

MARCH 2026

LOCKTON MARKET UPDATE

Opportunity through precision



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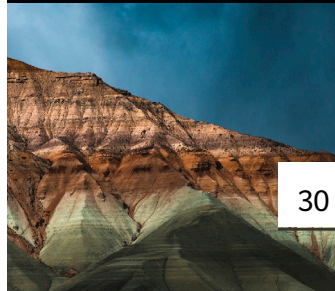
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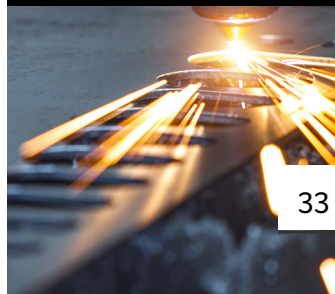
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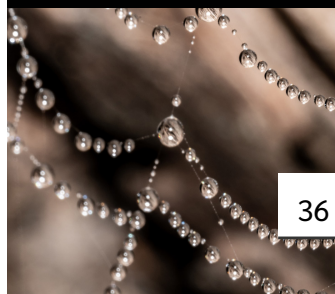
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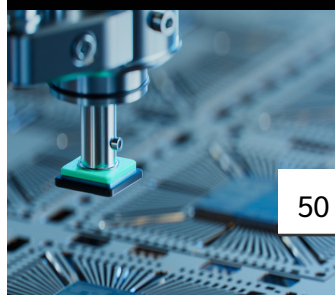
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Unlocking potential in unpredictable times

As the first quarter of 2026 comes to a close, the commercial P&C insurance market appears to have reached a more stable equilibrium, producing solid returns while remaining broadly competitive.

Throughout 2025, insurers benefited from disciplined pricing, improved risk selection, and strong investment income. Although catastrophe activity and casualty severity continued to pressure results, the industry still delivered improved profitability, backed by investment yields that were at their highest level in more than a decade. This drove combined ratios down, indicating underwriting profitability, and returns on capital up.

To be sure, performance varied by line. Short-tail and specialty classes did well, while long-tail casualty remained a challenge.

Looking ahead, macroeconomic conditions remain generally favorable but increasingly complex. The U.S. economy continues to defy expectations, even as shifts in trade policy, geopolitical tensions, and political dynamics introduce additional volatility. Tariff threats and supply chain realignment are raising costs and increasing contractual and

cross-border risk complexity. At the same time, continuing uncertainty around interest rates, regulation, and geopolitical alignment is shaping insurer and buyer decision-making.

Cooling labor markets may dampen premium growth but could relieve some frequency-driven losses. However, structural severity drivers — including medical inflation, social inflation, and litigation funding — continue to burden casualty lines. As a result, pricing pressure persists, and insurers continue to prioritize tail risk, program structure, and aggressive litigation risk management. A stable casualty reinsurance market continues to provide support, influencing capacity and terms.

Capital remains plentiful but increasingly fragmented and targeted. Traditional carriers now compete with alternative capital sources targeting specific risk segments. This has expanded choice in some areas while reshaping how risk is underwritten and retained. The push for adequate returns may further accelerate M&A activity as carriers seek scale, specialization, and efficiency.

Stronger investment portfolios continue to support earnings. But as

interest rates normalize, underwriting performance — especially in long-tail lines — will again drive profitability expectations.

The market has become more competitive for well-understood, controllable risks and more selective where uncertainty persists. Property, cyber, and certain specialty lines offer attractive opportunities, while excess casualty and umbrella remain disciplined due to severity concerns.

Looking ahead, 2026 will be defined by informed decision-making more than dramatic shifts. Election year dynamics, geopolitics, regulatory change, and rapid AI adoption elevate uncertainty, making early engagement, strong use of analytics, and thoughtful program design increasingly essential.

We look forward to continuing our conversation with you.



A handwritten signature in blue ink that reads "V. Gaffigan".

Vince Gaffigan

U.S. Market Strategy & Engagement
Group Leader, Lockton

Stability, discipline, & what comes next

The U.S. commercial P&C insurance market is stabilizing following several years of volatility. Strong 2025 carrier earnings, improved underwriting discipline, and elevated investment income have strengthened balance sheets and broadened capacity across many lines. Yet beneath this relative calm, structural pressures — economic, geopolitical, and legal — are reshaping risk outlooks and requiring greater precision from insurers and buyers alike.

Economic conditions point to continued but moderate U.S. growth. After a deceleration in late 2025, GDP is being supported primarily by AI-driven capital investment, healthcare spending, and resilient consumer activity. Inflation has eased, but cumulative price increases continue to strain households and influence sentiment. Labor markets are cooling, and tariff policy remains a key source of uncertainty following the Supreme Court's February ruling constraining executive trade authority. Most forecasts anticipate steady, if slower, U.S. expansion in 2026, with global economic realignment adding cross-border complexity for multinational companies.

Pricing dashboard

- 
Property
Improving
- 
Workers' compensation
Competitive
- 
General liability
Challenging
- 
Auto liability
Challenging
- 
Lead umbrella
Challenging
- 
Excess liability
Moderating
- 
Directors and officers liability
Stablizing
- 
Employment practices liability
Stablizing
- 
Fidelity/crime
Stable
- 
Fiduciary liability
Stable
- 
Cyber
Favorable

Insurance market conditions remain generally favorable for buyers, with some important exceptions:

Property capacity is abundant following a quiet 2025 hurricane season and softening reinsurance pricing.

Workers' compensation continues to deliver strong underwriting results, though medical inflation and expanding presumptions are narrowing margins.

Liability remains challenging as rising claim severity, social inflation, and litigation funding continue to pressure rates, despite the availability of capacity and recent tort reforms.

For public companies, directors and officers liability (D&O) continues to stabilize with ample capacity, though carriers are becoming more selective as claim severity and regulatory shifts reshape underwriting.

For private companies and nonprofits, D&O is beginning to firm as insurers push for higher premiums and retentions in challenging segments, even as capacity remains plentiful for stable, lower-risk accounts.

Employment practices liability (EPL) capacity is abundant and competition remains strong, though class-action activity, claims involving high-wage earners, and state-specific risks are prompting greater underwriting scrutiny.

The **crime** market remains stable and competitive, with carriers balancing steady demand against rising social engineering and employee theft exposures.

Fiduciary liability conditions remain steady with plentiful capacity, even as insurers closely monitor excessive fee litigation and evolving regulatory risks.

Cyber pricing has largely stabilized, with underwriters increasingly differentiating by controls and privacy exposures.

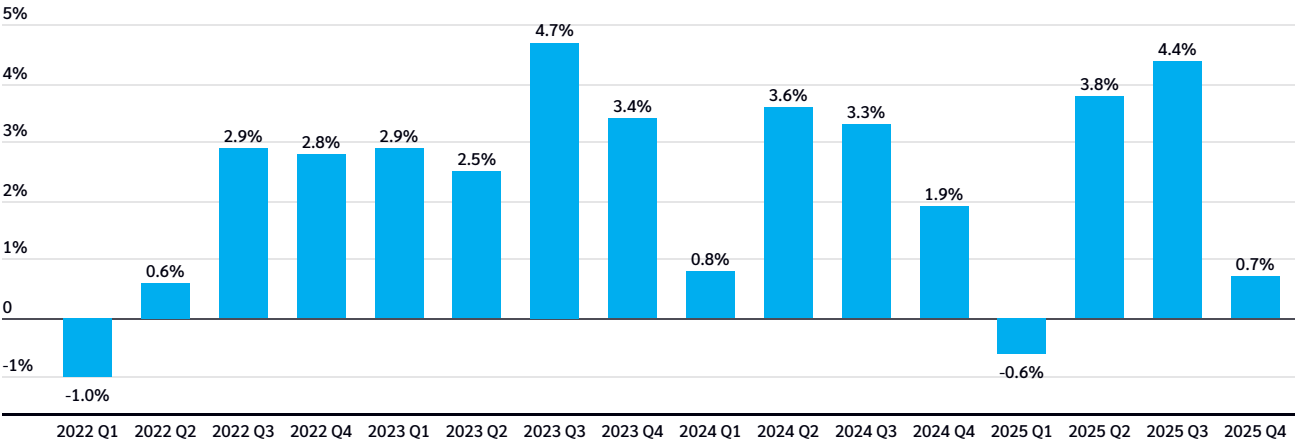
Across the market, abundant but increasingly fragmented capital, evolving reinsurance dynamics, and heightened geopolitical risk are reshaping how insurers evaluate volatility and return on capital. For buyers, this environment presents opportunities to optimize program design but requires strong data, disciplined preparation, and early market engagement to secure the best outcomes.



Moderate growth expected in 2026

Real gross domestic product (GDP) grew at an annual rate of 0.7% in the fourth quarter of 2025, according to the U.S. Bureau of Economic Analysis' (BEA) second estimate, published March 13. (See Figure 1.) This is a significant slowdown from the second and third quarters, in which the economy grew by 3.8% and 4.4%, respectively. At least some of this slowing growth can be attributed to the record-long government shutdown that ended on Nov. 12, 2025.

Figure 1: U.S. real GDP growth slowed in the fourth quarter of 2025.



Source: U.S. Bureau of Economic Analysis

2.1%

The BEA reported that real GDP increased 2.1% in 2025, down from 2.8% growth in 2024.

“Compared to the third quarter, the deceleration in real GDP in the fourth quarter reflected downturns in government spending and exports and a deceleration in consumer spending that were partly offset by an acceleration in investment,” the BEA said. “The decrease in imports was smaller than in the previous quarter.”

What’s shaping the U.S. economy

3 tailwinds are driving U.S. GDP:

01 MASSIVE INVESTMENTS IN AI.

While data centers have received much public attention, AI investments are also reflected in specific expenditures in information processing equipment, software, and research and development. Collectively, these investments “helped prevent a sharper contraction in the first quarter and accounted for 30% of GDP growth in the second quarter and 11% of GDP growth in the third quarter,” the Federal Reserve Bank of St. Louis said in a recent analysis of BEA data. For now, AI stands as a powerful growth engine. It is unclear, however, whether it will prove to be a perpetual boom, an unavoidable bubble that eventually bursts, or something in the middle.

02 HEALTHCARE SPENDING.

This has become a key force of economic growth, especially as the U.S. population ages. National health expenditures accounted for 18.0% of U.S. GDP in 2024, according to the Centers for Medicare and Medicaid Services, and are projected to account for one-fifth of U.S. GDP in 2032. (See Figure 2.) National health expenditures include spending by patients, healthcare systems, the federal government, and individual states.

03 CONSUMER SPENDING.

This remains the primary engine of the economy, accounting for roughly 70% of total GDP. In the fourth quarter, personal consumption expenditures grew by 2.0% from the third quarter, despite consumer confidence remaining weak. Preliminary March data shows that the University of Michigan’s Index of Consumer Sentiment fell 1.1 points from February. (See Figure 3.) March data is based on interviews collected between Feb. 17 and March 9, roughly half of which were completed before the start of the recent military conflict in the Middle East, the university said.

Figure 2:
Healthcare expenditures are projected to account for 20% of U.S. GDP by 2032.

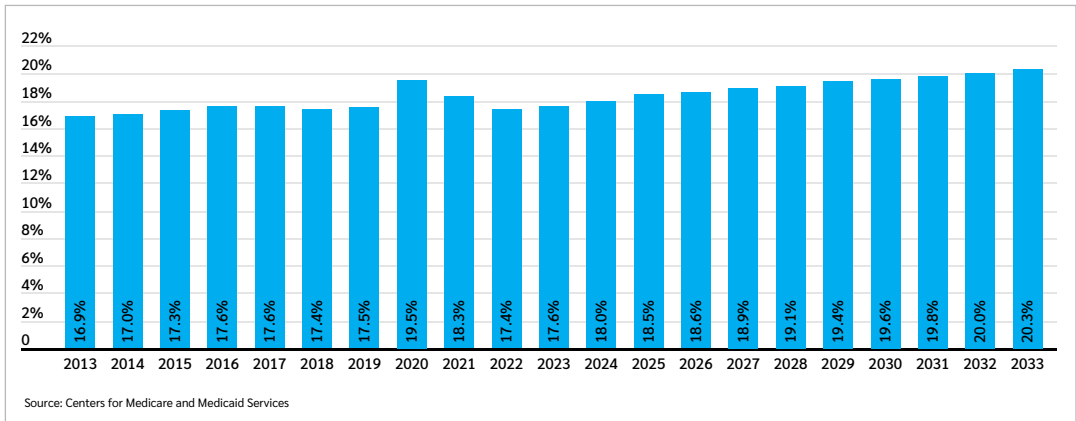
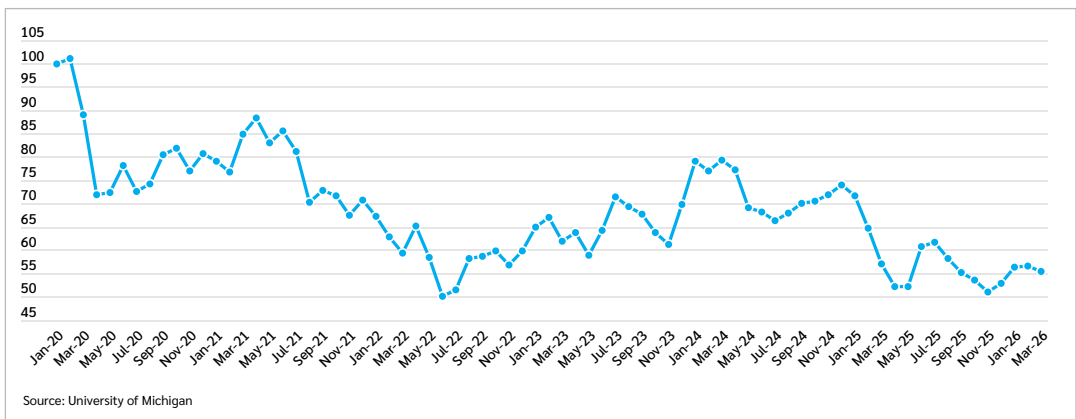


Figure 3: Consumer sentiment remains extremely weak in 2025.



The American consumer's resilience partially reflects balance sheet strength. Household net worth has increased by more than \$65 trillion since the start of 2020, according to the Federal Reserve, supported in large part by equity market appreciation. A strong stock market has bolstered retirement accounts, brokerage balances, and overall financial confidence, particularly among higher-income households that own a disproportionate share of financial assets.

This dynamic reinforces the so-called "K-shaped" nature of the current economy. Asset-owning households continue to benefit from rising equity values and stable employment, which is sustaining discretionary spending. Meanwhile, lower-income and more rate-sensitive consumers struggle with inflationary pricing and tighter budgets. The result is a consumer sector that remains resilient in aggregate, even as underlying conditions diverge beneath the surface.

What the Middle East conflict could mean for the economy

After weeks of military buildup, the U.S. and Israel launched widespread military strikes against Iran on Feb. 28. Iran's Supreme Leader Ayatollah Ali Khamenei, along with several other top Iranian officials, were killed within the first 24 hours of the conflict.

The fighting continued into March with U.S. and Israeli forces carrying out an intense bombing campaign against Tehran and other key Iranian cities. Iran has responded with its own strikes on critical energy infrastructure — including pipelines, terminals, and refineries — as well as population centers, military sites, and intelligence centers in the surrounding Persian Gulf countries.

It's uncertain how long hostilities will continue, but a prolonged conflict could have significant economic implications. Consumers would spend

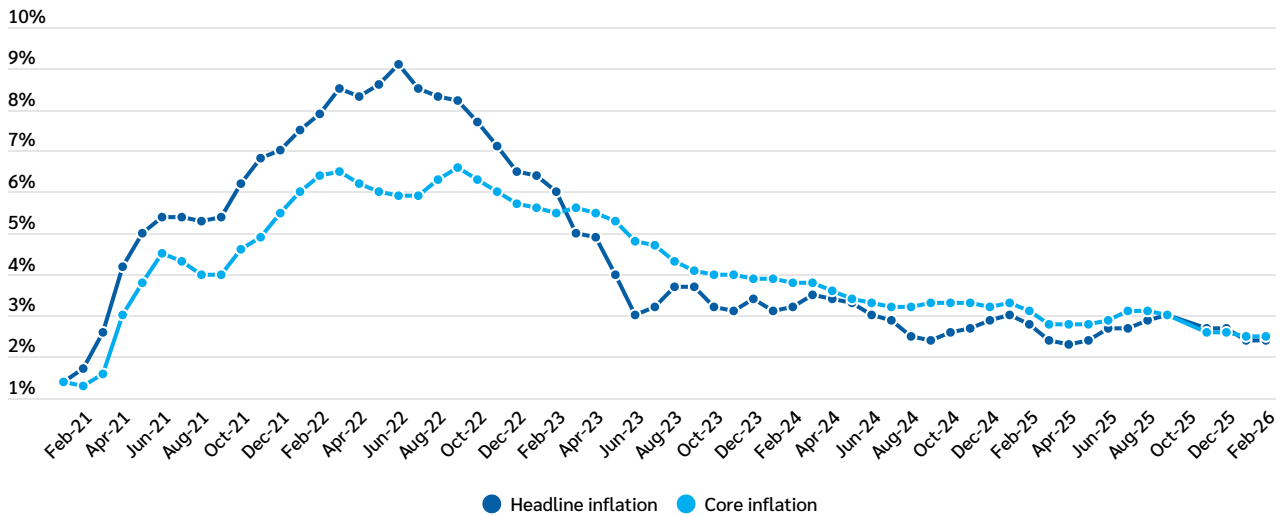
more at the gas pump and curtail their spending elsewhere. Leisure and business travel would slow. Raw materials and commodity prices would also increase as shipping costs and inputs rise. Accelerating inflation would complicate the Fed's decision-making on interest rates, particularly given the softening labor market.

While investors initially appeared to shrug off the risks to equity valuations posed by the conflict, recent activity reflects growing investor concerns about its duration and uncertainty around the conflict's outcome. A prolonged conflict, which could bring higher energy prices, could further erode investor confidence. Since mid-March, Brent crude oil futures have frequently traded at over \$100 per barrel on the ICE Futures Europe market, closing at a recent high of \$112.19 on March 20.

Inflation eases, labor market weakens

After remaining at 2.7% or higher for the previous seven months, “headline” inflation — the topline Consumer Price Index (CPI) figure reported monthly by the U.S. Bureau of Labor Statistics (BLS) — slowed to 2.4% year over year in January and remained unchanged in February.* (See Figure 4.) Core inflation — which excludes volatile food and energy costs — was also unchanged in February after slowing slightly in January to 2.5% year over year, its lowest level since March 2021.

Figure 4: Inflation has eased slightly in early 2026.



Source: U.S. Bureau of Labor Statistics
 Year-over-year changes shown. October 2025 figures unavailable due to the lapse in government appropriations.

It is important to note that inflation measures the pace of change, not the direction. While the rate of inflation is moderating, the cumulative price increases of the past several years have not reversed. Consumers are still contending with high costs for housing, insurance, services, and everyday essentials.

This distinction explains the continuing disconnect between improving inflation data and weak consumer sentiment. Consumers appreciate the slower rate of increase, but prices are still significantly higher than before the COVID-19 pandemic. For businesses, margin pressure has eased at the edges, but input and labor costs remain high.

Employers added 126,000 jobs but lost 92,000 jobs in February, according to BLS data. (See Figure 5.) The unemployment rate edged up in February to 4.4%.

*The BLS did not publish October 2025 inflation and unemployment rate data due to the lapse in government appropriations.

Figure 5: Revised data indicates that 2025 was a weaker year for the job market than previously realized.



Source: U.S. Bureau of Labor Statistics
 October 2025 unemployment rate figures unavailable due to the lapse in government appropriations.

While the January jobs gains were a positive, the February losses and slight increase in the unemployment rate are troubling. A more important development is that earlier 2025 figures have been revised downward significantly: Jobs gains during the year were off by more than 400,000 compared with initial reports. This indicates that hiring momentum has been weaker than previously estimated and reflects the challenges associated with estimating overall labor strength in a shifting economy.

When viewed alongside moderating inflation, the revised figures point to an economy that is cooling but not contracting. Growth continues, though with less underlying acceleration than previously suggested. A “soft landing” for inflation remains plausible, but the margin for error is narrower than it may have seemed just a few months ago. The Organisation for Economic Co-operation and Development forecast on March 26 that inflation for the G20 will be 4.0% in 2026, “reflecting the surge in global energy prices.

Further complicating the economic outlook is a lack of clarity about the U.S. government’s long-term

tariff policy. On Feb. 20, the Supreme Court, in *Learning Resources Inc. v. Trump*, held that the International Emergency Economic Powers Act does not authorize the president to unilaterally impose tariffs. The ruling effectively invalidated the majority of levies President Trump has imposed since returning to office and clarified limits around executive trade authority.

Despite this, tariff uncertainty persists. The White House has already indicated it will rely on other statutory mechanisms to reinstate certain duties. The legal rationale has changed, but not the policy.

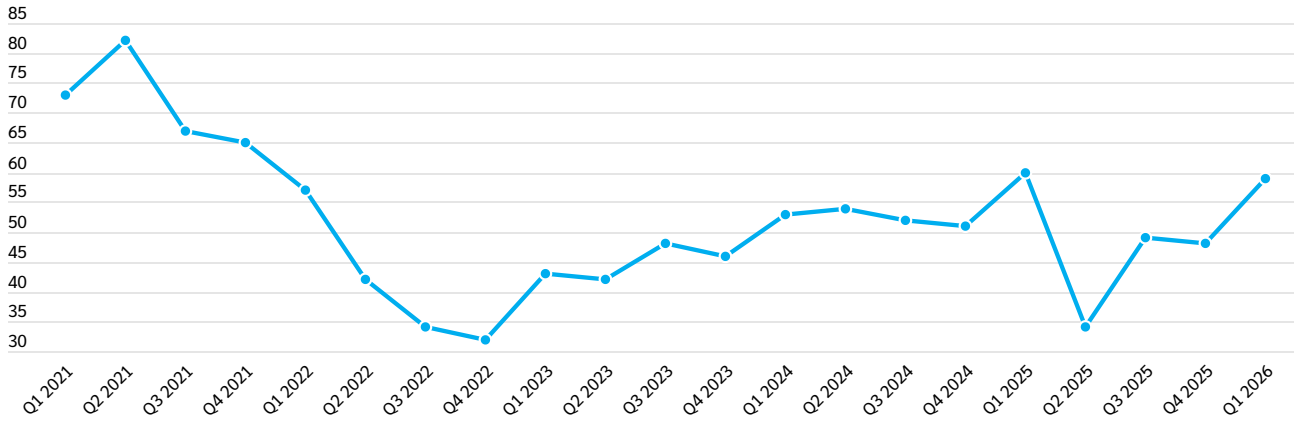
The ruling has also triggered a wave of litigation. Hundreds of companies have filed suit seeking repayment of previously collected tariffs, with billions of dollars potentially at stake and more claims likely to follow. The Supreme Court left the question untouched, and it is unclear how this may play out.

The bottom line: Trade policy remains fluid, and in the near term, businesses should anticipate continued volatility rather than resolution.

Mixed signals from businesses

CEO confidence among large firms improved meaningfully in the first quarter of 2026. The Conference Board Measure of CEO Confidence rose from 48 in the fourth quarter of 2025 to 59 in the first quarter of 2026, its highest reading since the first quarter of 2025. (See Figure 6.) Importantly, The Conference Board’s survey was completed in early to mid-February, before the recent Middle East conflict.

Figure 6: CEO confidence improved at the start of 2026.

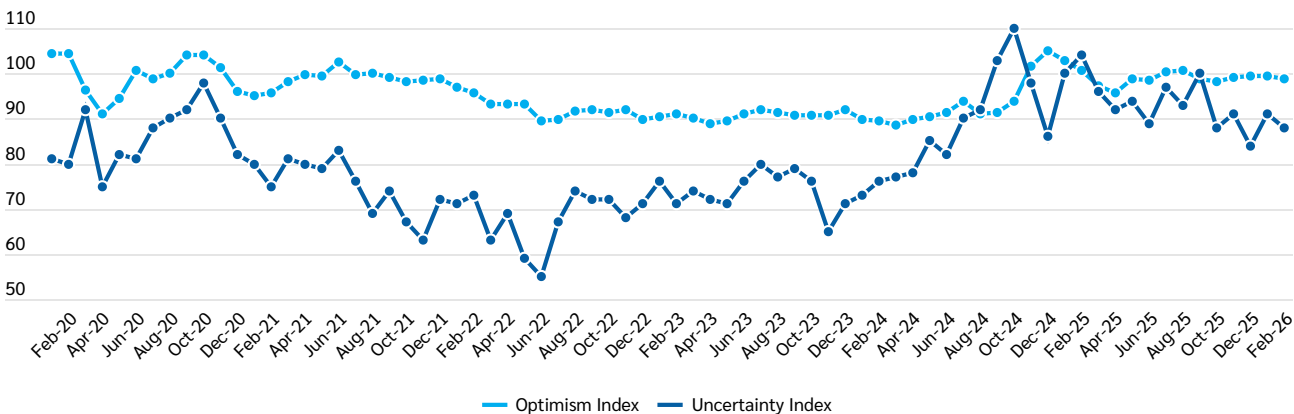


Source: The Conference Board Measure of CEO Confidence

Views of current conditions turned moderately positive, and six-month expectations shifted from slight pessimism late last year to moderate optimism. This trend likely reflects improving visibility, moderating inflation, stable capital markets, and stronger balance sheets.

In contrast, the National Federation of Independent Business (NFIB) Small Business Optimism Index slipped slightly to 98.8 in February, down from 99.3 in January. (See Figure 7.) While the decline was modest, it underscores that small businesses remain more cautious than larger companies. Small businesses are more exposed to interest rates, labor costs, and demand variability. They also have less pricing power and fewer options to buffer policy and trade volatility.

Figure 7: Small businesses remain cautiously optimistic about the economy.



Source: National Federation of Independent Business

All eyes on the Fed

At its March 17-18 meeting, the Fed elected to leave interest rates unchanged, keeping the federal funds target range at 3.5% to 3.75%. After cutting rates in each of its final three meetings of 2025, March was the second consecutive meeting in which the Fed opted not to change rates.

The pause on rate cuts in January and March signals a transition from active easing to a more data-driven approach. That said, 12 of 19 members of the Federal Open Market Committee (FOMC) indicated their view that the Fed should cut rates at least once in 2026, which is consistent with market sentiment.

“Available indicators suggest that economic activity has been expanding at a solid pace,” the FOMC said in a statement following its March meeting. “Job gains have remained low, and the unemployment rate has been little changed in recent months. Inflation remains somewhat elevated.

“Uncertainty about the economic outlook remains elevated. The implications of developments in the Middle East for the U.S. economy are uncertain. The Committee is attentive to the risks to both sides of its dual mandate.”

For the Fed, the path forward is unclear. The central bank must walk a tightrope between doing too much and too little, and officials are mindful that changes can sometimes take months to show results.

Monetary policy is also increasingly becoming intertwined with politics. Chair Jerome Powell’s term ends in May; in January, President Trump nominated Kevin Warsh to succeed him. If confirmed, Warsh is expected to align more closely with the administration’s preference for lower rates. Warsh is also a vocal advocate for shrinking the Fed’s balance sheet, arguing that excess liquidity can distort asset prices. That could signal tighter financial conditions, adding further uncertainty and confusion.

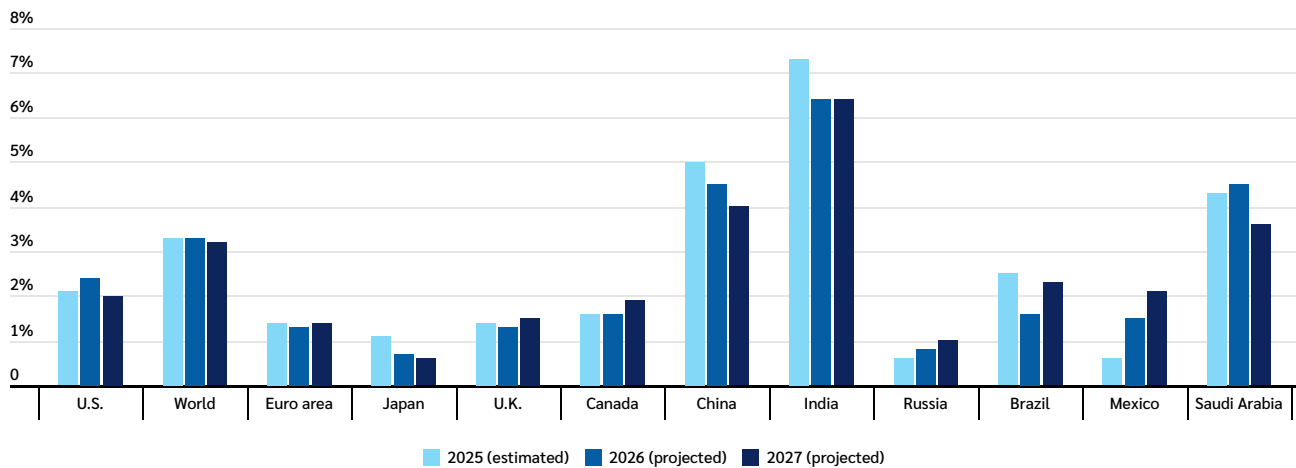
The transition places the Fed in an awkward position. What has traditionally been seen as an apolitical, technical, and data-driven institution now risks being embroiled in larger political battles. This could introduce the perception of partisanship, regardless of how well grounded policymaking remains.

For insurance buyers and insurers, the implications of all this are twofold: First, policy direction remains highly uncertain. Second, the Fed itself may become a source of volatility amid political division.

Looking ahead

Most economic prognosticators anticipate continued but moderate U.S. growth. The International Monetary Fund (IMF) projects growth of 2.4% in 2026 and 2.0% in 2027. (See Figure 8.) That pace exceeds expectations for much of Europe and several other advanced economies, reflecting the relative strength of U.S. consumer spending, capital markets, and technology-driven investments.

Figure 8: Slow U.S. growth is projected for 2026 and 2027.



Source: International Monetary Fund
Annual percentage change in real GDP shown.

At the same time, overall global growth is expected to outpace the U.S., fueled by faster expansion in emerging markets. The IMF outlook reflects an economy that is slowing from its post-pandemic momentum but not stalling.

For insurance buyers and carriers, these projections suggest a stable operating environment with slower premium growth across many lines. Economic activity will continue but at a more moderate pace, with payrolls, sales, and property values remaining relatively stable. Capital investment in technology and AI will continue and help offset weaknesses elsewhere in the economy. Consumer spending and fiscal policy are also expected to remain supportive.

Inflation remains a wild card as underlying costs for materials, labor, and repairs remain elevated. Similarly, tariffs and turmoil in the Middle East may disrupt supply chains while midterm elections further cloud the outlook.

As the economy settles into a slower, more normal growth phase, discipline with regard to underwriting, pricing, and capital allocation is likely to continue.



5 questions about the economy



Shailesh Kumar
Head of the Global Insights Center and Head of Economic and Geopolitical Risk, The Hartford

01 What’s your overall view of the U.S. economy today?

It’s solid but slowing, with growth moderating from the stronger pace of 2024. However, given the current conflict in the Middle East and overall geopolitical conditions, this could be subject to change as we learn more.

For the full year, 2025 real GDP growth came in around 2.1%, but swings over the course of the year were highly uneven. In Q1, growth was weak due to import surges ahead of tariffs. Then

conditions rebounded in Q2. A strong Q3 was driven by consumption, and a soft Q4 was due to the 43-day government shutdown.

Inflation has eased significantly from its peak but remains above the Fed’s target. Due to the compounding effects of prior inflation, consumers still feel higher prices even though inflation is lower than before. The labor market is softening but stable: Unemployment is steady at around 4.4% because labor force participation is falling even as job creation slows.

02 How do global economic conditions impact the U.S. economy specifically?

Globally, we are seeing major realignments in trade, geopolitics, and economic ties. Trade routes are shifting as more goods pass through Asia or via North America rather than directly from China to the U.S., which changes the structure of supply chains and influences cost dynamics.

It’s a fractured global order: Multiple rising power centers — India, Saudi Arabia, China, Brazil, Vietnam, Turkey, the EU, and Russia — are pursuing their individual regional or global ambitions.

Their individual aspirations, coupled with their own economic dynamics, are coalescing with their respective ties, and relations with the U.S. and its own economic policy shifts.

And accordingly, we’re finding these nations increasingly interested in stitching together their own economic and commercial relationships. An example is the recent EU-India Free Trade Agreement (FTA). For the U.S., this means ongoing shifts in who the U.S. trades with and the mix of goods traded.

Overall, tariffs are likely to remain persistent and continue shaping economic outcomes.

03

What economic trends and indicators should companies — including insurers and insurance buyers — be watching to assess the overall health of the economy?

Some of the topics that tend to get a lot of attention include AI investments, geopolitical volatility, tariffs, Fed rate actions, inflation, and unemployment. These themes all directly influence economic performance, exposure levels, claims costs, and investment returns.

AI and tech investment alone contributed meaningfully to U.S. GDP growth in 2025, making them essential to monitor. Geopolitics and tariffs likely started to affect goods inflation later in the year. Fed actions shape investment income and capital availability.

There are a few other things that don't get as much public attention but can offer additional predictive insight:

- Demographic changes, particularly aging, which drives healthcare spending and shifts labor availability. Healthcare spending has emerged as a significant driver of economic growth.
- Wage trends at the regional and sector level, which influence claims and operating costs.
- Consumer sentiment, which remains weak and influences future spending and hiring. Though, notably, consumer spending has remained strong despite weaker sentiment.

04

You mention AI as a topic that's getting a lot of attention. What do you see as its real economic and operational impact?

AI and tech spending is robust and has been a major tailwind for U.S. economic growth over the past few quarters. That activity spans physical construction, corporate software adoption, and R&D/business investment, creating a multiplier effect across the economy.

There's been some talk about AI propping up the economy. AI has been important for economic expansion for the reasons noted earlier. However, it's not the only driver. Absent AI and tech, the U.S. economy would still have posted positive growth. Our take is that AI is important, but not the sole factor driving the economy.

From an operational and productivity standpoint, AI is augmenting labor demand, not reducing it. It dramatically boosts productivity — tasks once requiring hours now take minutes. In other words, productivity stands to benefit, which is important for overall economic growth.

The real transformative effect is on quality, speed, and depth of work, enabling professionals to perform more analysis and deliver higher-quality insights. The biggest differentiators will be mindset and specialization: Those who embrace AI will outperform, while those who resist will fall behind. AI is becoming a necessity, not a luxury, for competitive relevance.

05

What's your outlook for 2026?

For 2026, we expect U.S. growth to remain moderate, with healthcare spending, AI investment, and consumption acting as tailwinds, particularly with the pending tax refunds. However, some of this could change based on the geopolitical environment and current Middle East conflict.

There are a few scenarios worth considering:

- The most likely based on what we currently know is moderate growth, inflation around the current levels, softening labor markets, continued AI-driven investment, and ongoing tariff/geopolitical overhangs.
- It's possible, however, that the "wealth effect" coupled with tax refunds drives higher and stronger consumption, which could enable economic growth to move towards the higher end of expectations.
- Alternatively, escalating tariffs, geopolitical shocks, or sharper labor market deterioration could cause growth to move to the weaker side.

For now, I'd say the U.S. economy is resilient, but it's important to keep an eye on the geopolitical environment, which could be a key area to watch for 2026 with respect to its impact on economic performance.

A slimmer margin of error for insurers

The P&C insurance market enters 2026 from a position of strength, supported by record earnings, strong capitalization, selective deployment of capacity, and still-elevated investment income. All of this has materially improved carrier balance sheets. (See Figure 9.) A March 25 report from Verisk and the American Property Casualty Insurance Association described 2025 as “a reset after several years of volatility, not a new normal.”

Figure 9: Most leading insurers continued to perform well financially in 2025.

Carrier	Net written premiums			Calendar year combined ratio			Return on equity			Net investment income		
	2025	2024	Change	2025	2024	Change	2025	2024	Change	2025	2024	Change
Carrier A	\$47,563	\$45,142	5.4%	85.7%	86.6%	0.9	15.0%	15.0%	0.0	\$6,465	\$5,930	9.0%
Carrier B	\$44,387	\$43,358	2.4%	89.9%	92.5%	2.6	21.0%	19.2%	1.8	\$3,959	\$3,590	10.3%
Carrier C	\$23,751	\$23,537	0.9%	90.1%	91.8%	1.7	9.4%	6.6%	2.8	\$3,433	\$3,060	12.2%
Carrier D*	\$43,566	\$44,963	-3.1%	88.4%	95.9%	7.5	20.9%	16.3%	4.6	\$6,075	\$4,742	28.1%
Carrier E**	\$18,186	\$16,949	7.3%	90.3%	93.2%	2.9	19.4%	16.7%	2.7	\$2,299	\$2,010	14.4%
Carrier F	\$10,683	\$10,176	5.0%	94.7%	94.9%	0.2	11.5%	9.4%	2.1	\$1,581	\$1,490	6.1%
Carrier G***	\$50,400	\$46,624	8.1%	92.6%	94.2%	1.6	26.9%	24.7%	2.2	\$1,508	\$1,539	-2.0%

Source: Select insurers' investor calls and presentations
Dollar figures in billions.

*Figures include limited partnerships.

**Return on equity reported on a 12-month rolling basis.

***Gross written premiums shown instead of net written premiums.

U.S. property and casualty insurers recorded an underwriting gain of \$60.9 billion in 2025, nearly triple the \$22.1 billion gain they recorded in 2024, according to a March 23 report from AM Best. In 2025:

Net premiums earned increased 6.1% to **\$923.3 billion.**

Incurred losses and loss adjustment expenses fell by 0.5% to **\$615.7 billion**, in part due to muted natural catastrophe losses.

Net investment income increased 9.1% to **\$91.4 billion.**

The industry’s combined ratio improved from 96.6 to **92.9.**

The industry’s financial strength, however, is not universal. Performance remains uneven by line and geography, and loss cost trends, social inflation, and natural catastrophes continue to highlight the need for underwriting discipline. While carriers have more flexibility than they did just a few years ago, they have not abandoned selectivity.

Key tailwinds that have boosted carrier performance in recent years are also now moderating or reversing:

INVESTMENT INCOME is plateauing as new money rates decline and portfolio reinvestment rates shrink.

PAYROLLS, SALES, AND BROADER ECONOMIC GROWTH are moderating, reducing exposure-driven premium lift.

COMPETITIVE PRESSURES are reemerging, particularly in better-performing segments.

CATASTROPHIC ACTIVITY, including severe convective storms, remains unpredictable.

PREMIUM GROWTH AND STRONG EARNINGS may have masked tail risk and questions around reserve adequacy across certain casualty portfolios.

While market tailwinds are easing, underlying loss trends and volatility have not fully normalized, and the market enters 2026 with less external support than in recent years. As premium momentum and investment income slow, performance will rely more heavily on underwriting precision, reserve discipline, and capital allocation decisions. The margin for error is narrowing, and return on capital will only be maintained through execution and strategic choices.

M&A activity is also beginning to reaccelerate. Strong carrier capitalization, improved earnings, and stabilizing reinsurance markets are providing the confidence and currency for strategic transactions. For some insurers, acquisitions offer a more immediate path to scale, diversification, and expense leverage than organic growth in a moderating premium environment. However, such transactions also increase integration and execution risk at a point in the cycle when margins are tightening.

FOR BUYERS

These dynamics mean capacity remains available, but underwriting scrutiny will persist. Pricing relief may continue in select areas, but a broad-based soft cycle is unlikely to materialize. The market is rational and competitive but disciplined.

Mixed conditions

Across several lines, buyers have opportunities to revisit program structures and capitalize on favorable conditions:

Property rates continue to decline in many areas, supported by abundant capacity, strong underwriting results, and limited catastrophe losses in 2025.

Workers' compensation remains highly profitable, and buyers continue to benefit from strong competition.

For public companies, the D&O market is stabilizing, with most programs renewing flat after several years of rate reductions. Private companies can expect a slightly more challenging D&O dynamic, with certain classes seeing material premium and retention increases.

EPL capacity remains ample and competition continues to drive favorable results for most buyers, although signs of firming are emerging.

Fidelity/crime and fiduciary liability rates are generally stable, backed by sufficient market capacity.

Cyber pricing remains favorable for many buyers, particularly those with strong controls and mature cyber risk management protocols.

Liability remains the exception. While capacity is available, claim severity continues to rise. Buyers should expect continued scrutiny of risk management controls, careful management of capacity, and ongoing rate pressure.

Signs of change are also emerging even in more buyer-friendly lines. Property margins are compressing, and carriers remain concerned about catastrophe exposures. Medical inflation is beginning to weigh on workers' compensation carriers, who are growing concerned about rate adequacy. D&O insurers are showing greater discipline after years of rate decreases, with the impact felt in public and large private placements. Cyber insurers are becoming more selective, differentiating pricing based on controls, privacy exposures, and incident history.

In short, while buyers are benefiting from improved conditions across much of the market, the window for potential additional relief may narrow if underlying conditions or loss trends apply pressure to carrier returns.

OPPORTUNE TIME FOR BUYERS

After several years of simply reacting to market outcomes, this may present opportunities for buyers to position themselves ahead of the next cycle by strengthening program design, diversifying capacity, and preparing for unexpected volatility.



Marine insurance market in focus

Recent events in the Middle East have prompted marine insurers to reassess their exposure, resulting in the issuance of notices of cancellation (NOCs) for war-related risks for cargo, hull and machinery, and protection and indemnity (P&I) policyholders.

Initial cancellations have focused on marine insurance buyers with ongoing exposures in the Persian Gulf, where pre-agreed policy provisions apply. Insurers have formally expanded high-risk areas identified by the Lloyd's Market Association Joint War Committee; more information can be found in a circular and interactive map produced by the committee.

P&I clubs have already issued general cancellations for non-mutual war risks relating to Iran and the Persian Gulf. While coverage has been reinstated for vessels and assets based permanently in the Persian Gulf, much uncertainty still surrounds vessels preparing to make a transit of the Strait of Hormuz. Much of the market is still prepared to quote for this high-risk voyage, but to date, the number of vessels prepared to undertake the journey is very small, and the logjam both inside and outside the strait continues.

Quoted rates are adjustable by the day. As would be expected, rates are currently many multiples of those charged prior to the conflict. However, capacity for each voyage is available in the commercial market.

In the U.S. cargo insurance market, a number of insurers have issued NOCs in respect of war and strikes, riots, and civil commotion (SRCC) coverage; in certain instances, NOCs are being issued on a portfolio-wide basis. Where such coverage is subsequently reinstated, it is generally subject to materially revised terms, including additional exclusions and limitations applicable to cargo exposures within insurer-designated conflict zones.

Individual insurers' designations of high-risk territories often align with guidance from the Joint War Committee.

Some insurers are applying cancellation on a more targeted basis, issuing war and SRCC NOCs only in respect of policyholders with known, anticipated, or declared exposures in active conflict regions. War coverage under cargo or stock throughput programs is not automatically included and is instead provided through separate companion policies, which are subject to clearly defined limitations as to scope of cover, duration, and geographic applicability. SRCC coverage, where endorsed, remains subject to comparable cancellation provisions and is further conditioned upon defined transit parameters and contractual attachment terms.

Seeking to alleviate traffic logjams in the Strait of Hormuz, the U.S. International Development Finance Corporation (DFC) has announced a maritime reinsurance program that would cover up to \$20 billion in losses on vessels passing through the strait. This, however, is not enough to insure anywhere near the full value of maritime trade through the strait. The core issue remains: Shipowners do not want to expose vessels and crew to the obvious dangers of sailing through an incredibly dangerous waterway.

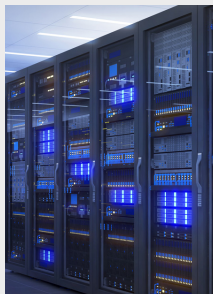
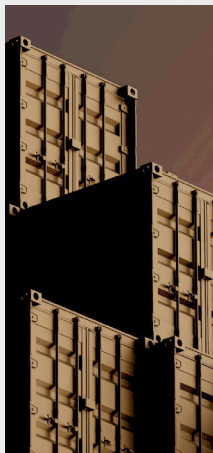
Despite reported reductions in market appetite — particularly for Persian Gulf exposures — capacity remains available. Lockton has secured continued commitment from its war carriers, with market-leading facilities fully accessible. These include cargo war limits of up to \$285 million per shipment, alongside substantial capacity for hull, P&I, and charterers' war coverage.

Lockton will continue to monitor developments and keep our clients informed of any changes in marine market conditions and sentiment.

Reinsurance remains a boost

The primary market continues to be buoyed by a healthy reinsurance marketplace.

Softening in the reinsurance market is certainly a welcome development for primary carriers. However, with treaty renewals becoming more favorable, some carriers may feel emboldened to push pricing down further. This could undermine the margin protection reinsurance is intended to provide.



PROPERTY | The property reinsurance market continues to soften, fueled by ample capital, strong reinsurer earnings, and few catastrophe losses in 2025. At Jan. 1, 2026, treaty renewals, buyers secured notable rate reductions and broader terms as reinsurers aimed to preserve positions on core programs. Risk-adjusted pricing decreased meaningfully, with loss-free catastrophe programs often achieving double-digit cuts, some exceeding 20%. Per-risk excess of loss treaties generally declined 5% to 15%. Competition is intense, contributing to improved ceding commissions on proportional placements.

Reinsurers continue to monitor rapidly growing data center exposures, geopolitical volatility affecting non-natural catastrophe covers, and secondary perils such as severe convective storms, winter weather, and wildfire. Attachment points remain firm but can be negotiated for preferred partners. Absent major catastrophe activity, favorable conditions for buyers are expected to continue through 2026, enabling further pricing and structural optimization.

CASUALTY | Capacity is steady, though reinsurers are cautious amid concerns over reserve adequacy, social and economic inflation, third-party litigation funding (TPLF), and emerging casualty catastrophe exposures. Jan. 1 renewals were stable, supported by improved primary rates, higher interest income, and multiyear reunderwriting. Market dynamics are shifting as alternative capital sources emerge and some cedants retain more risk, reducing demand. Reinsurers differentiate cedants based on profitability, claims philosophy, and data quality. Reinsurers with legacy exposures remain selective, while newer or more disciplined reinsurers are pursuing growth.

CYBER | Cyber reinsurance remains robust, with new entrants and expanding retrocession driving competition. Ample capacity supports program restructuring, increased non-proportional buying, and continued rate improvements. Reinsurers are closely tracking evolving litigation and middle-market loss patterns. Barring a systemic cyber event, favorable conditions are expected through 2026.

Abundant capital, increased fragmentation

Industry capital remains historically strong, with U.S. P&C policyholder surplus over \$1 trillion. Strong earnings, improved underwriting results, and elevated investment income have strengthened balance sheets across the industry.

However, that capital is increasingly fragmented across a wider range of distribution channels and underwriting platforms. Managing general agents (MGAs) and managing general underwriters (MGUs) now control a growing share of underwriting authority.

The U.S. surplus lines market, meanwhile, has expanded rapidly, doubling in size in just the last decade and offering flexibility and product innovation that have made it a permanent and increasingly important part of the placement landscape. Alternative capital, including pension funds and institutional investors participating through insurance-linked securities and sidecars, has also become an established risk capital option.

At the same time, broker panels and facilities are gaining traction as tools to organize capacity. When structured effectively, they can aggregate volume, streamline placements, and create more predictable outcomes for both insurers and buyers.

The result is not simply more capital, but capital with different targets, incentives, time horizons, and underwriting philosophies. More competition is generally good for buyers, but they must also recognize that nontraditional capital can also be sensitive to market cycles. Appetite can and will change quickly if loss experience deteriorates or capital markets shift.

Fragmentation is also spurring renewed M&A activity. With organic premium growth moderating and returns facing greater scrutiny, many insurers are pursuing scale, diversification, and expense efficiency through strategic deals.

For buyers and insurers alike, the implication is straightforward: Capital is not scarce, but it is more dispersed, more targeted, and less uniform in its behavior. The critical question is no longer how much capacity exists, but where it sits, what motivates it, and how reliably it will perform through market cycles. The key is finding capacity where it is needed and ensuring that capital providers backing it are stable, committed, and capable of paying claims when they arise.

Social inflation challenges persist

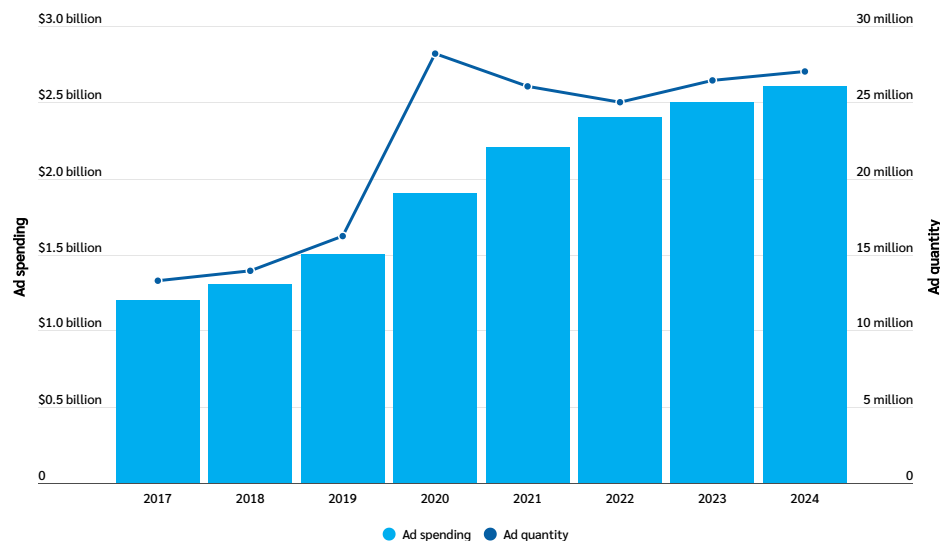
Carriers are increasingly focused on tail risk and whether pricing today will still look adequate five to 10 years from now. Insurers remain concerned about a well-organized plaintiffs' bar, supported in part by TPLF, which is contributing to a sharp rise in frequency, defense costs, and jury awards.

AMONG INSURERS' KEY CONCERNS ARE:

Normalization of large jury awards. Industry experts believe juries have become increasingly desensitized to multimillion-dollar verdicts, a dynamic that may be reinforced by aggressive legal advertising. In 2024, the most recent year for which data is available, legal services providers spent an estimated \$2.5 billion on 26.9 million advertisements, according to the American Tort Reform Association (ATRA). (See Figure 10.) Spending in 2024 was **up 39% from 2020 and more than double the amount spent in 2018**. Advertisements frequently highlight increasingly large settlements and verdicts — including “nuclear” verdicts of \$10 million or more and “thermonuclear” verdicts of \$100 million or more — which reinforces expectations among jurors and fuels a vicious cycle of rising awards.

Plaintiff-friendly jurisdictions. Los Angeles and New York top the ATRA's latest ranking of “judicial hellholes.” Courts in these and other jurisdictions on the ATRA's list are increasingly entertaining novel or innovative theories of liability and allowing evidence rooted in “junk science” and lacking rigorous peer review or consensus. Perhaps unsurprisingly, juries in these and other jurisdictions on the list frequently return nuclear verdicts for plaintiffs.

Figure 10: Spending on legal advertising continues to steadily increase.



Source: American Tort Reform Association

States are slowly enacting tort reforms that carriers hope will help to rein in the plaintiffs' bar. In April 2025, Georgia Governor Brian Kemp signed into law SB 68 and 69, which together represent comprehensive tort reform. SB 68 limits negligent security claims, requires accurate damages, allows for bifurcated trials, and reduces litigation costs. SB 69 increases transparency in TPLF and limits the amount of control funders can exert in litigation.

In May 2025, South Carolina Governor Henry McMaster signed H. 3430, which overhauls joint and several liability in the state, limiting liability for defendants found to be less than 50% at fault to their proportionate share of damages. The bill also permits juries to consider the fault of parties not formally named as defendants, including those that may have previously settled.

Also in May, Louisiana Governor Jeff Landry signed HB 431, which bars plaintiffs from recovery in litigation related to auto collisions and crashes if they are 51% or more at fault. In June, Governor Landry signed SB 231, which limits recoverable medical expenses in personal injury suits to amounts paid by insurance or Medicare rather than higher billed amounts.

Elsewhere, core tort reform measures proposed in Alabama, New York, and Texas failed to pass the legislature. However, lawmakers in these and other states are expected to consider fresh proposals in 2026 and beyond.

Discipline becoming essential

“AM Best’s outlook for the US commercial lines segment is Stable, reflecting strong underwriting and operating performance, sustained pricing adequacy, improved investment returns, and generally adequate reserves,” the rating agency said in a Feb. 23 report. “Although casualty lines continue to face adverse development and elevated claims severity, the segment overall remains profitable, well-capitalized, and resilient to economic and capital market volatility. A stable reinsurance market, disciplined underwriting, and expanding capacity further reinforce the outlook.”

For carriers, the pressure is on to maximize returns on equity. Carriers will likely seek to achieve this through sharper underwriting discipline.

If the industry can no longer rely on elevated investment income or inflation-driven exposure growth to support results, greater emphasis

must be placed on risk selection, disciplined pricing, and careful capacity deployment. Carriers must be far more intentional about limits and the risks they choose to write.

This discipline is especially critical in long-tail liability lines, where both economic and social inflation create uncertainty around how losses may develop. Carriers must price today for losses that may not fully materialize for five to 10 years, even as jury attitudes, regulatory divergence, and litigation trends introduce additional unpredictability.

The result is a P&C market with less room for error. Selectivity and underwriting discipline have already been hallmarks of the past several years, but heightened uncertainty around the economy, interest rates, technology, and long-tail liabilities will require carriers to be even more deliberate in how they price risk and deploy capacity.

Market insights & more from Lockton

Explore more market updates and related thought leadership from our risk, people, and industry specialists:

CONSTRUCTION & DESIGN MARKET UPDATE: Project risk & profitability in focus

REAL ESTATE & HOSPITALITY MARKET UPDATE: Insurance market improving, but challenges remain

PEOPLE SOLUTIONS MARKET UPDATE: Cost pains take hold across the healthcare market

FINANCIAL INSTITUTIONS MARKET UPDATE: Differentiation driving outcomes in stabilizing market

TRANSACTION LIABILITY MARKET UPDATE: The Americas, 2025

HIGH-COST CLAIMANT 2025 REPORT: Where health claims are accelerating for employer plans

HEALTHCARE MARKET UPDATE: Financial pressures, talent strains, & evolving threats

PROFESSIONAL & EXECUTIVE RISK: Managing professional & executive risk in an era of deregulation

AI’S RISING IMPACT: From insight to action: AI’s rising impact on commercial insurance

Managing uncertainty & risk across borders

For multinational businesses, a key challenge is the ability to react to potentially sudden shifts in conditions in countries around the world in which these companies operate. Events during the first three months of 2026 — including in the Middle East and Latin America — highlight the need for multinational companies to be ready for potential crises in the countries in which they operate.

Military, political, and economic conflicts along with shifting alliances are leading to greater uncertainty for organizations operating across borders, with implications for assets, operations, and people. War, civil unrest, political violence, and expropriation are among the risks that can threaten employees and their families along with key business functions and finances.

Although every crisis event is unique, organizations can take action before and during crises to mitigate potential impacts.

Communicating with & safeguarding employees

Immediate activation of crisis management and incident response plans is essential to preventing or limiting injuries, operational disruptions, and additional costs. A key area of focus for these plans should be ensuring the safety and wellbeing of employees and maintaining lines of communication with them.

When a crisis arises, understanding whom you have in affected areas and confirming their wellbeing is an important first step. Knowing their locations and circumstances and any support they may require will help you respond appropriately.

Some organizations may be able to maintain databases with information that may be relevant when a crisis arises — for example, employee locations and travel plans in real time, citizenship and passport information, and personal email addresses and mobile numbers.

Depending on the nature of a particular event, employers may wish to encourage their employees in affected regions to:

Work remotely, if possible.

Regularly check in with managers and via any company-provided security or check-in applications.

Avoid large public gatherings.

Follow guidance issued by local authorities.

Organizations should also consider postponing nonessential travel, including flights to or transiting via affected regions.

Regular communication between employees and employers is vital and should go in both directions: Employers can share with staff critical updates — including about potential travel restrictions and evacuation options — while also learning from employees about material changes in conditions that could inform response actions. It is important to note, however, that communication may be hindered during crisis events as a result of both technological challenges and government action.

Additional preparedness priorities

In addition to considering the needs of employees, crisis management and incident response plans should clearly define:

TEAM ROLES & RESPONSIBILITIES.

Identify who participates in an event response, ensuring all essential functions are represented. Clarify each member's duties to ensure efficiency and coordination.

PRE-VETTED THIRD-PARTY RESOURCES.

Organizations should line up critical vendors — for example, global security and intelligence advisors — before a crisis. A number of insurance policies may reimburse policyholders for use of these services in a crisis event or allow for their engagement before an event.

CRITICAL DEPENDENCIES & VULNERABILITIES.

Identify single points of failure across supply chains, operations, and facilities. Determine backup suppliers, manual alternatives, and redundancy strategies if key locations or systems go down.

Plans should be reviewed regularly — at least annually — and updated after major business changes such as acquisitions, product launches, or facility closures.

Similarly, organizations should establish claims plans before any incident occurs, outlining clear responsibilities for internal teams and external partners. Essential documents — such as insurance policies, key insurer contacts, and financial or property records — should be stored in both hard-copy and digital formats and backed up in multiple locations to ensure quick, reliable access when needed.

Evolving insurance needs

In a crisis, it is vital that organizations understand what policies exist locally, what coverages are in force, and where potential gaps remain. Following a crisis event, companies should also revisit their approach to global risk management and insurance purchasing, including

reconsidering coverages they have elected not to purchase in the past.

Depending on the nature of a particular event, several forms of insurance could be relevant, including but not limited to the following:

Business travel accident insurance

Provides coverage for expenses related to employee medical emergencies while traveling.

Foreign voluntary workers' compensation insurance

Can extend workers' compensation benefits to cover injuries occurring outside the United States.

Kidnap and ransom (K&R)/ special crime insurance

Can provide coverage for the cost of security and crisis consultants who can advise when employees are in danger.

Political risk insurance

Can protect organizations from risks related to political violence, government expropriation, confiscation or nationalization of assets and investments, currency inconvertibility, and sovereign credit risks.

Stand-alone coverage

For political violence and strikes, riots, and civil commotion.

Trade credit insurance

Can protect companies from nonpayment risks related to corporate insolvencies and political events.

Marine insurance

Includes cargo and protection and indemnity coverage, which can protect against a variety of risks to vessels, ports, and cargo in transit and in storage.

Cyber insurance

Can protect businesses from financial losses due to cyberattacks and technology-related disruptions, including those that may be politically motivated.

It is important to note that certain types of events, such as war, could prompt insurers to seek to restrict or issue notices of cancellation for some or all coverage available under these and other relevant policies. Multinational organizations should stay in close contact with their insurance brokers to understand specific policy language, how insurers are responding to specific events, and any additional solutions that may be available to them.

Multinational businesses that have purchased K&R/ special crime, foreign voluntary workers' compensation, political/security evacuation, and/or business travel accident policies should call the 24-hour emergency phone numbers listed on their policies as needed. This can allow organizations to open dialogue with relevant response consultants, who can provide advice and assistance, including regarding evacuation of employees in potential danger.

Opening cases — if necessary, depending on how an organization and employees have been impacted — can help to trigger emergency evacuation coverage and will ensure businesses receive the most up-to-date intelligence for at-risk regions where employees may be located.

Organizations without emergency evacuation coverage in their policies may still be able to contact emergency evacuation service providers for advice and assistance. However, this may carry additional costs.

International (expatriate) medical plans and business travel medical plans written by life and health insurers generally do not provide coverage for political evacuation. However, they may allow policyholders to secure additional support from security, evacuation, and assistance service partners.

When a loss occurs, organizations should immediately begin collecting the information needed to file a claim. This includes documenting the extent of any damage as well as any business interruption impacts and additional costs incurred — for example, to repair properties. Companies should capture clear photo or video evidence of any damage and maintain consistent communication among employees, insurance carriers, and claims advisors to meet policy requirements.

Choosing the right risk management partners

Multinationals must choose insurers and brokers carefully. In evaluating insurers, organizations should balance price with capability, prioritizing those that offer global reach, strong local networks, and proven track records of handling international claims across a variety of jurisdictions.

Similarly, businesses should seek brokers that:



Function as a single, global team, providing access to global resources where and when needed.



Employ true multinational specialists capable of delivering strategic insight and technical execution.



Understand how rapidly global markets can evolve and have the resources necessary to provide proactive counsel and advice.



Consider how foreign currency and tax issues may impact limits adequacy and money movements.

4 themes for multinationals to watch

In addition to preparing for and responding to sudden shifts in conditions, several overarching developments continue to impact multinational organizations. Four trends must be top of mind for risk professionals and senior executives.

01

China's expanding global role.

China is playing an increasingly pivotal role in reshaping global trade and geopolitical dynamics. As major economies reassess trade relationships and supply chains, China is simultaneously strengthening its own economic partnerships globally. In response, many multinational companies are adopting a "China-plus" approach, exploring relationships with other countries — while maintaining their existing footprints in China — to help reduce dependency on China and better manage regulatory, technological, and supply chain exposures.

02

India's growing strategic influence.

India is similarly emerging as a significant geopolitical and economic force, actively negotiating new trade agreements across industries beyond technology, including textiles, chemicals, and oil and gas. As India's role expands, multinational companies may face shifts in supply chains, regulatory expectations, and market access that require adjustments to operational and risk management strategies.

03

Heightened workforce mobility risks.

Geopolitical instability — including recent events in Ukraine, the Middle East, Latin America, and elsewhere — is raising questions about how quickly employees can be relocated during crises. As a result, multinational companies are placing greater emphasis on workforce visibility, travel risk monitoring, and crisis response planning.

04

Escalating cyber & digital risks.

Cyber threats are increasingly being driven by criminal networks and state-linked actors rather than individuals. Digital asset companies in particular are seeing a rise in security incidents tied to cryptocurrency theft, highlighting the growing intersection of cyber and physical security.

Quiet 2025 fuels competitive 2026 market

Expected rate changes next quarter**

15% to 10% decrease

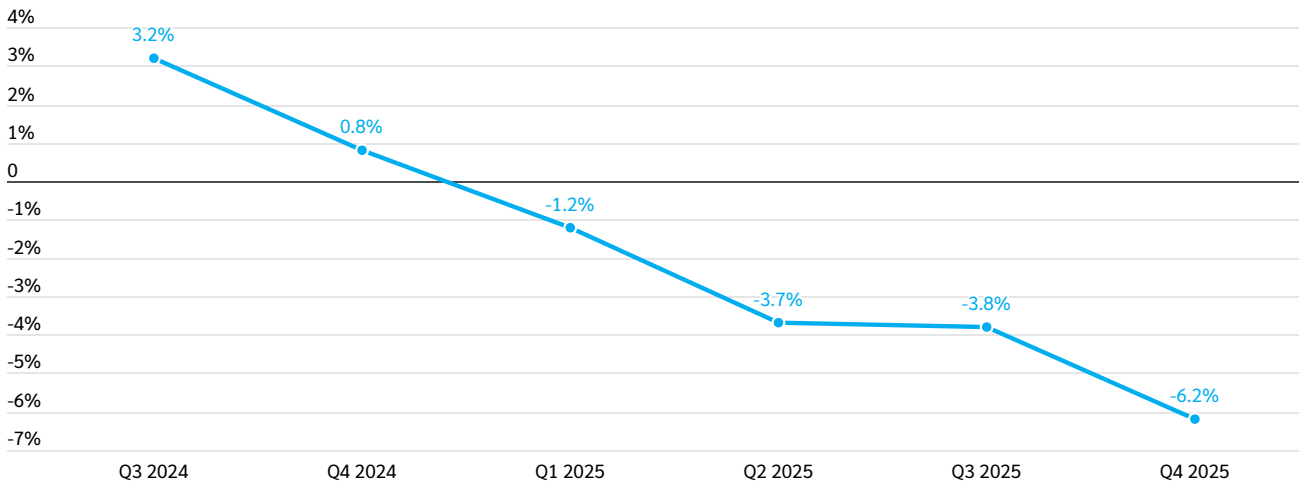
Shared and layered programs

10% to 5% decrease

Single-carrier programs

Property capacity remains ample, with carriers actively pursuing growth and reinsurance costs continuing to ease, creating favorable conditions for buyers. This is reflected not only in pricing improvements but in opportunities for improved terms and conditions and deductibles. In the fourth quarter of 2025, median property insurance rates fell 6.2%, according to Lockton data. (See Figure 11.)

Figure 11: Property rate reductions are accelerating.



Source: Lockton P&C Edge Benchmarking Report
Median rate changes year over year shown.

**Note: Rate ranges presented here reflect expected renewal outcomes — as of the *Lockton Market Update* publication date — over the next quarter for most insurance buyers. These should not be taken as a guarantee of any specific results during renewal negotiations. Depending on risk profiles, loss histories, account specifics, and other factors, individual buyers may renew their programs outside these ranges.

In many respects, property market conditions entering 2026 closely resemble those seen through much of last year. Insurers reported strong underwriting results in 2025, which reinforced appetite for property risks and encouraged additional capacity to the entire market, including from MGAs and the excess and surplus sector. Compared with casualty lines, which face long-tail uncertainty and social inflation pressures, property continues to be viewed by many insurers as an attractive class of business.

Rates are down from recent highs but still generally considered adequate by insurers. For the first time since 2015, no hurricane made landfall in the U.S. in 2025; this, combined with strong underwriting results, may be masking the inherent potential for catastrophe volatility, but softening reinsurance pricing provides some additional room for carriers to compete.

Jan. 1, 2026, treaty renewals delivered double-digit rate relief for many primary carriers, helping support continued competition. The largest reductions remain available to buyers of shared and layered programs, where competition is the strongest. Layered deals allow insurers to limit catastrophe aggregation, encouraging broader participation and competition. Beyond layered programs, we also expect healthy competition in the single-carrier space in 2026 as insurers pursue growth and defend market share.

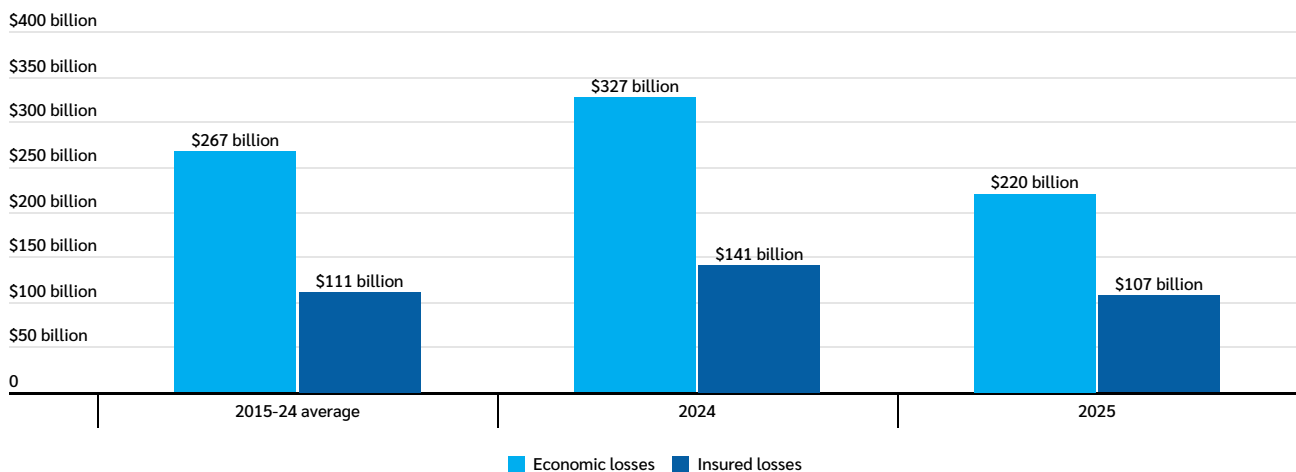
Although market conditions remain favorable for buyers, risk quality continues to play a key role in achieving the best outcomes. Insurers are not scrutinizing valuations as intensely as they did prior to 2025, but accuracy remains a factor in underwriting decisions. Certain occupancies also continue to face greater scrutiny, including food and beverage operations and wood frame construction. High-quality

exposure data and sophisticated catastrophe modeling are increasingly helping well-prepared buyers differentiate themselves in the underwriting process.

Insurers remain cautious about supply chain exposures, for which accumulation risk and limited underwriting information create uncertainty. Carriers are generally reluctant to offer broad coverage for physical damage resulting from cyber events.

The California wildfires — which produced a record \$40 billion in insured losses in 2025, according to the Swiss Re Institute — were a stark reminder that a favorable rate environment does not always reflect a favorable loss landscape. Despite the lack of major U.S. hurricane losses in 2025, global insured catastrophe losses from natural catastrophes still topped \$100 billion for the sixth consecutive year. (See Figure 12.)

Figure 12: Insured natural catastrophe losses totaled \$107 billion in 2025.



Source: Swiss Re Institute

Many of these losses, particularly in the U.S., were driven by wildfires, severe convective storms, and hail. These have often been referred to as “secondary” perils, but 2025 demonstrated that they no longer deserve that label.

As a result, insurers continue to manage catastrophe exposures carefully, with particular attention given to wildfire risks. Most insurers are also seeking higher deductibles for properties with greater exposure to severe convective storms or hail.

Recommendations

- Look to differentiate risk from the masses. Continued progress toward and investment in risk improvements, demonstrations of strong business continuity and hazard mitigation plans, and attention to complete and accurate statements of values can ensure submissions are prioritized in a competitive marketplace.
- Work with brokers to identify renewal priorities. Determine what’s most important — whether it is price reductions, expanded coverage, or lower deductibles — and approach the market with clear direction and in a timely manner.
- Deliver a clear message to underwriters. Highlight any lessons learned from recent losses and improve standing by showing confidence to underwriters.

Insurers balancing discipline against competition

Expected rate changes next quarter**

2% decrease to flat

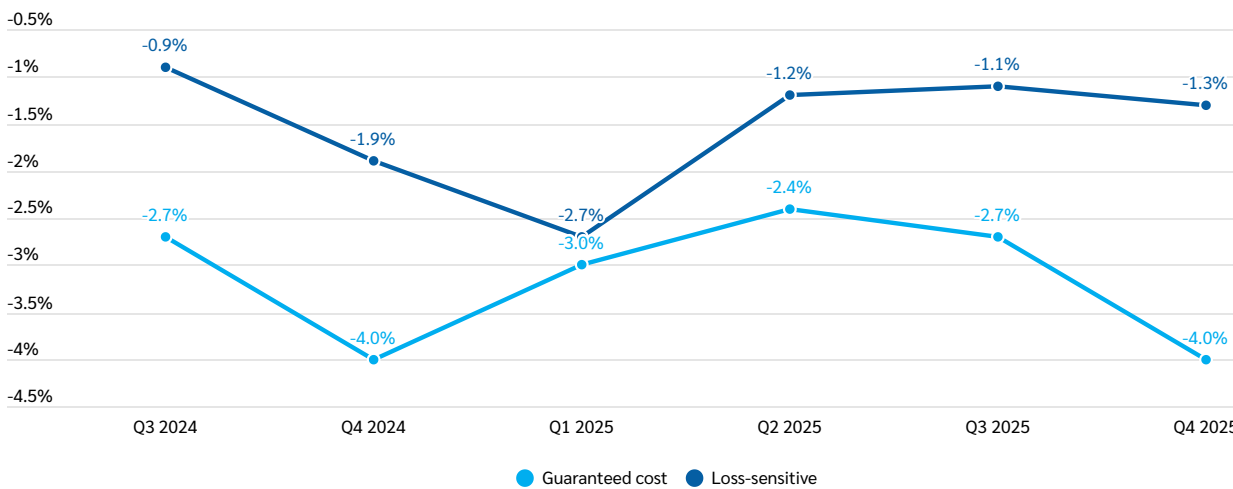
Guaranteed cost workers' compensation

3% decrease to flat

Loss-sensitive workers' compensation

The workers' compensation market remains the most consistently profitable segment of the casualty sector, characterized by abundant capacity, sustained competition, and results that continue to attract carriers. Median rates for guaranteed cost workers' compensation fell 4.0% in the fourth quarter, according to Lockton data. (See Figure 13.) Median rates for loss-sensitive programs fell 1.3%.

Figure 13: Rates for workers' compensation insurance remain highly competitive.



Source: Lockton P&C Edge Benchmarking Report
Median rate changes year over year shown.

**Note: Rate ranges presented here reflect expected renewal outcomes — as of the *Lockton Market Update* publication date — over the next quarter for most insurance buyers. These should not be taken as a guarantee of any specific results during renewal negotiations. Depending on risk profiles, loss histories, account specifics, and other factors, individual buyers may renew their programs outside these ranges.

The line has posted sub-100 combined ratios for several consecutive years, outperforming virtually every other commercial line. Carriers are aggressively defending their books and actively quoting new business, and pricing for most buyers remains flat to slightly down as a result.

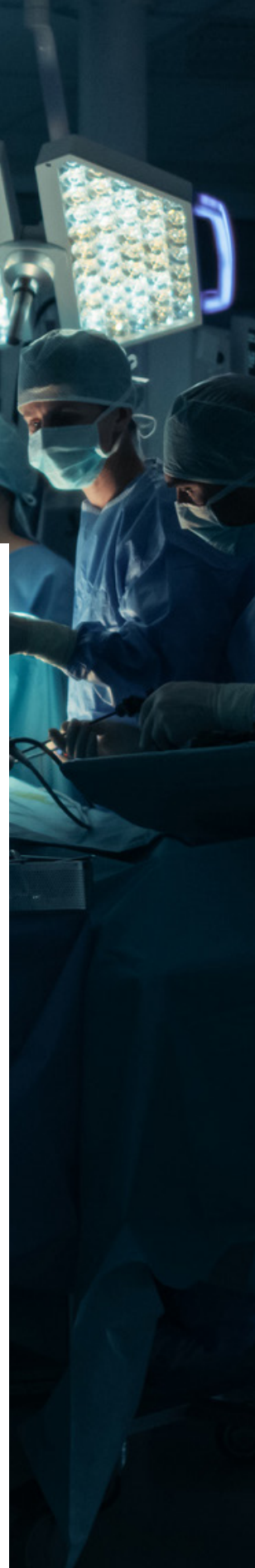
That competitive posture, however, is partially supported by workers' compensation reserve redundancies that have built up over years of favorable loss development. This has been a meaningful buffer and contributor to industry profitability, but it will not continue indefinitely. As redundancies are drawn down, the underlying economics of the workers' compensation line will come into sharper focus.

Rate reductions are already beginning to level off as carriers confront the continuing impact of medical inflation and wage growth on loss costs. While claims frequency continues its decades-long decline due to positive safety, automation, ergonomics, and workforce trends, claims severity is moving in the opposite direction. Medical costs for complex "mega-claims" are rising, and wage inflation is pushing indemnity costs higher. The line remains profitable for underwriters, but margins are narrowing.

Meanwhile, several converging trends are reshaping the landscape in ways that could ultimately have an impact on pricing. For example, states are rapidly expanding workers' compensation coverage for mental health conditions, especially post-traumatic stress disorder. Several laws have been passed or proposed to extend presumptions beyond first responders to broader employee groups.

At the same time, states are strengthening or proposing cancer presumptions, primarily for firefighters but increasingly for other high-risk professions. Together, these trends are widening eligibility, lengthening claim durations, and adding complexity to this line of coverage.

At the federal level, the Occupational Safety and Health Administration's national emphasis programs, including those regarding heat-related illnesses and warehouse ergonomics, are generating more rigorous reporting requirements. Greater documentation creates a more visible paper trail and increases the likelihood that workers will file claims that might have otherwise gone unreported.



Underwriters are also applying greater scrutiny to:

- Employers with significant tail risk or evolving labor models, such as those in construction and heavy manufacturing. In these and other industries, we are seeing a shift away from traditional full-time employee models; companies are instead increasingly relying on contractors and/or temporary staffing, bringing greater scrutiny from carriers looking to better understand payroll and classification.
- Healthcare and social services organizations amid the rise of mental health claims.
- Technology firms as insurers focus on exposure associated with employees who work remotely in high-benefit states that were never contemplated in the underwriting process.

Construction and manufacturing employers are also seeing firmer pricing due to the high cost of medical care for traumatic injuries and growing litigation risks.

Recommendations

- Leverage workers' compensation profitability across your program. The strong results carriers are generating on workers' compensation give buyers real negotiating leverage. Push for more favorable terms on more challenging lines, including umbrella and excess liability, by positioning workers' compensation as part of a broader account relationship.
- Invest in return-to-work and claims management infrastructure. With severity trending upward and mental health claims growing in complexity and duration, proactive claims management has never mattered more. Buyers with structured return-to-work programs, nurse case management, and demonstrated commitment to early intervention present a materially different risk profile to underwriters and can expect pricing to reflect it.

Abundant capacity offset by unyielding severity

Expected rate changes next quarter**

5% to 10% increase

General liability

8% to 18% increase

Lead umbrella

10% to 15% increase

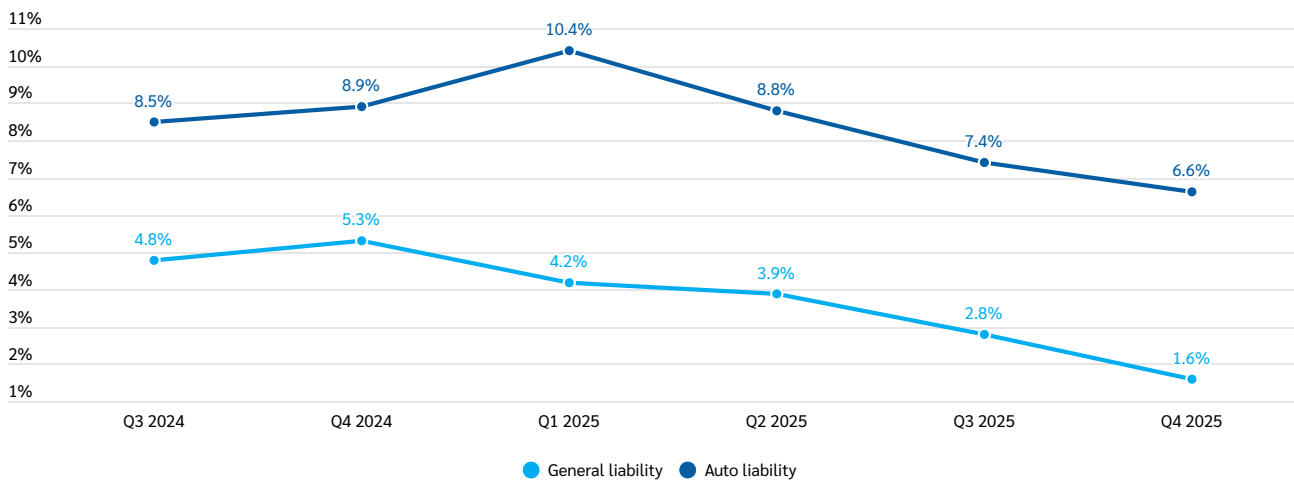
Auto liability

7% to 17% increase

Excess casualty

Although we are seeing abundant capacity in many areas, the liability market remains bifurcated by line, exposure, and risk quality. In the fourth quarter, rates rose 1.6% for general liability (GL) and 6.6% for auto liability, on average, according to data from the Council of Insurance Agents & Brokers (CIAB).*** (See Figure 14.)

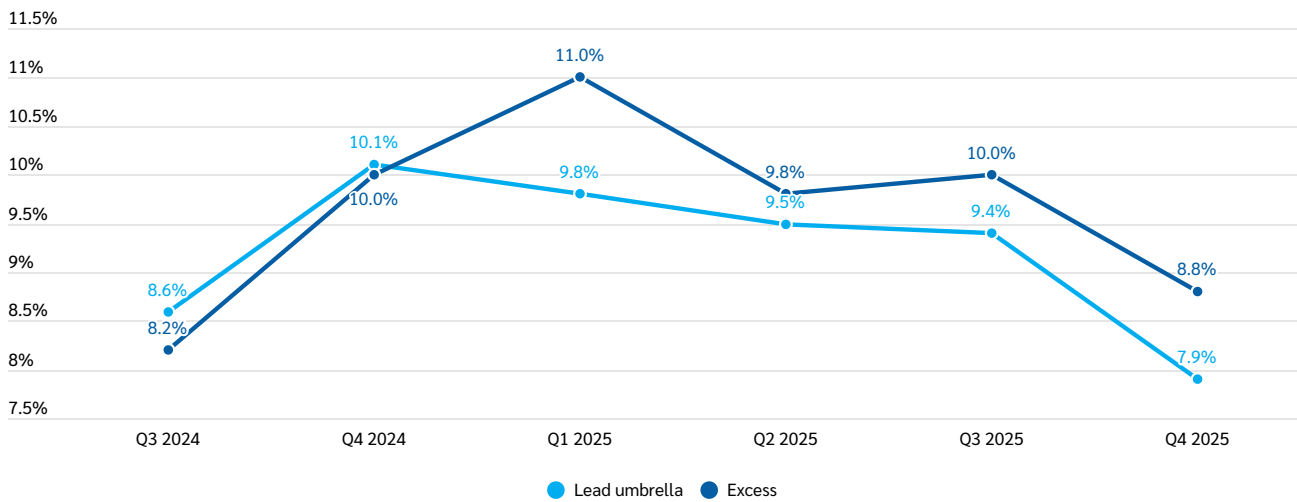
Figure 14: General liability and auto liability rate increases moderated in the fourth quarter.



Source: Council of Insurance Agents & Brokers
Average rate changes year over year shown.

Median lead umbrella price per million rose 7.9% in the fourth quarter, according to Lockton data, while median excess casualty price per million rose 8.8%. (See Figure 15.)

Figure 15: Rates for umbrella and excess liability continue to climb.



Source: Lockton P&C Edge Benchmarking Report

Median rate changes year over year shown; figures shown on a PPM basis and do not reflect true, exposure-adjusted rate changes.

**Note: Rate ranges presented here reflect expected renewal outcomes — as of the *Lockton Market Update* publication date — over the next quarter for most insurance buyers. These should not be taken as a guarantee of any specific results during renewal negotiations. Depending on risk profiles, loss histories, account specifics, and other factors, individual buyers may renew their programs outside these ranges.

***Charts in this report using Lockton P&C Edge Benchmarking data show median rate changes year over year. Median figures, however, are not available for Figure 14, which uses data from CIAB.

Pricing increases are moderating; although conditions vary based on line and industry, some buyers are even seeing flat primary renewals:

- **GL buyers** are generally renewing flat to up 5%, with high-quality risks achieving flat renewals, while those with heavy U.S. exposure or adverse loss histories continue to see single-digit rate increases.
- **Commercial auto buyers** are generally renewing up 8% to 15%, making auto the most persistently challenged line in the casualty sector. Despite years of sustained rate increases, combined ratios remain elevated as rising repair costs, increased litigation activity, and nuclear verdict exposure continue to drive losses.
- **Umbrella and excess buyers** are generally renewing up 5% to 10%. The era of hard market corrections is behind us — for now — but carriers continue to push for rate on top of exposure changes as they seek to stay ahead of social inflation trends.

It's important to note that the above estimates do not tell the full story. Carriers continue to push attachment points higher, particularly over auto, as they seek to limit exposure to the layers where nuclear verdicts are most likely to penetrate. Building and designing large casualty towers is possible, but achieving optimal results may take buyers more time and require lengthier negotiations with individual carriers.

Capacity is abundant, but insurers are deploying capital in a more disciplined and targeted fashion. Global reinsurance capital reached record highs entering 2026, driven by strong investment returns and a benign hurricane season. The market is also seeing an increase in nontraditional capital from hedge funds and pension funds; the majority of this capital, however, is flowing into property and short-tail lines where the loss environment is more predictable.

New capacity is also entering the casualty market via sidecar structures and Bermuda-based insurers looking to diversify away from property volatility. Most carriers, however, remain wary of U.S. liability long-tail development. Buyers should not confuse the availability of capacity with a willingness by carriers to absorb adverse development at current rates.

Underwriters are increasingly focused on correlated loss accumulation across a single account. A large auto verdict, a GL bodily injury claim, and an umbrella exhaustion can all arise from the same event or the same underlying exposure, and carriers managing portfolio aggregation are pricing that correlation into how they deploy capacity. For buyers, this means that how a program is structured matters as much as what it costs.

Insurers are nevertheless competing aggressively for the right new business as exposure growth and retention rates on existing books have stabilized. Carriers are particularly eager to write “clean” GL risks to offset volatility in their auto and excess books. Exceptions remain, however: Transportation and logistics risks, along with healthcare professional liability and habitational real estate, continue to face far more difficult conditions, reflecting loss experience and litigation exposure.

Liability claims severity continues to outpace frequency, and the drivers are structural rather than cyclical. Medical inflation has ticked up since late 2025, increasing the cost of third-party bodily injury claims just as economic inflation was expected to ease. Social inflation remains an ongoing challenge, with nuclear and thermonuclear verdicts a particular concern in auto and product liability.

TPLF has matured, encouraging plaintiffs and their attorneys to pursue novel theories of liability, lengthening claims durations, enabling plaintiffs to reject early settlements, and leveling the playing field against insurers. Carriers writing liability risks must also account for loss development that may not fully emerge for a decade or more, under legal and social conditions that are difficult to model with any degree of confidence.

Areas where underwriters are applying greater scrutiny include:

01

Per- & polyfluoroalkyl substances (PFAS, also known as “forever” chemicals).

Insurers are scanning essentially every manufacturing and retail underwriting submission for PFAS exposures. The fear of a mass tort wave akin to asbestos-related litigation that began in the 1970s is driving carriers to demand granular details about prospective insureds’ supply chains before offering terms. Similarly, reinsurers are increasingly mandating PFAS exclusions at the treaty level, regardless of any direct exposure.

02

Biometrics & digital privacy.

This represents a growing source of class-action exposure as states enact or consider legislation governing biometric data, including fingerprints and faceprints used in facial recognition technologies. Underwriters are increasingly monitoring how companies collect, store, and govern this data.

03

How companies are approaching auto safety.

For fleet operators, risk management controls and auto safety technology alone are no longer sufficient. Underwriters want proof that insureds are actively using telematics and adapting behaviors based on captured data. They also want confirmation that standards are being enforced.

Capacity for sexual misconduct liability (SML) remains tight, driven by concerns about “reviver” laws that have extended statutes of limitations for legal claims across multiple states. Insurers are pushing for lower SML sublimits and higher deductibles.

GL carriers are also increasingly scrutinizing potential liability arising from generative AI, which could evolve into a coverage gap. A stand-alone AI liability market is developing in response, with carriers introducing affirmative coverage on a dedicated basis. That market remains in its infancy; buyers with meaningful AI exposure should not assume their existing GL programs will respond.

Recommendations

- Differentiate through data. In a bifurcated market, buyers must prove they can be considered good risks. Instead of applications, buyers should submit narratives that show underwriters their telematics data, specific PFAS testing results, and internal controls for AI. If left to guess on these and other matters, underwriters will likely guess conservatively.
- Consider alternative risk solutions. Fronting, structured solutions, captives, and more can enable organizations to trade dollar-swapping premium for collateralized risk retention.

Stable conditions persist

Expected rate changes next quarter**

5% decrease to flat

Public directors and officers liability

Flat to 5% increase

Fidelity/crime

Flat to 5% increase

Private/nonprofit directors and officers liability

5% decrease to 5% increase

Fiduciary liability

Flat to 5% increase

Employment practices liability

Stability is the norm in most executive risk lines, but competition is driving more favorable pricing in some market segments. In the fourth quarter, median total program rates:

FELL

3.7%

for public company D&O. (See Figure 16.)

FELL

0.1%

for private company and nonprofit D&O.

WERE

FLAT

for EPL.

WERE

FLAT

for fidelity/crime.

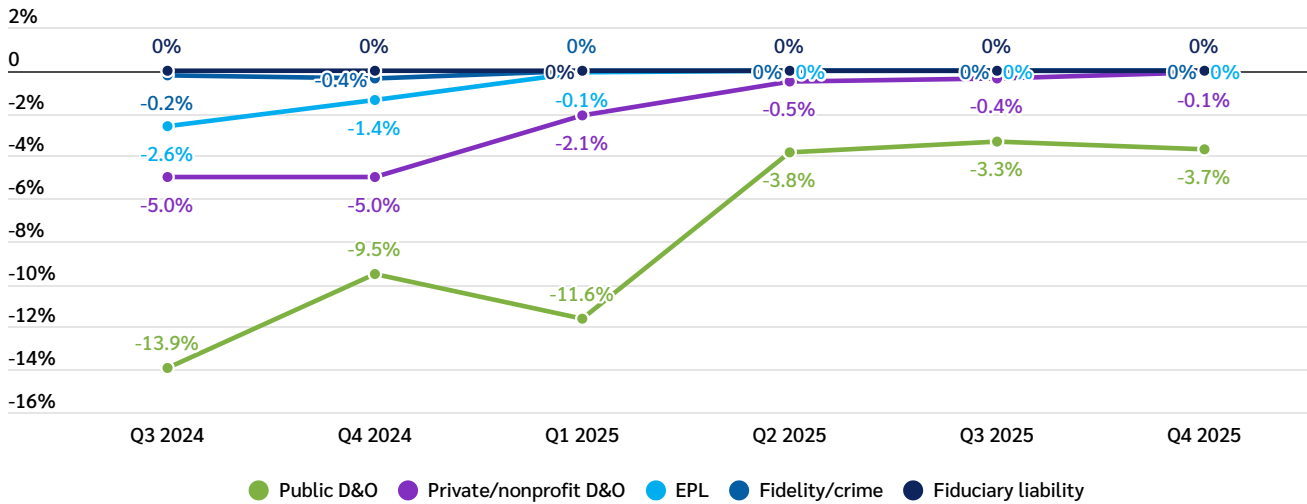
WERE

FLAT

for fiduciary liability.

**Note: Rate ranges presented here reflect expected renewal outcomes — as of the *Lockton Market Update* publication date — over the next quarter for most insurance buyers. These should not be taken as a guarantee of any specific results during renewal negotiations. Depending on risk profiles, loss histories, account specifics, and other factors, individual buyers may renew their programs outside these ranges.

Figure 16: Rates for executive risk lines changed little in the fourth quarter.



Source: Lockton P&C Edge Benchmarking Report
Median total program rate changes year over year shown.

Public D&O flattening continues amid insurer consolidation, macro trends

The public company marketplace for D&O continues to stabilize, with most buyers renewing flat to down slightly. Capacity remains abundant and replacing insurers is achievable up to the top of excess towers, although buyers may need to weigh carrier quality against cost savings.

After several years of significant rate decreases, insurers have begun to push back, attempting to hold rates flat. Carriers are increasingly willing to walk away from accounts if they feel pricing has become too thin, particularly for excess layers.

While capacity remains available, the number of insurers willing to participate at each layer — particularly middle excess layers — continues to decrease up the tower, as pricing at higher

layers has become too thin for some carriers. Carrier exits and consolidation, albeit limited, have led to some reductions in capital in the D&O market.

That said, insurers are competing for insureds with stable risk profiles, average program limits, and favorable claims histories. Broad coverage remains readily available to most insureds. Most carriers are now offering entity investigation coverage, and a growing number of companies are opting to include it in their D&O programs. Insurers are also increasingly offering coverage for underwriters in connection with initial public offerings (IPOs), although uptake on this coverage extension has not been significant to date.

AI has become a primary talking point for D&O insurers. As AI adoption fuels data center growth and has become a key focus for technology companies, insurers are increasingly eager to understand how AI investments, priorities, risks, and competitive advantages and disadvantages are communicated to shareholders across nearly all industries, not just the tech-adjacent. Underwriters are also focusing on cyber risk.

Rather than bringing clarity, the recent U.S. Supreme Court decision rejecting President Trump’s tariff regime adds to related uncertainty. Businesses will continue to face many of the same challenges, with uncertain territory along with the specter of tariff-related corporate and securities litigation.

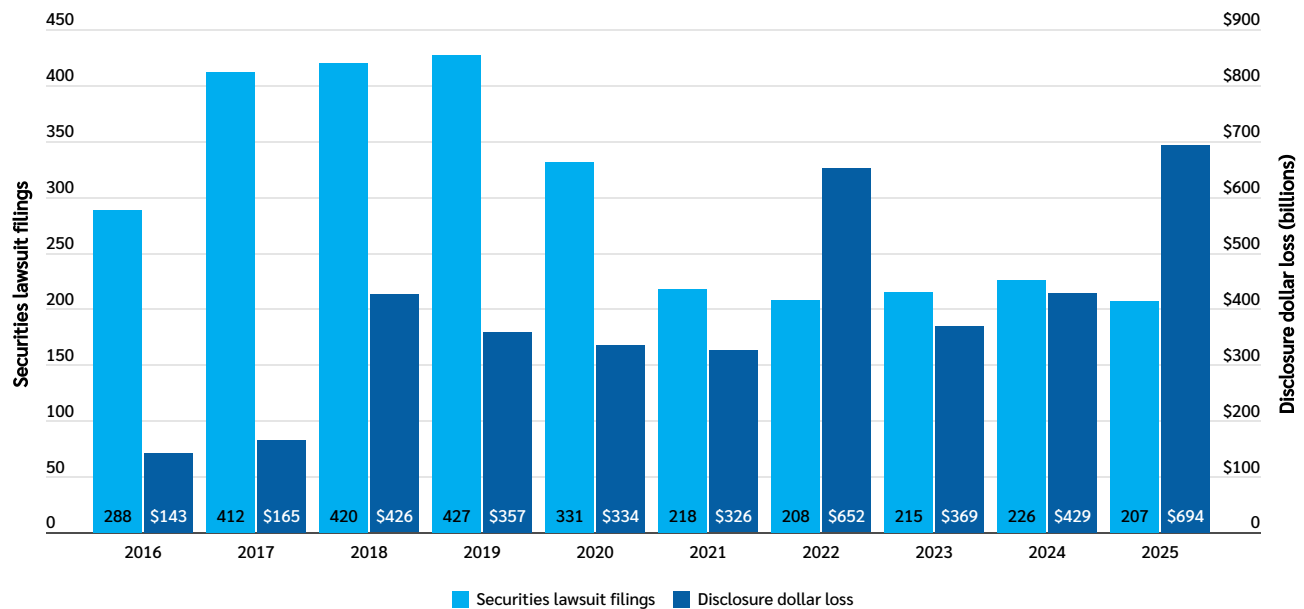
The first year of the second Trump administration has brought significant shifts in regulation. Notably, the government has focused efforts on diversity, equity, and inclusion (DEI). The Securities and Exchange Commission (SEC) also recently altered its stance on mandatory arbitration provisions for companies pursuing IPOs, and the current chair has put forward additional industry-friendly proposals. Enforcement activity from the SEC has sharply decelerated under the new administration. In March, Margaret Ryan resigned as enforcement division director, which could result in activity further slowing.

At the state level, underwriters continue to monitor developments related to the applicability of bump-up exclusions, as recently ruled on

by the Delaware Supreme Court. We are also awaiting the U.S. Supreme Court’s ruling in *SEC v. Sripetch*, which could have D&O coverage implications for amounts considered to be “disgorgement.”

Meanwhile, securities class-action filings in 2025 were down slightly from 2024, according to Cornerstone Research. (See Figure 17.) However, potential severity of those filings was the highest ever on record, with 2025’s disclosure dollar loss — the dollar-value change in defendants’ market capitalization over the class period — increasing to \$694 billion, 62% more than 2024’s \$429 billion. Insurers continue to stress the profitability impacts of the rising costs to defend and resolve securities litigation.

Figure 17: Securities class-action filings dipped slightly in 2025, but litigation severity increased.



Source: Cornerstone Research
2025 dollar values shown.

Insurer concerns starting to materialize in private D&O

Insurers' continued outcries about an inefficient D&O market for private companies and nonprofit organizations have finally broken through. We are beginning to observe material premium, limit, and retention increases in certain classes of business.

One of the largest writers of private/nonprofit business is making significant changes to two distinct segments of its portfolio: organizations with more than \$1 billion in annual revenues and healthcare organizations. Companies that fall under both categories are in the crosshairs, seeing increases of 40% or more in some cases, along with greater underwriting scrutiny. Companies in financial distress are also being more closely scrutinized.


For buyers outside of these difficult segments, rate changes at renewal are aligning with exposure changes year over year. While rate increases are comparatively minimal, this represents a break from the last several quarters of flat pricing. Continued adverse loss development

and increasingly complex regulation have led to rate firming for healthcare organizations and large accounts.

Capacity remains abundant, however, with most excess layers remaining oversubscribed. The pool of viable insurers is unchanged.

Insurers are showing early signs of pulling back on the breadth of entity investigation coverage and antitrust coverage they are willing to offer. Rather than removing the coverage entirely from policies, some carriers are imposing sublimits or conditioning coverage on certain triggers.

Insurers remain concerned about frequent claims related to bankruptcy and insolvency. Two recent Texas court rulings addressing senior executives' access to defense expense coverage during bankruptcy proceedings highlight the importance of Side A difference-in-conditions coverage for organizations that might experience an insolvency event.



Sustained competition driving positive results for most EPL buyers

Capacity in the EPL market is ample, with some insurers continuing to be aggressively opportunistic. Carriers are showing greater interest for EPL buyers when they also write the D&O coverage, especially primary or low excess layers.

Incumbents are tending to push for slight rate increases, but marketing can allow buyers to keep rates flat to slightly down. As is typical, market conditions remain more difficult for employers in the retail, hospitality, healthcare, and professional services industries; those with large employee head counts; and those with heavy concentrations in challenging states, such as California.

For private companies and nonprofit organizations, EPL is an essential component of management liability package policies, which means carriers must tread carefully to stay relevant. Where EPL is blended with other management liability coverages, insurers are seeking more premium for the EPL allocations. However, this can be offset — to some degree, at least — by reductions in premium for other lines.

Insurers are concerned about class-action litigation and rising defense and settlement costs for litigation, particularly for cases involving high-wage earners. Single-plaintiff matters are still an issue for insurers, particularly when claimants are high-wage earners or in plaintiff-friendly jurisdictions. DEI remains a hot topic for companies and insurers.

In February, the Equal Employment Opportunity Commission:

- Opened an investigation into whether Nike’s DEI programs have resulted in “a pattern or practice of disparate treatment against white employees.”
- Filed its first lawsuit based on workplace diversity programs, alleging that a bottler and distributor of Coca-Cola products engaged in sex discrimination by excluding men from an employee networking event.

Carriers are also watching legislation and regulatory activity related to pay transparency and biometrics.

Underwriters are applying greater scrutiny to employers that:

Are reporting reductions in force.

Are using biometrics.

Have significant employee concentrations in certain states — notably, California and New York.

Have wage and hour exposures.

Are using AI in hiring and workforce management processes.

Insurers continue to push for higher, separate retentions applicable to mass- and class-action litigation, high-wage earners, and state-specific claims. Where they are offered, insurers are also pulling back on defense expense sublimits for claims for violations of wage and hour law, the Worker Adjustment and Retraining Notification Act, and Illinois' Biometric Information Privacy Act.

The Supreme Court is expected to issue a ruling in the coming months in *Mobley v. Workday*, which will determine whether third-party software developers can be held accountable for biased results under federal employment law. A ruling is also pending in *FreeState Justice v. EEOC* in the U.S. District Court for the District of Maryland regarding the scope of the EEOC's authority, which could have broad implications for employers.

Crime market remains stable despite continuing employee theft, SEF losses

Although social engineering fraud (SEF) losses continue to impact the market, pricing for fidelity/crime insurance has remained flat due to sustained competition. New entrants are looking to find opportunities to round out management liability premium, which continues to put downward pressure on pricing.

In the last year, Sompo, Intact, and MSIG have hired crime product leads in roles that previously did not exist, and other carriers are looking to follow in their footsteps. Established carriers, meanwhile, are developing new products — for example, Inigo recently launched a new primary financial institutions bond form, which is putting traditional carriers on notice.

Although carriers continue to seek a balance between tightening underwriting guidelines and appetites and managing social engineering fraud limits, crime continues to be a profitable line of coverage for most carriers. Even in years when insurers have experienced more losses, results have been fairly predictable compared to other lines. Carriers continue to seek ways to support higher risk/reward lines such as cyber and D&O.

With SEF losses continuing at a high frequency — outpacing all other claims combined — and criminal impersonation schemes

growing increasingly sophisticated, underwriters continue to scrutinize companies' SEF controls. Some carriers are looking to revise their SEF applications to ensure they better understand insureds' controls and payment processes. At the same time, insurers are mindful about a recent uptick in employee theft claims, which tend to generate the most severe losses.

Coverage for physical property that is transferred because of social engineering schemes remains limited. A primary reason for this is that insurers believe insureds are responsible for managing their inventory and should have controls in place to prevent such loss. Insurers may also be concerned about the difficulty in proving loss of property/inventory; evidence of misdirected wire transfers is easier to substantiate.

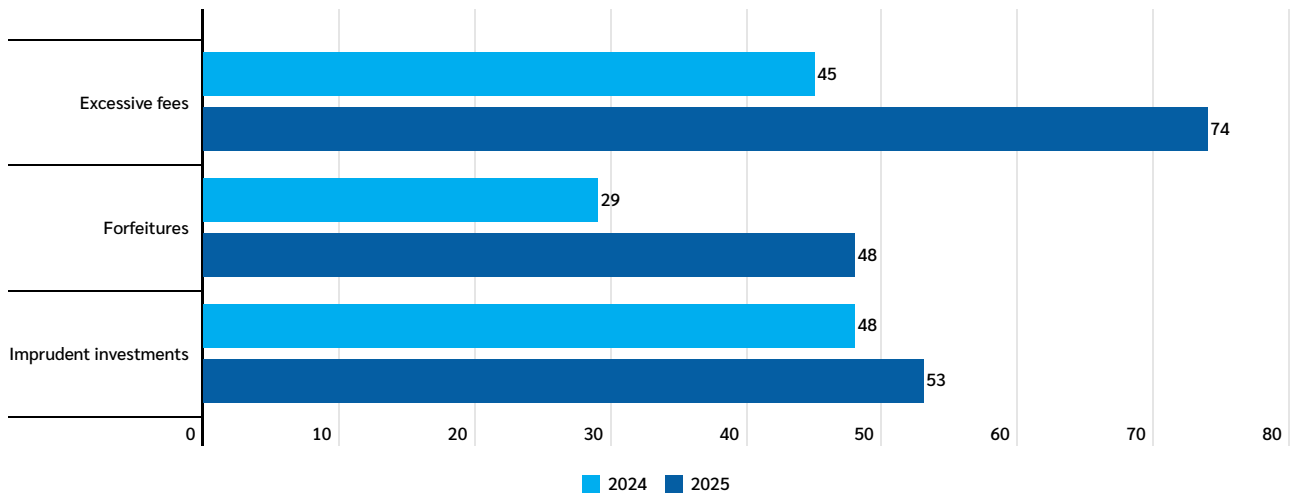
We are awaiting the unsealing of a redacted order of summary judgment in *Cargill v. National Union Fire Insurance Co. of Pittsburgh* in the U.S. District Court for the District of Minnesota, a decision that could significantly impact how crime carriers define "direct loss." Although the court issued its ruling in October, the order has remained under seal while the parties negotiate redactions.

Fiduciary liability remains stable, despite continuing excessive fee litigation

The market for fiduciary liability is stable, with most buyers renewing programs close to flat. Capacity is plentiful, and insurers are looking to expand relationships with buyers whose D&O programs they already write.

Underwriters continue to focus on excessive fee litigation. Excessive fee claims filings totaled 45 in 2024 and grew to 74 in 2025, according to Encore Fiduciary. (See Figure 18.) After a record 53 excessive fee settlements in 2024, totaling more than \$200 million, settlements trended lower in 2025, with more six-figure settlements. Insurers are often seeking separate retentions for excessive fees and/or class-action claims.

Figure 18: Excessive fee suits grew substantially in 2025.



Carriers are also:

Monitoring new waves of plan forfeiture claims challenging Internal Revenue Service rules governing the treatment of unvested employer contributions and tobacco-related litigation aimed at surcharges and alleged violations of wellness program rules under the Health Insurance Portability and Accountability Act.

Scrutinizing plans' adoption of alternative investment options — including private equity, real estate, and digital assets — which was made possible via an executive order issued by President Trump in August 2025.

In December 2025, the PBM Fiduciary Accountability, Integrity, and Reform (FAIR) Act was introduced in both the U.S. House of Representatives and the Senate. The bill proposes to change how pharmacy benefit managers (PBMs) operate in connection with employer-sponsored group health plans, amending the Employee Retirement Income Security Act of 1974 to:

- Treat PBMs as fiduciaries.
- Impose new legal duties and transparency requirements.
- Prohibit contractual risk-shifting.

It remains to be seen whether the FAIR Act will be passed and how, if enacted, fiduciary liability insurers might adjust their approaches to coverage and rates.

Recommendations

- Focus on maintaining relationships with established insurer partners. Buyers should nevertheless continue to test the market for optimal pricing and coverage.
- Balance potential market opportunities against the need to work with proven carriers. Short-term premium relief delivered by some carriers can be attractive, but insurers that can offer panel counsel, loss prevention services, and a history of paying claims can produce better overall outcomes. Long-term relationships between carriers and insurance buyers can also help to avoid coverage disputes.
- Consider multiyear deals where renewal options are favorable. Renewals of coverage for two or more years can enable companies to lock in low rates, thus reducing volatility at a time when cost management is under scrutiny.

Pricing stabilizing, innovating accelerating

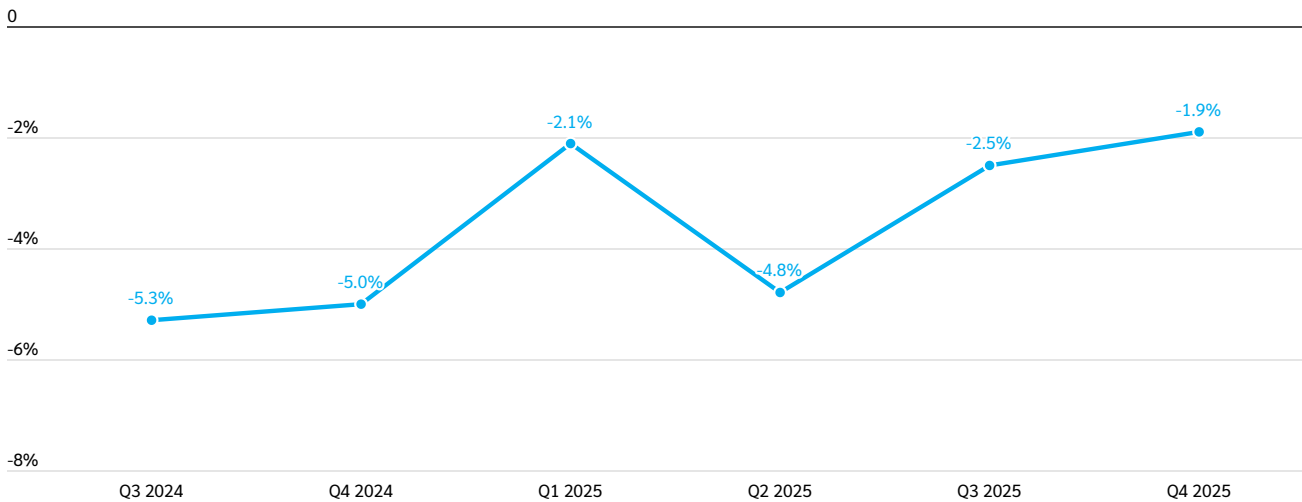
Expected rate changes next quarter**

Flat to 5% increase

Cyber

The cyber insurance market is showing signs of recalibration, although pricing remains friendly to buyers. In the fourth quarter of 2025, median pricing for cyber insurance fell 1.9%, according to Lockton data. (See Figure 19.)

Figure 19: Cyber pricing continued to fall in the fourth quarter.



Source: Lockton P&C Edge Benchmarking Report
Median total program rate changes year over year shown.

**Note: Rate ranges presented here reflect expected renewal outcomes — as of the *Lockton Market Update* publication date — over the next quarter for most insurance buyers. These should not be taken as a guarantee of any specific results during renewal negotiations. Depending on risk profiles, loss histories, account specifics, and other factors, individual buyers may renew their programs outside these ranges.



Cyber pricing has declined for three consecutive years, and the sustained softening is beginning to pressure carriers. While insurers have largely focused on retaining business, they are now increasingly differentiating accounts based on privacy exposures and the strength of cybersecurity controls. As a result, rate increases are expected for select buyers, including those experiencing rapid growth or with poor loss histories or inadequate cyber controls.

Carriers are consolidating, making strategic moves to better position themselves to innovate and develop new products in an increasingly sophisticated cyber risk landscape. Still, capacity has not declined, and many new markets are looking to deploy capital and grow. New business goals and new entrants will continue to drive a competitive environment, but insurers are being more disciplined as premiums have reached minimum levels.

Underwriters are moving away from merely checking the box on controls to a focus on exposures as they grow concerned about the claims environment. For example, ransomware attacks involving encryption alone are becoming rare, while a majority of attacks in 2025 involved extortion and data theft, according to Resilience, a cyber MGA. While organizations' backups have become stronger, the potential for data releases — and subsequent litigation, regulatory action, and reputational harm — is growing. Remote access also continues to offer a main point of entry for ransomware attackers, and on-premises virtual private networks can enable them to exploit vulnerabilities.

CrowdStrike's recently published 2026 Global Threat Report highlights how attacks are accelerating, AI is amplifying cybercriminals' tactics, and ransomware is being delivered through trusted systems. For example:

29 min

The average e-crime breakout time — the window between initial access and lateral movement across systems — fell to just 29 minutes in 2025, with the fastest observed intrusion completing in only 27 seconds.

82%

Critically, 82% of CrowdStrike's detections in 2025 were malware-free, as threat actors leveraged valid credentials, trusted identity flows, and approved software as a service (SaaS) integrations to move across domains undetected — making traditional perimeter-based defenses increasingly insufficient.

89%

Attacks by AI-enabled adversaries increased in frequency by 89% from 2024 to 2025.

90

CrowdStrike observed adversaries exploiting generative AI tools at more than 90 organizations, injecting malicious prompts to steal credentials and cryptocurrency and other threat actors targeting vulnerabilities in AI development platforms to deploy ransomware.

37%

Cloud-conscious intrusions rose 37%, including a 266% increase from state-nexus actors, while a 42% year-over-year surge in zero-day exploits — many targeting edge devices like VPN appliances and firewalls with limited monitoring — further expanded organizations' attack surfaces.

These trends collectively underscore why cyber insurance demand continues to intensify, as the frequency, severity, and unpredictability of losses grow more difficult for organizations to absorb on their own.

Meanwhile, with privacy risks remaining top of mind, insurers are taking a look at opt-in and opt-out policies and cookie banners that appear upon initial access to websites. Insurers are also increasingly reviewing contracts between insureds and third-party vendors to ensure reasonable measures are being taken to secure collected and stored data.

Wrongful collection remains a material loss driver on which insurers' positions are mixed. Some carriers are applying greater scrutiny to coverage grants, while others are using underwriting in combination with external scans and other tools to deploy coverage. Wrongful collection claims frequency continues to rise, tied to companies' use of pixels and other tracking technologies along with privacy disclosures. Claims brought under the California Invasion of Privacy Act remain at the forefront for insurers.

As more companies adopt various AI tools, underwriters are scrutinizing board and senior management oversight of AI governance. Insurers are not only asking questions about documented policies regarding AI usage but also innovating around AI and clarifying policy language. Insurers, for example, are introducing affirmative AI endorsements for cyber events and technology services and offering regulatory cover for inquiries and investigations into violations of AI-related statutes. This is occurring as carriers face AI-related claims activity and contributory exposure to media and privacy claims.

Embedded security services are also on the rise. Insurers are increasingly integrating insurance products with cybersecurity controls such as vulnerability scanning, automated risk alerts, security awareness training, and security posture dashboards.

Recommendations

- Focus on cybersecurity and hygiene. Underwriting standards continue to evolve, and so do cyber threats. The market continues to reward buyers with strong controls and demonstrated improvements in information security.
- Understand how organizations are using AI technology. Among other steps:
 - Use network traffic analysis, SaaS discovery tools, and endpoint monitoring to identify AI tools in use across enterprises. This includes both IT-approved tools and unauthorized “shadow AI” platforms.
 - Determine how employees are using AI in their daily workflows, what data they are inputting, and what tools they rely on.
 - Establish formal acceptable use policies that define approved tools, permitted data types, and tiered approval processes for new tools.
 - Document governance frameworks — including audit results, policies, training records, and vendor diligence — as this is increasingly a material factor in cyber insurance underwriting and the determination of coverage terms and renewal pricing.



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