00	10.00	8.59	10.00	8.75	9.00	5.60	5.34	8.00	6.00	6.88	7.00	8.37	6.68	7.00	8.33	8.50	7.75	9.15
General liability	2.68	14.63	12.00	8.55	7.54	6.64	6.17	4.88	7.72	4.50	0.00	3.87	3.10	1.33	1.49	2.22	3.00	2.60	4.80	3.20	5.94	4.4
25th Percentile	0.00	0.00	1.38	0.00	0.00	0.00	0.00	0.00	1.90	0.00	–4.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.43	0.00

Source: WTW Q2 2025 State of the Casualty Market

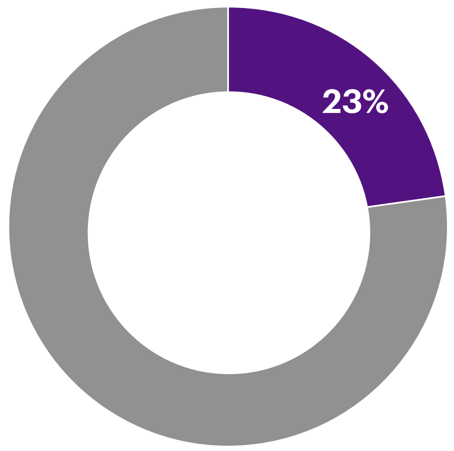
The general liability market remains challenged, with renewal rates averaging +4.4% in Q2 2025 (forecast 2–10%) and reinsurer increases of 7.5–20%. Underwriting losses widened to $14 billion at year end 2024 (combined ratio 121%), driven by nuclear verdicts and third-party litigation funding. Nuclear verdict severity continues to escalate, particularly in product and premises liability, fueling underwriting concern. Carriers are applying stricter underwriting and deal structures, especially around emerging risks such as AI, data privacy, PFAS, social media, consumer products and more. Inflation, tariffs and supply chain volatility further pressure costs, while litigation frequency and severity remain elevated. General liability tends to be marketed along with workers compensation or umbrella liability in an effort to find coordinated solutions.

Since the January 2025 tariffs announcement, client exposure changes have largely mirrored the 2024 trends – 20% of clients had no change to exposures, 46% saw an exposure increase, and the remainder had exposure decreases despite the new tariffs. 24% of clients across all industries experienced exposure increases under 5%. In 2025 year-to-date (YTD), the majority of exposure changes have not yet been drastic in any direction or in any industry. For instance, manufacturing clients alone saw only a 5% exposure increase on average in 2025.



Marketed programs that moved

10% of Q2 2025 GL programs, moved from incumbent carrier when marketed, down from the Q2 2024 total of 33%. The 5-year average (Q3 2020 – Q4 2025) is 24%

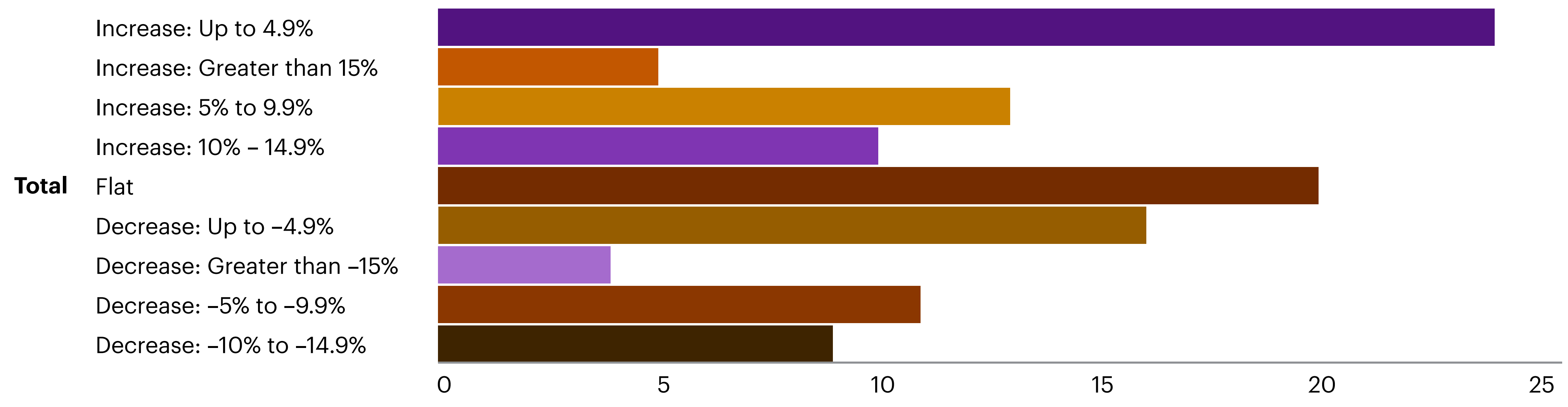


Programs going to market

23% of Q2 2025 GL programs went to market, down from the Q2 2024 total of 30%. The 5-year average (Q3 2020 – Q2 2025) is 29%

Source: WTW Q2 2025 State of the Casualty Market

2025 YTD GL exposure change



Source: WTW Q2 2025 State of the Casualty Market

Section 230 (Law shielding internet companies for third-party content liability)

Changes to legislation and statutory requirements can have an impact on general liability claims, as we have recently seen with the passage of amendments to the Illinois Biometric Privacy Act. The evolving legal landscape surrounding media platforms is drawing increasing attention, especially in areas such as intellectual property infringement, user-generated content and algorithmic influence.

Section 230 was originally enacted as part of the Communications Decency Acts of 1996. It generally prohibits treating the provider of a computer or internet service or platform as the publisher or speaker of information on that platform. Thus, it shields companies from liability for third-party content. However, recent cases have cast some doubt about the strength and future of Section 230. At the federal level, the U.S. Supreme Court has so far declined to narrow Section 230 through prior case rulings, most of which have been decided on other grounds. However, in 2024, two Justices indicated interest in revisiting the law and implied that Section 230 should not offer sweeping protection for platforms. Additionally, there are signs that momentum is building in the lower courts and at the state level. For instance, the Third Circuit Court of Appeals reversed dismissal of a claim based on dangerous content an internet company recommended to a minor user via its algorithm. The court held that the claims were not precluded by Section 230. Additionally, in August 2025, Minnesota joined roughly 23 other states in bringing suit against social media companies alleging that their algorithms are curated to young users and constitute deceptive trade practices and consumer fraud.

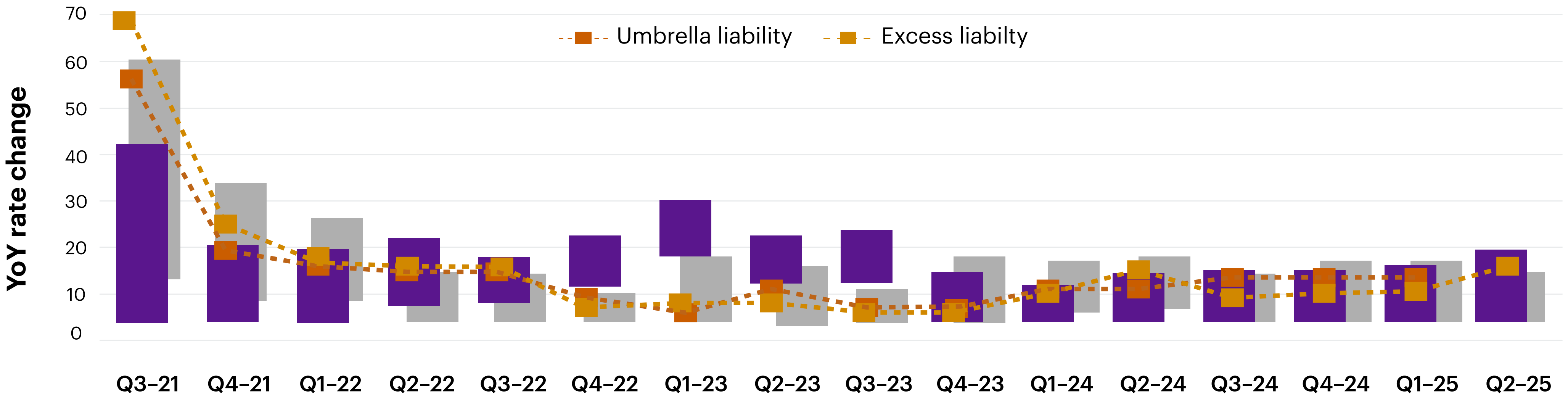
These developments portend a potential avenue for claims, which were previously closed. In the case of social media companies, their platforms and their algorithms are largely their business and their product. If statutory developments clear a path forward for liability exposure, it could have grave implications for general liability risk. Lawsuits and discussions around legislative changes will continue to be closely monitored.

Intellectual property update

Separately, organizations and individuals are pushing back against AI training methods that rely on copyrighted material to fuel innovation. Tech firms argue that such use is essential for advancing AI capabilities, but companies, unions, artists, writers and performers are calling for legal frameworks that ensure licensing, attribution and fair compensation when copyrighted content is used for AI training, generation and review. Most recently, two major production companies filed a copyright lawsuit in California's District Court against an AI image-generation tool, alleging it produced unauthorized depictions of their proprietary characters. The case focuses on output-based infringement, marking a significant development at the intersection of AI and intellectual property law.

While CGL policies may offer limited protection for advertising related IP claims, they typically exclude direct infringement such as copyright, trademark or trade secret violations. Some insurers have introduced policy wording that further restricts or eliminates coverage for these risks. In light of rising litigation and regulatory pressure, businesses using AI should evaluate their exposure, protections, checks and balances regarding their operations and the materials used.

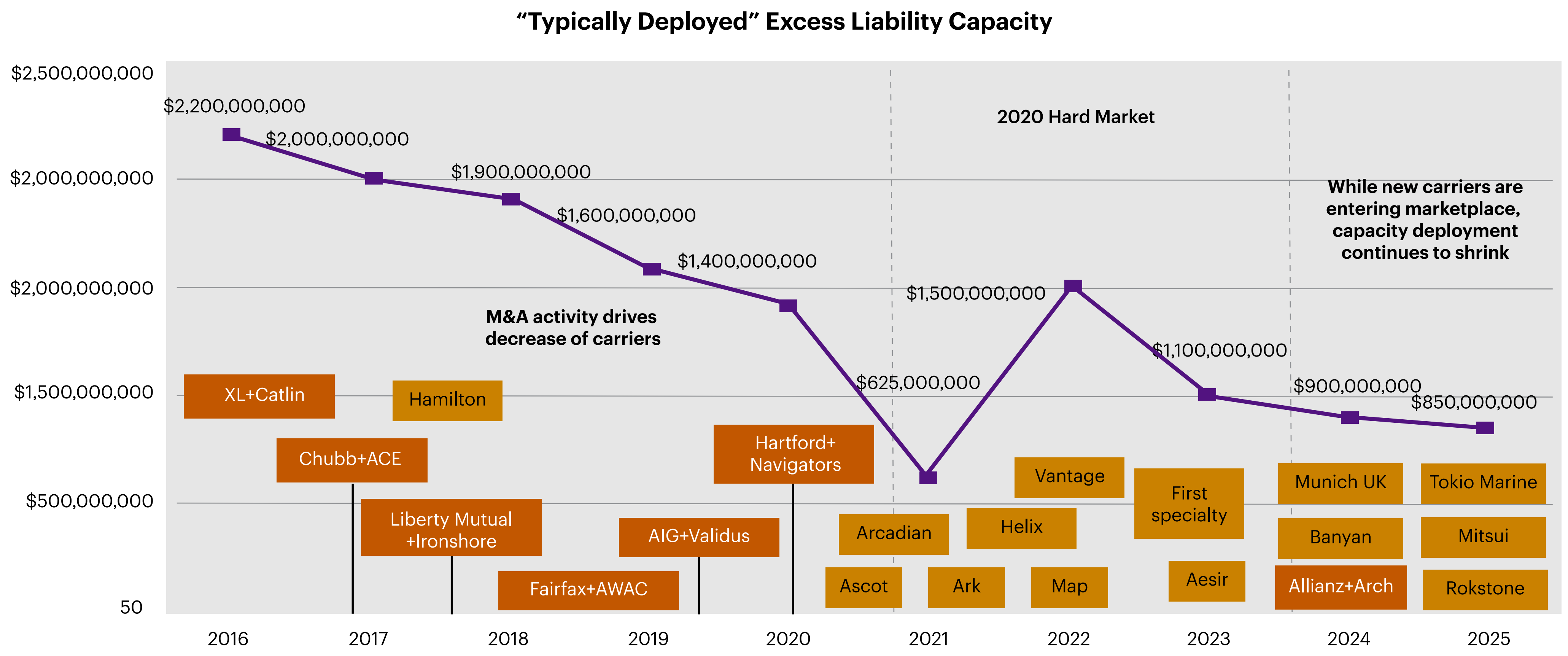
Umbrella/Excess



	Q3–21	Q4–21	Q1–22	Q2–22	Q3–22	Q4–22	Q1–23	Q2–23	Q3–23	Q4–23	Q1–24	Q2–24	Q3–24	Q4–24	Q1–25	Q2–25
UM	12.4	11.5	11.3	4.8	1.8	6.1	3.5	2.2	4.5	5.0	7.8	8.8	9.9	9.5	6.6	13.1
XS	13.9	12.3	12.6	2.3	–3.2	3.9	3.3	2.8	5.4	4.5	7.0	12.9	6.0	8.8	8.7	13.0

Source: WTW Q2 2025 State of the Casualty Market

- Despite almost 20 quarters of sustained rate increases, excess casualty capacity continues to shrink, creating gaps in programs. New capacity often demands higher prices in order to participate, driving rate increases even further. The increased frequency of severity claims that we have witnessed in the past decade is driving this pattern. This decrease in excess capacity is necessitating that brokers, clients and carriers develop new strategies and solutions
- **Broker-led facilities** — such as WTW's newly launched GEMINI sidecar facility — provide a valuable source of additional capacity at a time when many large clients face challenges securing sufficient limits to address their loss exposures. While not all broker facilities are structured the same, they are generally designed to deliver efficient, supplemental capacity to the market.



Key takeaways

- The figures above reflect the **maximum "typically deployed" capacity** currently available in the market. This is often lower than a carrier's **theoretical maximum stated capacity,** which has been declining in recent years as insurers reduce limits in response to rising large-loss frequency and ongoing profitability challenges in the excess space
- "typically deployed" capacity is highly dependent on **industry class** — with certain sectors, such as energy and rail, benefiting from dedicated market capacity — and does not reflect what may be available at a "reasonable" market price
- In today's market, carriers generally prefer to **allocate capacity across multiple ventilated layers** rather than deploy their full limit in a single tranche
- While recent years have seen new capacity enter the space — particularly through emerging MGAs — **overall market capacity availability continues to decline**

Source: WTW Q2 2025 State of the Casualty Market

– GEMINI, in particular, offers up to $35M of A+ rated, sustainable, pre-negotiated capacity on an automatic basis through Willis' electronic trading platform — at a cost that is 2.5% below prevailing open-market pricing

- **New capacity/MGAs** — when capacity is restricted or prices are driven up by catastrophic events in the P/C space, new carriers are formed to address a need and an opportunity. After the events of September 11, 2001, for example, market capacity shrunk, but a crop of new insurance companies were formed in its wake. The more recent implementation of capacity restrictions and the COVID-19 pandemic slowed what is usually a fluid market. Despite that slowdown in the emergence of new capital, several new carriers have been formed (Helix, Vantage, Ascot....). The marketplace has also seen two major Japanese insurers (MSIG and TF&M) enter the North American excess liability space. These start-ups as well as the recent wellspring of MGA capacity have offered much needed solutions for those clients purchasing larger liability towers. Traditionally the MGA market was focused on specialty lines such as Architects and Engineers or Special Event insurance, but recent MGA start-ups have focused on the general industry in excess casualty

Clients with supported leads and average limits

Source: WTW Q2 2025 State of the Casualty Market

Supported lead umbrella trends

The popularity of supported lead structures benefit clients and insurers in several ways, leading to a more sustainable insurance mechanism as follows:

Portfolio premium: By writing both the Lead Umbrella and primary liability, insurers benefit from additional premium to pay covered losses.

Coverage and claim concurrency: Clients benefit from having insurer alignment on primary and umbrella placements.

Lead limit capacity: Lead umbrella capacity continues to be deployed strategically and is increasingly tied to overall account penetration, with a focus on supporting primary lines. Since 2015, the average supported lead umbrella limit has declined 43%, dropping from $19.4 million in 2015-2016 to $11 million in 2024-25. In addition, the percentage of WTW large and complex clients that currently purchase lead umbrella liability on a supported basis from the same primary carrier has increased to 48% in 2024-25. This percentage is even higher for those select accounts that are still securing $15 million+ leads.

- **Alternate risk transfer** — ART solutions are important tools for risk managers seeking stability amid market distress

  With traditional carriers pulling back capacity and recalibrating attachment points, ART structures offer clients a way to regain control over their insurance programs. These solutions — ranging from structured auto buffers to captive stop loss and other multiyear structures — allow insureds to smooth volatility, stabilize premium spend, and secure coverage certainty across multiple years. ART also enables tailored program design, aligning coverage with the client's unique risk profile and operational needs, while offering the potential for return premiums in low-loss scenarios.

  The credibility and adoption of ART structures have surged, particularly among organizations facing challenging exposures or adverse loss experience

  Risk managers have been increasingly deploying these solutions to hedge against rate spikes and coverage restrictions, especially in sectors like transportation.

Structured auto buffers such as WTW's StABLE product, for example, are bridging the gap between primary auto liability and lead umbrella layers, offering aggregated limits over multiyear years with built-in volatility protection. Similarly, ART Solutions are being applied to low excess layers and umbrella programs where traditional pricing exceeds sustainable thresholds. As the market continues to harden, ART stands out as a forward-thinking strategy that not only protects balance sheets but also empowers clients to shape their own risk financing future

- **Captive insurance solutions** — as commercial excess casualty markets continue to present capacity challenges, organizations are increasingly turning to captive insurance as a strategic solution. Captives offer a powerful mechanism to regain control — providing flexibility, stability and access to broader risk financing options

  At WTW, we help our clients harness the full potential of captive insurance. Whether through existing captives, protected cell companies or the formation of new entities, our clients are leveraging captives to:

  - Bridge coverage gaps: Address the growing gap between primary limits and excess attachment demands
  - Price consistency: replace an over-priced layer in the tower to control runaway pricing

  From initial feasibility assessments to full operational management, WTW delivers end-to-end captive solutions tailored to your organization's risk profile and strategic goals. For those seeking a streamlined approach, our turnkey protected cell platforms in premier captive domiciles offer a fast, efficient alternative to standalone captives — minimizing administrative burden while maximizing impact

Reserving trends in casualty insurance: Canary or herring? Excerpts from the published article: Reserving Trends in Casualty — By James Sallada

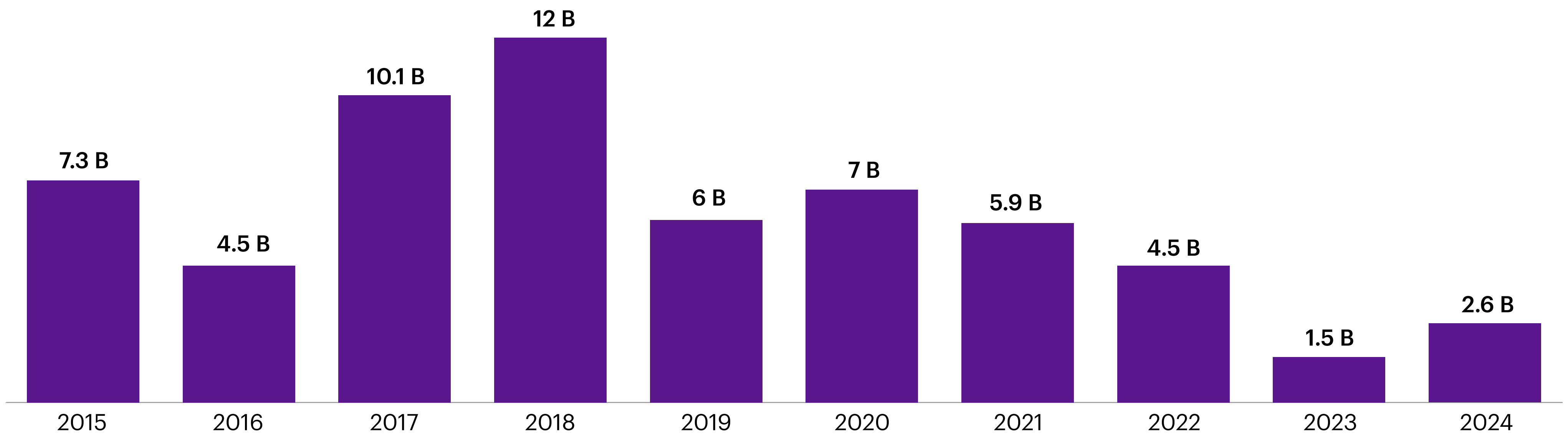
The P&C industry achieved an underwriting profit in 2024 due to disciplined underwriting and rate hikes, but faces ongoing concerns about adverse claims and economic challenges.

Casualty, and more specifically the general, automobile and umbrella/excess liability lines are experiencing continued stress in the marketplace. As has been widely reported, social inflation, legal system abuse and lawsuit funding are leading to big increases in severity across liability lines. The pace and frequency of large settlements and verdicts have given pause for many carriers, as highlighted by recent reserve bolstering at the end of 2023.

This reserve bolstering continued more broadly throughout 2024, with the P&C industry increasing liability reserves to address higher than expected claim costs and loss trends. However, according to S&P Capital IQ the 2024 calendar year reserves improved $2.6 billion on positive development. While greater than the 2023 number of $1.5 billion, the 2024 profit on release of prior year reserves falls short of the $7.1 billion average over the previous five calendar year results preceding 2023. The period during and immediately after the COVID pandemic had a slowing impact on certain liability claims. But when looking at the calendar year periods 2014-19, the broader P&C industry averaged $8.2 billion of positive development in each calendar year.

According to the same research, when drilling down by certain lines of coverage, "other liability- occurrence" had $10.3 billion of net adverse development in calendar year 2024. It's important to note this represented an acceleration from the net adverse development of $4.7 billion for "other liability — occurrence" business in calendar year 2023.

Favorable reserve development, calendar years 2015 – 2024



Source: S&P global market intelligence; Annual statutory filings and WTW analysis

Underwriting results

Despite the considerable reserve strengthening efforts undertaken in recent years, the casualty insurance industry continues to produce favorable underwriting results. This performance is particularly notable given what we know has been a market punctuated by economic volatility, ongoing social inflation and an increasingly litigious environment.

Perhaps several years of rate uplifts, more disciplined underwriting practices and conservative limit management have helped insurers develop more stable portfolios. As a result, many lines have exhibited marked improvements in their loss ratios, as evidenced by the most recent Schedule P data, which includes incurred losses, defense and cost containment expenses (DCC) and unallocated loss adjustment expenses (ULAE):

Collectively, these improvements are suggestive that recent underwriting strategies — centered on rate adequacy, exposure management and reserving prudence — have borne fruit. However, these gains must be carefully monitored and protected amid shifting market dynamics.

Casualty capacity

The overall casualty market continues to enjoy healthy capacity, with few signs suggesting a mass withdrawal of insurers. Instead, we've seen most carriers opt for targeted rate increases and selective limit deployment, reinforcing the idea of underwriting discipline rather than retreat.

While adequate capacity in terms of casualty insurers remains available, it's become increasingly strategic and conditional, with underwriters placing greater emphasis on industry class, risk quality, jurisdiction and historical claims performance. Insurers are becoming more sophisticated in how they allocate capital, focusing on achieving sustainable returns rather than chasing premium volume.

The question, however, remains as to whether this stability in available capacity will serve as a solid foundation for the industry to replicate recent profitability in the coming years.

Conclusion

The casualty insurance industry has shown considerable resilience, buoyed by disciplined underwriting and a proactive approach to risk and capital management. Yet, as the sector confronts continued social inflation, evolving litigation dynamics and broader economic volatility, this resilience faces a real test.

Which brings us back to the initial question as to whether the recent wave of reserve strengthening is an early warning signal of deeper, systemic loss development challenges (canary in a coalmine)—or merely an overly conservative reaction following years of underpricing (red herring)? The answer will become clearer in the years ahead. What is certain, however, is that sustained profitability will hinge on the industry's ability to adapt through continued investment in data analytics, rigorous claims management and forward-looking reserving practices. Those who navigate this uncertainty with agility and insight will be best positioned to achieve durable underwriting success in 2025 and beyond.

Industry spotlight — Retail and distribution: Evolving and emerging risk

Introduction

The retail and distribution industry continues to be at the forefront of emerging casualty risks. Insureds in this space have a diverse nature of operations that leaves them facing unique challenges that those in different industries may not have to face. The industry, once viewed by the underwriting community as having a somewhat benign exposure profile, now faces significant headwinds in virtually every area of their programs.

A shifting focus

Retail clients with a distribution component to their operations have long struggled with the challenges of the auto marketplace. Meanwhile, those with a traditional storefront operation were viewed by underwriters as a favorable sub-group within the broader retail and distribution space. This dynamic is now shifting dramatically as general liability claims driven from premises exposure are routinely hitting seven figures. These developments put severe pressure on general liability pricing for retail clients with extensive premises exposure. While general liability pressure is mounting, continued auto pressure exists, resulting in a multi-front battle for retail insureds.

A merger of mediums — from brick and mortar to drones and social media

The manner in which retailers deliver products from the manufacturing facility to the ultimate client has been an area of focus for carriers, particularly since the start of the hard market. The challenges in the trucking industry have also long been felt by retailers moving their products. Recently, legislation was passed to allow for drone deliveries beyond the traditional "line of sight" parameters that these types of deliveries had previously been restricted by. While it's too soon to tell, it will be interesting to see the degree to which this technology will be used by retailers who struggle with third-party hauling and "last mile" delivery of their product. The expansion of drone deliveries could also help clients and third-party trucking companies, who have long struggled with a shortage of drivers.

In the digital arena, carriers are increasingly scrutinizing fast-fashion retailers and social media platforms for promoting cheap knockoffs of higher-end products, now widely referred to as "fashion dupes." Some fast-fashion sellers and influencers even go so far as to use the original designer's product images in their own marketing campaigns. These practices affect brands of all sizes and scope. For example, in July 2025, a major brand retailer filed a lawsuit against an aggregate retailer for selling lower-priced duplicates of its athleisure products.

While dupes are not a new phenomenon, the rise of social media has amplified their spread and impact, making legal enforcement more urgent. In response, rights holders are increasingly turning to Schedule A litigation, which is a legal mechanism that enables them to sue large groups of anonymous online sellers in a single consolidated action.

Illinois has emerged as an epicenter for these Schedule A filings. Since 2013, more than 4,000 such cases have been brought in the state, with some lawsuits targeting upwards of 1,000 sellers at once.

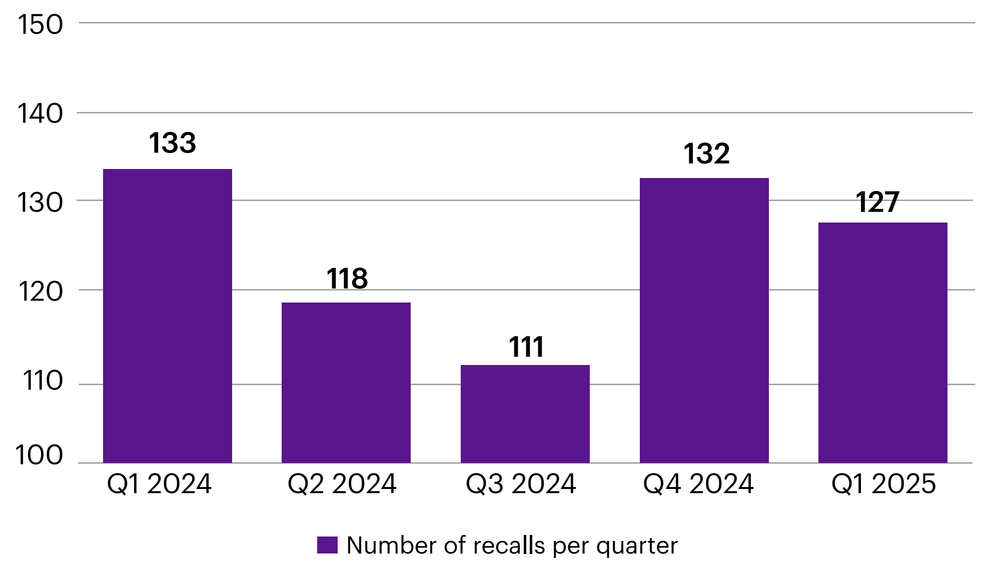
Additionally, the use of influencer-led social media marketing has created an advertising injury exposure for clients that is emerging in unique ways and leading to the potential for reputational risk in the marketplace as well. The degree to which the third-party litigation funding industry pursues this type of exposure could lead to further significant pressure on retailers' general liability programs.

The traditional retailer's risk profile is evolving faster than ever. Risk managers need to remain increasingly connected throughout various departments within their organizations to better quantify their diverse exposures for a highly scrutinizing underwriting community. The more effectively insureds are able to educate the marketplace around their exposures and controls, the better they will insulate themselves from the pricing headwinds the industry is facing.

Food and beverage: Product recall and contamination

Food and beverage-related recalls have experienced a volatile couple of years. Between 2023 and 2024, the frequency of food and beverage related recalls decreased, but this trend was quickly reversed in Q4 of 2024 and continued through early 2025. Adding to the increased frequency, Class 1 recalls reached their highest annual total in the past 6 years. An example of these severe Class 1 recalls was the 2024 Listeria contamination found in deli meats, leading to 10 deaths.

Number of recalls per quarter



Throughout 2025, the new administration has followed through prioritization of food safety reform, adding to increased food safety reform momentum in several states. The FDA and HHS have addressed or have begun to address the following:

- FDA banned the use of FD&C Red No. 3 in food and ingested drugs, marking the beginning of a broader crackdown on synthetic dyes
- HHS Secretary aims to eliminate the self-affirmed GRAS (Generally Recognized as Safe) pathway. All new food ingredients may require mandatory FDA review, increasing regulatory burden and oversight
- FDA revised the definition of "healthy" for food labeling. New criteria include limits on saturated fat, sodium and added sugar, and require inclusion of specific food group equivalents
- FDA clarified definitions for allergens like milk and eggs. Guidance also addresses labeling for cross-contact allergens and removes certain nuts from the "tree nut" category

According to Sedgwick's Q1 2025 Recall Index Report, the food sector is likely to see the most significant regulatory changes in the coming years, increasing the importance of preparedness of food manufacturers for increased scrutiny and unexpected changes to regulation.

The product recall and contamination marketplace has taken its fair share of hits over the past several years, causing several large players to exit. Counteracting this is an influx of U.S. based capacity provided through a combination of traditional markets and MGAs. While pockets of the food and beverage sector will continue to face scrutiny (Pet food, fruit & vegetable and possibly ultra-processed foods), overall U.S. capacity is increasing, and pricing remains relatively stable. With change on the horizon, a proactive approach to purchasing will allow buyers to take advantage of steady market conditions and improve stability if the market turns.

Sources:

Sedgwick Recall Index 2025 Edition 1 – United States Edition

Sedgwick State of the Nation 2025 Product Safety & Recall – United States Edition

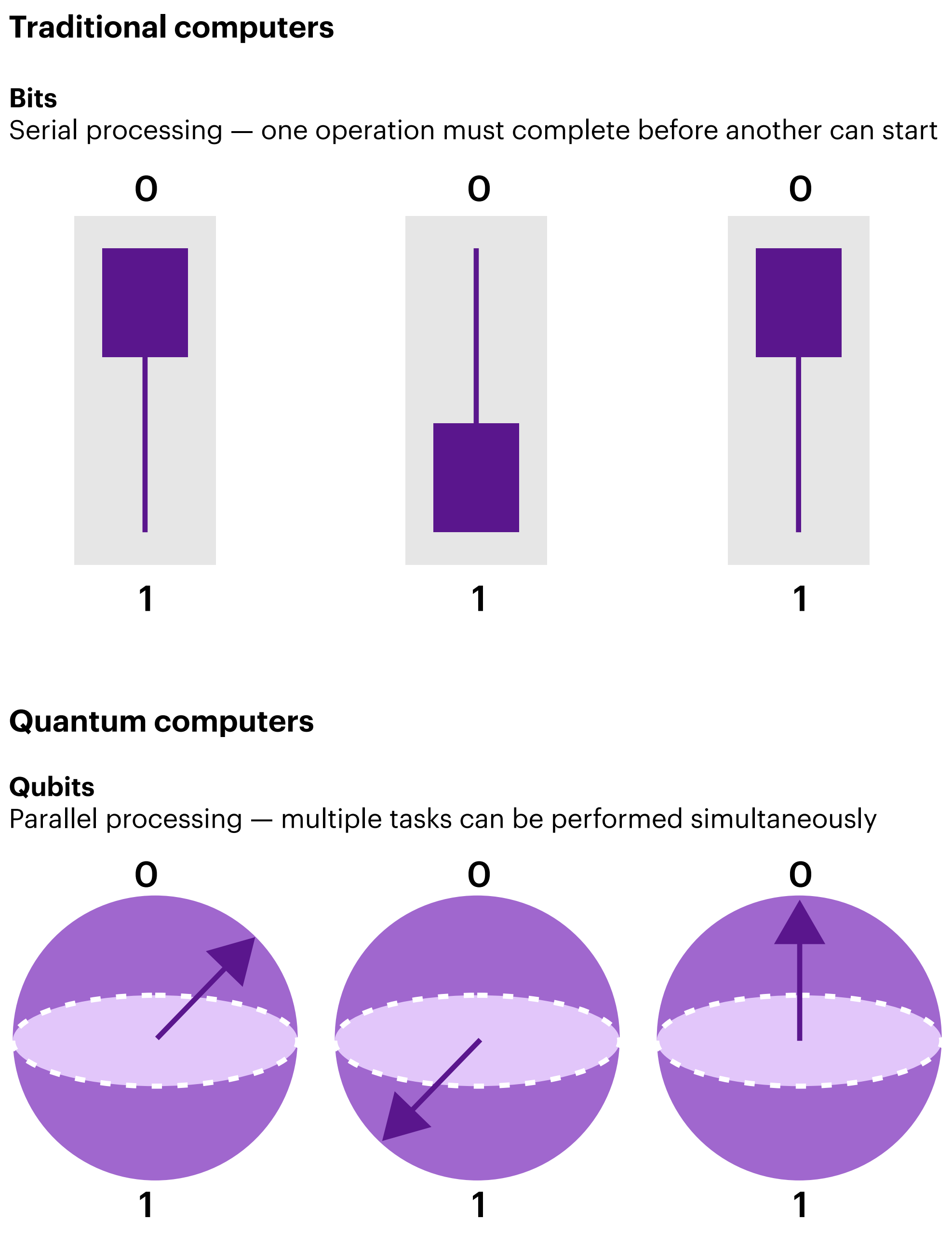
FDA.gov

Tech, media and telecommunications: Quantum computing in the risk landscape

Quantum computing could significantly transform the commercial property and casualty (P&C) insurance industry. For insurers, the technology promises dramatically improved risk modeling, faster claims processing and more accurate underwriting—particularly for large-scale, data-heavy insureds. As quantum computing matures, insureds may benefit from more customized policies, real-time risk assessments and potentially lower premiums driven by enhanced loss prevention analytics.

For insureds' operations, quantum computing will make it possible to process massive datasets at unprecedented speed, unlocking insights and solutions that were previously out of reach. Advanced simulation and risk modeling can lead to increased operational efficiency and reduced downtime, especially in industries with complex supply chains. As a result, insureds could achieve safer, more resilient operations, ultimately lowering their exposure to insurable risks.

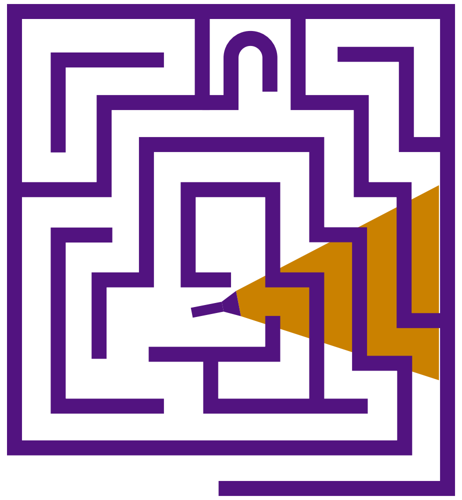
In healthcare, the implications are particularly profound. With vast amounts of medical data, quantum computing can rapidly analyze information to enhance diagnostics and patient treatment. Hospitals, senior living facilities and



other providers could leverage the technology to improve care through personalized medicine and optimized resource allocation. These advancements not only support better health outcomes but also create operational efficiencies that may reduce insurable risks and lower costs across the healthcare sector.

Traditional computers are like using a flashlight to explore one path in a maze at a time, while quantum computers are like using a lantern that lights up many paths at once, helping you find the exit faster.

Traditional computing



Quantum computing

Source/Pictures: Pictures built using PPT and AI.

Legislative and litigation update — A dangerous intersection: Technology, class actions and punitive damages

Earlier this year, multiple developments involving a large vehicle manufacturer highlighted a number of emerging litigation and exposure issues.

This summer, a jury trial ended with a nine-figure verdict against the company, based on allegations that its vehicle's autopilot was defective. The accident in question resulted in one death and severe injuries to another individual. While the majority of fault was assigned to the driver, due to his speeding, inattention and blowing through a stop sign, the car company was also faced with severe allegations. Plaintiffs' counsel argue that the assistive driving technology was ineffective on smaller roads, yet did not automatically disengage on them. And plaintiffs said the crash was caused in part by the technology's failure to require driver attention. In addition, plaintiffs argued that the branding of the driver assistance and the promotion of the system led to the driver assuming the car would correct for his distraction. Ultimately, the plaintiffs settled with the driver but won nearly a quarter billion dollar verdict against the vehicle manufacturer.

This is likely only an early chapter in the story of litigation involving self-driving vehicles and advanced assisted technologies. As products take on more and more decision making and task completion via technology and AI, "user error" may become less of a defense to corporate liability. Put simply, when the company's product is co-driving, plaintiffs may focus less on the liability of the individual operator and may shift to focus on the deeper pockets of product liability.

It is also significant that this verdict was issued in one of the states, which has recently passed significant tort reform. While some states have fought back against social inflation and nuclear verdicts, even in those jurisdictions there is a risk of large verdicts. Importantly, this case was tried in federal court, preventing the application of some state civil procedural reforms and it was filed before the tort reform statute took effect. Clearly, it is a sign that nuclear verdicts pose a major risk, even in otherwise "safer" jurisdictions.

This verdict also involved significant punitive damages, which are often awarded based on juror attitudes as well as specific facts. In this case, the defendant's evidentiary collection and production policies were attacked, as plaintiffs claimed the company hid or lost key evidence, including data and video recorded seconds before the crash. It is another reminder that a high-profile company often in the news can engender general juror feelings, which potentially play a role in the ultimate damage award. Polarizing entities may face an uphill battle in limiting their liability, especially in a case involving an innocent, sympathetic plaintiff.

Furthermore, following this verdict, an investor filed a proposed securities class action against the company in federal court. The allegations against the corporate entity and current and former executives argued that they defrauded investors through knowingly false statements about their product's successes while simultaneously cashing out millions of dollars in stock. This development is an example of the trickle-down effects of high-profile product controversy – while an accident and a personal injury lawsuit can be seen as a tragic, yet potentially predictable exposure, the proposed securities class action is an ancillary risk that will have to be defended and resolved as well.

Finally, in a case with more far-reaching implications, later that same month, a federal judge granted class action certification against the company, in a case where plaintiffs allege that company statements misled drivers about the capabilities of the car's autopilot functions. The class action accuses the corporation of violating state Unfair Competition Law, Consumer Legal Remedies Act and False Advertising Law. While this case is still in the pre-trial phase, drivers who purchased the self-driving technology package will be able to pursue their claims and obtain discovery surrounding the technology, its safety and its reliability.

This case is an example of the intersection of high-profile advertising claims, cutting-edge technology and consumer expectations: the complaint alleges that, rather than satisfying the promise of a fully self-driving car, the company "instead provid[ed] experimental software that kills and maims drivers." Again, with a company consistently in the news for a variety of reasons, potential exposure based on allegedly unsafe products and statutory violations will be on an unpredictable legal landscape. The plaintiff bar, consumers and insurers will no doubt be closely watching for developments.

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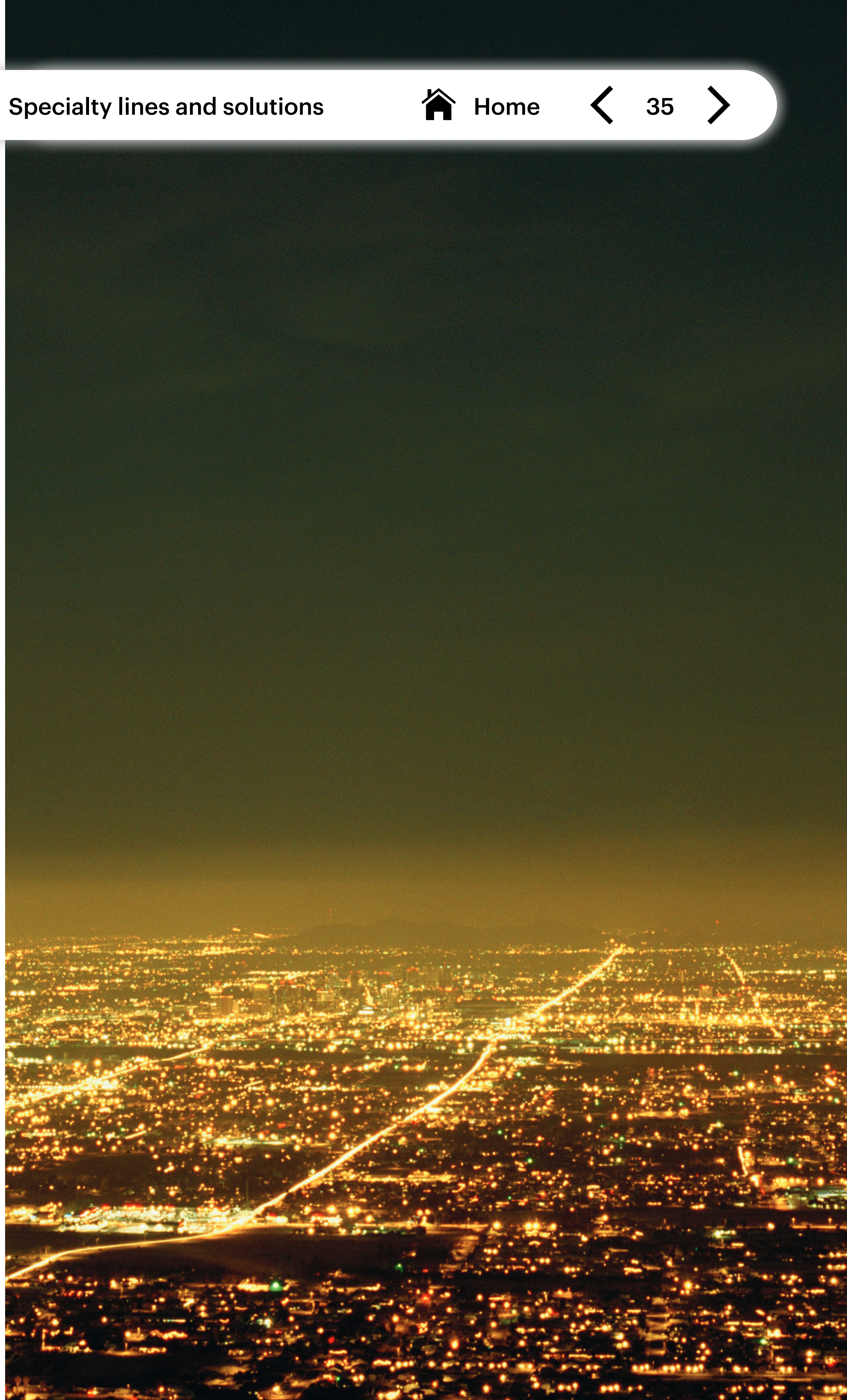


Middle Market

Rate predictions

Property
–2.5% to +5%
(Favorable risk)
+10% to +20%
(Challenging risk)

Automobile
+10% to +15%
(Favorable risk)
+20% to +30%
(Challenging risk)

Umbrella and excess liability
+8% to +15%
(Favorable risk)
+15% to +30%
(Challenging risk)

General liability
+2% to +8%
(Favorable risk)
+10% to +20%
(Challenging risk)

Workers compensation
–5% to flat
(Favorable risk)
+5% to +10%
(Challenging risk)

Middle Market

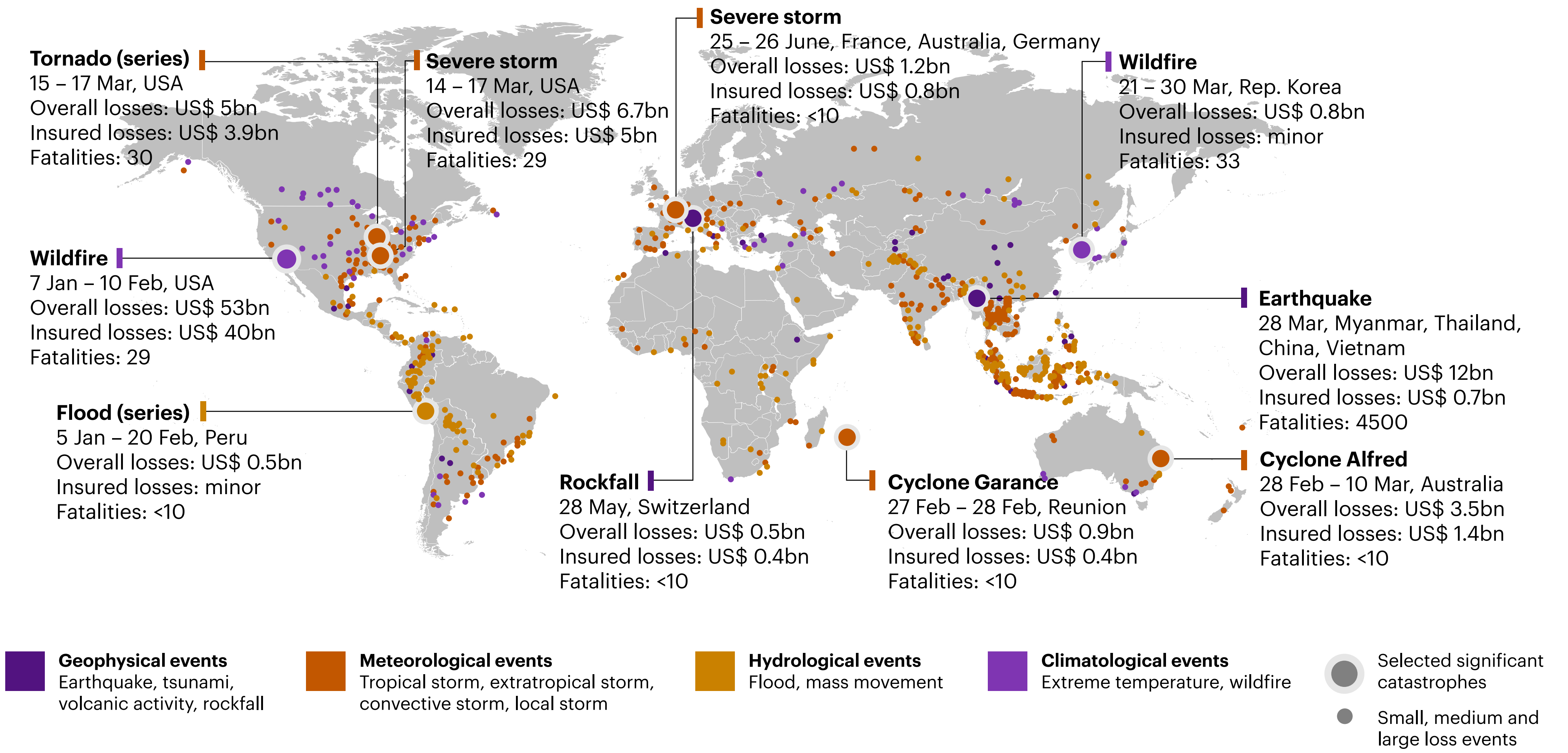
Key takeaway

The commercial insurance market in Q3 2025 is marked by a dynamic blend of stabilization and selective firming across lines. Property insurance continues to soften, driven by favorable reinsurance renewals, increased capacity and aggressive carrier growth targets — particularly for non-CAT and well-managed risks. However, CAT-exposed and distressed occupancies still face underwriting scrutiny, elevated deductibles and selective capacity deployment. In contrast, casualty lines remain under pressure, with General Liability and Auto Liability impacted by social inflation, litigation funding and nuclear verdicts. The excess and umbrella liability markets are changing attachment points and reducing lead limits. Workers' compensation is still performing well, offering strategic advantages in multi-line placements. A bifurcated marketplace persists, with favorable industries benefiting from rate relief and expanded terms, while high-risk sectors face constrained capacity and rising premiums. For middle-market clients, multi-line solutions, alternative program structures and proactive renewal strategies are increasingly critical to navigating evolving underwriting dynamics and emerging risks.

- **Carriers are intensifying their focus on the middle-market segment,** driven by favorable reinsurance conditions and aggressive growth targets. New entrants — particularly MGAs and international facilities — are expanding capacity, while established carriers are reallocating underwriting resources, broadening appetite and offering more competitive terms to capture market share
- **Selective underwriting is emerging alongside expansion,** with some carriers raising minimum premiums, narrowing industry focus and leveraging profitable lines like workers' compensation to balance portfolio risk. This bifurcation reflects a strategic recalibration rather than a retreat from the segment
- **A two-tiered marketplace remains evident.** favorable classes like financial institutions, professional services and technology/media/telecom keep getting good prices and a lot of space. Amidst competitive marketing landscapes, rate agreements are being offered more often to differentiate alternatives. In contrast, distressed sectors like food and beverage, residential real estate, and social services face reduced market appetite, tighter terms and higher retentions

Property

US events dominate natural disaster losses in the first half of 2025[1]
Selected natural catastrophe loss events worldwide January – June 2025



Source: WTW Q2 2025 state of the casualty market

- Despite 2024 marking the fifth consecutive year of global catastrophe (CAT) losses exceeding $100 billion, favorable reinsurance treaty renewals in early 2025 have led to increased capacity and heightened competition. Carriers remain focused on portfolio optimization and rate adequacy, but underwriting discipline is softening for non-CAT and well-managed risks[2]
- Valuation scrutiny has eased slightly, as most insureds have addressed prior underinsurance concerns. The focus has shifted toward ongoing property maintenance and risk quality, with underwriters prioritizing roof age, building upgrades and equipment upkeep
- Capacity constraints persist for CAT-exposed and distressed occupancies, particularly in wildfire zones, Tier 1 wind regions and undervalued schedules. These accounts are seeing higher deductibles, reduced limits and increased reliance on shared/layered programs

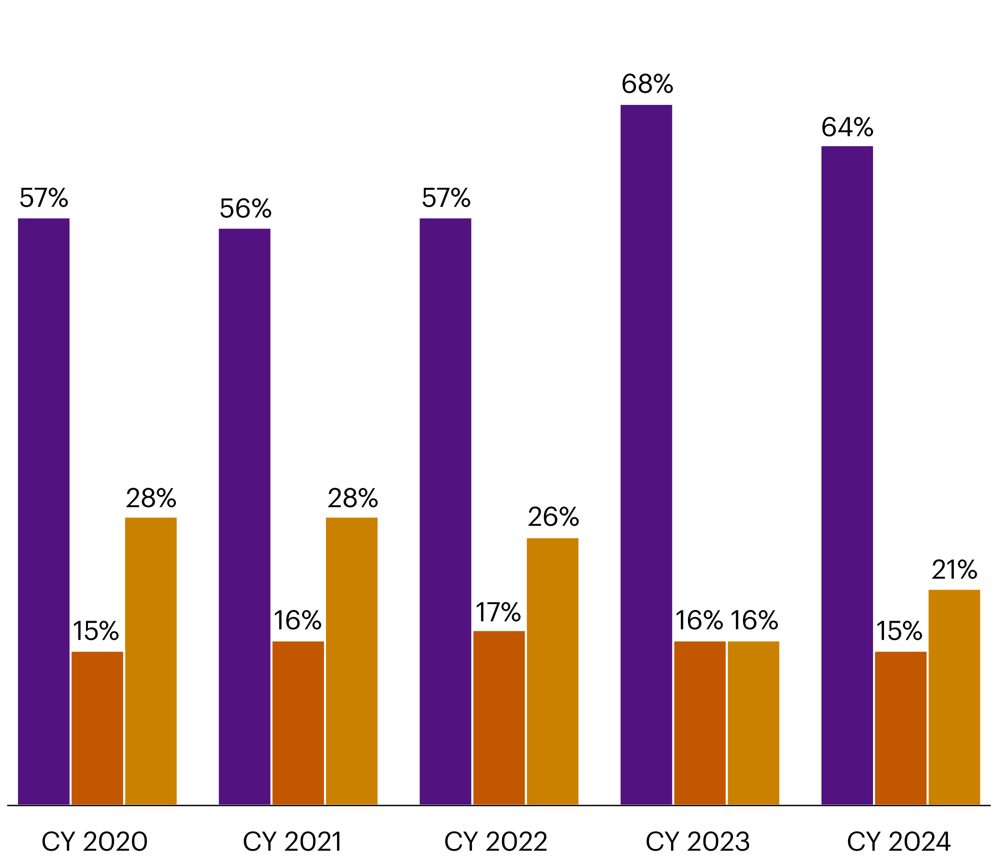
1. https://www.munichre.com/content/dam/munichre/mrwebsitespressreleases/MunichRe-NatCat-HY-2025-Worldmap.pdf/_jcr_content/renditions/original./MunichRe-NatCat-HY-2025-Worldmap.pdf
2. 2024: Active Year for U.S. Billion-Dollar Weather and Climate Disasters, Climate.gov. https://www.climate.gov/news-features/blogs/beyond-data/2024-active-year-us-billion-dollar-weather-and-climate-disasters

- However, rate conditions are not as soft in the package property space. Non-CAT and non-challenged risks are benefiting from rate reductions and expanded capacity, creating opportunities for previously underinsured clients to secure broader coverage, increase limits and negotiate more favorable terms
- The property reinsurance market remained stable and well-capitalized, with ample capacity and diversified capital sources supporting flat-to-lower pricing during the January and April 2025 renewals. Despite significant losses from Hurricanes Helene and Milton, reinsurers maintained discipline, while primary markets benefited from prior rate increases and improved underwriting, especially in non-loss-impacted regions
- Single-carrier placements remain viable, especially for favorable risks, but multi-line and multicarrier programs are increasingly competitive. Carriers are leveraging workers' compensation profitability to offset rate pressure in property and casualty programs
- Given the softer market conditions in the shared and layered property space, some larger single-carrier deals are finding their programs challenged by quota share or layered programs
- The DIC market for earthquake, wind and wind buy-down coverage has softened considerably, with increased competition and lower event frequency driving rate relief. However, carriers remain cautious, closely monitoring aggregate exposures and modeling assumptions to maintain profitability
- Tariff-related inflation and supply chain disruptions are emerging concerns, particularly in post-loss replacement scenarios. Clients are advised to reassess business interruption values and continuity plans to ensure accurate exposure assessments. Particular attention should be paid to customer/supplier coverage extension as well
- Parametric insurance solutions are gaining traction as a way to address binary risk triggers and expedite claims settlement, especially for secondary perils like floods and wildfires
- Secondary perils remain a key concern, with Q1 2025 tornadoes and wildfires already contributing to significant losses. The Atlantic hurricane season is forecasted to be above average and industry models continue to underestimate losses from perils like flooding and mudslides — especially those triggered by wildfire events[3]
- Severe convective storms (SCS) have emerged as a primary loss driver in 2025, with a series of destructive tornado and hail events in March, April and May contributing to over $34 billion in economic losses, of which $26 billion were insured. The four most costly outbreaks alone accounted for $19 billion in total damage, underscoring the growing impact of SCS on property portfolios and prompting carriers to reassess catastrophe (CAT) modeling and deductible structures[4]

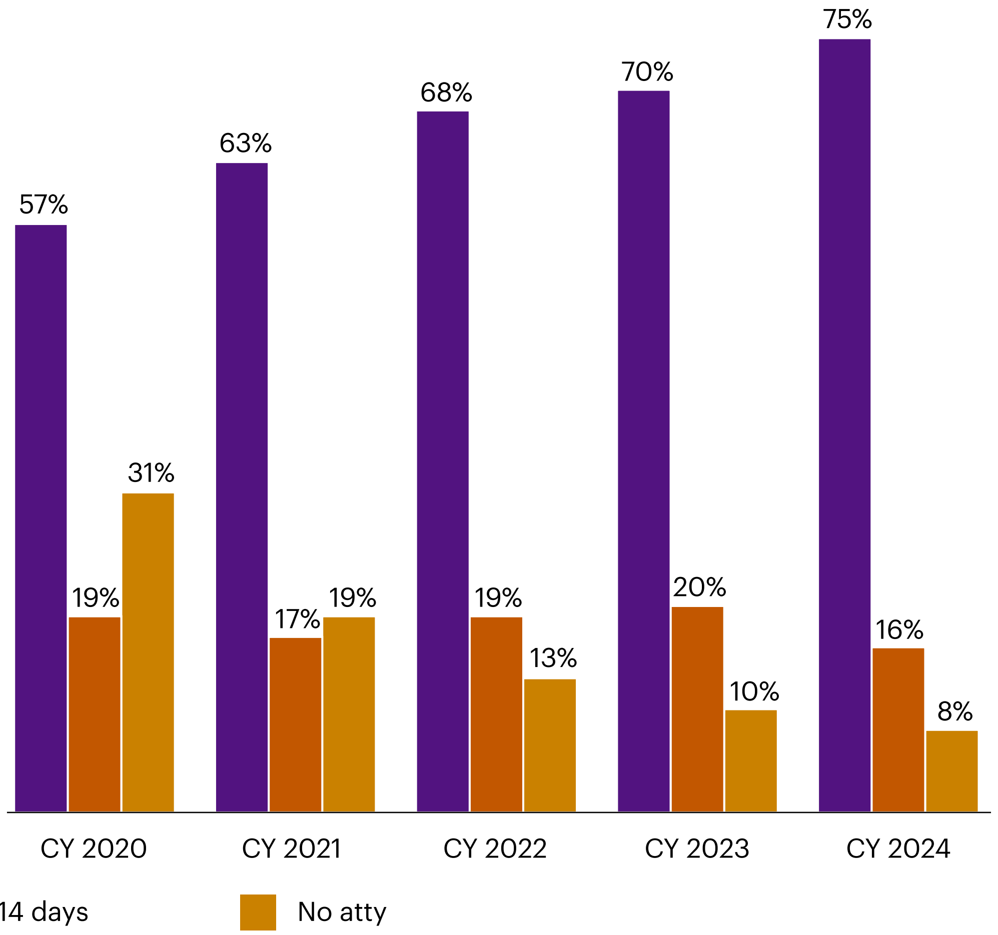
3. Colorado State University, "2025 Atlantic Hurricane Season Forecast," Tropical Meteorology Project, 2025,https://tropical.colostate.edu/Forecast/2025-04.pdf
AM Best, "Market Segment Outlook: U.S. Commercial Property insurance. AM Best, 2025,https://news.ambest.com/research
4. https://www.munichre.com/en/company/media-relations/media-information-and-corporate-news/media-information/2025/natural-disaster-figures-first-half-2025.html

General liability

GL attorney representation timing stratification[5]



AU attorney representation timing stratification[5]

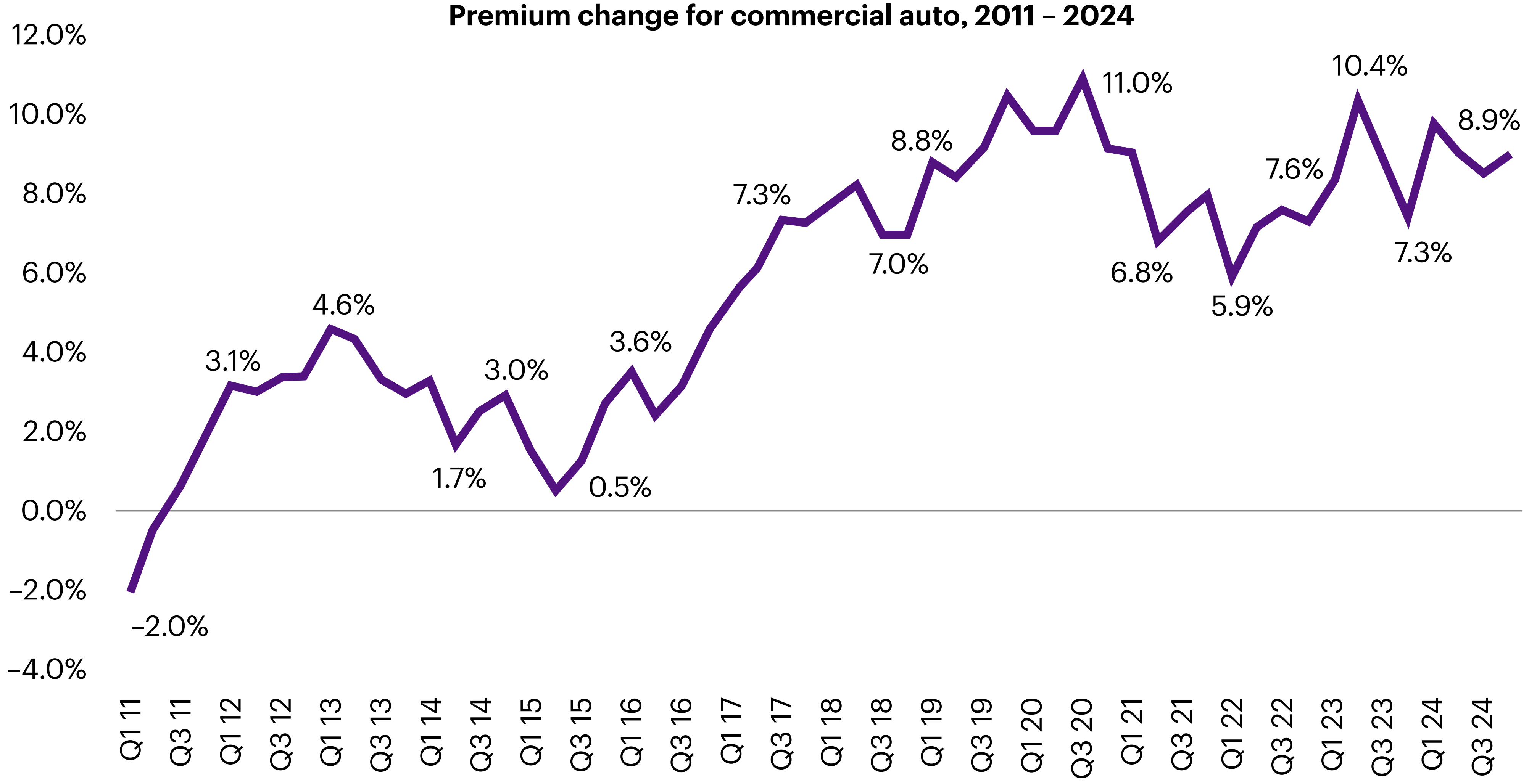


- Legal system abuse and third-party litigation funding continue to drive volatility in the liability market, with rising litigation frequency and escalating verdict sizes. While nuclear verdicts disproportionately affect large corporations, middle-market clients are increasingly exposed to elevated defense costs and settlement values
- In a shifting legislative and judicial landscape, carriers are struggling to forecast long-tail liability exposures. This has led to re-underwriting of program structures, reduced capacity for high-hazard industries and a growing emphasis on claims management and risk differentiation
- States are increasingly targeting third-party litigation funding (TPLF) through tort reform, with Georgia's Senate Bill 69 requiring funder registration, disclosure of funding agreements, and prohibiting funders from directing lawsuit strategies. These measures aim to curb lawsuit abuse, improve transparency and reduce the influence of outside capital on litigation outcomes[6]

5. https://marketing.sedgwick.com/acton/attachment/4952/f-95535f4a-3307-4f0f-af11-fd7e1846b191/1/-/-/-/-/Liability%20litigation%20observations%20and%20trends%202025_commentary%20paper.pdf
6. https://www.businessinsurance.com/georgia-governor-signs-laws-on-litigation-funding-premises-liability/

- Real estate clients, particularly those with habitational exposure, are encountering tighter underwriting standards. While commercial real estate remains favorable, carriers are reducing capacity or introducing exclusions for accounts with vacancies, warehouses, or multifamily risks. Habitational risks with adverse loss histories are increasingly reliant on the excess and surplus lines market
- Sexual abuse and molestation (SAM) coverage is increasingly difficult to place, especially for custodial risks. Carriers that previously offered silent coverage are now implementing absolute exclusions, shifting from occurrence-based to claims-made triggers and requiring coinsurance or higher retentions. This shift to claims-made coverage must be navigated carefully in a challenged excess liability market
- PFAS, biometric data and cyber exclusions are now standard across most carriers, with limited flexibility. Some insurers may consider removing PFAS exclusions for businesses with documented non-exposure but concerns over class-action litigation and defense costs continue to limit underwriting appetite
- Carrier reserve strengthening and adverse development trends are prompting more conservative underwriting, reduced limits and stricter terms. As a result, alternative risk solutions — including captives, structured programs and quota-share arrangements — are gaining traction among middle-market clients
- Coverage B (personal and advertising injury) claims are rising, particularly due to social media-related exposures. Retailers and media companies are facing increased scrutiny over influencer content, slogans and protected media use
- Reptile theory and anchoring tactics used by plaintiff attorneys are inflating jury awards, prompting carriers to reassess defense strategies and settlement thresholds

Automobile



Commercial auto increased by 8.9% in Q4 2024, the highest out of all lines. This was the 54th consecutive quarter of commercial auto-premium increases.[7]

- Despite continued efforts to raise rates, increase deductibles and implement risk control measures, insurers remain challenged by rising claim severity and adverse loss development. Carriers continue to post underwriting losses, with auto liability experiencing its 36th consecutive quarter of rate increases
- The legislative environment and nuclear verdicts remain the primary headwinds. Aggressive plaintiff tactics, increased attorney involvement and third-party litigation funding are inflating claim costs and complicating reserve adequacy
- Loss drivers are multifaceted: Distracted driving persists, while the trucking industry's driver shortage has led to relaxed hiring standards, contributing to a deteriorating loss experience. Additionally, larger and more powerful vehicles, combined with advanced technology, are increasing both the frequency and cost of physical damage and bodily injury claims

7. https://www.ciab.com/resources/q4-2024-p-c-market-survey/

- The rising cost of physical damage claims is reshaping auto-liability economics, as advanced vehicle technologies and supply chain delays drive up repair costs and downtime. Vehicles equipped with driver assistance systems often cost twice as much to repair, and commercial fleets are increasingly reaching total loss thresholds due to repair expenses exceeding actual cash value — leading to higher premiums and greater challenges for insurers
- Monoline auto placements remain difficult, with limited market appetite and elevated pricing. For many accounts, double-digit rate increases are now considered baseline, and leveraging auto within multi-line programs is often the only path to
- Challenged risks — such as those with large fleets, poor loss histories, passenger transport and mixed-use vehicle schedules — face an increasingly hard market, with reduced capacity, higher retentions and stricter underwriting requirements
- Underwriters are demanding more granular data, including Motor Vehicle Reports (MVRs), hiring protocols, telematics outputs and detailed information on hired/non-owned auto-exposures. Early and transparent submissions are critical to securing favorable outcomes
- Fleet telematics, AI-driven safety systems and driver training programs have become standard expectations, not differentiators. Carriers are increasingly using these tools to assess risk quality and determine pricing adequacy
- At times, middle market carriers are willing to seek facultative reinsurance in the primary layer to become more comfortable with an otherwise challenged risk. This strategy may also help carriers offer the $2 million attachments being sought by the umbrella/excess market

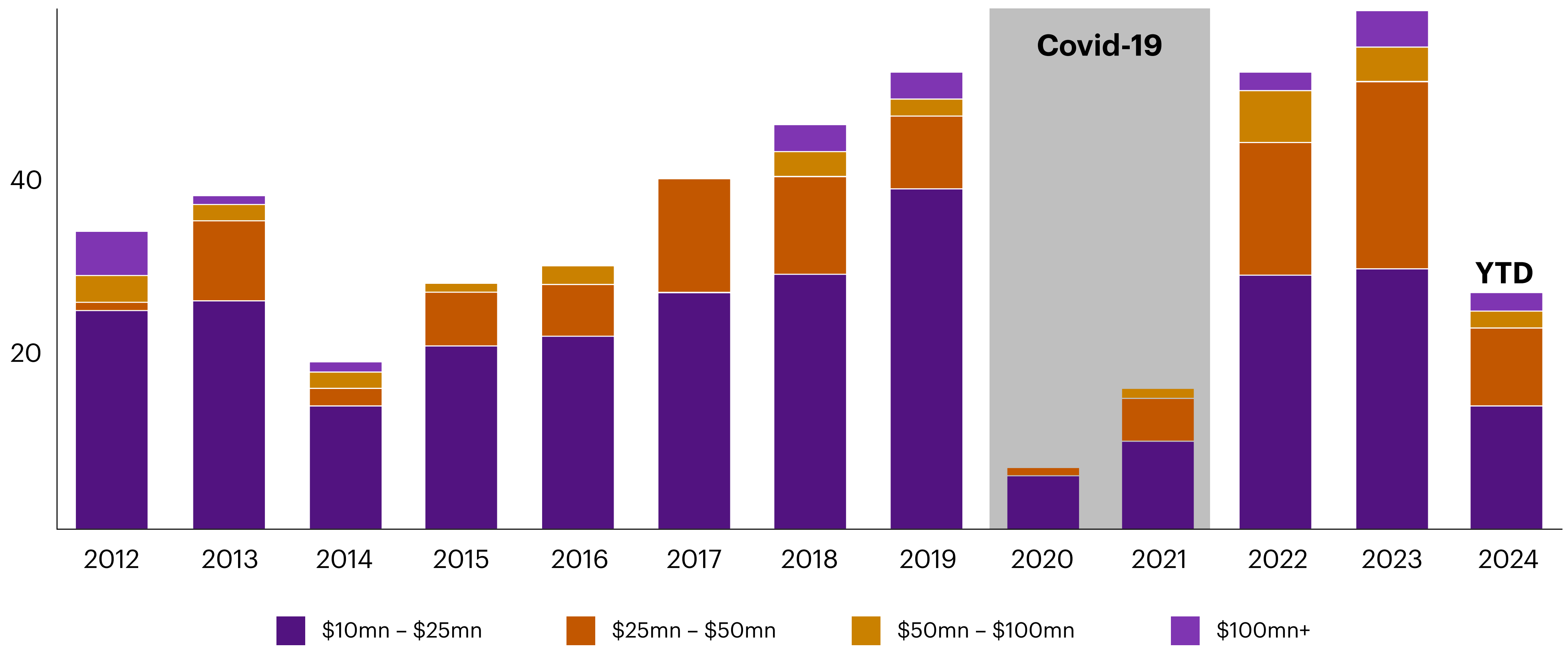
Workers compensation

- Workers' compensation **remains one of the most profitable lines of business,** with 2024 marking the 11th consecutive year of underwriting gains and the eighth straight year with a combined ratio below 90%. Many carriers continue to require workers' compensation participation to consider additional lines, especially in multi-line placements[8]
- **Middle-market carriers are refining program structures and enhancing service platforms** to differentiate themselves in a competitive landscape. Dividend offerings, loss-sensitive plans and multi-line bundling strategies are being used to attract and retain clients. Insureds are leveraging workers' compensation to negotiate better terms across their broader casualty programs
- **Workforce demographic shifts are introducing new challenges,** including an aging workforce, increased employee concentration and the rise of remote and gig work. These trends are contributing to longer recovery times and more complex claims, prompting carriers to reassess underwriting assumptions and exposure models
- **Mental health coverage expansion is a growing concern,** with New York's 2025 legislation allowing employees to file workers' compensation claims for workplace stress-related injuries. This marks a significant shift from prior presumptions limited to first responders. Other states are considering similar measures, which could increase claim frequency and severity across industries

8. https://www.ncci.com/Articles/Pages/AU_SOTL-Report-Metrics-Show-Strength-of-WorkersComp.aspx

- **Medical inflation and rising loss costs are under close scrutiny,** particularly in high-hazard industries. While medical severity rose only 2% in 2023, carriers remain cautious about future spikes, especially as CPI trends upward and healthcare costs are projected to increase by 8% in 2025[9]
- **Auto-related injuries are increasingly contributing to severe workers' compensation claims,** especially in the transportation, construction and healthcare sectors. Carriers are advocating for the use of **wearable safety devices, AI-driven risk analytics** and **automation** to reduce workplace injuries and improve claims outcomes
- **Underwriting focus is shifting toward risk quality and data transparency,** with carriers placing greater emphasis on safety protocols, return-to-work programs and predictive analytics. Employers with strong documentation and proactive risk management are better positioned to secure favorable terms
- **Alternative risk solutions are gaining traction,** including captives, structured deductible programs and multiyear placements. These strategies offer middle-market clients greater control over cost volatility and long-term program sustainability

Number of nuclear verdicts over time[10]



Note: 2024 data is as of July 31, 2024

Source: TransRe, Insurance Insider US

9. National Council on Compensation Insurance, "2024 State of the Line Presentation," https://www.ncci.com/Articles/Documents/AIS2024-SOTL-Presentation.pdf
10. https://www.insuranceinsiderus.com/article/2ebgokj3987hmca0jzpq8/lines-of-business/commercial-lines-insurance-news/cautious-optimism-double-digit-rate-growth-in-us-casualty-is-sustainable

Umbrella and excess liability

- Loss development and reserve increases driven by legal system abuse and litigation funding are now materially impacting umbrella and excess liability lines. Carriers are responding with new exclusions, shifting attachment points and reduced capacity, prompting widespread restructuring of excess towers — often requiring quota-share layers, multicarrier placements and buffer solutions
- Insurers with both supported and unsupported lead capabilities are scaling back limits, particularly on difficult risks such as manufacturing, retail and real estate. Supported leads remain more competitive, as carriers can manage claims handling across both primary and umbrella layers
- Supported lead umbrellas are more favorable for desirable classes like financial institutions, professional services and technology. These accounts may still access up to $25 million in lead capacity, with carriers leveraging supported structures to gain a competitive edge amid broader capacity constraints
- Unsupported lead umbrellas are facing increased scrutiny, with carriers reducing capacity, raising minimum premiums and applying stricter underwriting standards. Many carriers are now capping lead umbrella limits at $10 million to $15 million, even for previously favorable risks
- Higher-risk industries and clients with large fleets are being pushed toward higher attachment points. Where primary carriers cannot accommodate these shifts, structured buffer layers are being introduced to bridge the gap and maintain tower integrity
- Risk Purchasing Groups (RPGs) remain a viable option, but underwriting standards are tightening, leading to longer processing times. Shrinking capacity, rising rates and increased insurer turnover are making traditional excess towers more competitive than in prior years
- Exclusions are becoming more prevalent across excess towers, particularly for PFAS (“forever chemicals”), sexual abuse and molestation, traumatic brain injury, wildfire, assault and battery, human trafficking, and biometric risks. Where exposures exist, carriers are limiting coverage, requiring higher attachment points, or declining participation altogether
- Punitive damage awards are rising in frequency and severity, driving demand for affirmative coverage solutions such as punitive wraps and “most favorable venue” provisions. These awards are a key contributor to nuclear verdicts and are reshaping carrier appetite and coverage strategy
- Benchmarking and contractual review are becoming essential tools for clients navigating rising premiums and shrinking capacity. Many are reassessing how much limit is truly required based on contractual obligations, peer comparisons and evolving risk profiles

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Canada Property

Rate predictions

Non-catastrophe exposed
–15% to flat

Catastrophe exposed
–5% to +5%

Key takeaway

Canadian property rates continued to soften in Q3 as insurers competed for market share by deploying additional capacity. This resulted in overlined placements, with some top-tier risks in excess of 20%. With so much capacity in play, insureds were able to select their insurer panel based upon most favorable ratings, improved coverage, reduced deductibles and preferred insurer partnerships. Top-line growth continues to be the key message from insurers throughout 2025 despite another summer of significant wildfires and convective storm events in Canada. At the time of writing, losses are expected to primarily impact the personal lines market, and with historic high amounts of reinsurance capacity available, rates for commercial property risks are expected to remain stable into 2026.

2025 projected to be the 2nd worst wildfire season on record in Canada

Canada experienced its second-worst wildfire season on record, with over 7.25 million hectares burned, second only to 2023, which saw 18.5 million hectares burned.[1] The personal lines market has experienced the majority of wildfire and convective storm insurable losses to date; the commercial property market has been relatively unscathed and for the majority of 2025 has benefited from the competitive market conditions and plentiful reinsurance capacity available.[2] That said, there's concern that as Q3 sees a spike in weather-related events on an annual basis, that may put pressure on insurers to adjust both their coverage and pricing levels to manage increased losses in wildfire and convective storm prone regions.[3] Insureds located in these regions are encouraged to review their limits, sublimits and terms and conditions on an annual basis to confirm they have appropriate levels of coverage. The policy limit needs to cover both the damage to physical assets and key sublimits such as restrictions due to civil authority, ingress/egress, service interruption, spoilage and preservation of property, amongst others.

In light of significant wildfire losses in West Kelowna, British Columbia and Jasper, Alberta, in 2023 and 2024 respectively, that caused significant damage to local businesses and infrastructure, insureds need to ensure they have appropriate coverage not just for their physical values, but also their business interruption indemnity period.[4] Insureds need to review their supply chains, access to materials and spare levels to ensure that their indemnity periods are sufficient to rebuild and return to pre-loss operation levels.

Capacity remains plentiful

The influx in capacity continued in 2025, fueled both by domestic and global insurers deploying additional capacity on Canadian risks. Domestic insurers continue to expand their underwriting appetite into new exposures and industries. Foreign markets and London backed facilities are also competing for participation on Canadian risks. All this capacity generates competition and thus there is downward pressure on rates. The competitive rate environment is expected to continue into 2026 as reinsurance capacity remains plentiful and able to absorb an increase in property limit demand. As reported by the Insurance Institute of Canada, reinsurance rate-on-line has fallen ~8% globally in 2025.[5] Barring any significant losses for the balance of the year, we expect reinsurance capacity to remain high and reinsurance rates to remain soft into 2026.

1. Natural Resources Canada
2. Canadian Underwriter, What Canada's 2025 Wildfire season looks like for insurers, June 24, 2025
3. Canadian Underwriter, What Canada's 2025 Wildfire season looks like for insurers, June 24, 2025
4. Canadian Underwriter, Often overlooked business interruption coverage gaps, August 20, 2025
5. Insurance Institute of Canada, Global reinsurance costs decreasing at mid-year renewals: Guy Carpenter

Macroeconomic conditions creating uncertainty

Canada's inflation has eased for five consecutive quarters starting in Q2 2024, so while there's less focus on inflationary impact on values, insurers still need to ensure that replacement values are accurate. Tariffs continue to loom over the Canadian economy, impacting some sectors of the economy more so than others. Insureds are recommended to monitor their supply chains and cost of critical parts and equipment so that replacement cost values and program limits are adequate in the event of a loss. Site surveys and recommendation updates remain important in order for insurers to deploy maximum capacity, especially for insureds with large and complex exposures.

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Canada Casualty

Rate predictions

General liability, low/moderate risks
–10% to flat

General liability, high-hazard risks
–5% to +5%

Umbrella/excess liability, low/moderate risks
–10% to flat

Umbrella/excess liability, high-hazard risks
–5% to +5%

Auto-liability
–5% to +7.5%

Canada Casualty

Key takeaway

Within a continued stable market environment, the Canadian casualty insurance marketplace remains resilient and well-capitalized, offering strong domestic capacity across most risk classes. The competitive landscape is further accentuated by options made available to buyers, including:

- International capacity from London markets that are drawn to quality Canadian risks and attract buyers through tailored solutions and flexible pricing, particularly for complex or high-hazard risks
- The emergence of new managing general agents (MGAs), introducing innovative underwriting strategies and niche products that serve previously underserved segments
- Facility-based solutions, designed to address specific coverage gaps or distressed risks, providing buyers with greater choice and strategic flexibility in program structuring

Together, these evolving dynamics are fostering a more diversified and competitive landscape, prompting buyers to adopt more strategic approaches in both placement decisions and overall risk management practices.

General liability

- In a capacity-abundant marketplace, growing importance around visiting stagnant general liability policy limits that haven't kept pace with rising medical and rebuilding costs, creating a coverage gap that heightens exposure to over-limit losses, especially in catastrophic claims, opening the potential for unknown shortfalls
- Growing consideration to alternative risk transfer structures — such as captives, group programs and parametric insurance — as buyers seek more flexible, cost-effective ways to manage coverage and secure adequate limits amid rising costs and market constraints
- Markets continue to push for tighter policy language and exclusions, especially when looking to address emerging risks that look to limit cover offer but fall short against new and aggressive competition or fall back to lenient stance in their efforts to combat retention of book

Automobile liability

- Initiating July 1, 2026, Ontario will shift from a bundled auto-insurance system to a modular one, allowing consumers to select specific accident benefit coverages based on their needs and budget.[1] While this change offers flexibility and potential cost savings, it also introduces the risk of underinsurance if consumers opt out of essential coverage without fully understanding the implications. Insurance providers will look to focus on the redesigning of products and updated pricing models, while insurance brokers will need to navigate these changes, ensuring clear communication with insurance buyers to avoid reputational damage and regulatory issues
- Telematics and pay-per-kilometer models are gaining traction, where these models offer personalized pricing and encourage safer driving habits
- Shifts in consumer behavior continue with economic pressures pushing consumers to shop around more aggressively and a growing demand for flexible, digital-first insurance experiences

Umbrella/Excess liability

- While capacity remains available, insurers are becoming more selective, especially for risks with U.S. exposure, where nuclear verdicts and social inflation are driving up claims
- Demand for umbrella and excess liability coverage is rising as businesses seek higher limits to meet contractual obligations and protect against large losses, especially in high-risk industries or those with U.S. exposure, while insurance buyers are increasingly requesting more from data-driven analytics to guide total limit-buy selection and optimize coverage strategies

Global conflict impacting expectations for strategic risk management

- As geopolitical tensions contribute to a more unpredictable future global environment, insurers continue to reassess their underwriting approach for companies with international supply chains, foreign operations or U.S. liability exposure, even in the absence of immediate claims trends or spikes

- Insurers remain on the lookout for Canadian-U.S. trade war that could prompt a more expedient return to hard-market conditions fueled by increases to cost of goods used in claims (e.g., auto-parts, materials), driving up claims severity and translating to premium increases and policy limit adjustments
- While Canadian insurers remain well-capitalized, prolonged volatility could lead to more conservative investment strategies and reduced underwriting appetite
- Insurers are rewarding businesses that demonstrate resilience planning, such as alternative sourcing strategies, crisis protocols and quantified exposure modeling, which can lead to enhanced coverage terms and pricing stability in a volatile environment

Rising litigation and legal funding pressures

- Third-party litigation funding is expanding in Canada, enabling investors to profit from financing lawsuits. This largely unregulated trend is driving up the volume of claims, prolonging litigation timelines, increasing defense costs and raising the overall cost of liability claims, particularly in commercial sectors like healthcare, retail and construction that are more prone to legal action
- Class-action lawsuits are becoming more common, driven by aggressive legal advertising and a broader awareness of legal rights
- These developments are prompting insurers to reassess liability pricing and policy wording
- As a result, strategic risk management remains essential, and buyers should proactively manage legal exposure by reviewing contracts for liability clauses, maintaining strong documentation and compliance protocols and exploring alternative dispute resolution methods to avoid costly litigation

Climate-driven liability risks

Following the second-worst recorded year for Canadian wildfires, the impacts of extreme weather disasters are no longer considered isolated incidents but recurring threats, prompting insurers to reassess their exposure and risk models

- Municipalities and public entities in such high-risk zones, particularly affected by higher deductibles, narrower coverage and limited appetite for available liability protection
- Insurers are tightening underwriting and applying stricter exclusions for climate-related risks, including wildfires and environmental liability
- Insurers are investing in climate risk modeling using predictive analytics and historical data to better assess exposure and price policies accurately
- This shift is helping insurers maintain financial stability but also means more granular underwriting, which can disadvantage buyers with poor risk profiles or outdated infrastructure

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Bermuda

Key takeaway

Bermuda enters the close of 2025 with a market that combines steadiness in financial lines, cautious easing in casualty and sharp adjustment in property. Predictability in D&O, cyber and EPL continues to anchor financial lines, while wage & hour and lawyers E&O remain pockets of pressure. Casualty, although still priced firmly, shows the first signs of moderation in years, with appeals softening nuclear verdicts and new entrants hinting at capacity growth. Property stands apart as the most dramatic shift, with abundant capital, aggressive competition and double-digit decreases for clean accounts redefining the market dynamic. Together, these developments underscore Bermuda's ability to provide stable execution for complex risks while adapting quickly to shifting global conditions.

Rate predictions

Casualty
Flat to +6%
(Favorable risk)
+5% to +20%
(Challenging risk)

D&O/ Management liability
–5% to flat
(Favorable risk)
Flat to +5%
(Challenging risk)

Wage & Hour
+5% to +10%
(Favorable risk)
+10% to +20%
(Challenging risk)

Lawyers (E&O and ML/EPL)
Flat to +5%
(Favorable risk)
+10% to +20%
(Challenging risk)

Property
–10% to –20%
(Favorable risk)
Flat to +12.5%
(Challenging risk)

Employment practices liability
Flat to +5%
(Favorable risk)
+5% to +15%
(Challenging risk)

Cyber
–5% to –10%
(Favorable risk)
Flat to +10%
(Challenging risk)

Financial lines

Financial lines in Bermuda remain stable, with capacity broadly intact and competition keeping D&O and cyber rates flat to modestly down. The real story in Fall 2025 is less about broad market shifts and more about contrasts within the portfolio: predictability in some classes, continued pressure in others and product innovation that sets Bermuda apart

Rates and competition

- Stable segments: D&O and cyber have stabilized following several years of softening; most renewals are now flat or show only nominal reductions
- Challenged segments: Lawyers E&O and wage & hour continue to face significant upward pressure (+5 to +15%), with carriers citing loss activity as the rate increase driver. This is compounded by capacity scarcity in this segment
- EPL: Still flat to +5%, with California exposures standing out as a consistent driver of premium load

Capacity movements

- Overall availability remains steady, but there has been continued recalibration of line sizes. Average deployments are now lower than historic norms, especially in lawyers E&O, where buyers seeking higher limits face constraints
- Two new entrants have added options in wage & hour, helping offset the 2024 primary market exit

Product innovation

- Executive compensation clawback coverage has moved from concept to a real differentiator, with two Bermuda markets now offering it and a third expected in early 2026
- In cyber, proprietary Bermuda forms such as CyProtect are gaining traction, with enhanced coverage features (including optional fines and penalties) creating meaningful value for clients

Strategic considerations

- A major insurer acquisition announced in late 2025 is not expected to disrupt capacity immediately but could lead to consolidation once finalized in 2026
- Middle-market opportunities (e.g., headcounts below 10,000 in EPL) are now benefiting from revised strategies by some carriers, increasing access to Bermuda paper

Casualty

Rate trends: Casualty rates are rising by +3% to +15%, with variation by risk profile. Low-hazard, non-loss-affected accounts are experiencing smaller increases (0% to +5%), and in some cases, flat renewals are being achieved. Higher-risk or loss-affected classes remain elevated (+5% to +20%). Importantly, escalation is beginning to moderate as nuclear verdicts are appealing downward. The pace of settlements, driven by reputational and social inflation pressures, continues to amplify severity, but the last two months have shown the first signs of stabilization since 2019.

Capacity shifts: Despite continued new entrants to the Bermuda excess casualty market, overall capacity remains flat to slightly shrinking. Established carriers are retrenching, with average deployed limits now in the $10 million to $15 million range, compared with the historic $25 million minimum. New entrants are typically offering smaller lines of $5 million to $10 million, but with two additional carriers preparing to enter, there are, for the first time since 2019, early indications that overall available capacity may begin to expand.

At the same time, domestic markets that deployed $25 million on softer classes as recently as 2024 have scaled back to a maximum of $15 million within the first $100 million of program towers. This retrenchment has created opportunities for Bermuda carriers to step in, and in 2025 they captured significant program growth.

Client risk participation: With line sizes compressed, insureds are continuing to retain more risk through higher deductibles, quota shares, or captives. For distressed industry classes, client participation has shifted from being a strategic choice to a practical requirement to complete program towers.

Terms and conditions: Terms remain broadly stable, particularly in follow-form placements where the WTW Bermuda slip continues to drive consistency. PFAS exclusions are now standard across most classes, with exceptions only where the client can demonstrate non-exposure. Markets are also monitoring ESG-related litigation exposures, which could shape terms and conditions.

Property

Property conditions in H2 2025 remain highly favorable for insureds, with competition intensifying and meaningful rate relief available across most classes. Capacity is ample, with carriers actively pursuing growth, which is creating broader coverage terms and more flexible structures.

Rate trends

- Non-CAT, clean accounts: –10% to –20%, with competition consistently delivering rate reductions and broader terms
- CAT-exposed, loss-free: Flat to –20%, depending on peril type and attachment point
- Loss-impacted/challenging occupancies: Flat to +12.5%
- In the middle and upper middle market sectors, no account has seen increases in 2025, underscoring how competitive conditions have become

Coverage/terms and conditions

As competition for market share intensifies, markets are becoming more flexible with sub-limits, retentions and coverage. Brokers are placing an emphasis on delivering concurrent terms and conditions, with a growing trend toward increasing sub-limits and reducing retentions.

Capacity and carriers

There is an abundance of capacity, particularly in excess-of-loss layers, for preferred, softer occupancies. Carriers are seeking to maximize their deployed capital, including offering multiyear deals for non-CAT layers. Some insurers are reviewing and adjusting distribution models to consolidate and maximize revenue. Despite strong competition, underwriting discipline is being maintained, with emphasis placed on long term, multi-line, relationship-based business. Looking forward, the "class of 2026" is expected to bring additional carriers into Bermuda, each with varying appetites for attachment levels and occupancy types.

2026 outlook

Absent of any major catastrophic activity in late 2025, further softening is expected into 2026. Loss-free, non-CAT programs are likely to see low-double-digit decreases, CAT-exposed accounts high single-digit decreases, and loss-impacted risks flat to modest increases. Reinsurance capacity remains supportive, and upcoming 1.1 and 4.1 renewals will be pivotal in setting direction, though pricing is expected to remain stable or ease slightly if losses stay near long-term averages.

Key watchpoints

- Multiple severe catastrophe (CAT) events could moderate the pace of softening
- Climate-linked volatility, including U.S. wind, wildfires and convective storms, remains a source of uncertainty
- If activity escalates, the double-digit decreases now available may shift to single-digit relief as markets seek to stabilize pricing

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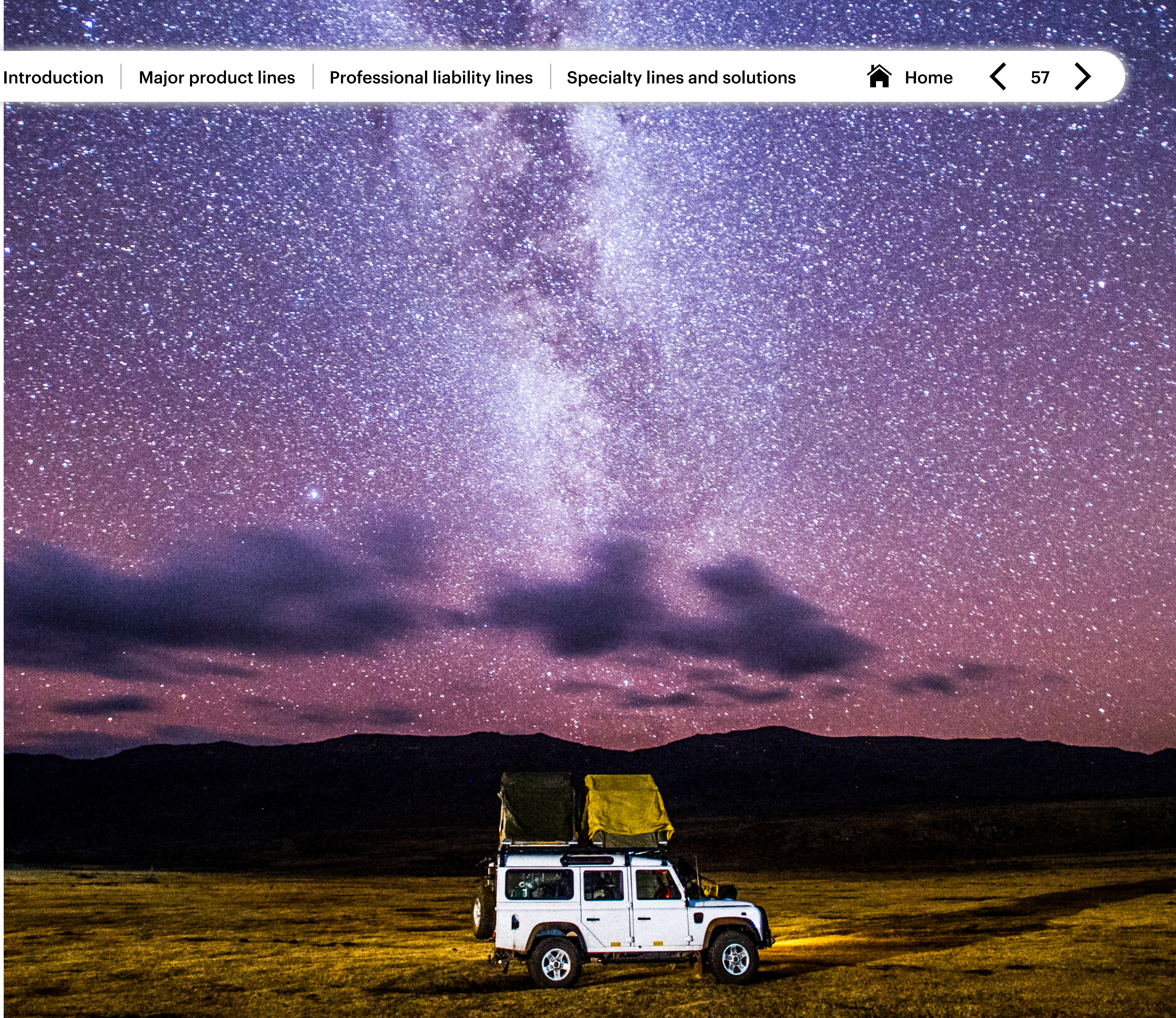
Professional liability lines



Click each square to go directly to that **professional liability lines.**

- Cyber Risk
- Directors and Officers Liability
- Employment Practices Liability
- Errors and Ommissions
- Fidelity/Crime
- Fiduciary Liability
- Financial Institutions – FINEX

Cyber Risk

Key takeaway

Given the prolonged period of market stabilization, cyber insurance direct written premiums declined 2.3% in 2024, the first ever decrease in total cyber insurance premiums since the data was first collected in 2015, according to AM Best's 2025 report. However, demand for cyber insurance has remained strong in the face of an expanding cyber threat landscape.

Rate predictions

Rate predictions

–5% to +5%

We are currently seeing flat primary and excess cyber renewals and capacity continues to be readily available

- Premium stabilization continued into the third quarter of 2025. While carriers continue to strive for flat rates on all layers, we are still seeing decreases for certain favorable risks. The premium increases we anticipated toward the end of this year have yet to materialize given better than expected loss ratios and intense competition between markets
- Improvements in cybersecurity practices among policyholders have contributed to reducing vulnerabilities that could lead to losses, thus bolstering insurer results
- Underwriting decisions are heavily influenced by the security controls a company has in place in conjunction with pricing and attachment points
- Competition is strong among markets and certain risks may receive multiple quotes. Incumbents are eager to retain business
- Capacity is plentiful in the market, partially thanks to new facilities able to provide significant excess capacity with flexibility to be deployed anywhere on a program above the primary layer

We saw a significant increase in average and median ransomware payments in the second quarter of 2025

- According to Coveware, average ransom payments increased 104% between Q1 and Q2 of 2025, while median ransom payments rose 100% during the same period
- Publicly disclosed ransomware attacks reached new heights in Q2 2025, with a total of 276 incidents, which represents a 63% increase compared to the same period in 2024
- In Q2 2025, 1,446 ransomware attacks were not publicly disclosed and were only reported on dark web leak sites, reflecting a 19% increase compared to the same quarter in 2024

Markets continue to grapple with how to address existing and potential exposures stemming from the use of artificial intelligence and are aggressively underwriting wrongful collection coverage

- While any coverage assessment for AI risk depends on the specific terms and conditions of any given policy, the general position at present is that traditional insurance policies do not typically affirmatively cover AI risks, but neither do they expressly exclude them
- We have recently seen the emergence of new insurance products designed specifically to address AI risks not captured under traditional policies, including:
  - Regulatory actions related to AI use
  - Unauthorized use of data or IP in AI models
  - AI hallucination liabilities, among other exposures
- While these products often fill gaps left by traditional policies, they can also overlap with coverage already available in such policies. As such, a thorough gap analysis of an organization's insurance program is necessary
- If markets are not satisfied with the answers they receive to wrongful collection underwriting questions, they will broadly exclude coverage for he exposure, including any risks associated with website tracking technology

Industry-specific trends

Financial institutions: According to WTW's proprietary claims data for the first half of 2025, a whopping 29% of the claims and losses reported were from financial services clients, making this industry the most impacted halfway through the year.

Healthcare: According to WTW's proprietary claims data for the first half of 2025, 12% of the claims and losses reported were from healthcare clients, making this industry the second most impacted halfway through the year. Carriers are very carefully underwriting wrongful collection coverage for healthcare clients given the increased litigation over the industry's usage of third-party web tracking technology.

Retail: A string of recent cyber-attacks and data breaches against U.S. retailers have caused widespread business interruptions and impacted customers. Affected retailers included one of the largest U.S. publicly traded health food wholesalers, a U.S. based lingerie, beauty and clothing retailer and an athletic shoe and apparel brand. According to the BlackFog State of Ransomware Q2 2025 Report, despite not breaking into the top three industries for overall attack volume, publicly disclosed ransomware incidents in the retail sector surged by 58% compared to Q1 2025. Our retail clients have seen a unique blend of exposures, as they regularly handle a significant amount of customer data while using social media and influencers, which involves reliance on third-party vendors to deliver their products and AI on their websites and at distribution centers.

Construction: The construction industry is undergoing a digital transformation, with smart equipment, AI-driven project management and cloud-based tools becoming integral to daily operations. While these advancements offer efficiency and innovation, they also introduce significant cyber vulnerabilities.

Manufacturing: More companies are grappling with how to protect operational technology (OT) systems, which, if left vulnerable, can lead to large business interruption claims and information technology (IT) systems being affected during an incident. Carriers are becoming more interested in collecting OT-specific underwriting information, including whether OT and IT networks are properly segmented to prevent lateral movement should a bad actor infiltrate one system or the other. Additionally, agentic-AI solutions are introducing greater efficiencies into the manufacturing process but also increasing the risk of unforeseen vulnerabilities and potential interruptions.

M&A: Organizations are lately focused on industry-specific enhancements and a more efficient process/approach to writing portfolio companies, which carriers have been willing to accommodate.

Higher education: Underwriter scrutiny around end of life (EOL) systems has ramped up based on the custom software used by many educational institutions. Carriers want to see protections in place or the replacement of these systems with something more secure.

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Directors and Officers Liability

Rate predictions

Public company: Primary/excess/side A

–3% to flat

Private company: Primary/excess/side A

–5% to flat

Key takeaway

The D&O market remains competitive, with the abundance of capacity moderated by continued pressures toward rate stabilization. Reductions may still be available on a case-by-case basis, but we anticipate the most likely renewal outcome to be flat for stable risk profiles. We are monitoring the potential for changes to the market that may result from broader macroeconomic conditions.

Underwriting

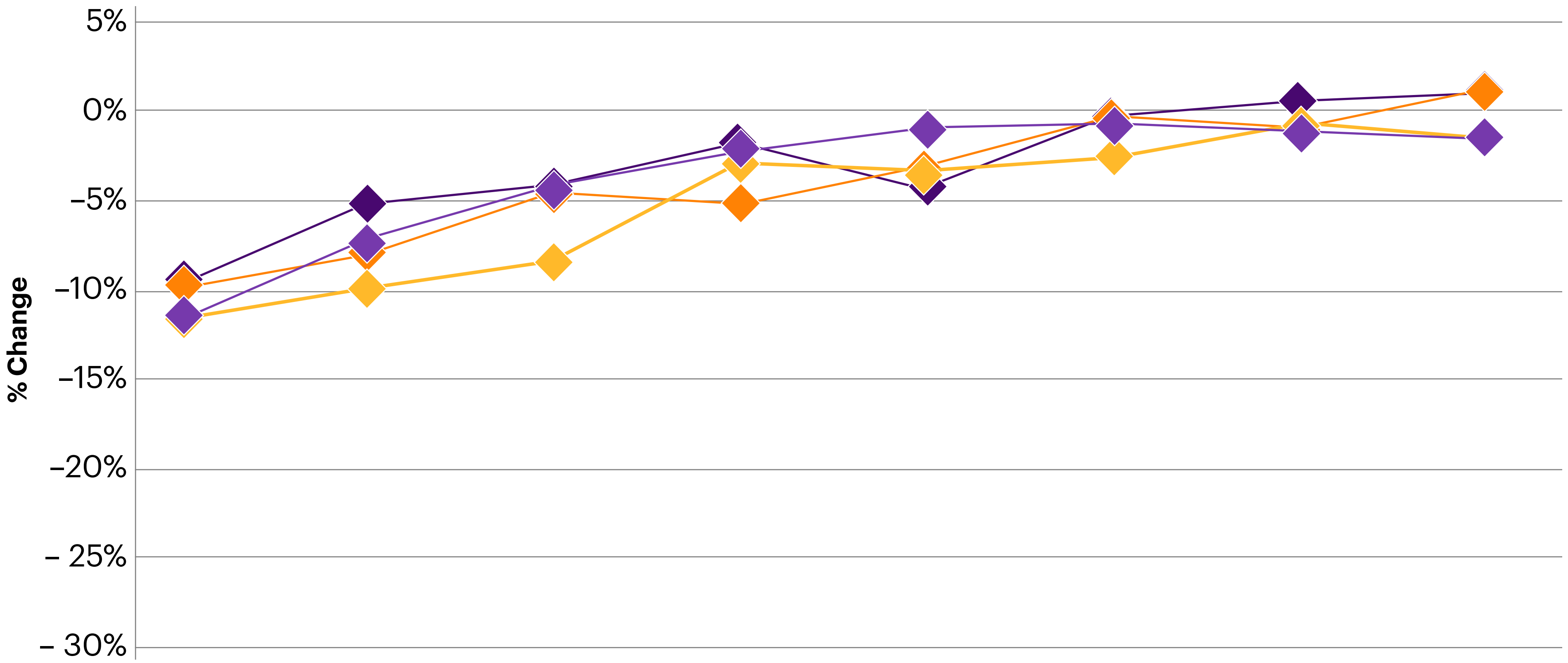
Public company

Rate environment: Initial indications from markets are likely to be flat, but there may be potential support for modest decreases on a case-by-case basis. Looking ahead into late 2025 and 2026, we anticipate markets to signal greater pressures toward rate correction, particularly on excess layers where pricing may be falling below an insurer's perceived minimum rate per million of coverage.

Focus on coverage/"driving value in a stable rate environment": Where insurers may be less able to agree to more favorable pricing, they may be amenable to differentiating their offerings with other areas of value, such as enhanced coverage, including the addition of entity investigations costs coverage and increased sublimits where feasible.

Private company

Primary: Insureds with stable risk profiles continue to see enhanced competition, with a floor of flat renewals and decreases when marketed. Carriers may offer guaranteed renewals and potentially multiyear policy terms, with a refreshed annual aggregate. The market for higher risk profiles is improving but can still be challenging; however, increases remain rare.



	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Primary	–11%	–7%	–5%	–3%	–6%	–2%	–1%	–1%
All ABC Layers	–11%	–9%	–6%	–7%	–5%	–2%	–3%	0%
Lead Side A	–13%	–11%	–10%	–4%	–5%	–4%	–2%	–3%
Total	–13%	–8%	–6%	–4%	–3%	–2%	–3%	–3%

Source: WTW proprietary data

Excess: As pricing decreases continue to manifest, we are starting to see a flattening in increased limits factors (ILFs).

Retentions: For challenged risks, carriers are pressing for higher retentions. Severity of increases most often depend on prior renewal increases and the need, if any, for continued correction. For smaller risks, lowered SIRs are persistent, allowing insurers to remain competitive.

Increased deployment: Carriers are willing to regularly deploy capacity for preferred risks. Additional capacity can be found for more risks. This is having an impact on market conditions more broadly, especially for more desirable risks.

Challenged risk profiles

- Non-U.S. parent with U.S. exposures
- Liquidity challenged and pre-restructuring/ bankruptcy risks
- Challenged industries, e.g., AI-exposed organizations; oil and gas, healthcare, life sciences, higher education, cryptocurrency, cannabis
- IPOs, de-SPAC business combinations

Despite challenges and anticipated potential for increases, capacity remains available.

Risk profile focus

- Adaptability to macroeconomic and political conditions, including tariffs and trade practices, regulatory uncertainty, economic policy shifts and pressures surrounding ESG (including climate and DEI practices)
- AI integration and adaptedness
- Cyber/privacy: adequacy of disclosures, oversight
- Financial strength
- Industry
- Claim history
- Loss-cost escalation
- Systemic exposures
- Exposures to government funding

Industry-specific D&O rate predictions and notes

Aviation: Regarding public company, with recent headline news surrounding airlines, there is moderate concern about resulting D&O litigation. This could create pressure for rate increases if claims materialize. That said, for both private and public aerospace companies, D&O capacity remains abundant, which continues to provide competition and leverage in this space.

Food and beverage: Underwriters are focused on a company's use of artificial colors in food products and how removal of those may impact cost structure, supply chain stability and innovation timeline. The recent attention to ingredient labeling in snack and frozen products draws questions around any impact or change to a company's transparency in labeling and ingredient sourcing. Around tariffs, carriers want to understand a company's efforts to mitigate any impact on supply chain and sourcing risks as well as the subsequent ability to ensure food safety risks.

Healthcare: As to private/NFP (primary), potential heightened premium depending on claims activity or M&A. Also, there is some pressure on antitrust retention and coinsurance.

Higher education: For large higher education organizations, primary premiums are up from 15% to 30% and excess layers are going up 15% or more depending on attachment and if the excess layers include antitrust coverage on a drop-down basis over primary. For smaller organizations, primary premiums are up 10% to 15% and excess layers are typically up 5% to 10%.

Life sciences: There are many factors that impact renewal premiums including - premium movement in prior renewals, liquidity; is the company still in the IPO window;

is the company in early or late phases; etc. Excess rates can be more competitive than primary. Side A is attractive and pricing can be more competitive.

Natural resources: The impact on tariffs, political uncertainty around solar tax credits and recent bankruptcies in the space have created headwinds for many renewable-focused firms.

Retail and distribution: There remains a potential increase in bankruptcies within this sector as we move throughout the year.

Sports and entertainment: The sports and entertainment industry is besieged with litigation on many levels. As for professional sports and entertainment risks, many franchises are now allowing outside investors to buy ownership shares in their teams. This has led to a significant surge in private equity investments in this growing market. Additionally, stadium renovations are evolving into billion-dollar mixed-use developments that draw millions of visitors each year. On the college level, clients face persistent allegations of antitrust violations, depriving student athletes of employment rights (e.g., unionization and collective bargaining) and status of athlete NIL payments by colleges and universities. Today's decisions may shape television revenues, dispute resolutions and available damages for the foreseeable future. As always, traditional claims of harassment and discrimination are prevalent.

Technology, media, telecommunications: From an AI perspective, we are seeing an increase in use of AI by insureds and an increase in underwriting questions as a result, but no coverage ramifications yet, however, being closely monitored. There remains a focus on board oversight of AI deployment and governance, as well as shareholder litigation risk tied to perceived financial impact.

Developments and market-driving issues to watch

D&O claim trends

SCA filings in H1 2025 (114), annualized, were consistent with overall 2024 filings (source: Cornerstone Research, Securities Class Action Filings: 2025 Midyear Assessment); however, there was a meaningful drop in filings in Q2 (44) over Q1 (67), suggesting a possibility for lower frequency figures as the year progresses (source: Stanford University, Cornerstone Research, Securities Class Action Clearinghouse, securities.stanford.edu, accessed August 7, 2025).

In contrast, the average SCA settlement in the first half of 2025 was $56 million, an increase over the inflation-adjusted average in 2024 ($44 million) and 2023 ($36 million). The median settlement in 2025 was $13 million, consistent with the median settlement in 2024 and 2023 (Source: NERA, Recent Trends in Securities Class Action Litigation: H1 2025 Update).

The Securities and Exchange Commission (SEC) filed 26% fewer enforcement actions in fiscal year ending September 2024 than in FY 2023 – 583 in FY 2024 versus 784 in FY 2023. Recoveries, however, were a different story: the SEC recovered $8.194 billion in penalties and disgorgement in FY 2024, higher than the average annual recoveries of $4.853 billion over the five previous fiscal years.

We continue to caution that settlement and recovery sums in any given year may not be reflective of current D&O conditions. In fact, they are lagging indicators, often revealing of facts specific to cases filed in previous years and without reference to the amount of D&O insurance used to resolve the matters. This last point is especially true with enforcement actions, where D&O coverage for corporate entities and for fines and penalties on a broader basis, may be more limited.

Artificial intelligence (AI) as a D&O risk

As a D&O risk, AI is used to provide support to corporate decision makers, leading potentially to questions of the sufficiency of oversight and due diligence. The adequacy and accuracy of investor disclosures relating to the use and scope of AI are also areas of potential risk.

AI-focused legislation is increasingly creating compliance and governance concerns for companies. The European Union's AI Act and similar state-level legislation in the U.S. impose standards regarding bias, data transparency and ethical use. Companies that fail to comply could face regulatory scrutiny and potential litigation.

The SEC has initiated enforcement actions, including a settlement with investment advisor firms related to alleged practices known as "AI washing," or the overstatement or the misleading of investors as to a company's AI capabilities or the extent to which the company has incorporated AI into its operations or products. Additional AI-related enforcement actions have since been filed, including actions against (1) China-based QZ Asset Management Ltd. and its CEO, (2) the founder and former CEO of AI start-up, Nate, Inc. and (3) Rimar Capital entities and their owner, which resulted in a settlement.

Beyond SEC activity, shareholders filed 53 AI-related SCAs, asserting allegations primarily limited to misrepresentations about the role of AI in business operations, with one recent case, filed in January 2025, alleging inadequacy of disclosures related to the use of AI as potentially cannibalizing the company's business.

Macro-economic factors

The U.S. economy was resilient in H1 2025. Tariff and trade practices, labor supply, government funding cuts, inflation, shifts in economic policy and global hostilities are among factors that may adversely impact businesses in second half of the year

Tariffs: The rise of protectionist policies, particularly those involving tariffs, has become a significant focus for directors and officers of businesses globally. With tariffs in place, at least to some degree depending on country, directors and officers are challenged to anticipate the longer-term consequences. Tariffs can impact company performance in many ways, including with respect to supply chain disruptions, increased costs of goods, profit margin reductions, currency exchange rate risk, regulatory compliance costs, competitive disadvantages, bankruptcy and insolvency risk. For a more complete discussion, see our article: How tariffs can affect directors' and officers' risk.

Government funding cuts: Nonprofit organizations and private companies that rely on federal funding are potentially facing increased risks ranging from operational performance concerns to challenges associated with adapting to fast-changing regulatory and funding conditions. For a more complete discussion, see our article: D&O risk for private and nonprofit companies amid government funding cuts.

Changes in state corporate laws to attract re-incorporation outside Delaware

For many years, Nevada has attempted to lure corporations to the state with advantages such as no corporate income tax and a codified business judgment rule and exculpation statute that are arguably broader than those protections afforded in Delaware

In February, Nevada adopted a joint resolution to amend the state constitution to permit the legislature to create a business court to steer securities litigation to specialized judges. Most recently, in May 2025, the state adopted legislation modifying code provisions relating to jury trial waivers and controlling shareholder duty limitations

Not to be outdone, Texas adopted reforms in May that include creation of a business court system dedicated to securities litigation, establishment of minimum ownership requirements as a prerequisite to bringing derivative litigation, prohibition of fee recoveries for plaintiff counsel when bringing suits seeking only enhanced corporate disclosures and codification of a business judgment rule purportedly broader than Delaware's.

To mitigate the risk of companies re-incorporating elsewhere, Delaware adopted Senate Bill 21 (SB 21) in March 2025, lessening stockholders' rights relative to claims involving controlling stockholders, particularly as they relate to conflicted transactions. Similar to reforms adopted in Texas, Delaware also restricted the scope of documents available to shareholders with respect to statutory books and records demands. See our article on the subject: Changes in Delaware corporate law: A D&O liability and insurance perspective.

The moves by Nevada, Texas and Delaware have sparked a high profile discussion of the pros and cons of leaving Delaware for possibly friendlier territory out west. See, for example, Andreeson Horowitz's "We're Leaving Delaware, And We Think You Should Consider Leaving Too," and a responsive article "Why Andreessen Horowitz's exit from Delaware misses the big picture."

We anticipate D&O insurers will proceed cautiously and not assume that corporations will experience diminished D&O risk inside or outside Delaware or that D&O insurance premiums will decrease as a result Nevertheless, the dynamic is fluid and, on a case-by-case basis, there may be sensible justification for corporations in either state to present themselves to insurance markets at renewal as more favorable risks than before.

The challenges of managing environmental, social and governance (ESG) risk

Environmental, social and governance (ESG) concerns have been a prominent area of discussion related to D&O risk for several years. Initially, organizations faced pressure from shareholders, regulators and other stakeholders, to address ESG from operational, cultural and investment perspectives. Globally, ESG-focused regulation has expanded, including SEC rulemaking and legislation in California and the EU. In the U.S.; however, a more recent ESG backlash has pressured the SEC to scale back the scope of its final climate rule, with the agency formally delaying implementation pending completion of judicial review of consolidated proceedings in the Eighth Circuit challenging the rule. Authorities in several U.S. states have pushed back on ESG initiatives and the new presidential administration is expected to seek to roll back many of the Biden administration's climate policies at the federal level.

One exception may be California's legislation, Senate Bill 219 – "Greenhouse Gases: Climate Corporate Accountability: Climate-Related Financial Risk" – signed into law in September 2024. Generally, the legislation requires companies with significant revenues in California that do business in the state to publicly disclose greenhouse gas emissions data and climate-related financial risk reports. Although predictable legal challenges to the law are pending, disclosure deadlines are still slated for 2026. In one such case brought by the U.S. Chamber of Commerce, the U.S. District Court, Central District of California, in August 2025, denied the Chamber's request to block the law on First Amendment and other grounds.

Another element of ESG risk, that of diversity, equity and inclusion (DEI), is also marked by backlash and uncertainty, with some businesses announcing rollbacks to DEI programs or, at least, diminishing their maintenance and promotion of quantitative, time-bound DEI goals within their sustainability reports. In addition, three states restricted DEI offices at public universities in 2024 and three additional states prohibited colleges from requiring diversity statements in hiring and admissions. Lawmakers in at least 10 other states proposed legislation related to DEI in higher education. The new presidential administration has proclaimed it would sign an executive order to eliminate DEI programs on "day one." Most recently, the Fifth Circuit Court of Appeals struck down SEC-approved Nasdaq rules designed to encourage more diverse company boards.

Bankruptcy and insolvency risk

Business bankruptcy filings totaling 23,043 through June 30, 2025 reflected a 4.5% increase year-on-year, having now eclipsed the number of filings in the pandemic year of 2020 (22,482). Chapter 11 filings through June 2025 (8,408), in particular, were 11% greater than in 2020 (7,568). We continue to monitor these developments, as bankruptcy claims can impact both private and public companies and can be among the most severe. Bankruptcy-focused D&O coverage specialization is essential in times of uncertainty. Companies with any inkling of upcoming issues should reach out sooner than later (but it's never too late) to specialized D&O brokerage distressed risk teams.

Initial public offerings

U.S. initial public offering (IPO) filings in the first half of 2025 (104 filings) were up 21% over the second half of 2024 (86). The uptick occurred despite headwinds of lingering inflation, market volatility, interest rate and trade policy concerns. The D&O insurance market for IPOs and de-SPAC transactions remains competitive, but, as with the broader marketplace, it is moderating in general. Pricing is often dependent on company-specific risk factors, including financial strength and industry.

Coverage itself continues to broadly encompass offering-related acts, including pre-transaction promotional acts. Additionally, as has been the case in the market for quite some time, issuers may be able to extend coverage to third parties, including underwriters, advisors, shareholders and others to whom the issuer may owe indemnity. Such coverage extensions can have downsides, however, and the adequacy of the wording is crucial. As always, issuers should work with their brokers and their IPO and SPAC risk specialists to achieve the most desirable coverage for their particular risks.

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Employment Practices Liability/Wage and Hour

Rate predictions

EPL domestic and Bermuda markets

Flat to +5%

Wage and hour Bermuda markets

+5% to +15%

Key takeaway

The employment practices liability (EPL) market continues to be competitive. However, as more guidance emerges from the current administration, we do anticipate an increase in claims and adjustments may be made in more risky jurisdictions and industries.

The wage and hour (WH) market continues to evolve with new entrants looking to target smaller headcounts. However, with the change in administration and changes to various regulations, claims continue to be on the rise.

Competition is still strong and keeping the EPL market stable, but change is ahead

Rates: While we do expect to see mostly flat renewals, there will be modest rate increases in high-risk jurisdictions and industries. Outside of those high-risk jurisdictions and industries and assuming no change in risk profile and no losses, rate increases are more likely to be close to or at flat. California continues to be the most problematic jurisdiction for insurers. New Jersey, New York, Illinois and Florida remain challenging as well.

Retentions: While many retentions have stabilized, loss history and location of employees may still lead to increases in retentions. Markets continue to seek separate retentions for class actions, especially in California. Moreover, some domestic markets have also sought separate retentions for high-risk states (e.g., California, Illinois, New York and New Jersey) and sometimes even county-specific retentions. In many instances, there are separate (higher) retentions for highly compensated employees in certain industries.

Limits: Both Bermuda and domestic markets are managing their capacity on any given risk. Domestically, markets are providing between $5 million and $10 million. In Bermuda, markets are cutting back to $15 million ($10 million in some instances).

Excess: EPL markets are generally following primary increases in addition to looking to adjust increased limit factors (ILFs) for certain risks.

Capacity: Overall capacity in the EPL market is stable.

Underwriting: Expect some questions regarding how the company is approaching DEI programs and compliance with the new executive orders, how the company is managing EPL exposure in the new political environment, use of AI in employment decision and compliance with state pay transparency laws. Many markets have separate questionnaires for biometrics, sexual harassment and pay equity and some markets have started to utilize separate questionnaires for compliance with state pay transparency laws.

Coverage: Some markets have started to add wage transparency exclusions or sublimits. In addition, markets continue to add privacy/biometrics exclusions and in some cases, broaden existing exclusions. Small sublimits for defense cost coverage are available from certain insurers upon satisfactory completion of the previously mentioned biometric questionnaires.

Industry-specific EPL rate predictions (deviations from above noted in bold)

Industry	Rate prediction
Aviation	Flat to +5%
Construction	Flat to +5%
Food and beverage	Flat to +5%
Healthcare	Flat to +5%
Life sciences	**Flat to +10%**
Marine	Flat to +5%
Natural resources	Flat to +5%
Public entities	Flat to +5%
Higher education*	**+10% to +25%**
Government contracting	Flat to +5%
Sports and entertainment	Flat to +5%
Real estate, hospitality, leisure	Flat to +5%
Retail and distribution	Flat to +5%
Technology, media and telecom (TMT)	Flat to +5%
Transportation	Flat to +5%

* Excess: Flat to +15%

Industry specific EPL and WH notes

Healthcare: Healthcare accounts will likely continue to see pressure on physician and/ or high-wage earner retentions.

Sports and entertainment: Third Circuit decision in Johnson v. NCAA opens the possibility of classifying student athletes as employees under the FLSA.

TMT: From an AI perspective, there's an increase in use of AI by insureds and an increase in underwriting questions as a result, but no coverage ramifications yet.

New administration's impact on DEI and employment law

- The President has issued several executive orders addressing DEI within federal agencies and the private sector. The executive orders are aimed at rooting out illegal DEI and discrimination. There are ongoing legal challenges to the subject orders
- The EEOC and DOJ issued a joint press release issuing two technical assistance documents – one is done jointly with the Department of Justice and is titled, "What To Do If You Experience Discrimination Related to DEI at Work" and the second is issued solely by the EEOC and is titled, "What You Should Know About DEI-Related Discrimination at Work." The guidance issued by the EEOC outlines potential new avenues for raising hostile work environment, retaliation and discrimination claims
- On July 29, 2025, the DOJ published a memorandum from Attorney General Pamela Bondi titled "Guidance for Recipients of Federal Funding Regarding Unlawful Discrimination", which includes guidance clarifying the application of federal antidiscrimination laws to DEI programs utilized by entities receiving federal funds. The DOJ memo provides several examples of "unlawful practices"
- In a unanimous decision in the Ames v. Ohio Dept. of Youth Services case, the Supreme Court of the United States struck down the Sixth Circuit's "background circumstances" rule, which had required majority-group plaintiffs to meet a heightened evidentiary standard to establish a prima facie case of discrimination under Title VII
- On April 23, 2025, the President issued an executive order seeking to eliminate disparate impact liability for discrimination and ordering federal agencies to stop enforcement based on disparate impact liability. While this does not change the law, it has the potential of changing enforcement priorities at the federal level
- As a result of the current environment, we anticipate there will be an increase in discrimination and retaliation claims
- Companies should examine their DEI policies and initiatives with counsel to ensure they comply with all laws and regulations

Focus on use of artificial intelligence in employment – less federal regulation

- The current administration is focused on the development and use of AI rather than regulating it. As such, guidance previously issued by the EEOC and DOL has been removed from their websites
- The President signed EO 14179, which directs certain agencies to develop an action plan to promote the development of AI technology in the U.S. and directed agencies to review and consider rescinding policies and regulations that may be inconsistent with that policy
- Meanwhile, states continue to pass legislation to protect against algorithmic bias

Pay transparency laws lead to an increase in claims activity

- With several states passing pay transparency laws, litigation has been on the rise
- The claims have been most prevalent in Washington. Recently, the Washington Supreme Court in Branson v. Wash. Fine Wine & Spirits, LLC, held that the subjective intent of an applicant is not relevant, but rather "any person who applies to a job posting" that does not properly disclose salary or wage information has standing to sue under the statute
- On the other hand, Washington State has amended their Equal Pay law to provide some relief to employers in the wake of hundreds of class action lawsuits that have been filed. The amendments went into effect July 27, 2025, and include changes to the statutory damages that can be recovered by private plaintiffs and provide for a notice and cure period
- Given the increased claims activity, some markets have separate questionnaires regarding compliance with state pay transparency laws, particularly for Washington, while others have added specific exclusions or sublimits

Changes to wage and hour laws with the new administration

- The U.S. Department of Labor's Final Rule raising the minimum salary level requirements for application of the Fair Labor Standards Act (FLSA) "white collar" exemptions took effect July 1, 2024. However, that was struck down by a Texas Court and was on appeal when the administration changed. Recently, the DOL asked the appeals court to hold the case in abeyance as it reconsiders its next move.
- **Independent contractor reform**: The DOL under the current administration will no longer apply the 2024 independent contractor final rule when analyzing whether a worker is an employee or independent contractor under the Fair Labor Standards Act (FLSA). However, the 2024 final rule remains in effect for purposes of private litigation while the DOL decides its next move

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Errors and Omissions

Key takeaway

While some primary insurers are still trying to impose claims inflation increase of 2% to 3%, primary policy rate increases for large law firms have mostly leveled off with reductions possible because primary insurers have reached rate adequacy after five years of annual rate increases. Excess insurers continue to resist significant premium decreases due to continuing claim severity and rapid settlement time.

Rate predictions

Large law firms

–2% to +3%

Small to mid-size law firms

–5% to flat

Management consulting firms

–5% to +10%

Lawyers

- The severity of LPL claims continues to be an issue, as more claims are exceeding the primary and going into the excess layers, sometimes as much as $100 million or more
- Primary underwriters have corrected pricing to reflect claims severity, while excess insurers are still in the rate correction process and resisting significant premium reductions
- As the use of AI by lawyers increases, there are concerns with oversight and compliance with professional ethical standards and making sure there are tight controls over AI selection and use to ensure accuracy. Underwriters are also focused on the following:
  - Training/supervision
  - Significant lateral movement with respect to lateral selection, integration and cultural dilution
  - The financial stability of law firms
  - Law firms working with entities in sanctioned countries
  - Ensuring that there are redundancies are in place if law firms are faced with a cybersecurity incident
- As the market is stable and capacity remains steady, most primary carriers have reached rate adequacy and are moderating their premium targets based on underwriting criteria

Consulting firms

- Underwriters have continued concerns over consultants working with clients in the tobacco and opioid industries and potentially crossing the line into proposing or operationally supporting high-risk strategies for regulated or high-risk products
- High-profile claims against consultants have generated additional levels of underwriting scrutiny for consultants providing these types of services
- Underwriters are still evaluating insureds that work with sanctioned entities and confirming that they have plans in place to address these situations
- Competition has resulted in lower premium increases for high-risk practice areas and for consultants with solid risk management procedures and low-risk practices
- Underwriters continue to focus on:
  - Cyber controls
  - Practice areas: Turnaround management, cryptocurrency and pharmaceuticals continue to be considered high hazard. Above a specific percentage, firms focusing on actuarial consulting struggle to find capacity
  - Financials: Clients have become more demanding and are pushing back against concepts like billable hours and seeking cost transparency
  - Strategic plans to address the evolution away from clients having to rely on consultants' specialized knowledge, i.e., the Googleization of expertise
  - Appropriate licenses being in place when insureds work with sanctioned governments
  - Controls over the use of AI

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Fidelity/ Crime

Rate predictions

Primary fidelity and crime
Flat

Excess fidelity and crime
Flat

Key takeaway

The fidelity and crime market remains stable, even in an ever-evolving threat landscape. Rate pressure may be present on programs with meaningful coverage enhancements and/or loss experience. Given the overall profitability of the product line, there is an increasing desire from carriers to grow this book of business, especially when leading the management and/or professional liability lines. Conditions remain favorable for insureds, and the outlook is encouraging with new capacity coming into the market.

The threat landscape for companies is evolving every day. Social engineering fraud is a leading cause of financial fraud and is intensifying, with artificial intelligence enabling automated deepfakes and exploiting vulnerabilities. Underwriters are increasingly focused on how organizations utilize AI beyond routine functions and what risks may arise as a result.

A range of innovative insurance solutions have emerged, including stand-alone social engineering, excess social engineering only, excess crime with DIL/DIC drop-down for social engineering and excess blended cyber-crime with DIL/DIC provisions. These options cater to clients who wish to buy higher limits or more comprehensive coverage.

In July 2025, we saw the first major federal cryptocurrency bill signed into U.S. law, providing a regulatory framework for stablecoins. The law creates clear regulatory guardrails that were previously missing in the U.S., allowing banks to expand into stablecoin services. We caution that the passing of this law does not alter coverage available under standard fidelity/crime policies (unless explicitly afforded) as stablecoins are not a legal tender.

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Fiduciary Liability

Rate predictions

Retirement plan assets up to $50 million

–5% to +5%

Retirement plan assets over $500 million

Flat to +5%

Retirement plan assets between $50 million and $500 million

Flat to +5%

Financial institutions

–5% to +5%

Key takeaway

Although some traditional fiduciary carriers continue to be wary, there have emerged enough carriers with increased appetites to create improved and stabilized market conditions. In some cases, D&O insurers are looking to get on the fiduciary towers as well. Premiums have continued to level off, with the most common result being flat renewals and sometimes reduced retentions. If the volume of excessive fee suits picks up and plaintiffs continue pursuing other newer class action theories, that (combined with the recent U.S. Supreme Court decision in the Cornell University excessive fee case) could create upward pressure on pricing in late 2025 or early 2026.

Slight improvements as more insurers look to build their books

- A recent increase in the number of markets interested in writing primary fiduciary liability policies has been the main driver of modest decreases in premium, though more accounts have been renewing flat
- Particularly with commercial and large nonprofit (university and hospital) risks, underwriters apply enhanced scrutiny to defined contribution pension plans with assets greater than $250 million, with some carriers avoiding plans larger than $1 billion. Even smaller plans can cause concern because a few smaller plaintiff firms have targeted them, but some carriers are now easing up on retentions for such plans
- Insurers regularly seek detailed information about fund fees, recordkeeping costs, investment performance, share class, vendor vetting process and plan governance, causing some insureds to seek assistance from their vendors in filling out applications. Carriers look for: frequent RFPs/ benchmarking, little or no revenue sharing (with caps), little or no retail share classes, few actively managed funds (not QDIA), limited M&A activity
- Although excessive cost class actions involving health and welfare plans have caused increased scrutiny on such plans, concern is dying down in the wake of dismissals and the lack of new cases being filed
- Other areas of recent increased carrier inquiry include outdated mortality tables, plan forfeiture policies, tobacco surcharges and pension risk transfers
- Brokers are having some success in getting credit for positive risk factors, including level of delegation, quality of advisors and favorable venues
- Some carriers have created specific coverage (often by endorsement) for Pooled Employer Plans, while others have not yet done so
- Retentions: Insurers continue to be more focused on retentions than on premiums. Although retentions of seven figures remain commonplace for specific exposures (prohibited transactions/excessive fees) and sometimes applicable to all mass/class actions at certain plan asset thresholds, there have been improvements. Some carriers are offering opportunities to “buy down” retentions somewhat
- Coverage breadth has been seeing some expansions: Other than increasing retentions, carriers have not generally been restricting coverage. Several carriers have become receptive to offering coverage enhancing endorsements. It should be noted, however, that terms can vary substantially
- Capacity management: Most carriers are closely monitoring the capacity they are putting out and $5 million primary limits continue to be more common than $10 million
- Rate prediction qualification: Rate increases may be higher or lower depending on the insured’s existing pricing. We expect to see flat renewals continuing to be common. Price per million of coverage can vary substantially among risk classifications

Challenged classes

- Healthcare entities, who continue to be targeted disproportionately by class action plaintiffs, continue to see premium increases, although some are renewing closer to flat
- Financial institutions still receive extra scrutiny, especially if their plans utilize proprietary funds, but their premiums have become stable and even decreased recently
- Risks to watch: Excessive fee class actions; imprudent fund selection class actions (particularly relating to target date funds), claims challenging use of funds from plan forfeitures, tobacco surcharge, class actions challenging ESG investments, DOL investigations and cyber audits, actuarial equivalence (outdate mortality table) cases, potential claims arising from benefit cutbacks, claims alleging imprudent DB plan buyouts (Pension risk transfers)

Developments and market-driving issues

Defined contribution retirement plans

Excessive fee class action volume was up in 2024 compared to 2023, but was way down in the first half of 2025; decisions are mixed:

- **Excessive fee class actions:** There were 65 excessive fee class actions filed in 2024, with 39 of those cases being filed in the second half of the year (in comparison to 48 such cases being filed in all of 2023). Still, the volume was down from 2022. Meanwhile, a search using Courtlink found only 12 excessive fee class action filings in the first half 2025 (at the same time as there were 18 forfeiture filings, 6 imprudence class actions and 16 tobacco surcharge cases)
- In the initial aftermath of the U.S. Supreme Court's pro-plaintiff Northwestern University decision in January 2022, few excessive fee cases were dismissed, but subsequent positive precedents from the Sixth, Seventh, Eighth and Tenth Circuits (CommonSpirit, Oshkosh, MidAmerican Energy Co and Barrick Gold) led to an increase in motions to dismiss being granted and upheld, particularly in those circuits
- Share class allegations remain the most difficult to get dismissed on an initial motion. The Sixth and Fifth Circuits reversed dismissals in cases involving expensive retail share classes (but the latter case thereafter settled for only $1.48 million), while a district court in the Central District of California found for the defendants on the issue after a prudent process was demonstrated at trial. Meanwhile, the Second Circuit reversed a defense verdict on this issue, which was reached after a full trial. In another case, which didn't involve share class allegations, the Second Circuit upheld a grant of summary judgment based on a finding of a robust process
- The Second Circuit and the Eighth Circuit affirmed dismissals because the complaints did not allege "meaningful benchmarks," while the Third Circuit found that meaningful benchmarks had been alleged but partly because it accepted plaintiffs' allegations concerning the commodification of plan services. Meanwhile, in a highly criticized decision with a strong dissent, the Sixth Circuit stated that plaintiffs suing Parker-Hannifin did not have to plead "meaningful benchmarks;" in that case, the defendants sought rehearing en banc, with organizations such as the U.S. Chamber of Commerce filing amici briefs. Thereafter, they sought certiorari, resulting in an order from the Supreme Court that "[t]he Solicitor General is invited to file a brief in this case expressing the views of the United States"

- Nonetheless; thereafter, the Sixth Circuit affirmed a dismissal in another excessive fee case in May, criticizing the Seventh Circuit's decision on remand in Hughes v. Northwestern University for accepting plaintiff's assertions that recordkeeping services are fully fungible
- While affirming an award of summary judgment in an excessive fee case, the Eleventh Circuit opined that plaintiffs have the burden of proving causation in relation to damages

Defendants fare well in most trials:

- 2024 saw three trials relating to Target Date Funds (investment options designed to grow more conservative as investors age), all of which resulted in victories for defendants. Plaintiffs lost two cases involving flexPATH target date funds, which allegedly underperformed. Despite numerous allegations of conflicts of interest among the defendants, ultimately the two courts found no liability. At third case involving different target date funds also resulted in a no liability verdict
- In another case, the sponsor won a trial in Central District of California based on a finding that there had been regular requests for information and vendor-fee benchmarking, rejecting the plaintiffs' contention that a request for proposal was required
- On the other hand, Yale University's trial victory from 2023 was subsequently appealed to the Second Circuit, with the ERISA Industry Committee (ERIC) and U.S. Chamber of Commerce filing amici briefs in support of Yale. Meanwhile, NYU's trial victory from 2018, which was partially reversed in 2021, is heading toward a new trial. (Note that the Second Circuit is in the minority in having some decisions granting ERISA plaintiffs the right to a jury trial. The Yale plaintiffs were successful in obtaining a jury trial, while the NYU plaintiffs were not (partly based on arguments that the right had been waived).)
- In April 2025, plaintiffs achieved a decision in the first phase of one recent excessive fee trial, possibly because the judge in that case had granted the plaintiffs a jury trial (the case was venued in NY, in the Second Circuit). Thereafter, the case was settled
- Meanwhile, defendants won another case at trial, after having lost the prior motions. After trial, the judge found that LabCorp "engaged in a prudent process in managing its recordkeeping fees and monitoring the plan's investment shares" and that the plaintiffs "failed to meet their burden to establish that LabCorp breached its fiduciary duty of prudence." This was partly because the court found the defense expert to be more persuasive than the plaintiffs' experts

More plan forfeiture class actions were filed:

- Starting in September of 2023, one two-person California plaintiff firm filed four lawsuits against four different sponsors of defined contribution plans, alleging that it was impermissible self-dealing for companies to defray future plan contributions by using forfeited funds related to departing employees who didn't vest in their employer match. Since then, other law firms have joined in and more than 10 such lawsuits have been filed on a standalone basis. Thereafter, certain high-volume filers of excessive fee class actions started to include forfeiture allegations in their complaints, bringing the total number of forfeiture-related suits filed in 2024 to more than 30. One source puts the total number of class actions containing forfeiture allegations at "approximately 60"
- These allegations seem to contradict long-established practices, seemingly endorsed by both the Internal Revenue Service and the Department of Labor. Just this year, the IRS proposed regulations concerning the timing for reallocating forfeiture, without raising any concerns. In addition, defendants have raised arguments that the challenged decisions are funding decisions which should be considered "settlor acts" which are not subject to fiduciary duties. Nonetheless, although several of these suits have been dismissed (sometimes with leave to replead), at least three of the complaints have survived a motion to dismiss. Thereafter, one of those two cases settled for $2 million
- One court, in dismissing the case, pointed out that (unlike in some other cases) the defendant's plan document did not allow discretion for how forfeitures should be allocated
- On July 9, 2025, the DOL filed an amicus brief on behalf of defendants in a forfeiture case, stating that "a fiduciary's use of forfeited employer contributions in the manner alleged in this case, without more, would not violate ERISA"

The Supreme Court states low standards for pleading prohibited transactions:

- In a unanimous decision, the U.S. Supreme Court reversed and remanded the Second Circuit's affirmation of the dismissal of the prohibited transaction claim against Cornell University. All of the Justices agreed with Justice Sotomayor's Opinion of the Court that section 408 of ERISA lists affirmative defenses to a section 406 prohibited transaction claim and that plaintiffs should never have to plead the absence of affirmative defenses in a complaint. Justice Alito wrote a concurrence, joined by Thomas and Kavanaugh, that bemoaned what they deemed to be the statutorily necessary result, warning of "untoward practical results" because "[t]he upshot is that all that a plaintiff must do in order to file a complaint that will get by a motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) is to allege that the administrator did something [hired a service provider] that, as a practical matter, it is bound to do"
- Even the majority was somewhat concerned about a possible proliferation of frivolous litigation, with both sides endorsing the adoption of unusual procedures such as "if a fiduciary believes an exemption applies to bar a plaintiff's suit and files an answer showing as much, Federal Rule of Civil Procedure 7 empowers district courts to "insist that the plaintiff" file a reply "put[ting] forward specific, nonconclusory factual allegations" showing that the exemption does not apply" [citations omitted]
- Note that the effect of this prohibited transaction decision may be limited as it relates to excessive fee class actions, among other reasons, because those cases usually contain separate counts alleging breaches of fiduciary duty

- For more discussion of the Supreme Court's decision in Cornell, see this article
- For more discussion of the appellate decisions in the Second Circuit Cornell and the Ninth Circuit AT&T cases and the legal standards discussed in those decisions, see this article

Defined benefit pension plans

Mixed results in actuarial equivalence class actions:

- Class actions arising from allegedly outdated mortality tables, which first appeared on the scene in 2018, continue to be filed. These cases allege that, by basing their calculations on obsolete mortality tables from periods between the 1950 and the 1980s, plan sponsors have been underpaying benefits to retirees who elect to receive lump sums
- More than 30 such class actions have been filed, including 3 in 2024. The main issue is whether ERISA has an implied requirement that mortality tables be "reasonable" (because it does not have an express requirement to that effect). There is a sub-category of actuarial equivalence suits, which focus on a so-called "marriage penalty"; one such case settled for $14.75 million in January, 2025 after it was certified as a class action
- Although more actuarial equivalence cases have gotten past motions to dismiss than have been dismissed and some cases have been settled for substantial figures (including a $59 million settlement), to date, there has never been a finding of liability
- Note; also, that at least two courts have refused to grant class certification, stating that there were irreconcilable conflicts within the proposed class (see discussions of the Thorne and Torres cases)
- **As pension risk transfers increase, so does litigation arising from them:**
  - In the midst of positive news about defined benefit pension plan funding and a rise in plan sponsors arranging for buyouts of their pension liabilities (pension risk transfers) in order to gain access to the surpluses, plaintiffs have filed class actions against nine sponsors who have arranged for such transactions
  - The defendants may have strong defenses to plaintiff's efforts to achieve standing based on a stated concern that their benefits will not be paid in the future if and when the relevant insurer becomes insolvent
  - Most of the suits involve the same insurer, who is described in one complaint as "a private-equity controlled insurance company with a highly risky offshore structure" and a limited track record
  - These suits come as the Department of Labor has just issued a report about fiduciary standards that apply to selecting annuity providers for defined benefit pension plans, saying that it should "explore developments in both the life insurance industry and in pension risk transfer" and possibly suggest changes to the Interpretive Bulletin, which has been in place since 1995
  - Recently, two federal judges in two different courts reached the opposite conclusion regarding standing in virtually identical lawsuits. In the one case so far that has survived a motion to dismiss, the court held that the plaintiffs had just "barely" alleged facts pointing to a "substantially increased risk" that the annuity provider would fail. The U.S. Chamber of Commerce, the ERISA Industry Committee and the American Benefits Council have each submitted amicus briefs to the Fourth Circuit asking that this motion to dismiss denial be reversed because the plaintiffs' allegation are too "speculative" to justify standing

Health and welfare plans

Both health and welfare plan excessive fee class actions dismissed; no new suits filed

- On February 5, 2024, a Johnson & Johnson employee filed a proposed class action alleging that J&J employees have been overcharged for prescription drug benefits. The complaint alleges that non-defendant Express Scripts, J&J's pharmacy benefits manager (PBM), drastically overcharges for prescription drugs, providing several purported examples. The lawsuit is structured similarly to defined contribution retirement plan excessive fee litigation, alleging that J&J's failure to negotiate lower prices constitutes a breach of its fiduciary duties under ERISA
- The claimant sought to make the health plans whole (despite not having brought the suit on a derivative basis), plus "surcharge," a form of equitable relief for herself and the purported class. She also brings a count on her own behalf seeking $110/day statutory penalties for failure to provide requested plan information on a timely basis
- This suit was filed against a backdrop of recent amendments, which made section 408(b)(2) disclosure requirements applicable to welfare benefit plans in addition to retirement plans, as well as a trend of welfare plans becoming more aggressive in suing their third-party administrators to access complete employee medical claims data and ascertain whether they are owned money
- On January 24, 2025, the district court dismissed the class action counts without prejudice, relying substantially on Knudsen v. MetLife Grp., Inc., a 2024 decision in which the Third Circuit found a lack of Article III standing where a plaintiff alleged that MetLife's illegal conduct caused her to "pay higher out-of-pocket costs, mainly in the form of insurance premiums." The court found the J&J employee's allegations concerning higher premiums to be conclusory and speculative. In relation to allegations that she paid too much for specific drugs, the court found that the particular plaintiff did not have an injury because she exceeded the out-of-pocket maximum for that plan year. Because the dismissal was without prejudice, the same plaintiff or a different one can attempt to file such a suit again
- On July 30, 2024, the same plaintiff firm filed an almost identical second suit against another large public company, also focusing on the price of prescriptions from Express Scripts. That case was dismissed without prejudice on March 24, 2025 with analysis which closely mirrored the J&J dismissal
- Contrary to the predictions of some and threats from the Schlichter Bogard firm, there has only been one additional such suit filed (not by the Schlichter firm) and which is still pending

Tobacco/vaccination surcharge cases continue to be filed

- In 2024, several different law firms filed at least 27 class actions alleging that plan sponsors violate the anti-discrimination provisions, which were amended into ERISA by the Patient Protection and Affordable Care Act by charging a higher premium based on a "health status-related factor" without offering an acceptable wellness program to allow for a retroactive exception
- While most of these cases involve a class of tobacco smokers, some cases involve higher premiums for unvaccinated participants (while some cases seek to represent both purported classes)
- These cases are new and everyone is waiting for court decisions to validate or strike down the allegations

- Since plaintiffs are largely relying on DOL regulations, which require that the exception be provided on a retroactive basis (the "full reward" must be available), defendants' chances in these suits may be bolstered by the recent decision in Loper Bright v. Raimondo, which struck down the Chevron standard of deference to regulatory agency interpretations of statute. Relief could also result from recent changes in DOL leadership and philosophies

ESG developments

Unique decision on liability in the first ESG investment class action

- American Airlines was sued in Texas federal court in June 2023 for allegedly offering imprudent and expensive ESG-oriented investments. American Airlines stated that it did not actually include such investment options in its main menu, but the motion to dismiss was denied on February 21, 2024, with the judge finding to be sufficient the allegations that "Defendants' public commitment to ESG initiatives motivated the disloyal decision to invest Plan assets with managers who pursue non-economic ESG objectives through select investments that underperform relative to non-ESG investments"
- Thereafter, on June 20, the judge denied a motion for summary judgment, stating that "[t]he summary judgment record makes clear that a factfinder could find defendants breached their duty of prudence by failing to monitor investment managers and failing to address the facts and circumstances of ESG proxy voting and shareholder activism present within the Plan"
- The bench trial began four days later, resulting in a decision on January 10, 2025 stating the unusual finding that, although American did not violate the duty of prudence, it did breach the duty of loyalty due to a close relationship with Black Rock. The court asked for additional briefing on damages, having expressed skepticism in relation to plaintiff's theories on that front
- **New ESG investment rule expected:** After years of battling in the legislature and the courts, over the prior administration's 2023 rule which 26 Attorney Generals contended was too encouraging of ESG investing, the current DOL has informed the U.S. Court of Appeals for the Fifth Circuit to take no further action on the Utah v. Walsh lawsuit because of its intention to issue a new ESG investing rule. This rule is expected to closely resemble the 2020 rule, which reflected the administration's position that ESG investment factors are inconsistent with ERISA fiduciary duties

Other executive orders and policy memos

America first investment policy

- The administration issued a policy memo on February 21 that called on the Secretary of Labor to "publish updated fiduciary standards" as it relates to investment in "foreign adversaries."
- The memo directed the Department of Labor to update "fiduciary standards under the Employee Retirement Income Security Act of 1974 for investments in public market securities of foreign adversary companies," the purpose of which is to "protect the savings of United States investors and channel them into American growth and prosperity."
- "Foreign adversaries" include China, Russia, North Korea, Venezuela, Cuba and Iran. However, few securities from foreign adversaries, apart from China, appear in retirement plans

Private equity in retirement plans

- On August 7, 2025, the administration issued an executive order which stated that "[a]lternative assets, such as private equity, real estate and digital assets, offer competitive returns and diversification benefits" and that "[r]egulatory overreach and litigation risks have limited ERISA-governed plan fiduciaries from including alternative assets in their investment portfolios, hindering workers' retirement growth"

- The executive order instructed the Secretary of Labor, the Secretary of the Treasury and the Securities and Exchange Commission to consult and coordinate to "facilitate access to alternative assets"
- Critics are concerned that such investments are less liquid and can carry high fees. Jerry Schlichter, of the Schlichter Bogard plaintiff firm, said, "It's a square peg in a round hole. Sponsors who decide to put private equity into their plans should be prepared for a whole lot more diligence. It's a much greater responsibility, a much greater duty and much greater risk"
- A December 21, 2021 "Supplemental Statement" from the prior administration expressed similar concerns

Cryptocurrency investment rule rescinded

- On May 28, 2025, the Department of Labor issued Compliance Assistance Release No. 2025-01, entitled "401(k) Plan Investments in "Cryptocurrencies". The main goal of this release was to "memorialize the Department's decision to rescind the [prior 2022] guidance in full"
- The new release criticized the prior release, saying that the "2022 release directed plan fiduciaries to exercise 'extreme care before they consider adding a cryptocurrency option to a 401(k) plan's investment menu for plan participants.'" Since the "standard of "extreme care" is not found in [ERISA]," the Department decided to restore their historic neutral approach to cryptocurrency

Other regulation

Mental health parity regulatory flux

- On September 9, 2024, the U.S. Department of Labor, the U.S. Department of the Treasury and the U.S. Department of Health and Human Services jointly released a final rule interpreting the Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) and placing further restrictions on how employer group health plans can limit coverage for mental health and substance use disorder treatments. These new mental health parity rules would have included numerous specific scenarios and statements as to whether or not they would violate the rules and also mandate that group health plans must perform certain extensive exercises to verify compliance and be prepared to make the results of those exercises available to the DOL.

Meanwhile, the DOL had been devoting substantial resources to MHPAEA enforcement and was planning to devote more

- However, in a joint statement on May 15, the Departments of Labor, Health and Human Services and the Treasury said, "The Departments will not enforce the 2024 Final Rule or otherwise pursue enforcement actions, based on a failure to comply that occurs prior to a final decision in the litigation, plus an additional 18 months." The statement concludes: "MHPAEA provides critical protections for workers, individuals and their families who need treatment for mental health conditions and substance use disorders. During this period of nonenforcement as the Departments revisit the 2024 Final Rule, the departments remain committed to ensuring that individuals receive protections under the law in a way that is not unduly burdensome for plans and issuers"

IRS provides more details concerning SECURE ACT 2.0

- Securing A Strong Retirement Act (SECURE 2.0) was signed into law on December 29, 2022, with parts taking effect immediately and others being phased in over time. The law expanded automatic enrollment as well as opportunities for making “catch up” contributions, increased the required minimum distribution age to 75 and allowed employers to match employee student loan repayments with retirement account contributions
- SECURE 2.0 also enhanced the retirement plan start-up credit, making it easier for small businesses to sponsor a retirement plan (for more detail, see Secure 2.0 signed into law as part of 2023 federal spending package)
- However, many ERISA practitioners remained uncertain about certain practical details relating to the actual implementation of some provisions of SECURE 2.0. The ERISA Industry Committee (ERIC) sent an open letter to the Department of the Treasury and Internal Revenue Service asking for clarification on various provisions SECURE 2.0, including the student loan match, Roth catch-up contributions and Roth matching contributions
- As a result of the confusion, the IRS released Notice 2024-2, the long-awaited “grab bag” notice that provides Q&A guidance on various provisions; for details see “IRS guidance on SECURE 2.0 provisions”

Enforcement

- **Changing enforcement priorities:** In Senate hearings in June, the administration’s nominee to lead the Employee Benefits Security Administration (EBSA), Daniel Aronowitz, stated his top three priorities for the agency: “We will end the practice of open-ended investigations that go on for years. We will end the bias against ESOPs and other legitimate ways to expand retirement benefits and ownership to America’s workers. And we will end the regulatory abuse of common-interest agreements with plaintiff lawyers. EBSA’s enforcement will be fair, even-handed and efficient”
- In addition, Mr. Aronowitz favors greater “regulatory clarity” on various topics, including plan forfeitures, pension risk transfers and cybersecurity. Mr. Aronowitz also pledged to “end the war on ESOPs [Employer Stock Ownership Plans],” saying “I think it’s the best way for employees to get an additional benefit and ownership in an American company” and that it “can’t be right that every single [valuation company is] doing it wrong”
- **EBSA results:** EBSA recovered $1.384 billion for plan participants in 2024, down slightly from $1.435 billion in 2023. This figure includes $741.9 million from investigations (including $432.6 million representing “terminated vested participant benefit payments”), plus $544.1 million from “informal complaint resolutions” Last year, $844.7 million was recovered from investigations (including $429.2 million from terminated vested participant benefit payments) and $441.1 million from informal resolutions. Civil investigations closed in 2024 numbered 729, in line with 2023’s total of 731
- It should be noted that the numbers in some prior years were considerably higher ($2.4 billion recovered with 1,072 closed investigations in 2021 and $3.1 billion recovered with 1,122 closed investigations in 2020)

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Financial Institutions — FINEX

Rate predictions

D&O – Primary publicly traded

–3% to flat

D&O – Excess publicly traded

–5% to flat

D&O – Private

–5% to flat

Asset managers D&O/E&O (excluding private equity)

–5% to flat

Bankers Professional Liability (BPL)

Flat to +10%

Insurance company professional liability (ICPL)

Flat to +10%

Fintech D&O/E&O

–10% to flat

Key takeaway

The financial lines marketplace for financial institutions (FI) remains competitive and stable, with continued rate softening across most segments — especially D&O and E&O for asset managers. In contrast, ICPL and BPL are seeing upward pressure due to adverse loss development and heightened regulatory scrutiny. Competition is ramping up for Q4 2025 renewals as insurers push to meet year-end growth targets, driving more aggressive pricing and broader coverage for well-performing risks.

The Trump administration's deregulatory agenda is reshaping oversight, easing federal enforcement and fueling M&A activity, particularly among regional banks. However, state regulators are stepping up scrutiny around consumer protection, privacy and AI risks. While trade policies have had limited direct impact on financial lines, increased economic volatility and shifting cross-border regulations are contributing to greater underwriting scrutiny — especially for globally exposed firms.

Benchmarking

Willis closely monitors rate trends within our portfolio to offer both historical and current perspectives, aiding in forward-looking outlooks. The chart below illustrates FI public D&O median rate trends within Willis' portfolio since 2020, highlighting a decline from the peak in late 2020 and stabilization from the second half of 2023.

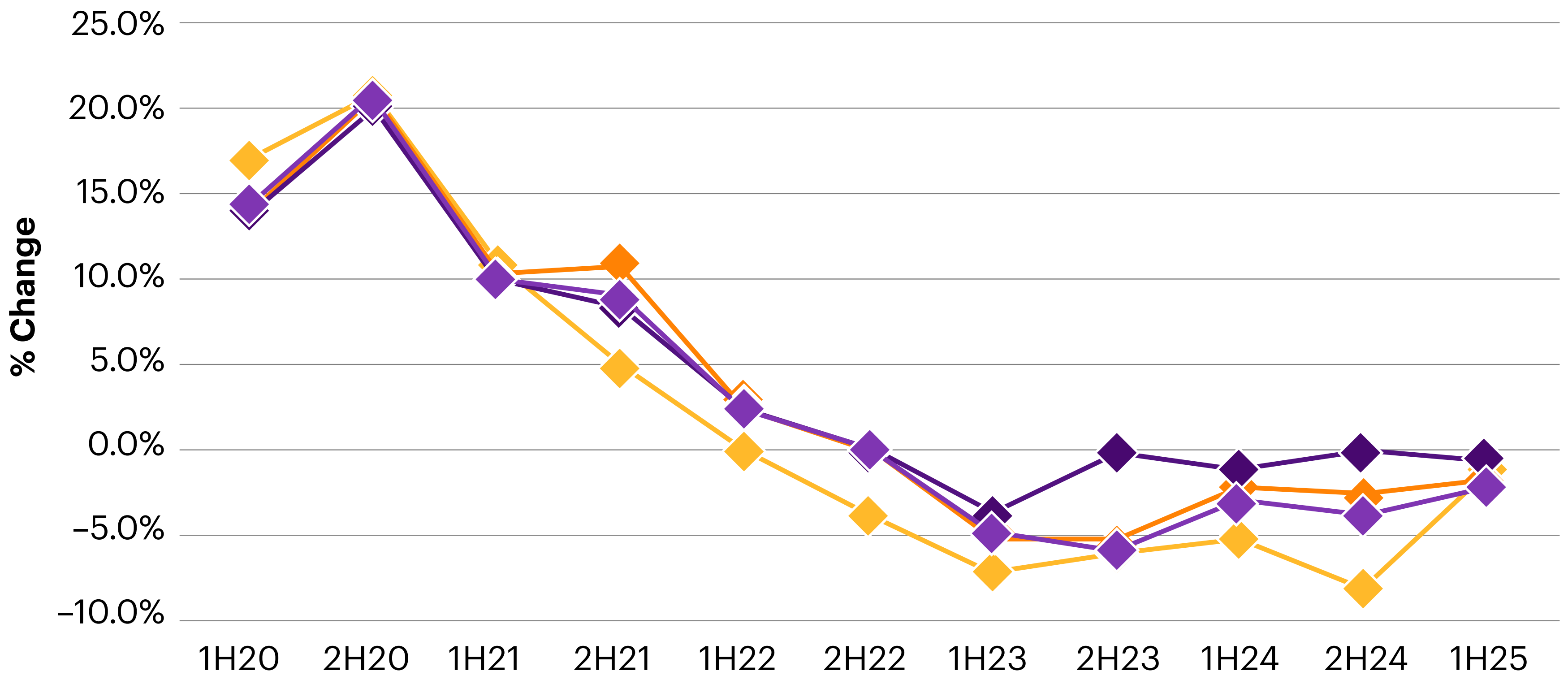
Market dynamics vary by each subclass of FI business

Asset managers (excluding private equity firms)

Market conditions: Still the most favorable segment. Rates remain flat to down 5%, with retentions unchanged and coverage intact.

Claims trends: Regulatory actions, investor litigation and cost of corrections remain the top drivers. AI-driven investment strategies are under increased scrutiny. With the recent passing of the GENIUS Act, which creates a regulatory framework for payment stablecoins, this may introduce compliance, market disruption and liquidity management risks for asset managers.

Median rate



	1H20	2H20	1H21	2H21	1H22	2H22	1H23	2H23	1H24	2H24	1H25
Primary	13.9%	20.0%	10.0%	8.7%	3.0%	0.0%	−3.9%	0.0%	−1.0%	0.0%	−0.5%
ABC	14.1%	20.6%	10.3%	10.8%	2.8%	0.0%	−5.3%	−5.5%	−2.1%	−2.6%	−1.8%
Side A	16.9%	20.9%	11.0%	5.0%	0.0%	−3.8%	−7.2%	−6.1%	−5.2%	−8.1%	−1.1%
Total	14.4%	20.7%	10.1%	8.9%	2.5%	0.0%	−4.9%	−5.9%	−3.0%	−3.9%	−2.2%

Outlook: Favorable conditions are expected to persist through year-end, though firms with crypto or real estate exposure may face tighter underwriting. We expect competitive pricing to continue through the end of the year with flat to −5%, however, premium decreases will be more muted if savings were achieved on the prior renewal(s). Coverage remains strong, with room for modest enhancements.

Insurance companies

Market conditions: The ICPL market is increasingly challenged while continuing to be very risk dependent. Several established primary insurers have taken an aggressive stance on recent placements and we expect that trend to persist. Rate increases and narrowing appetite are common, especially in plaintiff-friendly jurisdictions. Though the number of ICPL providers is relatively unchanged, carriers are demonstrating greater caution, which could reduce competition and willingness to offer $10 million+ in limits.

Claims trends: Nuclear verdicts, bad faith claims and catastrophe-related losses are driving up costs. Social inflation and litigation funding are exacerbating severity.

Outlook: Continued rate pressure expected. Carriers are reassessing pricing and retention strategies to maintain profitability. Absent material claims activity or changes in exposure, retentions should continue to be stable.

Banks

Market conditions: D&O remains competitive with stable pricing. BPL continues to experience rate pressure of flat to 10% due to claims severity, a shifting regulatory landscape, economic uncertainty and technological disruption. Lending and capital-related risks continue to be present with challenged office CRE loans, increased costs of funding, margin compression and credit quality deterioration.

Claims trends: Cyber attacks, fraud losses and consumer litigation are driving claims across D&O, BPL, fidelity and cyber. Mass arbitration and credit disputes are rising and multi-policy exposures are prompting interest in bundled coverage.

Outlook: Despite the challenging risk environment, insurance conditions for banks remain favorable. Coverage terms are generally stable and pricing is competitive across most lines. However, banks should consider enhancing their insurance programs while market conditions are still accommodative, especially in light of rising claims frequency and the potential for correlated losses across multiple coverage lines.

Fintech

Market conditions: Fintech continues to attract underwriting interest, especially among firms with mature governance and compliance frameworks. Elevated premiums reflect historical gaps in capacity and tailored solutions. Cyber and E&O remain key focus areas, with carriers offering coverage for digital payment platforms, embedded finance and API-driven ecosystems. Rates are generally stable, though digital asset exposure, rapid growth, or IPO-stage complexity may trigger tighter underwriting and higher retentions.

Claims trends: Claims are driven by fraud, cyber breaches and operational failures. Regulatory actions around consumer protection and data privacy are rising, particularly at the state level. Litigation tied to algorithmic bias, payment fraud and identity theft is increasing. E&O claims often involve overlapping issues — tech failure, service error and regulatory missteps — with severity ranging from low six figures to multimillion-dollar settlements.

Outlook: Insurance conditions remain favorable, with expanding carrier appetite and innovative coverage. Fintechs should proactively manage cyber resilience, regulatory compliance and vendor risk to maintain insurability and optimize renewals.

Emerging risk themes

Cyber and AI exposure: AI-powered cyber threats are accelerating, with phishing, social engineering and ransomware becoming more sophisticated. Cyber insurance adoption remains low, especially among mid-sized firms.

Claims crossover: Multi-policy claims are rising, prompting interest in bundled products to manage correlated risks.

Litigation trends: Increased payments litigation, AML/KYC scrutiny and AI-related legal challenges (e.g., bias, pricing algorithms) are reshaping the risk landscape.

Regulatory trends: The Trump administration's deregulatory posture is encouraging M&A activity and digital innovation, particularly among regional banks. State-level regulators are intensifying scrutiny around consumer protection, privacy and AI-related governance.

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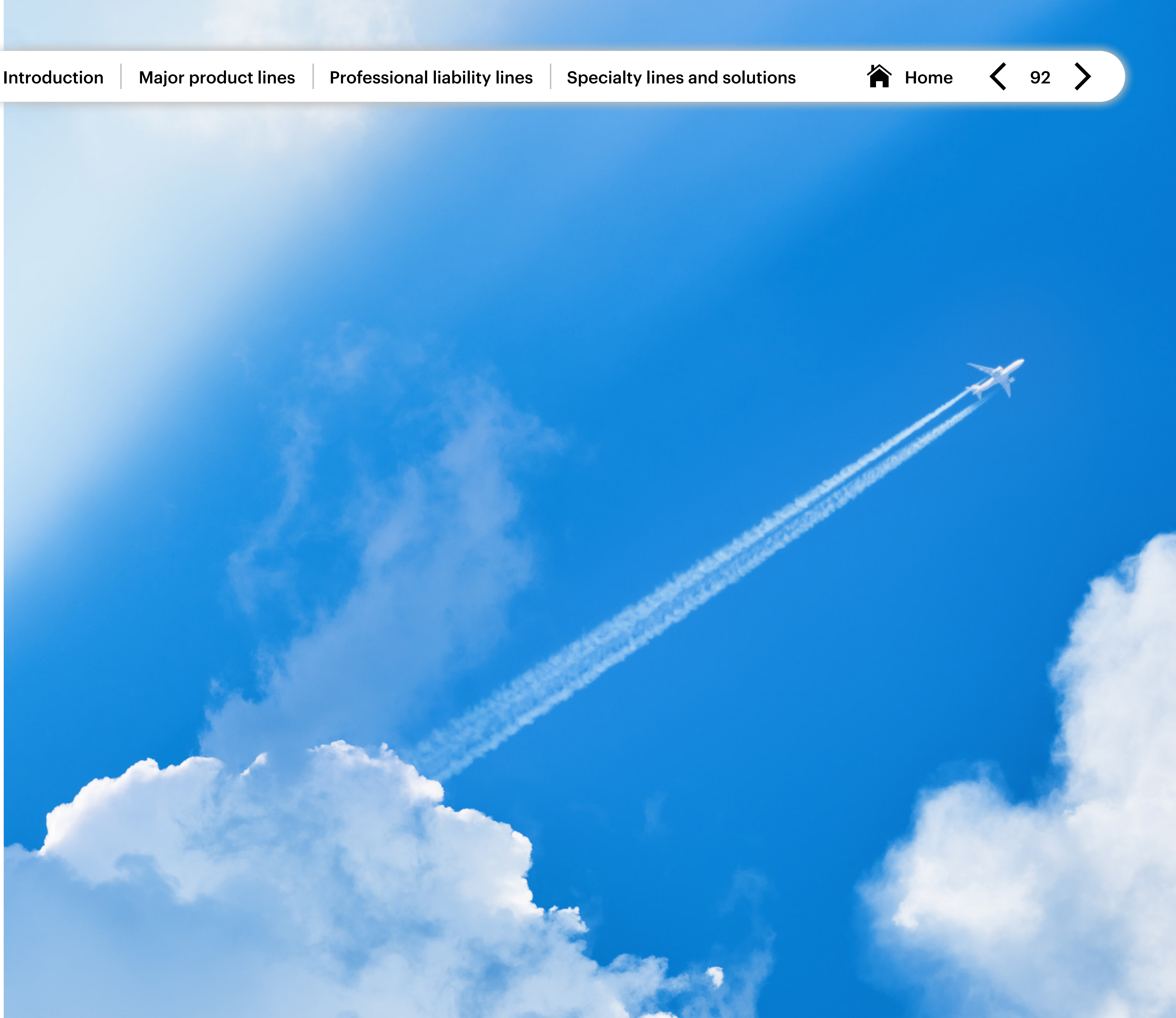
Specialty lines and solutions



Click each square to go directly to that **specialty lines and solution.**

- Alternative Risk Transfer (ART)
- Architects and Engineers
- Aviation & Space
- Captive Insurance
- Construction
- Crisis Management
- Energy
- Environmental
- Healthcare Professional Liability
- Life Sciences
- Managed Care E&O and D&O
- Marine Cargo
- Marine Hull and Liability
- Personal Lines
- Political Risk
- Product Recall
- Senior Living
- Surety
- Trade Credit

Alternative Risk Transfer

Key takeaway

Alternative risk programs continue to play a significant role for insureds. Structured programs are deployed where there is either a challenging risk or where there is adverse loss experience. Parametric programs are deployed to compliment and sometimes disrupt property placements as they cover "all" loss costs arising from an event. Lastly, there's growing interest in captive stop loss programs as insureds look to manage retained risk and limit capital erosion.

Rate predictions

Structured solutions

Downward pressure on insurer risk margins

Integrated risk programs

Limited market appetite

Parametric solutions

–5% to flat

Captive stop loss

Highly customized based on analytics

Structured solutions are strategically deployed where traditional coverage is strained layers — such as casualty buffer, umbrella, low excess and primary property. Simultaneously, insurers are sharpening their focus on protecting captive capital, with stop loss structures gaining momentum as a safeguard against erosion.

- Insurers focused on creating longer-term stability and savings, remain committed to this approach
- Market appetite remains strong with new capacity from traditional markets being made available via MGA/MGUs, with Lloyds markets active through syndicated facilities
- Carriers are expanding their interest into healthcare liability, wildfire, construction and other lines

Parametric catastrophe (CAT) and weather solutions continue to be an extremely valuable approach for Insureds. Complementing property policies by offering targeted protection for loss costs that may be limited or excluded under traditional coverage.

- Capacity continues to increase and while established for large and complex insureds, is now actively targeting middle-market and smaller insureds
- Established for hurricanes and earthquakes, interest is growing for wildfires, tornadoes, hail and general weather (rain, temperature, snow) perils that can impact physical assets but also cause financial loss
- Parametric products continue to innovate and evolve, using data sources and deploying multi-faceted indexes to ensure robust response during events
- Other areas of interest
- Multiline/multiyear structured reinsurance or stop loss captive reinsurance programs
- Collateral-free "efficient" fronting for highly creditworthy insureds
- Capital market-led solutions
- Integrated risk programs

While certain lines of insurance are showing rate improvement, alternative risk products remain a tried-and tested valuable source of capacity for forward-thinking insureds.

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Architects and Engineers

Rate predictions

Professional liability	General liability	Workers compensation	Management liability
0% to +5% (Favorable risk)	Flat to +5% (Favorable risk)	Flat to +5% (Favorable risk)	Flat to +5% (Favorable risk)
+5% to +15% (Challenging risk)	+10% to +15% (Challenging risk)	+5% to +10% (Challenging risk)	Flat to +5% (Challenging risk)

Property	Auto	Umbrella	Cyber
Flat to +5% (Favorable risk)	Flat to +5% (Favorable risk)	+10% to +15% (Favorable risk)	0% to +5% (Favorable risk)
+10% to +20% (Challenging risk)	+20% to +30% (Challenging risk)	+10% to +15% (Challenging risk)	+10% to +15% (Challenging risk)

Architects and Engineers

Key takeaway

The A&E professional liability (PL) marketplace continues to operate in a two-tier structure: favorable' risks, characterized by low exposure and strong loss histories and 'challenging' risks, defined by higher exposure services or project types and adverse loss experience. The market for the favorable tier is stable with competitive pressure; with conditions varying by account size, loss history and risk profile. The challenging tier is seeing considerable premium increases and underwriter requirements for higher deductibles. Adverse severity claim trends reported by professional liability (PL) carriers continue without any signs of improvement — with 85% of PL carriers noting an increase in claims severity trends.[1] Social inflation is being cited as a primary driver across all casualty lines. A&E PL carriers are also increasingly concerned with economic uncertainty and emerging risks like AI and climate change.

PL claims are taking longer and costing more to resolve. Depending on area of practice, project types and loss history; firms can expect PL rate increases in the 0% to +15% range. Firms may also feel pressure to take on higher deductibles and self-insured retentions. In addition, some PL carriers have reduced their available capacity to as low as $5 million limits, resulting in the need for some design firms to look to excess markets to meet their higher limit requirements — which come at additional cost. In regard to A&E property & casualty programs, firms with large auto-fleets, adverse loss history or difficult property exposures will be considered challenging risks.

[1] 2024 WTW A&E Carrier Survey

The A&E professional liability marketplace remains stable with competitive pressure as we look toward 2026. Capacity restrictions remain in place, but rates are mostly stable. Adverse claim trends persist alongside a continued reduction in A&E PL Carriers' willingness to underwrite certain risks.

- While some A&E PL insurers are indicating premium increases across their entire book of business to offset claim severity trends, certain insurers are taking a strategic underwriting approach that will target high-risk projects or specific market segments. Third party bodily injury claims on large infrastructure projects remain a difficult risk to manage and some carriers have reduced their appetite for risks that take on these exposures
- While restrictions in capacity were limited to select insurers in 2024 and 2025, additional carriers are starting to follow suit to limit their exposure to increased claim severity trends. Most carriers are offering A&E PL limits up to $5 million, however the number of carriers providing coverage up to $10 million is limited. Decreased capacity has created a need for additional limits through excess carriers at an additional cost
- Firms can expect an increase in cost to insure single projects by securing specific job excess (SJX) coverage or project specific professional liability (PSPL). Consult with your insurance broker to determine all-viable options and potential costs well in advance of start of construction
- A&E PL Insurers remain concerned about the constriction in the PSPL market on large projects as a result of increased claims activity surrounding design-build exposures — specifically public infrastructure projects with fixed-price contracts and third-party BI exposures. In the event PSPL coverage is not available or cost prohibitive, these project exposures would bring heightened exposures to the A&E PL insurers' underlying PL policies
- Design firms with an adverse loss history or high-risk disciplines/project types (structural, geotech, condos, roads/highways) can expect a greater level of underwriter scrutiny to continue. Firms can expect underwriters to look closely at their commitment to specific risk management practices, including the negotiation of fair and insurable contracts and the education of their staff on managing A&E PL-related risks

Claim severity trends continue and were the primary driver for rate increases for specific exposures in 2025. Insurers note social inflation, the length of time to settle, tariffs, economic uncertainty, the rise in bodily injury claims as primary factors — with emerging risks such as artificial intelligence and climate change as contributors.

- Claim severity continues in 2025. Social inflation continues to be recognized as a leading contributor to the increase in claim severity fueled by aggressive plaintiffs' bar and a concerning trend of litigation financing
- The cost and time to settle a PL claim is increasing, with most noting it takes, on average two to three years or more to settle a matter
- Third party bodily injury claims and design-build/alternative project delivery are the two leading factors behind a continuing trend of severity claims on roads and highway/infrastructure projects
- Design firms need to maintain a strong focus on risk management
- While the property & casualty landscape has remained stable to date, insurance carriers are increasing rates on auto coverage to offset adverse claim trends and

umbrella coverage has seen pressure as a result of the auto-rate increases. The challenges in the casualty space follow persistent trends, such as social inflation and third-party litigation funding, which have added significant pressure to insurers' liability reserves

- General liability — Pricing is largely stable, with clean accounts renewing flat and loss-heavy firms seeing higher increases. Underwriters continue to focus on contractual risk transfer and exposures tied to litigious venues
- Auto-liability — Rates are continuing to trend upward –10% to +15% plus — driven by social inflation and nuclear verdicts. Clients with large fleets, adverse loss experience or fleet makeup outside of private passenger vehicles continue to see a hard market with limited capacity and an increase in cost for that capacity. Carriers are tightening underwriting guidelines — requiring insureds to have driver safety training and programs in place to monitor MVRs. It is important to have a process in place for those employees that may drive for business
- Workers' compensation — This line remains the most stable and competitive, with flat to low-single-digit changes common. This is highly dependent on geography and state rates, but favorable loss experience often yields the best outcomes
- Umbrella — The pressures impacting the primary casualty lines (social inflation, etc.) will have a continued commensurate effect on umbrella conditions as these trends persist
- Cyber — Pricing has stabilized following several years of considerable increases, but carriers remain cautious given ransomware and data breach trends. Firms demonstrating strong cybersecurity controls and incident response planning see the best terms

Overall, the A&E insurance marketplace in 2025 has been stable with competitive pricing for favorable risks, particularly in professional liability, cyber and executive risk, while casualty lines such as auto and umbrella continue to experience upward pressure from claims severity and social inflation. Looking ahead to 2026, we anticipate a continued split of results: firms with favorable risk profiles and strong controls should maintain access to stable pricing and capacity, while challenging exposures may see tightening terms and elevated rates as carriers remain focused on adverse loss trends.

Design firms should prepare for a complex insurance landscape and work closely with their brokers to navigate the market effectively.

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Aviation & Space

Rate predictions

Airline hull and liability

+10% to +15%
(Favorable risk)

+15% and up
(Challenging risk)

Airline hull war

–5% to –10%
(Favorable risk)

Flat
(Challenging risk)

Airline excess war liability

–5% to flat
(Favorable risk)

–5% to flat
(Challenging risk)

Aircraft Lessors and Banks

–5% to flat
(Favorable risk)

+5% to +10%
(Challenging risk)

Products manufacturers and service providers

–5% to flat
(Favorable risk)

Flat to +5%
(Challenging risk)

Airports

–5% to flat
(Favorable risk)

Flat to +5%
(Challenging risk)

General aviation hull and liability

Flat
(Favorable risk)

+5% to +10%
(Challenging risk)

Aviation & Space

Key takeaway

The insurance market is facing a period of heightened pressure as profitability is challenged by rising claims, inflation and ongoing geopolitical uncertainty. Rate increases are becoming more widespread as insurers seek sustainable pricing, while capacity overall remains available but under closer management oversight. Competitive dynamics still exist in certain areas, with some organizations able to achieve stable or reduced terms, but this is balanced against the potential for volatility if further large industry losses emerge. Broader economic trends, including inflation and higher asset values, are driving up repair and replacement costs, while liability awards are becoming more severe. At the same time, insurers are adopting new technologies and structures to refine risk assessment, but they are also subject to greater internal scrutiny, making underwriting decisions more cautious. To secure the best outcomes, organizations should engage early, present clear risk data and approach negotiations strategically to maintain access to capacity.

Airline

Due to the volume and size of recent major claims, it is expected that all insurers will struggle for profitability in 2024/2025.

- Rating increases have become widespread across all airline renewals irrespective of risk profile
- Insurers will be under pressure to achieve sufficient rate uplift during the next renewal cycle
- Recent verdicts and settlements from Russia/Lessor litigation have added significantly to the claims figures for multi-class aviation (re)insurers, some of whom may be inadequately reserved
- Claims inflation continues to be a major challenge for insurers, particularly with increasing engine values
- Healthy market capacity competing for share on airline renewals and unit cost advantages possible for airlines with strong exposure growth and positive claims performance
- The withdrawal of Swiss Re from the airline market will leave the available capacity a little tighter, but there's still plenty to complete most major placements
- Underwriters increased their capacity in anticipation of the end to the relatively soft market
- With very little new capacity coming into the market and if existing markets start to scale back, we'll see prices rising

Hull war and excess third-party war liability market

- Abundant capacity creating downward pricing pressure
- Double-digit rate reduction now achievable depending on context (e.g., scale, geography)
- U.K. courts have adjudicated that (re)insurers will need to compensate lessors for a claim more than $4.5 billion under their hull war policy
- Excess AVN.52E - (Re)insurers have moderated their approach to pricing following three years of steep price increases
- The geopolitical environment remains challenging with the on-going conflicts

Aircraft lessors and banks

Market conditions continue to stabilize and signs of marketplace competition are returning to this class. The impact of sanctions on Russia remains unresolved. Although the Butcher report was released over two months ago and many hoped it would provide clarity, the judgment applied only to a handful of lessors and a limited proportion of the aircraft withheld. There are more court cases still pending in various U.S. states for which the Judgement from the English Commercial Court may not influence, so an entirely different allocation may occur. However, we are seeing insurers release their Q2 or H1 figures and many are showing deteriorated numbers now that their share of the Russia/Ukraine withheld aircraft losses are being accounted for.

- There is a continued push to ensure insurer mindsets must still shift to expansion of coverage, terms and conditions and policy limits. The 'for share subjectivities' remain, but are easing with more willingness to compromise on coverage
- Annual aggregate levels continue to increase, coupled with wider insurer acceptance of enhanced language to narrow loss scenario applicability

- The hull and liability market capacity remains buoyant, with improved lead market competition; capacity increases and new entrants enables coverage improvement
- New entrants to the hull war marketplace are driving competition and fueling signs of more aggressive pricing, while legacy carriers are also showing renewed appetite
- Jurisdictional focus remains; however, limit increases are becoming more widely available, and the removal of certain country-specific sub-limits can now be considered
- Geographic aggregation of assets, sanctions and geopolitics all remain in major focus, but with eturning capacity, rating levels are softening and cover continues to expand

Product manufacturers and service providers

The market for product manufacturers and service providers remains generally healthy, with strong capacity supporting competitive pricing, multiyear deals and facility structures that improve efficiency for both insurers and insureds. Exposure levels have risen back to pre-COVID activity, driven by high demand in air travel and aircraft manufacturing, though premiums haven't increased at the same pace due to ample market capacity. At the same time, insurers are integrating new technologies like AI and data analytics to enhance underwriting and risk management. However, challenges are mounting, including significant recent airline losses, inflationary pressures on claims, geopolitical uncertainty and greater internal scrutiny of underwriting decisions. These factors create a more complex landscape where aerospace companies must engage proactively with insurers. By preparing detailed risk data and starting discussions early, organizations can secure favorable terms and maintain strong insurer relationships despite evolving headwinds.

- Market capacity remains robust, supporting flat or reduced rates and multiyear agreements
- Exposure growth has returned to pre-COVID levels, fueled by rising air travel and manufacturing demand
- Facilities and technological integration streamline coverage, pricing and underwriting processes
- Recent airline losses, inflation and geopolitical risks are creating headwinds for insurers
- Underwriters face heightened oversight from senior management, increasing deal scrutiny
- Early, data-driven engagement with insurers helps aerospace companies secure favorable outcomes

Airports

Overall industry loss events continue to impact the broader portfolio in aviation and reinsurance. Though airports remain stable, those large industry losses may spill over to the airport space and impact on the rating and capacity levels over time. Events like the beginning of 2025 initially place a spotlight on aviation and airports in particular.

- For those accounts with excellent loss history, rates have remained fairly stable over the last several years, slowly shifting from increases to flat to now minor reductions
- Excess auto liability coverage as part of an airport general liability policy continues to be an area of concern for carriers. There is careful evaluation of the exposures, number of vehicles and use of autos off-airport during the underwriting process
- Per- and polyfluoroalkyl substances (PFAS) continue to be a topic of concern for carriers. In general, carriers view this as falling under the pollution exclusion within the policy. Some carriers are adding specific exclusions for PFAS to clarify their position
- Several carriers are now offering multi-year programs or rate agreements. These often come with caveats tied to loss ratio, exposure growth and reinsurance support

General aviation

The major losses occurring in the airline sector in 2025 have not yet impacted the general aviation sector, where competitive capacity is still abundant in the market. Insurers are now looking to grow their portfolio with well-managed general aviation risks having a profitable loss record, experienced pilots and a strong safety culture.

- Despite the large amount of capacity available in the sector, which is driving competitive rates, insurers would like to see increases due to claims inflation from continued rising costs for airframe repair and high-valued engines
- If the second half of the year sees additional losses or further significant deterioration in claims in the overall aviation sector, additional markets could withdraw capacity, which would most likely cause general aviation rates to rise quickly
- While smaller general aviation risks are more likely to see flat rates, larger risks may achieve a small reduction due to the capacity available in the global market
- Several carriers are now offering multi-year policies or rate agreements. Though capacity remains available, exploring this option could be wise given the uncertainty surrounding large potential claims in the aviation sector

Space

When obtaining space insurance, insureds should consider three factors: capacity requirements, premium rating and coverage criteria. Insurer appetite varies for each risk and is manifested through these three variables.

- **Capacity:** The amount of insurance available in the market has stabilized in 2025 following reductions in 2023 and 2024. Some insurers have re-entered the market in 2025 and more are expected by year end. Significant capacity is available for flight-proven hardware and established risks. Limited capacity is available at high rates for first-flight or limited flight-heritage hardware
- **Premium rating:** Premium rates have softened ~10% for flight-proven hardware, but remain at a high level for low flight-heritage hardware. The market goal is to re-establish a sustainable annual premium income level
- **Coverage:** Insurers are adapting to different coverage requirements for new applications and technologies. Emphasis is on redundancy, margin, heritage and a more disciplined overall underwriting strategy
- The space insurance market has stabilized after two years of correction and uncertainty
- Insurers' primary goal is to reach an income level that allows the market to be consistently profitable
- Competition for high-heritage risks generates competitive market responses
- Global space is in growth mode and insurers can serve as a catalyst for development

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Captive Insurance

Key takeaway

- Continued global turbulence is reinforcing the importance of robust risk management and risk financing strategies
- While insurance market rate increases have eased in property, natural catastrophe and losses from secondary perils remain high
- There continues to be deteriorating results in carrier casualty books driven by social inflation and third-party litigation funding
- Rising healthcare costs and the impact of costly specialty drugs are leading to more employers using captives to manage these risks
- Interest in parametric solutions, especially around climate and environmental risks, remains strong, as clients seek capacity that may not be available in traditional insurance markets
- The resultant overall effect remains positive for captive activity and utilization remains strong as captive owners seek to maximize the value from having a captive
- This is played out in terms of increased premiums going into captive, additional lines of risk, using analytics to optimize retentions and refreshed risk appetite statements

U.S. domiciles

- Reports of new captive formations during the 1st half of 2025 remain strong, with Vermont reporting new formations as of August 2025 already exceeding the total number of new captive formations in 2024[1]
- Mature captives with sufficient capital and surplus continue to use that capacity to manage pricing or capacity constraints across all lines of business
- There seems to be renewed energy around non-U.S. employee benefit captives. Aside from the savings they may generate, they also help in creating a greater diversified portfolio of risk within your captive program
- Strong interest in the use of analytics to optimize how capital is deployed within a captive program

Americas offshore

- The key Atlantic and Caribbean domiciles of Bermuda and the Cayman Islands continue to see growth in the number of new captive insurance licenses issued
- For the seven months to July of 2025, eight new captive licenses were issued in Bermuda and 38 insurance licenses in total. Through 2024, there were 17 new captive licenses issued in Bermuda compared to 16 in the prior full year, while the total number of new licenses issued for all types of insurers was 63[2]
- As usual, there have been numerous segregated accounts (Cells) formed during 2024 and into 2025, but statistics for these have not been published[2]
- During the first half of the year, Cayman issued 21 new licenses, compared to 24 licenses issued during the same period in 2024.[3] There continues to be growth in segregated portfolios (cells), portfolio insurance companies (incorporated cells) and members in group captives, for which statistics are also not published
- Activity continues among insurance companies setting up internal captive reinsurers as key elements in their capital management efforts and to access reinsurance more efficiently. From a regulatory perspective, these are treated as commercial licenses rather than captives
- Contrary to expectations, the introduction of Bermuda's Corporate Income Tax (CIT) regime has generated some opportunities for new captive formation, although these are rather specialized in nature. We are not aware of captives leaving Bermuda because of CIT currently

1. https://captivereview.com/news/vermont-2025-captive-formations-already-surpass-2024/
2. https://www.bma.bm/statistics/monthly-registration-statistics
3. https://www.cima.ky/insurance-statistics

- Outside of captive business, there remains extensive activity relating to the formation of life and annuity reinsurance entities, both in Bermuda and Cayman, for which WTW provides insurance management services
- Segregated account (cell) business in Bermuda remains active. The Bermuda Monetary Authority is planning to introduce some amendments to the regulation of this business, so this may have an operational impact in late 2025 and beyond
- International employee benefit captives are growing in importance and, aside from the savings they may generate, they also help in creating a greater diversified portfolio of risk, including premium revenue that may technically be considered as being third-party risk

Outlook

The outlook for 2026 is for the observed trends in 2025 to continue as captives continue to be further embedded in enterprise risk management strategies. Not only to help save costs, but as a strategic enabler of resilience and risk financing innovation.

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Construction

Rate predictions

General liability
Flat to +10%

Auto liability/physical damage
+8% to +20%

Workers compensation
Flat to +3%

Excess liability
+7% to +40%

Primary OCIPs/CCIPs
Flat to +10%

Umbrella/excess
+5% to +30%

Non-high hazard nat cat
Project specific builders risk
0% to +5%

High hazard nat cat
Project specific builders risk
0% to +10%

Master builders risk/contractors block
–5% to +5%

Construction

Key takeaway

The insurance market continues to face significant challenges across multiple lines. General liability and excess liability are under pressure from rising legal costs, nuclear verdicts and increased litigation funding, prompting tighter underwriting and broader exclusions. Workers' compensation remains a bright spot, offering stability and profitability. The auto market is deteriorating, with 2023 marking its worst performance in recent history due to rising claim severity, reinsurance impacts and geographic rating disparities. Minimum premiums are increasing, especially in excess layers and carriers are managing limit deployment more conservatively, particularly in high-risk classes and jurisdictions. Attachment point preferences are shifting lower to ensure adequate premium collection. As brokers, we're actively working with clients to navigate these trends through strategic program structuring, enhanced risk presentations and targeted safety initiatives.

General liability

General liability premiums continue to rise, driven by increasing legal costs, social inflation and litigation financing. Insurers are responding with consistent rate increases and stricter underwriting practices, which have helped stabilize performance.

Market observations

- Nuclear verdicts remain a major concern, especially in states with a history of large jury awards
- Underwriters are closely evaluating geographic exposure and adjusting rates accordingly
- More conservative approaches are being taken for higher-risk exposures such as street and road work, overhead T&D, airport runway projects, New York operations, for-sale residential and frame construction
- Cyber exclusions are becoming more common. While we advocate for carve-backs for bodily injury and property damage, not all carriers are willing to accommodate
- Per- and Polyfluoroalkyl Substances (PFAS) and EIFS exclusions are also increasing in frequency

We continue to work closely with underwriters to negotiate favorable terms and ensure clients understand how jurisdictional risk and coverage amendments may impact their programs.

Automobile

Fleet exposures remain a key concern for underwriters. Facultative reinsurance is now common even for mid-sized fleets and loss trends have returned to pre-pandemic levels. Rising claim severity, third-party litigation funding and nuclear verdicts are contributing to unfavorable results.

Key developments

- 2023 was the worst-performing year on record, with $5 billion in losses and a combined ratio of 109.2 (AM Best)
- Fleets over 150 units face increased scrutiny, particularly regarding safety programs and technology adoption
- Reinsurers are driving rate increases, even when primary carriers aim to be moderate
- Geographic rating disparities are significant, with fleets in high-risk states (e.g., CA, TX, FL, Southeast) receiving higher rates than those in rural areas
- Some clients are splitting fleets into separate policies to manage rating differences
- Carriers expect continuous MVR checks, cell phone use prohibitions and safety technologies such as backup cameras, lane assist, GPS monitoring and in-cab cameras
- Third-party hauling is under tighter review. Insurers are rating these exposures as if they were owned vehicles and expect clients to use national carriers with higher limits and strong DOT SAFER scores
- Structured solutions may be necessary for large fleets or those with poor loss history
- Clients with supported umbrellas may benefit from reducing primary auto limits if the umbrella can drop its attachment point — this is rarely viable with unsupported leads

We're actively helping clients implement safety enhancements and explore alternative structures to manage rising auto costs.

Workers' compensation

Workers' compensation remains the most stable and profitable line of coverage. Favorable reserve development and increasing payrolls have helped offset the impact of ongoing rate reductions.

Key takeaways

- Carriers are highly motivated to retain profitable workers' compensation business
- This line presents an opportunity to balance rising costs in auto and general liability when evaluating overall program performance
- We recommend using strong workers' compensation results to negotiate more favorable terms across the broader portfolio

Excess liability

The excess liability market remains firm, with capacity constraints continuing to affect larger and more complex placements. Nuclear verdicts, social inflation and third-party litigation funding are driving up claim costs and leading to more conservative underwriting.

Current dynamics

- Many carriers have exited the space or reduced participation, resulting in shorter layers and limited capacity (typically $10 million or less per carrier)
- We're increasingly utilizing quota-share structures and exploring alternative markets such as London, Bermuda and specialty facilities like Gemini and RT Specialty
- These markets often come with stricter terms, higher minimum premiums and exclusions for cyber, PFAS, wildfire and wrap-related exposures as well as EIFS and other carrier mandated forms, including communicable disease
- London market prefers lower attachment/higher premiums and can be more flexible with coverage terms, but they require a capped per project aggregate
- Bermuda market is more restrictive and prefers high excess
- Project-specific policies are gaining favor, particularly in international markets, though they often exclude excess auto coverage
- Condominium conversion and variations of "residential" exclusions, whether based on for sale exposure or frame construction type are driving exposure
- We continue to explore creative structuring options to secure capacity while managing cost and coverage limitations

Rising minimum premiums

Minimum premiums are increasing across the board, particularly in higher excess layers, due to escalating claim and defense costs. Underwriters are focused on ensuring that premiums are commensurate with the limits deployed.

Implications

- Higher layers are becoming less attractive when premiums are insufficient to fund potential losses
- Pricing in middle layers is increasing to avoid "layer traps," where upper layers are priced higher than lower ones
- "Look-up" provisions are being used more frequently to maintain pricing consistency throughout the tower
- We're proactively addressing these changes with clients to ensure tower structures remain efficient and sustainable

Managed limit deployment

Carriers are becoming more selective in how they deploy limits, particularly in high-risk classes and jurisdictions.

Trends we're navigating

- Increased use of quota-share structures to spread risk
- Tighter capacity controls for classes such as wood-frame construction, residential projects and street and road work — especially in states like California, Florida and Texas
- Restrictions on general aggregate limits through caps, reduced per-project aggregates, wrap exclusions and anti-stacking provisions
- Similar to the general liability
- Submitting detailed project lists and associated limits can help underwriters better assess exposure and offer more favorable terms

We're working with clients to present comprehensive risk profiles that support broader limit availability and better pricing.

Shifting attachment point preferences

Many carriers now prefer to attach lower in the tower to collect adequate premium and better fund for full-limit losses. The "payback period" — the number of years of premium needed to cover a total-limit loss — is a key underwriting metric.

Placement considerations

- Some carriers are willing to get closer to the risk, while others enforce higher minimum attachment points, particularly for challenging classes and jurisdictions
- These shifts require careful coordination to ensure tower continuity and cost efficiency

We advise clients on optimal attachment strategies to align with market expectations and maintain program integrity.

Project-specific programs and controlled insurance programs (CIPs)

Key takeaways

Data centers and especially the mega-projects continue to be in full swing with no sign of slowing down. We're seeing "Phase II" of previously paused projects such as for hospitals, stadiums and airports are starting back up.

Willis' CIP administration teams are adding about 3,000 new contracts per month to our ComPAS system with close to $20 billion in new projects in the last 90 days.

Market conditions are continuing to stabilize and signs of marketplace competition haven't slowed. Project brokers continue to push the construction underwriters to ensure expansion of coverage, terms and conditions and policy limits wherever possible.

Controlled insurance programs (CIPS)

- Restricted capacity in the excess marketplace as well as increased attachment point requirements are leading to alternative risk solutions — including utilization of captives, multi-structured programs and quota-share arrangements. Willis is also seeing an increase in new exclusions being added to programs such as PFAS biorisks and unmanned aircraft
- Underwriters are increasingly pushing for deeper, more granular project specific data before releasing quotes Several pressures are driving this:
  - Rising loss ratios: Construction defect claims, severity and frequency of work site injuries and catastrophic weather events
  - Complexity of projects: Large-scale (mega) projects with multiple stakeholders and types of risk, including energy, infrastructure and mixed-use facilities on the same site

  - Tech-enabled risk modeling: Carriers are using AI, telematics, drones and IoT sensors that require baseline inputs to be accurate
- CIP insurers with both supported and unsupported lead capabilities are scaling back limits from $10 million to $5 million in most cases, particularly on difficult risks such as manufacturing, retail and real estate. Supported leads remain more competitive, as carriers can manage claims handling across both primary and umbrella layers. Supported lead umbrellas are more favorable however, the number of markets offering this is dwindling
- Benchmarking and contractual review are becoming essential tools for clients navigating rising premiums and shrinking capacity. Many are reassessing how much limit is truly required based on contractual obligations, peer comparisons and evolving risk profiles

New York

- Insurance carriers continue to shy away from New York CIPs due to the large nuclear verdicts associated with the NY Labor Law 240(1). The average settlement value of claims involving NY Labor Law 240 (1) is $1 million to $3 million
- The use of alternative dispute resolution has gained interest among owners and contractors since recent positive outcomes on projects that have instituted its use
- The market is dominated by E&S carriers and specialty insurers
- Coverage continues to come with restrictive endorsements (action over exclusions, height restrictions)

Alternative markets

- London and Bermuda markets continue to play a critical role, particularly in excess placements for distressed or high-limit programs

Subcontractor default insurance (SDI)

Key takeaway

Current market conditions reflect rising construction costs driven by tariff uncertainty, commodity price escalation and continued qualified labor shortages. While SDI rates remain generally flat to +5% for well-performing programs and +10% or more for higher-risk contractors, capacity remains strong with markets exploring excess coverage options to keep pace with larger, more complex projects. Coverage terms are evolving with delivery method changes and shifting risk profiles, while subcontractor liquidity is under pressure from tariffs and labor costs, raising concerns about their ability to perform on single and aggregate project commitments. As a result, the enhanced coverage offered by SDI programs continues to provide comprehensive project and balance-sheet protection against subcontractor default risk for owners and contractors.

SDI risk drivers

- Sub-default risk: Tariff and commodity pressures — With ongoing uncertainty around global trade and potential tariff impacts, producers and material suppliers are building additional costs into pricing to buffer against future volatility in commodities, goods and services. This trend is driving cost escalation across commercial construction projects and pressuring subcontractor financial capabilities.
- Sub-default risk: Labor market dynamics — While the unemployment rate has remained stable and construction jobs continue to grow in line with seasonally adjusted construction put-in-place, the industry faces persistent challenges in securing qualified labor and experienced tradespeople. This scarcity is placing upward pressure on subcontractor labor costs, quality of construction put in place and project schedules
- Sub-default risk: Rising construction costs and risk coverage — As project costs, size and complexity increase, construction expenses continue to rise. The need for SDI program coverage to protect against subcontractor default risk is becoming a primary focus, as owners and contractors seek to safeguard against potential disruptions in delivery

Market conditions

- Rate environment — SDI rates remain generally flat to up 5% for well-performing programs, with increases of 10% + applied to higher-risk contractors. Market pricing is closely tied to loss experience, financial stability, subcontractor prequalification capabilities and project risk profile
- Capacity and coverage expansion — Capacity in base programs remains strong; however, as more owners, contractors and developers seek to use SDI benefits, the market is actively exploring ways to expand available capacity and create excess coverage solutions to address larger, more complex projects
- Evolving coverage trends — SDI program coverage remains consistent overall but continues to adapt in response to delivery method changes, increasing project size and shifting market conditions. Enhanced program structures are being developed to address these evolving needs

Builders risk

Key takeaways

The builders risk insurance market is gradually stabilizing, following several years of challenging conditions. Increased capacity and favorable treaty renewals have contributed to a more stable market environment, leading to a flattening of rates. Quota-share arrangements remain common for larger and more complex risks.

Recent legal developments have prompted insurers to reassess LEG3 coverage, with many expected to revise their policy terms in response. Marketplace continues to struggle to find common ground on LEG3 appetite and policy wording. Meanwhile, wood frame construction has benefited from expanded capacity, contributing to a decline in rates. However, placements still require robust security monitoring and effective fire and water risk mitigation strategies.

Secondary natural catastrophe (Nat Cat) perils continue to put pressure on the market. Underwriting scrutiny has intensified, particularly for risks related to severe convective storms, tornadoes and wildfires. This has led to increased use of sublimits and percentage-based deductibles by carriers. Both primary and excess high hazard Nat Cat capacity remain limited, as the market continues to recover from previous years of heavy losses. The 2024 Atlantic hurricane season had no material impact on treaty reinsurance renewals.

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Crisis Management

Key takeaway

The security landscape continues to adapt in the face of global geopolitical developments creating uncertainty and concern regarding the threat of political violence, kidnap, malicious attacks and other acts of violence. However, market capacity and rates remain steady, with insurers applying responsive coverage language to address evolving perils.

Rate predictions

Terrorism and sabotage
–10% to 0%

Active assailant (or "active shooter")
+2.5% to +10%

Political violence
Flat to +5%

Kidnap and ransom
Flat to +5%

New capacity for terrorism and political violence perils, even in active war zones, is growing despite heightened geopolitical tensions

- Government-supported insurance schemes remain essential in ensuring the sustainability of private risk transfer solutions, yet with the U.S. Terrorism Risk Insurance Act's potential expiration in December 2027, the specialty market continues to offer comprehensive protection independent of government certification
- Additionally, political violence analytics have continued to advance this year, enhancing the ability to predict and quantify social unrest and terrorism to ensure accurate risk management and assessment
- Willis crisis management placed the first annual and non-cancellable Ukrainian political violence (including war) policy in the London market since the start of the conflict with Russia in February 2022

Active assailant incidents gain global attention, expanding interest for coverage that has historically been confined to North America

- Though the U.S. is often seen as the hotspot for active assailant incidents, the recent school shooting in Austria and car ramming incidents in Germany and Canada have showcased that no region is immune to this risk
- Almost all insurers now define "active assailant" events as violent attacks featuring a broad range of weapons (not just firearms), including knives, vehicles, drones and more
- Appetite to cover this peril remains steady in the U.S. and it continues to grow in the global marketplace as the threat evolves and the demand for active assailant grows across different industry sectors
- The kidnapping of crypto executives has heightened awareness across all industries about their executive protection measures and security gaps
- Multiple kidnapping incidents in the U.S. and Europe have increased awareness of this threat, with a growing sense of concern among participants in this sector
- Due to the rise in events, organizations are taking additional steps to protect themselves, including hiring security services for executives, their families and their assets: the special crime/K&R policy remaining a crucial part of this strategy
- Threats continue to occur more frequently than claims in this line of insurance and clients must evaluate the breadth of the coverage they have in place to ensure it responds adequately

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Energy

Rate predictions

Property

Tier 1*

–7.5% to –15%

Tier 2**

–5% to –10%

Tier 3***

Flat to +5%, loss history dependent

Liability****

General liability

Flat to +5%

Lead umbrella

+5% to +15%

Auto

+7% to +17.5%

Excess liability

+2.5% to +10%

Worker's compensation

Flat to +2%

*Tier 1: Well-engineered and operated risks with clean loss history
**Tier 2: Risks with clean loss history, but lower premium income/smaller insurer panels
***Tier 3: Loss-affected programs or challenging risks with significant natural catastrophe exposure
**** Pertains to upstream/midstream/downstream/chemicals/mining; doesn't include oilfield services
Note: While market appetite for refining risks remains, renewal results in the refining sector may not reach the reduction peaks indicated in the above chart due to concerns resulting from industry losses in Q1 and Q2

Energy

Key takeaway

Property

Large losses occurring in Q1 and Q2 of 2025 have caused the pace of rate reductions to slow in the energy property space but aren't large enough to have swung the market back in the favor of insurers. Despite favorable market conditions, questions around the economics of the downstream space and their potential to impact claims continue to be of interest to insurers. However, competition in the market for gross written premium has many overlooking internal concerns about Business Interruption exposure concerns.

Liability

Certain classes of business, particularly those with heavy auto-exposure or losses, remain challenging from a primary liability standpoint. While primary capacity remains available, it's more cautious than in prior years, while certain classes of business are benefiting from a perceived "flight to lower severity" effect.

Property

Losses in the refining space in Q2 2025, paired with losses in Q1 have slightly tempered the pace of market softening, but haven't proven to be enough to change the prevailing softening trend

- Notable energy property loss events have occurred in the refining sector in January, February and June of 2025 in Germany, California and Texas
- Maintenance, turnaround and contractor selection and utilization practices continue to be areas of focus for insurers, particularly in the refining space, which has produced an outsized share of recent losses
- It is estimated that energy market events thus far in 2025 could total more than $2.5 billion, representing a significant increase in activity compared to the benign outcome in 2024, which totaled approximately $1.5 billion (estimated $4 billion in downstream market premium)
- Despite losses early in the calendar year, underwriter behavior hasn't changed significantly enough to reduce competition in the market and change the market trajectory
- The 2025 Atlantic Named Windstorm season has begun and hasn't produced significant events to this point, but the most potentially active months remain ahead and could impact the market should wind losses occur

New capacity entering the energy property market has been modest through the first half of 2025, but gross written premium (GWP) goals loom large as year-end approaches

- With rates continuing to fall through the first half of 2025, GWP growth goals set in late 2024 may be more challenging to reach as premiums decline
- As year end approaches, underwriters may feel pressure to increase shares and write new business to replace lost premiums in hopes of reaching GWP targets for 2025
- If more losses in the sector don't occur as the year comes to a close and the market's trajectory remains on current track, rates could continue to fall, perhaps more rapidly than at mid-year, as underwriters chase premiums and escalate competitive pressure
- Competition will continue to benefit Tier 1 risks the most as underwriters look to increase shares on top-quality risks often also carrying large premiums
- The chase for GWP will also benefit Tier 2 and 3 risks, potentially attracting new capacity to programs, driving levels of competition not always associated with more challenging risks

Uncertainty in the regulatory environment nationally and at the state level in certain regions continues to yield questions from insurers as they seek to understand the economics of these regulatory shifts and potential impact to clients

- While some of the uncertainty around tariffs and their impact on the energy sector specifically has become clearer, unpredictable changes can occur rapidly
- The passage of the One Big Beautiful Bill could prove to be beneficial to certain sectors of the energy space; it's created uncertainty and new challenges for the renewable energy sector, including renewable fuels
- Changes to tax credits aiding the profitability of the renewable fuels sector like the 45Z Clean Fuel Production Tax Credit could have an impact on future projects and the economics of those already in operation

- Regulatory challenges impacting the profitable operations of energy assets in states like California have led to several refiners announcing plans to shut down plants or consider changes to operations to reduce regulatory hurdles
- Changes in the regulatory environment, which have far reaching impacts on the global oil and gas business, lead to questions and challenges from underwriters as clients adapt business plans to ensure future profitability
- Regulatory challenges can lead to complications in claims adjustments, potentially extending post-loss outages, increasing Business Interruption claim recoveries
- The complexity of the business interruption exposures and complications of the regulatory environment in areas where many insureds operate continue to cause insurers concern despite the favorable market environment

Margins in the downstream space, particularly in refining, remain depressed, impacting premiums and drawing enquiries from insurers on the economics of the sector and exposure reporting methodologies

- An imbalance in the supply and demand curve for refined products highlighted by excess refining capacity and weak demand growth has resulted in tighter margins
- The announcement of several refinery shutdowns may improve the oversupply issue long term, but isn't expected to make a significant impact in the immediate future
- While there appear to be some hopeful signs of margin stability or improvement looking ahead to the end of the year, the bull case may only prove to show a moderate margins increase
- The reduction in reported business interruption (BI) values, the higher-rated component in the premium equation, magnifies the premium reduction year-over-year when paired with current market rate decreases
- Some insurers are now more closely reviewing clients' BI value calculation methodologies to ensure they properly reflect insurers' real exposures and are in line with policy design and intent
- BI recovery limitations like the LMA 5515 volatility clause remain standard in downstream, but the soft market provides an opportunity to seek increased cap percentages

As underwriters look for ways to differentiate themselves beyond just the pricing element of the negotiation, other beneficial improvements to terms may become more available

- To avoid further degradation of premiums, underwriters looking to retain shares without further rate reduction may be willing to offer other improvements to terms and conditions
- Long-term agreement (LTA) offerings are now common for Tier 1 risks and clients are taking them up at a higher rate than in the recent past
- These LTAs represent an opportunity to hedge against market changes in both pricing and terms and can lock up capacity, including finite natural catastrophe capacity, at favorable rates
- Insureds signing up to LTAs may not capture the full savings available in the soft market cycle, but are in exchange receiving predictability and the potential of avoiding a rapid change in market pricing should significant market events like large losses transpire

- LTAs can be utilized in combination with annually renewing capacity and/or tranches of LTAs alternating years to create a rolling hedge structure
- Quote sweeteners like no-claims bonuses are now more available than in the recent past in the downstream/ midstream space in some instances along with other non-rate-focused client benefits
- The favorable market environment also represents an opportunity to seek coverage improvements paired with non-concurrency reduction or elimination, which should be a key strategy element in addition to aggressive pricing targets

Liability

Auto liability claims frequency and severity remain a concern across all sectors, continuing to impact lead umbrella pricing and limits offered

- Despite nine consecutive years of rate increases for primary auto liability losses continue to outpace rate increases each year
- Challenging jurisdictions in Texas and Louisiana remains problematic as well. Clients with operations in these areas will face increased scrutiny as larger awards and settlements are impacting lead umbrella limits and pricing due to limits vulnerability
- Excess carriers will continue to focus on hired auto liability exposures and contractual risk mitigation practices and third-party limits sought

Oilfield services companies with losses or heavy auto-exposure are experiencing an extremely challenging marketplace in 2025

- The oilfield services segment continues to see the largest uptick in general liability/excess liability claims due to an increase in severity in both judgments and settlements for workplace injury lawsuits
- "Action-over" lawsuits appear to be increasing from both a frequency standpoint and settlements continue to be paid by Lead Umbrella policies, impacting availability limits from certain carriers
- Clients with heavy fleets will face increased scrutiny as larger awards and settlements are impacting lead umbrella limits and pricing due to limits vulnerability
- Lead umbrella capacity is quickly shrinking and the market is quickly hardening for many companies within this sector, especially those with larger fleets or large losses

Natural resources excess liability capacity has remained stable overall in 2025, although capacity availability has shifted from the U.S. to London in certain sectors

- Despite the concerning increase in litigated claims in all sectors, liability capacity remains stable year-over-year, although lead umbrella limit availability has decreased
- Excess capacity in certain segments has decreased domestically, while London capacity has increased in the first $100 million of programs
- It's critical that clients highlight auto-safety programs/ driver hiring criteria, contractor limits sought and direct communication with incumbent liability markets is crucial
- Excess liability rate increases have tapered off as the 2025 year continues

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Environmental

Key takeaway

As the struggle between the rising cost of claims and increasing competition in the environmental marketplace ensues, clients are on the lookout for any favorable changes to interest rates that could potentially fuel the construction, real estate and M&A sectors and the subsequent need for environmental coverage to support their projects and property holdings.

Rate predictions

Contractors pollution liability (CPL)

Flat to +5%

Site pollution liability (PLL/EIL)

Flat to +10%

Combined environmental + causality/professional/excess

+5% to +10%

Markets

Despite global economic turbulence, carriers are looking to expand their appetites for environmental coverage to rival new client needs

- Relative stability in the U.S. environmental markets toward the end of 2025 has allowed some of the carriers who were recent entries or recently realigned to expand their product offering (contractors pollution with professional, combined environmental with casualty) to match their competitors
- As predicted, this additional capacity will contribute to downward pressure on environmental rates that were poised to increase due to the increasing cost of claims
- Layered programs involving multiple carriers for lower-limit programs are gaining appeal with insurers looking to expand capacity, manage rates and expand carrier relationships
- While some investors await better economic certainty, the application of environmental insurance has become even more essential for mergers, acquisitions and real estate transactions

Products

Emerging exposures and opportunities continue to fuel the creation of new environmental products and the reimagined use of some old ones

- With remediation thresholds for PFAS and other GenX chemicals looming closer, PFAS (per- and polyfluoroalkyl substances) restrictions are now common across most property and casualty lines, although environmental coverage may be secured for companies that can demonstrate de minimus exposure
- Recent moves made by the EPA have signaled a continued interest in carbon capture and storage/ sequestration as carbon generators and consolidators look to benefit from the associated 45-Q tax credits
- New developments in risk transfer products or combinations of existing products are being applied to new environmental opportunities, such as carbon sequestration (natural resources) and reps and warranties (M&A)
- Ethylene oxide (EtO) continues to emerge as a potential contaminant to watch

Claims

The magnitude and frequency of recent environmental claims continue to shape carrier behavior and appetites

- Rising remediation costs and the potential for multi-coverage claims (environmental, property, general liability) have moved carriers to take a more active role earlier in the claim process to mitigate losses
- Major losses arising from ancillary environmental coverages, such as transportation and non-owned locations/disposal sites, serve as a reminder of the importance of these coverages
- Despite recent claims for Legionella across the U.S. in 2025, carriers continue to offer affirmative coverage for indoor air quality (IAQ) issues, including mold and Legionella, but many employ various underwriting tools (class of business, named peril, per-door deductibles) to mitigate their exposures
- Clients are experiencing regulator-driven PFAS claims arising from expanded monitoring beyond a location's original contaminants of concern — creating possible consequences for both active and closed cleanup sites

Construction

Environmental exposures in the construction industry persist and are expanding.

- An uncertain regulatory environment and economy have resulted in heightened underwriting scrutiny around property transactions or locations intending to expand or modify their operations. Review of future intended use and redevelopment plans for covered locations may be required
- Excessive siltation and stormwater exposures continue to yield large pollution claims for new construction projects — even clean energy projects (solar and wind) have proven susceptible to these exposures
- Carriers are expanding their product suite to include contractors pollution and professional products (for general contractors) and others are also further sharing their aggregate limits with monoline site exposures on the same form
- Redevelopment-related claims arising from preexisting conditions, soil and water management and voluntary site investigations are commonplace
- PFAS restrictions are now encountered on construction-related programs depending on the contractor’s exposure

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Healthcare Professional Liability

Rate predictions

Overall healthcare professional liability
+5% to +15%

Managed care E&O
+0% to +5%

Allied health
+0% to +15%

Physicians' professional liability
+5% to +15%

Hospital professional
+5% to +20%

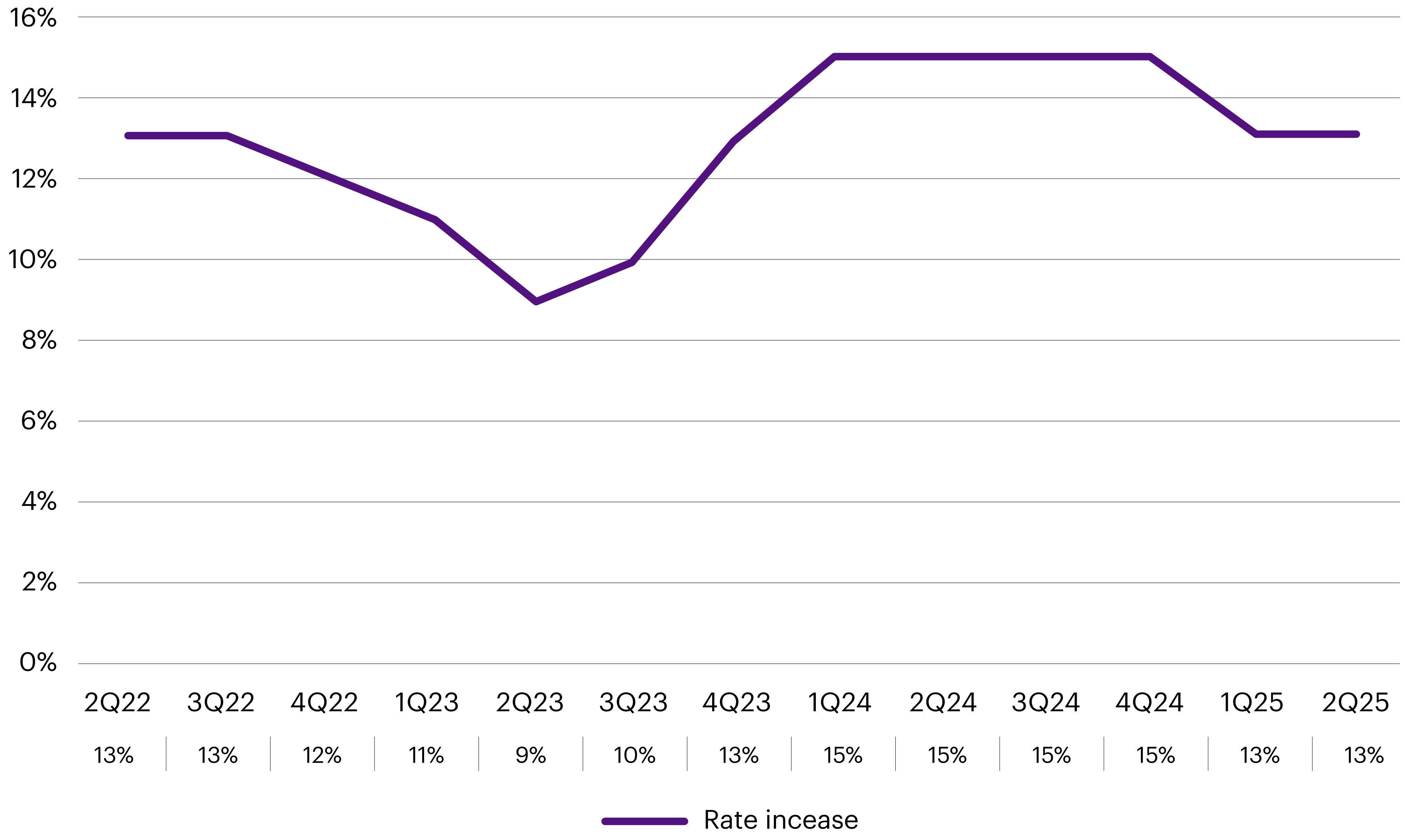
Senior living
+5% to +15%

Healthcare Professional Liability

Key takeaway

- Outlier/nuclear verdicts: The top 50 malpractice awards averaged $56 million in 2024, reflecting a 14% increase from 2023 and a 75% increase from 2022
- Sexual abuse claims: Increased frequency and severity are driving underwriters to increase deductibles, impose abuse sub-limits, adjust retroactive dates or exclude abuse entirely
- Underwriting discipline: Carriers are prioritizing pricing integrity over premium growth and long-term relationships
- Capacity reductions continue: Several established carriers have reduced limits from $15 million to $5 million or less
- Underwriters are quoting for higher attachment points and greater risk participation from their clients
- Reinsurers are exerting stronger influence on rate and program structures, complicating negotiations with underwriters
- Third-party litigation funding: Investor-backed claims are linked to a 60.5% increase in payouts, 140% longer resolution times and a 35.7% drop in settlement likelihood
- Artificial intelligence in healthcare: Liability risks stem from both underuse and misuse of AI tools, challenging traditional standards of care
- Biometric data: Regulatory and privacy concerns are intensifying

Renewal pricing trends — Healthcare professional liability — Rolling quarterly results



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Life Sciences

Key takeaway

We are still experiencing rate stability within the life sciences product/professional liability marketplace, largely due to the ongoing influx of new capacity and no signs of a slowdown in marketplace competition. Rates are largely dependent on individual risk characteristics, with flat to low single-digit rate increases still being attainable for well-performing risks.

Rate predictions

Product and professional liability

+0% to +10%

GLP-1 receptor agonists and related medications remain at the forefront, with new indications being approved and older versions beginning to come off patent. Carrier appetite for these types of drugs hinges on an organization's position in the stream of commerce, with contract manufacturers being on the more attractive end and compounding pharmacies being some of the most challenging. Regardless, insurers are paying close attention to their overall limits exposed to this class of medications.

With the continued increase in telehealth and connected device risks, a handful of new digital health policy forms are emerging which are expected to provide additional coverage options and create additional competition in this space.

Social inflation, nuclear verdicts and litigation funding continue to drive both claim costs and the volume of lawsuits.

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Managed Care E&O, D&O and Cyber

Rate predictions

Overall: While market rate conditions have eased, underwriting factors, such as increased exposures, may still lead to premium increases.

Public MCOs

E&O: Up to +5%

D&O: Flat to +3%

Blue Plans

E&O: Up to +5%

D&O: Up to +7.5%

Hybrid entities

(Accountable care organizations, third-party administrators, management service organizations, revenue cycle management, etc.)

E&O: Up to +10%

D&O: Up to +10%

All other MCOs

E&O and D&O: Flat to +5%

Private company, other lines of business

EPL: Flat to +5%

Fiduciary: Flat to +5%

Crime: Flat to +5%

Cyber liability

–5% to +5%

Managed Care E&O, D&O and Cyber

Key takeaway

Carriers continue to offer flat to modest rate increases for errors and omissions (E&O) and directors and officers (D&O) coverage. However, entities with limited access to primary markets, such as third-party administrators (TPAs) and pharmacy benefit managers (PBMs), are experiencing elevated pricing and tighter coverage terms.

Systemic risks, unexpected litigation, rising bodily injury claim values, behavioral health exposures and regulatory pressures remain key concerns for insurers. These factors are driving continued application of coverage restrictions, particularly for large and complex organizations.

Additional pressures stem from economic conditions, evolving federal and state health policies and broader considerations including climate change, ESG factors, inflation and political dynamics. Organizations that demonstrate strong underwriting profiles may benefit from more favorable rates, though coverage terms and conditions generally remain consistent across the board.

In general, the overall public company D&O market is trying to flatten or in some cases, seek small increases. For companies with increased risk factors such as claims, M&A activity or significant growth in their market cap, insurers will seek premium increases. The overall private company D&O market is still competitive.

Cyber liability market trends

Premium stabilization has continued through the third quarter of 2025, which has led to slight premium increases to follow clients' revenues and exposures. The premium increases we anticipated toward the end of this year have yet to materialize given better than expected loss ratios.

Improvements in cybersecurity practices among policyholders have contributed to reducing vulnerabilities that could lead to losses, thus bolstering insurer results. Underwriting decisions are heavily influenced by the security controls a company has in place in conjunction with pricing and attachment points.

Competition is strong among markets, certain risks may receive multiple quotes and incumbents are eager to retain business. Increased limit factors (ILFs) have come down in excess placements due to intense competition, especially on large towers, where there have been significant premium decreases. Capacity is plentiful in the market, partially thanks to new facilities able to provide significant excess capacity with the flexibility to be deployed anywhere on a program above the primary layer.

Managed care E&O coverage restrictions and market dynamics

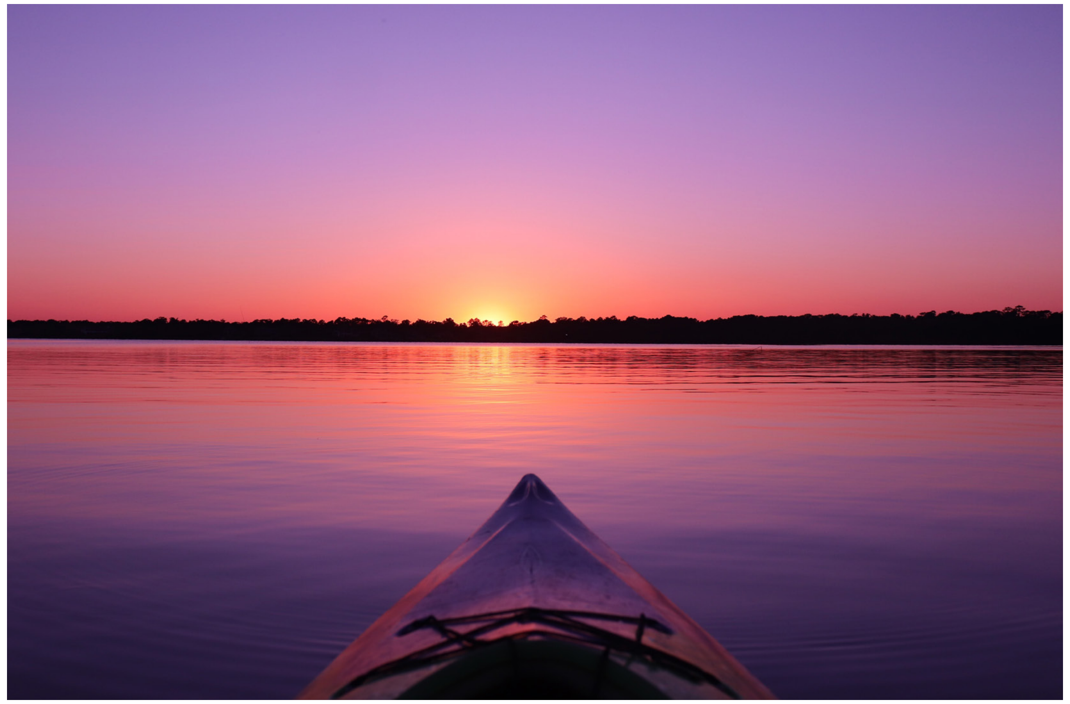
Significant risks continue to drive coverage limitations across the marketplace

- **Retention and coinsurance adjustments:** Some carriers continue to increase retentions, apply coinsurance and sub-limit coverage, particularly around antitrust and regulatory exposures. Regulatory retentions are under close watch due to ongoing political and legislative uncertainty at both federal and state levels
- **Narrowed claim language and exclusions:** Related claim language has narrowed considerably, with manuscript exclusions increasingly applied to prior industry claims
- **Exclusions:** Association and cyber exclusions remain common and MultiPlan Out-of-Network exclusions are emerging, while PBM policies are seeing added exclusions for rebates, opioids and other emerging risks
- **Challenging risk profiles:** Coverage remains difficult to secure for PBMs, entities involved in value-based contracting from the provider side, revenue cycle management, medical services management and other hybrid risks, especially those with bodily injury exposure. Limited market capacity and restrictive terms persist
- **Carrier requirements and coverage structure issues:** Some insurers require participation in managed care E&O to offer D&O/management liability policies. This can lead to anti-stacking concerns and complications with rates and capacity in larger insurance towers
- **Strategic risk transfer planning:** Risk transfer programs must be carefully coordinated across all coverage lines to minimize gaps and avoid restrictive terms
- **Reinsurance impact:** Reinsurance continues to influence both coverage availability and capacity in this space
- **Alternative risk financing:** Use of captives and other alternative solutions has slowed as market conditions improve. Fronted programs are emerging as a viable alternative to traditional captive structures
- **Carrier landscape:** New domestic managed care E&O capacity has entered the market with no carriers exiting. Offshore carrier activity remains unchanged
- **Non-core business diversification:** Expansion into non-core areas is contributing to increased risk and coverage limitations

Key litigation

In 2025, the managed care organization (MCO) industry continues to face a mix of emerging and recurring allegations.

- **In-network providers with BCBS Host Plans bring claims against BCBS Home Plan:** Acute care hospitals that are in network with the Host BCBS plan but not the home plan seek ERISA benefits and damages for breach of implied-in-fact contracts and implied-in-law contracts related to treatment of four members provided under the BlueCard program. West Hill Hospital, et al. v. Community Insurance Company d/b/a Anthem Blue Cross and Blue Shield
- **Out-of-network provider asserts payment due based on representations during phone call:** OON Neurosurgical Spine Institute alleges negligent misrepresentation and promissory estoppel and asserts underpayment for certain CPT codes based on alleged representations regarding payment of UCR. California Spine and Neurosurgery Institute v. United Healthcare Services, Inc.
- **Long-term acute care hospital claims payment is due based on implied and oral contracts and letter agreement:** LTAC hospital seeks ERISA benefits related to treatment of two members whose claims were denied for lack of medical necessity. The hospital asserts a right to payment on the first claim from implied-in-fact and oral contracts and for the second claim, the alleged right to payment arises from a letter of agreement. Kindred Hospital East, LLC d/b/a Kindred Hospital - South Florida - Coral Gables, et al. v. Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey
- **Opt-out claims from BCBS settlement continue:** Non-profit hospital systems that opted out of class action settlement in a prior action (In re Blue Cross Blue Shield Antitrust Litig., MDL No. 2406, N.D. Ala., Case No. 2:13-cv-20000-RDP) assert unlawful horizontal market allocation, price-fixing and boycotting agreement in violation of Sherman Act. Memorial Hospital for Cancer and Allied Diseases, et al. v. Blue Cross and Blue Shield Association



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Marine Cargo

Key takeaway

Current market conditions are positive in the marine cargo and stock throughput insurance marketplace. Most Insureds can expect soft rate conditions at renewal and an opportunity to enhance coverage terms. Additionally, the stock throughput solution remains an attractive solution for Insureds seeking opportunities for premium reductions and increased coverage or catastrophic perils throughput the supply chain.

Rate predictions

Coverage type

Marine cargo and stock throughput (STP)

Favorable risks

General industry and manufacturing, retail, high tech, pharmaceuticals

Challenging risks

Soft commodities, lithium-ion batteries, automobiles, consumer electronics

Marine cargo and stock throughput risk drivers

Marine cargo risk: geopolitical conflict, trade disputes and war — With ongoing uncertainty around regional conflicts, trade disputes and war — global supply chains remain incredibly vulnerable to large-scale disruption. Potential armed conflict or breakdowns in normalized trading relationships can lead to delays in the supply chain as well as prolonged exposure of goods in the course of transit to natural and war risk perils.

Marine cargo risk — End of the "de minimis" exemption: The end of the de minimis exemption for parcel shipments valued under $800 has come to an abrupt end in September 2025. Reports suggest postal traffic to the U.S. has fallen 80% since the closure of the widely used tax loophole. The reduction in frictionless imports to the U.S. from international e-commerce and other businesses could lead to further delays to U.S. ports and customs authorities, leaving containerized cargoes exposed.

Stock throughput risk: Aggregation and consolidation within the supply chain — According to CBRE, the industrial real estate market saw a significant increase in leases of 1 million sq. ft. or more in 2024. This growth has been driven by a boom in ecommerce following the COVID-19 pandemic and while it has led to streamlined supply chains and operating efficiency for Insureds, proliferation of the "mega distribution center" creates single-point of failure exposure for clients requiring increased limits of liability and a commensurate increase in exposure to natural catastrophe perils, which continue to be exacerbated by climate change.

Market conditions

Rate environment: Marine cargo and stock throughput rates remain generally soft, with well-performing programs typically enjoying rate reductions of +5% to +10% or more when marketed at renewal. Non-desirable exposures and accounts with adverse loss experience continue to draw scrutiny and may be subject to rate increases at renewal.

Capacity and coverage expansion: Capacity remains incredibly strong; most markets are competing for market share and top-line growth. In many cases, insurers are entertaining larger line sizes/total limit deployment compared to the past five years. Carriers are actively looking to underwrite more stock throughput risks than in recent years.

Evolving coverage trends: Most of the coverage tightening observed throughout the recent hard-market cycle has been reversed, with increased flexibility from insurers and broad acceptance of broker manuscript policy terms and conditions. However, insurers continue to scrutinize exposures to geopolitical and war risk and tend to require geographic exclusions for those regions of the world.

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Marine Hull and Liability

Key takeaway

Following a prolonged period of market uncertainty and hardening since 2018, the marine hull and liability horizon has shifted to a favorable environment for insureds due to new market entrants and established carriers pursuing aggressive growth. This results in a steady marketplace with an influx of motivated and stable capacity. This evolving landscape is expected to drive positive rate adequacy for our clients, deliver cost efficiencies and broaden coverage terms.

Rate predictions

Hull and machinery
Flat to –5%

Marine builders risk
Flat to –5%

P&I (U.S.A)
Flat to –5%

P&I (International club)*
+2.5% to +5%

Marine liability
Flat to –5%

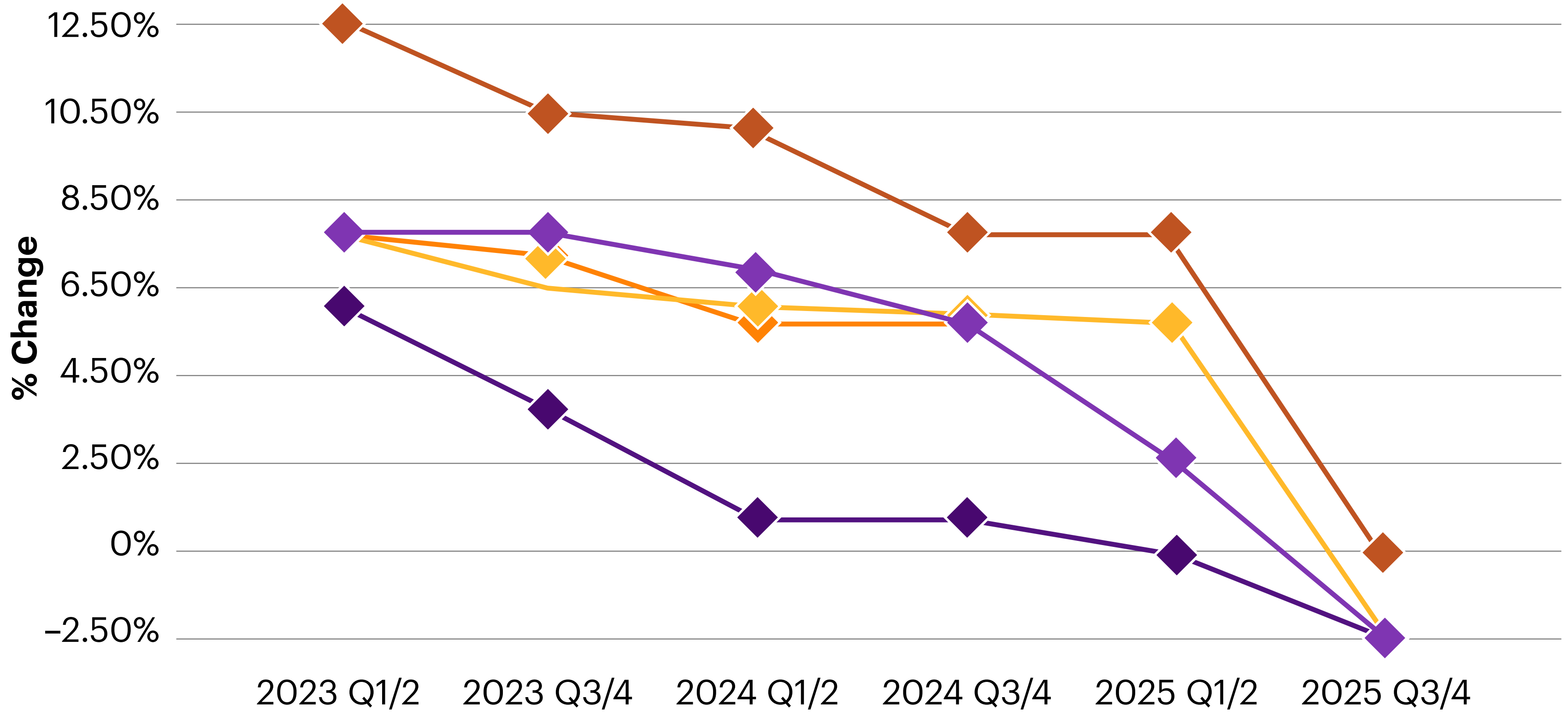
Marine excess liability
Flat to +2.5%

USL & H
Flat

All rate projections shown above are subject to good loss record accounts with higher end-of range on accounts with greater risk exposure. Increased rates for accounts with adverse loss experience.

*Though we are seeing rate increases for International Club P&I, profitable clubs are issuing capital returns which are mitigating any increases

Rate trends



	2023 Q1/2	2023 Q3/4	2024 Q1/2	2024 Q3/4	2025 Q1/2	2025 Q3/4
Hull	6.25%	3.75%	1.25%	1.25%	0%	–2.5%
Mutual P&I	7.50%	7%	5%	+5%	5%	+3.75%
Commercial P&I	7.50%	6.50%	6.25%	6%	5%	0%
Primary marine liability	7.50%	7.50%	6%	5%	2.5%	0%
Excess marine liability	12.50%	10.50%	10%	7.5%	7.5%	2.5%

New capacity/existing market aggressive to retain business

The marine insurance market is in a positive landscape for insurance buyers, driven increased capacity from new syndicates, MGAs and U.S. carriers entering the marine hull and liability market such as Falvey, Arch and AXIS Specialty. Competition is intensifying as underwriters pursue aggressive growth, leading to flat to 5% rate reductions on average and more flexible underwriting.

Broadening terms

Enhanced terms like profit-sharing and continuity credits and other insured favored wordings are reflected in a more collaborative approach between insureds and insurers. Although P&I Clubs are requiring low digit general increases, stronger financial clubs are giving back capital returns which are mitigating increases.

Cautious approach due to volatility/ large losses to market

Market stability remains vulnerable to reinsurance renewals and high-impact events like vessel attacks, natural catastrophes, vessel fires and global political environment instability. Marine underwriters also face internal pressure over excess losses tied to non-marine exposures, specifically auto.

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Personal Lines

Rate predictions

U.S.

Homes
+15% to +20%

Cat-exposed homes
+50% or greater with some limitation and target non-renewals

Cat-exposed homes with losses
+100% or greater with possible non-renewal

Auto
+10 to +15%
(we're seeing improvement)

Personal umbrella liability
+14% to +18%; reduced capacity, increased litigation exposure has driven rates +30%, especially for high-net-worth, successful individuals that are looking for high limits or with adverse claim history

Canada

Homes
+8% to +25%
(best in class)

Cat-exposed homes
+30% with coverage restrictions or non-renewal

Hard-to-place risks
Non-renewal and limited markets

Auto
+5% to +13%

Personal liability
+2% to +5%

U.S. market update

Excess liability: Rates are continuing to rise, driven by increasing liability claims and settlements. Insurance carriers are also tightening capacity for umbrella coverage, often requiring clients to demonstrate net worth for coverage limits exceeding $5 million.

Risk prevention and mitigation: Insurers remain focused on proactive loss prevention. Common requirements include the installation of TING sensors, low-temperature alarms, water shut-off devices, roof replacements for aging homes, the creation of defensible space in wildfire zones and higher all-peril deductibles.

Auto insurance: The auto-market is stable, with modest rate increases. Leading insurers are reporting a profitable 2024.

Cyber coverage: As cybercrime becomes more prevalent, it's increasingly important for families to consider adding cyber protection to their personal insurance policies.

Personal lines: The market remains challenging, with notable rate increases and strict underwriting. However, overall rate hikes are less aggressive than in previous periods. Carriers are showing an increased appetite for well-profiled risks — even in catastrophe-prone areas — particularly for high-value homes, where competition is strong.

E&S solutions: Surplus lines continue to provide viable options for homes in catastrophe zones or those with prior loss history. More capacity and new market entrants are expanding availability, offering greater choice for clients.

Canada market update

Excess liability: Rates remain stable and affordable, typically under $1,000 for $10 million excess coverage across two properties, two vehicles and a watercraft. However, carriers are applying greater underwriting scrutiny for higher limits. A significant number of consumers are still unclear about the specifics of this coverage and the extent of their current protection.

Underwriting and risk management: Underwriting scrutiny continues to tighten across the board. Mirroring trends in the U.S., there's a rising emphasis on proactive risk management. Water shut-off systems are increasingly becoming a standard requirement — much like centrally monitored alarm systems have been in the past.

Auto insurance: Rates have reached unprecedented levels, particularly in major urban centers. Auto-insurance reform is currently under discussion, as existing rate caps — originally intended to protect consumers — are now placing significant financial pressure on insurers and proving increasingly unsustainable.

Proactive coverage management: Tips for staying protected

To ensure your insurance continues to meet your needs as your life and assets evolve, consider the following best practices:

- Review your coverage annually to ensure it aligns with your current lifestyle, assets and any major changes
- Evaluate your liability limits to confirm they adequately reflect your net worth and potential exposure
- Bundle your policies (home, auto, watercraft) to maximize available discounts and simplify policy management
- Implement risk mitigation measures such as water shut-off devices, centrally monitored alarms and roof upgrades to reduce potential losses and improve insurability
- Understand your policy's exclusions and limitations to avoid unexpected gaps in coverage at the time of a claim
- Explore endorsements and alternative solutions for added protection, especially if you're in a high-risk area or have unique exposures
- Have regular conversations with your advisor to walk through potential risk scenarios — and how your coverage can respond

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Political Risk

Rate predictions

Typical year-on-year rate movement

0% to +10%

Key takeaway

Geopolitical flashpoints

High-profile conflicts continue to roil the market:

- Intensified clashes involving Israel and neighboring states (including Iran)
- Expropriations and resource nationalism across the mining sector in: Guinea, Mali, Burkina Faso and Niger
- China's growing territorial assertiveness: constructing infrastructure in disputed maritime zones, increasing naval presence/exercises near Japan and in the Senkaku/Diao Yu island area and escalating tensions with the Philippines over South China Sea claims
- Continued Russia-Ukraine conflict
- Recent clashes between India-Pakistan and Thailand-Cambodia
- Protests in Indonesia due to wage increase and views of inequality
- Simultaneously, rising nationalism and protectionism across multiple regions increase instability — raising underwriting caution regarding expropriation risk

Political Risk

Key takeaway (continued)

Market dynamics: Hard market with glimmers of flexibility

- The political risk market remains hard, but some insurers are gradually adopting more flexible stances for multicountry programs (as long as they don't include China or Taiwan)
- Renewal terms now heavily depend on historical pricing adequacy (for long-term purchasers with long tenors, pricing may be dramatically lower than the current market rate and therefore require a large increase, which would still result in much below the current market rate)
- Insurers continue to favor long-term buyers, prioritizing their limited China/Taiwan capacity and grandfathering in large multicountry portfolio programs that would not be viewed favorably in today's market

Capacity and opportunity zones

- Countries of particular client interest that capacity is available in: Mexico, Malaysia, Nigeria, India and Indonesia
- Constrained capacity: China, Taiwan and parts of West Africa (Mali, Burkina Faso and Niger) Sudan, Israel

Broadening buyer base

- Traditionally the purview of global multinationals, political risk insurance is increasingly gaining traction among middle market enterprises
- Why it matters: These firms are more vulnerable to catastrophic political events in financial terms; political risk losses are often financially material, making insurance protection more critical for continuity and investor confidence

Trends and insights

Political polarization and government intervention

WTW's Political Risk Index — H1 2025 highlights a global surge in political polarization, including affective, elite and ideological divides: posing greater threats from workforce unrest, policy volatility and political violence.

Such polarization often manifests in regulatory overreach or sudden state action: evident in recent high-profile examples like Guinea's nationalization of mining concessions in favor of newly formed state entities.

These shifts underscore the growing importance of "gray zone" risks; subtle, ambiguous threats like abrupt regulation, expropriation or state-backed corporate reassignments.

2026 outlook

- **Pricing stability with tailwinds for long-term buyers** — Expect rate increases within the 0–10% range, with more favorable terms for long term, multiyear clients — especially those excluding high-profile exposures like China/Taiwan
- **Polarization as a risk amplifier —** Political fragmentation continues to raise deployment and operational threats — not just in conflict zones but in traditionally stable democracies with rising populism and social divide
- **Gray zone attacks increase —** Increase in multiple domain risks — like cyber, supply chain disruption and quasi state action
- **Middle market as a growth engine —** The rising insurance demand from mid-sized businesses reflects a structural shift — broadening the base of insureds while necessitating scalable underwriting and modular policy structures

Suggested actions for insurers and buyers

- **Clarity increasingly important in policy wording**, especially around ambiguous gray zone risk
- **Develop tailored products for middle market buyers** — smaller limits, flexible terms, syndicating across more carriers in order to be confident in existing markets' ability and willingness to grow the program as needed in the future
- **Maintain intelligence-led broking**, leveraging real-time monitoring of regional risks and gray zone threats that could impact your sector/locations specifically
- **Encourage longer-term commitments** through longer tenor programs — ensuring capacity and favorable rates

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Product Recall

Key takeaway

With tariff-driven cost inflation and multi-hundred-million-dollar loss activity, recall programs must be stress-tested for adequacy. Limit reviews, benchmarking and contingency planning are essential in 2026.

Rate predictions

Long-standing relationship and good loss experience

Flat to +5%

Marginal to poor loss experience

+10% to +25%

Long-standing relationship and good loss experience

Flat to +5%

Marginal to poor loss experience

+10% to +25%

Tariff impact

Tariffs are driving ~40% higher recall costs across imported and cross-border supply chains.

Increased expenses hit every stage of a recall: replacement sourcing, transport, disposal and re-manufacturing.

Import-reliant industries (food, pharma, auto, consumer products) are disproportionately exposed.

Recent major recall events

Electric pressure washers (capacitor explosions causing injuries): 780,000 units recalled in U.S. and Canada; 135 overheating incidents, including 41 explosions with 32 reported injuries.

Vehicle recalls: Record 7 million vehicles recalled in 2025 to date, triggering a $600 million special charge and $2 billion in warranty expense (4% of sales).

Headlight recall: 17,260 electric vehicles recalled due to headlight failure in cold weather; no injuries reported.

Food and drug recalls (FDA): Nearly 20 items, including ice cream and frozen shrimp, recalled for bacterial contamination (e.g., Listeria, E. coli).

Classic potato chips (undeclared milk allergen): 6,000+ bags voluntarily recalled and elevated to FDA Class I risk.

Pancake mix: Limited recall across 11 states due to undeclared milk; no allergic reactions reported.

Market conditions

Rates: Flat to +5% for good experience; +10% and higher for poor experience.

Capacity: Stable, with new MGAs and specialty carriers (Lloyd's, Euclid, Upand) sustaining supply.

Coverage: Expansion into mold, rancidity and quality issues; forensic accountant services standard.

London market: Remains harder than U.S.; +5 to +10% increases even for clean accounts.

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Senior Living

Rate predictions

Senior living healthcare professional liability

Flat to +15%
(with excess experiencing the larger rate increases)

Property

Flat to +7%

Auto liability

+10% to +20%

Workers compensation

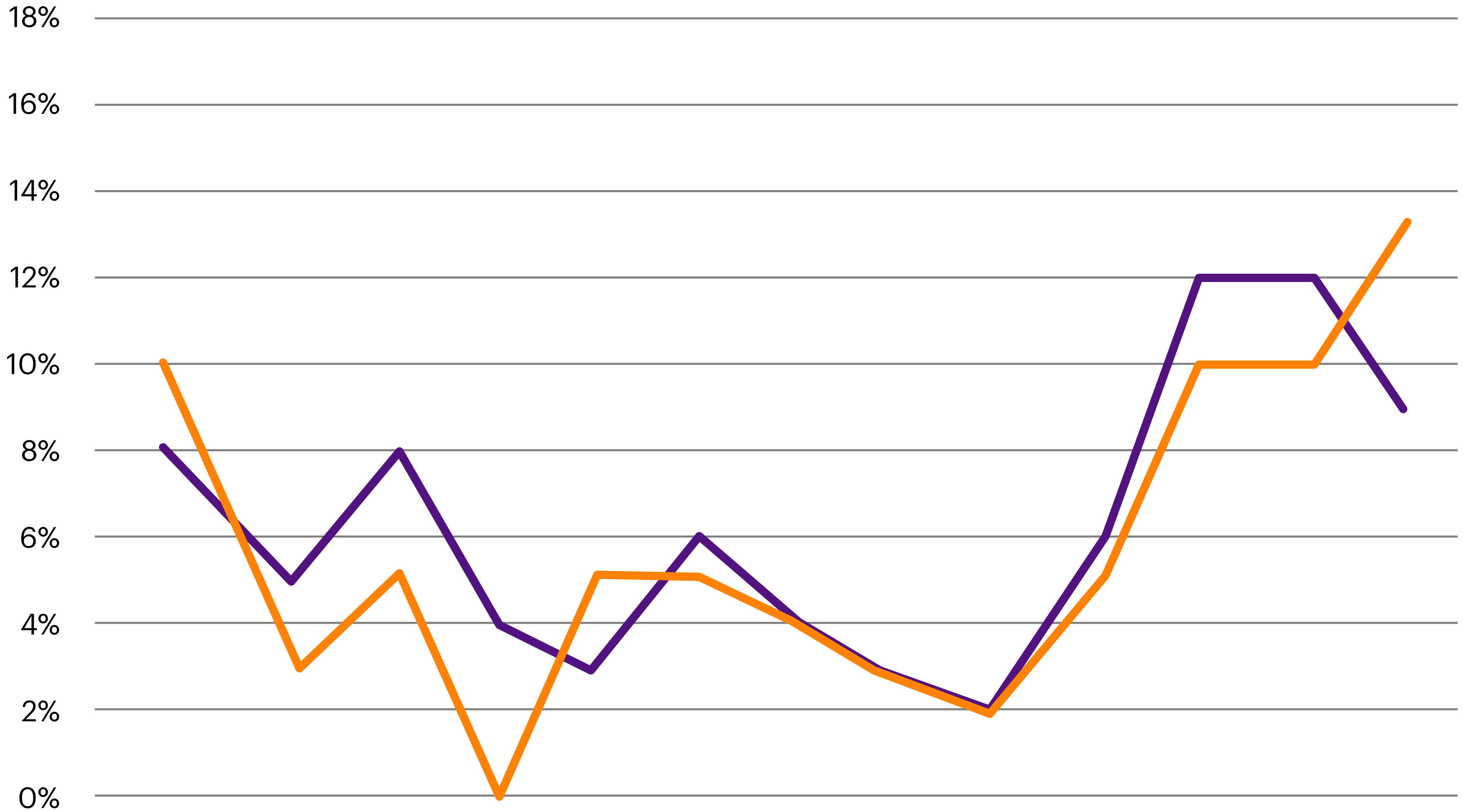
–5% to +5%

Senior Living

Key takeaway

- Loss development and difficult venues continue to be intensely scrutinized
- Markets are frequently reluctant to deploy significant capacity in litigious venues such as NY, NJ, CA and FL. Other less-than-desirable venues are Philadelphia, PA and Cook County, IL
- On smaller risks, higher CMS ratings and satisfactory state surveys are instrumental in supporting the continuance of cost-effective and low-deductible program offerings
- Often, increasing retentions is not providing equitable premium relief for the additional risk assumed by the insured
- Capacity continues to be $5 million to $15 million depending on the carrier
- Some carriers are cutting back on excess capacity, only offering $5 million when previously $10 million was offered
- New market entrants can provide additional capacity
- UM/UIM and hired & non-owned auto is becoming a concern for excess carriers
- Cost of litigation, social inflation and large verdicts continue to be a concern
- Defense costs coverage should be outside the limits of liability when possible
- Strive for abuse to be included all the way up the excess tower as capacity is currently available
- Tail vs. discontinued operations — preferred to purchase tail and remove from existing policy
- Coverage concerns:
  - Look for abuse sublimits
  - Class action exclusions
  - Punitive damage exclusions
  - Communicable disease vs. limited pandemic/epidemic/COVID (coverage varies among carriers)

Renewal pricing trends — Senior living professional liability — Rolling quarterly results



	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
Primary rate incease	8%	5%	8%	4%	3%	6%	4%	3%	2%	6%	12%	12%	9%
Excess rate incease	10%	3%	5%	0%	5%	5%	4%	3%	2%	5%	10%	10%	13%

Property

- We're seeing continued emphasis on risk engineering inspections and in cases where an in-person inspection cannot be completed, we're seeing formal requests or proof of attic sprinklers and other fire-safety related measures as a pre-requisite to providing property terms
- Look out for 100% coinsurance requirements, increased water damage deductibles and scrutiny over business income values as insurers continue to look for ways to mitigate exposure
- Senior living property markets are limited and risks with historical losses are experiencing higher than average rate increases or being carved out from coverage altogether
- Given the limited number of markets in this industry space, it pays dividends to foster an ongoing partnership with your property insurer and to be receptive to risk control recommendations. Providing thoughtful rationale as to why certain recommendations cannot be complied with will be much better received by the marketplace than not responding

Auto liability

- Drivers lists continue to be a pre-requisite to providing terms for many markets and if you haven't previously compiled this data, it will pay dividends by opening the door for new markets to consider your risk
- Strong MVR review criteria, adherence to minimum personal auto limit requirements and focus on driver training show the underwriting community that your auto risk is something that you're paying close attention to and will instill greater confidence on this line of coverage, where historically underwriters struggle to generate enough premium to support their perceived risk
- Resident transport exposure is of paramount concern and your controls in this area can be a critical determiner of whether a market can provide terms or not. Many markets can only entertain a modest level of resident transport risk
- We continue to help organizations evaluate the benefits of partnering with ride share companies via programs such as Uber for Seniors and Lyft Silver

Workers compensation

- There continue to be multiple workers compensation insurers who have a strong appetite to write senior living organizations on a monoline basis without a requirement for supporting lines of coverage
- Continued scrutiny over the classification of 1099 (independent contractor) classified individuals. Carriers are applying stringent measures in this area and many times the carrier will look to require ICs to be classified as employees for workers compensation purposes
- Non-owned auto exposures continue to be a source of concern for underwriters and are underwritten closely from a workers compensation perspective
- The strength of your return-to-work program is a key indicator to insurers in this area and a company with a strong and uniform program will be looked upon favorably as these programs have proven to be a significant mitigator of long-term loss experience

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Surety

Key takeaway

- Tariff activity significantly influences economic trends, driving unprecedented demand for customs bond capacity
- Strong support exists across all credit profiles, with innovative solutions required to address complex customs bond scenarios

Rate predictions

Commercial surety
Flat

International
Flat

Contract
Flat

M&A
Flat/small increases

Overview

Tariff activity and associated uncertainties are shaping economic patterns, creating volatility within the surety industry, particularly in the customs bond market. Frequent discussions have led to substantial increases in customs bond requirements. The stacking liability nature of these bonds presents capacity challenges for both insurers and clients, necessitating creative solutions such as collateral arrangements and co-surety structures.

Supply chain disruptions and cost escalations are impacting multiple sectors, including housing and manufacturing. The U.S. manufacturing sector faces challenges from tariff and trade uncertainties, as well as supply chain constraints, which are expected to affect performance in the second half of 2025. The housing market remains stagnant in many regions, while corporate bankruptcies are gradually increasing through early 2025, prompting heightened scrutiny from underwriters.

Renewed interest in traditional and nuclear energy is driven by rising technological demands, particularly from data centers and artificial intelligence applications. Addressing these demands requires substantial investment, supportive policies and innovative solutions to ensure a reliable energy supply in the near term. The surety industry must adapt by developing new bond forms, expanding capacity and implementing innovative structures to meet these evolving needs.

In the first half of 2025, the commercial surety market maintains sufficient capacity and largely stable rates. While loss activity is rising, surety companies are managing risks through enhanced underwriting practices and limiting aggregate exposure. Strong credit profiles remain highly desirable, with surety providers actively seeking such opportunities to balance their portfolios

Contract surety

Key takeaways

Contract underwriting results remain stable, with modest growth in the backlog and order book development for most contractors.

Overview

Construction spending continues at a steady pace, fostering a stable environment for contracting firms. Most firms demonstrate consistent profitability and strong performance. Underwriters are closely evaluating factors such as disputed change orders, contract extensions and the duration of large project contracts. Additionally, there is increased focus on managing risks associated with subcontractor aggregation.

International surety

Key takeaways

- International surety remains attractive to carriers as strong premium growth and improving portfolio quality have carriers establishing new operations in emerging markets and maintaining international surety operations even as other P&C lines are divested. In addition, multinational surety reinsurance is in high demand due to local carriers' net retention constraints in key emerging markets
- Strong regulation remains essential to ensure new international surety markets have similar structures and protections as developed surety markets

Overview

International surety growth continues to be strong, with members of the International Credit Insurance & Surety Association (ICISA) reporting a 7.4%[1] increase in premium revenues to $2.3 billion[2] in 2024. Multinational surety reinsurance capacity will also be in high demand due to local carriers' net retention constraints in key emerging markets (including India and the Philippines).

M&A surety

Key takeaways

M&A underwriters exhibit strong interest in small to mid-size programs, while large programs require greater scrutiny of capital structure and liquidity.

Overview

In the M&A market, both financial and strategic buyers are actively seeking attractive opportunities to deploy capital. Despite the potential for declining interest rates, transaction activity remains robust. Understanding the surety underwriting factors that influence transaction value is becoming an increasingly critical practice.

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1. "ICISA reports strong global growth and expanding membership, reinforcing the vital role of Trade Credit Insurance and Surety in today's economy", International Credit Insurance & Surety Association", June 10, 2025
2. "ICISA reports strong global growth and expanding membership, reinforcing the vital role of Trade Credit Insurance and Surety in today's economy", International Credit Insurance & Surety Association", June 10, 2025

Trade Credit

Rate predictions

Trade credit

–5% to flat

Key takeaway

Despite challenging macroeconomic conditions, market conditions for new insureds remain favorable.

- On a macroeconomic scale, business bankruptcies have been rising steadily, quarter-over-quarter, since the second quarter of 2022
- This upward trend has resulted in a 40% year-over-year increase in insolvencies for the twelve months ending March 31, 2024
- Major insurers are reporting double-digit percentage growth in both the number and total value of claims submitted
- Despite the surge in claim activity, pricing for new insureds entering the market continues to remain highly competitive

Trade Credit

Key takeaway (continued)

- Financial institutions are leveraging trade credit to expand financing facilities and bolster their competitive positioning
- Indications from insurers serving financial institutions remain extremely competitive, marked by aggressive rates and flexible risk acceptance
- Innovation in policy design and advancements in technology within trade credit are accelerating, offering expanded resources for credit management and risk teams
- The effect of tariffs on the economy will hinge on final tariff levels and the objectives set by the U.S. administration, which should become clearer as initial bilateral agreements are reached with U.S. trading partners. The prevailing assumption is that some sector-specific tariffs may persist while others are negotiated away in exchange for reduced retaliation, commitments to purchase U.S. goods, quotas or even geopolitical and currency-related agreements
- Efforts to use tariffs as leverage for geopolitical commitments could result in more prolonged trade conflicts, carrying substantial economic consequences for both the U.S. and its trading partners. Tariffs typically exert inflationary pressure, though some of these effects may be mitigated by currency adjustments. Nations enacting abrupt, high tariff barriers often experience slower economic growth, as companies must re-invest in relocating supply chains and securing new markets to restore prior levels of output. Ongoing uncertainty surrounding tariffs may also suppress investment, which could affect business cycles, especially in the U.S. and economies closely tied to U.S. markets
- During recent global disruptions such as the financial crisis and the pandemic, governments intervened to stem the tide of bankruptcies. However, elevated debt levels in many advanced and emerging economies may restrict similar intervention during tariff-related shocks

Trade Credit

Key takeaway (continued)

- Efforts to use tariffs as leverage for geopolitical commitments could result in more prolonged trade conflicts, carrying substantial economic consequences for both the U.S. and its trading partners. Tariffs typically exert inflationary pressure, though some of these effects may be mitigated by currency adjustments. Nations enacting abrupt, high tariff barriers often experience slower economic growth, as companies must re-invest in relocating supply chains and securing new markets to restore prior levels of output. Ongoing uncertainty surrounding tariffs may also suppress investment, which could affect business cycles, especially in the U.S. and economies closely tied to U.S. markets
- During recent global disruptions such as the financial crisis and the pandemic, governments intervened to stem the tide of bankruptcies. However, elevated debt levels in many advanced and emerging economies may restrict similar intervention during tariff-related shocks

ProfitGuard

Key takeaways

- Understanding the credit risk of your customers and suppliers during periods of heightened uncertainty and volatility is essential to protecting your business. Below are a few important observations our business credit information unit is seeing in the market
- Pressure on corporate liquidity has contributed to over 371 bankruptcy filings throughout 2025, the highest total for the first half of the year since 2010
- As a result of heightened corporate credit risk, ProfitGuard has seen a significant increase in order activity – 9% higher demand for credit assessments and commercial credit reports
- 33.5% of ProfitGuard-rated firms fall in the “Marginal” risk category — which is a credit that can deteriorate quickly. Another 13% of firms fall in the weak or lower tier of credit quality. That’s nearly half the firms reviewed or monitored by ProfitGuard exhibiting less than stellar creditworthiness

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About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.

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