



2026

Commercial Insurance

Market Outlook

Presented by ACO Insurance

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Executive Summary

The commercial insurance sector faced various headwinds for much of the past several years, with rising claims frequency and severity fostering a prolonged hard market. In this challenging environment, most policyholders encountered tightened underwriting standards, reduced capacity and consistent premium hikes. However, the sector is currently undergoing significant changes, marked by boosted profitability and healthy competition across several lines of coverage. While certain segments continue to be impacted by complex loss trends and emerging exposures, many are experiencing signs of moderation.

According to industry data, U.S. composite insurance rates remained mostly flat in the first few months of 2025 before declining by 1% in the third quarter, indicating more stable pricing conditions. Additionally, strong reinsurance capital has bolstered capacity among primary insurers, with such capital surpassing \$800 billion at the midpoint of the year.

As favorable underwriting results and ongoing premium growth support continued moderation, reinsurance brokers are projecting the commercial insurance sector's return on equity (ROE) to be around 10% for 2025, closely mirroring the previous year's results and representing a notable increase from 3.4% in 2023.

Average Premium Changes, Q4 1999–Q3 2025



Source: The Council of Insurance Agents & Brokers (CIAB)

Key factors influencing this widespread market stabilization include an easing general inflation rate, advanced risk management strategies among policyholders and innovative coverage solutions from insurers, all of which are helping to keep losses more manageable across different lines of business.

Despite these softening conditions, the commercial insurance sector is still contending with a range of cross-cutting forces. Although the general inflation rate has cooled considerably over the last couple of years, it remains slightly above the Federal Reserve's target of 2%, continuing to put pressure on claims severity. Furthermore, other forms of inflation (i.e., wage and medical) and evolving U.S. tariffs are still driving up property reconstruction and bodily injury costs in both the property and casualty spaces. While many insureds in the property segment are experiencing improved pricing and capacity, worsening natural disaster trends—namely, the clustering of U.S. billion-dollar weather events in the first half of 2025—are prompting stricter engineering and valuation controls among catastrophe-prone accounts.

Compounding concerns, today's increasingly challenging legal climate is fueling a surge in liability litigation and record-setting jury awards and settlements, with social inflation motivating some casualty and professional/executive liability insurers to maintain firmer pricing, limits and retentions for the foreseeable future. Moreover, ongoing advancements in workplace technology—although beneficial—are also creating new

operational risks, security threats and an increased potential for errors and biases. This, in turn, is pushing some insurers to place additional underwriting focus on technology oversight, documentation and governance in order to combat related claims activity.

Nevertheless, initial expectations for the commercial insurance sector in 2026 are largely positive. Policyholders with favorable risk profiles and effective mitigation measures in place will likely benefit from competitive pricing structures and sufficient capacity. On the other hand, insureds who have adverse loss history or neglect to address their shifting exposures could be susceptible to ongoing premium jumps and coverage limitations. With this in mind, it's imperative for policyholders to differentiate themselves with ample loss controls and data. This may entail bringing detailed asset valuations, mitigation evidence and litigation management metrics to coverage negotiations to secure better terms. Insureds should also plan for policy friction points by budgeting for higher retentions and deductibles in segments where troubling loss trends persist.



Above all, policyholders should know that they don't have to navigate the commercial insurance sector alone.

Working with trusted insurance professionals can provide valuable insights and the tools needed to adapt to changing circumstances, secure customized coverage and ensure proper positioning during renewals. By partnering with these professionals, insureds can benefit from targeted risk management guidance, proactive planning and tailored advocacy to meet their unique needs.

2026 Market Outlook

Forecast Trends

Price forecasts are based on industry reports and other proprietary data for individual lines of insurance. Forecasts are subject to change and are not a guarantee of premium rates. Insurance premiums are determined by a multitude of factors and differ between businesses. These forecasts should be viewed as general information, not insurance or legal advice.

Line of Coverage	Price Forecast
Commercial property	Non-CAT: -5% to +5% CAT-exposed: Flat to +10%
Commercial auto liability	Overall: +8% to +15%
Commercial general liability	Overall: +1% to +6%
Workers' compensation	Overall: -3% to +3%
Umbrella/excess casualty	Overall: +8% to +20%
Cyber	Overall: -5% to +10%
Directors and officers liability	Private and nonprofit entities: -5% to +5% Public companies: -10% to flat
Employment practices liability	Overall: -5% to +5%
Fidelity and crime	Overall: -5% to +10%
Fiduciary liability	Overall: -5% to +5%



Property Insurance Macro Trends

Economic and societal shifts continue to shape the broader property insurance landscape. By staying up to date on these macro trends, policyholders can better prepare for the latest market developments and gain a deeper understanding of key factors that may impact their coverage.

| Heading into 2026, here are some **key**
property insurance trends to keep in mind.

Surging CAT Losses

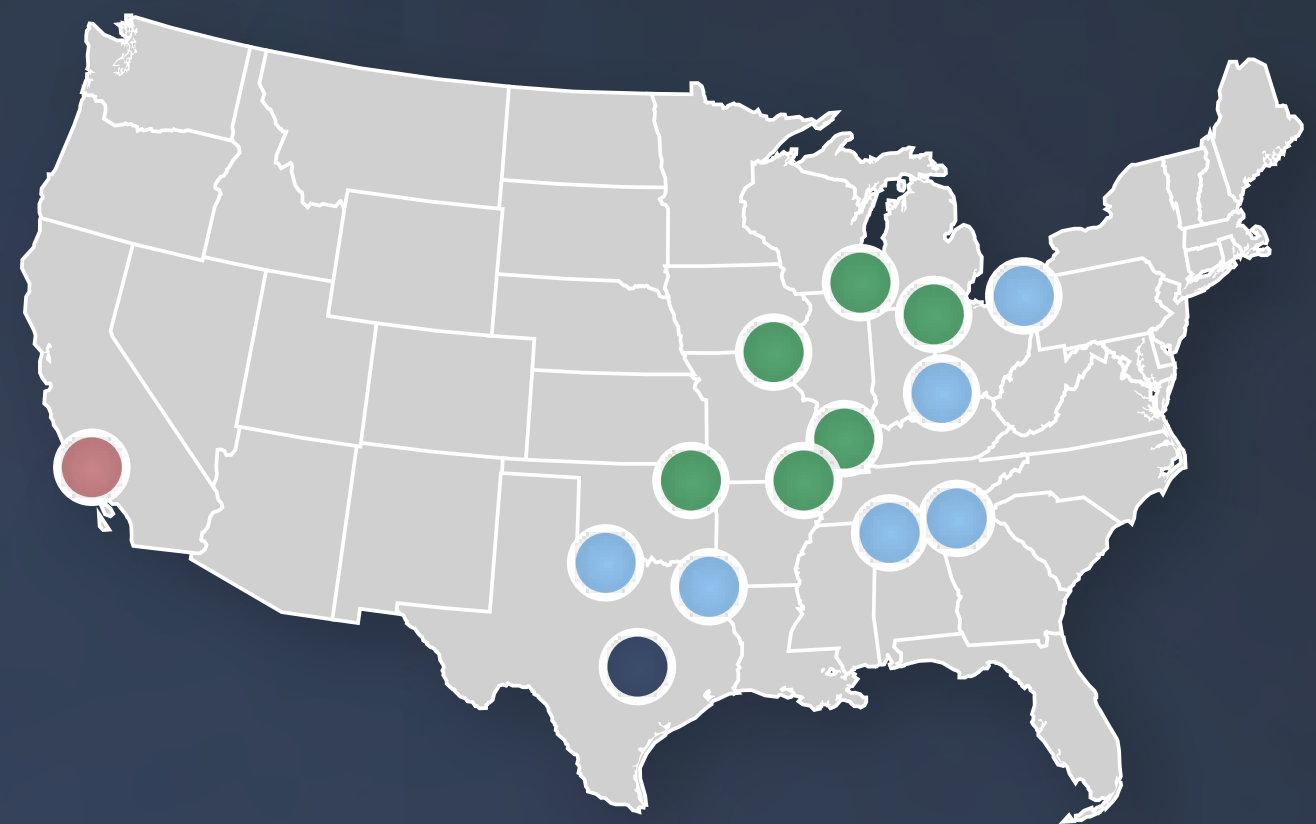
Extreme weather events—such as hurricanes, tornadoes, flooding and wildfires—have become increasingly devastating and costly. These events now affect communities across nearly every region of the United States, ultimately driving up catastrophe (CAT) losses throughout the property insurance market.

According to reinsurance brokers, 14 separate U.S. billion-dollar weather disasters occurred during the first half of 2025 alone, with two more events costing over \$900 million.


Only four other billion-dollar weather disasters took place outside the country during this time frame, bringing the total cost of these 18 events to \$134 billion. Among such global CAT losses, 60% were covered by insurers, representing a record-high \$81 billion in insured damages for the six-month period. Furthermore, the majority (92%) of these damages applied to U.S. events.

U.S. Billion-dollar Weather Disasters H1 2025

- **Wildfires**
 - Los Angeles**
Jan. 7–28
- **Tornado Outbreaks**
 - North Central**
March 29–31
 - Central**
March 14–16
 - Central**
April 1–7
 - North Central**
April 17–20
 - North Central & Eastern**
May 15–17
 - Central & Southeastern**
May 18–20
- **Severe Storms**
 - Southern**
March 3–5
 - Eastern**
May 1–3
 - Southern**
May 22–26
 - Southeastern & Central**
June 5–7
 - North Central & Northeast**
June 15–19
- **Hail**
 - Texas**
March 25–28



Source: Climate Central



The nation's biggest weather disasters in 2025 (to date) included the California wildfires and multiple large-scale tornado and hailstorm outbreaks across the central and southern regions.

In January, the Eaton Fire and the Palisades Fire wreaked havoc on Los Angeles County, spanning several weeks during California's typically wet winter season.

These fires became some of the most destructive events in the state's history, burning over 15,000 structures and causing 31 fatalities, according to the National Weather Service (NWS). Altogether, reinsurance brokers estimate that the fires contributed to \$40 billion in insured damages. In March, over 100 tornadoes spawned across 14 different states in a three-day period, causing the most severe damage in Arkansas and Missouri. A few months later, over 70 tornadoes and hailstorms impacted many of the same states during a weeklong period in May,

producing the largest losses in Kentucky and Missouri. In total, the NWS confirmed that these outbreaks damaged over 60,000 structures and killed more than 50 people, resulting in at least \$15 billion in damages.

While data collection for extreme weather events that occurred during the second half of 2025 is still underway, reinsurance brokers anticipate that global insured losses from such disasters will reach \$145 billion by the end of the year, largely fueled by the ongoing Atlantic hurricane season and elevated convective storm activity. Amid these severe weather trends, surging CAT losses are fueling tighter underwriting standards, higher reinsurance costs and continued pricing volatility within the property insurance space. Going forward, many weather experts believe these extreme events will become the new norm. As such, the property insurance industry will have to adopt innovative solutions to keep up with rising CAT losses. In the year ahead, policyholders can expect insurers to place additional emphasis on weather readiness and secondary peril mitigation during the underwriting and renewal processes.

Evolving Climate Resilience Strategies

With extreme weather events increasing in frequency and severity, federal and state regulators are placing a greater focus on climate resilience across the property insurance market, thereby requiring insurers to adopt specific risk disclosure and management strategies that aim to maintain coverage accessibility and affordability amid large-scale disasters. Namely, the National Association of Insurance Commissioners (NAIC) has established a task force—referred to as the NAIC Climate Task Force—responsible for overseeing state insurance regulators' initiatives related to mitigating climate exposures. This task force is split into five key workstreams: pre-disaster mitigation, insurer solvency, climate risk disclosure, policy innovation and advancing technology. Notably, the NAIC Climate Task Force plans to collect a range of data on regional climate trends and existing coverage frameworks to identify potential protection gaps, assist insurers in developing innovative policy solutions and enhance disaster resilience among public and local governments.

In addition to the NAIC's efforts, several state insurance regulators are implementing increased oversight of insurers' climate exposures and mitigation practices. Specifically, some regulators are conducting climate stress tests to assess whether insurers are prepared to handle an influx of claims from major weather disasters, and are requiring them to submit yearly climate risk surveys.

In response to these requirements, many insurers are turning to advanced data analytics and CAT modeling to further improve their climate risk assessment processes and maximize underwriting accuracy.

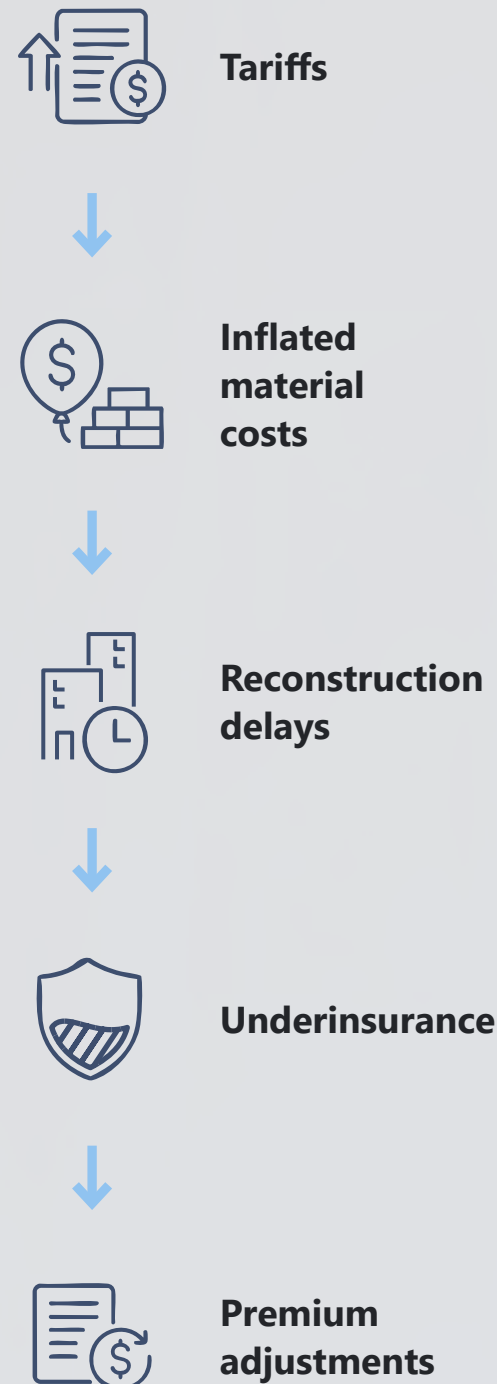


For brokers and policyholders, this changing regulatory environment means that insurers are putting more emphasis on measurable climate risk data and resilience metrics at the account level. Insurers are also encouraging additional measures to reduce climate hazards, such as improved property construction methods, floodproofing and the adoption of defensible spaces. These measures can result in more favorable pricing, lower deductibles and better coverage terms for those who demonstrate preparedness.

In terms of emerging coverage solutions for extreme weather events, parametric insurance has gained traction as a way to ensure faster payouts when disasters strike and fill traditional policy gaps related to climate resilience. Under such coverage, the amount in which a policyholder is compensated isn't decided by the exact cost of damages sustained, but rather by the calculated intensity of the covered event itself. For instance, if a hurricane caused damage to a commercial property, a parametric policy might reimburse a set dollar amount linked to the storm's wind speeds.

The excess and surplus (E&S) market has also seen substantial growth as some policyholders seek protection beyond what's available in their standard property insurance policies for climate risks. This has been evidenced by commercial property policies accounting for over one-third (34%) of premiums in the E&S space throughout 2025, according to industry data.

Claims Cost Chain Reaction



Inflation and Supply Chain Volatility

As has been the case for the past several years, inflation and supply chain volatility continue to ramp up construction and rebuilding costs across the property insurance market, prompting complex claims settlements, valuation inaccuracies and widespread underinsurance concerns. According to the U.S. Bureau of Labor Statistics (BLS), the general inflation rate has been hovering just below 3% for much of 2025, having fallen significantly since it last peaked at 9.1% in 2022.

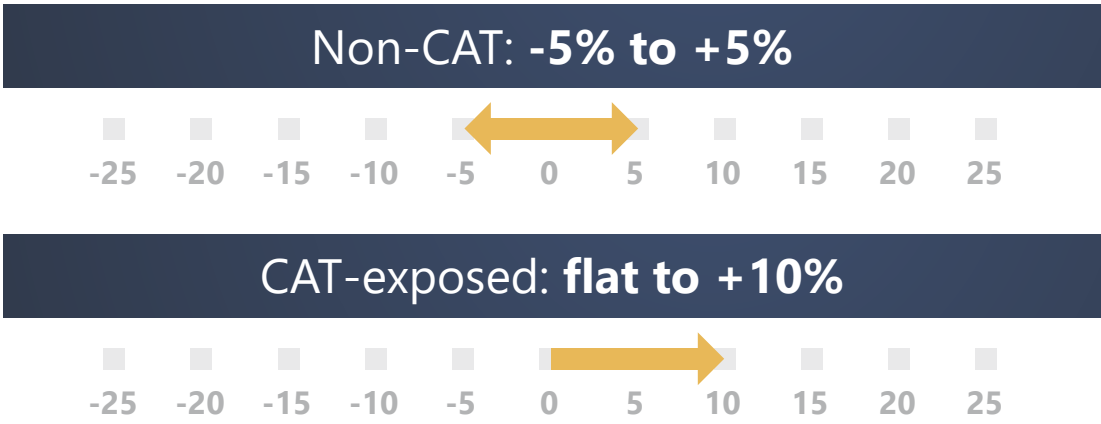
Even so, fluctuating tariffs for a number of raw materials and essential building components are keeping construction expenses elevated, with the National Association of Home Builders (NAHB) estimating that tariffs imposed on certain international goods (e.g., lumber, gypsum, concrete, steel and aluminum) could inflate U.S. construction material costs by over \$3 billion.

This, in turn, may make it increasingly difficult to maintain accurate replacement cost calculations for insured property.

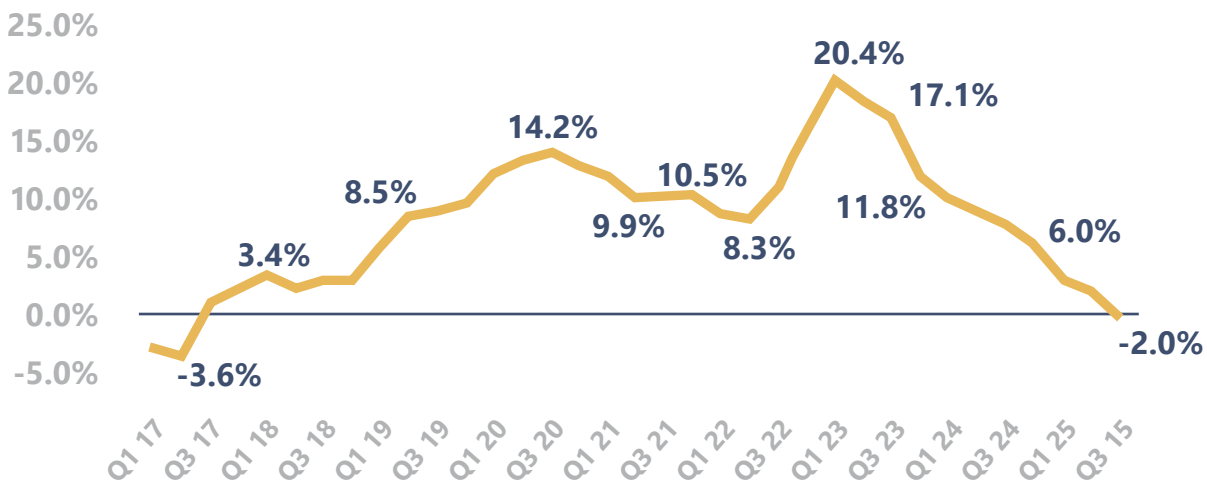
Complicating matters, factors such as extreme weather events, ongoing labor shortages, rising geopolitical tension and global port delays are disrupting many critical supply chains throughout the construction sector, thus limiting the availability of specialized building equipment and structural elements. Consequently, property repairs and restoration projects are facing considerable setbacks, only exacerbating associated claims costs. In fact, data analytics firm Verisk confirmed that commercial reconstruction costs jumped by 5.7% year over year through the first half of 2025, with no signs of slowing down. In light of these trends, many insurers are now accounting for inflation-based cost increases and supply chain challenges amid their pricing and underwriting decisions. Persistent fluctuations in building material costs are also creating property valuation discrepancies, prompting insurers to conduct more rigorous valuation assessments and encourage updated valuations to prevent potential coverage gaps and coinsurance penalties.

Commercial Property Insurance Market Outlook

2026 Price Prediction:



Premium Change for Commercial Property, Q1 2017–Q3 2025



Source: CIAB

Although minimal underwriting profitability and hardened conditions have plagued the commercial property insurance market for nearly a decade, the segment is entering a phase of stabilization. After average premium increases peaked at around 20% in 2023, industry experts confirm that rate momentum has moderated. According to industry data, by mid-2025, many property renewals saw flat to single-digit changes, with some experiencing slight rate decreases. These favorable pricing dynamics have been fueled by improved underwriting results, increased competition for desirable accounts and healthy market capacity.

Even so, the segment remains susceptible to sweeping CAT losses, mounting inflationary pressures and other emerging exposures. As a result, insurers are still being more selective and cautious in their approach toward policyholders with volatile loss history and belonging to vulnerable groups (i.e., those in certain property occupancies and disaster-prone regions). In the coming months, various factors—including reinsurance renewal cycles, the overall supply of capital and evolving underwriting standards—will make all the difference in shaping future outcomes and fostering continued market softening.

Current Market Trends and Cost Drivers

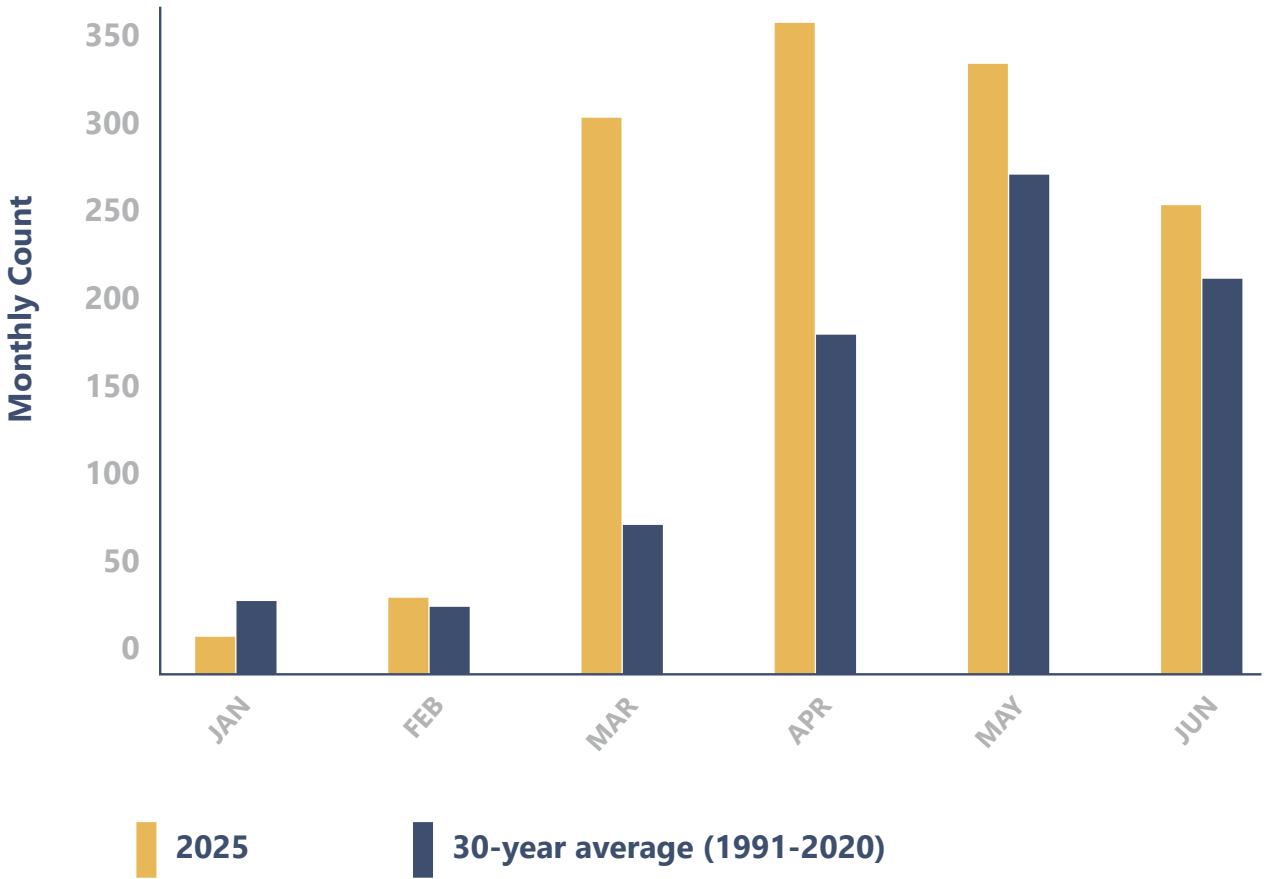
Secondary Perils and Severe Convective Storms

While extreme weather events have been on the rise for over a decade, secondary perils—small to mid-sized losses or consequent events following primary catastrophes—have become increasingly prevalent in recent years. Namely, severe convective storms (i.e., thunderstorms, hailstorms and tornadoes) have surged in frequency and severity, prompting considerable damage and associated commercial property insurance claims.

According to the National Oceanic and Atmospheric Administration (NOAA), 2024 was the worst year on record for U.S. tornado activity in the past 20 years, with nearly 1,800 confirmed events. Additionally, in 2025, the country experienced its first EF-5 tornado in over a decade, which occurred near Enderlin, North Dakota, generating destructive winds exceeding 200 mph. Convective storms pose unique market challenges, as they are often difficult to predict, can strike without warning and affect multiple areas simultaneously. These storms are also becoming

more expansive; the NOAA reports that states with minimal loss history are now facing damage from such events. In response, many insurers are readjusting their risk assessment frameworks and pricing models to better account for secondary perils.

U.S. Monthly Tornado Count, H1 2025 vs. 30-year Average



Source: NOAA

Property Valuation Gaps and Underinsurance

Besides secondary perils, property valuation gaps and related underinsurance concerns have significantly impacted the commercial property insurance space. In particular, many policyholders are struggling to maintain accurate insurance-to-value (ITV) calculations. These calculations are designed to help policyholders accurately determine their coverage needs by reviewing an asset's actual, market and replacement value.

An accurate ITV calculation represents as close to an equal ratio as possible between the amount of insurance a policyholder obtains and the estimated value of their commercial property. Because a property's value is often affected by the current cost of building materials, continued supply chain disruptions and rising inflation brought on by the shifting tariff landscape have made it harder for policyholders to ensure correct ITV calculations.

As commercial property underwriters tighten valuation protocols and no longer accept vague or unsubstantiated data, inaccurate ITV calculations could prompt extensive out-of-pocket costs and serious coinsurance penalties during the claims process. This, in turn, could lead to partial claim payments, higher deductibles or even nonrenewal, especially as property reconstruction costs continue to rise.

Reinsurance Renewals and Market Capacity

As the commercial property insurance market stabilizes, upcoming reinsurance renewal cycles will prove crucial in maintaining softer conditions. After all, the reinsurance sector plays a valuable role in the larger insurance landscape, allowing primary insurers to effectively allocate their risks and offer more capacity.

The reinsurance segment has faced substantial setbacks in recent years. This is because increasing market demand and large-scale losses have forced reinsurers to make significant payouts, threatening their overall profitability and generating hardened conditions across several lines of coverage, particularly among commercial property insurers dealing with sizeable CAT claims.

During 2025, however, many reinsurers started to see their profits rebound, paving the way for favorable renewals among primary insurers and causing a trickle-down effect of softening conditions for their policyholders.



According to industry data, the property reinsurance market reached **\$500 billion in traditional capital** amid the latest renewal cycle, while reinsurer appetite increased by **10% to 15%**.

Even as the market shifts and capacity expands, reinsurers remain cautious in determining their total concentration of risk and approach to various policy attachments and exclusions. Faced with ongoing CAT exposures and other market uncertainties, reinsurers will likely continue to impose strict underwriting guidelines and leverage data-driven decision-making to keep major loss events from disrupting their current trajectory.

Alternative Risk Financing Options

Although softening conditions are allowing many commercial property insureds to benefit from improved coverage terms and pricing, some policyholders are also exploring other innovative techniques to maximize their protection against large and unique losses. These techniques, known as alternative risk financing, are designed to help bridge the gap between complete self-insurance and traditional coverage offerings, thereby enhancing policyholders' management of risk, capital and market volatility.

In addition to utilizing parametric insurance to ensure swift and predetermined payouts for considerable CAT losses, there are several types of alternative risk financing options available, including captives and structured fronting.

Captives are insurance companies formed by parent companies to insure their own risks rather than relying on third-party insurers. Through structured fronting, a licensed insurer writes a policy, but all or most of the risk is passed on to another party (e.g., a captive or reinsurer). These options enable policyholders to secure more customized coverage solutions and possible cost savings.

Looking Ahead

Moving into 2026, most policyholders can anticipate continued market moderation across the commercial property insurance space, characterized by flat to slight rate decreases and expanded coverage availability. However, high-risk insureds, especially those lacking documented loss control measures, could encounter ongoing premium hikes and coverage limitations. Regardless, ample market competition and growing capacity will limit insurers from deploying aggressive rate increases unless major losses compel them to do so.

With premiums trending downward, insurers will likely double down on property valuation discipline and specific coverage terms, including higher deductibles, set sublimits and policy exclusions. They are also expected to enforce rigorous risk management strategies among their policyholders. Specifically, insureds may be rewarded for maintaining accurate ITV calculations and bolstering their climate resilience measures, particularly if they have substandard occupancies or operate in areas more heavily impacted by natural disasters.

Despite its current stability, it's worth noting that the market could quickly take a turn if faced with multiple large-scale losses. For instance, a major catastrophe season (e.g., a series of hurricanes or wildfires) could promptly reverse softening trends. Furthermore, inflated expenses for construction materials and labor, combined with ongoing supply chain constraints, may further complicate claims processes and widen cost pressures, ultimately straining insurers' margins.

Fortunately, advancements in data analytics, climate modeling, resilience tactics and alternative capital solutions are poised to help address these concerns, thereby allowing for clearer risk segmentation and enabling more customized pricing capabilities and capacity deployment. As the market continues to evolve, it's best for brokers and policyholders to work together to establish strong partnerships, ensure early and detailed renewal preparation, closely monitor the reinsurance space and capital cycles, and—if needed—consider investing in hybrid or alternative risk strategies.



Casualty Insurance Macro Trends

A number of external factors and sweeping market forces are driving change in the larger commercial casualty insurance space. It's imperative for policyholders to be aware of these macro trends and respond accordingly, bolstering their defenses against potential losses and preparing for upcoming coverage renewals.

| Moving into 2026, here are some **notable**
casualty insurance developments.

Litigation Concerns

Social inflation refers to societal trends that influence the ever-rising costs of insurance claims and lawsuits above the general economic inflation rate. According to the NAIC, the “social” aspect of this term represents shifting attitudes regarding who is responsible for absorbing risk (i.e., the insurer or the plaintiff). As the casualty insurance sector shifts, several ongoing trends are currently contributing to social inflation and related claims, including third-party litigation funding (TPLF) and nuclear verdicts.

TPLF refers to a third party providing financing for a lawsuit in exchange for a portion of the settlement. In the past, the high cost of attorney fees would often discourage plaintiffs from taking a lawsuit to trial. But, through TPLF, most or all the costs associated with litigation are covered by a third party, which has increased the volume of cases being pursued or taken further through the legal process. Not only is TPLF becoming more common, but it also increases the cost of litigation and associated insurance claims, sometimes to seven figures.

This is because plaintiffs can take cases further and seek larger settlements. What’s more, attorney advertising has surged in recent years, especially as it pertains to billboard, television, radio and digital ads for TPLF.

According to the American Tort Reform Association (ATRA), legal service providers spent more than \$2.5 billion on nearly 27 million ads in 2024 alone, representing a 39% increase in spending since 2020.

As attorney advertising and TPLF continue to drive up litigation across the casualty insurance space, steep claims costs have followed suit.

Key Litigation Cost Factors



Third-party litigation funding



More cases funded




More trials pursued



Higher settlements



Nuclear verdict escalation



Compounding these litigation challenges, there's a growing public perception that businesses—particularly large ones—can afford the cost of any damages. This means juries are likely to have fewer reservations about awarding damages. In this evolving environment, nuclear verdicts (jury awards of \$10 million or more) have become increasingly prevalent.

Communications firm Marathon Strategies reported that 135 corporate lawsuits across 55 different sectors led to nuclear verdicts in 2024, totaling \$31.3 billion. This marks the highest number of such verdicts since 2009, representing a 52% increase in frequency and a 116% rise in severity compared to the prior year.

These verdicts often generate casualty claims that significantly exceed policyholders' coverage limits, posing serious underinsurance concerns.

Losses stemming from social inflation and related TPLF and nuclear verdict trends are only expected to continue in the months and years ahead. In response, many casualty insurers are implementing stricter coverage terms, introducing new policy limitations and hiking up premiums—especially across the commercial general liability (CGL), auto and E&S lines—to help minimize the risk of poor underwriting results. This could leave a considerable portion of policyholders underinsured and vulnerable to devastating financial consequences following costly litigation. This underscores the importance of insureds taking steps to reduce litigation exposures and related casualty claims.

Inflation Challenges

Surging inflation has been a persistent concern in the casualty insurance space over the last few years, resulting in eroding investment income, higher administrative costs among insurers, increased claim expenses and rising premiums. While the general inflation rate is no longer at record highs like it was a few years ago, recent tariff actions and elevated input costs have created immense pressure on producer pricing for certain metals and other essential construction materials. This pressure is driving up repair and replacement costs and, in turn, the severity of third-party property damage claims across various casualty insurance lines, particularly commercial auto and CGL.

Besides general inflation concerns, medical inflation—increasing costs related to medical treatment and equipment, hospital visits, medication and health care labor—remains an ongoing issue in the casualty insurance space.

According to a recent survey conducted by multiple industry experts, medical costs are expected to rise by an additional 9.2% across North America in 2026, almost mirroring last year's projections (9.4%).

Such inflation is most likely tied to higher prescription drug costs, greater demand for mental health treatments and continued health care wage growth amid widespread labor shortages. Complicating matters, the National Council on Compensation Insurance (NCCI) predicts that, despite medical price growth decelerating in the first quarter of 2025, incoming tariffs on internationally sourced medical equipment, medicine and supplies could exacerbate medical inflation going forward. State medical fee schedules can help stabilize these costs to an extent, but may not be sufficient to offset inflation impacts on workers' compensation insurance, where medical severity trends and increased use of high-cost medications are closely monitored.

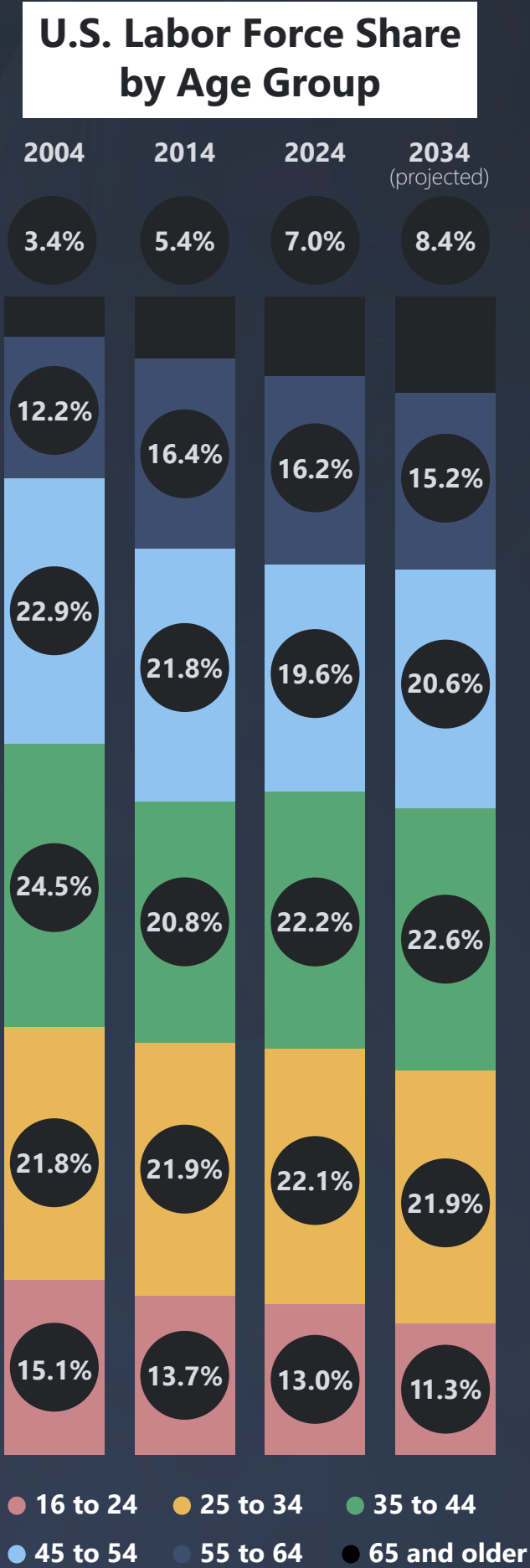
In addition to medical inflation affecting the workers’ compensation insurance space, rising wage inflation could also impact this segment. Wage growth has been a constant in recent years, with many employers feeling compelled to offer higher salaries in an effort to retain skilled workers and minimize staff shortages.

The BLS reported that average compensation in the private sector was up 3.6% year over year through June 2025, showcasing continued wage growth.

Because payroll is leveraged as an exposure base to calculate workers’ compensation premiums, wage inflation could prompt increased rates in this market. Further, this form of inflation may increase the risk of payroll miscalculations and create short-term disconnects between wages, benefits and workers’ compensation rates. Most states have an index for wage inflation to ensure premiums and benefits match, but errors can occur.

Shifting Workplace Dynamics

Several changes to workplace dynamics are also influencing claims trends and related expenses in the casualty insurance space, namely shifting labor demographics and advancing technology solutions. According to BLS data, the median age of the labor force has steadily increased over the past 20 years, rising from 40.5 years in 2004 to 41.7 years in 2024. Looking ahead, this figure is projected to rise even further to 42.4 years by 2034. This is particularly concerning, as NCCI research shows that older workers are more susceptible to severe occupational injuries and related workers’ compensation claims than their younger counterparts. Baby boomers, who currently make up approximately 15% of U.S. employees, are key contributors to these aging workforce trends. As many of these individuals reach retirement age over the next few years, employers will face another problem: worsening staff shortages. When baby boomers fully exit the workforce, many employers will lose a considerable share of experienced employees and be forced to contend with already extensive labor shortages.



Source: BLS



Such staff shortages are most prevalent in the trucking industry, with many motor carriers struggling to retain experienced drivers. According to the American Trucking Associations (ATA), the trucking sector is expected to see a shortage of 160,000 drivers by 2028, emphasizing ongoing labor challenges. To help minimize this shortage, a growing number of trucking employers have adjusted their driver recruitment and retention strategies, including improving working conditions, providing professional growth opportunities and tapping into under-represented demographics (e.g., women) to expand their talent pools. Yet, many employers have still had to lower their driver applicant standards to fill open positions. These drivers often have fewer years of experience and shorter driving records. Such factors can increase their risk of being involved in accidents on the road, contributing to a rise in commercial auto losses.

Fortunately, advancing workplace technology is helping trucking employers minimize the operational inefficiencies and safety exposures brought on by labor shortages. In particular, telematics usage has soared in this sector. Such vehicle software combines the features of telecommunications and informatics to help employers effectively manage and monitor their fleets. It operates by connecting to smart devices installed within a

vehicle, including GPS technology, sensors, mobile applications, dashcams and vehicle engine diagnostics solutions. Common data collected by this software includes vehicle performance and fuel efficiency indicators, movement patterns, driving behaviors and accident reports. Through telematics, trucking employers can maintain better visibility of their fleets, promote safer driving habits, and reduce associated commercial auto claims and premiums.

According to risk management software firm SambaSafety, 72% of commercial fleets that implemented telematics in conjunction with driver safety training have seen a reduction in crashes and related commercial auto losses. Among these fleets, 25% encountered decreased insurance rates.

Outside the trucking sector, many other industries are also utilizing innovative technology solutions to enhance their operations and improve occupational safety measures amid changing workforce demographics and prolonged staff shortages. A considerable number of employers have implemented artificial intelligence (AI) within their operations to automate certain tasks and processes, thereby reducing workplace demands on existing employees. AI tools are also helping employers bolster staff safety by monitoring work environments in real time and identifying potential hazards before they cause larger incidents and injuries. These solutions can make all the difference in reducing operational risks and keeping casualty insurance claims under control, especially within the CGL and workers' compensation segments.

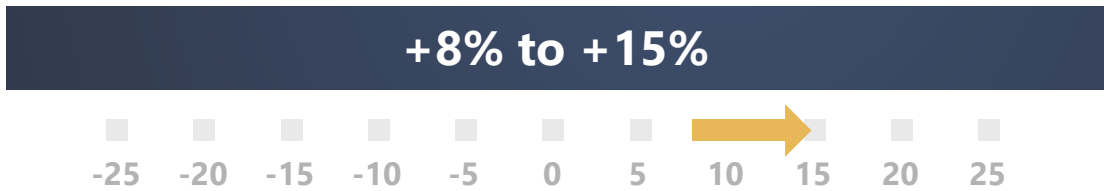
Furthermore, many employers have turned to telemedicine to better manage workplace injuries, allowing employees to receive medical attention at the click of a button after getting hurt on the job. Examples of telemedicine include video consultations with health care providers, remote measurements of an employee's vital signs after an injury, and text message alerts to remind an injured employee of treatment steps or upcoming appointments. This technology has been linked to transportation and time savings, simplified access to medical specialists, and better recovery outcomes for injured employees, ultimately improving workers' compensation claims management and limiting related losses. Considering these developments, policyholders who embrace technology and innovation will be best equipped to navigate this evolving casualty insurance landscape.

AI-driven Risk Reduction



Commercial Auto Liability Insurance Market Outlook

2026 Price Prediction:



The commercial auto liability insurance segment has faced ongoing difficulties for over a decade, marked by consistent underwriting losses, steady rate hikes and limited capacity. According to industry data, insurers have deployed premium increases for more than 55 consecutive quarters, but to no avail; the market hasn't turned an underwriting profit for 13 years. These hardened conditions are the result of heightened claim frequency and severity, largely brought on by surging bodily injury claims costs, persistent litigation concerns and a lack of skilled commercial drivers.

Throughout 2024, average commercial auto liability premium increases hovered around the upper single digits, while the segment posted a combined ratio of 113% for the year. Industry data confirmed that continued underwriting challenges and associated losses forced most insurers to deploy double-digit rate jumps in the first half of 2025, with policyholders seeing average increases of 10% to 15%. Although current market conditions remain challenging, industry experts predict that rates have shown signs of peaking, signaling greater potential for moderation and a return to single-digit premium fluctuations in the months ahead. As competition reemerges for low- to moderate-risk portfolios, capacity has become more accessible, and most insurers are now cautiously expanding their appetites.

Nevertheless, the segment continues to contend with a lengthy history of underwriting challenges and widespread profitability concerns. As such, relatively hardened conditions will likely persist for the foreseeable future. Similar to previous years, policyholders' renewal experiences will vary significantly based on loss history, fleet profile and jurisdiction. Insureds with greater exposures and insufficient risk management strategies could continue to encounter double-digit rate hikes and limited capacity.

Current Market Trends and Cost Drivers

Rising Claims Severity and a Challenging Legal Climate

The commercial auto liability insurance space has been experiencing mounting losses due to social inflation and a continued surge in nuclear verdicts. In today's challenging legal climate, companies are being held more accountable in the courtroom for their perceived wrongdoings, causing a significant rise in multimillion-dollar liability lawsuits and related insurance claims. This is especially the case in the trucking sector, where large-scale

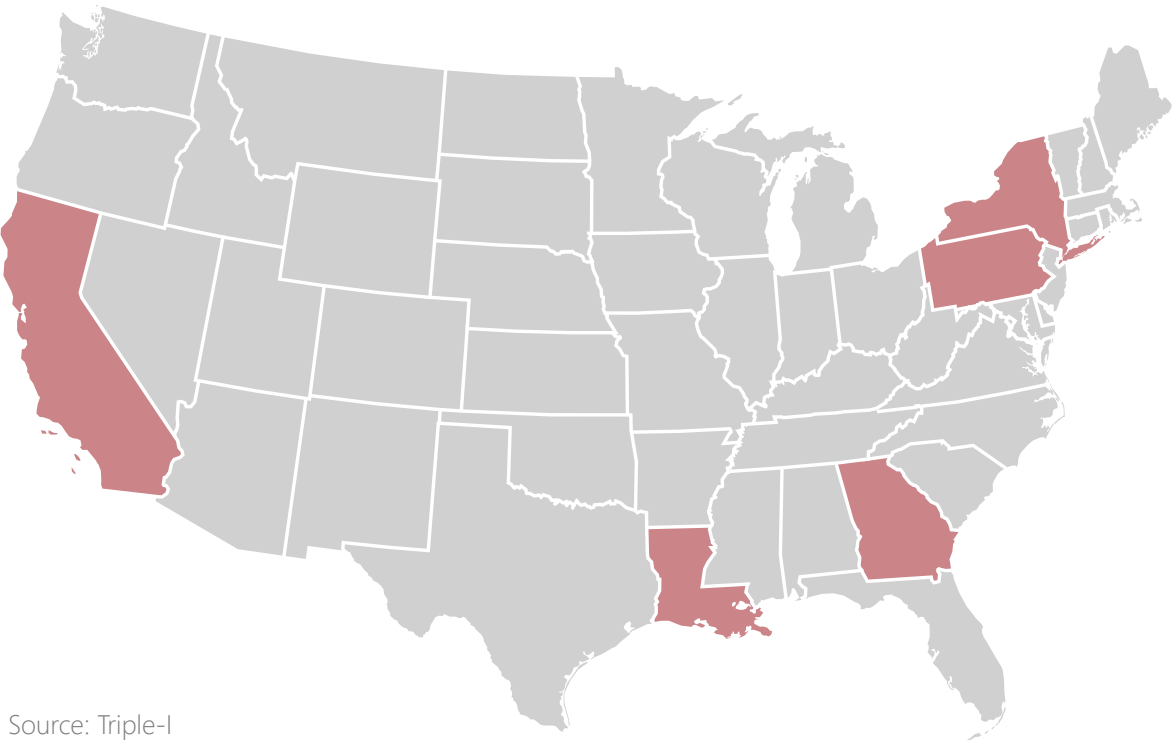
accidents involving commercial drivers and vehicles can result in extensive third-party injuries and property damage. Complicating matters, financing trends such as TPLF and shifting attorney tactics are fueling more frequent and complex commercial auto liability litigation, making plaintiffs more willing to go to trial and juries more likely to award seven-figure damages.

According to Marathon Strategies, trucking companies faced \$165 million in nuclear verdicts in 2023, while a record-high 49 thermonuclear verdicts (jury awards exceeding \$100 million) took place in 2024.

Additionally, a recent analysis from the Insurance Information Institute (Triple-I) revealed that excess litigation value from motor vehicle tort cases in the United States totaled an estimated \$42.8 billion over the past decade.

These verdicts are especially concentrated in historically plaintiff-friendly jurisdictions, including Pennsylvania, New York, Georgia, California and Louisiana. Florida, which has long been a hotspot for such litigation, has seen some moderation following the passage of tort reform legislation in 2023. In any case, nuclear verdicts are expected to continue influencing the commercial auto liability market for months and years to come, driving higher premiums, larger retentions and more selective underwriting guidelines. Consequently, policyholders facing these verdicts, particularly those in adverse jurisdictions, could experience serious underinsurance issues and lasting financial struggles.

Top 5 States for Trucking Nuclear Verdict Activity



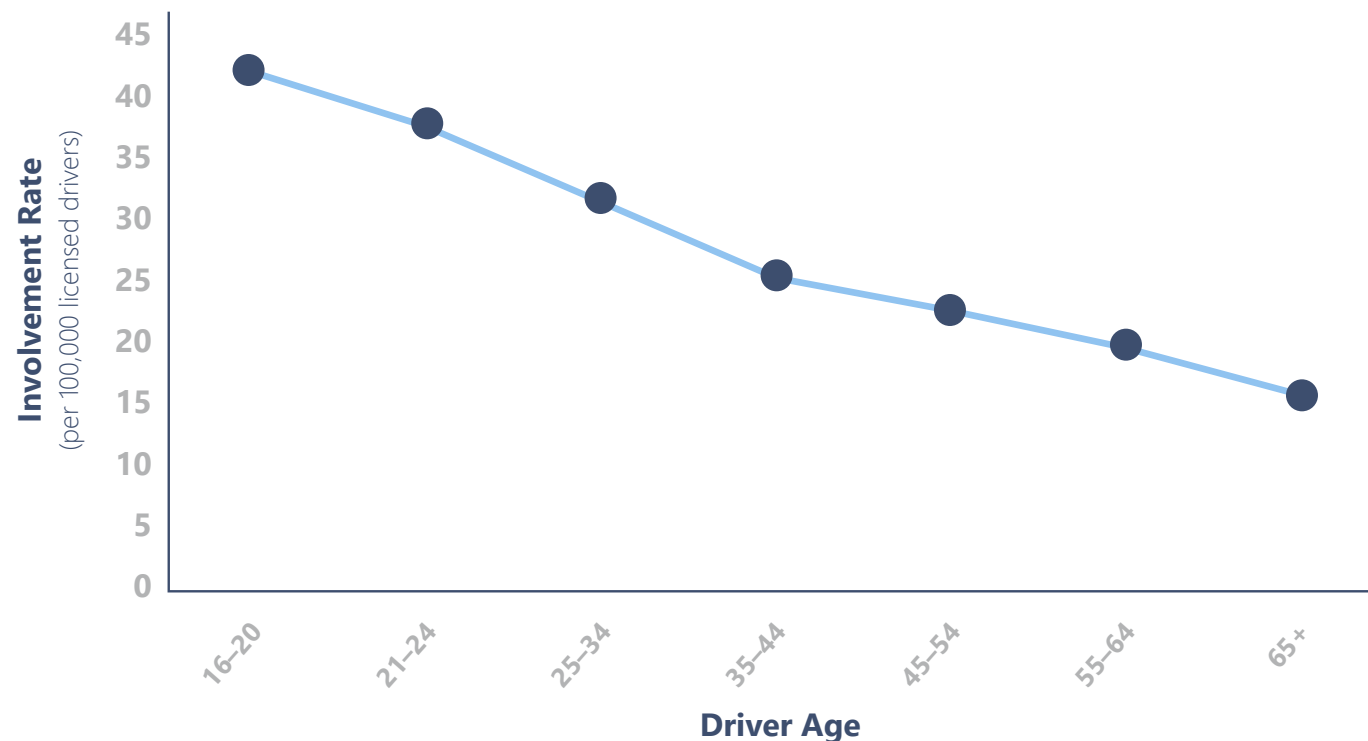
Source: Triple-I

Inexperienced Drivers

With accident expenses and related commercial auto liability litigation on the rise, many trucking companies are making an effort to attract and retain skilled drivers, thereby minimizing potential safety exposures on the road and demonstrating effective risk management strategies to insurers. However, ongoing talent shortages in the trucking sector are complicating these efforts. The ATA estimated that the industry was short by over 80,000 drivers in 2024, up significantly from 60,000 drivers in the year prior. As a result of these workforce gaps, ATA leadership recently testified before the federal government to propose lowering the U.S. interstate age requirement for commercial drivers from 21 to 18. While this move could add thousands of teenage drivers to the larger talent pool and help curb overall labor shortages within the trucking sector, it also carries considerable risks. Specifically, teenage drivers’ lack of experience behind the wheel can make them more prone to accidents.

According to the Centers for Disease Control and Prevention (CDC), the risk of motor vehicle crashes is higher among drivers aged 16-19 than any other age group. What’s more, this demographic has a fatal accident rate nearly three times as high as that of drivers aged 20 and older per mile driven, with the National Highway Traffic Safety Administration (NHTSA) reporting that over

Age of Drivers Involved in Fatal Crashes




Source: NHTSA

5,000 people are killed in crashes involving at least one younger driver each year. In light of these findings, trucking companies that hire younger, inexperienced drivers may continue to face talent struggles and potentially encounter exacerbated accident costs and related commercial auto liability claims, ultimately causing more harm than good. Depending on whether the ATA's regulatory efforts are successful, some trucking companies—especially small and midsize operations—that invest in teen drivers could also have a hard time securing adequate coverage. Amid already hardened conditions in the commercial auto liability market, most insurers are implementing stringent underwriting requirements and restricting coverage for policyholders with

drivers who lack clean records or extensive experience, making it practically impossible for trucking companies with younger drivers to maintain necessary levels of protection. Even if they can find coverage, these policyholders could be subject to extra requirements and surcharges.

Widespread Technology Adoption

Despite pervasive litigation challenges and talent shortages, some emerging trends are helping to reduce the frequency and severity of liability claims in the commercial auto space. In particular, various technology solutions are assisting both insurers and policyholders in enhancing their operations and minimizing potential losses. Telematics—namely, GPS trackers, mobile applications and in-vehicle camera systems—are at the forefront of these technology solutions, allowing insureds to monitor their drivers and fleets in real time. According to SambaSafety, 80% of fleet operators currently utilize technology to monitor a significant portion of their vehicles, while 51% plan to invest in new telematics devices and providers in the coming year. Using the information gathered from telematics, policyholders can better assess drivers' habits behind the wheel and address any risky behaviors during routine safety training, potentially reducing bodily injury exposures. Even when accidents happen, telematics can offer valuable evidence in defending against liability disputes, lowering the likelihood of inflated claims costs.



Telematics can enhance the underwriting process for insurers by providing comprehensive fleet data and creating a clearer picture of policyholders' unique risk profiles. This, in turn, can help insurers leverage data analytics to proactively identify policyholders' evolving exposures and ensure more accurate premium calculations when compared to traditional rating factors. SambaSafety reported that 60% of commercial auto insurers now have a dedicated telematics team, more than doubling last year's findings. In this shifting environment, it's not enough for policyholders to simply include telematics in their fleet. Instead, insurers and insureds must work together to review the information collected by this technology and respond accordingly, fostering a collaborative approach toward fleet risk management.

Looking Ahead

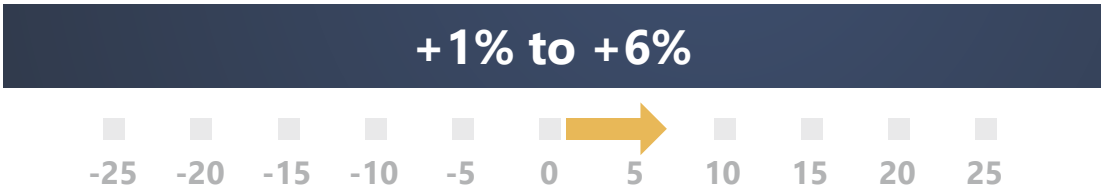
Heading into 2026, policyholders can expect commercial auto liability coverage renewals to keep pace with escalating claims severity, especially among adverse portfolios. According to industry experts, most policyholders can anticipate upper single-digit premium increases, while those facing elevated exposures could see rate hikes of up to 15%. Even as capacity steadily

widens, insurers are still being cautious in handling new and high-risk accounts. Insureds who neglect to address evolving market developments and implement more effective loss control measures could encounter additional coverage challenges.

Although overall commercial auto results have shown modest improvement, the liability segment continues to lag due to elevated loss intensity and ongoing litigation pressures. Policyholders should prepare for strict underwriting standards in the months ahead, with many insurers placing increased focus on risk selection, loss experience, driver training and retention programs, documented safety policies and technology utilization. Continued innovation, particularly regarding the adoption of telematics and other data analytics tools, is predicted to play an increasingly important role in the underwriting, coverage pricing and claims management processes. Policyholders who prioritize open communication and work closely alongside insurers to improve their loss mitigation strategies can better position themselves to handle emerging risks.

Commercial General Liability Insurance Market Outlook

2026 Price Prediction:



Conditions have largely moderated across the CGL insurance segment over the past few years, evidenced by more stable pricing trends, mild rate increases and steady market competition. After a prolonged period of considerable rate hikes and coverage restrictions, industry experts confirmed that single-digit premium increases and healthy capacity have now become the norm for most insureds. While many commercial lines have softened even further, CGL pricing remains somewhat firm due to rising claims severity. According to industry data, average rate jumps have hovered around 4%-5% for the past two years.

These stabilizing conditions are particularly prevalent for policyholders operating outside of high-risk sectors (e.g., construction and habitation). Capacity is most favorable among preferred, loss-free accounts, with some insurers even expanding their coverage offerings or raising policy limits for insureds who demonstrate sound risk management. E&S insurers continue to dominate capacity for higher-hazard classes, while admitted insurers are competing more aggressively for middle-market and preferred risks. Nevertheless, several concerning trends continue to exacerbate claims costs in the CGL space, including complex litigation and persistent inflationary pressures. As such, most insurers remain cautious in deploying softened rates and additional capacity to loss-prone or litigious sectors.

Although market moderation is expected to persist in 2026, underwriting discipline will likely remain strong, with many insurers placing increased emphasis on stringent risk selection, enhanced transparency and differentiated appetites influenced by policyholders’ unique exposures. Insureds may have varying experiences based on their industry and loss history. Large bodily injury verdicts, premises liability exposures and product-related claims remain key loss drivers impacting overall market results.

Current Market Trends and Cost Drivers

Rising Claims Costs and Social Inflation

Social inflation has become a dominant force in driving up CGL claims costs, especially amid third-party bodily injury and property damage lawsuits. Legal financing trends such as TPLF and surging nuclear verdicts have further expanded both the scope and duration of this litigation, often generating multimillion-dollar settlements and leaving impacted insureds with complex claims and extensive out-of-pocket expenses. According to Marathon

Strategies, two dozen different industries faced at least \$100 million in nuclear verdicts in 2024, with most of this litigation taking place in state courts.

Complicating matters, plaintiff attorneys are increasingly turning to high-impact trial strategies amid CGL lawsuits, spawning desensitized jury pools that are willing to award higher damages and, in turn, deliver nuclear verdicts. Key tactics include the reptile theory, in which attorneys heavily appeal to jurors’ emotions while presenting or arguing a case, and anchoring, where attorneys suggest a high verdict amount in hopes that the number will remain “anchored” in jurors’ minds. Attorneys may also take the joinder approach to certain claims, which entails conjoining different lawsuits or parties into one case so they can “shop around” for a more favorable litigation jurisdiction. As these strategies become more common, CGL claims fueled by social inflation and seven-figure jury awards are likely to continue rising. Policyholders facing repeated litigation and increased claims severity may encounter various coverage challenges, including stricter terms and higher premiums.





Privacy Litigation Challenges

Compounding litigation concerns and related claims costs in the CGL space, privacy class action lawsuits have gained substantial momentum over the past few years. As companies across industry lines rely on internet-connected technology and sensitive information to enhance their operations, any unwarranted collection or misuse of stakeholders' personal data—actual or alleged—can trigger privacy concerns, subsequent litigation and insurance claims.

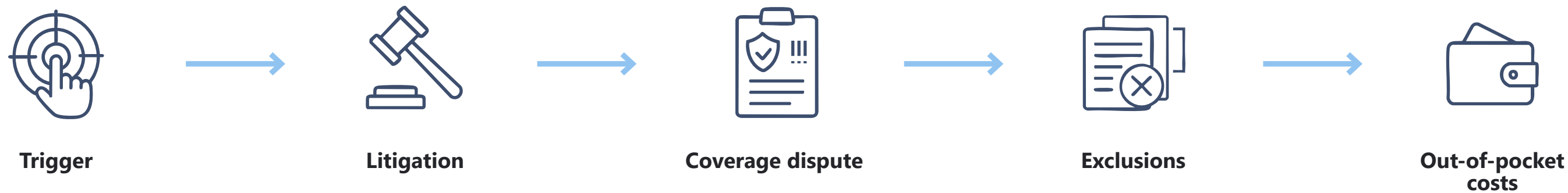
Most plaintiffs are targeting companies' use of biometrics, pixels and other web-based tracking solutions to improve online services and deliver personalized product advertisements, deeming these practices harmful and invasive.

This litigation is most prevalent in certain sectors (e.g., technology, retail, health care and finance) and jurisdictions with strict data privacy statutes. For instance, California and Illinois have specific laws—the California Consumer Privacy Act (CCPA) and

the Biometric Information Privacy Act (BIPA), respectively—that dictate the types of personal information companies can process and share. Although the BIPA was recently amended to help limit potential privacy-related damages, this doesn't eliminate class-specific exposures, making little difference in slowing down litigation and claims activity. Companies that provide video content may also be subject to the Video Privacy Protection Act (VPPA), making them more vulnerable to such lawsuits and related losses. Several courts are currently split on the definition of a "consumer" in the context of the VPPA, prompting further litigation and insurance challenges.

While insureds may seek protection for losses stemming from privacy class action lawsuits through the personal and advertising injury provisions of their CGL coverage, traditional policies often exclude such events, especially if they involve the violation of consumer privacy legislation or electronic data liability. Consequently, this litigation has contributed to an increase in coverage disputes and a widespread disconnect between insurers and policyholders regarding the specific parameters of CGL insurance. In response, many insurers have begun introducing clear exclusions for privacy class action lawsuits and adopting more stringent underwriting guidelines related to web-based

The Complicated Path of Privacy Litigation Claims



exposures, thereby encouraging insureds to secure additional endorsements or standalone policies (e.g., media liability and cyber insurance) to fill potential coverage gaps.

Economic and Inflationary Pressures

Similar to other lines in the commercial insurance space, tariffs on internationally sourced goods and ongoing supply chain challenges for raw materials are having a ripple effect on the severity of CGL claims. In particular, inflated prices for imported building and construction components are pushing up the cost of repairing damaged property following premises liability cases, whereas manufacturing setbacks stemming from delayed material deliveries and lowered production quality are influencing product liability cases. Furthermore, medical inflation and rising health care expenses continue to impact bodily injury claims,

while tariff-driven contract revisions and subsequent liability disputes are exacerbating legal defense costs. Altogether, these forces are generating considerable economic headwinds across the CGL sector.

As tariffs and other inflationary pressures continue to compound the cost of goods, they can have serious implications for CGL pricing. Because rates are calculated using factors such as revenue, payroll and assets, this means that premiums are likely to rise in response to inflated gross sales and inventory values. Between elevated rates and heightened claims severity, policyholders may be left paying more for their CGL coverage while also incurring significant out-of-pocket expenses when losses occur.



Looking Ahead

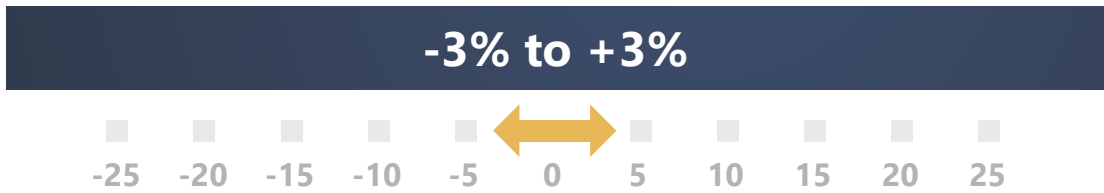
Going into 2026, most policyholders can anticipate continued stabilization in the CGL market, marked by modest rate increases and ample capacity. According to industry experts, insurers are most likely to offer competitive pricing to well-managed, low-risk accounts, with average premium jumps ranging between 1% and 6%. On the other hand, insureds operating in hazard-prone sectors, located in litigious jurisdictions or contending with poor loss history could still be susceptible to adverse conditions, including increased retentions and double-digit rate hikes.

Even as this moderation continues, it's worth noting that the increasingly complex legal climate in the CGL segment threatens to underpin mounting claims costs and diminish overall underwriting stability. With this in mind, policyholders who neglect to address their unique litigation exposures, especially as it pertains to nuclear verdicts and privacy class action lawsuits, could face worsening losses and continued coverage challenges. In some cases, these policyholders may even encounter substantial underinsurance concerns and lasting financial repercussions.

In this evolving risk landscape, it's imperative for policyholders to prioritize effective mitigation strategies. Those with robust risk management measures, minimal loss history, a strong safety culture and diligent contract language will be more likely to attract favorable CGL pricing and terms.

Workers' Compensation Insurance Market Outlook

2026 Price Prediction:



The workers' compensation insurance market has recorded profitable underwriting results and generally soft conditions for over a decade, consistently outperforming other commercial lines. Despite ongoing rate decreases and premium contraction, the segment's combined ratio has remained below 100% since 2015. According to the NCCI, the calendar-year combined ratio for 2024 was 86.1%, practically mirroring the prior year's results and representing a slight improvement from the 10-year average (91%). Throughout 2024, industry experts confirmed that average rate decreases held steady around 2% before falling even further to nearly 3% in the first half of 2025.

This continued market success is largely tied to redundant reserves and manageable claims costs. In fact, NCCI data shows that average workers' compensation loss amounts and claims filings have trended downward across many jurisdictions for the past several years. Furthermore, capacity remains stable, while increased market competition is placing even greater pressure on insurers to deliver more favorable pricing structures.

Even with a strong reserve position and generally softening conditions across the workers' compensation space, insurers are staying vigilant in monitoring emerging exposures and adjusting their risk appetites as needed to ensure profitability. In particular, medical inflation and other cost drivers are still influencing claims frequency and severity, compelling many insurers to uphold strong underwriting discipline. Policyholders with minimal loss history and a commitment to fostering a strong safety culture will likely attract the best rates and coverage terms.

Current Market Trends and Cost Drivers

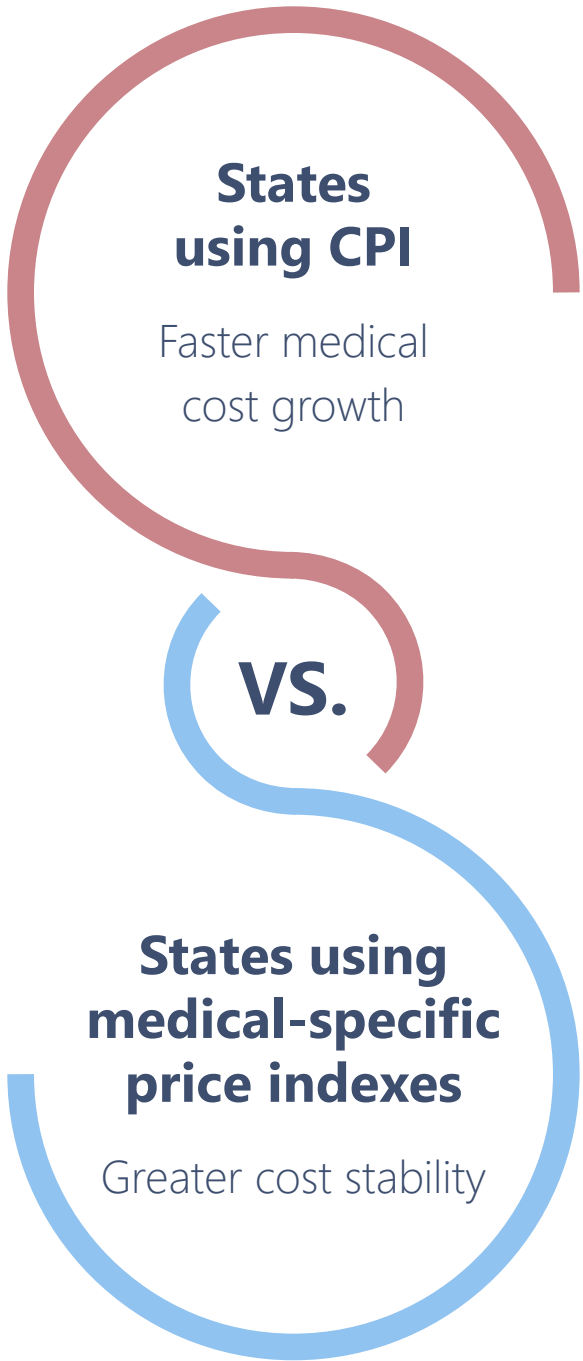
Medical Inflation

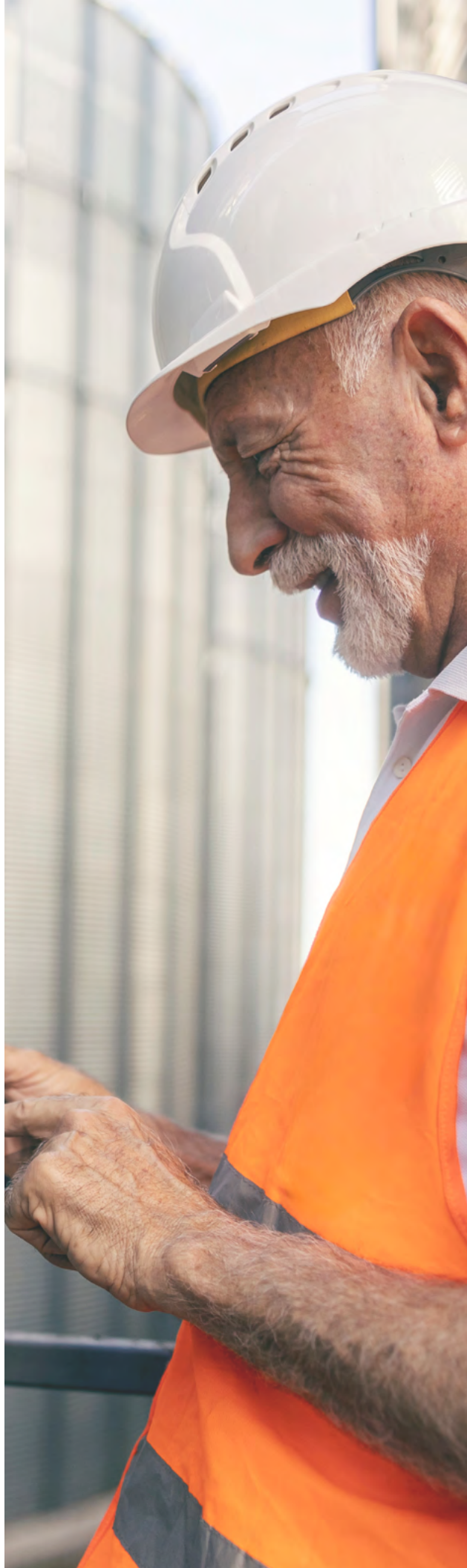
Increased health care spending and medical inflation are contributing to rising claims expenses in the workers' compensation segment, especially as it pertains to claims involving inpatient care, complex procedures and specialty medications. According to industry data, medical inflation continues to outpace general inflation, prompting a 6%-8% year-over-year increase in total

workers' compensation medical costs. Although U.S. health care prices have been somewhat contained in recent years, state-specific fee schedules—guidelines that set maximum reimbursement rates for various medical services and treatments for occupational injuries—tend to play a bigger role in determining claims severity.

While these schedules are intended to better control medical costs and associated claims payouts, they can sometimes lag behind the latest economic trends based on the specific price indicators leveraged for rate calculations and the adjustment frequency. For instance, a report from the Workers Compensation Research Institute (WCRI) found that states relying on the Consumer Price Index (CPI) to create their fee schedules recorded faster growth in medical costs over the past four years, particularly for nonhospital professional services, compared to states using medical-specific price indexes. Additionally, it's worth noting that overall health care utilization dropped significantly at the initial onset of the COVID-19 pandemic before rebounding in 2022. According to the WCRI report, this fueled 5%-12% increases in average medical costs per workers' compensation claim across most states from 2021 to 2023. As medical inflation

Fee Schedule Comparison





and associated claims costs continue to fluctuate, many insurers are encouraging policyholders to establish documented injury prevention measures and return-to-work programs to help keep losses under control.

Workforce Changes

Ongoing skills shortages and a progressively aging workforce are creating numerous challenges in the workers' compensation space, placing increased pressure on claims severity.

According to the BLS, the share of U.S. workers aged 65-74 is expected to rise by 22.24% by 2033, while the proportion of those aged 75 and older is projected to increase by 79% during the same period.

This poses considerable workplace safety concerns, as older employees' deteriorating muscle strength and bone density make them inherently more susceptible to certain injuries

(e.g., fractures, dislocations, ligament tears and disc herniations). What's more, since these workers are more likely to have comorbidities—the presence of two or more medical conditions in a patient at a given time—they may experience prolonged recovery timelines and, in turn, generate more complex workers' compensation claims following occupational injuries. Considering BLS data shows that U.S. workers aged 55 and older already account for 25% of serious injury claims, the aging labor market is likely to continue driving up claims costs.

Complicating matters, virtually all industries are facing substantial skills shortages, especially as more tenured employees approach retirement. While many employers are hiring younger, inexperienced workers to help fill labor gaps, these employees also carry unique occupational safety risks. Specifically, multiple studies have shown that first-year employees account for over one-third of all workplace injuries, thereby exacerbating claims expenses. In response to this evolving labor landscape, insureds are increasingly implementing tailored training initiatives and assistive technology solutions (e.g., wearable safety devices and AI tools) within their workers' compensation programs to help educate both younger and older workers on their particular safety risks and related prevention techniques.

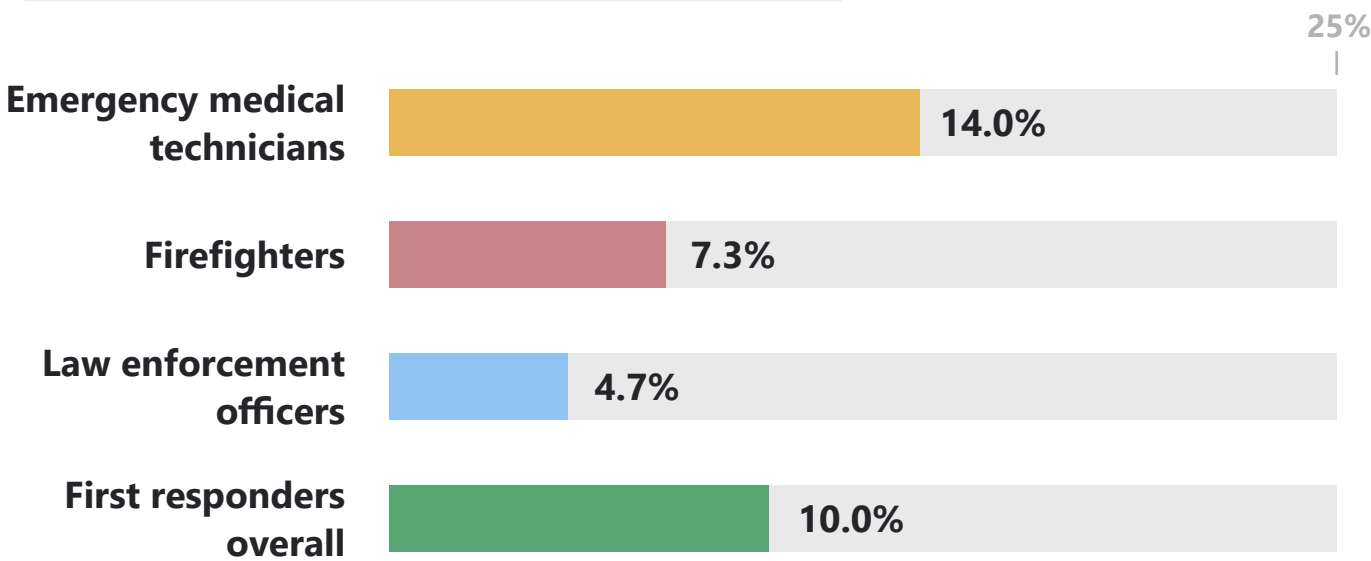
Mental Health Presumptions

A sweeping wave of new legislation is reshaping how and when workers’ compensation coverage applies to mental health conditions that occur in the scope of employment, further impacting claims costs. This legislation primarily pertains to first responders (e.g., law enforcement, firefighters and paramedics), as many states have already enacted or are in the process of adopting laws aimed at expanding workers’ compensation coverage to these professionals for psychological injuries they may encounter on the job. In some states, this coverage may also be available to health care workers and educators. Newly covered conditions may include anxiety, depression and post-traumatic stress disorder (PTSD). The NCCI reported that hundreds of bills are underway on this topic, with seven states currently considering new PTSD coverage requirements.

As it stands, all 50 states require workers’ compensation coverage for physical workplace injuries that lead to mental health conditions, while 40 states require such coverage for job-induced psychological trauma without the presence of physical injuries. Yet, less than one-third of states have presumption of causation laws in place for mental health conditions. This legislation, which

already applies to many physical ailments, shifts the burden of proving that a condition is job-related from the employee to the employer, automatically assuming that qualifying conditions are occupational in nature and thereby covered. With more attention being directed toward workplace mental health, however, a growing number of states are considering expanding their presumption laws. As such, policyholders should carefully monitor new requirements within their jurisdictions and prepare for potential preventive screening mandates or complex settlement provisions tied to affected workers.

PTSD Rates Among First Responders



Source: NCCI



Motor Vehicle Accidents

Across industry lines, motor vehicle accidents repeatedly reign as the top cause of occupational fatalities, generating complicated and costly workers' compensation claims. NCCI data revealed that motor vehicle accidents represent 10% of total benefits costs in the workers' compensation segment, while lost-time claims stemming from such events generally amount to over \$100,000—nearly 70% higher than average claims expenses. These heightened costs are likely connected to the complex nature of roadway crashes, associated bodily trauma and the increased likelihood of multiple claimants being involved. What's worse, the NCCI confirmed that the proportion of workers' compensation claims exceeding \$1 million due to motor vehicle accidents has more than tripled over the last two decades, demonstrating concerning growth and posing a pervasive threat to market performance.

There are several factors contributing to this rise in motor vehicle accidents and related claims frequency and severity, including increased delivery operations and the continued expansion of driving-based employment in the gig economy.

According to the BLS, almost one-third of U.S. jobs now require some form of driving, creating significant accident exposures.

In addition, the past few years have seen a surge in unsafe driving behaviors, particularly distracted and fatigued driving, that paved the way for further accidents. In light of these trends, many policyholders are establishing more consistent and in-depth driver training sessions to help minimize the risk of accidents and subsequent claims, especially for new hires with less experience behind the wheel. Key training topics include defensive driving strategies and accident response protocols. Some insurers are also encouraging policyholders to have documented driving safety policies regarding seat belt and cellphone usage.



Looking Ahead

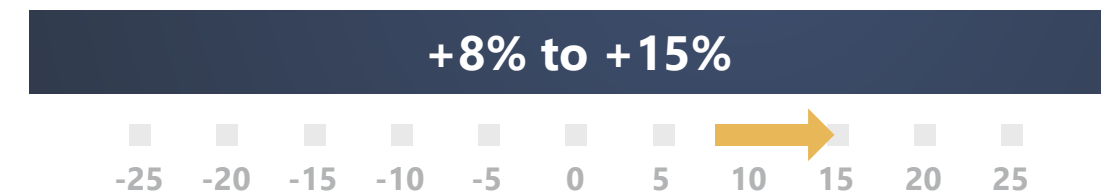
Policyholders can anticipate continued stability across the workers' compensation market in 2026, with the segment's prolonged history of positive underwriting results and solid reserves supporting a favorable pricing environment and ample capacity. According to industry experts, most insureds are likely to encounter ongoing average rate decreases of around 3%, while high-hazard accounts may face flat to slight premium increases depending on loss experience and class.

Nevertheless, the market is contending with a range of challenges that could influence claims severity and drive up total losses in the months and years to come. Rising claims costs, namely those stemming from medical inflation and evolving mental health presumption laws, could lead to moderate rate firming in some jurisdictions. Even so, industry experts assert that overall workers' compensation market conditions should remain attractive and intact, especially compared to other commercial casualty insurance lines.

For both insurers and policyholders, continued vigilance in tracking state-specific legislative developments and medical cost trends will be key in maintaining stable pricing and favorable outcomes. Insureds willing to keep up with shifting market trends and adjust their occupational safety programs as needed will be best positioned to succeed.

Umbrella/Excess Casualty Insurance Market Outlook

2026 Price Prediction:



The past few years have been characterized by hardening conditions across the umbrella/excess casualty insurance landscape. Various cost drivers, particularly social inflation and nuclear verdicts, have fueled a rise in overall claims frequency and severity. These mounting losses have diminished underwriting results and prompted most insurers to implement ongoing premium increases. According to industry data, the umbrella/excess casualty segment posted the largest average rate jumps across major commercial lines in the first half of 2025 at 11.5%. Such unfavorable conditions have been most severe among higher-hazard classes, while low-risk and well-managed accounts have encountered more modest premium fluctuations.

Capacity also remains tight throughout the umbrella/excess casualty insurance space, even amid the arrival of new market entrants and broker-formed facilities stepping in to enhance layered program options. This is largely due to the rippling impacts of casualty reinsurance market constraints, leaving primary insurers with limited coverage flexibility. In response to these pervasive segment challenges, many insurers are maintaining strict underwriting discipline and implementing specific coverage prerequisites, ultimately prioritizing profitability over premium growth. As these hardening conditions persist, policyholders who closely monitor emerging risks and demonstrate effective mitigation strategies will be better positioned to maintain favorable coverage terms and milder rate hikes. Even so, market conditions may vary significantly based on industry, jurisdictions and loss history.

Current Market Trends and Cost Drivers

Litigation Issues

In today's increasingly complex legal climate, social inflation and nuclear verdicts stemming from liability lawsuits continue to exacerbate claims costs across the umbrella/excess casualty market.

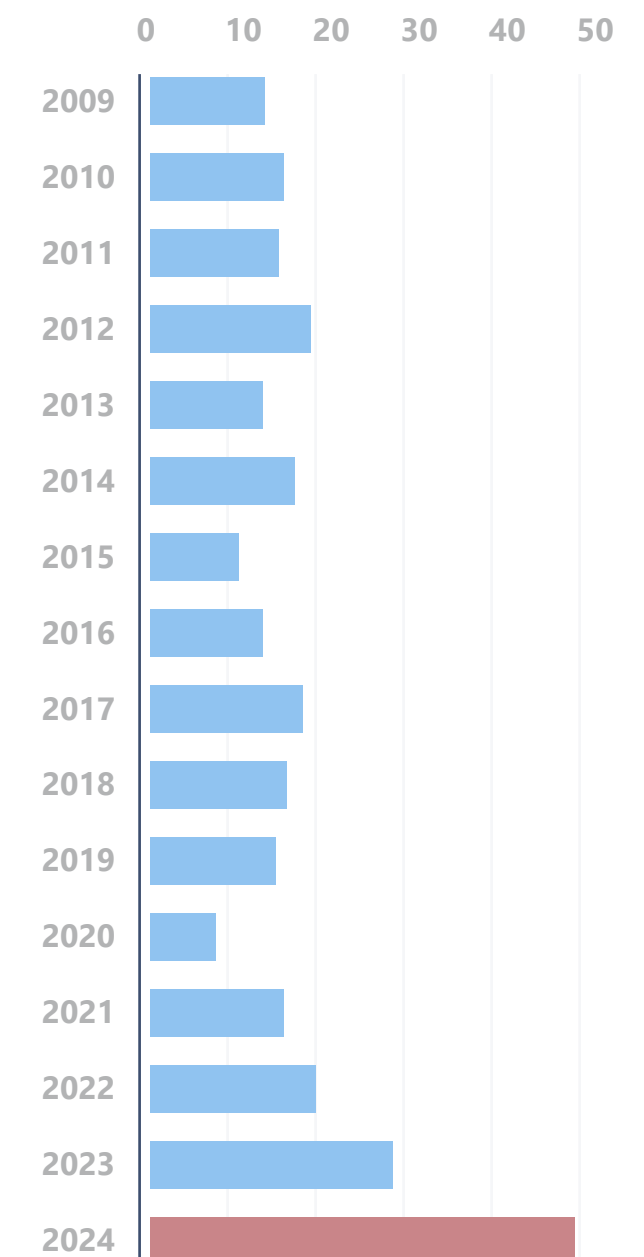
According to Marathon Strategies, 2024 was one of the worst years on record for nuclear verdicts, with no signs of slowing down in the future.

What's worse, these verdicts aren't just hovering around \$10 million. Many jury awards are reaching unprecedented levels and going thermonuclear, sometimes leaving affected insureds with nine-figure losses and claims that far exceed their policy limits. These losses are most prevalent in litigation-prone jurisdictions, including Nevada, Texas, California, New York and Pennsylvania, while Florida fell in ranking following recent tort reform. As

nuclear verdict patterns trend upward, insurers are citing these large-scale jury awards as a key factor behind tightening lead capacity, higher attachment points and elevated pricing structures.

Mirroring other casualty lines, costly litigation and related umbrella/excess casualty claims have been compounded by shifting attorney financing (i.e., TPLF) and plaintiff tactics, changing jury attitudes, and expanded liability theories. Complicating matters, many courts have become more tolerant of different litigation funding strategies and class action lawsuit expansions, paving the way for ongoing claims severity. Altogether, legal innovation and broader tort interpretations on a range of corporate liability topics—including social media addiction, biometric data collection and exposure to per- and polyfluoroalkyl substances (PFAS)—are extending the boundaries of insurable losses in the umbrella/excess casualty environment. As a result of such litigation, underwriters are requiring more data-centric coverage submissions, placing additional emphasis on contractual risk transfer, and adopting more selective appetites based on class and venue.

Thermonuclear Verdicts on the Rise



Source: Marathon Strategies



Tightened Capacity and Underwriting

Amid hardening conditions and continued reinsurance complexities in the umbrella/excess casualty space, insurers are adhering to strict capacity constraints and tightened underwriting guidelines, thereby posing considerable challenges for insureds.

For lead layers, industry experts revealed that most insurers are currently capping coverage at \$10 million per risk in an effort to avoid particularly perilous classes and jurisdictions, potentially leaving some policyholders underinsured.

Excess insurance towers are also becoming more complex, requiring additional participants and layering. In this difficult landscape, higher attachment points and buffer layers are commonplace. Furthermore, some policyholders are adjusting retentions and engaging in tower building as a way to help manage overall coverage costs.

With claims frequency and severity on the rise, many umbrella/excess casualty insurers are adopting clearer coverage restrictions for certain cost drivers. Namely, exclusions for offensive conduct, social media-related losses, PFAS exposure, and cyber and climate liability are increasingly common. In light of limited capacity, stringent underwriting standards and reinsurance modeling, insurers are highlighting the value of complete coverage submissions and detailed loss data for account consideration.

E&S Market Solutions

With many policyholders experiencing coverage limitations and elevated pricing in the umbrella/excess casualty market, some are turning to the larger E&S space to remedy potential gaps in protection. This is especially the case for high-risk accounts and other tough placements facing nontraditional or large-scale exposures. According to industry experts, the overall E&S landscape has flourished for much of the past decade, primarily due to surging demand and policy volume. Financial services company S&P Global reported that domestic E&S premiums totaled approximately \$98 billion in 2024, representing a 13% increase from the previous year and almost tripling 2018's results (\$34.7 billion).

In particular, the surplus line has become a central outlet for policyholders contending with challenging casualty risks, as insurers in this space have excelled at designing innovative coverage structures to help compensate for lower admitted-market limits. Examples of emerging surplus solutions include additional buffer layers, corridor deductibles, captives and other alternative risk structures. As the E&S market continues to evolve, it's essential for policyholders to stay informed about the latest developments and consult trusted insurance professionals to discuss their specific coverage needs.

Looking Ahead

Going into 2026, the umbrella/excess casualty insurance segment is likely to continue facing hardening conditions. With this in mind, policyholders can anticipate ongoing premium increases, constrained capacity and stricter underwriting discipline. According to industry experts, overall pricing severity will differ greatly based on insureds' particular exposures, with possible rate jumps ranging from 8%-20%. While those belonging to higher-hazard classes and venues could be more prone to

double-digit premium fluctuations and coverage restrictions, properly managed accounts with minimal loss history may encounter milder, single-digit rate changes.

Nevertheless, segment conditions are dependent upon broader property and casualty insurance market results remaining somewhat stable. Favorable results could enable more widespread moderation, while large-scale losses could exacerbate existing trends. Factors such as nuclear and thermonuclear verdict activity, litigation funding reform, reinsurer positions on casualty aggregates, and the pace of E&S growth will be vital in shaping the overall trajectory of the umbrella/excess casualty space in the year ahead.



Professional/Executive Liability Insurance Macro Trends

The professional/executive liability insurance landscape is undergoing a significant transformation, driven by a range of external pressures and broad market shifts. For policyholders, staying informed about these macro-level changes is essential—not only to mitigate potential risks but also to prepare strategically for evolving coverage dynamics.

Going into 2026, here are some **key developments** shaping the professional/executive liability insurance space.

AI and Technology Exposures

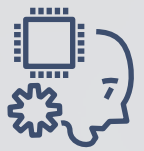
As a growing number of companies and their executives integrate AI tools and other advanced technology solutions within various aspects of their operations and workflows, such widespread automation is creating new liability exposures.

According to recent research conducted by Harvard Law School, between 50% and 75% of businesses across industry lines have implemented AI tools within one or more of their workplace processes, while an even larger share may be unknowingly using this technology through other devices or smart equipment.

When the utilization of AI tools is left unchecked or undisclosed, this can lead to serious operational errors, privacy concerns and stakeholder misalignment.

Consequently, companies and their executives are being held more accountable for their alleged failures in addressing the risks associated with AI tools and facing greater scrutiny regarding associated disclosures, particularly in areas such as data governance, cybersecurity and boardroom oversight. This, in turn, has fueled an increase in AI-related lawsuits and subsequent insurance claims throughout the professional/executive liability space. A recent report from consulting firm Cornerstone Research revealed that 12 securities class-action lawsuits alleging the improper or undisclosed use of AI tools were filed in the first half of 2025 alone, on pace to significantly surpass the total from the previous year (15).

AI-related Claims Breakdown



AI-washing
D&O claims



Algorithmic biases
EPL claims



AI-enabled scams
Fidelity and crime
and cyber claims



Data privacy concerns
Cyber claims

Emerging AI-related claims drivers span across several lines of coverage. For example, directors and officers liability (D&O) claims could result from “AI-washing” allegations, in which executives are accused of exaggerating their companies’ adoption of AI tools or making misleading statements regarding how and when this technology is being used in corporate disclosures. When inaccurate inputs or biased algorithms adversely impact the decisions made by their automated recruitment, hiring and employment monitoring tools, companies may also encounter workplace discrimination charges and associated employment practices liability (EPL) claims. Additionally, cyber and fidelity and crime claims could stem from companies’ alleged failures to recognize and defend against AI-enabled cyberattacks, particularly deepfake incidents, business email compromise (BEC) scams and other sophisticated phishing techniques. Cyber claims could also arise from data privacy concerns related to companies’ use of AI tools that collect and process biometric identifiers and other personal information, especially in jurisdictions with strict consumer privacy laws (e.g., the CCPA in California and the BIPA in Illinois).

Amid this rapidly advancing AI landscape, it has become increasingly critical for companies and their executives to maintain full awareness and transparency regarding how automated technology solutions are applied to key business functions and workflows. As these tools continue to influence professional/executive liability claims, insurers are pushing policyholders to document AI oversight in the boardroom and align related disclosures with their internal controls. Insureds may also benefit from implementing specific AI risk management and compliance frameworks, such as those developed by the [National Institute of Standards and Technology \(NIST\)](#) and the [International Organization for Standardization \(ISO\)](#). Altogether, brokers and policyholders should work closely with each other to ensure adequate protection for AI exposures and review applicable policies for related exclusions, sublimits and coverage gaps.



Litigation Concerns

Similar to the commercial casualty insurance market, an uptick in corporate lawsuits and record-high settlements and jury awards continues to impact the professional/executive liability space. This legal action is most prevalent in the D&O sector, amplifying existing pressures on board leadership. In this challenging environment, a host of executive decisions have become subject to increased scrutiny and aggressive litigation, with stakeholders and the public seeking to hold corporate leaders responsible for their actions (or lack thereof) in the courtroom. While these trends are affecting businesses across the country, industry data shows that certain jurisdictions are particularly vulnerable to corporate lawsuits and associated D&O claims, including Florida, California, Texas and New York.

Several factors are playing a role in such costly litigation concerns, such as broadened court definitions of executive “liability” and “duty,” the use of TPLF to eliminate possible financial barriers for plaintiffs, emerging trial tactics and attorney strategies,

and evolving state and federal legislation that may influence how juries interpret corporate responsibility. Furthermore, changing societal values, juror expectations, media coverage and public advocacy all contribute to social inflation, which drives up the cost of corporate litigation and related insurance claims. According to a recent behavioral study conducted by reinsurance brokers, this litigation is no longer perceived as a last resort or burden to society, but rather a valuable platform for delivering justice. The 2025 study revealed that just 56% of Americans think there are too many lawsuits in the United States, representing a steep decline from 2016’s findings (90%). In addition, 76% agreed that the damages awarded in lawsuits are either too low or just right, showcasing a considerable increase from 58% in 2016. Support for punitive damages is also on the rise, with 79% of Americans agreeing that they are the best tool for deterring misconduct by large corporations, and 67% deeming them effective in reprimanding small and midsize operations.

Considering these findings, corporate lawsuits, unpredictable verdicts and subsequent D&O claims will likely only continue to surge in the months and years ahead. What's worse, companies that experience such litigation may be considered higher risk by their insurers going forward, prompting elevated premiums, stricter underwriting standards and additional coverage restrictions for the foreseeable future. To help combat coverage challenges brought on by litigation concerns, it's imperative for policyholders to ensure their boards are demonstrating robust risk management, detailed documentation of their decision-making processes and proactive settlement measures.

Regulatory Volatility and Disclosure Risks

Evolving regulatory developments and corporate disclosure standards are redefining professional/executive liability risks for businesses of all sizes and sectors, pushing board leaders to align their governance processes with shifting compliance requirements to avoid potential penalties and associated

insurance claims. For instance, the U.S. Securities and Exchange Commission (SEC) recently finalized new cybersecurity rules, which require public companies to promptly disclose when they have been impacted by cyberattacks—within four business days for major attacks—and detail the specific risk management measures they have in place to defend against such incidents. These rules also emphasize the value of proactive strategies to prevent cybersecurity issues, including ample board oversight and communication, gap assessments and in-depth documentation. Noncompliance with these rules, especially in the aftermath of a cyberattack, could leave affected companies with substantial D&O and cyber claims.

Besides cybersecurity rules, the SEC also previously had strict climate disclosure standards in place. These standards required public companies to share certain information and data regarding the climate-related risks stemming from their operations and associated greenhouse gas emissions. While these standards are currently being challenged in different courts and have been paused since March 2025, many corporate investors and local regulators continue to demand climate risk

transparency, ultimately keeping businesses and their board-rooms subject to similar expectations and scrutiny. As such, neglecting to address and document climate-related concerns could make companies susceptible to potential regulatory consequences and D&O claims.

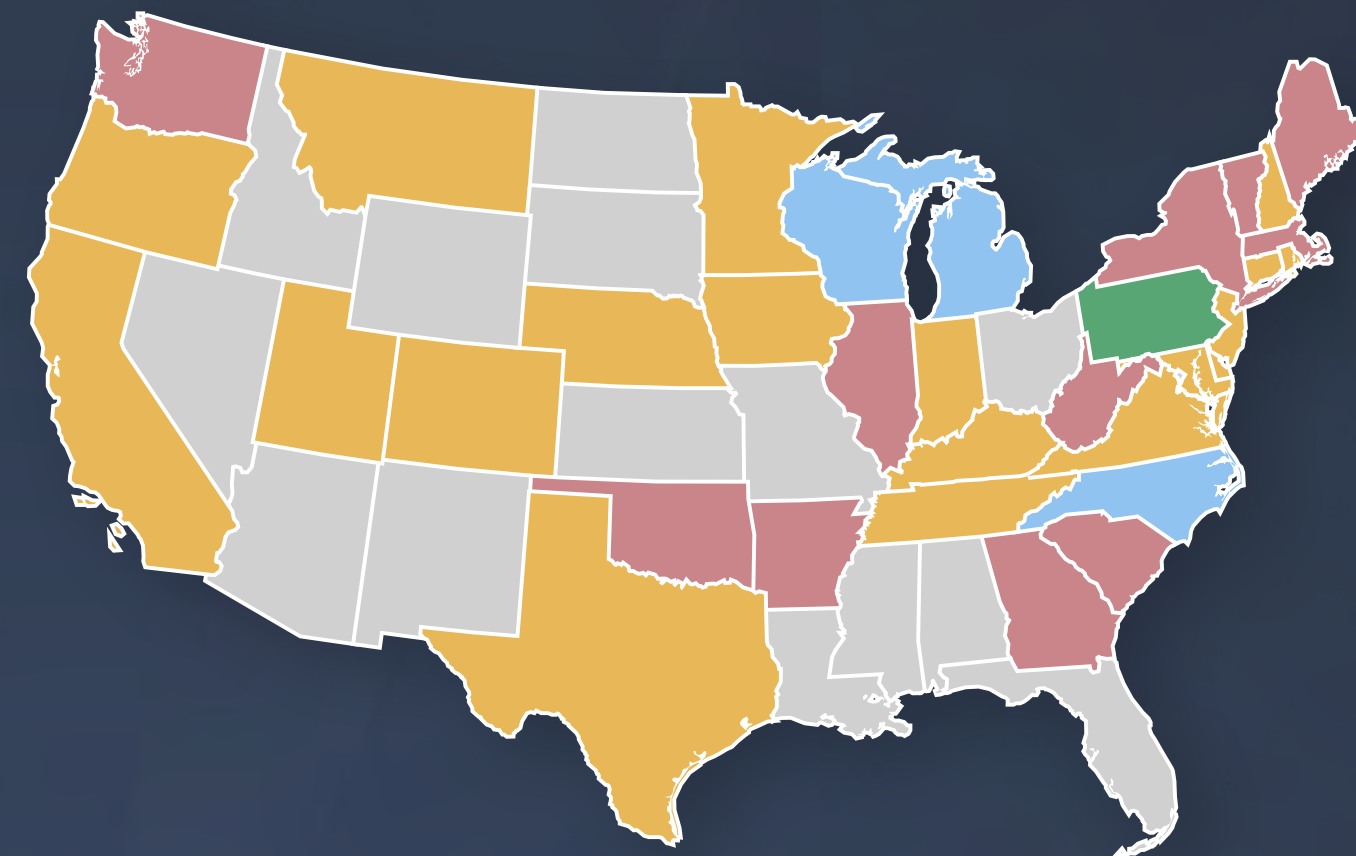
On the state level, a growing number of jurisdictions are developing stricter privacy legislation that requires companies to adhere to specific requirements when storing and handling sensitive data. As it stands, 25 states either already have or are in the process of developing privacy laws, with more expected to follow suit. Especially as companies embrace AI tools within their operations and become more reliant on data-driven technology, this expanding legislation could create yet another layer of complexity as it pertains to compliance and disclosure risks, potentially paving the way for additional D&O and cyber claims.

Amid this regulatory volatility in the professional/executive liability space, insurers are encouraging policyholders to uphold clear and well-documented corporate governance frameworks and disclosure processes, thereby ensuring consistency

between public statements and filings and reducing claims exposures. It's also best for insureds to closely monitor evolving state and federal requirements and adjust their practices accordingly to maintain compliance.

U.S. State Privacy Legislation Tracker 2025

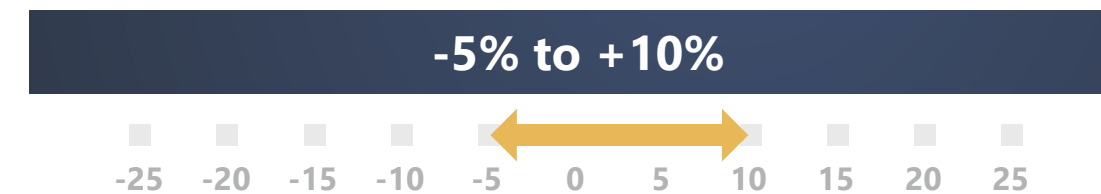
- **Signed**
- **In committee**
- **In cross committee**
- **Inactive bills**
- **No comprehensive bills introduced**



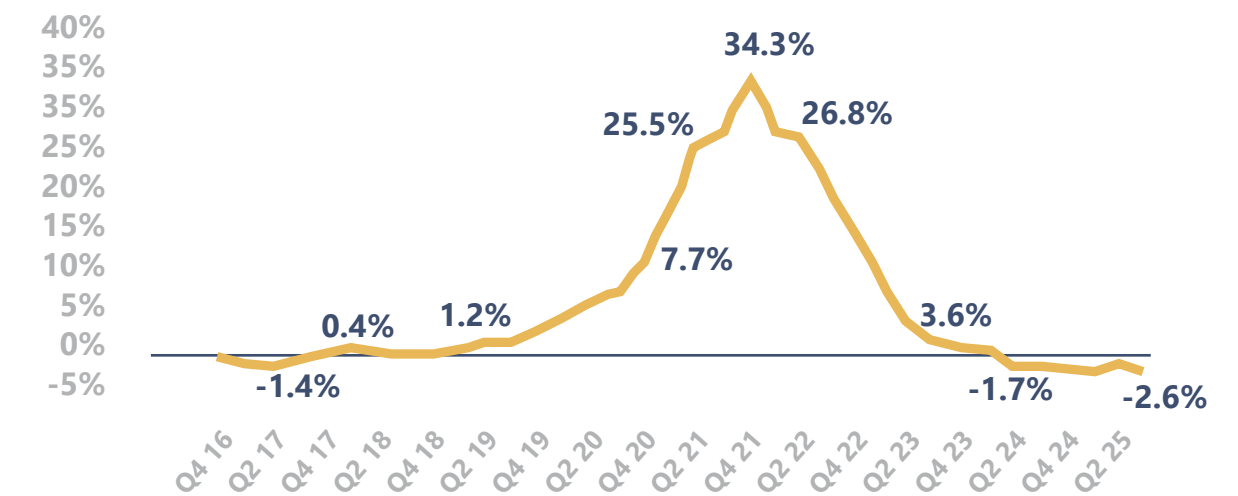
Source: International Association of Privacy Professionals

Cyber Insurance Market Outlook

2026 Price Prediction:



Premium Change for Cyber, Q1 2017–Q3 2025



Source: CIAB

Following a period of volatile losses and complex underwriting dynamics, the cyber insurance segment has experienced softening conditions and greater stability over the past several years. According to industry data, average rate increases steadily fell from 2022-24 until they became nearly flat. Throughout 2025, more aggressive retention strategies, expanded capacity and growing competition—primarily driven by new market entrants—fostered a buyer-friendly environment, with the majority of insureds experiencing flat to low- or mid-single-digit premium decreases. As a result, average rate decreases hovered around 2% for most of the year, while some low-risk accounts even saw double-digit reductions.

These favorable conditions are largely attributed to stringent underwriting standards from insurers and increased cyber resilience among policyholders, which have helped stabilize loss ratios despite a continued rise in the severity of cyberattacks. Additionally, some insurers are now willing to offer broadened coverage, higher limits and reduced self-insured retentions to policyholders who demonstrate strong cyber hygiene and have documented mitigation steps in place.

Although conditions are expected to continue softening in the coming months, it's worth noting that various market developments—namely, an increase in AI-powered attacks, BEC scams and other advanced phishing incidents—could prompt a return to unpredictable claims patterns and threaten ongoing stabilization. As such, most insurers are upholding strict underwriting discipline and remaining vigilant in their approach to high-risk accounts to bolster profitability amid rising losses, ultimately signaling some sense of caution in the year ahead.

Current Market Trends and Cost Drivers

AI Exposures

Cybercriminals are increasingly leveraging AI tools to deploy sophisticated social engineering scams and automate infiltration tactics, allowing them to launch harmful attacks at rapid speeds and on a much larger scale.

According to cybersecurity experts, AI software fueled a 202% increase in phishing incidents throughout 2024, with over 80% of email-based cyberattacks using this technology in some form.

In addition, AI-generated deepfake incidents have produced multimillion-dollar losses for businesses across a range of industries in recent years, manipulating employees and other stakeholders into sharing sensitive corporate information and funds through synthetic video and audio clips. Moving forward, such scams will likely only become more convincing, driving up related cyber claims.

In response to these evolving cyberthreats, multiple federal organizations—specifically the FBI's [Internet Crime Complaint Center](#) (IC3) and the [Cybersecurity and Infrastructure Security Agency](#) (CISA)—have released guidance for businesses on defending against AI-based schemes and similar security issues. In conjunction with rising claims expenses, the IC3 and CISA guidance



The median ransomware payment **doubled** between the first and second quarters of 2025.

have underscored the severity of AI exposures, motivating many insurers to refine their policy language to clarify how coverage applies to AI-driven attacks, particularly for losses stemming from social engineering and synthetic media. With this in mind, it's critical for policyholders to carefully assess their coverage terms to understand the scope of their protection for AI-driven scams, system manipulation and data leaks.

Ransomware Risks

Ransomware attacks have been a leading claims driver across the cyber market for much of the past decade, generating large-scale losses for businesses of all sizes and sectors. While recent years have seen a reduction in the frequency of ransomware incidents, their severity has risen sharply. According to cybersecurity risk management firm Resilience, despite a 53% year-over-year decrease in the total number of cyber claims in the first half of 2025, the average cost of a ransomware claim increased by 17% to \$1.18 million during the same time frame. This shift is likely due to the emergence of more complicated and costly ransomware tactics, including double extortion incidents and AI-powered attacks. Furthermore, ransom payments have skyrocketed, with

cyber extortion response company Coveware reporting that the median payment increased by 100% to \$400,000 between the first and second quarters of 2025.

Making matters worse, ransomware attackers are shifting their primary focus to small businesses and supply chain vectors, utilizing advanced techniques to exploit gaps in detection among less resilient organizations. Especially as ransomware incidents become more costly, these losses could leave smaller operations with claims that far exceed their policy limits and, in turn, generate significant out-of-pocket expenses. Amid increasing ransomware exposures, some insurers are requiring policyholders to document their cybersecurity practices aimed at mitigating these attacks—such as multifactor authentication (MFA) and endpoint detection and response (EDR) solutions—before providing coverage.



Shadow IT Concerns

In today's fast-paced digital world, many employees are using their own devices, personal cloud storage or other unsanctioned tools that circumvent traditional corporate channels—commonly referred to as “shadow IT”—to access sensitive business records, share files or streamline operational workflows. The shift toward remote and hybrid work models, combined with the rapid adoption of cloud-based software, has further accelerated the growth of shadow IT, creating ideal conditions for this technology to proliferate without organizational awareness or oversight.

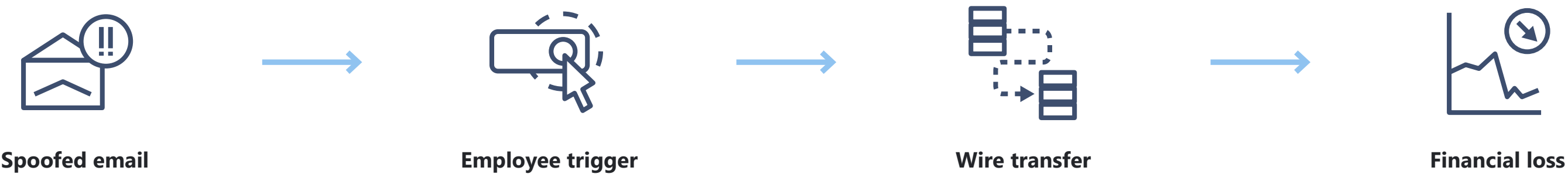
While shadow IT can simplify operational processes and foster innovation, it can also introduce risks. In particular, instances of shadow IT erode an organization's control over its larger digital infrastructure. Because the IT department can't vet unsanctioned tools, these assets fall outside the scope of corporate cyber hygiene practices, potentially expanding attack surfaces and increasing the likelihood of data breaches and related cyber claims.

According to a recent report from technology company IBM, 1 in 3 data breaches currently involve shadow IT, with the average breach costing \$4.88 million.

Among the different types of this technology, the unauthorized use of AI tools without organizational approval or oversight has become most prevalent. In fact, the IBM report revealed that 20% of organizations experienced a security breach due to shadow AI in 2024, with this technology driving up average losses by an additional \$670,000.

Because shadow IT creates unmanaged entry points for cyber-criminals, this technology can make it more difficult for insurers to establish accurate risk profiles for their policyholders and, consequently, diminish underwriting profitability following related claims. As this technology continues to expand, policyholders with a history of shadow IT losses could encounter elevated premiums and coverage limitations, while ongoing incidents may even result in a denial of coverage altogether. Considering these potential challenges, it's best for insureds to minimize their

The Steps to a BEC Scam



shadow IT exposures by enforcing companywide technology usage and procurement policies, conducting routine employee awareness training, deploying strict access controls, and continuously monitoring network traffic and cloud activity to identify unapproved tools or hidden assets.

BEC Scams and Fraud Issues

Email-led fraud also continues to exacerbate claims frequency and severity within the cyber market, especially those involving unauthorized funds transfers and associated first-party losses. BEC scams have emerged as the costliest format for such fraud, with cybercriminals impersonating trusted corporate executives or business partners through spoofed email addresses and tricking targets into sharing sensitive information or initiating large wire transfers. According to IC3 data, BEC scams have repeatedly reigned as one of the top contributors to cybercrime complaints

filed with the FBI since 2022, generating over 20,000 complaints and more than \$2.7 billion in total losses each year.

In light of ongoing BEC scams and fraud issues, many insurers are tightening sublimits for social engineering losses and requiring policyholders to implement more advanced prevention measures as a prerequisite for coverage. These measures may include more robust email authentication technology and EDR solutions, MFA and least-privilege segregation for systems containing sensitive assets, and additional payment verification steps for wire transfers. It has also become more common for insurers to deploy questionnaires that probe policyholders’ vendor invoicing workflows, treasury controls and employee training efficacy (e.g., pass/fail rates for phishing simulations). Some may even ask for specific documentation, such as payee change verification playbooks and bank callback evidence, before releasing higher policy limits.

Looking Ahead

Barring an influx of catastrophic losses and associated capacity constraints, policyholders can expect continued pricing stability and milder conditions across the cyber insurance segment in 2026. Nevertheless, evolving cyberthreats and claims patterns could prompt a swift market reversal. Specifically, industry experts warn that a substantial systemic cyberattack, such as a global third-party data breach affecting a range of corporations and their stakeholders, could quickly harden the market.

Even amid current market moderation, policyholders should be aware that their renewal experiences may differ significantly based on their internal cybersecurity controls. In an effort to bolster underwriting profits and avoid large-scale payouts, insurers are promoting further segmentation between low- and high-risk accounts, thereby rewarding insureds who showcase a clear commitment to solid cyber hygiene and documented incident prevention and response protocols. Well-managed accounts may

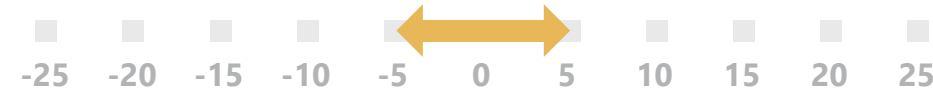
continue to encounter flat to mild rate reductions, while those with limited controls and poor loss history could face steady premium increases.

Going forward, risk management strategies such as MFA, EDR solutions, secure data backups, tested incident response plans and routine staff training will likely be considered bare minimum requirements to obtain ample cyber coverage. Policyholders who remain informed about the latest cyber exposures and adjust their mitigation strategies as needed will be best equipped to handle this shifting risk landscape.

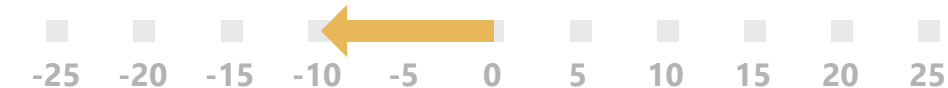
D&O Insurance Market Outlook

2026 Price Prediction:

Private and nonprofit entities: **-5% to +5%**



Public companies: **-10% to flat**



The D&O insurance segment has encountered softening conditions for the past several years, characterized by new market entrants, competitive pricing structures and expanded capacity. According to industry data, most insureds saw meaningful premium decreases from 2022-23 that tapered to flat or slight reductions by 2024, with average rate reductions hovering around 2% throughout 2025. Even as the market remains buyer-friendly, it's showing signs of stabilization, with overall premium fluctuations becoming smaller and more selective.

Public companies continue to experience the most favorable segment conditions, evidenced by consistent year-over-year rate reductions across primary layers. Industry data revealed that some policyholders even encountered double-digit premium decreases in the first quarter of 2025; however, the pace of such fluctuations slowed significantly by midyear. Amid rising claims frequency and severity, some industry leaders are criticizing current pricing dynamics—especially for loss-prone accounts—and voicing concerns regarding ongoing market sustainability. This feedback could prompt mild rate increases and potential pullbacks in capacity going forward.

Because private companies are often deemed higher risk by insurers than their public counterparts, they have historically faced more mixed results in pricing structures and coverage offerings. Nonetheless, some policyholders—namely those with strong financial practices and minimal loss history—are still experiencing softening conditions, with new and returning capacity keeping market competition elevated across the private sector.

For all insureds, more stringent underwriting standards have become the norm, accompanied by higher retentions and increased scrutiny of financial controls and reporting processes. As litigation and regulatory shifts continue to influence claims costs, policyholders who stay on top of these trends and adjust their risk management strategies accordingly will be more likely to secure favorable coverage pricing and terms.

Current Market Trends and Cost Drivers

Securities Class Action Risks

As stakeholders and the public demand greater transparency and accountability from corporate executives, these leaders are facing a surge in securities class action lawsuits and associated D&O claims for their alleged wrongdoings in the boardroom. According to a recent report from the National Economic Research Associates (NERA), 229 federal securities class action lawsuits were filed in 2024, matching the previous year's total and remaining above the 10-year average. While this litigation can impact any industry, businesses operating in the technology and health care sectors accounted for over half of all filings.

Although securities class action lawsuits have primarily focused on COVID-19-related concerns and special purpose acquisition company (SPAC) operations over the past few years, 2024 saw a shift in these trends. The NERA report revealed that COVID-19- and SPAC-related filings dropped significantly from 2023-24, while AI-washing claims—particularly those in which investors

Top Industries Impacted by Securities Class Action Litigation



Technology



Health care



Manufacturing

Source: NERA

accused board leaders of overstating corporate AI capabilities—more than doubled during the same period. In addition to these claims, business executives have also encountered a rise in filings related to earnings misses; disclosure failures; and environmental, social and governance (ESG) misstatements.

Altogether, Cornerstone Research reported that securities class action lawsuits led to 88 settlements in 2024, totaling \$3.7 billion. While median plaintiff-style damages decreased from 2023–24, they still represented the third-highest amount over the past decade at \$272 million, driving up D&O claims severity. Legal experts are forecasting similar litigation trends in the months and years ahead, with allegations tied to AI, ESG, data privacy and technology failures expected to accelerate overall claims activity. This litigation could pose persistent underwriting challenges across the D&O space, exacerbating claims costs and leaving insureds with considerable out-of-pocket expenses. Policyholders who neglect to demonstrate proper board oversight of emerging litigation topics or face repeated claims stemming from securities class action lawsuits could be susceptible to higher rates and coverage restrictions.

AI Challenges

With corporate executives increasingly leveraging AI tools to make important board decisions and conduct their due diligence processes, such utilization is fueling new D&O exposures. Specifically, business leaders who misrepresent the ways in which AI solutions are being used in the workplace or fail to address operational errors caused by this technology—such as those resulting from algorithmic biases, stolen intellectual property, hallucinations or other harmful synthetic content—may be vulnerable to shareholder derivative lawsuits and associated D&O claims. A growing number of states are also implementing AI-related laws that require businesses to follow varying data privacy, transparency and anti-discrimination standards when establishing inputs for such technology. Companies that neglect to comply with this evolving legislation could leave their boardrooms exposed to substantial regulatory scrutiny and compounded D&O losses.

Complicating matters, regulators and plaintiff firms have begun challenging both the actions and inactions of corporate executives in their approach to AI tools over the past year, holding these leaders accountable for inaccurate AI disclosures as well as poor oversight and governance. This, in turn, has created a

Potential AI Failures in the Boardroom




Harmful, false or biased outputs



Data misuse and exposure



Intellectual property leakage



complex liability landscape and expanded the types of events that could trigger D&O coverage. Moving forward, policyholders may experience stricter underwriting discipline from insurers regarding AI usage in the boardroom and related documentation, with certain losses arising from these tools receiving little to no coverage.

SEC Enforcement Shifts

In 2025, President Donald Trump appointed a new chairman of the SEC, paving the way for a change in enforcement efforts toward public companies and related D&O claims. This chairman has pushed for the agency to return to a “back-to-basics” approach, dropping various enforcement actions from prior years and prioritizing traditional fraud cases and investor protections over recordkeeping violations and broad corporate penalties.

Since the new chairman was appointed, the SEC has reduced its staff by 15% and withdrawn 14 proposed rules, marking a considerable shift toward deregulation.

The agency has also voluntarily dismissed a range of cases over the past few months, namely those related to cryptocurrency and Foreign Corrupt Practices Act (FCPA) violations.

As it pertains to specific rules established under the previous administration, the climate disclosure rules have been paused for several months and remain in a state of litigation limbo, indicating a potential reduction in ESG enforcement actions from the agency going forward. While the cybersecurity disclosure rules are still in place, the SEC didn’t file a single new breach disclosure case in the second quarter of 2025, signaling reduced enforcement of these guidelines. Although federal enforcement actions and settlements against individual business leaders could still occur in this deregulated environment, overall corporate-level liability exposures may be reduced. Even so, some state, local and industry regulators continue to require companies to release specific disclosures and maintain greater operational transparency, leaving the door open for related D&O claims. Furthermore, these shifting enforcement efforts won’t stop private plaintiff firms from taking corporate executives to court for perceived dishonesty or misrepresentation. As such, any potential reduction in D&O claims activity stemming from SEC deregulation could be offset by the ongoing rise in securities class action lawsuits.

Looking Ahead

After multiple years of market softening, most policyholders can expect to encounter somewhat firming conditions across the D&O space in 2026, with premiums trending mostly flat for stable accounts as insurers resist deeper cuts and aim to maximize underwriting profitability. Among both public and private companies, low-risk accounts may continue to see slight rate reductions. However, private entities with elevated exposures or poor loss history could face moderate premium hikes.

Capacity remains accessible, and healthy competition persists throughout the D&O segment. Yet, some insurers are steadily reducing their risk appetites and growing more selective with their coverage offerings to avoid large-scale losses. This shift is particularly prevalent among policyholders with a record of costly litigation and other complex claims.

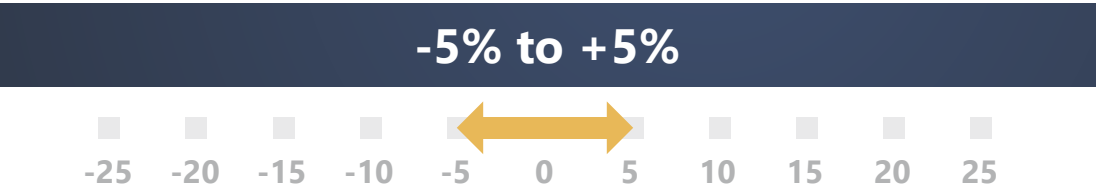
Moving forward, it's critical for insureds to monitor securities class action trends, AI-related developments and any regulatory changes that could influence claims patterns in the coming year, enhancing their risk management strategies as needed to limit possible losses. Those who promote strong corporate

governance measures, provide routine leadership training, ensure compliance with applicable laws and prioritize proactive claims management can be better positioned to navigate this complicated liability landscape.



EPL Insurance Market Outlook

2026 Price Prediction:



Healthy competition, widened capacity and consistent underwriting profitability have helped generate softening conditions across the EPL insurance market in recent years. Industry data revealed that average premium changes hovered around low single-digit jumps in 2024, with many well-managed accounts already renewing flat. By 2025, pricing generally flattened for the majority of policyholders, and some low-risk insureds even began seeing modest rate reductions. Many market observers now suggest the segment is approaching a pricing floor, with ongoing competition fostering stable conditions and limiting additional rate movement.

These favorable conditions are also tied to stricter underwriting discipline, as most policyholders have been required to provide more thorough documentation of their unique employment exposures and related mitigation measures over the years. Even in this moderating environment, insurers are carefully managing their risk appetites to ensure continued segment stability, with selective firming impacting accounts in tougher classes and jurisdictions. Ample competition persists, and capacity remains stable for most insureds, primarily among those demonstrating robust HR practices and limited claims activity.

Despite market softening, multiple cost drivers continue to influence the EPL space, including shifting litigation patterns related to workplace discrimination and emerging technology exposures. These trends could lead to increased claims frequency and severity, especially for policyholders operating in loss-prone sectors and locations. Amid these challenges, insurers will likely maintain stringent underwriting standards and implement tighter policy wording for certain pressure points in the year ahead.

Current Market Trends and Cost Drivers

Reverse Discrimination Claims

The U.S. Equal Employment Opportunity Commission (EEOC) enforces Title VII of the Civil Rights Act, which prohibits employers from discriminating against individuals based on protected traits (e.g., race, color, national origin, religion and sex). Such discrimination is illegal regardless of whether individuals belong to minority or majority groups, the latter of which is commonly called “reverse discrimination.”

Reverse discrimination claims were previously subject to a heightened evidentiary standard, making it harder for majority group members to substantiate them.

However, in June 2025, the Supreme Court unanimously held that reverse discrimination claims should be subject to the same evidentiary standard as traditional discrimination claims. Following this decision, it will be easier for individuals to allege reverse discrimination, which may prompt an uptick in overall claim volume and associated EPL losses.

In particular, job candidates and past and present staff may target employers’ selection criteria; diversity, equity and inclusion (DEI) programs; anti-harassment and -retaliation policies; workplace complaint and investigation procedures; and other employment-related decision-making processes and documentation for potentially discriminatory components that could be perceived as favoring minority groups. In response to these evolving risks, EPL insurers are expected to address reverse discrimination in their underwriting guidelines going forward. In doing so, they may

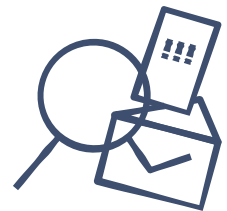
Key Pressure Points for Reverse Discrimination Claims



Hiring and promotion decisions



DEI program structure and wording



Workplace complaint and investigation protocols



place greater scrutiny on policyholders' documented rationales behind employment decisions, ensuring that any such rationales are applied consistently to all individuals, regardless of any protected trait or group membership.

DEI Scrutiny

In addition to the Supreme Court's ruling on reverse discrimination, 2025 also brought a series of executive orders (EOs) from President Trump aimed at significantly restricting or dismantling DEI-related programs among federal agencies and contractors. These EOs encouraged the private sector to follow suit with such actions, resulting in a significant number of companies either revising or fully removing their existing DEI programs. According to a recent analysis from law firm and data provider Freshfields, more than 200 S&P 500 companies removed the words "diversity" and "equity" from their annual reports in 2025, while the proportion of such companies using the phrase "diversity, equity and inclusion" in their filings dropped by nearly 60% over the past 12 months. Furthermore, at least 35 major corporations—including Walmart, Target, Disney, Meta, Google and PepsiCo—either scaled back or completely eliminated their DEI programs in 2025.

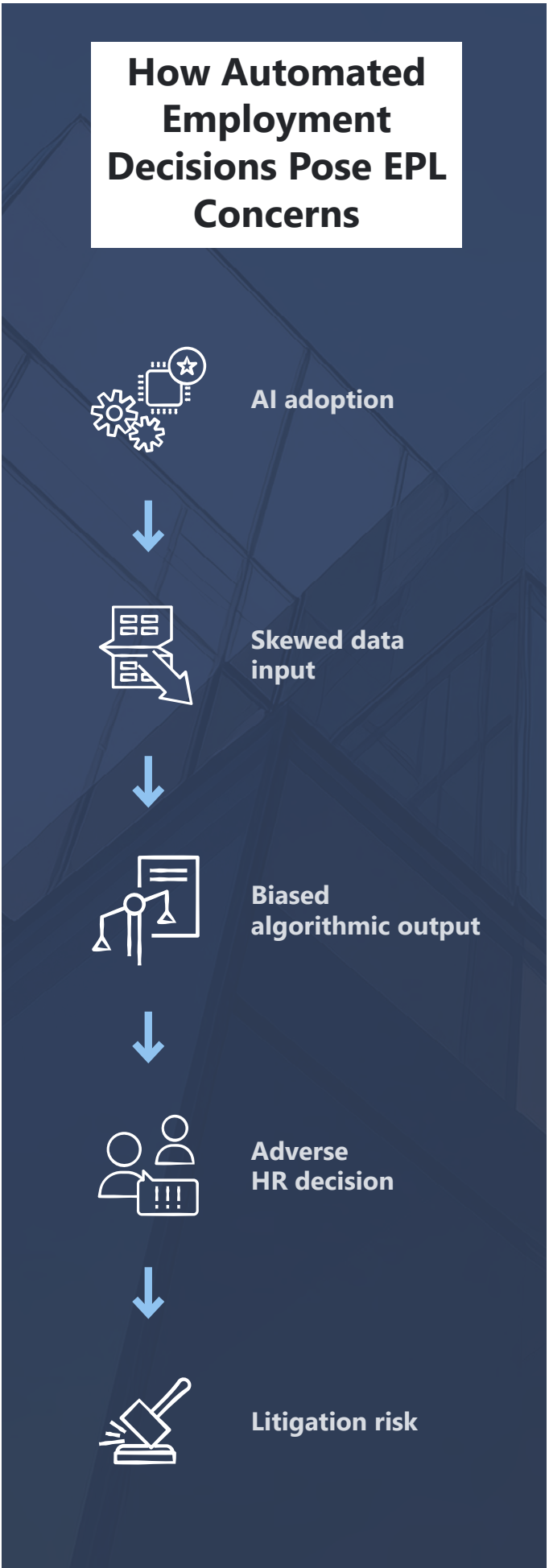
Nevertheless, these actions are facing substantial legal challenges and political pushback, with some state laws surrounding DEI programs conflicting with the latest federal guidance. Consequently, employers are at risk of encountering workplace discrimination lawsuits and associated EPL claims from various angles due to their DEI programs (or lack thereof). These developments have pushed many insureds to reevaluate their current DEI practices, documentation and related coverage needs. As DEI-related claims continue to impact the EPL space, policyholders can expect insurers to conduct more thorough reviews of their DEI program language and frameworks to ensure compliance with applicable requirements and minimize potential losses. Insureds with poorly structured programs could experience elevated litigation risks and, in turn, higher premiums or coverage restrictions.

AI Exposures

The past few years have seen companies increasingly rely on AI tools to automate certain workplace processes and make important employment decisions, particularly in areas such as hiring, staff surveillance and performance management. Although this technology can prove beneficial, it also poses EPL exposures. Specifically, the collection and processing of sensitive employee data through AI tools can raise significant ethical and privacy concerns, whereas any algorithmic biases in this technology could perpetuate discriminatory or otherwise adverse employment actions.

While the previous presidential administration contributed to heightened regulatory scrutiny regarding AI usage, the new administration has taken a different approach. In 2025, Trump signed an EO that directed the EEOC to remove a range of guidance related to leveraging AI tools when making employment decisions, signaling reduced focus on restricting this technology in the coming months and a greater emphasis on enhancing it. At first glance, this may indicate a lower likelihood of AI-related claims in the EPL space moving forward. Yet, several state and local regulators continue to develop strict legislation surrounding AI tools.

For example, California’s Civil Rights Department finalized new regulations that prohibit employers from using automated decision systems or criteria that lead to discrimination based on protected categories defined in the state’s Fair Employment and Housing Act (FEHA). Additionally, New York City’s Department of Consumer and Worker Protection implemented Local Law 144, which requires employers to conduct routine and publicly available audits of their automated employment decision tools to help protect against any algorithmic biases in hiring and promotion processes, as well as provide job candidates and staff with proper notice regarding the use of this technology. As AI tools continue to advance, more jurisdictions are expected to introduce similar legislation, allowing for ongoing EPL claims activity. With this in mind, insurers are calling for robust oversight and disclosure of AI tools during the underwriting process and more closely scrutinizing policyholders’ overall usage of such technology in the employment context. In some cases, insurers may require insureds to undergo periodic bias assessments or provide other detailed documentation regarding their utilization of AI tools as a prerequisite for EPL coverage.





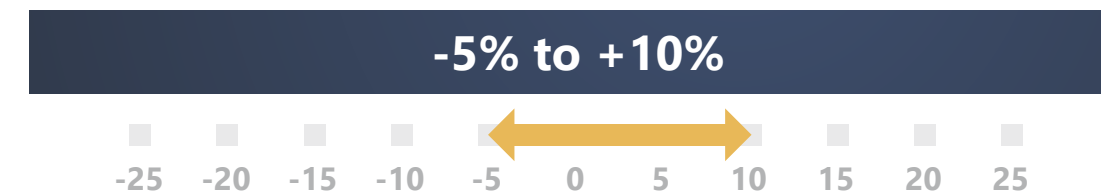
Looking Ahead

Policyholders can anticipate continued pricing moderation across the EPL insurance segment in 2026. While properly controlled accounts in low-risk classes and jurisdictions may experience flat to slight rate reductions, those with complex exposures and claims history could face ongoing premium hikes and increased retentions. Insurers may be hesitant to deploy larger limits on specific risks, but capacity is projected to remain stable for most policyholders.

Strict underwriting guidelines will likely persist for the foreseeable future, with insurers placing the most emphasis on DEI practices, the use of AI tools and other automated technology in HR operations, and compliance with evolving federal mandates and state employment regulations. Especially as certain cost drivers threaten to exacerbate overall claims frequency and severity, it has become all the more critical for policyholders to maintain adequate oversight of their specific EPL exposures and clearly document related loss control measures. Those who neglect to address these risks, particularly in tougher sectors and locations, may encounter less favorable pricing structures and restrictive coverage terms.

Fidelity and Crime Insurance Market Outlook

2026 Price Prediction:



The last few years have fostered considerable growth in the fidelity and crime insurance segment, evidenced by new entrants and an increasingly competitive market. Specifically, a rising number of insurers—namely, those that have historically operated within the professional and management liability sectors—have emerged in this segment as a means to diversify their portfolios, enhance their coverage offerings, and enter a line of business that has shown relatively strong and consistent profit potential compared to others. In response to these shifting dynamics, most policyholders have benefited from stable pricing structures, marked by flat to slight premium reductions.

Favorable underwriting results and boosted profitability continue to encourage healthy market competition and ample capacity, with insurers providing generally broad coverage terms and ideal retentions. Most insurers are also offering increased limits and enhanced coverage options, especially for well-managed accounts with sound risk management strategies in place. Yet, it's worth noting that insureds with complex exposures and adverse loss history may still face increased rate pressure and potential coverage limitations.

Stable conditions are likely to persist in the fidelity and crime space for the foreseeable future. Nevertheless, various market developments—particularly new and advancing fraud techniques—could impact claims frequency and severity in the year ahead. As such, insurers are expected to mirror other lines of commercial coverage by implementing strict underwriting discipline, thereby rewarding policyholders who demonstrate effective loss control measures.

Current Market Trends and Cost Drivers

AI-enabled Fraud

AI tools and other technological advancements have paved the way for criminals to launch sophisticated social engineering schemes against companies of all sizes and sectors, ultimately driving up funds transfer fraud (FTF) losses across the fidelity and crime space. These schemes primarily leverage synthetic text and deepfakes to trick targets—usually employees—into making large-scale wire transfers to unauthorized individuals and, in turn, unknowingly depleting corporate assets. According to a recent

report from telecommunications company Verizon, the use of AI-generated text in malicious emails has doubled over the last two years, jumping from 5% to 10%.

Additionally, industry data revealed a 233% year-over-year increase in social engineering and fraud claims, primarily tied to a 53% rise in deepfake-related attacks.

Complicating matters, AI-enabled fraud isn't always covered by standard fidelity and crime insurance. Base coverage forms typically apply to direct losses stemming from FTF incidents caused by criminals bypassing internal controls and gaining unauthorized entry into organizational systems on their own accord (e.g., hacking into sensitive IT infrastructure or personally delivering fraudulent instructions to a financial institution). However, they generally exclude protection for losses arising from voluntary parting of funds, even if the transaction was rooted in deceit. This exclusion is a key reason why losses involving employee-authorized wire transfers typically fall outside traditional fidelity and crime coverage, unless a social engineering or fraudulent

VEC Attack Sequence



Fake vendor email



Invoice for fraudulent services



Payment delivery



Lost funds

instruction endorsement is in place. Even so, such endorsements generally come with strict sublimits and are conditional upon policyholders implementing certain security controls (e.g., MFA and out-of-band callbacks) to help minimize potential losses.

As AI tools and related FTF tactics continue to advance, many insurers are scrutinizing these controls even further and requiring insureds to prove that they take necessary steps to authenticate wire transfer requests before offering higher policy limits. Moving forward, it's imperative for policyholders and brokers to work together to ensure ample coverage for AI-enabled fraud and maintain proper alignment of both cyber and fidelity and crime insurance to limit possible coverage gaps.

Vendor Fraud

Besides AI-enabled fraud, recent years have seen a rise in fidelity and crime claims stemming from vendor fraud. Common forms of such fraud include spoofed invoices and vendor email compromise (VEC) attacks, both of which rely on advanced phishing tactics to con targets into sending corporate funds to unauthorized third parties under the guise of paying for services rendered. According to the Verizon report, the proportion of third-party involvement in corporate security breaches has

doubled year over year, jumping from 15% to 30%. Furthermore, IT security firm Abnormal AI found that VEC attacks have surged by approximately 50% over the past 12 months, with the estimated average cost of these incidents totaling \$183,000.

Similar to AI-enabled fraud, the deceitful nature of spoofed invoices and VEC attacks may block them from triggering coverage under standard fidelity and crime insurance, unless the target's bank is held responsible for issuing an unauthorized wire transfer. As a result, protection for losses arising from vendor fraud will depend upon the utilization of social engineering or fraudulent instruction endorsements and specific policy wording, namely, how "direct losses" are defined. With vendor fraud on the rise, policyholders can expect insurers to deploy more extensive underwriting reviews of their specific mitigation strategies before stretching coverage limits and easing retentions. These strategies may include documented vendor onboarding procedures, bank-detail change protocols and Positive Pay technology that automatically flags transactional discrepancies for further review before transferring funds. Failing to address their unique vendor fraud exposures and make necessary coverage adjustments could leave policyholders, particularly those working with numerous service providers, vulnerable to significant out-of-pocket expenses.

Check Fraud and Mail Theft

In addition to advancing fraud techniques, traditional check fraud and mail theft continue to influence loss patterns across the fidelity and crime space, contributing to substantial forgery/alteration and money and securities claims. In fact, the FBI and U.S. Postal Inspection Service (USPIS) recently issued a joint public service announcement warning organizations of the ongoing rise in municipal and commercial losses stemming from check fraud, with a large volume of these incidents enabled by mail theft. In this announcement, IC3 data revealed that suspicious activity reports related to check fraud almost doubled from 2021 to 2023. The announcement also asserted that such fraud is largely connected to an uptick in check washing, which refers to criminals leveraging certain chemicals to alter the original payee and financial amounts listed on stolen checks for their own personal gain. According to USPIS records, postal inspectors recover more than \$1 billion in counterfeit checks and money orders each year, highlighting the severity of such fraud.

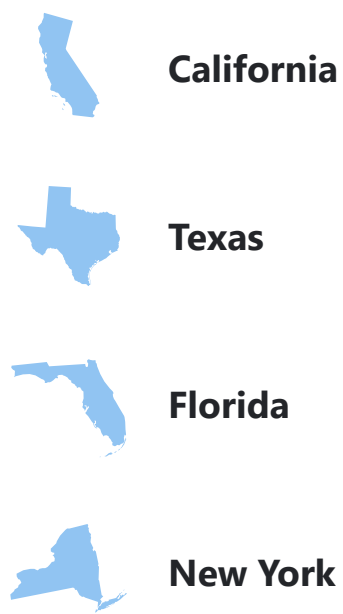
These incidents can impact any business that issues, mails or receives paper checks. Frequently targeted organizations include financial institutions, health care providers, contractors, municipalities, nonprofits and small businesses with limited digital

resources. In light of worsening check fraud and mail theft trends, it’s essential for policyholders at risk of such losses to properly manage their exposures and document associated mitigation measures (e.g., using secure checks and mail services, monitoring financial transactions on a routine basis, and enabling any available bank security features and alert systems) for insurers. Continued claims activity related to check fraud and mail theft could prompt higher premiums and coverage restrictions going forward.

States With the Highest Check Fraud Rates



States With the Highest Check Fraud Losses



Source: U.S. Treasury Financial Crimes Enforcement Network



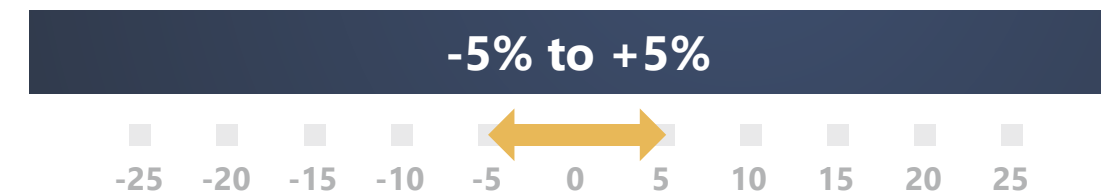
Looking Ahead

As profitability reaches new heights and additional capacity enters the fidelity and crime insurance market, policyholders can anticipate favorable conditions throughout 2026. Barring any large-scale jumps in claims frequency and severity due to evolving fraud techniques, industry experts predict that the segment will remain in a strong position. While accounts with substantial coverage enhancements and loss experience may still face some upward rate movement, overall market discipline is expected to prevail, with most policyholders encountering flat premiums.

Even in this stable environment, it's critical for insureds to implement sufficient financial safeguards and related mitigation techniques, thus preventing potential losses and coverage challenges. Those who can demonstrate mature treasury practices and align policy language to real-world processes will be best positioned to attract favorable pricing and obtain meaningful protection in the months ahead.

Fiduciary Liability Insurance Market Outlook

2026 Price Prediction:



The fiduciary liability insurance segment has remained relatively stable over the past several years, characterized by consistent pricing structures and ample capacity. According to industry data, most policyholders encountered flat premiums from 2024-25, while many low-risk accounts saw modest rate reductions and lowered retentions during this time frame.

These conditions are largely tied to improved underwriting results and new market entrants fostering healthy competition. In this environment, many insurers are widening their risk appetites to attract more business. Furthermore, a growing number of D&O insurers have begun participating in fiduciary liability towers, enabling policyholders to access even greater capacity and expanded coverage options.

While market stability is expected to persist in the year ahead, most insurers are maintaining strict underwriting discipline to help minimize potential losses and ensure ongoing profitability. As various cost drivers continue to influence claim frequency and severity, insurers are also applying higher retentions and additional coverage restrictions to policyholders with complex loss histories and elevated exposures, particularly as they pertain to excessive fee litigation and class action lawsuits. Moving forward, effective documentation and prudent governance processes will likely prove essential in helping insureds secure favorable pricing and coverage terms.

Current Market Trends and Cost Drivers

ERISA Fee Litigation Exposures

Fiduciaries are bound by federal law, namely, the Employee Retirement Income Security Act of 1974 (ERISA). When acting in their roles, this legislation requires fiduciaries to uphold several primary duties: loyalty to employee benefits plan participants, prudence in plan-related decision-making processes, diversification of plan investments and adherence to plan documentation. ERISA also establishes the legal framework under which fiduciaries may be held personally liable for breaching their duties. As a result, fiduciaries who fail to uphold these duties may not only be subject to civil and criminal penalties but also face costly legal action from impacted plan participants, leading to fiduciary liability claims.

ERISA-related litigation surged in 2025, with the National Association of Plan Advisors (NAPA) recording at least 136 lawsuits throughout the year. Most of these lawsuits centered around excessive fee claims and the misuse of 401(k) forfeited funds, especially among defined contribution plans.

In addition to the continued prevalence of recordkeeping fee litigation, stable value fund challenges have become a major driver of excessive fee claims, as industry data revealed a more than 500% increase in these claims from 2024-25. Such litigation trends are likely connected to the Supreme Court's recent decision to lower the pleading standard for plaintiffs in lawsuits alleging prohibited ERISA transactions. This decision, which took effect in April 2025, makes it easier for plaintiffs to substantiate excessive fee claims under ERISA, ultimately compounding fiduciary liability losses.

The Path of Excessive Fee Claims



Poor investment decisions
and fee structures



Documentation gaps



Litigation exposures



Heightened claims severity

Fiduciary Responsibilities Influenced by SECURE 2.0



Plan enrollment



Disclosures



Contribution rules



Distribution options



Provider selections

Complicating matters, legal inconsistencies across jurisdictions and courts regarding specific requirements for employee benefits plan sponsors have contributed to a rise in “forum shopping,” leaving fiduciaries susceptible to higher litigation costs and associated claims expenses following court proceedings in plaintiff-friendly jurisdictions. As these ERISA-related litigation concerns continue in the months ahead, it’s critical for policyholders to ensure their fiduciaries are proactively monitoring plan investment selections, establishing compliant fee structures and properly documenting associated processes, thereby mitigating their exposures and limiting the likelihood of complex claims.


SECURE 2.0 Compliance Considerations

Referred to as such because it builds on the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019, the SECURE 2.0 Act is part of an omnibus bill that was signed in late 2022. This legislation introduced several changes to the existing U.S. retirement system, aiming to encourage more employees to save for retirement and increase their overall savings potential through expanded plan options and coverage flexibility.

Key provisions of the SECURE 2.0 Act impact both fiduciaries and plan participants, with staggered effective dates spanning across much of the next decade.

As this legislation gradually comes to fruition, fiduciaries will face heightened regulatory expectations, particularly regarding automatic retirement plan enrollment practices, distribution options and annual compliance testing. Incorrect or otherwise poor implementation of these new requirements could leave fiduciaries vulnerable to substantial regulatory penalties and ongoing scrutiny from federal agencies such as the U.S. Department of Labor (DOL), potentially paving the way for additional fiduciary liability claims.

Altogether, these evolving regulatory developments underscore the importance of robust retirement plan documentation and governance measures. Over the next few years and beyond, adhering to proper protocols for provider selection and plan participant disclosures will be crucial for SECURE 2.0 compliance. As such, policyholders can expect insurers to place greater emphasis



on having clear plan management processes and favor those with well-documented fiduciary procedures.

ESG Investment Challenges

Similar to other lines of coverage in the professional/executive liability space, ESG-related concerns have created new avenues for fiduciary liability claims activity. In particular, ESG investing for ERISA-regulated plans is facing increasing legal and political scrutiny, exposing fiduciaries to associated liability litigation. Such claims primarily allege that fiduciaries are prioritizing non-pecuniary ESG goals over economic factors (e.g., risk, liquidity and diversification) in their employee benefits plan-related decision-making processes and are no longer acting in the best interests of plan participants, thus breaching their duties of loyalty and prudence.

Amid these concerns, the DOL's 2022 final rule clarified that fiduciaries may consider ESG investment components only if they are financially relevant and may not sacrifice investment returns or assume greater risk for plan participants when doing so. More recently, the DOL has signaled its intention to revisit or revise this ESG investing framework, contributing to additional uncertainty for fiduciaries going forward.

At the same time, the Supreme Court's decision to overturn the Chevron deference in June 2024 has since increased the potential for inconsistent interpretations of ERISA regulations across different jurisdictions. Consequently, fiduciaries may face varying legal standards depending on where associated litigation is filed, further elevating claims exposures.

In this increasingly challenging regulatory landscape, it has become all the more vital for policyholders to ensure their fiduciaries uphold appropriate due diligence processes, meticulous plan documentation and detailed justification of ESG investments in order to avoid related liability litigation and coverage disputes.

Looking Ahead

Policyholders can anticipate largely stable conditions across the fiduciary liability insurance segment in 2026, marked by flat to slight premium increases based on plan size and risk profile. According to industry experts, well-managed accounts with minimal claims history may still encounter modest rate reductions, while those more heavily impacted by market cost drivers could be susceptible to larger premium hikes. As new entrants and an influx of D&O insurers continue to expand the segment and generate balanced competition, policyholders are likely to experience greater capacity and additional coverage offerings.

Stringent underwriting standards are also expected to remain intact in the coming year, with rigorous guidelines surrounding fiduciary governance, plan documentation, fee benchmarking, compliance with evolving legislation and prevention strategies for top litigation exposures. Policyholders who demonstrate disciplined plan oversight, proactive risk mitigation measures and a strong fiduciary culture can expect to be rewarded with the best pricing structures and capacity.

For More Information

This document is not intended to be exhaustive, nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice. For more details regarding the information contained in this report, contact us today.

In addition to helping you navigate the commercial insurance market, we have the resources to assist in your risk management efforts. Business owners who proactively address risk, control losses and manage exposures will be adequately prepared for changes in the market and will get the most out of each insurance dollar spent.