



DECEMBER 2025

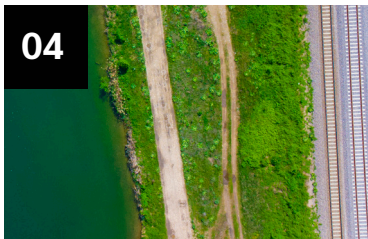
LOCKTON MARKET UPDATE

Departures & returns



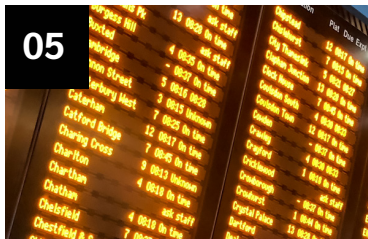
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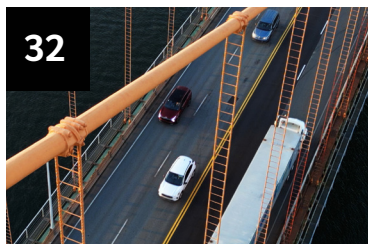
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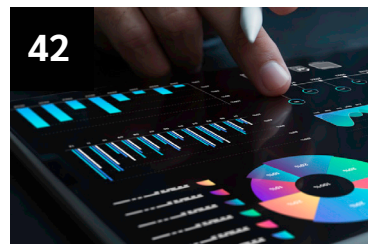
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Navigating familiar tracks

2025 opened with uncertainty for insurers, businesses, and individuals alike. And while much has changed over the past year, the industry finds itself on a similar track heading into 2026 — with volatility and unpredictability still the dominant themes.

January delivered an early test in the form of costly California wildfires, forecasts that the economy would cool, and a new presidential administration. Inflation had eased from its 2022 peak but remained stubbornly high, while shifting interest rate expectations forced investors to recalibrate. Expansive tariffs — and the renewed trade tensions that followed — put additional pressure on supply chains and created a new layer of uncertainty.

Despite all this, both the U.S. economy and the P&C industry have shown remarkable resilience. As we publish our December 2025 *Lockton Market Update*, commercial insurance conditions remain broadly favorable across most lines, with the notable exception of third-party liability. The industry is well capitalized, insurers have regained financial health, reinsurance costs have moderated, and property markets have strengthened far more quickly than many anticipated.

While many of us long for clarity, 2026 promises more uncertainty. Inflation, rising layoffs, erratic tariff policies, regulatory conflict, political gamesmanship, and the potential lasting effects of a prolonged government shutdown make it difficult to predict much beyond the next quarter.

Insurers face slower topline growth, moderating investment yields, reserve uncertainty, and uneven macroeconomic signals. Capital flows remain strong but more fragmented than in prior cycles. Managing general agents, fronted programs, and alternative capital

providers continue to expand their footprint, giving buyers more choice — but also requiring sharper insight into the stability and durability of the capacity behind it.

At the same time, insurers are accelerating investments in technology, embedding artificial intelligence (AI), advanced analytics, and automation deeper into underwriting. These shifts will change industry practices and place even greater value on high-quality, structured data as a determinant of access, pricing, and terms.

As we close out the year, momentum around product innovation, operational efficiency, and talent development remains strong. Yet caution remains the watchword, with insurers grounded in fundamentals: disciplined risk selection, program efficiency, and strategic readiness.

For buyers, this environment presents both opportunity and responsibility. There is real potential to capture savings and reposition programs for a more volatile and uncertain environment. Rather than simply renew, buyers should use this moment to look ahead, reevaluate program structures, test assumptions, and make thoughtful decisions about how to deploy risk capital in 2026 and beyond.

From all of us at Lockton, we send you our best wishes for a happy holiday season and a healthy, prosperous, and successful 2026.



Vince Gaffigan

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





Executive summary

Property and casualty carriers continue to report generally strong underwriting results, with commercial lines demonstrating continued strength and personal lines showing meaningful improvement as the impact of rate actions takes hold. However, persistent concerns remain regarding rate adequacy, new money yields, slowing topline growth, and the sustainability of current market conditions.

Economic uncertainty remains a defining feature of the risk landscape, and a key concern for insurers and buyers. Inflation and unemployment are creeping upward again, while interest rates are edging lower, creating mixed signals for 2026.

Against this backdrop, insurers are leaning into fundamentals and showing increased discipline in underwriting, pricing, reserving, and portfolio management across all lines.

PROPERTY

remains competitive, with carriers defending books and actively pursuing new business.

WORKERS' COMPENSATION

is stable but faces regulatory shifts and broader economic headwinds.

EMPLOYMENT PRACTICES LIABILITY (EPL)

rates are holding steady, though carriers are increasingly focused on regulatory exposures and claim trends.

FIDELITY/CRIME

rates are stable, with continued underwriting discipline around social engineering.

LIABILITY

insurers are looking to grow but are proceeding with caution amid concerns about social inflation, reserve accuracy, and emerging risks.

DIRECTORS & OFFICERS LIABILITY (D&O)

rates have largely flattened for public companies, while the market for private companies and nonprofits remains competitive with signs of firming.

FIDUCIARY LIABILITY

is stable, but insurers remain concerned about excessive fee litigation.

CYBER

continues to favor buyers, though insurers are closely monitoring systemic risks and regulatory fragmentation.

Pricing dashboard

As uncertainty lingers, organizations should take a forward-looking approach to risk management and financing. Early engagement with brokers, thoughtful use of risk capital, scenario planning, and proactive renewal strategies will enable organizations to optimize their insurance programs and gain competitive advantages in a shifting market.





A new economic normal

For several quarters now, the *Lockton Market Update* has made note of the significant uncertainty associated with the state of the economy. As we close out the year, that uncertainty has only deepened.

Under normal circumstances, official data on the U.S. economy's real gross domestic product (GDP) growth in the third quarter would be available by now. But because of the recent government shutdown, the Bureau of Economic Analysis' (BEA) advance estimate of third-quarter growth — originally scheduled for publication on Oct. 30 — was canceled. The BEA now plans to publish an initial estimate for the third quarter on Dec. 23.

This leaves businesses and policymakers without a definitive read on economic direction and momentum. And forecasts from various other respected sources suggest a wide range of possible third-quarter outcomes:

1.3%

Professional forecasters surveyed by the Federal Reserve Bank of Philadelphia predicted in August that real GDP would grow at an annual rate of 1.3% in Q3.

2.3%

The Federal Reserve Bank of New York's Staff Nowcast forecast growth at an annual rate of 2.3% as of Nov. 28.

3.5%

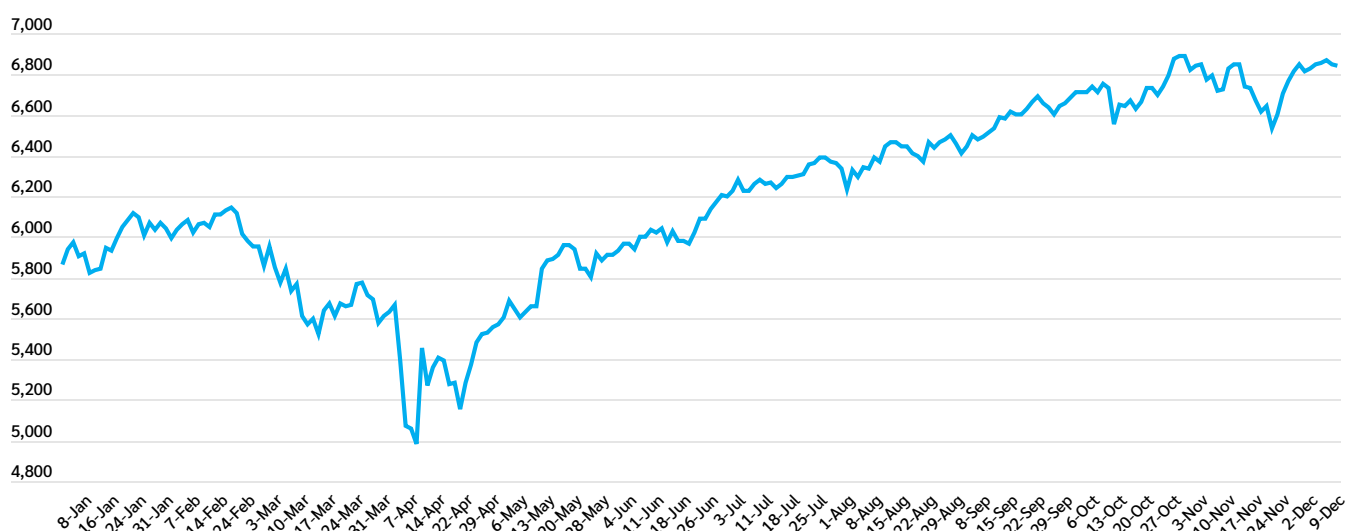
The Federal Reserve Bank of Atlanta's GDPNow model estimated growth at an annual rate of 3.5% as of Dec. 5.

Longer-term projections indicate slow growth ahead. The International Monetary Fund (IMF) forecast on Oct. 14 that the U.S. economy will grow 2.0% in 2025 and 2.1% in 2026. The IMF forecasts that the global economy will grow 3.2% in 2025 and 3.1% in 2026.

Investors optimistic about AI, concerned about tariffs

Although the stock market is not a perfect reflection of the overall economy, it can be a useful gauge of investor sentiment. The S&P 500 index has climbed to new heights in 2025, closing at an all-time high of 6,890.89 on Oct. 28 and reaching an intraday high of 6,920.34 on Oct. 29. (See Figure 1.)

Figure 1: The S&P 500 index has set new records in 2025 but has at times been volatile.



Source: S&P Dow Jones Indices
Daily closing values shown.

But the headline highs mask significant volatility. The index has closed down 2 percentage points or more from the previous day on five separate occasions in 2025, including a 4.84% drop on April 3 and a 5.97% drop the very next day. These represent the two largest daily percentage losses since the 2020 COVID-19-driven crash and — on a point basis — the second- and third-largest daily losses in the index's history.

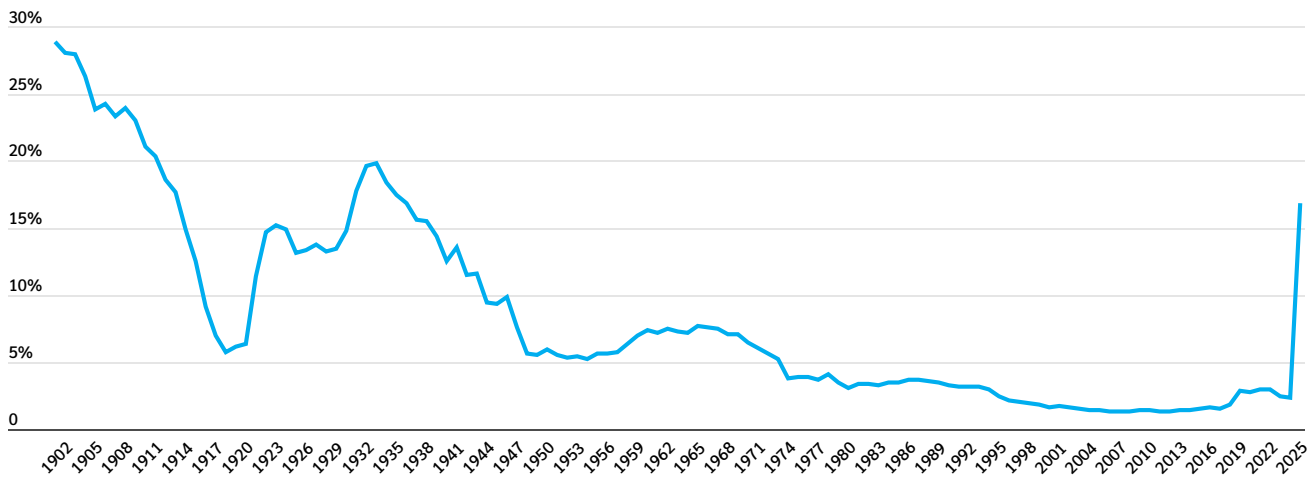
These market swings reflect investor unease about the underlying health of the economy, and behind even the positive market developments are signs of trouble.

A major driver of the market's trajectory is the ongoing boom in AI. Investor enthusiasm has concentrated gains in a small group of companies on the leading edge or that are able to deploy these advanced technologies at scale. This concentration distorts the market by funneling capital toward AI-favored sectors at the expense of other segments.

The result is a market that appears strong on the surface but is less reflective of broader economic health. As a result, any bad news can have an amplified effect. While AI promises meaningful long-term productivity gains, its benefits have been unevenly distributed. Rapid adoption has displaced jobs, widened wealth gaps, and delivered a two-tiered economy in which AI-powered companies thrive and foundational sectors lag.

Market volatility has highlighted other areas of concern for investors. For example, several of the steepest declines in 2025 have followed announcements related to tariffs. The overall average effective tariff rate inched up to 16.8% as of Nov. 17, according to the Budget Lab at Yale. (See Figure 2.) This is the highest effective tariff rate since 1935.

Figure 2: The average effective tariff rate for 2025 has increased to almost 17%, the highest it's been since 1935.



Source: The Budget Lab at Yale University
2025 data as of Nov. 17

Many of the tariffs imposed by President Trump under the International Emergency Economic Powers Act (IEEPA) could ultimately be invalidated as the Supreme Court weighs two tariff cases challenging whether a president has such authority under the statute.

The IEEPA levies, however, accounted for less than half of the tariff revenue — approximately \$90 billion out of \$195 billion in total — the government collected in fiscal year 2025, which ended on Sept. 30, according to an analysis by the nonpartisan Committee for a Responsible Federal Budget. Without the IEEPA tariffs in place, the effective tariff rate drops to 9.3%, according to the Budget Lab.

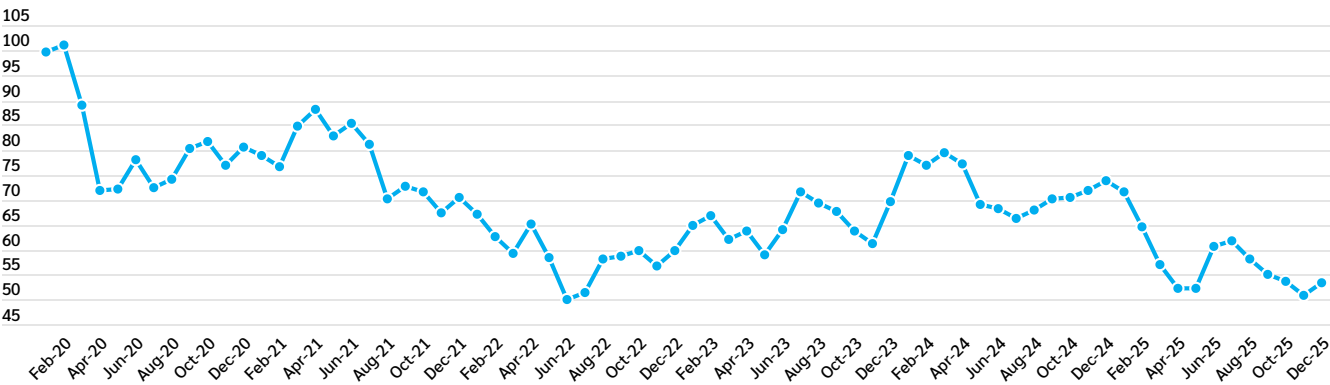
In a historical context, that figure is still elevated, representing the highest effective tariff rate since 1946. Moreover, the potential invalidation of the tariffs could introduce a new layer of economic uncertainty, as the federal government may be required to repay billions of dollars collected thus far.

The Supreme Court heard oral arguments in the two tariff cases, *Learning Resources, Inc. v. Trump* and *Trump v. V.O.S. Selections*, in early November. Although the court generally issues rulings months after oral arguments, the Trump administration has requested an expedited decision.

Consumer, business confidence wavering

Tariffs, the record-long 43-day government shutdown, and other pressures continue to weigh on consumers and businesses. After declining for four consecutive months, from 61.7 in July to 51.0 in November, the University of Michigan Index of Consumer Sentiment rebounded slightly in December, rising to 53.3. (See Figure 3.)

Figure 3: Consumer sentiment improved slightly in December.



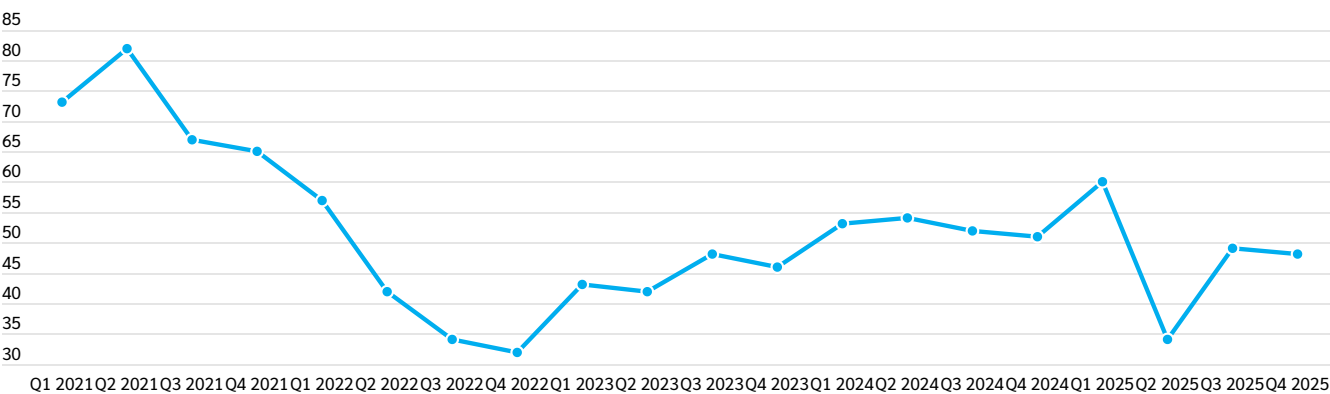
Source: University of Michigan

“Consumers see modest improvements from November on a few dimensions, but the overall tenor of views is broadly somber, as consumers continue to cite the burden of high prices,” the university said.

One positive sign: U.S. Black Friday retail sales were up 4.1% year over year, according to Mastercard. On the other hand, the New York Fed reported that U.S. household debt grew by nearly \$200 billion in the third quarter, to a record high of \$18.59 trillion.

Meanwhile, The Conference Board Measure of CEO Confidence fell from 49 in the third quarter of 2025 to 48 in the fourth quarter. (See Figure 4.) Q4 marks the third consecutive quarter in which the measure has sat below 50, indicating that more CEOs are expressing negative sentiments than positive ones.

Figure 4: After rebounding in the third quarter, CEO confidence has fallen slightly.

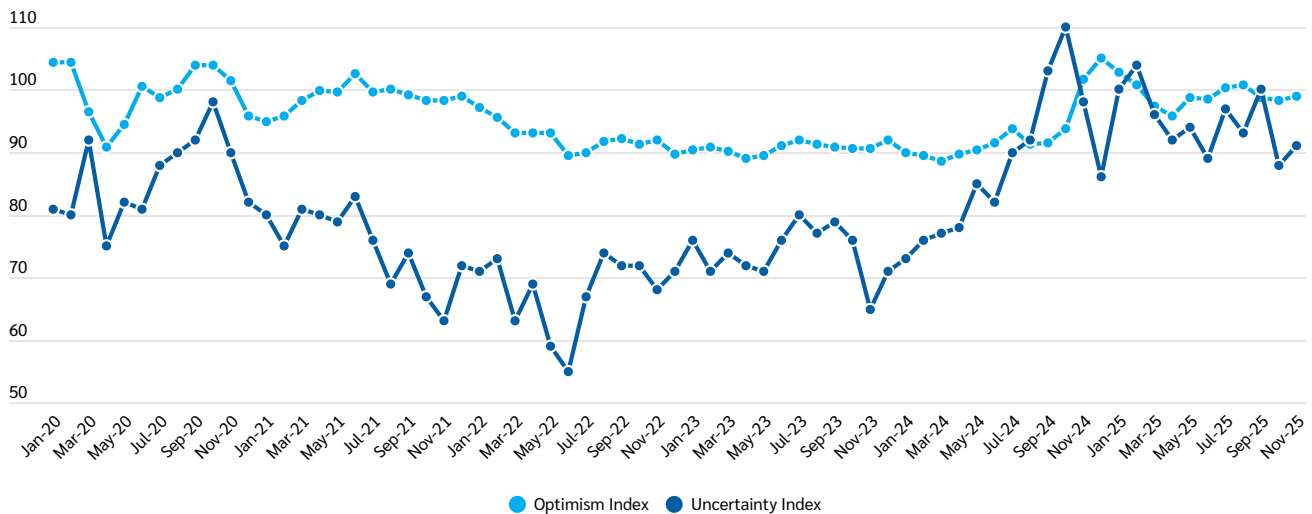


Source: The Conference Board Measure of CEO Confidence

“CEO confidence weakened slightly in the fourth quarter, signaling continued caution among leaders of large firms,” said Stephanie Guichard, a senior economist at The Conference Board. “CEOs’ views of general economic conditions now versus six months ago remained slightly negative while CEOs’ six-month expectations for the economy turned from neutral to pessimistic. CEOs’ expectations for their own industry were stable, still showing cautious optimism.”

Small businesses have generally been more upbeat in 2025, but remain wary about the labor market and overall economic conditions. After falling from 110.8 in August to 98.2 in October, the National Federation of Independent Business (NFIB) Small Business Optimism Index rose slightly in November, to 99.0. (See Figure 5). The NFIB Uncertainty Index rose 3 points from October to 91.

Figure 5: Small businesses remain uncertain about the economic outlook.

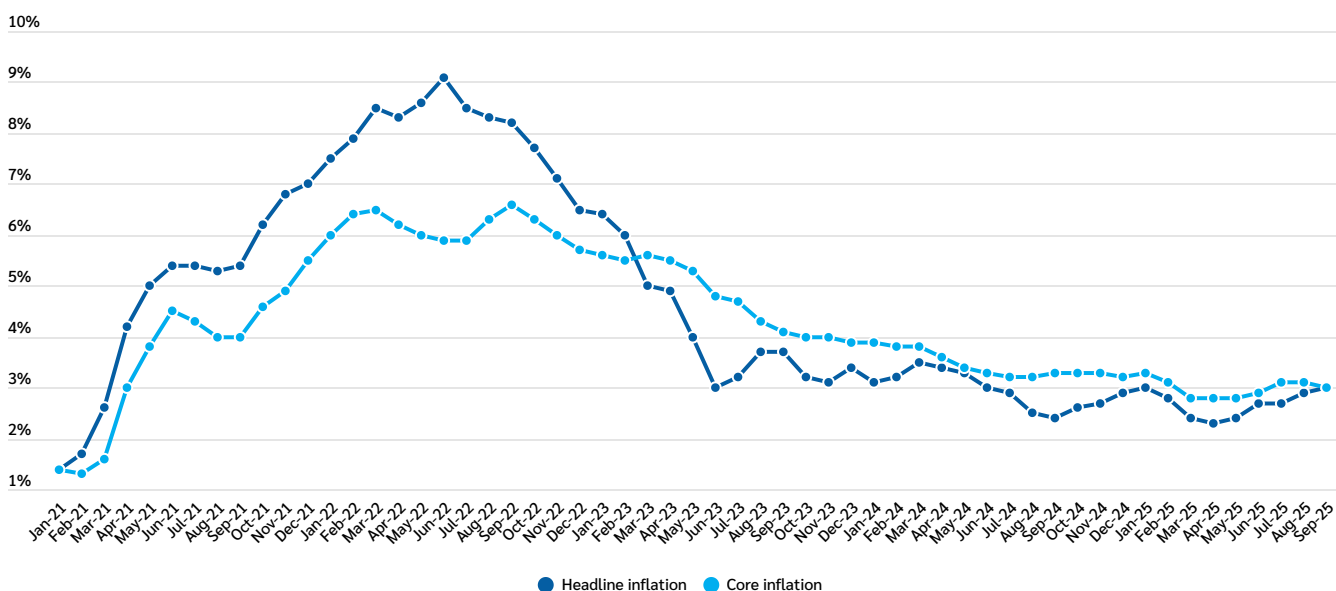


Source: National Federation of Independent Business

Inflation, job market sending mixed signals

With the ultimate fate of 2025's tariffs still unknown, concerns about inflation remain top of mind. Inflation continues to be a stubborn challenge for policymakers and a key variable shaping consumer behavior and business investment decisions. In recent months, year-over-year “headline” inflation — the topline Consumer Price Index (CPI) figure reported monthly by the U.S. Bureau of Labor Statistics (BLS) — has slowly inched back up, from a post-pandemic low of 2.3% in April to 3.0% in September. (See Figure 6.)

Figure 6: Inflation has slowly risen since the spring.



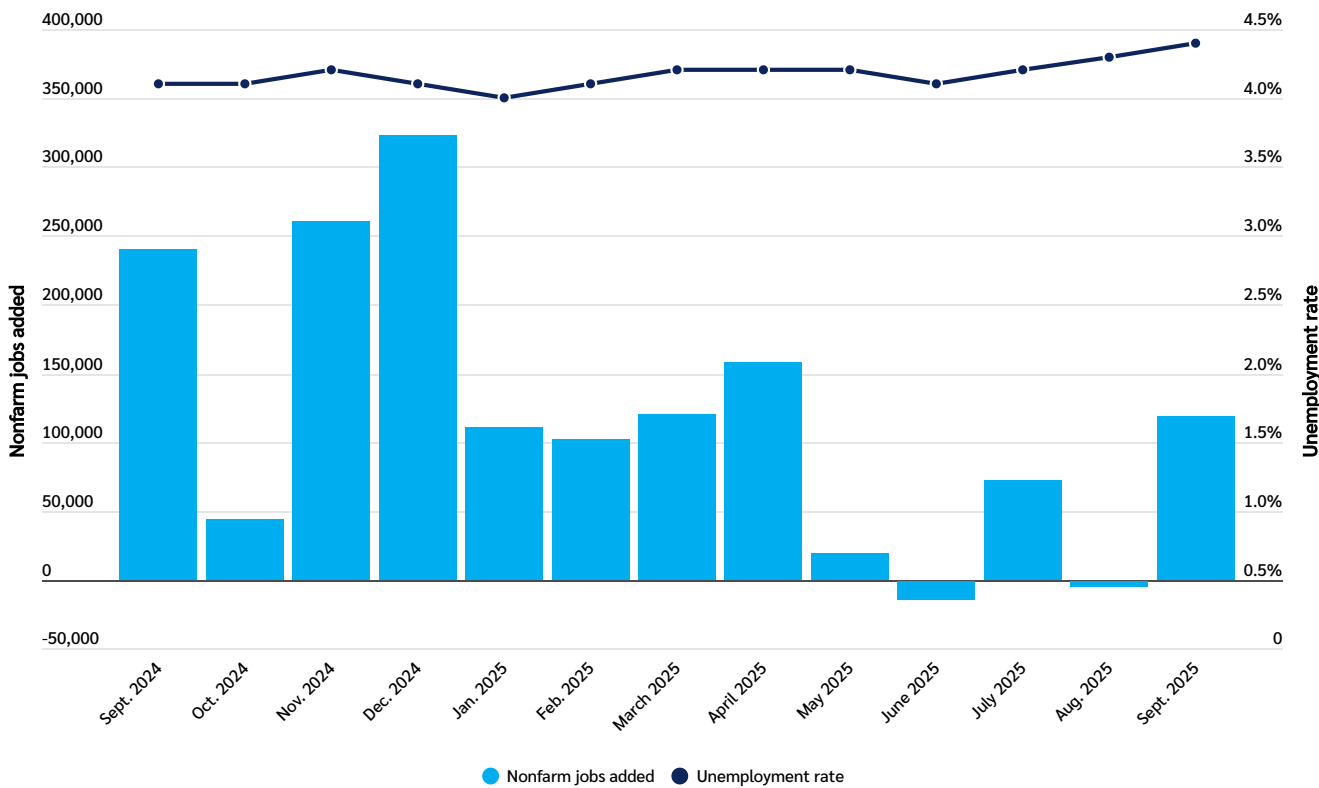
Source: U.S. Bureau of Labor Statistics
Year-over-year changes shown.

Core inflation — which excludes volatile food and energy costs — has also drifted upward, rising from 2.8% year over year in March, April, and May to as high as 3.1% in July and August and 3.0% in September.

To be sure, inflation in 2025 is far from the problem it was in 2022, when headline and core inflation climbed as high as 9.1% and 6.6%, respectively. But it's also well above the Federal Reserve's target of 2% — and appears to once again be on the wrong track, which complicates interest rate decisions, limits policy flexibility, and risks further dampening of consumer sentiment.

In September, employers added 119,000 jobs, according to the BLS, a surprising figure given more modest gains in recent months. (See Figure 7.) But the BLS revised downward previous estimates for July and August by a total of 33,000. The latest figures show that employers added 72,000 jobs in July rather than 79,000, and lost 4,000 jobs in August instead of adding 22,000 as initially reported. The unemployment rate edged upward from 4.3% in August to 4.4% in September, the BLS said.

Figure 7: Employers added 119,000 jobs in September.

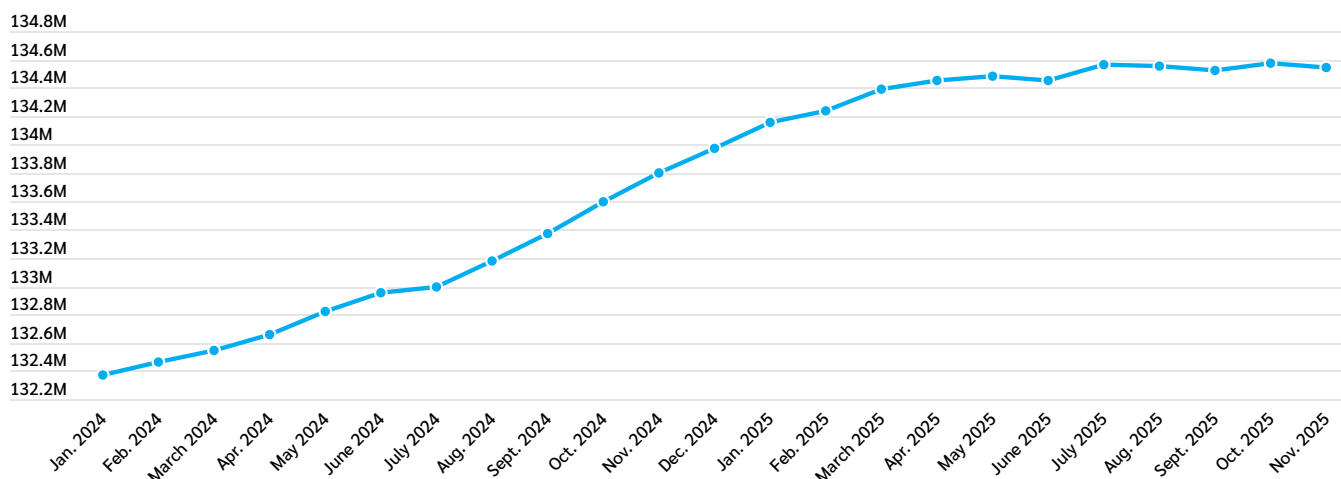


Source: U.S. Bureau of Labor Statistics
Figures do not reflect Sept. 9, 2025, revisions of data through March 2025 (which were not broken down by month).

While the BLS published inflation figures and employment data — after a delay — for September, the agency made the unusual decision in late November to cancel the release of October numbers. The BLS cited the inability of staff to collect the necessary data during the recent shutdown.

Data from other sources paints a more concerning picture of policy shifts and macroeconomic conditions reshaping employment dynamics. Private sector employment fell by 32,000 jobs from October to November, according to payroll processor ADP’s National Employment Report. (See Figure 8.)

Figure 8: Private sector job gains have slowed in 2025.



Source: ADP Research

“Hiring has been choppy of late as employers weather cautious consumers and an uncertain macroeconomic environment,” said Dr. Nela Richardson, chief economist, ADP. “And while November’s slowdown was broad-based, it was led by a pullback among small businesses.”

More tellingly, U.S. employers are laying off workers in large numbers. Companies announced more than 150,000 job cuts in October and another 70,000 cuts in November, according to global outplacement and executive coaching firm Challenger, Gray & Christmas. Through November, employers have announced 1.2 million job cuts in 2025, more than double the 761,000 cuts announced through the first 11 months of 2024 and the most since 2.2 million cuts were announced during the same period in 2020.

Impacts from the Department of Government Efficiency (DOGE) cuts are the most frequently cited reason for job losses so far in 2025, accounting for nearly 300,00 layoffs. This includes 21,000 job cuts resulting from downstream DOGE impacts, such as the loss of federal funding. Market and economic conditions have been cited as the reason for nearly 250,000 layoffs.

The shutdown itself may also have lingering impacts on the labor market. Approximately 60,000 private sector

workers lost their jobs as a result of the shutdown, National Economic Council Director Kevin Hassett told reporters on Nov. 13. Shutdown-related exposures can often have a multiplier effect, delaying investment, slowing procurement, and creating uncertainty for contractors and suppliers. Some government employees may also seek alternate employment options in the private sector to avoid future paycheck disruptions.

Americans appear to have mixed views about the state of the labor market. In a survey conducted by The Conference Board in November, 27.6% of consumers said jobs were “plentiful,” down from 28.6% in October. At the same time, 17.9% said jobs were “hard to get,” down from 18.3%.

These trends highlight a labor market consistent with an economy in transition, offering opportunity for certain high-skill workers but more challenging conditions for others. Slower job creation and flat wage growth also suggest the labor market is cooling more quickly than many expected, with the scale and pace of job cuts reflecting how quickly companies are adjusting to slower demand, margin pressure, and policy uncertainty.

Fed's uncertain path

Following its final meeting of the year, which concluded on Dec. 10, a divided Federal Open Market Committee announced a one-quarter percentage point reduction of the federal funds target rate, to a range of 3.5% to 3.75%. This follows two previous reductions of one-quarter percentage point each that the Fed announced in September and October.

“Although some key government data have yet to be released, available indicators suggest that economic activity has been expanding at a moderate pace,” Fed Chair Jerome Powell said during a press conference following the conclusion of the Fed’s most recent meeting. “Consumer spending appears to have remained solid, and business fixed investment has continued to expand.

“In contrast, activity in the housing sector remains weak. The temporary shutdown of the federal government has likely weighed on economic activity in the current quarter, but these effects should be mostly offset by higher growth next quarter, reflecting the reopening. ...

“The official report on the labor market for September — the most recent release — show that the unemployment rate continued to edge up, reaching 4.4%, and that job gains had slowed significantly since earlier in the year. A good part of the slowing likely reflects a decline in the growth of the labor force due to lower immigration and labor force participation, though labor demand has clearly softened as well. In this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen in recent months. ...

“Inflation has eased significantly from its highs in mid-2022, but remains somewhat elevated relative to our 2% longer run goal. Very little data on inflation have been released since our meeting in October. ... Inflation for goods has picked up, reflecting the effects of tariffs. In contrast, disinflation appears to be continuing for services. Near-term measures of inflation expectations have declined from their peaks earlier in the year, as reflected in both market- and survey-based measures. Most measures of longer-term expectations remain consistent with our 2% inflation goal. ...

“In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside — a challenging situation. ... Our framework calls for us to take a balanced approach in promoting both sides of our dual mandate. Accordingly, we judged it appropriate at this meeting to lower our policy rate by a quarter-percentage point. ...

“This further normalization of our policy stance should help stabilize the labor market while allowing inflation to resume its downward trend toward 2% once the effects of tariffs have passed through.”

Future Fed policy actions remain uncertain due to differing viewpoints among policymakers, Powell’s impending departure, and the challenge of balancing the Fed’s dual mandate of controlling inflation while also supporting employment.

Ultimately, many questions about the economy remain unanswered.

In this new normal, consumers, businesses, insurers, and policymakers are unsure about growth, inflation, labor market durability, and the ultimate direction of monetary policy. Insurers and insurance buyers must thus prepare for a variety of potential outcomes as they plan for 2026 and beyond.

Insurers rolling along

Property and casualty insurers continue to report improved underwriting results, especially in personal lines. Performance in the third quarter was strong, supported by healthier combined ratios, rising investment income, and solid returns on equity. (See Figure 9.) Insurers are also investing heavily in technology and building AI capabilities.

Figure 9: Premiums fell for some individual insurers in the third quarter.

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	\$12,934	\$12,277	5.4%	81.8%	87.7%	5.9	15.9%	14.7%	1.2	\$1,648	\$1,508	9.3%
Carrier B	\$11,472	\$11,317	1.4%	87.3%	93.2%	5.9	24.7%	19.2%	5.5	\$1,033	\$904	14.3%
Carrier C	\$6,230	\$6,380	-2.4%	86.8%	92.6%	5.8	11.6%	6.9%	4.7	\$945	\$773	22.3%
Carrier D*	\$11,043	\$12,027	-8.2%	84.7%	96.7%	12.0	24.6%	12.5%	12.1	\$1,594	\$1,153	38.2%
Carrier E	\$4,560	\$4,245	7.4%	88.8%	94.5%	5.7	N/A	N/A	N/A	\$759	\$659	15.2%
Carrier F	\$2,437	\$2,360	3.3%	92.8%	97.2%	4.4	14.7%	11.0%	3.7	\$638	\$626	1.9%

Source: Select insurers' investor calls and presentations
Dollar figures in millions; data for three months ending Sept. 30 in each year.
*Figures include limited partnerships.

Even so, many are signaling that the environment is becoming more nuanced. Net written premium growth moderated for some insurers, while exposure growth is uncertain and new money yields have moderated. In earnings calls, several insurers noted competitive dynamics, evolving loss trends, and the cumulative effect of multiyear rate reductions across some lines. All of this will shape industry priorities heading into 2026.

For buyers, not much has changed since our *September Lockton Market Update*:

Liability remains a challenging market.

Competition continues to fuel favorable conditions for buyers in property, workers' compensation, and cyber.

In D&O, rates for public companies are flattening, and signs of a more challenging market are appearing for private companies and nonprofits.

The EPL market is firming.

Pricing for fidelity/ crime and fiduciary liability is stable.

Reinsurance market holding steady

Property reinsurance capacity remains robust, and pricing continues to favor reinsurance buyers. Limits, terms and conditions, and attachment points currently remain stable, and pricing is expected to continue to soften in the near term, barring a major catastrophe or other significant industry loss. Reinsurers, however, remain concerned about so-called "secondary" perils, such as wildfire and flood, which remain difficult for insurers to price and underwrite.

The liability reinsurance market, meanwhile, has seen little change. Rates continue to climb at a steady and predictable pace, and reinsurers appear comfortable with the overall health of their liability portfolios. Favorable underlying rates and investment returns are helping to offset concerns about social inflation and loss severity. Profitability, however, remains uncertain; some reinsurers are trimming capacity, although newer entrants are selectively expanding where they see strategic upside.

Cyber reinsurers have expressed some concern about the recent Amazon Web Services (AWS) and Microsoft outages, but the consensus is that the relatively short duration of the event will help to limit insured losses. Reinsurers, including several new entrants in 2025, largely continue to deploy meaningful capacity. Cedants continue to optimize portfolios through time-bound aggregate protections, low-attaching event covers, and other structural refinements.

Insurers looking forward

In discussions with dozens of insurers during the Council of Insurance Agents & Brokers' recent Insurance Leadership Forum, seven recurring themes emerged:

01

Underwriters are staying disciplined.

Carriers are focused on maintaining adequate program structures and are explicit about not chasing the market. Many continue to seek targeted rate increases for buyers with more complex risk profiles.

02

Risk quality remains central.

With premium growth slowing, competition for best-in-class risk is intensifying. Buyers with credible data, clean loss histories, and demonstrated risk improvements will see superior outcomes. Others may face tougher terms or fewer options.

03

Yields matter.

The Fed's pivot toward rate cuts marks a new phase in monetary policy. For insurers, lower interest rates translate to a lower cost of capital. But this also impacts investment yields, particularly for new money. As a result, insurers will turn their attention to underwriting profitability and reserve adequacy, especially in long-tail casualty.

04

Credit and collateral are back in focus.

Insurers are tightening collateral terms on large deductibles and fronted programs, with heightened attention to liquidity, debt covenants, and collateral types. MGAs and fronting businesses now write more than \$100 billion in premiums. It's essential for buyers to understand who holds the risk — the MGA, the front, or the reinsurers behind it — and how claims could be handled if any party encounters financial stress.

05

Supply chain challenges persist.

Geopolitical tensions and tariffs continue to disrupt supply chains, impacting transit times and creating contingent business interruption, inventory valuation, and supplier contract exposures. War risk remains a concern in marine and transit.

06

Insurers are doubling down on technology.

Carriers continue to showcase investments in technology, embedding AI and analytics deeper into risk selection and underwriting. High-quality, structured data is increasingly a prerequisite for access, responsiveness, and favorable terms. Brokers and buyers must understand how data is used — and how algorithmic decisions drive outcomes.

07

Carriers are adopting new strategies.

There is strong momentum around product innovation, operational efficiency, and talent development. Many are embedding claims resources into product teams and investing in next-generation leadership programs. Technology and analytics continue to influence underwriting and partnership strategies.

Despite support from the reinsurance marketplace, primary carriers remain mindful of profitability. For now, insurers generally continue to perform well, but many are worried about the cumulative effects of steady rate reductions over the last several years.

Several insurers believe that conditions in certain lines are at or near the bottom and that emerging loss activity may test the sustainability of current pricing levels. Economic uncertainty is also weighing on decision-making and is likely to influence underwriting postures into 2026.

Trends to watch

Insurers continue to monitor several broader, long-term trends, including:

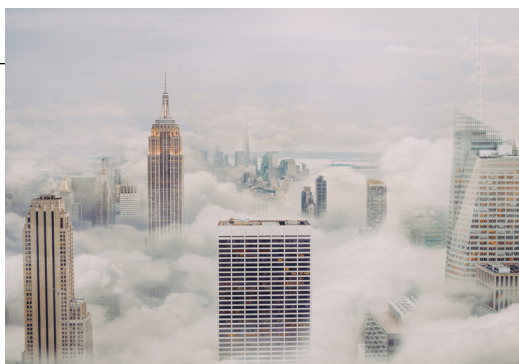
01



CLIMATE CHANGE & NATURAL CATASTROPHES

Although the 2025 Atlantic hurricane season was relatively mild, insurers recorded \$80 billion in catastrophe losses in the first half of the year, second only to 2011's \$125 billion first-half losses, according to Swiss Re. Concerns persist that extreme weather is outpacing models, while DOGE cuts and the federal shutdown have elevated concerns about the reliability of federal disaster response efforts.

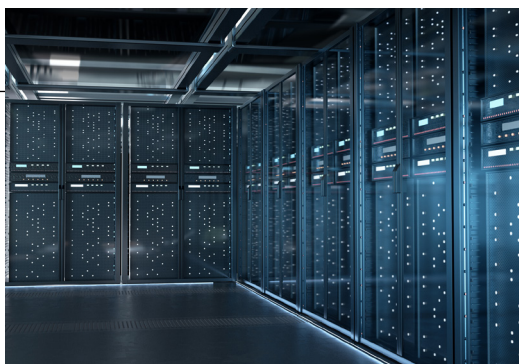
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THE ECONOMIC & POLITICAL LANDSCAPE

Rising trade tensions, military conflicts, and more continue to complicate long-term planning and capital allocation. There is also growing unease about diverging global regulations around AI, cybersecurity, and environmental liability.

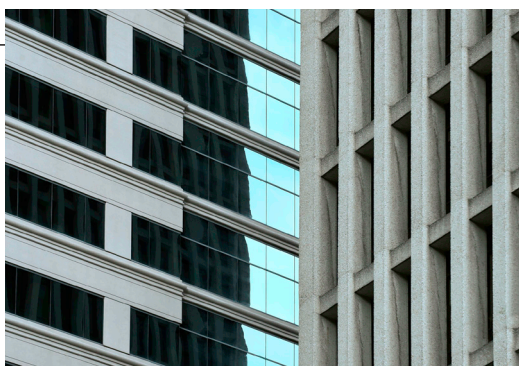
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EVOLVING CYBER THREATS

Cyber risks — including ransomware, supply chain attacks, and AI-driven exploits — continue to grow in scale and sophistication. Coverage adequacy, aggregation risk, and silent cyber exposures remain key concerns. (See *Recent outages shine spotlight on systemic cyber risks* for more.)

04



INSURANCE INDUSTRY CONSOLIDATION

Through Nov. 12, 10 insurance mergers valued at \$1 billion or more have been announced this year, according to Dowling & Partners. (See Figure 10.) For some insurers, consolidation offers scale, diversification, and access to talent and specialized products. For others, strategic divestitures may improve core focus and returns on capital. For insurance buyers, these deals may strengthen relationships with well-capitalized partners but could also reduce competition and introduce renewed rate

Figure 10: Several insurance mergers valued at \$1 billion or more have been announced in 2025.

Acquiring company	Target	Approximate value
Onex/AIG	Convex	\$7.0
Aviva	Direct Line	\$5.0
Sompo	Aspen	\$3.5
Munich Re	NEXT	\$2.6
Definity	Travelers Canada	\$2.4
Ageas	esure	\$1.8
Radian	Inigo	\$1.7
DB Insurance	Fortegra	\$1.65
The Doctors Company	ProAssurance	\$1.3
Nationwide	Allstate Group Health	\$1.25

Source: Dowling & Partners
Values in billions of dollars.

P&C insurers remain much as we have described them in recent updates: fundamentally healthy and stable, but far from complacent. Recent performance has been strong, yet insurers remain mindful of how quickly conditions can shift. As a result, underwriting behavior reflects a blend of confidence and restraint, characterized by rational pricing, selective appetites, and highly intentional portfolio strategies.

In this environment, strong risk management is a strategic asset.

Buyers with high-quality data, effective controls, and solid loss performance are consistently achieving superior outcomes, even in more challenged lines. Transparency and early engagement have become just as important as loss performance, particularly as carriers lean into data, analytics, and technology and tighten their credit standards.



Political & legislative uncertainty persists

The record-long shutdown may have ended, but the broader policy environment remains highly unsettled. Partisan tensions, unresolved debates over healthcare and tariffs, and the looming 2026 midterm elections mean the short- and long-term political landscape is unclear. Here's what businesses should be watching in the months ahead.

Government reopened — for now

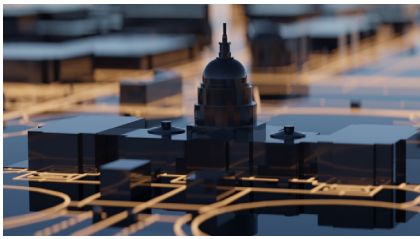


On Nov. 12, President Trump signed legislation to restore funding to the federal government, ending the longest shutdown in American history. While this provided immediate relief for households and businesses, the agreement may be short-lived.

The continuing resolution passed by Congress includes only a few appropriations bills, leaving several politically contentious topics unaddressed, including healthcare. These remaining issues must be resolved before the new funding deadline of Jan. 31, 2026, to avoid another government shutdown.

One of the most contentious issues is whether to extend enhanced Affordable Care Act (ACA) subsidies that expire at the end of the year. Partisan and bipartisan legislation to extend the enhanced ACA subsidies fully or partially has been proposed. However, as of the time of this writing, no proposals have been able to gain a majority of votes in the House and the 60 votes necessary in the Senate to pass.

The debate about extending the enhanced ACA subsidies is not the only concern. Congress is actively working on the remaining appropriations bills, but many of the same roadblocks that prevented passage before the shutdown remain — for example, earmarks, specific funding levels, and inclusion of unrelated policy priorities. Without progress soon, the likelihood of another stopgap funding bill and another shutdown increases.



Partisan political dynamics

The off-year elections revealed notable shifts from 2024, when most precincts trended right. This year's results — including in gubernatorial elections in New Jersey and Virginia — show precincts trending left, even in areas won by President Trump in 2024.

This has energized Democrats, who perceive momentum to push their priorities during the interim before the next funding deadline. Republicans, on the other hand, feel they “won” the shutdown standoff, although polling suggests many Americans blame them for the shutdown.

The upshot is continued gridlock and political tension, with the upcoming midterm elections looming in the background. Polling and recent election trends suggest Democrats could gain seats in both chambers of Congress, although Republicans are expected to retain control of the Senate.

These results would align with historical norms. In the last 23 midterm elections, the president's party has gained seats in the House just three times and in the Senate just seven times, according to the American Presidency Project at the University of California, Santa Barbara.

Redistricting adds further complexity. In August, Texas enacted a new electoral map that improves the election chances for Republicans. The U.S. District Court for the Western District of Texas later ruled that revised map is unconstitutional, but the Supreme Court on Dec. 4 stayed the lower court's ruling, allowing for the new map to be used during the midterms. Meanwhile, in November, California voters approved a new map that improves the election chances for some vulnerable Democrats, while creating openings for moderates. Other Republican-led states have either considered or passed new maps, with mixed results.



Healthcare still a flashpoint

Healthcare policy remains one of the most divisive issues in politics. The shutdown amplified concerns about changes to Medicaid, Medicare, and ACA subsidies, issues that have been in the spotlight since the debates leading up to the passage of the One Big Beautiful Bill Act this summer.

Hospitals, long-term care facilities, and clinic operators are closely monitoring developments, concerned about the financial implications of reduced federal support. Democrats remain committed to defending ACA funding, while Republicans continue to craft alternative proposals that would result in major reforms. Whether reduced funding could accelerate facility closures or drive further private equity consolidation remains an open question.

These dynamics underscore the need for strategic planning among healthcare organizations as legislative and regulatory shifts loom.



Other regulatory & legislative priorities

Even as healthcare dominates the agenda, other regulatory topics remain in play.

Digital asset regulation has emerged as a notable area of bipartisan interest. A recent Senate Agriculture Committee draft on digital asset market structure reflects incremental progress, but significant questions remain, particularly around jurisdictional clarity for the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission.

This effort signals that even amid fiscal brinkmanship, lawmakers can advance targeted legislation. Still, broader priorities will dominate the agenda, limiting bandwidth for niche issues.

A key economic concern is tariffs. The Supreme Court is reviewing the legality of tariffs imposed by President Trump under IEEPA. If invalidated, the ruling could require the repayment of billions collected thus far, unless the court specifies otherwise. The administration is expected to resist broad refunds absent explicit judicial direction.

Should the Supreme Court invalidate the IEEPA levies, it does not end the debate around tariffs, as the administration may be able to reimpose them under different legal frameworks. Regardless of the court's ruling, businesses should prepare for tariffs to remain a policy tool used by future administrations of both parties.

Federal and state policymakers continue to work on a regulatory framework for AI. Concern about a patchwork of state regulations has led some federal lawmakers, including some in the Trump administration, to back a moratorium on state AI regulation as the process to develop uniform federal rules continues.

Finally, the cannabis industry is anxiously awaiting a final determination from federal regulators on whether the drug will be rescheduled. Reports indicate a decision is likely to come soon.



Recent outages shine spotlight on systemic cyber risks

Recent high-profile outages have underscored the economy's increasing dependence on major cloud platforms and the disruptive potential of even short outages. While systemic cyber risk is still viewed as largely theoretical, insurers and reinsurers are paying closer attention to coverage gaps, exclusions, and aggregation exposure.

For businesses, these events highlight the need for precise policy language and proactive resilience strategies.

Tech failures becoming more visible

For businesses worldwide, small-scale technology outages occur daily. Large-scale outages occur less frequently but often generate news headlines and have ripple effects that draw significant attention from insurers, businesses, and the public.

In October, two such widespread outages — involving AWS and Microsoft's Azure cloud platform — occurred within a matter of days. Internet infrastructure and security provider Cloudflare reported an outage of its own in November. Each event disrupted thousands of websites and applications across desktop and mobile platforms, affecting companies and organizations across various industries, including aviation, banking, healthcare, and retail.

These events follow two other high-profile outages in the last 18 months. In July 2024, a software update defect affecting the cybersecurity company CrowdStrike's Falcon threat monitoring platform impacted 8.5 million Windows devices, resulting in widespread disruptions for airlines, hospitals, banks, and others. And in November 2024, a Microsoft 365 outage affected thousands of Outlook and Teams users.

Although outage frequency is not necessarily rising, the scale of cloud dependence means that more users and insurers feel the impact when a major provider has an issue. Multiple large-scale events occurring in a relatively short period of time can also raise concerns for insurers, including potentially prompting them to take a closer look at policy language.

How insurers & reinsurers are reacting

Insurers are not yet broadly rewriting cyber policies or otherwise overreacting to recent trends. Recent events, however, are prompting sharper scrutiny. For example:

- Although cyber insurance is broad, it was not designed to cover every outage. Some policies require waiting periods — often nine to 12 hours — before coverage is triggered, which means short outages may not qualify as covered losses.
- Some carriers may view the AWS outage, for example, as an infrastructure issue, which raises questions about coverage applicability. Standard cyber insurance policies often exclude coverage for infrastructure-related losses but generally include “cloud services” in policy definitions of insureds’ computer systems.
- Sublimits and exclusions for systemic risks will likely become more common, especially for cloud outages.

Still, systemic risk remains a largely theoretical concern. The reality is that actual large-scale failures that would be described as “systemic” events have, to this point, been exceedingly rare.

Reinsurers, particularly newer entrants, continue to deploy meaningful capacity for both proportional and nonproportional covers. However, recent outages are a reminder that systemic events could have broad implications for reinsurance portfolios. As a result, reinsurers are increasingly focusing on waiting periods, critical infrastructure exclusions, and event aggregation modeling.

There has been some limited chatter about a potential public-private partnership on cyber risks. The Terrorism Risk Insurance Program (TRIP) — established in the wake of the Sept. 11, 2001, terrorist attacks and most recently reauthorized in 2019, extending the program through Dec. 31, 2027 — applies to cyber events, but the general market view is that TRIP is ill-suited for large-scale business interruption events.

Some in the industry have expressed interest in a stand-alone backstop dedicated to cyber risks, but federal government and congressional support for such a program appears to be limited. Lawmakers remain cautious due to challenges seen in other government-sponsored insurance initiatives, such as the National Flood Insurance Program. Regulatory agencies are instead exploring security standards and legal frameworks to bolster infrastructure resilience.

Building resilience

Given the evolving cyber threat landscape, businesses should focus on becoming more resilient.

From an insurance perspective, organizations should work with their brokers to ensure cyber policies include clear language covering cloud outages. While most insurers currently offer such coverage, exclusions for networking or internet infrastructure may apply. In partnership with their brokers, companies should review sublimits, waiting periods, and endorsements to confirm coverage adequacy.

Insurance, however, is not a panacea. To build more resilient cybersecurity structures, additional steps are critical. Organizations should focus their attention on:

01

Vendor management.

Systemic risk often stems from shared dependencies on major providers. Organizations must understand dependencies, contractual obligations, and service-level commitments across all tiers of the supply chain. They should also ensure clear communication on recovery plans.

02

Redundancy planning.

Businesses should distribute critical workloads across multiple zones or providers to reduce single points of failure.

03

Backups.

Organizations should maintain secure, tested backups — with multiple vendors — to enable quick restoration after outages or cyber incidents. Regular validation of backup processes ensures they will work when needed, reducing exposure.

04

Incident response planning.

Businesses should ensure that response plans include detection, containment, and recovery steps along with communication protocols. Plans should be accessible both physically and digitally, updated annually and after incidents, and tested regularly through tabletop exercises to ensure readiness and incorporate lessons learned for effective crisis management.



Our recommendations

01

Differentiate your risk.

As underwriters take a more disciplined approach, demonstrating risk quality is critical. Buyers that present a clear story — including effective loss prevention, proactive risk mitigation, strong claims handling, and thoughtful legal strategies — can materially strengthen their underwriting narratives and secure improved pricing and terms.

02

Invest in more than just insurance.

A proactive, adaptive approach reduces exposure and builds long-term resilience. Empower your organization by building a resilient risk culture. Explore new ways to stay ahead of emerging threats, enhance your team's expertise to better prevent risks, and leverage advanced modeling and other tools to identify more effective risk financing options.

03

Rethink your renewal strategy.

Start early and take a coordinated approach in partnership with your insurance broker. Consider reinvesting premiums to better align your insurance expenditures with organizational risk priorities. This methodology supports more stable results and reduces volatility over time.

04

Be strategic with risk capital.

Align insurance decisions with clear long-term objectives. Reevaluate risk, retention levels, limits, and attachment points as financial, operational, and market conditions change. Explore alternative financing options, from parametric solutions for property and cyber hazards to loss portfolio transfers that can ease collateral burdens.



05

Use scenario planning to boost your readiness.

Stress test business continuity and incident response plans. Collaborate with internal teams, brokers, and insurers to evaluate how your organization would respond under various loss scenarios. Ensure your team is equipped to act decisively during a crisis.

06

Strengthen global insurance programs.

Regularly revisit domestic and global program structures to expand coverage terms, clarify policy language, remove exclusions, and evaluate multiyear options. Prioritize relationships with financially stable insurers and press them for capacity where needed.

07

Expect more from your broker.

Placing coverage is table stakes. Look for advisors who can offer deep insights, help unlock capacity, and guide data-driven solutions. Your broker should take a holistic view of risk, challenge assumptions, and use advanced modeling to support the development of financially efficient programs.

Property market continues to favor buyers

Expected range for rate changes next quarter¹

15% decrease to flat

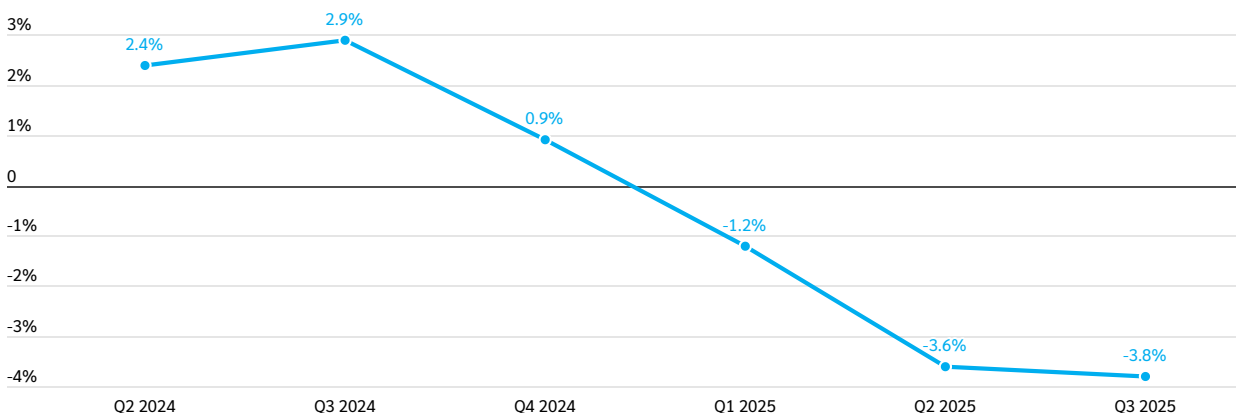
Non-catastrophe-exposed

20% to 5% decrease

Catastrophe exposed/challenged occupancies

Commercial property continues to be a profitable line for insurers, with abundant capital fueling intense competition. In the third quarter of 2025, median property insurance rates fell 3.8%, according to Lockton data. (See Figure 11.)

Figure 11: The property market remains buyer-friendly.



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

Carriers are aggressively defending their existing books and competing for new opportunities to offset slowing topline premium growth. Shared and layered programs remain the most competitive segment, although single-carrier programs are also seeing rate improvement as insurers increasingly push to deploy more meaningful limits.

Retail carriers remain well capitalized and aggressive on high-quality risks. Wholesale markets continue to provide essential capacity for complex, catastrophe-exposed, or distressed accounts with more selective deployment, especially around secondary perils and large time-element limits. Many programs now blend retail and wholesale capacity as a deliberate strategy to optimize structure, pricing, and limit adequacy.

Carriers continue to take a disciplined approach to challenged accounts, including those with sizable losses or heavy catastrophe risk exposure. In practice, however, even these buyers are seeing improved pricing with programs that are oversubscribed.

Large contingent time element limits remain difficult to obtain at pricing that makes sense for most buyers. Insurers view these exposures as highly volatile and more difficult to model, especially given ongoing supply chain uncertainty, tariffs, and sensitivity to secondary perils.

Despite an ominous start to 2025, including the California wildfires and spring storm activity, the Atlantic hurricane season was surprisingly benign, with no hurricanes making landfall in the U.S. for the first time since 2015. (Chantal

made landfall in South Carolina in July as a tropical storm.) For insurers, this provided a valuable earnings tailwind, strengthening capital positions and reinforcing competitive conditions.

For buyers, the absence of a major hurricane has supported continued rate relief and broader capacity. Both sides, however, recognize that one quiet season does not change the long-term trajectory of climate volatility.

Parametric products have lost some momentum as traditional capacity has returned and pricing has become more competitive. Even so, they remain an important strategic tool, particularly for buyers with hard-to-model exposures, catastrophe-prone operations, or supply chain vulnerabilities. Recent reports of parametric payouts following Hurricane Melissa's landfall in Jamaica have also renewed interest, underscoring the value of fast, trigger-based recovery versus traditional coverage, which is slower and more restrictive. In a market where secondary perils and contingent time element exposures remain difficult to place, parametrics may offer a meaningful option.

Recommendations

- Use analytics to strengthen program design. Leverage modeling, location-level data, and scenario analysis to demonstrate risk quality and optimize structure.
- Highlight risk improvements and resilience investments. These remain key differentiators in a competitive but still selective market.
- Market programs strategically. Take advantage of broad competition, but continue to evaluate insurer financial strength, claims performance, and long-term stability. Use a blend of retail and wholesale and recognize the value of long-term relationships.
- Consider multiline partnerships. Broad relationships across multiple lines often generate better pricing, access, and stability across programs.

¹Note: 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.

Workers' compensation remains stable despite rate adequacy concerns

Expected range for rate changes next quarter¹

3% decrease to flat

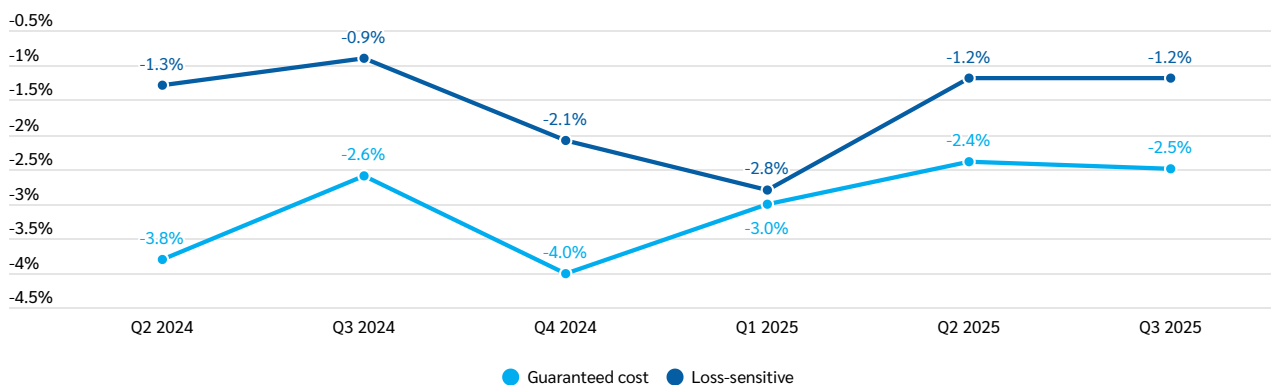
Guaranteed cost workers' compensation

3% decrease to flat

Loss-sensitive workers' compensation

Despite continued headwinds, workers' compensation remains among the most profitable and competitive commercial insurance lines. In the third quarter, median rates fell 2.5% for guaranteed cost programs and 1.2% for loss-sensitive programs, according to Lockton data. (See Figure 12.)

Figure 12: Workers' compensation rate changes in the third quarter were little changed from the previous quarter.



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

Pricing remains generally flat for most buyers, with those with favorable loss histories seeing especially competitive conditions. Capacity is ample, and carriers are generally eager to deploy capital and compete. Some insurers, however, are pulling back due to prior aggressive pricing and concerns about loss development.

Healthcare, hospitality, and construction employers are seeing greater underwriting scrutiny due to high wage growth and an uptick in injury rates for first-year employees. Insurers are also watching efforts across several states to expand coverage for mental health-related claims and to redefine “gig” worker classification, which could lead to more claims.

On Jan. 31, President Trump signed an executive order directing federal departments and agencies to each “identify at least 10 existing regulations to be repealed.” In July, the Occupational Safety and Health Administration (OSHA) published more than two dozen proposed rules aimed at repealing or scaling back existing regulations.

Among the most notable proposals is a new interpretation of the Occupational Safety and Health Act of 1970’s general duty clause. The administration proposes to narrow OSHA’s enforcement agenda by “[excluding] from enforcement known hazards that are inherent and inseparable from the core nature of a professional activity or performance.” Other proposed rules would scale back reporting of musculoskeletal disorders and COVID-19 cases. Some of the proposed rules will affect specific industries, including the construction, healthcare, and maritime sectors.

Insurers and employers alike will be closely monitoring these proposed rule changes, which could shift more liability to employers — with an especially significant potential impact on small and midsize businesses — and may affect workers’ compensation insurance premiums. Individual states may also respond with their own new regulations.

Questions about the overall state and health of the economy persist, which could also have implications for workers’ compensation. Economic uncertainty could lead to layoffs, which may result in employees doing more work than normal, performing work they are not trained for, or taking more time to return to work. These trends could contribute to increases in claims frequency and/or severity.

Recommendations

- Focus on differentiation during upcoming renewals. Highlighting proactive claims management and strong safety and loss control programs can improve employers’ standing with underwriters, potentially leading to more favorable pricing.
- Validate experience mods in guaranteed cost programs, with specific emphasis on the accuracy of class codes and loss limitations.
- Consider loss portfolio transfers for loss-sensitive programs to clean up balance sheets.
- Revisit retentions and collateral levels/instruments in light of changing economic conditions.

¹Note: 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.

Risk quality & discipline seen as foundations for liability growth

Expected range for rate changes next quarter¹

5% to 10% increase

General liability

10% to 15% increase

Auto liability

8% to 18% increase

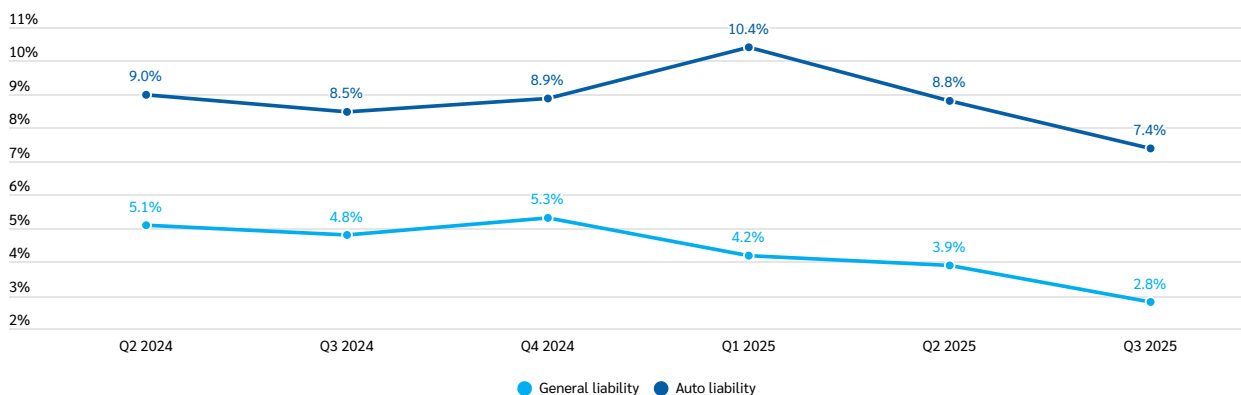
Lead umbrella

7% to 17% increase

Excess casualty

Liability insurers remain cautious even as they selectively pursue growth. In the third quarter, rates for primary general liability rose 2.8% and auto liability rates rose 7.4%, on average, according to data from the Council of Insurance Agents & Brokers.² (See Figure 13.)

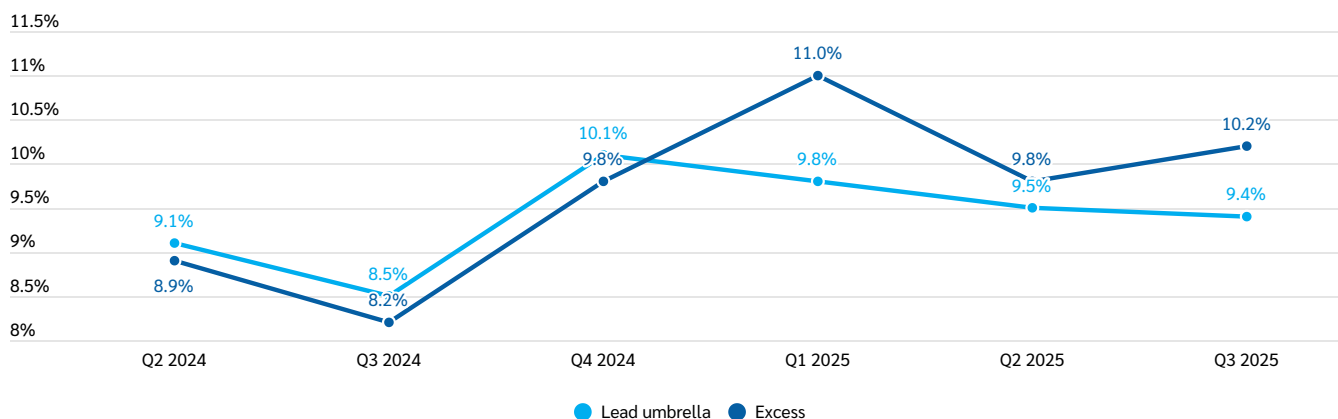
Figure 13: General liability and auto liability rate increases slowed slightly in the third quarter.



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

Median lead umbrella price per million rose 9.4% in the third quarter, according to Lockton data, while median excess casualty price per million rose 10.2%. (See Figure 14.)

Figure 14: Umbrella and excess rates continue to rise at a steady pace.



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.

Capacity is broadly stable heading into 2026, neither expanding meaningfully nor contracting at levels seen prior to 2024. Prior-year remediation efforts, rate adjustments, and the entrance of new MGAs have helped stabilize the market without fundamentally changing its tenor.

Still, several sources of forward-looking disruption bear close watching. Somo's acquisition of Aspen and AIG's acquisition of Everest's retail book could reshape capacity deployment in early 2026. AIG has publicly committed to maintaining Everest capacity, even where they overlap on towers. Whether this will hold beyond the first year remains to be seen.

Carriers remain especially cautious on lead umbrellas. Rate increases are stabilizing in higher excess layers, but attachment points continue to drift upward as insurers distance themselves from frequency-driven severity layers that have produced outsized losses. Several insurers have also acknowledged ongoing reserve challenges related to older accident years, reinforcing discipline in long-tail casualty and limiting appetite for aggressive limit deployment.

Auto liability remains a consistent pressure point. Organizations with larger auto fleets — 500 or more vehicles — continue to see the steepest rate increases

as insurers tighten underwriting around distracted driving, nuclear verdicts, and rising repair costs. Construction and transportation companies continue to bear the brunt of this discipline.

Insurers are increasingly focusing on technology and AI-driven liability, especially privacy exposures, algorithmic bias, copyright infringement, and unintended consequences in manufacturing and autonomous systems. Buyers should expect more scrutiny of AI-related exclusions or new amendatory endorsements as insurers attempt to clarify coverage intent.

Underwriters continue to scrutinize sexual abuse and molestation and assault and battery risks in real estate, education, and healthcare, and buyers can expect broader reviews in the future. Brokers are trying to maintain "silent" positions where possible for these risks; capacity for stand-alone affirmative coverage on a claims-made basis is available for insurance buyers in these industries via the London marketplace.

Buyers are similarly pushing for silent positions on risks related to per- and polyfluoroalkyl substances. Climate-related liability — from alleged failures in risk mitigation to property damage tied to emissions — is also becoming a more frequent discussion point for insurers, even if pricing does not yet fully reflect the potential threat.

The broader litigation environment continues to complicate long-tail lines. Social inflation remains a persistent headwind, exacerbated by litigation funding and increasingly sophisticated plaintiff strategies. Underwriters are keenly aware that a single emerging trend — whether connected to AI, climate, or public health — could become the next asbestos or opioid crisis.

Economic and claims inflation continue to raise the severity baseline. Rising medical costs, attorney fees, and prolonged litigation timelines are accelerating social inflation and leaving insurers with a narrower margin for error, particularly as softening interest rates reduce investment yields that have helped offset volatility.

In May, Chubb, Zurich, and National Indemnity launched a \$100 million excess casualty facility that offers coverage on a claims-made basis. While this product offers clear capacity and claim-handling benefits, adoption has been measured as buyers and their brokers evaluate the form, its

pricing, and its alignment with policyholder needs. Nevertheless, this form represents an early signal that the industry may be shifting more toward claims-made triggers, especially for higher-hazard classes. Markets are looking for certainty as they seek to expose capital and price these risks.

MGAs also continue to introduce more specialized products targeting niche sectors. MGA capacity, however, remains dependent on fronting arrangements and reinsurer appetite, adding another layer of fragility to the system.

Given these dynamics, it's essential for insureds and their brokers to understand the risks associated with MGAs to safeguard against potential disruptions in capacity and claims handling. These risks can include the financial stability of fronting carriers, reinsurer withdrawal/reduced appetites, and potential delays in claims payments if any party in the chain faces solvency or liquidity challenges.

Recommendations

- Treat renewals as an ongoing process rather than a discrete event. This means engaging early, revisiting assumptions midyear, and maintaining open dialogue with underwriters to avoid unexpected shifts in terms or pricing.
- Stay abreast of emerging risks, evolving industry dynamics, and carrier M&A activity. And leverage updated analytics and modeling to validate exposure data, test program structures, and anticipate loss scenarios.
- Push for multiyear options where possible to lock in favorable conditions and use the added runway to socialize alternative program designs and creative risk-financing solutions.

¹Note: 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.

²Charts 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 11, which uses data from CIAB.

Stability reigns for executive risks

Expected range for rate changes next quarter^{1,3}

5% decrease to flat

Public directors and officers liability

5% decrease to flat

Private/nonprofit directors and officers liability

Flat to 5% increase

Employment practices liability

Flat to 5% increase

Fidelity/crime

5% decrease to 5% increase

Fiduciary liability

Conditions across executive risk lines are largely stable, with some pockets of rate flattening or firming. In the third quarter, median total program rates:

FELL 3.3% for public company D&O. (See Figure 15.)

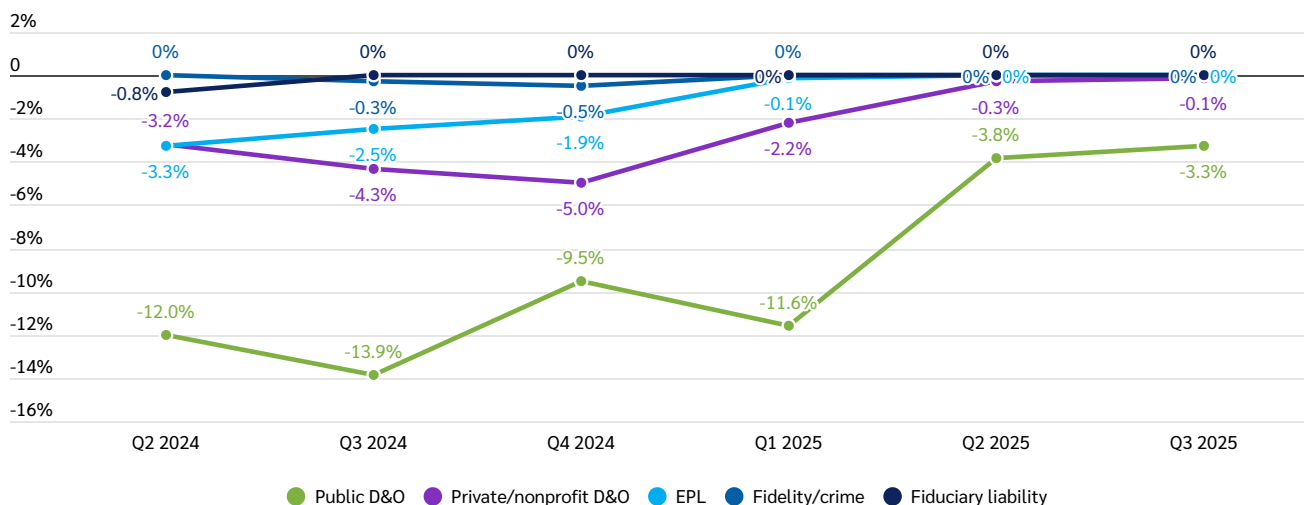
FELL 0.1% for private company and nonprofit D&O.

REMAINED FLAT for employment practices liability (EPL).

REMAINED FLAT for fidelity/crime.

REMAINED FLAT for fiduciary liability.

Figure 15: Rates for executive risk were close to flat in the third quarter.



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



Flattening public D&O market the new norm

Most public companies are renewing their D&O programs flat, with rate reductions becoming more difficult to secure. Excess carriers are pushing back where they feel pricing sits below necessary minimums and pricing is not sustainable. Insurers are generally less willing to concede further on rate.

Capacity is still replaceable, but often only by tapping newer market entrants with limited claims-paying histories. This is a trade-off that many buyers are weighing more carefully.

Overall capacity remains ample. Established primary carriers participating only in excess positions are willing to drop down if, for example, incumbent primary carriers push for rate. However, these carriers rarely offer materially better terms than expiring programs. New entrants continue to offer competitive primary terms to position themselves for excess layers, but their participation introduces more variability in claims handling and long-tail reliability. Buyers and their boards are watching both of these factors closely.

After years of sustained rate reductions, primarily resulting from insurers conceding to competition to maintain business, the market is now showing firmer resolve. Rising severity — particularly from derivative settlements, event-driven claims, and escalating legal fees — is reaching higher into towers, prompting established markets to resist further rate compression.

Many insurers are now prepared to pass on business that does not align with their pricing models. Meanwhile, an improving capital markets

environment is giving insurers access to “true” new business — including initial and secondary public offerings and de-SPAC transactions — which eases the pressure to retain accounts at unsustainable pricing.

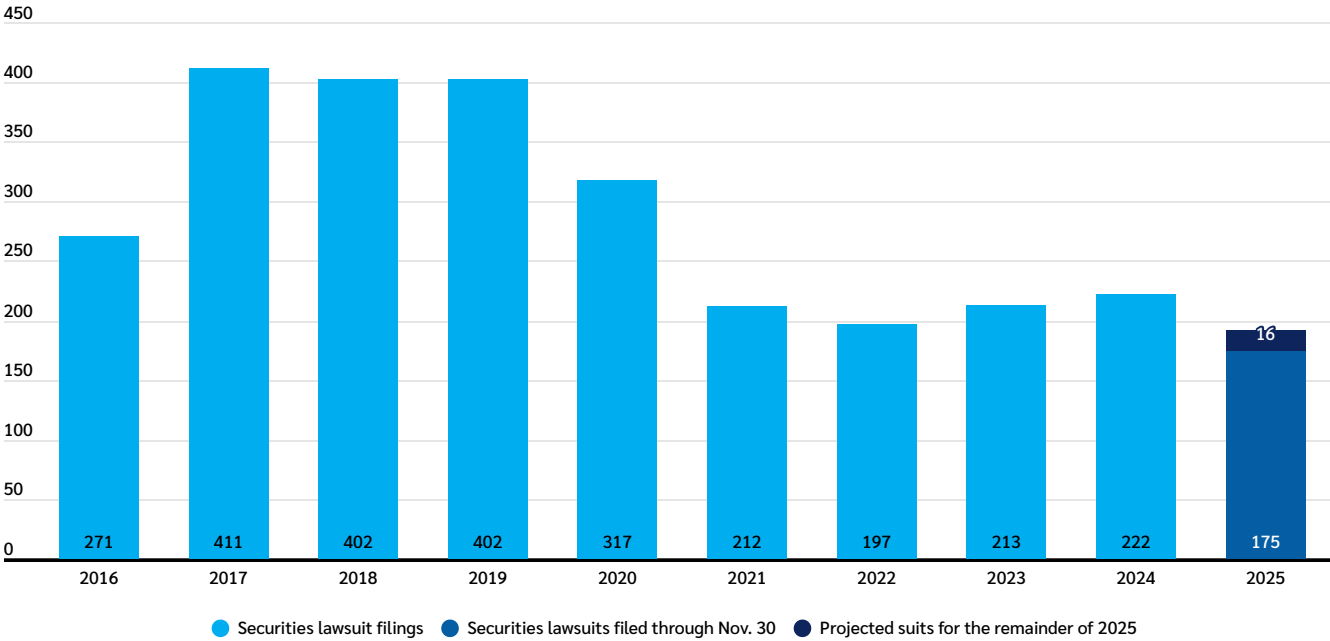
For new business, competition remains strongest on primary and low excess layers. Middle excess layers are proving more challenging, as carriers feel premiums are inadequate for the tail risk they are assuming.

Although broad coverage is still readily available, some D&O carriers object to the breadth of certain policies available in the marketplace and decline to follow suit. Underwriters are particularly focused on AI governance, tariff impacts, macroeconomic volatility, and the quality of financial disclosures. They are scrutinizing how management teams communicate earnings guidance risk, what boards are doing to address emerging exposures, and whether companies’ data governance and operational resilience align with their disclosures.

Companies with worsening claim experience, stressed balance sheets, or digital asset treasury strategies are facing more difficult conditions amid insurer concerns about bankruptcies and defaults. For the year ending June 30, 2025, 32 “mega” bankruptcies were filed, involving companies with \$1 billion or more in reported assets, according to Cornerstone Research, up from 24 for the year ending June 30, 2024. In the first six months of 2025, 17 mega bankruptcies were filed, the most since the first half of 2020.

Through November, plaintiffs had filed 175 securities class-action lawsuits in federal and state courts, according to data from [Stanford Securities Litigation Analytics](#). (See Figure 16.) This puts 2025 on pace for 191 filings for the full year. An annual average of 211 suits were filings for 2021 through 2024, according to the [Stanford Law School Securities Class Action Clearinghouse](#). Nevertheless, insurers continue to point to a rise in defense costs as an area of concern.

Figure 16: The pace of securities class-action filings in 2025 is generally in line with recent years' activity.

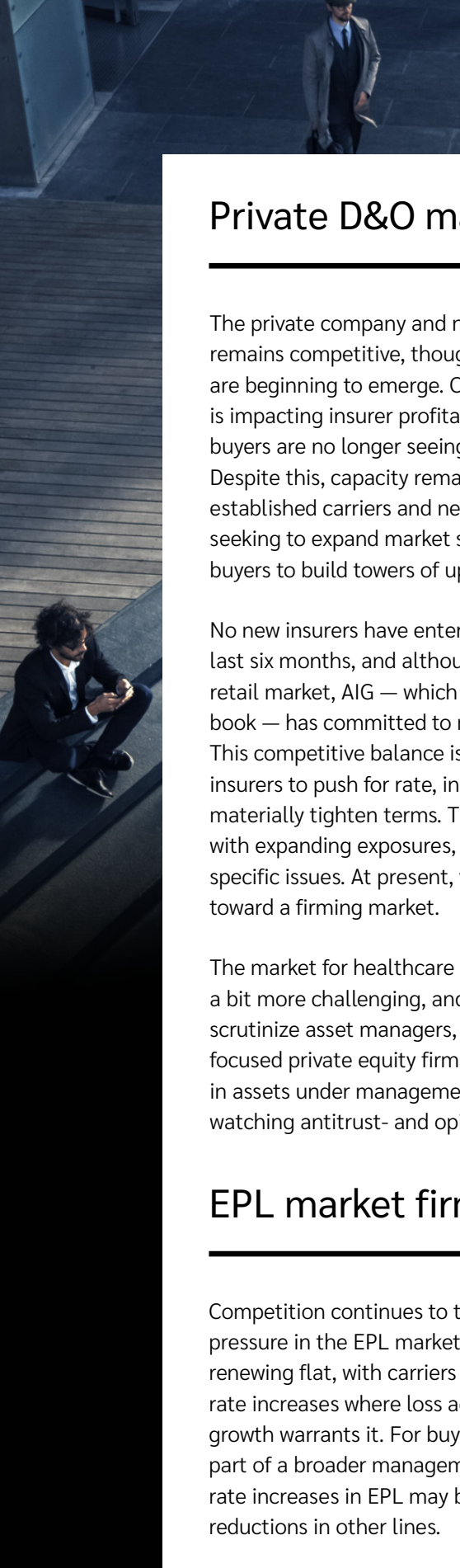


Source: Stanford Law School Securities Class Action Clearinghouse and Stanford Securities Litigation Analytics

Through November, at least two Fortune 500 companies have been targeted in class-action litigation alleging that management had misrepresented the impacts of tariffs on the companies' finances and operations. These are believed to be the first — but likely not the last — class actions linked to [the second Trump administration's tariff policy](#).

In September, the SEC reversed its long-standing practice of refusing to accelerate the effectiveness of registration statements for companies whose corporate charters or bylaws include [mandatory arbitration provisions](#) intended to limit class-action litigation. This opens the door for prospective IPOs to rely on arbitration clauses and could encourage more public listings, including on the Texas Stock Exchange, which has secured SEC approval to launch in 2026 as a competitor to the New York Stock Exchange and Nasdaq.

Separately, President Trump has publicly advocated for the elimination of quarterly earnings reports. The SEC is currently evaluating whether to move U.S. public companies to semiannual reporting, consistent with practices in the U.K. and several other global markets.



Private D&O market remains stable, for now

The private company and nonprofit D&O market remains competitive, though signs of a turning point are beginning to emerge. Continued claims activity is impacting insurer profitability, and most insurance buyers are no longer seeing rate reductions. Despite this, capacity remains robust, with several established carriers and newer entrants actively seeking to expand market share, allowing most buyers to build towers of up to \$50 million in limits.

No new insurers have entered the market over the last six months, and although Everest has exited the retail market, AIG — which acquired Everest's retail book — has committed to maintaining its capacity. This competitive balance is limiting the ability of insurers to push for rate, increase retentions, or materially tighten terms. The exception is buyers with expanding exposures, large losses, or sector-specific issues. At present, there is no momentum toward a firming market.

The market for healthcare organizations remains a bit more challenging, and carriers continue to scrutinize asset managers, especially larger buyout-focused private equity firms with \$10 billion or more in assets under management. Underwriters are also watching antitrust- and opioid-related exposures

and applying greater scrutiny to risks in the education and gaming sectors.

Financial health remains a central underwriting concern. Insurers want to see credible liquidity management and proactive board engagement, often requesting early refinancing discussions (12 to 18 months before maturity). In addition, carriers are seeking to reprice accounts with meaningful loss activity, in some cases pushing for premiums that are double expiring levels.

The claims environment for private D&O has been relatively stable overall, with no notable frequency increases in any specific areas. The recent government shutdown has had a limited impact on D&O outcomes thus far, though organizations heavily reliant on government funding could face more difficulty in the months ahead.

Looking forward, many anticipate a more favorable M&A environment in 2026. Some companies are preparing for add-on acquisitions or potential exits from public markets, although several states are increasingly challenging deals in some sectors, including healthcare.

EPL market firming, held off by competition

Competition continues to temper upward pricing pressure in the EPL marketplace. Most buyers are renewing flat, with carriers seeking single-digit rate increases where loss activity or exposure growth warrants it. For buyers purchasing EPL as part of a broader management liability package, rate increases in EPL may be partially offset by reductions in other lines.

Insurers remain eager to write EPL alongside D&O, fidelity/crime, and fiduciary liability, but they are not willing to undercut incumbent retentions. This is especially true in a claims environment characterized by rising settlement values and higher defense costs. Discrimination, harassment, and wrongful termination remain the primary drivers of severity.

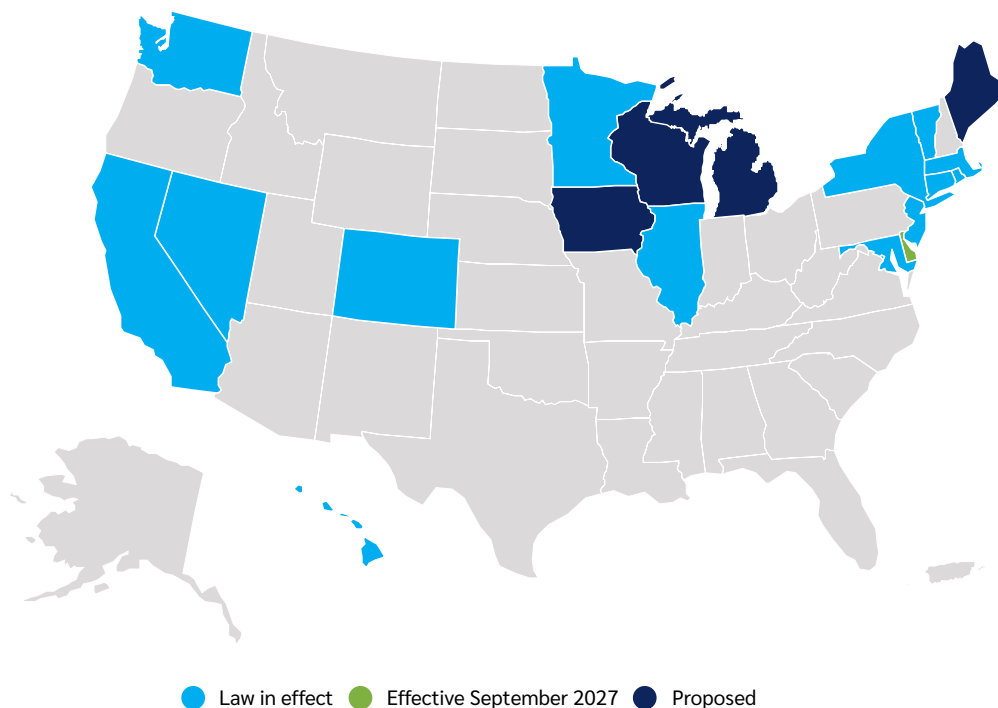
Newer exposures continue to emerge. Claims tied to AI-influenced hiring decisions — now regulated in several jurisdictions — and layoffs associated with reductions in force are increasing. Employers are also fielding more scrutiny of their use of biometric screening tools, an area for which state and local laws are evolving quickly.

The Trump administration has actively pushed back on diversity, equity, and inclusion (DEI) initiatives that employers have championed in recent years. These actions have not yet produced meaningful claims activity, but that could soon change. In October, the Equal Employment Opportunity Commission (EEOC) regained a quorum for the first time since January, and the agency

is expected to issue formal guidance on and begin adjudicating what constitutes “illegal DEI.” Other stated priorities for the EEOC include reverse discrimination protections and combating anti-American and religious discrimination.

Wage transparency claims have also become a major concern. Fourteen states and the District of Columbia now have pay transparency laws in effect, according to human resources data services company Brightmine. (See Figure 17.) These include Massachusetts, where a new law became effective on Oct. 29, and Washington, where a recent state court ruling could lead to more litigation and EPL insurance claims. Delaware has enacted a pay

Figure 17: More than a dozen states now have pay transparency laws in effect.



Source: Brightmine
Information as of Nov. 11, 2025.

Similar laws have been proposed but not enacted in Iowa, Maine, Michigan, and Wisconsin. Several cities — including New York, Cincinnati, and Cleveland — have enacted their own laws, as have New York’s Albany and Westchester counties. Insurers are managing this exposure through defense-only endorsements, exclusions, and sublimits.

The EPL market remains more challenging for retail, hospitality, healthcare, and technology employers, as well as those with a significant number of high-wage earners or class-action exposure. Employers domiciled in California or with an employee presence in the state are also seeing less favorable terms and higher retentions. Most insurers are not willing to offer wage and hour coverage in California at all.

Stable conditions persist in fidelity/crime market

Conditions in the fidelity/crime insurance marketplace remain fairly consistent with recent quarters. Despite newer market entrants, rates remain stable, with buyers generally renewing flat or with small increases or decreases. Conditions are more favorable for excess coverage as more carriers compete in the space.

Overall capacity is ample but can be limited on the primary layer for buyers looking for higher social engineering fraud (SEF) limits. Still, a handful of carriers have entered the excess SEF space and are willing to go top-heavy over primary sublimits, provided that policyholders complete SEF questionnaires.

Where buyers are seeing rate increases, it is often driven by the need for rate in other lines, especially for buyers purchasing package management liability policies. Recent paid losses and significant exposure changes are also resulting in less favorable renewal outcomes for individual buyers.

Inigo's crime excess policy form and the reemergence of all-risks policy in the London market are adding capacity to the marketplace. As a whole, however, carriers remain cautious about writing coverage for buyers with inadequate controls, particularly in the context of SEF, poor loss experience, and/or significant international exposures. Coverage for digital assets and property extensions under SEF can be more difficult to obtain.

Employees and businesses are uncertain about the labor market and overall economy, which could lead to an uptick in employee theft risk. Nevertheless, carriers are beginning to offer stand-alone SEF solutions for policyholders that do not wish to purchase full excess crime coverage.

Fiduciary liability market remains stable

Conditions for buyers are generally steady in the fiduciary liability market. Public companies are renewing flat to slightly down; private companies are mostly renewing flat, with slight increases and decreases for some individual buyers. Growth in plan assets can also drive minimal rate increases at renewal.

Capacity is ample, with carriers eager to compete and grow their market share, especially for private company business, except where employee stock ownership programs (ESOPs) are involved. Most carriers are content to maintain expiring terms to prevent marketing.

Buyers with plan assets of \$500 million or less are likely to see flat pricing due to low premium costs. Programs that have not been marketed recently might benefit from a more favorable rate environment through competition. Buyers — especially those with \$1 billion or less in assets — can also achieve improvements in retentions.

ESOPs continue to draw heavy underwriting scrutiny, with fewer markets willing to entertain fiduciary coverage for them. Underwriters tend to shy away from plans until they have been in existence for three to four years.

Excessive fee litigation, a risk that now extends beyond 401(k) plans to include health and welfare plans, remains a significant area of concern for insurers. In April, in *Cunningham v. Cornell University*, the U.S. Supreme Court reversed a decision by the 2nd U.S. Circuit Court of Appeals and effectively lowered the bar for excessive fee suits and other claims alleging violations of Section 406 of the Employee Retirement Income Security Act of 1974 (ERISA), which governs prohibited transactions.

At least one post-Cunningham ruling favoring plaintiffs has already been issued, and more are expected, keeping insurers on edge. Underwriters are routinely requiring supplemental questionnaires, more detailed disclosures, and higher retentions, specifically for excess fee exposures.

Insurers are also scrutinizing the adoption of alternative investment options following President Trump's executive order allowing ERISA-regulated plans and participants to invest in private equity, real estate, and digital assets. In addition, carriers are monitoring a new wave of plan forfeiture claims challenging IRS rules governing the treatment of unvested employer contributions.

Meanwhile, in September, former fiduciary insurance executive Daniel Aronowitz was confirmed by the Senate to lead the U.S. Department of Labor's Employee Benefits Security Administration. He is widely expected to bring a more business-friendly approach to the agency's enforcement and regulatory priorities.

Recommendations

- Consider prioritizing relationships with established carriers that have proven claims-handling capabilities and long-standing reputations, rather than chasing short-term premium savings. Also work closely with experienced brokers to secure the broadest available terms and maintain productive long-term relationships with insurers.
- Proactively communicate financial and organizational changes. Alert brokers to shifts in ownership structure, liquidity challenges, covenant pressures, upcoming debt maturities, furloughs, or other developments that could meaningfully expand risk. (For D&O programs, these dynamics may necessitate additional side A difference-in-conditions limits, prepaid tails, or other targeted coverage enhancements.)
- Reinforce risk controls/governance practices in underwriting submissions and discussions. Robust financial oversight, HR practices, and fiduciary processes reduce the likelihood of loss and help position insureds more favorably, particularly for SEF-related exposures.
- Explore loss prevention and risk management services that are included in many insurance policies.
- Evaluate multiyear options. Where offered, multiyear renewals can help preserve historically low pricing, reduce volatility, and provide additional time for strategic planning.

¹Note: 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.

³Expected ranges are for total programs.

Competition continues to fuel buyer-friendly cyber market

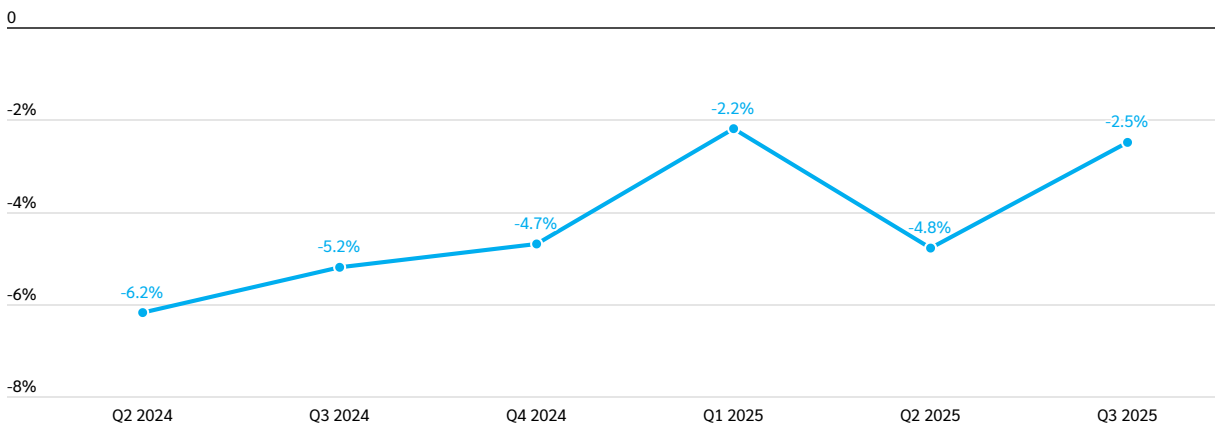
Expected range for rate changes next quarter^{1,3}

5% decrease to flat

Cyber

Conditions in the cyber insurance market remain largely favorable to insurance buyers. In the third quarter, median total program rates for cyber insurance fell 2.5%, according to Lockton data. (See Figure 18.)

Figure 18: Median cyber rates have fallen for 10 consecutive quarters.



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

Growth prospects for cyber insurers remain constrained, as the pool of net new buyers has largely plateaued. With stable coverage and increasingly attractive pricing, most insureds are sticking with incumbent carriers, leaving limited opportunities for true new business. At the same time, several markets that previously concentrated on excess layers are now pivoting to primary layers, where they can exert greater influence over pricing, underwriting controls, and security posture. Combined with carriers' desire to protect existing portfolios, this shift is amplifying competition.

The result is a buyer-friendly environment: Pricing is flat to modestly down, even for organizations with less-than-ideal risk profiles, and insureds are able to negotiate improvements to policy language. Coverage breadth remains strong, and carriers are willing to differentiate for well-managed risks.

Still, underwriters are acutely focused on several emerging issues shaping the risk environment, product design, and portfolio strategy. Key trends insurers are watching include:

Systemic risk and aggregation exposure.

Cloud outages, software and supply chain dependencies, and concentration in key service providers could generate correlated losses. In response, insurers are reassessing catastrophe modeling, sublimits, and portfolio concentration.

AI-driven litigation and regulatory risk.

The rapid adoption of AI is introducing new, often “silent,” exposures, including privacy, copyright, discrimination, and operational risks. Insurers and policyholders are navigating a complex regulatory environment in the U.S. and abroad, trying to anticipate loss scenarios that lack historical precedent.

Rising non-data breach privacy litigation.

Lawsuits arising from new privacy laws are being filed more frequently. The plaintiffs’ bar is also employing creative legal strategies to repurpose older statutes to modern technologies and expand the scope of privacy claims. Defense costs and claim frequency are on the rise.

Business interruption disputes.

As cyber events increasingly disrupt operations rather than compromise data, disagreements over insured versus uninsured downtime are becoming flashpoints.

Product development and coverage ambiguity.

Traditional cyber wordings are being tested by new technologies and loss patterns. Carriers are racing to update forms and introduce more tailored endorsements.

The regulatory environment is also shifting. The Trump administration has pulled back from several initiatives led by the Cybersecurity and Infrastructure Security Agency while promoting new policies regarding AI. States, meanwhile, are filling the vacuum through their own AI, data security, and privacy regulations, creating a patchwork that complicates compliance and underwriting.

Parametric cyber coverage is gaining traction as a tool for managing business interruption and liquidity risk. These structures offer immediate payouts when pre-agreed triggers are met, avoiding protracted adjustment periods and providing organizations with immediate liquidity following disruptive events. Parametric solutions can complement traditional cyber insurance and play a strategic role in broader cyber risk capital management. Success hinges on accurate quantification of exposure to determine the appropriate limits, triggers, and cost-benefit trade-offs relative to conventional coverage or retained risk.

Recommendations

- Work with brokers to consider using premium savings to increase limits, adding technology errors and omissions coverage to cyber policies, and employing parametric solutions.
- Take a proactive approach to cyber risk management, which can enable responsiveness during crisis situations. For example, work with your brokers and other advisors to complete tabletop exercises that simulate business interruption events. This can help organizations better quantify their cyber risk, including potential worst-case scenarios, and identify potential gaps in incident response plans.

¹Note: 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.

³Expected ranges are for total programs.



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